

# PRICES

## Harmonised Consumer Prices in 2015 – Trends in Europe

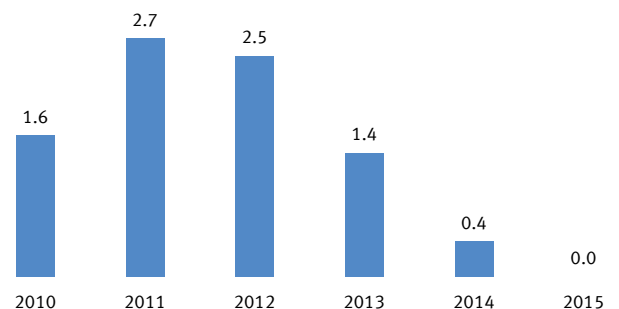
Since 1997 the Federal Statistical Office (Destatis) has calculated both the national consumer price index (CPI) and a harmonised index of consumer prices (HICP) for Germany. The HICP was developed in the European Union (EU) to permit the international comparability of price trends and their aggregation into a headline inflation rate for Europe and the euro area. National HICPs are calculated for each of the 28 EU Member States, plus Norway, Iceland, Switzerland, Turkey and the United States.

The HICP for Germany is derived from the same data base as the German CPI, both concerning the monthly price survey and calculating the detailed expenditure weights contained in the weighting patterns. However, the two baskets of goods and services contain different items and different aggregate weights are used when calculating the two indices. Unlike the national CPI, the HICP includes neither owner-occupied housing nor games of chance. In addition, special attention is paid to ensuring the weights are up to date when calculating the HICP. Since January 2012 the aggregate weights in the HICP have been updated annually using the preliminary results of the national accounts for the year before last (t-2). Similarly, methodological adaptations in the HICP can be implemented on an annual basis.<sup>1</sup> In the case of the national CPI, methodological adaptations and changes to expenditure weights are only made as part of regular revisions. This guarantees that the revisions are fully comparable.

The HICP for Germany, which is calculated for European purposes, rose quite moderately on an annual average in 2015 (+0.1%), as did the CPI for Germany (+0.3%). In 2014, the HICP for Germany still recorded a year-on-year inflation rate of +0.8%. Compared to the rest of Europe, the 2015 inflation rate in Germany (as measured by the HICP) was nevertheless above the average for the euro area, for the European Union and for the European Economic Area overall (each ±0.0%).

As the chart below shows, the average annual inflation rate in the euro area (which comprised 19 Member States in 2015) has been on a downward trend since 2011, too. In 2014, the inflation rate in the euro area still stood at +0.4%, while in 2015, it reached the lowest level (±0.0%) since the calculation of the HICP inflation rate began in 1997.

**Inflation rate in the euro area (as measured by the HICP)**  
Change on the previous year in %



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Inflation rates in the European Union also dropped significantly compared to previous years. As the following overview shows, in 2015 inflation rates in all the euro area countries were lower than the 2.0% threshold which is important in terms of monetary policy. In the European Economic Area, however, at least Norway reached the 2.0% threshold. Norway experienced the highest annual inflation rate (as measured by the HICP) in the European Economic Area, as it did in the previous year (+1.9%).

In fact, more than one third of the countries in the euro area had a negative inflation rate in 2015. In Cyprus, consumer prices dropped by 1.5%, in Greece by 1.1%, in Slovenia by 0.8%, in Spain by 0.6%, in Slovakia by 0.3% and in Finland by 0.2% compared to 2014. Furthermore, the HICP declined on an annual average in Lithuania, too, which was the last country joining the euro area on 1 January 2015. In 2015, its annual inflation rate (as measured by the HICP) was -0.7%. Malta had the highest rate of inflation (+1.2%), followed by Austria (+0.8%), Belgium (+0.6%) and Portugal (+0.5%).

<sup>1</sup> Further information about the HICP is available on our website at ([www.destatis.de](http://www.destatis.de)) under Facts & Figures > Prices > Consumer price indices.

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### European comparison of harmonised consumer prices

	Change 2015 compared to 2014
	in %
Belgium	+0.6
Germany	+0.1
Estonia	+0.1
Finland	-0.2
France	+0.1
Greece	-1.1
Ireland	±0.0
Italy	+0.1
Latvia	+0.2
Lithuania	-0.7
Luxembourg	+0.1
Malta	+1.2
Netherlands	+0.2
Austria	+0.8
Portugal	+0.5
Slovakia	-0.3
Slovenia	-0.8
Spain	-0.6
Cyprus	-1.5
<b>Euro area</b>	<b>±0.0</b>
Bulgaria	-1.1
Denmark	+0.2
Croatia	-0.3
Poland	-0.7
Rumania	-0.4
Sweden	+0.7
Czech Republic	+0.3
Hungary	+0.1
United Kingdom	±0.0
<b>European Union</b>	<b>±0.0</b>
Iceland	+0.3
Norway	+2.0
<b>European Economic Area</b>	<b>±0.0</b>
Switzerland	-0.8

Source: Eurostat.

Over the last couple of years, an increasing number of countries in the euro area have been affected by decreasing consumer prices. In 2012, all of the current members still recorded a positive annual inflation rate. Even though there was only one country with a negative annual inflation rate in 2013 (Greece), the number increased to five (additionally Portugal, Spain, Cyprus

and Slovakia) in 2014. Slovenia, Lithuania and Finland joined this group in 2015. However, the HICP for Portugal increased again in 2015 (+0.5%) after the annual inflation rate was still -0.2% in 2014. Overall, seven Member States of the euro area experienced a negative annual inflation rate in 2015.

The sharply decline in the HICP since 2014 has been mainly due the fall in energy prices in all the euro area countries. Excluding energy prices, the HICP inflation rates were higher in all the countries in 2015. For the euro area as a whole, the HICP excluding energy<sup>2</sup> was on an annual average 0.9% above the level of the previous year. Thus, the annual inflation rate excluding energy was slightly higher than in 2014 (+0.7%). In the medium term, however, the 2015 annual inflation rate excluding energy was quite clearly below the average for the period 2010 to 2015 (+1.3%).

In 2015 fewer Member States of the euro area were affected by negative annual inflation rates (as measured by the HICP without energy) compared to a year earlier. Only in Cyprus, the HICP excluding energy suffered a slight decline (-0.2%). In 2014, two countries including Greece (-1.3%) and Spain (-0.1%) recorded a decline. On the whole, the continued fall in global energy prices in 2015 apparently did not tend to have a decisive impact on the remaining consumer prices in Europe. Instead, a stabilisation of the HICP excluding energy was observed across all European countries.

<sup>2</sup> These data are available from the database of Eurostat, the Statistical Office of the European Union (<http://ec.europa.eu/eurostat/data/database>).

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