

OPINION OF THE EUROPEAN MONETARY INSTITUTE

on a consultation from the Commission of the European Communities under Article 105(4) and 109 f (8) of the Treaty and Article 5(3) of Council Regulation No 2494/95 of 23rd October 1995;

on a **draft Commission Regulation on minimum standards for prices used in HICPs** (No XX/96) (“Draft Regulation”).

CON/96/1

1. The present consultation was initiated on 18th January 1996 by the Commission of the European Communities which, for this purpose, transmitted to the EMI document D(96) 30201 containing the Draft Regulation.
2. The objective of the Draft Regulation is to maintain the target sample from month to month where monthly collection is the requirement, or from period to period where less frequent collection is planned for harmonised indices of consumer prices (HICPs) from January 1997. Articles 8.1 and 8.2 of the above Council Regulation require monthly price collection for HICPs, but the Commission (Eurostat) may allow less frequent collection as long as comparability is not affected. Present practice of substituting missing monthly observations is regarded to fail the comparability requirement of HICPs.
3. The EMI welcomes the measures aiming to improve comparability, particularly that
 - (i) the regulation applies to all goods and services covered by HICPs.
 - (ii) estimations are to be used when an observation is missing or not required; carrying forward previous prices is prohibited, unless they provide the best estimate.
 - (iii) estimations may be used only for a limited time.
4. The EMI is aware that there are sound reasons against more constraining rules and that the trade-off between cost and accuracy does not in all cases justify a strict obligation for monthly price collection of all goods and services. Furthermore, it is acknowledged that more precise rules can probably only be defined in conjunction with the envisaged regulation on sampling, since the sample size and the variability of prices influence the required standard for prices used in HICPs.

5. However, the EMI is not fully satisfied with the required minimum standards for prices and thus regards the Draft Regulation as a starting point for further improvements after 1997. The present Draft Regulation defines clearly neither the conditions to be fulfilled for granting exemptions from monthly price collection, nor a threshold for the application of estimated prices instead of actual prices, nor comparable methods for deriving the estimates.
6. In view of these remaining uncertainties, quality control over national practices becomes particularly important. The EMI therefore supports the Draft Regulation only with the proviso that appropriate measures for quality control will be defined in due course in order to ensure compliance with the requirements of the Council Regulation on HICP.
7. Subject to these reservations the EMI considers the Draft Regulation to be conducive to comparable consumer price indices in the European Union.

15th February 1996