

## Germany: The Easter Bunny is still haunting inflation

German inflation data for April provides more evidence that the ECB's decision on the future of QE could be postponed until after the June meeting



**1.6%** German headline inflation

Unchanged in April

Based on the results of several regional states, German headline inflation remained unchanged at 1.6% YoY in April. According to the harmonised European definition (HICP), the measure more relevant for ECB policymaking, headline inflation even slowed down to 1.4% YoY, from 1.5% in March. The Easter Bunny effect was only partly reversed. Not surprisingly, as Easter was exactly at the beginning of April and the vacation period started in the week ahead of and ended in the week after Easter. This explains, why prices for package holidays didn't yet drop in all states in

April. Leisure costs, by the way, actually did.

Under the surface of the Easter Bunny, German inflation data still tells a two-sided story: while prices for consumer goods have gradually accelerated in recent months, inflation in services has slowed down and has even been negative for a couple of months for communication and clothing. All of this means that a significant acceleration of German inflation looks highly unlikely. In the coming months, more vacation, reversed Easter Bunny effects and higher oil prices could temporarily blur headline data. However, the underlying trend is one of a very gradual increase in inflationary pressure, if any at all.

---

*Today's Germany inflation data will not make life easier for the ECB*

---

Consequently, the current economic controversies on whether or not the Phillips curve is broken and on whether or not higher wages still lead to higher inflation will not be solved any time soon. For the ECB, today's German inflation data will not make life any easier. With the soft patch of the economy in the first quarter, low but also partly blurred headline inflation and a new feeling of uncomfortable caution, the decision on the nitty-gritty details of QE tapering could become complicated. While the case for an extension of QE until at least the end of the year (or even longer) is getting stronger by the day, it is now increasingly far from certain that the ECB will already be able to communicate details at the June meeting.

## 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).