LATEST TRENDS IN CONSUMER PRICES

The rate of increase in consumer prices in the OECD area slowed to 0.2 per cent in May from 0.4 per cent in April (1). In Japan, the rate dropped sharply to 0.1 per cent, helped by a significant fall in fresh vegetable prices, after having risen by 1.1 per cent in April. In Europe, the rate of consumer-price inflation fell slightly from 0.5 per cent in April to 0.4 per cent in May. The main contribution to this slight fall in European inflation was in the United Kingdom, whose inflation rate fell back to 0.3 per cent compared with 1.5 per cent in April when higher excise taxes temporarily raised the price level. Prices also fell slightly in Iceland (-0.1 per cent) and remained stable in the Netherlands and Sweden. In North America, inflation remained at a low 0.1 per cent rate. Taken over twelve months, the rate of consumer-price inflation for the OECD area as a whole edged down from 3.6 per cent in April to 3.5 per cent in May.

Consumer prices in the OECD area, excluding food and energy, an indicator of "underlying" inflation, rose by 0.3 per cent in May, down slightly from 0.4 per cent in April (2). This slight deceleration reflected developments in Japan (down from 1.1 to 0.5 per cent) and Europe (down from 0.6 to 0.4 per cent). In North America, underlying inflation remained unchanged at 0.1 per cent. Measured over twelve months, the underlying rate of OECD inflation drifted down from 4.0 per cent in April to 3.9 per cent in May - a level around which it has stabilised since the beginning of this year.

(1) Excluding Turkey, a high-inflation country. Including Turkey, the increase remained unchanged at 0.2 per cent in May and amounted to 4.5 per cent when measured over twelve months.

(2) Excluding Greece, Iceland, Portugal, Sweden and Turkey, for which data are not available.

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END-OF-TEXT