

Box 1 Revised Consumer Price Index base in March 2002

In recent years the Consumer Price Index (CPI) base has been calculated from a household budget survey which was conducted in 1995 and had been in use since 1997. Since then, the base has been partially revised each year, if warranted. Components reviewed include telephone services, insurance and new motor vehicles, to cite a few examples. Other components, e.g. food, have not been revised in the same manner until now. Statistics Iceland (Stattice) has conducted annual household budget surveys since 2000 and uses these to calculate the new CPI base. For the first time since 1997 the CPI base as a whole was reviewed. It is planned to continue the annual surveys and adjust the index annually.

The results of the household budget survey on which the current index is based are more precise than before. Most importantly, households participating in the survey now submit till slips from shops, which give more detailed information than has been produced by surveys hitherto. Some 75% of all entries in the household budget survey are now obtained by these means.

According to information from Stattice, the CPI base is comprised of some 2,500 goods in 700 categories. Price measurements are much more extensive, however, or 15-16,000 per month. There are approximately 5,000 baskets in the base. Of these, roughly 4,500 are for groceries and 500 for other basic components. Changes have been made in the calculation of groceries in the index to match the more precise expenditure measurements. Instead of calculating four subindices by regions, the index is calculated for 13 grocery chains. A geometrical mean is calculated for each category of goods in each chain, and the average price change is calculated as the weighted geometrical mean for each category.

A special study was made of the major changes which have taken place recently in the purchasing pattern for groceries and petrol. In December 2001, considerable changes were made to the composition of retail stores included in the index sample. The review of the base has led to further changes in the weighting of the retail stores. The revision of the groceries component of the index, which was taken into account in

April, led to an 0.1% reduction in the index, in addition to the 0.27% reduction made in December following the review of groceries goods retailing then. Petrol purchasing has also changed with a greater consumer preference for self-service stations. An adjustment for this change in weighting led to an 0.05% reduction in the CPI.

Other changes took place to the weightings of index components without causing any alteration to or impact on the CPI value. New motor vehicles and spare parts now weigh only 7.4% in the index, com-

Overview of the change in the CPI index base in March 2002

Percentage breakdown

<i>Weights (%)</i>	<i>Former base March 2001</i>	<i>New base March 2002</i>
(1) Domestic agricultural products less vegetables ...	6.5	6.1
(2) Vegetables	0.8	0.9
(3) Other domestic food and beverages	6.4	6.2
(4) Other domestic goods	4.6	3.9
(5) Imported food and beverages	3.0	3.0
(6) Cars and spare parts	10.4	7.4
(7) Petrol	4.8	3.8
(8) Other imported goods	13.7	18.7
(9) Alcohol and tobacco	3.3	4.3
(10) Housing	14.0	14.7
(11) Public services	12.5	6.8
(12) Other services	20.1	24.0
<i>Total</i>	<i>100.0</i>	<i>100.0</i>
(1-4) Domestic goods	18.3	17.2
(1-2) Agricultural products and vegetables	7.3	7.1
(3-4) Domestic goods less agricultural products and vegetables	11.0	10.1
(5-9) Imported goods, total	35.1	37.3
(5-8) Imported goods excluding alcohol and tobacco	31.9	33.0

Source: Statistics Iceland.

pared with 10.4% in March last year on the former base. This is the direct consequence of a major contraction in car imports; new vehicle registrations in 2001 amounted to approximately 9,000 compared with

their peak of 19,000 in 1999. The weighting of petrol in the index also decreases and is now 3.8% compared with 4.8% last year. Alcohol increases in weighting, however, due to greater sales of wine and beer.