



HICP Compliance Monitoring

INTRODUCTION

The Commission is entrusted with ensuring the uniform application of EU law by the Member States, and it is thus responsible for monitoring their compliance with those legal obligations. The requirement for the Member States to produce Harmonised Indices of Consumer Prices (HICP) is laid down in Regulation (EU) 2016/792 of the European Parliament and of the Council. This basic act is complemented with an implementing regulation ⁽¹⁾ and legally non-binding recommendations, accessible via Eurostat's HICP webpage ⁽²⁾.

Eurostat has established a compliance monitoring system for the HICP with the aim to ensure the correct and harmonised implementation of the legal obligations and methodological recommendations in the Member States.

The HICP compliance monitoring is also considered important for ensuring the high quality of European inflation figures and, as a consequence, the continued credibility of the HICP.

This document outlines the current approach on HICP compliance monitoring as applied since the beginning of 2014. Member States provide Eurostat with detailed inventories of sources and methods used in the production of HICP since 2013.

EUROSTAT'S APPROACH TO THE HICP COMPLIANCE MONITORING

The HICP compliance monitoring is based on detailed documentation, in-depth analysis of data and methods as well as on an open dialogue with the Member States. Eurostat publishes the findings in a report posted on a dedicated webpage of its website ⁽³⁾. This compliance monitoring report outlines the results of Eurostat's analysis, detected imperfections and necessary steps for a Member State to comply with the obligations and to implement recommendations of good practice.

⁽¹⁾ See Commission Implementing Regulation (EU) 2020/1148

⁽²⁾ See <http://ec.europa.eu/eurostat/web/hicp/legislation> and the 'Recommendations' section on Eurostat's HICP methodology webpage (<https://ec.europa.eu/eurostat/web/hicp/methodology>)

⁽³⁾ These reports are available under the 'Compliance monitoring' section of Eurostat's HICP methodology webpage (<https://ec.europa.eu/eurostat/web/hicp/methodology>).

The compliance monitoring process consists of the following steps:

- a. Eurostat analyses a given Member State's detailed **inventory** of the sources and methods used in the production of the HICP.
- b. Eurostat monitors and analyses the received HICP data, complemented with metadata.
- c. During steps a and b, issues that need further clarification may arise. Eurostat sets up a list of those issues and sends it to the Member State.
- d. Eurostat meets the experts of the Member State during a **compliance monitoring visit** for an in-depth discussion of the methods used.
- e. If necessary, Eurostat issues **requirements** to address matters where a Member State does not comply with the legal provisions and makes **recommendations** to address matters where the current practice of a Member State is not in line with methodological recommendations of good practice.
- f. Eurostat **communicates** the compliance monitoring results of the Member States to the general public by publishing **compliance monitoring reports** on a dedicated webpage of its website.
- g. Eurostat **follows up** on the implementation of the requirements and recommendations.

The inventories

Article 9 of Regulation (EU) 2016/792 foresees that Member States provide Eurostat with information at the level of detail necessary to evaluate compliance with the comparability requirements and the quality of the HICPs.

To operationalise this requirement and standardise the information provided for the purposes of the compliance monitoring, Eurostat together with the Member States developed the HICP inventories. The first inventories were transmitted on a voluntary basis to Eurostat in 2013 and since then all Member States have provided their inventory. The provision of the inventories is now regulated by Article 27 of Commission Implementing Regulation (EU) 2020/1148.

The inventories cover, in a standardised way, detailed descriptions of the data sources and methods used in producing the HICP. The Member States are required to review their HICP inventories at least annually but they are free to make changes whenever their sources or methods have been changed during the year.

In the compliance monitoring process, the inventories are one of the main instruments enabling Eurostat to assess the comparability and quality of Member States' HICP data. The detailed information allows Eurostat to make a first assessment if a Member State is compliant with all legal obligations and recommendations concerning the HICP. The key steps associated with the compliance monitoring exercise are detailed below. A workflow of the whole process is provided at the end of this document.

Data analysis

Each time the Member States transmit the HICP data to Eurostat, the data are checked for inconsistencies and outliers. The findings of Eurostat's validation are fed back to the Member States and, if necessary, data are corrected. The output of these data checks and the original data provided by the Member States are also used as an input in the compliance monitoring exercise.

Compliance monitoring visits

A compliance monitoring visit (CMV) allows Eurostat to discuss and check, during a meeting with representatives of the Member State, all elements of the inventory. The meeting allows for a more in-depth discussion of topics and issues than is feasible in a written procedure. Additional information is collected during the CMV on an ad hoc basis.

The CMVs are carried out by Eurostat, but specific issues to be discussed are also coordinated with the European Central Bank (ECB), especially for the countries of the Euro area. ECB and national experts from other institutions (e.g. from National Central Banks and/or Ministries of Finance) are invited as necessary to participate in these visits as observers.

Compliance monitoring reports

Based on the results of the discussions and observations made during the compliance monitoring exercise, Eurostat issues a report summarising and evaluating the Member States' methods and practices in the HICP.

The report is finalised, after taking into account the comments of the Member State concerned. Efforts are made to reach consensus on the requirements and recommendations formulated by Eurostat.

Eurostat communicates the compliance monitoring results of the Member States to the general public by publishing all compliance reports on its website.

Follow-up

Member States are required to address the non-compliance issues raised in the report. They are also encouraged to implement the recommendations made. Two years after the publication of a Member State's report, Eurostat systematically asks the Member State to report on the progress made on the implementation of the requirements and recommendations.

If issues, where a Member State is not in line with the legal provisions, are not fixed within a reasonable time or no reasoning is provided for a delay in the implementation, Eurostat is entitled to launch appropriate legal procedures in order to make sure that compliance with the legal provisions is reached.

The work flow of a compliance monitoring exercise

