

Azerbaijan

A: Identification

Title of the CPI: Consumer Price Index

Organisation responsible: State Statistical Committee of Azerbaijan (SSC)

Periodicity: Monthly

Price reference period: 2005

Index reference period: Previous month = 100

Weights reference period: 2011

Main uses of CPI: Indexation of wages, pensions and/or social security payment, indexation of rents, contracts and/or other payments, main inflation indicator used for monetary policy and deflate household expenditures in national accounts.

B: CPI Coverage

Geographical Coverage

Weights: Nation-wide

Price collection: Urban areas

Population coverage: Resident households of nationals.

Population groups excluded: Institutional households.

Consumption expenditure includes:

- Food consumed away from home;
- Housing maintenance, minor repairs;
- Purchase of gifts of goods and services given to others outside the household;
- Financial services (including fees for financial advice, brokerage fees);
- Interest payments (excluding mortgage interest payments);
- Non-life insurance premiums (e.g. vehicle, housing, other property, medical), gross of claims;
- Licences and fees (e.g. driver's licence, hunting licence, vehicle registration)

Consumption expenditure excludes:

- Foods produced for own final consumption;
- Other goods produced for own final consumption;
- Services produced for own final consumption;

- Income in-kind receipts of goods;
- Income in-kind receipts of services;
- In-kind goods received as gifts;
- In-kind services received as gifts;
- Purchase of owner-occupied housing;
- Mortgage repayments;
- Mortgage interest;
- Major repairs, conversions and extensions to owner occupied housing;
- Second hand goods purchased;
- Luxury goods;
- Life insurance premiums;
- Gambling expenditure, gross of winnings;
- Investment-related expenditures (e.g. purchase of shares/stocks);
- Occupational expenditures;
- Other business-related expenditures;
- Social transfers in-kind of goods and services from government and No-profit institutions serving households;
- Expenditures abroad

C: Concepts, definitions, classifications and weights

Definition of the CPI and its objectives: Consumer price index (CPI) is the universally recognized indicator of inflation characterizing change over time of average level of prices to the fixed list of goods and services purchased by population for own consumption.

Definition of consumption expenditures: Consumption expenditures in household sample survey (CPI weight) are estimated in consumer prices which include trade and transport price mark-up as well as levied taxes for deduction of subsidies for products.

Classification: COICOP (Classification of individual consumption by purpose) at 8 digit level.

Weights include value of consumption from own production: No

Sources of weights: Household expenditure surveys.

Frequency of weight updates: Annual

Price updating of weight reference period to the index reference period: The weights are updated annually, so there is no need to make adjustments in weights.

Weights for different population groups or regions: Weights are formed by each region and as a whole by the country, but not groups of population.

D: Sample design

Sampling methods:

Localities: Judgmental sampling

Outlets: Judgmental sampling

Products: Judgmental sampling

Frequency of sample updates:

Localities: Continuous (on a rotating basis)

Outlets: Continuous (on a rotating basis)

Products: Continuous (on a rotating basis)

Criteria used for determining the optimal sample sizes and the coverage of localities, outlets, items and variety samples: Consumption bundle of goods and services based on which CPI is calculated presents the representative sample of goods and services more frequently consumed by population. For the state statistical survey on prices there are 565 selected titles of goods and types of services characterizing actual structure of consumer expenditures of population of the republic. New goods and services are included in consumption bundle of goods and services when the share of expenditures for their purchasing makes not less than 0.01% from total consumer expenditures of population. Peculiarity of consumption bundle of goods and services is the definite flexibility on its formation since the specialist of the SSC determine total list of goods (services) and groups of goods, but the specialists on the regional level present details by concrete titles of goods (services)-representatives.

On selection of definite type of goods, the preference is given to goods that are likely to constantly be in sale during the next months. Selection of concrete type of goods (services) is realized by a specialist jointly with the manager or shop assistant or employee of organization providing the services. Goods (services) selected for the state statistical survey are always in requisition among the population.

E: Data Collection

Approximate number of localities, outlets and price observations: Localities: 54, Outlets: 9,500, Price observations: 13,000

Frequency with which prices are collected: Data are registered during the period from 1st to 30th day of the month. Information on prices of food products is collected thrice in a month (each 10 days), but prices of the rest goods and services included in the list are registered once in a month. Collection of data on prices of non-food products in the concrete trade organization and tariffs in the organization providing paid services for population during the reporting period is realized on one of the two calendar days proceeding or next day of the actual data collection during the previous month. The specified term of the registration of prices (tariffs) is maintained in order to keep interval between two registrations during a month.

Reference period for data collection: Prices are collected in each outlet on a specified date.

Methods of Price Collection

- Personal data collection for all goods and services excluding the ones for which prices are regulated by the government.
- Official tariffs for petrol, housing and communal services, transport services inside the country, postal communication and telecommunication services.

Treatment of:

Discounts and sales prices: Actual price of goods (including VAT, excises, taxes on sale and other indirect taxes) that are in sale and paid by cash is registered. Goods realized by concessive prices for separate groups of citizens are not registered. Bargain sales prices or special offers are registered if they represent either temporary price fall for goods that would be sold without discount or refer to the categories of seasonal sale (for example, sale of clothes and shoes at the end of the season). On stock-taking sales prices of goods which had lost their marketable style or which are defective are excluded from registration.

Black market prices: Not collected due to absence of a black market.

Second hand purchases: Not included.

Missing or faulty prices: In case of temporary absence of unseasonal goods the methods of imputation of the absent prices are applied using mean change of available prices of goods or using price change of separate comparable goods from another similar trade organization.

Period for allowing imputed missing prices: If goods are not available on the market for a long time and there is no expectation of their reappearance in the future, they are considered permanently unavailable. Carrying forward the last observed price could not be done for ever. Goods could become unavailable on the market due to appearance of new goods, or because the outlet stops its sale. In case of final disappearance of a good, the substitute goods is selected and included in price index computation. Substitute goods should have significant sales, remain on the market during certain period of time and be representative of price changes for goods not included in the sample.

Disappearance of a given type or quality from the market: For pricing of goods which replace items finally disappeared from the market the following methods are applied: i) direct comparison – if substitute goods are directly comparable by quality with goods absent in the market. Here it supposes that difference in the level of prices between new and old goods is stipulated by change of price but not by differences on quality. ii) Combination is applied in cases when any information allowing to make reasonable assessments of impact of change of quality on price is absent, however substitute goods are absent during the same period with old goods. Replacing goods could be considered incomparable with absent goods but data acquisition about the prices both on absent, and on replacing the goods in combination, till disappearance of the first goods is thus possible. The difference in the price between old and replacing goods is used then as a distinction indicator in quality. The choice of a method of replacement of the goods in many respects depends on specifics of conditions of realization of the goods, their existence in the consumer markets and other factors.

Quality differences: Various quality adjustment methods are applied to take into account the changes in the quality of the goods: i) corrections based on quantitative characteristics; ii) adjustments based on a difference in costs of production (option cost); the method of expert

evaluations is used rarely. If replaced and replacing products are available at the same time and if it is impossible to quantify the difference in the quality, implicit quality adjustment method is used (the assumption is that the difference in the price of a replaced and a replacing good is caused by difference in quality).

Appearance of new items: New types of goods and services (i.e. goods and services that do not refer to any of existing groups of expenses) are included in observation during the period of replacement of the weighing, as a rule at the beginning of the year. New models and assortment types of the existing goods that may be referred to existing groups of expenses are included in observation when their share in the market is estimated as essential and steady.

Treatment of seasonal items and seasonality

Items that have a seasonal character and their treatment: The seasonal goods include some food items (vegetables, fruits, and potatoes), separate types of clothes and footwear, tourist services and others. During the non-seasonal periods of the year the method of the settlement prices on these items is applied where the price level on the absent goods is defined with their change on the similar goods of the relevant group, which are available on sale during the whole year. For the seasonal goods which are absent on sale within one to several months per year, the expert registering the price makes mark in the form that the goods on sale are absent. The final registered price for reporting month isn't included in the form as the price of the last month. The state statistical observation regarding to prices for fruits and vegetable production has the peculiarities, therefore some features are considered during the registration of their prices for the separate goods. Registration of the prices for potatoes is carried out for new potatoes and potatoes of previous year separately. Information on the prices for new potatoes includes in CPI calculation from the moment of mass realization of these goods. Taking into account the climate of the republic the month of inclusion in calculations of new potatoes usually is June. Gradually increasing specific weight of new potatoes is considered in total amount of realization of these goods. For this purpose, the prices for early potatoes and potatoes of previous year during the summer period (considering a considerable difference in the prices) are weighed based on their volumes of consumption for receiving weighted average price that gives possibility to make coordination of the prices for potatoes of the current and previous year. Information on the prices for early carrots, beet, cabbage also included in registration from the moment of mass realization of these goods, taking into account growing weight of production of crops of the current year.

Seasonal food items: Seasonal food items are included in the CPI using fixed weights approach: the weights are kept constant over the year, while prices of out-of season products are estimated or imputed.

Seasonal Clothing: Seasonal clothing items are included in the CPI using fixed weights approach: the weights are kept constant over the year, while prices of out-of season products are estimated or imputed. Les coefficients de pondérations sont constants toute l'année et à

Treatment of housing

Treatment of owner-occupied housing: Following tariffs per square metre per month are subject to registration: i) Renting of the premises in the state and municipal housing; ii) The maintenance and repair of dwellings in the state and municipal housing; iii) The maintenance and repair of dwellings for citizen-owners of properties in the result of privatization, citizens-

owners of premises on other bases; iv) Services for organization and implementation of activities on exploitation of dwellings.

Types of dwellings covered by the rent data: Rent data is observed following actual rental payment for dwelling: i) rent paid by tenants, living in apartments and ii) rent of dwellings by private owners. Data is gathered monthly.

F: Computation

Formula to aggregate elementary indices to higher level indices: CPI is calculated as weighted average value based on Laspeyre's formula.

Formula of aggregating regional/population group indices into national index: Laspeyre's modified formula. The index covers each region separately and unites with national index on share of regions in total expenses of households.

Monthly and annual average prices: Average prices are calculated as compound variable.

Seasonally adjusted indices: Indices with seasonal adjustment are not calculated.

Software used for calculating the CPI: Visual FOXPRO

G: Editing and validation procedures

Control procedures used to ensure the quality of data collected: There is an instruction on adjustment and control of price data collection. The plan of implementation of adjustments is compiled quarterly and the control of data collection is carried out according to this plan in the fields.

Control procedures used to ensure the quality of data processed: Software provides control of data processing.

H: Documentation and dissemination

Timeliness of dissemination of the CPI data: CPI data is disseminated 5 days after the end of the reference month. Timeliness of data dissemination is indicated in official webpage of the SSC Azerbaijan.

Level of detailed CPI published

Paper publication: All items CPI, Division-level (12 Divisions), Group-level app. 40 groups, Class-level (100 classes), Basic Items and Average prices

Online: All items CPI, Division-level (12 Divisions), Group-level app. 40 groups, Class-level (100 classes), Basic items, Average prices

Separate indices published for specific population groups: No

Type of products for which average prices are calculated and disseminated: Average prices are calculated and disseminated for all goods and services included in CPI basket.

Documentation

Publications and websites where indices can be found: Live data: Express information and Price change in consumer market, Statistical bulletin: Prices and price indexes, Magazine: Socio-economic development, Section “Prices” (quarterly), Annual periodicity: Statistical yearbook: “Prices in Azerbaijan”; Statistical yearbooks: section “Price”.

Publications and websites where methodological information can be found: Express information: price changes in consumer market, Statistical bulletin: “prices and price indexes”, Internet website: www.azstat.org

I: Other Information

Reported by the country in 2012.