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Economic Comment

CPI above 3%, core CPI might have hit 4%

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

Grzegorz Ogonek, +48 609 224 857, grzegorz.ogonek@santander.pl

Final data confirmed the quick rise of Polish CPI in March to 3.2% y/y from 2.4%. Our estimates still point to a rebound of core inflation in March to c.4% y/y. While services prices inflation remained high (7.3% y/y), goods prices inflation accelerated to 1.9% y/y, which is the highest pace since April 2020. In our view headline inflation may climb even to around 4% in April and May, but later should recede to the 3-3.5% area for the rest of the year.

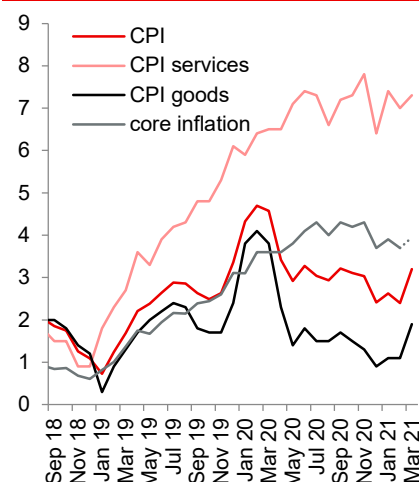
Final data confirmed the quick rise of Polish CPI in March to 3.2% y/y from 2.4%. Services prices were still rising at 7%+ y/y and goods accelerated to 1.9% y/y (the highest pace since April 2020).

Rise in CPI was generally attributable to higher fuel prices, which advanced by 6.6% m/m adding as much as 0.6pp to headline CPI. This was however expected by us. Surprises came mainly from three core categories: (1) communication prices up by 2.6% m/m (the most pronounced jump since 2013), driven by communication services while communication equipment prices fell, (2) culture and recreation prices up by 0.6% m/m (mainly due to increase in radio and TV payments by 4.9% m/m) and footwear and clothing prices up by 4.1% m/m (driven by footwear, up by 4.8% m/m).

This confirms our earlier estimate that the core inflation likely pushed to 3.9-4% in March (official figure is due 16 April). The details do not give a clear answer if this looks like a one-off surge or a sign of its persistence being higher than we expected. Spikes in communication prices are often followed by declines and increase in footwear/clothing could be a results of temporary reopening of shopping malls in February-March.

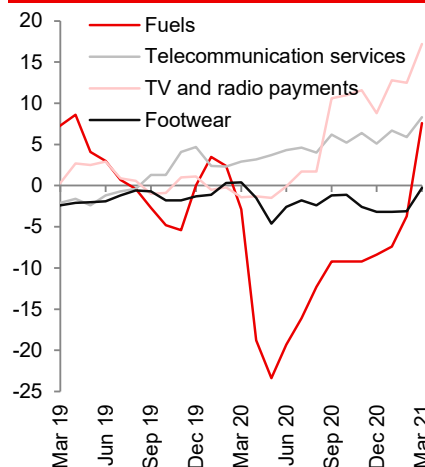
In general, we expect core CPI to yield this year to the downside pressure from negative output gap, but so far this year there was yet no visible downside turn in the underlying inflation. Headline inflation may climb even to around 4% in April and May, but should recede to the 3-3.5% area for the rest of the year after that. In our view the economic recovery coming later this year may prevent inflation from falling significantly below 3% also next year.

CPI and selected components, % y/y



Source: GUS, Santander

CPI - selected 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 Luziński +48 22 534 18 85

Wojciech Mazurkiewicz +48 22 534 18 86

Grzegorz Ogonek +48 22 534 19 23

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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>.