

Recent trends in inflation in the 4 main Eurozone economies and the United Kingdom

Consumer price trends are both high and contrasting between European countries. Inflation differentials are partly the result of price-fixing methods, especially for energy, but they are also the result of government policies introduced to support household purchasing power (from measures to limit price hikes to aid paid to households) and consumption structures, which may vary from one country to another.¹

In August 2022, the year-on-year Harmonised Index of Consumer Prices (HICP) fell slightly in France, Spain and the United Kingdom, whereas in Germany and Italy it rose (► [Figure 1](#)). These contrasting dynamics are partly due to government policies put in place in these countries to limit inflation, especially energy inflation.

In fact, in the three countries where inflation fell in August, this was due to a decline in energy inflation² (► [Figure 2](#)). The prices of fuel and other combustible liquids (fuel oil) declined, in the wake of the drop in world oil prices. Inflation for other energy products (mainly gas and electricity) remained relatively stable, as these three countries currently have mechanisms in place to contain gas and/or electricity prices (tariff shield in France, half-yearly increases in electricity price caps in the United Kingdom and price caps on gas used for electricity generation in Spain). In Italy and Germany, however, the fall in fuel prices was cancelled out by the rise in gas and electricity prices.

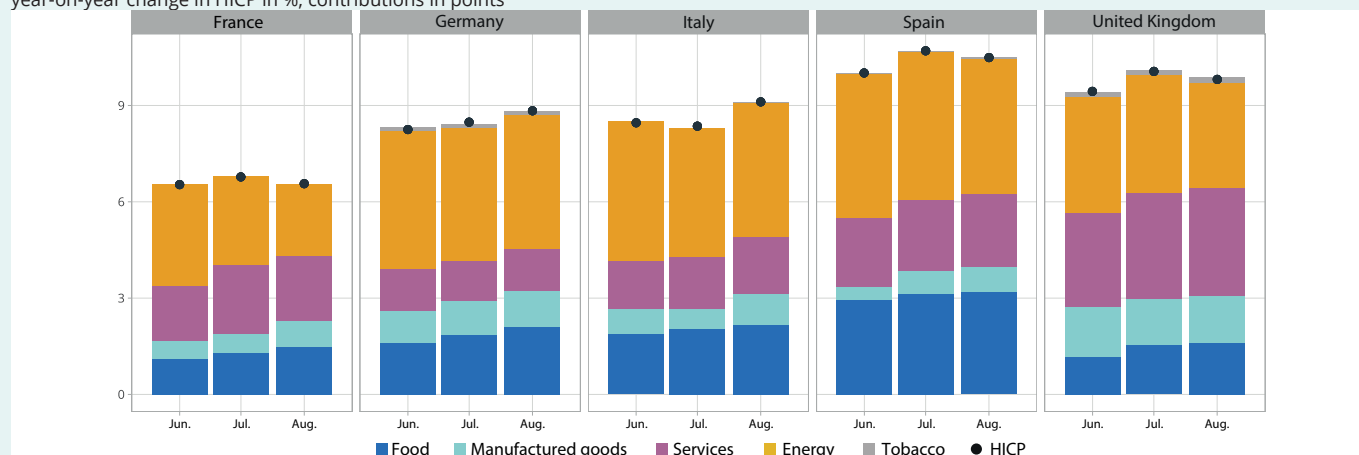
At the same time, in August, food inflation (► [Figure 3](#)) increased in all the countries considered, although in France it remains significantly lower than elsewhere. In particular, the contribution of food products (excluding fresh) increased in the four main Eurozone countries, in line mainly with past increases in agricultural commodities, while the contribution of fresh produce stabilised. Regarding manufactured goods, their contribution to headline inflation remains more moderate.

¹ "In the main Eurozone economies, energy remains the primary factor of inflation, but with differences between countries", focus in the June 2022 *Economic outlook*.

² The detailed price index data, available up to August, can be used to break down inflation by consumption item. Data for September are non-aggregated flash estimates which will be clarified later by the national statistical institutes.

► 1. Breakdown of year-on-year change in the HICP in the countries of Europe

year-on-year change in HICP in %, contributions in points



How to read it: Eurostat publishes the Harmonised Index of Consumer Prices (HICP), an indicator for countries of the European Union. For the United Kingdom, for which available data in the Eurostat databases stops at the end of 2020, an HICP was estimated from CPI data published by the UK ONS and aligned with the scope of the HICP.

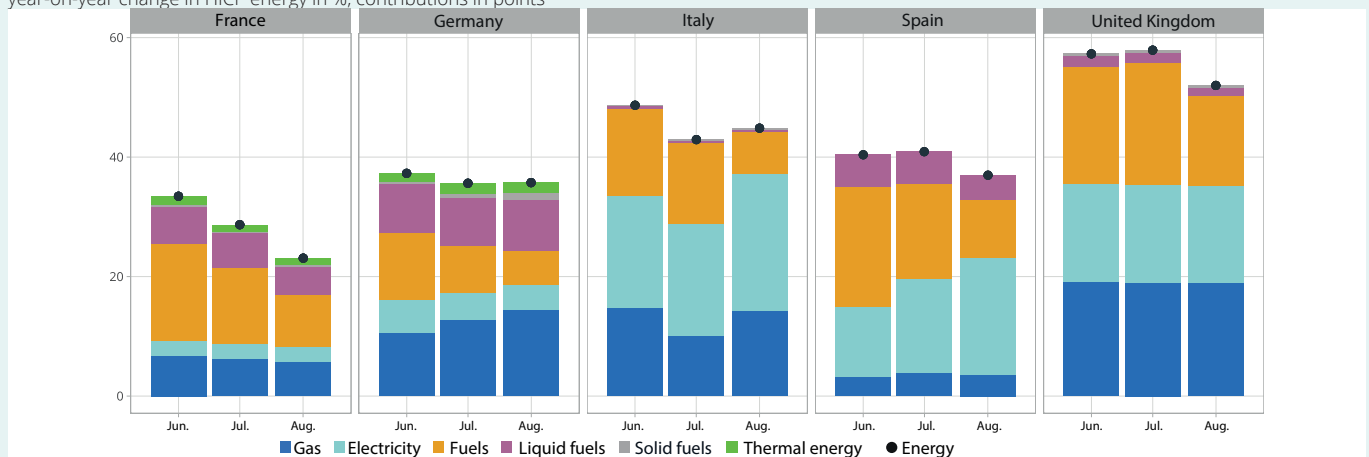
Source: Eurostat, ONS, INSEE calculations

Economic outlook

In services, prices accelerated year-on-year in August in all five of the countries considered, continuing the momentum of the previous months. In the United Kingdom, services contributed 3.3 points to inflation, i.e. as much as energy, and considerably more than in the other countries considered. This can be explained both by the greater weight of services in the estimated HICP for the United Kingdom (56% against about 53% in France and Germany and 45% in Italy and Spain) and because their prices were more dynamic (+5.9% year-on-year in August against +4.8% in Spain, about +3.8% in France and Italy and +2.5% in Germany), probably linked to the strong acceleration in nominal wages in this country. With a relatively small variation year-on-year in the HICP for services, partly due to a one-off reduction in public transport fares (monthly ticket at 9 euros), the contribution of services to inflation remained contained in Germany, at 1.3 points in August.

► 2. Breakdown of year-on-year change in the energy HICP in the countries of Europe

year-on-year change in HICP energy in %, contributions in points



How to read it: Eurostat publishes the Harmonised Index of Consumer Prices (HICP), an indicator for countries of the European Union. For the United Kingdom, for which available data in the Eurostat databases stops at the end of 2020, an HICP was estimated from CPI data published by the UK ONS and aligned with the scope of the HICP.

Source: Eurostat, ONS, INSEE calculations

► 3. Headline inflation (year-on-year change in the HICP) in the four main Eurozone economies in August 2022 and contributions by consumption item

year-on-year change in HICP in %, contributions in points

	France		Germany		Italy		Spain	
	yoy (in %)	Contribution (in points)	yoy (in %)	Contribution (in points)	yoy (in %)	Contribution (in points)	yoy (in %)	Contribution (in points)
Food	7.9	1.5	14.2	2.1	10.3	2.2	13.5	3.2
Fresh food	3.7	0.1	6.7	0.1	10.2	0.4	12.1	0.6
Non-fresh food	7.8	0.7	14.2	1.2	9.8	0.9	13.4	1.4
Tobacco	0.1	0.0	5.1	0.1	0.2	0.0	2.7	0.1
Manufactured goods	5.0	0.8	6.2	1.1	5.1	1.0	5.0	0.8
Vehicle purchases	6.4	0.2	9.1	0.4	6.5	0.3	8.9	0.3
Energy	23.1	2.2	35.7	4.2	44.9	4.2	36.9	4.2
Gas	34.6	0.5	59.1	1.7	59.1	1.3	24.8	0.4
Electricity	7.7	0.3	16.6	0.5	102.9	2.2	60.6	2.3
Fuel and lubricant for personal vehicles	21.8	0.8	16.2	0.7	14.1	0.7	18.9	1.1
Services	3.9	2.1	2.5	1.3	3.8	1.8	4.8	2.3
Housing	1.8	0.2	3.0	0.5	1.6	0.1	2.3	0.2
Transport services	16.4	0.3	-28.8	-0.7	22.6	0.4	3.7	0.1
Recreation and culture	3.4	0.3	6.4	0.6	2.5	0.2	5.6	0.3
Communications	0.2	0.0	-0.3	0.0	-3.6	-0.1	-2.2	-0.1
Restaurants and hotels	5.9	0.5	8.0	0.3	6.6	0.7	8.9	1.3
Total inflation (in %)	6.6		8.8		9.1		10.5	

How to read it: in France, in August 2022, food inflation stood at 7.9% at an annual pace and the contribution of food to harmonised inflation was 1.5 points. Source: Eurostat, INSEE calculations

In September 2022, in the four main Eurozone economies,³ the year-on-year flash HICP evolved along the same lines as in August, falling in France (+6.2% after +6.6%) and Spain (+9.3% after +10.5%) but rising in Germany (+10.9% after +8.8%) and Italy (+9.5% after +9.1%). Details of the HICP by consumption item are not yet available, but the analysis elements provided by the national statistical institutes show the main factors at work. In France, the decline in inflation is mainly due to the drop in fuel prices, with in particular a greater reduction at the pump in September. In Germany, however, the reduction at the pump came to an end at the beginning of September, as did the reductions on travel cards. Energy inflation has therefore risen sharply in Germany, and likewise transport services. In Italy, the year-on-year variation in the energy HICP declined slightly, probably due to base effects. These base effects were also present in Spain, to a much greater extent, and largely explain the decline in headline inflation even though prices remain very high. Finally, food inflation and more generally manufactured goods inflation increased in the main Eurozone economies. ●

³ Inflation figures for September were not available for the United Kingdom on the date of publication.

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► 4. Weight in the HICP of the different aggregates and some of their components in the four main Eurozone economies in 2022

weight in % of household consumption

	France	Allemagne	Italie	Espagne
Food	19	15	21	23
Fresh food	3	2	4	5
Non-fresh food	16	13	17	18
Tobacco	2	2	2	2
Manufactured goods	16	18	23	18
Vehicle purchases	4	4	4	3
Energy	10	12	10	12
Gas	2	3	2	2
Electricity	3	3	2	4
Fuel and lubricant for personal vehicles	4	4	5	6
Services	53	53	45	46
Housing	11	17	7	8
Transport services	2	2	2	1
Recreation and culture	8	10	6	5
Communications	3	3	3	3
Restaurants and hotels	7	4	10	14
HICP	100	100	100	100

Source: Eurostat, INSEE calculations