

Snap | 1 April 2019

Eurozone inflation drops on Easter effects

Inflation fell slightly from 1.5% to 1.4% in March, with core inflation dropping to 0.8%. While much of this drop in the core will reverse next month, the underlying picture continues to show modest price growth



Source: istock

The timing of Easter continues to distort inflation in the spring months.

Although a detailed breakdown isn't available yet, package holidays inflation is likely to have negatively impacted this release as 2018 Easter holiday started in March. The decline in services inflation from 1.4% to 1.1% certainly suggests this has had a considerable impact.

Not too much to get excited about, but the overall picture of bleak core inflation remains. Next month will likely see some overshooting of 1% due to the Easter effect reversing, but the underlying story remains one of subdued core inflation as businesses continue to take higher wage growth in their margins because of global uncertainty.

Headline inflation dropped less than the core and stands at 1.4% as fuel prices have rebounded

over recent weeks. This is unlikely to cause a strong increase in inflation in the months ahead as negative energy base effects will dominate headline inflation over the coming months.

A drop to 1% is possible, meaning that the rate is likely to move away from the ECB target over the coming months before moving closer again.

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