Flash Note 15/02/2019
Spain · Inflation declines further in January due to energy

Data

- CPI showed a YoY change of **1.0% in January** (1.2% in December).

- **Core inflation** eased to **0.8%** (0.9% in December).

Assessment

- Inflation stood at 1.0% in January, thus matching the flash figure released by the National Statistics Institute on 31 January. The 2-tenth dip meant the third consecutive month of inflation declining due to the energy component. Core inflation likewise showed further moderation, albeit with a more discreet 1-tenth dip compared to the previous month to 0.8%.

- Two thirds of the drop in inflation was accounted for by **non-core components**. Specifically, the **energy component** was shaped by declining fuel prices, which were down 0.3% YoY, representing the first negative figure since November 2016, when oil prices stood at 44 euros. Gas prices also slackened, shifting from growth of 11.5% in December to 2.8% in January, and accounting for half of the dip in fuel prices. The downside impact from energy prices would have been felt even more acutely if it had not been offset by rising **electricity** prices, which were up 5.7% in January, compared to 0.5% in December. Meanwhile, **non-processed foods** likewise had a negative impact on inflation, standing at 2.3% YoY in January compared to 3.2% in December.

- **Core components** showed general slackening, albeit to a lesser degree than energy prices. **Services**, the component with the highest weighting, saw prices expand 0.5%, 1 tenth less than in December, driven by cheaper tourist package prices, which declined 2.8%. Likewise, **prepared foods and industrial goods** saw prices ease 1 tenth to 0.4% and 0.1% respectively.

- A gradual increase in oil prices over the coming months should help underpin prices. In any case, core inflation is set to rise very gradually over 2019, lifted by a more buoyant labour market.

- In the light of this data **the risks in terms of our full-year 2019 inflation forecast** of 1.6% **look balanced.**

CPI components (January-19) YoY

Year-on-Year change (%)

	Weight	Previous Month data	Real data	CaixaBank Research forecast	Prediction error
Headline CPI	*100*	**1.2**	**1.0**	**1.3**	**-0.3**
Energy	*12*	**2.1**	1.5	2.4	-0.9
Unprocessed food	*7*	**3.2**	2.3	3.3	-1.0
Core CPI	*81*	**0.9**	**0.8**	**0.9**	**-0.2**
Services	*41*	**1.5**	1.4	1.5	-0.1
Industrial goods	*25*	**0.2**	0.1	0.4	-0.2
Processed food	*14*	**0.5**	0.4	0.4	0.0

Source: CaixaBank Research, based on INE data.
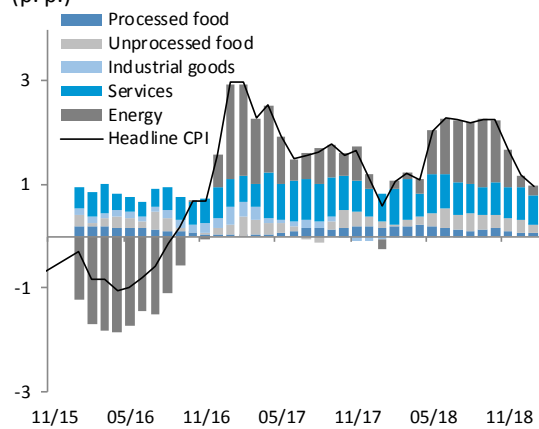
CPI evolution

YoY change (%)
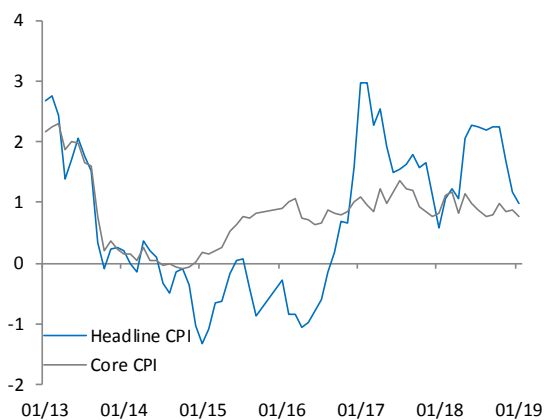
Source: CaixaBank Research, based on INE data.

Contribution to inflation by component

(p. p.)

*Note: * YoY change.*

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