

## Consumer price index (CPI base 1998=100)

### Field

The geographic coverage is national, including the overseas départements (DOMs), which were incorporated into the new base-1998 CPI with effect from the index published in February 1999 and back-extrapolated to the year 1998.

The CPI covers all goods and services consumed on French territory by resident households and non-resident households (for example, tourists). The CPI's effective coverage rate in 2005 was 95,2% of its theoretical rate. The only areas excluded from the CPI observation field are gambling, private hospital services, and life insurance.

### General description of CPI

#### Goals:

The CPI is the official instrument for measuring inflation. It allows an estimation between two given periods of the average change in prices of products consumed by households. It is a summary gauge of movements in prices of products on a constant-quality basis.

#### The CPI plays three roles:

- economic: it provides a monthly tracking of inflation. The CPI is also used as a deflator for many economic aggregates such as consumption and income: their movements can thus be calculated in volume terms or real terms (i.e., in "constant euros").
- socio-economic: the CPI, published in the Journal Officiel (official government bulletin) every month, is used for the index-linking of many private contracts, maintenance payments, annuities, and the minimum wage ("SMIC"). The index used for the minimum wage is the CPI (excluding tobacco) for urban households headed by a clerical or manual worker.
- monetary and financial: for international comparison purposes, Eurostat—the Statistical Office of the European Communities—has undertaken a coordinated harmonization of European Union CPI production methods and data presentation. The harmonized consumer price indexes (HCPIs) obtained in this manner are not substitutes for the national CPIs. They are designed for international comparisons and for the determination of a European Union price index. The implementation of Monetary Union strengthens the role of the HCPI as the main instrument for steering Euroland monetary policy. The French CPI and HCPI display very similar movements, reflecting their close methodological resemblance.

In September 1998, the French Treasury issued inflation-linked bonds (in this case, indexed to the national CPI). This is the first time France has used the price index to set the yield on a financial instrument.

#### Production and publication:

The basic structure resembles the international Classification of Individual Consumption by Purpose (COICOP<sup>1</sup>) but is more detailed: it comprises 12 consumption functions, 86 groupings into 161 groups, and a few short-term groupings.

The CPI is published monthly around the 13<sup>th</sup> in an issue of *Informations Rapides* and in various product consumption classifications. INSEE also publishes about a hundred series of average prices for individual items.

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<sup>1</sup> Classification of Individual Consumption by Purpose

## Collection methods

### Historical summary:

The first generation of indexes dates from 1914. Over the years, the CPI coverage has broadened both in geographic terms and in terms of population represented and consumption tracked. The Base 1998 CPI is the seventh-generation index. It consists of 159 groups, 86 groupings, and 12 consumption functions. This sectorial cover enlarged every year ; in January 2001 it's constituted of 161 groupes.

### Statistical unit surveyed:

Sales outlet for products distributed through conventional channels. National or regional producer organization for data on charges: electricity, telecommunications, rail and air fares, mail-order catalog prices, etc.

### Frequency and collection method:

Observations by price collectors on a month-long and once-a-month basis. Fresh-product prices are collected every two weeks.

### Sampling frame and number of units surveyed:

The sampling plan is stratified according to three criteria:

- geographic criterion: prices are collected in 106 urban units of more than 2,000 inhabitants throughout France and of all sizes;
- product types: a sample of slightly over 1,000 product families, called "items" (variétés) is defined to allow for product heterogeneity within 161 groups of products. The item is the basic, elementary level for monitoring products and calculating the index. The list of items is confidential, and only some average prices of homogeneous products are published at this level.
- "type of sales outlet": a sample of 27,000 outlets, stratified by sales channel, was constructed (1) to represent product diversity by brand, distributor, and consumer-purchasing modes, and (2) to take into account the differences in price movements for each sales channel.

By combining these criteria, INSEE manages to track slightly over 130,000 varieties (séries, i.e., specific products in a given type of sales outlet), yielding over 160,000 monthly quotations. In addition, some 40,000 varieties of charges are obtained from central sources.

The sample is updated annually to reflect the changing patterns of consumption behavior and, in particular, to introduce new products.

Revisions concern the list and content of items as well as the distribution by form of sale and by urban unit.

## Calculation method

The CPI is an annually chained Laspeyres index. In addition to the sample composition, the weightings used to aggregate the 21,000 elementary indexes (items x urban unit, in most cases) are also updated annually. These weightings express the share of expenditures on a given aggregate as a total of the household consumption expenditures tracked by the CPI.

Most weightings are obtained from the annual assessments of household consumption expenditures by the National Accounting Service.

Specific methods are used for fresh products, for other seasonal items, and for determining "pure" price movements on a constant-quality basis, when a product is eliminated and replaced by another during the year.

Special offers and discount sales available to all consumers are taken into account in all CPI products.

## Producer unit and dissemination unit

Producer unit: INSEE, Direction Générale, DSDS, Division des Prix à la Consommation

Timetable:

The definitive index is published around the 13th of month  $n + 1$ . It is accompanied by all the detailed figures.

INSEE publishes, at the same time, the seasonally adjusted monthly series for (1) the overall index, (2) the index excluding public-sector charges and volatile-price products adjusted for tax measures (i.e., the "underlying inflation" index), and (3) the European-harmonized index (HCPI).

Publications:

- *Informations Rapides-thème prix* : gives main series, broken down by sector, with comments.

For more informations : <http://www.insee.fr/en/ppp/contacter.htm>