

June 2005

Euro-zone annual inflation up to 2.1%

EU25 stable at 2.0%

Euro-zone annual inflation was 2.1% in June 2005¹, up from 2.0% in May², reports **Eurostat, the Statistical Office of the European Communities**. A year earlier the rate was 2.4%. Monthly inflation was 0.1% in June.

EU25³ annual inflation was 2.0% in June 2005, the same as in May². A year earlier the rate was 2.4%. Monthly inflation was 0.1% in June.

EICP^{2,4} annual inflation was 2.0% in June 2005.

Inflation in the Member States

In June 2005, the lowest annual rates were observed in **Portugal** (0.6%), **Sweden** (0.8%), **Finland** (1.0%) and the **Czech Republic** (1.3%), and the highest rates were recorded in **Latvia** (6.6%), **Hungary** (3.7%), **Estonia**, **Greece**, **Spain** and **Luxembourg** (3.2% each). Compared with May 2005, annual inflation rose in fifteen Member States, remained stable in two and fell in eight.

The lowest 12-month averages⁵ up to June 2005 were in **Finland** (0.4%), **Sweden** (0.9%), **Denmark** (1.2%) and the **Netherlands** (1.3%); the highest were in **Latvia** (7.0%), **Hungary** (5.0%), **Slovakia** (4.5%) and **Estonia** (4.1%).

Euro-zone

The main components with the highest annual rates in June 2005 were housing (4.8%), alcohol and tobacco (4.0%) and transport (3.9%), while the lowest annual rates were observed for communication (-2.1%), recreation and culture (-0.3%) and clothing (0.3%). Concerning the detailed sub-indices, fuels for transport had the largest upward impact on the headline rate (+0.28 percentage points), followed by heating oil (+0.22) and tobacco (+0.11), while telecommunications (-0.12) and garments (-0.11) had the biggest downward impacts.

The main components with the highest monthly rates were transport (0.7%) and housing (0.6%), and the lowest were clothing (-0.6%) and recreation and culture (-0.5%). In particular, fuels for transport and heating oil had the largest upward impacts (+0.07 percentage points each), while vegetables and garments (-0.05 each) had the biggest downward impacts.

Annual inflation (%) in June 2005 in ascending order

Euro-zone Member States

PT	FI	NL	DE	FR	IE	AT	Euro-zone	IT	BE	EL	ES	LU
0.6	1.0	1.5p	1.8	1.8	1.9	2.0p	2.1p	2.2	2.7	3.2	3.2	3.2

EU Member States outside the euro-zone

SE	CZ	PL	CY	DK	SI	LT	UK	EU25	MT	SK	EE	HU	LV
0.8	1.3	1.4	1.5	1.7	1.7	2.0	2.0	2.0p	2.1	2.5	3.2	3.7	6.6

Inflation rates in %, measured by HICPs

	Annual rates					12 Month average rates ⁵	Monthly rates
	<u>Jun 05</u> Jun 04	<u>May 05</u> May 04	<u>Apr 05</u> Apr 04	<u>Mar 05</u> Mar 04	<u>Jun 04</u> Jun 03	<u>Jun 05-04</u> Jun 04-03	<u>Jun 05</u> May 05
Belgium	2.7	2.3	2.4	2.8	2.0	2.3	0.3
Germany	1.8	1.6	1.4	1.7	1.9	1.9	0.2
Greece	3.2	3.2	3.3	2.9	3.0	3.2	-0.2
Spain	3.2	3.0	3.5	3.4	3.5	3.3	0.3
France	1.8	1.7	2.0	2.1	2.7	2.1	0.2
Ireland	1.9	2.2	2.2	1.9	2.5	2.3	0.3
Italy	2.2	2.3	2.2	2.1	2.4	2.2	0.0
Luxembourg	3.2	3.7	3.7	3.5	3.8	3.5	-0.1
Netherlands	1.5p	1.1	1.3	1.5	1.5	1.3p	-0.3p
Austria	2.0p	2.0	2.3	2.4	2.3	2.2p	0.3p
Portugal	0.6	1.8	2.0	2.3	3.7	2.1	0.1
Finland	1.0	0.6	1.1	0.9	-0.1	0.4	0.3
Euro-zone (MUICP)²	2.1p	2.0r	2.1	2.1	2.4	2.2p	0.1p
Czech Republic	1.3	0.9	1.4	1.2	2.7	2.1	0.6
Denmark	1.7	1.3	1.7	1.3	0.9	1.2	0.2
Estonia	3.2	2.9	4.7	4.8	4.4	4.1	0.7
Cyprus	1.5	2.0	2.8	2.4	2.4	2.5	0.2
Latvia	6.6	6.5	7.1	6.6	6.1	7.0	0.6
Lithuania	2.0	1.9	3.2	3.3	1.0	2.7	0.2
Hungary	3.7	3.5	3.8	3.3	7.5	5.0	0.3
Malta	2.1	2.4	2.0	2.6	3.2	2.4	0.0
Poland	1.4	2.2	3.1	3.4	4.3	3.8	-0.1
Slovenia	1.7	2.1	2.7	3.3	3.9	3.0	0.1
Slovakia	2.5	2.3	2.5	2.3	8.1	4.5	0.4
Sweden	0.8	0.2	0.4	0.5	1.2	0.9	0.1
United Kingdom	2.0	1.9	1.9	1.9	1.6	1.6	0.0
EU25^{2,3}	2.0p	2.0r	2.1	2.1	2.4	2.2p	0.1p
EICP^{2,4}	2.0p	2.0r	2.1	2.1	2.3	2.1p	0.1p
EU15	2.0p	1.9	2.0	2.0	2.2	2.0p	0.1p
Iceland	0.3	0.5	1.6	2.5	2.9	2.3	0.4
Norway	1.6	1.5	1.2	0.9	1.3	1.2	0.2
EEA (EEAICP)²	2.0p	2.0r	2.1	2.1	2.3	2.1p	0.1p

Source: Eurostat p: Provisional r: Revised

Note: Annual inflation in the USA was 2.8% in June 2005 (national CPI, not strictly comparable to the HICPs).

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

Euro-zone (MUICP)	Weight used in 2005	Annual rates					12 month average rates ⁵	Monthly rates
		<u>Jun 05</u>	<u>May 05</u>	<u>Apr 05</u>	<u>Mar 05</u>	<u>Jun 04</u>	<u>Jun 05-04</u>	<u>Jun 05</u>
		Jun 04	May 04	Apr 04	Mar 04	Jun 03	Jun 04-03	May 05
00 All-items	1000.0	2.1p	2.0r	2.1	2.1	2.4	2.2p	0.1p
01 Food	154.8	0.4p	0.6	0.6	0.9r	1.4	0.4p	-0.1p
02 Alcohol and tobacco	41.5	4.0p	4.0r	4.3	4.2	8.4	6.3p	0.1p
03 Clothing	74.4	0.3p	0.3	0.5	0.1	0.9	0.5p	-0.6p
04 Housing	150.0	4.8p	4.3	4.7	4.3	2.4	3.7p	0.6p
05 Household equipment	76.1	0.8p	1.0r	0.8	0.8	0.9	0.9p	0.0p
06 Health	41.4	2.2p	2.2	2.2	3.0	7.7	5.4p	0.0p
07 Transport	153.1	3.9p	3.0	4.2	4.1	4.0	3.9p	0.7p
08 Communication	28.2	-2.1p	-2.1r	-1.8	-1.6	-1.9	-2.3p	-0.1p
09 Recreation and culture	94.6	-0.3p	0.5	-0.7	0.1	-0.1	-0.1p	-0.5p
10 Education	9.6	3.4p	3.4	3.4	3.4	3.1	3.4p	0.0p
11 Hotels and restaurants	94.6	2.5p	2.6	2.5	2.7	2.9	2.7p	0.4p
12 Miscellaneous	81.6	1.8p	1.8	1.8	1.8	2.2	1.9p	0.2p
All-items excl. energy	914.4	1.3p	1.5	1.4	1.6	2.1	1.7p	0.0p
-excl. energy, FoodAlcTob*	718.0	1.4p	1.6	1.4	1.6	1.9	1.7p	0.0p
-excl. energy, unproc. food	838.2	1.4p	1.6	1.4	1.6	2.2	1.8p	0.0p
-excl. energy, seas. goods	875.8	1.4p	1.6	1.4	1.6	2.1	1.8p	0.0p
-excl. tobacco	973.7	1.9p	1.9	2.0	2.1	2.1	2.0p	0.1p
Energy	85.6	9.4p	6.9	10.2	8.8	5.9	7.8p	1.6p
FoodAlcTob*	196.4	1.2p	1.3	1.3	1.5	2.8	1.6p	-0.1p

Source: Eurostat

* FoodAlcTob: Food, alcohol and tobacco

p: Provisional

r: Revised

Euro-zone sub-indices with most important impacts

COICOP		June 05 / June 04	Weight (‰) 2005	Rate (%)	Impact (percentage points)
07.22	Fuels for transport		39.3	8.7	0.28
04.53	Heating oil		7.9	32.6	0.22
02.2	Tobacco		26.3	6.1	0.11
04.52	Gas		13.6	8.3	0.08
11.1	Restaurants, cafes and the like		69.8	2.7	0.05
04.55	District heating		4.5	12.3	0.04
07.11	Cars		43.7	0.9	-0.05
01.14	Milk, cheese and eggs		21.9	-0.3	-0.05
09.11	Audio-visual equipment		5.1	-7.8	-0.05
09.13	IT equipment		3.5	-14.1	-0.05
03.12	Garments		54.8	0.1	-0.11
08.2/3	Telecommunication		26.0	-2.5	-0.12
		June 05 / May 05			
07.22	Fuels for transport		39.3	1.7	0.07
04.53	Heating oil		7.9	8.0	0.07
11.2	Accommodation services		17.0	1.2	0.02
07.33	Air transport		5.2	3.7	0.02
01.16	Fruit		11.7	1.1	0.01
01.13	Fish		11.9	0.8	0.01
08.2/3	Telecommunication		26.0	-0.1	-0.01
09.33	Gardens, plants and flowers		6.2	-1.5	-0.01
07.11	Cars		43.7	-0.3	-0.02
09.6	Package holidays		15.2	-1.4	-0.02
03.12	Garments		54.8	-0.7	-0.05
01.17	Vegetables		15.1	-3.3	-0.05

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*⁵ 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 (EICP⁴) 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-zone⁶.

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 information⁷ 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 in Eurostat's database.

Future release dates

Provisional publication dates for the coming months are:

Index for	MUICP flash estimates	HICP News Releases
July 2005	29 July 2005	18 August 2005
August 2005	31 August 2005	16 September 2005
September 2005	30 September 2005	18 October 2005

1. The MUICP flash estimate for June 2005, published on 30 June 2005, was 2.1%.
2. Euro-zone, EU25, EICP and EEA annual inflation rates for May 2005 have been revised from 1.9% to 2.0% due to an upward revision of the Italian HICP all-items index. The Italian annual inflation rate for May remains at 2.3%.
3. 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).
4. 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 ten new Member States are integrated into the EICP starting from May 2004 using a chain index formula.
5. Measure used to determine price stability in Convergence reports of 1998, 2000, 2002 and 2004 by the Commission to the Council.
6. See ECB press release, 8 May 2003.
7. 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).

The [HICP Short Guide for Users](#), which provides essential information for all users, is available on the Eurostat website.

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