



EUROPEAN COMMISSION
EUROSTAT

Directorate G: Business Statistics
Unit G-6: Price statistics



HICP COMPLIANCE MONITORING

INFORMATION NOTE

ON THE HARMONIZED INDICES OF CONSUMER PRICES FOR GERMANY

August 2009

In the context of compliance monitoring and quality assurance, Eurostat reviewed the HICP for Germany in autumn 2008. The statistical practices used to compile the HICP for Germany 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 Germany, and additional information collected by Eurostat prior to and during a mission to the Statistisches Bundesamt (DESTATIS) held on 9 October 2008.

I. OVERALL ASSESSMENT

DESTATIS has launched a large modernisation process in order to improve the German HICP and achieved important progress in recent years in many fields, especially quality adjustment and sampling. The price statistics production in DESTATIS follows high technical standards. Eurostat supports DESTATIS' modernisation efforts and encourages DESTATIS to develop the consumption segments approach and widen its use further.

As the weight of Germany within the euro area and the EU HICPs is very high, the German HICP merits particular attention. The compliance assessed in this report is limited to the centralized part of the data collection and processing which is fully controlled by DESTATIS. As the decentralized part is carried out at 'Länder' level, Eurostat plans to visit one of the regional offices later in 2009 in order to complete its assessment of the German HICP.

Thus far, instances of non-compliance with the HICP methodology which have been identified are limited and unlikely to have a major impact in practice on the HICP annual average rate of change. The German data pass all standard HICP validation tests – they are internally consistent and aggregate correctly. The German HICP can therefore be considered comparable to the HICPs of other EU countries.

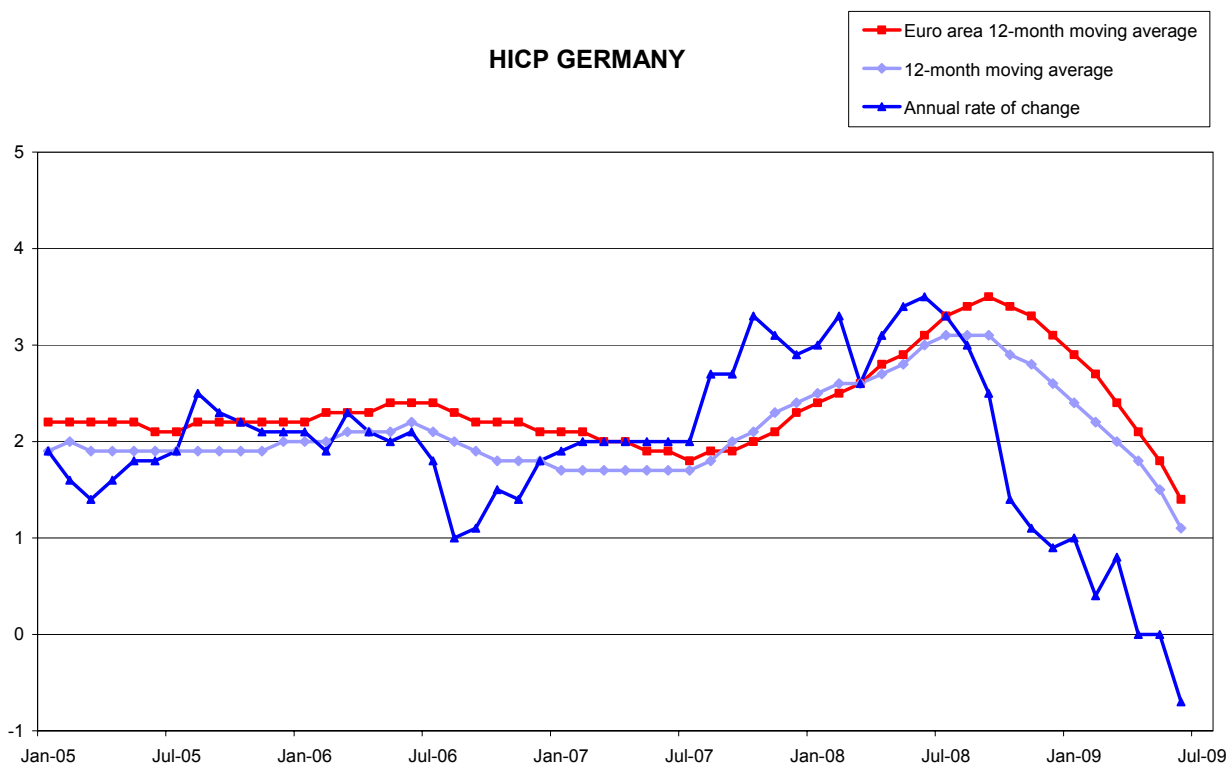
While the representativeness of the HICP, in terms of accuracy and reliability, appears generally adequate, in some cases the methodology or data used need improvement or further analysis (see Section III). A targeted follow up of these cases will be carried out by DESTATIS and Eurostat.

II. RECENT PRICE DEVELOPMENTS

The focus of Eurostat assessment of autumn 2008 was on those headings which showed a significant impact on the 12-month moving average rate of change, in particular prices for heating oil, fuels for transport, milk, cheese & eggs as well as rents, telecommunications and garments.

In September 2008 the German annual inflation rate was 3.0%, below the euro area average. Germany's 12-month moving average rate for the year to September 2008 was 3.1%, below the 3.4% figure for the euro area. The chart shows the recent development in the 12-month moving average rate of change and the annual rate of change for Germany together with the euro area 12-month moving rate.

The most significant downward impacts on the HICP in September 2008 came from rents, telecommunications and garments. The most significant upward impacts came mainly from heating oil, fuels for transport and gas.



III. FINDINGS AND RECOMMENDATIONS

For most headings both the methodology and data appear compliant, and the movements in both prices and weights in recent periods correctly reflect economic determinants. The item weights for 2008 refer to the year 2005 and are price-updated to December 2007.

The most important differences between the HICP and the national consumer price index concern the coverage of owner-occupied housing, traffic taxes ('KFZ-Steuer' and 'Zulassungsgebühr') and lotteries.

DESTATIS makes specific quality adjustments for extended guarantee periods in a systematic way. Eurostat reserves its position on this pending follow-up with other Member States.

In 2008, DESTATIS and the regional statistical offices started using a new integrated IT system ('Verbundsystem') for compiling and treating prices. This system will be developed further in the coming years and allow efficiency gains and facilitate improvements to several aspects in the index compilation.

When the system was introduced in 2008, explicit outlet weightings were implemented. By January 2010, the regional sampling strategy will have moved from a municipal oriented to a region-based system: the regional samples will be expanded whereby locally collected prices will be collected in each of the 97 small regions.

There was no evidence of non-compliance related to the temporal coverage of price collection 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:

- for telecommunications, where high quality methods have been introduced by DESTATIS, the representativeness of estimates with respect to tariff elements ('Verbrauchselemente') be verified using a second (provider independent) data source. Resulting changes be introduced in due course in the HICP.
- traffic taxes ('KFZ-Steuer' and 'Zulassungsgebühr') be covered in the HICP, given the fact that these are considered as consumption expenditures for the purposes of the national CPI and that HICP standards allow for the same treatment.
- for rents, Eurostat supports DESTATIS' redesign of regional sampling with a view to correctly representing both old and new rental contracts.
- the system for updating weightings be reviewed. Eurostat supports the plans of DESTATIS for improvement towards more up-to-date weightings.
- since the sample used at present for the service component of insurances has some limitations; it is recommended that both old and new contracts be reflected in the HICP.
- in the case of education, further analysis be carried out and significance be monitored to establish whether private universities and private schools are correctly reflected in the HICP.
- the full amount of fees for services extending over several months be included in the HICP in the month when the service can commence. This concerns in particular university fees and seasonal tickets for sports and cultural events.
- the frequency of collecting prices for services for the maintenance and repair of the dwelling be changed from quarterly to monthly.
- while Eurostat acknowledges that there may have been good reasons for using list prices in the calculation of an index for new cars, DESTATIS should review on a regular basis that the development of list prices accurately reflects the development of the actual transaction prices.