

Quick Note 12/1/2018

Spain · Energy causes inflation to ease

Data

- CPI showed a YoY change of **1.1% in December** (1.7% in November).
- **Core inflation** stood at **0.8%** (0.8% in November).

Assessment

- Inflation eased significantly in December, to 1.1%, 1 tenth below the preliminary figure announced by the National Statistics Institute.
- The decline in inflation was caused entirely by non-core groups. **Energy** was the main driver of the inflationary dip during December, both due to **fuels**, which were up 3.8% in YoY terms compared to 7.1% in the previous month, and **electricity**, which saw prices stand slightly below December 2016 levels, compared with a YoY uptick in November (3.5%). **Non-prepared foods** also contributed to the easing, albeit to a lesser degree.
- On the other hand, core group prices remained stable, with the exception being a slight decline in **services**, caused by a YoY dip in tourist package prices (down -1.2% YoY against an increase of 5.8% in November).
- In January, general inflation is set to ease slightly against current figures, due chiefly to the underlying electricity price effect.
- In the light of this data **the risks in terms of our full-year 2018 inflation forecast of 1.6% look balanced.**

CPI components (December-17) YoY

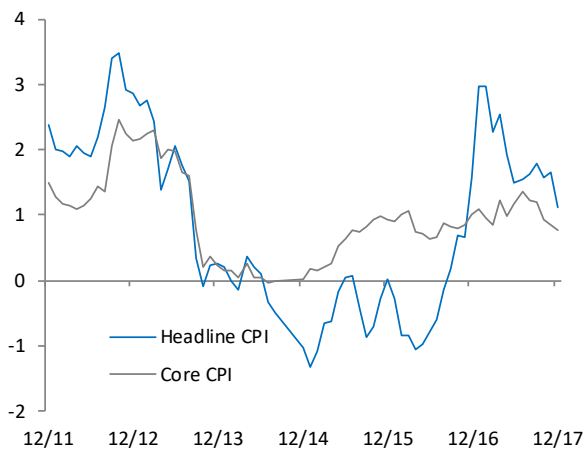
Year-on-Year change (%)

	Weight	CaixaBank Research forecast	Real data	Prediction error
Headline CPI	100	1.2	1.1	0.1
Energy	11	3.2	2.6	-0.6
Unprocessed food	8	3.6	2.8	-0.8
Core CPI	81	0.8	0.8	-0.1
Services	41	1.3	1.3	-0.1
Industrial goods	25	-0.3	-0.3	0.0
Processed food	15	1.5	1.2	-0.3

Source: CaixaBank Research, based on INE data.

CPI evolution

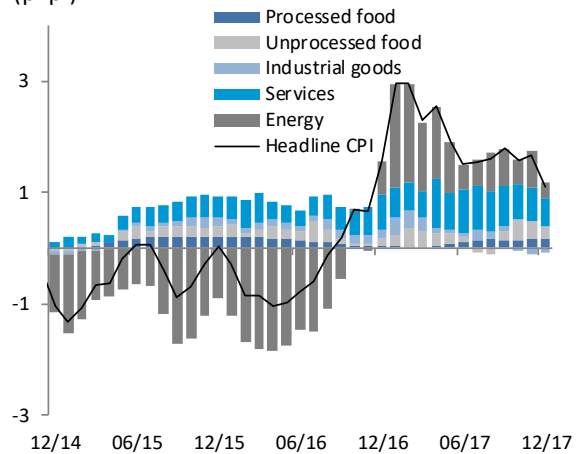
YoY change (%)



Source: CaixaBank Research, based on INE data.

Contribution to inflation by component

(p. p.)



Note: * YoY change.

Source: CaixaBank Research, based on INE data.

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