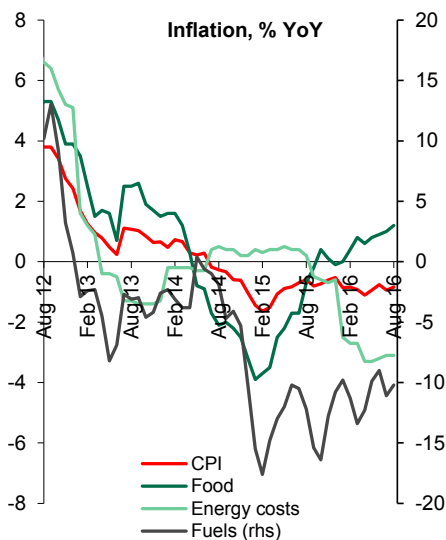


INSTANT COMMENT

12 September 2016

Food pushed CPI up

CPI inflation rose in August to **-0.8% y/y**, in line with the flash estimate and up from **-0.9% y/y** in July. Prices fell **0.2%** on monthly terms. Overall, August CPI does not shed any new light on the price trends in Poland and should be a reason for the MPC to keep interest rates unchanged. Slight rise in inflation was driven by higher food prices, that partly depend on the global demand and supply, as well as by higher prices of insurance due to, among others, the new regulatory requirements and introduction of the banking tax. We expect inflation to continue rising gradually reaching positive territory in December.



CPI inflation rose in August to **-0.8% y/y**, in line with the flash estimate and up from **-0.9% y/y** in July. Prices fell **0.2%** on monthly terms. Lower deflation was triggered mainly by food prices, which fell in August by **0.5% m/m**, much less than they usually do in this period (c.1% m/m on average). A disturbance of seasonal pattern was triggered mainly by prices of meat (up **1% m/m**), which have been rising for a couple of months, and a surge in sugar prices (**5.7% m/m**). One should also notice a **0.3% m/m** rise in prices of "other goods and services" – the strongest since August 2009. It resulted mainly from higher insurance prices (**0.7% m/m**). Changes in other categories were more or less consistent with our expectations: prices of clothing and footwear fell **2.5% m/m** due to seasonal promotions, transport prices went down **0.6% m/m** due to lower fuel prices. According to our estimates, core inflation excluding prices of food and energy reached **-0.4% y/y**, the same as in July.

Overall, August CPI does not shed any new light on the price trends in Poland and should be a reason for the MPC to keep interest rates unchanged. Slight rise in inflation was driven by higher food prices, that partly depend on the global demand and supply, as well as by higher prices of insurance due to, among others, the new regulatory requirements and introduction of the banking tax. We expect inflation to continue rising gradually reaching positive territory in December.

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