

TOPICS OF THE CONFERENCE

Topic 1: Price Indices at the Micro Aggregation Level and their Macro Effects: Methodological and Empirical Evidence

Most of the literature on price index numbers is devoted to the computation of indices at macro-aggregation levels, notwithstanding the fact that the choice of index formulae at this level has often-negligible effects on numerical results. On the other hand, writings on price indices, in particular official publications about Consumer Price Indices, tend to neglect the micro-aggregation level, almost implying that there is no work done at this level at all.

There is a growing interest in the derivation of micro-indices, followed by new evidence that alternative formulae can have a strong impact aggregate on index numbers. Several methodological problems contribute to it namely sampling, treatment of discontinuities in the resulting price series (which includes quality adjustments), and micro-aggregation formulae. These problems are interrelated and should not be treated in isolation from each other. Furthermore, for both theoretical and practical reasons, the choice of solutions may depend on products and on their actual price behaviour.

Topic 2: Bias of a Consumer Price Index, Shall we try to estimate it?

Many kinds of errors may affect the compilation of CPIs. On top of errors common to all statistical surveys, Re sampling errors in the price and weights collection, response errors, errors in transmitting and processing of data, there are errors that specifically result from price index making.

Price index making is subject to contradictory pulls. One would like indices to reflect the changing reality of consumption, yet to measure "pure" price variation, which implies that prices of the same goods and services be monitored. Solutions used to reconcile such contradictory requirements are at time sources of new errors. The treatment of quality changes in the price-surveyed items (including new products and services), as well as the aggregation of price data (which translates into the choice of an index formula), are generally recognized as sources of problems. In addition, the exact nature and scope of price changes that are supposed to be measured is not always clear.

Price index makers are aware of these sources of error, and there is theoretical literature on most of them. Much less, though, is known about their practical consequences. Only recently some statistical agencies started to investigate them and to release quantified information about specific errors. Finally, the feasibility, indeed desirability, of assessing total CPI bias should be addressed and discussed.