

Price indices	2002		2003		
	Dec 2002/ Dec 2001	Φ (Jan-Dec 02)/ Φ (Jan-Dec 01)	Aug 03/ July 03	Aug 03/ Aug 02	Φ (July 02-June 03)/ Φ (July 01-June 02)
Consumer prices	107.2	107.5	99.6	105.5	106.3
Goods	106.4	106.3	99.3	105.0	105.7
Fuels and energy	106.4	104.2	100.0	103.1	104.5
Other	106.4	106.8	99.2	105.3	105.8
Services	109.4	110.7	100.4	106.7	108.2
Administered prices¹	109.5	110.7	100.1	104.2	105.9
Energy	106.2	106.1	100.1	103.2	105.2
Other	116.0	118.5	100.1	106.1	107.3
Core inflation					
Trimmean	106.9	106.6	99.7	105.6	106.2
Excluding food and energy	106.0	106.1	99.6	104.5	105.5
Producer prices	103.7	105.1	100.0	102.3	103.2
Intermediate goods	102.0	103.7	100.1	101.6	102.2
Investment goods	103.5	102.7	100.1	98.6	101.0
Consumer goods	105.9	107.5	99.8	104.3	105.1
Inflation in the EU-12					
Consumer prices	102.3	102.2	100.2	102.1	102.1
Excluding food, energy, tobacco, alcohol	102.2	102.4	100.1	101.7	102.0
Producer prices	101.5	99.9	100.0 ²	101.3 ²	101.3 ²

Sources of data: HICP, IPI: SORS, administered prices: calculated by the IMAD, core inflation: calculated by the IMAD, HICP in the EU: Eurostat (preliminary data) and calculated by the IMAD. Notes: numbers do not always round off: 1 figures between years are not fully comparable because of changes introduced to the consumer price index in 2003, (2) a figure for the previous month.

The volatility of monthly consumer price rises intensified over the last two months compared to the earlier months of the year. Consumer prices **rose by 0.5% in July and dropped in August, which led deflation of 0.4%**. August's year-on-year rise declined to 5.5%, which was 1.9 percentage points less than in the same period last year.

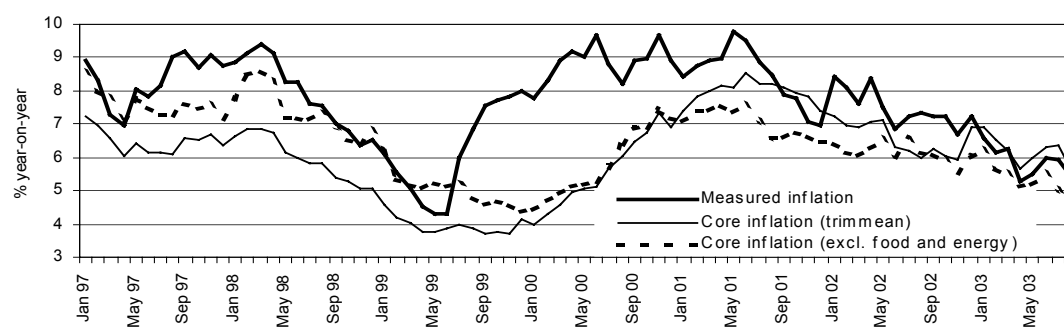
Price movements in these two months were underpinned by **seasonal factors**. July's rises were mainly due to higher prices of services and food, adding 0.3 and 0.1 of a percentage point to inflation, respectively. Inflation was 0.3 of a percentage point lower thanks to lower prices of clothing and footwear. Further, excise duties on tobacco products were raised for the second time this year in line with the planned adjustment of administered prices; their contribution to inflation was 0.2 of a percentage point. August's falls were chiefly the result of lower prices of clothing and footwear, which helped reduce the price rise by 0.5 of a percentage point, and lower prices of food and beverages, which did the same by 0.1 of a percentage point. The prices of liquid fuels for transport and heating rose in both July and August and added 0.1 of a percentage point to inflation each month.

Prices under various regimes of regulation climbed by 0.8% in July and by 0.1% in August and contributed a total of 0.1 of a percentage point to inflation. In addition to the higher prices of liquid fuels, which represented about half of this contribution, higher prices of local utility services mostly pushed up administered prices. The prices of local utility services rose by 5.5% this year so they climbed the most out of all groups of administered prices.

Given the reduced contribution of fiscal factors and administered prices to inflation (each added 0.5 of a percentage point to inflation this year), the gap between the measured (CPI) and **core inflation** continued to be relatively narrow. The slow fall in the core inflation relative to CPI inflation shows that the current cuts in inflation were somewhat weakly underpinned by changes in policies that have led to constant price rises and have therefore highly influenced the price dynamics in the last few years.

Industrial producer prices continued to rise slowly in the summer months. They climbed by a total of 1.0% this year. As in previous two years, the prices of consumer goods rose fastest within the producer price index; they climbed by 4.3% in the last twelve months.

Graph: **Changes in consumer prices and the core inflation**



Source of data: SORS, IMAD's estimate.