Euro area inflation

01 September 2026

Core moving sideways, new ECB projection more important for policy response

The August inflation report paints a picture of broadly sideways movement in core inflation, similar to what we have seen in the past few months. We do not believe this report will have material impact on the next policy decision, as a rate hike is essentially a done deal (September 10). So far, there are few signs of indirect effects from higher energy prices. However, we believe that current high level of energy prices and how these will be incorporated into new ECB forecasts will be of greater importance.

Key points

- Energy key driver in August
- Food prices unchanged, the fourth consecutive monthly reading lower/unchanged
- Core goods prices continue moving higher, a trend we have seen during 2026

August HICP 3.3% y/y (SEB 3.4%, cons. 3.3%) and core HICP 2.4% y/y (SEB 2.5%, cons. 2.5%).

Core inflation remains elevated – but the drivers are shifting

Euro area core inflation remains elevated, although the August print was a bit lower than generally expected. For now, we view core inflations as moving broadly sideways, without any clear trajectory. However, looking back at 2026 we have seen the driving forces shifting somewhat, with service inflation slowing somewhat, while core goods inflation has continued to edge higher.

Looking at the outright numbers, however, the main reason behind the elevated numbers is still service inflation which runs more than 1pp higher than historic metrics. The rise in the underlying trend for goods is due to a wide range of goods turning higher such as ICT, medical and recreational goods (up until July). While one cannot rule out any spillovers from higher transportation costs, we judge this trend to have started before energy prices took off in March. We therefore keep our view that so far, there is little evidence of large-scale indirect effects from higher energy prices on other goods or services.

Energy prices remain high and elevated product-market margins are pushing inflation higher than would be implied by crude oil prices alone. Over the past month or so, natural gas prices have risen sharply and will add further upward pressure although parts of this will be transferred with a time lag. This also increases the risk of surging electricity prices moving into the winter.

Food prices were flat month-on-month and, although it displays the strongest reading over four months, food prices have been a general counteracting force for most of 2026. However, upward risks are evident on the back of the European drought. While the situation looks stressed in parts of Europe at the moment, last year's record harvest should be a counteracting force. For processed food we expect the upward risks to be more of a 2027 phenomenon than something that will materialize this autumn. We also note the continued downward trend in PPI numbers, suggesting that there are no signs in short term indicators as of now, next to sharply higher commodity prices. For unprocessed food, however we believe price increases will appear later in the autumn.

Don't change the policy response, new projection more important

Today's numbers will have limited impact on the ECB's policy response. Although the number was slightly lower than the last ECB Staff projection it should not be overstated.

As the August numbers show a similar picture as previously, we judge the new Staff projection and in particular in what way energy prices will be incorporated in the new inflation projection to be of greater importance.

Euro Area inflation

Eurostat flash vs SEB and ECB forecast

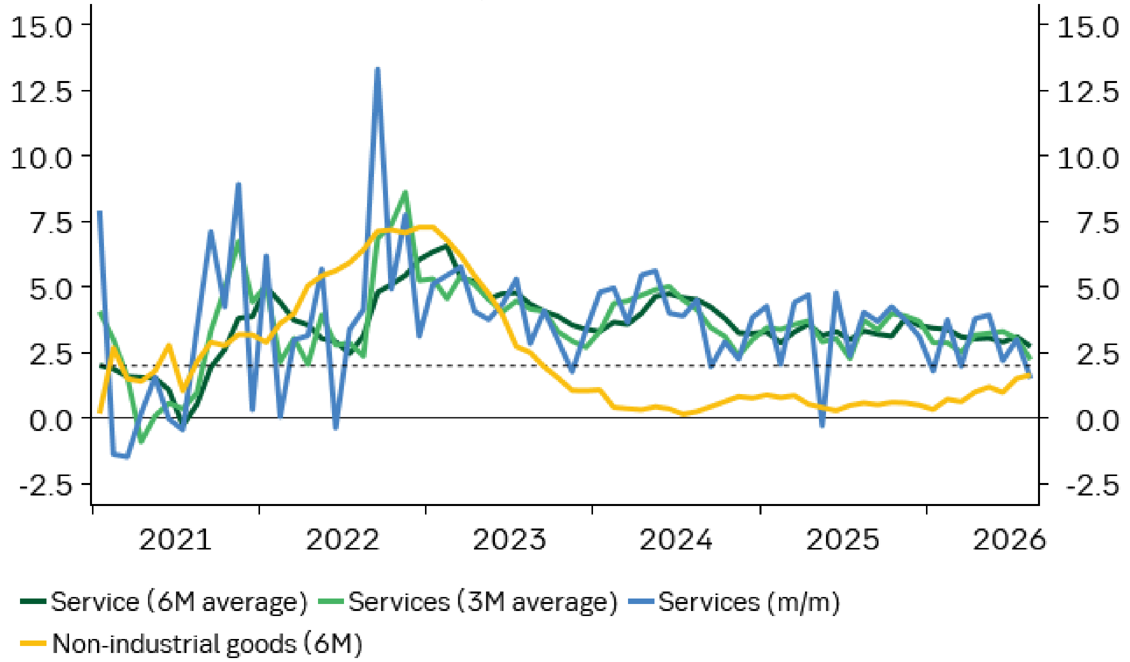
August 2026	Actual m/m	y/y	prev.	SEB m/m	y/y	ECB* y/y	Ave** yy
Total HICP	0.4	3.3	2.9	0.6	3.4	3.4	1.7
Core HICP	0.2	2.4	2.5	0.3	2.5	2.5	1.4
Non-energy industrial goods	0.6	1.2	0.9	0.3	1.0	1.0	0.6
Services	0.1	3.0	3.3	0.3	3.3	3.3	1.9
Food	0.0	1.2	1.2	0.2	2.6	2.5	2.1
Energy	2.9	14.3	10.3	3.2	14.6	12.5	3.1

*ECB refers to the quarterly midpoint. ** Average 2001-2019.

Source: Macrobond and SEB

Euro area inflation momentum

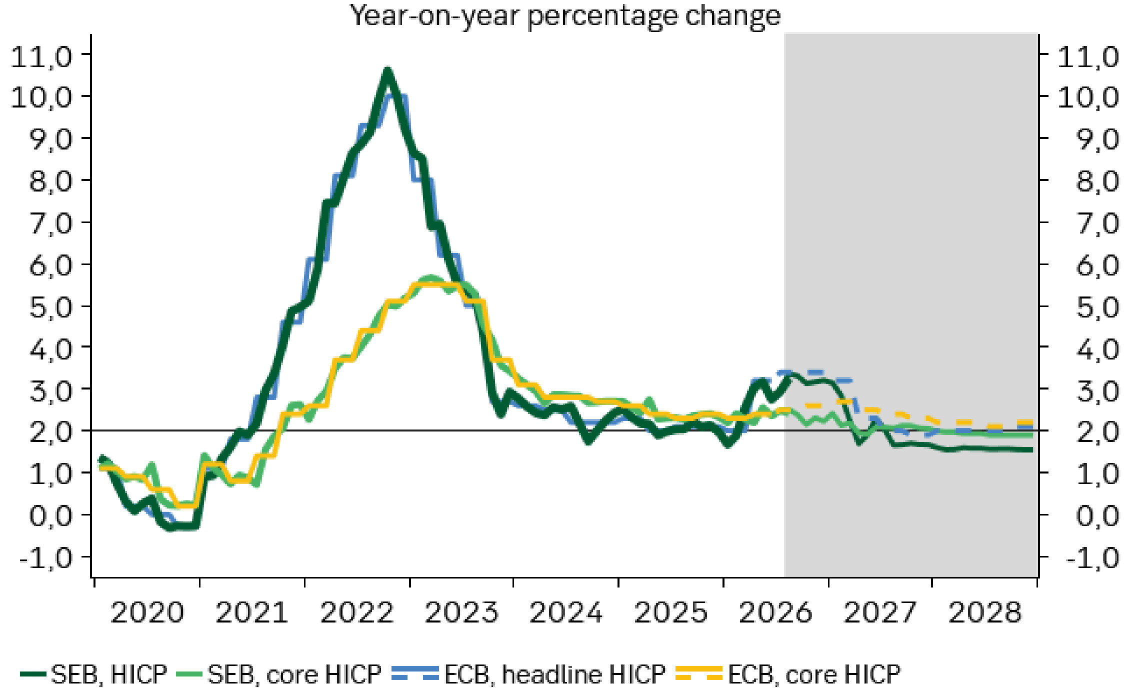
Per cent, annualised numbers



Source: Eurostat, Macrobond, SEB

Euro area inflation

Year-on-year percentage change



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