

## Eurozone inflation jumps again, to 8.1%

Another broad-based surge in inflation – with core now at 3.8% – is adding pressure on the European Central Bank to act quickly



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High inflation in the eurozone is persisting, reaching another new high of 8.1% in May. Inflation increased across the board thanks to continued energy market volatility on the back of sanctions, soaring food prices and core inflation increasing due to businesses pricing through high producer prices. Oil prices have trended higher again over the course of the month and the [oil sanctions announced by the EU yesterday](#) add to expectations of oil prices remaining at an elevated level. That delays the decline in headline inflation, especially now that food and core inflation are also on the rise.

Food prices are a key concern globally at the moment and are also having an increasing impact on total inflation in the eurozone. In May, food, alcohol and tobacco inflation jumped further from 6.3 to 7.5. We expect another big increase in June, and for shortages to continue. The main concern is around core inflation. The jump from 3.5 to 3.8% today shows that high input prices are being priced through to the consumer at a fast pace. While selling price expectations from businesses have ticked down slightly in May, expectations are that core will remain well above target for the coming quarters as higher input prices trickle through to the consumer. Yesterday, ECB chief economist Phillip Lane tried to slam the door shut on a 50 basis point hike in July, preferring the gradual path of President Christine Lagarde of 25 basis points in July and 25 basis points in September. While that seems like a done deal to us, this surprise in core inflation and sanctions

developments regarding energy will no doubt lead to hawks trying to get a foot in the door again for a faster pace of lift-off.

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