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for Countries with Economies in Transition

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Geneva, 7 May 2008
Item 2 the provisional agenda

INTRODUCTION TO THE CPI MANUAL AND SUPPLEMENTARY HANDBOOK

**PRACTICAL GUIDE TO COMPILING CONSUMER PRICE INDEXES:
A SUPPLEMENTARY HANDBOOK TO THE INTERNATIONAL MANUAL ON CPIs**

Submitted by the Office for National Statistics of United Kingdom

Summary

The paper describes briefly the background for providing a practical handbook on compiling consumer price indices, focusing on practical and implementation issues in developing countries. The handbook is not supposed to replace the existing CPI Manual but to supplement it. The structure of the handbook and the time plan for remaining editorial work is explained and issues for further consideration are raised in terms of training activities and publication.

I. BACKGROUND

1. The ILO Consumer Price Index Manual is a comprehensive manual which covers virtually every aspect of a consumer price index. Yet some Consumer Price Indices (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.
2. 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.
3. 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.
4. The IWGPS agreed a proposal for ONS to lead the production of this supplementary handbook and 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.
5. ONS has taken on this project and will edit the manual. It is working closely with the IWGPS.
6. Once completed, the handbook will be published under the banner of the UN agencies plus ONS and DFID.
7. ONS hopes to complete an acceptable draft of the Handbook, which has gone through proper editing, by early summer, 2008, with publication to follow.

II. STRUCTURE

8. 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 International Labour Office (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.
9. These topics were determined by conducting an initial information gathering exercise which involved distributing questionnaires directly to statisticians in developing world National Statistical Institutes (NSIs) and secondly 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.
10. 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; it is hoped that 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. Resources may be a limiting factor.

III. TIMETABLE

11. As mentioned above, the deadline for completion of a first draft, which has gone through a proper editing and review process, is early summer 2008.

12. After defining the structure of the handbook we set about recruiting a primary author and co-author for each chapter. 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. The mode of working was in most cases for the primary author to produce an initial draft with the co-author providing detailed comments.

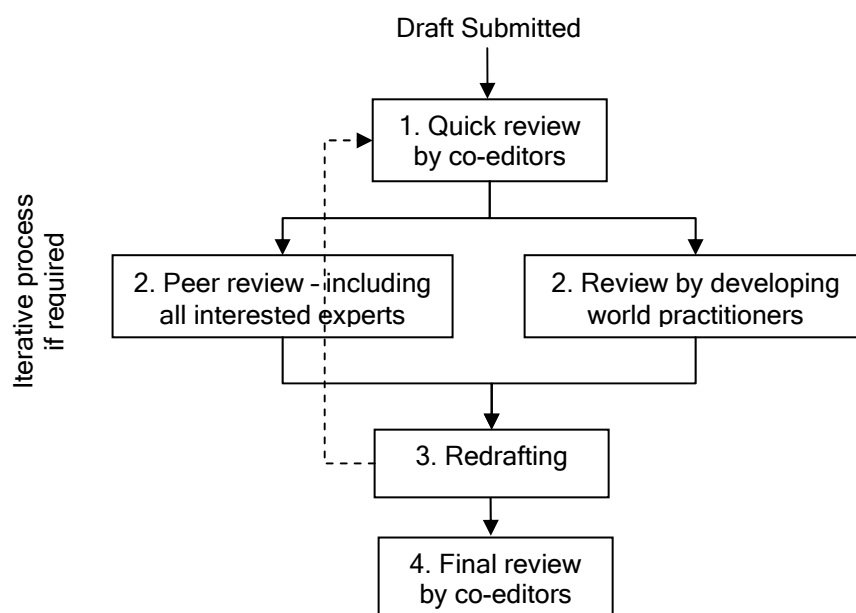
13. Progress is as follows:

- (a) Drafting has begun on all chapters.
- (b) A number of chapters had been signed off by both the primary author and co-author and submitted to ONS for initial editing.

IV. THE EDITORIAL PROCESS

14. Once a first draft of a particular chapter has been agreed between the authors it will be submitted to ONS who will be arranging an extensive external review. An all important part of this review is 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.

15. In order to ensure that full buy-in from this group the review process will run as follows:



16. 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 have or will be contacted in due course to take part in the review.

17. In addition, the African Development Bank (AfDB) has offered to coordinate a review in Africa in order to take full advantage of their extensive contacts in countries and sub-regional organisations.

18. We have created an interactive discussion group using ‘Google Groups’ which will be used to provide a forum for authors and reviews to actively discuss drafts.

19. The main period for the review will be during quarters 1 and 2, 2008.

V. ISSUES FOR FURTHER CONSIDERATION

20. There are some key areas yet to be agreed that will be taken forward in conjunction with the IWGPS, namely:

- (a) Whether to carry out training workshops on the use of the handbook once it is released, how these may be funded, organised and who will coordinate.
- (b) Publication: Translation and publication arrangements for the handbook are still being discussed yet to be decided. The UNECE have agreed to print and distributed English versions for free. The ILO have indicated a commitment to printing non-English versions and may be able to fund the translation.

- (c) Communication: How to disseminate and publicise the handbook. It has been agreed that the handbook will be hosted on the ILO website.

21. There may be possible implications for the ILO manual as a result of the handbook. For example, instances may have been identified during the course of putting together the handbook, where further guidance is necessary in the manual.
22. Engagement of parts of the developing world apart from Africa remains an issue.

VI. MORE INFORMATION

23. More information can be obtained by contacting David Fenwick, Divisional Director, Office for National Statistics, 1 Drummond Gate, London SW1W 2QQ, United Kingdom. Fax no. 44 171 533 5817, email david.fenwick@ons.gov.uk.

ANNEX
Handbook structure and authors

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	<ul style="list-style-type: none"> Definition of new products Planning for identification of new products Timing of introduction Incorporation into index Deletion of old products
9	Special cases	<ul style="list-style-type: none"> Owner Occupier Housing Own-account consumption Certain services (health, education, telecoms, etc) Tariffs Seasonal products Second-hand goods
10	Index calculation	<ul style="list-style-type: none"> Definition of elementary aggregates Methods of aggregation (Dutot, etc) Higher lever aggregation Index base Re-basing Sub-indices Computation of index – different methods
11	Special indices	<ul style="list-style-type: none"> Core inflation Average prices Seasonal adjustment Inflation measurement periods
12	Data validation	<ul style="list-style-type: none"> Credibility checking Dealing with outliers Data editing
13	Errors, bias, accuracy	<ul style="list-style-type: none"> Estimation of potential errors Tolerance limits Rounding System of checking at different stages
14	Publication, presentation, analysis and interpretation	<ul style="list-style-type: none"> 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	Quality reporting and improving the CPI	Quality reports Checklists Programme planning Prioritisation
17	Consultation with users	CPI Advisory group CPI User forum
18	CPI; ICP; Harmonisation	Points of similarities and differences ICP/CPI Synergies Benefits and threats for harmonisation
19	Glossary	Glossary
