

## Methodological Notes for OECD CPI News Release

Consumer price indices (CPIs) measure inflation as price changes of a representative basket of goods and services typically purchased by households. In most instances, national CPIs are compiled in accordance with international statistical guidelines and recommendations. However, national practices may differ in the coverage and treatment of certain items and in the use of index number formulas. In particular, country methodologies for the treatment of owner-occupied housing vary significantly and, where included, carry large weights in the index.

The European Harmonised Indices of Consumer Prices (HICP) is based on a harmonised approach and a single set of definitions in order to arrive at comparable measures of inflation in the European Union (EU); owner-occupied housing is excluded from the scope of the HICP as do national CPIs for Belgium, Estonia, France, Greece, Italy, Luxembourg, Poland, Portugal, and Spain. HICPs are therefore shown for comparison under the all items column in the first table. For the United Kingdom, figure shown in the column HICP refers to the CPI in the ONS terminology.

The three CPI aggregates for zones (OECD Total, G7 and G20), calculated by the OECD, are annual chain-linked Laspeyres-type indices. The weights for each country in each link are based on the previous year's relative share of individual final consumption expenditure of households and non-profit institutions serving households expressed in Purchasing Power Parities (PPPs).

The CPI aggregates for **OECD total** and **G7 area** are calculated for four variables that are available for all OECD countries: CPI-All items; CPI-Food excluding restaurant meals (COICOP 01); CPI-Energy [Electricity, gas and other fuel (COICOP 04.5) plus Fuel and lubricants for personal transport equipment (COICOP 07.2.2)]; CPI-All items less Food less Energy (food and energy as defined above). They reflect national CPI.

The contributions to annual CPI inflation for OECD member countries (except Australia, Chile and Costa Rica) from 2010 onwards are based on national CPIs and annual expenditure weights. Contributions show how much each of selected component, Food, Energy and All items less food less energy contributes to the annual CPI inflation. Data are calculated either by the OECD or directly by the National Statistical Offices for Finland, Lithuania, Mexico, the Netherlands and Sweden ; for Austria, and the United Kingdom all contributions data are calculated by NSOs except for Energy and All items less Food less Energy; for Poland all contributions data are also calculated by NSOs while contributions of Energy and All items less Food less Energy components are not available. Data on contributions are usually calculated following the Ribe formula that ensures the additivity of the contributions<sup>1</sup>: the overall inflation rate can be decomposed into the sum of the contributions of the three selected components (or the 12 COICOP Divisions). However, the sum of the contributions may not equal the annual inflation rate due to rounding differences.

The CPI aggregate for **G20 area**<sup>2</sup> is calculated for the headline indicator only (CPI/HICP All items). It reflects national CPIs for all G20 countries (with the exception of Türkiye and the United Kingdom) that are not part of the EU while it reflects the HICPs for the EU, its Member States, for Türkiye and the United Kingdom.

### Coverage

The statistical data in this publication are supplied by and under the responsibility of the relevant statistical authorities. The use of such data by the OECD is without prejudice the status of or sovereignty over any territory, or to the delimitation of international frontiers and boundaries.

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<sup>1</sup> Detailed methodological information is available at: <http://www.oecd.org/sdd/prices-ppp/OECD-calculation-contributions-annual-inflation.pdf>

<sup>2</sup> See note on Argentina and G20 area. Further methodological information on compilation of the G20 CPI aggregate can be downloaded from: <http://www.oecd.org/sdd/prices-ppp/CPI-G20-methodology.pdf>

The **OECD-Total** covers 38 OECD Member countries: Australia, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel<sup>3</sup>, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Türkiye, United Kingdom, United States.

The **G7 area** covers Canada, France, Germany, Italy, Japan, United Kingdom and United States.

The **G20 area**<sup>1</sup> consists of the following economies: Argentina<sup>1</sup>, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, the Russian Federation, Saudi Arabia, South Africa, Türkiye, the United Kingdom, the United States, the African Union and the European Union. The G20 aggregate is calculated taking the sixteen individual country members of the G20 (other than France, Germany, and Italy) plus the EU as an aggregate. The officially reported CPI-series for Argentina has been included in the G20 aggregate from January 2018 onwards. The G20 aggregate does not include African Union countries, except for South Africa.

The **Euro area** covers the following 20 countries: Austria, Belgium, Croatia, Cyprus<sup>4</sup>, Estonia, Finland, France, Germany, Greece, Italy, Ireland, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovak Republic, Slovenia and Spain.

The **European Union** refers to the current composition of the European Union (27 countries) for the entire period of the time series.

#### **Note on Argentina and G20 aggregate**

*On 11 July 2017, the Argentine Authorities started to publish a new national CPI (December 2016 = 100) covering the whole country. This CPI represented an extension of the geographical coverage of the IPC covering Gran Buenos Aires (April 2016 = 100), which was already considered in line with international standards and led to the removal in November 2016 by the Executive Board of the International Monetary Fund (IMF) of its Declaration of Censure on Argentina. The CPI data covering the whole country, with a start of the series in December 2016, are officially reported data. Given the length of the series, the latter CPI data have been included in the G20 aggregate from January 2018 onwards. The inclusion of the Argentinian CPI in the G20 aggregate entails a clear break in the series. Given the small weights of Argentina in the G20 CPI, each 10 percentage points of Argentina's CPI inflation affects G20 aggregate inflation by about 0.1 percentage point. In January 2018, the inclusion of the Argentinian annual national inflation of 25.0% impacts the G20 aggregate inflation by about 0.25 percentage point. The G20 CPI aggregate is estimated, in January 2018, at 2.5% without inclusion of Argentinian CPI.*

#### **Note on Japanese 2020-base CPI**

*In August 2021, the Statistics Bureau of Japan released the 2020-base CPI with 2020 as the reference year from January 2020 onwards. The 2020-base CPI lowers the annual inflation rate by an average of 0.4 percentage points for the year 2021. This revision overturn the deflation exit that occurred in June*

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<sup>3</sup> The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

<sup>4</sup> Footnote by the Republic of Türkiye: The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Türkiye recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Türkiye shall preserve its position concerning the “Cyprus issue”.

Footnote by all the European Union Member States of the OECD and the European Commission: “The Republic of Cyprus is recognised by all members of the United Nations with the exception of Türkiye. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.”.



## OECD Consumer Price Index

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2021 as measured by the previous CPI. Indeed, the annual inflation rate in June 2021 as measured by the new CPI is minus 0.5%, versus 0.2% with the previous CPI. The revision largely reflects methodological changes that include the revision of CPI weights, the revision of price indices for a number of items (e.g. airplane fares, electricity and mobile phone charges), and the move to the [COICOP 2018 Classification](#). In order to take into account that part of the changes in expenditure patterns between 2015 and 2020 induced by the COVID-19 pandemic may be temporary, the new CPI weights reflect average expenditure patterns observed in 2019 and 2020. Note that part of the recent fall in Japanese prices reflect the cut in mobile phone charges after March 2021. Information on the Japanese 2020-base CPI release is available at the following address: <https://www.stat.go.jp/english/data/cpi/index.html>

More data on OECD member countries are available at [Consumer price indices \(CPIs, HICPs\), COICOP 1999; Consumer price indices \(CPIs\), COICOP 2018](#).

This news release can be found on the [OECD Website](#).

### Contacts

For further information journalists are invited to contact the OECD's Media Relations Division on (33) 1 45 24 97 00 or e-mail [news.contact@oecd.org](mailto:news.contact@oecd.org).