



EUROPEAN COMMISSION
EUROSTAT

Directorate G: Business Statistics
Unit G-6: Price statistics; Purchasing Power Parities



HICP COMPLIANCE MONITORING

INFORMATION NOTE

ON THE HARMONIZED INDICES OF CONSUMER PRICES

FOR DENMARK

August 2010

In the context of compliance monitoring and quality assurance, Eurostat reviewed the HICP for Denmark in early 2010. The statistical practices used to compile the HICP for Denmark have been reviewed against HICP methodology and other guidelines and good practices in the field of consumer price indices.

This report takes account of publicly available information on the CPI and HICP for Denmark and additional information collected by Eurostat prior to, during and following a mission to Statistics Denmark - held on 11 March 2010.

I. OVERALL ASSESSMENT

Statistics Denmark has completed some actions in order to improve the Danish HICP in recent years. Eurostat supports Statistics Denmark's plans to undertake further improvements to the HICP.

Regarding instances of non-compliance of the Danish HICP with the HICP methodology, Statistics Denmark makes wide use of questionnaires for price collection which could potentially cause non-compliance. Eurostat reserves its position on the potential impact this may have on the HICP, pending further analysis and action by the NSI. The remaining instances of non-compliance are unlikely to have a major impact in practice on the HICP annual average rates of change. The Danish data pass, for January 2007 onwards, all standard HICP validation tests – they are internally consistent and aggregate correctly.

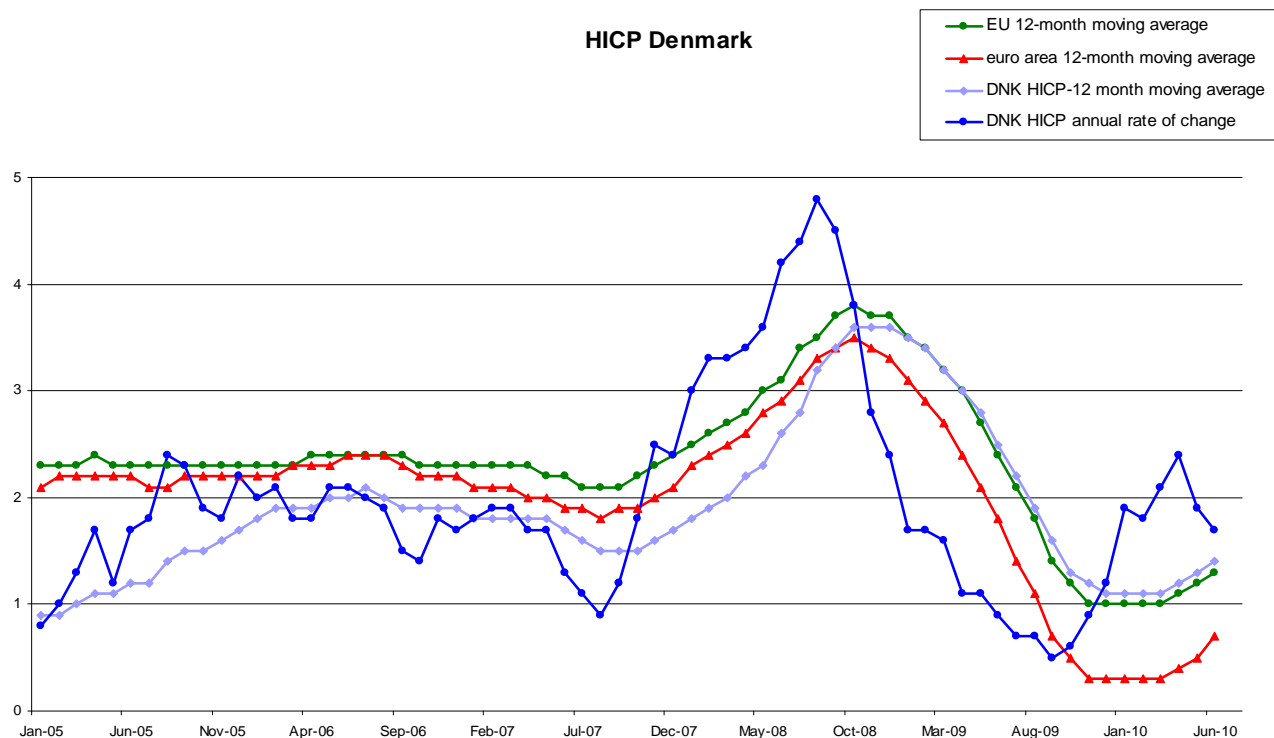
Notwithstanding the observation on price collection made above, the HICP should be considered broadly comparable to the HICPs of other EU countries, and the reliability of the HICP, in terms of precision and representativeness, appears generally adequate. Nevertheless, in some cases the methodology or data used need improvement or further analysis (see Section III). A targeted follow up of these cases will be carried out by Statistics Denmark and Eurostat.

II. RECENT PRICE DEVELOPMENTS

The focus of Eurostat's early 2010 assessment on price developments was on those headings which had shown the most significant impacts on the 12-month moving average rate of change. The most significant upward impacts on the HICP in January 2010 came from rents, district heating, social protection, package holidays and cultural services. At the same time, significant downward impacts came in particular from fuels for transport, audio-visual equipment, cars, heating oil, gas and electricity.

In January 2010, the annual inflation rate for Denmark was 1.9%. This was above the euro area average of 1.0% and the EU average of 1.7%. The chart below shows the recent development in the 12-month moving average rate of change for Denmark, the euro area and the European Union together with the annual rate of change for Denmark.

HICP Denmark



III. FINDINGS AND RECOMMENDATIONS

Weights are currently updated every third year, and the item weights for 2010 refer to the year 2006 and were price-updated from December 2008 up to December 2009. Statistics Denmark plans to move to the annual updating of weights from 2012, in line with the current Eurostat proposal concerning HICP weights.

All expenditure consumption included in the HICP is also included in the CPI. Owner-occupied dwellings and insurance in connection thereof are excluded from the HICP but included in the CPI.

According to Statistics Denmark, no major methodological changes were expected in 2010. Some research to improve the methodology for cars is being carried out, and Eurostat welcomes Statistics Denmark's plans to verify the weight of accommodation services in the HICP. For treatment of air fares, Eurostat also welcomes Statistics Denmark's aim of analyzing the need for improving the sample of prices.

For some headings with significant impacts on the HICP, the methodology or data used need some further analysis or improvement.

Eurostat recommends that:

- regarding the use of questionnaires as a primary method of price collection, Statistics Denmark review this approach to ensure that the HICP captures actual prices as paid by consumers. In this respect, Statistics Denmark should take into account, inter alia, that prices of footwear are no longer collected by questionnaire.
- prices collected less frequently than monthly should be collected monthly where this is required by the HICP framework. In the case of Denmark, the share of prices not collected monthly is in the order of 20% (including housing rentals which constitute

around 7% alone) of the total HICP weight. Particular attention should therefore be given to this issue, most especially to housing rentals.

- Statistics Denmark carry out further analysis of its sample of prices to verify its coverage of all parts of the market (high, mid and low-end products). Furthermore, Statistics Denmark should develop statistics on its frequency of use of different quality adjustment methods (bridged overlap, direct comparison, etc.).
- Statistics Denmark carry out the necessary research in order to set-up a used car price index. Presently used cars are only covered through the net weight alone. For new cars, Eurostat welcomes Statistics Denmark's plans to review the sample including the higher end part of the market.
- for energy and fuel prices, the collection of prices should be spread out across a longer period within each month so that the index reflects, as far as possible, price changes for the month as a whole.
- in the case of telecommunications, Statistics Denmark look into the possibilities of improving its approach by taking better account of consumer switching among representative packages. With the introduction of EC Regulation 1334/2007, there is a need to revisit the issue of the representativeness of consumption segments, especially for telecommunications.
- the treatment of the price measurement of income related expenditure for childcare be reviewed to ensure that the index remains accurate if reimbursement rules were to change.
- furthermore, the issue of the coverage of sheltered housing for the elderly should be reviewed and, if necessary, prices should be covered explicitly in the index.