

I

(Resolutions, recommendations and opinions)

OPINIONS

EUROPEAN CENTRAL BANK

OPINION OF THE EUROPEAN CENTRAL BANK

of 23 February 2009

on a proposal for a regulation laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the treatment of seasonal products in the Harmonized Indices of Consumer Prices (HICP)

(CON/2009/14)

(2009/C 58/01)

Introduction and legal basis

On 5 January 2009, the European Central Bank (ECB) received a request from the Commission of the European Communities 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 treatment of seasonal products in the Harmonized Indices of Consumer Prices (HICP) (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

In general, the ECB welcomes the draft regulation which should foster the comparability of the HICP. The treatment of seasonal items is one of the longest standing harmonisation issues that have been discussed in the context of the development of the HICP. Currently, the treatment of seasonal items differs substantially across Member States, which leads to insufficiently comparable HICPs. In turn, this leads to difficulties in interpreting the euro area indices for certain product groups and may even lead to distortions in the all-items HICP.

2. Specific observations

- 2.1. Nevertheless, the draft regulation still allows two different methods for the treatment of seasonal products, using either strict annual weights indices or class-confined seasonal weights indices. While the draft regulation imposes certain restrictions on the implementation of these two types of indices to limit the cross-country incomparability of the results, simulations have shown that under certain conditions the two approaches still lead to quite different outcomes. Therefore, the ECB would welcome a tighter standard, allowing only one of the two different methods to be applied, in order to further improve the comparability of the treatment of seasonal items. However, if it is not expected that

choosing between the two methods would have a significant impact on the all-items HICP and if deleting one of the methods in the draft regulation would lead to a substantial delay in adopting the draft regulation, the ECB would welcome the treatment of seasonal products being restricted to only one of the methods in future revisions of the Regulation.

- 2.2. For those Member States whose current practices substantially differ from the minimum standards described in Article 4 of the draft regulation, the impact on the subindices covered by the draft regulation may be significant. This will lead to a statistical break in the indices which could result in a distortion of the year-on-year changes of the all-items HICP. The ECB acknowledges that it may not be feasible for Member States to revise the previously published HICPs back to the start. However, the ECB attaches particular importance to the comparability and consistency of the HICP figures in the year following the implementation of the draft regulation. The ECB would therefore welcome the Member States revising their national HICPs for at least one year prior to the implementation of the draft regulation.
- 2.3. 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 253 of the Treaty.
- 2.4. As the European System of Central Banks uses the HICP not only for the purpose referred to in Article 121 of the Treaty, but also for its monetary policy related decision-making tasks under Article 105(2) of the Treaty, the ECB recommends inserting a recital in the draft regulation.

3. **Drafting proposals**

- 3.1 Where the above advice would lead to changes in the draft regulation, drafting proposals are set out in the Annex.

Done at Frankfurt am Main, 23 February 2009.

The President of the ECB
Jean-Claude TRICHET

ANNEX

Drafting proposals

Text proposed by the Commission	Amendments proposed by the ECB (1)
Amendment 1 [proposed new citation]	
<p>‘Having regard to the Treaty establishing the European Community, Having regard to the Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices, and in particular the third paragraph of Article 4 and Article 5(3) thereof,’</p>	<p>‘Having regard to the Treaty establishing the European Community, Having regard to the Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices, and in particular the third paragraph of Article 4 and Article 5(3) thereof, Having regard to the opinion of the European Central Bank,</p>
<i>Justification — See paragraph 2.3 of the opinion</i>	
Amendment 2 [proposed new recital 5]	
	<p>‘(5) HICP is an important indicator used by the European System of Central Banks for its analyses related to monetary policy decision-making pursuant to Article 105(2) of the Treaty.</p>
<i>Justification — See paragraph 2.4 of the opinion</i>	
<p>(1) Bold in the body of the text indicates where the ECB proposes inserting new text.</p>	