



ECOCHARTS

July 2023

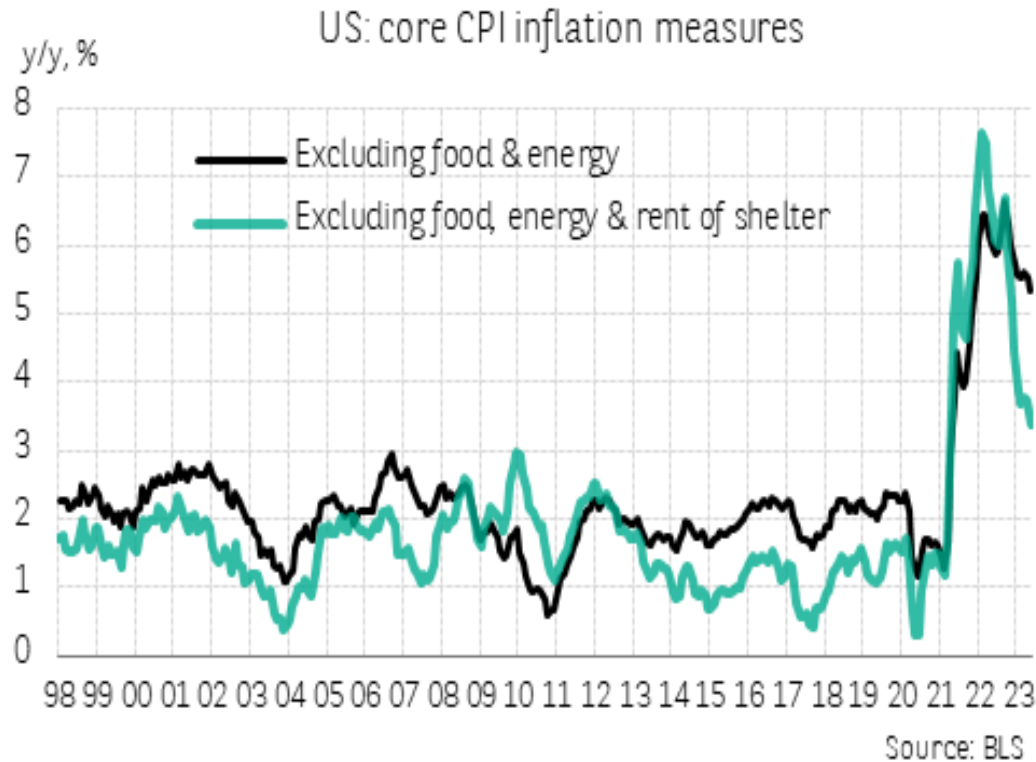
INFLATION TRACKER



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CHART OF THE MONTH



Shelter is the main item in the Consumer Price Index (CPI) in the United States, accounting for 34.4% of the total basket. Its growth has accelerated sharply since 2021 and the post-pandemic economic recovery: the y/y rate strengthened from 1.5% in February 2021 to a peak of 8.2% in March 2023 and has decreased very slightly since, down to 8.0% in May. The large contribution of the shelter component keeps US inflation high. Excluding this component, the core inflation reading for May dropped from 5.3% to 3.4%. Moreover, the current gap between the standard core measure – i.e. excluding energy and food – and the core measure that also excludes shelter has been the widest since the early 1980s. Given that the Federal Reserve has very limited levers to control rent developments, it could rely more on this second measure of core inflation excluding shelter to assess the current disinflation process. From this point of view, the dynamics appear more positive.



A MORE ADVANCED DISINFLATION IN THE UNITED STATES, NO RESPITE IN THE UNITED KINGDOM

- The disinflation process in the US appears to be more advanced than in the eurozone. Inflation fell in May to 4.0% according to the consumer price index (CPI) and 3.8% according to the consumption deflator (PCE). The country benefits from a larger negative contribution from energy prices than in the euro area (page 6). According to the CPI, services inflation was 6.3% in May and remains largely driven by the shelter CPI, which accounts for more than a third of the CPI basket. Excluding this component, headline inflation fell to 2.2% and the core measure dropped to 3.4% (see Chart of the month). The decline in household inflation expectations is another important development: according to the University of Michigan survey, they fell to 3.3% in June, the lowest in two years (page 21).
- In the eurozone, inflation in the eastern countries slowed more significantly in June than in the previous month, but still exceeded 8% in the Baltic countries, Croatia and Slovakia (page 10). In contrast, inflation fell below 2% in Luxembourg, Spain and Belgium. Inflation in France (5.3%) is below the eurozone average (5.5%), while it is above in Italy (6.7%) and Germany (6.8%). Among the alternative measures scrutinised by the ECB, growth in the PCCI index slowed significantly to 3.3% y/y. In May, while the other indices still increased by 6% or more (page 9). If real wages contracted again in the second quarter, this trend should reverse in the third quarter, as earnings growth catches up with inflation (page 30).
- Far from easing, the inflationary shock in the United Kingdom is gaining momentum, prompting the Bank of England to proceed with a 50-basis-point hike in the bank rate to 5% in June. UK inflation stabilised at 8.7% in May, but the core measure has climbed above the 7% (7.1%) mark for the first time since the early 1990s. The country is facing intense food inflation (18.7% in May) which is almost out of line with the rest of Europe: in the eurozone, only the Baltic countries and Slovakia have higher rates. The jump in prices is not limited to this item, as almost 90% of goods and services posted an inflation rate above 4% in May, a record high (page 13). Wages are growing at a strong pace but are still hovering below inflation. The breakeven rate reached its highest level in 2023.
- In Japan, inflation is now moving at a level similar to other G7 economies. Core inflation (excluding energy and perishable food products) increased to 4.4% in May, driven by a 9.2% y/y increase in processed food products. Durable goods, which are largely imported and are thus more sensitive to the evolution of the yen, also posted higher inflation (6.4% in May) and will be fueled further by the currency depreciation. The breakeven rate continues to rise while household expectations remain close to 4%.
- In all regions, PMI indices for input prices continued to decline in June. On a year-on-year basis, producer prices in the eurozone fell into the negative, but remained above 5% in Japan. In light of these developments, further disinflationary pressures are expected, although it may take time to bring inflation down more sharply in services as it may prove to be more persistent and resilient.

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General dynamics of inflation

Inflation and survey data

Inflation expectations (households, forecasters, markets)

Raw materials

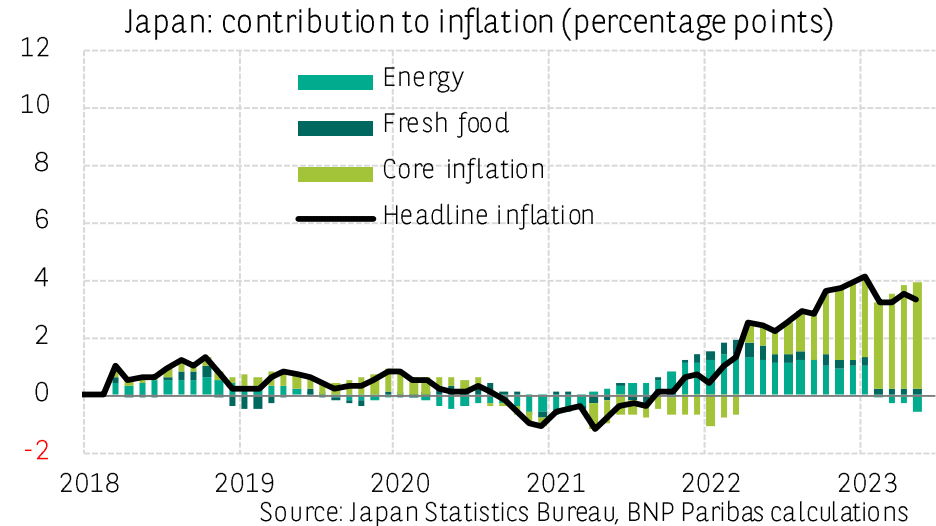
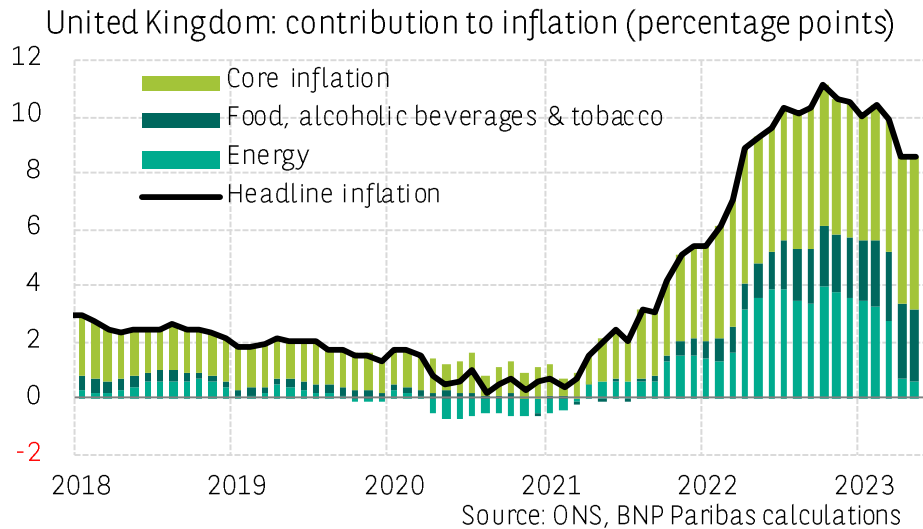
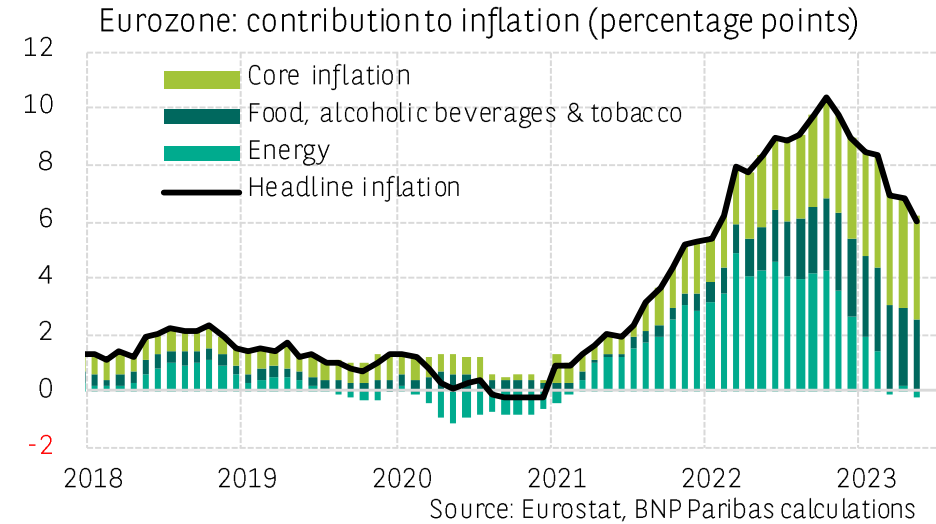
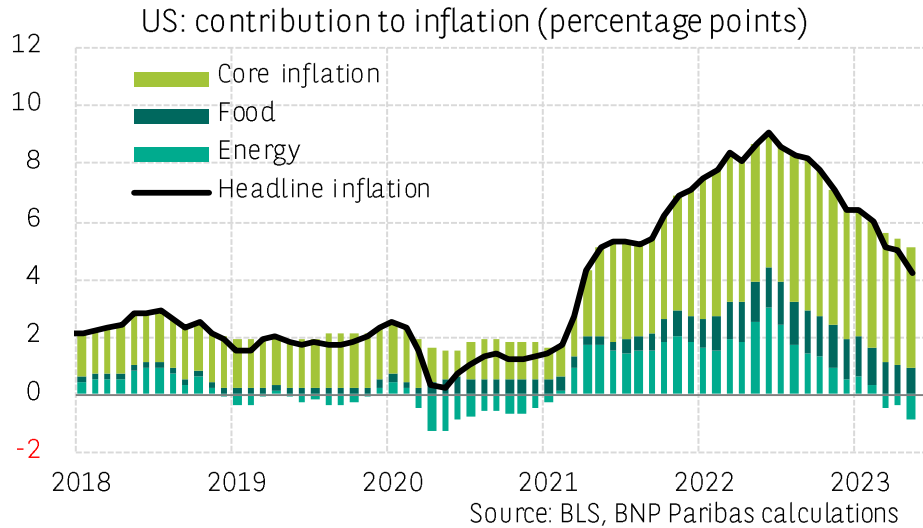
Macroeconomic determinants of inflation (wages, unemployment rate, capacity utilization rate, exchange rate)



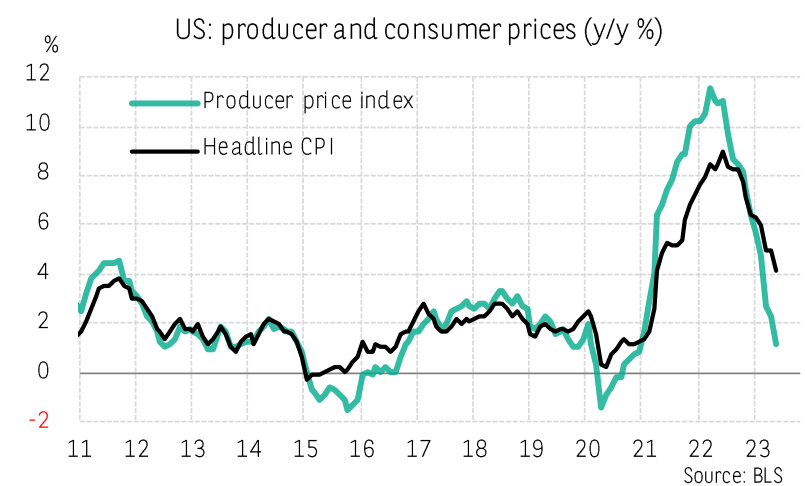
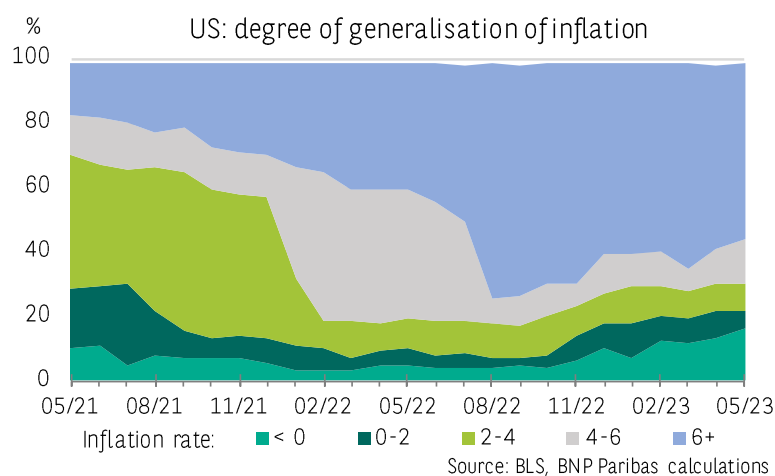
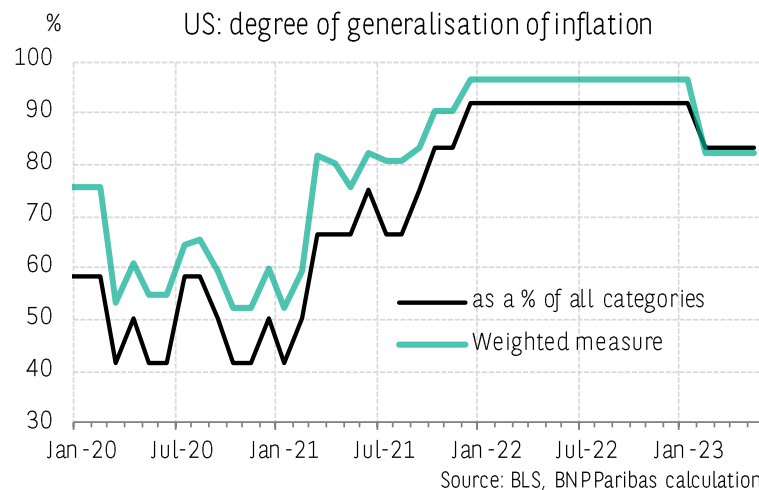
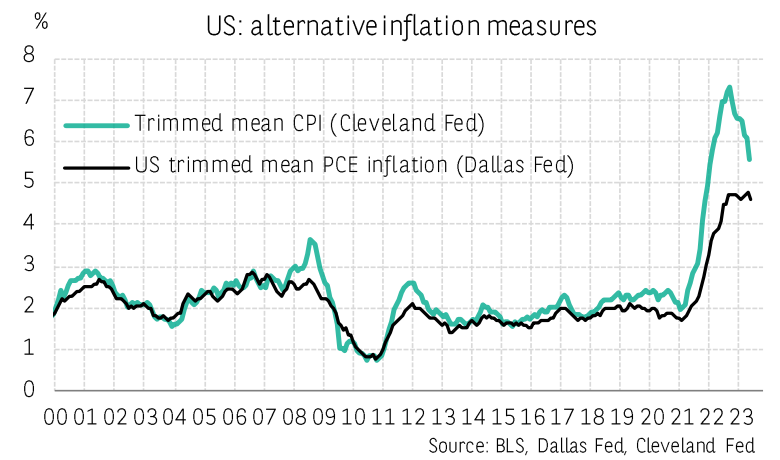
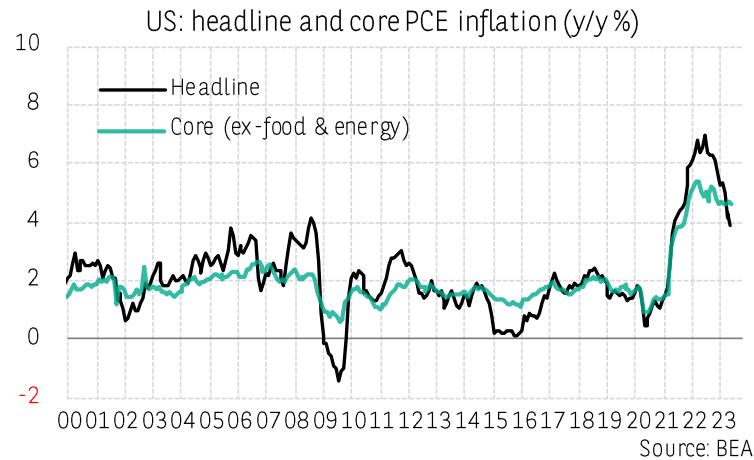
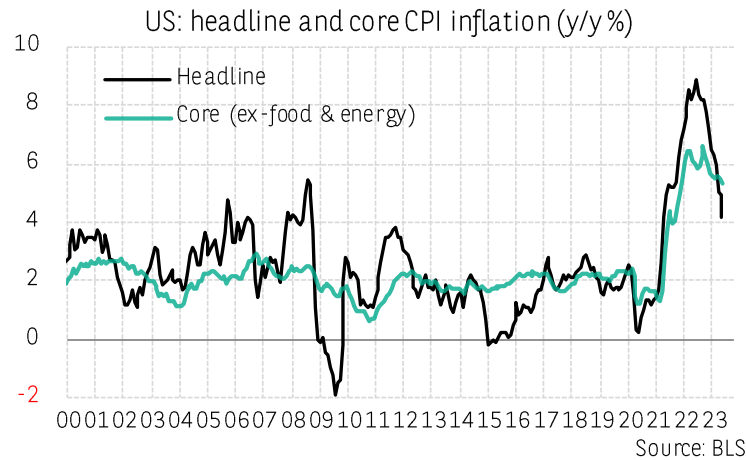
General dynamics of inflation



General dynamics of inflation: decomposition of inflation



Inflation dynamics in the United States: different metrics and degree of generalisation



Note: the black line represents the % of CPI components whose increase is greater than, or equal, to 2%. The hatched green line weights the results by the share of each component in the CPI.






United States inflation heatmap

Difference between the current inflation rate (y/y, %) and the 2010-2019 average

	Weight (%)	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Total	100	6.73	7.16	6.64	6.46	6.44	5.99	5.36	4.67	4.58	4.21	3.22	3.19	2.36
Food and non-alcoholic beverages	7.6	10.82	11.04	11.96	12.34	11.73	11.25	10.76	10.69	10.16	8.96	7.13	5.82	4.45
Alcoholic beverages, tobacco and narcotics	1.2	3.02	3.07	3.07	3.67	3.22	2.82	3.04	2.98	3.37	3.06	2.95	2.68	2.68
Clothing and footwear	2.7	5.15	5.35	5.23	5.11	5.18	3.91	3.13	2.46	2.41	2.56	2.53	2.88	2.90
Housing, water, electricity, gas and other fuels	36.1	3.83	4.49	4.71	5.18	5.52	5.37	5.46	5.87	6.02	5.98	5.54	5.28	4.69
Furnishings, household equipment and routine household maintenance	4.0	9.28	10.07	10.68	10.28	9.60	8.94	8.04	7.04	6.01	5.83	5.22	4.90	3.72
Health	7.4	-0.02	0.46	0.39	0.59	0.90	0.61	0.41	0.83	0.19	-0.01	-0.30	-0.18	0.10
Transports	14.5	21.30	21.72	17.64	13.78	12.37	10.49	6.55	1.82	1.54	0.18	-3.82	-2.51	-5.20
Communications	3.3	0.79	0.56	0.40	0.00	-0.62	-0.91	0.48	0.62	1.11	1.13	1.67	1.87	1.73
Recreation and culture	6.7	4.33	4.42	3.97	3.85	4.00	3.71	4.15	4.27	3.95	4.31	4.20	4.45	4.02
Education	2.7	-0.04	0.45	0.28	0.31	1.27	1.16	1.39	1.62	0.05	-0.18	0.14	0.03	-0.39
Restaurants and hotels	7.8	6.94	5.99	4.64	5.40	5.52	6.06	5.58	5.35	5.41	4.76	4.04	3.43	2.81
Miscellaneous goods and services	6.1	2.53	3.84	4.70	5.74	7.05	6.90	6.57	5.85	5.27	4.41	3.80	3.60	3.53

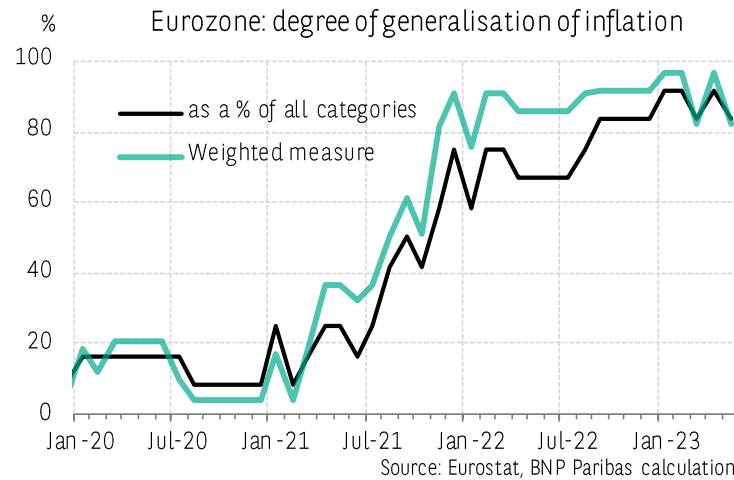
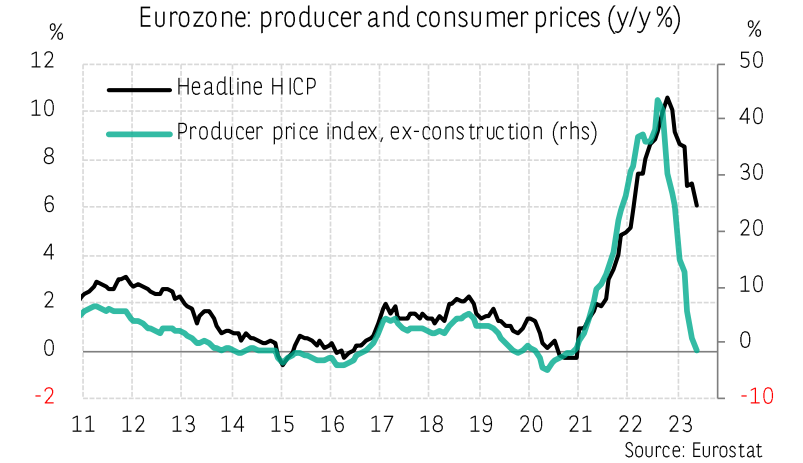
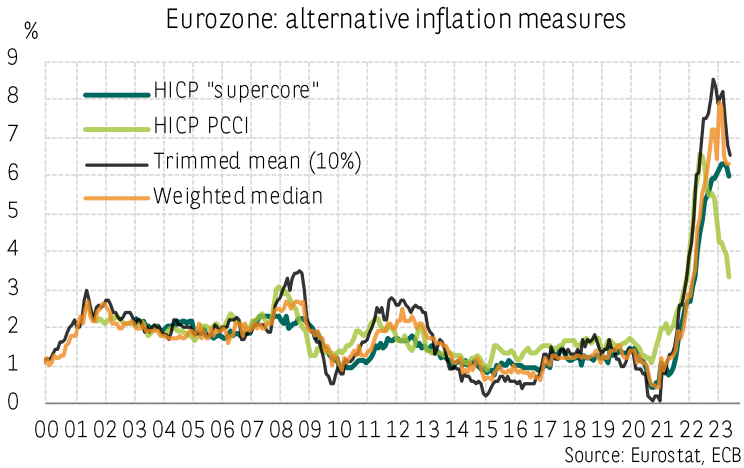
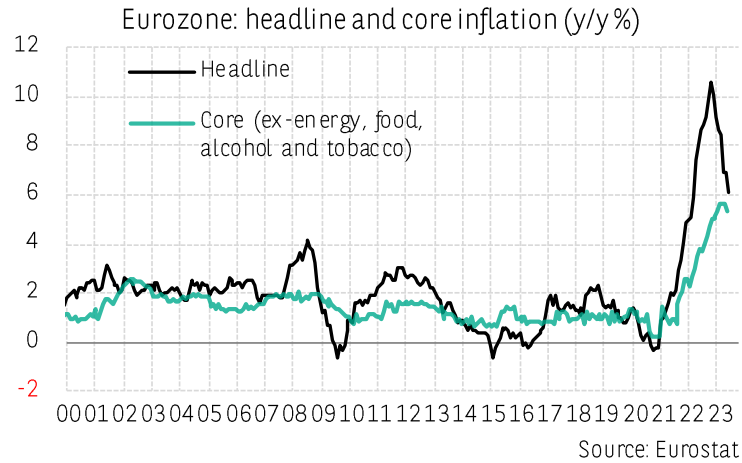
Source: BLS

Difference with the 2010-2019 average

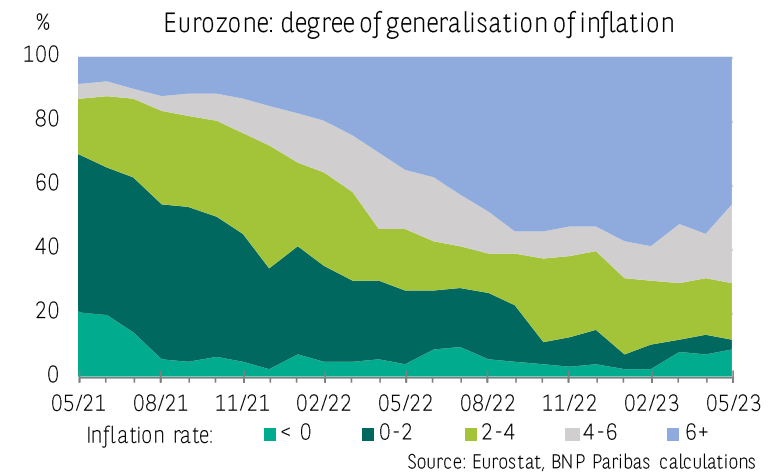
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Between 1 and 2	
Between 2 and 4	
Between 4 and 7	
Greater than 7	



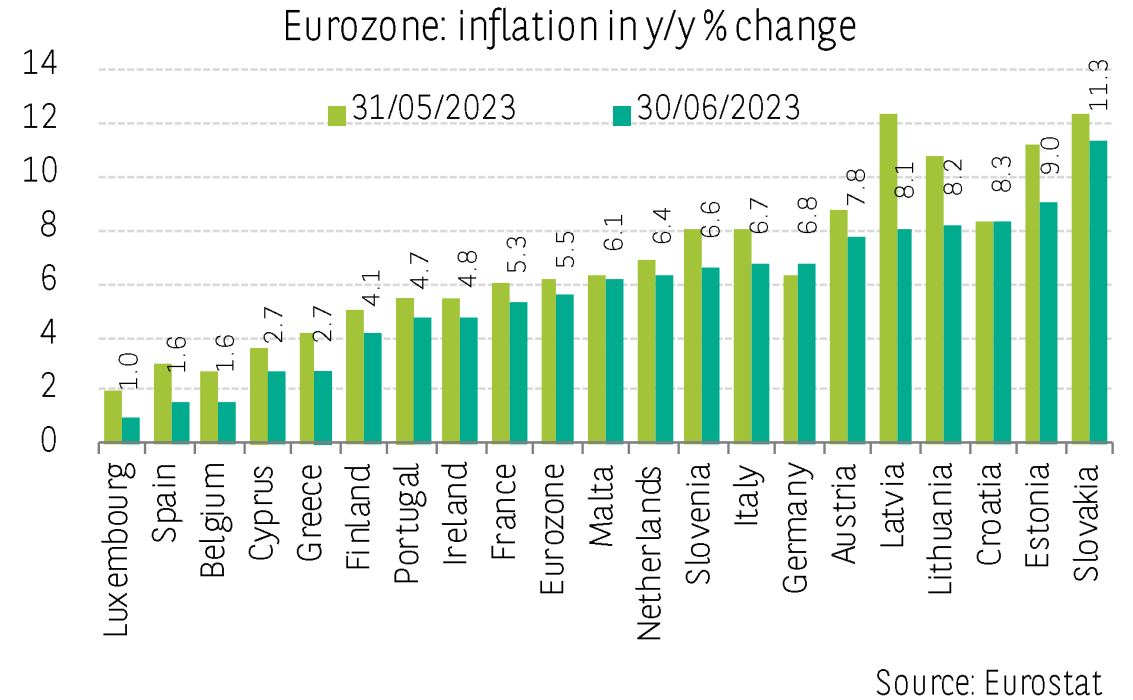
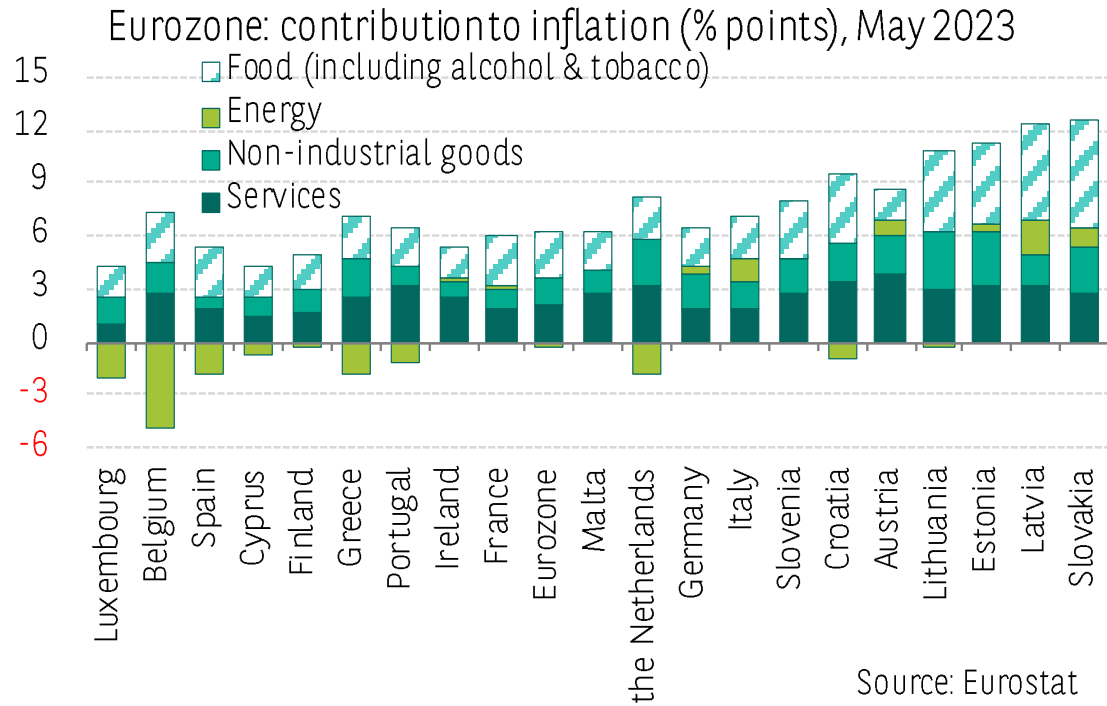
Inflation dynamics in the Eurozone: different metrics and degree of generalisation



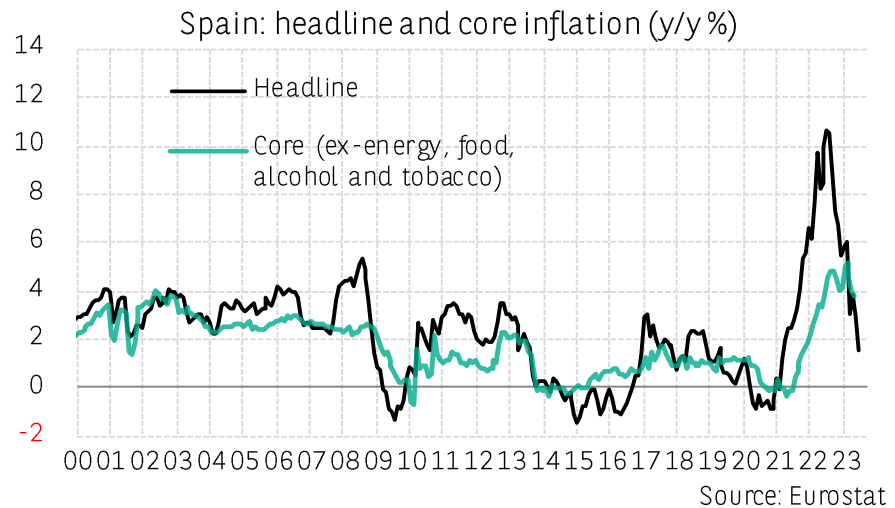
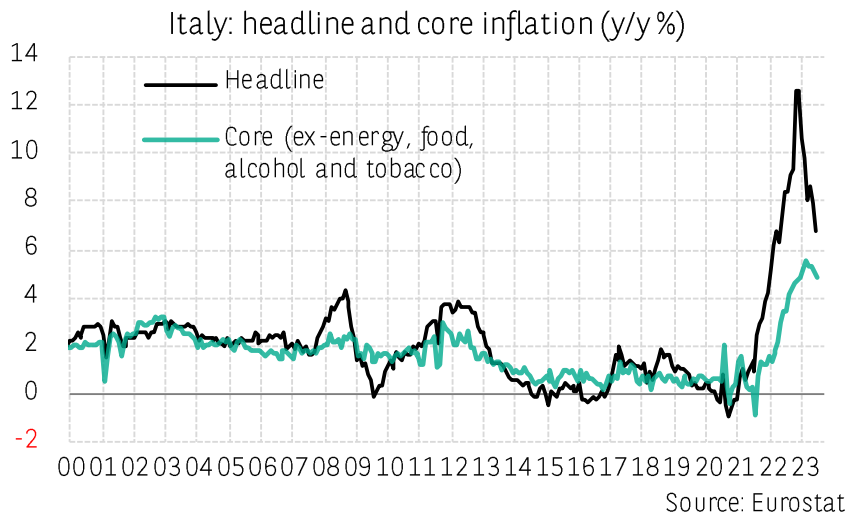
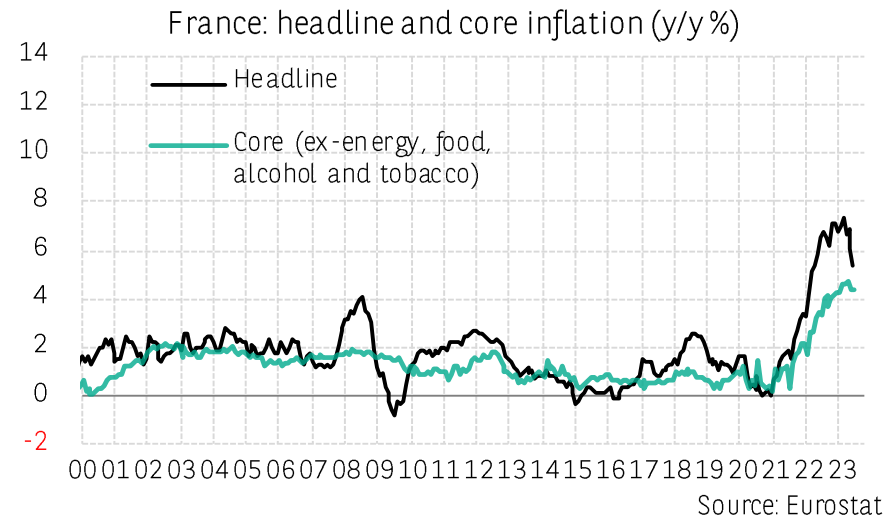
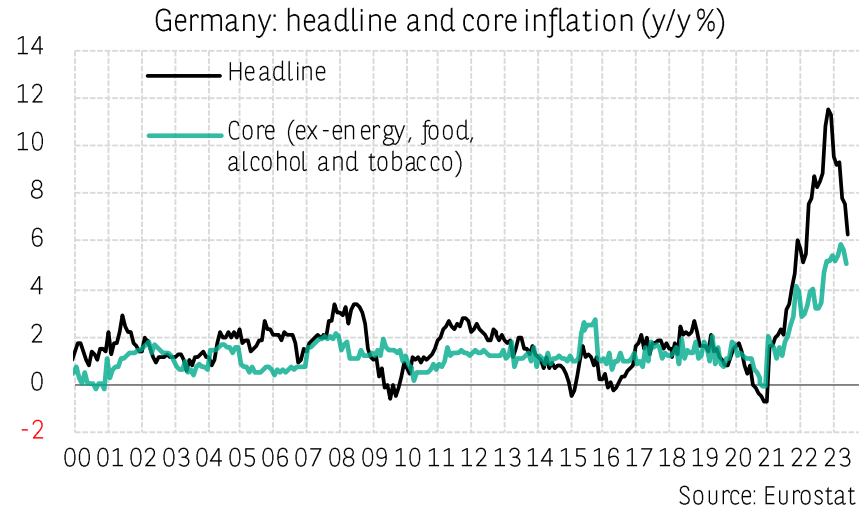
Note: the black line represents the % of CPI components whose increase is greater than, or equal to 2%. The hatched green line weights the results by the share of each component in the CPI.



Inflation dynamics in the Eurozone by country (1)



Inflation dynamics in the Eurozone by country (2)



Eurozone inflation heatmap

Difference between the current inflation rate (y/y, %) and the 2010-2019 average

	Weight (%)	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Total	100	6.70	7.29	7.51	7.79	8.57	9.27	8.70	7.84	7.29	7.15	5.53	5.61	4.75
Food and non-alcoholic beverages	17	7.28	8.94	10.04	10.97	12.33	14.02	14.54	14.55	14.83	15.87	16.08	13.54	12.25
Alcoholic beverages, tobacco and narcotics	4	-0.41	0.13	0.37	0.68	0.96	1.10	1.46	2.11	2.47	2.96	4.23	4.51	4.46
Clothing and footwear	5	1.19	0.04	-0.53	1.55	2.70	3.29	2.83	3.14	4.42	4.81	4.19	3.59	3.66
Housing, water, electricity, gas and other fuels	18	14.42	15.05	15.90	17.86	19.31	21.38	18.80	14.43	10.13	8.23	2.79	2.98	2.23
Furnishings, household equipment and routine household maintenance	7	5.35	5.93	6.39	6.81	7.23	7.94	8.08	8.53	8.54	8.32	7.98	7.52	6.69
Health	5	0.28	0.16	0.28	0.24	0.45	0.80	0.72	0.76	1.51	1.64	1.62	1.78	1.83
Transports	15	12.16	12.58	10.90	8.08	9.10	8.13	6.84	5.08	5.31	3.96	-1.24	1.24	-1.75
Communications	3	1.39	1.44	0.96	1.03	0.97	0.82	0.73	0.89	1.54	2.09	2.02	2.04	2.25
Recreation and culture	8	2.86	3.64	3.65	4.06	3.89	4.16	4.00	4.76	3.53	4.37	5.58	4.89	5.02
Education	1	-1.78	-1.84	-1.75	-1.64	2.93	3.22	3.26	3.24	3.37	3.53	3.59	3.68	3.64
Restaurants and hotels	8	5.24	6.12	6.45	6.29	6.68	6.60	6.27	6.44	6.33	6.80	6.68	7.02	6.55
Miscellaneous goods and services	10	1.20	1.23	1.58	1.80	1.95	2.39	2.68	2.81	3.65	3.85	3.86	3.86	3.87

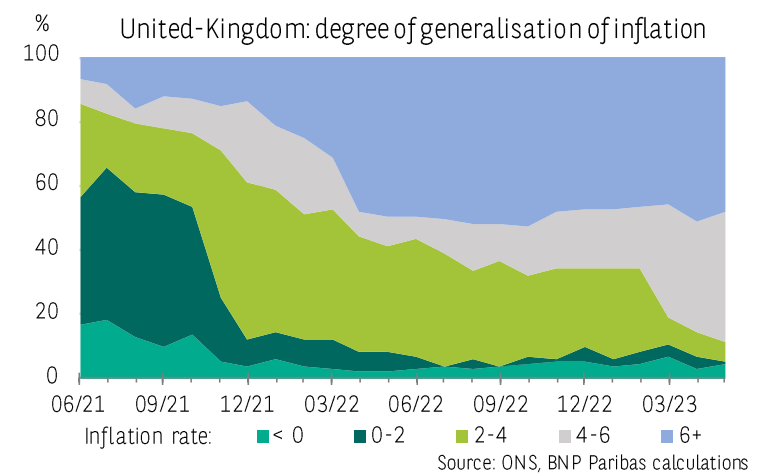
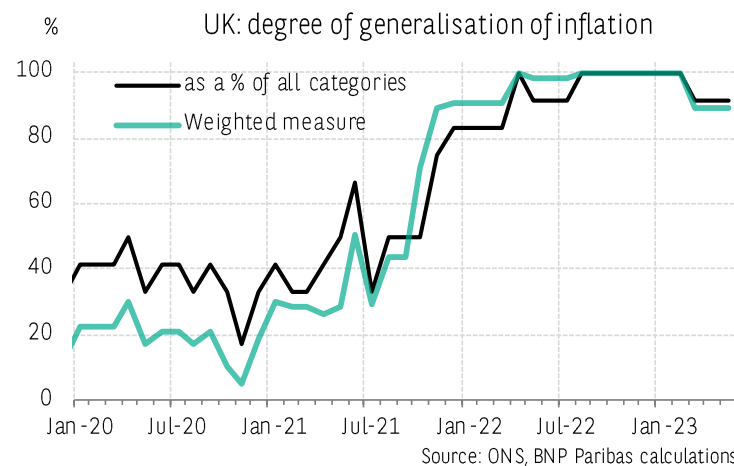
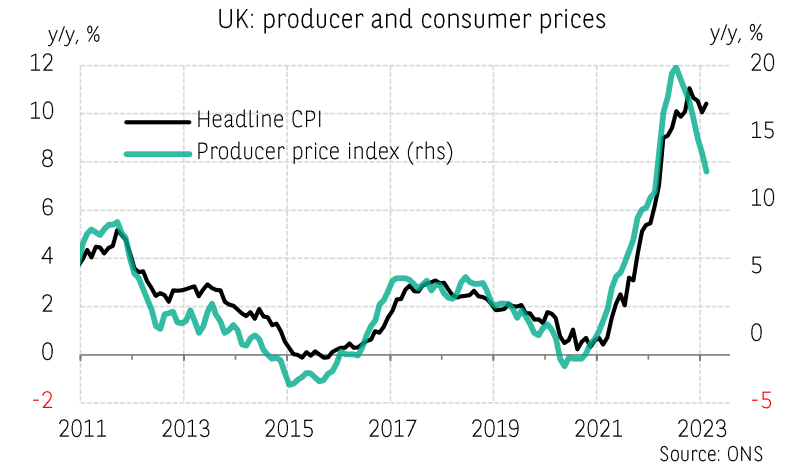
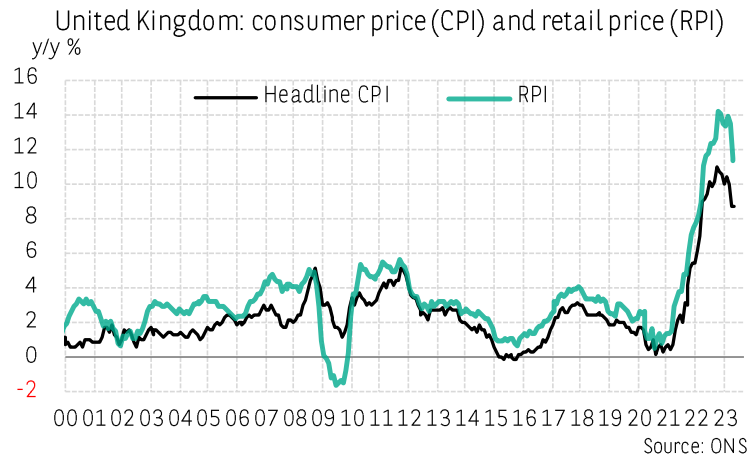
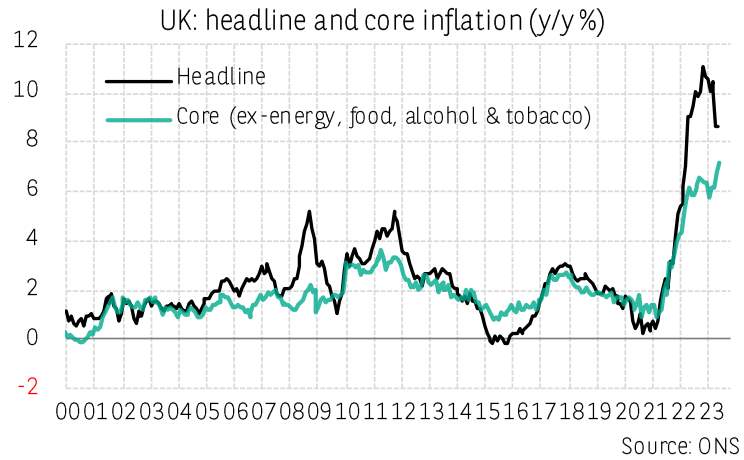
Source: Eurostat

Difference with the 2010-2019 average

Less than 0	
Between 0 and 1	
Between 1 and 2	
Between 2 and 4	
Between 4 and 7	
Greater than 7	



Inflation dynamics in the United Kingdom: different metrics and degree of generalisation



Note: the black line represents the % of CPI components whose increase is greater than or equal to 2%. The hatched green line weights the results by the share of each component in the CPI.

United Kingdom inflation heatmap

Difference between the current inflation rate (y/y, %) and the 2010-2019 average

	Weight (%)	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Total	100	6.86	7.18	7.87	7.64	7.87	8.82	8.44	8.30	7.82	8.19	7.83	6.43	6.45
Food and non-alcoholic beverages	9.3	6.98	8.12	10.96	11.43	12.91	14.60	14.77	15.17	15.04	16.40	17.51	17.40	16.66
Alcoholic beverages, tobacco and narcotics	3.9	0.28	-0.08	0.70	0.75	0.81	1.39	-0.63	-1.02	0.39	0.96	0.59	4.42	4.58
Clothing and footwear	4.9	6.32	5.53	6.02	6.97	7.85	7.88	6.88	5.84	5.58	7.43	6.53	6.15	6.42
Housing, water, electricity, gas and other fuels	31.4	16.95	17.13	17.56	17.55	17.79	24.19	24.12	24.11	24.28	24.14	23.61	9.86	9.68
Furnishings, household equipment and routine household maintenance	6.3	9.11	8.60	8.32	8.32	8.96	8.81	8.92	8.08	7.43	6.94	6.31	5.73	5.78
Health	1.8	-0.78	-0.92	-1.21	0.03	0.89	1.62	2.20	2.50	3.70	4.23	4.53	4.42	5.72
Transports	11.1	10.82	11.98	11.84	9.09	7.66	6.01	4.31	3.57	0.21	-0.01	-2.11	-1.45	-1.72
Communications	1.9	-0.02	0.14	0.41	-0.04	-0.37	0.44	-0.23	-0.80	-0.41	0.89	0.88	5.06	6.26
Recreation and culture	10.5	3.93	3.75	4.51	4.21	4.16	4.74	4.24	3.79	3.91	2.96	3.53	5.18	5.59
Education	2.6	-2.47	-2.47	-2.47	-2.47	-2.72	-3.82	-3.82	-3.82	-3.82	-3.82	-3.82	-3.82	-3.82
Restaurants and hotels	9.0	4.76	5.70	6.09	5.82	6.85	6.72	7.41	8.51	7.93	9.27	8.47	7.36	7.46
Miscellaneous goods and services	7.3	1.70	1.97	2.78	3.34	3.81	3.87	4.15	4.15	4.62	5.35	5.51	5.58	5.54

Source : ONS

Difference with the 2010-2019 average

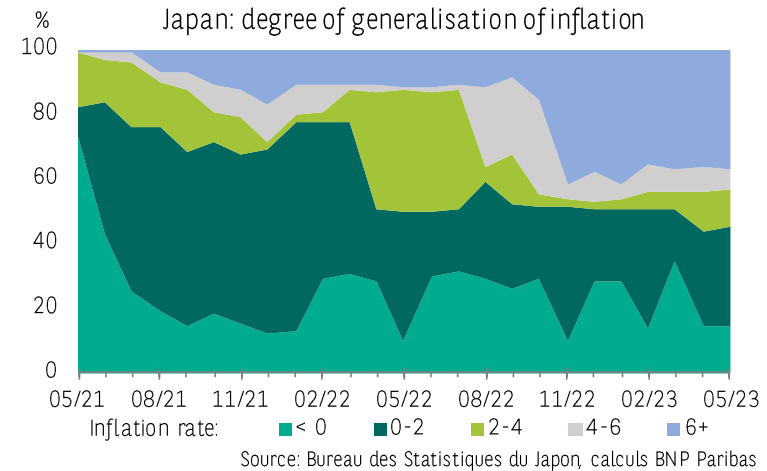
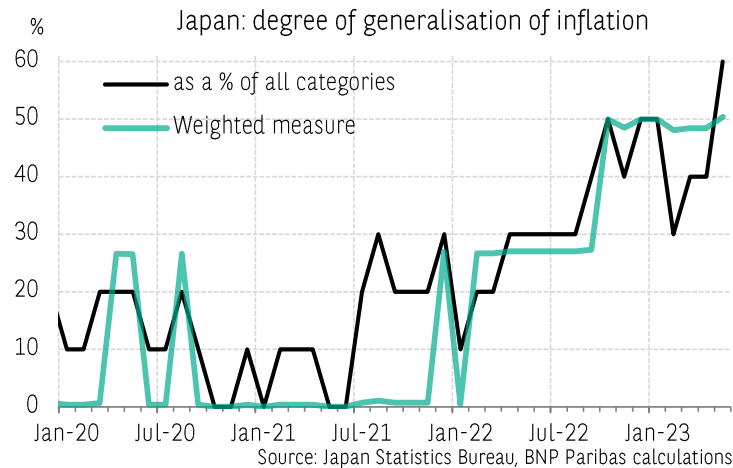
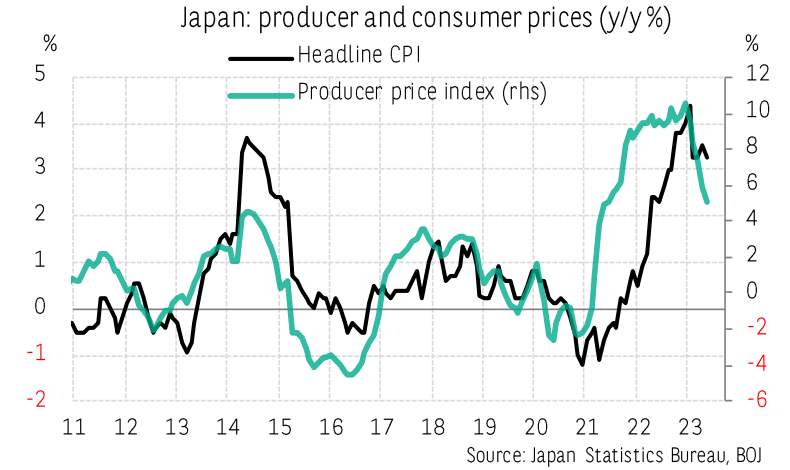
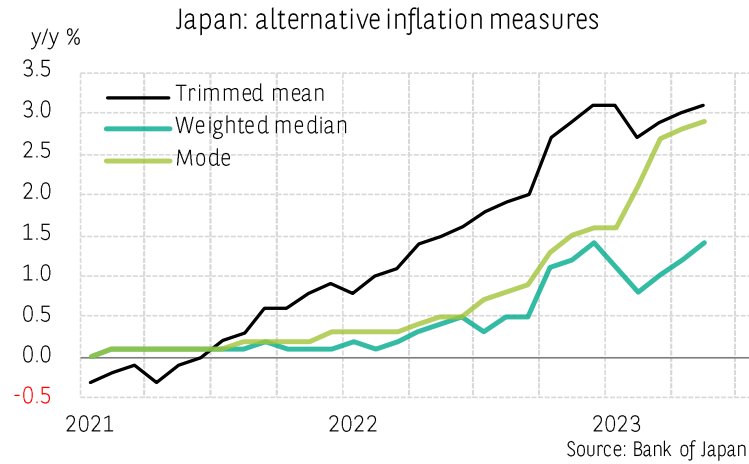
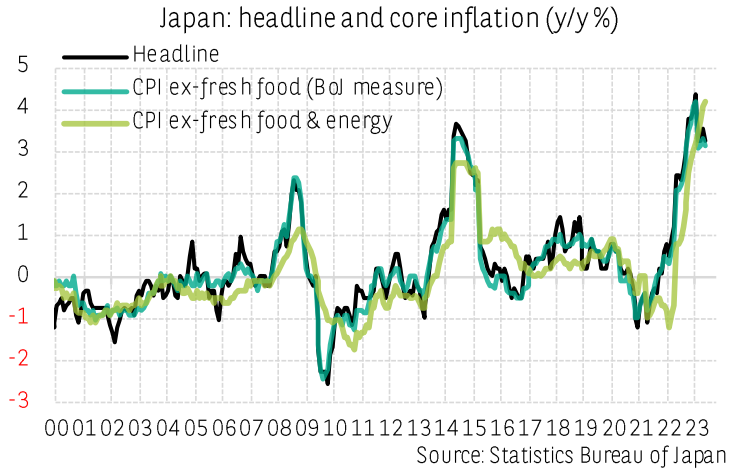
Less than 0	
Between 0 and 1	
Between 1 and 2	
Between 2 and 4	
Between 4 and 7	
Greater than 7	



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Inflation dynamics in Japan: different metrics and degree of generalisation



Note: the black line represents the % of CPI components whose increase is greater than or equal to 2%. The hatched green line weights the results by the share of each component in the CPI.



Japan inflation heatmap

Difference between the current inflation rate (y/y, %) and the 2010-2019 average

	Weight (%)	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Total	100	1.94	1.84	2.14	2.54	2.53	3.33	3.33	3.53	3.92	2.81	2.79	3.08	2.77
Food	9.3	3.08	2.65	3.37	3.55	3.09	5.20	5.89	5.89	6.30	6.48	6.66	7.40	7.46
Clothing and footwear	3.9	0.30	0.50	0.82	0.94	1.28	1.96	2.15	2.27	2.63	2.92	3.08	3.22	3.22
Housing	4.9	0.64	0.74	0.74	0.74	0.74	1.23	1.33	1.43	1.43	1.43	1.43	1.33	1.33
Fuel, light and water charges	31.4	12.67	12.27	12.98	13.86	13.21	12.93	12.42	13.40	13.23	-2.00	-4.47	-5.58	-10.06
Furniture and household utensils	6.3	4.51	4.89	4.87	5.36	7.65	7.84	8.31	8.48	8.60	9.62	10.39	10.99	10.57
Medical care	1.8	-1.03	-0.93	-0.93	-1.03	-0.83	-0.13	-0.03	-0.03	0.17	0.58	0.98	1.39	1.79
Transportation and communication	11.1	-1.11	-1.00	-0.68	0.17	0.28	1.70	1.26	1.69	1.80	1.37	1.14	1.36	1.90
Culture and recreation	1.9	1.56	1.08	0.67	1.54	2.06	0.77	-0.21	-0.11	1.47	1.46	2.14	2.99	3.27
Education	10.5	1.40	1.30	1.30	1.30	1.20	1.20	1.20	1.20	1.20	1.60	1.50	1.89	1.89
Miscellaneous goods and services	2.6	-0.13	0.07	-0.13	0.07	-0.03	-0.43	-0.34	-0.04	-0.04	0.16	0.15	-0.04	0.05

Source : Statistics Bureau of Japan

Difference with the 2010-2019 average

Less than 0	
Between 0 and 1	
Between 1 and 2	
Between 2 and 4	
Between 4 and 7	
Greater than 7	

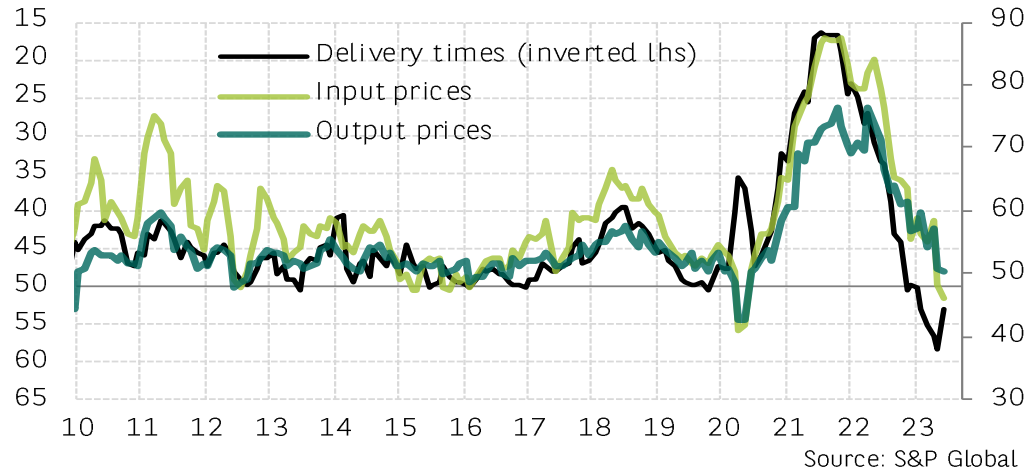


Inflation and survey data

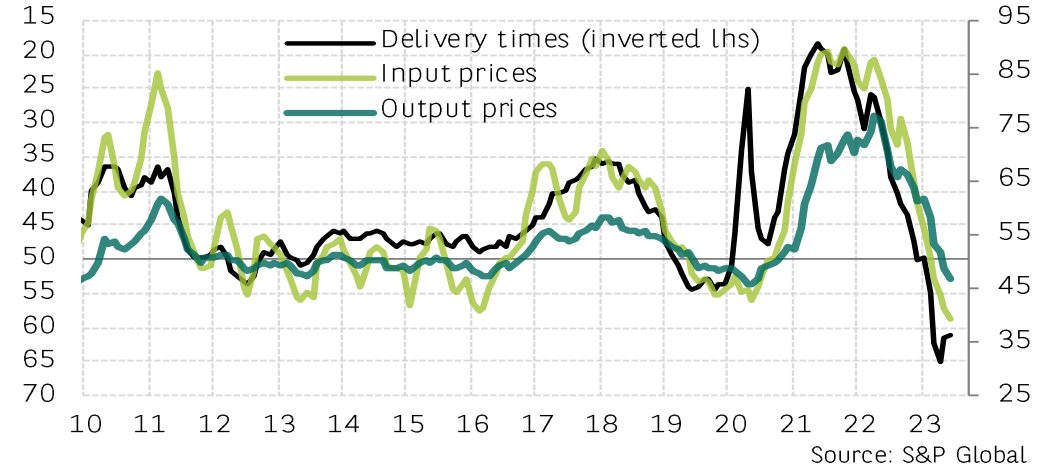


PMI surveys: an indication of inflationary pressures (1)

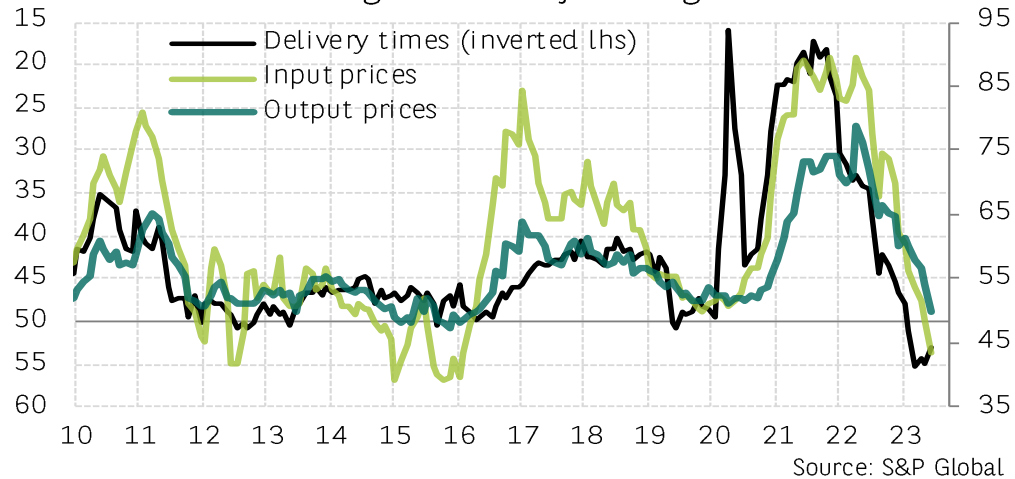
United States: manufacturing PMI indices



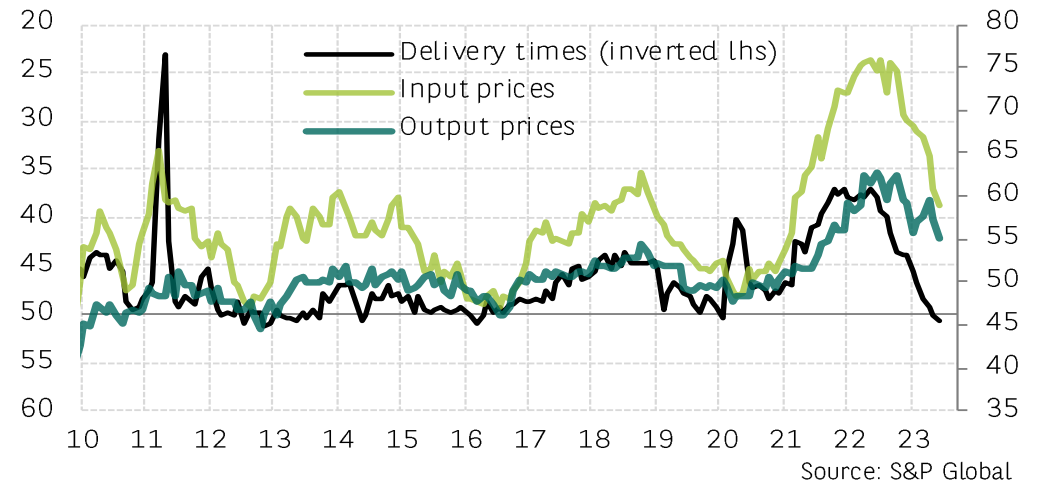
Eurozone: manufacturing PMI indices



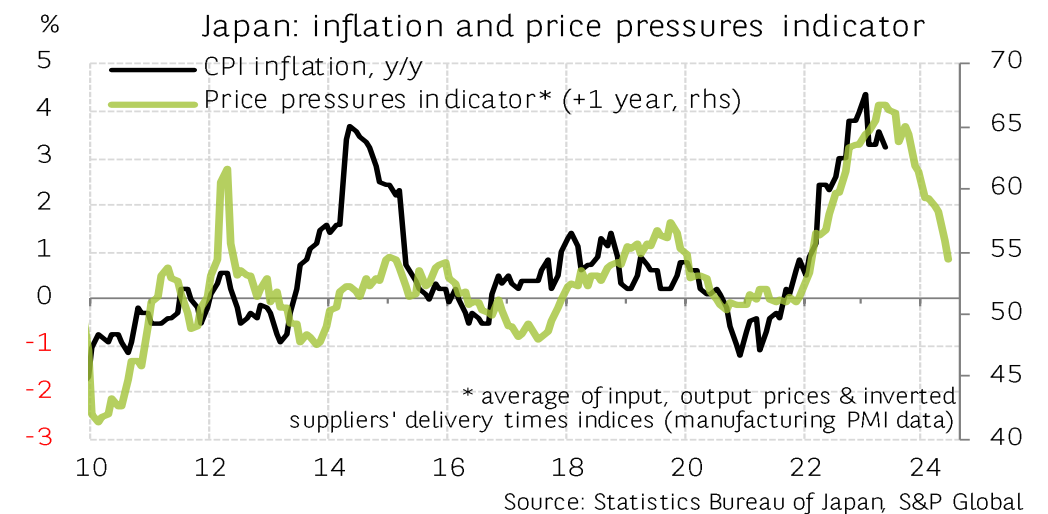
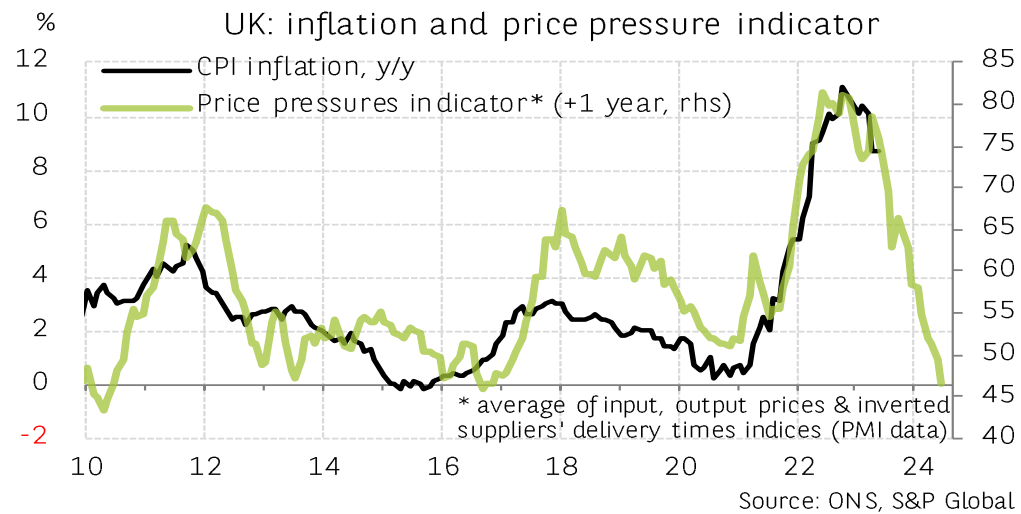
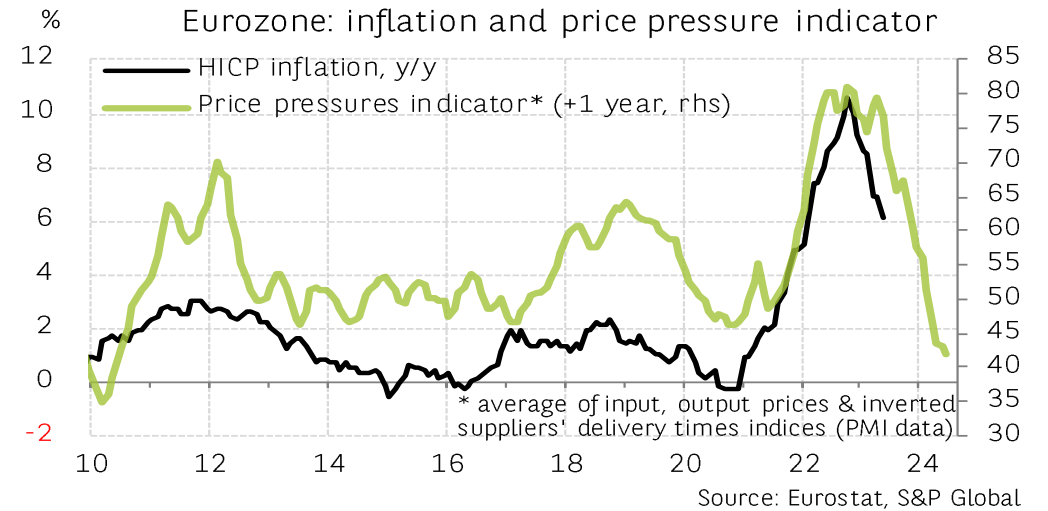
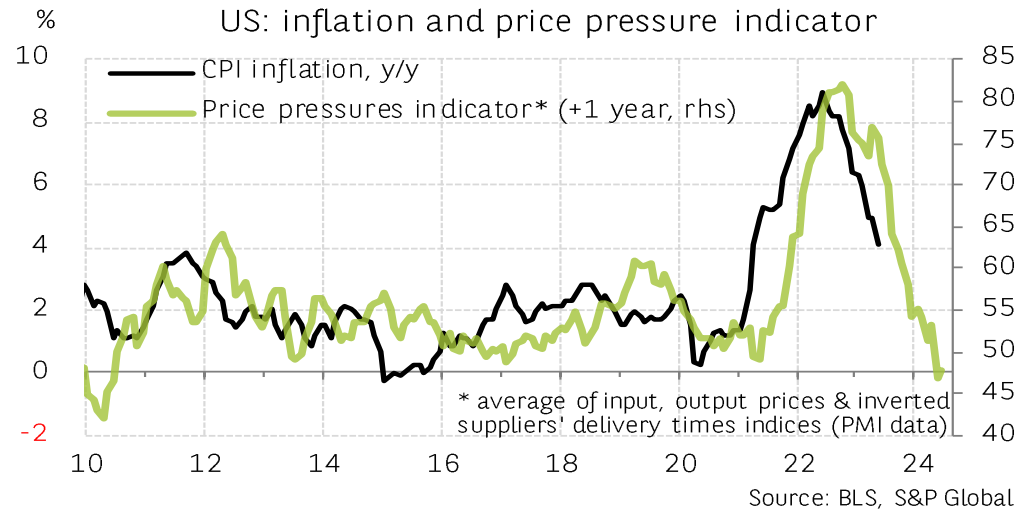
United Kingdom: manufacturing PMI indices



Japan: manufacturing PMI indices



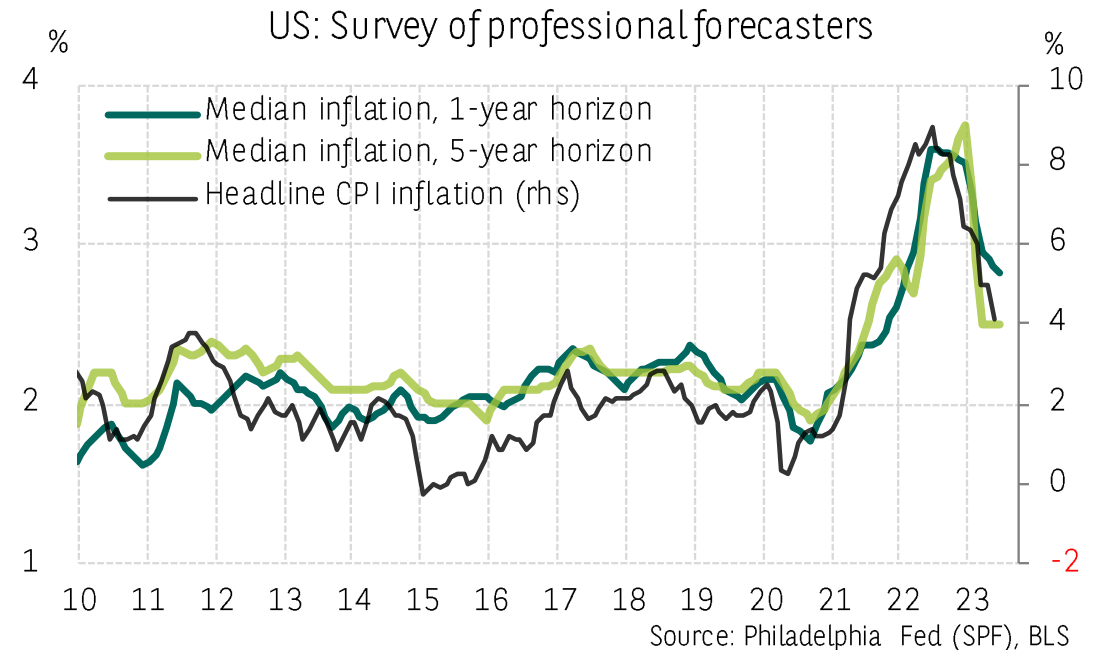
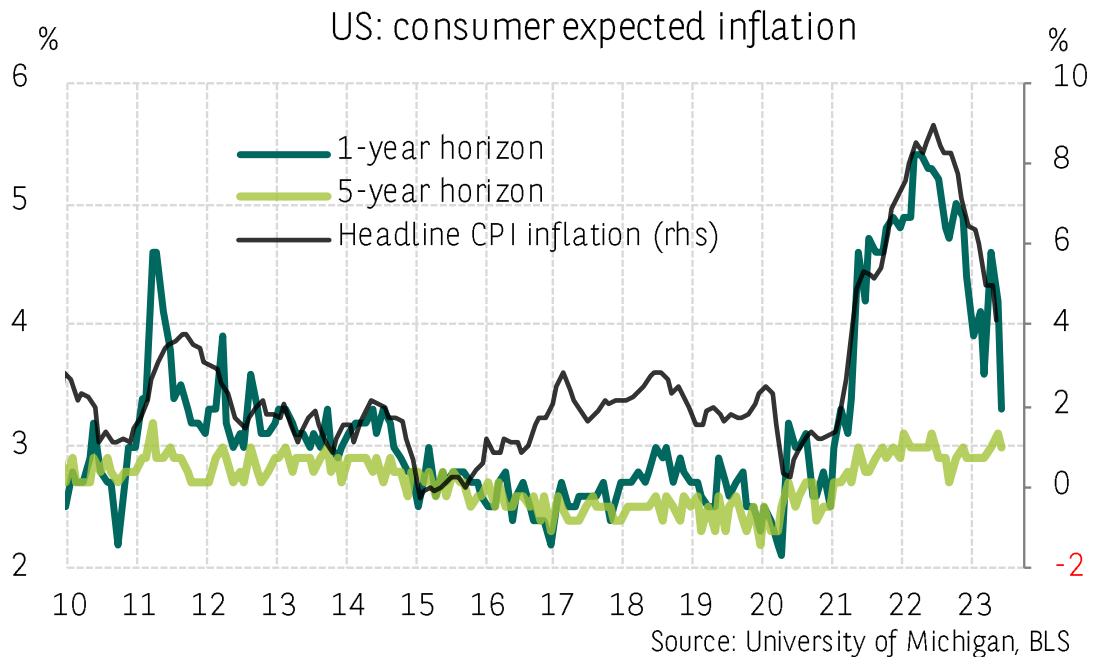
PMI surveys: an indication of inflationary pressures (2)



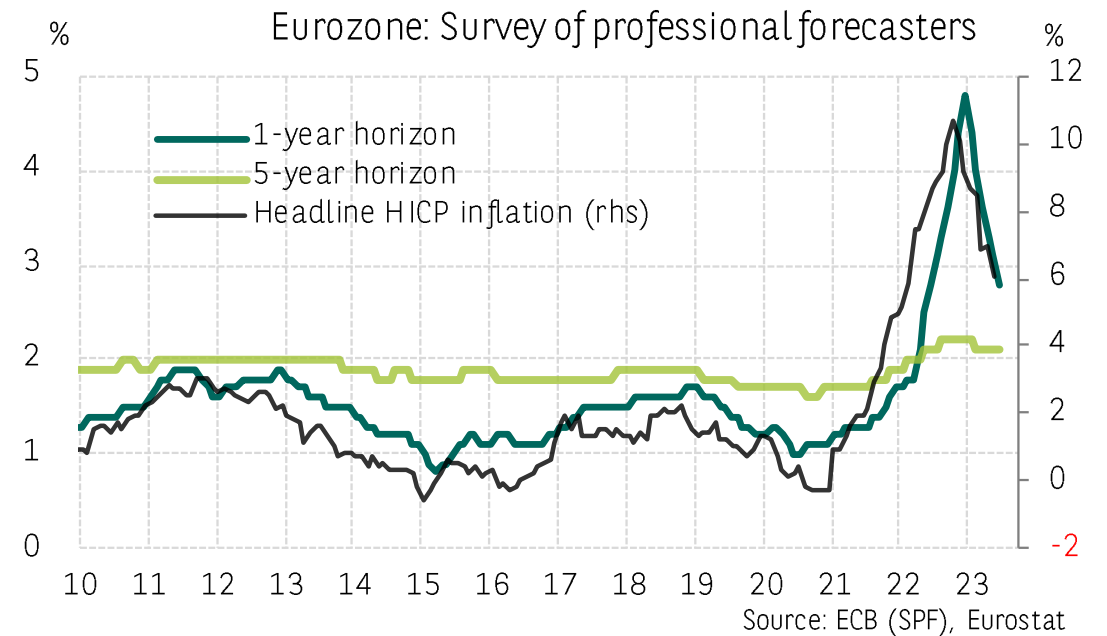
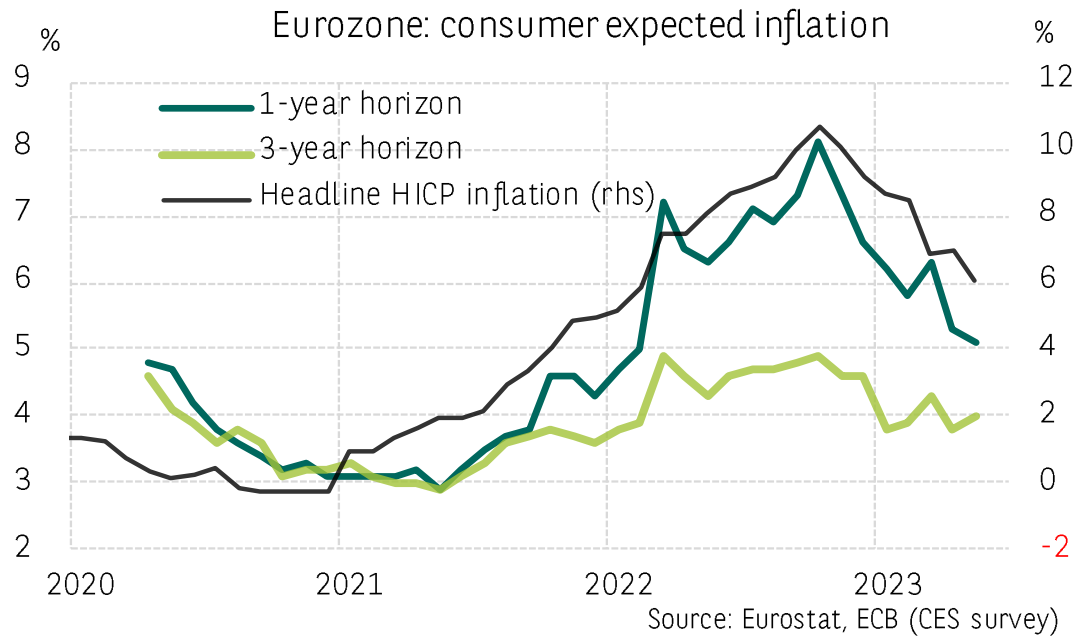
Inflation expectations (households, forecasters, markets)



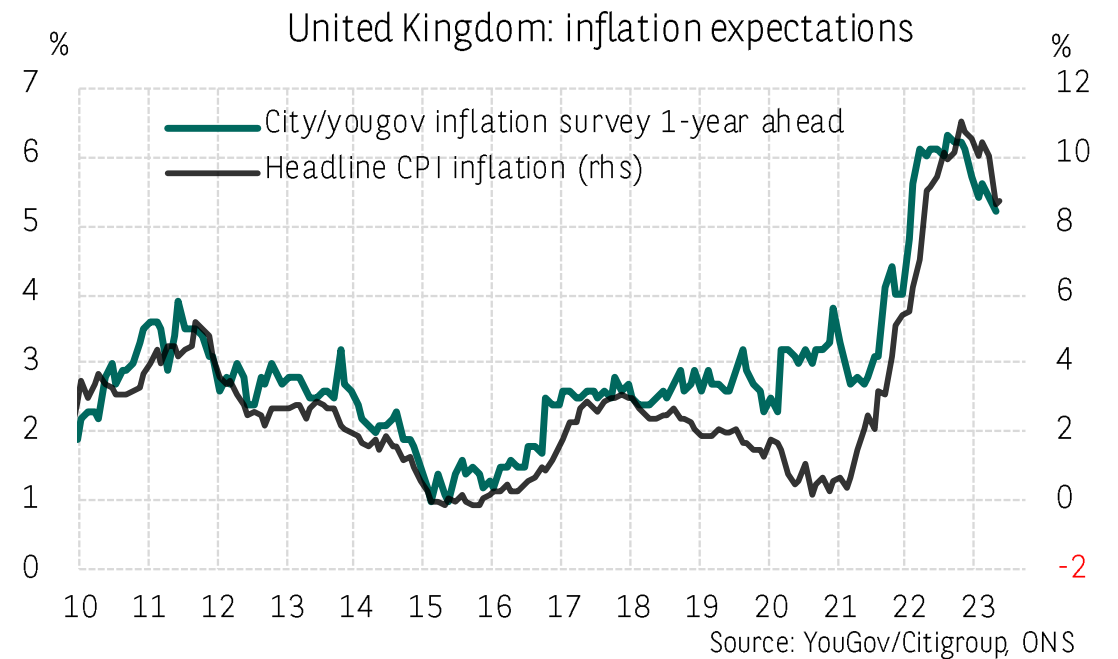
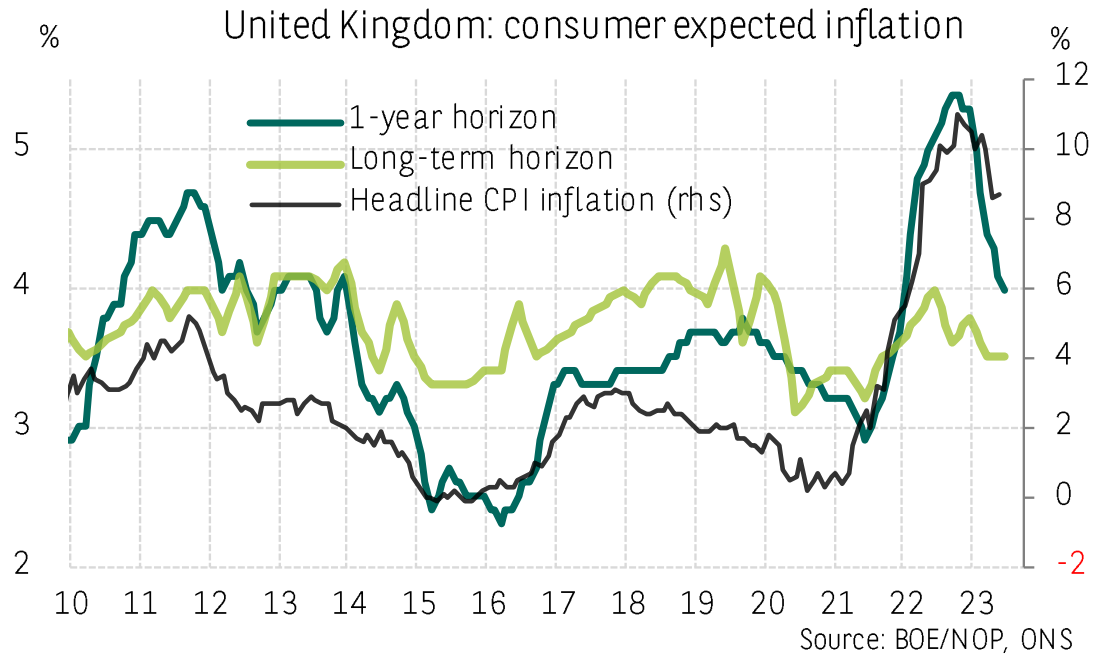
Inflation expectations in the United States



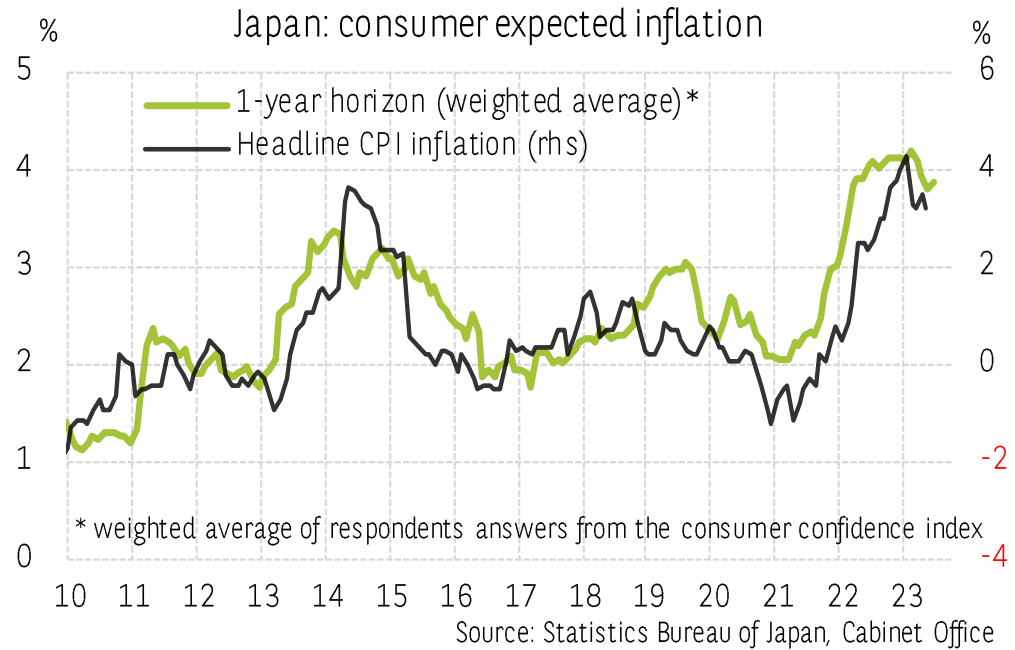
Inflation expectations in the Eurozone



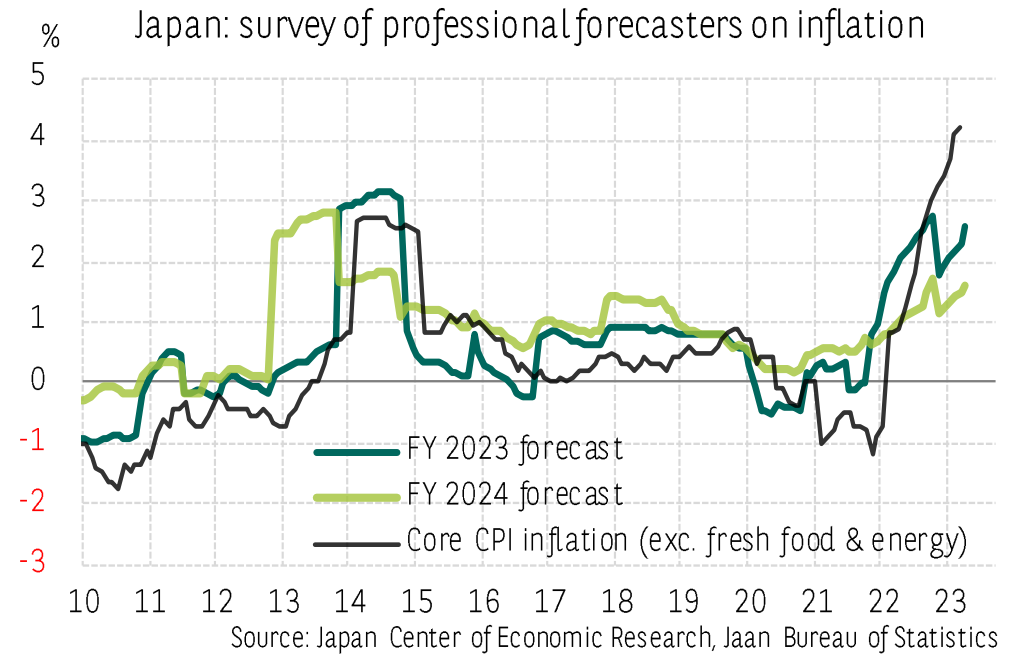
Inflation expectations in the United Kingdom



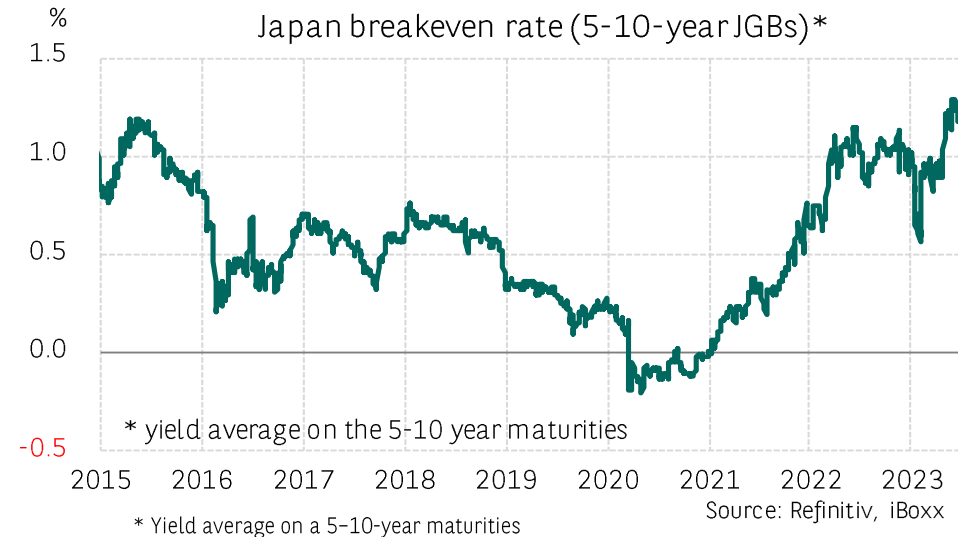
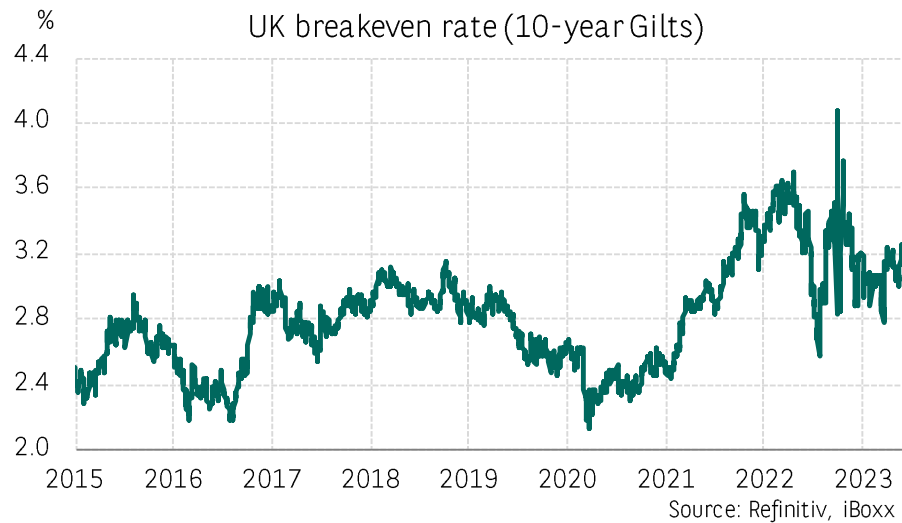
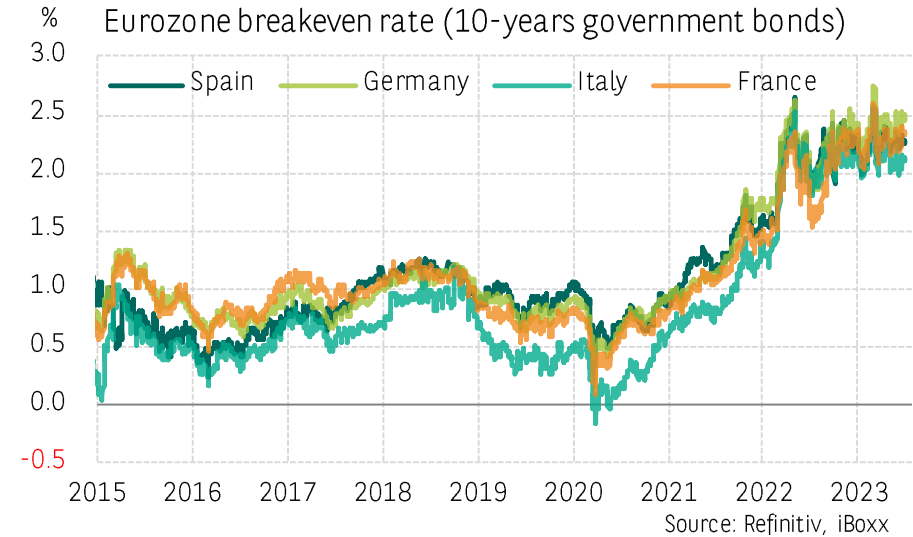
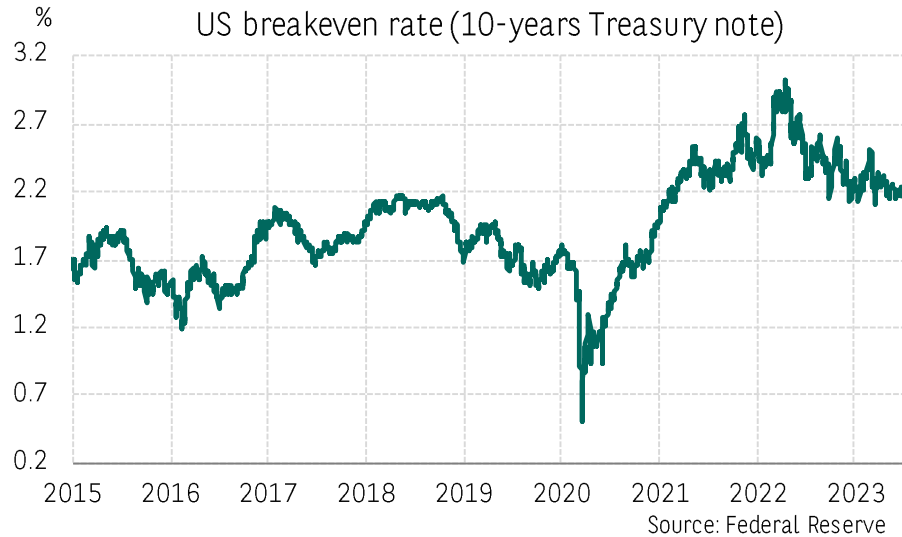
Inflation expectations in Japan



* Weighted average of respondents' answers from the consumer confidence survey (Cabinet Office)



Market Expectations: Breakeven inflation rate



Raw materials

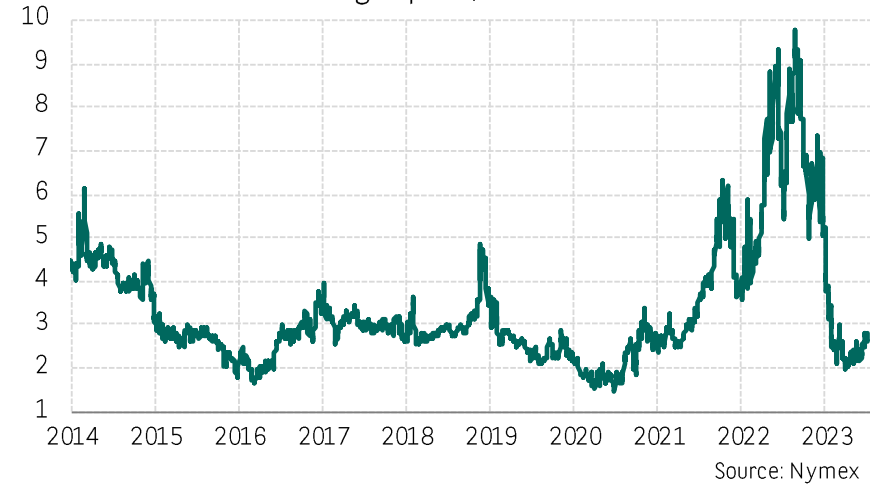


Raw materials

WTI crude oil price, USD/barrel



Natural gas price, USD/million BTU



S&P GSCI industrial metal spot price index



S&P GSCI agriculture spot price index

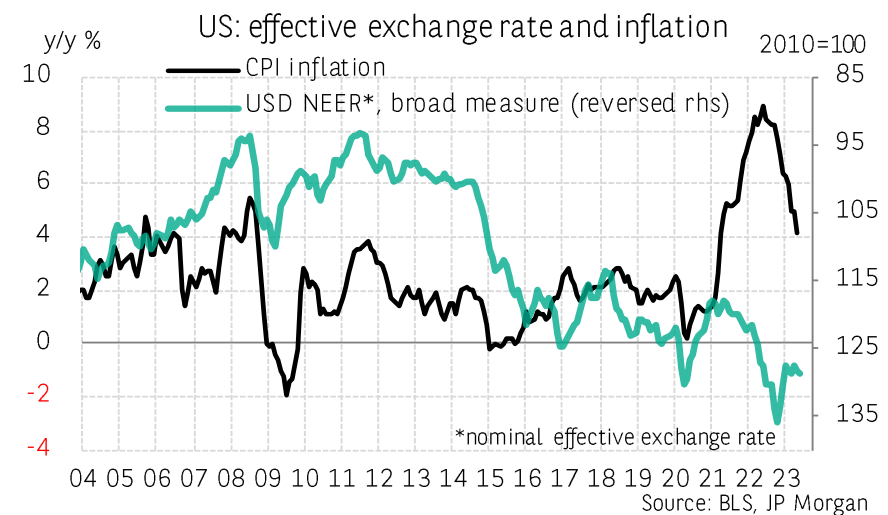
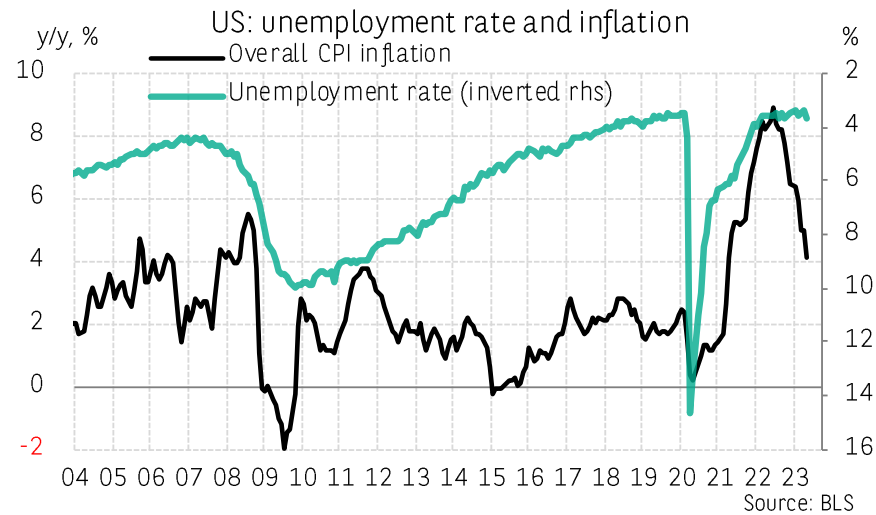
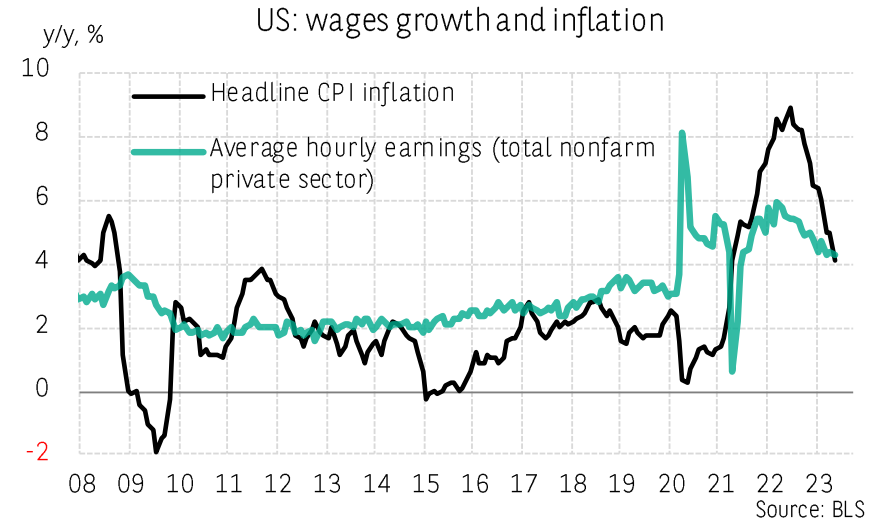
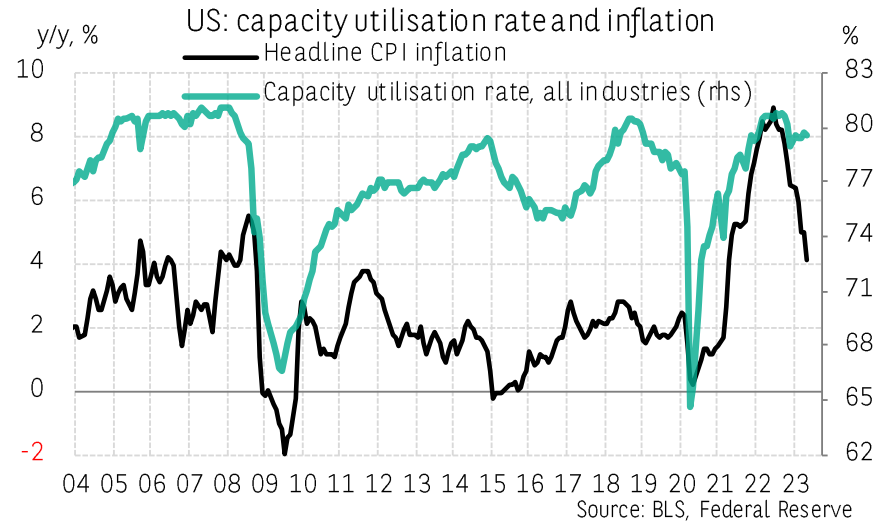


Macroeconomic determinants of inflation

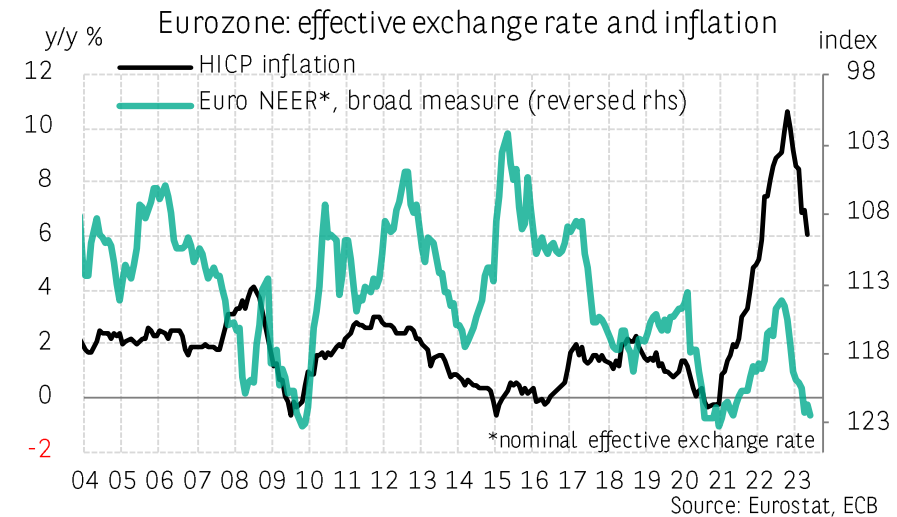
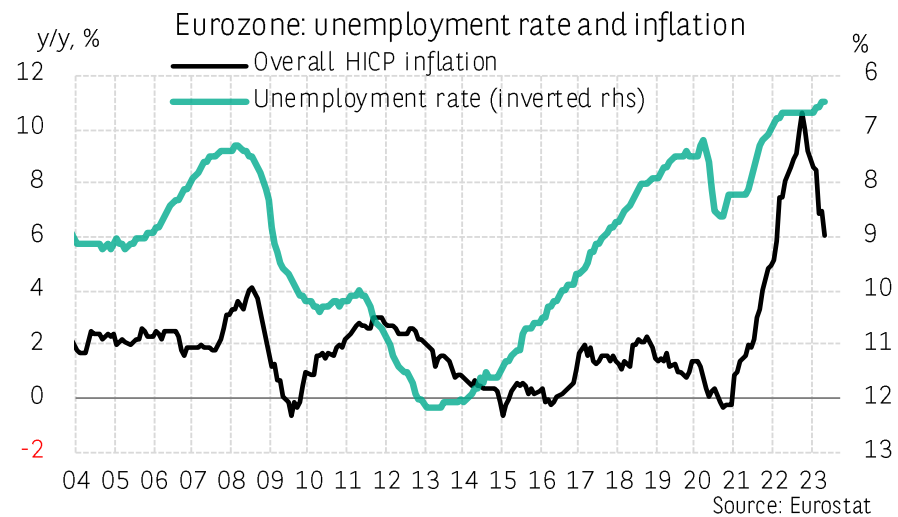
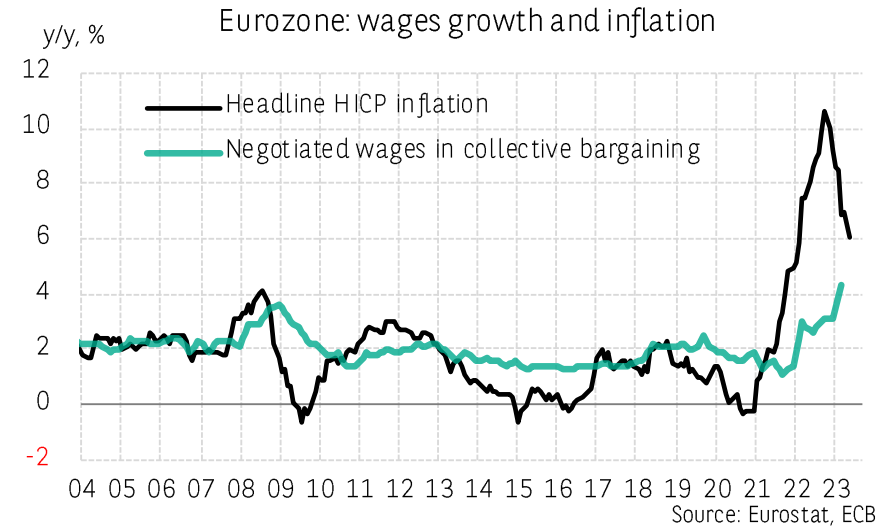
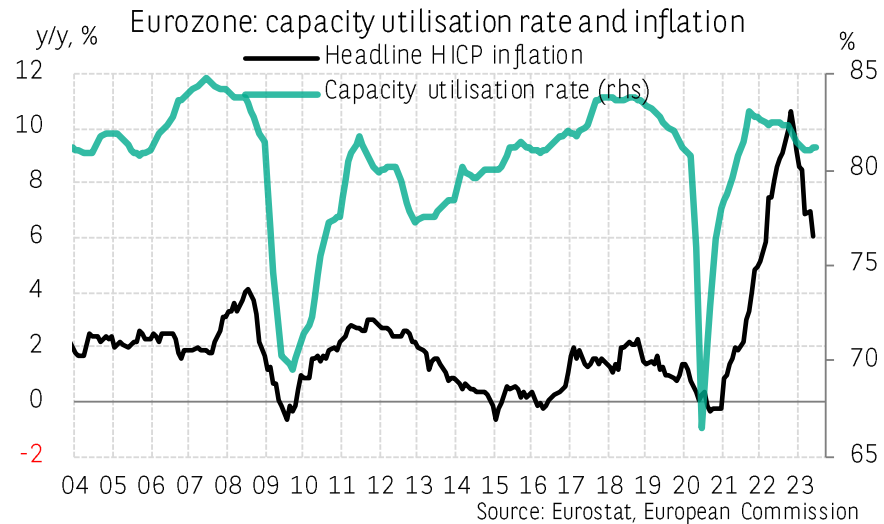
(wages, unemployment rate, capacity utilisation rate, exchange rate)



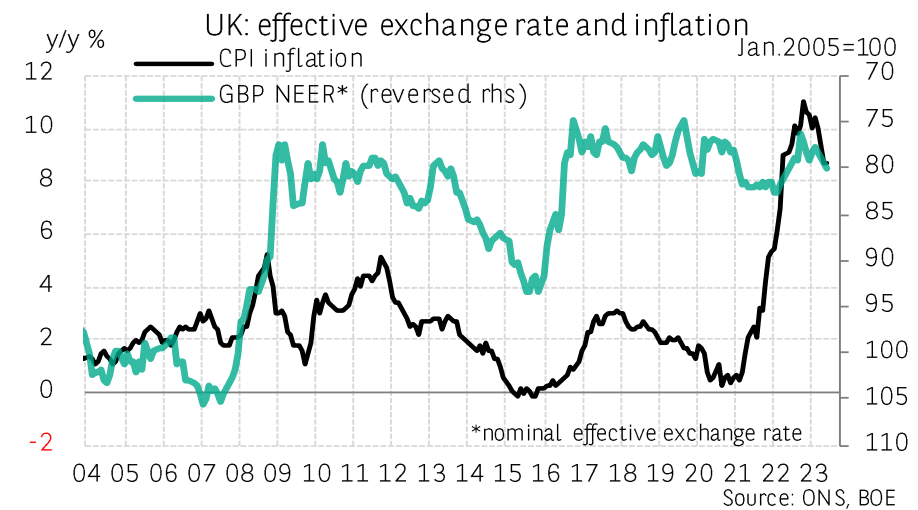
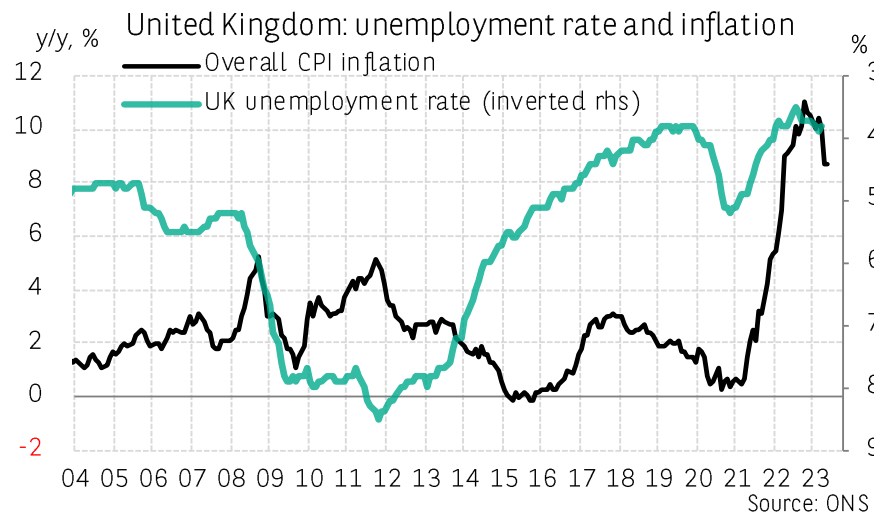
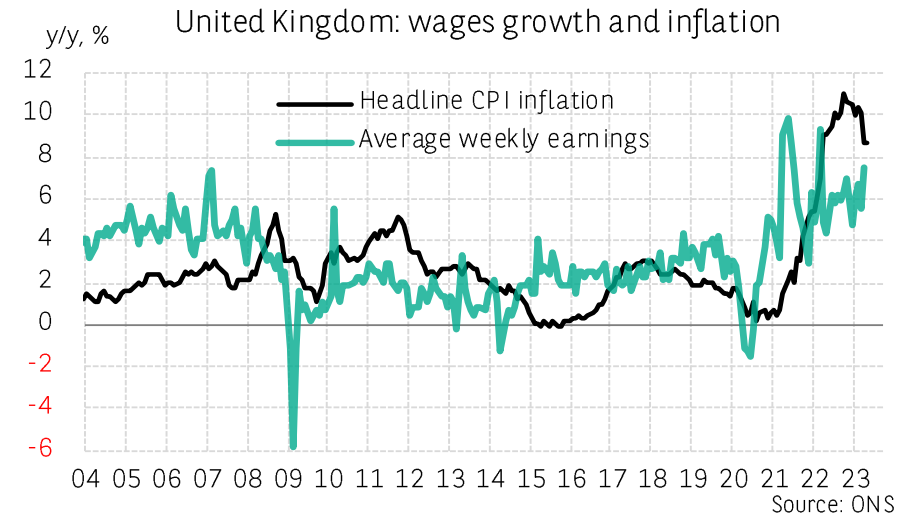
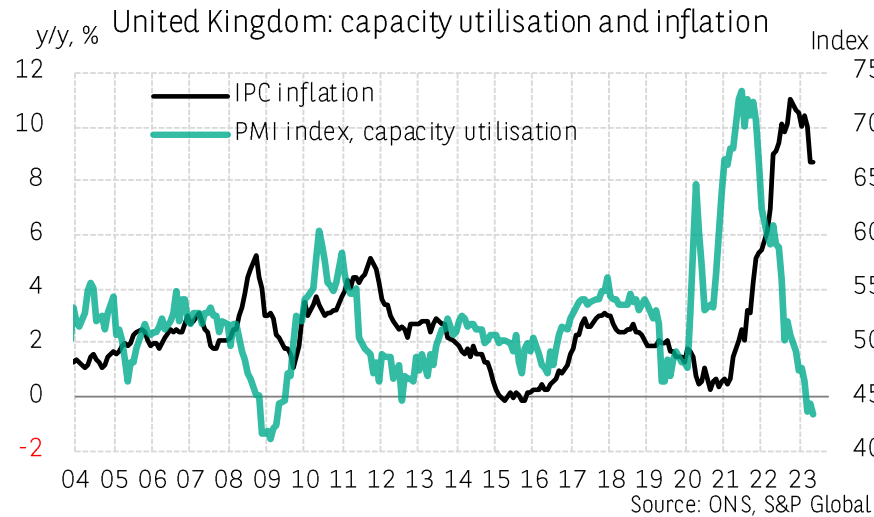
Determinants of inflation in the United States



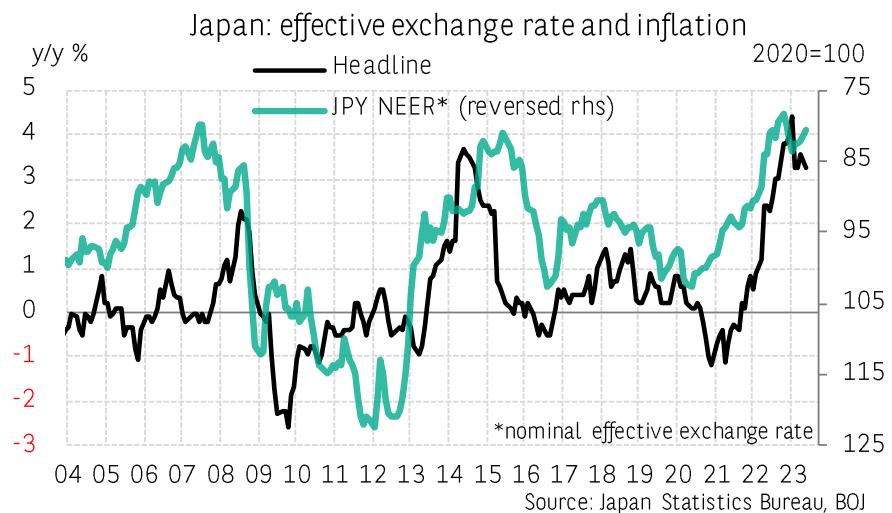
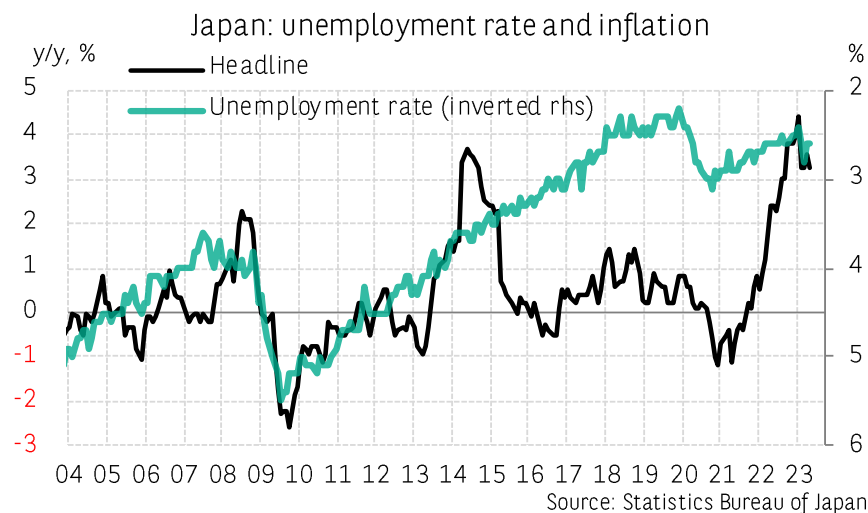
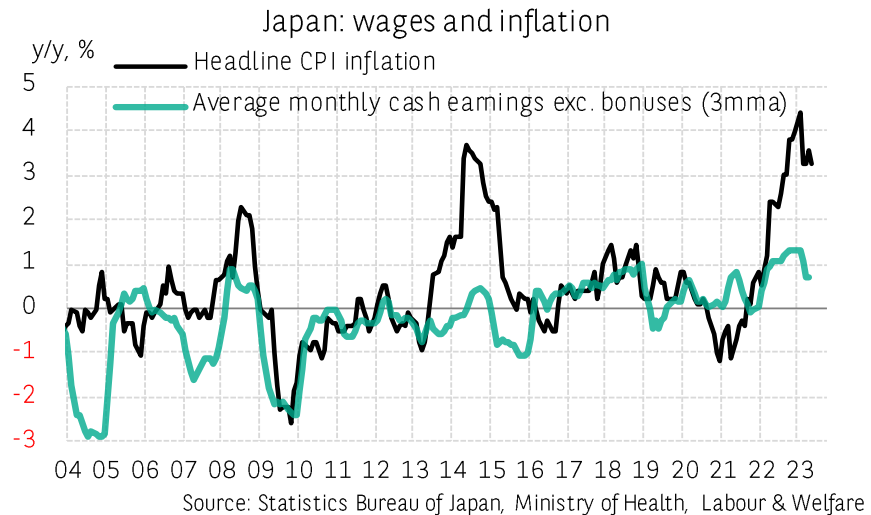
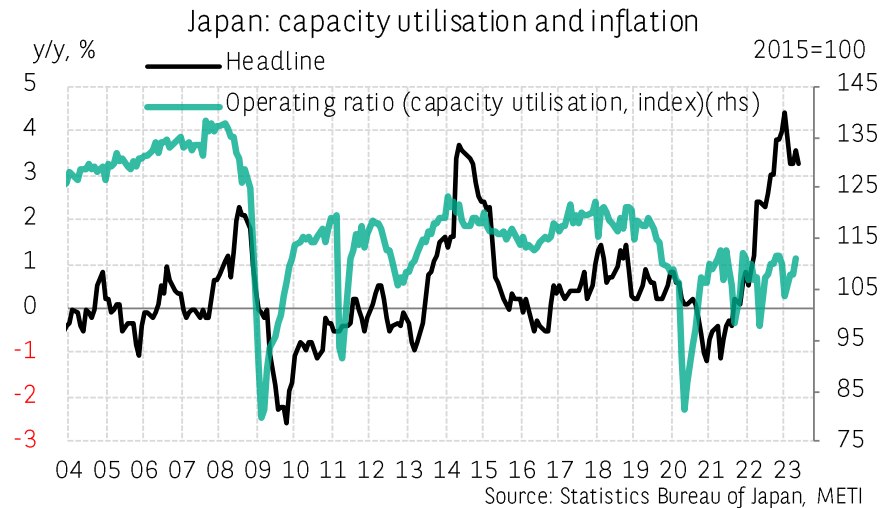
Determinants of inflation in the Eurozone



Determinants of inflation in the United Kingdom



Determinants of inflation in Japan



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