

Snap | 28 June 2019

Eurozone inflation remains stable as ECB prepares fresh stimulus

As expected, core inflation bounced back after the weak May reading, but this does not seem to be the start of faster price growth



Source: Shutterstock

Headline inflation remained stable at 1.2% in June, with base effects from energy prices starting to dampen the inflation rate more significantly. Even though oil prices have increased over the past few weeks as the conflict in the Middle East has cast doubts over supply, the 12-month effect will remain quite negative for some time to come.

More interesting have been developments in core inflation. It has been bouncing around on Easter timing effects and the recovery from 0.8 to 1.1% should more realistically reflect the current underlying inflation environment. Even though wage growth continues to increase at a steady pace, reflecting the improved labour market environment, businesses continue to be reluctant to price through those higher costs to the consumer.

The inflation outlook therefore remains sluggish. With energy base effects pushing down the outlook for the coming months, headline inflation will continue to face downward pressures. On top of that, businesses have indicated softer expectations for selling prices on the back of economic uncertainty. The improved core inflation figure will therefore be easily brushed aside in

the discussions about fresh ECB action: it's coming.

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>.