Regulation (EU) 2016/792 of the European Parliament and of the Council of 11 May 2016 on harmonised indices of consumer prices and the house price index, and repealing Council Regulation (EC) No 2494/95 (Text with EEA relevance)

REGULATION (EU) 2016/792 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 11 May 2016

on harmonised indices of consumer prices and the house price index, and repealing Council Regulation (EC) No 2494/95

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 338(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Central Bank[(1)],

Acting in accordance with the ordinary legislative procedure[(2)],

Whereas:

(1) The harmonised index of consumer prices (HICP) is designed to measure inflation in a harmonised manner across Member States. The Commission and the European Central Bank (ECB) use the HICP in their assessment of price stability in the Member States under Article 140 of the Treaty on the Functioning of the European Union (TFEU).

(2) Harmonised indices are used in the context of the Commission's macroeconomic imbalance procedure, as established by Regulation (EU) No 1176/2011 of the European Parliament and of the Council[(3)].

(3) Price statistics of high quality and comparability are essential for those responsible for public policy in the Union, researchers and all European citizens.

(4) The European System of Central Banks (ESCB) uses the HICP as an index in order to measure the achievement of the ESCB's price stability objective under Article 127(1) TFEU, which is of particular relevance for the definition and implementation of the monetary policy of the Union under Article 127(2) TFEU. Pursuant to Articles 127(4) and 282(5) TFEU, the ECB is to be consulted on any proposed Union act in its fields of competence.

(5) The objective of this Regulation is to establish a common framework for the development, production and dissemination of harmonised indices of consumer prices and of the house price index (HPI) at Union and national level. This does not preclude,

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however, the possibility of extending the application of the framework, in the future, if necessary, to the subnational level.

(6) Council Regulation (EC) No 2494/95[(4)] established a common framework for setting up harmonised indices of consumer prices. That legal framework needs to be adapted to current requirements and technical progress, thereby further improving the relevance and comparability of harmonised indices of consumer prices and the HPI. On the basis of the new framework established by this Regulation, work on a set of supplementary indicators on price evolution should be initiated.

(7) This Regulation takes into account the Commission's better regulation agenda and, in particular, the Commission communication of 8 October 2010 entitled *Smart regulation in the European Union*. In the statistical field, the Commission has set as a priority the simplification and improvement of the regulatory environment in statistics, as referred to in the Commission communication of 10 August 2009 on the production method of EU statistics: a vision for the next decade.

(8) The HICP and the harmonised index of consumer prices at constant tax rates (HICP-CT) should be broken down into categories of the European classification of individual consumption according to purpose (ECOICOP). Such classification should ensure that all European statistics relating to private consumption are consistent and comparable. The ECOICOP should also be consistent with the UN COICOP, which is the international standard classifying individual consumption according to purpose, therefore the ECOICOP should be adapted to align it with changes to the UN COICOP.

(9) The HICP is based on observed prices, which include taxes on products. Hence, inflation is affected by changes to tax rates on products. For inflation analysis and for convergence assessment in Member States, information also needs to be collected on the impact of tax changes on inflation. To this end, the HICP should additionally be calculated on the basis of constant tax rate prices.

(10) Establishing price indices for dwellings, and in particular for owner-occupied housing (OOH), is an important step towards further improving the relevance and comparability of the HICP. The HPI is a necessary basis for compiling the OOH price index. In addition, the HPI is an important indicator in its own right. By 31 December 2018, the Commission should prepare a report addressing the suitability of the OOH price index for integration into the HICP coverage. Depending on the results of that report, the Commission should, where appropriate, submit, within a reasonable time frame, a proposal for amending this Regulation with regard to integrating the OOH price index into the HICP coverage.

(11) Early provisional information on the monthly HICP in the form of a flash estimate is crucial for monetary policy in the euro area. Therefore, such flash estimates should be provided by the Member States whose currency is the euro.

(12) The HICP is designed to assess price stability. It is not intended to be a cost of living index. In addition to the HICP, research on a harmonised cost of living index should be initiated.

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(13) The reference period of the harmonised indices should be updated periodically. Rules for common index reference periods of the harmonised indices and their sub-indices integrated at different points in time should be established in order to ensure that the resulting indices are comparable and relevant.

(14) In order to enhance the gradual harmonisation of harmonised indices of consumer prices and the HPI, pilot studies should be launched to assess the feasibility of using improved basic information or applying new methodological approaches. The Commission should take the necessary actions and find the right incentives, including financial support, to encourage such pilot studies.

(15) The Commission (Eurostat) should verify the sources and methods used by Member States to calculate harmonised indices and should monitor the implementation of the legal framework by Member States. For that purpose, the Commission (Eurostat) should maintain a regular dialogue with the Member States' statistical authorities.

(16) Background information is essential for assessing whether the detailed harmonised indices provided by the Member States are sufficiently comparable. In addition, transparent compilation methods and practices used in Member States help all stakeholders to understand the harmonised indices and further improve their quality. A set of rules for reporting harmonised metadata should therefore be established.

(17) In order to ensure the quality of statistical data provided by Member States, the Commission should use the appropriate prerogatives and powers provided for in Article 12 of Regulation (EC) No 223/2009 of the European Parliament and of the Council[(5)].

(18) In order to ensure adaptation to changes to the UN COICOP, to amend the list of items regulated by implementing acts by adding items in order to take account of technical developments in the statistical methods and based on the evaluation of pilot studies, and to modify the list of sub-indices of ECOICOP that Member States are not required to produce in order to include games of chance in the HICP and the HICP-CT, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.

(19) In order to ensure full comparability of the harmonised indices, uniform conditions are needed for the application of the ECOICOP for the purpose of the HICP and the HICP-CT; for the breakdown of the flash estimate of the HICP provided by Member States whose currency is the euro; for the breakdowns of the OOH price index and of the HPI; for the quality of weights of the harmonised indices; for improved methods based on voluntary pilot studies; for the appropriate methodology; for detailed rules on the rescaling of the harmonised indices; for the data and metadata exchange standards; for the revision of the harmonised indices and their sub-indices; and for technical quality assurance requirements regarding the content of annual standard quality reports, the deadline for providing the reports to the Commission (Eurostat) and the structure of the

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inventories and the deadline for providing the inventories to the Commission (Eurostat). In order to ensure such uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council[(6)].

(20) In adopting implementing measures and delegated acts in accordance with this Regulation, the Commission should consider, where appropriate, cost-effectiveness and ensure that those measures and acts do not impose a significant additional burden on Member States or respondents.

(21) Since the objective of this Regulation, namely the creation of common statistical standards for harmonised indices of consumer prices and the HPI, cannot be sufficiently achieved by the Member States but can rather be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.

(22) In the context of Article 7 of Regulation (EC) No 223/2009, the European Statistical System Committee has been asked to provide its professional guidance.

(23) Regulation (EC) No 2494/95 should therefore be repealed,

HAVE ADOPTED THIS REGULATION:

Article 1

Subject matter

This Regulation lays down a common framework for the development, production and dissemination of harmonised indices of consumer prices (HICP, HICP-CT, OOH price index) and of the house price index (HPI) at Union and national level.

Article 2

Definitions

For the purposes of this Regulation, the following definitions apply:

(1) ‘products’ means goods and services as defined in paragraph 3.01 of Annex A to Regulation (EU) No 549/2013 of the European Parliament and of the Council[(7)] (‘ESA 2010’);

(2) ‘consumer prices’ means the purchase prices paid by households to purchase individual products by means of monetary transactions;

(3) ‘house prices’ means the transaction prices of dwellings purchased by households;

(4) ‘purchase prices’ means the prices actually paid by purchasers for products, including any taxes less subsidies on the products, after the deduction of discounts from standard prices or charges, excluding interest or services charges added under credit

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arrangements and any extra charges incurred as a result of failing to pay within the period specified at the time of purchase;

(5) 'administered prices' means prices that are either directly set or influenced to a significant extent by the government;

(6) 'harmonised index of consumer prices' or 'HICP' means the comparable index of consumer prices produced by each Member State;

(7) 'harmonised index of consumer prices at constant tax rates' or 'HICP-CT' means the index that measures changes in consumer prices without the impact of changes in tax rates on products over the same period of time;

(8) 'tax rate' means a tax parameter and may be a certain percentage of the price or an absolute tax amount levied on a physical unit;

(9) 'owner-occupied housing price index' or 'OOH price index' means the index that measures changes in the transaction prices of dwellings new to the household sector and of other products that the households acquire in their role as owner-occupiers;

(10) 'house price index' or 'HPI' means the index that measures changes in the transaction prices of dwellings purchased by households;

(11) 'sub-index of the HICP or the HICP-CT' means the price index for any category of the European classification of individual consumption according to purpose (ECOICOP) as set out in Annex I;

(12) 'harmonised indices' means the HICP, the HICP-CT, the OOH price index and the HPI;

(13) 'flash estimate of the HICP' means an early estimate of the HICP provided by Member States whose currency is the euro that may be based on provisional information and, if necessary, appropriate modelling;

(14) 'Laspeyres-type index' means the price index that measures the average change in prices from the price reference period to a comparison period using expenditure shares from a period prior to the price reference period, and where the expenditure shares are adjusted to reflect the prices of the price reference period.

A 'Laspeyres-type index' is defined as:

$$p^{0,t} = \sum \frac{p^t}{p^0} \times w^{0,b}$$

The price of a product is denoted by p, the price reference period is denoted by 0, and the comparison period is denoted by t. Weights (w) are expenditure shares of a period (b) prior to the price reference period, and are adjusted to reflect the prices of the price reference period 0;

(15) 'index reference period' means the period for which the index is set to 100 index points;

(16) 'price reference period' means the period to which the price of the comparison period is compared; for monthly indices, the price reference period is December of the previous year, and for quarterly indices, the price reference period is the fourth quarter of the previous year;

(17) 'basic information' means data covering: