

# Global Inflation Watch

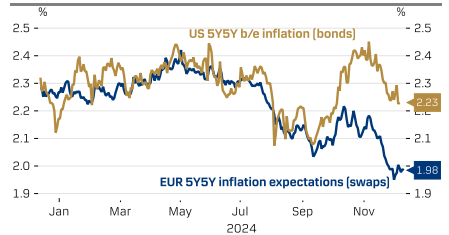
## Realized services inflation continues cooling

- 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. The US elections drove a modest uptick in markets' inflation expectations, but we do not expect the result to derail the Fed from cutting in the near-term. Oil prices have moved lower despite the geopolitical tensions. We continue to forecast gradual disinflation towards H1 2025.
- Inflation expectations:** Market-based inflation expectations have turned lower after rising modestly following the US election results. Survey-based expectations rose modestly in the US, but most measures remain close to the 2% target.
- US:** November CPI landed close to consensus expectations in both headline (+0.3% m/m SA & 2.7% y/y) and core (0.3% m/m SA & 3.3% y/y) terms. On double-digit level, inflation accelerated slightly from October, but the pick-up was largely driven by volatile core goods and food prices, which could be influenced by firms preparing for tariffs. Importantly, broader services price pressures continued moderating. Rent and owners' equivalent rent (OER) inflation slowed down sharply, and also non-housing services inflation cooled with the exception of hotel prices. We think the data remains consistent with further rate cuts from the Fed.
- Euro:** Euro area HICP inflation rose to 2.3% y/y in November as expected from 2.0%. The increase in headline inflation was mainly due to base effects on energy inflation, while core inflation remained unchanged at 2.7% y/y, below expectations of a rise to 2.8%. Most importantly, service prices only increased by around 0.10% m/m seasonally adjusted, as a positive sign for the ECB. Our 3m/3m SAAR measure of services inflation momentum declined to 2.7% in November from 3.4% and core inflation momentum hit 2% for the first time since 2021. Hence, the trend lower in momentum of underlying inflation continued in November, which supports further rate cuts by the ECB.
- China:** November CPI declined from 0.3% y/y to 0.2% y/y while core CPI rose to 0.2% y/y from 0.3% y/y. PPI increased to -2.5% y/y from -2.9% y/y

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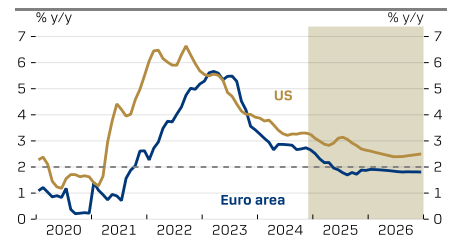
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2. Country details - US
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4. Country details - China

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



Note: Past or current performance is no guarantee of future performance  
 Source: Bloomberg, Macrobond Financial

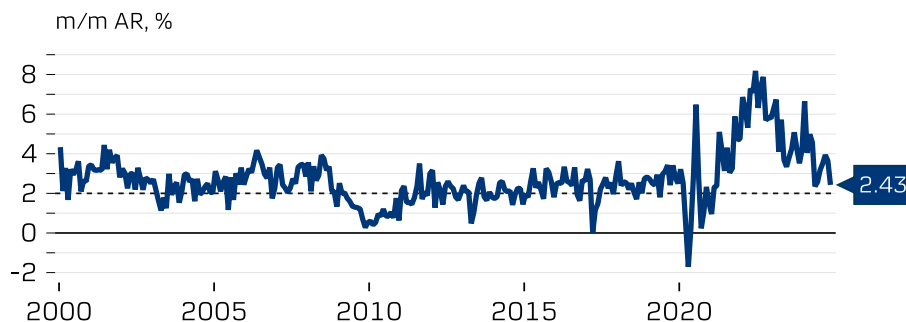
### Core inflation outlook



Source: BLS, Eurostat, Danske Bank, Macrobond Financial

### Realized underlying inflation moving closer to target

#### US, Atlanta Fed's Sticky CPI, 1M Annualized Change, %



Source: Macrobond Financial, Atlanta Fed

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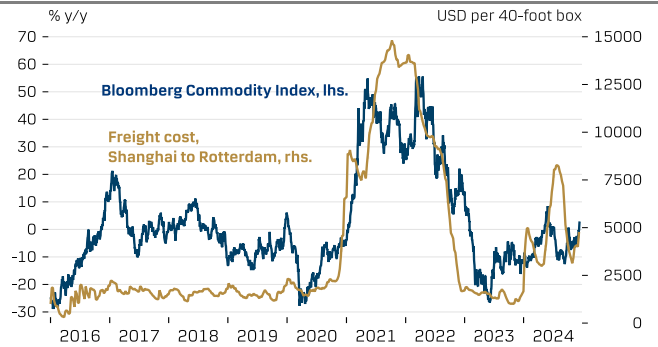
# Top down overview

## 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		→

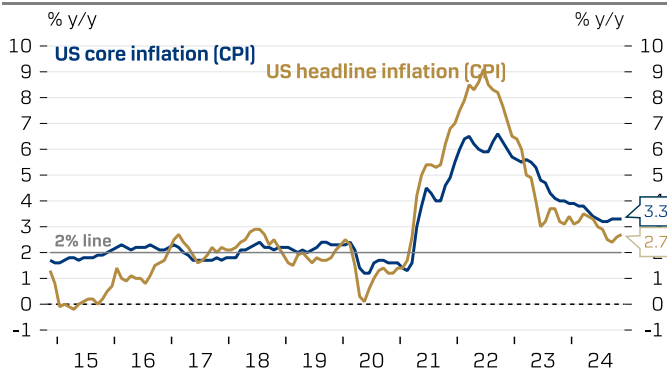
Source: Danske Bank

## Commodity price and freight inflation



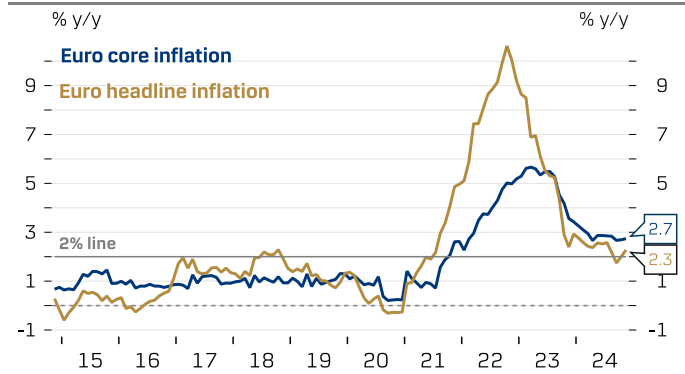
Source: Macrobond Financial, Eurostat, Bloomberg

## US headline and core inflation (CPI)



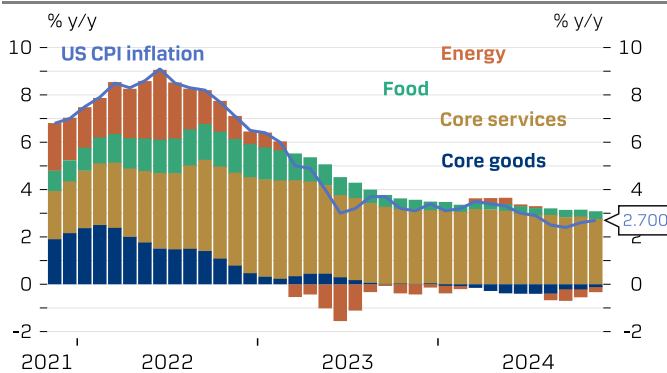
Source: Macrobond Financial, BLS

## Euro headline and core inflation



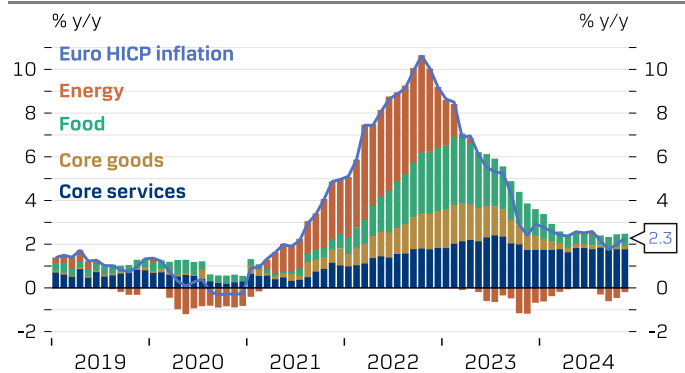
Source: Macrobond Financial, Eurostat

## Contributions to US inflation



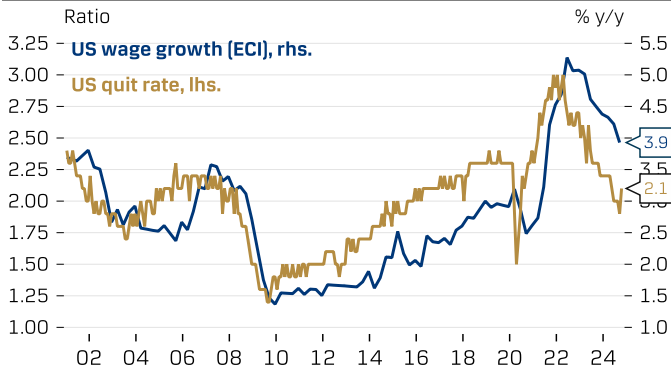
Source: Macrobond Financial, BLS

## Contributions to euro inflation



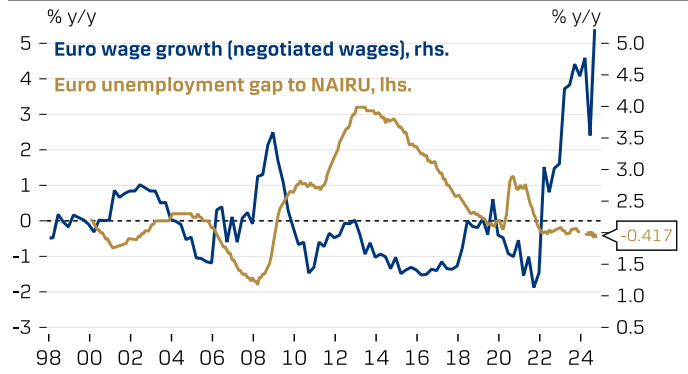
Source: Macrobond Financial, Eurostat

**US wage growth and labour market tightness**



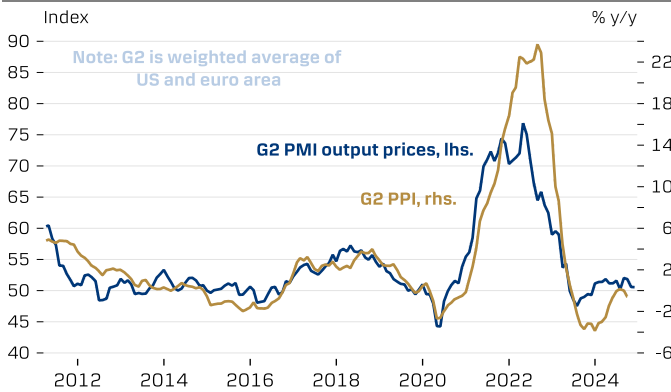
Source: Macrobond Financial, BLS

**Euro wage growth and labour market tightness**



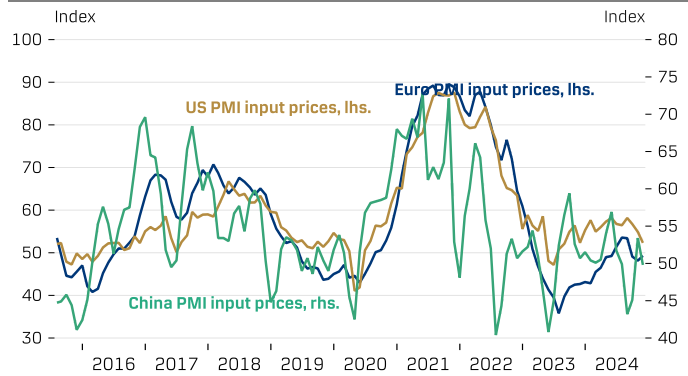
Source: Macrobond Financial, Eurostat, ECB

**G2 PPI inflation vs oil price inflation**



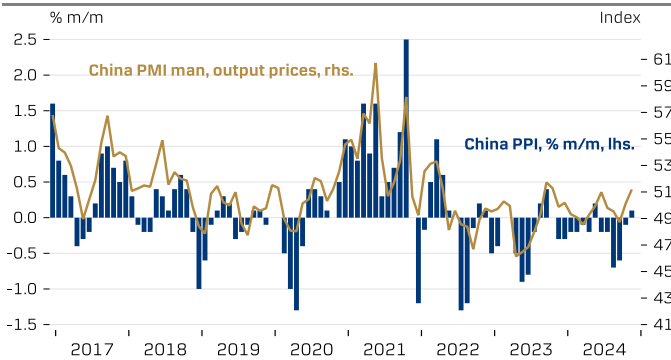
Source: Macrobond Financial, BLS, Eurostat

**PMI input price indices US, Euro and China**



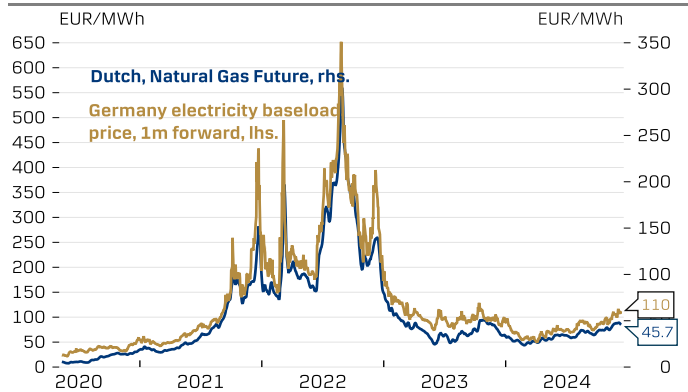
Source: Macrobond Financial, Markit

**China PPI inflation momentum**



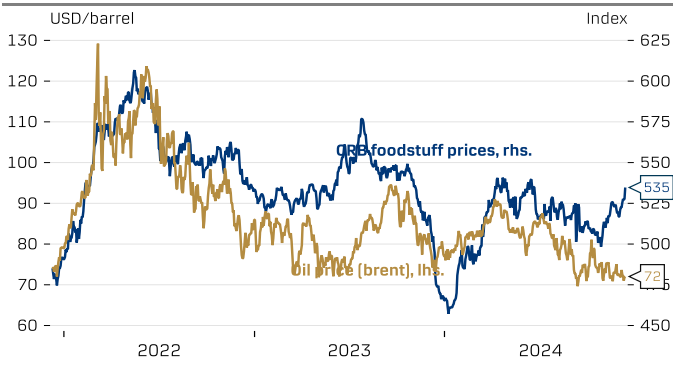
Source: Macrobond Financial, Markit

**European natural gas and electricity prices**



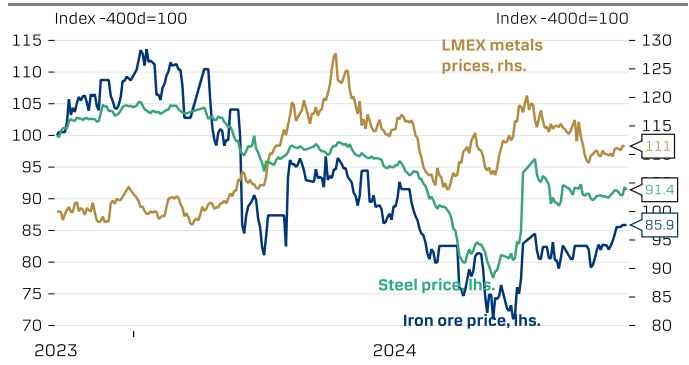
Note: Past or current performance is no guarantee of future performance  
Source: Macrobond Financial, PBoC, Danske Bank

Commodity price levels – oil and food



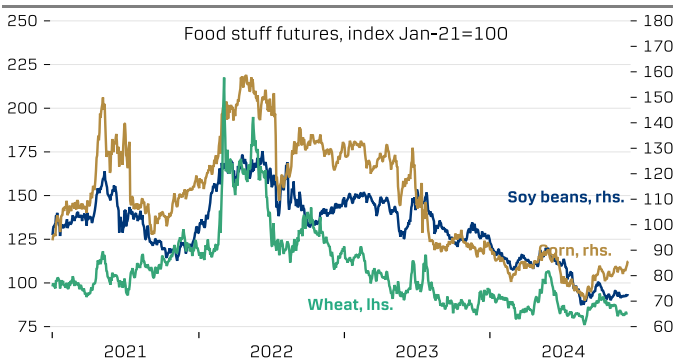
Source: Macrobond Financial, Bloomberg  
 Note: Past performance is not a reliable indicator of future performance.

Commodity price levels – metals and iron ore



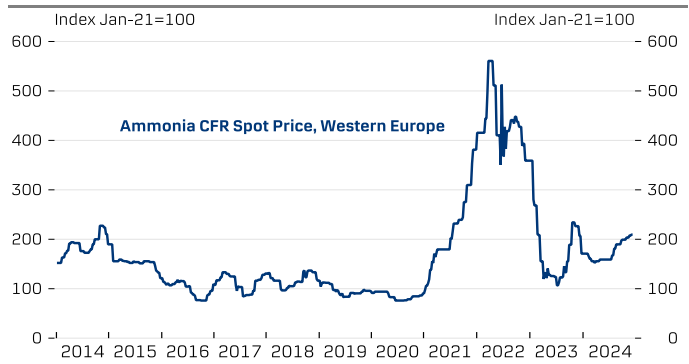
Source: Macrobond Financial, Bloomberg  
 Note: Past performance is not a reliable indicator of future performance.

Grain prices



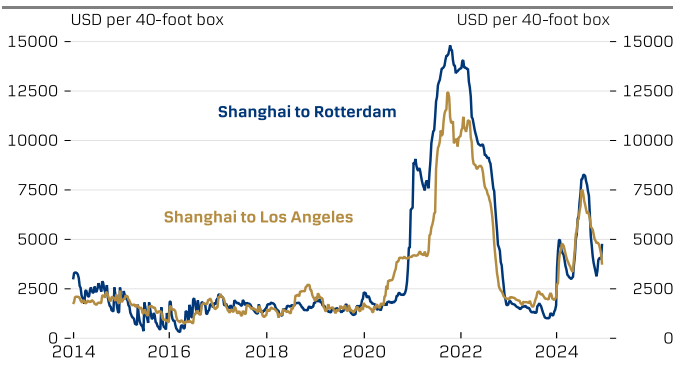
Source: Macrobond Financial, Bloomberg  
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Fertilizer input prices



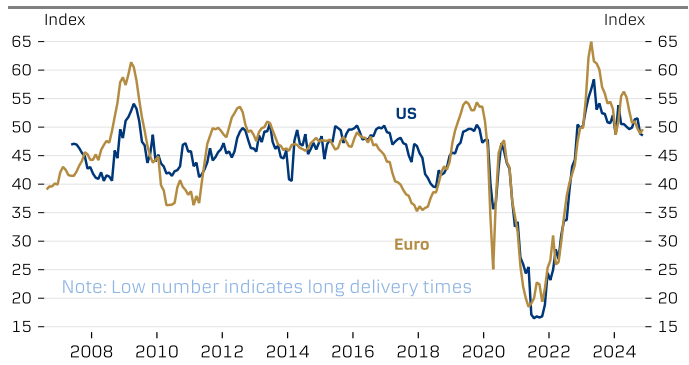
Source: Macrobond Financial, Bloomberg  
 Note: Past performance is not a reliable indicator of future performance.

Freight rates



Source: Macrobond Financial, Bloomberg, WCI

Bottle necks – PMI supplier delivery indices



Source: S&P Global, Macrobond Financial

# Country details - US

## Top down

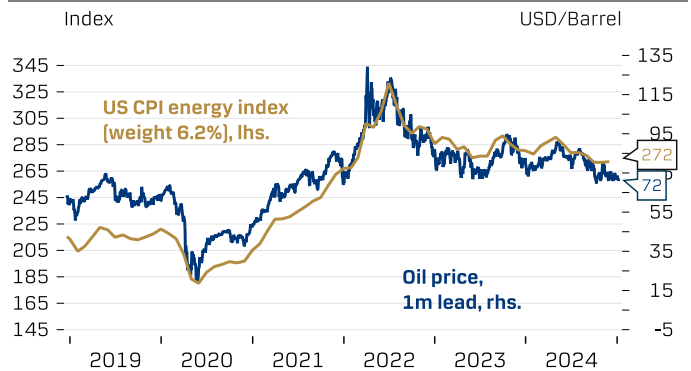
### Headline CPI inflation vs. oil prices



Source: Macrobond Financial, BLS.

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

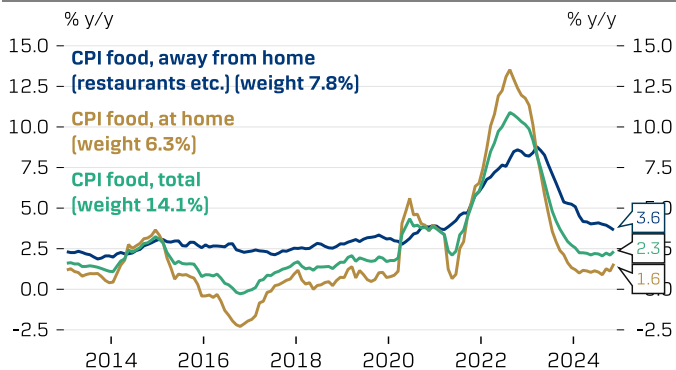
### CPI energy prices vs oil



Source: Macrobond Financial, BLS.

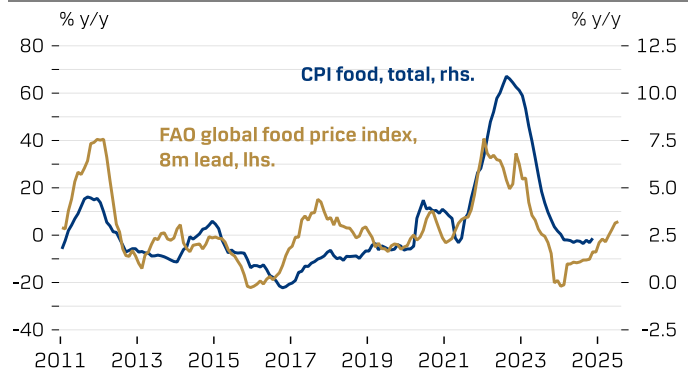
Note: Past performance is not a reliable indicator of future performance.

### Food prices



Source: Macrobond Financial, BLS

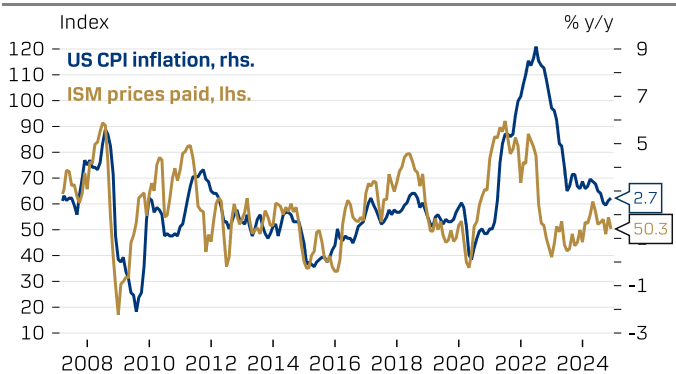
### Food prices vs FAO food price index



Source: Macrobond Financial, FAO, BLS

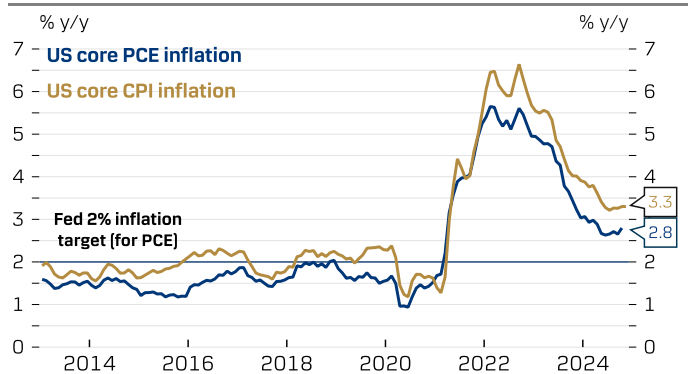
Note: Past performance is not a reliable indicator of future performance.

### US PMI output prices vs CPI inflation



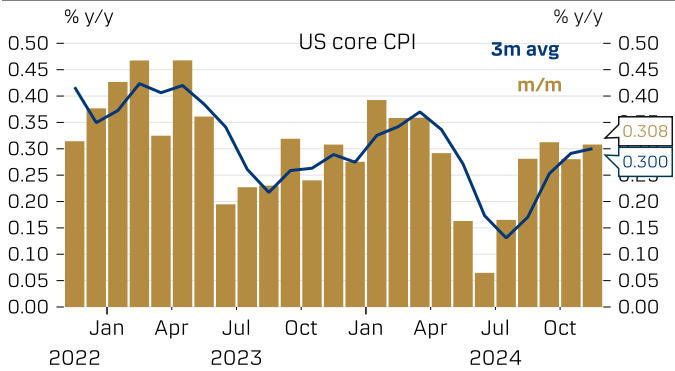
Source: Macrobond Financial, BLS, Markit

### Core PCE inflation vs core CPI inflation



Source: Macrobond Financial, BLS, BEA

**Core CPI momentum**



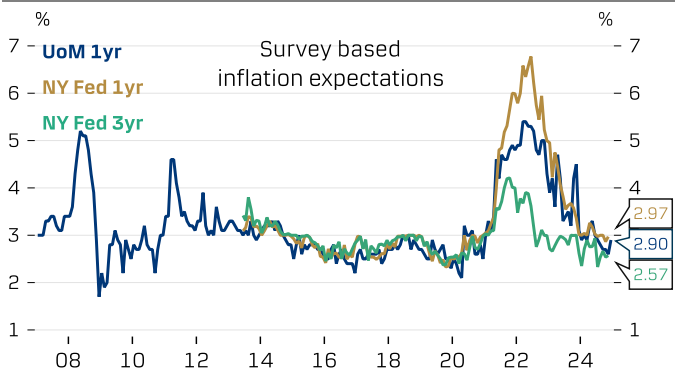
Source: Macrobond Financial, BLS

**Headline CPI since 1980**



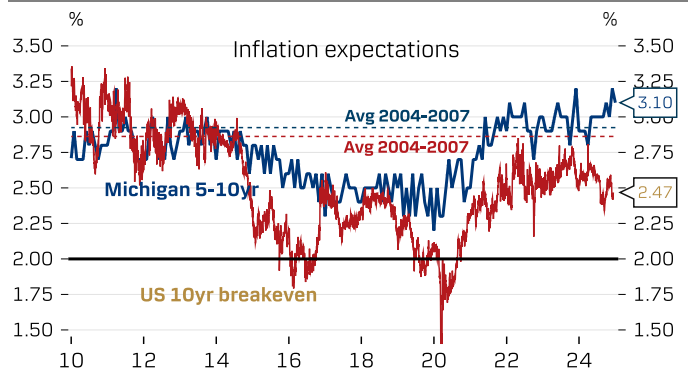
Sources: BEA, BLS, Macrobond Financial

**Survey-based inflation expectations**



Source: NY Fed, University of Michigan, Macrobond Financial

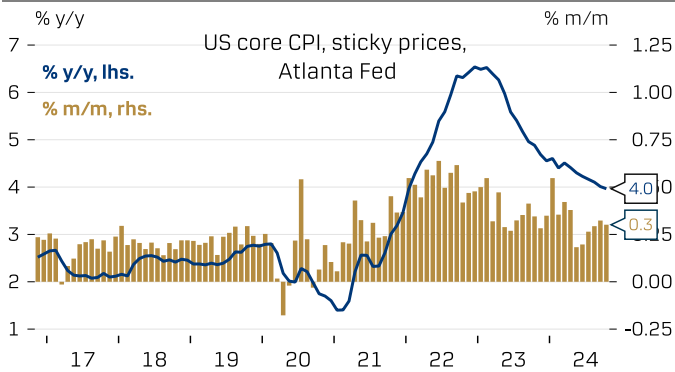
**Long-term inflation expectations**



Source: Macrobond Financial, University of Michigan

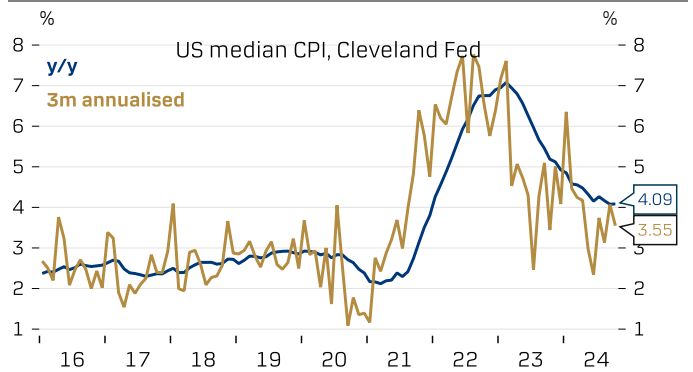
Note: Past performance is not a reliable indicator of future performance.

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



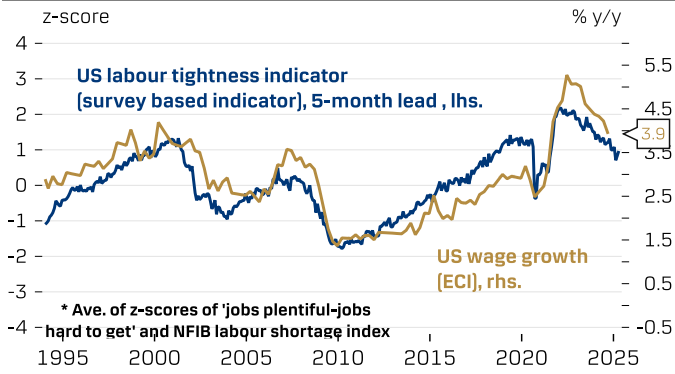
Source: Macrobond Financial, Atlanta Fed

**Median CPI inflation**



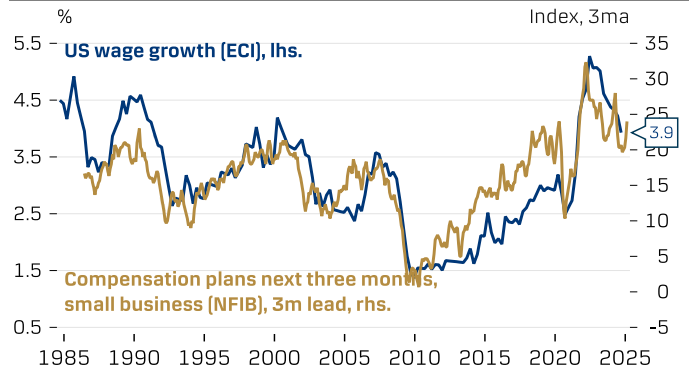
Source: Macrobond Financial, Cleveland Fed

Labour market tightness: wage growth vs tightness



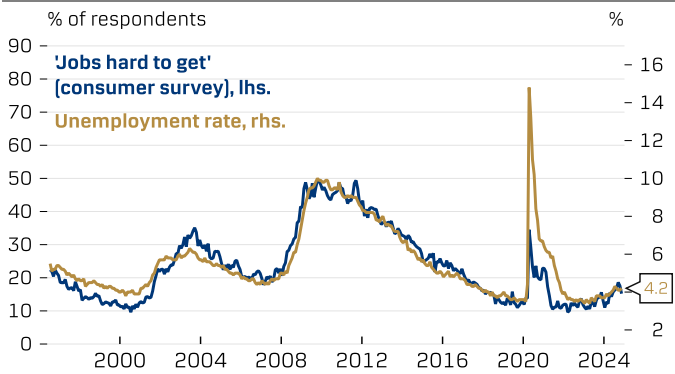
Source: Macrobond Financial, Conference Board, NFIB, BLS, Danske Bank

Labour market tightness: job openings and shortage



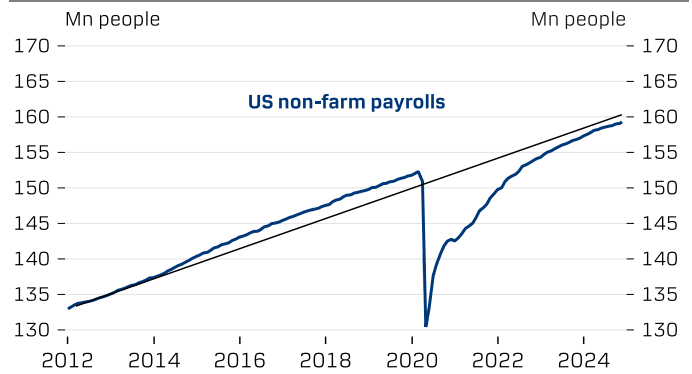
Source: Macrobond Financial, NFIB, BLS

Labour market tightness: Jobs hard to get and unemployment



Source: Macrobond Financial, Conference Board, BLS

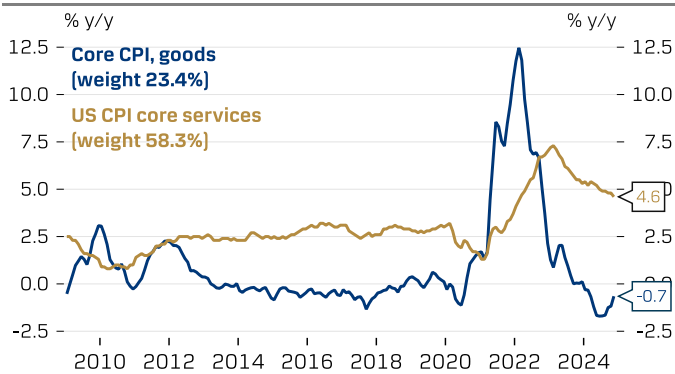
Employment gap



Source: Macrobond Financial, BLS

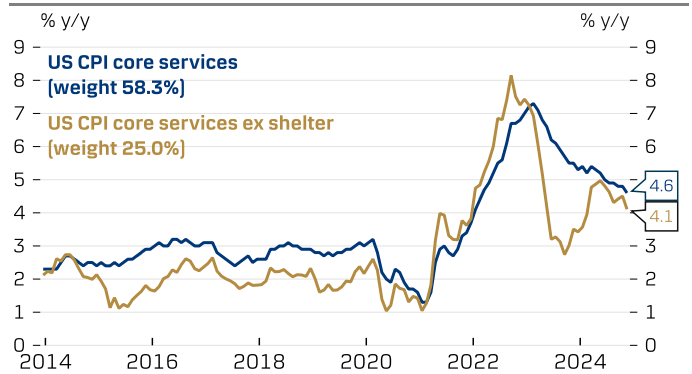
Bottom up

Core goods vs. services



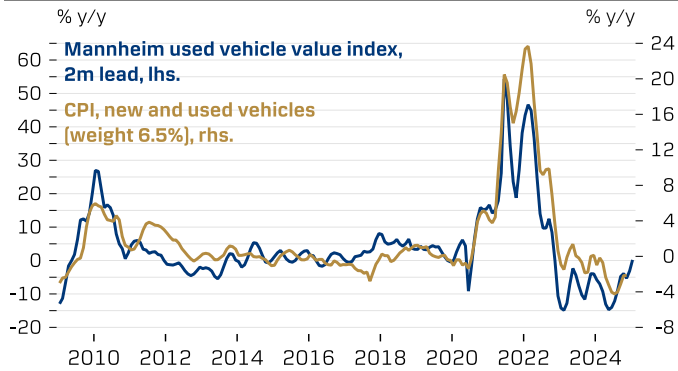
Source: Macrobond Financial, BLS

Core services ex shelter



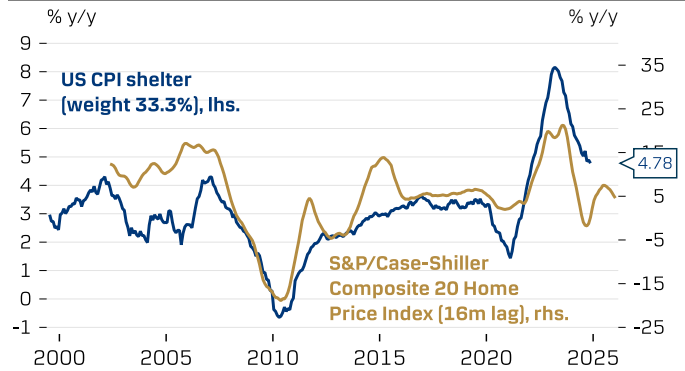
Source: Macrobond Financial, BLS

**Used car prices**



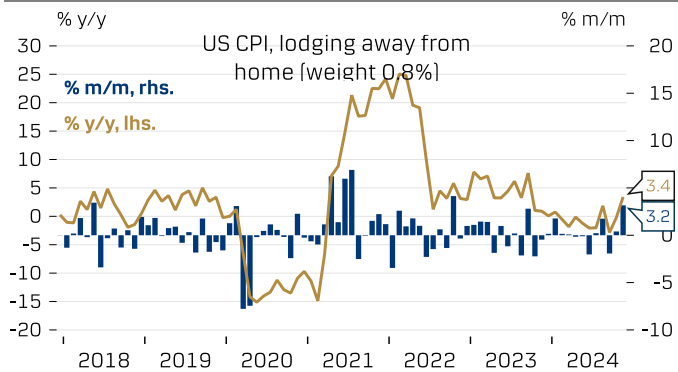
Source: Macrobond Financial, BLS, Manheim Consulting

**Rent of shelter**



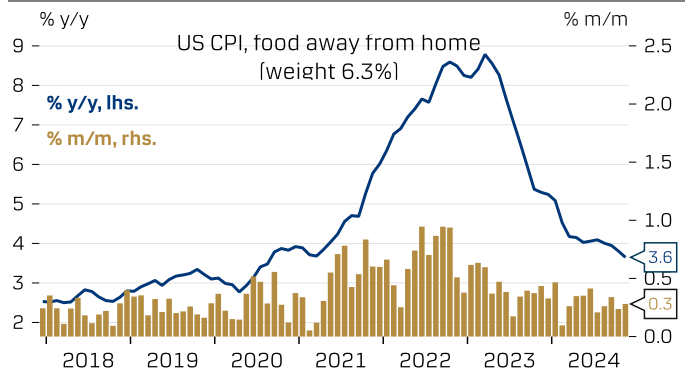
Source: Macrobond Financial, BLS, S&P Dow Jones

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



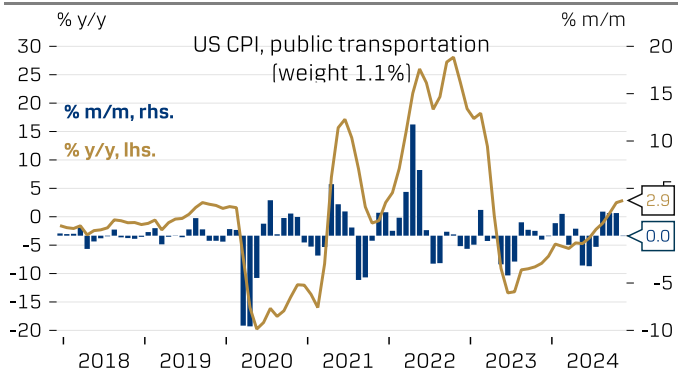
Source: Macrobond Financial, BLS

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



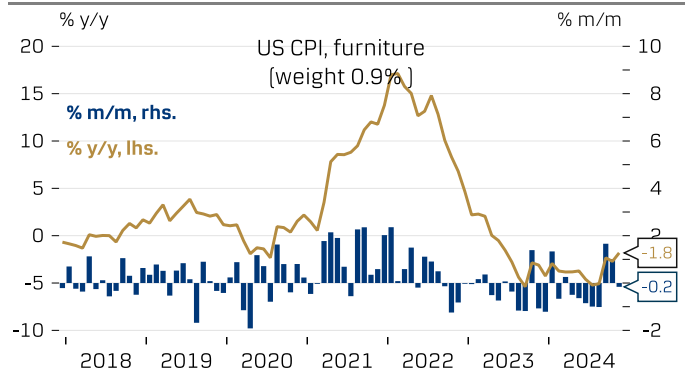
Source: Macrobond Financial, BLS

**Public transportation (airfares etc.)**



Source: Macrobond Financial, BLS

**Furniture**



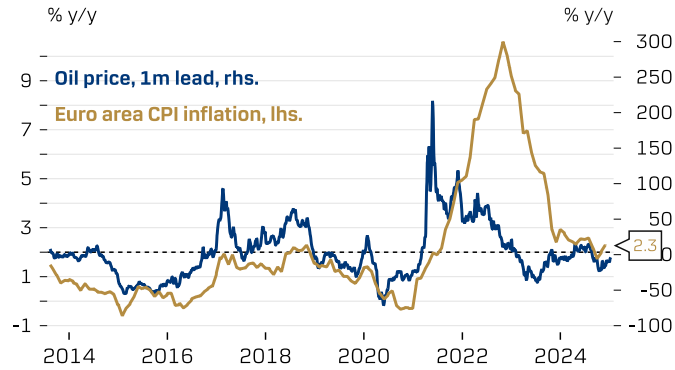
Source: Macrobond Financial, BLS



# Country details – Euro area

## Top Down

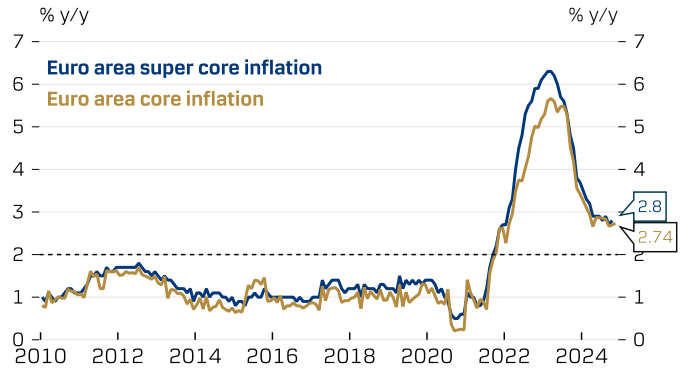
### Headline vs. oil prices



Source: Macrobond Financial, Eurostat

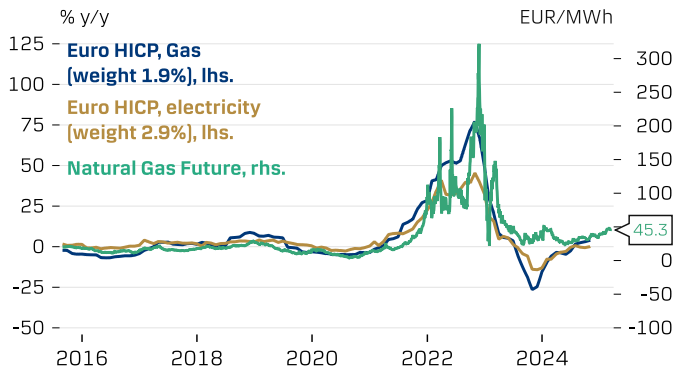
Note: Past performance is not a reliable indicator of future performance.

### Core inflation



Source: Macrobond Financial, Eurostat, Danske Bank

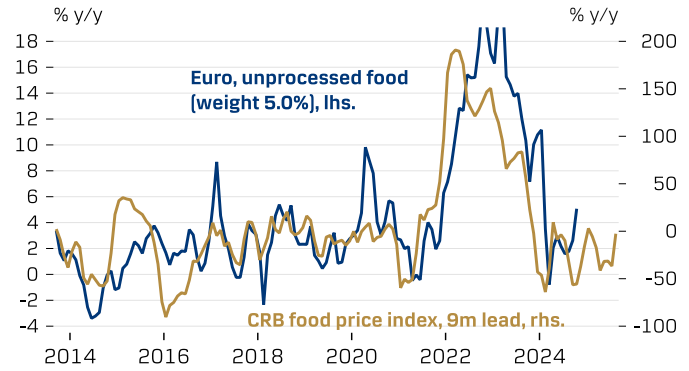
### Natural gas & electricity



Source: Macrobond Financial, Eurostat

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

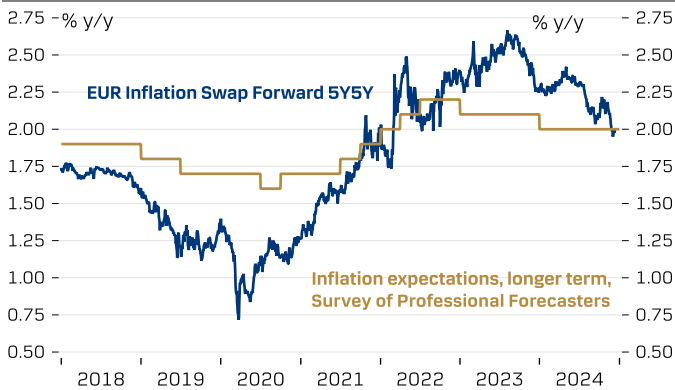
### Food



Source: Macrobond Financial

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

### Inflation expectations



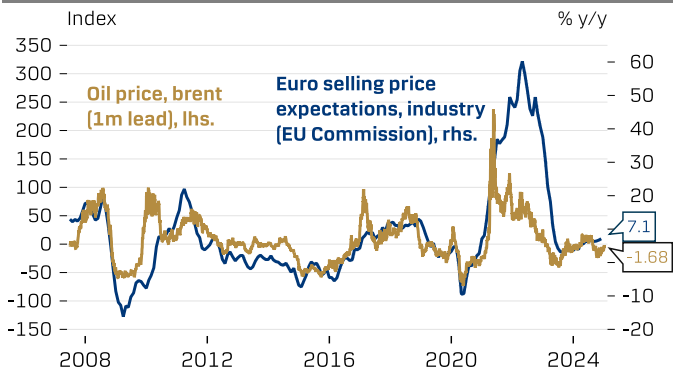
Source: Macrobond Financial, Bloomberg, ECB

### Consumer confidence - price expectations



Source: Macrobond Financial, EU Commission, Eurostat

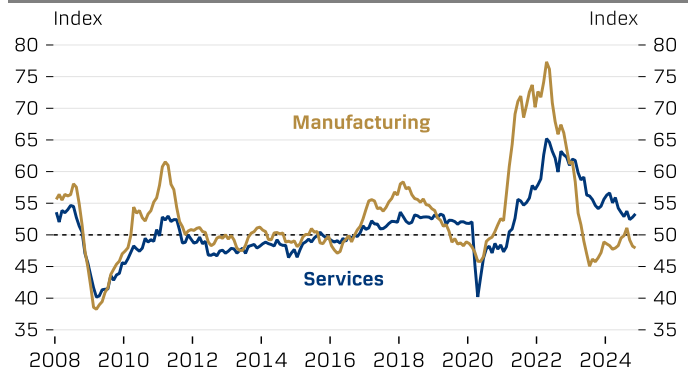
### Selling price expectations from companies



Source: Macrobond Financial, EU Commission

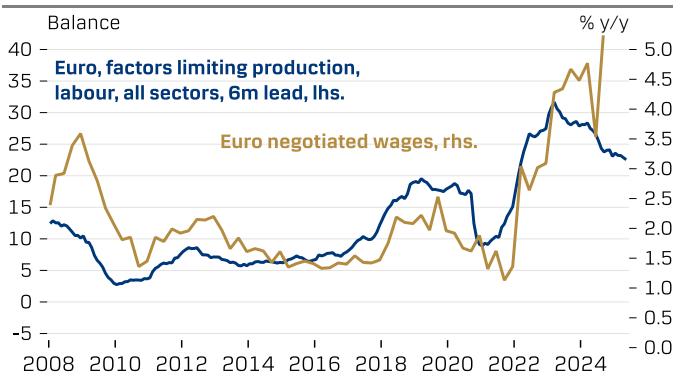
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### PMI output prices



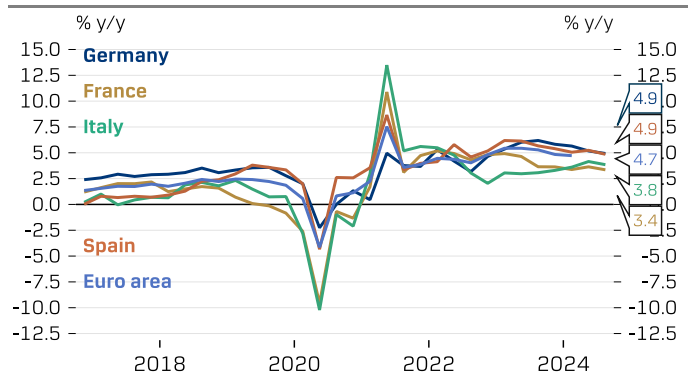
Source: Macrobond Financial, Markit

### Labour shortage and wage growth



Source: Macrobond Financial, EU Commission

### Wage growth (compensation per employee)

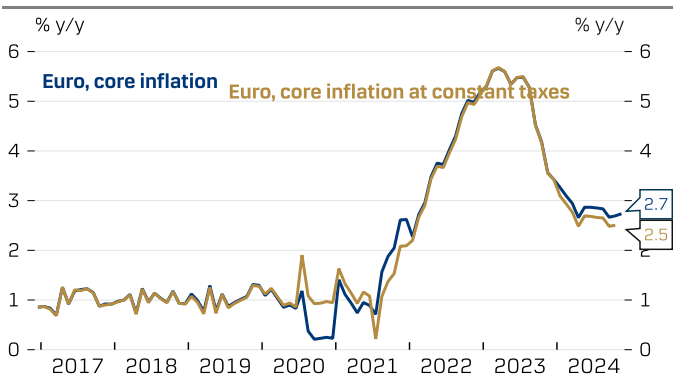


Source: Macrobond Financial, ECB.

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

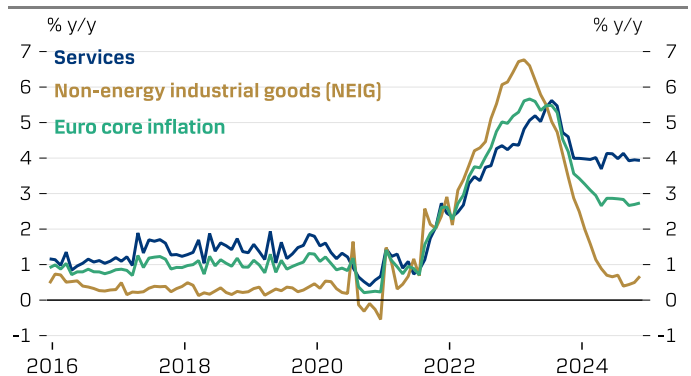
## Bottom up

### Core inflation, effect from taxes



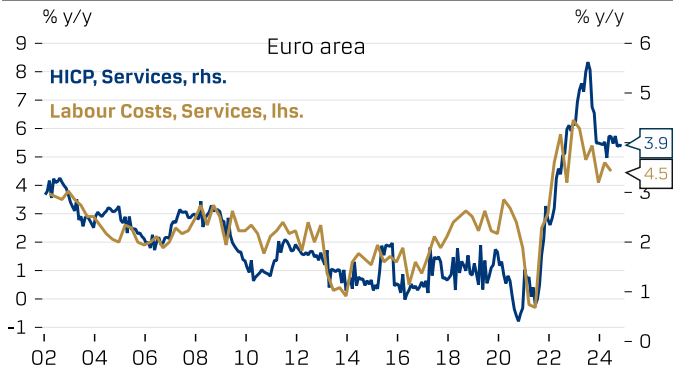
Source: Macrobond Financial, Eurostat

### Core inflation components



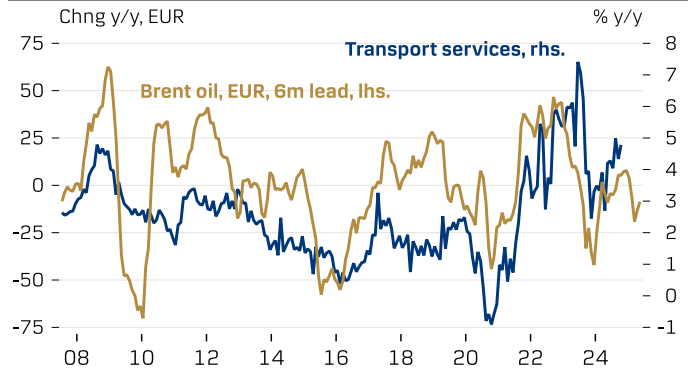
Source: Macrobond Financial, Eurostat, ECB

Service inflation vs. labour costs



Source: Macrobond Financial, Eurostat, Danske Bank

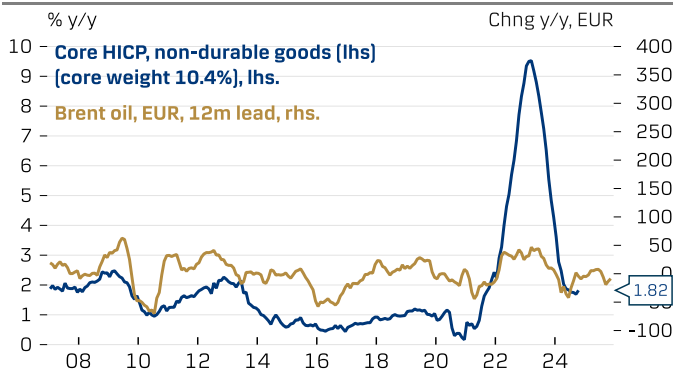
Transport services vs. oil



Source: Macrobond Financial, Eurostat, Danske Bank

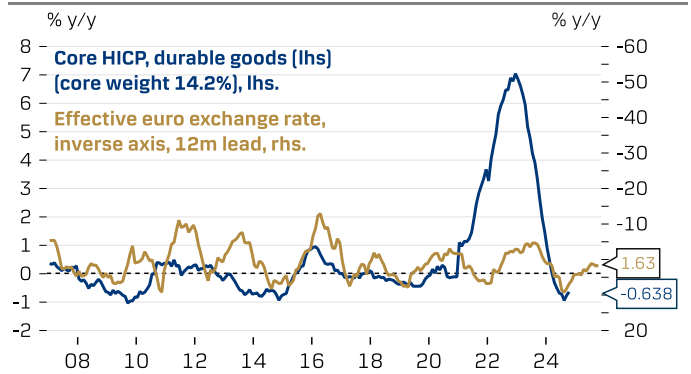
Note: Past performance is not a reliable indicator of future performance.

Core non-durable goods



Source: Macrobond Financial, Eurostat

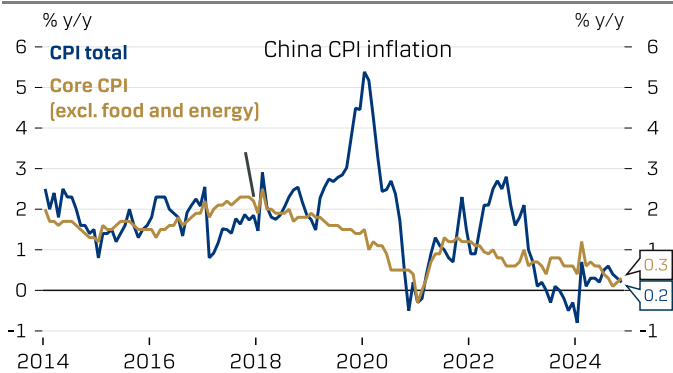
Core durable goods



Source: Macrobond Financial, BIS, Eurostat

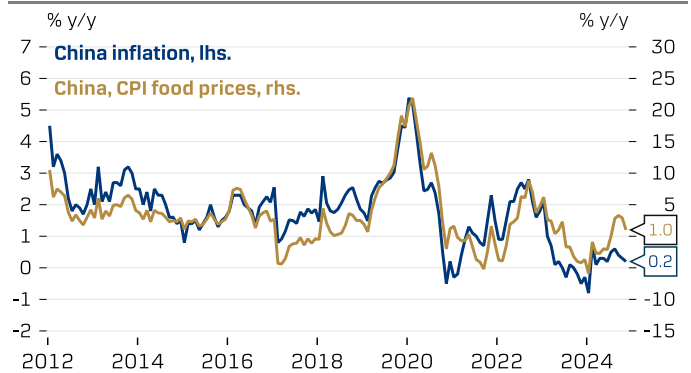
# Country details – China

CPI and core CPI



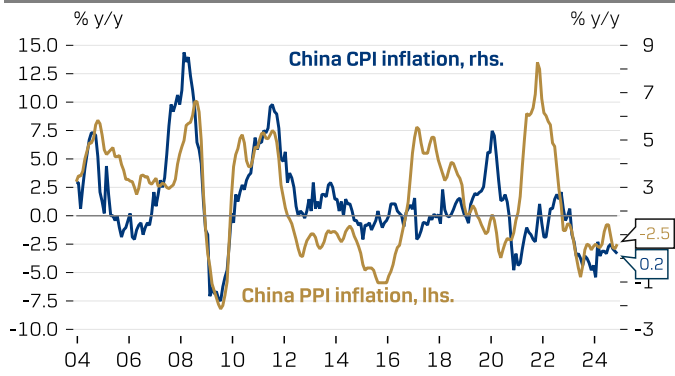
Source: Macrobond Financial, NBS

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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**Report completed:** 12 December 2024, 08:30 CET

**Report first disseminated:** 12 December 2024, 08:45 CET