

# Euro zone inflation falls to lowest in 2 yrs

Consumer prices rise by 4.3% in Sept, slowest pace since Oct 2021

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Inflation in the euro zone fell to its lowest level in two years in September, suggesting the European Central Bank's (ECB) steady diet of interest rate hikes was succeeding in curbing runaway prices albeit at a growing cost for economic growth.

Consumer prices in the 20 countries that share the euro rose by 4.3 per cent in September, the slowest pace since October 2021, from 5.2 per cent one month earlier, according to Eurostat's flash reading published on Friday.

Inflation excluding food, energy, alcohol and tobacco — which is closely watched by the ECB as a better gauge of the underlying trend — fell to 4.5 per cent from 5.3 per cent, the biggest drop since August 2020. These readings were likely to strengthen the ECB's conviction that it had raised interest rates far enough to bring down inflation to its 2 per cent target by 2025, after being wrong-footed by a surge that started in 2021.

"Base effects played a key role in explaining the sharp fall in inflation, but the figures also suggest that underlying inflationary pressures are becoming less intense," Diego Iscaro, head of European economics at S&P Global Market Intelligence, said. The inflation drop was broad-based, with all price categories growing at a slower pace and energy prices falling outright for a fifth consecutive month.

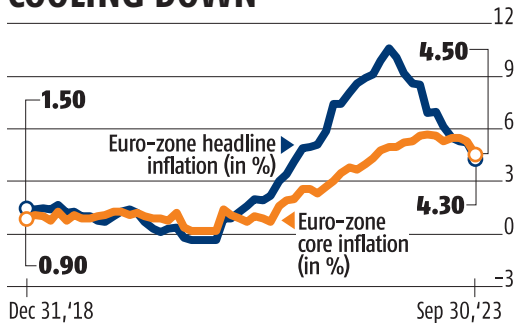
A separate report showed German import prices — which tend to lead consumer prices because Germany sources many intermediate products and raw materials from abroad — recorded in August the largest year-on-year decline since November 1986.

Euro zone inflation briefly hit double digit last autumn amid a combination of soaring energy costs, post-pandemic snags in supply chains and high government spending.

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Source: Bloomberg