

# Occupied Palestinian Territory

## A: Identification

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

**Organisation responsible:** Palestinian Central Bureau of Statistics (PCBS)

**Periodicity:** Monthly

**Price reference period:** 2004

**Index reference period:** 2004

**Weights reference period:** 2004

**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:* Main cities/metropolitan areas/regions

*Price collection:* Main cities/metropolitan areas/regions

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

### Consumption expenditure includes:

- Foods produced for own final consumption;
- Other goods produced for own final consumption;
- Services produced for own final consumption;
- Food consumed away from home;
- Income in-kind receipts of goods;
- Housing maintenance, minor repairs;
- Major repairs, conversions and extensions to owner occupied housing;
- Purchase of gifts of goods and services given to others outside the household;
- Luxury goods;
- Non-life insurance premiums (e.g. vehicle, housing, other property, medical), gross of claims;
- Life insurance premiums;
- Licences and fees (e.g. driver's licence, hunting licence, vehicle registration);
- Social transfers in-kind of goods and services from government and No-profit institutions serving households;

- Expenditures abroad

**Consumption expenditure excludes:**

- Purchase of owner-occupied housing;
- Mortgage repayments;
- Mortgage interest;
- Interest payments (excluding mortgage interest payments);
- Gambling expenditure, gross of winnings;
- Investment-related expenditures (e.g. purchase of shares/stocks);
- Occupational expenditures;
- Other business-related expenditures

## **C: Concepts, definitions, classifications and weights**

**Definition of the CPI and its objectives:** The CPI is meant to indicate average fluctuations in prices of commodities (goods and services) purchased by households nationwide. In other words, using the consumption by households at a given time as the base period, the index shows changes in the total amount of expenditure required to purchase the equivalent goods and services purchased by households in the base year, setting the consumption structure. Thus, the CPI is intended to measure changes in prices themselves in the Palestinian Territory. It should be noted, therefore, that the index does not take into consideration fluctuations in living expenses caused by changes in the kind, quality, and/or quantity of commodities purchased by a household as its lifestyle, tastes, etc. change.

**Definition of consumption expenditures:** Household Expenditure refers to the amount of cash spent on the purchase of goods and services for living purposes, and the value of goods and service payments, or part of payments, received from an employer, and cash expenditure spent as taxes (non-commercial or non-industrial), gifts, contributions, interest on debts, and other non-consumption items. Household consumption refers to the amount of cash spent on the purchase of goods and services for living purposes, and the value of goods and service payments, or part of payments, received from an employer, and own-produced goods and food, including consumed quantities during the recording period, and imputed rent.

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

**Weights include value of consumption from own production:** Yes

**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

**Weights for different population groups or regions:** CPI for three different geographical regions i.e. West Bank, Jerusalem and Gaza Strip is calculated.

## **D: Sample design**

**Sampling methods:**

*Localities:* Judgmental sampling

*Outlets:* Judgmental sampling

*Products:* Judgmental sampling

**Frequency of sample updates:**

*Localities:* Not regularly

*Outlets:* Not regularly

*Products:* Not regularly

**If sample updates are irregular indicate when last updates were introduced:** 2012

**Criteria used for determining the optimal sample sizes and the coverage of localities, outlets, items and variety samples:** Prices are collected from different locations and cities in the Palestinian Territory where main markets exist, and the sample must cover different places in the same location or city according to: geographical distribution, size of the outlet, availability of the products and services.

The selection of goods and services is based on the most popular and consumed goods and services in the Palestinian society as well as recommendations of household expenditure surveys within each sub group.

## **E: Data Collection**

**Approximate number of localities, outlets and price observations:** Localities: 60, Outlets: 2,000, Price observations: 18,000 - 20,000

**Frequency with which prices are collected:** The prices of food items are collected weekly. Prices of the other groups of items are collected on a monthly basis except for the service items, which are collected quarterly, also the prices of transportation, communications, medical care are collected quarterly, education services are also collected quarterly in conjunction with the beginning of the seasons of education.

**Reference period for data collection:** Prices are collected four times during a month, prices of vegetables and fruits are collected once a week on Tuesday.

**Methods of Price Collection**

- Personal data collection for all items.
- Internet
- Official tariffs for transportation fees.

## Treatment of:

**Discounts and sales prices:** Discounts are included in the CPI as long as they have been clearly advertised and available to all consumers without negotiating.

**Black market prices:** Not collected because they are not represented in the weights.

**Second hand purchases:** Not included.

**Missing or faulty prices:** Missing prices are treated in different ways according to each case and type of missing data.

Period for allowing imputed missing prices: Imputation for a missing price is allowed for a period not exceeding 3 months, after which a replacement, if available, is selected.

**Disappearance of a given type or quality from the market:** The old product is replaced with a new one. The new item must be a substitute for the old one and should belong to the same CPI group. New base price for the substitute is calculated.

## Treatment of seasonal items and seasonality

**Items that have a seasonal character and their treatment:** The seasonality problem appears with fresh fruits and vegetables items and clothing, PCBS deals with such cases in a scientific way called (Group Relative Method), a process that estimates prices based on the prices of these items in the same period of the base prices.

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

## Treatment of housing

**Types of dwellings covered by the rent data:** Data collection depends on the location and size of the dwelling.

## F: Computation

**Formula used for calculation of elementary indices:** The ratio of geometric mean prices (Jevons index) (Direct form)

**Formula to aggregate elementary indices to higher level indices:** The geometric mean of the elementary indices is multiplied by weights for each sub group; the index of the main

group is calculated by dividing the summation of all weighted ratios by the total weight of each group.

**Formula of aggregating regional/population group indices into national index:** The national index is calculated by dividing the summation of all weighted ratios of the main groups by the total weight.

**Monthly and annual average prices:** Geometric means are used

**Seasonally adjusted indices:** No

**Software used for calculating the CPI:** Microsoft Excel

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

**Control procedures used to ensure the quality of data collected:** At the end of the data collection process in all governorates, the data are edited according to the following process: i) Field revision of prices through selecting a sample of the prices collected with the items; ii) Logical revision of quantity and production by comparing the quantity of goods and services with others from different sources and other governorates. Whenever a mistake is detected, it should be returned to the field for correction; iii) Logical revision of prices by comparing the prices of goods and services with others from different sources and other governorates and other periods. Whenever a mistake is detected, it should be returned to the field for correction.

**Control procedures used to ensure the quality of data processed:** Mathematical and logical revision of the average prices for items in governorates and the general average in all governorates and comparing the current prices with the previous prices.

## **H: Documentation and dissemination**

**Timeliness of dissemination of the CPI data:** The CPI is disseminated 14 days after the end of the reference month, on the fourteenth of each 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, Average prices.

**Restricted Access:** Class-level (100 classes), Basic items.

**Separate indices published for specific population groups:** Separate indices are published based on three geographical levels, the West Bank, Gaza Strip and Jerusalem city.

**Type of products for which average prices are calculated and disseminated:** Food products (i.e fresh vegetables, fresh fruits, frozen vegetables and fruit fresh meat and fish,

sugar, diary products, rice and bread, energy, gasoline, alcoholic products , cigarettes, electricity, gas)

## **Documentation**

**Publications and websites where indices can be found:** The latest publication is "Prices and Price Indices Annual Bulletin 2011"; other similar publications are available in this link: <http://www.pcbs.gov.ps/DesktopDefault.aspx?tabID=3354&lang=en>

**Publications and websites where methodological information can be found:** Internet website:

<http://www.pcbs.gov.ps/DesktopModules/Articles/ArticlesView.aspx?tabID=0&lang=en&ItemID=100&mid=10571> and

<http://dsbb.imf.org/Pages/SDDS/CtyCtgBaseList.aspx?ctycode=PSE&catcode=CPI00>

## **I: Other Information**

Reported by the country in 2012.