

# Economic Comment

## CPI affected by opening of the economy

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Final May's CPI reading showed 4.7% y/y, a notch lower than the flash estimate. Rise from 4.3% recorded in April was mostly due to higher annual growth of fuel and food prices, yet it seems price growth is also gaining momentum in sectors, which have finally emerged from lockdowns in May, as restaurants and hotels (+0.9% m/m) or recreation and culture (+0.4% m/m). We are estimating May's core inflation at 4.0% y/y. In our view, May have set this year's peak in inflation, but CPI is likely to remain above 4% mark in the following months of the year.

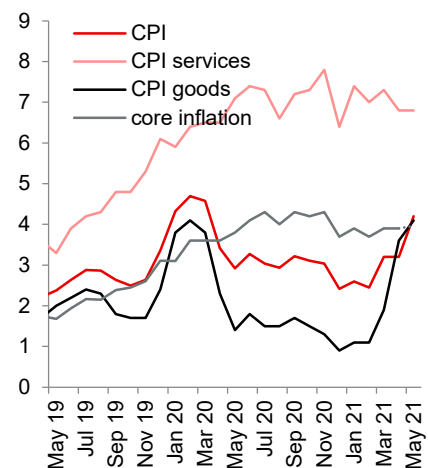
Inflation rose in May to 4.7% y/y from 4.3% y/y and as much as 0.3pp out of this growth was secured by statistical base in transport prices, with both fuels and transport services recording spike in annual growth rates despite declines in monthly terms. Still, the residual 0.1pp is quite interesting, as was probably triggered by the easing of Covid-19 restrictions in May. Interestingly, while services price growth remained stable at elevated 6.8% y/y, goods prices started accelerating (4.1% y/y in May from 3.6% y/y in April).

Food prices accelerated to 1.7% y/y from 1.2% y/y after rise by 0.6% m/m, mostly driven by meat prices, especially beef (+0.7% m/m) and poultry (+6.2% m/m), with the former driven by reopening of restaurants and returning demand, and the latter mostly by supply issues (bird flu). We think that the annual growth of food prices is likely to accelerate further in the upcoming months.

Prices of culture and recreation rose in May by 0.4% m/m, while usually this month sees a seasonal decline. This could be partially blamed on reopening of services, yet radio and TV subscriptions were a major upward contributor (+3.0% m/m), and we do not connect this spike with restriction easing. Meanwhile, restaurants and hotels saw a spike by 0.9% m/m, the strongest in that month in more than 10 years. This is an effect of reopening of restaurants after months of lockdown and strong demand. Furniture prices went up by 0.7% m/m. Even though it was lower than in April (2.2% m/m), we think that the price pressure in this sector may remain strong, especially that the costs of production are surging.

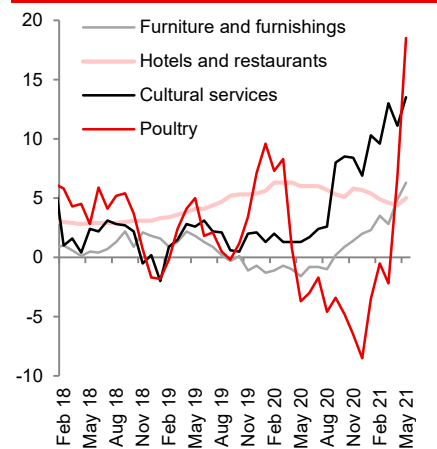
We are estimating May's core inflation at 4.0% y/y, up from 3.9% y/y in April. In our view, May have set this year's peak in inflation, but CPI is very likely to remain above 4% mark in the following months of the year, and is unlikely to decelerate also in 2022.

### Inflation measures, % y/y



Source: GUS, NBP, Santander

### CPI - details, % y/y



Source: GUS, Santander

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