

Flash Note 12/06/2019

Spain · Energy and services cause inflation to ease in May**Data**

- CPI showed a yoy change of **0.8% in May** (1.5% in April).
- **Core inflation** slackened to **0.7% in May** (0.9% in April).

Assessment

- **Inflation** stood at 0.8% in May, thus matching the preliminary figure released by the National Statistics Institute on 30 May. The month of May therefore ended the run of modest price growth seen since February. The slowdown was caused both by energy and services.
- Two thirds of the reduction in inflation during May were caused by **non-core components**, in particular **energy**, which saw price growth ease to 1.3% yoy compared to 5.4% in April. Specifically, electricity was down 4.9% yoy, accounting for 3 of the 7-tenth dip in general inflation (**electricity** prices have shown a cumulative decline of 10% since June). Meanwhile, **fuel prices** climbed less robustly than last year, which contributed around 2 tenths of the dip in inflation. Likewise, **non-processed foods** saw price growth slow 8 tenths in May to 1.0%.
- Of the **core components**, **services** were responsible for the remaining third of the dip in inflation, with growth of 1.2% in May (1.7% in April). Specifically, **tour packages** accounted for around 40% of the easing in services, with a decline of 4.4% in May following growth of 3.4% in April, shaped by the Easter Week effect. Meanwhile, **industrial goods** and **processed foods** saw price growth hold unchanged at 0.2% and 0.3% yoy respectively in May.
- Over the coming months we expect a combination of greater oil price stability and baseline effects to help keep inflation in check. Meanwhile, a buoyant labour market should underpin a very gradual increase in core inflation.
- In the light of this figure, **the risks for the full-year 2019 inflation forecast of 1.4% look to be slightly downside.**

CPI components (May-19) YoY

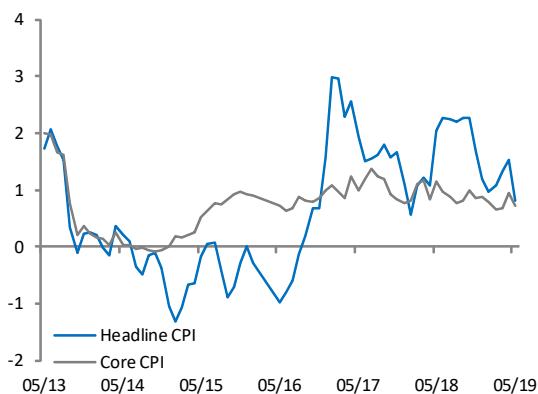
Year-on-Year change (%)

	Weight	Previous Month data	Real data	CaixaBank Research forecast	Prediction error
Headline CPI	100	1.5	0.8	1.0	-0.2
Energy	12	5.4	1.3	1.5	-0.3
Unprocessed food	7	1.8	1.0	1.5	-0.5
Core CPI	81	0.9	0.7	0.9	-0.2
Services	41	1.7	1.2	1.5	-0.3
Industrial goods	25	0.2	0.2	0.2	0.0
Processed food	14	0.3	0.3	0.4	-0.1

Source: CaixaBank Research, based on INE data.

CPI evolution

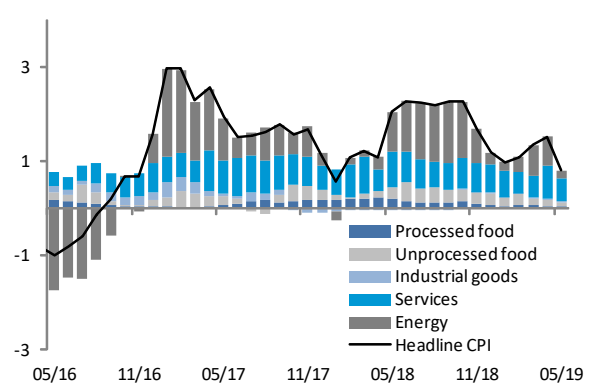
YoY change (%)



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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