European inflation rose in August, but solely due to energy prices

Inflation in the euro area rose, as expected, to 3.3% year-on-year in August, its highest level in almost three years. However, price rises are confined to energy (and, to a lesser extent, non-energy goods, likely due to the rush towards AI). The 'indirect' effects on core prices are very limited, and 'second-round' effects are, for now, non-existent: in our view, this picture remains consistent with a second hike in the ECB's key interest rates next week (10 September), but reduces the likelihood of further rate rises (unless there is a new escalation in hostilities in the Middle East followed by further spikes in energy commodity prices).

01 September 2026

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Macroeconomic Research

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Eurozone

In August, inflation in the Eurozone rose in line with expectations to 3.3% y/y (+0.4% m/m) from 2.9% in July: this is a record high since September 2023. **Core indices, by contrast, fell by one-tenth of a percentage point** (the HICP excluding energy, food, alcohol and tobacco to 2.4% from 2.5%, and the measure excluding energy and fresh food to 2.1% from 2.2%).

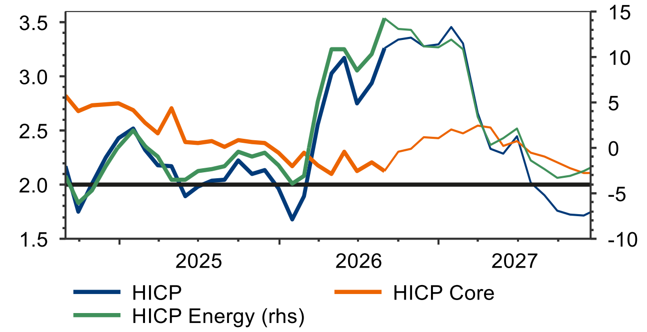
- **Energy, as in July, has once again become the main driver of the rise,** showing a sharp acceleration from 10.3% to 14.3% year-on-year (a new high since February 2023); over the month, energy prices rose by +2.9% month-on-month. We believe that this component may have peaked on a year-on-year basis, but is set to remain in double figures until February next year.
- **Food inflation remained stable** at 1.2% year-on-year, which is the lowest level since June 2021 (with prices stable over the month), against a backdrop of a further slowdown for processed food (from 0.7% to 0.6% y/y) alongside a moderate pick-up for fresh food (from 2.4% to 2.7% y/y). Consumer prices in the food sector are lagging behind past falls in producer prices in the sector, but we expect to see a moderate rise in the coming months, driven by the indirect effects of rising energy costs.
- **Inflation on non-energy industrial goods rose for the second month running, from 0.9% to 1.2%** year-on-year: this is a two-and-a-half-year high. Over the month, prices rose by 0.6% month-on-month. These price rises may be due to higher prices for technology goods as a result of the boom in Artificial Intelligence.
- **Finally, inflation in services slowed again, from 3.3% to 3%** year-on-year (prices rose by just one-tenth of a percentage point month-on-month): to find a lower figure, one has to go back to 2024. We expect inflation in the services sector to remain just above 3 per cent in the coming months, as the services most sensitive to electricity and transport costs do not yet appear to have fully factored in the energy price rises.
- **All the major countries saw an acceleration in the year-on-year rate of price rises during the month** (Germany from 2.8% to 2.9%, France from 2.4% to 2.7%, Italy from 2.9% to 3.2%, Spain from 3.9% to 4.5%).
- **In summary, the rise in inflation is entirely due to energy, whilst the 'indirect' effects on core prices are very limited (and 'second-round' effects are, for the time being, non-existent). In our view, this picture remains consistent with a second increase in the ECB's key interest rates** next week (10 September), but reduces the likelihood of further rate rises (unless there is a renewed escalation of hostilities in the Middle East followed by further spikes in energy commodity prices).

Italy

In Italy, too, inflation rose broadly in line with expectations: the HICP rose from 2.9% to 3.2% year-on-year (+0.1% month-on-month), whilst **the national NIC index rose from 2.9% to 3.3% y/y** (+0.5% m/m).

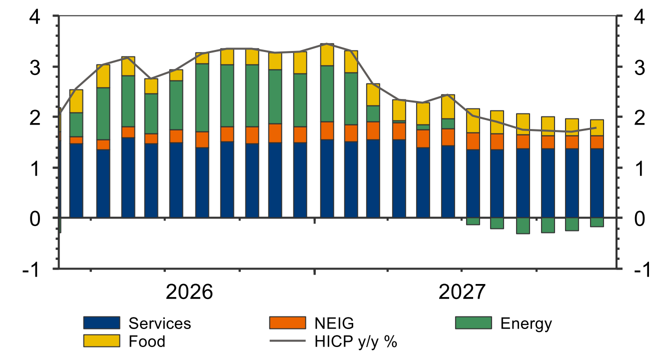
- **As in the rest of the Eurozone, energy is the main driver of the rise**, showing an acceleration (in the NIC) from 11.6% to 17% (+2.8% month-on-month). The price rises affect both regulated and unregulated energy products: of note are the +6.5% m/m and +31.3% y/y increases in gas on the protected market, as well as the +10.6% m/m and +31.7% y/y increases in heating oil, the +6.3% m/m and +16.3% y/y increases in petrol, and a +5.2% m/m and +26.7% y/y rise in diesel for transport.
- **Still looking at the NIC, the year-on-year acceleration is mainly due to the components most closely linked to energy, namely "housing, water, electricity, gas and other fuels"** (from 7.2% to 8.9% year-on-year) **and transport** (from 4.3% to 6.1% year-on-year), as well as information and communication services (from 0.2% to +1.2% year-on-year, a new multi-year high, which in this case too may be due to the surge in AI usage). Inflation in the services sector slowed from 2.7 per cent to 2.4 per cent year-on-year.
- **Still looking at the NIC, core inflation fell by one-tenth of a percentage point to 1.5% year-on-year; inflation on the so-called 'shopping basket' remained stable at 1% y/y, whilst inflation on frequently purchased goods rose from 3.4% to 4.3%.**
- **According to the harmonised index**, inflation in services fell from 2.5% to 2.2% year-on-year and **core inflation dropped from 1.6% to 1.4% year-on-year, reaching its lowest level in over two years**.
- Looking ahead, the outlook for inflation in Italy is similar to that in the rest of the eurozone. The rise in prices so far has been due almost exclusively to energy, with little impact on other price indices. However, **there still appears to be scope for a further rise in underlying inflation in the coming months, mainly because the full effects of the energy shock – particularly on services – have yet to be felt.** This component could push inflation up towards 4 per cent in the final months of the year, before falling back to around 3 per cent by March 2027 and to around 2 per cent by June.

Fig. 1 – In our central scenario, both energy inflation and the headline index will remain high in the coming months



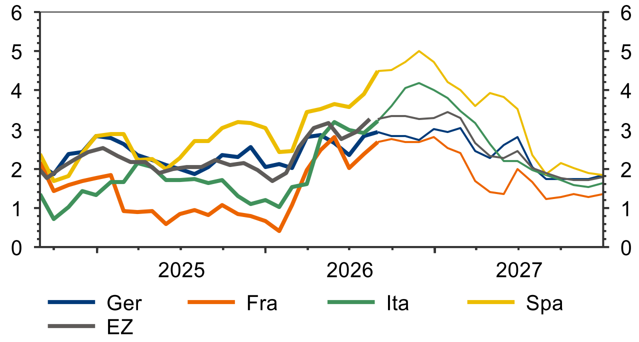
Source: Eurostat, Intesa Sanpaolo

Fig. 2 – Energy's contribution to the headline index is expected to be positive and substantial until the early months of 2027



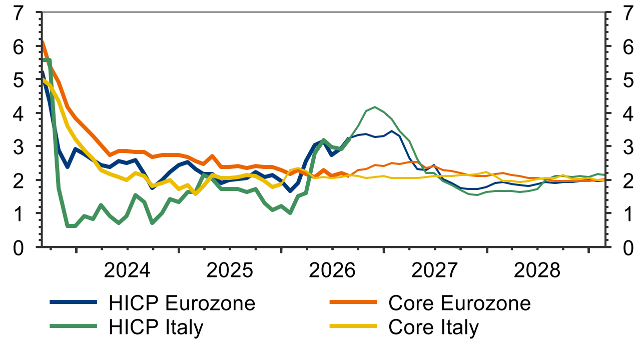
Source: Eurostat, Intesa Sanpaolo

Fig. 3 – HICP peaks remain higher in Spain than in the other major eurozone countries (due to the relative strength of consumer demand)



Source: Eurostat, Intesa Sanpaolo

Fig. 4 – In our baseline scenario, core inflation is expected to remain subdued



Source: Eurostat, Intesa Sanpaolo

Appendix

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