

## Poland: Higher core inflation, but disappointing structure

The central statistical office increased core inflation estimates in the final CPI reading. Still, its structure remains disappointing; the transition of wages into services' costs remains low



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According to the final CPI reading, inflation in June increased from 1.7% year on year to 2%YoY, higher comparing to the flash estimate (1.9%YoY). The pick-up was related mainly to fuel prices. Based on available data we estimate core inflation at 0.6%YoY (increase by 0.1pp from May).

The core inflation increase was related to another shift in package holidays category (which added 0.06pp to CPI and 0,1pp to the core). This category was surprising during the whole quarter – strongly diverging from trends visible in the CEE region (methodological issues may play a significant role).

Yet, overall services inflation remained weak (pick up by 0.1pp to 1.4%YoY). Given that we see the scope of further acceleration as limited.

Overall we expect CPI to slow down strongly after the summer on base effects on food and

fuel prices - we see inflation close to 1%YoY in 4Q18, well below the lower boundary of NBP target (1.5%YoY).

The persistent weakness of core inflation should support the forward guidance provided by NBP governor Adam Glapiński (flat rates in 2018, 2019 and most likely till the end of 2020)