

Indicator (definition)	Inflation rate: for the purposes of Structural Indicators, 'Inflation Rate' is the annual average rate of change in the Harmonized Index of Consumer Price (HICP). HICPs are a set of EU economic indicators produced monthly, based on a harmonised approach and a single set of definitions. They measure the changes over time in the prices of consumer goods and services acquired, used or paid for by households.
Eurostat Unit	Price statistics
Other Commission DGs	Economic and Financial Affairs
European Statistical System Working Group (WG)	Harmonized Index of Consumer Price
Date	December 2010

1. Overall assessment of accuracy and comparability (Description of quality grades under the following link: http://circa.europa.eu/Public/irc/dsis/structind/library?l=/general_information/quality_profiles/annex_enpdf/EN_1.0_&a=d)

A
 B
 C
 Indicator to be Developed

Data is collected from reliable sources applying high standards with regard to the methodology and ensuring a high degree of comparability.

2. Objective and relevance of the indicator:

The Treaty on European Union stated that "inflation shall be measured by means of a consumer price index on a comparable basis taking into account differences in national definitions".

HICPs are designed for international comparisons of consumer price inflation. They monitor inflation in the Economic and Monetary Union (EMU) and assess inflation convergence as required under Article 109j of the Treaty of Amsterdam. They benchmark convergence in terms of long term price stability in order to prepare for Stage III of EMU. They form the basis for the Monetary Union Index of Consumer Prices (MUICP), the European Index of Consumer Prices (EICP) and the European Economic Area Index of Consumer Prices (EEAICP).

HICPs are used for a wide variety of purposes, primarily as a guide for monetary policy and for international comparisons. They are also used for the indexation of commercial contracts, wages, social protection benefits or financial instruments; as a tool for deflating the national accounts or for calculating changes in national consumption or living standards.

Inflation rate is a key performance indicator, reporting on the general economic conditions under which the progress towards the Lisbon goals may be evaluated.

Restriction of the indicator's relevance and other characteristics which may lead to restrictions in using it in monitoring and reporting

3. Data availability:

(**t₁**: earliest reference year available; **t₂**: latest reference year available in December 2010)

	Member States	Candidate and Acceding Countries	US and Japan	EEA-EFTA
t ₁	1997: BE, CZ, DK, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, RO, SI, SK, FI, SE, UK 1998: BG	1997: IS, TR 1999: HR	1990: JP, US	1997: NO 2006: CH
t ₂	2009: All Member States	2009: IS, TR, HR	2009: JP, US	2009: NO, CH

4. Overall accuracy

High



Accuracy monitoring for Inflation Rate is embedded in Eurostat's compliance monitoring, a cyclic process of continuing improvement that mainly focuses on methodological soundness.

The accuracy of HICP is generally considered to be high. The accuracy of source data is monitored by assessing the methodological soundness of price and weight sources and the adherence to the methodological recommendations. There is a variety of data sources both for weights (National Account data, Household Budget Survey data, etc.) and prices (visits to local retailers and service providers and central collection via mail, telephone, e-mail and the internet are used). The type of survey and the price collection methods ensure sufficient coverage and timeliness. The outlets, from which prices are collected, are chosen to represent the existing trade and services network and they are based usually on three main criteria: Popularity with consumers, significant turnover from consumer sales and availability of goods and services included in the HICP basket. All the private households in the economic territory of the country are covered, whether resident or not and irrespective of their income. The type of survey and the price collection methods ensure sufficient coverage and timeliness. All the private households in the economic territory of the country are covered, whether resident or not and irrespective of their income.

The HICPs are in principle open to revision, in particular when new or improved information becomes available. Commission Regulation (EC) No 1921/2001 of 28 September 2001 lays down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for revisions of the harmonized index of consumer prices and amends Regulation (EC) No 2602/2000. This revision has not been completed yet.

Restricted

(sources, errors,
methodology, etc.)



5. Comparability across countries

High



The comparability of HICP across countries is high. Definitions and classifications have been harmonized in a series of legal acts that have resolved conceptual disparities. HICPs may be produced based on minimum standards that include a series of regulations that address one or more methodological issues. These methodological standards may be applied with some flexibility as long as the effect on the value of the indicator remains below 0.1%. Member States differ in the frequency of updating weights. Some countries apply a 'fixed base index formula', updating the weights in three to five-year intervals, others compute a chain-index with annual weight updating. However, the effect on the value of the indicator is negligible and therefore these differences do not affect comparability.

There are a number of conceptual and methodological differences between the USA and Japanese CPIs and the HICP. An important one is that the former include owner occupied housing while HICP presently excludes it. As of March 2006 the US Bureau of Labour Statistics is computing an experimental index that uses the HICP methodology

Restricted



6. Comparability over time

High



Fully comparable data. There have been several improvements in methodology since HICP was introduced with the aim of improving reliability and comparability of the HICP. These changes may have introduced breaks in time series. However back calculations under the newer standards were performed when appropriate basic data was available. In general if a change in methodology results in disparity in

indicator values of less than 0.1% the series is considered comparable.

Restricted

7. Development perspective for improving the quality of this indicator (including as far as possible an indication of the burden on Member States and respondents.)

The following actions are envisaged for the improvement of the accuracy and comparability of the HICP:

- The support of the national statistical offices of Acceding and Candidate Countries, to ensure that their HICPs are also comparable where this is not already the case.
- The consolidation of the now very extensive legal framework for HICPs, and the production in due course of a methodological manual to assist both compilers and users.

Furthermore methodological work is undertaken in two important fields that mostly affect accuracy and comparability (especially with the US and Japan):

- Quality adjustment and sampling. Eurostat and the Member States are actively following-up an Action Plan concerning this subject. Concrete best practices have been agreed for a range of specific goods and services (in particular cars, consumer durables, books and CDs, clothing and computers).
- Owner-occupied housing. The consumption of the shelter provided by owner-occupied housing is currently excluded from the HICPs. Pilot calculations are being carried out using an approach based on the acquisition costs of housing. Calculations have not been published yet.

8. Contribution to the coherence of the set/potential to qualify for an integrated policy analysis

Inflation rate is a key indicator for monetary policy to make an ongoing contribution towards supporting economic growth and price stability. It can be complemented by other indicators such as real effective exchange rate labour productivity and savings behaviour.

Relevant European legislation:

1. Art. 1 of Protocol No 21 that develops Article 121(1) of the Treaty of Amsterdam
2. European System of Accounts (ESA 1995)
3. Council Regulation (CE) No 322/97 of 17 February 1997 (OJ L 52/1) and Council Regulation (EURATOM, EEC) No 1588/90 of 11 June 1990 on the transmission of the data subject to statistical confidentiality to the Statistical Office of the European Communities (OJ L 151/ 1)

Complete list of Council and Commission Regulations for HICP:

1. Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices (OJ L 257, 27.10.1995, p. 1)
2. 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)
3. Commission Regulation (EC) No 2214/96 of 20 November 1996 concerning harmonized indices of consumer prices: transmission and dissemination of sub-indices of the HICP (OJ No L 296, 21.11.1996, p. 8)
4. Commission Regulation (EC) No 2454/97 of 10 December 1997 laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the quality of HICP weightings (OJ L 340, 11.12.1997, p. 24)
5. Council Regulation (EC) No 1687/98 of 20 July 1998 amending Commission Regulation (EC) No 1749/96 concerning the coverage of goods and services of the harmonised index of consumer prices (OJ L 214, 31.7.1998, p. 12)
6. Council Regulation (EC) No 1688/98 of 20 July 1998 amending Commission Regulation (EC) No 1749/96 concerning the geographic and population coverage of the harmonised index of consumer prices (OJ L 214, 31.7.1998, p. 23)
7. Commission Regulation (EC) No 2646/98 of 9 December 1998 laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the treatment of tariffs in the Harmonized Index of Consumer Prices (OJ L 335, 10.12.1998, p. 30)
8. Commission Regulation (EC) No 1617/1999 of 23 July 1999 laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 - as regards minimum standards for the treatment of

insurance in the Harmonized Index of Consumer Prices and modifying Commission Regulation (EC) No 2214/96 (OJ L 192, 24.7.1999, p. 9)

9. Commission Regulation (EC) No 1749/1999 of 23 July 1999 amending Regulation (EC) No 2214/96, concerning the sub-indices of the harmonized indices of consumer prices (OJ L 214, 13.8.1999, p. 1)

10. Council Regulation (EC) No 2166/1999 of 8 October 1999 laying down detailed rules for the implementation of Regulation (EC) No 2494/95 as regards minimum standards for the treatment of products in the health, education and social protection sectors in the Harmonised Index of Consumer Prices (OJ L 266, 14.10.1999, p. 1)

11. Commission Regulation (EC) No 2601/2000 of 17 November 2000 laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards the timing of entering purchaser prices into the Harmonised Index of Consumer Prices (OJ L 300, 29.11.2000, p. 14)

12. Commission Regulation (EC) No 2602/2000 of 17 November 2000 laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the treatment of price reductions in the Harmonised Index of Consumer Prices (OJ L 300, 29.11.2000, p. 16)

13. Commission Regulation (EC) No 1920/2001 of 28 September 2001 laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the treatment of service charges proportional to transaction values in the harmonised index of consumer prices and amending Commission (EC) No 2214/96. (OJ L 261, 29.9.2001, p. 46 – corrigenda published in OJ L 295, 13.11.2001, p. 34)

14. Commission Regulation (EC) No 1921/2001 of 28 September 2001 laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for revisions of the harmonized index of consumer prices and amending Regulation (EC) No 2602/2000 (OJ L 262, 29.9.2001, p. 49 – corrigenda published in OJ L 295, 13.11.2001, p. 34).

15. Commission Regulation (EC) No 1708/2005 of 19 October 2005 laying down detailed rules for the implementation of Regulation (EC) No 2494/95 as regards the common index reference period of the harmonised index of consumer prices, and amending Regulation (EC) No 2214/96.

16. Commission Regulation (EC) No 701/2006 of 25 April 2006 laying down detailed rules for the implementation of Regulation (EC) No 2494/95 as regards the temporal coverage of price collection in the harmonised index of consumer prices.

17. 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.

18. Commission Regulation (EC) No 330/2009 of 22 April 2009 laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the treatment of seasonal products in the Harmonised Indices of Consumer Prices (HICP). (OJ L 103, 23.4.2009, p. 6-9)