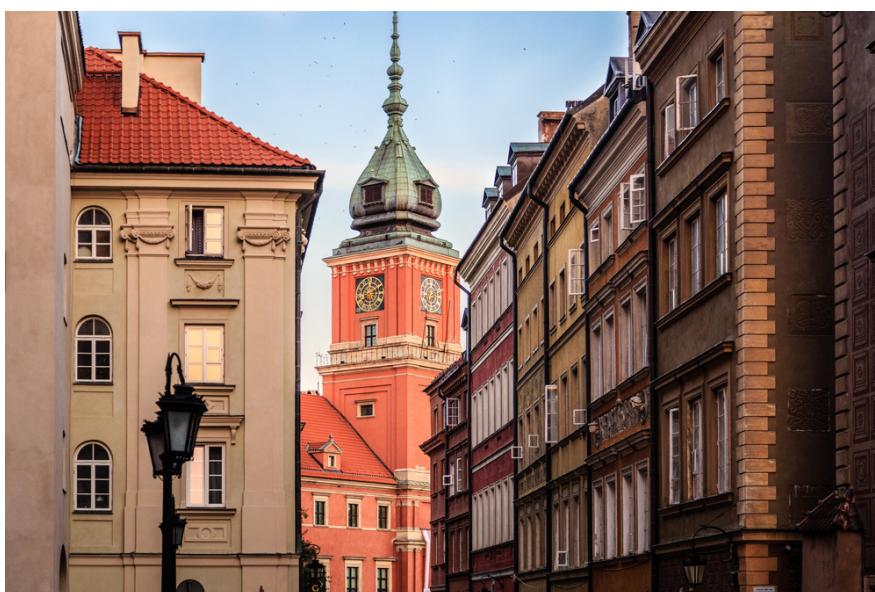


Polish CPI inches down in March

Inflation in Poland slowed from 4.7% to 4.6% YoY displaying limited Covid-19 impact so far. We think the disinflationary impact of the pandemic will start to become visible from April onwards



Source: Shutterstock

Polish inflation slowed down from 4.7% to 4.6% YoY. This was above the consensus of 4.4%. The statistical office, GUS clarified that prices in many groups were taken in early March i.e. prior to the country going in lockdown. The disinflationary impact of the pandemic is likely to be visible in April data.

Food prices growth accelerated from 7.5% to 8%YoY, slightly above our estimates. Agricultural product markets indicated no rise in wholesale prices, so the increase was probably caused by higher demand for necessities in retail stores. Fuel prices took away 0.25pp from the headline – inflation in this group fell from 2.4% to -2.9% YoY.

Based on the statistical offices' numbers, we estimate core inflation rose from 3.6% to 3.7% YoY. Data revealed no significant deviation in leisure and hospitality or clothing prices from their typical seasonal pattern despite trade in those groups effectively ceasing during the lockdown.

The full extent of price drops should become visible in April or perhaps even later, as the GUS computes them based on the regular seasonal pattern, so long as activity isn't back to normal.

In the coming months, we expect CPI to slow down further. Fuel prices should take away another 0.5-0.6pp from the headline figure.

Core prices are a significant risk, depending on the GUS approach to goods and services effectively not currently being traded. If their estimates include very weak demand, CPI could decline substantially in 2Q.