

## Italian inflation decelerated in September

This inflation reading further underscores the critical role of the energy component, which is likely to remain influential in the coming months due to weak demand. Today's data introduces downside risks to our current 1.2% average inflation forecast for 2024



### Italian inflation declines

The preliminary estimate of September inflation, just released by the Italian National Institute of Statistics, shows that Italy has joined the list of eurozone countries where inflation has unexpectedly decreased.

Istat reports that headline inflation dropped to 0.7% year-on-year (down from 1.1% in August), primarily due to changes in energy prices. In September, both regulated energy prices (+10% from +14.3% in August) and non-regulated energy prices (-11% from -8.6%) contributed to this disinflationary trend. Additionally, prices for recreational and cultural services (2.5% from 2.9%) and transport services (2.5% from 2.9%) also saw declines, which offset the inflationary pressure from rising food prices (1.3% from 0.8%).

Core inflation, which excludes volatile items like energy and food, continued its downward trend, falling to 1.8% (from 1.9% in August). This was further influenced by a renewed disinflationary push in the services sector (2.8% year-on-year from 3.2% in August).

## No immediate reflationary push expected from energy base effects

Looking ahead, energy goods look set to remain decisive in setting the tone for headline inflation. At least for October, current valuations of oil, refined products and gas do not have legitimate expectations of a reflationary base effect. This could eventually re-emerge towards the end of the year.

In an environment of soft demand, business surveys are not signalling an acceleration in pricing intentions over the next three months. More gains in real incomes are likely needed to ignite some inflationary demand push. Given the resilience in the labour market and the current pace of wage growth (at 3.6% on the year), this should eventually materialise, but the timing looks more uncertain.

This brings us to the risks to our current 1.2% forecast for average 2024 inflation, which are now clearly tilted to the downside. Food for thought for the ECB when it meets in October.

### 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>.