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Is the Harmonised Consumer Price Index data set useful for the calculation of national average prices on the product level?

(Extended Abstract)

The EU Commission requests statistical information on nationwide average prices, which should be published in the “Consumer Markets Scoreboard”. Given the high number of price observations collected in the member states each month for the calculation of the Harmonised Index of Consumer Prices (HICP), it is comprehensible to assume that the existing data might be useful for the calculation of such average prices. However, the problem of using the existing HICP data lies in the fact that different National Statistical Institutes (NSIs) within Europe select incomparable products for price collection, with respect to brands, quantities, outlet-types etc.

This is not only the case within Europe but also for regions within Germany. In Germany, wide product specifications are deliberately provided to the Regional Statistical Offices, which then autonomously choose concrete product offers in order to account for regional circumstances. The range of products being selected in the regions for price observation business is therefore very broad.

Therefore the German HICP raw data can not be directly used for the calculation of average prices, as they do not refer to a selection of products, which is homogenous enough to allow meaningful results. The data has to be analysed and processed first. This task comprises first a complete screening of the concrete descriptions of products, which actually can be found in the sample and the conversion of these descriptions into a manageable set of common variables for one product. Then, a compromise has to be found in order to create sub-samples, which comprise homogenous products on the one hand, without reducing the number of observations too much on the other hand which would lead to a decrease in representativity.

In Germany, this exercise has been carried out in June 2008 and is currently repeated for 2009. In the paper, results of this analysis will be described. In 2008, average prices could be provided for a set of exemplarily chosen products, as it was possible to compile more or less homogenous sub-samples in these cases.

Furthermore, in the paper, requirements for the calculation of average prices from HICP data will be discussed on a more general level.