

Practical Guide to Compiling Consumer Price Indexes: *A supplementary handbook to the International Manual on CPIs*

Progress Report - March 2008

1. Background

The ILO Consumer Price Index Manual is a comprehensive manual which covers virtually every aspect of a consumer price index. Yet some CPI practitioners, especially in developing countries, have found that its comprehensiveness has made it awkward to use as a day-to-day source of guidance, particularly on practical issues.

Consequently, in mid-2006 it was agreed by the International Working Group on Price Statistics (IWGPS) that a companion volume should be written, focusing primarily on practical matters, and dealing less with theory than does the Manual. This new Handbook should not be seen as a replacement for the Manual, but as a supplement.

Whereas the CPI Manual provides a comprehensive and detailed look at all aspects of a CPI, the handbook will focus on practical matters providing guidance and solutions to particular issues facing the compilation of CPIs in the developing world.

The IWGPS agreed a proposal for the United Kingdom's Office for National Statistics (ONS) to lead the production of this supplementary handbook. The initial work begun in February 2007 under ONS's Department for International Development (DFID) funded project of support to the International Comparison Programme in Africa and associated statistical capacity building.

ONS has fully taken the lead on this project and will edit the manual. It is working closely with the IWGPS. John Astin has taken on the role of co-editor and authors have been recruited from a variety of statistical offices and independent experts.

Once completed the handbook will be published under the banner of the UN agencies plus ONS and DFID.

It is hoped that an acceptable draft of the Handbook, which has gone through proper editing and review, will be available in autumn-2008 with publication to follow by end 2008.

2. Structure

Full detail of the handbook's structure (in terms of chapters and sub-sections) is included in Annex A. Although the structure roughly follows that of the ILO resolution on CPIs and the CPI Manual it also focuses on usability and topics which are particularly pertinent to the key audience, which in this case are CPI practitioners in developing countries.

These topics were determined by conducting an initial information gathering exercise which involved distributing questionnaires directly to statisticians in developing world NSIs and at a meeting of African CPI experts in Kigali Rwanda. From the feed back we received we were able to make an initial assessment of the key issues that the handbook will need to cover.

Some general points to note are that; the handbook aims to be about 200 pages; the handbook will be published as an A4 size document; a CD Rom will be included with the handbook which will contain an electronic version, extensive background data, training material and possibly an electronic copy of the CPI Manual (agreement on the latter required); the handbook will cross reference the main manual and the ILO resolution on CPIs wherever appropriate; and the handbook will also be available for download as a single document or as separate chapters.

3. Progress and Next Steps

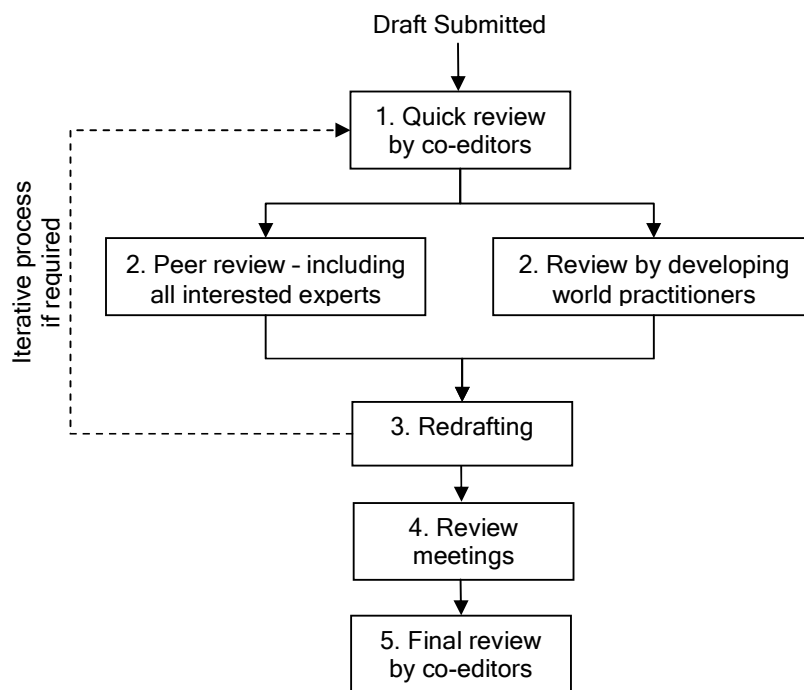
After defining the structure of the handbook we set about recruiting a primary author and co-author for each chapter (see Annex B for list of authors). The authors brought in are CPI experts from around the world all of whom have extensive experience in working with developing countries. The primary and co-author for each chapter were tasked with working together to produce a first draft by end-2007/early-2008, the mode of working was in most cases for the primary author to produce an initial draft with the co-author providing detailed comments. The timetable for the initial drafting stage was tight and progress on some chapters was slower than originally hoped but the delay was accepted to ensure the quality of the final product.

Drafting progress at end-March 2008 was as follows:

- First drafts were complete for all but 1 main chapter and 3 or the sub-chapters of 'Special Cases'.
- All first drafts that have been submitted have been circulated to specific reviewers in developing and transition countries for review.
- Revised drafts of 6 chapters have been submitted which incorporate changes following the reviews.

Once a first draft of a particular chapter had been agreed between the authors was submitted to ONS who arranged an external review. An all important part of this review was to engage CPI practitioners in developing countries. Engagement of this audience in the review process is fundamental to ensure that the handbook fully meets the needs of what we see as the key audience.

In order to ensure that full buy-in from this group the review process was organised as follows:



Through the initial information gathering exercise that we carried out, the dissemination of questionnaires to developing world NSIs, we received several volunteers from developing countries who said that they would be willing to review chapters of the handbook; these volunteers were sent specific chapters to review and provided valuable comments (stage 2 of the review process). In addition, colleagues at the African Development Bank (AfDB) and Asian Development Bank (ADB) also reviewed chapters.

The final stage of the external review process will be in mid-2008 where the entire draft of the Handbook will be presented for discussion at several meetings including the UNECE/ILO meeting and a meeting of the COMESA countries in Africa (stage 4 of the process).

Work has also begun to put together the CD-ROM that will accompany the Handbook. The CD-ROM will hopefully add significant value and usability as it will allow the user access to more detailed resources which will include:

- i. Interactive examples - a series of Excel based data tables which will allow the user to access and interact with the examples provided in the handbook and also some additional data-sets. The user will be able to see workings and enter their own data.
- ii. Training material - a series of PowerPoint presentations to be used to lead training on CPIs (based on the material in the handbook).
- iii. Reference material - electronic versions of the handbook and main manual

4. Publication and Dissemination

Specific publication arrangements for the handbook are yet to be decided but UNECE have kindly offered to print the English version and distribute several copies to all countries free of charge. ILO have tentatively offered to translate and print a French version. Other translations (hopefully Spanish, Arabic and Russian) may also be available electronically via the ILO website and possibly on the CD-ROM.

It is hoped that following the publication of the handbook there will be a series of training workshops which will make use of the handbook to train people on various 'hot topics' surrounding CPI compilation, how these may be funded, organised and who will coordinate is yet to be decided.

Annex A - Handbook Structure and Authors

Structure:

Chapter		Sub-section
1	Introduction	Relationship with CPI Manual, ILO Res Aim Laspeyres, Paasche etc Acquisition, use, payment Terminology
2	Scope	Uses Geographic coverage Population coverage Product exclusions Imputed transactions
3	Product Classification	Classification Representative products Basic Headings
4	Weights	Base weights Price-updating of weights Sources of weights (HBS, nat a/cs, etc)
5	Sampling for prices	Geographical regions Urban vs rural Selection of towns Selection of shopping districts Outlet-type selection Selection of outlets (incl internet, catalogues etc) Product specification (tight, loose) Probability vs purposive sampling
6	Price collection	Frequency Coordination, organisation Timing Methods of recording: forms, handhelds etc Data input Practical aspects Central collection
7	Substitution, quality change	Missing outlets Missing products Rationale for substitute selection Identification of substitutes Matched pairs Carry-forward Quality adjustment - various methods
8	New products	Definition of new products Planning for identification of new products Timing of introduction Incorporation into index Deletion of old products
9	Special cases	Owner Occupier Housing Own-account consumption Certain services (health, education, telecoms etc.) Tariffs

		Seasonal products Second-hand goods
10	Index calculation	Definition of elementary aggregates Methods of aggregation (Dutot etc) Higher level aggregation Index base Re-basing Sub-indices Computation of index - different methods
11	Special Indices	Core inflation Average prices Seasonal Adjustment Inflation measurement periods
12	Data validation	Credibility checking Dealing with outliers Data editing
13	Errors, bias, accuracy	Estimation of potential errors Tolerance limits Rounding System of checking at different stages
14	Publication, Presentation, Analysis and Interpretation	Timing of publication Pre-publication schedules Press releases Website CPI bulletin Publication of methodology Notification of changes to methodology Advance warning to ministers etc Average Prices Inflation Measurement Periods Pre-Release
15	Organisation and Management	Office Management/Organisation Computer Systems Documentation Quality Management Resilience/Disaster Recovery Statistical training Training for collectors
16	Consultation with Users	CPI Advisory Group CPI User Forum
17	CPI; ICP; Harmonisation	Points of similarities and differences ICP/CPI Synergies Benefits and threats for harmonisation
18	Quality Reporting and Improving the CPI	Quality Reports Check Lists Work Programmes Determining Priorities
19	Glossary	Glossary

Annex B: Chapter Authors

Chapter	Primary Author	Co-author
1 Introduction	David Fenwick	John Astin
2 Scope	John Astin	Paul Armknecht
3 Product Classification	Marc Prudhomme	John Astin
4 Weights	Marc Prudhomme	Paul Armknecht
5 Sampling for prices	Matthew Powell	Terry Offner
6 Price Collection	Terry Offner	John Astin
7 Substitution, quality change	Paul Armknecht	Walter Lane
8 New Products	Paul Armknecht	Matthew Powell
9a Owner Occupier Housing	David Fenwick	John Astin
9b Own-account consumption	Keith Blackburn	John Astin
9c Certain Services	Walter Lane	Marc Prudhomme
9d Tariffs	Marc Prudhomme	Walter Lane
9e Seasonal Products	Yoel Finkel	Marc Prudhomme
9f Second-hand goods	David Fenwick	Paul Armknecht
10 Index calculation	John Astin, Marc Prudhomme	Keith Woolford, John Astin
11 Special Indices	John Astin	Marc Prudhomme
12 Data Validation	Terry Offner	Matthew Powell
13 Errors, bias, accuracy	Yoel Finkel	Paul Armknecht
14 Publication, Presentation, Analysis and Interpretation	David Fenwick	John Astin
15 Organisation and Management	Yoel Finkel	David Fenwick
16 Consultation with Users	David Fenwick	Yoel Finkel
17 CPI; ICP; Harmonisation	John Astin	Keith Blackburn
18 Quality Reporting and Improving the CPI	David Fenwick	George Beelen
19 Glossary	John Astin	