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Contribution to the integrated presentation, programme element 3.9 Price Statistics

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1. Consumer price indices are one of today's main short term economic indicators. They are intensively used by Central Banks and monetary authorities in conducting the monetary policy and for worldwide comparisons between countries and between regions. They are also used by a large number of other public institutions and private companies for different purposes.
2. The importance and heavy use of CPI statistics and their continuing internationalization calls for international coordination. Therefore, it is to be expected that international institutions such as ECE, ILO, OECD, The World Bank, IMF and Eurostat will have an increasing role to play.

Areas where international coordination may be particularly helpful

3. The international work on price statistics may be grouped under two broad headlines:
 - Comparability and documentation standards
 - The quality of the CPI statistics
4. In the work on price statistics international coordination and cooperation will be needed especially regarding the problem of international comparabilities and documentation standards. As

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regards the question of comparability, three subjects seem to be of major importance.

I. The type of the Consumer price index

5. It is still not clear what is meant by a consumer price index. The US CPI is based on the “cost of living”-approach whereas the Harmonised indices of consumer prices of the EU-member states (HICPs) are intended to be “inflation” or “pure price” indices. This may give rise to serious non-comparabilities and also cause confusion among users and in the public in general. The problem should be addressed and it is to be welcomed that the ECE/ILO on its joint meeting on consumer price indices in autumn 2001 plans to discuss the question.

II. Coverage of goods and services

6. The question of the coverage of goods and services also influences the degree of comparability of various CPIs. The area should be suitable for international coordination. As an example, owner occupied housing is at present completely excluded from the HICPs whereas it is included in the US CPI. Moreover, the EU-member states are currently considering whether to include owner occupied housing by the net acquisition approach, whereas in the US CPI owner occupied housing is included by the rental equivalent approach. Owner occupied housing may be the most important single item regarding the coverage of goods and services, but there may be other areas where international coordination could prove helpful.

III. Documentation standards

7. There is a need for international documentation standards. Comparable documentation is not only helpful to users and producers of the statistics. It is simply not possible for users to assess the comparability (or non-comparability) of the CPIs without comparable documentation standards. In addition, documentation is necessary to secure transparency, which is of substantial importance in the area of consumer price indices.

8. The ongoing work on a new ILO manual on price indices is promising and the manual is certainly needed. The ultimate question is, whether a parallel to the SNA/ESA manual should be developed. Clearly, this would require a substantial work effort, but it would also leave both the producers and users of the statistics with a very helpful and significant tool.

The quality of the CPI statistics

9. Since the mid 1990s the CPIs have been intensively discussed beginning with the Boskin Report in 1996 and followed by a number of contributions from groups such as the Ottawa group and the Voorburg group. Also in the European countries significant improvements have been made in the harmonisation work lead by Eurostat. The biannual ILO/ECE meetings in Geneva are also very helpful in continuing the international discussion regarding the question of the quality of price statistics and how to improve it. The agenda for the ECE/ILO joint meeting in autumn 2001 seems to address this area

appropriately.

10. The use of new technologies for collecting, processing and distributing Price statistics should be further investigated. Especially the use of scanner data and the use of handheld computers for price collection and data editing seems to be important. In Europe, work in this area has been initiated by several countries, supported by Eurostat. The area calls for international cooperation in e.g. developing software which would, eventually, also include the possibility of implementing common standards for data editing.

PPP statistics

11. PPP has been improved during the latest years. However, the timeliness of the PPP statistics still needs to be improved. The figures are 2-3 years old when published which reduces the relevance of the statistics.
