

October 2001

Euro-zone annual inflation estimated at 2.4%

Eurostat issues for the first time advance information about inflation

Euro-zone¹ annual inflation² is expected to be 2.4 % in October, down from 2.5% in September, according to a flash estimate issued today by **Eurostat – the Statistical Office of the European Communities in Luxembourg**.

Eurostat publishes today, for the first time, flash estimates for the Monetary Union Index of Consumer Prices (MUICP). From this month onwards, these flash estimates will be published around the end of the reference month, i.e. between two and three weeks before the complete MUICP results are available. Eurostat seeks thereby to provide users with advance information about likely inflation movements.

A description of the methodology is provided in the annex.

Future release dates

Provisional publication dates for Monetary Union Index of Consumer Prices (MUICP), European Index of Consumer Prices (EICP) and European Economic Area Index of Consumer Prices (EEAICP) and Harmonised Indices of Consumer Prices (HICPs) for the coming months are

Index for	MUICP flash estimates	News release on MUICP, EICP and Member States
October 2001	5 November 2001	16 November 2001
November 2001	30 November 2001	18 December 2001
December 2001	4 January 2002	22 January 2002
January 2002	31 January 2002	28 February 2002

- 1) The Member States participating in the euro-zone are Belgium, Germany, Greece (from January 2001), Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Euro-zone data up to end 2000 cover the eleven Member States; from the beginning of 2001, they cover the twelve Member States. The euro-zone is treated as an entity regardless of its composition. The MUICP is chain linked in December 2000 to include Greece starting with the January 2001 index.
- 2) Annual inflation is the price change between the current month and the same month of the previous year

Issued by:

Eurostat Press Office
Fons THEIS, Philippe BAUTIER,
Anette SIMES
Joseph Bech Building
L-2920 LUXEMBOURG

Tel: +352-4301-33 444
 +352-4301-33 496
 Fax: +352-4301-35 349
eurostat-pressoffice@cec.eu.int

For further information:

Methodology:
Carsten OLSSON
Joseph Bech Building
L-2920 LUXEMBOURG
carsten.olsson@cec.eu.int

Tel: +352-4301-33 375
 Fax: +352-4301-33 989

News Releases and Euro-indicators:
europa.eu.int/comm/eurostat/
 Or
Eurostat Data Shop Network
 List of addresses:
europa.eu.int/comm/eurostat/Services | *Links & contacts* | *Eurostat Data Shop Network*

Methodology of the MUICP Flash Estimates

Computation of flash estimates

To compute the MUICP flash estimates, Eurostat uses early price information relating to the reference month issued at present by Germany, Italy, and if available by other Member States, as well as early information about energy prices.

The estimation procedure uses regression and time series modelling to combine historical information with information on recent price developments to a total index for the euro-zone. No detailed breakdown is available. The estimation model is flexible with respect to available data but requires some information about price developments in the reference month. In fact, early information accounts for more than 50% of the weight for the MUICP.

What is the quality of the flash estimates?

Simulations done by Eurostat on real data show that the mean absolute error for the period between April 1999 and September 2001 is 0.04 percentage points for the annual rate for the euro-zone (18 times agreeing precisely, 11 times 0.1 index point deviation, and once 0.2). Changes in the trend of the inflation rate (turning points) are captured correctly except for August and September 1999, August 2000, and August 2001 where the flash estimate did not capture the turning point due to rounding effects.

The differences are, with one exception, within the rounding margin of 0.1 percentage point and the estimated trend went in no single case in the opposite direction of the actual trend. This performance appears acceptable to Eurostat for a flash estimate.

Nevertheless, structural changes may affect future performance. Such changes will become evident only when actual figures are available for all Member States. The model is, therefore, subject to regular maintenance and may be adjusted at any time to allow for changes identified in its underlying assumptions.

Dissemination of HICP data

MUICP flash estimates will be published monthly around the end of the reference month with a press release and will be available on the Eurostat web site. Concerning the release dates, Eurostat will indicate each month the likely release dates for the following three months. Release dates will be confirmed in advance to the media and on the Eurostat web site.

The complete set of HICP figures, based on data issued by all Member States, will continue to be published in accordance with the pre-announced timetable.

Results of the simulations on real data¹⁾ for the MUICP

month	Annual rate of change in % (m/m-12)			Trend		
	Flash estimate	Actual	Difference	Flash estimate	Actual	Difference
Apr-99	1.1	1.1				
May-99	1.0	1.0		down (-0.1)	down (-0.1)	
Jun-99	0.9	0.9		down (-0.1)	down (-0.1)	
Jul-99	1.1	1.1		up (0.2)	up (0.2)	
Aug-99	1.1	1.2	0.1	stable (0.0)	up (0.1)	←
Sep-99	1.3	1.2	-0.1	up (0.1)	stable (0.0)	←
Oct-99	1.4	1.4		up (0.2)	up (0.2)	
Nov-99	1.6	1.5	-0.1	up (0.2)	up (0.1)	
Dec-99	1.6	1.7	0.1	up (0.1)	up (0.2)	
Jan-00	2.0	1.9	-0.1	up (0.3)	up (0.2)	
Feb-00	2.0	2.0		up (0.1)	up (0.1)	
Mar-00	2.1	2.1		up (0.1)	up (0.1)	
Apr-00	1.9	1.9		down (-0.2)	down (-0.2)	
May-00	1.9	1.9		stable (0.0)	stable (0.0)	
Jun-00	2.2	2.4	0.2	up (0.3)	up (0.5)	
Jul-00	2.3	2.3		down (-0.1)	down (-0.1)	
Aug-00	2.2	2.3	0.1	down (-0.1)	stable (0.0)	←
Sep-00	2.7	2.8	0.1	up (0.4)	up (0.5)	
Oct-00	2.7	2.7		down (-0.1)	down (-0.1)	
Nov-00	2.8	2.9	0.1	up (0.1)	up (0.2)	
Dec-00	2.6	2.6		down (-0.3)	down (-0.3)	
Jan-01	2.4	2.4		down (-0.2)	down (-0.2)	
Feb-01	2.7	2.6	-0.1	up (0.3)	up (0.2)	
Mar-01	2.6	2.6		stable (0.0)	stable (0.0)	
Apr-01	2.9	2.9		up (0.3)	up (0.3)	
May-01	3.4	3.4		up (0.5)	up (0.5)	
Jun-01	3.1	3.0	-0.1	down (-0.3)	down (-0.4)	
Jul-01	2.8	2.8		down (-0.2)	down (-0.2)	
Aug-01	2.8	2.7	-0.1	stable (0.0)	down (-0.1)	←
Sep-01	2.5	2.5		down (-0.2)	down (-0.2)	
			mean = 0.003 std dev ^{**}) = 0.072 mae ^{***}) = 0.043			

¹⁾ For the simulations it has been assumed that preliminary HICPs for Germany and Italy are available at the end of the reference month as well as information about some energy prices. This accounts for more than 50% of the weight for the euro-zone all-items index.

^{**}) Standard deviation.

^{***}) Mean absolute error.