

# Korea

## A: Identification

**Title of the CPI:** Consumer Price Index

**Organisation responsible:** Statistics Korea

**Periodicity:** Monthly

**Index reference period:** 2010 = 100

**Weights reference period:** 2010

**Main uses of CPI:** Main inflation indicator used for monetary policy, deflates household expenditures in national accounts and computation of purchasing power of households.

## B: CPI Coverage

### Geographical Coverage

*Weights:* Nation-wide

*Price collection:* Urban areas

**Population coverage:** Resident households of nationals.

**Population groups excluded:** Excludes farming and fishery households.

**Consumption expenditure excludes:**

- Interest payments (excluding mortgage interest payments);
- Non-life insurance premiums (e.g. vehicle, housing, other property, medical), gross of claims

## C: Concepts, definitions, classifications and weights

**Definition of the CPI and its objectives:** CPI is a measure of the average change in prices for a fixed-market basket of goods and services of constant quantity and quality purchased by consumers.

**Classification:** COICOP (Classification of individual consumption by purpose) with 12 major groups

**Weights include value of consumption from own production:** No

**Sources of weights:** Household expenditure surveys.

**Frequency of weight updates:** Every 3-5 years

**Price updating of weight reference period to the index reference period:** No, not needed.

## **D: Sample design**

### **Sampling methods:**

*Outlets:* Judgmental sampling

*Products:* Judgmental sampling

**Criteria used for determining the optimal sample sizes and the coverage of localities, outlets, items and variety samples:** Outlet selection: From the market composition in each city representative outlets are identified and samples of 25,000 outlets where consumers normally shop are selected.

Item selection is based on the item relative importance in the HIES; items should account for more than 1/10,000 of total expenditures in order to be included in the basket.

Sample sizes: About 100,000 prices are collected from 25,000 outlets each month.

**Criteria used for selecting an item variety in the outlet in case of loose specifications provided by the central office:** Generally, specifications provide detailed descriptions of the characteristics of the item surveyed.

## **E: Data Collection**

**Approximate number of localities, outlets and price observations:** Outlets: 25,000, Price observations: 100,000

**Frequency with which prices are collected:** Agricultural, fishery, livestock – 3 times a month; Industrial products – 2 times per month; Services and other items: 2 times per month; Oils and gold rings: 3 times a month.

**Reference period for data collection:** For livestock, agricultural and fisheries products - Prices are collected (any one weekday of the week including the 5th, 14th, 23rd of the month); Services and other commodities: Two weekdays including the 23rd of the month; Oils and gold rings – One weekday of the week including the 5th, 14th and 23rd of the month.

### **Methods of Price Collection**

- Personal data collection
- Official tariffs
- Labor force surveys for rent.

## Treatment of:

**Discounts and sales prices:** Excluded in price collection

**Second hand purchases:** Excluded in price collection

**Missing or faulty prices:** When a price observation is temporarily unavailable in a given month, its price is imputed by the price movements of similar products of the same item in the same geographic area.

**Disappearance of a given type or quality from the market:** When a specific variety is permanently unavailable in an outlet, another product in the same outlet that most closely meets the specifications of the previous variety is selected as a replacement.

**Quality differences:** The KOSTAT utilizes an appropriate method among a variety of quality adjustment methods according to items' characteristics. For minor quality differences such as changes in packaging, style, or superficial features, a quantity adjustment or direct adjustment for the price difference is applied. When the quality difference is significant, the splicing (overlap) method is used. Expert judgment, production cost/option cost, hedonic method are applied in quality adjustment.

**Appearance of new items:** New items are introduced at the time weights are updated once every five years.

## Treatment of seasonal items and seasonality

**Items that have a seasonal character and their treatment:** For items such as fresh fish, fruit, and vegetables that are not available on the market during the off-season, the last available prices (monthly prices) are used to calculate the index until new prices are available.

**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.

**Method to impute the price of seasonal items:** The method used to impute price development in out-of season periods is carrying forward the last observed price.

## Treatment of housing

**Treatment of owner-occupied housing:** Not included in the CPI main index but provided as a complementary index.

## F: Computation

**Formula used for calculation of elementary indices:** The ratio of arithmetic mean prices (Dutot index) (Chained form) and the ratio of geometric mean prices (Jevons index) (Chained form)

**Formula to aggregate elementary indices to higher level indices:** Standard Laspeyre's aggregation is used; each index is multiplied by its relative importance in the 2010 base reference period and aggregated to higher levels.

**Seasonally adjusted indices:** Indices for all-items, agricultural and marine products aggregates are seasonally adjusted and they are available from January 2006.

## **G: Editing and validation procedures**

**Control procedures used to ensure the quality of data collected:** Interviewers verify all price changes and are required to provide explanations for unusual movements. Prices are edited for reasonableness using detailed computer edits at the KOSTAT's head office. Compilers check every item index to ensure that its movement is consistent with information about retail markets.

## **H: Documentation and dissemination**

**Timeliness of dissemination of the CPI data:** CPI data is released no later than the 5th day of the month following the reference month.

### **Level of detailed CPI published**

**Paper publication:** All items CPI, Division-level (12 Divisions)

**Online:** All items CPI, Division-level (12 Divisions)

### **Documentation**

**Publications and websites where indices can be found:** The press release "Consumer Price Index Trends" publishes summary tables of the CPI for the reference month. It's available in Korean, KOSTAT, the "Consumer Price Index" Monthly (Korean (with English table headings)), published approximately one week after the press release. This is available for a fee, "Annual Report on the Consumer Price Index" (Korean (with English table headings)), also available for a fee. KOSTAT; Internet website: <http://kosis.kr> for detailed data on the CPI.

**Publications and websites where methodological information can be found:** A detailed methodological documentation is published in the "Annual Report on the Consumer Price Index".

## **I: Other Information**

Completed by ILO in 2013