

## Italian inflation accelerates in April on higher energy and food prices

This was widely expected, notwithstanding the temporary reduction in fuel excise duties. The temporary absence of second round effects will not prevent headline inflation from breaking the 3% threshold very soon



Italian inflation rose 2.8% on the year in April

After a subdued reading in March, possibly helped by the fading impact of February's Winter Olympics, Italian inflation accelerated in April, increasingly reflecting the impact of the war in the Middle East on oil and gas prices.

According to Istat, the CPI was up 2.8% on the year (from 1.7% in March), mainly driven by strongly accelerating prices in regulated (up 5.7% from -1.6%) and non-regulated (up 9.9% from -2%) energy goods and fresh food (up 6% from 4.7%) which outweighed the price deceleration in recreational (down to 2.6% from 3%) and transport services (down to 0.5% from 2.2%).

Interestingly, core inflation, which excludes energy and fresh food, declined to 1.6% (from 2.1% in March), signalling the absence, for the time being, of second round effects. The decline in the core measure was very much a services story. Services inflation slowed to 2.4% (from 2.8% in March). Is such a pattern likely to last? While the slowdown in services inflation might have been distorted by

the timing of the Easter holidays, the deceleration in wage growth – a key engine of services inflation – to 2.4% (from 2.7%) in March suggests that a reversal might not be imminent. To be sure, the April business survey showed increasing pricing intentions among service providers; yet, this could take some time, particularly if demand cools down.

Overall, the inflation picture is evolving largely as expected, with energy prices likely to push headline inflation above the 3% threshold very soon. The timing of any pick up in core inflation will depend crucially on developments in the Middle East.

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