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Economic Comment

Inflation heading for the top

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April CPI inflation was revised to 12.4% y/y in the final print from 12.3% y/y in the flash release and vs. 11.0% y/y in March. The data are clearly showing that apart from the general strong upside inflationary pressure, consumer prices are being pushed higher by the consequences of the war in Ukraine – mainly by the effect of higher commodity prices (e.g. coal) and food, but also due to the massive inflow of refugees (e.g. house rents).

We expect that CPI inflation will reach a peak above 14% y/y in June-July. Then, in the coming months it should be gradually easing, but should remain in double-digits at least until the end of the year. We estimate April's core inflation at 7.7% y/y and we are expecting it to exceed 8% y/y soon. We assume the decline of inflation after summer will enable the MPC to refrain from further monetary policy tightening after raising rates in June and July by 125bp in total.

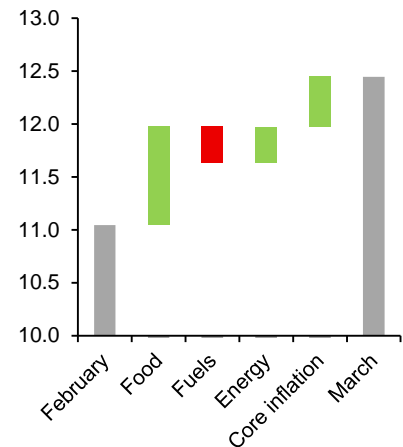
April CPI inflation was revised to 12.4% y/y in the final print from 12.3% y/y in the flash release and vs. 11.0% y/y in March. Goods prices inflation went up to 13.1% y/y from 11.6% y/y and services inflation to 10.1% y/y from 9.1% y/y. The data are clearly showing that apart from the general strong upside inflationary pressure, consumer prices are being pushed higher by the consequences of the war in Ukraine – mainly by the effect of higher commodity prices (e.g. coal) and food, but also due to the massive inflow of refugees (e.g. house rents).

The strongest push was provided by food prices, up 4.1% m/m. In this category meat got more expensive by 8.5% m/m, with poultry and pork prices rising more than 10% m/m for the second month in a row. Other food items recording particularly high rise of prices were: bread (+5.7% m/m), oils and fats (+4.0% m/m), dairy products (+3.1% m/m).

Another categories showing high inflation pressure was house maintenance (+1.9% m/m) and house equipment (+1.7% m/m). The former rose mostly on higher solid fuel prices (+9.2% m/m) and rents (+2.3% m/m) and the latter on cleaning products (+2.7% m/m). The recreation and culture category rose 2.0% m/m as package holidays abroad got 10.2% more expensive m/m in April. The 'others' category (including personal care) rose by 1.3% m/m.

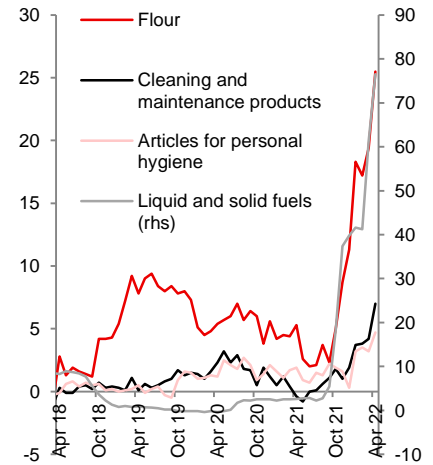
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CPI inflation – breakdown of change vs previous month, % y/y



Source: GUS, Santander

Selected CPI items, % y/y



Source: GUS, Santander

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