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Owner occupied housing in the Icelandic CPI, a survey of simple user cost for a quarter of a century.

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Abstract

For a quarter of a century owner occupied housing in Iceland has been compiled as a simple user cost in a very volatile period in Icelandic economic history. In this contest question arises of the suitability of the method used. This paper surveys the methods used in the compilation for owner occupied housing in Iceland and evaluates the results. First methods used in the calculation of housing in the CPI from 1924 till today are surveyed. Then the simple user cost method is described and compared with methods used by other countries for compilation of OOH in their CPI. The results of the calculation of OOH over the 25 years period are analysed and compared with different domestic economic indicators. At last a comparison is made between the simple user cost method used in Iceland and the user cost methods used by Sweden and Canada and a simulation of the Swedish user cost method conducted with Icelandic data set and the results analysed.

Key words:

Consumer price index, cost of living index, owner occupied housing, user cost.

JEL: C43, C81, D11, E31.