

## Methodological note

# DERIVATION OF HICP WEIGHTS FOR 2024

EUROSTAT, DIRECTORATE C

UNIT C4 – PRICE STATISTICS; PURCHASING POWER PARITIES; HOUSING STATISTICS

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The Harmonised Index of Consumer Prices (HICP) is designed so that changing household consumption patterns are taken into account through annual weight updates. Each year, the weights are updated at the beginning of the year. Consistent with the Laspeyres principle, these weights refer to expenditures made in the previous year and are kept fixed throughout the year.

The legal framework of the HICP specifies how the HICP weights should be derived. In particular, Article 3 of the [Implementing Regulation \(EU\) 2020/1148](#) stipulates that the weights used in the HICP in year t should be based on national accounts data for year t-2, and that the corresponding expenditure shares should be reviewed and updated to make them representative of year t-1.

In line with this framework, a guidance note for the compilation of HICP weights in cases of large changes in consumer expenditures was issued by Eurostat in December 2020 and updated guidance notes published in November 2021 and 2022 <sup>(1)</sup>. These guidance notes recommend that the HICP weights used in year t should be based on the best estimates possible for household consumption expenditure patterns in the previous year t-1. The guidance notes discuss methods and data sources to re-estimate the national accounts expenditure data for year t-2 in order to make them representative of year t-1. This approach was motivated by the fact that, because of the COVID-19 pandemic, the consumption patterns in year t-2 were different from those in year t-1.

The next weight update for the HICP is scheduled to be implemented with the release of the January 2024 index. Returning to the practice of basing the weights derivation on national accounts data for year t-2 would mean that the 2024 HICP weights would be based on data

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<sup>(1)</sup> See 'Covid-19 and the HICP' on web page [Methodology - Harmonised Indices of Consumer Prices \(HICP\) - Eurostat \(europa.eu\)](#).

from 2022, a year that was still impacted by the COVID-19 pandemic and that faced extraordinarily high energy prices to which many countries reacted with compensation measures. The overall high inflation environment likely impacted consumption structures as well. Therefore, the approach for the derivation of the 2024 HICP weights will be similar to the approach adopted for the derivation of the 2021, 2022 and 2023 HICP weights. The target is that the HICP weights used in 2024 should be representative for the consumption patterns in 2023.

In practice, the derivation of the 2024 HICP weights will rely on expenditure data from the national accounts for 2022. These expenditure data must be reviewed and updated so to become as representative as possible of 2023. Additional data sources are needed to complement the national accounts data for 2022. At the most detailed product level possible, the expenditures for 2023 can be estimated as follows:

- a. estimate the 2023 expenditure values directly (in which case 2022 data are not used);
- b. multiply the 2022 value by an indicator of the change in expenditure;
- c. multiply the 2022 value by an indicator of the change in volume and an indicator of the change in price.

If the source data underlying these adjustments are only available for the first three quarters of 2023, some estimation technique must be applied for the last quarter of 2023. If these adjustments are done at a higher level than the sub-class level (5-digit ECOICOP), the estimated expenditures for 2023 can be allocated proportionally to the lower levels using the structures from 2022. The guidance note from December 2020 discusses further possible estimation procedures and available data sources.

The price reference period of the HICP in 2024 corresponds to December 2023. That is why the expenditure shares obtained for the year 2023 must be price-updated with an appropriate price change between the average of 2023 and December 2023 in order to obtain HICP weights (see Article 3(c) of Regulation (EU) 2020/1148).

Consistent with the above procedure, the estimates for the total of Household Final Monetary Consumption Expenditure (HFMCE) will also refer to 2023. These data are used to derive the country weights for the calculation of European aggregate HICP indices.

A more detailed description of the weight estimation process for each country is published in the [reference metadata](#) (see the concepts 18.1.1.1, 18.1.1.2, 18.1.1.3, 18.1.1.5 and 18.1.1.6). The weights data are published in the tables [prc\\_hicp\\_inw](#) (for the item weights) and [prc\\_hicp\\_cow](#) (for the country weights).