

137/2012 - 28 September 2012

Flash estimate - September 2012

## Euro area inflation estimated at 2.7%

**Euro area**<sup>1</sup> annual inflation<sup>2</sup> is expected to be 2.7% in September 2012, up from 2.6% in August<sup>3</sup>.

Looking at the main components of euro area inflation, energy (9.2% compared with 8.9% in August) is expected to have the highest annual rate in September, followed by food, alcohol & tobacco (2.9% compared with 3.0%), services (2.0% compared with 1.8%) and non-energy industrial goods (0.8% compared with 1.1%).

The flash estimates of the euro area inflation components are issued for the first time in this release. A note on the compilation of the figures is provided in annex.

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

### Euro area annual inflation and its components, %

	Weight used in 2012	Sep 2011	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012
All-items HICP	1000.0	3.0	2.6	2.4	2.4	2.4	2.6p	<b>2.7e</b>
<i>Food, alcohol &amp; tobacco</i>	190.7	3.0	3.1	2.8	3.2	2.9	3.0p	<b>2.9e</b>
<i>Energy</i>	109.9	12.4	8.1	7.3	6.1	6.1	8.9p	<b>9.2e</b>
<i>Non-energy industrial goods</i>	284.7	1.2	1.3	1.3	1.3	1.5	1.1p	<b>0.8e</b>
<i>Services</i>	414.7	1.9	1.7	1.8	1.7	1.8	1.8p	<b>2.0e</b>

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### Scheduled publication dates

Index for	Euro area flash estimates	News release on euro area, EU and Member States
September 2012	-	16 October 2012
October 2012	31 October 2012	15 November 2012
November 2012	30 November 2012	14 December 2012

1. The Member States participating in the euro area are Belgium, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.
2. Annual inflation is the change of the price level between the current month and the same month of the previous year.
3. See News Release 132/2012 of 14 September 2012.

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## **Annex: Methodology of the flash estimates for the main components of the HICP**

With this release Eurostat issues for the first time early information on the main components of euro area inflation. From now on the flash estimates of annual rates of change of **Food, alcohol and tobacco**, **Energy**, **Non-energy industrial goods** and **Services** will be regularly published with the monthly euro area flash estimate of inflation. The data will also be made available on Eurostat's website on the day of publication.

The release of the flash estimate breakdown is now possible because a sufficient number of the euro area National Statistical Offices have started to provide the necessary preliminary Harmonised Indices of Consumer Prices (HICP) data to Eurostat. These data are provided to Eurostat on a voluntary basis and only for the compilation of the flash estimates for the euro area aggregates - i.e. individual Member States data will not be released.

The complete set of HICP figures, based on data issued by all Member States, will continue to be published in accordance with the pre-announced timetable.

### **Computation of flash estimates**

To compute the flash estimates, Eurostat is using preliminary price index data from the statistical offices of euro area Member States, supplemented with model based estimates for those countries not supplying data for the reference month. The model combines timely energy price information from the General Directorate Energy of the European Commission (Weekly Oil Bulletin) with HICP back series of all euro area countries and the preliminary data of those euro area Member States available for the reference month. The preliminary data and the estimates of missing Member States are aggregated to the euro area level to produce the flash estimate of inflation.

For the all-items estimate, the maximum country coverage is 98% of the euro area weight, that is, 13 countries out of 17 (Estonia, Ireland, Malta and Slovakia are not yet sending data). The maximum country coverage of the breakdown is expected to be only marginally lower, i.e. 97% of the euro area weight, as only Cyprus (in addition to the four abovementioned countries) is currently not supplying data. It should be noted, however, that for individual months the coverage could be lower, if some countries normally sending the data are not ready with their estimates at the time of publication.

### **Accuracy of the new indicators**

The compilation of the flash estimate breakdown was tested with preliminary data from ten euro area Member States covering a 15 month period. In the comparison of the test results with the corresponding final HICP data, the 'all-items' estimate was exactly the same or deviating by not more than 0.1 percentage points in all months; 'non-energy industrial goods' and 'services' in 14 out of 15 months; 'food, alcohol & tobacco' in 12 months; and 'energy' in 7 months. The maximum expected differences were 0.1 percentage points for 'all-items', 0.2 pp. for 'food, alcohol & tobacco' and 'services'; 0.3 pp. for 'non-energy industrial goods', and 0.4 pp. for 'energy'. The estimates produced with the test were successful in indicating the direction of the year-on-year rates in all but one case, which corresponds to an approximately 98% success rate.

It should be noted that as two more euro area countries have started sending the data for the breakdown after tests were made, the reliability of issued flash estimates are expected to be better than in the tests. Generally, Eurostat expects that the accuracy of the four components will be of good quality. However, due to the quality of the preliminary data as well as the higher volatility of some of the components, their estimation errors are necessarily bigger than the estimation error of the all-items figure. The new calculation will not impact the current accuracy level of the all-items flash estimate (which has 19 times exactly anticipated the inflation rate and 5 times differed by 0.1 percentage points over the last two years).

For further information see Statistics Explained article on the euro area inflation flash estimate:  
[http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Inflation\\_in\\_the\\_euro\\_area](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Inflation_in_the_euro_area)