

1.2. The evolution of the Consumer Price Index (CPI) in Greece and in the Eurozone

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Greece

The Greek headline Consumer Price Index (CPI), from May 2018 onwards, presents a diversified trend with respect to its core¹ (see Table 1.2.1 and Diagram 1.2.1). Actually, from the beginning of 2018 until April, the two indices moved following more or less the same change pattern (negative or positive). However, from May onwards this parallel behavior stopped and thus the headline CPI recorded a change close to 1% (see July and August 2018) while its core exhibited a negative change on a monthly basis (-0.5%, July 2018).

A similar trend was recorded by the Greek harmonized CPI (HCPI). The only difference is that the diversifica-

tion between the HCPI and its core appeared with a month lag (from June 2018 onwards). More analytically, while the HCPI moved steadily with positive changes between 0.8%-0.9%, its core recently passed into negative changes on a monthly basis (-0.1%, July 2018). This negative percentage of the core change leaves no room for optimism concerning to the ability of the Greek HCPI to follow the Eurozone's corresponding changes.²

Additionally, according to the Hellenic Statistical Authority (ELSTAT), the aforementioned headline inflation rate (1.0%, y-o-y, in August 2018) can be mainly attributed to subsequent price increases in nine (9) main sub-categories, namely:

- the "Food and non-alcoholic beverages" category (by 1.0%), due to price increases mainly in beef, poultry, fresh fish, milk, eggs, fresh fruits, potatoes, coffee and juices. Part of this increase was offset by decreases in the prices of olive oil, vegetables and cold cuts,
- the "Alcoholic, drinks and tobacco" category (by 0.7%) basically due to price increases in tobacco,
- the "Clothing and Footwear" category (by 0.5%) due to price increases of these products,

TABLE 1.2.1 Inflation in Greece and in the Eurozone

	Headline Inflation (Greece)	Core Inflation (Greece)	Harmonized Inflation (Greece)	Core Harmonized Inflation (Greece)	Harmonized Inflation (EU19)	Core Harmonized Inflation (EU19)
2018M1	-0.2	-0.4	0.2	0.6	1.3	1.2
2018M2	0.1	0.1	0.4	0.8	1.1	1.2
2018M3	-0.2	-0.4	0.2	0.6	1.3	1.3
2018M4	0.0	0.1	0.5	0.8	1.3	1.1
2018M5	0.6	0.0	0.8	0.5	1.9	1.3
2018M6	1.0	0.0	1.0	0.3	2.0	1.2
2018M7	0.9	-0.5	0.8	-0.1	2.1	1.3
2018M8	1.0	NA	0.9	NA	NA	NA

Source: ELSTAT, EUROSTAT.

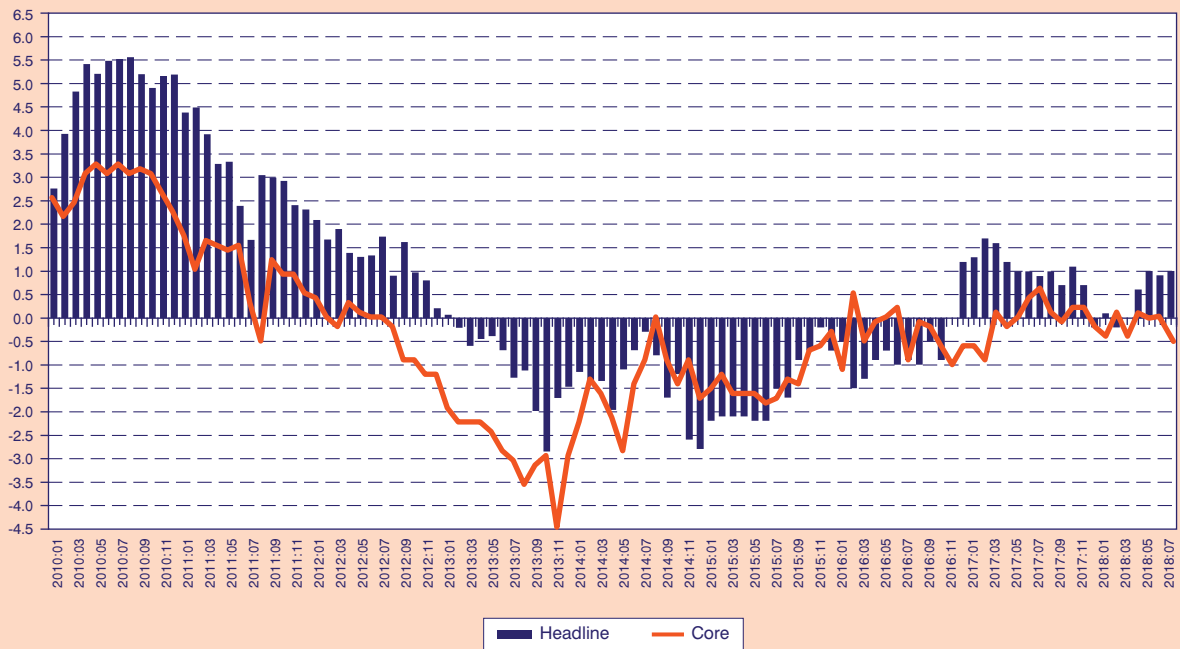
Note: NA: Data not available.

1. The core does not contain the prices of electricity, natural gas, and automobile petrol.

2. On this issue see the econometric relationship between HCPI and its core in Greece as it was estimated in the *Greek Economic Outlook*, Vol. 31 (2016).

DIAGRAM 1.2.1

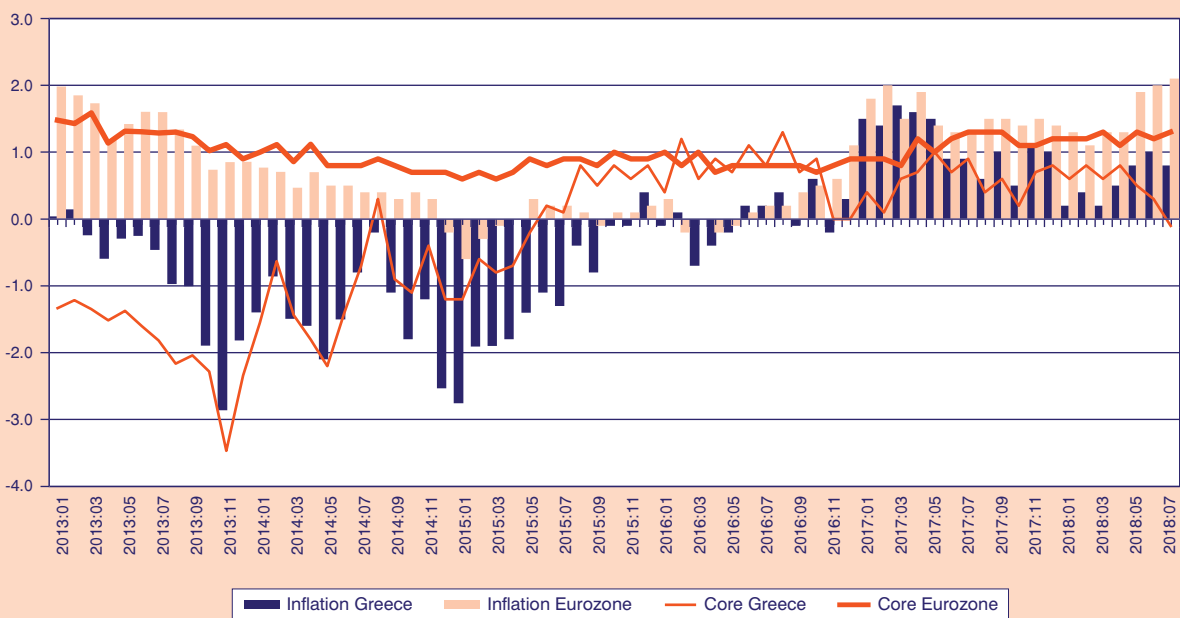
CPI, % change relative to the respective month of the previous years



Source: ELSTAT, EUROSTAT.

DIAGRAM 1.2.2

Harmonized indices of consumer prices, % change relative to the respective month of the previous years



Source: ELSTAT, EUROSTAT.

- (d) the “Housing” category (by 0.3%) due to increases for residential heating, natural gas and solid fuels. Part of this increase was offset by the decreases in the prices of rents and electricity bills,
- (e) the “Health” category (by 1.3%) especially due to price increases in pharmaceutical products, hospitals and clinics,
- (f) the “Transportation” category (by 3.1%) mainly due to increases in the price of automobile fuels as well as heating petrol. Part of this increase was offset by the decreases in the price of passenger airplane tickets and in the maintenance and repair of personal transportation equipment
- (g) the “Communication” category (by 4.3%) mainly due to increased fees for telephone services,
- (h) the “Education” category (by 0.2%) mainly due to increases in the fees for secondary schools,
- (i) the “Restaurants-Hotels-Cafés” category (by 1.4%) mainly due to increases in their prices.

Part of the aforementioned inflation rate was offset by the decrease in the prices mainly of three (3) sub-categories, namely:

- (a) the “Household equipments” category (by 1.5%) mainly due to decreases in prices for furniture and decoration, household textile products and household consumption items,
- (b) the “Recreation and culture” category (by 1.2%) mainly due to decreases in the prices of audio and visual equipments for PCs as well as other durable recreation goods and services,
- (c) the “Miscellaneous goods and services” category (by 0.8%) basically due to reductions of the prices of personal care products and vehicle insurance.

Eurozone

As regards to the harmonized CPI of the euro area (HCPI-EU19), we can report that in April of 2018 it managed to reach the target/objective of the European Central Bank³ (ECB) for the first time after the beginning of 2017. At the same time, the core of the HCPI-EU19 continues to move steadily with positive changes of around 1.2%-1.3%. Regarding now the issue of convergence between the rate of change of the HCPI in the Eurozone and in Greece, we observe –at least from the beginning of the year– a difference which ranges around 0.7%-1.2%. This difference is more widened in the case of the corresponding core indicators and ranges between 0.3%-1.5%.

References

Panagopoulos, Y. (2016), “The relationship between harmonized inflation and its core during the economic crisis: an econometric approach”, *Greek Economic Outlook*, Vol. 31.

3. The target of the ECB for the HCPI-EU 19 is a percentage change of 2.0%.