

Consumer prices and prices of production statistics

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Consumer Prices Indices (Inflation)

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Characteristics of harmonized indices of consumer prices

In **June 1998**, the **European Council** confirmed **objective of gradual implementation** of European **Economic and Monetary Union** = EMU) for EU countries in 3 separate development Stages (EMU stage I, II, III). Based on the **EU Treaty** (Maastricht Treaty), **the average annual inflation rate as measured by the Harmonized Index of Consumer Prices**, is one of four **convergence** (so-called Maastricht) **criteria** that EU Member States must comply with before entering the **stage III of EMU**, i.e., **the stage with the common Euro currency**. The criterion of price stability states that **average inflation rate** of a member state in the last 12 months shall

not exceed the average inflation rate of the three best performing EU countries in the area of price stability by more than 1.5 percentage points. According to the protocol of convergence criteria - **inflation should be measured by the consumer price index on a comparable basis**, taking into account differences in national definitions. Such inflation measurements by EU Member States are to provide **Harmonized indices of consumer prices**.

Harmonized Indices of Consumer Prices (HICPs) started to be compiled to ensure **comparability of national consumer price indices within the European Union**. To this end, Council Regulation **(EC) No 2494/95** (EC) No 2494/95 was adopted in **1995** concerning the introduction of the calculation of harmonized indices of consumer prices at Member State level of the European Union as from **1997**. As the methodology for compiling harmonized indices of consumer prices is undergoing development, further 21 regulations were adopted between 1996 and 2015 at Council (EC) level and commissions (EC) level specifying the methodology for calculating particular HICPs areas. Under the Treaty of Lisbon¹⁾, the legislation for the calculation of HICPs has been re-designed to its current form:

The Framework Regulation for the introduction of HICPs has been replaced by [REGULATION \(EU\) 2016/792 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL](#) of 11 May 2016

The regulations governing the HICP methodology have been replaced by [COMMISSION IMPLEMENTING REGULATION \(EU\) 2020/1148](#) of 31 July 2020.

The two regulations jointly consolidate and modernize the previous regulations.

The overall view of the HICPs information is available from the EUROSTAT website at the following link:

[Harmonized Index of Consumer Prices \(HICP\) — Overview](#).

Legislation on the calculation of the HICP is also available on the Eurostat website, see [HICP legislation](#).

The Statistical Office also applies the methodology for Harmonized Indices of Consumer Prices (HICP) in the National Index of Consumer Prices - CPI, except for the treatment of owner-occupied housing. The HICP and CPI of consumer baskets differ in this area. The HICP, unlike the CPI, does not include the components "Imputed rentals" and selected items related to major repairs and household maintenance.

Brief characteristics of the aggregates of the harmonized indices of consumer prices

HICP of all European Union member states are the basis for the compilation of **harmonized index of consumer prices for European Union**. With the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the EU in 2020, the number of EU member states has been reduced to 27. **HICP of those Member States, which became members of euro area**, form a basis for monthly compilation of **harmonized index for euro area**. The entry to euro area – third stage of EMU with the common currency euro is being carried out gradually. At present, the euro area includes 20 member states of the EU.

¹⁾The Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community (its working name was the Reform Treaty) is an international treaty amending the founding treaties of the European Union. The Treaty of Lisbon (signed on 12.12.2007, entered into force on 1.12.2009); set out, inter alia, new rules for the implementation (implementing) powers of the European Commission (the so-called comitology). The rules laid down by the Treaty of Lisbon are to be incorporated into current EU legislation - and therefore in the legislation for calculating the HICP.

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Methodical Notes - CPI

Consumer Price Indices

Since January 2024, after the revision of consumer price indices, the development of consumer price indices has been surveyed on a universal consumer basket based on a set of representatives - selected goods and services paid for by the population, divided according to 12 divisions, 44 groups and 102 classes of the COICOP classification. The index of consumer prices of goods and services (cost of living) for all households characterizes the price development in the national average. Indexes of consumer prices (cost of living) are also calculated for selected types of social groups of households - employees, pensioners and for the group of low-income households.

The calculation of consumer price indices for selected types of social groups of households - employees, pensioners and for the group of low-income households is based on the consumption basket for calculating the consumer price index according to the national methodology, but differs in the weight structure of individual items of the consumption basket. The weighting structure is based on the survey statistics "Family accounts". The consumer price index for pensioner households is the basis for the calculation of pensioner inflation used in the valuation of pensions. The consumer price index for low-income households is used to calculate inflation for low-income households.

Starting with January 2005 we introduced the compilation of consumer price indices (based on December 2000) by chaining using December of a previous year as a linking period. Weights for the elementary aggregates have to be annually revised to ensure that they reflect current expenditure patterns and consumer behaviour. The important feature of a chain index formula is that it allows weights to be annually updated and facilitates the introduction of new items and sub-indices and the removal of the obsolete ones.

In order to be able to link the old and the new series, an overlapping (k) period k is needed in which the index has to be calculated using both the old and the new set of weights. The overlapping period may be a month or a year. The SOSR stated as a link period December of a previous year, i.e. December 2023 is an overlapping period for the compilation of indices in the year 2024. December 2023 is the last period, for which the index is calculated using the

previous consumer basket and system of weights and at the same time is the price reference period for an updated consumer basket. Thus December of a previous year is a link period between the new and the old index and these indices create (compile) a chain index.

A chain index may have two or more links. Between each overlapping period, the index may be calculated as a fixed weight index.

The disadvantage of a chain index is that chaining leads to non-additivity, i.e. when the new series is chained onto the old, the higher-level indices after the link cannot be obtained as weighted arithmetic averages of individual indices using the new weights.

Selection of representatives

Goods and services with the important share in expenditures of the population, representing the whole sphere of consumption, were selected as price representatives.

Breakdowns of indices were designed in harmony with methodology of Eurostat; universal consumer basket is divided into 12 divisions of COICOP classification (Classification of Individual Consumption by Purpose). Number of price representatives in the universal consumer basket of consumer price indices since January 2024 is as follows:

		Constant weight in promile:			
COICOP division	Title of COICOP division	Households in total	Households of employees	Households of pensioners	Low-income households
	Total	1 000.00	1 000.00	1 000.00	1 000.00
Of which:					
01	Food and non-alcoholic beverages	236.07	225.82	269.93	255.51
02	Alcoholic beverages and tobacco	47.13	47.16	48.79	49.37
03	Clothing and footwear	40.66	42.82	30.37	43.99
04	Housing, water, electricity, gas and other fuels	257.58	240.61	336.99	223.85
05	Furnishings, household equipment and routine maintenance of the house	72.00	73.52	67.86	78.12
06	Health	28.77	26.83	38.31	30.13
07	Transport	57.52	62.90	31.79	65.77
08	Communication	27.22	27.32	26.52	26.47
09	Recreation and culture	71.51	75.00	55.76	66.16
10	Education	15.04	18.21	3.12	22.29

11	Hotels, cafés and restaurants	74.21	85.91	28.08	60.77
12	Miscellaneous goods and services	72.29	73.89	62.48	77.57

Method of collecting data on consumer prices

Consumer prices of individual representatives are collected at the whole territory of the Slovak Republic in a selected network of shops and service businesses where the inhabitants usually do their shopping. Prices are collected during the initial 20 days of the reference month. Starting with 2024, there will be a change in the collection of prices for division 01 "Food and non-alcoholic beverages", where the SOSR is moving from experimental statistics to the official production process of using transaction data of retail chains. This refers to the use of aggregated data recorded by retailers on consumer purchases by scanning barcodes. [Scanner data methodology](#) (PDF - 160 kB)

Weighting system

Weights of the individual representatives were computed on the basis of the data obtained from the statistics of family budget for the year 2022, from the statistics of national accounts for the year 2022, from scanner data and from data obtained from various administrative sources. These were used for the determination of accurate consumption structure of inhabitants.

Method of calculating indices

Consumer price indices are Laspeyres type indices:

$$I = \frac{\sum \frac{p_1}{p_0} \cdot p_0 q_0}{\sum p_0 q_0} \cdot 100$$