

Snap | 30 August 2023

SPAIN

# Spanish headline inflation rises for second month in a row

Spanish headline inflation rose to 2.6% in August from 2.3% in July, the second consecutive increase. Core inflation, however, did drop slightly to 6.1% last month from 6.2% in July



Gas prices have been rising in Spain

## Rising fuel prices main driver behind uptick in headline inflation

Spanish headline inflation rose to 2.6% in August from 2.3% in July, the second consecutive increase. Core inflation, excluding volatile food and energy prices, did cool slightly to 6.1% in August from 6.2% the month before. The strong tourism season has probably kept core inflation rather high.

According to the Spanish statistics agency INE, the increase in headline inflation was mainly driven by a rise in fuel prices. In turn, electricity prices exerted downward pressure on the headline inflation rate as they rose less than in August last year.

## Rising oil prices push headline inflation higher

Rising oil prices are putting upward pressure on inflation, which could intensify in the coming months. Since the beginning of summer, oil prices have risen sharply. While a barrel of oil was

worth \$72 at the end of June, the price has now risen to \$86. Oil prices could rise further to above \$90 a barrel by the end of this year. Much, of course, will depend on how global oil demand evolves in the coming months. If the Chinese economy continues to languish, oil demand may weaken again.

The US economy also remains an uncertain factor. Most analysts were expecting a sharp slowdown of the American economy on the back of the interest rate hikes, but it has been holding up well so far.

### **Inflation likely to rise further**

We expect headline inflation to stabilise in the coming months. Gas prices rose further in September last year, which creates a favourable base effect for this year's inflation. On the other hand, rising oil prices and expiring inflation-inhibiting measures may cause headline inflation to edge higher. Inflation could still increase at the start of 2024 before moving back towards 2%. For the whole of 2023, we assume an average inflation rate of 3.6%, and 2.7% for 2024.

### **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).