

## III

*(Preparatory acts)*

## EUROPEAN CENTRAL BANK

## OPINION OF THE EUROPEAN CENTRAL BANK

of 13 March 2015

**on a proposal for a regulation of the European Parliament and the Council on harmonised indices of consumer prices and repealing Council Regulation (EC) No 2494/95****(CON/2015/10)**

(2015/C 175/02)

**Introduction and legal basis**

On 17 December 2014, the European Central Bank (ECB) received a request from the European Parliament for an opinion on a proposal for a Regulation of the European Parliament and of the Council on harmonised indices of consumer prices <sup>(1)</sup> (HICP) (hereinafter the 'proposed regulation'). This legal act would repeal and replace Council Regulation (EC) No 2494/95 <sup>(2)</sup>. On 26 January 2015, the ECB was consulted on the same proposal by the Council of the European Union.

The ECB's competence to deliver an opinion is based on Articles 127(4) and 282(5) of the Treaty on the Functioning of the European Union. The proposed regulation lies within the ECB's fields of competence as the ECB is a key user of HICP statistics. Harmonised indices of consumer prices are important indicators in the context of monetary policy. They are of crucial importance to the ECB's primary objective of maintaining price stability in the euro area <sup>(3)</sup>, as sound monetary policy decisions depend on reliable and high quality HICP statistics. They also support the Eurosystem's tasks in the area of financial market stability <sup>(4)</sup>.

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**

The ECB supports the efforts undertaken by the European Commission (Eurostat) concerning the review and modernisation of the Union legal framework for compilation of HICP statistics.

**2. Consultation of the ECB and its involvement in the preparatory and implementing work**

2.1. Given the ECB's consistent contributions to the HICP framework and the importance of high quality HICP statistics for sound monetary policy and, in particular, for the pursuit of the ECB's primary objective of price stability, the ECB should continue to be consulted on future modifications of this framework <sup>(5)</sup>.

<sup>(1)</sup> COM(2014) 724 final.

<sup>(2)</sup> Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices (OJ L 257, 27.10.1995, p. 1).

<sup>(3)</sup> See Article 127(1) of the Treaty and first sentence of Article 2 of the Statute of the European System of Central Banks and of the European Central Bank (hereinafter the 'Statute of the ESCB').

<sup>(4)</sup> See the first indent of Article 127(2) and Article 127(5) in conjunction with Article 139(2)(c) of the Treaty and the first indent of Article 3.1 and Article 3.3, in conjunction with Article 42.1 of the Statute of the ESCB.

<sup>(5)</sup> See Article 5(3) of Regulation (EC) No 2494/95 according to which the Commission shall request the ECB to provide an opinion on the measures which it proposes to submit to the European Statistical System Committee.

- 2.2. In particular, pursuant to Articles 127(4) and 282(5) of the Treaty, the ECB is to be consulted on any implementing and delegated acts, which the Commission may adopt under the revised legal framework for the HICP <sup>(1)</sup>. The obligation to consult, and the benefits of ECB consultation, were underlined by the European Court of Justice in *Commission v ECB* <sup>(2)</sup>.
- 2.3. Consistent with the existing provisions of Regulation (EC) No 2494/95 <sup>(3)</sup>, and notwithstanding the collaboration in the preparation of legislative acts, Recital 2 of the proposed regulation should reflect the ECB's competence to be consulted on implementing and delegated acts adopted under the proposed regulation.

### 3. Use of delegated and implementing acts

- 3.1. Regarding the Commission's power to adopt delegated acts based on Article 290 of the Treaty, the ECB considers the threshold below which there is no obligation for Member States to provide sub-indices of harmonised indices, and the list of sub-indices that need not be produced by Member States <sup>(4)</sup> to be essential elements of the proposed regulation. These items are fundamental to ensure sound and harmonised consumer price indices. Changes to these parameters have a direct effect on the coverage and on the soundness of the indices. They exert a significant influence on the index quality and reliability. The ECB therefore considers that delegated acts are not the appropriate legal instruments to be used to establish rules governing these key elements of the HICP framework. These issues should be decided and laid down in the proposed regulation. The ECB suggests incorporating in Article 5(6) and (7) the well established thresholds of 1/1 000 weight of the total expenditure covered by the HICP, and 1/100 for owner-occupied housing and house price indices, respectively.
- 3.2. The ECB supports the proposed Article 5(1) in connection with Article 2(q) on the collection of information about 'administered prices' as part of the 'basic information' that should be provided with reference to HICPs (and HICPs at constant tax rates). The ECB monitors price developments that are either set directly, or influenced to a significant extent, by the government (at central, regional or local level, including national regulators), as well as the impact of these developments on the overall HICP. Indeed, this information is very useful for the analysis of inflation developments. However, further guidance is necessary with regard to the classification of prices as either not, mainly or fully administered. This classification is often ambiguous. For indices that refer to, or exclude administered prices, the ECB would welcome if the Commission would provide guidance ensuring the harmonised definition and application of these concepts in an implementing act adopted under Article 4(4) of the proposed regulation.

### 4. Methodological issues

- 4.1. The ECB agrees with the Commission that the new legal framework should not fall behind the current requirements for compiling harmonised indices in terms of quality and consistency assurance. The achievements reached in the past 20 years since the adoption of Regulation (EC) No 2494/95 should be maintained and, where possible, enhanced.
- 4.2. Article 4(2)(b) of the proposed regulation introduces a wider margin for systematic differences in annual growth rates of the owner-occupied housing price index (OOH-price index) and of the house price index (HPI) that may result from deviations from the concepts or methods laid down in the proposed Regulation. While Commission Regulation (EU) No 93/2013 <sup>(5)</sup> is silent on this issue, the ECB strongly suggests applying the standard of

<sup>(1)</sup> See, e.g., para. 1.3 of the Opinion of the European Central Bank of 15 February 2007 at the request of the Council of the European Union on eight proposals amending Directives 2006/49/EC, 2006/48/EC, 2005/60/EC, 2004/109/EC, 2004/39/EC, 2003/71/EC, 2003/6/EC and 2002/87/EC, as regards the implementing powers conferred on the Commission (CON/2007/4), (2007/C 39/01) (OJ C 39, 23.2.2007, p. 1); para. 2 of the Opinion of the European Central Bank of 19 October 2012 on a proposal for a Commission regulation amending Regulation (EC) No 2214/96 concerning harmonised indices of consumer prices (HICP): transmission and dissemination of sub-indices of the HICP, as regards establishing harmonised indices of consumer prices at constant tax rates and on a proposal for a Commission regulation laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 concerning harmonised indices of consumer prices, as regards establishing owner-occupied housing price indices (CON/2012/77) (2013/C 73/03) (OJ C 73, 13.3.2013, p. 5).

<sup>(2)</sup> Judgment of 10 July 2003 in Case C-11/00 *Commission of the European Communities v European Central Bank* [2003] ECR 2003, I-7147, in particular paragraphs 110 and 111. The Court of Justice clarified that the obligation to consult the ECB is intended 'essentially to ensure that the legislature adopts the act only when the body has been heard, which, by virtue of the specific functions that it exercises in the Community framework in the area concerned and by virtue of the high degree of expertise that it enjoys, is particularly well placed to play a useful role in the legislative process envisaged'.

<sup>(3)</sup> See Article 5(3) of Regulation (EC) No 2494/95.

<sup>(4)</sup> See Article 5(6) and (7) of the proposed regulation.

<sup>(5)</sup> Commission Regulation (EU) No 93/2013 of 1 February 2013 laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 concerning harmonised indices of consumer prices, as regards establishing owner-occupied housing price indices (OJ L 33, 2.2.2013, p. 14).

0,1 percentage points that is used for assessing the comparability of sub-indices of the HICP. This could be achieved by dropping Article 4(2)(b) of the proposed Regulation and removing the restriction in the coverage of Article 4(2)(a). Relaxing comparability requirements would deteriorate the quality of the OOH and HPI sub-indices.

- 4.3. The production of sub-indices at intervals less frequent than required by the proposed regulation should remain subject to prior approval by the Commission (Eurostat). This is currently ensured by Article 8(2) of Council Regulation (EC) No 2494/95 <sup>(1)</sup>. The same requirement should be reflected in Article 6(3) of the proposed regulation, as well as in the implementing regulation.

Where the ECB recommends that the proposed regulation be amended, specific drafting proposals are set out in a technical working document accompanied by explanatory text to this effect.

Done at Frankfurt am Main, 13 March 2015.

*The President of the ECB*

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<sup>(1)</sup> The required frequency of price collection shall be once a month. Where less frequent collection does not preclude production of an HICP which meets the comparability requirements referred to in Article 4, the Commission (Eurostat) may allow exceptions to monthly collection. This paragraph shall not preclude more frequent price collection.