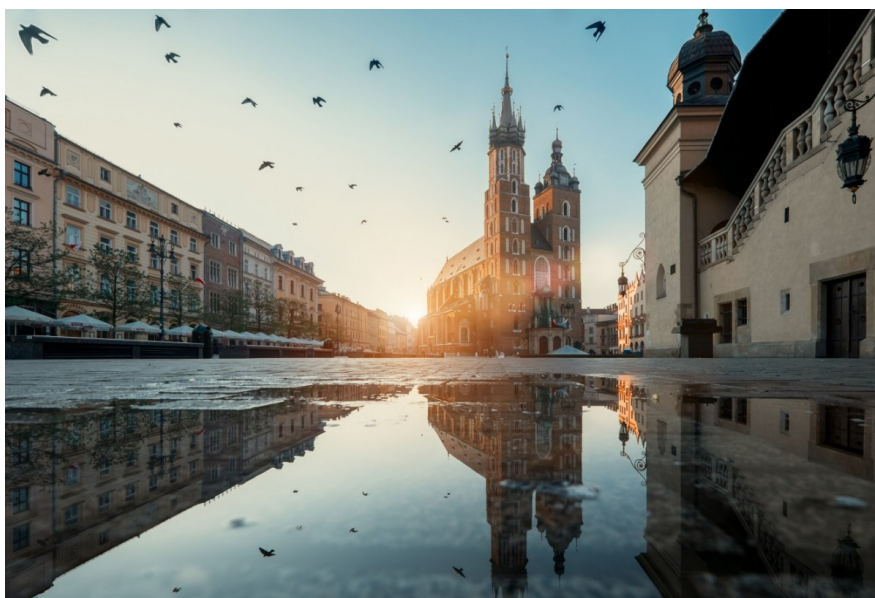


Poland inflation slows on food and energy

Polish inflation slowed down to 2.9% in August reflecting lower prices of food, energy and possibly core. Going ahead, we expect inflation to cool down even more



Source: Shutterstock

Food prices in Poland slowed from 3.9% to 3.0% year-on-year, while electricity and gas prices stabilised at 4.5% YoY.

The decline in fuel prices for private transportation was less severe than in July (-12.3% vs -16.1% YoY). Based on available data, we estimate core inflation to be around 4.1%, down from 4.3% YoY a month ago.

Since this is a flash reading we have no further details. However, we assume that the decline in core inflation reflected the Polish Statistical Office reverting back to the regular collection of prices of goods and services unavailable during the lockdown. Previously those prices were based on past seasonal patterns, which is why some prices were overstated e.g. prices of foreign trips.

Headline inflation should continue to slow, bottoming out early next year. This reflects base effects from 1Q of this year, as well as weaker domestic demand. In the coming months, labour market

conditions are likely to worsen, as companies that took public support during the pandemic will be allowed to limit employment.

Moreover, in 3Q demand was boosted by Poles spending their holidays domestically, but there is unlikely to be that impact in 4Q.

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