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Items for discussion and decision: price statistics

Report of the Intersecretariat Working Group on Price Statistics

Note by the Secretary-General

In accordance with Economic and Social Council decision 2019/210 and past practices, the Secretary-General has the honour to transmit the report of the Intersecretariat Working Group on Price Statistics, which is being submitted to the Statistical Commission for discussion. In the report, the Working Group outlines the latest developments and activities in the area of price statistics, specifically the process of updating the Consumer Price Index Manual. Following a comprehensive global consultation process, the Commission is invited to endorse the publication entitled *Consumer Price Index Manual: Concepts and Methods* as an international statistical standard and to encourage its use by countries in the compilation of their national consumer price indices.

* E/CN.3/2020/1.



I. Summary

1. Price statistics fall under the remit of a number of international organizations. The Intersecretariat Working Group on Price Statistics brings these stakeholders together. Over the past year, an updated manual on the compilation of consumer price indices, entitled *Consumer Price Index Manual: Concepts and Methods*, has been completed and presented to the Statistical Commission for its endorsement. Improving the methodology for the compilation of comparable real estate indicators continues, with dedicated groups working on residential and commercial property prices. The International Comparison Programme will soon release new data on purchasing power parities for 176 countries, and reports on this separately to the Commission.

II. Introduction

2. The Intersecretariat Working Group on Price Statistics was established in 1998 to develop international standards and recommendations on price statistics, to document best practice guidelines and support their implementation and to coordinate the work of international organizations in the area of price statistics. The members of the Working Group comprise Eurostat, the International Labour Organization (ILO), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the Economic Commission for Europe (ECE) and the World Bank. The World Bank currently serves as Chair.

3. The present report provides an overview of the main developments in price statistics since the previous report of the Working Group to the Statistical Commission at its fiftieth session, held in 2019 (E/CN.3/2019/13). Section II of the report contains the main developments in international standards and methodological guidance; section III covers issues related to the international collection of price data; and section IV contains information on recent meetings and conferences.

III. International standards and methodological guidance

Update of the Consumer Price Index Manual

4. In 2015, the Working Group established a technical expert group to update the 2004 publication entitled *Consumer Price Index Manual: Theory and Practice*.¹ The objectives of the update were: (a) to provide clearer and more prescriptive recommendations and guidelines in cases in which research, methodological development and practical experience warrant such recommendations and guidelines and in which they are found to be useful; (b) to take into account experiences gained with regard to the applicability and usefulness of the 2004 Manual; (c) to incorporate relevant developments in methods and practices, as well as theory and research, over the past decade; (d) to update material on data sources, data collection methods and related calculation methods to reflect developments since 2004; (e) to reflect recent developments in user needs; and (f) to harmonize consumer price index concepts in line with the 2008 System of National Accounts (SNA). The technical expert group, led by IMF, includes international experts and compilers from national statistical offices. The update of the Manual is carried out under the auspices of the Working Group.

5. It was agreed that two separate publications would be prepared: the first, entitled *Consumer Price Index Manual: Concepts and Methods*, would be focused on issues

¹ International Labour Organization (ILO) and others, *Consumer Price Index Manual: Theory and Practice* (Geneva, ILO, 2004).

relating to the compilation of consumer price indices, while the second, entitled *Consumer Price Index Theory*, would serve to review the theoretical foundations of consumer price indices.

6. The first publication, referred to as the Manual, has been updated and reviewed at various levels. First, all chapters on the methods of consumer price index compilation were drafted, peer reviewed and made available for additional review and comment by compilers on a website hosted by IMF. Remarks, comments and suggestions made during the consultation processes were incorporated to the extent possible. Overall, compilers noted that the updated Manual provided clearer and more practical advice than the previous version.

7. Second, the draft chapters underwent several rounds of review by the member agencies of the Working Group, and a meeting was held in Paris in October 2018 to discuss each chapter. Subsequently, the timetable and ongoing progress were discussed in conference calls.

8. The updated Manual reflects the onset of digitization and new data sources, such as the growing use of scanner data, web scraping, Internet pricing, web-based outlets and new digital economy service providers. These innovations, together with the impact of new data sources and the role of consumer price indices in measuring well-being, form part of a proposed research agenda, which is included as an annex to the Manual.

9. A formal consultation of Member States was initiated in September 2019 and continued through October 2019. The draft chapters were updated to reflect comments and suggestions received by Member States. Following a final review of the updated chapters, the Working Group approved the Manual. The Working Group is seeking the Commission's endorsement of the Manual as an international standard and is also requesting that the Commission encourage use of the Manual by countries in the compilation of their national consumer price indices.

10. The Manual is made available in digital format from a dedicated website.² In addition, hard copies will be distributed to all national statistical offices and made available to key users, such as central banks, upon request.

11. The chapters of the second publication on consumer price index theory are being peer reviewed and updated as needed. The publication will be made available in digital format only, from the IMF website.

IV. International collection of price data

A. Consumer price indices

12. Under a joint project of IMF and OECD, detailed data on consumer price indices and associated weights for each of the 12 divisions of the Classification of Individual Consumption According to Purpose for the series on national consumer price indices and on the harmonized index of consumer prices are collected monthly and are available on the websites of IMF³ and OECD.⁴ Data are currently available for more than 150 countries, and efforts are ongoing to expand the coverage, in order to add missing countries and have longer time series. Improvements will also continue to be made to the dissemination of the data. The combined IMF-OECD effort allows for the sharing of data on consumer price indices among international organizations and has eased the response burden on national statistical offices and central banks. Since

² See www.imf.org/en/Data/Statistics/cpi-manual.

³ See <http://data.imf.org/CPI>.

⁴ See https://stats.oecd.org/Index.aspx?DataSetCode=PRICES_CPI.

2018, OECD has used the detailed information to compile data on contributions to annual consumer price index inflation. These data are available on the OECD website.

B. Residential property prices

13. The Bank of International Settlements and OECD have long had experience in collecting and disseminating data on residential property prices, sourced from official statistics or from private producers. The *Handbook on Residential Property Price Indices* has given momentum to the development of residential property price indices, as part of the work package of official statistics. Official data are now being published by Eurostat⁵ on the basis of a regulation that is binding for all European Union member States and, combined with their previous dissemination practices, the Bank of International Settlements⁶ and OECD.⁷ To further align the collection and dissemination practices of international organizations on residential property prices, a working group on house prices has been formed under the umbrella of the Group of 20 Inter-Agency Group on Economic and Financial Statistics (see below). That working group, whose membership consists of representatives of the Bank of International Settlements, the European Central Bank, Eurostat, IMF, OECD and the World Bank, closely coordinates its activities with the Intersecretariat Working Group on Price Statistics. One of the main outcomes of the working group was the development of a specific template for the compilation and delivery of internationally comparable data on residential property price indices and related housing indicators. Under the guidance of the Inter-Agency Group, the template was endorsed at the Group of 20 thematic workshop on residential property price indices and commercial property price indices, held in Argentina in January 2018. The collection of national data according to the agreed template began in 2018 for European Union countries, OECD member States and Group of 20 countries, with the aim of expanding the coverage of countries and indicators. Ongoing work at OECD is currently focused on extending data collection to subnational residential property price indices.

C. International Comparison Programme

14. The Statistical Commission instituted the International Comparison Programme as a permanent element of the global statistical programme, to be conducted on a three-year cycle. Data on purchasing power parities and results from the Programme are due to be published in 2020 and will refer to the reference year 2017. In addition, revised data for the reference year 2011 and time series spanning the years from 2011 to 2017 will also be published. The next three-year Programme cycle for the reference year 2020 was launched in 2019. The full report of the Programme to the fifty-first session of the Commission is included under a separate item in the agenda of the Commission.

D. Group of 20 Data Gaps Initiative

15. The Group of 20 Data Gaps Initiative consists of 20 recommendations to improve statistics in response to the economic and financial crisis. In 2015, the initiative, governed by the Inter-Agency Group on Economic and Financial Statistics, moved

⁵ See <https://ec.europa.eu/eurostat/web/housing-price-statistics/data/database>.

⁶ See www.bis.org/statistics/pp.htm.

⁷ See http://stats.oecd.org/Index.aspx?DataSetCode=RPPI_TARGET (residential property price indices –headline indicators); <http://stats.oecd.org/Index.aspx?DataSetCode=HOUSING> (residential property price indices –complete database, including related house price indicators); and http://stats.oecd.org/Index.aspx?DataSetCode=HOUSE_PRICES (analytical house price indicators).

into its second five-year phase. Among the recommendations, two are directly related to price statistics. Under recommendation II.17, on residential property prices, the goal for Group of 20 countries is to publish residential property price indices consistent with the *Handbook on Residential Property Price Indices* and to supply such data to the relevant international organizations, including Bank of International Settlements, Eurostat and OECD. The goals for the Inter-Agency Group, in collaboration with the Intersecretariat Working Group on Price Statistics, are to work on a set of common headline residential property price indices, to encourage the production of long time series, to develop a list of other housing-related indicators and to disseminate the headline residential property price data on the Principal Global Indicators website.⁸ Under recommendation II.18, on commercial property prices, the objectives are for the Inter-Agency Group, in collaboration with the Intersecretariat Working Group on Price Statistics to enhance the methodological guidance on the compilation of commercial property price indices and to encourage the dissemination of data on commercial property prices on the website of the Bank of International Settlements. However, at the thematic workshop on commercial property price indices held in February 2019, the challenges that remained in compiling data on such indices were underscored and issues specific to individual economies, requiring different solutions, were highlighted. A proposal on reformulating the target for recommendation II.18 was considered necessary, as an exception to the principle of sticking to the set targets. The reformulated target – “Provide Commercial Property Price Indicators data and associated metadata, including descriptions of data source(s) and compilation procedures, to BIS, be it from private sources or sourced from official statistics, the latter being the preferred option” – was presented to the participants during the 2019 global conference on the Group of 20 Data Gaps Initiative and was approved with a slight change, namely the restoration of the word “available” (“Provide available Commercial Property Price Indicators data ...”). The Inter-Agency Group closely cooperates with the Working Group in making progress on the recommendations.

16. In order to achieve the above objectives, the Working Group on House Prices, in cooperation and consultation with the Intersecretariat Working Group on Price Statistics, has developed and endorsed the above-mentioned template for the compilation of internationally comparable data on residential property price indices and related housing indicators. The template is organized around five topics: residential property price indices, other housing price statistics, indicators on residential property markets, structural indicators on housing, and indicators on construction. It is aimed at providing a better understanding of the housing market situation in individual countries.

17. In the context of the Group of 20 Data Gaps Initiative, OECD calculates and publishes a Group of 20 aggregate for consumer price indices on a monthly basis,⁹ in addition to a Group of 20 aggregate for economic growth on a quarterly basis.

V. Meetings and conferences

A. Workshop on commercial property price indices

18. The Group of 20 thematic workshop on commercial property price indices was organized by Eurostat and IMF in Luxembourg on 19 February 2019 and was attended by around 40 officials, including participants from 15 Group of 20 countries.

⁸ See <http://principalglobalindicators.org>.

⁹ See https://stats.oecd.org/Index.aspx?DataSetCode=G20_PRICES.

19. At the workshop, as previously noted, the challenges that remained in compiling data on commercial property price indices were underscored and issues specific to individual economies, requiring different solutions, were highlighted. The proposal on reformulating the target for recommendation II.18 was introduced and discussed at the workshop.

B. International Conference on Real Estate Statistics

20. The International Conference on Real Estate Statistics,¹⁰ organized by Eurostat in close cooperation with the European Central Bank, was held in Luxembourg from 20 to 22 February 2019. It brought together 130 high-level statistical experts and important stakeholders from more than 40 countries and addressed a broad range of conceptual and practical issues relating to residential and commercial real estate statistics, in particular data sources for commercial real estate statistics, the conceptual framework for compiling commercial real estate indicators and recent developments in residential real estate measurement.

21. The participants underlined the importance of the exchange of practices, knowledge and research in a statistical field that is still relatively new. They also noted that a common approach to meeting the various user needs and strong international coordination were necessary.

C. Eurostat task force on commercial real estate indicators

22. The Eurostat task force on commercial real estate indicators was set up in 2018 to explore the further development of commercial real estate prices and associated indicators. It provides a forum for the exchange of experiences with pilot projects, with a focus on data sources such as valuation data, administrative or survey data and private data sources. The pilot projects in Member States are key to capacity-building in terms of methodological and conceptual issues and the exploration of relevant data sources. The task force will provide input for the further development of long-term solutions for data collection on commercial real estate.

23. The participants of the task force are experts with relevant experience and skills in this field at national statistical institutes and national central banks of European Union member States, as well as the European Central Bank, Eurostat (Chair), IMF, the Bank of International Settlements and OECD. The task force held two meetings in 2019. It undertook an inventory of available data sources for commercial real estate indicators in European Union countries and is making progress on developing methodological guidance.

D. Group of Experts on Consumer Price Indices

24. The meetings of the Group of Experts on Consumer Price Indices are organized every second year by ECE in cooperation with ILO. The Group supports the development of internationally agreed standards and methods in the field of consumer price indices and provides recommendations on good practices that can be implemented by statistical offices. The meetings are organized under the aegis of the Conference of European Statisticians and are attended by price statisticians from countries that are members of the Conference, while an increasing number of statisticians from African, Asian and South American countries also participate.

¹⁰ See <https://www.real-estate-statistics.eu>.

Experts from international organizations and researchers specializing in index numbers also attend.

25. The next meeting of the Group of Experts on Consumer Price Indices will be hosted by ECE in Geneva from 2 to 4 June 2020. The meeting will discuss the following substantive topics: new data sources, the digital and sharing economy, measuring welfare and well-being, quality adjustment and other methodological issues, and understanding and meeting user needs. Information about the meeting will be made available on the ECE website.¹¹

E. Ottawa Group on Price Indices

26. The Ottawa Group on Price Indices focuses on applied research, in particular, though not exclusively, on consumer price indices. The Group examines the advantages and disadvantages of various concepts, methods and procedures in the context of realistic operational environments. Participants are specialists and practitioners at national statistical offices and international organizations. The Ottawa Group meets every second year, alternating with the biennial meetings of the Group of Experts on Consumer Price Indices.

27. The 2019 meeting of the Ottawa Group was held in Rio de Janeiro, Brazil, from 8 to 10 May. It was co-hosted by the Brazilian Institute of Geography and Statistics (IBGE) and the Getulio Vargas Foundation. It discussed the following topics: new data sources for price indices, seasonal products, housing price indices, index number formulae, quality adjustment and other methodological issues. The proceedings of this and earlier meetings of the Ottawa Group are available on the Group's website.¹² The Ottawa Group, being a city group of the United Nations, reports separately to the Statistical Commission.

F. Meeting on measurement of prices and volumes in a digitized world

28. On 2 and 3 July 2019, Eurostat and OECD organized a joint meeting on the measurement of prices and volumes in a digitized world. Developments resulting from the digitization of the economy, such as the rapid evolution in the design of new products, the combination of goods and services, new business models, changes from in-store shopping to online purchases and the treatment of "free" digital products, create new challenges for the measurement of prices and volumes. The meeting illustrated that national accountants and price statisticians would benefit from the regular sharing of experiences on these issues.

VI. Action to be taken by the Statistical Commission

29. **The Commission is invited:**

(a) **To endorse the publication entitled *Consumer Price Index Manual: Concepts and Methods* as an international statistical standard;**

(b) **To encourage its use by countries in the compilation of their national consumer price indices.**

¹¹ See www.unece.org/statistics.

¹² See www.ottawagroup.org.