

## Italian inflation surprises to the downside in November

This is still predominantly an energy story, but developments in the core measure and in some services suggest that the softening economic environment is increasingly having a role



Shoppers by the Corso Vittorio Emanuele Cathedral in Milan

### Still mostly an energy story

The disinflationary process proved again more marked than expected in November. According to preliminary ISTAT data, the national headline inflation came in at 0.8% YoY (from 1.7% YoY in October), the lowest level since March 2021.

Once more, the main driver of the yearly decline was energy goods, both regulated ones (-36% YoY from -36% in October) and non-regulated (-22.5% YoY from -17.7%), helped to a smaller extent by non-fresh food, recreational services and transport services. These falls more than compensated for a moderate uptick in fresh food inflation. Thanks to the energy goods drag, in November goods inflation entered negative territory, widening the gap (now at 5 percentage points) with decelerating but still positive services inflation.

## Core inflation developments suggest other things could soon be at work

A better picture of the underlying inflationary trend is offered by core inflation, which excludes energy and fresh food. Core fell to 3.6% (from 4.2% in October), confirming an accelerating disinflationary trend. Service price deceleration in recreational and transport services provides additional evidence that the re-opening effect is definitely tailing off. The softening economic environment should, in principle, favour the extension of the disinflationary pressures to other parts of the service sector domain.

Admittedly, this is not what the price intention component of the services survey was telling us in November (a second increase in a row of price increase balance), but should the economic slack continue, and energy price pressures remain contained over the winter, tamed pricing intentions should prevail.

## The disinflationary process could prove stronger than expected in 2024

It seems that the softening economic environment is adding an extra boost to the disinflationary process beyond more obvious base effects in the energy component. The latter will continue impacting the headline inflation profile, and will likely push up the headline measure over the coming months, but an average 2024 inflation reading close to 2% looks now more than a distinct possibility.

### Author

#### Paolo Pizzoli

Senior Economist, Italy, Greece

[paolo.pizzoli@ing.com](mailto:paolo.pizzoli@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>.