



EUROPEAN MONETARY INSTITUTE

GS/LD/97/688

OPINION OF THE EUROPEAN MONETARY INSTITUTE

on a consultation from the Commission of the European Communities under Articles 105 (4) and 109 f (8) of the Treaty and Article 5 (3) of Council Regulation No 2494/95 of 23 October 1995 on a draft Commission Regulation (EC) concerning minimum standards for the quality of HICP weights (No XX/97) (“Draft Regulation”)

CON/97/22

1. The present consultation was initiated on 23 September 1997 by the Commission of the European Communities which, for this purpose, transmitted to the EMI document [Lm SG(97)D/165599] containing the Draft Regulation.
2. In its Opinion on Commission Regulation (EC) No 1749/96 of 9 September 1996 the EMI noted that it considers the consultation obligation to be *“an essential tool which enables the EMI as a main user of future HICPs and as predecessor of the ECB to put forward its position on the envisaged harmonisation measures. Given the procedure provided for in Article 14 of the Council Regulation on HICP, which enables the Commission to adopt the measures envisaged only if they are in accordance with the opinion of the Statistical Programme Committee (SPC), it is highly desirable, in the opinion of the EMI, that the latter is formally consulted well in advance of the corresponding meeting of the SPC. A consultation at a later stage much reduces the effectiveness of the EMI’s opinion”*. With reference to this, the EMI notes that the present Draft Regulation was submitted to the SPC for its meeting in May 1997 and that the above concerns were not taken into account.
3. Against the background of the differing practices in the Member States for updating the index weights of consumer price statistics, the EMI welcomes the Draft Regulation. Given the lead time required for the implementation of new index weights, the Draft Regulation requires the application of weights relating to a reference period not exceeding seven years prior to the current year. This proposal will, in practice, mean that all weights will have to be updated once every one to five years. This will enhance both the comparability and the reliability of the HICP.

4. The EMI agrees that, within the required upper threshold, a higher frequency for updating individual sub-index weights is required if these individual weights change noticeably. This helps to ensure that weights reflect an accurate and up-to-date pattern of expenditure.
5. The detailed annual review of the expenditure pattern of consumers and the possible annual update of sub-index weights are new requirements for most Member States. While the proposal is theoretically and technically sound, the EMI notes two implications of the proposal. First, reliable sources for the regular weight review are a precondition for updating HICP weights but these might not be readily available in all Member States at intervals of a year. The accuracy and the comparability of these sources will determine the effectiveness of the Draft Regulation.
6. Second, unco-ordinated changes of weights in individual HICPs and, as a consequence, in the derived future Monetary Union area-wide index (MUICP) do not facilitate the use of HICPs for analytical purposes. The EMI therefore welcomes the requirement expressed in Article 3(5) that weight adjustments are to be introduced by all Member States in January only. Moreover, further measures which enhance the transparency and limit the complexity of the weight revision procedures without harming the quality of the future MUICP should be considered.
7. This opinion will be published in the Official Journal of the European Communities.

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