



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 BELGIUM**

**September 2010**

In the context of compliance monitoring and quality assurance, Eurostat reviewed the HICP for Belgium late 2009. The statistical practices used to compile the HICP for Belgium 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 Belgium and additional information collected by Eurostat prior to, during and following a mission to Statistics Belgium – FOD Economie-ADSEI/SPF Economie-DGSIE - held on 4 December 2009.

## **I. OVERALL ASSESSMENT**

The Belgian NSI has taken many steps in recent years to improve the HICP. Eurostat welcomes the active way in which it is aimed to follow market developments.

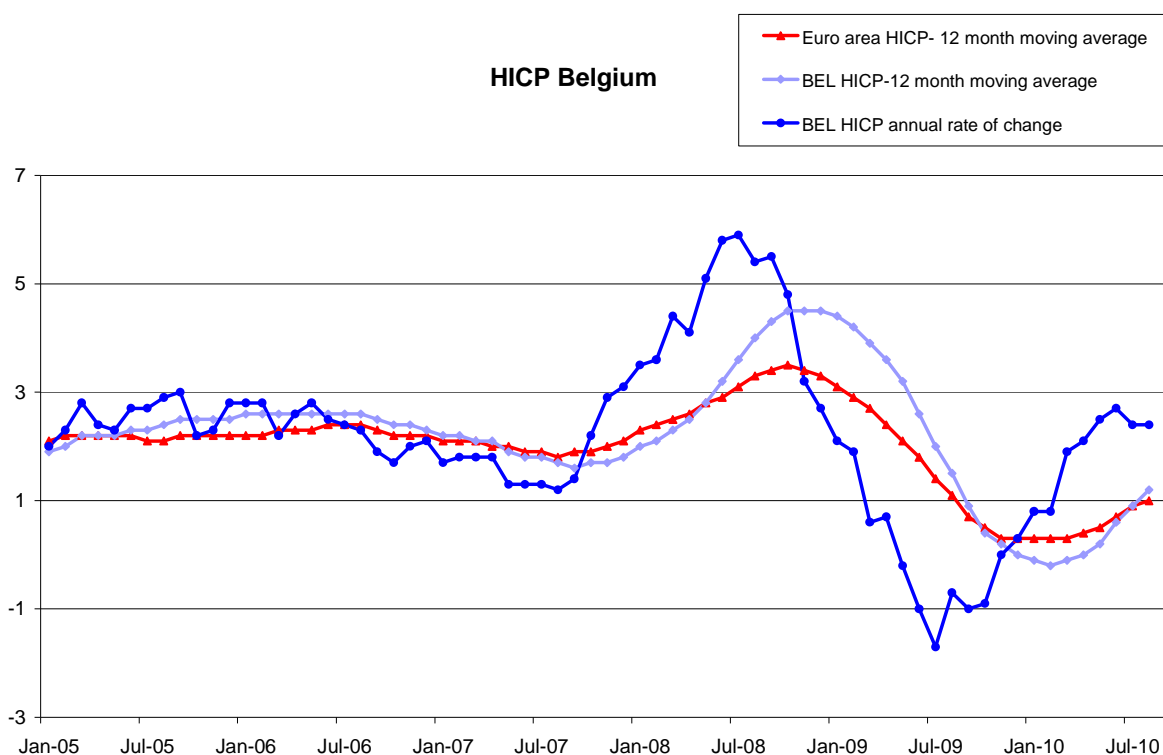
Instances of non-compliance with the HICP methodology are limited and unlikely to have a major impact in practice on the HICP annual average rates of change. The Belgian data pass all standard HICP validation tests – they are internally consistent and aggregate correctly. The HICP should be considered 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 Statistics Belgium and Eurostat.

## **II. RECENT PRICE DEVELOPMENTS**

The focus of Eurostat's late 2009 assessment on price developments was on those headings which had shown the most significant impacts on the 12-month moving average rate of change. The most significant upward impacts on the HICP in October 2009 came from restaurants and cafés, package holidays, meat, rents, maintenance of vehicles and bread and cereals. At the same time, significant downward impacts came in particular from fuels for transport, heating oil, IT equipment, fruit, audio-visual equipment and fish.

In October 2009, the annual inflation rate for Belgium was -0.9%, which was below the euro area average of -0.1%. Belgium's 12-month moving average rate for the year to October 2009 was 0.4%, just below the 0.5% figure 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 Belgium, 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.

In Belgium, the methodology of the national CPI is discussed and agreed with the Index Committee. The methodology for the HICP is, on the other hand, determined by the statistical office alone, and where required by HICP standards the calculation methods for the HICP may differ from those used in the CPI.

The weights in use for the HICP in 2009 were based on the Household Budget Survey of 2004. The product sample and the weights have been in use since 2006. The sample was updated in 2008 to reflect changes in product markets as observed in preceding years and is again updated in 2010. HICP weights for most product groups are price updated annually to the price level of December of the previous year. For some product groups, weights are held constant, e.g. for computers or televisions, since this is considered a more appropriate estimate of expenditures.

In 2009, the most important differences between the HICP and the national CPI for Belgium were the following:

- Road taxes are excluded from the HICP, whereas they are included in the national CPI.
- Price reductions in the designated sales periods are estimated separately for the purpose of the HICP but are not taken into account in the national CPI.
- Expenditures of foreign tourists are included in the HICP but not in the national CPI.
- Quality adjustments methods used for computers differ between the HICP and CPI.

From 2010, the HICP and CPI will also differ because the HICP will use weights based on national accounts and the HICP will revise its treatment of seasonal items, while the CPI will not introduce these changes.

Eurostat notes that the HICP/CPI sample design, and the distribution of prices collected across product groups, is such that much emphasis is given to some COICOP classes such as food products, while less emphasis is given to some others.

Concerning the treatment of new cars, Eurostat supports Statistics Belgium's work to improve their methodology to use information on actual transactions in addition to list prices.

Eurostat also welcomes the research carried out into the measurement of prices for energy products to include price changes for energy in the HICP without any unnecessary delay.

Eurostat welcomes several changes to become effective from 2010:

- In line with the proposed new weightings regulation for the HICP, a yearly base-revision will be introduced and the weighting scheme for the Belgian HICP will be based on National Accounts results. This leads to a shift in the weights distribution and gives more weight to some product groups that may be underreported in Household budget surveys.
- The treatment of seasonal items will be updated from 2010 so as to comply with the regulation that will be effective from 2011.
- The daily fees of residents to their retirement homes will be added to the coverage of the sample.

Eurostat recommends that:

- the number of price observations to follow actual price developments during designated sales periods be extended, as the present method to allow for sales prices in the HICP is not sufficiently robust.
- regional weights for Flanders, Wallonia and Brussels be based on the expenditure levels in the regions rather than on population figures.
- Statistics Belgium review its treatment of airline tickets with a view to reflecting consumers' purchasing behaviour in respect of last minute and advance bookings.
- Statistics Belgium investigate rebalancing parts of their sample, based on the weights of these COICOP classes, with a view to making the HICP results more robust for those product groups for which relatively few prices are presently collected.
- for air transport, flights departing from regional airports, particularly Brussels South Charleroi Airport, which covers an important part of the market, be included in the price collection.
- second-hand car prices be collected and weighted on a net basis in the HICP. Eurostat welcomes Statistics Belgium's existing plans to address this issue.

- in the case of telecommunications, Statistics Belgium should improve its approach by including best selling packages in the index and should take account of consumer switching between packages and ensure the representativeness of consumption profiles.
- prices collected less frequently than monthly be collected monthly as required by the HICP framework. This is necessary to ensure that price changes are reflected in the HICP without delay.
- Statistics Belgium review how it takes account of income-related prices in order to incorporate fully price changes related to changes in incomes. e.g. social protection.
- the treatment of road taxes be reviewed with a view to including these in the HICP.
- Statistics Belgium should continue to monitor its approach to sampling and replacements in the context of the introduction of EC Regulation 1334/2007.