Euro area inflation

02 October 2026

Elevated core inflation, but big test still ahead of us

Both headline and core HICP remain elevated, but core inflation has moved broadly sideways for most of 2026. We continue to see little evidence of adverse spillovers from elevated energy prices, and the rise in core goods prices are attributed to other driving forces. The big test for projections when it comes to indirect effects due to high energy prices still lies ahead of us.

September HICP 3.8% y/y (SEB 3.5%, cons. 3.7%) and core HICP 2.5% y/y (SEB 2.4%, cons. 2.5%).

Key points

- Broader energy prices key driver, little evidence of spillovers
- The longer trend of higher core goods prices continues
- Perhaps the first sign of rising food prices.

Elevated headline and core but still in line with the ECB staff projections

The October inflation report confirms the trends shown in previous national wide data releases. Headline HICP continues rising as high energy prices now have broadened from fuel to home energy prices like natural gas and electricity. As was the case in 2021/2022 contract structure and methodology differences will widen the spread from a cross-country perspective.

More importantly, core inflation remains elevated but in the past few months it has been more of a sideways movement, averaging around 2.4%. The October readings for both headline and core HICP are in line with the ECB Staff projections from September.

The 2026 core trend continues

While core inflation has moved roughly sideways in 2026 the underlying trend has been gradually higher for core goods prices while there has been a softening of the elevated service prices. While the latter is due to somewhat softer demand and wages, the former is partly explained by a trend of higher ICT and medicine prices, a trend which started already at the beginning of this year.

We would also like to remind readers that service prices have been erratic over the past few years. Our impression is that this partly reflects changes in the seasonal pattern, and we have therefore preferred to assess the full set of August-November period before drawing any firm conclusions. The decline in September service prices this year was less than in the past few years but in the lower range taken by a longer historic metric. Hence, we await details to give more insight into this.

Test of spillovers still ahead of us

The key issue from a monetary policy perspective is any adverse spillovers from higher energy prices to a broader range of prices. These indirect effects normally happen with an extensive time lag. We and the ECB have the same profile for these indirect effects, and they start appearing by the end of this year and mostly during H1 2027. Hence, the test for how strong this effect will be is still ahead of us. Hence, up until October the narrative of little evidence of indirect effects remains.

Food prices are still on the soft side

During the September ECB Press conference, President Lagarde highlighted that the ECB had been surprised by developments in food prices. It is plausible that unprocessed food prices would respond more quickly to high energy prices and other supply-side disruptions. However, after several years of declining global food prices, the downward pressure on consumer prices appears to have been stronger—or it may still be a question of timing.

We continue to see relatively subdued food price developments, although we acknowledge the relatively large rise in unprocessed food prices in Italy. Indeed, the euro area as a whole recorded its first increase in overall food prices since April, driven by unprocessed food prices.

No policy implications

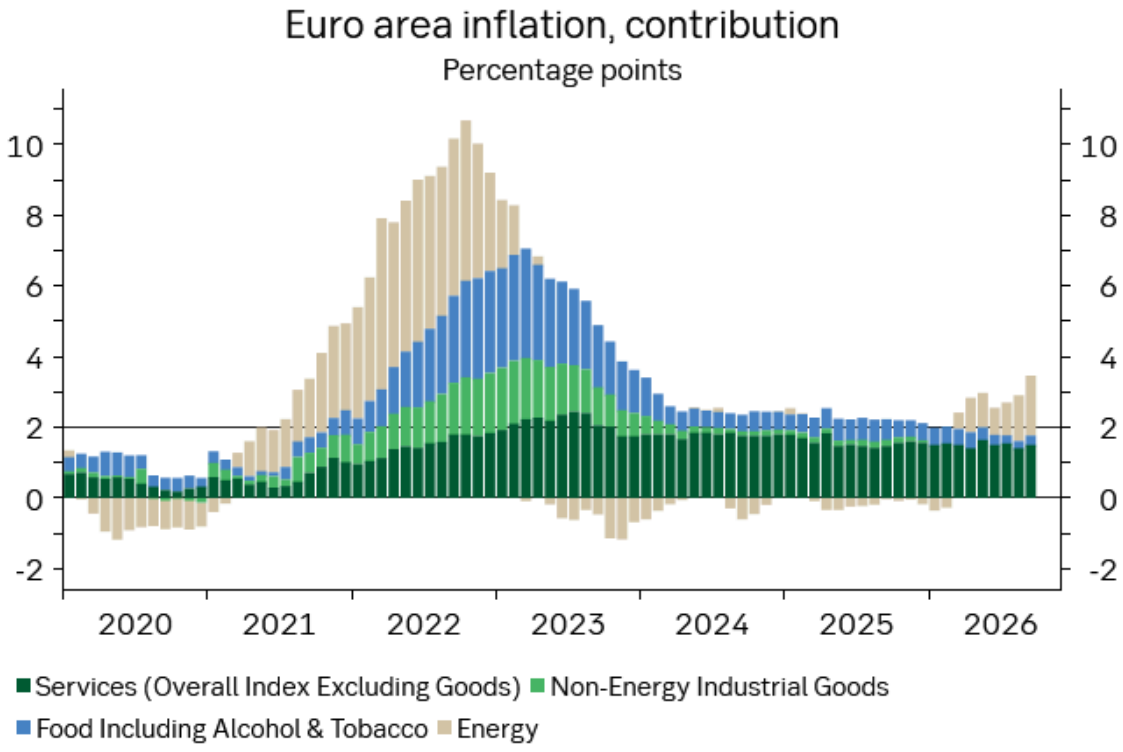
The October inflation figures are in line with the ECB staff projections, and we continue to see little evidence of significant spillovers. We therefore do not expect today's figures alone to change the ECB's assessment, and we continue to expect the next rate hike in December.

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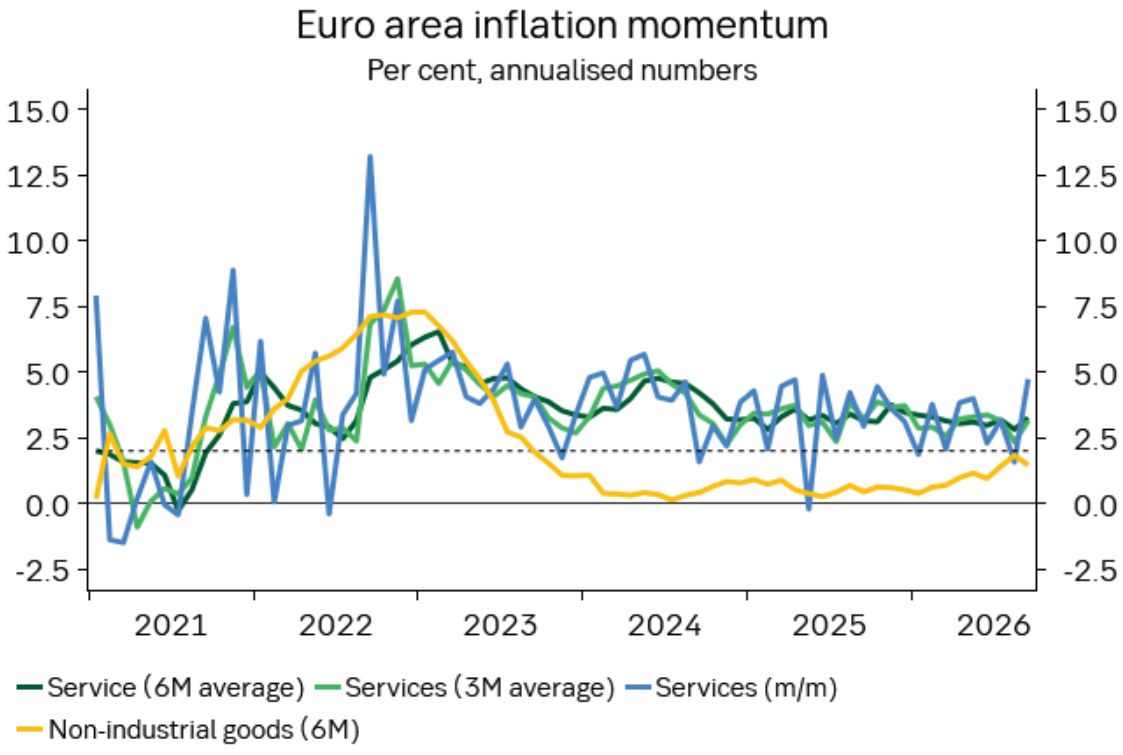
Eurostat flash vs SEB and ECB forecast

September 2026	Actual m/m	y/y	prev.	SEB m/m	y/y	ECB* y/y
Total HICP	0.6	3.8	3.2	0.3	3.5	3.3
Core HICP	0.2	2.5	2.4	0.1	2.4	2.5
Non-energy industrial goods	2.1	1.1	1.2	2.1	1.2	1.1
Services	-0.7	3.2	3.0	-0.9	3.0	3.3
Food	0.2	1.4	1.1	0.2	1.4	1.3
Energy	3.9	18.8	14.3	2.3	17.0	13.4

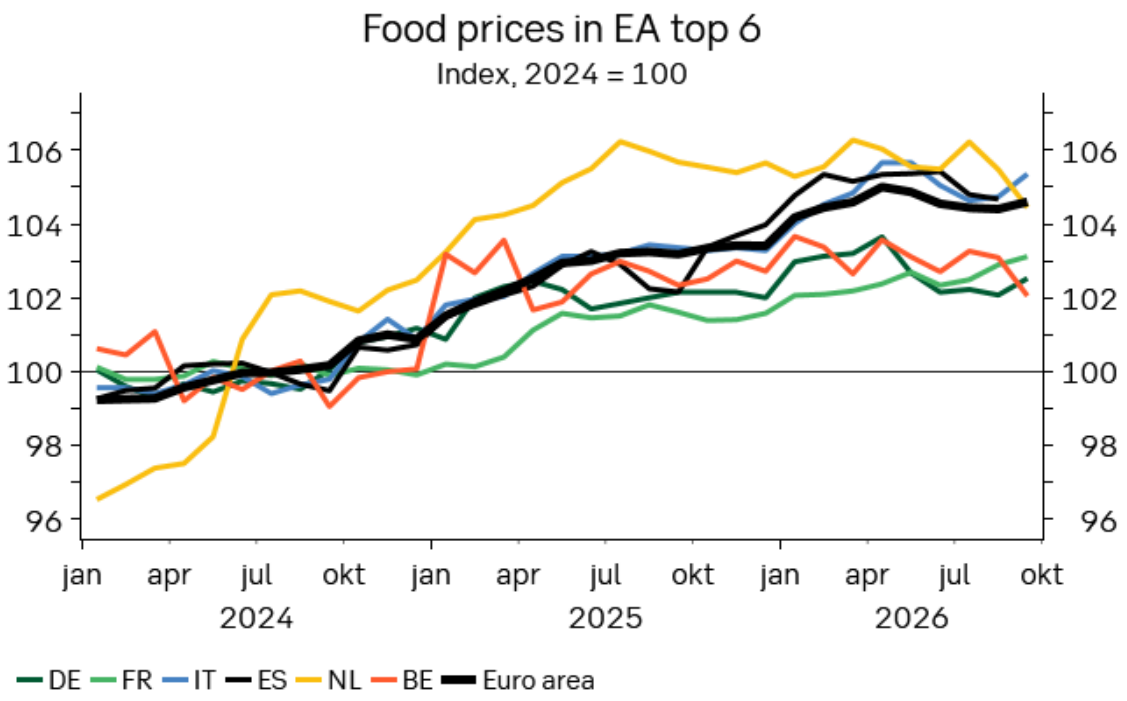
*ECB refers to the quarterly midpoint. Source: Macrobond and SEB



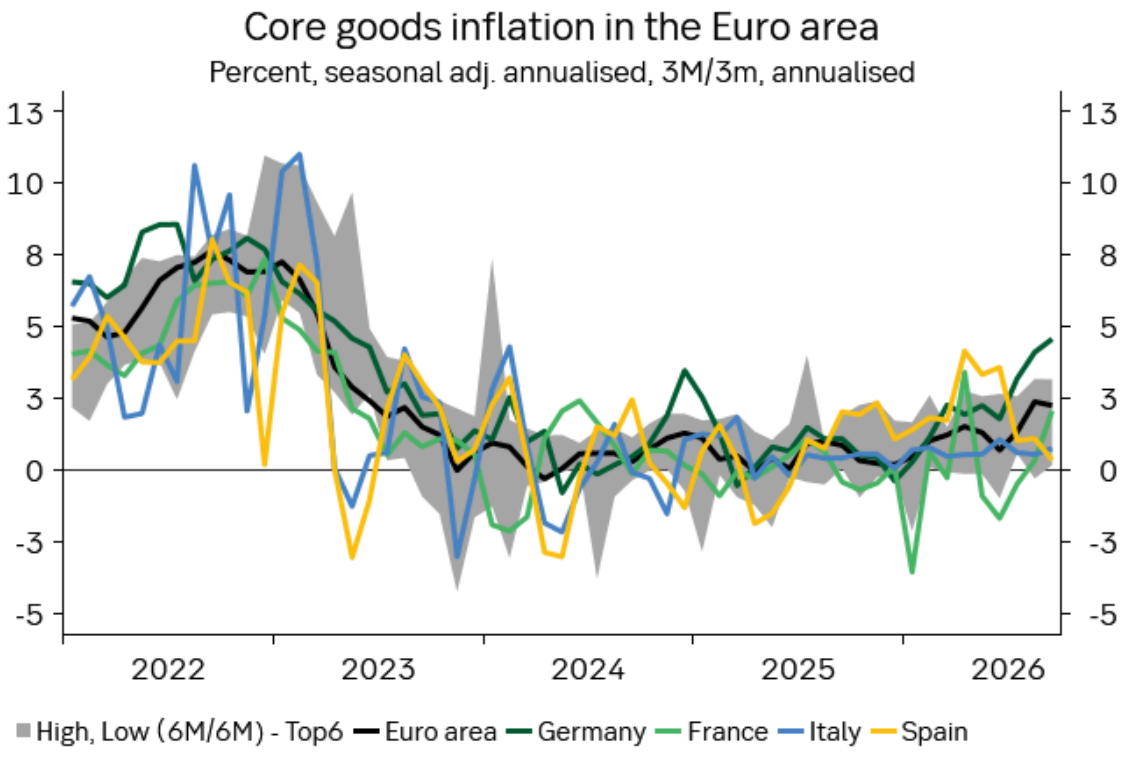
Source: Eurostat, Macrobond, SEB



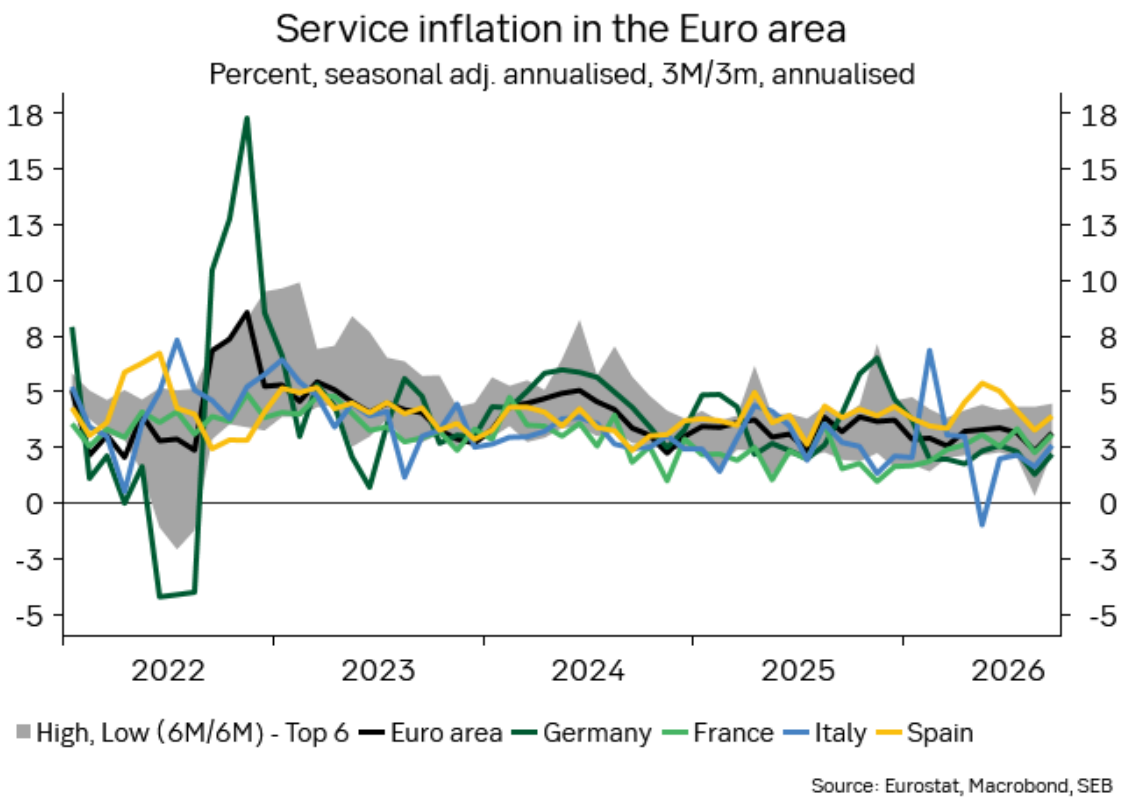
Source: Eurostat, Macrobond, SEB



Källa: German Federal Statistical Office (Statistisches Bundesamt), French National Institute of Statistics & Economic Studies (INSEE), Italian National Institute of Statistics (Istat), Spanish National Statistics Institute (INE), Statistics Netherlands (CBS), Statistics Belgium, Eurostat, Macrobond, SEB



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