Significantly more expensive fuels and heating oil pushed up the inflation rate in April from 1.7% to 2.0%. By contrast, the core inflation rate is likely to have fallen slightly from 1.4% to 1.3%, due in particular to lower clothing prices. Mainly due to various statistical base effects, the inflation rate is expected to rise at times to up to 3% in the second half of the year. On average for 2021, we expect an inflation rate of 2.3%.

As expected, the inflation rate in Germany rose from 1.7% to 2.0% in April (consensus: 1.6%, Commerzbank 1.7%). This increase is solely attributable to significantly higher prices for fuels and heating oil (chart). While these had a noticeably dampening effect on the overall inflation rate over the course of 2020 – at times heating oil was 30% cheaper than a year earlier – this effect is visibly reversing. In April, prices for heating oil – calculated on the basis of the results of the statistical offices of the German federal states – rose by more than 3% year-on-year, while those for fuels even increased by more than 20%. By contrast, the core inflation rate (which is excluding energy and food prices) is likely to have fallen slightly from 1.4% to 1.3%, in particular because prices for clothing in April 2021 were noticeably lower than a year earlier. Particularly the decline in the core rate should not be overvalued, as price collection was again restricted for some goods due to curfews and shop closures.

Energy prices are unlikely to rise much further in the coming months. However, as they fell for much of last year, the year-on-year comparison will rise significantly in the coming months and drive up the inflation rate. Added to this is the generally lower price basis in the second half of 2020 due to the temporary reduction in VAT. Both effects together are likely to push inflation up to 3% at times in the second half of 2021 – the underlying inflation rate should then be around 2%. On average for the year, we expect inflation to be 2.3%.
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