

# **IMPROVEMENT OF OMAN CONSUMER PRICE INDEX**

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**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"



## Scope, Coverage and Classification

**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 varieties

## 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

# Scope, Coverage and Classification

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

**Food and non-alcoholic beverages**

**Alcoholic beverages and tobacco**

**Clothing and footwear**

**Housing, water, electricity, gas and other fuels**

**Furnishings, household equipment, routine maintenance of the house**

**Health**

**Transport**

**Communications**

**Recreation and culture**

**Education**

**Hotels, cafes and restaurants**

**Miscellaneous goods and services**

## 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...

