

December 2009

## Euro area annual inflation up to 0.9%

EU up to 1.4%

**Euro area**<sup>1</sup> annual inflation was 0.9% in December 2009<sup>2</sup>, up from 0.5% in November. A year earlier the rate was 1.6%. Monthly inflation was 0.3% in December 2009. The annual average rate of inflation in 2009 was 0.3%, down from 3.3% in 2008.

**EU**<sup>3</sup> annual inflation was 1.4% in December 2009, up from 1.0% in November. A year earlier the rate was 2.2%. Monthly inflation was 0.2% in December 2009. The annual average rate of inflation in 2009 was 1.0%, down from 3.7% in 2008.

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

### Inflation in the EU Member States

In December 2009, the lowest annual rates were observed in **Ireland** (-2.6%), **Estonia** (-1.9%) and **Latvia** (-1.4%), and the highest in **Hungary** (5.4%), **Romania** (4.7%) and **Poland** (3.8%). Compared with November 2009, annual inflation rose in twenty Member States, remained stable in four and fell in two.

The lowest 12-month averages<sup>4</sup> up to December 2009 were registered in **Ireland** (-1.7%), **Portugal** (-0.9%) and **Spain** (-0.3%), and the highest in **Romania** (5.6%), **Lithuania** (4.2%), **Hungary** and **Poland** (both 4.0%).

### Euro area

The main components with the highest annual rates in December 2009 were alcohol & tobacco (4.8%), transport (3.5%) and miscellaneous goods & services (2.4%), while the lowest annual rates were observed for food (-1.3%), communications (-0.8%) and housing (-0.3%). Concerning the detailed sub-indices, fuels for transport (+0.42 percentage points) and tobacco (+0.13) had the largest upward impacts on the headline rate, while gas (-0.33) and cars (-0.10) had the biggest downward impacts.

The main components with the highest monthly rates were recreation & culture (2.0%) and hotels & restaurants (1.0%), while the lowest were clothing (-0.5%) and communications (-0.2%). In particular, package holidays (+0.18 percentage points) and accommodation services (+0.08) had the largest upward impacts, while fuels for transport and garments (-0.05 each) had the biggest downward impacts.

### Annual inflation (%) in December 2009 in ascending order

Euro area																
IE	MT	PT	SK	BE	NL	DE	ES	Euro area	FR	IT	AT	CY	FI	SI	LU	EL
-2.6	-0.4	-0.1	0.0	0.3	0.7p	0.8	0.9	0.9p	1.0	1.1	1.1p	1.6	1.8	2.1	2.5	2.6
EU Member States outside the euro area																
EE	LV	CZ	DK	LT	EU	BG	UK <sup>5</sup>	SE	PL	RO	HU					
-1.9	-1.4	0.5	1.2	1.2	1.4p	1.6	Nov 09 1.9	2.8	3.8	4.7	5.4					

### Inflation rates in %, measured by HICPs

	Annual rates					12 month average rates <sup>4</sup> Dec 09-08 Dec 08-07	Monthly rates Dec 09 Nov 09
	<u>Dec 09</u> Dec 08	<u>Nov 09</u> Nov 08	<u>Oct 09</u> Oct 08	<u>Sep 09</u> Sep 08	<u>Dec 08</u> Dec 07		
	Belgium (BE)	0.3	0.0	-0.9	-1.0		
Germany (DE)	0.8	0.3	-0.1	-0.5	1.1	0.2	0.9
Ireland (IE)	-2.6	-2.8	-2.8	-3.0	1.3	-1.7	-0.5
Greece (EL)	2.6	2.1	1.2	0.7	2.2	1.3	0.1
Spain (ES)	0.9	0.4	-0.6	-1.0	1.5	-0.3	0.0
France (FR)	1.0	0.5	-0.2	-0.4	1.2	0.1	0.3
Italy (IT)	1.1	0.8	0.3	0.4	2.4	0.8	0.2
Cyprus (CY)	1.6	1.0	-1.0	-1.2	1.8	0.2	-0.4
Luxembourg (LU)	2.5	1.7	-0.2	-0.4	0.7	0.0	-0.1
Malta (MT)	-0.4	-0.1	-0.5	0.8	5.0	1.8	-0.2
Netherlands (NL)	0.7p	0.7	0.4	0.0	1.7	1.0p	-0.7p
Austria (AT)	1.1p	0.6	0.1	0.0	1.5	0.4p	0.3p
Portugal (PT)	-0.1	-0.8	-1.6	-1.8	0.8	-0.9	0.2
Slovenia (SI)	2.1	1.8	0.2	0.0	1.8	0.9	-0.4
Slovakia (SK)	0.0	0.0	-0.1	0.0	3.5	0.9	-0.1
Finland (FI)	1.8	1.3	0.6	1.1	3.4	1.6	0.2
<b>Euro area (MUICP)</b>	<b>0.9p</b>	<b>0.5</b>	<b>-0.1</b>	<b>-0.3</b>	<b>1.6</b>	<b>0.3p</b>	<b>0.3p</b>
Bulgaria (BG)	1.6	0.9	0.3	0.2	7.2	2.5	0.3
Czech Republic (CZ)	0.5	0.2	-0.6	-0.3	3.3	0.6	0.1
Denmark (DK)	1.2	0.9	0.6	0.5	2.4	1.1	-0.2
Estonia (EE)	-1.9	-2.1	-2.1	-1.7	7.5	0.2	0.1
Latvia (LV)	-1.4	-1.4	-1.2	0.1	10.4	3.3	-0.5
Lithuania (LT)	1.2	1.3	1.0	2.3	8.5	4.2	-0.3
Hungary (HU)	5.4	5.2	4.2	4.8	3.4	4.0	-0.2
Poland (PL)	3.8	3.8	3.8	4.0	3.3	4.0	0.0
Romania (RO)	4.7	4.6	4.3	4.9	6.4	5.6	0.3
Sweden (SE)	2.8	2.4	1.8	1.4	2.1	1.9	0.2
United Kingdom (UK) <sup>5</sup>	:	1.9	1.5	1.1	3.1	:	:
<b>EU (EICP)</b>	<b>1.4p</b>	<b>1.0</b>	<b>0.5</b>	<b>0.3</b>	<b>2.2</b>	<b>1.0p</b>	<b>0.2p</b>
Iceland (IS)	11.3	12.4	13.8	15.3	21.0	16.3	0.8
Norway (NO)	2.4	1.9	0.8	1.4	2.6	2.3	0.2
<b>EEA (EEAICP)</b>	<b>1.4p</b>	<b>1.1</b>	<b>0.5</b>	<b>0.3</b>	<b>2.2</b>	<b>1.0p</b>	<b>0.2p</b>
Switzerland (CH)	0.2	-0.1	-1.0	-1.1	0.3	-0.7	-0.3

Source: Eurostat

p = provisional

: = data not available

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

Euro area (MUICP)	Weight used in 2009	Annual rates					12 month average rates <sup>4</sup> Dec 09-08 Dec 08-07	Monthly rates Dec 09 Nov 09
		Dec 09 Dec 08	Nov 09 Nov 08	Oct 09 Oct 08	Sep 09 Sep 08	Dec 08 Dec 07		
		00 All-items	1000.0	<b>0.9p</b>	0.5	-0.1		
01 Food	156.2	<b>-1.3p</b>	-1.2	-1.5	-1.3	3.2	0.0p	0.1p
02 Alcohol and tobacco	37.1	<b>4.8p</b>	4.5	4.4	4.4	3.5	4.0p	0.3p
03 Clothing	67.8	<b>0.5p</b>	0.2	0.3	0.5	0.8	0.3p	-0.5p
04 Housing	156.3	<b>-0.3p</b>	-1.0	-1.6	-1.6	3.6	0.0p	0.0p
05 Household equipment	71.1	<b>1.2p</b>	1.2	1.4	1.5	2.2	1.6p	0.1p
06 Health	41.7	<b>1.1p</b>	1.1	1.1	1.2	2.2	1.4p	0.1p
07 Transport	151.4	<b>3.5p</b>	1.4	-2.0	-3.7	-2.5	-2.8p	0.1p
08 Communications	32.2	<b>-0.8p</b>	-0.7	-0.3	-0.3	-1.8	-1.0p	-0.2p
09 Recreation and culture	96.6	<b>0.0p</b>	0.0	0.3	0.3	0.3	0.5p	2.0p
10 Education	10.4	<b>1.6p</b>	1.6	1.5	0.6	1.4	1.0p	0.0p
11 Hotels and restaurants	94.4	<b>1.2p</b>	1.2	1.3	1.4	3.3	1.9p	1.0p
12 Miscellaneous	84.7	<b>2.4p</b>	2.2	2.2	2.3	2.4	2.3p	0.2p
All-items								
-excl. energy	904.3	<b>0.8p</b>	0.8	0.8	0.9	2.2	1.2p	0.4p
-excl. energy, FoodAlcTob*	711.0	<b>1.1p</b>	1.0	1.2	1.2	1.8	1.4p	0.5p
-excl. energy, unproc. food	829.7	<b>1.0p</b>	1.0	1.0	1.1	2.1	1.3p	0.4p
-excl. energy, seas. food	866.2	<b>1.0p</b>	0.9	1.0	1.1	2.2	1.3p	0.4p
-excl. tobacco	977.4	<b>0.8p</b>	0.4	-0.3	-0.5	1.5	0.2p	0.3p
Energy	95.7	<b>1.8p</b>	-2.4	-8.5	-11.0	-3.7	-8.1p	-0.5p
FoodAlcTob*	193.3	<b>-0.2p</b>	-0.1	-0.4	-0.2	3.3	0.7p	0.1p

Source: Eurostat

\* FoodAlcTob = Food, alcohol and tobacco

p = provisional

## Euro area sub-indices with most important impacts

COICOP	December 09 / December 08	Weight (‰) 2009	Rate (%)	Impact (percentage points)
07.22	Fuels for transport	39.9	11.0p	0.42
02.20	Tobacco	22.6	6.6p	0.13
07.23	Maintenance of vehicles	24.2	3.2p	0.06
04.11/2	Rents	59.6	1.7p	0.05
04.51	Electricity	23.1	2.6p	0.04
12.31	Jewellery and watches	5.3	7.2p	0.03
04.55	District heating	5.7	-9.1p	-0.06
08.2/3	Telecommunications	30.6	-1.0p	-0.06
01.14	Milk, cheese and eggs	22.7	-2.9p	-0.09
01.17	Vegetables	15.4	-4.8p	-0.09
07.11	Cars	42.7	-1.3p	-0.10
04.52	Gas	18.5	-16.4p	-0.33
<b>December 09 / November 09</b>				
09.60	Package holidays	16.3	12.7p	0.18
11.20	Accommodation services	17.2	4.9p	0.08
07.33	Air transport	6.0	6.4p	0.03
09.33	Gardens, plants and flowers	6.5	2.1p	0.01
02.20	Tobacco	22.6	0.7p	0.01
07.31	Rail transport	4.6	1.7p	0.01
07.11	Cars	42.7	0.0p	-0.01
04.53	Heating oil	7.5	-1.2p	-0.01
08.2/3	Telecommunications	30.6	-0.1p	-0.01
04.11/2	Rents	59.6	0.1p	-0.01
03.12	Garments	50.2	-0.6p	-0.05
07.22	Fuels for transport	39.9	-0.8p	-0.05

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) 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 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 "Harmonized 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>.

## Future release dates

Scheduled publication dates for the coming months are:

Index for	MUICP flash estimates	HICP News Releases
January 2010	29 January 2010	26 February 2010
February 2010	2 March 2010	16 March 2010
March 2010	31 March 2010	16 April 2010

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 January 2001, Slovenia from January 2007, Cyprus and Malta from January 2008 and Slovakia from January 2009. New Member States are integrated into the MUICP using a chain index formula.
2. The MUICP flash estimate for December 2009, published on 5 January 2010, was 0.9%.
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.
5. Data for the United Kingdom for December 2009 were not available in time for publication. Due to this fact, EU and EEA totals were calculated using Eurostat estimates.

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