

Flash Note 14/12/2018

Spain · Inflation declined in November due to energy prices

Data

- General CPI showed a YoY change of **1.7% in November** (2.3% in October).
- **Core** CPI eased to **0.9%** YoY (1.0% in October).

Assessment

- Inflation stood at 1.7% in November, matching the preliminary figure published by the National Statistics Institute on 29 November and CaixaBank Research forecasts. Thus, inflation in November **declined by 6 tenths** against October and dipped below 2% for the first time since May. Meanwhile, core inflation was again restrained at 0.9%.
- This may seem a substantial **slackening** from inflation, but in truth it **was anticipated**, as the movement was almost entirely driven by **non-core components** (accounting for three quarters of the decline). Specifically, there were two driving forces behind the trend. First, slower **fuel** price growth (undermining the figure by 3.4 tenths), which at 9.2% YoY was well short of the 13.8% expansion posted in October. Second, a slowdown from **electricity price** growth (negative impact of 1.2 tenths), reporting an uptick of 0.3% YoY, which was well down on the 3.8% posted in October and 13.7% of September.
- **Core components** showed far less significant easing. **Services** prices expanded 1.5% YoY, 1 tenth down on the October figure. Meanwhile, **industrial goods** inflation was unchanged at 0.1%.
- Over the coming months we expect **inflation to remain in check** thanks to **easing oil prices**. For core inflation, we anticipate a gradual increase to levels of 1.5% by the end of 2019, which would be entirely coherent with a robust labour market.
- In the light of this data **the risks in terms of our full-year 2018 inflation forecast** of 1.7% **look balanced**.

CPI components (November-18) YoY

Year-on-Year change (%)

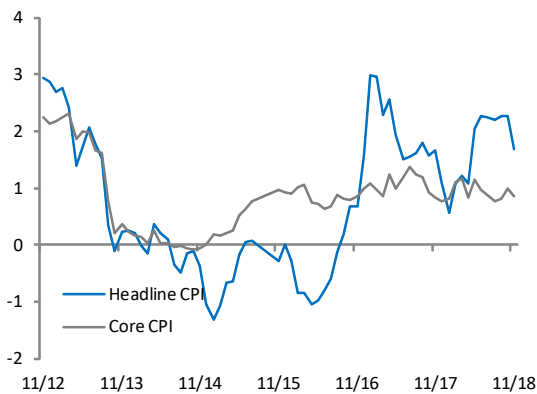
	Weight	Previous Month data	Real data	CaixaBank Research forecast	Prediction error
Headline CPI	100	2.3	1.7	1.7	0.1
Energy	11	10.7	6.4	5.4	1.0
Unprocessed food	7	3.5	3.5	2.3	1.1
Core CPI	81	1.0	0.9	1.1	-0.3
Services	41	1.6	1.5	1.7	-0.2
Industrial goods	25	0.1	0.1	0.3	-0.2
Processed food	15	1.0	0.6	0.9	-0.3

Source: CaixaBank Research, based on INE data.

0.0

CPI evolution

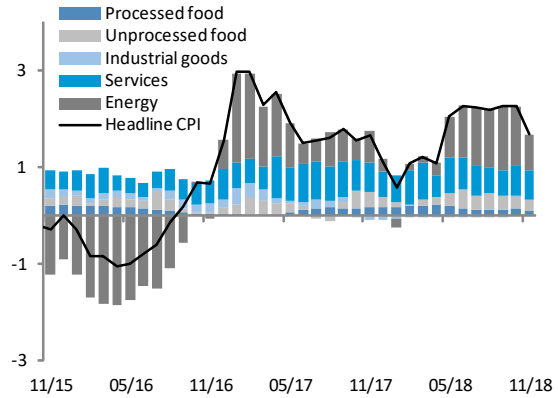
YoY change (%)



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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