Spanish inflation more resilient than expected

It's too soon to say inflation is back on track in Spain and the Eurozone as a whole

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The inflation spike observed in the first months of 2017 was mainly driven by temporary factors such as higher energy prices and the timing of Easter.

> *Mario Draghi should be pleased to see that Spanish inflation is unlikely to drop back below 1%*

So now we're getting closer to the structural inflation rate, which is far from the ECB's objective of getting an inflation rate “close to, but below 2%”.

That being said, some elements in Thursday's inflation report lead us to be optimistic. Analysing the different categories and their respective weights, 44% of the basket either reached their highest rate of growth in the last 12 months or came relatively close to it.

Categories pertaining to restaurant (+3.1% YoY) and clothing (+1.4% YoY) prices, in particular, turned out to have accelerated recently. On the top of that, we can expect the impressive recovery in Spain (and its third consecutive year above 3% GDP growth) to progressively sustain wage growth and therefore inflation.

1.6% Spanish headline CPI (YoY%)

Previously 2%

As expected

Does this mean that inflation will be back on track soon in Spain and more generally in the Eurozone? No, it is not and it is definitely too soon to claim victory.

Still, Mario Draghi should be pleased to see that Spanish inflation is unlikely to drop back below 1%. It is a first step in the right direction, and hopefully not the last.