



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

Spain

May 2020

1. Introduction

In 2016 Eurostat reviewed the compilation of the harmonised index of consumer prices (HICP) for Spain. The present review was done against the legal framework, HICP 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 of the Spanish HICP.
- The discussions at the compliance monitoring visit at the Instituto Nacional de Estadística (INE) in Madrid in March 2016.
- The previous compliance monitoring report, which was published in August 2010.

This report summarises the Spanish practices on main methodological aspects of the HICP. Each section is followed by Eurostat's appraisal of compliance and, if applicable, recommendations for improvement. Eurostat's overall assessment of compliance of the Spanish HICP is available at the end of this report.

2. Coverage and classification

The Spanish HICP includes all monetary consumption expenditure of households on the economic territory of Spain. It includes expenditure of households living in institutional households as well as expenditure of tourists visiting Spain ⁽¹⁾.

The Spanish HICP includes all categories of the European Classification of Individual Consumption According to Purpose (ECOICOP) that are part of the household final monetary consumption expenditure, which account for more than one part in a thousand of the total expenditure. INE implemented the 5-digit level of the ECOICOP with the publication of the December 2015 HICP.

Compliance

The coverage of the household final monetary consumption expenditure and the classification used in the Spanish HICP are in accordance with the legal requirements.

3. Sampling: outlets and products

Spain is subdivided into 52 provinces. For each of these regions, a representative sample of 177 municipalities is drawn using population figures. The sample includes both larger and smaller municipalities.

Outlet sampling is done by the regional offices, which know local retail activities better than the central office. The total number of outlets is determined by weight and price variability with a minimum threshold determined for each region. The outlet sample is kept up-to-date (outlets are

⁽¹⁾ INE compiles a CPI for each province according to a national definition, which differs from the definition of the HICP as it includes the expenditures of residents outside Spain and excludes the expenditures of non-residents on the Spanish territory.

replaced, if needed) and reviewed systematically every five years. The outlet sample sizes used for the collection of clothing and footwear prices are, in some regions, considered too small to properly capture the start or end of the sales period (see also section 5 of this report).

The product specifications are generally loose to make them applicable in all regions. After these loose item descriptions have been defined, local price collectors are instructed to select product offers that are most sold in outlets. The price collectors record a pre-defined set of additional product characteristics, which are reported back to the regional and central offices. Open markets are not included in the sample.

Compliance

The sampling is in line with the legal requirements.

4. Weights

For deriving the expenditure weights down to the 5-digit ECOICOP level, INE first uses data from the Household Budget Survey (HBS), which is complemented with information taken from national accounts and other sources. These sources are also used to derive weights of elementary aggregates, which are commonly defined at the 6-digit level of the national classification of consumer expenditures and, in some cases, even at a lower level (e.g., motor vehicles and tobacco).

The 5-digit ECOICOP level weights of the Spanish HICP are annually price-updated to the previous year's December price level. Where available and considered appropriate (as it is in the case of data processing equipment, motorcars and other products), this price update procedure also takes into account quantity changes and other relevant information to update the weights. As of its 2017 exercise, the Spanish HBS registers internet expenditure for all expenditure categories.

Compliance

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

Recommendation

INE should use national accounts as the primary data source for the weights after the entry into force of the new HICP Implementing Regulation.

5. Price collection

Price collection is done both locally by price collectors of the 52 regional offices and centrally by staff at the central office. The regional price collection includes all products for which varieties and prices vary across Spain and where no centralised data sources are available. The responsibility of the regional price collection is shared between regional and the central office. The central office defines procedures, defines the product definitions and carries out the index calculation and dissemination. The regional offices maintain the outlet sample, collect prices and make quality adjustments. The latter are checked at the central office. The price collection is done

on working days during the first 22 days of the month. Prices for volatile products such as fruit, vegetables, meat, fish, potatoes and eggs are collected three times per month.

For centrally collected prices, all steps of the production process are done at the central office. Gas, electricity, mail services, second-hand cars, fuels, insurance and financial services, medicines, tolls, package holidays and accommodation services are examples of products and services whose price collection is done centrally.

The requirements and guidelines for the treatment of price reductions in the HICP are applied by INE. Only discounts, which are available to all consumers with no special conditions attached (i.e. non-discriminatory), are taken into account in the index. However, for clothing and footwear products, INE replaces some observed prices with estimates. These imputations are used if the collected prices do not reflect properly the start or the end of sales periods. INE justifies this procedure with a need to correct regional price indices, whose relatively small regional sample basis and the organisation of the price collection, may contribute to overlook the start or the end of the winter and summer sales periods.

For telecom services, the tariff method is used for fixed telephony and bundles, and consumer profiles are used for mobile telephony. For internet subscriptions, no separate products are defined. Expenditure related to internet access is included in telecom service bundles and in mobile telephony. Airfares and package holidays are collected according to pricing schedule that roughly corresponds to consumer behaviour. Prices are mainly obtained through the internet. Price collection for energy products is done centrally throughout the month.

For a number of product groups such as furniture, household appliances, rents, maintenance and repair of the dwelling, and restaurants, cafés and the like, INE uses a rotating sample design. For these items, where price changes are known to be infrequent, INE collects prices every three months. Each month prices are collected in one third of the outlets, and the prices of the items that are not collected in that month are carried forward. For the items that are normally put on seasonal sales, prices are collected from all outlets in January and July. In the other ten months, prices are collected from one third of the sampled outlets only, unless more than 50% of the prices have changed, in which case prices of all outlets are visited in the following month and all prices are collected.

Prices for non-observed outlets are estimated by carrying forward price observations from previous months to the current month. The items for which this procedure is used account for about 30% of the HICP in terms of weight. The reasons for using this procedure rest on the need to minimise respondents' burden as well as to collect prices information on a larger sample of outlets while reducing the overall cost of the prices survey.

Requirement

The HICP should be produced based on the observed prices of the target sample (Article 6 of Regulation (EC) No 1749/96).

Compliance

The price collection is not fully in line with the legal requirements. An observed price should not be replaced by an estimate with the objective of reflecting the start or end of the sales periods.

Recommendation

INE should look into other sources of information (e.g., scanner data, web scraped data) to increase the number of clothing and footwear price observations.

6. Quality adjustment

The chosen quality adjustment method depends on the specific replacement situation. INE assess the comparability of the replacement with the obsolete product and decides the most appropriate quality adjustment procedure. The regional offices make the quality adjustments for regionally collected prices and the central office checks these.

The most commonly used method is direct comparison. When the direct comparison is not possible due to important changes in the item characteristics, the bridge overlap is applied. Besides, for some specific products, other methods are also used. For instance, INE uses expert judgment, combined with option pricing, for the adjustment of quality changes in the price indices covering the purchase of motorcars and motorcycles. The overlap pricing method is used for the quality adjustment of books and music.

Compliance

The application of quality adjustment methods is in accordance with the legal requirements.

7. Treatment of seasonal products

INE treats Fruit (ECOICOP 01.1.6), Vegetables (01.1.7), Clothing (03.1) and Footwear (03.2) as seasonal products. The strict annual weights approach is applied in the compilation of the price indices for these subgroups. All-seasonal estimation is used to impute the price quotes during the out-of-season period.

Compliance

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

8. Index calculation

The Spanish HICP is a Laspeyres-type chain index covering the ECOICOP. The elementary aggregate indices are compiled as the geometric mean of price ratios of individual products (Jevons formula). Elementary aggregate indices per region are aggregated to the national level using regional weights, which are based on information taken from the HBS. Finally, all national level elementary aggregates are weighted to all levels of the ECOICOP. The aggregated short-term indices, which use December of the previous year as the price reference month, are chained and expressed in terms of the index reference period (2015=100) for all levels of the ECOICOP.

Compliance

The index compilation in the Spanish HICP is in line with the legal requirements.

9. Administered prices and HICP at constant tax rates

INE transmits annually to Eurostat the list of all of the ECOICOP 4-digit price indices that are considered administered.

In Spain, the indirect taxes that are relevant for the HICP at constant tax rates (HICP-CT) are the VAT and excise taxes on specific products. The Spanish HICP-CT is compliant with the HICP-CT reference methodology. Tax changes, which enter into force on the first day of month t , are included in the index for month t . If this is not the case, then they are included in the index of the following month ($t+1$). The Spanish Tax Agency reports tax rates every month and this information is analysed in the HICP unit. Whenever there are relevant tax rate changes, they 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. The HICP-CT includes all indirect taxes that pass the threshold for coverage given in the above-mentioned reference methodology.

Compliance

Compilation and regular transmission of the HICP-CT is in line with the legal requirements.

10. Follow-up from the previous compliance report

The previous compliance monitoring report on the Spanish HICP was published in [August 2010](#). The recommendations made in that report have been generically taken into account by INE.

11. Overall assessment

Based on the information listed in section 1, Eurostat assesses that the Spanish HICP is in line with most of the legal requirements. When INE follows the requirement given in section 5 and takes into account the recommendations given in sections 4 and 5, its comparability will improve further. Notwithstanding these issues, Eurostat assesses the Spanish HICP to be comparable to that of the other EU Member States.