

Flash Note 12/9/2018

Spain · Inflation unchanged in August, while core inflation eased

Data

- CPI showed a YoY change of **2.2% in August** (2.2% in July).
- **Core inflation** slackened to **0.8%** (0.9% in July).

Assessment

- Inflation held at 2.2% in August, thus matching the preliminary figure released by the National Statistics Institute on August 30. Non-core elements offset the 1-tenth dip in core inflation, to 0.8%, which was driven by easing inflation in services.
- **Non-core components** drove up inflation despite energy prices having no impact. The impetus from **electricity** prices, which climbed 10.8% YoY compared to 8.1% in July and 5.4% in June, was entirely offset by easing **fuel prices**, which barely changed in August from July, showing an increase of 11.3% YoY in August, short of the 12.6% recorded in July. The upside contribution from **non-processed foods** broke the stalemate into an upside movement, showing an increase of 4.6% YoY, thus outstripping the 4.0% posted the previous month.
- **Core components** showed a downside trend due to an easing of the inflation of services, which were up 1.3% YoY, below the 1.5% of July due to lower personal vehicle services prices (8.7% YoY in August compared to 9.6% in July) and declining **package tour** prices (−4.4% compared to −2.4%). Meanwhile, inflation for **industrial goods** slackened 0.1% YoY (0.0% in July).
- Should the current oil price trend continue, inflation will gradually ease through to the end of the year.
- In the light of this data **the risks in terms of our full-year 2018 inflation forecast of 1.7% look balanced.**

CPI components August-18) YoY

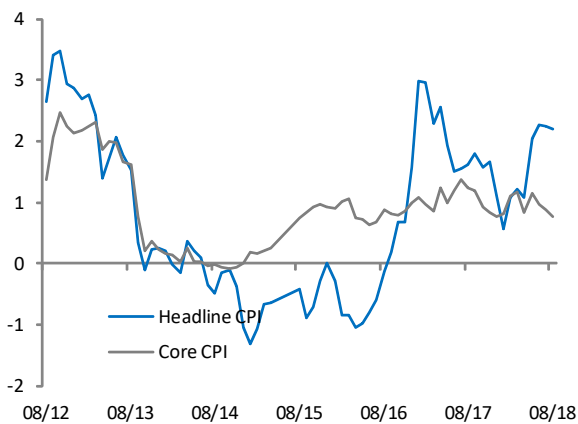
Year-on-Year change (%)

	Weight	Previous month data	CaixaBank Research forecast	Real data	Prediction error
Headline CPI	100	2.2	2.2	2.2	-
Energy	11	11.2	11.1	10.8	0.3
Unprocessed food	7	4.0	4.6	4.4	0.2
Core CPI	81	0.9	0.8	1.0	-0.2
Services	41	1.5	1.3	1.6	-0.3
Industrial goods	25	0.0	-0.1	0.1	-0.2
Processed food	15	0.8	0.7	0.8	-0.1

Source: CaixaBank Research, based on INE data.

CPI evolution

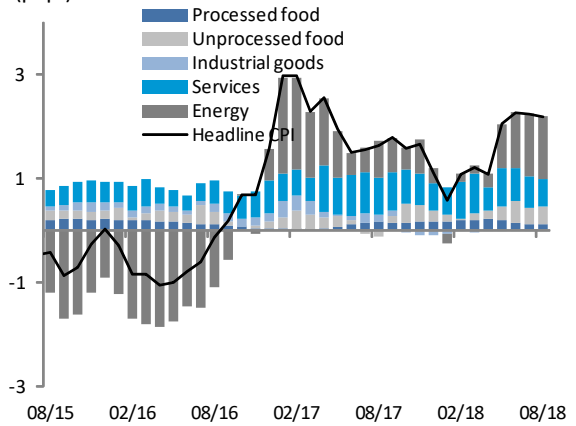
YoY change (%)



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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