

Eurozone inflation increases slightly to 0.3%

Inflation in the eurozone increases somewhat on higher energy prices, while core inflation drops to 0.8%. Don't expect a quick recovery as lockdowns end as unemployment continues to increase



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The inflation rate continues to trend just above 0% as lockdowns end and more reliable information about prices return.

The slight increase in headline inflation in June was mainly due to a slightly less negative energy inflation contribution as core inflation decreased from 0.9 to 0.8%. Quite a few countries experienced significant price declines as inflation rates in Italy, Spain, Ireland and Greece have all turned negative momentarily.

The coming months could show a rather mixed picture by product group for inflation. The June economic sentiment data revealed quite a few sectors increasing their selling price expectations. The most notable product group for which selling price expectations have jumped in June are durable consumer goods, and food and beverages.

Service sector prices are likely to remain depressed with only a few sectors expected to see a

price rise in the coming months. And the sectors indicating increases probably do so mainly to adjust to social distancing rules - an initial surge in demand at the end of the lockdown or because of supply chain disruptions.

Overall, as unemployment is set to continue to rise in the months ahead and output remains well below the 4Q19 levels for a long time to come, inflation is unlikely to move anywhere close to the European Central Bank's target of just below 2% in the near term.

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