All Signal, No Noise

MARKET ANALYSIS

MNI Eurozone Inflation Preview – June 2025

By Moritz Arold and Emil Lundh
June *26, 2025*

Contents

Key June preliminary inflation data releases and timing:

- **France** (19% of EZ HICP in 2025) – 0745 BST Jun 27
- **Spain** (12% of EZ HICP in 2025) – 0800 BST Jun 27
- **Italy** (16% of EZ HICP in 2025) – 1000 BST Jun 30
- **Germany** (28% of EZ HICP in 2025) – 1300 BST Jun 30
- **Netherlands** (6% of EZ HICP in 2025) – 0530 BST July 1
- **Eurozone** – 1000 BST July 1

Eurozone MNI Consensus:

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

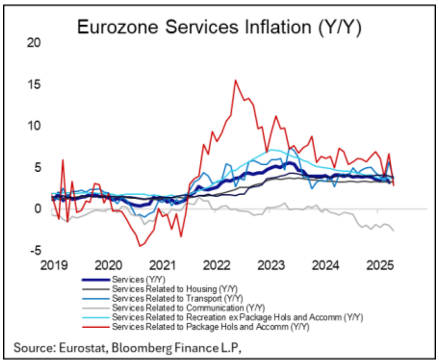
Focus Still On Services Despite Energy Volatility

The June Eurozone inflation round is split across two weeks, with France and Spain to kick off proceedings on Friday, followed by Italy and Germany on Monday. The Eurozone-wide release is due on Tuesday (alongside the Netherlands). Focus across the region will be on services, with the May 0.8pp disinflation on the Y/Y rate heavily impacted by volatile Easter-timing sensitive categories such as airfares. Dutch services inflation will be more in focus than usual, as out of the 0.21pp Eurozone deceleration in the category over the last two months, about 0.09pp came from the Netherlands alone.

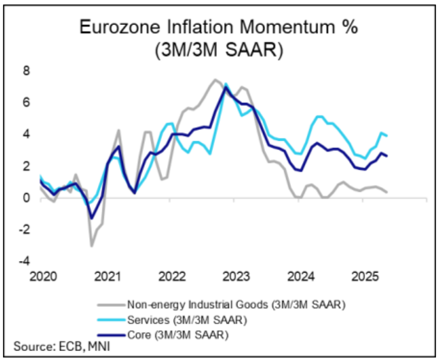
The ECB projected Q2 headline inflation at 2.0% in its latest projections. June flash headline HICP would need to print at 1.9% Y/Y for this to be realised – consensus stands marginally higher, at 2.0%. For core, a 2.5% Y/Y print is required to meet the ECB's 2.5% Q2 projection (consensus is for a lower 2.3% reading here), while 3.6% Y/Y would be required for services (ECB Q2 projection: 3.6%). Speaking on the outlook for service inflation this week, ECB Chief Economist Lane noted that *"we've focused quite a bit on whether services inflation is going to arrive at a level consistent with overall inflation being a 2% and in that case, that's not over"…"There's still some distance to travel in relation to services inflation, but it's probably fair to say we have enough confidence in what's happened and what we think is ahead of us in terms of services inflation"…"That backward challenge, bringing inflation down from the peak back to target, I think is largely completed".*

While ECB officials have for now been happy to look through sub-2% headline inflation readings, a meaningful undershoot for core in Q2 and Q3 could see markets reprice the chance of a 1.50% terminal rate. ECB-dated OIS currently appear comfortably in pricing one more 25bp cut this cycle, for a 1.75% terminal.

News flow since mid-June has until recently been dominated by the sharp escalation – and subsequent de-escalation – of tensions between Israel and Iran, driving notable swings in Brent crude and natural gas futures. These developments are expected to push up energy inflation on a sequential basis in June, but the annual rate is seen remaining in deflationary territory.

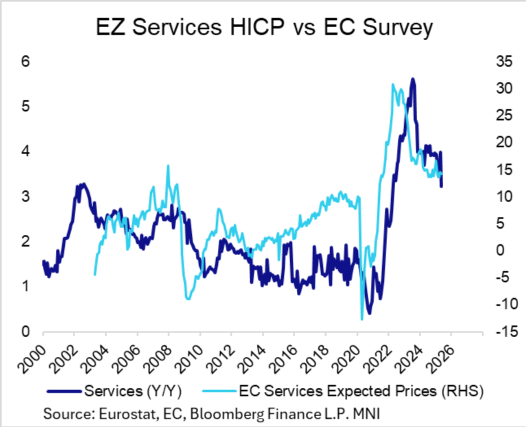


Source: Eurostat, Bloomberg Finance L.P,



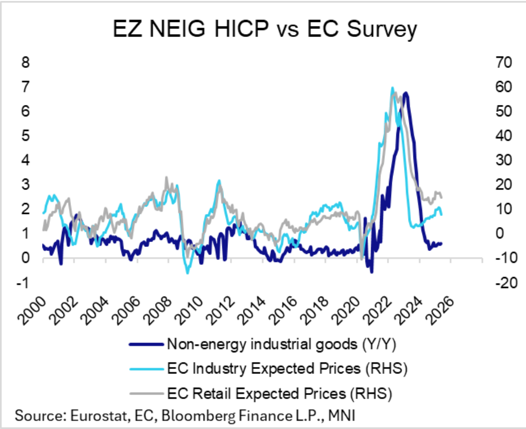
Source: ECB, MNI

Expected Positive/Negative Factors for June Eurozone Inflation



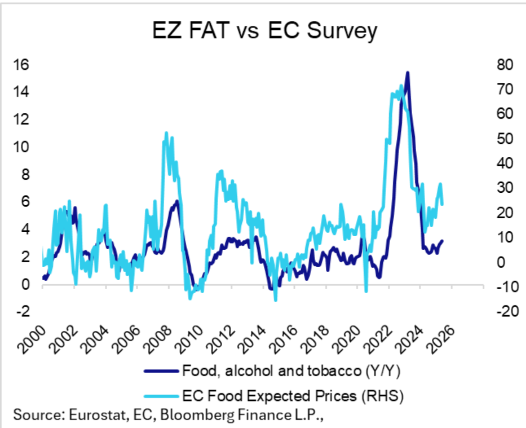
Services (slight +ve Y/Y) – 46% of 2025 HICP Basket: Of the seven analyst estimates we have seen, all but one expect services inflation at 3.3% in June (vs 3.23% prior). Services inflation was dragged higher by volatile, Easter timing-sensitive categories in May. Analysts generally expect some sequential reversal in June, with airfares, package holidays and accommodation rebounding somewhat. However, the underlying services disinflation process remains intact, supported by declining pay pressures. Societe Generale expect a 3.4% rounded print, noting that "*a late Easter pushes the Whit Monday holiday into June, so we expect a minor rebound in services inflation*".

- The June flash PMI noted that "*Service providers raised their charges at a strong pace that was the fastest in three months*".
- Dutch services inflation will be more in focus than usual in June, as out of the 0.21pp Eurozone deceleration in the category over the last two months, about 0.09pp came from the Netherlands alone. For some analysis arguing a partial reversal in the country remains possible in June, see here. JP Morgan note that Germany and the Netherlands may be most sensitive to Pentecost timing effects ("*a drag in May and a rebound in June*").
- *May EZ Services: 3.2% Y/Y, -0.1% M/M. Jun 2024 0.6% M/M vs 0.53% 2017 - 2024 M/M avg*



Core goods (unch Y/Y) – 26% of 2025 EZ HICP Basket: There is a strong consensus for core goods inflation to remain at 0.6% Y/Y in June, with analysts viewing the disinflation process as largely complete at this point. Both Barclays and Morgan Stanley are cognizant of core goods seasonality in the coming months. Barclays note that "*we expect little change in semidurable goods inflation ahead of the summer sales for clothing and footwear in July*". Morgan Stanley highlight that "*prices usually move broadly sideways in June - before dropping in July because of sales*", however, "*seasonality around sales has probably changed in the last years. This is very clear from the drops in July being less pronounced recently than before 2019, but this also affects June. We think this pattern is not yet well captured by seasonal adjustments (SA), which explains why the momentum of SA data (from the ECB) seems to increase in June and July*".

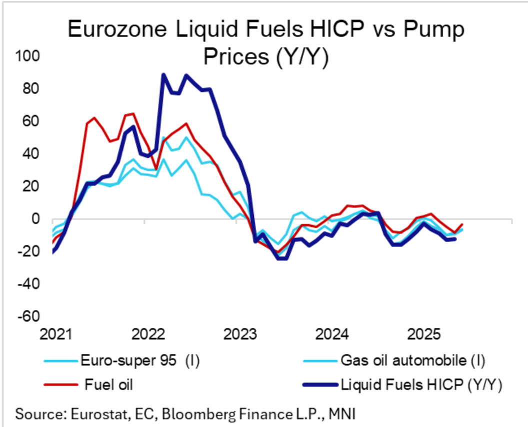
- The June flash PMI noted that *"manufacturing output prices were cut for the second month running"*
- *May EZ Non-energy industrial goods: 0.6% Y/Y, 0.1% M/M. Jun 2024 -0.1% M/M vs -0.1625% 2017 - 2024 M/M avg*



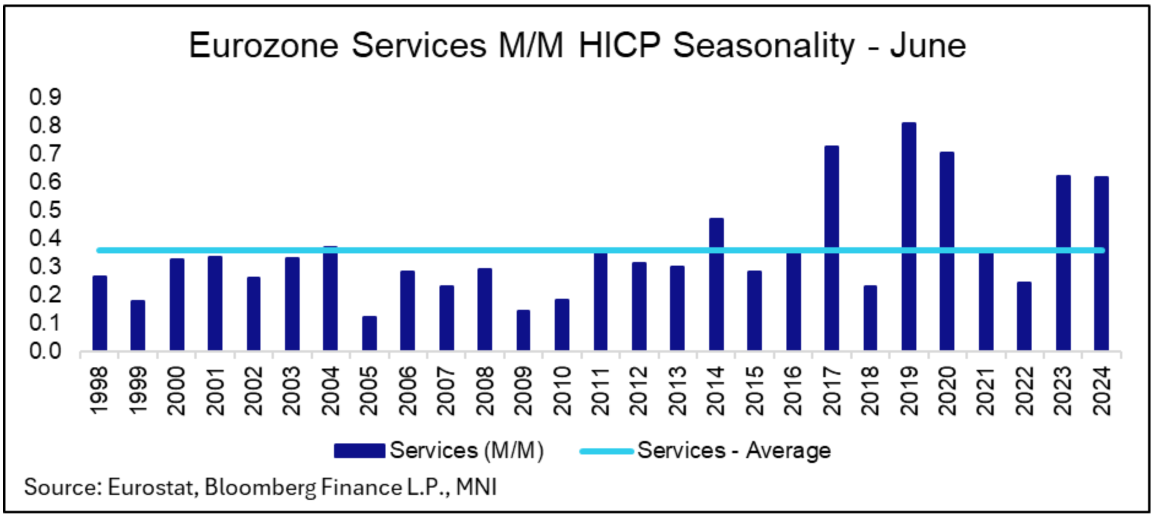
Food, alcohol and tobacco (mixed risks Y/Y) – 19% of 2025 EZ HICP Basket: Analyst expectations for food inflation range between 3.0% Y/Y and 3.3% Y/Y (vs 3.2% prior). Pipeline pressures (e.g. the EC survey and the WAO food index) suggest risks remain tilted to the topside. However, Barclays note that "*we still think that recent prints likely overstate the underlying trend (the run rate of FAT inflation increased from 1.7% m/m SAAR in January to 4.2% m/m SAAR in May) and expect to see a slight sequential slowing in June. Across components, we expect processed and unprocessed food inflation to be roughly stable while tobacco and alcohol inflation should decelerate in year-over-year terms*"

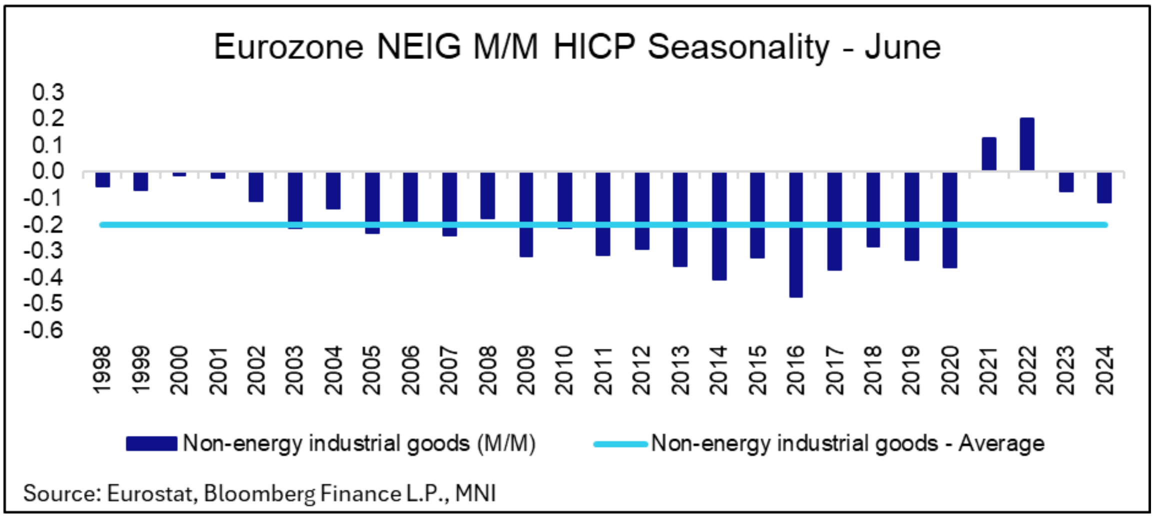
- *May EZ FAT: 3.2% Y/Y, 0.4% M/M. Jun 2024 0.2% M/M vs 0.13% 2017 - 2024 M/M avg*
- *May EZ Processed food inc. alcohol and tobacco: 2.9% Y/Y, 0.5% M/M. Jun 2024 0.4% M/M vs 0.35% 2017 - 2024 M/M avg*
- *May EZ Unprocessed food: 4.3% Y/Y, 0% M/M. Jun 2024 -0.4% M/M vs -0.55% 2017 - 2024 M/M avg*

Energy (+ve Y/Y) – 9% of 2025 EZ HICP Basket: Analyst expectations for energy inflation range between -2.0% and -2.8% Y/Y (median 2.5%, vs -3.6% prior), with assumptions on oil/gas price passthrough likely key in explaining the dispersion. Pump prices have increased in line with crude benchmarks through June, with the average M/M rise in fuel oil at 2.8% M/M (vs -4.6% prior) according to EC data. That corresponds to a -3.3% Y/Y rate (vs -8.2% prior).



- On price collection, Eurostat notes "Price collections for goods must take place across at least one working week at, or near, the middle of the calendar month to which the index pertains. For products that are known to show sharp irregular price changes within the same month, prices are collected over a period of more than one working week. This holds in particular for energy products and for fresh food, such as fruit and vegetables".
- This suggests the mid-month increase in pump prices (on the Israel/Iran escalation) will likely be accounted for in the HICP, but there is more uncertainty on whether the sharp pullback in commodity benchmarks following the supposed ceasefire agreement will be included. Analysts note that the stronger EUR should provide some offset to recent energy benchmark increases.
- *May EZ Energy: -3.6% Y/Y, -1.2% M/M. Jun 2024 -0.8% M/M vs 0.46% 2017 - 2024 M/M avg*





Summary of Sell-Side Outlooks for June 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)
May-25 Actual	**1.90**	**-0.05**	**2.28**	**-0.02**	**2.1**	**0.2**
Jun-25 BBG Consensus	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Jun-25 MNI Median Consensus	**2.0**	**0.4**	**2.3**	**0.4**	**2.3**	**N/A**
Barclays	1.96	0.28	2.31	0.39	2.21	0.27
Goldman Sachs	2.00		2.33	0.26 (SA)	2.2	
Morgan Stanley	2.06	0.37	2.30	0.37	2.41	
Santander	2.03	0.35	2.30	0.37	2.1 (CPI)	0.1 (CPI)
Societe General	2.1					
Swedbank	2.04	0.35	2.31	0.38		
UBS	2.1		2.4		2.3	

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)
May-25 Actual	**1.7**	**-0.1**	**0.6**	**-0.2**	**2.0**	**0.0**
Jun-25 BBG Consensus	**N/A**	**N/A**	**0.7**	**0.2**	**2.2**	**0.6**
Jun-25 MNI Median Consensus	**1.8**	**N/A**	**0.7**	**N/A**	**2.2**	**N/A**
Barclays	1.78	0.23	0.66	0.23	1.94	0.36
Goldman Sachs	1.8		0.6		2.2	
JP Morgan			0.7		2.0	
Morgan Stanley	1.77		0.74		2.16	
Santander	1.6 (CPI)	0.1 (CPI)	0.7 (CPI)	0.1 (CPI)	1.9 (CPI)	0.3 (CPI)
Societe General			0.7	0.3	2.3	0.7
UBS	1.8		0.7	0.3	2.3	0.8

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)
May-25 Actual	-3.57	3.19	0.61	3.23
Jun-25 MNI Median Consensus	-2.5	3.1	0.6	3.3
Barclays	-2.8	3.0	0.6	3.3
Goldman Sachs	-2.6	3.1	0.58	3.33
Morgan Stanley	-2.32	3.32	0.59	3.27
Santander				3.31
Societe General				3.4
Swedbank	-2.04	3.06	0.58	3.27
UBS	-2.50	3.30	0.60	3.30

Source: Analyst Previews

Outlooks And Consensus Ests. For National Inflation Prints:

Germany (28% of 2025 EZ HICP) – 1300BST Mon June 30 (after state-level data in the morning)

- MNI Consensus:
  - HICP: 2.3% Y/Y
- Analyst views:
  - Morgan Stanley: CPI 2.35% headline, “strongest upside from energy […] masks two opposing factors. Fuel prices should rise (CPI 0.8% M/M) on a steep increase in oil prices […] Prices for electricity and gas, however, are expected to soften again (CPI -0.2% M/M) reflecting the lagged transmission of wholesale gas prices. Core inflation is expected to pick up to 2.95% Y/Y […] services CPI inflation rebounds to 3.55% Y/Y on a positive countershock from tourism-related services […] Food is the only subgroup where we expect a drop. We forecast the annual rate at 2.5% Y/Y”
  - Goldman Sachs: HICP core 2.8%, headline 2.2%. “services inflation to increase, driven by travel-related services rebounding after the payback from Easter seen in May. We expect package holidays to print close to 11%mom nsa, and airfares to come in at 10%mom nsa. Of the non-core components, we expect energy inflation to increase to -3.7%yoy from -4.5%yoy in May, and look for processed food inflation to stay at 3.21%yoy and for unprocessed food inflation to fall to 2.4%yoy.”
  - Barclays see package holidays at 6.5% M/M, accommodation at 2.6% M/M, and airfares at -2.0% M/M.
- The Bundesbank highlights in their monthly report:
  - “*The inflation rate as measured by the HICP will fall to 2.2 % this year before temporarily dropping to 1.5 % in 2026 and rising again to 1.9 % in 2027. The temporarily lower inflation rate in the coming year will be driven by lower energy commodity prices and the appreciation of the euro against the US dollar as well as directly energy price-lowering fiscal measures. Core HICP inflation (excluding energy and food) will stabilise around 2 % from 2026 onwards.*”
- The June flash PMI noted “*June’s flash survey results indicated an uptick in the rate of output charge inflation. This was underpinned by slightly stronger price increases across services, with average factory gate charges falling for the second month running and to the greatest extent since February. Manufacturers discounted their output prices amid a further sharp decline in average purchase prices*”.
- German final May HICP was unrevised from the flash readings at 2.1% Y/Y (2.2% prior) and 0.2% M/M. The final reading to CPI was also unrevised at 2.1% Y/Y (2.1% prior) and 0.1% M/M. Core CPI decelerated 0.1pp to 2.8% Y/Y, a rate not seen since January.
  - Overall, the data confirms the main conclusions from the flash / state-level reading - services decelerated materially (contribution to headline -0.21pp vs prior on the back of the Easter effect unwind) while goods inflation accelerated (contribution +0.21pp vs prior) following firmer energy and alcohol / tobacco Y/Y rates (details see table).
  - Abstracting from Easter-driven short-term trends, the contribution of services CPI to headline over the last two months combined excl. volatile travel-related categories (airfares, hotels, package holidays) is -0.03pp - suggesting an ongoing but slow underlying disinflation process in the category in Germany.
  - MNI's inflation breadth tracker shows disinflation overall stalling in May, with the percentage of ECOICOP items printing at or below 1% falling 2.8pp to 40.0%. In the high-inflation categories, similar trends could be observed, with the percentage of categories above 5% rising 0.8pp to 15.6% in May.

France (19% of EZ HICP in 2025) – 0745BST Fri June 27

- BBG Consensus:
  - HICP: 0.7% Y/Y, 0.2% M/M
  - CPI: 0.8% Y/Y, 0.1% M/M
- Analyst views:
  - Morgan Stanley: CPI 0.8% headline. Food inflation to reverse from May one offs, services to edge up as “the May print overstates the weakness of the momentum in services inflation”, and “energy prices could be flat in June, with base effects pushing the year-on-year metric up”.
  - Goldman Sachs HICP core 1.4%, headline 0.6%. “both core goods and services broadly unchanged on a year-over-year basis. We expect a 7%mom nsa rebound in the airfares component, a 4%mom nsa increase in the accommodation services component but a further 4.6%mom nsa decline in package holidays. We look for energy inflation to increase slightly to -7.5%yoy from -7.6%yoy in May, with a reported 5.3% gas price decline offset by stronger liquid fuels. We expect processed food inflation to go to 1.5%yoy (from 1.3%yoy in May) and unprocessed food inflation to increase to 2.4%.”

- The June flash PMI noted "*Trends for selling prices were mixed in June, as discounting among goods producers contrasted with a renewed increase in prices charged for the provision of French services. At the composite level, output charges rose at a fractional pace that was below the long-run series average. Companies that hiked their fees remarked on the pass-through of rising cost burdens to clients, while those that offered discounts cited strong competitive pressures, lower interest rates and attempts to boost sales*".
- French headline HICP confirmed flash estimates on a rounded basis at 0.59% Y/Y (vs 0.62% flash, 0.92% prior), with CPI also confirmed at 0.66% Y/Y (vs 0.67% flash, 0.82% prior). INSEE's seasonally adjusted CPI series highlights waning 3m/3m momentum in France (-0.66% in May vs -0.65% prior), which is coming alongside weak developments in the labour market outlook.
  - Services CPI inflation was confirmed at 2.1% Y/Y (vs 2.4% prior).
    - Looking at a detailed breakdown of HICP components, package holidays (4.61% Y/Y vs 8.33% prior) and airfares (0.68% Y/Y vs 6.20% prior) were key drivers of services disinflation in May. This is consistent with unwinding Easter effects from April.
    - There were mixed developments across other services components: Rents eased a touch to 2.23% Y/Y (vs 2.37% prior), medical services pulled back to 2.18% Y/Y (vs 6.56% prior) and communications was -13.82% Y/Y (vs -10.76% prior). On the other hand, accommodation services rose to 1.59% Y/Y (vs 1.31% prior) and insurance accelerated to 10.17% Y/Y (vs 8.90% prior).
  - Core goods price CPI development was confirmed to be soft at -0.2% Y/Y (vs -0.2% prior).
    - Both clothing/footwear and furniture/household equipment HICP inflation eased in May.
  - The proportion of HICP sub-components with annual inflation rates below 1% Y/Y ticked up to 57% (vs 56% prior), in line with January/February's levels.

Italy (16% of EZ HICP in 2025) – 1000BST Mon June 30

- MNI Consensus:
  - HICP: 1.8% Y/Y
- Analyst views:
  - Morgan Stanley: CPI 1.8% headline, core 1.9% "services inflation to continue to show some momentum vs pre-pandemic, and print at levels similar to 2024 […] we expect food inflation to rise in June, in part on the back of base effect […] energy inflation should also become less negative in June."
  - Goldman Sachs: HICP 2.0% core, 1.8% headline. "core services broadly stable and year-over-year core goods ticking up. We see accommodation services printing at 4%mom nsa, package holidays further developing close to their 2023 seasonality, and airfares rebounding at 14%mom nsa, with risks for a stronger print (for example, closer to the 2019 development). Of the non-core components, we look for energy inflation to tick up to -1.2%yoy from -1.9%yoy in May, unprocessed food inflation to increase to 4.4%yoy, and processed food inflation to stay unchanged at 3.1%yoy.
- Italian May headline HICP was revised down two tenths on a rounded basis to 1.7% (vs 1.9% flash, 2.0% prior), driven by the food component. Excluding food, energy, alcohol and tobacco ("core"), HICP inflation was unchanged from the flash at a rounded 1.9% (vs 2.2% prior).
  - On an unrounded basis, headline HICP was 1.71% Y/Y (vs 2.04% prior) while core inflation was 1.90% Y/Y (vs 2.17% prior).
  - Within core, services eased to 2.90% Y/Y (vs 3.44% in April, 2.77% in March). As with other Eurozone peers, the unwinding of Easter effects drove this deceleration. Airfares pulled back to 4.6% Y/Y (vs 15.4% prior), while accommodation services fell to 3.3% Y/Y (vs 4.9% prior).
  - Non-travel related services components also softened though. Insurance inflation was 4.66% Y/Y (vs 5.35% prior), while services related to housing fell a tenth to 2.88% Y/Y (vs 2.98% prior) and services related to communication was 0.65% Y/Y (vs 0.75% prior).
  - Core goods inflation was 0.35% Y/Y (vs 0.26% prior), with small accelerations in clothing/footwear and furniture/household equipment.
  - Food inflation was 3.10% Y/Y (vs 3.5% flash, 3.03% prior). Both processed and unprocessed foods saw downward revisions relative to the flash readings.
  - Energy inflation was -1.90% Y/Y (vs -1.8% flash, -0.74% prior), driven by a continued pullback in gas and fuel inflation.

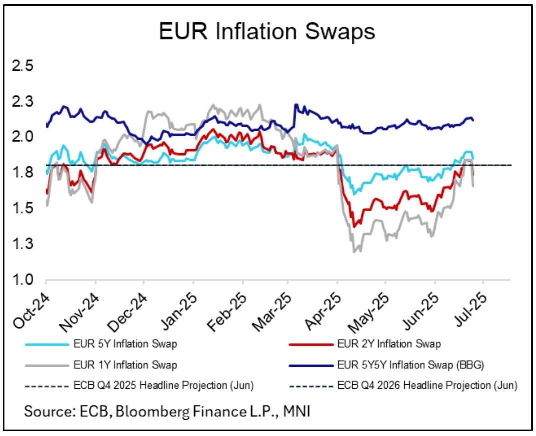
Spain (12% of EZ HICP in 2025) – 0800BST Fri June 27

- BBG Consensus:
    - HICP: 2.2% Y/Y, 0.6% M/M
    - CPI: 2.1% Y/Y, 0.4% M/M
        - Core CPI 2.2% Y/Y
- Analyst views:
    - Morgan Stanley: 2.2% headline, core HICP 2.2%, core CPI 2.1% "driving forces in this print will likely stand on the energy side. Notably, we are tracking a surge in electricity prices compared to last month, rising by around 5%M, above last year's electricity inflation (+3.5%M). […] we continue to see food inflation on its current momentum, accelerating mildly over the month and adding upward pressure on the year-on-year headline print. On the core side of things, we see a rebound in services inflation, on a month-on-month basis, albeit to a lower extent compared to last year, yielding to the decline in core inflation flagged above."
    - Goldman Sachs: core 2.6%, headline 2.2%. "tick-up in the year-over-year core goods component and broadly stable services, with risks for a slightly stronger print. We expect a notable 11%mom nsa rebound in the package holidays component, a 9%mom nsa increase in airfares, and a 5%mom nsa increase in accommodation services. Across the non-core categories, we look for energy inflation to increase to -1.5%yoy from -3.0%yoy in May, driven, in part, by a 3.5%mom increase in electricity prices, for processed food inflation to stay unchanged at 0.3%yoy, and unprocessed food inflation to decline to 7.4%yoy."
- Spanish HICP was upwardly revised for May by one tenth to 2.0% Y/Y (1.98% to 2dp, 2.24% Apr). On downside drivers vs April on final national CPI (which was also upwardly revised by 0.1pp), INE flagged leisure and culture (0.5pp lower at 2.2%) as well as housing (0.4pp lower to 3.8%).
    - Contrary to the flash release, INE do not explicitly mention transport prices as a downside driver this time - this makes it possible that that category drove the headline upside revision at least to some extent.

Netherlands (6% of EZ HICP in 2025) – 0530BST Tue July 1

- Analysts:
    - GS sees HICP 3.1% headline, 2.8% core
    - Barclays sees HICP 3.03% headline, 2.93% core
- Dutch services inflation will be more in focus than usual in June, as out of the 0.21pp Eurozone deceleration in the category over the last two months, about 0.09pp came from the Netherlands alone. JP Morgan note that Germany and the Netherlands may be most sensitive to Pentecost timing effects ("*a drag in May and a rebound in June*").
- Dutch services HICP was 4.37% in March, 5.97% in April and 2.80% in May. May downside in Dutch services HICP came from transport, recreation / culture, as well as restaurants and hotels categories - and looking further at the details there, especially travel-related items stood out "negatively" in May: airfares, package holidays, as well as accommodation. Volatility in these categories is not unprecedented, and has the potential to reverse in June.

Inflation swap market pricing



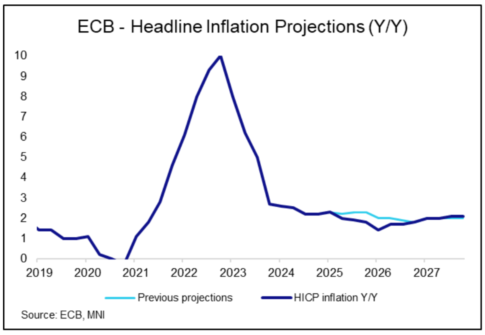
EUR traded inflation swaps have been volatile through June, tracking movements in Brent crude and natural gas markets in response the Israel/Iran conflict. After reaching a high of 1.8775% on June 23, the 1-year inflation swap has fallen back to 1.622%, with Iran's retaliatory action against US strikes avoiding key energy infrastructure, and US President Trump subsequently announcing a ceasefire between Israel and Iran. The 5y5y rate is currently 2.1313%, down from a 2.1442% monthly high.

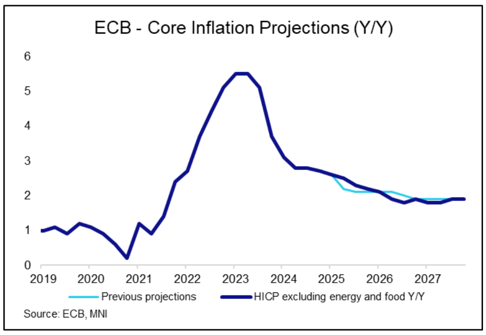
The June HICP ex-tobacco swap is currently at 194bps.

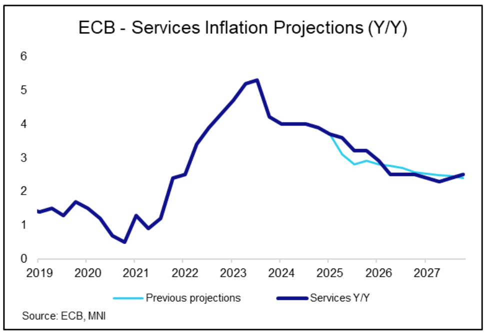
ECB Outlook (June Projections)

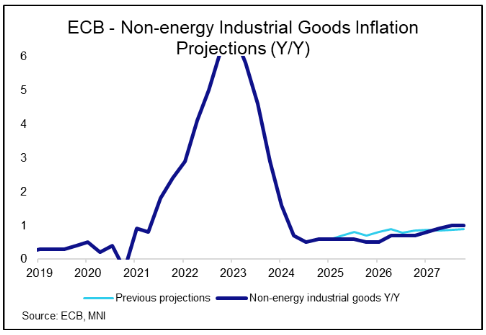
The ECB's June projection round included a notable three tenth downward revision to headline inflation in 2025 and 2026. HICP is seen at 2.0% in 2025 and 1.6% in 2026. As expected, the "downward revision for 2025 is entirely driven by energy inflation due to weaker than expected data and lower oil, gas 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 Forecasts, Consumer Survey and Corporate Telephone Survey

Highlights from the ECB's Q2 Survey of Professional Forecasters:

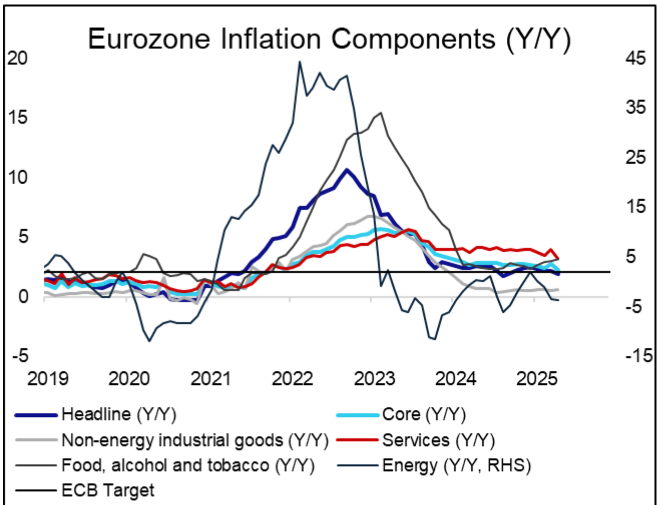
- "Expectations for headline HICP inflation were revised slightly upwards for 2025 and 2026 but remained unchanged for 2027 and the longer-term".
- "Expectations for HICPX were revised up by 0.1 percentage points for all horizons, including the longer term (to 2.0%)".
- "In this round, SPF respondents were asked two special questions on (i) tariffs and protectionism and (ii) defence and fiscal spending".
  - "In terms of baseline inflation expectations, tariffs were expected to have a small upward impact in the nearer term (2025 and 2026), while defence spending was expected to have a similar impact in the medium term (2026 and 2027)".
  - "Respondents' risk assessments for these factors largely corresponded to the direction of the impact on their baseline expectations. This suggests that respondents may have been cautious when incorporating these factors into their baselines and expressed this caution by accounting for risks in the same direction".

ECB 1-year ahead consumer inflation expectations surprisingly rose two tenths to 3.1% in April, going against the median analyst forecast of a softening to 2.8%. However, both 3- and 5-year expectations were steady at 2.5% and 2.1% respectively, so the data shouldn't be of much concern to the ECB.

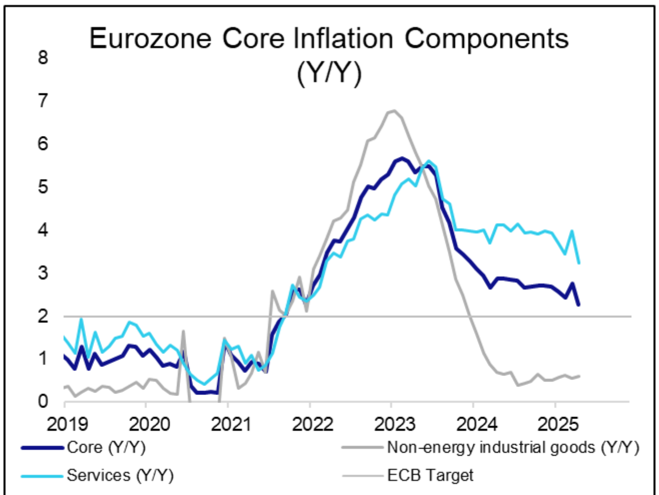
Highlights from the ECB's Q2 Corporate Telephone Survey:

- Contacts reported moderate price growth with no change in overall momentum or the short-term outlook. While price growth in the services sector still outpaced that in industry, contacts pointed to some convergence, with price rises picking up in manufacturing and waning slightly in services".
- "Contacts in the capital and consumer goods sectors generally reported a "normal" pricing environment of modest increases and stable margins, while prices for many intermediate goods were bottoming out or starting to rise from recent troughs".
- "Price growth across much of the services sector remained relatively robust. However, some contacts in travel and tourism pointed to more moderate price rises as demand growth weakened, as did contacts in some business services where customers were cost cutting or pausing investment."
- "Price growth remained subdued across most of the retail sector in a context of strong competition for market share and price-conscious consumers".
- "Contacts were increasingly confident that wage growth was moderating**.** A simple average of the quantitative indications provided would imply wage growth slowing, from 4.3% in 2024 to 3.0% in 2025 and 2.5% in 2026.
- "Contacts who had reassessed their outlook in view of actual or anticipated tariffs expected lower activity and, on balance, higher prices. The latter reflected an increasing expectation that levies imposed by the United States would result in countermeasures, including safeguards to mitigate trade diversion".
- "Some expected increased defence spending to put upward pressure on prices via higher demand for inputs of materials, components and skilled labour".

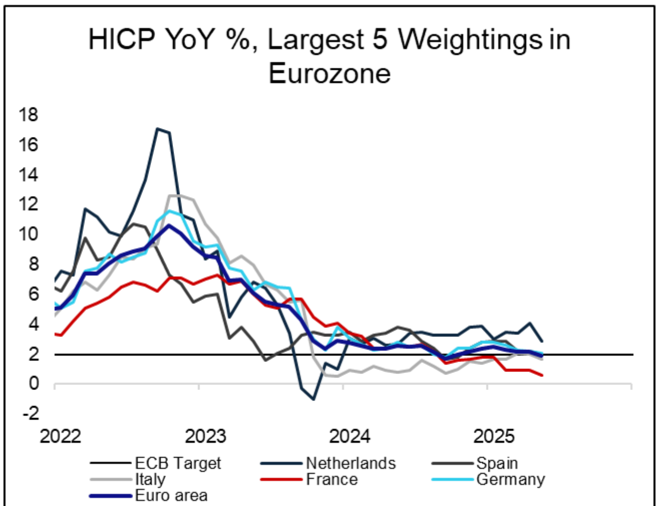
Key Eurozone Inflation Charts



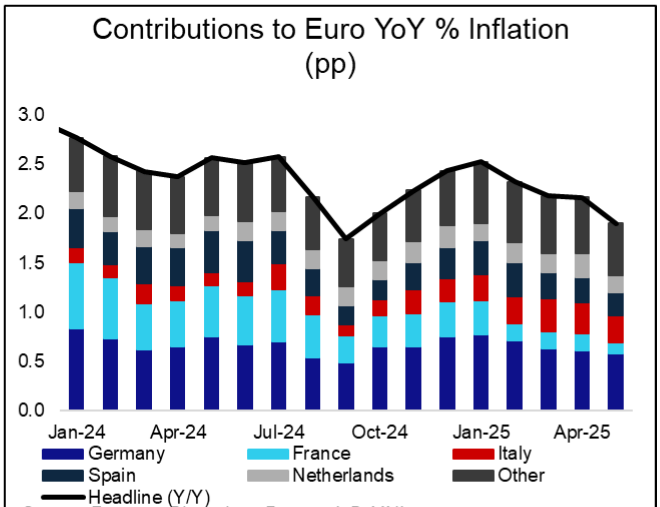
Source: Eurostat, Bloomberg Finance L.P, MNI



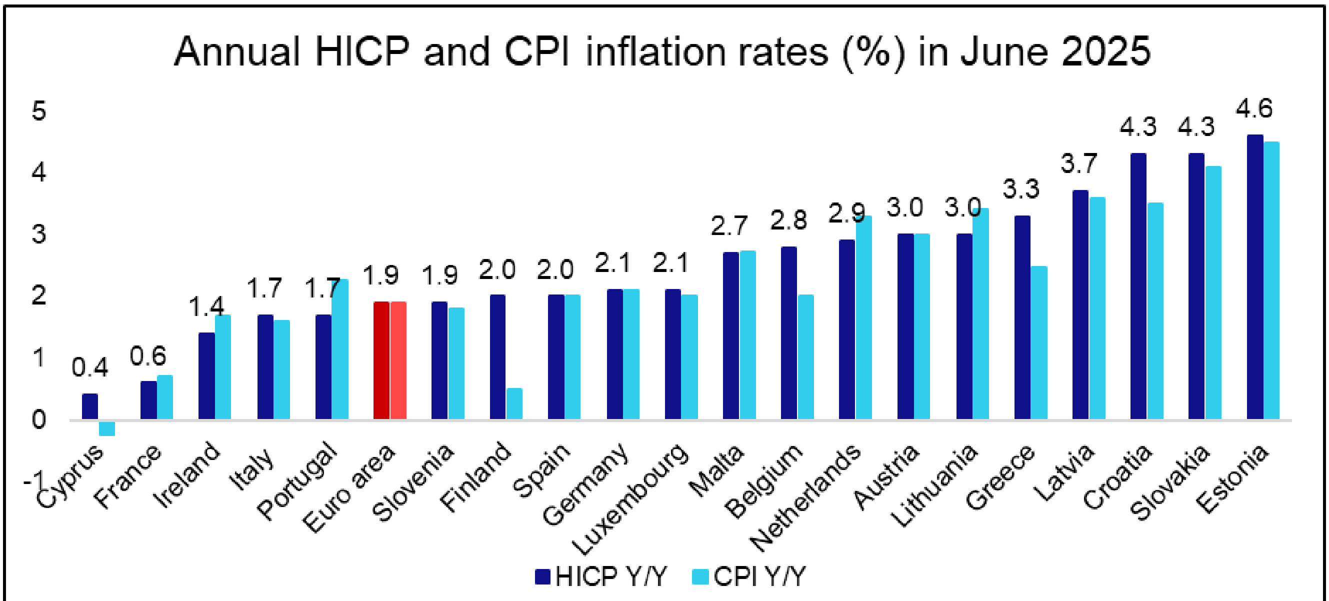
Source: Eurostat, Bloomberg Finance L.P., MNI



Source: Eurostat, Bloomberg Finance L.P, MNI

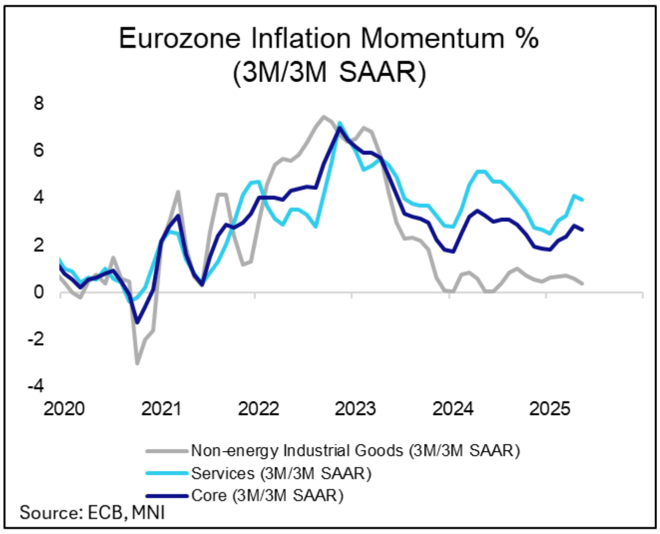


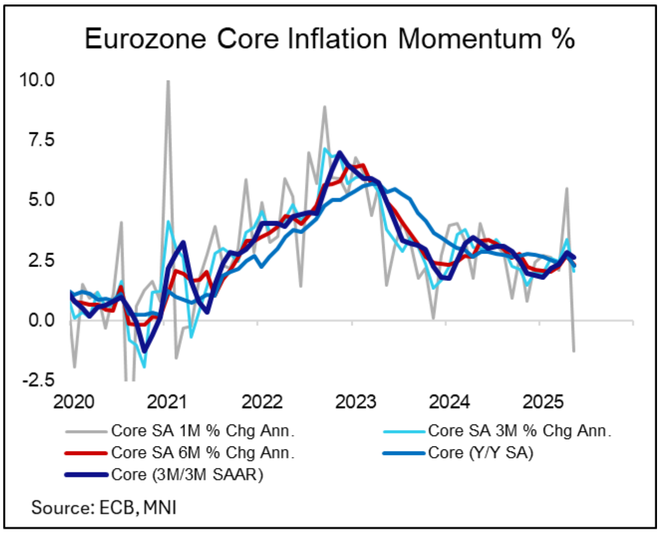
Source: Eurostat, Bloomberg Finance L.P, MNI

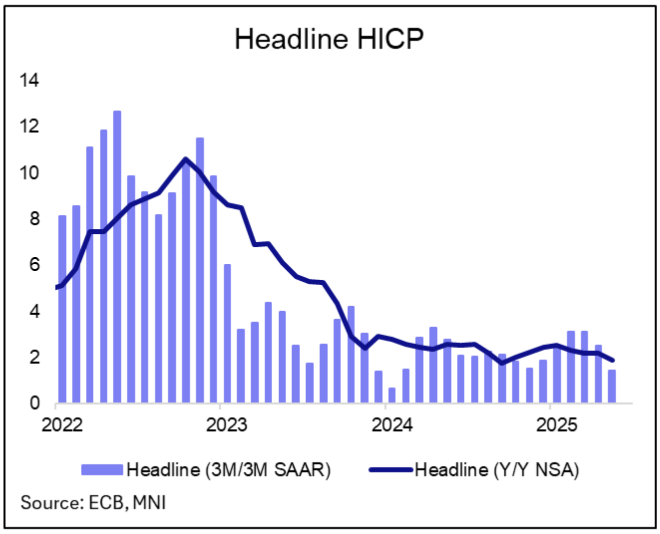


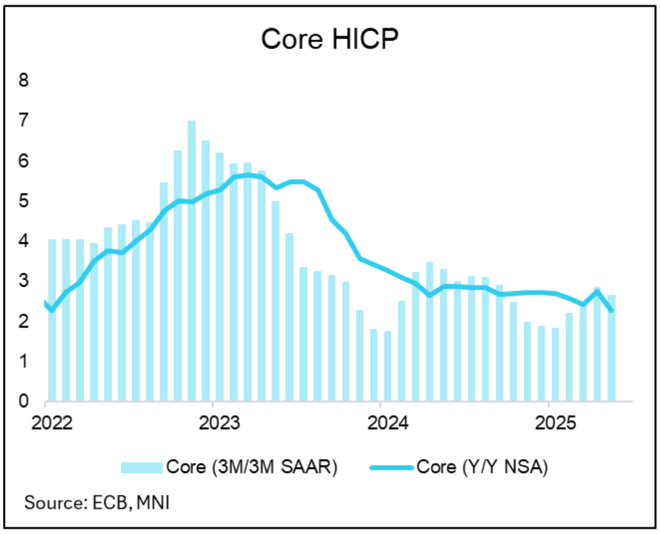
Source: Eurostat, Bloomberg Finance L.P, MNI

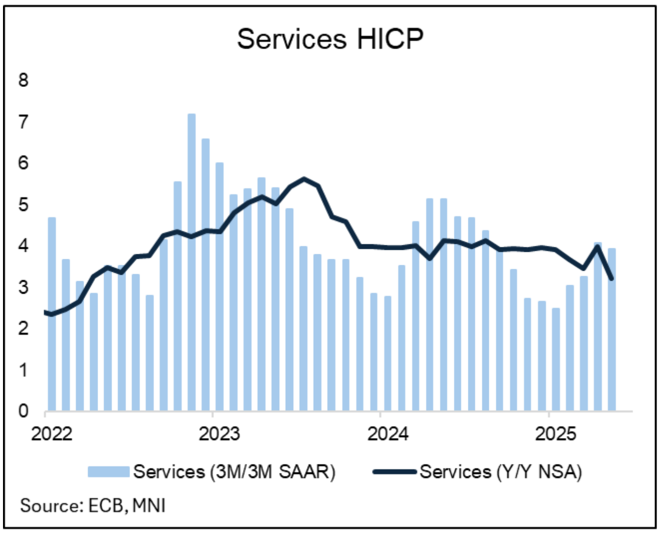
Eurozone - Key Inflation Categories % Y/Y And Momentum (On Seas Adj. 3M/3M Basis)

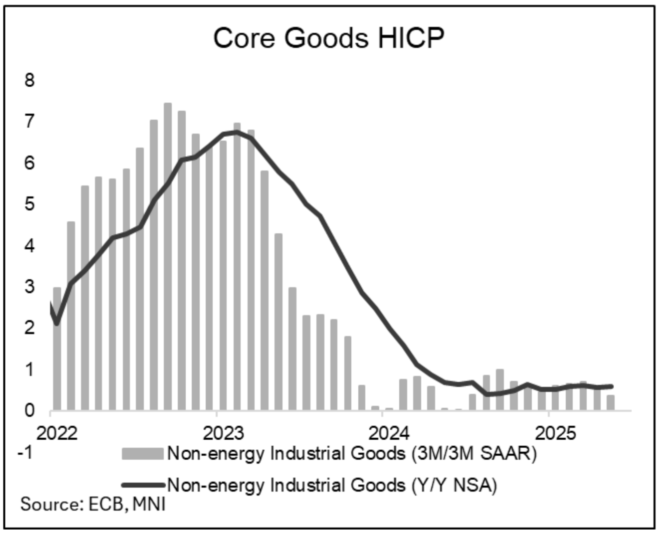




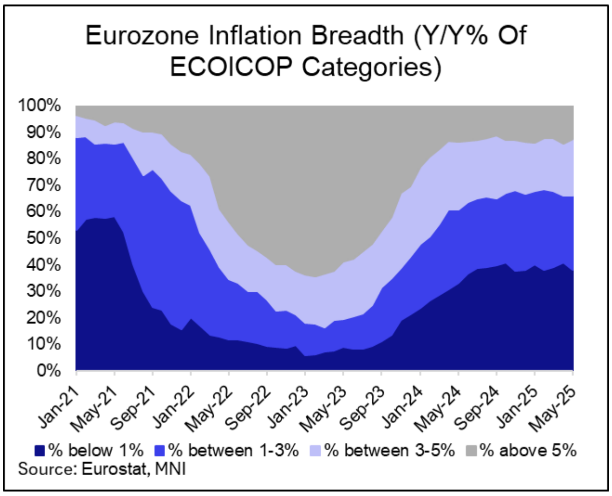


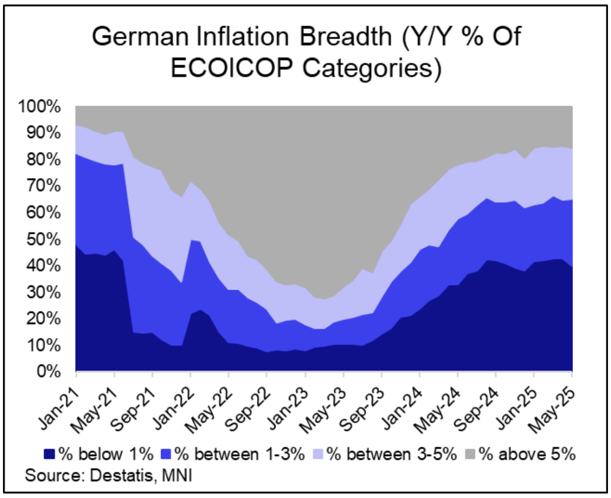


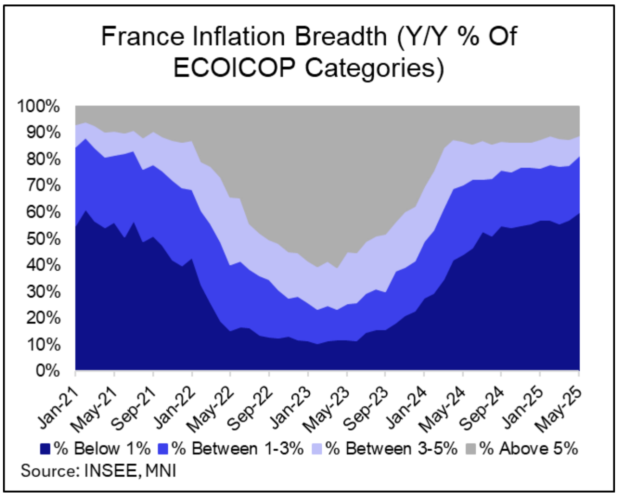


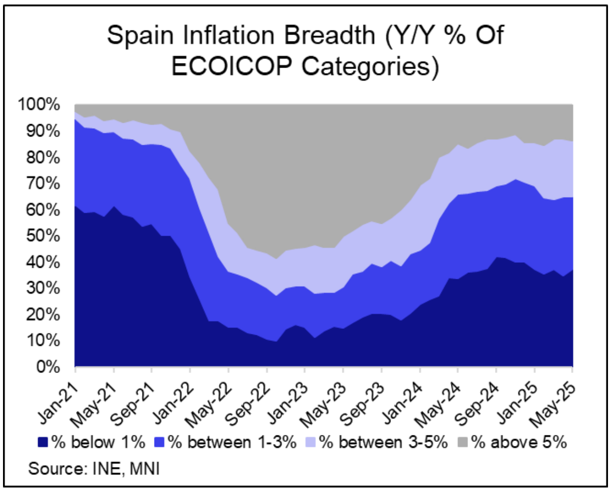


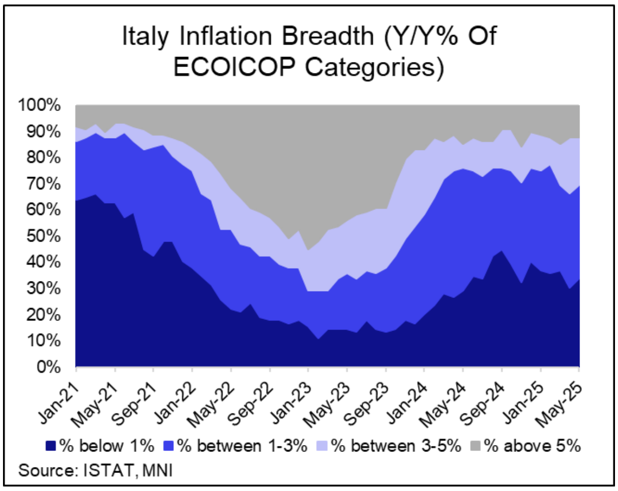
Country-Level Breadth Charts











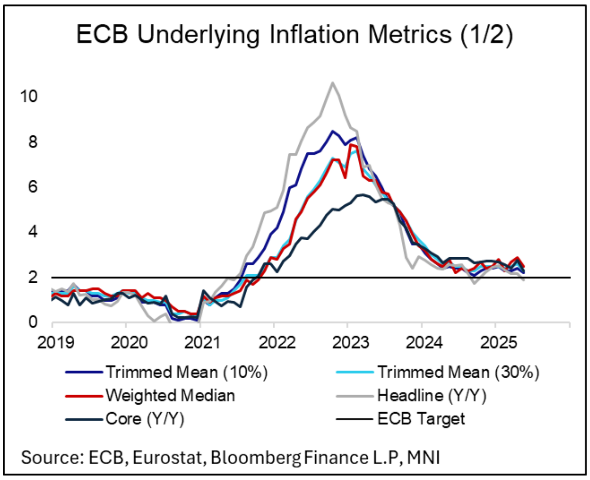
May HICP Recap: Easter Sensitive Categories Drove Services Disinflation

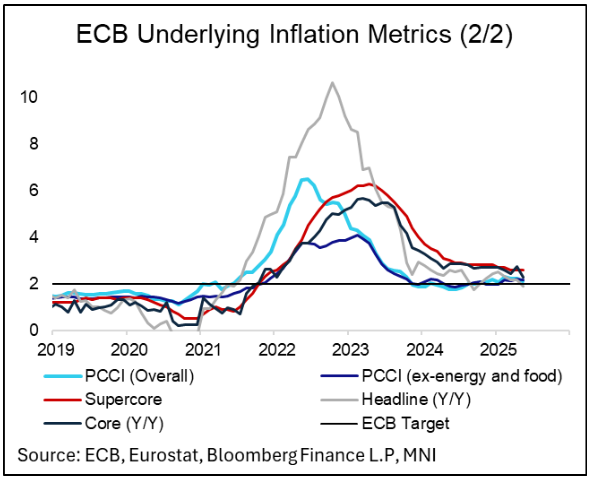
EZ HICP Revised 2 Hundredths Lower in May Final Print
Rounded Eurozone HICP headline / core inflation was unrevised in the final May release. On an unrounded basis, headline came in 2 hundredths lower than flash at 1.90% (1.92% flash) after 2.17% in April. Core meanwhile was one hundredth lower than flash at 2.28% (2.29% flash, 2.75% in April). In terms of contributions vs April, services subtracted 33bp from headline this time - more than the 24bp it added in April.

- The services category more than reversed April's unexpectedly firm print at 3.23%Y/Y (flash 3.24%), now coming in 22 hundredths softer than March (3.45% Y/Y) and also below where May consensus stood ahead of the flash data (that was around 3.5%).
- Dutch final data indicated that out of the 22bp services deceleration over the last two months, 9pp came from the Netherlands alone, and 'weakness' in May in the country was centred around volatile travel-related categories. We will look at the detailed Eurozone-level data out now and see if that also applies for the bloc as a whole.
- Other categories meanwhile were either a little lower or unchanged from flash:
- Energy was unchanged from flash at -3.57% (-3.57% flash, -3.56% April).
- Food, alcohol & tobacco (FAT) was a little lower than flash at 3.19% (3.25% flash, 2.97% April).
- Non-energy industrial goods (NEIG) came in also a little lower than flash at 0.61% (0.63% flash, 0.57% April).

Easter Sensitive Categories Drove May Services Disinflation
As foreshadowed by country-level data, the pullback in Eurozone services inflation to 3.23% Y/Y (vs 3.98% prior) was largely a function of lower airfares, package holidays and accommodation inflation (i.e. Easter-sensitive categories).

- Despite this, the ECB has expressed broader confidence around the outlook for services inflation. In the June projections, they staff noted that "In the medium term, the decline in HICPX inflation mainly relates to services inflation as post-pandemic reopening effects unwind and the as the downward impact from monetary policy tightening continues to feed through. A faster unwinding of services inflation is seen to be hindered by declining but still elevated upward pressures from labour cost developments." Services inflation is seen at 3.2% Y/Y in Q4 2025 and 2.5% Q/Q in Q4 2026.
- Indeed, the ECB's underlying inflation metrics saw a broad-based softening in May, converging slowly towards the 2% level.
- Services related to package holidays and accommodation eased to 2.84% Y/Y in May (vs 6.73% prior), the lowest since 2021. Meanwhile, services related to transport (mostly airfares) fell to 3.62% Y/Y (vs 5.74% prior).
- Other services categories saw much smaller movements on the month:
  - Services related to communication: -2.59% Y/Y (vs -1.92% prior),
  - Services related to housing: 3.28% Y/Y (vs 3.29% prior).
  - Services – miscellaneous: 3.86% Y/Y (vs 4.00% prior).
  - Services related to recreation and personal care, excluding package holidays and accommodation: 3.72% Y/Y (vs 3.74% prior).
- The ECB's seasonally adjusted data saw immaterial revisions relative to the flash release. Services prices fell 0.17% M/M (in line with flash) while non-energy industrial goods were revised down to 0.03% M/M from 0.06% initial.





Sell-Side Analyst Previews

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

JP Morgan: Core: 2.4% [Note: From June 19 Final May HICP write-up]

- "The passthrough from oil prices to consumer prices is quick (within two months). But the June flash release will be too early to see the impact of the Middle East tensions. The focus in June should be on core inflation and the payback after the Pentecost effect (a drag in May and a rebound in June). This effect should be largest in Germany and the Netherlands".
- "There is a loose relationship between Brent prices and Euro area core inflation. Changes in oil prices generally have to be large and long lasting to have a significant impact on core inflation in a direct way. Core inflation also would suffer from a negative growth hit in a world of significantly higher Brent prices. Overall, we leave our core inflation forecast unchanged for now".
- "In the very near term, the unwinding of the Pentecost effect should lift core inflation to 2.4%oya in June, before starting to decline again in July (our July forecast is 2.2%oya). Taking recent developments into account, overall this leaves our headline and core inflation forecasts at 2.0%oya and 2.1%oya in 2H25, respectively, and 1.6%oya and 1.8%oya in 2026. Our headline and core forecasts still stand a tenth lower than the 2026 ECB forecasts".

UBS: Core 2.4%, Headline 2.1%

- "Higher energy inflation (+1.1pp to -2.5% y/y) due to the recent spike in oil prices as the key driver."
- "0.1pp increase in food (to 3.3% y/y)"
- "We expect services inflation to tick up 0.1pp to 3.3% y/y, while goods inflation is likely to remain unchanged at 0.6% y/y."
- "At the country level, we expect increases across the board. Specifically, we forecast inflation to rise by 0.2pp to 2.3% y/y in Germany, +0.1pp to 0.7% y/y in France, +0.1pp to 1.8% y/y in Italy, +0.3pp to 2.3% y/y in Spain and +0.1pp to 3% y/y in the Netherlands."

Goldman Sachs: Core 2.33%, Headline 2.0%

- "Within core inflation, we expect services inflation to tick up to 3.33%yoy and core goods inflation to tick down to 0.58%yoy."
- "Notable rebound in sequential core services inflation, which we see increasing to 0.38%mom (from -0.25%mom in May), and core goods inflation printing at 0.05%mom."
- Energy -2.6%, FAT 3.1%
- Across countries:
    - Germany: core 2.8%, headline 2.2%. "services inflation to increase, driven by travel-related services rebounding after the payback from Easter seen in May. We expect package holidays to print close to 11%mom nsa, and airfares to come in at 10%mom nsa. Of the non-core components, we expect energy inflation to increase to -3.7%yoy from -4.5%yoy in May, and look for processed food inflation to stay at 3.21%yoy and for unprocessed food inflation to fall to 2.4%yoy."
    - France: core 1.4%, headline 0.6%. "both core goods and services broadly unchanged on a year-over-year basis. We expect a 7%mom nsa rebound in the airfares component, a 4%mom nsa increase in the accommodation services component but a further 4.6%mom nsa decline in package holidays. We look for energy inflation to increase slightly to -7.5%yoy from -7.6%yoy in May, with a reported 5.3% gas price decline offset by stronger liquid fuels. We expect processed food inflation to go to 1.5%yoy (from 1.3%yoy in May) and unprocessed food inflation to increase to 2.4%."
    - Italy: 2.0% core, 1.8% headline. "core services broadly stable and year-over-year core goods ticking up. We see accommodation services printing at 4%mom nsa, package holidays further developing close to their 2023 seasonality, and airfares rebounding at 14%mom nsa, with risks for a stronger print (for example, closer to the 2019 development). Of the non-core components, we look for energy inflation to tick up to -1.2%yoy from -1.9%yoy in May, unprocessed food inflation to increase to 4.4%yoy, and processed food inflation to stay unchanged at 3.1%yoy.
    - Spain: core 2.6%, headline 2.2%. "tick-up in the year-over-year core goods component and broadly stable services, with risks for a slightly stronger print. We expect a notable 11%mom nsa rebound in the package holidays component, a 9%mom nsa increase in airfares, and a 5%mom nsa increase in accommodation services. Across the non-core categories, we look for energy inflation to increase to -1.5%yoy from -3.0%yoy in May, driven, in part, by a 3.5%mom increase in electricity prices, for

processed food inflation to stay unchanged at 0.3%yoy, and unprocessed food inflation to decline to 7.4%yoy."
    - Netherlands 2.8% core, 3.1% headline. Belgium 2.2% core, 2.8% headline.
- "We look for Euro area core inflation to cool more rapidly over the upcoming months, in line with our view that wage growth completes its normalisation over the coming quarters, and that the tariff impact on inflation is likely net negative, coupled with a drag from FX."

Barclays: Core 2.31%, Headline 1.96%
- Barclays think headline will edge up "driven by a slowing in pace of energy deflation", and core will be unchanged "with services inflation edging up but core goods inflation remaining low".
- Energy -2.8% Y/Y "primarily due to base effects leading to a declaration in the pace of year-over-year fuel deflation (fuel was down 2.1% m/m NSA last June). Sequentially, we expect the fuel HICP to increase modestly at 0.3% m/m NSA as we track month-to-date pump prices at +0.1% m/m NSA in June. In contrast, we expect gas inflation to continue to decelerate"
- FAT 3.0% Y/Y "We have just revised up our profile for food inflation as early indicators such as the EC survey selling price expectations and upstream food prices are trending higher. However, even after factoring in stronger inflationary pressure we still think that recent prints likely overstate the underlying trend"
- Core goods 0.6% Y/Y "as sequential momentum should continue to move sideways. Across components, our modelling based on estimations of underlying trends predicts a slight narrowing in the gap between the inflation for durable and nondurable goods. At the same time, we expect little change in semidurable goods inflation ahead of the summer sales for clothing and footwear in July."
- Services 3.3% Y/Y "due to volatile components. Specifically, we expect upticks in transport services and package holidays and accommodation services inflation as payback for outsized price declines in May. Our forecast for transport services also factors in price discounts for train travel in Spain and price increases for train travel in Germany . Looking beyond volatile components, we expect prices for communication services to continue to fall sequentially, but not by enough to offset the effect of positive base effects. The inflation rates of other underlying services components should either ease or remain constant, consistent with the downward trend we see in underlying services momentum.

Swedbank: Core 2.31%, Headline 2.04%
- "June HICP follows from a lower-than-expected May outcome in which services prices – in particular on package holidays and transport – were subdued on a month-to-month basis. While the late Easter has distorted the usual seasonal effects, we judge there is some room for a rebound in June. However, the outlook for consumer prices remains positive and we expect inflation to continue to trend lower ahead"
- "Currently, the main uncertainty stems from the turmoil in the Middle East. As a simple rule-of-thumb, 1% higher oil prices add 0.02 pp directly to headline inflation via rising transport fuel prices. Indirect effects could potentially be as large but come with a delay and the likelihood of pass-through to other HICP categories (such as air travel and food) increases with the severity of the oil price shock"
- "High uncertainty remains but barring significant oil supply disruptions through the strait of Hormuz, we expect Brent oil prices to remain below 70 USD/barrel and support disinflation in the euro area".

Morgan Stanley: Core 2.30%, Headline 2.06%
- Morgan Stanley think that higher energy prices and services inflation edging up again should not come to a surprise to the ECB.
- Two factors on June services: "(i) a continuation of the downward trend of services excluding airfares, accommodation and package holidays, by another 10bp; (ii) a potential rebound of airfares and package holidays inflation. All in all, (ii) could offset (i) and push services inflation slightly up to 3.3%Y."
- Energy -2.3% Y/Y "lifted by the increase of oil prices since mid-June, even though retail gas and electricity prices could soften further as the pass-through from lower TTF gas prices since the start of 2025 takes time to materialize"
- Food 3.3% Y/Y "on the back of pipeline pressures"
- Core goods 0.6% Y/Y "as the seasonally adjusted momentum continues to track closely the 2024 rates, and at a low level […] Fundamentally, this reflects that core goods inflation has normalised, with limited pipeline pressures, and we expect it will hover around that rate for the coming months.
- Across countries:
    - Germany CPI 2.35% headline, "strongest upside from energy […] masks two opposing factors. Fuel prices should rise (CPI 0.8% M/M) on a steep increase in oil prices […] Prices for electricity and gas, however, are expected to soften again (CPI -0.2% M/M) reflecting the lagged transmission of

wholesale gas prices. Core inflation is expected to pick up to 2.95% Y/Y […] services CPI inflation rebounds to 3.55% Y/Y on a positive countershock from tourism-related services […] Food is the only subgroup where we expect a drop. We forecast the annual rate at 2.5% Y/Y"
    - France CPI 0.8% headline. Food inflation to reverse from May one offs, services to edge up as "the May print overstates the weakness of the momentum in services inflation", and "energy prices could be flat in June, with base effects pushing the year-on-year metric up".
    - Italy CPI 1.8% headline, core 1.9% "services inflation to continue to show some momentum vs pre-pandemic, and print at levels similar to 2024 […] we expect food inflation to rise in June, in part on the back of base effect […] energy inflation should also become less negative in June."
    - Spain HICP 2.2% headline, core HICP 2.2%, core CPI 2.1% "driving forces in this print will likely stand on the energy side. Notably, we are tracking a surge in electricity prices compared to last month, rising by around 5%M, above last year's electricity inflation (+3.5%M). […] we continue to see food inflation on its current momentum, accelerating mildly over the month and adding upward pressure on the year-on-year headline print. On the core side of things, we see a rebound in services inflation, on a month-on-month basis, albeit to a lower extent compared to last year, yielding to the decline in core inflation flagged above."

Santander: Core 2.30%, Headline 2.03%
- Services 3.31%.
- Germany 2.1%, Italy 1.6%, Spain 1.9% (core 2.1%), France 0.7% (all headline CPI)
- "Risks to our forecasts are balanced, as the unrounded numbers show. Although the acceleration of energy prices this month has been a major event, we do not expect much effect on June's print, although the medium-term risk of undershooting (as shown in the ECB's recent projection) will diminish if energy prices remain at current levels."
- "We consider the evolution of domestic risks for prices very encouraging, marking a further step in the normalisation of inflation rates and their composition. This is very good news as regards addressing the external inflation shocks described above."

Other Previews Without Core HICP Forecasts (Sorted A-Z)

Societe Generale: Headline 2.1%
- "We believe this 'Easter effect' isn't completely over yet. A late Easter pushes the Whit Monday holiday into June, so we expect a minor rebound in services inflation of 0.2pp to 3.4% yoy. Coupled with the recent pick-up in Brent, we forecast headline inflation to rise by 0.2pp to 2.1% yoy in June."
- "Fundamentals point to further disinflation: weakening wage growth, a pick-up in productivity, a stronger euro, and our expectation of falling energy prices. Taken together, we expect headline inflation to end 2025 at 1.5% and average 1.5% in 2026, as these disinflationary forces spill over into next year. Nonetheless, there are a number of risks, ranging from tariffs, geopolitical tensions, labour market tightness, and a poor harvest in northern Europe due to drought concerns. Overall, we believe the risks to our central forecast are balanced in the near term.."