Session 3 – HICP Methodology

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Eurostat G6 – Price Statistics
Session 3

Overview of HICP Regulations

Which consumption is covered?

Which prices should be collected?

Calculation

Specific products and methods
Overview of HICP Regulations

- Coverage of goods and services
- Revised sub-indices
- Treatment of tariffs
- Treatment of health, education and social protection
- Treatment of proportional service charges
- Treatment of insurance
- Treatment of price reductions
- Treatment of revisions
- Common index reference period
- Temporal coverage of price collection
- Quality adjustment and sampling

Timeline:
- Initial implementing measures (1996)
- Weights (1997)
- Geographic and population coverage (1998)
- Treatment of insurance (1999)
- Treatment of price reductions (2000)
- Treatment of revisions (2001)
- Common index reference period (2005)
- Temporal coverage of price collection (2006)
- Quality adjustment and sampling (2007)
Which consumption is covered?

Household final monetary consumption expenditure

- **Includes:**
  - all consumers’ expenditure on the territory (all population groups, all regions, both resident and non-resident)
  - expenditures out of insurance claims

- **Excludes:**
  - non monetary transactions (own production, imputed rentals),
  - taxes, social contributions, membership fees, interest, life insurance, fines, credit charges, games of chance

- **Licenses etc:**
  - are included if they are related to some service provided (driving licence), excluded if not (use of vehicles)
Which prices should be collected?

- Actual consumer prices
- Including taxes on products
- Taking account of sales prices
- Representing whole of month
Calculation

- Laspeyres-type index

- Weights (max 7 years old; yearly review), regulation to be revised

- Geometric means or ratio of arithmetic means at lowest levels (not arithmetic mean of price relatives)

- EU and euro area HICPs – weighted averages of national HICPs
Insurance

- Covers insurances connected with the dwelling typically paid by the tenant
- Covers since December 1999 private health, civil liability, and travel insurance
- The price of gross insurance premiums is used as the price indicator, but weights (based on average expenditure over three years) use ‘insurance service charge’
- Life insurance is excluded from the coverage of the HICP
Social protection and education

- The prices in HICPs for health, education and social protection services provided within the home, in homes and in residences for the disabled are those, paid by households net of any reimbursements.

- The HICP sub-indices reflect the price change on the basis of the changed expenditure of maintaining the consumption pattern of households and the composition of the consumer population in the base reference period.
Tariffs

- Treatment of tariff prices are set by this regulation (e.g. electricity or telephone charges). It gives rules for dealing with changes in tariff structures.

- Suppliers are obliged to provide Member States with the necessary tariff data.

- The HICP reflects the price change on the basis of the changed costs of maintaining the consumption pattern chosen by households prior to the given change in the tariff.
New products

All product types with a weight of at least one part per thousand should be covered.

For HICPs to remain comparable, reliable and relevant they should be up-to-date in terms of market developments.

New products can be implemented in the index by:

- **Replacement** of product types no longer available or representative by more representative product types or
- **Addition** of newly significant goods to the consumer basket
Proportional service charges

- The purchaser prices of services are the actual charges levied directly on consumers in exchange for the service provided. The HICP includes charges expressed as a flat fee or flat rate.

- Rules for treatment of service charges proportional to transaction values are set in this regulation (e.g. charges paid for financial/legal services).

- Changes in the purchaser prices resulting from changes in the values of the representative unit transactions are shown as price changes in the HICP.

- Changes in the rules determining charges are shown as price changes in the HICP.
Health care reforms

- Some countries introduced a fundamental change in the institutional structure of their health insurance system. Thereby part of health insurance shifted from private insurance scheme (covered by HICP) to social insurance scheme (not covered)

- Recommendation on the treatment of certain issues concerning Health care reforms (2005)

- HICP captures changes in the prices and/or own contributions within one and the same scheme

- HICP does not capture changes in HFMCE when people shift from one scheme to another
Revisions

- HICP may be provisional but shall be finalized in following month
- Mistakes shall be corrected
- New or improved information may lead to revisions
- Changes to the rules for the production of the HICPs do not require revisions, but the impact on the results shall be assessed
Cars; clothing; books, CDs and computer games

- Product specific standards for quality adjustment
- No existing regulation – agreed guidelines
- Classification into A, B, C methods
- Being extended to cover other products
Thank you for your attention