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Background document
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Overview of Developments in the Area of Price Statistics

Prepared by the Inter-Secretariat Working Group on Price Statistics

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I. Introduction

1. The Intersecretariat Working Group on Price Statistics (IWGPS) has been mandated by the United Nations Statistical Commission (UNSC) “to develop international standards and recommendations on price statistics, document best practice guidelines and support their implementation”. The IWGPS consists of representatives from Eurostat, International Labour Organization (ILO), International Monetary Fund (IMF), Organisation of Economic Cooperation and Development (OECD), United Nations Economic Commission for Europe (UNECE) and the World Bank. The OECD currently holds the chair.

2. This background document presents an overview of the main developments in the area of price statistics since the previous report of the IWGPS to the UNSC.

3. The content of this background document is as follows. In section II, the main developments in the area of international standards and methodological guidance are being addressed. This is followed, in section III, by issues related to the international collection of price data. Finally, a number of meetings and conferences are briefly covered in section IV.

II. International Standards and Methodological Guidance

Update CPI Manual

4. Since the publication of the 2004 CPI manual, methods and best practices have continued to evolve. During the 2014 UNECE-ILO CPI Experts Meeting, countries expressed a need for the Manual to better reflect current best practices and to include more practical compilation advice wherever possible. The IWGPS endorsed and supported an update of the CPI Manual with the IMF as lead agency.

5. Overall, the goal of the update is to produce a CPI Manual that includes more practical compilation advice to guide compilers. It should be stressed that this will be an update of the Manual only, and not a complete revision. A Technical Expert Group for the update of the CPI Manual (TEG-CPI) has been formed. Members of the TEG-CPI represent not only international price index experts, but also compilers from national statistical offices. The first meeting of the TEG-CPI will be held during March 7-9, 2016. As revised chapters become available later in 2016 and early 2017, the draft chapters will be posted on a website for review and comment by CPI compilers. The IMF will report progress to the IWGPS on a regular basis.

Eurostat-OECD Methodological Guide for Developing PPI for Services

6. Over the past decade, the field of services producer price indices (SPPIs) has developed further. Considerable methodological and practical progress has been made by both European Union (EU) and non-EU OECD countries, resulting in a significant increase in the availability of SPPIs. To reflect these developments, the Eurostat – OECD SPPI Guide has been updated. This second edition of the *Methodological Guide for Developing Producer Price Indices for Services* has been published in December 2014, and is available at <http://www.oecd.org/std/prices-ppp/eurostat-oecd-methodological-guide-for-developing-producer-price-indices-for-services-9789264220676-en.htm>.

7. The SPPI Guide is a complement to the *International Producer Price Index Manual, Theory and Practice* (PPI Manual), published by the IMF in 2004, in two ways: it focuses on service-specific aspects in the PPI compilation by developing further the conceptual framework and it adds detailed descriptions of PPI measurement for a wide range of individual service industries. It aims to help countries in developing SPPIs by sharing experiences and lessons learnt in the collection of data and the compilation of indices. The update of the SPPI Guide has been jointly produced by the Eurostat, the OECD and the members of a Task Force with delegates from 14 member countries and in full cooperation with the Voorburg Group. It updates and replaces the first edition of the Guide that was published in 2005. The second edition of the SPPI Guide had three objectives: first, to propose a global and comprehensive framework that improves the understanding of problems related to the specific nature of services: many services are unique, they are not repeated, at least not in a fully comparable manner, or they might be customer specific; second, to identify practical solutions implemented by countries for developing SPPIs for specific service industry (e.g. transport and storage, information and communication services, and professional, scientific and technical services); and third, to promote new methodologies that in some cases are still under development (e.g. financial intermediation, insurance, human health activities) and for which the sharing of experiences and expertise will contribute to addressing remaining issues and challenges.

Handbook on Residential Property Price Indices (RPPIs)

8. In 2013, the *Handbook on Residential Property Price Indices (RPPIs)*¹ was published. The Handbook was a response to Recommendation 19 of the G20 Data Gaps Initiative (see below). It represents the first comprehensive overview of conceptual and practical issues related to the compilation of price indices for residential properties. The development of the Handbook was coordinated by Eurostat, under the joint responsibility of the six member organisations of the IWGPS.

9. The aim of the RPPI Handbook is to give practical guidance on compilation and to improve international comparability of residential property price indices. It is meant to assist producers of RPPIs, in particular in countries that are revising or setting up such indices. The Handbook draws on a wide range of experience and expertise in an attempt to describe practical and suitable measurement

¹ See <http://ec.europa.eu/eurostat/web/hicp/methodology/housing-price-statistics/residential-property-handbook>

methods. It provides an overview of the conceptual issues, and then describes and discusses in detail the various methods for compiling constant quality indices. Particular importance is attached to highlighting the advantages and disadvantages of each alternative. Throughout, empirical examples are given. The final chapter gives recommendations for best practice.

10. Since its publication, the Handbook has become the reference for the compilation of RPPIs. As such, it is a major driver for harmonisation and international comparability of RPPI statistics.

Guidance on Commercial Property Price Indices (CPPIs)

11. Following the example of the RPPI Handbook and against the backdrop of the G20 Data Gaps Initiative (see below), work on conceptual and practical guidance on the compilation of Commercial Property Price Indices started in 2013. CPPIs are a new and very challenging domain of official statistics raising a number of particularly difficult issues. Under the aegis of the member organisations of the IWGPS, Eurostat took the lead in coordinating the drafting of a guidance document by a team of experts. In addition to IMF and OECD, the European Central Bank was strongly involved in the work.

12. The resulting document is, for the time being, titled *Commercial Property Price Indices: sources, methods and issues*, and is meant to provide the groundwork on which a future CPPI Handbook can be based. It sets out a conceptual framework for the compilation of CPPIs, presents the main methods and possible data sources and the particular challenges. Finally, an overview is given on CPPI and related indicators presently available in a number of countries.

13. After an extensive editing by the IMF, the guidance document is currently with the IWGPS for final feedback. It is planned to be published later in 2016.

Update of the COICOP-classification

14. A Technical Subgroup for the Classification of Individual Consumption According to Purpose (TSG-COICOP) has been established under the umbrella of the Expert Group on International Statistical Classifications. The objective of the Technical Subgroup is to develop, in a relatively short period of time, a draft proposal for a revised COICOP classification. As one of the main users of this classification, the IWGPS is well represented in the Technical Subgroup, either directly or via representatives of the various international organisations involved.

III. International Data Collection

Changes in the collection of CPI-data

15. Under a joint project of the IMF and the OECD, detailed CPI data and associated weights for each of the 12 COICOP divisions for both national CPI and HICP series are being collected and now available on the websites of the IMF² and the OECD³. In total, data are currently available for more than 100 countries, and efforts are ongoing to expand coverage. Improvements will also continue to be made to other aspects of the dissemination of these data. This combined IMF – OECD effort will allow for the sharing of CPI data among international organizations which will ease the response burden on national statistical offices and central banks.

Collection of data on house prices

16. The BIS and the OECD have a long experience in collecting and disseminating data on house price developments, be it sourced by official statistics or by private producers. The development of the *Handbook on Residential Property Price Indices (RPPIs)* (see above) has given a new momentum to the development of house price statistics, as part of the work package of official statistics. Official numbers are now being published by Eurostat⁴ (on the basis of a regulation that is binding for all EU member states), and – combined with their previous dissemination practices – BIS⁵ and OECD⁶. To further align collection and dissemination practices of house prices by international organisations, a Working Group on House Prices has been formed, under the umbrella of the G-20 Inter Agency Group (IAG) on Economic and Financial Statistics (see also below). The Working Group, whose membership consists of representatives from BIS, ECB, Eurostat, IMF, OECD and World Bank, closely coordinates its activities with the IWGPS. Apart from aligning the dissemination of house price data, among which the selection of so-called “selected indicators” or “headline indicators”, the Working Group also focuses on the development of a standard template for the collection of national data on house prices and related housing indicators.

International Comparison Programme

17. Following the successful completion of the 2011 round of the International Comparison Programme (ICP), the United Nations Statistical Commission (UNSC) launched a Friends of the

² See <http://data.imf.org/CPI>.

³ See http://stats.oecd.org/Index.aspx?DataSetCode=PRICES_COICOP and http://stats.oecd.org/Index.aspx?DataSetCode=HICP_COICOP.

⁴ See http://ec.europa.eu/eurostat/product?code=prc_hpi_q&mode=view.

⁵ See <http://www.bis.org/statistics/pp.htm>.

⁶ See http://stats.oecd.org/Index.aspx?DataSetCode=RPPI_TARGET for RPPI “Headline Indicators”; <http://stats.oecd.org/Index.aspx?DataSetCode=RPPI> for the complete database on house prices; and http://stats.oecd.org/Index.aspx?DataSetCode=HOUSE_PRICES for the analytical house price indicators.

Chair (FOC) evaluation of the round. The FOC group will present their final evaluation report⁷ at the 47th Session of the UNSC, for discussion and decision on the future of the Programme. The key findings and recommendations of the evaluation include: (i) the need to organise the Programme on a more frequent and permanent basis – with 2017 as the recommended next benchmark year – in order to make ICP results more relevant to the users; (ii) the implementation of the Programme based on a “rolling benchmark approach”, consisting of a system of rolling surveys over a cycle, in order to decrease the burden on national statistical offices; and (iii) the necessity to seek synergies in production of price statistics by integrating ICP and CPI survey activities, in order to improve the consistency of price statistics, and to further decrease the demands of the Programme on national statistical offices.

18. In order to sustain the capacity built during the 2011 round and maintain the momentum of the Programme, as recommended by the UNSC, the World Bank, regional agencies and national statistical offices have continued to conduct various ICP activities in the interim period following the 2011 round. The activities included: (i) interim regional PPP updates and inter-agency coordination to produce global PPP updates for the period from 2012 to 2016; (ii) launching discussions on various research and technical aspects stemming from the 2011 round; and (iii) carrying out capacity building, outreach and advocacy activities. These activities are outlined in the World Bank report to the 47th Session of the UNSC⁸.

Implementation of SDMX

19. The process of compiling Data Structure Definitions (DSDs), to facilitate data exchange using the Statistical Data and Metadata eXchange (SDMX) format has recently also started in the area of price statistics. Content-related experts from BIS, ECB, Eurostat, ILO, IMF and OECD will liaise with technical experts experienced in SDMX to form a Technical Group under the umbrella of the Ownership Group SDMX for Macro-Economic Statistics (MES). The Technical Group will have a physical kick-off meeting in the first half of 2016. The areas covered will relate to consumer prices, producer prices, and residential property prices. Purchasing Power Parities (PPPs) have been excluded, at least for the time being. With this addition, the Ownership Group SDMX MES now covers the following area of statistics: Balance of Payments, Foreign Direct Investment, Government Finance Statistics, National Accounts and Prices.

G-20 Data Gaps Initiative

20. The G-20 Data Gaps Initiative (G-20 DGI) consists of 20 recommendations to improve statistics in response to the economic and financial crisis. The initiative, governed by the Inter Agency Group (IAG) on Economic and Financial Statistics, has recently moved into its second phase. Among

⁷ See <http://unstats.un.org/unsd/statcom/47th-session/documents/2016-9-FOC-group-on-evaluation-of-2011-round-of-ICP-E.pdf> for the final report of the Friends of the Chair group on the evaluation of the 2011 round of the International Comparison Programme.

⁸ See <http://unstats.un.org/unsd/statcom/47th-session/documents/2016-10-World-Bank-on-ICP-interim-activities-E.pdf> for the report of the World Bank on the interim activities of the International Comparison Programme.

the 20 recommendations, two are directly related to price statistics. Recommendation II.17 on Residential Property Prices has the following goal: “*The G-20 economies to publish residential property price indices consistent with the Handbook on Residential Property Price Indices (RPPI) and supply these data to the relevant international organizations, including the BIS, Eurostat, and OECD. The IAG in collaboration with the Inter-Secretariat Working Group on Price Statistics (IWGPS) to work on a set of common headline residential property price indices; encouraging the production of long time series; developing a list of other housing- related indicators; and disseminating the headline residential property price data via the PGI website*”, while recommendation II.18 on Commercial Property Prices has the following broad objective: “*The IAG in collaboration with the Inter-Secretariat Working Group on Price Statistics to enhance the methodological guidance on the compilation of Commercial Property Price Indices (CPPI) and encourage dissemination of data on commercial property prices via the BIS website*”. The IAG closely cooperates with the IWGPS in moving forward on these recommendations.

21. In the context of the G-20 DGI, the OECD calculates and publishes a G-20 aggregate for CPI on a monthly basis, in addition to a G-20 aggregate for economic growth on a quarterly basis. The relevant CPI-data are being published via a monthly press release; see the following link: <http://www.oecd.org/std/prices-ppp/consumer-prices-oecd-updated-2-february-2016.htm>.

IV. Meetings and conferences

Group of Experts on Consumer Price Indices (CPIs)

22. The meetings of the Group of Experts on Consumer Price Indices (CPIs) are organised every second year by the UNECE in cooperation with the ILO. The Expert Group supports the development of internationally agreed standards and methods in the field of CPIs, and provides recommendations on good practises that can be implemented by statistical offices, with the overall objective of improving the quality and international comparability of CPI statistics. The meetings are organised under the aegis of the Conference of European Statisticians (CES), and are attended by price statisticians from CES member countries, while an increasing number of countries from Africa, Asia and South America also participate. Experts from international organisations and researchers in index numbers also attend.

23. The 2014 meeting of the Group of Experts on CPIs took place on 26 – 28 May 2014 in Geneva, hosted by the UNECE. The meeting included eight workshops followed by a number of substantial sessions on CPI methodologies and practices. The following topics were addressed in the workshops: elementary price indices; higher-level price indices; treatment of seasonal products; quality adjustment: general framework and the role of hedonics; core inflation measurement; scanner data; quality management; and the Price Index Processor Software. In addition, an issues paper prepared by the IWGPS on a possible update of the 2004 CPI Manual was presented. The participants strongly supported the IWGPS to initiate an update of the Manual and provided a number of comments and suggestions to take into account.

24. The 2016 meeting of the Group of Experts will take place on 2 – 4 May in Geneva. It will discuss the following substantial topics: scanner data and ‘Big Data’; synergies between CPIs and PPPs and integration of survey activities; methods for calculation of elementary and higher-level price indices; difficult to measure products and services; CPIs for different population groups, income groups and geographic areas; and house price indices. In addition to this, IMF will provide a progress report on the update of the 2004 CPI Manual.

Ottawa Group on Price Indices

25. The Ottawa Group on Price Indices focuses on applied research, particularly though not exclusively in the area of consumer price indices. The Group examines advantages and disadvantages of various concepts, methods and procedures in the context of realistic operational environments. Participants are specialists and practitioners who work for national statistical offices or international organisations. The Ottawa Group, being a UN City Group, reports separately to the UNSC. More details of the Group’s work are available in its report to the UNSC available at <http://unstats.un.org/unsd/statcom/47th-session/documents/2016-29-Ottawa-group-on-price-indices-E.pdf> .