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Economic Comment

CPI still likely to go higher

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Final CPI data confirmed flash estimate at 16.1% y/y. Our estimate shows that core inflation excluding food and energy could have jumped in August to 9.9% y/y. September CPI is likely to go up again, which will probably convince the MPC to hike interest rates again at the next meeting by 25bp.

The official August inflation data confirmed the flash estimate at 16.1% y/y and 0.8% m/m. The increase in the inflation rate compared to July was driven by accelerating food and energy prices (17.5% and 40.3% y/y, respectively), but also by widespread price increases in other categories. Surprisingly, the boost came mainly from commodity prices, which accelerated to 17.5% y/y from 16.9% y/y, while growth in services rose only slightly to 11.8% y/y from 11.7% y/y.

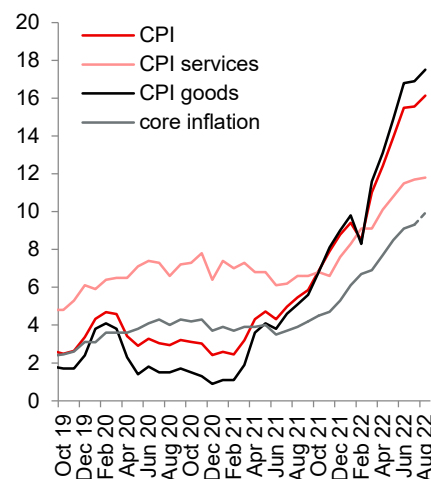
Among the categories that surprised us with lower-than-expected price increases (but not lower prices!) were transport services, communications, restaurants and hotels. On the other hand, the prices of clothing and footwear recorded a decrease noticeably smaller than usual; the costs of furnishing and running a household (in particular cleaning products, cleaning services, furniture) also increased more than we expected. Fuel prices fell by more than 8% m/m, almost in line with expectations. In energy prices, solid fuels prices again stood out, going up by 12.1% m/m.

In food prices, clear upward trends were observed in cereal products (rice +4.2% m/m, pasta +2.0% m/m), fish (1.7% m/m), dairy products (2.3% m/m) and oils and fats (2.8% m/m), similarly as in the previous months. Sugar prices rose by 41.3% m/m, and as a consequence the annual rate of price increase exceeded 100%. There was a relatively minute decline in prices of vegetables and fruit, by 1.8% and 0.4% m/m respectively, while usually in August the discounts are more pronounced. This may suggest an increase in these agricultural products in the autumn.

Our estimate shows that core inflation excluding food and energy could have jumped in August to 9.9% y/y.

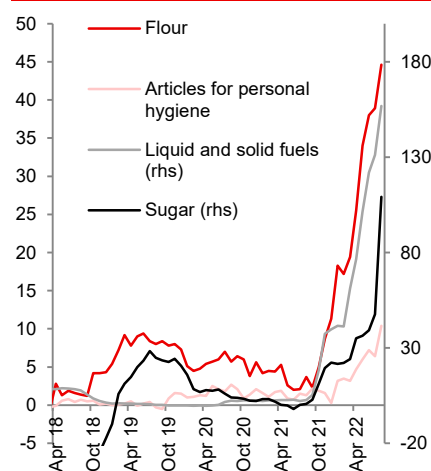
We have just raised our CPI forecast for September, to 16.4% y/y, after accounting for inertia in particular price categories. Such a reading will probably convince the MPC to hike interest rates again at the next meeting by 25bp.

CPI inflation, % y/y



Source: GUS, NBP, Santander

CPI inflation, selected categories, % y/y



Source: GUS, Santander

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