



Economic and Social Council

Distr.: General
20 December 2012

Original: English

Statistical Commission

Forty-fourth session

26 February-1 March 2013

Item 4 (k) of the provisional agenda*

Items for information: price statistics

Report of the Intersecretariat Working Group on Price Statistics

Note by the Secretary-General

In accordance with a request made by the Statistical Commission at its forty-third session (see E/2012/24, chap. I, sect. 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 Commission is requested to take note of the report.

* E/CN.3/2013/1.



Report of the Intersecretariat Working Group on Price Statistics

I. Introduction

1. The present report informs the Statistical Commission of the progress of the work carried out in the area of price statistics since its forty-second session, as coordinated by the Intersecretariat Working Group on Price Statistics. It also outlines the main activities to be carried out in this area during the period 2013-2014.

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

A. Background and purpose of the Working Group

2. The mission of the Working Group is to develop international standards and recommendations regarding 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 required, preferably those compatible with the System of National Accounts 2008 (2008 SNA) and updates thereto.

3. The Working Group was established in 1998. The original terms of reference were revised in 2005 and 2011, switching the focus from the definition and development of the methodological frameworks of the consumer price index (CPI) and the producer price index (PPI) and their practical implementation to the development and promotion of international manuals for price statistics in general and the coordination of international work on price indices. The revised mandate and the objectives of the Working Group are detailed in its previous report (E/CN.3/2011/27).

B. Organization of the Working Group

4. The Working Group 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 can invite experts from statistical offices and academia to participate in its work. The Chair of the Working Group rotates among its member organizations. Since March 2011, the Chair has been Eurostat.

5. The Working Group aims to meet in conjunction with other international meetings on price statistics. Between meetings, issues are reviewed by means of electronic discussion and video- and teleconference. Since the forty-second session of the Statistical Commission, the Working Group has held two meetings: in Wellington in May 2011, in conjunction with a meeting of the Ottawa Group on Price Indices, and in Geneva on 1 June 2012, in conjunction with a meeting of the Group of Experts on Consumer Price Indices jointly organized by ECE and ILO.

Additional teleconferences took place in January and May 2012. The next meeting is scheduled to be held in Copenhagen, in conjunction with a meeting of the Ottawa Group on Price Indices to be held from 1 to 3 May 2013.

C. Activities since the forty-second session of the Statistical Commission, in February 2011

6. The previous biennial report on the work of the Working Group, including the revised terms of reference, was submitted to the Statistical Commission for its forty-second session, in 2011 (E/CN.3/2011/27). Since then, the following activities have been carried out.

1. Manuals and handbooks

7. One of the objectives of the Working Group is to develop manuals and handbooks containing best practice guidelines on concepts and methods relating to price statistics and to support their use. The manuals/handbooks developed and released under the auspices of the Working Group are listed in the annex. During the reporting period, the Working Group continued its activities in this area.

8. The *Handbook on Residential Property Price Indices*¹ has been finalized and will be officially released in December 2012. The *Handbook* provides best practices for compiling house price indices and is aimed at improving the international comparability of residential property price indices. It is intended to facilitate the setting-up of house price indices where these are lacking and the improvement of existing indices where necessary. The *Handbook* was commissioned by Eurostat to a team of internationally recognized price statistics experts; it was initiated by the conference on residential property price indices hosted by the Bank for International Settlements in Basel, Switzerland, in November 2009. The *Handbook* benefited from in-depth discussions at meetings of the Group of Experts on Consumer Price Indices jointly organized by ECE and ILO in May 2010 and May 2012, at a dedicated session during the Ottawa Group meeting in May 2011, at a dedicated workshop organized by Statistics Netherlands in February 2011, and at a broader consultation of price statisticians on the various versions posted on the Eurostat website. The next steps in relation to the *Handbook* will be the preparation of practical guidelines for its implementation.

9. In order to complete the methodological framework on real estate price statistics, the Working Group supported a project for the compilation of a handbook on commercial property price indicators. Eurostat will coordinate and finance the compilation of the handbook under the auspice of the Working Group. The project was initiated by an international conference on commercial property price indicators jointly organized by Eurostat and the European Central Bank, with the support of IMF, OECD and the Bank for International Settlements, held in Frankfurt, Germany, in May 2012. The conclusion of the conference highlighted the need to develop a suitable methodological framework for the compilation of harmonized commercial property price indicators, covering theoretical aspects, but also establishing guidelines for the pragmatic and operational compilation of the related statistics. Similar to the successful compilation of the *Handbook on Residential Property*

¹ Available at <http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/methodology>.

Price Indices, the commercial property price indicators handbook will be commissioned by Eurostat to a team of internationally recognized experts that will compile it, ensuring close consultation with commercial data providers and with methodologists in this field. The progress made on the handbook will be monitored by the Working Group and will be presented at the forthcoming meeting of the Ottawa Group (2013) and of the Group of Experts on Consumer Price Indices (2014). The compilation of the handbook will start in January 2013 and be completed in December 2014.

10. The Working Group gave further consideration to possible updates of the other manuals compiled and released under its auspices: the *Consumer Price Indices Manual: Theory and Practice* and the related handbook on CPI compilation; the *Import and Export Price Index Manual: Theory and Practice*; and the *Producer Price Index Manual: Theory and Practice*. In particular, the Working Group made a very preliminary assessment of the possible impacts of the changeover to the 2008 SNA on the manuals. While the preliminary assessment seems to point to minor impacts for CPIs, this may not be the case for import and export prices and production prices. Therefore, in 2013 the Working Group will initiate a more in-depth assessment of the impact of the 2008 SNA changeover in order to provide guidance/recommendations on the matter. The same considerations were made in relation to the links between the *Consumer Price Indices Manual* and the newly released *Handbook on Residential Property Price Indices*. In addition, the Working Group recognized the general need to envisage an update of the *Consumer Price Indices Manual* to incorporate several relevant methodological changes in the area of consumer price statistics, as highlighted in various presentations at the meeting of the Ottawa Group on Price Indices and the ECE/ILO meeting of the Group of Experts on Consumer Price Indices. In 2013, the Working Group will further assess the need to review the *Manual* and, if appropriate, initiate the corresponding actions.

2. International coordination

11. The Working Group continued to play a key role in the international coordination of price statistics activities.

12. According to its mandate, the Working Group is charged with coordinating the work of international organizations in implementing best practices set out in manuals or handbooks on price indices, in sharing information on training and technical assistance, in using resources efficiently and in avoiding duplication of effort. Within this remit, the Working Group enhanced the availability of information on training and technical assistance activities organized by international organizations and reinforced the mutual exchange of information on activities related to price statistics.

13. In parallel, the Working Group continued to play a steering role in promoting the discussion of price statistics methodology at the international level, notably in relation to the meetings of the Ottawa Group on Price Indices (in particular in supporting the organization of the 2011 and 2013 meetings) and the ECE/ILO meetings of the Group of Experts on Consumer Price Indices (in particular the 2012 meeting). In this context, the Working Group further enhanced coordination, in particular with the Ottawa Group meeting, by endorsing the proposal that the Chair of the Working Group serve as a permanent member of the Ottawa Group Steering Committee. This approach, combined with the participation of the various

institutional members of the Working Group in the organizational committees for the ECE/ILO meetings of the Group of Experts on Consumer Price Indices and the meetings of the Ottawa Group, further strengthens the coordination of developments in the area of price statistics.

14. At the same time, the institutional members of the Working Group and the Chair ensured the necessary linkages with other relevant work, such as that of the International Comparison Programme and the Voorburg Group on Service Statistics.

15. The Working Group also supported the development of the reference framework for price statistics in relation to various price indices and illustrating the relationship between price indices and other relevant economic and labour statistics, notably national accounts and household budget survey statistics. Particularly relevant in this context are the initiatives on multipurpose price statistics aimed at the development of synergies between price statistics for temporal (CPIs) and spatial (purchasing power parities) comparisons.

16. Furthermore, the Working Group took care of the follow-up on the effects of the financial and economic crisis on price statistics. The Data Gaps Initiative of the Group of 20 (G-20) highlighted the statistical consequences of the crisis and, under the coordination of IMF and the Financial Stability Board, identified statistical gaps to be addressed. Of the 20 recommendations identified by the Initiative, one was devoted to real estate price statistics and another, general one to the dissemination of key macroeconomic statistics, including price statistics indicators. The Working Group addressed the real estate price statistics issue through the work on the *Handbook on Residential Property Price Indices* and the forthcoming commercial property price indicators handbook, and also helped to promote the implementation of residential property price indices in the G-20 countries.

17. In relation to the harmonization and availability of CPIs, the Working Group played and will continue to play a major role in defining the international standards and templates to be used for the collection of price statistics information, in setting up the protocol for the international transmission of such statistics (data structure definitions and Statistical Data and Metadata Exchange (SDMX) implementation) and in promoting methodological harmonization.

18. With regard to the enhancement of the international comparability of headline indicators, the Working Group is called to play an even more proactive role towards the harmonization of concepts, in particular in relation to consumer price indices.

3. International meetings

19. The following international meetings were held during the reporting period:

(a) The biennial meeting of the Ottawa Group on Price Indices was held in Wellington, New Zealand, from 4 to 6 May 2011. It was attended by 50 experts from statistical offices, international organizations and research institutions. Papers presented and discussed were on a number of topics: scanner data; price measurement for “difficult-to-measure” products and services; housing and residential property price indices; developments in weighting and calculation methodology; intra- and international comparability; and emerging issues relating to price indices. The next meeting of the Ottawa Group will be held in Copenhagen from 1 to 3 May 2013;

(b) The biennial meeting of the Group of Experts on Consumer Price Indices, jointly organized by ECE and ILO, was held in Geneva from 30 May to 1 June 2010. It was attended by 100 experts from statistical offices, international organizations and research institutions. Papers presented and discussed were on a number of topics: house price indices; systems of price indices; new ways of calculating the CPI; scanner data; new price collection methods; quality adjustments for services; and sources of weighting data. The meeting was complemented by a special session on the Price Index Processor Software. The next meeting on CPIs organized by ECE and ILO will be held in Geneva in May 2014;

(c) An international conference on commercial property price indicators was jointly organized by Eurostat and the European Central Bank, with the support of IMF, OECD and the Bank for International Settlements, in Frankfurt, Germany, on 10 and 11 May 2012. The conference brought together a large and varied set of participants, including representatives of the user community (policymakers, financial market users and academics) and of the producer community (both official statisticians and commercial data providers). The agenda included the following items: user requirements for commercial property price indicators; the producer perspective; official statistical providers; and conference lessons.

4. Other activities

20. The Working Group supports the development and promotes the use of the Price Index Processor Software. Users can download the software² 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. 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. A special session at the 2012 ECE/ILO meetings on CPIs was dedicated to the software.

D. Future work

21. During the period 2013-2014, the Working Group will continue its role of the coordination of price statistics in accordance with its mandate. Particular focus will be placed on the following activities:

(a) Coordination of the work of international organizations in implementing best practices set out in manuals or handbooks on price indices, in sharing information on training and technical assistance and in using resources efficiently;

(b) Development of guidance on best practices in order to improve the quality and international comparability of price statistics;

(c) Coordination of the discussion of price index methodology at the international level, in particular in the Ottawa Group on Price Indices and at ECE/ILO meetings of the Group of Experts on Consumer Price Indices; and coordination with other relevant work, such as that of the International Comparison Programme and the Voorburg Group on Service Statistics;

² Available from www.unece.org/stats/archive/02.07.e.htm.

- (d) Drafting of the commercial property price indicators handbook;
- (e) Revision, if appropriate, of the *Consumer Price Indices Manual*;
- (f) In-depth assessment of the impact of the SNA 2008 changeover on the *Consumer Price Indices Manual* and the related handbook on CPI compilation, the *Import and Export Price Index Manual* and the *Property Price Index Manual* in order to issue guidance/recommendations on the matter;
- (g) Development of common templates and common data structure definitions for price statistics, and promotion of the implementation of SDMX in price statistics;
- (h) Enhancement of the harmonization of concepts for headline indicators, in particular for consumer price indices;
- (i) Identification and enhancement of synergies between temporal and spatial price statistics;
- (j) Addressing new and upcoming issues in the field of price statistics.

E. Additional information

22. 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.

23. The roles of the Working Group, the ECE/ILO meetings of the Group of Experts on Consumer Price Indices and the Ottawa Group on Price Indices are outlined in the annex to the previous report of the Ottawa Group (E/CN.3/2012/26).

Annex

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 of Great Britain and Northern Ireland	Published by ECE, 2009
<i>Handbook on Residential Property Price Indices</i>	Eurostat	To be published by Eurostat, December 2012
<i>Commercial Property Price Indicators</i>	Eurostat	Being drafted