

Eurozone | Core inflation accelerates in May

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The overall index increased three-tenths due to the acceleration of unprocessed food and services

After the surprises observed in domestic inflation data from Spain, Italy and Germany, where rates increased from the April figure by 0.4pp, 0.3pp and 0.4pp respectively, the flash estimate confirms the expected upward bias. While we have yet to see the final data, the increase in inflation would correspond to a smaller decline in the prices of energy products (-5% YoY from -5.8% YoY in April) and the acceleration of unprocessed food prices (2.1% YoY after 1.3% YoY in April). On the other hand, the increase in prices of non-energy industrial goods (0.3% YoY after 0.1% YoY) and services (1.3% YoY after 1% YoY) took the core index to grow two-tenths to 0.9% YoY (Figure 1), having reversed the Easter effect observed in April. This increase in core inflation above expectations may reflect something more in domestic demand, but mainly reflects increased volatility in recent months, following surprises in April, to the upside, and March, to the downside. In all, inflationary pressures remain very subdued.

Figure 1

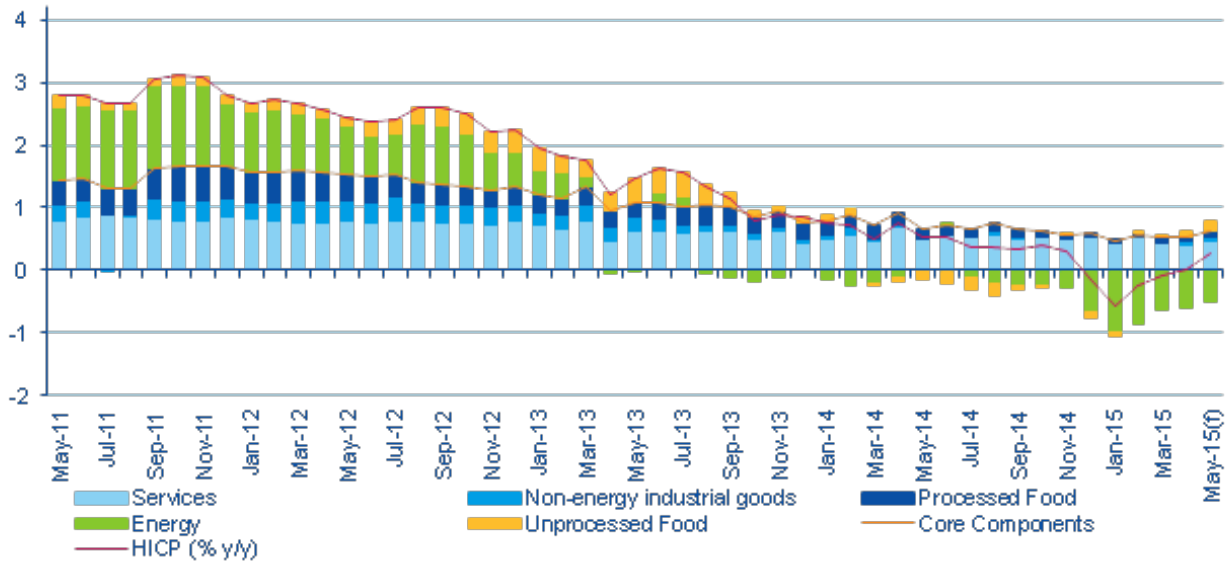
Eurozone. HCPI inflation (% YoY)

	Observed		May 2015	
	March 2015	April 2015	Flash Estimate	BBVA Research
HCPI	-0,1	0,0	0,3	0,2
Energy	-6,0	-5,8	-5,0	-4,9
Fresh Food	0,7	1,3	2,1	2,2
HCPI excluding energy and food	0,6	0,6	0,9	0,7
Core excluding Fresh Food and Energy	0,6	0,7	0,9	0,8
Services	1,0	1,0	1,3	1,1
Non-Energy Industrial Goods	0,0	0,1	0,3	0,2
Processed Food	0,6	0,7	0,6	0,8

Source: Eurostat and BBVA Research

Figure 2

Eurozone. Annual HICP inflation rate. Contribution by component



Source: Eurostat and BBVA Research

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