

1.2. Rising energy prices and increased demand exert inflationary pressures on the Greek and euro area economies

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Greece

The gradual reopening of countries all over the EU, as the epidemiological situation has improved due to the successful vaccination campaigns, has led to inflationary pressures. These pressures in the headline HICP are mainly attributed to higher energy price inflation, reflecting a sizeable upward base effect, especially as regards natural gas and heating oil, as the containment

measures have eased and mobility has risen. According to the latest estimates of the European Central Bank,¹ other factors besides the developments in the field of energy that contribute to the inflationary pressures and are of a temporary nature are the one-off re-opening effects on service prices, as firms adapt to new regulations related to the COVID-19 pandemic, and increases in input costs related to supply bottlenecks that emerged as a result of the stronger than anticipated increase in demand given the uncertainty and asymmetry in the re-opening of different sectors in different countries.

Specifically, for the case of Greece, according to the Hellenic Statistical Authority (ELSTAT), the National CPI in September 2021 recorded an annual increase of 2.2%. Energy prices that started rising in February 2021 gradually intensified, while increasing demand began to affect prices from June onwards with the lifting of the restrictive measures, which can be observed from the evolution of the core CPI (Table 1.2.1). The

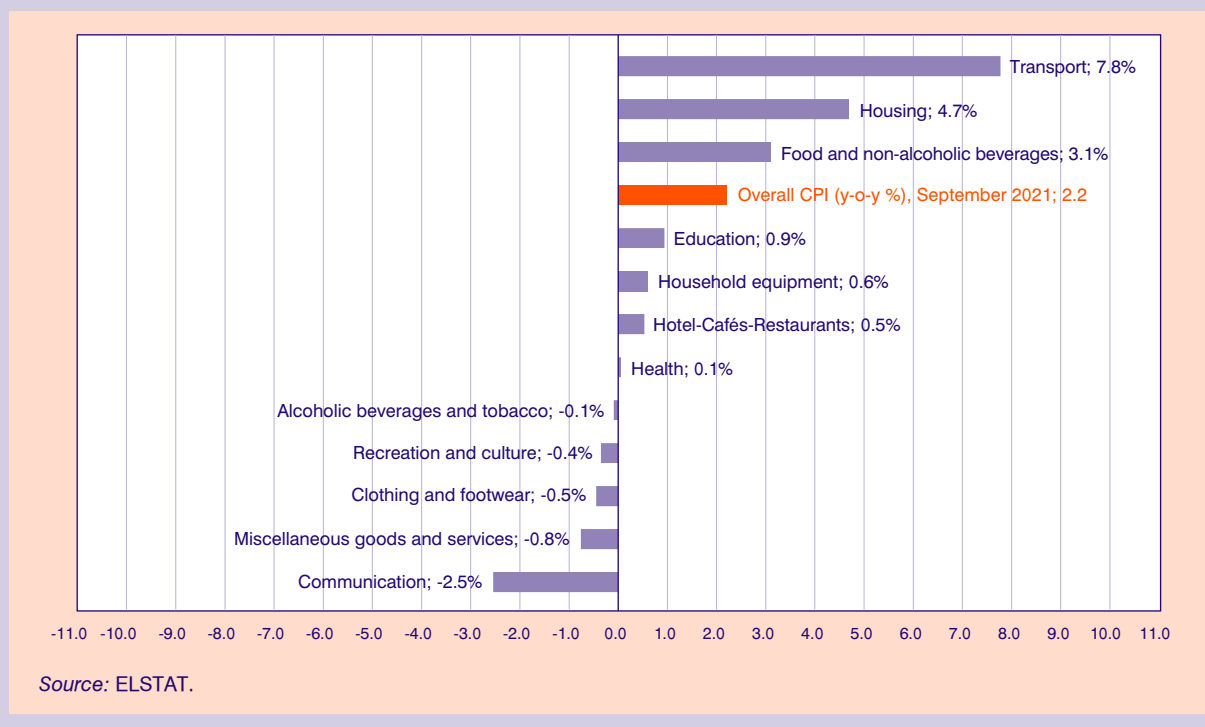
TABLE 1.2.1 Inflation in Greece (%)

	Headline inflation (Greece)	Core inflation (Greece)	Harmonized inflation (Greece)	Core Harmonized inflation (Greece)
2020:M8	-1.9	-1.4	-2.3	-2.4
2020:M9	-2.0	-1.6	-2.3	-2.6
2020:M10	-1.8	-1.4	-2.0	-2.2
2020:M11	-2.1	-1.8	-2.1	-2.3
2020:M12	-2.3	-2.0	-2.4	-2.5
2021:M1	-2.0	-1.3	-2.4	-2.3
2021:M2	-1.3	-1.0	-1.9	-2.1
2021:M3	-1.6	-2.8	-2.0	-3.2
2021:M4	-0.3	-1.6	-1.1	-2.3
2021:M5	0.1	-1.7	-1.2	-3.0
2021:M6	1.0	-0.5	0.6	-0.7
2021:M7	1.4	-0.5	0.7	-1.1
2021:M8	1.9	-0.3	1.2	-0.7
2021:M9	2.2	0.1	1.9	0.2

Source: ELSTAT.

1. ECB (Sept. 2021), ECB staff macroeconomic projections for the euro area.

FIGURE 1.2.1
Annual changes in CPI sub-categories (September 2021)



latter has declined, with lower rates since June 2021, and for the first time since the outbreak of the pandemic (March 2020), reached a positive sign in September 2021 (0.1%). At a similar pace, headline HICP increased by 1.9%, and the core HICP increased by 0.2%.

More specifically, the annual increase of the General CPI in September 2021, by 2.2%, is a combined result of the following changes in the price indices of sub-groups of goods and services. More specifically, increases were recorded by:

- 3.1% in the group Food and non-alcoholic beverages.** This increase is mainly attributed to the rise in the prices of bread (+2.6%), lamb and goat (+17.5%), fresh fish (+7.9%), eggs (+3.5%), olive oil (+18.4%), other edible oils (+14.0%), fresh fruit (+1.2%), fresh vegetables (+21.1%) and chocolates-chocolate products (+4.4%). This increase was partly offset by the decrease, mainly, in the prices of breakfast cereals (-4.5%), pork (-2.6%), dried, salted, or smoked meat (-3.9%), yoghurt (-2.7%) and jams-marmalades-honey (-2.9%).
- 4.7% in the group Housing.** This increase is mainly attributed to the increase in the prices of electricity (+0.8%), natural gas (+108.5%) and heating oil (+28.9%).
- 0.6% in the group Household equipment.** This increase, which is mainly attributed to the increase in the prices of domestic services (+2.8%), was partly offset by the decrease, mainly, in the prices of household textiles (-2.0%) and household appliances and repair (-1.6%).
- 0.1% in the group Health.** This increase, which is mainly attributed to the increase in the prices of medical, dental and paramedical services (+0.8%) and hospital care (+0.6%), was partly offset by the decrease in the prices of pharmaceutical products (-1.1%).
- 7.8% in the group Transport.** This increase is mainly attributed to the rise in the prices of fuels and lubricants (+18.1%),² new motorcars (+2.4%) and tickets for passenger transport by air (+20.9%).³

2. In more detail: Diesel +22.2%, Gasoline +18.2%, Other fuels +23.7% and Lubricants +0.6%.

3. The consumer price sub-indices of the rest of the Transport categories (Tickets for passenger transport by railway, Tickets of passenger transport by road and Tickets of combined passenger transport) remained constant.

TABLE 1.2.2 Annual changes in CPI sub-categories, January-September 2021

Groups of goods and services	Jan	Feb	March	Apr	May	June	July	Aug	Sept
1 Food and non-alcoholic beverages	-0.4	-0.5	-0.3	-1.2	-0.2	0.4	1.7	3.0	3.1
2 Alcoholic goods and tobacco	-0.4	0.1	-0.5	-0.1	-0.3	-0.2	0.0	-0.4	-0.1
3 Clothing and footwear	-3.5	-0.1	-16.9	-1.1	-5.0	0.5	-1.4	-2.6	-0.5
4 Housing	-3.4	-1.9	0.1	1.9	3.2	4.0	4.2	4.4	4.7
5 Household equipment	-2.2	-2.2	-1.7	-1.2	-1.4	-0.8	-0.7	-0.5	0.6
6 Health	-1.2	-1.1	-1.1	-1.0	-1.3	-1.3	-0.8	-0.5	0.1
7 Transport	-5.7	-4.3	-0.8	2.3	4.6	6.7	5.8	6.7	7.8
8 Communication	-2.1	-1.8	-1.6	-1.4	-1.7	-1.8	-2.7	-2.6	-2.5
9 Recreation and culture	-0.6	-0.3	-0.3	-1.0	-0.8	-1.0	-0.8	-0.7	-0.4
10 Education	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9
11 Hotels-Cafés-Restaurants	-0.6	-0.4	-0.5	-0.9	-1.6	-0.8	-0.3	0.2	0.5
12 Miscellaneous goods and services	-2.4	-1.7	-1.4	-2.4	-1.8	-2.1	-1.2	-1.1	-0.8
General Index	-2.0	-1.3	-1.6	-0.3	0.1	1.0	1.4	1.9	2.2

Source: ELSTAT.

- **0.9% in the group Education.** This increase is mainly attributed to the rise in the prices of fees of secondary education (+1.4%).
- **0.5% in the group Hotels-Cafés-Restaurants.** This increase is mainly attributed to the rise in the prices of restaurants-confectioneries-café (+0.7%) and hotels-motels-inns (+9.5%).
- **-0.4% in the group Recreation and culture.** This decrease is mainly attributed to the fall in the prices of major durables for outdoor recreation (-1.3%).
- **-0.8% in the group Miscellaneous goods and services.** This decrease is mainly attributed to the fall in the prices of other appliances and articles for personal care (-1.1%) and motor vehicle insurance (-1.9%).

On the other hand, prices decreased in the following groups of goods and services:

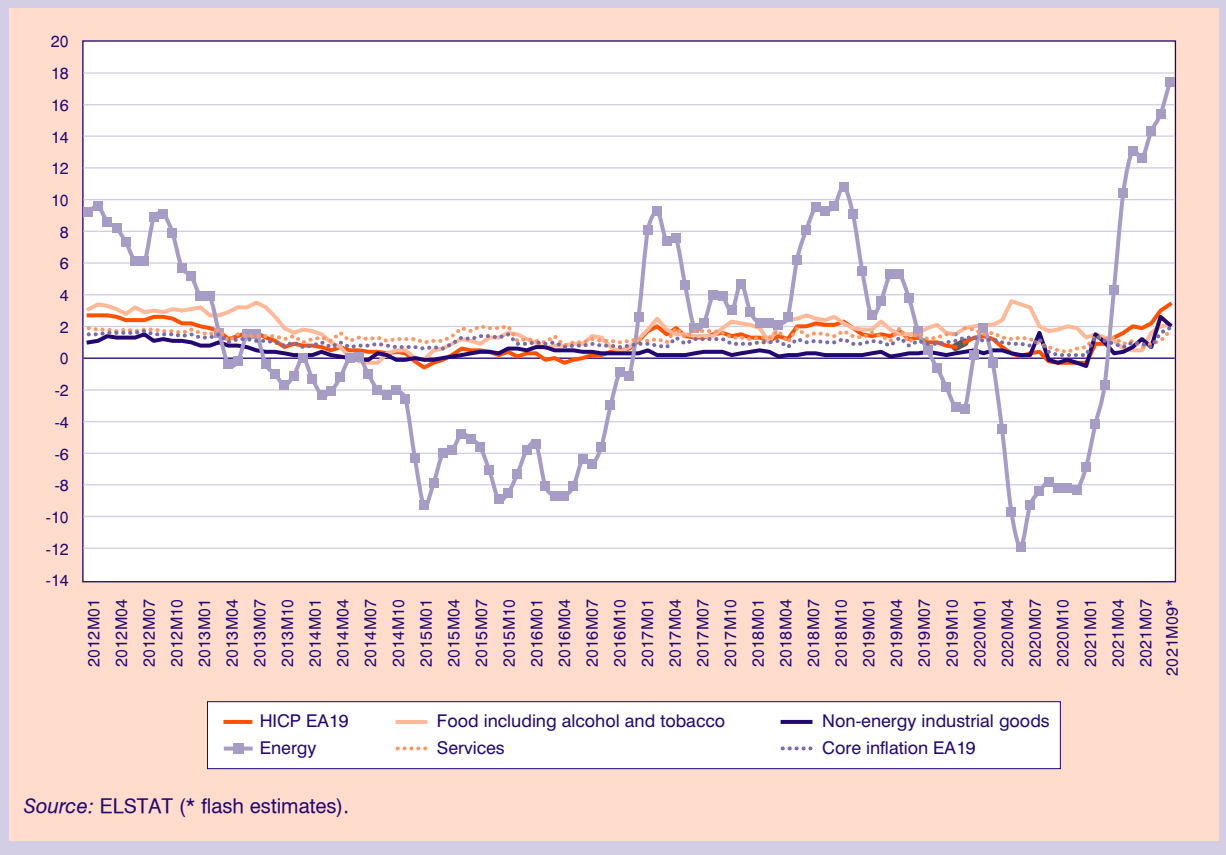
- **-0.5% in the group Clothing and footwear.** This decrease is mainly attributed to the fall in the prices of clothing and footwear.
- **-2.5% in the group Communication.** This decrease is mainly attributed to the fall in the prices of telephone services (-2.5%).
- **-0.1% in Alcoholic goods and tobacco.** This decrease is mainly attributed to the fall in the prices of wines (-2.6%).

The Euro Area

The euro area annual inflation rate was 3.0% in August 2021; in September 2021, it is expected to be 3.4%, according to the flash estimates from Eurostat (PR 1/10/2021). According to the European Central Bank, the inflationary pressures exerted since Spring 2021 are expected to be of a temporary nature and last until the end of 2021, while inflation will gradually de-escalate in the first half of 2022.⁴ Growing inflationary pres-

4. A number of forecasts from both international organizations and private sector institutions (ECB, Euro Zone Barometer, Consensus Economics, IMF, Survey of Professional Forecasters, European Commission and OECD) estimate that, in 2021, inflation in the euro area will range between 1.8% and 2.2%, while in 2022, it is expected to de-escalate with average inflation well below 2.0% (1.3% and 1.7%).

FIGURE 1.2.2
HICP in the euro area, annual change (2015= 100)



asures are due to (a) the strong base effect of the recovery in energy prices, which have declined significantly since the outbreak of the COVID-19 pandemic and the mobility restrictions; (b) the one-off increased costs of certain sectors reopening, which reflects energy costs, on the one hand, and the cost of adapting to new regulations and standards of behavior to limit the transmission of COVID-19, on the other; and c) bottlenecks in local and global supply chains due to stronger than anticipated demand recovery.

Specifically, according to Eurostat, the driving factor of inflation in the euro area is the ongoing upward movement in energy prices, with the sub-index reaching 17.4% in September, up from 15.4% in August, followed by the non-energy industrial goods sub-

index, which rose at a slower pace, from 2.6% in August to 2.1% in September. The food-alcohol-tobacco sub-index reached 2.1% in September, up from 2.0% in August, and the services sub-index 1.7%, up from 1.1%.

Among the euro area member states, the countries with the highest inflation in August 2021 were Estonia and Lithuania (5.0%) and Belgium (4.7%). On the other hand, the countries that showed lower inflation are Malta (0.4%), Greece (1.2%) and Portugal (1.3%). According to the flash estimates of Eurostat (1/10/2021) for September 2021, the countries with the highest inflation remain Estonia and Lithuania with 6.4% and 6.3%, respectively, followed by Slovakia with 5.1%, while the lowest inflation was recorded by Malta, Portugal and Greece with 0.7%, 1.3% and 2.1% respectively.