

Latvia

A: Identification

Title of the CPI: Consumer Price Index

Organisation responsible: Central Statistical Bureau of Latvia

Periodicity: Monthly

Price reference period: December 2011 = 100

Index reference period: 2005 = 100

Weights reference period: 2012 CPI calculations are based on household consumption expenditure in the period from the 4th quarter of 2010 to the 3rd quarter of 2011 inclusive. The weights are price-updated to December 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, deflate household expenditures in national accounts, computation of purchasing power of households, macroeconomic modelling and other analytic uses.

B: CPI Coverage

Geographical Coverage

Weights: Nation-wide

Price collection: Urban areas

Population coverage: Resident households of nationals and resident households of foreigners in the country.

Consumption expenditure includes:

- Food consumed away from home;
- Housing maintenance, minor repairs;
- Second hand goods purchased (second hand motor cars only);
- Luxury goods;
- Financial services (including fees for financial advice, brokerage fees);
- 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);
- Gambling expenditure, gross of winnings;
- Expenditures abroad

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;
- Purchase of gifts of goods and services given to others outside the household;
- Interest payments (excluding mortgage interest payments);
- Life insurance premiums;
- 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

C: Concepts, definitions, classifications and weights

Definition of the CPI and its objectives: The consumer price index reflects changes in the prices of consumer goods and services in a specified period of time. The CPI measures changes of the average price level for goods and services that households consume (the fixed consumer basket). This indicator is used as a principal measure of inflation in Latvia.

Definition of consumption expenditures: Weight derivation is based on the final monetary consumption expenditure of the whole household sector of the corresponding geographical entity. Consumption is defined in the terms of 'net acquisition'.

Classification: COICOP (Classification of individual consumption by purpose)

Weights include value of consumption from own production: No

Sources of weights: Household expenditure surveys, consumer surveys, information from organizations, shops and enterprises.

Frequency of weight updates: Annual

Price updating of weight reference period to the index reference period: The weights are price updated to December of previous year annually.

Weights for different population groups or regions: Population weights are compiled and used for calculation of the national average prices.

D: Sample design

Sampling methods:

Localities: Sampling with probability proportional to size (PPS)

Outlets: Judgmental sampling, cut-off sampling (the elements with the highest sales or value of other auxiliary variable are included into the sample)

Products: Judgmental sampling, cut-off sampling (the elements with the highest sales or value of other auxiliary variable are included into the sample)

Frequency of sample updates:

Localities: The sample of localities remains the same.

Outlets: Annual, Continuous (on a rotating basis)

Products: Annual

Criteria used for determining the optimal sample sizes and the coverage of localities, outlets, items and variety samples: The sample size is based on the importance, price variations and homogeneity of specific items. The outlets, from which prices are collected, are chosen to represent the existing trade and services network and they are based on three main criteria: i) popularity among consumers, ii) significant turnover from consumer sales and iii) availability of goods and services included in the CPI basket.

The variety is selected by the price collector with-in the framework of pre-defined product specification and following the guidelines, provided by the central office. The selected variety is then checked and confirmed by the central staff.

E: Data Collection

Approximate number of localities, outlets and price observations: Localities: 12, Outlets: 2,000, Price observations: 19,000

Frequency with which prices are collected: Prices for all goods and services are collected monthly.

Reference period for data collection: Prices of all goods and services, except fuel, are recorded once every month from the 4th – 20th. Fuel prices are recorded weekly from 1st – 23rd of the reference month.

Methods of Price Collection

- Personal data collection for food, alcoholic beverages and tobacco, clothing and footwear, housing, furnishing, recreation, culture and restaurants.
- Telephone interviews for health, transport, recreation, culture, hotels and restaurants
- Internet for housing, transport, communication, recreation, culture, education and hotels.
- Official tariffs for housing.

Treatment of:

Discounts and sales prices: Included if not discriminatory.

Black market prices: Partly taken into account for certain services, e.g. minor repairs and maintenance, baby sitting etc.

Second hand purchases: Included for second-hand motor cars only.

Missing or faulty prices: Extrapolation by using the change of other prices for the same item.

Period for allowing imputed missing prices: Imputation for a missing price is allowed for a period of 2 months after which a replacement is selected.

Disappearance of a given type or quality from the market: A product is replaced with another similar product or service which is representative and can satisfy the same needs.

Quality differences: Direct price comparison, Option pricing (Supported) judgmental quality adjustment, Bridged overlap quantity adjustment are the methods used to quality adjustment.

Appearance of new items: New items are introduced during the annual CPI sample update.

Treatment of seasonal items and seasonality

Items that have a seasonal character and their treatment: Items with seasonal character: fresh fruits and vegetables, clothes and footwear, some sports and recreational goods and services.

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.

Method to impute the price of seasonal items: According to rules stated in the HICP Regulation No 330/2009.

Treatment of housing

Treatment of owner-occupied housing: Owner occupied housing is not included in the CPI.

Types of dwellings covered by the rent data: Rent data is collected monthly and includes municipal (social) and free market rents; new and continuous contracts. Social rents are obtained from administrative data sources, while free market new contracts are from advertisements and free market old contracts from the labour market survey.

F: Computation

Formula used for calculation of elementary indices: The ratio of arithmetic mean prices (Dutot index) (Chained form)

Formula to aggregate elementary indices to higher level indices: Laspeyre's-type formula.

Monthly and annual average prices: National average prices are calculated using weighted arithmetic mean.

Seasonally adjusted indices: No

Software used for calculating the CPI: Microsoft Access 2000

G: Editing and validation procedures

Control procedures used to ensure the quality of data collected: Data validation is first done at the time the data are entered into database by price collectors. A number of logical and arithmetical validation rules allow avoiding misspelling errors. Later on spatial and historical dimensions of the prices and price movements have been examined in validation process in order to detect any unusual price development, which then is subject of further investigation. Central unit staff members constantly review the indices at elementary and aggregate level to check whether the price movements are in line with market information. The data processing system routinely identifies those sub-indices with a significant contribution to the total index, which allows these to be crosschecked for possible errors. It also quickly identifies large individual price changes.

Control procedures used to ensure the quality of data processed: CPI is internally coherent. Higher-level aggregations are derived from detailed indices according to well-defined procedures.

H: Documentation and dissemination

Timeliness of dissemination of the CPI data: CPI data is disseminated on the 6th working day of the month following the reference month.

Level of detailed CPI published

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

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

Separate indices published for specific population groups: No

Type of products for which average prices are calculated and disseminated: Food products, alcoholic beverages, tobacco, fuels and some services.

Documentation

Publications and websites where indices can be found: <http://www.csb.gov.lv>

Publications and websites where methodological information can be found:
<http://data.csb.gov.lv/DATABASEEN/ekfin.a.nnual%20statistical%20data/Consumer%20prices/PC020an.htm>

I: Other Information

Reported by the country in 2012.