

**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<sup>(1)</sup>, 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<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:

- the initial 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:

- (a) 'Initial coverage of goods and services of the HICP' is defined as those four-digit categories and sub-categories specified in the classification COICOP/HICP (classification of individual consumption by purpose adapted of the needs of HICPs) given in Annex I.

<sup>(1)</sup> OJ No L 257, 27. 10. 1995, p. 1.

<sup>(2)</sup> OJ No L 181, 28. 6. 1989, p. 47.

- (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.
- (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.

### *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 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;
- (b) 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*

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## ANNEX I

The initial coverage of goods and services of the HICP shall include the following categories and sub-categories:

Code	COICOP/HICP Heading
01.	FOOD AND NON-ALCOHOLIC BEVERAGES
01.1	Food
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 including potatoes and other tubers
01.1.8	Sugar, jam, honey, syrups, chocolate and confectionary
01.1.9	Food products n.e.c.
01.2	Non-alcoholic beverages
01.2.1	Coffee, tea and cocoa
01.2.2	Mineral waters, soft drinks and juices
02.	ALCOHOLIC BEVERAGES AND TOBACCO
02.1	Alcoholic beverages
02.1.1	Spirits
02.1.2	Wine
02.1.3	Beer
02.2	Tobacco
02.2.1	Tobacco
03.	CLOTHING AND FOOTWEAR
03.1	Clothing
03.1.1	Clothing materials
03.1.2	Garments
03.1.3	Other articles of clothing and clothing accessories
03.1.4	Dry-cleaning, repair and hire of clothing
03.2	Footwear
03.2.1	Shoes and other footwear
03.2.2	Maintenance, repair and hire of footwear
04.	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS
04.1	Actual rentals for housing
04.1.1	Actual rentals paid by tenants
04.1.2	Other actual rentals
04.3	Regular maintenance and repair of the dwelling
04.3.1	Products for the regular maintenance and repair of the dwelling
04.3.2	Services for the regular maintenance and repair of the dwelling
04.4	Other services relating to the dwelling
04.4.1A	Refuse collection — consumers pay according to consumption
04.4.2A	Sewerage services — consumers pay according to consumption
04.4.3A	Water supply — consumers pay according to consumption
04.4.4	Other services relating to the dwelling n.e.c.
04.5	Electricity, gas and other fuels
04.5.1	Electricity
04.5.2	Gas
04.5.3	Liquid fuels

Code	COICOP/HICP Heading
04.5.4	Solid fuels
04.5.5	Hot water, steam and ice
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
05.1.2	Carpets and other floor coverings
05.1.3	Repair of furniture, furnishings and floor coverings
05.2	Household textiles
05.2.1	Household textiles
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
05.3.2	Small electric household appliances
05.3.3	Repair of household appliances
05.4	Glassware, tableware and household utensils
05.4.1	Glassware, tableware and household utensils
05.5	Tools and equipment for house and garden
05.5.1	Major tools and equipment
05.5.2	Small tools and miscellaneous accessories
05.6	Goods and services for routine household maintenance
05.6.1	Non-durable household goods
05.6.2	Domestic services and house care services
06.A	HEALTH — goods paid by the consumer and not reimbursed
06.1A	Medical and pharmaceutical products and therapeutic appliances and equipment — paid by the consumer and not reimbursed
06.1.1A	Pharmaceutical preparations and products — paid by the consumer and not reimbursed
06.1.2A	Other medical products — paid by the consumer and not reimbursed
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	Spare 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 (1)
07.3	Transport services
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	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

Code	COICOP/HICP Heading
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
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.

(1) 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 prices  $\frac{1}{n} \sum p^t$  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 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:

$$I^{tb} = \frac{\sum_{i \in sb} P_i^1}{\sum_{i \in sb} P_i^b} \cdot \frac{\sum_{i \in sl} P_i^2}{\sum_{i \in sl} P_i^1} \dots \frac{\sum_{i \in st-1} P_i^1}{\sum_{i \in st-1} P_i^{t-1}},$$

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  $I^{tb} = \frac{\sum_{i \in sb} P_i^t}{\sum_{i \in sb} P_i^b}$ , 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.