

MNI Eurozone Inflation Preview – July 2025

By Moritz Arold and Emil Lundh
July 29, 2025

Key July preliminary inflation data releases and timing:

- **Spain** (12% of EZ HICP in 2025) – 0800 BST Jul 30
- **France** (19% of EZ HICP in 2025) – 0745 BST Jul 31
- **Italy** (16% of EZ HICP in 2025) – 1000 BST Jul 31
- **Germany** (28% of EZ HICP in 2025) – 1300 BST Jul 31
- **Netherlands** (6% of EZ HICP in 2025) – 0530 BST Aug 1
- **Eurozone** – 1000 BST Aug 1

Eurozone MNI Consensus:

- **HICP** 1.9% Y/Y (vs 2.0% prior)
- **Core HICP** 2.3% Y/Y (vs 2.3% prior)
- **MNI Eurozone Inflation Insight for June 2025 (PDF Link)**

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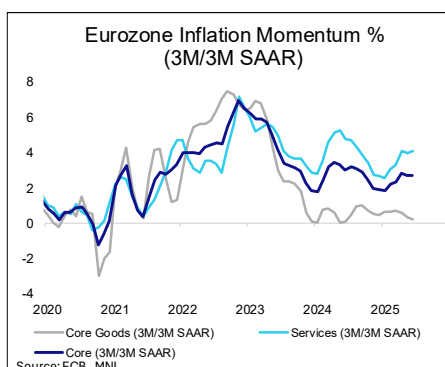
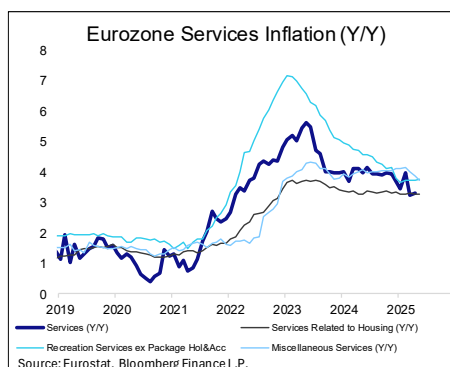
Few Fireworks Expected In July

The Eurozone inflation round will be split across three days in July. Spain kicks off proceedings on Wednesday, with France, Germany and Italy to all follow Thursday. The Netherlands rounds off the main national-level releases on Friday morning ahead of the Eurozone-wide release later that day. Consensus is for the core rate to remain unchanged at 2.3% Y/Y, while headline slightly decelerating to 1.9% amid expectations for a softer energy Y/Y print.

Markets don't appear to be expecting many fireworks from the July flash inflation round. The hawkish aspects of last week's post-decision press conference from President Lagarde centred on familiar themes like tariffs (*"the sooner this trade uncertainty is resolved the less uncertainty we will have to deal with"*) and growth (Q1 GDP print was *"not just front loading"*, but also *"increased consumption and increased investment, and not only attributable to Ireland"*). The Governing Council's assessment of the inflation outlook and risks surrounding it remains a key consideration, but comments around the inflation outlook were broadly unchanged compared to June. The ECB expects headline inflation to fall below target from Q3 2025 and into 2026, before returning back towards 2% by 2027. Meanwhile, easing compensation pressures should continue to contribute to services disinflation in the coming quarters.

That should leave markets focusing more on this week's Q2 flash GDP prints and ongoing EU-US tariff headline flow. However, with ECB-dated OIS pricing just 16bps of easing through year, we think there is still scope for a decent reaction in either direction should the July round bring a notable (e.g. 0.2pp or more) surprise on the core metric.

On the topic of ECB pricing more generally, the MNI Policy Team [latest sources piece](#), released yesterday, suggested the ECB's hawkish shift following its last Governing Council meeting is more limited than markets' reaction would suggest, particularly given the weekend's US-Eurozone trade deal. Put differently, while admitting that there is a new mood music, Eurosystem national bank sources think it has been overinterpreted to some extent, highlighting that there still a strong possibility of a further 25-basis-point cut even if most Governing Council members would now need to see a deterioration in the outlook for this to occur.



Expected Positive/Negative Factors for July Eurozone Inflation

Services (slight -ve Y/Y) – 46% of 2025 Basket: Analysts generally see services on a slowly declining trend, with the July median projected at 3.2% Y/Y (vs 3.3% prior). Barclays *“expect a continuation of the post-pandemic trend towards less pronounced seasonal price increases in these categories over the July holiday period”* but *“also expect a slight easing in the less volatile underlying services categories”*. Morgan Stanley think a *“slow downward trend in services excluding airfares, accommodation and package holidays will resume”* but see *“risks that airfares strengthen a touch, in line with the signal we get from our tracking of Google Trends, but this would be almost entirely offset by package holidays and accommodation prices softening further”*. The ECB expects declining compensation pressures to continue slowly weighing on services inflation going forward.

- The July flash PMI noted that *“the pace of services charge inflation softened”* and *“Services input prices rose at a slower pace”*.
- Jun EZ Services: 3.3% Y/Y, 0.7% M/M. Jul 2024 1.2% M/M vs 1.1% 2017 - 2024 M/M avg

Core goods (unch Y/Y) – 26% of 2025 Basket: Core goods are seen continuing to hover around their current pace in the months ahead including July. The median analyst pencils in 0.5% this month. Morgan Stanley notes two focus areas: a) Lower weightings of sales-heavy categories (clothing and footwear in particular) might push up goods Y/Y slightly in July, b) changing sales seasonality might drive upwards the ECB's goods SA data

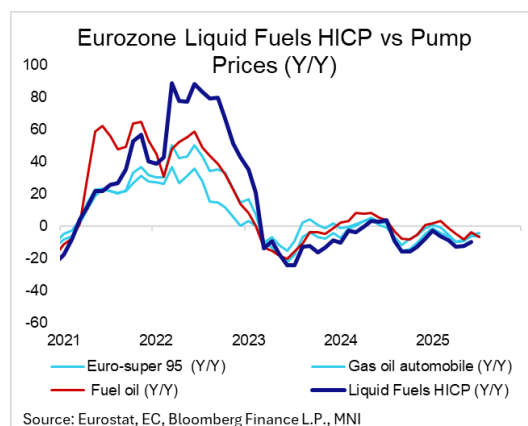
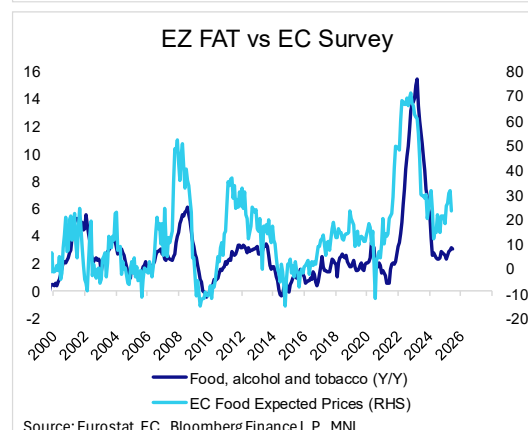
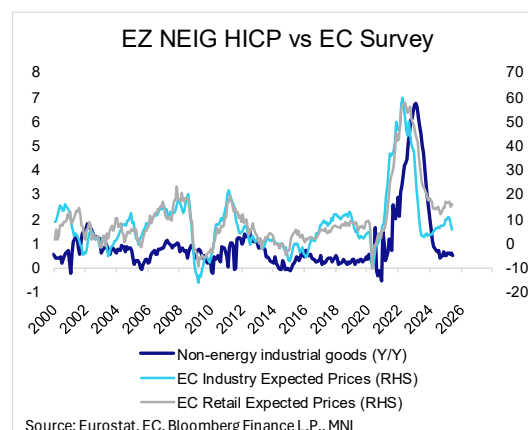
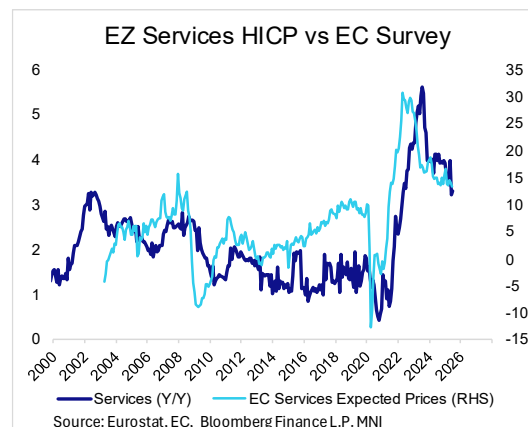
- The July flash PMI noted that *“Manufacturing output prices were unchanged in July, ending a two-month sequence of decreases”*
- Jun EZ Non-energy industrial goods: 0.5% Y/Y, -0.2% M/M. Jul 2024 - 2.6% M/M vs -2.75% 2017 - 2024 M/M avg

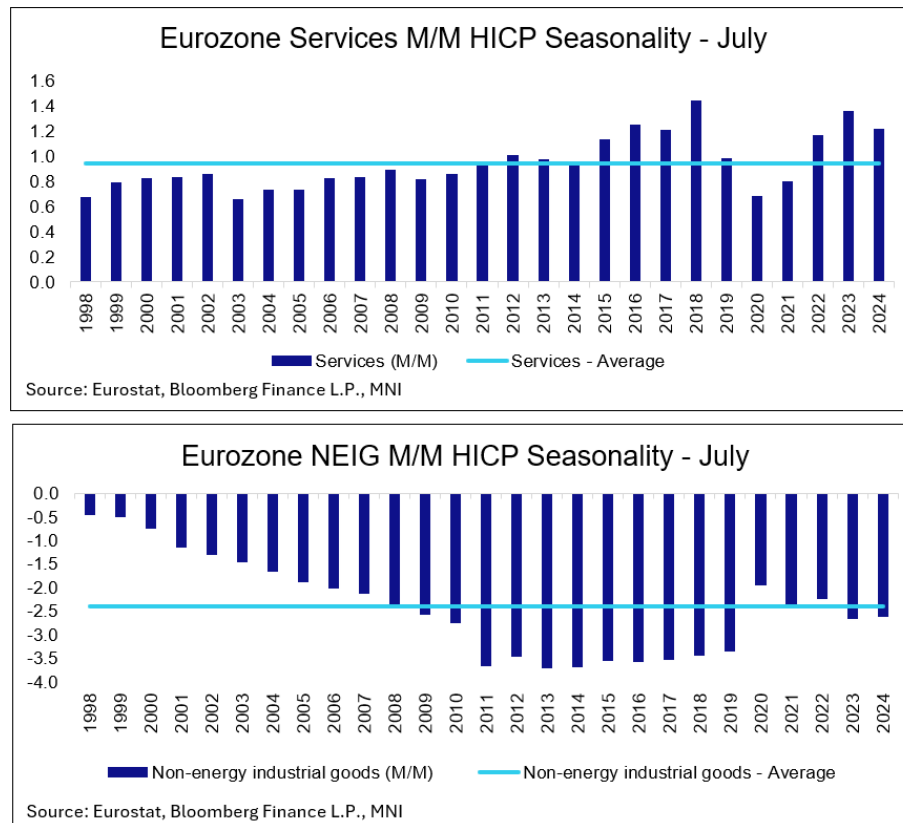
Food, alcohol & tobacco (mixed Y/Y) – 19% of 2025 Basket: Food inflation has gradually accelerated in pace in recent months. The median analyst projects a minor deceleration to around 3.0% in July (vs 3.1% in June). However, Morgan Stanley expect food inflation (that is, not considering alcohol and tobacco products), to edge up slightly, and note hot weather-related upside risks based. Pipeline pressures keep the category elevated more generally.

- Jun EZ FAT: 3.1% Y/Y, 0.1% M/M. Jul 2024 0% M/M vs -0.01% 2017 - 2024 M/M avg
- Jun EZ Processed food inc. alcohol and tobacco: 2.6% Y/Y, 0.1% M/M. Jul 2024 0.3% M/M vs 0.3% 2017 - 2024 M/M avg
- Jun EZ Unprocessed food: 4.6% Y/Y, -0.2% M/M. Jul 2024 -1% M/M vs -1.01% 2017 - 2024 M/M avg

Energy (slightly -ve Y/Y, +ve M/M) – 9% of 2025 Basket: Analyst expectations for energy inflation in July range between -2.7% and -3.4% (median -2.9%). This is mostly due to a base effect, with analysts pencilling in positive sequential trends in July. Morgan Stanley mention rising Diesel pump prices starting around the end of June. Barclays also see *“still elevated”* pump prices *“from the temporary rally in oil prices in June”*.

- Jun EZ Energy: -2.6% Y/Y, 0.2% M/M. Jul 2024 0.8% M/M vs 0.35% 2017 - 2024 M/M avg.





Summary of Sell-Side Outlooks for July HICP

Deutsche Bank	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)
Jun-25 Actual	1.99	0.31	2.31	0.38	2.0	0.1
Jul-25 BBG Consensus	1.9	-0.1	2.3	N/A	1.9	0.4
Jul-25 MNI Median Consensus	1.9	-0.1	2.3	-0.2	1.9	NA
Societe Generale	1.9		2.34			
Santander	1.93		2.31		1.9 (CPI)	
UBS	2.0		2.3		1.8	
Deutsche Bank	1.92		2.3			
Citi	1.9		2.3			
Goldman Sachs	1.92		2.28		1.9	
Morgan Stanley	1.96	-0.07	2.28	-0.19	2.01	
Barclays	1.85	-0.17	2.23	-0.24	1.70	0.24
JP Morgan	1.9		2.2		1.9	
Lloyds	1.9		2.2			
TD Securities	1.9		2.2			

Source: Analyst previews, supplemented by BBG consensus entries if available.

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)
Jun-25 Actual	1.8	0.2	0.9	0.4	2.3	0.7
Jul-25 BBG Consensus	1.6	-1.1	0.8	0.2	2.6	-0.4
Jul-25 MNI Median Consensus	1.5	NA	0.9	NA	2.7	NA
UBS	1.5		0.8		2.7	
Goldman Sachs	1.6		0.9		2.5	
Morgan Stanley	1.57		0.91		2.78	
JP Morgan	1.4		0.8		2.4	
Barclays	1.47	-1.20	0.86	0.20	2.77	-0.27
Santander	1.3 (CPI)		1.0 (CPI)		2.3 (CPI)	

Source: Analyst previews, supplemented by BBG consensus entries if available.

Analyst (A-Z)	Energy (Y/Y)	Food, Alcohol & Tobacco (FAT) (Y/Y)	Core Goods (Y/Y)	Services (Y/Y)
Jun-25 Actual	-2.59	3.07	0.52	3.32
Jul-25 MNI Median Consensus	-2.9	3.0	0.5	3.2
UBS	-2.8	3.0	0.5	3.2
Goldman Sachs	-2.9	3.0	0.52	3.28
Morgan Stanley	-2.81	3.12 (food only)	0.58	3.25
JP Morgan	-2.7	2.9 (food only)	0.3	3.2
Barclays	-3.20	3.00	0.56	3.14
Societe Generale	-3.4			3.3
Santander				3.17
Deutsche Bank				3.2

Source: Analyst Previews

Outlooks And Consensus Ests. For National Inflation Prints:

Germany (28% of 2025 EZ HICP) – 1300BST Thurs July 31 (after state-level data in the morning)

- MNI Consensus:
 - HICP: 1.9% Y/Y, 0.4% M/M
 - CPI: 2.0% Y/Y, 0.2% M/M
- Analyst views:
 - Barclays see package holidays at 10.2% M/M and accommodation 0.6% M/M, and airfares they see at 10.4% M/M
 - Goldman Sachs see “headline HICP inflation to decline to 1.9%yoy in July....We expect core inflation to tick down to 2.4%yoy (0.13%mom seasonally adjusted), and look for the year-over-year rate of services inflation to tick down, driven by travel-related services. We expect package holidays to print close to 11%mom nsa, and airfares to come in at 12%mom nsa. We expect core goods inflation to tick up marginally, and main summer sales-affected components (garments, footwear) to follow their 2024 seasonality. Of the non-core components, we expect energy inflation to decline to -3.9%yoy from -3.5%yoy in June, and look for processed food inflation to tick down to 2.4%yoy and for unprocessed food inflation to decline to 2.4%yoy.”

- The Bundesbank highlights in their monthly report: *“Over the coming months, inflation is expected to move around the 2 % mark, provided there is no change in the current oil price path and the exchange rate of the euro against the US dollar. Energy prices are likely to have a smaller dampening effect than in the first half of the year. This is partly due to the decline in oil prices last autumn. Taken in isolation, this base effect will push up the annual rates of inflation in the second half of this year. Nevertheless, the contribution from energy prices is likely to remain negative and thus significantly below average. By contrast, services prices, in particular, are likely to continue to make an above average contribution to headline inflation in the coming months. Overall, the inflation outlook remained virtually unchanged compared with the June Forecast. If, contrary to previous assumptions, the electricity tax is not lowered for consumers, the inflation rate could be just under 0.2 percentage point higher in 2026 than envisaged in the June projection.”*
- The July flash PMI noted *“Average prices charged for goods and services likewise rose more slowly in July. Notably, service providers recorded the weakest increase in output prices for more than four years. Factory gate charges meanwhile fell for a third month in a row and to the greatest extent since February.”*
- German final June HICP was unrevised from the flash readings at 2.0% Y/Y (2.1% prior) and 0.1% M/M. The final reading to CPI was also unrevised at 2.0% Y/Y (2.1% prior) and 0.0% M/M. Core CPI printed at 2.7% Y/Y (2.8% prior). Overall, the CPI data confirms the main conclusions from the flash reading. Services decelerated to 3.3% (as projected by MNI after state-level data, that was a downside surprise to consensus), the lowest rate since December 2023, with the contribution vs May falling 0.05pp. Goods inflation was also slightly softer (contribution-0.04pp vs May), driven by food.
 - Within the services-heavy subcategories, restaurants and hotels inflation stood out in June, decelerating 0.8pp to 3.5% Y/Y, as projected after state-level data. The full 0.04pp contribution decrease was driven by hotels, the final data reveals.

France (19% of EZ HICP in 2025) – 0745BST Thurs July 31

- BBG Consensus:
 - HICP: 0.8% Y/Y, 0.2% M/M
 - CPI: 1.0% Y/Y, 0.2% M/M
- Analyst views:
 - Goldman Sachs see *“headline inflation to stay unchanged at 0.9%yoy in July, and core inflation to print at 1.7%yoy (0.33%mom seasonally adjusted), with both core goods and services ticking up on a year-over-year basis. We expect a 29%mom nsa reading in the fares component, partly driven by potential upside pressure from the air controller strikes earlier this month, which caused a sharp decline in air traffic, an 11%mom nsa increase in the accommodation services component and a 16%mom nsa increase in package holidays. We look for energy inflation to decline to -7.5%yoy from -6.5%yoy in June, incorporating a reported 1% gas price increase. We expect processed food inflation to go to 1.6%yoy (from 1.3%yoy in June) and unprocessed food inflation to tick down to 2.0%.”*
- The July flash PMI noted *“Survey data revealed relatively soft inflationary pressures across France, with both input costs and output charges rising at rates which were below their respective long-term averages. Indeed, prices charged for French goods and services rose only marginally at the start of the third quarter, albeit at a slightly quicker pace following a fresh uptick in”.*
- French final June HICP was a tenth above the flash release on a rounded basis, but actually was only revised 4 hundredths higher to 0.86% Y/Y (vs 0.82% flash, 0.59% prior). Still, it's worth remembering that the initial consensus ahead of the flash release was 0.7% Y/Y, so it's a decent upward surprise all told. Energy drove the upward revision versus the flash release.
- Headline CPI was also revised a touch higher to 0.97% Y/Y (vs 0.93% flash, 0.66% prior).
- On a seasonally adjusted basis using INSEE data, CPI rose 0.39% M/M, above May's -0.05% and April's 0.32%. 3m/3m SA CPI growth rose 0.55% (VS -0.66% prior), though it's too early to suggest the broader downtrend that began in late 2022 has ended.
- Core inflation (excluding energy and unprocessed foods) ticked up to 1.2% Y/Y (vs 1.1% prior).

Italy (16% of EZ HICP in 2025) – 1000BST Thurs July 31

- BBG Consensus:
 - HICP: 1.6% Y/Y, -1.1% M/M
 - CPI 1.5% Y/Y, 0.1% M/M
- Analyst views:

- Goldman Sachs see “headline inflation to tick down to 1.6%yoy in July....and core inflation to stay at 2.0%yoy (0.40%mom seasonally adjusted), with year-over-year core services ticking up and year-over-year core goods ticking down. We see accommodation services printing slightly under 1%mom nsa, package holidays coming in at 8%mom nsa, and airfares at 7%mom nsa, with risks for a weaker print (closer to 2024 seasonality). We expect clothing and footwear to behave similarly to their 2024 developments. Of the non-core components, we look for energy inflation to decline to -5.0%yoy from -2.1%yoy in June, driven by a base effect, unprocessed food inflation to increase to 4.6%yoy, and processed food inflation to tick up to 3.1%yoy.”
- Italian final June HICP was revised up a tenth on a rounded basis to 1.8% Y/Y (vs 1.7% in May). Energy inflation was revised up three tenths to -2.1% Y/Y (vs -1.9% in May), while services was revised up a tenth to 3.0% Y/Y (vs 2.9% in May). This was mostly offset by a three tenth downward revision to processed food inflation to 2.8% Y/Y (vs 2.8% in May). Non-energy industrial goods was unrevised at 0.5% Y/Y (vs 0.4% in May), as was unprocessed foods at 4.5% Y/Y (vs 3.9% in May).

Spain (12% of EZ HICP in 2025) – 0800BST Weds July 30

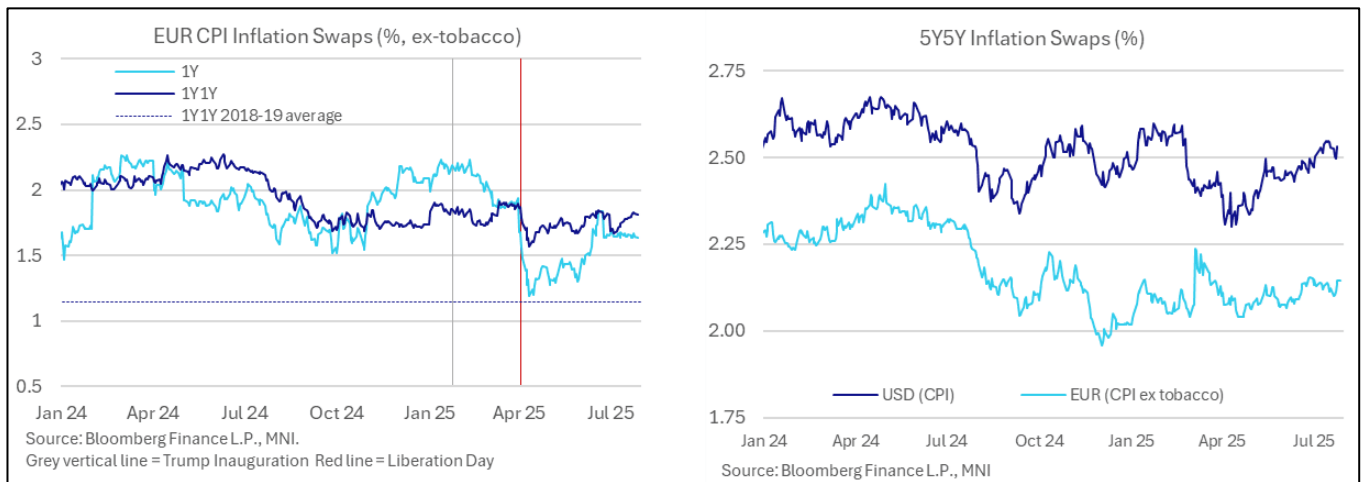
- BBG Consensus:
 - HICP: 2.6% Y/Y, -0.4% M/M
 - CPI: 2.4% Y/Y, -0.4% M/M; Core CPI 2.2% Y/Y
- Analyst views:
 - **Goldman Sachs** see “headline inflation to increase to 2.5%yoy in July....and core inflation to decline to 2.2%yoy, implying a seasonally adjusted sequential pace of 0.29%mom, with a tick-up in the year-over-year core services component offset by a decline in the core goods component. We expect a further 10%mom nsa increase in the package holidays component, broadly flat airfares, and a 4%mom nsa increase in accommodation services. We also expect a one-off decrease in passenger transport by rail component due to a re-introduction of government's 'Verano Joven' scheme. Across the non-core categories, we look for energy inflation to increase to 3.0%yoy from -0.8%yoy in June, driven, in part, by a base effect coming from the electricity component, for processed food inflation to tick up to 0.5%yoy, and unprocessed food inflation to increase to 9.1%yoy.”
 - **In contrast**, SocGen “forecast a 0.7pp increase in Spanish services inflation to 4.1% yoy, as the government has withdrawn most of its subsidised public transport that was introduced during the pandemic”.
- Spanish core HICP (ex-energy and unprocessed foods) was little changed in June at 2.22% Y/Y (vs 2.20% prior). Small rises in processed foods and non-energy industrial good inflation were mostly offset by an easing in services inflation.
 - Services inflation was 3.42% Y/Y (vs 3.47% prior). Although package holidays rose 10.76% M/M in June, this was below last year's 12.49% reading, allowing the annual rate to ease. Meanwhile, accommodation services pulled back to 4.92% Y/Y (vs 7.03% prior). Elsewhere, insurance inflation softened to 8.81% Y/Y (vs 9.51% prior), the lowest since May 2024.
 - Airfares were a large upside contributor in June, with domestic flight prices rising 24.96% M/M. Other services categories (including rents) were broadly steady on an annual basis.
 - Core goods inflation was 0.29% Y/Y (vs 0.24% prior), with a pullback in clothing inflation offset by rises in footwear, furniture and household appliances.

Inflation Expectations Not Swayed By Two-Sided Trade Deal Impacts

There has been little reaction in European front rates to weekend news on the US-EU trade deal with a 15% tariff on EU goods, having already been rumoured last week.

- There is still just 4bp of cuts priced for the Sept ECB, having adjusted from 10bp prior to Thursday's ECB press conference and subsequent sources pieces pointing to a high bar to a cut next meeting. This had been ~ 12.5bp before headlines earlier in the week on the trade deal nearing.
- Recall Lagarde from the Q&A: "But one thing I will add to that is that the sooner this trade uncertainty is resolved – I think we use the word “resolved swiftly” – so the sooner it is resolved, the less uncertainty we will have to deal with, and that would be welcomed by any economic actors, including ourselves.”
- From a near-term domestic inflation angle, the deal has clearly reduced the prospects of EU retaliation, for which there had been growing support for more penal approaches. Nevertheless, details on the deal more broadly are sparse.

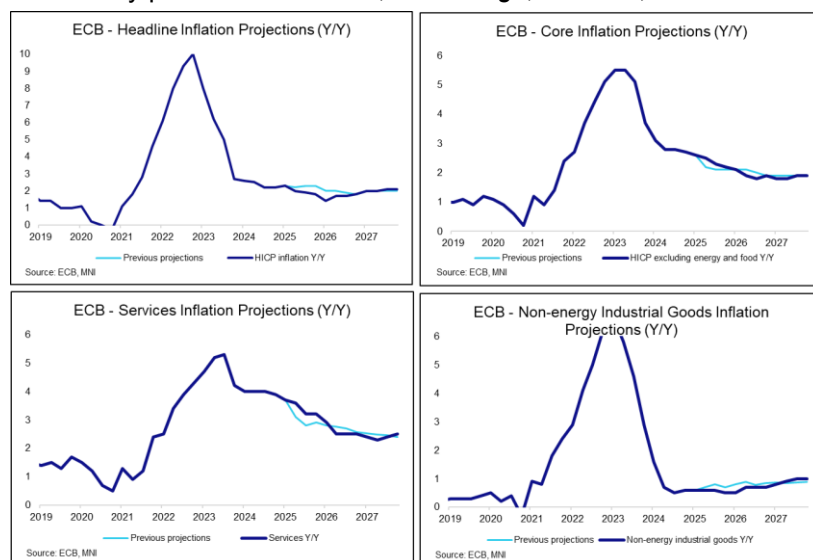
- For now, 1Y inflation swaps are just 0.5bp lower than Friday's close, at 1.638% a little further off last week's 1.668% but having broadly kept an unusually narrow range of 1.64-1.69% in July to date.
- 1Y1Y inflation swaps meanwhile at 1.81% are holding their trend climb seen over the month, close to recent highs having average close to 1.9% in the two weeks ahead of early April "Liberation Day" tariff announcements. Whilst still below 2%, as they have been since July 2024, they remain far higher than the tepid 1.1% averaged in 2018/19 pre-pandemic.
- Much further out, 5Y5Y inflation expectations at 2.144% are towards the high end of ranges over the past couple months but with little change over the weekend. This remains comfortably between the ~2.05% seen prior to EU and German fiscal announcements in early March after which they briefly surged to 2.22%.



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."

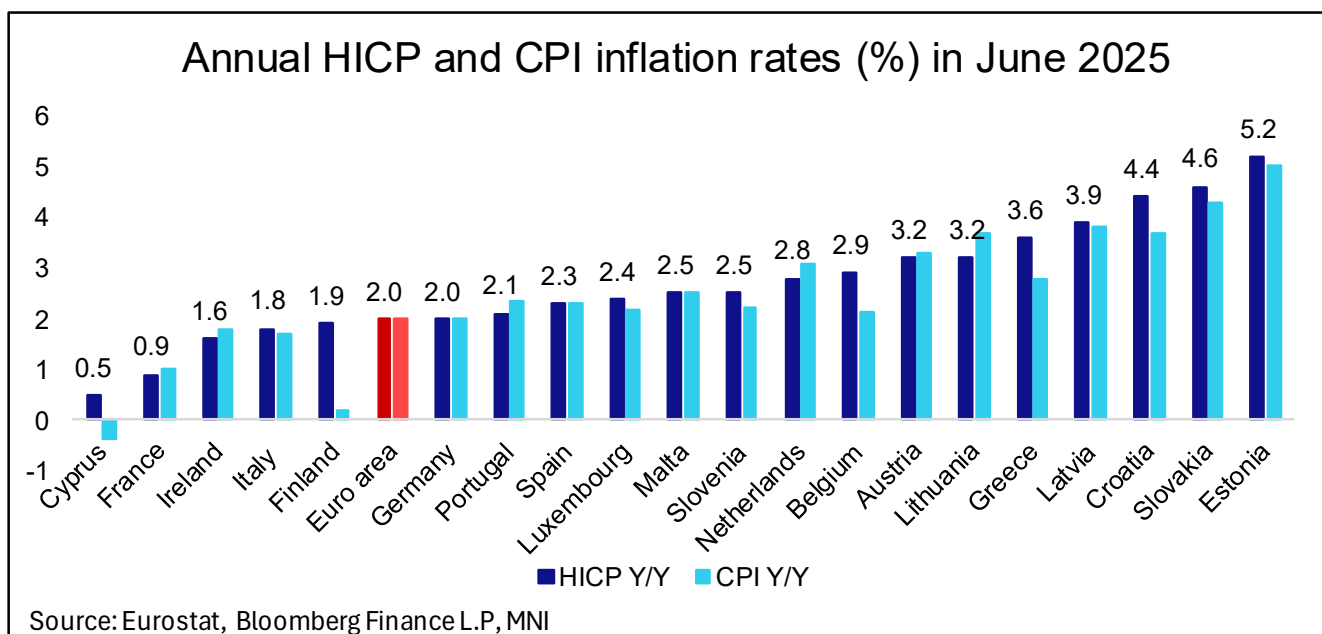
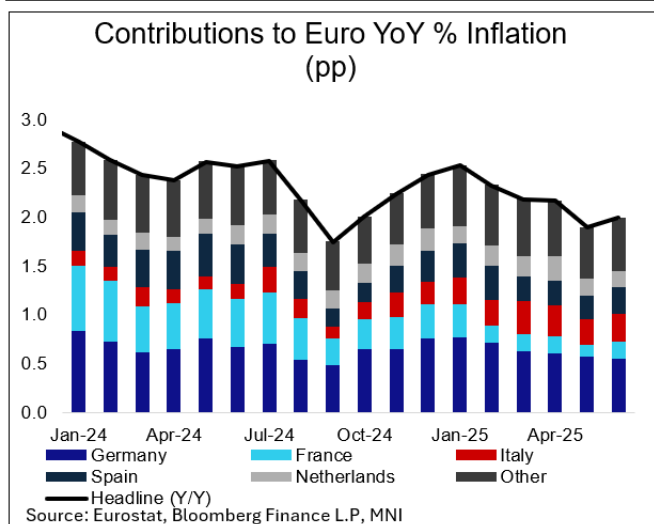
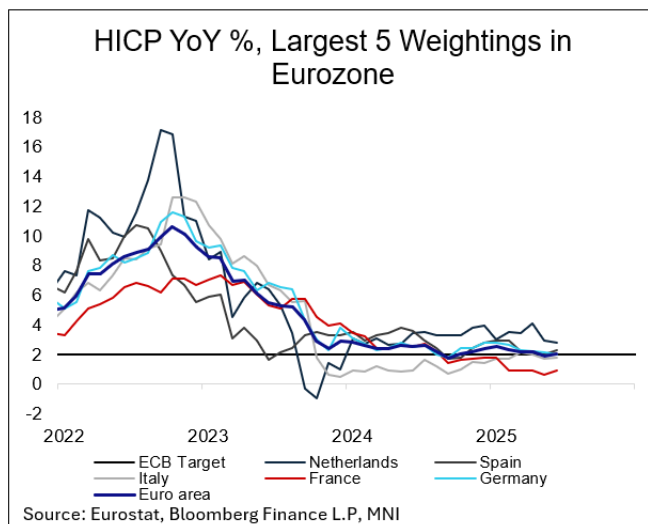
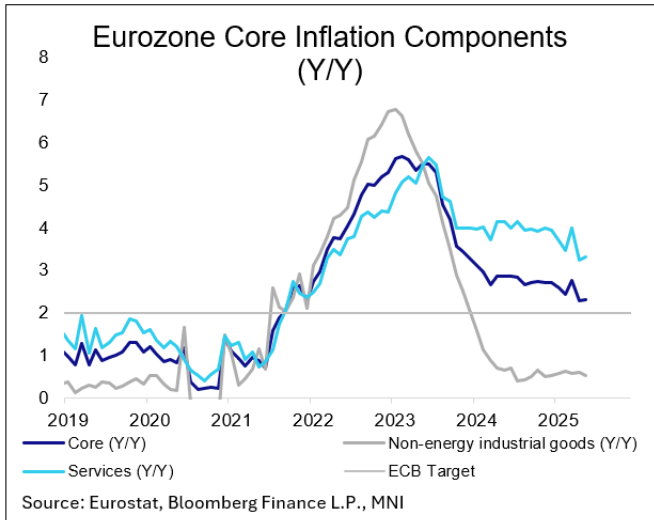
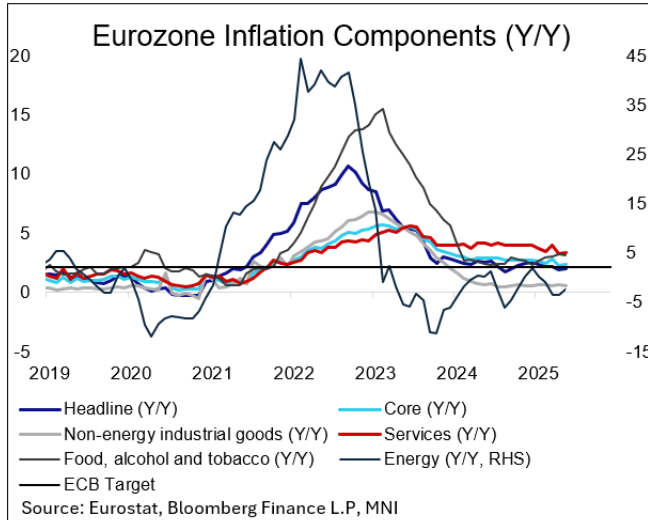
1-year ahead consumer inflation expectations eased two tenths to 2.6% in June, having now fully reversed the rise to 3.1% between February and April. Three-year ahead expectations were unchanged at 2.4%, with 5-year ahead expectations at 2.1% for the seventh consecutive month.

- 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.

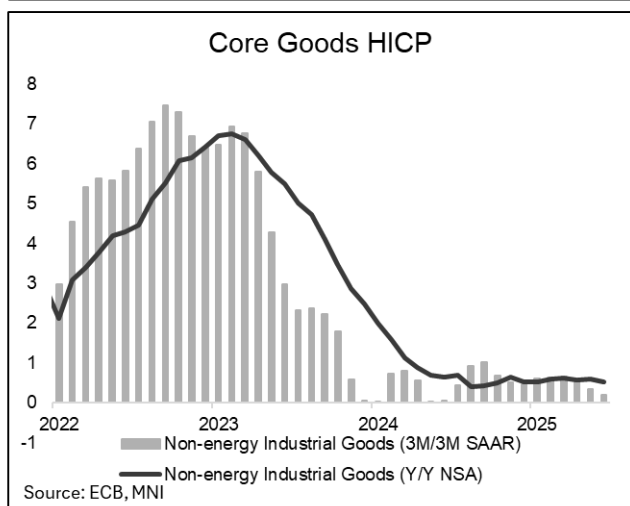
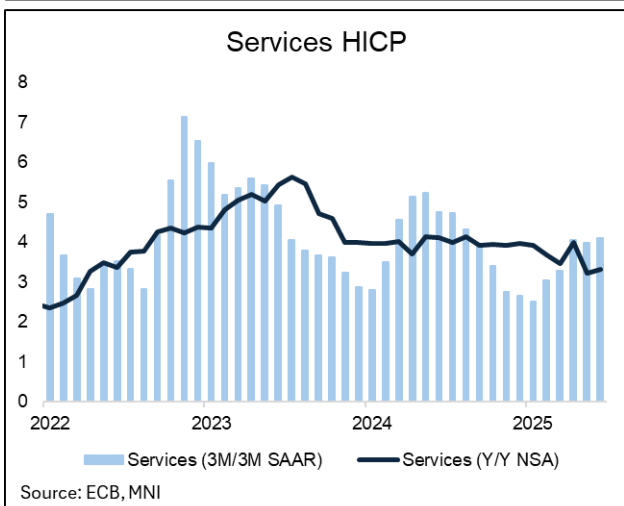
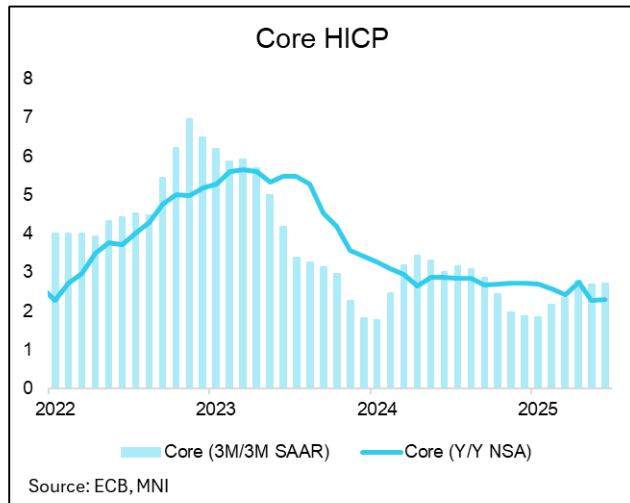
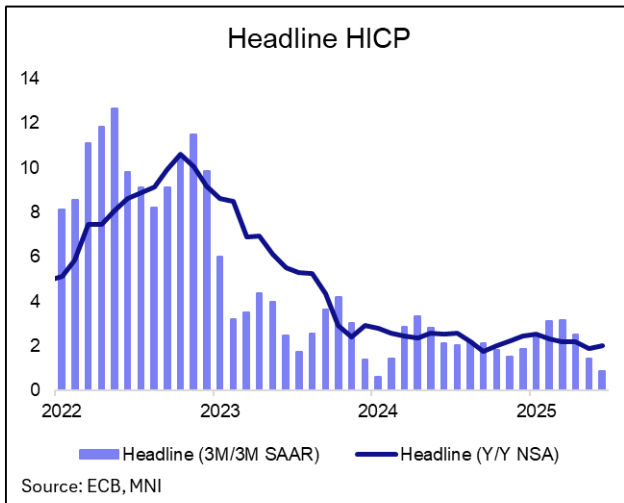
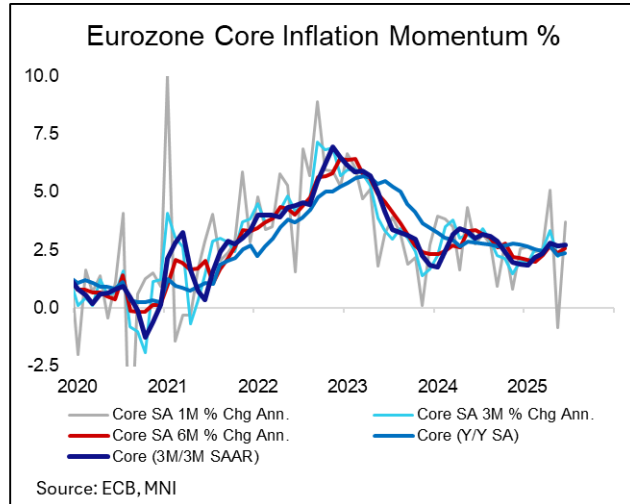
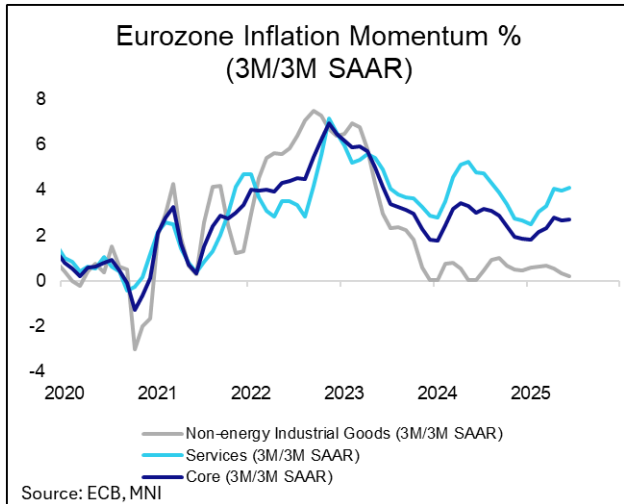
Inflation highlights from the ECB's Q3 Corporate Telephone Survey:

- "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."

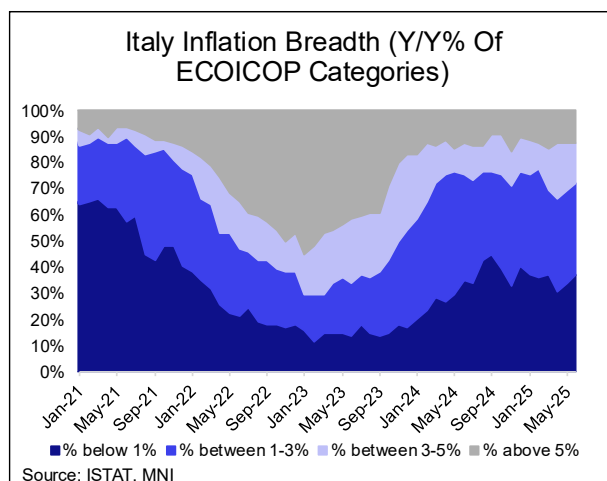
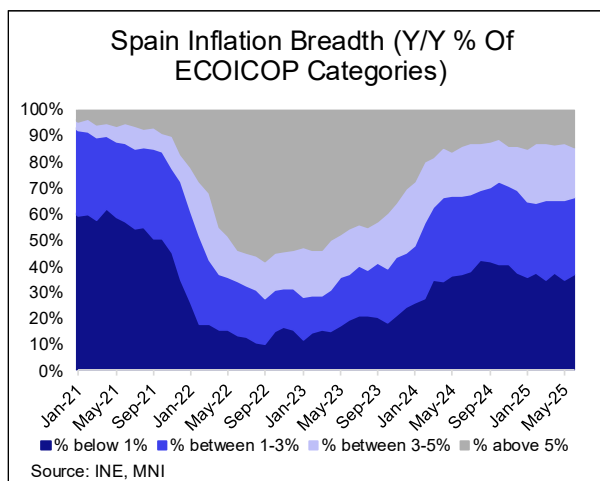
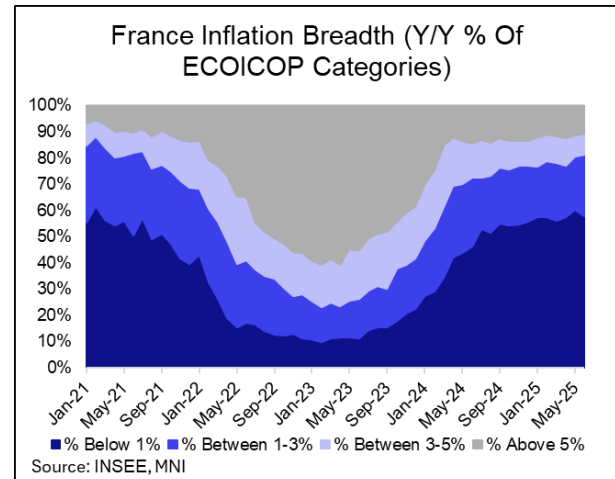
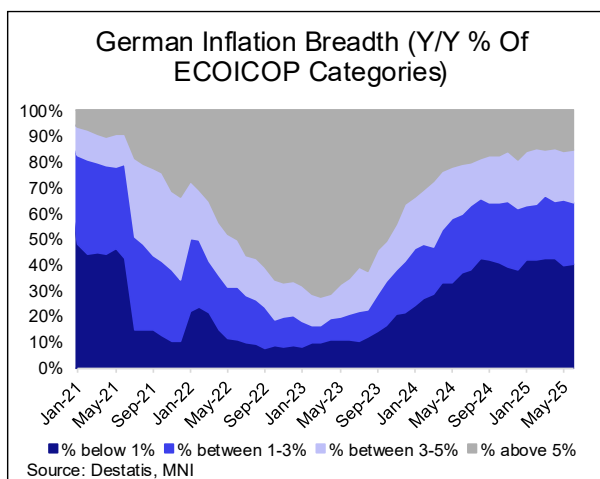
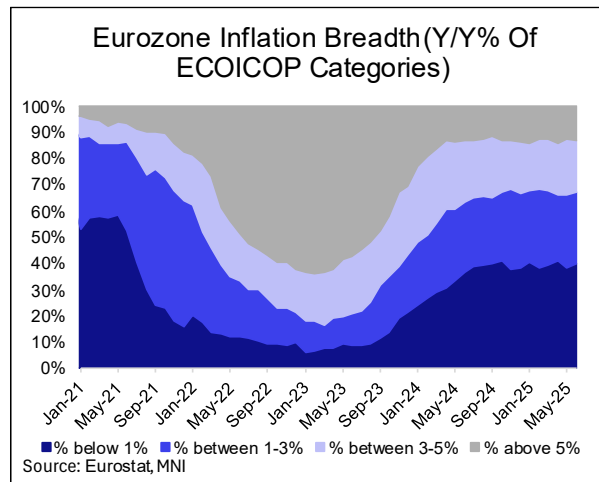
Key Eurozone Inflation Charts



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



Country-Level Breadth Charts



June HICP Recap: Services Remains Elevated As Expected

Limited Underlying Services Disinflation In June

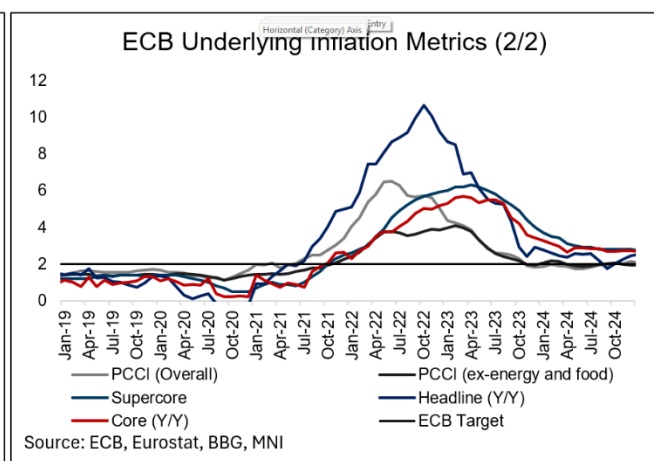
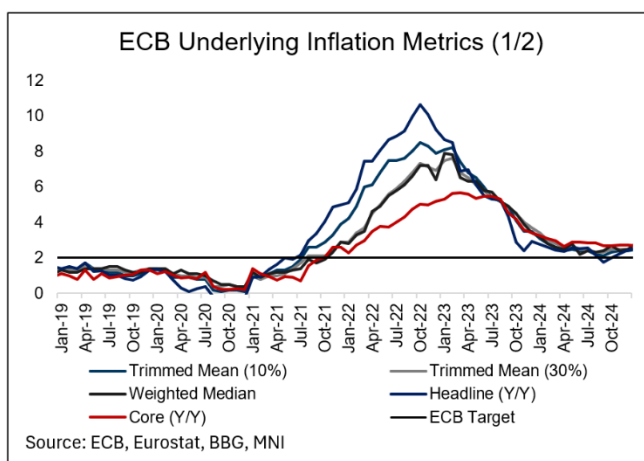
Eurozone final June HICP inflation was essentially unrevised at 1.99% Y/Y (vs 1.97% flash, 1.89% prior). Core inflation was 2.31% Y/Y, up from 2.29% in the flash and 2.28% prior, with services revised up to 3.32% Y/Y (vs 3.28% flash, 3.22% prior). Within the services basket, there was only slight underlying disinflation progress to note. However, this is not expected to be an impediment to one more 25bp ECB cut this year, with a terminal rate of 1.75% embedded within the June macroeconomic projections and still the clear base case in market pricing.

- As expected, there were modest Y/Y rebounds in volatile airfares (0.44% Y/Y vs -2.96% prior), package holidays (1.42% Y/Y vs 0.91% prior) and accommodation services (3.91% Y/Y vs 3.15% prior). This is related to the start of the summer holiday season.
- Looking at less volatile parts of the basket, miscellaneous services (which includes personal care, insurance and financial services) eased to 3.73% Y/Y (vs 3.86% prior), while services related to recreation and personal care ex package holidays/accommodation was broadly steady at 3.75% Y/Y (vs 3.72% prior). Services related to housing was also little changed at 3.26% Y/Y (vs 3.28% prior).
- Core goods trends remain fairly benign, with clothing and footwear inflation pulling back to -0.29% Y/Y (vs 0.10% prior) and furniture and household equipment easing to 1.94% Y/Y (vs 2.21% prior). Core goods inflation overall was 0.52% Y/Y (vs 0.50% flash, 0.61% prior).
- Food inflation continued its gradual acceleration, printing at 3.07% Y/Y (vs 3.11% flash, 3.19% in May, 2.31% in January).
- Energy inflation was revised up to -2.59% Y/Y (vs -2.75% flash, -3.57% prior).
- The proportion of ECOICOP subcomponents with annual inflation rates between 1-3% was unchanged at 28%.

ECB Data Suggests Broad Message of Jun Flash Release Intact

Taking into account the ECB's underlying inflation metrics and updated ECB seasonally adjusted data, the broad message of the Eurozone June flash release remains unchanged: There remains some stickiness in underlying services inflation, but not enough to concern to the ECB at this stage.

- There was a modest uptick in the ECB's preferred underlying inflation measure in June, with headline PCCI rising to 2.15% from 2.10% in May. However, PCCI remains below levels seen between February and April.
- Core PCCI was largely stable at 2.16% (vs 2.14% prior), while other underlying inflation metrics were either steady (supercore 2.6% Y/Y; 30% trimmed mean 2.3% Y/Y) or fell (10% trimmed mean 2.1% vs 2.2% prior; weighted median 2.3% vs 2.5% prior).
- Seasonally adjusted services inflation was revised slightly higher in the final release to 0.45% M/M (vs 0.41% flash, -0.14% prior). That meant a small upward revision in 3m/3m momentum to 4.10% (vs 4.07% flash, 3.98% prior).



Sell-Side Analyst Previews

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

Société Générale: Core 2.3%, Headline 1.9%

- “Our unrounded core inflation forecast is 2.34% yoy, so there is a risk of a slightly stronger reading.”
- “To the downside, we expect energy inflation to fall by 0.8pp to -3.4% yoy, which would shave just over 0.05pp off headline inflation. This is largely due to a negative base effect, as we forecast energy prices rising by 0.2% mom, driven by a 1.3% mom increase in fuel prices, compared to a 0.8% mom increase in July last year.”
- “To the upside, we expect services inflation to remain at 3.3% yoy. Nonetheless, there is a lot happening at the country level. Notably, we forecast a 0.7pp increase in Spanish services inflation to 4.1% yoy, as the government has withdrawn most of its subsidised public transport that was introduced during the pandemic. Additionally, there is the annual increase in Dutch rent prices, which we believe is likely to be smaller than last year.”
- “More generally, easing wage growth and a pick-up in productivity should put downward pressure on services inflation elsewhere. One downside risk to our forecast is if the recent appreciation of the euro push goods inflation down faster and more significantly than we anticipate.”

Santander: Core 2.3%, Headline 1.9%

- Unrounded core 2.31%, headline 1.93%
- “Two main risks threaten the ECB’s 2% inflation goal: higher-than-expected tariffs could cut headline inflation to ~1.5% and core to ~1.7%, and EUR/USD at 1.20–1.22 could push the headline figure toward 1.4%, though recent energy-price gains may soften the drop. Together, these factors raise the chance of core inflation undershooting and may prompt further ECB cuts later in the year.”
- “We believe higher long-term inflation expectations will drive the next leg of the term premium narrative. To position for this, we prefer trading through BTPei breakevens”
- Services 3.17%, Spain CPI 2.3% headline 2.1% core, France CPI 1.0% headline, Italy CPI 1.3% headline, Germany CPI 1.9% headline.

UBS: Core 2.3%, Headline 2.0%

- “While energy inflation is likely to fall 0.2pp to -2.8% y/y and food inflation by 0.1pp to 3.0% y/y, the negative contribution to headline inflation will likely be too small to have a noticeable impact.”
- “Within core inflation, we expect services inflation to tick down 0.1pp to 3.2% y/y, while goods inflation is likely to remain unchanged at 0.5% y/y.”
- “At the country level, we expect declines in Germany (-0.2pp to 1.8% y/y), France (-0.1pp to 0.8% y/y), Italy (-0.3pp to 1.5% y/y) and the Netherlands (-0.1pp to 2.7% y/y). In contrast, inflation in Spain is likely to rise by 0.4pp to 2.7% y/y.”

Morgan Stanley: Core 2.3%, Headline 2.0%

- Unrounded core 2.28, headline 1.96%
- “We have four areas of focus in July, one for each of the main subcomponents. (i) With less push from tourism-related items than in June, we think services inflation could soften a notch (3.25%Y from 3.32%Y). (ii) Core goods inflation could be lifted a touch by “distortions” coming from the 2025 HICP basket putting less weight than in 2024 on clothing and footwear, whose prices drop a lot in July because of sales. (iii) Food inflation will remain elevated, and while we don’t see strong historical evidence that high June temperatures and low precipitation will push up July food prices, this is an upside risk. (iv) The passthrough from declining TTF prices at the start of 2025 to current HICP natural gas and electricity prices was likely completed in June. Meanwhile, diesel prices will push energy prices up in July.”
- Energy “to increase by a solid 0.6%M in July. Still, this is a touch less than in the same month last year, which would push the yearly rate down to -2.8%Y from -2.6%Y. Retail fuel prices are likely to increase meaningfully on the month (1.0%M) because diesel took a large step up at the end of June”
- Food 3.1% Y/Y “pipeline pressures continue to keep food inflation at a relatively high level, above its historical average [...] potential risk for food prices in July stems from weather conditions in June [...] Risks are probably on the upside”
- Core goods 0.6% Y/Y “core goods inflation has normalised in all countries, with limited pipeline pressures. We expect it will continue hovering in that range for the coming months.” Two focus areas: a) Lower weightings of

sales-heavy categories (clothing and footwear in particular) might push up goods Y/Y slightly in July, b) changing sales seasonality might drive upwards the ECB's goods SA data.

- Services 3.32% Y/Y “broader picture is a slow downward trend, there are two main factors for July. First, we expect the slow downward trend in services excluding airfares, accommodation and package holidays will resume. Second, we see risks that airfares strengthen a touch, in line with the signal we get from our tracking of Google Trends, but this would be almost entirely offset by package holidays and accommodation prices softening further, as observed (with some bumps) since January”
- Across countries:
 - Germany 2.01% HICP, 1.99% CPI
 - France 0.91% HICP, 1.02% CPI
 - Italy 1.57% HICP, 1.52% CPI
 - Spain 2.78% HICP, 2.80% CPI

Deutsche Bank: Core 2.3%, Headline 1.9%

- Unrounded 1.92% headline
- “Base effects in the non-oil component should offset price pressures coming from rising fuel prices, pulling energy inflation lower.”
- “After July, headline HICP should rise back towards 2% for the next few months.
- “We also see services inflation holding steady at 3.2% as an increase in tourism services prices would counteract downward pressures from other items in the basket.”

Goldman Sachs: Core 2.28%, Headline 1.92%

- “We see services declining slightly to 3.28%yoy, and goods inflation staying unchanged at 0.52%yoy. Our estimates suggest that seasonally adjusted sequential core inflation will tick down to 0.22%mom in July, after printing at 0.24%mom in June. This reflects a deceleration in sequential core services inflation, which we see falling to 0.30%mom (from 0.37%mom in June), and core goods inflation printing at 0.07%mom.”
- “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.”
- Across countries:
 - Germany “headline HICP inflation to decline to 1.9%yoy in July....We expect core inflation to tick down to 2.4%yoy (0.13%mom seasonally adjusted), and look for the year-over-year rate of services inflation to tick down, driven by travel-related services. We expect package holidays to print close to 11%mom nsa, and airfares to come in at 12%mom nsa. We expect core goods inflation to tick up marginally, and main summer sales-affected components (garments, footwear) to follow their 2024 seasonality. Of the non-core components, we expect energy inflation to decline to -3.9%yoy from -3.5%yoy in June, and look for processed food inflation to tick down to 2.4%yoy and for unprocessed food inflation to decline to 2.4%yoy.”
 - France “headline inflation to stay unchanged at 0.9%yoy in July, and core inflation to print at 1.7%yoy (0.33%mom seasonally adjusted), with both core goods and services ticking up on a year-over-year basis. We expect a 29%mom nsa reading in the airfares component, partly driven by potential upside pressure from the air controller strikes earlier this month, which caused a sharp decline in air traffic, an 11%mom nsa increase in the accommodation services component and a 16%mom nsa increase in package holidays. We look for energy inflation to decline to -7.5%yoy from -6.5%yoy in June, incorporating a reported 1% gas price increase. We expect processed food inflation to go to 1.6%yoy (from 1.3%yoy in June) and unprocessed food inflation to tick down to 2.0%.”
 - Italy “headline inflation to tick down to 1.6%yoy in July....and core inflation to stay at 2.0%yoy (0.40%mom seasonally adjusted), with year-over-year core services ticking up and year-over-year core goods ticking down. We see accommodation services printing slightly under 1%mom nsa, package holidays coming in at 8%mom nsa, and airfares at 7%mom nsa, with risks for a weaker print (closer to 2024 seasonality). We expect clothing and footwear to behave similarly to their 2024 developments. Of the non-core components, we look for energy inflation to decline to -5.0%yoy from -2.1%yoy in June, driven by a base effect, unprocessed food inflation to increase to 4.6%yoy, and processed food inflation to tick up to 3.1%yoy.”
 - Spain “headline inflation to increase to 2.5%yoy in July....and core inflation to decline to 2.2%yoy, implying a seasonally adjusted sequential pace of 0.29%mom, with a tick-up in the year-over-year core services component offset by a decline in the core goods component. We expect a further

10%mom nsa increase in the package holidays component, broadly flat airfares, and a 4%mom nsa increase in accommodation services. We also expect a one-off decrease in passenger transport by rail component due to a re-introduction of government's 'Verano Joven' scheme. Across the non-core categories, we look for energy inflation to increase to 3.0%yoy from -0.8%yoy in June, driven, in part, by a base effect coming from the electricity component, for processed food inflation to tick up to 0.5%yoy, and unprocessed food inflation to increase to 9.1%yoy."

- Netherlands 2.6%, core 2.5% "with risks for a stronger services print driven by potentially stronger airfares and rent components"
- Belgium 2.5%, core 2.0% "driven by a notable drag from the core goods component"

Citi: Core 2.3%, Headline 1.9%

- "With risks tilted towards a 2.2%" referring to core
- "Core HICP should rise by a soft 0.16% MM SA"
- "Volatility in seasonal discounts for clothing prices may determine where core inflation settle this month"

Barclays: Core 2.2%, Headline 1.9%

- Unrounded: 2.23% core, 1.85% headline.
- "We expect the deceleration in core to be driven by: 1) holiday-related services as seasonal price increases normalise to pre-pandemic levels, and 2) semidurable goods as this year's softness extends and is amplified by the July summer sales. Also, we expect a slight deceleration in non-core due to base effects leading to both an acceleration in energy deflation and a slight decrease in the pace of food, alcohol and tobacco (FAT) inflation."
- "We expect energy to print at -3.2% y/y, 0.6pp lower than in June. This decline can be attributed to base effect which should offset a slight sequential increase in the energy HICP (+0.2% m/m NSA) due to fuel and electricity. Fuel HICP should rise on the month as pump prices so far"
- "We forecast a slight 0.1pp deceleration in FAT inflation to 3.0% y/y driven by tobacco base effects from last year's tobacco tax hike in the Netherlands. Beyond this, we expect y/y inflation in the other FAT components to be broadly stable in July"
- "We expect core goods inflation to edge up 0.1pp, to 0.6% y/y on the rounding. Under the hood, this forecast is driven by two opposing factors. On one side, we expect momentum in underlying core goods (durable and nondurables) to continue to edge up in seasonally adjusted terms in July. On the other side, we expect the opposite for semidurable goods"
- "We expect a 0.2pp deceleration in services inflation to 3.1% y/y in July, primarily driven by our technical assumptions regarding the volatile and seasonal transport services and package holidays and accommodation services. Specifically, we expect a continuation of the post-pandemic trend towards less pronounced seasonal price increases in these categories over the July holiday period. However, we also expect a slight easing in the less volatile underlying services categories. The one exception is communication services inflation due to positive base effects. Notably, housing services inflation should decline as we expect past disinflation to translates into a lower cap on annual rent resets in the Netherlands"

JP Morgan: Core 2.2%, Headline 1.9%

- Core goods 0.3%, Services 3.2%, Energy -2.7%, Food 2.9%.
- "Two significant factors are shaping our forecast. We expect the stronger currency to weigh on core goods prices. We also expect the decline in wage inflation to translate into weaker services price pressures. The latter should be more powerful and should help reduce the core goods-services divide over time. These two factors overall should help bring core inflation closer to 2.0%oya by year-end. We expect core inflation to decline already in July."
- Across countries:
 - Germany 1.9% headline HICP, 1.9% headline CPI, 2.6% core CPI. Baden Wuerttemberg 2.2%, Bavaria 1.8%, Brandenburg 2.1%, Hesse 2.3%, NRW 1.8%, Saxony 2.1%
 - France headline HICP 0.8%, headline CPI 0.9%
 - Italy headline HICP 1.4%, headline CPI 1.4%
 - Spain headline HICP 2.4%, headline CPI 2.4%

Lloyds: Core 2.2%, Headline 1.9%

- "Looking ahead, headline inflation is projected to hover around 2% for the rest of the year before dipping below target in 2026"

- “Further downside data surprises or revisions to the upcoming September forecasts may be needed to justify additional policy easing”

TD Securities: Core 2.2%, Headline 1.9%

- “We expect euro area inflation to dip, largely on the back of disinflation in core prices, which are slated to come down slightly”
- “Primary drivers for core slow down will be base effects”
- “As the ECB looks at medium-term anchoring, rather than one month oscillations around target, this release will continue to support the current wait-and-see approach.”

Sorted A-Z If Not Containing Core HICP Y/Y Forecast

Commerzbank:

- “Our quant model based on machine learning methods predicts higher inflation in the euro area in the coming months than it did last month. Apart from base effects, the year-on-year inflation rate is likely to remain broadly unchanged over the next twelve months. The core rate in the coming months could also decline more slowly than previously forecast. This mainly follows the persistently high month-on-month trend in core inflation observed in the last few months, although many indicators point to downside risks.

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