

Snap | 2 July 2024

## Eurozone inflation ticks down in June

The eurozone's inflation rate has come down from 2.6% to 2.5%, while core inflation remained at 2.9%. Nothing in these figures would make the ECB cut again in July, and we think it'll be eagerly awaiting data over the summer before seriously debating its next rate cut in September



The eurozone's inflation reading for June didn't bring much that we didn't already know. Services inflation was sticky at 4.1% annually, which kept core inflation too elevated for another imminent rate cut. With wage growth still stubbornly high, uncertainty around services inflation remains the most important barrier to further rate cuts materialising.

Forward-looking data does suggest some easing of services inflation and wage growth – but given the strong labour market and an economy in somewhat better shape than last year, the European Central Bank can afford to wait for more evidence of calming inflation pressures before acting again. The strong labour market was confirmed by today's unemployment data, which remained at the all-time record low of 6.4%.

So for the ECB, the summer is set to be relatively boring. It can afford not to carry out another rate cut based on the too-high core inflation reading and labour market strength, and will likely just await incoming data on wages, inflation and growth. It can also see how market turmoil around the French elections plays out. In September, with more data available, the central bank will seriously debate a second rate cut.

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