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Report of the Intersecretariat Working Group on Price Statistics

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its forty-first session (see E/2010/24, chap. I.A), the Secretary-General has the honour to transmit the report of the Intersecretariat Working Group on Price Statistics, which is presented to the Commission for information. The report summarizes recent developments and planned activities of the Working Group. The Commission is requested to take note of the report.

* E/CN.3/2011/1.



Report of the Intersecretariat Working Group on Price Statistics

I. Introduction

1. The present report consists of two parts. The first part contains the biennial report to the Statistical Commission on progress in the work of the Intersecretariat Working Group on Price Statistics. The second part contains updated terms of reference of the Intersecretariat Working Group on Price Statistics that are proposed to replace the current terms of reference of 2005. The proposal reflects developments since 2005 and updates the tasks of the Working Group.

II. Progress report on the work of the Intersecretariat Working Group on Price Statistics

A. Background and purpose of the Intersecretariat Working Group on Price Statistics

2. The mission of the Intersecretariat Working Group on Price Statistics is to develop international standards and recommendations on price statistics, document best practice guidelines and support their implementation.

3. The Working Group was established in 1998. The original terms of reference focused on the development of the *Consumer Price Index Manual: Theory and Practice* and the *Producer Price Index Manual: Theory and Practice*, which were published in 2004. The terms of reference were revised in 2005. The revised terms of reference refer to the further development of the consumer price index (CPI) and producer price index (PPI) manuals and their implementation, including a review of the electronic versions of the manuals, and to the development of international manuals for other price statistics, in particular export and import price indices and house price indices. The revised terms of reference also refer to the coordination of international work on price indices.

B. Organization of the Intersecretariat Working Group on Price Statistics

4. The Intersecretariat Working Group on Price Statistics consists of representatives from the Economic Commission for Europe (ECE), the International Labour Organization (ILO), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the Statistical Office of the European Commission (Eurostat) and the World Bank. The Working Group is open and invites experts from statistical offices and academia to participate in its work. The chair of the group circulates among its member organizations.

5. The Working Group aims to meet in conjunction with other international meetings on price statistics. In between, issues are reviewed by means of electronic discussions. The Working Group held its previous meeting on 11 May 2010 in Geneva, in conjunction with the joint ECE/ILO meeting on CPIs, followed by a teleconference on 8 June 2010.

C. Activities since the fortieth session of the Statistical Commission in February 2009

6. The previous biennial report on the work of the Intersecretariat Working Group on Price Statistics, including the terms of reference, was submitted to the Statistical Commission for its fortieth session in 2009 (E/CN.3/2009/20). Since then, the following activities can be reported.

7. The *Practical Guide to Producing Consumer Price Indices*, a handbook supplementing the *CPI Manual*, was published by ECE in October 2009. It has been widely distributed to national statistical offices and other organizations. This publication provides practical guidance on all aspects of compiling a CPI. Although targeted at CPI compilers in developing countries, it will also be of interest to compilers more generally. The *Guide* is accompanied by a CD-ROM containing training materials. The work on the *Guide* has been led by the Office for National Statistics of the United Kingdom, drawing on experts from both developed and developing countries. The *Guide* is available from www.unece.org/stats/archive/02.07.e.htm. Translations of the *Guide* into French and Spanish have been done by IMF and are ready for printing.

8. The *Export and Import Price Index Manual: Theory and Practice* was published by IMF in December 2009. While the new manual on the export and import price index (XMPI) follows the same structure as the *PPI Manual*, new chapters on unit value indices, transfer prices and terms of trade indices were added and other chapters expanded to make them consistent with the *System of National Accounts, 2008*. The *XMPI Manual* is available from www.imf.org/external/pubs/cat/longres.cfm?sk=19587.0.

9. The *CPI Manual* (www.ilo.org/public/english/bureau/stat/guides/cpi/index.htm#manual) is available in English, French, Russian, Spanish, Chinese and Japanese. A translation into Arabic has been completed and is ready to go to press.

10. The *PPI Manual* (www.imf.org/external/np/sta/tegpipi/index.htm) is available in English only. IMF is undertaking its translation into Spanish and French.

11. In 2008 Eurostat agreed to organize and finance the preparation of the *Handbook on Residential Property Price Indices*. The handbook will provide best practices for compiling house price indices and aims to improve international comparability of Residential Property Price Indices. It will facilitate setting up house price indices where these are lacking and improving existing indices where necessary. The outline of the handbook and arrangements for consultations and quality assurance have been agreed with the Working Group. Eurostat commissioned a team of internationally recognized price statistics experts, led by Statistics Netherlands, to draft the handbook. To initiate work, a conference on residential property price indices was hosted by the Bank for International Settlements in Basel, Switzerland, on 11 and 12 November 2009. The first draft of the handbook was discussed at the joint ECE/ILO meeting on CPIs in May 2010. Statistics Netherlands will organize a workshop in February 2011 where a revised draft of the handbook will be presented and discussed. The handbook is expected to be finalized in 2011. The draft handbook is available for consultation and comments on Eurostat's webpage: <http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/methodology>.

12. An updated version of the Price Index Processor Software has been made available online from www.unece.org/stats/archive/02.07.e.htm. Users can download the software and modify it to meet individual needs. The software was developed by IMF to provide a facility for compiling price indices incorporating recommendations from the latest international price statistics manuals.¹ There are two versions, each with its own user manual, one for compiling CPIs and another for compiling PPIs. The website contains the programs, source codes (which allow users to modify the software as needed), updated user manuals and a link to an online discussion forum.

13. The biennial meeting on CPIs organized jointly by ECE and ILO took place from 10 to 12 May 2010 in Geneva. It was attended by 100 experts from statistical offices, international organizations and research institutions. Papers were presented and discussed on a number of topics: house price indices; user relations; systems of price indices; and other methodological issues. Four topics were discussed in specific workshops: scanner data; seasonal products and quality changes; financial services; and the Harmonized Indices of Consumer Prices of the European Union.

14. At its meeting in May 2010 the Intersecretariat Working Group on Price Statistics discussed, among other things, a proposal to update its terms of reference, which date back to 2005. Updating the terms of reference would reflect developments since 2005 and stress the role of the Working Group in coordinating international work on price statistics. The new terms of reference would also include annexes containing procedures for the production and publication of manuals and handbooks and a list of the publications prepared under the auspices of the Working Group.

D. Additional information

15. The terms of reference of the Intersecretariat Working Group on Price Statistics, previous reports and list of members are available from www.ilo.org/public/english/bureau/stat/guides/cpi/index.htm.

III. Proposed updated terms of reference for the Intersecretariat Working Group on Price Statistics

Mission

16. The mission of the Intersecretariat Working Group on Price Statistics is to develop international standards and recommendations on price statistics, document best practice guidelines and support their implementation. Price statistics include consumer price indices, producer price indices, export-import price indices, real estate price indices and other price statistics as are required, preferably compatible with the System of National Accounts, 2008 and updates thereto. The Working Group reports to the United Nations Statistical Commission.

¹ IMF and ECE neither provide technical support nor assume any liability for the use of the software.

Objectives

17. The objectives of the Intersecretariat Working Group on Price Statistics are:

(a) To develop manuals and handbooks with best practice guidelines on concepts and methods of price statistics and support their use. The procedures for the production and publication of manuals and handbooks are contained in annex I. The manuals and handbooks published or planned to be published under the auspices of the Intersecretariat Working Group on Price Statistics are listed in annex II;

(b) To develop guidance on best practices in order to improve the quality and international comparability of price statistics, and to be proactive in addressing new and upcoming issues and express its views on the importance and priority of problems and issues in the field of price statistics;

(c) To coordinate the work of international organizations in implementing best practices contained in manuals or handbooks on price indices, in sharing information on training and technical assistance and in using resources efficiently to avoid duplication of efforts;

(d) To coordinate discussions of price index methodology at the international level, in particular in the Ottawa Group on Price Indexes and the meetings on consumer price indices organized jointly by the Economic Commission for Europe and the International Labour Organization, and to ensure the necessary linkages with other relevant work, such as the International Comparison Programme and the Voorburg Group on Services Statistics;

(e) To support the development of a framework for price statistics to explain the links between various price indices and between price indices and other relevant economic and labour statistics. One particularly important framework is the System of National Accounts, which provides an integrated and coherent system of economic statistics.

Members of the Intersecretariat Working Group on Price Statistics and organization of work

18. The Intersecretariat Working Group on Price Statistics comprises the following international organizations:

- (a) Economic Commission for Europe (UNECE);
- (b) International Labour Organisation (ILO);
- (c) International Monetary Fund (IMF);
- (d) Organization for Economic Cooperation and Development (OECD);
- (e) Statistical Office of the European Commission (Eurostat);
- (f) World Bank.

19. The Working Group is open to participation from interested and committed organizations, chairs of advisory groups on price index manuals and experts from national statistical offices, academia and international organizations. The Working Group may invite these interested parties to participate in its meetings and in its work programme.

20. The chair and secretariat of the Working Group rotate among the member organizations.²

21. Meetings of the Working Group will, as far as possible, take place at the same time as related scheduled events such as the ECE/ILO meetings on consumer price indices or the Ottawa Group meetings. The Working Group will conduct virtual meetings, using e-mail correspondence or teleconferencing as needed.

22. Organizations participating in the Working Group are expected to meet their own direct expenses. In addition, organizations are expected to contribute where possible to financing other related costs of the Working Group, including the development of manuals and handbooks and the hiring of experts.

Activities and output

23. The Intersecretariat Working Group on Price Statistics shall provide guidance by, for example, developing new and maintaining existing manuals or handbooks on price statistics. Manuals should contain comprehensive information and explanations for index compilation, including theoretical, conceptual and practical issues that statistical offices should take into account. Handbooks aim to provide more specific and practical guidance on index compilation in line with existing relevant manuals and emerging knowledge. The manuals and handbooks shall:

(a) Address both conceptual and operational issues such as sampling and data collection methods, aggregation formulas, treatment of quality changes and missing prices (temporarily, permanently and seasonal), and computation and dissemination of data and metadata;

(b) Be intended for use by both developed and developing countries;

(c) Be suitable for training and advisory missions.

24. In its guidance the Working Group shall take into account:

(a) The particular conditions in developing and transition economies and the movements towards free-market economies in many countries;

(b) The circumstances in financial markets in developed and developing economies;

(c) Technological changes affecting the cost and quality of goods and services, their relative prices, and changes in supply and demand.

25. The Working Group may establish advisory groups or technical expert groups to provide guidance on the production and updating of manuals and handbooks.

26. The Working Group shall facilitate the sharing of information among member organizations on training plans and materials, technical assistance to countries on price indices and other activities which the organizations undertake to implement best practices.

² ILO chaired the Working Group from 1998 when it was established. IMF chaired from April 2004 to February 2007. ECE chaired from March 2007 to February 2011. Eurostat will chair the group from March 2011.

27. The activities of the Working Group are expected to receive wider exposure through discussion at relevant regional meetings and regular communication with international experts and groups using electronic media such as the Internet.

28. Proposals for new manuals and handbooks, outlines and draft material will be widely circulated through electronic and other media for comments and suggestions to ensure that all regional concerns are adequately addressed. Relevant organizations and groups such as the United Nations regional commissions, the Ottawa Group, the Voorburg Group and the International Comparison Programme will also be encouraged to discuss them at their meetings.

29. The Working Group shall establish its work programme under the present terms of reference.

Annex I

Procedures for the production and publication of manuals and handbooks

1. The Intersecretariat Working Group on Price Statistics may agree to facilitate the production and publication of manuals or handbooks on price statistics. For this purpose it is required that a work and time plan be presented and agreed on by the Working Group. The plan shall include a detailed outline of the publication, a list of authors and possible co-authors and/or reviewers by chapter or by topic, and a description of the quality-assurance process and how intended users are consulted in the process. The plan should also explain by whom and how the manual or handbook will be published and clarify copyrights.
2. Before publication, the final draft shall be approved by the Working Group. Once approved by the Working Group, the manual or handbook can be published on paper and/or electronically. The publication should be published with the name of the Working Group member organizations on the front cover, unless otherwise agreed. The publication should also mention in its preface that it is approved by the Working Group and acknowledge support from the Working Group member organizations. The Working Group may decide to update the electronic version of a manual or a handbook. This may include update of issues already covered in the publications or addressing new ones. The work to update a publication or part of it may be undertaken by the editor of the publication or another organization or individual (e.g. the author and/or co-author of a specific chapter), as agreed by the Working Group.
3. Before updates are implemented in the electronic version of a publication, the Working Group shall approve the changes. Proposals for larger and/or substantive changes, including new guidance on methods or practices, should be discussed and agreed upon by the Working Group. Minor, non-substantive changes and corrections of mistakes and errors may be undertaken by the editor — or by the author, referring to the editor — who should inform the Working Group of the changes and corrections.

Annex II

**Publications prepared under the auspices of the Intersecretariat
Working Group on Price Statistics**

| <i>Publication</i> | <i>Responsible organization</i> | <i>Status</i> |
|--|---|------------------------|
| <i>Consumer Price Index Manual: Theory and Practice</i> | ILO | Published by ILO, 2004 |
| <i>Producer Price Index Manual: Theory and Practice</i> | IMF | Published by IMF, 2004 |
| <i>Export and Import Price Index Manual: Theory and Practice</i> | IMF | Published by IMF, 2009 |
| <i>Practical Guide to Producing Consumer Price Indices</i> | Office for National Statistics, United Kingdom | Published by ECE, 2009 |
| <i>Handbook on Residential Property Price Indices</i> | Eurostat | Being drafted |