



EUROPEAN COMMISSION

Directorate D: Economic and Regional Statistics
Unit D-4: Price statistics



HICP COMPLIANCE MONITORING

UPDATED INFORMATION NOTE ON THE HARMONISED INDICES OF CONSUMER PRICES FOR MALTA

NOVEMBER 2007

In the context of compliance monitoring and quality assurance, in October 2006 Eurostat reviewed the HICP for Malta in preparation for future accession of Malta to the euro area. The statistical practices used to compile the HICP for Malta were reviewed against HICP methodology and other guidelines and good practices in the field of consumer price indices.

This updated report takes account of the additional information collected by Eurostat prior to and during a mission to the National Statistics Office in Malta held on 15 June 2007.

I. OVERALL ASSESSMENT

Following the discussions with Malta in June 2007, Eurostat's overall assessment remains as stated in [October 2006](#).

Eurostat considers that in general the methods used for producing the Maltese HICP are satisfactory. The methodological basis for compiling the Maltese HICP for the most part conforms to HICP requirements. The quality of the consumer price statistics for Malta has improved significantly in recent years. In close collaboration with Eurostat and other international experts, the National Statistics Office successfully completed many necessary pieces of work in order to set-up the Maltese HICP before accession to the EU.

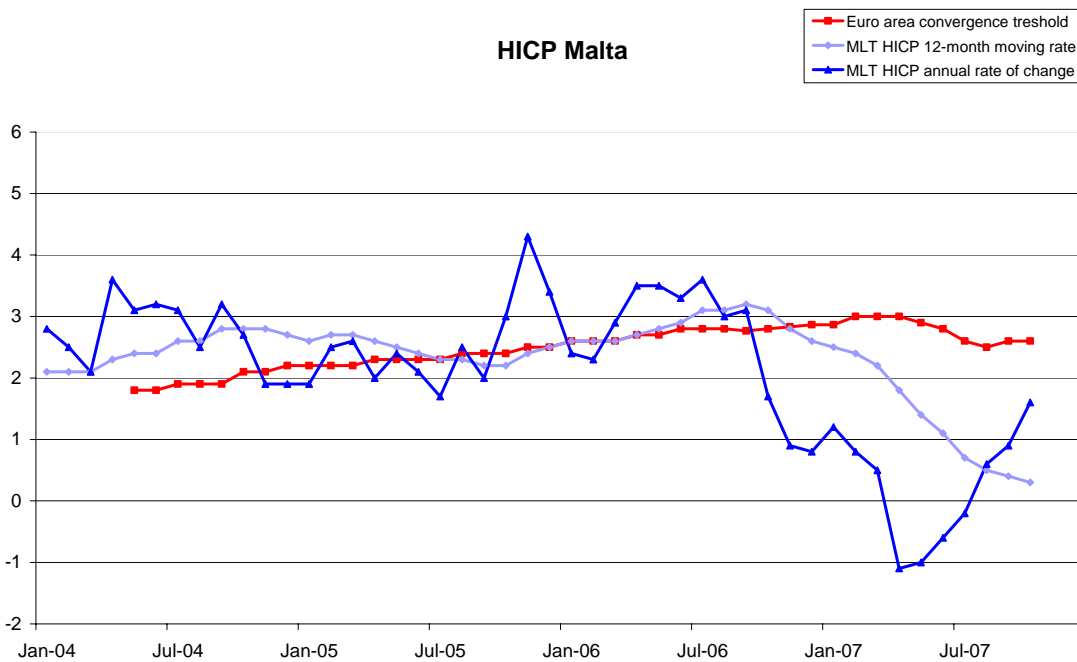
Instances of non-compliance with the HICP methodology are limited and would seem likely to have a relatively minor impact in practice on the HICP annual average rates of change. The Maltese data passes all standard HICP validation tests – it is internally consistent and aggregates correctly. It should be considered broadly comparable to the HICPs of other EU countries.

While the accuracy and reliability of the HICP are generally adequate, there are some points where the Maltese HICP needs to be improved or where further analyses are needed to support the current methods.

II. RECENT PRICE DEVELOPMENTS

The focus of Eurostat's follow-up assessment concerned the main issues raised in October 2006: Administered prices, including energy and water supply prices, and some other prices which have a particularly important impact on the Maltese HICP such as prices for cars, clothing and accommodation services. In addition a focus was put on those products which were the most responsible for the significant fall in the HICP seen since October 2006, such as accommodation services, garments, cultural services and footwear.

By March 2007 the annual inflation rate for Malta was 0.5%, much lower than the euro area average of 1.9%. In October 2007, the annual inflation rate for Malta was 1.6%. The chart below shows the recent development in the 12-month moving rate and the annual rate of change for Malta together with the convergence threshold for inflation.



Note: The euro area inflation convergence threshold is based on a 12-month average calculation.

III. FINDINGS AND RECOMMENDATIONS

Eurostat confirmed that for energy-related headings and vegetables, the methodology used continues to be satisfactory and the movements in both prices and weights in recent periods correctly reflect economic determinants.

In particular, the falls in the all items HICP index between September 2006 and November 2006 caused by garments and accommodation services reflect changes in government measure on surcharges for both water and electricity.

In the case of new cars, where the methodology used was improved from the beginning of 2007, Eurostat supports the work undertaken by the NSO.

Taking account of the improved method introduced by the NSO, Eurostat's updated recommendation concerning cars is:

- Eurostat welcomes the initiative of the NSO to improve the data and methodology used for both new and used cars. It further recommends that the improved method be verified against the recommendations of the HICP Centre of Excellence on quality adjustment, when those recommendations become available in October 2008. Eurostat also recommends improvements to the estimates for used cars in due course.

The following Eurostat recommendations from October 2006 remain in place:

- Concerning the quality of the price index and weights for accommodation services, Eurostat recommends that some further analysis should be carried-out and if necessary improvements implemented.
- Where price data is not collected each month, improvements should be made or current practices should be justified. In cases where prices in reality only change once

per year, the price changes should be reflected in the HICP without delays. The NSO intends to adopt this approach.

- The available sources for the updating of HICP weights should be assessed – in particular national accounts data. More up-to-date HICP weights should be introduced before 2009.