

Snap | 29 November 2023

## Spanish inflation below expectations in November

The disinflation process continues to unfold in Spain. Spanish inflation came in lower than expected in November. Headline inflation fell to 3.2% in November from 3.5% in October. Core inflation also cooled further to 4.5% in November from 5.2% last month



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### Spanish inflation further cools in November

According to figures published this morning by Spain's statistics office INE, inflation fell in November from 3.2% in October. The HICP also fell to 3.2% from 3.5% last month. The cooling was mainly driven by a fall in prices for fuel and package holidays. In addition, food prices also rose at a slower pace than in November last year, putting downward pressure on headline inflation. Core inflation, excluding food and energy, also fell in November to its lowest level since April 2022. In November, core inflation declined to 4.5% from 5.2% in October.

## Disinflationary process will continue unabated in 2024 helped by a weaker economy

In 2024, the disinflation process will continue. While headline inflation is expected to rise temporarily in the winter months, the disinflation process will intensify further next year, helped by slowing economic momentum. The Spanish economy already cooled sharply in the third quarter of this year and this slowdown is expected to continue in the fourth quarter, sending the economy into the new year on a weak note. Goods inflation had already cooled sharply, but weakening demand will also further reduce inflation in the Spanish service sector, one of the main drivers of underlying inflation now. European Commission surveys already show that fewer and fewer Spanish service companies plan to raise prices in the coming months.

Moreover, Prime Minister Pedro Sanchez, who recently started his third term, has already announced the adoption or extension of several anti-inflationary measures, such as free public transport for the unemployed and young people, and the extension of the reduced VAT on basic foodstuffs until June 2024. These measures will also put downward pressure on the inflation rate. While average inflation for all of 2023 is likely to reach 3.6%, we expect it to fall to 3.0% on average in 2024.

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