

Snap | 30 September 2022

Eurozone inflation reached 10% in September

The September reading for inflation is ugly across the board with all broad categories experiencing accelerating inflation. This seals the deal on another 75 basis point hike from the European Central Bank in October



Eurozone inflation moved into double digits as the ongoing energy crisis continues to push prices up across the board. Monthly increases were also worse than expected and while energy prices have a large impact here, food and core inflation also went up. While an increase was expected due to Germany reversing the nine euro public transport ticket measure from this summer, this jump was more broad-based than expected and will provide extra fuel for ECB hawks as we head into the October meeting.

While the ECB sees more demand-driven inflation at the moment, weaker consumer spending makes this limited at best. Perhaps in sectors still profiting from post-pandemic catchup demand this could be the case, but tourism-driven services in France actually saw weaker inflation than expected in September. To us, most of the higher core inflation reading is still coming from second-round effects from the energy crisis, which is supported by the fact that businesses more dependent on energy have indicated they will increase prices in the months ahead.

The differences in inflation between countries are becoming more significant as measures at the national level are starting to complicate the overall picture. As mentioned, Germany's public transport measure pushed inflation up in September, but France saw a declining inflation rate mainly due to government measures aimed at improving purchasing power. Expect government intervention to intensify on the back of still soaring inflation rates, and as long as this is not coordinated in Brussels, expect a continued muddled overall picture in the eurozone.

The divergence between countries would normally complicate the picture for the ECB, but with current high inflation rates the trajectory is clear: the ECB is set to hike drastically at the coming meetings to get to neutral and possibly beyond quickly. First stop is the October meeting where another 75 basis point hike is now the most likely outcome.

Author

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.