

## Harmonised indices of consumer prices (HICP)

The existing framework for providing harmonised indices of consumer prices, which is an essential part of the European Union's economic governance, consists of a patchwork of regulations deemed by many to be cumbersome and outdated. The European Commission has proposed to modernise the framework and to streamline its elements into a single new regulation.

### Background

The EU's [inflation measures](#) need to be harmonised for a number of reasons, especially with a view to providing information on price stability within the Union and monitoring the effects of the European Central Bank's (ECB) monetary policy. Measuring inflation with accuracy is also paramount for the correct implementation of the [macroeconomic imbalances procedure](#). The present legislative framework consists of a [Regulation](#) from 1995 and 20 implementing regulations adopted over the following 17 years. As such, it is rather complex and in need of revision. That said, the quality of EU statistics, which is recognised as being of a world-leading standard, does not need a significant boost.

### The Commission's proposal

The Commission [proposal](#), which has to be adopted under the ordinary legislative procedure, aims to simplify the current framework by introducing a single HICP regulation. The streamlining is to be achieved by means of (i) improving the definition of categories of group products, (ii) setting out a clearer scope of application, (iii) treating health, education and other specific fields separately, (iv) diminishing the room for interpretation of rules, (v) ensuring uniform treatment of similar product groups in all Member States, (vi) removing redundant parts of legislation, and (vii) clarifying provisions that have been misinterpreted in the past. Furthermore, the Commission will be able to adopt delegated and implementing acts in order to refine the framework and adapt it to the changing environment.

### European Parliament

On 13 October 2015, Parliament's Economic and Monetary Affairs Committee (ECON) adopted a [report](#) (rapporteur Roberto Gualtieri, S&D, Italy) broadly supporting the Commission's proposal. ECON called for greater importance to be assigned to the harmonised [index](#) of consumer prices at constant tax rates (HICP-CT), which shows the impact of indirect tax changes on inflation. The report also emphasised the need to better integrate house-price monitoring in the HICP, and proposed that euro-area Member States provide provisional estimates of monthly inflation to support monetary policy. ECON encouraged the undertaking and financing of pilot studies on cost-of-living indices, which would provide a valuable supporting tool to HICP, given that inflation and trends in the cost of living are correlated. Furthermore, the report called on the Commission to ensure, through cost-effect analyses, that the implementing measures and delegated acts adopted in accordance with the proposed regulation do not impose a significant additional burden on the Member States. ECON also proposed not to include reporting on certain activities, such as gambling, in the HICP. Furthermore, ECON expressed support for the ECB's request to be appropriately consulted whenever legislation involving ECB prerogatives is amended, and demanded additional reporting from Eurostat to the Parliament.

### Towards a first reading agreement

Following a series of trilogues, the Council and Parliament reached an agreement broadly incorporating the Parliament's positions. On 18 February 2016, ECON voted to confirm the [outcome](#) of the negotiations. A positive vote by plenary would allow the new regulation to be adopted at first reading.

