

MNI Eurozone Inflation Preview – January 2026

By Moritz Arold and Emil Lundh
January 28, 2026

Key January preliminary inflation data releases and timing

- **Spain** (12% of EZ HICP in 2025) – 0800 GMT Jan 30
- **Germany** (28% of EZ HICP in 2025) – 1300 GMT Jan 30
- **France** (19% of EZ HICP in 2025) – 0745 GMT Feb 3
- **Netherlands** (6% of EZ HICP in 2025) – 0530 GMT Feb 4
- **Italy** (16% of EZ HICP in 2025) – 1000 GMT Feb 4
- **Eurozone** – 1000 GMT Feb 4

Eurozone MNI Consensus:

- Headline: 1.7% Y/Y (vs 1.94% prior)
- Core: HICP 2.2% Y/Y (vs 2.29% prior)
 - Services: 3.3% Y/Y (vs 3.38% prior)
 - Core goods: 0.5% Y/Y (vs 0.37% prior)
- Food, alcohol & tobacco: 2.5% Y/Y (vs 2.51% prior)
- Energy: -4.5% Y/Y (-1.93% prior)
- **[MNI Eurozone Inflation Insight for December 2025 \(PDF Link\)](#)**

Contents

- [Executive Summary](#)
- [Breakdown by Component](#)
- [Summary of Sell-side Forecasts](#)
- [Breakdown by Country](#)
- [Inflation Swap Market Pricing](#)
- [ECB Projections](#)
- [ECB Surveys](#)
- [Chart Pack](#)
- [Prior HICP Recap](#)
- [Sell-side Summary](#)

Price Resets and Idiosyncratic Factors To Shape January Report

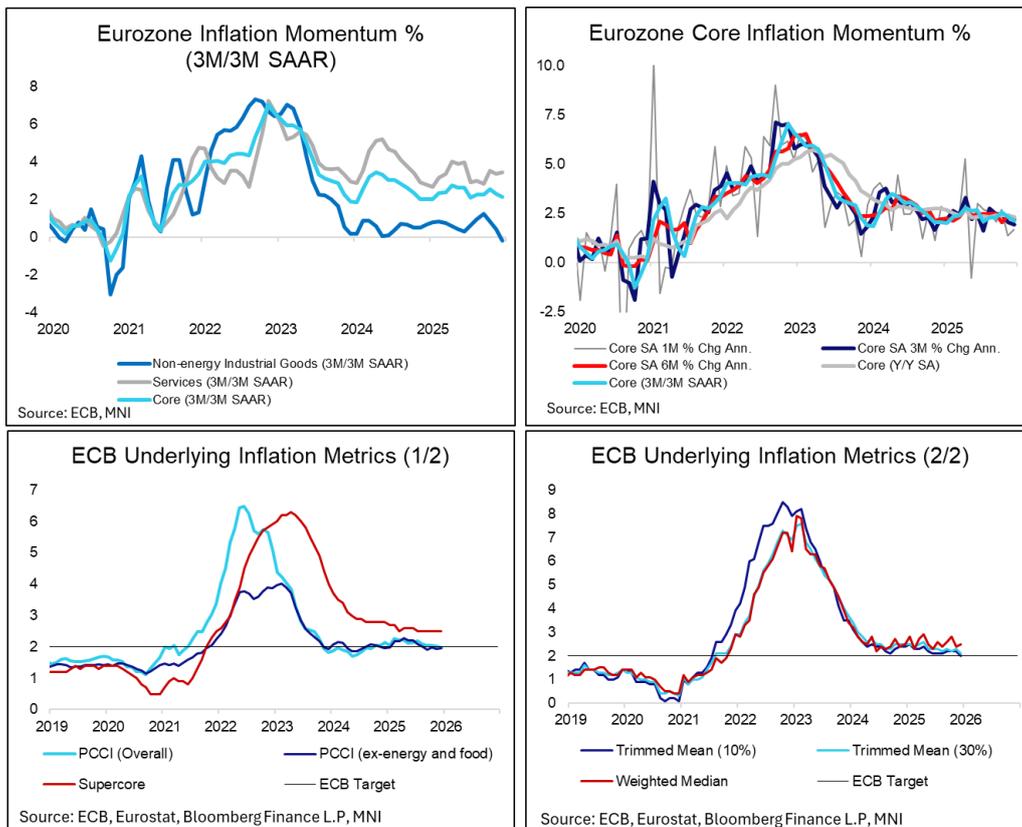
The Eurozone January flash inflation round is split across two weeks. Germany and Spain are scheduled to release data on Friday January 30, with France due Tuesday February 3 and Italy, the Netherlands, and the Eurozone aggregate following on Wednesday February 4. The release will be an important input ahead of the ECB's February 5 decision. While the bar to a near-term rate change in either direction remains high, the data will inform assessments of the balance of risks for 2026.

Headline inflation is expected to decelerate to 1.7% Y/Y (vs 1.9% prior). Across categories, analysts expect energy HICP to ease materially to around -4.5% Y/Y (from -1.9% in December). This will primarily be driven by base effects following January 2025's strong 3.0% M/M print, but some idiosyncratic factors are also at play. Core inflation is seen roughly stable to marginally lower at 2.2% Y/Y, with a small expected uptick in core goods not enough to offset a deceleration in services. Food, alcohol and tobacco is expected to see little changes around 2.5% Y/Y with no major seasonal effects beyond normal January patterns.

There is more uncertainty than usual surrounding the January release due to several idiosyncratic factors:

- First, markets remain focused on the extent to which disinflationary annual price resets are seen in services – around a quarter to half of services subcategories typically update prices in January, with these items then showing little change for the remainder of the year. Analysts broadly expect softer repricing than last year (10-15bp drag on services Y/Y), which, if realised, would mark an important step in the disinflation process.
- Second, Bulgaria adopted the euro on January 1, though its sub-1% share of the Eurozone basket means any inflationary impact should be negligible.
- Third, the annual reweighting of HICP baskets takes effect, with price-updating suggesting services weights rise ~30bp and energy weights fall ~30bp. This will mechanically add to headline inflation, albeit only to a small extent with effects accumulating over the year.
- Fourth, the transition to ECOICOP 2018 classification introduces some uncertainty around weight allocation and index developments; minimal changes at the aggregate level are likely according to preliminary Eurostat analysis, though the inclusion of "games of chance" could add a small drag to services inflation spread throughout the year.
- On the back of this, back series HICP data will be updated on Eurostat. Of importance will be here to what extent any revisions filter through to the special aggregates, services in particular. The previously published data produced under ECOICOP1 will still remain on Eurostat's database on its website. It's unclear whether the press releases will use the revised ECOICOP2 data for periods up to December 2025 or the originally published ECOICOP1 data. Either way, Eurostat has confirmed that the back history for HICP under ECOICOP2 will be published for the period from 1996-2025.

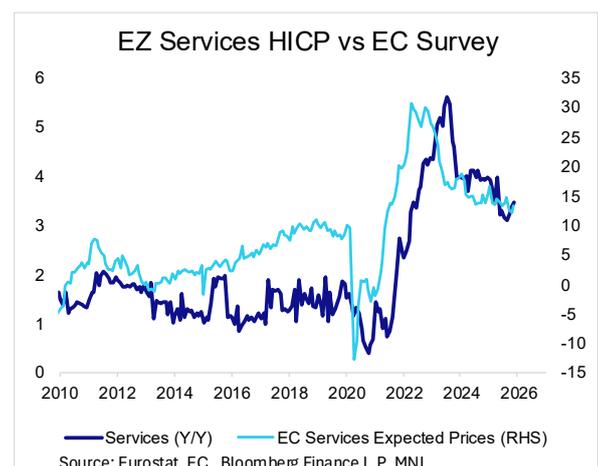
- Finally, a set of additional idiosyncratic factors on the back of policy changes are also set to influence headline this time (on some of these, see detailed considerations on page 6). This includes the German restaurant food VAT cut (from 19% to 7%), the German Deutschlandticket price increase (train subscription, from €58 to €63, indeed with negative effects on Y/Y on the back of base effects), Italian electricity subsidy changes (a net upside effect from a reduced subsidy scope), the introduction of a Spanish Public Transport Pass (€60 nationwide, consensus sees an only modest drag on headline), the Spanish electricity fixed cost increase (+10% M/M, but a low weighting yielding a limited effect on Eurozone headline), and the Dutch accommodation VAT increase (from 9% to 21%, with a likely negligible effects on Eurozone headline).



Expected Positive/Negative Factors for January Eurozone Inflation

Services (-ve Y/Y) – 46% of 2025 Basket:

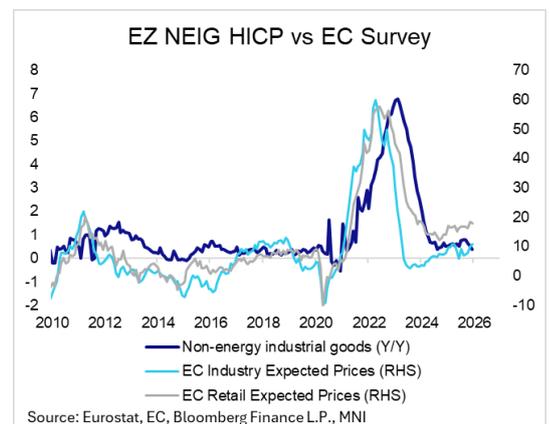
- Median estimate 3.3% Y/Y for Jan
- Dec EZ Services: 3.4% Y/Y, 0.7% M/M. Jan 2025 -0.1% M/M vs -0.29% 2018 - 2025 M/M avg
- Services inflation in the Eurozone had generally been a little firmer than expected towards Q4'25, accelerating to 3.4-3.5% from a 3.1% cycle low last August. This seems to have indeed filtered through to the ECB's most recent quarterly economic projections, with the bank noting stronger than expected outcomes in services inflation as a particular driver behind the upward revision of their December headline HICP projections. The ECB now sees services inflation at 3.0% in 2026 (+0.3pp vs September), 2.6% in 2027 (+0.3pp) and 2.5% in 2028 (new).
- For January, analysts see the Y/Y rate edging lower to around 3.3%, with a range from 3.23% to 3.36% in the previews we have seen. Focus here will be in particular on the January reset effects, which affects between around a quarter to half of all services subcategories.



- The general view amongst analysts appears to be that the price resets are set come in lower than in 2025 and especially than in the years prior to that, as they are at least partially linked to headline inflation in the respective past year. However, the magnitude of the taper is also fading off compared to previous years – disinflation is slower than before. Note that there are also policy changes in the likes of Germany (restaurant VAT, transport tickets) and Spain (transport tickets) factoring into the January readings.
- Looking ahead, the ECB notes that “the initial decline in [core] inflation is seen to be driven primarily by the slowdown in services inflation, mirroring easing labour cost pressures. The disinflation process in the services component is expected to come to a halt in 2027, in line with a stabilisation in labour cost growth.”
- The January flash PMI noted “The rate of inflation was solid and the most marked since April 2024. In contrast to the picture for input costs, the pick-up in charge inflation was centred on services where the latest increase was the sharpest in 11 months”.
- The EC’s services expected prices series rose to 13.9 in December after 13.4 in November; October’s 12.3 was the lowest reading since mid-2021.

Core goods (broadly neutral Y/Y) – 26% of 2025 Basket:

- Median estimate 0.5% Y/Y for Jan
- Dec EZ Non-energy industrial goods: 0.4% Y/Y, -0.3% M/M. Jan 2025 -2.4% M/M vs -2.55% 2018 - 2025 M/M avg
- Core goods inflation continued to hover close to cycle lows in December after unwinding an earlier contained acceleration seen in Q3. Analysts expect roughly steady developments in January, and generally remain relaxed about pipeline pressures.
- On a M/M basis, inflation January is generally characterised by negative sequential prints (see seasonality chart below) on the back of seasonal rebates post-holiday season. The magnitude of these rebates this year will filter into Y/Y metrics this time, and thus also may (partially) provide an insight into retailer pricing power.
- The ECB expects non-energy industrial goods at 0.7% in 2026 and 0.8% in 2027. “Non-energy industrial goods inflation is expected to remain subdued in the coming months, supported by the appreciation of the euro, before gradually converging towards its historical average of around 1% by late 2027 and remaining there for the rest of the projection horizon, leading to a small uptick in HICPX inflation in 2028”, they note.
- The January flash PMI noted that “manufacturing selling prices continued to fall marginally”, somewhat in contrast with modest upward moves in EC industry and retail expected prices (see chart).



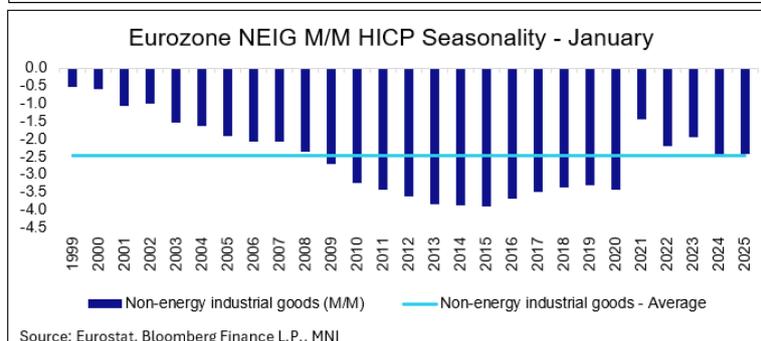
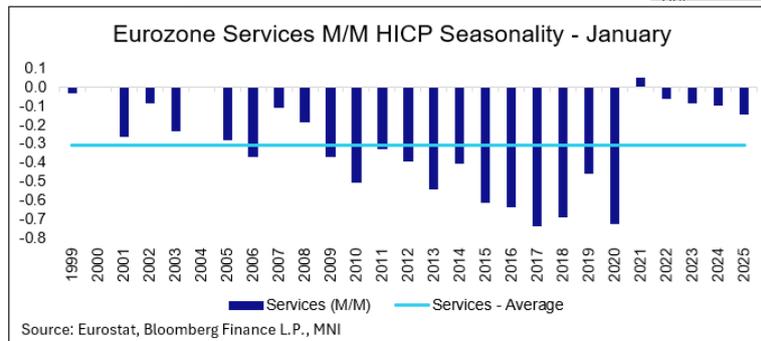
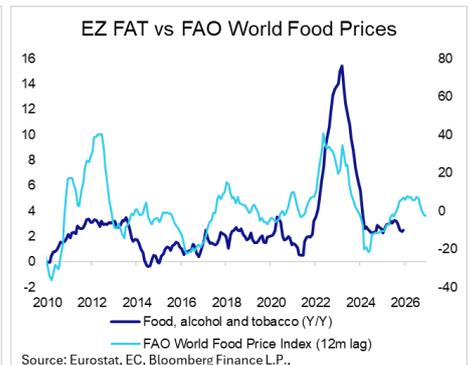
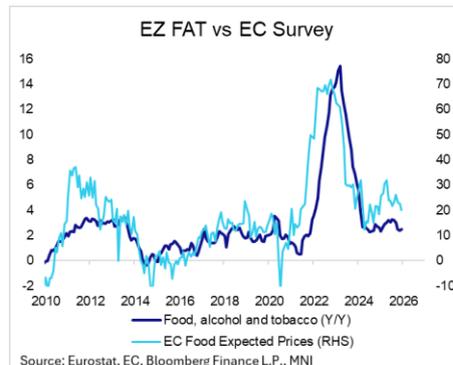
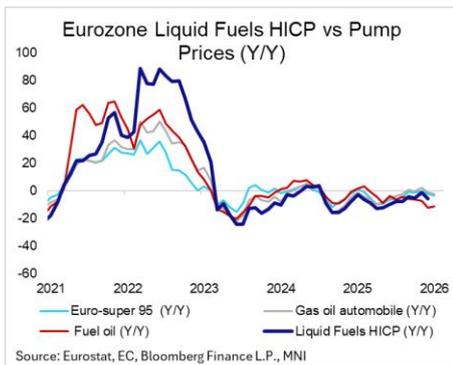
Food, alcohol & tobacco (broadly neutral Y/Y) – 19% of 2025 Basket:

- Median estimate 2.5% Y/Y Jan
- Dec EZ FAT: 2.5% Y/Y, 0% M/M. Jan 2025 0.6% M/M vs 0.84% 2018 - 2025 M/M avg
 - Dec EZ Processed food inc. alcohol and tobacco: 2% Y/Y, -0.2% M/M. Jan 2025 0.5% M/M vs 0.73% 2018 - 2025 M/M avg
 - Dec EZ Unprocessed food: 4.2% Y/Y, 0.8% M/M. Jan 2025 1% M/M vs 1.21% 2018 - 2025 M/M avg
- FAT (food, alcohol & tobacco) inflation ticked up to 2.5% Y/Y in December but remained towards the lower end of the 2025 range after seeing an uptrend to up to 3.3% in July. FAT inflation is seen as a non-story this time: Analysts expect limited moves in Y/Y terms in January, with no meaningful seasonal effects beyond normal January patterns seen. Barclays notes an Italian tobacco tax increase but the feedthrough to headline EZ HICP of that should be small. Forward looking indicators from the EC’s survey and the FAO food price index have also moderated in recent months.
- From the ECB December quarterly projections: “Food inflation is projected to continue to decline noticeably in the short term, as commodity prices ease and weather-related factors fade, and to remain at moderate levels throughout 2028. Specifically, in 2025 food inflation is expected to fall from 3.2% in the third quarter to 2.5% in the fourth quarter, reflecting the recent easing in certain food commodity prices, such as cocoa and coffee, as well as the fading impact of adverse weather conditions observed over the summer. The continued moderation through late 2026 is attributed to lower euro area food commodity prices and downward base effects from the strong price increases in mid-2025. On average, food inflation is projected to stand at 2.4% in 2026-27, before easing further to 2.2% in 2028. These levels are below the long-term average and in line with benign assumptions for energy and food commodity prices”

- A reminder that a recent [blog](#) by ECB staff suggests food inflation developments are “particularly relevant in the ECB’s current analyses”. The blog notes that food inflation matters because of (i) the impact it has on inflation expectations and (ii) the possible second round impacts into wage setting. Governing Council members Makhlouf and Nagel have also re-iterated calls for vigilance in semi-recent comments.

Energy (-ve Y/Y) – 9% of 2025 Basket:

- Median estimate -4.5% Y/Y for Jan
- Dec EZ Energy: -1.9% Y/Y, -0.8% M/M. Jan 2025 3% M/M vs 2.06% 2018 - 2025 M/M avg
- Energy inflation is again expected to be the main downside driver in January, driven primarily by large negative base effects from January 2025's strong energy price increase (+3.0% m/m). Sequentially, prices are expected roughly flat to slightly up on the month, with German policy measures (gas surcharge abolition and electricity grid fee subsidies) largely offsetting CO2 price increases and higher fuel/gas prices from recent wholesale market moves.
- The ECB sees energy inflation at -1.0% in 2026, 0.0% in 2027 and 2.2% in 2028. “Energy inflation is projected to remain subdued until late 2027, before rising notably in 2028 with the introduction of ETS2. The sharp decline in energy inflation during the first quarter of 2026 is largely attributed to a pronounced downward base effect in the transport fuels component. In addition, an expected reduction in electricity prices in Germany, driven by lower network fees, is seen as contributing to the decline in energy prices seen in early 2026. As these effects fade, energy inflation will remain subdued, in line with rather flat energy price assumptions”, they note. A 2027 downward revision of 2.4 percentage points comes after the mentioned EU ETS2 introduction was being pushed back to 2028.



Summary of Sell-Side Outlooks for January 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)
Dec-25 Actual	1.96	0.18	2.29	0.33	2.0	0.2
Jan-26 BBG Consensus	N/A	N/A	N/A	N/A	2.0	-0.2
Jan-26 MNI Median Consensus	1.7	-0.6	2.2	-1.0	2.0	N/A
Barclays	1.66	-0.55	2.32	-0.92	2.11	-0.12
Goldman Sachs	1.71		2.22		2.0	
Morgan Stanley	1.66	-0.56	2.26	-0.98	1.97	
UBS	1.61	-0.6	2.23	-1.01	1.9	
TD Securities					2	
Danske	1.7					
Santander	1.69	-0.5	2.19	-1.0	1.9 (CPI)	-0.1 (CPI)

Analyst	Italy HICP Y/Y	Italy HICP M/M (NSA)	France HICP Y/Y	France HICP M/M (NSA)	Spain HICP Y/Y	Spain HICP M/M (NSA)
Dec-25 Actual	1.2	0.2	0.7	0.1	3.0	0.3
Jan-26 BBG Consensus	N/A	N/A	N/A	N/A	2.4	-0.8
Jan-26 MNI Median Consensus	0.7	N/A	0.5	N/A	2.3	N/A
Barclays	0.71	-1.31	0.5	-0.32	2.06	-1.1
Goldman Sachs	0.8		0.6		2.4	
Morgan Stanley	0.71		0.52		2.23	
UBS	0.7		0.4		2.4	
Santander	1.0 (CPI)	0.4 (CPI)	0.7 (CPI)	0.0 (CPI)	2.4 (CPI)	-0.3 (CPI)

Analyst (A-Z)	Energy (Y/Y)	Food, Alcohol & Tobacco (FAT) (Y/Y)	Core Goods (Y/Y)	Services (Y/Y)
Dec-25 Actual	-1.91	2.51	0.37	3.38
Jan-26 MNI Median Consensus	-4.5	2.5	0.5	3.3
Barclays	-5.1	2.61	0.49	3.36
Goldman Sachs	-4.2	2.4	0.43	3.23
Morgan Stanley	-4.53	2.5	0.49	3.26
UBS	-4.4	2.3	0.3	3.3
Santander				3.13

There are several idiosyncratic policies/changes factoring into the January inflation readings. The table below provide a selection of analyst expectations for some of these (note, this table is not an exhaustive summary of all the changes analysts are monitoring):

Factor	Goldman Sachs	Barclays	Morgan Stanley	Conclusion
ECOICOP 2018 Transition	Higher uncertainty on weight allocation and index developments; Eurostat analysis suggests minimal changes (2nd/3rd decimal for all-item HICP); could affect model forecasting performance	Primary effect from inclusion of "games of chance"; ~10bp drag to EA services inflation spread throughout 2026 (~1bp in January)	No large impact assumed on main components	Unanimous: Limited direct impact expected, though some uncertainty; Barclays most specific with ~10bp annual drag from games of chance
Annual Weight Reweighting	Limited changes expected; marginal increases for catering, misc. goods & services, rent; small declines for fuels, accommodation, electricity, alcohol & tobacco	Only minor impact as 2025 inflation rates largely normalised; price-updating suggests services weight +~30bp, energy weight -~30bp; overall effect on headline +~1.5bp	Limited changes: services up ~30bp, energy down ~30bp; food and core goods broadly stable	Unanimous: Minimal impact expected; Barclays and MS align on ~30bp shifts between services and energy
January Price Resets (Services)	Limited catch-up potential at EA-wide level; positive gap between "January-effect prone" components and cost proxy	Annual resets add ~10bp drag to services inflation; detailed analysis of slow-moving categories	Up to 10bp drag on EA services from weaker repricing vs Jan-25; Germany could see up to -30bp in services HICP	Unanimous: Softer repricing than last year; estimates range 10-15bp drag on services
Bulgaria Euro Adoption	Not mentioned	Share <1% of EA basket; too small to materially influence aggregate inflation	Marginal upside only	Unanimous (Barclays/MS): Negligible impact
German Restaurant VAT Cut (19% → 7%)	Drag on services from catering component	Not specifically quantified	Limited pass-through expected; small negative contribution to y/y rate	Unanimous: Modest downside to services, though pass-through uncertain
German Deutschlandticket Price Increase (€58 → €63)	Upside to M/M combined passenger transport (+8.6% increase)	Not specifically mentioned	Price increase (+8.6%) less than Jan-25 (+18.4%); contributes to negative base effect	GS/MS agree: Creates upside to transport but base effect is negative vs last year

Outlooks And Consensus Estimates For National Inflation Prints:

Germany (28% of 2025 EZ HICP) – 1300GMT Friday January 30 (after state-level data in the morning)

Consensus:

- HICP: 2.0% Y/Y (vs 2.0% prior); -0.2 M/M
- CPI: 1.9 Y/Y (vs 1.8 prior); 0 % M/M
- Analyst views:
 - Goldman Sachs: “Headline HICP inflation to decline slightly but stay at a weak 2.0%yoy on rounding in January. We expect core inflation to decline notably to 2.2%yoy, from 2.5%yoy in December, driven by a decline in the year-over-year rate of services inflation. We see airfares unwinding some of the firmness over the recent months at -19%mom nsa and package holidays printing at -16%mom nsa, but upside risk for both remains...we expect energy inflation to increase somewhat to -1.1%yoy from -1.3%yoy in December, with some upside pressure coming from the carbon tax increase and downside pressure coming from the removal of the gas storage levy.”
 - Morgan Stanley: “ In HICP metrics, we forecast headline inflation stable at 2.0%Y and core inflation could decline a touch to 2.4%Y from 2.5%Y.”... Services inflation is forecast to take a step down to 3.3%Y from 3.5%Y on weaker January repricing than last year....Food inflation is expected higher at 1.5%Y from 0.8%Y, reflecting a positive base effect...and some correction of last month's price drops...Energy prices should be broadly unchanged on the month (-0.1%M) which would push the year-on-year rate down to -2.7%Y from -1.3%Y. This masks several opposing factors: (i) higher fuel prices as signalled by a strong rise in weekly pump prices, beyond the expected impact of a higher national CO2 price, (ii) scrapping of the gas storage surcharge and subsidies to the electricity transmission grid fees, and (iii), to a lesser extent, the continued pass through of lower TTF prices to retail electricity and gas prices.
 - Barclays: “The abolishment of the gas storage surcharge in Germany should create a drag, more than offsetting the increases in German gas transmission grid fees and CO2 prices”.
- The Bundesbank highlights in their January monthly report:
 - “At the beginning of the year, the inflation rate is unlikely to fall any further and will hover around the 2% mark. From January 2026 onwards, higher prices for the "Deutschland-Ticket" and the rise in the national carbon price for heating and transport will drive up prices. This is offset by falling electricity prices as a result of lower transmission grid fees and the abolition of the natural gas storage levy. By contrast, the lower VAT on food and beverage service activities which also applies from January 2026 is likely to be passed on to consumers only to a limited extent.”
- The January flash PMI noted “Heightened cost pressures, combined with stronger underlying demand, in turn led to a notable pick-up in the rate of output price inflation in January. The pace of increase was the quickest for more than two-and-a-half years and back firmly above the long-run series average. The result owed almost exclusively to more aggressive pricing among service providers, with average factory gate charges falling at a modest pace that was little-changed from the month before.”
- German HICP confirmed flash estimates at 2.0% Y/Y in December, down from 2.6% in November. As noted after the flash release, some caution is warranted when interpreting the Y/Y figure, which looks to be heavily influenced by a base effect after a seasonally strong 0.7% M/M rise in December 2024. Goods inflation was soft in December while services was stickier

France (19% of EZ HICP in 2025) – 0745GMT Tuesday February 3

- Consensus:
 - HICP: 0.5% Y/Y (vs 0.66% prior)
- Analyst views:
 - Morgan Stanley: “Headline inflation in France to be down further in January, with HICP at 0.5%Y from 0.7%Y. ...We expect similar drivers with price resets pushing down (for insurance, in particular), but some offset from a rebound in transport services. ... All in all, services inflation is expected to decline by 30bp on CPI but be stable on HICP. Combined with stable goods inflation, this means core CPI will be down, but core HICP stable...Energy prices will likely increase on the month (0.5%M) but base effects from last year will push the year-on-year metric further down”
 - Goldman Sachs: “Headline inflation to tick down to 0.6%yoy in January ...and core inflation to tick down to a strong 1.2%yoy, reflecting slightly stronger services but weaker goods inflation on a year-over-year basis. We expect a 17%mom nsa decrease in airfares and a -3%mom nsa print for package holidays,

although see risks for a weaker reading. Outside of core, we look for energy inflation to fall to -7.8%yoy from -6.7% in December”

- The January flash PMI noted “Amid reports of clients successfully negotiating on price, particularly for manufactured products, January saw no change overall in average prices charged for French goods and services. This came despite an uptick in the rate of input price inflation, although by historical standards, the latest rise in firms’ operating costs was well below average.”
- France December HICP rose by 0.7% after +0.8% in November. Core HICP ticked up a tenth to 1.3% Y/Y, after non-energy industrial goods rose two tenths to 0.0% and services eased a tenth to 1.8%. Food, alcohol and tobacco inflation accelerated to 1.9% Y/Y (vs 1.7% prior), with energy the primary downside driver at -6.7% Y/Y (vs -4.4% prior).

Italy (16% of EZ HICP in 2025) – 1000GMT Wednesday February 4

- Consensus:
 - HICP: 0.7% Y/Y (vs 1.2% prior)
- Analyst views:
 - Goldman Sachs: “We expect Italian headline inflation to decline to 0.8%yoy in January...and core inflation to tick down to 1.7%yoy, with both year-over-year goods and services aggregates moving broadly sideways on the month....we see [...] airfares at -27%mom nsa to unwind a notable upside surprise from December....Of the non-core components, we look for energy inflation to decline notably to -7.4%yoy from -4.5%yoy in December, with downside pressure coming from regulated electricity price reset lower for Q1”
 - Morgan Stanley: “Underlying price pressures are easing in services (excluding transport), as showed by the December print. In January, we expect this trend to continue, and airfare prices to correct a tad after an exceptionally strong month in December. All in all, we forecast core HICP moving from 1.8%Y to 1.7%Y. ...We expect the fall in regulated electricity prices to be more than compensated by the return to a less generous electricity subsidy scheme this January. A mildly negative January print for energy is in sharp contrast to the exceptional rise in energy prices in January 2025 (electricity alone was up 7.6%M that month). As a result, we expect energy base effects to drive headline HICP down to 0.7%Y in January, from 1.2%Y in December”
- Italy flash HICP printed in line with consensus at 1.2% Y/Y in December (vs 1.1% Nov), alongside the softer-than-expected Eurozone flash print. The rise was mainly driven by strength in food and services (which looks to have been led by transport services), partially offset by declines in energy and non-energy industrial goods.

Spain (12% of EZ HICP in 2025) – 0800GMT Friday January 30

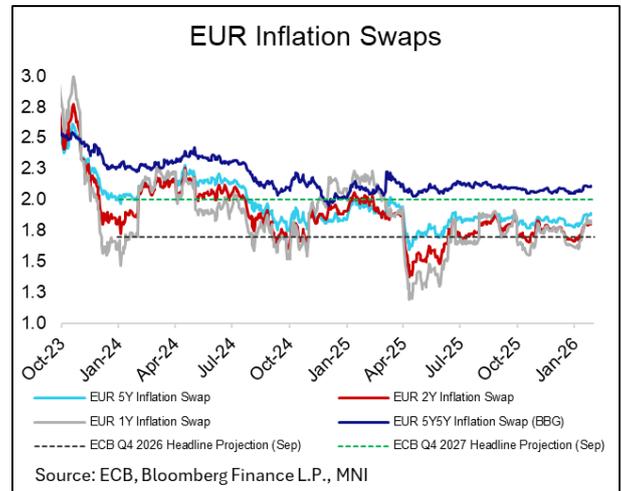
- Consensus:
 - HICP: 2.4 Y/Y (vs 3.04% prior); -0.8 M/M
 - CPI: 2.4 Y/Y (vs 2.92% prior); -0.3 % M/M
 - Core 2.5% Y/Y (vs 2.6% prior)
- Analyst views:
 - Goldman Sachs: “We expect Spanish headline inflation to decline to 2.4%yoy...and core inflation to fall to 2.8%yoy...We expect a 14%mom nsa decline in the package holidays component and a 12%mom nsa decline in airfares. In addition, we expect the introduction of a EUR60 public transport ticket from January 19 to have a notable negative impact on the combined passenger transport component (and some downside effect on transportation by rail); however, the pass-through will most likely be spread across January and February”.
 - Morgan Stanley: “HICP should decline to 2.2%Y...driven primarily by energy base effects. ...For core, we anticipate a flat print for both HICP (+3.0%Y) and CPI (+2.6%Y). Within the category, non volatile services should put downward pressure on headline....This softness will be largely offset by stronger prints compared with last year from volatile items”
- Spain December headline HICP was 3.0%, two tenths below November. The annual variation rate of the CPI for the month of December stood at 2.9%, one tenth below that recorded in November. The annual rate of core inflation remained unchanged at 2.6%.

Inflation Swap Expectations

Rallies in crude oil and natural gas futures have placed upward pressure on short-term market implied inflation expectations in January. The 1- and 2-year swaps are now back above 1.8%, with the 5-year swap a touch below 1.9%

However, the 5y5y swap remains relatively close to the 2.0% target at 2.11%, suggesting longer-term market implied expectations are still well-anchored around the 2% target.

The January HICP ex-tobacco inflation swap is currently priced at ~162bps.



ECB Outlook (December Projections)

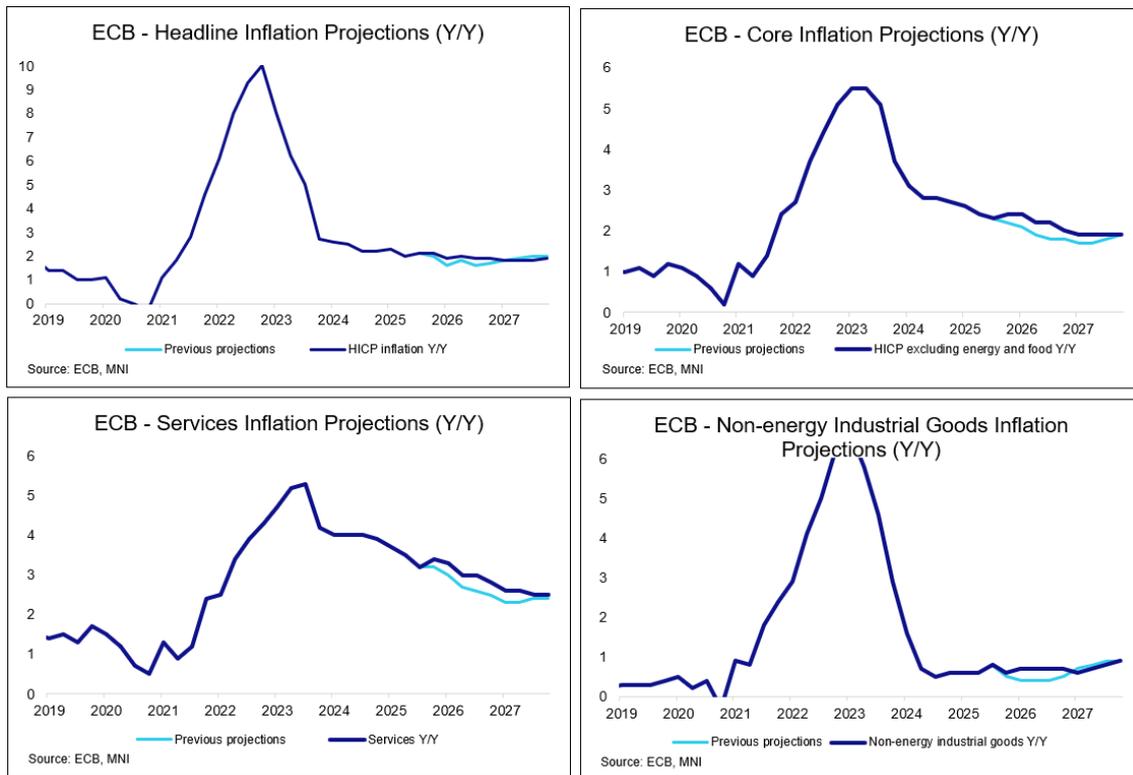
In the ECB's December macroeconomic projections, inflation figures generally surprised to the upside. Revisions to core inflation were the driver here, now expected at 2.2% in 2026 (+0.3pp), 1.9% in 2027 (+0.1pp) and 2.0% in 2028 (new projections). President Lagarde mentioned in the press conference that Indicators of underlying inflation have changed little in recent months, and remain consistent with the 2% target.

From the ECB's write-up:

- *“The expected decline in headline inflation (as measured by the Harmonised Index of Consumer Prices – HICP) at the start of 2026 reflects a downward base effect stemming from energy prices, while inflation in non-energy components should continue to ease throughout 2026. The contribution of energy inflation to headline inflation is expected to remain muted up to late 2027, before increasing notably in 2028 driven by the expected implementation of the EU Emissions Trading System 2 (ETS2), with an upward impact of 0.2 percentage points on headline inflation.”*
- *“HICP inflation excluding energy is expected to fall from 2.5% in 2025 to 2.2% in 2026 and to 2.0% in 2027 and 2028. Food inflation is projected to drop noticeably as the effects of prior price increases in global food commodities and adverse weather conditions over the summer subside, and is seen to stabilise at rates somewhat above 2% as of late 2026.”*
- *“HICP inflation excluding energy and food (HICPX) is projected to moderate from 2.4% in 2025 to 2.0% in 2028 as services inflation declines amid easing labour cost pressures, and as the past appreciation of the euro feeds through the pricing chain, curbing goods inflation.*

Lagarde commented further on the risks to the December inflation projections:

- “The outlook for inflation continues to be more uncertain than usual on account of the still volatile international environment. Inflation could be lower if the rise in US tariffs reduces demand for Euro area exports, or if countries with overcapacity increase their exports to the euro area. A stronger Euro could also weigh on inflation.
- “Inflation could turn out to be higher if fragmented supply chains push up raw material prices”
- “A slower reduction in wage pressures could delay the decline in services inflation.”
- “A boost in defence and infra spending could also raise inflation over the medium term.”



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

The ECB's Q4 Survey of Professional Forecasters saw immaterial revisions to median expectations for inflation and GDP growth, but more dovish tweaks to the balance of risks. Overall, the survey shouldn't have much impact on the median Governing Council member's views.

- HICP expectations were unchanged for 2026 (1.8%), 2027 (2.0%) and the “longer-term” (2.0%). There were also no revisions to median core HICP expectations for those years. 2025 expectations for both series rose a tenth.
- However, “uncertainty surrounding the medium-term inflation outlook has eased somewhat this round, while the balance of risks was less tilted to the upside”
- The SPF once again contained questions on the likely impact of tariffs on the Eurozone economy: “Regarding baseline inflation expectations, tariffs were expected to have a minor downward impact in the nearer term (-0.04 and -0.06 percentage points for 2025 and 2026 respectively), but to be broadly neutral on balance in 2027 and over the longer-term (2030) horizon. Compared with the previous SPF round, this represents relatively small revisions across all horizons.”

Eurozone consumer 1- and 3-year ahead inflation expectations were steady in November.

- Median expectations for inflation over the next 12 months was 2.8%, above the 2.7% consensus.
- 5-year ahead expectations were unchanged at 2.5%, in line with consensus.

The latest ECB corporate telephone survey pointed to subdued selling price momentum and limited sign of US tariffs having a directly inflationary impact.

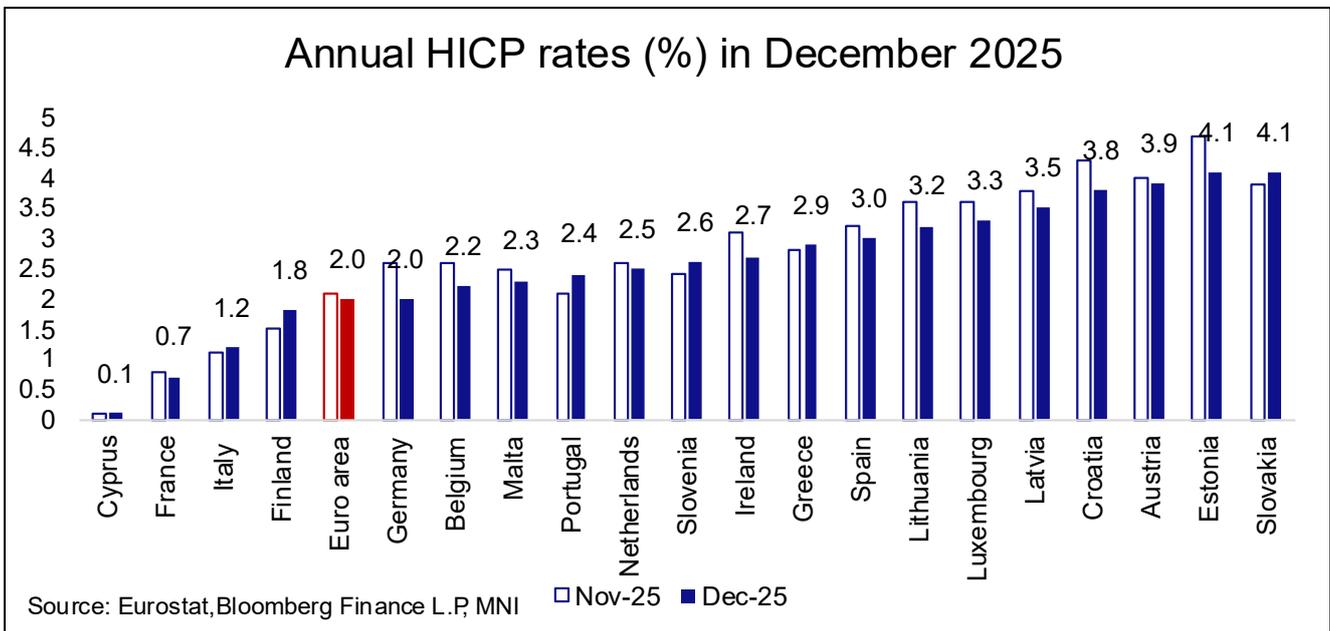
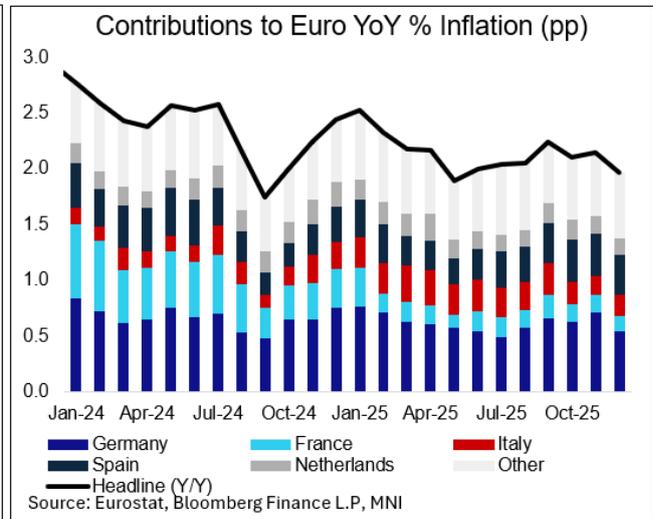
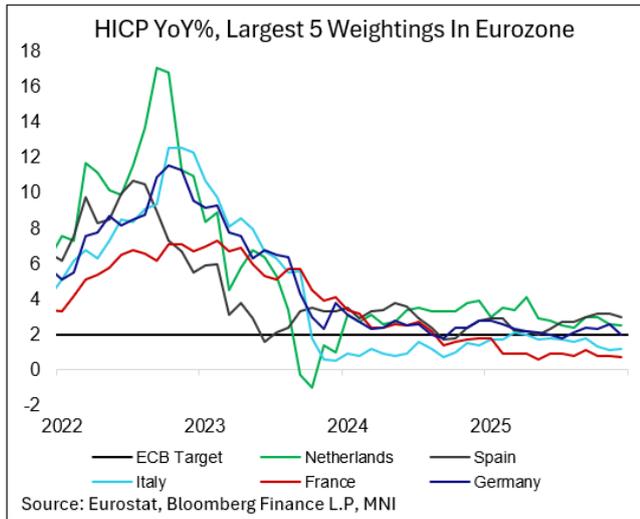
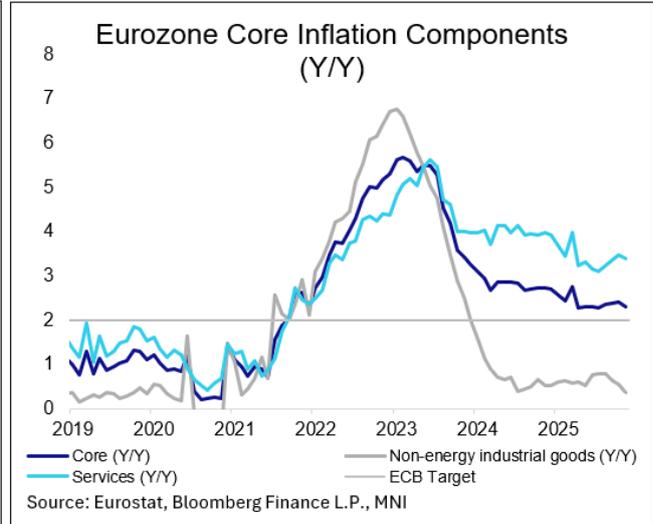
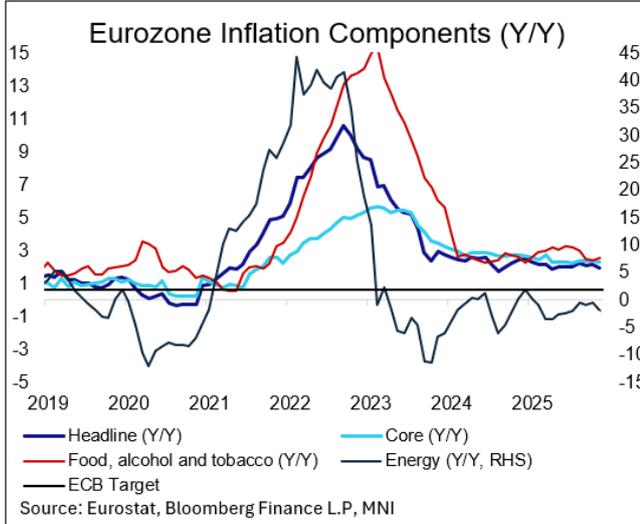
- “Contacts reported a further slight slowdown in selling price momentum in recent months. This was mainly driven by price moderation in the services sector, reflecting some cooling in price growth in labour-intensive

sectors such as hospitality, intensifying competition in telecommunications, and sharply declining prices for shipping and related logistics services.”

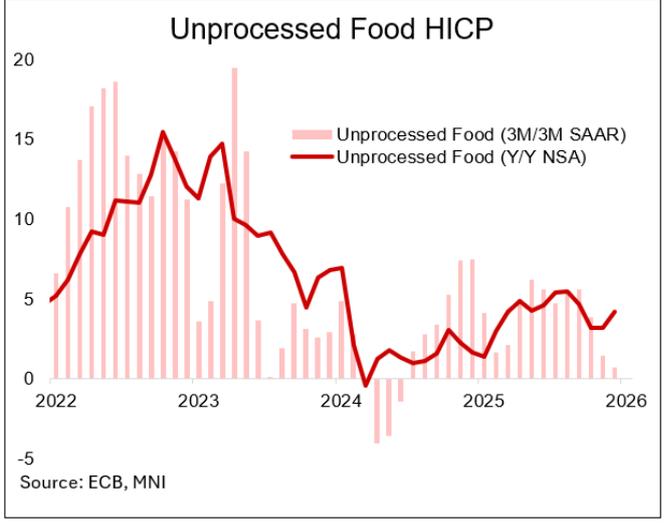
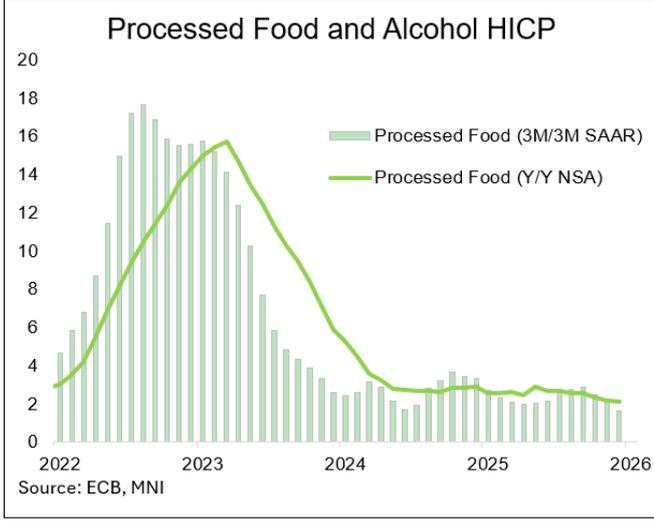
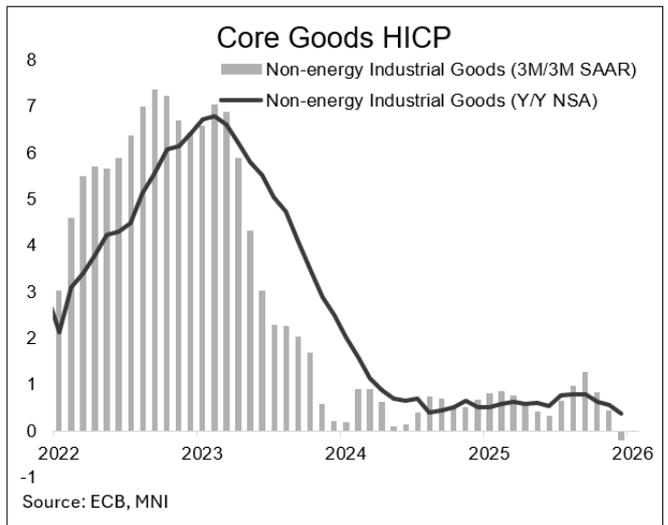
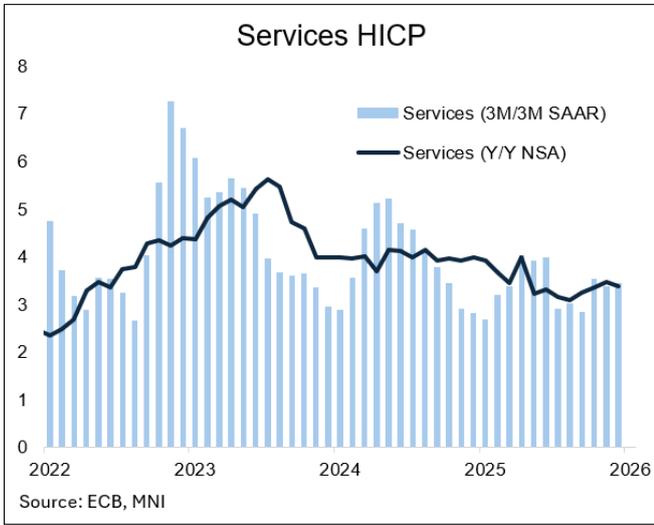
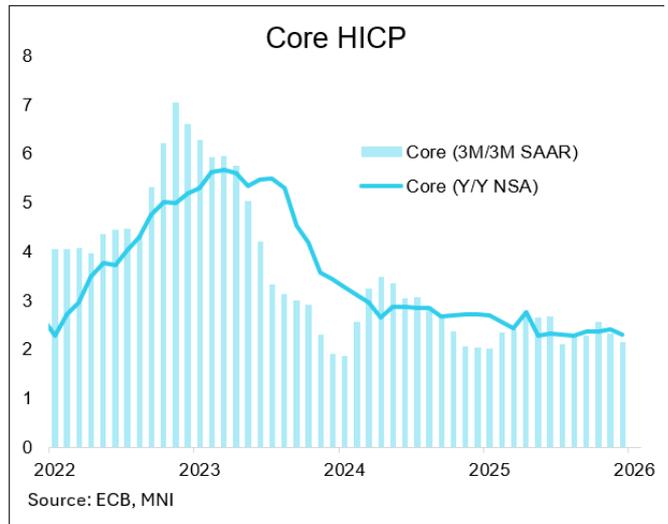
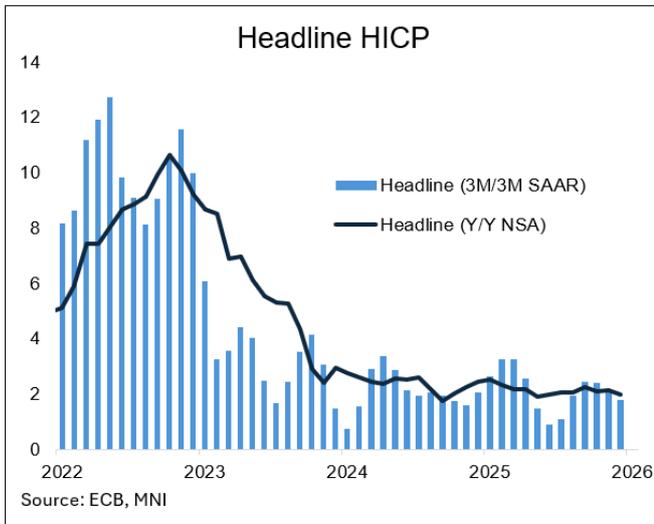
- In light of some of the more hawkish GC members warning on food price inflation: “Food retailers and producers mostly reported prices being raised to pass through rising costs, which in some cases reflected effects of climate change and related regulation. Growth in food prices was, however, expected to moderate in the coming months.”
- “Reaction to the EU-US trade deal was mixed, and the impact on euro area activity and producer prices was still viewed as negative.”
- “There was reportedly little direct spillover to euro area prices (via global pricing or to cushion the impact on margins)” from the increases in US tariffs, offering somewhat of a pushback to the more hawkish GC members such as Schnabel who see tariffs as inflationary from a supply chain pressure angle.
- Wage assessment unlikely to alter ECB view on direction of underlying inflationary pressures: “Contacts reconfirmed a picture of moderating wage growth (Chart D). 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 (both figures unchanged from the previous survey round) and further to 2.6% in 2026 (0.2 percentage points below the previous survey round).”

[Charts, heatmaps and detailed analyst views continue below]

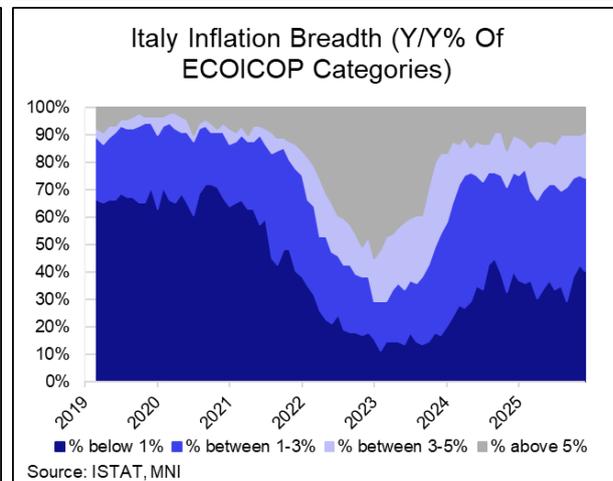
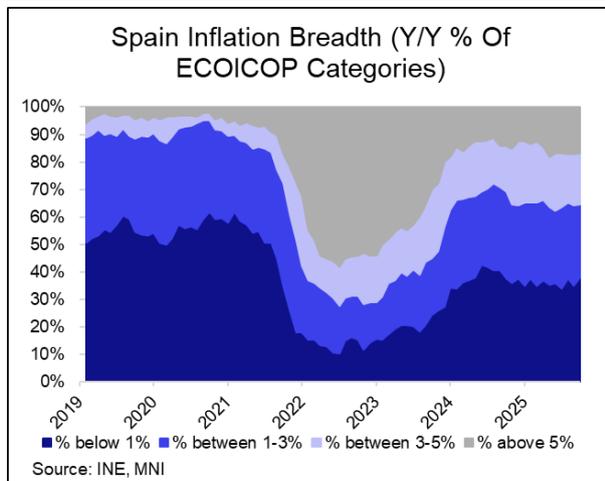
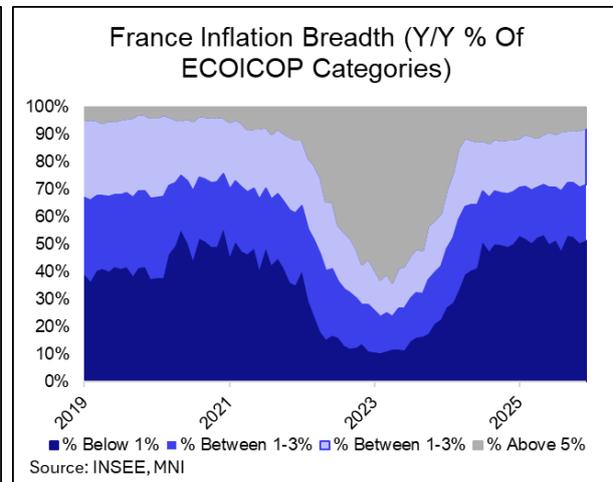
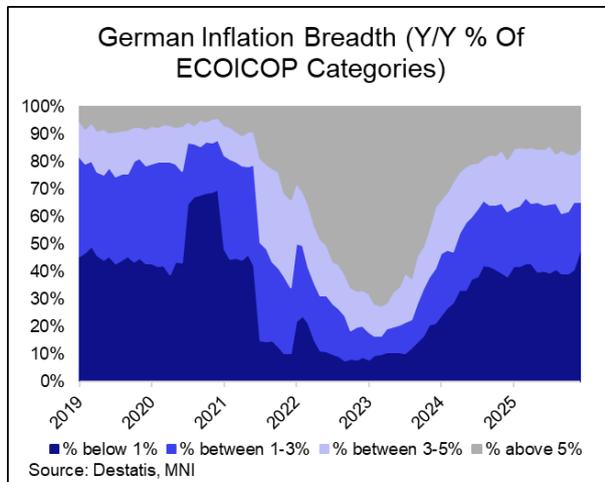
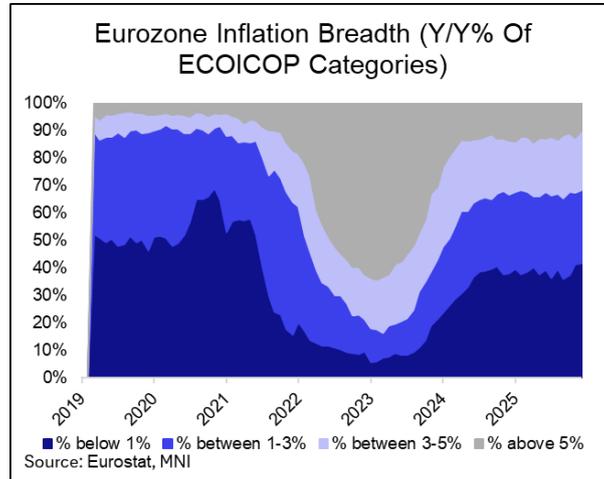
Key Eurozone Inflation Charts



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



Country-Level Breadth Charts



HICP Heatmaps

Headline	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Eurozone	2.43	2.52	2.32	2.18	2.17	1.89	1.99	2.04	2.04	2.24	2.10	2.14	1.94
Germany	2.84	2.77	2.59	2.34	2.17	2.09	2.01	1.85	2.08	2.39	2.30	2.55	2.00
France	1.75	1.83	0.93	0.88	0.92	0.59	0.86	0.94	0.83	1.07	0.84	0.79	0.65
Italy	1.40	1.66	1.74	2.13	2.04	1.71	1.79	1.72	1.64	1.79	1.30	1.14	1.22
Spain	2.83	2.89	2.89	2.22	2.24	1.98	2.27	2.70	2.70	3.04	3.18	3.16	3.04
Netherlands	3.95	3.01	3.50	3.39	4.14	2.94	2.76	2.49	2.43	3.04	3.01	2.65	2.48
Belgium	4.41	4.36	4.43	3.56	3.11	2.82	2.86	2.61	2.61	2.69	2.53	2.61	2.18
Austria	2.13	3.42	3.42	3.09	3.25	2.98	3.22	3.68	4.15	3.91	4.03	3.98	3.80
Portugal	3.10	2.70	2.46	1.88	2.11	1.70	2.07	2.50	2.52	1.92	1.97	2.15	2.39
Ireland	1.01	1.71	1.43	1.77	2.02	1.42	1.58	1.58	1.91	2.68	2.84	3.11	2.75
Greece	2.95	3.14	3.03	3.12	2.64	3.30	3.56	3.74	3.06	1.80	1.63	2.82	2.86

Core	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Eurozone	2.71	2.70	2.57	2.43	2.75	2.28	2.31	2.31	2.27	2.35	2.37	2.41	2.29
Germany	3.35	3.62	3.09	2.81	3.13	2.70	2.53	2.35	2.35	2.60	2.75	3.02	2.51
France	2.05	2.05	1.90	1.85	1.88	1.40	1.61	1.74	1.42	1.53	1.46	1.24	1.28
Italy	1.76	1.79	1.52	1.85	2.17	1.90	1.98	2.02	2.02	2.07	1.90	1.73	1.81
Spain	2.63	2.44	2.32	2.21	2.95	2.47	2.46	2.58	2.66	2.70	2.90	2.98	2.97
Netherlands	3.57	2.60	3.21	3.27	4.23	2.39	2.55	2.23	2.16	2.75	2.87	2.71	2.61
Belgium	2.63	1.34	2.86	2.26	2.33	2.14	2.24	2.19	2.12	2.53	2.54	2.73	2.95
Austria	3.27	3.41	3.32	2.82	3.25	2.77	2.69	3.10	3.54	3.34	3.30	3.17	3.06
Portugal	2.89	3.04	2.72	2.11	2.66	1.73	2.20	2.53	2.48	1.57	1.89	2.05	2.59
Ireland	1.48	2.04	1.75	1.65	2.43	1.55	1.54	1.28	1.53	2.58	2.58	2.94	2.57
Greece	4.36	4.38	4.18	3.84	3.84	4.04	4.23	4.27	3.90	2.62	1.95	3.18	3.18

Services	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Eurozone	3.97	3.93	3.68	3.45	3.98	3.22	3.32	3.15	3.10	3.24	3.36	3.47	3.38
Germany	4.63	5.08	4.69	4.06	4.53	3.76	3.49	2.96	2.96	3.45	3.61	4.23	3.95
France	2.94	2.60	2.45	2.50	2.52	2.03	2.30	2.36	1.98	2.20	2.15	1.89	1.85
Italy	2.88	2.88	2.61	2.77	3.44	2.90	2.97	2.95	3.03	2.95	2.88	2.55	2.72
Spain	3.67	3.52	3.33	3.11	4.13	3.47	3.42	3.63	3.72	3.74	3.91	3.91	3.93
Netherlands	5.86	4.10	4.29	4.37	5.97	2.80	3.85	3.12	2.87	3.58	4.51	4.09	3.74
Belgium	3.73	4.09	4.15	3.64	3.58	3.47	3.55	3.22	3.41	3.67	3.71	4.17	4.24
Austria	5.08	5.05	4.61	4.10	4.78	4.22	4.07	4.35	4.46	4.63	4.57	4.44	4.49
Portugal	4.65	4.64	3.81	3.31	4.31	2.68	3.40	3.98	3.82	2.49	2.91	3.29	4.17
Ireland	3.31	3.76	3.24	2.56	3.74	2.24	2.44	2.12	2.19	3.23	3.54	4.03	3.36
Greece	5.59	5.55	5.26	5.16	5.30	5.16	5.42	5.25	4.86	3.43	2.79	4.68	4.55

Non-energy industrial goods	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Eurozone	0.51	0.52	0.59	0.62	0.57	0.61	0.52	0.75	0.78	0.79	0.62	0.55	0.37
Germany	1.33	1.17	0.58	0.83	0.83	0.99	0.91	1.25	1.33	1.24	1.23	0.99	0.16
France	0.17	0.86	0.70	0.48	0.51	0.11	0.11	0.32	0.17	0.07	-0.01	-0.16	0.05
Italy	0.09	0.09	-0.09	0.54	0.26	0.35	0.53	0.37	0.09	0.71	0.44	0.53	0.44
Spain	0.32	-0.03	0.02	0.20	0.30	0.24	0.29	0.15	0.21	0.33	0.61	0.91	0.81
Netherlands	-0.02	0.27	1.47	1.46	1.55	1.75	0.56	1.23	1.42	1.53	0.37	0.54	0.87
Belgium	0.76	-3.35	0.67	-0.09	0.20	-0.11	0.03	0.46	-0.08	0.58	0.56	0.29	0.75
Austria	0.07	0.59	1.10	0.51	0.58	0.25	0.34	1.07	2.12	1.11	1.07	0.98	0.69
Portugal	-0.24	0.03	0.62	-0.13	-0.47	-0.14	-0.14	-0.43	-0.37	-0.30	-0.11	-0.30	-0.41
Ireland	-2.85	-2.15	-1.91	-0.56	-0.90	-0.34	-0.56	-0.46	0.11	0.91	0.34	0.34	0.56
Greece	1.66	1.43	1.35	0.83	0.39	1.40	1.26	1.31	1.02	0.51	-0.19	-0.44	-0.11

Food, alcohol and tobacco	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Eurozone	2.62	2.31	2.66	2.93	2.97	3.19	3.07	3.25	3.19	3.02	2.50	2.40	2.51
Germany	3.16	1.95	2.92	3.28	3.12	3.40	2.77	2.84	3.11	2.89	2.12	2.05	1.84
France	0.95	0.71	0.75	0.95	1.51	1.60	1.65	1.87	1.86	1.97	1.59	1.65	1.92
Italy	2.12	2.26	2.41	2.65	3.03	3.10	3.26	3.82	3.81	3.57	2.46	1.91	2.38
Spain	2.32	2.24	2.32	2.54	2.16	2.68	3.03	2.95	2.60	2.70	2.72	3.10	3.23
Netherlands	6.61	6.95	7.39	7.06	7.16	7.01	4.59	4.07	3.71	3.70	3.83	3.11	3.10
Belgium	5.83	6.37	6.11	5.62	5.09	4.69	4.96	4.29	3.50	3.18	2.66	2.79	2.58
Austria	1.69	2.21	2.31	3.21	2.80	3.24	4.22	4.61	4.76	3.60	3.81	3.42	3.69
Portugal	3.30	1.64	1.82	1.77	1.39	2.42	2.85	3.49	3.54	3.67	3.31	3.28	3.23
Ireland	2.33	2.83	2.82	3.60	2.88	3.73	4.07	4.24	4.49	4.40	3.69	3.87	3.70
Greece	-0.19	0.05	0.41	2.06	1.75	2.84	2.36	3.33	2.39	1.37	2.46	2.73	3.38

Energy	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Eurozone	0.14	1.89	0.19	-0.98	-3.56	-3.57	-2.59	-2.39	-1.97	-0.37	-0.93	-0.49	-1.93
Germany	-1.48	-1.33	-1.33	-2.59	-5.32	-4.54	-3.46	-3.38	-2.29	-0.69	-0.89	-0.14	-1.30
France	1.15	2.63	-5.67	-6.30	-7.44	-7.65	-6.46	-6.96	-6.02	-4.32	-5.51	-4.42	-6.66
Italy	-2.72	-0.70	0.64	2.68	-0.74	-1.90	-2.11	-3.49	-4.77	-3.75	-4.44	-4.15	-4.53
Spain	5.51	7.81	8.58	1.71	-2.47	-2.99	-0.77	2.97	3.18	6.24	6.30	4.59	3.19
Netherlands	1.48	-1.41	-1.91	-3.28	-3.22	-1.09	0.51	0.98	1.61	3.99	2.07	0.80	-0.36
Belgium	13.69	22.77	12.14	8.55	4.32	2.94	2.23	2.10	3.37	2.12	1.25	1.02	-4.43
Austria	-7.84	5.23	6.04	5.01	3.68	4.13	6.02	6.99	8.57	10.12	12.02	13.37	11.69
Portugal	4.79	2.70	1.60	0.06	-0.31	-0.10	-1.31	-1.05	-0.14	0.42	-1.24	-0.73	-2.43
Ireland	-4.63	-2.65	-2.57	-0.39	-1.67	-2.64	-1.82	-0.39	-0.07	1.06	2.71	3.23	2.36
Greece	0.67	2.58	1.59	0.25	-4.69	-1.52	1.96	0.69	-1.91	-3.66	-3.12	0.29	-1.23

Sources: MNI, Eurostat. All Y/Y figures. Colour grading on sign of the sequential difference in the Y/Y rate.

December HICP Recap

Underlying Inflation Points To Contained Undershoot Risks

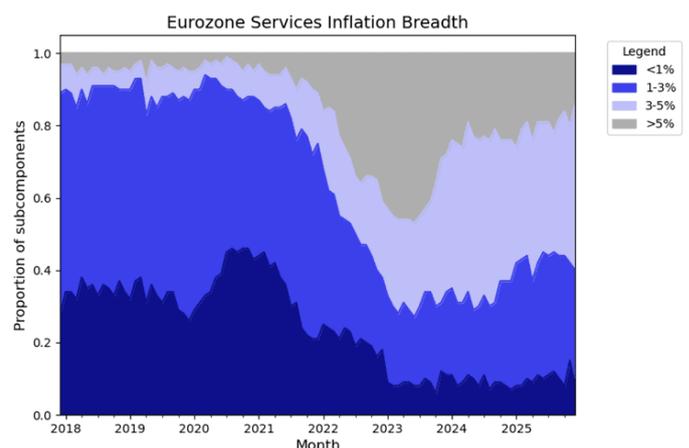
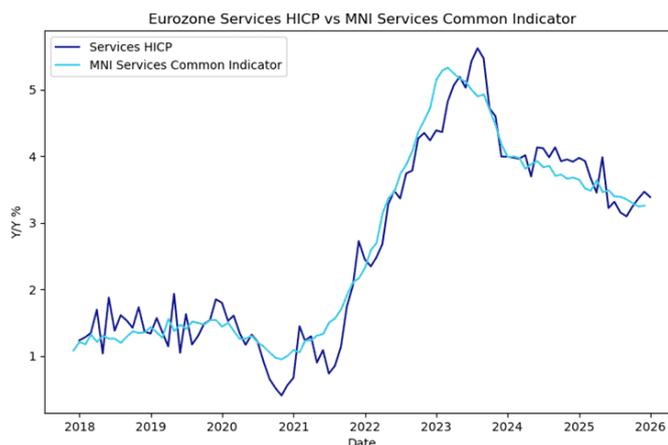
The ECB's underlying inflation metrics generally showed improvement in December. If headline inflation starts to fall below the 2% target as expected in 2026, there will be increasing focus on these metrics to determine the materiality of medium-term undershooting risks. For now, these risks appear contained, supporting the case for unchanged rates.

- Staff's preferred PCCI metric eased to 1.97% Y/Y (vs 2.02% prior) – consistent with the 2% target. Core PCCI meanwhile was 1.96% Y/Y (vs 1.94% prior).
- 10% and 30% trimmed mean measures also eased two tenths each to 2.0% and 2.1% respectively
- Supercore and the weighted median metrics were each 2.5% in December, the latter rising a tenth relative to November.

MNI's "Services Common Indicator" Close To A Four Year Low

The ECB Governing Council hopes start-of-year price resets, seen in the January inflation round, will be disinflationary. In Chief Economist Lane's recent interview: "Over the course of this year we expect to see a transition towards a more sustainable 2% inflation rate, where both services inflation and wage inflation come down. This puts the stabilisation of inflation at our 2 per cent target on a more secure basis". Against that backdrop, in the below, we recap the key developments in underlying services inflation in December.

- MNI's "Services Common Indicator" was 3.26% Y/Y in December, up from 3.24% in November but still close to a 4-year low. This series is a principal component-based metric of underlying services inflation, designed to replicate the BOC's "CPI-common" measure.
- Meanwhile, the proportion of services components with annual inflation rates above 5% Y/Y fell to 14% in December (vs 20% in November), the lowest since early 2022. The proportion of subcomponents with inflation rates between 3-5% Y/Y rose to 46% (vs 38% prior), while the 1-3% Y/Y basket saw an increase to 32% (vs 27% prior).
- The ECB's seasonally adjusted services inflation measure was revised up marginally to 0.26% M/M (vs 0.25% flash). That helped pull 3m/3m annualised services momentum up to 3.44% (vs 3.42% flash, 3.37% prior) – a touch above the 2025 average of 3.35%.
- In the NSA data: transport services increased to 3.88%Y/Y from 3.37%Y/Y (air fares were 0.64%Y/Y versus -2.74% contributing to that). Communication services rose to 0.33%Y/Y from 0.12% but these were both offset by accommodation and package holidays which rose 2.96%Y/Y (4.04% prior). This left services 0.11ppt Y/Y softer overall in December relative to November but there is no revision from flash at 3.38%Y/Y.



Source: Eurostat, Bloomberg Finance L.P., ECB, MNI
 Note: Services Common Indicator replicates BOC CPI-common analysis on the Eurozone HICP services basket.
 For more see here: https://www.statcan.gc.ca/en/statistical-programs/document/2301_D64_T9_V2

Source: Eurostat, Bloomberg Finance L.P., MNI
 Note: Calculated using annual inflation rates of 100 4-digit ECOICOP services components

Sell-Side Analyst Previews

Sorted in Descending Order of January Core HICP Y/Y Forecast

Barclays: Core 2.32%, Headline 1.66%

- Barclays conclude “The most notable change should be in energy, which we expect to fall further into deflation on the back of strong base effects and government support measures. Services inflation should hold steady despite a modest drag from annual price resets, whereas FAT and core goods inflation should edge slightly higher.”
- Energy -5.1% Y/Y “We expect energy inflation to decline sharply by 3.2pp to -5.1% y/y in January. The main driver is a sizable base effect, as energy HICP rose 3.0% m/m NSA in last January”
- FAT 2.6% Y/Y “We expect FAT inflation to edge up for the second consecutive month by 0.1pp to 2.6% y/y in January. This is primarily based on our model using EC agricultural price data, which points to larger sequential price increases in unprocessed food compared with last January’s seasonally soft print..”
- Core goods 0.5% Y/Y “We expect core goods inflation to rebound by 0.1pp from the soft December print to 0.5% y/y in January, driven primarily by the volatile and seasonal semidurable goods component”
- Services 3.4% Y/Y “We expect services inflation to remain unchanged at 3.4% y/y in January”. This reflects “the annual price resets in many of the more slow-moving services categories which we expect to add a drag of around 0.1pp to services inflation...one-off tax and policy changes...a larger contribution from the volatile package-holidays, accommodation and transport services compared to last January.”

Morgan Stanley: Core 2.26%, Headline 1.66%

- “If January prints in line with our expectation this would signal downside risks for the short-term projection horizon for both (MSe 1Q26 at 1.7%Y for headline and 2.2%Y for core). But we note several risks for the coming months with potential upside from commodity prices (oil and gas) and downside from trade tensions (from negative growth risks – see our take here – and potentially a stronger euro).”
- Energy -4.5% Y/Y – “significantly stronger uptick early last year pulls the year-on-year inflation rate down [...] monthly increase [0.2%] ...”Policy changes, on net, are likely a small drag of around -5bp”
- Food 2.5% Y/Y – “For January, we expect slightly stronger momentum (0.6%M)”
- Goods “We expect some payback as the remaining seasonal mark downs should be a bit softer than last year. This would push the underlying momentum above last year’s rate (Exhibit 11) and we forecast the year-on-year rate back at 0.5%Y.”
- Services 3.3% Y/Y – “The bulk of the reduction reflects lower annual repricing by items with price resets at the beginning of the year”...“Importantly, if that materialises, the year-on-year inflation rate in these items will stay lower for the rest of the year....“a strong uptick in air fares prices in December could imply a stronger correction in January, which would push the year-on-year rate down. For package holidays and accommodation we expect inflation to move broadly sideways”

Goldman Sachs: Core 2.22%, Headline 1.71%

- “We see services inflation printing at 3.23%yoy, and goods inflation ticking up to 0.43%yoy.... “energy inflation will likely fall to -4.2%yoy from -1.9%yoy in December. Food, alcohol, and tobacco inflation is likely to tick down to 2.4%yoy in January.
- “Incorporating the January forecast, our medium-term path continues to show core inflation at 2.1% in 2026, 1.8% by end-2026 and 1.9% by end-2027, slightly weaker than the ECB staff December projections. As for headline inflation, we continue to see it below target throughout 2026 and 2027.”

UBS: Core 2.2%, Headline 1.6%

- UBS “flag significant uncertainty around our estimate related to the annual HICP weight revisions, as well as annual price resets and tax changes that tend to take place at the start of the year.”
- “At the component level, we expect lower energy inflation to be the key driver, although declines in core and food inflation should also contribute to the fall in headline [...] base effects to push energy inflation down by 2.5pp to -4.4% y/y, while food inflation is likely to fall 0.2pp to 2.3% y/y. We expect core inflation to ease 0.1pp to 2.2% y/y with similar declines in goods (-0.1pp to 0.3% y/y) and services (-0.1pp to 3.3% y/y).”
- “We expect the decline in services to be largely driven by lower services inflation in Germany (-0.4pp to 3.5% y/y) helped by the expected lower annual price resets (e.g. health) as well as the VAT rate cut for restaurants. At the country level, we expect declines across most large Eurozone countries. In Germany, we forecast inflation to decline 0.1pp to 1.9% y/y, in France -0.3pp to 0.4% y/y, in Italy -0.5pp to 0.7% y/y, and -0.6pp to 2.4% y/y in Spain. In contrast, inflation in the Netherlands is likely to rise 0.3pp to 2.8% y/y.”

Santander: Core 2.19%, Headline 1.69%

- “The year has likely begun with inflation prints below 2%. Beyond this temporary undershoot, we highlight that the “January effect” is likely to add volatility to the first inflation print of the year. This is particularly relevant in 2026, as several countries have implemented tax changes and methodological revisions.”
- “New year, new prices: the “January effect” for HICP: January has become a key month for Eurozone inflation, driven by annual price resets, the unwinding of temporary measures and tobacco tax hikes. Other factors such as the inclusion of Bulgaria in the Eurozone, changes in the classification of some HICP sub-indices, rescaling to 2025=100, and new item inclusions should also add volatility to the January print.
- Geopolitics favour the energy rally at the start of the year: Energy prices have risen sharply due to geopolitical risks, weakening disinflationary base effects in early 2026 and implying that, while inflation should remain below 2%, its deceleration will be more gradual and sensitive to further geopolitical developments.”
- Santander sees the following CPI prints: Spain at 2.4% (Core 2.5%), Germany at 1.9%, France at 0.7%, Italy at 1.0%.
- Across categories, Santander see services at 3.13%, and the HICP ex-tobacco index at 128.14.

Analysts Without Core HICP Forecast, Sorted A-Z**TD Securities**

- TD see German HICP at 2.0% Y/Y. “set to be steady in Jan, with renewed increase in fuel prices balanced by the incoming industrial electricity subsidies. We also expect core prices to remain stable, helping to keep broader price pressures in check. As a result, the largest euro area economy would continue to pose no challenge for the ECB, as inflation spends another month at target.”

Daiwa

- “Inflation in [Germany] eased significantly last month, down 0.6ppt to a target-consistent 2%Y/Y. Offsetting policy measures are expected to keep inflation hovering close to that rate this month, although we see the risks as skewed to the downside. Despite an increase in the national carbon prices affecting heating oil and auto fuels, the effects from lower grid fees on electricity prices should weigh on energy inflation. That will be countered by the effects of a higher “Deutschland ticket” price for transport services, while the combined impact of January’s minimum wage increase and a cut to VAT for certain hospitality businesses create more uncertainty than usual. Spanish inflation is expected to fall more sharply at the start of the year, with the energy component likely to fall away entirely owing to favourable base effects.”

Danske

- “We expect euro area inflation to decline to 1.7% y/y due to lower energy prices compared to last year, but the ECB is looking at core inflation which is likely to remain unchanged. However, there is always much uncertainty in January and this time, there are both VAT cuts (on restaurants in Germany) and increases (on hotels in the Netherlands). In addition, energy prices have recently been increasing again, as cold weather and rather small gas stocks are putting pressure on prices.”

Unauthorized disclosure, publication, redistribution or further dissemination of this information may result in criminal prosecution or other severe penalties. Any such authorization requires the prior written consent of Market News International. Redistribution of this information, even at the instruction of your employer, may result in personal liability or criminal action unless such redistribution is expressly authorized in writing by Market News International. Violators will be prosecuted. This information has been obtained or derived from sources believed to be reliable, but we make no representation or warranty as to its accuracy or completeness. This is not an offer or solicitation of an offer to buy/sell. Copyright © 2025 Market News International, Inc. All rights reserved.