

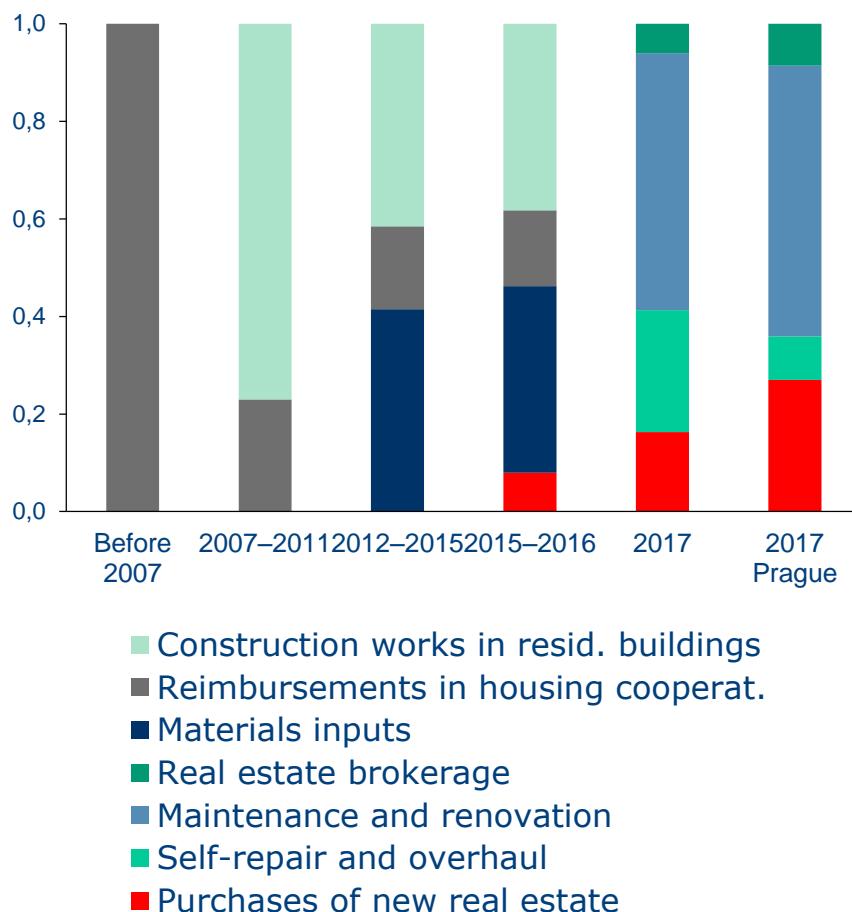
House Prices and Headline Inflation

The CNB's Approach

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Composition of owner-occupied housing costs ("imputed rent") in Czech CPI



- Czech Republic is one of few countries where CPI includes house prices
- Weight of around 16% in imputed rent, which has about 9% weight in CPI
- So total weight is 1.4% (for comparison: tobacco has 5% weight)
- CPI only includes prices of new dwellings

- Important item of perceived inflation (especially in CZ, where 80% of population own their homes)
- CPI typically measures cost of current consumption
- Alchian and Klein (1973): proper inflation index measures cost of expected life-time consumption. Difficult in practice, but four simplification methods have been commonly used:

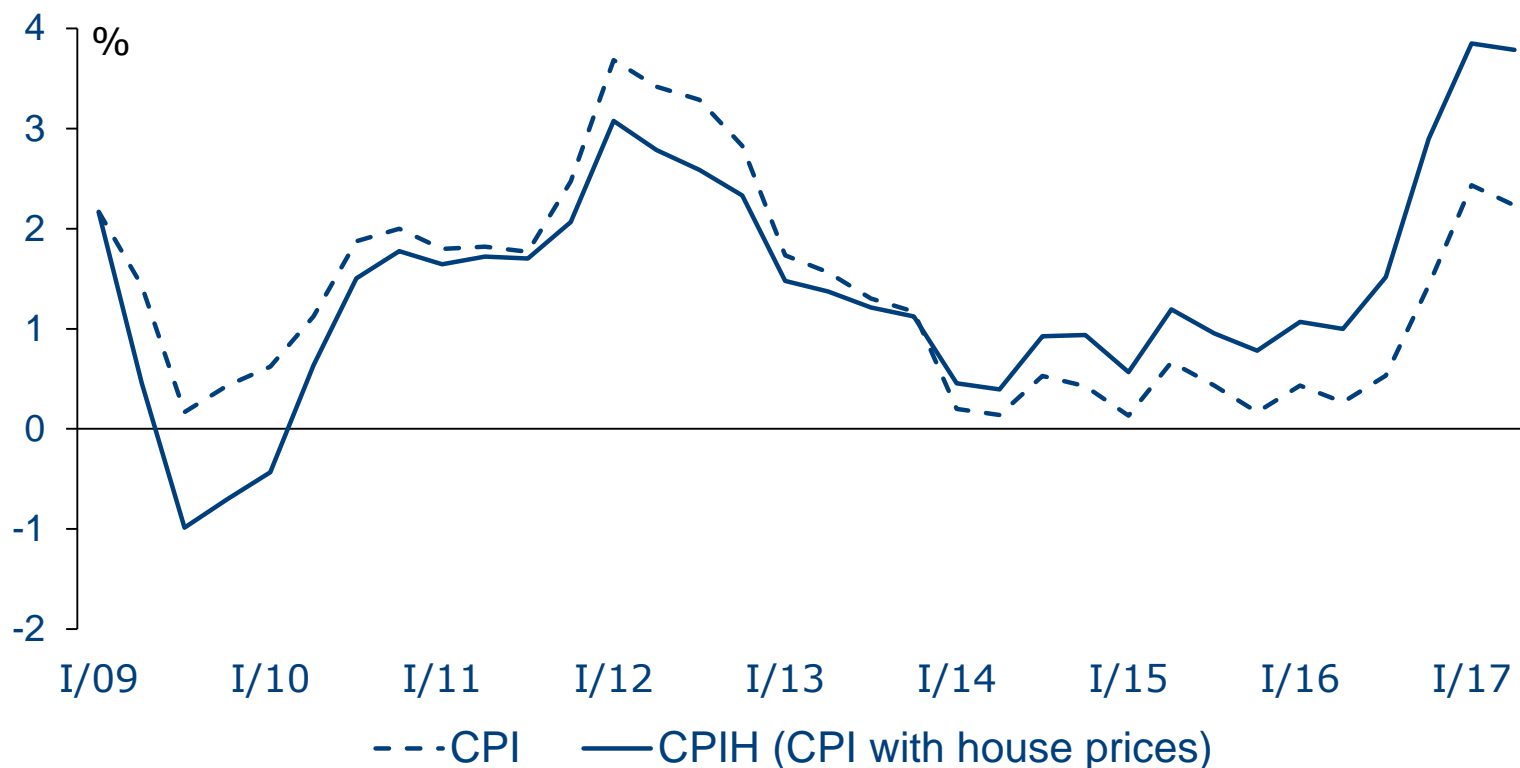
	Acquisitions	Rental equivalence	User cost	Payments
House purchase	x			
Property rates and charges	x		x	x
Owner-occupied rents		x		
Owner-occupied user costs			x	
Mortgage interest charges				x

Method	Countries
Net acquisitions	Australia, New Zealand (euro area in 2019?)
Rental equivalence	Denmark, Germany, Netherlands, Norway, Switzerland; Japan, Mexico, South Africa, USA
User costs	Iceland, Ireland, Finland, Sweden; Canada
Payments	Austria
Main CPI measure does not include owner-occupied housing	Belgium, Estonia, euro area, France, Greece, Italy, Luxembourg, Poland, Portugal, Spain, United Kingdom; Argentina, Brazil, China, India, Indonesia, Korea, Russia, Saudi Arabia, Turkey

Source: Hampl, M. and T. Havránek (2017): Should Inflation Measures Used by Central Banks Incorporate House Prices? The Czech National Bank's Approach, CNB RPN 1/2017.

Also VOX column on this topic: [Headline inflation measures shouldn't ignore costs of home ownership.](#)

- Weight of older dwellings in CPIH set to 14 %
- Determined according to share in household expenditure; consistent with construction of weights for other CPI items



Thank you for your attention

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