

9 February 2012

Main features of the CPI, base 2011

The CPI updates its weighting structure and reviews the composition of the shopping basket in order to bring it in line with changes to household consumption patterns

Base 2011 includes new technological products and services related to aesthetic care

On 15 February, the INE will publish the first Consumer Price Index in base 2011. With the implementation of the new base, the objective is to improve the representative nature of this indicator via changes in the composition of the shopping basket and updating the weighting structure.

Likewise, the CPI base 2011 will introduce a new processing of seasonal items (fresh fruit and vegetables), which will enable the making a more precise measurement of the short-term evolution of prices for this type of product.

Changes in the shopping basket

The selection of the products comprising the CPI shopping basket is carried out based on the importance of the expenditure made on each one of them, in order for them to be representative of household expenditure. The main source used to this end is the Household Budget Survey (HBS), which, targeting households, provides detailed information regarding the consumption structure thereof.

One of the most noteworthy features of the CPI is its permanent capacity for adaptation to the changes in the market; this implies that any significant modification in household consumption patterns is considered through the annual review of the shopping basket.

Resulting from the latest reviews, the most relevant changes in the shopping basket are regarding the goods and services related to recording media, and to data processing material. Thus, **CPI base 2011 includes laptop hard drives and excludes recordable CDs and film rentals**. Regarding data processing materials, **the new base includes notebooks and tablets**.

Worth noting is the **inclusion of new aesthetic services in the shopping basket, such as photo and laser hair removal, alternative medicine and speech therapy**.

As a result of these adjustments, the shopping basket of CPI base 2011 will now have **489 items**, as compared with the 491 items for the previous base.

Updating of the weightings

The ongoing adaptation of the CPI to changes in consumer behaviour also includes the permanent reviewing of its weighting structure. Each year, the weight and importance of the large aggregates comprising this indicator are updated, thus maintaining the current nature thereof.

In addition to the annual review of the weights for the large aggregates, every five years, the entire structure is updated for all breakdown levels. Therefore, CPI base 2011 includes a **new weighting structure that more precisely represents household consumption patterns.**

The weighting structure for base 2011 has been prepared using the HBS as the main source of information. Moreover, information from other sources has also been used, such as the evolution of private consumption from the National Accounts, the evolution of prices from the CPI and other sources from different sectors.

The following table includes the weight of each of the 12 large groups, and their comparisons with the weights valid until the year 2011.

Group weights (so much per hundred)

| Group | 2011 | 2012 | % |
|---|------------|------------|------|
| 01. Food and non-alcoholic beverages | 18.16 | 18.26 | 0.6 |
| 02. Alcoholic beverages and tobacco | 2.87 | 2.89 | 0.7 |
| 03. Clothing and footwear | 8.59 | 8.34 | -2.9 |
| 04. Housing | 11.70 | 12.00 | 2.6 |
| 05. Furnishings, household equipment and routine maintenance of the house | 6.84 | 6.67 | -2.5 |
| 06. Health | 3.21 | 3.14 | -2.1 |
| 07. Transport | 14.74 | 15.16 | 2.9 |
| 08. Communications | 3.98 | 3.85 | -3.3 |
| 09. Recreation and culture | 7.64 | 7.54 | -1.3 |
| 10. Education | 1.38 | 1.42 | 2.8 |
| 11. Restaurants, cafés and hotels | 11.52 | 11.46 | -0.5 |
| 12. Miscellaneous goods and services | 9.37 | 9.26 | -1.2 |
| TOTAL | 100 | 100 | |

Sample selection

Given the high degree of representativeness of the CPI sample, the number of municipalities and establishments from base 2011 is the same as in the previous base.

The prices will be collected in 177 municipalities (the 52 provincial capitals and 125 non-capital municipalities). Prices will be collected for the entire shopping basket in 97 of them, for all food products and part of the rest in 44, and of approximately have of the items in the shopping basket in 36.

Approximately 29,000 establishments will be part of the sample, to gather the **220,000 prices with which the CPI is computed every month.**

This sample covers at least 30% of the population of each province, and 50% of the population of each Autonomous Community. Moreover, the selection of municipalities has considered their geographical distribution within the province, as well as their size (31 of them have fewer than 50,000 inhabitants).

Handling seasonal items

The CPI considers seasonal items to be those goods or services that cease to be available for sale during certain periods throughout the year, and this situation is repeated cyclically. The items to which this definition refers are **fresh fruit** and **fresh vegetables**.

The fact that the item is not available on the market prevents monitoring the price that had been collected for the calculation of the CPI. This makes it necessary to apply methods enabling continuity of the price series and calculating the indices in the time period in which the product is unavailable.

The new base has incorporated two changes relating to this type of item:

- **Revision of the basket of seasonal items.** Many fruits and vegetables have ceased to be seasonal, as they are now available on the market throughout the year. To this end, they will receive the same handling as most of the products in the shopping basket.
- **New methodological handling.** For fresh fruits and vegetables that maintain seasonal schemes, a new methodology will be applied, estimating the prices of the items that are not available on the market. This implies a change, with regard to the methodology that has been applied until now, based on the use of average indices of 12 consecutive months, and which offered a good estimation of the evolution of prices in the long-term, but softening the monthly fluctuations that are common for this type of product.

Linking series

The changes introduced in the CPI have caused some of the elements involved in the computation of this indicator to differ from those used for base 2006.

For the purpose of the results of the CPI not being affected by this fact, the INE will prepare a link of the corresponding series, so as to provide continuity for the information that has been published until now.

Annex I
Aggregated main weights

Weights of special groups (so much per hundred)

| Special group | 2011 | 2012 | % |
|---|-------------|-------------|----------|
| Food | | | |
| Processed, beverages and tobacco | 14.58 | 14.65 | 0.4 |
| Unprocessed | 6.45 | 6.50 | 0.9 |
| Including beverages and tobacco | 21.03 | 21.15 | 0.6 |
| Unprocessed and energy products | 17.04 | 17.89 | 5.0 |
| Industrial goods | | | |
| Durable | 11.94 | 11.66 | -2.3 |
| Energy products | 10.60 | 11.39 | 7.5 |
| Fuels and lubricants for personal transport equipment | 7.73 | 8.25 | 6.8 |
| Excluding energy | 36.24 | 36.04 | -0.5 |
| Excluding energy products | 28.51 | 27.79 | -2.5 |
| Services | | | |
| Excluding housing rental | 37.51 | 37.29 | -0.6 |
| Overall index | | | |
| Excluding food, beverages and tobacco | 78.97 | 78.85 | -0.2 |
| Excluding housing rental | 97.65 | 97.62 | 0.0 |
| Excluding energy products | 89.40 | 88.61 | -0.9 |
| Excluding energy and unprocessed food | 82.96 | 82.11 | -1.0 |
| Excluding tobacco | 97.89 | 97.88 | 0.0 |

The detailed information regarding the new weightings is available on the INE website (www.ine.es).