



EUROPEAN COMMISSION

Directorate D: Economic and Regional Statistics
Unit D-4: Price statistics



HICP COMPLIANCE MONITORING

INFORMATION NOTE

ON THE HARMONIZED INDICES OF CONSUMER PRICES

FOR POLAND

JULY 2008

In the context of compliance monitoring and quality assurance, Eurostat reviewed the HICP for Poland in winter 2007. The statistical practices used to compile the HICP for Poland have been reviewed against HICP methodology and other guidelines as well as good practices in the field of consumer price indices.

This report takes account of publicly available information on the CPI and HICP for Poland, and additional information collected by Eurostat prior to and during a mission to the Central Statistical Office (GUS) of Poland held on 7 December 2007.

I. OVERALL ASSESSMENT

Eurostat considers that in general the methods used for producing the Polish HICP are satisfactory. In close collaboration with Eurostat and other international experts, the Central Statistical Office of Poland (GUS) successfully completed many necessary pieces of work in order to set-up the Polish HICP before accession to the EU. The quality of the consumer price statistics for Poland has thus improved in recent years.

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 Polish data pass all standard HICP validation tests – they are internally consistent and aggregate correctly. It should be considered broadly comparable to the HICPs of other EU countries.

While the reliability of the HICP, in terms of accuracy and representativity, seems generally adequate, it can be said that 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 GUS and Eurostat. In the opinion of Eurostat, the Polish statistical office would benefit from increased human resources capacity for carrying out HICP work.

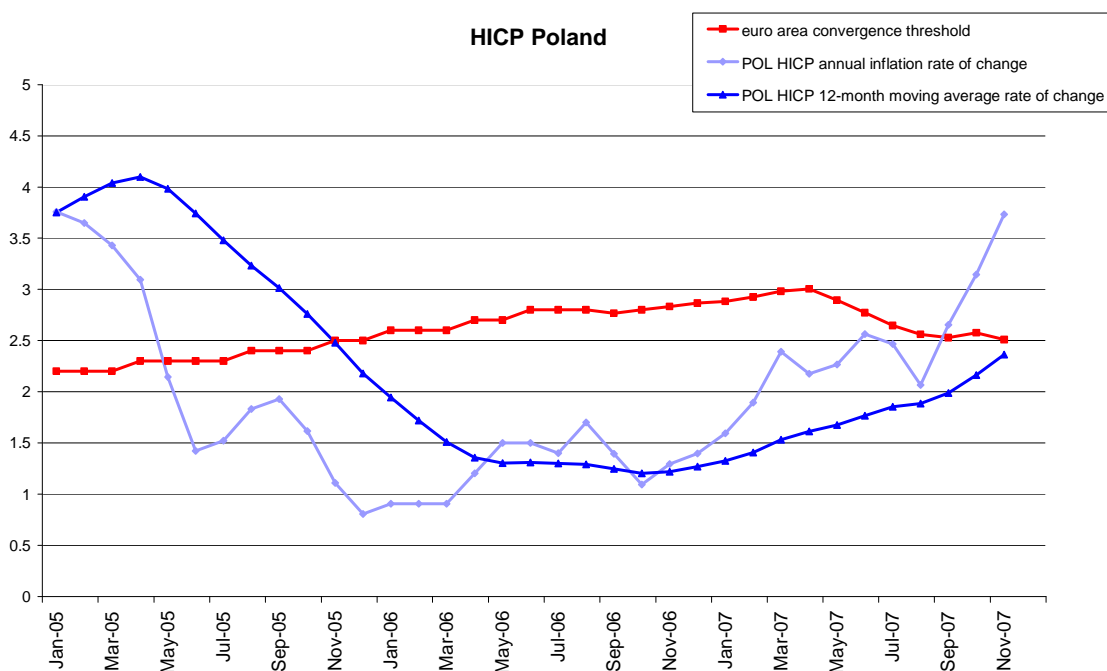
II. RECENT PRICE DEVELOPMENTS

HICP compliance for Poland was assessed positively by Eurostat in 2004 before accession to the EU. The focus of Eurostat's current assessment has been on those headings which show a significant impact on the 12-month moving average rate of change. As the visit took place in December 2007, the data for October 2007 were used as the agreed baseline for studying price developments.

On average, the most significant upward impacts on the HICP in the twelve months to October 2007 came from bread and cereals, gas, housing maintenance – materials, tobacco, miscellaneous services, rents, solid fuels and vegetables. The most significant downward impacts came from garments, footwear and telecommunications.

In October 2007 the annual inflation rate of change for Poland was above the euro area average. The chart below shows the recent development in the 12-month moving average rate of change and the annual rate of change for Poland together with the euro area convergence threshold for inflation. The annual inflation rate of change for Poland was 3.1 % in October 2007 compared to 2.6% for the euro area (since then the euro area inflation rate increased to 3.7% for May 2008 and 4.3% for Poland).

In October 2007 there was an increase in the annual inflation rate in Poland. The most significant upward impacts came mainly from fuels for transport, hospital services, bread & cereals, milk, cheese & eggs, tobacco fish and fruit. The most significant downward impacts on the HICP in October 2007 came from district heating, heating oil, cars gas, meat and telecommunications.



Note: The euro area inflation convergence threshold is based on a 12-month moving average rate of change calculation.

III. FINDINGS AND RECOMMENDATIONS

For most headings both the methodology and data appear to be satisfactory, and the movements in both prices and weights in recent periods correctly reflect economic determinants. The item weights for 2007 refer to the pattern of consumption to the year 2005 and are price-updated up to December 2006.

Regarding differences between the HICP and the national consumer price index, institutional households and consumption expenditure of non-residents in the economic territory of the country are included in the HICP but excluded from the national CPI. Games of chance are included in the national CPI but excluded from the HICP.

Another contributory factor to the differences between the HICP and the national consumer price index concerns the use of different weights. The CPI is calculated with the use of weights from the Household Budget Survey for the previous year while the HICP utilises weights from the National Accounts.

According to the GUS, only one major methodological change is planned for 2008. A price survey on Internet shopping will be carried out in 2008 and the results will be included in the HICP. Poland confirms it was already compliant with HICP standards related to the temporal coverage of price collection, which in some other Member States took effect only with the index for January 2008 in accordance with Council Regulation (EC) No. 701/2006.

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

Eurostat recommends that:

- Insurance weights should reflect the so called "service charge" inclusive of premium supplements, in line with Regulation (EC) No 1617/1999.
- Estate agent fees and charges relating to the purchase of owner occupied housing should be excluded in line with Regulation (EC) No. 1920/2001.
- Services for the maintenance and repair of dwellings (04.3.2) should be inclusive of materials as and where required by Regulation (EC) No. 2214/1996 as amended by 1749/1999.
- Prices linked to income should be taken into account in line with Regulation (EC) No. 2166/1999.
- Given the rapid changes in outlet structure in Poland, further analysis should be carried out in order to ensure that the outlet structures are up-to-date and correctly represented in the HICP. In particular, Eurostat supports the efforts of GUS to introduce the effects of internet shopping into the HICP and GUS should continue working in this direction.
- In the context of implementing Regulation (EC) 1334/07, GUS should reconsider its approach to elementary aggregation and revisit its method of calculating the option cost method for the purposes of adjusting prices for quality changes.
- For new cars, GUS should review and monitor the representativity of the present sample. It is recommended that replacement models be used as soon as any existing model drops out of the sample.
- For house rents, GUS should review and monitor the representativity of the present sample, in order to cover the full rental market and reflect both new and existing contracts.
- Eurostat recommends that when compiling data, rounding should not take place during the compilation process but at the end of the calculation process. This principle should also apply when calculating quality adjustments, or linking index levels in December.