Title: The Adjusted Price Index and Monthly Adjusted Consumer Expenditure Basket Weights

Authors: Gerry O’Donnell and Clément Yélou.

Abstract (maximum length of 400 words)
At the onset of the COVID-19 pandemic, Statistics Canada began work on an experimental price index in an attempt to measure the impact of the pandemic on prices experienced by Canadians and on consumer expenditures. This analytical index used estimates of real-time monthly consumer spending patterns and a monthly-chained Laspeyres formulation as an alternative to the official Consumer Price Index based on 2017 fixed basket weights and a Lowe index aggregation.

The Adjusted Price Index was first published in July 2020, and subsequently on a quarterly basis.

The initial work relied heavily on aggregated High Frequency Expenditure Network data from the Bank of Canada for use in estimating monthly expenditures for a large portion of the CPI basket.

Starting November 2021, the Adjusted Price Index was released using a Similarity-linked Fisher price index to calculate all-items price change. This index formula was selected to address the chain drift observed with the monthly-chained Laspeyres index. Monthly Adjusted Consumer Expenditure Basket Weights were based on new 2020 CPI basket weights, and used a more complete set of data sources to estimate monthly spending patterns.

This paper will explain the methods and data sources used for these new measures. It will also compare monthly results versus official estimates of price change and consumer preferences.

This ground-breaking work helped inform decisions about the timing of and data sources used in official CPI basket updates, and provided timely insights into changing consumer preferences and spending behaviour during the pandemic.