

Some examples of quality changes in the Korean CPI

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Example 1: Price change in services - Salad price at Pizza Hut

<u>2007. 9</u>	<u>2007. 10</u>
8,900 won for 1-4 persons	6,500 won for 1-2 persons
additional cost for one person:	
1,500 won	2,000 won

Alternative solutions considered:

1. no change (0%)

2. Compared for 4 persons:

8,900 won → 10,500 won(+18.0%)

3. Compared for 3 persons:

3. 8,900 won → 8,500 won(-4.5%)

Conclusion : Solution 3 selected as the most representative.

Example 2: Sales Prices

During the period 1999-2007 sales price of an item was reflected in the Korean CPI without considering the length of the sales period. As from the beginning of 2008, it was decided that for manufactured goods price collectors should check how many days the sale is running. In Korea, we collect prices for the manufactured goods once a month, usually between the 10th and 15th in the month.

According to the new rule, sales prices shall only be recorded if the period of sale is at least 7 days. If the period of sale is shorter than 7 days, the “normal” price shall be applied.

What do you think about this new rule?

Example 3. Long-term rent price

In Korea, there is a unique situation on the market for rented dwellings because of what we call "chunsei". Chunsei is a deposit made to the owner of the dwelling, the lessor, as a kind of security. It corresponds to approximately 2 years' rent and is paid by the lessee to the lessor at the beginning of the renting period. After a period of two years, the chunsei is paid back to the lessee. If the rental agreement is prolonged, the chunsei has to be paid again.

The weight of chunsei in the CPI is 66.4/1000. The weight is calculated by converting the amount paid in chunsei from the 2005 Census into an imputed monthly rent, and dividing by total consumption expenditure.

Price collectors collect price data each month from all the chunsei sample households as if it were monthly rent. For example, in an area, if 20 households are surveyed, and if one household's chunsei money increased by 10% and the other 19 households have not changed, then we calculate 10% divided by 20 households (simplified for calculation) => +0.5%

Raised criticism : CPI should report a 10% increase rather than 0.5% in this case. What is your opinion about this criticism?