

## Eurozone core inflation ticks up

While core inflation ticks up to 1.2%, there is still no reason for ECB to turn hawkish



The economic euphoria continues in the Eurozone with strong growth and improving labour markets, but inflation remains miles away from the ECB target.

The one bit of good news for ECB hawks was core inflation ticked up to 1.2%, a level last seen in April. There is some cautious upward pressure on core inflation, which has been expected for some time now as businesses have been increasing their selling price expectations and unemployment has been coming down, boosting sales.

June's unemployment rate dropped to 9.1%, the lowest since February 2009. The modest pressures on core inflation from these developments are still unlikely to cause it to increase much further this year and also headline inflation is unlikely to rise above 1.5% this year.

# 9.1

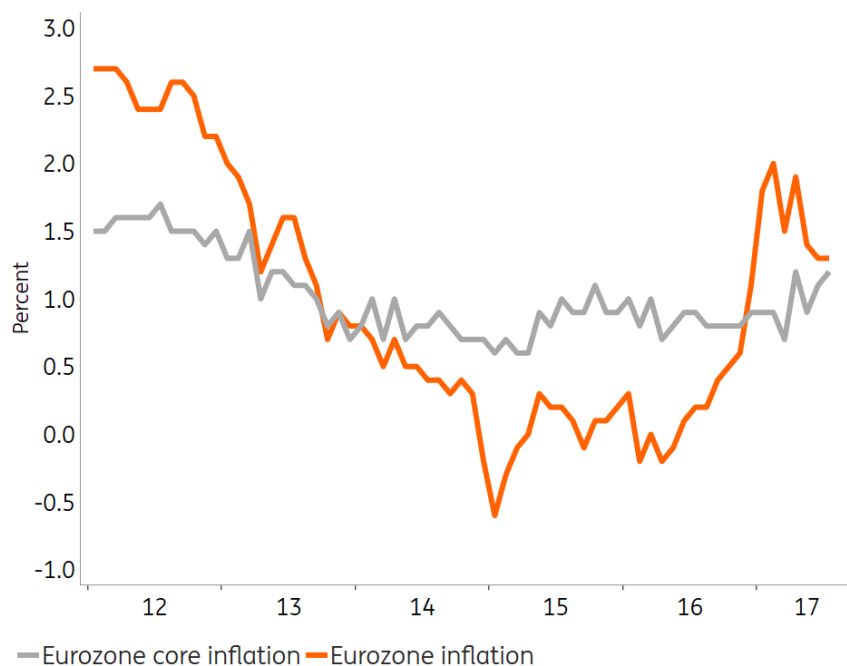
## Eurozone unemployment rate

Unemployment decline rate should boost domestic demand

Better than expected

In fact, continued weakness in oil prices and strength in the euro make weakness in inflation likely. For the ECB, this could result in downward revisions to their inflation expectations at the September meeting. The ECB staff projections currently have a euro-dollar rate of 1.09 priced in for 2018 and 2019, quite far from current levels. That means quite a substantial adjustment could be in the works, which would reduce inflation expectations for 2018 and possibly 2019 further.

## Headline and core inflation converge below ECB target



So while positive economic data from the Eurozone is encouraging ECB hawks, the outlook for 2018 inflation is hardly any stronger.

### Author

**Bert Colijn**

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.