

December 2003

## Euro-zone annual inflation down to 2.0%

EU15 down to 1.8%

**Euro-zone** annual inflation fell from 2.2% in November<sup>1</sup> to 2.0% in December 2003<sup>2</sup>, **Eurostat, the Statistical Office of the European Communities**, reports today. A year earlier the rate was 2.3%.

**EU15** annual inflation fell from 2.0% in November<sup>1</sup> to 1.8% in December 2003. A year earlier the rate was 2.2%.

**EEA** annual inflation was 1.8% in December 2003.

### Inflation in Member States

In December, the highest annual rates were recorded in **Greece** (3.1%), **Ireland** (2.9%) and **Spain** (2.7%); the lowest rates were observed in **Germany** (1.1%), **Denmark** and **Finland** (both 1.2%).

Compared with November 2003, annual inflation fell in nine Member States, rose in one and remained stable in four. Compared with December 2002, the biggest relative falls were in **Denmark** (2.6% to 1.2%), the **Netherlands** (3.2% to 1.6 %) and **Portugal** (4.0% to 2.3%); the only rises were in **Belgium** (1.3% to 1.7%), **France** (2.2% to 2.4%) and **Sweden** (1.7% to 1.8%).

Lowest 12-month averages<sup>3</sup> up to December 2003 were in **Germany** (1.0%), **Austria** and **Finland** (both 1.3%); highest were in **Ireland** (4.0%), **Portugal** (3.3%) and **Spain** (3.1%).

### USA and Switzerland

In **Switzerland** annual inflation rose from 0.5% in November to 0.6% in December 2003 and in the **USA** it rose from 1.8% to 1.9%. These indices are not strictly comparable with **EU** harmonized indices.

#### Annual inflation (%) in December 2003 - in ascending order

DE	DK	FI	AT	UK	NL	BE	SE	EU15	Euro-zone	PT	FR	LU	IT	ES	IE	EL
1.1	1.2	1.2	1.3	1.3	1.6p	1.7	1.8	1.8p	2.0p	2.3	2.4p	2.4	2.5p	2.7	2.9	3.1

## Inflation rates in %, measured by HICPs

Table 1

	Annual rates					12 Month Average Rates <sup>3</sup>	Monthly rates
	<u>Dec 03</u>	<u>Nov 03</u>	<u>Oct 03</u>	<u>Sep 03</u>	<u>Dec 02</u>	<u>Dec 03-02</u>	<u>Dec 03</u>
	<u>Dec 02</u>	<u>Nov 02</u>	<u>Oct 02</u>	<u>Sep 02</u>	<u>Dec 01</u>	<u>Dec 02-01</u>	<u>Nov 03</u>
Belgium	1.7	1.8	1.4	1.7	1.3	1.5	0.0
Germany	1.1	1.3	1.1	1.1	1.1	1.0	0.9
Greece <sup>1</sup>	3.1	:	:	3.3	3.5	:	:
Spain	2.7	2.9	2.7	3.0	4.0	3.1	0.2
France	2.4p	2.5	2.3	2.3	2.2	2.2p	0.1p
Ireland	2.9	3.3	3.3	3.8	4.6	4.0	0.4
Italy	2.5p	2.8	2.8	3.0	3.0	2.8p	0.0p
Luxembourg	2.4	2.0	1.8	2.7	2.8	2.5	0.2
Netherlands	1.6p	2.0	1.9	2.0	3.2	2.2p	-0.6p
Austria	1.3	1.3	1.1	1.4	1.7	1.3	0.3
Portugal	2.3	2.3	2.8	3.2	4.0	3.3	0.1
Finland	1.2	1.2	0.9	1.2	1.7	1.3	0.1
<b>Euro-zone (MUICP)<sup>1</sup></b>	<b>2.0p</b>	<b>2.2p</b>	<b>2.0p</b>	<b>2.2</b>	<b>2.3</b>	<b>2.1p</b>	<b>0.3p</b>
Denmark	1.2	1.4	1.1	1.7	2.6	2.0	-0.2
Sweden	1.8	2.0	2.0	2.3	1.7	2.3	0.2
United Kingdom	1.3	1.3	1.4	1.4	1.7	1.4	0.4
<b>EU15 (EICP)<sup>1</sup></b>	<b>1.8p</b>	<b>2.0p</b>	<b>1.9p</b>	<b>2.0</b>	<b>2.2</b>	<b>2.0p</b>	<b>0.3p</b>
Iceland	1.8	1.5	1.1	1.2	1.9	1.4	0.2
Norway	0.1	1.0r	1.3r	1.5r	2.6	2.0	0.0
<b>EEA (EEAICP)<sup>1</sup></b>	<b>1.8p</b>	<b>2.0p</b>	<b>1.9p</b>	<b>2.0</b>	<b>2.2</b>	<b>2.0p</b>	<b>0.3p</b>

Source: Eurostat

r: Revised

p: Provisional

: Data not available

Table 2

Euro-zone MUICP <sup>1</sup>	Weight used in 2003	Annual rates					12 Month Average Rates <sup>3</sup>	Monthly rates
		<u>Dec 03</u>	<u>Nov 03</u>	<u>Oct 03</u>	<u>Sep 03</u>	<u>Dec 02</u>	<u>Dec 03-02</u>	<u>Dec 03</u>
		<u>Dec 02</u>	<u>Nov 02</u>	<u>Oct 02</u>	<u>Sep 02</u>	<u>Dec 01</u>	<u>Dec 02-01</u>	<u>Nov 03</u>
00 All-items	1000.0	2.0p	2.2p	2.0p	2.2	2.3	2.1p	0.3p
01 Food	154.5	2.6p	3.0p	3.0p	3.0	1.5	2.1p	0.0p
02 Alcohol and tobacco	38.4	7.7p	7.6p	6.3p	5.5	4.3	5.9p	0.2p
03 Clothing	75.7	1.0p	1.0p	1.0p	0.8	1.8	0.9p	-0.4p
04 Housing	149.4	2.3p	2.5p	2.3p	2.4	2.0	2.5p	0.0p
05 Household equipment	78.9	1.1p	1.2p	1.2p	1.3	1.4	1.3p	0.0p
06 Health	39.4	1.8p	1.9p	2.1p	1.9	3.1	2.2p	0.1p
07 Transport	152.8	1.9p	1.8p	1.3p	1.8	3.3	2.3p	0.2p
08 Communications	29.0	-0.7p	-0.5p	-0.8p	-0.4	-0.5	-0.6p	-0.5p
09 Recreation and culture	97.1	-0.2p	0.1p	0.2p	0.3	0.6	0.2p	2.3p
10 Education	9.2	3.1p	3.2p	3.2p	3.4	3.9	3.5p	0.0p
11 Hotels and restaurants	95.0	2.8p	3.0p	3.0p	3.2	4.5	3.2p	1.0p
12 Miscellaneous	80.5	2.4p	2.4p	2.5p	2.5	2.7	2.6p	0.1p
All-items excl. energy	917.5	2.0p	2.1p	2.1p	2.1	2.2	2.0p	0.4p
-excl. energy, FoodAlcTob*	724.6	1.6p	1.6p	1.7p	1.8	2.2	1.8p	0.5p
-excl. energy, unproc. food	841.7	1.9p	2.0p	2.0p	2.0	2.2	2.0p	0.4p
-excl. energy, seas. goods	879.8	1.9p	2.0p	2.0p	2.0	2.2	1.9p	0.4p
-excl. tobacco	977.2	1.8p	1.9p	1.9p	2.0	2.2	1.9p	0.3p
Energy	82.5	1.8p	2.2p	0.7p	1.6	3.8	3.0p	-0.1p
FoodAlcTob*	192.9	3.6p	4.0p	3.7p	3.6	2.1	2.8p	0.0p

Source: Eurostat

\* FoodAlcTob: Food, alcohol and tobacco

r: Revised

p: Provisional

## BACKGROUND NOTES

### 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>3</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.

### HICPs designed for international comparison

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-zone, 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-zone<sup>4</sup>.

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 euro-zone total. 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<sup>5</sup> on HICPs can be obtained from the monthly publication *Statistics in focus, Economy and Finance, Harmonized indices of consumer prices*. About 100 MUICP, EICP, EEAICP and HICP sub-indices with corresponding weights are available on Eurostat's database NewCronos through Eurostat's Data Shop network.

### Future release dates

Provisional publication dates for the coming months are:

Index for	MUICP flash estimates	News Release on MUICP, EICP and Member States
January 2004	4 February 2004	27 February 2004
February 2004	27 February 2004	17 March 2004
March 2004	31 March 2004	16 April 2004

1. Data for Greece for October and November 2003 were not available in time for publication. Due to this fact, Euro-zone (MUICP), EU15 (EICP) and EEA (EEAICP) were calculated using Eurostat estimates for those two months. Missing data for Greece will be integrated in the Eurostat databases as soon as they are available.
2. The MUICP flash estimate for December 2003, published on 5 January 2004, was 2.1%.
3. Measure used to determine price stability in Convergence reports of 1998 and 2000 by the Commission to the Council.
4. See ECB press release, 8 May 2003.
5. For technical notes on HICPs see: Eurostat News Release 21/97, 5 March 1997, *Harmonizing the way EU measures inflation* and Eurostat Memo 8/98, 4 May 1998, *New monetary union index of consumer prices (MUICP)*, Eurostat Memo 02/00, 18 February 2000, *Improved EU Harmonized Index of Consumer Prices: Extended coverage and earlier release dates for the HICP*. Further details can be found in the *Compendium of HICP reference documents – (2/2001/B/5)*. All are available on Eurostat's Internet server.

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## ANNEX

**Inflation rates in %, measured by interim HICPs**

### ACCEDING COUNTRIES

	Annual rates					Monthly rates
	<u>Dec 03</u> <u>Dec 02</u>	<u>Nov 03</u> <u>Nov 02</u>	<u>Oct 03</u> <u>Oct 02</u>	<u>Sep 03</u> <u>Sep 02</u>	<u>Dec 02</u> <u>Dec 01</u>	<u>Dec 03</u> <u>Nov 03</u>
<b>Czech Republic</b>	1.0	0.9	0.5	0.0	0.1	0.2
<b>Estonia</b>	1.2	1.2	1.2	1.5	2.7	-0.1
<b>Cyprus</b>	2.2	3.8	3.7	3.3	3.1	-1.0
<b>Latvia</b>	3.5	3.7	3.3	3.2	1.5	0.1
<b>Lithuania</b>	-1.3	-0.9	-1.3	-0.8	-0.9	0.0
<b>Hungary</b>	5.6	5.6	4.8	4.6	4.9	0.1
<b>Malta</b>	:	:	:	:	:	:
<b>Poland</b>	1.6	1.5	1.0	0.7	0.8	0.2
<b>Slovenia</b>	4.7	5.3	4.9	5.1	7.1	0.0
<b>Slovakia</b>	9.5	10.2	9.9	9.8	3.4	0.1

Source: Eurostat

: Data not available