

15 October 2019

Economic Comment

CPI lower, but core inflation accelerated

Marcin Luźniński, +48 22 534 18 85, marcin.luzinski@santander.pl

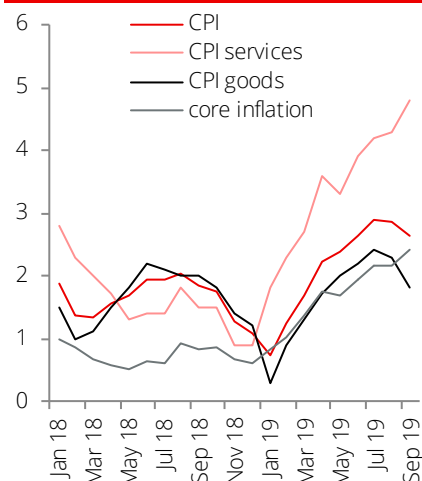
CPI inflation in September was confirmed at 2.6% y/y down from 2.9% y/y in August. According to our estimates, despite lower headline CPI, the core inflation excluding food and energy prices moved up to 2.4% in September from 2.2% in August. In our view, core inflation will continue to climb in the months to come, while CPI will soon resume its upward trend. Government decision on energy prices are crucial for the price developments in early 2020. In case these are unfrozen, CPI can easily break 4% y/y in early 2020. This would however be unlikely to make the MPC hike rates.

The CPI's decline to 2.6% y/y from August's 2.9% was driven mostly by a decline of prices of petrol (-1.9% m/m), transport services (-16.7% m/m) and vegetables (-4.4% m/m), a result of global pricing tendencies in case of two former categories and a result of some correction after a major spike due to droughts in the latter (vegetables eased to 23.9% y/y from 34.8% y/y in August).

But at the same time, there were numerous categories showing higher price growth, with many being persistent in nature. Total services accelerated to 4.8% y/y, with refuse collection increasing to 29.9% y/y from 27.1% y/y, telecommunication services to +1.3% y/y from -0.4% y/y, insurance to +3.3% y/y from -0.1% y/y, education to 4.4% y/y from 3.1% y/y (this may be a one-off spike due to education reform and government's resignation from free textbooks for schools).

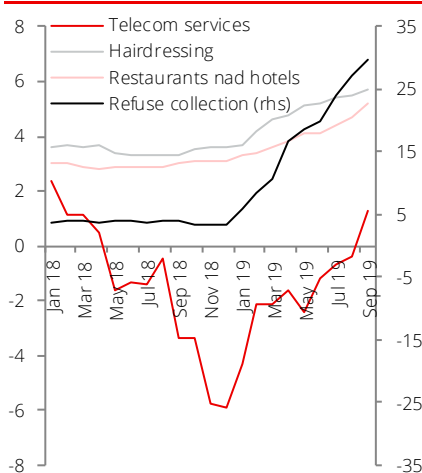
In our view, prices of services will continue to go up, pushing core inflation to 3% at the end of 2019 or in early 2020. CPI is also likely to resume its upward trend. Government decision on energy prices are crucial for the price developments in early 2020. In case these are unfrozen, CPI can easily break 4% y/y in early 2020 (we expect this category to add 0.4-0.5 percentage points). This would however be unlikely to make the MPC hike rates, but could encourage MPC hawks to be more active.

CPI and main breakdowns, % y/y



Source: GUS, Santander

CPI – interesting categories, % y/y



Source: GUS, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
 Piotr Bielski +48 22 534 18 87
 Marcin Luźniński +48 22 534 18 85
 Wojciech Mazurkiewicz +48 22 534 18 86
 Grzegorz Ogonek +48 22 534 19 23
 Marcin Sulewski, CFA +48 22 534 18 84

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.