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EUROSTAT

Directorate C: National Accounts, Prices and Key Indicators
Unit C-5: Price statistics. Purchasing Power Parities. Housing statistics

HICP COMPLIANCE MONITORING

INFORMATION NOTE ON THE HARMONISED INDICES OF CONSUMER PRICES FOR LUXEMBOURG

October 2012

In the context of compliance monitoring and quality assurance, Eurostat reviewed the HICP for Luxembourg in July 2011. The statistical practices used to compile the HICP for Luxembourg 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 Luxembourg and additional information collected by Eurostat prior to, during and following a mission to the Statistical Institute of Luxembourg (STATEC) - held on 19 July 2011.

I. OVERALL ASSESSMENT

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

Instances of non-compliance with the HICP methodology are limited and unlikely to have a major impact in practice on the HICP annual average rates of change. The Luxembourgish data pass, from January 2008 onwards, all standard HICP validation tests – they are internally consistent and aggregate correctly. The HICP should be considered comparable to the HICP of other EU countries.

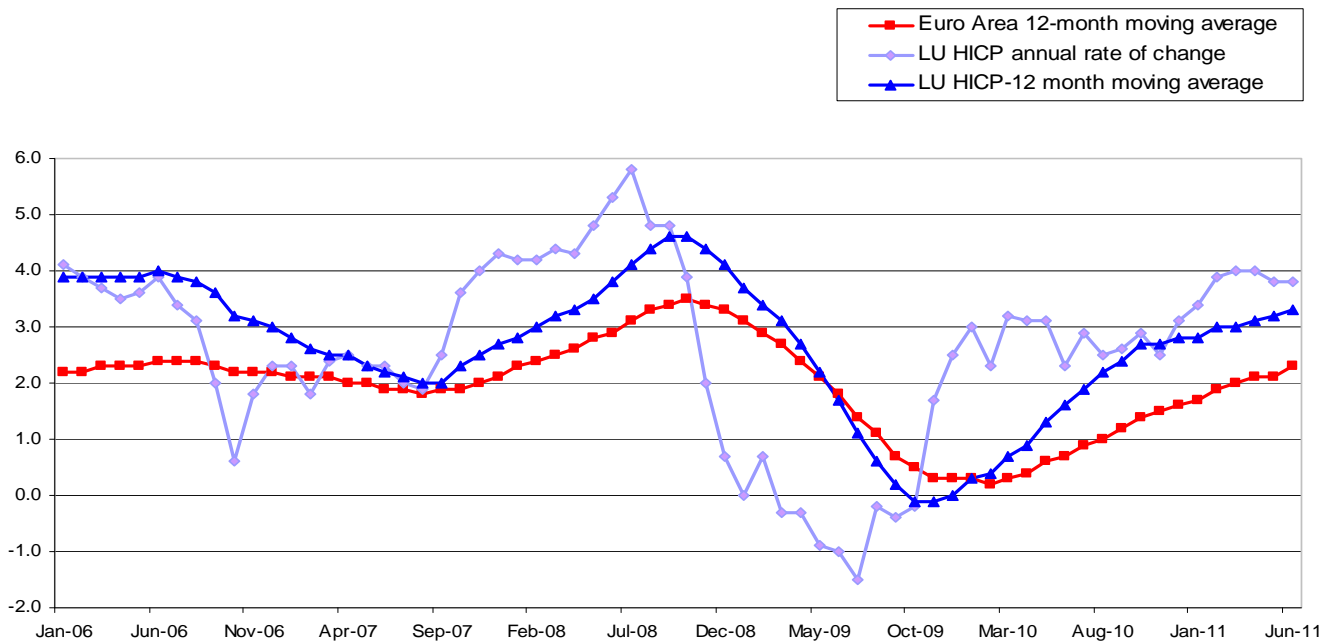
While the reliability of the HICP, in terms of precision and representativeness, appears generally adequate, in some cases the methodology or data used need improvement or further analysis (see Section III). A targeted follow up of these cases will be carried out by STATEC and Eurostat.

II. RECENT PRICE DEVELOPMENTS

The focus of Eurostat's 2011 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 May 2011 came from fuels for transport, heating oil, sewerage collection, water supply, gas, jewellery and watches and dental services. At the same time, significant downward impacts came in particular from cars, garments, spare parts for vehicles, electricity, telecommunications, transport related insurance, personal care products, restaurants and cafes, rents and package holidays.

In June 2011, the annual inflation rate for Luxembourg was 3.8 %. This was above the euro area average of 2.7 % and the EU average of 3.1 %. The chart below shows the development in the 12-month moving average rate of change and the annual rate of change for Luxembourg, together with the euro-area 12-month moving rate from January 2006 onwards.

HICP Luxembourg



III. FINDINGS AND RECOMMENDATIONS

For most headings both the methodology and data appear compliant with HICP requirements, and the movements in both prices and weights in recent periods correctly reflect economic determinants. Weights are currently updated every year. The item weights for 2011 refer to the year 2008 and were updated by the December t-1 prices.

The most important difference between the HICP and the national CPI for Luxembourg concerns the consumption expenditure of non-residents in the economic territory of the country, which is excluded in the national CPI. Apart from that, there are no other methodological or conceptual differences between the HICP and national CPI.

The main methodological change in 2011 was the implementation of new methods compliant to the Commission Regulation 330/2009 concerning the treatment of seasonal items. For 2012, the change of the data reference period for the item weights from t-2 to t-3 has been scheduled in order to be in line with the new Commission Regulation (EU) No 1114/2010 concerning weights. The change was preceded by tests and simulations to compare the results of using data from the year t-2 instead of t-3.

STATEC is participating actively in the discussion on the treatment of internet purchases in the HICP. Taking into account the size and the characteristics of the country, it is assumed that internet purchases by Luxembourgish residents from foreign providers constitute a considerable part of consumption expenditure.

Eurostat welcomes STATEC's plans for further actions

- to define consumer profiles for telecommunications,
- to build up segments for the rental market and extend the sample for price observations,
- to explore the significance of advance as well as last minute bookings of airfares and holidays via the internet with special regard to websites of domestic providers and include them into the HICP as appropriate and
- to investigate the significance of online subscriptions to newspapers and periodicals.

Eurostat recommends that:

- STATEC explores if there is a bias on the inflation rate caused by carrying out price collection only in the first half of the month and extends the period of price collection as necessary,
- STATEC elaborates on the extent of interference on price setting for fuels for transport and includes them into the list of prices influenced by government decisions if necessary,
- STATEC refers to the Eurostat's guidelines on bundles and packaging for the treatment of packaged insurances in the HICP,
- STATEC reviews on a regular basis that the development of list prices for cars accurately reflect the developments of actual transaction prices and
- STATEC investigates if the price developments for repair services are reflected correctly in the Luxembourgish HICP.