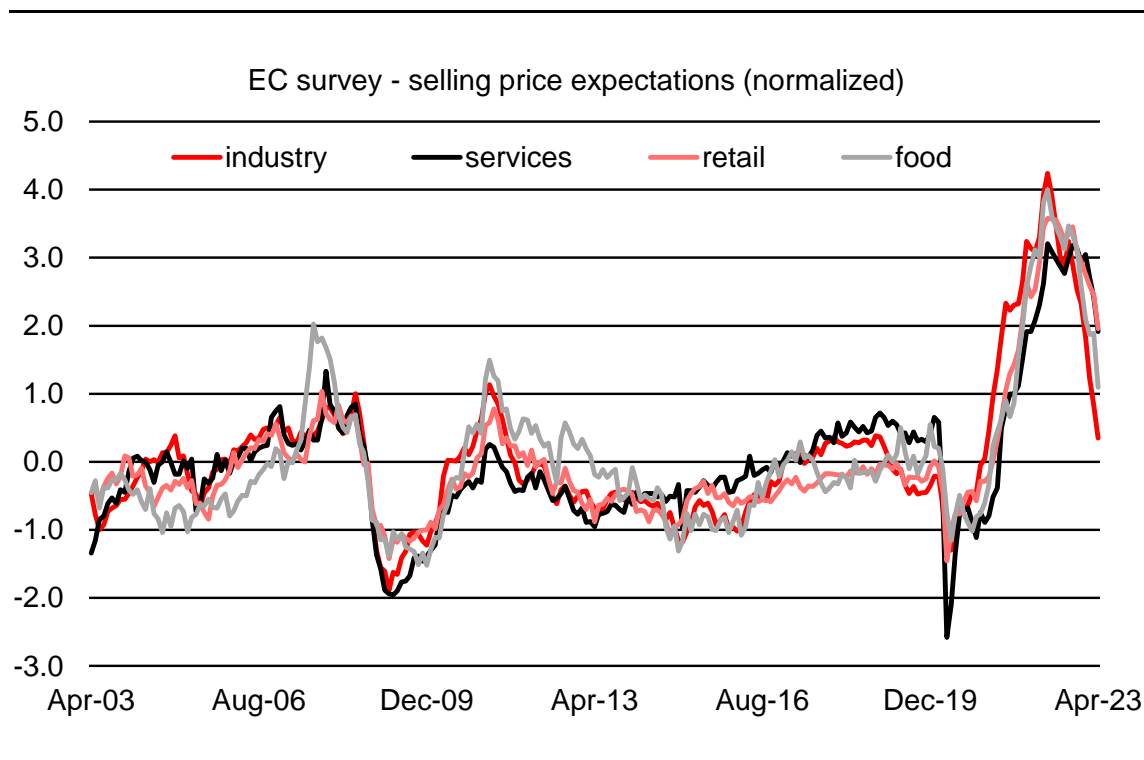


## Broad easing of pipeline price pressure in the euro area



Source: EC, UniCredit Research

- Our *Chart of the Week* shows that pipeline price pressure in the euro area is weakening broadly. The business survey for April published by the European Commission (EC) this morning reveals that the downward trend in firms' selling-price expectations is intensifying across sectors. Given that these expectations have good predictive power for PPI and CPI inflation (usually with a time lag ranging from one to six months), they signal that consumer-price increases should slow going forward, thereby adding to the disinflation currently triggered by falling energy prices.
- The trend is particularly clear in industry, where the intermediate-goods sector is leading the way down amid reduced production costs, fading supply constraints and weak demand. Encouragingly, food producers seem to be increasingly willing to pass on to customers some of the benefits from falling energy bills and moderation in food commodity prices. The improvement is shallower in services and retail, probably due to rising wage pressure that is partly offsetting the decline in energy prices. However, the downward trend is accelerating here too.
- This is good news for the ECB, which is looking for signs of turnaround in core inflation and compression of firms' profit margins. All in all, it supports our view that the hiking cycle will slow to a 25bp pace next week, with a peak in the deposit rate at 3.75% by July.

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