

This document is meant purely as a documentation tool and the institutions do not assume any liability for its contents

► **B**

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

(OJ L 229, 10.9.1996, p. 3)

Amended by:

		Official Journal		
		No	page	date
► <u>M1</u>	Council Regulation (EC) No 1687/98 of 20 July 1998	L 214	12	31.7.1998
► <u>M2</u>	Council Regulation (EC) No 1688/98 of 20 July 1998	L 214	23	31.7.1998
► <u>M3</u>	Commission Regulation (EC) No 1334/2007 of 14 November 2007	L 296	22	15.11.2007

**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;

Whereas in accordance with Article 15 of Regulation (EC) No 2494/95, the Commission (Eurostat) is required to submit a report to the Council on the reliability of the HICPs 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 ⁽²⁾;

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:

⁽¹⁾ OJ No L 257, 27.10.1995, p. 1.

⁽²⁾ OJ No L 181, 28.6.1989, p. 47.

▼B**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:

- the ►**M1** ————— ◀ 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.

▼M3*Article 2***Definitions**

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

1. 'Household final monetary consumption expenditure' as specified in Annex Ib 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 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.

▼ **M3**

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 ⁽¹⁾.
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.

*Article 2a***Principles**

1. The compiled HICP is a sample statistic which shall represent the change in prices, on average over the target universe, between the calendar month of the current index and the period to which it is compared.
2. The set of all transactions in the statistical universe can be exhaustively divided into subsets corresponding to the product-offers to which these transactions pertain. They shall be 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).
3. The HICP shall be computed using a formula which is consistent with the Laspeyres-type formula.
4. Consumption segments shall form the fixed objects in the index basket to be followed by the HICP.

⁽¹⁾ OJ L 340, 11.12.1997, p. 24.

▼ M3

5. Prices used in the HICP shall be the purchase prices, which are the prices paid by households to purchase individual goods and services in monetary transactions.

6. 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, shall be taken into account in the HICP.

7. The HICP shall provide a measure of pure change in prices, unaffected by quality change. It shall:

- (a) 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; and
- (b) be constructed by making appropriate adjustments for observed quality change. Quality adjustments shall serve the reliability, and in particular the representativity of the HICP as a measure of pure price change.

8. Concerning quality change, the judgement shall be based on due evidence of a difference between the specification of a replacement product-offer and the product-offer it replaced in the sample; That is, a difference in the product-offers' significant price-determining characteristics, such as brand, material or make, that are relevant to the consumer purpose in question.

A quality change does not arise when there is a comprehensive annual or less frequent revision of the HICP sample. Its inclusion shall be made by establishing the appropriate chain links. Revisions of the HICP sample do not remove the need to introduce replacement product-offers without delay in between two revisions.

9. The representation of an elementary product group or an elementary aggregate shall be defined by the expenditure weight associated to it. Other weightings may be used within elementary aggregates on the condition that the representativity of the index is ensured.

10. 'Reliability' shall be assessed according to 'precision', which refers to the scale of sampling errors, and 'representativity' which refers to the lack of bias.

▼ B

II. MEASURES FOR ENSURING COMPARABILITY, RELIABILITY AND RELEVANCE OF THE HICP

▼ M1

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.

▼M2

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.

▼B*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.

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 ►M3 Article 2(5) ◀. 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 ►M1 Annex Ia ◀ to this Regulation or by assigning part of the weight specifically to the newly significant good or service.

▼M3*Article 5***Minimum standards for replacements and quality adjustment**

1. Quality adjustment methods shall be rated as follows:
 - (a) A-methods: those which are considered to deliver the most reliable results, in terms of precision and bias;
 - (b) B-methods: those which may deliver less precise or less representative results than A-methods, but are nevertheless considered also acceptable. B-methods shall be used in case A-methods are not applied; and
 - (c) C-methods: all other methods, which shall hence not be used.
2. Standards concerning the rating of quality adjustment methods shall be developed and issued by the Commission (Eurostat) after consultation at the SPC, following a case-by-case approach and with due regard to aspects of cost-effectiveness and the context in which they are applied.

The rating of quality adjustment methods does not preclude the adoption of implementing measures on this subject in accordance with Article 5 (3) of Regulation (EC) No 2494/95.

3. A- and B-methods shall be deemed to be appropriate quality adjustment methods. HICPs for which appropriate quality adjustments are made shall be deemed to be comparable. Other things being equal, A-methods shall be given the preference over B-methods.
4. In the absence of appropriate national estimates, Member States shall use estimates based on information provided by the Commission (Eurostat) where these are available and relevant.
5. In no case shall a quality change be estimated as the whole of the difference in price between the two product-offers, unless this can be justified as an appropriate estimate.

▼M3

6. Where no appropriate estimates are available, price changes shall be estimated as the difference between the replacement price and that of the product-offer it has replaced.
7. Replacement product-offers:
 - (a) shall be either ‘essentially equivalent’, if no quality change is observed between the replacement product-offer and the one it replaced in the sample, or ‘equivalent by quality adjustment’, if a quality adjustment is necessary for an observed quality change between the replacement product-offer and the one it replaced in the sample;
 - (b) shall be selected from the same consumption segments as the replaced ones, so as to maintain the representation of consumption segments;
 - (c) shall not be selected according to similarity of price. This shall in particular apply where replacements have to be made after goods or services have been offered at reduced prices.

▼B*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.

▼ M1

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.	FOOD AND NON-ALCOHOLIC BEVERAGES			
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		
01.1.9.	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.	ALCOHOLIC BEVERAGES AND TOBACCO			
02.1.	Alcoholic beverages			
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.	CLOTHING AND FOOTWEAR			
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		

▼ M1

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 ⁽¹⁾	full ⁽²⁾	
04.1.2.	Other actual rentals	part ⁽¹⁾	full ⁽²⁾	
04.2.	Imputed rentals for housing			
04.2.1.	Imputed rentals of owner-occupiers			excluded ⁽³⁾
04.2.2.	Other imputed rentals			excluded ⁽³⁾
04.3.	Regular maintenance and repair of the dwelling			
04.3.1.	Products for the regular maintenance and repair of the dwelling	full ⁽⁴⁾		
04.3.2.	Services for the regular maintenance and repair of the dwelling	full ⁽⁴⁾		
04.4.	Other services relating to the dwelling			
04.4.1.	Refuse collection	part ⁽⁵⁾	full ⁽⁶⁾	
04.4.2.	Sewerage services	part ⁽⁵⁾	full ⁽⁶⁾	
04.4.3.	Water supply	part ⁽⁵⁾	full ⁽⁶⁾	
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 MAIN- TENANCE 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, refrigerators, washing machines and similar major household appliances, including fittings and repairs			
05.3.1.	Major household appliances whether electric or not	full		
05.3.2.	Small electric household appliances	full		

▼ M1

Code	COICOP/HICP heading	Initial coverage January 1997	Addition December 1999	Excluded
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 ⁽⁷⁾	full ⁽⁸⁾	
06.2.	Out-patient services			
06.2.1.	Medical services		full ⁽⁸⁾	
06.2.2.	Dental services		full ⁽⁸⁾	
06.2.3.	Paramedical services		full ⁽⁸⁾	
06.3.	Hospital services			
06.3.1.	Hospital services ⁽⁹⁾			
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 ⁽¹⁰⁾		
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		
07.3.4.	Passenger transport by sea and inland waterway	full		
07.3.5.	Other purchased transport services	full		

▼ M1

Code	COICOP/HICP heading	Initial coverage January 1997	Addition December 1999	Excluded
07.3.6.	Combined tickets	full ⁽¹¹⁾		
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 ⁽¹²⁾		
09.4.2.	Cultural services	full ⁽¹³⁾		
09.4.3.	Games of chance			excluded
09.5.	Newspapers, books and stationery			
09.5.1.	Books	part ⁽¹⁴⁾	full ⁽¹⁵⁾	
09.5.2.	Newspapers and periodicals	full		
09.5.3.	Miscellaneous printed matter	full		
09.5.4.	Stationery and drawing materials	part ⁽¹⁴⁾	full ⁽¹⁵⁾	
09.6.	Package holidays			
09.6.1.	Package holidays	full		

▼ M1

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 ⁽¹⁵⁾	
10.1.2.	Secondary education		full ⁽¹⁵⁾	
10.1.3.	Tertiary education		full ⁽¹⁵⁾	
10.1.4.	Education not definable by level	part ⁽¹⁶⁾	full ⁽¹⁵⁾	
11.	HOTELS, CAFES AND RESTAURANTS			
11.1.	Catering			
11.1.1.	Restaurants and cafes	full		
11.1.2.	Canteens	part ⁽¹⁴⁾	full ⁽¹⁵⁾	
11.2.	Accommodation services			
11.2.1.	Accommodation services	part ⁽¹⁴⁾	full ⁽¹⁵⁾	
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 ⁽¹⁷⁾	
12.4.	Insurance			
12.4.1.	Life insurance			excluded
12.4.2.	Insurance connected with the dwelling	part ⁽¹⁸⁾	full ⁽¹⁹⁾	
12.4.3.	Insurance connected with health		full ⁽²⁰⁾ , ⁽²¹⁾	
12.4.4.	Insurance connected with transport	part ⁽²²⁾	full ⁽²³⁾ , ⁽²¹⁾	
12.4.5.	Other insurance		full ⁽²⁴⁾ , ⁽²¹⁾	
12.5.	Financial services n.e.c.			
12.5.1.	Financial services n.e.c.	part ⁽²⁵⁾	full ⁽²⁶⁾	
12.5.2.	FISIM			excluded
12.6.	Other services n.e.c.			
12.6.1.	Other services n.e.c.	full ⁽²⁷⁾		

⁽¹⁾ Relates to the practice followed in the national consumer price indices.

⁽²⁾ 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.

▼ **M1**

- (³) This does not prejudice the coverage of owner-occupied housing in general.
- (⁴) 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.
- (⁵) Refers to expenditure according to consumption.
- (⁶) 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.
- (⁷) Refers to health goods outside the social security system.
- (⁸) 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.
- (⁹) 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.
- (¹⁰) 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.
- (¹¹) Refers to tickets covering two or more modes of transport and the expenditure cannot be apportioned between them.
- (¹²) 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.
- (¹³) 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.
- (¹⁴) Includes educational goods and services only if they are fully paid by consumers.
- (¹⁵) 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.
- (¹⁶) Refers to computer courses, language courses, typing courses, and other such courses which are fully paid by the consumer.
- (¹⁷) 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.
- (¹⁸) Refers to service charges for contents insurance.
- (¹⁹) 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.
- (²⁰) 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.
- (²¹) 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.
- (²²) Refers to service charges for insurance in respect of personal transport equipment.
- (²³) Refers to service charges in respect of personal transport equipment, travel insurance and luggage insurance; see also Annex Ib Nos 7, 8 and 24.
- (²⁴) Refers to service charges for insurance such as civil liability for injury or damage to third parties or their property not arising from the operation of personal transport equipment; see also Annex Ib Nos 7, 8 and 24.
- (²⁵) Refers to banking service charges which are not expressed as a proportion of the transaction value.
- (²⁶) 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.
- (²⁷) 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.

▼ M1

ANNEX Ib

A. DEFINITION OF HOUSEHOLD FINAL MONETARY CONSUMPTION EXPENDITURE

▼ M2

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.

▼ M1

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

▼ M1

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 amounts reimbursed to households are treated as social transfers in kind made by social security, government units 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

▼ M1

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 payments 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 holders, 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).

▼ M1**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.



ANNEX II

Formulae to be used in compiling elementary aggregates

1. 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 $\frac{[\Pi p^t]^{1/n}}{[\Pi p^b]^{1/n}}$, 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 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:

$$I^{tb} = \frac{\sum_{i \in s_t} P_i^t}{\sum_{i \in s_t} P_i^b} \cdot \frac{\sum_{i \in s_{t-1}} P_i^{t-1}}{\sum_{i \in s_{t-1}} P_i^b} \dots \frac{\sum_{i \in s_{t-1}} P_i^1}{\sum_{i \in s_{t-1}} P_i^{t-1}}$$

where P_i^t denotes the i^{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 $I^{tb} = \frac{\sum_{i \in s_t} P_i^t}{\sum_{i \in s_t} P_i^b}$, 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.