

OPENING REMARKS:

Chair: Jacob Ryten (Canada)

In opening the session the Chair explained that the purpose of this working group is to bring together an independent forum of specialists from different countries to exchange ideas on crucial problems of measuring price change and to propose concrete solutions.

The choice of the proposed topics for discussion originated from a long-standing debate about possible bias in the CPI. In the seventies, while inflation was relatively high, it was commonly believed that there was a downward bias in the CPI. At that time, media reported that the CPI was really too low and that actual inflation should have been higher. In fact, the 1982 Conference on Price Level Measurement organised by Statistics Canada, dealt indirectly with this issue. In recent years the debate on bias has re-emerged, however, notwithstanding that the inflation is low, it is now believed, at least in North America, that the bias is upward and that inflation is overestimated.

Proper discussion of this complex issue cannot be done without addressing a number of detailed questions such as: the sampling error of the CPI, the treatment of substitution of goods, the index formula and the formula aggregation at the macro level.

In order to make significant progress on these issues, it was agreed that the discussion for this first meeting should be devoted to only two main issues: the micro level aggregation and its macro effects, and how to detect and estimate the bias of the consumer price index.

In the first round table discussion, participants agreed that the CPI, by its nature, is at the heart of broad economic and policy issues and that it is an important and sensitive indicator.

Therefore, the debate around the potential bias of the CPI is important and should be examined carefully. The group has also identified a wide range of issues related to this topic including:

- Relevance of the CPI as an indicator of the Cost of Living Index,
- Harmonisation of European price indices,
- Importance of agreeing on definition and concept of cost of living vs. fixed basket,
- Defining a wider measurement of inflation (ex. whole economy price index),
- Need for another economic approach to monitor inflation.

The Chairman concluded this first round table by suggesting to the participants to somehow extend the agenda when tackling the issue on bias, by including three main questions: 1) How to define it? ii) How to measure it? and iii) What are the elements contributing to the bias? He also stressed the point, made by many of the participants that it is important that the group's work increase the public understanding of the CPI.

Finally, the participants agreed that the practice used by the Voorburg Group, where the members' contribution to the Group is made on an individual level and does not necessarily offer any commitment by their respective statistical agencies, is a good one.