



EUROPEAN COMMISSION
EUROSTAT

Directorate C: National Accounts, Prices and Key Indicators
**Unit C-4: Price statistics; Purchasing Power Parities; Housing
Statistics**

HICP COMPLIANCE MONITORING

INFORMATION NOTE

ON THE HARMONISED INDICES OF CONSUMER PRICES FOR FRANCE

July 2015

In the context of compliance monitoring and quality assurance, Eurostat reviewed the HICP for France. The practices used to compile the French HICP were reviewed against HICP legislation and other guidelines and good practices in the field of consumer price indices.

This report takes into account publicly available information on the CPI and HICP for France and additional information collected by Eurostat prior to, during and after a visit to the National Institute of Statistics and Economic Studies (INSEE) on 13 December 2013.

1. INTRODUCTION

HICP compliance for France was last assessed by Eurostat in 2009. In 2013 Eurostat reviewed again the statistical practices used to compile the French HICP against the HICP legislation and other guidelines and good practices in the field of consumer price indices. In addition to general compliance with HICP regulations and, in particular, with regulations adopted since 2009, the focus of Eurostat's assessment was on the follow-up of recommendations from the previous compliance report: on monitoring the representativity of the product sample and on the frequency of price collection.

2. DATA COLLECTION AND VALIDATION

2.1. Organisation

In France, prices are collected de-centrally as well as centrally. De-central price collection is organised by 7 services that are spread in the regions and 2 additional services in the overseas departments (DOMs). Price collectors are monitored and regularly controlled by the regional supervisory staff who also deals with data validation and the validation of replacement proposals.

Additionally, a unit located in Bordeaux ("pole") deals with the central price collection via internet as well as replacements. The latter comprises the choice among two options proposed by the price collector and the application of appropriate quality adjustment methods. Central price collection is also carried out via access to the database for health.

De-central price collection is carried out in all large cities with more than 200,000 inhabitants. Smaller towns are sampled by probability. Rural areas (towns and villages with less than 2,000 inhabitants) are excluded. INSEE estimates that the cities covered (96) add up to around 50 % of the French population. Less than 5 % of the expenditure is not covered due to the exclusion of rural areas.

2.2. Frequency

All prices are collected monthly except for actual rentals, which are collected quarterly, and some prices known to change only once a year. Fresh fruit, vegetables and fish prices are collected twice per month.

INSEE estimates that, taken into account the small volatility of rentals, the cost for increasing the frequency of household surveys, which are used to collect the rentals, would outweigh the benefit.

The French price collection practice can be considered in line with HICP requirements as regards its frequency. Nevertheless, Eurostat stresses the need for investigation into alternative data sources with a view to increasing the frequency of price collection for rentals in order to ensure that price changes are included in the HICP in a timely manner.

2.3. Data validation

Price collectors collect prices via electronic pads. The data is then validated by the regional supervisory staff. Prices for durable goods are validated at the "pole".

Data transmission to the central office is carried out via internet on a daily basis.

3. PRICES

For most products, prices are collected directly from retailers. This is considered as best approximation of actual transaction prices and follows internationally accepted practice. List prices are used for cars. According to INSEE, some prices collected via internet represent prices for products purchased via the internet as retail channel. For some products, such as insurances, package holidays, airfares and railway transport, prices are collected only via internet.

Reduced prices are taken into account as required.

In case a product disappears during the year, standard replacement procedures are applied. Missing prices are imputed for at a maximum two months if temporarily unavailable. In the third month at the latest they are replaced.

In case of temporary unavailability, product substitution or the registration of prices from the price tags is applied as an estimate for the missing price observation.

4. TAXES AND ADMINISTERED PRICES

INSEE compiles and transmits to Eurostat HICPs at constant tax rates according to the requirements. Tax changes enter into the index as they enter the product price. This practice appears not fully in line with the methodology referred to in the Commission Regulation (EU) No 119/2013 which recommends that changes in tax rates shall be reflected in the compilation of the indices of any month if they enter into force until the first day of that month.

France regularly transmits to Eurostat a list of sub-indices that are fully or partially administered for the calculation of the HICP Administered Prices (HICP-AP).

Prices of a wide range of products are either directly set or significantly influenced by the government: tobacco, services related to the dwelling, electricity, gas, medical services, combined passenger transport, postal services, education and social protection.

5. WEIGHTS

The main source for the item weights is preliminary National Accounts data from the year t-2 price-updated to December of t-1. Additionally, more up-to-date reliable sources are taken into account to adjust the weight of some positions. This approach is in line with Commission Regulation (EU) No 1114/2010 and had been already implemented before the adoption of the regulation.

INSEE annually reviews and updates the weights up to the lowest aggregation levels, which is beyond the minimum requirements as set out by the regulation.

Regional weights are used as weights for the towns selected for price collection. The weight of each town is given by the population of the town and its probability of being selected.

6. SAMPLE DESIGN

6.1. Product sample

The products are selected using purposive sampling. Selection and specification of the products is done by staff in the central office and by price collectors who select the concrete product-offer based on the criteria '*bien vendu*' (selling well) and '*bien suivi*' (steady demand).

In the last compliance monitoring report, Eurostat recommended that INSEE reviews the strategy for price collection with a view to extend the coverage to the full market range and to ensure that all segments are represented. INSEE has followed up on the issue and added further characteristics to the definition of consumption segments.

In line with the legal requirements, all COICOP classes with a share in total expenditure of at least one part of a thousand are covered in the French HICP. Only COICOP classes are excluded that have a weight of less than one part of a thousand in total expenditure.

The list of representative products is reviewed annually.

New products are identified on the basis of National Accounts data, information from the regional offices and other reliable external sources. New products are introduced during the annual revision of the sample. Thus, new products, if estimated to be significant, can be included in the index within 12 months as required.

6.2. Outlet sample

The sample of outlets is drawn using purposive sampling techniques. The selection of outlets is made after the product sample and once the towns, in which price collection should be carried out, have been defined. Only shops in selected towns are sampled. The sample is updated at yearly frequency and outlets are included into the sample if they are representative. Outlets that are closed down during the year are replaced.

Internet purchases are included where the internet represents an important sales channel and if the sites have French addresses (extension *.fr*).

7. INDEX STRUCTURE AND AGGREGATION METHOD

The list of products for which prices are collected includes tight specifications. The product descriptions are detailed and include several characteristics. Still, products are not fully specified so that there remains room for the price collectors to add further characteristics and make their choice for the product offer.

The list of elementary aggregates is set up below the 6-digit COICOP level. Each elementary aggregate represents one consumption segment.

Some products are classified in different classes compared to the COICOP classification. Eurostat recommends that INSEE explores and reconsiders the issue of COICOP classification as regards e.g. GPS devices, MP3-players and ink-cartridge.

The elementary aggregates are calculated using geometric or arithmetic means depending on whether the product is heterogeneous or homogeneous. This practice is in line with HICP requirements.

8. QUALITY ADJUSTMENT

Quality adjustment is done for prices of products from all COICOP divisions. Where there are agreed European standards, methods that can be classified as B-methods (in accordance with Article 5 of Regulation no 1334/2007) are applied.

Decisions about quality adjustment are made on a case by case basis. The most used method is direct comparison which applies to around 90% of the replacements. For household durables bridged overlap (at regional or national level) or hedonic adjustment is applied. For clothes mainly direct comparison is applied. Option pricing is used for new cars. In the case of newspapers and periodicals there is an adjustment of the price according to the number of pages.

9. TREATMENT OF SPECIAL PRODUCT GROUPS

9.1. Seasonal items

INSEE implemented the new standards for the treatment of seasonal products in 2011. For fresh fruit, vegetables, fish and flowers class-confined seasonal weights are applied. For clothing and footwear the price is estimated during the out-of-season period. In the first out-of-season month the typical price is applied as the last normal price and starting with the second month the estimation is based on the price developments of similar in-season products (counter-seasonal estimation).

Previously, variable monthly weights were applied for fresh products, and for clothing and footwear the prices were collected and included into the index as long as they could be observed, otherwise they were imputed. The price collection for strongly seasonal products has been terminated since the implementation of the new standards, while the treatment of weakly seasonal products has not been changed.

The treatment of seasonal products is in line with HICP requirements.

9.2. Telecommunications

The index for telecommunication services includes price developments from major providers. Territorial differences between continental and oversea departments are taken into account. The index is based on the consumer profiles approach. For each profile, the minimum price within the offer of the same provider is followed. Prepaid services and bundled services are taken into account separately. Weights are calculated from turnover data obtained from providers.

The coverage of the telecommunication services appears appropriate. However, Eurostat is concerned about whether the assumption that consumers immediately switch to the cheapest tariff plan is realistic with a view to a possible downward bias of the index movements.

9.3. Insurances

Prices for insurances are collected monthly via internet. The sample therefore includes only new policies. Existing policies are not covered. Eurostat reiterates its recommendation to extend the coverage of the sample to existing policies.

10. PLANNED CHANGES

INSEE will carry out a review of the geographical coverage of price collection based on the latest census data. This will be carried out in 2015 with effect from 2016.

INSEE is planning to introduce the COICOP level 5 as from January 2016.

11. OVERALL ASSESSMENT

Eurostat considers that the methods used for producing the French HICP are of a satisfactory standard. Most of Eurostat's recommendations in the previous reports have been implemented, and the quality of the consumer price statistics has improved during recent years. The representativity of the French HICP is appropriate.

French data pass all standard HICP validation tests – they are internally consistent. No major issues of non-compliance with the HICP methodology have been identified. French HICP data can therefore be considered comparable to the HICPs of other EU countries.

While the representativity of the HICP is generally appropriate, the French HICP would benefit from further analysis to support the current methods in some fields.

Eurostat recommends that:

- Research should be carried out into the move to monthly collection of prices for rentals.
- The coverage of insurances should be extended to existing policies.

Eurostat welcomes the plans of INSEE to fully implement the reference methodology for HICP at constant tax rates.