

Main characteristics of the CPI, base 2006.

The new CPI increases its municipality sample by 25%, the number of prices collected by 12% and the number of items in the shopping basket increases from 484 to 491.

The new items that will become part of the CPI represent thriving sectors such as diet food products, children food products or some health related services, such as physiotherapist and plastic surgery operations.

On 20 February the INE will release the first Consumer Price Index with Base 2006. This new base aims to provide an improved representation in coverage as well as a greater level of accuracy in the measurement of the evolution of this indicator, by increasing the sample of municipalities, increasing the number of prices collected, modifying the composition of the shopping basket and introducing more updated weightings.

The base 2006 sample is based on 177 municipalities (as compared to the 141 in base 2001) and the total number of collected prices increases by 12%, and, therefore, the monthly CPI calculation is carried out with a number of prices close to 220,000. On another hand, the number of items increases from 484 to 491.

Changes in the shopping basket for the new base 2006.

In the "Food and non-alcoholic beverages" group, bovine meat will be represented by beef and prime beef, instead of the cow meat whose consumption has decreased over time.

Likewise, some items whose consumption has decreased have been substituted by others that represent more appropriately the section in which they are included. For example, this happens in sections such as dairy products.

Other new items entering in the shopping basket are **the ones related with diet and children's products.**

In other groups, some of the articles disappearing are the garment fabrics, upholstering cloths, or the repair service for certain home appliances, whose consumption is no longer significant.

On another hand, the new CPI base 2006 includes new health related services such as **homeopathy, physiotherapists and plastic or myopia surgery**, which substitute other previously included paramedic services that have become less representative.

Sample selection

The criteria used in CPI base 2001 to establish the geographic coverage of the index was mainly based on the overall population of the group of municipalities selected, which should cover 30% of the population of the province and 50% of the population of the autonomous community. Thus, according to this criterion, the municipalities were selected on a size basis, until the requirement was fulfilled.

In base 2006, besides this starting requirement, other ones have been added in order to complete the municipality coverage:

- Geographic representation: municipalities have been added in a way such that they are distributed throughout the province and not just in certain population centres.
- Population representation: representation of small municipalities has been emphasized.
- Shopping basket representation: the inclusion of small municipalities makes locating some articles of the basket more difficult, and therefore, for this type of municipalities a sample has been selected, comprised by those items considered as basic and representative of the consumption in said municipalities.

The final result is that the **base 2006 sample comprises 177 municipalities** (the 52 province capitals and 125 non-capital municipalities). Prices of all shopping basket products will be collected in 97 of these municipalities, prices of all Food basket products and part of the "Other" basket will be collected in 44, and in 36 municipalities, prices of a reduced part of the basket will be collected (comprised by 48% of the items). The latter are the new municipalities that will begin to comprise the CPI base 2006.

Representation and population diversification have been improved, as 31 out of the 36 new municipalities have less than 50,000 inhabitants.

On another hand, it is worth noticing that in base 2006 **the number of prices collected increases by around 12%** in comparison with base 2001, which translates into a total around 220,000 monthly prices. This increase is due to the inclusion of new municipalities and, also, to the higher number of price collected for non-perishable items with a greater weight and for clothing and footwear products.

General CPI methodology base 2006

The base period of the new CPI, for which the arithmetic mean of monthly indexes published is made equal to 100, is year 2006.

The weight structure of base 2006 has been elaborated based on the Household Budget Continuous Survey (HBCS), which provides basic quarterly information on family expenditure on consumer goods and services. Also, in order to determine the definitive structure **other sources of information have been used**, such as the evolution of private consumption from the National Accounts, price evolution from the CPI and other supply sources in the different sectors.

The reference stratum of the index includes **all the population living in family households in Spain**. Therefore, the expenditure of residents in institutional households is not included, nor is that of non-residents (whose expenditure, however, is included in the Harmonised Consumer Price Index EU).

The scope of CPI consumption in base 2006 comprises goods and services effectively paid during the base period. All imputed expenses are excluded, such as self-supplies, self-consumption, imputed rentals and expenses subsidised by Public Administrations (for example, Health or Education), and also investment assets (such as owner occupied housing).

The number of items per section is determined according to their importance in terms of expenditure with respect to total expenditure, their content and the possibility of breakdown. The selected items make up what is known as the shopping basket.

The formula used in base 2006 to calculate the indexes is the same as for base 2001: Linked Laspeyres with updated yearly weights. This yearly update has the following advantages:

- The CPI adapts to changes in the market and consumption habits in a very short period of time.
- New goods or services can be included in the CPI when they appear in the market, and those considered little significant can be eliminated.

Item weights and specifications

The weight of any item in the shopping basket is obtained as a quotient of the expenditure in sections represented by said item during the period referenced by the HBCS and the total expenditure in the same period.

The same item has different weights in the different geographical groups -provinces, Autonomous Communities and Spain-, since the expenditure obtained from the HBCS in each one of these groups is different.

This weight is obtained from information coming from the point of view of demand (HBCS, consumption surveys performed by other organisms) and also from that of supply (income from sales from the most important companies of each sector).

The selection of items comprising the shopping basket has been performed based on the base 2001 CPI and data from the HBCS. The criterion to determine the sections that must be included in the CPI is the same as for base 2001: **all those sections exceeding 0.3 per thousand of total expenditure have been taken into account.**

Linked Series

The improvements introduced in the CPI make some of the elements involved in the calculation of this indicator differ noticeably from those used in base 2001.

So that the CPI results as of January are not affected by this fact, a link to the corresponding series will be performed in order to provide continuity to those already published.

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