The Concept, Scope and Coverage of the CPI

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Main Uses of the Consumer Price Index

- A measure of inflation as it affects households
- Adjustment factor for indexation of prices, wages and other payments
- Deflation of series in nominal terms to derive “real” terms
- Estimation of the cost of living
Most Common Definition of the CPI

- The CPI measures pure price change in a fixed market basket of goods and services of constant quantity and quality.
- The CPI shows how much the cost of living has risen or fallen due to price changes, irrespective of changes in consumer behavior or in the quality of goods.
- The CPI does not reflect the trend in the cost of living or in household consumption expenditure as such, but only the influence of price fluctuations on that trend.
CPI in Turkey (Definition and Purposes)

- Compilation of a CPI with updated weights and based on internationally accepted standards and methods
- Measurement of consumer price inflation in Turkey
- Turkish CPI as a chained index with annual links.
Background of CPI in Turkey

- CPI’s only for Ankara and Istanbul (goes back to 1938)
- 1978-79 = 100 Based Urban Areas CPI
- 1987 = 100 Based Urban Areas CPI
- 1994 = 100 Based Urban Areas CPI
- 2003 = 100 Based CPI for Turkey (all areas)
CPI in Turkey (Definition and Purposes)

- CPI with reference year 2003 = 100
- CPI is calculated for all Turkey and for 26 regions
- Sources are HBS, Tourism Survey, Institutional Population’s Expenditures Survey and Official Registrations
Scope, Coverage and Classification

- The scope of CPI should be decided according to the purpose of the index. With this scope;
  - Households’ purchase of goods and services for final consumption expenditure in the economic territory,
  - Own-account production of marked goods for own final consumption,
  - The service of owner-occupied housing
  - Consumption of income in kind received by employees
Scope, Coverage and Classification

- The actual coverage should aim to cover as far as possible the scope of the index.
- CPI should cover both rural and urban households irrespective of geographical location or income.
- Institutional population’s expenditure
- Non-residents expenditures
- The scope of Turkish CPI is “household final monetary consumption expenditure”
Commodity Coverage: Goods and services purchased in the country for consumption by private households. Exclusions include:

- Consumption from household’s own production
- Goods received as income in kind or free of charge
- Commodities representing investment (e.g., purchase of shares, precious metals, life insurance, etc.)
- Savings, commodities not considered as providing consumer utility (e.g., donations to charities, civic groups, court fines, etc.)
- Commodities for which no meaningful prices can be collected (e.g., illicit drugs, gambling, etc.)
Scope, Coverage and Classification

Commodity Coverage (In Turkey):

Exclusions are:

- Consumption from household’s own production
- Goods received as income in kind or free of charge
- Imputed rent
Scope, Coverage and Classification

Commodity Coverage (In Turkey):

Products covered in 2012 CPI Basket

- 444 goods and services
- 1169 variaties
Scope, Coverage and Classification

Population and Geographic Coverage

- The content, structure, and weights of the CPI basket should be defined on the basis of the consumption of the permanent resident population.
- In some cases, the reference population for the index is limited to low income households, wage and salary workers, or urban households.
- The prices used in compiling the CPI should match the same population as the commodity weights.
- Due to resource constraints, price collection is often limited to some urban areas whose price trends are assumed to reflect those in surrounding smaller areas.
## Classification

Expenditures are classified using Classifications Of Individual Consumption by Purpose (COICOP)

<table>
<thead>
<tr>
<th>Category</th>
</tr>
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<tbody>
<tr>
<td>Food and non-alcoholic beverages</td>
</tr>
<tr>
<td>Alcoholic beverages and tobacco</td>
</tr>
<tr>
<td>Clothing and footwear</td>
</tr>
<tr>
<td>Housing, water, electricity, gas and other fuels</td>
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<tr>
<td>Furnishings, household equipment, routine maintenance of the house</td>
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<tr>
<td>Health</td>
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<tr>
<td>Transport</td>
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<tr>
<td>Communications</td>
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<tr>
<td>Recreation and culture</td>
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<tr>
<td>Education</td>
</tr>
<tr>
<td>Hotels, cafes and restaurants</td>
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<tr>
<td>Miscellaneous goods and services</td>
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</tbody>
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Price Concept

- Ensure that instructions are followed, definitions are respected, and that the choice of items is checked and updated regularly.
- Cash transaction prices including any applicable taxes, discounts, and rebates that may apply to the specific products purchased (owner-occupied accommodation on a rental equivalence approach)
Price Concept

• For the CPI, prices shall be purchaser prices; the prices actually paid by the consumers including taxes and net of subsidies
• Imputed prices where no market prices can be obtained
• For rents the gross price, including reimbursement, should be followed
• If special prices for certain groups are offered, such prices should be included in the index
Price Concept

Price Collection (In Turkey)

- Fresh fruits / vegetables, gas and oil every week, 4 times a month
- Rents once in three months (at latest)
- Other goods and services twice a months
- Each month approximately 375 000 prices
Thank you...