

## MNI Eurozone Inflation Preview – August 2025

By Moritz Arold, Emil Lundh and Chris Harrison  
August 27, 2025

### Key August preliminary inflation data releases and timing:

- **Spain** (12% of EZ HICP in 2025) – 0800 BST Aug 29
- **France** (19% of EZ HICP in 2025) – 0745 BST Aug 29
- **Italy** (16% of EZ HICP in 2025) – 1000 BST Aug 29
- **Germany** (28% of EZ HICP in 2025) – 1300 BST Aug 29
- **Netherlands** (6% of EZ HICP in 2025) – 0530 BST Sep 2
- **Eurozone** – 1000 BST Sep 2

### Eurozone MNI Consensus:

- **HICP** 2.1% Y/Y (vs 2.0% prior)
- **Core HICP** 2.2% Y/Y (vs 2.3% prior)
- **MNI Eurozone Inflation Insight for July 2025 (PDF Link)**

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## Clear Downside Surprise Needed For Dovish Tilt

The August Eurozone inflation round is split across two weeks, with the main prints of Spain, France, Italy, and Germany all scheduled for this Friday before the Netherlands and the Eurozone-wide figures follow next Tuesday. Analysts are looking for headline to pick up marginally to 2.1% Y/Y, while core inflation is expected to slow to 2.2%.

Across categories, the main driver this time will be energy inflation base effects, putting upside pressure on headline. Analysts see the category around -1.6% Y/Y in August after -2.4% in July. Services inflation is expected to continue its downtrend seen this year, with consensus standing around 3.0-3.1% after 3.2% in July. Core goods meanwhile are seen to give away some of their July firmness, at 0.7% Y/Y, while views on food/alcohol/tobacco inflation are more mixed this time where consensus might be for a roughly unchanged print at 3.2%.

Most recent ECB-speak was rather uneventful, with President Lagarde not providing signals around near-term policy expectations in her prepared remarks at Jackson Hole. A Bloomberg sources piece released last Friday meanwhile unsurprisingly pointed away from a September cut, citing officials who “don’t see the trade deal between Brussels and Washington causing major economic concerns” and that “growth and inflation have developed largely in line with the ECB’s June outlook”. However, the article went on saying “another serious blow to the economy or a steep downgrade in the inflation outlook, though unlikely, could still convince officials to lower rates once more this year”. That keeps the focus on the monthly HICP release, especially if weakness is seen in more typically underlying categories.

ECB-dated OIS implied rates have softened in recent sessions but have just 1bp of cuts priced for the Sep 11 decision. That’s followed by 10bp of cumulative cuts to year-end and 20bp of cumulative cuts seen by mid-2026. As such, whilst with a clear dovish bias, markets don’t fully price a cut from the current deposit rate of 2%, which coincidentally lands in the middle of neutral estimates between 1.75-2.25%.

## Expected Positive/Negative Factors for August Eurozone Inflation

**Services (slightly -ve Y/Y) – 46% of 2025 Basket:** Analysts tend to project a continuation of the downtrend in services inflation seen this year, with the median estimate we've seen standing around 3.0-3.1% Y/Y. Morgan Stanley see underlying declines (that is, excl. volatile items) driving the bulk of this month's slowdown, while Barclays see travel-related services as the main driver. The ECB expects declining compensation pressures to continue slowly weighing on services inflation going forward.

- The August flash PMI noted that *"the latest sharp increase in services input prices was the most pronounced since March"...* *"The pass through of higher input costs to customers meant that output prices increased again in August. The pace of inflation quickened fractionally and was the fastest in four months"*.
- Jul EZ Services: 3.2% Y/Y, 1.1% M/M. Aug 2024 0.4% M/M vs 0.25% 2017 - 2024 M/M avg

**Core goods (slightly -ve Y/Y) – 26% of 2025 Basket:** Core goods saw a notable bump in July to 0.8% Y/Y, with shifting or less material seasonality around clothing items driving the acceleration. Analysts see this to be pared at least to some extent in August, with consensus standing around 0.7% Y/Y this time.

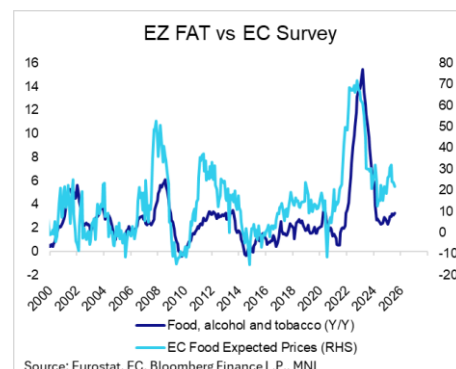
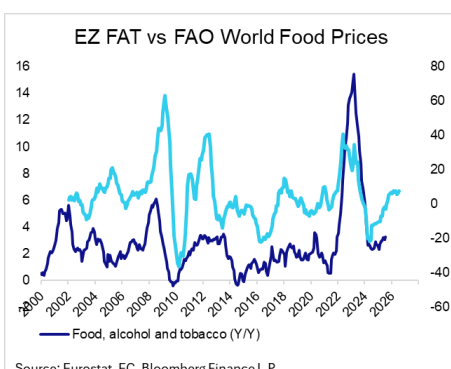
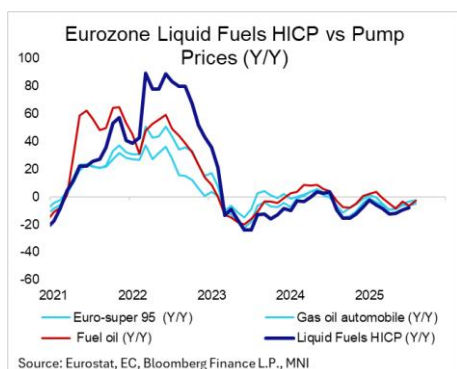
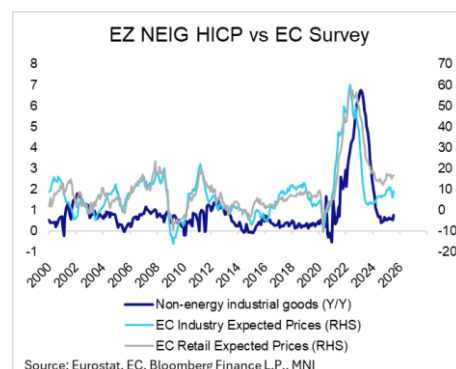
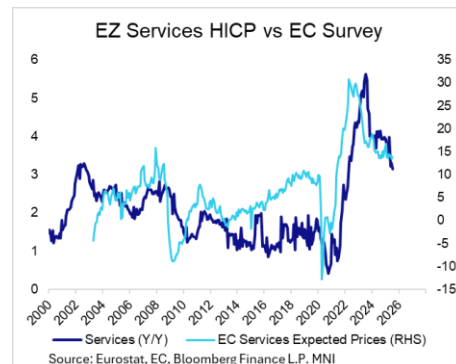
- The August flash PMI noted that *"Manufacturing input costs increased for the first time in five months, albeit marginally"*
- Jul EZ Non-energy industrial goods: 0.8% Y/Y, -2.4% M/M. Aug 2024 0.3% M/M vs 0.125% 2017 - 2024 M/M avg

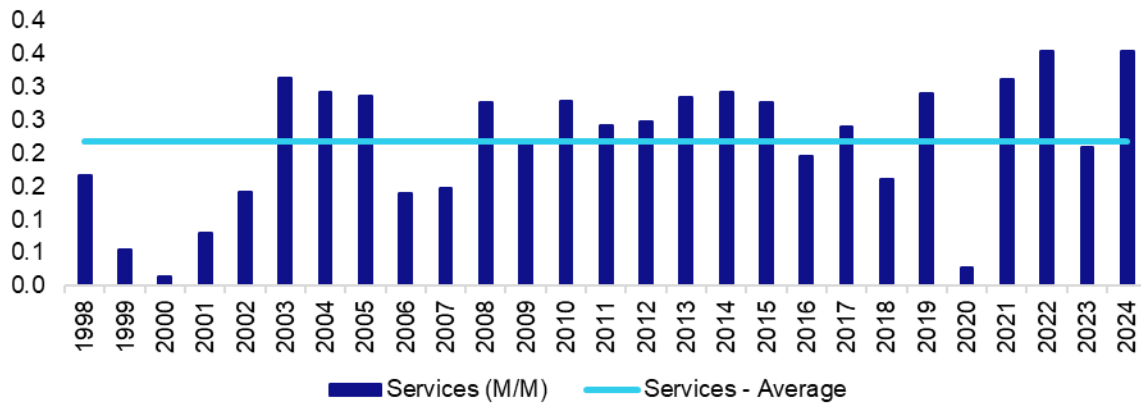
**Food, alcohol & tobacco (broadly unch Y/Y) – 19% of 2025 Basket:** Food inflation has been on an upward trend this year, printing 3.3% most recently when including alcoholic drinks and tobacco products. For the August release, analysts see the category little changed on balance, at around 3.2% Y/Y, but there are only limited point estimates available. More broadly, Barclays think food inflation *"could be close to stabilising at an elevated level"*.

- Jul EZ FAT: 3.3% Y/Y, 0.2% M/M. Aug 2024 0.1% M/M vs 0.2% 2017 - 2024 M/M avg
- Jul EZ Processed food inc. alcohol and tobacco: 2.7% Y/Y, 0.3% M/M. Aug 2024 0.2% M/M vs 0.24% 2017 - 2024 M/M avg
- Jul EZ Unprocessed food: 5.4% Y/Y, -0.2% M/M. Aug 2024 -0.5% M/M vs -0.04% 2017 - 2024 M/M avg

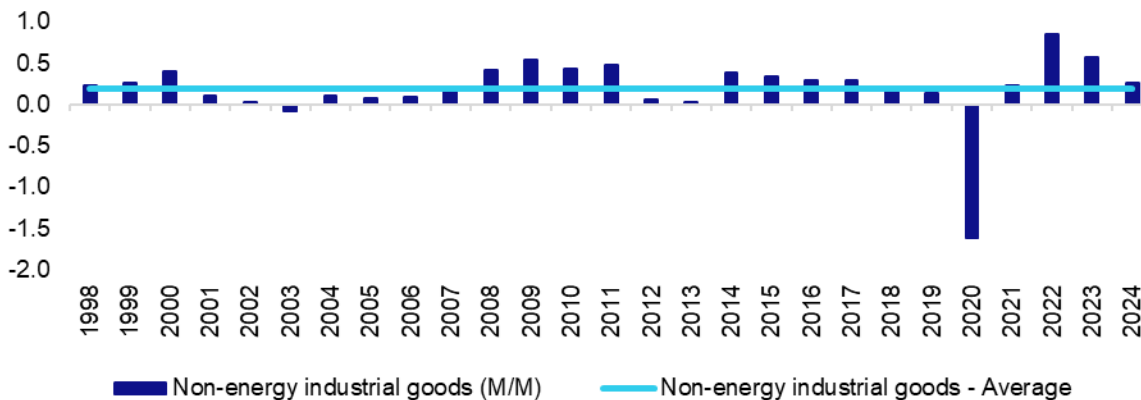
**Energy (-ve M/M, +ve Y/Y) – 9% of 2025 Basket:** Energy base effects are seen to be the main directional driver of this month's HICP release, as falling prices last August are set to push up the Y/Y rate this time despite expectations for a marginal M/M decline. Consensus sees the category to come in around -1.6% Y/Y. Pump price data up to August 18 suggests liquidity fuels HICP should continue to print in deflationary Y/Y territory in August, albeit to a lesser extent than in July.

- Jul EZ Energy: -2.4% Y/Y, 1% M/M. Aug 2024 -1.1% M/M vs 0.5% 2017 - 2024 M/M avg



**Eurozone Services M/M HICP Seasonality - August**


Source: Eurostat, Bloomberg Finance L.P., MNI

**Eurozone NEIG M/M HICP Seasonality - August**


Source: Eurostat, Bloomberg Finance L.P., MNI

## Summary of Sell-Side Outlooks for August HICP

Analyst	HICP Headline Y/Y	HICP Headline M/M (NSA)	HICP Core Y/Y	HICP Core M/M (NSA)	Germany HICP Y/Y	Germany HICP M/M (NSA)
Jul-25 Actual	2.04	0.02	2.31	-0.16	1.8	0.4
Aug-25 BBG Consensus	N/A	N/A	N/A	N/A	2.0	0.0
Aug-25 MNI Median Consensus	2.1	N/A	2.2	N/A	2.0	N/A
Danske	2.1		2.3			
Barclays	2.05	0.16	2.24	0.26	2.00	0.00
Goldman Sachs	2.03		2.22		2.0	
Morgan Stanley	2.10		2.2			
UBS	2.1		2.2		2.0	
JP Morgan			2.1		2.0	
Nomura	2.1		2.3			
Santander	2.16		2.20			

Source: Analyst previews, MNI

Analyst August HICP expectations by country (cont.):

Analyst	France HICP Y/Y	France HICP M/M (NSA)	Italy HICP Y/Y	Italy HICP M/M (NSA)	Spain HICP Y/Y	Spain HICP M/M (NSA)
Jul-25 Actual	0.9	0.3	1.7	-1.0	2.7	-0.3
Aug-25 BBG Consensus	0.9	0.5	1.8	0.0	2.8	0.1
Aug-25 MNI Median Consensus	0.8	N/A	1.8	N/A	2.7	N/A
Barclays	0.86	0.52	1.88	-0.01	2.74	0.06
Goldman Sachs	0.8		1.8		2.6	
UBS	0.9		1.8		2.8	
JP Morgan	0.7		1.7		2.6	

Source: Analyst previews, MNI

Analyst Expectations For Eurozone HICP Inflation By Major Category

Analyst	Energy (Y/Y)	Food, Alcohol & Tobacco (FAT) (Y/Y)	Core Goods (Y/Y)	Services (Y/Y)
Jul-25 Actual	-2.39	3.25	0.76	3.15
Aug-25 MNI Median Consensus	-1.6	N/A	0.7	3.1
Barclays	-1.7	3.2	0.7	3.1
Goldman Sachs	-1.60	3.2	0.69	3.06
Morgan Stanley	-1.5	3.5 (food only)		3.0
UBS	-1.5	3.3 (food only)	0.70	3.10
Santander				2.91

Source: Analyst Previews, MNI

## Outlooks And Consensus Estimates For National Inflation Prints:

**Germany (28% of 2025 EZ HICP) – 1300BST Friday August 29 (after state-level data in the morning)**

- Consensus:
  - HICP: 2.0% Y/Y, 0.0% M/M (MNI)
  - CPI: 2.1% Y/Y, 0.0% M/M (Bloomberg)
- Analyst views:
  - Goldman Sachs see 2.0% Y/Y headline, core 2.4% Y/Y. “both year-over-year goods and services aggregates broadly unchanged on the month”. Package holidays 1.5% M/M, airfares -6.7% M/M, rail transport 2% M/M “due to some additional discounts introduced in August”. Lower core goods “driven by a payback in the recording media component, and slowing summer sales-affected components”. “Energy inflation to increase to -2.7%yoy from -3.4%yoy in July, and look for processed food inflation to tick down to 2.3%yoy and for unprocessed food inflation to stay at 3.4%yoy.”
- The Bundesbank highlights in their monthly report that “the inflation rate is likely to be temporarily somewhat higher in the next few months”.
  - “Based on current crude oil futures prices, energy prices should remain stable until the end of the year, following a slight increase. However, a base effect means that the previously negative energy inflation will turn positive. This will drive up the headline inflation rate over the next few months.”



- “In the services sector, the disinflation process continues in principle, with lower wage increases having an impact. In the coming months, the disinflation process will pause, however, and a base effect means that higher rates are temporarily expected at the end of the year.”
- “In terms of food, the current rate of inflation is likely to change little initially. In the fourth quarter, however, lower rates are to be expected temporarily, as the annual rate will then no longer include strong price increases from the previous year.”
- “Overall, the inflation rate is likely to rise to slightly above 2 % and thus be temporarily somewhat higher than expected in the June projection. Core inflation could likewise turn out to be slightly higher and is likely to fluctuate around the level reached in July. However, due to geopolitical factors the outlook remains highly uncertain.”
- The August flash PMI noted *“upticks in the rates of both input cost and output price inflation, which had registered at their lowest levels for ten and nine months respectively in July. The rise in overall input prices, which was the steepest recorded since March but still relatively muted by historical standards, was driven principally by increased cost pressures in the service sector. Output charge inflation was at a three-month high, although it likewise remained below its long-run average.”*
- German final July HICP was unrevised from the flash readings at 1.8% Y/Y (2.0% prior) and 0.4% M/M. The final reading to CPI was also unrevised at 2.0% Y/Y (2.0% prior) and 0.3% M/M whilst core CPI printed at 2.7% Y/Y (2.7% prior). The main conclusions from the flash reading were confirmed.
  - Services decelerated further to 3.1% Y/Y (as tracked after state-level data), the lowest rate since August 2022, with the contribution vs June falling 0.09pp. Goods inflation almost exactly cancelled that out with 1.0% Y/Y (a +0.08pp contribution vs June) for its highest since March.
  - Within the services-heavy subcategories, moves were mixed and limited for the most part. Communication accelerated quite notably (-0.6% vs -1.2% prior) but it has a small weight.
  - The mixed-weighting transport (1.0% vs 1.6% prior) and “other goods and services” categories (5.2% vs 5.8% prior) were more decisive this time, with airfares (-6.1% vs -1.3% prior) and insurance (5.5% vs 8.1% prior, coming from a 16.6% high last December) mainly behind the contributions declines here - that is all in line with our view from the state-level data from the flash release.
  - Looking at the goods-heavy categories, clothing and footwear stood out the most, accelerating to 0.9% from -0.3% in June and pointing to less significant or changing seasonality of summer sales here.

#### France (19% of EZ HICP in 2025) – 0745BST Friday August 29

- Consensus:
  - HICP: 0.9% Y/Y, 0.5% M/M (MNI)
  - CPI: 1.0% Y/Y, 0.5% M/M (Bloomberg)
- Analyst views:
  - Goldman Sachs see 0.8% Y/Y headline, core 1.4% Y/Y “reflecting services inflation declining on a year-over-year basis driven by an Olympics-related base effect”. “Flat reading for airfares but a strong 12%mom nsa print for the sea transportation component, a further 6.6%mom nsa increase in the accommodation services component and a 7.7%mom nsa increase in package holidays”. “Energy inflation to increase to -5.6%yoy, incorporating a reported increase in benchmark gas prices, and treating the policy one-offs related to electricity”. “Processed food inflation to stay at 1.4%yoy and unprocessed food inflation to tick up to 3.4%.”
- The August flash PMI noted *“stronger inflationary pressures across France. Input costs rose at an accelerated pace – the first such occurrence since May – with the overall rate of increase its fastest in six months. Cost inflation picked up across both sectors, with panel members commenting on wage pressures and higher raw material prices. For a third month in a row, French private sector businesses raised their own charges. The extent to which selling prices rose also quickened, although the overall rate of output charge inflation was only marginal overall. Competition for new work reportedly restricted company pricing power, according to anecdotal evidence”.*
- French final July HICP was unrevised from the flash release on a rounded basis, printing 0.9% Y/Y for a second month running. Still, it’s worth remembering that the initial consensus ahead of the flash release was 0.8% Y/Y. Headline CPI was also unrevised at 1.0% Y/Y for a second month running at its fastest since January.
  - On a seasonally adjusted basis using INSEE data, CPI rose 0.24% M/M in July, below June’s 0.39% but above the YTD average of 0.09%. 3m/3m SA annualized CPI rose to 1.8% vs 0.6% prior, the highest rate since February.

- Core inflation (excluding energy and unprocessed foods) increased to 1.5% Y/Y (vs 1.2% prior).
- Looking at the CPI components:
  - Services was confirmed at 2.5% Y/Y after 2.4% in May. Airfares drove that acceleration, as the category rose to 7.6% Y/Y (4.6% prior). Elsewhere, communication services was a little higher than in June (-11.3% vs -12.1%). Services on health and those for rent, water and household waste collection both were unchanged in their Y/Y rates, at 1.5% and 2.6%, respectively.
  - Non-energy industrial goods was confirmed at -0.2% Y/Y, around which it tracked for five consecutive months now.
  - Food inflation was confirmed at 1.6% Y/Y (vs 1.4% prior). Processed foods (1.6% vs 1.4% prior) will have driven core CPI higher (which it is not excluded from).
  - Energy inflation was also confirmed at -7.2% Y/Y (vs -6.7 prior).

#### Italy (16% of EZ HICP in 2025) – 1000BST Friday August 29

- Consensus:
  - HICP: 1.8% Y/Y, 0.0% M/M (MNI)
  - CPI: 1.7% Y/Y, 0.2% M/M (Bloomberg)
- Analyst views:
  - Goldman Sachs see 1.8% Y/Y headline, core 2.1% Y/Y. “accommodation services printing around -1%mom nsa, package holidays coming in at 8%mom nsa, and airfares at 16%mom nsa, with risks for a weaker print due to signs of slightly softer summer travel [...] clothing and footwear to behave broadly similarly to their 2024 developments [...] energy inflation to increase slightly to -3.4%yoy [...] there is uncertainty over the way the extraordinary energy bonus is feeding through to electricity and gas prices [...] unprocessed food inflation to increase further to 6.0%yoy, and processed food inflation to stay at 3.1%yoy”
- Italian final July HICP inflation confirmed flash estimates at 1.7% Y/Y (vs 1.8% prior). HICP excluding food, energy, alcohol and tobacco was also confirmed at 2.0% Y/Y (vs 2.0% prior). Relative to the flash release, services was revised up a tenth to 3.0% Y/Y (vs 3.0% prior), while non-energy industrial goods was revised down a tenth to 0.4% Y/Y (vs 0.5% prior).
  - Within services, a pullback in services related to recreation (3.1% Y/Y vs 3.6% prior) was offset by an acceleration in transport services (largely airfares) and miscellaneous services (largely financial services).
  - Energy inflation was revised up a notable five tenths to -3.5% Y/Y (vs -2.1% prior), while processed foods were revised down three tenths to 2.8% Y/Y (vs 2.8% prior).
  - Unprocessed foods was unrevised at 5.9% Y/Y (vs 4.5% prior).
  - The proportion of subcomponents with annual inflation rates between 1-3% Y/Y ticked up to 38%, the highest since February.

#### Spain (12% of EZ HICP in 2025) – 0800BST Friday August 29

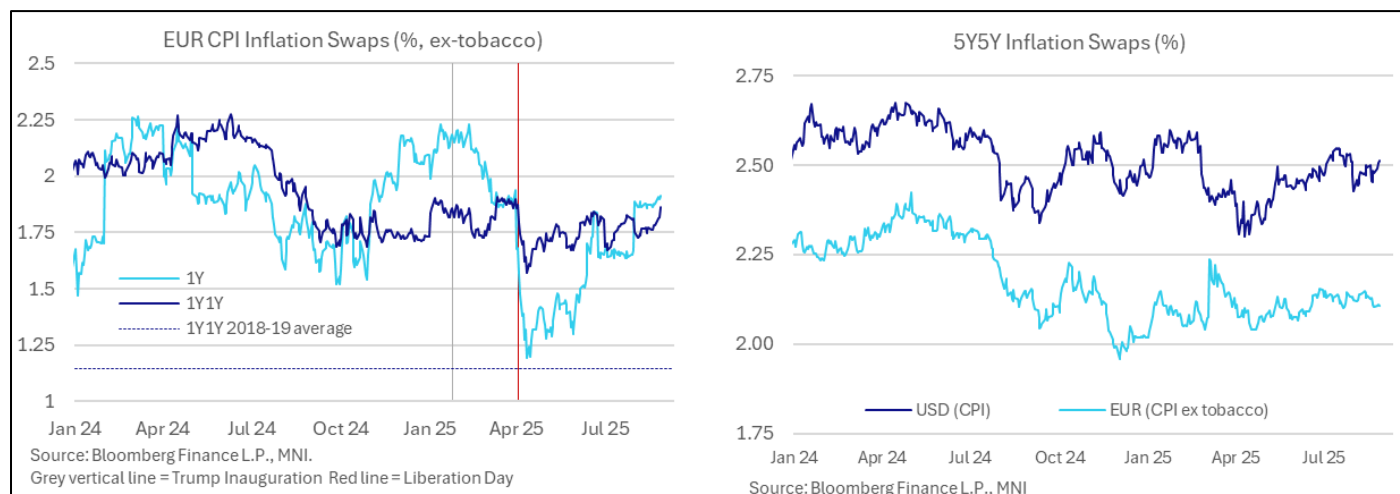
- MNI Consensus:
  - HICP: 2.7% Y/Y, 0.1% M/M (MNI)
  - CPI: 2.8% Y/Y, 0.1% M/M (Bloomberg)
- Analyst views:
  - Goldman Sachs see 2.6% Y/Y headline, core 2.3% Y/Y. “decline in year-over-year core goods inflation [...] 7%mom nsa increase in the package holidays component, a 3%mom nsa rise in airfares, and see risks for continued strength in the combined passenger transport component driven by delayed pass-through from the subsidy phasing out [...] energy inflation to increase to 3.6%yoy from 3.0%yoy in July, processed food inflation to stay at 0.5%yoy, and unprocessed food inflation to increase to 8.6%yoy.”
- Spanish final July HICP confirmed flash estimates at 2.70% Y/Y (vs 2.27% prior), while the monthly reading was revised up a rounded tenth to -0.3% (-0.34% unrounded, vs -0.4% flash). Excluding energy and unprocessed foods, HICP accelerated a touch to 2.34% Y/Y (vs 2.22% prior).
  - As indicated in the flash release, there was a rise in electricity inflation (17.30% Y/Y vs 9.00% prior) which pulled the energy component higher in July. Energy HICP was 2.97% Y/Y (vs -0.77% prior).
  - Elsewhere, services inflation ticked up to 3.63% Y/Y (vs 3.42% prior). This was mostly driven by a rise in airfares (international flights inflation was 13.61% Y/Y vs 3.46% prior), and to a lesser extent medical services, recreation and culture and accommodation inflation.
  - Non-energy industrial goods pressures remain subdued, easing to 0.15% Y/Y (vs 0.29% prior).

- Unprocessed foods fell to 7.76% Y/Y (vs 8.45% prior), but remain elevated. Processed foods, alcohol and tobacco ticked up to 1.32% Y/Y (vs 1.20% prior).
- The proportion of HICP subcomponents with annual inflation rates above 5% rose to 18% from 15% in June, the highest since March 2024.

## Inflation Expectations Marginally Higher After Jackson Hole

European inflation swaps have trended upwards marginally following last week's Jackson Hole conference. The driver here appears to have been Fed Chair Powell's dovish tilt – whereas ECB President Lagarde's prepared remarks had no real near-term implications for monetary policy.

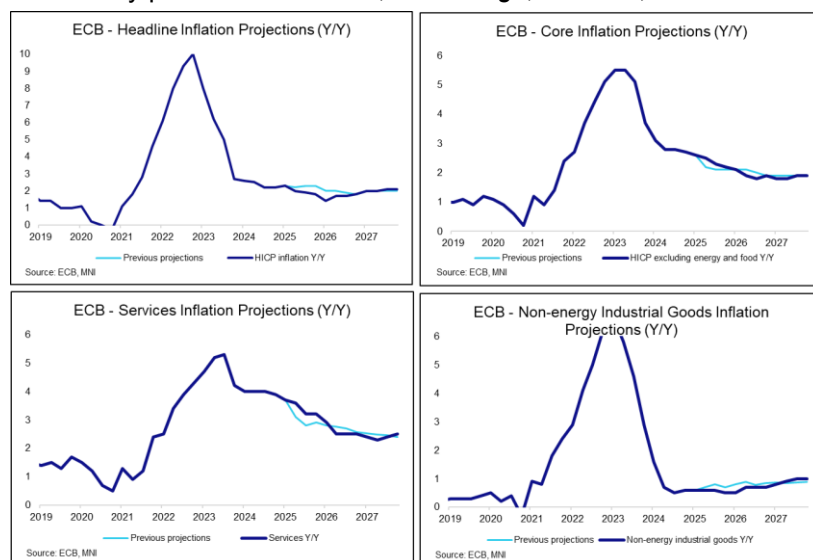
- Crucially, in his Jackson hole remarks, Powell acknowledged that "with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance". Risks appear to have shifted since the July meeting ("The balance of risks appears to be shifting"), as "downside risks to employment are rising".
- Lagarde meanwhile provided no clear signal for near-term ECB monetary policy in her prepared remarks, focussing on drivers of wage developments in the Eurozone.
- 1Y inflation swaps trade at 1.91%, the higher end of recent values but on balance largely unchanged since their step higher on August 1 jump.
- The 1Y1Y meanwhile has pushed higher recently to 1.86%, currently at highs for the period since initial reciprocal tariff announcements in April.



## ECB Outlook (June Projections)

The ECB's June projection round included a notable three tenth downward revision to headline inflation in 2025 and 2026. HICP is seen at 2.0% in 2025 and 1.6% in 2026. As expected, the "downward revision for 2025 is entirely driven by energy inflation due to weaker than expected data and lower oil, gas and electricity price assumptions". Meanwhile, 2026 headline was revised down "in part owing to an administered electricity price-related measure in Germany".

Core HICP inflation was revised up two tenths in 2025 to 2.4% but down by one tenth to 1.9% in 2026. The upward revision in 2025 was largely a mark-to-market following higher-than-expected readings in Q1. The stronger exchange rate and lower energy prices are seen weighing on non-energy industrial goods inflation, while services is seen continuing its gradual disinflationary process "from 3.4%, on average, for 2025, to 2.6% for 2026 and 2.4% for 2027"



## ECB Survey of Professional Forecasters, Consumer Survey and Corporate Telephone Survey

Highlights from the ECB's Q3 Survey of Professional Forecasters:

- "Contacts reported a slight slowdown in selling price momentum in recent months", but this was "mainly driven by developments in manufacturing". Services prices "remained relatively robust".
- "Contacts remained confident that wage growth was moderating. On average, the quantitative indications provided would imply that wage growth is expected to slow, from 4.5% in 2024 to 3.3% in 2025 and further to 2.8% in 2026".
- "The effect of US tariffs on activity and prices in the euro area was mostly viewed as being negative at present, albeit with little to no impact on final consumer prices."

1-year ahead consumer inflation expectations eased two tenths to 2.6% in June, having now fully reversed the rise to 3.1% between February and April. Three-year ahead expectations were unchanged at 2.4%, with 5-year ahead expectations at 2.1% for the seventh consecutive month.

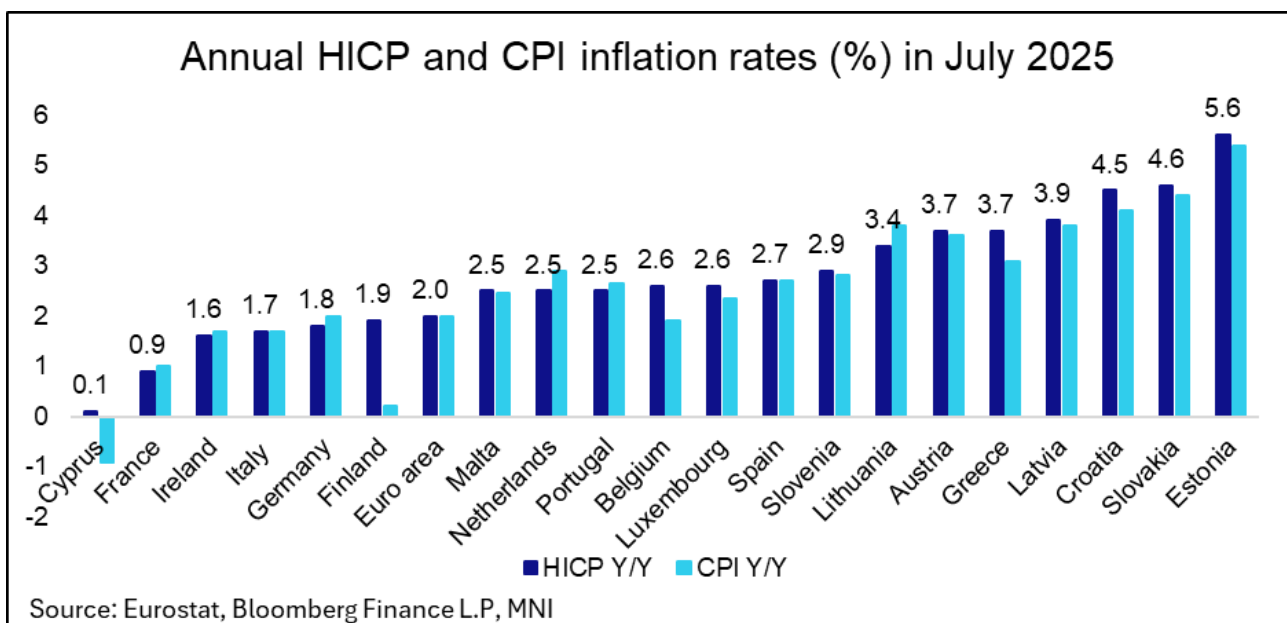
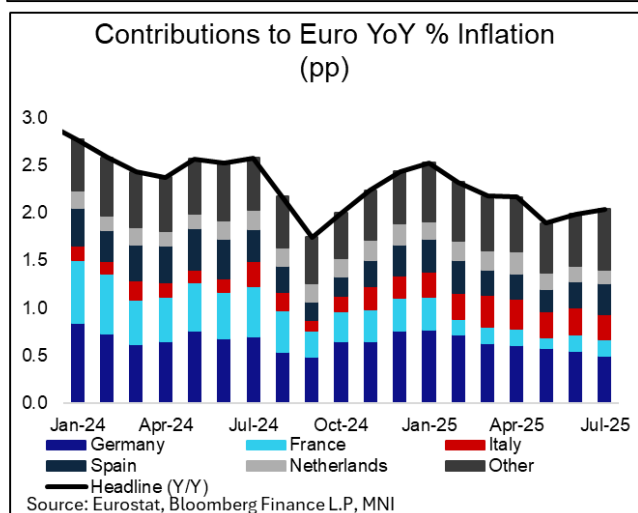
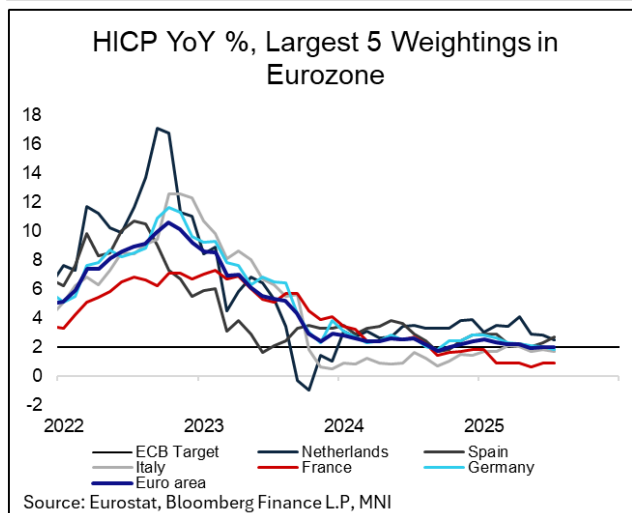
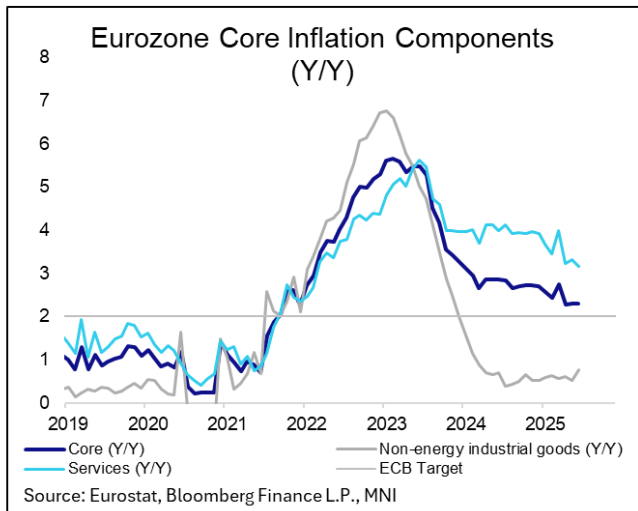
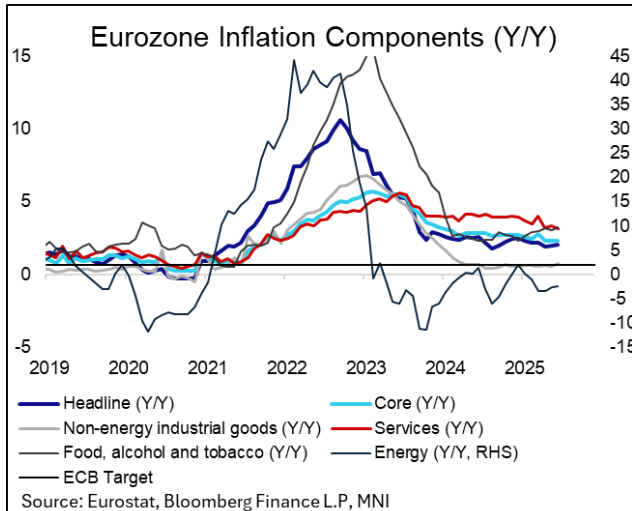
- 5-year ahead expectations are in line with market pricing of 5y5y EUR inflation swaps (currently 2.13%). However, shorter-dated swaps price a sub-2% inflation rate over the next few years, in line with the ECB's June projections.

Inflation highlights from the ECB's Q3 Corporate Telephone Survey:

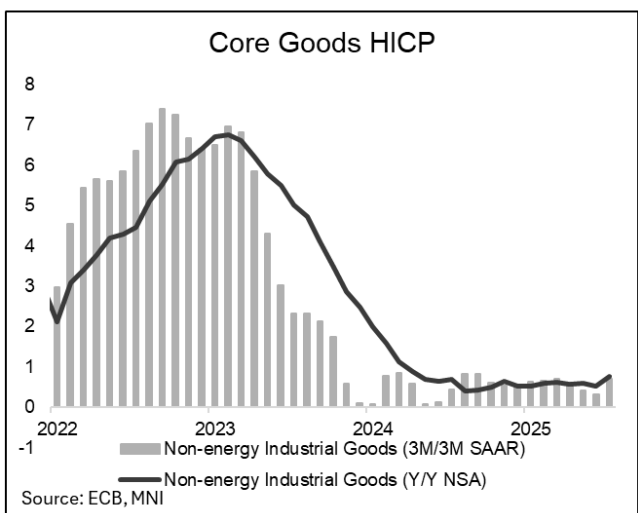
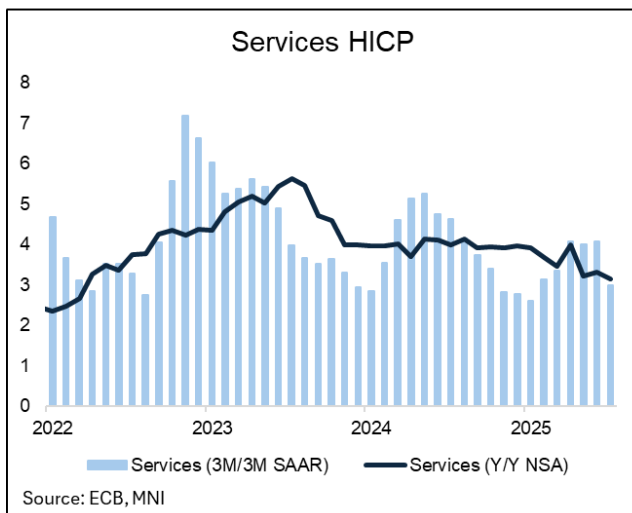
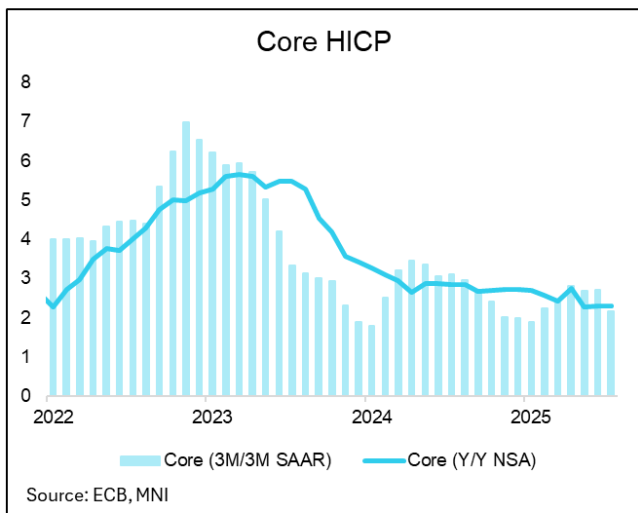
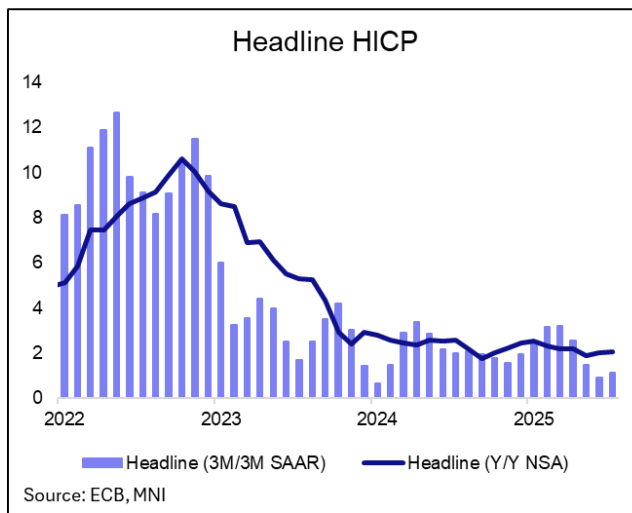
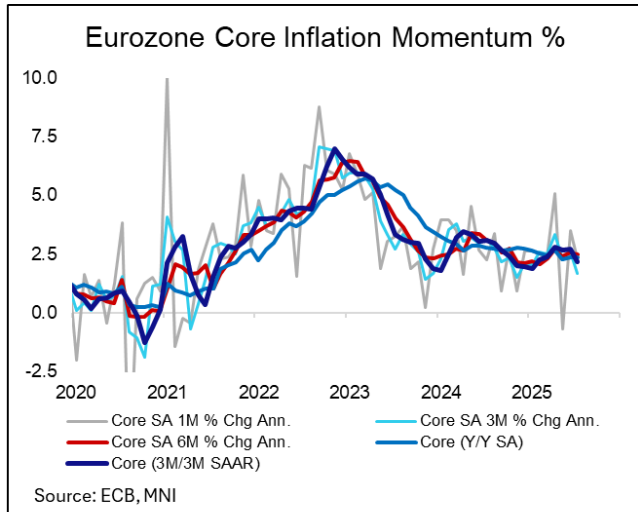
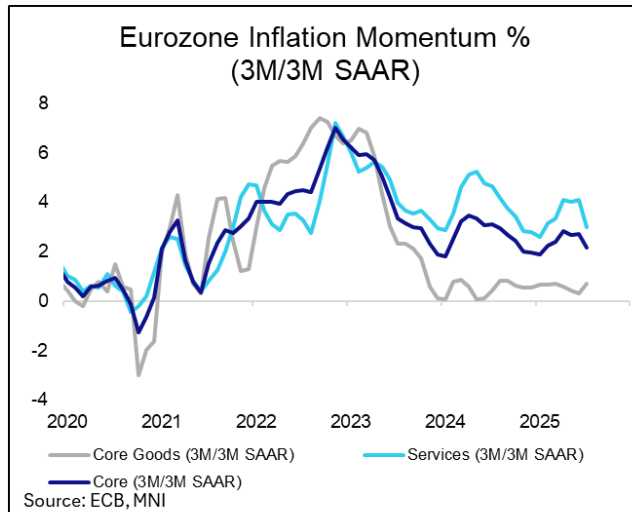
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- "Contacts remained confident that wage growth was moderating. On average, the quantitative indications provided would imply that wage growth is expected to slow, from 4.5% in 2024 to 3.3% in 2025 and further to 2.8% in 2026".
- "The effect of US tariffs on activity and prices in the euro area was mostly viewed as being negative at present, albeit with little to no impact on final consumer prices."



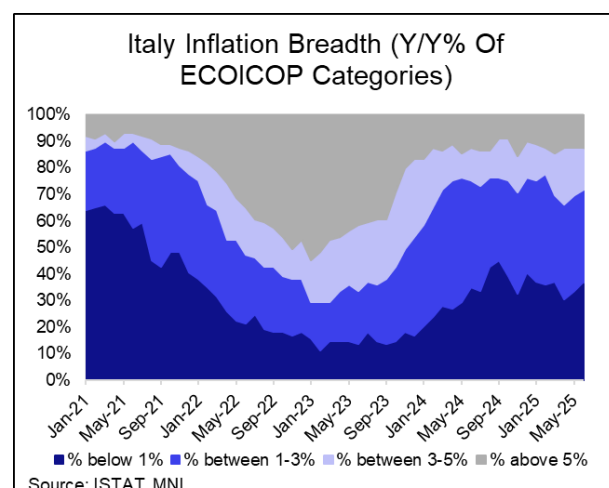
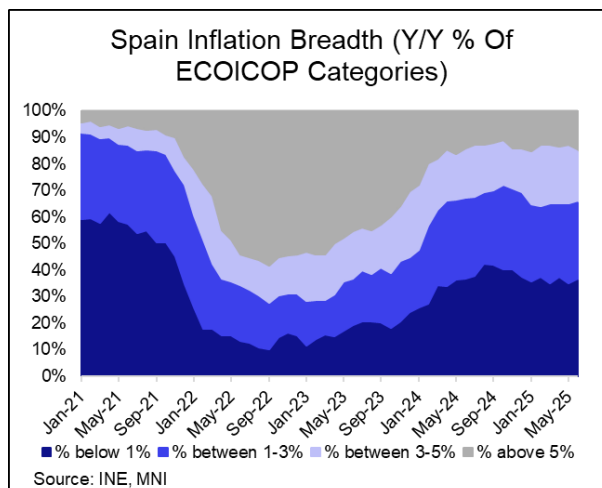
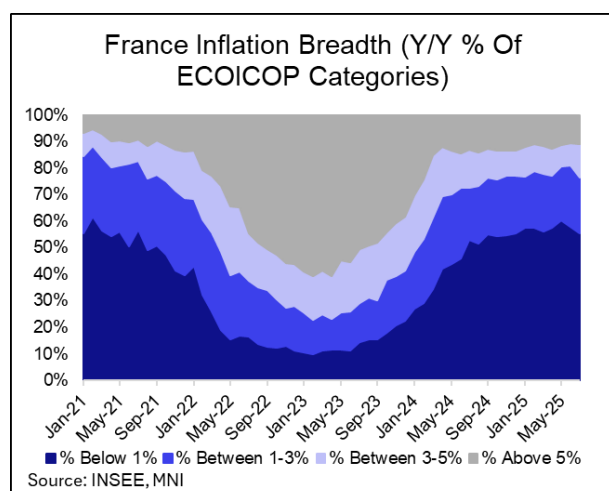
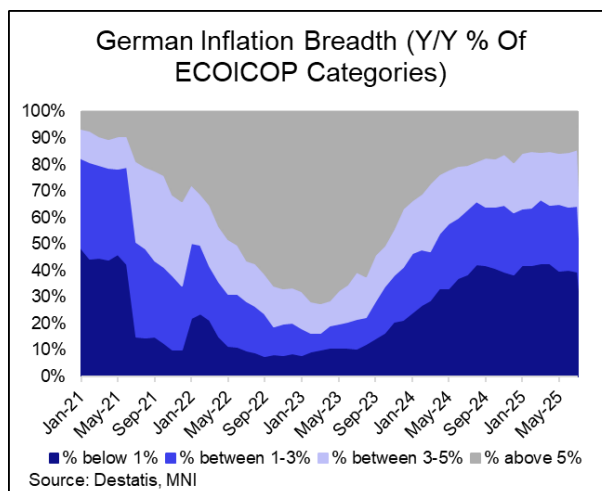
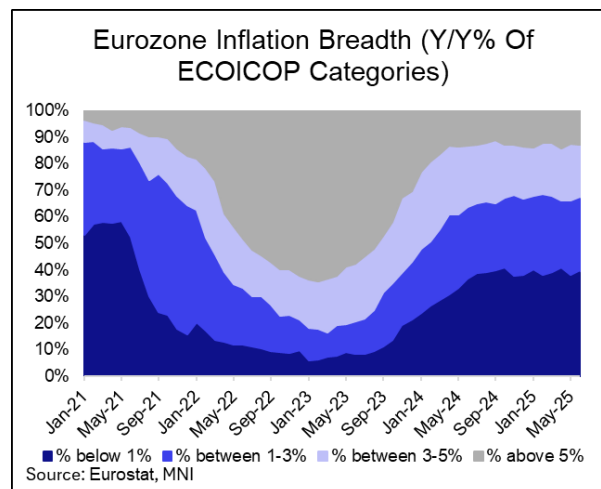
## Key Eurozone Inflation Charts



## Eurozone - Key Inflation Categories % Y/Y And Momentum (On Seas Adj. 3M/3M Basis)



## Country-Level Breadth Charts



## July HICP Recap: Services Upward Revision Flattered By Rounding, 3-Year Low

Eurozone final July HICP inflation was revised marginally higher, to 2.04% Y/Y (vs 2.02% flash, 1.99% prior). Core inflation was 2.31% Y/Y, up from 2.29% in the flash and 2.31% prior, driven by services being revised up to 3.15% Y/Y (vs 3.13% flash, 3.32% prior).

- This means the 0.1pp services upward revision on a rounded basis (to 3.2% Y/Y) is less material than it may appear on first sight and it compares with 4.0% Y/Y from July 2024. On a rounded basis, services was now "only" the joint lowest since March 2022.
- Non-energy industrial goods inflation was upwardly revised to 0.76% (0.75% flash, 0.52% prior). Some national-level data suggested that this comes amid less material or changing seasonal patterns on summer clothing sales.
- Energy deflation meanwhile was also trimmed to -2.39% Y/Y (-2.46 flash, -2.59 prior).
- Headline excluding tobacco printed 1.97% Y/Y in the final release.

### Analysts Stick To Previous ECB Calls After July Final HICP

Analysts aren't unanimous but on balance view the final July HICP release as favourable in terms of the ongoing disinflation process in the Eurozone. They stick to their previous calls on the ECB rates path ahead. Some highlights:

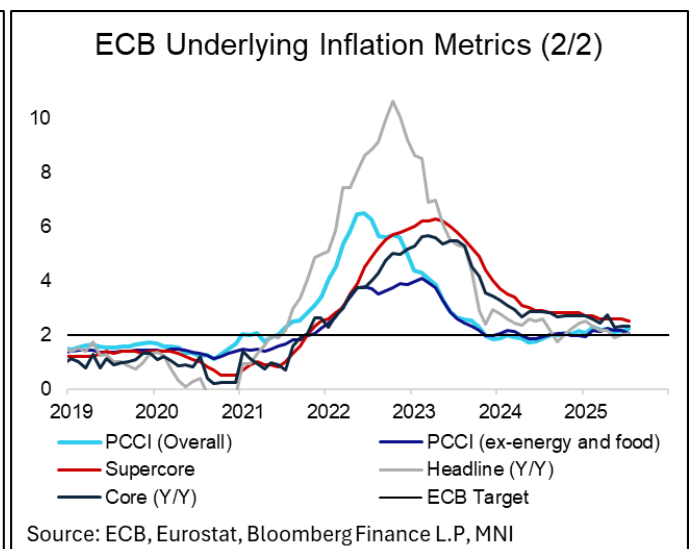
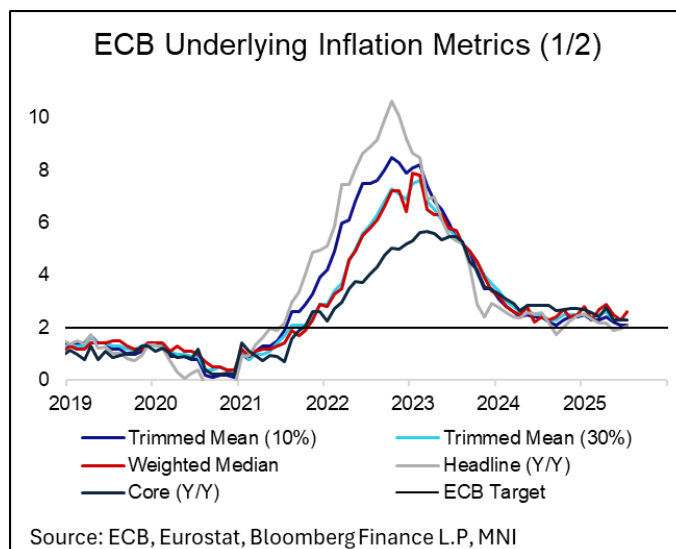
- **Commerzbank:** "Volatile service prices distorted the core rate slightly downward [...] As this effect is unlikely to be lasting, we are adjusting the core rate upwards accordingly. Without these volatile components, the core rate would therefore have been 0.24% in July (seasonally adjusted month-on-month rate). [...] Even with a slightly weaker core rate, year-on-year inflation is likely to remain above the ECB's forecast in the coming months. We therefore consider further interest rate cuts by the ECB to be unlikely."
- **Goldman Sachs:** "Looking through the Easter-related distortions to services inflation, our summary indicator of sequential underlying inflation has been broadly stable over the past few months, but ticked down in July by 5bp to 0.18% mom. The change in our sequential summary measure reflects a sequential deceleration across most of the metrics we track"
- **JP Morgan:** "Our inclination is to view today's report as constructive: we do need a run of soft monthly core price gains but see a good chance of this. The firmer currency, possible China deflation effects and, crucially, the moderation in wage growth argue in this direction [...] If core goods inflation sees payback in August, Euro area core inflation could slip to 2.1% oya and remain at that level in September. If correct, it would undershoot the ECB staff forecast of 2.3% oya for 3Q25. We then see it slipping below 2% oya early next year. [...] We continue to expect a further ease but have delayed this recently to October. This does, however, require the ECB to take more seriously the easing bias already in the staff projections."

### ECB Underlying Inflation Metrics Support Disinflation Story

The ECB's PCCI series, which is staff's preferred metric to track medium-term inflation pressures, ticked up to 2.23% Y/Y in July from 2.15% in June. However, the core PCCI series eased to 2.06% Y/Y, down from 2.16% in May and June for the lowest since January this year. Overall, the trends support analyst expectations for continued Eurozone underlying disinflation ahead.

- Supercore (which picks out those items that are estimated to co-move with the business cycle) fell a tenth to 2.5%, the lowest since December 2021.
- 10- and 30% trimmed mean metrics were steady at 2.1% and 2.3% respectively.
- Meanwhile, the weighed median bucked the trend in rising three tenths to 2.6% (vs 2.3% prior).
- Seasonally adjusted core inflation was revised five hundredths lower to 0.19% M/M compared to the flash release. This was driven by a downward revision in services inflation.
- That leaves 3m/3m services inflation momentum at 2.99% (vs 3.07% flash, 4.08% prior), the lowest since January. Core inflation momentum also fell back to 2.17% (vs 2.72% prior).





## Sell-Side Analyst Previews

### Sorted in Descending Order of August Core HICP Y/Y Forecast

#### Danske: Core 2.3%; Headline 2.1%

- Headline acceleration “driven by an increase in energy inflation”.

#### Nomura: Core 2.3%; Headline 2.1%

- “We will be looking out for two things in the country-level HICP inflation data: (1) is services price momentum slowing gradually in line with our expectations? And (2) is there any sign of weaker-than-normal core goods prices owing to Chinese goods dumping? We expect the answers to be yes and no, respectively.”
- Headline HICP per country: Germany 2.1%, France 0.7%, Spain 2.9%, Italy 1.6%.

#### Barclays: Core 2.2% (unrounded 2.24%); Headline 2.1% (unrounded 2.05%)

- “The acceleration in headline inflation should be driven by energy as base will likely outweigh sequential price declines. In contrast, we expect services inflation to edge down as price increases for holiday-related services appear to be relatively mild this summer. Core goods, as well as food, alcohol and tobacco (FAT) inflation should remain broadly stable”.
- “We expect energy to print at -1.7% y/y, 0.7pp higher than in July. This further decline in the pace of year-over-year energy deflation is being driven by fuel base effects as fuel prices had dropped 2.6% m/m NSA last August. At same time, our modelling suggests that energy HICP should decline sequentially by 0.4% m/m NSA (we estimate that average wholesale energy market prices are down c.3% in August)”.
- FAT: We expect a slight 0.1pp decline in FAT inflation to 3.2% y/y. Food inflation has been on an upward trajectory this year, in line with trends in leading indicators such as the EC survey food and beverage selling price expectations and upstream food price indicators. However, momentum in these indicators has slowed most recently, suggesting that food inflation could be close to stabilising at an elevated level”.
- “We expect core goods inflation to edge down 0.1pp to 0.7% y/y on rounding. Core goods inflation had accelerated notably in July, but that was due to semidurable goods, in all likelihood caused by relatively mild summer sales rather than more persistent factors, while underlying momentum in less volatile core components actually eased”
- “We forecast a 0.1pp moderation in services inflation to 3.1% y/y due to a slight easing in the tourism-related components as July had indicated that price increases during the peak holiday season this year have been relatively mild. At the same time, we expect little change in the momentum of the less-volatile components as underlying momentum has been broadly stable in recent months”

#### Goldman Sachs: Core 2.2% (unrounded 2.22%), Headline 2.0% (unrounded 2.03%)

- “We expect services inflation to decline further to 3.06%yoy and core goods inflation to tick down to 0.69%yoy. Year-over-year energy inflation will likely increase to -1.6%yoy from -2.4%yoy in July. Food, alcohol, and tobacco inflation is likely to tick down to 3.2%yoy in August.”

- HICP across countries:
  - Germany: 2.0% headline, core 2.4%. “both year-over-year goods and services aggregates broadly unchanged on the month”. Package holidays 1.5% M/M, airfares -6.7% M/M, rail transport 2% M/M “due to some additional discounts introduced in August”. Lower core goods “driven by a payback in the recording media component, and slowing summer sales-affected components”. “Energy inflation to increase to -2.7%yoy from -3.4%yoy in July, and look for processed food inflation to tick down to 2.3%yoy and for unprocessed food inflation to stay at 3.4%yoy.”
  - France: 0.8% headline, core 1.4% “reflecting services inflation declining on a year-over-year basis driven by an Olympics-related base effect”. “Flat reading for airfares but a strong 12%mom nsa print for the sea transportation component, a further 6.6%mom nsa increase in the accommodation services component and a 7.7%mom nsa increase in package holidays”. “Energy inflation to increase to -5.6%yoy, incorporating a reported increase in benchmark gas prices, and treating the policy one-offs related to electricity”. “Processed food inflation to stay at 1.4%yoy and unprocessed food inflation to tick up to 3.4%.”
  - Italy: 1.8% headline, core 2.1%. “accommodation services printing around -1%mom nsa, package holidays coming in at 8%mom nsa, and airfares at 16%mom nsa, with risks for a weaker print due to signs of slightly softer summer travel [...] clothing and footwear to behave broadly similarly to their 2024 developments [...] energy inflation to increase slightly to -3.4%yoy [...] there is uncertainty over the way the extraordinary energy bonus is feeding through to electricity and gas prices [...] unprocessed food inflation to increase further to 6.0%yoy, and processed food inflation to stay at 3.1%yoy”
  - Spain 2.6% headline, core 2.3%. “decline in year-over-year core goods inflation [...] 7%mom nsa increase in the package holidays component, a 3%mom nsa rise in airfares, and see risks for continued strength in the combined passenger transport component driven by delayed pass-through from the subsidy phasing out [...] energy inflation to increase to 3.6%yoy from 3.0%yoy in July, processed food inflation to stay at 0.5%yoy, and unprocessed food inflation to increase to 8.6%yoy.”
  - Netherlands headline 2.5%, core 2.1% “with risks for a stronger services print”. Belgium headline 2.5%, core 2.0%.
- “We continue to forecast Q3 average core inflation at 2.2%yoy and Q4 at 2.0%yoy, and mostly below target thereafter. This is slightly below the ECB’s June projections in the near term but mostly in line from 2026 onwards. As for headline inflation, we now see it mostly at target until the end of the year, but broadly below throughout 2026.”

#### **Santander: Core 2.2%; Headline 2.2% (2.16% unrounded)**

- Core slowdown “boosted by a decline in services CPI to 2.91% (from 3.2%)”
- “Risks to our headline number are biased to the downside, as the unrounded number (2.16%) shows. We would not be surprised to see it ultimately come in at the high 2.1% mark. Inflation could remain above 2% for the rest of the year, even gaining some traction until September, although in our view mainly on base effects rather than an increase in upward pressure on prices.”
- “We see the HICP ex-tobacco index rising to 128.82.”
- “We maintain that inflation volatility in the coming months will be limited and mainly determined by base effects in energy as falling services inflation will help offset upside risks on core goods prices.”

#### **Morgan Stanley: Core 2.2%; Headline 2.1%**

- “The upside comes from energy and food while services inflation should take another step down”.
- “Downward trend continues in services inflation: We expect another ~15bp decline in services inflation to 3.0%Y, a similar magnitude to the step down in July. In line with our long-held view of further progression in underlying services inflation, we expect services excluding volatile items (air fares, package holidays, and accommodation) to drive the bulk of the decline. Price changes in the volatile services-related items are limited in August, which limits the risks to our forecast”.
- “Headline up on energy base effects and food strength... Year-on-year energy inflation should take a large step up on positive base effects (to -1.5%Y from -2.4%Y). Together with a small uptick in food inflation (to 3.5%Y from 3.3%Y), this pushes up the headline number”...“ and weekly meat prices signal continued momentum in food inflation: Food inflation has risen noticeably this year (from 2.3%Y in Jan-25 to 3.3%Y in Jul-25) with persistent momentum in unprocessed food. In particular, meat prices have driven that strength. Weekly beef prices from the European Commission suggest that we could see another increase in the %Y-rate of the HICP in August”.

**UBS: Core 2.2%; Headline 2.1%**

- “Higher energy inflation (+0.9pp to -1.5% y/y) more than offsetting a 0.1pp decline in core inflation to 2.2% y/y, and stable food inflation (at 3.3% y/y). Within core inflation, we expect both services and goods inflation to tick down 0.1pp to 3.1% y/y and 0.7% y/y, respectively. At the country level, we expect increases in Germany (+0.2pp to 2% y/y), Spain (+0.1pp to 2.8% y/y), Italy (+0.1pp to 1.8% y/y) and the Netherlands (+0.2pp to 2.7% y/y). Inflation in France is likely to remain unchanged at 0.9% y/y”.
- “Following above-consensus inflation in July, which we think could lead to some upward revision in the ECB’s macro projections in September, some easing in the euro, and uncertainty about the extent of the damage from the US-EU trade deal, we recently changed our ECB call and no longer expect the ECB to cut rates in September. Hence, we now think the ECB easing cycle has ended, at 2%. We now expect the ECB to deliver its first rate hike in December 2026 (+25bps to 2.25%), modestly above neutral. We think some moderate tightening as of late 2026 might be needed in order to address a certain rise in inflationary pressure over the course of 2027, stemming from a strong fiscal impulse working its way through a German/Eurozone economy characterised by structurally tight labour markets due to the demographic transition”.

**JP Morgan: Core 2.1%**

- They expect the country-level releases this week on aggregate to “be consistent with a decline in Euro area core inflation to 2.1% oya in August, with some payback in core goods prices taking place after the July increase (linked to clothing and in our view temporary).”
- Germany 2.0% headline HICP, 2.0% headline CPI, 2.5% core CPI.
- France 0.7% headline HICP, 0.9% headline CPI.
- Italy 1.7% headline HICP, 1.7% headline CPI.
- Spain 2.6% headline HICP, 2.5% headline CPI.

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