



STATISTICS

Owner Occupied Housing Services

JUNE 22, 2022

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Introduction

Methods: An overview

Methods used: A snapshot

Challenges

Introduction

Treatment of OOH housing services costs in CPI

- One of the most difficult issues faced by compilers
 - Separating investment and shelter services components of OOH
- Can have significant impact on CPI especially in terms of weights and measured inflation

Which approach?

- Ideally, approach chosen should align with main use of the CPI

In practice

- Data constraints – not able to implement preferred approach
- Uses of CPI as macroeconomic indicator and indexation purposes
 - Complicate choice of appropriate treatment
 - Adopt approach not entirely consistent with treatment of other items in CPI

Introduction

Why include OOH services costs?

- Improve representativeness and relevance of CPI
- Enhance international comparability

Concerns

- Relatively high weight in most countries – significant impact on measured inflation
- Depending on approach and data – OOH services costs may not be as timely as other data for the CPI
 - Some cases OOH services costs indexes quarterly only
 - Impact quality and usability of CPI

Introduction

Criteria for choosing an approach

- Alignment with user needs and main purpose of the CPI
- Alignment with international practices
 - No single agreed methodology
- Public acceptance
- Practicality of implementation
 - Data needs and constraints

Use Approach

Objective

- Measure the change over time in the value of the flow of shelter services consumed by owner-occupiers

Two main approaches

- User cost
- Rental equivalence

Use Approach: User Cost

Measure the changes in the cost to owner-occupiers of using the dwelling

Consistent with a cost-of-living index (COLI)

Difficult to implement in practice

- Estimating weights can be complex when house purchase financed in whole or part through mortgage borrowing
- Key element – opportunity cost of investing in the dwelling - requires modelling

In practice - NSOs adopt a variant or narrower definition of user cost

Potential issues

- Including mortgage interest rates – circularity in terms of monetary policy

Use Approach: Rental Equivalence

Measure the change in the price of the housing services consumed by estimating the market value of those services

- Implicit cost that owner-occupiers would have to pay to rent their dwelling

Consistent with the COLI

Consistent with treatment of OOH in the 2008 SNA

In practice, considered viable option by many countries – requires transparent rental market and reliable rent survey for a sample of houses representative of the housing stock

Potential issues

- Based on notional or imputed prices
 - Could be viewed as significant departure from other items are treated
 - Double counting can be an issue when repairs, maintenance, taxes, utilities included in rent – care must be taken when collecting data on HBS

Payments Approach

Measure changes in cash outlays associated with owner-occupied dwellings

Consistent with COLI and easily understood by public

Challenges

- Some payments represent capital transactions that should be excluded from CPI
 - Down payments and repayment of mortgage principle
 - Alterations and additions to dwelling
- Tax allowances for mortgage interest payments – weights and price indicator should be based on payments after tax relief
- Requires large amounts of data – may not be available
- Including mortgage interest rates – circularity in terms of monetary policy

Acquisitions Approach

Measure changes in acquisition and maintenance cost of a dwelling

Suitable for measuring monetary inflation

Consistent with treatment of other CPI items – no imputed prices, based on transaction prices

- Prone to volatility in the housing market
- Imputations may be necessary for treatment of land

Net acquisitions – sales of dwellings between households netted out

- OOH = largely reflects expenditure on new dwellings (net sector) and self-builds

Potential issues

- Purchase of dwelling = mix of investment and consumption expenditure
 - Common approach – land represents investment and structure represent consumption

In practice, include only prices of newly constructed dwellings – project houses or model pricing

- Can still be difficult to separate cost of land
- New dwellings may represent very small share of market and are very difficult to measure separately – particularly in smaller housing markets

Different Approaches - Summary

No single agreed-upon approach for the treatment of OOH housing services

Four approaches discussed in the 2020 CPI Manual

- Three approaches in practice
 - Rental equivalence approximates the user cost approach

Key factor which drives approach used – data availability

Most prevalent approaches used in practice

- Rental equivalence
 - Straight forward to apply – requires suitable rental market
 - Often requires modifying the rent survey to more broadly represent the housing stock
- Net acquisitions
 - More complex and difficult to implement but consistent with treatment of other goods and services in CPI and not affected by financing for house purchases

CPI Metadata Survey

Annual collection of detailed CPI methods

- Replaces ad hoc collection of CPI metadata for CPI database

Online collection launched in 2020

- Survey link sent every January to CPI contacts

Metadata collected include

- Coverage
- Reference periods
- Sampling methods
- Price collection sources and methods
- Index calculation methods
- Treatment of missing prices
- QA methods
- OOH and more



Annual Global Survey of Consumer Price Indices Statistical Programs

The purpose of this survey is to collect information about the CPI Statistical Programs in IMF member countries. The information from this survey will be used to assist the IMF and its member countries in understanding the scope and quality of member country's CPI program. It will also help the IMF to design its CPI capacity development activities.

[Start Survey](#)

CPI Metadata Survey

2019 Metadata Survey (late 2020) – 179 respondents

2020 Metadata Survey (January 2021) – 206 respondents

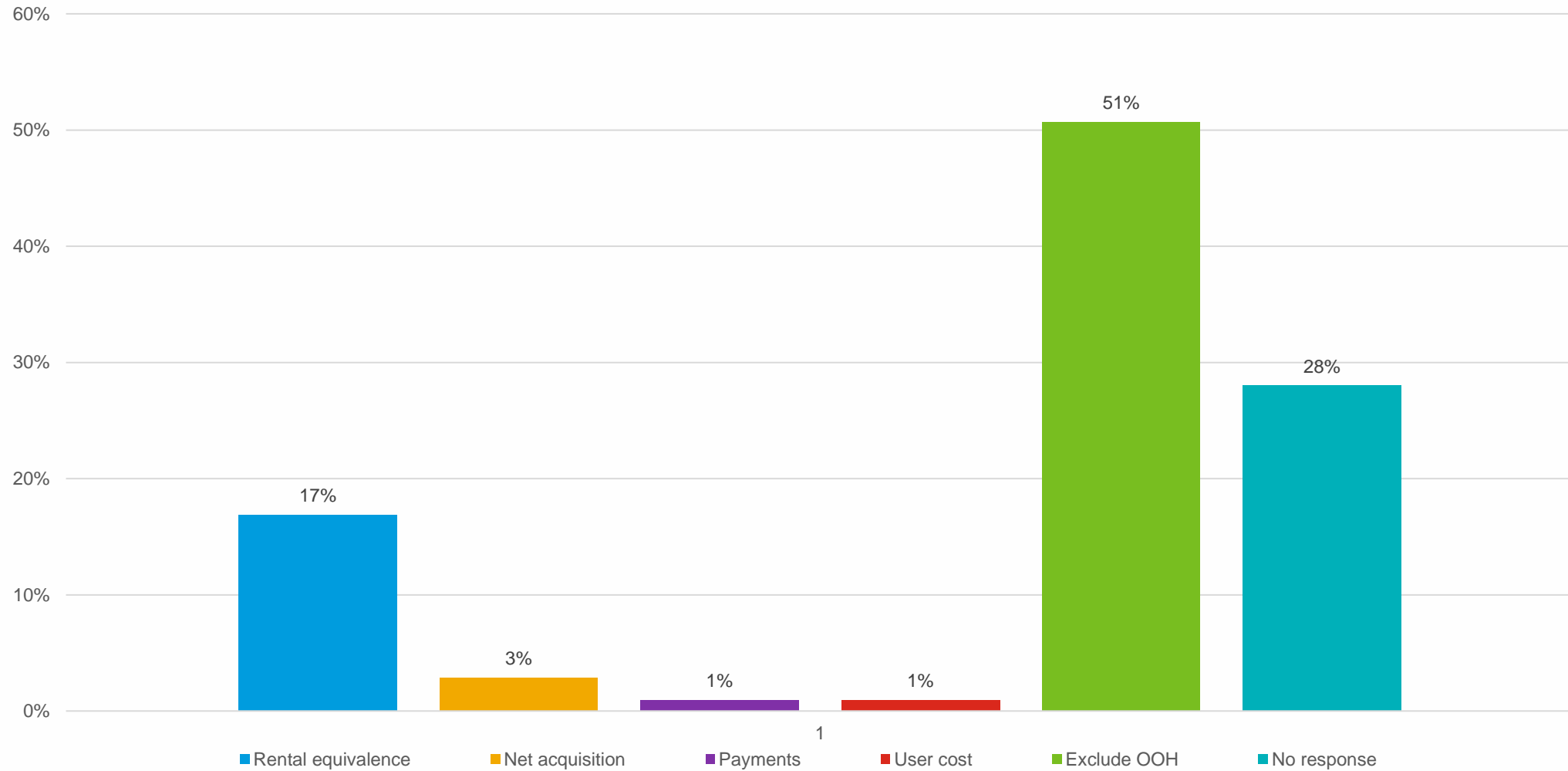
2021 Metadata Survey (January 2022) – in process

Metadata will be posted on the CPI database

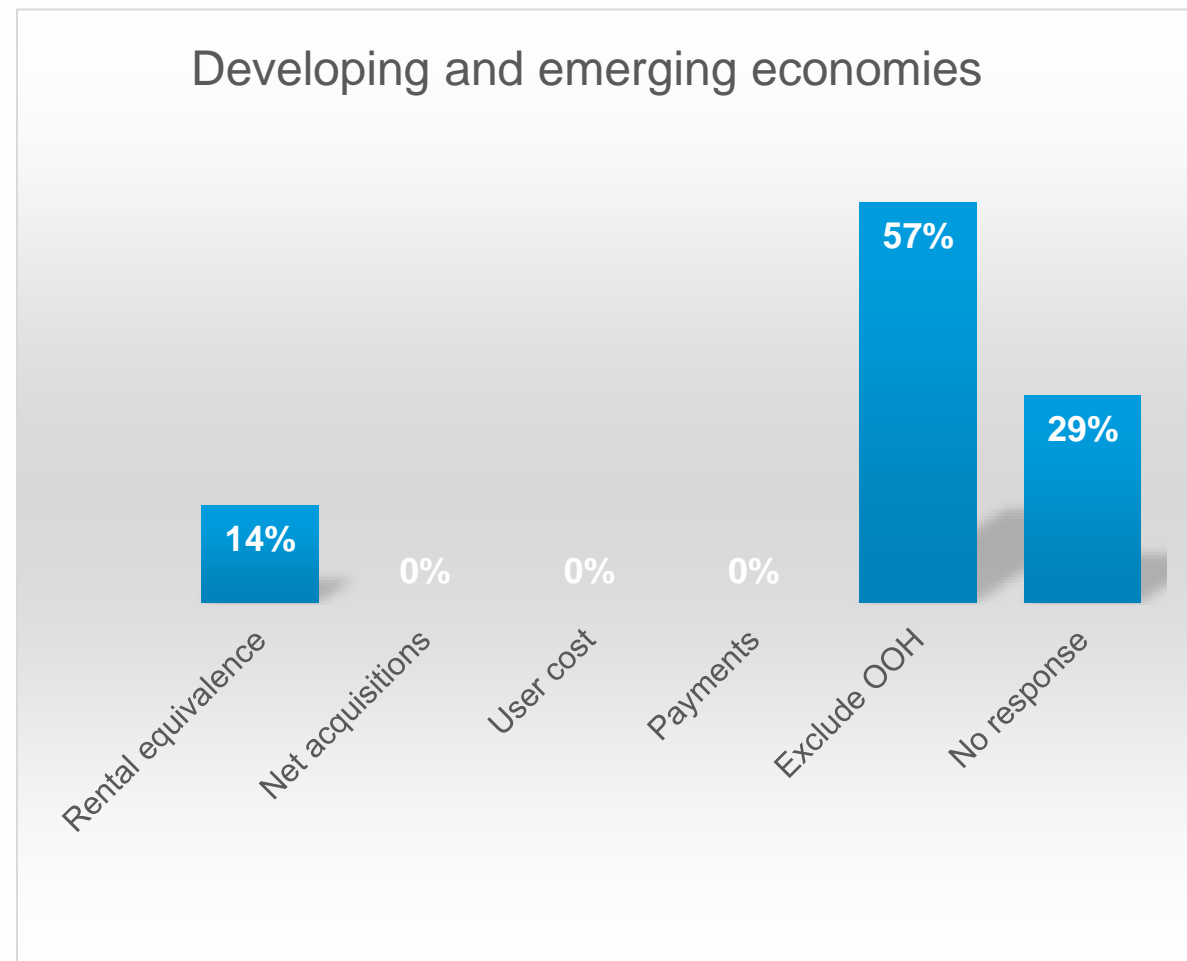
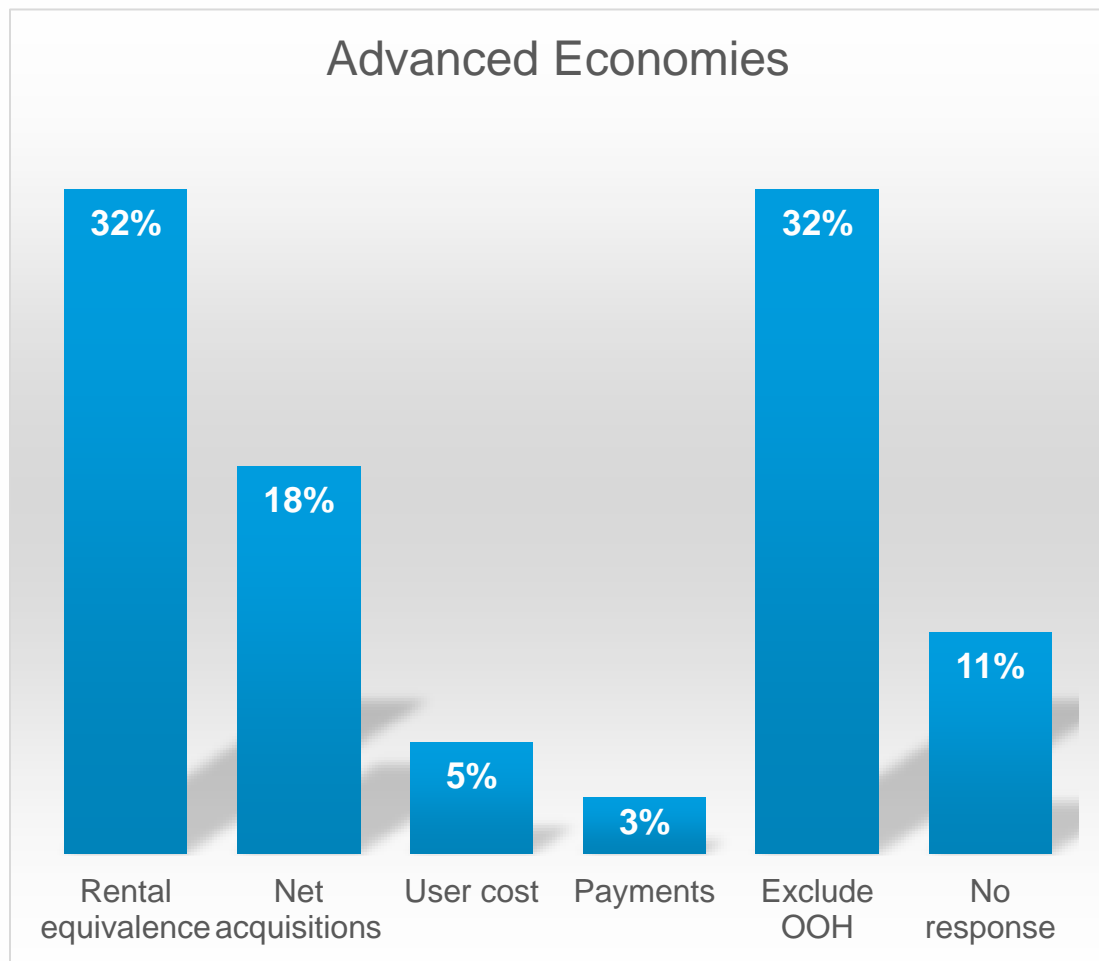
Annual collection facilitates analysis of improved methods across time

- Assess the sustainability of methods and products introduced in response to COVID-19

OOH Methods – 2020 Metadata Survey



OOH Methods – 2020 Metadata Survey



Challenges

Developing and emerging economies

- Informal housing
- Self-build housing
- Generational housing
- Government supplied housing
- Availability of data
 - Reliability of data on transactions
 - Rent only in capital city

Thank you!!