

Quick Note 13/3/2018

Spain · Inflation climbs due to electricity and services

Data

- CPI showed a YoY change of **1.1% in February** (0.6% in January).
- **Core inflation** was up to **1.1%** (0.8% in January).

Assessment

- Inflation was up 5 tenths in February to 1.1%. The uptick in inflation was due in equal measures to core groups and non-core groups. Among the **non-core** items the underlying effect of **electricity** stood out, with price growth of 0.5% YoY following a 13.0% decline in January. Electricity alone explains the increase in general inflation, but non-core groups had an offsetting effect. Thus, **fuels** made a negative contribution to inflation, with an increase of 1.8% YoY, 2 pp below the January figure, due to declining oil prices. Likewise, **non-prepared foods** also helped to moderate inflation.
- The **core groups** also supported an increase in inflation due to a stronger uptick in **services** than anticipated in CaixaBank Research forecasts. Specifically, **tourism packages** recovered following two months of declining prices in YoY terms, accounting for two thirds of the increase in services. The rest was attributable to **telephony services**.
- General inflation is set to climb moderately in March against current levels due to the Easter Week calendar impact on services prices.
- In the light of this figure, **the risks for the full-year 2018 inflation forecast, of 1.5%, look balanced.**

CPI components (February-18) YoY

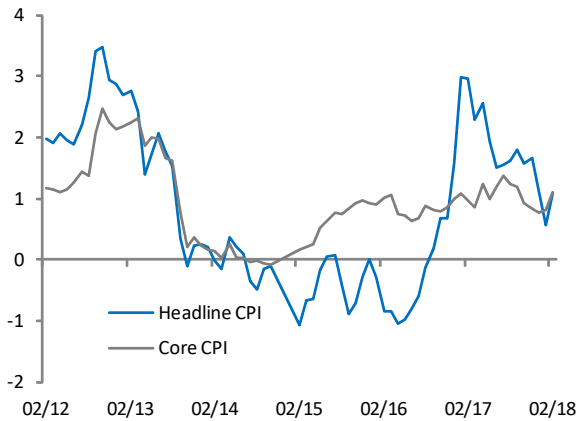
Year-on-Year change (%)

	Weight	CaixaBank Research forecast	Real data	Prediction error
Headline CPI	100	1.1	1.1	-
Energy	11	1.7	1.4	-0.3
Unprocessed food	7	-0.3	0.3	0.6
Core CPI	81	0.9	1.1	0.2
Services	41	1.3	1.7	0.4
Industrial goods	25	0.0	0.0	0.0
Processed food	15	1.5	1.4	-0.2

Source: CaixaBank Research, based on INE data.

CPI evolution

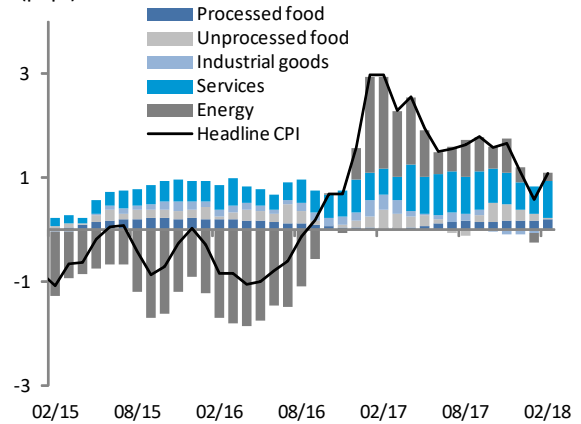
YoY change (%)



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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