

15 November 2021

## Economic Comment

### CPI confirmed at 6.8% and unlikely to ease

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Final October data on CPI inflation confirmed the 6.8% y/y print but pushed up the m/m growth to 1.1% from 1.0%. Our estimate of core inflation is still pointing to 4.6% y/y in October, which would be its highest reading in 20 years. The strengthening of inflation is broad-based and the 7% y/y threshold is likely to be breached already in November, while in February 2022 we may see inflation peak at 8.2% y/y. This should put more pressure on MPC to hike rates again in December, by 50bp in our view.

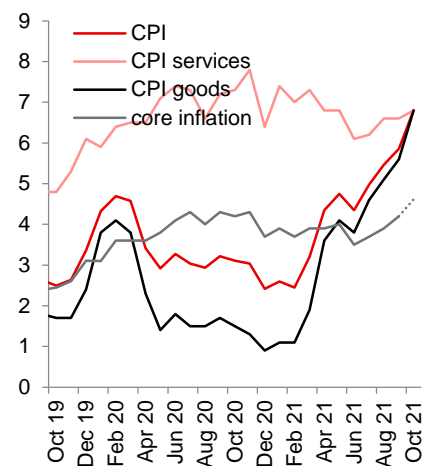
Final October data on CPI inflation confirmed the 6.8% y/y print but pushed up the m/m growth to 1.1% from 1.0%. Y/y inflation is now the highest since May 2001 while the last October when prices were growing at the same or higher pace as in 2021 was in 1999. Goods prices inflation was also 6.8% y/y (after a staggering 1.3% m/m increase) and so was services prices inflation (following 6.6% in September, this is the highest reading since May).

Our estimate of core inflation is still pointing to 4.6% y/y in October, up from September's 4.2% y/y, which would be its highest reading in 20 years. NBP will show the official figure on 16 November.

Solid fuel prices soared 12.8% m/m responding to the earlier spike in global coal prices (coal for heating and gas tanks do not have a regulated price unlike grid gas connections and electricity). Housing costs were growing strongly not only in the maintenance part (solid fuel, gas, heating, water supply, sewage collection all registering further rise of y/y price growth), but were also sent higher by furniture prices rising 4.2% m/m (y/y growth up to 11.7%), more expensive household appliances (the second 1.2% m/m rise in a row). The seasonal food items were actually contributing relatively little, but categories like fats, sugar, dairy, flour and bread were strongly moving up following global trends. Price growth in some services categories eased in y/y terms (hospital services, recreation and culture, financial services), but most kept pushing higher (e.g. education, hotels and restaurants, personal care services).

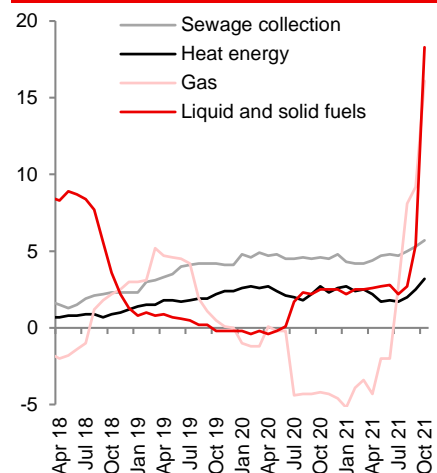
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CPI inflation, % y/y



Source: GUS, Santander

CPI inflation, selected categories, % y/y



Source: GUS, Santander

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