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Directorate D: Economic and Regional Statistics
Unit D-4: Price statistics



HICP COMPLIANCE MONITORING

INFORMATION NOTE ON THE HARMONIZED INDICES OF CONSUMER PRICES FOR ROMANIA

May 2007

In the context of compliance monitoring and quality assurance, Eurostat reviewed the HICP for Romania in spring 2007. The statistical practices used to compile the HICP for Romania have been reviewed against HICP methodology and other guidelines and good practices in the field of consumer price indices.

This report takes account of publicly available information on the CPI and HICP for Romania, and additional information collected by Eurostat prior to and during a mission to the Statistical Office of Romania (INSSE) on 15 March 2007.

I. OVERALL ASSESSMENT

Eurostat considers that in general the methods used for producing the Romanian HICP are satisfactory. The quality of the consumer price statistics for Romania has improved significantly in recent years. In close collaboration with Eurostat and other international experts, the Statistical Office of Romania successfully completed many actions in order to set-up the Romania HICP before accession to the European Union (EU).

There were no apparent instances of non-compliance with the HICP methodology. The Romanian HICP data passes all standard HICP validation tests – it is internally consistent and aggregates correctly. It can therefore be considered comparable to the HICPs of other EU countries.

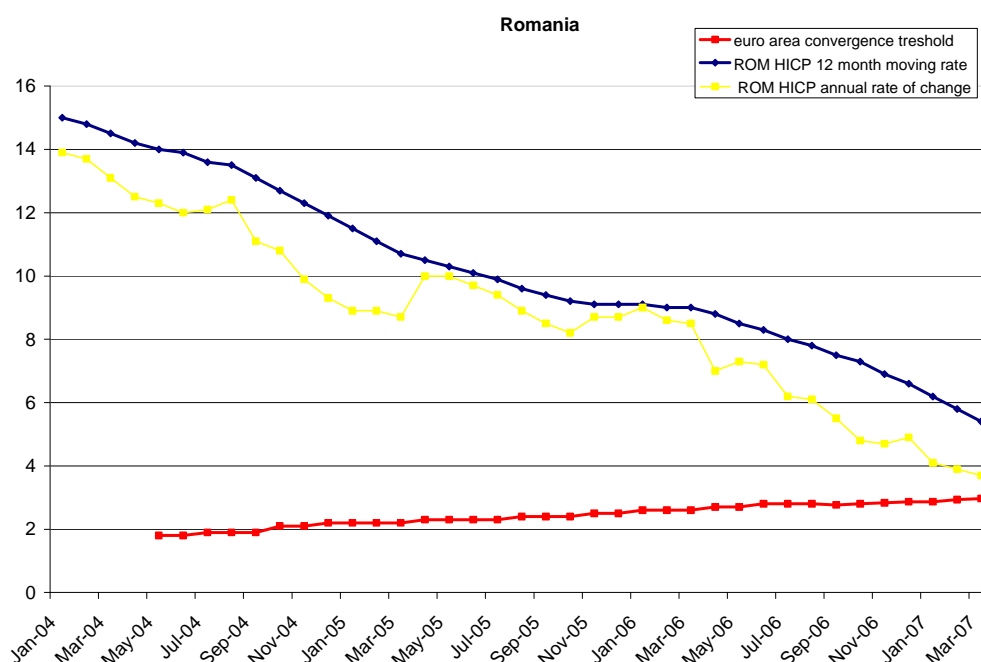
While the representativity of the HICP, in terms of accuracy and reliability, seem generally adequate, in some cases the methodology or data used need improvement and/or further analysis (see Section III). A targeted follow up of these cases will be carried out by INSSE and Eurostat. In the opinion of Eurostat, the Romanian statistical office would benefit from improved human resource capacity and expertise for carrying out HICP work. Moreover better access to basic data held by other authorities such as the Energy Regulatory Authority, the Telecoms Authority or the Ministry of Finance would benefit the quality of the Romanian HICP.

II. RECENT PRICE DEVELOPMENTS

HICP compliance for Romania was assessed positively by Eurostat in 2004 before accession to the EU. The focus of Eurostat's assessment of spring 2007 was on administered prices and on those prices which were having a particularly important impact on the most recent Romanian HICP data, in particular prices for telecoms, pharmaceuticals, energy, sewerage and water supply, food, and industrial goods.

Inflation in Romania remains higher than the euro area average. In March 2007 the Romanian HICP annual inflation rate was 3.7%, compared to the euro area average of 1.9%. This situation is also reflected in Romania's 12 months moving rate for March 2007 which was 5.4% compared to 2.1% for the euro area. The chart below shows the recent development in the 12 months moving rate and the annual rate of change for Romania together with the euro area convergence threshold for inflation.

Romania's relatively high inflation rate in recent years reflects in particular changes in administered prices and taxes on tobacco. On average the most significant upwards impacts on the HICP in the year from March 2006 to March 2007 came from tobacco and fees for services such as gas, district heating, water supply and sewerage collection. Price increases for these items in the last year have been partly offset by lower inflation for some other products such as meat and telecommunications.



Note: The euro area inflation convergence threshold is based on a 12-month moving average calculation

III. FINDINGS AND RECOMMENDATIONS

For most headings both the methodology and data seem to be satisfactory, and the movements in both prices and weights in recent periods correctly reflect economic determinants. The unusual fluctuation of the index for telecoms and telephone services in particular is explained by the fact that to a large extent both fixed and mobile telephony are billed in foreign currency, such as euro or dollars, and hence also reflect exchange rate changes.

Nevertheless, for some headings with highly significant impacts on the HICP the methodology or data used show need for improvement. Also, some movements in the data (both price indices and weights) may require some further analyses, as for instance the weights applied to energy items and cars, and second hand cars in particular.

Eurostat welcomes INSSE's plans to monitor in a more systematic way product groups, such as hospital services, social protection, health and dwellings insurance in order that they can be considered on time, as they are likely to become significant in future.

According to INSSE, no methodological changes are currently expected in 2007. In particular, INSSE is already compliant with HICP standards related to the temporal coverage of price collection, which is some Member States will take effect with the index for January 2008 in accordance with Regulation (EC) No 701/2006.

Eurostat recommends that:

Movements in energy prices and volumes be studied in more detail, in order to amend or support current weights, and supports INSSE's initiative to monitor closely this issue. In order to achieve this, but also as a general comment, INSSE should be given full access to basic information held by the Energy Regulatory Authority that is necessary to compile indices in accordance with HICP standards.

Improved access to basic data held by authorities such as the Telecoms Authority and the Ministry of Finance would benefit the quality of the Romanian HICP.

As the methodology used for car prices has some limitations, it is recommended that the methodology be improved.

For used cars, more analysis requires to be carried out in order to improve evidence that second hand cars new to the HH sector are not significant. In particular, Eurostat recommends that INSSE checks weighting volumes via some other source (such as registrations) to support the present weights allocated to cars, for second-hand cars in particular.

As regards new cars, new models are generally introduced by means of resampling at the turn of the year. To the extent that quality adjustments are made for new cars, further analysis is needed to assess whether the method used by INSSE gives equivalent results to option pricing.

Since there has been a big jump in the premium for transport insurance, Eurostat recommends a study into this issue and supports INSSE's initiative to review the way transport insurance has been treated in the HICP.

For education and housing agents, further analysis should be carried out into the movements in both prices and volumes in order to support the weightings used.

Further analyses should be carried out to explain and justify the behaviour of some seasonal series, such as package holidays, clothing, and shoes.