

# Economic Comment

## Broad upward tendencies in CPI

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May inflation was confirmed by the Statistics Office at 13.9% y/y. Prices of goods increased by 14.9% (13.1% in April) and services by 10.8% (10.1% in April).

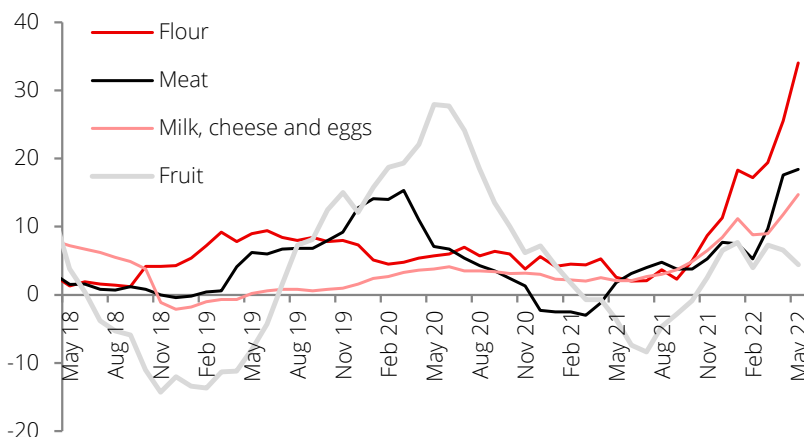
All major components contributed to the faster inflation growth, including energy (solid fuel prices up 14% m/m), fuels (up 5% m/m), core inflation (up to 8.5% from 7.7%) and food. In our view, inflation will enter the 15-16% range in the coming months and will remain there for some time before it begins a gentle descent, and goes below 10% in 2Q23. We assume an extension of the government anti-inflation shield until the end of 2023.

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Food growth slowed markedly, to 1.3% m/m from April's very high 4.1% m/m, but still remained very high by historical standards. Growth rate of meat "calmed down", prices of fruit and vegetables developed in line with seasonal pattern, but other categories such as bread, fish and seafood, dairy, oils and fats showed high momentum and, in our opinion, food prices will continue to go up in the coming months.

### Selected CPI items from category 'Food', %y/y



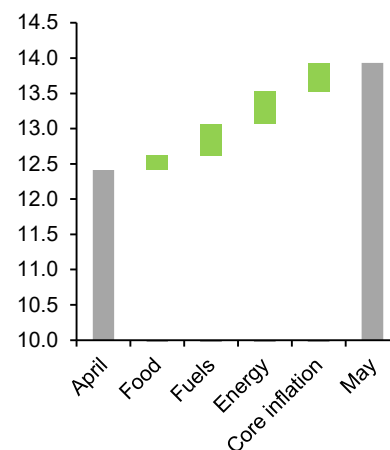
Source: GUS, Santander

In case of categories being part of core inflation, the upward trends were broad-based. Among the categories where prices rose stronger than usual were: clothing and footwear, rents, furniture, newspapers and magazines, package holidays, services of restaurants and hotels. We expect these trends to continue.

In our view, inflation will enter the 15-16% range in the coming months and will remain there for some time before it begins a gentle descent, and goes below 10% in 2Q23. We assume an extension of the government anti-inflation shield until the end of 2023. We think that core inflation will continue to rise and will approach 10% y/y in a few months.

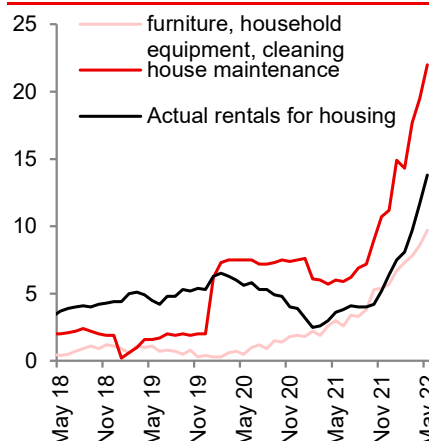
The government intends to lower coal prices for retail consumers to the last years' levels (about 1000PLN per tonne). It plans to propose to those coal retailers, who will adjust its prices to this level, a 750PLN compensation on each tonne sold. If we assume that the proposal fully succeeded in decreasing average market coal price, it should lower our CPI forecast by 0.8 percentage point in coming months. However, we remain sceptical so far, as the price and compensation proposed are significantly lower than current market prices, so the final effect of this solution will probably be weaker than expected.

### Breakdown of May change in CPI, % y/y



Source: GUS, Santander

### Selected CPI items, % y/y



Source: GUS, Santander

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