

Harmonized Indices of Consumer Prices (HICP)

Country-specific information on HICP compilation

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COUNTRY	PORTUGAL
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Concepts and definitions

Definition of the HICP:

The Harmonized Index of Consumer Prices (HICP) is a Laspeyres-type index, covering the categories of the COICOP/HICP (classification of individual consumption by purpose, adapted to the needs of the HICP). HICPs for Portugal are available from 1995.

Differences between the HICP and national CPI:

The following expenditure is included in the HICP but excluded from the national CPI: consumption expenditure of non-residents in the economic territory of the country.

The following consumption expenditure is included in the national CPI but excluded from the HICP: games of chance, expenditure of national residents abroad.

Data coverage

Population coverage:

The Portuguese HICP covers all households irrespective of income except institutional households. Expenditure by institutional households is not significant. According to the 2001 Population Census, institutional households account for 0.011/1000 of total resident households and people living in those households comprise 0.097/1000 of the total resident population.

A Tourist Border Survey gives the structure of consumption expenditure by foreign households, which at a more detailed level is supplemented by HBS information (relevant tourist expenditure). A question on the 'main purpose of stay' is used to distinguish business expenditure from private expenditure.

Domestic household consumption expenditure abroad is excluded using the same Tourist Border Survey and assuming that the consumption pattern of Portuguese citizens going abroad is the same as that of foreign visitors to Portugal.

Geographical coverage:

The index covers the entire country.

The index is compiled for seven regions according to the second level of the Nomenclature of Territorial Units for Statistics (NUTS). Within each region, a number of localities (municipalities) are selected in accordance with population size (2007 estimates), SIBS 2006/2007 (Electronic payment statistics), Household Gross Disposable Income - Regional Accounts 2005/2006.

National series are obtained using a weighted average of the seven regions, calculated according to budget coefficients with reference to total national expenditure, by COICOP level.

Nature of basic data

Timing of price observation:

The basket covered by the index comprises 1 189 products, which are grouped into 12 product categories.

The prices are collected once during the reference week (near the middle week of the month), and are sales prices with VAT. Prices for fruit, vegetables and fish are collected more frequently (one or two days of the first and second weeks of the month and also in the middle of the reference week).

Monthly collection is used for food and beverages, products for the regular maintenance or repair of dwellings, clothing and footwear and administered prices.

Quarterly price collection with a rotating sample is performed for some products that are considered to have fairly stable price behaviour (e.g. appliances, furniture, and repair services) but also for other COICOP classes such as recreation and culture and miscellaneous goods and services. However, if there is any known change, it is introduced in the month where it occurs.

For a very small set of products (typically with regulated prices), prices are collected annually, e.g., university and kindergarten fees.

Weights:

The main sources for the weights are Household Budget Survey 2005/2006(HBS) and National Accounts 2007 data (provisional).

There are 1 189 item weights applied for each region (at representative item level).

The information from the 2005/2006 HBS is used as the primary source for the 2008 HICP, supplemented with information from other sources for specific product groups such as tobacco, cars, telecoms, education and medical goods and services.

The normal price updating of weights takes place between the weight base period (2008) and December 200x for the 200x+1 HICP.

Outlet selection:

There are around 14 512 outlets. Major revisions take place on average every 5 years. Most outlets are maintained in the index. Outlets which close during this five-year period are replaced in accordance with the outlet category and their representativeness, taking into account the volume of sales and the geographical distribution.

Techniques of product selection and specification:

The items selected are based on the results of the HBS. The market brands and the characteristics of the products are the result of market research. From January 2004, the index is chained annually, allowing for new goods and services to be brought in at the end of each year using data sources other than the HBS and via discussions with price collectors.

The specifications of the representative items are loose for many Elementary Aggregates (EAs). A second level, describing the relevant characteristics, is filled in by the price collector, but the final decision belongs to the regional office. Price collectors are instructed to price the most representative item. The main method used for price collection is the personal visit, using paper collection forms and local price collection software. Rent prices are collected directly from households using the same method or by phone interview. Some prices (such as administered prices, telecommunications, air travel prices) are centrally collected, by phone or internet. Prices for used cars are collected through specialized magazines.

Sample size (reference year 2007):

The number of outlets is approximately 14 512. The total number of prices is around 141 498. (Prices and outlets reflect all price quotes actually included in the CPI, e.g. rents, fuels or communications).

Below COICOP's fourth digit level, there are two more classification levels: sub-class and product.

The treatment of tariffs follows the Commission Regulation and is applied for example to electricity, telecommunications, water services, motorway tolls and garbage collection services.

No of price observations: 141 498 (reference year 2008)

01 Food and non-alcoholic beverages 57 301

02 Alcoholic beverages, tobacco 3 381

03 Clothing and footwear 14 337

04 Housing, water, electricity, gas and other fuels 1 385

05 Furnishings, household equipment and routine maintenance of the House 7 422

06 Health 7 114

07 Transport 27 311

08 Communication 932

09 Recreation and culture 12 147

10 Education 434

11 Restaurants and hotels 4 472

12 Miscellaneous goods and services 5 262

Number of representative items at the lowest classification level (reference year 2007):

All items: 1 189

01 Food and non-alcoholic beverages 271

02 Alcoholic beverages, tobacco 32

03 Clothing and footwear 128

04 Housing, water, electricity, gas and other fuels 36

05 Furnishings, household equipment and routine maintenance of the House 93

06 Health 237

07 Transport 178

08 Communication 16

09 Recreation and culture 92

10 Education 17

11 Restaurants and hotels 31

12 Miscellaneous goods and services 58

Compilation practices

Computation of the lowest-level indices:

The ratio of geometric mean prices is calculated for each municipality (locality). These average prices are weighted using population weights to create regional average prices. At this level, an index is constructed by comparing the current price level with the price level in the base period (currently, average December 200x-1 prices). The national index of a specific item is computed as a weighted average of the regional indices, where the weights refer to the share of regional expenditure on the item in national overall expenditure.

Index reference period:

The index reference period is 2005=100.

Data preparation methods

Controls on the quality of the data:

The control of prices and indices is performed at the relevant levels of the organisation.

At regional level, there is ongoing contact between the regional delegates and supervisors and between price collectors and supervisors. Written documentation with guidelines is regularly provided by central coordination and immediately incorporated into field work. Regular meetings between central coordination and regional delegates, supervisors and price collectors take place every year.

Treatment of missing items and replacements:

In most cases, prices are imputed according to the bridged overlap method, until the product-offer becomes available again. With this procedure, the imputation effect disappears when the product-offer is available again. As soon as it is known that a missing product will not be available again, it is replaced. This happens in the 3rd month at the latest.

Some price observations are collected quarterly in a rotating sample. For those quarterly collected prices, missing products are replaced at the latest after three months.

Adjustment for quality differences:

Product-offers included in the Portuguese HICP are systematically adjusted for package size differences. If there is a change in product specifications other than quantity, but the change in quality is negligible, the full price change goes into the index.

If there is a non-negligible change in quality, either the bridged overlap or the overlap method is used. The price movement of other varieties of the same product within the same locality is used to establish the bridged overlap. If this is not possible, the price movement at regional or national level is used.

Overlap prices are used for planned replacements or situations where the price in the earlier period can be determined. There are roughly 150 planned or reinterpolated adjustments every month. The price for an earlier period is provided by shopkeepers/outlet retailers or by other similar outlets that are temporarily included in the sample. From January 2006 prices for replacement varieties are collected at the same time as the last allowed imputation and stored. If the observed variety is no longer available the replacement variety is considered immediately or considered in the next month, if there is no information about the availability and the observed variety does not return (where two consecutive prices are available and can be used for quality adjustment if the change in quality is non-negligible).

Introduction of newly significant goods and services:

Since 2003, INE has identified newly significant goods and services through a judgmental process involving all levels of the price collecting system, including the price collectors. Newly significant goods are in most cases included in the index as new EAs.

Treatment of price reductions:

Price reductions are considered in accordance with the Commission Regulation. The official sales period is every year from:

- 28th December to 28th February and 15th July to 15th September.

Treatment of seasonal items:

Fixed weights are applied and the last observed price is carried forward. Fresh fruit, vegetables and some fish products are seasonal, along with products belonging to the clothing and footwear division.

Index revisions:

In principle, the data are final when first released. If some minor revisions are necessary, they are introduced in the next release of the monthly data. Revised and final data are identified as such.

Documentation**Publication of the HICP:**

The data are released on the 8th working day of every month in the press release “Destaque do INE – Índice de Preços no Consumidor” to the media and simultaneously on the INE Internet website: <http://www.ine.pt/>.

The national-level HICP is published together with the monthly rate of change, the annual rate of change and the annual average rate of change.

The detailed methodology for the HICP in Portuguese is published in “IPC 2008 – Documento metodológico”, available at: <http://www.ine.pt/>.

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