

## **OPINION OF THE EUROPEAN MONETARY INSTITUTE**

**on a consultation from the Commission of the European Communities under Article 5(2) of Council Regulation No. 2494/95 of 23 October 1995 on a proposal by the Commission to grant a derogation from the initial implementing measures required under Commission Regulation No. 1749/96 concerning harmonised indices of consumer prices (HICP) to Denmark**

### **CON/97/01**

1. In a letter dated 16 January 1997 from Mr. Franchet, Director General of Eurostat, the Commission consulted the EMI on the derogation requested by Denmark from Commission Regulation No. 1749/96.
2. Article 5(2) of the Council Regulation on HICPs provides for the mandatory consultation of the EMI where the Commission is asked to grant a derogation. The present consultation relates to HICPs starting from January 1997. The EMI underlines the importance of a more timely submission of requests for derogations.
3. Article 5(2) of Council Regulation No 2494/95 enables a Member State to claim a derogation not exceeding a period of one year where it has to make "significant adjustments" to its statistical system. The EMI welcomes the considerable efforts undertaken by the Member States in order to improve the comparability of consumer price statistics. The EMI underlines the need to minimise claims for derogations, since each derogation granted reduces the progress in comparability of HICPs at a time which is critical in the move to the final stage of Monetary Union.
4. Against the background of the tight timetable for the introduction of HICPs, the EMI also emphasises the importance of the timely implementation of all required changes to the statistical system. In this context it points to the fact that Commission Regulation No. 1749/96 was enacted by the Commission on 9 September 1996 and that the contents of the draft Regulation were approved by the Statistical Programme Committee at its meeting in December 1995, i.e. more than one year before the first HICPs were to be calculated.

5. Denmark seeks the granting of a derogation from Article 7 of Commission Regulation No. 1749/96, which introduces two comparable formulae for calculating price indices for elementary aggregates. The formula used by Denmark does not fulfil the above comparability requirement and is expected to lead to systematically higher price indices. This is why the Commission Regulation requires that it should normally not be used. Given the potential impact on the comparability of HICPs, the EMI strongly supports the preconditions proposed by the Commission for granting a derogation, which are to limit the derogation to August 1997 and to apply the change in formula retrospectively to January 1997 at that date.
  
6. The EMI agrees that this opinion may be made public by the competent authorities at their discretion.