

## Poland: Inflation inches up in May

The final CPI reading was slightly stronger than the flash estimate. Core inflation did not change compared to the previous month



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CPI in Poland accelerated in May from 2.2% to 2.4%, according to the final reading, which is slightly stronger than the flash estimate of 2.3%. The difference was related to core inflation – which we estimate remained stable at 1.7% year-on-year.

There were two contradictory forces driving core inflation. The sharp increase of transportation services in April retracted, subtracting nearly 0.25pp from the headline figure. Simultaneously, demand-driven categories i.e. recreation & culture or accommodation and restaurants recorded stronger increases. The underlying structure suggests a further gradual acceleration of core inflation in the next few months, supported by increases in telecommunication and package holidays prices.

We expect the CPI to remain at a similar level in June (2.4-2.5%YoY). The rise in core inflation should be offset by lower fuel prices. CPI should remain in a range of 2% to 2.5% YoY in the second half of the year. We also expect core inflation to gradually increase to 2.0-2.5% in 4Q19. However, this effect should be offset in the CPI by lower contributions from fuel and energy. We also expect food prices to decelerate after the summer.