

Flash Note 14/05/2019

Spain · Services underpin inflation**Data**

- CPI posted a yoy change of **1.5% in April** (1.3% in March).
- The **core inflation** rate climbed to **0.9% in April** (0.7% in March).

Assessment

- **Inflation** stood at 1.5% in April, thus matching the flash figure released by the National Statistics Institute on 30 April. This is the third consecutive month of moderate inflation gains, after the low January inflation (1.0%). This momentum was underpinned by a smooth rising trend from core inflation (excluding energy and unprocessed food), which reached 0.9%.
- In contrast with previous months, the rise in inflation during April was entirely due to **core components**, specifically **services**, the component with the heaviest weighting, which accelerated to 1.7% yoy in April against 1.1% in March. The fact that Easter Week fell in April this year instead of March (as it did in 2018) played a defining role, as the underlying effect had by tourist packages and hospitality services accounted for around half of the price growth posted by services. Meanwhile, **industrial goods** were unchanged at 0.2% yoy, while **processed foods** eased by one tenth to 0.3% in April.
- **Non-core components** showed a more moderate performance, shifting away from the rising trend of previous months. **The energy component** grew 5.4% yoy in April compared to 5.6% in March, while **non-processed foods** were down by 2 tenths in April to 1.8%.
- Over the coming months we expect slight easing of inflation due to fuel prices losing momentum over the second half of 2019. Meanwhile, core inflation will continue to rise gradually throughout 2019, supported by a buoyant labour market.
- In the light of this data, inflation in 2019 as a whole could stand somewhat below our current forecast (1.4%), as we expected stronger momentum from the energy component in April.

CPI components (April-19) YoY

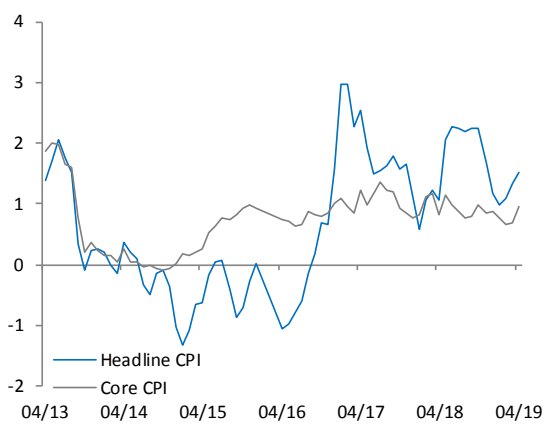
Year-on-Year change (%)

	Weight	Previous Month data	Real data	CaixaBank Research forecast	Prediction error
Headline CPI	100	1.3	1.5	1.8	-0.2
Energy	12	5.6	5.4	6.9	-1.4
Unprocessed food	7	2.0	1.8	2.1	-0.3
Core CPI	81	0.7	0.9	1.0	-0.1
Services	41	1.1	1.7	1.7	0.0
Industrial goods	25	0.2	0.2	0.2	0.0
Processed food	14	0.4	0.3	0.5	-0.1

Source: CaixaBank Research, based on INE data.

CPI evolution

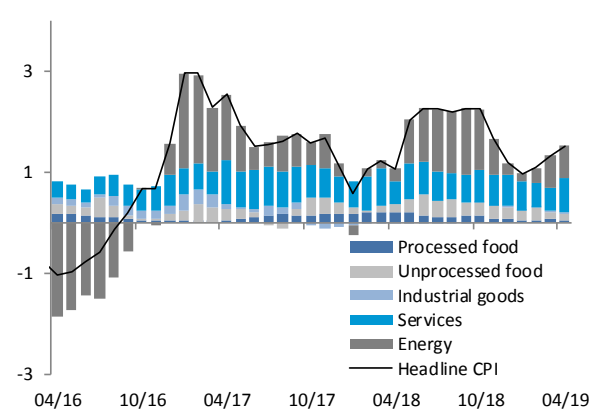
YoY change (%)



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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