

Flash Note 28/02/2019

Spain · Inflation remains anchored at low levels, but rallies slightly

Data

- CPI showed a YoY change of 1.1% in February (1.0% in January).
- The MoM change to CPI was 0.2% (0.1% in February 2018).

Assessment

- Inflation was up 0.1 pp in January to 1.1%, slowing the declining trend seen in the last three months. **The data coincides with CaixaBank Research forecasts.**
- Although the breakdown by components is not yet available, the National Statistics Institute attributes the uptick to the **underlying fuel price effect**, in line with the CaixaBank Research projection. Specifically, oil prices climbed 7.5% in February compared to January, while in February 2018 they declined 6% MoM. With this increase, fuel inflation will return to positive YoY rates, after a dip of 0.3% in January. The upside impetus from oil prices may partially be offset by electricity prices, due to the underlying effect reversal that drove up prices in YoY terms last month.
- Taking a more medium-term view, the stronger salary figures that we anticipate over the coming years should have a moderate impact on Spanish inflation, especially compared to the previous expansive period. As a result, we can expect **a gradual recovery in terms of core inflationary pressure**, moving largely in parallel with the Eurozone as a whole.
- In the light of these figures, we expect a very gradual recovery from inflation sustained by the rise of the oil prices. **The risks for the full-year 2019 inflation forecast, of 1.6%, look balanced.**

Flash CPI estimate for Feb-19

(%)

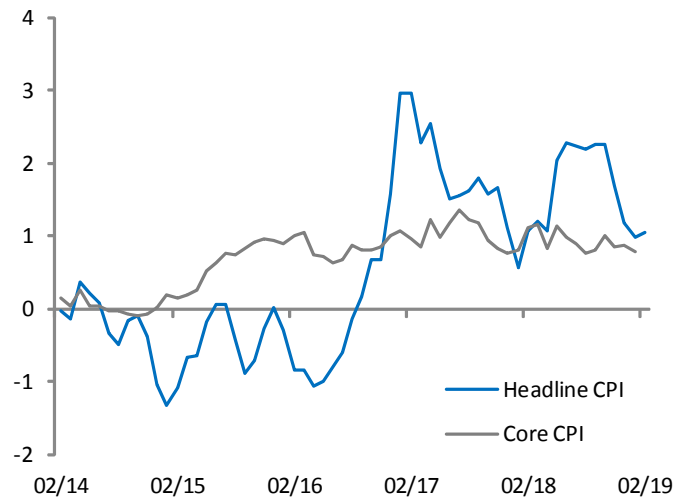
	Nov-18	Dec-18	Jan-19	Feb-19	
				Data	Forecast
Headline CPI (YoY)	1.7	1.2	1.0	1.1	1.1
	Average*	Average*	Feb-18	Feb-19	
	2004-2009	2010-2016		Data	Forecast
Headline CPI (QoQ)	0.1	0.0	0.1	0.2	0.2

Note: *February average.

Source: CaixaBank Research, based on INE data.

CPI evolution

YoY change (%)



Source: CaixaBank Research, based on INE data.

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