

## German inflation - still more relative than vigorous

German inflation at seven-year high but still little evidence of a sustainable increase in underlying inflation



Source: Shutterstock

Based on the results of seven regional states, German headline inflation accelerated in September to its highest level since early 2011.

With 2.3% year on year, 2.0% in August, German headline inflation has now been above the ECB's definition of price stability for five months in a row. The HICP inflation came in at 2.2%, from 1.9%.

---

*An increase in core inflation has been and currently still looks much more like wishful thinking than reality*

---

The increase in headline inflation, however, isn't so much the result of the ECB's ultra-loose monetary policy but rather the result of higher energy and increased food prices in some states due to the hot and dry summer weather.

Where available, regional core inflation measures remained broadly unchanged in September. In fact, except for a temporary pick-up during the summer months of 2017, core inflation has been hovering around 1% since the beginning of 2014, and there is still very little evidence to expect an imminent acceleration indicating underlying inflationary pressures in the economy remain low.

## Accelerating core inflation? Still more wish than reality

Today's German inflation should further put ECB president Mario Draghi's comments at the beginning of the week into perspective.

Remember his appearance at the European Parliament, Draghi surprised markets by stating the ECB saw a "relatively vigorous" pick-up in underlying inflation in the coming years. At the September meeting, the ECB had talked about a gradual increase over the medium term.

This new characterisation of the outlook for core inflation came as a surprise. Particularly given that the ECB staff had actually lowered its core inflation projections for 2019 and 2020 at the September meeting.

An increase in core inflation has been and currently still looks much more like wishful thinking than reality. Or to paraphrase Mario Draghi: with today's German inflation data any pick-up in core inflation in the Eurozone still is much more relative than vigorous.

### 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 [www.ing.com](http://www.ing.com).