

Price indices	2002		2003		
	Dec 2002/ Dec 2001	Φ (Jan-Dec 02)/ Φ (Jan-Dec 01)	Dec 03/ Nov 03	Dec 03/ Dec 02	Φ (Jan 03-Dec 03)/ Φ (Jan 02-Dec 02)
<b>Consumer prices</b>	<b>107.2</b>	<b>107.5</b>	<b>100.1</b>	<b>104.6</b>	<b>105.6</b>
Goods	106.4	106.3	99.8	103.9	105.0
Fuels and energy	106.4	104.2	100.3	103.6	103.5
Other	106.4	106.8	99.7	104.0	105.3
Services	109.4	110.7	100.8	106.5	106.9
<b>Administered prices<sup>1</sup></b>	<b>109.5</b>	<b>110.7</b>	<b>100.2</b>	<b>104.0</b>	<b>104.4</b>
Energy	106.2	106.1	100.5	103.5	103.6
Other	116.0	118.5	99.8	104.8	106.1
<b>Core inflation</b>					
Trimmean	106.9	106.6	100.0	104.2	105.9
Excluding food and energy	106.0	106.1	100.2	103.7	104.9
<b>Producer prices</b>	<b>103.7</b>	<b>105.1</b>	<b>100.5</b>	<b>102.1</b>	<b>102.5</b>
Intermediate goods	102.0	103.7	100.8	102.5	102.0
Investment goods	103.5	102.7	100.1	98.9	99.6
Consumer goods	105.9	107.5	100.3	102.4	104.1
<b>Inflation in the EU-12</b>					
Consumer prices	102.3	102.2	100.3	102.0	102.1
Excluding food, energy, tobacco, alcohol	102.2	102.4	100.5	101.6	101.8
Producer prices	101.5	99.9	100.1 <sup>a</sup>	101.2 <sup>a</sup>	101.6 <sup>a</sup>

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; <sup>1</sup>figures between years are not fully comparable because of changes introduced to the consumer price index in 2003, <sup>2</sup>a figure for the previous month.

**Consumer prices** rose by **0.1% in December** and by **4.6% in 2003** as a whole. The average inflation rate also fell compared to 2002; it came in at 5.6% and was thus 1.9 percentage points lower than in December 2002. Prices rose less than in the preceding months mainly thanks to lower prices of clothing and footwear, cutting inflation by 0.2 of a percentage point, while prices rose the most in transport, and recreation and culture groups, adding 0.3 of a percentage point to inflation.

In 2003, price rises slowed down in all groups of the consumer price index compared to 2002. The overall fall in annual inflation of 2.6 percentage points was due to **more restrictive macroeconomic policies**, which were accompanied by relatively **favourable conditions in the international environment**. The rise in **prices under various regimes of regulation** began to slow down as early as in the first quarter to total 4.0% at the end of the year (9.5% in 2002), while their contribution to inflation, equalling 0.6 of a percentage point, more than halved. Among individual groups of administered prices, local utility service prices rose fastest (5.8%), the same as in previous years, while the prices of liquid fuels for transport and heating rose the least (3.5%). This relatively low rise was due to falls in pre-tax liquid fuel prices, while their additional decline was prevented by higher excise duties. The latter added 0.2 of a percentage point to inflation, whereas their counter-cyclical adjustments, chiefly in the first quarter, helped ease off inflationary expectations. In addition to the **raising of excise duties** on liquid fuels, excise duties on tobacco and tobacco products continued to be harmonised with the European Union's tax system, which contributed 0.4 of a percentage point to inflation, while 0.1 of a percentage point came from the introduction of the standard VAT rate on wine. The overall contribution of tax changes to inflation was 0.7 of a percentage point, 1.0 percentage point less than in 2002.

Inflation was also reduced by changes in monetary policy. The euro's year-on-year appreciation slowed down by 1.2 percentage points to 2.8% at the end of December 2003. The **slowdown in the tolar's year-on-year rates of depreciation** intensified from 0.8 of a percentage point in early months of the year to 1.2 percentage points towards the final months of the year. Assuming the high pass-through effect of the exchange rate on consumer prices, which takes place with a six to nine month delay, the contribution of the tolar's depreciation to inflation is estimated to have fallen by about 0.8 of a percentage point, however, this depreciation still accounted for over half of the total price rise.

Graph: **Price rises in the EU compared to selected acceding countries**

