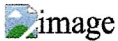


WSJ Print Edition

**Inflation in Eurozone Drops Below 2% Target**

BY JOSHUA KIRBY

Eurozone inflation fell below the European Central Bank's target for the first time in more than three years, suggesting a lengthy struggle to bring price increases under control is nearing an end.

Consumer prices increased by 1.8% on year in September across the 20 nations that make up the eurozone, falling from a month earlier and marking the first time since June 2021 that annual inflation has stood below the ECB's 2% target.

September's figures suggest policymakers can begin to claim victory in their 2½-year battle to tame sky-high inflation that spiked with Russia's full-scale invasion of Ukraine early in 2022. The resultant energy shock drove consumer prices rapidly higher across Europe and much of the rest of the globe.

Soaring inflation, exacerbated by supply squeezes and further geopolitical turbulence, forced central banks into a cycle of tighter monetary policy that took interest rates in many parts of the wealthy world to their highest level since the beginning of the century.

Rate setters have now begun the process of lowering borrowing costs in order to ease some of the burden on investment and consumer spending, with the U.S. Federal Reserve in September joining peers such as the ECB, the Bank of England and the Swiss National Bank in cutting its key rate for the first time in years.

Inflation could rise again in the year's final months as base effects in energy lessen, ECB President Christine Lagarde said on Monday. But the rate should subsequently return to target promptly, a trend the central bank will take into account at its coming policy meeting, Lagarde told European lawmakers in Brussels.

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EUROZONE

Inflation slows to 1.8%, bolstering bets on faster rate cuts

BY ESHE NELSON

THE NEW YORK TIMES

LONDON>> Inflation in the eurozone dropped below the European Central Bank's target in September for the first time in more than three years, paving the way for faster interest rate cuts.

Consumer prices rose 1.8% on average across the eurozone in the month, down from 2.2% in August, data published Tuesday showed. The region's central bank, which sets interest rates for the 20 countries that use the euro currency, targets inflation at 2%, a goal last attained in 2021.

With inflation back below the target rate and the eurozone's economy struggling, investors are betting that the central bank will speed up the pace of its rate cuts. The chance that policymakers will cut rates at their meeting this month rose above 90%, financial markets show. A week ago, the chance was less than two-thirds.

"With every data release, it is becoming increasingly clear that policy rates are too restrictive in the euro area," Frederik Ducrozet, head of macroeconomic research at Pictet Wealth Management, wrote in an analyst note. He expects a quarter-point decrease at the next meeting.

The central bank had been emphasizing a cautious approach to lower rates, not wanting to ease monetary policy too quickly and revive inflationary pressures. Policymakers cut rates in June, paused at their next meeting in July and cut again in September. There was evidence that inflation was still stubborn in some sectors, particularly in the services industry. For the past five months, services inflation has been at or near 4%.

Some analysts argue that these sticky aspects of inflation will encourage policymakers to wait until December to cut rates again.

But bets of a rate cut were also bolstered Monday by comments from European Central Bank President Christine Lagarde. "The latest developments strengthen our confidence that inflation will return to target in a timely manner," she said at a hearing with a European Parliament committee. "We will take that into account in our next monetary policy meeting in October."