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**PRACTICAL ASPECTS OF HARMONIZED CONSUMER PRICE INDICES  
IMPLEMENTATION, BASED ON EXPERIENCE GAINED BY THE CENTRAL  
STATISTICAL OFFICE IN POLAND**

Invited paper submitted by the Central Statistical Office of Poland<sup>1</sup>

**I. Introduction**

1. Following the rules adopted by the Member States (MSs) of the European Union (EU), as specified under the Maastricht Treaty, price stability counted as one of the most important economic terms. Since it provides a basis for arriving at conclusions on the state of the national economy, it has to be measured with indices that are computed according to harmonised methodological rules. The relevant harmonisation attempts were made over the 1970s and the 1980s. Eurostat, however, started major work in this scope, in co-operation with the MSs, in 1993, soon after the Treaty was signed. As a result of that work the harmonized consumer price indices (HICPs) started to be officially published in January 1997.

*HICPs coverage in the EU Member States.*

2. The HICPs were primarily computed based on a pre-determined coverage ("initial coverage") that did not include certain groups of goods and services for which it was difficult to settle on common survey methods due to important discrepancies between the methodological rules that were applied in different countries. This concerted to a certain extent: rentals paid by tenants; some housing services such as refuse collection and disposal, water supply, and sewage collection and disposal; certain products and all services that are somehow related to health; books and stationery; educational services; canteens; accommodation; social protection services; insurance; and some financial services. Starting from January 2000, as has been called for by Eurostat, the HICPs have been based on the basket of goods and services that covers nearly 100% of household expenditure according to the definition of the "household

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final monetary consumption expenditure” that was adopted under ESA’95. Out of the index there still remain hospital and social protection services, social protection services rendered at diseased persons’ homes as well as those that are rendered at old people’s homes and at residences of the handicapped and disabled. All these services are most likely to be included starting from January of 2001. The consumer price indices should include only and exclusively prices that are paid by households in legal monetary transactions connected with purchases of consumer goods, and for this reason the HICPs, in principle, do not consider prices of drugs, imputed rentals, gambling bets, etc.

### ***Basic price indices compiled by Eurostat.***

3. Based on data that have been transferred by the MSs, Eurostat compiles, in addition to the HICPs, a number of other price indices for various aggregates including, among others, the MUICP (the Monetary Union Index of Consumer Prices), the EICP (the European Index of Consumer Prices) and the EEAIICP (the European Economic Area Index of Consumer Prices). The MUICP is compiled for countries participating in EMU (the Economic and Monetary Union currently associating 11 states<sup>2</sup>), the EICP for all member countries of “the fifteen”, and the EEAIICP for all the EU countries plus Island and Norway.

4. They provide a basis for forming a monetary policy run by the European Central Bank as well as for appraising the price stability of countries that claim to participate in the EMU. Also, candidate countries (the CCs) applying to the EU shall supply data that allow price indices for the aforementioned aggregates to be computed.

## **II. EU requirements to application of harmonized methodological rules in the consumer price statistics by the CCs.**

5. One of the criteria that allows one to evaluate the extent of preparations in the negotiation process of the CCs to the EU, following the so called “*acquis communautaire*” procedure, is the readiness of the CCs to introduce laws that apply within the EU. As regards price statistics, however, the so defined “readiness” to effect the EU laws has been found insufficient. Statistical offices of the CCs are committed to implement the harmonized methodological rules in the compilation of consumer price indices much earlier than when they join the EU, so that they will be able to provide EU authorities with statistical data that give objective information on the economic situation of a given country.

## **III. Co-operation with Eurostat.**

6. The first meeting that was aimed at familiarising statisticians from the CCs with the HICP-related issues took place at the end of 1996. In order to obtain a better idea of the methodologies that particular CCs were applying for purposes of the consumer price statistics, Eurostat sent each of the countries two questionnaires, one in 1997 and another more detailed one in 1998. Like other countries, Poland completed the two questionnaires. The process of responding to the questions specified in the questionnaires served another purpose, for it let Polish statisticians proceed with a self-assessment as regards to the level of harmonisation with the EU requirements in this particular scope. It also made them aware of the enormous amount of work that must still be done to reach full compliance with the requirements. At that time, certain difficulties were faced due to a lack of numerous legal acts and other related documents, which were mostly developed by Eurostat only in 1998 and 1999. The single regulation by the European Council and the three regulations by the European Commission were relatively too general to serve as the basis for conducting a comprehensive appraisal of the acquired

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2 Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, Netherlands, Austria, Portugal and Finland.

stage. The guidelines-type documents could only be used to a certain extent as they had no legal force and, apart from that, the principles specified in them used to be modified upon the documents being transformed into regulations. In 1997 the CSO regularly received documents from the Working Party (WP) meetings that reported on harmonisation of consumer price indices. In the autumn of 1997 Eurostat began inviting the CCs, initially only as observers, to the meetings. However, close co-operation between Eurostat and the CCs started in 1998, when the principle of arranging a special session for the CCs was carried into effect. After two days of listening to discussions run by Eurostat and the MSs, the CC's representatives were given an opportunity to set forth and discuss their problems at the next day's meeting which involved the staff of Unit B3 as well as consultants and experts from Eurostat. A representative of Poland attended all the WP meetings. It is a rule, however, that the CCs are not represented at meetings of the Task Force or of the Study Group that has been appointed by Eurostat to compile practical solutions applicable to complex methodological problems. For that reason neither Poland nor any other candidate country has had any impact on the shape of legal acts that have been developed at present for the HICPs and/or on the methodological rules being currently formed. Hence, irrespective of how much they are "suitable" for circumstances in socio-economic transition countries the CCs are obliged to implement in the statistical practices the methodology compiled by the MSs and Eurostat. However, it is possible to obtain in-depth familiarisation with the HICP-related work of Eurostat, thanks to the 5.5 month's training that is regularly arranged for statisticians from the CCs. Poland has availed itself of that opportunity, deeming it also as one of the ways for the CCs to gain better knowledge about formulating detailed methodological rules and the procedures for creating legislative forms to be executed in the future by MSs. One should, however, mention that it would be particularly advantageous if Eurostat could arrange for such training for statisticians from the CCs being provided in MS statistical offices, where they would be capable of gaining practical knowledge on how methodological rules laid down under particular legal acts should (and should not) be applied. Opportunities to arrange such training events were discussed by the Eurostat representatives at one of the WP sessions - however, no relevant declarations from the MS statistical offices have been received so far.

7. Another form of work contacts between Eurostat and the CCs, that would be very helpful towards faster implementation of the HICP in the CCs, are meetings of the workshop type. They should be regularly organised for personnel of price statistics statisticians from the CCs as, in combination with computers, they would allow to get practically familiarisation with methods of implementing particular methodological approaches for compilation purposes. Within the frame of co-operation with Eurostat, at the beginning of 1999 the CSO hosted Mr John Astin, the head of Unit B3 in Eurostat, who gave a lecture on harmonisation within this field of statistics. He presented in detail the EU methodology and requirements in that scope as well as answering questions put by the Price Division employees. His visit allowed a larger number of statisticians (among others those from regional statistical offices and other divisions within CSO), to get more closely involved in the concerned issues. The CSO also hosted two experts from Eurostat: Mr Josef Auer in June 1999 and Mr Jorgen Dalen in February 2000 who subsequently evaluated the state of both preparations aimed at full harmonisation and the progress achieved by Poland in the implementation of the methodology, compliant with Eurostat requirements on the HICP compilation by CSO. The assessment was positive.

#### **IV. The EU legislation in the scope of harmonisation of consumer price indices and adopted procedure of its implementation in the CCs.**

8. As of March 2000 there were 10 EU regulations in force on the HICPs computation principles and 4 related guidelines. Following assumptions by Eurostat a number of other legal acts on previously mentioned complex issues would not come into force until 2002. In our opinion it would be a good idea to consolidate them in one consistent legal act as making use of so many regulations, including those specifying amendments to the already implemented ones, causes further complications to the implementation work. In early 1999 Eurostat compiled and transferred both to the MSs and to the CCs

the paper “Compendium of HICP reference documents” containing all contemporary legal acts and guidelines in force as well as three reference documents<sup>2</sup> laying down detailed computation principles with formulas included, and recommendations and comments by Eurostat on certain methodological approaches used by the MSs, and a description of the formula applied by Eurostat for the MUICP computation. “Compendium ...” was updated by new legal acts added in September 1999 which, to some extent, simplified the work in the CCs too.

9. In early 1999 Eurostat agreed jointly with the CCs that the process of implementing the HICPs into statistical practice should be divided in two stages (the so-called Mark I and Mark II stages). Following assumptions of the first one the CCs make every endeavour to carry into effect, before the end of 1999, the principles determined by all regulations, except those concerning the HICP coverage extension. Price indices computed at that stage correspond, in coverage terms, to the HICPs compiled by the MSs over a period from January 1997 to December 1999 and stay in conformity with the “initial coverage” as defined hereto. The second stage to be approached in 2000, is based on the assumption, that in January 2001 the CCs will provide Eurostat with HICPs computed on principles identical to those adopted by the MSs.

10. On the third day of the WP meeting held at the beginning of March 2000 a detailed coverage of the two aforementioned stages was agreed. It determined that by the end of December 1999 the CCs should have implemented the following regulations:

- COUNCIL REGULATION (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices,
- COMMISSION REGULATION (EC) No 1749/96 of 9 September 1996 on initial implementing measures for Council Regulation (EC) No 2494/95 concerning harmonized indices of consumer prices,
- COMMISSION REGULATION (EC) No 2214/96 of 20 November 1996 concerning harmonized indices of consumer prices: transmission and dissemination of sub-indices of the HICP,
- COMMISSION REGULATION (EC) No 2454/97 of 10 December 1997 laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the quality of HICP weightings,
- COMMISSION REGULATION (EC) No 2646/98 of 9 December 1998 laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the treatment of tariffs in the Harmonized Index of Consumer Prices,
- COMMISSION REGULATION (EC) No 1617/1999 of 23 July 1999 laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 - as regards minimum standards for the treatment of insurance in the Harmonized Index of Consumer Prices and modifying Commission Regulation (EC) No 2214/96.

Whereas till the end of December 2000 the CCs should deal successfully with the implementation of the remaining regulations, namely:

- COUNCIL REGULATION (EC) No 1687/98 of 20 July 1998 amending Commission Regulation (EC) No 1749/96 concerning the coverage of goods and services of the harmonized index of consumer prices,

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<sup>2</sup> Report from the Commission of the Council on Harmonization of Consumer Price Indices in the European Union”, “On the computation of Harmonized Indices of Consumer Prices - (HICPs)”, “Monetary Union Index of Consumer Prices (MUICP)” .

- COUNCIL REGULATION (EC) No 1688/98 of 20 July 1998 amending Commission Regulation (EC) No 1749/96 concerning the geographic and population coverage of the harmonized index of consumer prices,
- COMMISSION REGULATION (EC) No 1749/1999 of 23 July 1999 amending Regulation (EC) No 2214/96, concerning the sub-indices of the harmonized indices of consumer prices,
- COUNCIL REGULATION (EC) No 2166/1999 of 8 October 1999 laying down detailed rules for the implementation of Regulation (EC) No 2494/95 as regards minimum standards for the treatment of products in the health, education and social protection sectors in the Harmonized Index of Consumer Prices.

11. In addition, in the event that over a given year other planned regulations take effect, they will also have to be implemented by the CCs. Based on our experience one can say it will fail to be workable in terms of the CCs' practices - not only because of budget, staff and language constraint but also due to the fact that the MS representatives have kept co-operation with each other and with Eurostat starting from 1993 on the compilation of the HICP-oriented methodology. They officially announced first initial indices in January 1997 after four years of joint efforts, whereas the corresponding period of nowadays work for the CCs would be much shorter.

12. Poland has already implemented, to a remarkable extent, methodological rules laid down in regulations as requested at the first stage of the HICP implementation. Proceeding at the same time with preparations aimed at starting in January 2001 to compute fully harmonized indices, Poland has systematically extended their coverage, following recommendations made by the visiting experts, by way of including in the compilation such product groups as educational, hospital or social protection services which are required in fact only at the second stage. We do not expect any particular difficulties to be faced in Polish realities whilst effecting legal acts specified by the Commission's legislative programme, provided that the included notions set forth all related problems clearly, precisely and explicitly, which can hardly ever be experienced in respect of the existing regulations and guidelines. The aforementioned is absolutely indispensable, especially as price statistics areas planned to be included in the legislation process are counted as so-called difficult issues, which are for instance:

- treatment of other financial services n.e.c.,
- time of entering purchaser prices,
- treatment of owner occupied housing,
- further minimum standards for sampling,
- treatment of seasonal items,
- further minimum standards on quality adjustments procedures,
- treatment of price reductions.

**V. Achievements thus far and basic execution problems connected with difficult areas from within the HICP coverage.**

*Classification problems.*

13. The coverage of harmonized consumer price indices is determined by COICOP/HICP - the Classification of Individual Consumption by Purpose - being one of varieties from within the family of the COICOP classification, adapted so that to meet the HICP needs. Likewise most of the CCs, Poland has already introduced and applied, for computation purposes, both COICOP/HICP as well as COICOP/HBS being the classification variety applicable to the household budget surveys. The two classifications also find use in the national accounts.

14. Notwithstanding certain problems commonly occurring with the transition from one classification to another, the aforementioned work has finally resulted in the classification unification

allowing simplifying, to a great extent, the surveys procedure. COICOP/HBS was introduced in the household budget surveys in 1997 thus making it possible to obtain data for the weight system for the consumer price indices computation purposes. Transition to COICOP/HICP, as regards the consumer price surveys, took place in 1999 with the use - whilst proceeding with the weights compilation - of the household consumption expenditure structure for 1998. Over the so-called transition year, meaning the year for new classifications to be introduced, the two surveys were also run following the previously applied national classification. Subsequently, to avoid doubling the work the CSO withdrew the national classification for the concerned coverage and replaced it with COICOP/HICP, also whilst computing CPIs to meet national demands. The adaptation of the new classification, however, involved a number of difficulties when computing price indices over longer periods of time for groups of goods and services at the lowest and medium aggregation levels. It is enough to say, that according to the previous classification the survey included 229 groups of the lowest weighting level, whereas currently - 302 groups according to COICOP/HICP.

15. Difficulties in the process of the COICOP/HICP implementation also resulted from its permanent modifications. Final version of UN COICOP was issued only in March 2000. Additionally, requirements by Eurostat in respect of the HICP coverage used to precede, (and they still do) capabilities of the household budget surveys, thus making it necessary to compile estimates based on other available information. For instance, in 2000 Eurostat recommends to decide on applying the newest version of COICOP/HICP, compliant with the Commission Regulation No 1749/1999, which was effected at the UE territory in the summer 1999. The household budget survey at that time was performed according to the previously ruling version of COICOP/HICP (also following recommendations by Eurostat applicable to that survey). Hence, it is not possible to obtain weights, for instance, for the group of "phone calls" with their breakdown into the national and the international ones. It is indispensable to carry out applicable estimates in such a case.

16. Apart from that, COICOP/HICP fails to meet the national demands fully. According to the previously applied national classification the statistical data customers, irrespective of the all item CPI, were used to receiving separate information on price changes for goods and for services, whereas it does not make a rule that the COICOP/HICP classification differentiates groups at all times into those of goods and those of services. For example, the COICOP/HICP class 09.3.2 - "Equipment for sport, camping and open- air recreation" has been classified as the semi-durable goods although simultaneously embracing all involved repairs, meaning all services associated with the equipment. Another example may be counted the COICOP/HICP group 04.5 - "Electricity, gas and other fuels". According to the national classification the electricity, gas and hot water supply was treated as the service, whereas according to COICOP these are referred to as the goods. A number of differences between the national and the COICOP classifications are much bigger thus excluding, in fact, a possibility to associate long price index series.

***Problems on measurement of price changes in certain specific groups of goods and services with reference to which some differences in particular countries exist.***

17. A significant part of goods and services including, among others, those connected with health care, education, social welfare was, before the economy transformation period in Poland - likewise in most of the other CCs - subsidised to a great extent by the government. Hence, all those services constituted a minor percentage in household budgets. The transformation changes, taking place over the recent years, have resulted in necessity to draw a bigger attention to services in this particular scope. To survey prices of those services, following the methodology by Eurostat, demands applying the "net approach"<sup>3</sup> meaning that data should cover only and exclusively the part of expenditure paid for by

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3 See: COUNCIL REGULATION (EC) No 2166/1999 of 8 October 1999 laying down detailed rules for the implementation of Regulation (EC) No 2494/95 as regards minimum standards for the treatment of

consumers and not liable to refund by the government, local authorities and/or social protection institutions. Additionally, if the index should treat any changes concerning both the so called “income-dependent prices” as well as prices changing from zero to positive values, or vice versa, then it would be found extremely difficult in fact to include that sphere of household expenditure in the HICP. Especially, as regards estimation how much a price of service should be reduced in the event that either an allowance for or a partial refundment of a previously paid bill is granted to some (not all) households due to their bad financial condition (whether in form of permanent or single assistance) may be found hardly possible.

18. It is also disputable whether to include, or not, the so called “income-dependent prices” in this index as the price index fluctuations may be found to have resulted not from their actual changes but from changes in the family earnings (and in case of assuming a criterion of granting an allowance called “income per household capita”, the index changes may result also from birth of a baby in a concerned family). Our opinion is that in such a case the definition of the HICP, referred to as an inflation-measuring index, is subject to getting less clear as it starts tending towards the index of costs of living. The surveys of prices of medicines is difficult as price collectors take recordings of full prices in particular drugstores although it is commonly known that customers purchasing doctor-prescribed medicines pay for them in part only. It has not been clearly specified how prices of making analytical tests should be treated (following the already introduced reforms of health care system in Poland), which are not paid by patients of some Kasa Chorych (Health Fund) and they are fully paid for by patients from other Kasa Chorych. Principles on how the HICP should treat prices changing from zero to the positive values<sup>4</sup> have been laid down in neither legal acts nor guidelines, and their brief description and formulas specified in the document “On the computation of Harmonized Indices of Consumer Prices - (HICPs)” are unclear and insufficient. The aforementioned make nothing but examples reflecting the concerned problems. It is then necessary that Eurostat developed a document of the guidelines-type that would explain the practice of treating them. A very similar situation, in respect of complexity, concerns the treatment of rentals paid by tenants. After the rentals and the sales of co-operative dwellings to their tenants have been put to the market rules, all thus involved expenditure constitute a remarkable part of the family budget. However, notions of “property” and “rentals” have got no appropriate counterparts within the methodology adopted for HICP purposes in this particular scope.

***Selection of representative goods and services as well as the sample up-dating.***

19. The sample embracing goods and services representative for consumer price survey purposes, serving the national needs, is relatively high in Poland compared to those selected in the MSs. In 2000 a number of goods and services (items) selected for survey purposes has reached roughly 1800, with an average number of recordings per month amounting to more than 0.5 million. Price recordings are taken in about 28 thousand outlets all over the country. For purposes of the retail price surveys there were identified in general 310 price survey regions in the country (with one price collector per region). There are from 8 to 41 price survey regions falling to one voivodeship (with 16 voivodeships in the country).

20. To avoid an unjustified prevalence of one region over another, their arrangement was carried out not automatically but in proportion, among others, to the population and to the trade network density. In our opinion this sample is sufficient, in respect of size and organisation methods, to satisfy also the HICP requirements. Yet prior to the transition to the COICOP classification the sample of items was modified

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products in the health, education and social protection sectors in the Harmonized Index of Consumer prices (OJ L 266, 14.10.1999).

4 For example, education in high schools in Poland, excluding private high schools, has been free for a number of recent years - although it is being considered whether to introduce, the fees.

over the years 1997-98, so that to adapt it to the COICOP requirements - in conformity with the regulation No 1749/96 - an appropriate sample for all groups of goods and services, the share of which in the total expenditure was equal to at least one part per thousand. The sample is verified annually basing on information recorded by price collectors twice a year as well as with the use of data coming from other surveys like, for instance, the trade statistics. No bigger problems are expected as regards providing samples of an appropriate standard to satisfy the HICP requirements.

***Treatment of the impact of changes in quality of goods on price changes.***

21. The subject of securing “purity” of the HICP by taking into account the impact of changes in goods quality on price changes used to be touched during discussions run at the WP and the Task Force meetings since the very beginning of the harmonisation process. Majority of indispensable definitions from within this coverage have been included in the regulation No 1749/96. However, by the force of events they are of relatively theoretical nature only. Notwithstanding a common belief as to necessity of adjusting prices in virtue of the above explanations, practical problems as regards applying quality adjustments in monthly price surveys have not yet been laid down by Eurostat in any additional legal act or in any other document. For that reason and because of a lack of such traditions in the statistics of Poland (and of other countries as well), and due to modest staff and financial resources, the concerned subject may be found rather complicated for the implementation.

22. Extraordinary difficulties are also being observed as regards obtaining information on practices applied by the MSs which should have adjusted, for a long period of time, the impact of changes in quality on the price changes, thus ensuring the HICPs comparability in particular countries. Also helpful would likely be to arrange a certain type of a “discussion forum” in the Internet where particular countries would be given an opportunity to enter into the database both descriptions of changes in quality as well as methods of performed price adjustments. This would provide for the information exchange, quick and accessible to all statistical offices, on the concerned subjects that would probably be also helpful to Eurostat in laying down practical recommendations.

***Formulas applied whilst computing price indices of elementary aggregates.***

23. The HICP computation procedures used at the stage between taking price recordings and applying the weights system are of absolutely crucial meaning and have an impact on further computation results. Likewise for quality adjustments, also for price indices of elementary aggregates it is difficult to find practical recommendations in the EU legal acts. The wordings of the two involved definitions that are laid down in the Regulation No 1749/96 are as follows:

“elementary aggregate” refers to the expenditure or consumption covered by the most detailed level of stratification of the HICP and within which reliable expenditure information is not available for weighting purposes; “elementary aggregate index” is a price index for an elementary aggregate comprising only price data.

Relevant formulas allowing price indices of elementary aggregates to be computed have been specified in Annex II to the Regulation 1749/96, admitting the usage of two following formulas:

- 1) the relation of prices obtained as the arithmetic mean of all recordings taken within a given elementary aggregate



$$\frac{\frac{1}{n} \sum p^t}{\frac{1}{n} \sum p^b}$$

- 2) or relation of prices obtained as the geometric mean of all price recordings taken within a given elementary aggregate

$$\frac{[\prod p^t]^{1/n}}{[\prod p^b]^{1/n}}$$

where:

$p^t$  - a price over a period under the survey;  $p^b$  - a price over a reference period

While computing consumer price indices for national purposes Poland applies the following formula being one of particular case of:

$$\frac{[\prod p^t]^{1/n}}{[\prod p^b]^{1/n}}$$

where  $n=1$ .

It means that the price relations are computed for every identified product the prices of which have been recorded. Next stage consists in computing their geometric mean, which is continued till the lowest weighting level within the weight system, with the use of the following formula:

$$\prod \left[ \frac{p^t}{p^b} \right]^{1/n}$$

24. Admitting that geometric mean of price relations = relation of price geometric means, the results obtained according to the formula specified under the aforementioned point 2) as well as those shown under the example reflecting the Polish practices should prove their mutual identity unless the weighting is not referred to.

25. A problem is caused, however, by weights - their sources and application level. The regulation does not directly stipulate that starting from the elementary aggregate level there should be applied the weight system, but this may be concluded based on the elementary aggregate definition. There is also no reference on what should be deemed a source of the weight system. Generally, weights should be referred to as either expenditure or consumption (see Art.2 of the Regulation No 2454/97). It is commonly known, however, that even with household budget surveys run so properly (every month and in a great detail) it will not be possible to obtain data sufficient for that purpose. It is also known that some of MSs and CCs use the population figures of particular regions as weights. Such an approach may, however, cause some index distortions as a number of the population in a given region, with simultaneously no information on

the consumption preferences and the wealth status (having an impact on the consumption structure), constitutes a poor data source for the purpose. Doubts as to the formula required by Eurostat are also of another nature. Depending on a level starting from which weights are applied, the average price - calculated with the use of whether the arithmetic or the geometric mean - results from the "mixture" of price recordings covering, among others, numerous product varieties, shops of various standards, manufacturers, suppliers, etc. The HICP should measure price changes, not the price fluctuations resulting from changes in the standard of shops, manufacturers, etc.

26. Obviously, Poland is ready to modify the formula that would be recommended by the EU, but the problem itself should be put as a subject to discussion.

***Frequency of changes in the weight systems and their quality monitoring.***

27. Issues connected with compilation and quality control of weight systems, aimed at satisfying the HICP requirements, are governed by the regulations No 2494/95, 2454/97 and 1688/98. Interpreting recommendations contained in them, a basis for the weights system construction may be deemed the consumption expenditure structure from the household budget surveys, data on the consumption in the households sector as well as any other reliable additional information on, for instance, trade statistics, production output, population etc.

28. The weights system should be based on data for a 12-month's period referred to as a reference period with the involvement of the Laspeyres-type index which the HICP is. The only condition is that the weights must not come from a period earlier than that of seven years ago. Additionally, they have to be checked every year as to whether changes that might have occurred in the consumption structure were, or were not, big enough to have an impact on the annual index (with the base of the preceding year=100) that would be higher than 0.1 percentage point. To arrange a test in this scope is not applicable to those of countries (Poland included) which compute a chain index of the Laspeyres-type based on yearly updated weights.

29. Following the regulation 1688/98, CSO is planning this year, in frame of preparations aimed at the execution of the second stage of the HICP implementation, to include in the weight system all expenditures of institutional households as well as to apply the so called "domestic concept", meaning extension of the weights by expenditures of foreigners in Poland. For that purpose there will be used additional information gained from household budget surveys, national accounts and foreign trade surveys. Expenditures of Polish citizens abroad are already excluded from data obtained from the household budget surveys.

30. Due to the annual changing of weights at the beginning of each year, involving necessity to publish a consumer price index for January as the preliminary one, and next the final one - in March of a year under concern, CSO is considering whether to proceed with updating the weight system in autumn of the preceding year, based on data from the household budget surveys covering a period from October of a year t-2 till September of a year t-1 as well as by making use of contemporary estimates available at that time from the national accounts with reference to the "household final monetary consumption expenditure". No bigger problems in this respect are expected, provided that there are still available opportunities, by the budget reasons, to carry out household budget surveys and other associated surveys, with proper frequency and with involvement of the sample, used so far successfully.

**Data transmission.**

31. At the beginning, the HICPs used to be published by Eurostat about 6 weeks following the week they referred to. At present, the MSs are obliged to transmit their data to Eurostat in about 2 weeks following a given month, and Eurostat is given only 3 days to check the data, complete the computations and publish the indices. Eurostat is committed to respect an embargo in the event that the received data have not yet been officially published in a given country. Such data transmission principles shall also be applicable to the CCs.

32. Nowadays Poland, like other CCs, and in conformity with the applicable requirements, transmits the following data to Eurostat:

- monthly basis:
  - total and interim HICPs, computed on the basis of not yet fully harmonized principles (month, with the base for 1996 = 100),
  - national CPI index (month, with the base for 1995 = 100),
  - national CPI rate (month, with the base for corresponding month of last year = 100);
- annually:
  - information on the applied weights (structure),
  - national CPI index (year, with the base for 1995 = 100),
  - national CPI rate (year, with the base for previous year = 100).

33. According to obligations imposed by Polish legal acts, the President of the CSO officially publishes CPIs for national purposes on the 15th calendar day of the month following the month the data refer to. In the event that such a day happens to be a feast day then, in conformity with Polish laws, the CPIs are to be published on the first upcoming subsequent working day. Hence, in certain months in the future it may coincide with deadlines specified by Eurostat due to involving necessity to proceed with data transmission to Eurostat prior to announcing the data to Polish users, meaning under pain of embargo. Additionally, the CPI for January each year, owing to yearly changes in the weight system, is first published as the initial one and next (in March) - as the one calculated on the basis of the already updated weight system. To prevent from transferring incomplete data to Eurostat, CSO is considering, as previously mentioned, to change the weight system verification principles.

**VI. CPI against HICP.**

34. A basic purpose of computing the HICPs is to measure inflation in the MSs, with the use of the unified methodological rules, and to compile one common price index that would reflect price changes at the EU territory. Eurostat is not going to suggest that the involved countries used the HICP for national purposes by way of replacing the CPI. As for now, only one of the MSs (Luxembourg) has done so. As it becomes apparent from the issues selected and described in this paper there have been found some discrepancies between Polish methodology and that required by Eurostat which will probably prevent from replacing the CSO computed national CPIs with the HICPs that, in turn, would be recommended for saving reasons. It does not exclude, however, adapting certain approaches approved in the HICP methodology, for national purposes.

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