

November 2004

Euro-zone and EU25 annual inflation down to 2.2%

Euro-zone annual inflation fell from 2.4% in October to 2.2% in November 2004¹, **Eurostat, the Statistical Office of the European Communities**, reports today. A year earlier the rate was 2.2%. Monthly inflation was -0.1% in November 2004.

EU25² annual inflation was 2.2% in November 2004, down from 2.3% in October. A year earlier the rate was 2.1%. Monthly inflation was 0.0% in November 2004.

EICP³ annual inflation was 2.1% in November 2004.

Inflation in the Member States

In November 2004, the lowest annual rates were observed in **Finland** (0.2%), **Denmark** (1.0%), **Sweden** (1.1%) the **Netherlands** and the **United Kingdom** (both 1.5%) and the highest rates were recorded in **Latvia** (7.2%), **Slovakia** (6.0%), **Hungary** (5.7%) and **Poland** (4.5%). Compared with October 2004, annual inflation rose in six Member States, fell in sixteen and remained stable in three.

Lowest 12-month averages⁴ up to November 2004 were in **Finland** (0.2%), **Lithuania** (0.8%), **Denmark** (0.9%) and **Sweden** (1.1%); highest were in **Slovakia** (7.6%), **Hungary** (6.8%), **Latvia** (5.9%) and **Slovenia** (3.8%).

Euro-zone

The main components with the highest annual rates in November 2004 were health (8.3%) and alcohol and tobacco (5.6%), while the lowest annual rates were observed for communication (-2.6%), recreation and culture (-0.2%) and food (-0.1%). Specifically, fuels for transport had the largest upward impact on the headline rate (+0.38 percentage points), followed by heating oil and tobacco (+0.17 each), while vegetables (-0.15), telecommunication (-0.14) and garments (-0.09) had the largest downward impacts.

The main component with the highest monthly rate was clothing (0.7%), while the lowest rates were recorded for recreation and culture (-0.5%), transport and communication (-0.4% each). In particular, garments had the largest upward impact (+0.05 percentage points), while fuels for transport (-0.08) and package holidays (-0.06) had the largest downward impacts.

Annual inflation (%) in November 2004 in ascending order

Euro-zone Member States

| FI | NL | IT | DE | Euro-zone | FR | BE | AT | PT | IE | EL | ES | LU |
|-----|------|-----|-----|-----------|------|-----|------|-----|-----|-----|-----|-----|
| 0.2 | 1.5p | 2.0 | 2.0 | 2.2p | 2.2p | 2.3 | 2.4p | 2.6 | 2.8 | 3.2 | 3.5 | 4.0 |

EU Member States outside the euro-zone

| DK | SE | UK | MT | EU25 | CZ | CY | LT | SI | EE | PL | HU | SK | LV |
|-----|-----|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 1.0 | 1.1 | 1.5 | 1.9 | 2.2p | 2.6 | 2.6 | 2.9 | 3.8 | 4.4 | 4.5 | 5.7 | 6.0 | 7.2 |

Inflation rates in %, measured by HICPs

| | Annual rates | | | | Nov 03 Nov 02 | 12 Month average rates ⁴ | Monthly rates |
|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------|---|-------------------------|
| | <u>Nov 04</u> Nov 03 | <u>Oct 04</u> Oct 03 | <u>Sep 04</u> Sep 03 | <u>Aug 04</u> Aug 03 | | <u>Nov 04-03</u> Nov 03-02 | <u>Nov 04</u> Oct 04 |
| Belgium | 2.3 | 2.7 | 1.8 | 2.0 | 1.8 | 1.8 | -0.2 |
| Germany | 2.0 | 2.2 | 1.9 | 2.1 | 1.3 | 1.7 | -0.4 |
| Greece | 3.2 | 3.3 | 2.9 | 2.8 | 3.2 | 3.0 | 0.1 |
| Spain | 3.5 | 3.6 | 3.2 | 3.3 | 2.9 | 3.0 | 0.2 |
| France | 2.2p | 2.3 | 2.2 | 2.5 | 2.5 | 2.3p | 0.0p |
| Ireland | 2.8 | 2.5 | 2.4 | 2.5 | 3.3 | 2.3 | 0.2 |
| Italy | 2.0 | 2.1 | 2.1 | 2.4 | 2.8 | 2.3 | 0.2 |
| Luxembourg | 4.0 | 4.1 | 3.1 | 3.6 | 2.0 | 3.1 | 0.3 |
| Netherlands | 1.5p | 1.5 | 1.1 | 1.2 | 2.0 | 1.4p | -0.4p |
| Austria | 2.4p | 2.4r | 1.8 | 2.2 | 1.3 | 1.8p | 0.2p |
| Portugal | 2.6 | 2.4 | 2.1 | 2.4 | 2.3 | 2.5 | 0.3 |
| Finland | 0.2 | 0.6 | 0.2 | 0.3 | 1.2 | 0.2 | -0.5 |
| Euro-zone (MUICP) | 2.2p | 2.4 | 2.1 | 2.3 | 2.2 | 2.1p | -0.1p |
| Czech Republic | 2.6 | 3.1 | 2.8 | 3.2 | 0.9 | 2.4 | -0.1 |
| Denmark | 1.0 | 1.6 | 0.9 | 0.9 | 1.4 | 0.9 | -0.3 |
| Estonia | 4.4 | 4.0 | 3.8 | 3.9 | 1.2 | 2.7 | 0.4 |
| Cyprus | 2.6 | 2.0 | 1.8 | 2.8 | 3.8 | 1.8 | 0.4 |
| Latvia | 7.2 | 7.2 | 7.7 | 7.8 | 3.7 | 5.9 | 0.5 |
| Lithuania | 2.9 | 3.1 | 3.0 | 2.2 | -0.9 | 0.8 | 0.3 |
| Hungary | 5.7 | 6.4 | 6.7 | 7.2 | 5.6 | 6.8 | 0.0 |
| Malta | 1.9 | 2.7 | 3.2 | 2.5 | 1.8 | 2.8 | -4.0 |
| Poland | 4.5 | 4.6 | 4.7 | 4.9 | 1.5 | 3.4 | 0.3 |
| Slovenia | 3.8 | 3.4 | 3.4 | 3.7 | 5.3 | 3.8 | 0.6 |
| Slovakia | 6.0 | 6.3 | 6.4 | 7.0 | 9.5 | 7.6 | -0.2 |
| Sweden | 1.1 | 1.4 | 1.2 | 1.2 | 2.0 | 1.1 | -0.6 |
| United Kingdom | 1.5 | 1.2 | 1.1 | 1.3 | 1.3 | 1.3 | 0.2 |
| EU25 | 2.2p | 2.3 | 2.1 | 2.3 | 2.1 | 2.1p | 0.0p |
| EICP³ | 2.1p | 2.2 | 2.0 | 2.1 | 2.0 | 2.0p | 0.0p |
| EU15 | 2.0p | 2.1 | 1.9 | 2.1 | 2.0 | 1.9p | -0.1p |
| Iceland | 2.9 | 2.9 | 2.8 | 3.1 | 1.5 | 2.2 | 0.1 |
| Norway | 1.4 | 1.4 | 1.1 | 1.1 | 1.0 | 0.5 | 0.0 |
| EEA (EEAICP) | 2.1p | 2.2 | 2.0 | 2.1 | 2.0 | 2.0p | 0.0p |

Source: Eurostat

p: Provisional

r: Revised

Note: No November data for annual inflation in the USA was available in time for publication (national CPI, not strictly comparable to the HICPs).

Euro-zone inflation rates in % for main HICP components

| Euro-zone (MUICP) | Weight used in 2004 | Annual rates | | | | | 12 month average rates [†] | Monthly rates |
|-----------------------------|---------------------|---------------|---------------|---------------|---------------|---------------|-------------------------------------|---------------|
| | | <u>Nov 04</u> | <u>Oct 04</u> | <u>Sep 04</u> | <u>Aug 04</u> | <u>Nov 03</u> | <u>Nov 04-03</u> | <u>Nov 04</u> |
| | | Nov 03 | Oct 03 | Sep 03 | Aug 03 | Nov 02 | Nov 03-02 | Oct 04 |
| 00 All-items | 1000.0 | 2.2p | 2.4 | 2.1 | 2.3 | 2.2 | 2.1p | -0.1p |
| 01 Food | 156.0 | -0.1p | -0.2 | -0.2 | 0.5 | 3.0 | 1.2p | 0.1p |
| 02 Alcohol and tobacco | 39.2 | 5.6p | 7.1 | 8.0 | 8.2 | 7.7 | 7.5p | -0.1p |
| 03 Clothing | 74.6 | 0.8p | 0.9 | 0.6 | 1.0 | 1.1 | 0.7p | 0.7p |
| 04 Housing | 149.2 | 3.5p | 3.6 | 2.9 | 2.7 | 2.5 | 2.4p | -0.1p |
| 05 Household equipment | 77.6 | 0.8p | 0.8 | 0.8 | 1.0 | 1.2 | 0.9p | 0.1p |
| 06 Health | 40.0 | 8.3p | 8.2 | 8.5 | 8.2 | 1.9 | 7.3p | 0.2p |
| 07 Transport | 151.5 | 4.6p | 5.0 | 3.8 | 3.9 | 1.8 | 3.0p | -0.4p |
| 08 Communication | 28.9 | -2.6p | -2.4 | -2.7 | -2.5 | -0.6 | -1.8p | -0.4p |
| 09 Recreation and culture | 95.7 | -0.2p | -0.1 | -0.2 | 0.2 | 0.1 | -0.1p | -0.5p |
| 10 Education | 9.3 | 3.6p | 3.5 | 3.2 | 3.2 | 3.2 | 3.3p | 0.2p |
| 11 Hotels and restaurants | 96.2 | 2.7p | 2.7 | 2.9 | 2.9 | 3.0 | 2.8p | -0.2p |
| 12 Miscellaneous | 81.7 | 2.1p | 1.9 | 2.1 | 2.2 | 2.4 | 2.2p | 0.2p |
| All-items excl. energy | 918.7 | 1.7p | 1.7 | 1.7 | 2.0 | 2.1 | 2.0p | 0.0p |
| -excl. energy, FoodAlcTob* | 723.4 | 1.9p | 1.8 | 1.8 | 1.9 | 1.7 | 1.8p | 0.0p |
| -excl. energy, unproc. food | 841.8 | 1.9p | 2.0 | 2.0 | 2.2 | 2.0 | 2.0p | 0.0p |
| -excl. energy, seas. goods | 880.0 | 1.9p | 2.0 | 2.0 | 2.1 | 2.0 | 2.0p | 0.0p |
| -excl. tobacco | 976.3 | 2.1p | 2.2 | 1.9 | 2.1 | 1.9 | 1.9p | -0.1p |
| Energy | 81.3 | 8.7p | 9.8 | 6.4 | 6.5 | 2.2 | 4.1p | -1.2p |
| FoodAlcTob* | 195.3 | 1.0p | 1.2 | 1.4 | 2.1 | 3.9 | 2.5p | 0.0p |

Source: Eurostat

* FoodAlcTob: Food, alcohol and tobacco

p: Provisional

Euro-zone HICP sub-indices with most important impacts

| COICOP | | Weight (‰) 2004 | Rate (%) | Impact (percentage points) |
|---------------------------|----------------------------------|--------------------|----------|-------------------------------|
| November 04 / November 03 | | | | |
| 07.22 | Fuels for transport | 36.4 | 12.1 | 0.38 |
| 04.53 | Heating oil | 6.4 | 27.9 | 0.17 |
| 02.2 | Tobacco | 23.7 | 9.2 | 0.17 |
| 06.21/3 | Medical and paramedical services | 9.3 | 10.1 | 0.07 |
| 06.11 | Pharmaceutical products | 12.2 | 6.8 | 0.06 |
| 06.3 | Hospital services | 6.7 | 9.5 | 0.05 |
| 09.11 | Audio-visual equipment | 5.7 | -7.0 | -0.05 |
| 01.14 | Milk, cheese and eggs | 22.3 | -0.2 | -0.06 |
| 07.11 | Cars | 44.6 | 1.0 | -0.06 |
| 03.12 | Garments | 54.5 | 0.7 | -0.09 |
| 08.2/30 | Telecommunication | 27.0 | -2.9 | -0.14 |
| 01.17 | Vegetables | 15.5 | -7.5 | -0.15 |
| November 04 / October 04 | | | | |
| 03.12 | Garments | 54.5 | 0.7 | 0.05 |
| 11.11 | Restaurants and cafés | 70.5 | 0.2 | 0.02 |
| 09.33 | Gardens, plants and flowers | 5.9 | 2.9 | 0.02 |
| 04.11/2 | Rents | 64.0 | 0.2 | 0.02 |
| 07.23 | Maintenance of vehicles | 25.7 | 0.5 | 0.01 |
| 04.52 | Gas | 13.2 | 0.9 | 0.01 |
| 08.2/3 | Telecommunication | 27.0 | -0.4 | -0.01 |
| 11.2 | Accommodation services | 17.6 | -1.7 | -0.03 |
| 04.53 | Heating oil | 6.4 | -5.0 | -0.04 |
| 09.6 | Package holidays | 14.7 | -4.4 | -0.06 |
| 07.22 | Fuels for transport | 36.4 | -1.9 | -0.08 |

Source: Eurostat

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*⁴ 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 (EICP³) 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-zone⁵.

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 information⁶ 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.

Future release dates

Provisional publication dates for the coming months are:

| Index for | MUICP flash estimates | HICP News Releases |
|---------------|-----------------------|--------------------|
| December 2004 | 4 January 2005 | 20 January 2005 |
| January 2005 | 31 January 2005 | 28 February 2005 |
| February 2005 | 1 March 2005 | 16 March 2005 |

1. The MUICP flash estimate for November 2004, published on 30 November, was 2.2%.
2. EU25: Belgium (BE), the Czech Republic (CZ), Denmark (DK), Germany (DE), Estonia (EE), Greece (EL), Spain (ES), France (FR), Ireland (IE), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Hungary (HU), Malta (MT), the Netherlands (NL), Austria (AT), Poland (PL), Portugal (PT), Slovenia (SI), Slovakia (SK), Finland (FI), Sweden (SE) and the United Kingdom (UK).
3. The EICP (EICP='European Index of Consumer Prices' as defined in Council Regulation (EC) No 2494/95 of 23 October 1995) is the official EU aggregate. It covers 15 Member States until April 2004 and 25 Member States starting from May 2004. The new Member States are integrated into the EICP starting from May 2004 using a chain index formula. This means, for example, that the annual rate of change in November 2004 is the change from November 2003 to April 2004 of the 15 old Member States combined with the change from April 2004 to November 2004 of the 25 Member States.
4. Measure used to determine price stability in Convergence reports of 1998, 2000 and 2002 by the Commission to the Council.
5. See ECB press release, 8 May 2003.
6. 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*, and *HICP short guide for users*. Further details can be found in the *Compendium of HICP reference documents* - (2/2001/B/5). All are available on Eurostat's Internet server.

Main HICP indices are published on Eurostat's website at the same time as this Newsrelease:
Data / Key indicators on EU policy / Short-term indicators / Consumer prices

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