

Quick Note 15/2/2018

Spain · Inflation eases due to slumping electricity prices

Data

- CPI showed a YoY change of **0.6% in January** (1.1% in December).
- **Core inflation** held at **0.8%** (0.8% in December).

Assessment

- Inflation eased significantly in January to 0.6%, one tenth higher than the preliminary figure announced by the National Statistics Institute.
- The slowdown in inflation was caused entirely by non-core groups. In particular, **energy** was the main cause of the decline in inflation during January, due to the underlying effect of **electricity** prices, which stood 13.0% below the peak level of January 2016 (the YoY decline in December was 0.2%). **Fuels**, however, made a neutral contribution to inflation, with an increase of 3.9% YoY, very similar to that of December. It is worth pointing out that fuel for personal vehicles did show a slight slowdown in YoY terms (from 3.0% in December to 2.5% in January). The **non-prepared food** group likewise contributed to the easing of inflation, albeit to a lesser degree.
- On the other hand, **core group prices** held stable.
- General inflation will rise moderately in February compared to current levels, given that the underlying electricity price effect will cease to exert downside pressure.
- In the light of this figure, **the risks for the full-year 2018 inflation forecast, of 1.6%, look to be slightly on the downside.**

CPI components (January-18) YoY

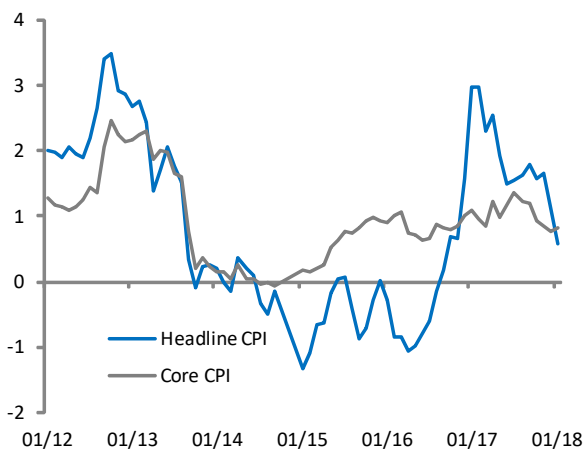
Year-on-Year change (%)

	Weight	CaixaBank Research forecast	Real data	Prediction error
Headline CPI	100	0.5	0.6	0.1
Energy	11	-0.8	-1.7	-0.9
Unprocessed food	7	1.4	1.6	0.2
Core CPI	81	0.8	0.8	0.0
Services	41	1.3	1.3	0.0
Industrial goods	25	-0.3	-0.2	0.1
Processed food	15	1.1	1.1	0.0

Source: CaixaBank Research, based on INE data.

CPI evolution

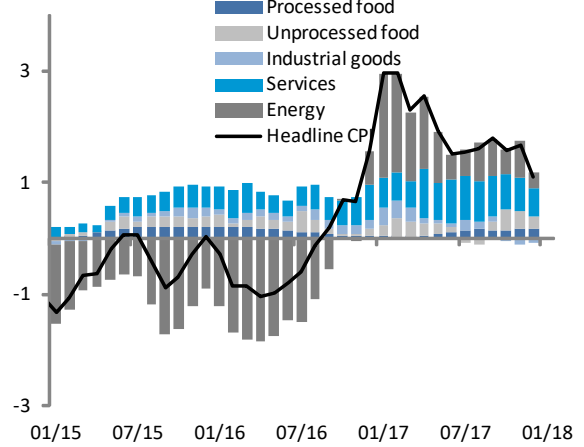
YoY change (%)



Source: CaixaBank Research, based on INE data.

Contribution to inflation by component

(p. p.)



Note: * YoY change.

Source: CaixaBank Research, based on INE data.

Jordi Singla, Economist, Macroeconomics Department, Strategy Planning and Research Division, CaixaBank
e-mail: research@caixabank.com

NOTICE REGARDING PUBLICATION OF THE CAIXABANK "QUICK NOTE"

The "Quick Note" (Nota Breve) is a publication by CaixaBank Research that contains information and opinions from sources considered to be reliable. This document is for informative purposes only and CaixaBank is not liable in any way for any use made thereof. The opinions and estimates are those of the CaixaBank Research and are liable to change without prior notice.