

Flash Note 13/03/2019

**Spain · Inflation rallies slightly in February due to fuel prices****Data**

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- CPI showed a yoy change of **1.1% in February** (1.0% in January).
- **Core inflation** eased to **0.7%** (0.8% in January).

**Assessment**

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- Inflation stood at 1.1% in February, thus matching the flash figure released by the National Statistics Institute on 28 February. The 1 tenth increase in February ended a run of three consecutive months of easing, although core inflation was down 1 tenth against the previous month to 0.7%.
- The inflation uptick was driven entirely by **non-core components**. Specifically, two thirds of the increment was caused by the **energy component**, shaped by fuel prices climbing 4.2% yoy, in contrast with a dip of 0.3% in the previous month. Rising fuel prices were partially offset by a decline in **electricity**, down 1.1% in February compared to an increase of 5.7% in January, due to the evaporation of the the previous month base rising effect. **Non-processed foods** were responsible for the remaining third of the inflation increment, climbing 3.4% in February compared to 2.3% in January.
- The **core components** showed slight easing, partially offsetting the increase from non-core components. **Services**, the component with the largest weighting, saw prices climb 1.1% yoy in February, 3 tenths down on the previous month due to cheaper tourism packages, the price of which declined 6.2% yoy in February due to a base effect. Both **processed foods and industrial goods** again showed neutral trends.
- A gradual increase in oil prices over the coming months should continue to support the rising price trend. This will contrast with a smoother performance from core inflation, which will climb very gradually over 2019, underpinned 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 (February-19) YoY

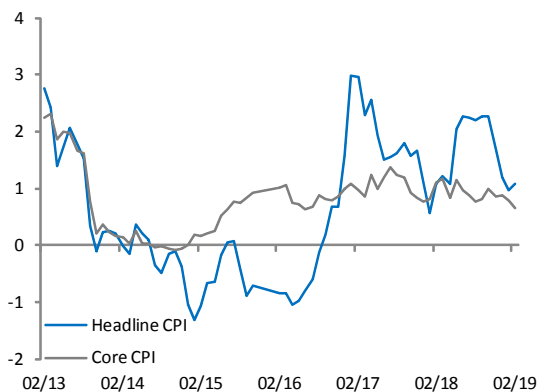
Year-on-Year change (%)

	Weight	Previous Month data	Real data	CaixaBank Research forecast	Prediction error
<b>Headline CPI</b>	<b>100</b>	<b>1.0</b>	<b>1.1</b>	<b>1.1</b>	<b>0.0</b>
Energy	12	1.5	2.6	2.7	-0.1
Unprocessed food	7	2.3	3.4	2.3	1.1
<b>Core CPI</b>	<b>81</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>	<b>0.0</b>
Services	41	1.4	1.1	1.2	0.0
Industrial goods	25	0.1	0.1	0.2	-0.1
Processed food	14	0.4	0.4	0.4	0.0

Source: CaixaBank Research, based on INE data.

### CPI evolution

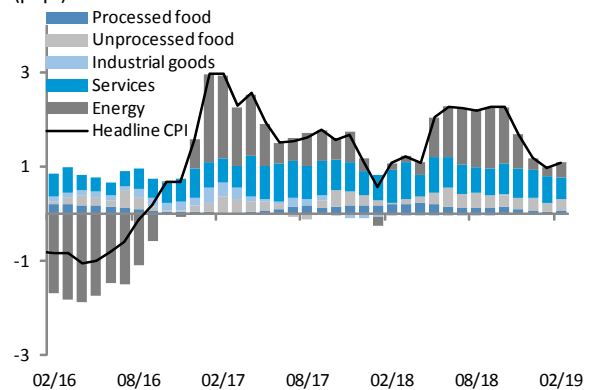
YoY change (%)



Source: CaixaBank Research, based on INE data.

### Contribution to inflation by component

(p. p.)



Note: \* YoY change.

Source: CaixaBank Research, based on INE data.

Marc Miró, CaixaBank Research, e-mail: [research@caixabank.com](mailto:research@caixabank.com)

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