

May 2006

## Euro area annual inflation up to 2.5%

EU25 up to 2.4%

**Euro area** annual inflation was 2.5% in May 2006<sup>1</sup>, up from 2.4% in April. A year earlier the rate was 2.0%. Monthly inflation was 0.3% in May 2006. **EU25** annual inflation was 2.4% in May 2006<sup>2</sup>, up from 2.3% in April. A year earlier the rate was 2.0%. Monthly inflation was 0.3% in May 2006. **EICP**<sup>3</sup> annual inflation was 2.4% in May 2006.

These figures come from **Eurostat, the Statistical Office of the European Communities**.

### Inflation in the Member States

In May 2006, the lowest annual rates were observed in **Poland** (1.5%), **Finland** (1.7%), the **Netherlands** (1.8%) and **Sweden** (1.9%), and the highest rates in **Latvia** (7.1%), **Slovakia** (4.8%), **Estonia** (4.6%) and **Spain** (4.1%). Compared with April 2006, annual inflation rose in seventeen Member States, remained stable in five and fell in two.

The lowest 12-month averages<sup>4</sup> up to May 2006 were in **Finland** (1.1%), **Sweden** (1.2%), **Poland** (1.3%) and the **Netherlands** (1.6%); the highest were in **Latvia** (6.9%), **Estonia** (4.2%), **Luxembourg** (3.9%) and **Spain** (3.7%).

### Euro area

The main components with the highest annual rates in May 2006 were housing (5.7%), transport (5.2%) and alcohol and tobacco (2.8%), while the lowest annual rates were observed for communications (-3.4%) and recreation and culture (-0.4%). Concerning the detailed sub-indices, fuels for transport had the largest upward impact on the headline rate (+0.46 percentage points), followed by gas (+0.20) and heating oil (+0.19), while telecommunications (-0.18) and garments (-0.13) had the biggest downward impacts.

The main components with the highest monthly rates were food and transport (both 0.5%) and health (0.4%), and the lowest were communications (-0.5%), education and recreation and culture (both 0.1%). In particular, fuels for transport (+0.07 percentage points) and fruit (+0.03) had the largest upward impacts, while air transport and telecommunications (-0.02 each) had the biggest downward impacts.

### Annual inflation (%) in May 2006 in ascending order

Euro area Member States													
FI	NL	DE	AT	IT	FR	Euro area	BE	PT <sup>5</sup>	IE	EL	LU	ES	
1.7	1.8p	2.1	2.1p	2.3	2.4	2.5p	2.8	Apr 06 2.9	3.0	3.3	3.6	4.1	
EU Member States outside the Euro area													
PL	SE	DK	UK	EU25	CY	CZ	HU	SI	MT	LT	EE	SK	LV
1.5	1.9	2.1	2.2	2.4p	2.5	2.8	2.9	3.4	3.5	3.6	4.6	4.8	7.1

### Inflation rates in %, measured by HICPs

	Annual rates					12 Month average rates <sup>4</sup>	Monthly rates
	<u>May 06</u> May 05	<u>Apr 06</u> Apr 05	<u>Mar 06</u> Mar 05	<u>Feb 06</u> Feb 05	<u>May 05</u> May 04	<u>May 06-05</u> May 05-04	<u>May 06</u> Apr 06
Belgium (BE)	2.8	2.6	2.2	2.8	2.3	2.6	0.4
Germany (DE)	2.1	2.3	1.9	2.1	1.6	2.1	0.2
Greece (EL)	3.3	3.5	3.3	3.1	3.2	3.4	0.1
Spain (ES)	4.1	3.9	3.9	4.1	3.0	3.7	0.4
France (FR)	2.4	2.0	1.7	2.0	1.7	2.0	0.4
Ireland (IE)	3.0	2.7	2.8	2.7	2.1	2.5	0.5
Italy (IT)	2.3	2.3	2.2	2.2	2.3	2.3	0.3
Luxembourg (LU)	3.6	3.5	3.7	3.9	3.7	3.9	0.6
Netherlands (NL)	1.8p	1.8	1.4	1.4	1.0	1.6p	0.0p
Austria (AT)	2.1p	2.1r	1.3	1.5	2.0	1.9p	0.0p
Portugal <sup>5</sup> (PT)	:	2.9	3.0	2.9	1.8	:	:
Finland (FI)	1.7	1.5	1.2	1.3	0.6	1.1	-0.1
<b>Euro area (MUICP)</b>	<b>2.5p</b>	<b>2.4</b>	<b>2.2</b>	<b>2.3</b>	<b>2.0</b>	<b>2.3p</b>	<b>0.3p</b>
Czech Republic (CZ)	2.8	2.3	2.4	2.4	0.9	2.1	0.6
Denmark (DK)	2.1	1.8	1.8	2.1	1.2	2.0	0.2
Estonia (EE)	4.6	4.3	4.0	4.5	2.9	4.2	0.5
Cyprus (CY)	2.5	2.5	2.6	2.3	2.1	2.0	0.2
Latvia (LV)	7.1	6.1	6.6	7.0	6.5	6.9	1.6
Lithuania (LT)	3.6	3.4	3.1	3.4	1.9	2.9	0.4
Hungary (HU)	2.9	2.4	2.4	2.3	3.5	3.0	1.1
Malta (MT)	3.5	3.5	2.9	2.3	2.4	2.8	0.6
Poland (PL)	1.5	1.2	0.9	0.9	2.1	1.3	0.5
Slovenia (SI)	3.4	2.8	2.0	2.3	2.1	2.4	0.9
Slovakia (SK)	4.8	4.4	4.3	4.3	2.4	3.5	0.5
Sweden (SE)	1.9	1.8	1.5	1.1	0.2	1.2	0.2
United Kingdom <sup>2</sup> (UK)	2.2	2.0	1.8	2.0	1.9	2.1	0.5
<b>EU25</b>	<b>2.4p</b>	<b>2.3</b>	<b>2.1</b>	<b>2.2</b>	<b>2.0</b>	<b>2.3p</b>	<b>0.3p</b>
<b>EICP<sup>3</sup></b>	<b>2.4p</b>	<b>2.3</b>	<b>2.1</b>	<b>2.2</b>	<b>2.0</b>	<b>2.3p</b>	<b>0.3p</b>
<b>EU15</b>	<b>2.4p</b>	<b>2.4</b>	<b>2.1</b>	<b>2.2</b>	<b>1.9</b>	<b>2.3p</b>	<b>0.3p</b>
Iceland	4.8	3.3	2.0	1.2	0.5	1.6	1.2
Norway	2.5	2.8	2.4	2.7	1.4	2.1	0.1
<b>EEA (EEAICP)</b>	<b>2.4p</b>	<b>2.3</b>	<b>2.1</b>	<b>2.2</b>	<b>2.0</b>	<b>2.3p</b>	<b>0.4p</b>

Source: Eurostat      p= provisional      r= revised

Note: Annual inflation in the USA was 4.2% in May 2006 (national CPI, not strictly comparable to the HICPs).

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

Euro area (MUICP)	Weight used in 2006	Annual rates					12 month average rates <sup>4</sup>	Monthly rates
		May 06	Apr 06	Mar 06	Feb 06	May 05	May 06-05	May 06
		May 05	Apr 05	Mar 05	Feb 05	May 04	May 05-04	Apr 06
00 All-items	1000.0	2.5p	2.4	2.2	2.3	2.0	2.3p	0.3p
01 Food	152.7	1.8p	1.5	1.3	1.7	0.6	1.1p	0.5p
02 Alcohol and tobacco	40.0	2.8p	2.7	3.0	2.5	3.9	3.8p	0.2p
03 Clothing	72.7	0.4p	0.4	0.2	-0.7	0.3	0.0p	0.3p
04 Housing	153.5	5.7p	5.3	5.1	5.6	4.3	5.2p	0.2p
05 Household equipment	75.7	0.9p	1.0	1.0	0.8	1.0	0.8p	0.2p
06 Health	40.3	1.3p	1.1	1.1	1.1	2.2	1.5p	0.4p
07 Transport	157.1	5.2p	4.6	4.1	4.9	3.0	4.9p	0.5p
08 Communications	29.4	-3.4p	-3.7	-3.5	-3.4	-2.2	-2.8p	-0.5p
09 Recreation and culture	94.7	-0.4p	0.5	-0.1	0.1	0.5	0.0p	0.1p
10 Education	9.7	2.7p	2.6	2.6	2.5	3.4	2.7p	0.1p
11 Hotels and restaurants	92.3	2.5p	2.7	2.4	2.5	2.6	2.5p	0.2p
12 Miscellaneous	81.8	2.3p	2.1	2.1	1.9	1.8	1.9p	0.3p
All-items excl. energy	908.0	1.5p	1.6	1.3	1.4	1.5	1.4p	0.2p
-excl. energy, FoodAlcTob*	715.3	1.3p	1.5	1.3	1.2	1.6	1.3p	0.1p
-excl. energy, unproc. food	833.7	1.5p	1.6	1.4	1.3	1.6	1.4p	0.1p
-excl. energy, seas. food	870.6	1.5p	1.6	1.4	1.4	1.6	1.4p	0.1p
-excl. tobacco	974.9	2.4p	2.4	2.1	2.3	1.9	2.2p	0.3p
Energy	92.0	12.9p	11.0	10.5	12.5	6.8	11.8p	1.0p
FoodAlcTob*	192.8	2.0p	1.8	1.6	1.8	1.3	1.7p	0.4p

Source: Eurostat

\* FoodAlcTob= Food, alcohol and tobacco

p= provisional

## Euro area sub-indices with most important impacts

COICOP		May 06 / May 05	Weight (‰) 2006	Rate (%)	Impact (percentage points)
07.22	Fuels for transport		41.7	13.3p	0.46
04.52	Gas		15.0	16.6p	0.20
04.53	Heating oil		8.8	25.3p	0.19
04.55	District heating		5.2	16.4p	0.07
01.15	Oils and fats		5.5	11.9p	0.05
12.31	Jewellery, clocks and watches		5.4	11.2p	0.05
09.13	IT equipment		4.0	-10.6p	-0.05
01.16	Fruit		11.3	-2.0p	-0.05
09.11	Audio-visual equipment		5.2	-8.6p	-0.06
09.6	Package holidays		14.1	-2.3p	-0.06
03.12	Garments		53.5	0.2p	-0.13
08.2/3	Telecommunications		27.5	-3.8p	-0.18
		May 06 / April 06			
07.22	Fuels for transport		41.7	1.8p	0.07
01.16	Fruit		11.3	3.1p	0.03
01.17	Vegetables		14.6	1.4p	0.02
12.31	Jewellery, clocks and watches		5.4	2.4p	0.01
06.21/3	Medical and paramedical services		9.7	1.1p	0.01
04.53	Heating oil		8.8	1.1p	0.01
04.11/2	Rents		63.2	0.2p	-0.01
07.11	Cars		45.1	0.1p	-0.01
01.13	Fish		11.6	-0.5p	-0.01
11.11	Restaurants, cafés and the like		68.4	0.2p	-0.01
08.2/3	Telecommunications		27.5	-0.5p	-0.02
07.33	Air transport		5.2	-4.4p	-0.02

Source: Eurostat

p= provisional

## 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>4</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.

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 (EICP<sup>3</sup>) and the European Economic Area Index of Consumer Prices (EEAICP) are used as measures of inflation in the Member States, in the euro area, 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 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. 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 area 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 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.

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 - \(2/2001/B/5\)](#).

## Future release dates

Provisional publication dates for the coming months are:

Index for	MUICP flash estimates	HICP News Releases
June 2006	30 June 2006	17 July 2006
July 2006	31 July 2006	17 August 2006
August 2006	31 August 2006	15 September 2006

1. The MUICP flash estimate for May 2006, published on 31 May 2006, was 2.5%.
2. The method used by the UK to re-reference to 2005=100 is different from that used by all other EU and EEA countries in that the UK has used unrounded index levels for rescaling and computed inflation rates from the unrounded re-referenced index series. Eurostat applied the harmonized rescaling method to UK data for calculating EU and EEA aggregates.
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 ten new Member States are integrated into the EICP starting from May 2004 using a chain index formula.
4. Measure used to determine price stability in Convergence reports of 1998, 2000, 2002 and 2004 by the Commission to the Council.
5. May 2006 data for Portugal were under embargo at the time of publication. However, Portuguese data were used to compute euro area, EU and EEA totals.

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

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