



EUROPEAN COMMISSION
EUROSTAT

Directorate G: Business Statistics
Unit G-6: Price statistics; Purchasing Power Parities



HICP COMPLIANCE MONITORING

INFORMATION NOTE

ON THE HARMONIZED INDICES OF CONSUMER PRICES

FOR SPAIN

August 2010

In the context of compliance monitoring and quality assurance, Eurostat reviewed the HICP for Spain in autumn 2009. The statistical practices used to compile the HICP for Spain 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 Spain and additional information collected by Eurostat prior to, during and following a mission to Spain – Instituto Nacional de Estadística (INE) - held on 1 October 2009.

I. OVERALL ASSESSMENT

INE has made some substantial methodological improvements in recent years, concerning in particular price collection and quality adjustment. Eurostat supports INE's plans to undertake further improvements to the HICP.

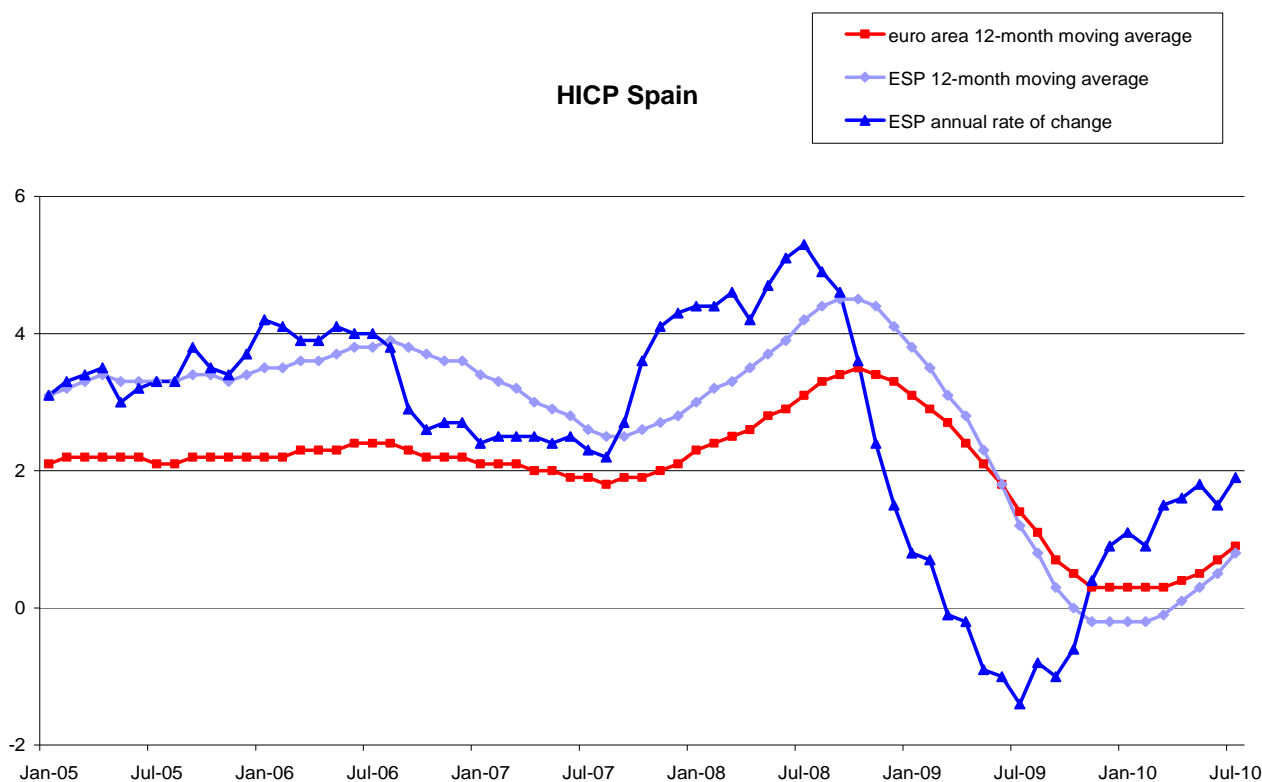
Instances of non-compliance with the HICP methodology are limited and unlikely to have a major impact in practice on the HICP annual average rate of change. The Spanish data pass all standard HICP validation tests – they are internally consistent and aggregate correctly. The HICP should be considered comparable to the HICPs of other EU countries.

While the reliability of the HICP, in terms of precision and representativeness, appears generally adequate, in some cases the methodology or data used need improvement or further analysis (see Section III). A targeted follow up of these cases will be carried out by INE and Eurostat.

II. RECENT PRICE DEVELOPMENTS

The focus of Eurostat's autumn 2009 assessment on price developments was on those headings which showed a significant impact on the 12-month moving average rate of change. The most significant upward impacts on HICP in August 2009 came from restaurants and cafés, electricity and tobacco. At the same time significant downward impacts came in particular from fuels for transport, garments, heating oil and cars.

In August 2009 the annual inflation rate for Spain was -0.7% which was below the euro area average of -0.2%. Spain's 12-month moving average rate for the year to August 2009 was 0.8%, below the corresponding figure of 1.1% for the euro area. The chart below shows the development in the 12-month moving average rate of change and the annual rate of change for Spain, together with the euro-area 12-month moving rate from January 2005 onwards.



III. FINDINGS AND RECOMMENDATIONS

For most headings both the methodology and data appear compliant with HICP requirements, and the movements in both prices and weights in recent periods correctly reflect economic determinants. The item weights for 2009 referred to the year 2007 and were price-updated up to December 2008.

The most important differences between the HICP and the national CPI for Spain concern firstly the consumption expenditures for residents abroad, which are excluded from the HICP and included in the national CPI. In addition, consumption expenditures of residents in institutional households and for non-residents within the economic territory are included in the HICP and excluded in the CPI. Furthermore, the HICP uses net weights for second-hand cars and insurance whereas the CPI uses gross weights.

Internet price collection has been introduced for IT equipment and hotels.

According to INE, no major methodological changes are currently expected in 2010, aside from the implementation of the new HICP requirements on seasonal items.

Eurostat welcomes INE's ongoing work with a view to implementing an automatic procedure for monitoring the application of quality adjustment methods and their impact on the All-items HICP from January 2012.

For a number of product groups (such as furniture, household appliances, rentals, maintenance and repair of personal transport equipment, and restaurants, cafés and the like), INE uses a rotating sample design. For products with sales periods, prices are collected for all sampled outlets in January and July. In the other ten months, prices are collected for one

third of the sampled outlets only, unless there is evidence that more than 50% of the prices have changed, in which case all prices are collected in the following month.

Prices for non-observed outlets are estimated by carrying forward price observations from previous months to the current month. Even where prices should in principle be collected monthly, this sample design may be justifiable, particularly if this allows for a larger number of outlets in the total sample and the compilation of regional HICPs, subject to the relevant recommendations made below.

For some headings with significant impacts on the HICP, the methodology or data used need some further analysis or improvement.

Eurostat recommends that:

- where the rotating sample design is being used and part of the prices are not observed in a particular month, these non-observed prices should be estimated on the basis of the actual price observations in that month rather than being carried forward.
- INE should review its approach to sampling and assess whether it represents the full range of goods and services purchased in either of the time periods being compared, especially the higher end of the market. With the introduction of EC Regulation 1334/2007 there is a need to revisit the issue of sample design, in particular consumption segments.
- INE monitor the rate of outlet closure during the current period of economic turmoil and follow the corresponding Task Force recommendations on this issue where necessary.
- taking into consideration that INE is already using hedonic methods for quality adjustment for television sets and washing machines, further efforts be made to apply explicit quality adjustment methods on other products.
- further efforts be made to verify the significance of internet purchases for some products that may need to be included in the HICP.
- a more systematic approach be devised in the process to entering newly significant goods and services in the HICP.