



EUROPEAN COMMISSION
EUROSTAT

Directorate C: Macro-economic Statistics

Unit C-4: Price statistics. Purchasing Power Parities. Housing statistics

HICP Compliance Monitoring Report

Malta

May 2019

1. Introduction

In May 2018, Eurostat reviewed the compilation of the harmonised index of consumer prices (HICP) for Malta. The review was done against the existing legal framework, established HICP methodological recommendations and other guidelines and good practices in the field of consumer price indices.

The current report is based on:

- The inventory of the sources and methods used for the Maltese HICP. The National Statistics Office (NSO) provided the inventory to Eurostat in February 2018.
- The metadata of the Maltese HICP in Eurostat's dissemination database.
- The discussion at the compliance monitoring visit that took place on 24 May 2018 at the NSO in Valletta.

For all main methodological topics related to the HICP this report briefly summarises the Maltese practice followed by Eurostat's brief appraisal of compliance and, if applicable, requirements and recommendations for improvement. The report concludes with Eurostat's overall assessment of compliance of the Maltese HICP.

2. Coverage and classification

All monetary consumption expenditure by private households on the economic territory of Malta is covered, including expenditure incurred by individuals living in institutional households and foreign tourists within Malta.

All categories of household final monetary consumption expenditure, broken down by the European Classification of Individual Consumption by Purpose (ECOICOP), which account for more than one part in a thousand of the total, are included in the HICP.

The definition of the economic territory is identical to the definition of economic territory given by the European System of Accounts (ESA 2010).

The 5-digit level of ECOICOP was implemented with the publication of the December 2015 HICP data in early 2017.

Compliance

The coverage of household final monetary consumption expenditure and the classification used for the Maltese HICP are in line with the legal requirements.

3. Weights

The main source for weights for the 4-digit level of ECOICOP is the national accounts data. Below the 4-digit level household budget survey (HBS) data is used. The weights at the 4-digit level of ECOICOP are reviewed and updated annually. The weights at the 5-digit level are derived from the most recent HBS (currently conducted every 7 years).

Tourism is important for Malta and tourist expenditure and prices are included in the HICP, based on data from tourism statistics.

The NSO is running a project on improving the weights used in the HICP in close cooperation with National Accounts in order avoid abrupt changes in weights over time.

A review was made of a number of product weights, which showed a noticeable increase or decrease in recent years; in particular between the years 2016 and 2017, and between 2017 and 2018. Examples are the decrease of weights for meat (ECOICOP 01.1.2), mineral waters, soft drinks and juices (01.2.2) and garments (03.1.2) on the one side and the increase of weights for passenger transport by air (07.3.3), major durables (09.2.1) and restaurants, cafés and the like (11.1.1) on the other side. In most cases, the NSO provided clear justifications.

The project also aims at including expenditure and prices for online purchases, which will further improve the weights. A separate project on obtaining scanner data will also help improve detailed weights in the future.

Compliance

The compilation of weights in the Maltese HICP is in line with the legal requirements.

Recommendation

Eurostat welcomes the efforts by the NSO to improve the weights as described above. Eurostat recommends keeping the published weights up-to-date and consistent over time.

4. Sampling: outlets and products

On average 450 outlets are visited monthly. Outlets in the sample range from large supermarkets to small local outlets. Internet purchases are not systematically included in the HICP yet (as mentioned above).

In 2017, an update to the sample was made by adding 65 products. In 2018 no new items were added to the HICP basket but the sample of outlets increased.

Some products for the maintenance of dwellings seem more appropriate for major repairs that fall under the responsibility of property owners and homeowners. The HICP excludes intermediate consumption expenditure on major repairs (see Annex II of Regulation No 2214/96). Substantial parts of the Maltese rents are so-called non-market rents that are relatively low and long-term. For this part of the rental market, it is common for renters to pay for maintenance and major repairs. Hence, the inclusion of such products and services seems justified.

Compliance

The sampling and representativity are in line with the legal requirements.

Recommendation

Eurostat recommends collecting expenditure or other quantitative data on the maintenance and repair of dwellings by renters as part of the NSO's aim to improve the rents survey (see section 8 below). This would improve the justification of the inclusion of such items in the HICP.

5. Price collection

Nine price collectors are responsible for price collection in retail outlets on the islands Malta and Gozo. They visit approximately 440 outlets on average per month and collect around 10,000 prices. For products where prices are set nationally (e.g. tobacco, educational fees, electricity and telecommunications), price collection is done centrally by telephone, mail, e-mail and internet.

For most products, prices are collected monthly. However, for several products prices are collected annually, biannually or quarterly. Most cases are justified.

The fees for some medical services are collected once annually through physical surveys sent to consultants, GPs, dentists, and veterinarians. This frequency was chosen to avoid excessive burden, even though prices are not regulated. The sample is updated every year to ensure that these specialists are still practicing. These are usually asked about how much they intend to charge for a typical visit for the following 12 months. If the prices change between the two official price collection months, the change is distributed between the two official moments of price collection using growth rates.

For some other services like domestic services (ECOICOP 05.6.2) and maintenance, and repair of personal transport equipment (07.2.3) prices are not collected monthly and the sub-index changes almost with each price collection. In such cases, the frequency of price collection should be increased.

For the price collection of books, computer games and the like prices for specific individual items are followed which can lead to sharp changes in the sub-indices.

Compliance

The practices adopted for the medical services mentioned above are not compliant; the full price change for goods should enter the index in the month the price change occurs, and for services in the month in which consumption commences. This is not compliant with Article 2 of Regulation No 2601/2000.

Requirement

Eurostat requires that the NSO investigate an alternative to the current yearly survey of medical specialists and veterinarians that will increase the frequency of price collection.

Recommendation

In all cases where price collection is not monthly and there is no legal (administrative) basis underlying the price development, the measured price development should be carefully monitored. If the sub-indices often only change in the month of price collection, this suggests that the frequency of price collection is too low and the frequency of price collection should be increased.

For books, computer games and the like Eurostat recommends pricing a top-10 of sold products and eliminating any untypical prices.

6. Discounts

The legal requirements for price reductions are applied in the Maltese HICP. Discounts available to all consumers with no special conditions attached are taken into account.

Compliance

The treatment of discounts is in line with the legal requirements.

7. Replacement and quality adjustment

Price collectors work with relatively broad item descriptions and choose a well-sold product that falls under the item description. If the product is not available anymore or not well-sold the price collector chooses a replacement and notes all relevant information. The commonly used methods for quality adjustment are direct comparison, if the differences are considered negligible or else bridged overlap.

Hedonic quality adjustments are made for new and second-hand cars, laptops, mobile phones and cameras.

Compliance

The methods and application of quality adjustment methods are in line with the legal requirements.

8. Rents

Due to an increase of non-Maltese residents in Malta, changes are taking place in the rental market. Traditionally, rentals were long terms contracts with low-level rents (so-called non-market rents). With the increase of non-Maltese residents, a real rental market has been established with substantially higher rents. The current rent survey is being improved to reflect these changes and apply the principles of Eurostat's Recommendation on the treatment of actual rents in the HICP.

To make all these improvements possible, new data sources are being sought, investigated and used if appropriate. In particular, attention is being paid to expenditures to improve the weights, especially to ensure that the relative weights for the different segments of the market are correct.

Price collection is monthly and because the end-date of the rent contracts are known, prices for new contracts are collected in the first month after the old contracts ends.

Information on the quality of dwellings rented on the market rents is collected, but for the non-market rents this information is to some extent lacking. It is possible that a flat, maisonette, or terraced house have the same annual fee when it comes to old non-market rents. The rent per year is relatively low when compared with market rents and it is not determined by the quality characteristics of the property. The non-market rents were mainly regulated by law.

Compliance

The treatment of actual rents is in line with the legal requirements.

Recommendation

Eurostat recommends the NSO to continue the work on improving the sub-indices for rents and in particular to keep seeking information on the quality of dwellings for non-market rentals.

9. Package holidays

Package holidays are difficult to measure due to the small size of the Maltese market and the fact that package holidays purchased by Maltese residents are often tailor made. Travel agencies typically publish brochures twice annually, each time showing the packages offered for the following 6 months. Prices are collected both online and manually and it was found that they do not change as frequently since they remain fixed as per the published brochures.

Recommendation

Eurostat recommends the NSO to study the possibility of replacing the existing survey with an alternative consisting of flights, for which prices are already collected, together with an online survey of hotels located in popular destinations abroad.

10. Treatment of seasonal products

The legal requirements for the treatment of seasonal items are applied in the Maltese HICP to fish (ECOICOP 01.1.3) and fruit (01.1.6).

Compliance

The treatment of seasonal products is in line with the legal requirements.

11. Index calculation

The Maltese HICP is a Laspeyres-type index. The Jevons price index (geometric mean index) is used for the elementary aggregate formula. The price reference period in year t is December of the year $t-1$. The resulting indices are chain-linked, using December of the year $t-1$ as the linking month.

Compliance

The index calculation is in line with the legal requirements.

12. Administered prices and HICP at constant tax rates

The list of administered prices (AP) for the compilation of the HICP-AP is transmitted each year to Eurostat. The prices for fuel, water, electricity, bus services and Gozo ferry are fully administered, while gas, mail charges and certain medicines are mainly administered.

The NSO provides the HICP at constant tax rates (HICP-CT) to Eurostat following the methodology defined by Eurostat but not the 5-digit level of ECOICOP.

Compliance

The treatment of HICP-AP and HICP-CT are largely in line with legal requirements for the HICP but Malta is requested to start supplying the HICP-CT at ECOICOP 5-digit level.

13. Overall assessment

The Maltese HICP is compliant with most legal requirements, with the exception of the non-delivery of the HICP-CT at 5-digit level. If the NSO follows up on the recommendations given in points 3-5 and 8-10 the Maltese HICP will improve further. Notwithstanding these issues, Eurostat assesses the Maltese HICP to be comparable to that of the other EU Member States.