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Economic Comment

CPI inflation beats market consensus

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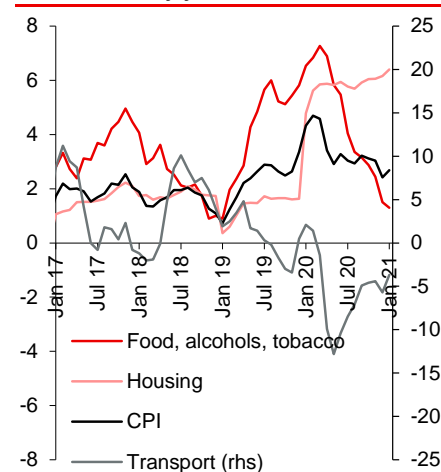
January CPI inflation hit 2.7% y/y, in line with our forecast and above market expectations (2.4% y/y). Based on available information, we estimate that inflation went up mostly due to hike in petrol prices, electricity tariffs and higher core inflation (we see 4.0% vs 3.7% in December). In our view, in the upcoming months the CPI will oscillate around the NBP target (2.5%), with a possible jump towards 3.0% in April, making the MPC feel comfortable with stable rates.

The January reading is very limited in details and covers categories at a higher level of aggregation than in other months. The categories shown by Statistics Office are a mix of core and non-core categories, making it more difficult to guesstimate core inflation. Detailed information will be released in March, together with February reading and new inflation basket.

Based on what we know, we estimate that inflation went up mostly due to hike in petrol prices (transport prices -3.7% y/y vs -5.7% y/y in December), electricity tariffs (housing prices +6.4% y/y vs 6.2% y/y in December) and higher core inflation (we see it at 4.0% vs 3.7% in December). New taxes on drinks also added somewhat to inflation, but probably a bit less than we have expected, as prices of food, alcohols and tobacco rose by 1.3% y/y versus 1.5% y/y in December.

In our view, in the upcoming months the CPI will oscillate around the NBP target (2.5%), with a possible jump towards 3.0% in April, making the MPC feel comfortable with stable rates.

CPI inflation, % y/y



Source: GUS, Santander

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