

MNI Eurozone Inflation Insight – May 2025

By Moritz Arold
June 3, 2025

Key May preliminary HICP prints:

- **Eurozone:** 1.9% Y/Y (vs 2.2% prior, 2.0% cons); 0% M/M
 - **Core (Ex-energy, food, alcohol & tobacco):** 2.3% Y/Y (vs 2.7% prior, 2.4% cons); 0.0% M/M
- **Germany:** 2.1% Y/Y (vs 2.2% prior, 2.0% cons); 0.2% M/M
- **France:** 0.6% Y/Y (vs 0.9% prior, 0.9% cons); -0.2% M/M
- **Italy:** 1.9% Y/Y (vs 2% prior, 1.9% cons); 0.1% M/M
- **Spain:** 1.9% Y/Y (vs 2.2% prior, 2.0% cons); -0.1% M/M
- **Netherlands:** 3.0% Y/Y (vs 4.1% prior, 3.8% cons); -0.9% M/M

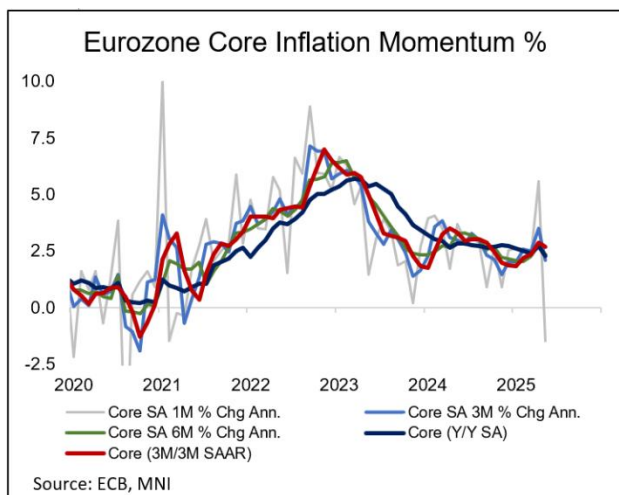
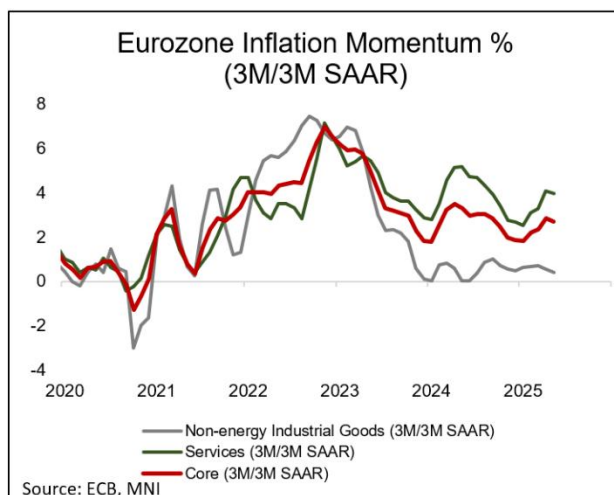
Services Y/Y Falls To 3-Year Low

Eurozone May flash HICP headline and core both printed 0.1pp below consensus expectations, at 1.9% and 2.3%, respectively. Services inflation saw a more meaningful 0.2pp 'miss' at 3.2% Y/Y, materially below April's 4.0% for the lowest reading since March 2022. The deceleration seems to have been underpinned by an "Easter Effect" unwind but a medium-term view on the ECB's seasonally adjusted data suggests that some underlying softening was also likely at play.

Across the main countries, lower-than-expected readings were observed in France (0.6% Y/Y vs 0.9% cons), Spain (1.9% vs 2.0% cons), and notably the Netherlands (3.0% vs 3.8% cons), while Italy printed inline (1.9% vs 1.9% cons) and Germany was slightly firmer than expected (2.1% vs 2.0% cons). The drag on euro area inflation from the Netherlands was of particular note, as it looks to have contributed significantly to the below-expected EZ reading.

The inflation data kept market expectations firmly for a 25bp cut at the upcoming June ECB meeting – see our full preview of the decision [here](#).

MNI published a sources story on May 30 highlighting that the upcoming ECB June meeting is set to see a lower inflation forecast for 2026, from 1.9% in March's projections to 1.7% or 1.8% in the updated round. *"Despite this downward revision, this deviation below 2% will not be considered strong enough to automatically trigger an additional rate cut beyond the June meeting, as some of the drivers of this inflation revision could reverse course given uncertainty over international trade"*, the sources piece read ([link](#)).



Services EZ HICP Lowest Since March 2022

Eurozone May flash HICP Y/Y inflation came in at 1.92%, 8 hundredths below the rounded consensus of 2.0% (vs 2.17% April) but inline with MNI's tracking estimate. On a monthly basis, Eurozone inflation came in at -0.03% (0.0% cons, 0.57% April). Services inflation stands out, seeing its lowest Y/Y rate since March 2022.

- Core HICP also printed below consensus, at 2.29% Y/Y and -0.01% M/M (2.4% cons; Apr 2.75% Y/Y, 1.02% M/M).
- Looking at the individual categories:
 - Services inflation notably decelerated to 3.24% (3.98% Apr) - this means the category more than reversed April's unexpectedly firm print, now coming in 22 hundredths softer than March (3.46% Y/Y) and below May consensus (around 3.5% ahead of the national-level data).
 - National-level data suggested that "Easter Effect" unwinds were at play here to some extent, and the Netherlands might have presented an unusually outsized negative drag.
 - Energy inflation was little changed at -3.57% Y/Y (-3.56% Apr), a little softer than consensus which we saw at -3.4% Y/Y.
 - Non-energy industrial goods, as expected, also was stable in May, at 0.63% Y/Y (0.57% Apr). Stronger Chinese exports into Europe, prompted by firmer US tariff barriers, may start to weigh on durable goods prices later in Q2.
 - Food, alcohol and tobacco inflation ticked up and was firmer than expected - the category printed 3.25% Y/Y (2.97% April, consensus was for 3.1%).
- Looking at the national-level prints, headline HICP inflation accelerated in 6 countries in May vs April despite the overall decrease in headline.

Close To Half Of Services / Core Miss Might Be Dutch-Driven

The low 3.24% Y/Y services figure from May Eurozone HICP (3.98% April, 3.45% March) poses a couple of questions about the breadth of the slowdown.

- Part of the slowdown is due to the reversal of temporary Easter effects that impacted the April data. Comparing the Y/Y May number to the Y/Y March number shows that there has been a deceleration of 0.21ppt in services CPI over the two month period.
- Dutch services HICP was 4.37% in March, 5.97% in April and 2.81% in May. A simple back-of-the-envelope calculation indicates that circa 0.09pp of the 0.21pp Eurozone services deceleration over the last two months came from the Netherlands alone.
- Barclays noted that compared to its tracking, "headline and core were also slightly softer (4bp and 9bp), primarily due to a downside surprise in the Netherlands."
- There is very little information on the drivers for this Dutch services price slowdown, and we have seen very little discussion of this from sellside analysts. The final release of Dutch HICP will be released on 12 June.

Average March-May SA Services Inflation Softer Than '23 and '24

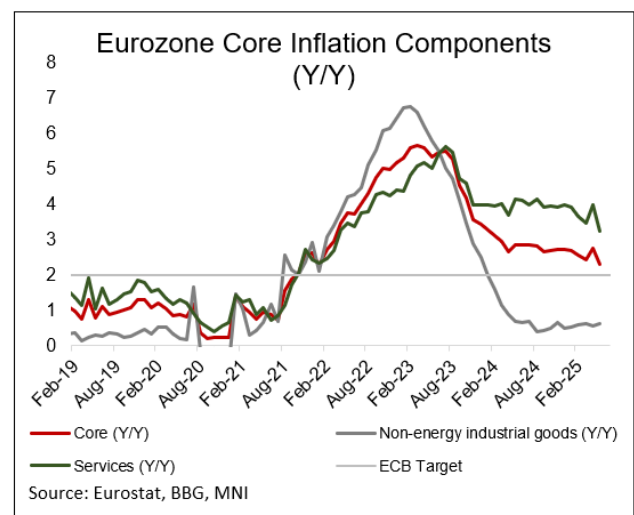
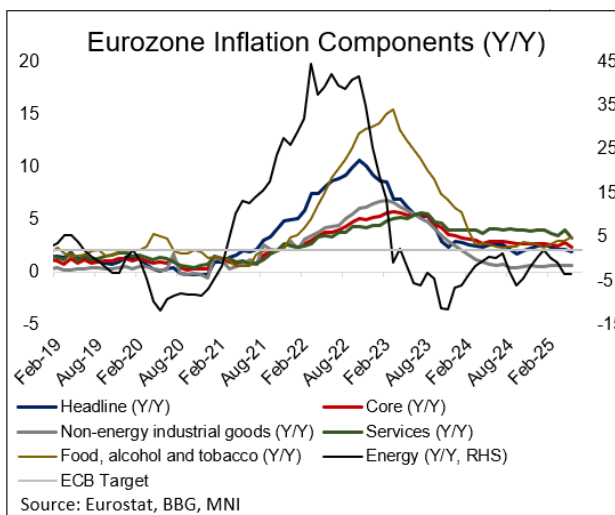
Eurozone core inflation prices fell 0.12% M/M in May according to the ECB's seasonally adjusted data, after rising 0.45% in April. Unsurprisingly, services drove the pullback, with prices falling 0.17% M/M after a 0.70% increase in April. Core goods inflation was 0.06% M/M (vs -0.02% prior).

- As implied by the country-level NSA data over the past week, the services softness was largely a function of unwinding Easter effects. However, the extent of the SA and NSA deceleration from April's levels could suggest more broad-based disinflation in non-travel-related categories. We'll have to wait for the final release on June 18 to see whether that was the case.
- Attempting to correct for Easter effects, average monthly seasonally adjusted services inflation between March-May was 0.27% in 2025. That's below the 0.41% seen in 2024 and 0.37% in 2023, providing further evidence that underlying disinflation is progressing.
- 3m/3m core inflation momentum eased to 2.70%, after 2.87% in April and 2.37% in March. Services momentum fell to 3.95% from 4.10% prior.

- Referencing the NSA data, JP Morgan write: “That core inflation in May (2.3%oya) undershot the March level (2.4%oya) may be linked to an additional distortion. The late Easter also comes with a late Pentecost this year, which also impacts short holidays in some countries (skewed towards June rather than May). This effect is smaller than the Easter effect but can be significant”.

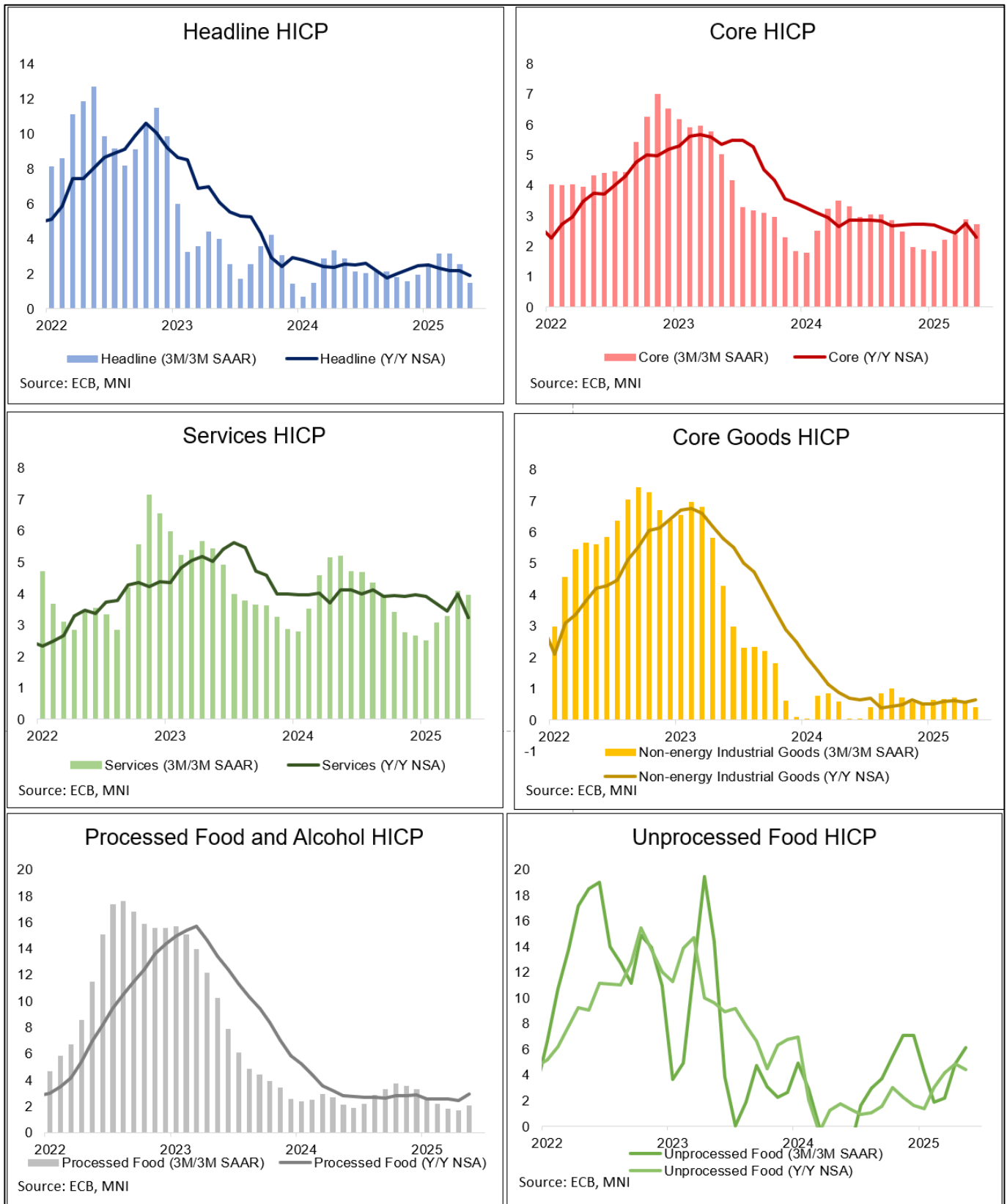
Component	Weights	Y/Y (HICP)							M/M (HICP)
	2025	May-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	May-25
All-items HICP	1000.00	2.57	2.43	2.52	2.32	2.18	2.17	1.92	-0.03
All-items excluding									
>energy	906.02	2.81	2.69	2.60	2.57	2.54	2.80	2.50	0.09
>energy, unprocessed food	863.36	2.85	2.75	2.67	2.55	2.46	2.69	2.42	0.10
>energy, food, alcohol & tobacco	712.76	2.87	2.71	2.70	2.57	2.43	2.75	2.29	-0.01
Food, alcohol and tobacco	193.26	2.58	2.62	2.31	2.66	2.93	2.97	3.25	0.47
>processed food, alcohol and tobacco	150.60	2.80	2.88	2.57	2.56	2.58	2.43	2.93	0.56
>unprocessed food	42.66	1.77	1.65	1.38	3.01	4.19	4.86	4.40	0.12
Energy	93.98	0.30	0.14	1.89	0.19	-0.98	-3.56	-3.57	-1.21
Non-energy industrial goods	256.26	0.70	0.51	0.52	0.59	0.62	0.57	0.63	0.11
Services	456.49	4.13	3.97	3.93	3.68	3.45	3.98	3.24	-0.07

Source: Eurostat, MNI. Note: Blue highlights indicate preliminary readings. HICP monthly figures are not seasonally adjusted.



[Report continues below with summary charts and national level detail]

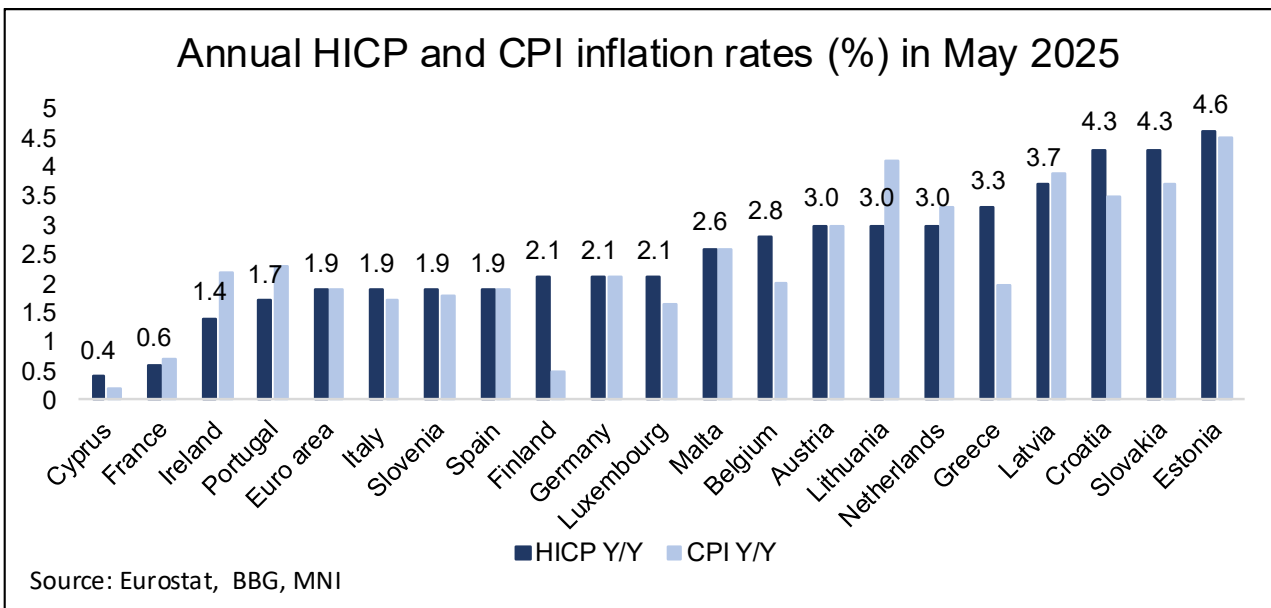
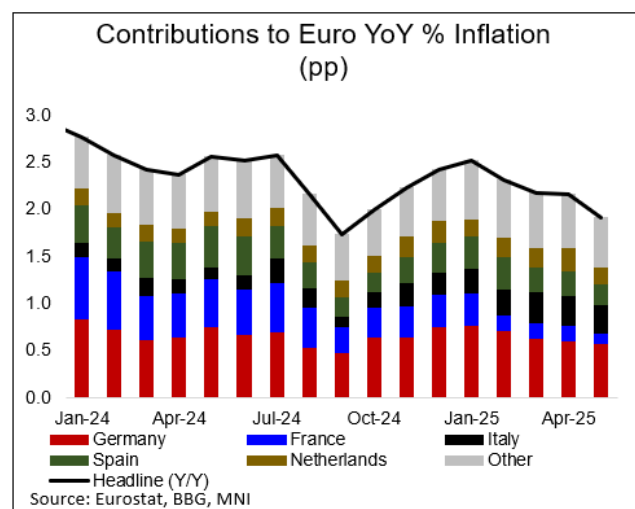
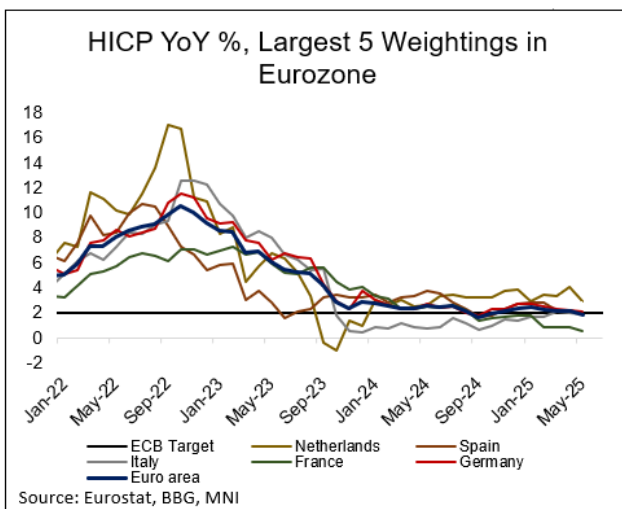
Inflation Momentum Chart Pack



National Inflation Prints

At a country level, headline Y/Y inflation accelerated in 8 of 20 countries in May compared to April. Inflation decelerated in 11 countries, and was steady in the remaining one.

- 12 countries had Y/Y rates above the ECB's 2% target, compared to 14 in April.
- Estonia had the highest Y/Y rate, at 4.6%, followed by Slovakia and Croatia, both at 4.3% (vs 4.5%, 3.7% and 3.5% prior).
- The lowest Y/Y rate was seen in Cyprus (0.4% Y/Y vs 1.4% prior), followed by France (0.6% Y/Y vs 0.9% prior) and Ireland (1.4% Y/Y vs 2.0% prior).
- See below for further details on the main individual country releases.



Germany (28% of Eurozone HICP in 2025)

- **HICP 2.1% Y/Y (vs 2.2% prior); 0.2% M/M**
- **CPI 2.1% Y/Y (vs 2.1% prior); 0.1% M/M**

German HICP came in 0.1pp above consensus in May, at 2.1% Y/Y (vs 2.2% April) and 0.1% M/M. German national-level CPI meanwhile printed 2.1% Y/Y, in line with consensus and in line with the MNI tracking estimate of 2.0-2.1% Y/Y.

- Core CPI came in at 2.8% Y/Y (2.8% MNI tracking, 2.9% prior).
- Services inflation remains the most closely watched and decelerated to 3.4% Y/Y - state-level details suggested that an easter effect unwind drove the deceleration vs April's 3.9% at least to some degree.
- Food inflation remained at 2.8% Y/Y in May.
- Energy accelerated vs April but remained negative, printing -4.6% Y/Y (-5.4% prior).

The mentioned state-level CPI data pointed towards core assumptions of analysts ahead of the release having materialized: Services decelerated to around 3.5% Y/Y (calculation based on 50% of national-level basket weighting) with transport services (e.g. airfares) likely having a negative contribution.

- On services, we see communication, recreation and culture, and education all lower than before, at -1.2 to -1.1% Y/Y, 1.2% Y/Y, and 4.7% Y/Y, respectively (-0.9%, 1.6%, and 4.8% priors). Restaurant and hotels inflation seems to have materially accelerated from April's 3.7%, meanwhile - hotel prices seem very firm in May in some states.
- The mixed-weighting transport category was lower than before, we see it around 0.6-0.7% Y/Y (1.4% prior) - amid energy having accelerated overall, this points towards lower transport services (e.g. airfares, and subsequently to an unwind of April's easter effects to some degree).
- On the core goods categories, clothing and footwear seem to have printed notably lower than before (0.2% Y/Y, which would be the lowest since July 2022 vs 1.0% prior). Looking ahead, continued downside pressure in the category might point towards Chinese rerouting of products previously targeted at the US being at play here. Furnishings and household equipment was materially unchanged, meanwhile, we see the category around -0.2% Y/Y (-0.3% prior).

France (19% of Eurozone HICP in 2025)

- **HICP 0.6% Y/Y (vs 0.9% prior); -0.2% M/M**
- **CPI 0.7% Y/Y (vs 0.8% prior); -0.1% M/M**

French HICP came in notably lower than estimated, falling to 0.62% Y/Y in May vs 0.9% consensus and 0.92% in April. National-level CPI also came in lower, at 0.67% Y/Y (0.9% cons; 0.82% April).

- Looking at national-level CPI, services inflation slowed down to 2.11% Y/Y (2.39% April), with transport services and communications behind the lower print according to INSEE; ahead of the release, analysts expected a decent reversal transport services due to air fares.
- Energy CPI dropped further into deflationary territory, at -8.11% Y/Y vs -7.77% in April.
- Manufactured goods CPI meanwhile was little changed at -0.23% Y/Y (-0.17% April).
- Food CPI accelerated a little, to 1.34% Y/Y vs 1.24% April.

Italy (16% of Eurozone HICP in 2025)

- **HICP 1.9% Y/Y (vs 2% prior); 0.1% M/M**
- **CPI 1.7% Y/Y (vs 1.9% prior); 0% M/M**

Italian flash May HICP inflation was in line with consensus at 1.9% Y/Y (vs 2.0% prior). The index excluding food, energy alcohol and tobacco eased three tenths to 1.9% Y/Y (vs 2.2% prior), driven by services.

- Services inflation was 2.9% Y/Y (vs 3.4% prior), almost fully unwinding April's Easter effect-induced bounce. Restaurants and hotels eased to 3.4% Y/Y (vs 3.9% prior) while recreation and culture dipped to 1.1% Y/Y (vs

1.3% prior). Transport inflation (which includes the volatile airfares category that was expected to drag on HICP this month) was -1.9% Y/Y (vs -0.9% prior).

- Non-energy industrial goods inflation ticked back up to 0.5% Y/Y (vs 0.3% prior) .
- Following April's electricity bill subsidy-driven fall to -0.7% Y/Y (vs 2.7% prior), energy inflation dipped again to -1.8% Y/Y. This appears larger than some analysts had pencilled in.
- Food inflation accelerated to 3.5% Y/Y (vs 3.0% prior), driven by processed foods (3.2% Y/Y vs 2.4% prior).

Spain (11% of Eurozone HICP in 2025)

- **HICP 1.9% Y/Y (vs 2.2% prior); -0.1% M/M**
- **CPI 1.9% Y/Y (vs 2.2% prior); 0% M/M**

Spain's May preliminary HICP came in a tenth lower than expected on the yearly rate at 1.9% Y/Y (vs 2.0% cons; 2.2% prior) and the sequential reading at -0.1% M/M (vs 0.0% cons; 0.6% prior). The national CPI also came in 2 tenths below expectations on the yearly rate at 1.9% Y/Y (vs 2.1% cons; 2.2% prior) and a tenth below on the sequential comparison at 0.0% M/M (vs 0.1% cons; 0.6% prior).

- Core CPI (not HICP) came in below expectations, also, at 2.1% Y/Y (vs 2.2% cons; 2.4% prior).
- The headline rate was driven lower by leisure and culture prices, as well as transportation costs (to a lesser extent), INE adds. Electricity also contributed negatively to the Y/Y rate in May.
- Overall, there is little colour in the release, so for full detail we will have to await the final data. However, with both headline and core coming in below expectations overall this appears soft.

Netherlands (5.8% of Eurozone HICP in 2025)

- **HICP 3% Y/Y (vs 4.1% prior); -0.9% M/M**
- **CPI 3.3% Y/Y (vs 4.1% prior)**

Dutch flash HICP inflation dropped to 2.95% Y/Y in May, down from 4.14% in April and notably softer than the 3.8% consensus estimate (which only consisted of 5 analysts). This equates to a 0.85% M/M sequential drop (-0.2% cons). The headline decrease was services-driven: The category fell to 2.81% Y/Y, more than making up for April's jump to 5.97% for the lowest rate since March 2022.

- There are no further details on services in the flash data - so we will have to await the final release to assess how much this was driven by one-offs (*Easter Effect* reversals could be observed in other countries) but the drop here remains notable.
- Non-energy industrial goods meanwhile remained comparatively little changed, printing 1.75% Y/Y (vs 1.55% prior).
- Inflation in food, alcohol and tobacco continues to be elevated in the Netherlands, at 7.01% Y/Y in May (vs 7.16% prior).
- Energy inflation accelerated to -1.08% Y/Y (-3.22% prior), sequentially, prices fell (-0.65% M/M).
- The national CPI meanwhile also dropped off (3.3% vs 4.1% prior, no cons).

Belgium (4.0% of Eurozone HICP in 2025)

- **HICP 2.8% Y/Y (vs 3.1% prior); -0.1% M/M**
- **CPI 2.01% Y/Y (vs 2.5% prior); -0.16% M/M**

Belgian May flash HICP inflation was 2.8% Y/Y, down from 3.1% in April for the lowest reading since January 2024. Annual CPI inflation eased to 2.01% (vs 2.55% prior), while CPI ex-energy and unprocessed foods decelerated to 2.59% Y/Y (vs 2.82% prior).

Looking at the major sub-components on a CPI basis:

- Services inflation eased to 3.65% Y/Y (vs 3.96% prior) despite an uptick in rent inflation to 3.60% (vs 3.51% prior). Airfares saw a -13.8% Y/Y reading, meaning the transport component pulled down headline inflation by 0.49pp.
- Food inflation was 2.04% Y/Y (vs 2.48% prior).

- Energy inflation was -1.10% Y/Y (vs +0.95% in April and 5.48% in March). On a monthly basis, there were declines in natural gas (-6.2%) and electricity (-4.0%), which pulled down respective annual rates. Fuel inflation was -9.9% Y/Y.

Austria (3.4% of Eurozone HICP in 2025)

- **HICP 3% Y/Y (vs 3.3% prior); -0.1% M/M**
- **CPI 3% Y/Y (vs 3.1% prior); -0.1% M/M**

Austrian HICP flash inflation eased by 0.3pp to 3.0% Y/Y in May along with -0.1% M/M.

- CPI headline inflation also dipped -0.1% M/M although saw a steadier moderation of 0.1pp to the same 3.0% Y/Y.
- CPI details:
 - "Services remain the main driver of inflation with prices rising by 4.4% Y/Y - still strong, though slightly less than in recent months [4.8% April]. Prices for industrial goods saw only a slight increase of 0.8% [0.9% April]", the statistics office adds.
 - "Food, tobacco and alcohol also saw an above-average price increase of 3.3% [3.2% Apr]. In contrast, energy prices rose by just 1.3% [0.7% Apr], below the overall inflation rate. This was largely due to significantly lower fuel prices compared to the previous year, which offset the impact of higher electricity costs."

Portugal (2.5% of Eurozone HICP in 2025)

- **HICP 1.7% Y/Y (vs 2.1% prior); 0.7% M/M**
- **CPI 2.3% Y/Y (vs 2.1% prior); 0.4% M/M**

Portugal HICP decelerated to 1.7% Y/Y in May, 0.4pp below April's print and the lowest yearly rate since September 2021. However, the national CPI measure ticked up to 2.29% Y/Y from 2.10% in April.

- HICP and CPI Y/Y trending directionally opposite to each other is unusual in Portugal (see chart below) but there are no details published re HICP in the flash release.
- CPI excl. unprocessed food and energy accelerated by 0.12pp to 2.26% Y/Y. It's a second consecutive acceleration from the 1.88% Y/Y in March but it is relatively modest compared to the 2.81% Y/Y in December.
- Energy CPI was little changed at 0.10% Y/Y (-0.10% April).
- Food price inflation accelerated, with unprocessed up from 3.25% to 4.07% Y/Y and processed from -0.17% to 1.16% Y/Y.

MNI SOURCES: ECB Set To Lower 2026 Inflation Projection

May 30, 2025

The European Central Bank is likely to lower its inflation projection for 2026 to 1.7% or 1.8% in its June exercise, one or two tenths below the 1.9% seen in March, Eurosystem sources told MNI, adding that there could be a pause in rate cuts after a further 25-basis-point reduction next week.

"I certainly think we will have an average rate of 1.8% for 2026, but the risk must be on a degree lower, so 1.7% can't be ruled out," one official said, pointing to the decline in energy costs and euro appreciation, but adding that the implications for prices from realised inflation, together with wages, risks to growth and the outlook for fiscal spending, are probably broadly balanced.

Despite this downward revision, this deviation below 2% will not be considered strong enough to automatically trigger an additional rate cut beyond the June meeting, as some of the drivers of this inflation revision could reverse course given uncertainty over international trade, sources said.

"A couple of tenths depend on energy prices and euro appreciation, that could change again," one of the sources said, referring to the extent of the 2026 inflation downgrade, and adding that a rates pause was likely in July, though that a resumption of cuts in September could be justified if June's projections are confirmed in that month's exercise.

BALANCED RISKS

Inflation risks are more balanced than it may seem and not necessarily skewed to the downside, the source added, noting that this will determine whether the easing cycle ends in June or extends further. (See [MNI INTERVIEW: Risk Rising Of Sub-2% ECB Rates-Malta's Demarco](#))

"I think we will largely look through it, for now at least, with the uncertainties into 2027 probably enough for now at least to give pause to assume we are close to terminal rate," another source said, regarding the 2026 projection downgrade.

Inflation which comes below the 2% target for a quarter or slightly longer in 2026 could help to dampen some of the pick-up in medium-term inflation expectations seen in recent months, he said, adding that the projections could allow for an additional cut at some point beyond June.

"Plenty of opportunity to cut to 2% in June, as I have fully expected, with a degree of flexibility to cut once more if, and it is still an if, we see the need," he said. The inflation projection for 2027 is likely to be lowered to 1.9% from March's 2%, another source said, adding that he did not think the cuts to the inflation projections would pressure the ECB into speeding up easing.

"No doubt the 2026 headline projection will be lower than in March. We've pencilled in 1.8% for 2026 and 1.9% for 2027, but I could easily see those numbers come in at 1.7% and 2%, as the risk on a lower number is certainly currently tilted to next year," the source said.

"Given the likely move back towards the target in 2027 and the fact much of the reasoning behind a lower headline rate could easily reverse, policymakers can afford to look through the projection for now." (See [MNI SOURCES: Risks Tilt To Downside As ECB Mulls Path Below 2%](#))

STICKIER CORE

Projected core inflation is seen as stickier, with an upward revision of one or a couple tenths versus March, though actual May data is likely to see core inflation fall to 2.5%, backing the data-dependent and meeting-by-meeting approach outlined by the ECB. Despite the upward revision of core for this year, the number is also seen falling to 1.8% or 1.9% in 2026, compared to the 2% seen in March, sources said. An ECB spokesperson declined to comment.