

Quick Note 13/7/2018

Spain · Inflation climbs due to energy prices

Data

- CPI showed a YoY change of **2.3% in June** (2.1% in May).
- **Core inflation** eased to **1.0%** (1.1% in May).

Assessment

- Inflation was up 0.2 pp in June, reaching 2.3%, thus matching the flash INE figure released on 28 June. Said inflation uptick was due to rising fuel and non-processed food prices, slightly offsetting the decline in core inflation.
- **Non-core components** were the main driver behind rising inflation. Standing out among these were **fuels**, hit by climbing oil prices, showing an 11.9% YoY increase (9.2% in May), which alone accounted for the near entirety of the inflation uptick in June. On top of this was the contribution from **non-processed foods**, with an increase of 5.4% YoY (3.5% in May), and to a lesser degree **electricity** prices, which were also up 5.4% YoY against 4.8% in May.
- **Core components** had the opposite impact, partly offsetting the aggregate price increase due to easing inflation for **services**, which at 1.6% YoY was slightly below the 1.8% marked in May. In particular, prices for **tour packages** and **accommodation services** rose less sharply compared to May than in 2017, showing YoY growth in June of 3.7% and 0.8% respectively, below the 5.4% and 3.7% posted in May.
- Fuel prices will again face upside pressure in July, but core inflation is set to hold at more moderate levels.
- In the light of this data **the risks in terms of our full-year 2018 inflation forecast of 1.8% look balanced.**

CPI components (June-18) YoY

Year-on-Year change (%)

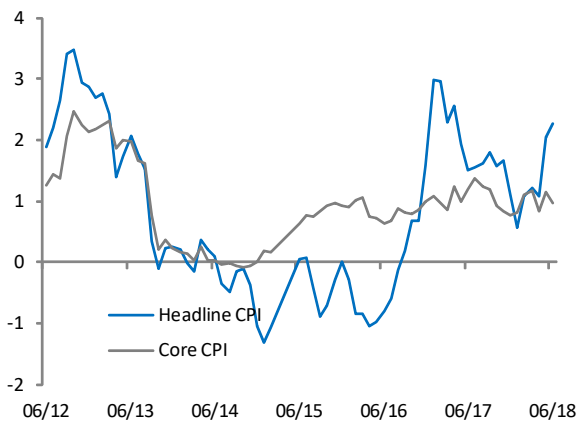
	Weight	Last month data	Real data	CaixaBank Research forecast	Prediction error
Headline CPI	100	2,1	2,3	2,3	-
Energy	11	7,8	9,1	9,9	0,8
Unprocessed food	7	3,5	4,6	5,4	0,8
Core CPI	81	1,1	1,1	1,0	-0,2
Services	41	1,8	1,9	1,6	-0,3
Industrial goods	25	0,0	0,0	-0,1	0,0
Processed food	15	1,3	1,1	1,0	0,0

0,0

Source: CaixaBank Research, based on INE data.

CPI evolution

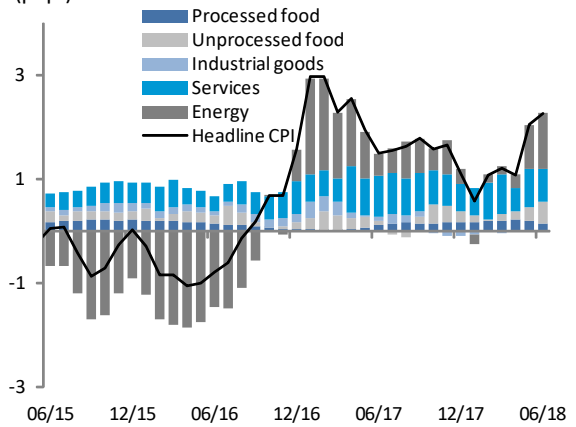
YoY change (%)



Source: CaixaBank Research, based on INE data.

Contribution to inflation by component

(p. p.)



Note: * YoY change.

Source: CaixaBank Research, based on INE data.

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