

Economics | Central Banks

## Euro-Zone Inflation Slows as Lagarde Plays for Time on Rates

- Consumer prices rose annual 2.5% in June, matching estimate
- Officials don't have enough evidence yet for another rate cut



Shoppers in Berlin. *Photographer: Krisztian Bocsi/Bloomberg*

By [Jana Randow](#)

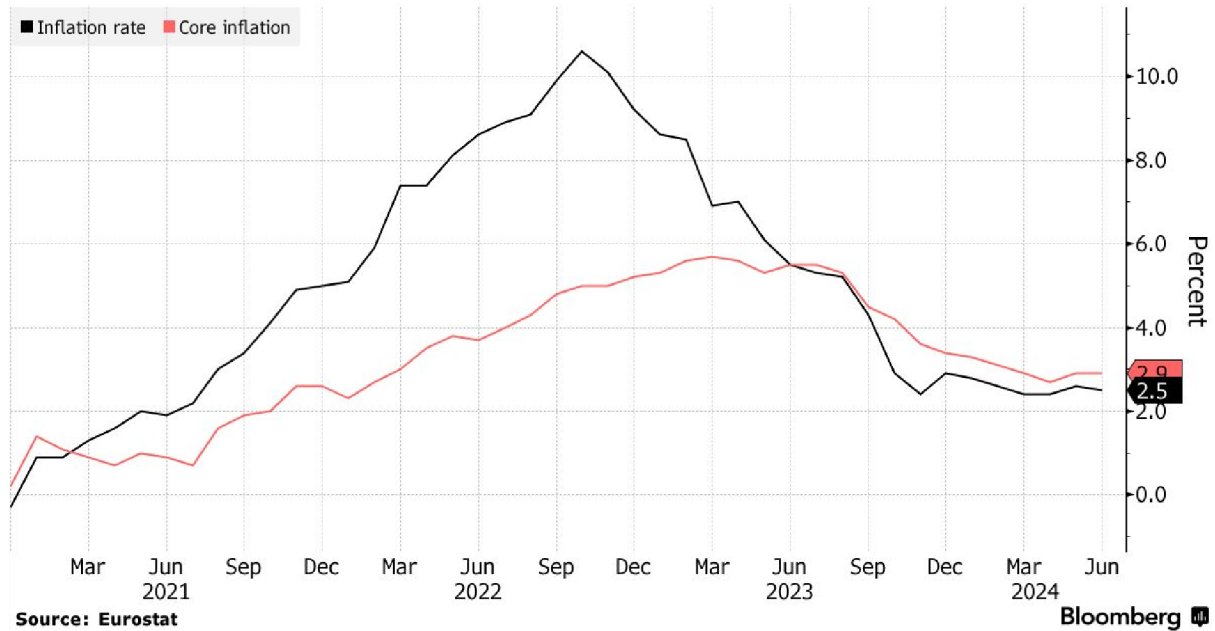
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Euro-zone inflation slowed in June – adding to evidence that price pressures are gradually moving toward the European Central Bank's 2% target.

Consumer prices rose an annual 2.5% last month, down from 2.6% in May and in line with the median estimate in a Bloomberg survey of economists. A measure excluding volatile items such as food and energy unexpectedly remained unchanged at 2.9%.

## Euro-Area Headline Inflation Eases a Little



After trimming interest rates by a quarter-point in June, officials are determining whether inflation for the 20-nation currency bloc is moderating enough to allow further cuts. At this week’s annual ECB retreat in Sintra, Portugal, President Christine Lagarde and Chief Economist Philip Lane said there’s no convincing evidence yet that the threat has passed.

“We are still facing several uncertainties,” Lagarde said Monday evening. “It will take time for us to gather sufficient data to be certain that the risks of above-target inflation have passed.”

Those remarks are the latest to signal that policymakers will take a break from lowering borrowing costs this month and wait until September, when new economic projections are available, to ponder a second step. Markets anticipate one or two more moves this year – a scenario that Governing Council members including Gediminas Simkus, Martins Kazaks and Olli Rehn describe as reasonable.

### What ECB Officials Are Saying at Sintra...

- ECB’s Philip Lane – click [here](#) for full interview
  - “The June inflation data, we still have questions on services inflation,” and “these data do not settle that.”
- Lithuania’s Gediminas Simkus – click [here](#) for full interview

- “Expectations for two more cuts this year are in line with my own thinking, if data evolve as expected”
- Belgium’s Pierre Wunsch – click [here](#) for full interview
  - “The first two rate cuts are relatively easy as long as inflation hovers around 2.5% because we will still clearly be restrictive”
- Estonia’s Madis Muller – click [here](#) for full interview
  - “If the actual outcome ends up being close to our latest projections, then we most likely can further reduce the level of policy restrictiveness this year”
- Slovenia’s Bostjan Vasle – click [here](#) for full interview
  - “If everything will evolve as expected, we can continue to lower interest rates this year. But I wouldn’t want to tie this to any date – it’s linked to the data we’ll receive”
- Portugal’s Mario Centeno – click [here](#) for full interview
  - “I expect a few more rate cuts this year. We need to follow the meeting-by-meeting strategy and hopefully the data continues to come our way”

The region’s sturdy labor market is giving the ECB time to assess the economy and the inflation outlook. Unemployment held at a record-low 6.4% in May, according to a separate Eurostat report.

That strength, however, is contributing to upward wage pressures that remain a concern for the ECB – especially in the services sector, where labor costs hold bigger sway over prices charged than in manufacturing.

Lane said the ECB still has questions on services, arguing that June’s data won’t provide sufficient answers. Indeed, that month’s reading for services was unchanged at 4.1%.

Bloomberg Economics's Jamie Rush and David Powell reckon sticky underlying inflation will keep the ECB cautious on rate cuts ☐☐, while leaving July “out of the question.”

“What we definitely know is that the last mile – or kilometer, here in Europe – is going to be bumpy and difficult,” ECB Governing Council member Simkus told CNBC on Tuesday. “We had an increase in May of inflation. Now it dropped a little bit.”

The ECB predicts inflation will move sideways for most of the rest of 2024 as base effects wash out of the statistics. It sees more meaningful moves toward the target next year, with the goal reached by end-2025.

Bloomberg Economics' Nowcast ☐☐ for July points to a reading of 2.3%, taking the latest data into account. It correctly predicted June's outcome.

Lagarde will get another opportunity to comment on price trends and the path for monetary policy during a panel discussion Tuesday afternoon, which will also feature Federal Reserve Chair Jerome Powell and Roberto Campos Neto, who heads Brazil's central bank.

Read More on the ECB:

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[Lagarde Says ECB Needs Time to Weigh Inflation Uncertainties](#)

[ECB Gathers With France's Election Drama Overshadowing Rate Cuts](#)

[Fed's Rate-Cut Delay Won't Hold Back the Tide of Global Easing](#)

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– *With assistance from Barbara Sladkowska, Joel Rinneby, Mark Schroers, Alexander Weber, and Joao Lima*

*(Updates with Bloomberg Economics, ECB's Simkus, Nowcast starting in eighth paragraph.)*

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