

The Consumer Price Index: changes for 2019

The Consumer Price Index (CPI) follows each month the prices of a fixed basket of products. This basket is updated each year in order to remain representative of the consumption and in order to take into account the evolution in the consumer habits (Laspeyres-type index). Each year a chain-linking of the index is performed in January and enables to update the basket of products and their weights and possibly permits to introduce some methodological improvements.

The update of the products in the CPI basket

Each year, the product sample is updated in order to take into account changes in the household consumption. The products that are no more representative in 2018 are dropped from the CPI basket meanwhile new products (new electronic products, new services in particular), which represent a huge or an increasing market share, are introduced. It's also an opportunity to take into account new habits of consumption (internet consumption in particular) and sometimes to adapt the collection protocol to follow prices at best (durable goods, convergence of characteristics of the product sample in Metropolitan area and in overseas departments, revision of the sample of sales outlets in Reunion Island to be more representative of the whole Reunion Island). The prices of these new products are collected from December 2018 in order to measure their price evolution between December 2018 and January 2019 and so that they contribute to the CPI from January 2019.

Changes in the holiday centres index methodology

Unlike data on other products, the prices of holiday centres (item 112 021 of the Coicop nomenclature) are not observed directly in points of sale, but from the information presented in the catalogs of offers of holiday rentals and self-catering accommodation organizations. The use of catalogs (list prices) to collect prices raises several difficulties. On the one hand, organizations produce fewer and fewer catalogs, limiting the possibility to collect by this way, and the prices for these services are now available online. On the other hand, the prices found on the websites, which are more adapted to the demand according to the season and also depend on the date of purchase, are closer to the prices actually paid by the consumer.

Thus, the prices of the concerned products will be now collected only on the websites and as recommended by Eurostat, the collection of prices will be recorded in advance (for these products, purchase one month and two months before the date of the beginning of the stay). This change is also an opportunity to definitively abandon the Rothwell method used to aggregate individual prices. They are now based on a geometric mean of micro-indices per stay.

All the changes lead to a modification in the observed seasonality of the holiday centres prices index during the summer period: price evolutions are more pronounced.

Considering the need for a double collection to measure the effect of all changes, this effect could only be measured from June to December. The study conducted shows a maximum gap of 28 points in July at the level of the holiday centres index. Nevertheless, this gap is sharply reduced in August; indeed it is less than 2 points (see Chart 1). Given the weight of this index, the impact on the all-item Consumer Prices index is at most 0.04 points (in July, see Chart 2).

On the other hand, the only effect of the change in the method of aggregation (discontinuation of the Rothwell method) could be estimated over the whole year: the seasonality is modified, mainly from March to July (see Chart 3). The index curve after the discontinuation of the Rothwell method remains above that of the previous calculation, except for the month of March when the observed peak disappears. In December, the index returns to 100, thus ensuring that the aggregation mode does not induce index drift.

Chart 1: Holiday centre indexes according to the used methodology (basis 100 in June 2018)

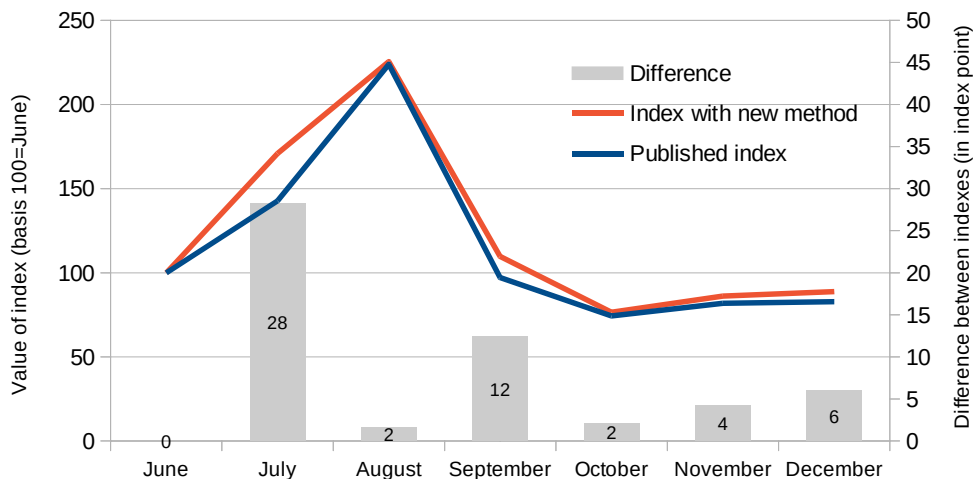


Chart 2: Impact of the change of collection in tourism consumption segments on global index (basis 100 in June 2018)

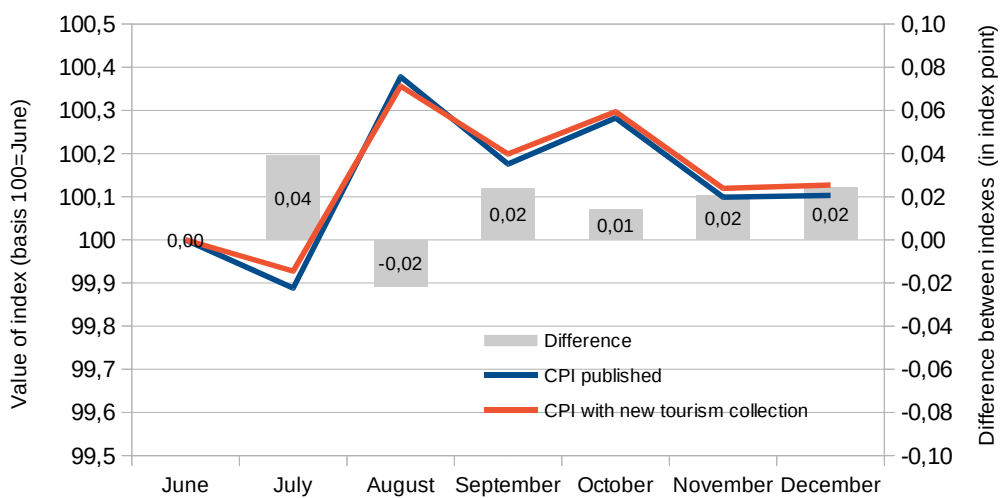
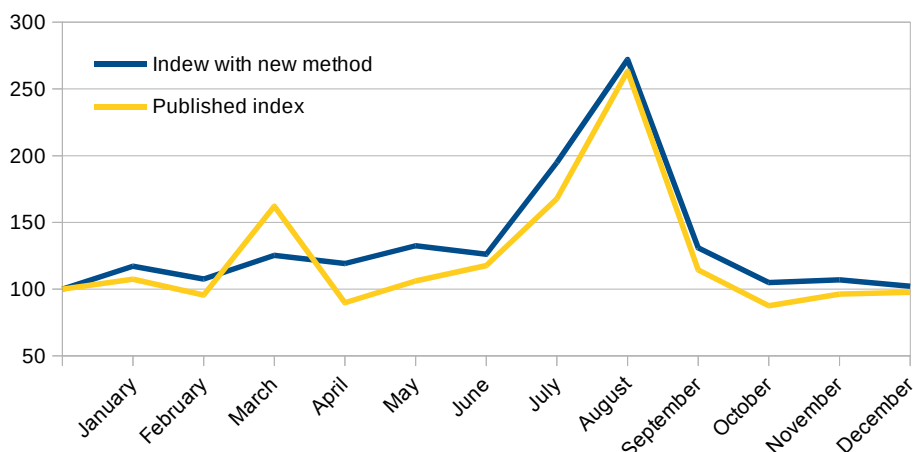


Chart 3 : Effect of the new aggregation of tourism consumption segments on holiday centre indexes (basis 100 in December 2017)



Changes in the laboratory analysis index methodology

The laboratory analysis indexes contribute to the consumer price index on the basis of gross prices and also to the harmonized index of consumer prices on the basis of net prices (after reimbursement by the social security).

Laboratory analysis acts are codified according to an official nomenclature of medical biology acts: each act is associated with both a key letter and a coefficient. Until now, the calculation of the market and net price indexes was based on the recording of the fee of the letters for each act. This principle was totally justified if the price of an act depend only on the value of the letter. But, since few years, the value has not changed or exceptionally and punctually. Contrariwise, the act quotation (the coefficient associated to the key letter) has been revised every year.

In order to take into account the price changes due to the change in act quotation, the laboratory analysis index (CPI and HCPI) is now calculated on the basis of a basket of the most representative analysis acts in terms of acts and gross amounts of fees. This sample, established every year with data of the National Sickness Insurance Fund, will be the same for the two indexes (CPI and HICP). On the other hand, the weights will be, for the CPI, the gross fees of acts, and, for the HICP, the the out-of-pocket expenditure payable by households after deduction of the social security reimbursement.

The difference between the published index (stable for the CPI and the HICP in the first semester 2018) and the new index of laboratory analysis is 3.6 points down from April 2018, date of the last change in biology act official nomenclature. Considering the laboratory analysis weight, the all-item CPI is down by 0,02 points. There is no change for the global HICP.

Introduction of market offers in the city gas consumption index

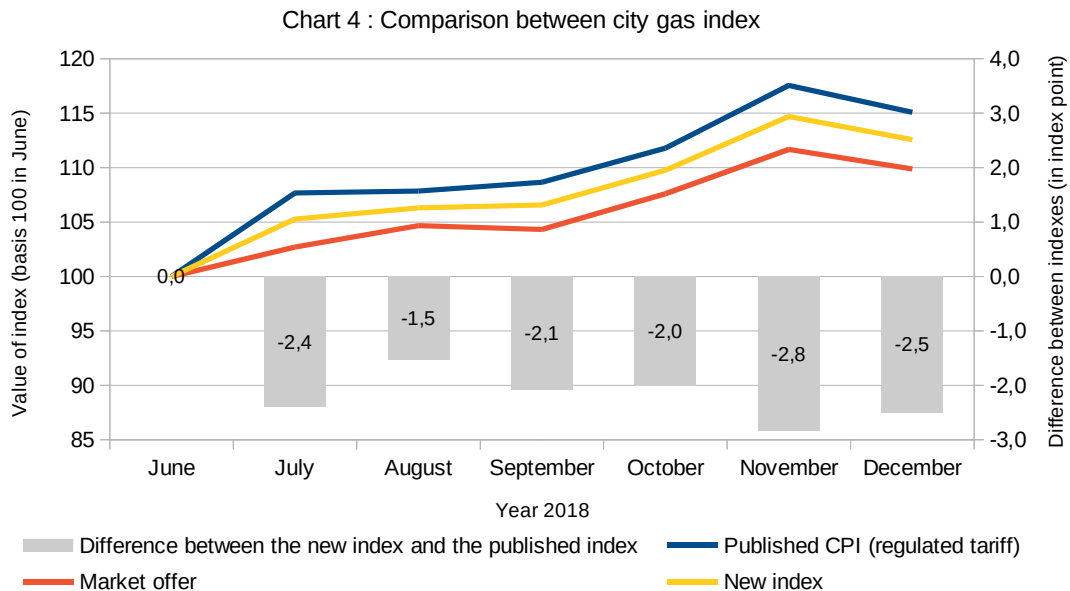
Before the opening of the French gas market to competition for residential customers, the only offer available to households was a regulated tariff set by the public authorities. Since the opening of competition, all consumers can subscribe to a market offer proposed by the historical supplier of natural gas or by an alternative supplier. From now on, almost half of the contracts correspond to a market offer.

Thus, from January 2019, the city gas price index will retrace the evolution of regulated tariffs and market offers from different suppliers (historical or not). If the regulated tariffs apply to all households, whether

Methodological note

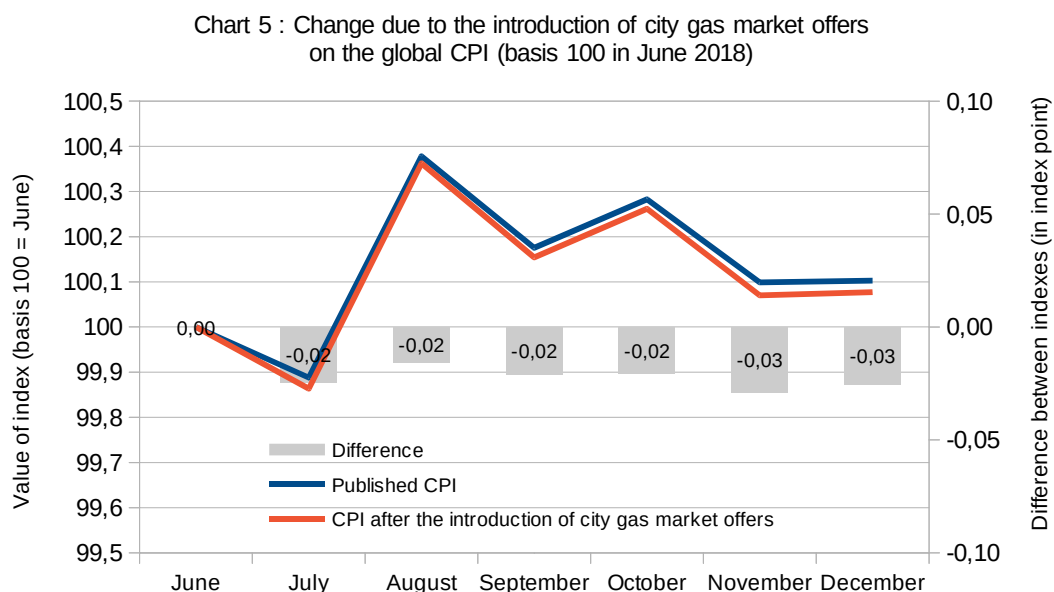
former or new subscribers, the collection of market offers will only concern the new contracts (the prices for the clients having signed a contract in the past is not available).

A study conducted from June 2018 shows that in a context of sharp rise in regulated prices, taking unregulated tariffs into account would have reduced the price index observed in the second half of 2018 between 1.5 and 2.8 points, with a maximum reached in November (see Chart 4). The all-item Consumer Prices index would have been 0.03 points lower (see Chart 5).



The weight update

Each year in January CPI and HICP weights are updated for the current year. These weights are used in order to aggregate 21,000 elementary indices for different consumption segments and geographical areas. These weights represent the share of each consumption segment in the total household consumption (in the scope of the CPI). They are mainly obtained from national accounts (in basis 2014) and their annual estimates of household consumption but also from different detailed specialist sources.



The update of seasonal adjustments and seasonal adjusted indices

As each year, seasonal adjustments for the all-item indice (France, all household) and for four indices of core inflation are revised over the period January 2000- December 2018 taking into account the 20178 data.

Price collection schedule

The consumer price index (CPI) is based on the observation of about 190,000 prices every month in the different retail outlets by collectors. In addition, about 200,000 prices of goods and services are recorded centrally by the staff of Insee or are sent to Insee by institutional partners. The centralized collection is made throughout the calendar month.

The field collection is carried out according to a specific calendar, settled a year in advance. This collection calendar differs from the calendar month. Every month, the CPI is based on 20 days of field collection throughout the working days of four consecutive weeks.

Each product in the sample is tracked on a specific day among the 20 days of filed collection (numbered from 1 to 20) and the collector responsible for this collection returns every month in the same outlet sale, to observe the same product, the same day among the collection month: this organization ensures that we measure changes on average over a month, guarantees the opening of the retail outlet and neutralizes possible « day of the week » effects on the prices.

A calendar month consists of 28 to 31 days and doesn't correspond to a whole number of weeks. So, every year, Insee adapts the field collection calendar so that the 48 weeks of collection coincide at best with the calendar months. This adaptation consists of fixing weeks without collection, four on average by year.

Regardless of this exercise, the month-on-month changes in the CPI integrate calendar effects which may affect the year-on-year comparability of monthly changes. In general, the calendar effects disappear in index level after one or two months and are limited to specific consumption segments. For example, every year, the school holidays or some public holydays are not located on the same month. This give variations in the index profile for the accommodation and passenger transports. If such effects are observed, they are commented in the publication *Informations Rapides published* in the same time as the CPI dissemination. It is the same for the sales calendar when it changes.

The Insee's field collection calendar aims as much as possible to reproduce the calendar effects : a shift of the outlets in the civil calendar will have to be recreated, as far as possible, in Insee's collection calendar.

In 2019, the field collection calendar is similar as this of 2018. Thus, in comparison to the sales calendar, in 2019, the January month of CPI collection, as the January civil month, includes, the same number of days of sales as in January 2018.