

CHART OF THE WEEK

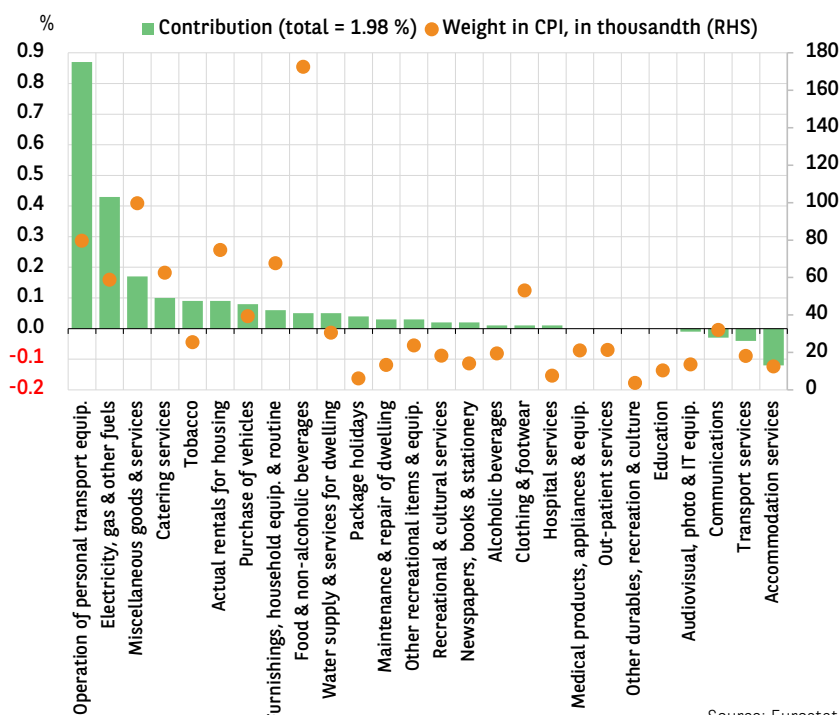


23 June 2021

EUROZONE: RISING INFLATION IS DRIVEN BY ENERGY PRICES

Guillaume Derrien

Contributions to Eurozone inflation (May 2021)



Source: Eurostat, BNP Paribas

Despite a sharp increase in May (+1.98%), eurozone inflation continues to be driven by two components of the consumer price index (CPI) that are linked to energy prices. "Operation of personal transport equipment" was by far the biggest contributor to the rise in the CPI with a contribution of 0.87 percentage points (pp), or nearly half of headline inflation. This reflects the increase in pump prices. It is followed by "Electricity, natural gas and other fuels", which contributed 0.43 pp to Eurozone headline inflation.

So far these figures do not indicate any genuine underlying pressures on consumer prices in the euro area, especially since certain service sector components, such as accommodation, transport (excluding automobile purchases and maintenance) and communications, were in deflationary territory in May. Greater inflationary pressures in services may appear in the second half of 2021 on the back of a likely acceleration of economic activity in this sector. However, the current dynamics in prices in the Eurozone, so far, has supported the ECB's decision to wait before proceeding with any adjustments to its monetary policy.

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