

INFLATION

INFLATION TRACKER:

ENERGY PUSHES HEADLINE INFLATION HIGHER, CORE MEASURES
ARE STILL CONTAINED



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Key takeaways

1 A rise in inflation still confined to energy

Rising energy prices are pushing inflation higher in Europe and the United States, while energy's contribution is slightly negative in Japan.

3 Mounting pressure on producer prices

In Europe and Japan, pressure on producer prices is building. The risk of the energy shock spilling over to other CPI items is increasing.

2 Some recent pressure on core measures

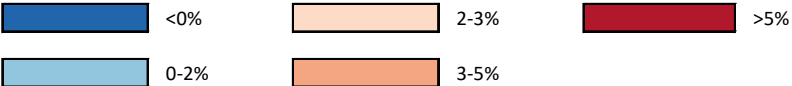
Over recent months (3m/3m), core indices have been firming in the euro area and Japan: a signal to watch.

4 Rising short-term market expectations

Markets (swaps) are pricing this rise in inflation into short-term measures. Long-term expectations (5y5y) are rising in Japan and the UK.

Region	Latest month (CPI/HICP)	Realised inflation (% y/y)		Upstream pressures		Expectations	
		Headline	Core	Producer prices (% y/y)	Price pressures (50 = neutral)*	Households: 1 year ahead (%)	Market: 5y5y (%)
United States	Sep 26	3.7	2.6	6.4	61.2	4.7	2.3
Euro area	Sep 26	3.8	2.5	8.2	62.0	3.0	2.1
Germany	Sep 26	3.3	2.5	4.6	62.2	2.9	2.1
France	Sep 26	3.4	1.7	4.9	62.5	2.5	2.3
Italy	Sep 26	4.1	1.8	10.9	60.5	4.0	1.8
Spain	Sep 26	5.0	3.5	13.2	61.7	3.1	2.1
UK	Aug 26	3.1	2.6	3.7	61.2	4.5	3.1
Japan	Aug 26	1.9	2.0	6.8	61.1	3.6	2.6

* Colour code specific to this indicator



Source: national data, BNP Paribas



Dashboard — Energy drives inflation, core barely follows

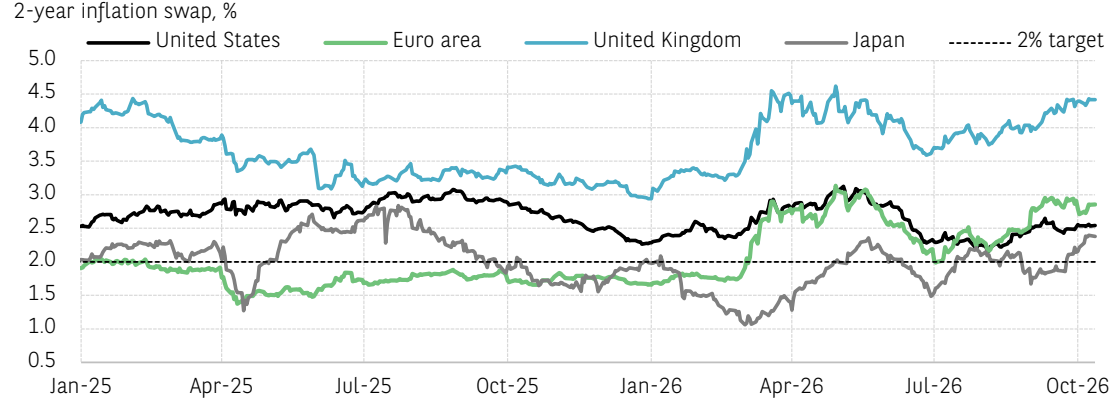
Europe leads the recent pickup in inflation

	Latest month published	Realised inflation (% y/y)				Market expectations (%)		
		Headline	1-month chg. in y/y (pp)	Core	1-month chg. in y/y (pp)	Date	2y swap	5y5y swap
US	Sep.	3.7	▲ +0.36 pp	2.6	▲ +0.1 pp	12/10/26	2.54	2.32
Euro area	Sep.	3.8	▲ +0.53 pp	2.5	▲ +0.1 pp	12/10/26	2.86	2.13
Germany	Sep.	3.3	▲ +0.33 pp	2.5	▼ -0.0 pp	12/10/26	3.53	2.12
France	Sep.	3.4	▲ +0.73 pp	1.7	▲ +0.4 pp	12/10/26	2.07	2.34
Italy	Sep.	4.1	▲ +0.86 pp	1.8	▲ +0.1 pp	12/10/26	2.61*	1.79
Spain	Sep.	5.0	▲ +0.43 pp	3.5	▼ -0.1 pp	12/10/26	3.15	2.05
UK	Aug.	3.1	▲ +0.22 pp	2.6	▼ -0.0 pp	12/10/26	4.42	3.12
Japan	Aug.	1.9	▼ -0.01 pp	2.0	▲ +0.1 pp	12/10/26	2.38	2.56

Source: Bloomberg, BNP Paribas *2-year inflation breakeven Note: UK swaps indexed to RPI, Japan to CPI excluding fresh food

Markets are pricing in higher short-term inflation

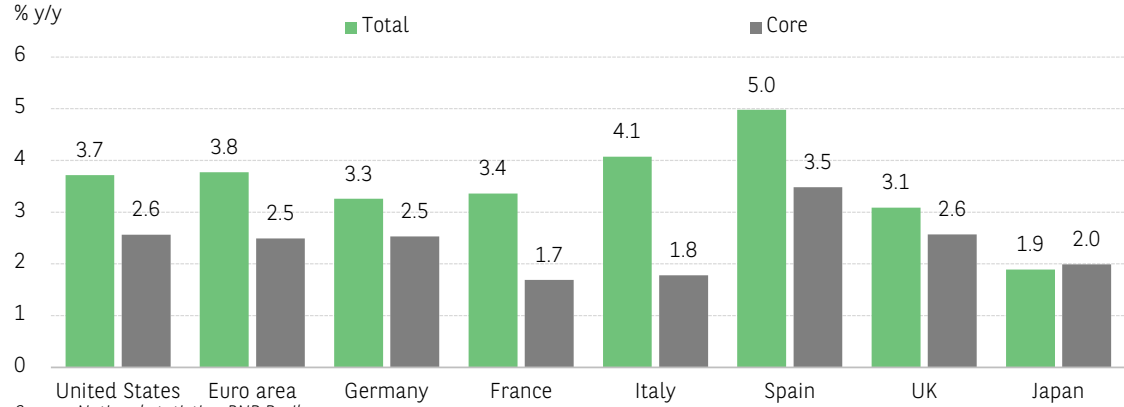
Short-term market expectations



Source: Bloomberg, BNP Paribas

Headline inflation exceeds core everywhere except Japan

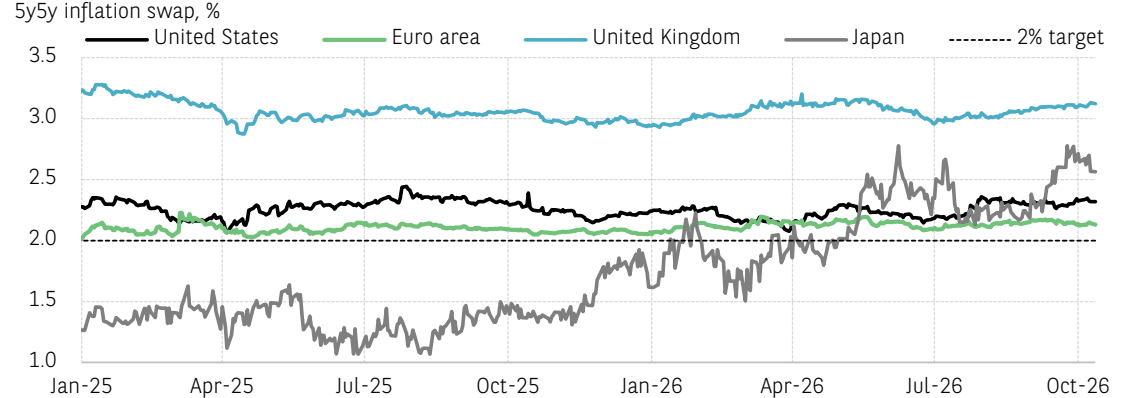
Headline and core inflation: latest data



Source: National statistics, BNP Paribas

Long-term expectations are rising in Japan and the UK

Long-term market expectations



Source: Bloomberg, BNP Paribas



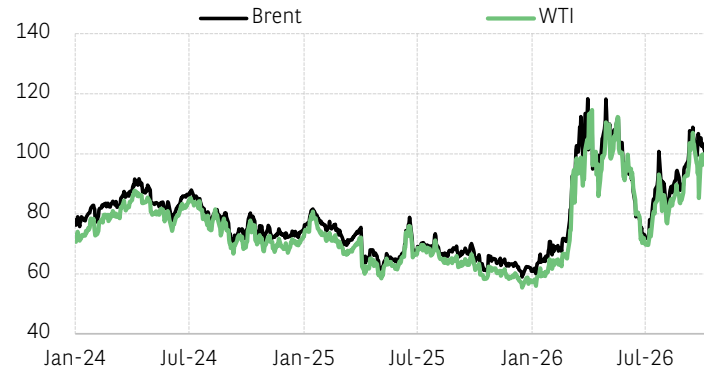
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Inflation backdrop — Energy, food and freight: a broadening supply shock

Oil is back at spring levels after the summer respite

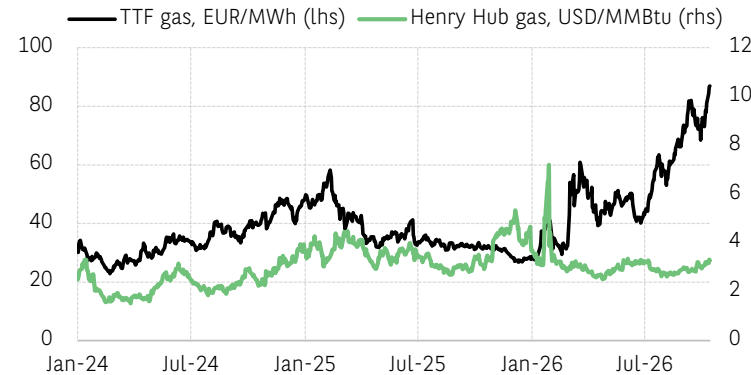
Crude oil
USD/barrel



Source: ICE Index, NYMEX, Macrobond

European gas prices are rising sharply, US gas remains stable

Natural gas

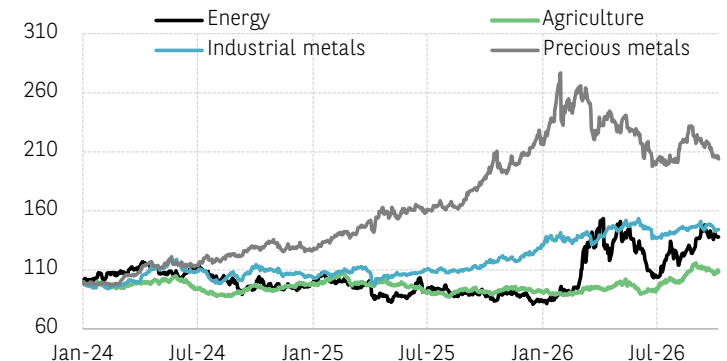


Source: ICE Index, NYMEX, Macrobond

All major commodity categories are up year-on-year

S&P GSCI indices by component

Index, Jan. 2024 = 100



Source: S&P, BNP Paribas

Food price inflation is picking up

FAO Food Price Index

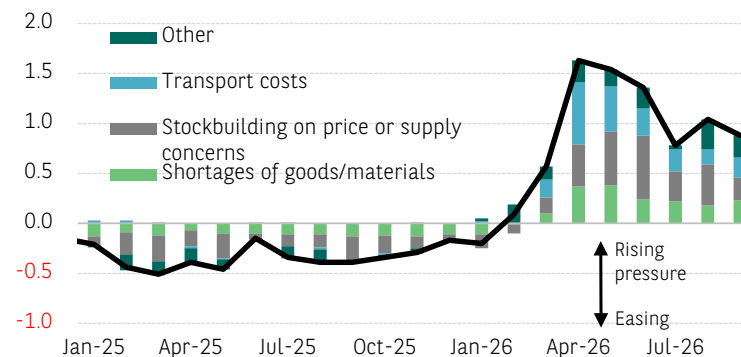
% y/y



Source: FAO, BNP Paribas

Value chains still under strain

Global supply chain pressure index

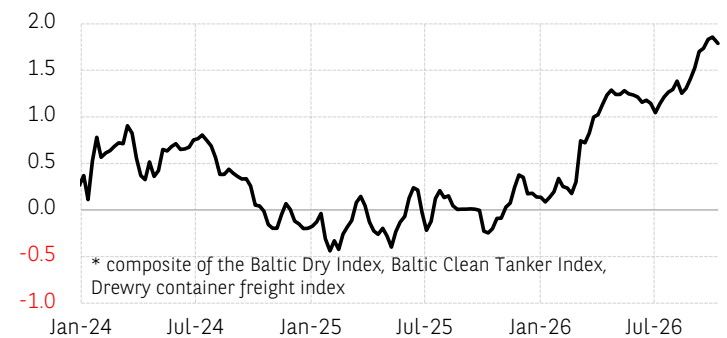


Source: S&P Global, BNP Paribas

Freight adds a further cost shock

Composite shipping cost index*

z-score (10-year average)



Source: Bloomberg, BNP Paribas



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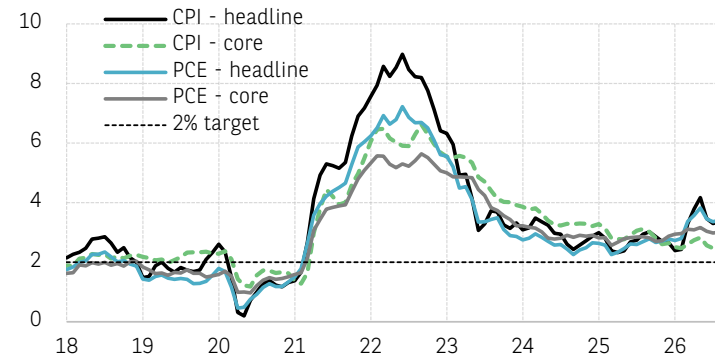
United States – Contrasting dynamics



The decline in core is more marked in CPI than in PCE

CPI and PCE deflator

% y/y*

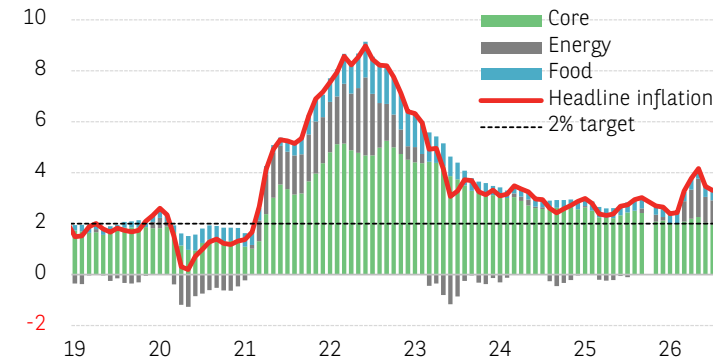


Source: BLS, BEA * October 2025 not published (federal shutdown)

Energy's contribution is climbing while core's is stabilising

Contributions to CPI inflation

% y/y and contributions in pp*

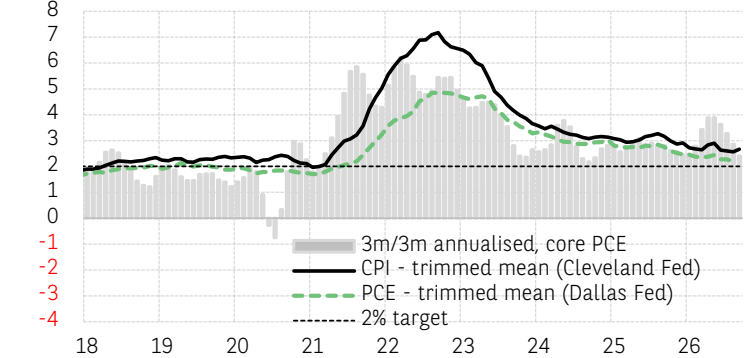


Source: BLS, BNP Paribas * October 2025 not published (federal shutdown)

Alternative core measures are closer to 2%

Alternative inflation measures

% y/y

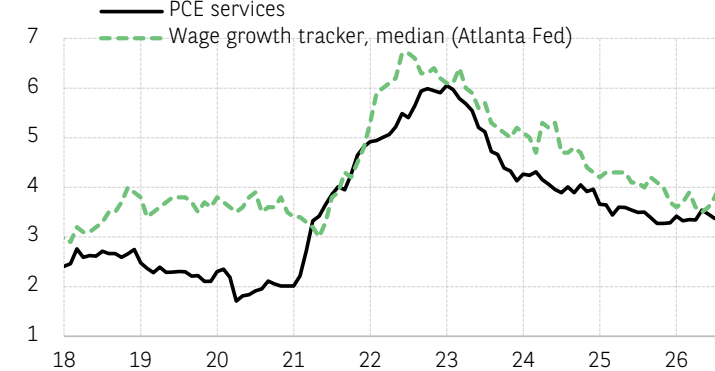


Source: Cleveland Fed, Dallas Fed

Services and wages are slowing only slightly and remain above 3%

Services and wages

% y/y

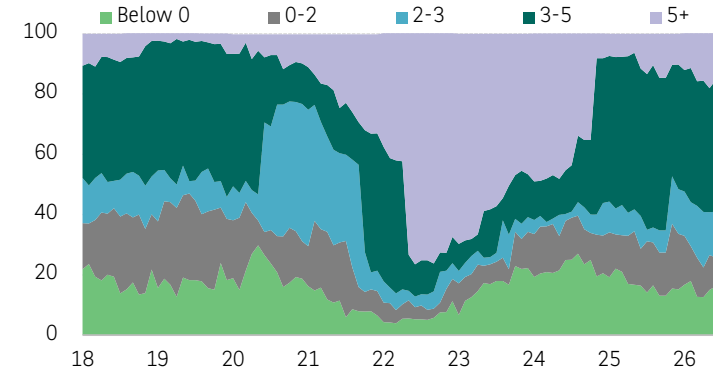


Source: BEA, Atlanta Fed, BNP Paribas

A majority of items still above 3%

Breadth of inflation

% of CPI basket components (basket of 149 items)



Source: BLS, BNP Paribas calculations



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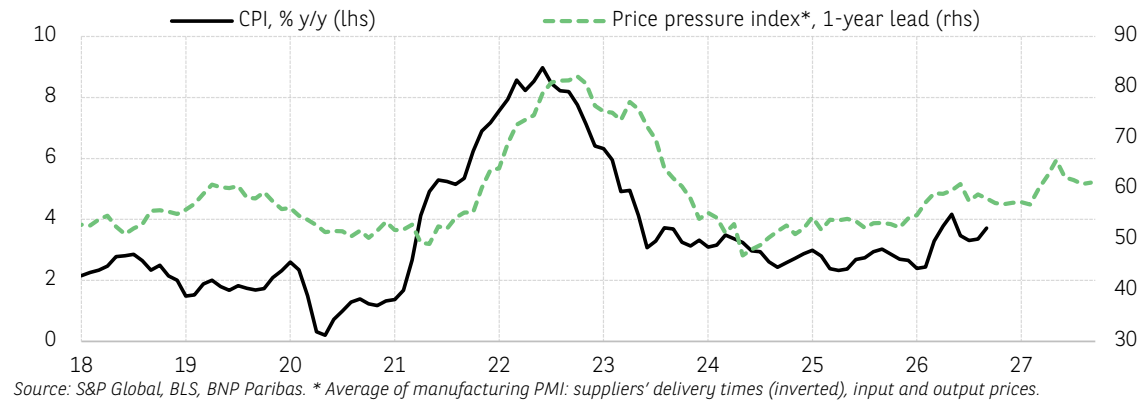
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United States — An energy shock with significant short-term effects



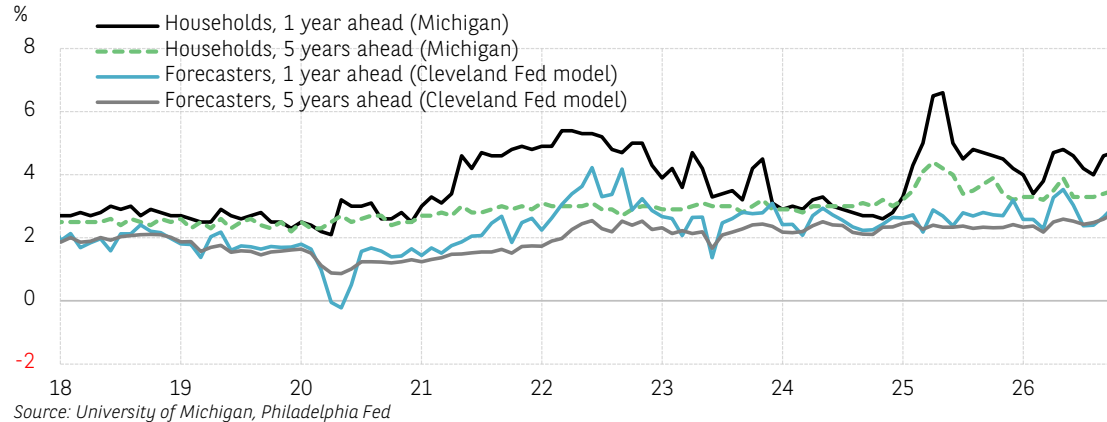
Renewed pressure on input prices

Price pressures and inflation



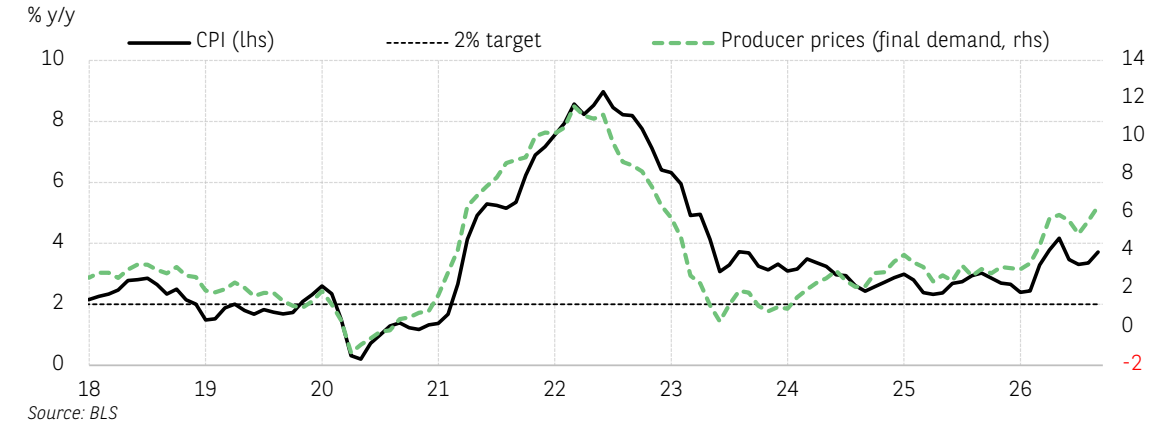
US households' 1-year-ahead expectations remain high

Household and forecaster expectations



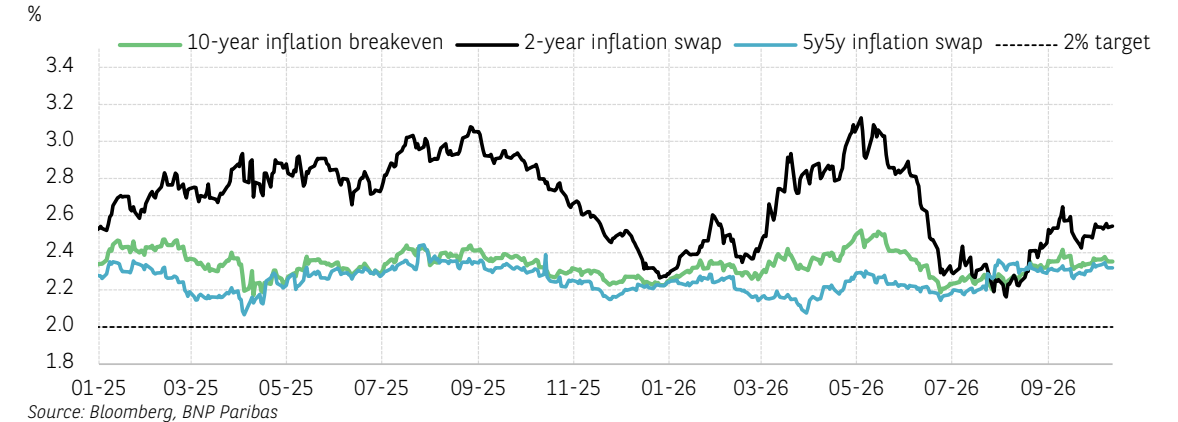
Producer price inflation has stabilised since May

Producer and consumer prices



2-year expectations have been rising since August, long-term ones are little changed

Market expectations



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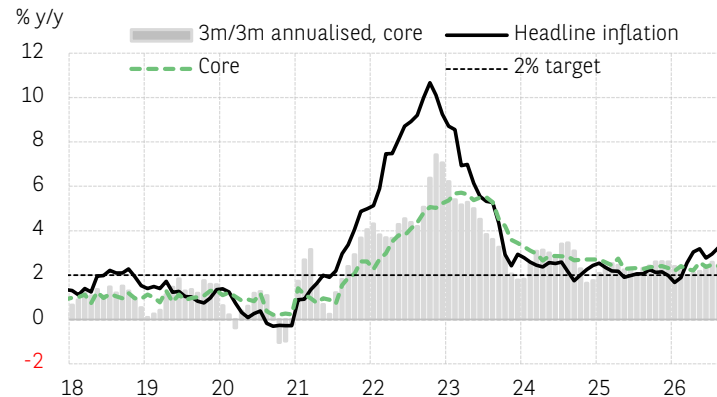
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Euro area – Behind the energy rebound, a relative stability...



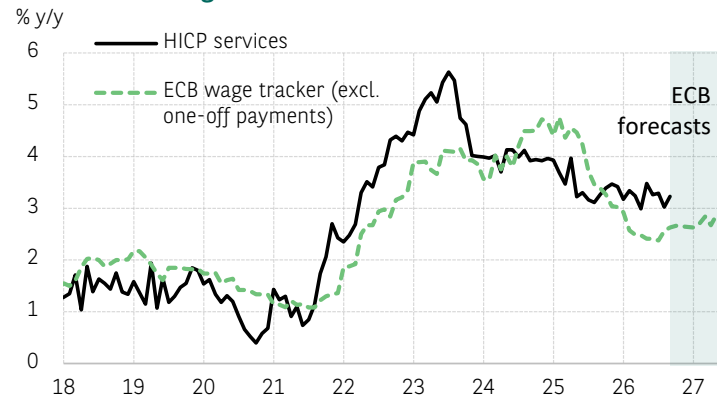
Headline inflation is approaching 4% while core remains stable

Headline and core HICP



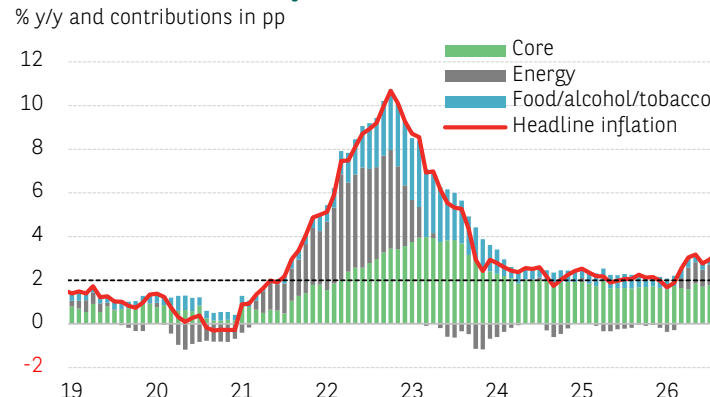
Services inflation is no longer easing and stronger wage growth is looming

Services and wages



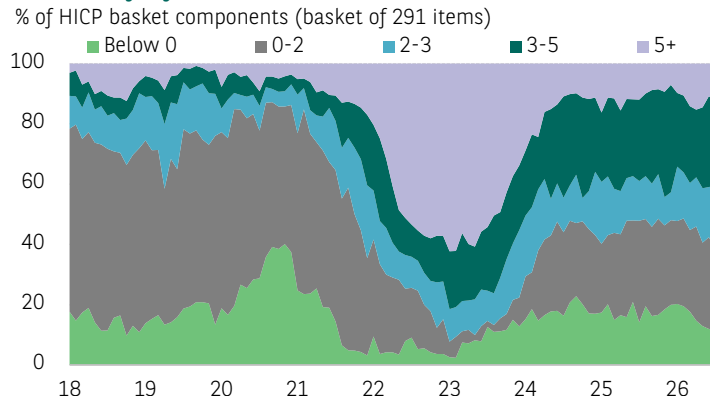
Energy weighs almost as much as core in inflation

Contributions to HICP inflation



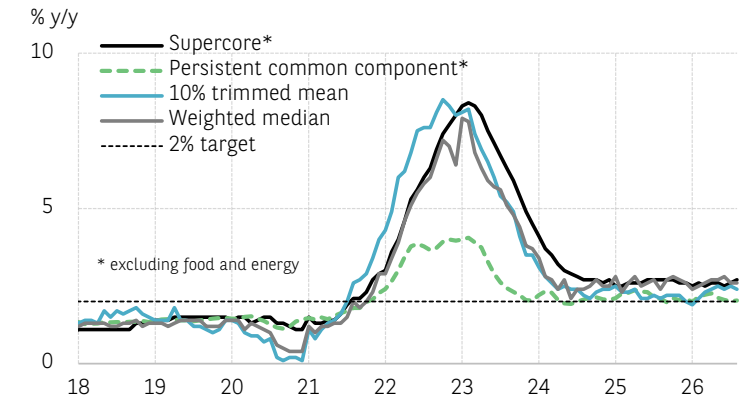
Unlike in 2022-23, few components show significant increases

Breadth of inflation



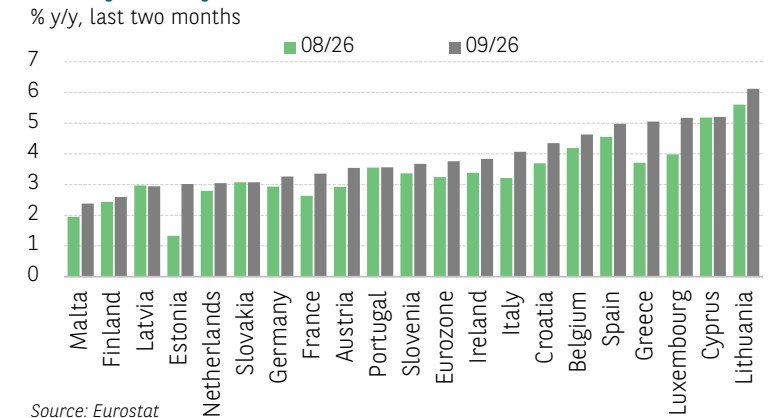
Alternative measures remain well anchored

ECB alternative measures



Inflation accelerated in almost every euro area country in September

HICP by country



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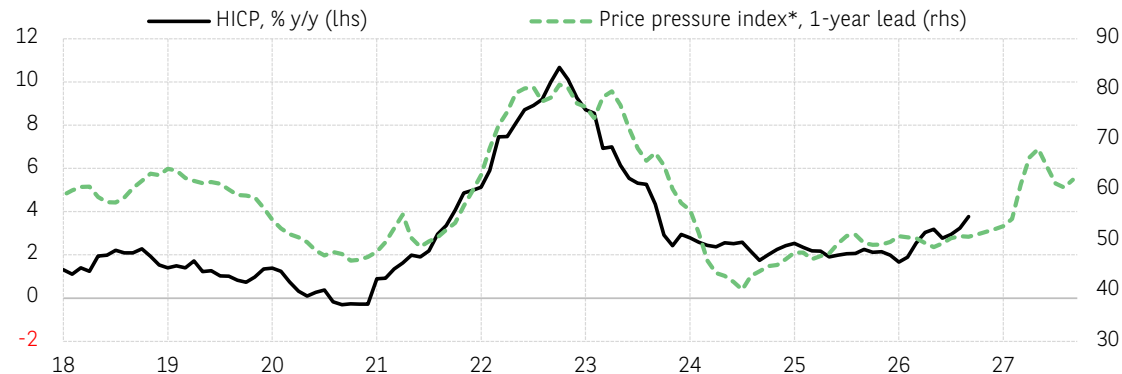
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... which may not last



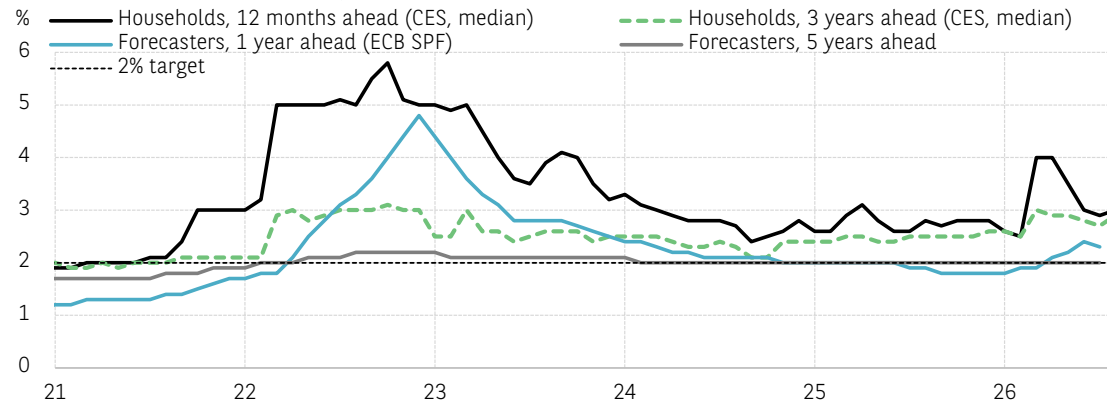
Price pressures rising again

Price pressures and inflation



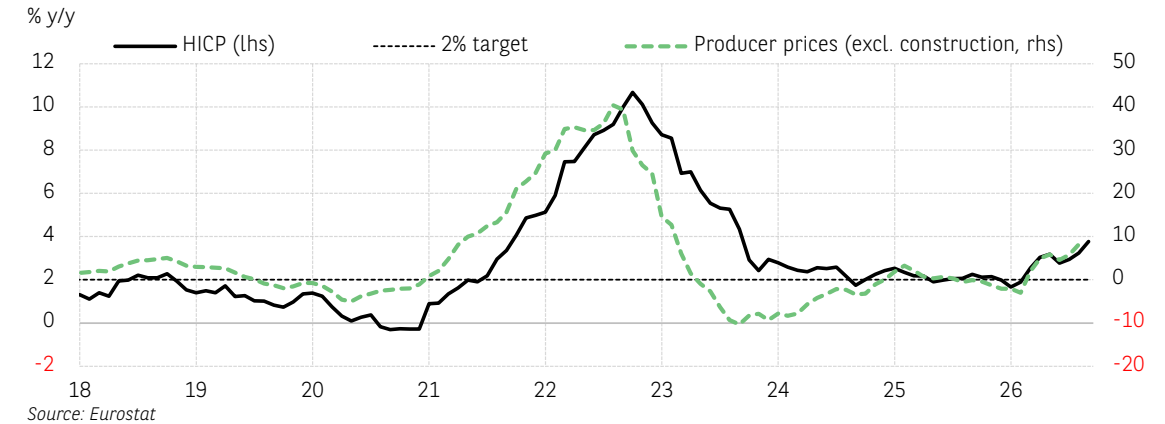
Households' 3-year expectations on a high plateau

Household and forecaster expectations



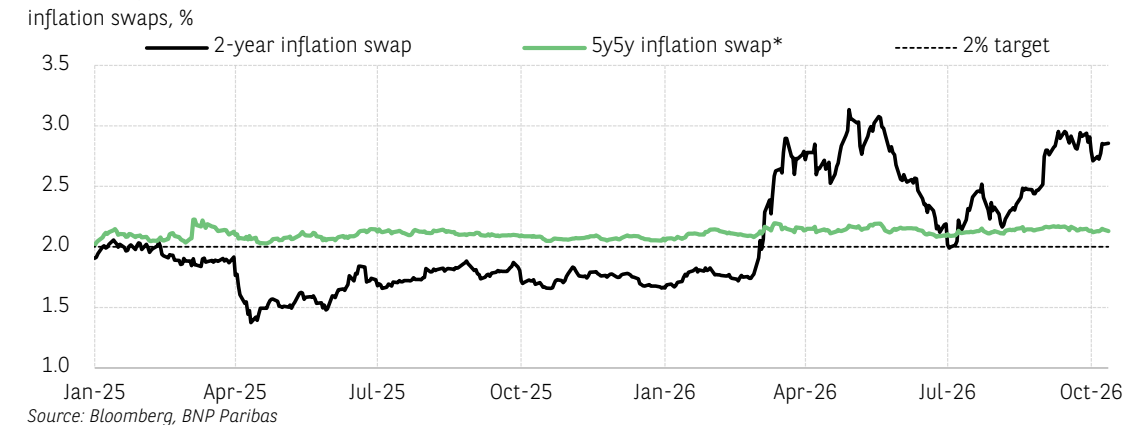
Producer prices are accelerating much faster than HICP, squeezing corporate margins

Producer and consumer prices



The 2-year swap is rising, the 5y5y remains close to 2%

Market expectations



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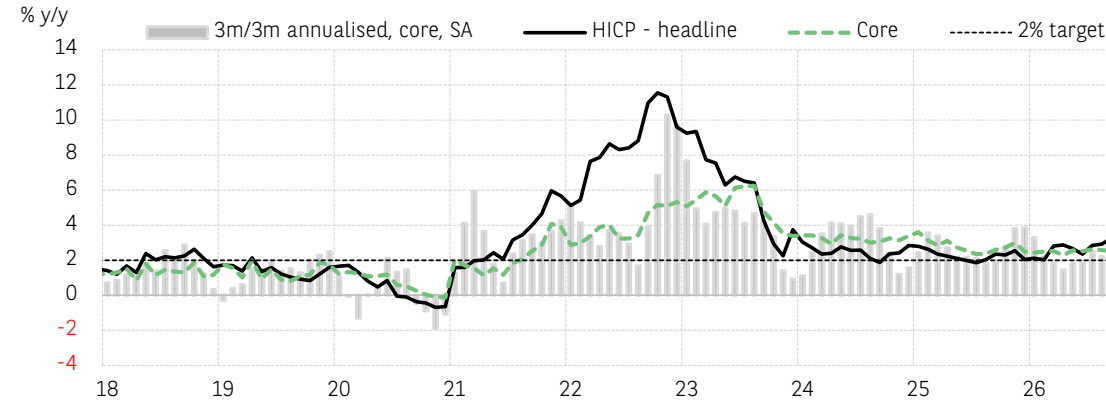
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Germany — A shock still confined to energy...



Headline inflation is gradually accelerating, core is stable

Headline and core HICP

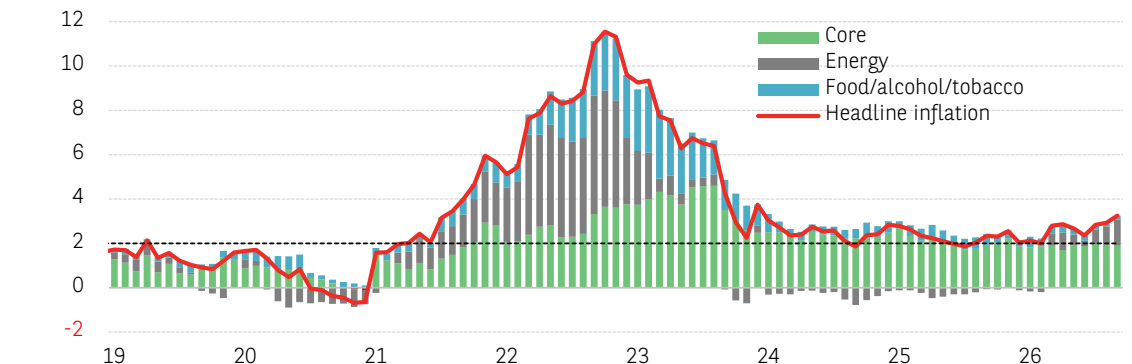


Source: Eurostat

Since June, energy alone has accounted for the rise in German inflation

Contributions to HICP inflation

% y/y and contributions in pp

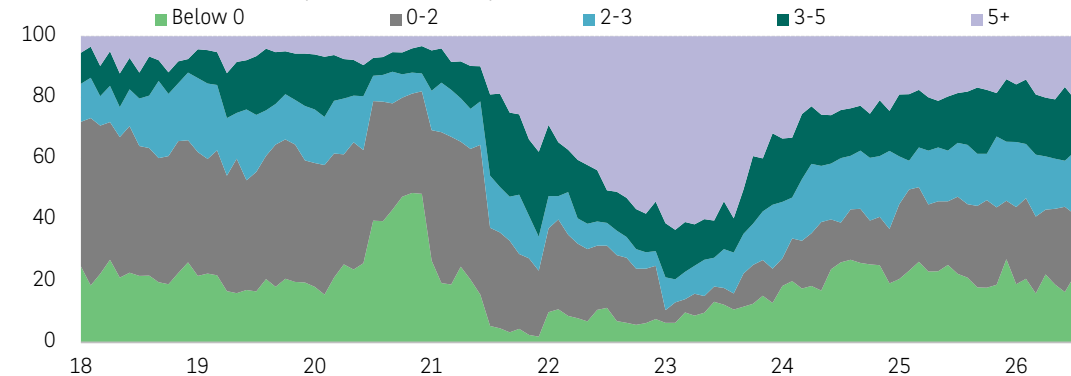


Sources Eurostat, BNP Paribas

Half of HICP goods and services remain below 2%

Breadth of inflation

% of HICP basket components (basket of 291 items)

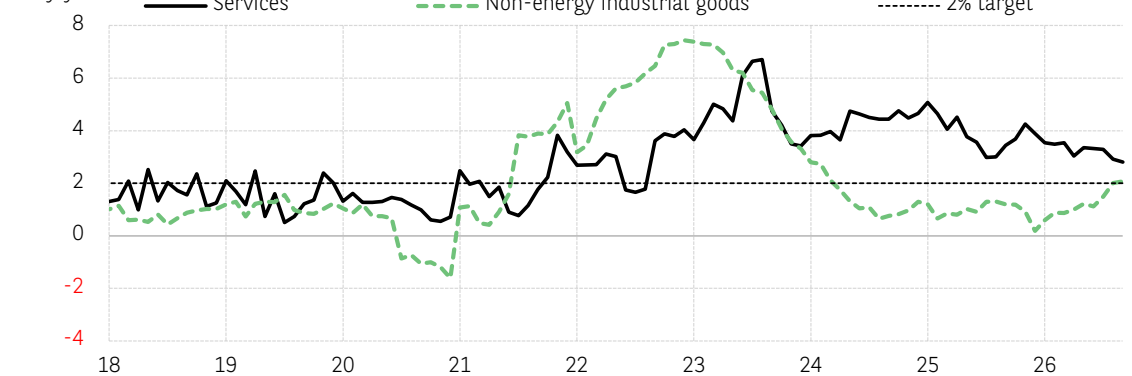


Source: Eurostat, BNP Paribas calculations

Rising costs are beginning to affect industrial goods

Core inflation

% y/y



Source: Eurostat



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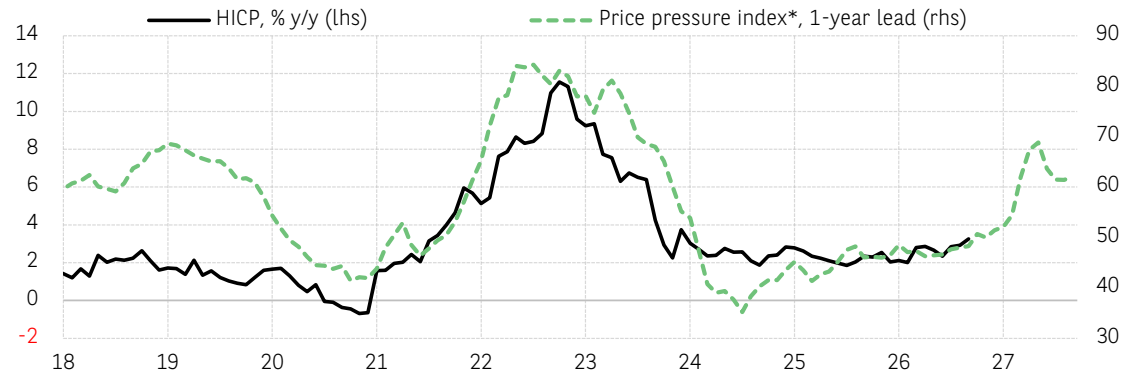
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... which should keep pushing inflation higher



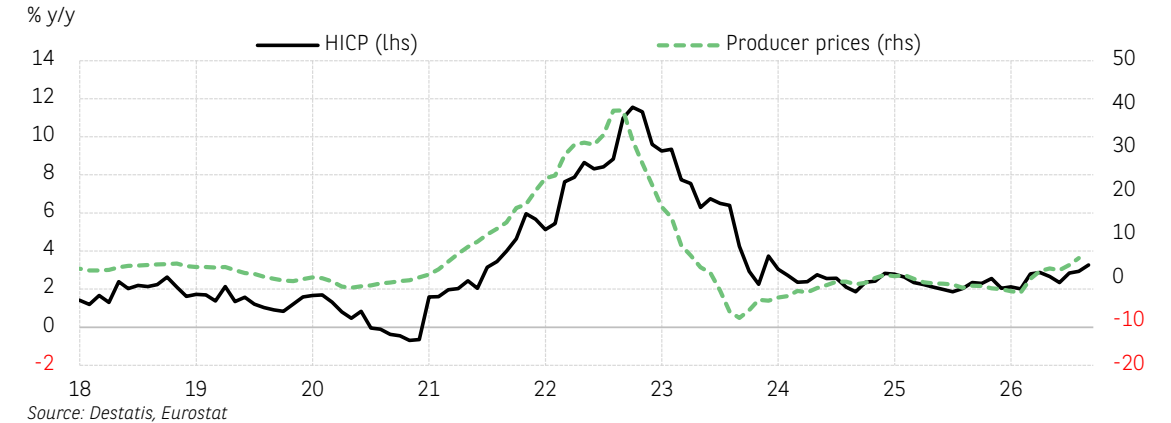
1-year price pressures are stabilising but remain high

Price pressures and inflation



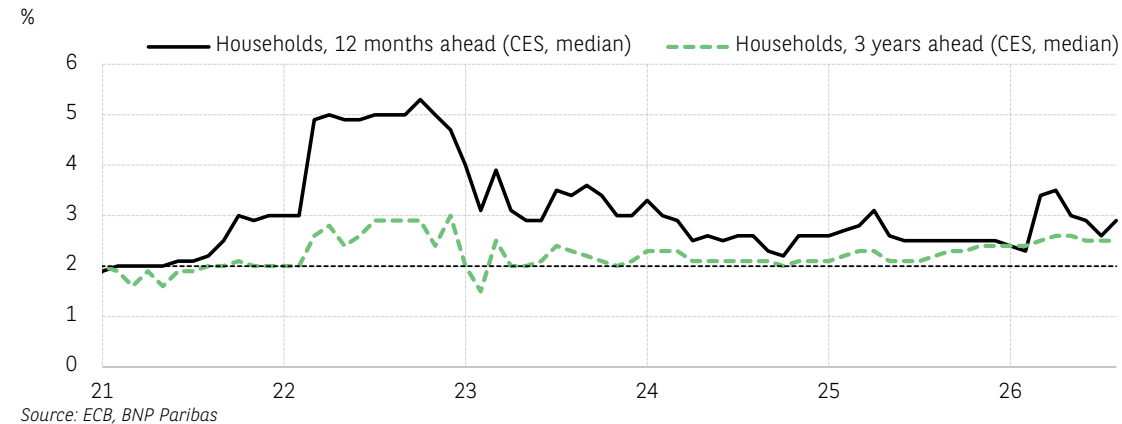
The rebound in producer prices is gaining strength

Producer and consumer prices



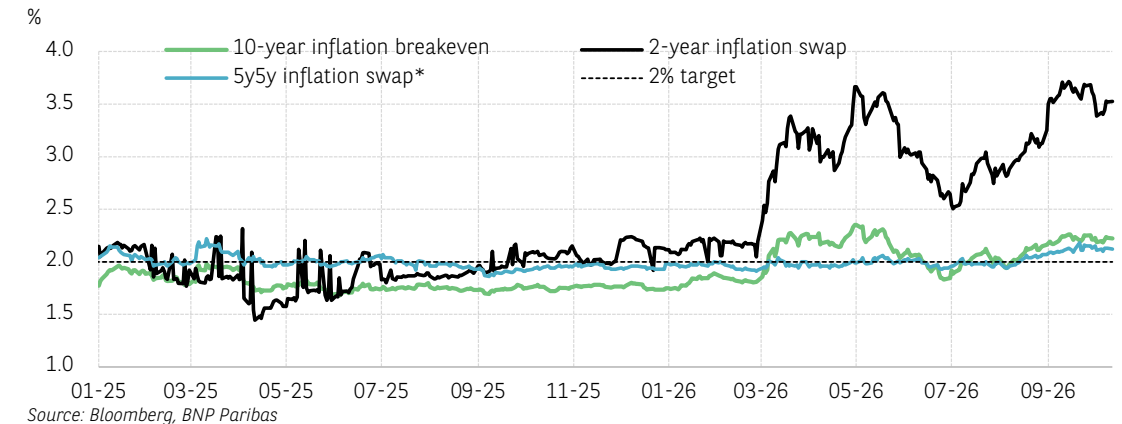
Households' inflation expectations are slowly drifting above 2%

Household expectations



The 2-year swap is climbing sharply

Market expectations



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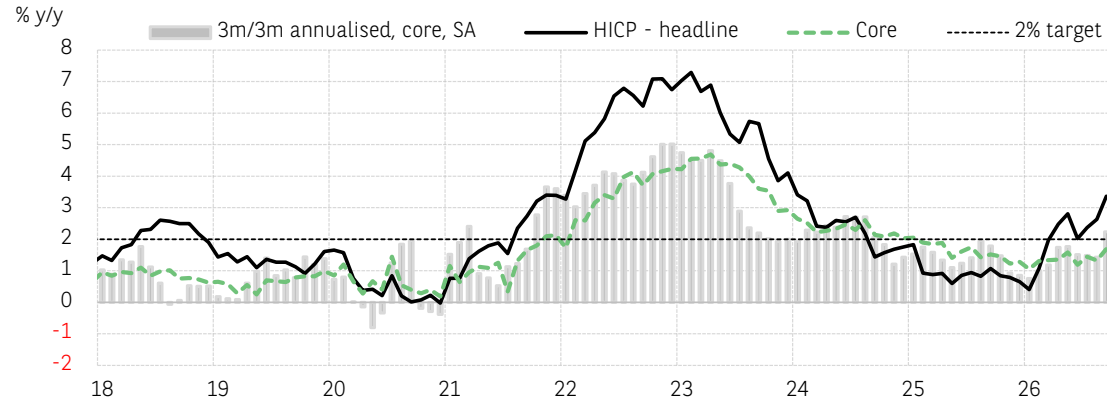
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France — A highly concentrated rise in inflation...



Headline inflation exceeds 3% but core remains below 2%

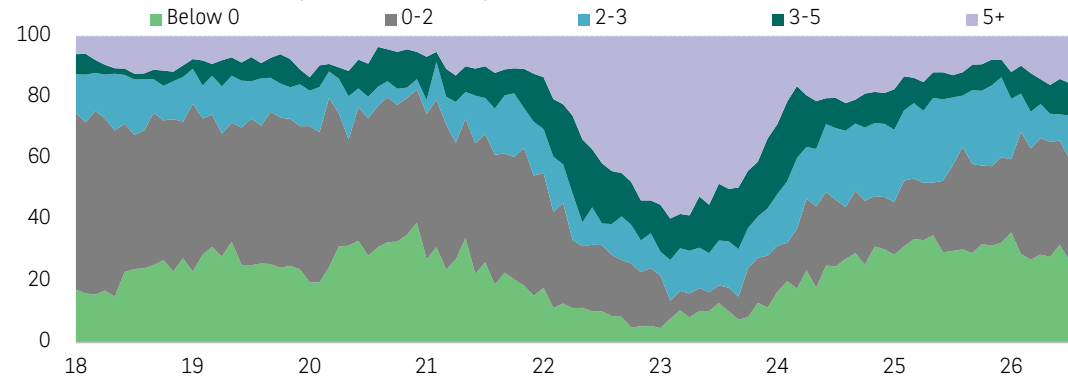
Headline and core HICP



Two-thirds of HICP components remain below 2%

Breadth of inflation

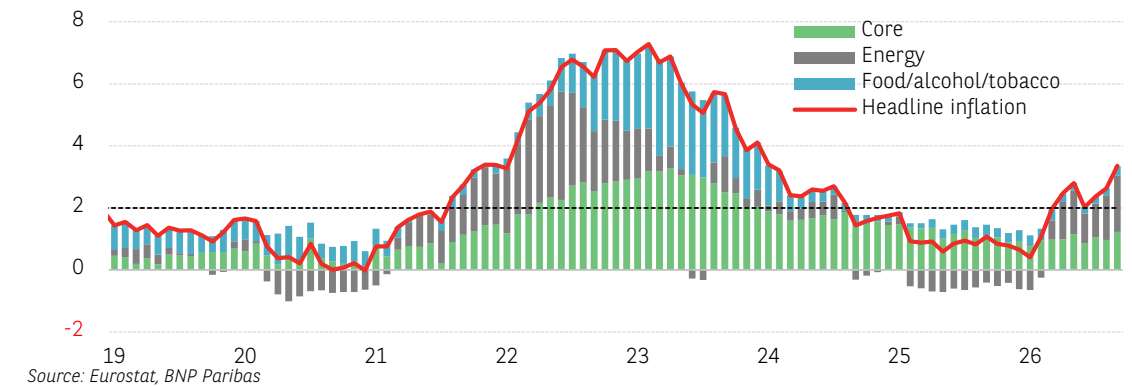
% of HICP basket components (basket of 291 items)



Energy contributes more than core to French inflation

Contributions to HICP inflation

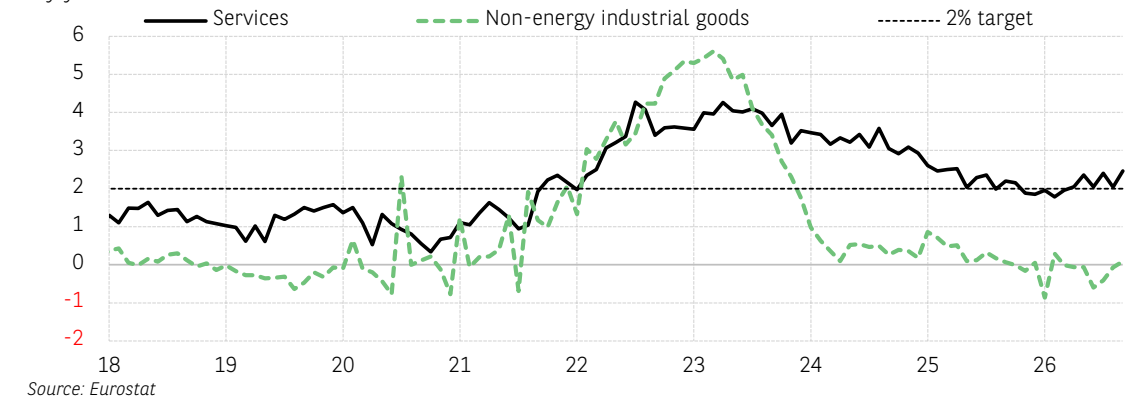
% y/y and contributions in pp



Second-round effects still barely visible

Core inflation

% y/y



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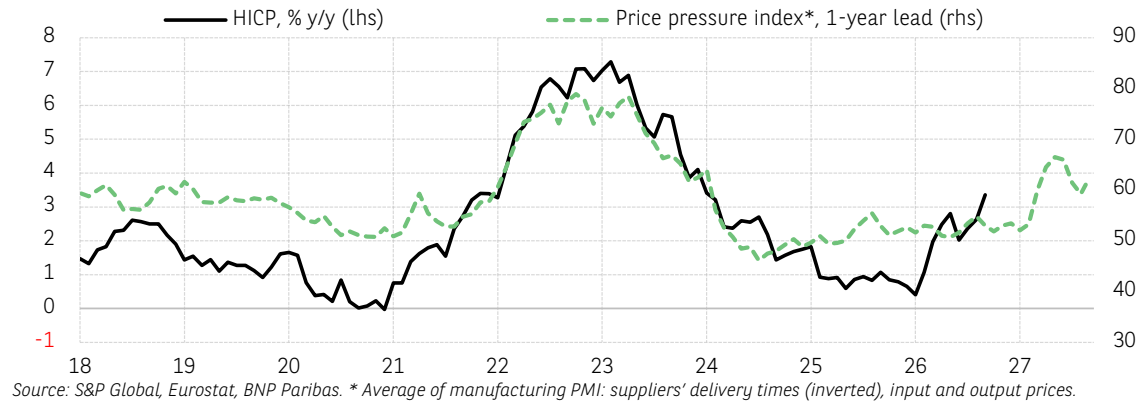
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... marked by diverging expectations



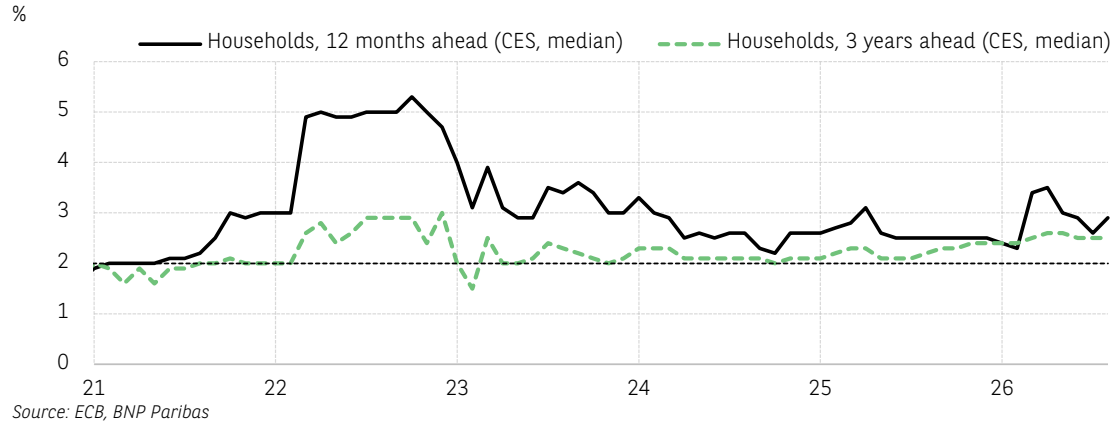
Inflation is rebounding, price pressures point to a pick-up in 2027

Price pressures and inflation



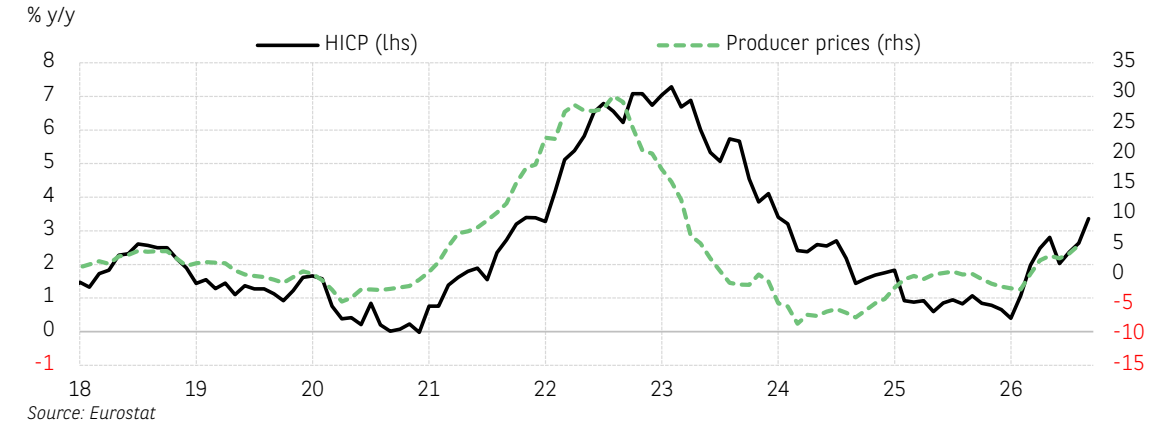
Households' 3-year expectations moved away from 2% in August

Household expectations



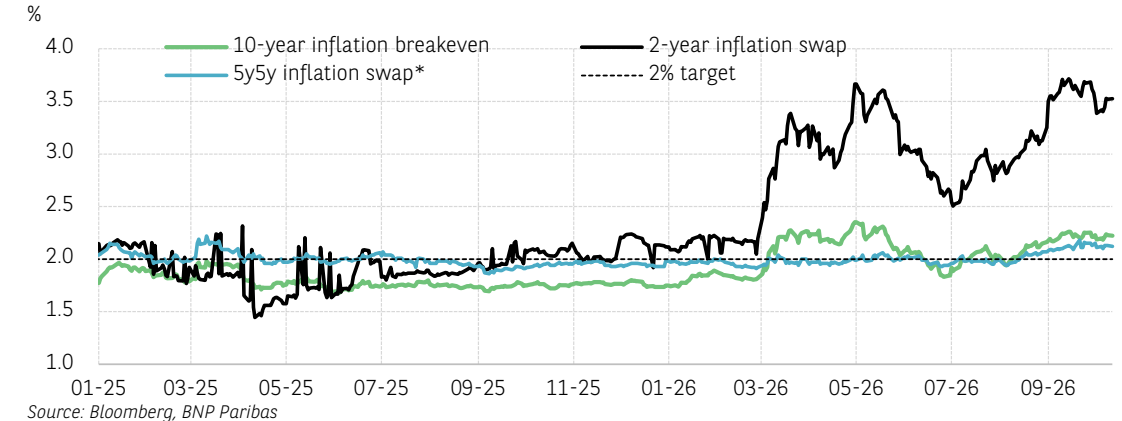
Producer and consumer prices are accelerating in tandem

Producer and consumer prices



5y5y swaps are rising

Market expectations



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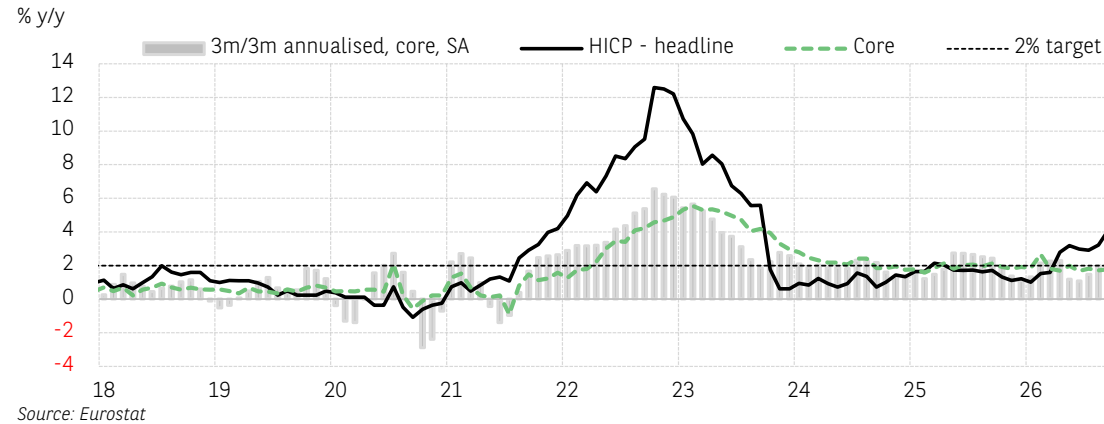
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Italy – A purely energy-driven shock, for now...



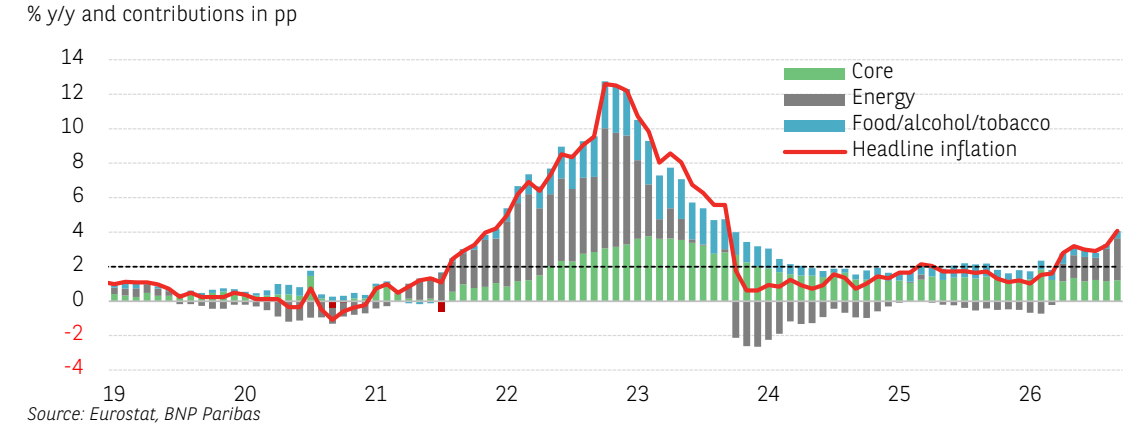
Headline and core inflation are diverging

Headline and core HICP



More than half of inflation is driven by energy

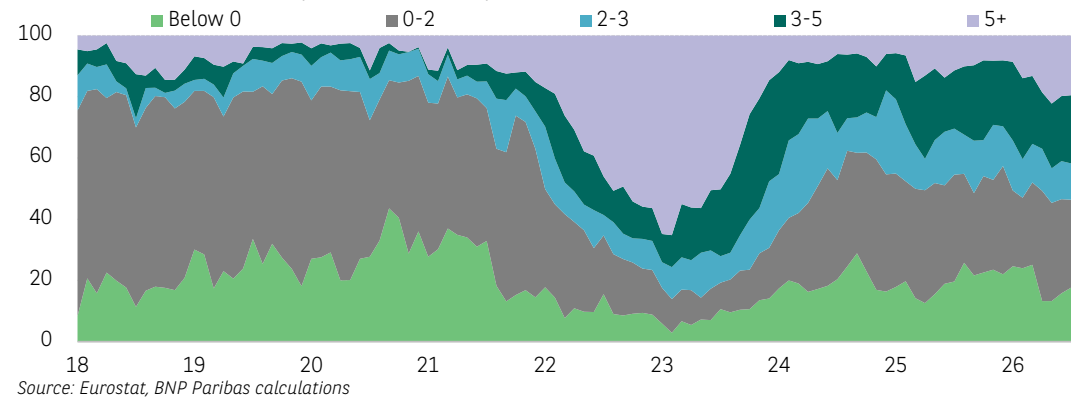
Contributions to HICP inflation



The share of HICP items rising sharply is increasing

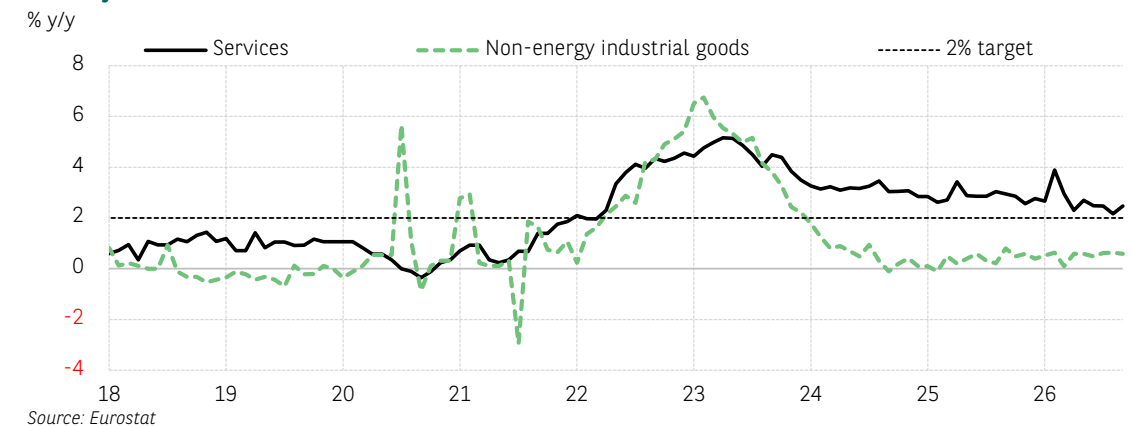
Breadth of inflation

% of HICP basket components (basket of 291 items)



Services and non-energy goods inflation is stable

Core inflation



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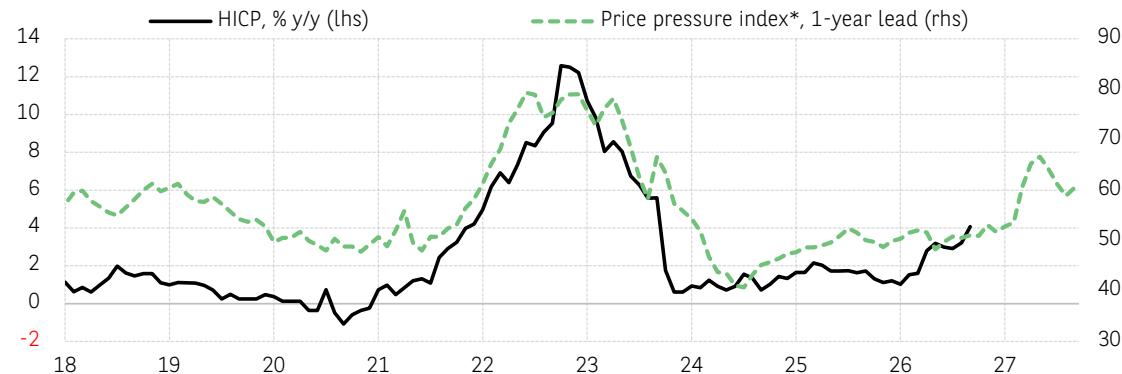
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... but input price inflation is strengthening



Price pressures are rising from an already high level

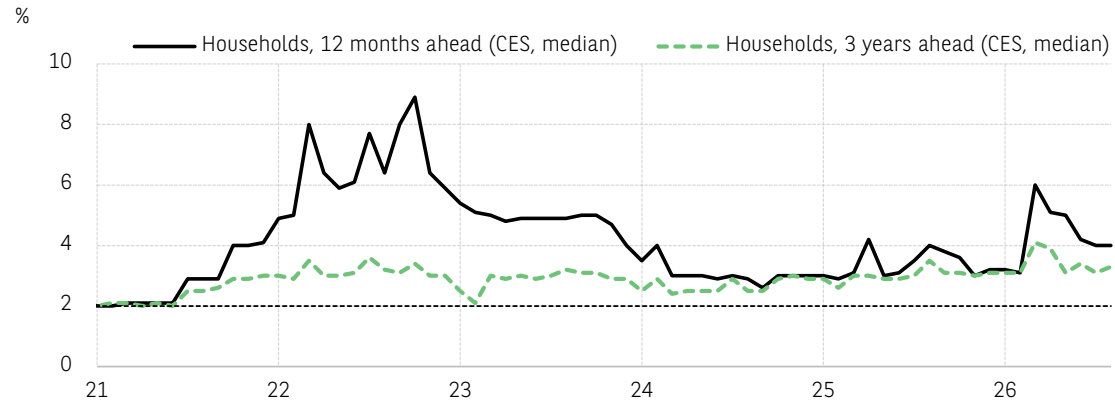
Price pressures and inflation



Source: S&P Global, Eurostat, BNP Paribas. * Average of manufacturing PMI: suppliers' delivery times (inverted), input and output prices.

Households' inflation expectations have been easing since March, but remain high

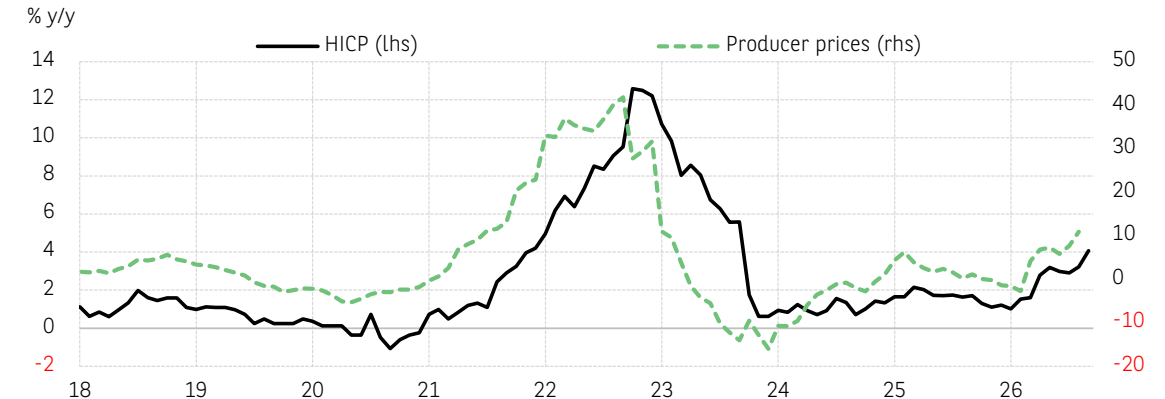
Household expectations



Source: ECB, BNP Paribas

Italian producer prices are accelerating sharply

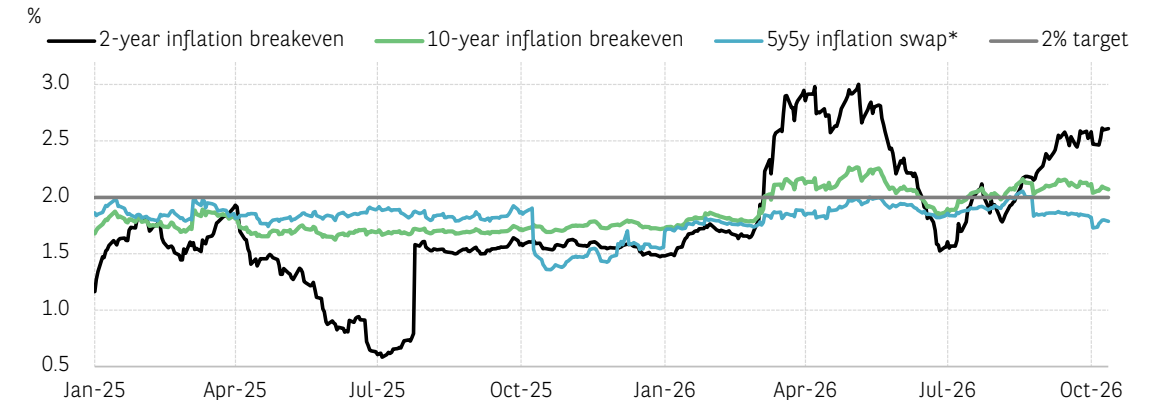
Producer and consumer prices



Source: Eurostat, BNP Paribas

Long-term expectations are well anchored

Market expectations



Source: Bloomberg, BNP Paribas



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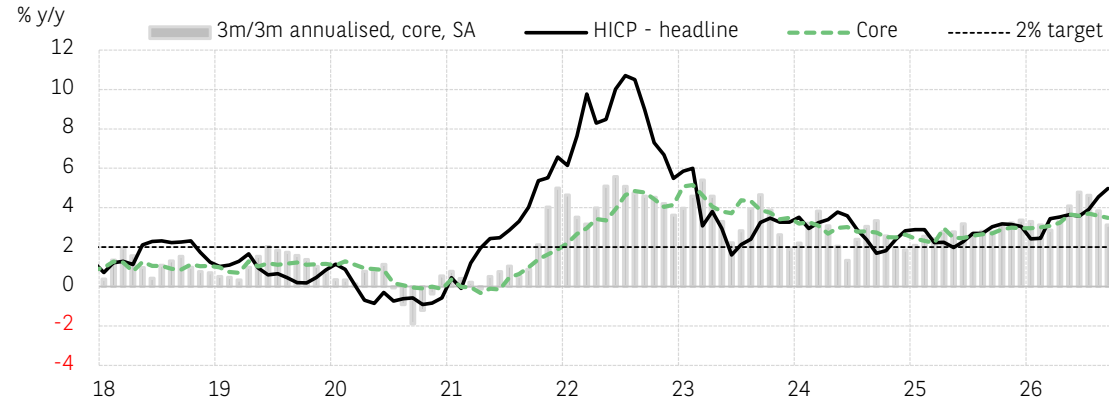
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Spain — Stronger inflationary pressures...



Headline inflation is moving away from the 2% target, core remains stable

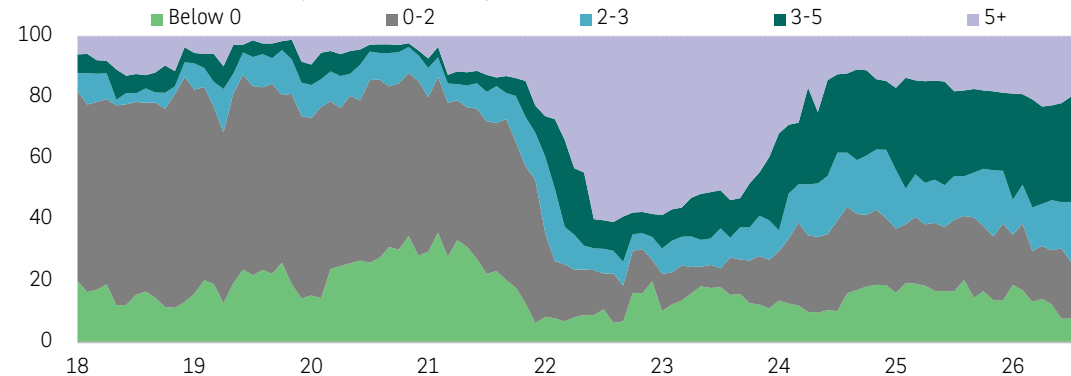
Headline and core HICP



The share of items above 2% has risen markedly over the year

Breadth of inflation

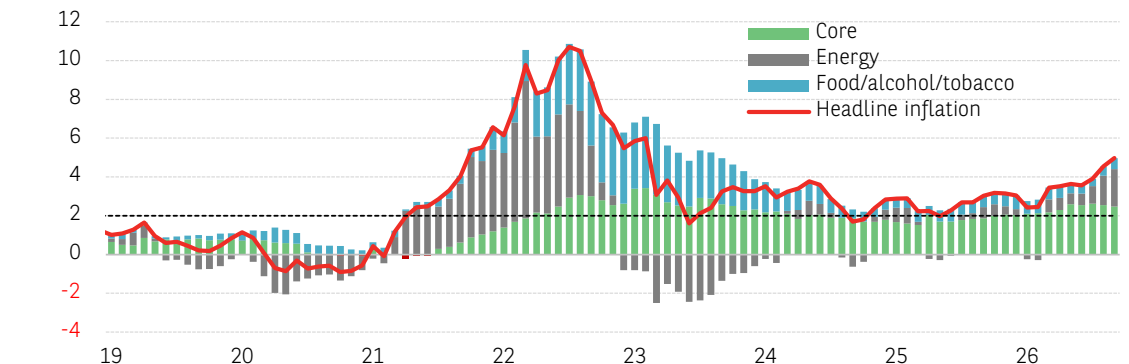
% of HICP basket components (basket of 291 items)



The rise in inflation is energy-driven; core is comparatively higher than elsewhere

Contributions to HICP inflation

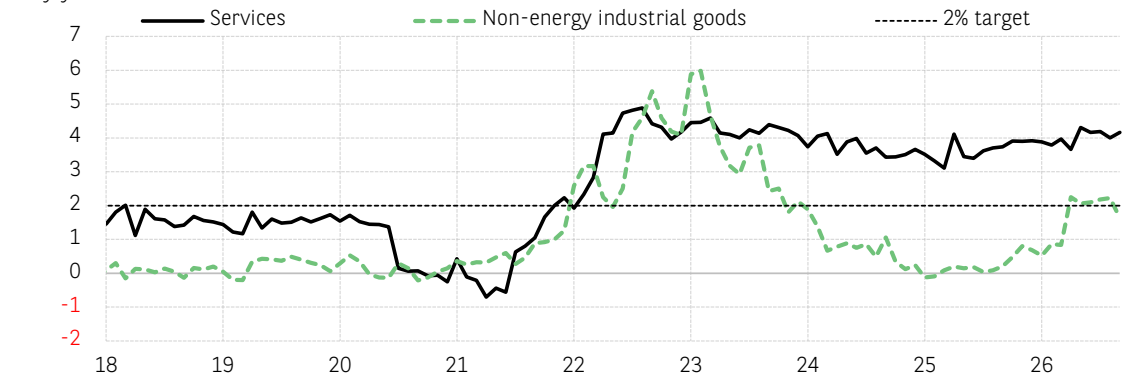
% y/y and contributions in pp



Services inflation remains strong, non-energy goods inflation is stabilising

Core inflation

% y/y



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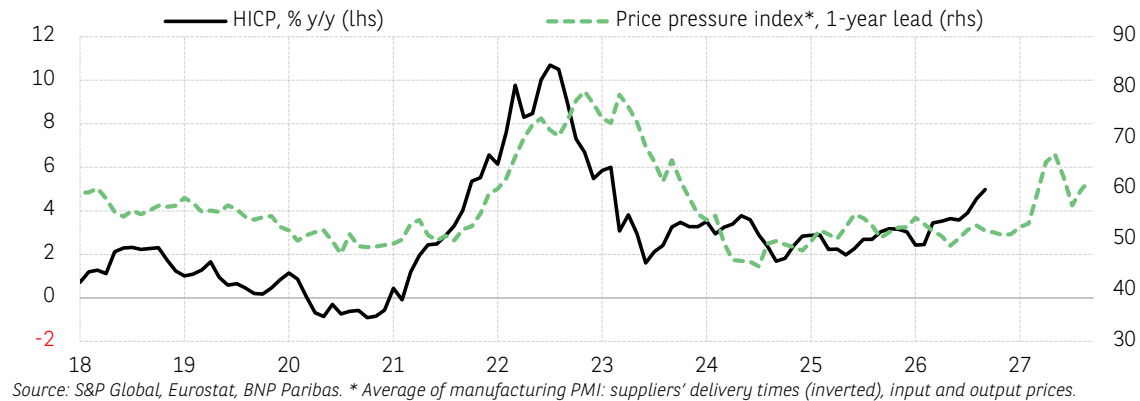
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... likely to persist in the coming months



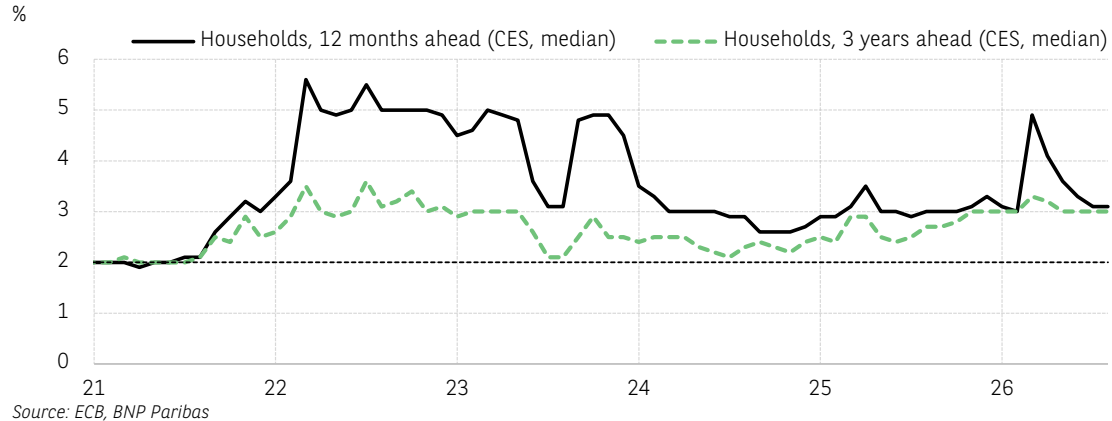
Inflation, already rising sharply, is set to accelerate further in 2027

Price pressures and inflation



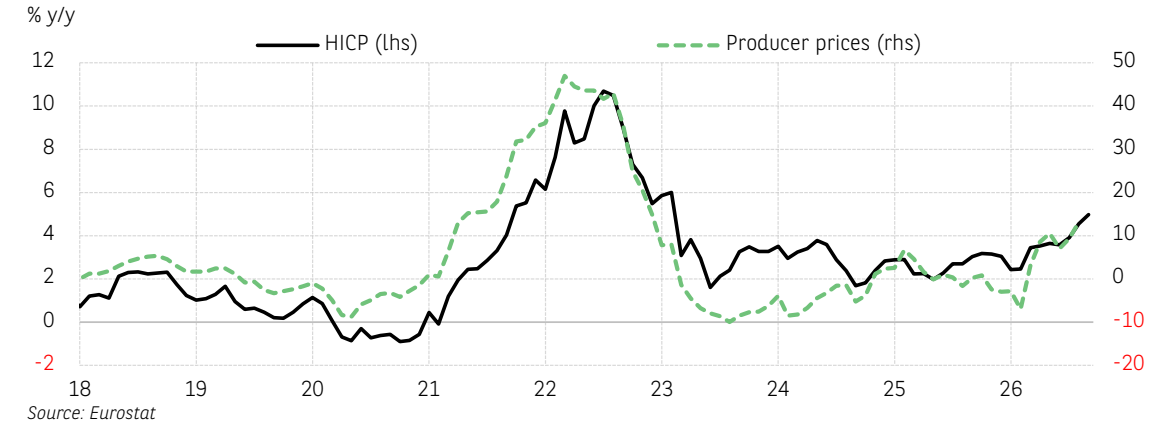
Spanish households' inflation expectations are settling at around 3%

Household expectations



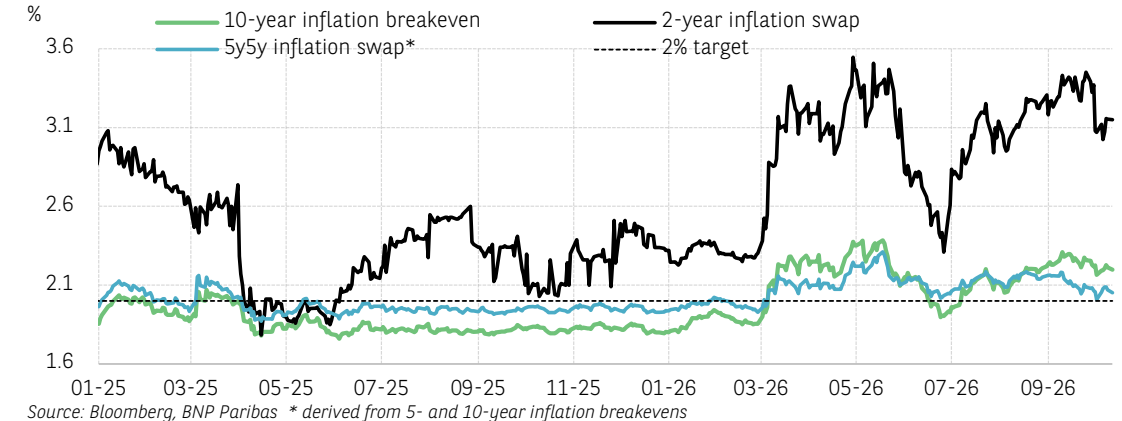
Producer and consumer prices keep rising together

Producer and consumer prices



Long-term market expectations are nonetheless easing

Market expectations



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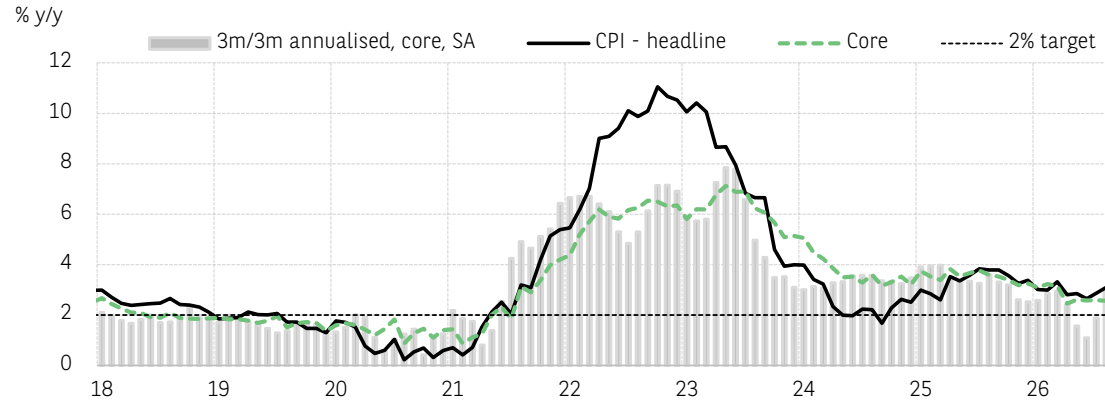
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United Kingdom — Energy is weighing on inflation



The higher energy price cap has triggered a rebound in inflation

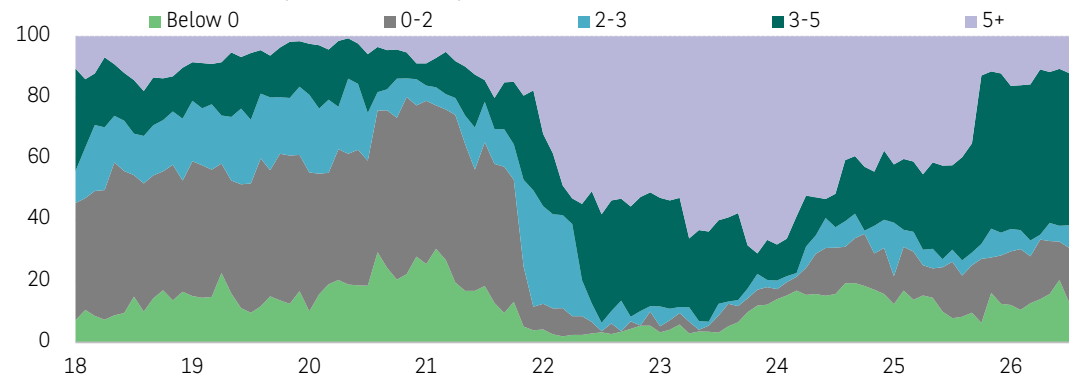
Headline and core CPI



Large price increases are fading, but most CPI components are running above 2%

Breadth of inflation

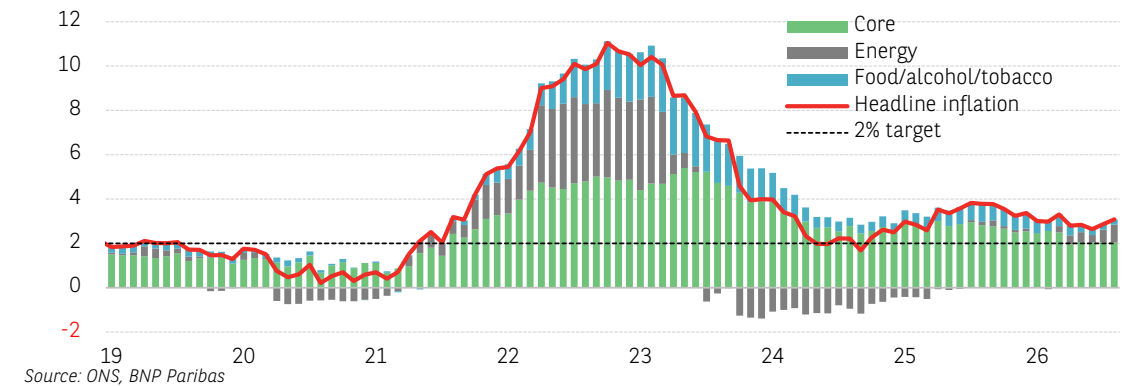
% of CPI basket components (basket of 85 items)



Lower contributions from core and food are offsetting energy

Contributions to CPI inflation

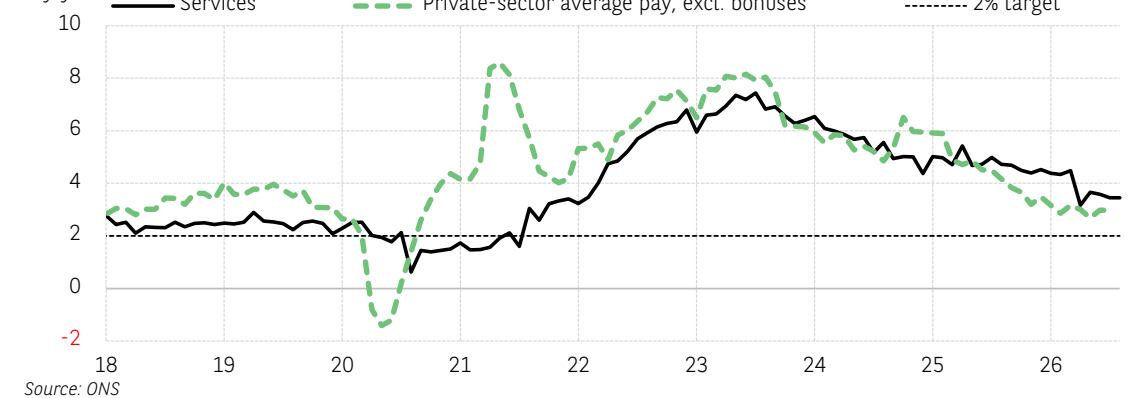
% y/y and contributions in pp



Easing wage growth is pulling services inflation down

CPI services and wages

% y/y



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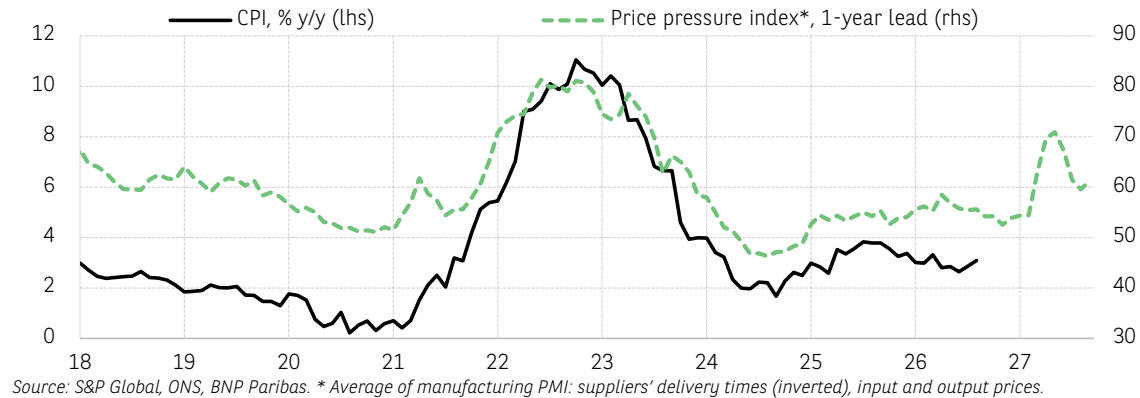
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United Kingdom — Behind prices, a deteriorating picture



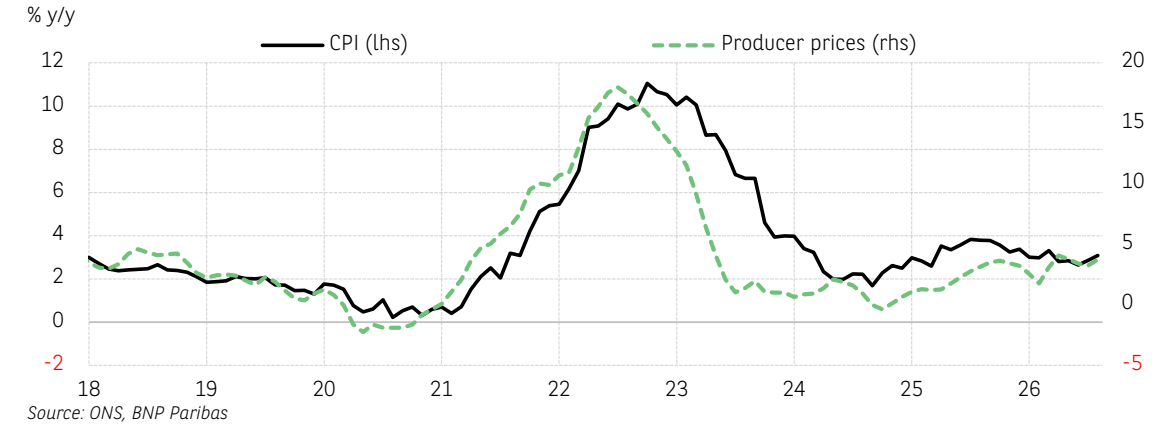
Renewed price pressures

Price pressures and inflation



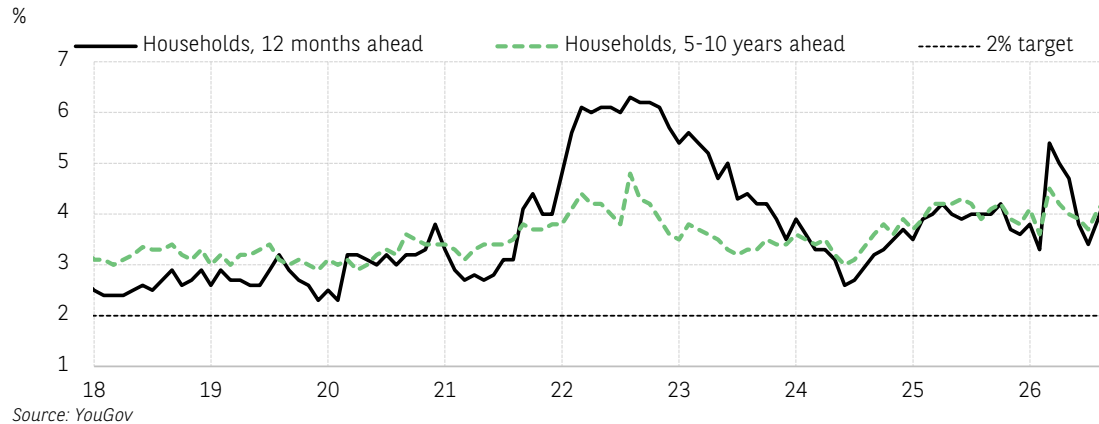
Producer prices are accelerating only slightly

Producer and consumer prices



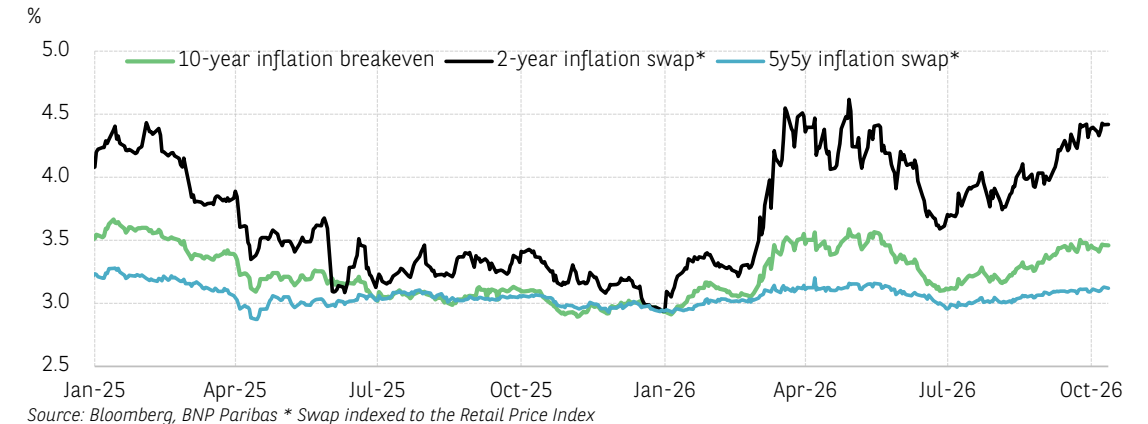
Households' expectations exceed 4%

Household and forecaster expectations



Short-term market expectations are trending upward

Market expectations



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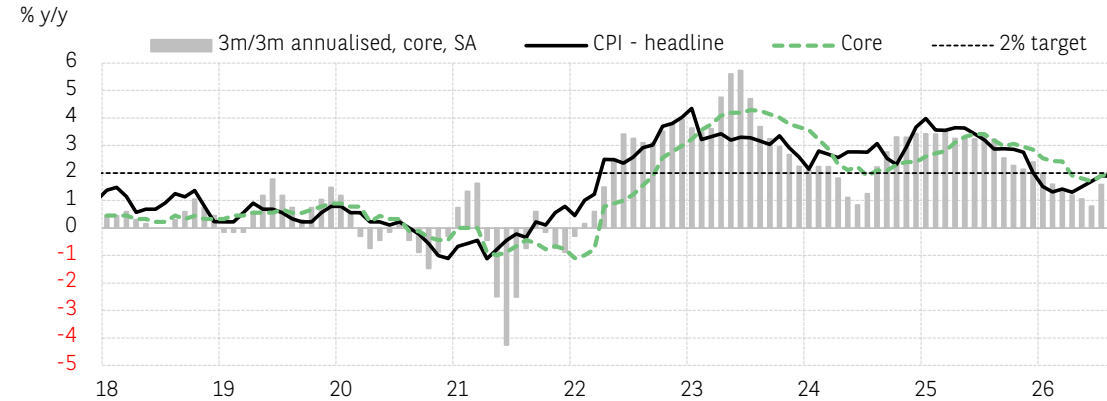
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Japan – Government measures are tempering the rise in inflation



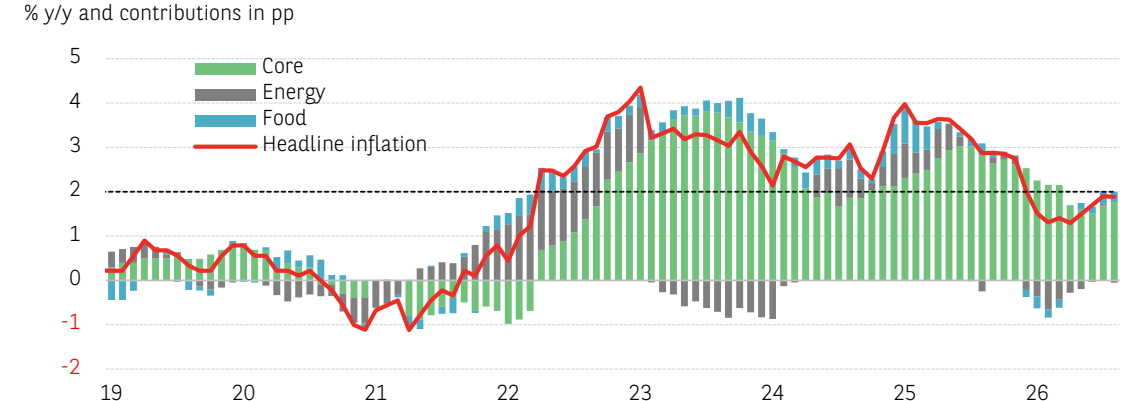
The energy rebound is tempered by policy measures...

Headline and core CPI



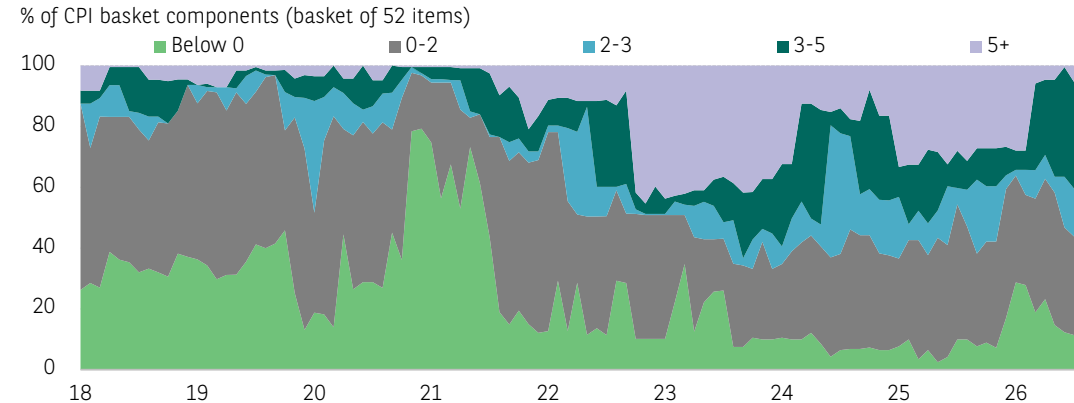
... with administrative action limiting energy's contribution

Contributions to CPI inflation



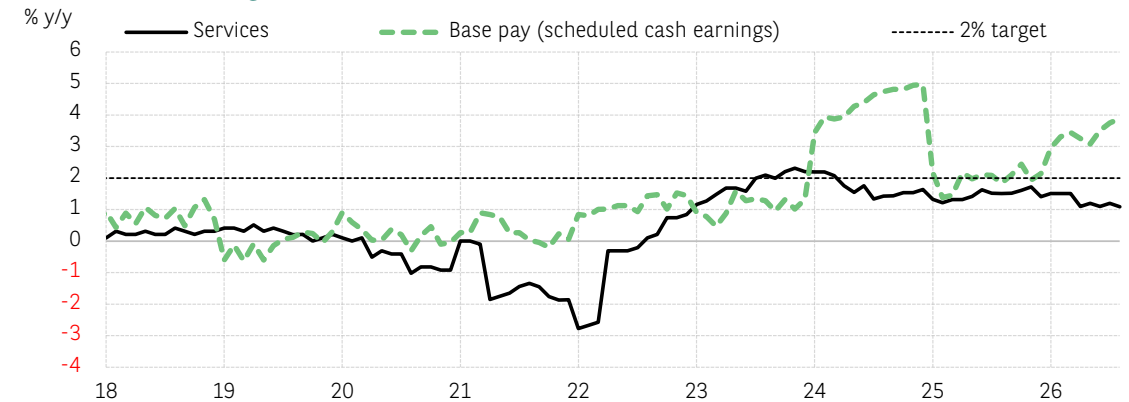
The share of items above 5% has fallen sharply

Breadth of inflation



Rising wage pressures will feed services inflation

CPI services and wages



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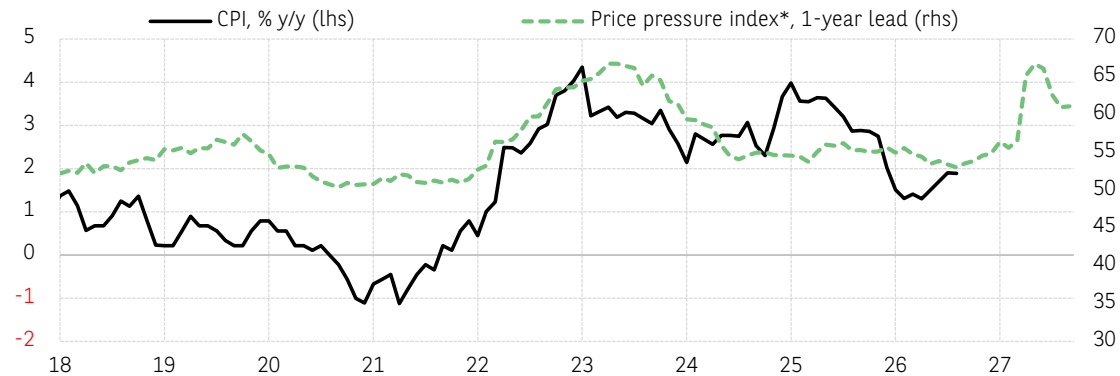
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Japan — Expectations point to the end of deflation



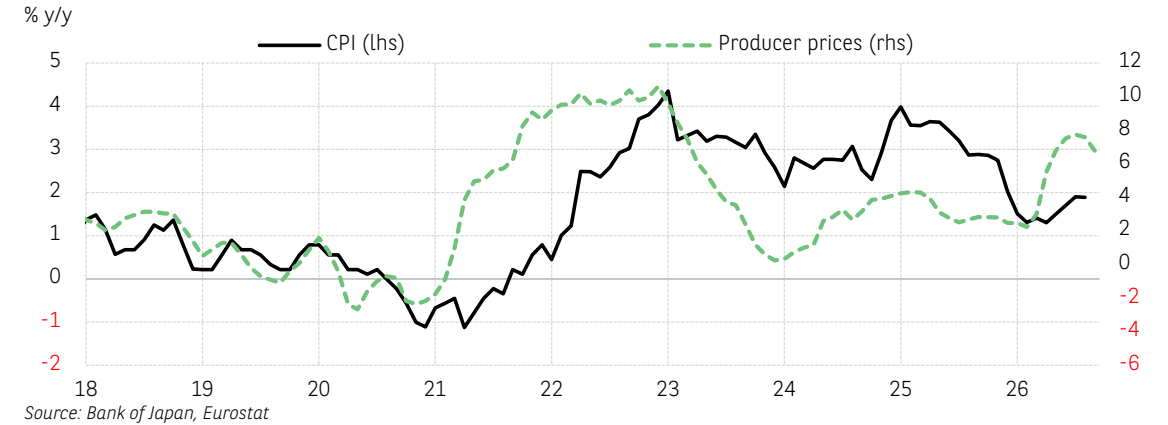
The economy is highly exposed to price pressures

Price pressures and inflation



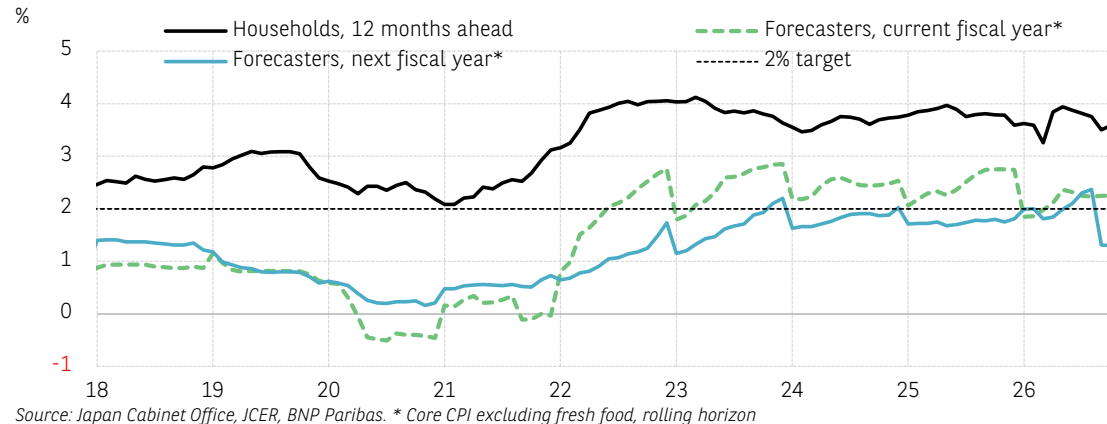
Rising producer prices are only weakly passed through to CPI

Producer and consumer prices



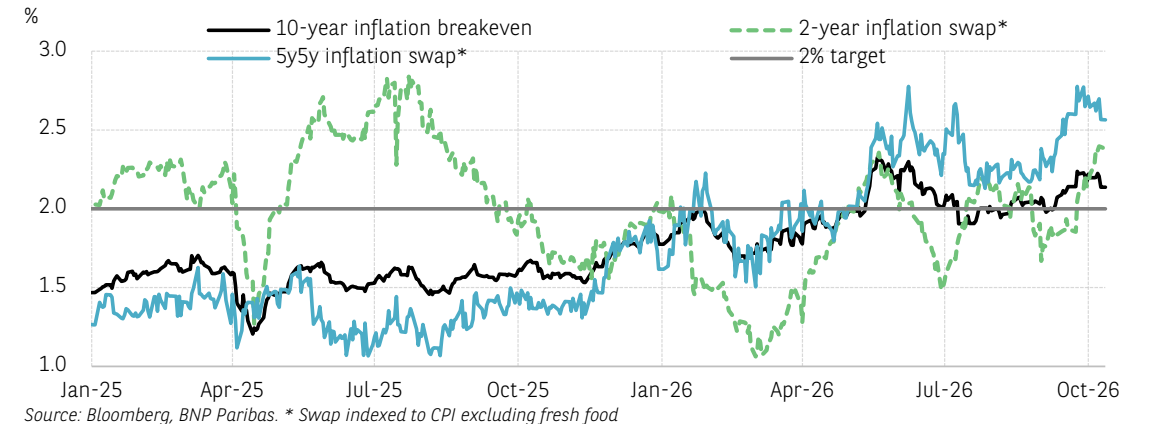
Households' inflation expectations exceed forecasters'

Household and forecaster expectations



The 5y5y has been above 2% since May

Market expectations



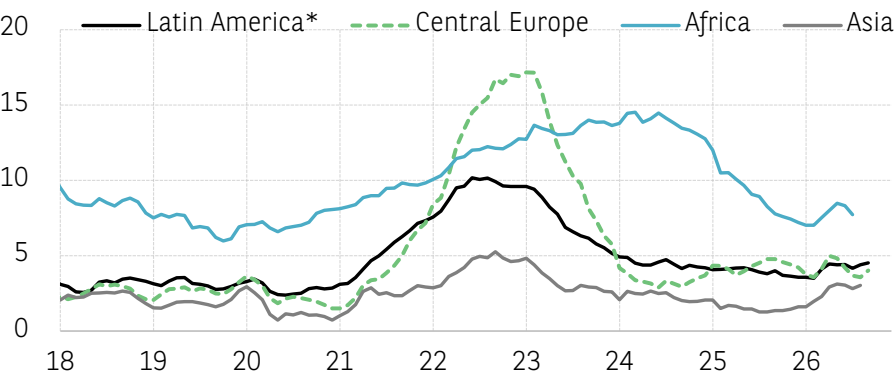
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Emerging economies – Rising inflation risk

Inflation eased temporarily in the early part of the summer

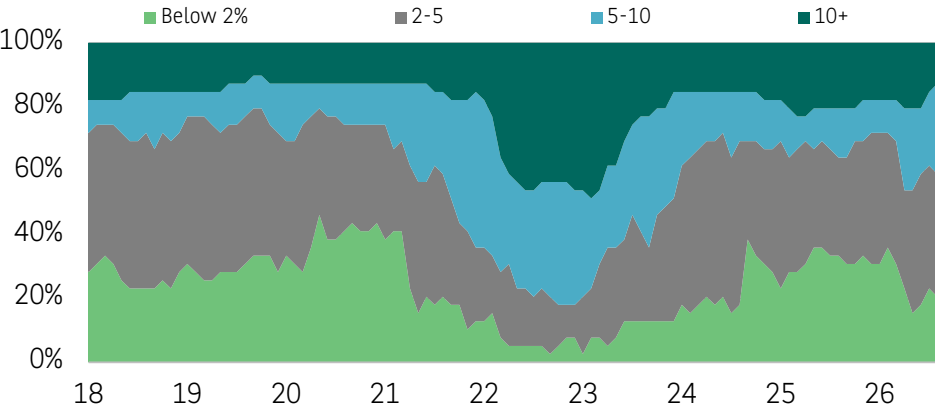
Consumer Price Inflation, y/y %, regional average



* Latin America: Brazil, Chile, Colombia, Mexico, Peru
 Central Europe: Bulgaria, Croatia, Hungary, Poland, Czech Rep., Romania, Slovakia
 Africa: Algeria, South Africa, Angola, Egypt, Kenya, Morocco, Nigeria, Tunisia
 Asia: China, Hong Kong, South Korea, India, Indonesia, Malaysia, Philippines, Singapore, Taiwan, Thailand, Vietnam

The number of countries with double-digit inflation has not increased since the start of the energy crisis

CPI inflation rate, panel of 39 Emerging economies



Source: Central banks, Macrobond, BNP Paribas

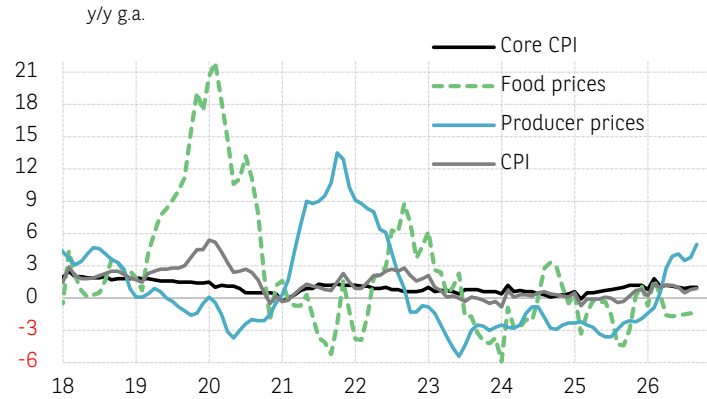
Available data show a rebound in inflation in September

Country	Month	Realised inflation (% y/y)			
		CPI (%)	1-month change in y/y rate (pp)	Core (%)	1-month change in y/y rate (pp)
China	August	0.8	▲ +0.1 pt	1.0	— 0.0 pt
India	August	4.8	▲ +0.7 pt	4.3	▲ +0.2 pt
Argentina	August	33.5	▼ -0.2 pt	31.6	▼ -0.3 pt
Brazil	August	4.2	▲ +0.4 pt	4.4	▲ +0.1 pt
Poland	Sept.	4.0	▲ +0.7 pt	n.a.	n.a.
Türkiye	Sept.	29.7	▼ -1.8 pt	28.7	▼ -1.4 pt

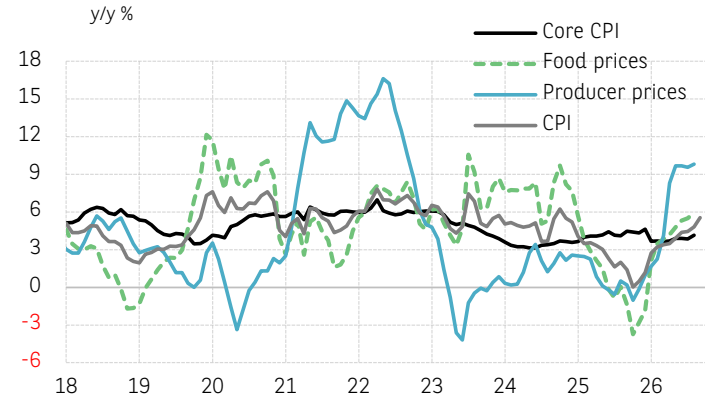


Emerging economies — Inflation re-accelerated in September or remains high

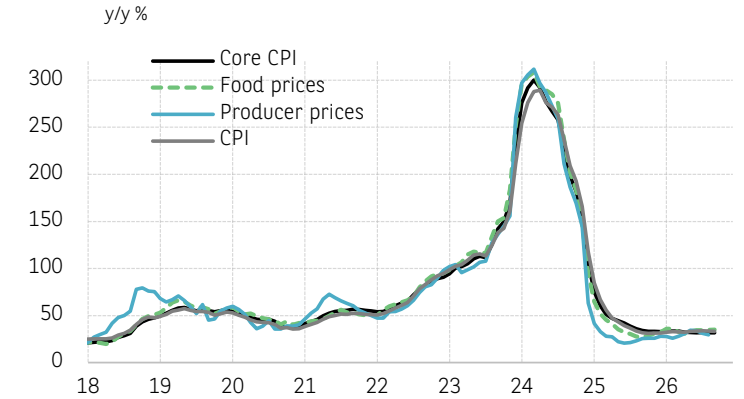
China: Inflation has recovered only slightly



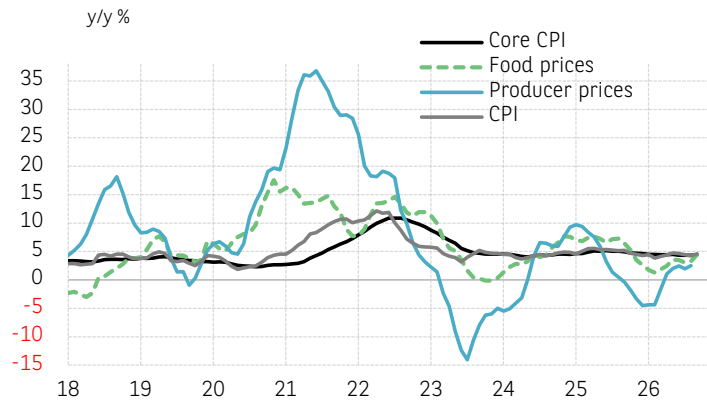
India: Acceleration in inflation is now driven by food prices



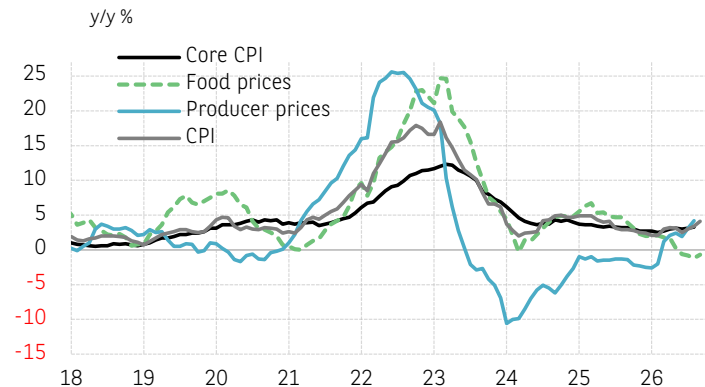
Argentina: No spike in inflation



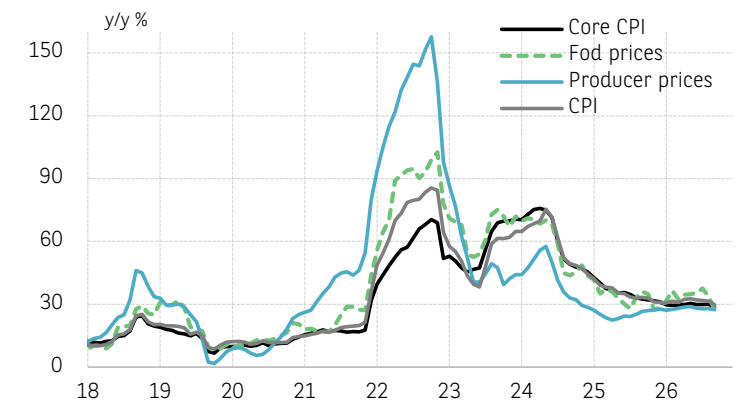
Brazil: Inflation is accelerating again



Poland: CPI inflation is rebounding, food prices are falling



Türkiye: Disinflation is slower than expected



Source: Central banks, Macrobond, BNP Paribas



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