



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Mario DRAGHI

President

Mr Sander Loones

Member of the European Parliament

European Parliament

60, rue Wiertz

B-1047 Brussels

Frankfurt am Main, 12 June 2018

L/MD/18/205

Re: Your letter (QZ-031)

Honourable Member of the European Parliament, dear Mr Loones,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 26 March 2018.

Harmonised Indices of Consumer Prices (HICPs) data are compiled and published by the European Statistical System (ESS) in accordance with harmonised statistical methods.¹ Headline HICP inflation, to which we refer when conducting monetary policy to pursue our objective of price stability, is the level of inflation as reflected by the “all-items” HICP for the euro area, compiled and published by Eurostat. In this respect, the ECB does not calculate its own HICP.

The all-items HICP aims to be representative of developments in the prices of all goods and services available for purchase within the euro area for the purposes of directly satisfying consumer needs.² The all-items HICP includes rental payments for housing.³ The only significant area of consumption currently not covered by the HICP is expenditure on housing by homeowners, also referred to as owner-occupied housing.

¹ The European Statistical System is the partnership between the Community’s statistical authority – the Commission (Eurostat) – and the national statistical institutes and other national authorities responsible, in each Member State, for the development, production and dissemination of EU statistics.

² More specifically, the all-items HICP measures the average change, over time, in the prices paid by households for a specific, regularly updated basket of consumer goods and services. For further information see http://ec.europa.eu/eurostat/statistics-explained/index.php/HICP_methodology

³ For a detailed discussion, see the box entitled “Assessing the impact of housing costs on HICP inflation”, *Economic Bulletin*, Issue 8, ECB, 2016 (https://www.ecb.europa.eu/pub/pdf/other/eb201608_focus04.en.pdf).

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The HICP Framework Regulation⁴ requires Eurostat to send an assessment addressing the suitability of a proposed owner-occupied housing price index to the European Parliament and the Council for integration into the coverage of the HICP by the end of 2018.

As also indicated in its Opinion on the HICP Framework Regulation⁵, the ECB has been, from a conceptual point of view, in favour of the inclusion of an owner-occupied housing price index in the HICP, since the index's coverage of household expenditure for consumption purposes could be improved. At the same time, the inclusion of owner-occupied housing must not compromise the key properties of HICP that have been achieved since the very beginning. It is of the utmost importance, from a monetary policy point of view, that the HICP remains representative of consumption expenditure, rather than of asset price developments. Moreover, the potential integration of owner-occupied housing price indices in the HICP should impact neither the monthly frequency nor the timeliness with which HICPs are reported.

Yours sincerely,

[signed]

Mario Draghi

⁴ See Regulation (EU) 2016/792 of the European Parliament and of the Council of 11 May 2016 on harmonised indices of consumer prices and the house price index, and repealing Council Regulation (EC) No 2494/95, available at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R0792&from=EN>

⁵ The ECB's Opinion of 19 October 2012 on a proposal for a Commission regulation amending Regulation (EC) No 2214/96 concerning harmonised indices of consumer prices (HICP) is available on the ECB's website at https://www.ecb.europa.eu/ecb/legal/pdf/c_07320130313en00050012.pdf

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