

14, February 2007

## Press Release

### Consumer Price Index

January 2007

#### *Consumer prices up 2.6% in January 2007 on a year earlier*

In January, the goods and services included in the Portuguese Consumer Price Index (CPI) cost on average 2.6% more than in January 2006, 0.1 percentage points (p.p.) higher than in the previous month (see figure 1).

The core inflation index, which excludes energy components and fresh unprocessed food products and intends to reflect price growth trends, rose at a lower rate than the CPI. Compared with January 2006, this index increased 2.0%, 0.6 p.p. lower than the CPI.

The CPI 12-month average rate was, for the seventh month in a row, 3.1%. On a monthly basis, the CPI decreased 0.3%, 0.1 p.p. higher than a year earlier.

The main downward contributions to the CPI monthly rate came from changes in the prices of clothing and footwear goods. These products cost, on average, 14.4% less than in December 2006 as a result of the typical sales period that usually occurs at that time of the year. This index division accounted for almost 58% of the overall monthly price variability.

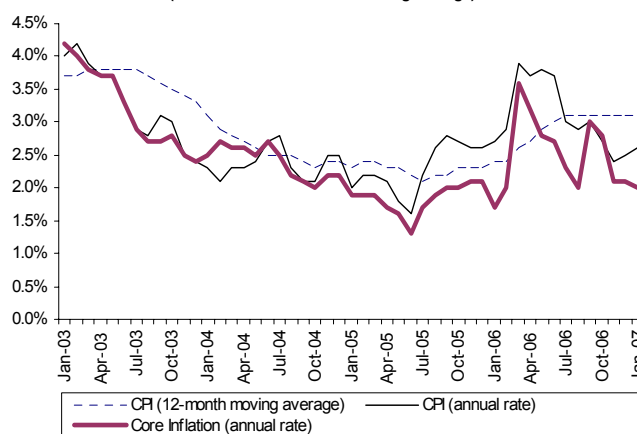
Food and non-alcoholic beverages (1.1%) and Housing, water, electricity, gas and other fuels (2.0%) also had a significant impact on January's month-on-month results as the main upward contributions to the CPI monthly rate were found in vegetables, fish and electricity price rises.

The CPI division covering Alcoholic beverages and tobacco products recorded the biggest difference between the January 2006 and the January 2007 monthly rate of change (-8.5 p.p.). Contrary to last year's results, January 2007 recorded no price increase in tobacco products, which essentially explains the above-mentioned difference.

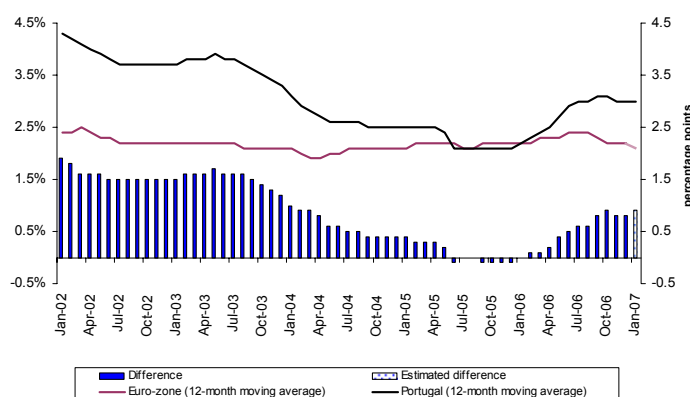
In January, the Harmonised Index of Consumer Prices (HICP) for Portugal rose 2.6% when compared with January 2006, 0.1 p.p. higher than the previous month. The HICP decreased 0.3% between December 2006 and January 2007. The HICP 12-month average rate was, for the second month in a row, 3.0%.

The gap between the Portuguese and the Euro-zone 12-month average rate of change is estimated to have increased from 0.8 p.p. in December 2006 to 0.9 p.p. in January 2007 (see figure 2).

**Fig. 1 - Consumer price and core inflation indexes**  
(annual rate and 12-month moving average)



**Fig. 2 - Harmonised Index of Consumer Prices**  
(Portugal and the Euro area)



For further information, please contact the 'Unidade de Comunicação e Imagem' mentioned below

The February 2007 CPI/HICP will be released on March 14<sup>th</sup> 2007



## Consumer Price Index

The Consumer Price Index (CPI) is an indicator showing how the prices of a certain basket of goods and services bought by a "typical" consumer change over time. The CPI has been designed to capture price changes and not to measure price levels. Both the consumption pattern and the goods and services included in the CPI basket were derived from the year 2000 Household Budget Survey and are updated annually with the most recent information on prices and quantities. The CPI is compiled through the aggregation of seven regional price indexes and the goods and services included in the index are grouped according to the COICOP classification.

**Table 1: CPI/COICOP Index Divisions**

01	Food and non-alcoholic beverages	07	Transports
02	Alcoholic beverages and tobacco	08	Communications
03	Clothing and footwear	09	Recreation and culture
04	Housing, water, electricity, gas and other fuels	10	Education
05	Furnishings, household equipment and routine maintenance of the house	11	Restaurants and hotels
06	Health	12	Miscellaneous goods and services

## Monthly rate

The monthly rate is the change in the index of a certain month compared with the index of the previous month expressed as a percentage. Although up-to-date, this measure can be affected by seasonal and other effects.

## Annual rate

The annual rate is the change in the index of a certain month compared with the index of the same month in the previous year expressed as a percentage. In the presence of a stable seasonal pattern, seasonal effects do not influence this measure.

## 12-month average rate

The 12-month average rate is the change in the average index of one year compared with the average index of the previous year expressed as a percentage. This moving average is less sensitive to transient changes in prices.

## Core inflation index (all items CPI excluding unprocessed food and energy products)

The core inflation index is compiled by excluding unprocessed food and energy products from the all-items CPI. The primary objective of the exclusions is to eliminate some of the CPI components, which are most likely to be affected by temporary "external shocks" and to capture, in this way, the underlying inflation pressures in the economy. Examples of these "external shocks" include, among others, sharp changes in climatic conditions and the supply of raw materials such as oil. The *Serviço de Análise de Conjuntura e Previsão of Departamento de Estatísticas Macroeconómicas* of INE-Portugal releases a core inflation indicator based on a different methodological approach (factorial analysis) and, for this reason, it is possible that differences between the values shown by the two measures exist.

## Harmonised Index of Consumer Prices

The Harmonised Index of Consumer Prices (HICP) is compiled in each member state of the European Union for the purposes of inflation comparisons across EU countries, as required by the Treaty on European Union <sup>1</sup>. This index plays an important role as a guideline for the achievement of the European System of Central Banks primary objective: price stability. In 1998, the European Central Bank adopted the HICP as "the most appropriate price measure" for its definition of price stability in the Euro area <sup>2</sup>.

<sup>1</sup> Article 109j and protocol on the convergence criteria referred to in that article.

<sup>2</sup> "A stability oriented monetary policy strategy for the ESCB". ECB press notice released on 13 October 1998.



**Annexes:**

**CPI rate of change (index division and all items CPI)**

	Index divisions <sup>(1)</sup>												All-items CPI
	01	02	03	04	05	06	07	08	09	10	11	12	
	Annual average rate												
2004	1.1	3.0	-1.1	3.0	1.6	1.7	3.5	-1.0	2.8	9.3	4.6	2.6	2.4
2005	-0.6	4.8	-1.1	4.4	1.3	0.9	5.8	-0.2	1.6	7.0	2.4	2.2	2.3
2006	2.7	9.7	0.5	3.9	1.0	1.5	5.5	-0.9	1.2	5.2	2.3	3.3	3.1
	Annual rate												
2005 January	-0.8	2.6	-1.9	4.4	1.4	1.5	4.6	-0.1	2.3	6.9	2.8	2.8	2.0
February	-0.7	5.1	-1.4	4.3	1.7	1.3	4.4	-0.4	1.8	7.0	2.9	2.7	2.2
March	-0.5	4.5	-1.4	4.5	1.4	1.1	4.5	1.5	2.7	6.9	2.9	2.3	2.2
April	-1.2	4.5	-1.3	4.4	1.3	1.0	5.1	1.5	2.1	6.8	2.6	1.9	2.1
May	-1.0	4.7	-2.1	4.3	1.0	1.1	4.2	1.6	1.5	6.8	2.7	1.8	1.8
June	-1.3	4.8	-1.9	4.2	1.0	1.0	4.6	-0.9	1.1	6.8	1.4	2.0	1.6
July	-1.9	4.9	-1.7	4.6	1.1	1.2	6.6	-0.6	1.7	6.8	2.2	2.2	2.2
August	-0.7	4.8	-0.5	4.6	1.1	1.0	7.1	-0.5	1.5	6.7	2.8	2.1	2.6
September	-0.4	5.2	0.4	4.6	1.2	0.9	8.3	-0.5	0.6	7.2	2.2	2.2	2.8
October	-0.4	5.3	0.1	4.6	1.3	0.6	7.5	-1.1	1.0	8.0	1.7	2.2	2.7
November	0.8	5.3	-0.6	4.1	1.5	0.1	6.3	-1.1	1.2	6.9	2.0	2.1	2.6
December	1.4	5.3	-1.3	3.9	1.5	-0.1	6.2	-1.1	1.4	6.8	2.2	2.0	2.6
2006 January	1.7	14.5	-11.6	4.0	1.5	0.0	8.2	-1.2	1.2	5.3	2.6	2.3	2.7
February	1.8	9.1	-6.5	4.4	1.0	0.2	8.4	-1.1	1.3	5.3	2.0	2.4	2.9
March	1.3	9.4	12.1	4.4	0.7	0.1	7.8	-0.5	1.2	5.7	2.1	2.5	3.9
April	1.7	9.4	5.4	4.1	0.9	0.5	7.9	-0.7	1.7	5.7	2.6	2.9	3.7
May	2.6	9.0	0.9	4.1	1.0	0.7	8.5	-0.6	1.9	5.7	2.3	3.6	3.8
June	3.9	9.2	-0.9	4.1	1.0	0.8	7.4	-0.6	2.2	5.7	2.3	3.6	3.7
July	3.1	9.3	-2.7	3.8	1.2	0.7	6.1	-0.9	1.6	5.7	2.2	3.5	3.0
August	3.2	9.5	-3.0	3.8	0.9	1.2	5.2	-0.9	1.0	5.7	1.7	3.3	2.9
September	3.1	9.3	8.9	3.7	0.9	1.4	2.5	-1.0	0.7	5.9	2.3	3.7	3.0
October	3.6	9.3	6.4	3.3	0.9	2.7	0.8	-1.0	0.4	4.0	2.5	3.9	2.7
November	3.3	9.4	-0.6	3.2	0.9	4.3	1.5	-1.0	0.2	4.0	2.6	3.7	2.4
December	3.1	9.4	-0.9	3.2	0.8	5.5	2.2	-1.3	0.7	4.0	2.2	3.7	2.5
2007 January	4.1	0.8	1.9	3.9	1.5	5.5	1.5	-1.3	0.6	4.0	2.3	3.3	2.6
<b>Symbols:</b>	" estimated (a) provisional x not available												
<b>Notes:</b>	(1) The names of the divisions are given in the explanatory notes.												
<b>Source:</b>	INE - Portugal												



### HICP rate of change (international comparison)<sup>(1)</sup>

	EU-12 <sup>(2)</sup>	EICP <sup>(3)</sup>	BE	BG	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
<b>Annual average rate</b>																													
2004	2.1	2.0	1.9	6.1	2.6	0.9	1.8	3.0	3.0	3.1	2.3	2.3	2.3	1.9	6.2	1.2	3.2	6.8	2.7	1.4	2.0	3.6	2.5	11.9	3.7	7.5	0.1	1.0	1.3
2005	2.2	2.2	2.5	5.0	1.6	1.7	1.9	4.1	3.5	3.4	1.9	2.2	2.2	2.0	6.9	2.7	3.8	3.5	2.5	1.5	2.1	2.2	2.1	9.1	2.5	2.8	0.8	0.8	2.1
2006	2.2(a)	2.2(a)	2.3	7.3	2.1	1.9	1.8	4.4	3.3	3.6	1.9	x	2.2	2.2	6.6	3.8	3.0	4.0	2.6	1.7(a)	1.7	1.3	3.0	6.6	2.5	4.3	1.3	1.5	2.3
<b>Annual rate</b>																													
2005 January	1.9	2.0	2.0	3.3	1.5	0.8	1.6	4.2	4.2	3.1	1.6	2.1	2.0	2.8	6.7	2.8	2.9	4.0	1.9	1.2	2.4	3.8	2.0	8.9	2.3	3.2	-0.2	0.5	1.6
February	2.1	2.1	2.3	3.9	1.4	1.0	1.9	4.6	3.2	3.3	1.9	2.1	2.0	2.4	7.0	3.2	3.2	3.4	2.5	1.5	2.3	3.6	2.1	8.9	2.8	2.7	0.0	1.2	1.7
March	2.1	2.1	2.8	4.3	1.1	1.3	1.6	4.8	2.9	3.4	2.1	1.9	2.2	2.4	6.6	3.2	3.5	3.3	2.6	1.5	2.4	3.4	2.3	8.7	3.3	2.4	0.9	0.5	1.9
April	2.1	2.1	2.4	5.1	1.4	1.7	1.4	4.7	3.3	3.5	2.0	2.2	2.1	2.7	7.1	3.2	3.7	3.8	2.0	1.3	2.3	3.1	2.0	10.0	2.7	2.7	1.2	0.4	1.9
May	2.0	2.0	2.3	4.6	0.9	1.2	1.6	2.9	3.2	3.0	1.7	2.1	2.3	2.1	6.5	1.9	3.7	3.5	2.4	1.0	2.0	2.1	1.8	10.0	2.1	2.4	0.6	0.2	1.9
June	2.1	2.0	2.7	5.1	1.3	1.7	1.8	3.2	3.2	3.2	1.8	1.9	2.1	1.5	6.6	2.0	3.2	3.7	2.1	1.5	2.0	1.4	0.6	9.7	1.7	2.6	1.0	0.8	2.0
July	2.2	2.1	2.7	3.9	1.4	1.8	1.8	3.9	3.9	3.3	1.8	2.2	2.1	1.3	6.3	1.9	4.0	3.6	1.7	1.5	2.1	1.5	1.9	9.4	2.0	2.1	0.9	0.7	2.3
August	2.2	2.2	2.9	5.0	1.4	2.4	1.9	4.2	3.6	3.3	2.0	2.1	2.1	1.5	6.3	2.3	4.3	3.5	2.5	1.6	1.9	1.8	2.5	8.9	1.8	2.1	1.0	1.1	2.4
September	2.6	2.5	3.0	5.4	2.0	2.3	2.5	4.9	3.8	3.8	2.4	2.7	2.2	2.1	7.4	2.5	4.7	3.6	2.0	1.7	2.6	1.9	2.7	8.5	3.2	2.3	1.1	1.1	2.5
October	2.5	2.4	2.2	6.5	2.4	1.9	2.3	4.5	3.7	3.5	2.0	2.6	2.6	2.2	7.7	3.0	5.0	3.1	3.0	1.5	2.0	1.6	2.6	8.2	3.2	3.5	0.8	0.9	2.3
November	2.3	2.3	2.3	6.9	2.2	1.8	2.2	4.0	3.4	3.4	1.8	2.2	2.4	2.0	7.6	2.8	3.6	3.3	4.3	1.6	1.7	1.1	2.5	8.7	2.1	3.6	1.0	1.2	2.1
December	2.2	2.1	2.8	6.4	1.9	2.2	2.1	3.6	3.5	3.7	1.8	1.9	2.1	1.4	7.1	3.0	3.4	3.3	3.4	2.0	1.6	0.8	2.5	8.7	2.4	3.9	1.1	1.3	1.9
2006 January	2.4	2.3	2.8	6.5	2.4	2.0	2.1	4.7	3.0	4.2	2.3	2.5	2.2	2.0	7.6	3.5	4.1	2.5	2.4	1.8	1.5	0.9	2.7	9.0	2.6	4.1	1.2	1.1	1.9
February	2.3	2.2	2.8	8.8	2.4	2.1	2.1	4.5	3.1	4.1	2.0	2.7	2.2	2.3	7.0	3.4	3.9	2.3	2.3	1.4	1.5	0.9	3.0	8.6	2.3	4.3	1.3	1.1	2.0
March	2.2	2.1	2.2	8.7	2.4	1.8	1.9	4.0	3.3	3.9	1.7	2.8	2.2	2.6	6.6	3.1	3.7	2.4	2.9	1.4	1.3	0.9	3.8	8.5	2.0	4.3	1.2	1.5	1.8
April	2.5	2.3	2.6	8.1	2.3	1.8	2.3	4.3	3.5	3.9	2.0	2.7	2.3	2.5	6.1	3.4	3.5	2.4	3.5	1.8	2.1	1.2	3.7	7.0	2.8	4.4	1.5	1.8	2.0
May	2.5	2.4	2.8	8.5	2.8	2.1	2.1	4.6	3.3	4.1	2.4	3.0	2.3	2.5	7.1	3.6	3.6	2.9	3.5	1.8	2.1	1.5	3.7	7.3	3.4	4.8	1.7	1.9	2.2
June	2.5	2.4	2.5	8.2	2.3	2.1	2.0	4.4	3.4	4.0	2.2	2.9	2.4	2.6	6.3	3.7	3.9	2.9	3.3	1.8	1.9	1.5	3.5	7.2	3.0	4.5	1.5	1.9	2.5
July	2.4	2.4	2.4	7.6	2.4	2.0	2.1	4.5	3.9	4.0	2.2	2.9	2.3	2.8	6.9	4.4	3.4	3.2	3.6	1.7	2.0	1.4	3.0	6.2	1.9	5.0	1.4	1.8	2.4
August	2.3	2.3	2.3	6.8	2.6	1.9	1.8	5.0	3.4	3.8	2.1	3.2	2.3	2.7	6.8	4.3	3.1	4.7	3.0	1.9	2.1	1.7	2.7	6.1	3.1	5.0	1.3	1.6	2.5
September	1.7	1.9	1.9	5.6	2.2	1.5	1.0	3.8	3.1	2.9	1.5	2.2	2.4	2.2	5.9	3.3	2.0	5.9	3.1	1.5	1.3	1.4	3.0	5.5	2.5	4.5	0.8	1.2	2.4
October	1.6	1.8	1.7	5.7	0.8	1.4	1.1	3.8	3.1	2.6	1.2	2.2	1.9	1.7	5.6	3.7	0.6	6.3	1.7	1.3	1.3	1.1	2.6	4.8	1.5	3.1	0.9	1.2	2.4
November	1.9	2.1	2.0	6.1	1.0	1.8	1.5	4.7	3.2	2.7	1.6	2.4	2.0	1.3	6.3	4.4	1.8	6.4	0.9	1.6	1.6	1.3	2.4	4.7	2.4	3.7	1.3	1.5	2.7
December	1.9(a)	2.1(a)	2.1	6.5	1.5	1.7	1.4	5.1	3.2	2.7	1.7	x	2.1	1.5	6.8	4.5	2.3	6.6	0.8	1.7(a)	1.6	1.4	2.5	4.9	3.0	3.7	1.2	1.4	3.0
2007 January	1.9"	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	2.6	x	x	x	x	x	x

**Symbols:** " estimated (a) provisional \* revised x not available

**Notes:** (1) From January 2006 onwards: base 100=2005; index rates of change calculated based on indexes rounded up to two decimal places.

(2) Member States belonging to the Euro area; (3) European Index of Consumer Prices: EU-15 until April 2004 and EU-25 onwards.

**Source:** INE-Portugal and Eurostat.

**Code abbreviations of the Member States:**

BE	Bélgica	EE	Estónia	IT	Itália	HU	Hungria	PT	Portugal	SE	Suécia
BG	Bulgária	EL	Grécia	LV	Chipe	MT	Malta	RO	Roménia	UK	Reino Unido
CZ	República Checa	ES	Espanha	CY	Letónia	NL	Países Baixos	SI	Eslovénia		
DK	Dinamarca	FR	França	LT	Lituânia	AT	Áustria	SK	Eslováquia		
DE	Alemanha	IE	Irlanda	LU	Luxemburgo	PL	Polónia	FI	Finlândia		