

Flash Note 12/04/2019

Spain · Energy causes a further uptick in inflation during March**Data**

- CPI showed a yoy change of **1.3% in March** (1.1% in February).
- **Core inflation** held at **0.7% in March** (0.7% in February).

Assessment

- **Inflation** stood at 1.3% in March, thus matching the flash figure released by the National Statistics Institute on 28 March. This is the second consecutive month of inflation gaining traction, after three months of easing, although said trend was not reflected in core inflation, which was unchanged at 0.7%.
- The inflation uptick was driven entirely by **non-core components**, and more specifically **energy**. Half of the increment was due to **fuel prices**, which were up 6.3% yoy compared to 4.2% in the previous month. The other half of the uptick was due to underlying **electricity** effects, after an increase of 3.5% yoy in March in contrast with a dip of 1.1% in the previous month. **Non-processed foods** partially offset rising energy prices, easing to 2.0% in March after climbing 3.4% in February.
- **Core components** showed an unchanged pace of growth. **Services**, the component with the heaviest weighting, posted inflation of 1.1%, matching the previous month's data. **Processed foods** were likewise unchanged at neutral level. Meanwhile, **industrial goods** prices climbed 0.2% in March, 1 tenth more than in the previous month.
- 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 buoyant labour market.
- In the light of this data, **the risks in terms of our full-year 2019 inflation forecast of 1.5% look balanced.**

CPI components (March-19) YoY

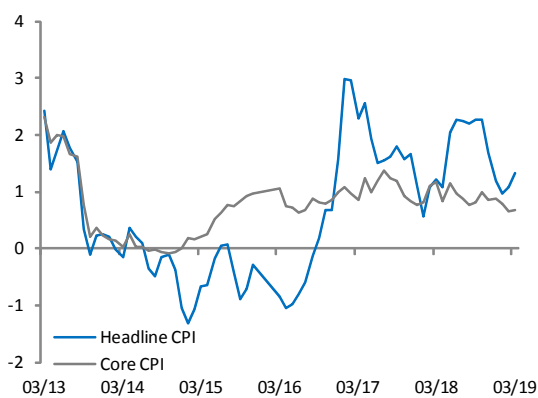
Year-on-Year change (%)

	Weight	Previous Month data	Real data	CaixaBank Research forecast	Prediction error
Headline CPI	100	1,1	1,3	1,5	-0,2
Energy	12	2,6	5,6	6,3	-0,7
Unprocessed food	7	3,4	2,0	3,3	-1,3
Core CPI	81	0,7	0,7	0,7	0,0
Services	41	1,1	1,1	1,1	0,1
Industrial goods	25	0,1	0,2	0,3	-0,2
Processed food	14	0,4	0,4	0,4	0,1

Source: CaixaBank Research, based on INE data.

CPI evolution

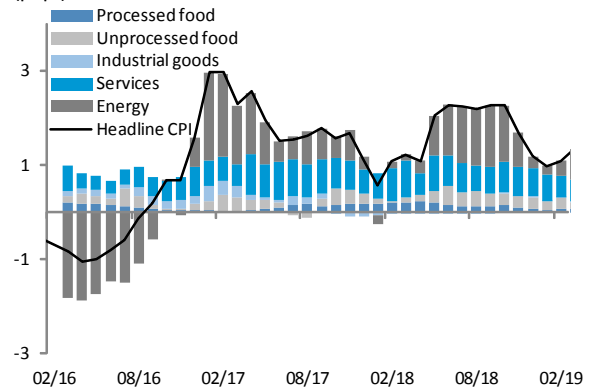
YoY change (%)



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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