

**Documentation of statistics for  
Net Price Index 2014 Month 01**

## 1 Introduction

The purpose of the net price index is to measure the development of the prices, less indirect taxes and duties and including price subsidies, charged to consumers for goods and services bought by private households in Denmark. The index of net retail prices has been calculated since 1980, but there are estimated figures for the development in net prices back to February 1975. The weights were last adjusted in connection with calculating the index for January 2014 and are based on private consumption expenditure in 2012.

## 2 Statistical presentation

The index of net retail prices shows the development of prices, minus indirect taxes plus subsidies, for goods and services bought by private households in Denmark. Thus, the index also covers foreign households' consumption expenditure in Denmark, but not Danish households' consumption expenditure abroad. The index shows the monthly changes in the costs (minus indirect taxes plus general subsidies) of buying a fixed basket of goods, the composition of which is made up in accordance with the households' consumption of goods and services. The index of net retail prices can best be characterized as a fixed weight index of a Laspeyres-type. The prices that are included in the index of net retail prices are not the prices paid by the consumers, but the purchase prices after deduction of indirect taxes and addition of subsidies (to the extent possible). The only exception to this is rent payments where the total rent, i.e. the share of rent payments, is included. The weights are calculated on the basis of data from the national accounts on final consumption expenditure of households in Denmark, distributed among 70 commodity groups. For each of these, a further division is made by using the detailed information on consumption expenditure from the Household Budget Survey.

### 2.1 Data description

The index of net retail prices shows the development of prices, minus indirect taxes plus subsidies, for goods and services bought by private households in Denmark. Thus, the index also covers foreign households' consumption expenditure in Denmark, but not Danish households' consumption expenditure abroad. The index shows the monthly changes in the costs (minus indirect taxes plus general subsidies) of buying a fixed basket of goods, the composition of which is made up in accordance with the households' consumption of goods and services. The index of net retail prices can best be characterized as a fixed weight index of a Laspeyres-type. The prices that are included in the index of net retail prices are not the prices paid by the consumers, but the purchase prices after deduction of indirect taxes and addition of subsidies (to the extent possible). The only exception to this is rent payments where the total rent, i.e. the share of rent payments, is included.

The weights are updated on a yearly basis. Up till December 2000 the index was calculated with the average of November 1974 till January 1975=100. As from January 2001 the index is calculated with 2000=100.

### 2.2 Classification system

COICOP (Classification of Individual Consumption According to Purpose) is an international classification of consumption goods and services.

## **2.3 Sector coverage**

The household sectors purchase of goods and services in Denmark and foreigners purchase of goods and services in Denmark.

## **2.4 Statistical concepts and definitions**

**Net Price:** The prices that are included in the index of net retail prices are not the prices paid by the consumers, but the purchase prices after deduction of indirect taxes and VAT and addition of subsidies (to the extent possible).

**Price Index:** Explanations of other concepts regarding index calculations can be found in the documentation (in Danish) at the following link: [Index calculations](#).

## **2.5 Statistical unit**

Groups of consumer goods and services. The concrete division of goods and services can be seen in the document "Vægtgrundlag" at the following link: [Groups of goods and services](#)

## **2.6 Statistical population**

The population consists of the goods and services, which are included in the consumption expenditure of domestic households and private foreign visitors to Denmark.

## **2.7 Reference area**

Denmark.

## **2.8 Time coverage**

2000-

## **2.9 Base period**

2000=100

## **2.10 Unit of measure**

Index values and rates of percentage changes.

## **2.11 Reference period**

The prices are collected monthly during the period from 7th to 15th.

## **2.12 Frequency of dissemination**

The index of net retail prices is published monthly.

## **2.13 Legal acts and other agreements**

The index of net retail prices is compiled in pursuance of section 8 of the Act on Statistics Denmark and Consolidated Act on calculation of an index of net retail prices.

There are no European Union regulations relating to the index of net retail prices.

## **2.14 Cost and burden**

The total response burden imposed on the reporting of data for the index of net retail prices, the consumer price index and the European Union harmonised consumer price index is estimated at 2078 hours or 0.578 mill. Dkr.

## **2.15 Comment**

More information is available by contacting Prices and Consumption, Statistics Denmark.

# **3 Statistical processing**

The index of net retail prices is calculated on the basis of 23,000 prices collected from approx. 1,600 shops, companies and institutions throughout Denmark. Most prices are by far collected monthly. The data material received is examined for errors, both by computer (using the so called HB-method) and manually. The different goods and services, which are included in the index of net retail prices, are first grouped according to approx. 500 elementary aggregates for which elementary aggregate indices are calculated. The elementary aggregate indices are weighted together into sub-indices that are in turn aggregated into the total index of net retail prices. In calculating a price index it is assumed that the baskets of goods that are compared are identical, also with respect to the quality of the goods. Mainly indirect quality adjustment methods are being applied in the index of net retail prices in connection with changes in the sample. The index of net retail prices is not seasonally adjusted.

## **3.1 Source data**

The index of net retail prices is calculated on the basis of 23,000 prices collected from approx. 1,600 shops, companies and institutions throughout Denmark. The prices are collected by letter, by use of price lists for major chain stores, etc., or by means of price collectors who visit the individual shops. Some prices are also obtained via the Internet. Most prices are by far collected monthly. For goods and services, where prices typically change less frequently, prices are collected more rarely, for instance quarterly or biannually. The index weights for the detailed indices (elementary aggregate indices) are calculated on the basis of data from the national accounts on final consumption expenditure of households, supplemented by detailed information from the Household Budget Survey. Information from The Danish Ministry of Taxation on indirect taxes and duties is also used in the calculation of the Net Price Index.

### **3.2 Frequency of data collection**

Most prices are by far collected monthly. For goods and services, where prices typically change less frequently, prices are collected more rarely, for instance quarterly or biannually.

### **3.3 Data collection**

For clothing and fresh food, etc., prices are collected by price collectors who visit the individual shops. For the remaining groups of goods and services, prices are mainly obtained from the shops via mailed forms with the information requested. In addition, list prices of major grocery chain stores are used. Finally, Statistics Denmark obtains information on prices concerning a number of selected goods and services by telephone or via the Internet.

### **3.4 Data validation**

The data material received is examined for errors, both by computer (using the so called HB-method) and manually.

### **3.5 Data compilation**

The different goods and services, which are included in the index of net retail prices, are first grouped according to approx. 500 elementary aggregates for which elementary aggregate indices are calculated. The elementary aggregate indices are mainly calculated as geometric indices. The elementary aggregate indices are weighted together into sub-indices that are in turn aggregated into the total index of net retail prices.

### **3.6 Adjustment**

In calculating a price index it is assumed that the baskets of goods that are compared are identical, also with respect to the quality of the goods. Consequently, in the case of changes in quality the prices should, in principle, be adjusted for this. Mainly indirect quality adjustment methods are being applied in the index of net retail prices in connection with changes in the sample. . This means that the quality difference between a good leaving and entering the sample is not calculated directly. The price development of comparable goods in the sample is instead calculated, and it is assumed that the price development between the good leaving and entering the sample is equal to the calculated. A remaining price difference between the good leaving and entering the sample is implicitly assumed to be due to a quality difference and is not included in the calculation of the price index.

As the value of the actual changes in quality is not known, it is naturally difficult to calculate estimates for a possible bias, due to the chosen methods of quality adjustment.

## **4 Relevance**

The index of net retail prices is generally viewed as a reliable statistic based on the views of users.

Important users are among others the Ministry of Finance, The Ministry of Economic Affairs and the Interior, The Danish Central Bank and private banks and other financial organizations.

#### **4.1 User Needs**

The index of net retail prices is used as a measurement of price trends, excluding indirect taxes, and is a key economic figure, which is used by a large number of public and private companies. The index is used for regulating (indexation) contracts, pensions, wages and salaries, rents, etc.

#### **4.2 User Satisfaction**

Feedback is given at a yearly meeting held with the most important users.

User satisfaction surveys have not been carried out.

#### **4.3 Data completeness rate**

Not relevant for these statistics.

### **5 Accuracy and reliability**

No calculation has been made of the uncertainty connected with sampling in the index of net retail prices as the sample is not randomly drawn, but the quality of the index of net retail prices is assessed to be high.

In addition to the "general" uncertainty connected with sampling, there are a number of sources of potential bias in the consumer price index. One source is the consumers substitution between goods and shops and another source is changes in the sample (see chapter regarding "Non-sampling error").

#### **5.1 Overall accuracy**

The overall reliability of the index of net retail prices is estimated to be high based on the views of users.

The accuracy of the total index of net retail prices is judged by Statistics Denmark to be within plus/minus 0,1 index points.

#### **5.2 Sampling error**

No calculation has been made of the uncertainty connected with sampling in the index of net retail prices as the sample is not randomly drawn.

Outlets in the sample is to a large extent selected based on turnover so that firms with a high turnover are being preferred compared to firms with a low turnover (cut-off sampling). Representative goods for the different goods and services are being selected according to expenditure measured by e.g. the Household Budget Survey. Kiwi fruits and melons are for example representative goods for the group exotic fruits.

The particular goods in the sample including brand and product weight are being selected by the price collector or data provider.

### 5.3 Non-sampling error

In addition to the "general" uncertainty connected with sampling, there are a number of sources of potential bias in the index of net retail prices, which can be grouped as follows:

*Substitution between goods:* Bias due to substitution between goods is a result of the fact that for different reasons (changes in income and in relative prices or preferences), consumers substitute between different goods, although an unchanged composition of consumption is assumed in the calculation of the price index. The index of net retail prices is calculated as the weighted arithmetic average of the most detailed price indices (elementary aggregate indices) with their respective budget shares used as weights. At this level of the index calculation no allowances are therefore made for the consumers' substitution between different groups of goods and services (elementary aggregates). However, the elementary aggregate indices are mainly calculated as geometric indices. Thus, it is assumed that the consumers' budget shares remain unchanged. For these groups a certain substitution has thus been recognized in the index.

*Substitution between shops:* This type of bias arises when consumers for the same commodity change from shops with high prices to shops with lower prices. The index of net retail prices is calculated monthly on the basis of price information from the same shops. If, e.g. greater shares of the consumers' expenditure from July until August is accounted for by discount shops with lower prices, this will not in itself have an impact on the index.

*Changes in quality:* In calculating a price index it is assumed that the baskets of goods that are compared are identical, also with respect to the quality of the goods. Consequently, in the case of changes in quality the prices should, in principle, be adjusted for this. As the value of the actual changes in quality is not known, it is naturally difficult to calculate exact values for bias, due to lack of quality adjustment.

*New commodities:* The sample for the index of net retail prices is continuously updated, but for practical reasons often with a certain time lag. This means that new products are frequently not included in the compilation of the index when they are first introduced on the market, and not until prices have been available for two months in succession. Furthermore, at the beginning of a product's lifetime it is often impossible to obtain any information about expenditure from e.g. the Household Budget Survey. Finally, a great deal of uncertainty is associated with the task of defining whether it is actually a new product or just improved versions/varieties of already existing products.

### 5.4 Quality management

Statistics Denmark follows the recommendations on organisation and management of quality given in the Code of Practice for European Statistics (CoP) and the implementation guidelines given in the Quality Assurance Framework of the European Statistical System (QAF). A Working Group on Quality and a central quality assurance function have been established to continuously carry through control of products and processes.

### 5.5 Quality assurance

Statistics Denmark follows the principles in the Code of Practice for European Statistics (CoP) and uses the Quality Assurance Framework of the European Statistical System (QAF) for the implementation of the principles. This involves continuous decentralized and central control of products and processes based on documentation following international standards. The central quality assurance function reports to the Working Group on Quality. Reports include suggestions for improvement that are assessed, decided and subsequently implemented.

## **5.6 Quality assessment**

The statistical uncertainty is not calculated, but the quality of the index of net retail prices is assessed to be high based on the views of users.

The level of quality is among other things dependent on the size and composition of the sample, the methods used for quality adjustments in connection with changes in the sample and the data editing of the collected data.

## **5.7 Data revision - policy**

Statistics Denmark revises published figures in accordance with the [Revision Policy for Statistics Denmark](#). The common procedures and principles of the Revision Policy are for some statistics supplemented by a specific revision practice.

## **5.8 Data revision practice**

Only final figures are published.

## **6 Timeliness and punctuality**

The index of net retail prices is published on the 10th or the first working day thereafter, following the month in which the data was collected.

The statistics are published without delay in relation to the scheduled date.

### **6.1 Timeliness and time lag - final results**

The net index of net retail prices is published on the 10th or the first working day thereafter, following the month in which the data was collected.

### **6.2 Punctuality**

The statistics are usually published without delay in relation to the scheduled date.



## **7 Comparability**

The index of net retail prices is related to the European Union harmonized index of consumer prices (HICP).

The European Union harmonized index of consumer prices (HICP) is based on actual consumer prices, whereas the index of net retail prices is based on the purchase prices after deduction of indirect taxes and VAT and addition of subsidies (to the extent possible).

From January 2001, the only difference between the national index of net retail prices and the HICP is apart from the price concept the coverage of goods and services, as owner-occupied dwellings is only recorded in the index of net retail prices and not in the HICP.

The index of net retail prices is also related to the consumer price index. The two indices comprise the same groups of goods and services and are calculated according to the same methodology. Consequently, the only difference between the two indices is the price concept used, as indirect taxes and VAT are subtracted in the index of net retail prices, and the weighting.

### **7.1 Comparability - geographical**

The index of net retail prices is related to the European Union harmonized index of consumer prices (HICP).

The European Union harmonized index of consumer prices (HICP) is based on actual consumer prices, whereas the index of net retail prices is based on the purchase prices after deduction of indirect taxes and VAT and addition of subsidies (to the extent possible).

From January 2001, the only difference between the national index of net retail prices and the HICP is apart from the price concept the coverage of goods and services, as owner-occupied dwellings is only recorded in the index of net retail prices and not in the HICP.

### **7.2 Comparability over time**

In principle, the statistics are fully comparable over time. When making comparisons over longer periods, however, account should be taken of the fact that due to the changes in the weighting and the continuous updating of the sample, it is not the same basket of goods and services that is compared as the sample is continuously updated to reflect the actual consumption pattern.

### **7.3 Coherence - cross domain**

The index of net retail prices is related to the consumer price index. The differences between the two indices are the price concept and the weights. The prices in the index of net retail prices are the consumer prices minus indirect taxes plus general subsidies. The weights in the index of net retail prices are different from the weights in the consumer price index because in the index of net retail prices they are calculated excluding indirect taxes and subsidies. This means that heavily taxed parts of private consumption have a lower weight in the index of net retail prices than in the consumer price index.

### **7.4 Coherence - internal**

The data are consistent.

## 8 Accessibility and clarity

The statistics are published in *Nyt fra Danmarks Statistik* in *Konjunkturstatistik* (Main Indicators). Statistics are also available from Statbank Denmark at: [www.statistikbanken.dk](http://www.statistikbanken.dk). The aggregate index is published on the Internet at: [Price indices](#).

Annual publications: Statistical Ten-Year Review and the Statistical Yearbook.

### 8.1 Release calendar

The publication date appears in the release calendar. The date is confirmed in the weeks before.

### 8.2 Release calendar access

The Release Calendar can be accessed on our English website: [Release Calendar](#).

### 8.3 User access

Statistics are always published at 9:00 a.m. at the day announced in the release calendar. No one outside of Statistics Denmark can access the statistics before they are published. Theme publications etc. may be published at other times of the day. The National Statistician can decide that such publications may be released before their official publication time, e.g. to the media and other stakeholders.

### 8.4 News release

[Press release, in Danish](#).

### 8.5 Publications

[Publications](#).

### 8.6 On-line database

- [Detailed indices of net retail prices 2000=100 2000-](#)
- [Yearly indices 2000=100 1980-](#)
- [Main indicator 2000=100 1980-](#)
- [Detailed indices of net retail prices 1980=100 1978-2000](#)

### 8.7 Micro-data access

Access to micro data, where the individual firms are not identifiable, may be granted on ad hoc basis.

## **8.8 Other**

Access to not published detailed elementary aggregate indices may be granted on request.

The index of net retail prices is used for deflating figures for household expenditure in the National Accounts.

## **8.9 Confidentiality - policy**

The procedures are in accordance with Statistics Denmark's policy on confidentiality.

## **8.10 Confidentiality - data treatment**

It is not necessary to apply confidentiality at the chosen level of publication.

## **8.11 Documentation on methodology**

A full methodological description is available on [Documentation](#) (in Danish only).

## **8.12 Quality documentation**

Results from the quality evaluation of products and selected processes are available in detail for each statistics and in summary reports for the Working Group on Quality.

# **9 Contact**

The administrative placement of this statistic is in the division of Prices and consumption. The person responsible is Martin Birger Larsen, tel. +45 3917 3459, e-mail: mbl@dst.dk

## **9.1 Contact organisation**

Statistics Denmark

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