



ECOCHARTS

March 2023

INFLATION TRACKER



BNP PARIBAS

The bank for a changing world

KEY POINTS: MULTI-SPEED DESINFLATION

- How much disinflation can we expect this year? The sharp drop in energy prices from their peak in the summer of 2022 is progressively pushing down headline inflation and producer prices in most OECD countries. The base effects expected on the energy component of the CPI over the next few months should prolong this disinflation dynamic. The decline in the PMI indices for input prices and delivery times and, to a lesser extent, output prices, indeed indicate waning inflationary pressures.
- However, inflation in food products is not weakening at all, while it is accelerating in services. In the United States, services inflation reached 5.7% y/y in January on the CPI measure and 7.6% on the PCE measure, while the corresponding HICP in the eurozone rose to 4.4% y/y. Price increases in services slowed in the United Kingdom in January but remained higher than in the European Monetary Union and in the United States, at 6.0%.
- The sharp rise in prices extends to different parts of the economy. The majority, if not all, of the CPI items are still rising at a rate well above 2% y/y.
- Significant disparities exist between Euro Area countries. The rate of inflation remains very high in the Baltic countries (between 18% and 21%), in Slovakia (15.1%) and to a lesser extent in Austria (11.5%) and Italy (10.7%). Luxembourg (5.7%), Spain (5.9%) and Malta (6.8%) recorded the lowest price increases in January, thanks to a dissipation of energy inflation. In France, consumer inflation picked up again in January, to 7.0%, against 6.7% in the previous month.
- In the United Kingdom, the surge in electricity and gas prices continued unabated in January (+89.5% y/y) and still contributed to nearly half of headline inflation. Combined with the rise in food prices, which is growing (16.8% y/y in January), and its repercussions in catering (+9.3%, included in the CPI), headline inflation in the country remains above 10%.
- Long-term household inflation expectations in the United States and the eurozone have stabilized since the summer of 2022, and remain anchored at a level close to, although above, the 2% target aimed at by central bankers. Surveys of professional forecasters are in line with the household ones. The long-term expectations of British households are comparatively higher (above 4%) but remain in line with the average of the last ten years. On the markets, the break-even inflation rate fell below the 3% mark (United States, eurozone) or close to it (United Kingdom).
- Wages are rising at a rapid pace in the United States and the United Kingdom, driven by a very resilient labour market and a historically low unemployment rate. While the knock-on effects of inflation on wages are, at this stage, less significant in the eurozone, they are growing.

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La banque d'un monde qui change

General dynamics of inflation

Inflation and survey data

Inflation expectations (households, forecasters, markets)

Raw materials

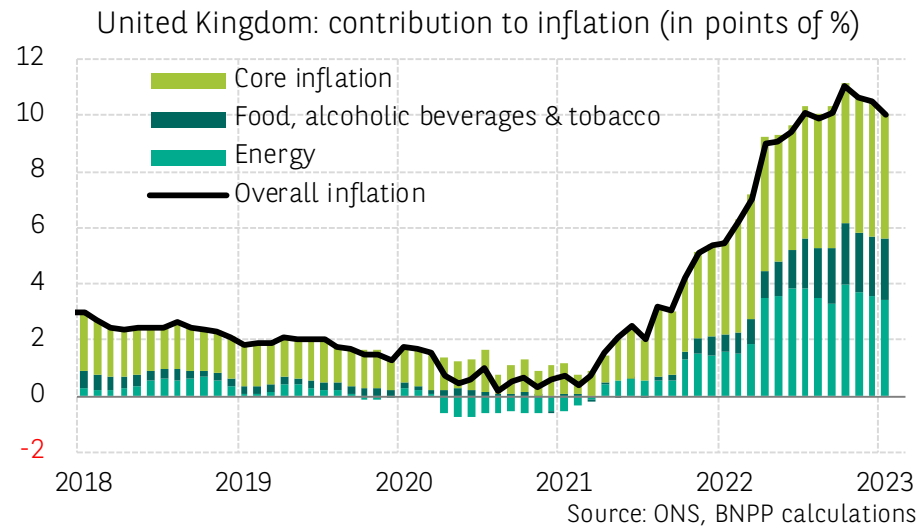
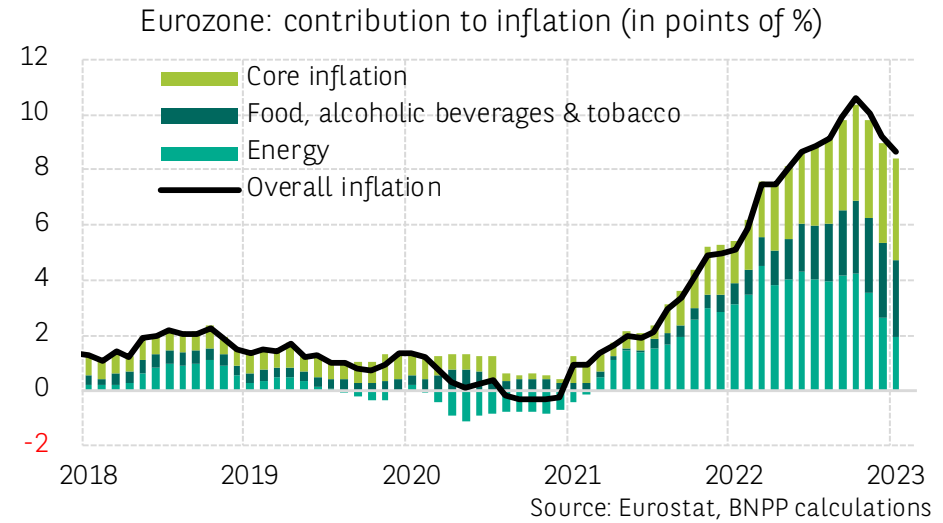
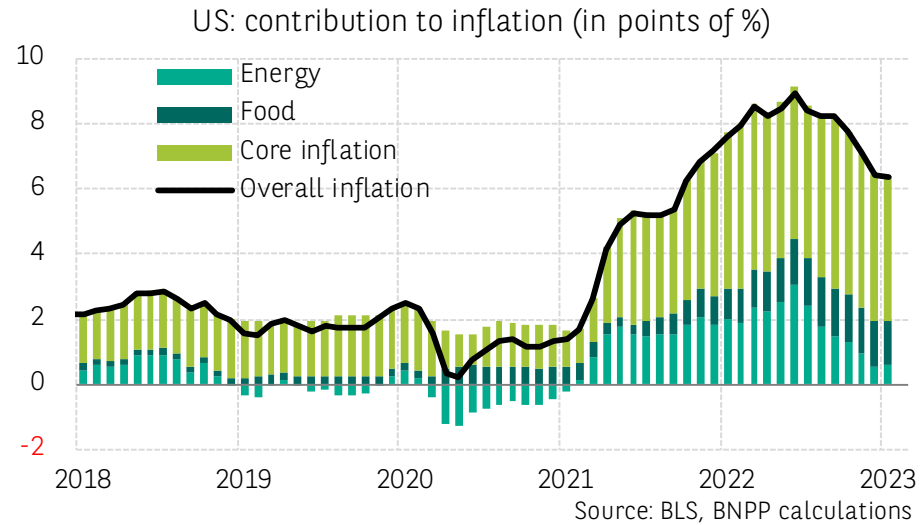
Macroeconomic determinants of inflation (wages, unemployment rate, capacity utilization, exchange rate)



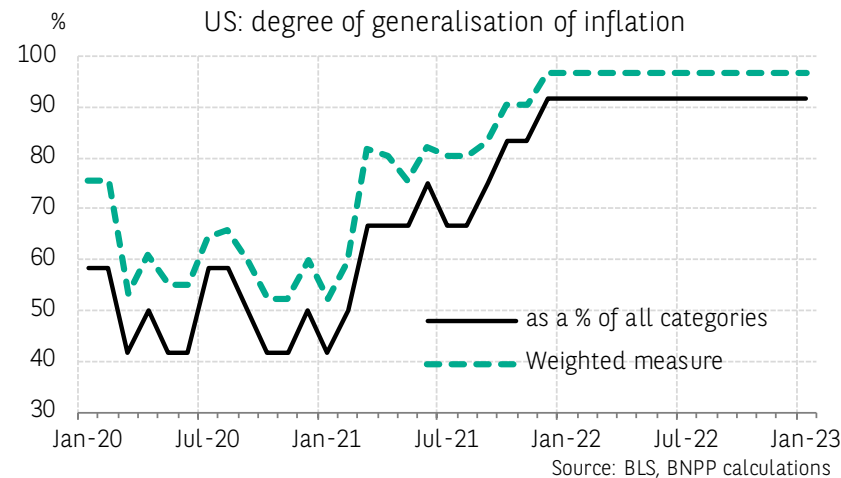
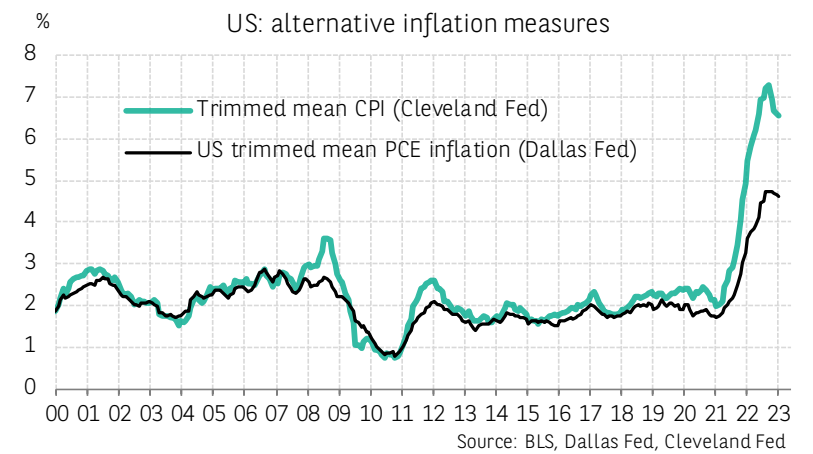
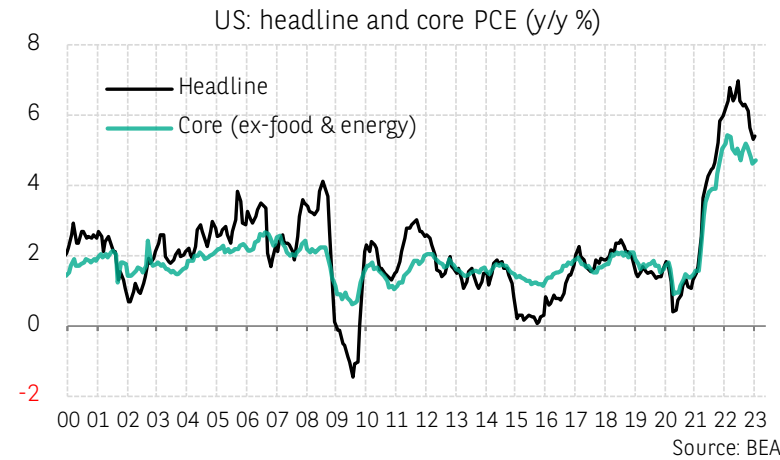
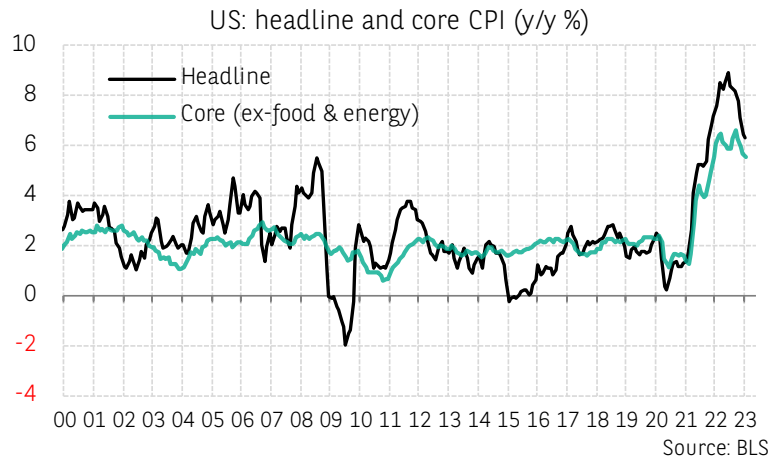
General dynamics of inflation



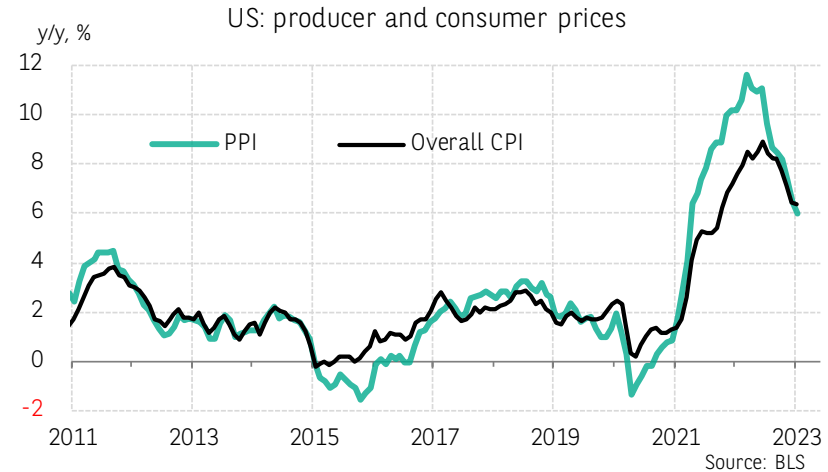
General dynamics of inflation: decomposition of inflation



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



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.





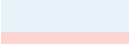



United States inflation heatmap

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

	Weight (%)	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
Total	100	5.82	6.18	6.74	6.46	6.73	7.16	6.64	6.46	6.44	5.99	5.36	4.67	4.58
Food and non-alcoholic beverages	7.6	6.13	7.41	8.80	9.63	10.80	11.02	11.93	12.32	11.71	11.22	10.74	10.67	10.14
Alcoholic beverages, tobacco and narcotics	1.2	1.98	2.52	2.52	2.74	3.01	3.06	3.07	3.67	3.22	2.81	3.04	2.98	3.36
Clothing and footwear	2.7	4.95	6.33	6.76	5.57	5.17	5.36	5.24	5.12	5.20	3.92	3.14	2.47	2.42
Housing, water, electricity, gas and other fuels	36.1	2.42	2.53	2.93	3.22	3.83	4.48	4.70	5.18	5.51	5.37	5.46	5.86	6.02
Furnishings, household equipment and routine household maintenance	4.0	9.12	9.99	10.44	10.25	9.27	10.07	10.67	10.28	9.59	8.93	8.03	7.03	6.00
Health	7.4	0.03	-0.33	-0.25	-0.21	-0.02	0.46	0.39	0.60	0.90	0.61	0.41	0.83	0.19
Transports	14.5	22.41	22.70	24.62	21.69	21.28	21.70	17.61	13.75	12.34	10.47	6.52	1.80	1.51
Communications	3.3	2.12	1.91	1.31	1.02	0.76	0.53	0.38	-0.03	-0.64	-0.94	0.45	0.60	1.09
Recreation and culture	6.7	4.99	5.30	5.28	4.28	4.32	4.41	3.97	3.84	4.00	3.70	4.15	4.26	3.94
Education	2.7	-0.94	-0.73	-0.47	-0.26	-0.03	0.46	0.29	0.31	1.28	1.17	1.40	1.63	0.06
Restaurants and hotels	7.8	5.43	6.44	6.87	6.67	6.93	5.98	4.63	5.40	5.52	6.06	5.58	5.34	5.40
Miscellaneous goods and services	6.1	-0.04	0.85	1.31	1.82	2.52	3.83	4.70	5.73	7.04	6.89	6.56	5.85	5.26

Source: BLS

Difference with the 2010-2019 average

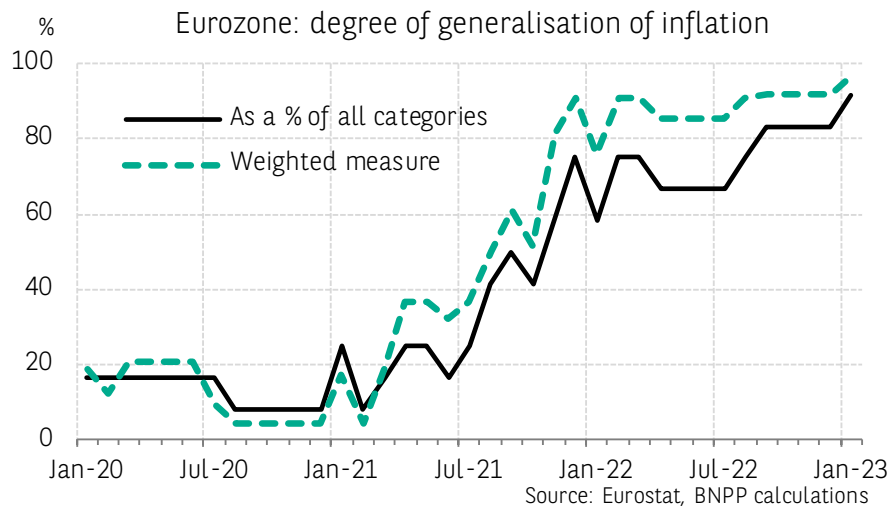
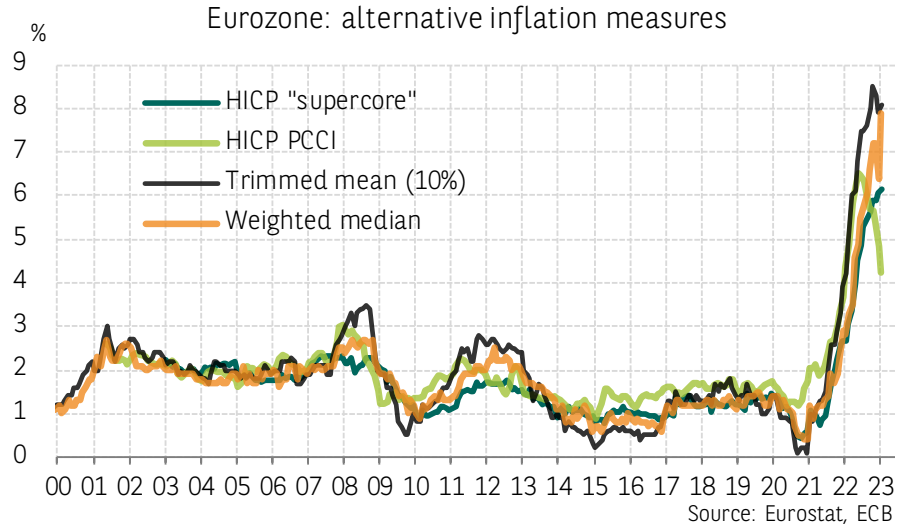
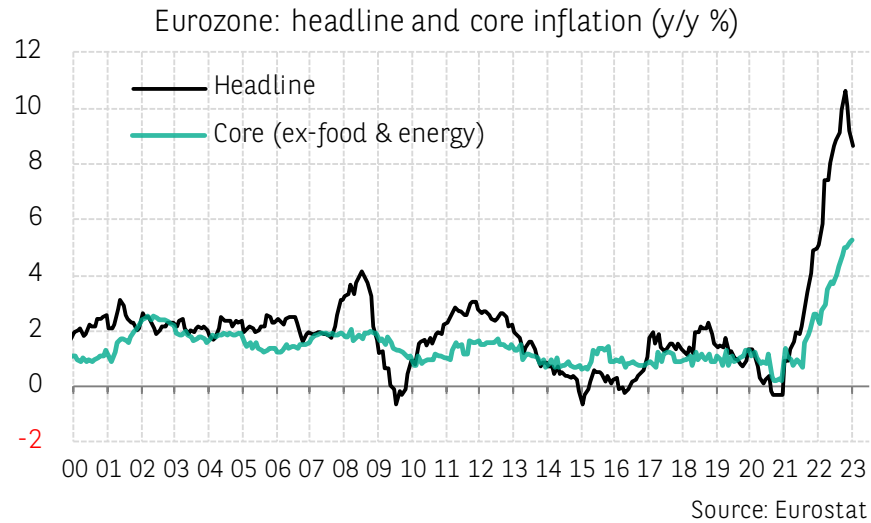
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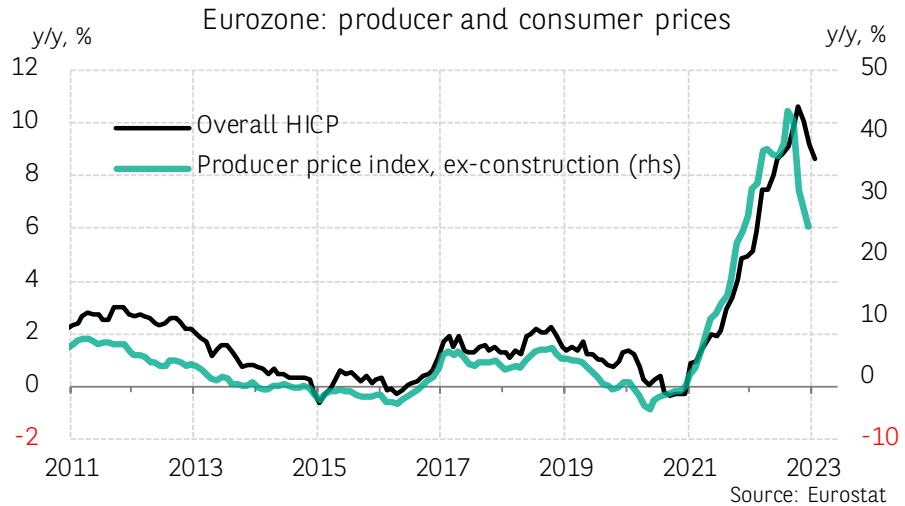
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Inflation dynamics in the Eurozone: different metrics and degree of generalization

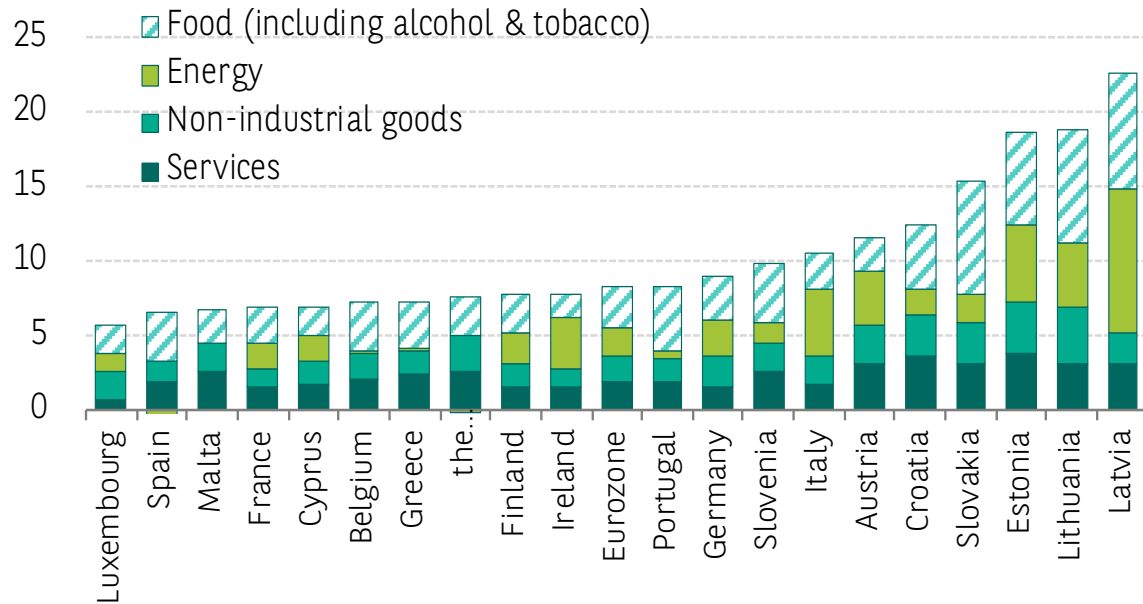


Note: the black line represents the % of CPI components whose increase is greater than or equal to 2%. The hatched green line weights the results by the share of each component in the CPI.



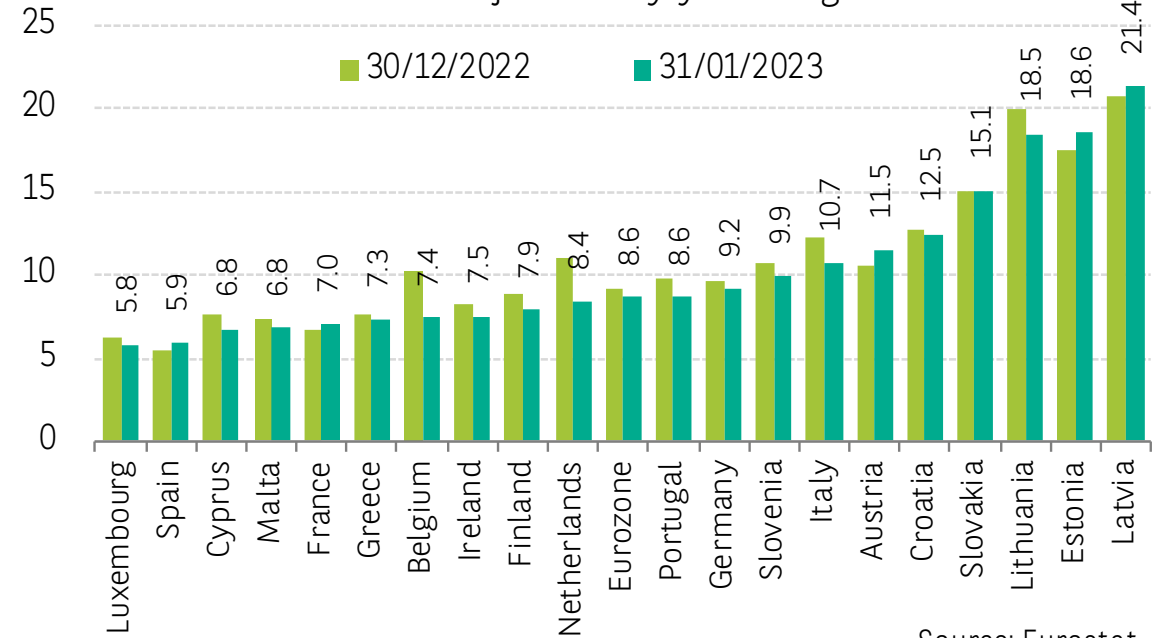
Inflation dynamics in the Eurozone by country (1)

Eurozone: contribution to inflation (% points), January 2023



Source: Eurostat

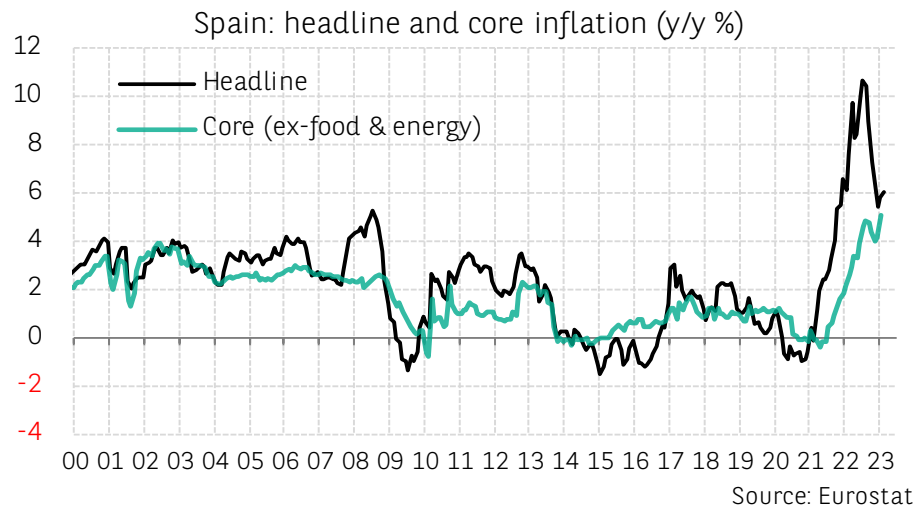
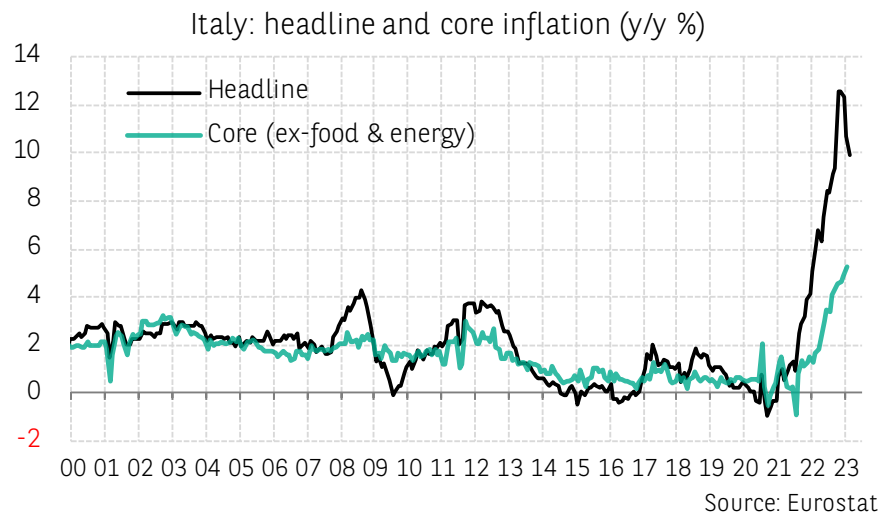
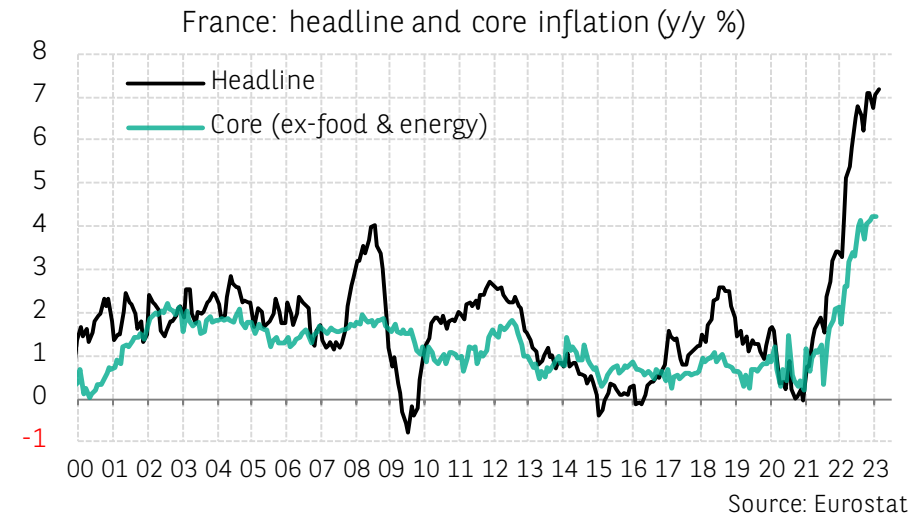
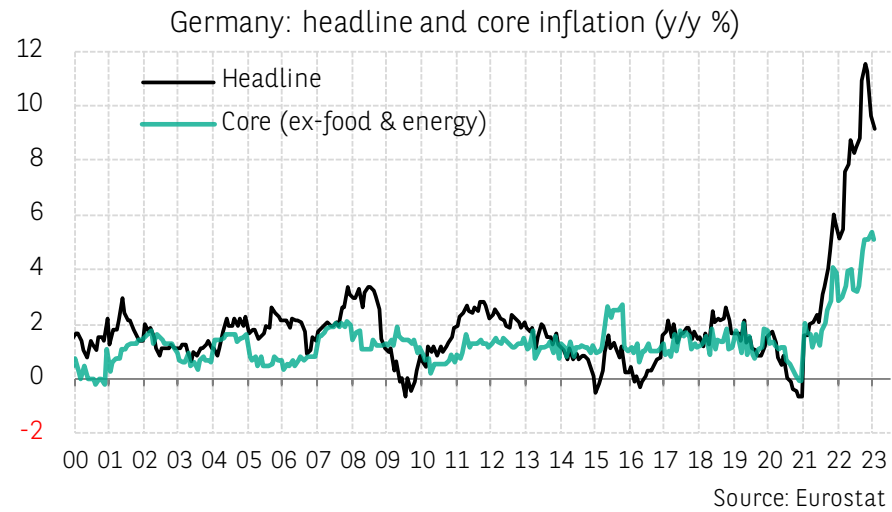
Eurozone: inflation in y/y % change



Source: Eurostat



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 (%)	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
Total	100	3.75	4.52	6.09	6.08	6.70	7.29	7.51	7.78	8.57	9.26	8.70	7.84	7.29
Food and non-alcoholic beverages	17	2.41	3.21	4.24	5.97	7.26	8.92	10.02	10.95	12.31	14.00	14.52	14.53	14.81
Alcoholic beverages, tobacco and narcotics	4	-0.87	-0.93	-0.81	-0.92	-0.40	0.14	0.38	0.69	0.97	1.11	1.47	2.12	2.48
Clothing and footwear	5	-0.71	1.58	1.54	1.41	1.17	0.02	-0.55	1.53	2.68	3.27	2.81	3.12	4.40
Housing, water, electricity, gas and other fuels	18	10.08	11.53	15.41	14.01	14.41	15.04	15.89	17.85	19.30	21.37	18.79	14.42	10.11
Furnishings, household equipment and routine household maintenance	7	2.24	3.29	3.70	4.49	5.36	5.94	6.40	6.82	7.24	7.95	8.09	8.54	8.55
Health	5	-0.16	-0.10	0.05	0.12	0.28	0.16	0.28	0.24	0.45	0.80	0.72	0.76	1.50
Transports	15	7.56	8.51	12.76	11.20	12.18	12.59	10.91	8.09	9.11	8.15	6.86	5.09	5.33
Communications	3	1.40	1.32	1.73	1.83	1.39	1.45	0.97	1.03	0.98	0.83	0.74	0.90	1.54
Recreation and culture	8	2.10	2.34	2.40	2.93	2.86	3.64	3.65	4.06	3.89	4.16	4.00	4.76	3.52
Education	1	-1.72	-1.75	-1.75	-1.73	-1.77	-1.83	-1.74	-1.63	2.94	3.23	3.27	3.25	3.38
Restaurants and hotels	8	2.25	2.54	3.26	4.03	5.23	6.11	6.44	6.28	6.67	6.59	6.26	6.43	6.32
Miscellaneous goods and services	10	0.49	0.65	0.77	0.98	1.21	1.24	1.59	1.81	1.96	2.40	2.69	2.82	3.66

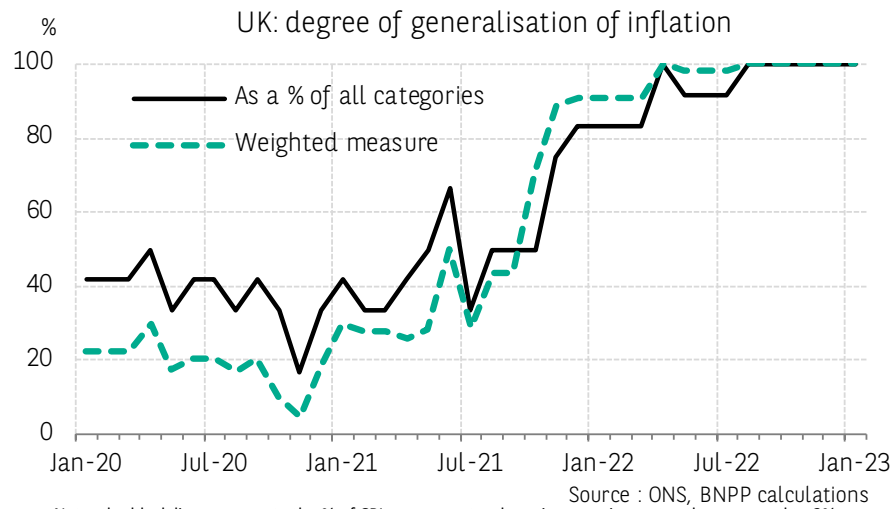
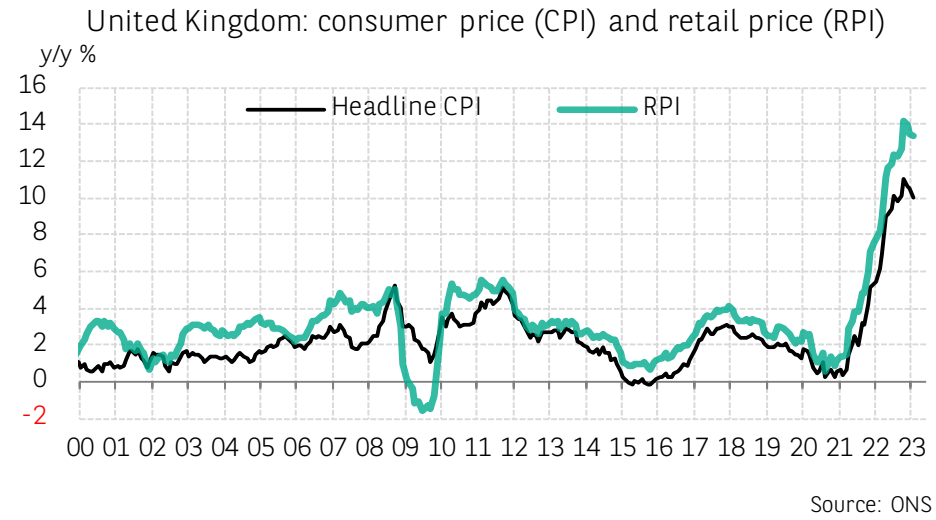
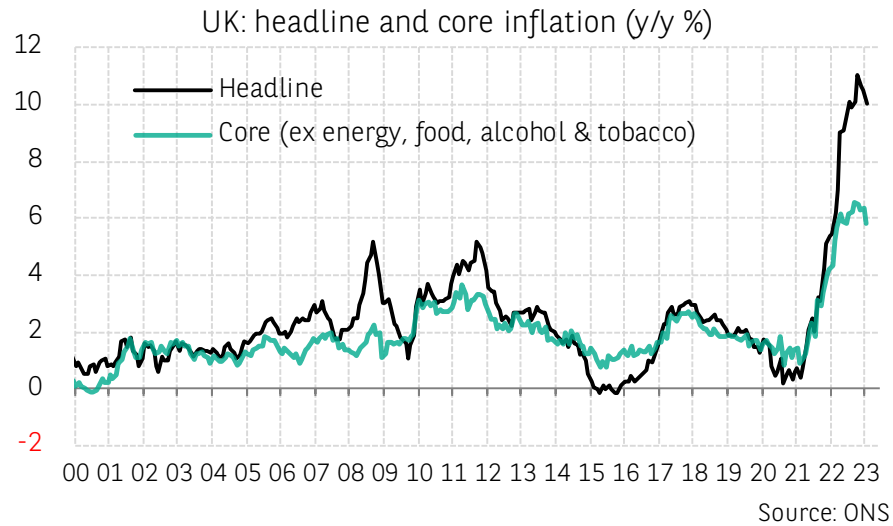
Source: Eurostat

Difference with the 2010-2019 average

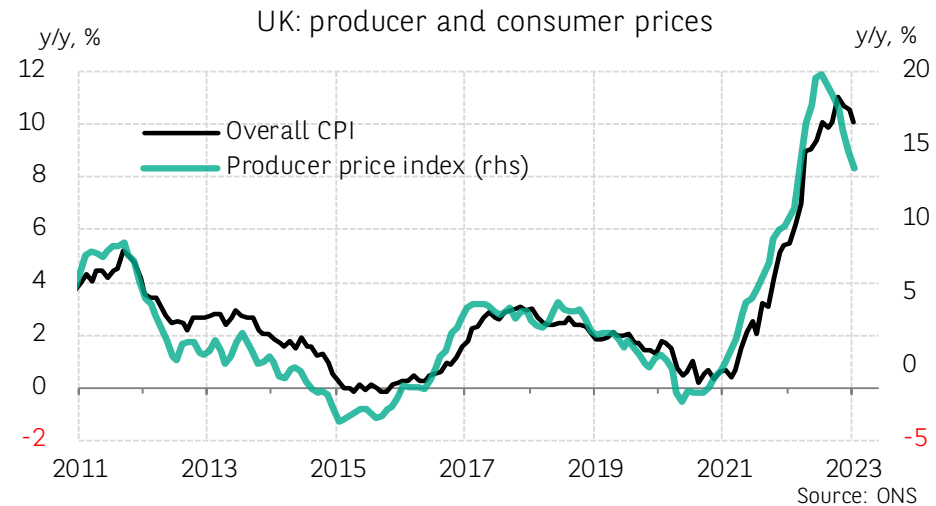
Less than 0	
Between 0 and 1	
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Greater than 7	



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



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 (%)	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Total	100	3.17	3.24	3.96	4.81	6.80	6.87	7.20	7.89	7.66	7.88	8.84	8.46	8.31
Food and non-alcoholic beverages	9.3	2.55	2.69	3.44	4.24	5.04	6.99	8.13	10.97	11.43	12.91	14.60	14.77	15.17
Alcoholic beverages, tobacco and narcotics	3.9	-0.76	-1.45	-1.11	0.13	-0.30	0.32	-0.04	0.74	0.79	0.85	1.43	-0.59	-0.98
Clothing and footwear	4.9	3.51	5.64	8.19	9.13	7.60	6.28	5.49	5.98	6.93	7.81	7.84	6.84	5.80
Housing, water, electricity, gas and other fuels	31.4	4.44	4.64	4.74	5.23	16.77	16.93	17.11	17.54	17.53	17.77	24.17	24.11	24.09
Furnishings, household equipment and routine household maintenance	6.3	5.61	6.68	7.41	8.60	8.83	9.15	8.64	8.36	8.36	9.00	8.85	8.96	8.12
Health	1.8	-0.41	-0.43	-0.01	-0.12	-0.36	-0.77	-0.92	-1.20	0.04	0.90	1.63	2.21	2.51
Transports	11.1	9.07	8.45	8.61	10.55	10.62	10.90	12.06	11.91	9.17	7.73	6.08	4.38	3.65
Communications	1.9	-2.11	-1.75	-1.71	-2.09	0.01	-0.02	0.14	0.41	-0.04	-0.38	0.44	-0.23	-0.81
Recreation and culture	10.5	1.95	1.81	3.62	3.88	4.84	3.95	3.77	4.52	4.22	4.18	4.76	4.25	3.81
Education	2.6	-2.45	-2.45	-2.45	-2.45	-2.45	-2.45	-2.45	-2.45	-2.45	-2.70	-3.80	-3.80	-3.80
Restaurants and hotels	9.0	3.14	1.83	2.20	4.06	5.12	4.76	5.70	6.09	5.82	6.85	6.72	7.41	8.51
Miscellaneous goods and services	7.3	0.46	0.48	0.65	0.65	1.65	1.70	1.97	2.78	3.34	3.81	3.86	4.15	4.14

Source : ONS

Difference with the 2010-2019 average

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



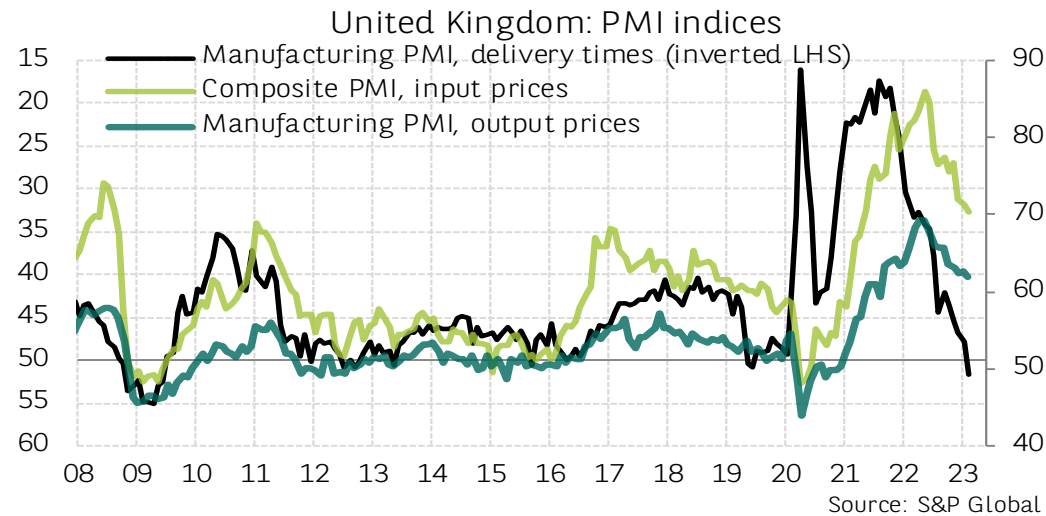
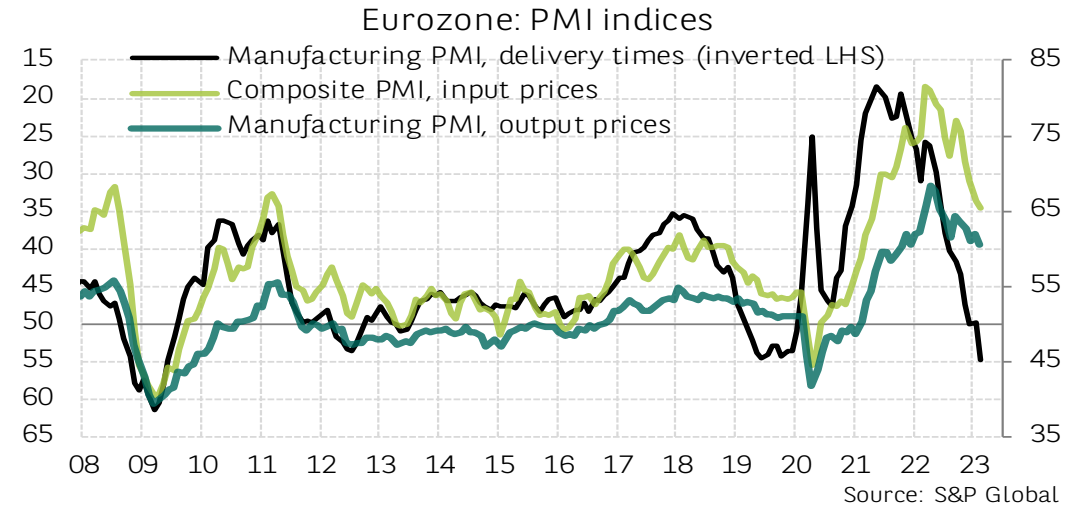
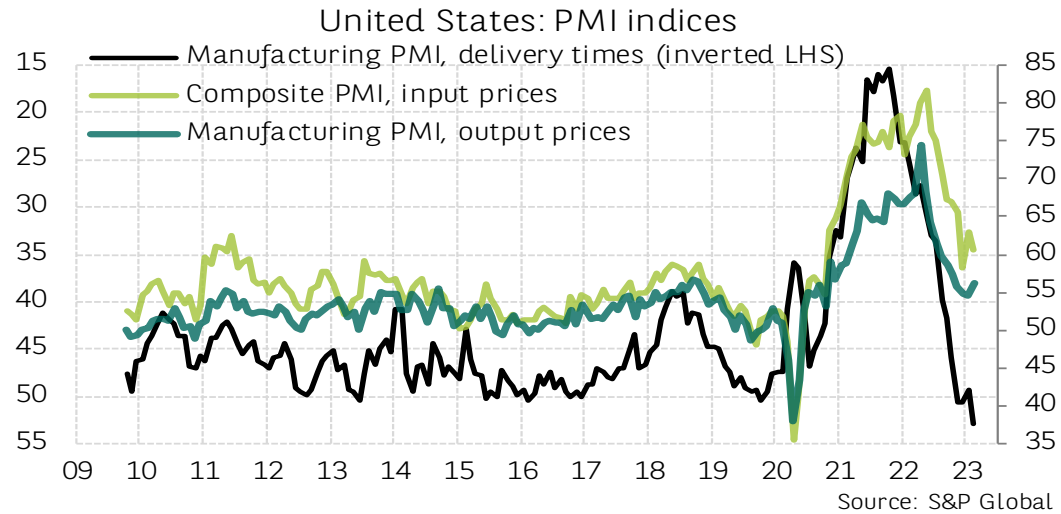
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Inflation and survey data



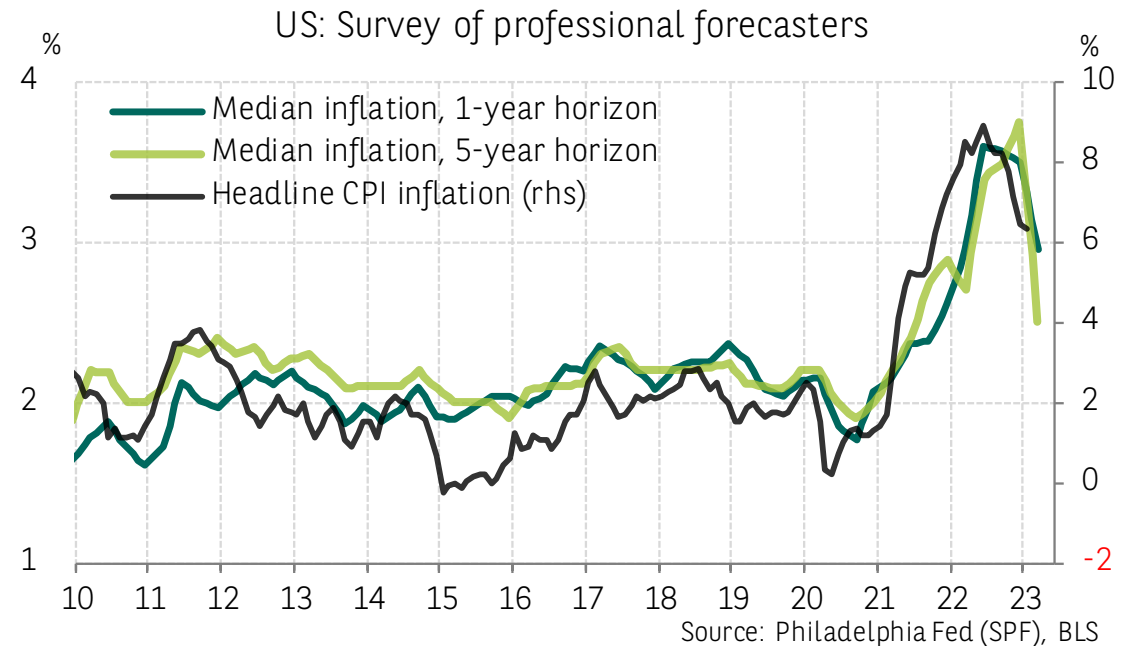
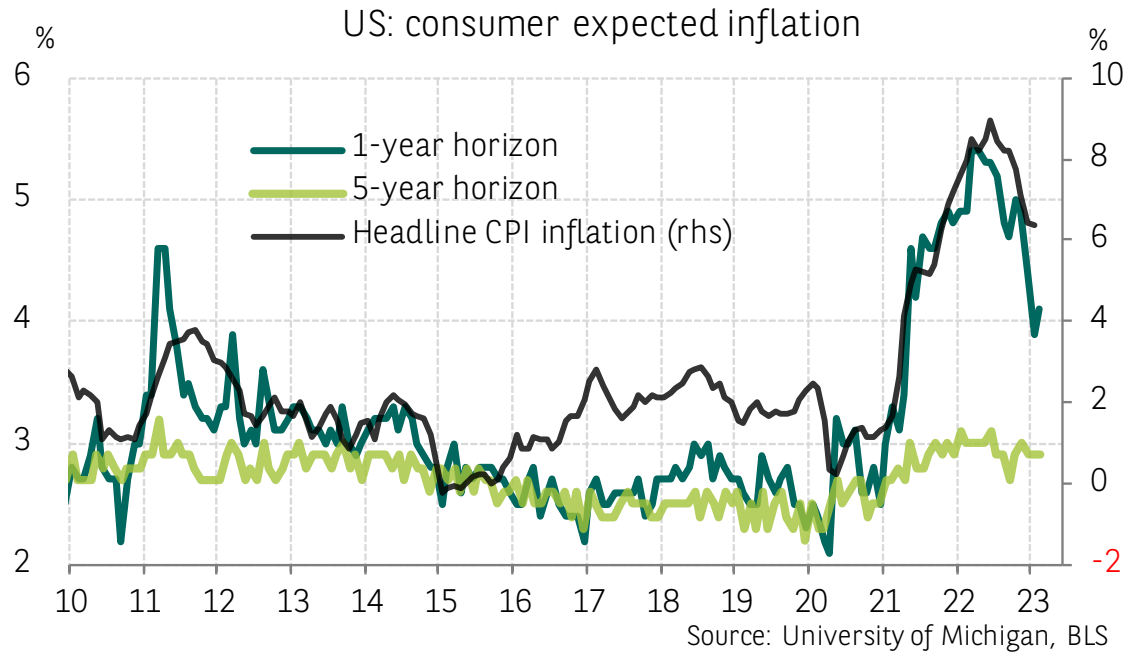
PMI surveys: an indication of inflationary pressures



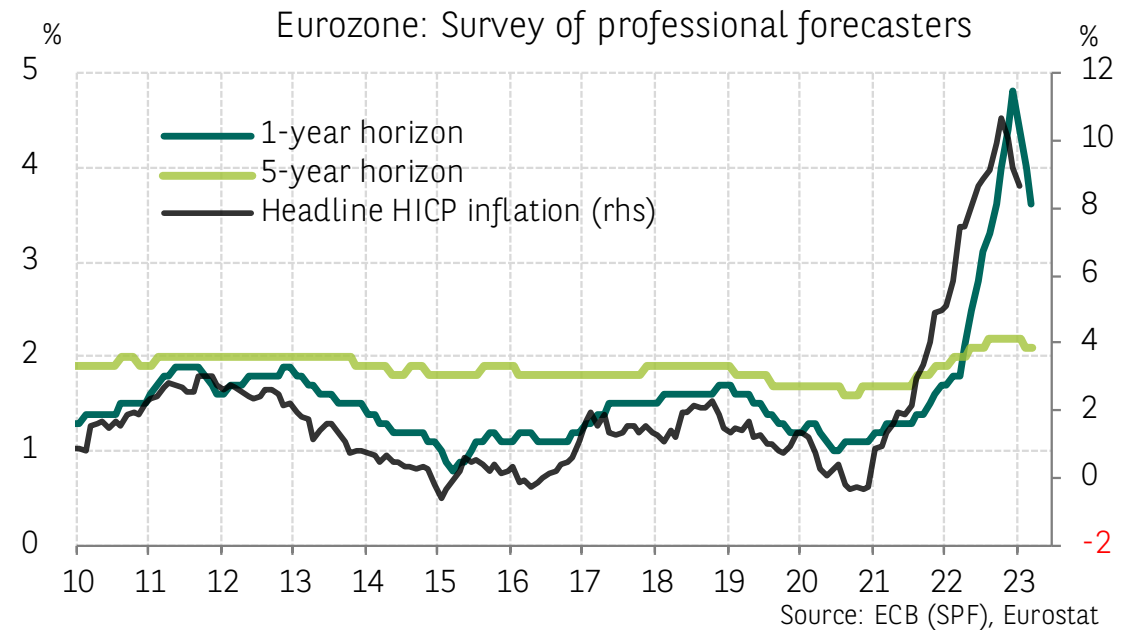
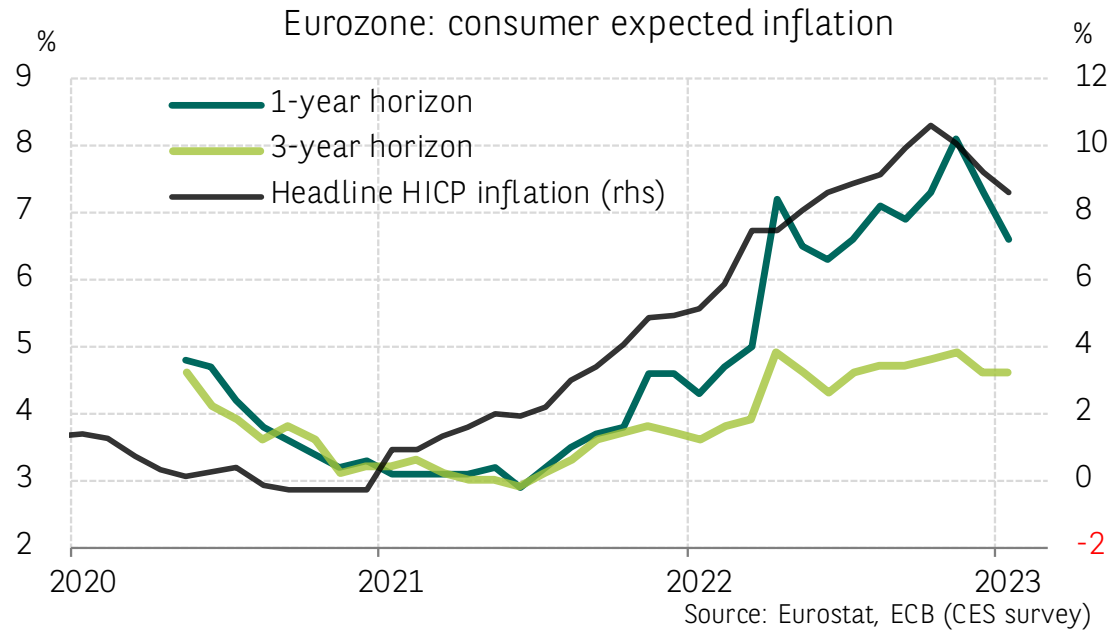
Inflation expectations (households, forecasters, markets)



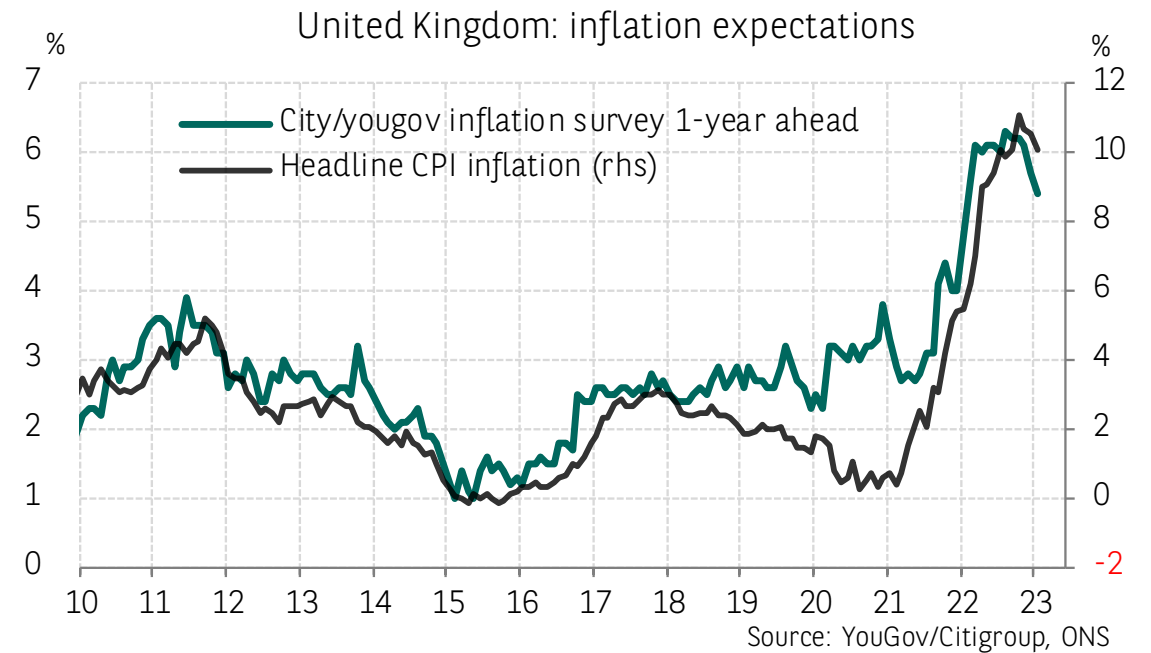
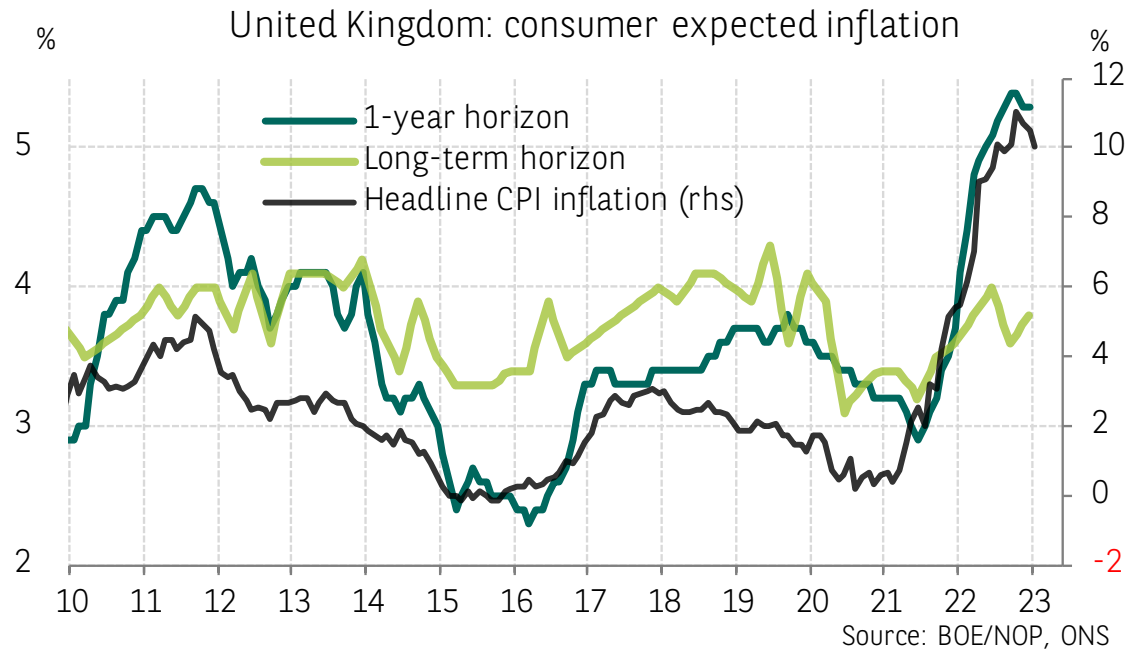
Inflation expectations in the United States



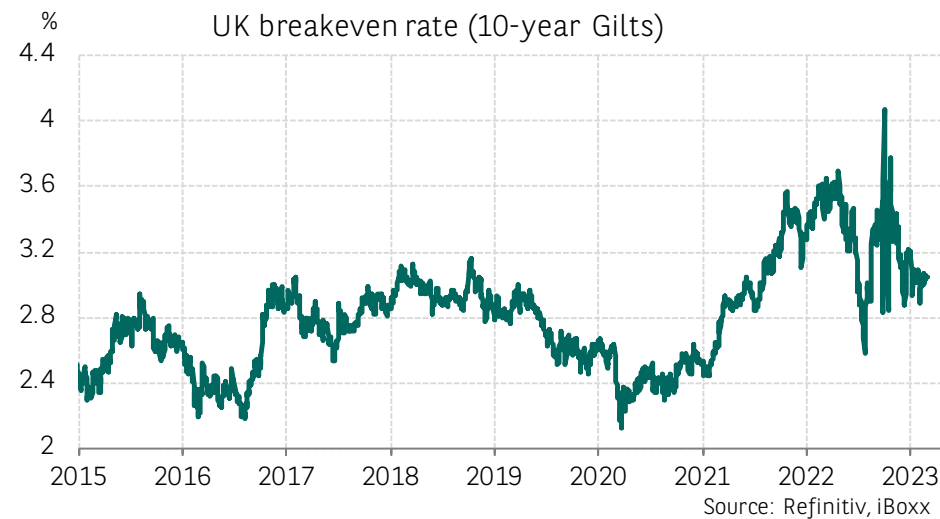
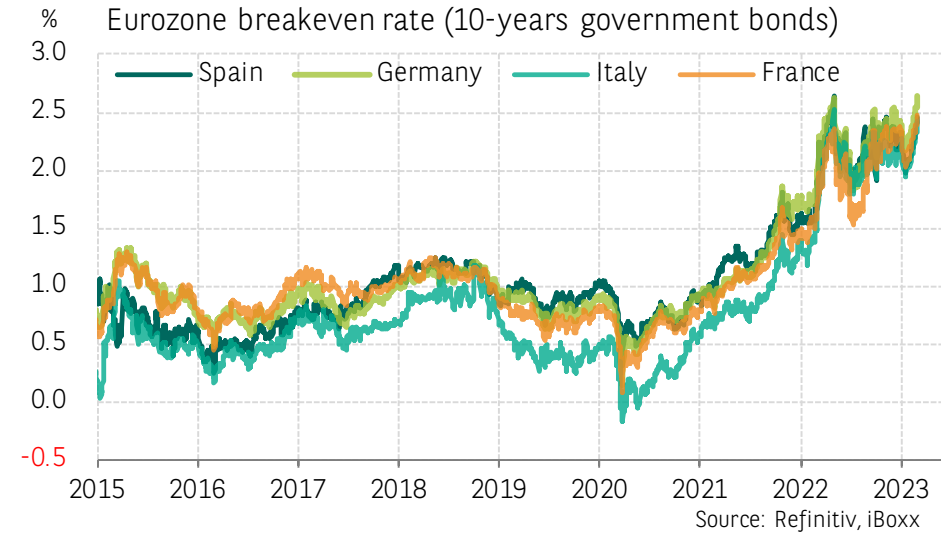
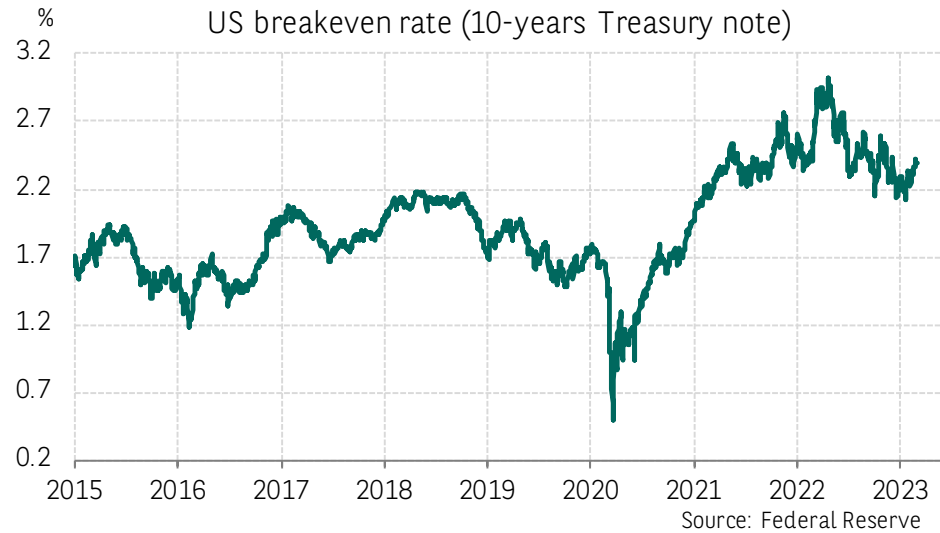
Inflation expectations in the Eurozone



Inflation expectations in the United Kingdom



Market Expectations: Breakeven inflation rate



Raw materials

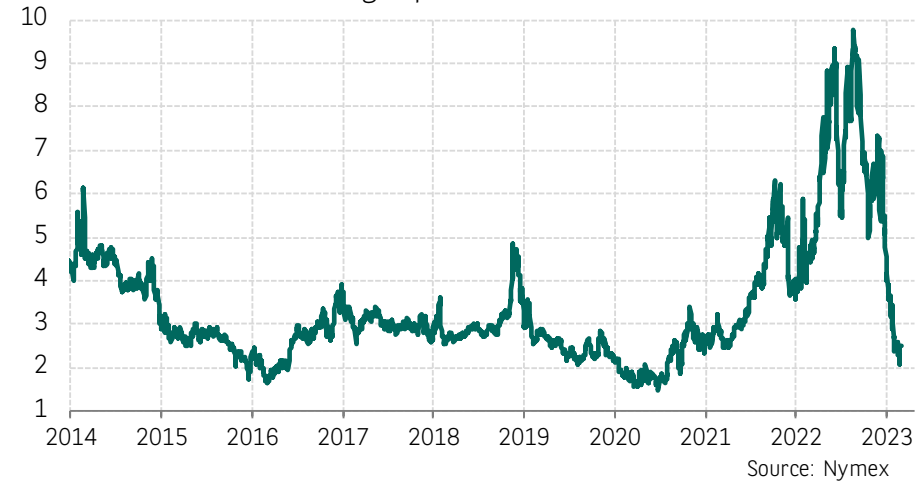


Raw materials

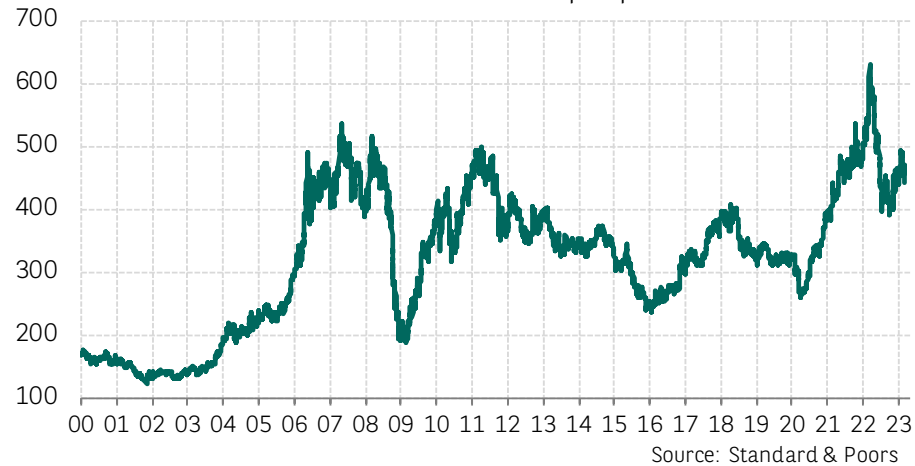
WTI crude oil price, USD/barrel



Natural gas price, USD/million BTU



S&P GSCI industrial metal spot price index



S&P GSCI agriculture spot price index

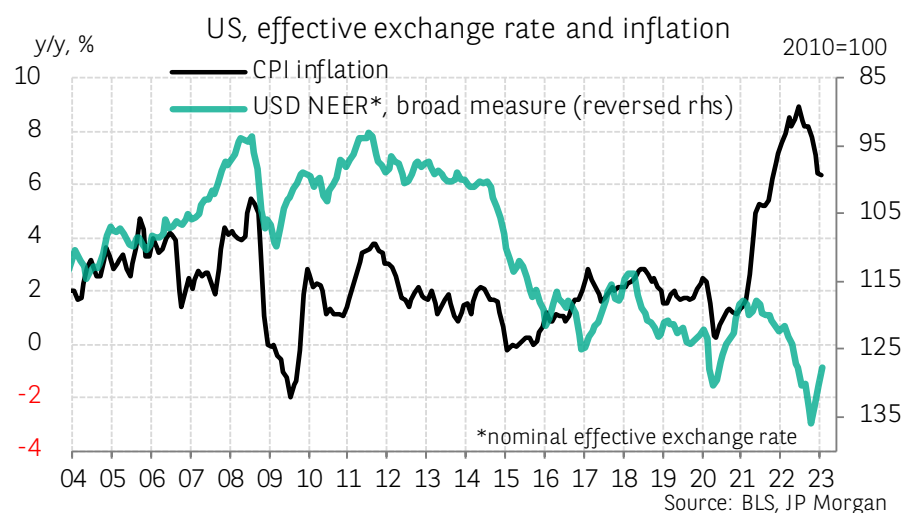
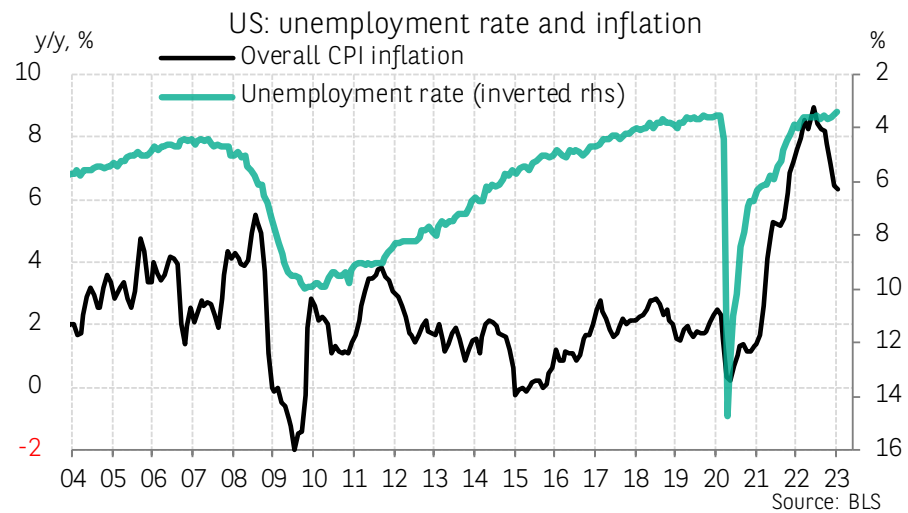
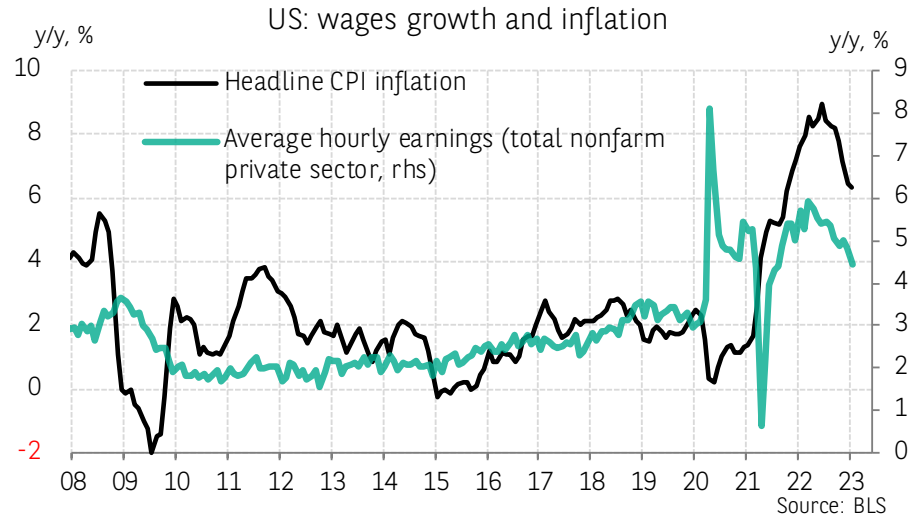
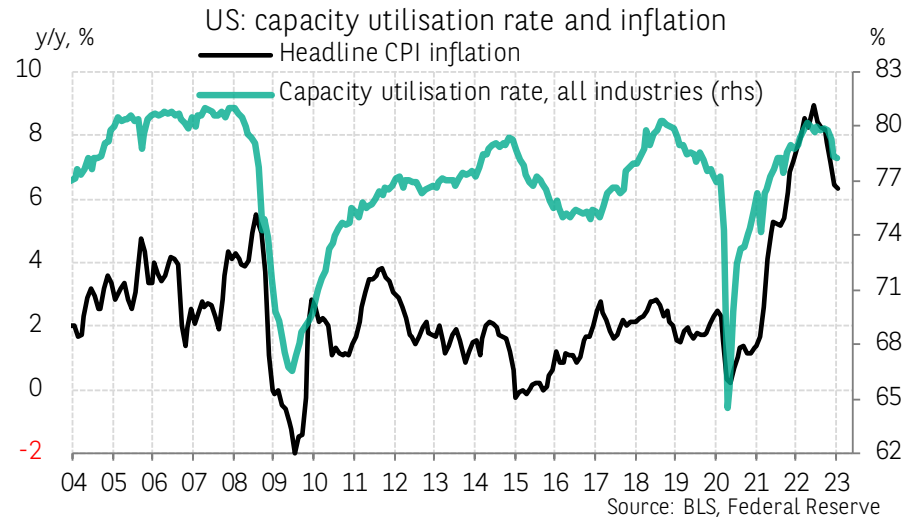


Macroeconomic determinants of inflation

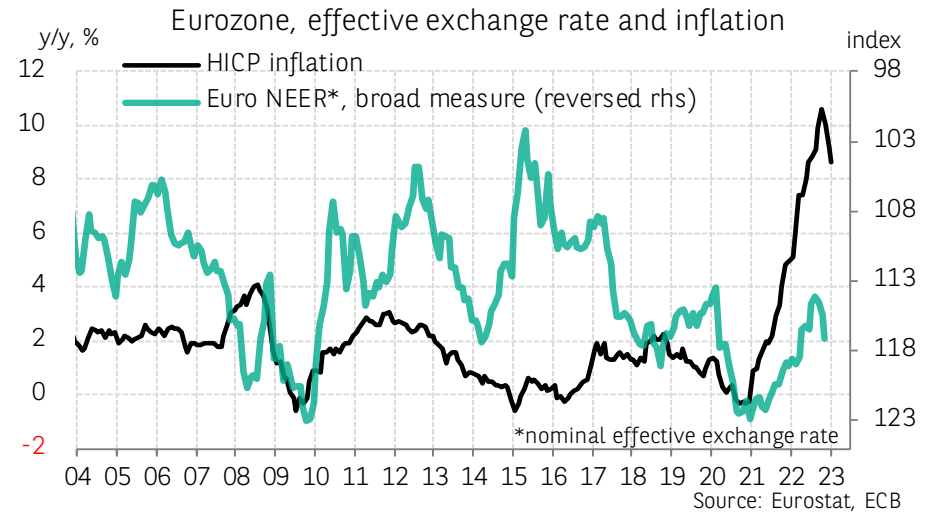
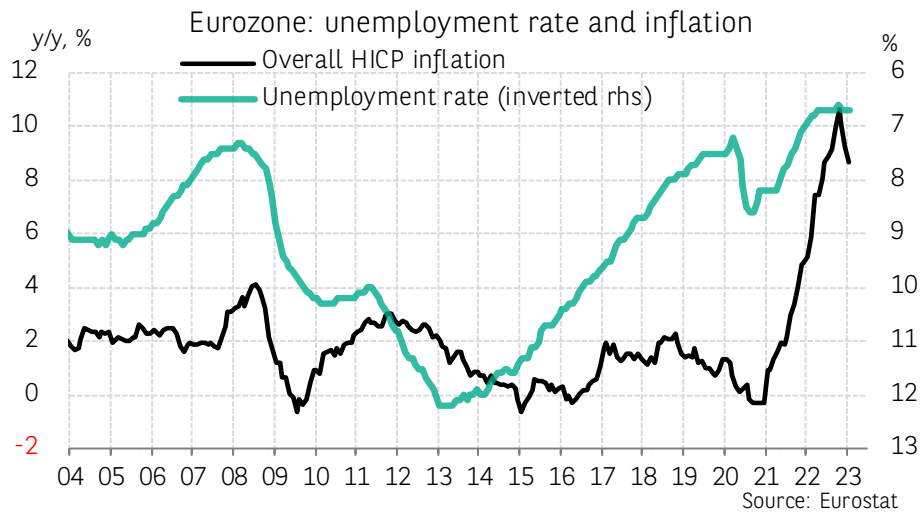
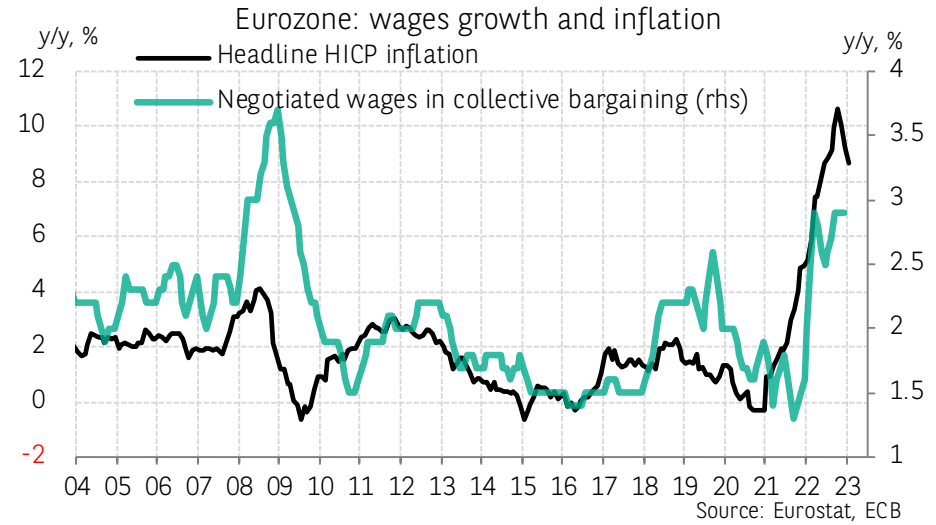
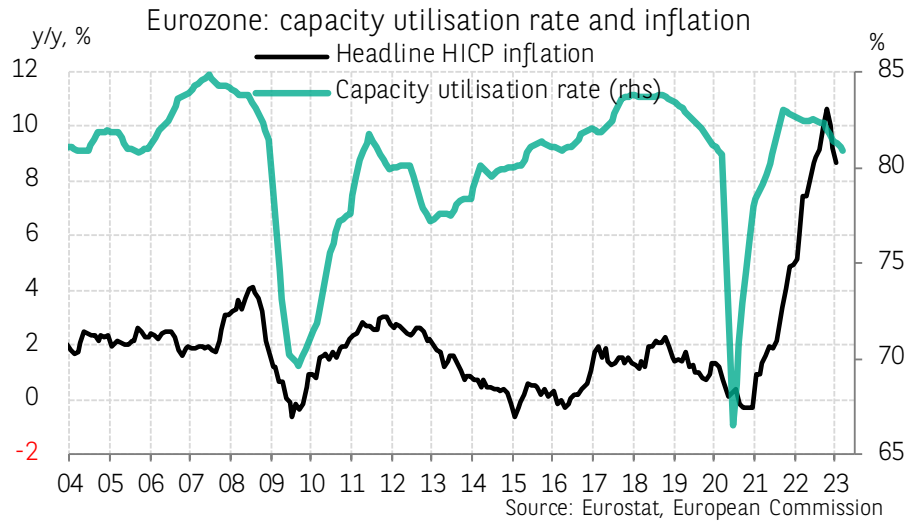
(wages, unemployment rate, capacity utilization, exchange rate)



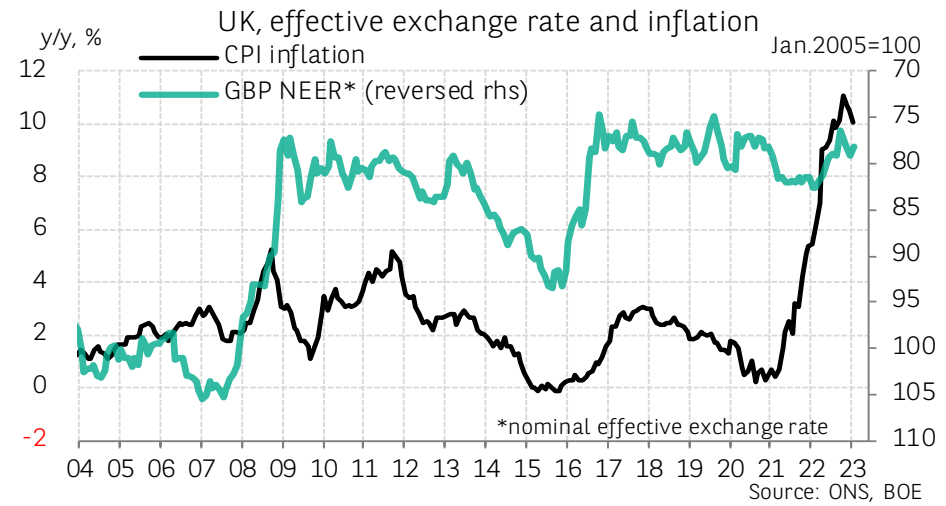
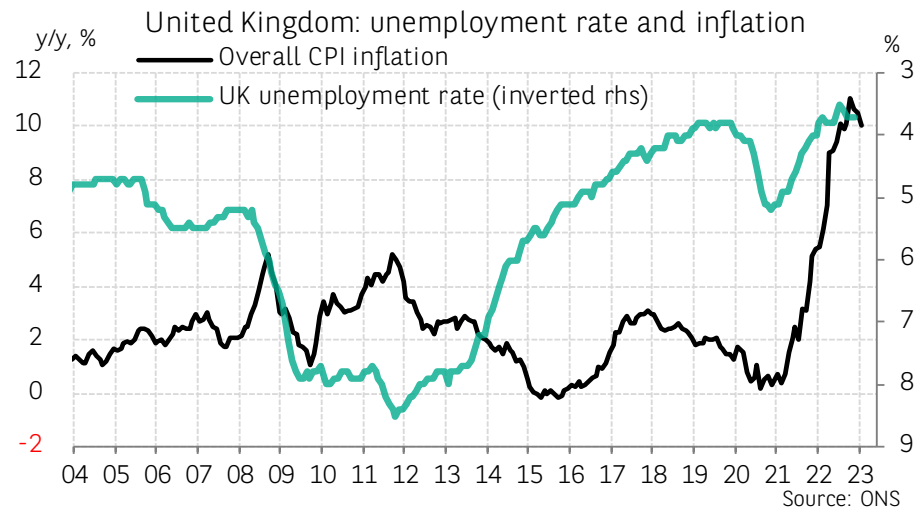
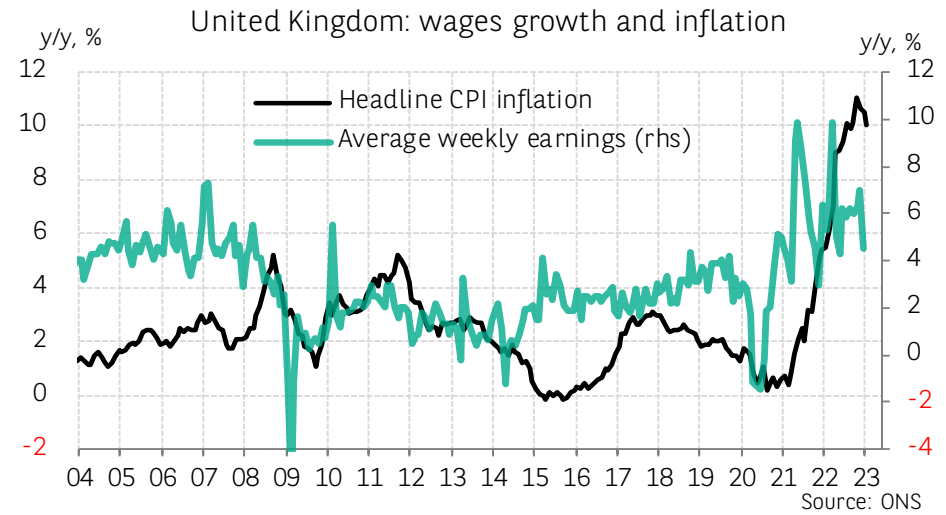
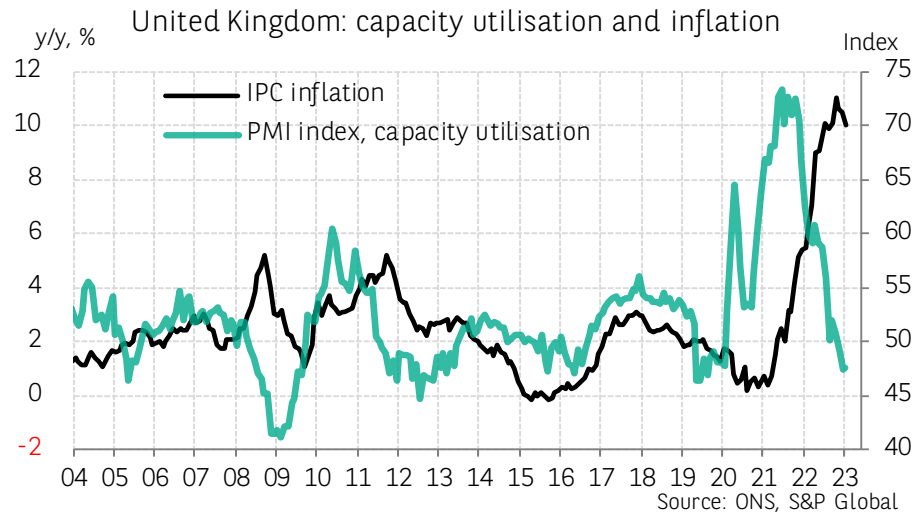
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Determinants of inflation in the Eurozone



Determinants of inflation in the United Kingdom



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