

ECONOMIC COMMENT

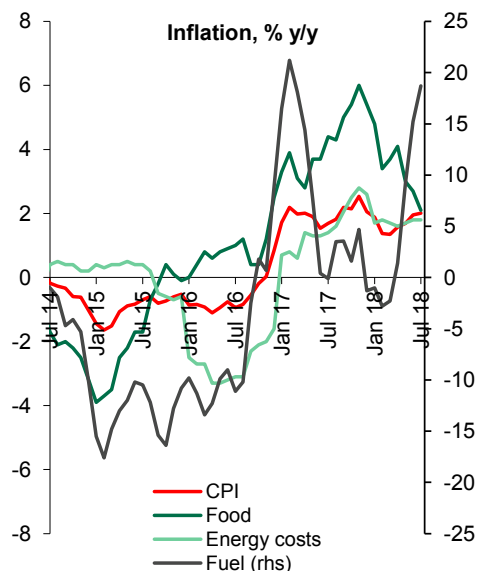
31 July 2018

Inflation unchanged in July

Flash CPI in July amounted to 2.0% y/y, unchanged versus June and versus market consensus at 2.0% y/y at our forecast at 1.9% y/y. Even though the headline gauge remained flat, some downward pressure on CPI was exerted by food prices, which fell 0.7% m/m – in our view mostly due to lower prices of fruit and vegetables, which butter and poultry prices went up. Impact of food prices was offset by low statistical base effect in fuels (one year ago fuel prices went down by almost 2% m/m, this year they rose by 1.4% m/m). Core inflation excluding food and energy prices remained unchanged at 0.6% y/y, in our view.

In the upcoming months, we are expecting some more pressure from food prices due to drought effects, higher core inflation and energy prices (on Thursday, the regulator approved the higher gas tariff, raising gas prices for households by 3.6%, adding slightly below 0.1pp to headline CPI in December). Still, in our view 2.0% in June and July is this year's peak in inflation and in the upcoming months CPI growth will be going down to 1.6% y/y at the year-end.

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