

# Compendium of HICP reference documents (2/2001/B/5)



EUROPEAN  
COMMISSION



THEME 2  
Economy  
and  
finance

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## FOREWORD

To achieve the objectives set by the Treaty of the European Union, and more specifically Economic and Monetary Union, we need high-quality statistical instruments which provide the Community institutions, governments and economic and social operators with a set of harmonized and reliable statistics on which to base their decisions.

The Harmonized Indices of Consumer Prices (HICPs) are the result of several years work. They draw on the experience and expertise of EU National Statistical Offices' price experts and user representatives from the European Central Bank, national central banks and the Commission's Directorate-General for Economic and Financial Affairs. The European Commission is deeply grateful to all partners, and especially National Statistical Institutes, for the perseverance and expertise with which they helped Eurostat to accomplish the harmonization task which is still continuing.

The result of this collaborative effort is the achievement of a harmonised methodology, built on a solid legal basis, that provides a high degree of comparability, reliability and timeliness.

Given the growing interest for and importance of the HICP, it seems opportune to share with users a comprehensive reference for the harmonized methodology. This Compendium is, therefore, intended to support not only those concerned with managing, understanding and analysing the European economy, but also those generally interested in inflation measurement issues. The set of compiled texts includes technical and non-technical documents, as well as the whole legal framework to date.

The HICPs are a new family of consumer price indices calculated according to a harmonized approach and a regulated set of definitions. The HICPs provide the best statistical basis for international comparisons of consumer price inflation in the European perspective, covering virtually all areas of household final monetary consumption expenditure (HFMCE). The most prominent among HICPs is the Monetary Union Index of Consumer Prices (MUICP = Euro-zone). The MUICP is the key indicator of price stability for the European System of Central Banks (ESCB) and the European Central Bank (ECB). The ECB has recently referred to the important role played by the HICP in our economies and societies. The use of the HICP has been widened to non-monetary policy areas, and its function as a benchmark to index economic and financial values and variables is being developed.

HICP data are published every month following a pre-determined timetable (in general about 17 days after the end of the reference month). Flash estimates of the MUICP are published around the end of the reference month. National HICPs for each of the 15 EU Member States are also published by Eurostat. These data can be found under Theme 2 - Economy and Finance -, on Eurostat's 'Statistics in focus' publication, available either through Eurostat's website (<http://europa.eu.int/comm/eurostat/>) or the Datashop Network.

I recommend this Compendium to all those with an interest in price indices.

DECEMBER 2001

Yves FRANCHET  
Director-General  
Eurostat

# COMPENDIUM OF HICP REFERENCE DOCUMENTS

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*December 2001*

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● Available in English on the following sites: <a href="http://www.europa.eu.int/comm/eurostat">www.europa.eu.int/comm/eurostat</a> or <a href="http://forum.europa.eu.int/Members/irc/dsis/hiocp/home">http://forum.europa.eu.int/Members/irc/dsis/hiocp/home</a> . French and German versions expected to be available on January 2002.	

# I

# **GENERAL REFERENCES**



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 21.11.2000  
COM(2000) 742 final (\*)

**REPORT (\*)**  
**FROM THE COMMISSION TO THE COUNCIL**  
**ON HARMONIZATION OF CONSUMER PRICE INDICES**  
**IN THE EUROPEAN UNION**

(\*) **Some parts of the Report (Tables 10, 11 and Annex II) have been updated in order to take account of data as of March 2001.**

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## ABBREVIATIONS USED IN THE TEXT

A	Austria
B	Belgium
CC	Candidate Country
CEIES	Committee on Statistical Information in the Economic and Social Spheres
CET	Central European Time
CMQ	Compliance Monitoring Questionnaire
COICOP	Classification Of Individual CONsumption by Purpose
COLI	Cost of Living Index
CPIs	Consumer Price Indices
D	Germany
DK	Denmark
EA	Elementary Aggregates
EC	European Community
ECB	European Central Bank
EEA	European Economic Area
EEAICP	European Economic Area Index of Consumer Prices
EICP	European Index of Consumer Prices
EL	Greece
EMU	Economic and Monetary Union
ES	Spain
ESA	European System of Accounts
ESCB	European System of Central Banks
EU	European Union
F	France
FIN	Finland
FISIM	Financial Intermediation Services Indirectly Measured
GM	Geometric Mean
HBS	Household Budget Survey
HFCE	Household Final Consumption Expenditure
HFMCE	Household Final Monetary Consumption Expenditure
HICP	Harmonized Indices of Consumer Prices
I	Italy
IMF	International Monetary Fund
IQI	Implicit Quality Indices
IRL	Ireland
JO	Official Journal of the European Communities

L	Luxembourg
MS	Member State
MUICP	Monetary Union Index of Consumer Prices
N	Norway
NA	National Accounts
NL	Netherlands
NPISH	Non-Profit Institutions Serving Households
NSI	National Statistical Institute
OECD	Organisation for Economic Co-operation and Development
OOH	Owner-Occupied Houses
P	Portugal
PC	Personal Computer
Phare	Action plan for coordinated aid to Poland and Hungary (subsequently extended to the remainder of the Central and East European countries)
PPP	Purchasing Power Parities
PPS	Purchasing Power Standards
RAM	Ratio of Arithmetic Mean prices
S	Sweden
SDDS	Special Data Dissemination Standards
SPC	Statistical Programme Committee
TF	Task Force
TQM	Total Quality Management
TV	Television
UK	United Kingdom
UN	United Nations
UNSD	United Nations Statistics Division
US	United States of America
WP	Working Party

**REPORT**

**FROM THE COMMISSION TO THE COUNCIL**

**ON HARMONIZATION OF CONSUMER PRICE INDICES**

**IN THE EUROPEAN UNION**

According to:

- Article 15 of Council Regulation (EC) No 2494/95
- Article 2 of Council Regulation (EC) No 1687/98
- Article 2 of Council Regulation (EC) No 1688/98
- Article 8(2) of Council Regulation (EC) No 2166/1999

## 1. EXECUTIVE SUMMARY

As required by Council Regulation (EC) No 2494/95 <sup>(1)</sup>, Harmonized Indices of Consumer Prices (HICPs) have been produced and published on a common reference base 1996=100, common coverage of consumer goods and services and a common classification since March 1997.

In February 1998 the Commission (Eurostat) reported to the Council [COM (1998) 104 final] (hereinafter referred to as the Report) on the HICPs established and in particular on their reliability and compliance with the comparability requirements. The Report noted that these indices had been accepted by both the Commission and the European Monetary Institute as providing satisfactory measures for the assessment of convergence. Eurostat and the main users were, however, looking for further improvements in the quality and comparability of the HICPs for their use in monetary policy and the monitoring of inflation in the Economic and Monetary Union. The Report specifically mentioned concerns over the issues of quality adjustment, sampling methods and the coverage of goods and services. Over the two years since that Report the Commission (Eurostat) has, with National Statistical Institutes, focused on these issues together with the presentation of timely and comprehensive indices to the European Central Bank and other users.

The initial HICPs, although fairly comprehensive in coverage, were for the most part the common denominator of the national Consumer Price Indices (CPIs). Since then, with considerable effort and co-operation by Member States, coverage has been extended to almost all of consumers' expenditure. In particular the difficult areas of health, education and social protection services are now largely covered, as are insurance and financial services. These and the geographic and population coverage are included according to agreed definitions thus ensuring comparability despite major institutional differences.

Other improvements in comparability have come from agreements on the treatment of 'tariff' prices, such as electricity and telephones, and the willingness of Member States to update weights and to ensure that prices of new goods, such as mobile phones and PCs, are included. Although the Regulations imposed no requirements on Member States for an annual comprehensive updating of weights three Member States have moved to annual updating and others are either considering this or are planning an early updating. As a result HICPs have rather more up-to-date and relevant weights than was the case with CPIs before harmonization.

There is as yet no consensus as to whether owner-occupiers face inflation that should be covered by the HICPs, other than in the prices of repairs and maintenance. The possibility of constructing an index of the net acquisition expenditure of owner-occupied dwellings (house prices) has been examined and found to involve considerable practical difficulties for a number of Member States. Depending on one's point of view owner-occupiers' costs other than monetary expenditure are either not an issue of consumer inflation or they are an issue but with no practical solution.

Perhaps not at all unexpectedly, the problem of quality adjustment has proved to be intractable. Nevertheless, some slow progress has been made, such as the introduction of implicit quality indices (IQIs) on an experimental basis as a practical monitoring instrument. Concern that CPIs were biased upwards on account of a failure to allow for

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<sup>(1)</sup> OJ L 257, 27.10.1995, p. 1.

quality change, particularly in high-tech goods such as PCs, increased following the 'Boskin Commission' Report in December 1996 on the US CPI, and the Hoffmann Report on the German CPI (1998). The Commission (Eurostat) considered the arguments of bias in some detail.

However, whilst recognising that quality change was a major issue, it concluded that a case of systematic bias in any CPI could not be supported in the absence of any agreement on what constituted quality change or on appropriate operational methods for allowing for such changes. The Boskin argument based on cost-of-living index theory, while interesting, did not apply to the HICP, which is a Laspeyres-type index aimed at measuring inflation, and the assumptions underlying the theory were not generally met. The Commission (Eurostat) is, nevertheless, closely following attempts by the US Bureau of Labour Statistics to develop quality adjustments for PCs and other consumer goods and services.

It continues to seek agreement with Member States on practical measures to improve quality adjustments. Comparisons between countries of actual adjustments made have highlighted sometimes large and unacceptable differences at sub-index level, and Member States have been made aware of these.

Work with Member States on sampling methods has made rather more progress, although here too there is a lack of an adequate theoretical framework. While statistical sampling theory is well developed its application to price indices, where price change must be measured in a dynamic economy, involves conceptual issues that have not been resolved. It is also the case that, for reasons of economy, most Member States take purposive rather than probability samples. The main thrust of regulation will be towards an adequate representation of currently available goods and services. The potential benefits of improved price information in the form of 'scanner data' from supermarket checkouts are also being considered by a number of Member States.

Since the start of Stage III of EMU in January 1999 there has been a shift of emphasis from national HICPs towards the Monetary Union Index of Consumer Prices (MUICP), which is the centre of interest for the ECB in its assessment of price stability in the euro zone. The Commission (Eurostat) now publishes the MUICP together with the monthly HICPs and a comprehensive range of sub-indices to a timetable some 18 days earlier than required by the framework Council Regulation. The indices are made available through the Commission's (Eurostat) NewCronos database and its website together with supporting explanatory data on methods of construction. Candidate Countries have, with expert help from the Commission (Eurostat) and Member States, made considerable progress in constructing consumer price indices following the HICP requirements and these are also available.

The Commission (Eurostat) believes that the HICPs represent a considerable co-operative achievement resulting in markedly improved measures of inflation not only for informing monetary policy for the Monetary Union but also for the Governments of Member States. Nevertheless, there still remains much to be done to ensure the overall reliability, relevance and comparability of the indices. The forward programme of work with Member States therefore seeks to consolidate and explicate (with practical guidelines) existing standards and, where there remains potential for systematic differences such as in quality adjustment, to develop the necessary new standards. It also seeks to develop operational monitoring systems sufficient to assure users that all HICPs and the MUICP meet the established standards and those yet to be agreed.



## 2. INTRODUCTION

On 23 October 1995, the Council of Ministers adopted a Regulation <sup>(2)</sup> setting the legal basis for the establishment of a harmonized methodology for compiling consumer price indices (CPIs) in EU Member States.

HICPs served as a criterion for entering the Economic and Monetary Union (EMU) and are the basis for compiling the European Index of Consumer Prices (EICP) and the Monetary Union Index of Consumer Prices (MUICP) which latter provides the official measure of inflation in the euro-zone. Therefore, in the beginning of the harmonization project the most important use of the HICPs was in the application of the criterion of convergence for price stability in the context of the preparations for Stage III of EMU. In line with this, the harmonisation work during this period focused on measures to remove or reduce significant long-term effects (non-comparabilities), as those were most likely to distort the assessments of sustainable price stability. This approach followed the Treaty on European Union which said that ‘inflation shall be measured by means of a consumer price index on a comparable basis taking into account differences in national definitions’.

The first of January 1999 was a historic date in the process of European economic integration. Stage III of Economic and Monetary Union began with 11 countries participating in the single currency. From that date, there is a single interest rate applied in the euro-zone, fixed by the European Central Bank (ECB). As required by the Treaty the maintenance of price stability is the primary objective of the European System of Central Banks (ESCB). Wim Duisenberg, the President of the ECB, announced in October 1998 <sup>(3)</sup> that it would be operating a flexible monetary policy strategy, ensuring price stability in the euro-zone based on a monetary reference value and a mix of other indicators (*‘price stability shall be defined as a year-on-year increase in the Harmonised Index of Consumer Prices for the euro area of below 2%’*) <sup>(4)</sup>.

Council Regulation (EC) No 2494/95 concerning Harmonized Indices of Consumer Prices (HICPs) (hereinafter referred to as the framework Regulation) laid down a **stepwise approach**, each step requiring specific implementing measures which were legislated in the form of Commission Regulations. Regarding the process for implementing HICPs it should be stressed that the framework Regulation foresaw a procedure with the Statistical Programme Committee (SPC) acting as Regulatory Committee. (The SPC comprises the Directors-General of the National Statistical Institutes.)

Within this framework, rules as well as guidelines or non-obligatory statements of good practice have been drawn up in collaboration with Member States for the construction of HICPs. To date, ten detailed Regulations have been adopted establishing specific implementing measures governing the production of the HICP.

The first Commission Regulation (EC) No 1749/96 on initial implementing measures covered six technical areas: initial coverage, newly significant goods and services, elementary aggregates, and minimum standards for quality adjustment, sampling and prices. The second Commission Regulation (EC) No 2214/96 related to the HICP and its

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<sup>(2)</sup> Council Regulation (EC) No 2494/95 (OJ L 257, 27.10.1995, p. 1)

<sup>(3)</sup> See text distributed at *ECB Press Conference*, Frankfurt, 13.10.1998.

<sup>(4)</sup> Wim Duisenberg at *ECB Press Conference*, Frankfurt, 13.10.1998.

sub-indices that are transmitted to and disseminated by Eurostat. Commission Regulation (EC) No 2454/97, defined minimum standards for the quality of the weights used to construct the HICP.

Furthermore, two implementing Council Regulations (Council Regulations (EC) Nos 1687/98 and 1688/98) extend the HICP coverage by December 1999 and December 2000. The fourth Commission Regulation (EC) No 2646/98 laid down minimum standards for the treatment of tariff prices, and Commission Regulation (EC) No 1617/1999 concerned the minimum standard for the treatment of insurance.

Commission Regulation (EC) No 1749/1999 updated the classification which was laid down in Commission Regulation (EC) No 2214/96. The most recent Regulation, Council Regulation (EC) No 2166/1999, laid down minimum standards for the treatment of products in the health, education and social protection sectors in the HICP. At the SPC meeting in May 2000, the SPC expressed a favourable opinion on two further draft Regulations (draft Regulation on the treatment of reduced prices in the HICP, and draft Regulation on the timing of entering purchaser prices into the HICP). The full set of HICP legal acts is listed in Annex I to this Report.

As already stressed in the first Report, the production of a consumer price index is an elaborate and sensitive operation. Many of the necessary changes were agreed in lengthy discussions and required substantial preparation before implementation.

The first Report reported on the state of HICPs as in the end of 1997 after the approval of the first three implementing Regulations.

This Report, building on the above, focuses on the improvements that have been achieved in the design of the index since then and elaborates further on quality aspects in the index. Furthermore, it gives an overview of the work programme forward to 2002.

### 3. BASIC CONCEPTS AND DEFINITIONS

#### 3.1. Aim and Scope of the HICP

The HICP is produced in each Member State using a harmonized methodology developed by European price statisticians led by Eurostat. It is the main measure of price stability in the euro-zone. The HICP is used for the assessment of convergence in the EU, and financial markets value these indices since they provide comparable measures across EU Member States.

Following the Maastricht Treaty the aim of the HICP is to measure inflation by means of the consumer price index on a comparable basis, taking into account differences in national definitions. However, this did not allow for the fact that there is no operational definition of 'inflation'. Definitions exist only on a general level, of which the most widely accepted is probably that 'inflation is a persistent increase in the general level of prices'. With this definition in mind and having regard to the opinion and the needs of the main users, it was decided to compute the HICP as a Laspeyres-type price index that is based on the prices of goods and services available for purchase in the economic territory of the Member State for the purpose of directly satisfying consumer needs. Based on this concept and by reference to the European System of Accounts (ESA 95) the coverage of the HICP was taken as 'household final monetary consumption expenditure'. This defines the goods and services, the population and the geographic territory to be covered as well as the prices and the weights to be used.

The HICP may thus be described as a Laspeyres-type 'consumer inflation' or 'pure price' index measuring average price change on the basis of the changed expenditure of maintaining the consumption pattern of households and the composition of the consumer population in the base or reference period. 'Pure' means that, strictly speaking, it is only the changes in prices that are reflected in the measure between the current and the base or reference period. The HICP is not a cost of living index. That is, it is not a measure of the change in the minimum cost for achieving the same 'standard of living' (i.e. constant utility) from two different consumption patterns realised in the two periods compared and where factors other than pure price changes may enter the index.

#### 3.2. HICP Coverage, weights and prices

The 'coverage' of the HICP is defined as those goods and services which are included in household final monetary consumption expenditure. It is classified according to the four-digit categories and sub-categories of the COICOP/HICP (Classification Of Individual Consumption by Purpose adapted to the needs of HICPs).

'Household final monetary consumption expenditure' is defined as that part of final consumption expenditure which is incurred:

- by households irrespective of nationality or residence status, and
- in monetary transactions, and
- on the economic territory of the Member State, and
- on goods and services that are used for the direct satisfaction of individual needs or wants, and

- in one or both of the time periods being compared.

The ‘prices’ used in the HICP are the prices paid by households to purchase individual goods and services in monetary transactions. The purchaser's price is the price for the products the purchaser actually pays at the time of purchase; including any taxes less subsidies on the products; after deductions for discounts for bulk or off-peak-purchases from standard prices or charges; excluding interest or services charges added under credit arrangements; excluding any extra charges incurred as a result of failing to pay within the period stated at the time the purchases were made.

The ‘weights’ of the HICP are the aggregate expenditures by households on any set of goods and services covered by the HICP expressed as a proportion of the total expenditure on all goods and services within coverage.

### **3.3. Computation of the HICP**

The relative distribution of consumers’ expenditure on individual products varies from country to country. Hence, there is no uniform basket applying to all Member States. Owner-occupiers’ shelter costs, expressed as imputed rents or mortgage interest payments, are not regarded as part of the inflationary process and hence excluded.

The weights used in the compilation of HICPs may relate to a reference period up to seven years prior to the current year. However, adjustments must be made each year for especially large changes in the expenditure pattern. This minimises any disparity arising from different update frequencies.

In order to keep HICPs broadly in step with each other and up-to-date in terms of market developments, new products are to be included when they achieve a significant relative importance. HICPs must be shown to be based on appropriate sampling procedures, taking into account the national diversity of products and prices. The samples must be kept well up-to-date, in particular by banning the practice whereby missing prices are simply assumed to be equal to the last observed prices. In order to measure pure price changes, the prices included in HICPs need to be adjusted for changes in the quality. Certain inappropriate practices, such as automatic linking, have been ruled out in this context.

Furthermore, HICPs have to be compiled using specified formulae. The MUICP is calculated as a weighted average of the HICPs of the 11 countries of the euro-zone. The index is computed as an annual chain index allowing for country weights to change each year. The weight of a Member State is its share of household final monetary consumption expenditure in the EMU total. The country weights used in 2000 are national accounts data for 1998 updated to December 1999 prices. Weights in national currencies are converted into euros using the irrevocably locked conversion rates.

The European Index of Consumer Prices (EICP) is calculated as an annual chain index for the 15 EU Member States up until 1998. Starting in 1999, the EICP is calculated as an annual chain index for the euro-zone, Denmark, Greece, Sweden, and United Kingdom. The European Economic Area Index of Consumer Prices (EEAICP) further includes Iceland and Norway. Country weights for the EICP and EEAICP are derived from the value of household final monetary consumption expenditure in national currencies

converted into purchasing power standards (PPS). The euro-zone country weight reflects its share in the EU and EEA totals.

Technical notes on the HICP and MUICP were given in Eurostat News Release 21/97 of 5 March 1997, memo 8/98 of 4 May 1998, and memo 2/00 of 18 February 2000 (which includes a full list of HICP Regulations). Further details can be obtained from the Commission Report to the Council on the harmonization of consumer price indices, COM(1998) 104 final.

#### **4. HICPS AS DISSEMINATED BY EUROSTAT**

The analysis of sources of inflationary pressure requires a sub-division of HICPs into component parts relating to different product groups. The 100 or so sub-indices and weights published by Eurostat are based on COICOP/HICP, i.e. a version of the international Classification Of Individual COnsumption by Purpose adapted for HICPs.

The Commission (Eurostat) publishes each month:

- the all-items HICPs for all EU Member States plus Iceland and Norway,
- the European Index of Consumer Prices (EICP),
- the Monetary Union Index of Consumer Prices (MUICP),
- the European Economic Area Index of Consumer Prices (EEAICP),
- about 100 sub-indices, their corresponding weights and weighted averages (EICP, MUICP and EEAICP), and
- the country weights corresponding to household expenditure in the EU total, the EMU total and the EEA total.

Furthermore, the Commission (Eurostat) publishes a number of so-called ‘special aggregates’ that have been developed in collaboration with the Economic and Financial Affairs Directorate-General and the ECB. They measure inflation for groups of products, goods or services that normally are of particular interest to economic analysis. The special aggregates may be further developed in the future according to users’ needs. Currently the following special aggregates are published:

- Goods (all-items excluding services),
- Industrial goods,
- Non-energy industrial goods,
- Non-energy industrial goods, durables only,
- Non-energy industrial goods, semi-durables only,
- Non-energy industrial goods, non-durables only,
- Energy,
- Food including alcohol and tobacco,
- Unprocessed food,
- Processed food including alcohol and tobacco,
- Services (all-items excluding goods),
- All-items excluding energy,

- All-items index excluding energy, food, alcohol and tobacco,
- All-items excluding energy and unprocessed food,
- Seasonal food,
- All-items excluding seasonal food,
- All-items excluding energy and seasonal food,
- Energy and seasonal food,
- Liquid fuels and fuels and lubricants for personal transport equipment,
- All-items excluding liquid fuels and fuels and lubricants for personal transport equipment,
- All-items excluding alcohol and tobacco,
- Energy and unprocessed food,
- All-items excluding housing, water, electricity, gas and other fuels,
- Electricity, gas, solid fuels and heat energy,
- Education, health and social protection,
- All-items excluding education, health and social protection.

For the HICPs and their sub-indices the following information is made available:

- the monthly index level,
- the monthly rate of change,
- the 12-month or annual rate of change,
- the annual average index, and
- the annual average rate of change.

The information is updated monthly and available to all users from the Eurostat database 'NewCronos'. Furthermore, the euro-indicators site on Eurostat's website contains topical rates of change. The information can also be obtained through Eurostat's Data Shop network.

## **5. IMPROVEMENTS IN THE DESIGN OF THE INDEX**

Since the preparation of the last Report from the Commission to the Council further improvements have been achieved in the following areas:

### **5.1. Weights**

The framework Council Regulation requires that HICP weights are sufficiently up-to-date to ensure comparability whilst avoiding the cost of Household Budget Surveys more frequently than every five years. Furthermore, it is required that implementing measures for maintaining the 'reliability and relevance' of the HICPs should be adopted. Commission Regulation (EC) No 2454/97 on minimum standards for the quality of HICP weights seeks to meet these needs whilst imposing a minimum burden on Member States and allowing maximum freedom in the methods used. The regulation aims at giving a minimum guarantee of the quality of weights to construct the HICP and minimises disparities between HICPs arising from different update frequencies.

Consumer price indices are fairly insensitive to changes in weights. Imposing the cost of high precision for all weights by frequent and comprehensive updating would not have been an acceptable solution for the Regulation on weights. Nevertheless, it was necessary to give some assurance that large differences in the frequencies of updating do not lead to non-comparability. The regulation sets a minimum standard whereby the weights used can in general relate to a weight reference period up to seven years prior to the current year, but adjustments need to be made more frequently if there have been significant changes in the expenditure pattern. The requirement is therefore, each year, to check those weights which are judged to be most critical for reliability and relevance and, hence, for the comparability of the overall HICP. These are primarily the weights for sub-indices or their major components where significant market changes have accompanied 'divergent' price movements.

Divergent price developments are those which are markedly different from the overall average, and can be detected from prices collected for the index. Significant market developments can be detected through the normal intelligence gathering that is part of the process of index construction. The regulation does not require new surveys but seeks to make the best use of the statistical information available in Member States. It does not require Household Budget Surveys more than every five years but allows those Member States conducting small annual surveys to use the results of these to adjust weights where there is reliable evidence of a change. It also allows information from the National Accounts, market research and elsewhere to be taken into account. Member States are not obliged to take account of the very latest developments, i.e. developments in the two years prior to the review, although this would be desirable where major developments are known to have occurred.

Where a weight is identified as deficient, Member States should make an improved estimate and introduce an appropriate adjustment, from the following January index, where this would exceed the threshold effect of 0.1 % points on average for one year compared with the previous year. The aim is to ensure that the adjusted weights are the best estimates that can be made on the information available.



Further information on the quality of HICP weights and on the common reference periods of the HICPs can be found in sections 6.4.3 and 6.4.5. The full set of items and country weights are listed respectively in Annexes II and III to this Report.

## **5.2. Coverage of goods and services**

Commission Regulation (EC) No 1749/96 defined the initial coverage of the HICPs from January 1997. Some difficult categories such as health and educational services, where there are major institutional differences between Member States, were not fully covered by the initial coverage of the HICP. Council Regulation (EC) No 1687/98 amended Commission Regulation (EC) 1749/96 with regard to the coverage of goods and services and laid down a staged procedure to extend the coverage of the HICP. The first stage of extended coverage entered into force in December 1999, taking effect with the index for January 2000. The next step is regulated in Commission Regulation (EC) No 2166/1999 and will take place with the publication of the January 2001 index. The following sub-indices had to be implemented in December 2000 according to Commission Regulation (EC) No 2166/1999:

- (a) Social protection services provided within the home, such as home cleaning, meals, transport for the disabled;
- (b) Hospital services (part) (COICOP/HICP 06.3);
- (c) Retirement homes, residences for the disabled.

With the concept of 'household final monetary consumption expenditure' Council Regulation (EC) No 1687/98 defines both the goods and services to be covered and the prices used in the HICP. The prices should be those which purchasers actually pay for a product net of reimbursements, subsidies, and discounts. The Regulation is based on the definitions laid down in the European System of Accounts (ESA 95).

The following table illustrates the staged procedure of the extension of the product coverage of the HICP:

**Table 1**  
**Sub-indices fully implemented in December 1999**

<b>04.</b>	<b>HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS</b>	
04.1.1.	Actual rentals paid by tenants	Extended in 1999 to achieve a harmonized treatment of subsidies
04.1.2.	Other actual rentals	
04.4.1.	Water supply	Extended to cover also 'tax-like' charges; excluded only if financed out of general taxation
04.4.2.	Refuse collection	
04.4.3.	Sewerage collection	
<b>06.</b>	<b>HEALTH</b>	
06.1.1.	Medical products, appliances and equipment	Extended to cover the net expenditure of consumers on health goods and services within the social security system
06.2.1.	Medical services	To be implemented in Dec. 1999 using the net/net concept
06.2.2.	Dental services	See 06.2.1.
06.2.3.	Paramedical services	See 06.2.1.
<b>09.</b>	<b>RECREATION AND CULTURE</b>	
09.5.1.	Books	Extended to cover the net expenditure of a consumer on educational goods and services
09.5.4.	Stationery and drawing materials	
<b>10.</b>	<b>EDUCATION</b>	
10.1.1.	Pre-primary and primary education	See 06.2.1.
10.1.2.	Secondary education	See 06.2.1.
10.1.3.	Tertiary education	See 06.2.1.
10.1.4.	Education not definable by level	Extended to cover the net expenditure of a consumer on computer, language, and other such courses

(cont.)

<b>11.</b>	<b>HOTELS AND RESTAURANTS</b>	
11.1.2.	Canteens	Extended to cover the net expenditure of consumers on canteens and accommodation of boarding schools, universities and other educational establishments
11.2.0.	Accommodation services	
<b>12.</b>	<b>MISCELLANEOUS GOODS AND SERVICES</b>	
12.4.0.	Social protection services (*)	See 06.2.1.
12.5.2.	Insurance connected with the dwelling	Extended to cover the service charge of all kinds of insurance taken out by tenants against fire, theft, etc. instead of just contents insurance.
12.5.3.	Insurance connected with health	Implemented in December 1999 to cover private sickness and accident insurance.
12.5.4.	Insurance connected with transport	Extended to cover also travel and luggage insurance.
12.5.5.	Other insurance	Implemented in December 1999 to cover insurance such as civil liability for injury and damage to third parties or their property not arising from personal transport equipment.
12.6.	Financial services n.e.c.	Extended to cover banking services and other financial services.
(*) Sub index will be partly implemented in December 2000.		

### 5.3. Geographic and population coverage

The framework Council Regulation requires that the HICP shall be based on the prices of goods and services available for purchase on the economic territory of the Member State for the purposes of directly satisfying consumer needs. As regards the economic territory and the consumers concerned, a harmonized definition of the geographic and population coverage of the HICP was necessary for the purpose of achieving comparability and also avoiding gaps or double counting when aggregating HICPs to the European Economic Area Index of Consumer Prices (EEAICP), the European Index of Consumer Prices (EICP) or the Monetary Union Index of Consumer Prices (MUICP).

Council Regulation (EC) No 1688/98 specifies that the HICP should cover all household final monetary consumption expenditure which takes place on the economic territory of a Member State. In particular, HICP coverage should include expenditure by foreign visitors ('domestic concept') and expenditure by individuals living in institutions, but exclude the expenditure by residents whilst in a foreign country. All private households should be included, irrespective of the area in which they live — urban or rural — or their position in the income distribution. Expenditure incurred for business purposes should be excluded.

The 'domestic concept' was chosen mainly because of the purpose of the MUICP to provide a measure for price stability in the euro-zone. The objective is to measure price changes in the euro-zone by aggregating price changes within each of the territories of the individual Member States. Expenditure and price changes which need to be measured within the economic territory of a Member State should include those affecting foreign visitors and exclude those affecting residents whilst in a foreign country.

The coverage of the HICP is defined as those goods and services which are included in household final monetary consumption expenditure. As the household sector includes people living in institutions, their expenditure should be covered by the HICP weights.

On the grounds of comparability, Council Regulation (EC) No 1688/98 requires adjustments to the geographic and population coverage. The Regulation states that HICPs compiled using sub-index weights which reflect final monetary consumption expenditure of a sub-set of households, rather than of all households, should be deemed comparable, where this difference in practice accounts for less than one part per thousand of the total expenditure covered by the HICP.

The requirements of the Regulation were implemented in December 1999.

### 5.4. Classification of goods and services

With the publication of the January 2000 index the classification of the HICP was updated. Commission Regulation (EC) No 1749/1999 defines the new COICOP/HICP in accordance with the final version of COICOP as defined by the UN in 1999 and replaces the one in Commission Regulation (EC) No 2214/96 which was based on a provisional version of COICOP. The new version adapted the list and the composition of the HICP sub-indices. For the purpose of the HICP, some COICOP sub-indices had to be omitted because they were not within the HICP coverage, e.g. narcotics or imputed rentals for owner-occupied housing. Furthermore, certain COICOP classes (four-digit level) have been combined in order to ensure that the weight was above one part per thousand in most of the Member States.

The following indices are those mainly affected by the change in the classification:

08.2.0	Telephone and telefax equipment
08.3.0	Telephone and telefax services
09.1	Audio-visual, photographic and information processing equipment
09.1.5	Repair of audio-visual, photographic and information processing equipment
09.2	Other major durables for recreation and culture
09.2.1/2	Major durables for indoor and outdoor recreation including musical instruments
09.2.3	Maintenance and repair of other major durables for recreation and culture
09.3	Other recreational items and equipment, gardens and pets
09.3.1	Games, toys and hobbies
09.3.2	Equipment for sport, camping and open-air recreation
09.3.3	Gardens, plants and flowers
09.3.4/5	Pets and related products including veterinary and other services for pets
09.4	Recreational and cultural services
09.4.1	Recreational and sporting services
09.4.2	Cultural services
09.5.1	Books
09.5.2	Newspapers and periodicals
09.5.3/4	Miscellaneous printed matter and stationery and drawing materials
12.3.1	Jewellery, clocks and watches
12.3.2	Other personal effects

Although it is not mandatory, some Member States were willing to provide 1999 data. Back series were not included in the official HICP series for 1999 since they are not part of the initial coverage. Nevertheless they may be used for the calculation of annual inflation rates for the newly introduced positions during the year 2000.

## 5.5. Tariff prices

A tariff is a list of pre-established prices and conditions for the purchase and consumption of one and the same good or service or of similar goods and services that have been centrally fixed by the supplier, by the government, or by agreement to exert influence on the consumption patterns. This happens by means of appropriately differentiated prices and conditions according to characteristics of consumers, the level, the structure or the

timing of the consumption. Goods and services for which tariff prices exist account for a substantial proportion of the overall expenditure covered by the HICPs. Since there was significant scope for procedural differences in the construction of price indices for such goods and services, the treatment of tariffs was considered an important potential source of non-comparability. Commission Regulation (EC) No 2646/98 lays down minimum standards for the treatment of tariffs in the HICP.

'Tariffs' exist for items such as postage, telephones, gas, water, electricity, as well as national or local transport. They differ from other prices because they are centrally fixed, not negotiable, and differentiated. The tariff structure reflects different prices as between different types of consumers, and between different levels and different times of consumption. The main problem with the treatment of tariffs in the HICP is that suppliers can change the structure of the tariff or a single tariff price to the extent that consumers are persuaded or obliged to make new choices in their consumption. For example, a telephone supplier may introduce a low weekend tariff in order to reduce congestion during the busy weekdays.

The Regulation captures the legal aspect of accessing the required tariff data, some of which is commercially sensitive, as well as the statistical aspect of using these data to produce HICPs:

- (a) It clarifies the obligation of suppliers to provide Member States with the necessary data. The legal basis is already given by Council Regulation (EC) No 2494/95.
- (b) It defines the procedure to follow when constructing a price index in the case of changes in the tariff structure. The guiding principle is the Laspeyres fixed basket concept with consumption patterns as up-to-date as necessary to determine the immediate impact of the tariff change on the index population. The HICP should reflect the price change on the basis of the changed costs of maintaining the consumption pattern chosen by households prior to the given change in the tariff. The aim of this principle is to avoid showing the changes in the consumption pattern because of a change in a tariff.

The Regulation entered into force in December 1998.

## **5.6. Insurance**

According to Commission Regulation (EC) No 1749/96, the HICPs have covered until December 1999 house-contents insurance and motor insurance. Since December 1999, taking effect with the index of January 2000, the HICPs cover all insurances connected with the dwelling typically paid by the tenant, not only contents insurance. Furthermore, the HICPs cover since December 1999 private health, civil liability, and travel insurance [extended coverage following Council Regulation (EC) No 1687/98]. Life insurance is excluded from the coverage of the HICP.

Commission Regulation (EC) No 2214/96 stated that 'the weights and prices for insurance should be net of claims. However, a price index of gross premiums may be used as a proxy or estimate for changes in the net premiums'. As this definition left a significant scope for procedural differences a further Commission Regulation (EC) No 1617/1999 was adopted in 1999 to harmonize the treatment of insurance services in the HICP. Following the HFMCE concept, the Regulation retains in general the 'net concept' for insurance. The 'net concept' reflects the use of the HICP as measure of consumer price inflation in terms

of prices actually charged. A consumer pays with an insurance policy the service by the insurance company of redistributing the risk. The consumer pays a fixed premium for the policy, the insurance company collects the premiums from all insured households, makes investments and reimburses claimants who are affected by damage or loss. Such payments by the insurance company for repairs or replacements become part of household income.

The household budget surveys cover all expenditure, including expenditure financed out of claims. Hence, the use of the 'net concept' avoids the possibility of double counting or gaps and ensures that the overall HICP measures the change in the price for the service of insurances, and the other sub-indices, in particular those for the purchase and the repair of vehicles, for major household appliances and other durables, measure the change in price for the repair and replacement of such products.

### 5.6.1. *Weights for insurance*

Following Commission Regulation (EC) No 1617/1999, weights should reflect the so-called 'service charge' which is implicitly calculated as:

	Gross insurance premiums (net of insurance tax)
+/-	<u>Changes in the actuarial provisions other than for life-insurance risks</u>
=	Actual premiums earned
+	Premium supplements
-	Claims due
+/-	<u>Changes in technical provisions against outstanding life insurance risks</u>
=	Implicit service charge (net of insurance tax)
(+)	<u>Insurance tax</u>
=	Implicit service charge

Premium supplements take account of the investment income of the insurance company. Claims paid out and changes in the actuarial provisions need to be deducted from the gross premiums plus supplements to arrive at the service charge. Changes in the actuarial provisions consist of allocations by the insurance company to technical provisions for outstanding risks, e.g. forecasts in respect to age for health insurance. Technical provisions are important for insurances covering high risks.

The Regulation defines furthermore that the weights should be based on average expenditure over three years. This is aimed at using more stable estimates of the service charge and minimising the risk of negative weights, since changes in the quantity of reimbursements and repairs in circumstances following natural disasters or major accidents are often distributed over a longer period of time.

According to ESA 95 payments as a result of claims are treated as current transfers from the insurance companies to policyholders and other parties to the claim and, therefore, enter into households' disposable income. Commission Regulation (EC) No 1617/1999 on the treatment of insurance requires explicitly that the weights of other sub-indices (e.g. those for the purchase or repair of vehicles, for major household appliances and other durables) shall include all expenditure financed out of claims where it is incurred by or on behalf of the household sector. If for example a damaged car is repaired then the expenditure should be reflected in the weight for COICOP/HICP 07.2.3 'Maintenance and

repairs'. The same holds true if the repair is paid directly by the insurance company, since the insurance company is considered to be acting on the policyholder's behalf.

#### 5.6.2. *Prices for insurance*

As the 'net concept' (i.e. the service charge) is not applicable at an individual level for pricing in practice, because the information is not available each month, gross premiums are followed. Gross premiums or the value of the insured good are often indexed by the CPI or by other price or cost indices. This effect should be reflected in the HICP; the gross insurance premiums should not be adjusted to exclude this indexation.

Commission Regulation (EC) No 1617/1999 entered into force in July 1999.

Eurostat has not yet asked Member States to report on the application of the insurance Regulation. Currently, draft supplementary guidelines on insurance are elaborated. The Guidelines will aim at providing practical guidance on some technically difficult areas.

### 5.7. **Health, education and social protection services**

Commission Regulation (EC) No 1749/96 as amended by Council Regulation (EC) No 1687/98 requires that extended coverage in the health, education and social protection sectors shall be implemented in December 1999, taking effect with the index for January 2000. Thereby, the methodological details of inclusion should be specified in accordance with the comitology-procedure. The timetable of inclusion for hospital services and social protection services provided within the home, retirement homes and residences for the disabled should be specified in accordance with the same procedure.

Council Regulation (EC) No 2166/1999 defines the methodological details of inclusion as well as the timetable for the above mentioned services. The Regulation restates that the purchaser prices of goods and services in the health, education and social protection sectors to be used in the HICP should, in accordance with set standards and ESA 95, be the amounts to be paid by consumers net of reimbursements. Reimbursements are defined as 'payments to households by government units, social security administrations or non-profit institutions serving households (NPISHs), that are made as direct consequences of purchases of individually specified goods and services, initially paid for by households. Payments of claims to households by insurance companies do not constitute reimbursements.'

The HICP sub-indices concerned should be calculated using a formula consistent with the Laspeyres-type formula used for other sub-indices, i.e. they should reflect the price change on the basis of the changed expenditure of maintaining the consumption pattern of households and the composition of the consumer population in the base reference period. In consistency with the Laspeyres principle and the relevant provisions of Commission Regulation (EC) No 2646/98 on tariff prices, the Regulation states that changes in purchaser prices which reflect changes in the rules determining them should be shown as price changes in the HICP and that changes in the purchaser prices resulting from changes in purchasers' incomes shall also be shown as price changes in the HICP (so-called 'income-dependent prices').

Member States may use procedures that differ from those described. They are required to provide the Commission (Eurostat) with a description of the chosen procedures before



they are used. The provided information should be sufficient to assess the operation of those procedures. The results of this assessment are contained in this Report (see Section 6.4.).

The provisions of the Regulation were implemented by Member States in December 1999 and took effect with the index for January 2000, apart from the following, which were due to be implemented in December 2000 and should take effect with the index for January 2001:

- (a) hospital services (part) (COICOP/HICP 06.3);
- (b) social protection services provided within the home, such as home cleaning, meals, transport for the disabled (part of COICOP/HICP 12.4.0);
- (c) retirement homes, residences for the disabled (part of COICOP/HICP 12.4.0).

## **5.8. Guidelines on implementing measures of the HICP**

In a number of cases Eurostat and the NSIs agreed not to make use of legal acts for implementing the framework Council Regulation on HICPs but make use of Guidelines instead, as a rapid, non-bureaucratic, practical and flexible tool for maintaining and improving the comparability and quality of HICPs in the short term. Currently, there are four Guidelines on implementing measures of the HICP. Most of these Guidelines have been clearly considered as preparatory measures for Commission Regulations at a later point in time.

### *5.8.1. Guidelines regarding revisions to HICPs*

Guidelines on the revision of HICP series were agreed by the SPC in December 1997. They lay down general principles. A common understanding in particular has been achieved on the most important aspects:

- (a) **Revisability:** it is generally accepted that officially published HICP series may be revised. The extent of a revision to any HICP series shall be agreed with Eurostat.
- (b) **Correction of mistakes:** if a mistake is discovered in the index calculation, the Member State concerned shall immediately and at its own initiative provide Eurostat with information at the level of detail necessary to assess the impact on the accuracy of the HICP and agree with Eurostat on the extent and the timing of the revision to be made. The Member State concerned shall notify Eurostat on the actions taken to prevent similar future occurrences.
- (c) **Changes in national rules:** to the extent that revisions due to changes in the system of rules applied at the national level are judged by Member States to be required in order to improve the accuracy of an HICP, such revisions shall be implemented. The Member State concerned shall provide Eurostat with information at the level of detail necessary to assess the impact on the accuracy of the HICP and agree with Eurostat on the extent and timing of the revision to be made.
- (d) **New or improved information:** to the extent that revisions due to new or improved information are required to improve the accuracy of an HICP, such revisions shall be implemented. The Member State concerned shall provide

Eurostat with information at the level of detail necessary to assess the impact on the accuracy of the HICP and agree with Eurostat on the extent and timing of the revision to be made.

- (e) Changes due to stipulations in EU Regulations or Guidelines on HICPs: to the extent that revisions to HICPs are needed to meet the requirements laid down in present and future EU Regulations and in agreed Guidelines concerning the implementation of HICPs, such revisions shall be implemented in accordance with the given stipulations. Member States shall arrange that information is kept available at the level of detail necessary to demonstrate that the revisions are consistent with the requirements concerned.

Besides these general principles there is also a common agreement on more technical issues like timing, announcement of revisions, release of revisions, etc.

The amendment of these Guidelines is currently under discussion because it was felt that harmonized rules on revisions were needed especially when important changes in methodology or coverage were taking place. The discussion started because of experiences with the implementation of Regulations (e.g. on extended coverage with the January 2000 index).

#### *5.8.2. Guidelines on the treatment of price reductions in the HICP*

The Guidelines contain two ‘regulating’ articles and one article with practical examples of various price reduction schemes.

The Guidelines specify the kind of price reductions the HICPs should take account of. Reductions in prices of individual goods and services should be taken into account (i.e. deducted) if they are available to all potential consumers with no special conditions attached (non-discriminatory), and if they are claimable (a) at the time of purchase or (b) within such a time period from the actual purchase that they might be expected to have a significant influence on the quantities buyers are willing to buy. In particular, reductions in prices of individual goods and services which are likely or expected to be available again at standard prices or elsewhere available at standard prices should be taken into account in the HICP. In the case of specification changes the Guidelines refer to the requirements regarding quality adjustment following Commission Regulation (EC) No 1749/96. The requirements are supplemented by a description of how inducements should be treated.

Furthermore, the Guidelines give practical examples and general advice on how special kinds of price reductions should be treated.

#### *5.8.3. Guidelines on the treatment of rejected price observations*

The Guidelines on rejected price observations specify the procedures to follow for the validation and adjustment of price observations. The Guidelines require that in general the prices reported by the price collectors should be accepted. Rejection or adjustment of reported prices, for example the correction of an unusually high or low price change, should not be done by automatic validation procedures, but only by reference to specific information on the individual price observation, such as a repeated observation. If, as a result of the validation procedure, the reported price has to be rejected, the rejected price should be treated according to the rules for missing prices.

The Guidelines leave it to Member States also to use other than the specified methods. Where a Member State does not use the described methods, Eurostat may request it to show that the resulting HICP does not differ systematically from an HICP constructed in line with the described methods by more than 0.1 percentage points on average taking one year against the previous year.

*5.8.4. Guidelines for the treatment of data processing equipment and notably personal computers in the HICPs*

Experience during recent years shows that the development of prices for data processing equipment tends to differ very much from the development of the all items HICP at the same time as a considerable expansion of the relative importance of such equipment in total household consumption expenditure. In view of these circumstances and the significant national differences among existing HICP practices in the treatment of data processing equipment, there was an immediate need to establish a common framework within which national rules should be defined and applied in order to secure the comparability, reliability and relevance of the HICPs.

The Guidelines on data processing equipment aim at specifying how data processing equipment should be included in the HICP. Member States should cover personal computers and associated items in their HICPs. Where direct sellers are a significant source of supply, they should be covered in addition to other outlets. Prices may be obtained from magazines instead of or as well as direct observation in retail outlets.

Commission Regulation (EC) No 2454/97 defines the annual review of the weights at the review's sub-index level. The Guidelines on data processing equipment extend the check of the weights in this special area to the level of the major components of the sub-index for data processing equipment. Those major components should comprise a component index for personal computers.

## 6. QUALITY IN THE INDEX

Quality can be considered as ‘fitness for purpose’. This can be understood as the ability of an HICP to serve the purpose for which it is designed, which is mainly to provide a relevant and comparable measure of inflation and convergence in the EU, and more particularly in the context of the monetary policy in the euro-zone. Fitness, or ability to serve this purpose, is determined by the totality of its properties and features; i.e. by the applied concepts, methods, definitions and practices and their consistence with the purpose concerned.

Considering that HICPs are supposed to measure consumer price inflation in the EU on a comparable basis, comparability can be seen as the major aspect of quality. Some further important aspects composing the overall HICP quality should be stressed, e. g. relevance, reliability, and timeliness of the index.

### 6.1. Relevance

Relevance refers to the purpose of the HICP. As noted in Section 3.1. above the aim of the HICP is to measure inflation as distinct from the cost of living. It is therefore inappropriate to criticise the HICP from the latter perspective. However, a great deal has been said over the years about bias in CPIs without recognition of the fact that there is a limit to what can be said with any degree of certainty. Unless the target has been precisely defined, it is impossible to say by how much it has been missed. CPIs can be compared one with another, and it can be argued that certain differences should be removed, as has been done in the harmonization process, but there is no operational definition of the unbiased index by which to judge all other CPIs. Each CPI has been developed over a long period of time with the index compilers solving the operational problems in as consistent and coherent a way as possible. The actual conceptual framework for any CPI is thus embodied in its history. Meanwhile, efforts have been made to build alternative conceptual frameworks relying on economic and statistical theory. These ideas have influenced index design but have not, for the most part, determined actual operational practice.

The Treaty and the framework Council Regulation define the HICP. The Treaty required a consumer price inflation index; the Council Regulation required that it should be a Laspeyres-type index measuring the average change in the prices of goods and services available for purchase in the economic territory of the MSs. This definition was agreed, following the requirement of the Treaty, between Eurostat and the main users. As such, the definition constitutes a broad operational definition of ‘inflation’.

There are many unresolved operational issues and, given the dynamic nature of European economies, there always will be. These issues give rise to a concern that there is potential for bias and probably actual bias.

Reduction of bias can only be achieved by progressive improvement of current practices within a developing conceptual framework. It is in the latter where economic and statistical theory can contribute.

As noted in the previous Report to the Council, the Boskin Report <sup>(5)</sup> on the US CPI challenged the question whether CPIs in general were of sufficient reliability in respect to

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(5) Boskin, M. J. et al., *Towards a more accurate measure of the cost of living*, December 1996

possible bias <sup>(6)</sup>. It took the view that the US CPI was biased upwards, mainly because of a presumed failure to deal with the adjustment for quality change in goods and services (especially in hi-tech areas such as PCs and surgical operations). Whilst rejecting the suggestion that the size or the direction of any bias on this count can be determined without defining and constructing an actual index the Working Party on HICP has recognised from the outset that the treatment of quality change was the most likely source of bias as well as non-comparability.

There is however an important issue of terminology. As regards HICPs, ‘validity bias’ in Eurostat’s vocabulary can be described as the systematic difference between the index as required by the HICP legal framework and the index as defined. That is the difference between ‘concept’ and ‘definition’, e.g. the difference between the ideal ‘pure price HICP’ and the particular HICPs defined by Eurostat and the MSs. On the contrary, bias in the vocabulary of the Boskin Commission takes a Cost Of Living Index (COLI) as the point of reference. Utility may be based on costs that do not necessarily involve expenditure or purchaser prices faced by consumers. They can be opportunity costs or physical consumption valued at imaginary prices and may never result to actual expenditure. These costs do not involve monetary transactions and are not relevant in the measure of inflation required for monetary policy. Utility theory further involves assumptions about the nature of the consumer and the hidden mechanisms by which prices are established. While the Laspeyres index approach makes no such assumptions it is, nevertheless, accepted that agreement on how to treat quality change will necessarily involve a conceptual elaboration of the consumer valuation of product difference and how it is to be measured.

Suitability of a CPI as an appropriate measure of inflation in this vocabulary means in fact suitability of a CPI to approximate as close as possible an undefined COLI. This approach does not seem applicable to HICPs as it suggests, contrary to the spirit and the letter of the HICP legal framework, that there would be by concept and definition a validity bias in the HICP.

## **6.2. Reliability**

### *6.2.1. Representativity*

Errors and biases may result also from the difference between the index as defined and the index as designed (‘procedural biases’). This will depend on the extent to which the methods chosen can in practice meet the required definition. It seems intuitively plausible that certain procedures will give systematically different results from alternatives in most contexts. On the other hand a particular procedure may give biased results in particular contexts, e.g. quarterly price collection may give a downward bias relative to a monthly index when prices are rising.

The difference between the index as designed and that actually produced in practice will rather result in random errors. Errors resulting from a persistent failure to follow set procedures may result in systematic errors in the HICP but by their nature operational errors are more likely to have variable effects which may be expected to be random, e.g. transcription or recording errors by price collectors.

The Boskin Commission gave the example in their Report that the indices for PCs are likely to be biased upwards. But it is also likely that the indices for clothing are biased

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<sup>(6)</sup> See also previous Report [COM(1998) 104 final], p. 30.

downward while the weight for clothing far exceeds the weight for PCs. The view of the Commission (Eurostat) is that there are in any CPI certainly biases at work, but they are of different types, they have different effects according to product type, and they are unlikely to be in the same direction. What the Commission (Eurostat) does not accept is to put a concrete figure to any sort of bias.

Hill <sup>(7)</sup> has attempted to clarify the relationships between CPIs intended to measure consumer price inflation and those intended to measure changes in the cost of living (COL). He concluded ‘that both objectives lead to the same kind of index formula in practice, provided that ‘best practice’ is followed. Indexes that are ‘biased’ as measures of the cost of living indexes can equally well be regarded as ‘biased’ measures of inflation. On the other hand, in the second part of the paper it is shown that there could be significant differences between the coverage, or domain, of indexes intended to measure price inflation and those measuring changes in the COL and these could lead to significantly different results, especially over the longer term. No consensus may yet exist over what should be the domain of a CPI.’ [Diewert <sup>(8)</sup> reached a similar conclusion on the matter of formula in his paper to the 1999 meeting of the Ottawa Group].

The domain of the HICP is, however, agreed, as is its form. The scope of the index was set in the Council Regulation and the present coverage is close to that requirement. Steps are being taken to ensure that actual samples of price observations fully represent the universe of transactions within coverage. The model of the fixed basket of goods and services has been accepted as the measure of inflation rather than the notion of constant utility. Inflation is a monetary phenomenon, which involves only monetary transactions and actual purchaser prices.

#### 6.2.2. Precision

Sampling theory provides a basis for calculating errors for given sample designs. The last Report from the Commission to the Council provided an overview of sampling methods used in each Member State. The Report stated that most of the Member States followed some form of purposive sampling rather than random or probability sampling and pointed out that the theory has not been well developed for CPIs partly because of the difficulty of defining a universe and partly because purposive rather than probability sample designs are the norm.

However, the HICP minimum standard for sampling (Article 8 of Commission Regulation (EC) No 1749/96) does not expressly deal with ‘sampling errors’ in the standard sense of statistical theory, that is, uncertainty due to random or corresponding variation in the sampling procedure.

Such sampling errors were, especially at the outset of the harmonisation project, considered to be of secondary importance only, compared to possible bias due to misrepresentation. The standard requires therefore more generally that HICP target samples shall ‘have sufficient elementary aggregates to represent the diversity of items

<sup>(7)</sup> *Inflation, the Cost of Living and the Domain of a Consumer Price Index*, invited paper submitted by Peter Hill to the Conference of European Statisticians, joint ECE/ILO Meeting on Consumer Price Indices, Geneva, 3-5 November 1999.

<sup>(8)</sup> Diewert, Erwin, *The consumer price index and index number purpose*, paper presented at the Fifth meeting of the International Working Group on Price Indices (The Ottawa Group), Reykjavik, Iceland, August 1999, revised: December 1999.

within the category and sufficient prices within each elementary aggregate to take account for the variation of price movements in the population’.

In order to analyse the different procedures in the Member States and to harmonize sampling methods a specialised Task Force (TF) on sampling was set up in 1999. The TF has taken the view that a more positive attitude to simulating sampling errors should be developed, especially in the light of positive experiences in France, Sweden and the United Kingdom, which were approximating or had simulated sampling variances for their national CPIs. These exercises were appreciated by the public.

The TF presented a first draft for a Regulation on sampling which was discussed at the HICP WP meeting in spring 2000. The draft suggested that the tenets of sampling theory should provide some basis for minimum standards in HICP sampling. It advocated the computation of sampling errors. However, given that such estimates lack validity under purposive sample designs it is judged more appropriate for Eurostat to seek less comprehensive and costly evidence on precision. The aim will therefore be to target requests for control data whilst continuing to explore more sophisticated measures of precision.

The TF is currently elaborating its final Report to be submitted to the WP meeting in October 2000. The Report is expected to elaborate further the precision issue.

### **6.3. Comparability**

#### *6.3.1. Comparability of use of different formulae*

The framework Council Regulation requires that the HICPs shall be a Laspeyres-type index. Though the HICPs and CPIs produced by Member States may differ in detail, they can be broadly described as Laspeyres-type indices. The HICPs produced by Member States differ in the frequency of updating weights. As already mentioned in Chapter 5, most countries apply a ‘fixed base index formula’, updating the weights in three to five-year intervals. France, Italy, Austria, Sweden, the United Kingdom, and Norway compute a chain-index with annual weight updating.

In order to obtain a consistent set of HICPs with sub-indices allowing for aggregations of several sub-indices, groups of countries, the EMU, the EU or the EEA as a whole, it was necessary to present the HICPs as if they were all computed in the same way. Hence, it was necessary to apply a common index reference period and a common weight reference period. The framework Council Regulation sets the index reference period to 1996=100. In order to receive a common weight reference period, the item weights for all Member States need to be expressed at the same prices. This is done by price updating the weights in January of the current year to prices referring to the December of the preceding year.

With the implementation of the two Council Regulations on extended coverage in January 2000, the index reference periods of the new sub-indices introduced at this time were set to December 1999 = 100 in comparison to the index reference period of the already existing sub-indices which is 1996 = 100. Hence the index figure published in January 2000 for those sub-indices reflect the change in price levels since December 1999. Since HICPs are aggregated using a chain index formula, the extended coverage was integrated into the HICP without any computational problems. Higher level indices are aggregated in the year 2000 by linking weighted averages of lower level indices since December 1999 with the

level of the corresponding aggregate in December 1999. This means that the annual rate of change for the all-items index in, for example, April 2000 is the change from April 1999 to December 1999 (using the old coverage) combined with the change from December 1999 to April 2000 (using new coverage).

### 6.3.2. *Comparability between Member States*

Comparability is a relative concept of systematic differences between HICPs on account of differences in definitions, methods and practices which can turn to bias where the relative difference is referred to the known ideal or correct definition, method or practice.

The regulatory framework is designed to ensure comparability, reliability and relevance of HICPs by a process whereby the practices followed in the construction of any one index are judged against alternative practices followed in the construction of HICPs generally. In order that such judgements are neither ad hoc nor arbitrary it was necessary to have a decision process that gives some guarantee of improving the quality of HICPs. This involves an assessment of the effects of different practices on the HICP, a threshold for determining when action is necessary and a process for choosing the preferred or acceptable practices.

The HICP Working Party has to a large extent been proven as an effective platform where consensus is reached on which practices are to be preferred and why or, where this is not feasible, decisions are taken on which practices should be taken as reference ('standard reference practice' or 'minimum standards').

This approach also suggests a way by which to assess compliance not only with the comparability requirement but to some extent also with the reliability requirement. It is clear that for operational purposes some criterion is necessary in order to distinguish between comparable and non-comparable practices; no such rule was established in the framework Council Regulation (EC) No 2494/95.

The HICPs must be given with an appropriate precision for both the indices themselves and the harmonised inflation rates based on them are expressed to one decimal place. It is appropriate that the threshold for accepting non-comparable practices be 0.1% point on the average annual HICP. A difference of 0.1% point on the annual rate of measured inflation has been agreed in practice for specific implementing measures on a case by case basis and the one per thousand weights rule on the HICP has been established in respect to coverage. Appropriate statistics and tests for establishing the actual effects of differences in current practices on the HICPs have or are being developed such as the test for 'critical weights' and the 'standard reference indices'.

However, it should be stressed that the absence of quantitative estimates of reliability is due to the considerable difficulties involved. There is no way of consistently aggregating systematic differences deriving from different sources to a single figure, as there is little or no evidence on whether these effects may inter-relate. The theoretical framework supporting actual index construction is incomplete and the considerable resources necessary to implement ideal practices are not warranted in the absence of actual evidence of bias. Nevertheless, there is no reason to be complacent, and even some small evidence would be better than none. Comparisons of HICPs one with another in the depth achieved under harmonization are an efficient way to produce this evidence. Standard reference practices are specified where existing practices can result in effects above the 0.1%



threshold and are those practices which by consensus among national CPI experts are the least biased or the best among available practices.

#### **6.4. The operation of the HICP standards**

At the outset of the harmonization project Eurostat's approach was to first set up a list of possible differences according to the sources of non-comparability that have been identified. As a result of the on-going discussions in the WP other sources of non-comparability were added. Based on those sources, several regulations have been adopted and new Guidelines agreed.

Table 2 summarises the main identified potential sources of differences.

The harmonization project has already focused on most of these issues within the regulatory framework which has been established. It has so far achieved a ban on practices considered the most likely sources of potential bias.

Eurostat sent a 'Compliance Monitoring Questionnaire' (CMQ) to the Member States in mid 1999. This questionnaire covered all Regulations so far adopted and asked Member States to give detailed information on their compliance. The questions were directly related to the requirements as stated in the Regulations. The questionnaire was split into five phases taking account of the workload put on Member States. The timetable was scheduled for the period between the end of May 1999 and the end of January 2000.

Some information, e.g. the replies to the questions on 'newly significant goods and services', was not strictly comparable for different reasons, misunderstandings as well as non-availability of the data, and therefore not usable in this Report. It was furthermore not possible for all Member States to reply to the questionnaire in time. Some replies to phase III that should have ended in October 1999 are still missing. The replies to all phases of the questionnaire will be used to develop test statistics in the near future.

The following paragraphs give an overview of the operation of the standards in the Member States as well as the current discussion in the Working Party and specialised Task Forces.

Following Article 2 of Council Regulation (EC) 1687/98 on extended product coverage and Article 2 of Council Regulation (EC) 1688/98 on extended geographic and population coverage, the Commission (Eurostat) should assess the operation of these provisions and Report to the Council within two years after the date of entry into force of the two Regulations (August 1998). The Report should in particular assess the operation of the concept of household final monetary consumption expenditure in relation to relevant alternative concepts. Furthermore, the Commission (Eurostat) should assess the operation of the procedures laid down in Council Regulation (EC) No 2166/1999 concerning the treatment health, education and social protection services.

The result of this assessment is included in Section 6.4.4.

**Table 2**  
**Main identified potential sources of differences**

<i>Source</i>	<i>Long-term effects</i>	<i>Short-term effects</i>	<i>Minimum standard</i>	
Quality adjustment	(+++)	(+)	Yes	Regulation
Formula for elementary aggregates	(++)	(+)	Yes	Regulation
Age of item group weights	(++)	(+)	Yes	Regulation
Missing observations, substitutions	(++)	(+)	Yes	Regulation
Basic index construction	(++)	(0)	Partly	Regulation
Editing - data preparation	(+)	(+)	Yes	Guideline
Inclusion/exclusion of item groups	(+)	(0)	Yes	Regulation
Price re-basing of weights	(+)	(0)	Yes	Regulation
Number of elementary aggregates	(0)	(++)	Partly	Regulation
Repres. items vs random sampling	(0)	(++)	No	Pending
Regional differences	(0)	(++)	Indirectly	Regulation
Types of outlets	(0)	(++)	Indirectly	Regulation
Sampling error	(0)	(++)	No	Pending
Discounts (*)	(0)	(0)	Yes	Guideline
(*) This result is valid as long as the rates of discounts do not vary over time. The HICP Working Party has taken the view that such rates may vary considerably and that national practices concerning the treatment of discounts should be harmonized.				
(0) = unlikely				
(+) = possible				
(++) = likely				
(+++) = very likely				

#### 6.4.1. *Conceptual problems for technically 'difficult' item groups*

Some difficult categories such as health and educational services, where there are major institutional differences between Member States, will be fully covered by the HICP with the index for January 2001 at the latest.

A specific Commission Regulation concerning the treatment of insurance services established a harmonized methodology for insurance that is necessary to ensure that the resulting HICPs meet the comparability requirement and the treatment of insurance is consistent with the definitions laid down in ESA 95. A Task Force on insurance services is about to put to the WP a proposal for Guidelines complementing the Insurance Regulation.

As a result of empirical studies carried out by specialised HICP Task Forces, Guidelines concerning the treatment of clothing, durables and cars have been drafted. These Guidelines could not be followed up any further because of their strong interaction with quality change, sampling and seasonality issues. They remain pending until the satisfactory settlement of the general aspects involved.

Through the initial exclusion of certain items relating to Owner-Occupied Housing (OOH), such as imputed rents, mortgage payments or major maintenance and repairs, EU statisticians have removed a significant source of 'non-comparability' between HICPs. The question of whether and how to include it in form of prices for new owner-occupied dwellings on net acquisition basis in the HICP has been investigated by another HICP Task Force. The TF on OOH has already put to the WP its proposals concerning the treatment of OOH in the HICP, and a decision is being sought from the SPC.

The treatment of financial services directly charged is the only one among these conceptually and technically difficult item groups which remains to be solved. In view of considerable differences in banking practices, price movements and weights, specific measures in form of a draft Commission Regulation are currently being discussed at the HICP Working Party.

#### 6.4.2. *Newly significant goods and services*

The requirement in the framework Council Regulation to 'maintain the relevance of HICPs' means that steps must be taken to ensure that HICPs keep broadly in step with each other and are up-to-date in terms of market developments. The corresponding minimum standard is aimed at ensuring that new products are incorporated in the HICP as soon they achieve a sales volume of over one part per thousand of total consumers' expenditure in the Member State. Eurostat is acting as an information exchange, informing each MS of products newly included in other Member States' HICPs.

In the context of the compliance monitoring exercise MSs reported on the procedures they had put in place in order to systematically seek identifying newly significant goods and services.

Typically, it is the price collectors which are supplying information on new goods and services (whether genuinely new or replacement products). Head offices observe centrally market developments and assess their observations together with the information supplied by price collectors.

In addition, Member States use information from National Accounts, the Household Budget Surveys or other surveys like food surveys or import statistics. Furthermore, they examine magazines and periodicals (trade and consumer journals, commodity publications) and review newspapers and television advertisements. They collect information from industry, trade organisations, and trade representative bodies, institutional users, and associations of retailers and producers and consumer associations.

In Member States with fixed base indices the search for newly significant goods and services is ongoing but particular focus is paid at each re-basing period when target samples are reviewed and new replacements or additional items are taken into the HICP. In Denmark each month one of the twelve main COICOP/HICP groups is checked, so that over one year all groups are checked. This may be seen as the most systematic procedure reported by a Member State and might be recommended as such.

The definition of 'newly significant goods and services' was subject to discussion, as it was meant to leave space for different interpretations. The sentence 'their estimated consumer expenditure has become at least one part per thousand of the expenditure covered by that HICP' was interpreted in mainly two ways:

- (a) Each product that was reported by a Member State had reached a significant level of consumption and counted for more than one part in a thousand in the Member State or
- (b) A certain group of products had reached a significant level of consumption which counted for more than one part in a thousand and the Member State had reported some new representative items.

The list as published in the last Report to the Council (Section 12.5, table 9) reflected the discussion on the interpretation of the standard by containing the reported goods and services which were grouped to product groups.

Member States were asked to report the approximate weight of those products or product groups on the list which they had not explicitly included in their HICP. Although a significant number of newly significant items were added to the HICPs, not all Member States were able to provide the required information due to practical reasons as well as due to misinterpretation. Results given by Member States were not comparable and therefore not contained in this Report.

In the Compliance Monitoring exercise, Member States were asked to update the newly significant product list. The resulting summary list of products was presented to the Member States in autumn 1999 (see the finalised version in tables 4 and 5). The discussion on this list showed that the term 'newly significant' was generally interpreted as 'being new in the index'.

Following HICP standards, there are two different cases by which new products are implemented into the index if they have gained a significant part of consumption:

- (1) Replacement: either the new product replaces an already existing product that has lost importance; in other words a more up-to-date representative for a need or purpose already covered by the index is brought into the sample (e.g. a special variety of car tyres is replaced by a more representative one),

or

- (2) **Addition:** the new product is brought into the index in addition to the already covered products as representative for a newly significant or modified need or purpose.

Those additions can have several reasons:

- (a) either a new product that had not been represented in the index and would not normally be considered as a replacement because it was radically different from the existing variety (e.g. mobile phones). It would be added as a new category within an existing category,

or

- (b) a product that was available but not explicitly represented because its consumption was too low. Inclusion was not a replacement within a category but a new category within a category (e.g. spaghetti in Denmark or lamb meat in the Netherlands).

In case (1) (Replacement), the weight of the COICOP/HICP category to which the replacement belongs should not be changed.

In case (2) (Addition), the price of the new product is collected in addition to the already observed product, the minimum standard in Commission Regulation (EC) No 1749/96 offers one of the following treatments:

- (a) either adjusting the weights of the relevant category of COICOP/HICP or
- (b) adjusting the weights within the relevant category of COICOP/HICP or
- (c) assigning part of the weight specifically to the new product [underneath the 4-digit level of COICOP].

Replacements are not affected by this standard because they do not have an effect on the weights.

The differences between newly significant products and replacements may be summarised as follows:

**Table 3**  
**Newly significant goods and services versus replacements**

<b>Additions (newly significant products)</b>	<b>Replacements</b>
New type of product (not yet existing or implicitly covered) but not necessarily (technically) new (e.g. lamb meat)	Same type of existing product
For the first time consumed to a significant extent (one part per thousand)	Not applicable
Can consist of different variants (brands, models): one or many products are introduced (serving the same purpose)	One to one replacement: one existing price representative is exchanged into another more representative product
The weight is either not yet existing <b>or</b> needs to be adjusted in order to account for the newly significant product	No impact on weights

As a result of the discussion the minimum standard in the regulation was split into its components as follows:

- there used to be a certain expenditure group which was not explicitly covered by the Member State's HICP because its weight was lower than one part per thousand;
- this expenditure group is now explicitly covered because it has reached one part per thousand of the expenditure covered by this HICP;
- this group is represented by a certain newly significant good or service which itself does not have to have a weight of at least one part per thousand of the expenditure of this HICP.

Following the standard, Member States were asked to check the reported products as potential price representatives for a certain expenditure group not yet or implicitly covered in their indices.

It was agreed that Member States need to check

- (a) whether the proposed products represent an expenditure group that is not yet explicitly covered by the index and
- (b) whether this expenditure group has reached one part per thousand of the expenditure represented in the index,
- (c) how this expenditure group should be explicitly implemented into the HICP and
- (d) whether it could be represented by more appropriate price representatives than those proposed (some appropriate representatives might be contained in the list as reported by other Member States).

Two lists with newly significant goods and services were agreed, one with the products proposed by Member States, one with product groups suggested by Eurostat (see Tables 4 and 5).

Both tables with newly significant goods and services take account of the distinction between newly significant goods and services and replacements as made above. Therefore, products reported by MSs that were obviously results of replacements are not contained in the tables.

In case of exclusion Member States should provide evidence that the maximum expenditure that could be represented by each of the proposed products was below one part per thousand of the expenditure covered by their HICP. Where appropriate, products should be grouped to higher-level expenditure groups (e.g. ecological/organic carrots and potatoes belong to the same COICOP sub-index and might therefore represent the same expenditure group).

Table 5 is meant to be a basis for considering whether the HICP covers expenditure groups which in Eurostat's view could have gained on importance over the last few years. The list is not exhaustive.

Compliance monitoring provided some rough indication — see also Tables 10 and 11 on the number of elementary aggregates and prices for selected expenditure groups as reported by MSs — that there may be more products which should be considered beyond those currently reported by Member States. The number of elementary aggregates or the number of price representatives to be added to HICPs should be sufficient to represent the diversity of newly significant items and the variation of their price movements.

The operation of the standard has shown that MSs are making considerable progress in monitoring consumers' expenditure on newly significant products and significant parts of consumers' expenditure are added to the HICP. The formulation of the standard seemed interpretable in different ways and this gave scope for further clarification. Subject to its strong interaction with sampling rules the standard may need formal amendment.

**Table 4**  
**Newly significant goods and services proposed by Member States**

Goods/services	Coicop	Goods/services	Coicop
Breakfast muesli mixture	1.1.1	Annual car examination	7.2.3
Buckwheat paste, ecological	1.1.1	Eurostar / Le Shuttle rail fares	7.3.1
Frozen pizza	1.1.1	Decoder for digital TV	9.1.1
Tortellini (pasta with meat)	1.1.1	Midi stereo system	9.1.1
Corn Flakes	1.1.1	Personal CD player	9.1.1
Vegetarian burgers	1.1.2	Knowlegde game (e.g. trivial pursuit)	9.3.1
Lamb meat	1.1.2	Garlands of paper	9.3.1
Ecological eggs	1.1.4	Chinese lanterns	9.3.1
Ecological carrots	1.1.7	Body-building equipment	9.3.2
Ecological potatoes	1.1.7	Underwater equipment	9.3.2
Dietetic biscuits	1.1.9.	Inline-Skates	9.3.2
Ice tea (in cans or bottles)	1.2.2	Knapsack	9.3.2 or 12.3.2
Champagne	2.1.2	Veterinary	9.3.4/5
Micro-fibers anorak	3.1.2	Dog grooming	9.3.4/5
Computer desk	5.1.1	Annual fee for gymnasium	9.4.1
Cooking appliance for the table (raclette, pierrade)	5.3.1	Dancing lessons	9.4.1
Air conditioner	5.3.1	Amusement park ticket	9.4.1
Steam-cleaning machine	5.3.1	Ski-lifts and similar	9.4.1
Energy-saving bulb	5.5.1/2	Access to cross-country skiing piste	9.4.1
Halogen bulb	5.5.1/2	Entry fee for discotheque	11.1.1
Disposable plates	5.6.1	Fast-food meal	11.1.1
Ginseng extract	6.1.1	Meals delivered to the customer's home (e.g. pizza)	11.1.1
Malt extract	6.1.1	Thalassotherapy sessions	12.1.1
One-day contact lens	6.1.2/3	Solarium sessions	12.1.1
Liquid Petroleum Gas (LPG)	7.2.2	Car seat for children	12.3.2



**Table 5**  
**Newly significant goods and services suggested by Eurostat**

<b>PC work place (incl. accessories and games)</b>	
a) Hardware	
Zip-drive	9.1.3
DVD-drive	9.1.3
Disk writer	9.1.3
Scanner	9.1.3
Joystick/gamepad/racing wheel for computers	9.1.3
Personal digital assistant	9.1.3
Internet video camera	9.1.3
b) Software	
Language course software	9.1.3
Voice recognition software	9.1.3
CD-ROM or diskette with encyclopedia	9.1.4
Computer game software, e.g. Tomb Raider III, Age of empires	9.3.1
<b>Video games</b>	
a) Hardware	
Joystick/gamepad/racing wheel for video consoles	9.3.1
Video consoles	9.3.1
b) Software for e.g. Dreamcast/Game Boy/Nintendo 64/Playstation	9.3.1
<b>Other accessories for the house</b>	
Battery recharger	05.3.1/2
Rechargeable batteries	05.5.1/2
<b>Telephone equipment</b>	
ISDN telephone, cordless	8.2./3.0
ISDN telephone/fax combination	8.2./3.0
Handsfree facility for mobile phone (in the car)	8.2./3.0

#### 6.4.3. *Quality of weights*

As described in Chapter 5, a specific Commission Regulation requires where necessary a minimum action of review and adjustment.

Eurostat asked Member States compiling fixed base indices for the results of their 1998/1999 reviews. In none of the responding Member States any weight had shown a change to the extent that it had to be altered.

Eurostat made some test comparisons in order to check roughly the plausibility of the results. Eight sub-indices were sampled which had shown for six chain-index countries extraordinary development in the weights between 1996 and 1999. The eight sub-indices showed totally different developments over the chosen period in each country. None of the indices showed a systematic development such as to allow projection to fixed base countries. Eurostat also checked for the reference period of certain lower level weights. The 13 MSs which responded did not report reference periods older than those allowed from the HICP standard on weightings.

To complete the picture, replies are being sought from those MSs which could not report their results in time for this Report. However, there is evidence that the quality of weights has improved with harmonization. Table 8 in Section 6.4.5. shows that weights are generally more up-to-date since 1996 than was previously the case. Italy, Luxembourg and Austria now update annually and other Member States have updated or plan to update weights shortly.

#### 6.4.4. *Household Final Monetary Consumption Expenditure (HFMCE)*

The definition of coverage is aimed at ensuring that goods and services according to COICOP/HICP are incorporated in the HICP and sub-indices with appropriate weights are transmitted to Eurostat. It extends, by reference to the European System of Accounts (ESA 95), HICP coverage to all goods and services falling within the scope of 'household final monetary consumption expenditure' (HFMCE) where they achieve a sales volume of over one part per thousand of consumers' expenditure.

The operation of the one per thousand rule has shown that its formulation may be problematic to the extent that Member States could, by too strict application of this rule, exclude in principle an important part of the relevant consumption expenditure. Although there was no such evidence, under certain circumstances this could lead to significant differences in the measured rates of inflation. As a preventive measure, Eurostat intends to propose formal amendment to the formulation.

The extension of HICP coverage along the concept of HFMCE was controversially discussed until its adoption by the Council in 1998. There were arguments about the relevance of the concept of HFMCE for the purpose of inflation measurement and its practical implications.

One argument was that 'household actual final consumption' instead of 'household final consumption expenditure' was the correct concept to follow. Social transfers in kind constitute the main difference between the two concepts. Actual final consumption includes them while HFMCE excludes them. This is consistent with view that consumer inflation is a monetary phenomenon, manifest only in actual monetary transactions and

prices actually faced by consumers. HFMCE is seen as the appropriate operational expression of the scope of the HICP defined in the framework Council Regulation as ‘the prices of goods and services available for purchase in the economic territory of the Member State for the purpose of directly satisfying consumer needs.’

Most of the arguments against the HFMCE concept were mainly founded on the theoretical appropriateness or the practical preference of measuring ‘gross prices’ (i.e. the total price of the product whether it is actually paid by consumers in full or in part) instead of ‘purchaser prices’ (i.e. net prices actually paid by consumers). The understanding of inflation as purely monetary phenomenon and the HFMCE concept are both conclusive in that purchaser prices should be used in a consumer inflation index. The difficulty to obtain purchaser prices on a monthly basis was nevertheless addressed expressly in cases where it actually mattered, notably in measuring in ‘gross’ terms the service charge in insurance services.

It was also argued that for reasons of comparability, the government sector and in consequence most of social protection, health and education services should have been excluded given the widely varying institutional arrangements in different Member States. The Commission (Eurostat) maintains that for the purposes of a consumer inflation index there is no danger of introducing non-comparability by such services, as long as prices are taken ‘net’, i.e. the index measures the change in the prices actually paid by consumers in exchange for the services concerned. It was notably argued that changes in social protection policy and particularly in reimbursements financed, for instance, through changes in direct taxation and vice versa could distort the picture of inflation provided by an HICP including health, education and social protection services. A similar argument may apply to newly introduced charging schemes for goods or services previously available to consumers free of charge, to the extent that the additional charges are compensated by reductions elsewhere in the financing circuit. The argument is that in a global context the net inflationary effect might be zero, contrary to what would be reflected in the HICP. The Commission (Eurostat) recognises that changes in reimbursements and the effect of newly introduced charging schemes might not have an impact on measures of inflation in a broader context but they do form an essential part of the inflationary process affecting consumers, either residents or foreigners, and therefore need to be reflected in the HICP.

Particular concerns were raised regarding the implications of measuring changes in the so-called ‘income dependent prices’, which are predominant in the health, education and social protection sectors in most of the Member States, in the context of a Laspeyres-type index. The adoption of this standard by the Council in 1999 was a milestone in the harmonization process as it actually enabled the implementation of extended coverage to the extent that it provided technical solutions to previously unresolved problems.

Doubts were also raised about the implementation of the domestic concept which was felt as being correct in theory but difficult to apply accurately in practice. Cross-border purchases of petrol, alcohol and tobacco were in some cases a particular concern. The Commission (Eurostat) although it acknowledges the difficulty in obtaining accurate weights, is of the opinion that the application of the domestic concept removed an important source of inconsistency, particularly with a view to providing meaningful and consistent aggregate indices for the euro-zone.

With the index for January 2000, the HFMCE concept is applied in the Member States. Imputed rents for owner-occupiers and life insurance are two areas falling within the ESA 95 definition of HFMCE that are not covered by the HICP. As stated in Section 6.4.1, the inclusion of Owner-Occupied Housing (OOH) following the net-acquisition concept is currently under discussion in the HICP Working Party. A final decision is expected in 2000.

Three Member States have reported so far some specific difficulties with the implementation of the HFMCE concept.

The United Kingdom reported that the main impact the HFMCE concept had on the HICP was the need to switch to using National Accounts data as the source of the weights. As the NA data were not classified to 4-digit COICOP level, this was a time-consuming task. The extension of product coverage did not have too much impact as many of the new price indicators needed already existed, although new data had to be collected for a few new indices. There were only two areas where price indicators had to be included where funding was partially government and partially household: university tuition fees and prescription charges. For both, existing price indices could be used.

France stressed that the extension of coverage was a heavy work burden, especially the design of 'net' indices for health (goods and services) and social protection services, including the estimation of 'net' weights. Furthermore, the modification of the data processing software for the new HICP, according to the extension of product coverage and the change in weights used as well as the provision of retrospective data one year backward in order to get the best estimates for comparable annual rates of change were resource-intensive.

Austria reported difficulties with modelling and getting timely information on income distribution in order to reflect income dependent prices in the social protection area.

Member States reported on the changes they made with the January 2000 index (X indicates changes, C indicates compliance already before January 2000) in implementing extended coverage according to HFMCE as follows:

**Table 6**  
**Changes in coverage made with January 2000 index**

	<b>Increase of total expenditure covered by HICP (%)</b>	<b>Geographic coverage (including domestic expenditure by non-residents, excluding expenditure by residents abroad)</b>	<b>Population coverage (individuals living in institutional households, poor and rich, urban and rural)</b>
<b>Belgium</b>		X	X
<b>Denmark</b>		C	C
<b>Germany</b>		C	X (*)
<b>Greece</b>		X	X
<b>Spain</b>	7	X	X
<b>France</b>	4.5 (due to product coverage)	C	C
<b>Ireland</b>	12.1 (5.2 due to product coverage, 6.9 due to domestic concept)	X	X (*)
<b>Italy</b>		C	C
<b>Luxembourg</b>		X	C
<b>The Netherlands</b>	5.8 (due to extension of geographic and population coverage)	C	X
<b>Austria</b>		X (**)	C
<b>Portugal</b>	7.3 (due to extension of geographic and population coverage)	X	C
<b>Finland</b>	3.8 (due to extension of geographic and population coverage)	X	X
<b>Sweden</b>		C	C
<b>United Kingdom</b>	10 (3.5 due to inclusion of tourists, 1.5 due to product coverage, 1 due to institutional households, 3.5 in 2001 due to product coverage)	X	X
<b>Iceland</b>	6.7 (3.4 due to geographic coverage, 3.3 due to population coverage)	X	X
<b>Norway</b>		X	
(*) Individuals living in institutional households are not covered because of their small relative importance			
(**) From 1996 to 1999 the Austrian HICP related to the domestic concept but included not only household consumption expenditure but also all foreign consumption expenditure. In order to adjust this concept the weight of division 07 (traffic) was reduced by 0.7 percentage-points and the weight of division 11 (hotels and restaurants) was reduced by 1.0 percentage points, both figures relating to 1998 expenditure.			

The extension of coverage has an impact on the annual rates of change of the HICPs because of differences in coverage between 1999 and 2000. Recognising this inconvenience, stated by the Commission (Eurostat) and the ECB in the minutes of the Council meeting in 1998, Denmark, Finland, Germany, Ireland, Italy, the Netherlands, Spain, Sweden and the United Kingdom tabled a joint declaration that with the first release of the extended index they would seek to provide, in a cost effective way, their best estimates of comparable data for at least the twelve preceding months. Six Member States have provided data one year backward for the newly implemented sub-indices and the re-defined sub-indices.

Another, though less accurate, way of assessing the impact of extended coverage on the all-items HICP is to look at the difference in the annual inflation rates by comparing the official HICP (based on full coverage from January 2000) with an HICP excluding health, education and social protection as in Table 7. This provides a first but rough idea of the impact, to the extent that it excludes somewhat more than the extended coverage has added to the index.

**Table 7**  
**Annual rates of change**  
**(difference in % points between the HICP including and excluding extended coverage)**

	<u>Apr-00</u> <u>Apr-99</u>	<u>Mar-00</u> <u>Mar-99</u>	<u>Feb-00</u> <u>Feb-99</u>	<u>Jan-00</u> <u>Jan-99</u>
<b>Belgium</b>	0.0	-0.1	0.0	-0.1
<b>Germany</b>	0.0	0.0	0.1	0.1
<b>Spain</b>	-0.1	0.0	-0.1	0.0
<b>France</b>	0.1	0.1	0.1	0.0
<b>Ireland</b>	-0.1	0.1	0.1	0.0
<b>Italy</b>	0.1	0.1	0.1	0.0
<b>Luxembourg</b>	0.0	-0.1	-0.2	0.0
<b>Netherlands</b>	0.0	0.0	0.0	0.0
<b>Austria</b>	0.1	0.1	0.1	0.1
<b>Portugal</b>	0.0	0.1	0.0	0.0
<b>Finland</b>	0.1	0.0	0.1	0.2
<b>Euro-zone (MUICP)</b>	-0.1	-0.1	-0.1	-0.1
<b>Denmark</b>	0.0	-0.1	-0.1	-0.1
<b>Greece</b>	-0.1	0.0	0.1	0.1
<b>Sweden</b>	0.2	0.2	0.1	0.1
<b>United Kingdom</b>	0.2	0.2	0.2	0.1
<b>EU15 (EICP)</b>	0.0	-0.1	0.0	0.0
<b>Iceland</b>	0.1	0.2	0.2	0.2
<b>Norway</b>	0.0	-0.1	-0.1	0.0
<b>EEA (EEAICP)</b>	0.0	-0.1	0.0	0.0

With the index for January 2001, the coverage of the HICP will be extended a second time. With a view to the implementation of changes in HICP methodology more generally, the question of a harmonized revisions policy has been raised by Germany and Sweden. The discussion on a general revisions policy has already started in the HICP Working Party but the results are not expected to affect the indices to be published in 2000. This means that the same inconvenience will appear again, although to a lesser extent, with the annual rates of change for 2001.

It should be noted that the extension of HICP coverage with the index for January 2000 was the largest and heaviest HICP operation since the launch of the index in 1997. Despite the above mentioned concerns, and thanks to the constructive co-operation of all Member States involved, the operation ran rather smoothly and the results were available on time.

On one hand, the Commission (Eurostat) acknowledges that certain concerns may still persist, particularly among those Member States which on different grounds opposed the agreed measures. A conclusive and more in-depth assessment of the operation of the HFMCE concept, and in particular of measuring changes in 'income-dependent-prices' is not possible earlier than a year after the next wave of extended coverage in January 2001, i.e. in the year 2003. The Commission (Eurostat) intends to revisit its assessment and report again in due course.

On the other hand, the Commission (Eurostat) is of the opinion that going through this difficult consensus-building process was a highly beneficial exercise. The implementation of these concepts later than initially foreseen delayed the whole harmonization project but it finally allowed a much more comprehensive coverage for the HICP and helped to narrow the views on a number of technically difficult and divisive issues on the harmonization agenda. Nothing would have been achieved without the constructive co-operation of all parties involved.

#### *6.4.5. Macro index formula (common reference period)*

Article 9 of Council Regulation (EC) No 2494/95 requires that the HICP shall be a Laspeyres-type index. Though HICPs and CPIs produced by Member States may differ in detail, they can be broadly described as Laspeyres-type indices. That is, indices in which the month to month movements in prices are measured as an average of price indices using expenditure weights which are an appropriate reflection of the pattern of consumption of, and the structure of prices paid by, the index population in the weight reference period.

In practice, there are three types of base period used in the construction of CPIs: the period from which the expenditures for weights are obtained ('weight reference period'); the period in which base prices are valued ('price reference period'); and the period in which the index base is set to 100 ('index reference period').

Since HICPs are derived from national CPIs there were, and still are, differences between national CPIs in all these reference periods. Luxembourg was the first Member State that had replaced its national CPI with the HICP. With the publication of the January 2000 index and the related extensions in the coverage, Luxembourg re-introduced a national CPI which differs in coverage from the Luxemburgish HICP.

The HICP is according to the macro-formula chosen for its computation — potentially — a chain index. It should be stressed that this is the equivalent chain form of the fixed index



which simply allows chained and fixed indices to be expressed by a common formula. The chaining becomes effective if and only if there would be changes to the weights, for instance on the grounds of the review as required by the Commission Regulation on the quality of HICP weightings.

In regard to comparability of HICPs, the choice of the macro-formula in conjunction with the solutions given to the question of updating HICP weights shall be considered as one of the major harmonization achievements as the issue of 'chain' versus 'fixed index' was shown to be a non-productive and very divisive issue.

Most Member States compile a fixed base index, while France, Italy, Luxembourg, Austria, Sweden, the United Kingdom (and Norway) compute a 'chain index' with annual weight updating. In order to obtain a set of HICPs with sub-indices allowing for consistent aggregations it was necessary to present the HICPs as if they were all computed with the same formula. Hence, it was necessary to apply a common index reference period and a common weight reference period. The framework Council Regulation defines the common index reference period with 1996 = 100. In order to obtain also a common weight reference period, Eurostat price updates the weights as delivered by Member States to each December.

Table 8 gives an overview of the current situation and the future plans in Member States.

**Table 8**  
**Weight reference periods**

	Weight reference period in the HICP in Jan-1999		Planned next weight reference period			Annual updating ('chain index') from ... onwards (X = chain index)
			Quantity reference	Price reference	To be introduced in .../starting with the index for January ...	
	Quantity reference	Price reference				
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
B	1995-1996	1995-1996	1997-1998	Dec-1999	2000	-
DK	1994	1994	1996	1996	2000	-
D	1995	1995	2000	2000	2003	-
EL	1994	1994	1999	1999	2001	-
E	1990-1991	1990-1991	1999-2000	2000 or 2001	Jan-2001 or Jan-2002	Jan-2001 or Jan-2002
F	1997	Dec-98	-	-	-	X
IRL	1996	1996	2001	2001	Jan-2002	-
I	1997	Dec-98	-	-	-	X (Jan-1999)
L	1995	Dec 1998	1996	Dec 1999	2000	X (Jan-1999)
NL	1995	1995	2000	2000	2003	Not before 2003
A	1993/1994-1995	1996	1999/2000	2000	2001	X (2000)
P	1995	1997	2000	2002	Jan-2003	Jan-2004
FIN	1998	1998	2000	2000	Jan-2002	
S	1998	1998	-	-	-	X
UK	Jul-97-Jun-98	Jul-97-Jun-98	-	-	-	X
IS	1995	1995	2000	2000	2002	2003
N	1995-1997	1995-1997	1996-1998	1996-1998	Jan-2000	X (since Sept-82)

#### 6.4.6. *Elementary aggregates*

Commission Regulation (EC) No 1749/96 defines elementary aggregates referring to the expenditure or consumption covered by the most detailed level of stratification of the HICP and within which reliable expenditure information is not available for weighting purposes. An 'elementary aggregate index' is a price index for an elementary aggregate comprising only price data. Compliance Monitoring has shown that most Member States define 'elementary aggregate' on a regional level. Prices are collected in all or selected regions. Regional prices are combined to the lowest level of aggregation within which reliable expenditure information is available for weighting purposes. After this the indices are combined to expenditure groups at country level. The 'elementary aggregate' level of a minority of products is defined by the outlet-type.

On the contrary, two Member States define 'elementary aggregate' at the product/variety-level. Prices, which are observed in certain regions and in certain outlet-types, are combined to the elementary aggregate level. After this those elementary aggregates are combined directly to the country level.

The ratios of geometric or arithmetic means of prices are the two formulae which should be used in elementary aggregations. The arithmetic mean of price relatives may be applied in exceptional cases where it can be shown that it meets the comparability requirement. Table 9 provides up to date information about formulae currently used in the Member States.

**Table 9**  
**Formulae applied for the computation of the Elementary Aggregates**

	For the computation of the HICP the formula for EA was changed	Formula used in the HICP is the ratio of arithmetic mean prices (RAM) or geometric mean (GM)	New formula was introduced in the HICP starting with the index for:	Estimated effect on the HICP over a period of twelve month (in percentage points)	New formula was/will be introduced in the CPI
<b>B</b>	No	RAM	-	-	-
<b>DK</b>	January 1997	GM in general. RAM for products where substitution is not possible	January 1997	-0.3 to -0.4	January 2000
<b>D</b>	No	RAM  GM for certain items such as package holidays, books	Jan-95	No estimate available	Yes, starting with index for Jan-95 (in Feb-99)
<b>EL</b>	Yes	GM	Jan-95	-0.1	Yes, starting with index for Jan-94
<b>E</b>	No	RAM	-	-	-
<b>F</b>	Yes, progressively for heterogeneous products	RAM for homogenous products (1/3), GM for heterogeneous products (1/3), other formula for fresh products, complex prices and tariffs (1/3)	Jan-97: half of the changes to the GM were done; 18% of the index is calculated using GM; Jan-98, Jan-99: further changes to GM	-0.1	Yes
<b>IRL</b>	No	RAM	-	-	-
<b>I</b>	Yes	GM	Jan-99	-0.06	Yes, starting with index for Jan-99

(cont.)

	For the computation of the HICP the formula for EA was changed	Formula used in the HICP is the ratio of arithmetic mean prices (RAM) or geometric mean (GM)	New formula was introduced in the HICP starting with the index for:	Estimated effect on the HICP over a period of twelve month (in percentage points)	New formula was/will be introduced in the CPI
<b>L</b>	Yes	GM	Jan-95	No estimate available	HICP and national CPI are identical
<b>NL</b>	No	RAM	-	-	-
<b>A</b>	Yes	GM; RAM for certain items such as fruit, vegetables and rents	Jan-95	-0.1	GM starting with Jan 2001
<b>P</b>	Yes	GM	Jan-98	No estimate available	Yes, starting with index for Jan-98
<b>FIN</b>	Yes	GM	Jan-96	-0.1	Yes, starting with index for Jan-98
<b>S</b>	No	Variant of GM (ratio of standardised mean prices)	-	-	-
<b>UK</b>	Yes	GM	1988 (backwards calculation)	1997-1999: -0.5 since then raised to: -0.65	No
<b>IS</b>	Yes	GM	Mar-97	No estimate available	Yes, starting with index for Mar-97
<b>N</b>	No	RAM	GM will be used from Aug-99	No estimate available	Yes, starting with index for Aug-99

#### 6.4.7. *Minimum standards for sampling*

HICPs should be constructed from target samples which take into account the weight of each COICOP/HICP category, have sufficient elementary aggregates to represent the diversity of items within the category and sufficient prices within each elementary aggregate to take account of the variation of price movements in the population shall be deemed reliable and comparable. Tables 10 and 11 at the end of this section give an overview of the number of elementary aggregates and the number of price quotations per elementary aggregate for a number of sub-indices and certain product groups therein in each of the Member States.

In its last Report the Commission (Eurostat) noted that most Member States did not take probability samples when observing prices and there was therefore no theoretical framework for assessing the reliability (bias and precision) of HICPs so constructed. The Regulations therefore required checks to be made on the adequacy of samples and for adjustment to practices to be made as necessary.

Purposive sampling may even with a small number of prices and elementary aggregates give a representative and accurate picture of average price change in a given universe. Simulations run on scanner data (by Statistics Netherlands) seem to secure this expectation in a number of cases. This however cannot hold in markets with changing price dynamics or in the case of other, non-price changes.

A number of markets for consumer goods and notably durables can be assumed as being fairly similar in Europe. The numbers of elementary aggregates and prices reported by MSs in the compliance monitoring exercise demonstrate large diversity of actual practice by reference to weights and the likely diversity of available items and variation of their price movements. The finding seems to confirm that some HICPs or HICP sub-indices are equipped with sampling designs which can cope better with unexpected changes in the diversity of items or in the variation in their price movements than others do. Strong a priori emphasis on the regional component may, on the other hand, distort the picture given in Tables 10 and 11 to the extent that regional stratification does not necessarily guarantee gains in precision and representativity.

It is most unlikely that the markets in different Member States can explain the differences found in the tables. At best the differences have negligible effect on HICPs but in this case some Member States may be making a rather inefficient use of resources. Because many samples are unnecessarily large the potential inadequacy of purposive sampling has been ignored by Member States. It is also the case that probability sampling, for which there is established theory, would be expensive. Since there is no actual evidence of bias and no way of showing bias no objections have been raised. This complacency is hardly acceptable. The 'comparability criterion', which requires that different practices between countries should not per se produce different results, offers a way forward. The task for the Commission (Eurostat) is to define an efficient and cost effective analysis strategy.

There have been two successive Task Forces (TF) established in order to develop the legal and conceptual framework for good sampling practice. The first TF looked at the sources of errors and problems of comparability due to differences in sample design and practice. It established the key operational differences between Member States and reviewed the few attempts that had been made to compute sampling errors. On the latter it noted the technical difficulties of computations but also the potential benefits in terms of improved

allocation of the considerable price collection resources used in CPI construction. Otherwise the TF's main recommendation was that focus on the problems producing an unbiased measure of price change in a dynamic economic context, where the range of products available is continually changing, was the critical issue for harmonization. This led to the remit of the second TF which was to:

- (i) examine the operational issues arising from the requirements of 'Representativity' and 'Precision' for HICP samples considering both dynamic and static aspects;
- (ii) develop specific Guidelines for implementing the rules set out in Commission Regulation (EC) No 1749/96 concerning the various aspects of sampling and representativity.

This Task Force first sought to develop a theoretical framework for HICP sampling on the basis of the framework of regulations, which defined the objectives, and the well-established tenets of sampling theory.

If a precise statement of the index that should be computed for a given and observable universe can be made then the operational requirements of sample estimates can be determined. Finally the findings can be used to say how the potential for bias in current sampling practice might be reduced

**Table 10 (\*)**  
**Number of elementary aggregates on average per month for the 12 most recent subsequent month**

Part of COICOP code	Heading	Number of elementary aggregates on average per month for the 12 most recent subsequent months																
		B(*)	DK	D	EL	ES	F	IRL	I	L	NL	A	P(*)	FIN	S	UK	IS	N(*)
<b>01.1.5.</b>	Oils and fats	455	5	102	138	208	218	30	474	5	12	120	49	36	10	48	7	48
	1) Butter	65	2	17	23	52	75	10	79	1	1	20	14	6	2	24	5	16
<b>02.1.3.</b>	Beer	260	3	34	46	52	105	20	158	1	8	20	14	6	4	48	4	32
	1) Lager beer	65	1	17	46	52	105	10	-	1	5	20	13	6	0	24	3	8
<b>03.1.2.</b>	Garments	2 730	31	905	255	2 236	2 196	255	2 686	29	98	600	280	228	23	144	37	520
	1) Men's shirts	65	1	42	9	52	69	15	79	1	2	20	14	6	1	6	1	32
	2) Women's dresses	130	1	42	9	52	59	5	79	1	2	20	13	6	1	12	3	16
<b>03.1.4.</b>	Dry cleaning, repair and hire of clothing	195	2	51	92	52	40	30	132	1	2	80	14	6	1	24	1	24
	1) Dry-cleaning of men's trousers	65	1	17	23	52	8	5	79	1	1	20	7	6	0	12	1	8
<b>04.1.</b>	Actual rentals for housing	67	1	119	2	52	192	2	26	3	917	20	60	12	1	24	1	2
<b>05.1.1.</b>	Furniture and furnishings	520	11	385	55	832	663	45	316	6	32	220	56	66	22	36	6	176
	1) Sofas	65	1	21	1	52	82	5	79	1	5	20	14	6	2	6	1	16
<b>05.3.1./2.</b>	Major household appliances whether electric or not and small electric household appliances	1 040	15	361	120	572	466	100	263	7	40	280	140	78	20	101	7	176



<i>(cont.)</i>		<b>B(*)</b>	<b>DK</b>	<b>D</b>	<b>EL</b>	<b>ES</b>	<b>F</b>	<b>IRL</b>	<b>I</b>	<b>L</b>	<b>NL</b>	<b>A</b>	<b>P(*)</b>	<b>FIN</b>	<b>S</b>	<b>UK</b>	<b>IS</b>	<b>N(*)</b>	
	1) Washing machines	65	1	21	12	52	54	5	79	1	6	20	14	6	2	12	1	24	
<b>05.6.1</b>	Non-durable household goods	455	15	359	599	572	456	85	1 396	2	34	180	147	96	12	108	31	232	
	1) Washing powder for washing machines (no liquids)	65	1	34	46	52	55	5	79	1	11	20	20	6	2	12	2	40	
<b>07.1.1.</b>	New and second-hand motor cars	20	9	69	3	104	192	2	13	6	55	1 380	60	186	2	37	34	48	
	1) New cars	20	9	69	3	52	96	1	13	5	36	900	46	180	1	19	34	40	
<b>09.1.1.</b>	Equipment for reception, recording and reproduction of sound and pictures	325	7	163	30	260	284	45	184	2	22	100	42	24	14	14	2	56	
	1) TVs	65	1	19	6	52	49	10	79	1	8	20	7	6	4	4	1	16	
<b>09.1.2.</b>	Photographic and cinematographic equipment and optical instruments	65	2	126	47	52	78	10	53	1	5	60	14	12	5	4	2	32	
	1) Video cameras and cam-coders	0	1	21	17	0	21	0	26	1	2	20	7	6	2	2	1	8	
<b>09.1.3.</b>	Data processing equipment	325	2	92	25	104	32	6	27	3	11	40	14	6	4	26	1	32	
	1) PCs	1	1	19	1	52	14	1	1	1	5	20	7	6	1	24	1	16	
<b>09.1.5</b>	Games, toys and hobbies, equipment for sport, camping and open-air recreation	390	6	363	106	260	418	40	474	2	16	220	70	54	15	25	3	128	
	1) Video-game software	65	0		1	1	0	30	5	0	1	0	7	6	3	1	0	8	
(*) Table 10 has been updated for Belgium, Portugal and Norway in order to take account of data as of March 2001.																			

**Table 11 (\*)**  
**Price observations per elementary aggregate on average per month**

Part of COICOP code	Heading	Price observations per elementary aggregate on average per month																
		B(*)	DK	D	EL	ES	F	IRL	I	L	NL	A	P (*)	FIN	S	UK	IS	N(*)
<b>01.1.5.</b>	Oils and fats	7	87	45	2	5	6	26	11	17	70	6	22	27	51	13	23	14
	1) Butter	7	208	71	2	5	7	25	11	20	61	6	22	27	29	12	12	13
<b>02.1.3.</b>	Beer	6	204	52	2	5	6	24	7	49	66	6	22	54	104	12	54	12
	1) Lager beer	7	203	55	2	5	6	22		49	65	6	23	39 (*)		13	20	0
<b>03.1.2.</b>	Garments	3	82	26	4	3	7	12	5	9	95	7	7	22	74	115	9	5
	1) Men's shirts	4	155	31	4	5	8	14	7	17	145	10	7	24	99	143	12	0
	2) Women's dresses	3	105	25	4	3	11	14	6	4	76	10	6	23	82	84	11	0
<b>03.1.4.</b>	Dry cleaning, repair and hire of clothing	2	13	26	2	2	7	11	3	19	35	4	3	7	5	22	6	5
	1) Dry-cleaning of men's trousers	3	25	33	2	2	7	16	2	6	35	5	7	7		23	1	0
<b>04.1.</b>	Actual rentals for housing	32	4 200	161	85	32	14	188	137	33	1	267	10	6	801	52	60	63
<b>05.1.1.</b>	Furniture and furnishings	2	7	17	3	2	7	11	4	27	33	2	7	16	40	124	9	5
	1) Sofas	2	65	25	8	2	8	13	1	8	29	2	7	22	96	116	18	0

<i>(cont.)</i>		<b>B(*)</b>	<b>DK</b>	<b>D</b>	<b>EL</b>	<b>ES</b>	<b>F</b>	<b>IRL</b>	<b>I</b>	<b>L</b>	<b>NL</b>	<b>A</b>	<b>P(*)</b>	<b>FIN</b>	<b>S</b>	<b>UK</b>	<b>IS</b>	<b>N(*)</b>
<b>05.3.1./2.</b>	Major household appliances whether electric or not and small electric household appliances	3	34	13	3	2	6	12	5	23	32	6	7	20	9	18	9	3
	1) Washing machines	3	48	14	4	2	6	14	2	17	27	9	7	25	9	15	15	5
<b>05.6.1</b>	Non-durable household goods	6	13	35	2	4	5	22	6	61	66	5	17	19	64	11	41	9
	1) Washing powder for washing machines (no liquids)	12	14	68	2	4	5	24	8	23	58	9	20	30	36	13	83	0
<b>07.1.1.</b>	New and second-hand motor cars	8	4	1	8	0.58	2	28	5	17	401	0.03	3	31		5	1	7
	1) New cars	8	4	1	8	0.6	2	28	5	15	1	0.05	3	30	60	3	1	0
<b>09.1.1.</b>	Equipment for reception, recording and reproduction of sound and pictures	3	95	15	3	2	7	12	4	44	36	7	7	23	10	103	9	5
	1) TVs	3	189	16	6	2	13	14	2	25	31	9	7	20	11	108	6	0
<b>09.1.2.</b>	Photographic and cinematographic equipment and optical instruments	3	84	13	3	2	5	13	3	32	43	1	7	23	15	84	6	2
	1) Video cameras and cam-coders	0	28	13	3		6		2	13	38	1	7	22	13	81	7	0
<b>09.1.3.</b>	Data processing equipment	1	18	12	2	2	6	16	2	19	13	1	7	20	8	9	6	3
	1) PCs	19	1	11	8	2	9	41	4	6	6	1	7	20	11	1	6	0

<i>(cont.)</i>		<b>B(*)</b>	<b>DK</b>	<b>D</b>	<b>EL</b>	<b>ES</b>	<b>F</b>	<b>IRL</b>	<b>I</b>	<b>L</b>	<b>NL</b>	<b>A</b>	<b>P(*)</b>	<b>FIN</b>	<b>S</b>	<b>UK</b>	<b>IS</b>	<b>N(*)</b>
<b>09.1.5</b>	Games, toys and hobbies, equipment for sport, camping and open-air recreation	3	18	10	3	4	5	8	4	46	59	1	6	21	17	74	12	4
	1) Video-game software	1	0		12		5	10		2		3	4	20	13	120	0	0

(\*) Table 11 has been updated for Belgium, Portugal, Finland [code 02.1.3, 1) ] and Norway in order to take account of data as of March 2001.

Comments on Table 11:

One would expect to see at least one price observation per elementary aggregate. For Spain and Austria this assumption does not hold for some sub-indices. This deviation can be explained by the treatment of centrally observed prices:

- (a) A centrally observed price is used for the calculation of average prices in each region. This results in a number of elementary aggregates corresponding to the number of regions in each country. In this case the price is counted as a single price quotation for the whole country. The ratio between the number of price quotations and the number of elementary aggregates might thus fall below one as in the cases of Spain and Austria.
- (b) A centrally observed price is used for the calculation of one elementary aggregate which is directly used for the aggregation in each region. Also in this case the price is counted as a single price quotation for the whole country.

The project was informed by a corresponding exercise by Statistics Netherlands where alternative price indices were constructed for what are in effect almost complete data for a known, if limited, universe of scanner data. The central problem is how to deal with non-price change, changes through time in the products available and in the actual consumer choices. The standard practice in these situations is to say what should be done if the universe were static. However, since this involves a hypothetical situation it is difficult to reach a consensus. Hence the diversity of actual practice in essentially identical situations.

Although the TF made considerable progress in elaborating the issues in new ways a full resolution of the problems remains intractable. Nevertheless, the proposal will further extend the minimum standards on sampling to ensure that current HICP samples do not fail to adequately represent new or current models or varieties of products on the European markets. The TF will also suggest how scanner data may be exploited both as a source of prices for inclusion in HICPs (their use is not without problems) and as a basis for simulating alternative sampling procedures.

There is no room for complacency on the reliability of HICPs. The aim is therefore to develop quantitative indicators to supplement the ad hoc qualitative assurances currently given to users and to demonstrate that all HICPs and the MUICP meet the required standards.

#### *6.4.8. The level at which macro aggregation changes into elementary aggregation*

The Commission (Eurostat) recognises that the level of elementary aggregation interacts with other design features such as sampling and availability of weighting information. As shown in Tables 10 and 11, depending on the sources of weights used, elementary aggregation may start at higher or lower levels in the product, geographic and outlet hierarchies. Although it is also recognised that differences as a result of national practices can in theory affect the resulting HICP differences, the issue was in the first instance not considered as a priority matter for the harmonization work. It is the only important item on the harmonization agenda on which no action has been undertaken up until now. With a view to the ever increasing importance of the HICP the issue needs to be addressed.

#### *6.4.9. Minimum standards for prices and quality adjustment*

“Quality change” occurs whenever the Member State judges that a change in specification has resulted in a significant difference in utility to the consumer between a new variety or model of a good or service and a good or service previously selected for pricing in the HICP for which it is substituted. A quality change does not arise when there is a comprehensive revision of the HICP sample.’. Quality adjustment is defined as ‘the procedure of making an allowance for a quality change by increasing or decreasing the observed current or reference prices by a factor or an amount equivalent to the value of that quality change.’.

The kind of substitution described in the above definition might be called ‘new for old replacement’ because it deals just with the significant difference ‘between a new variety or model of a good or service and a good or service previously selected for pricing in the HICP for which it is substituted’. It has been shown that MSs were not in position to distinguish between new for old and old for old replacements in the compilation of their HICPs. This also implies that the incidence of quality changes and the adjustments made

is not monitored in accordance with the HICP legal framework. Nevertheless a few MSs supplied in time the experimental implicit quality indices requested by Eurostat while others are in process of compilation. (see also Section 6.4.11 on implicit quality indices).

In its last Report the Commission (Eurostat) noted that ‘quality adjustment’ was widely accepted among experts to be one of the most, if not the most, intractable problems in CPI construction. The HICP minimum standard requires that Member States did not make the automatic assumption that price differences between successive models was wholly attributable to quality. Otherwise Member States were permitted to continue to follow a number of standard procedures, either explicit or implicit, to adjust for quality change. However, it was accepted that work was needed to assess the underlying assumptions and validity of each procedure before comparable practices could be established and applied consistently. The setting up of a central database of actual adjustments and research into quality change in the most important areas of product development were seen as a way forward.

The Commission (Eurostat) has engaged with Member States in both general and conceptual discussions of methods and in the examination of the results of empirical studies of quality change and adjustment both within Europe and in the wider International Working Group on Price Indices (the Ottawa Group). The latter forum allows European experts to examine the ideas and research of the US price statisticians who have been particularly active following criticisms of the Boskin Commission. However, little or no progress has been made. Efforts by working groups to produce Guidelines for the treatment of quality change in either motor vehicles or clothing were inconclusive.

The Working Party failed to agree proposals for distinguishing products where quality was assumed to be important from those where it was not despite evidence suggesting unacceptable wide variations in particular adjustments between countries. Some Member States preferred a cautionary position resisting change before a comprehensive solution had been agreed. Others supported a rather more pragmatic approach to harmonization given the unsatisfactory conclusions on current practices.

A number of Member States have explored the use of hedonic regression techniques for allowing for quality change with mixed results. The availability of scanner data has facilitated experimental work of a high standard. However, there is no general agreement that the approach is practicable on a wide scale and the technique does not address the problem of allowing for major innovation such as digital TV or Windows 2000. Nevertheless, some countries argue that it can be successfully used to allow for changes in the quality of clothing when comparing the prices of one season’s clothes with those of the following season replacements. Such adjustments involve a heavy burden of data collection and analysis. Work on PCs done in the US and elsewhere has produced figures of significant quality improvement. Whilst this accords with common expectations the results are not without their critics. Ultimately the approach either rests on the acceptance of purely statistical regularities as consumer valuations or on untested assumptions about consumer behaviour and about unobservable market processes in the setting of prices. Notwithstanding these objections, the Commission (Eurostat) leaves open the possibility of agreeing with Member States that such methods may be preferable to many of the current practices.

However, it seems rather unlikely that further progress can be made before the sampling TF has formulated clear ideas on the sampling part of the quality change problem (e.g.: representativity by reference to a changing universe, tight vs. loose specification of representative items, re-sampling versus replacements).

#### *6.4.10. Quality adjustment database*

Article 5 of Commission Regulation (EC) No 1749/96 also states that in the absence of national estimates [for the quality changes] Member States shall use estimates based on information provided by the Commission (Eurostat) where these are available and relevant. In order to meet this requirement Eurostat has launched a pilot quality adjustment database on an experimental basis. The database was designed following specifications proposed by Statistics Netherlands which has supplied the first data. Member States were asked to supply more estimates for individual products with a view to other priorities. There is slow progress to be noted due to the lack of resources in both Member States and Eurostat.

#### *6.4.11. Implicit Quality Indices (IQIs)*

The IQI is a measure of the effect of operational adjustments that have been made to the raw price data in order to obtain the price index. That is the aggregate effect of adjustments to remove non-price effects and arrive at the true price change. Where the only adjustments to the raw price observations are allowances for quality change the IQIs provide an index of quality change. The power of the IQI concept is that it can be subjected to a number of controls that can reveal biases or other problems in HICP computation. Two basic control questions are:

- (a) do the IQIs for different items move as expected according to generally accepted views of what is going on in the consumer markets? Such generally accepted views may be that, for example, quality for PCs increases faster than for cars whose quality in turn increases faster than for clothing and meat;
- (b) do the IQIs for the same items move similarly in different Member States? Since markets for consumer products in Europe, especially for durables, are fairly similar, the true quality change may be expected to be broadly similar.

During the discussions on IQIs the perception of the Member States has changed. Member States agreed to provide Eurostat with IQIs for some areas on an experimental basis. So far, Eurostat has received only IQIs from some, but not all, Member States (and Candidate Countries). These early results already demonstrate the usefulness of the IQI approach for analysing whether the implied quality changes appear reasonable for the products concerned, and for giving indications of possible non-comparability between countries.

When most countries have delivered the experimental IQIs it should be possible to take this issue forward. At this stage of the IQI project no firm conclusions can be drawn.

#### 6.4.12. *Handling of missing observations*

In order to ban practices which can lead to serious biases, Member States are asked to maintain and provide a statement of their target sample from month to month; where prices are not observed they must be estimated by an appropriate procedure. Article 6 of Commission Regulation (EC) No 1749/96 deals with the minimum standards for prices. It is said that 'where the target sample requires monthly observation, but observation fails due to non-availability of an item or for any other reason, estimated prices may be used for the first or second month but replacement prices shall be used from the third month'. In its last Report the Commission (Eurostat) provided a first insight into the operation of this standard. MSs are in process of supplying additional information requested by Eurostat on the actual frequency they are observing or replacing prices and the procedures used for estimating missing observations. The HICP standard may be said that it leaves the following questions to be answered: What are 'non-appropriate estimates' for missing (non-observed prices) and what limit should be set on the number of estimates used (missing prices) to ensure comparability? Both questions are discussed within the framework of sampling and quality change (see page 59 and following). At this stage no conclusion can be drawn.

#### 6.4.13. *Seasonal items*

The treatment of seasonal items in the HICP was in the first instance not considered as a priority matter for the harmonization work, to the extent that differences in national practices should in theory not affect the measured rates of change in the resulting HICPs. Because of a strong interaction with sampling and the treatment of quality changes and with a view to the ever increasing importance of the HICP, Eurostat believes that the issue needs to be addressed expressly. In the same context, several members of the HICP Working Party have pointed out significant differences in the frequency of price collection among Member States and their potential impact on the comparability of HICPs. However, it is on the grounds of yet missing empirical evidence that Eurostat has not considered it as a priority issue for harmonization work. A small-scale study has been commissioned within the framework of the HICP WP. Results are expected in 2001.

#### 6.4.14. *Price measurement and processing*

##### a) *Tariff prices*

Member States have provided information on the operation of the Regulation on tariffs. Ten of the responding Member States reported no changes in their calculation methods because they already were compliant with the Regulation. One of those Member States reported that it is planning to further improve its sample for tariff prices. One Member State reported a change in the calculation of the telecommunication index in order to comply with the standard.

In general, Member States considered the Regulation on tariff prices as particularly helpful because it provided a clear legal basis for collecting information from suppliers on their tariff prices and structure. This increased the accuracy of their HICPs.

##### b) *Price reductions*

Guidelines on the inclusion of sales prices (price reductions more generally) the HICP were put in place in 1997. These Guidelines have been implemented in most, but not in



all, Member States. Luxembourg has entered sales prices into its index in January 1999. As yet, the indices for Belgium, Germany, Spain, and Italy do not show the expected seasonal pattern. Belgium and Spain are currently collecting sales prices with a view to implementing the Guidelines in 2001 and will at the same time revise the 2000 data.

The cases for Germany and Italy are slightly different. Germany supports in principle the Guidelines but the price collection period in Germany (around the 15th of each month) does not coincide with the legally regulated sales periods. Italy does not support the idea to cover sales prices in the HICP. The Italian position can be considered as a policy of the Italian Statistical Office.

When Luxembourg first included reduced prices in its HICP in January 1999, the annual rate of change was significantly influenced because of winter sales in January. This phenomenon appeared again in July 1999 with the summer sales. In reaction to this, the HICP WP agreed to revise index series appropriately for a period of twelve months before the actual date of first entering reduced prices into the HICP if the current annual rates are influenced by more than one-tenth of one percentage point.

Given that the Guidelines on price reductions have failed, a new Regulation has been put to the SPC. The new Regulation is expected to enter into force in December 2000 and take effect with the index for January 2001 or January 2002.

c) Timing of entering purchaser prices into the HICP

There is considerable scope for procedural differences between Member States in the timing of entering purchaser prices into the HICP. The effects of these differences are especially visible in the treatment of products where there is a significant time difference between the time of purchase, payment, or delivery and the time of consumption.

A Regulation is being prepared that aims at harmonizing current practices and improving the comparability and the relevance of the HICP. The interpretation of index changes in the affected sub-indices will be facilitated.

The draft Regulation has used the European System of Accounts 1995 (ESA 95) as conceptual source and is consistent with the ESA 95 definitions in as far as they are consistent with the purposes of the HICP. In particular, ESA 95 states that goods and services should in general be recorded when the payables are created, that is, when the purchaser incurs a liability to the seller. This implies for the purposes of the HICP that prices for goods shall be entered into the HICP for the month in which they are observed and that prices for services shall be entered into the HICP for the month in which the consumption of the service at the observed prices can commence. The application of the draft Regulation is explained by examples in an attached explanatory note.

The provisions of this draft Regulation are proposed to be implemented by Member States in December 2000 and take effect with the index for January 2001.

d) Revisions policy

As mentioned in Section 5.8.1, the Guidelines on revisions are currently under discussion. In view of the important number of consecutive methodological changes in the compilation of the HICP, which mainly result from the complexity and the

importance of the issues to be dealt with, the stage-approach to harmonization, the length of the harmonization process itself and the fact that agreed sets of rules were in some cases not followed by all Member States, there is large consensus at the HICP WP that existing rules need to be completed and converted into a binding Commission Regulation. Such a Regulation is planned for 2001.

## 6.5. Coherence

### 6.5.1. Classification

The Classification Of Individual Consumption by Purpose adapted to the needs of the HICPs (COICOP/HICP) <sup>(9)</sup> is based on the final version of the COICOP classification as of October 1998, established by the OECD after consultation with Eurostat, UNSD and the national statistical agencies of its Member countries. The COICOP provides a world-wide classification common across several statistical domains such as HICPs, CPIs, Purchasing Power Parities, Household Budget Surveys and National Accounts. The extension to HICP coverage from the index for January 2000 offered an excellent opportunity to bring COICOP/HICP up to date with the latest version of the standard COICOP. COICOP/HICP is however a self-containing derivative established by EU law and it cannot be assumed that COICOP/HICP will be automatically up dated for any future revision of COICOP. It should be stressed that revisions of the classification usually affect sub-indices and index weights. To the extent that sub-indices are regrouped or re-defined such revisions require costly revisions in historic data.

### 6.5.2. Coherent definitions with the National Accounts (NA)

The concept of HFMCE not only specified the coverage, the prices and the weights for the HICP, it established moreover a coherent link between HICPs and ESA 95 that is most useful to analysts and policy makers inside and outside the EU.

This also implies that derivative HICP definitions follow ESA 95 in as far as the latter are consistent with the purposes of the HICP.

The most important departures from ESA 95 definitions are the following:

- the HICP covers only the part of HFCE that is relevant to inflation measurement. That is only the part which involves actual financial transactions, i.e.: HFMCE. Imputed expenditure, in particular imputed rents for the cost of the service provided by owner-occupied shelters are thus excluded from the HICP.
- HICP coverage excludes on various grounds, life insurance, narcotics, gambling, prostitution, and financial intermediation services indirectly measured (FISIM).
- Both in HICPs and ESA 95 volumes are generally valued at purchaser prices following the acquisition principle. However, expenditure on services in ESA 95 is recorded when the delivery of the service is completed, whilst service prices are recorded in the HICP in the month for which consumption at the observed prices can commence. It should be stressed that each month in a Laspeyres-type price index the base or reference period basket is valued at current month's prices.

<sup>(9)</sup> See Commission Regulation (EC) No 1749/1999 (OJ L 214, 13.8.1999, p. 1).

## 6.6. Timeliness and punctuality

The MUICP is a key statistic for informing monetary policy in the euro-zone and is widely used by policy makers, economic and financial analysts. Timeliness in the publication of the HICPs has been ever since the launch of the first HICPs a key issue for the HICP WP aiming at reducing release deadlines towards 15 calendar days after the end of the reference month. The deadline for releasing monthly data was initially set by the framework Regulation to an average of about 36 calendar days from the end of the reference month.

Already in 1998, the Member States agreed to reduce the deadline for the monthly data transmissions to Eurostat from 30 to 25 days. At the same time Eurostat agreed to reduce its release deadline from five to four working days. These reductions were gradually implemented during the first half of 1998.

The Council of the EU endorsed on 18 January 1999 a Report from the Economic and Financial Committee on statistical requirements in stage three of the EMU. This Report drew particular attention to timeliness in publication of statistical data for the euro-zone at pre-determined release dates.

For the first half of 1999, release deadlines were reduced to between the 19<sup>th</sup> and 22<sup>nd</sup> and for the second half of the year they were further reduced to between the 16<sup>th</sup> and the 18<sup>th</sup> after the end of the reference month.

For the year 2000, the transmission deadline of the HICP has been set between the 13<sup>th</sup> and 15<sup>th</sup> day after the end of the reference month. For the same period, Eurostat agreed to reduce its publication deadline from five to two working days. Thereby allowance was made in January and February 2000 for the so-called 'millennium bug', the standard weights updating exercise and the implementation of extended coverage with index for January 2000.

Apart these exceptions, this results in a publication schedule for the year 2000 with releases between the 17<sup>th</sup> and 19<sup>th</sup> day after the end of the reference month. In comparison, the US CPI is published between the 16<sup>th</sup> and 19<sup>th</sup> of the month for the same period.

With the index for April 1998 and for the first time at Eurostat, HICP release dates are announced three months in advance. Announced dates are regularly met. The impressive increase in timeliness is based on negotiated agreement and is the result of collaborative efforts by Eurostat and national statistical institutes. It should be noted that nothing could have been achieved without conscientious discipline of all parties involved.

The deadlines set for 2000 and 2001 are fairly close to what can be achieved without harmonizing the price collection periods in MSs. Based on the experience gained in the past three years, the transmission and release dates for the years to come should, subject to agreement by the HICP WP, be aiming at the following:

- The transmission deadline for the December index is set to the first Eurostat working day following the 17<sup>th</sup> of January and the publication date two Eurostat working days later.

- For the January index, the publication date is set to be the last Eurostat working day in February and transmission deadline is set to be the fourth working day prior to publication date (thus the January index is published on the last working day of February).
- The transmission deadlines for all other months are defined as the first Eurostat working day following the 13th and the publication date as being two Eurostat working days later.

In order to meet deadlines, a number of Member States transmit provisional data to Eurostat. It is suggested that this practice should continue to the extent that it does not impact on the MUICP. Final national data should be published together with the index for the following month.

In case of missing data (i.e. a MS has missed a deadline), Eurostat is publishing estimates for EMU, EU and EEA aggregates. Estimates for individual MS are not published as such.

In the longer term, Member States (and Eurostat) should work towards reducing provisional data in the monthly releases, and providing reliable estimates one to two days before the release dates.

### **6.7. Accessibility and clarity**

The MUICP, the EICP, the EEAICP and the HICPs are released simultaneously to all interested parties at noon (CET) on the pre-announced date and are posted on Eurostat's website.

Consumer price index data are disseminated through Eurostat's database NewCronos (Theme 2 — Domain 'Price' — <http://europa.eu.int/comm/eurostat>). Following data are available: harmonized monthly, annual and annual average indices and inflation rates for the EMU, the EU, the EEA and each of their Member States, by COICOP/HICP categories together with the corresponding weights. HICPs on NewCronos are documented by means of meta-data following the IMF Special Data Dissemination Standard (SDDS).

Some monthly and annual series are also published in the monthly HICP 'News Release' and the monthly 'Statistics in Focus — Economy and Finance — Theme 2', which latter includes annual inflation rates at two-digit COICOP/HICP level.

Furthermore, the euro-indicators site on Eurostat's website contains topical rates of change.

To a large extent HICPs are compiled on the basis of legislated methodology. HICP legal acts offer an excellent though particularly dense documentation of harmonized standards and arguments underpinning them.

In addition, the legal acts listed in annex I to this Report are published in the 'Official Journal of the European Communities' (in order to receive more information, please contact [Celex@opoce.cec.be](mailto:Celex@opoce.cec.be)).

Technical notes on HICPs have been published in Eurostat News Releases and Memos:

- Eurostat News Release 21/97 of 5 March 1997, ‘Harmonizing the way EU measures inflation’.
- Eurostat Memo 8/98, 4 May 1998, ‘New Monetary Union Index of Consumer prices (MUICP)’.
- Eurostat Memo 2/2000 of 18 February 2000, ‘Extended Coverage and Earlier Release Dates for the HICP’.

Further details can be obtained from the first ‘Commission Report to the Council on the harmonization of consumer price indices’, COM(1998) 104 final, catalogue number CB-CO-98-133-EN-C. The Report is available in the 11 EU languages through the Eurostat Data Shop network or the Commission’s sales agents. The full set of HICP legal acts is listed in Annex I to this Report.

Information on rounding rules and computation formulae for European HICP aggregates can be made available on request through the Eurostat Data Shop network.

Some Member States have published manuals on their CPIs or HICPs which give an overview of the methods used in these countries. So far, Eurostat is aware of the following manuals published after the start of the harmonization project in 1993:

- |                 |   |
|-----------------|---|
| Finland:        | ‘The consumer price index 1995=100, Handbook for Users’, Statistics Finland, October 1998.  |
| France:         | ‘Pour comprendre l’indice des prix’, Institut national de la statistique et des études économique (INSEE), edition 1998.  |
| United Kingdom: | ‘The Retail Prices Index, Technical Manual’, Office for National Statistics (ONS), 1998.  |
| Spain:          | ‘Indice de Precios de Consumo. Base 1992. Metodología.’, Instituto Nacional de Estadística, Madrid, January 1994.   |
| Norway:         | ‘Konsumprisindeksen (The Consumer Price Index). Rapport 91/8.’, Statistics Norway, 1991.  |
| Greece:         | “‘Revised Consumer Price Index”, Base Year 1994=100,0’, Statistics Greece, 1998.  |
| Belgium:        | ‘L’Indice des Prix à la Consommation, Base 1996’, Ministère des Affaires Économiques, Administration de la Politique commerciale, Service de l’Indice, Dépôt légal: D/1999/2295/20. |

## 7. QUALITY ASSURANCE IN THE HICP

### 7.1. Compliance Monitoring

A guiding principle in the Compliance Monitoring strategy has been to fit quality control and quality assurance into a broader context of total quality of the HICP.

The harmonisation work could well be described as a continuing process of gradual HICP quality improvements. The objective of the legal and other requirements that have been laid down during this process is not to provide comprehensive instructions for the calculation of an HICP. Instead, the objective has been to establish common rules for dealing with those areas of CPI construction that most significantly have contributed to the non-comparability of the national CPIs. For other areas, HICPs are still based on national CPI practices.

The main ingredients of the organisation of Eurostat's compliance monitoring may be seen as a cyclic process of continuing improvement:

- Identify key quality targets on the basis of existing legal rules, agreements, user requirements and CPI quality standards in the Member State concerned (initial plan);
- Review of requirements and monitoring of compliance (action to test the initial plan);
- Evaluation of compliance and performance (reflection on what more needs to be done);
- Co-operative development of improved methodology and practice (conclusion on what should be done);
- Identify new or improved quality targets on the basis of new developments of the situation concerning legal rules, agreements and user requirements (new plan based on user and producer feed-back);
- Further monitoring (repeat the cycle).

Corrective actions following this approach can be of two kinds: firstly, corrective actions for deviations from existing and already fully specified standards and secondly, corrective actions that will necessitate development and implementation of further standards and, very likely, of further legislation.

Cost effectiveness of the monitoring process will be of paramount importance and every effort will be made to minimise the burden on NSIs. A sequential procedure is envisaged, where detailed checks are made only when initial checks indicate that there is a cause for concern. The quality of the indices and the process of harmonisation are further advanced by using well targeted statistical quality control data and research findings, measures of performance and NSI investigation under Eurostat's auspices, to establish potential sources of bias or non-comparability and ways of eliminating these.

Eurostat has run two rounds of compliance assessments. A first assessment was based mainly on the information provided for the first Report to the Council. A second, follow

up assessment took place towards the end of 1998. Two pilot compliance visits were carried out in 1998. Furthermore, Eurostat initiated checks on Member States' compliance and to assess it in this Report by sending a 'Compliance Monitoring Questionnaire' (CMQ) to the Member States in 1999.

Where the initial checks that can be done with the data available from the questionnaire indicate that there is a cause of concern, this will be followed up bilaterally. In some cases it became already apparent that the current minimum standard was not sufficient as it could be interpreted in different, possibly not comparable ways, e.g. the minimum standard on newly significant goods and services. The wording of such minimum standard will be re-considered and improved.

In May 1999 within its 'Qualitat' initiative, Eurostat submitted for formal opinion to the SPC an outline to a strategy for compliance monitoring in a total quality perspective (TQM). Eurostat endorsed that in order to become operational the envisaged total quality perspective would need to be co-ordinated with existing CPI Quality Assurance elements, as applied in Member States. The Members of the SPC were invited to indicate their interest in securing that the CPI/HICP quality work at national level would be brought in line with the total quality approach as presented in the strategy outline.

The SPC recognised the importance of quality assurance in the HICP; several delegations expressed their concerns about the resource implications of the TQM-type approach. It was concluded that the HICP Working Party should discuss how to further implement the quality strategy in a step by step approach. The Working Party should give special emphasis to the points raised in discussion, such as the need for comparable documentation standards, an increase in the coverage, current practices in national quality work, cost-effectiveness, burden on the NSIs. The Working Party was also asked to discuss alternative proposals to ensure the quality of the HICP.

Although compliance monitoring remains high on the list of HICP priorities, and significant resources have been invested in the control of the quality of the HICPs, emerging priorities in conjunction with resource limitation at Eurostat and the NSIs are slowing down progress in implementing formal quality assurance standards. It should be noted that Eurostat was not in a position to submit to the SPC as foreseen an update of the proposal in its May 2000 meeting.

## **7.2. Advisory body**

In spring 1999, Eurostat proposed to the SPC to establish an Advisory body on HICPs. This approach followed the common national practice where National Advisory Committees usually oversee national CPIs. Those national committees might differ between member States, a common ambition seemed nevertheless to be to promote transparency and independence.

The main objective was to ensure integrity and public acceptance of the harmonised indices in the context of the ESCB's/ECB's management of the monetary policy for the euro-zone. The proposed strategy was an active one (i.e. an independent body to be appointed to advise Eurostat in matters related to the harmonised indices). In Eurostat's view, special efforts could be made to increase transparency. The advisory body could help to secure the general acceptance and credibility of the HICPs.

Most members of the SPC agreed that the unique importance of the EMU necessitated a strategy to ensure a high degree of integrity and public acceptance of the harmonised indices. Nevertheless, different opinions existed on how to achieve those aims in the best way. There was only little support for the Advisory body proposal. It was argued that such a body might result not only in duplication of work but also in conflicting opinions in relation to the existing institutional structure. Any such conflicts could have a negative effect on the credibility of the harmonised indices.

The majority of the SPC was in favour of strengthening and confirming the credibility of the HICP by combined approaches. The following options were mentioned: the strengthening of existing bodies like the HICP Working Party, involvement of the European Advisory Committee on Statistical Information in the Economic and Social Spheres (CEIES), improving transparency by production of meta-data, the drafting of a manual, the creation of a website and the organisation of special seminars and conferences.

Following a request by the SPC, the CEIES formed a study group to explore ways in which the CEIES might be able to assist Eurostat in this matter. The recommendations of the study group will be put to the CEIES meeting due in September 2000.



## **8. ENLARGEMENT OF THE EU**

### **8.1. Introduction**

Under the procedure of the ‘acquis communautaire’ Candidate Countries (CCs) are — on entering EU membership — required to compile and release monthly HICPs in accordance with the set standards.

The process of harmonizing CPIs in CCs was started in autumn 1997 when it became clear that for the preparing of enlargement negotiations required comparable data for CCs. Since the beginning of 1998 CCs have been regularly attending the HICP Working Party meetings as observers, and the special back to back meetings put in place by Eurostat to discuss specific issues referring to implementation of HICPs in CCs.

Eurostat has sent two detailed questionnaires to CCs in 1997 and 1998 to assess how close the applied methods and practices were to the HICP standards. On the basis of the resulting inventory detailed work programmes were developed for the implementation of the HICP standards in each CC.

### **8.2. Implementation strategy**

The approach taken in view to harmonizing consumer price indices in CCs was inspired by the harmonization project in the EU. It goes through the following four stages.

Stage 1: In the period between January and December 1999 CCs have been compiling so-called proxy-HICPs, similar to the interim indices published in EU before the launch of the HICPs. These are mainly national CPIs corrected to the extent possible for differences in coverage. The COICOP/HICP main headings are applied as closely as possible. These indices are more comparable than national CPIs and are disseminated through Eurostat’s database NewCronos.

Stage 2: CCs agreed to start compiling with the index for January 2000 interim HICPs based on initial HICP coverage and the corresponding set of HICP standards. The aim is that these indices will be comparable to the HICPs compiled by MSs up to the extension of coverage in December 1999. All CCs are supplying interim HICPs on schedule with the index from January 2000. Also these indices are disseminated through Eurostat’s database NewCronos. The aim of the operation however is not to achieve strict comparability from the very beginning but gradual improvement with appropriate allowance for variable speed.

Stage 3: From December 2000 and with the index for January 2001 CCs have agreed to extend the coverage of their interim HICPs and implement the corresponding set of HICP standards as implemented by MSs in December 2000.

Stage 4: From January 2002 CCs should be compiling HICPs comparable to those in the EU and be in a position to keep step with further HICP developments.

It should be acknowledged that despite all problems and difficulties CCs have made substantial efforts to implement HICP standards and have already achieved by far more than could have been initially expected. The back to back meeting with CCs following the standard HICP WP meetings has been shown to be efficient and effective for the purposes of harmonizing inflation measurement in CCs. Eurostat is grateful for the smooth, collaborative and open-minded working atmosphere.

### **8.3. Phare project**

#### *8.3.1. Pilot project on price statistics*

Within the Phare framework programme, a multi-country project on price statistics was established (as in other fields of statistics) in order to provide financial support and technical assistance for the implementation of HICP in those CCs which are covered by the Phare programme (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia). There is no financial support for Cyprus, Malta and Turkey under the Phare pilot project.

The Pilot Project is devoted to a variety of different means for delivering technical know-how:

- Technical assistance missions of EU price experts
- Attendance at HICP working parties and the special back to back meetings for CCs
- Organisation of workshops and seminars on specific HICP topics.
- 

Various actions planned within the Pilot Project have already been achieved since its start in November 1998. The first round of technical assistance missions to CCs took place during 1999 where individual working schedules for the implementation of HICP were agreed with each CC. Since November 1999 four price statistics experts have been advising CCs on practical implementation issues and adapting the bilateral co-operation agreements with CCs.

Furthermore, under the Phare pilot project on price statistics, workshops are organised in 2000 and 2001. These workshops are aim at improving contacts between Eurostat and the CCs as well as on practical familiarisation with methods of implementing particular methodological approaches for compilation purposes.

#### *8.3.2. Training programme*

Under the Phare training programme, secondments of CC staff to the EU of 5.5 months are financed in order to familiarise CC staff with the HICP-related work of Eurostat. Statisticians from the CCs can gain better knowledge about formulating detailed methodological rules and the procedures for creating legislative forms to be executed in the future by MSs. Secondments of price statisticians from Romania, the Czech Republic, the Slovak Republic, Poland and Hungary to Eurostat have already taken place and further secondments are planned.

Such secondments for statisticians from the CCs are also possible to MSs' Statistical Offices, where CC staff can gain practical knowledge on how methodological rules laid down under particular legal acts is applied in the Member States. One such secondment (from Latvia to Finland) has already occurred.

## 9. OPERATION OF THE REGULATORY COMMITTEE

The comitology procedure to be followed for adopting implementing measures for the HICPs laid down by the framework Council Regulation was described in the first Report by the Commission to the EU Council. In the period covered by this second Report the Commission (Eurostat) in three cases needed to refer implementing measures to the Council because the SPC had not delivered an opinion on the Commission proposals. The Council acted in all three cases within the period of three months foreseen by the procedure and adopted with the agreement of the Commission the following implementing measures in amended form:

- Council Regulation (EC) No 1687/98 of 20 July 1998 amending Commission Regulation (EC) No 1749/96 concerning the coverage of goods and services in the HICP,
- Council Regulation (EC) No 1688/98 of 20 July 1998 amending Commission Regulation (EC) No 1749/96 concerning the geographic and population coverage of the HICP,
- Council Regulation (EC) No 2166/1999 of 8 October 1999 laying down detailed rules as regards minimum standards for the treatment of products in the health, education and social protection sectors in the HICP.

The above resulted in significant delays in respect to the timetable for the implementation of the measures concerned and the overall harmonization project on the one hand but to wider consensus and better understanding of technically difficult issues, essential to the solid foundation of the HICP, on the other. All in all the procedure proved to be effective thanks to the co-operation of all parties involved and the support of the main users, notably the Economic and Financial Affairs Directorate-General and the ECB.

On 28 June 1999, the Council adopted Decision 1999/468/EC laying down the procedures for the exercise of implementing powers conferred on the Commission <sup>(10)</sup>, better known as the ‘Comitology Decision’, which replaces old Council Decision 87/373/EEC. The new ‘Comitology Decision’ has reduced the number of possible procedures to be used from five (I, IIa, IIb, IIIa, IIIb) to three (advisory, management, regulatory). Current procedure IIIa is turned into the new regulatory procedure. However, as long as the Council will not take a formal decision adapting the procedural provisions of pre-existing legal acts not yet modified, current procedure IIIa will continue to apply. The Commission is already preparing a proposal to be put before the Council to this end.

Compared to old procedure IIIa, the new regulatory procedure will not change anything as far as the intended measures are not submitted to the Council, due to the absence of opinion or the negative opinion delivered by the committee.

If the said measures must be submitted to the Council, the main change is that, in addition to the options it had under procedure IIIa, the Council may now simply oppose the proposal by qualified majority, in which case the Commission shall re-examine its proposal with a view to either:

- submitting an amended proposal to the Council ;

<sup>(10)</sup> OJ L 184, 17.7.1999, p. 1.

- re-submitting its proposal to the Council;
- preparing a legislative proposal according to the Treaty (normal co-decision procedure, in the case of statistics).

So far, as it is not yet applicable in the domain of HICPs, no experience has been made with this new procedure.

## **10. REACTIONS FROM THE USERS AND THE MEDIA**

### **10.1. Opinion of the European Central Bank**

As a key user, the ECB (and its predecessor, the EMI) has been closely involved in the preparatory and development work of the HICPs through the consultation procedures laid down in Article 5(3) of the Council Regulation on HICPs and through the participation of ECB/EMI technical experts in Eurostat's Working Party.

Against the background of the differing objectives, concepts and methods underlying the national CPIs, the ECB regards the harmonisation efforts as essential for the assessment of price stability in the euro area, the achievement of which is its main task. The Governing Council of the ECB has defined price stability as a year-on-year increase in the HICP for the euro area of below 2% over the medium term. Therefore, the HICP has been a key indicator for the single monetary policy strategy of the Eurosystem since the start of Stage Three of Monetary Union.

In addition, the HICP continues to play an important role for the assessment of convergence towards price stability in the non-euro area EU Member States, in accordance with the Treaty on European Union.

The harmonisation so far achieved appears in general satisfactory. The common coverage and classification as well as the detailed publication of sub-indices are an important achievement for analytical purposes. A comparable basic formula has been established and first measures introduced to improve the comparability of methodological issues (approaches concerning quality adjustment and sampling). In the last two years four regulations concerning the harmonisation of the geographic and population coverage and the extension of the product coverage of the HICP have been approved and implemented, improving not only the comparability between countries, but also the coverage of the household consumption expenditure in the HICP. The lack of backdata compiled on the revised coverage for at least a 12-month period, as requested in the Opinion of the ECB on the draft regulation, is however, a drawback for the analysis of the results during the year 2000. At the same time, the use of the MUICP for the purposes of monetary policy analysis has increased the importance of the timeliness of the data which, as a response to this requirement, has recently been further improved.

ECB closely follows the further harmonization and improvement of the HICP. In this respect the treatment of the difficult item of owner-occupied housing and the improvement of the minimum standards for quality adjustment procedures are very important. Many of the issues discussed in the context of the HICP work improve comparability *and* reliability of the measurement of inflation and are therefore particularly welcome.

Finally, the ECB appreciates the efforts to develop harmonized consumer price indices for the pre-accession countries, which will facilitate the analysis of inflation in these countries and their comparison with the euro area.

## **10.2. Opinion of the Economic and Financial Affairs Directorate-General of the European Commission**

The Economic and Financial Affairs Directorate-General welcomes the further improvements which have been made to the timeliness and quality of the HICPs since the 1998 Commission Report to the Council on the Harmonisation of Consumer Price Indices in the EU. The Economic and Financial Affairs Directorate-General is of the opinion that the HICPs provide high-quality, reliable and comparable measures of inflation which are well suited to the purposes for which they are used, notably the assessment of sustainable convergence in inflation of non-euro-zone EU Member States, for the conduct of the ECB's monetary policy, and for the monitoring and assessment of inflation developments in the EU Member States for the purposes of economic policy co-ordination. Even so, further improvements to the HICPs are desirable and Economic and Financial Affairs Directorate General encourages Eurostat and the HICP Working Group to pursue vigorously their efforts in this area.

As for timeliness, the publication schedule for 2000 foresees publication of the indices for a given month on the 17<sup>th</sup> to 19<sup>th</sup> day of the subsequent month (except for the months of December and January due to the annual change of weights). This performance represents a significant improvement and it is similar to that of other large currency areas, notably the United States where publication occurs on the 16<sup>th</sup> to 19<sup>th</sup> day of the subsequent month. Even so, further shortening of the publication lag seems desirable and feasible, and Economic and Financial Affairs Directorate-General encourages Eurostat and the Member States to work in this direction.

With respect to comparability across countries and the quality of inflation measurement, basic progress was achieved already by the time of the 1998 Report to the Council, notably with respect to the harmonisation of coverage, the establishment of a comparable basic formula and first measures to improve comparability of methods for quality adjustment, sampling, weight updating etc. Subsequently, progress was made with the regulations extending the product coverage to include additional goods and services (health, education and social protection items, more insurance services, etc.) and the harmonisation of the population and the geographical coverage. As a result, the HICPs cover virtually 100% of household final monetary consumption expenditure (not including expenditure on owner-occupied housing).

The construction of the HICPs has followed a principle of 'best practice' and in most respects the HICPs are of equal or superior quality to the national CPIs. For instance, the choice of basic formula has minimised the potential upward bias in inflation measurement due to so-called 'formula bias', and there are minimum standards for the frequency of weight updating. However, further progress is desirable. In particular, owner-occupied housing represents a sizeable fraction of consumer expenditure which should be included in the HICPs, and more work is needed to improve the methodologies used for assessing changes in product quality. Furthermore, it would seem desirable if more Member States would shift to annual updating of the item weights, as this would reduce potential upward biases in inflation measurement.

Economic and Financial Affairs Directorate-General recognises that revisions of historical data should remain possible if and when new and superior information becomes available or there are methodological changes. However, it would seem desirable that updating of item weights follows a pre-announced schedule and that they should

generally occur at the beginning of the year rather than during a year. In connection with future methodological improvements to the HICP, information should be made available which will allow an assessment of the implications for the measured inflation rate.

### 10.3. HICP in the press

HICPs are released each month at pre-announced dates by the Commission (Eurostat) in a monthly press release — in English, French and German. Eurostat needs to be particularly strict concerning, both the embargoing of the data and the exact timing of the data release.

The normal production of the MUICP and EICP at Eurostat has a tight schedule over two working days. It consists of the following phases (hours are given in CET):

- (a) The initial processing and validation is done within the HICP section in Eurostat.
- (b) In the morning, the day before the release, the all-items index and the 12 COICOP/HICP main headings are sent to Member States for validation. It is only those data which are not under embargo that are copied to all Member States.
- (c) The day before the release, Eurostat's Press Office receives a first draft of the HICP press release in English. The exact time depends on the number of problems encountered in the production environment. Based on this version it produces the French and German drafts. All three are finalised by Eurostat's Press Office together with the HICP section in the late afternoon or early evening. The final press release is sent by Eurostat's press office in three languages to the Cabinet of the Commissioner for Economic and Monetary Affairs and his Spokesman around 19:00.
- (d) Early in the morning of the release day, the all-items index and the 12 COICOP/HICP main headings for the MUICP, EICP, EEAICP, and all Member States are sent by the HICP section to the National Statistical Institutes of the Member States via e-mail, normally before 9:00. Furthermore, a specific data file is prepared for the ECB which is sent to the person responsible at the General Economics Statistics Division at the ECB at 10:00 and remains under strict embargo until 12:00 when Eurostat publishes the data.
- (e) Eurostat's press office sends the press release to the press offices of the National Statistical Institutes of the Member States between 9:00 and 10:00. The press release is printed on paper by Eurostat in Brussels between 9:00 and 10:00 in order to be ready for journalists. Finally, the press release is made available to a limited number of press agencies at 11:00 under strict embargo conditions. The agencies may use this to prepare their articles for dissemination at 12:00. The press release is distributed at 12:00 to the journalists present at the daily Commission briefing. At the same time Eurostat disseminates it to the journalists registered on its own list.



- (f) At 12:00 the main indicators are released on the Eurostat website. NewCronos is updated around 13:00 with all detailed data.

It is evident that the tight production schedule of the MUICP and EICP has the positive effect that only a limited number of people have access to the embargoed data before the publication date. On the other hand it is important that all National Statistical Institutes are informed about the results in the morning of the Eurostat release because several make use of those data in their national press releases.

The ever increasing importance of the HICP and the MUICP is particular is also reflected in the media, with the HICP leading the list of the most quoted euro-zone indicators. At the time of the HICP release large number of visitors are registered at Eurostat's Internet site.

The extension to HICP coverage which took mostly place with the index for January 2000 was a major step forward in terms of reliability and relevance of the HICPs. Coverage together with timeliness and the treatment of owner-occupied housing have been the most frequent grounds in the media for criticism of the HICP. As a result of extended coverage and improved timeliness its intrinsic quality has been henceforth widely recognised in the media and it is hoped that appreciation will grow even further.

## 11. COSTS

Further to the 3.670.000,- € that had been allocated to Member States in the period covered in the first Report, Commission Decision (C(1999) 4428) allocated additional 675.000,-€ to MSs in order to account for additional costs arising from the implementation of the extended coverage and the change in the COCICOP/HICP classification. This amount should be spent until the end of the second year of implementation, that is until the end of the year 2001.

Although the Commission (Eurostat) took greatest account of cost-effectiveness and made full use of all possible budgetary resources to finance the HICP project, the funding might not have covered two-thirds of the actual additional costs to MSs as required in Article 13 of the framework HICP Regulation.

It should also be noted that future implementation measures, notably on quality adjustment, sampling and owner-occupied housing might require substantial resources to be made available for the harmonization project.

## **12. OUTLOOK**

### **12.1. Future work with Member States**

Eurostat believes that in its work with Member States on developing the HICPs, most of major causes of bias and non-comparability have been identified and are being dealt with. In addition, efforts are continuing to make further improvements to the underlying national concepts, methods and practices which will improve the quality, reliability and relevance of the HICP yet further in the years ahead.

Article 5(3) of Council Regulation (EC) No 2494/95 on HICPs states that implementing measures for this Regulation which are necessary for ensuring the comparability of HICPs and for maintaining and improving their reliability and relevance should be adopted in accordance with the Regulatory Committee procedure.

In a number of cases Eurostat and the NSIs agreed not to make use of legal acts for implementing the framework Council Regulation on HICPs but make use of Guidelines instead, as a rapid, non-bureaucratic, practical and flexible tool for maintaining and improving the comparability and quality of HICPs in the short term. Most of these Guidelines have been clearly considered as preparatory measures for Commission Regulations at a later point in time.

Recent experiences with the implementation of certain Guidelines suggest that a 'conversion' of them into binding legal acts in order to secure the comparability, reliability and relevance of the HICP was desirable. Two of them, the Guidelines on price reductions and on revisions, are in process of conversion.

Moreover, with the adoption of the latest three Regulations (insurance, sub-indices, and social protection) the HICP legal framework has reached a complexity such that the consolidation of implementing measures into a single act becomes even more imperative.

Eurostat has on several occasions expressed its intention to consolidate as soon as possible legislated and agreed implementing measures and also to provide comprehensive documentation and guidance by means of a 'HICP manual'. Consolidation and elaboration of the HICP Manual are highly interdependent projects, as consistency is an issue of major importance, and should therefore go hand in hand.

The review of the harmonization project provided in this Report shows an impressive picture of how much has been achieved but it also makes clear that important work remains to be done. The issue is that, in contrast to the importance of the project, the resources available to the project are extremely limited, the list of tasks is rather long and user requirements become increasingly demanding. Priority setting is certainly of paramount importance to efficacy, but it is also the interaction between the issues to be resolved and the current state of debate which together dictate the speed of progress. Particular attention is thereby to be paid to those actions and measures which need yet to be addressed in the form of implementing Regulations. Currently, the situation may be summarised as follows:

**Table 12 Status quo and future work**

<i>Subject</i>	<i>Importance</i>	State of preparation
Quality adjustment	(+++)	ideas developed but far from agreement
Owner-occupiers	(+++)	proposal by TF in Feb 2000
Sampling	(+++)	proposal by TF in Apr 2000
Timing of purchaser prices	(++)	for vote at the May SPC
Treatment of price reductions	(++)	for vote at the May SPC
Other financial services nec	(++)	virtually ready
Guideline on revisions policy	(++)	redrafting existing Guideline
Treatment of seasonal items	(++)	slow progress
Level of elementary aggregation	(++)	not started yet
Consolidated Regulation	(++)	not started yet
Exclusion of item groups (sub-indices)	(+)	quite developed
Exclusion of item groups (newly significant products)	(+)	quite developed

In the light of the above Eurostat has submitted for opinion to the May 2000 meeting of the SPC the following programme of measures to the year 2002:

- **Items on the initial harmonization agenda that remain to be fixed**
  1. Treatment of other financial services nec in the HICP
  2. Treatment of owner-occupied housing in the HICP
  3. Further minimum standards for sampling
  4. Treatment of seasonal items in the HICP
  5. Further Minimum standards on quality adjustment procedures.
- **Conversion of existing Guidelines into Regulations**
  6. Revisions policy to HICP.

- **Preparatory measures leading to consolidation of the HICP legal framework**
  - 7. Improving the minimum standard for sub-indices of the HICP;
  - 8. Improving the treatment of newly significant goods and services in the HICP.
- **Consolidated Commission Regulation**
  - 9. Consolidation of implementing measures for Regulation (EC) 2494/95 on HICPs.

The SPC largely agreed on the importance of the proposed programme, but it still expressed divergent views on various points of the programme and on the procedure to be followed. It was generally felt that the work programme was too ambitious, and that priorities had to be reassessed. The SPC in its advisory capacity suggested that following an ECB proposal this could be achieved by paying particular attention to owner-occupied housing, adjustment for quality change, treatment of new products, and keeping the weights in the index up to date. The SPC proposed that issues of little impact on the HICP and issues that have not yet been considered in depth should be withdrawn from the priority list. Furthermore, a revisions policy for the HICP would have to be developed soon. The Commission (Eurostat) will take utmost consideration of the advice given by the SPC and the opinion of the ECB with a view to maintaining and improving the reliability and relevance of the HICPs as provided for in the HICP framework Council Regulation.

## ANNEX I

### List of Regulations in June 2000

Council Regulation (EC) No 2494/95 of 23 October 1995 sets the legal basis for establishing a harmonized methodology for the compilation of the HICPs, the MUICP, the EICP and EEAICP. Following implementing EC Regulations on the methodology of HICPs have been adopted within this ‘framework’ Regulation:

- Commission Regulation (EC) No 1749/96 of 9 September 1996 on initial implementing measures concerning harmonized indices of consumer prices (OJ L 229, 10.9.1996, p. 3).
- Commission Regulation (EC) No 2214/96 of 20 November 1996 on the transmission and dissemination of sub-indices of the HICP (OJ L 296, 21.11.1996, p. 8).
- Commission Regulation (EC) No 2454/97 of 10 December 1997 laying down detailed rules as regards minimum standards for the quality of HICP weightings (OJ L 340, 11.12.1997, p. 24).
- Council Regulation (EC) No 1687/98 of 20 July 1998 amending Commission Regulation (EC) No 1749/96 concerning the coverage of goods and services in the HICP (OJ L 214, 31.7.1998, p. 12).
- Council Regulation (EC) No 1688/98 of 20 July 1998 amending Commission Regulation (EC) No 1749/96 concerning the geographic and population coverage of the HICP (OJ L 214, 31.7.1998, p. 23).
- Commission Regulation (EC) No 2646/98 of 9 December 1998 laying down detailed rules as regards to minimum standards for the treatment of tariffs in the HICP (OJ L 335, 10.12.1998, p. 30).
- Commission Regulation (EC) No 1617/1999 of 23 July 1999 laying down detailed rules with regard to minimum standards for the treatment of insurance in the HICP and modifying Commission Regulation (EC) No 2214/96 (OJ L 192, 24.7.1999, p. 9).
- Commission Regulation (EC) No 1749/1999 of 23 July 1999 amending Regulation (EC) No 2214/96, concerning the sub-indices of the harmonized indices of consumer prices (OJ L 214, 13.8.1999, p. 1).
- Council Regulation (EC) No 2166/1999 of 8 October 1999 laying down detailed rules as regards minimum standards for the treatment of products in the health, education and social protection sectors in the HICP (OJ L 266, 14.10.1999, p. 1).

**ANNEX II (\*)**

**Country weights by item and country for 2000**

		EICP	MUICP	BE	DK	D	EL	E	F	IRL	I
01.	Food and non-alcoholic beverages	160.0	166.8	183.3	161.7	140.3	210.9	243.7	170.0	189.8	174.0
01.1.	Food	145.6	151.8	165.3	142.4	121.1	201.5	232.6	157.0	175.2	162.5
01.1.1.	Bread and cereals	25.5	26.9	32.2	23.2	24.2	25.0	32.3	24.0	35.4	30.3
01.1.2.	Meat	39.8	42.5	51.1	37.6	31.8	48.9	65.8	52.0	47.3	41.8
01.1.3.	Fish and seafood	10.8	12.0	11.0	6.2	6.2	13.5	35.9	13.0	4.7	12.0
01.1.4.	Milk, cheese and eggs	21.4	22.5	21.7	21.1	17.6	35.1	30.4	24.0	26.6	24.7
01.1.5.	Oils and fats	5.5	6.1	5.2	4.7	3.7	13.0	11.4	5.0	7.1	9.4
01.1.6.	Fruit	11.3	11.7	11.5	7.0	10.1	15.3	22.8	10.0	9.4	11.5
01.1.7.	Vegetables	16.4	15.8	14.9	15.9	12.1	27.8	24.3	15.0	22.2	20.2
01.1.8.	Sugar, jam, honey, chocolate and confectionery	11.1	10.4	12.5	21.4	10.4	17.4	7.2	10.0	16.8	12.0
01.1.9.	Food products n.e.c.	3.8	3.9	5.1	5.4	4.9	5.5	2.5	4.0	5.8	0.5
01.2.	Non-alcoholic beverages	14.5	15.0	18.0	19.3	19.2	9.3	11.1	13.0	14.6	11.5
01.2.1.	Coffee, tea and cocoa	5.1	5.5	4.5	6.2	6.9	3.2	5.4	6.0	5.1	2.7
01.2.2.	Mineral waters, soft drinks, fruit and vegetable juices	9.4	9.5	13.5	13.1	12.3	6.1	5.7	7.0	9.5	8.8
02.	Alcoholic beverages and tobacco	44.8	41.7	33.6	59.8	47.8	50.3	34.1	41.0	90.4	29.0
02.1	Alcoholic beverages	20.2	18.9	21.2	31.4	23.3	9.1	11.2	20.0	30.1	9.0
02.1.1.	Spirits	4.4	3.8	2.7	3.7	3.0	4.0	2.0	6.0	11.7	1.6
02.1.2.	Wine	8.8	8.2	12.8	11.9	7.0	1.7	6.3	12.0	8.7	6.0
02.1.3.	Beer	7.0	6.9	5.7	15.9	13.4	3.5	2.8	2.0	9.6	1.4
02.2.	Tobacco	24.6	22.8	12.4	28.4	24.5	41.2	23.0	21.0	60.3	20.0
03.	Clothing and footwear	79.2	80.3	77.8	63.0	74.9	122.8	106.5	59.0	52.8	110.9
03.1.	Clothing	64.4	64.7	63.8	51.0	62.5	98.9	85.7	46.0	39.4	86.4
03.1.1.	Clothing materials	0.5	0.7	0.8	0.7	0.5	0.5	3.0	0.0	0.4	0.2
03.1.2.	Garments	59.6	59.7	59.2	46.7	59.2	93.3	78.2	40.0	35.8	80.5
03.1.3.	Other articles of clothing and clothing accessories	2.5	2.5	2.4	2.4	1.9	4.1	3.5	4.0	0.6	1.7
03.1.4.	Cleaning, repair and hire of clothing	1.8	1.8	1.3	1.1	1.0	1.1	1.0	2.0	2.6	4.0
03.2.	Footwear including repair	14.8	15.7	14.0	12.1	12.3	23.8	20.9	13.0	13.4	24.5
04.	Housing, water, electricity, gas and other fuels	151.0	157.8	150.0	182.6	207.9	98.9	104.7	151.0	80.4	101.3
04.1.	Actual rentals for housing	61.9-ei	63.0	47.7	73.8	89.3	36.9	14.7	69.0	19.4	30.2

(\*) Annex II has been updated in order to take account of data as of March 2001.

COMPENDIUM OF HICP REFERENCE DOCUMENTS

(cont.)

L	NL	A	P	FI	S	UK	EEAICP	IS	NO		
120.2	157.6	131.1	215.5	173.2	156.9	121.0	159.9	192.7	140.5	Food and non-alcoholic beverages	01.
110.8	142.2	118.4	207.9	155.7	141.4	109.0	145.4	169.6	125.2	Food	01.1.
19.6	27.2	23.8	35.1	31.1	25.8	19.0	25.4	31.5	17.6	Bread and cereals	01.1.1.
34.9	34.0	33.4	54.8	32.2	31.1	27.0	39.7	37.2	30.9	Meat	01.1.2.
6.8	4.0	3.1	44.0	5.7	8.0	5.0	10.7	9.7	7.9	Fish and seafood	01.1.3.
16.0	24.7	20.4	26.3	31.1	25.6	14.0	21.5	34.3	23.8	Milk, cheese and eggs	01.1.4.
4.6	4.3	5.0	12.2	5.2	4.6	2.0	5.5	4.5	3.1	Oils and fats	01.1.5.
8.7	12.0	8.7	17.4	10.7	12.4	9.0	11.3	11.7	9.1	Fruit	01.1.6.
9.6	17.2	10.6	10.5	16.8	13.8	18.0	16.3	14.5	11.8	Vegetables	01.1.7.
7.4	10.0	9.3	5.9	17.8	16.8	12.0	11.1	18.1	13.8	Sugar, jam, honey, chocolate and confectionery	01.1.8.
3.2	8.9	4.2	1.7	5.1	3.4	3.0	3.8	8.1	7.2	Food products n.e.c.	01.1.9.
9.4	15.4	12.7	7.6	17.5	15.5	12.0	14.5	23.2	15.3	Non-alcoholic beverages	01.2.
3.6	6.3	5.2	3.0	5.9	6.7	3.0	5.1	5.1	4.5	Coffee, tea and cocoa	01.2.1.
5.8	9.1	7.5	4.6	11.7	8.8	9.0	9.4	18.1	10.8	Mineral waters, soft drinks, fruit and vegetable juices	01.2.2.
101.3	50.2	39.8	32.6	72.8	53.0	57.0	44.7	36.8	29.6	Alcoholic beverages and tobacco	02.
30.5	22.9	18.8	13.0	45.9	31.4	26.0	20.2	17.8	15.9	Alcoholic beverages	02.1
13.1	7.3	2.8	1.4	14.6	9.4	7.0	4.4	7.3	4.7	Spirits	02.1.1.
9.7	7.1	9.1	9.4	10.8	12.5	12.0	8.8	3.5	4.5	Wine	02.1.2.
7.7	8.5	6.9	2.2	20.4	9.5	7.0	7.0	7.0	6.7	Beer	02.1.3.
70.8	27.3	21.1	19.6	26.9	21.6	31.0	24.5	19.0	13.7	Tobacco	02.2.
75.6	67.5	82.7	69.9	54.5	72.7	70.0	79.1	70.2	68.7	Clothing and footwear	03.
59.8	54.5	69.8	51.7	44.8	61.8	60.0	64.4	57.7	58.3	Clothing	03.1.
0.2	1.2	1.6	0.5	1.5	0.6	0.0	0.5	1.5	0.8	Clothing materials	03.1.1.
56.8	50.3	62.2	48.3	39.7	56.6	56.0	59.5	48.3	54.1	Garments	03.1.2.
0.7	2.2	3.5	2.1	2.9	3.0	2.0	2.5	5.2	2.8	Other articles of clothing and clothing accessories	03.1.3.
2.1	0.9	2.6	0.7	0.7	1.5	2.0	1.8	2.8	0.6	Cleaning, repair and hire of clothing	03.1.4.
15.8	12.9	12.8	18.2	9.7	10.9	10.0	14.8	12.4	10.4	Footwear including repair	03.2.
109.5	194.3	139.3	93.3	158.3	194.5	118.0	151.0	91.3	164.0	Housing, water, electricity, gas and other fuels	04.
49.5	101.0	62.6	16.5	52.1	116.0~ei	53.0	61.8~ei	28.7	47.1	Actual rentals for housing	04.1.



COMPENDIUM OF HICP REFERENCE DOCUMENTS

		EICP	MUICP	BE	DK	D	EL	E	F	IRL	I
04.3.	Maintenance and repair of the dwelling	18.1	18.3	21.9	15.3	16.4	14.5	38.2	15.0	11.8	14.1
04.3.1.	Materials for the maintenance and repair of the dwelling	8.7	8.7	17.2	7.6	9.1	5.4	25.2	2.0	11.8	3.4
04.3.2.	Services for the maintenance and repair of the dwelling	9.4	9.6	4.7	7.6	7.2	9.1	13.0	13.0	0.0	10.8
04.4.	Water supply and miscellaneous services relating to the dwelling	23.7	26.7	13.0	20.3	40.4	16.1	24.3	21.0	0.8	16.6
04.4.1.	Water supply	8.2~ei	9.0	10.4	4.9	13.9	4.2	:	7.0	0.2	4.1
04.4.2.	Refuse collection	5.7~i	7.1	2.7	9.1	9.6	4.8	:	5.0	0.2	7.0
04.4.3.	Sewerage collection	5.6~ei	5.8	0.0	4.3	10.7	1.4	:	4.0	0.2	1.2
04.4.4.	Other services relating to the dwelling n.e.c.	4.1	5.1	0.0	2.0	6.2	5.8	:	5.0	0.1	4.3
04.5.	Electricity, gas and other fuels	47.2	49.7	67.3	73.2	61.9	31.4	27.5	46.0	48.5	40.4
04.5.1.	Electricity	21.5	21.9	33.0	27.7	26.3	16.5	15.9	24.0	19.4	12.2
04.5.2.	Gas	12.7	13.4	14.7	8.0	11.8	1.1	6.9	11.0	7.2	20.0
04.5.3.	Liquid fuels	7.2	8.1	18.6	13.1	9.5	13.1	4.7	8.0	8.4	8.2
04.5.4.	Solid fuels	1.1	1.2	1.1	1.6	1.7	0.8	0.0	1.0	13.5	0.0
04.5.5.	Heat energy	4.6~ei	5.2	0.0	22.8	12.6	0.0	0.0	2.0	0.0	0.0
05.	Furnishings, household equipment and routine maintenance of the house	80.0	81.1	81.3	70.8	76.9	80.8	59.1	72.0	45.4	109.7
05.1.	Furniture and furnishings, carpets and other floor coverings	32.7	33.2	25.2	27.4	39.9	19.9	15.4	21.0	9.1	44.7
05.1.1.	Furniture and furnishings	28.3	29.1	23.0	23.9	34.2	16.7	14.1	19.0	6.2	41.3
05.1.2.	Carpets and other floor coverings	3.7	3.2	2.2	3.0	5.7	3.2	0.4	1.0	2.8	0.9
05.1.3.	Repair of furniture, furnishings and floor coverings	0.7	0.9	0.0	0.5	0.1	0.0	0.9	1.0	0.0	2.5
05.2.	Household textiles	7.3	6.9	8.5	6.6	6.9	15.2	5.1	7.0	3.7	6.0
05.3.	Household appliances	11.7	11.9	12.1	10.5	11.1	8.5	9.4	13.0	7.6	13.1
05.3.1./ 05.3.2.	Major household appliances whether electric or not and small electric household appliances	10.6	10.8	9.9	9.5	10.8	7.0	8.0	12.0	7.1	11.0

COMPENDIUM OF HICP REFERENCE DOCUMENTS

L	NL	A	P	FI	S	UK	EEAICP	IS	NO		
16.2	20.1	21.1	23.7	14.3	0.4	20.0	18.4	13.1	51.0	Maintenance and repair of the dwelling	04.3.
10.2	14.3	11.6	9.0	6.2	0.4	10.0	8.9	10.8	31.8	Materials for the maintenance and repair of the dwelling	04.3.1.
6.0	5.8	9.5	14.7	8.2	0.0	10.0	9.5	2.3	19.2	Services for the maintenance and repair of the dwelling	04.3.2.
7.8	24.6	10.5	14.8	38.0	10.8	12.0	23.6	11.8	14.6	Water supply and miscellaneous services relating to the dwelling	04.4.
4.0	8.8	2.5	9.1	1.8	3.4~ei	6.0	8.2~ei	4.8	4.2	Water supply	04.4.1.
3.0	9.6	2.4	1.0	2.0	3.2~i	0.0	5.7~i	2.5	4.0	Refuse collection	04.4.2.
0.8	4.1	3.5	4.7	2.6	3.4~ei	6.0	5.6~ei	4.5	5.9	Sewerage collection	04.4.3.
0.0	2.1	2.1	0.0	31.6	0.9	0.0	4.0	0.0	0.5	Other services relating to the dwelling n.e.c.	04.4.4.
36.0	48.6	45.0	38.3	53.9	67.2	33.0	47.3	37.8	51.3	Electricity, gas and other fuels	04.5.
17.1	19.2	20.3	26.9	29.1	43.8	17.0	21.7	18.2	42.3	Electricity	04.5.1.
7.3	29.4	6.6	9.2	0.2	0.6	13.0	12.6	0.0	0.0	Gas	04.5.2.
11.2	0.0	7.0	0.0	7.7	7.3	2.0	7.2	0.0	4.7	Liquid fuels	04.5.3.
0.4	0.0	5.6	2.2	1.7	0.0	1.0	1.2	0.0	4.2	Solid fuels	04.5.4.
0.0	0.0	5.5	0.0	15.3	15.5~ei	0.0	4.61ei	19.6	0.1	Heat energy	04.5.5.
107.7	92.2	90.0	78.7	51.3	58.0	78.0	80.0	61.1	75.2	Furnishings, household equipment and routine maintenance of the house	05.
44.3	40.0	39.8	29.0	18.0	26.0	33.0	32.6	26.0	29.2	Furniture and furnishings, carpets and other floor coverings	05.1.
41.7	28.9	37.3	24.4	15.2	23.3	27.0	28.3	24.1	27.2	Furniture and furnishings	05.1.1.
2.6	10.2	2.5	3.1	1.4	2.6	6.0	3.6	0.2	2.0	Carpets and other floor coverings	05.1.2.
0.0	0.9	0.0	1.5	1.3	0.0	0.0	0.7	1.7	0.0	Repair of furniture, furnishings and floor coverings	05.1.3.
7.2	10.5	8.3	9.3	5.3	7.4	8.0	7.3	7.0	6.1	Household textiles	05.2.
12.2	9.5	19.4	12.0	10.1	6.1	12.0	11.7	9.2	14.9	Household appliances	05.3.
11.9	8.9	17.0	8.9	8.9	5.9	11.0	10.6	8.5	14.1	Major household appliances whether electric or not and small electric household appliances	05.3.1./ 05.3.2.

COMPENDIUM OF HICP REFERENCE DOCUMENTS

		EICP	MUICP	BE	DK	D	EL	E	F	IRL	I
05.3.3.	Repair of household appliances	1.1	1.1	2.2	1.0	0.3	1.5	1.4	1.0	0.5	2.1
05.4.	Glassware, tableware and household utensils	6.0	5.8	4.5	7.0	4.0	8.4	3.7	6.0	3.9	10.7
05.5.	Tools and equipment for house and garden	5.2	5.1	6.6	6.0	6.9	1.1	1.8	4.0	5.0	5.0
05.6.	Goods and services for routine household maintenance	17.2	18.3	24.4	13.2	8.1	27.7	23.8	21.0	16.2	30.4
05.6.1.	Non-durable household goods	9.7	9.9	13.0	8.5	6.9	21.1	14.1	9.0	12.6	14.2
05.6.2.	Domestic services and household services	7.5	8.3	11.4	4.8	1.2	6.6	9.7	12.0	3.6	16.2
06.	Health	29.2	31.9	32.2	26.1	34.2	47.9	22.9	32.0	20.1	34.0
06.1.	Medical products, appliances and equipment	14.4	15.5	22.7	14.1	15.0	6.0	8.8	16.0	9.8	19.8
06.1.1.	Pharmaceutical products	10.7	11.7	15.5	8.8	12.0	5.0	5.3	11.0	1.6	17.1
06.1.2./ 06.1.3.	Other medical products; therapeutic appliances and equipment	3.7	3.9	7.2	5.2	3.0	1.0	3.5	5.0	8.3	2.6
06.2.	Out-patient services	14.8	16.3	9.5	12.1	19.2	41.9	14.1	16.0	10.3	14.3
06.2.1./ 06.2.3.	Medical services; paramedical services	8.3	9.4	8.3	3.4	10.6	20.1	5.0	10.0	6.9	8.5
06.2.2.	Dental services	6.5	6.9	1.2	8.6	8.6	21.8	9.1	6.0	3.4	5.8
06.3.	Hospital services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
07.	Transport	156.7	156.5	148.8	164.7	154.3	128.3	136.8	180.0	118.1	150.3
07.1.	Purchase of vehicles	53.9	53.2	62.9	76.3	51.9	31.9	55.4	51.0	41.2	52.3
07.1.1.	Motorcars	45.9	44.6	56.7	66.9	40.3	30.4	49.2	45.0	38.0	45.5
07.2.	Operation of personal transport equipment	83.2	85.8	77.5	73.0	85.5	66.3	68.8	106.0	60.6	81.3
07.2.1.	Spares parts and accessories for personal transport equipment	9.2	9.7	4.6	10.2	3.7	10.2	3.8	30.0	4.9	3.7
07.2.2.	Fuels and lubricants for personal transport equipment	39.9	40.1	50.6	32.3	41.7	40.5	42.7	44.0	45.0	29.5
07.2.3.	Maintenance and repair of personal transport equipment	23.6	24.7	18.3	21.1	24.4	10.4	17.4	22.0	7.0	35.5
07.2.4.	Other services in respect of personal transport equipment	10.5	11.3	3.9	9.4	15.8	5.2	5.0	10.0	3.8	12.6
07.3.	Transport services	23.6	21.8	11.4	20.0	22.7	30.9	15.7	26.0	17.9	20.1
07.3.1.	Passenger transport by railway	5.2	4.7	3.3	6.7	6.6	0.5	1.9	5.0	2.2	2.7

COMPENDIUM OF HICP REFERENCE DOCUMENTS

L	NL	A	P	FI	S	UK	EEAICP	IS	NO		
0.3	0.6	2.5	3.1	1.3	0.2	1.0	1.1	0.7	0.8	Repair of household appliances	05.3.3.
3.7	5.7	5.4	6.1	3.2	4.4	7.0	6.0	5.1	4.8	Glassware, tableware and household utensils	05.4.
6.0	5.4	3.9	1.0	3.5	6.4	6.0	5.2	3.1	7.1	Tools and equipment for house and garden	05.5.
34.3	21.0	13.2	21.4	11.3	7.8	12.0	17.1	10.7	13.1	Goods and services for routine household maintenance	05.6.
17.0	9.3	9.2	11.0	9.2	7.8	7.0	9.6	9.4	9.0	Non-durable household goods	05.6.1.
17.3	11.7	4.0	10.4	2.1	0.0	5.0	7.5	1.4	4.1	Domestic services and household services	05.6.2.
14.2	21.7	19.1	56.7	45.3	29.9	14.0	29.2	33.5	27.1	Health	06.
9.8	7.3	10.3	25.6	24.8	15.0	10.0	14.4	12.1	11.6	Medical products, appliances and equipment	06.1.
4.0	2.5	5.5	21.5	17.7	9.6	7.0	10.7	8.6	7.0	Pharmaceutical products	06.1.1.
5.8	4.8	4.9	4.1	7.1	5.4	3.0	3.7	3.5	4.6	Other medical products; therapeutic appliances and equipment	06.1.2./ 06.1.3.
4.4	14.4	8.8	31.2	20.5	14.8	4.0	14.8	21.4	15.5	Out-patient services	06.2.
2.5	9.9	3.4	23.0	12.2	4.1	2.0	8.3	6.8	5.7	Medical services; paramedical services	06.2.1./ 06.2.3.
1.9	4.6	5.4	8.1	8.3	10.7	2.0	6.6	14.6	9.8	Dental services	06.2.2.
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Hospital services	06.3.
192.2	134.5	145.2	205.2	162.6	157.5	161.0	157.4	201.3	222.7	Transport	07.
60.9	50.3	53.9	98.5	50.6	57.3	58.0	54.5	99.2	120.7	Purchase of vehicles	07.1.
58.1	37.9	41.3	91.9	46.6	49.3	52.0	46.5	95.6	107.9	Motorcars	07.1.1.
117.7	67.5	78.2	94.9	75.2	81.1	74.0	83.1	79.6	72.4	Operation of personal transport equipment	07.2.
5.9	8.4	4.4	9.2	10.0	6.6	7.0	9.2	12.8	8.3	Spares parts and accessories for personal transport equipment	07.2.1.
84.8	37.0	32.8	40.8	53.3	50.9	38.0	39.9	51.3	41.8	Fuels and lubricants for personal transport equipment	07.2.2.
23.7	17.1	30.8	38.8	9.2	18.6	21.0	23.5	12.5	16.5	Maintenance and repair of personal transport equipment	07.2.3.
3.3	5.1	10.2	6.0	2.7	5.0	8.0	10.4	3.1	5.8	Other services in respect of personal transport equipment	07.2.4.
15.0	22.9	19.4	15.1	38.8	23.1	32.0	23.8	24.3	36.0	Transport services	07.3.
1.3	6.9	3.4	1.0	4.8	4.0	8.0	5.2	0.0	5.8	Passenger transport by railway	07.3.1.

COMPENDIUM OF HICP REFERENCE DOCUMENTS

		EICP	MUICP	BE	DK	D	EL	E	F	IRL	I
07.3.2.	Passenger transport by road	7.2	5.6	5.4	4.6	2.1	15.9	12.1	9.0	11.5	3.2
07.3.3.	Passenger transport by air	4.9	4.0	1.4	2.5	1.6	5.1	1.6	7.0	1.7	6.0
07.3.4.	Passenger transport by sea and inland waterway	1.0	0.8	0.0	2.3	1.3	4.2	0.2	0.0	0.3	1.3
07.3.5.	Combined passenger transport	4.8	5.8	1.2	3.2	10.4	4.1	0.0	4.0	1.9	5.4
07.3.6.	Other purchased transport services	0.6	0.8	0.0	0.7	0.8	1.2	0.0	1.0	0.3	1.3
08.	Communications	23.8	23.3	22.6	19.0	21.1	26.8	14.1	27.0	16.2	28.2
08.1.	Postal services	2.3	2.4	1.3	1.2	4.0	0.6	0.5	2.0	1.3	1.6
08.2./ 08.3.	Telephone and telefax equipment and services	21.6	20.9	21.3	17.8	17.1	26.2	13.6	25.0	14.9	26.6
08.2.	Telephone and telefax equipment	2.5	2.5	0.9	0.8	0.4	:	:	1.0	0.0	9.4
08.3.	Telephone and telefax services	19.1	19.2	20.4	17.0	16.7	:	:	24.0	0.0	17.2
09.	Recreation and culture	104.9	96.9	111.3	118.7	114.6	43.2	64.6	93.0	114.3	73.5
09.1.	Audio-visual, photographic and information processing equipment	17.2	16.5	16.5	29.1	18.8	10.3	13.3	21.0	6.0	9.7
09.1.1.	Equipment for the reception, recording and reproduction of sound and pictures	6.4	6.3	4.7	10.9	7.1	2.0	3.6	8.0	2.6	4.7
09.1.2.	Photographic and cinematographic equipment and optical instruments	1.9	1.6	1.0	1.9	1.9	4.4	0.6	2.0	0.5	1.7
09.1.3.	Information processing equipment	3.5	3.6	4.3	9.9	5.4	0.4	4.3	3.0	0.2	1.3
09.1.4.	Recording media	4.4	4.1	5.0	4.7	3.6	2.9	3.3	7.0	2.7	1.8
09.1.5.	Repair of audio-visual, photographic and information processing equipment	1.0	0.9	1.5	1.8	0.9	0.6	1.7	1.0	0.0	0.3
09.2.	Other major durables for recreation and culture	3.1	2.3	1.5	5.1	1.5	0.4	0.0	2.0	1.3	4.8
09.2.1./ 09.2.2.	Major durables for indoor and outdoor recreation including musical instruments	3.0	2.2	1.5	5.1	1.5	0.4	0.0	2.0	1.3	4.8
09.2.3.	Maintenance and repair of other major durables for recreation and culture	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

COMPENDIUM OF HICP REFERENCE DOCUMENTS

L	NL	A	P	FI	S	UK	EEAICP	IS	NO		
2.9	8.5	6.1	3.7	19.7	2.4	14.0	7.2	12.2	11.4	Passenger transport by road	07.3.2.
6.0	6.2	5.1	1.6	9.1	5.1	9.0	4.9	11.2	9.7	Passenger transport by air	07.3.3.
0.0	0.8	0.0	0.0	4.8	1.6	1.0	1.0	0.8	3.6	Passenger transport by sea and inland waterway	07.3.4.
4.4	0.0	4.8	7.8	0.4	9.6	0.0	4.8	0.0	5.5	Combined passenger transport	07.3.5.
0.4	0.5	0.1	1.0	0.1	0.4	0.0	0.6	0.0	0.0	Other purchased transport services	07.3.6.
13.3	20.4	32.1	20.6	23.9	35.8	25.0	23.8	18.0	20.6	Communications	08.
1.1	1.6	1.2	0.1	2.5	2.7	2.0	2.3	1.5	1.1	Postal services	08.1.
12.2	18.8	30.8	20.5	21.5	33.1	23.0	21.4	16.5	0.7	Telephone and telefax equipment and services	08.2./ 08.3.
0.5	:	0.9	0.1	1.5	:	:	2.5	0.8	0.7	Telephone and telefax equipment	08.2.
11.7	:	30.0	20.4	20.0	:	:	19.1	15.8	18.8	Telephone and telefax services	08.3.
110.0	120.6	116.3	39.2	115.1	114.4	149.0	105.2	130.1	136.1	Recreation and culture	09.
17.1	16.2	17.0	11.6	15.0	22.5	20.0	17.3	13.1	30.7	Audio-visual, photographic and information processing equipment	09.1.
5.7	5.9	7.5	3.9	5.9	9.9	7.0	6.5	3.8	15.0	Equipment for the reception, recording and reproduction of sound and pictures	09.1.1.
1.9	1.7	1.4	0.4	1.5	1.2	3.0	1.9	1.4	2.8	Photographic and cinematographic equipment and optical instruments	09.1.2.
5.5	1.7	3.1	1.5	3.4	3.4	3.0	3.5	1.5	6.5	Information processing equipment	09.1.3.
2.9	5.8	3.5	3.6	3.6	7.0	6.0	4.5	4.7	5.9	Recording media	09.1.4.
1.1	1.1	1.5	2.1	0.7	1.0	1.0	1.0	1.8	0.5	Repair of audio-visual, photographic and information processing equipment	09.1.5.
4.8	4.1	1.3	0.2	5.3	4.3	7.0	3.1	1.3	7.9	Other major durables for recreation and culture	09.2.
4.0	3.2	1.3	0.1	5.3	4.3	7.0	3.1	1.3	7.9	Major durables for indoor and outdoor recreation including musical instruments	09.2.1./ 09.2.2.
0.8	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Maintenance and repair of other major durables for recreation and culture	09.2.3.

COMPENDIUM OF HICP REFERENCE DOCUMENTS

		EICP	MUICP	BE	DK	D	EL	E	F	IRL	I
09.3.	Other recreational items and equipment, gardens and pets	20.9	18.7	23.1	24.8	21.4	6.1	7.5	20.0	13.5	14.3
09.3.1.	Games, toys and hobbies	6.0	4.2	5.0	6.4	3.7	3.0	4.6	5.0	3.3	3.6
09.3.2.	Equipment for sport, camping and open-air recreation	3.4	3.1	1.7	2.9	3.7	0.7	0.7	4.0	1.5	2.4
09.3.3.	Gardens, plants and flowers	6.6	7.1	8.8	8.8	9.5	0.3	1.1	6.0	5.4	5.4
09.3.4./ 09.3.5.	Pets and related products; veterinary and other services for pets	4.9~i	4.3	7.6	6.7	4.5	2.2	1.1	5.0	3.3	2.9
09.4.	Recreational and cultural services	27.3	26.0	27.2	26.6	28.2	10.9	16.2	30.0	38.3	19.7
09.4.1.	Recreational and sporting services	11.1	10.8	5.0	8.2	7.9	2.0	10.2	13.0	12.0	14.1
09.4.2.	Cultural services	16.3	15.2	22.2	18.4	20.3	8.9	6.0	17.0	26.4	5.6
09.5.	Newspapers, books and stationery	22.0	21.6	19.5	23.1	25.1	13.2	18.3	17.0	25.4	22.0
09.5.1.	Books	6.8	7.6	6.9	5.5	9.6	4.2	8.8	4.0	5.8	8.2
09.5.2.	Newspapers and periodicals	10.4	10.4	9.6	14.7	11.2	8.5	6.3	9.0	16.0	11.3
09.5.3./ 09.5.4.	Miscellaneous printed matter; stationery and drawing materials	4.7	3.7	3.0	2.9	4.4	0.6	3.1	4.0	3.6	2.6
09.6.	Package holidays	14.4	12.0	23.5	10.1	19.6	2.4	9.3	3.0	29.8	3.0
10.	Education	9.7	8.8	4.7	8.8	7.1	21.7	15.8	5.0	19.8	10.8
11.	Restaurants and hotels	93.5	85.3	83.2	54.0	51.4	111.8	151.6	84.0	196.9	101.9
11.1.	Catering services	77.8	70.1	65.0	50.5	43.2	103.2	143.4	69.0	180.1	76.7
11.1.1.	Restaurants, cafés and the like	70.3	62.3	61.7	46.0	38.4	98.7	139.7	54.0	171.5	68.9
11.1.2.	Canteens	7.5	7.8	3.4	4.5	4.8	4.5	3.7	15.0	8.7	7.8
11.2.	Accommodation services	15.7	15.2	18.1	3.5	8.2	8.7	8.2	15.0	16.8	25.3
12.	Miscellaneous goods and services	67.3	69.8	71.3	70.8	69.6	56.6	46.4	86.0	55.8	76.3
12.1.	Personal care	28.4	28.6	26.5	27.0	29.5	23.5	26.8	32.0	28.1	26.8
12.1.1.	Hairdressing salons and personal grooming establishments	11.1	11.9	11.0	9.4	14.0	5.0	10.0	10.0	13.3	13.2
12.1.2./ 12.1.3.	Electrical appliances for personal care; other appliances, articles and products for personal care	17.3	16.7	15.5	17.6	15.6	18.4	16.9	22.0	14.8	13.7
12.3.	Personal effects n.e.c.	10.3	10.6	7.0	7.5	7.8	14.4	5.8	14.0	6.1	16.8
12.3.1.	Jewellery, clocks and watches	5.9	5.6	4.1	2.9	5.5	10.7	3.7	7.0	5.0	6.4
12.3.2.	Other personal effects	4.4	5.0	2.9	4.6	2.3	3.7	2.1	7.0	1.1	10.5

COMPENDIUM OF HICP REFERENCE DOCUMENTS

L	NL	A	P	FI	S	UK	EEAICP	IS	NO		
22.2	26.1	26.1	4.4	23.2	23.0	33.0	20.9	18.7	23.1	Other recreational items and equipment, gardens and pets	09.3.
5.5	5.6	6.0	0.9	4.3	5.1	15.0	6.0	6.2	4.3	Games, toys and hobbies	09.3.1.
1.6	2.7	5.2	0.3	5.1	4.3	5.0	3.4	4.4	4.8	Equipment for sport, camping and open-air recreation	09.3.2.
7.8	10.3	9.4	1.5	8.3	9.0	5.0	6.7	6.2	8.2	Gardens, plants and flowers	09.3.3.
7.3	7.4	5.6	1.6	5.5	4.6-i	8.0	4.9-i	2.0	5.8	Pets and related products; veterinary and other services for pets	09.3.4./ 09.3.5.
24.0	34.0	31.7	7.8	24.2	29.4	36.0	27.4	45.3	32.8	Recreational and cultural services	09.4.
8.7	14.2	16.6	3.2	9.6	10.7	14.0	11.1	15.6	12.5	Recreational and sporting services	09.4.1.
15.3	19.8	15.1	4.6	14.7	18.7	22.0	16.3	29.7	20.3	Cultural services	09.4.2.
20.2	25.5	18.2	10.9	27.2	20.0	25.0	22.0	31.4	21.8	Newspapers, books and stationery	09.5.
9.0	7.0	6.4	5.5	5.3	5.6	4.0	6.9	14.3	7.0	Books	09.5.1.
8.7	14.6	8.2	3.9	19.4	13.1	10.0	10.4	13.1	13.2	News papers and periodicals	09.5.2.
2.5	3.9	3.6	1.5	2.5	1.4	11.0	4.7	4.0	1.6	Miscellaneous printed matter; stationery and drawing materials	09.5.3./ 09.5.4.
21.7	14.8	22.0	4.5	20.2	15.1	28.0	14.5	20.4	19.8	Package holidays	09.6.
1.1	15.9	7.4	18.2	2.1	3.5	13.0	9.7	14.4	14.3	Education	10.
96.1	71.7	143.3	130.9	93.9	63.5	137.0	93.0	83.5	45.0	Restaurants and hotels	11.
81.4	57.4	99.4	100.2	77.9	55.1	116.0	77.5	64.5	41.0	Catering services	11.1.
77.9	48.2	95.1	91.5	63.0	48.1	109.0	70.0	56.6	37.4	Restaurants, cafés and the like	11.1.1.
3.5	9.3	4.3	8.7	14.9	6.9	7.0	7.5	7.8	3.6	Canteens	11.1.2.
14.7	14.2	43.9	30.6	16.0	8.4	21.0	15.6	19.0	4.0	Accommodation services	11.2.
58.8	53.4	53.8	39.4	46.9	60.3	57.0	67.2	67.2	56.2	Miscellaneous goods and services	12.
24.1	23.9	28.6	23.8	21.1	23.2	29.0	28.4	29.5	22.5	Personal care	12.1.
10.5	8.9	10.0	10.3	7.4	11.1	8.0	11.1	14.3	9.3	Hairdressing salons and personal grooming establishments	12.1.1.
13.6	14.9	18.6	13.5	13.7	12.1	21.0	17.3	15.3	13.2	Electrical appliances for personal care; other appliances, articles and products for personal care	12.1.2./ 12.1.3.
11.6	8.8	10.9	4.9	6.2	7.3	9.0	10.3	5.7	6.3	Personal effects n.e.c.	12.3.
7.5	4.6	6.4	2.9	3.9	5.1	7.0	5.9	3.1	3.2	Jewellery, clocks and watches	12.3.1.
4.1	4.2	4.5	2.0	2.4	2.2	2.0	4.4	2.5	3.1	Other personal effects	12.3.2.



COMPENDIUM OF HICP REFERENCE DOCUMENTS

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		EICP	MUICP	BE	DK	D	EL	E	F	IRL	I
12.4.	Social protection	3.1	2.3	2.5	16.7	1.1	0.0	0.5	3.0	4.1	3.7
12.5.	Insurance	14.0	16.1	20.2	12.0	23.5	7.1	4.8	18.0	13.1	8.6
12.5.2.	Insurance connected with the dwelling	2.4	2.5	5.4	3.5	2.4	0.2	0.5	5.0	1.7	0.0
12.5.3.	Insurance connected with health	4.3	4.7	6.3	5.1	6.4	4.8	1.8	8.0	9.0	0.0
12.5.4.	Insurance connected with transport	5.6	6.5	7.5	3.4	8.1	2.1	2.5	5.0	2.3	8.6
12.5.5.	Other insurance	1.9	2.4	1.1	0.0	6.5	0.0	0.0	0.0	0.1	0.0
12.6.	Financial services n.e.c.	3.6	3.9	2.9	5.6	3.4	4.8	0.2	5.0	1.0	7.8
12.7.	Other services n.e.c.	7.8	8.4	12.1	2.1	4.2	6.8	8.3	14.0	3.4	12.6

~e = estimated  
 ~I = definition differs  
 : = not available

COMPENDIUM OF HICP REFERENCE DOCUMENTS

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L	NL	A	P	FI	S	UK	EEAICP	IS	NO		
3.5	3.9	0.6	2.6	5.7	7.3	6.0	3.2	12.5	16.0	Social protection	12.4.
14.1	12.5	8.9	6.7	7.9	8.1	6.0	14.0	8.3	7.0	Insurance	12.5.
1.5	3.3	2.5	1.0	1.6	3.1	2.0	2.4	2.9	2.0	Insurance connected with the dwelling	12.5.2.
1.4	4.0	3.0	0.1	1.3	2.0	2.0	4.2	0.0	0.0	Insurance connected with health	12.5.3.
10.0	4.2	3.4	4.7	5.0	3.0	2.0	5.6	5.4	5.0	Insurance connected with transport	12.5.4.
1.2	1.0	0.0	0.9	0.0	0.0	0.0	1.8	0.0	0.0	Other insurance	12.5.5.
0.3	0.4	2.3	0.1	1.2	11.7	1.0	3.6	4.1	0.8	Financial services n.e.c.	12.6.
5.2	3.9	2.6	1.5	4.7	2.6	6.0	7.7	7.1	3.6	Other services n.e.c.	12.7.

**ANNEX III**

**Country weights for 2000, price updated to December 1999 prices**

	<b>MUICP</b>	<b>EICP</b>	<b>EEAICP</b>
<b>Belgium</b>	39.90		
<b>Germany</b>	346.51		
<b>Spain</b>	90.83		
<b>France</b>	209.07		
<b>Ireland</b>	9.80		
<b>Italy</b>	183.08		
<b>Luxembourg</b>	1.99		
<b>Netherlands</b>	56.54		
<b>Austria</b>	29.10		
<b>Portugal</b>	18.13		
<b>Finland</b>	15.07		
<b>Euro-zone (MUICP)</b>	<b>1000.00(*)</b>	783.49	775.92
<b>Denmark</b>		13.50	13.37
<b>Greece</b>		21.87	21.66
<b>Sweden</b>		17.80	17.63
<b>United Kingdom</b>		163.34	161.76
<b>EU15 (EICP)</b>		<b>1000.00(*)</b>	
<b>Iceland</b>			0.82
<b>Norway</b>			8.84
<b>EEA (EEAICP)</b>			<b>1000.00(*)</b>

(\*) Due to rounding effects, the weights may not add up exactly to 1000.



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 27.02.1998  
COM(1998) 104 final

**REPORT FROM THE COMMISSION TO THE COUNCIL  
ON HARMONIZATION OF CONSUMER PRICE INDICES  
IN THE EUROPEAN UNION**

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## ABBREVIATIONS USED IN THE TEXT

A .....	Austria
B.....	Belgium
BUL .....	Bulgaria
COICOP.....	Classification Of Individual CONsumption by Purpose
COICOP/HICP .....	COICOP adapted for the needs of HICPs
CPI.....	Consumer Price Index
CPIs .....	Consumer Price Indices
CYP .....	Cyprus
CZE.....	Czech Republic
D .....	Germany
DGII.....	Directorate General for Economic Affairs of the European Commission
DK .....	Denmark
E.....	Spain
EC .....	European Community
ECU .....	European Currency Unit
EICP.....	European Index of Consumer Prices
EL .....	Greece
EMI.....	European Monetary Institute
ESA 1995.....	European System of Accounts of 1995
EST .....	Estonia
EU .....	European Union
F.....	France
FIN.....	Finland
HFMCE .....	Household final monetary consumption expenditure
HICP .....	Harmonized Index of Consumer Prices
HICPs.....	Harmonized Indices of Consumer Prices
HUN.....	Hungary
I.....	Italy
IRL.....	Ireland
IS.....	Iceland
L.....	Luxembourg
LTU.....	Lithuania
LVA .....	Latvia

Member States .....	for the purposes of this report refers to the EU Member States (B, DK, D, EL, E, F, IRL, I, L, NL, A, P, FIN, S, UK) plus N and IS
MU .....	Monetary Union
MUICP .....	Monetary Union Index of Consumer Prices
N .....	Norway
NL .....	Netherlands
OECD .....	Organisation for Economic Co-operation and Development
OJ .....	Official Journal of the European Communities
P .....	Portugal
POL .....	Poland
ROM .....	Romania
S .....	Sweden
SPC .....	Statistical Programme Committee
SVK .....	Slovak Republic
SVN .....	Slovenia
TEU .....	Treaty on European Union
UK .....	United Kingdom
UN-ECE .....	Economic Commission for Europe of the United Nations



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## EXECUTIVE SUMMARY

As required by Council Regulation (EC) No 2494/95 and with the co-operation of Member States "Harmonized Indices of Consumer Prices" (HICPs) for each Member State are now produced and published monthly together with an aggregated index, the "European Index of Consumer Prices" (EICP). These indices have been accepted by both the Commission and the European Monetary Institute as providing satisfactory measures for the assessment of convergence. Although certain differences in their constructions remain to be fully harmonized considerable progress has been made in removing differences in the concepts, methods and practices followed by Member States in constructing their national Consumer Price Indices (CPIs). Those indices continue to be published in most cases and used in national contexts. Their construction will reflect improved practices developed in the harmonization process but their use for international comparisons is peripheral. The Commission and the European Monetary Institute are looking for further improvements in the quality and comparability of the HICPs for their use in monetary policy and the monitoring of inflation in the Economic and Monetary Union.

The HICPs have a common reference base 1996, common coverage of consumer goods and services and a common classification so that inflation can now be compared for around 100 categories of expenditure. The new indices are required to take account of inflation in new goods and services, particularly those resulting from technical innovation. Important sources of difference in the basic computational procedures have been removed. These relate to the representativity of the monthly collection of prices, the treatment of missing observations, allowance for changes in the quality of products available for pricing and to the formula used to combine the prices observed to give an overall measure.

Quality adjustment is widely accepted among experts as one of the most, if not the most, intractable problems in CPI construction. The problem is not widely appreciated and many observers share the mistaken impression that no allowances are made for improvements that have occurred in product quality thus leading to an overstatement of inflation. In practice many different adjustments have been made as index compilers have attempted to solve the problems in different ways and these may, just as likely, have resulted in an over compensation for such improvements. As a result, this remains the most important source of non-comparability among HICPs. Short term their comparability has been improved by banning one frequently used but inappropriate procedure for treating changing product quality. Further improvement can be expected as a result of a co-ordinated programme of work among Member States. This has already thrown much light on specific operational issues that must be resolved before comparable practices can be established.

The samples of prices used in the construction of HICPs differ widely in design and in the methods and practices followed. This gives rise to concern that the indices may be non-comparable on this count. It is however not possible to say that any particular HICP is unsatisfactory as there are no yardsticks by which to make such judgement. The Commission (Eurostat) is working with Member States on a programme of research designed to provide an empirical assessment of different sampling methods and to develop measures of the reliability of HICPs. The research is making good progress but is confronted with many difficult issues which have not hitherto been addressed. Meanwhile, Member States are required to ensure that their samples are representative of all categories of expenditure covered by the HICP and are maintained at the level of January 1997.

No single CPI or set of CPIs should be taken as a model for what HICPs should cover. The coverage of the HICPs is fairly comprehensive but some further extension is desirable. The incidence of very different institutional arrangements for the delivery of health and education has meant that it has not been possible to say at this stage how important this omission is in the provision of comparable measures of inflation as it affects consumers. Clearly individual consumers are unaffected when total costs rise if any payments they make are reimbursed. Other desirable extensions to coverage are social protection services and further insurance services which are not so far included. Harmonization of the geographic and population coverage is also being pursued as a matter of urgency. Some Member States have broadened their coverage from that of their CPIs to bring them into line with the majority but there remain questions over the coverage of tourist expenditure and institutional households.

The HICPs cover owner occupiers' repairs and maintenance costs, dwelling content insurance, refuse collection, sewerage services, water supply, and other services related to the dwelling. Work will be undertaken to develop an appropriate measure for inclusion but at this time only a few countries have the necessary data. The omission from the HICPs of imputed rents (the rent paid for an equivalent dwelling) included in some national CPIs or of mortgage interest payments included in other CPIs has been criticised but is justified on the grounds that neither of these represents the impact of inflation on owners; the first is an opportunity cost rather than an actual cost and the latter is the cost of borrowing rather than consumption.

## **1. INTRODUCTION**

On 23 October 1995, the Council of Ministers adopted a regulation<sup>1</sup> setting the legal basis for the establishment of a harmonized methodology for compiling consumer price indices (CPIs) in EU Member States.

Council Regulation (EC) No 2494/95 concerning Harmonized Indices of Consumer Prices (HICPs) laid down a **stepwise approach in two stages**, each step requiring specific implementing measures which were and will be, where necessary, legislated in the form of Commission Regulations. Regarding the process for implementing HICPs it should be stressed that the Council Regulation foresaw a procedure with the Statistical Programme Committee (SPC) acting as Regulatory Committee.

Within this framework, rules as well as guidelines or non-obligatory statements of good practice have been drawn up in collaboration with Member States for the construction of HICPs. To date, two Commission Regulations<sup>2</sup> (EC) No 1749/96 and No 2214/96 have been adopted by the Commission. Further regulations are currently in various stages of preparation. Furthermore, a Community-wide index<sup>3</sup> based on the HICPs as well as an index measuring the average inflation rate of the members of the Monetary Union<sup>4</sup> have been defined. In doing so, due regard was and will be paid to the primary purpose of the HICPs to provide comparisons of inflation in the macro-economic context.

The production of a consumer price index is an elaborate and sensitive operation. Many of the necessary changes were agreed in lengthy discussions and required substantial preparation. The calculation of the HICP has in some cases required additional processing systems in order to avoid any risk of confusion with the existing CPI. The HICP Council Regulation and the number of specific implementing measures which have been legislated or submitted to the SPC during a period of only three years, provide enough evidence for the difficulty of the issues involved in the compilation of HICPs.

## **2. COSTS**

The additional costs the Member States incurred in implementing the requirements laid down in the HICP Council Regulation, and specified in Commission Regulations, have been recognised by the Commission, and a Commission Decision (C(96) 2452) was adopted in September 1996 allocating 3 million ECU to the Member States over a two-year period for this purpose. This followed earlier disbursements to Member States amounting to 670000 ECU.

Although the Commission (Eurostat) took greatest account of cost-effectiveness and made full use of all possible budgetary resources to finance the HICP project, the funding might in some Member States not have covered two-thirds of the actual additional cost for the implementation of the HICPs as required in Article 13 of the HICP Council Regulation.

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<sup>1</sup> Council Regulation (EC) No 2494/95, OJ No L 257/1, 27.10.95.

<sup>2</sup> OJ No L 229/3, 10. 9. 1996, and OJ L 296/8, 21.11.1996 respectively

<sup>3</sup> European Index of Consumer Prices (EICP)

<sup>4</sup> Monetary Union Index of Consumer Prices (MUICP)

### **3. BACKGROUND**

Protocol No 6 that develops Article 109 (j) (1) of the Treaty on European Union (TEU) states that "inflation shall be measured by means of a consumer price index on a comparable basis, taking into account differences in national definitions." This requirement is being met through the implementation of HICPs which are as far as possible based on national CPIs.

The compilation of any CPI consists of collecting and processing price and expenditure data according to specified concepts, definitions, methods and practices. Concepts relate to the essential aims of the CPI. The underlying conceptual basis of a CPI will usually be expressed in general terms (if it is expressed at all). CPIs are sometimes in some Member States referred to as "cost-of-living indices" or as "pure price indices". The latter may be seen as a general measure of consumer price inflation whereas the purpose of the former might be for establishing the purchasing power of incomes. In practice there are significant overlaps between the two concepts.

Recognising that HICPs cannot measure all aspects of inflation but only one of its components, the preamble to the HICP Council Regulation includes the following phrase: "... it is recognised that inflation is a phenomenon manifesting itself in all forms of market transactions including capital purchases, government purchases, payments to labour as well as purchases by consumers ...". Article 3 of the HICP Council Regulation defines that the "HICP shall be based on the prices of goods and services available for purchase in the economic territory of the Member State for the purposes of directly satisfying consumer needs." Hence, the HICP is a "pure price index" the aim of which is to measure consumer price inflation. HICP is designed to cover the actual prices of goods and services faced by consumers. The underlying concept of the HICP is therefore defined as "final monetary consumption expenditure of households".

The HICPs are not intended to replace national CPIs. Many Member States are likely to continue their existing CPIs for domestic purposes, such as indexation or wage bargaining, although the HICP may be used for such purposes. This is in line with what was recognised at the outset of the HICP Council Regulation, where it is stated that "comparable indices may be produced instead of ~~or~~ in addition to similar indices of consumer prices already produced or to be produced in future by Member States." In some Member States there are legal or institutional barriers to using indices other than the national CPIs for such purposes. For these countries change may be a long process, but national CPIs will nevertheless incorporate several technical improvements introduced for the HICPs.

### **4. COMPARABILITY AND MAIN DIFFERENCES**

CPIs have been developed for domestic purposes by each Member State and while they have much in common there are important differences in concepts and methods on which there are few universal agreements. CPIs are neither "right" nor "wrong"; they serve the multiple purposes for which they were designed to a greater or a lesser extent. National CPIs are the tools which their users are used to. As the HICPs differ from national CPIs in their concepts, definitions, methods and practices it is misleading to compare directly national CPIs with the HICPs.

In the harmonization project the focus lies on comparability among the HICPs of the different Member States as well as their relative movements. The criterion for deciding when indices should be accepted as comparable and when not was written into the HICP Council Regulation as the "comparability requirement" (Article 4). It reads as follows:

"HICPs shall be considered to be comparable if they reflect only differences in price changes or consumption patterns between countries.

HICPs which differ on account of differences in the concepts, methods or practices used in their definition and compilation shall not be considered comparable.

The Commission (Eurostat) shall adopt rules to be followed to ensure the comparability of HICPs under the procedure laid down in Article 14."

The (draft) Commission Regulation(s)<sup>5</sup> which lay down the detailed implementing measures define the comparability requirement in a more operational way as a "change in the HICP by more than 0.1 percentage points on average over one year against the previous year". This limit was accepted by Member States as a criterion for harmonizing non-comparable practices.

The HICPs can all be said to meet their purposes of "measuring inflation faced by consumers" to a degree which is unknown (and perhaps unknowable) because there is no reference by which to determine the extent of any bias. It is, however, possible to say whether the differences between two HICPs are due to differences in methods of compilation and it is sometimes possible to estimate how large the differences might be.

## **5. APPROACH TOWARDS ESTABLISHING RULES FOR COMMISSION REGULATIONS**

Implementation has to take place taking account of cost-effectiveness (Article 13 of HICP Council Regulation), remaining proportional to the aim pursued (Article 3 (b) EC-Treaty, last sentence) and respecting subsidiarity (Article 3 (b) EC-Treaty).

As far as possible, the Commission Regulations which implement the detailed rules are based on the best of current practices allowing for precedent and legal and institutional circumstances existing in Member States. No single national CPI could be said to be the model that should be followed by all Member States. There is no right answer in the sense of a general agreement about what should be computed. Existing CPIs have been designed to meet a range of purposes and have been developed in different contexts.

The general approach to the implementing regulations could be characterised by the term "minimum standards". "Minimum standards" in the sense that banning acknowledged bad practices has the effect of not only achieving convergence on good practices but also raising the general level of standards and, on the other hand, in the sense that the regulations generally specify outputs rather than inputs. They say what is required rather than how to achieve the requirement, the detail of which is left to Member States, sometimes in agreement with the Commission (Eurostat).

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<sup>5</sup> See Article 7 of Commission Regulation (EC) No 1749/96 and Article 3 (4) of the draft Commission Regulation concerning minimum standards for the quality of HICP weights

More specifically, the criteria which are being followed in determining rules are:

- (a) **Necessity** - Rules should be made only where there is evidence that non-comparability may arise in the absence of such rules. Otherwise the principle of subsidiarity applies.
- (b) **Practicability** - Rules should be made only where National Statistical Institutes (NSIs) can generally accept them and are able to follow what is required. It should also be possible to monitor the application of the rules in order to ensure compliance.
- (c) **Specificity** - Rules should be clear, unambiguous and suitably restrictive in order to ensure comparability but should be sufficiently general as to allow variations in practices as long as these do not result in non-comparability.
- (d) **Coherence** - Rules should not conflict with or contradict other rules or guidelines.
- (e) **Completeness** - Taken together, rules and guidelines should cover all that has to be done in constructing HICPs. Where it is deemed unnecessary to harmonize existing practices the bounds of those practices should nevertheless be defined.
- (f) **Best practice** - Where possible, rules should follow the best of existing practices so long as these can be applied across the Union.
- (g) **Efficiency** - The costs of following the rules should not exceed what is necessary to achieve comparable HICPs. The cost, over and above existing costs, should be identified and arrangements for meeting such costs agreed between the Commission and NSIs before the rules are adopted.

## 6. IMPLEMENTATION OF THE COUNCIL REGULATION

Article 5 of the HICP Council Regulation committed Member States to a staged process of implementation as follows:

### "(a) **Stage I:**

By March 1996 at the latest, the Commission (Eurostat) shall, in collaboration with Member States, produce for the purposes of the report referred to in Article 109 (j) of the Treaty ("convergence criteria") an interim set of consumer price indices for each Member State. These indices shall be based wholly on data underlying existing national consumer price indices, adjusted in particular as follows:

- i) to exclude owner-occupied housing;
- ii) to exclude health and educational services;
- iii) to exclude certain other items not covered or treated differently by a number of Member States;

### (b) **Stage II:**

The HICP shall start with the index for January 1997. The common index reference period shall be the year 1996. The estimates of price changes for the twelve months to January 1997 and subsequent months shall be established on the basis of the indices for 1996."

### **6.1. Stage 1 of the harmonization process: January 1996**

On 29 February 1996, the Commission (Eurostat) launched<sup>6</sup> the interim set of CPIs referred to in Article 5 (1) (a) of the HICP Council Regulation. These **interim indices** were based entirely on existing national CPIs, adjusted solely so as to make the coverage of goods and services as similar as possible<sup>7</sup>. National CPIs were thus coincident with the corresponding interim indices regarding methods, concepts and definitions apart from the coverage of goods and services. They therefore provided a better basis of comparison of consumer price inflation than the unadjusted national CPIs, and were used by the Commission and the European Monetary Institute in their first convergence reports to the Council in 1996.

Certain categories of expenditure were excluded where, in the time available, it was impossible to reach agreement on how best to construct comparable measures. In particular, the expenditure faced by owner occupiers' when acquiring housing, not covered in some countries, measured by imputed rents in others, and by mortgage interest payments in the rest, was entirely excluded. Expenditure on health and education was also excluded because of major institutional differences between countries in the ways in which consumers pay for such services, either directly or via taxes. As well as excluding certain items, some other categories of expenditure that are not in some national CPIs - in particular, alcoholic drink and tobacco - were included for all Member States.

The interim indices were compiled for just one year by all EU Member States, Iceland, Norway, and Switzerland<sup>8</sup>. As required by the Council Regulation, HICPs started with the index for January 1997.

### **6.2. Stage 2 of the harmonization process: January 1997**

On 7 March 1997 the Commission (Eurostat) published the first set of **Harmonized Indices of Consumer Prices (HICPs)** as required by Article 5 (1) (b) of the HICP Council Regulation<sup>9</sup>. In contrast to the interim indices, the HICPs are harmonized in several methodological areas as well as coverage. The HICPs do not simply expand the interim indices, as the HICP is a new and different index.

The HICPs will in general be subject to **retrospective revisions**. However, during the crucial period for the decision on Stage III of Monetary Union, no revisions will be required in the calculation of the HICP and any revisions proposed by Member States to figures already published will not be applied by the Commission (Eurostat). Thus, with the publication of the index for December 1997 (in January 1998) until the publication of the index for December 1998, index figures once published will not be changed. Retrospective revisions are again permitted with the publication of the index for January 1999.

Under the HICP Council Regulation the Commission has so far adopted two detailed regulations establishing the specific implementing measures governing the production of the HICP; further draft regulations are in preparation.

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<sup>6</sup> News Release No 15/96, Eurostat, 29 February 1996.

<sup>7</sup> Details are given in paragraph 12.2.1.

<sup>8</sup> Liechtenstein does not calculate a national CPI and, hence, did not provide an interim index.

<sup>9</sup> Details about the available data are given in paragraph 6.4.



- Commission Regulation (EC) No 1749/96 on initial implementing measures, covers six technical areas: initial coverage, newly significant goods and services, elementary aggregates, and minimum standards for quality adjustment, sampling and prices.
- Commission Regulation (EC) No 2214/96 relates to the HICP and its sub-indices that will be transmitted to and disseminated by Eurostat.
- A draft Commission Regulation sets minimum standards for the quality of HICP weights.
- A second draft Commission Regulation amends Commission Regulation (EC) 1749/96 with regard to the coverage of goods and services and proposes a staged procedure on how to extend the coverage of the HICP.
- A third draft Commission Regulation amends Commission Regulation (EC) 1749/96 with regard to the geographic and population coverage of the HICP.

### 6.2.1. Initial coverage

Article 3 of Commission Regulation (EC) No 1749/96 defines the initial coverage of the HICPs in terms of a relatively new international classification of consumers' expenditure known as COICOP (Classification Of Individual CONsumption by Purpose). A version of this classification has been specially adopted for the HICPs, known as COICOP/HICP<sup>10</sup>. It is based on the draft COICOP as adopted at a joint UN-ECE/OECD/Eurostat meeting on National Accounts held in Geneva 30 April to 3 May 1996.

The weights assigned to each category of COICOP/HICP vary from country to country depending on the relative importance of consumers' expenditure on each good or service in each country. That means that there is no "uniform basket" applying to all Member States. This is in accordance with the comparability requirement set out in Article 4 of the HICP Council Regulation.

The additions to coverage as compared with the interim indices<sup>11</sup> of Stage 1 are, for example; insurances for cars and dwellings, package holidays, banking services, educational goods and services such as evening classes, and health goods that are obtainable without prescription<sup>12</sup>. However, some difficult categories, including most health and educational services, are still not covered by the HICP.

A draft Commission Regulation amends Commission Regulation (EC) 1749/96 with regard to coverage and proposes to extend the coverage of the HICP in stages, starting in December 1998 to include difficult categories such as health and educational services, where there are major institutional differences between Member States<sup>13</sup>. Owner occupiers' shelter costs, expressed as imputed rents or mortgage interest payments, are not regarded as part of the inflationary process and hence excluded from the HICPs. However, consideration is being given to the inclusion of the net acquisition prices of new dwellings.

<sup>10</sup> See also paragraph 6.2.7.

<sup>11</sup> See paragraph 6.1.

<sup>12</sup> Details are given in paragraph 12.2.2.

<sup>13</sup> See also paragraph 8.1.

### 6.2.2. Newly significant goods and services

CPIs are frequently criticised for failing to include new products such as mobile phones and personal computers. The requirement in the HICP Council Regulation (Article 5 (3)) to "maintain the relevance of HICPs" means that steps must be taken to ensure that these criticisms cannot be levelled against the HICPs. If some Member States add new products when they become a significant part of consumption but others fail to do so, it could lead to significant differences in the measured rates of inflation.

Article 4 of Commission Regulation (EC) No 1749/96 ensures that HICPs keep broadly in step with each other and up-to-date in terms of market developments. In general, new products are incorporated in the HICP as soon as they achieve a sales volume of over 1 part per thousand of total consumers' expenditure in the Member State. Member States are required to build up a monitoring system for identifying newly significant goods and services from January 1997. Member States should make provision to identify new products and to report these to the Commission (Eurostat), which is acting as an information exchange, informing each country of the products newly included in other countries' HICPs<sup>14</sup>. It is not, however, a simple matter to define what newly significant items are or to formulate practicable procedures by which they can be identified. The requirement remains to be clarified in the process of its operation.

### 6.2.3. Minimum standards for procedures of quality adjustment

HICPs should measure "pure price change" unaffected by quality changes in the things which people buy. The prices taken for a HICP should therefore be adjusted for changes in the quality of the goods or services to which they relate. However, there is no universal agreement on just how this should be done and there are major differences between countries in actual practices. This is probably the largest single source of non-comparability<sup>15</sup>.

Differences between CPIs may arise because the same change in the physical characteristics of an item are treated in quite different ways from one country to another. This is not to say that the same quality characteristic should be valued to the same extent in different Member States, only that the principles and procedures for valuation should be the same. Differences in practice do not "average out" across the goods and services covered by the indices; on the contrary, they are likely to cumulate to differences well in excess of 0.1 percentage points. Studies, which are continuing, on the different treatments of quality changes in motor vehicles suggest that this factor alone might lead to CPI effects greater than 0.1 percentage point on annual rates.

Article 5 of Commission Regulation (EC) No 1749/96 requires Member States to examine quality adjustment procedures and to avoid "automatic linking", which is equivalent to the assumption that the difference in price between two successive "models" is wholly attributable to a difference in quality. If a Member State always assumes that a price increase from one "model" to another is due to a quality change and, therefore, reflects no price change in the CPI, this automatic linking may lead to underestimation of inflation and

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<sup>14</sup> Details are given in paragraph 12.5.

<sup>15</sup> See for example the "Boskin Report": "Towards a more accurate measure of the cost of living", Final report to the United States Senate Finance Committee from the Advisory Commission to study the Consumer Price Index, Michael J. Boskin, Chairman et. al., 4 December 1996.

vice versa. Member States are required to change procedures to ensure that automatic linking is not used from January 1997. Non-automatic linking may continue to be used, i.e. where it can be **justified** that the price difference between the item and its replacement is equal to the quality difference. Furthermore, "overlap pricing" may be used, i.e. where a replacement is anticipated and prices are observed for the item and its replacement at the same time; the price difference in the overlap period is used as an estimate for the value of the quality difference.

Member States need to be able to demonstrate that automatic linking is not used. Selective monitoring of implicit and explicit quality adjustments is required to establish comparable good practices<sup>16</sup>. The Commission (Eurostat) will assist in this process by setting up a database of quality change estimates provided both by Member States themselves and from other sources.

The problems of determining quality adjustments will require substantial further research. The Commission Regulation focuses attention on these problems as specific adjustments have to be made in the large number of situations where automatic linking has been used. The Commission (Eurostat) is supporting a programme of work to design appropriate adjustments for changes in the quality of goods and services the prices of which are used in the production of specific HICP sub-indexes. At present, research is concentrated on the development of quality adjustments for selected high-tech goods and the establishment of information for inclusion in a Eurostat central database of quality adjustments.

#### **6.2.4. Minimum standards for prices**

A widespread practice used in price estimation for CPIs is known as "carry-forward". Fieldwork price collection involves the observation of the price, usually each month, of a set of specified products in specified retail outlets. If, for any reason, a particular price cannot, or is not, collected, a common procedure is to simply use the price observed on the previous occasion - which may have been many months previously.

The banning of the practice of "carry-forward" - which can lead to serious biases - is the main concern of Article 6 of Commission Regulation (EC) No 1749/96 which requires Member States to maintain their target sample from month to month. Sample maintenance is important because the aim is to measure price changes rather than price levels per se. Where prices are not observed they must be estimated by an appropriate procedure, and not by automatically carrying forward the last observed price. Member States should provide a statement of the "target sample" which is essentially the present plan for the number of prices that should be obtained and summary information on the numbers of missing prices for which estimates are substituted and on the estimation procedures<sup>17</sup>.

Currently, the Commission Regulation leaves the following questions to be answered:

- What are "non-appropriate estimates" for missing (or non-observed) prices?
- What limit should be set on the number of estimates used (missing prices) to ensure comparability?

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<sup>16</sup> Details are given in paragraph 12.7.

<sup>17</sup> Details about the target samples are given in paragraph 12.8.2.

The Commission (Eurostat) will carry out studies of the effects of estimation and will define the appropriate limit for the numbers of estimated prices and permissible procedures. Studies should enumerate and evaluate the various procedures used when prices are missing and others that might be used. Evaluation should take account of item replacement and quality adjustment issues. Ideally it should assess the scale of errors in actual estimates for missing prices but this would require some idea of what the "right answer" should be. An alternative approach is to make a qualitative assessment of the assumptions that underlie different imputation procedures. It would, for example, be inappropriate to assume that the occurrence of missing prices is a random event, though this may not lead to unacceptable errors at least for one month.

### **6.2.5. Price indices for elementary aggregates**

Article 9 of HICP Council Regulation requires that the HICP shall be a Laspeyres-type index. Though the HICPs and CPIs produced by Member States may differ in detail, for example in the frequency of updating weights<sup>18</sup>, they can be broadly described as Laspeyres-type indices. That is, indices in which the month to month movements in prices are measured as an average of price indices using expenditure weights which are an appropriate reflection of the pattern of consumption of, and the structure of prices paid by, the index population in the weight reference period.

However, the HICP Council Regulation does not define the formula to be used for the calculation of "elementary aggregates", which is the lowest level of detail for which expenditure weights are known. Elementary aggregates are computed by aggregating prices where there are no expenditure weights. Article 7 of Commission Regulation (EC) No 1749/96 concerns the formula to be used for the calculation of such elementary aggregates. Practices varied considerably between Member States, and the achievement of consensus was difficult. The arguments centred on two issues. The first was whether the detailed indices should be calculated by taking the ratio of the average price of items in a particular stratum, or whether to take the average of the ratios of those items. The second was how to define "average" in the above calculation: the arithmetic mean or the geometric mean<sup>19</sup>.

The Commission Regulation allows the use of the ratio of either arithmetic or geometric mean prices, but not the arithmetic mean of price relatives<sup>20</sup>. Member States which use formulae other than the ratio of arithmetic mean prices or the ratio of geometric mean prices should be in a position to demonstrate that the alternative(s) used meets the comparability requirement. Member States were not required to change the formula for the calculation of elementary aggregates for the indices before January 1997, although they were encouraged to do so.

The decision to rule out the use of the average of price relatives formula was not taken on the grounds that it is generally accepted as wrong but rather that it does not give results which are "comparable" to those given by other formulae. Nevertheless, the decision means that future research can concentrate on the merits of these other formulae.

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<sup>18</sup> See also paragraph 8.2.

<sup>19</sup> The United States' Bureau of Labor Statistics (BLS) is also investigating this following the Boskin report

<sup>20</sup> Details are given in paragraph 12.6.

### **6.2.6. Minimum standards for sampling**

Statistical theory suggests that random sampling is desirable in order to avoid bias in a statistic. However, this is not easily achieved when it comes to the collection of prices for a CPI and most Member States follow sampling procedures which are referred to as "purposive" or "representative". The decisions on which prices to collect may thus be determined by the degree of co-operation of retailers or by the inclinations of particular price collectors. While this may not seem to be good practice it is not easy to demonstrate that the resultant indices are non-comparable on this account.

Studies commissioned by the Commission (Eurostat) into these matters indicated that different sampling techniques provide considerable scope for non-comparability. They suggested that representative versus probability sampling could give large differences for item groups, but these were not significant on average. Furthermore, the studies indicated that the number of elementary aggregates could have short term effects on comparability. In contrast, differences in the regional coverage of CPIs did not seem to lead to non-comparability, since the differences between the regional indices and the overall index seem to be entirely random. From the studies it was clear that a rule which changes current practices towards improved comparability was needed.

The aim of Article 8 of Commission Regulation (EC) No 1749/96 is to improve, where necessary, the reliability and comparability of HICPs by reducing errors that arise from different sample designs and practices. It requires that Member States should check their samples of prices as to their adequacy for the HICP and adjust sampling procedures as they judge necessary. Member States should not simply assume that their target sample is adequate but are required to provide some evidence<sup>21</sup>.

The extensive use of purposive sampling means that there is no adequate theoretical frame by which to judge the reliability (representativity and precision) of HICPs. Only a few Member States make any attempt to compute sampling errors for their CPIs and none has any measure of bias. Such errors would also be an aid to more efficient sample design. Studies are being carried out to assess both sampling error and bias in HICPs and these will be used later to set appropriate limits on such errors. It is necessary to establish what combination of the numbers and specifications of elementary aggregates and the number of prices required within each elementary aggregate will provide a HICP of sufficient reliability.

### **6.2.7. Transmission and dissemination of sub-indices of the HICP**

The HICP Council Regulation requires a specification of the sub-indices to be produced and published along with the HICPs. Whilst the assessment of price stability under the convergence criterion primarily concerns the "all items" HICPs, the analysis of sources of inflationary pressure requires a sub-division of the HICP into component parts relating to different product groups. Commission Regulation (EC) No 2214/96 defines a set of sub-indices of the HICP with common coverage that the Member States are required to transmit to the Commission (Eurostat). The sub-indices are based on the classification COICOP/HICP<sup>22</sup>. This was a major step forward for many users as the components of national CPIs do not conform to a common classification.

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<sup>21</sup> Details about the target samples are given in paragraph 12.8.2.

<sup>22</sup> See also paragraph 6.2.1.

Each month Member States transmit the primary index series, i.e. the HICP and its sub-indices, to the Commission (Eurostat) correct to one decimal place, for example 99.5 or 102.4 taking 1996 = 100. In order to avoid excessive and conflicting rounding errors, all derived statistics are calculated from these primary series. All derived statistics are published correct to one decimal place. Annual average index numbers are the sum of the twelve monthly figures (with one decimal place) divided by twelve and rounded to one decimal place. The 12-month change in this annual average is, however, based on the unrounded averages i.e. obtained directly from the primary series. Member States also transmitted the initial sub-index weights used and will report any subsequent changes to the Commission (Eurostat). Weights for the sub-indices are sent to Eurostat to a degree of detail of at least 1 in 1000. The weights of the sub-indices of the EICP and the MUICP are disseminated to a degree of detail of at least 1 in a 1000. Since March 1997 the Commission (Eurostat) has been disseminating every month all sub-indices and their weights<sup>23</sup>.

### 6.2.8. Common reference periods

There are three types of base period used in the construction of CPIs: the period from which the expenditures for weights are obtained ("weight reference period"<sup>24</sup>); the period in which base prices are valued ("price reference period"); and the period in which the index base is set to 100 ("index reference period"). There are differences between national CPIs in all these reference periods.

For the HICP, the Council Regulation sets the index reference period as 1996 = 100. Since the HICPs are derived from national CPIs it was necessary to "re-reference" or "price-update" the HICP and its sub-indices to 1996; that is to express the movements in the HICP and its sub-indices by reference to the average level of prices in 1996, and subsequently to December 1996, December 1997, December 1998, etc. Re-referencing is simply a scaling exercise which in itself has **no effect** on the measured rate of inflation. However, it allows HICPs to be treated and presented in the same way, provides for the construction of indices for groups of Member States or the EU as a whole, and allows for country weights changing each year. The problem of aggregating CPIs with different references and re-weighting frequencies brought out the computational advantages of the Laspeyres formula<sup>25</sup>.

### 6.3. The EICP and the MUICP

The European Index of Consumer Prices (EICP) is calculated as a weighted average of the HICPs of the 15 EU Member States. The index is computed as an annual chain index allowing for country weights changing each year. The weight of a Member State is its proportion of final consumption expenditure of households in the EU total. The values of final consumption expenditure in national currencies are converted into purchasing power standards (PPS) using the purchasing power parities of final consumption. The country weights used in 1997 are national accounts data for 1995 at 1996 prices. The European

<sup>23</sup> Details are given in paragraph 6.4.

<sup>24</sup> Details are given in paragraph 12.3.2.

<sup>25</sup> See also paragraph 6.2.5.

Economic Area Index of Consumer Prices (EEAICP) is calculated in the same way, with the inclusion of Iceland and Norway<sup>26</sup>.

The task of aggregating Member States' HICPs to a European HICP is an exercise of measuring and aggregating the evolution of the inner values of all EU currencies in order to obtain a corresponding measure of EU inflation. The final consumption expenditure in monetary transactions is the appropriate weight as it is commensurate with the coverage of the HICPs. It is right for Member States to be represented by their volume of consumption valued at standard prices relative to other Member States rather than by values which depend on financial and other factors. According to current Eurostat practice national weights for CPIs and HICPs are converted using purchasing power parities (PPPs). Their use reduces the disturbing volatility of exchange rates and enables an additive and meaningful expression of each Member State's relative importance in terms of final consumption expenditure, e.g. two countries with the same volume of consumption are given equal weights.

For the participating countries of the Monetary Union the national currencies will be replaced by the Euro. It remains to be decided how to calculate the Monetary Union index of consumer prices (MUICP), and in particular how to derive each Member State's relative weight in the MUICP, when the final household consumption expenditure of the participating countries will be expressed in Euros.

#### **6.4. HICP data disseminated by the Commission (Eurostat)**

The HICPs are the result of three years' co-operation between the Commission (Eurostat) and the National Statistical Institutes on harmonizing the different methods and practices used to compile price indices. The first set of HICPs was published on 7 March 1997. Since then the Commission (Eurostat) publishes each month:

- the all-items HICPs for all EU Member States plus Iceland and Norway<sup>27</sup>,
- the European Index of Consumer Prices (EICP),
- the European Economic Area index (EEA),
- about 100 sub-indices, their corresponding weights and weighted averages (EICP and EEA), and
- the country weights.

For the HICPs and their sub-indices the following information is made available:

- the monthly index level,
- the monthly rate of change,
- the annual rate of change,
- the annual average index, and
- the annual average rate of change.

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<sup>26</sup> Liechtenstein is not included in the EEAICP since it neither calculates a national CPI nor a HICP.

<sup>27</sup> Liechtenstein and Switzerland do not calculate HICPs.

The information is updated monthly and available to all users from the Eurostat database "NEWCRONOS". The information can be obtained through Eurostat's Data Shop network.

The launch of the first set of HICPs on 7 March 1997 was well received in the media, and their monthly publication thereafter is working to the satisfaction of users. As a result of the complexity of the operation of compiling HICPs, Finland discovered a mistake in their HICP calculation just after the launch of the first set of indices. This mistake was corrected and the Finnish HICP series was revised with the publication of the February indices on 7 April 1997. The German and Austrian HICP series were also corrected for mistakes; revised figures for both Member States were disseminated with the publication of the August HICPs on 7 October 1997.

In line with Article 5 (1) (b) of the HICP Council Regulation, the HICP starts with the index for January 1997. The common index reference period is the year 1996. The rates of change for 1997 are established on the basis of the indices for 1996. The HICP concepts thus apply starting with the **index for January 1996**.

Although the indices for 1995 cannot be considered as a legal requirement, all Member States agreed to provide them<sup>28</sup>. The 1995 indices for the United Kingdom are the interim indices for 1995 adjusted for the geometric mean effect<sup>29</sup>. The indices for 1995 and the rates of change for 1996 based on 1995 **do not** fulfil the HICP standards, but they are considered to be superior to national CPIs and the interim indices<sup>30</sup> as regards comparability. They are, therefore, considered as the harmonized measure of inflation for the months in 1996 and are published by the Commission (Eurostat).

Ireland estimated monthly HICPs and monthly sub-indices for 1995 and 1996 based on their quarterly data. The monthly figures are adjusted linear interpolations of the quarterly indices making allowances for several sales effects. The estimation of these sales effects is based on seasonal patterns identified from United Kingdom data.

To calculate the rates of inflation for 1995 the Commission (Eurostat) would impute indices for the months of 1994 based on the rates of change for the interim indices in 1995. These estimates are available only for the all items index.

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<sup>28</sup> France and the United Kingdom do not provide sub-indices for 1995.

<sup>29</sup> Explanations are given in paragraphs 6.2.5. and 12.6.

<sup>30</sup> The interim indices are available from January 1994 to December 1996 for all EU Member States, Iceland, Norway, and Switzerland.



Table 1:  
Overview of HICP data available since 7 October 1997

		<b>1995</b>	<b>1996</b>	<b>1997</b>
Monthly indices	HICP	all Member States	all Member States	all Member States
	Sub-indices	not F and UK	all Member States	all Member States
		<b>[1995/1994]<sup>31</sup></b>	<b>1996/1995</b>	<b>1997/1996</b>
Monthly rates of change	HICP	all Member States	all Member States	all Member States
	Sub-indices	None	not F and UK	all Member States

## **7. DEROGATIONS FROM THE PROVISIONS OF THE HICP COUNCIL REGULATION**

Article 5 of the HICP Council Regulation allows the Commission (Eurostat), after consulting the EMI, to grant, where necessary, derogations up to one year from the timetable established through the Council Regulation. "Necessary" means that a Member State has to make significant adjustments to its statistical system in order to fulfil its obligations.

Only few Member States sought a derogation<sup>32</sup>. In most cases the issues concerned minor adjustments where satisfactory solutions could be found in accordance with the agreed implementation time table. Eventually, the Commission (Eurostat) has granted only one derogation to Denmark for firstly applying the elementary aggregates formulae in September 1997. Retrospective series are to be provided.

## **8. FURTHER STEPS TOWARDS HARMONIZATION**

Although the HICPs provide the best current statistical basis for international comparisons of consumer price inflation, and very considerable progress has been made in harmonizing methodologies, more work remains to be done to achieve even better comparability. HICPs are not and will never be "fully" harmonized consumer price indices, inasmuch as the aim is comparability and not full harmonization. The Treaty on European Union expressly allows for national differences, which will continue to exist but at a level where the requirement of comparability of the HICP is not breached. Technical regulations and agreements will shortly be proposed in the following areas:

### **8.1. Extended coverage**

Article 3 of Commission Regulation (EC) No 1749/96 defines the initial coverage<sup>33</sup> of the HICPs from January 1997. Some difficult categories such as health and educational

<sup>31</sup> Interim indices, see also paragraph 6.1.

<sup>32</sup> Denmark, Germany, France, Italy

<sup>33</sup> See also paragraph 6.2.1.

services, where there are major institutional differences between Member States, are at present not fully covered by the HICP. Since many goods and services in the area of health, housing, and education are heavily subsidised by the state, it is not always clear which prices should be included in an index of consumer prices, and the ways of treating this problem differ between Member States.

A draft Commission Regulation amends Commission Regulation (EC) 1749/96 with regard to coverage and defines a staged procedure on how to extend the coverage of the HICP. The concept "household final monetary consumption expenditure" in the draft regulation defines both the goods and services to be covered and the prices to be used, which should be taken net of reimbursements, subsidies, and discounts. The draft regulation follows the definitions laid down in the new European System of Accounts (ESA 1995) where they are appropriate for international comparisons of inflation, and defines the details by reference to COICOP/HICP<sup>34</sup>. The draft regulation provides that the coverage of goods and services shall be completed in two stages, in December 1998 and December 1999 as follows:

- (a) **Rents:** By December 1998 the treatment of subsidised rents will be harmonized.
- (b) **Services connected with the dwelling:** By December 1998 the coverage of refuse collection, sewerage services and water supply, unless they are financed out of general taxation, will be extended.
- (c) **Financial services:** By December 1999 the HICP will cover the remaining financial services, e.g. charges for tax consultancy or investment advice.
- (d) **Education:** By December 1998 the HICP will cover all educational goods and services in a harmonized way. Education will be covered on a net basis, i.e. the weights and the prices will refer to the amounts actually paid by consumers net of reimbursements by government. This applies to school books and other materials, school meals, and to educational services provided by all types of schools and universities. To solve some of the methodological details, including the treatment of income dependent prices, a special Task Force has been set up by Eurostat.
- (e) **Health:** By December 1998 the HICP will cover all health goods and services (apart from hospital services) in a harmonized way. Health will be covered on a net basis, i.e. the weights and the prices will refer to the amounts actually paid by consumers net of reimbursements by social security. The Task Force will look at the methodological details of implementation. The methodology for the inclusion of hospital services will be settled no later than December 1998. The category will be included as soon as possible thereafter.
- (f) **Insurance:** By December 1998 the HICP will cover all insurances connected with the dwelling, not only contents insurance. By December 1999 at the latest the HICP will also cover private health, civil liability, and travel insurance. The methodology will be settled by another special Task Force set up by Eurostat. If the Task Force finds an early solution, the implementation could be scheduled for an earlier date.
- (g) **Social protection services:** By December 1998 the HICP will cover the services provided by crèches, nurseries, play-schools and kindergartens in a harmonized way. They will be covered on a net basis, i.e. the weight and the prices refer to the amount actually paid by the consumer net of reimbursements by government. Other social protection services, especially retirement homes, give rise to similar implementation

<sup>34</sup> See paragraphs 6.2.1 and 6.2.7.

problems as hospital services. However, since those services are of growing importance they should be covered by the HICP. The methodology for the inclusion of, for example, retirement homes will be settled no later than December 1998. The category will be included as soon as possible thereafter.

- (h) **Exclusions:** The following will be excluded from HICP coverage: narcotics, imputed rentals of owner occupiers, other imputed rentals, games of chance, certain personal care services, life insurance and financial intermediation services indirectly measured.

Where technically feasible, retrospective series will be compiled. It is estimated that the combined weight of the above goods and services is about 6% of "household final monetary consumption expenditure"<sup>35</sup>.

There also remains the question of how to measure the impact of inflation on owner occupiers in respect of housing<sup>36</sup>. The actual prices faced by owner-occupiers for minor repairs of the dwelling and regular maintenance services are already covered in the HICP. Imputed rents or mortgage interest payments, which are used in some CPIs, are not actual price transactions and considered inappropriate for international comparisons of consumer price inflation. The question has been discussed extensively by Member States. Eurostat submitted to the SPC on 13 March 1997 a position paper asking its view on whether to exclude such a non-comparable item from the HICPs or to include it on the basis of net acquisition prices for new owner-occupied dwellings. Many Member States were sympathetic to the idea that the prices faced by owner occupiers when acquiring housing should be covered by the HICP, but felt that it was premature to proceed with an index of net acquisition of new dwellings. It was agreed that discussions on this issue should continue and that further research work should be carried out before a final decision could be taken. A special Task Force will be set up in 1998 by Eurostat.

Extension of coverage beyond the obvious core of goods and services required agreement on the definition of inflation. The scope, or coverage in principle, was taken as "household final monetary consumption expenditure". Some commentators have suggested that the indices are seriously deficient on account of the incomplete coverage (in practice) assuming, by reference to some CPIs, this to be large and therefore important. The Commission (Eurostat) has pointed out that CPIs are an inappropriate reference and the significance of omissions depends on their relative price movement rather their size which, being net of reimbursements, will be small<sup>37</sup>.

## **8.2. Minimum standards for the quality of HICP weights**

Article 8 (3) of HICP Council Regulation No 2494/95 requires that HICP weights are sufficiently up-to-date to ensure comparability whilst avoiding the cost of having Household Budget Surveys more frequently than every five years. Article 5 (3) further requires that implementing measures for maintaining the "reliability and relevance" of the HICPs be adopted. CPIs are fairly insensitive to changes in weights. Imposing the cost of high precision for all weights by frequent and comprehensive up-dating would not be

<sup>35</sup> See also paragraph 12.2.3.

<sup>36</sup> See also paragraph 10.2.

<sup>37</sup> Details are given in paragraph 12.2.3.

desirable. Nevertheless, it is necessary to give some assurance that large differences in the frequencies of up-dating do not lead to non-comparability.

A draft Commission Regulation sets minimum standards for the quality of HICP weights. The weights used can in general relate to a weight reference period up to seven years prior to the current year. However adjustments need to be made for significant changes in expenditure patterns in the intervening periods. The draft regulation thus gives a minimum guarantee of the quality of weights used to construct the HICP and minimises any disparity between HICPs arising from different up-date frequencies<sup>38</sup>.

The precise method of reviewing the weights is left to Member States to decide and to justify. The Commission (Eurostat) has suggested that it is possible to develop quality control procedures which focus on those relatively few weights which will be critical for the comparability, relevance and reliability of the HICP. A report of the review of the weights should be made available to the Commission (Eurostat). As a minimum this should show that, where changes in the prices of specific goods and services have diverged from the movement of the all items HICP, procedures have been instituted for monitoring the weights of such items in order to ensure that they are appropriate.

The Commission (Eurostat) has for a number of years been working with Member States to harmonize the design, content and frequency of Family Budget Surveys. This work has potential importance for the harmonization of CPIs since the quality and up-to-dateness of weights depend on such data sources as well as other sources such as National Accounts data.

### **8.3. Geographic and population coverage**

National CPIs differ in their choice of population coverage, e.g. some exclude persons living in institutions, others include them. A particular problem concerns the expenditure of residents whilst in a foreign country, and the expenditure of foreign visitors in the home country, and at the same time distinguishing between business and private expenditure. Article 3 of Council Regulation (EC) No 2494/95 restricts the HICPs to "goods and services available for purchase in the economic territory of the Member State", but this does not say anything about the residency status of the consumer. This question is associated with what Member States use as a primary source of HICP weights, i.e. National Accounts or a Household Budget Survey. People living in institutional households and foreign visitors are not normally covered in Household Budget Surveys. They are included in principle in the National Accounts, but the accurate derivation of corresponding HICP weights may be difficult.

The HICPs launched in March 1997 cover all households, regardless of income, resident in any part of the economic territory (rural and urban). Hence, some Member States needed to adjust their HICP weights to reflect households not covered by their national CPI, for example Greece, Portugal and the United Kingdom. However, the treatment of the expenditure of non-residents, visitors on business trips and institutional households for the HICP is the same as that for the national CPI<sup>39</sup>.

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<sup>38</sup> See paragraphs 12.3. and 12.4. for more details

<sup>39</sup> Except for Austria, where the national CPI refers to the expenditure by residents on the domestic territory, whereas the HICP also includes the expenditure by foreign visitors ("domestic concept").

A draft Commission Regulation provides a harmonized definition of the geographic and population coverage of the HICP. It specifies that the coverage, for the calculation of the HICP weights, should include all "household final monetary consumption expenditure"<sup>40</sup> which takes place on the economic territory of that Member State<sup>41</sup>. In particular, the coverage should include expenditure by foreign visitors and exclude the expenditure by residents whilst in a foreign country, i.e. the HICP should follow the "domestic concept". The coverage should refer to the expenditure of all private households irrespective of the area in which they live, and also to individuals living in institutions. Coverage should be households independent of the household income level. Expenditure incurred for business purposes should be excluded.

#### **8.4. Comprehensive Definition of HICPs**

In order to provide a complete and formal overview of HICP construction, the Commission (Eurostat) will revise and extend the implementation agreement approved by the SPC in January 1997. The document will tackle a number of issues concerning the construction of HICPs especially those areas for which legislation was considered premature or inappropriate. Examples are discounts, data editing, timing of data collection and seasonal adjustment. In order to speed up the completion of the methodological frame for the HICPs, "guidelines" will be formulated so as to cover the variety of existing concepts, methods or practices which are considered to give comparable results. The aim is to provide a complete description of the essentials of the HICP in 1998.

So far a legislative framework has been produced for those aspects of HICP construction which have the greatest potential for introducing non-comparability in results. Hence, essential parts of the indices have been defined, but several other aspects of HICP construction have been left open which can affect the resultant indices. Differences in these are not, on the evidence available at this time, expected to lead to significant non-comparability. This lack of full definition has the advantage of allowing Member States to follow the variety of practices adopted for their CPIs but the disadvantages that the practices followed are not documented and not known either to other Member States, to Eurostat or to users. Further they may be changed without reference to any authority outside the National Statistical Institute. In order to complete the framework within which the HICPs are defined and legitimised it is necessary to have a description of what is currently done by Member States. The aim is **not to evaluate** but to give a detailed description of current practices.

### **9. ENLARGEMENT OF THE EU**

The decision has yet to be taken concerning the applications for membership<sup>42</sup> of the European Union, having regard to the candidates' ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union. The statistical information, which is relevant for the purposes of membership, is supplied by Eurostat.

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<sup>40</sup> See also paragraph 8.1.

<sup>41</sup> The combined weight of these extensions is given in paragraph 12.2.3.

<sup>42</sup> The candidate countries are: Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, and Slovenia

During the pre-accession stage the Candidate Countries are required to implement the "acquis communautaire"<sup>43</sup>, which comprises the implementation of Harmonized Indices of Consumer Prices (HICPs). In 1996 the first meeting was held with the Candidate Countries in order to involve them as fully as possible in the harmonization project. At the end of 1996 Eurostat sent out a questionnaire to all Candidate Countries on the legislative framework establishing HICPs in the Member States. The aim was to identify gaps and shortcomings in complying with the HICP requirements, needs for technical assistance, available resources, potential costs, as well as the timetable for the implementation of HICPs. The information will serve as a basis for discussion for future meetings and for establishing a detailed programme of work.

First evaluations of the questionnaire focused on the Candidate Countries' ability to provide an index covering all goods and services as required under Article 3 of Commission Regulation (EC) No 1749/96 defining the initial coverage of the HICP<sup>44</sup>. The following table summarises the result:

Table 2:  
Assessment of compliance with HICP requirements in the Candidate Countries:  
Initial coverage

	<b>Candidate Countries' timetable for implementing the requirements of initial coverage of the HICP:</b>	<b>Eurostat's judgement of compliance with respect to initial coverage:</b>
<b>BUL</b>		currently not possible
<b>CYP</b>	from <b>Jan-1998</b> : compilation of HICPs; (data available in spring 1998)	likely in 1998
<b>CZE</b>	<b>1998</b> : re-classification according to COICOP/HICP; <b>1999</b> : revision of CPI basket; from beginning of <b>2000</b> : compilation of HICPs	likely in 2000
<b>EST</b>	from <b>1998</b> : allocation of representative items for those HICP sub-indices which are not yet covered by the national CPI	possible in 2000
<b>HUN</b>	<b>1997</b> : implementation of fixed basket concept; <b>1997 - 1998</b> : implementation of COICOP/HICP	possible in 2000
<b>LTU</b>	<b>2 years</b> are needed to implement the HICP requirements	currently not possible
<b>LVA</b>		possible in 2000
<b>POL</b>	<b>1997</b> : implementation of COICOP in the Household Budget Survey; <b>Jan-1998</b> : implementation of COICOP/HICP and development of software for the computation of the HICP; <b>Mar-1998</b> : implementing COICOP-based weighting system; from <b>1999</b> : compilation of HICPs	likely in 1999
<b>ROM</b>	not before <b>1998</b>	no plans to revise national CPI before 2000
<b>SVK</b>		currently not possible
<b>SVN</b>	<b>Dec-1998</b> : coverage of all goods and services as defined by the initial coverage regulation and implementation of COICOP/HICP; from <b>1999</b> : compilation of HICPs and all sub-indices	likely in 1999

<sup>43</sup> The legal framework that applies to the Member States of the European Union

<sup>44</sup> See also paragraph 6.2.1.

## **10. THE HICP - A COMPARABLE MEASURE OF CONSUMER PRICE INFLATION**

### **10.1. Improved comparability**

The HICPs are based on harmonized concepts, methods and practices which make them better suited for comparing inflation between Member States than the national CPIs. As a result of the harmonization project also some national CPIs improved in various aspects in quality for measuring inflation.

Within the frame of the HICP Council Regulation, the Commission (Eurostat) has set in place a series of specific measures in the form of Commission Regulations introducing a common classification (COICOP/HICP), a common HICP coverage, and a series of minimum standards such as<sup>45</sup>:

- Incorporating newly significant goods and services (e.g. mobile phones);
- Making appropriate allowance for quality change in the things consumers buy (quality adjustment);
- Ensuring that samples of prices are properly representative;
- Using comparable formulae for measuring price changes.

The Boskin report and the BLS<sup>46</sup> response to it, gives support to the achievements of the harmonization process. The issues raised by Boskin were those on which the harmonization had already focused; most notably quality adjustment, the basic formula and keeping up with market developments (new goods and weights).

Removing the different approaches to owner occupiers, health and education for the first phase of HICPs was a major step towards more comparable indices. The approach of minimum standards had a considerable immediate effect on comparability through banning inappropriate practices and removing to a good extent the biases resulting from them, such as new goods, quality, missing prices and aggregation bias as well as formula, substitution and outlet bias. Reducing further remaining biases and errors is considered as a medium term task that started with the first sets of compiled HICP data. However, the HICPs will always be subject to a certain margin of statistical error and unknown biases.

If it were possible to quantify the bias in a CPI, there would be no bias because the CPI would be corrected accordingly. Until alternative unbiased measures can be defined and constructed the size of **any** bias is a matter of speculation. There is wide agreement that the main source of bias in CPIs arises from the treatment of quality changes, but the amount of bias is unknown. National CPIs can, however, be used to investigate alternative approaches to the problem of constructing price indices.

The rules and minimum standards laid down in the regulations and guidelines not only assure the comparability, precision and reliability of HICPs but they result in quality improvements in measuring inflation. National CPIs also benefit to the extent that they may adopt these minimum standards. For example Ireland has produced since January 1997 a monthly CPI instead of the quarterly CPI produced previously. Luxembourg is the first

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<sup>45</sup> More details are given in paragraphs 6.2. and 12.

<sup>46</sup> The Bureau of Labor Statistics is responsible for calculating the US CPI

Member State that has replaced its national CPI with the HICP, and Greece has launched a new national CPI that is mainly based on the HICP standards.

With the proposed link to the new European System of Accounts (ESA 1995) through the introduction of the concept of "household final monetary consumption expenditure"<sup>47</sup>, the HICPs provide a clear and unambiguous concept for defining coverage and constructing weights and also improve the compatibility with National Accounts.

## **10.2. Comparability and coverage**

The comparability of the HICPs is the result of the implementation of a number of measures explained in detail in paragraph 6.2., however, the focus of this section is the coverage of the HICP. Following the launch of the HICP, the Commission (Eurostat) and statisticians in the Member States have been criticised for not having been able to extend the coverage of the HICPs with regard to owner-occupied housing, education and health<sup>48</sup>.

The actual prices faced by **owner-occupiers** for minor repairs and the regular maintenance of the dwelling are already covered by the HICP. However, imputed rents or mortgage interest payments, which are used in some CPIs to measure "inflation" faced by owner occupiers in respect of housing, are considered inappropriate for international comparisons of consumer price inflation since these are not actual monetary transactions. Imputed rents are the opportunity costs to owner occupiers of living in their houses rather than a reflection of actual prices faced by them as consumers. These and any other opportunity costs are not regarded as part of inflation. Mortgage interest is simply the cost of credit, and credit payments are not normally included in CPIs. The SPC discussed the treatment of owner occupied housing in the HICP on 13 March 1997. Many Member States were sympathetic to the idea that the prices faced by owner occupiers when acquiring housing should be covered by the HICP, but felt that it was premature to proceed with an index of net acquisition of new dwellings. It was agreed that discussions on this issue should continue and that further research work should be carried out before a final decision could be taken. A special Task Force will be set up in 1998 by Eurostat.

The effect of excluding most parts of **health and educational services** from the HICP depends on how these services are eventually measured; in particular, the way in which reimbursements are dealt with. Not all health and educational services are covered in all CPIs. Where they are included not always allowances are made for the fact that consumers are often reimbursed. Some solutions have been found to the extent that almost complete coverage of health and education will be achieved in two stages, in December 1998 and December 1999. The inclusion of some items in after 1998 reflects either the fact that no Member State has technical solutions for their treatment (e.g. hospital services: what are the prices faced by consumers?) or that the methods and practices must be refined before comparability can be assured.

Assuming that 6% of full coverage, as defined in terms of "household final monetary consumption expenditure", is missing, this matters only to the extent that inflation in the exclusions differs significantly from inflation in general. If, for example, the rate of inflation given by the HICP is 2.0%, inflation in the non covered items would have to be

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<sup>47</sup> See also paragraph 8.1.

<sup>48</sup> See also paragraph 8.1.



twice as high in order to change the measured rate to 2.1%. If the sub-index for the non-covered items evolves at a similar rate as the all-items index then it does not affect the rate of inflation measured by the HICP. Although non-coverage is a drawback of the HICP it needs to be evaluated in the context of the other major achievements of the harmonization process.

### **10.3. Differences between CPIs and HICPs**

HICPs numerically diverge from national CPI as a result of differences in concepts, methods and practices. Since national CPIs and HICPs serve different purposes, it can be misleading to compare both indices directly<sup>49</sup>. The numerical differences can be positive or negative, however, it is not the intention of this report to explain or comment on numerical differences, which was already done by the Commission in its Convergence Report of 1996<sup>50</sup>. The focus of this paper is the comparability of the HICPs and the Member States' compliance with the regulatory framework. The HICPs constitute the **only** comparable basis for assessing inflation convergence among Member States and inflation convergence will be assessed during the critical period before the start of Stage III of Economic and Monetary Union, as required by the Treaty, on the basis of these comparable HICPs. Nevertheless, since Article 109 (j) TEU allows for taking into account "other price indices", national CPIs may, among others, be taken into consideration.

## **11. REACTIONS FROM USERS, MEDIA, AND MEMBER STATES**

### **11.1. Opinion of the European Monetary Institute (EMI)**

The EMI has stated the following:

"As a key user and as forerunner of the European Central Bank (ECB), the EMI has been closely involved in the preparatory work for the HICPs through the consultation procedures laid down in Article 5.3 of the Council Regulation on HICPs and through the participation of EMI technical experts in Eurostat's Working Party.

Against the background of the differing objectives, concepts and methods underlying the national CPIs, the EMI regards the harmonization efforts as essential for the assessment of convergence in accordance with the Treaty on European Union. HICPs will form the basis for the assessment of price stability convergence in the Convergence Report of the EMI in early 1998. In the short and medium term the focus is therefore on the comparison of HICPs of individual Member States. However, from the start of Stage Three of Monetary Union, while retaining this role for Member States not participating in the single currency area, the HICPs will be a central indicator for the single monetary policy and this implies the use of the index for the Monetary Union area as a whole (MUICP). The measures which have been introduced for the purpose of assessing convergence will form a good statistical basis for the MUICP. At the same time, the use of the MUICP for monetary policy purposes may increase the importance of considerations such as the timeliness of data, since the data are likely to be an important ingredient in policy analysis each month.

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<sup>49</sup> See also paragraph 4.

<sup>50</sup> "Report on convergence in the European Union in 1996" - COM(96)560 final, published in European Economy, supplement A, No 1 - January 1997

The harmonization so far achieved appears in general satisfactory. The common coverage and classification as well as the detailed publication of sub-indices is an important improvement for analytical purposes. A comparable basic formula has been established and first measures introduced to improve the comparability of methodological issues (approaches concerning quality adjustment and sampling). The EMI has supported the approach to establish minimum standards now and to introduce more comparable and reliable methods in the medium term. Many of the issues discussed concern the measurement of inflation and the reliability of consumer price statistics in general and work in this field is therefore particularly welcome from a monetary policy point of view. However, this positive assessment on the progress achieved does not imply that differences in methods have been completely eliminated. Moreover, the extension of coverage to those parts of consumers' expenditure which are not covered by the initial HICPs is a particular concern of the EMI.

In sum, the EMI sees the plans for further development of the HICP as a necessary prerequisite for their use in monetary policy, without prejudicing their usefulness for the assessment of convergence."

#### **11.2. Opinion of the Directorate General for Economic and Financial Affairs of the European Commission (DGII)**

DGII has stated the following:

"As a key user, DG II, the Directorate General for Economic and Financial Affairs, has persistently insisted on a timely availability of comparable and reliable data for the assessment of inflation convergence. DG II therefore welcomes that the timetable for the launch of the HICPs, as it is laid down in the Council Regulation (EC) No 2494/95 concerning harmonized indices of consumer prices, has been met. This has allowed the Commission to use the HICPs in its recent official documents, and more particularly in the Progress Report on the implementation of the 1996 Broad Economic Policy Guidelines and in the Commission's Recommendation for the 1997 Broad Guidelines of the Economic Policies of the Member States and the Community. The "operational" use of the HICPs one year before the preparation of the Convergence Report of 1998 is very important, as it leaves time to policy makers and economic agents to familiarise with this new index.

The launch of the HICPs must also be considered as a major achievement, since quality has not been sacrificed to timeliness. The HICPs, in their current shape, show a high degree of comparability across Member States, not only in terms of coverage, but also in quality terms. National Statistical Institutes (NSIs) have agreed on minimum standards and on good practices regarding some key methodological aspects, like lower level formula or weight updating. The fact that the improvement in comparability and in quality have gone hand in hand is much appreciated by the users.

However, DG II was thwarted in the execution of its tasks by the unavailability of historical series for some Member States' HICPs, in contradiction either with the legal requirements induced by the relevant Regulations or with the agreement with Eurostat. Although these problems have been solved since then, DG II wants to express its hopes that similar deficiencies will not occur again on the occasion of the release of amended HICP series (for instance when the coverage will be extended). Likewise, some HICP series have been subject to significant revisions in the months following the launch of the

HICPs. Although DG II is well aware that some revisions are unavoidable, NSIs should ensure to do what is necessary to minimise the magnitude of potential revisions.

Regarding future progress, DG II encourages the work initiated by the Working Party in order to extend the coverage of the HICPs and to improve the statistical accuracy of both the CPIs and the HICPs. Finally, DG II reiterates its attachment to a continued respect of the timeliness of the HICPs, as the latter is crucial for users' efficient monitoring of the inflation in the forthcoming EMU, and in the European Union as a whole."

### **11.3. Summary opinion of Member States**

The launch of the HICP was successful in all Member States. The main users, i.e. the Central Banks, ministries of finance, ministries of economics, financial institutions and research institutes, have shown great interest in the HICP. Since, in most Member States the main users have been kept fully informed about the progress of the harmonization project and its achievements, it was not difficult to explain to them the differences in methodology and concept between the national CPI and the HICP. In addition, some Member States held seminars on the HICP for their main users.

In contrast, the interest of the general public in this new measure of inflation was moderate. However, Member States consider that the situation might change in 1998 when the decision will be taken on the participating countries of the Economic and Monetary Union.

Some Member States have chosen to keep the HICP and the national CPI as similar as possible by implementing methodological improvements of the HICP also in the CPI, and by introducing goods and services which were added for the compilation of the HICP also in the CPI. Other Member States try to keep the HICP and the national CPI as distinct as possible to emphasise that they serve different purposes.

Luxembourg was the first country which replaced the national CPI by the HICP. The use of the HICP as a measure of inflation was never questioned. However, there were long discussions on whether the HICP should be used as the national CPI, and therefore for wage indexation.

In all other Member States there have so far been no particular difficulties in introducing an additional price index, since it was stressed that the HICP was primarily for international comparisons of inflation, and that the national CPI remained the best indicator for national purposes. In Greece, Ireland, Italy and Austria the launch of the HICP coincided with the launch of the updated national CPI. Ireland successfully moved from a quarterly to a monthly cycle for compiling the national CPI. Greece reported that the publication of the HICP strengthened confidence in the revised national CPI. However, there were discussions in Greece as to whether the HICPs instead of the CPIs should be used as deflators for many economic and monetary variables, which might lead to revised figures concerning various international comparisons.

## **12. COMPLIANCE AND QUALITY CONTROL**

Article 12 of the HICP Council Regulation establishes indirectly an obligation to monitor compliance, by empowering the Commission (Eurostat) to request information from Member States that is necessary to evaluate:

- (a) the compliance with comparability requirements and
- (b) the quality of the HICPs.

Furthermore, all specific measures laid down in Commission Regulation require Member States to provide information sufficient to monitor and control quality. The general approach in the Commission Regulations is to specify the outputs, leaving it to Member States to decide how to achieve them<sup>51</sup>. This approach implies the need for an effective compliance monitoring system, in order to assure that Member States are in practice fulfilling the letter and the spirit of the various regulations and guidelines. The Commission may, however, require more information than Member States would require themselves in order to ensure that the indices are reliable.

The following paragraphs 12.1 to 12.8. of this report summarise the results of a first round of compliance monitoring, whilst discussions are proceeding on how best to provide a system of independent statistical checks so as to assure a high quality of the HICPs, and to set in place a monitoring system in line with the practice existing in many Member States. The Commission (Eurostat) is also considering whether further mechanisms are required to ensure the quality and integrity of this important new economic indicator, one option being to establish an independent advisory body.

The compilation of HICPs is to a large extent based on the national CPIs. For those aspects of the index construction which have the greatest potential for introducing non-comparability the HICPs are based on harmonized concepts, methods and practices, which make the HICPs the best measures for comparing inflation between Member States. The aim of this section is to assess the improvements in comparability that have been delivered with the introduction of the HICPs. Paragraphs 12.2. to 12.8. describe the improvements as required by the existing legislative framework of the HICP, whereas paragraph 12.1. outlines improvements beyond the minimum required by the regulations.

### **12.1. Specific changes made by Member States**

The harmonization project and the compilation of the HICP required considerable resources in terms of personnel and computing equipment<sup>52</sup>. Several Member States increased the number of professional and other staff, and/or enhanced their computer system to compile the HICP from January 1995, as for example Ireland, Luxembourg, Sweden and the United Kingdom. Austria introduced in the price collecting offices at the beginning of 1997 special software for the data collection and transmission.

In order to provide time series of HICPs which are as comparable as possible, Member States calculated retrospective data for the HICP. All Member States provided monthly HICPs starting with the index for January 1995, and all but France and the United

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<sup>51</sup> See also paragraph 5.

<sup>52</sup> See also paragraph 2.

Kingdom compiled the HICP sub-indices from January 1995<sup>53</sup> using the classification COICOP/HICP<sup>54</sup>. However, Ireland and the United Kingdom provided the retrospective data only from the publication of the August figures on 7 October 1997. The provision of retrospective data required, in some Member States, the estimation of historic prices and weights for a number of items which were not covered by the national CPI. Furthermore, Greece, Luxembourg, Austria, Finland, and the United Kingdom introduced the geometric mean formula for the calculation of elementary aggregates for the indices prior to January 1997<sup>55</sup>. Several Member States introduced or planned to introduce the COICOP classification for their national CPI which will be welcomed by many users as the components of national CPI do not conform to a common classification.

Greece, Austria, Portugal, and the United Kingdom adjusted their geographic and population coverage in time for the launch of the HICP, thereby partly anticipating a draft Commission Regulation providing a harmonized definition of the geographic and population coverage of the HICP<sup>56</sup>. Since Greece includes rural areas, Portugal covers the Azores and Madeira, and the United Kingdom covers the top 4% of earners and also pensioners mainly dependent on state benefits, the HICPs launched in March 1997 refer to all households, regardless of income, resident in any part of the economic territory (rural and urban). Austria moved to the "domestic concept" for the HICP by including the expenditure by foreign visitors in Austria.

Several Member States took account of new goods and services such as mobile phones when constructing their HICP. Belgium, Denmark, Italy, Luxembourg, and Austria introduced new weights, earlier than previously planned, in time for the launch of the HICP. The Netherlands decided to move over to an annual updating of the weights used for compiling their HICP and the national CPI starting from December 1997. The inclusion of new goods and services and the use of more up-to-date weighting information should produce more reliable and relevant indices<sup>57</sup>.

In Germany where the data collection and quality control is managed to a large extent by the regional offices (Statistische Landesämter), a system has been introduced which allows the Federal Statistical Office (Statistisches Bundesamt) to receive microdata from the regional offices in order to compile the statistical information required by Eurostat to demonstrate the quality of the HICP under compliance monitoring.

## **12.2. Coverage**

### **12.2.1. Interim indices launched 29 February 1996**

During 1996 the Commission (Eurostat) published each month the interim indices. They were used by the Commission (DGII) and the European Monetary Institute in their first convergence reports to the Council in 1996. Interim indices are available for the time period January 1994 to December 1996 for all EEA countries and Switzerland. As required

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<sup>53</sup> See also Table to 6.4.

<sup>54</sup> See also paragraphs 6.2.1. and 6.2.7.

<sup>55</sup> See also paragraph 12.6.

<sup>56</sup> See also paragraph 8.3.

<sup>57</sup> Details are given in paragraphs 12.3. and 12.5.

by the Council Regulation they were replaced<sup>58</sup> by the HICPs starting with the index for January 1997.

The interim indices<sup>59</sup> provided a better basis of comparison of consumer price inflation than the national CPIs because they were adjusted to make the coverage of goods and services as similar as possible. Certain categories of expenditure were excluded, others which are not covered by some national CPIs were included for all Member States. The combined weight of these inclusions and exclusions was about 16% of total consumer spending. The exact amounts varied from country to country, details for the EU Member States are given in Tables 4 and 5 below. Apart from those differences in the coverage of goods and services, the interim indices were constructed by exactly the same methods as used by the national CPIs from which they were derived.

Table 3 highlights the difference in the coverage of goods and services between the interim indices and the national CPIs. The table is taken from Eurostat's press release No 15/96 of 29 February 1996 for the launch of the interim indices, corrected regarding the estimates for the United Kingdom. It indicates that the interim indices covered about 84% of the goods and services included in the national CPIs, with a maximum of 92% identity in coverage in Greece and a minimum of 75% in the Netherlands. The main differences in item coverage results from the treatment of owner occupiers in respect of housing<sup>60</sup>. The variance in the weights for health and education, which accounts for 11% of the French CPI and less than 1% in the United Kingdom's, reflects not only major institutional differences between countries in the ways in which consumers pay for such services, but also differences in the ways these items are treated in the CPI.

Table 3:  
Expenditure excluded from national CPIs when computing the interim indices  
- approximate weights per 1000 (January 1996<sup>61</sup>) -

	<b>B</b>	<b>DK</b>	<b>D</b>	<b>EL</b>	<b>E</b>	<b>F</b>	<b>IRL</b>	<b>I</b>	<b>L</b>
Interim Index	822	821	826	916	913	875	846	900	883
+ Owner occupied housing	40	126	92	-	17	-	40	-	-
+ Health and Education	56	36	45	76	44	112	43	78	85
+/- Others	82	17	37	8	26	13	71	22	32
<b>= national CPI</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>

	<b>NL</b>	<b>A</b>	<b>P</b>	<b>FIN</b>	<b>S</b>	<b>UK</b>	<b>IS</b>	<b>N</b>
Interim Index	749	871	876	774	793	796	750	803
+ Owner occupied housing	118	9	61	100	160	120	108	115
+ Health and Education	12	46	39	41	25	9	43	31
+/- Others	121	74	24	85	22	75	99	51
<b>= national CPI</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>

<sup>58</sup> With the exception of Switzerland which produced an interim index but does not compile a HICP

<sup>59</sup> See paragraph 6.1.

<sup>60</sup> See also paragraphs 8.1. and 10.2.

<sup>61</sup> The reference expenditure is the total expenditure covered by the national CPI of each Member State which is set as a weight of 1000. The weights given for the interim index and the included or excluded categories are those used for the compilation of the index in January 1996

The following Tables 4 and 5, which are also taken from Eurostat's press release No 15/96 of 29 February 1996, give details of the categories which have been excluded from national CPIs and these where additions have been made. They include only information for the EU Member States.

Table 4:

Categories which have been added to national CPIs when computing the interim indices

	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK
Alcoholic beverages									in						
Tobacco								in	in						
Services for the routine maintenance and repair of dwellings				in											

Table 5:

Categories which have been excluded from national CPIs when computing the interim indices

	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK
Imputed rents of owner occupiers		out	out							out		out		out	
Mortgage interest payments	out						out						out	out	out
Refuse disposal and sanitation services (payment as tax regardless of consumption)				out						out					out
Insurance in respect of the dwelling	out		out		out		out				out	out	out	out	out
Water supply (payment as tax regardless of consumption)				out											out
Health	out	out	out	out	out	out	out	out	out	out	out	out	out	out	out
Package holidays and expenditure abroad	out		out		out	out	out		out	out	out	out	out	out	out
Travel insurance			out							out		out	out		out
Taxes related to the use of a car, road taxes and tolls	out		out	out	out	out	out		out	out	out	out	out		out
Car insurance	out		out	out	out		out	out	out	out	out	out	out	out	out
Drivers licence fee			out				out		out	out	out	out	out	out	
Education	out	out	out	out	out	out	out	out	out	out	out	out	out		out
Social services	out										out	out			
Financial services n.e.c.	out	out	out		out	out		out		out		out	out	out	out
Other services n.e.c.	out	out	out		out		out	out	out	out	out	out	out	out	out

### 12.2.2. HICPs launched 7 March 1997

As required by the Council Regulation, on 7 March 1997 the Commission (Eurostat) launched the first set of HICPs for all EU Member States, Iceland and Norway<sup>62</sup>. They replaced the interim indices as the best measure for comparing consumer price inflation between Member States, and are used in the convergence reports of the EMI and the Commission to the Council. The HICP is a new and different index for measuring inflation and not just an "extended interim index". In contrast to the interim indices, which were entirely based on the national CPIs and only adjusted to make the coverage of goods and

<sup>62</sup> See paragraph 6.2.; details about the available data are given in paragraph 6.4.

services as comparable as possible, the HICPs are also (and in particular) harmonized with respect to certain methodological aspects of the index construction.

The additions to coverage as compared with the interim indices include in particular insurances for cars and dwellings, package holidays, banking services, several administrative fees and charges, educational goods and services such as evening classes, and health goods which are obtainable without prescription<sup>63</sup>. The combined weight of these additions accounts for about 5% of total consumer spending on average across Member States, with a minimum of about 2% in Portugal and a maximum of about 7% in Iceland. Details are given in Table 6. It shows consumers' expenditure on the main categories of goods and services which were introduced ("added to the interim indices") for the construction of the HICPs, and thus reflects the weight of these sub-indices in each Member State's HICP.

**Table 6:**  
Sub-indices introduced for the compilation of the HICPs  
- approximate weights per 1000 (Annual 1996<sup>64</sup>) -

	<b>B</b>	<b>DK</b>	<b>D</b>	<b>EL</b>	<b>E</b>	<b>F</b>	<b>IRL</b>	<b>I</b>	<b>L</b>
Health products - paid by the consumer and not reimbursed	8,7	7,4	8,5	11,9	8,4	4,8	6,0	16,0	2,8
Package holidays	31,4	12,6	16,7	2,6	7,8	1,4	30,6	0,0	50,0
Education - commonly paid by consumers in Member States	:	3,3	4,6	13,7	1,2	3,7	6,0	8,6	3,4
Insurance	8,7	3,5	5,7	11,6	4,0	11,7	2,5	1,8	5,5
Banking services n.e.c.	3,5	20,4	2,0	:	0,1	7,0	1,1	3,2	0,3
Other services n.e.c.	11,0	13,7	5,3	18,1	8,1	10,5	3,4	9,5	7,0
<b>Sum of additions:</b>	<b>63,3</b>	<b>60,9</b>	<b>42,8</b>	<b>57,9</b>	<b>29,6</b>	<b>39,1</b>	<b>49,6</b>	<b>39,1</b>	<b>69,0</b>

	<b>NL</b>	<b>A</b>	<b>P</b>	<b>FIN</b>	<b>S</b>	<b>UK</b>	<b>IS</b>	<b>N</b>
Health products - paid by the consumer and not reimbursed	7,6	4,1	5,6	11,2	12,1	7,0	9,2	7,1
Package holidays	16,4	16,8	3,2	22,0	9,5	30,0	24,5	20,2
Education - commonly paid by consumers in Member States	3,0	3,9	0,8	1,3	1,7	11,0	0,0	1,8
Insurance	9,8	7,0	5,3	3,7	7,3	6,0	6,6	5,3
Banking services n.e.c.	0,3	2,1	0,2	0,9	1,5	2,0	13,8	:
Other services n.e.c.	9,0	1,0	0,3	2,2	3,1	5,0	16,4	:
<b>Sum of additions:</b>	<b>46,1</b>	<b>34,9</b>	<b>15,4</b>	<b>41,3</b>	<b>35,2</b>	<b>61,0</b>	<b>70,5</b>	<b>34,4</b>

<sup>63</sup> See also paragraph 6.2.1.

<sup>64</sup> The reference expenditure is the total expenditure covered by the HICP which is set as a weight of 1000. The HICPs for the Member States are derived from the national CPIs using different weight, price and index reference periods and different frequencies of updating weights. In order to make the weights comparable between Member States and for the aggregation to the EICP they were re-referenced to 1996 (average level of prices for the year)



### 12.2.3. HICP versus CPI coverage

The aim of the HICP is to measure inflation faced by consumers. The concept "household final monetary consumption expenditure" defines both the goods and services to be covered by the HICP and the price concept to be used: prices net of reimbursements, subsidies, and discounts. The concept is laid down in a draft Commission Regulation amending Commission Regulation (EC) 1749/96 with regard to coverage<sup>65</sup>.

"Household final monetary consumption expenditure" refers only to monetary transactions and, therefore, neither includes income in kind, as for example agricultural products grown for own consumption, nor services of owner occupied dwellings. In particular, the expenditure faced by owner occupiers when acquiring housing expressed as imputed rents or mortgage interest payments are not regarded as part of the inflationary process and hence excluded from the HICPs. Consideration is being given to the inclusion of the net acquisition prices of new dwellings. However, until a satisfactory solution for the services of owner occupied dwellings can be found, such expenditure is by definition excluded from "household final monetary consumption expenditure".

Table 7 gives rough estimates for what is already covered by the HICP as of January 1997, what remains to be added in 1998 and 1999, and what is out of the scope of the HICP and hence not considered as relevant for internationally comparable measures of inflation, though covered by some national CPIs. The HICPs of the Member States currently cover more than 90% of "household final monetary consumption expenditure". The remaining 10% will be added by December 1999, at the latest.

About 6% refer to goods and services which are not yet covered by the HICP because either no Member State has technical solutions for their treatment or the methods and practices must be refined before comparability can be assured. Complete **item coverage** (as far as it is possible) will be achieved in two stages, in December 1998 and December 1999. The main extensions of coverage concern health, education, social protection services such as retirement homes, and insurances<sup>66</sup>.

Up to about 4% would be added to the coverage of some of the HICPs because of adjustments to the **geographic and population coverage**, which is defined in a draft Commission Regulation amending Commission Regulation (EC) 1749/96 with regard to the geographic and population coverage<sup>67</sup>. The HICP refers to "household final monetary consumption expenditure" which takes place on the economic territory of a Member State. In particular, all Member States, except for Denmark and Italy who already include such expenditure, need to cover the expenditure of persons living in institutions. Belgium, Greece, Spain, Ireland, Luxembourg, the Netherlands, Portugal, Finland, the United Kingdom, Iceland, and Norway need to include the expenditure by foreign visitors and exclude expenditure of residents whilst in a foreign country. Other Member States are already using this "domestic concept". The additional weight of about 20% for Luxembourg reflects the importance of cross-border shopping. The negative weight for Norway indicates that residents spend more abroad than foreign visitors in Norway. Belgium and Spain cannot at present provide estimates for the additions to population coverage.

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<sup>65</sup> See paragraph 8.1.

<sup>66</sup> Details are given in paragraph 8.1.

<sup>67</sup> See paragraph 8.3.

The two final rows in Table 7 illustrate the difference between "household final monetary consumption expenditure" and the national CPIs. The weights differ widely between Member States; some explanations are given in the footnotes. The figures are rough estimates which may change if Member States decide to take account of the additions to the HICP also in their national CPI. No single CPI or set of CPIs should be taken as a model for what HICPs should cover.

Note: HFMCE = Household final monetary consumption expenditure; for Luxembourg the HICP and CPI are identical.

**Table 7: HFMCE covered by the HICP compared to national CPI coverage**  
- approximate weights per 1000 (Annual 1996 <sup>a</sup>)

	<b>B</b>	<b>DK</b>	<b>D</b>	<b>EL</b>	<b>E</b>	<b>F</b>	<b>IRL</b>	<b>I</b>	<b>L</b>
<b>HICP initial coverage as of Jan-97</b>	952	903	953	875	954	847		973	725
Additions to items coverage in Dec-98 and Dec-99	48	31	45	56	46	153		27	80
Additions to population coverage by latest Dec-98	no estimate	66	2	69	no estimate	0		0	195
<b>HICP final coverage as of Dec-99 = HFMCE</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>
Expenditure covered by:									
a) HFMCE but excluded from CPI	0	82 <sup>b</sup>	2	69	0	87 <sup>c</sup>		0	---
b) CPI but excluded from HFMCE	11 <sup>d</sup>	114 <sup>e</sup>	114 <sup>f</sup>	0	5	0		48 <sup>g</sup>	---

	<b>NL</b>	<b>A</b>	<b>P</b>	<b>FIN</b>	<b>S</b>	<b>UK</b>	<b>IS</b>	<b>N</b>
<b>HICP initial coverage as of Jan-97</b>	886	960	943	930	896	917	908	937
Additions to items coverage in Dec-98 and Dec-99	70	40	49	40	96		42	68
Additions to population coverage by latest Dec-98	44	0	8	30	8	83	50	-5
<b>HICP final coverage as of Dec-99 = HFMCE</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>
Expenditure covered by:								
a) HFMCE but excluded from CPI	84	132 <sup>h</sup>	0	0	0	124 <sup>i</sup>	0	25 <sup>j</sup>
b) CPI but excluded from HFMCE	173 <sup>k</sup>	83 <sup>l</sup>	77 <sup>m</sup>	0	165 <sup>n</sup>	96 <sup>o</sup>	92 <sup>p</sup>	100 <sup>q</sup>

<sup>a</sup> The reference expenditure is household final monetary consumption expenditure which should be covered by the HICP from December 1999. This is set as a weight of 1000. The weights are rough estimates which refer to the average price level of the year 1996

<sup>b</sup> Package holidays, fees for driving licence, arms permission, hunting licence and passport

<sup>c</sup> Domestic services, legal services, insurance, used cars, administrative fees

<sup>d</sup> Car tax and tax to put a vehicle into traffic for the first time ("BIV/TMC")

<sup>e</sup> Imputed rents

<sup>f</sup> Imputed rents, car tax

<sup>g</sup> Health provided by social security, games of chance

<sup>h</sup> Expenditure by foreign visitors in Austria

<sup>i</sup> The HICP covers the whole population while the CPI excludes the top 4% of earners and pensioners mainly dependent on state benefits

<sup>j</sup> Financial services

<sup>k</sup> Imputed rents, taxes for local services

<sup>l</sup> Games of chance, car tax

<sup>m</sup> Imputed rents

### 12.3. Weighting

#### 12.3.1. Quality of weights

No specific measures relating to weights were required of Member States for the launch of the HICP. However, Belgium, Denmark, Italy, Luxembourg, and Austria have updated their weights earlier than planned in time for the launch of the HICP, thus anticipating requirements for minimum standards for reliability and relevance as laid down in a draft Commission Regulation concerning minimum standards for the quality of HICP weights<sup>68</sup>.

Denmark introduced new weights in October 1996. They are used for the calculation of the HICP and the national CPI, and were used for the computation of the interim indices. The new weights are based on National Accounts figures and the Household Budget Survey of 1994.

In January 1997, new weighting schemes were introduced by Belgium based on the Household Budget Survey of 1995-1996, by Ireland based on the Household Budget Survey of 1994-1995, by Italy based on National Accounts data for 1995, and by Luxembourg based on the Household Budget Survey of 1993. Austria's consumption pattern is based on the Household Budget Survey and National Accounts data for 1993/94 and adjusted with the help of the preliminary accounts for 1995.

#### 12.3.2. Weight reference period

Given that the HICPs are derived from national CPIs they have different weight reference periods and different frequencies of updating weights. The weight reference period is the time period of expenditure or consumption to which the weights used for compiling the HICPs refer for the months of 1997. It ranges from 1989/1990 to 1995/1996 depending on the Member State.

The majority of Member States update weights every five years. From 1998 they will be required to adjust weight every year, if there are any significant changes in expenditure pattern<sup>69</sup>. The Netherlands decided to move to an annual base year revision for the HICP and the national CPI starting from December 1997. Hence, together with France, Sweden, and the United Kingdom, the Netherlands will compute a chain index with annual weight updating. Denmark and Luxembourg are also considering to annually update their weights, however not before December 1998.

Table 8 gives an overview of the weight reference periods and update frequencies used for the compilation of the HICP in 1997:

<sup>n</sup> Mortgage interest and other items in owner-occupied housing, games of chance

<sup>o</sup> Mortgage interest, depreciation, taxes for local services, games of chance

<sup>p</sup> Imputed rents and games of chance

<sup>q</sup> Imputed rents, health, education and insurance on a gross basis

<sup>68</sup> See also paragraph 8.2.

<sup>69</sup> For more details see paragraph 12.4.

Table 8:  
HICP weight reference periods and update frequencies in 1997

	<b>Weight Reference Period of the HICPs in 1997:</b>	<b>Planned next weight reference period:</b>	<b>To be introduced in / starting with the index for:</b>	<b>Annual updating ("chain index"):</b>
<b>B</b>	1995 - 1996			
<b>DK</b>	1994			
<b>D</b>	1991	1995	Dec-1998/Jan-1999	
<b>EL</b>	1994	1998 - 1999	Dec-2000/Jan-2001	
<b>E</b>	1990 - 1991			
<b>F</b>	1995	1996	Dec-1997/Jan-1998	✘
<b>IRL</b>	1994	1999		
<b>I</b>	1995			
<b>L</b>	1993	1995	Dec-1998/Jan-1999	
<b>NL</b>	1990	1995	Dec-1997/Jan-1998	[✘ from Dec-1997]
<b>A</b>	1993/1994 - 1995			
<b>P</b>	1989 - 1990	1994 - 1995	Dec-1997/Jan-1998	
<b>FIN</b>	1990	1995	Dec-1997/Jan-1998	
<b>S</b>	1996	1997	Dec-1997/Jan-1998	✘
<b>UK</b>	Jul-1995 - Jun-1996	Jul-1996 - Jun-1997	Jan-1998/Feb-1998	✘
<b>IS</b>	1995	2000	Dec-2001/Jan-2002	
<b>N</b>	1993 - 1995	1994 - 1996	Dec-1997/Jan-1998	✘

When presenting the HICP Eurostat "re-references" or "price-updates" the weights of all Member States to 1996 (average of the year), and subsequently to December 1996, December 1997, December 1998, etc.<sup>70</sup>. Hence, the movements in the HICP and its sub-indices is expressed by reference to the average level of prices in 1996, and subsequently to December 1996, December 1997, December 1998, etc. This price updating is a re-scaling exercise which does not change the weight reference year and does not effect the measured rate of inflation.

#### **12.4. Sub-index weights**

Each month Member States transmit the HICP and its sub-indices to the Commission (Eurostat). The sub-indices are based on the classification COICOP/HICP<sup>71</sup>. They are needed to analyse the sources of inflationary pressure and are, hence, published monthly by Eurostat alongside the HICP.

Member States also transmit the sub-index weights used in the computation of the HICP to the Commission (Eurostat) to a degree of detail of at least 1 in 1000. The weights assigned to each category of COICOP/HICP vary from country to country depending on the relative importance of consumers' expenditure on each good or service in each Member State. There is no "uniform basket" applying to all Member States.

<sup>70</sup> See also paragraph 6.2.8.

<sup>71</sup> See paragraphs 6.2.1. and 6.2.7.

Table 15 in the annex to this document is an extract of Eurostat's database "NEWCRONOS"<sup>72</sup> giving the weights for all sub-indices from all Member States. The weights refer to the year 1996, i.e. the weights dating from the weight reference period of each Member State were "price-updated"<sup>73</sup> and expressed by reference to the average level of prices in 1996.

The weights shown for the sub-indices in the Table 15 differ widely between Member States, reflecting differences in the relative importance of consumers' expenditure on each group of goods and services. However, the weights also reflect differences between Member States in the weight reference period and the frequency of updating the weights. A weight for a certain item reflects the consumption of that item in the weight reference period which may differ by up to five years. For most items, such as food or housing, five year old weights might be good estimates reflecting current consumers' expenditure. However, for certain items which are significantly losing or gaining in importance, such as data processing equipment, five year old weights might not correctly capture their relative importance. The weights for example for data processing equipment (COICOP/HICP 09.1.3.) would probably not differ so widely between Member States (from 0.2‰ to 6.4‰) if the increased demand for PCs had been taken into account. Additionally, since the prices for data processing equipment are decreasing, the expenditure weights expressed by reference to the average price level of 1996 are lower than in the weight reference period.

From 1998 Member States will be required to review their weights every year and to adjust them for significant changes in the expenditure pattern, if the draft Commission Regulation concerning minimum standards for the quality of HICP weights is adopted<sup>74</sup>. This will remove most of the non-comparability between HICPs which arises purely from methodological differences in weighting, i.e. the difference between annual and less frequent base year revision<sup>75</sup>.

As part of the compliance monitoring the Commission (Eurostat) has asked several Member States to verify and if necessary correct their weights for some sub-indices which seemed to be either very low or very high as compared to other Member States' data. The analysis of the differences in the weighting pattern of Member States also indicated that the treatment of certain goods and services in the HICP, as for example package holidays (COICOP/HICP 09.4.), might be an issue for future harmonization.

### **12.5. Newly significant goods and services**

From January 1997 Member States are required to make provision to identify goods and services which become a significant part of consumption and are not yet covered by the HICP. The threshold is defined as a sales volume of over one part per thousand of total consumers' expenditure in the Member State. The Commission (Eurostat) will facilitate the process by exchanging information about "newly significant goods and services" introduced in other Member States' HICPs. The aim is firstly to maintain the relevance of the HICP by taking account of market developments, and secondly to keep the HICPs broadly in step with respect to up-to-dateness in order to ensure comparability<sup>76</sup>. However,

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<sup>72</sup> See also paragraph 6.4.

<sup>73</sup> For explanation see paragraphs 6.2.8. and 12.3.2.

<sup>74</sup> See paragraph 8.2.

<sup>75</sup> Details are given in paragraph 12.3.2.

<sup>76</sup> See also paragraph 6.2.2.

it is not easy to define which good or service is newly significant, which is a new variant of an already existing item, or which item was included in the HICP to improve representativity.

Table 9 lists newly significant items which were included in the HICP of at least one Member State for the first time in 1997 and reported to the Commission (Eurostat):

Table 9:  
Newly significant goods and services since January 1997

Pay-TV	Throwaway camera
Subscription to the Internet	Rear window brake lights
Mobile phones and charges	Bicycle saddle
Fax-phone (answering machine or service in connection with a phone line)	Artificial sweetener
Modem	Ecological products (milk, butter, flour)
Printer	Ice cream cakes and bars
Home computer	Special milk, e.g. vitamin enriched
CD-ROM educational games/ games	Low fat "cream" (15%)
Computer games	Margarine with lower cholesterol
Unformatted PC-diskette	Light wine (4.6% alcohol)
Concentrated washing powder	Lemonade with alcohol (< 5% alcohol)
Satellite antenna	Kiwi fruit

## 12.6. Elementary aggregate formula

For the calculation of the elementary aggregates in the HICP Member States are allowed to use of the ratio of either arithmetic or geometric mean prices, but not the arithmetic mean of price relatives<sup>77</sup>. Eight countries were required to change their formula: Denmark, Greece, France, Italy, Luxembourg, Austria, Finland, and the United Kingdom. All except Italy introduced the geometric mean; Italy changed to the ratio of arithmetic mean prices. Denmark has a derogation up to September 1997 on the grounds that it requires a "significant adjustment to its statistical system"<sup>78</sup>, but will then introduce the geometric mean retrospectively starting with the index for January 1997. All countries except for Austria and the United Kingdom introduced the change in formula also for their national CPIs.

In order to improve comparability Greece, Luxembourg, and Austria applied the geometric mean formula retrospectively starting with the index for January 1995; Italy, Finland, and the United Kingdom used the new formula from January 1996.

France has chosen a stepwise procedure for moving to the geometric mean for heterogeneous products, which account for about one third of all elementary aggregates included in their HICP. Half the changes were carried out by January 1997, hence about 18% of the HICP is currently calculated using the geometric mean. The remaining changes to the geometric mean will be carried out in January 1998 and January 1999. Sweden is using the ratio of standardised mean prices which is a variant of the geometric mean. Both

<sup>77</sup> See also paragraph 6.2.5.

<sup>78</sup> Article 5 (2) of Council Regulation (EC) No 2494/95

these Member States need to demonstrate by the end of 1997 that their formula leads to comparable results in the sense that the effect on the HICP is less than one tenth of one percentage point on average in 1997 against 1996.

For the calculation of the elementary aggregates in the HICP eight Member States are now using the geometric mean or a close variant, eight are using the ratio of arithmetic mean prices, and France a combination. However, Portugal will move to the geometric mean starting with the index for January 1998.

Five Member States estimated the effect of the change in formula on the HICP as about 0.1 percentage points over a period of 12 months. In the United Kingdom the introduction of the geometric mean reduced inflation by 0.5 percentage points on average.

Table 10 gives an overview of the elementary aggregates formula used and the changes carried out in Member States:

**Table 10:**  
Computation of elementary aggregates in the HICP

	For the computation of the HICP the formula for EA was changed:	Formula used in the HICP is the ratio of arithmetic mean prices (RAM) or geometric mean (GM):	New formula was introduced in the HICP starting with the index for:	Estimated effect on the HICP over a period of 12 months in percentage points:	New formula was/will be introduced in the CPI:
<b>B</b>	no	RAM	---	---	---
<b>DK</b>	yes, but derogation until Sep-1997	GM - derogation	Jan-1997 - derogation	estimate not yet available - derogation	yes, planned starting with index for early 1998
<b>D</b>	no	RAM	---	---	---
<b>EL</b>	yes	GM	Jan-1995	- 0.1	yes, starting with index for Jan-1994
<b>E</b>	no	RAM	---	---	---
<b>F</b>	yes, progressively for heterogeneous products	RAM for homogenous products (1/3), GM for heterogeneous products (1/3), other formula for fresh products, complex prices and tariffs (1/3)	Jan-1997: half of the changes to the GM were done; 18% of the index is calculated using GM; Jan-1998, Jan-1999: further changes to GM	- 0.1	yes
<b>IRL</b>	no	RAM	---	---	---
<b>I</b>	yes	RAM	Jan-1996	no estimate available	yes, starting with index for Jan-1996
<b>L</b>	yes	GM	Jan-1995	no estimate available	HICP and national CPI are identical
<b>NL</b>	no	RAM	---	---	---
<b>A</b>	yes	GM; RAM for certain items such as fruit, vegetables, and rents	Jan-1995	- 0.1	no (average of relatives)
<b>P</b>	no	RAM	GM will be used from Jan-1998	---	yes, starting with index for Jan-1998
<b>FIN</b>	yes	GM	Jan-1996	- 0.1	yes, starting with index for Jan-1996
<b>S</b>	no	variant of the GM (ratio of standardised mean prices)	---	---	---
<b>UK</b>	yes	GM	Jan-1996 <sup>79</sup>	- 0.5	no
<b>IS</b>	yes	GM	Mar-1997	no estimate available	yes, starting with index for Mar-1997
<b>N</b>	no	RAM	---	---	---

### 12.7. Quality adjustment

Quality adjustment is widely accepted among experts as one of the most, if not the most, intractable problems in CPI construction. As the Boskin report illustrates, the problem is not generally understood and many observers share the mistaken impression that no allowances are made for improvements that have occurred in product quality thus leading to an overstatement of inflation. In practice many different adjustments have been made as

<sup>79</sup> Estimates for 1995 are adjusted to take into account the effect of the formula change, see also paragraph 6.4.



index compilers have attempted to solve the problems in different ways and these may have resulted in an over-compensation for such improvements.

As a first step of compliance monitoring and to initiate further research in order to define appropriate standards for the treatment of changes in the quality of goods and services in the HICP, the Commission (Eurostat) requires information on actual quality adjustments. For five goods Member States were asked to provide the number of observations which were replaced during the four months period January 1997 to April 1997, and also the type of quality adjustments which were made to introduce these replacements into the HICP. Men's shirts, sofas, CD players, refrigerators and washing powder were selected because these five items are covered in all HICPs, are fairly easy to define, and give a range of rates of product change: slow, medium and fast. The quality adjustments were classified as one of three types:

- (a) **linking**, which is equivalent to the assumption that the difference in price between the old item and its replacement is wholly attributable to a difference in quality. Therefore, no price change between the old item and its replacement is reflected in the HICP. Member States need to be able to demonstrate that linking is not used automatically, i.e. without justification<sup>80</sup>. One argument used is that the price difference represents the "market" evaluation of the quality difference as in "overlap pricing" (see (c) below). Another argument is that the items are indeed so different that they cannot be compared and that the replacement is introduced to maintain the representativity of the sample.
- (b) **same quality adjustment**, which treats the replacement as being of same quality as the old item which it replaces. Therefore, the whole of the price difference between the old item and its replacement is reflected in the HICP. In the absence of an explicit national or Eurostat estimate of the value of the quality change, a same quality adjustment is the default adjustment under Article 5 of Commission Regulation (EC) No 2494/95.
- (c) **other quality adjustment**, where the value of the quality difference between the old item and its replacement is estimated as somewhere in between zero and the whole price difference, or occasionally outside that range. Those estimates could be made by commodity experts, or using methods such as hedonic regression<sup>81</sup>, overlap pricing<sup>82</sup>, option pricing<sup>83</sup>, the production cost approach<sup>84</sup>, or the imputation approach<sup>85</sup>.

<sup>80</sup> See also paragraph 6.2.3.

<sup>81</sup> Coefficients of a regression model, which relates the price to a number of characteristics of the item, are taken as estimates of the value of the quality difference between the old item and its replacement

<sup>82</sup> The price difference between the old item and its replacement in the overlap period, which is considered as the "market" evaluation, is used as estimate of the value of the difference in quality between the two successive items

<sup>83</sup> The prices charged for features which are included in the replacement item but optional in the old item are used as estimates of the value of the quality difference between the old item and its replacement

<sup>84</sup> Additional manufacturing costs of producing the replacement item as compared to the old item is used as the estimated value of the difference in quality between the two successive items

<sup>85</sup> The price change between the old item and its replacement is imputed using the price change of the other items belonging to the same group. Hence, the value of the quality adjustment between the old item and its replacement is estimated as the difference between the price of the old item and the imputed price

The results showed large differences between Member States in the proportion of observations that were replaced during the first four months of 1997. Some had low **replacement rates** of between 6% and 12% for each of the five items, whereas others showed replacement rates of up to 41% for sofas and 54% for CD players. Some Member States reported that for some items they did not replace any observation from January to April 1997.

As regards the **type of quality adjustments** it was only possible to look at their distribution for about ten Member States as the number of replacements in the remaining Member States was small, i.e. ten replaced observations or fewer per item during the four months period. For the ten Member States the results showed that the types of quality adjustments used differ between the five items and between Member States. The majority of Member States use the extreme adjustments "linking" and "same quality". Some use both procedures to about the same extent, whereas others almost exclusively use the "linking" procedure or assume the "same quality" for most replacements. Only a few Member States use "other quality adjustments" as the main procedure.

The differences in procedure between Member States do not necessarily lead to non-comparability but do confirm the widely expressed concern that "quality adjustment" is giving rise to considerable scope for bias and hence non-comparability. Not only are there large differences in the rates of product change identified but there is also little common in the procedural response that is evoked by a particular change. The procedures followed rest on different assumptions about what is to be measured and on varying amounts of information available from which to compute an adjustment. In a majority of cases the procedures followed involve no assessment of the differences in specification between a product and its replacement.

The next step is to further analyse the adjustment procedures and to estimate the effect on the HICP. This requires the development of a common terminology for quality adjustment, including the distinction between a replacement item and a new good. For example, the omission of an observation for one or two months and the introduction of a new good thereafter makes a quite different assumption about a quality change from alternative procedures, and may implicitly yield non-comparable results.

From the information collected it is not possible to estimate the effect that the different quality adjustment practices have on the HICP. Certain practices, for example linking, may raise or lower the index compared with a "same quality" adjustment depending on whether the price of the replacement is lower or higher than the price of the old item. The Commission (Eurostat) proposes to examine the effect on the index of a particular quality adjustment practice by comparing the HICP in each Member State with the index which would have resulted from a "standard reference practice". This standard reference practice would not necessarily be the correct or best practice as there is no consensus as to what the correct or best practice is. However, it serves as a point of reference against which to judge the practices of Member States. The Commission intends to follow a sequential inquiry approach making improvements. The burden on Member States is thus kept to a minimum.

Furthermore, the interaction between the sampling procedure and quality adjustment needs to be investigated. How are replacements identified? Why do some Member States have high replacement rates where others do not report any replacements at all? Differences in

the sampling and the quality adjustment procedure might have counterbalancing effects on the HICP.

Finally, the Commission (Eurostat) will carry out further checks on compliance with respect to the use of linking. Member States need to be able to demonstrate that automatic linking is not used. In the absence of national estimates for the value of the quality difference, the present position is that Member States should as a default reflect the full price difference between the old item and its replacement in the HICP. Eurostat's database on quality adjustments should be operational in 1998.

To sum up, so far the comparability of HICPs has been improved by banning one frequently used but inappropriate procedure for treating changing product quality and further improvement is expected as a result of a co-ordinated programme of work among Member States. Work comparing practices and their underlying assumptions and by targeting the most important areas of product development is throwing much light on specific operational issues that must be resolved before comparable practices can be established. Agreements are necessary on what product changes should be regarded as changes in quality and on appropriate procedures for allowing for particular changes in order to provide a basis for extending the initial requirements. As the BLS response to Boskin indicated it is unlikely that all the problems of quality change in CPIs will ever be resolved. However, the comparability of HICPs can be improved if common approaches are followed in like situations. This will require agreement on concepts and procedures, the sharing of information on product specification and the valuation of particular changes. The Commission (Eurostat) and Member States are working actively to this end.

## **12.8. Sample design and maintenance**

### **12.8.1. Sampling and comparability**

Good sample design and maintenance have been recognised from the outset of the harmonization exercise as critical to reliability, relevance, and comparability of HICPs<sup>86</sup>. However, for reasons of costs and operational constraints the sample of prices used in national CPIs and, hence, for HICPs do not follow methods advanced in statistical theory. As a result few Member States have any assessment of the precision of their indices (sampling errors) and none has any measure of bias.

Most Member States follow some form of purposive sampling rather than random or probability sampling and the sizes of the samples depend more on costs and arbitrary historical decision processes than on the demands of a required level of accuracy. However, it does not follow that because a sample fails to meet the requirements of theory that it necessarily gives poor results. It is not therefore a matter of requiring all Member States to conform to a particular practice since the costs of change may not be warranted. Whether a HICP sample gives acceptable results is an empirical question which can only be answered by carrying out appropriate research. The harmonization process and the co-operation it has evoked among Member States provides an opportunity to examine the problem in ways not available to a single National Statistical Institute. The effect of a particular sampling practice

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<sup>86</sup> See also paragraph 6.2.6.

on one HICP can be explored by reference to other HICPs either by simulation or by other experimental methods.

The Commission (Eurostat) has instituted a programme of research with Member States which aims to establish those sampling methods and practices which yield reliable results and to develop methods for assessing the reliability of HICPs whatever sampling arrangement are used. As part of that programme, Statistics Netherlands has analysed the procedures for sampling geographic localities, outlets, items, and varieties<sup>87</sup> used for compiling the HICP. Member States were asked to identify their sampling procedures as one of the following types:

(a) Probability sampling:

- SI = simple random sampling
- PPS = sampling with probability proportional to size
- stratified SI = stratified sampling with SI sampling in each stratum
- stratified PPS = stratified sampling with PPS sampling in each stratum

(b) Non-probability sampling:

- judgmental = sampling where the selection of elements is based on the judgement of experts
- cut-off = sampling where the elements with a value of the auxiliary variable, e.g. sales value, above the cut-off value are included in the sample
- quota = sampling where the number of elements is fixed a priori, and the selection of elements is delegated to price collectors

Sampling methods vary considerably between Member States. Only Sweden and the United Kingdom seek to use full probability sampling, all other Member States mainly apply non-probability procedures, such as judgmental or cut-off sampling. The main advantage of probability sampling is that it gives some guarantee against bias. It also allows the estimation of sampling errors and the optimisation of the sample sizes for localities, outlets, items, and varieties. Member States frequently use non-probability sampling due to the lack of sampling frames which are needed to apply probability sampling techniques.

Most Member States use a two-stage sample design to select geographic localities and outlets: first a sample of municipalities is drawn, and then in each selected municipality a sample of outlets is chosen. Municipalities are in general sampled using probabilities proportional to the number of inhabitants. Outlets are selected according to their turnover, in general on a judgmental basis. Six Member States use probability sampling for the selection of outlets: the Netherlands, Portugal, Finland, Sweden, the United Kingdom, and Norway. Sweden does not first select localities and then outlets, but uses random stratified one-stage sampling to select outlets from the Swedish business register. Most Member States exclude mail order firms and market stalls from the selection of outlets.

In all Member States, except for Sweden, the items are chosen by the National Statistical Institute using criteria such as representativity rather than probability sampling techniques. In general the item selection is a two-stage procedure: first a number of item sub-groups are selected using the cut-off method allowing only those sub-groups with the largest market shares to be chosen; then specific items are selected from each sub-group by means of

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<sup>87</sup> A variety is a more detailed description of the particular item, i.e. good or service, selected in an outlet by the price collector within the item specification provided by the National Statistical Institute

judgmental selection. In those cases where the National Statistical Institute indicates the items only by loose specification, the price collectors usually choose the most frequently bought variety that fits the item description.

The results of Statistics Netherlands for sampling geographical localities and outlets are summarised in Table 11, those for sampling items and varieties in Table 12:

**Table 11:**  
Monthly sample of geographical localities and outlets in Member States

	Localities		Outlets				
	Design	Number	Frame	Low or zero coverage	Design	Updating*	Number
<b>B</b>	judgmental	65	yes	mail order firms	judgmental	every base year revision	9 509
<b>DK</b>	judgmental	30	yes	mail order firms, street markets	judgmental	every third year	1 900
<b>D</b>	cut-off, quota	190	no	shops for luxury items and for low quality items, weekly markets	judgmental	every base year revision	22 100
<b>EL</b>	judgmental	23	yes	shops for luxury items, non-food street markets	judgmental	every base year revision	3 200
<b>E</b>	cut-off	130	no	unknown	judgmental	in reaction to market signals	29 000
<b>F</b>	stratified PPS	96	no	unknown	judgmental	yearly	27300
<b>IRL</b>	stratified SI	82	no	mail order firms, street markets	judgmental, quota	every base year revision	3 898
<b>I</b>	unknown	82	yes	mail order firms, teleshopping firms	cut-off	every base year revision	25 000
<b>L</b>	judgmental	22	yes	mail order firms, street markets, small non-specialist food shops	judgmental	in reaction to market signals	634
<b>NL</b>	stratified PPS	100	yes	mail order firms	stratified SI, judgmental, cut-off	every base year revision	11 000
<b>A</b>	cut-off	20	no	temporarily open outlets, street markets	judgmental	every base year revision	4 200
<b>P</b>	PPS	41	yes	shops for luxury items, street markets, consumption co-operatives,	stratified PPS, judgmental	instantly in reaction to market signals	9 500 <sup>88</sup>
<b>FIN</b>	stratified PPS	107	yes	street markets, door-to-door selling, network marketing	stratified PPS, judgmental, cut-off	every base year revision	2 000
<b>S</b>	no sampling of localities		yes	specialist shops, mail order firms, repair workshops	stratified PPS	every year 20% by rotation	726
<b>UK</b>	stratified SI	146	yes	non-food market stalls shops requiring a membership fee	stratified PPS stratified SI	five yearly	18 000
<b>IS</b>	judgmental	4	yes	unknown	judgmental	every base year revision	420
<b>N</b>	stratified PPS	100	yes	shops requiring a membership fee	stratified PPS	every year 1/6 by rotation	2 100

\* Except for (forced) replacement of outlets which cease trading or refuse to continue co-operation

Source: Statistics Netherlands

<sup>88</sup> 10 700 starting with the updating of the index in late 1997

**Table 12:**  
Monthly sample of items and varieties in Member States

	Items			Varieties	
	Design	Updating*	Number	Design	No of price quotations**
<b>B</b>	judgmental	every base year revision	461	judgmental	91 980
<b>DK</b>	judgmental	in reaction to market signals	1 200	judgmental	25 000
<b>D</b>	judgmental	every base year revision	750	cut-off	400 000
<b>EL</b>	judgmental	every base year revision	600	judgmental	20 000
<b>E</b>	cut-off, judgmental	in reaction to market signals	471	judgmental	150 000
<b>F</b>	judgmental, cut-off	yearly	1 033	quota	171 000
<b>IRL</b>	judgmental	every base year revision	560	quota	45 000
<b>I</b>	judgmental	every base year revision	920	cut-off	300 000
<b>L</b>	judgmental	in reaction to market signals	263		5 700
<b>NL</b>	cut-off, judgmental	in reaction to market signals	1 200	cut-off	100 000
<b>A</b>	judgmental, cut-off	every base year revision	710	judgmental, cut-off, quota	80 000
<b>P</b>	stratified PPS	instantly in reaction to market signals	577 <sup>89</sup>	stratified PPS	40 000
<b>FIN</b>	judgmental	every base year revision	401	judgmental	43 600
<b>S</b>	stratified PPS, SI, judgmental	in reaction to market signals	318	cut-off	22 800
<b>UK</b>	judgmental	yearly	646	cut-off	120 000
<b>IS</b>	judgmental	every base year revision	2 131	judgmental	13 738
<b>N</b>	judgmental	yearly	900	judgmental	45 000

\* Except for (forced) replacement of items which cease to be sold

\*\* Excluding price quotations used in measuring housing items

Source: Statistics Netherlands

### 12.8.2. Statement of the target sample and maintenance

As a first step of compliance monitoring and to initiate further research in order to extend the minimum standards for prices and for sampling Member States were asked to describe their "target sample" for the HICP<sup>90</sup>, which is essentially the present plan for the number of prices that should be obtained for the production of the HICPs from January 1997. The minimum standards for prices oblige Member States to maintain their target sample from month to month<sup>91</sup>, and the minimum standards for sampling require Member States to improve the representativity of their target samples, where necessary, in order to achieve reliability and comparability of HICPs<sup>92</sup>.

Member States were asked to give the total number of items and the total number of price observations for each HICP sub-index on 3-digit level of COICOP/HICP, and were asked to indicate the number of monthly and less frequent price observations. According to Article 8 of the HICP Council Regulation the required frequency of price collection for the HICP is at

<sup>89</sup> 650 starting with the updating of the index in late 1997

<sup>90</sup> In line with Article 9 (f) of Commission Regulation (EC) No 1749/96

<sup>91</sup> See also paragraph 6.2.4.

<sup>92</sup> See also paragraph 6.2.6.

least once a month. The Commission (Eurostat) may allow less frequent price observation where the requirements of comparability of the HICP are not breached.

For the HICP about 87% of the prices are collected at least monthly. In Greece, Italy, and Portugal certain items, such as fresh fruits and vegetables, are collected twice a month or even weekly. According to the target sample Belgium, Germany, Spain, and Iceland obtain close to 100% of the prices monthly, Sweden and the United Kingdom 97%, France and Norway 95%, and Greece 94%. France extended the monthly price collection: in 1996 about 15700 observations were changed for from quarterly to monthly price collection, and another 8700 observations in 1997. Hence, an additional 16300 prices are now observed monthly for the HICP. Sweden also changed several items which were previously collected only once, twice, or four times a year to monthly price collection from January 1997.

Less frequent than monthly price collection is the exception for the HICP, for example for seasonal items which are only available during certain months. However, the Netherlands and Portugal make frequent use of rolling or rotating samples where each month 1/x of the total prices for the item are obtained. Furthermore, the Netherlands collects prices for example for rents only once a year. Both Member States need to be able to demonstrate that this treatment does not give rise to non-comparability.

Table 13 gives the percentage of monthly and less frequent price observation as planned in the target samples of Member States:

Table 13:  
Monthly and less frequent price observation for the HICP  
as specified in the target samples of Member States

	Percentage of prices observed:					
	more than once a month	monthly	every second month	quarterly	twice a year	once a year
<b>B</b>	0	100	0	0	0	0
<b>DK</b>	0	77	0	1	20	3
<b>D</b>	0	100	0	0	0	0
<b>EL</b>	38	56	3	2	0	1
<b>E</b>	0	100	0	0	0	0
<b>F</b>	0	95	0	5	0	0
<b>IRL</b>	0	87	0	11	0	2
<b>I</b>	30	55	0	15	0	0
<b>L</b>	0	91	0	0	8	2
<b>NL</b>	0	59	23	6	0	11
<b>A</b>	0	72	0	28	0	0
<b>P</b>	10	43	0	46	0	1
<b>FIN</b>	0	84	11	3	0	1
<b>S</b>	0	97	0	3	0	0
<b>UK</b>	0	97	0	3	0	0
<b>IS</b>	0	100	0	0	0	0
<b>N</b>	0	95	0	3	1	1

Most Member States have taken the introduction of the HICP as an opportunity to enhance their samples. For example, they have added items and increased the number of price

observations to improve their sample for certain sub-indices. This required new surveys and the estimation of historic prices and weights. Greece added more than 200 and Austria 130 items to their target samples which, therefore, increased by 13% and 24% respectively. Most Member States also increased the number of price observations: Denmark and Greece observe 6% more prices, Austria 14%, and Luxembourg 22% more than they did for their national CPI. Table 14 gives the number of items for which prices are collected and the number of prices observed in total per month, and the number of additions for the HICPs:

Table 14:  
Total number of items and price observations per month for  
compiling the HICP as specified in the target samples of Member  
States

	Total number of		Additions for the HICP	
	items:	observations:	items:	observations:
<b>B</b>	461	91 980	0	0
<b>DK</b>		31 158		1 696
<b>D</b>	784	326 615	4	356
<b>EL</b>	1 766	33 687 <sup>93</sup>	208	1 803
<b>E</b>		119 143		
<b>F</b>	1 033	171 088		2 323
<b>IRL</b>		42 379	0	0
<b>I</b>	601	288 553	1	7
<b>L</b>	263	6 656	21	1 190
<b>NL</b>	16 239	115 522	0	0
<b>A</b>	678	53 475	130	6 605
<b>P</b>	593	103 691	11	1 093
<b>FIN</b>	399	45 870	4	170
<b>S</b>	309	29 899	3	27
<b>UK</b>	686	130 981	2	73
<b>IS</b>	2 131	13 738	0	0
<b>N</b>	781	47 857	0	0

As a next step the Commission (Eurostat) will require under compliance monitoring information on the extent to which the target sample is actually maintained in Member States: how many of the prices which according to the target sample should be collected monthly (or less frequently in exceptional cases) are actually observed; what procedures are used for estimating missing observations. Sample maintenance is essential because the aim is to measure price changes rather than price levels per se. The sample must be designed to track prices of the same good or service from month to month from the reference period to reflect the change in a "fixed basket". Where prices cannot be observed short-term it is important that appropriate estimates are made; long-term it is important that appropriate replacements are found. So far the comparability of HICPs has been improved by banning the frequently used but inappropriate procedure of automatically carrying forward the last observed price. Further improvement is expected as a result of studies carried out by the

<sup>93</sup> Refers to a theoretical month during which all items are collected, i.e. all seasonal items and all items which are collected less frequently than monthly



Commission (Eurostat) in co-operation with Member States on appropriate limits for the numbers of estimated prices and permissible estimation procedures.

### **13. OPERATION OF THE PROCEDURE UNDER ARTICLE 14 OF COUNCIL REGULATION (EC) NO 2494/95 ("COMITOLOGY")**

According to Article 145 of the EC Treaty, "the Council shall (...) confer on the Commission, in the acts which the Council adopts, powers for the implementation of the rules which the Council lays down. The Council may impose certain requirements in respect of the exercise of these powers (...)". Such "requirements" have been generally defined by the Council in its Decision 87/373/EEC laying down the procedures for the exercise of implementing powers conferred on the Commission, and consist in the obligation for the Commission to consult a "committee" composed of representatives of the Member States, following a range of different possible procedures described in the said Council Decision. Each Council legal act must specify in every particular context which of these procedures is to be applied. The participation of "committees" determines that this implementation process is broadly known as "comitology".

Concerning Harmonized Indices of Consumer Prices, Article 14 of Council Regulation (EC) No 2494/95 lays down the specific procedure according to which the Commission may exercise the powers for the implementation of the rules laid down therein. It states that the Commission shall be assisted to this end by the Statistical Programme Committee (SPC), established by Council Decision 89/382/EEC, Euratom, following the procedure IIIa (regulatory committee) among those established by Council Decision 87/373/EEC.

In practice the comitology procedure to draw up Commission legal acts (Commission Regulations, so far) implementing Council Regulation (EC) No 2494/95 works as follows:

- (a) If Eurostat has evidence of non-comparability or sees a need for harmonization an initial proposal for a Commission Regulation is presented to and discussed by a Task Force, which is a sub-group of the Working Party comprising statisticians from the National Statistical Institutes, main users, experts working in the field of price indices, and a representative of the CEIES<sup>94</sup>. Taking into account the conclusions of the Task Force, Eurostat submits a draft regulation to the full Working Party.
- (b) The Working Party further discusses and proposes amendments to the draft regulation until a general agreement on the technical details can be reached.
- (c) Eurostat sends the draft regulation for interdepartmental consultation in the Commission. It needs to be approved by all relevant Commission Departments<sup>95</sup> and the Legal Service.
- (d) Eurostat submits the draft regulation for opinion to the SPC which is acting as a Regulatory Committee type IIIa under the Qualified Majority Vote procedure.
- (e) In accordance with Article 5 (3) of the HICP Council Regulation, the Secretary General of the Commission sends the draft regulation for consultation to the EMI.
- (f) After all parties have been consulted and a final text is ready for decision, Eurostat sends the draft regulation for agreement of the Commissioner concerned.

<sup>94</sup> Committee on Statistical Information in the Economic and Social Sphere

<sup>95</sup> Secretariat General, DG II, DG V, DG IX, DG X, DG XV, DG XIX, DG XX, DG XXIII, and DG XXIV

- (g) After the Commissioner agrees the proposal the Secretary General of the Commission submits the draft regulation for approval by the Commission (the "college"), which decides finally on its adoption.
- (h) Once adopted, the Commission Regulation is published in the Official Journal.

Thanks to the co-operation of the Member States, the support of the main users, especially DG II and the EMI, this procedure under Article 14 of the Council Regulation proved to be efficient and worked to the satisfaction of all parties involved.

As a next step the Commission (Eurostat) intends to merge all implementing measures for the HICP which are currently laid down in several Commission Regulations and draft Commission Regulations into one consolidated Commission Regulation. Since the first regulations defined initial implementing measures and minimum standards, the progress in the harmonization program did and will require that new regulations amend previous ones, which makes their application rather convoluted. The consolidation will be aimed at simplifying the legislative framework and should take place after the main regulations have been adopted by the Commission.

## ANNEX

As mentioned in paragraph 12.4., the following Table 15 gives the weights for each sub-index of the HICP from each Member State. The weights dating from the weight reference period of each Member State were "price-updated" and expressed by reference to the average level of prices in 1996.

The table distinguishes between actual and rounded zero weights. An actual zero weight is shown as ":" indicating that the according sub-index is not covered by the HICP of the Member State. A rounded zero weight is given as "0.0" indicating that the according sub-index is covered by the HICP of the Member State, but with a weight below 1 in 1000 which rounds to zero.

For the following sub-indices Member States applied different definitions than those given in Commission Regulation (EC) No 2214/96, which is indicated in by a "d" in Table 15:

- Denmark:
  - 04.5.5.: The weight for "hot water, steam and ice" includes "solid fuels" for which the weight is below 1/1000.
- Finland:
  - 04.1.: The weight for "actual rentals for housing" includes charges for heating, water, hot water supply and waste collection. The rent and the charges can be split neither in the index nor in the weight.
- Sweden:
  - 04.1.: The weight for "actual rentals for housing" includes charges for electricity, gas, water, hot water supply and waste collection. The rent and the charges can be split neither in the index nor in the weight.
  - 04.5.5.: The weight for "hot water, steam and ice" includes district heating.
  - 09.1.8.: The weight for "pets" refers only to pet food.

For the following sub-indices Member States used special estimation procedures for deriving the weight; in Table 15 these weights are indicated by an "e":

- Portugal:
  - 09.3.1. and 09.1.4.: The weights for "data processing equipment" and for "other major durables for recreation and culture" are estimates based on the household budget survey.
  - 12.4.2.A and 12.4.4.A: The gross weights for "insurance connected with the dwelling: contents" and "insurance connected with transport: cars" are derived from the household budget survey. Net weights are estimated using data from supervision authorities of insurances: premiums and claims for compensations related to maintenance and repairs.

- Finland:

02.1.1., 02.1.2. and 02.1.3.: The disaggregation of the weight for alcoholic beverage into "spirits", "wine", and "beer" is estimated using the consumption shares obtained from the Finish alcohol monopoly ALKO. They also deliver the index for alcoholic beverage, which is one index covering all prices for alcohol.

04.1., 04.3.2., 04.4.A and 04.5.1.: The weights for "actual rentals for housing", "services for the regular maintenance of the dwelling", "other services relating to the dwelling", and "electricity" are estimated using the housing statistics of Statistics Finland. Since the household budget survey uses a different classification, the weights cannot be obtained from there.

12.4.2.A and 12.4.4.A: The net weights for "insurance connected with the dwelling: contents" and "insurance connected with transport: cars" are estimated by deducting from the gross weights used in the national CPI the value of reimbursements paid by insurance companies.

- Sweden:

04.5.5.: The weight for "hot water, steam and ice" is estimated on the basis on energy statistics produced by Statistics Sweden.

- United Kingdom:

07.1.1., 07.2.1. and 07.2.3.: The weights for "new and second hand motor cars", "spare parts and accessories", and "maintenance and repairs" equals the weight calculated from the household budget survey plus a proportion of the insurance weights representing claims paid directly by the insurance companies.

09.1.1., 09.1.2., 09.1.3. and 12.2.: The weights for "equipment for the reception, recording and reproduction of sounds and pictures", "photographic and cinematographic equipment and optical instruments", "data processing equipment", and "personal effects n.e.c." equal the weight calculated from the household budget survey plus a proportion of the insurance weights representing claims paid directly by the insurance companies.

Table 15: Sub-index weights of the HICP as part per 1000 (Annual 1996)

		B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	IS	N
<b>01.</b>	<b>FOOD AND NON-ALCOHOLIC BEVERAGES</b>	<b>204.5</b>	<b>173.7</b>	<b>154.1</b>	<b>231.7</b>	<b>275.4</b>	<b>192.7</b>	<b>195.7</b>	<b>197.4</b>	<b>162.0</b>	<b>170.5</b>	<b>143.3</b>	<b>295.0</b>	<b>164.0</b>	<b>179.8</b>	<b>149.0</b>	<b>203.6</b>	<b>172.6</b>
<b>01.1.</b>	<b>Food</b>	<b>184.7</b>	<b>155.9</b>	<b>136.0</b>	<b>221.8</b>	<b>262.3</b>	<b>180.3</b>	<b>181.0</b>	<b>187.3</b>	<b>146.0</b>	<b>156.7</b>	<b>129.3</b>	<b>287.2</b>	<b>149.3</b>	<b>163.1</b>	<b>137.0</b>	<b>178.1</b>	<b>156.3</b>
01.1.1.	Bread and cereals	35.7	20.4	28.0	30.1	36.3	26.7	35.9	25.6	25.4	30.4	22.9	44.0	30.1	28.5	25.0	33.5	18.3
01.1.2.	Meat	58.7	47.2	38.5	56.4	75.4	62.9	52.0	55.3	49.1	42.2	39.1	86.4	34.7	37.1	34.0	40.3	38.9
01.1.3.	Fish	13.2	4.9	4.3	16.3	35.2	12.8	4.5	12.3	7.7	4.0	2.8	39.1	6.4	9.5	6.0	8.8	10.7
01.1.4.	Milk, cheese and eggs	24.5	25.6	21.0	36.8	35.6	27.3	28.8	31.2	19.9	28.1	22.1	35.3	30.6	27.9	21.0	37.0	30.4
01.1.5.	Oils and fats	5.6	5.0	4.6	19.2	17.6	6.7	7.0	8.6	5.3	4.4	5.5	26.5	5.3	5.9	4.0	4.6	4.5
01.1.6.	Fruit	12.9	8.7	10.6	19.1	26.4	13.8	9.1	18.6	11.7	13.8	8.4	20.7	12.0	11.4	9.0	11.5	11.7
01.1.7.	Vegetables incl. potatoes and other tubers	17.0	16.9	12.2	22.7	24.8	14.9	21.1	25.6	13.9	18.2	12.5	24.9	12.6	18.4	19.0	13.8	14.2
01.1.8.	Sugar, jam, honey, chocolate, confectionery	13.2	18.5	11.5	14.6	8.1	12.5	13.3	9.2	9.6	11.1	11.6	8.6	14.5	20.9	12.0	20.1	16.2
01.1.9.	Food products n.e.c.	3.8	8.7	5.2	6.7	2.9	2.7	9.2	0.9	3.4	4.4	4.4	1.7	3.1	3.5	7.0	8.7	11.5
<b>01.2.</b>	<b>Non-alcoholic beverages</b>	<b>19.9</b>	<b>17.8</b>	<b>18.1</b>	<b>9.9</b>	<b>13.1</b>	<b>12.4</b>	<b>14.7</b>	<b>10.1</b>	<b>16.0</b>	<b>13.9</b>	<b>13.9</b>	<b>7.8</b>	<b>14.7</b>	<b>16.6</b>	<b>12.0</b>	<b>25.4</b>	<b>16.1</b>
01.2.1.	Coffee, tea and cocoa	5.1	6.0	6.8	3.8	6.5	5.1	4.8	5.0	6.7	6.2	5.8	4.1	6.3	6.2	4.0	5.5	4.6
01.2.2.	Mineral waters, soft drinks and juices	14.8	11.8	11.3	6.0	6.6	7.3	9.8	5.1	9.3	7.7	8.2	3.7	8.4	10.5	8.0	19.9	11.5
<b>02.</b>	<b>ALCOHOLIC BEVERAGES AND TOBACCO</b>	<b>37.9</b>	<b>59.4</b>	<b>50.9</b>	<b>39.3</b>	<b>31.8</b>	<b>46.1</b>	<b>80.3</b>	<b>30.2</b>	<b>29.1</b>	<b>35.2</b>	<b>39.2</b>	<b>45.3</b>	<b>92.2</b>	<b>62.2</b>	<b>69.0</b>	<b>39.0</b>	<b>35.1</b>
<b>02.1.</b>	<b>Alcoholic beverages</b>	<b>23.8</b>	<b>29.5</b>	<b>24.7</b>	<b>6.6</b>	<b>11.5</b>	<b>24.8</b>	<b>28.9</b>	<b>11.3</b>	<b>18.2</b>	<b>19.4</b>	<b>20.2</b>	<b>26.3</b>	<b>55.6</b>	<b>36.4</b>	<b>35.0</b>	<b>20.9</b>	<b>17.5</b>
02.1.1.	Spirits	3.4	3.2	3.4	2.6	2.1	5.4	11.5	2.6	1.8	5.0	3.8	1.8	22.1e	12.7	10.0	9.1	3.9
02.1.2.	Wine	13.8	10.1	6.4	1.7	6.2	17.3	8.5	7.3	11.7	7.0	8.3	22.1	10.0e	12.2	15.0	4.0	5.3
02.1.3.	Beer	6.6	16.2	15.0	2.3	3.2	2.1	9.0	1.5	4.7	7.4	8.1	2.4	23.5e	11.4	10.0	7.8	8.2
<b>02.2.</b>	<b>Tobacco</b>	<b>14.1</b>	<b>29.9</b>	<b>26.2</b>	<b>32.6</b>	<b>20.3</b>	<b>21.3</b>	<b>51.4</b>	<b>18.8</b>	<b>10.9</b>	<b>15.7</b>	<b>19.0</b>	<b>19.0</b>	<b>36.6</b>	<b>25.9</b>	<b>34.0</b>	<b>18.1</b>	<b>17.8</b>
<b>03.</b>	<b>CLOTHING AND FOOTWEAR</b>	<b>87.3</b>	<b>60.0</b>	<b>83.8</b>	<b>121.7</b>	<b>114.4</b>	<b>74.7</b>	<b>68.5</b>	<b>117.5</b>	<b>117.3</b>	<b>75.4</b>	<b>82.4</b>	<b>103.6</b>	<b>77.4</b>	<b>69.0</b>	<b>66.0</b>	<b>71.0</b>	<b>69.4</b>
<b>03.1.</b>	<b>Clothing</b>	<b>71.8</b>	<b>51.0</b>	<b>70.9</b>	<b>95.3</b>	<b>92.3</b>	<b>60.3</b>	<b>53.2</b>	<b>94.9</b>	<b>94.7</b>	<b>60.9</b>	<b>70.3</b>	<b>78.5</b>	<b>65.4</b>	<b>57.9</b>	<b>54.0</b>	<b>57.6</b>	<b>58.0</b>
03.1.1.	Clothing materials	1.1	0.7	0.7	1.3	3.3	0.6	0.5	1.1	0.3	2.6	1.4	2.0	3.2	1.3	:	1.2	1.2
03.1.2.	Garments	66.6	46.5	64.5	85.6	84.2	52.8	49.6	83.0	90.4	52.7	62.8	71.3	59.0	52.9	49.0	50.4	53.2
03.1.3.	Other articles of clothing, accessories	2.6	2.4	3.0	5.7	3.6	5.1	0.6	1.8	1.3	4.5	3.5	3.8	2.8	3.3	4.0	4.0	2.7
03.1.4.	Dry-cleaning, repair and hire of clothing	1.5	1.4	2.8	2.8	1.2	1.8	2.5	9.0	2.7	1.0	2.6	1.4	0.5	0.4	1.0	2.0	1.0
<b>03.2.</b>	<b>Footwear, including repairs</b>	<b>15.6</b>	<b>9.0</b>	<b>12.9</b>	<b>26.5</b>	<b>22.1</b>	<b>14.4</b>	<b>15.2</b>	<b>22.6</b>	<b>22.6</b>	<b>14.6</b>	<b>12.1</b>	<b>25.1</b>	<b>12.0</b>	<b>11.1</b>	<b>12.0</b>	<b>13.4</b>	<b>11.4</b>

		B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	IS	N
<b>04.</b>	<b>HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS</b>	<b>156.1</b>	<b>194.6</b>	<b>202.7</b>	<b>140.4</b>	<b>112.0</b>	<b>138.7</b>	<b>125.6</b>	<b>99.5</b>	<b>132.7</b>	<b>187.4</b>	<b>137.6</b>	<b>73.1</b>	<b>135.2</b>	<b>208.9</b>	<b>131.0</b>	<b>114.9</b>	<b>184.5</b>
<b>04.1.</b>	<b>Actual rentals for housing</b>	<b>60.3</b>	<b>91.5</b>	<b>99.6</b>	<b>43.9</b>	<b>14.5</b>	<b>63.0</b>	<b>18.5</b>	<b>25.7</b>	<b>56.2</b>	<b>99.1</b>	<b>56.3</b>	<b>17.8</b>	<b>42.5de</b>	<b>129.5d</b>	<b>54.0</b>	<b>29.8</b>	<b>67.6</b>
<b>04.3.</b>	<b>Regular maintenance and repair of the dwelling</b>	<b>19.2</b>	<b>22.9</b>	<b>11.5</b>	<b>22.9</b>	<b>40.5</b>	<b>18.5</b>	<b>1.0</b>	<b>13.6</b>	<b>21.4</b>	<b>22.4</b>	<b>20.7</b>	<b>10.9</b>	<b>26.3</b>	<b>0.9</b>	<b>18.0</b>	<b>14.2</b>	<b>42.7</b>
04.3.1.	Products for the regular maintenance and repair of the dwelling	13.8	12.1	6.4	9.1	27.3	2.9	0.5	1.8	12.4	12.5	10.4	2.5	1.0	0.9	8.0	11.8	17.6
04.3.2.	Services for the regular maintenance and repair of the dwelling	5.4	10.8	5.2	13.8	13.3	15.6	0.5d	11.7	9.0	10.0	10.2	8.4	25.3e	:	10.0	2.4	24.9
<b>04.4.A</b>	<b>Other services relating to the dwelling</b>	<b>10.3</b>	<b>13.3</b>	<b>37.2</b>	<b>19.0</b>	<b>24.9</b>	<b>10.2</b>	<b>3.1</b>	<b>19.8</b>	<b>11.1</b>	<b>11.7</b>	<b>10.7</b>	<b>6.8</b>	<b>20.6e</b>	<b>9.4</b>	<b>14.0</b>	<b>25.4</b>	<b>14.3</b>
<b>04.5.</b>	<b>Electricity, gas and other fuels</b>	<b>66.2</b>	<b>66.9</b>	<b>54.3</b>	<b>54.7</b>	<b>32.0</b>	<b>47.0</b>	<b>102.9</b>	<b>40.4</b>	<b>44.0</b>	<b>54.2</b>	<b>49.9</b>	<b>37.6</b>	<b>45.7</b>	<b>69.1</b>	<b>45.0</b>	<b>45.7</b>	<b>60.0</b>
04.5.1.	Electricity	43.6	25.9	26.5	24.8	20.1	26.7	21.5	15.6	20.2	54.2	23.1	23.8	38.5e	44.3	22.0	20.8	53.8
04.5.2.	Gas	10.7	7.6	7.1	2.3	7.7	10.8	4.7	18.0	10.1	:	6.9	10.5	0.2	0.5	20.0	:	:
04.5.3.	Liquid fuels	10.6	15.1	7.4	23.9	4.2	6.9	8.2	6.8	12.8	:	6.7	:	5.5	7.3	1.0	:	4.5
04.5.4.	Solid fuels	1.4	:	3.1	3.7	:	0.6	17.0	:	0.9	:	7.8	3.3	1.5	:	2.0	:	1.5
04.5.5.	Hot water, steam and ice	:	18.3d	10.3	:	:	2.0	51.4d	:	:	:	5.3	:	:	17.0de	:	24.9	0.1
<b>05.</b>	<b>FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE</b>	<b>91.7</b>	<b>65.8</b>	<b>78.9</b>	<b>89.3</b>	<b>64.7</b>	<b>74.1</b>	<b>60.0</b>	<b>99.8</b>	<b>120.3</b>	<b>96.0</b>	<b>98.5</b>	<b>78.8</b>	<b>64.7</b>	<b>64.0</b>	<b>89.0</b>	<b>74.1</b>	<b>85.4</b>
<b>05.1.</b>	<b>Furniture, furnishings and decorations, carpets, other floor coverings and repairs</b>	<b>30.2</b>	<b>23.5</b>	<b>33.4</b>	<b>16.6</b>	<b>16.9</b>	<b>24.9</b>	<b>18.8</b>	<b>35.0</b>	<b>55.9</b>	<b>37.0</b>	<b>42.7</b>	<b>29.0</b>	<b>20.2</b>	<b>28.9</b>	<b>37.0</b>	<b>28.8</b>	<b>30.3</b>
05.1.1.	Furniture and furnishings	27.7	19.3	27.0	14.5	15.2	22.5	6.5	33.4	51.6	28.9	39.2	25.7	15.3	25.4	27.0	26.8	27.5
05.1.2.	Carpets and other floor coverings	2.5	3.4	6.2	2.1	0.4	1.7	2.9	1.6	4.3	8.1	3.5	2.4	4.9	3.5	10.0	0.3	2.8
05.1.3.	Repair of furniture, furnishings and floor coverings	:	0.8	0.2	:	1.4	0.7	9.4d	:	:	:	:	0.9	:	:	:	1.7	:
<b>05.2.</b>	<b>Household textiles</b>	<b>8.5</b>	<b>6.7</b>	<b>6.5</b>	<b>15.4</b>	<b>5.6</b>	<b>7.6</b>	<b>4.4</b>	<b>12.7</b>	<b>10.4</b>	<b>11.6</b>	<b>10.3</b>	<b>7.7</b>	<b>7.8</b>	<b>6.5</b>	<b>6.0</b>	<b>10.7</b>	<b>7.4</b>
<b>05.3.</b>	<b>Heating and cooking appliances, refrigerators, washing machines, similar major household appliances, incl. repairs</b>	<b>17.1</b>	<b>12.3</b>	<b>12.8</b>	<b>10.8</b>	<b>10.8</b>	<b>13.0</b>	<b>8.8</b>	<b>10.6</b>	<b>13.5</b>	<b>10.6</b>	<b>20.0</b>	<b>15.9</b>	<b>12.6</b>	<b>8.4</b>	<b>13.0</b>	<b>12.0</b>	<b>17.2</b>
05.3.1/2	Major household appliances (electric or not) and small electric household appliances	14.4	10.6	12.1	9.5	9.4	11.5	8.3	9.8	13.2	9.9	17.7	10.1	11.4	7.4	11.0	11.4	15.8
05.3.3.	Repair of household appliances	2.7	1.7	0.7	1.3	1.5	1.5	0.5	0.8	0.3	0.8	2.3	5.8	1.2	1.1	2.0	0.6	1.3
<b>05.4.</b>	<b>Glassware, tableware, household utensils</b>	<b>5.4</b>	<b>6.7</b>	<b>5.8</b>	<b>9.2</b>	<b>3.9</b>	<b>8.8</b>	<b>4.3</b>	<b>5.8</b>	<b>4.5</b>	<b>6.8</b>	<b>7.0</b>	<b>5.0</b>	<b>7.5</b>	<b>5.1</b>	<b>7.0</b>	<b>6.2</b>	<b>5.2</b>
<b>05.5.</b>	<b>Tools and equipment for house and garden</b>	<b>6.0</b>	<b>4.0</b>	<b>8.4</b>	<b>2.1</b>	<b>2.0</b>	<b>3.4</b>	<b>5.2</b>	<b>1.4</b>	<b>7.2</b>	<b>5.1</b>	<b>4.1</b>	<b>1.3</b>	<b>5.0</b>	<b>5.0</b>	<b>9.0</b>	<b>3.9</b>	<b>8.7</b>
<b>05.6.</b>	<b>Goods and services for routine household maintenance</b>	<b>24.5</b>	<b>12.6</b>	<b>12.0</b>	<b>35.2</b>	<b>25.4</b>	<b>16.4</b>	<b>18.5</b>	<b>34.3</b>	<b>28.8</b>	<b>24.9</b>	<b>14.4</b>	<b>19.9</b>	<b>11.6</b>	<b>10.1</b>	<b>17.0</b>	<b>12.5</b>	<b>16.7</b>

		B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	IS	N
05.6.1.	Non-durable household goods	13.6	8.6	8.5	25.5	16.0	11.5	12.8	18.0	13.1	11.7	10.4	11.6	9.2	10.1	9.0	11.1	14.3
05.6.2.	Domestic services and home care services	10.9	4.0	3.6	9.8	9.4	4.9	5.7	16.3	15.7	13.2	3.9	8.3	2.5	:	8.0	1.4	2.4
<b>06.A</b>	<b>HEALTH - paid by the consumer and not reimbursed</b>	<b>8.7</b>	<b>7.4</b>	<b>8.5</b>	<b>11.9</b>	<b>8.4</b>	<b>4.8</b>	<b>6.0</b>	<b>16.0</b>	<b>2.8</b>	<b>7.6</b>	<b>4.1</b>	<b>5.6</b>	<b>11.2</b>	<b>12.1</b>	<b>7.0</b>	<b>9.2</b>	<b>7.1</b>
<b>07.</b>	<b>TRANSPORT</b>	<b>135.1</b>	<b>179.7</b>	<b>173.1</b>	<b>125.6</b>	<b>145.6</b>	<b>191.4</b>	<b>117.0</b>	<b>126.8</b>	<b>160.9</b>	<b>159.3</b>	<b>148.0</b>	<b>178.1</b>	<b>192.8</b>	<b>177.3</b>	<b>152.0</b>	<b>186.5</b>	<b>201.8</b>
<b>07.1</b>	<b>Purchase of vehicles</b>	<b>58.9</b>	<b>63.8</b>	<b>83.1</b>	<b>40.6</b>	<b>57.5</b>	<b>44.8</b>	<b>43.7</b>	<b>41.3</b>	<b>82.5</b>	<b>66.8</b>	<b>51.3</b>	<b>72.0</b>	<b>85.5</b>	<b>44.1</b>	<b>57.0</b>	<b>63.3</b>	<b>70.3</b>
07.1.1.	New and second-hand motor cars	54.6	58.6	79.0	38.8	54.0	43.2	42.1	37.1	77.4	60.6	45.3	68.9	78.8	42.6	55.0e	60.3	65.7
07.1.2/3	Motor cycles and bicycles	4.3	5.2	4.0	1.8	3.5	1.6	1.7	4.2	5.1	6.2	6.0	3.1	6.8	1.5	2.0	3.0	4.6
<b>07.2.</b>	<b>Operation of personal transport equipment</b>	<b>68.3</b>	<b>82.6</b>	<b>73.5</b>	<b>68.0</b>	<b>72.1</b>	<b>118.4</b>	<b>57.4</b>	<b>63.5</b>	<b>70.8</b>	<b>68.2</b>	<b>82.7</b>	<b>88.1</b>	<b>78.5</b>	<b>101.5</b>	<b>76.0</b>	<b>98.7</b>	<b>90.9</b>
07.2.1.	Spares parts and accessories	5.4	11.6	6.0	12.3	4.5	31.9	5.4	2.8	5.7	6.8	4.8	7.0	10.9	17.0	8.0e	12.7	8.7
07.2.2.	Fuels and lubricants	40.6	32.4	36.3	39.6	44.5	49.1	43.5	27.5	32.2	37.1	39.0	31.0	52.6	53.5	40.0	60.5	52.8
07.2.3.	Maintenance and repairs	19.7	35.3	22.7	11.2	17.5	27.9	6.9	28.1	28.5	17.4	32.0	46.7	10.1	25.2	21.0e	15.5	15.9
07.2.4.A	Other services in respect of personal transport equipment	2.6	3.3	8.5	5.0	5.6	9.5	1.6	5.1	4.4	6.9	7.0	3.4	5.0	5.8	7.0	10.0	13.5
<b>07.3.</b>	<b>Transport services</b>	<b>7.9</b>	<b>33.3</b>	<b>16.6</b>	<b>17.0</b>	<b>16.0</b>	<b>28.2</b>	<b>15.9</b>	<b>21.9</b>	<b>7.6</b>	<b>24.3</b>	<b>14.1</b>	<b>18.0</b>	<b>28.7</b>	<b>31.7</b>	<b>19.0</b>	<b>24.5</b>	<b>40.6</b>
07.3.1.A	Passenger transport by railway	4.1	2.8	3.2	0.3	2.1	7.5	1.9	3.1	0.9	9.2	3.3	1.6	5.5	4.2	7.0	:	5.5
07.3.2.A	Passenger transport by road	2.5	10.4	0.8	7.3	12.3	6.8	10.0	6.7	1.3	8.8	6.2	5.1	10.9	3.0	9.0	9.6	12.5
07.3.3.A	Passenger transport by air	:	5.1	0.7	2.7	1.4	5.8	1.7	2.4	1.9	4.7	:	1.5	5.0	6.5	2.0	13.9	13.0
07.3.4.A	Passenger trans. by sea and inland waterway	:	3.7	0.8	2.0	0.2	0.4	0.3	1.3	:	1.3	:	0.0	4.3	4.1	1.0	1.0	4.5
07.3.5.A	Other purchased transport services	:	1.8	0.5	0.8	:	0.8	0.3	2.7	0.5	0.3	0.0	1.6	:	0.4	:	:	:
07.3.6.A	Combined tickets	1.3	9.5	10.6	3.9	:	6.9	1.7	5.8	3.0	:	4.5	8.2	3.1	13.4	:	:	5.2
<b>08.</b>	<b>COMMUNICATIONS</b>	<b>23.7</b>	<b>23.1</b>	<b>19.5</b>	<b>22.3</b>	<b>15.8</b>	<b>20.2</b>	<b>21.2</b>	<b>17.8</b>	<b>17.0</b>	<b>24.6</b>	<b>22.4</b>	<b>12.0</b>	<b>16.9</b>	<b>29.1</b>	<b>21.0</b>	<b>15.7</b>	<b>21.1</b>
<b>08.1.</b>	<b>Communications</b>	<b>23.7</b>	<b>23.1</b>	<b>19.5</b>	<b>22.3</b>	<b>15.8</b>	<b>20.2</b>	<b>21.2</b>	<b>17.8</b>	<b>17.0</b>	<b>24.6</b>	<b>22.4</b>	<b>12.0</b>	<b>16.9</b>	<b>29.1</b>	<b>21.0</b>	<b>15.7</b>	<b>21.1</b>
08.1.1.	Postal services	1.2	1.9	2.7	0.3	0.4	3.0	1.4	3.3	1.5	3.2	1.7	0.1	1.7	4.5	2.0	1.8	1.4
08.1.2/3	Telephone and telefax equip. and services	22.5	21.2	16.8	22.0	15.5	17.2	19.8	14.5	15.5	21.5	20.7	11.9	15.2	24.6	19.0	13.9	19.7
<b>09.</b>	<b>RECREATION AND CULTURE</b>	<b>124.8</b>	<b>100.1</b>	<b>108.7</b>	<b>49.5</b>	<b>69.3</b>	<b>88.2</b>	<b>124.9</b>	<b>82.8</b>	<b>137.6</b>	<b>139.3</b>	<b>113.0</b>	<b>38.8</b>	<b>123.5</b>	<b>108.2</b>	<b>130.0</b>	<b>143.5</b>	<b>140.9</b>
<b>09.1.</b>	<b>Equipment and accessories, incl. repairs</b>	<b>43.5</b>	<b>46.0</b>	<b>46.2</b>	<b>16.0</b>	<b>24.1</b>	<b>40.2</b>	<b>40.6</b>	<b>43.5</b>	<b>45.9</b>	<b>54.9</b>	<b>48.7</b>	<b>15.4</b>	<b>51.6</b>	<b>52.6</b>	<b>46.0</b>	<b>45.1</b>	<b>52.8</b>
09.1.1.	Equipment for the reception, recording and reproduction of sound and pictures	6.8	10.2	9.2	1.1	6.4	7.6	8.5	13.1	8.6	9.6	8.8	7.0	9.3	9.0	8.0e	7.4	11.6
09.1.2.	Photographic and cinematographic equipment and optical instruments	1.2	0.6	3.8	2.6	0.9	0.9	0.5	1.8	4.8	2.3	1.8	1.0	3.7	2.5	5.0e	2.2	1.8

		<b>B</b>	<b>DK</b>	<b>D</b>	<b>EL</b>	<b>E</b>	<b>F</b>	<b>IRL</b>	<b>I</b>	<b>L</b>	<b>NL</b>	<b>A</b>	<b>P</b>	<b>FIN</b>	<b>S</b>	<b>UK</b>	<b>IS</b>	<b>N</b>
09.1.3.	Data processing equipment	4.9	3.7	2.8	0.6	1.2	0.2	0.6	1.5	3.8	1.1	2.5	0.7e	1.8	2.3	5.0e	5.1	3.6
09.1.4.	Other major durables for recreat. and culture	2.7	2.4	2.2	0.1	:	1.5	1.6	4.5	3.5	6.5	2.3	0.4e	9.0	5.4	:	1.6	8.3
09.1.5.	Games, toys and hobbies, equipment for sport, camping and open-air recreation	6.5	10.1	11.5	5.2	5.8	9.9	5.7	8.2	5.8	8.9	10.9	2.5	13.0	9.0	8.0	13.0	10.7
09.1.6.	Recording media for pictures and sound	6.0	5.2	3.6	2.0	5.3	8.8	2.9	3.6	3.8	6.6	4.4	2.3	2.9	5.6	4.0	5.2	5.9
09.1.7.	Gardening	8.1	7.0	8.8	2.6	1.2	6.8	5.8	6.9	9.4	10.4	10.0	:	6.9	10.9	6.0	6.6	6.9
09.1.8.	Pets	6.0	5.3	2.5	0.9	1.0	2.5	3.3	3.6	5.0	8.1	6.2	:	4.4	2.9d	9.0	2.1	1.9
09.1.9.	Repair of equipment and accessories for recreation and culture	1.3	1.5	1.7	0.9	2.5	2.0	11.7d	0.4	1.2	1.4	1.9	1.5	0.6	5.2	1.0	2.1	2.2
<b>09.2.A</b>	<b>Recreational and cultural services</b>	<b>27.7</b>	<b>25.1</b>	<b>24.4</b>	<b>11.3</b>	<b>17.5</b>	<b>24.7</b>	<b>29.4</b>	<b>17.1</b>	<b>21.6</b>	<b>34.0</b>	<b>29.1</b>	<b>9.7</b>	<b>19.6</b>	<b>23.4</b>	<b>34.0</b>	<b>46.6</b>	<b>35.8</b>
<b>09.3.</b>	<b>Newspaper, books and stationery</b>	<b>22.1</b>	<b>16.4</b>	<b>21.4</b>	<b>19.7</b>	<b>19.9</b>	<b>21.9</b>	<b>24.3</b>	<b>22.1</b>	<b>20.1</b>	<b>34.0</b>	<b>18.4</b>	<b>10.5</b>	<b>30.4</b>	<b>22.7</b>	<b>20.0</b>	<b>27.3</b>	<b>32.0</b>
<b>09.4.</b>	<b>Package holidays</b>	<b>31.4</b>	<b>12.6</b>	<b>16.8</b>	<b>2.6</b>	<b>7.8</b>	<b>1.4</b>	<b>30.6</b>	<b>:</b>	<b>50.0</b>	<b>16.4</b>	<b>16.8</b>	<b>3.2</b>	<b>22.0</b>	<b>9.5</b>	<b>30.0</b>	<b>24.5</b>	<b>20.2</b>
<b>10.A</b>	<b>EDUCATION - commonly paid by consumers in Member States</b>	<b>:</b>	<b>3.3</b>	<b>4.6</b>	<b>13.7</b>	<b>1.2</b>	<b>3.7</b>	<b>6.0</b>	<b>8.6</b>	<b>3.4</b>	<b>3.0</b>	<b>3.9</b>	<b>0.8</b>	<b>1.3</b>	<b>1.7</b>	<b>11.0</b>	<b>:</b>	<b>1.8</b>
<b>11.</b>	<b>HOTELS, CAFES AND RESTAURANTS</b>	<b>70.6</b>	<b>66.9</b>	<b>68.4</b>	<b>90.4</b>	<b>117.8</b>	<b>91.2</b>	<b>156.9</b>	<b>119.5</b>	<b>63.6</b>	<b>48.6</b>	<b>157.4</b>	<b>121.7</b>	<b>80.4</b>	<b>47.7</b>	<b>127.0</b>	<b>64.8</b>	<b>45.4</b>
<b>11.1.</b>	<b>Catering</b>	<b>65.4</b>	<b>59.5</b>	<b>52.3</b>	<b>84.2</b>	<b>111.9</b>	<b>71.3</b>	<b>153.6</b>	<b>89.6</b>	<b>59.7</b>	<b>39.8</b>	<b>114.8</b>	<b>119.5</b>	<b>73.1</b>	<b>43.4</b>	<b>123.0</b>	<b>61.0</b>	<b>40.4</b>
11.1.1.	Restaurants and cafés	61.1	59.5	46.8	80.3	109.1	54.7	144.8	84.9	56.3	37.0	107.9	111.4	72.7	37.0	116.0	51.8	37.0
11.1.2	Canteens	4.3	:	5.5	3.9	2.8	16.6	8.8	4.7	3.4	2.8	6.9	8.1	0.4	6.4	7.0	9.2	3.3
<b>11.2.</b>	<b>Accommodation services</b>	<b>5.2</b>	<b>7.4</b>	<b>16.1</b>	<b>6.2</b>	<b>5.9</b>	<b>19.9</b>	<b>3.4</b>	<b>30.0</b>	<b>3.9</b>	<b>8.8</b>	<b>42.6</b>	<b>2.2</b>	<b>7.3</b>	<b>4.3</b>	<b>4.0</b>	<b>3.8</b>	<b>5.0</b>
<b>12.</b>	<b>MISCELLANEOUS GOODS AND SERVICES</b>	<b>59.5</b>	<b>66.0</b>	<b>46.9</b>	<b>64.3</b>	<b>43.5</b>	<b>74.2</b>	<b>37.9</b>	<b>84.1</b>	<b>53.3</b>	<b>53.1</b>	<b>50.2</b>	<b>47.2</b>	<b>40.5</b>	<b>40.0</b>	<b>48.0</b>	<b>77.7</b>	<b>35.0</b>
<b>12.1.</b>	<b>Personal care</b>	<b>29.4</b>	<b>19.9</b>	<b>24.5</b>	<b>24.1</b>	<b>25.7</b>	<b>31.1</b>	<b>25.6</b>	<b>39.3</b>	<b>29.6</b>	<b>25.2</b>	<b>27.4</b>	<b>30.6</b>	<b>23.9</b>	<b>18.8</b>	<b>26.0</b>	<b>33.8</b>	<b>24.3</b>
12.1.1.	Hairdressing salons and personal grooming establishments	13.1	7.8	10.7	3.8	9.7	11.4	11.7	21.3	13.2	10.6	10.5	15.0	9.9	6.8	7.0	14.6	9.8
12.1.2.	Appliances, articles, and products for personal care	16.3	12.1	13.8	20.2	16.0	19.7	13.9	18.0	16.4	14.6	16.9	15.6	14.0	12.0	19.0	19.1	14.5
<b>12.2.</b>	<b>Personal effects n.e.c.</b>	<b>6.9</b>	<b>8.5</b>	<b>9.4</b>	<b>10.5</b>	<b>5.7</b>	<b>13.9</b>	<b>5.3</b>	<b>30.3</b>	<b>10.9</b>	<b>8.8</b>	<b>12.7</b>	<b>10.8</b>	<b>9.9</b>	<b>9.2</b>	<b>9.0e</b>	<b>7.1</b>	<b>5.4</b>
<b>12.4.A</b>	<b>Insurance</b>	<b>8.7</b>	<b>3.5</b>	<b>5.7</b>	<b>11.6</b>	<b>4.0</b>	<b>11.7</b>	<b>2.5</b>	<b>1.8</b>	<b>5.5</b>	<b>9.8</b>	<b>7.0</b>	<b>5.3</b>	<b>3.7</b>	<b>7.3</b>	<b>6.0</b>	<b>6.6</b>	<b>5.3</b>
12.4.2.A	Insurance connected with the dwelling - Contents	1.2	1.3	2.3	0.5	0.5	5.1	0.6	:	0.5	3.5	2.7	0.6e	1.4e	2.8	2.0	2.5	1.1
12.4.4.A	Insurance connected with transport - Car	7.6	2.2	3.4	11.1	3.4	6.6	1.9	1.8	5.0	6.3	4.4	4.7e	2.3e	4.5	4.0	4.1	4.1
<b>12.5.A</b>	<b>Banking services n.e.c.</b>	<b>3.5</b>	<b>20.4</b>	<b>2.0</b>	<b>:</b>	<b>0.1</b>	<b>7.0</b>	<b>1.1</b>	<b>3.2</b>	<b>0.3</b>	<b>0.3</b>	<b>2.1</b>	<b>0.2</b>	<b>0.9</b>	<b>1.5</b>	<b>2.0</b>	<b>13.8</b>	<b>:</b>
<b>12.6.A</b>	<b>Other services n.e.c.</b>	<b>11.0</b>	<b>13.7</b>	<b>5.3</b>	<b>18.1</b>	<b>8.1</b>	<b>10.5</b>	<b>3.4</b>	<b>9.5</b>	<b>7.0</b>	<b>9.0</b>	<b>1.0</b>	<b>0.3</b>	<b>2.2</b>	<b>3.1</b>	<b>5.0</b>	<b>16.4</b>	<b>:</b>





## ON THE COMPUTATION OF HARMONIZED INDICES OF CONSUMER PRICES - (HICPs)<sup>(1)</sup>

**Price Comparisons Unit**  
**Sector: Harmonization of Consumer Price Indices**

*(as of December 2001)*

*On 23 October 1995, the EU Council of Ministers adopted a Regulation setting the legal basis for establishing a harmonized methodology for compiling Consumer Price Indices (CPIs) in EU Member States. The Harmonized Indices of Consumer Prices (HICPs) are consumer prices indices compiled on the basis of a legislated methodology but, for those interested only in the statistical issues, they can be seen as price indices the methodology of which happens to be presented in a legal form, which imposes a useful discipline not found in many statistics. This paper outlines the background to this major project and explains the computational aspects of HICPs and some of the major technical issues involved.*

**Keywords:** Harmonization, Consumer Price Indices, Chain indices, Macro index formulae, Elementary aggregates, Geometric mean, Mean of price relatives, Newly significant goods and services, Quality of weights, Critical weights, Updating of weights, Monetary Union Index of Consumer Prices, European Index of Consumer Prices

### 1. Background

- 1.1 More than twenty years ago the need for harmonizing CPI methodologies was identified by Eurostat. Although Eurostat had published regular bulletins containing the Consumer Price Indices (CPIs) of Member States, those data simply referred to the national CPIs as published in Member States without any attempt to adjust for methodological differences. A European “average” CPI was also calculated, but only by taking a weighted average of the unadjusted national indices.
- 1.2 With the Treaty on European Union (“Maastricht Treaty”), it became imperative to compare consumer price inflation between Member States unaffected by differences in the way it is measured. The decision on the participating Member States of Stage III of Economic and Monetary Union (EMU) was, amongst other convergence criteria, dependent on the achievement of a high degree of price stability. Protocol No 6 that develops Article 121 of the Treaty of Amsterdam (109j of the Treaty establishing the European Community) states that “inflation shall be measured by

<sup>(1)</sup> To a large extent, this document is based on the “Paper on the implementation of Harmonized Indices of Consumer Prices of January 1997”. Long passages have been taken from this paper and other internal Eurostat papers and legal documents without an explicit acknowledgment at the places they have been introduced.

means of a consumer price index on a comparable basis, taking into account differences in national definitions". This requirement is being met through the implementation of Harmonized Indices of Consumer Prices (HICPs).

- 1.3. Although HICPs provide the best available statistical basis for international comparisons of consumer price inflation HICPs are not and will never be "fully" harmonized consumer price indices, inasmuch as, in line with the Treaty, the aim is comparability and not full harmonization. National differences will thus continue to exist but at a level where the comparability requirement is not breached.
- 1.4. HICPs provide the basis for compiling the European Index of Consumer Prices (EICP) and the Monetary Union Index of Consumer Prices (MUICP) which provides the official measure of inflation in the euro-zone for the European Central Bank (ECB).
- 1.5. HICPs were established by means of Council Regulation (EC) No 2494/95 (HICP framework Council Regulation) following a minimum standard approach. As a general rule, where the measured rate of inflation was affected by a particular and distinct national practice, such national CPI practices had to be adjusted in order to produce HICPs. Appropriate minimum standards are laid down in implementing Commission Regulations which specify the outputs, leaving it to Member States to decide how to achieve them. EU Regulations are binding in their entirety and directly applicable in all Member States.

## 2. Macro formula

- 2.1. Article 9 of the HICP framework Council Regulation requires that the HICP shall be a Laspeyres-type index. Though HICPs and CPIs produced by Member States may differ in detail, they can be broadly described as Laspeyres-type indices. That is, indices in which the month to month movements in prices are measured as an average of price indices using expenditure weights which are an appropriate reflection of the pattern of consumption of, and the structure of prices paid by, the index population in the weight reference period.
- 2.2. In practice, there are three types of base period used in the construction of CPIs: the period from which the expenditures for weights are obtained ("weight reference period"); the period in which base prices are valued ("price reference period"); and the period in which the index base is set to 100 ("index reference period"). Since HICPs are derived from national CPIs there were, and still are, differences between national CPIs in all these reference periods.
- 2.3. Furthermore, HICPs differ in the frequency of updating weights <sup>(2)</sup>. Some Member States update weights every five years, i.e. they apply a "fixed base index formula", while other are updating weights every year, i.e. they apply a "chain index formula". The current state of play with respect to the use of the fixed base or the chain formula is given in table 8 in section 6.4.5 of the "Report from the Commission to the Council on harmonization of consumer price indices in the European Union" from 2000.

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<sup>(2)</sup> See also Chapter 7 of this document.

2.4. In order to obtain a consistent set of HICPs with sub-indices allowing for aggregations of several sub-indices, groups of countries, the EMU, the EU or the EEA as a whole, it was necessary to present the HICPs as if they were all computed in the same way. Hence, it was necessary to apply a common index reference period and a common weight reference period.

2.5. The HICP Council Regulation sets the **index reference period** as 1996 = 100. Changing the index reference period to the year 1996 = 100 involves division by the average of the index for 1996. For example, the HICP for February 1998 which, due to the reference base of the national CPI from which it is derived has, for example, the year 1994 as index reference base is re-referenced to the year 1996 as shown in the following equation:

$${}_{96}H_{F98} = \frac{{}_{94}H_{F98}}{{}_{94}H_{96}} = \frac{\sum W_{94}^i {}_{94}H_{F98}^i}{\sum W_{94}^i {}_{94}H_{96}^i} \quad (1)$$

where  ${}_{96}H_{F98}$  is the overall HICP for February 1998 taking 1996 as 100,  ${}_{94}H_{F98}$  is the overall HICP for February 1998 taking 1994 as 100,  ${}_{94}H_{96}$  is the overall HICP for the year 1996 (annual average) taking 1994 as 100,  ${}_{94}H_{F98}^i$  is the sub-index for the  $i^{\text{th}}$  COICOP/HICP <sup>(3)</sup> category <sup>(4)</sup> taking 1994 as 100, and  $W_{94}^i$  are the item weights referring to the year 1994.

2.6. In order to achieve a common **weight reference period**, the item weights for all Member States need to be expressed at the same prices as the annual chain index countries. This is done by “re-referencing” or “price updating” the HICPs and their sub-indices; that is to express the movements in the HICP and its sub-indices by reference to the average level of prices in 1996, and subsequently to each December from December 1996 onwards. Price updating is simply a scaling exercise which in itself has no effect on the measured rate of inflation. However, it allows and provides for the construction of indices for groups of countries or the EU as a whole. The procedure of using the equivalent chained formula for the fixed weights index also allows the selective updating of weights, where it is not the expenditure weights but the underlying quantities that are replaced.

2.7. Price updating means that the item weights are adjusted according to the movement in the index and then re-scaled to equal unity. Taking the example of equation (1), the item weights referring to the year 1994 are price updated to the year, that is:

$${}_{96}H_{F98} = \sum W_{94(96)}^i {}_{96}H_{F98}^i, \quad (2)$$

<sup>(3)</sup> Classification Of Individual COnsumption by Purpose (COICOP) adapted of the needs of HICPs.

<sup>(4)</sup> More generally, it might relate to a single elementary aggregate or to a weighted average of a number of elementary aggregates.

which can be achieved by taking:

$$W_{94(96)}^i = \frac{W_{94\ 94}^i H_{96}^i}{\sum W_{94\ 94}^i H_{96}^i} \quad (3)$$

$${}_{96}H_{F98}^i = \frac{{}_{94}H_{F98}^i}{{}_{94}H_{96}^i} \quad (4)$$

It follows:

$${}_{96}H_{F98} = \sum W_{94(96)}^i {}_{96}H_{F98}^i = \sum \left\{ \frac{\bar{P}_{96} \bar{Q}_{94}}{\sum \bar{P}_{96} \bar{Q}_{94}} \right\} \cdot \left\{ \frac{P_{F98}}{\bar{P}_{96}} \right\} \quad (5)$$

- 2.8. In a strict Laspeyres index the weights would correspond to the expenditures actually covered by the required sub-indices of the HICP in 1996. That is:

$${}_{96}L_{F98} = \sum W_{96}^i {}_{96}L_{F98}^i = \sum \left\{ \frac{\bar{P}_{96} \bar{Q}_{96}}{\sum \bar{P}_{96} \bar{Q}_{96}} \right\} \cdot \left\{ \frac{P_{F98}}{\bar{P}_{96}} \right\} \quad (6)$$

- 2.9. The HICPs of all Member States may now be computed using the same formula. For example, the HICP for February 1998 with 1996 = 100, measuring through December 1996 and December 1997, is given by:

$$\begin{aligned} {}_{96}H_{F98} &= \\ &= \sum W_{1(96)}^i {}_{96}H_{D96}^i \cdot \sum W_{2(D96)}^i {}_{D96}H_{D97}^i \cdot \sum W_{3(D97)}^i {}_{D97}H_{F98}^i \\ &= \frac{\sum P_{D96} Q_1}{\sum \bar{P}_{96} Q_1} \cdot \frac{\sum P_{D97} Q_2}{\sum P_{D96} Q_2} \cdot \frac{\sum P_{F98} Q_3}{\sum P_{D97} Q_3} \end{aligned} \quad (7)$$

where  $Q_1 = Q_2 = Q_3 = \bar{Q}_{94}$  are the quantities consumed in 1994.

- 2.10. Assuming that  $Q_1 = Q_2 = Q_3 = \bar{Q}_{94}$ , the December figures in equation (7) cancel out. Hence, equation (7) is equivalent to an HICP were the weight reference period is 1994 and the index reference period is 1996 = 100, which again is equivalent to a ratio of an HICP for February 1998 to an HICP for the year 1996 with 1994 weights and an index reference period of 1994 = 100. This is:

$$\begin{aligned}
 {}_{96}H_{F98} &= \frac{\sum P_{F98} \bar{Q}_{94}}{\sum \bar{P}_{96} \bar{Q}_{94}} = \\
 &= \frac{\sum \frac{P_{F98}}{\bar{P}_{94}} \cdot \frac{\bar{P}_{94} \bar{Q}_{94}}{\sum \bar{P}_{94} \bar{Q}_{94}}}{\sum \frac{\bar{P}_{96}}{\bar{P}_{94}} \cdot \frac{\bar{P}_{94} \bar{Q}_{94}}{\sum \bar{P}_{94} \bar{Q}_{94}}} = \frac{{}_{94}H_{F98}}{{}_{94}H_{96}}
 \end{aligned} \tag{8}$$

- 2.11 If, for example, in December 1997 the weight reference year changes from 1991 to 1996, that is  $Q_1 = Q_2 = \bar{Q}_{91}$  and  $Q_3 = \bar{Q}_{96}$ , then it follows from equation (7):

$$\begin{aligned}
 {}_{96}H_{F98} &= \frac{\sum P_{D97} \bar{Q}_{91}}{\sum \bar{P}_{96} \bar{Q}_{91}} \cdot \frac{\sum P_{F98} \bar{Q}_{96}}{\sum P_{D97} \bar{Q}_{96}} = {}_{96}H_{D97} \cdot {}_{D97}H_{F98} \\
 &= \frac{{}_{91}\hat{H}_{D97}}{{}_{91}\hat{H}_{96}} \cdot \frac{{}_{96}H_{F98}}{{}_{96}H_{D97}}
 \end{aligned} \tag{9}$$

where, for example,  ${}_{91}\hat{H}_{D97}$  is an index for December 1997 with 1991 as index, price and weight reference.

- 2.12. Using equation (1) one can calculate forward from, say, 1994 but a calculation can also be expressed backwards in terms of 1996 referenced weights from equation (7). For example:

$$\begin{aligned}
 {}_{96}H_{J95} &= \frac{{}_{94}H_{J95}}{{}_{94}H_{96}} = \frac{\sum W_{94}^i {}_{94}H_{J95}^i}{\sum W_{94}^i {}_{94}H_{96}^i} = \\
 &= \frac{\sum \frac{P_{J95}^i Q_{94}^i}{\bar{P}_{96}^i Q_{94}^i}}{\sum \frac{P_{96}^i Q_{94}^i}{\bar{P}_{96}^i Q_{94}^i}} = \sum W_{94(96)}^i {}_{96}H_{J95}^i
 \end{aligned} \tag{10}$$

This is straightforward as long as all the sub-indices are available. If weights and indices are missing, the aggregation can be taken over those that are available using the corresponding weights scaled to 1.

- 2.13. The annual re-referencing described above has the added advantage that Member States can make changes to their HICPs in any December without introducing a discontinuity. In particular, new weights or new goods and services may be brought into the index <sup>(5)</sup>.

<sup>(5)</sup> See also Chapters 5, 6 and 8 of this document.

### 3. Price indices for elementary aggregates

3.1 The aim of Article 7 of Commission Regulation (EC) No 1749/96 on initial implementing measures for Council Regulation (EC) No 2494/95 concerning Harmonized Indices of Consumer Prices is to establish the formulae for combining basic price data at the lowest level of aggregation where no weighting data are available. An “elementary aggregate index” is defined as a price index for an elementary aggregate comprising only price data; an “elementary aggregate” refers to the expenditure or consumption covered by the most detailed level of stratification of the HICP and within which reliable expenditure information is not available for weighting purposes.

3.2. The fact that different formulae for compiling elementary aggregate indices can result in different CPIs has long been known and the technical experts of National Statistical Institutes have generally acknowledged this as a major source of non-comparability. However, since no single formula commands universal support Regulation (EC) No 1749/96 nominates the two most used formulae, i.e. the ratio of arithmetic mean prices and the ratio of geometric mean prices, and formulae not differing systematically from these. It prohibits the use of a formula, i.e. the arithmetic mean of price relatives, which is or has been used by a number of Member States to compute their national CPI, but which has been shown to give systematically different results.

3.3. When compiling price indices for elementary aggregates either the ratio of arithmetic

mean prices  $\frac{\frac{1}{n} \sum p^t}{\frac{1}{n} \sum p^b}$  or the ratio of geometric mean prices  $\frac{[\prod p^t]^{1/n}}{[\prod p^b]^{1/n}}$ , where  $p^t$

is the current price,  $p^b$  the reference price and  $n$  the number of such prices in the elementary aggregate, shall be used. An alternative formula may be used provided that it fulfils the comparability requirement.

3.4. According to Article 7 of Commission Regulation (EC) No 1749/96, HICPs shall be compiled using either of the two formulae given above or an alternative comparable formula which does not result in an index which differs systematically from an index compiled by either of the given formulae by more than one tenth of one percentage point on average over one year against the previous year.

3.5. The arithmetic mean of price relatives  $\frac{1}{n} \sum \frac{P^t}{P^b}$  should not normally be used, as it will in many circumstances result in failure to meet the comparability requirement. It may be used exceptionally where it can be shown not to fail the comparability requirement.

3.6. The price index for an elementary aggregate may be calculated as a chain index using one of the above two preferred formulae. For example using the ratio of arithmetic means:

$$I^{tb} = \frac{\sum_{i \in S_b} P_i^1}{\sum_{i \in S_b} P_i^b} \cdot \frac{\sum_{i \in S_1} P_i^2}{\sum_{i \in S_1} P_i^1} \cdots \frac{\sum_{i \in S_{t-1}} P_i^t}{\sum_{i \in S_{t-1}} P_i^{t-1}}, \quad (11)$$

where  $P_i^t$  denotes the  $i^{\text{th}}$  price quotation for a given elementary aggregate in period  $t$  and  $S_t$  denotes the sample of prices obtained for the elementary aggregate in period  $t$ . This sample may in practice be updated monthly or, more usually, when prices cannot be obtained, over longer periods. If between base period  $b$  and period  $t$  there is

no replenishing at all  $H^{tb}$  becomes  $H^{tb} = \frac{\sum_{i \in S_b} P_i^t}{\sum_{i \in S_b} P_i^b}$ , the simple ratio of arithmetic

means (or similarly with the geometric formula described above). The arithmetic mean of price relatives must not be used where chaining is more frequent than annual.

- 3.7. Commission Regulation (EC) No 1749/96 required an immediate change only for those Member States using the arithmetic mean of price relatives formula for the calculation of elementary aggregates. This formula needed to be changed for January 1997. Member States were not required to change the formula for the indices before January 1997, however, they were free to do so and this was desirable. Member States which use formulae other than the ratio of arithmetic mean prices or the ratio of geometric mean prices, demonstrated that the alternatives used meet the comparability requirement.

#### 4. Newly significant goods and services

- 4.1. Article 4 of Commission Regulation (EC) No 1749/96 ensures that HICPs keep broadly in step with each other and up-to-date in terms of market developments. In general, new products are incorporated in the HICP as soon as they achieve a sales volume of over 1 part per thousand of total consumers' expenditure in the Member State. Member States were required to build up a monitoring system for identifying newly significant goods and services from January 1997.
- 4.2. The Regulation is not concerned with whether particular long standing goods or services are represented in the CPI or whether old goods or services are dropped when they are no longer significant in current consumption.
- 4.3. The adjustment of weights necessary for the inclusion of newly significant goods and services is left to Member States to decide. A newly significant good or service can be added within an existing category of COICOP/HICP either:
- a) by assigning part of the weight to the new good or service but without increasing the overall weight of the category, or
  - b) by assigning an appropriate additional weight to the new good or service and adding this to the category (re-scaling all weights).
- 4.4. The Regulation cannot be interpreted as a requirement to update weights in general.

## 5. Introducing new sub-indices to the HICP

- 5.1. As required by the HICP Council Regulation, on 7 March 1997 the Commission (Eurostat) launched the first set of HICPs for all EU Member States, Iceland and Norway. They replaced the interim indices as the best measure for comparing consumer price inflation between Member States. The HICP is a new and different index for measuring inflation and not just an "extended interim index". In contrast to the interim indices, which were entirely based on the national CPIs and only adjusted to make the coverage of goods and services as comparable as possible, the HICPs are also (and in particular) harmonized with respect to certain methodological aspects of the index construction.
- 5.2. Article 3 of Commission Regulation (EC) No 1749/96 had defined the initial coverage of the HICP as in January 1997. The additions to coverage as compared with the interim indices include in particular insurance for cars and dwellings, package holidays, banking services, several administrative fees and charges, educational goods and services such as evening classes, and health goods which are obtainable without prescription. The combined weight of these additions had accounted for about 5% of total consumer spending on average across Member States.
- 5.3. About 6% of total consumer spending had not been covered by the HICP because either no Member State had had technical solutions for the treatment of such goods and services or the methods and practices had had to be refined before comparability could be assured. Virtually complete item coverage was achieved in two waves, in December 1999 and in December 2000. The main extensions of coverage concerned health, education, social protection services such as retirement homes, and further insurance services.

Council Regulation (EC) No 1687/98 extended the coverage of goods and services of the HICP as described above. Annex Ia to this Regulation contains the initial coverage in January 1997 and additions in December 1999 and in December 2000. The additions concern mainly the following sub-indices.

### Sub-indices to be fully implemented December 1999

04.	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	
04.1.1.	Actual rentals paid by tenants	Extended in 1999 to achieve a harmonized treatment of subsidies
04.1.2.	Other actual rentals	
04.4.1.	Refuse collection	Extended to cover also "tax-like" charges; excluded only if financed out of general taxation
04.4.2.	Sewerage services	
04.4.3.	Water supply	
06.	HEALTH	
06.1.1.	Medical products, appliances and equipment	Extended to cover the net-expenditure of a consumer (on health goods and services) inside the social security system



06.2.1.	Medical services	To be implemented in Dec. 1999 using the net/net concept
06.2.2.	Dental services	See 06.2.1.
06.2.3.	Paramedical services	See 06.2.1.
09.	<b>RECREATION AND CULTURE</b>	
09.5.1.	Books	Extended to cover the net-expenditure of a consumer (on educational goods and services)
09.5.4.	Stationery and drawing materials	
10.	<b>EDUCATION</b>	
10.1.1.	Pre-primary and primary education	See 06.2.1.
10.1.2.	Secondary education	See 06.2.1.
10.1.3.	Tertiary education	See 06.2.1.
10.1.4.	Education not definable by level	Extended to cover the net-expenditure of a consumer (on computer, language, and other such courses)
11.	<b>HOTELS, CAFES AND RESTAURANTS</b>	
11.1.2.	Canteens	Extended to cover the net-expenditure of a consumer (on canteens and accommodation of boarding schools, universities and other educational establishments)
11.2.1.	Accommodation services	
12.	<b>MISCELLANEOUS GOODS AND SERVICES</b>	
12.3.1.	Social protection services <sup>(1)</sup>	See 06.2.1.
12.4.2.	Insurance connected with the dwelling	Extended to cover the service charge of all kinds of insurance taken out by tenants against fire, theft, etc. instead of just contents insurance
12.4.3.	Insurance connected with health	
12.4.4.	Insurance connected with transport	Extended to cover also travel and luggage insurance
12.4.5.	Other insurance	
12.5.1.	Financial services n.e.c.	Extended to cover banking services and other financial services

<sup>(1)</sup> Will be partly implemented in December 1999.

The following sub-indices were implemented in December 2000 as confirmed in Council Regulation (EC) No 2166/1999 concerning the treatment of education, health, and social protection sectors in the HICP:

- (a) Social protection services provided within the home, such as home cleaning, meals, transport for the disabled;

- (b) Hospital services (COICOP/HICP 06.3);
- (c) Retirement homes, residence for the disabled.

5.4. A procedure has been given where a new sub-index, which is currently not covered, needs to be introduced to the HICP, for example from December 1997. The National Statistical Institute provides an estimate for the expenditure on this new sub-index relative to the total expenditure covered by the HICP. The following algebra shows how the new sub-index is introduced in December 1997, i.e. by changing the last link in equation (7):

$${}_{96}H_{F98} = {}_{96}H_{D96} \cdot {}_{D96}H_{D97} \cdot \left\{ \sum_{i \neq n} w^i \cdot {}_{D97}H_{F98}^i + w^n \cdot {}_{D97}H_{F98}^n \right\} \quad (12)$$

where  ${}_{D97}H_{F98}^n$  is the price index for the sub-index. The first term in the bracket is the index without the new sub-index but with weights re-scaled so that  $\sum w^i + w^n = 1$ . The  $w^i$  and  $w^n$  are expenditures with quantities expressed at December 1997 prices. Those in the  $w^i$  are from the weight reference period, e.g. 1994, whereas those for the new sub-index may relate to 1997. For presentational purposes, the new index is introduced with index reference period December 1997=100 (in general, December of last year before it is included in the HICP is set to 100).

## 6. Treatment of price increases from zero to a positive value

- 6.1. A different procedure from the one described in Chapter 5 needs to be followed, if a charge is introduced for a good or service which has previously been provided for free. Examples are the introduction of motorway tolls or of charges for bank cheques. These new charges shall be captured by the HICP as a price increase from zero to a positive value. Since for both points in time, before and after the introduction of the charge, prices and quantities are observable, the data can be directly incorporated in the HICP. This situation is different from the introduction of a newly significant good or service in the HICP, because for a new good the price is unknown at the first point in time when the quantity is zero.
- 6.2. Where a new charge  $n$ , e.g. the motorway toll, is to be included because its price has risen from zero to a positive value it must be introduced in the month when the price changes. The procedure may be understood most easily by viewing the index as the changing cost of a fixed basket rather than a weighted average of the price indices. That is, supposing that the new charge is to be included in March 1997 (M97) from equation (7) we have:

$${}_{96}H_{M97} = {}_{96}H_{D96} \cdot \frac{\text{cost of reference basket at M 97 including } P_{M97}^n \bar{Q}_0^n}{\text{cost of reference basket at D 96 with } P_{D96}^n = 0} \quad (13)$$

where  $\bar{Q}_0^n$  is the quantity of the items acquired (at a zero price) in the reference period "0".

- 6.3. The cost of the basket at M97 is simply increased by the cost of paying the new charge  $P_{M97}^n \cdot \bar{Q}_0^n$  in March 1997. Estimating this additional cost may not be so simple but acceptable estimates should usually be possible. As a first approximation it is the proportion of current consumers' expenditure (covered by the index) on the new charge.
- 6.4. In order to preserve the computational form of the HICP given in equation (7) the expenditure must be included within an appropriate sub-index. The index weights are unchanged. Thus we have, adding the new charge in equation (13):

$${}_{96}H_{M97} = {}_{96}H_{D96} \cdot \frac{\sum^i P_{M97}^i \bar{Q}_0^i + P_{M97}^n \bar{Q}_0^n}{\sum^i P_{D96}^i \bar{Q}_0^i} \quad (14)$$

taking the new charge **n** as part of sub-group **s** this becomes:

$${}_{96}H_{M97} = {}_{96}H_{D96} \cdot \left\{ \frac{\sum^{i \neq s} P_{M97}^i \bar{Q}_0^i}{\sum^i P_{D96}^i \bar{Q}_0^i} + \frac{P_{M97}^s \bar{Q}_0^s + P_{M97}^n \bar{Q}_0^n}{\sum^i P_{D96}^i \bar{Q}_0^i} \right\} \quad (15)$$

$$\begin{aligned} & {}_{96}H_{M97} = {}_{96}H_{D96} \cdot \left[ \sum^{i \neq s} \frac{P_{M97}^i}{P_{D96}^i} \left\{ \frac{P_{D96}^i \bar{Q}_0^i}{\sum^i P_{D96}^i \bar{Q}_0^i} \right\} + \right. \\ & \left. + \left\{ \frac{P_{M97}^s}{P_{D96}^s} \right\} \cdot \left\{ \frac{P_{M97}^s \bar{Q}_0^s + P_{M97}^n \bar{Q}_0^n}{P_{M97}^s \bar{Q}_0^s} \right\} \cdot \left\{ \frac{P_{D96}^s \bar{Q}_0^s}{\sum^i P_{D96}^i \bar{Q}_0^i} \right\} \right] \quad (16) \end{aligned}$$

That is:

$${}_{96}H_{M97} = {}_{96}H_{D96} \cdot \left\{ \sum^{i \neq s} {}_{D96}H_{M97}^i W_{0(96)}^i + {}_{D96}H_{M97}^s \left( \frac{E_{M97}^{s+n}}{E_{M97}^s} \right) W_{0(96)}^s \right\} \quad (17)$$

- 6.5. The overall index may thus be calculated exactly as it would be without the new charge but with a revised sub-index group **s** which includes the new charge, its weight ( $W_0^s$ ) remaining unchanged. The revised sub-index is:

$${}_{D96}H_{M97}^{s+n} = {}_{D96}H_{M97}^s \left( \frac{E_{M97}^{s+n}}{E_{M97}^s} \right) \quad (18)$$

The terms in brackets reflect the increase in the cost of the sub-groups **s** as a result of the **0** to  $P_{M97}^n$  increase in the price of **n**.

## 7. The quality of HICP weights

- 7.1. Article 8(3) of the HICP framework Council Regulation requires that HICP weights are sufficiently up-to-date to ensure comparability whilst avoiding the cost of having Household Budget Surveys more frequently than every five years. Article 5(3) further requires that implementing measures for maintaining the “reliability and relevance” of the HICPs be adopted. Commission Regulation (EC) No 2454/97 on minimum standards for the quality of HICP weightings seeks to meet these requirements whilst imposing a minimum burden on Member States and allowing maximum freedom in the methods used.
- 7.2. From 1998 Member States are required to review their weights every year. The weights used can in general relate to a weight reference period up to seven years prior to the current year. However adjustments need to be made for significant changes in expenditure patterns in the intervening periods. This will remove most of the non-comparability between HICPs which arises purely from methodological differences in weighting, i.e. the difference between annual and less frequent base year revision. The issue of “chain” versus “fixed base” formula for the HICP has been one of the most controversial and time-consuming issue addressed in the harmonization process.
- 7.3. Where a weight is identified as suspect, Member States should make an improved estimate and introduce an appropriate adjustment, from the following January index, where this would exceed the threshold effect of 0.1% points on the annual rate of inflation. What is an “appropriate” adjustment is for the Member State to decide. Alternative estimates of relative expenditures will be subject to various sources of error, including short term and cyclic variations in actual or estimated expenditures. The aim is to ensure that the adjusted weights are the best estimates that can be made on the information available.
- 7.4. The precise method of reviewing the weights is left to Member States to decide and to justify. Eurostat has suggested that it is possible to develop quality control procedures which focus on those relatively few weights which will be critical for the comparability, relevance and reliability of the HICP. One possibility is the **test for critical weights** described in what follows.
- 7.5. “Critical weights” are defined as those weights which present a significant risk of affecting the comparability, relevance or reliability of the HICP given the actual divergence of the movement in the corresponding price index from the movement in the overall HICP over any 12 month period.
- 7.6. The HICP is defined as the weighted average of sub-indices

$$H = \sum W^i H^i \quad (19)$$

- 7.7. The change in the HICP over any period e.g. 12 months can be expressed in the same way where the weights are price updated or re-valued to the start of the period and the price indices are measured from the start to the end of the period. Strictly, provided that there is no change in the weights over the period but approximately so if there is a change. We can take the summation of the index over any number of components and treat any sub-division of the result. If we consider two components

$$H = H^1 W^1 + H^2 W^2 \quad (20)$$

(where the first component may be the index and weight for personal computers and the second component is all other goods and services)

and suppose that there is an error ( $+e$ ) in the weight  $W^1$  such that  $H$  is estimated as

$$\hat{H} = H^1 (W^1 + e) + H^2 (W^2 - e) \quad (21)$$

then the error in estimating  $H$  is from equation (21) minus equation (20)

$$\hat{H} - H = (H^1 - H^2) e \quad (22)$$

substituting for  $H^2$  from equation (21) and putting  $W^2 = 1 - W^1$  we have

$$\hat{H} - H = (H^1 - \hat{H}) \frac{e}{(1 - W^1 - e)} \quad (23)$$

- 7.8. Thus, for example, if  $H^1$  is 112 and  $\hat{H}$  is 102,  $W^2$  is 900 out of 1000, then an error of 10 in 1000 gives an error in  $H$  of

$$\hat{H} - H = (112 - 102) \frac{10}{890} = 0.11 \text{ \% points}$$

That is, if the weight  $W^1$  is overstated by 10 percent (as 110 instead of 100 in 1000) then the HICP will be overstated by 0.1 percentage points. It is important to appreciate that this will be the case in very few instances.

- 7.9. From equation (23) we can determine the maximum error allowed in a weight before a given deviation between a particular sub-index (or component index) and the HICP leads to an error of 0.1% points in the HICP. Thus we have

$$e_{max}^j = \frac{0.1 (1 - W^j)}{0.1 + (H^j - \hat{H})} \quad (24)$$

or for a proportionate error

$$\left( \frac{e^j}{W_j} \right)_{max} = \frac{0.1 (1 - W^j)}{W^j \{ 0.1 + (H^j - \hat{H}) \}} \quad (25)$$

Equations (24) and (25) may be used to show where there is the highest risk of error in the HICP resulting from errors in the weights. They are quite general applying to any sub-index ( $j$ ) or an aggregation of sub-indices or to an elementary aggregate.

- 7.10. In order to establish whether the HICP might be sensitive to a systematic effect across a large number of categories the test can be used to focus on the relevant categories. For example, the test can be applied to the set of sub-indices (or elementary aggregate indices) the prices of which have risen by a given number of percentage points faster than average. If the  $e^j$  is the error in the price updated weight  $W^j$ , say for month  $t$ , and  $H$  and  $H^j$  are indices for month  $t+12$  with

respect to  $t$ , then equation (25) can be used to test when the error in the change over a year in the HICP

$$\hat{H} - H \geq 0.1\% \text{ points} \quad (26)$$

for the given grouping  $j$  of sub-indices. A maximum value for  $e_j$ , the weight error (i.e. absolute values 1, 2, 3 etc. parts per 1000), will be obtained and the likelihood of this having been exceeded considered. Sampling errors in estimating weights from Household Budget Surveys depend on the categories of goods and services.

- 7.11. Non-sampling errors will be important in many cases. A 10 percentage point deviation in prices changes for the sub-grouping from the HICP ( $H^j - H$ ) allows maximum errors  $e^j$  of around 7 to 10 for weights ranging from 300 down to 10 and below. At 300 the maximum error is 2%, at 50 the maximum error is 9% and both would be well in excess of the sampling errors though not in excess of two standard errors. If the price change deviation is only 5 percentage points then maximum allowable errors are doubled.
- 7.12. The test can thus be designed to focus on either single critical weights, for say telecommunications, or on a set of weights to determine whether they may have given an under or over statement of inflation in the presence of the price movements that have actually occurred. The proposal is necessarily one for correcting errors after they have been made rather than preventing them from being made. It would, however, be open to Member States to use the test where divergent prices are expected and thus to anticipate the need for weight changes.

## 8. Updating weights in the HICP

- 8.1. A Member State may for example have evidence that the consumption of goods or services under a particular sub-index heading has increased between 1994 and 1996, for example that the weight for data processing equipment has increased from 2% of the total expenditure covered by the HICP in 1994 to 5% in 1996, but the price updated weight has declined to 1% (because it reflects only relative price changes). When the weights are re-referenced from 1994 to 1996, the weight for data processing equipment may be adjusted to 5% of total expenditure in 1996 (i.e. "volume updating") as follows:

Price updated weights are:	Data processing equipment	10
	Other goods and services	990
	(of which goods are = )	(500)

The required weights are:	Data processing equipment	50
	Other goods and services	950
	(of which goods are $500/990 \cdot 950 =$ )	(480)

- 8.2. The example in 8.1 illustrates the task of updating the weights to reflect a changed consumption pattern in the sense that different "volumes" of the goods and services are purchased. In what follows it is described how new weights would be introduced to the HICP in practice.

8.3. Assuming — for simplicity — that:

- (a) the HICP weights refer all to 1996,
- (b) the first review of weights was carried out in 1997,
- (c) the 1996 weights have been all replaced by 1997 weights.

Hence, for January 1998 equation (7) reads as follows:

$$\frac{\sum P_{D96} \bar{Q}_{96}}{\sum \bar{P}_{96} \bar{Q}_{96}} \cdot \frac{\sum P_{D97} \bar{Q}_{96}}{\sum P_{D96} \bar{Q}_{96}} \cdot \frac{\sum P_{J98} \bar{Q}_{97}}{\sum P_{D97} \bar{Q}_{97}} =$$

$$= {}_{96}H_{D96 \cdot D96} H_{D97 \cdot D97} H_{J98} = {}_{96}H_{J98}; \quad (27)$$

and the 12 month change January 1998 on January 1997 is obtained as follows:

$$\frac{{}_{96}H_{J98}}{{}_{96}H_{J97}} = \frac{\frac{\sum P_{D96} \bar{Q}_{96}}{\sum \bar{P}_{96} \bar{Q}_{96}} \cdot \frac{\sum P_{D97} \bar{Q}_{96}}{\sum P_{D96} \bar{Q}_{96}} \cdot \frac{\sum P_{J98} \bar{Q}_{97}}{\sum P_{D97} \bar{Q}_{97}}}{\frac{\sum P_{D96} \bar{Q}_{96}}{\sum \bar{P}_{96} \bar{Q}_{96}} \cdot \frac{\sum P_{J97} \bar{Q}_{96}}{\sum P_{D96} \bar{Q}_{96}}} =$$

$$= \frac{\sum P_{D97} \bar{Q}_{96}}{\sum P_{J97} \bar{Q}_{96}} \cdot \frac{\sum P_{J98} \bar{Q}_{97}}{\sum P_{D97} \bar{Q}_{97}} = {}_{J97}H_{D97 \cdot D97} H_{J98} \quad (28)$$

8.4. This is exactly the case of a chain index measuring not directly from January 1997 to January 1998 but linking the change from January 1997 to December 1997 with the change from December 1997 to January 1998.

8.5. Using equation (3), it can be demonstrated how price updating <sup>(6)</sup> works taking  ${}_{D96}H_{D97}$  as example:

$$\frac{{}_{96}H_{D97}}{{}_{96}H_{D96}} = {}_{D96}H_{D97} = \frac{\sum P_{D97} \bar{Q}_{96}}{\sum P_{D96} \bar{Q}_{96}} = \sum {}_{D96}H_{D97}^i \cdot \frac{{}_{96}H_{D96}^i W_{96}^i}{\sum {}_{96}H_{D96}^i W_{96}^i} =$$

$$= \sum W_{96(D96) \cdot D96}^i H_{D97}^i \text{ with } i = 1, \dots, n. \quad (29)$$

Since equation (29) expresses identities the change in price from December 1996 to December 1997 can be calculated using the last expression which is based on price updated weights or the first which is the ratio of two index figures with original 1996 weights. That is to say that price updating has no effect on the measured rate of inflation.

8.6. The procedure of using the equivalent chain form for the fixed weights index allows the selective updating of weights. We assume therefore now that in the 1997 review not all the weights

<sup>(6)</sup> See also Chapter 2 of this document.

<sup>(7)</sup> It is to be noted that the sub-indices and the weights must have the same price reference.

- (d) but only the weight of the  $n$ -th item has been replaced starting with index for January 1998. The last term of the chain becomes:

$$\begin{aligned}
 {}_{D97}H_{J98} &= \frac{\sum P_{J98}^j \bar{Q}_{96}^j + P_{J98}^n \bar{Q}_{97}^n}{\sum P_{D97}^j \bar{Q}_{96}^j + P_{D97}^n \bar{Q}_{97}^n} = \\
 &= \frac{\sum {}_{D97}H_{J98}^j \cdot P_{D97}^j \cdot \bar{Q}_{96}^j + {}_{D97}H_{J98}^n \cdot P_{D97}^n \cdot \bar{Q}_{97}^n}{\sum P_{D97}^j \bar{Q}_{96}^j + P_{D97}^n \bar{Q}_{97}^n} = \\
 &= \sum {}_{D97}H_{J98}^i \cdot W_{96,97(D97)}^i
 \end{aligned}
 \tag{30}$$

with  $j=1, \dots, n-1$ ;  $i=1, \dots, n$  and  $\sum W_{96,97(D97)}^i = 1$ .

- 8.7. Since the expression  $P_{D97}^n \cdot \bar{Q}_{97}^n$  can be also written as  ${}_{96}H_{D97}^n \cdot \bar{P}_{96}^n \cdot \bar{Q}_{97}^n$ , one recognises that not expenditure weights but only the underlying quantities are being replaced and that the weight of any item in the index expresses the expenditure on this item relative to all item expenditure at December 1997 prices.
- 8.8. The HICP is according to equation (7) constructed as a chain index. If there are no changes to weights, equation (7) is equivalent to a fixed base index. The chaining becomes effective if and only if there are changes to the weights, for instance on the grounds of Commission Regulation (EC) No 2454/97 on minimum standards for the quality of HICP weightings described in Chapter 7.

## 9. The Monetary Union Index of Consumer Prices (MUICP)

- 9.1. With the start of Stage III of Economic and Monetary Union Eurostat is required to calculate the Monetary Union Index of Consumer Prices (MUICP) following Council Regulation (EC) No 2494/95. The MUICP is the key instrument for monitoring price stability in the euro-zone.
- 9.2. The MUICP is calculated as a weighted average of the HICPs of the participating countries of Economic and Monetary Union (EMU). The index is computed as an annual chain index allowing country weights to change each year as well as allowing for inclusion of additional countries into the euro-zone. The country weights used are based on national accounts data referring to the year ending two calendar years prior to the current year. They are updated to December prices of the latest calendar year prior to the current one. For example, the country weights used in 1998 are national accounts data for 1996 price-updated to December 1997 using the HICPs of the participating countries for December 1997.

Up to 2000, the weight of a Member State is its share of private domestic consumption expenditure in the EMU total (NA aggregate a51 up to 1998, PPP sources in 1999 and 2000). Starting from 1999, expenditure on imputed rents is excluded from the weights. From 2001, the country weight of a Member State is its share of Household Final Monetary Consumption Expenditure (as measured under ESA-95) of the euro-zone total. Expenditure expressed in the former national currencies is converted into euro using the irrevocably locked conversion rates. The MUICP is calculated as a weighted average of the euro-zone regardless of its



composition. For instance, the MUICP for January 1999 can be written as follows:

$$\begin{aligned}
 {}_{96}M(X)_{J99} = & \sum_{m=1}^X {}_{96}c^m {}_{96}H_{D96}^m * \sum_{m=1}^X {}_{96(D96)}c^m {}_{D96}H_{D97}^m * \\
 & \sum_{m=1}^X {}_{96(D97)}c^m {}_{D97}H_{D98}^m * \sum_{m=1}^X {}_{97(D98)}c^m {}_{D98}H_{J99}^m
 \end{aligned} \tag{31}$$

with:

${}_{96}M(X)_{J99}$  as the MUICP at January 1999 for the X participating Member States of EMU with 1996 = 100;

$c^m$  as the country weight for Member State m, where

${}_{96}c^m$  is the country weight used in 1995 and 1996, which are National Accounts data for 1996,

${}_{96(D96)}c^m$  is the country weight used in 1997, which are National Accounts data for 1996 price-updated to December 1996,

${}_{96(D97)}c^m$  is the country weight used in 1998, which are National Accounts data for 1996 price-updated to December 1997, and

${}_{97(D98)}c^m$  is the country weight used in 1999, which are National Accounts data for 1997 price-updated to December 1998;

$H^m$  as HICP, for example  ${}_{D96}H_{D97}^m = \frac{\text{HICP for Member State m at December 1997}}{\text{HICP for Member State m at December 1996}}$ .

9.3. The MUICP sub-index i, of which there are N, will be calculated as follows:

$$\begin{aligned}
 {}_{96}M(X)_i^i_{J99} = & \sum_{m=1}^X {}_{96}c^m {}_{96}w^{mi} {}_{96}H_{D96}^{mi} * \sum_{m=1}^X {}_{96(D96)}c^m {}_{D96}w^{mi} {}_{D96}H_{D97}^{mi} * \\
 & \sum_{m=1}^X {}_{96(D97)}c^m {}_{D97}w^{mi} {}_{D97}H_{D98}^{mi} * \sum_{m=1}^X {}_{97(D98)}c^m {}_{D98}w^{mi} {}_{D98}H_{J99}^{mi}
 \end{aligned} \tag{32}$$

with:

${}_{96}M(X)_i^i_{J99}$  as MUICP sub-index i at January 1999 for the X participating Member States of EMU with 1996 = 100;

$w^{mi}$  as the sub-index weight i in Member State m, for example  ${}_{D96}w^{mi}$  as the sub-index weight i for Member State m used in 1997, which is the expenditure weight on this sub-index i in the weight reference period of Member State m price-updated to December 1996;

$H^{mi}$  as HICP sub-index i in Member State m.

- 9.4. The HICP refers to household final monetary consumption expenditure (HFMCE) which takes place on the economic territory of a Member State. The country weight should reflect a Member State's share of this aggregate in the EMU total. Since National Accounts (ESA-79) did not give exactly the value of HFMCE on the economic territory, the closest approximation needed to be chosen. The aggregate a51 "Private consumption expenditure on the economic territory" covers final consumption of households as well as collective consumption of private organisations and non-profit institutions serving households. The proportion of the latter is about the same in all Member States, hence the aggregate a51 is considered to be an appropriate estimate for HFMCE. Since all Member States have started to report their National Accounts data according to ESA 1995 <sup>(8)</sup>, it is now possible to distinguish between private and collective consumption, and hence to use "final consumption expenditure of households on the economic territory" as a better estimate of HFMCE.
- 9.5. The National Accounts aggregate a51 "Private consumption expenditure on the economic territory" as well as the "final consumption expenditure of households on the economic territory" are adjusted since January 1999 to exclude imputed rents for owner occupied housing. This provides a better estimate of HFMCE. These adjustments are provided by Member States since Eurostat does not receive National Accounts data at the required level of detail to carry out the calculations.
- 9.6. The value of expenditure for each Member State is given in the national currency. In order to establish the country's shares, those data have to be converted into the same currency. In the context of EMU fixed conversion rates are used, i.e. the bilateral exchange rates between the national currencies of the 11 participating Member States as announced by the Council on 3 May 1998. These fixed rates are used from 1995 onwards to convert the values of final consumption expenditure of households for calculating the MUICP country weights. Since the National Accounts of the EMU participating countries are expressed in euros this conversion is no longer necessary, except for historical series.
- 9.7. Each month Member States transmit the primary index series, i.e. the HICP and its sub-indices, to Eurostat rounded to one decimal place, for example 99.5 or 102.4 taking 1996 = 100. Member States also transmit each January the new set of sub-index weights <sup>(9)</sup> to Eurostat to a degree of detail of at least 1 in 1000. Eurostat uses the sub-index weights at the same level of detail as reported by Member States, and the country weights at a level of detail of 1 in 1000. The primary index series, i.e. the HICPs and the sub-indices, the sub-index weights and the country weights constitute the primary series.
- 9.8. The MUICP and its sub-indices are calculated as a weighted average of the HICPs and their sub-indices of the participating countries of EMU. The indices are computed by Eurostat from the primary series, rounded to and published with one decimal place. The MUICP and its sub-indices rounded to one decimal place are defined as primary series.

Any derived statistics are calculated from these primary series, and published with one decimal place:

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<sup>(8)</sup> First data according to ESA 1995 will be reported to Eurostat in April 1999. However, several Member States have derogations.

<sup>(9)</sup> For example referring to a new weight reference year or to the current weight reference year but price-updated to December of the previous year.

- a) the monthly rates of change for the HICP, the MUICP and the sub-indices are the current month's indices in respect to the previous month's indices (with one decimal place), for example:  $\left(\frac{I_{\text{Feb}98}}{I_{\text{Jan}98}} - 1\right) * 100$ ;
- b) the annual rates of change for the HICP, the MUICP and the sub-indices are the current month's indices in respect to the same month's indices a year previously (with one decimal place), for example:  $\left(\frac{I_{\text{Feb}98}}{I_{\text{Feb}97}} - 1\right) * 100$ ;
- c) the annual average index numbers for the HICP, the MUICP and the sub-indices are the sum of the twelve monthly indices (with one decimal place) divided by twelve, for example:  $\frac{1}{12} \sum (I_{\text{Jan}98} + I_{\text{Feb}98} + \dots + I_{\text{Dec}98})$ ;
- d) the annual average rates of change, i.e. the annual average inflation rates, for the HICP, the MUICP and the sub-indices are obtained directly from the primary series and therefore based on the unrounded annual average indices, for example:  $\left(\frac{\sum (I_{\text{Jan}98} + I_{\text{Feb}98} + \dots + I_{\text{Dec}98})}{\sum (I_{\text{Jan}97} + I_{\text{Feb}97} + \dots + I_{\text{Dec}97})} - 1\right) * 100$ ;

9.9. *Examples:* Note that the shaded cells indicate primary series; the figures in bold are derived statistics rounded to one decimal place:

Table 1: Fictitious HICP data relating to a single Member State

	HICP year 1	HICP year 2	Annual rate of change	Published annual rate of change
Jan	101,4	103,2	1,775	<b>1,8</b>
Feb	101,5	103,4	1,872	<b>1,9</b>
Mar	101,7	103,5	1,770	<b>1,8</b>
Apr	101,9	103,6	1,668	<b>1,7</b>
May	101,9	103,9	1,963	<b>2,0</b>
Jun	102,2	104,2	1,957	<b>2,0</b>
Jul	102,4	104,2	1,758	<b>1,8</b>
Aug	102,6	104,3	1,657	<b>1,7</b>
Sep	102,7	104,5	1,753	<b>1,8</b>
Oct	102,8	104,6	1,751	<b>1,8</b>
Nov	102,8	104,8	1,946	<b>1,9</b>
Dec	103,0	104,9	1,845	<b>1,8</b>
Annual average index	102,242	104,092	1,809	<b>1,8</b>
Published annual average index	<b>102,2</b>	<b>104,1</b>		{1,9}

Table 2: Fictitious MUICP data relating to a 3-Member State EMU

	Country weight	HICP January year 1	HICP January year 2	Annual rate of change	Published annual rate of change
Member State 1	60	102,1	103,8	1,66503	<b>1,7</b>
Member State 2	30	103,2	103,9	0,67829	<b>0,7</b>
Member State 3	10	100,9	102,4	1,48662	<b>1,5</b>
	100	102,31	103,69		{1,3}
Published MUICP		<b>102,3</b>	<b>103,7</b>	1,36852	<b>1,4</b>

Table 3: Fictitious EICP data relating to a 3-Member State EU

	Country weight	HICP January year 1	HICP January year 2	Annual rate of change	Published annual rate of change
Member State 1	65	102,1	103,8	1,66503	<b>1,7</b>
Member State 2	22	103,2	103,9	0,67829	<b>0,7</b>
Member State 3	18	100,9	102,4	1,48662	<b>1,5</b>
EICP	100	107,23	108,76	1,42589	<b>1,4</b>
Published EICP		<b>107,2</b>	<b>108,8</b>		{1,5}

- 9.10. With the start of Stage III of Economic and Monetary Union in January 1999, Eurostat is required under the terms of Council Regulation (EC) 2494/95 to calculate the MUICP. Eurostat started to publish the MUICP and its sub-indices for the first time at the beginning of May 1998 just after the decision on EMU. The time series for the MUICP were calculated back to January 1995 applying the rules laid down in this paper.
- 9.11. Member States send the weights for the HICP sub-indices to Eurostat to a degree of detail of at least 1 in 1000. Eurostat publishes the sub-index weights of the MUICP to a degree of detail of 1 in a 1000. The sub-index weights for the MUICP are calculated as a weighted average of the HICP sub-index weights of the participating countries of EMU. The country weights used are the same as described in paragraphs 9.2 and 9.3.
- 9.12. The sub-index weights for the MUICP are calculated as a weighted average of the HICP sub-index weights of the participating countries of EMU. Where a Member State does not provide a sub-index it is set to zero.
- 9.13. According to Article 122 (ex Article 109(k)(2)) of the Treaty establishing the European Community, at least once every two years, or at the request of a Member State with a derogation the number of participants of EMU will be re-assessed. Assume that in January 2001 Y more countries joined, increasing the number of participants from X to X+Y. The MUICP is then be extended to include X+Y Member States. (In fact Greece joined the euro-zone in January 2001.) This is achieved by linking in December 2000 the MUICP for the X+Y participating countries to the MUICP for the former X participating countries:

$$\begin{aligned}
 {}_{96}M(X+Y)_{J01} = & \sum_{m=1}^X {}_{96}c^m {}_{96}H_{D96}^m * \sum_{m=1}^X {}_{96(96)}c^m {}_{D96}H_{D97}^m * \dots * \\
 & \sum_{m=1}^X {}_{98(D99)}c^m {}_{D99}H_{D00}^m * \sum_{m=1}^{X+Y} {}_{99(D00)}c^m {}_{D00}H_{J01}^m
 \end{aligned} \tag{33}$$

with:

${}_{96}M(X+Y)_{J01}$  as the MUICP at January 2001 for the X+Y participating Member States of EMU with 1996 = 100.

- 9.14. The MUICP at January 2001 reflects then the price increases from December 2000 in the whole euro-area comprising X+Y Member States. The country weights change in the link month December reflecting the new shares of final consumption expenditure of households in the EMU total.

- 9.15. The annual rate of change, i.e. the “inflation rate” for the euro-area in January 2001 is calculated as:

$$\begin{aligned} \left[ {}_{J00}M(X+Y)_{J01} - 1 \right] * 100 &= \left[ \frac{{}_{96}M(X+Y)_{J01}}{{}_{96}M(X)_{J00}} - 1 \right] * 100 \\ &= \left[ \frac{{}_{96}M(X)_{D00} * {}_{D00}M(X+Y)_{J01}}{{}_{96}M(X)_{J00}} - 1 \right] * 100 \end{aligned} \quad (34)$$

- 9.16. For analysis purposes Eurostat also calculates a second time series for the X+Y participating countries, where it is assumed that all X+Y Member States would have joined EMU from January 1995:

$$\begin{aligned} {}_{96}M(X+Y)_{J01} &= \sum_{m=1}^{X+Y} {}_{96}c^m {}_{96}H_{D96}^m * \sum_{m=1}^{X+Y} {}_{96(D96)}c^m {}_{D96}H_{D97}^m * \dots * \\ &\quad \sum_{m=1}^{X+Y} {}_{98(D99)}c^m {}_{D99}H_{D00}^m * \sum_{m=1}^{X+Y} {}_{99(D00)}c^m {}_{D00}H_{J01}^m \end{aligned} \quad (35)$$

- 9.17. In accordance with above rules, Greece is included in the MUICP starting with the January 2001 index. The annual rate of change for the MUICP of each current month in 2001 is calculated as the change from the corresponding month in 2000 to December 2000 for the eleven euro-zone countries combined with the change from December 2000 to the current month of 2001 for the twelve euro-zone countries. In other words, the euro-zone is treated as an entity regardless of its composition. For analytical purposes Eurostat has made available in NewCronos historic series covering the current twelve Member States of the euro-zone.

## 10. The European Index of Consumer Prices (EICP)

- 10.1. Eurostat calculates two European indices for each COICOP/HICP category: the European Index of Consumer Prices (EICP) as an aggregation of the 15 EU Member States, and the European Economic Area Index of Consumer Prices (EEAICP) as an aggregation over 17 EEA Member States <sup>(10)</sup>.
- 10.2. The EICP is calculated as a weighted average of the HICPs of the 15 EU Member States. The index is computed as an annual chain index with the first link in December 1996 allowing for weights changing each year. Up to 1999, the country weight of a Member State is its share of final consumption expenditure of households in the EU total <sup>(11)</sup>. The values of final consumption expenditure in national currencies are converted into purchasing power standards (PPS) using the purchasing power parities of final consumption. The country weights used in 1996 are National Accounts data for 1995 at average 1996 prices. From 2001, country weights for the EICP and EEAICP are derived from the value of Household Final Monetary Consumption Expenditure in national currencies (including the euro for the euro-zone) converted into purchasing power standards (PPS). The euro-zone “country

<sup>(10)</sup> This includes Iceland and Norway; Liechtenstein does not provide an HICP.

<sup>(11)</sup> Up until 1998 for the EICP the National Accounts aggregate a03 “Private national consumption” is used. For 1999 and 2000 PPP sources are used. Starting in 2001, HFMCE derived from ESA-95 is used.

weight” reflects its share in the EU and EEA totals. The EEAICP is calculated in the same way, with the inclusion of Iceland and Norway.

10.3. HICP series for 1995 and earlier are treated as chain indices linked in January Y+1.

10.4. The general EICP formula for the  $m = 15$  Member States taking February 1997 as example may be written as follows:

$${}_{96}E_{F97} = \sum C_{(96)}^m {}_{96}H_{D96}^m \cdot \sum C_{(D96)}^m {}_{D96}H_{F97}^m \quad (36)$$

where  $C_{(96)}^m$  is the country weight of Member State  $m$ .

$$\begin{aligned} {}_{96}E_{F97} &= \sum C_{(96)}^m \cdot \sum W_{(96)}^{m,i} {}_{96}H_{D96}^{m,i} \cdot \sum C_{D96}^m \cdot \sum W_{(D96)}^{m,i} {}_{96}H_{F97}^{m,i} = \\ &= \sum \sum V_{(96)}^{m,i} {}_{96}H_{D96}^{m,i} \cdot \sum \sum V_{(D96)}^{m,i} {}_{D96}H_{F97}^{m,i} = \\ &= \sum V_{(96)}^i \cdot \sum \frac{V_{(96)}^{m,i}}{V_{(96)}^i} {}_{96}H_{D96}^{m,i} \cdot \sum V_{(D96)}^i \cdot \sum \frac{V_{(D96)}^{m,i}}{V_{(D96)}^i} {}_{D96}H_{F97}^{m,i} = \\ &= \sum V_{(96)}^i \cdot {}_{96}E_{D96} \cdot \sum V_{(D96)}^i \cdot {}_{D96}E_{F97}^i; \end{aligned} \quad (37)$$

where  $C_{(.)}^m \cdot W_{(.)}^{m,i} = V_{(.)}^{m,i}$  and  $\sum_m V_{(.)}^{m,i} = V_{(.)}^i$ .

10.5. Special aggregation of HICP sub-indices are possible, where sub-sets of the HICP for a Member State or for the EU as a whole are needed. If we consider two components  $n_1$  and  $n_2$ , where  $n_1 + n_2 = n$ , any special aggregation can be written as:

$$\begin{aligned} {}_{D96}E_{F97} &= \sum V_{(D96)}^i \cdot {}_{D96}E_{F96}^i = \\ &= \sum_{n_1} V_{(D96)}^i \cdot {}_{D96}E_{F97}^i + \sum_{n_2} V_{(D96)}^j \cdot {}_{D96}E_{F97}^j = \\ &= \sum_{n_1} V_{(D96)}^i \cdot \sum \frac{V_{(D96)}^{m,i}}{V_{(D96)}^i} \cdot {}_{D96}H_{F97}^{m,i} + \sum_{n_2} V_{(D96)}^j \cdot \sum \frac{V_{(D96)}^{m,j}}{V_{(D96)}^j} \cdot {}_{D96}H_{F97}^{m,j}. \end{aligned} \quad (38)$$

10.6. The MUICP is calculated as a weighted average of the euro-zone regardless of its composition. The index is computed as an annual chain index allowing for country weights to change each year as well as allowing for inclusion of additional countries into the euro-zone. The country weight of a Member State is its share of HFMCE in the euro-zone total. Expenditure expressed in the former national currencies is converted into euro using the irrevocably locked conversion rates. The country weights used are based on national accounts data referring to the year ending two calendar years prior to the current year. They are updated to December prices of the latest calendar year prior to the current one. (\*)

(\*) As of March 2001.

10.7. The European Index of Consumer Prices (EICP) is calculated as an annual chain index for the 15 EU Member States up to 1998. Starting in 1999, the MUICP is treated as a single entity within the EICP. The European Economic Area Index of Consumer Prices (EEAICP) further includes Iceland and Norway. Country weights for the EICP and EEAICP are derived from the value of HFMCE in national currencies (including the euro for the euro-zone) converted into purchasing power standards (PPS). The euro-zone “country weight” reflects its share in the EU and EEA totals. (\*)

## 11. Timing and timeliness

11.1. According to Article 10 of Council Regulation (EC) No 2494/95, Member States are obliged to transmit the HICP results to Eurostat within a time period **not exceeding** thirty days from the end of the calendar month to which the indices relate. In Article 11 it is stipulated that Eurostat shall publish the transmitted HICP results together with the EICP and the MUICP results within a period **not exceeding** five working days after the end of the period within which the data from Member States are to be transmitted to Eurostat.

11.2. The MUICP is a key statistic for informing monetary policy in the euro-zone and is widely used by policy makers, economic and financial analysts. Timeliness in the publication of the HICPs has been ever since the launch of the first HICPs a key issue. Eurostat and the Member States are therefore aiming at reducing release deadlines towards 15 calendar days after the end of the reference month.

11.3. The deadlines that have been are fairly close to what can be achieved without harmonizing the price collection periods in Member States. Based on the experience gained in the past three years, the transmission and release dates are, subject to agreement by the HICP WP, set according to the following rules:

- The transmission deadline for the December index is set to the first Eurostat working day following the 17th of January and the publication date two Eurostat working days later.
- For the January index, the publication date is set to be the last Eurostat working day in February and transmission deadline is set to be the fourth working day prior to publication date (thus the January index should be published on the last working day of February).
- The transmission deadlines for all other months are defined as the first Eurostat working day following the 14th and the publication date as being two Eurostat working days later.

11.4. In order to meet deadlines, a number of Member States transmit provisional data to Eurostat. Final national data should be published together with the index for the following month. In case of missing data (i.e. a Member State has missed a deadline), Eurostat is publishing estimates for EMU, EU and EEA aggregates. Estimates for individual Member States are not published as such.

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(\*) *As of March 2001.*

# II

# LEGAL ACTS

Please note that only the European Union legislation published in the editions of the *Official Journal of the European Communities* by the Office for Official Publications of the European Communities (OPOCE) is deemed authentic.

[www.europa.eu.int/eur-lex](http://www.europa.eu.int/eur-lex)

or

<http://forum.europa.eu.int/Members/irc/dsis/hiocp/home>

*NB: The text marked with dotted underlined is no longer in force.*



**COUNCIL REGULATION (EC) No 2494/95**  
**of 23 October 1995**  
**concerning harmonized indices of consumer prices (\*)**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 213 thereof,

Having regard to the proposal from the Commission <sup>(1)</sup>,

Having regard to the opinion of the European Parliament <sup>(2)</sup>,

Having regard to the opinion of the European Monetary Institute <sup>(3)</sup>,

Having regard to the opinion of the Economic and Social Committee <sup>(4)</sup>,

Whereas Article 109j of the Treaty requires the Commission and the EMI to report to the Council on the progress made by the Member States in the fulfilment of their obligations regarding the achievement of economic and monetary union in respect of a high degree of price stability;

Whereas Article 1 of the Protocol on the convergence criteria referred to in Article 109j of the Treaty states that the required sustainable price performance for Member States should be in terms of inflation measured by means of the consumer price index on a comparable basis, taking into account differences in national definitions; whereas existing consumer price indices are not compiled on a directly comparable basis;

Whereas there is a need for the Community and particularly its fiscal and monetary authorities to have regular and timely consumer price indices for the purpose of providing comparisons of inflation in the macro-economic and international context as distinct from indices for national and micro-economic purposes;

Whereas it is recognized that inflation is a phenomenon manifesting itself in all forms of market transactions including capital purchases, government purchases, payments to labour as well as purchases by consumers; whereas it is recognized that a range of statistics, of which consumer price indices form an essential part, is relevant for an understanding of the inflationary process at national level and between the Member States;

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(\*) The legally binding version is published in [OJ No L 257, 27.10.1995, p. 1.](#)

<sup>(1)</sup> OJ No C 84, 6.4.1995, p. 7.

<sup>(2)</sup> OJ No C 249, 25.9.1995.

<sup>(3)</sup> Opinion delivered on 31 March 1995.

<sup>(4)</sup> OJ No C 236, 11.9.1995, p. 11.

Whereas comparable indices of consumer prices may be produced instead of or in addition to similar indices of consumer prices already produced or to be produced in future by Member States;

Whereas the production of comparable indices will involve costs to be allocated between the Community and Member States;

Whereas, according to the principle of subsidiarity, the creation of common statistical standards for consumer price indices is a task that can be dealt with effectively only at Community level and whereas the collection of data and compilation of comparable consumer price indices will be implemented in each Member State under the aegis of the organizations and institutions responsible for compiling official statistics at national level;

Whereas, with a view to the achievement of economic and monetary union, a consumer price index will be needed for the Community as a whole;

Whereas the Statistical Programme Committee (SPC), established by Council Decision 89/382/EEC, Euratom <sup>(5)</sup>, has given a favourable opinion on the draft Regulation,

HAS ADOPTED THIS REGULATION:

### ***Article 1***

#### **Aim**

The aim of this Regulation is to establish the statistical bases necessary for arriving at the calculation of comparable indices of consumer prices at Community level.

### ***Article 2***

#### **Definitions**

For the purposes of this Regulation, the following definition, shall apply:

- (a) Harmonized index of consumer prices (HICP): the comparable index of consumer prices produced by each Member State;
- (b) European index of consumer prices (EICP): the consumer price index produced for the Community by the Commission (Eurostat), based on the HICPs of Member States;
- (c) Monetary Union index of consumer prices (MUICP): the consumer price index produced in the context of Economic and Monetary Union by the Commission (Eurostat) based on the HICPs of Member States without a derogation under Article 109k of the Treaty, as long as such derogations exist.

### ***Article 3***

#### **Scope**

The HICP shall be based on the prices of goods and services available for purchase in the economic territory of the Member State for the purposes of directly satisfying consumer needs. Questions concerning weighting shall be decided on by the Commission under the procedure laid down in Article 14.

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<sup>(5)</sup> OJ No L 181, 28.6.1989, p. 47.

**Article 4**  
**Comparability**

HICPs shall be considered to be comparable if they reflect only differences in price changes or consumption patterns between countries.

HICPs which differ on account of differences in the concepts, methods or practices used in their definition and compilation shall not be considered comparable.

The Commission (Eurostat), shall adopt rules to be followed to ensure the comparability of HICPs under the procedure laid down in Article 14.

**Article 5**  
**Timetable and derogations therefrom**

1. The measures necessary to achieve comparable indices of consumer prices shall be implemented in stages, as follows:

(a) *Stage I:*

By March 1996 at the latest, the Commission (Eurostat), shall, in collaboration with Member States, produce for the purposes of the report referred to in Article 109j of the Treaty ('convergence criteria') an interim set of indices of consumer prices for each Member State. These indices shall be based wholly on data underlying existing national consumer price indices, adjusted in particular as follows:

- (i) to exclude owner-occupied housing;
- (ii) to exclude health and educational services;
- (iii) to exclude certain other items not covered or treated differently by a number of Member States.

(b) *Stage II:*

The HICP shall start with the index for January 1997. The common index reference period shall be the year 1996. The estimates of price changes for the twelve months prior to January 1997 and subsequent months shall be established on the basis of the indices for 1996.

2. Where necessary the Commission (Eurostat) may, at the request of a Member State and after consulting the EMI, grant derogations from the provisions of paragraph 1 not exceeding a period of one year where the Member State concerned has to make significant adjustments to its statistical system in order to fulfil its obligations under this Regulation.

3. The implementing measures for this Regulation which are necessary for ensuring the comparability of HICPs and for maintaining and improving their reliability and relevance shall be adopted, after consultation of the EMI, in accordance with the procedure laid down in Article 14.

**Article 6**  
**Basic information**

The basic information shall be those prices and weightings of goods and services which it is necessary to take into account in order to achieve comparability of indices as defined in Article 4.

That information shall be obtained from statistical units as defined in Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis, of the production system in the Community <sup>(6)</sup> or from other sources, provided that the comparability requirements for indices referred to in Article 4 of this Regulation are met.

**Article 7**  
**Sources**

The statistical units called upon by the Member States to cooperate in the collection or provision of price data shall be obliged to allow observation of the prices actually charged and to give honest and complete information at the time it is requested.

**Article 8**  
**Frequency**

1. The HICP, EICP and MUICP shall be compiled each month.
2. The required frequency of price collection shall be compiled once a month. Where less frequent collection does not preclude production of an HICP which meets the comparability requirements referred to in Article 4, the Commission (Eurostat) may allow exceptions to monthly collection. This paragraph shall not preclude more frequent price collection.
3. The weightings of the HICP shall be updated with a frequency sufficient to meet the comparability requirement laid down in Article 4. This paragraph shall not require family budget surveys to be carried out more frequently than once every five years, except in Member States which, under the procedure in Article 14, are acknowledged as experiencing changes in consumption patterns such as to make more frequent surveys necessary.

**Article 9**  
**Production of results**

Member States shall process the data collected in order to produce the HICP, which shall be a Laspeyres-type index, covering the categories of the Coicop international classification (classification of individual consumption by purpose) <sup>(7)</sup>, which shall be adapted under the procedure in Article 14 to establish comparable HICPs. The methods, procedures and formulae to ensure that the comparability requirements are met shall be determined by the same procedure.

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<sup>(6)</sup> OJ No L 76, 30.3.1993, p. 1.

<sup>(7)</sup> Published by the United Nations, series F No 2, revision 3, table 6.1, amended by the OECD (DES/NI/86.9), Paris 1986.

**Article 10**  
**Transmission of results**

Member States shall transmit the HICPs to the Commission (Eurostat) within a period which shall not exceed thirty days from the end of the calendar month to which the indices relate.

**Article 11**  
**Publication**

The HICP, the EICP, the MUICP and corresponding subindices for a set of categories within those referred to in Article 9, selected by the procedure laid down in Article 14, shall be published by the Commission (Eurostat) within a period which shall not exceed five working days from the end of the period referred to in Article 10.

**Article 12**  
**Comparability of data**

Member States shall provide the Commission (Eurostat) at its request with information, inter alia that collected pursuant to Article 6, at the level of detail necessary to evaluate compliance with the comparability requirements and the quality of the HICPs.

**Article 13**  
**Funding**

The implementing measures for this Regulation shall be adopted taking the greatest account of the cost-effectiveness and on condition that no major additional resources are needed in a Member State, unless the Commission (Eurostat) bears two-thirds of the additional costs until the end of the second year of implementation of those measures.

**Article 14**  
**Procedure**

1. The Commission shall be assisted by the Statistical Programme Committee, (hereinafter referred to as 'the Committee').
2. The representative of the Commission shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft within a time limit which the Chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 148 (2) of the Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the Committee shall be weighted in the manner set out in that Article. The Chairman shall not vote.

The Commission shall adopt the measures envisaged if they are in accordance with the opinion of the Committee.

If the measures envisaged are not in accordance with the opinion of the Committee or if no opinion is delivered, the Commission shall without delay, submit to the Council a proposal relating to the measures to be taken. The Council shall act by a qualified majority.

If, on the expiry of a period of three months from the date of referral to the Council, the Council has not acted, the proposed measures shall be adopted by the Commission.

**Article 15**

**Review**

After consulting the Committee, the Commission (Eurostat) shall, within two years of the date of entry into force of this Regulation and again within two years thereafter, submit a report to the Council on the HICPs established pursuant to this Regulation and in particular on their reliability and compliance with the comparability requirements.

In those reports, the Commission shall state its views on the operation of the procedure described in Article 14 and shall propose any amendments it considers appropriate.

**Article 16**

**Entry into force**

This Regulation shall enter into force on the twentieth day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Luxembourg, 23 October 1995.

*For the Council*  
*The President*  
P. SOLBES MIRA

**COMMISSION REGULATION (EC) No 1749/96**  
**of 9 September 1996**  
**on initial implementing measures for**  
**Council Regulation (EC) No 2494/95 concerning harmonized indices of**  
**consumer prices (\*)**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices (1), and in particular Articles 4 and 5 (3) thereof,

Whereas each Member State is required to produce a harmonized index of consumer prices (HICP) starting with the index for January 1997;

Whereas Article 3 of Regulation (EC) No 2494/95 requires that the scope of the HICP shall be the goods and services available for purchase in the economic territory of the Member State for the purposes of directly satisfying consumer needs;

Whereas the coverage of the existing consumer price indices produced by the Member States, practices followed for the inclusion of newly significant goods and services, procedures for adjusting prices for quality changes of the items priced, methods of combining prices to form price indices for elementary aggregates, or sampling methods and practices for obtaining prices differ between Member States to the extent that the resulting consumer price indices produced by the Member States fail to meet the comparability requirement necessary for the production of the HICP;

Whereas the practice of using previous prices as substitutes for the current monthly prices differs from the use of prices collected to the extent that the resulting consumer price indices produced by the Member States fail to meet the comparability requirement necessary for the production of the HICP;

Whereas it is necessary to include newly significant goods and services in both HICPs the weights of which are updated annually and those the weights of which are updated less frequently;

Whereas implementing measures are necessary for ensuring comparability of HICPs in accordance with Article 5 (3) of Regulation (EC) No 2494/95;

(\*) The legally binding version is published in [OJ No L 229, 10.9.1996, p. 3](#). Amended by Council Regulation (EC) No 1687/98 and last amended by Council Regulation (EC) No 1688/98 (OJ L 214, 31.7.1998, p. 12 and 23, respectively), p. 249 and 265 of this Compendium.

(1) OJ No L 257, 27.10.1995, p. 1.

Whereas in accordance with Article 15 of Regulation (EC) 2494/95, Commission (Eurostat) is required to submit a report to the Council on the reliability of the HICP's and their compliance with the comparability requirements,

Whereas the measures provided for in this Regulation are in accordance with the opinion of the Statistical Programme Committee (SPC), established by Council Decision 89/382/EEC, Euratom <sup>(2)</sup>;

Whereas the European Monetary Institute has been consulted in conformance with Article 5 (3) of Regulation (EC) No 2494/95 and has given a positive opinion,

HAS ADOPTED THIS REGULATION:

## I. GENERAL PROVISIONS

### *Article 1* **Aim**

The aim of this Regulation is to establish for the purpose of the production of a comparable harmonized index of consumer prices (HICP) produced by each Member State:

- |   |   |
|---|---|
| See Art.1(2)<br>Reg. 1687/98<br>(p.254) | — the <b>initial</b> coverage of goods and services as well as comparable practices for updating the coverage to include newly significant consumer goods and services, |
|   | — minimum standards for the procedures of quality adjustment,   |
|   | — minimum standards for the prices used,  |
|   | — the formula for compiling price indices for the elementary aggregates.  |

The aim is also to ensure that the sampling of prices is such that the HICPs are sufficiently reliable for the purpose of international comparisons and to provide information from which to set minimum standards for sampling.

### *Article 2* **Definitions**

For the purpose of this Regulation:

- |   |  |
|---|--|
| See Art.1(3)<br>Reg. 1687/98<br>(p.254) and<br>Art.1(1) Reg.<br>1688/98<br>(p. 270) | (a) <u>'Initial coverage of goods and services of the HICP' is defined as those four-digit categories and subcategories specified in the classification COICOP/HICP (classification of individual consumption by purpose adapted of the needs of HICPs) given in Annex I.</u>                          |
|   | b) 'Newly significant goods and services' are defined as those goods and services the price changes of which are not explicitly included in a Member State's HICP and the estimated consumers' expenditure on which has become at least one part per thousand of the expenditure covered by that HICP. |

<sup>(2)</sup> OJ No L 181, 28.6.1989, p. 47.



- (c) 'Quality change' occurs whenever the Member State judges that a change in specification has resulted in a significant difference in utility to the consumer between a new variety or model of a good or service and a good or service previously selected for pricing in the HICP for which it is substituted. A quality change does not arise when there is a comprehensive revision of the HICP sample.
- (d) 'Quality adjustment' is the procedure of making an allowance for a quality change by increasing or decreasing the observed current or reference prices by a factor or an amount equivalent to the value of that quality change.
- (e) 'Target sample' is defined as the set of prices of goods and services which the Member State plans to obtain for the production of the HICP from January 1997 or plans at some subsequent date in order to meet the Member States' own or any European standard for reliability or comparability.
- (f) 'Observed price' is a price actually confirmed by the Member States.
- (g) 'Estimated price' is a price which is substituted for an observed price and is based on an appropriate estimation procedure. Previously observed prices shall not be regarded as estimated prices unless they can be shown to be appropriate estimates.
- (h) 'Replacement price' is an observed price for a good or service which is taken as a direct substitute for a good or service the price of which was in the target sample.
- (i) 'Elementary aggregate index' is a price index for an elementary aggregate comprising only price data.
- (j) 'Elementary aggregate' refers to the expenditure or consumption covered by the most detailed level of stratification of the HICP and within which reliable expenditure information is not available for weighting purposes.
- (k) 'Sampling' relates to any procedure in the construction of the HICP where a subset of the population of the prices faced by consumers is used to estimate the price change for some category of the goods and services covered by the HICP.
- (l) 'Reliability' shall be assessed according to 'precision' which refers to the scale of sampling errors and 'representativity' which refers to the lack of bias.

## II. MEASURES FOR ENSURING COMPARABILITY, RELIABILITY AND RELEVANCE OF THE HICP

### Article 3 Initial Coverage

HICPs which include price indices and weights for each category given in Annex I accounting for more than one part in a thousand of the total expenditure covered by all these categories, shall be deemed comparable.

See Art.1(4)  
Reg. 1687/98  
(p.255) and  
Art.1(2) Reg.  
1688/98  
(p.270)

**Article 4**  
**Newly significant goods and services**

Member States shall:

- (a) systematically seek to identify newly significant goods and services and
- (b) check the significance of goods and services reported to be newly significant in other Member States.

See Art.1(5)  
Reg. 1687/98  
(p.255)

The HICP shall be compiled to include the price changes of a newly significant good or service, where the good or service has been estimated as falling within the definition in Article 2 (b). This shall be accomplished within 12 months of their identification either by adjusting the weights of or within the relevant category of COICOP/HICP classification given in [Annex I](#) to this Regulation or by assigning part of the weight specifically to the newly significant good or service.

**Article 5**  
**Minimum standards for procedures of quality adjustment**

1. HICPs for which appropriate quality adjustments are made shall be deemed to be comparable. Where quality changes occur, Member States shall construct price indices by making appropriate quality adjustments based on explicit estimates of the value of the quality change. In the absence of national estimates, Member States shall use estimates based on information provided by the Commission (Eurostat) where these are available and relevant.
2. Where no estimates are available, price changes shall be estimated as the difference between the price of the selected substitute and that of the item it has replaced. In no case should a quality change be estimated as the whole of the difference in price between the two items, unless this can be justified as an appropriate estimate. Where replacements have to be made after goods or services have been offered at reduced prices, those replacements should be selected according to their similarity of utility to the consumer and not according to similarity of price.

**Article 6**  
**Minimum standards for prices**

1. Member States shall produce HICPs using the observed prices of the target sample.
  - (a) Where the target sample requires monthly observation, but observation fails due to non-availability of an item or for any other reason, estimated prices may be used for the first or second month but replacement prices shall be used from the third month.
  - (b) Where, exceptionally, the target sample requires observations less frequently than monthly, estimated prices shall be used for those months where observed prices are not required. Estimated prices may also be used on the first occasion on which price observation fails. Where observation fails for a second consecutive occasion, replacement prices shall be used.

2. Where, in the circumstances referred to in this Article, replacement prices are not available, estimated prices may continue to be used, provided that the extent of their use is limited to a level appropriate for achieving comparability.

### *Article 7*

#### **Price indices for elementary aggregates**

HICPs shall be compiled using either of the two formulae given in paragraph 1 of Annex II to this Regulation or an alternative comparable formula which does not result in an index which differs systematically from an index compiled by either of the given formulae by more than one tenth of one percentage point on average over one year against the previous year.

### *Article 8*

#### **Minimum standards for sampling**

HICPs constructed from target samples which, for each category of COICOP/HICP and taking into account the weight of the category, have sufficient elementary aggregates to represent the diversity of items within the category and sufficient prices within each elementary aggregate to take account of the variation of price movements in the population shall be deemed reliable and comparable.

### *Article 9*

#### **Quality control**

Member States shall:

- (a) provide the Commission (Eurostat) at its request with information on the expenditure of any exclusions from coverage, expressed as a proportion of the total expenditure covered by the HICP, sufficient to evaluate compliance with this Regulation;
- (b) report to the Commission (Eurostat) newly significant goods and services when they are identified and, if required, the grounds for the non-inclusion of any newly significant good or service sufficient to evaluate compliance with this Regulation;
- (c) monitor the incidence of quality changes and the adjustments made sufficient to demonstrate compliance with this Regulation and shall provide the Commission (Eurostat) at its request with such information;
- (d) establish and maintain a clear statement of the target sample and shall maintain checks of price observations and price estimates sufficient to ensure compliance with this Regulation. They shall provide the Commission (Eurostat) at its request with such information to evaluate and ensure compliance;
- (e) where a formula different from the formulae given in paragraph 1 of Annex II to this Regulation is used, provide the Commission (Eurostat) at its request with information on the effects of using that alternative formula for selected periods and selected elementary aggregates sufficient to evaluate compliance with this Regulation;
- (f) provide the Commission (Eurostat) at its request with details of the target samples sufficient to evaluate compliance with this Regulation and summary statistics of the representativity and precision of samples sufficient for the Commission (Eurostat) to

make proposals for minimum standards for sampling for inclusion in the Review of HICPs required under Article 15 of Regulation (EC) No 2494/95 due in October 1997.

### III. FINAL PROVISIONS

#### *Article 10*

This Regulation shall enter into force on the 20th day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 9 September 1996.

*For the Commission*  
Yves-Thibault DE SILGUY  
*Member of the Commission*

**ANNEX I**

The initial coverage of goods and services of the HICP shall include the following categories and subcategories:

See Annexes Ia and Ib Reg. 1687/98 (p.257) and Art.1(3) Reg. 1688/98 (p.271)

<u>Code</u>	<u>COICOP/HICP Heading</u>
<u>01.</u>	<u>FOOD AND NON-ALCOHOLIC BEVERAGES</u>
<u>01.1</u>	<u>Food</u>
<u>01.1.1</u>	<u>Bread and cereals</u>
<u>01.1.2</u>	<u>Meat</u>
<u>01.1.3</u>	<u>Fish</u>
<u>01.1.4</u>	<u>Milk, cheese and eggs</u>
<u>01.1.5</u>	<u>Oil and fats</u>
<u>01.1.6</u>	<u>Fruit</u>
<u>01.1.7</u>	<u>Vegetables including potatoes and other tubers</u>
<u>01.1.8</u>	<u>Sugar, jam, honey, syrups, chocolate and confectionary</u>
<u>01.1.9</u>	<u>Food products n.e.c</u>
<u>01.2</u>	<u>Non-alcoholic beverages</u>
<u>01.2.1</u>	<u>Coffee, tea and cocoa</u>
<u>01.2.2</u>	<u>Mineral waters, soft drinks and juices</u>
<u>02.</u>	<u>ALCOHOLIC BEVERAGES AND TOBACCO</u>
<u>02.1</u>	<u>Alcoholic beverages</u>
<u>02.1.1</u>	<u>Spirits</u>
<u>02.1.2</u>	<u>Wine</u>
<u>02.1.3</u>	<u>Beer</u>
<u>02.2</u>	<u>Tobacco</u>
<u>02.2.1</u>	<u>Tobacco</u>
<u>03.</u>	<u>CLOTHING AND FOOTWEAR</u>
<u>03.1</u>	<u>Clothing</u>
<u>03.1.1</u>	<u>Clothing materials</u>
<u>03.1.2</u>	<u>Garments</u>
<u>03.1.3</u>	<u>Other articles of clothing and clothing accessories</u>
<u>03.1.4</u>	<u>Dry-cleaning, repair and hire of clothing</u>
<u>03.2</u>	<u>Footwear</u>
<u>03.2.1</u>	<u>Shoes and other footwear</u>
<u>03.2.2</u>	<u>Maintenance, repair and hire of footwear</u>
<u>04.</u>	<u>HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS</u>
<u>04.1</u>	<u>Actual rentals for housing</u>
<u>04.1.1</u>	<u>Actual rentals paid by tenants</u>
<u>04.1.2</u>	<u>Other actual rentals</u>

Code	COICOP/HICP Heading
04.3	<u>Regular maintenance and repair of the dwelling</u>
04.3.1	<u>Products for the regular maintenance and repair of the dwelling</u>
04.3.2	<u>Services for the regular maintenance and repair of the dwelling</u>
04.4	<u>Other services relating to the dwelling</u>
04.4.1A	<u>Refuse collection - consumers pay according to consumption</u>
04.4.2A	<u>Sewerage services - consumers pay according to consumption</u>
04.4.3A	<u>Water supply - consumers pay according to consumption</u>
04.4.4	<u>Other services relating to the dwelling n.e.c.</u>
04.5	<u>Electricity, gas and other fuels</u>
04.5.1	<u>Electricity</u>
04.5.2	<u>Gas</u>
04.5.3	<u>Liquid fuels</u>
04.5.4	<u>Solid fuels</u>
04.5.5	<u>Hot water, steam and ice</u>
05.	<u>FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE</u>
05.1	<u>Furniture, furnishings and decorations, carpets and other floor coverings and repairs</u>
05.1.1	<u>Furniture and furnishings</u>
05.1.2	<u>Carpets and other floor coverings</u>
05.1.3	<u>Repair of furniture, furnishings and floor coverings</u>
05.2	<u>Household textiles</u>
05.2.1	<u>Household textiles</u>
05.3	<u>Heating and cooking appliances, refrigerators, washing machines and similar major household appliances, including fittings and repairs</u>
05.3.1	<u>Major household appliances whether electric or not</u>
05.3.2	<u>Small electric household appliances</u>
05.3.3	<u>Repair of household appliances</u>
05.4	<u>Glassware, tableware and household utensils</u>
05.4.1	<u>Glassware, tableware and household utensils</u>
05.5	<u>Tools and equipment for house and garden</u>
05.5.1	<u>Major tools and equipment</u>
05.5.2	<u>Small tools and miscellaneous accessories</u>
05.6	<u>Goods and services for routine household maintenance</u>
05.6.1	<u>Non-durable household goods</u>
05.6.2	<u>Domestic services and house care services</u>
06.A	<u>HEALTH - goods paid by the consumer and not reimbursed</u>
06.1A	<u>Medical and pharmaceutical products and therapeutic appliances and equipment - paid by the consumer and not reimbursed</u>
06.1.1A	<u>Pharmaceutical preparations and products - paid by the consumer and not reimbursed</u>
06.1.2A	<u>Other medical products - paid by the consumer and not reimbursed</u>

Code	COICOP/HICP Heading
06.1.3A	Therapeutical appliances and equipment - paid by the consumer and not reimbursed
07.	TRANSPORT
07.1	Purchase of vehicles
07.1.1A	New motor cars
07.1.1B	Second-hand motor cars
07.1.2	Motor cycles
07.1.3	Bicycles
07.2	Operation of personal transport equipment
07.2.1	Squares parts and accessories
07.2.2	Fuels and lubricants
07.2.3	Maintenance and repairs
07.2.4	Other services in respect of personal transport equipment - using ESA conventions <sup>(1)</sup>
07.3	Transport services
07.3.1	Passenger transports by railway
07.3.2	Passenger transport by road
07.3.3	Passenger transport by air
07.3.4	Passenger transport by sea and inland waterway
07.3.5	Other purchased transport services
08.	COMMUNICATIONS
08.1	Communications
08.1.1	Postal services
08.1.2	Telephone and telefax equipment
08.1.3	Telephone, telegraph and telefax services
09.	RECREATION AND CULTURE
09.1	Equipment and accessories, including repairs
09.1.1	Equipment for the reception, recording and reproduction of sound and pictures
09.1.2	Photographic and cinematographic equipment and optical instruments
09.1.3	Data processing equipment
09.1.4	Other major durables for recreation and culture
09.1.5	Games, toys and hobbies, equipment for sport, camping and open-air recreation
09.1.6	Recording media for pictures and sound
09.1.7	Gardening
09.1.8	Pets
09.1.9	Repair of equipment and accessories for recreation and culture
09.2	Recreational and cultural services
09.2.1	Group recreational and cultural services
09.2.2	Other recreational and cultural services
09.3	Newspaper, books and stationary

09.3.1	Books
Code	COICOP/HICP Heading
09.3.2	Newspaper and periodicals
09.3.3	Miscellaneous printed matters
09.3.4	Stationery and drawing materials
09.4	Package holidays - excluding travel insurance
09.4.1	Package holidays - excluding travel insurance
10.A	EDUCATION - commonly paid by consumers in Member States
11.	HOTELS, CAFES AND RESTAURANTS
11.1	Catering
11.1.1	Restaurants and cafés
11.1.2	Canteens
11.2	Accommodation services - within the Member State
11.2.1	Accommodation services - within the Member State
12.	MISCELLANEOUS GOODS AND SERVICES
12.1	Personal care
12.1.1	Hairdressing salons and personal grooming establishments
12.1.2	Appliances, articles and products for personal care
12.2	Personal effects n.e.c.
12.2.1	Jewellery, clocks and watches
12.2.2	Other personal effects
12.4A	Insurance
12.4.2A	Insurance connected with the dwelling - contents insurance
12.4.4A	Insurance connected with transport - car insurance - excludes travel insurance
12.5A	Banking services n.e.c. - excluding interest payments and charges expressed as a proportion of the transaction value
12.5.1A	Banking services n.e.c. - excluding interest payments and charges expressed as a proportion of the transaction value
12.6	Other services n.e.c.
12.6.1	Other services n.e.c.

(<sup>1</sup>) European System of Accounts, ESA 1995.



**ANNEX II**

**Formulae to be used in compiling elementary aggregates**

1. When compiling price indices for elementary aggregates either the ratio of arithmetic mean

$$\text{prices } \frac{\frac{1}{n} \sum p^t}{\frac{1}{n} \sum p^b} \text{ or the ratio of geometric mean prices } \frac{[\prod p^t]^{1/n}}{[\prod p^b]^{1/n}}, \text{ where } p^t \text{ is the current}$$

price,  $p^b$  the reference price and the number of such prices in the elementary aggregate, shall be used. An alternative formula may be used provided that it fulfils the comparability requirement laid down in Article 7.

2. The arithmetic mean of price relatives  $\frac{1}{n} \sum \frac{P^t}{P^b}$  should not normally be used, as it will in many circumstances result in failure to meet the comparability requirement. It may be used exceptionally where it can be shown not to fail the comparability requirement.

3. The price index for an elementary aggregate may be calculated as a chain index using one of the above two preferred formulae. For example using the ratio of arithmetic means:

$$I^{tb} = \frac{\sum_{i \in s_b} P_i^1}{\sum_{i \in s_b} P_i^b} \cdot \frac{\sum_{i \in s_1} P_i^2}{\sum_{i \in s_1} P_i^1} \dots \frac{\sum_{i \in s_{t-1}} P_i^t}{\sum_{i \in s_{t-1}} P_i^{t-1}},$$

where  $P_i^t$  denotes the  $i^{\text{th}}$  price quotation for a given elementary aggregate in period  $t$  and  $s_t$  denotes the sample of prices obtained for the elementary aggregate in period  $t$ . This sample may in practice be updated monthly or, more usually, when prices cannot be obtained, over longer periods. If between base period  $b$  and period  $t$  there is no replenishing at all  $I^{tb}$

becomes  $I^{tb} = \frac{\sum_{i \in s_b} P_i^t}{\sum_{i \in s_b} P_i^b}$ , the simple ratio of arithmetic means (or similarly with the

geometric formula described above). The arithmetic mean of price relatives must not be used where chaining is more frequent than annual.

**COMMISSION REGULATION (EC) No 2214/96**

**of 20 November 1996**

**concerning harmonized indices of consumer prices: transmission and dissemination of sub-indices of the HICP (\*)**

**(Text with EEA relevance)**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices (1),

Whereas, by virtue of Article 5 (1) (b) of Regulation (EC) No 2494/95, each member State is required to produce a harmonized index of consumer prices (HICP) starting with the index for January 1997;

Whereas Article 9 of Regulation (EC) No 2494/95 requires Member States to process the data collected in order to produce the HICP covering the categories of Coicop (classification of individual consumption by purpose); whereas these categories need to be adapted;

Whereas Article 11 of Regulation (EC) No 2494/95 requires that the HICP and corresponding sub-indices shall be published by the Commission (Eurostat); whereas these sub-indices need to be specified;

Whereas implementing measures are necessary for ensuring comparability of HICPs in accordance with Article 5 (3) of Regulation (EC) No 2494/95;

Whereas the measures provided for in this Regulation are in accordance with the opinion of the Statistical Programme Committee (SPC), established by Council Decision 89/382/EEC, Euratom (2);

Whereas the European Monetary Institute has been consulted in accordance with Article 5 (3) of Regulation (EC) No 2494/95 and has given a positive opinion,

HAS ADOPTED THIS REGULATION:

(\*) The legally binding version is published in [OJ No L 296, 21.11.1996, p. 8](#). Amended by Commission Regulations (EC) No 1617/1999 (OJ L 192, 24.7.1999, p. 9) and (EC) No 1749/1999 (OJ L 214, 13.8.1999, p. 1), p. 277 and 281 respectively of this Compendium, and last amended by Commission Regulation (EC) No 1920/2001 (OJ L 261, 29.9.2001, p. 46), p. 333 of this Compendium.

(1) OJ No L 257, 27.10.1995, p. 1.

(2) OJ No L 181, 28.6.1989, p. 47.

**Article 1****Aim**

The aim of this Regulation is to establish the sub-indices of the harmonized index of consumer prices (HICP) which each month shall be produced by the Member States, and transmitted to and disseminated by the Commission (Eurostat).

**Article 2****Definitions**

For the purpose of this Regulation, a 'sub-index of the HICP' is defined as a price index for any of the categories of expenditure listed in Annex I and illustrated in Annex II to this Regulation. These are based on the Coicop/HICP classification (classification of individual consumption by purpose adapted to the needs of HICPs). 'Dissemination' refers to the release of data in any format.

**Article 3****Production and transmission of sub-indices**

Member States shall produce and transmit to the Commission (Eurostat) each month all sub-indices (Annex I) which have a weight accounting for more than one part in a thousand of the total expenditure covered by the HICP. Together with the index for January 1997 Member States shall also transmit to the Commission (Eurostat) corresponding weighting information, and thereafter whenever the weighting structure is changed.

**Article 4****Dissemination of sub-indices**

The Commission (Eurostat) shall disseminate sub-indices of the HICPs for the categories listed in Annex I to this Regulation taking 1996 = 100.

**Article 5****Quality control**

Member States shall provide the Commission (Eurostat), at its request, with information on allocation of goods and services to the categories of expenditure of Annex I and II sufficient to evaluate compliance with this Regulation.

**Article 6****Entry into force**

This Regulation shall enter into force on the 20th day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 20 November 1996.

*For the Commission*  
Yves-Thibault DE SILGUY  
*Member of the Commission*

See Annex I  
Reg.  
1749/1999  
(p.283)

ANNEX I  
HICP SUB-INDICES

01.	<u>FOOD AND NON-ALCOHOLIC BEVERAGES</u>
01.1	<u>Food</u>
01.1.1	<u>Bread and cereals</u>
01.1.2	<u>Meat</u>
01.1.3	<u>Fish</u>
01.1.4	<u>Milk, cheese and eggs</u>
01.1.5	<u>Oils and fats</u>
01.1.6	<u>Fruit</u>
01.1.7	<u>Vegetables including potatoes and other tubers</u>
01.1.8	<u>Sugar, jam, honey, syrups, chocolate and confectionary</u>
01.1.9	<u>Food products n.e.c.</u>
01.2	<b><u>Non-alcoholic beverages</u></b>
01.2.1	<u>Coffee, tea and cocoa</u>
01.2.2	<u>Mineral waters, soft drinks and juices</u>
02.	<u>ALCOHOLIC BEVERAGES AND TOBACCO</u>
02.1	<b><u>Alcoholic beverages</u></b>
02.1.1	<u>Spirits</u>
02.1.2	<u>Wine</u>
02.1.3	<u>Beer</u>
02.2	<u>Tobacco</u>
03.	<u>CLOTHING AND FOOTWEAR</u>
03.1	<b><u>Clothing</u></b>
03.1.1	<u>Clothing materials</u>
03.1.2	<u>Garments</u>
03.1.3	<u>Other articles of clothing and clothing accessories</u>
03.1.4	<u>Dry-cleaning, repair and hire of clothing</u>
03.2	<b><u>Footwear, including repairs</u></b>
04.	<u>HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS</u>
04.1	<b><u>Actual rentals for housing</u></b>
04.3	<b><u>Regular maintenance and repair of the dwelling</u></b>
04.3.1	<u>Products for the regular maintenance and repair of the dwelling</u>
04.3.2	<u>Services for the regular maintenance and repair of the dwelling</u>
04.4A	<b><u>Other services relating to the dwelling</u></b>
04.5	<b><u>Electricity, gas and other fuels</u></b>
04.5.1	<u>Electricity</u>
04.5.2	<u>Gas</u>
04.5.3	<u>Liquid fuels</u>
04.5.4	<u>Solid fuels</u>
04.5.5	<u>Hot water, steam and ice</u>
05.	<u>FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE</u>
05.1	<b><u>Furniture, furnishings and decorations, carpets and other floor coverings and repairs</u></b>

05.1.1	<u>Furniture and furnishings</u>
05.1.2	<u>Carpets and other floor coverings</u>
05.1.3	<u>Repair of furniture, furnishings and floor coverings</u>
05.2	<b><u>Household textiles</u></b>
05.3	<b><u>Heating and cooking appliances, refrigerators, washing machines and similar major household appliances, including fittings and repairs</u></b>
05.3.1/2	<u>Major household appliances whether electric or not and small electric household appliances</u>
05.3.3	<u>Repair of household appliances</u>
05.4	<b><u>Glassware, tableware and household utensils</u></b>
05.5	<b><u>Tools and equipment for house and garden</u></b>
05.6	<b><u>Goods and services for routine household maintenance</u></b>
05.6.1	<u>Non-durable household goods</u>
05.6.2	<u>Domestic services and house care services</u>
06.A	<b><u>HEALTH: Medical and pharmaceutical products and therapeutic appliances and equipment — paid by the consumer and not reimbursed</u></b>
07.	<b><u>TRANSPORT</u></b>
07.1	<b><u>Purchase of vehicles</u></b>
07.1.1	<u>New and second-hand motor cars</u>
07.1.2/3	<u>Motor cycles and bicycles</u>
07.2	<b><u>Operation of personal transport equipment</u></b>
07.2.1	<u>Spare parts and accessories</u>
07.2.2	<u>Fuels and lubricants</u>
07.2.3	<u>Maintenance and repairs</u>
07.2.4A	<u>Other services in respect of personal transport equipment</u>
07.3	<b><u>Transport services</u></b>
07.3.1A	<u>Passenger transport by railway</u>
07.3.2A	<u>Passenger transport by road</u>
07.3.3A	<u>Passenger transport by air</u>
07.3.4A	<u>Passenger transport by sea and inland waterway</u>
07.3.5A	<u>Other purchased transport services</u>
07.3.6A	<u>Combined tickets</u>
08.	<b><u>COMMUNICATIONS</u></b>
08.1	<b><u>Communications</u></b>
08.1.1	<u>Postal services</u>
08.1.2/3	<u>Telephone and telefax equipment and services</u>
09.	<b><u>RECREATION AND CULTURE</u></b>
09.1	<b><u>Equipment and accessories, including repairs</u></b>
09.1.1	<u>Equipment for the reception, recording and reproduction of sound and pictures</u>
09.1.2	<u>Photographic and cinematographic equipment and optical instruments</u>
09.1.3	<u>Data processing equipment</u>
09.1.4	<u>Other major durables for recreation and culture</u>
09.1.5	<u>Games, toys and hobbies, equipment for sport, camping and open-air recreation</u>
09.1.6	<u>Recording media for pictures and sound</u>
09.1.7	<u>Gardening</u>
09.1.8	<u>Pets</u>
09.1.9	<u>Repair of equipment and accessories for recreation and culture</u>
09.2A	<b><u>Recreational and cultural services</u></b>

<u>09.3</u>	<b><u>Newspaper, books and stationery</u></b>
<u>09.4</u>	<b><u>Package holidays</u></b>
<u>10.A</u>	<b><u>EDUCATION — Commonly paid by consumers in Member States</u></b>
<u>11.</u>	<b><u>HOTELS, CAFES AND RESTAURANTS</u></b>
<u>11.1</u>	<u>Catering</u>
<u>11.1.1</u>	<u>Restaurants and cafés</u>
<u>11.1.2</u>	<u>Canteens</u>
<u>11.2</u>	<b><u>Accommodation services</u></b>
<u>12.</u>	<b><u>MISCELLANEOUS GOODS AND SERVICES</u></b>
<u>12.1</u>	<b><u>Personal care</u></b>
<u>12.1.1</u>	<u>Hairdressing salons and personal grooming establishments</u>
<u>12.1.2</u>	<u>Appliances, articles and products for personal care</u>
<u>12.2</u>	<b><u>Personal effects n.e.c.</u></b>
<u>12.4A</u>	<b><u>Insurance</u></b>
<u>12.4.2A</u>	<u>Insurance connected with the dwelling — Contents insurance</u>
<u>12.4.4A</u>	<u>Insurance connected with transport — Car insurance</u>
<u>12.5A</u>	<b><u>Banking services n.e.c.</u></b>
<u>12.6A</u>	<b><u>Other services n.e.c.</u></b>

***ANNEX II***

***ILLUSTRATION OF HICP SUB-INDICES: BREAKDOWN BY DIVISION  
(two-digit level), GROUP (three-digit level) AND CLASS <sup>(3)</sup> (four-digit  
level).<sup>(4)</sup>***

See Annex II  
Reg.  
1749/1999  
(p.287) and  
Arts. 4 and 5  
Reg.  
1920/2001  
(p.333)

***01. FOOD AND NON-ALCOHOLIC BEVERAGES***

***01.1. Food***

*The products classified here are those generally purchased for consumption at home. The heading thus excludes products normally sold for immediate consumption, such as sandwiches, hot dogs, ice creams, etc. (11.1.1). Also excluded are cooked dishes to take away and the products of prepared-food suppliers and catering contractors even if they are delivered to the customer's home (11.1.1). Products sold specifically as pet foods are covered by (09.1.8).*

***01.1.1. Bread and cereals (ND)***

- Rice in all forms including rice prepared with meat, fish, seafood or vegetables*
- Maize, wheat, barley, oats, rye and other cereals in the form of grains, flour or meal*
- Bread and other bakery products such as crispbread, rusks, toasted bread, biscuits, gingerbread, wafers, waffles, crumpets and muffins*
- Pastry-cook products such as cakes, tarts, pies, quiches and pizzas*
- Pasta products in all forms including pasta products containing meat, fish, seafood, cheese or vegetables*
- Other products such as malt, malt flour, malt extract, potato starch, tapioca, sago, other starches, cereal preparations (cornflakes, oat flakes, etc.) and homogenized babyfoods, dietary products and culinary ingredients based on flour, starch or malt extract*

*Includes: Couscous and similar farinaceous products prepared with meat, fish, seafood or vegetables; mixes and doughs for the preparation of bakery products or pastry-cook products.*

*Excludes: Meat pies (01.1.2); fish pies (01.1.3); sweetcorn (01.1.7); homogenized babyfoods, dietary products and culinary ingredients containing at least 50 % cocoa (01.1.8).*

***01.1.2. Meat (ND)***

- Fresh, chilled or frozen meat of:*
  - bovine animals, sheep, goat and swine,*
  - poultry and edible poultry offal,*
  - hare, rabbit and game (deer, boar, pheasant, grouse, etc.),*
  - horse, mule, donkey, camel and the like,*

<sup>(3)</sup> Most classes comprise either goods or services. Classes containing goods are denoted by either (ND), (SD) or (D) indicating either 'non-durable', 'semi-durable' or 'durable' respectively. (S) denotes classes consisting of 'services'. Some classes contain both goods and services because it is difficult to break them down into goods and services. Such classes are usually assigned an (S) as the service component is considered to be predominant. (E) indicates 'energy' and (SEA) 'seasonal products'.

<sup>(4)</sup> Based on the final draft on the Coicop classification as adopted at a joint UN-ECE/OECD/Eurostat meeting on national accounts held in Geneva 30 April to 3 May 1996.



- fresh, chilled or frozen edible meat offal,
- dried, salted or smoked meat and edible meat offal (sausages, salami, bacon, ham, pâté, etc.),
- other preserved or processed meat and meat preparations (canned meat, meat extracts, meat juices, meat pies, etc).

*Includes:* Meat and edible offal of marine mammals (seals, walruses, whales, etc).

*Excludes:* Farinaceous products containing meat (01.1.1); frogs, land and sea snails (01.1.3); soups containing meat (01.1.9); lard and other edible animal fats (01.1.5).

#### 01.1.3 Fish (ND) (SEA)

- Fresh, chilled or frozen fish
- Fresh, chilled or frozen seafood (crustaceans including land crabs, molluscs and other shellfish, land and sea snails, frogs)
- Dried, smoked or salted fish and seafood
- Other preserved or processed fish and seafood and fish and seafood preparations (canned fish and seafood, caviar and other hard roes, fish pies, etc.)

*Excludes:* Farinaceous products containing fish (01.1.1); fish soups (01.1.9).

#### 01.1.4 Milk, cheese and eggs (ND)

- Fresh, pasteurized or sterilized whole milk and low fat milk
- Preserved (condensed, evaporated or powdered) milk
- Yoghurt, cream, milk-based desserts, milk-based beverages and other similar milk-based products
- Cheese and curd
- Poultry eggs, egg powder and other egg products made wholly with eggs

*Includes:* Milk, cream and yoghurt containing sugar, cocoa, fruit or flavourings.

#### 01.1.5 Oils and fats (ND)

- Butter
- Margarine and other vegetable fats including peanut butter
- Edible oils (olive oil, corn oil, sunflower-seed oil, cotton-seed oil, soybean oil, groundnut oil, etc.
- Edible animal fats (lard, etc.)

*Excludes:* Cod or halibut liver oil (06.A).

#### 01.1.6 Fruit (ND) (SEA)

- Fresh or chilled fruit
- Dried fruit, fruit peel, fruit kernels, nuts and edible seeds
- Frozen and other preserved fruit and fruit-based products including homogenized babyfood, dietary preparations and culinary ingredients based exclusively on fruit

*Excludes:* Vegetables grown for their fruit such as tomatoes, cucumbers and aubergines (01.1.7), jams, marmalades, compotes, jellies, fruit purees and pastes

(01.1.8); parts of plants preserved in sugar (01.1.8); fruit juices (01.2.2); fruit concentrates and syrups for culinary use (01.1.9) or for the preparation of beverages (01.2.2).

01.1.7 Vegetables including potatoes and other tubers (ND) (SEA)

- Fresh or chilled vegetables
- Frozen vegetables
- Dried vegetables
- Other preserved or processed vegetables and vegetable-based products including homogenized babyfood, dietary preparations and culinary ingredients based exclusively on vegetables
- Fresh or chilled potatoes and other tubers (manioc, arrowroot, cassava, sweet potatoes and other starchy roots)
- Products of tuber vegetables (flours, meals, flakes, purees, chips and crisps) including frozen preparations such as chipped potatoes

*Include:* Sweetcorn, sea fennel and other edible seaweed, culinary herbs (parsley, rosemary, thyme, etc.); mushrooms and other edible fungi.

*Excludes:* Potato starch, tapioca, sago and other starches (01.1.1); soups, broths and stocks (01.1.9); garlic, ginger, pimento and other spices and condiments (01.1.9); vegetable juices (01.2.2).

01.1.8 Sugar, jam, honey, syrups, chocolate and confectionery (ND)

- Cane or beet sugar, unrefined or refined, powdered, crystallized or in lumps
- Jam, marmalades, compotes, jellies, fruit purees and pastes, natural and artificial, honey, syrups and molasses, including parts of plants preserved in sugar
- Chocolate in bars or slabs, chewing gum, sweets, toffees, pastilles and other confectionery products
- Dessert preparations, homogenized babyfoods, dietary products and culinary ingredients containing at least 90 % cocoa
- Edible ices and ice cream

*Includes:* Artificial sugar substitutes.

*Excludes:* Cocoa and powdered chocolate (01.2.1); syrups for the preparation of beverages (01.2.2).

01.1.9 Food products n.e.c. (ND)

- Salt, spices, sauces, condiments, seasonings (mustard, mayonnaise, ketchup, soy sauce, etc.), vinegar, prepared baking powders, baker's yeast, dessert preparations, soups, broths, stocks, fruit concentrates and syrups for culinary use, etc.

*Includes:* garlic, ginger, pimento; homogenized babyfood, dietary preparations and culinary ingredients except for those based on flour starch or malt extract (01.1.1) or based exclusively on fruits (01.1.6) or vegetables (01.1.7) or containing at least 50 % cocoa (01.1.8)

*Excludes:* culinary herbs (01.1.7); dessert preparations containing at least 50 per cent cocoa (01.1.8).

01.2 ..... **Non-alcoholic beverages**

Non-alcoholic beverages served for immediate consumption, including those from automatic vending machines, are covered by (11.1.1) and (11.1.2).

01.2.1 ..... Coffee, tea and cocoa (ND)

- Coffee, whether or not decaffeinated, roasted or ground, including instant coffee, coffee extracts and essences and coffee substitutes
- Tea, maté and other plant products for infusions
- Cocoa, whether or not sweetened, and powdered chocolate

*Includes:* Preparations for beverages containing cocoa, milk, malt, etc.; coffee and tea substitutes; extracts and essences of coffee and tea.

01.2.2 ..... Mineral waters soft drinks and juices (ND)

- Mineral waters
- Soft drinks such as sodas, lemonades and colas
- Fruit and vegetables juices
- Syrups and concentrates for the preparation of beverages

*Excludes:* Non-alcoholic spirits, liqueurs, etc. (02.1.1); non-alcoholic wine, cider, etc. (02.1.2) and non-alcoholic beer (02.1.3).

02. .... **ALCOHOLIC BEVERAGES AND TOBACCO**

02.1 ..... **Alcoholic beverages**

Alcoholic beverages served for immediate consumption, including those from automatic vending machines, are covered by (11.1.1) and (11.1.2).

02.1.1 ..... Spirits (ND)

- Spirits and liqueurs.

*Includes:* Mead; aperitifs other than wine-based aperitifs; non-alcoholic spirits, liqueurs, etc.

02.1.2 ..... Wine (ND)

- Wine from grape or other fruit including cider and perry
- Wine-based aperitifs, fortified wine, champagne and other sparkling wines, sake and the like

*Includes:* Non-alcoholic wine, cider etc.

02.1.3 ..... Beer (ND)

- All kinds of beer such as ale, lager and porter

*Includes:* Low-alcohol beer and non-alcoholic beer.

02.2 ..... **Tobacco (ND)**

- Cigarettes and cigarette papers
- Cigars, pipe tobacco, chewing tobacco or snuff

*Includes:* Purchases of tobacco in cafés, bars, restaurants, service stations, etc.

*Excludes:* Other smokers' articles (12.2).

### 03. CLOTHING AND FOOTWEAR

#### 03.1 Clothing

##### 03.1.1 Clothing materials (SD)

— Fabrics of natural fibres, of man-made fibres and of mixtures of natural and man-made fibres

*Excludes:* Furnishing fabrics (05.2).

##### 03.1.2 Garments (SD)

— Garments for men, women, children (3 to 13 years) and infants (0 to 2 years), either ready-to-wear or made-to-measure, in all materials (including leather, furs, plastics and rubber), for everyday wear, for sport or work:

— capes, overcoats, raincoats, anoraks, parkas, blousons, etc.

— jackets, trousers, waistcoats, dresses, skirts, costumes, tailored suits, etc.

— shirts, blouses, pullovers, sweaters, cardigans, etc.

— T-shirts, vests, underpants, socks, stockings, tights, brassières, knickers, girdles, corsets

— pyjamas, night-shirts, housecoats, dressing gowns and swimsuits

— babyclothes including babies' napkins made of fabric and babies' booties made of fabric.

*Excludes:* Articles of medical hosiery such as elasticated stockings (06.A); babies' napkins made of paper and cotton wool (12.1.2).

##### 03.1.3 Other articles of clothing and clothing accessories (SD)

— Ties, handkerchiefs, scarves, squares, gloves, mittens, muffs, belts, braces, aprons, smocks, bibs, sleeve protectors, hats, caps, berets, bonnets, crash helmets

— Sewing threads, knitting wools and accessories for making clothing such as buckles, buttons, press-studs, zip-fasteners, ribbons, laces, trimming, etc.

*Excludes:* Gloves and other articles made of rubber (05.6.1); pins, sewing and knitting needles (05.6.1); protective headgear for sports (such as those used in ice hockey, American football, baseball, cricket, cycling, boxing, etc.) (09.1.5); other protective gear for sports such as life jackets, boxing gloves, shin-guards, pads and padding, goggles, belts, etc. (09.1.5); paper handkerchiefs (12.1.2); watches, jewellery, cufflinks, tie-pins (12.2); walking sticks and canes, umbrellas, fans, key rings (12.2).

##### 03.1.4 Dry-cleaning, repair and hire of clothing (S)

— Dry-cleaning, laundering and dyeing

— Darning, mending, repair and altering of garments

— Hire of garments

*Excludes:* Hire of household linen (5.6.2).

**03.2.....Footwear, including repairs (SD)**

- All footwear for men, women, children (3 to 13 years) and infants (0 to 2 years) including sports footwear suitable for everyday or leisure wear (shoes for jogging, cross-training, tennis, basketball, boating, etc.)
- Parts of footwear (heels, soles, etc.)
- Repair of footwear, including shoe-cleaning services
- Hire of footwear, *except* hire of game-specific footwear (bowling shoes, football boots, running spikes, ski boots, footwear fitted with ice skates or rollers, etc.) (09.2).

*Includes:* Gaiters, leggings and similar articles; accessories for footwear such as shoe trees and stretchers.

*Excludes:* Babies' booties made of fabric (03.1.2); orthopaedic footwear (06.A); game-specific footwear (bowling shoes, football boots, running spikes, ski boots, footwear fitted with ice skates or rollers, etc.) (09.1.5); shin-guards, cricket pads and other protective apparel for sport (09.1.5).

**04.....HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS**

**04.1.....Actual rentals for housing (S)**

Rentals normally include payment for the use of the land on which the property stands, space occupied and fixtures and fittings for heating, plumbing, lighting, etc.

Rentals also include payment for the use of a garage to provide parking in connection with the dwelling. The garage does not have to be physically contiguous to the dwelling; nor does it have to be leased from the same landlord.

Rentals do not include charges for electricity, gas, heating, water, hot water supply and waste collection.

*Covers:*

- Rentals actually paid by tenants or subtenants occupying unfurnished or furnished premises as their main residence.
- Rentals actually paid for secondary residences.

*Includes:* Payment for the use of the furniture in the case of dwellings let furnished; rentals of households occupying accommodation for the duration of the holiday period (*NB:* if available for purchase in the economic territory included for the same reasons as package holidays); payments by households occupying a room in a hotel or boarding house as their main residence.

*Excludes:* Rentals for garages or parking spaces not providing parking in connection with the dwelling (07.2.4A); rentals paid by persons accommodated in hostels and similar establishments (11.2); rentals for accommodation in holiday villages and holiday centres (11.2).

**04.3.....Regular maintenance and repair of the dwelling**

Regular maintenance and repair of dwellings are distinguished by two features: first, they are activities that the owner or tenant is obliged to undertake regularly in order to

maintain the dwelling in good working order; second, they do not change the dwellings performance, capacity or expected service life.

All expenditures which tenants incur on materials and services for the regular repair and maintenance of dwellings are part of individual consumption expenditure of households.

Expenditures by owner-occupiers on materials for the regular repair and maintenance of dwellings to be undertaken by the owner-occupiers themselves are part of individual consumption expenditure by households. Expenditures by owner-occupiers on services for the regular repair and maintenance of dwellings equivalent to similar expenditures incurred by tenants are also part of individual consumption expenditure. Other expenditures by owner-occupiers on services for the regular repair and maintenance of dwellings constitute intermediate consumption.

Purchases of materials made by tenants or owner-occupiers with the intention of undertaking the maintenance or repairs themselves should be shown under 04.3.1. If, however, tenants or owner-occupiers pay an establishment to carry out the maintenance or repairs then the total value of the service, including the costs of the materials used, should be shown under 04.3.2.

#### 04.3.1 Products for the regular maintenance and repair of the dwelling (ND)

— Products such as paints and varnishes, renderings, wallpapers, fabric wall coverings, window panes, plaster, cement, putty, wallpaper pastes. Small plumbing items (pipes, tapes, joints, etc.) and surfacing materials (floor boards, ceramic tiles, etc.) are included.

*Excludes:* Fitted carpets and linoleum (05.1.2); hand tools, door fittings, power sockets, wiring flex lamp bulbs (05.5); brooms, scrubbing and dusting brushes and cleaning products (05.6.1); products used for major repairs, extensions and conversions of dwellings (capital formation).

#### 04.3.2 Services for the regular maintenance and repair of the dwelling (S)

— Services of plumbers, electricians, carpenters, glaziers, painters, decorators, floor polishers, etc; engaged for the regular maintenance and repair of the dwelling. Covers the total value of the service, that is both the cost of labour and the cost of materials are included.

*Excludes:* Services engaged for major repairs, extensions and conversions of dwellings (capital formation).

#### 04.4A Other services relating to the dwelling (S) <sup>(5)</sup>

- Refuse collection — consumers pay according to consumption (04.4.1A)
- Sewerage services — consumers pay according to consumption (04.4.2A)
- Water supply — consumers pay according to consumption (04.4.3A)
- Other services relating to the dwelling n.e.c. (04.4.4):
  - caretaking, gardening, stairwell cleaning and lighting, maintenance of lifts and refuse disposal chutes in multi-occupied buildings,

<sup>(5)</sup> 'Consumers pay according to consumption': (i) when they pay metered (measured) charges, (ii) when they pay a flat rate which can be regarded as an estimation of their consumption of the service, or (iii) when they pay a connection fee which allows a certain amount of consumption of the service; consumers do not pay according to consumption when the service is financed out of taxation.

- snow removal and chimney sweeping,
- street cleaning

*Includes:* Associated expenditure such as hire of meters, reading of meters, standing charges, etc.

*Excludes:* Supply of hot water or steam (04.5.5); disinfecting and pest extermination (05.6.2).

## 04.5 Electricity, gas and other fuels

### 04.5.1 Electricity (ND) (E)

*Includes:* Associated expenditure such as hire of meters, reading of meters, standing charges, etc.

### 04.5.2 Gas (ND) (E)

- Town gas and natural gas
- Liquefied hydrocarbons (butane, propane, etc.)

*Includes:* Associated expenditure such as hire of meters, reading of meters, storage containers, standing charges, etc.

### 04.5.3 Liquid fuels (ND) (E)

- Domestic heating oil and lamp oil

### 04.5.4 Solid fuels (ND) (E)

- Coal, coke, briquettes, firewood, charcoal, peat and the like

### 04.5.5 Hot water, steam and ice (ND) (E)

- Purchased hot water and steam
- Ice used for cooling and refrigeration purposes

## 05. FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE

### 05.1 Furniture, furnishings and decorations, carpets and other floor coverings and repairs

#### 05.1.1 Furniture and furnishings (D)

- Beds, sofas, couches, tables, chairs, cupboards, chests of drawers and bookshelves
- Lighting equipment such as ceiling lights, standard lamps, globe lights and bedside lamps
- Pictures, sculptures, engravings and other art objects including reproductions of works of art and other ornaments
- Screens, folding partitions and other furniture and fixtures

*Includes:* Installation when applicable; base-mattresses, tatamis; bathroom cabinets; baby furniture such as cradles, high-chairs and play-pens; blinds with the exception of

fabric blinds (05.2); camping and garden furniture with the exception of sunshades (05.2); mirrors, candle-holders and candlesticks.

Excludes: Safes (05.3.1/2); clocks (12.2); wall thermometers and barometers, baby carriages and push-chairs (12.2).

05.1.2 Carpets and other floor coverings (D)

— Loose carpets, fitted carpets, linoleum and other such floor coverings

Includes: Laying of floor coverings.

Excludes: Floor boards and ceramic floor tiles (04.3.1); bathroom mats, rush mats and door mats (05.2).

05.1.3 Repair of furniture, furnishings and floor coverings (S)

Includes: Restoration of antique furniture and works of art; cleaning of furniture, furnishings and floor coverings.

Excludes: Installation 05.1.1 or 05.1.2.

05.2 Household textiles (SD)

— Furnishing fabrics, curtains, double curtains, awnings, door curtains and fabric blinds

— Bedding such as mattresses, futons, pillows, bolsters and hammocks

— Bedlinen such as sheets, pillowcases, blankets, travelling rugs, plaids, eiderdowns, counterpanes and mosquito nets

— Table and bathroom linen such as tablecloths and napkins, bathrobes, towels and face-cloths

— Other household textiles such as shopping bags, laundry bags, covers for clothes and furniture, flags, sunshades, etc.

— Repair of household textiles

Includes: Cloth bought by the piece; oilcloth; bathroom mats, rush mats and door mats.

Excludes: Fabric wall coverings (04.3.1); floor coverings such as carpets and fitted carpets (05.1.2); hire of household linen (05.6.2); covers for motor cars, motor cycles, etc. (07.2.1); air mattresses and sleeping bags (09.1.5).

05.3 Heating and cooking appliances, refrigerators, washing machines and similar major household appliances, including fittings and repairs

05.3.1/2 Major household appliances whether electric or not (D) and small electric household appliances (SD)

— Refrigerators, freezers and fridge-freezers

— Clothes washing machines, clothes drying machines, dish washing machines and ironing and pressing machines

— Cookers, spit roasters, hobs, ranges, ovens and micro-wave ovens



- Air conditioners, humidifiers, space heaters, water heaters, ventilators and extractor hoods
- Vacuum cleaners, steam-cleaning machines, carpet shampooing machines and machines for scrubbing, waxing and polishing floors
- Other major household appliances such as safes, sewing and knitting machines, water softeners and drying cabinets
- Coffee mills, coffee-makers, juice extractors, can openers, food mixers, deep fryers, meat grills, knives, toasters, ice cream and sorbet makers, yoghurt makers, hotplates, irons, kettles, fans, household scales

*Includes:* Installation of the appliances.

*Excludes:* Such appliances that are built into the structure of the building (capital formation); small non-electric household appliances and utensils (05.4); personal weighing machines and baby scales (12.1.2).

#### 05.3.3 Repair of household appliances (S)

*Excludes:* Installation of major household appliances

#### 05.4 Glassware, tableware and household utensils (SD)

- Glass and crystal-ware for household, office and decoration
- Tableware and household or toilet articles of porcelain, ceramic, stoneware, china, terra-cotta
- Cutlery, flatware and silverware
- Non-electric kitchen utensils of all materials such as saucepans, stewpots, frying pans, grills, coffee mills, purée-makers, mincers, hotplates, household scales and other such mechanical devices
- Other household articles of all materials such as containers for bread, coffee, spices, etc., waste bins, waste-paper baskets, laundry baskets, portable money-boxes and strong-boxes, towel rails, bottle racks, irons and ironing boards, letter boxes, feeding bottles, thermos flasks and ice boxes
- Repair of these articles

*Excludes:* Lighting equipment (05.1.1); electric household appliances (05.3.1/2); cardboard tableware (05.6.1); personal weighing machines and baby scales (12.1.2).

#### 05.5 Tools and equipment for house and garden (D, SD)

- Motorized tools and equipment such as electric drills, saws, sanders and hedge cutters, garden tractors, motor-driven lawn mowers, cultivators, chain saws and water pumps
- Hand tools such as hammers, screwdrivers, spanners and pliers
- Garden tools such as hand lawn mowers, wheel barrows, spades, shovels, rakes, forks, scythes, sickles and scateurs
- Ladders and steps
- Door fittings (hinges, handles and locks), fittings for radiators and fireplaces and other metal articles for the house (curtain rails, carpet rods, hooks, etc.) or for the garden (chains, grids, stakes and hoop segments for fencing and bordering)

- Small electrical accessories such as power sockets, switches, wiring flex, electric bulbs, fluorescent lighting tubes, torches, hand-lamps, electric batteries for general use, bells and alarms
- Repair of these articles

## 05.6 Goods and services for routine household maintenance

### 05.6.1 Non-durable household goods (ND)

- Cleaning and maintenance products such as soaps, washing powders, scouring powders, detergents, disinfectant bleaches, conditioners, window-cleaning products, waxes, polishes, dyes, unblocking agents, disinfectants, insecticides, fungicides and distilled water
- Paper products such as filters, tablecloths and napkins, kitchen paper, vacuum cleaner bags and cardboard tableware, including aluminium foil and plastic bin liners
- Articles for cleaning such as brooms, scrubbing brushes, dust pans and dust brushes, dusters, tea towels, floorcloths, sponges, scourers, steel wool and chamois leathers
- Other non-durable household articles such as matches, candles, lamp wicks, methylated spirits, clothes pegs, hangers, sewing and knitting needles, thimbles, safety pins, nails, screws, nuts and bolts, drawing pins, tacks, washers, glues and adhesive tapes for household use, string, twine and rubber gloves

*Excludes:* Products for the upkeep of ornamental gardens (09.1.7); paper handkerchiefs, toilet paper, toilet soaps and other products for personal hygiene (12.1.2).

### 05.6.2 Domestic services and home care services (S)

- The employment of paid staff in private service such as butlers, cooks, maids, cleaners, drivers, gardeners, governesses, secretaries, tutors and au pairs
- Domestic services, including baby-sitting, supplied by agencies or self-employed persons
- Hire of furniture, furnishings, household equipment and household linen
- Other home care services such as window cleanings, disinfecting, fumigation and pest extermination

*Excludes:* Dry-cleaning, laundering and dyeing (03.1.4); payments by tenants of furnished accommodation for the use of furniture (04.1); refuse collection and sewerage services (04.4.1/2A); care-taking, gardening, stairwell cleaning and lighting maintenance of lifts and refuse disposal chutes in multi-occupied buildings (04.4.4); snow removal and chimney sweeping (04.4.4); street cleaning (04.4.4); repair and installation of furniture and floor coverings (05.1); repair and installation of household appliances (05.3); services of wet-nurses, crèches, nurseries, day care centres and other household child-minding facilities (not in the index).

## 06.A HEALTH: Medical and pharmaceutical products and therapeutic appliances and equipment — paid by the consumer and not reimbursed (ND, SD, D)

Covers medical and pharmaceutical products and therapeutic appliances and equipment outside the social security system of the Member State; the products covered are not reimbursable within the year.

*May include for example:*

- Vitamins and minerals, painkillers, cough medicine, cod liver oil and halibut liver oil,
- clinical thermometers, adhesive and non-adhesive bandages, hypodermic syringes, first-aid kits, hot-water bottles and ice bags, medical hosiery items such as elastic stockings and knee-pads,
- condoms and other contraceptives,
- corrective eye-glasses and contact lenses, hearing aids, glass eyes, orthopaedic braces and supports, surgical belts, trusses and supports, neck braces, medical massage equipment and health lamps, powered and unpowered wheelchairs and invalid carriages,
- dentures but not fitting costs,
- orthopaedic footwear.

*Excludes:* Medical and pharmaceutical products and therapeutic appliances and equipment which are partly or wholly reimbursed or paid by the social security system of the Member State (not in the index); all services, for example hire of therapeutic equipment and other services (not in the index); sun-glasses not fitted with corrective lenses (12.2); protective goggles, belts and supports for sport (09.1.5); medicinal soaps (12.1.2); veterinary products (09.1.8).

07. TRANSPORT

07.1 **Purchase of vehicles**

Purchases of recreational vehicles such as camper vans, caravans, trailers, aeroplanes and boats are covered by (09.1.4).

The weight for new and second-hand motor cars reflects the net acquisition of the index population. Member States have the choice to take:

- (i) a net weight for new cars (gross weight minus the trade-in value of used cars) and a net weight for second-hand cars reflecting all purchases of the index population from or through intermediaries, which are typically garages or car dealers, less the value of traded-in used cars;
- (ii) a gross weight for new cars (not taking into account the trade-in of used cars), and a weight for second-hand cars reflecting the purchases of the index population from the business sector plus the trade-margin for second-hand cars changing ownership within the index population; the assumption is that traded-in used cars are sold to the index population which is thus a transaction within the index population.

07.1.1 New and second-hand motor cars (D)

- New motor cars, passenger vans, station wagons, estate car and the like with either two-wheel drive or four-wheel drive
- Second-hand motor cars, passenger vans, station wagons, estate car and the like with either two-wheel drive or four-wheel drive

*Excludes:* Invalid carriages (06A); camper vans (09.1.4); golf carts (09.1.4).

07.1.2/3 Motor cycles and bicycles (D)

- Motor cycles of all types, scooters and powered bicycles

— Bicycles and tricycles of all types, except toy bicycles and tricycles (09.1.5).

*Includes:* Side cars; snowmobiles.

*Excludes:* Invalid carriages (06.A); golf carts (09.1.4).

## 07.2 Operation of personal transport equipment

Purchases of materials made by households with the intention of undertaking the maintenance or repairs themselves should be shown under 07.2.1 or 07.2.2. If, however, households pay an establishment to carry out the maintenance or repairs then the total value of the service, including the costs of the materials used, should be shown under 07.2.3.

### 07.2.1 Spare parts and accessories (SD)

— Tyres (new, used or retreaded), inner tubes, spark plugs, batteries, shock absorbers, filters, pumps and other spare parts or accessories for personal transport equipment

*Includes:* Products specifically for the cleaning and maintenance of transport equipment such as paints, chrome cleaners, sealing compounds and bodywork polishes; covers for motor cars, motor cycles, etc.

*Excludes:* Non-specific products for cleaning and maintenance such as distilled water, sponges, chamois leathers, detergents, etc. (05.6.1); charges for the fitting of spare parts and accessories and for the painting, washing and polishing of bodywork (07.2.3); car radios (09.1.1) and radio-telephones (8.1.2/3).

### 07.2.2 Fuels and lubricants (ND) (E)

— Petrol and other fuels such as diesel, liquid petroleum gas, alcohol and two-stroke mixtures

— Lubricants, brake and transmission fluids, coolants and additives

*Includes:* fuel for recreational vehicles covered under 09.1.4.

*Excludes:* Charges for oil changes and greasing (07.2.3).

### 07.2.3 Maintenance and repairs (S) <sup>(6)</sup>

— Services purchased for the maintenance and repair of transport equipment such as fitting of parts and accessories, wheel balancing, technical inspection, breakdown services, oil changes, greasing and washing. Covers the total value of the service, that is both the cost of labour and the cost of materials used are included.

### 07.2.4A Other services in respect of personal transport equipment (S)

Following the conventions of ESA 1995 included are payments by households for licences, permits, etc. which are regarded as purchases of services from government (ESA 1995, paragraph 3.76.h). In that case the government issues licences as part of

<sup>(6)</sup> The weight for this position should be adjusted to include repairs paid out of claims direct from insurance companies (see also 12.4A).

some regulatory function, such as checking the competence, or qualifications, of the persons concerned (ESA 1995, paragraph 4.80.d and its footnote).

- Hire of personal transport equipment without driver
- Hire of garages or parking spaces not providing parking in connection with the dwelling
- Driving lessons (cars or motor cycles), driving tests and driving licences
- Toll facilities (bridges, tunnels, shuttle-ferries, motorways) and parking meters
- Road worthiness test

*Excludes:* Hire of a car with driver (07.3.2); hire of a garage to provide parking in connection with the dwelling (4.1); licences to own or use vehicles (not in the index).

### 07.3 Transport services

Purchases of transport services are classified by mode of transport. When a ticket covers two or more modes of transport — for example, intra-urban bus and underground or inter-urban train and ferry — then such purchases should be classified in 07.3.6A.

#### 07.3.1A Passenger transport by railway (S)

- Local and long-distance transport of individuals and groups of persons and luggage by train, tram and underground

*Includes:* Transport of private vehicles; accommodation services.

*Excludes:* Funicular transport (07.3.5A); costs of meals and refreshments unless included in the fare (11.1.1).

#### 07.3.2A Passenger transport by road (S)

- Local and long distance transport of individuals and groups of persons and luggage by bus, coach, taxi and hired car with driver

*Excludes:* Ambulances (not in the index); costs of meals and refreshments unless included in the fare (11.1.1).

#### 07.3.3A Passenger transport by air (S)

- Transport of individuals and groups of persons and luggage by aeroplane and helicopter

*Excludes:* Ambulances (not in the index); costs of meals and refreshments unless included in the fare (11.1.1).

#### 07.3.4A Passenger transport by sea and inland waterway (S)

- Transport of individuals and groups of persons and luggage by ship, boat, ferry, hovercraft and hydrofoil

*Includes:* Transport of private vehicles; accommodation services.

*Excludes:* Ambulances (not in the index); costs of meals and refreshments unless included in the fare (11.1.1).

07.3.5A Other purchased transport services (S)

- Funicular, teleferic and cable-car transport
- Moving and storage of household goods
- Services of porters and left-luggage and luggage-forwarding offices
- Travel agents' commissions

*Excludes:* Ambulances (not in the index); teleferic, cable cars and ski lifts at ski resorts and holiday centres (09.2).

07.3.6A Combined tickets (S)

- Ticket covering two or more modes of transport and the expenditure cannot be apportioned between them

*Excludes:* Ambulances (not in the index); teleferic, cable cars and ski lifts at ski resorts and holiday centres (09.2)

08. COMMUNICATIONS

08.01 **Communications**

08.1.1 Postal services (S)

- Payments for the delivery of letters, postcards and parcels

*Includes:* All purchases of new postage stamps, pre-franked postcards and aerogrammes; private mail and parcel delivery.

*Excludes:* Purchase of used or cancelled postage stamps (09.1.5); financial services of post offices (12.5A).

08.1.2/3 Telephone and telefax equipment and telephone, telegraph and telefax services (S)

- Purchases of telephones, radio-telephones, telefax machines, telephone-answering machines and telephone loudspeakers
- Installation and subscription costs of personal telephone equipment
- Telephone calls from a private or public line
- Telegraphy, telex and telefax services
- Data transmission services

*Includes:* Repair of such equipment; radiotelephony, radiotelegraphy and radiotelex; telephone calls in hotels, cafés or restaurants; hire of telephones, telefax machines, telephone answering-machines and telephone loudspeakers, access to Internet.

*Excludes:* Telefax and telephone answering facilities provided by personal computers (09.1.3).

09. RECREATION AND CULTURE

09.1 **Equipment and accessories, including repairs**

09.1.1 Equipment for the reception, recording and reproduction of sound and pictures (D)

- Radio sets, car radios, radio clocks, two-way radios and amateur radio receivers and transmitters

— Television sets, video-cassette players and recorders, television aerials of all types

— Gramophones, tape players and recorders, cassette players and recorders, CD-players, personal stereos, stereo systems and their constituent units (turntables, tuners, amplifiers, speakers, etc.), microphones and earphones

*Excludes:* Video cameras, cam-corders and sound-recording cameras (09.1.2); repair of such equipment (09.1.9); hire of such equipment, licence fees and taxes on audio-visual equipment, subscriptions to private television networks (09.2).

**09.1.2 Photographic and cinematographic equipment and optical instruments (D)**

— Still cameras, movie cameras and sound-recording cameras, video cameras and cam-corders, film and slide projectors, enlargers and film processing equipment, and accessories such as screens, viewers, lenses, flash attachments, filters, and exposure meters

— Binoculars, microscopes, telescopes and compasses.

**09.1.3 Data processing equipment (D)**

— Personal computers and visual display units, printers, software and miscellaneous accessories accompanying them

— Calculators, including pocket calculators

— Typewriters and word processors

*Includes:* Telefax and telephone answering facilities provided by personal computers.

*Excludes:* Video game software, video game cassettes and game computers to be plugged into a television set (09.1.5); typewriter ribbons (09.3); slide rules (09.3).

**09.1.4 Other major durables for recreation and culture (D)**

— Camper vans, caravans and trailers

— Aeroplanes, microlight aircraft and hang-gliders

— Pleasure boats, outboard motors, sails rigging and superstructures

— Major items for games and sport such as canoes, kayaks, wind-surfing boards, body-building apparatus, sea-diving equipment, billiard tables, ping-pong tables, pin-ball machines, gaming machines and golf carts

— Swimming pools which are not permanent fixtures

— Musical instruments, including electronic musical instruments, such as pianos, organs, violins guitars, trumpets, clarinets and flutes

— Horses and ponies

*Excludes:* Small musical instruments such as recorders, harmonicas etc. (09.1.5); inflatable boats and swimming pools (09.1.5).

**09.1.5 Games, toys and hobbies, equipment for sport, camping and open-air recreation (SD)**

— Card games, parlour games, chess sets and the like

— Toys of all kinds including dolls, soft toys, toy cars and trains, toy bicycles and tricycles, toy construction sets, puzzles, plasticine, electronic games, masks, disguises, jokes, novelties, fireworks, festoons and Christmas-tree decorations

- Stamp-collecting requisites such as used or cancelled postage stamps and stamp albums and other items for collections (mineralogy, zoology, botany, etc.)
- Gymnastics, physical education and sport equipment such as balls, rackets, bats, skis, ice skates, roller skates, poles, weights, discuses, javelins, dumb-bells and chest expanders
- Firearms and ammunition for hunting and sport, fishing rods and other equipment for fishing
- Equipment for beach and open-air games such as bowls, croquet, frisbee, including inflatable swimming pools, boats and rafts
- Camping equipment such as tents and accessories, sleeping bags and back-packs, air mattresses and inflating pumps, camping stoves and barbecues

*Includes:* Music boxes and small musical instruments such as recorders, harmonicas, whistles, etc. video game software, video game cassettes and game computers to be plugged into a television set; game-specific footwear such as bowling shoes, football boots, running spikes, ski boots and footwear fitted with ice skates or roller skates; protective headgear for sports (such as those used in ice hockey, American football, baseball, cricket, cycling, boxing, etc.); other protective gear for sports such as life jackets, boxing gloves, shin-guards, pads, padding, goggles, belts, supports, etc.

*Excludes:* Camping and garden furniture (05.1.1); collectors' items falling into the category of works of art or antiques (05.1.1); body-building apparatus (09.1.4); Christmas trees (09.1.7); children's scrapbooks (09.3); unused postage stamps (8.1.1).

#### 09.1.6 Recording media for pictures and sound (SD)

- Records and compact discs
- Pre-recorded tapes, cassettes, video cassettes, diskettes and CD-ROMs for tape recorders, cassette recorders, video recorders and personal computers
- Unrecorded tapes, cassettes, video cassettes, diskettes and CD-ROM's for tape recorders, cassette recorders, video recorders and personal computers
- Unexposed films, cartridges and discs for photographic and cinematographic use

*Includes:* Photographic supplies such as paper and flash bulbs.

*Excludes:* Batteries (05.5); video game cassettes (09.1.5); processed photographs and transparencies (09.2).

#### 09.1.7 Gardening (ND)

- Plants, shrubs, bulbs, tubers, seeds, fertilizers, composts, specially treated soils for ornamental gardens, natural or artificial flowers and foliage, pots and pot holders

*Includes:* Natural and artificial Christmas trees.

*Excludes:* Gardening tools (05.5).

#### 09.1.8 Pets (ND)

- Pets, pet foods, veterinary and grooming products for pets, collars, leashes, kennels, birdcages, fish tanks, car litters, etc.

*Excludes:* Horses and ponies (09.1.4); veterinary services (09.2).



09.1.9 ..... **Repair of equipment and accessories for recreation and culture (S)**

- Repair of audio-visual equipment, personal computers, musical instruments, aeroplanes and boats for recreation, games, toys and equipment for sport, hunting, fishing and camping

09.2A ..... **Recreational and cultural services (S)**

- Services provided by:
  - cinemas, theatres, opera houses, concert halls, music halls,
  - sports stadia, cycle tracks, horse-racing tracks, etc.,
  - museums, libraries, art galleries, exhibitions,
  - historic monuments, national parks, zoological and botanical gardens,
  - sound and light shows,
  - circuses, fairs and amusement parks,
  - roundabouts, see-saws and other playground facilities for children,
  - pin-ball machines and other games for adults other than games of chance,
  - ski slopes and ski lifts
- Hire of equipment and accessories for recreation and culture, in particular television sets, video cassettes, aeroplanes, boats, horses, skiing or camping equipment
- Entrance fees to swimming pools and hire of tennis courts, squash courts and bowling alleys
- Out-of-school individual or group lessons in bridge, dancing, music, skiing, swimming or other pastimes
- Services of musicians, clowns, performers for private entertainment
- Services of photographers such as developing, printing, enlarging, portrait, photography, etc.
- Veterinary and other services for pets such as grooming and boarding
- Services of mountain guides, tour guides, etc.

*Includes:* Teleferics and cable cars at ski resorts or holiday centres; television and radio broadcasting, in particular licence fees for and subscriptions to television networks; pay TV; hire of game-specific footwear such as bowling shoes, football boots, running spikes, ski boots and footwear fitted with ice skates or rollers.

*Excludes:* Teleferics and cable cars not at ski resorts or holiday centres (07.3.5A); bars providing entertainment (11.1.1); computer courses, language courses, typing courses etc. (10.A); service charges for lotteries, bookmakers, totalizers, casinos and other gambling establishments, gaming machines, bingo halls, scratch cards, sweepstakes, etc. (not in the index).

09.3 ..... **Newspapers, books and stationery (SD, ND)**

- Books, including atlases, dictionaries, encyclopaedias and text books
- Newspapers, magazines and other periodicals
- Catalogues and advertising material
- Posters, greeting cards and visiting cards, announcement and message cards, plain or picture postcards, calendars
- Road maps, world maps and globes

- Writing pads, envelopes, account books, notebooks, diaries, etc.
- Pens, pencils, fountain pens, ball-point pens, felt-tip pens, inks, ink erasers, rubbers, pencil sharpeners, etc.
- Stencils, carbon paper, typewriter ribbons, inking pads, correcting fluids, etc.
- Paper punches, paper cutters, paper scissors, office glues and adhesives, staplers and staples, paper clips, drawing pins, etc.
- Drawing and painting materials such as canvas, paper, card, paints, crayons, pastels and brushes

*Includes:* Scrapbooks and albums for children, educational materials such as school books, exercise books, slide rules, compasses, squares, protractors, slates, chalks and pencil boxes.

*Excludes:* Stamp albums (09.1.5), pre-franked postcards and aerogrammes (8.1.1), pocket calculators (09.1.3).

#### 09.4 Package holidays (S)

- All inclusive holidays or tours which provide for travel, food, accommodation, guides, etc.

*Includes:* Half-day and one-day excursion tours.

*Excludes:* Travel insurance (not in the index); rentals of households occupying accommodation for the duration of the holiday period (04.1); rentals for accommodation in holiday villages and holiday centres (11.2).

### 10.A EDUCATION — Commonly paid by consumers in Member States (S)

Covers education services commonly paid for by consumers in Member States; as such identified by member States in the following:

- Level 9 of the International Standard Classification of Education (Isced): educational programmes, generally for adults, which do not require any special prior instruction, in particular vocational training and cultural development.

*Includes:* Computer courses, language courses, typing courses, etc.

*Excludes:* Education not 'commonly paid for by consumers in Member States', which are, levels 0 and 1 of Isced, i.e. nursery school, primary school, literacy programmes for children of all ages, levels 2 and 3 of Isced, i.e. general, vocational or technical secondary education, and levels 5, 6 and 7 of Isced, i.e. education at the third level, university or otherwise (not in the index); recreational, sport or tourist activities not constituting organized and progressive training courses, for example music, sport or bridge lessons given by independent teachers (09.2A); educational material (09.3); canteens in schools, universities and other educational establishments (11.1.2); accommodation services of boarding schools, universities and other educational establishment (11.2).

## 11. HOTELS, CAFES AND RESTAURANTS

### 11.1 Catering

11.1.1 Restaurants and cafés (S)

- Catering services (meals, drinks and refreshments) provided by cafés, restaurants, buffets, bars, tea-rooms, etc., including those provided:
  - in places providing recreational, cultural and sporting services, theatres, cinemas, sports stadia, swimming pools, sports complexes, museums, art galleries, etc.,
  - on public transport (coaches, trains, boats, aeroplanes) except where the price of the meal is included in the fare (for example, a meal on an aeroplane),
  - in places serving drinks in conjunction with entertainment: cabaret theatres, night clubs, dancing establishments with bars, etc.
- Also included are:
  - the sale of products for immediate consumption such as sandwiches, hot dogs, ice creams, etc.
  - the sale of meals and snacks by prepared-food suppliers and catering contractors whether or not delivered,
  - cooked dishes to take away,
  - products dispensed ready for consumption by automatic vending machines (sandwiches, snack bars, soft drinks, coffee, etc.)

*Included:* Tips.

*Excluded:* Tobacco purchases (02.2).

11.1.2 Canteens (S)

Catering services of works canteens, office canteens and canteens in schools, universities and other educational establishments.

*Excluded:* Food and drink provided to hospital patients (not in the index).

11.2 Accommodation services (S) <sup>(7)</sup>

- Accommodation services in hotels, boarding houses, motels and inns
- Accommodation services of holiday villages and holiday centres, camping and caravan sites, youth hostels and mountain chalets
- Accommodation services of boarding schools, universities and other educational establishments

*Includes:* Tips, porters.

*Excludes:* Rentals of households occupying a room in a hotel or boarding house as their main residence (04.1); rentals of households occupying accommodation for the duration of the holiday period (04.1); catering services in such establishments except for breakfast included in the price of the accommodation (11.1.1); persons housed in orphanages, homes for the disabled or maladjusted, hotels for young workers or immigrants (not in the index).

<sup>(7)</sup> Covered are all purchases of accommodation services available for purchase in the economic territory of the Member States.

12. MISCELLANEOUS GOODS AND SERVICES

12.1 Personal care

12.1.1 Hairdressing salons and personal grooming establishments (S)

- Services of hairdressing salons, barbers, beauty shops, manicures, baths and saunas, solariums, non-medical massages, etc.

12.1.2 Appliances articles and products for personal care (ND)

- Electrical appliances: electric razors and hair trimmers, hand held and hood hair dryers, curling tongs and styling combs, sun-lamps, vibrators, electric tooth brushes and other electrical appliances for dental hygiene, etc.
- Non-electrical appliances: non-electrical razors and hair trimmers and blades therefore, scissors, nail files, combs, shaving brushes, hairbrushes, toothbrushes, nail brushes, hairpins, curlers, personal weighing machines, baby scales, etc.
- Articles for personal hygiene: toilet soap, medicinal soap, cleansing oil and milk, shaving soap, shaving cream and foam, toothpaste, etc.
- Beauty products, perfumes and deodorants: lipstick, nail varnish, make-up and make-up removal products (including powder compacts, brushes and powder puffs), hair lacquers and lotions, pre-shave and after-shave products, sun-bathing products, hair removers, perfumes and toilet waters, personal deodorants and bath products
- Other products: toilet paper, paper, handkerchiefs, paper towels, sanitary towels, cotton wool, cotton tips, disposable babies napkins

*Includes:* Repair of such appliances.

*Excludes:* Babies' napkins made of fabric (03.1.2); handkerchiefs made of fabric (03.1.3).

12.2 Personal effects n.e.c. (D, SD)

- Precious stones, jewellery, including costume jewellery, cuff-links and tie-pins
- Clocks, watches, stop-clocks, alarm clocks
- Repair of such articles
- Articles for smokers: pipes, lighters, cigarette cases, etc.
- Articles for babies: baby carriages, push-chairs, recliners, car beds and seats, back-carriers, front carriers, reins and harnesses, etc.
- Travel goods and other carriers of personal effects: suitcases, trunks, travel bags, attaché cases, satchels, hand-bags, wallets, purses, etc.
- Miscellaneous personal articles: sun-glasses, walking sticks and canes, umbrellas, fans, key rings, etc.
- Funerary articles such as urns, coffins and gravestones

*Includes:* Travelling alarm clocks; wall thermometers and barometers.

*Excludes:* Ornaments (05.1.1 or 05.4); radio clocks (09.1.1); baby furniture (05.1.1); pencil boxes (09.3.4); shopping bags (05.2).

See Art. 7 Reg.  
1617/1999  
(p.280)

**12.4A Insurance (S) <sup>(8)</sup>**

Service charges for insurance are classified by type of insurance. Service charges for multi-risk insurance covering several risks are not classified separately. For such insurance, if it is not possible to allocate the service charges to the various risks covered, the service charges should be classified on the basis of the cost of the principal risk.

**12.4.2A Insurance connected with the dwelling: Contents (S)**

— Service charges paid by owner-occupiers and by tenants for the kinds of insurance typically taken out by tenants against fire, theft, water damage, etc.

*Excludes:* Service charges paid by owner occupiers for the kinds of insurance typically taken out by landlords (intermediate consumption)

**12.4.4A Insurance connected with transport: Cars (S)**

— Service charges for insurance in respect of personal transport equipment

*Excludes:* Service charges for travel insurance and luggage insurance (not in the index).

**12.5A Banking services n.e.c. (S)**

— Actual charges for bank services

— Charges for money orders and other financial services of post offices and savings banks

*Excludes:* Interest payments and charges expressed as a proportion of the transaction value.

**1.2.6A Other services n.e.c. (S)**

— Fees for legal services, employment agencies, etc.

— Charges for undertaking and other funeral services

— Payment for the services of property managers and agents, operators of salesrooms and various intermediaries

— Payment for photocopies and other reproductions of documents

— Fees for the issue of passports, birth, marriage or death certificates — following the conventions of ESA 1995 (footnote 5 to paragraph 4.79) and the system of national accounts (paragraph 8.54) such payments are considered as purchases of services from government and thus covered by the HICP

— Payment for newspaper notices and advertisements

— Payment for the services of graphologists, astrologers, private detectives, matrimonial agencies and marriage guidance counsellors, public writers, miscellaneous concessions (seats, toilets, cloakrooms), etc.

See Art. 7 Reg. 1617/1999 (p.280).

<sup>(8)</sup> The weights and prices for this position should be net of claims. However, a price index of gross premiums may be used as a proxy or estimate for changes in net premiums. The weights for other positions need to be adjusted for the repairs paid out of claims direct from insurance companies, for example maintenance and repairs (07.2.3), and new and second-hand motor cars (07.1.1).

*Excludes:* Following the conventions of ESA 1995 excluded are contributions and dues for membership of professional associations, churches and social, cultural, recreational and sports clubs (ESA 1995, paragraph 3.77 e).

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**COMMISSION REGULATION (EC) No 2454/97**

**of 10 December 1997**

**laying down detailed rules for the implementation of Council Regulation (EC)  
No 2494/95 as regards minimum standards for the quality of HICP weightings (\*)**

**(Text with EEA relevance)**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices <sup>(1)</sup>, and in particular Articles 4 and 5 (3) thereof,

After consulting the European Monetary Institute,

Whereas by virtue of Article 5 (1) (b) of Regulation (EC) No 2494/95, each Member State is required to produce a harmonized index of consumer prices (HICP) starting with the index for January 1997;

Whereas Commission Regulation (EC) No 1749/96 <sup>(2)</sup> established initial implementing measures for Regulation (EC) No 2494/95;

Whereas further implementing measures are necessary for ensuring comparability of HICPs and for maintaining the reliability and relevance of HICPs in accordance with Article 5 (3) of Regulation (EC) No 2494/95; whereas such implementing measures should be adopted taking the greatest account of cost-effectiveness in accordance with Article 13 of the said Regulation;

Whereas Article 8 (3) of Regulation (EC) No 2494/95 requires the weighting of HICPs to be updated with a frequency sufficient to meet the comparability requirement but does not require family budget surveys to be carried out more frequently than once every five years, except in Member States which are acknowledged as experiencing changes in consumption patterns such as to make more frequent surveys necessary; whereas consumer price indices from which HICP weightings are derived are updated at different frequencies with the result that the HICPs based thereon may fail to meet the comparability requirement of Article 4 of that Regulation; whereas an operational measure of non-comparability is

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(\*) The legally binding version is published in [OJ L 340, 11.12.1997, p. 24.](#)

<sup>(1)</sup> OJ L 257, 27.10.1995, p. 1.

<sup>(2)</sup> OJ L 229, 10.9.1996, p. 3.

required in order to establish which weightings should be updated in order to ensure comparability;

Whereas Article 9 of Regulation (EC) No 2494/95 requires HICPs to be price indices of the Laspeyres type; whereas, when relative prices of different goods and services change, consumers' expenditure patterns can change to an extent that makes it necessary for weightings of the corresponding expenditure groups, and in particular their underlying quantities, to be updated in order to ensure their relevance;

Whereas, by virtue of Article 4 of Regulation (EC) No 1749/96, the HICP should be compiled to include the price changes of newly significant goods or services;

Whereas this Regulation should not require Member States to carry out new statistical surveys;

Whereas the measures provided for in this Regulation are in accordance with the opinion of the Statistical Programme Committee,

HAS ADOPTED THIS REGULATION

### *Article 1*

#### **Aim**

The aim of this Regulation is to ensure that the HICPs are constructed using weightings which are sufficiently reliable and relevant for the purpose of international comparisons.

### *Article 2*

#### **Definition**

For the purpose of this Regulation, the 'weighting reference period' of an HICP is defined as the 12-month period of consumption or expenditure from which the weightings are estimated for the compilation of the latest HICP index figure. 'Sub-indices' are as defined in Commission Regulation (EC) No 2214/96 <sup>(3)</sup>.

### *Article 3*

#### **Minimum standards for weightings**

1. Each month Member States shall produce HICPs using weightings which reflect consumers' expenditure patterns in a weighting reference period ending no more than seven years before the preceding December.
2. Each year, Member States shall carry out a review of weightings in order to ensure that they are sufficiently reliable and relevant to meet the comparability requirement established in Article 4 of Regulation (EC) No 2494/95. The review may be confined to weightings at the level of sub-indices and their major components.

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<sup>(3)</sup> OJ L No 296, 21.11.1996, p. 8.



3. In the review, Member States shall check whether or not there have been any important changes since the weighting reference period in current use regarding price developments of each major component index relative to the HICP, or sustained market developments in each major component group.

4. Where reliable evidence shows that changes referred to in paragraph 3 indicate a weighting change that would affect the change in the HICP by more than 0,1 percentage point on average over one year against the previous year, Member States shall adjust the weightings of the HICP appropriately. Member States shall not be obliged to take account of any changes occurring within a two-year period ending in December before the review.

5. Any adjustments made pursuant to paragraph 4 shall be implemented by Member States, at the latest, in the index for January following the year of the review

***Article 4***  
**Quality control**

Member States shall provide the Commission (Eurostat) at its request with sufficient information on the weightings used to construct the HICP including the weighting reference period used, the outcome of the annual review and the adjustments made for compliance with this Regulation to be evaluated.

***Article 5***  
**Entry into force**

This Regulation shall enter into force on the 20th day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 10 December 1997.

*For the Commission*  
Yves-Thibault DE SILGUY  
*Member of the Commission*

**COUNCIL REGULATION (EC) No 1687/98**  
**of 20 July 1998**  
**amending Commission Regulation (EC) No 1749/96**  
**concerning the coverage of goods and services of the harmonised**  
**index of consumer prices (\*)**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonised indices of consumer prices <sup>(1)</sup>, and in particular Article 4 and Article 5(3) thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Central Bank <sup>(2)</sup>,

Whereas, by virtue of Article 5(1)(b) of Regulation (EC) No 2494/95, each Member State is required to produce a harmonised index of consumer prices (HICP) starting with the index for January 1997; whereas the requirement to produce HICPs in no way puts in question the right of Member States to publish their national, non-harmonised, inflation indices, which they may wish to use for national policy purposes;

Whereas Commission Regulation (EC) No 1749/96 of 9 September 1996 on initial implementing measures for Council Regulation (EC) No 2494/95 concerning harmonised indices of consumer prices <sup>(3)</sup> sets down an initial coverage for HICPs that was restricted to those goods and services covered by all or most national consumer price indices (CPIs); whereas the prices to be taken for the HICP, in particular the treatment of subsidies, rebates and reimbursements, require harmonised definitions; whereas the geographic and population coverage of the HICPs need still to be specified;

Whereas Article 3 of Regulation (EC) No 2494/95 requires that the HICP be based on the prices of goods and services available for purchase in the economic territory of the Member State for the purposes of directly satisfying consumer needs; whereas prices not actually paid by consumers in such purchases or opportunity costs or interest payments are not appropriate for international comparisons of consumer price inflation;

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(\*) The legally binding version is published in [OJ L 214, 31.7.1998, p. 12](#). Last amended by Council Regulation (EC) No 1688/98 (OJ *idem*, p. 23), p. 265 of this Compendium.

<sup>(1)</sup> OJ L 257, 27.10.1995, p. 1.

<sup>(2)</sup> Opinion delivered on 14 July 1998 (JO C 285, 7.10.1999, p. 7).

<sup>(3)</sup> OJ L 229, 10.9.1996, p. 3.

Whereas it is recognised that changes in reimbursements might not have an impact on measures of inflation in a broader context but whereas they do form an essential part of the inflationary process affecting consumers and therefore need to be reflected in the HICP;

Whereas the Statistical Programme Committee (SPC) has not delivered an opinion within the time limit set by its chairman; whereas, in this case, following the procedure laid down in Article 14(2) of Regulation (EC) No 2494/95, the Commission has to, without delay, submit to the Council a proposal relating to the measures to be taken,

HAS ADOPTED THIS REGULATION:

*Article 1*

Regulation (EC) No 1749/96 shall be amended as follows:

1. Annex I shall be replaced by Annexes Ia and Ib to this Regulation;
2. in the first indent of Article 1 the word ‘initial’ shall be deleted;
3. subparagraph (a) of Article 2 shall be replaced by the following:

‘(a)(1) The “coverage” of the HICP is defined as those goods and services which are included in household final monetary consumption expenditure, as referred to in (a)(2). It is classified according to the four-digit categories and sub-categories given in Annex Ia, which derive from the COICOP international classification and shall be known as COICOP/HICP (classification of individual consumption by purpose adapted to the needs of HICPs).

See  
Article 1(1)  
Reg. 1688/98  
(p.270)

(a)(2) “Household final monetary consumption expenditure” is defined as that part of final consumption expenditure which is incurred by households in monetary transactions in one or both of the time periods being compared, and specified in Annex Ib. Unless otherwise stated Annex Ib follows the definitions laid down in the European System of Accounts (ESA) 1995 contained in Regulation (EC) No 2223/96 (\*). “Household final monetary consumption expenditure” consists of expenditure incurred on goods and services that are used for the direct satisfaction of individual needs or wants either by:

(a)(2)(a) resident households on the domestic territory or abroad; or

(a)(2)(b) resident and non-resident households on the domestic territory; or

(a)(2)(c) the population of households within the scope of the national household budget survey.

(a)(3) Prices used in the HICP are the purchase prices paid by households to purchase individual goods and services in monetary transactions. Where goods and

services have been available to consumers free of charge, and subsequently an actual price is charged, then the change from a zero price to the actual price, and vice versa, should be taken into account in the HICP.

- (a)(4) The “weights” of the HICP are the aggregate expenditure by households on any set of goods and services covered by the HICP expressed as a proportion of the total expenditure on all goods and services covered;

(\*) OJ L 310, 13.11.1996, p. 1.’

4. Article 3 shall be replaced by the following:

***‘Article 3  
Coverage***

1. HICPs compiled from price changes and weights for each category of household final monetary consumption expenditure given in Annex Ia accounting for more than one part in a thousand of the total expenditure covered by all those categories included as specified in paragraph 2, shall be deemed comparable.

2. The coverage of the HICP shall be extended, as follows:

- (a) starting with the production of the HICP for January 1997, Member States shall process the data collected covering those categories marked as “initial coverage” as specified in Annex Ia;
- (b) on, but not before, the production of the HICP for December 1999, Member States shall process the data collected covering also those categories marked as “December 1999” as specified in Annex Ia.’;

(+ New paragraph)

See Article  
1(2) Reg.  
1688/98  
(p.270)

5. in Article 4 the words ‘Annex I’ shall be replaced by the words ‘Annex Ia’.

***Article 2***

Taking into account the views of the committee set up by Decision 89/382/EEC, Euratom (<sup>4</sup>), the Commission shall within two years of the date of entry into force of this Regulation compile a report and submit it to the Council. The report shall assess the operation of the provisions of this Regulation, in particular the concept of household final monetary consumption expenditure in relation to relevant alternative concepts. Following this report the Commission may, if necessary, submit appropriate initiatives to the Council for the modification of this Regulation.

(<sup>4</sup>) OJ L 181, 28.6.1989, p. 47.

*Article 3*

This Regulation shall enter into force on the 20th day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 20 July 1998.

*For the Council*

*The President*

W. MOLTERER

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**ANNEX Ia**

The coverage of the HICP shall include the following categories of COICOP/HICP:

Code	COICOP/HICP heading	Initial coverage January 1997	Addition December 1999	Excluded
01.	<b>FOOD AND NON-ALCOHOLIC BEVERAGES</b>			
01.1.	Food			
01.1.1.	Bread and cereals	full		
01.1.2.	Meat	full		
01.1.3.	Fish	full		
01.1.4.	Milk, cheese and eggs	full		
01.1.5.	Oils and fats	full		
01.1.6.	Fruit	full		
01.1.7.	Vegetables including potatoes and other tubers	full		
01.1.8.	Sugar, jam, honey, syrups, chocolate and confectionery	full		
01.19.	Food products n.e.c.	full		
01.2.	Non-alcoholic beverages			
01.2.1.	Coffee, tea and cocoa	full		
01.2.2.	Mineral waters, soft drinks and juices	full		
02.	<b>ALCOHOLIC BEVERAGES AND TOBACCO</b>			
02.1.	Alcoholic beverages	full		
02.1.1.	Spirits	full		
02.1.2.	Wine	full		
02.1.3.	Beer	full		
02.2.	Tobacco			
02.2.1.	Tobacco	full		
02.3.	Narcotics			
02.3.1.	Narcotics			excluded
03.	<b>CLOTHING AND FOOTWEAR</b>			
03.1.	Clothing			
03.1.1.	Clothing materials	full		
03.1.2.	Garments	full		
03.1.3.	Other articles of clothing and clothing accessories	full		
03.1.4.	Dry-cleaning, repair and hire of clothing	full		
03.2.	Footwear			
03.2.1.	Shoes and other footwear	full		
03.2.2.	Repair and hire of footwear	full		

Code	COICOP/HICP heading	Initial coverage January 1997	Addition December 1999	Excluded
04.	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS			
04.1.	Actual rentals for housing			
04.1.1.	Actual rentals paid by tenants	part <sup>(10)</sup>	full <sup>(11)</sup>	
04.1.2.	Other actual rentals	part <sup>(10)</sup>	full <sup>(11)</sup>	
04.2.	Imputed rentals for housing			
04.2.1.	Imputed rentals of owner-occupiers			excluded <sup>(12)</sup>
04.2.2.	Other imputed rentals			excluded <sup>(12)</sup>
04.3.	Regular maintenance and repair of the dwelling			
04.3.1.	Products for the regular maintenance and repair of the dwelling	full <sup>(13)</sup>		
04.3.2.	Services for the regular maintenance and repair of the dwelling	full <sup>(13)</sup>		
04.4.	Other services relating to the dwelling			
04.4.1.	Refuse collection	part <sup>(14)</sup>	full <sup>(15)</sup>	
04.4.2.	Sewerage services	part <sup>(14)</sup>	full <sup>(15)</sup>	
04.4.3.	Water supply	part <sup>(14)</sup>	full <sup>(15)</sup>	
04.4.4.	Other services relating to the dwelling n.e.c.	full		
04.5.	Electricity, gas and other fuels			
04.5.1.	Electricity	full		
04.5.2.	Gas	full		
04.5.3.	Liquid fuels	full		
04.5.4.	Solid fuels	full		
04.5.5.	Hot water, steam and ice	full		
05.	FURNISHINGS HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE			
05.1.	Furniture, furnishings and decorations, carpets and other floor coverings and repairs			
05.1.1.	Furniture and furnishings	full		
05.1.2.	Carpets and other floor coverings	full		
05.1.3.	Repair of furniture, furnishings and floor coverings	full		
05.2.	Household textiles			
05.2.1.	Household textiles	full		
05.3.	Heating and cooking appliances, refrige- rators, washing machines and similar major household appliances, including fittings and repairs			
05.3.1.	Major household appliances whether electric or not	full		

Code	COICOP/HICP heading	Initial coverage January 1997	Addition December 1999	Excluded
05.3.2.	Small electric household appliances	full		
05.3.3.	Repair of household appliances	full		
05.4.	Glassware, tableware and household utensils			
05.4.1.	Glassware, tableware and household utensils	full		
05.5.	Tools and equipment for house and garden			
05.5.1.	Major tools and equipment	full		
05.5.2.	Small tools and miscellaneous accessories	full		
05.6.	Goods and services for routine household maintenance			
05.6.1.	Non-durable household goods	full		
05.6.2.	Domestic services and home care services	full		
06.	HEALTH			
06.1.	Medical products, appliances and equipment			
06.1.1.	Medical products, appliances and equipment	part <sup>(16)</sup>	full <sup>(17)</sup>	
06.2.	Out-patient services			
06.2.1.	Medical services		full <sup>(17)</sup>	
06.2.2.	Dental services		full <sup>(17)</sup>	
06.2.3.	Paramedical services		full <sup>(17)</sup>	
06.3.	Hospital services			
06.3.1.	Hospital services <sup>(18)</sup>			
07.	TRANSPORT			
07.1.	Purchase of vehicles			
07.1.1A.	New motor cars	full		
07.1.1B.	Second-hand motor cars	full		
07.1.2.	Motor cycles	full		
07.1.3.	Bicycles	full		
07.2.	Operation of personal transport equipment			
07.2.1.	Spare parts and accessories	full		
07.2.2.	Fuels and lubricants	full		
07.2.3.	Maintenance and repairs	full		
07.2.4.	Other services in respect of personal transport equipment	full <sup>(19)</sup>		
07.3.	Transport services			
07.3.1.	Passenger transport by railway	full		
07.3.2.	Passenger transport by road	full		
07.3.3.	Passenger transport by air	full		



Code	COICOP/HICP heading	Initial coverage January 1997	Addition December 1999	Excluded
07.3.4.	Passenger transport by sea and inland waterway	full		
07.3.5.	Other purchased transport services	full		
07.3.6.	Combined tickets	full <sup>(20)</sup>		
08.	COMMUNICATIONS			
08.1.	Communications			
08.1.1.	Postal services	full		
08.1.2.	Telephone and telefax equipment	full		
08.1.3.	Telephone, telegraph and telefax services	full		
09.	RECREATION AND CULTURE			
09.1.	Audio-visual, photographic and data processing equipment and accessories, including repairs			
09.1.1.	Equipment for the reception, recording and reproduction of sound and pictures	full		
09.1.2.	Photographic and cinematographic equipment and optical instruments	full		
09.1.3.	Data processing equipment	full		
09.1.4.	Recording media for pictures and sound	full		
09.1.5.	Repair of audio-visual, photographic and data processing and accessories	full		
09.2.	Other major durables for recreation and culture			
09.2.1.	Other major durables for recreation and culture	full		
09.2.2.	Repair of other major durables for recreation and culture	full		
09.3.	Other recreational items and equipment; flowers, gardens and pets			
09.3.1.	Games, toys and hobbies, equipment for sport camping and open-air recreation	full		
09.3.2.	Gardening	full		
09.3.3.	Pets	full		
09.4.	Recreational and cultural services			
09.4.1.	Sporting and recreational services	full <sup>(21)</sup>		
09.4.2.	Cultural services	full <sup>(22)</sup>		
09.4.3.	Games of chance			excluded
09.5.	Newspapers, books and stationery			
09.5.1.	Books	part <sup>(23)</sup>	full <sup>(24)</sup>	
09.5.2.	Newspapers and periodicals	full		
09.5.3.	Miscellaneous printed matter	full		
09.5.4.	Stationery and drawing materials	part <sup>(13)</sup>	full <sup>(24)</sup>	
09.6.	Package holidays			
09.6.1.	Package holidays	full		

Code	COICOP/HICP heading	Initial coverage January 1997	Addition December 1999	Excluded
10.	EDUCATION			
10.1.	Educational services			
10.1.1.	Pre-primary and primary education		full <sup>(24)</sup>	
10.1.2.	Secondary education		full <sup>(24)</sup>	
10.1.3.	Tertiary education		full <sup>(24)</sup>	
10.1.4.	Education not definable by level	part <sup>(25)</sup>	full <sup>(24)</sup>	
11.	HOTELS, CAFES AND RESTAURANTS			
11.1.	Catering			
11.1.1.	Restaurants and cafes	full		
11.1.2.	Canteens	part <sup>(23)</sup>	full <sup>(24)</sup>	
11.2.	Accommodation services			
11.2.1.	Accommodation services	part <sup>(23)</sup>	full <sup>(24)</sup>	
12.	MISCELLANEOUS GOODS AND SERVICES			
12.1.	Personal care			
12.1.1.	Hairdressing salons and personal grooming establishments	full		
12.1.2.	Appliances, articles and products for personal care	full		
12.1.3.	Personal care services n.e.c.			excluded
12.2.	Personal effects n.e.c.			
12.2.1.	Jewellery clocks and watches	full		
12.2.2.	Other personal effects	full		
12.3.	Social protection			
12.3.1.	Social protection services		part <sup>(26)</sup>	
12.4.	Insurance			
12.4.1.	Life insurance			excluded
12.4.2.	Insurance connected with the dwelling	part <sup>(27)</sup>	full <sup>(28)</sup>	
12.4.3.	Insurance connected with health		full <sup>(29),(30)</sup>	
12.4.4.	Insurance connected with transport	part <sup>(31)</sup>	full <sup>(32),(30)</sup>	
12.4.5.	Other insurance		full <sup>(33),(30)</sup>	
12.5.	Financial services n.e.c.			
12.5.1.	Financial services n.e.c.	part <sup>(34)</sup>	full <sup>(35)</sup>	
12.5.2.	FISIM			excluded
12.6.	Other services n.e.c.			
12.6.1.	Other services n.e.c.	full <sup>(36)</sup>		

- (<sup>10</sup>) Relates to the practice followed in the national consumer price indices.
- (<sup>11</sup>) Refers to all rentals actually paid by tenants, i.e. the rentals the tenant pays to the landlord regardless of any social benefits the tenant receives from public authorities (including payments which at the tenant's discretion go directly to the landlord); see also Annex Ib No 12b.
- (<sup>12</sup>) This does not prejudice the coverage of owner-occupied housing in general.
- (<sup>13</sup>) Refers to expenditure which tenants or owner-occupiers incur on materials and services for minor maintenance and repairs; following a decision on the treatment of owner-occupied housing, the coverage of this category might need to be extended to include expenditure for major decoration, maintenance and repair of the dwelling and for extensions and conversions of the dwelling not typically paid by tenants; see also Annex Ib Nos 4 and 15.
- (<sup>14</sup>) Refers to expenditure according to consumption.
- (<sup>15</sup>) Refers to separately identifiable charges for specific services relating to the dwelling whether or not consumers pay according to consumption that is, excluding payments for services financed out of general taxation; see also Annex Ib Nos 9 and 29.
- (<sup>16</sup>) Refers to health goods outside the social security system.
- (<sup>17</sup>) Full coverage refers to that part of expenditure on health goods and services (other than hospital out-patient services) which is paid by the consumer and not reimbursed by government social security or NPISHs; see Annex Ib No 12a and the methodological details of inclusion as specified in accordance with the procedure laid down in Article 14 of Council Regulation (EC) No 2494/95.
- (<sup>18</sup>) The methodological details and the timetable of inclusion shall be specified in accordance with the procedure laid down in Article 14 of Council Regulation (EC) No 2494/95.
- (<sup>19</sup>) Includes driving licences, road worthiness tests, motor association fees, tolls for bridges, tunnels, shuttle-ferries, and motorways; excludes licences to own or use vehicles; see also Annex Ib Nos 9, 18 and 19b.
- (<sup>20</sup>) Refers to tickets covering two or more modes of transport and the expenditure cannot be apportioned between them.
- (<sup>21</sup>) Includes fees or subscriptions to sports clubs and fitness centres; it also includes payments for hunting and fishing licences if the government uses the issue of licences to organise some proper regulatory function; see also Annex Ib Nos 9 and 19b.
- (<sup>22</sup>) Includes entrance fees to museums, fees for libraries, and licence fees and subscriptions to television and radio; see also Annex Ib Nos 9 and 10.
- (<sup>23</sup>) Includes educational goods and services only if they are fully paid by consumers.
- (<sup>24</sup>) Full coverage refers to that part of expenditure on educational goods and services which is paid by the consumer and not reimbursed by government, social security or NPISHs; see Annex Ib No 12a and the methodological details of inclusion as specified in accordance with the procedure laid down in Article 14 of Council Regulation (EC) No 2494/95.
- (<sup>25</sup>) Refers to computer courses, language courses, typing courses, and other such courses which are fully paid by the consumer.
- (<sup>26</sup>) Refers to crèches, nurseries, play schools and kindergartens which are not an obligatory part of the educational system; covered is only that expenditure which is paid by the consumer and not reimbursed by government, social security or NPISHs; see also annex Ib No 12a; other items within code 12.3.1 such as retirement homes, schools for the disabled, home cleaning services, and meal programmes are subject to the same arrangement as described in footnote 18.

- (<sup>27</sup>) Refers to service charges for contents insurance.
- (<sup>28</sup>) Refers to all service charges paid by owner-occupiers and tenants for the kinds of insurance typically taken out by tenants against fire, theft, water damage, etc; see also Annex Ib Nos 7, 8 and 24. Following a decision on the treatment of owner-occupied housing, the coverage of this category might need to be extended to include service charges paid by owner-occupiers for the kinds of insurance for the dwelling typically taken out by landlords.
- (<sup>29</sup>) Refers to service charges for private sickness and accident insurance; see also Annex Ib Nos 7, 8 and 24 and the methodological details of inclusion of category '06. Health' as specified in accordance with the procedure laid down in Article 14 of Council Regulation (EC) No 2494/95.
- (<sup>30</sup>) The methodological details and the timetable of inclusion shall be specified in accordance with the procedure laid down in Article 14 of Council Regulation (EC) No 2494/95. The implementation may be scheduled for an earlier date.
- (<sup>31</sup>) Refers to service charges for insurance in respect of personal transport equipment.
- (<sup>32</sup>) Refers to service charges in respect of personal transport equipment, travel insurance and luggage insurance; see also Annex Ib Nos 7, 8 and 24.
- (<sup>33</sup>) Refers to service charges for insurance such as civil liability for injury or damage to third parts or their property not arising from the operation of personal transport equipment; see also Annex Ib Nos 7, 8 and 24.
- (<sup>34</sup>) Refers to banking service charges which are not expressed as a proportion of the transaction value.
- (<sup>35</sup>) Refers to financial services including banking services; not covered are service charges for private or public pension funds, which are a kind of life insurance but restricted to specific groups of persons, as well as interest payments; see also Annex Ib Nos 21 and 23.
- (<sup>36</sup>) Includes fees for the issue of passports, birth, marriage or death certificates, and dues for membership to professional associations if they can be considered as payments for services rendered; see Annex Ib Nos 9 and 19.
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## ANNEX Ib

## A. DEFINITION OF HOUSEHOLD FINAL MONETARY CONSUMPTION EXPENDITURE

See  
Article 1(3)  
Reg. 1688/98  
(p.271)

1. The household sector includes individuals or groups of individuals (as defined in ESA 2.76.a and 2.76.b) and may or may not include institutional households (as defined in ESA 2.76.b).

2. A resident household has its centre of economic interest within the economic territory of the Member State, which may or may not include territorial or extraterritorial enclaves (as defined in ESA 2.04 to 2.07).

3. A monetary transaction is an economic flow that is an interaction between institutional units by mutual agreement, where the units involved make or receive payments, or incur liabilities or receive assets denominated in units of currency. By convention the collection of household refuse shall be considered as interaction by mutual agreement. Transactions that do not involve the exchange of cash, or assets or liabilities denominated in units of currency, are non-monetary transactions. Intra-unit transactions are normally non-monetary transactions. Non-monetary transactions involving more than one institutional unit occur among transactions in products (barter of products), distributive transactions (remuneration in kind, transfers in kind, etc.) and other transactions (barter of non-produced non-financial assets).

**Household final monetary consumption expenditure covers the following borderline cases:**

4. It covers items not treated as intermediate consumption, like materials for small repairs to and interior decoration of dwellings of a kind typically carried out by tenants as well as owners, and materials for repairs and maintenance to consumer durables, including vehicles.
5. It covers items not treated as capital formation, in particular consumer durables, that continue to perform their function in several accounting periods; this includes the transfer of ownership of some durables from an enterprise to a household.
6. It covers financial services directly charged.
7. It covers non-life insurance services by the amount of the implicit service charge.
8. It covers all expenditure financed out of non-life insurance claims, including payments made directly by the insurance companies to the garages, hospitals, doctors, etc. This implies that the full price paid by households or by insurance companies to the garages, hospitals, doctors, etc. is covered by the HICP.

Non-life insurance claims are the amounts which insurance enterprises are obliged to pay in settlement of injuries or damage suffered by persons or goods. They are current transfers from the insurance companies to the receiving households and, therefore, enter into the households' disposable income. Any expenditure made as a result, for example payments to garages, hospitals, or doctors, is treated as being incurred by the households and not by the insurance companies. It is irrelevant whether the households actually make the expenditure before the claims are paid out, which then look like social security reimbursements, or whether the payments are made directly by the

insurance companies to the garages, hospitals, etc. In the latter case, the companies are treated merely as agents acting on behalf of the households who are still treated as incurring the expenses.

9. It covers payments by households for licences, permits, etc. which are regarded as purchases of services. If the government uses the issue of licences to organise some proper regulatory function, such as checking the competence or qualification of the person concerned, the payments made should be treated as a purchase of services from government and the prices taken in the HICP, but if the licences are being granted automatically on payment of the amounts due, payments should be treated as direct taxes and not prices. Driving or pilot's licences, television or radio licences, firearm licences, museum or library admissions, garbage disposal fees, etc. are treated in most cases as purchases of services rendered by government, whereas licences on the use of vehicles, boats or aircraft are treated in most cases as taxes.
10. It covers the purchase of output at not economically significant prices, e.g. entrance fees for a museum.

**Household final monetary consumption expenditure does not cover the following borderline cases:**

11. It does not cover income in kind because it is not a monetary transaction (although according to ESA 3.76.b it is included in final consumption expenditure).
12. (a) It does not cover social transfers in kind received by households, including those parts of expenditure initially made by households for which they are subsequently reimbursed by social security, government units or NPISHs, e.g. for medical expenses or education. When a household purchases a good or service for which it is subsequently reimbursed in part or in whole, the household is treated merely as agent acting on behalf of a social security fund, government unit or NPISH. The amount reimbursed to households are treated as social transfers in kind made by social security, government unit or NPISHs. They are not recorded as cash transfers to households and do not form part of households' disposable incomes. This accounting treatment leads to the same result as when a social security fund purchases the goods and services from market producers and then re-sells them to households at low non-market prices. This implies that the price taken for the HICP is the amount paid by the household less the reimbursement.
- (b) All other rebates by public authorities, especially housing payments to tenants in order to reduce their rents (including payments which at the tenant's discretion go directly to the landlord), are considered as social benefits in cash and, therefore, enter into households disposable income. This implies that the full price of the good or service before the rebate is covered by the HICP.
13. It also does not cover services of owner-occupied dwellings, because these are no monetary transactions (although according to ESA 3.76.a it is included in final consumption expenditure).
14. It does not cover the purchase of dwellings, and items treated as acquisitions of a non-produced asset in particular the purchase of land.
15. It also does not cover expenditure that an owner-occupier incurs on the decoration, maintenance and repair of the dwelling not typically carried out by tenants.
16. It does not cover the expenditure on valuables.

17. It does not cover expenditure by households owning unincorporated enterprises when incurred for business purposes.
18. It does not cover current taxes on income and wealth, which are all compulsory, unrequited payments, in cash or in kind, levied periodically by general government and by the rest of the world on the income and wealth of institutional units, and some periodic taxes which are assessed neither on the income nor the wealth. Other current taxes include all those payments by households for licences which are to be regarded as taxes, such as licences to own or use vehicles, boats or aircraft, etc.
19. (a) It does not cover subscriptions, contributions and dues paid by households to NPISHs, like trade unions, professional societies, consumers' associations, churches and social, cultural, recreational and sports clubs.
  - (b) However, if a club, union, society or association can be considered as a market producer selling its services at an economically significant price, which usually is the case even though the legal status may be a non-profit organisation, then the subscriptions contributions and dues paid by households are considered as payment for the services rendered — not as a transfer — and, thus, covered by the HICP.
20. It does not cover voluntary transfers in cash or in kind by households to charities, relief and aid organisations.
21. It does not cover payments of property income, including interest. Property income is the income receivable by the owner of a financial asset or a tangible non-produced asset in return for providing funds to, or putting the tangible non-produced asset at the disposal of, another institutional unit. Under the terms of the financial instrument agreed between them, interest is the amount that the debtor becomes liable to pay to the creditor over a given period of time without reducing the amount of principal outstanding.
22. It does not cover compulsory or voluntary social contributions, such as employers' actual social contributions to social security funds, insurance enterprises or autonomous as well as non-autonomous pension funds administering social insurance schemes to secure social benefits for their employees, or employees' social contributions payable to social security, private funded and unfunded schemes.
23. It does not cover life insurance and pension funding services (although according to ESA 3.76.f and g such services are included in final consumption expenditure by the amount of the implicit service charge).
24. It does not cover net non-life insurance premiums. These are premiums payable under policies taken out by institutional units. The policies taken out by individual households are those taken out on their own initiative and for their own benefit, independently of their employers or government and outside any social insurance scheme. Net non-life insurance premiums comprise both the actual premiums payable by policy holders to obtain insurance cover during the accounting period (premiums earned) and the premium supplements payable out of the property income attributed to insurance policy holder, after deducting the service charges of insurance enterprises arranging the insurance. (*NB*: this service charge is covered by the household final monetary consumption expenditure). Net non-life insurance premiums are the amounts available to provide cover against various events or accidents resulting in damage to goods or property, or harm to persons as a result of natural or human causes, for example fires,

floods, crashes, collisions, sinkings, theft, violence, accidents, sickness, or against financial losses resulting from events such as sickness, unemployment, accidents, etc.

25. It does not cover current transfers between households, which consist of all current transfers in cash or in kind made, or received, by resident households to, or from, other resident or non-resident households.
26. It does not cover fines and penalties. They are imposed on institutional units by courts of law or quasi-judicial bodies and treated as compulsory current transfers. Also not covered are fines and penalties imposed by tax authorities for the evasion or late payment of taxes, which cannot usually be distinguished from the taxes themselves.
27. It does not cover lotteries and gambling, neither the payment of the service charge to the unit organising the lottery or gambling, nor the residual current transfer that is paid out to the winners (although according to ESA 4.135 the service charge is included in final consumption expenditure).

## **B. DEFINITION OF PRICE**

28. At the time of purchase, the purchaser's price is the price for the products the purchaser actually pays; including any taxes less subsidies on the products; after deductions for discounts for bulk or off-peak-purchases from standard prices or charges; excluding interest or services charges added under credit arrangements; excluding any extra charges incurred as a result of failing to pay within the period stated at the time the purchases were made.
29. Goods and services for individual consumption ('individual goods and services') are acquired by a household and used to satisfy the needs and wants of members of that household. Individual goods and services have the following characteristics:
  - (a) it must be possible to observe and record the acquisition of the good or services by an individual household or member thereof and also the time at which it took place;
  - (b) the household must have agreed to the provision of the good or service and take whatever action is necessary to make it possible, for example by attending a school or clinic;
  - (c) the good or service must be such that its acquisition by one household or person, or possibly by a small, restricted group of persons, precludes its acquisition by other households or persons.

All household final consumption expenditure is individual. By convention, all goods and services provided by NPISHs are treated as individual.

By convention, all government final consumption expenditure on education, health, social security and welfare, sport and recreation, and culture should be treated as expenditure on individual consumption services except for expenditure on general administration, regulation, research, etc. In addition, expenditure on the provision of housing, the collection of household refuse, and the operation of transport system should also be treated as individual. The collective consumption expenditure is the remainder of the government final consumption expenditure. It consists in particular of management and regulation of society, the provision of security and defence, the maintenance of law and order, legislation and



regulation, the maintenance of public health, the protection of the environment, research and development, and the infrastructure and economic development.

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**COUNCIL REGULATION (EC) No 1688/98**  
**of 20 July 1998**  
**amending Commission Regulation (EC) No 1749/96 concerning**  
**the geographic and population coverage**  
**of the harmonised index of consumer prices (\*)**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonised indices of consumer prices <sup>(1)</sup>, and in particular Article 4 and Article 5(3) thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Central Bank <sup>(2)</sup>,

Whereas, by virtue of Article 5(1)(b) of Regulation (EC) No 2494/95, each Member State is required to produce a harmonised index of consumer prices (HICP) starting with the index for January 1997; whereas the requirement to produce HICPs in no way puts in question the right of Member States to publish their national, non-harmonised, inflation indices, which they may wish to use for national policy purposes;

Whereas Commission Regulation (EC) No 1749/96 of 9 September on initial implementing measures for Council Regulation (EC) No 2494/95 concerning harmonised indices of consumer prices <sup>(3)</sup> set down the initial coverage for HICPs that was restricted to those goods and services covered by all or most national consumer prices indices (CPIs);

Whereas Council Regulation (EC) No 1687/98 of 20 July 1998, amending Commission Regulation (EC) No 1749/96 concerning the coverage of goods and services of the harmonised index of consumer prices <sup>(4)</sup> defined the coverage of the HICP as those goods and services which are included in household final monetary consumption expenditure;

Whereas Article 3 of Regulation (EC) No 2494/95 requires that the HICP should be based on the prices of goods and services available for purchase in the economic territory of the

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(\*) The legally binding version has been published in [OJ L 214, 31.7.1998, p. 23](#).

<sup>(1)</sup> OJ L 257, 27.10.1995, p. 1.

<sup>(2)</sup> Opinion delivered on 14 July 1998 (*JO C 285, 7.10.1999, p. 7*).

<sup>(3)</sup> OJ L 229, 10.9.1996, p. 3.

<sup>(4)</sup> See page 12 of this Official Journal. (=page 253 of this Compendium)

Member State for the purposes of directly satisfying consumer needs; whereas the weights of the HICP require a harmonised definition of their geographic and population coverage;

Whereas the compilation of the Monetary Union index of consumer prices (MUICP) and the European index of consumer prices (EICP) requires a harmonised geographic concept for the HICPs;

Whereas the Statistical Programme Committee (SPC) has not delivered an opinion within the time limit set by its chairman; whereas, in this case, following the procedure laid down in Article 14(2) of Regulation (EC) No 2494/95, the Commission shall, without delay, submit to the Council a proposal relating to the measures to be taken,

HAS ADOPTED THIS REGULATION:

### *Article 1*

Regulation (EC) No 1749/96 shall be amended as follows:

1. Subparagraph (a)(2) of Article 2 shall be replaced by the following:

‘(a)(2) “Household final monetary consumption expenditure” is defined as that part of final consumption expenditure which is incurred:

- by households irrespective of nationality or residence status, and
- in monetary transactions, and
- on the economic territory of the Member State, and
- on goods and services that are used for the direct satisfaction of individual needs or wants, and
- in one or both of the time periods being compared.

Household final monetary consumption expenditure is specified in Annex 1b and follows the definitions laid down in the European System of Accounts (ESA) 1995 contained in Regulation (EC) No 2223/96 (\*).

(\*) OJ L 310, 13.11.1996, p 1.’;

2. the following paragraph shall be added to Article 3:

‘3. HICPs compiled using sub-index weights which reflect final monetary consumption expenditure of a sub-set of households, rather than of all households, shall be deemed comparable, where this difference in practice accounts for less than one part in a thousand of the total expenditure covered by the HICP. Any amendments of the weights necessary to secure comparability as defined in this paragraph shall be implemented by December 1999 at the latest.’;

3. in Annex 1 b paragraphs 1 and 2 shall be replaced by the following:

- ‘1. The household sector consists of households which include all individuals or groups of individuals (as defined in ESA 2.76.a and 2.76.b) irrespective of, in particular, the type of area in which they live, their position in the income distribution and their nationality or residence status. It includes individuals living in institutional households (as defined in ESA 2.76.b). It does not include businesses.
2. The economic territory is as defined in ESA 2.05 except that the extraterritorial enclaves situated within the boundaries of the country are included and the territorial enclaves situated in the rest of the world are excluded.’

### *Article 2*

Taking into account the views of the committee set up by Decision 89/382/EEC, Euratom (°), the Commission shall, within two years of the date of entry into force of this Regulation, compile a report and submit it to the Council. The report shall assess the operation of the provisions of this Regulation. Following this report the Commission may, if necessary, submit appropriate initiatives to the Council for the modification of this Regulation.

### *Article 3*

This Regulation shall enter into force on the 20th day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 20 July 1998.

*For the Council*  
*The President*  
W. MOLTERER

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(°) OJ L 181, 28.6.1989, p. 47.

**COMMISSION REGULATION (EC) No 2646/98  
of 9 December 1998**

**laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the treatment of tariffs in the Harmonized Index of Consumer Prices (\*)**

**(Text with EEA relevance)**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices <sup>(1)</sup>, and in particular Articles 4 and 5(3) thereof,

After consulting the European Central Bank <sup>(2)</sup>,

Whereas, by virtue of Article 5(1)(b) of Regulation (EC) No 2494/95, each Member State is required to produce a Harmonized Index of Consumer Prices (HICP) starting with the index for January 1997;

Whereas Article 9 of Regulation (EC) No 2494/95 requires to ensure that the Laspeyres-type index formula is applied consistently to all sub-indices or categories of expenditure concerned; whereas their weights should reflect appropriately the pattern of expenditure by the index population;

Whereas HICP sub-indices involving tariff prices are, in practice, either obtained directly from suppliers or computed by the Members States based on data on tariff prices and their underlying consumption patterns provided by suppliers; whereas there is considerable scope for procedural differences in the construction of sub-indices where changes in the structure of tariffs are made at the same time as changes are made to the tariff price of a particular element to the extent that consumers are obliged to make new choices in their consumption; whereas it is therefore important to ensure that the relevant basic information can be obtained as to ensure that the resulting HICPs do not fail to meet the comparability requirement of Article 4 of Regulation (EC) No 2494/95;

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(\*) The legally binding version is published in [OJ L 335, 10.12.1998, p. 30](#).

<sup>(1)</sup> OJ L 257, 27.10.1995, p. 1.

<sup>(2)</sup> Opinion delivered on 8 July 1998 (*JO C 14, 19.1.2000, p. 9*).

Whereas, by virtue of Article 6 of Regulation (EC) No 2494/95, the basic information for the production of HICPs which should be obtained from the statistical units, consists of those prices and weights which it is necessary to take into account in order to achieve comparability;

Whereas, by virtue of Article 7 of Regulation (EC) No 2494/95, the statistical units called upon by the Member States to co-operate in the collection or provision of price data should be obliged to allow observation of the prices actually charged and to give honest and complete information at the time it is requested;

Whereas by virtue of Article 4 of Commission Regulation (EC) No 1749/96 <sup>(1)</sup>, as last amended by Council Regulation (EC) No 1688/98 <sup>(2)</sup> the HICP should be compiled to include the price changes of a newly significant good or service;

Whereas this Regulation should not require Member States to carry out new statistical surveys;

Whereas the measures provided for in this Regulation are in accordance with the opinion of the Statistical Programme Committee (SPC),

HAS ADOPTED THIS REGULATION:

### *Article 1*

#### **Aim**

The aim of this Regulation is to set down minimum standards for the treatment of ‘tariff prices’ in the Harmonized Index of Consumer Prices (HICP).

### *Article 2*

#### **Definitions**

For the purpose of this Regulation:

1. a *tariff* is a list of pre-established prices and conditions for the purchase and consumption of one and the same good or service or of similar goods and services that has been centrally fixed by the supplier, by the government, or by agreement to exert influence on the consumption patterns by means of appropriately differentiated prices and conditions according to characteristics of consumers, the level, the structure or the timing of the consumption. Tariffs are not negotiable for households;
2. a *tariff price* is a price within a tariff that applies to a component element or unit of consumption of the good or service in question.

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<sup>(1)</sup> OJ L 229, 10.9.1996, p. 3.

<sup>(2)</sup> OJ L 214, 31.7.1998, p. 23.

*Article 3*  
**Basic information**

The basic information shall be all tariff prices and weights which reflect the structure of the consumption of the good or services according to the characteristics of the consumers, the level, the structure or the timing of the consumption.

*Article 4*  
**Data sources**

1. HICP sub-indices involving tariff prices shall be computed by the Member States from basic information as defined in Article 3 provided by the supplier.
2. The statistical units called upon by the Member States to cooperate in the collection or provision of basic information are obliged to give honest and complete information at the time it is requested and allow the organisations and institutions responsible for compiling official statistics at their request to obtain information at the level of detail necessary to evaluate compliance with the comparability requirements and the quality of the HICP sub-indices.

*Article 5*  
**Procedure**

HICP sub-indices involving tariff prices shall be calculated using a formula which is consistent with the Laspeyres-type formula used for other sub-indices. They should reflect the price change on the basis of the changed expenditure of maintaining that consumption pattern chosen by households prior to the given change in the tariff. Where there is a change in the tariff and where, after that change:

1. a component element or a unit of consumption remains unchanged with respect to its specification, then the price for that element or unit according to the old and the new tariff shall be directly compared and the price difference taken into the HICP;
2. a component element or a unit of consumption changes with respect to its specification, or a new component element is added which does not constitute a new good or service for the consumer, then the price change shall be computed with weights corresponding to the expenditure of preserving the pattern of consumption applying during a period, up to one year, preceding the change. The adjustments for specification changes shall be consistent with quality adjustments made for other sub-indices;
3. a component element or a unit of consumption with a new and distinct specification constituting a new good or service for the consumer is added to the tariff, it shall be treated as 'newly significant goods and services' as defined in Regulation (EC) No 1749/96. If the expenditure on the new good or service is significant it shall be taken into the index by linking from the month when the new tariff comes into force using an estimate of expected immediate consumption or within a period of 12 months otherwise.

**Article 6**  
**Comparability**

HICPs constructed following the procedures described in Article 5 of this Regulation or following other procedures which do not result in an index which differs systematically by more than one-tenth of one percentage point on average over one year against the previous year from an index compiled following those procedures, shall be deemed comparable.

Any amendments of procedures and practices to secure comparability as defined in this paragraph shall be implemented at the earliest for the sub-indices following the entry into force of this Regulation, and at the latest by December 1998 and take effect with the index for January 1999.

**Article 7**  
**Quality control**

Member States shall provide the Commission (Eurostat) with information on the procedures developed for the treatment of tariff prices where these procedures differ from those specified in Article 5 of this Regulation, before such procedures are used.

Member States shall also provide the Commission (Eurostat), on its request, with information on the procedures used for meeting the requirement of minimum standards established in this Regulation.

**Article 8**  
**Entry into force**

This Regulation shall enter into force on the third day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 9 December 1998.

*For the Commission*  
Yves-Thibault DE SILGUY  
*Member of the Commission*



**COMMISSION REGULATION (EC) No 1617/1999**

**of 23 July 1999**

**laying down detailed rules for the implementation of  
Council Regulation (EC) No 2494/95 -  
as regards minimum standards for the treatment of insurance in the  
Harmonized Index of Consumer Prices and modifying  
Commission Regulation (EC) No 2214/96 (\*)**

**(Text with EEA relevance)**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices <sup>(1)</sup>, and in particular Article 4 and Article 5(3) thereof,

After consulting the European Central Bank <sup>(2)</sup>,

- (1) Whereas, by virtue of Article 5(1)(b) of Regulation (EC) No 2494/95, each Member State is required to produce a Harmonised Index of Consumer Prices (HICP) starting with the index for January 1997;
- (2) Whereas Commission Regulation (EC) No 1749/96 <sup>(3)</sup>, as last amended by Regulation (EC) No 1688/98 <sup>(4)</sup>, sets down an initial coverage for HICPs that is restricted to those goods and services covered by all or most national Consumer Price Indices (CPIs); whereas Council Regulation (EC) No 1687/98 <sup>(5)</sup>, amending Regulation (EC) No 1749/96, defines the coverage of the HICP as those goods and services which are included in household final monetary consumption expenditure; whereas insurances are part of the coverage of the HICP;
- (3) Whereas there is considerable scope for procedural differences in the treatment of insurance in the HICP; whereas a harmonised methodology for insurance is necessary to ensure that the resulting HICPs meet the comparability requirement of

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(\*) The legally binding version is published in [OJ L 192, 24.7.1999, p. 9](#).

<sup>(1)</sup> OJ L 257, 27.10.1995, p. 1.

<sup>(2)</sup> Opinion delivered on 23 June 1999 (*JO C 252, 3.9.1999, p. 4*).

<sup>(3)</sup> OJ L 229, 10.9.1996, p. 3.

<sup>(4)</sup> OJ L 214, 31.7.1999, p. 23.

<sup>(5)</sup> OJ L 214, 31.7.1999, p. 12.

Article 4 of Regulation (EC) No 2494/95; whereas, in practice, it is not possible to observe the service charge for a particular insurance policy on a monthly basis;

- (4) Whereas the proposed treatment of insurance is consistent with the definitions laid down in the European System of Accounts (ESA) 1995 <sup>(6)</sup>;
- (5) Whereas the measures provided for in this Regulation are in accordance with the opinion of the Statistical Programme Committee (SPC),

HAS ADOPTED THIS REGULATION:

### ***Article 1***

#### **Aim**

The aim of this Regulation is to set minimum standards for the treatment of insurance <sup>(7)</sup> in the Harmonised Indices of Consumer Prices (HICPs) to ensure that they are reliable, relevant and meet the comparability requirements as laid down in Article 4 of Regulation (EC) No 2494/95.

### ***Article 2***

#### **Definitions**

For the purpose of this Regulation the terms given below are defined as follows:

1. 'gross insurance premiums': the amount paid by the policyholder for a specific insurance policy to obtain insurance cover;
2. 'claims': the amount which the insurance company pays to the policyholder and other parties in settlement of injuries or damage suffered by persons or goods;
3. 'premium supplements': the income earned by insurance enterprises by investing their insurance technical provisions, which comprise prepayments for insurance premiums, provisions for outstanding claims, and provisions against outstanding risks;
4. 'actuarial provisions': allocations by the insurance company to technical provisions against outstanding risks;
5. 'service charge': gross insurance premiums plus premium supplements minus claims minus changes in the actuarial provisions.

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<sup>(6)</sup> Council Regulation (EC) No 2223/96, OJ L 310, 30.11.1996.

<sup>(7)</sup> As defined in Regulation (EC) No 1687/98.

**Article 3****Treatment of insurance weights**

1. The weights for insurance shall be an estimate of the aggregate expenditure by households on service charges for insurance covered by the HICP expressed as a proportion of the total expenditure on all goods and services covered. The weights shall reflect the average aggregate expenditure during three years.
2. Expenditure financed out of claims shall be treated as being incurred by the policy holder or other parties to the claim and not by the insurance company. The weights of the HICP sub-indices shall include such expenditure where it is incurred by or on behalf of the household sector.

**Article 4****Treatment of insurance prices**

1. The prices used in the HICP for the compilation of insurance-price indices shall be the gross insurance premiums.
2. The gross insurance premium shall be taken as the full premium that is payable for the policy and shall not be adjusted, even if the premium or the cover value of the policy is index linked.
3. Subject to paragraph 2, for each insurance policy in the target sample the price-determining specifications shall be kept constant. Where those specifications change, prices shall be treated according to the rules applying to quality adjustment laid down in Article 5 of (EC) No 1749/96.

**Article 5****Comparability**

HICPs constructed following the procedures described in Articles 3 and 4 of this Regulation or following other procedures which do not result in an index which differs systematically by more than one tenth of one percentage point on average over one year against the previous year from an index compiled following those procedures, shall be deemed comparable.

**Article 6****Quality control**

Member States shall provide the Commission (Eurostat) with information on the procedures developed for the treatment of insurances where these procedures differ from those specified in Articles 3 and 4 of this Regulation, before such procedures are used.

Member States shall provide the Commission (Eurostat), on its request, with information on the procedures used for meeting the requirement of minimum standards established in this Regulation.

***Article 7***  
**Repeal**

Footnote 1 of group 12.4A Insurance (S) in annex II to Commission Regulation (EC) No 2214/96 <sup>(8)</sup> shall be deleted.

***Article 8***  
**Entry into force**

This Regulation shall enter into force on the 20th day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 23 July 1999.

*For the Commission*  
Yves-Thibault DE SILGUY  
*Member of the Commission*

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<sup>(8)</sup> OJ L 296, 21.11.1996, p. 8.

**COMMISSION REGULATION (EC) No 1749/1999**

**of 23 July 1999**

**amending Regulation (EC) No 2214/96, concerning the sub-indices of the Harmonized Indices of Consumer Prices (\*)**

**(Text with EEA relevance)**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices <sup>(1)</sup>,

After consulting the European Central Bank <sup>(2)</sup>,

- (1) Whereas, by virtue of Article 5(1)(b) of Regulation (EC) No 2494/95, each Member State is required to produce a harmonized index of consumer prices (HICP);
- (2) Whereas Commission Regulation (EC) No 2214/96 <sup>(3)</sup> establishes the sub-indices of the HICP based on Coicop/HICP (classification of individual consumption by purpose adapted to the needs of HICPs) classification;
- (3) Whereas the Coicop classification of October 1998 and the Coicop/HICP classification established by Commission Regulation (EC) No 1749/96 <sup>(4)</sup>, as amended by Council Regulations (EC) No 1687/98 <sup>(5)</sup> and (EC) No 1688/98 <sup>(6)</sup>, require adaptation of the HICP sub-indices;
- (4) Whereas the measures provided for in this Regulation are in accordance with the opinion of the Statistical Programme Committee (SPC), established by Council Decision 89/382/EEC, Euratom <sup>(7)</sup>,

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(\*) The legally binding version is published in [OJ L 214, 13.8.1999, p. 1](#), and corrigenda published in [OJ L 267, 15.10.1999, p. 59](#).

<sup>(1)</sup> OJ L 257, 27.10. 1995, p. 1.

<sup>(2)</sup> Opinion delivered on 9 July 1999 (*JO C 285, 7.10..1999, p. 14*).

<sup>(3)</sup> OJ L 296, 21.11, 1996, p. 8.

<sup>(4)</sup> OJ L 229, 10.9.1996, p. 3.

<sup>(5)</sup> OJ L 214, 31.7.1998, p. 12.

<sup>(6)</sup> OJ L 214, 31.7.1998, p. 23.

<sup>(7)</sup> OJ L 181, 28.6.1989, p. 47.

HAS ADOPTED THIS REGULATION:

*Article 1*

Annexes I and II to Regulation (EC) No 2214/96 are replaced by Annexes I and II to this Regulation.

*Article 2*

Member States shall amend the procedures for data collection and transmission in accordance with the requirements of the present Regulation at the latest by December 1999, taking effect with the index for January 2000.

*Article 3*

This Regulation shall enter into force on the twentieth day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 23 July 1999.

For the Commission  
*Yves-Thibault DE SILGUY*  
Member of the Commission

ANNEX I

HICP SUB-INDICES (Rev.Dec99)

01-12	<b>INDIVIDUAL CONSUMPTION EXPENDITURE OF HOUSEHOLDS</b>
01	FOOD AND NON-ALCOHOLIC BEVERAGES
01.1	<b>Food</b>
01.1.1	Bread and cereals
01.1.2	Meat
01.1.3	Fish
01.1.4	Milk, cheese and eggs
01.1.5	Oils and fats
01.1.6	Fruit
01.1.7	Vegetables
01.1.8	Sugar, jam, honey, chocolate and confectionery
01.1.9	Food products n.e.c.
01.2	<b>Non-alcoholic beverages</b>
01.2.1	Coffee, tea and cocoa
01.2.2	Mineral waters, soft drinks, fruit and vegetable juices
02	ALCOHOLIC BEVERAGES, TOBACCO
02.1	<b>Alcoholic beverages</b>
02.1.1	Spirits
02.1.2	Wine
02.1.3	Beer
02.2	<b>Tobacco</b>
02.2.0	Tobacco
03	CLOTHING AND FOOTWEAR
03.1	<b>Clothing</b>
03.1.1	Clothing materials
03.1.2	Garments
03.1.3	Other articles of clothing and clothing accessories
03.1.4	Cleaning, repair and hire of clothing
03.2	<b>Footwear</b>
03.2.1/2	Shoes and other footwear including repair and hire of footwear
04	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS
04.1	<b>Actual rentals for housing</b>
04.1.1/2	Actual rentals paid by tenants including other actual rentals
04.3	<b>Maintenance and repair of the dwelling</b>
04.3.1	Materials for the maintenance and repair of the dwelling
04.3.2	Services for the maintenance and repair of the dwelling

04.4	<b>Water supply and miscellaneous services relating to the dwelling</b>
04.4.1	Water supply
04.4.2	Refuse collection
04.4.3	Sewerage collection
04.4.4	Other services relating to the dwelling n.e.c.
04.5	<b>Electricity, gas and other fuels</b>
04.5.1	Electricity
04.5.2	Gas
04.5.3	Liquid fuels
04.5.4	Solid fuels
04.5.5	Heat energy
05	<b>FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE</b>
05.1	<b>Furniture and furnishings, carpets and other floor coverings</b>
05.1.1	Furniture and furnishings
05.1.2	Carpets and other floor coverings
05.1.3	Repair of furniture, furnishings and floor coverings
05.2	<b>Household textiles</b>
05.2.0	Household textiles
05.3	<b>Household appliances</b>
05.3.1/2	Major household appliances whether electric or not and small electric household appliances
05.3.3	Repair of household appliances
05.4	<b>Glassware, tableware and household utensils</b>
05.4.0	Glassware, tableware and household utensils
05.5	<b>Tools and equipment for house and garden</b>
05.5.1/2	Major tools and equipment and small tools and miscellaneous accessories
05.6	<b>Goods and services for routine household maintenance</b>
05.6.1	Non-durable household goods
05.6.2	Domestic services and household services
06	<b>HEALTH</b>
06.1	<b>Medical products, appliances and equipment</b>
06.1.1	Pharmaceutical products
06.1.2/3	Other medical products, therapeutic appliances and equipment
06.2	<b>Out-patient services</b>
06.2.1/3	Medical and paramedical services
06.2.2	Dental services
06.3	<b>Hospital services</b>
06.3.0	Hospital services



07	<b>TRANSPORT</b>
07.1	<b>Purchase of vehicles</b>
07.1.1	Motor cars
07.1.2/3/4	Motor cycles, bicycles and animal drawn vehicles
07.2	<b>Operation of personal transport equipment</b>
07.2.1	Spare parts and accessories for personal transport equipment
07.2.2	Fuels and lubricants for personal transport equipment
07.2.3	Maintenance and repair of personal transport equipment
07.2.4	Other services in respect of personal transport equipment
07.3	<b>Transport services</b>
07.3.1	Passenger transport by railway
07.3.2	Passenger transport by road
07.3.3	Passenger transport by air
07.3.4	Passenger transport by sea and inland waterway
07.3.5	Combined passenger transport
07.3.6	Other purchased transport services
08	<b>COMMUNICATION</b>
08.1	<b>Postal services</b>
08.1.0	Postal services
08.x	<b>Telephone and telefax equipment and telephone and telefax services</b>
08.2/3.0	Telephone and telefax equipment and telephone and telefax services
09	<b>RECREATION AND CULTURE</b>
09.1	<b>Audio-visual, photographic and information processing equipment</b>
09.1.1	Equipment for the reception, recording and reproduction of sound and pictures
09.1.2	Photographic and cinematographic equipment and optical instruments
09.1.3	Information processing equipment
09.1.4	Recording media
09.1.5	Repair of audio-visual, photographic and information processing equipment
09.2	<b>Other major durables for recreation and culture</b>
09.2.1/2	Major durables for indoor and outdoor recreation including musical instruments
09.2.3	Maintenance and repair of other major durables for recreation and culture
09.3	<b>Other recreational items and equipment, gardens and pets</b>
09.3.1	Games, toys and hobbies
09.3.2	Equipment for sport, camping and open-air recreation
09.3.3	Gardens, plants and flowers

09.3.4/5	Pets and related products including veterinary and other services for pets
09.4	<b>Recreational and cultural services</b>
09.4.1	Recreational and sporting services
09.4.2	Cultural services
09.5.	<b>Newspapers, books and stationery</b>
09.5.1	Books
09.5.2	Newspapers and periodicals
09.5.3/4	Miscellaneous printed matter and stationery and drawing materials
09.6	<b>Package holidays</b>
09.6.0	Package holidays
10	EDUCATION
10.x	<b>Pre-primary and primary, secondary, post-secondary non-tertiary, tertiary education, and education not definable by level</b>
10.x.0	Pre-primary and primary, secondary, post-secondary non-tertiary, tertiary education, and education not definable by level
11	RESTAURANTS AND HOTELS
11.1	<b>Catering services</b>
11.1.1	Restaurants, cafés and the like
11.1.2	Canteens
11.2	<b>Accommodation services</b>
11.2.0	Accommodation services
12	MISCELLANEOUS GOODS AND SERVICES
12.1	<b>Personal care</b>
12.1.1	Hairdressing salons and personal grooming establishments
12.1.2/3	Electric appliances for personal care and other appliances, articles and products for personal care
12.3	<b>Personal effects n.e.c.</b>
12.3.1	Jewellery, clocks and watches
12.3.2	Other personal effects
12.4	<b>Social protection</b>
12.4.0	Social protection
12.5	<b>Insurance</b>
12.5.2	Insurance connected with the dwelling
12.5.3	Insurance connected with health
12.5.4	Insurance connected with transport
12.5.5	Other insurance
12.6	<b>Financial services n.e.c.</b>
12.6.2	Other financial services n.e.c.
12.7	<b>Other services n.e.c.</b>
12.7.0	Other services n.e.c.

ANNEX II

**ILLUSTRATION OF HICP SUB-INDICES (rev.Dec99):  
BREAKDOWN BY DIVISION (TWO-DIGIT LEVEL), GROUP (THREE-DIGIT  
LEVEL) AND CLASS <sup>(8)</sup> (FOUR-DIGIT LEVEL) <sup>(9)</sup>**

01-12 **INDIVIDUAL CONSUMPTION EXPENDITURE OF HOUSEHOLDS**

01 **FOOD AND NON-ALCOHOLIC BEVERAGES**

01.1 **Food**

The food products classified here are those purchased for consumption at home. The group excludes: food products sold for immediate consumption away from the home by hotels, restaurants, cafés, bars, kiosks, street vendors, automatic vending machines, etc. (11.1.1); cooked dishes prepared by restaurants for consumption off their premises (11.1.1); cooked dishes prepared by catering contractors whether collected by the customer or delivered to the customer's home (11.1.1); and products sold specifically as pet foods (09.3.4).

01.1.1 **Bread and cereals (ND)**

- rice in all forms,
- maize, wheat, barley, oats, rye and other cereals in the form of grain, flour or meal,
- bread and other bakery products (crispbread, rusks, toasted bread, biscuits, gingerbread, wafers, waffles, crumpets, muffins, croissants, cakes, tarts, pies, quiches, pizzas, etc.),
- mixes and doughs for the preparation of bakery products,
- pasta products in all forms; couscous,
- cereal preparations (cornflakes, oatflakes, etc.) and other cereal products (malt, malt flour, malt extract, potato starch, tapioca, sago and other starches).

*Includes:* farinaceous-based products prepared with meat, fish, seafood, cheese, vegetables or fruit.

*Excludes:* meat pies (01.1.2); fish pies (01.1.3); sweetcorn (01.1.7).

<sup>(8)</sup> Most classes comprise either goods or services. Classes containing goods are denoted by either (ND), (SD) or (D) indicating either 'non-durable', 'semi-durable' or 'durable' respectively. (S) denotes classes consisting of 'services'. Some classes contain both goods and services because it is difficult to break them down into goods and services. Such classes are usually assigned an (S) as the service component is considered to be predominant. (E) indicates 'energy' and (SEA) 'seasonal products'.

<sup>(9)</sup> Based on the final COICOP classification as prepared by OECD after consultation with Eurostat, UNSD and the national statistical agencies of its Member countries, October 1998.

01.1.2 Meat (ND)

- Fresh, chilled or frozen meat of:
  - bovine animals, swine, sheep and goat,
  - horse, mule, donkey, camel and the like,
  - poultry (chicken, duck, goose, turkey, guinea fowl),
  - hare, rabbit and game (antelope, deer, boar, pheasant, grouse, pigeon, quail, etc.),
- fresh, chilled or frozen edible offal,
- dried, salted or smoked meat and edible offal (sausages, salami, bacon, ham, pâté, etc.),
- other preserved or processed meat and meat-based preparations (canned meat, meat extracts, meat juices, meat pies, etc.).

*Includes:* meat and edible offal of marine mammals (seals, walruses, whales, etc.) and exotic animals (kangaroo, ostrich, alligator, etc.); animals and poultry purchased live for consumption as food.

*Excludes:* land and sea snails (01.1.3); lard and other edible animal fats (01.1.5); soups, broths and stocks containing meat (01.1.9).

01.1.3 Fish (ND) (SEA)

- fresh, chilled or frozen fish,
- fresh, chilled or frozen seafood (crustaceans including land crabs, molluscs and other shellfish, land and sea snails, frogs),
- dried, smoked or salted fish and seafood,
- other preserved or processed fish and seafood and fish and seafood-based preparations (canned fish and seafood, caviar and other hard roes, fish pies, etc.).

*Includes:* fish and seafood purchased live for consumption as food.

*Excludes:* soups, broths and stocks containing fish (01.1.9).

01.1.4 Milk, cheese and eggs (ND)

- raw milk; pasteurised or sterilised milk,
- condensed, evaporated or powdered milk,
- yoghurt, cream, milk-based desserts, milk-based beverages and other similar milk-based products,
- cheese and curd,

- eggs and egg products made wholly from eggs.

*Includes:* milk, cream and yoghurt containing sugar, cocoa, fruit or flavourings; dairy products not based on milk such as soya milk.

*Excludes:* butter and butter products (01.1.5).

#### 01.1.5 Oils and fats (ND)

- butter and butter products (butter oil, ghee, etc.),
- margarine (including ‘diet’ margarine) and other vegetable fats (including peanut butter),
- edible oils (olive oil, corn oil, sunflower-seed oil, cotton-seed oil, soybean oil, groundnut oil, walnut oil, etc.),
- edible animal fats (lard, etc.).

*Excludes:* cod or halibut liver oil (06.1.1).

#### 01.1.6 Fruit (ND) (SEA)

- fresh, chilled or frozen fruit,
- dried fruit, fruit peel, fruit kernels, nuts and edible seeds,
- preserved fruit and fruit-based products.

*Includes:* melons and water melons.

*Excludes:* vegetables cultivated for their fruit such as aubergines, cucumbers and tomatoes (01.1.7); jams, marmalades, compotes, jellies, fruit purees and pastes (01.1.8); parts of plants preserved in sugar (01.1.8); fruit juices and syrups (01.2.2).

#### 01.1.7 Vegetables (ND) (SEA)

- fresh, chilled, frozen or dried vegetables cultivated for their leaves or stalks (asparagus, broccoli, cauliflower, endives, fennel, spinach, etc.), for their fruit (aubergines, cucumbers, courgettes, green peppers, pumpkins, tomatoes, etc.), and for their roots (beetroots, carrots, onions, parsnips, radishes, turnips, etc.),
- fresh or chilled potatoes and other tuber vegetables (manioc, arrowroot, cassava, sweet potatoes, etc.),
- preserved or processed vegetables and vegetable-based products,
- products of tuber vegetables (flours, meals, flakes, purees, chips and crisps) including frozen preparations such as chipped potatoes.

*Includes:* olives; garlic; pulses; sweetcorn; sea fennel and other edible seaweed; mushrooms and other edible fungi.

*Excludes:* potato starch, tapioca, sago and other starches (01.1.1); soups, broths and stocks containing vegetables (01.1.9); culinary herbs (parsley, rosemary, thyme, etc.) and spices (pepper, pimento, ginger, etc.) (01.1.9); vegetable juices (01.2.2).

01.1.8 Sugar, jam, honey, chocolate and confectionery (ND)

- cane or beet sugar, unrefined or refined, powdered, crystallised or in lumps,
- jams, marmalades, compotes, jellies, fruit purees and pastes, natural and artificial honey, maple syrup, molasses and parts of plants preserved in sugar,
- chocolate in bars or slabs, chewing gum, sweets, toffees, pastilles and other confectionery products,
- cocoa-based foods and cocoa-based dessert preparations,
- edible ice, ice cream and sorbet.

*Includes:* artificial sugar substitutes.

*Excludes:* cocoa and chocolate-based powder (01.2.1).

01.1.9 Food products n.e.c. (ND)

- salt, spices (pepper, pimento, ginger, etc.), culinary herbs (parsley, rosemary, thyme, etc.), sauces, condiments, seasonings (mustard, mayonnaise, ketchup, soy sauce, etc.), vinegar,
- prepared baking powders, baker's yeast, dessert preparations, soups, broths, stocks, culinary ingredients, etc.,
- homogenised baby food and dietary preparations irrespective of the composition.

*Excludes:* milk-based desserts (01.1.4); soya milk (01.1.4); artificial sugar substitutes (01.1.8); cocoa-based dessert preparations (01.1.8).

01.2 **Non-alcoholic beverages**

The non-alcoholic beverages classified here are those purchased for consumption at home. The group excludes non-alcoholic beverages sold for immediate consumption away from the home by hotels, restaurants, cafés, bars, kiosks, street vendors, automatic vending machines, etc. (11.1.1).

01.2.1 Coffee, tea and cocoa (ND)

- coffee, whether or not decaffeinated, roasted or ground, including instant coffee,
- tea, maté and other plant products for infusions,
- cocoa, whether or not sweetened, and chocolate-based powder.

*Includes:* cocoa-based beverage preparations; coffee and tea substitutes; extracts and essences of coffee and tea.

*Excludes:* chocolate in bars or slabs (01.1.8); cocoa-based food and cocoa-based dessert preparations (01.1.8).

01.2.2 Mineral waters, soft drinks, fruit and vegetable juices (ND)

- mineral or spring waters; all drinking water sold in containers,
- soft drinks such as sodas, lemonades and colas,
- fruit and vegetable juices,
- syrups and concentrates for the preparation of beverages.

*Excludes:* non-alcoholic beverages which are generally alcoholic such as non-alcoholic beer (02.1).

02 ALCOHOLIC BEVERAGES, TOBACCO

02.1 **Alcoholic beverages**

The alcoholic beverages classified here are those purchased for consumption at home. The group excludes alcoholic beverages sold for immediate consumption away from the home by hotels, restaurants, cafés, bars, kiosks, street vendors, automatic vending machines, etc. (11.1.1).

The beverages classified here include low or non-alcoholic beverages which are generally alcoholic such as non-alcoholic beer.

02.1.1 Spirits (ND)

- eaux-de-vie, liqueurs and other spirits.

*Includes:* mead; aperitifs other than wine-based aperitifs (02.1.2).

02.1.2 Wine (ND)

- wine, cider and perry, including sake,
- wine-based aperitifs, fortified wines, champagne and other sparkling wines.

02.1.3 Beer (ND)

- all kinds of beer such as ale, lager and porter.

*Includes:* low-alcoholic beer and non-alcoholic beer; shandy.

02.2 **Tobacco**

This group covers all purchases of tobacco by households, including purchases of tobacco in restaurants, cafés, bars, service stations, etc.

02.2.0 Tobacco (ND)

- cigarettes; cigarette tobacco and cigarette papers,

- cigars, pipe tobacco, chewing tobacco or snuff.

*Excludes:* other smokers' articles (12.3.2).

## 03 CLOTHING AND FOOTWEAR

### 03.1 Clothing

#### 03.1.1 Clothing materials (SD)

- clothing materials of natural fibres, of man-made fibres and of their mixtures.

*Excludes:* furnishing fabrics (05.2.0).

#### 03.1.2 Garments (SD)

- Garments for men, women, children (three to 13 years) and infants (0 to two years), either ready-to-wear or made-to-measure, in all materials (including leather, furs, plastics and rubber), for everyday wear, for sport or for work:
  - capes, overcoats, raincoats, anoraks, parkas, blousons, jackets, trousers, waistcoats, suits, costumes, dresses, skirts, etc.,
  - shirts, blouses, pullovers, sweaters, cardigans, shorts, swimsuits, track suits, jogging suits, sweatshirts, T-shirts, leotards, etc.,
  - vests, underpants, socks, stockings, tights, petticoats, brassières, knickers, slips, girdles, corsets, body stockings, etc.,
  - pyjamas, night-shirts, night dresses, housecoats, dressing gowns, bathrobes, etc.,
  - baby clothes and babies' booties made of fabric.

*Excludes:* articles of medical hosiery such as elasticated stockings (06.1.2); babies' napkins (12.1.3).

#### 03.1.3 Other articles of clothing and clothing accessories (SD)

- ties, handkerchiefs, scarves, squares, gloves, mittens, muffs, belts, braces, aprons, smocks, bibs, sleeve protectors, hats, caps, berets, bonnets, etc.,
- sewing threads, knitting yarns and accessories for making clothing such as buckles, buttons, press-studs, zip-fasteners, ribbons, laces, trimmings, etc.,

*Includes:* gardening gloves and working gloves; crash helmets for motor cycles and bicycles.

*Excludes:* gloves and other articles made of rubber (05.6.1); pins, safety pins, sewing needles, knitting needles, thimbles (05.6.1); protective headgear for sports (09.3.2); other protective gear for sports such as life jackets, boxing gloves, body padding, belts, supports, etc. (09.3.2); paper handkerchiefs



(12.1.3); watches, jewellery, cufflinks, tie-pins (12.3.1); walking sticks and canes, umbrellas and parasols, fans, key rings (12.3.2).

03.1.4 Cleaning, repair and hire of clothing (S)

- dry-cleaning, laundering and dyeing of garments,
- darning, mending, repair and altering of garments,
- hire of garments.

*Includes:* total value of the repair service (that is, both the cost of labour and the cost of materials are covered).

*Excludes:* materials, threads, accessories, etc. purchased by households with the intention of undertaking the repairs themselves (03.1.1) or (03.1.3); repair of household linen and other household textiles (05.2.0); dry-cleaning, laundering, dyeing and hiring of household linen and other household textiles (05.6.2).

03.2 **Footwear**

03.2.1/2 Shoes and other footwear including repair and hire of footwear (SD)

- all footwear for men, women, children (three to 13 years) and infants (0 to two years) including sports footwear suitable for everyday or leisure wear (shoes for jogging, cross-training, tennis, basket ball, boating, etc.),
- repair of footwear; shoe cleaning services,
- hire of footwear.

*Includes:* gaiters, leggings and similar articles; total value of the repair service (that is, both the cost of labour and the cost of materials are covered).

*Excludes:* babies' booties made of fabric (03.1.2); orthopaedic footwear (06.1.3); game-specific footwear (ski boots, football boots, golfing shoes and other such footwear fitted with ice skates, rollers, spikes, studs, etc.) (09.3.2); shin-guards, cricket pads and other such protective apparel for sport (09.3.2); polishes, creams and other shoe-cleaning articles (05.6.1); repair (09.3.2) or hire (09.4.1) of game-specific footwear (ski boots, football boots, golfing shoes and other such footwear fitted with ice skates, rollers, spikes, studs, etc.).

04 HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS

04.1 **Actual rentals for housing**

Rentals are all rentals actually paid by tenants, i.e. the rentals the tenant pays to the landlord regardless of any social benefits the tenant receives from public authorities (including payments which at the tenant's discretion go directly to the landlord).

Rentals normally include payment for the use of the land on which the property stands, the dwelling occupied, the fixtures and fittings for heating, plumbing, lighting, etc., and, in the case of a dwelling let furnished, the furniture.

Rentals also include payment for the use of a garage to provide parking in connection with the dwelling. The garage does not have to be physically contiguous to the dwelling; nor does it have to be leased from the same landlord.

Rentals do not include payment for the use of garages or parking spaces not providing parking in connection with the dwelling (07.2.4). Nor do they include charges for water supply (04.4.1), refuse collection (04.4.2) and sewerage collection (04.4.3); co-proprietor charges for caretaking, gardening, stairwell cleaning, heating and lighting, maintenance of lifts and refuse disposal chutes, etc. in multi-occupied buildings (04.4.4); charges for electricity (04.5.1) and gas (04.5.2); charges for heating and hot water supplied by district heating plants (04.5.5).

04.1.1/2 Actual rentals paid by tenants including other actual rentals (S)

- rentals actually paid by tenants or subtenants occupying unfurnished or furnished premises as their main residence,
- rentals actually paid for secondary residences.

*Includes:* payments by households occupying a room in a hotel or boarding house as their main residence.

*Excludes:* accommodation services of educational establishments and hostels (11.2.0), of holiday villages and holiday centres (11.2.0), and of retirement homes for elderly persons<sup>(\*)</sup> (12.4.0).

04.3 **Maintenance and repair of the dwelling**

Maintenance and repair of dwellings are distinguished by two features: first, they are activities that have to be undertaken regularly in order to maintain the dwelling in good working order; second, they do not change the dwelling's performance, capacity or expected service life.

There are two types of maintenance and repair of dwellings: those which are minor, such as interior decoration and repairs to fittings, and which are commonly carried out by both tenants and owners; and those which are major, such as replastering walls or repairing roofs, and which are carried out by owners only.

Only expenditures which tenants and owner-occupiers incur on materials and services for minor maintenance and repair are part of individual consumption expenditure of households. Expenditures which owner-occupiers incur on materials and services for major maintenance and repair are not part of individual consumption expenditure of households<sup>(\*\*)</sup>.

Purchases of materials made by tenants or owner-occupiers with the intention of undertaking the maintenance or repair themselves should be shown under (04.3.1). If tenants or owner-occupiers pay an enterprise to carry out the maintenance or repair, the total value of the service, including the costs of the materials used, should be shown under (04.3.2).

04.3.1 Materials for the maintenance and repair of the dwelling <sup>(\*\*)</sup> (ND)

- products and materials, such as paints and varnishes, renderings, wallpapers, fabric wall coverings, window panes, plaster, cement, putty, wallpaper pastes, etc., purchased for minor maintenance and repair of the dwelling

*Includes:* small plumbing items (pipes, taps, joints, etc.) and surfacing materials (floor boards, ceramic tiles, etc.).

*Excludes:* fitted carpets and linoleum (05.1.2); hand tools, door fittings, power sockets, wiring flex and lamp bulbs (05.5.2); brooms, scrubbing brushes, dusting brushes and cleaning products (05.6.1); products, materials and fixtures used for major maintenance and repair (intermediate consumption, not covered by HICP) <sup>(\*\*)</sup> or for extension and conversion of the dwelling (capital formation, not covered by HICP) <sup>(\*\*)</sup>.

04.3.2 Services for the maintenance and repair of the dwelling <sup>(\*\*)</sup> (S)

- services of plumbers, electricians, carpenters, glaziers, painters, decorators, floor polishers, etc. engaged for minor maintenance and repair of the dwelling.

*Includes:* total value of the service (that is, both the cost of labour and the cost of materials are covered).

*Excludes:* separate purchases of materials made by households with the intention of undertaking the maintenance or repair themselves (04.3.1); services engaged for major maintenance and repair (intermediate consumption, not covered by HICP) <sup>(\*\*)</sup> or for extension and conversion of the dwelling (capital formation, not covered by HICP) <sup>(\*\*)</sup>.

04.4 **Water supply and miscellaneous services relating to the dwelling**

Refers to separately identifiable charges for specific services relating to the dwelling whether or not consumers pay according to consumption, that is, excluding payments for services financed out of general taxation.

04.4.1 Water supply (ND)

- water supply.

*Includes:* associated expenditure such as hire of meters, reading of meters, standing charges, etc.

*Excludes:* drinking water sold in bottles or containers (01.2.2); hot water or steam purchased from district heating plants (04.5.5).

04.4.2 Refuse collection (S)

- refuse collection and disposal.

04.4.3 Sewerage collection (S)

- sewerage collection and disposal.

- 04.4.4 Other services relating to the dwelling n.e.c. (S)
- co-proprietor charges for caretaking, gardening, stairwell cleaning, heating and lighting, maintenance of lifts and refuse disposal chutes, etc. in multi-occupied buildings,
  - security services,
  - snow removal and chimney sweeping.
- Excludes:* household services such as window cleaning, disinfecting, fumigation and pest extermination (05.6.2); bodyguards (12.7.0).
- 04.5 **Electricity, gas and other fuels**
- 04.5.1 Electricity (ND) (E)
- electricity.
- Includes:* associated expenditure such as hire of meters, reading of meters, standing charges, etc.
- 04.5.2 Gas (ND) (E)
- town gas and natural gas,
  - liquefied hydrocarbons (butane, propane, etc.).
- Includes:* associated expenditure such as hire of meters, reading of meters, storage containers, standing charges, etc.
- 04.5.3 Liquid fuels (ND) (E)
- domestic heating and lighting oils.
- 04.5.4 Solid fuels (ND) (E)
- coal, coke, briquettes, firewood, charcoal, peat and the like.
- 04.5.5 Heat energy (ND) (E)
- hot water and steam purchased from district heating plants.
- Includes:* associated expenditure such as hire of meters, reading of meters, standing charges, etc.; ice used for cooling and refrigeration purposes.
- 05 **FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE**
- 05.1 **Furniture and furnishings, carpets and other floor coverings**
- 05.1.1 Furniture and furnishings (D)
- beds, sofas, couches, tables, chairs, cupboards, chests of drawers and bookshelves,
  - lighting equipment such as ceiling lights, standard lamps, globe lights and bedside lamps,

- pictures, sculptures, engravings, tapestries and other art objects including reproductions of works of art and other ornaments,
- screens, folding partitions and other furniture and fixtures.

*Includes:* delivery and installation when applicable; base-mattresses, mattresses, tatamis; bathroom cabinets; baby furniture such as cradles, high-chairs and play-pens; blinds; camping and garden furniture; mirrors, candle-holders and candlesticks.

*Excludes:* bedding and sunshades (05.2.0); safes (05.3.1); ornamental glass and ceramic articles (05.4.0); clocks (12.3.1); wall thermometers and barometers (12.3.2); carry cots and push-chairs (12.3.2); works of art and antique furniture acquired primarily as stores of value (capital formation, not covered by HICP).

#### 05.1.2 Carpets and other floor coverings (D)

- loose carpets, fitted carpets, linoleum and other such floor coverings.

*Includes:* laying of floor coverings.

*Excludes:* bathroom mats, rush mats and door mats (05.2.0); antique floor coverings acquired primarily as stores of value (capital formation, not covered by HICP).

#### 05.1.3 Repair of furniture, furnishings and floor coverings (S)

- Repair of furniture, furnishings and floor coverings

*Includes:* total value of the service (that is, both the cost of labour and the cost of materials are covered); restoration of works of art, antique furniture and antique floor coverings other than those acquired primarily as stores of value (capital formation, not covered by HICP).

*Excludes:* separate purchases of materials made by households with the intention of undertaking the repair themselves (05.1.1) or (05.1.2); dry-cleaning of carpets (05.6.2).

### 05.2 **Household textiles**

#### 05.2.0 Household textiles (SD)

- furnishing fabrics, curtain material, curtains, double curtains, awnings, door curtains and fabric blinds,
- bedding such as futons, pillows, bolsters and hammocks,
- bedlinen such as sheets, pillowcases, blankets, travelling rugs, plaids, eiderdowns, counterpanes and mosquito nets,
- table linen and bathroom linen such as tablecloths, table napkins, towels and face-clothes,
- other household textiles such as shopping bags, laundry bags, shoe bags, covers for clothes and furniture, flags, sunshades, etc.,
- repair of such articles.

*Includes:* cloth bought by the piece; oilcloth; bathroom mats, rush mats and door mats.

*Excludes:* fabric wall coverings (04.3.1); tapestries (05.1.1); floor coverings such as carpets and fitted carpets (05.1.2); electric blankets (05.3.2); covers for motor cars, motor cycles, etc. (07.2.1); air mattresses and sleeping bags (09.3.2).

### 05.3 **Household appliances**

#### 05.3.1/2 Major household appliances whether electric or not (D) and small electric household appliances (SD)

- refrigerators, freezers and fridge-freezers,
- washing-machines, dryers, drying cabinets, dishwashers, ironing and pressing machines,
- cookers, spit roasters, hobs, ranges, ovens and micro-wave ovens,
- air conditioners, humidifiers, space heaters, water heaters, ventilators and extractor hoods,
- vacuum cleaners, steam-cleaning machines, carpet shampooing machines and machines for scrubbing, waxing and polishing floors,
- other major household appliances such as safes, sewing machines, knitting machines, water softeners, etc.,
- coffee mills, coffee-makers, juice extractors, can openers, food mixers, deep fryers, meat grills, knives, toasters, ice cream makers, sorbet makers, yoghurt makers, hotplates, irons, kettles, fans, electric blankets, etc.

*Includes:* delivery and installation of the appliances when applicable.

*Excludes:* such appliances that are built into the structure of the building (capital formation, not covered by HICP)<sup>(\*\*)</sup>; small non-electric household articles and kitchen utensils (05.4.0); household scales (05.4.0); personal weighing machines and baby scales (12.1.3).

#### 05.3.3 Repair of household appliances (S)

- repair of household appliances.

*Includes:* total value of the service (that is, both the cost of labour and the cost of materials are covered); charges for the leasing or rental of major household appliances.

*Excludes:* separate purchases of materials made by households with the intention of undertaking the repair themselves (05.3.1) or (05.3.2).

05.4 **Glassware, tableware and household utensils**

05.4.0 Glassware, tableware and household utensils (SD)

- glassware, crystal-ware, ceramic ware and chinaware of the kind used for table, kitchen, bathroom, toilet, office and indoor decoration,
- cutlery, flatware and silverware,
- non-electric kitchen utensils of all materials such as saucepans, stewpots, pressure cookers, frying pans, coffee mills, purée-makers, mincers, hotplates, household scales and other such mechanical devices,
- non-electric household articles of all materials such as containers for bread, coffee, spices, etc., waste bins, waste-paper baskets, laundry baskets, portable money-boxes and strong-boxes, towel rails, bottle racks, irons and ironing boards, letter boxes, feeding bottles, thermos flasks and ice boxes,
- repair of such articles.

*Excludes:* lighting equipment (05.1.1); electric household appliances (05.3.1) or (05.3.2); cardboard tableware (05.6.1); personal weighing machines and baby scales (12.1.3).

05.5 **Tools and equipment for house and garden**

05.5.1/2 Major tools and equipment (D) and small tools and miscellaneous accessories (SD)

- motorised tools and equipment such as electric drills, saws, sanders and hedge cutters, garden tractors, lawn mowers, cultivators, chain saws and water pumps,
- repair of such articles,
- hand tools such as saws, hammers, screwdrivers, wrenches, spanners, pliers, trimming knives, rasps and files,
- garden tools such as wheel barrows, watering cans, hoses, spades, shovels, rakes, forks, scythes, sickles and secateurs,
- ladders and steps,
- door fittings (hinges, handles and locks), fittings for radiators and fireplaces, other metal articles for the house (curtain rails, carpet rods, hooks, etc.) or for the garden (chains, grids, stakes and hoop segments for fencing and bordering),
- small electric accessories such as power sockets, switches, wiring flex, electric bulbs, fluorescent lighting tubes, torches, flashlights, hand-lamps, electric batteries for general use, bells and alarms,
- repair of such articles.

*Includes:* charges for the leasing or rental of do-it-yourself machinery and equipment.

05.6 **Goods and services for routine household maintenance**

05.6.1 Non-durable household goods (ND)

- cleaning and maintenance products such as soaps, washing powders, washing liquids, scouring powders, detergents, disinfectant bleaches, softeners, conditioners, window-cleaning products, waxes, polishes, dyes, unblocking agents, disinfectants, insecticides, fungicides and distilled water,
- articles for cleaning such as brooms, scrubbing brushes, dust pans and dust brushes, dusters, tea towels, floorcloths, household sponges, scourers, steel wool and chamois leathers,
- paper products such as filters, tablecloths and table napkins, kitchen paper, vacuum cleaner bags and cardboard tableware, including aluminium foil and plastic bin liners,
- other non-durable household articles such as matches, candles, lamp wicks, methylated spirits, clothes pegs, clothes hangers, pins, safety pins, sewing needles, knitting needles, thimbles, nails, screws, nuts and bolts, tacks, washers, glues and adhesive tapes for household use, string, twine and rubber gloves

*Includes:* polishes, creams and other shoe-cleaning articles.

*Excludes:* horticultural products for the upkeep of ornamental gardens (09.3.3); paper handkerchiefs, toilet paper, toilet soaps, toilet sponges and other products for personal hygiene (12.1.3).

05.6.2 Domestic services and household services (S)

- domestic services supplied by paid staff employed in private service such as butlers, cooks, maids, drivers, gardeners, governesses, secretaries, tutors and au pairs,
- similar services, including baby-sitting and housework, supplied by enterprises or self-employed persons,
- household services such as window cleaning, disinfecting, fumigation and pest extermination,
- dry-cleaning, laundering and dyeing of household linen, household textiles and carpets,
- hire of furniture, furnishings, carpets, household equipment and household linen.

*Excludes:* dry-cleaning, laundering and dyeing of garments (03.1.4); refuse collection (04.4.2); sewerage collection (04.4.3); co-proprietor charges for caretaking, gardening, stairwell cleaning, heating and lighting, maintenance of lifts and refuse disposal chutes, etc. in multi-occupied buildings (04.4.4); security services (04.4.4); snow removal and chimney sweeping (04.4.4); removal and storage services (07.3.6); services of wet nurses, crèches, day-care centres and other child-minding facilities (12.4.0); bodyguards (12.7.0).



06 HEALTH

This division also includes health services purchased from school and university health centres.

06.1 **Medical products, appliances and equipment**

This group covers medicaments, prostheses, medical appliances and equipment and other health-related products purchased by individuals or households, either with or without a prescription, usually from dispensing chemists, pharmacists or medical equipment suppliers. They are intended for consumption or use outside a health facility or institution. Such products supplied directly to out-patients by medical, dental and paramedical practitioners or to in-patients by hospitals and the like are included in out-patient services (06.2) or hospital services (06.3)<sup>(\*)</sup>.

06.1.1 Pharmaceutical products (ND)

- medicinal preparations, medicinal drugs, patent medicines, serums and vaccines, vitamins and minerals, cod liver oil and halibut liver oil, oral contraceptives

*Excludes:* veterinary products (09.3.4); articles for personal hygiene such as medicinal soaps (12.1.3).

06.1.2/3 Other medical products, therapeutic appliances and equipment (ND)

- clinical thermometers, adhesive and non-adhesive bandages, hypodermic syringes, first-aid kits, hot-water bottles and ice bags, medical hosiery items such as elasticated stockings and knee-supports, pregnancy tests, condoms and other mechanical contraceptive devices,
- corrective eye-glasses and contact lenses, hearing aids, glass eyes, artificial limbs and other prosthetic devices, orthopaedic braces and supports, orthopaedic footwear, surgical belts, trusses and supports, neck braces, medical massage equipment and health lamps, powered and unpowered wheelchairs and invalid carriages, 'special' beds, crutches, electronic and other devices for monitoring blood pressure, etc.,
- repair of such articles

*Includes:* dentures but not fitting costs.

*Excludes:* hire of therapeutic equipment (06.2.3); protective goggles, belts and supports for sport (09.3.2); sun-glasses not fitted with corrective lenses (12.3.2).

06.2 **Out-patient services**

This group covers medical, dental and paramedical services delivered to out-patients by medical, dental and paramedical practitioners and auxiliaries. The services may be delivered at home, in individual or group consulting facilities, dispensaries or the out-patient clinics of hospitals and the like.

Out-patient services include the medicaments, prostheses, medical appliances and equipment and other health-related products supplied directly to out-patients by medical, dental and paramedical practitioners and auxiliaries.

Medical, dental and paramedical services provided to in-patients by hospitals and the like are included in hospital services (06.3) (\*).

06.2.1/3 Medical and paramedical services (S)

- consultations of physicians in general or specialist practice,
- services of medical analysis laboratories and X-ray centres,
- services of freelance nurses and midwives,
- services of freelance acupuncturists, chiropractors, optometrists, physiotherapists, speech therapists, etc.,
- medically-prescribed corrective-gymnastic therapy,
- out-patient thermal bath or seawater treatments,
- ambulance services,
- hire of therapeutic equipment.

*Includes:* services of orthodontic specialists.

06.2.2 Dental services (S)

- services of dentists, oral-hygienists and other dental auxiliaries.

*Includes:* fitting costs of dentures.

*Excludes:* dentures (06.1.3); services of orthodontic specialists (06.2.1); services of medical analysis laboratories and X-ray centres (06.2.3).

06.3 **Hospital services** (\*)

Hospitalisation is defined as occurring when a patient is accommodated in a hospital for the duration of the treatment. Hospital day care and home-based hospital treatment are included as are hospices for terminally-ill persons.

This group covers the services of general and specialist hospitals, the services of medical centres, maternity centres, nursing homes and convalescence homes which chiefly provide in-patient health care, the services of institutions serving old people in which medical monitoring is an essential component and the services of rehabilitation centres providing in-patient health care and rehabilitative therapy where the objective is to treat the patient rather than to provide long-term support.

Hospitals are defined as institutions which offer in-patient care under direct supervision of qualified medical doctors. Medical centres, maternity centres, nursing homes and convalescent homes also provide in-patient care but their services are supervised and frequently delivered by staff of lower qualification than medical doctors.

This group does not cover the services of facilities, such as surgeries, clinics and dispensaries, devoted exclusively to out-patient care (06.2). Nor does it include the services of retirement homes for elderly persons, institutions for disabled persons and rehabilitation centres providing primarily long-term support (12.4).

06.3.0 Hospital services <sup>(\*)</sup> (S)

- Hospital services comprise the provision of the following services to hospital in-patients:
  - basic services: administration; accommodation; food and drink; supervision and care by non-specialist staff (nursing auxiliaries); first-aid and resuscitation; ambulance transport; provision of medicines and other pharmaceutical products; provision of therapeutic appliances and equipment,
  - medical services: services of physicians in general or specialist practice, of surgeons and of dentists; medical analyses and X-rays; paramedical services such as those of nurses, midwives, chiropractors, optometrists, physio-therapists, speech therapists, etc.

07 TRANSPORT

07.1 **Purchase of vehicles**

Purchases cover purchases by households of new vehicles and purchases by households of second-hand vehicles from other institutional sectors, which are typically garages or car dealers. Sales of second-hand vehicles between households are not covered.

Purchases are net of sales by households of second-hand vehicles to other institutional sectors. Member States may take either

- (i) a net weight for new cars (gross weight minus the trade-in value of used cars), and a net weight for second-hand cars, or
- (ii) a gross weight for new cars (not taking into account the trade-in of used cars), and a weight for second-hand cars including any business sector trade-margin.

Purchases also cover purchases through financial leasing arrangements.

Purchases of recreational vehicles such as camper vans, caravans, trailers, aeroplanes and boats are covered by (09.2.1).

07.1.1 Motor cars (D)

- new motor cars, passenger vans, station wagons, estate cars and the like with either two-wheel drive or four-wheel drive,
- second-hand motor cars, passenger vans, station wagons, estate cars and the like with either two-wheel drive or four-wheel drive.

*Excludes:* invalid carriages (06.1.3); camper vans (09.2.1); golf carts (09.2.1).

07.1.2/3/4 Motor cycles, bicycles, and animal drawn vehicles (D)

- motor cycles of all types, scooters and powered bicycles,
- bicycles and tricycles of all types,
- animal drawn vehicles.

*Includes:* side cars; snowmobiles; rickshaws; animals required to draw the vehicles and related equipment (yokes, collars, harnesses, bridles, reins, etc.).

*Excludes:* invalid carriages (06.1.3); golf carts (09.2.1); toy bicycles and tricycles (09.3.1); horses and ponies, horse or pony drawn vehicles and related equipment purchased for recreational purposes (09.2.1).

07.2 **Operation of personal transport equipment**

Purchases of spare parts, accessories or lubricants made by households with the intention of undertaking the maintenance, repair or intervention themselves should be shown under (07.2.1) or (07.2.2). If households pay an enterprise to carry out the maintenance, repair or fitting, the total value of the service, including the costs of the materials used, should be shown under (07.2.3).

07.2.1 Spare parts and accessories for personal transport equipment (SD)

- tyres (new, used or retreaded), innertubes, spark plugs, batteries, shock absorbers, filters, pumps and other spare parts or accessories for personal transport equipment.

*Includes:* products specifically for the cleaning and maintenance of transport equipment such as paints, chrome cleaners, sealing compounds and bodywork polishes; covers for motor cars, motor cycles, etc.

*Excludes:* crash helmets for motor cycles and bicycles (03.1.3); non-specific products for cleaning and maintenance such as distilled water, household sponges, chamois leathers, detergents, etc. (05.6.1); charges for the fitting of spare parts and accessories and for the painting, washing and polishing of bodywork (07.2.3); radio-telephones (08.2.0); car radios (09.1.1); baby-seats for cars (12.3.2).

07.2.2 Fuels and lubricants for personal transport equipment (ND) (E)

- petrol and other fuels such as diesel, liquid petroleum gas, alcohol and two-stroke mixtures,
- lubricants, brake and transmission fluids, coolants and additives.

*Includes:* fuel for major tools and equipment covered under (05.5.1) and recreational vehicles covered under (09.2.1).

*Excludes:* charges for oil changes and greasing (07.2.3).

07.2.3 Maintenance and repair of personal transport equipment (S)

- services purchased for the maintenance and repair of personal transport equipment such as fitting of parts and accessories, wheel balancing, technical inspection, breakdown services, oil changes, greasing and washing.

*Includes:* total value of the service (that is both the cost of labour and the cost of materials are covered).

*Excludes:* separate purchases of spare parts, accessories or lubricants made by households with the intention of undertaking the maintenance or repair themselves (07.2.1) or (07.2.2); road worthiness tests (07.2.4).

07.2.4 Other services in respect of personal transport equipment (S)

Following the conventions of ESA 1995, included are payments by households for licenses, permits, etc. which are regarded as purchases of services from government (ESA 1995, paragraph 3.76.h). In that case the government issues licenses as a part of some regulatory function, such as checking the competence, or qualifications, of the persons concerned (ESA 1995, paragraph 4.80.d and its footnote).

- hire of garages or parking spaces not providing parking in connection with the dwelling,
- toll facilities (bridges, tunnels, shuttle-ferries, motorways) and parking meters,
- driving lessons, driving tests and driving licences,
- road worthiness tests,
- hire of personal transport equipment without drivers.

*Excludes:* hire of a car with driver (07.3.2); service charges for insurance in respect of personal transport equipment (12.5.4).

07.3 **Transport services**

Purchases of transport services are generally classified by mode of transport. When a ticket covers two or more modes of transport — for example, intra-urban bus and underground or inter-urban train and ferry — and the expenditure cannot be apportioned between them, then such purchases should be classified in (07.3.5).

Costs of meals, snacks, drinks, refreshments or accommodation services have to be included if covered by the fare and not separately priced. If separately priced, these costs have to be classified in Division 11.

School transport services are included, but ambulance services are excluded (06.2.3).

07.3.1 Passenger transport by railway (S)

- Transport of individuals and groups of persons and luggage by train, tram and underground.

*Includes:* transport of private vehicles.

*Excludes:* funicular transport (07.3.6).

07.3.2 Passenger transport by road (S)

- Transport of individuals and groups of persons and luggage by bus, coach, taxi and hired car with driver.

07.3.3 Passenger transport by air (S)

- Transport of individuals and groups of persons and luggage by aeroplane and helicopter.

07.3.4 Passenger transport by sea and inland waterway (S)

- Transport of individuals and groups of persons and luggage by ship, boat, ferry, hovercraft and hydrofoil.

*Includes:* transport of private vehicles.

07.3.5 Combined passenger transport (S)

- Transport of individuals and groups of persons and luggage by two or more modes of transport when the expenditure cannot be apportioned between them.

*Includes:* transport of private vehicles.

*Excludes:* package holidays (09.6.0).

07.3.6 Other purchased transport services (S)

- funicular, cable-car and chair-lift transport,
- removal and storage services,
- services of porters and left-luggage and luggage-forwarding offices,
- travel agents' commissions, if separately priced.

*Excludes:* cable-car and chair-lift transport at ski resorts and holiday centres (09.4.1).

08 COMMUNICATION

08.1 **Postal services**

08.1.0 Postal services (S)

- payments for the delivery of letters, postcards and parcels,
- private mail and parcel delivery.

*Includes:* all purchases of new postage stamps, pre-franked postcards and aerogrammes.

*Excludes:* purchase of used or cancelled postage stamps (09.3.1); financial services of post offices (12.6.2).

08.x **Telephone and telefax equipment and telephone and telefax services**

08.2/3.0 Telephone and telefax equipment and telephone and telefax services <sup>(10)</sup> (S)

- purchases of telephones, radio-telephones, telefax machines, telephone-answering machines and telephone loudspeakers (08.2.0),
- repair of such equipment (08.2.0),
- installation and subscription costs of personal telephone equipment (08.3.0),
- telephone calls from a private line or from a public line (public telephone box, post office cabin, etc.); telephone calls from hotels, cafés, restaurants and the like (08.3.0),
- telegraphy, telex and telefax services (08.3.0),
- information transmission services; internet connection services (08.3.0),
- hire of telephones, telefax machines, telephone answering-machines and telephone loudspeakers (08.3.0).

*Includes:* radiotelephony, radiotelegraphy and radiotelex services.

*Excludes:* telefax and telephone answering facilities provided by personal computers (09.1.3).

09 RECREATION AND CULTURE

09.1 **Audio-visual, photographic and information processing equipment**

09.1.1 Equipment for the reception, recording and reproduction of sound and pictures (D)

- television sets, video-cassette players and recorders, television aerials of all types,
- radio sets, car radios, radio clocks, two-way radios, amateur radio receivers and transmitters,
- gramophones, tape players and recorders, cassette players and recorders, CD-players, personal stereos, stereo systems and their constituent units (turntables, tuners, amplifiers, speakers, etc.), microphones and earphones.

*Excludes:* video cameras, cam-corders and sound-recording cameras (09.1.2).

09.1.2 Photographic and cinematographic equipment and optical instruments (D)

- still cameras, movie cameras and sound-recording cameras, video cameras and cam-corders, film and slide projectors, enlargers and film processing equipment, accessories (screens, viewers, lenses, flash attachments, filters, exposure meters, etc.),

<sup>(10)</sup> Member States able to separate 08.2/3.0 into goods (08.2.0) and services (08.3.0) shall transmit those indices as well as the combined index (08.2/3.0).

- binoculars, microscopes, telescopes and compasses.

09.1.3 Information processing equipment (D)

- personal computers and visual display units, printers, software and miscellaneous accessories accompanying them,
- calculators, including pocket calculators,
- typewriters and word processors.

*Includes:* telefax and telephone answering facilities provided by personal computers.

*Excludes:* video-game software (09.3.1); video-game computers that plug into a television set (09.3.1); typewriter ribbons (09.5.4); slide rules (09.5.4).

09.1.4 Recording media (SD)

- records and compact discs,
- pre-recorded tapes, cassettes, video cassettes, diskettes and CD-ROMs for tape recorders, cassette recorders, video recorders and personal computers,
- unrecorded tapes, cassettes, video cassettes, diskettes and CD-ROMs for tape recorders, cassette recorders, video recorders and personal computers,
- unexposed films, cartridges and discs for photographic and cinematographic use.

*Includes:* photographic supplies such as paper and flash bulbs; unexposed film the price of which includes the cost of processing without separately identifying it.

*Excludes:* batteries (05.5.2); computer software (09.1.3); video-game software, video-game cassettes and video-game CD-ROMs (09.3.1); development of films and printing of photographs (09.4.2).

09.1.5 Repair of audio-visual, photographic and information processing equipment (S)

- repair of audio-visual, photographic and information processing equipment.

*Includes:* total value of the service (that is, both the cost of labour and the cost of materials are covered).

*Excludes:* separate purchases of materials made by households with the intention of undertaking the repair themselves (09.1.1), (09.1.2) or (09.1.3).

09.2 **Other major durables for recreation and culture**

09.2.1/2 Major durables for indoor and outdoor recreation including musical instruments (D)

- camper vans, caravans and trailers,



- aeroplanes, microlight aircraft, gliders, hang-gliders and hot-air balloons,
- boats, outboard motors, sails, rigging and superstructures,
- horses and ponies, horse or pony drawn vehicles and related equipment (harnesses, bridles, reins, saddles, etc.),
- major items for games and sport such as canoes, kayaks, wind-surfing boards, sea-diving equipment and golf carts,
- musical instruments of all sizes, including electronic musical instruments, such as pianos, organs, violins, guitars, drums, trumpets, clarinets, flutes, recorders, harmonicas, etc.,
- billiard tables, ping-pong tables, pin-ball machines, gaming machines, etc.

*Includes:* fitting out of boats, camper vans, caravans, etc.

*Excludes:* horses and ponies, horse or pony drawn vehicles and related equipment purchased for personal transport (07.1.4); toys (09.3.1); inflatable boats, rafts and swimming pools (09.3.2).

09.2.3 Maintenance and repair of other major durables for recreation and culture (S)

- maintenance and repair of other major durables for recreation and culture.

*Includes:* total value of the service (that is, both the cost of labour and the cost of materials are covered); laying up for winter of boats, camper vans, caravans, etc.; hanger services for private planes; marina services for boats.

*Excludes:* fuel for recreational vehicles (07.2.2); separate purchases of materials made by households with the intention of undertaking the maintenance or repair themselves (09.2.1) or (09.2.2); veterinary services (09.3.5).

09.3 **Other recreational items and equipment, gardens and pets**

09.3.1 Games, toys and hobbies (SD)

- card games, parlour games, chess sets and the like,
- toys of all kinds including dolls, soft toys, toy cars and trains, toy bicycles and tricycles, toy construction sets, puzzles, plasticine, electronic games, masks, disguises, jokes, novelties, fireworks and rockets, festoons and Christmas tree decorations,
- stamp-collecting requisites (used or cancelled postage stamps, stamp albums, etc.), other items for collections (coins, medals, minerals, zoological and botanical specimens, etc.) and other tools and articles n.e.c. for hobbies.

*Includes:* video-game software; video-game computers that plug into a television set; video-game cassettes and video-game CD-ROMs.

*Excludes:* collectors' items falling into the category of works of art or antiques (05.1.1); unused postage stamps (08.1.0); Christmas trees (09.3.3); children's scrapbooks (09.5.1).

09.3.2 Equipment for sport, camping and open-air recreation (SD)

- Gymnastic, physical education and sport equipment such as balls, shuttlecocks, nets, rackets, bats, skis, golf clubs, foils, sabres, poles, weights, discuses, javelins, dumb-bells, chest expanders and other body-building equipment,
- parachutes and other sky-diving equipment,
- firearms and ammunition for hunting, sport and personal protection,
- fishing rods and other equipment for fishing,
- equipment for beach and open-air games such as bowls, croquet, frisbee, volleyball and inflatable boats, rafts and swimming pools,
- camping equipment such as tents and accessories, sleeping bags, backpacks, air mattresses and inflating pumps, camping stoves and barbecues,
- repair of such articles.

*Includes:* game-specific footwear (ski boots, football boots, golfing shoes and other such footwear fitted with ice skates, rollers, spikes, studs, etc.); protective headgear for sports; other protective gear for sports such as life jackets, boxing gloves, body padding, shin-guards, goggles, belts, supports, etc.

*Excludes:* crash helmets for motor cycles and bicycles (03.1.3); camping and garden furniture (05.1.1).

09.3.3 Gardens, plants and flowers (ND)

- Natural or artificial flowers and foliage, plants, shrubs, bulbs, tubers, seeds, fertilisers, composts, garden peat, turf for lawns, specially treated soils for ornamental gardens, horticultural preparations, pots and pot holders.

*Includes:* natural and artificial Christmas trees; delivery charges for flowers and plants.

*Excludes:* gardening gloves (03.1.3); gardening services (04.4.4) or (05.6.2); gardening equipment (05.5.1); gardening tools (05.5.2).

09.3.4/5 Pets and related products including veterinary and other services for pets (ND)

- pets, pet foods, veterinary and grooming products for pets, collars, leashes, kennels, birdcages, fish tanks, cat litter, etc.,
- veterinary and other services for pets such as grooming, boarding, tattooing and training

*Excludes:* horses and ponies (07.1.4) or (09.2.1).

09.4 **Recreational and cultural services**

09.4.1 Recreational and sporting services (S)

- services provided by:
  - sports stadia, horse-racing courses, motor-racing circuits, velodromes, etc.,
  - skating rinks, swimming pools, golf courses, gymnasia, fitness centres, tennis courts, squash courts and bowling alleys,
  - fairgrounds and amusement parks,
  - roundabouts, see-saws and other playground facilities for children,
  - pin-ball machines and other games for adults other than games of chance,
  - ski slopes, ski lifts and the like,
- hire of equipment and accessories for sport and recreation, such as aeroplanes, boats, horses, skiing and camping equipment,
- out-of-school individual or group lessons in bridge, chess, aerobics, dancing, music, skating, skiing, swimming or other pastimes,
- services of mountain guides, tour guides, etc.,
- navigational aid services for boating.

*Includes*; hire of game-specific footwear (ski boots, football boots, golfing shoes and other such footwear fitted with ice skates, rollers, spikes, studs, etc.).

*Excludes*: cable-car and chair-lift transport not at ski resorts or holiday centres (07.3.6).

09.4.2 Cultural services (S)

- services provided by:
  - cinemas, theatres, opera houses, concert halls, music halls, circuses, sound and light shows,
  - museums, libraries, art galleries, exhibitions,
  - historic monuments, national parks, zoological and botanical gardens, aquaria,
- hire of equipment and accessories for culture, such as television sets, video cassettes, etc.,
- television and radio broadcasting, in particular licence fees for television equipment and subscriptions to television networks,

- services of photographers such as film developing, print processing, enlarging, portrait photography, wedding photography, etc.

*Includes:* services of musicians, clowns, performers for private entertainments.

**09.5 Newspapers, books and stationery**

Refers to that part of expenditure paid by consumers and not reimbursed by government, social security, or NPISHs.

**09.5.1 Books (SD)**

- books, including atlases, dictionaries, encyclopaedias, text books, guidebooks and musical scores.

*Includes:* scrapbooks and albums for children; book binding.

*Excludes:* stamp albums (09.3.1).

**09.5.2 Newspapers and periodicals (ND)**

- newspapers, magazines and other periodicals.

**09.5.3/4 Miscellaneous printed matter and stationery and drawing materials (ND)**

- catalogues and advertising material,
- posters, plain or picture postcards, calendars,
- greeting cards and visiting cards, announcement and message cards,
- maps and globes,
- writing pads, envelopes, account books, notebooks, diaries, etc.,
- pens, pencils, fountain pens, ball-point pens, felt-tip pens, inks, erasers, pencil sharpeners, etc.,
- stencils, carbon paper, typewriter ribbons, inking pads, correcting fluids, etc.,
- paper punches, paper cutters, paper scissors, office glues and adhesives, staplers and staples, paper clips, drawing pins, etc.,
- drawing and painting materials such as canvas, paper, card, paints, crayons, pastels and brushes

*Includes:* educational materials such as exercise books, slide rules, geometry instruments, slates, chalks and pencil boxes.

*Excludes:* pre-franked postcards and aerogrammes (08.1.0); stamp albums (09.3.1); pocket calculators (09.1.3).

09.6 **Package holidays**

09.6.0 Package holidays (S)

- all inclusive holidays or tours which provide for travel, food, accommodation, guides, etc.

*Includes:* half-day and one-day excursion tours; pilgrimages.

10 EDUCATION

This division covers educational services only. It does not include expenditures on educational materials, such as books (09.5.1) and stationery (09.5.4), or education support services, such as health care services (06), transport services (07.3), catering services (11.1.2) and accommodation services (11.2.0).

It includes education by radio or television broadcasting.

The breakdown of educational services is based upon the level categories of the 1997 International Standard Classification of Education (ISCED-97) of the United Nations Educational, Scientific and Cultural Organisation (UNESCO).

10.x **Pre-primary and primary, secondary, post-secondary non-tertiary, tertiary education, and education not definable by level**

This covers Coicop groups 10.1/2/3/4.

10.x.0 **Pre-primary and primary education, secondary, post-secondary non-tertiary, tertiary education, and education not definable by level (S)**

Levels 0 and 1 of ISCED-97: pre-primary and primary education.

Levels 2 and 3 of ISCED-97: lower-secondary and upper-secondary education.

Level 4 of ISCED-97: post-secondary non-tertiary education.

Levels 5 and 6 of ISCED-97: first stage and second stage of tertiary education.

Educational programmes, generally for adults, which do not require any special prior instruction, in particular vocational training and cultural development.

*Includes:* literacy programmes for students too old for primary school; out-of-school secondary education for adults and young people; out-of-school post-secondary non-tertiary education for adults and young people

*Excludes:* driving lessons (07.2.4); recreational training courses such as sport or bridge lessons given by independent teachers (09.4.1).

11 RESTAURANTS AND HOTELS

11.1 **Catering services**

11.1.1 Restaurants, cafés and the like (S)

- catering services (meals, snacks, drinks and refreshments) provided by restaurants, cafés, buffets, bars, tea-rooms, etc., including those provided:

- in places providing recreational, cultural, sporting or entertainment services: theatres, cinemas, sports stadia, swimming pools, sports complexes, museums, art galleries, night clubs, dancing establishments, etc.,
- on public transport (coaches, trains, boats, aeroplanes, etc.) when priced separately,
- also included are:
  - the sale of food products and beverages for immediate consumption by kiosks, street vendors and the like, including food products and beverages dispensed ready for consumption by automatic vending machines,
  - the sale of cooked dishes by restaurants for consumption off their premises,
  - the sale of cooked dishes by catering contractors whether collected by the customer or delivered to the customer's home.

*Includes:* tips.

*Excludes:* tobacco purchases (02.2.0); telephone calls (08.3.0).

#### 11.1.2 Canteens (S)

- catering services of works canteens, office canteens and canteens in schools, universities and other educational establishments.

*Includes:* university refectories, military messes and wardrooms.

*Excludes:* food and drink provided to hospital in-patients (06.3.0).

### 11.2 **Accommodation services**

#### 11.2.0 Accommodation services (S)

- accommodation services of:
  - hotels, boarding houses, motels, inns and establishments offering 'bed and breakfast',
  - holiday villages and holiday centres, camping and caravan sites, youth hostels and mountain chalets,
  - boarding schools, universities and other educational establishments,
  - public transport (trains, boats, etc.) when priced separately,
  - hostels for young workers or immigrants.

*Includes:* tips, porters.

*Excludes:* payments of households occupying a room in a hotel or boarding house as their main residence (04.1.1); rentals paid by households for a secondary residence for the duration of a holiday (04.1.2); telephone calls (08.3.0); catering services in such establishments except for breakfast or other meals included in the price of the accommodation (11.1.1); housing in orphanages, homes for disabled or maladjusted persons (12.4.0).

## 12 MISCELLANEOUS GOODS AND SERVICES

### 12.1 **Personal care**

#### 12.1.1 Hairdressing salons and personal grooming establishments (S)

- Services of hairdressing salons, barbers, beauty shops, manicures, pedicures, Turkish baths, saunas, solaria, non-medical massages, etc.

*Includes:* bodycare, depilation and the like.

*Excludes:* spas (06.2.3) or (06.3.0); fitness centres (09.4.1).

#### 12.1.2/3 Electric appliances for personal care and other appliances, articles and products for personal care (ND)

- electric razors and hair trimmers, hand-held and hood hair dryers, curling tongs and styling combs, sun-lamps, vibrators, electric toothbrushes and other electric appliances for dental hygiene, etc.,
- repair of such appliances,
- non-electric appliances: razors and hair trimmers and blades therefor, scissors, nail files, combs, shaving brushes, hairbrushes, toothbrushes, nail brushes, hairpins, curlers, personal weighing machines, baby scales, etc.,
- articles for personal hygiene: toilet soap, medicinal soap, cleansing oil and milk, shaving soap, shaving cream and foam, toothpaste, etc.,
- beauty products: lipstick, nail varnish, make-up and make-up removal products (including powder compacts, brushes and powder puffs), hair lacquers and lotions, pre-shave and after-shave products, sun-bathing products, hair removers, perfumes and toilet waters, personal deodorants, bath products, etc.,
- other products: toilet paper, paper handkerchiefs, paper towels, sanitary towels, cotton wool, cotton tops, babies' napkins, toilet sponges, etc.

*Excludes:* handkerchiefs made of fabric (03.1.3).

### 12.3 **Personal effects n.e.c.**

#### 12.3.1 Jewellery, clocks and watches (D)

- precious stones and metals and jewellery fashioned out of such stones and metals,
- costume jewellery, cuff-links and tie-pins,

- clocks, watches, stop-watches, alarm clocks, travel clocks,
- repair of such articles.

*Excludes:* ornaments (05.1.1) or (05.4.0); radio clocks (09.1.1); precious stones and metals and jewellery fashioned out of such stones and metals acquired primarily as stores of value (capital formation, not covered by HICP).

#### 12.3.2 Other personal effects (SD)

- Travel goods and other carriers of personal effects: suitcases, trunks, travel bags, attaché cases, satchels, hand-bags, wallets, purses, etc.,
- articles for babies: baby carriages, push-chairs, carry cots, recliners, car beds and seats, back-carriers, front carriers, reins and harnesses, etc.,
- articles for smokers: pipes, lighters, cigarette cases, cigar cutters, etc.,
- miscellaneous personal articles: sun-glasses, walking sticks and canes, umbrellas and parasols, fans, key rings, etc.,
- funerary articles: coffins, gravestones, urns, etc.,
- repair of such articles.

*Includes:* wall thermometers and barometers.

*Excludes:* baby furniture (05.1.1); shopping bags (05.2.0); feeding bottles (05.4.0).

#### 12.4 Social protection

Social protection as defined here covers assistance and support services provided to persons who are: elderly, disabled, suffering from occupational injuries and diseases, survivors, unemployed, destitute, homeless, low-income earners, indigenous people, immigrants, refugees, alcohol and substance abusers, etc. It also covers assistance and support services provided to families and children.

##### 12.4.0 Social protection (S) (\*)

Such services include residential care, home help, day care and rehabilitation. More specifically, this class covers payments by households for:

- retirement homes for elderly persons, residences for disabled persons, rehabilitation centres providing long-term support for patients rather than health care and rehabilitative therapy, schools for disabled persons where the main aim is to help students overcome their disability,
- help to maintain elderly and disabled persons at home (home-cleaning services, meal programmes, day-care centres, day-care services and holiday-care services),
- wet-nurses, crèches, play schools and other child-minding facilities,
- counselling, guidance, arbitration, fostering and adoption services for families



12.5 **Insurance**

Service charges for insurance are classified by type of insurance, namely: life insurance and non-life insurance (that is, insurance in connection with the dwelling, health, transport, etc.). Service charges for multi-risk insurance covering several risks should be classified on the basis of the cost of the principal risk if it is not possible to allocate the service charges to the various risks covered.

Service charge is defined as the difference between claims due and premiums earned and premium supplement <sup>(1)</sup>.

12.5.2 Insurance connected with the dwelling (S)

- service charges paid by owner-occupiers and by tenants for the kinds of insurance typically taken out by tenants against fire, theft, water damage, etc.

*Excludes:* service charges paid by owner-occupiers for the kinds of insurance typically taken out by landlords <sup>(\*\*)</sup>.

12.5.3 Insurance connected with health (S)

- service charges for private sickness and accident insurance.

12.5.4 Insurance connected with transport (S)

- service charges for insurance in respect of personal transport equipment,
- service charges for travel insurance and luggage insurance.

12.5.5 Other insurance (S)

- service charges for other insurance such as civil liability for injury or damage to third parties or their property.

*Excludes:* civil liability or damage to third parties or their property arising from the operation of personal transport equipment (12.5.4).

12.6 **Financial services n.e.c.**

12.6.2 Other financial services n.e.c. (S)

- actual charges for the financial services of banks, post offices, saving banks, money changers and similar financial institutions,
- fees and service charges of brokers, investment counsellors, tax consultants and the like,
- administrative charges of private pension funds and the like.

*Excludes:* Interest payments and charges expressed as a proportion of the transaction value.

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<sup>(1)</sup> In accordance with Commission Regulation (EC) No 1617/1999 (OJ L 192, 24.7.1999) (Cfr: Corrigenda published in OJ L 267, 15.10.1999, p. 59).

12.7 **Other services n.e.c.**

12.7.0 Other services n.e.c. (S)

- fees for legal services, employment agencies, etc.,
- charges for undertaking and other funeral services,
- payment for the services of estate agents, housing agents, auctioneers, salesroom operators and other intermediaries,
- payment for photocopies and other reproductions of documents,
- fees for the issue of birth, marriage and death certificates and other administrative documents,
- payment for newspaper notices and advertisements,
- payment for the services of graphologists, astrologers, private detectives, bodyguards, matrimonial agencies and marriage guidance counsellors, public writers, miscellaneous concessions (seats, toilets, cloakrooms), etc.

Excludes: Following the conventions of ESA 1995, excluded are contributions and dues for membership of professional associations, churches and social, cultural, recreational and sports clubs (ESA 1995, paragraph 3.77.e).

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(<sup>\*</sup>) The methodological details and the timetable of inclusion shall be specified in accordance with the procedure laid down in Article 14 of Council Regulation (EC) No 2494/95.

(<sup>\*\*</sup>) Following a decision on the treatment of owner-occupied housing, the coverage of this sub-index might need to be extended to include expenditure on major maintenance and repairs of the dwelling and for extension and conversion of the dwelling not typically paid by the tenants.

**COUNCIL REGULATION (EC) No 2166/1999**

**of 8 October 1999**

**laying down detailed rules for the implementation of Regulation (EC) No 2494/95 as regards minimum standards for the treatment of products in the health, education and social protection sectors in the Harmonized Index of Consumer Prices (\*)**

**(Text with EEA relevance)**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices <sup>(1)</sup>, and in particular Articles 4 and 5(3) thereof,

Having regard to the proposal from the Commission,

After consulting the European Central Bank <sup>(2)</sup>,

Whereas:

- (1) by virtue of Article 5(1)(b) of Regulation (EC) No 2494/95, each Member State is required to produce a Harmonized Index of Consumer Prices (HICP) starting with the index for January 1997;
- (2) Commission Regulation (EC) No 1749/96 <sup>(3)</sup> defines the coverage of the HICP as those goods and services which are included in household final monetary consumption expenditure; goods and services in the health, education and social protection sectors are part of the coverage of the HICP; household final monetary consumption covers the expenditure incurred by individuals living in institutional households and should be grouped in accordance with the COICOP/HICP categories as laid down in Commission Regulation (EC) No 2214/96 <sup>(4)</sup>;
- (3) by virtue of Commission Regulation (EC) No 1749/96, in particular Article 3 and Annex Ia thereof, extended coverage in the health, education and social protection

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(\*) The legally binding version is published in [OJ L 266, 14.10.1999, p. 1.](#)

<sup>(1)</sup> OJ L 257, 27.10.1995, p. 1.

<sup>(2)</sup> Opinion delivered on 24 August 1999 (*JO C 324, 12.11.1999, p. 11*).

<sup>(3)</sup> OJ L 229, 10.9.1996, p. 3. Regulation as amended by Council Regulations (EC) No 1687/98 (OJ L 214, 31.7.1998, p. 12) and (EC) No 1688/98 (OJ L 214, 31.7.1998, p. 23).

<sup>(4)</sup> OJ L 296, 21.11.1996, p. 8. Regulation as last amended by Regulation (EC) No 1749/1999 (OJ L 214, 13.8.1999, p. 1).

sectors should be implemented in December 1999 and take effect with the index for January 2000, whereby the methodological details of inclusion should be specified in accordance with the procedure laid down in Article 14 of the framework Council Regulation (EC) No 2494/95; the timetable of inclusion for hospital services and social protection services provided within the home, retirement homes and residences for the disabled should be specified in accordance with the same procedure;

- (4) there is considerable scope for procedural differences in the treatment of goods and services in the health, education and social protection sectors in the HICP; a harmonized methodology for such goods and services is necessary to ensure that the resulting HICPs meet the comparability requirement as laid down in Article 4 of Regulation (EC) No 2494/95;
- (5) the treatment of goods and services in the health, education and social protection sectors is consistent with the definitions laid down in the European System of Accounts (ESA) 1995 set out in Council Regulation (EC) No 2223/96 <sup>(5)</sup>;
- (6) the Statistical Programme Committee (SPC) has not delivered an opinion within the time limit set by its chairman; in this case, following the procedure laid down in Article 14(2) of Regulation (EC) No 2494/95, the Commission has to, without delay, submit to the Council a proposal relating to the measures to be taken,

HAS ADOPTED THIS REGULATION:

### *Article 1*

#### **Aim**

The aim of this Regulation is to set minimum standards for the treatment of goods and services in the health, education and social protection sectors in the Harmonized Indices of Consumer Prices, hereafter referred to as HICPs, in order to ensure that they are reliable and relevant and meet the comparability requirements as laid down in Article 4 of Regulation (EC) No 2494/95.

### *Article 2*

#### **Definition**

1. Reimbursements refer to payments to households by government units, social security administrations or non-profit institutions serving households (NPISHs), that are made as direct consequences of purchases of individually specified goods and services, initially paid for by households.

2. Payments of claims to households by insurance companies do not constitute reimbursements.

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<sup>(5)</sup> OJ L 310, 30.11.1996, p. 1. Regulation as amended by Regulation (EC) No 448/98 (OJ L 58, 27.2.1998, p. 1).

3. Other payments or rebates to households by government units, social security administrations or NPISHs in the form of assistance to reduce household expenditure, such as housing allowances to tenants or payments due to sickness, disability, the care of elderly relatives or scholarships to students, are considered as social benefits in cash. They are treated as income transfers to households and do not constitute reimbursements.

### ***Article 3*** **Coverage**

1. Goods and services in the health, education and social protection sectors on which household final monetary consumption expenditure is incurred shall be covered in the HICP and grouped in accordance with the COICOP/HICP categories as laid down in Commission Regulation (EC) No 2214/96.

2. All providers of goods and services in the health, education and social protection sectors, such as government and private institutions, NPISHs or private self-employed persons, shall be covered in the HICP independently of their status. This excludes individuals or groups of individuals as producers of goods and non-financial services exclusively for own final use.

3. In accordance with COICOP/HICP, Education (Division 10) includes education services only. If an all-inclusive price is charged for education services in combination with educational materials or education support services, its components shall be separated and allocated to the COICOP/HICP classes concerned. Where such an all-inclusive price cannot be separated into the prices of the components concerned, the all-inclusive price shall be allocated to COICOP/HICP Division 10.

4. Borderline cases between education services at the pre-primary level and child-minding social protection facilities, such as wet-nurses, crèches and play-schools, shall be allocated to COICOP/HICP Division 10 if the child's age of entry is not less than three years and the activities consist of organised instruction in a school-type environment designed to bridge the gap between the home and school atmosphere. If, on the other hand, the main objective is not a pedagogical one, but to provide child-minding assistance and support, the service concerned should be allocated to COICOP/HICP class 12.4.0.

5. Where hospitals, in addition to basic services as defined in COICOP/HICP 06.3, make other goods or services available to in-patients on a separate charge basis, the latter shall not be allocated to class 06.3.0, but to the COICOP/HICP classes concerned.

### ***Article 4*** **Prices**

1. The HICP sub-indices concerned shall be calculated using a formula which is consistent with the Laspeyres-type formula used for other sub-indices. They should reflect the price change on the basis of the changed expenditure of maintaining the consumption pattern of households and the composition of the consumer population in the base or reference period.

2. (a) The purchaser prices of goods and services in the health, education and social protection sectors to be used in the HICP shall be the amounts to be paid by consumers net of reimbursements.
  - (b) Changes in purchaser prices which reflect changes in the rules determining them shall be shown as price changes in the HICP.
  - (c) Where purchaser prices are index-linked, changes resulting from changes in the index shall be shown as price changes in the HICP.
  - (d) Changes in the purchaser prices resulting from changes in purchasers' incomes shall be shown as price changes in the HICP.
3. Where quality changes, prices should be treated according to the rules applied in the context of specification changes, and in particular those regarding quality adjustment pursuant to Article 5 of Commission Regulation (EC) No 1749/96.
4. Where goods or services, in the health, education and social protection sectors, have been made available to consumers free of charge and subsequently an actual price is charged, the change from zero to an actual price, and vice versa, shall be reflected in the HICP.
5. Where goods or services in the health, education and social protection sectors, jointly provided with other goods and services, have been made available to consumers free of charge and subsequently are charged for on a separate basis, the change shall be reflected in the HICP.
6. Where relevant, the procedure provided for in Article 5 of Commission Regulation (EC) No 2646/98 <sup>(6)</sup> concerning tariffs shall apply *mutatis mutandis*.

### **Article 5** **Basic information**

The basic information shall be all purchaser prices of goods and services in the health, education and social protection sectors and their components, together with weightings which reflect the level, the timing and the structure of the consumption of such goods or services, according to the price-determining socio-economic characteristics.

### **Article 6** **Data sources**

1. The HICP sub-indices concerned shall be computed by the Member States from basic information as defined in Article 5.
2. The statistical units, such as government agencies, social administrations or NPISHs, called upon by the Member States to cooperate in the collection or provision of basic information are obliged to give honest and complete information at the time it is requested and allow the organisations and institutions responsible for compiling official

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<sup>(6)</sup> OJ L 335, 10.12.1998, p. 30.

statistics, on request, to obtain information at the level of detail necessary to evaluate compliance with the comparability requirements and the quality of the HICP sub-indices.

**Article 7**  
**Comparability**

HICPs constructed following the procedures described in Articles 4 and 5 of this Regulation or following other procedures which do not result in an index which differs systematically by more than one tenth of one percentage point on average over one year against the previous year from an index compiled following those procedures, shall be deemed comparable.

**Article 8**  
**Quality control**

1. Member States shall provide the Commission (Eurostat) with information on the procedures developed for the treatment of goods and services in the health, education and social protection sectors where these procedures differ from those specified in Articles 4 and 5 of this Regulation, before such procedures are used.

2. Member States shall provide the Commission (Eurostat), on request, with sufficient information to assess the operation of the procedures laid down in Articles 4 and 5 of this Regulation. The result of this assessment shall be included in the reports to be submitted by the Commission to the Council as provided for in Article 2 of Council Regulation (EC) 1687/98 and Article 2 of Council Regulation (EC) No 1688/98.

**Article 9**  
**Implementation**

The provisions of this Regulation shall be implemented by the Member States in December 1999 and shall take effect with the index for January 2000, apart from the following, which shall be implemented in December 2000 and shall take effect with the index for January 2001:

- (a) hospital services (COICOP/HICP 06.3);
- (b) social protection services provided within the home, such as home cleaning, meals, transport for the disabled (part of COICOP/HICP 12.4.0);
- (c) retirement homes, residences for the disabled (part of COICOP/HICP 12.4.0).

**Article 10**  
**Entry into force**

This Regulation shall enter into force on the twentieth day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Luxembourg, 8 October 1999.

*For the Council*  
*The President*  
S. NIINISTÖ



**COMMISSION REGULATION (EC) No 2601/2000**

**of 17 November 2000**

**laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards the timing of entering purchaser prices into the Harmonised Index of Consumer Prices (\*)**

**(Text with EEA relevance)**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonised indices of consumer prices <sup>(1)</sup>, and in particular Article 4 in conjunction with Article 5(3) thereof,

After consulting the European Central Bank <sup>(2)</sup>,

Whereas:

- (1) By virtue of Article 5(1)(b) of Regulation (EC) No 2494/95, each Member State is required to produce a Harmonised Index of Consumer Prices (HICP) starting with the index for January 1997.
- (2) According to Article 2(a)(3) of Commission Regulation (EC) No 1749/96 of 9 September 1996 on initial implementing measures for Council Regulation (EC) No 2494/95 concerning harmonised indices of consumer prices <sup>(3)</sup>, as last amended by Council Regulation (EC) No 1688/98 <sup>(4)</sup>, prices used in the HICP are the purchaser prices paid by households to purchase individual goods and services in monetary transactions.
- (3) There is considerable scope for procedural differences in the timing of entering purchaser prices into the HICP. A harmonised methodology regarding such timing is necessary to ensure that the resulting HICPs meet the comparability requirement of Article 4 of Regulation (EC) No 2494/95, in particular for products in respect of which there may be a difference between the time of purchase, payment, or delivery and the time of consumption.

(\*) The legally binding version is published in [OJ L 300, 29.11.2000, p. 14](#).

<sup>(1)</sup> OJ L 257, 27.10.1995, p. 1.

<sup>(2)</sup> Opinion delivered on 24 November 2000 (*JO C 362, 16.12.2000, p. 12*).

<sup>(3)</sup> OJ L 229, 10.9.1996, p. 3.

<sup>(4)</sup> OJ L 214, 31.7.1998, p. 23.

- (4) The rules in this Regulation are consistent with the definitions laid down in the European System of Accounts 1995 (ESA 95) set up by Council Regulation (EC) No 2223/96 of 25 June 1996 on the European System of national and regional accounts in the Community <sup>(5)</sup>, as last amended by Regulation (EC) No 448/98 <sup>(6)</sup> in so far as ESA 95 is consistent with the purposes of the HICP.
- (5) In particular, point 3.89 of ESA 95 states that goods and services should in general be recorded when the payables are created, that is, when the purchaser incurs a liability to the seller.
- (6) The HICP should reflect the price change to the base or reference period on the basis of the change in expenditure while maintaining the consumption pattern of households and composition of the consumer population.
- (7) The measures provided for in this Regulation are in accordance with the opinion of the Statistical Programme Committee established by Council Decision 89/382/EEC, Euratom <sup>(7)</sup>,

HAS ADOPTED THIS REGULATION:

**Article 1**  
**Aim**

The aim of this Regulation is to harmonise the timing of recording and entering purchaser prices into the Harmonised Index of Consumer Prices (hereinafter referred to as ‘HICP’, in order to ensure that HICPs are reliable and relevant and meet the comparability requirement laid down in Article 4 of Regulation (EC) No 2494/95.

**Article 2**  
**Timing**

Prices used in the HICP shall be the purchaser prices paid by households to purchase individual goods or services in monetary transactions. Prices for goods shall be entered into the HICP for the month in which they are observed. Prices for services shall be entered into the HICP for the month in which the consumption of the service at the observed prices can commence.

**Article 3**  
**Implementation**

The provisions of this Regulation shall be applied by Member States in December 2000 and take effect with the index for January 2001.

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<sup>(5)</sup> OJ L 310, 30.11.1996, p. 1.

<sup>(6)</sup> OJ L 58, 27.2.1998, p. 1.

<sup>(7)</sup> OJ L 181, 28.6.1989, p. 47.

***Article 4***  
**Entry into force**

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 17 November 2000.

*For the Commission*  
Pedro SOLBES MIRA  
*Member of the Commission*

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**COMMISSION REGULATION (EC) No 2602/2000**

**of 17 November 2000**

**laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the treatment of price reductions in the Harmonised Index of Consumer Prices (\*)**

**(Text with EEA relevance)**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonised indices of consumer prices <sup>(1)</sup>, and in particular Article 4 in conjunction with Article 5(3) thereof,

After consulting the European Central Bank <sup>(2)</sup>,

Whereas:

- (1) By virtue of Article 5(1)(b) of Regulation (EC) No 2494/95, each Member State is required to produce a Harmonised Index of Consumer Prices (HICP) starting with the index for January 1997.
- (2) There is considerable scope for procedural differences in the treatment of price reductions and the relationship between price reductions and purchase price. A harmonised methodology for the treatment of price reductions in the HICP is necessary to ensure that the resulting HICPs meet the comparability requirement of Article 4 of Regulation (EC) No 2494/95. It will also improve their reliability and relevance.
- (3) Prices used in the HICP should be purchaser prices actually paid by households to purchase individual goods and services in monetary transactions, including any taxes less subsidies on the products, after deductions for discounts for bulk or off-peak-purchases from standard prices or charges, and excluding interest or services charges added under credit arrangements and any extra charges incurred as a result of failing to pay within the period stated at the time the purchases were made.

(\*) The legally binding version is published in [OJ L 300, 29.11.2000, p. 16](#).

<sup>(1)</sup> OJ L 257, 27.10.1995, p. 1.

<sup>(2)</sup> Opinion delivered on 24 November 2000 (*JO C 362, 16.12.2000, p. 12*).

- (4) In the event of changes in specification, prices should be treated in accordance with the rules regarding quality adjustment set out in Commission Regulation (EC) No 1749/96 of 9 September 1996 on initial implementing measures for Council Regulation (EC) No 2494/95 concerning harmonised indices of consumer prices (3), as last amended by Council Regulation (EC) No 1688/98 (4).
- (5) The measures provided for in this Regulation are in accordance with the opinion of the Statistical Programme Committee (SPC), established by Council Decision 89/382/EEC, Euratom (5),

HAS ADOPTED THIS REGULATION:

***Article 1***

**Aim**

The aim of this Regulation is to specify the treatment in the Harmonised Index of Consumer Prices, hereinafter referred to as 'HICP' of reductions in prices for individual goods or services in order to ensure that HICPs are reliable and relevant and meet the comparability requirements laid down in Article 4 of Regulation (EC) No 2494/95.

***Article 2***

**Purchaser prices**

Unless otherwise stated purchaser prices used in the HICP shall in general take account of reductions in prices of individual goods and services if such reductions:

- (a) can be attributed to the purchase of an individual good or service; and
- (b) are available to all potential consumers with no special conditions attached (non-discriminatory);
- (c) are known to the purchaser at the time when they enter into the agreement with the seller to purchase the product concerned; and
- (d) can be claimed at the time of purchase or within such a time period following the actual purchase that they might be expected to have a significant influence on the quantities purchasers are willing to purchase.

In particular, reductions in the prices of individual goods and services which are likely or expected to be available again at standard prices or are available elsewhere at standard prices shall be taken into account in the HICP. Standard price means the price without any conditions or qualifications and not described as a special price.

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(3) OJ L 229, 10.9.1996, p. 3.

(4) OJ L214, 31.7.1998, p. 23.

(5) OJ L 181, 28.6.1989, p. 47.

### **Article 3**

#### **Inducements**

The market value of something temporarily offered to consumers to persuade them to purchase a particular product, hereinafter referred to as an 'inducement', may be deducted if known. That market value shall be added back at the time the offer is withdrawn. Inducements in the form of extras, such as extra quantity of the product concerned, inclusion of a different product 'free of charge' or other benefits, shall be disregarded if they are not significant.

### **Article 4**

#### **Specification change**

Where specification changes, prices shall be treated in accordance with the rules on specification changes, and in particular those regarding quality adjustment in Article 5 of Regulation (EC) No 1749/96.

### **Article 5**

#### **Implementation**

The provisions of this Regulation shall be applied by Member States in December 2000 at the latest and take effect either with the index for January 2001 or with the index for January 2002.

### **Article 6**

#### **Revision**

1. As a transitional measure, where the implementation of the provisions of this Regulation affects the annual rate of change  $(m/(m-12))$  of the all-items index by more than one-tenth of one percentage point compared with an index which does not take account of price reductions, the index series concerned shall be revised appropriately.

See Article 11  
Reg. 1921/2001  
(p. 342)

2. General provisions relating to the revisions policy for the HICPs shall be adopted in accordance with the procedure laid down in Article 14 of Regulation (EC) No 2494/95, whereupon the transitional measures shall cease to apply.

### **Article 7**

#### **Entry into force**

This Regulation shall enter into force on the 20th day following that of its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 17 November 2000.

For the Commission  
*Pedro SOLBES MIRA*  
Member of the Commission

**COMMISSION REGULATION (EC) No 1920/2001**

**of 28 September 2001**

**laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the treatment of service charges proportional to transaction values in the harmonized index of consumer prices and amending Commission (EC) No 2214/96 (\*)**

**(Text with EEA relevance)**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices <sup>(1)</sup>, and in particular Article 4 and Article 5(3) thereof,

Having regard to the opinion of the European Central Bank <sup>(2)</sup>,

Whereas:

- (1) By virtue of Article 5(1)(b) of Regulation (EC) No 2494/95, each Member State is required to produce a harmonized index of consumer prices (HICP) starting with the index for January 1997.
- (2) Commission Regulation (EC) No 1749/96 of 9 September 1996 on initial implementing measures for Council Regulation (EC) No 2494/95 concerning harmonized indices of consumer prices <sup>(3)</sup>, as last amended by Council Regulation (EC) No 1688/98 <sup>(4)</sup>, defines the coverage of the HICP as those goods and services which are included in household final monetary consumption expenditure and requires coverage of COICOP/HICP class 12.5.1 'Financial services n.e.c.' in full by December 1999 without specific exclusion of charges expressed as a proportion of the transaction value.
- (3) Commission Regulation (EC) No 2214/96 of 20 November 1996 concerning harmonised indices of consumer prices: transmission and dissemination of sub-indices of the HICP <sup>(5)</sup>, as last amended by Regulation (EC) No 1749/1999 <sup>(6)</sup>, requires a harmonized sub-index for COICOP/HICP expenditure class 12.6.2 'Other financial

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(\*) The legally binding version is published in [OJ L 261, 29.9.2001, p. 46](#), and corrigenda published in [OJ L 295, 13.11.2001, p. 34](#).

<sup>(1)</sup> OJ L 257, 27.10.1995, p. 1.

<sup>(2)</sup> OJ C 244, 1.9.2001, p. 5.

<sup>(3)</sup> OJ L 229, 10.9.1996, p. 3.

<sup>(4)</sup> OJ L 214, 31.7.1998, p. 23.

<sup>(5)</sup> OJ L 296, 21.11.1996, p. 8.

<sup>(6)</sup> OJ L 214, 13.8.1999, p. 1.



services n.e.c.’ excluding interest payments and charges expressed as a proportion of the transaction value.

- (4) There is considerable scope for non-comparability by excluding service charges that are expressed as a proportion of transaction values; a harmonized methodology for the treatment of such charges is necessary to ensure that the resulting HICPs meet the comparability requirement as laid down in Article 4 of Regulation (EC) No 2494/95.
- (5) The treatment of service charges that are expressed as a proportion of transaction values should be consistent with the treatment of goods and services in the health, education and social protection sectors as laid down in Council Regulation (EC) No 2166/1999 <sup>(7)</sup>.
- (6) The measures provided for in this Regulation are in accordance with the opinion of the Statistical Programme Committee established by Council Decision 89/382/EEC, Euratom <sup>(8)</sup>,

HAS ADOPTED THIS REGULATION:

#### *Article 1*

##### **Aim**

The aim of this Regulation is to amend Annex II to Regulation (EC) No 2214/96 concerning the sub-indices of the harmonized indices of consumer prices, hereafter referred to as ‘HICP’, as regards the coverage of financial services, and to set minimum standards for the treatment of service charges proportional to transaction values in order to ensure that they are reliable and relevant and meet the comparability requirements as laid down in Article 4 of Regulation (EC) No 2494/95.

#### *Article 2*

##### **Definitions**

1. Interest payments and interest-like charges cover nominal interest payments and all elements included in the calculation of effective interest.
2. Where service charges are defined as a proportion of the transaction value, the purchaser prices are defined as the proportion itself, multiplied by the value of a representative unit transaction in the base or reference period.

#### *Article 3*

##### **Treatment of service charges**

1. The HICP sub-indices concerned shall be calculated using a formula which is consistent with the Laspeyres-type formula used for other sub-indices. They shall reflect the price change on the basis of the changed expenditure of maintaining the consumption pattern of households and the composition of the consumer population in the base or reference period.

<sup>(7)</sup> OJ L 266, 14.10.1999, p. 1.

<sup>(8)</sup> OJ L 181, 28.6.1989, p. 47.

- (a) The purchaser prices of services to be used in the HICP shall be the actual charges levied directly on consumers in exchange for the service provided. The HICP shall include charges expressed as a flat fee or flat rate.
  - (b) Changes in purchaser prices which reflect changes in the rules determining them shall be shown as price changes in the HICP.
  - (c) Changes in the purchaser prices resulting from changes in the values of the representative unit transactions shall be shown as price changes in the HICP.
  - (d) The representative unit transactions shall be expressed in physical terms, except where this is not appropriate or possible, in which case they shall be expressed in the currency of the Member State.
  - (e) The change in the values of the representative unit transactions may be estimated by the change in a price index which represents appropriately the unit transactions concerned. Where they exist, HICP sub-indices or aggregate indices shall be deemed appropriate for this purpose.
2. Where the specification changes, prices shall be treated in accordance with the rules on specification changes, and in particular those regarding quality adjustment as laid down in Article 5 of Regulation (EC) No 1749/96.
  3. Where services have been made available to consumers free of charge and subsequently an actual price is charged, the change from zero to an actual price, and vice versa, shall be reflected in the HICP.
  4. Where services jointly provided with other goods or services have been made available to consumers free of an explicit charge and subsequently are charged for on a separate basis, the change shall be reflected in the HICP.
  5. Where relevant, the procedure provided for in Article 5 of Commission Regulation (EC) No 2646/98 <sup>(9)</sup> concerning tariffs shall apply *mutatis mutandis*.

*Article 4*  
**Financial services n.e.c.**

The contents of class 12.6.2, 'Other financial services n.e.c. (S)', in Annex II to Regulation (EC) No 2214/96 concerning the sub-indices of the harmonized indices of consumer prices, are replaced by the following text:

'12.6.2 Other financial services n.e.c. (S)

- actual charges for the financial services of banks, post offices, saving banks, money changers and similar financial institutions,
- fees and service charges of brokers, investment counsellors, tax consultants and the like.

*Excludes:* Interest payments and interest-like charges of any kind and administrative charges of private pension funds and the like.'

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<sup>(9)</sup> OJ L 335, 10.12.1998, p. 30.

*Article 5*

**Other services n.e.c.**

The contents of class 12.7.0, 'Other services n.e.c (S)', in Annex II to Regulation (EC) No 2214/96 concerning the sub-indices of the harmonized indices of consumer prices, are replaced by the following text:

'12.7.0 Other services n.e.c. (S)

- fees for legal services, employment agencies, etc.,
- charges for undertaking and other funeral services,
- payment for the services of housing agents, auctioneers, salesroom operators and other intermediaries,
- payment for photocopies and other reproductions of documents,
- fees for the issue of birth, marriage and death certificates and other administrative documents,
- payment for newspaper notices and advertisements,
- payment for the services of graphologists, astrologers, private detectives, bodyguards, matrimonial agencies and marriage guidance counsellors, public writers, miscellaneous concessions (seats, toilets, cloakrooms), etc.

*Includes:* Payments for services of housing agents in connection with rental transactions.

*Excludes:* Following the conventions of ESA 1995, excluded are contributions and dues for membership of professional associations, churches and social, cultural, recreational and sports clubs (ESA 1995, paragraph 3.77.e) and commissions to estate agents in connection with the sale or purchase of non-financial assets ["Gross fixed capital formation" according to ESA 1995, paragraphs 3.102., 3.105(a), 3.111, 3.115].'

*Article 6*

**Basic information**

1. The basic information shall be all purchaser prices and weights which are necessary to compute HICP sub-indices in accordance with the provisions of this Regulation.
2. The statistical units called upon by the Member States to co-operate in the collection or provision of basic information are obliged to give honest and complete information at the time it is requested and allow the organisations and institutions responsible for compiling official statistics, on request, to obtain information at the level of detail necessary to evaluate compliance with the comparability requirements and the quality of the HICP sub-indices.

*Article 7*

**Comparability**

HICPs constructed following the provisions of this Regulation or following other procedures which do not result in an index which differs systematically by more than one tenth of one

percentage point on average over one year against the previous year from an index compiled following those procedures, shall be deemed comparable.

*Article 8*

**Quality control**

Member States shall provide the Commission (Eurostat) with information on the procedures developed for the treatment of services charges proportional to transaction values where these procedures differ from those specified in Article 3 of this Regulation, before such procedures are used.

*Article 9*

**Implementation**

The provisions of this Regulation shall be applied by the Member States in December 2001 and take effect with the index for January 2002.

*Article 10*

**Entry into force**

This Regulation shall enter into force on the 20<sup>th</sup> day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 28 September 2001.

*For the Commission*  
Pedro SOLBES MIRA  
*Member of the Commission*

**COMMISSION REGULATION (EC) No 1921/2001**

**of 28 September 2001**

**laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for revisions of the harmonized index of consumer prices and amending Regulation (EC) No 2602/2000 (\*)**

**(Text with EEA relevance)**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices <sup>(1)</sup>, and in particular Articles 4 and with 5(3) thereof,

Having regard to the opinion of the European Central Bank <sup>(2)</sup>,

Whereas:

- (1) By virtue of Article 5(1)(b) of Regulation (EC) No 2494/95, each Member State is required to produce a harmonized index of consumer prices (HICP) starting with the index for January 1997.
- (2) It is particularly important to secure a high degree of credibility of the HICP which may be supported by the objective of limiting in a given context the number of HICP revisions to the minimum extent necessary.
- (3) It is generally accepted that the annual average, annual and monthly rates of change of the HICPs are important for the measurement of inflation, more particularly for assessing price convergence and informing the monetary policy of the European Central Bank.
- (4) Changes in the system of national or harmonized rules constitute valid reasons for revisions to the HICPs to the extent that they ensure or improve the comparability, reliability, or relevance of the HICPs; changes in the system of harmonized rules should not require revisions unless otherwise stated in the context of particular implementing measures.

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(\*) The legally binding version is published in [OJ L 261, 29.9.2001, p. 49](#), and corrigenda published in [OJ L 295, 13.11.2001, p. 34](#).

<sup>(1)</sup> OJ L 257, 27.10.1995, p. 1.

<sup>(2)</sup> OJ C 244, 1.9.2001, p. 5.

- (5) Article 6 of Commission Regulation (EC) No 2602/2000 of 17 November 2000 laying down detailed rules for the implementation of Council Regulation No 2494/95 as regards minimum standards for the treatment of price reductions in the Harmonised Index of Consumer Prices <sup>(3)</sup> needs to be amended accordingly.
- (6) Revisions due to mistakes, or because of new or improved basic information are valid reasons for revisions to HICPs because they improve the comparability, reliability, or relevance of the HICPs.
- (7) There is considerable scope for procedural differences between Member States on the revision of index series. A set of harmonized rules is necessary to ensure that the resulting HICPs meet the comparability requirement of Article 4 of Regulation (EC) No 2494/95 as well as their reliability and relevance.
- (8) The measures provided for in this Regulation are in accordance with the opinion of the Statistical Programme Committee established by Council Decision 89/382/EEC, Euratom <sup>(4)</sup>,

HAS ADOPTED THIS REGULATION:

*Article 1*

**Aim**

The aim of this Regulation is to provide information on significant effects of implementing measures under Regulation (EC) No 2494/95 and to establish harmonized rules concerning revisions to the HICP that are consistent with those measures, and sufficient to ensure their comparability, reliability, and relevance.

*Article 2*

**Definitions**

For the purpose of this Regulation the following definitions shall apply:

- (a) A 'revision' is an ex-post change in a HICP series, index level, rate of change or weight, that has been made publicly available through printed or electronic media by the Commission (Eurostat) affecting the results to one decimal place;
- (b) A 'mistake' is an unintentional breach of an established rule affecting at least one HICP series;
- (c) A 'provisional' result is a result which is, subject to revision, expected to be finalised in a later month.

*Article 3*

**Revisability**

1. The officially published HICP series may be revised.

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<sup>(3)</sup> OJ L 300, 29.11.2000, p. 16.

<sup>(4)</sup> OJ L 181, 28.6.1989, p. 47.

2. Revisions to any HICP series, other than on the grounds of Articles 4, 5 or 9 of this Regulation, shall be subject to prior approval by the Commission (Eurostat). Their extent and the timing shall be co-ordinated with the Commission (Eurostat).

*Article 4*

**Mistakes**

1. Mistakes shall be corrected and resulting revisions shall be implemented without unnecessary delay.
2. Member States concerned shall, at their own initiative, provide the Commission (Eurostat) with information at the level of detail necessary to assess the impact on the HICP series concerned before the release of revisions on the grounds of mistakes. The Member States shall also notify the Commission (Eurostat) of the action taken to prevent similar future occurrences.

*Article 5*

**New or improved information**

Revisions resulting from new or improved basic information which are considered by Member States necessary in order to improve the accuracy of an HICP shall be implemented provided the Commission (Eurostat) does not oppose the timing of the revisions to be made.

*Article 6*

**Changes in the system of harmonized rules**

Unless otherwise stated,

- (1) changes in the system of harmonized rules shall not require revisions;
- (2) changes in definitions, methods, or practices resulting from the HICP regulatory framework shall take effect with the index for January each year in all Member States concerned;
- (3) the impact of any such changes shall be assessed for the 12 months starting with the index for January in which the changes take effect;
- (4) if the changes are likely to affect the average annual rate of change of the all-items index over the twelve month period following the change by at least one tenth of a percentage point then the impact on the all-items index shall be estimated for each of the 12 months;
- (5) where in addition any COICOP/HICP division, group or class index is likely to be affected respectively by at least three, four or five tenths of a percentage point calculated as in Article 6(4), the impact on the index series concerned shall be estimated for each of the 12 months.

*Article 7*

**Estimates of the impact**

1. The estimates referred to in Article 6(4) and (5) of this Regulation shall use the best available methodology in a cost-effective way. They shall be transmitted to the Commission (Eurostat) at the latest with the HICPs to which they relate. A description of

the method of estimation and appropriate comments on the accuracy of the estimates shall be included.

2. The estimates shall compare the annual rates of change of the HICP, and the sub-indices concerned, with an index which does not take account of the changes in definitions, methods, or practices.

3. The estimates referred to in Article 6(4) and (5) shall be publicly available, with appropriate notes on their quality. These estimates shall not replace the official HICP.

#### *Article 8*

##### **Release of revisions**

1. In the official HICP series released by the Commission (Eurostat), revisions shall be marked. A revision mark shall be assigned to those primary or derived series the results of which, following a revision, have changed at the level of detail released. Revision marks shall be shown on the occasion of the release of the revised series and removed the following month.

2. Revisions to the all-items HICP, other than to provisional results, shall be publicly announced together with an explanation, in close co-ordination between the Member State concerned and the Commission (Eurostat).

#### *Article 9*

##### **Provisional result**

When an index is published as provisional, it shall be finalised in the following month's publication.

#### *Article 10*

##### **Quality control**

In the event of a revision, other than on the grounds of Article 4 or 9, the Member State concerned shall provide the Commission (Eurostat), at its request, with information at the level of detail necessary to assess the impact on the HICP series concerned and demonstrate that the revisions are consistent with the HICP standards.

#### *Article 11*

##### **Amendment**

Article 6 of Regulation (EC) No 2602/2000 as regards minimum standards for the treatment of price reductions in the HICP is replaced by the following text:

'Where the implementation of the provisions of this Regulation affects the annual rate of change ( $m/(m-12)$ ) of the all-items index by more than one-tenth of one percentage point compared with an index which does not take account of price reductions, the index series concerned shall be revised appropriately.'

#### *Article 12*

##### **Implementation**

This Regulation shall be implemented by Member States in December 2001 and shall take effect with the index for January 2002.



*Article 13*

**Entry into force**

This Regulation shall enter into force on the 20th day following its publication in the *Official Journal of the European Community*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 28 September 2001.

*For the Commission*  
Pedro SOLBES MIRA  
*Member of the Commission*

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# III

# GUIDELINES

## TREATMENT OF REJECTED PRICE OBSERVATIONS

*(HICP guidelines for implementation from December 1998)*

Taking into account that:

- Article 4 of Council Regulation (EC) No 2494/95 states that Harmonized Indices of Consumer Prices (HICPs) which differ on account of differences in the concepts, methods or practices used in their definition and compilation shall not be considered comparable;
- a legislative framework has been produced covering those aspects of HICP construction which have the greatest potential for introducing non-comparability in results but there remain particular aspects of HICP construction which can affect the resultant indices which have been left open, though differences in these are not, on the evidence available at this time, expected to lead to non-comparability;
- the lack of full definition has the advantage of allowing Member States to follow the variety of practices adopted for their CPIs but the disadvantages that the practices followed are not documented and not known either to other Member States, to Eurostat or to users and that these practices may be changed without reference to any authority outside the National Statistical Institutes;
- in order to complete the framework within which the HICPs are defined and legitimised it is necessary to have a brief but sufficient description of what is currently done by Member States;
- in order to speed up the completion of the methodological framework for the HICPs, 'guidelines' might be formulated so as to cover the variety of existing concepts, definitions, methods or practices which are considered to give comparable results;

and that:

- existing differences in national practices concerning the validation and adjustment of price observations require a common framework for the national rules applied, in order to secure the comparability, reliability and relevance of the HICPs.

THE STATISTICAL PROGRAMME COMMITTEE HAS HEREBY GIVEN A FAVOURABLE OPINION ON THE FOLLOWING GUIDELINES:

***Article 1***  
**Aim**

The aim of these guidelines is to specify the treatment of rejected price observations to ensure that HICPs are reliable and relevant to meet the comparability requirements as laid down in Article 4 of Council Regulation (EC) No 2494/95.

***Article 2***  
**Validation of reported prices**

Reported prices should normally be accepted. Rejection or adjustment of reported prices as a result of data processing and validation procedures should be done only by reference to specific information relating to the individual price observation concerned.

***Article 3***  
**Treatment of rejected price observations**

When, as a result of validation procedures, reported prices have to be rejected and new observations cannot be established, rejected prices should be treated as missing observations according to Commission Regulation (EC) No 1749/96 and in particular Articles 6 and 9 thereof.

***Article 4***  
**Comparability**

Other methods may be used. In this case, Eurostat may request that they have to be shown not to result in an HICP which differs systematically from an HICP constructed in line with the provisions of Articles 2 and 3 of these guidelines by more than 0.1 percentage points on average, taking one year against the previous year.

***Article 5***  
**Implementation**

These guidelines should be implemented by Member States in December 1998 and take effect with the index for January 1999.

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## **GUIDELINES FOR THE TREATMENT OF DATA PROCESSING EQUIPMENT AND NOTABLY PERSONAL COMPUTERS IN HICPs**

Taking into account that:

- Article 4 of Council Regulation (EC) No 2494/95 states that HICPs which differ on account of differences in the concepts, methods or practices used in their definition and compilation shall not be considered comparable;
- a legislative framework has been produced covering those aspects of HICP construction which have the greatest potential for introducing non-comparability in results but there remain particular aspects of HICP construction which can affect the resultant indices which have been left open, though differences in these are not on the evidence available expected to lead to non-comparability;
- the lack of full procedural definition for constructing HICPs has the advantage of allowing Member States to follow the variety of practices adopted for their CPIs but the disadvantages that the practices followed are not known to other Member States, to Eurostat or to users and that these practices may be changed without reference to any authority outside the National Statistical Institutes;
- in order to complete the framework within which the HICPs are defined and legitimised it is necessary to have a brief but sufficient description of what is currently done by Member States;
- in order to speed up the completion of the methodological framework for HICPs, 'guidelines' might be formulated so as to cover the variety of existing concepts, definitions, methods or practices which are considered to give comparable results;

and that:

- there are marked differences in existing national practices in the treatment of data processing equipment which, in view of the expanding importance and the rapidly increasing quality of such products, require a common framework within which the national rules should be applied in order to secure the comparability, reliability and relevance of the HICPs;

THE NATIONAL AUTHORITIES AND EUROSTAT, MEETING AT THE STATISTICAL PROGRAMME COMMITTEE, HAVE AGREED THE FOLLOWING GUIDELINES:

***Article 1***  
**Aim**

The aim of these guidelines is to specify how data processing equipment should be included in order to ensure that HICPs are reliable and relevant to meet the comparability requirements as laid down in Article 4 of Regulation (EC) No 2494/95.

***Article 2***  
**Reliability and relevance**

As there are sustained market, price and quality developments in data processing equipment and since the prices for personal computers in particular tend to move differently from the all items HICP,

- (a) Member States should cover personal computers and associated items in their HICPs. Where direct sellers are a significant source of supply, they should be covered in addition to other outlets. Prices may be obtained from magazines instead of or as well as direct observation in outlets.
- (b) the annual review of HICP weights foreseen by Regulation (EC) No 2454/97 should not be confined to the weight at the level of the sub-index for data processing equipment but should be applied to weights at the level of its major components among which there should be a component-index for personal computers.

***Article 3***  
**Implementation**

These guidelines shall be implemented by Member States in December 1998 and take effect with the index for January 1999.

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**GUIDELINES**  
**FOR THE TREATMENT OF REDUCED PRICES**  
**IN THE HARMONIZED INDEX OF CONSUMER PRICES (HICP)**

Taking into account that

- Article 4 of Council Regulation (EC) No 2494/95 states that Harmonized Indices of Consumer Prices (HICPs) which differ on account of differences in the concepts, methods or practices used in their definition and compilation shall not be considered comparable;
- a legislative framework has been produced covering those aspects of HICP construction which have the greatest potential for introducing non-comparability in results but there remain particular aspects of HICP construction which can affect the resultant indices which have been left open, though differences in these are not, on the evidence available at this time, expected to lead to non-comparability;
- the lack of full definition has the advantage of allowing Member States to follow the variety of practices adopted for their CPIs but the disadvantages that the practices followed are not documented and not known either to other Member States, to Eurostat or to users and that these practices may be changed without reference to any authority outside the National Statistical Institutes;
- Article 3 of Commission Regulation (EC) No 2602/2000 states that unless otherwise stated purchaser prices used in the HICP should take account of reductions in non-discriminatory prices if they are claimable at the time of purchase or within such a time period from the actual purchase that they might be expected to have a significant influence on the quantities buyers are willing to buy;
- in order to complete the framework within which the HICPs are defined and legitimised it is necessary to have a brief but sufficient description of what is currently done by Member States;
- in order to speed up the completion of the methodological framework for the HICPs, 'guidelines' might be formulated so as to cover the variety of existing concepts, definitions, methods or practices which are considered to give comparable results;
- existing differences in national practices require further clarifications of the relation between price reductions and purchaser price, according to the above given definition, in order to secure the comparability, reliability and relevance of the HICPs,

and that

- the measures provided for in these Guidelines are in accordance with the views of the national Consumer Price Index experts,

THE UNDERSIGNING AUTHORITIES AND THE COMMUNITY AUTHORITY RESPONSIBLE FOR PRODUCING COMMUNITY STATISTICS AS DEFINED IN ARTICLE 2 OF COUNCIL REGULATION (EC) No 322/97 <sup>(1)</sup> HAVE AGREED ON THE FOLLOWING GUIDELINES:

### Aim

The aim of these guidelines is to specify the treatment in the HICPs of reductions in prices of individual goods and services.

### Practicability

- (1) *'Sales prices'* should be taken into account because they are normally temporary, non-discriminatory and apply to an individual good or service.
  - (a) Prices in *'stock-clearing sales' and 'closing down sales'* should be taken into account if no specification changes are identified, when the goods are elsewhere available at standard prices, and the sales are non-discriminatory and apply to individual goods.
  - (b) Prices in *'seasonal sales'* should be taken into account, when the sales are non-discriminatory and apply to individual goods.
  - (c) Replacements should be made soon after new varieties appear on the market rather than continuing to follow the prices of items which have become *'end of range or line sales'*.
  - (d) Discounts on *'damaged, shop soiled or defective goods and purchases for the purpose of sales'* should be disregarded or treated according to the rules applied in the context of specification changes.
  - (e) Discounts on *'goods close to the expiry date'* should be disregarded or treated according to the rules applied in the context of specification changes.
  
- (2) *Credit and payment arrangements* involving interest, service charges or extra charges incurred as a result of failing to pay within the period stated at the time the purchases were made should be disregarded.
  - (a) *'A zero interest loan when buying a new durable (e.g. a car, a TV-set)'* should be disregarded or treated consistently with the rules for specification change so as to remove the hidden credit element from the price.
  - (b) *'A positive interest loan when buying a new durable (e.g. a car, a TV-set)'* should be disregarded. Presumably, there may still be an issue of quality adjustment here if the good is offered at a *'special price'* because of the credit arrangement which should be treated consistently with the rules for specification change.
  
- (3) *'Inducements in the form of extras' (extra quantity of the product concerned, inclusion of a different product for 'free' or other extra favours)* should be

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<sup>(1)</sup> OJ L 52, 22.2.1997, p. 1.



disregarded if they are not significant. The market value of the inducement may be deducted if known but it should then be added back if the offer is withdrawn.

- (a) *'x units at a lower unit price than one'* should be disregarded or treated according to the rules applied in the context of specification changes.
  - (b) *'Free x provided with each purchase of y'* should be disregarded or treated according to the rules applied in the context of specification changes.
  - (c) *'Money-off-coupons attached to a certain'* good should be disregarded unless offered to all potential customers at the point of sale and claimable at the time of purchase.
- (4) *'Discounts available only to a restricted group of households'* should be disregarded because they are discriminatory, unless they are expected to be significant in which case they should be treated as a coverage or stratification issue in sampling.
- (a) *'Lower price for e.g. pensioners'* should be disregarded for the purposes of these guidelines (discriminatory). They are most likely a case of tariff or multiple pricing or potentially a population coverage or stratification issue in sampling.
  - (b) *'Lower prices negotiated for the members of an organised group, e.g. trade unions members'* should be disregarded for the purpose of these guidelines (discriminatory). They are most likely a case of tariff or multiple pricing or potentially a population coverage or stratification issue in sampling.
  - (c) *'Card for which people pay, which entitles them to discounts at certain shops'* should be disregarded for the purpose of these guidelines (discriminatory). They are most likely a case of tariff or multiple pricing or potentially a population coverage or stratification issue in sampling.
  - (d) *'Rent support from the government to certain households (identified according to socio-economic characteristics)'* should be disregarded; it is part of the income of households.
- (5) *'Regular rebates or refunds'* should only be taken into account when attributable to the purchase of an individual product and granted within a time period from the actual purchase such that it is expected to have a significant influence on the quantities buyers wish to buy.
- (a) Deposit for 'money-back-bottles' should be deducted from the price.
  - (b) Deposit included in the price of a new car and paid back to the car-owner when the car eventually is handed over by him for destruction should be disregarded as being reimbursed after too long a time to significantly affect the quantities bought at the time of the purchase.
- (6) *'Irregular rebates or refunds'* should only be taken into account when they apply to the purchase of an individual product and are granted within a time period from the actual purchase such that it is expected to have a significant influence on the quantities buyers wish to buy.

- (a) *'Loyalty rebates 1, i.e. accumulated points or coupons rewarded for the purchase of a certain good or service can be used to purchase the **same good or service** at a reduced price (e.g. frequent flyer accounts)'* should be disregarded because they are discriminatory. If they are expected to be important in some population sub-groups and have a significant influence on the quantities bought they should be treated as coverage or stratification issue in sampling to the extent that they are not obtained as a result of business expenditure.
- (b) *'Loyalty rebates 2, i.e. accumulated points or coupons can be used to purchase **any good or service** at a reduced price (e.g. credit card bonus system)'* should be disregarded because they are not relating to an individual good or service and are discriminatory. If they are expected to be important in some population sub-groups and have a significant influence on the quantities bought they should be treated as coverage or stratification issue in sampling to the extent that they are not obtained as a result of business expenditure.
- (c) *'Loyalty rebates 3, i.e. accumulated points or coupons can be used to purchase **a pre-defined good or service** at a reduced price (e.g. awarded points can be transferred to frequent flyer accounts)'* should be disregarded because they are not relating to an individual good or service and are discriminatory. If they are expected to be important in some population sub-groups and have a significant influence on the quantities bought they should be treated as coverage or stratification issue in sampling to the extent that they are not obtained as a result of business expenditure.
- (d) *'Loyalty cards, where x% of the value of the last y purchases made in the shop is reimbursed'*, should be disregarded because they are not relating to an individual good or service and are discriminatory.
- (e) *'Incentive schemes to replace e.g. old by new cars'* should be taken into account because they apply to an individual good and significantly influence the quantity buyers wish to buy.
- (f) *'One-off rebate in next years bill'*: Regional electricity companies in UK granted an *'one-off rebate in next years bill'* to all domestic customers as a result of flotation of the National Grid in the year concerned. Such a rebate should be disregarded as it was paid within a time period from the actual consumption that was not expected to have any influence on the quantities buyers wished to consume.

### Implementation (\*)

These guidelines should be implemented by Member States on the twentieth day following the publication of the Commission Regulation (EC) No 2602/2000 laying down minimum standards for the treatment of price reductions in the HICP.

(\*) These guidelines update and replace the 'Treatment of price reductions' guidelines of December 1998.