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(Resolutions, recommendations and opinions)

OPINIONS

EUROPEAN CENTRAL BANK

OPINION OF THE EUROPEAN CENTRAL BANK

of 5 October 2007

on a proposal for a regulation amending Commission Regulation (EC) No 1749/96 on initial implementing measures for Council Regulation (EC) No 2494/95 concerning harmonised indices of consumer prices

(CON/2007/30)

(2007/C 248/01)

Introduction and legal basis

On 5 September 2007 the European Central Bank (ECB) received a request from the European Commission for an opinion on a proposal for a Commission regulation amending Regulation (EC) No 1749/96 of 9 September 1996 on initial implementing measures for Council Regulation (EC) No 2494/95 concerning harmonised indices of consumer prices (hereinafter the 'draft regulation').

The ECB's competence to deliver an opinion is based on the first indent of Article 105(4) of the Treaty establishing the European Community. 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.

1. General observations

1.1 The ECB welcomes the draft regulation as it clarifies and strengthens the principles underlying the harmonised index of consumer prices (HICP) and its sampling, replacement and quality adjustment procedures, thereby ensuring its comparability and accuracy. By introducing the concept of the 'consumption segment by purpose' as the fixed objects to be followed by the price index, the draft regulation clarifies the conceptual basis of the HICP. Also, by providing a framework and common terminology on sampling, product replacement and quality adjustment, it may facilitate further harmonisation in these areas.

1.2 The development of product-specific standards for quality adjustment methods promises important improvements. The ECB endorses the approach adopted by the draft regulation for setting standards for quality adjustment on a case-by-case basis, and for the classification of alternative methods for quality adjustment according to their appropriateness. Nevertheless, such standards may still leave room for divergent practices between national HICPs, so the full harmonisation of quality adjustment methods should be the ultimate aim. Moreover, as the implementation of agreed and effective standards is crucial, the ECB strongly recommends accompanying the implementation of the draft regulation by regular reporting on the progress of its implementation by the Member States and by strict compliance monitoring by the European Commission. This monitoring should aim at urging Member States to effectively apply A-methods for quality adjustments, since this is the best way to enhance both the HICP's accuracy and its comparability across Member States. If it were to be shown that such measures are not sufficient to lead to the required degree of comparability, the ECB would welcome the adoption of measures, as foreseen in Article 1(3) of the draft regulation, to make product-specific standards for quality adjustment legally binding.

- 1.3 The ECB also welcomes the specific rules included in the draft regulation for quality adjustment and related practices for updating the sample. However, given the current divergent national practices for updating HICP samples, it may be difficult to achieve full comparability of HICPs as regards representativeness and quality adjustment. The ECB therefore encourages the European Commission to continue working towards the establishment of standards for comparable sample updating for the HICP.

Done at Frankfurt am Main, 5 October 2007.

The President of the ECB
Jean-Claude TRICHET
