

15 May 2008

# Economic News

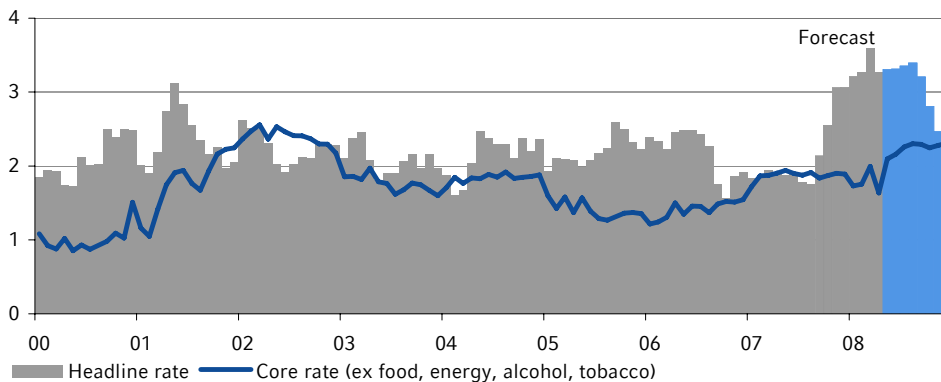
## EUROZONE INFLATION

### Inflationary pressure eased in April

Eurostat today confirmed its flash estimate showing inflation in April at 3.3% y/y. Energy and food continue to be the main drivers of inflation. Inflation declined in all member countries. However, a significant decline in inflation is unlikely in the further course of the year.

- The April flash estimate for eurozone inflation of 3.3% y/y was confirmed. The core inflation rate excluding energy and unprocessed food slowed to 2.4%; inflation excluding energy, food, alcohol and tobacco actually declined from 2.0% to 1.6%.
- The highest inflation rate in April was reported by Slovenia, at 6.2%, followed by Greece at 4.4%. The Netherlands recorded the lowest inflation rate of only 1.7%.
- Package holidays in particular became cheaper, down 8.2% from the previous month. This was probably attributable to the early Easter and prices trailing off again in April. Once again, prices for clothing and footwear rose most significantly, climbing 2.5% on the month following an increase of 7.2% m/m in March. Food and energy prices still make the highest contribution to the inflation rate. Growth in prices for food, housing and transport alone accounts for 2.6 percentage points of the overall inflation rate (3.3%).
- The inflation rate in the eurozone should remain high for the time being as inflationary pressure at the upstream level is significant due to the sharp rise in energy prices. We also expect that inflation will accelerate again slightly in the course of the year. The rate should fall at the end of the year because of base effects. Nevertheless, it will probably remain above the ECB's 2% target.

### EMU: Consumer prices (% y/y)



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Source: EcoWin, WestLB Research

# EMU Inflation Monitor

	Item weight 2008	% year-over-year contribution in %-points		% year-over-year				% m/m Apr 08
		Apr 08		Mrz 08	Feb 08	Dec 07	12-month average	
<b>Food and non-alcoholic beverages</b>	<b>157.9</b>	<b>6.0</b>	<b>0.9</b>	<b>6.2</b>	<b>5.8</b>	<b>5.4</b>	<b>3.9</b>	<b>0.5</b>
Bread and cereals	26.0	9.2	0.2	9.0	8.5	7.7	5.6	0.5
Meat	36.8	3.6	0.1	3.8	3.7	3.5	2.9	0.3
Milk, eggs and cheese	23.0	14.4	0.3	14.3	13.9	12.9	7.8	0.2
Fruit	12.1	8.2	0.1	8.0	7.0	5.7	5.3	1.4
Vegetables	15.7	-2.0	0.0	1.3	-0.6	1.3	1.7	1.5
<b>Alcoholic beverages, tobacco and narcotics</b>	<b>37.2</b>	<b>3.2</b>	<b>0.1</b>	<b>3.3</b>	<b>3.2</b>	<b>3.3</b>	<b>3.9</b>	<b>0.2</b>
Beer	4.8	2.5	0.0	2.0	2.7	2.0	1.9	0.5
Tobacco	22.6	3.2	0.1	3.3	3.2	3.3	3.9	0.2
<b>Clothing and footwear</b>	<b>68.3</b>	<b>0.8</b>	<b>0.1</b>	<b>1.0</b>	<b>1.0</b>	<b>0.5</b>	<b>0.9</b>	<b>2.5</b>
Clothing	54.3	0.7	0.0	0.9	1.0	0.3	0.8	2.4
Footwear including repair	14.0	1.4	0.0	1.5	0.8	1.0	1.1	2.9
<b>Housing, water, electricity, gas and other fuels</b>	<b>153.0</b>	<b>4.8</b>	<b>0.7</b>	<b>4.4</b>	<b>4.0</b>	<b>4.0</b>	<b>3.2</b>	<b>0.6</b>
Actual rentals for housing	60.0	1.8	0.1	1.9	1.9	1.9	2.0	0.2
Water supply & miscellaneous services relating to the dwelling	25.6	2.4	0.1	2.4	2.6	2.9	3.2	0.3
Electricity	22.2	4.2	0.1	3.7	3.5	3.3	4.0	0.5
Gas	15.4	7.5	0.1	3.8	3.1	2.4	1.2	1.7
Liquid fuels	9.1	34.2	0.3	36.1	29.8	30.7	13.2	2.7
<b>Furnishings, household equip and maintenance of the house</b>	<b>70.1</b>	<b>2.2</b>	<b>0.2</b>	<b>2.2</b>	<b>2.1</b>	<b>2.0</b>	<b>1.9</b>	<b>0.2</b>
Furniture and furnishings	22.6	2.6	0.1	2.7	2.4	2.3	2.3	0.2
Household appliances	10.3	-0.6	0.0	-0.5	-0.6	-0.6	-0.4	-0.1
<b>Health</b>	<b>40.5</b>	<b>1.6</b>	<b>0.1</b>	<b>1.6</b>	<b>1.5</b>	<b>2.0</b>	<b>1.6</b>	<b>0.3</b>
Medical products, appliances and equipment	17.6	1.3	0.0	1.0	0.6	1.0	0.8	0.5
Out-patient services	16.9	1.6	0.0	1.5	1.6	2.6	2.2	0.3
<b>Transport</b>	<b>156.4</b>	<b>4.8</b>	<b>0.7</b>	<b>5.6</b>	<b>5.4</b>	<b>5.6</b>	<b>3.8</b>	<b>0.3</b>
Purchase of vehicles	47.9	-0.1	0.0	0.2	0.3	0.6	1.0	0.0
Fuels and lubricants for personal transport equipment	45.7	12.0	0.5	14.5	14.3	15.0	7.7	0.7
Maintenance and repair of personal transport equipment	23.9	4.1	0.1	3.9	3.8	4.0	3.8	0.4
Transport services	20.5	3.2	0.1	3.6	3.0	2.7	2.3	0.1
<b>Communications</b>	<b>32.9</b>	<b>-1.6</b>	<b>-0.1</b>	<b>-1.5</b>	<b>-3.1</b>	<b>-2.9</b>	<b>-1.9</b>	<b>-0.1</b>
Telephone and telefax services	26.4	-0.3	0.0	-0.3	-2.2	-2.1	-1.3	-0.1
Telephone and telefax equipment	1.9	-1.7	0.0	-1.7	-3.3	-3.1	-2.1	-0.2
<b>Recreation and culture</b>	<b>96.7</b>	<b>-0.4</b>	<b>0.0</b>	<b>0.6</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>-1.6</b>
Information processing equipment	5.1	-13.8	-0.1	-14.4	-14.8	-14.5	-14.3	-1.2
Recreational and cultural services	23.9	2.0	0.0	2.4	2.1	2.0	2.4	0.0
Newspapers, books and stationery	18.2	1.5	0.0	1.5	1.6	1.6	1.9	0.2
Package holidays	15.9	3.0	0.0	8.4	5.0	5.4	3.0	-8.2
<b>Education</b>	<b>10.6</b>	<b>3.6</b>	<b>0.0</b>	<b>9.6</b>	<b>9.6</b>	<b>9.4</b>	<b>8.9</b>	<b>0.1</b>
<b>Restaurants and hotels</b>	<b>92.8</b>	<b>3.2</b>	<b>0.3</b>	<b>3.6</b>	<b>3.3</b>	<b>3.2</b>	<b>3.3</b>	<b>0.2</b>
Restaurants, cafés and the like	68.2	3.8	0.3	3.7	3.7	3.7	3.6	0.4
Accommodation services	17.2	1.3	0.0	3.9	2.1	1.7	2.5	-0.6
<b>Miscellaneous goods and services</b>	<b>83.6</b>	<b>2.4</b>	<b>0.2</b>	<b>2.4</b>	<b>2.3</b>	<b>2.2</b>	<b>2.3</b>	<b>0.2</b>
Hairdressing salons and personal grooming establishments	11.7	2.6	0.0	2.6	2.5	2.6	2.7	0.3
Jewellery, clocks and watches	5.2	8.8	0.0	8.0	6.6	5.8	5.5	1.2
Insurance	20.1	2.0	0.0	2.1	2.1	1.9	2.4	-0.1
<b>Overall index</b>	<b>1,000.0</b>	<b>3.3</b>	<b>3.3</b>	<b>3.6</b>	<b>3.3</b>	<b>3.2</b>	<b>2.6</b>	<b>0.3</b>
ex energy	901.9	2.5	2.2	2.8	2.5	2.4	2.3	0.2
ex food, energy, alcohol, tobacco	706.8	1.6	1.2	2.0	1.8	1.7	1.9	0.2
ex energy and unprocessed food	825.8	2.4	2.0	2.7	2.4	2.3	2.2	0.2
ex energy and seasonal food	862.6	2.4	2.1	2.7	2.5	2.4	2.2	0.2
ex tobacco	977.4	3.3	3.2	3.6	3.3	3.2	2.6	0.3
Energy	98.1	10.8	1.1	11.2	10.4	10.6	5.9	1.0
Food, alcohol, tobacco	195.1	5.4	1.1	5.6	5.2	4.9	3.8	0.5
Goods	591.0	4.0	2.3	4.1	3.8	3.7	2.7	0.6
Industrial goods	395.9	3.2	1.3	3.4	3.1	3.1	2.2	0.7
Non-energy industrial goods	297.7	0.8	0.2	0.9	0.8	0.7	0.9	0.6
Services	409.0	2.3	0.9	2.8	2.4	2.5	2.5	-0.2

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