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Economic Comment

A slight correction in prices

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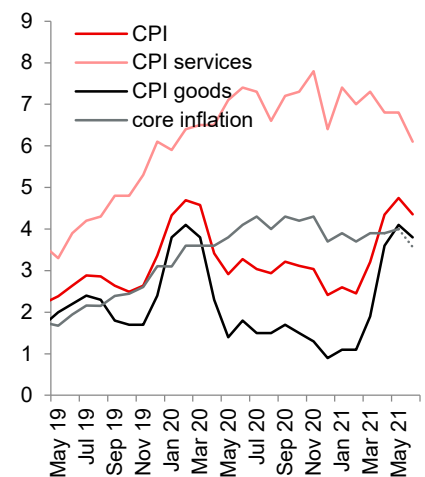
The June CPI was confirmed at 4.4% y/y. The decline vs the May print (4.7% y/y) results mainly from the changes in transport and telecommunications prices. We estimate that the core CPI declined to 3.5-3.6% y/y and was likely the lowest in one year. The detailed data on inflation will be published by NBP on 16 July. In our opinion the CPI has peaked this year in May, while will remain near 4.5% in the coming months which should be becoming less and less convenient for the MPC as the time passes.

The June CPI was confirmed at 4.4% y/y. Prices of goods decelerated to 3.8% from 4.1% y/y, while prices of services to 6.1% from 6.8% y/y. The inflation decline vs May print (4.7% y/y) results mainly from changes in transport prices (low fuel price base effect weakens, while transport services prices keep stabilising) and in telecommunication services (-0.7% m/m, the continuation of May fall after a significant rise in March).

The opening of the economy had a mixed impact on prices. In some categories we could downward corrections following the previous steep increases, as the significant fall in the prices of shoes (-2.0% m/m), declines in furniture and home appliances (by -0.6% m/m and -0.9% m/m, respectively). On the other hand, the noticeable rise of prices was visible in meat (+1.4% m/m, as a function of poultry supply issues) as well as in hotels and restaurants (+1.1% m/m). The food prices overall did not move higher that much, however, as the upward meat upward was offset by a strong decline in prices of fruit (-3.7% m/m).

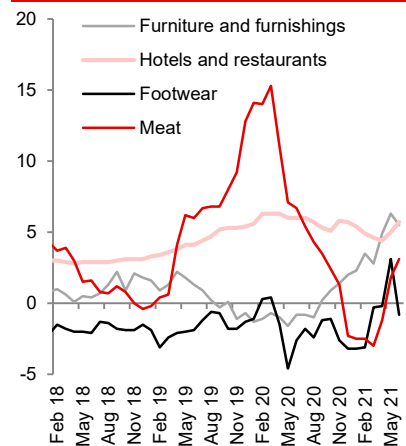
We estimate that core inflation went down to 3.5-3.6% y/y and was probably the lowest in a year. Detailed data will be released by the NBP on 16 July. In our view CPI has set this year's peak in May and will be oscillating close to 4.5% y/y in the months to come, which will be exerting a pressure on the MPC.

CPI inflation - main categories, % y/y



Source: GUS, Santander

Retail sales by categories, % change vs corresponding month 2019



Source: GUS, Santander

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