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# Economic Comment

## Minimal CPI growth in June

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GUS confirmed the flash CPI inflation reading at 4.1% y/y in June, up from 4.0% y/y in May. The increase in the headline figure was primarily due to base effects, which pushed core inflation excluding food, energy, and fuel prices to 3.4% y/y from 3.3% y/y.

In our opinion, this was the last reading starting with a digit 'four', and July should see a significant decline in inflation, even below 3% y/y. We believe CPI inflation could remain below 3% y/y until the end of the year, which should support further interest rate cuts by the Monetary Policy Council. Core inflation, on the other hand, will decline slightly, but we forecast it will remain above 3% y/y until the end of the year.

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### Core inflation slightly up, but this is a base effect

We estimate that core inflation excluding food, energy, and fuel prices rose in June to 3.4% y/y from 3.3% y/y in May. The increase in this measure was primarily driven by two categories: communications (increase in 4.4% y/y from 2.8% y/y) and transport excluding fuels (-1.9% y/y in June after -2.9% y/y in May), for which base effects are largely to blame. In the coming months, we expect a slight decline in core inflation; in our opinion, it will remain above 3% y/y until the end of the year. According to our estimates, supercore inflation rose to 2.8% y/y from 2.7% y/y.

In the transport category, passenger car prices continued to decline, down 0.5% m/m. This was the 21st consecutive monthly decline in this category. The higher growth rate across the entire category was driven by the increase in international flight prices, which rose by 10.8% y/y following a 6% y/y decline in May. However, this change was primarily due to a base effect, as flight prices fell in June 2024, which was unusual for that month.

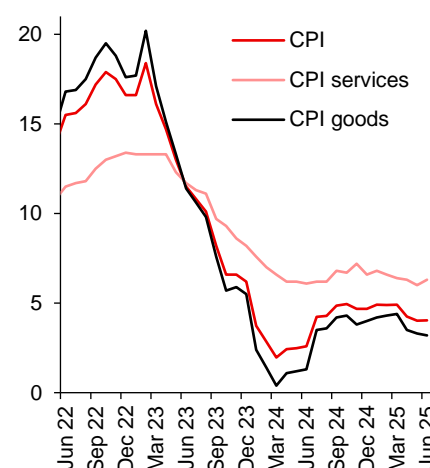
The higher growth rate in the communications category was also primarily due to a base effect, as in June 2024, prices in this category decreased by 0.3% m/m due to a decline in internet service prices, following their unexpected increase in May 2024. In June 2025, communications prices increased by 0.7% m/m.

Price changes in the remaining categories were broadly in line with our expectations, but we would like to draw attention to tobacco products, which continued to contribute positively to inflation (+1.1% m/m), toys prices which increased by 3.0% m/m (the strongest increase in several years), a 6.8% m/m jump in watch prices (the strongest since comparable data has been available, i.e. since 2014) and increased volatility in the prices of household appliances, e.g. refrigerators increased in price by 1.3% m/m, cookers by 1.2% m/m, while irons and coffee machines became cheaper (by 4.4% m/m and 2.2% m/m, respectively).

### Slightly lower growth in food prices, still low dynamics of fuel prices

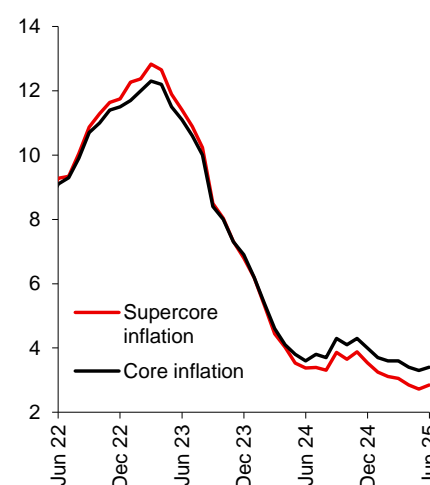
The price increase for food and non-alcoholic beverages in June was 4.9% y/y, compared to 5.5% y/y a month earlier, with a monthly price change of 0.2% m/m. The high price growth for fruit (11.1% y/y, compared to 11.7% in May), meat (4.3% y/y, compared to 4.1%), and the "milk, cheese, and eggs" category (6.1%, compared to 6.6%) continued, while prices for vegetables declined (-2.2%, compared to +0.3% in May). We assume that food price inflation will continue to decline in the coming months, targeting around 3% y/y by the end of the year.

CPI inflation, % y/y



Source: GUS, Santander

Core and supercore inflation, % y/y



Source: GUS, Santander

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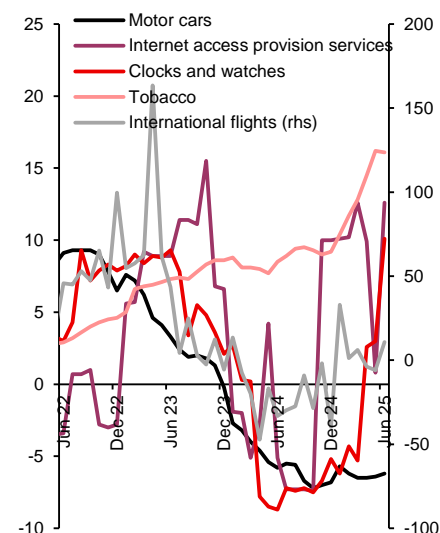
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Among the monthly changes in food prices, the most notable were increases in beef (2.7% m/m) and poultry (2.6% m/m), as well as higher prices for apples (19.0% m/m), and beets (17.6% m/m). Previously strong increases in egg prices have ended, and butter price increases have stabilized. In line with the seasonal pattern, vegetable prices declined significantly, particularly in cucumbers (17.0% m/m) and tomatoes (-16.3% m/m).

Energy prices rose significantly for the last time before July (12.8% y/y, compared to 13.0% y/y the previous month), while fuel prices continued to decline (-10.0% y/y, after 11.4% y/y in May). Base effects and lower gas prices are expected to significantly slow down this category from July onward. Upside risks include traditionally weather conditions and a potential escalation of the conflict in the Middle East, which would impact fuel prices.

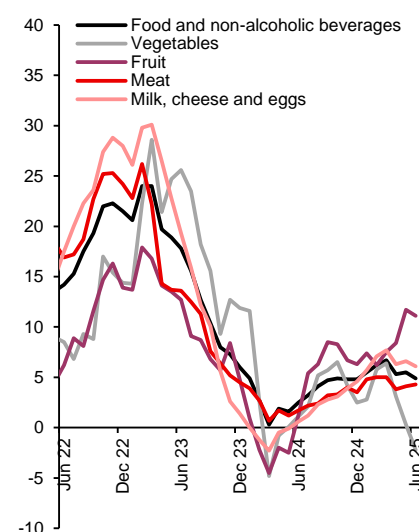
Energy prices fell by 0.2% m/m, with electricity and natural gas prices remaining unchanged. Lower prices for this category were driven down by lower prices for liquefied petroleum gas (-0.7% m/m after -0.5% in May), hard coal (-1.1% m/m, as before), and central heating (-0.9% m/m compared to -1.4% in May). Transport fuel prices fell by 1.2% m/m, including a 0.6% decline for gasoline and a 1.7% decline for diesel fuel. The escalation of the tension between Israel and Iran was not clearly reflected in the data for this category.

**CPI, selected categories, %y/y**



Source: GUS, Santander

**CPI, selected categories, %y/y**



Source: GUS, Santander

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