

Eurozone growth disappoints in first quarter; inflation hits 3%

Eurozone inflation rose to 3.0% in April on the back of higher energy prices, while core inflation came in at 2.2%. The 0.1% GDP growth figure in the first quarter was disappointing but is less relevant



Eurozone inflation increased to 3% in April while GDP stagnated in 1Q

Eurozone headline inflation hits 3%

The HICP flash estimate shows headline inflation rising to 3% in April from 2.6% in March. Not surprisingly, higher energy prices were the main culprit, increasing 10.9% year-on-year, from 5.1% in March. But deflationary pressures in goods prices now also seem to be slowly petering out, with a 0.8% rise, up from 0.5% last month. The much-screened services prices, which have a higher domestic content, rose 3%, a deceleration from the 3.2% in March. However, the timing of the Easter holidays has probably distorted this figure. All of this results in underlying inflation of 2.2% (2.3% in March).

As energy prices are likely to remain elevated in the coming months, after declining throughout 2025, the contribution of energy prices to headline inflation should further increase. On top of that, food prices could see an upward push later this year on the back of fertiliser shortages

(unprocessed food prices already rose 4.7% year-on-year and this trend could, with some delay, translate into higher processed food price inflation). And we certainly cannot exclude some second-round effects from the energy shock, as selling price expectations have shot up in all sectors. In that regard, inflation is likely to creep higher towards the 4% level.

First quarter growth disappoints

Meanwhile, economic growth slowed down to 0.1% in 1Q, from 0.2% in 4Q 2025. While the [German GDP expansion](#) surprised to the upside, the stagnation in France disappointed. On top of that, there was the usual distortion from the “freak” growth figure in Ireland, this time subtracting nearly 0.1pp from eurozone GDP growth. That said, the 1Q growth figure is not particularly informative, as it was barely affected by the energy and supply shock caused by the war in the Middle East. The sentiment indicators (PMI and the [economic sentiment indicators](#) from the European Commission) for April show that the second quarter started on a weaker footing. Whether this will ultimately lead to negative growth is unfortunately too soon to tell, but the impact on inflation is already clearly visible.

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