

## 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.

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