

August 2009

## Euro area annual inflation up to -0.2%

EU up to 0.6%

**Euro area**<sup>1</sup> annual inflation was -0.2% in August 2009<sup>2</sup>, up from -0.7% in July. A year earlier the rate was 3.8%. Monthly inflation was 0.3% in August 2009.

**EU**<sup>3</sup> annual inflation was 0.6% in August 2009, up from 0.2% in July. A year earlier the rate was 4.3%. Monthly inflation was 0.3% in August 2009.

These figures come from **Eurostat, the Statistical Office of the European Communities**.

### Inflation in the EU Member States

In August 2009, the lowest annual rates were observed in **Ireland** (-2.4%), **Portugal** (-1.2%) and **Cyprus** (-0.9%), and the highest in **Hungary** (5.0%), **Romania** (4.9%) and **Poland** (4.3%). Compared with July 2009, annual inflation fell in eight Member States, remained stable in two and rose in seventeen.

The lowest 12-month averages<sup>4</sup> up to August 2009 were registered in **Ireland** (0.0%), **Portugal** (0.1%) and **Luxembourg** (0.6%), and the highest in **Latvia** (7.7%), **Lithuania** (6.9%) and **Romania** (6.4%).

### Euro area

The main components with the highest annual rates in August 2009 were alcohol & tobacco (4.5%), miscellaneous goods & services (2.2%) and household equipment (1.7%), while the lowest annual rates were observed for transport (-3.2%), housing (-1.3%) and food (-1.2%). Concerning the detailed sub-indices, restaurants & cafés (+0.15 percentage points), tobacco (+0.14) and rents (+0.12) had the largest upward impacts on the headline rate, while fuels for transport (-0.67), heating oil (-0.35) and gas (-0.16) had the biggest downward impacts.

The main components with the highest monthly rates were clothing (2.3%), transport (1.1%), housing, household equipment and hotels & restaurants (0.3% each), while the lowest were food (-0.5%), education (-0.4%), health and communications (-0.1% each). In particular, fuels for transport (+0.13 percentage points), garments (+0.12) and heating oil (+0.04) had the largest upward impacts, while vegetables (-0.06) and fruit (-0.05) had the biggest downward impacts.

### Annual inflation (%) in August 2009 in ascending order

Euro area																
IE	PT	CY	ES	BE	FR	LU	Euro area	DE	NL	IT	AT	SI	SK	EL	MT	FI
-2.4	-1.2	-0.9	-0.8	-0.7	-0.2	-0.2	-0.2p	-0.1	-0.1p	0.1	0.1p	0.1	0.5	1.0	1.0	1.3
EU Member States outside the euro area																
EE	CZ	EU	DK	BG	LV	UK	SE	LT	PL	RO	HU					
-0.7	0.0	0.6p	0.7	1.3	1.5	1.6	1.9	2.2	4.3	4.9	5.0					

### Inflation rates in %, measured by HICPs

	Annual rates					12 month average rates <sup>4</sup> Aug 09-08 Aug 08-07	Monthly rates Aug 09 Jul 09
	Aug 09 Aug 08	Jul 09 Jul 08	Jun 09 Jun 08	May 09 May 08	Aug 08 Aug 07		
Belgium (BE)	-0.7	-1.7	-1.0	-0.2	5.4	1.5	2.1
Germany (DE)	-0.1	-0.7	0.0	0.0	3.3	0.8	0.3
Ireland (IE)	-2.4	-2.6	-2.2	-1.7	3.2	0.0	0.2
Greece (EL)	1.0	0.7	0.7	0.7	4.8	1.9	-0.8
Spain (ES)	-0.8	-1.4	-1.0	-0.9	4.9	0.8	0.4
France (FR)	-0.2	-0.8	-0.6	-0.3	3.5	0.8	0.6
Italy (IT)	0.1	-0.1	0.6	0.8	4.2	1.6	0.2
Cyprus (CY)	-0.9	-0.8	0.1	0.5	5.1	1.4	0.2
Luxembourg (LU)	-0.2	-1.5	-1.0	-0.9	4.8	0.6	1.3
Malta (MT)	1.0	0.8	2.8	3.4	5.4	3.6	0.6
Netherlands (NL)	-0.1p	-0.1	1.4	1.5	3.0	1.6p	0.2p
Austria (AT)	0.1p	-0.4	-0.3	0.1	3.6	1.1p	0.4p
Portugal (PT)	-1.2	-1.4	-1.6	-1.2	3.1	0.1	-0.2
Slovenia (SI)	0.1	-0.6	0.2	0.5	6.0	1.7	0.1
Slovakia (SK)	0.5	0.6	0.7	1.1	4.4	2.3	-0.2
Finland (FI)	1.3	1.2	1.6	1.5	4.6	2.6	0.4
<b>Euro area (MUICP)</b>	<b>-0.2p</b>	<b>-0.7</b>	<b>-0.1</b>	<b>0.0</b>	<b>3.8</b>	<b>1.1p</b>	<b>0.3p</b>
Bulgaria (BG)	1.3	1.0	2.6	3.0	11.8	5.4	0.1
Czech Republic (CZ)	0.0	-0.1	0.8	0.9	6.2	2.2	-0.2
Denmark (DK)	0.7	0.7	0.9	1.1	4.8	1.9	0.3
Estonia (EE)	-0.7	-0.4	-0.5	0.3	11.1	3.8	-0.1
Latvia (LV)	1.5	2.1	3.1	4.4	15.6	7.7	-1.0
Lithuania (LT)	2.2	2.6	3.9	4.9	12.2	6.9	-0.2
Hungary (HU)	5.0	4.9	3.7	3.8	6.4	3.9	-0.5
Poland (PL)	4.3	4.5	4.2	4.2	4.4	4.0	-0.4
Romania (RO)	4.9	5.0	5.9	5.9	8.1	6.4	-0.2
Sweden (SE)	1.9	1.8	1.6	1.7	4.1	2.2	0.2
United Kingdom (UK)	1.6	1.8	1.8	2.2	4.7	2.9	0.4
<b>EU (EICP)</b>	<b>0.6p</b>	<b>0.2</b>	<b>0.6</b>	<b>0.8</b>	<b>4.3</b>	<b>1.8p</b>	<b>0.3p</b>
Iceland (IS)	16.0	16.5	16.7	15.7	15.3	18.2	0.7
Norway (NO)	1.8	2.2	3.5	2.9	4.1	3.1	-0.3
<b>EEA (EEAICP)<sup>5</sup></b>	<b>0.6p</b>	<b>0.3r</b>	<b>0.7</b>	<b>0.9</b>	<b>4.3</b>	<b>1.8p</b>	<b>0.3p</b>
Switzerland (CH)	-1.0	-1.4	-1.2	-1.1	3.1	0.0	0.2

Source: Eurostat

p = provisional

r = revised

## Euro area inflation rates in % for main components, measured by HICPs

Euro area (MUICP)	Weight used in 2009	Annual rates					12 month average rates <sup>4</sup>	Monthly rates
		Aug 09	Jul 09	Jun 09	May 09	Aug 08	Aug 09-08	Aug 09
		Aug 08	Jul 08	Jun 08	May 08	Aug 07	Aug 08-07	Jul 09
00 All-items	1000.0	-0.2p	-0.7	-0.1	0.0	3.8	1.1p	0.3p
01 Food	156.2	-1.2p	-1.0	-0.2	0.3	6.2	1.8p	-0.5p
02 Alcohol and tobacco	37.1	4.5p	4.4	4.3	3.3	3.3	3.6p	0.2p
03 Clothing	67.8	0.4p	-0.3	0.3	0.7	0.4	0.4p	2.3p
04 Housing	156.3	-1.3p	-1.8	-0.5	-0.1	6.3	2.0p	0.3p
05 Household equipment	71.1	1.7p	1.7	1.7	1.8	2.1	1.9p	0.3p
06 Health	41.7	1.2p	1.4	1.3	1.5	2.0	1.7p	-0.1p
07 Transport	151.4	-3.2p	-5.5	-4.8	-4.8	6.3	-2.2p	1.1p
08 Communications	32.2	-0.7p	-0.8	-0.9	-1.0	-2.5	-1.6p	-0.1p
09 Recreation and culture	96.6	0.5p	0.6	0.6	0.6	0.5	0.5p	0.1p
10 Education	10.4	0.6p	0.5	0.6	0.5	3.0	1.1p	-0.4p
11 Hotels and restaurants	94.4	1.5p	1.6	1.9	2.2	3.6	2.6p	0.3p
12 Miscellaneous	84.7	2.2p	2.1	2.1	2.2	2.5	2.3p	0.2p
All-items								
-excl. energy	904.3	1.0p	1.0	1.2	1.4	2.7	1.8p	0.2p
-excl. energy, FoodAlcTob*	711.0	1.3p	1.3	1.4	1.5	1.9	1.6p	0.3p
-excl. energy, unproc. food	829.7	1.2p	1.2	1.3	1.5	2.6	1.8p	0.3p
-excl. energy, seas. food	866.2	1.2p	1.2	1.4	1.5	2.7	1.8p	0.3p
-excl. tobacco	977.4	-0.3p	-0.8	-0.3	0.0	3.9	1.0p	0.4p
Energy	95.7	-10.2p	-14.4	-11.7	-11.6	14.6	-4.9p	1.8p
FoodAlcTob*	193.3	-0.1p	0.0	0.7	0.9	5.6	2.2p	-0.4p

Source: Eurostat

\* FoodAlcTob = Food, alcohol and tobacco

p = provisional

## Euro area sub-indices with most important impacts

COICOP	August 09 / August 08	Weight (‰) 2009	Rate (%)	Impact (percentage points)
11.11	Restaurants and cafés	69.5	1.8p	0.15
02.20	Tobacco	22.6	5.8p	0.14
04.11/2	Rents	59.6	1.8p	0.12
07.23	Maintenance of vehicles	24.2	3.9p	0.10
04.51	Electricity	23.1	3.0p	0.07
09.60	Package holidays	16.3	2.5p	0.04
09.11	Audio-visual equipment	4.8	-12.9p	-0.06
01.16	Fruit	11.6	-6.1p	-0.07
01.14	Milk, cheese and eggs	22.7	-3.8p	-0.08
04.52	Gas	18.5	-8.9p	-0.16
04.53	Heating oil	7.5	-32.5p	-0.35
07.22	Fuels for transport	39.9	-13.6p	-0.67
	<b>August 09 / July 09</b>			
07.22	Fuels for transport	39.9	3.3p	0.13
03.12	Garments	50.2	2.9p	0.12
04.53	Heating oil	7.5	5.7p	0.04
07.33	Air transport	6.0	5.5p	0.03
11.20	Accommodation services	17.2	1.2p	0.02
09.60	Package holidays	16.3	1.3p	0.02
08.2/3	Telecommunications	30.6	-0.1p	-0.01
04.11/2	Rents	59.6	0.1p	-0.02
11.11	Restaurants and cafés	69.5	0.1p	-0.02
07.11	Cars	42.7	-0.2p	-0.03
01.16	Fruit	11.6	-4.2p	-0.05
01.17	Vegetables	15.4	-3.3p	-0.06

Source: Eurostat

p = provisional

## Measures of inflation

The *annual rate* measures the price change between the current month and the same month of the previous year. This measure is responsive to recent changes in price levels but can be influenced by one-off effects in either month.

The *12-month average rate*<sup>4</sup> overcomes this volatility by comparing average Harmonized Indices of Consumer Prices (HICPs) in the latest 12 months to the average of the previous 12 months. This measure is less sensitive to transient changes in prices.

The *monthly rate* compares price levels between the two latest months. Although up-to-date, it can be affected by seasonal and other effects.

The *impact* of a particular component measures the change in the headline inflation due to the inclusion of that component in the HICP. The impact takes account of both the weight and whether the inflation for that component is higher or lower than the all-items inflation rate. For example, the impact of 'tobacco' is equal to the difference between the all-items inflation rate and the rate for 'all-items excluding tobacco'. Impacts are not strictly additive.

## HICPs designed for international comparison

Harmonized Indices of Consumer Prices (HICPs) are harmonized inflation figures required under Article 121 of the Treaty of Amsterdam (109j of the Treaty on European Union). They are designed for international comparison of consumer price inflation. The focus is on quality and comparability among the indices of different countries as well as on their relative movements.

Price changes as measured by the HICPs, the Monetary Union Index of Consumer Prices (MUICP), the European Index of Consumer Prices (EICP) and the European Economic Area Index of Consumer Prices (EEAICP) are used as measures of inflation in the Member States, in the euro area, in the European Union, and in the European Economic Area.

The MUICP is used by, among others, the European Central Bank (ECB) as a main indicator for monetary policy management for the euro area (see [ECB press release](#), 8 May 2003).

The Member States' HICPs are supplied by the National Statistical Institutes; the MUICP, EICP and EEAICP are compiled by Eurostat. The HICP is computed as an annual chain index allowing weights to be changed each year. HICP aggregates are calculated as weighted averages of the HICPs using the weights of the countries and sub-indices concerned. The weight of a country is its share of the household final monetary consumption expenditure in the total of the country group. For the MUICP this is expressed in euro, for the EICP and the EEAICP it is expressed in purchasing power standards. The MUICP is treated as a single entity within the EICP and EEAICP starting from 1999.

## Additional information

More information on HICPs can be obtained from the monthly publication *Data in focus, Economy and Finance on "Harmonized indices of consumer prices"*. About 100 MUICP, EICP, EEAICP and HICP sub-indices with corresponding weights are available in Eurostat's database. Further details can be found on the HICP section of the Eurostat website:

<http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/introduction>.

## Future release dates

Scheduled publication dates for the coming months are:

Index for	MUICP flash estimates	HICP News Releases
September 2009	30 September 2009	15 October 2009
October 2009	30 October 2009	16 November 2009
November 2009	30 November 2009	16 December 2009

1. Euro area inflation is measured by the MUICP ('Monetary Union Index of Consumer Prices' as defined in Council Regulation (EC) No 2494/95 of 23 October 1995) which is the official euro area aggregate. The euro area initially included Belgium, Germany, Ireland, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Greece was included from January 2001, Slovenia from January 2007, Cyprus and Malta from January 2008 and Slovakia from January 2009. New Member States are integrated into the MUICP using a chain index formula.
2. The MUICP flash estimate for August 2009, published on 31 August 2009, was -0.2%.
3. EU inflation is measured by the EICP ('European Index of Consumer Prices' as defined in Council Regulation (EC) No 2494/95 of 23 October 1995) which is the official EU aggregate. The EU included 15 Member States until April 2004, 25 Member States from May 2004 until December 2006 and 27 Member States from January 2007. New Member States are integrated into the EICP using a chain index formula.
4. Measure used to determine price stability in Convergence reports by the Commission to the Council.
5. EEA totals for July 2009 have been revised, as Eurostat estimates have been replaced by actual data for the United Kingdom.

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