Commission Regulation (EC) No 1334/2007 of 14 November 2007 amending Regulation (EC) No 1749/96 on initial implementing measures for Council Regulation (EC) No 2494/95 concerning harmonised indices of consumer prices (Text with EEA relevance)

COMMISSION REGULATION (EC) No 1334/2007

of 14 November 2007

amending Regulation (EC) No 1749/96 on initial implementing measures for Council Regulation (EC) No 2494/95 concerning harmonised 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[(1)], and in particular third paragraph of Article 4 and Article 5(3) thereof,

Having regard to the opinion of the European Central Bank[(2)], as required under Article 5(3) of Regulation (EC) No 2494/95,

Whereas:

(1) Harmonised Indices of Consumer Prices (HICP) are harmonised inflation figures required by the Commission and the European Central Bank for the performance of their functions under Article 121 of the EC Treaty. HICPs are designed to facilitate international comparisons of consumer price inflation. They serve as important indicators for the management of monetary policy.

(2) The HICP constitutes a rather complete conceptual framework. Very considerable progress has been made in harmonizing methodologies since the initial implementing measures were adopted, but scope for non-comparability remains with regard to sampling, replacement, quality adjustment and aggregation procedures.

(3) The existing HICP framework provides a definition of the HICP as a Laspeyres-type index concerned with the changing power of money to acquire goods and services for the purposes of directly satisfying consumer needs. This definition reflects the current understanding of consumer inflation in the European Union and the euro zone in particular.

(4) The HICP relates to the prices of all the products purchased by consumers, when they seek to maintain consumption patterns, i.e. products defined by elementary expenditure categories (weights). These categories consist of explicitly stated consumption segments distinguishable by consumption purpose. The set of all product-offers in the statistical universe can be exhaustively divided into consumption segments.

Changes to legislation: *Commission Regulation (EC) No 1334/2007 is up to date with all changes known to be in force on or before 27 December 2020. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

Consumption segments are relatively stable over time although the product-offers comprising a consumption segment will change as markets evolve.

(5) The notion of consumption segments by purpose is therefore central to sampling and to the meaning of quality change and quality adjustment. However, an ambiguity in this concept concerns the level of aggregation at which it is defined and applied.

(6) The range of product-offers will change over time as products are modified or replaced by retailers and manufacturers. The HICP requires the representation of all currently available product-offers within the consumption segments by purpose selected in the reference period in order to measure their impact on inflation. This applies particularly to new models or varieties of previously existing products.

(7) Quality change thus relates to the degree to which available products are fit to serve the purpose of the consumption segment to which they belong. Quality change should be assessed by reference to the specification of concrete products within a consumption segment.

(8) In order to address these issues, a number of clarifications and amendments to 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[(3)] are necessary for ensuring comparability of HICPs and maintaining their reliability and relevance in accordance with Article 5 of Regulation (EC) No 2494/95.

(9) It is therefore necessary to further specify the purposes and definition of the HICP, to clarify where those determine the actual practices of sampling, replacement, and quality adjustment, and to establish the required representation of the HICP and its form, and to establish further minimum standards with respect to sampling, replacement, quality adjustment and aggregation procedures.

(10) In particular, it is necessary to set a clear statistical target for the purposes of sampling, replacement and quality adjustment and ensure that the HICP measures close to the target, with a reasonably small uncertainty or error in terms of bias and variance. A trade-off between unbiasedness and precision must be considered.

(11) With a view to further specifying the target universe of the HICP and resolving the issue of the ‘fixity’ of the HICP basket, the concept of ‘consumption segments by purpose’ offers a workable solution as it can build the necessary fixity into the Laspeyres-type index and make the concept meaningful in a world of evolving markets.

(12) It is necessary to ensure that consumption segments in the reference period are selected to represent the entire partition of the transactions universe and that replacements maintain the representation of current product offers within consumption segments already represented in the HICP. The representation of household final monetary expenditure by consumption purpose should reflect the dynamic nature of evolving markets.

(13) It must be ensured that judgements by Member States on whether quality change occurs are based on evidence of differences in price determining characteristics that are

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relevant to the consumer purposes in question. To this effect specific quality adjustment standards should be developed by the Commission (Eurostat) on a case-by-case basis.

(14) Furthermore, it is necessary to broaden the definition of elementary aggregates and to further harmonise aggregation and replacement practices within elementary aggregates.

(15) The principle of cost-effectiveness has been taken into account in accordance with Article 13 of Regulation (EC) No 2494/95.

(16) Regulation (EC) No 1749/96 should therefore be amended accordingly.

(17) 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[(4)],

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 1749/96 is amended as follows:

1. Article 2 is replaced by the following:

Article 2

Definitions

For the purpose of this Regulation, the following definitions shall apply:

1. "Household final monetary consumption expenditure" as specified in Annex lb means that part of final consumption expenditure which is incurred by households irrespective of nationality or residence status, in monetary transactions, on the economic territory of the Member State, 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.

2. "Product-offer" means a specified good or service that is offered for purchase at a stated price, in a specific outlet or by a specific provider, under specific terms of supply, and thus defines a unique entity at any one time.

3. The "coverage" of the HICP, that is the statistical "target universe" to be represented by the HICP, means the set of all transactions falling within the scope of household final monetary consumption expenditure.

4. A "consumption segment by purpose" or "consumption segment" means a set of transactions relating to product-offers which, on the grounds of common properties, are deemed to serve a common purpose, in the sense that they:
   — are marketed for predominant use in similar situations,
   — can largely be described by a common specification, and
   — may be considered by consumers as equivalent.

5. "Newly significant goods and services" mean those goods and services the price changes of which are not explicitly included in a Member State's HICP

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and the estimated consumers' expenditure on which has become at least one part per thousand of the expenditure covered by that HICP.

6. "Sampling" means any procedure in the construction of the HICP where a subset of the universe of product-offers is selected to estimate the price change for consumption segments covered by the HICP.

7. "Target sample" means the set of product-offers within consumption segments for which the Member State plans to observe prices in order to achieve a reliable and comparable representation of the HICP target universe.

8. "Weights" used in HICP aggregations mean the appropriate estimates of relative expenditures on any sub-division of the target universe, in accordance with Commission Regulation (EC) No 2454/97[(5)].

9. "Observed price" means a price actually confirmed by the Member States.

10. "Replacement product-offer" means a product-offer with an observed price that replaces a product-offer in the target sample.

11. "Replacement price" means the observed price for a replacement product-offer.

12. "Estimated price" means 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.

13. An "elementary product group" means a set of product-offers that are sampled in order to represent one or more consumption segments in the HICP.

14. An "elementary aggregate" means an elementary product group stratified, for instance by regions, cities or outlet types and so refers to the level at which observed prices enter the HICP. Where elementary product groups are not stratified, the terms "elementary product group" and "elementary aggregate" shall have the same meaning.

15. An "elementary aggregate index" means a price index for an elementary aggregate.

16. "Quality change" means that a replacement has resulted in a significant difference in the degree to which the replacement product-offer serves the consumer purpose of the consumption segment to which it belongs, whenever the Member State judges so.

17. "Quality adjustment" means the procedure of making an allowance for an observed quality change by increasing or decreasing the observed current or reference price by a factor or an amount equivalent to the value of that quality change.

2. The following Article 2a is inserted: