

16 January 2025

# Global Inflation Watch

## Hard data signals continuing disinflation

- Overview:** Underlying inflation continues to moderate both in the euro area and in the US. Inflation pressures ease gradually with weak goods inflation and in the case of the US, a more balanced job market. In the euro zone, wage growth remains elevated but is also now cooling. Markets' inflation expectations have risen modestly amid fiscal and trade policy uncertainty stemming from the US, but realized data shows little reason for concern. Oil prices have risen in early 2025, but mostly due to supply concerns linked to new sanctions on Russian exports.
- Inflation expectations:** Market-based inflation expectations have turned modestly higher but remain consistent with the 2% target. US consumers' inflation expectations rose across both 1y and 5y horizons in the latest University of Michigan survey, but other measures remain at modest levels.
- US:** December CPI came out close to expectations. Headline inflation accelerated to +0.39% m/m SA (2.9% y/y, cons. +0.3% m/m) due to higher energy prices, but core inflation moderated to +0.23% m/m SA (3.2% y/y, cons. +0.2% m/m). Growth in hotel prices calmed down after an unusual uptick in November, which together with core goods and health care contributed to easing core inflation. Importantly, shelter and broader non-housing services inflation remained on a cooling trend as well. We still forecast the next 25bp Fed cut in March.
- Euro:** Headline inflation rose to 2.4% y/y in December, as expected, up from 2.2% in November. This increase was mainly driven by energy base effects, while core inflation remained unchanged at 2.7% y/y. Core services showed monthly price increases on the high side with 0.3% m/m s.a., however, this comes after the very low print in November, so 3m/3m momentum continued lower in a positive sign for the ECB. Moreover, December's inflation figures resulted in Q4 average inflation 10bp lower than ECB staff predictions. Hence, December's data confirmed the narrative of weakening momentum in underlying inflation as momentum in services is coming lower while goods remain very low.
- China:** December CPI declined from 0.2% y/y to 0.1% y/y while core CPI rose to 0.4% y/y from 0.2% y/y. PPI increased to -2.3% y/y from -2.5% y/y.

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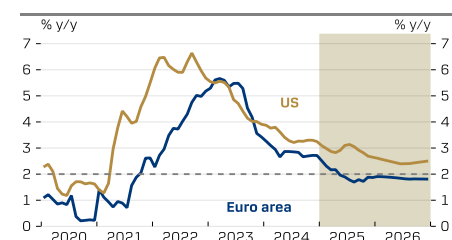
### US elections caused markets' inflation expectations to diverge



Note: Past or current performance is no guarantee of future performance

Source: Bloomberg, Macrobond Financial

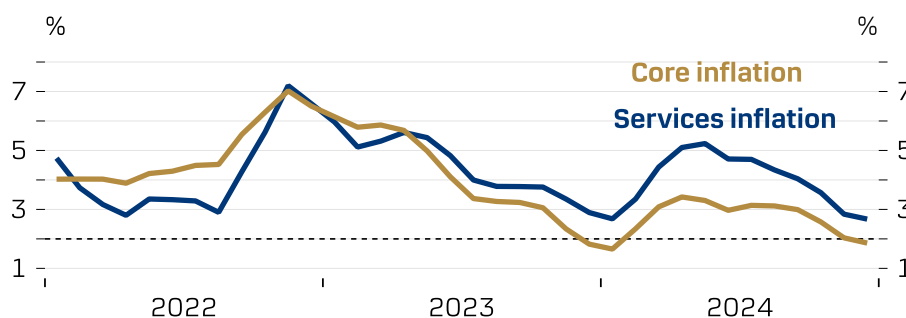
### Core inflation outlook



Source: BLS, Eurostat, Danske Bank, Macrobond Financial

The downward trend in underlying inflation momentum continued in December

### Euro area, inflation momentum (3m/3m SAAR)



Source: ECB, Macrobond Financial

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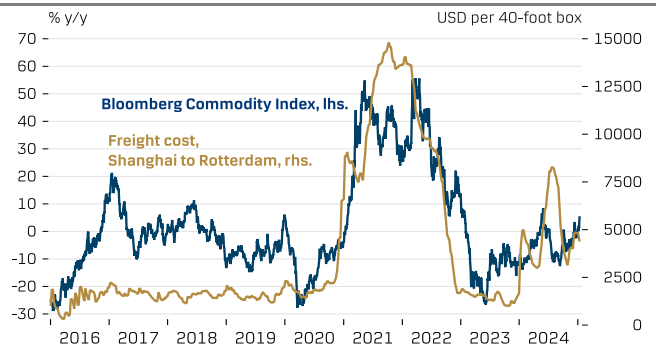
# Top down overview

## Overview of inflation drivers

Inflation Dashboard (3-6M trend)		
Commodity prices	Oil	↓
	Metals	↓
	Food stuff	↑
Supply Chains	Freight rates	→
Wage pressure		↓
Productivity growth		↓
Inflation expectations		→
Pricing power		→

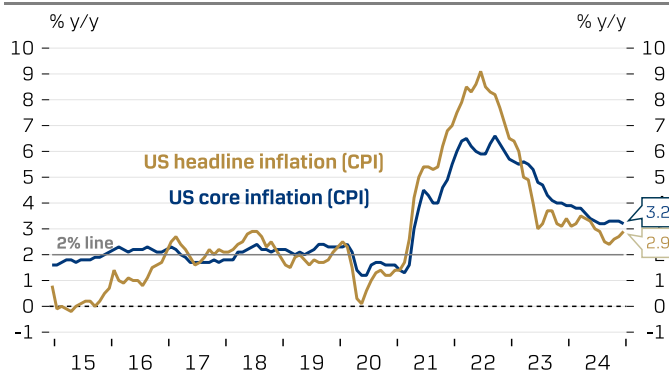
Source: Danske Bank

## Commodity price and freight inflation



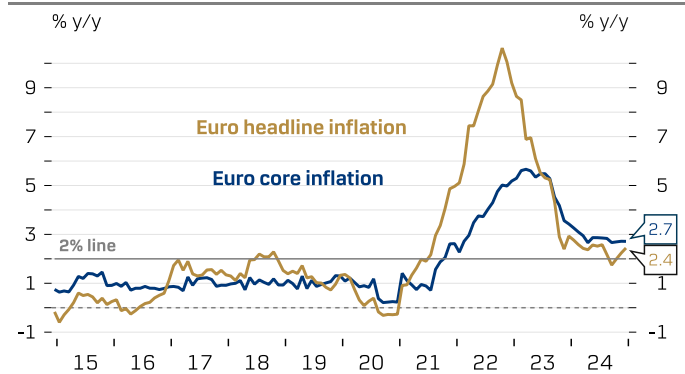
Source: Macrobond Financial, Eurostat, Bloomberg

## US headline and core inflation (CPI)



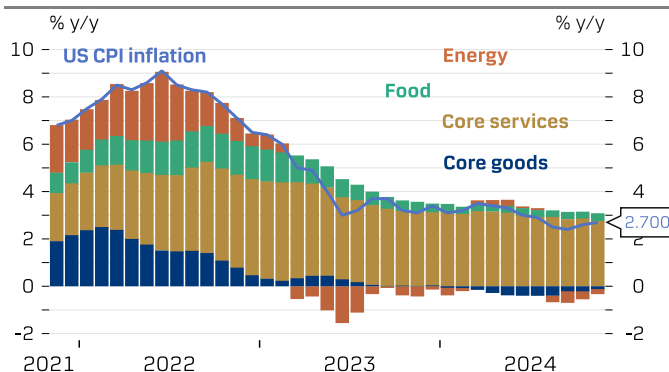
Source: Macrobond Financial, BLS

## Euro headline and core inflation



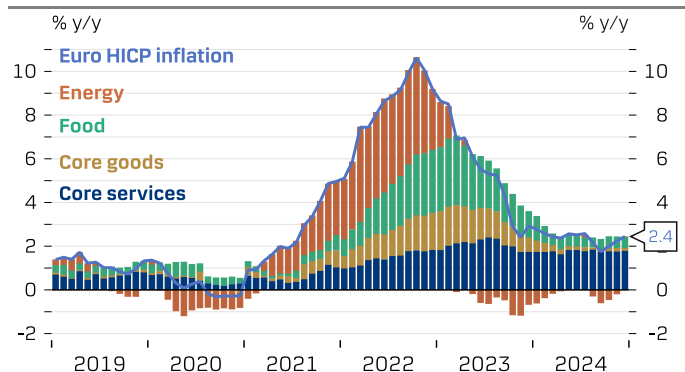
Source: Macrobond Financial, Eurostat

## Contributions to US inflation



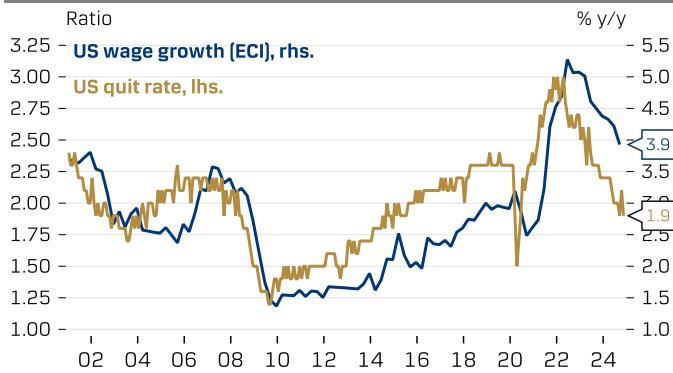
Source: Macrobond Financial, BLS

## Contributions to euro inflation



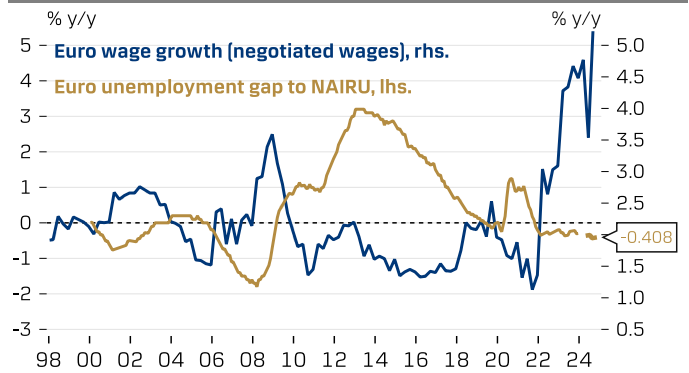
Source: Macrobond Financial, Eurostat

US wage growth and labour market tightness



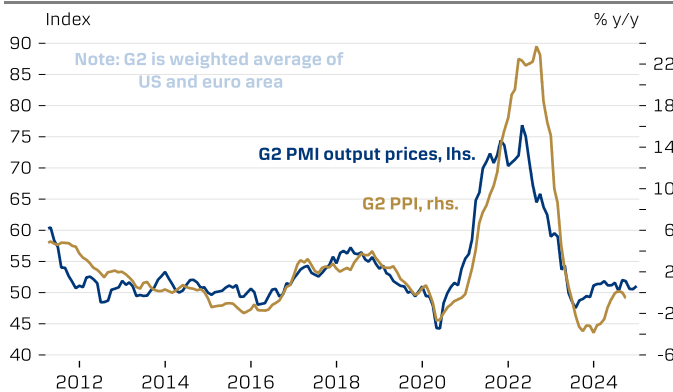
Source: Macrobond Financial, BLS

Euro wage growth and labour market tightness



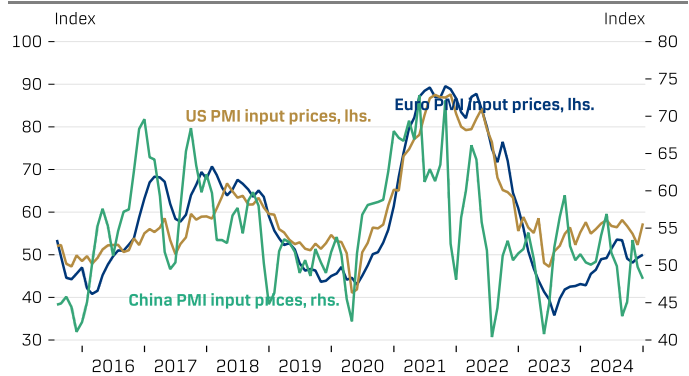
Source: Macrobond Financial, Eurostat, ECB

G2 PPI inflation vs oil price inflation



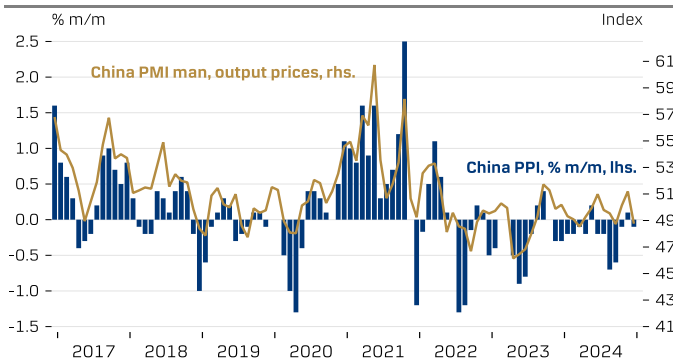
Source: Macrobond Financial, BLS, Eurostat

PMI input price indices US, Euro and China



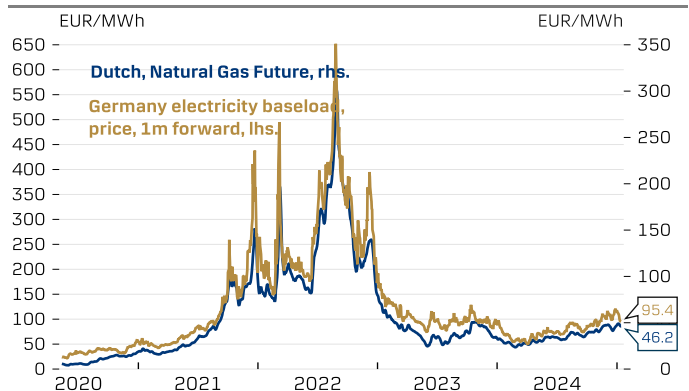
Source: Macrobond Financial, Markit

China PPI inflation momentum



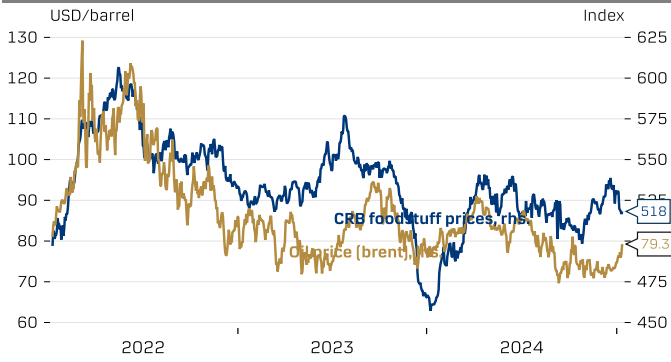
Source: Macrobond Financial, Markit

European natural gas and electricity prices



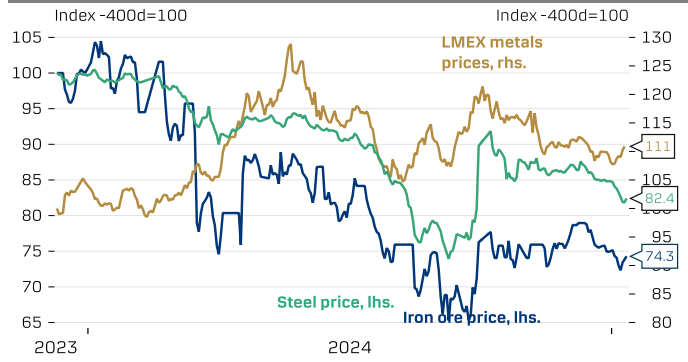
Note: Past or current performance is no guarantee of future performance  
Source: Macrobond Financial, PBoC, Danske Bank

Commodity price levels – oil and food



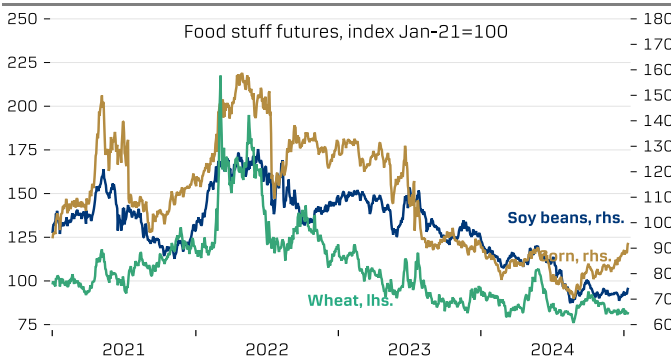
Source: Macrobond Financial, Bloomberg  
 Note: Past performance is not a reliable indicator of future performance.

Commodity price levels – metals and iron ore



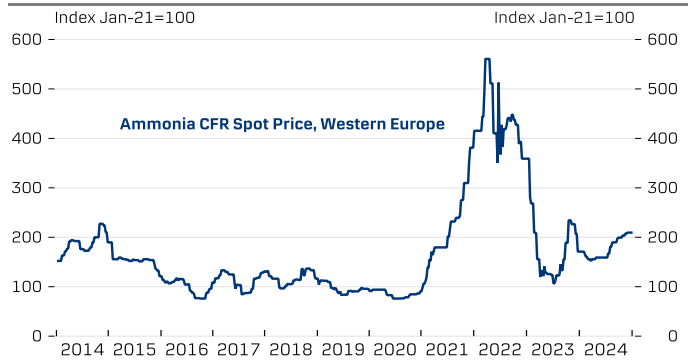
Source: Macrobond Financial, Bloomberg  
 Note: Past performance is not a reliable indicator of future performance.

Grain prices



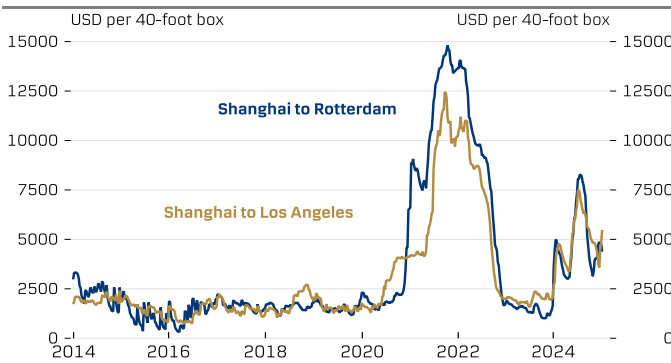
Source: Macrobond Financial, Bloomberg  
 Note: Past performance is not a reliable indicator of future performance.

Fertilizer input prices



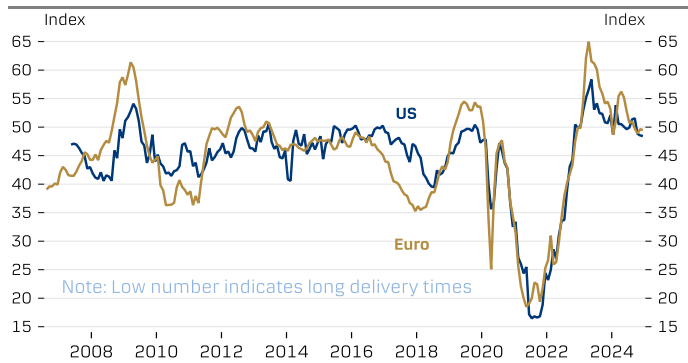
Source: Macrobond Financial, Bloomberg  
 Note: Past performance is not a reliable indicator of future performance.

Freight rates



Source: Macrobond Financial, Bloomberg, WCI

Bottle necks – PMI supplier delivery indices



Source: S&P Global, Macrobond Financial

# Country details - US

## Top down

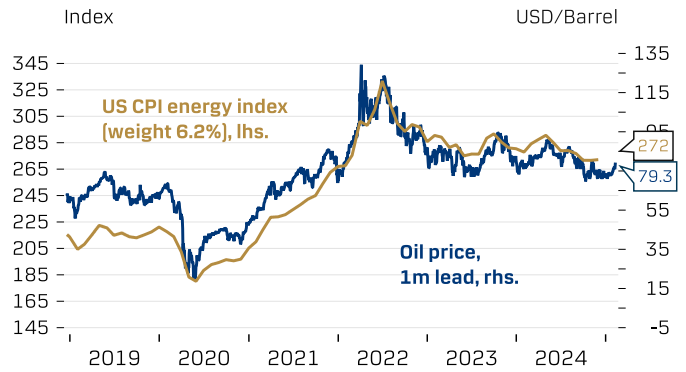
### Headline CPI inflation vs. oil prices



Source: Macrobond Financial, BLS.

Note: Past performance is not a reliable indicator of future performance.

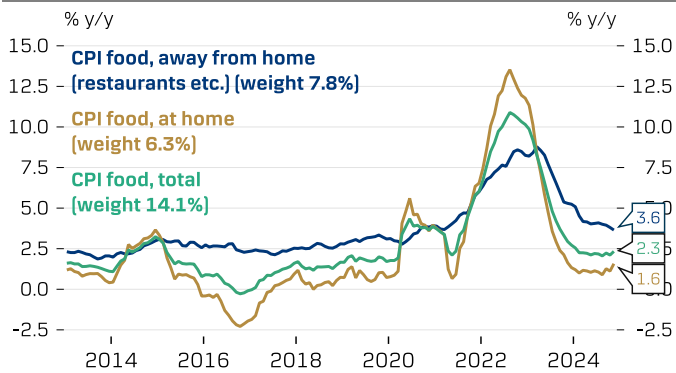
### CPI energy prices vs oil



Source: Macrobond Financial, BLS.

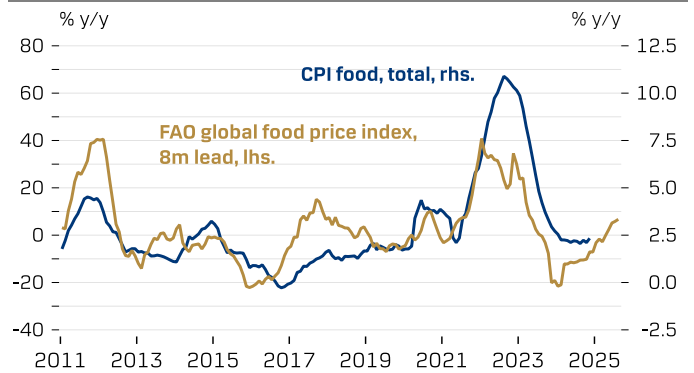
Note: Past performance is not a reliable indicator of future performance.

### Food prices



Source: Macrobond Financial, BLS

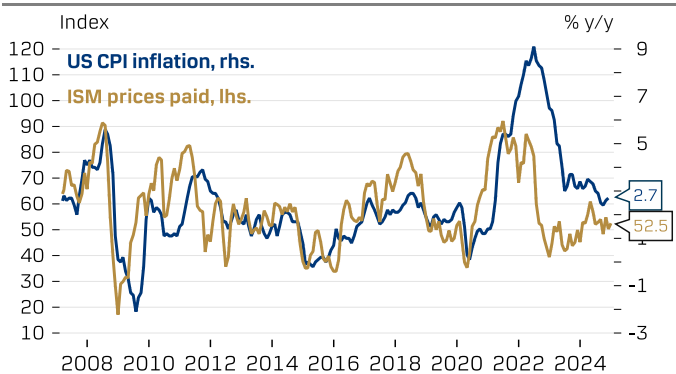
### Food prices vs FAO food price index



Source: Macrobond Financial, FAO, BLS

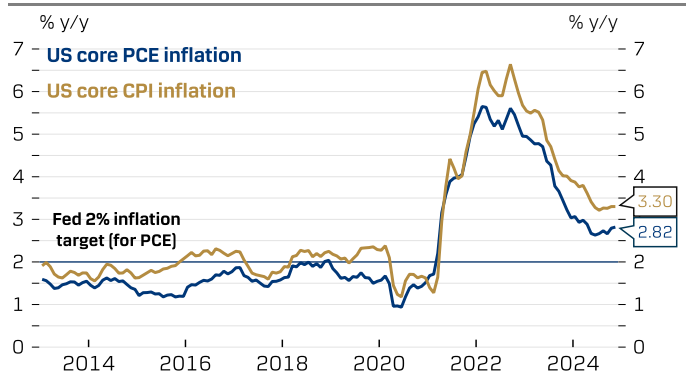
Note: Past performance is not a reliable indicator of future performance.

### US PMI output prices vs CPI inflation



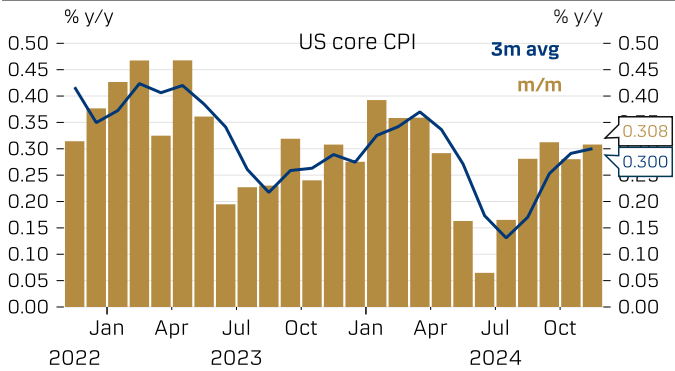
Source: Macrobond Financial, BLS, Markit

### Core PCE inflation vs core CPI inflation



Source: Macrobond Financial, BLS, BEA

**Core CPI momentum**



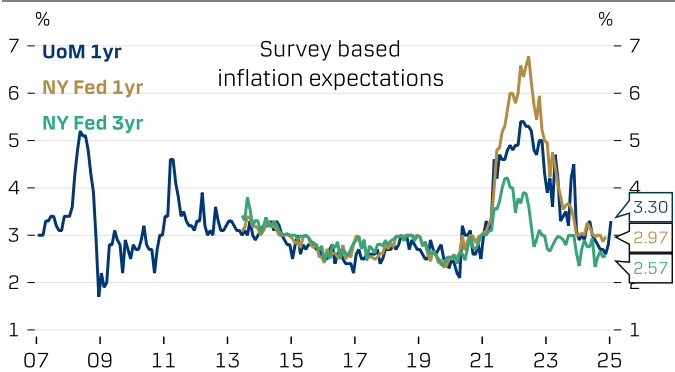
Source: Macrobond Financial, BLS

**Headline CPI since 1980**



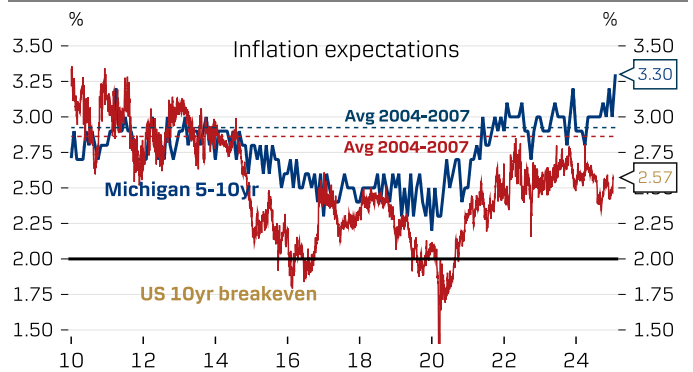
Sources: BEA, BLS, Macrobond Financial

**Survey-based inflation expectations**



Source: NY Fed, University of Michigan, Macrobond Financial

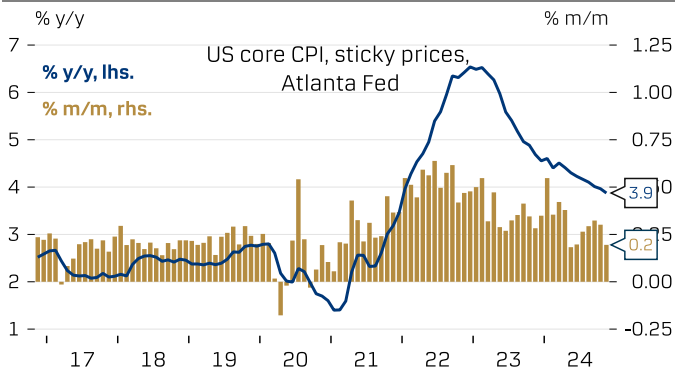
**Long-term inflation expectations**



Source: Macrobond Financial, University of Michigan

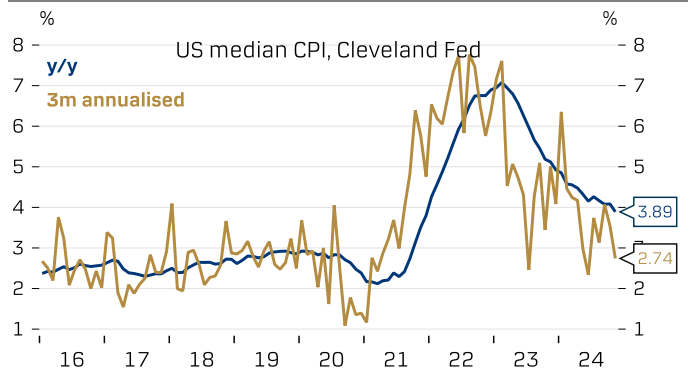
Note: Past performance is not a reliable indicator of future performance.

**Core sticky prices inflation (prices changed less frequently)**



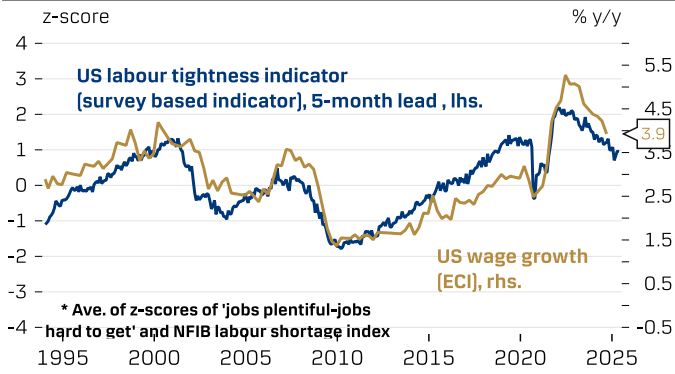
Source: Macrobond Financial, Atlanta Fed

**Median CPI inflation**



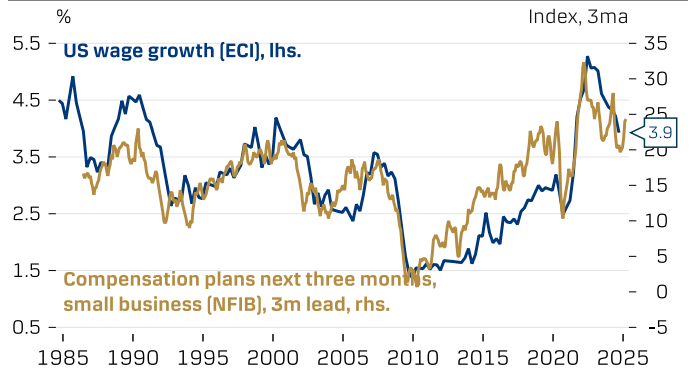
Source: Macrobond Financial, Cleveland Fed

Labour market tightness: wage growth vs tightness



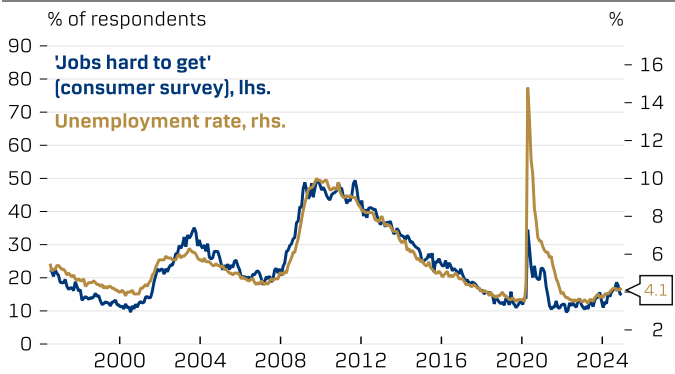
Source: Macrobond Financial, Conference Board, NFIB, BLS, Danske Bank

Labour market tightness: job openings and shortage



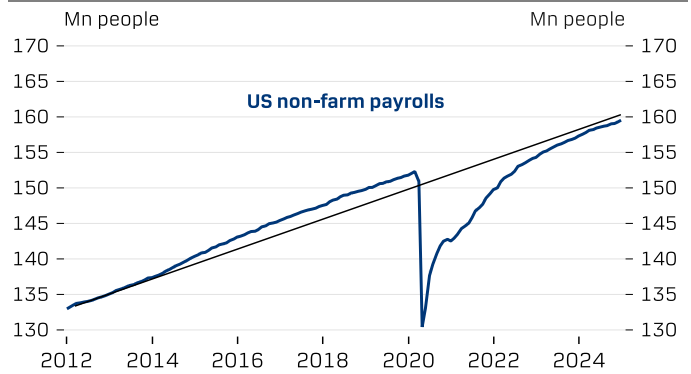
Source: Macrobond Financial, NFIB, BLS

Labour market tightness: Jobs hard to get and unemployment



Source: Macrobond Financial, Conference Board, BLS

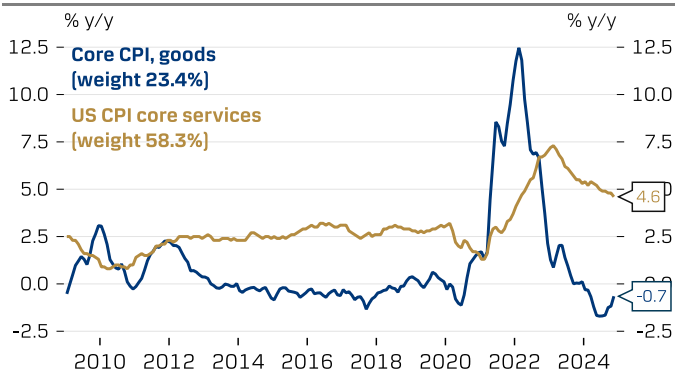
Employment gap



Source: Macrobond Financial, BLS

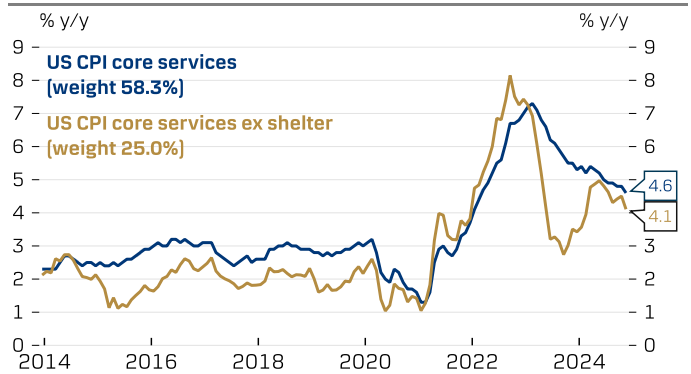
Bottom up

Core goods vs. services



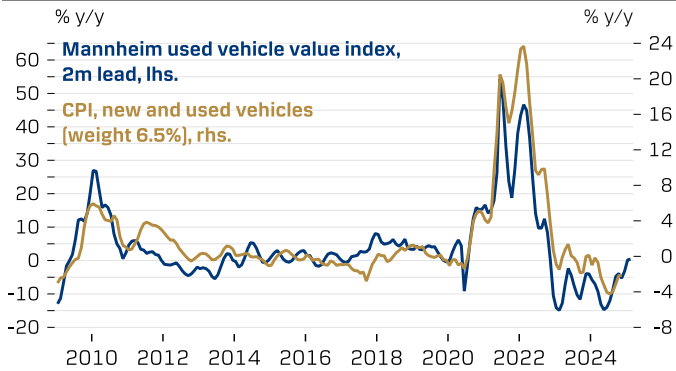
Source: Macrobond Financial, BLS

Core services ex shelter



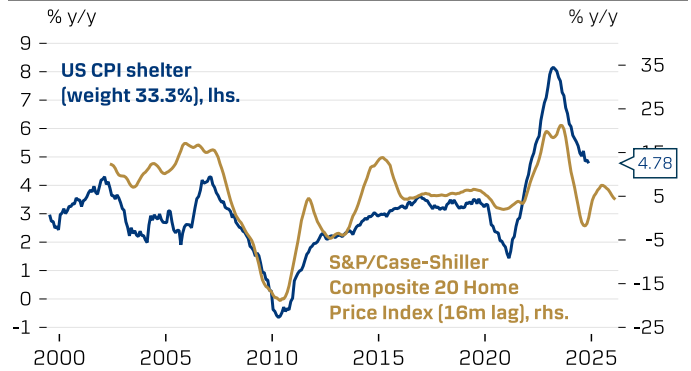
Source: Macrobond Financial, BLS

**Used car prices**



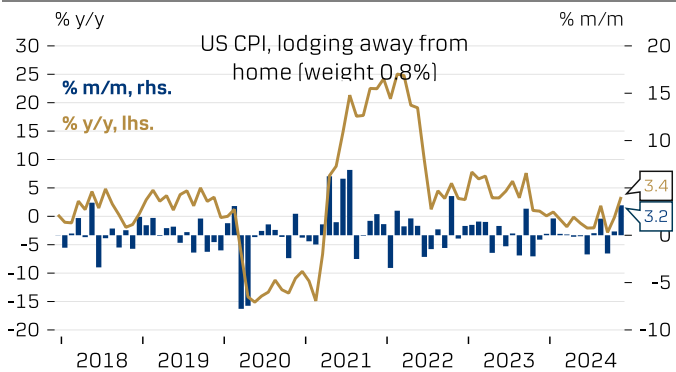
Source: Macrobond Financial, BLS, Manheim Consulting

**Rent of shelter**



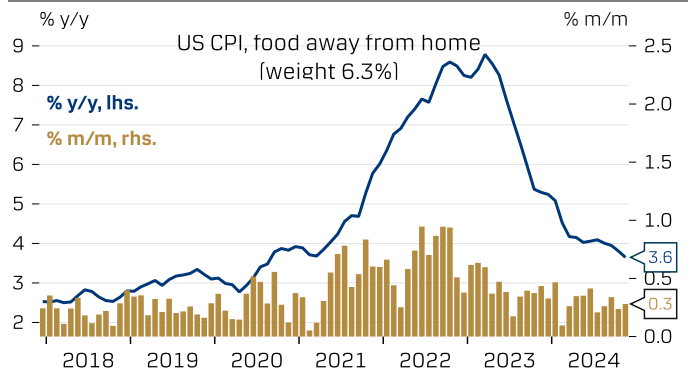
Source: Macrobond Financial, BLS, S&P Dow Jones

**Lodging away from home (hotels etc.)**



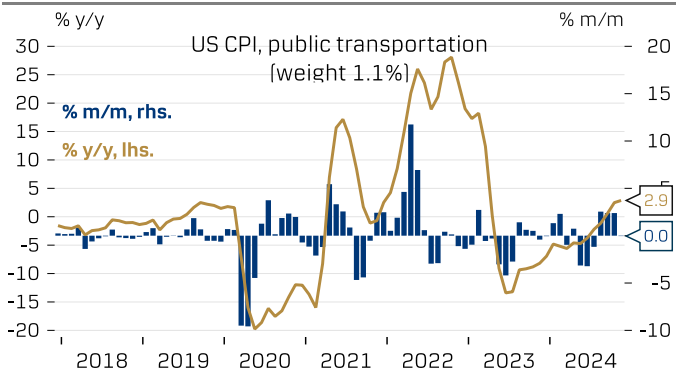
Source: Macrobond Financial, BLS

**Food away from home (restaurants etc.)**



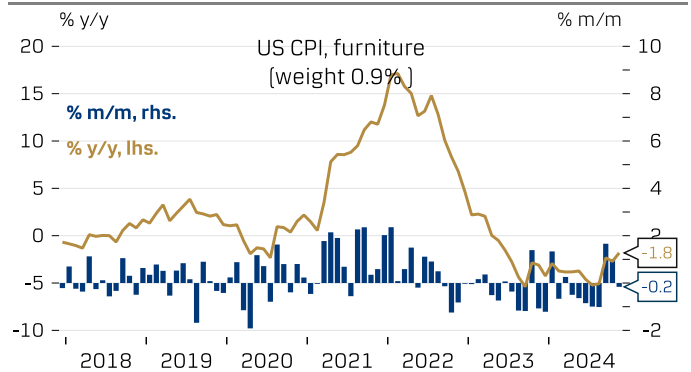
Source: Macrobond Financial, BLS

**Public transportation (airfares etc.)**



Source: Macrobond Financial, BLS

**Furniture**



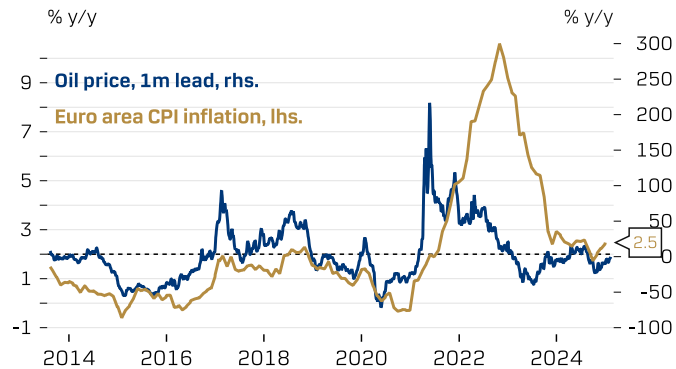
Source: Macrobond Financial, BLS



# Country details – Euro area

## Top Down

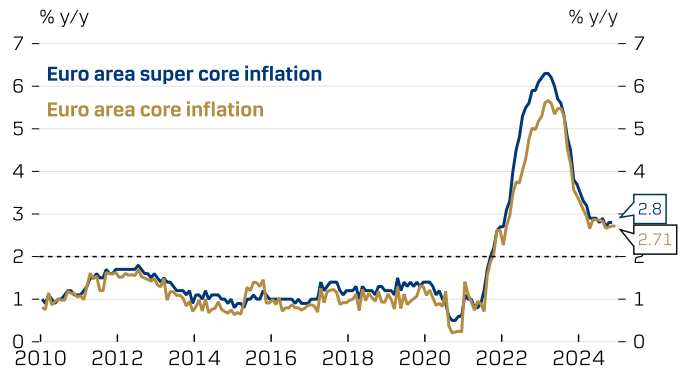
### Headline vs. oil prices



Source: Macrobond Financial, Eurostat

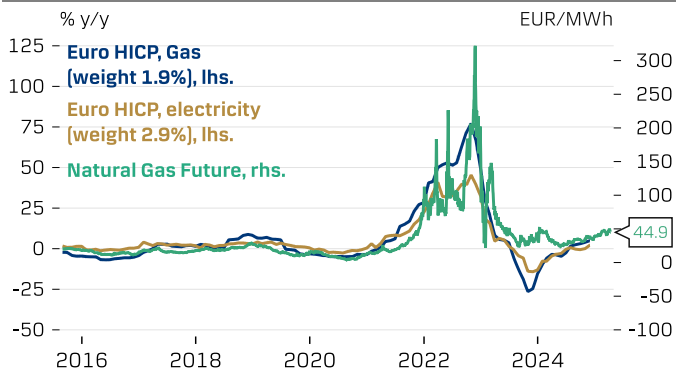
Note: Past performance is not a reliable indicator of future performance.

### Core inflation



Source: Macrobond Financial, Eurostat, Danske Bank

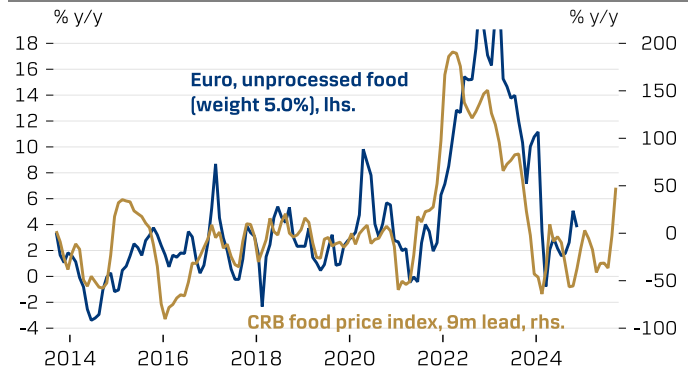
### Natural gas & electricity



Source: Macrobond Financial, Eurostat

Note: Past performance is not a reliable indicator of future performance.

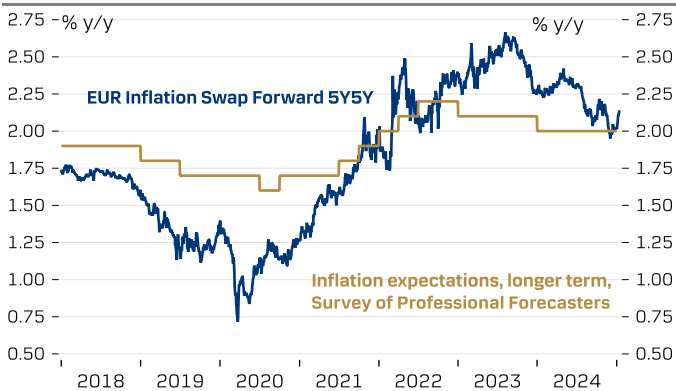
### Food



Source: Macrobond Financial

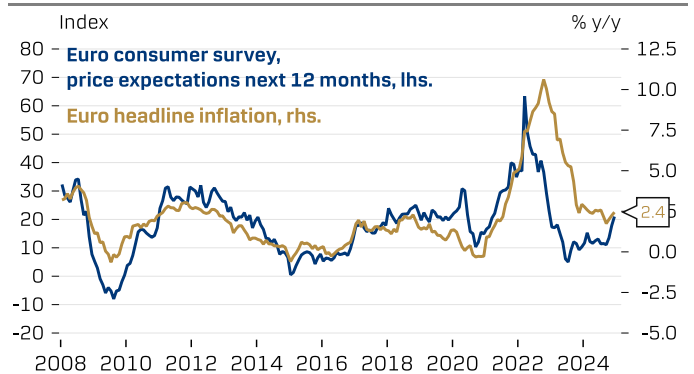
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### Inflation expectations



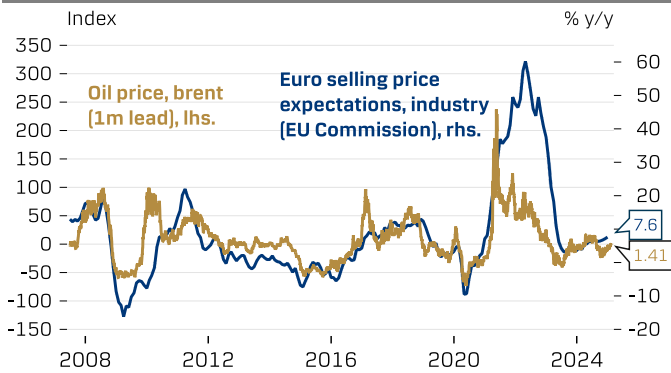
Source: Macrobond Financial, Bloomberg, ECB

### Consumer confidence - price expectations



Source: Macrobond Financial, EU Commission, Eurostat

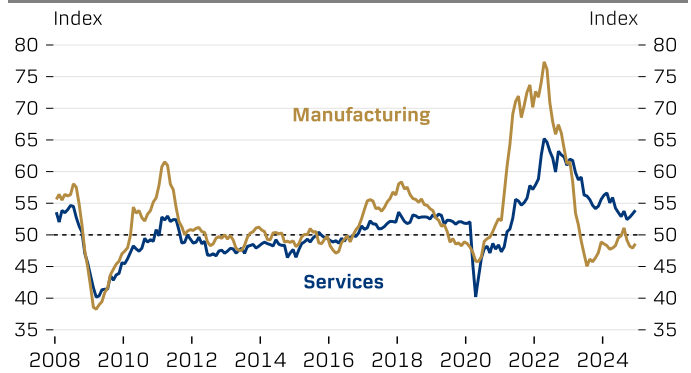
### Selling price expectations from companies



Source: Macrobond Financial, EU Commission

Note: Past performance is not a reliable indicator of future performance.

### PMI output prices



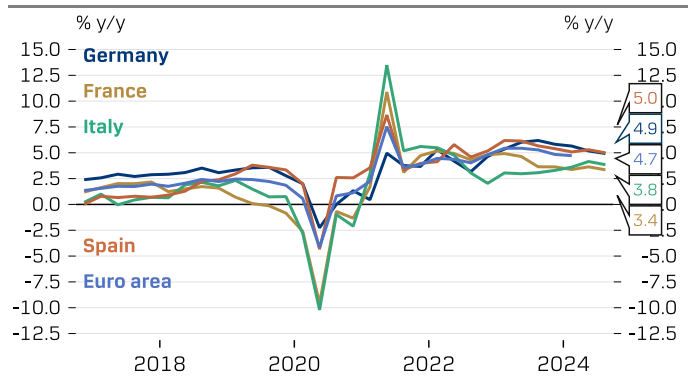
Source: Macrobond Financial, Markit

### Labour shortage and wage growth



Source: Macrobond Financial, EU Commission

### Wage growth (compensation per employee)

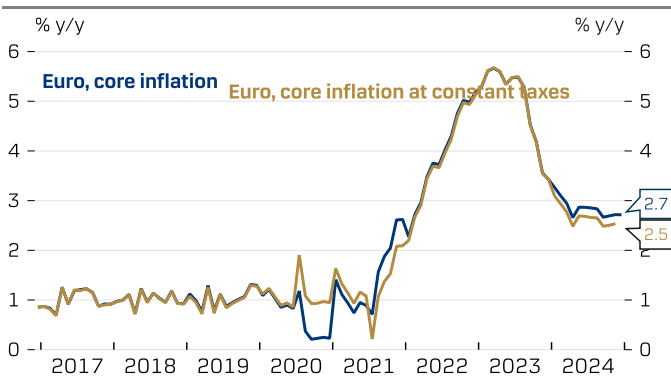


Source: Macrobond Financial, ECB.

Note: Compensation is affected by changes in working hours in contrast to negotiated wages, which is per hour worked.

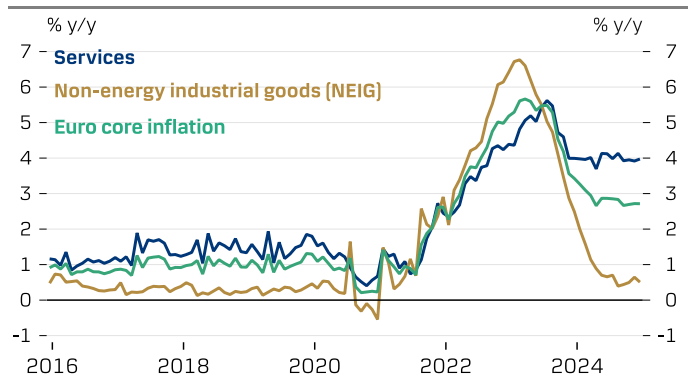
## Bottom up

### Core inflation, effect from taxes



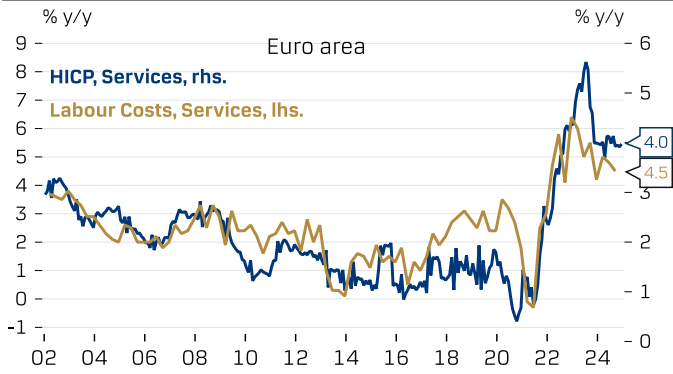
Source: Macrobond Financial, Eurostat

### Core inflation components



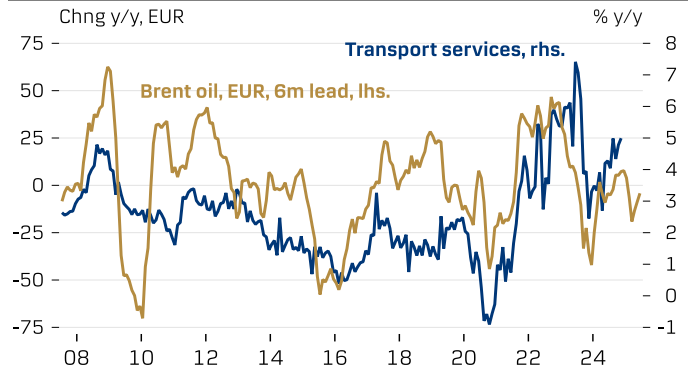
Source: Macrobond Financial, Eurostat, ECB

Service inflation vs. labour costs



Source: Macrobond Financial, Eurostat, Danske Bank

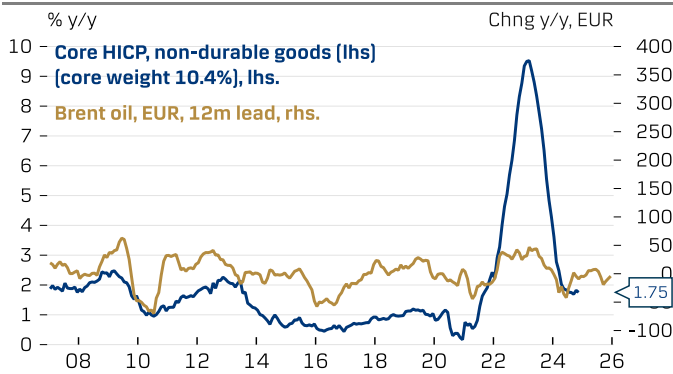
Transport services vs. oil



Source: Macrobond Financial, Eurostat, Danske Bank

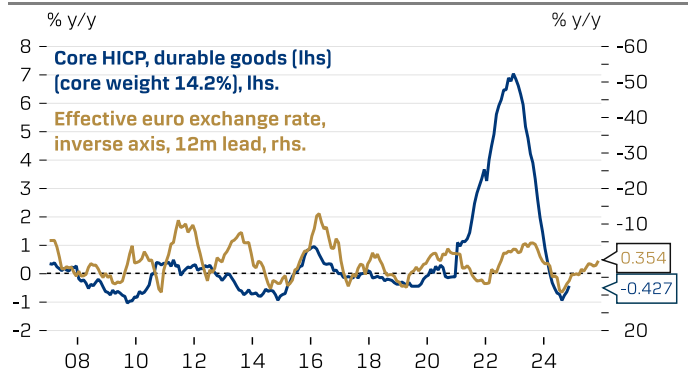
Note: Past performance is not a reliable indicator of future performance.

Core non-durable goods



Source: Macrobond Financial, Eurostat

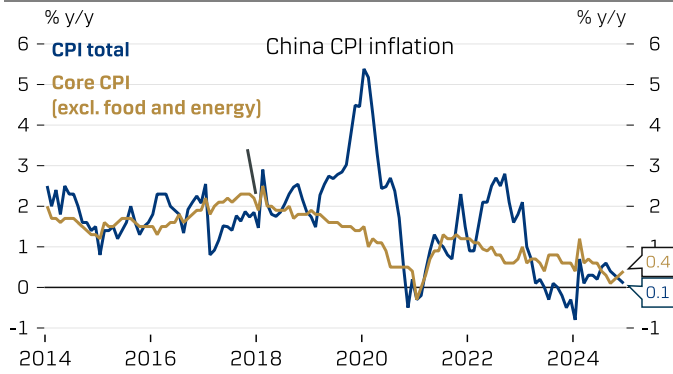
Core durable goods



Source: Macrobond Financial, BIS, Eurostat

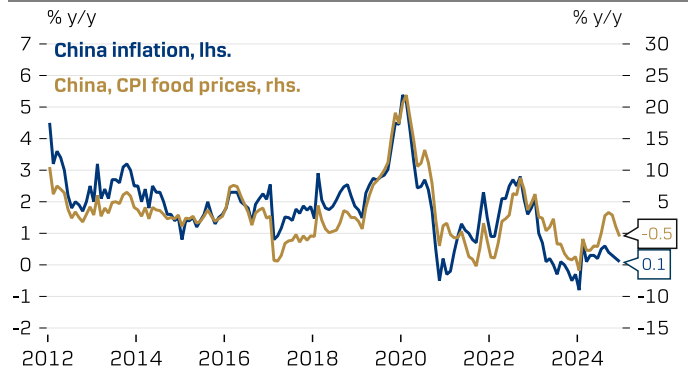
# Country details – China

## CPI and core CPI



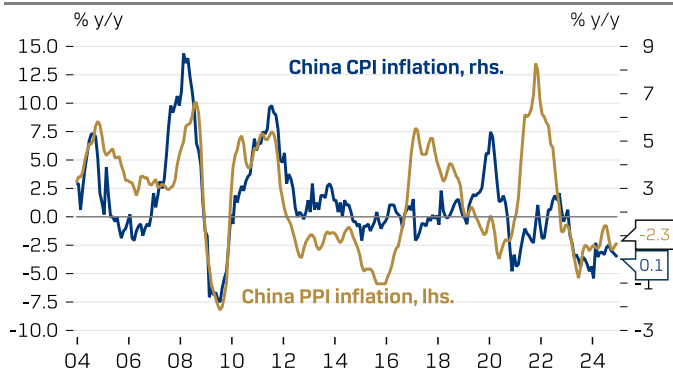
Source: Macrobond Financial, NBS

## CPI and food prices



Source: Macrobond Financial, NBS

## PPI vs. CPI



Source: Macrobond Financial, NBS

## PPI vs. commodity prices



Source: Macrobond Financial, NBS, Danske Bank

Note: Past performance is not a reliable indicator of future performance.

## Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The authors of this research report are Antti Ilvonen, Senior Analyst, Rune Thyge Johansen, Analyst and Allan von Mehren, Chief Analyst

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### Expected updates

Monthly

### Date of first publication

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