

July 2011

Euro area annual inflation down to 2.5%

EU down to 2.9%

Euro area¹ annual inflation was 2.5% in July 2011², down from 2.7% in June. A year earlier the rate was 1.7%. Monthly inflation was -0.6% in July 2011.

EU³ annual inflation was 2.9% in July 2011, down from 3.1% in June. A year earlier the rate was 2.1%. Monthly inflation was -0.5% in July 2011.

These figures come from **Eurostat, the statistical office of the European Union**.

Inflation in the EU Member States

In July 2011, the lowest annual rates were observed in **Ireland** (1.0%), **Slovenia** (1.1%) and **Sweden** (1.6%), and the highest in **Estonia** (5.3%), **Romania** (4.9%) and **Lithuania** (4.6%). Compared with June 2011, annual inflation fell in sixteen Member States, remained stable in two and rose in nine.

The lowest 12-month averages⁴ up to July 2011 were registered in **Ireland** (0.3%), **Sweden** (1.6%), the **Czech Republic** and the **Netherlands** (1.9% each), and the highest in **Romania** (7.6%), **Estonia** (4.9%) and **Greece** (4.3%).

Euro area

The main components with the highest annual rates in July 2011 were transport (5.5%), housing (5.0%) and alcohol & tobacco (2.9%), while the lowest annual rates were observed for clothing (-2.9%), communications (-1.6%) and recreation & culture (0.4%). Concerning the detailed sub-indices, fuels for transport (+0.51 percentage points), heating oil (+0.19) and electricity (+0.14) had the largest upward impacts on the headline rate, while garments (-0.27), telecommunications (-0.14) and cars (-0.08) had the biggest downward impacts.

The main components with the highest monthly rates were recreation & culture (1.2%), hotels & restaurants (1.1%), housing and transport (both 0.6%), while the lowest were clothing (-14.2%), household equipment (-0.6%) and communications (-0.4%). In particular, package holidays (+0.14 percentage points) and accommodation services (+0.11) had the largest upward impacts, while garments (-0.75) and footwear (-0.18) had the biggest downward impacts.

Annual inflation (%) in July 2011 in ascending order

Euro area																	
IE	SI	EL	FR	IT	MT	Euro area	DE	NL	ES	PT	LU	CY	FI	AT	SK	BE	EE
1.0	1.1	2.1	2.1	2.1	2.2p	2.5p	2.6	2.9p	3.0	3.0	3.2	3.5	3.7	3.8p	3.8	4.0	5.3

EU Member States outside the euro area

SE	CZ	EU	DK	HU	BG	PL	LV	UK	LT	RO
1.6	1.9	2.9p	3.0	3.1	3.4	3.6	4.2	4.4	4.6	4.9

Inflation rates in %, measured by HICPs

	Annual rates					12 month average rates ⁴	Monthly rates
	<u>Jul 11</u> Jul 10	<u>Jun 11</u> Jun 10	<u>May 11</u> May 10	<u>Apr 11</u> Apr 10	<u>Jul 10</u> Jul 09	<u>Jul 11-10</u> Jul 10-09	<u>Jul 11</u> Jun 11
Belgium (BE)	4.0	3.4	3.1	3.3	2.4	3.3	-1.3
Germany (DE)	2.6	2.4	2.4	2.7	1.2	2.0	0.5
Estonia (EE)	5.3	4.9	5.5	5.4	2.8	4.9	0.6
Ireland (IE)	1.0	1.1	1.2	1.5	-1.2	0.3	-0.2
Greece (EL)	2.1	3.1	3.1	3.7	5.5	4.3	-1.4
Spain (ES)	3.0	3.0	3.4	3.5	1.8	2.9	-1.2
France (FR)	2.1	2.3	2.2	2.2	1.9	2.0	-0.5
Italy (IT)	2.1	3.0	3.0	2.9	1.8	2.3	-1.7
Cyprus (CY)	3.5	4.5	4.1	3.5	2.7	3.3	-1.9
Luxembourg (LU)	3.2	3.8	3.8	4.0	2.9	3.3	-0.9
Malta (MT)	2.2p	3.1	2.5	2.4	2.5	2.8p	-0.3p
Netherlands (NL)	2.9p	2.5	2.4	2.2	1.3	1.9p	-0.2p
Austria (AT)	3.8p	3.7	3.7	3.7	1.7	2.8p	-0.4p
Portugal (PT)	3.0	3.3	3.7	4.0	1.9	3.0	0.1
Slovenia (SI)	1.1	1.6	2.4	2.0	2.3	2.0	-1.1
Slovakia (SK)	3.8	4.1	4.2	3.9	1.0	2.7	-0.2
Finland (FI)	3.7	3.4	3.4	3.4	1.3	2.9	-0.4
Euro area (MUICP)	2.5p	2.7	2.7	2.8	1.7	2.3p	-0.6p
Bulgaria (BG)	3.4	3.5	3.4	3.3	3.2	3.8	0.4
Czech Republic (CZ)	1.9	1.9	2.0	1.6	1.6	1.9	0.3
Denmark (DK)	3.0	2.9	3.1	2.8	2.1	2.7	0.0
Latvia (LV)	4.2	4.7	4.8	4.3	-0.7	2.9	-0.2
Lithuania (LT)	4.6	4.8	5.0	4.4	1.7	3.4	-0.2
Hungary (HU)	3.1	3.5	3.9	4.4	3.6	4.0	-0.3
Poland (PL)	3.6	3.7	4.3	4.1	1.9	3.3	-0.2
Romania (RO)	4.9	8.0	8.5	8.4	7.1	7.6	-0.4
Sweden (SE)	1.6	1.5	1.7	1.8	1.4	1.6	-0.3
United Kingdom (UK)	4.4	4.2	4.5	4.5	3.1	3.9	0.0
EU (EICP)	2.9p	3.1	3.2	3.3	2.1	2.7p	-0.5p
Iceland (IS)	5.2	4.8	4.3	3.1	6.2	3.9	-0.2
Norway (NO)	1.5	1.3	1.6	1.3	1.8	1.6	-0.4
EEA (EEAICP)	2.9p	3.1	3.2	3.2	2.1	2.7p	-0.5p
Switzerland (CH)	0.3	0.6	0.3	0.1	0.4	0.3	-0.8

Source: Eurostat

p = provisional

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

Euro area (MUICP)	Weight used in 2011	Annual rates					12 month average rates ⁴ Jul 11-10 Jul 10-09	Monthly rates Jul 11 Jun 11
		Jul 11	Jun 11	May 11	Apr 11	Jul 10		
		Jul 10	Jun 10	May 10	Apr 10	Jul 09		
00 All-items	1000.0	2.5p	2.7	2.7	2.8	1.7	2.3p	-0.6p
01 Food	153.5	2.6p	2.7	2.7	2.0	0.8	1.8p	-0.2p
02 Alcohol and tobacco	39.5	2.9p	2.6	3.3	3.4	3.3	3.3p	0.5p
03 Clothing	67.1	-2.9p	1.0	1.5	1.3	0.4	0.3p	-14.2p
04 Housing	157.9	5.0p	4.8	4.7	5.0	2.8	4.2p	0.6p
05 Household equipment	68.1	1.1p	1.1	1.0	1.0	0.5	0.8p	-0.6p
06 Health	41.9	1.4p	1.5	1.4	1.6	0.8	1.2p	0.1p
07 Transport	156.2	5.5p	5.3	5.3	5.9	4.5	4.9p	0.6p
08 Communications	31.8	-1.6p	-1.2	-1.0	-0.9	-0.9	-0.8p	-0.4p
09 Recreation and culture	95.2	0.4p	0.4	0.0	0.9	-0.3	0.1p	1.2p
10 Education	11.5	1.8p	1.8	1.8	1.8	1.7	1.8p	0.0p
11 Hotels and restaurants	92.3	2.1p	1.9	1.7	1.7	1.1	1.6p	1.1p
12 Miscellaneous	85.1	2.6p	2.6	2.7	2.8	2.2	2.5p	-0.1p
All-items								
-excl. energy	896.4	1.5p	1.8	1.8	1.8	1.0	1.4p	-0.8p
-excl. energy, FoodAlcTob*	703.4	1.2p	1.6	1.5	1.6	1.0	1.2p	-1.0p
-excl. energy, unproc. food	822.8	1.5p	1.8	1.7	1.8	1.0	1.3p	-0.8p
-excl. energy, seas. food	858.5	1.6p	1.8	1.8	1.8	0.9	1.3p	-0.7p
-excl. tobacco	975.2	2.5p	2.7	2.7	2.8	1.7	2.3p	-0.6p
Energy	103.6	11.8p	10.9	11.1	12.5	8.1	10.5p	0.8p
FoodAlcTob*	193.0	2.6p	2.7	2.8	2.2	1.3	2.1p	-0.1p

Source: Eurostat

* FoodAlcTob = Food, alcohol and tobacco

p = provisional

Euro area sub-indices with most important impacts

COICOP		July 11 / July 10		Weight (‰) 2011	Rate (%)	Impact (percentage points)
07.22	Fuels for transport			46.9	13.3p	0.51
04.53	Heating oil			9.5	23.7p	0.19
04.51	Electricity			24.5	8.1p	0.14
04.52	Gas			16.7	8.2p	0.10
07.33	Air transport			5.8	8.5p	0.04
12.31	Jewellery and watches			5.3	9.7p	0.04
04.11/2	Rents			59.8	1.5p	-0.07
09.13	IT equipment			5.0	-11.5p	-0.07
01.17	Vegetables			15.8	-2.2p	-0.07
07.11	Cars			39.3	0.7p	-0.08
08.2/3	Telecommunications			30.1	-1.8p	-0.14
03.12	Garments			49.5	-3.2p	-0.27
		July 11 / June 11				
09.60	Package holidays			15.1	9.3p	0.14
11.20	Accommodation services			15.7	6.1p	0.11
04.11/2	Rents			59.8	0.4p	0.06
07.33	Air transport			5.8	9.4p	0.06
07.22	Fuels for transport			46.9	0.5p	0.06
11.11	Restaurants and cafés			70.1	0.1p	0.06
03.13	Clothing accessories			2.1	-8.4p	-0.02
12.32	Other personal effects			4.3	-4.5p	-0.02
01.17	Vegetables			15.8	-2.4p	-0.03
01.16	Fruit			11.7	-4.3p	-0.05
03.21/2	Footwear			13.8	-13.3p	-0.18
03.12	Garments			49.5	-15.2p	-0.75

Source: Eurostat

p = provisional

Measures of inflation

An *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.

A *12-month average rate* overcomes this volatility by comparing average Harmonised 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.

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

An *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

Harmonised Indices of Consumer Prices (HICPs) are harmonised inflation figures required under the Treaty on the Functioning of the European Union. They are designed for international comparison of consumer price inflation.

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 European Union, in the euro area, 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. HICPs are computed as annual chain indices 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 "Harmonised 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>.

Starting with the index of January 2011 a new regulation that defines how seasonal products are to be treated in the HICP has come into force, and may have an effect on the continuity of the affected HICP series. At the level of the all-items index for the euro area, the EU and most Member States, the impact of the implementation of this new regulation is not significant. For further information on the change in the method and its impact please see:

[http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/documents pub/HICP SP info note annex 2011.pdf](http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/documents_pub/HICP_SP_info_note_annex_2011.pdf)

Future release dates

Scheduled publication dates for the coming months are:

Index for	MUICP flash estimates	HICP News Releases
August 2011	31 August 2011	15 September 2011
September 2011	30 September 2011	14 October 2011
October 2011	31 October 2011	16 November 2011

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 1 January 2001, Slovenia from 1 January 2007, Cyprus and Malta from 1 January 2008, Slovakia from 1 January 2009 and Estonia from 1 January 2011. New Member States are integrated into the MUICP using a chain index formula.
2. The MUICP flash estimate for July 2011, published on 29 July 2011, was 2.5%.
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.

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