

Flash Note 12/07/2019

Spain · Inflation eases in June due to energy**Data**

- CPI showed a yoy change of **0.4% in June** (0.8% in May).
- **Core inflation** rallied to **0.9% in June** (0.7% in May).

Assessment

- **Inflation** stood at 0.4% in June, matching the flash figure from the National Statistics Institute released on 27 June. Inflation thus eased further, standing at a level not seen since September 2016. It is worth noting that this weakening was caused near entirely by energy.
- Looking at **non-core components**, **fuel** prices were down –0.5% yoy in June, having increased 3.6% in May (the average oil price in euros was down 11% in June compared to May). Likewise, **electricity** declined further, down –6.3% yoy in June compared to –4.9% in May. Overall, energy was down –2.6% yoy in June; it had not posted a yoy price decline since January 2018. Meanwhile, **non-processed foods** eased 4 tenths in June to 0.6%.
- Looking at **core components**, **services** were the main cause of the slight 0.2 pp rally in core inflation, following moderation in May. Specifically, services were up 1.4% yoy in June compared to 1.2% in May. **Processed foods** climbed 0.4% in June, compared to 0.3% in May. While **industrial goods** saw growth hold unchanged at 0.2%.
- We expect inflation to accelerate very slightly in the coming quarter, driven by core components, albeit holding below the 1% mark due largely to prospects of energy prices remaining reined in.
- In the light of this data the **risks in terms of our full-year 2019** inflation forecast of 1.1% look **balanced**.

CPI components (June-19) YoY

Year-on-Year change (%)

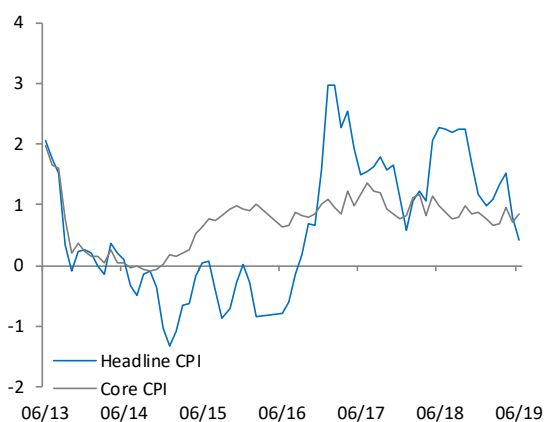
	Weight	Previous Month data	Real data	CaixaBank Research forecast	Prediction error
Headline CPI	100	0,8	0,4	0,5	-0,1
Energy	12	1,3	-2,6	-1,6	-0,9
Unprocessed food	7	1,0	0,6	1,0	-0,4
Core CPI	81	0,7	0,9	0,8	0,1
Services	41	1,2	1,4	1,3	0,2
Industrial goods	25	0,2	0,2	0,2	0,0
Processed food	14	0,3	0,4	0,5	-0,1

Source: CaixaBank Research, based on INE data.

0,0

CPI evolution

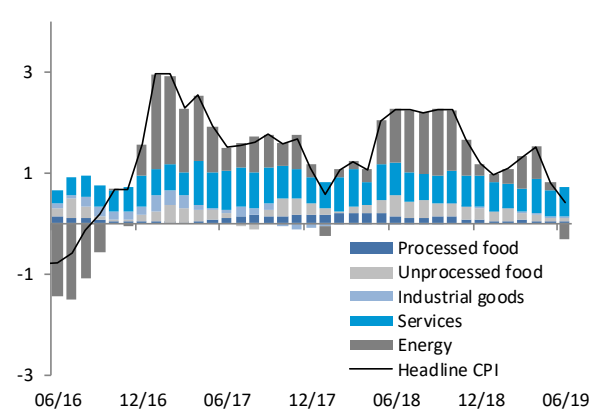
YoY change (%)



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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