

Trust me - the markets know we need inflation

Published: January 14, 2026, 4:16 pm

[FT.com / FT's rolling global market overview - Spanish deflation fears hit euro.](#)

Fears of deflation in Spain spooked European markets on Friday, sending the euro briefly to new 14-month lows and the Eurofirst 300 index down 1.5 per cent, led by sharp declines in Spanish equity markets.

Core consumer prices in Spain, excluding energy and fresh food, fell 0.1 per cent from a year earlier, the National Statistics Institute in Madrid announced on Friday. The surprise fall, following a 0.2 per cent rise in March, marked the first annual decline in data going back to 1986.

Nothing less than 5% inflation will keep Europe away from disaster and allow the growth differentials needed to reprice the imbalances in the Eurozone.

No wonder the markets are freaked by this.