

Europe Flash

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Economic Analysis

Europe

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Eurozone inflation increased again in May, as expected

We expect higher inflation in June, but a deceleration again during the second half of the year

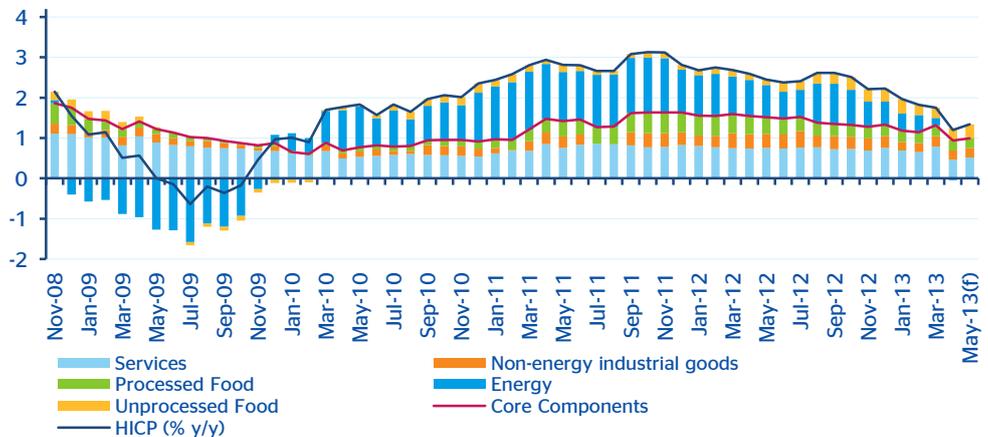
- Eurozone HICP inflation increased by 0.2pp to 1.4% y/y in May, in line with expectations (BBVA Research and Consensus: 1.4%)

According to the Eurostat flash estimate, underlying this increase was mainly higher inflation in services (+0.3pp to 1.4% y/y; BBVA Research: 1.3% y/y) and, to a lesser extent, in food (+0.3pp to 3.3% y/y) and non-energy industrial goods (+0.1pp to 0.9% y/y; BBVA Research: 0.8% y/y). In addition, the fall in energy prices eased in May (-0.2% y/y after -0.4% y/y in April; BBVA Research: 0.0% y/y), resulting from both higher oil prices and the moderation in energy prices a year ago. Overall, these figures suggest that core inflation should have increased by around 0.2pp to 1.3% y/y.

- Looking forward, inflation is likely to increase further in June, but slowing again during the second half of the year

Although we update our models with the final figures (to be released on 14th June), we continue to expect inflation to increase further in June to around 1.5%-1.6% y/y, mainly driven by rising inflation in both energy and food. Afterwards, HICP should slow again, especially from August to hover around 1.3% in 2H13. Core inflation is also likely to rise slightly next month, but remaining relatively stable around 1.3% y/y the rest of the year.

Chart 1
Eurozone. Annual HICP inflation rate. Contribution by component



Source: Eurostat and BBVA Research

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