



The impact of Financial Crises on the CPI

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CPI problems in financial crises

- 1. Unobservable prices
 - Missing prices
- 2. Fall in Car sales
- 3. Outlets reduced sample
- 4. House prices
 - Fall in sales
 - Non monetary transactions
- 5. Changes in consumptions patterns
- 6. Shopping substitution bias

Unobservable prices

- Does crisis situation lead to the situation that fewer prices will be available
- In October 2008 there was a fear that it would be
- It has not been the case, similar supply of goods
- Is monitored
 - Monthly follow up in the CPI
 - Groceries only available prices each month used
 - More active replacement policy

Fall in car sales

- In October 2008 car sales came to stop, but list prices changed by 4.1%
- Price change not taken into account
 - effect on index 0.3%
- Price collection method changed
 - Prices of cars sold in each month
 - Collected directly from car sellers

Price collection method for cars

- If method had not been changed:
 - Inflation would have been measured 1.1% higher October 2008 to March 2009.
- If cars had been left out of the index
 - Price change would have been 0.13% higher.

Outlets sample reduced

- Crises risk of firms going bankrupt
- Clothing, 10% of outlets disappeared in October
- Stopped after that for clothing shops
- Home electronic suppliers closed down
- Other suppliers change their sortiment greatly
- Supermarket cain into discount store

House prices

- Crises in the housing market
 - sales 11.000 in 2007 to 2.000 in 2009
- Fall in sales and missing prices
 - 24% prices either missing or too few
- Non monetary payment increasing
 - Nearly 30% of all sales in 2009

Shopping substitution bias

- Household shopping behaviour
 - Buying more in low price stores
 - Average price for the household lower but prices in the stores might be unchanged
 - Should be taken into account, from the consumers side

Changes in consumption patterns

- Yearly weight revision, continuous HES results incorporated
 - March 2009. HES 2005-2007
 - Known consumptions changes measured
 - Cars weight, package tours,
 - Shopping buying patterns
- Effect of the weight change, March April
 - Price updated weights -0.13% lower CPI
 - Shopping weights -0.08%, price increase in the low price stores
 - Shopping substitution -0.12%
 - Total effect of weight change -0.20%

Public attitude to statistics

- Misconception about CPI
 - Less consumption, is it less inflation
- Great pressure on staff –questions
- Media, tv, radio, press, meetings
- FAQ to answer most questions asked