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Economic News

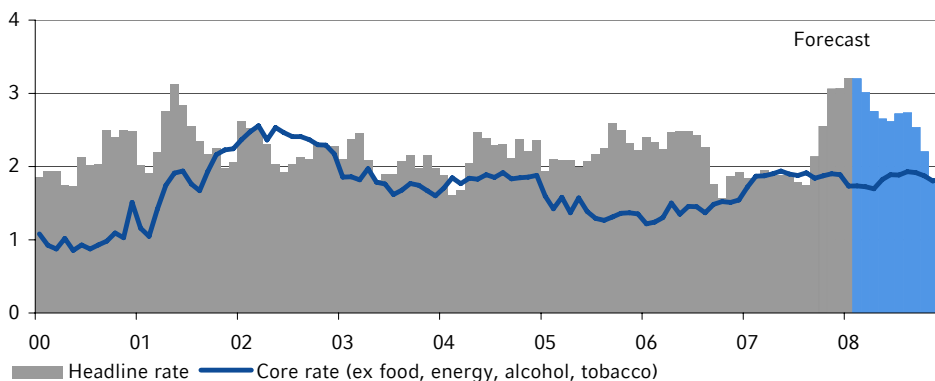
EUROZONE INFLATION

Eurozone inflation set to remain high for the time being

Eurostat today confirmed its flash estimate showing inflation in January at 3.2%. Energy and food continue to be the main drivers of inflation. According to initial figures released by individual countries, Eurozone inflation might even see a slight rise in February – but at the same time probably reached its peak.

- The January flash estimate for Eurozone inflation of 3.2% y/y was confirmed. The core inflation rate excluding energy and unprocessed food remained unchanged at 2.3%; inflation excluding energy, food, alcohol and tobacco actually declined from 1.9% to 1.7%.
- Slovenia recorded the highest inflation rate in January of 6.4%, followed by Spain with a rate of 4.4%. The lowest rate of only 1.8% was reported by the Netherlands.
- Energy and food prices were the main drivers of accelerating inflation in January. Compared to last month, food, healthcare and housing – which reflects the price hikes for electricity, gas and heating oil – recorded the sharpest increases. By contrast, prices fell sharply in the clothing & footwear and recreation & culture categories on account of winter sales and the end of the Christmas travel period. A seasonal month-on-month decline in the inflation rate is therefore typical in January.
- The Eurozone inflation rate looks set to remain high in the short term. Italy and Germany have already published their flash estimates for February, with both coming in slightly above expectations. Accordingly, our forecast of 3.2% for February could even be moderately surpassed. However, inflation rates in the Eurozone should then peak at this level. Base effects will probably push the inflation rate lower at the end of the year towards the ECB's target of 2%.

EMU: consumer prices (% y/y)



Monika Wohlmann
+49 211 826-2221
monika.wohlmann@westlb.de

Source EcoWin, WestLB Research

EMU Inflation Monitor

	Item weight 2007	% year-over- contribution year in %-points		% year-over-year				% m/m
		Jan-08		Dec-07	Nov-07	Oct-07	12-month average	Jan-08
Food and non-alcoholic beverages	155.7	5.4	0.8	4.8	4.3	3.8	2.9	1.1
Bread and cereals	25.4	7.7	0.2	7.1	6.4	5.4	3.9	1.1
Meat	37.5	3.5	0.1	3.1	2.9	2.7	2.8	0.4
Milk, eggs and cheese	21.5	12.9	0.3	11.1	9.7	7.6	4.4	1.7
Fruit	11.7	5.7	0.1	4.8	4.7	5.1	3.8	1.1
Vegetables	15.4	1.3	0.0	2.6	2.5	3.3	2.9	2.4
Alcoholic beverages, tobacco and narcotics	39.9	3.0	0.1	3.1	3.3	3.1	4.4	0.6
Beer	5.3	2.0	0.0	1.3	1.3	1.6	1.8	0.9
Tabak	24.8	3.0	0.1	3.1	3.3	3.1	4.4	0.6
Clothing and footwear	69.3	0.5	0.0	1.0	1.2	1.1	1.0	-9.3
Clothing	55.3	0.3	0.0	0.9	1.1	1.1	1.0	-9.6
Footwear including repair	14.0	1.0	0.0	1.5	1.4	1.4	1.2	-8.2
Housing, water, electricity, gas and other fuels	154.7	4.0	0.6	3.6	3.6	2.7	2.8	1.0
Actual rentals for housing	62.1	1.9	0.1	2.0	2.0	2.0	2.0	0.2
Water supply & miscellaneous services relating to the dwelling	25.6	2.9	0.1	3.4	3.5	3.5	3.4	0.4
Electricity	21.4	3.3	0.1	4.2	4.2	4.2	4.4	1.7
Gas	16.5	2.4	0.0	-0.6	-0.9	-1.3	1.3	4.8
Liquid fuels	8.3	30.7	0.3	23.4	22.6	7.0	3.0	0.7
Furnishings, household equip and routine maintenance of tl	72.7	2.0	0.1	1.9	2.0	1.9	1.7	-0.1
Furniture and furnishings	24.3	2.3	0.1	2.4	2.5	2.4	2.1	-0.2
Household appliances	10.7	-0.6	0.0	-0.3	-0.3	-0.3	-0.3	-0.5
Health	40.6	2.0	0.1	1.3	1.4	1.4	1.7	1.0
Medical products, appliances and equipment	17.8	1.0	0.0	0.6	0.7	0.9	0.8	0.9
Out-patient services	16.5	2.5	0.0	2.2	2.2	2.1	2.7	0.7
Transport	158.0	5.7	0.9	5.6	5.8	4.1	2.8	0.4
Purchase of vehicles	47.8	0.6	0.0	1.4	1.3	1.4	1.4	-0.3
Fuels and lubricants for personal transport equipment	43.7	15.0	0.7	13.7	15.1	8.9	3.9	0.8
Maintenance and repair of personal transport equipment	25.1	4.0	0.1	3.8	3.8	3.7	3.8	1.0
Transport services	20.9	2.7	0.1	2.5	1.7	1.8	2.1	0.1
Communications	30.8	-2.9	-0.1	-2.3	-1.8	-2.1	-2.0	-0.1
Telephone and telefax services	23.9	-2.1	-0.1	-1.9	-1.4	-1.3	-1.3	-0.1
Telephone and telefax equipment	1.7	-3.1	0.0	-2.4	-2.0	-2.3	-2.2	-0.2
Recreation and culture	94.4	0.1	0.0	0.1	0.3	0.0	0.2	-2.2
Information processing equipment	4.4	-14.5	-0.1	-14.2	-14.1	-13.6	-14.3	-1.8
Recreational and cultural services	24.3	2.0	0.0	2.3	2.6	2.7	2.5	0.3
Newspapers, books and stationery	19.0	1.6	0.0	2.2	2.2	2.1	2.1	-0.2
Package holidays	14.2	5.4	0.1	2.6	2.2	0.7	2.1	-12.2
Education	9.6	9.4	0.1	9.4	9.4	9.5	8.3	0.3
Restaurants and hotels	91.8	3.2	0.3	3.4	3.2	3.2	3.2	-0.3
Restaurants, cafés and the like	67.8	3.7	0.2	3.7	3.6	3.5	3.5	0.5
Accommodation services	16.1	1.7	0.0	2.4	1.8	2.4	2.5	-4.3
Miscellaneous goods and services	82.6	2.2	0.2	2.3	2.3	2.2	2.3	0.4
Hairdressing salons and personal grooming establishments	11.6	2.6	0.0	2.7	2.8	2.8	2.7	0.4
Jewellery, clocks and watches	5.7	5.8	0.0	5.0	4.9	4.2	5.7	0.7
Insurance	20.0	1.9	0.0	2.6	2.6	2.7	2.4	1.1
Overall index	1,000.0	3.2	3.2	3.1	3.1	2.6	2.2	-0.4
ex energy	903.9	2.4	2.2	2.4	2.3	2.2	2.1	-0.6
ex food, energy, alcohol, tobacco	708.3	1.7	1.2	1.9	1.9	1.9	1.9	-1.1
ex energy and unprocessed food	827.6	2.3	1.9	2.3	2.3	2.1	2.0	-0.8
ex energy and seasonal food	865.1	2.4	2.1	2.4	2.3	2.2	2.1	-0.7
ex tobacco	975.2	3.2	3.1	3.1	3.1	2.5	2.2	-0.4
Energy	96.2	10.6	1.0	9.2	9.7	5.5	3.4	1.6
Food, alcohol, tobacco	195.6	4.8	0.9	4.3	4.0	3.5	3.0	1.0
Goods	591.8	3.7	2.2	3.4	3.4	2.6	2.1	-0.5
Industrial goods	396.2	3.1	1.2	3.0	3.2	2.1	1.6	-1.3
Non-energy industrial goods	300.0	0.7	0.2	1.0	1.1	1.1	1.0	-2.3
Services	408.2	2.5	1.0	2.5	2.5	2.5	2.5	-0.2

WestLB AG
Herzogstraße 15
D-40217 Düsseldorf

WestLB AG
London Branch
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA
United Kingdom

T: +49 (0)211 826 71841
F: +49 (0)211 826 6154

T: +44 (0)20 7020 2000
F: +44 (0)20 7020 4209

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