

## German inflation still unstoppable

German inflation continues to accelerate and we're unlikely to see a turnaround until early next year



Source: Shutterstock

This is definitely not making the wait until the ECB's press conference any easier. German inflation data for October just came in at 4.5% year-on-year, another acceleration. In September, headline inflation was at 4.1% YoY. The harmonised index relevant for the ECB jumped to 4.6%, from 4.1% in September.

### More to come

The headline is not new and the reasons for the surge in inflation aren't either. It is still the full base effects from a VAT reversal, which also shows up in the subcomponents such as prices for clothing and leisure, as well as higher energy prices and price mark-ups post-lockdown in the leisure and hospitality services which are contributing to the rise. Without this series of one-off factors, German headline inflation could, according to our estimates, be some 1.5 percentage points lower. To be clear, this would still be above the ECB's 2% target. Currently, three quarters of the 100 most important items in the consumer price basket have an inflation rate of more than 2%.

Looking ahead, for German inflation, the only way is up. Higher producer prices on the back of supply chain disruptions, higher commodity prices and post-lockdown price mark-ups will continue

to impact consumer prices. Producers' and services providers' selling price expectations at record highs suggest further inflationary pressure for consumers in the pipeline. Together with the ongoing base effects from the reversal of the German VAT rate, headline inflation could even breach 5% in the final two months of the year.

Beyond the short term, some one-off factors should disappear at the start of next year but the recent surge in energy prices, as well as continued supply chain frictions and post-lockdown price mark-ups, are likely to keep German inflation above 2% throughout most of 2022.

Today's German inflation data comes too late to have mattered for the ECB. However, it is clearly a data point which will have to be addressed during the ECB press conference.

## Author

### Carsten Brzeski

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

## 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>.