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# Graph of the week – Inflation wave recedes in the eurozone, rises in the US



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### In this article:

Looking for more moderate services inflation

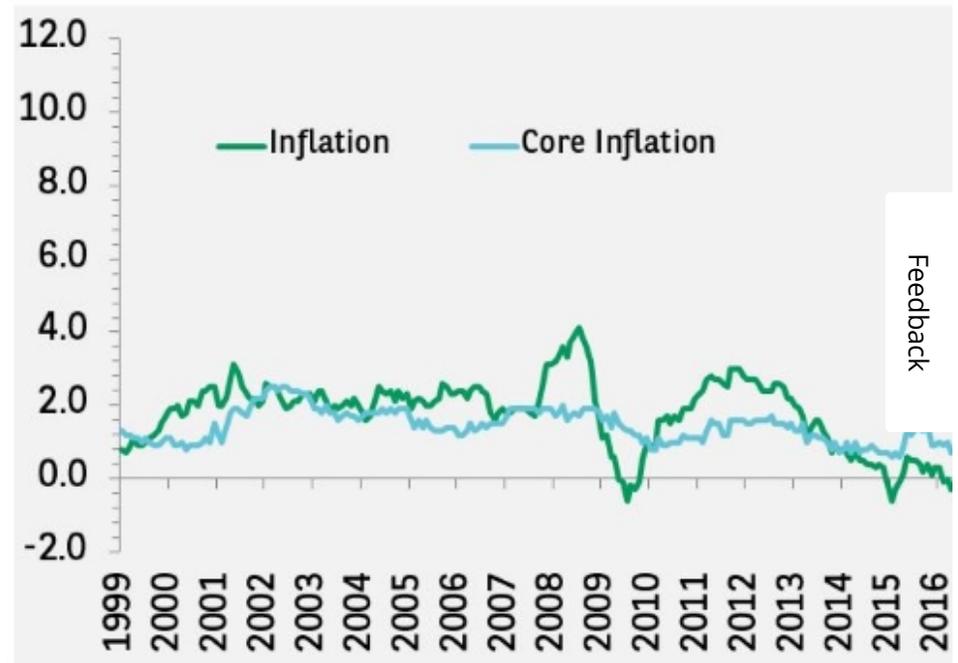
US inflation rises again



The **latest data** shows weaker eurozone inflation in March with 2.4% year-on-year, below the consensus forecast of 2.6%. Core inflation is lower than anticipated at 2.9% YoY versus a consensus forecast of 3.0%.

### Exhibit 1 - Eurozone inflation is falling faster than Harmonised Index of Consumer Prices for the eurozone

Year-on-year changes



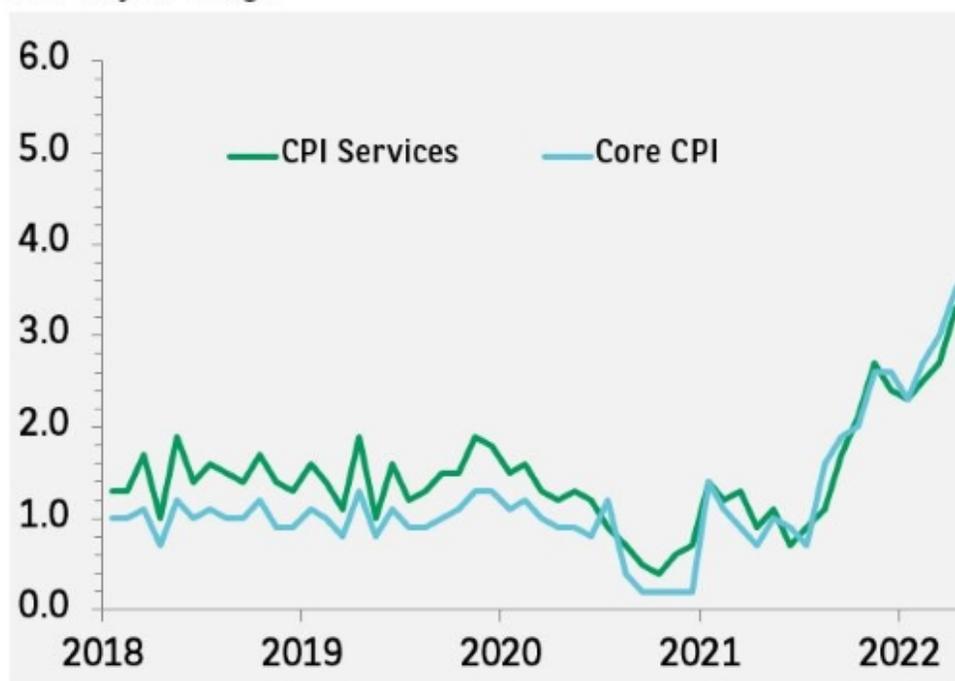
CPI: Consumer price index - Data as at 05/04/2024 Sources: Bloomberg, BNP Paribas Asset Management.

The main reason for the fall is a drop in core goods inflation, which the European Central Bank's (ECB) focus – remained stuck at 4.0% YoY in March. There is, however, an 'Easter effect': this sustained services inflation should partly reverse in April.

## Exhibit 2 - Eurozone services sector inflation is st

### Harmonised Index of Consumer Prices for the eur

Year-on-year changes



CPI: Consumer price index -

Data as at 05/04/2024 Sources: Bloomberg, BNP Paribas Asset Management.

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## Looking for more moderate services inflation

ECB President Christine Lagarde has laid a lot of emphasis in recent speeches on the importance of seeing services inflation clearly rise. It was a surprise that the ECB held policy rates steady on 11 April. At the time, it was considering a cut at its meeting in June.

The ECB said its benchmark deposit rate would stay at 4 % until core price pressures had stabilised.

Before the June meeting, policymakers will receive inflation data for the first quarter, negotiated wages, alongside a host of other activity data to provide no obstacle to a June rate cut.

## US inflation rises again

The future trajectory of ECB policy rates, however, became a bit showed a 3.5% increase in US consumer prices compared to May compared with forecasts of a 3.4% rise. US core inflation also ex price pressures in services sectors such as healthcare and car in

Markets responded to the US inflation data by reducing the prot term Federal Reserve rate cuts, with now only a 50% likelihood c

Developments in the US led markets to also scale back their exp cuts the ECB would make over the course of the year. Some euro want to avoid cutting rates much more aggressively than the US over weakening the euro and so stoking (imported) inflation.

President Lagarde, however, emphasised in her latest press conf 'Fed dependent'.

In our view, a cut in June looks likely, but with subsequent monet much dependent on subsequent economic data.

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