

Organization of statistical observation for calculation of consumer price indices in the Republic of Azerbaijan

1. Main stages of organization of official statistical observation on consumer prices (tariffs) and sampling of settlements

The state statistical observation of paid services provided for population and consumer goods prices and tariffs is implemented by sampling method.

The state statistical observation comprises the following stages:

- selection of settlements;
- selection of base enterprises;
- selection of representative-goods (services);
- registration of paid services provided for population and consumer goods prices (tariffs) in base enterprises.

The state statistical observation on consumer prices (tariffs) is conducted in all regions and cities of the country. Information on prices and tariffs is collected in all regional centers covering geographical and social-economic situation of the region and wide variety of goods and services in consumer market.

2. Selection of base enterprises

In each city (region) the sampling frame includes organizations which regularly realize bulk sale of goods (services), as well as objects of trade (shops, supermarkets, kiosks) and public catering, city markets (foods, non-foods), enterprises providing paid services for population, private entrepreneurs who regularly function in the field of service and retail trade and natural persons trading in markets.

Enterprises from which purchasers mostly obtain goods and services could be selected as base enterprises.

In each city (region) the sampling should include large, medium and small trade objects and enterprises located in city (region) centers as well as its suburbs and providing paid services for population. The state statistical reports indicators on the volume of goods and services sold for population could be used for sampling of base enterprises.

The sampling does not include trade objects (showrooms, outlets) which realize the sale of clothing and shoes exclusive patterns belonging to foreign boutiques. Because, such goods are produced in small-lots and their prices exceed average prices of analogical goods, as well as the regular

renewal of varieties of these goods makes difficult to quality observe cost change.

Specialists of the local bodies of the State Statistical Committee use this information and implement free sampling of base enterprises according to terms of organization of the trade in the territory of the city (region).

Specialists of the local bodies of the State Statistical Committee compile the list comprising information (name, address of organization) on the selected base enterprises. In case of substitution of base enterprise or inclusion of new trade object in the observation the present list is updated.

Substitution of base enterprise is realized where during data collection it is not possible to record prices and tariffs of that item (service) as opposite to previous registration.

It is recommended to implement the substitution of base enterprise during the less period of time (2-3 months) keeping a list of primarily selected base enterprises. If sale of goods (services) is stopped then the name of this base enterprise is excluded from the list of enterprises and the observation is regularly conducted in another enterprise. Main term of organization of the state statistical observation on price (tariffs) is that new enterprise should be the same like previous base enterprise and price (tariff) levels of very similar goods and services by its consumption characteristics should be comparative.

Substitution of base enterprise is implemented when the enterprise is closed down or liquidated for a long time.

Data on base enterprises are confidential and its promulgation is prohibited.

3. Formation of consumer basket of goods and services

On calculation of CPI the consumer basket of goods and services covers representative sampling of goods and services mostly consumed by population. For conduction of the state statistical observation on prices (tariffs) 547 types of goods and services (for the state of 01.01.2014) characterizing actual structure of consumer expenditures of the country population were selected by the State Statistical Committee of the Republic of Azerbaijan (SSC of Azerbaijan).

One of the main features of consumer basket of goods and services is definite elasticity in the formation. So, the specialists of the SSC of Azerbaijan compile total list of goods (services) and commodity groups; the specialists in the regions define the name of concrete representative goods (services).

One of the main methods of keeping of sample actuality is its gradual rotation by liquidation of some goods (services) and addition of new ones. This substitution occurs due to the following reasons:

- commodity (service) is not representative anymore, so its share in population consumer expenditures decreases gradually;
- sale of commodity (service) is not possible in consumer market (for example, out of fashion because of change of technology or other reasons).

At the time when new goods (services) are offered for sale they should be included in the sampling.

During the next months on selection of definite type of commodity it should be given preference to goods which are regularly on sale. The state statistical observation should involve sampling of goods (services) which are of constantly need of population.

The state statistical observation includes both locally produced goods and foreign goods.

4. Seasonal goods

Some food products (vegetables, fruits, potatoes), separate types of clothes and shoes, tourism services and etc. could be given as example for seasonal goods.

On non-seasonal period the method of calculation of such goods prices is applied. At this time the level of prices of out of sale goods is calculated taking into account the price changes of similar goods available in the market during the year.

As regard to seasonal goods which are out of sale for several months the price registrars should indicate the information about their out of sale in the form. The price lastly indicated on reporting month is included in the form as the price of previous month in the next month.

The state statistical observation of fruits and vegetables prices has some peculiar features, therefore during registration of prices of separate goods it is necessary to take these features into account.

5. Registration of prices (tariffs) and filling in of forms of the state statistical observation on food, non-food products and paid services

On calculation CPI the price registration indicators on representative goods (services) are used as database. Registration of prices (tariffs) is implemented by registrars of regional and Baku city statistical institutions at the same time periodically. Prices are recorded from 1-st till 30-th day of a month. Food products prices are collected from trade objects sampled for price registration each 10 days, i.e. thrice a month, prices of other goods and services included in the list – once a month. Collection of data on prices of non-food products in any trade object and tariffs in enterprises providing paid services for population should be realized in one of two days, i.e. the day

before or after data collection. For keeping the interval between two registration days during a month it is necessary to make registration of prices (tariffs) at a certain time.

Actual prices (including VAT, excises, taxes from turnover and other direct taxes) of goods in sale and paid in cash are registered.

Goods sold for discount prices to separate groups of population are not registered.

If discount in sale of goods is temporary and of seasonal nature, and if it would be sold with no discount at previous prices then it is not necessary to register these discounts or special discount offers (for example, discount in sale of clothes and shoes at the end of season). Selling prices of dead stocks, damaged goods, got out of shape, defected goods are not registered.

Discounts for sale of goods with expired dates are also not registered.

Periodicity is one of the main principles of collection of prices (tariffs) data. So, prices (tariffs) index is the indicator identifying price (tariff) change at a certain time. Therefore, it is necessary to identify price (tariff) of the same product (service) every month.

If it is not possible to collect data on price (tariff) of any product during the next months then it is necessary to make changes in variety of goods (services) or substitute base enterprise.

The substitution of the product is compulsory action taken related to frequent changes in the variety of goods, instability of consumer market and other impact of other factors.

It is necessary to make difference between constantly and temporarily discontinued sales of goods in the market. Goods sale of which is temporarily stopped involves stoppage because of certain reasons and commodities production and sale of which is of seasonal nature (for example, vegetable and fruits, several types of clothes and shoes and other goods).

If sale of a product in consumer market is not realized for a long time and if renewal of the sale is not possible then this product is considered as constantly discontinued sale and inaccessible for the state statistical observation on prices. In connection with offer of new goods in consumer market the sale of some goods could be stopped in trade objects. In case of constant discontinued sale of product the substitute is selected for calculation of price index. Ideally, the substitute should have a great sale share, be in a sale for a long time and representative comparing with the change of sampled prices.

The following methods could be used for price fixing of substitutes of goods permanently discontinued sale.

Direct comparison method could be applied if a substitute has a quality equal to a product sale of which is stopped. In such a case it can be supposed that difference in price between new and old goods is stipulated by price change rather than quality difference.

In case of lack of information making possible to assess impact of quality change on prices the matching method is applied, however at this time one of the main terms is that old and substitute goods should be in a sale at the same period. Substituted product could be considered incomparable with a product sale of which is stopped, hereby the information on prices of both substitutes and goods sale of which is stopped could be obtained by matching method before sale of first one is stopped. During matching period the difference in price between old and substitute goods is then used as an indicator of quality difference.

Any specific case of product substitution requires individual analysis, generalization of the situation and decision making on selection of the applied method. Selection of the method of product substitution depends on terms of the sale, its share in consumer market and other factors.

Decision on compare or not the product (service) sale of which is stopped and the substitute should be made specifically by price (tariffs) registrars.

Below-mentioned criterions are used in this purpose:

- it is not advisable to compare the same (comparison of goods of same consumption character in different trade objects) or different types of goods (comparison of butter produced by different enterprises) in different trade objects;
- it is not advisable to compare goods produced in different countries;
- it is possible to compare the goods produced at the same country if quality indicators of its are equal. For example, regarding to clothes if it is not possible to compare goods of one producer, then goods produced in different enterprises are comparable;
- it is possible to compare re-estimated prices of different types of food product (tinned foods – 550 gr and 350 gr) that are remarkable only for size or mass;
- it is possible to compare clothes of same model that are remarkable only for size. If variation in prices of different sizes is big it is impossible to compare.

General principle for definition of comparability of goods is for specification of impact of this difference on price. Generally, goods are comparable in case if their consumption characters determining prices are without any differences.