Euro zone: inflation continues to accelerate

06 décembre 2021


Chart of the week

The early release of Euro zone inflation figures shows a further acceleration in inflation. The year-on-year change in the headline index reached 4.9%, exceeding the 4.1% of the previous month and the peak of July 2008. OECD data shows that this is the highest level of inflation since the early 90s. The +2.6% change in prices excluding food and energy is also the highest since the creation of the Euro zone.
OUR ANALYSIS

The sharp acceleration in energy prices since August has pulled inflation higher, but the dynamics are more global. The price components of the European Commission’s surveys are all at historical highs. Similarly, the detail of producer prices shows a generalization of upward pressure beyond the energy and consumption sectors. Capital goods prices are rising at their fastest pace since at least the early 90s. While the Fed has dropped the term “transitory” to characterize the current inflation surge, the ECB is maintaining that label. However, it is increasingly unlikely that inflation will land far below 2.0% at the beginning of 2022, although the very high figure for January 2021 will no longer be taken into account (this statistical anomaly was linked to the return of the German VAT to its normal level).

See also: https://lazardfreresgestion-tribune.fr/en/pharmaceutical-sector-a-victim-of-covid/

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The following opinion was written on December 02, 2021 and is susceptible of changing.

Sources: Bloomberg, and calculation from Lazard Frères Gestion

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