

Methodological Sheet

Consumer Prices

I. Definition and content

Consumer prices are prices of goods and services paid by households. The development of consumer prices is monitored on consumption baskets based on a set of selected types of goods and services paid by the population.

Consumer price index is an index of consumer prices of goods and services which characterizes the average price development in the country.

Selection of the representatives:

The products and services which have a significant share in the expenditures of the population and which by their scope cover the entire sphere of consumption were selected as price representatives.

The number of price representatives is determined and their selection is altered on revisions of price indices (usually once in 5 years).

The number of price representatives in the consumption basket (in relation to the basic period 1993, methodology 1994, position in 2000):

Group of goods and services	Number of representatives
1. Food, beverages, tobacco	170
2. Clothing	111
3. Housing	70
4. Household equipment	107
5. Health care	22
6. Transport	46
7. Leisure activities	87
8. Education	20
9. Catering and accommodation	46
10. Other goods and services	58
T o t a l	737

Number of price representatives in the consumption basket (in relation to the basic period 1999, methodology 2000):

Group of goods and services	Number of representatives
1. Food and non-alcoholic beverages	162
2. Alcoholic beverages and tobacco	16
3. Clothing and footwear	111
4. Housing, water, energy, fuels	58
4. Home furnishings, household equipment, repairs	96
6. Health	39
7. Transport	90
8. Post offices and telecommunications	15
9. Recreation and culture	111
10. Education	11
11. Catering and accommodation	47
12. Other goods and services	50

II. Sources and methodology of ascertainment

The prices of the individual types of goods and services are ascertained by the staff of the statistical bodies directly in the selected outlets and service establishments (approximately 10,000 places) in 41 selected districts throughout the ČR and in the capital city of Prague on a monthly basis. The survey is carried out in the second decade of the respective month. The prices ascertained are used for the calculation of the average price for the CR with respect to the individual representatives.

III. Break-down

Since 2001 the total consumer price index is broken down according to the international classification of end household consumption (COICOP) into 12 basic groups. Until 2000 a break-down into 10 basic groups was used.

Break-down until 2000

1. Food, beverages, tobacco
 - includes all foodstuffs, alcoholic and non-alcoholic beverages, and tobacco products.
2. Clothing
 - includes all textile goods, ready-made clothes, footwear, incl. repairs and custom manufacturing of these parts of clothing.
3. Housing
 - includes rent, payments for the use of flats of housing cooperatives, services connected with the use of a flat, products and services for ordinary maintenance of flats, water supply, all types of energy (electricity, gas, heat), solid fuels, insurance of the flat and the house.
4. Household equipment
 - includes furniture, home furnishings, textiles for the home, bed and table linen, household appliances, washing and cleaning products, dishes and other household utensils, services of cleaning-shops, laundries and repairs of household appliances.
5. Health care
 - includes pharmaceutical and sanitary products, dental products, services of opticians, services of physicians, spa treatment.
6. Transport
 - includes personal means of transport, incl. repairs and spare parts, insurance, fuels, public transport (rail transport, bus service, local transport, air transport).
7. Leisure activities
 - includes radio and television sets, tape recorders, incl. repairs, books, magazines, toys, musical instruments, stationery, sports utensils, cultural services, sports activities, recreation in the CR and recreation abroad.
8. Education
 - includes all levels of education, language teaching, textbooks, school board, transport to school, accommodation in a boarding house or in a university college.
9. Catering and accommodation
 - includes meals and beverages in restaurants, meals in canteens, accommodation in hotels, tourists hostels and camps.
10. Other goods and services
 - includes personal care services, cosmetic products, electrical appliances for personal care, jewels, watches, personal accessories, fancy leather goods, communications, social and financial services *et alia*.

Break-down since 2000

1. Food and non-alcoholic beverages
 - comprises all foodstuffs, including non-alcoholic beverages.
2. Alcoholic beverages and tobacco
 - includes alcoholic beverages and tobacco products.
3. Clothing and footwear
 - includes all textile goods, ready-made clothes, incl. repairs.
4. Housing, water, energy, fuel
 - includes rent, payments for the use of cooperative flats, services connected with the use of flats, products and services for ordinary maintenance of flats, water supply, all types of energy (electricity, gas, heat), solid fuels.
5. Home furnishings, household equipment, repairs
 - includes furniture and home furnishings, textiles for the home, bed and table linen, household appliances, washing and cleaning products, dishes and other household utensils, services of cleaning-shops, laundries and repairs of household appliances.
6. Health
 - includes pharmaceutical and sanitary products, dental products, services of opticians, services of physicians, spa treatment.
7. Transport
 - includes personal means of transport, incl. repairs and spare parts, insurance, fuels, public transport (rail transport, bus service, local transport, air transport), transport of pupils and students.
8. Post offices and telecommunications
 - includes postal services, telephone sets (mobile telephones) and telephone services.
9. Recreation and culture
 - includes radio and television sets, incl. repairs, tape recorders, books, magazines, toys, musical instruments, stationery, sports utensils, cultural services, sports activities, recreation in the CR and recreation abroad.
10. Education
 - includes all levels of education, incl. language teaching.
11. Catering and accommodation
 - includes meals and beverages in restaurants, lunches in canteens, board of pupils and students, accommodation in hotels, tourist hostels, holiday homes, in hostels or university colleges.
12. Other goods and services
 - includes personal care services, electrical appliances for personal care, cosmetic products, jewels, watches, fancy leather goods, insurance (of persons, flats, houses, cars), social and financial services, administrative charges.

III. Method of calculation

The customer price indices are calculated as selection indices, i.e. from the prices ascertained for the selected representatives (of goods and services) monitored in a set of selected reporting units.

The individual price indices of the representatives are aggregated into total indices of groups of representatives and subsequently into a total index of the entire set.

The aggregation is carried out in the form of a weighted arithmetic average of the individual indices, where the values of household expenditures in the basic year, i.e. in 1993 and after the revision in 1999, are used as constant weights.

The average prices of the representatives for the CR are calculated as a weighted arithmetic average of the prices for the regions on the basis of the weights - the medium number of inhabitants of the region in 1993 (after the revision in 1999). The average prices of the representatives for the regions are calculated as a non-weighted arithmetic average of the prices ascertained in the respective region.

The calculation of the consumer price index is carried out on constant weights according to the Laspeyres formula:

$$I_{1/0} = \frac{\sum \frac{p_1}{p_0} \cdot p_0 \cdot q_0}{\sum p_0 \cdot q_0} \cdot 100$$

- p_1 - price of the goods (service) in the period under review (in the current period)
- p_0 - price of the goods (service) in the basic period
- p_0 - constant weight - household expenditures for the goods (service) in the basic period
- p_0q_0 – individual index of the price of a certain type of goods or service

The Laspeyres formula with constant weights which is used measures the so-called “net price changes” i.e. the changes which are not influenced by a change in the structure, assortment and quantity.

The basic period for the calculation of the indices in the years 1994-2000 was the weights in the year 1993 and the prices of December 1993. (In the case of representatives of fresh fruit, vegetables and potatoes the basic period was the average prices of the year 1993.)

The basic period after the revision, for the period 2001 – 2005, is the weights in the year 1999 and the prices of December 1999. (In the case of representatives of fresh fruit, vegetables and potatoes the basic period is the average prices of the year 2000.)

Periodicity of monitoring: monthly

The indices published in the database are the following:

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|-----------------------------------|--------------------------------|
| Period: 1994 - 2000 | Period: 2001 - 2005 |
| a) December 1993 = 100 | December 1999 = 100 |
| b) same period of last year = 100 | same period of last year = 100 |
| c) previous month = 100 | previous month = 100 |
| d) 1994 average = 100 | 2000 average = 100 |

Net inflation is calculated on the basis of an incomplete consumption basket from which the items with regulated prices influenced by other administrative measures are eliminated. The items in the case of which price changes occur by virtue of tax adjustments, remain part of the consumption basket, the influence of tax adjustments, however, is eliminated.

V. Change in methodology

Revisions of the price indices were carried out, and the following years were set down as the basic, “zero” periods:

- 1993
- 1999

Within the framework of the revision implemented in 2000 a change in the rounding off of the price indices occurred. Before the revision month-on-month changes and year-on-year changes were calculated from an index rounded off to two decimal places. After the revision they are calculated from an index rounded off to one decimal place.

Apart from the revisions no significant changes to the methodology are carried out. Substitutions of the representatives are implemented to a limited extent on an ongoing basis.

V. Reporting Entities

The prices of the individual types of goods and services are obtained by the staff of the Czech Statistical Office in selected outlets and service establishments in 41 selected districts throughout the CR and in the capital city of Prague.