

Europe Flash

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Economic Analysis

Europe

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Eurozone inflation remained stable, as expected

Inflation is projected to slow again in next months to hover around 1.3% y/y by year-end

- **Eurozone HICP inflation remained unchanged at 1.6% y/y in July, in line with expectations (BBVA Research: 1.6; Consensus: 1.7%)**

According to the Eurostat flash estimate, inflation by components also remained broadly stable. In line with our expectations, core inflation is likely to have declined slightly to 1.2% y/y (from 1.3% y/y in June), driven by the moderation in non-energy industrial goods prices, while inflation in services remained stable. However, this moderation was partly offset by the higher prices for food prices, while energy inflation also stabilised at 1.6%.

- **The inflation pace will remain well below the ECB's implicit target**

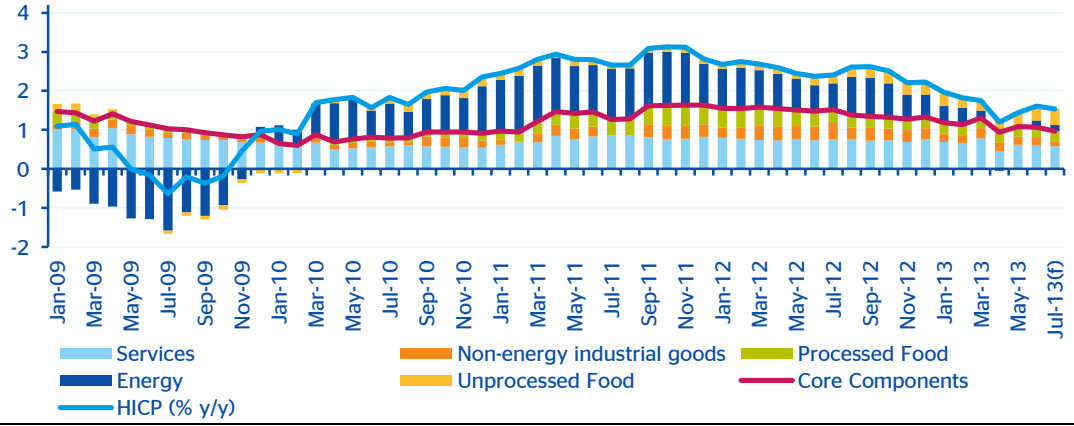
Although we update our models with the final figures (to be released on 16th August), we continue to expect inflation to slow in coming months, especially in August and September, and to remain around 1.3% in the rest of the year. Core inflation, after some volatility stemming from changes in Easter last year, could remain relatively stable at 1.3% in the second half of the year.

Table 1
Eurozone. Annual HICP inflation rate (% y/y)

	Observed		Flash estimate	BBVA Research
	May 2013	June 2013	July 2013	July 2013
HICP	1.4	1.6	1.6	1.6
Energy	-0.2	1.6	1.6	1.4
Fresh Food	5.1	5.0		5.7
Core excluding Fresh Food and Energy	1.3	1.3		1.2
Services	1.5	1.4	1.4	1.4
Non-Energy Industrial Goods	0.8	0.7	0.4	0.4
Processed Food	2.1	2.1		2.3

Source: Eurostat and BBVA Research

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



Source: Eurostat and BBVA Research

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