

Session 6 - Calculating a proxy-HICP

Workshop at the joint UNECE / ILO meeting of consumer prices experts, Geneva, 10 May 2010

Eurostat G6 – Price Statistics



Basic steps in the approach

- Investigate methodologies of national CPI and HICP
- Identify possible sources for differences
- Estimate the impact of the differences on the results
 - best is to recalculate the HICP on the basis of available data, considering as much as possible all methodological differences,
 - second best solution is to estimate the impact of individual sources for differences and aggregate to a total difference: however be aware of secondary effects.

Main elements in estimating the HICP

- Adjust weighting scheme
- Maybe recalculate some lowest level price indices
- Leave out irrelevant price information
- Estimate or observe additional prices needed
- Re-aggregate data

Deviations between CPI and HICP

- Methodological differences that lead to different results also in the long run, e.g. differences in product coverage
- Methodological differences that lead to different results in the short run, e.g. differences in temporal coverage

Long term differences

- There may be good reasons for a national index to deviate from the HICP, e.g. if the CPI is used for other purposes than for monetary policy, like indexation, historical series, etc.
- In case you publish two figures explain the different purposes and uses of the data and explain why the outcomes are different

Short term differences

- Methodological differences between CPI and HICP that only lead to short term differences negatively effect:
 - comparability across countries
 - comparability between the two published series
- They may however be irrelevant for the use of the national CPI
- Therefore in that case consider to adjust national practices to HICP standards and solve the short term comparability problems

Possible differences CPI/HICP 1

Population covered

- Regional coverage
 - whole country including rural areas
 - only big cities
- In/exclusion of institutional population
- Domestic or national concepts:
 - domestic: include consumption expenditures by foreign visitors, exclude consumption by nationals abroad
 - national: include consumption expenditures by national residents domestically only or also abroad

Possible differences CPI/HICP 2

Boundaries of consumption

- Inclusion of consumption related taxes (e.g. road tax, tax on the use of property)
- Membership fees for sports and recreational clubs
- Consumption by NPISH or government
- Health care provided by government or social insurance
- Tuition fees

Possible differences CPI/HICP 3

COICOP-classes excluded by HICP

- 02.3 Narcotics
- 04.2 Imputed rentals or Owner Occupied Housing
(This is possibly having the biggest impact)
- 09.4.3 Games of chance
- 12.2 Prostitution
- 12.5.1 Life insurance
- 12.6.1 FISIM
- 13. Individual consumption expenditure of non-profit institutions serving households
- 14. Individual consumption expenditure of general government

Possible differences CPI/HICP 4

Different treatment of expenditures and valuation:

- Use of gross prices or net prices, taking into account price reductions, sales periods
- Periods of time observation
(one day, week; middle or beginning of month; full month)
- Timing of price observations
(air fares, package holidays)

Possible differences CPI/HICP 5

Different treatment of health, social protection and insurance:

- Health care covered by social insurance is not covered in the HICP. Health care covered by private insurance or paid by consumers themselves is covered
- Inclusion of full price or households own contributions
 - health care
 - social protection (child care, homes for elderly people)
- Insurance: gross/net approach

Thank you for your attention