

28 May 2020

**Flash estimate of the Consumer Price Index (CPI) and
of the Harmonised Index of Consumer Prices (HICP)
May 2020**

COVID-19's Effects on the May CPI

- In the month of May the alert state period continues and, although many of the commercial establishments have been gradually opening, this opening has been done with capacity restrictions, for which reason the collection of prices has been carried out entirely by telematics methods. In addition, there is part of the CPI product basket that continues to be unavailable for purchase by households.
- Therefore, following the established Eurostat guidelines, the CPI of May modifies part of its technical treatments to estimate prices, to adapt to the needs of the new situation.
- For the calculation of the CPI for the month of May, 18.6% of prices had to be estimated, which corresponds to 21.0% of the index weight.

General CPI/HICP

- The preliminary data that is presented today using the leading indicator of the CPI places its annual variation at - 1.0% in May, three tenths below that registered in April. This is primarily influenced by the drop in the prices of Fuels and oils, as compared to the increase registered in 2019. For its part, the IPCA decreased its annual rate by two tenths, standing at - 0.9%.

COVID-19 Special Groups

- Due to the home confinement necessitated by COVID-19, the INE has prepared two special aggregations that include the effect on the prices of goods and services that most households have continued to consume in the current situation. Prices for the products included in the *COVID-19 special goods group* increased 0.1% in May, compared to the previous month. On the other hand, *COVID-19 services* register a rate of -0.2%.
- The behaviour of food prices is worth noting, with an annual rate that went from 4.0% in April to 3.5% in May. Among these, fresh food reached a rate of 5.4%, one and a half points below that of the previous month, while the annual rate for packaged food stood at 2.3%, one tenth above that of April.
- **The effect the alert state period has had on CPI preparation can be consulted in greater detail in the annex on page 4 of this press release.**

Annual rate trend

General CPI

According to the flash estimate issued by the INE, the annual inflation of the CPI in May 2020 was -1.0%.

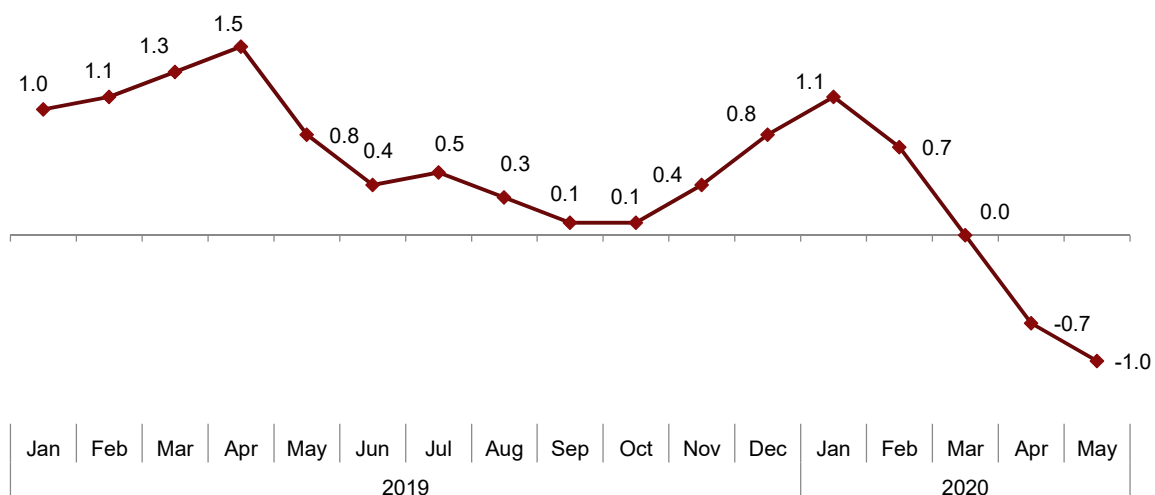
This indicator provides a preview of the CPI that, if confirmed, would imply a decrease of three tenths in the annual rate, since in April this change was -0.7%.

This behavior highlights the decrease in the prices of *fuels and oil*, compared to the increase recorded in 2019.

In turn, the annual variation of the flash estimate of the HICP in May stands at -0.9%. If confirmed, the annual rate of the HICP would decrease two tenths with respect to the previous month.

Annual evolution of the CPI¹

Overall index. Percentage



¹ The last data refers to the flash estimate

COVID-19 Effect

In order to offer specific information regarding COVID-19's effect on prices, the INE has created two specific aggregations for basic consumer products during household confinement.

The *COVID-19 special goods group* includes food items, beverages, tobacco, household cleaning products, pharmaceutical products, pet food and personal care products.

The annual rate for this group in the month of May was 2.8 %, a decreased three tenths compared to that of April.

The section that stands out the most due to its importance in this aggregation is *Food and soft drinks*, whose annual rate went from 4.0% to 3.5%. Within this, the annual rate of fresh food decreased by one and a half points, to 5.4%, and packaged foods rose one tenth, to 2.3%

For its part, the *COVID-19 special services group* includes housing and garage rental services, water distribution, sewerage, garbage collection, community expenses, electricity, gas, heating oil, telephone, music and streaming television services, insurance, banking commissions and funeral services.

In May, the annual variation for this special group stands at -4.2%, two tenths above that registered in April.

Monthly rate trend

CPI general

According to the flash estimate of the CPI, consumer prices registered a variation of 0.0% as compared with April.

In turn, the monthly change of the HICP flash estimate in May stood at 0.0%.

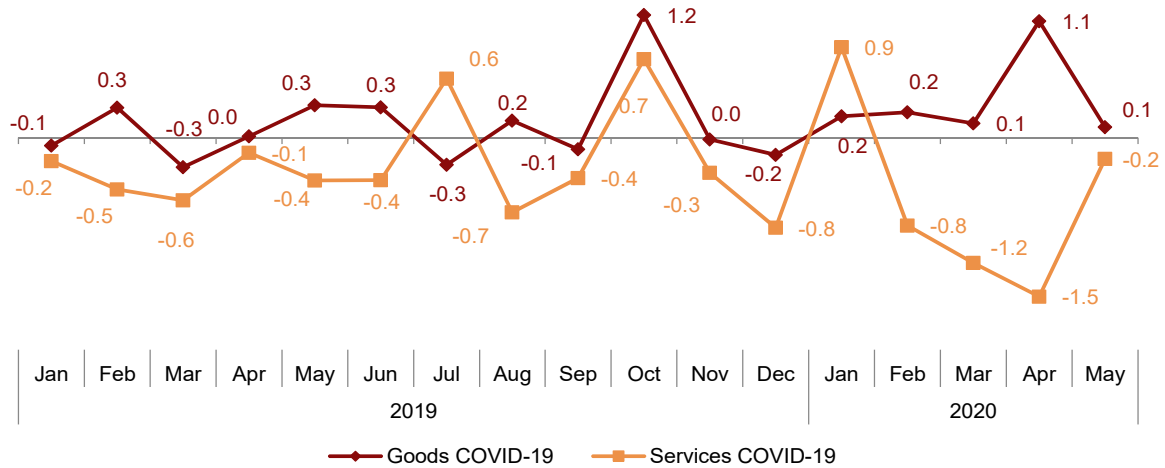
COVID-19 effect

The products included in the *special group of goods COVID-19* have increased their prices in May by 0.1 % compared to the month of April.

Food products and soft drinks remain stable in May. Among them the behaviour of fresh food stands out, whose monthly rate decreased by 0.4%. Packaged food, meanwhile, increased 0.2%.

On the other hand, the services that form part of the *special services group COVID-19* decreased by -0.2% this month compared to the previous month, as a result of the drop in prices of *heating oil*.

Evolution of the monthly rate of the CPI in May¹ Special groups of COVID-19. Percentage



¹The last data refers to flash estimate

Review and data update

The data released today is an advance of the final CPI and HICP data, which will be published next month. Until then, the results are available in INEbase.

Informative Annex

Note regarding COVID-19's impact on the CPI

The declaration of the high alert period due to the health crisis caused by COVID-19 creates an unprecedented challenge in calculating the Consumer Price Index (CPI), since it assumes that part of the shopping basket used for this indicator will cease to be available starting on March 15, 2020. Likewise, the population's confinement prevents INE interviewers from carrying out their price collection work through visits to the establishments in the sample.

All of this has forced INE to change its way of working in record time, with the aim of continuing to provide society with the highest quality indicator possible, even during the exceptional period we are currently experiencing.

Since COVID-19's effect on CPI production is being felt in the majority of European Union countries, the INE is working in conjunction with Eurostat and the statistical offices of the Member States in order to adopt common methodological measures that allow for a quality indicator to be obtained, These are detailed below.

The basic lines that make up the new work model are founded on four fundamental elements: telematic price collection (by telephone interview and access to websites), complete coverage of the shopping basket, stability of the weighting structure, and the implementation of statistical methods to estimate the prices of non-commercialized products.

Price Collection

The collection of prices by visits to establishments has been suspended. In a normal situation, most of the prices that serve to calculate the CPI are collected through visits by INE surveyors to the establishments that form part of the sample. Since the declaration of the high alert period—which implies the closure of establishments and the population's confinement—it has been necessary to adapt the system and carry out collection by **telephone contact with informants**, or by **obtaining the information over the Internet**.

It is important to note that the change in procedure has required an additional effort by the IPC interviewers, who have carried out operations from their homes, as well as a greater degree of involvement by the informants, whom the INE would like to thank for their collaboration.

CPI Coverage

The CPI is calculated from a basket of 479 items, grouped into 219 subclasses. These are then summed to obtain the general CPI, the variation rates of which are presented in this press release.

Most of these items can be purchased even during the state of exception provoked by COVID-19, and they are included them in the calculation for the April CPI. However, a part of the basket services are unavailable for consumption due to their special characteristics. These are, for example, restaurant, bar and cafeteria services, accommodation services (campsites, hotels, apartments), flights, and travel packages.

In these cases, the ECOICOP consumption categories that represent these services have also been kept in the calculation of the CPI, but their prices have been estimated so that the annual rate for the general CPI is only slightly altered

Weightings

Just as all the CPI consumption categories have been maintained, regardless of whether the goods and services in question were consumed April, the weighting structure, which is set at the beginning of the year, has also remained unchanged.

Price Estimation

Prices for the subclasses that have not been commercialized due to the special market situation have been estimated.

In accordance with Eurostat recommendations, this month a specific methodology has thus been added to the estimation methods commonly used when a price is lacking in the CPI. The objective is to obtain a price for these categories that interferes as little as possible in the annual variation rate for the items that have been consumed.

The estimated share of prices over the total is 18.6%. Of the 221 maximum disaggregation categories for which data is published, more than half of the prices had to be estimated in 17 of them.

Interpretation of Results

The annual advance CPI rate published today shows the evolution of the prices for goods and services available in the month of April, compared to the previous year. It is unaffected by the goods and services unavailable due to COVID-19.

COVID-19 Special Groups

In order to offer information that allows for analysis of the reality resulting from the effects of health regulations, the INE has developed two indicators to determine price evolution for a group of products preferentially consumed by society during confinement.

These aggregations, which have been called *the COVID-19 special goods group* and the *COVID-19 special services group* have been calculated to facilitate the analysis on the behavior of the prices of the goods and services consumed more frequently in the period of confinement.

The goods considered *COVID-19 Goods* are food, beverages, tobacco, household cleaning products, pharmaceutical products, pet food and personal care products.

On the other hand, the services included are housing and garage rental services, water distribution, sewerage, garbage collection, community expenses, electricity, gas, heating oil, telephone, music and streaming television services, insurance, banking commissions and funeral services.

For a complete time perspective, the *COVID-19 special group* has been calculated since year 2017, the results can be checked on the INE Website.

Methodological note

The Consumer Price Index (CPI) is a statistical measure of the evolution of the prices of goods and services consumed by the population that reside in family dwellings in Spain.

In turn, the Harmonised Index of Consumer Prices (HICP) is a statistical indicator whose objective is to provide a common average of the inflation that allows conducting international comparisons

Type of survey: continuous on a monthly basis

Base period: 2016 (CPI) and 2015 (HICP)

Reference period of weightings: year prior to the current year

Sample of municipalities: 177

Number of items: 480 (CPI) y 479 (HICP).

Number of observations: approximately 220,000 prices per month.

Functional classification: ECOICOP.

General method of calculation: chained Laspeyres

Collection method: interviewers in establishments and centralised collection for special items

For further information, please consult the methodology of both indicators in the following link:

https://www.ine.es/en/metodologia/t25/t2530138_16_en.pdf

The CPI standardised Methodological report:

<https://www.ine.es/dynt3/metadatos/en/RespuestaDatos.html?oe=30138>

And the HICP standardised Methodological report:

<https://www.ine.es/dynt3/metadatos/en/RespuestaDatos.html?oe=30180>

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