



EUROPEAN COMMISSION
EUROSTAT

Directorate C: National Accounts, Prices and Key Indicators

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

HICP Compliance Monitoring Report

Poland

June 2016

1. Introduction

In order to evaluate compliance with the comparability requirements and to assess the quality of the harmonised index of consumer prices (HICP) produced by the Member States Eurostat conducts reviews of countries' compilation practices. This report presents the results of the latest compliance monitoring for Poland.

In autumn 2015 Eurostat reviewed the compilation of the HICP for Poland against the legal framework, methodological recommendations and other guidelines and good practices in the field of consumer price indices. In addition, the implementation of Eurostat's recommendations of the previous compliance monitoring report of July 2008 was reviewed.

The current report is based on

- an inventory document of the sources and methods of the Polish HICP that was provided to Eurostat in July 2015 and updated in December 2015,
- the discussion at the compliance monitoring visit on 5 November 2015,
- the meta data of the Polish HICP in Eurostat's dissemination database,
- the report from the previous compliance monitoring exercise.

This report has the following structure: For each methodological issue, first a brief summary of the Polish practice is given based on information provided by the Central Statistical Office (CSO). This is followed by requirements necessary for achieving compliance and Eurostat's recommendations for improvement, if applicable. Finally, Eurostat's assessment of compliance is given.

2. Coverage and classification

As required in the current legislation the HICP compiled by the CSO covers the entire monetary consumption expenditure of private households on the economic territory of Poland. It includes expenditure of households living in institutional households as well as tourist expenditure.

The Polish HICP includes all categories of the Classification of Individual Consumption by Purpose (COICOP) that are part of the household final monetary consumption expenditure which account for more than one part in a thousand of the total expenditure.

The ECOICOP, which is a European extension of the COICOP adding to it one hierarchical level more (sub-classes or 5-digit level), has been implemented since 2014 in the Polish HICP. Additionally, the CSO uses a national extension of the classification at 6-digit level, which corresponds to the level of elementary aggregates.

With the implementation of the ECOICOP a new sub-class for public health insurance has been included in the HICP. The corresponding costs, however, are not borne by the households out of their disposable income. Therefore, this sub-class does not form part of the household final monetary consumption expenditure and does not belong to the HICP coverage.

Requirement(s)

The sub-index for public health insurance shall be suppressed and the assigned expenditure weight shall be redistributed to other sub-indices as appropriate.

Compliance

The coverage of the household final monetary consumption expenditure and the classification used for the Polish HICP - with the exception of health insurance - are in line with the legal requirements.

3. Sampling and representativity

Poland is divided into 16 voivodeships (administrative regions), within which price survey regions have been determined (209 in total – 6 to 24 per voivodeship). A survey region is defined as a small town or a part of a large city (e.g. a district). The selection is done using purposive sampling based on the size of the population, the density of the retail network and the price behaviour of goods and services. Rural areas are not selected because they normally have poorly developed retail networks. Towns selected for the survey are such that they can represent the local rural community. The list of survey regions is reviewed annually.

The sample of outlets consists of approximately 170 retail outlets per survey region. The outlets included in the survey are the most common shopping venues and reflect the diversity of retail outlets in the price survey region. The outlet sample is updated annually.

For each ECOICOP sub-class, at least one representative product is specified. Consumption segments are defined at the 6-digit level of the classification which corresponds to the elementary aggregate level.

Product specifications are generally tight but allow a small margin of freedom for price collectors to select the most sold product variety for price observation. The work of the price collectors is coordinated and supervised by the regional offices. Their task is to ensure the diversity of product offers in the sample. In 2015, the product sample consisted of 1513 products.

With regard to the product sample Eurostat made the following observations:

- Representative items for all telecommunication services are defined based on the tariff method. According to the Eurostat recommendation on the treatment of telecommunications in the HICP that method is considered as an appropriate method in a stable market situation. However, when the market of such services is dynamic, the consumer profiles method should be preferred. The CSO has plans to improve the selection of representative items for telecommunication services.
- Second-hand cars have been included in the sample since 2014. Previously, the price development for this sub-class was estimated on the basis of the price development for new cars supplemented by other relevant information. To improve the second-hand car index the CSO has started using relevant market data in the index calculation.
- Three out of four representative products in the sample for insurances connected to the dwelling are insurances taken out by owner-occupiers covering the substance of the

dwelling. It should be verified in how far these insurances are of the kind typically taken out by tenants.

The product sample is updated on a yearly basis in line with the evolving consumption pattern in the retail market. This review is conducted in cooperation with the regional statistical offices.

Recommendations

For telecommunication services the possibility of moving to the consumer profiles method should be investigated.

For the representative products relating to insurance services connected to the dwelling the CSO should verify that they are of the kind typically taken out by tenants.

Compliance

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

4. Weights

Since 2004, the source of weights at higher aggregation levels (down to the 3-digit COICOP level) is the National Accounts. Lower levels (down to 6-digit) are based on annual Household Budget Survey data.

For each COICOP level of the HICP the same weight reference period is applied: a weighting scheme is used based on the data covering the calendar year t-2, expressed in the prices of December of year t-1. This is a major difference to the national consumer price index, which is weighted with expenditure data from the Household Budget Survey from the year t-1 which data is only available in March. Explicit weights are available at the elementary aggregate level. Regions, outlets or products have no explicit weights.

Price indices for elementary aggregates which contain prices collected online are calculated as a weighted average of 5% prices collected from internet and 95% prices collected in outlets irrespectively of the market share of purchases via internet.

Recommendations

The CSO should investigate whether it is possible in the calculation of elementary aggregates to use true market shares as weights when aggregating prices collected from internet with prices collected in physical outlets.

Compliance

The calculation of weights in the Polish HICP is in line with the legal requirements.

5. Price collection and validation

82% of all prices are collected in stores by price collectors. There is one price collector per survey region. Each price collector collects one price per product offer per month for the majority of products. Fresh fruit and vegetables are observed twice per month. Since 2011 price collection takes place from the 5th till the 22nd day of the reporting month (quotation period).

Prices for airfares are collected centrally three times per month 5, 6 and 7 weeks in advance for a flight taking place on the last Saturday of the reference month. Also the prices of newspapers and periodicals are collected centrally – the prices for each issue are observed and the average price of all issues is included in the HICP compilation.

In the case of some goods characterized by frequent price fluctuations, such as fuels, prices are collected each day during the quotation period and an average price over all price observations is calculated and included in the HICP compilation.

In the case of products for which tariff prices are observed, such as electricity, gas, refuse collection, telecommunication services, if the tariff changes within the reference month, an average price is calculated from both tariffs weighted with the number of days when they were valid.

Prices for telecommunication services are national. For each service one single price per month is collected at the central level.

All prices are collected each month, except reimbursable drugs, the prices of which change every two months in accordance with legal requirements.

The collected prices are those indicated on labels, packages, shelves, etc. and on price lists as well as in internet offers.

The use of scanner data as a source of the HICP is currently being tested, and it is planned to be introduced in the index production from 2017 onwards.

Collected prices are first checked and monitored at the regional offices (voivodeship level). The IT system forces the encoding of an explanation, such as end of special offer, sales, or an estimated price, if the price quoted in a given month differs from the previous price quote by more than $\pm 10\%$. In the second stage, the Price Statistics Centre in Opole carries out comparisons between data from different regions. Only approved files are transmitted to the CSO where dynamics for individual product offers are analysed taking into account the nationwide dynamics.

Recommendation(s)

It should be checked at regular intervals that developments of the list prices and internet offer prices for used cars correctly reflect the development of actual transaction prices.

Prices for airfares are collected 5-7 weeks in advance for a flight taking place at the last Saturday in the reference month. Fixing the travelling date for flights to one specific day for all months implies that airfares are not regarded as volatile within the month. This should be verified periodically.

Compliance

The price collection practice of the Polish HICP is in line with the legal requirements.

6. Discounts

The legal requirements and guidelines for price reductions are applied in the Polish HICP. Discounts available to all consumers with no special (non-discriminatory) conditions attached

are taken into account. The impact of the discounts on the purchased quantities is assessed by the price collectors based on the information received from the outlets' staff.

Discriminatory discounts are not taken into account unless they have a strong impact on the purchased quantities.

Compliance

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

7. Quality adjustment

Quality adjustment is done for prices of products from all COICOP divisions. Where there are agreed European standards, methods that can be classified as B-methods are applied.

Decisions about quality adjustment are made on a case by case basis. The most used method is direct comparison, followed by bridged overlap. The bridged overlap uses the price evolution in other survey regions within the same voivodeship if possible.

Further methods applied are option costs (computers, audio-visual, photographic, IT equipment, cars (50% of the option in case of minor changes), expert judgement (uniform prices for the whole country and internet purchases). Overlap is used in very rare cases, when the outlet is replaced and double price collection was possible.

The methods used for quality adjustment correspond to the good practice established for the HICP.

8. Treatment of seasonal products

The minimum standards are applied in fish, fruit, vegetables, clothing, footwear, as well as garden furniture, heating and ventilation devices, other small electrical household appliances, motor equipment and tools, other sport and open air recreation equipment of durable use, equipment for sport, camping and open-air recreation, recreational and sporting services, package holidays, and accommodation services.

In most cases the all-seasonal estimation is used. Counter-seasonal estimation is used for clothing and footwear. The typical price is calculated as un-weighted average of the prices collected during the last season (food products) or un-weighted average prices of representative items, in both cases excluding the prices collected during the first and last months of the season.

Compliance

The methods used for seasonal products in the Polish HICP are in line with the legal requirements.

9. Index calculation

The elementary aggregate indices are compiled as the geometric mean of price ratios of individual products. Price ratios of individual products are calculated as geometric mean of the

price ratios calculated by survey region. Price ratios are rounded to two decimals at the survey region as well as the national levels. Elementary aggregates are rounded to 7 decimals.

Further aggregations follow usual index calculation practices in line with the Laspeyres-type index. At each calculation step but the last, results are rounded to 6 decimals. The final results are truncated to 6 decimals.

Recommendation(s)

While acknowledging the efforts of the CSO to increase the number of transmitted decimals, Eurostat reiterates its recommendation that when compiling data, rounding should not take place during the compilation process but at the end of the process.

Compliance

The Polish HICP index calculation is in line with the legal requirements.

10. Administered prices and constant tax rates

The list of 4-digit level sub-indices that are considered as administered is transmitted annually to Eurostat for the compilation of the HICP – administered prices (AP). The list is updated every year.

In Poland the indices for water supply, refuse collection, sewage services, electricity, gas, heating, pharmaceutical products, hospital services, parking fees, passenger transport services, postal and telecommunications services, radio and television, public kindergartens, public nurseries, administrative and judiciary services are included in the HICP-AP. The treatment of administered prices in the Polish HICP-AP is in line with Eurostat's recommendations.

The two indirect taxes relevant for the HICP at constant tax rates (HICP-CT) in Poland are VAT and excise taxes on specific products. These are incorporated in the HICP-CT according to the methodology defined by Eurostat. The HICP-CT is transmitted following the same deadlines as those of the HICP.

11. Follow-up on Eurostat's recommendations

Most of Eurostat's [recommendations of July 2008](#) following the previous compliance monitoring visit were implemented:

- Insurance weights now reflect service charges inclusive of premium supplements.
- Real estate agent fees and mortgage interest rates relating to the purchase of owner-occupied housing have been excluded from the HICP since 2008.
- Services for the maintenance and repair of dwelling now include the materials used if invoiced together.
- Prices linked to income (in education and social protection) are taken into account.

- The sample of outlets selected for price collection is updated in yearly frequency and represents the diversity of the retail network. In particular, internet purchases are taken into account.
- The replacement practice for the purchase of new cars is in line with Eurostat's recommendations.
- The sample for rentals has been extended to existing contract in order to better represent the market.

The recommendation made on the rounding practices during the compilation process has not been implemented. Eurostat reconfirms this recommendation (see section 9).

12. Overall assessment

Eurostat considers that the methods used for producing the Polish HICP are of a good standard and in line with the legal requirements. Comparability to the HICP of other countries can be regarded as assured.

In order to further increase the accuracy and reliability of the Polish HICP, Eurostat has made recommendations in the relevant chapters of this report.