



OPINION OF THE EUROPEAN CENTRAL BANK

of 9 August 2010

on a proposal for a Commission regulation laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the quality of HICP weightings and repealing Commission Regulation (EC) No 2454/97

(CON/2010/67)

Introduction and legal basis

On 13 July 2010, the European Central Bank (ECB) received a request from the European Commission for an opinion on a proposal for a Commission regulation laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the quality of HICP weightings and repealing Commission Regulation (EC) No 2454/97 (hereinafter the 'draft regulation').

The ECB's competence to deliver an opinion is based on Article 127(4) of the Treaty on the Functioning of the European Union and on Article 5(3) of Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices¹ (hereinafter the 'HICP Regulation'). In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

General observations

- 1.1 According to the draft regulation, the harmonized indices of consumer prices (HICP) will be based on product weightings that aim to reflect the previous year's, i.e. *t-1*, expenditure pattern in a respective Member State. The ECB welcomes the draft regulation's objective of tightening the minimum quality standards with which the product weightings underlying the HICP have to comply. The implementation of the draft regulation will make the HICP in the Member States a true annually chained Laspeyres-type price index recognising that consumers may change their expenditure behaviour over a shorter timespan.
- 1.2 The ECB notes that the updated minimum standards for the quality of HICP specified in the draft regulation will result in a more relevant and accurate measurement of inflation and are expected to enhance both the comparability across Member States and the reliability of the HICP data.

¹ OJ L 257, 27.10.1995, p. 1.

2. Drafting proposals

Where the ECB recommends that the draft regulation is amended, specific drafting proposals are set out in the Annex accompanied by explanatory text to this effect.

Done at Frankfurt am Main, 9 August 2010.

[signed]

The Vice-President of the ECB

Vítor CONSTÂNCIO

Drafting proposals

Text proposed by the Commission	Amendments proposed by the ECB ¹
Amendment 1 [proposed new citation]	
<p>‘Having regard to the Treaty on the Functioning of the European Union,</p> <p>Having regard to Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices, and in particular Article 3 thereof,’</p>	<p>‘Having regard to the Treaty on the Functioning of the European Union,</p> <p>Having regard to Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices, and in particular Article 3 Article 5(3) thereof,</p> <p>Having regard to the opinion of the European Central Bank,</p>
<p><u>Explanation</u></p> <p><i>The second citation of the draft regulation refers to the legal basis for the draft legislation. In doing so, it refers to Article 5(3) of the HICP Regulation, according to which the Commission shall (i) adopt implementing measures necessary in order to ensure the comparability of HICPs and to maintain and improve their reliability and relevance, and (ii) request the ECB to provide an opinion on such measures which it proposes to submit to the Committee. It is, therefore, Article 5(3) of the HICP Regulation, and not Article 3 of the HICP Regulation concerning its scope of application, which should be referred to in the second citation of the draft regulation.</i></p> <p><i>Since the ECB is required to be consulted on the draft regulation under Article 127(4) of the Treaty, a citation to this effect should be inserted in the draft regulation in line with the second paragraph of Article 296 of the Treaty, according to which legal acts shall state the reasons on which they are based and shall refer to, inter alia, opinions required by the Treaties.</i></p>	
Amendment 2 [proposed amendment of recital 1]	
<p>‘(1) Harmonized Indices of Consumer Prices (HICP) are harmonized inflation measures</p>	<p>‘(1) Harmonized Indices of Consumer Prices (HICP) are harmonized inflation measures</p>

¹ Bold in the body of the text indicates where the ECB proposes inserting new text. Strikethrough in the body of the text indicates where the ECB proposes deleting text.

Text proposed by the Commission	Amendments proposed by the ECB¹
<p>required by the Commission and the European Central Bank for the performance of their functions under Article 140 of the Treaty on the Functioning of the European Union. HICPs are designed to facilitate international comparisons of consumer price inflation. They serve as important indicators for the management of monetary policy.’</p>	<p>required by the Commission and the European Central Bank for the performance of their functions under Article 140 of the Treaty on the Functioning of the European Union. HICPs are designed to facilitate international comparisons of consumer price inflation. They serve as important indicators used by the European System of Central Banks for the managementconduct of monetary policy pursuant to Article 127(2) of the Treaty on the Functioning of the European Union.’</p>
<p><i>Explanation</i></p> <p><i>The European System of Central Banks uses the HICP not only for the purpose referred to in Article 140 of the Treaty, but also for its conduct of monetary policy under Article 127(2) of the Treaty.</i></p>	
<p>Amendment 3</p> <p>[proposed amendment of recital 4]</p>	
<p>‘(4) Article 9 of Regulation (EC) No 2494/95 requires HICPs to be price indices of the Laspeyres-type. When relative prices of different goods and services change, consumers’ expenditure patterns can change to an extent that makes it necessary for the weights of the corresponding expenditure groups, and in particular their underlying quantities, to be updated in order to ensure their relevance.’</p>	<p>‘(4) Article 9 of Regulation (EC) No 2494/95 requires HICPs to be price indices of the Laspeyres-type. When relative prices of different goods and services economic conditions change, consumers’ expenditure patterns can change to an extent that makes it necessary for the weights of the corresponding expenditure groups, and in particular their underlying quantities, to be updated in order to ensure their relevance.’</p>
<p><i>Explanation</i></p> <p><i>Changes to the weights of expenditure groups may not only be triggered by changes in relative prices of different goods and services but may be triggered by any changes in economic conditions.</i></p>	

Text proposed by the Commission	Amendments proposed by the ECB ¹
Amendment 4 [proposed amendment of recital 8]	
<p>‘(8) This Regulation should not require Member States to carry out new statistical surveys or to carry out family budget surveys more frequently than once every five years, taking into consideration that Member States are required to compile national accounts in accordance with the European System of Accounts (ESA 1995)⁷ and that the country weights, which are necessary for producing euro area, EU and other HICP aggregates, are based on national accounts data.’</p>	<p>‘(8) This Regulation should not require Member States to carry out new statistical surveys or to carry out family budget surveys more frequently than once every five years, taking into consideration that Member States might be able to update the results from family budget surveys on the basis of other existing information or to have recourse to are required to compile national accounts data compiled in accordance with the European System of Accounts (ESA 1995)⁷ and that the country weights, which are necessary for producing euro area, EU and other HICP aggregates, are based on national accounts data.’</p>
<p><i>Explanation</i></p> <p><i>With a view to avoiding the conduct of additional statistical surveys it should be clarified that Member States may also update the results from family budget surveys on the basis of other existing information.</i></p>	
Amendment 5 [deletion of recital 10]	
<p>‘(10) The European Central Bank has been consulted in accordance with Article 5(3) of Regulation (EC) No 2494/95.’</p>	<p>‘(10) The European Central Bank has been consulted in accordance with Article 5(3) of Regulation (EC) No 2494/95.’</p>
<p><i>Explanation</i></p> <p><i>Since the ECB is required to be consulted on the draft regulation under the Treaty, a citation to this effect should be inserted in the draft regulation in line with Article 296 of the Treaty and recital 10 should be deleted.</i></p>	

Text proposed by the Commission	Amendments proposed by the ECB ¹
Amendment 6 [proposed amendment of Article 3(2)]	
<p>‘2. Each year, Member States shall therefore review and update HICP sub-index weights taking into account preliminary national accounts data on consumption patterns of year <i>t-2</i>, except in exceptional and in duly motivated circumstances, as well as any available and relevant information from household budget surveys and other data sources which are sufficiently reliable for the purposes of the HICP.’</p>	<p>‘2. Each year, Member States shall therefore review and update HICP sub-index weights taking into account preliminary national accounts data on consumption patterns of year <i>t-2</i>, except in cases where exceptional and in duly motivated circumstances, as well as any available and relevant information from household budget surveys and other data sources is available for year <i>t-2</i> and deemed to be more appropriate which are sufficiently reliable for the purposes of the HICP.’</p>
<p><u>Explanation</u></p> <p><i>The wording of Article 3(2) should be amended. As data sources other than preliminary national accounts data on consumption patterns of year t-2 may prove to be more reliable, it should be clarified that such other information may be used where it is deemed more appropriate for the purposes of the HICP.</i></p>	