

ECONOMIC COMMENT

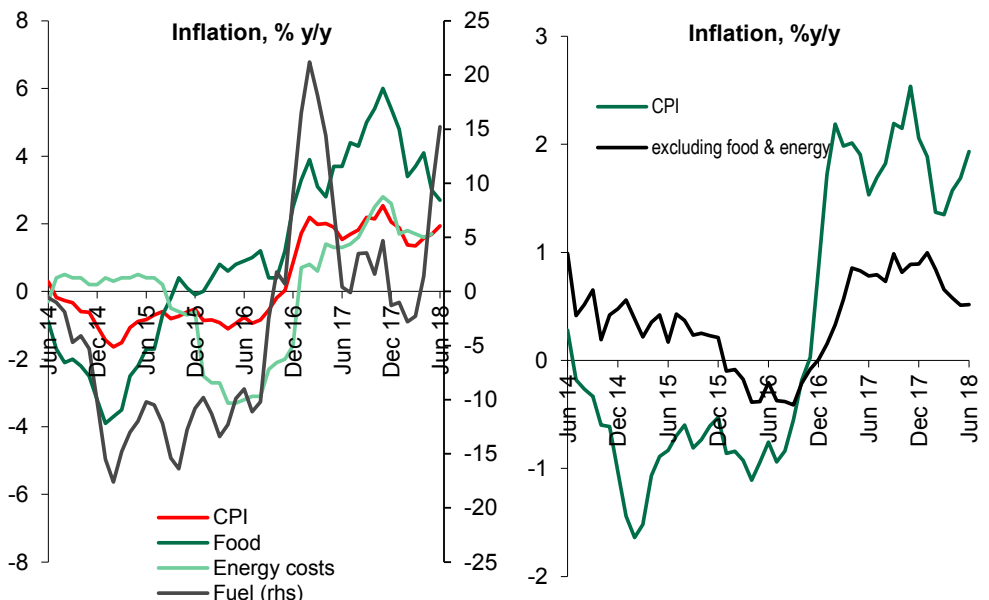
2 July 2018

Inflation grew, but less than expected

According to a flash estimate, CPI climbed in June to 1.9% y/y from 1.7% y/y in May, less than expected (consensus at 2.0%, our forecast at 2.1%). The downward surprise was mostly due to weaker-than-expected rise in fuel prices, which rose 1.1% m/m, while data from gas stations suggested a rise by more than 2% m/m. Trends in core categories remained subdued. According to our estimates, core inflation excluding food and energy prices remained unchanged at 0.5% y/y.

In our view, we are close to this year's peak in inflation, albeit some further rise is possible in July. Oil prices grew again recently and the zloty weakened substantially (4.39 vs the euro at the start of July, the highest level since January 2017), which could translate to higher prices of imported goods. Additional pressure on the growth of consumer prices may come from [the effects of the drought](#). After summer inflation may however start moving lower, to end the year around 1.5%.

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