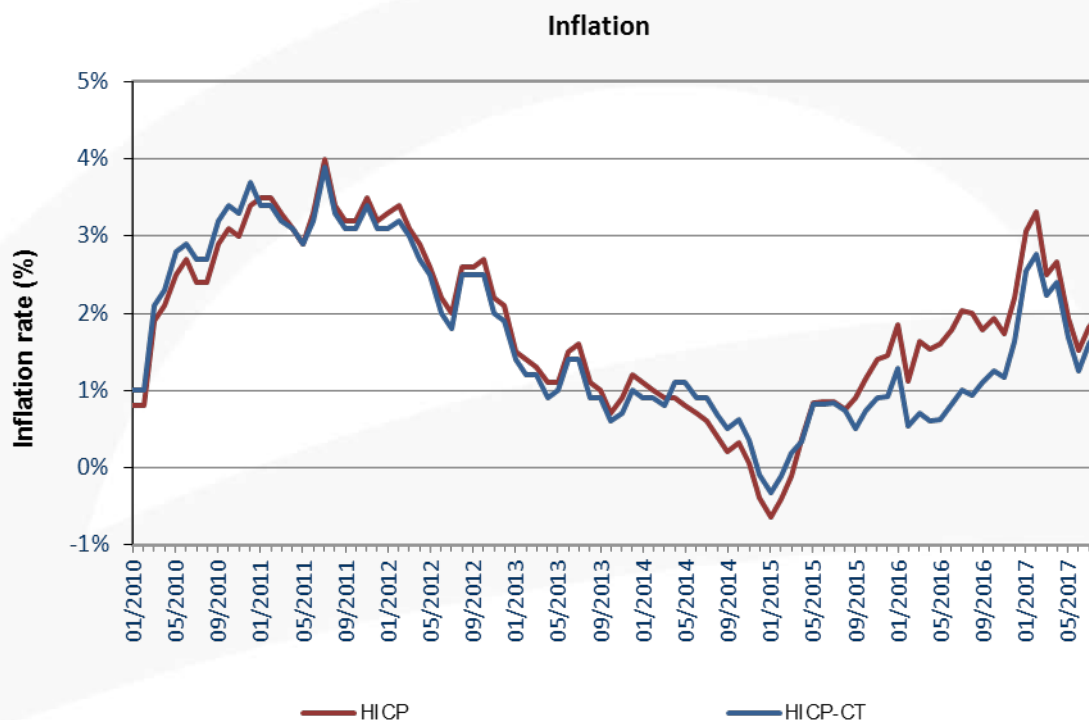


## Harmonised index of consumer prices - August 2017

- Belgium's inflation rate based on the European harmonised index of consumer prices was running at 2.0% in August compared to 1.8% in July.
- Core inflation (inflation without energy and unprocessed food) amounts to 1.6% in August compared to 1.8% in July.
- The sub-indices with the largest upward effect on inflation were motor fuels, domestic heating oil, tobacco and accommodation.
- Most of the downward pressure on inflation in August came from fruit, clothing, vegetables and airplane tickets.
- The harmonised index of consumer prices of August for the EU Member States will be published by Eurostat on 18 September.



The inflation rate based on the European **harmonised index of consumer prices (HICP)<sup>i</sup>** stood at 2.0% in August compared to 1.8% in July. Inflation based on the **harmonised index of consumer prices at constant tax rates (HICP-CT)<sup>ii</sup>** stood at 1.8% in August, as against 1.6% in July. The difference in inflation between the HICP and the HICP-CT is largely due to the changes in excise duties on motor fuels and tobacco. These increases are not taken into account in the HICP-CT.

## Inflation and effect on inflation for the 12 main groups

Based on the breakdown into **12 main groups**, the **highest inflation rate** in August was measured for "Alcoholic beverages and tobacco" (3.5%). The **lowest inflation rate** was measured for "education" (0.0%).

The **main group** with the largest **upward effect** on inflation in August was "housing, water, energy" with an effect on inflation of 0.3 percentage point. The largest **downward effect** was measured for "food and non-alcoholic beverages" (-0.2 percentage point).

### Inflation<sup>iii</sup> and effect<sup>iv</sup> on inflation for the overall HICP and 12 main groups

Product group	Weight (%)	Inflation on annual basis (%)				Effect on inflation (percentage point)		
		HICP			HICP-CT			
		Jun/17	Jul/17	Aug/17	Aug/17	Jun/17	Jul/17	Aug/17
0 Total expenditure	1000.0	1.5	1.8	2.0	1.8			
1 Food and non-alcoholic beverages	164.4	-0.1	0.4	0.9	0.9	-0.3	-0.3	-0.2
2 Alcoholic beverages and tobacco	49.7	3.1	3.7	3.5	1.3	0.1	0.1	0.1
3 Clothing and footwear	59.2	0.3	2.7	0.2	0.2	-0.1	0.0	-0.1
4 Housing, water and energy	159.3	2.5	2.3	3.4	3.4	0.2	0.1	0.3
5 Interior decoration and household appliances	74.9	0.3	0.5	0.6	0.6	-0.1	-0.1	-0.1
6 Health	78.7	2.0	2.0	2.0	2.0	0.0	0.0	0.0
7 Transport	117.6	2.3	2.3	3.1	2.6	0.1	0.1	0.2
8 Communication	33.2	2.3	1.4	0.9	0.9	0.0	0.0	0.0
9 Recreation and culture	93.3	0.7	1.4	1.1	1.1	-0.1	-0.1	-0.1
10 Education	6.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11 Hotels, cafés and restaurants	78.2	2.8	3.2	3.1	3.1	0.1	0.1	0.1
12 Various goods and services	85.3	1.5	1.7	1.8	1.8	0.0	0.0	0.0

## Inflation according to specific aggregates

The overall HICP can be broken down into **five specific aggregates** which together form the total expenditure.

- The inflation rate for **fuels and energy sources** has gone up. It was running at 7.1% in August compared to 3.8% in July and 4.2% in June. Prices increased on average by 1.1% compared to the previous month. The average inflation rate of this aggregate for the last twelve months is 9.2%.
- Inflation for **processed food products** stood at 2.5% in August, compared to 2.2% in July. Prices remained stable on average compared to July.
- Inflation for **unprocessed food** (fruit, vegetables, meat and fish) went up to -0.2% in August from -0.7% in July. Prices increased on average by 0.4% compared to July. The average inflation rate of this aggregate for the last twelve months is 0.8%.

- The inflation for **non-energy industrial goods** was running at 0.8% in August, down from 1.2% in the previous month. Prices increased by 5.4% on average compared to the previous month, due to the summer sales in July.
- Inflation for **services** was running at 1.9% in August, a decrease compared with the previous month. Prices went down on average by 0.2% compared to July.

**Core inflation** (inflation without energy and unprocessed food) was running at 1.6% in August, registering a decrease compared to the inflation rate of 1.8% measured in July. Prices increased on average by 1.6% compared to the previous month.

### Inflation according to specific aggregates

Specific aggregates	Weight (‰)	Inflation on annual basis (%)			12-month average (%)	Monthly change
		Jun/17	Jul/17	Aug/17	Aug/17	Aug/17
Total expenditure	1000.0	1.5	1.8	2.0	2.2	1.5
Fuels and energy sources	90.4	4.2	3.8	7.1	9.2	1.1
Processed food products	134.7	1.8	2.2	2.5	2.2	0.0
Unprocessed food	79.4	-1.3	-0.7	-0.2	0.8	0.4
Non-energy industrial goods	272.9	0.7	1.2	0.8	0.8	5.4
Services	422.6	1.8	2.1	1.9	1.9	-0.2
HICP without energy and unprocessed food (core inflation)	830.3	1.5	1.8	1.6	1.6	1.6

## Effect of sub-indices on inflation

The largest **upward effect** on inflation was caused by *motor fuels* and *domestic heating oil*, both with an impact of 0.23 percentage point. *Tobacco* provided an effect of 0.11 percentage point. *Accommodation* provided an effect of 0.07 percentage point.

### Sub-indices with the largest upward effect on inflation

Sub-index		Weight (‰)	Effect on inflation (percentage point)
		2017	Aug/17
07.2.2	Motor fuels	30.8	0.23
04.5.3	Domestic heating oil	12.5	0.23
02.2.0	Tobacco	28.7	0.11
11.2.0	Accommodation	8.5	0.07

The largest **downward effect** on inflation came from *fruit* (-0.11 percentage point). *Clothing* provided an effect of -0.10 percentage point. *Vegetables* provided a contribution of -0.09 percentage point. *Airplane tickets* provided a contribution of -0.07 percentage point.

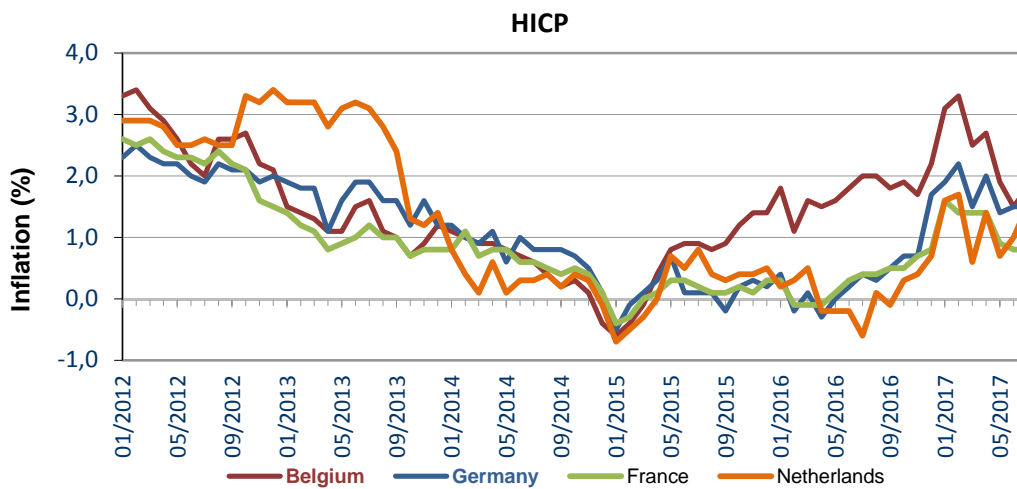
### Sub-indices with the largest downward effect on inflation

Sub-index		Weight (‰)	Effect on inflation (percentage point)
		2017	Aug/17
01.1.6	Fruit	11.8	-0.11
03.1.2	Clothing	46.0	-0.10
01.1.7	Vegetables	16.1	-0.09
07.3.3	Airplane tickets	3.7	-0.07

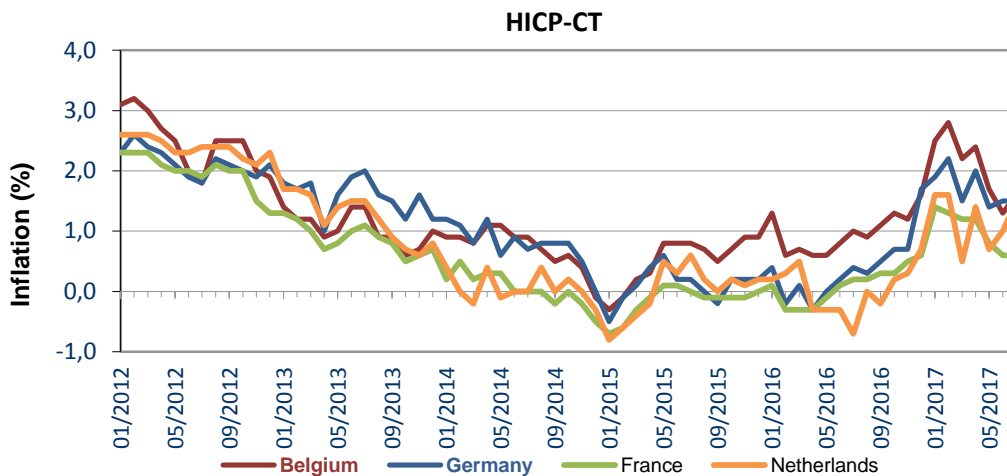
## Comparison with neighbouring countries

Since the **HICP of the neighbouring countries** will not be published until later, comparisons can only be made for the month of **July**.

In July, inflation in **Belgium** was running at 1.8%, up from the 1.5% registered in June. **The Netherlands** experienced an inflation rate of 1.5% in July. This represents an increase compared to an inflation rate of 1.0% in June. Inflation in **France** was running at 0.8% in July, unchanged from June. Inflation in **Germany** was running at 1.5% in July, also unchanged from June.



**Belgium's** inflation rate based on the **HICP-CT** stood at 1.6% in July, representing an increase from a rate of 1.3% in June. In **Germany**, this inflation rate amounted to 1.5% in July and remained unchanged compared to June. This inflation in **France** was running at 0.6% in July, also unchanged from June. In **the Netherlands**, it was running at 1.5%, up from 1.0% in June.



## Additional information

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## Source

Statistics Belgium.

## Additional figures

Tables with detailed data can be found on:

<http://statbel.fgov.be/en/statistics/figures/economy/hcpi/>

## Technical explanation

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<sup>i</sup> In addition to the national consumer price index (CPI), Statistics Belgium also calculates a European harmonised consumer price index (Harmonised Index of Consumer Prices, HICP). The HICP is used to compare inflation rates in the EU Member States. To this end, the applied expenditure approach and methods have been coordinated as much as possible and laid down in European regulations. The results of the CPI and HICP are not the same. This is mainly due to a different weighting and composition of the basket of goods and services on which these indices are based.

The HICP is also used by the European Central Bank in its monetary policy. Additionally, the HICP is used to determine to what extent a Member State meets the inflation criteria set in the Treaty on European Union.

Differences between the HICP and the current CPI are:

- The weighting of the basket of goods and services in the HICP is mainly based on the national accounts. At lower detailed levels the Household Budget Survey is used. The CPI mostly uses the Household Budget Survey at all levels.
- The reference population of the HICP consists of private households (including tourists in Belgium) and institutional households (e.g. retirement homes and nursing homes). In the CPI, this population currently consists of private households with a reference person under a maximum age.
- The HICP uses the concept of domestic expenditure: expenditure in Belgium by the reference population. The CPI uses the concept of national expenditure: expenditure by the reference population irrespective of the location.
- Seasonal adjustment is not applied in the HICP, but is applied in the CPI to travels abroad and stays in holiday villages.
- Sales periods in the CPI are systematically spread over 6 months, but are included in the same month in the HICP.
- Current prices for domestic heating oil are used in the HICP calculation. A weighted 12-month average is applied in the CPI calculation.

<sup>ii</sup> The HICP-CT is calculated in the same manner as the regular HICP, but the prices in this index are calculated based on constant tax rates. This index therefore reflects the theoretically potential effect of changes in indirect tax rates (such as VAT or excise duties) on measured inflation. However, this is a theoretical effect, since it presupposes that tax changes are immediately and entirely reflected in prices paid by consumers.

<sup>iii</sup> *Inflation on annual basis* measures the price changes between the current month and the same month of the year before. A *12-month average* compares the average HICP of the last 12 months with the average of the previous 12 months. A *monthly change* compares the price levels of the last two months.

<sup>iv</sup> An *effect on inflation* shows the changes on the inflation rate by including the sub-index in the HICP. The effect not only takes the weight of the sub-index into account, but it also takes into account whether the sub-index inflation is higher or lower than that of the total expenditure (overall HICP).