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Economic Comment

Inflation at 2.1% in both January and February

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Inflation in Poland stood at 2.1% y/y in February, in line with the market consensus and 0.1 pp above our forecast. The change in CPI basket weights led to a revision of January inflation from 2.2% y/y to 2.1%, and from 0.6% m/m to 0.7%. Core inflation may have remained at its December level of 2.7% y/y in both January and February, with a chance of a slight decline in February.

CPI data for January and February should not have a material impact on the MPC's decisions, inter alia due to uncertainty over the consequences of the war in Iran and the Council's shift into a "wait-and-see" mode, already signalled by several of its members.

CPI inflation in Poland stood at 2.1% y/y in February, in line with the market consensus and 0.1 pp above our forecast. The January reading, recalculated using the new CPI weights, also came in at 2.1% y/y, compared with 2.2% originally reported (based on last year's weights). At the same time, on an m/m basis, January inflation was revised up to 0.7% from 0.6%, while February inflation amounted to 0.3%.

This marks the first time GUS has published detailed CPI data calculated not only using the weights applicable this year but also following the change in classification to COICOP 2018. The change in classification, combined with the lack of even a several-year data history, significantly complicates drawing conclusions about the scale of price changes this year across individual categories.

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Stable, relatively low y/y growth in food prices

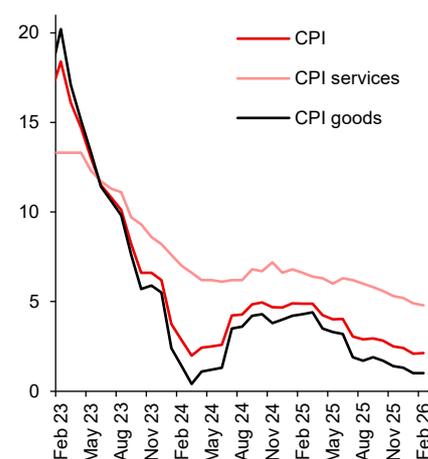
The annual growth rate of food prices was 2.4% in both January and February, the same level at which it ended last year. This stabilisation followed a year of marked deceleration, from an average of 6.1% y/y in 1Q25. At the same time, data for January and February showed a somewhat stronger-than-assumed monthly increase in food prices, at 1.5% and 0.3%, respectively. However, the significance of this upside surprise is marginal in the face of the energy commodity price shock currently unfolding as a result of the war in Iran. This factor is of key importance for food prices this year and creates a clear risk that, after a stable transition around the turn of the year, this component of inflation may soon start to rebound.

Vegetable prices rose faster than usual in the first months of the year: by 5.9% m/m in January and by 3.3% m/m in February – in both cases around 1.5 pp above the long-term median for these months. Particularly strong price increases were recorded for tomatoes (13.2% m/m in January and 6.3% in February, whereas the combined increase in these two months usually amounted to 8–9%). In the case of eggs, prices typically declined m/m in February; this time, this did not happen, although the increase was smaller than a year earlier. Price rises for bread and cereal products, meat and fruit did not deviate materially from the seasonal pattern.

Strong demand for heating at the start of the year pushed up solid fuel prices

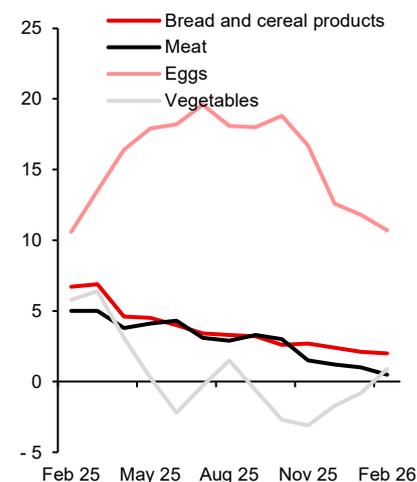
In February, the increase in housing maintenance costs turned out to be higher than we had expected. The cold winter boosted demand for heating fuel which, given inelastic supply conditions, led to sharp price increases. The category covering all energy carriers recorded price growth of 3.1% y/y in January and 3.9% y/y in February. At the end of last year, the annual rate had risen to 2.8% y/y (calculated using the old weights). Liquid heating fuel

CPI inflation, % y/y



Source: GUS, Santander Bank Polska

CPI selected categories, % y/y



Source: GUS, Santander Bank Polska

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prices increased by 4.6% m/m in January and added a further 1.3% in February. In the case of solid fuels, the respective increases were 0.6% and 5.3%, and in the sub-category covering wood-based pellets and briquettes they amounted to 1.2% and 13.3% respectively. Energy carriers are highly exposed to price increases this year due to the sharp rise in global energy commodity prices, although most components of this category are subject to price regulation. As a result, the impact of the commodity price shock may be spread over time and potentially limited by regulatory measures or government intervention.

Fuel prices fell by 0.4% m/m in February, while our forecast had assumed 0% m/m. Estimates for price changes in the coming months depend on the scope and effectiveness of any protective measures and special offers at petrol stations that might be introduced in response to the energy commodity price shock. Special offers of a club-based rather than generally available nature are, as a rule, not recorded by GUS in the CPI. Based on currently observed fuel price levels at petrol stations, one would expect their increase in March to exceed 10% m/m. We suspect that, as a result of the above interventions, it may be possible to limit this rise to around 7% m/m.

Core inflation likely stable around the turn of the year

Methodological changes have significantly reduced the precision of our core inflation estimates. We believe it may have remained close to the levels observed at the end of 2025, i.e. around 2.7% y/y, with the possibility of a slight decline in February.

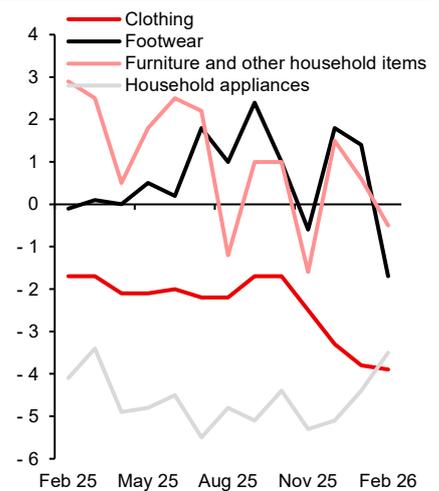
In February, there was a sharp drop in footwear prices, by 4.2% m/m, which pushed the annual rate in the category below zero, to -1.7%. Clothing prices continued to fall on a y/y basis at a pace similar to January (-3.9%) and faster than during most of last year. The y/y growth of prices related to furniture, furnishings and household lighting moved below zero (-0.5%). It appears that the annual rate of change in household appliance prices has started to rebound gradually (-3.5% in February, following -4.4% in January and -5.1% in December). Other categories that had posted sharp declines in previous months showed relatively stable annual price dynamics this time: transport equipment at -7.1% y/y in both January and February; audio-visual, photographic and IT equipment at -9.9% y/y in February and -10.0% in January. Inflation in catering services slowed to below 5% y/y, while accommodation prices rose by only 2.9% y/y – in both cases the these were the lowest readings in nearly five years. On the other hand, inflation in recreation and culture services remained elevated (6.3% y/y), and prices of telecommunications services accelerated to 5.9% y/y from 5.0% in January.

Revision of inflation basket weights made little difference

This time, the revision of weights did not have a significant impact on the inflation reading, as the January figure was lowered by only 0.1 pp. We estimate that the effect on average inflation over the year will be negligible.

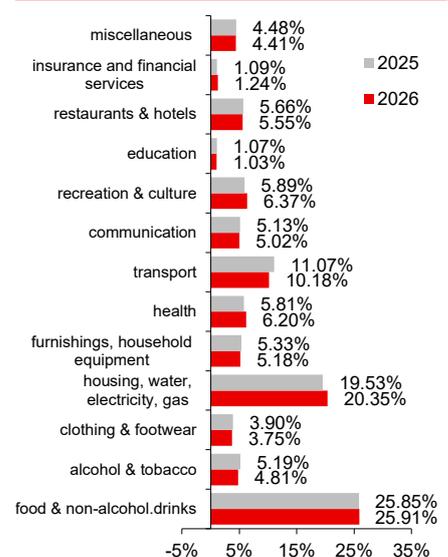
Compared with 2025, the weight increases were recorded in household maintenance, recreation, sport and culture, health, insurance and financial services, as well as food. By contrast, the weights of transport, alcoholic beverages and tobacco products, clothing and footwear, information and communication, restaurants and accommodation, and the miscellaneous category (incl. personal care) declined. We also note that, due to the introduction of the new COICOP 2018 classification, the composition of individual categories was reshuffled, which means that the weights for 2025 were also revised.

CPI selected categories, % y/y



Source: GUS, Santander Bank Polska

Changes in CPI category weights



Source: GUS, Santander Bank Polska

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