

## Industrial import prices increase less than domestic output prices in the euro area

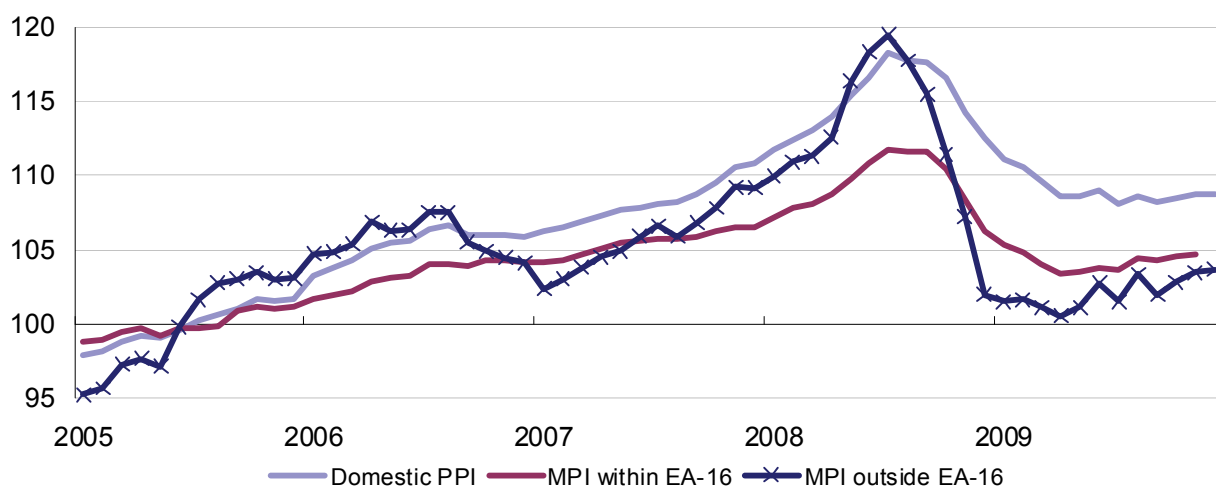
**In conducting the monetary policy of the European Monetary Union the European Central Bank (ECB) is very much interested in the development of price indices. The ECB observes consumer prices that are the reference indicator for its monetary policy goals, such as upstream producer or wholesale markets as well as prices in other euro area markets.**

**Since 2005 import and domestic producer price indices for the euro area have developed in a similar manner, although import prices generally increased less. The euro area's price index for imports from outside the euro area tends to be particularly influenced by movements in the relatively volatile import price index for energy (reflecting global oil prices). Import price indices for capital goods and for consumer durables have followed a downward trend since 2005, in contrast to a more stable or upward trend for the equivalent domestic producer price indices.**

Import price indices (MPI) make it possible to analyse the impact of imported price changes on the inputs used in domestic production and also directly on consumption. The MPI is compiled with a distinction between imports coming from within or outside of the euro area.

The requirement in the STS Regulation to provide information on MPIs is limited to the countries in the euro area, although in practice some other countries provide Eurostat with this information. In order to contribute to the compilation of an import price index for the euro area as a whole, several countries have chosen to participate in the European sample scheme, whereby data collection is limited to those CPA products that are particularly important in each participating country, and only to imports from outside the euro area. More information is provided in the methodological notes on page 7.

**Figure 1: Selected price indices, total industry, euro area (2005=100)**



Source: Eurostat ([sts\\_inpi\\_m](#), [sts\\_inpp\\_m](#))

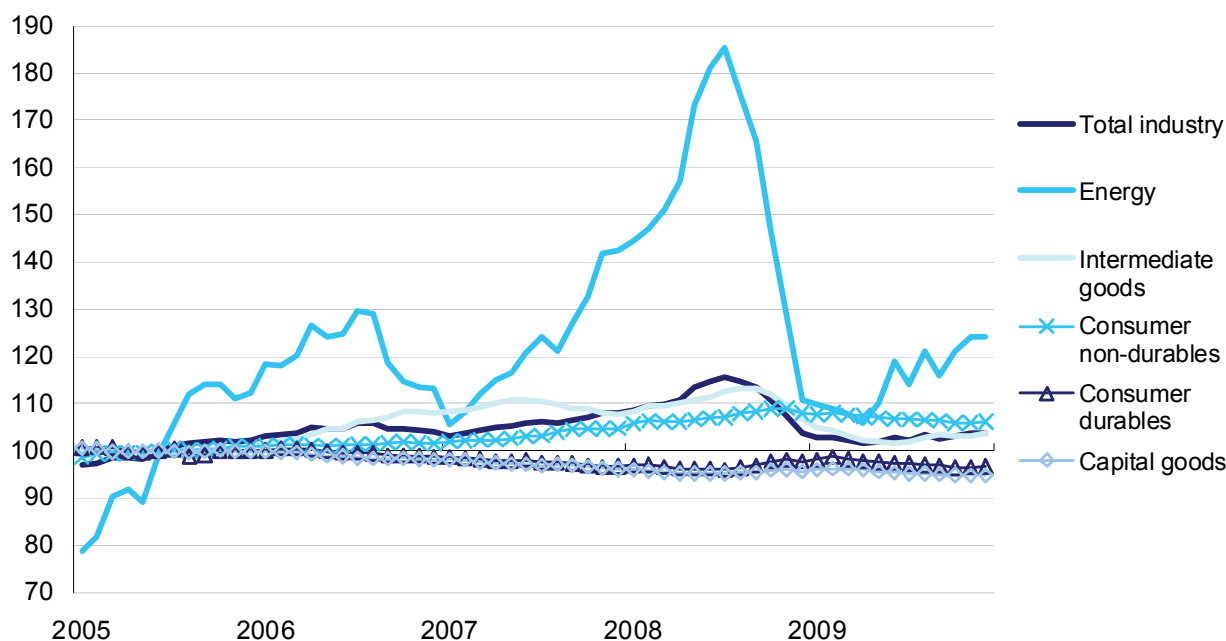
## Focus on total import price index

This publication focuses on a time series of data starting from January 2005. Figure 1 shows that since the beginning of the series the MPI for goods imported from outside of the euro area was more volatile than imports of goods from other euro area countries, or domestic producer price indices (PPI).

The total MPI (covering imports from outside the euro area as well as from within it) was particularly volatile for the energy main industrial grouping (see Figure 2): the energy MPI rose strongly and fell back sharply twice during this period, peaking in July 2006 and July 2008.

Until the middle of 2008 import prices of intermediate goods and consumer non-durables recorded a steady increase, while the overall trend for import prices for consumer durables and capital goods was gently downwards. In the middle of 2008 these trends reversed, with the MPI for intermediate goods in particular falling sharply during the final quarter of 2008 and the first quarter of 2009. Around the same time, starting from August 2008, the MPI for consumer durables recorded its first period of sustained increases since the end of 2005, although the rate at which prices increased remained subdued.

**Figure 2: Total import price index, euro area (2005=100)**



Source: Eurostat ([sts\\_inpi\\_m](#))

**Table 1: Total import price index, total industry, price changes compared to the previous month, 2009 (%)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Euro area	-0.7	-0.1	-0.7	-0.6	0.3	1.0	-0.6	1.3	-0.8	0.5	0.4	0.2
Germany	-0.8	-0.3	-0.6	-0.8	0.0	0.6	-0.8	1.3	-1.0	0.5	0.2	0.5
Greece	0.1	0.0	-0.1	0.9	1.7	2.1	-0.5	1.7	-1.0	0.9	0.6	:
Spain	-0.5	0.0	-1.1	0.3	0.0	0.9	-0.1	1.0	-0.1	0.2	0.6	0.7
France (1)	-1.5	-0.3	-0.4	-1.3	0.4	1.3	-0.6	1.3	-0.7	0.5	0.8	0.1
Netherlands (2)	-0.2	0.6	-0.5	-0.3	1.0	1.5	-1.0	1.6	-0.9	0.9	0.2	0.4
Slovenia	-2.2	1.8	-1.0	-0.9	0.4	0.3	1.3	0.0	0.6	-0.3	-0.4	0.1
Slovakia	:	-1.5	-7.1	-0.3	-1.4	-0.7	-0.5	-0.2	-1.4	1.4	0.5	:
Finland	-0.8	-0.5	-0.5	-0.6	-0.9	0.9	-0.5	1.7	-1.3	0.7	0.0	0.2
Denmark	-1.0	-0.1	-0.2	-0.2	0.5	0.5	-0.8	0.8	-0.3	0.2	0.0	0.2
Sweden	1.4	-0.2	2.7	-1.3	0.3	-1.4	1.4	-1.0	-2.1	-1.2	2.2	-0.7

(1) September to December, provisional.

(2) August to November, provisional; December, estimate.

Source: Eurostat ([sts\\_inpi\\_m](#))

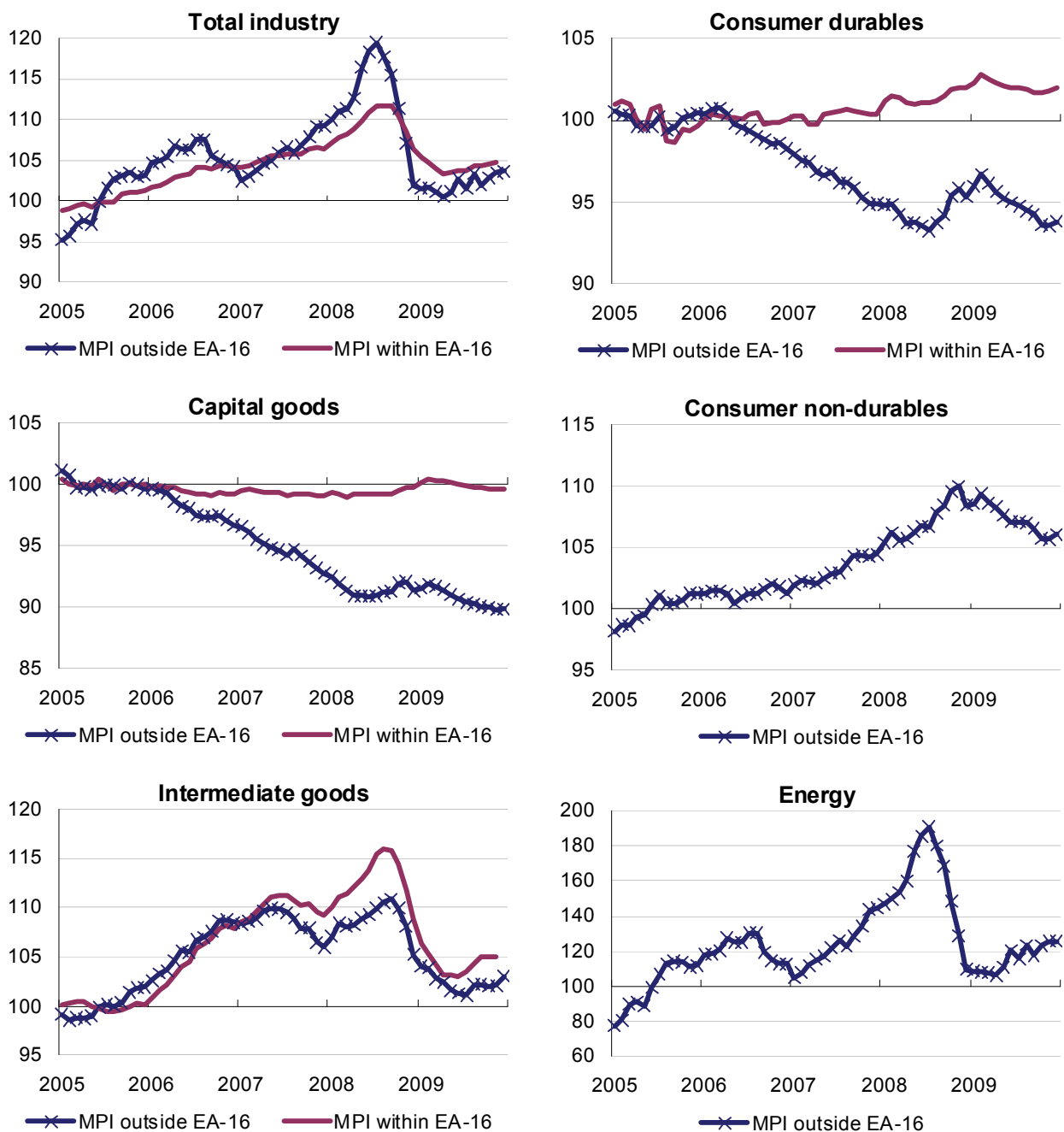
## Analysis of price developments according to the origin of imports

Figure 3 shows MPIs for imports from within and outside of the euro area. For consumer durables and for capital goods the MPIs from these two markets diverged quite notably, which may be partly explained by exchange rate changes between the euro and other currencies. In both cases the MPIs from outside the euro area recorded an overall downward trend while the MPIs from within the euro area were relatively stable or recorded an upward trend.

For intermediate goods the MPIs from both within and outside of the euro area developed generally in a similar fashion. MPIs for consumer non-durables and energy are only available for imports from outside of the euro area, due to missing country data. The MPIs from outside of the euro area for total industry and energy show a striking similarity, indicating that energy is the driving factor for the MPI for total industry due to a combination of large movements and a major weight (see page 5).

**Figure 3: Import price index, euro area (2005=100)**

Note: different scales are used in these graphs.



Source: Eurostat ([sts.inpi.m](http://sts.inpi.m))

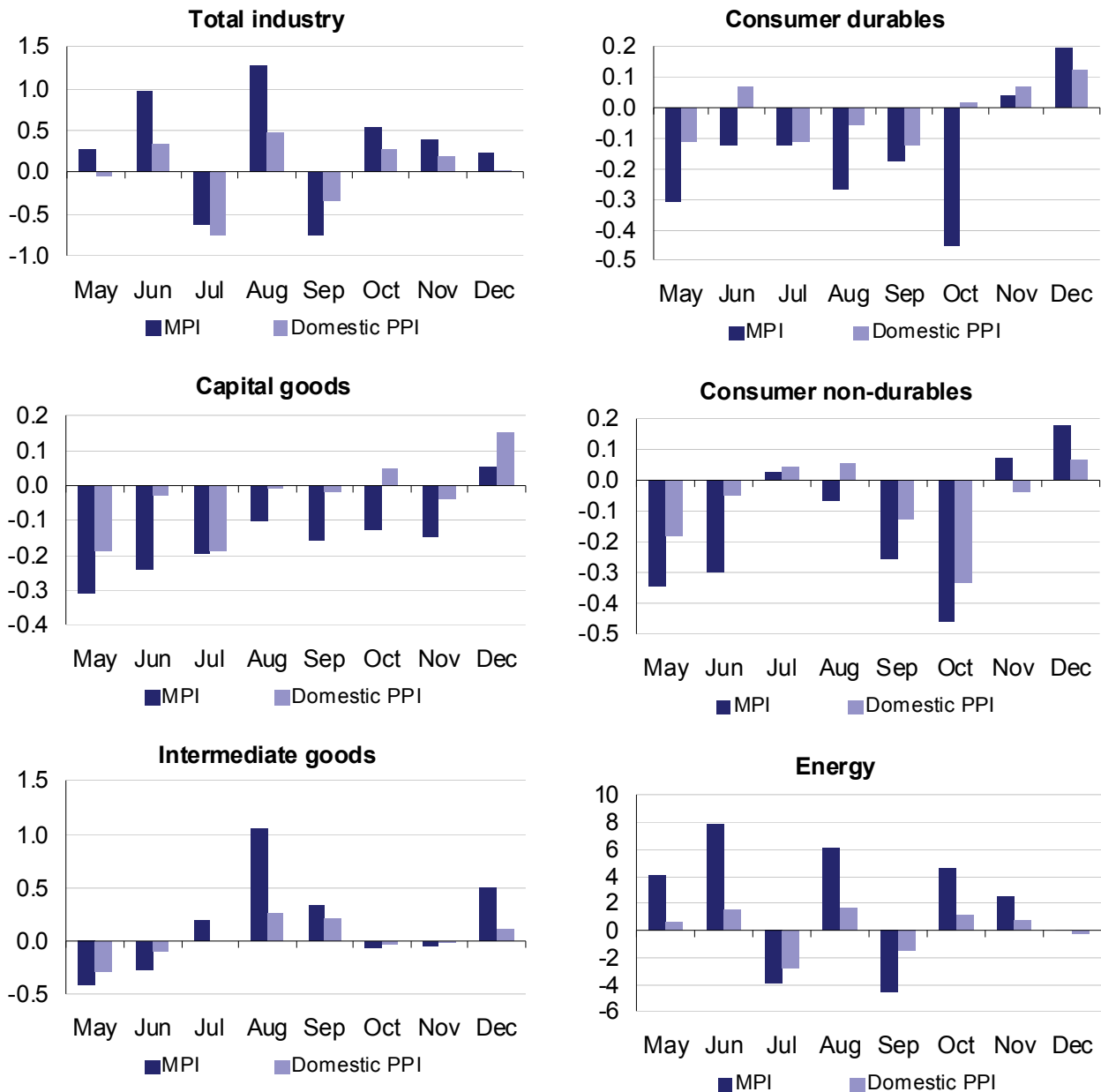
## Comparison of import price indices with domestic producer price indices

Figures 4 and 5 as well as Table 2 compare the total MPI with the domestic PPI, and as such give a complete overview of price developments for products available within any given market, regardless of whether they have been imported or not.

For total industry it can be seen that increases in the MPI generally outstripped increases in the domestic PPI over the period shown. A similar picture can be observed for energy, and to a lesser extent for intermediate goods, again underlining the important contribution of energy to the total industry MPI.

**Figure 4: Total import price and domestic producer price indices, price changes compared to the previous month, euro area, 2009 (%)**

Note: different scales are used in these graphs.



Source: Eurostat ([sts\\_inpi\\_m](#), [sts\\_inpp\\_m](#))

The importance of each industrial Division in the total industry price indices is illustrated in the 'Weight' columns in Table 2. The biggest difference in weights between the MPI and domestic PPI concerns electricity, gas steam and air conditioning supply (Division 35) which has almost no weight in the MPI, but makes up just under 15 % of the domestic PPI. In contrast, the extraction of petroleum and gas, and computer, electronic and optical products (Divisions 06 and 26) are much more important for the MPI.

Over the period shown in Table 2 several of the mining and extraction activities (Divisions 05, 06

and 07) recorded large price increases and price falls for both the MPI and the domestic PPI. Nevertheless, the timing of these price changes varied between the two indices, such that in any particular month the rates of change for the MPI and for the domestic PPI were often quite different. For most other activities both of these indices were much less volatile during the period studied. The manufacture of chemicals was unusual in that it recorded price changes that were broadly similar for both the MPI and the domestic PPI, during the period from July to December 2009.

**Table 2: Import and domestic producer price indices, price changes compared to the previous month, euro area, 2009 (%)**

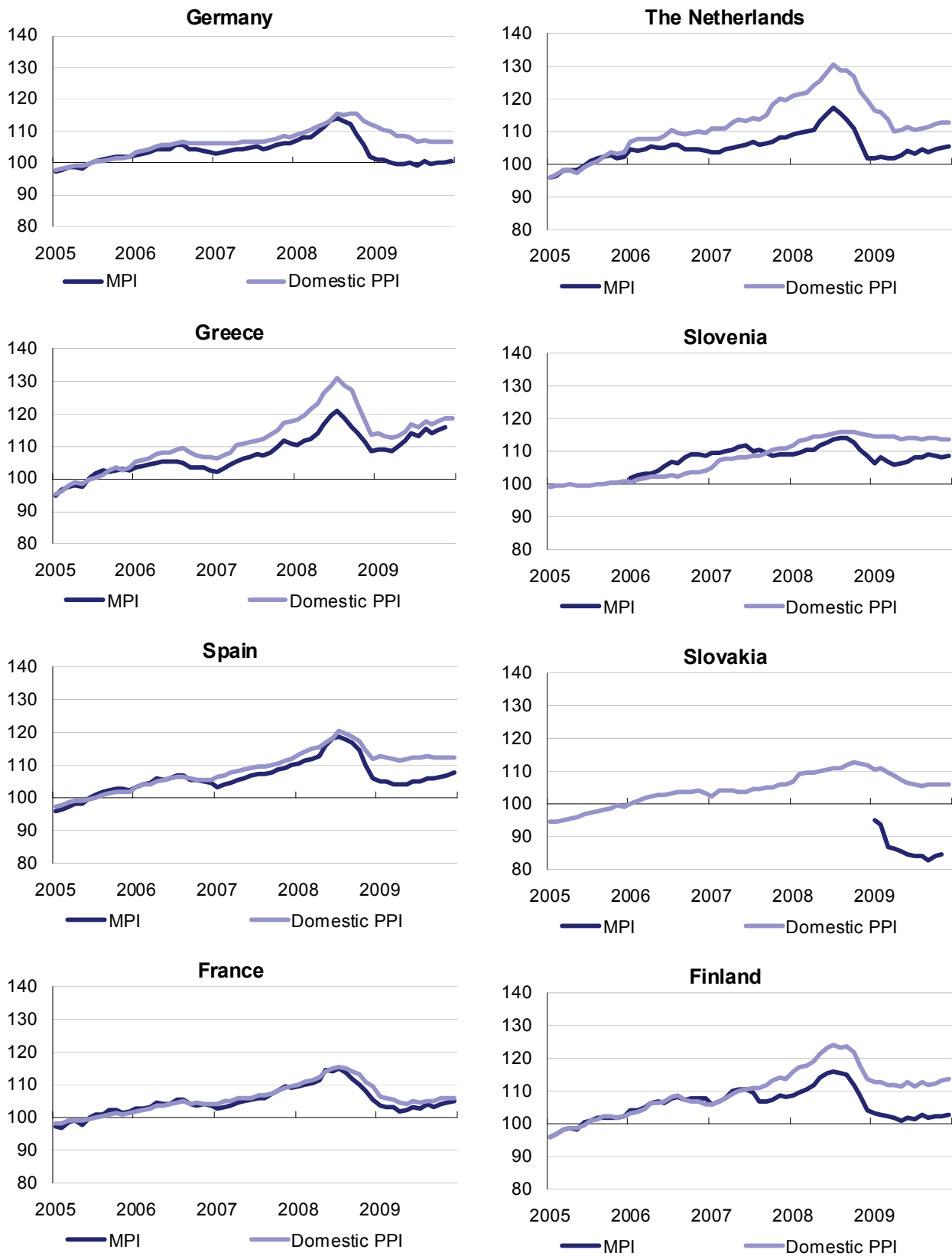
		MPI							Domestic PPI						
		Weight	Jul	Aug	Sep	Oct	Nov	Dec	Weight	Jul	Aug	Sep	Oct	Nov	Dec
Total industry	B-D	100	-0.6	1.3	-0.8	0.5	0.4	0.4	100	-0.8	0.5	-0.3	0.3	0.2	0.1
Mining of coal & lignite	05	0.5	-3.0	-0.3	-5.3	0.8	-0.6	1.1	0.1	-1.7	-2.2	2.2	-1.8	-0.1	2.7
Petroleum & gas extraction	06	9.1	-4.6	6.3	-4.5	4.8	2.7	0.7	0.5	-6.8	-1.9	0.6	6.4	4.8	-0.8
Mining of metal ores	07	0.7	-2.8	4.4	1.1	-2.1	-0.3	3.9	0.0	5.5	-9.2	-1.1	1.3	3.5	4.3
Other mining & quarrying	08	0.7	:	:	:	:	:	:	0.7	0.0	0.2	-0.3	0.1	-0.1	-0.2
Mining support services	09	0.0	:	:	:	:	:	:	0.1	:	:	:	:	:	:
Food products	10	5.4	-0.3	0.0	-0.4	-0.7	0.3	0.4	11.9	0.0	0.0	-0.3	-0.7	-0.1	0.1
Beverages	11	0.9	0.5	0.0	-0.2	-0.2	0.0	-0.1	2.0	-0.1	-0.1	-0.2	-0.1	-0.2	0.4
Tobacco products	12	0.3	-0.1	-0.2	0.0	1.7	1.9	-0.3	0.7	1.0	0.1	0.1	0.3	0.3	0.0
Textiles	13	1.6	-0.1	-0.1	-0.1	-0.1	0.0	0.2	1.3	0.0	0.0	-0.3	0.1	0.1	-0.1
Wearing apparel	14	3.2	0.3	-0.1	0.1	-0.8	-0.1	0.1	1.4	0.0	0.2	-0.2	-0.1	-0.1	-0.1
Leather & related products	15	1.3	0.0	-0.1	0.2	-0.9	-0.1	0.3	0.6	0.4	0.3	0.0	0.2	-0.2	0.2
Wood & wood products	16	1.0	0.0	0.2	0.2	0.4	0.3	0.2	1.7	0.0	0.1	0.0	0.1	-0.2	0.1
Paper & paper products	17	2.1	-0.2	0.0	0.2	0.5	0.4	0.4	2.0	-0.4	-0.4	0.4	0.4	0.5	0.2
Printing & reproduction of recorded media	18	0.0	:	:	:	:	:	:	1.7	-0.3	-0.1	-0.1	-0.2	-0.3	0.1
Coke & refined petroleum	19	4.1	:	:	:	:	:	:	8.1	-2.8	6.0	-3.4	1.9	2.5	-0.4
Chemicals & chem. prod.	20	9.4	0.8	0.9	0.7	0.0	-0.4	0.2	5.3	0.7	0.6	0.3	0.1	0.0	0.3
Pharmaceutical products & preparations	21	5.1	:	:	:	:	:	:	2.3	0.2	-0.2	-0.2	0.1	0.1	0.1
Rubber & plastic products	22	2.8	-0.4	0.0	-0.4	0.2	0.1	0.1	3.4	0.1	0.2	0.1	0.1	-0.1	-0.1
Other non-metallic mineral products	23	1.3	0.1	-0.1	0.1	-0.2	0.0	-0.1	3.8	-0.1	0.0	-0.3	-0.1	0.0	-0.1
Basic metals	24	6.1	0.9	3.7	1.0	-0.3	-0.2	1.1	4.2	-0.6	1.6	1.5	0.1	0.3	0.2
Fabricated metal products	25	2.4	-0.2	-0.1	-0.2	-0.2	-0.3	0.3	6.8	-0.2	0.1	-0.1	-0.2	-0.2	0.0
Computer, electronic & optical products	26	12.6	-0.6	-0.5	-0.1	-0.4	0.0	0.3	3.1	-0.5	-0.4	-0.1	-0.1	0.3	-0.1
Electrical equipment	27	4.5	0.0	0.0	-0.2	0.0	0.1	0.3	3.4	0.1	0.0	0.5	0.1	-0.1	0.2
Machinery & equip. n.e.c.	28	8.5	0.0	-0.1	-0.1	-0.2	0.0	0.1	5.3	-0.4	-0.1	-0.1	0.1	0.0	0.1
Motor vehicles, (semi-)trailers	29	11.6	-0.1	0.1	-0.1	-0.1	-0.2	0.0	8.0	-0.2	-0.1	0.0	0.0	0.0	0.2
Other transport equipment	30	0.6	0.4	-0.1	-0.5	-0.2	-0.2	0.3	2.0	-0.5	-0.4	-0.1	-0.2	-0.4	0.3
Furniture	31	1.1	0.1	0.0	-0.4	0.0	-0.1	0.2	1.6	0.1	0.0	-0.1	0.0	-0.1	0.0
Other manufacturing	32	2.5	-0.2	-0.2	-0.3	-0.1	0.1	0.2	1.0	-0.1	0.0	0.4	0.3	0.3	0.0
Repair & installation of machinery & equipment	33	0.0	:	:	:	:	:	:	2.1	:	:	:	:	:	:
Electricity, gas, steam & air conditioning supply	35	0.5	:	:	:	:	:	:	14.9	-2.8	-0.1	-0.7	0.7	-0.1	0.2

Source: Eurostat ([sts\\_inpi\\_m](#), [sts\\_inpp\\_m](#))

Figure 5 shows that, in the selected countries (see methodological note), the developments of the total MPI and the domestic PPI for total industry followed similar patterns, with the total import

price index generally recording lower price increases. France showed the smallest difference between these indices.

**Figure 5: Total import and domestic producer price indices, price changes compared to the previous month (%)**



Source: Eurostat ([sts\\_inpi\\_m](#), [sts\\_inpp\\_m](#))

## METHODOLOGICAL NOTES

### Data sources

The source for all of the data presented in this publication is Eurostat's short-term business statistics (STS).

### Definitions

The definitions of short-term statistics variables are laid down in Commission Regulation (EC) No 1503/2006 of 28 September 2006 <sup>(1)</sup>.

### Import price index

Import price indices aim to measure the transaction price development of imported goods purchased from non-domestic areas by domestic residents. All the related services are initially excluded from the scope. The price indices should track the price movements of comparable items over time.

Like output price indices, MPI are calculated as a weighted average of price changes for a selection of representative products. In this way MPIs differ from import unit value indices which are calculated from the value of imports divided by the quantity of imports, which therefore reflect changes not only in the price of imports, but also the composition of imports.

### Output price index

The output (or producer) price index for an economic activity measures the average price development of all goods and related services resulting from an activity. The appropriate price is the basic price that excludes VAT and similar deductible taxes directly linked to turnover as well as all duties and taxes on the goods and services invoiced by the unit, whereas subsidies on products received by the producer, if there are any, should be added.

### Information by market

The distinction between markets (domestic, euro area, non-euro area) require separate indices to be compiled according to the origin/destination of the product, which is determined by the residency of the third party that has supplied/ordered/purchased the product.

### Classifications

The import price index is compiled using the 2008 classification of products by activity (CPA). The domestic PPI is compiled using NACE Rev. 2. The classification by the main industrial groupings (MIGs) <sup>(2)</sup> is based on a regrouping of activities from the Group level of CPA 2008 or NACE Rev. 2. In this publication, total industry is defined as Sections B, C

<sup>(1)</sup> *Official Journal No L 281, of 12 October 2006.*

<sup>(2)</sup> *Commission Regulation No 656/2007 of 14 June 2007. Official Journal No L 155/3, of 15 June 2007.*

and D (referred to in this publication as B-D) for CPA 2008 or NACE Rev. 2.

### Geographical coverage

The main reporting entity of this SiF is the euro area, an aggregate that is consistently composed of the 16 countries that (at the time of writing) participate in the euro area: Belgium, Germany, Ireland, Greece, Spain, France, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.

This publication also presents a limited set of data for a few of the bigger euro area countries, as well as Denmark and Sweden. When data are confidential or not available these have been removed from tables, but confidential data are used in the calculation of the euro area aggregates.

Italy does not provide data as the Italian MPI are still under development. As a consequence, for some activities, the coverage is not sufficient to calculate euro area aggregates. See also European sample scheme below.

### European sample scheme

The European sample scheme aims to ensure that Eurostat can produce a credible estimate of the index for an aggregate of the euro area countries for the full range of CPA products foreseen in the STS Regulation, whilst limiting the data collection in countries. For the import price index, countries are free to choose whether to meet the full requirements of the STS Regulation for the import price index, or only to provide information for a limited range of CPA headings as part of the European sample scheme. Another feature of the European sample scheme is that countries participating may limit their data provision to the prices of imports from non-euro area countries only, although some countries (Slovenia and Finland) also provide data on total MPI on a voluntary basis.

In practice, the following countries participate in the European sample scheme for import prices: Belgium, Ireland, Cyprus, Luxembourg, Malta, Austria, Portugal, Slovenia and Finland.

### Abbreviations and symbols

EA-16	Euro area of 16 Member States
ESS	European sample scheme
CPA	Classification of products by activity
MPI	import price index
NACE	Classification of economic activities in the European Community
PPI	producer price index
:	not available

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## Further information

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Eurostat Website: <http://ec.europa.eu/eurostat>

Data on "Short-term business statistics"

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Manuscript completed on: 12.03.2010

Data extracted on: 11.02.2010

ISSN 1977-0316

Catalogue number: KS-SF-10-014-EN-N

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