

# Eurozone inflation holds steady at 2% in July

Steady inflation confirms that the eurozone is in Lagarde's "good place" at the moment. Expect inflation to remain around target for the months ahead



View of Brussels, Belgium. We think the eurozone economy should stay in Lagarde's "good place" over the coming months

The European Central Bank should savour the moment. Two months in a row of being exactly on target is something that doesn't happen very often. But while it's unlikely that the streak will continue much longer as inflation rarely holds steady, the short-term inflation environment does seem quite benign.

Core inflation held steady at 2.3% in July – for a third consecutive month. Selling price expectations for services and goods are ticking up a little bit, though, especially for goods. Goods inflation was higher in July, coming from a slow pace of price increases. But services inflation trended down again and now stands at 3.1%.

And wage growth continues to show signs of moderation for the rest of the year. That confirms expectations of a core inflation rate which remains close to the ECB target for the foreseeable future.

ECB President Christine Lagarde emphasised that both the eurozone and the central bank are in a

good place at the moment at the July press conference. Inflation is under control, the economy is growing, and the labour market is strong. What's not to like?

Well, risks to the inflation outlook remain large, of course, although the US-EU trade deal – if it holds – takes away some risks to both sides. The lack of retaliation means that import prices from the US are unlikely to spike, and the lack of escalation also means that the eurozone economy will not be hurt more than we initially expected, which keeps disinflationary pressures more modest. That keeps an inflation scenario for the coming months around the 2% target quite likely.

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