

12 November 2007

Memorandum on changes in temporal coverage in the CPI and the arrangement of indexation from January 2008.

On 1 January 2008, an Act on changes in the Act on the consumer price index (CPI), no. 12/1995, will come into effect. The act stipulates that the price collection for the CPI shall be carried out for at least one week during the middle of the month instead of the first two days of the month.

A temporary clause in the Act stipulates that the CPI shall be compiled twice in January 2008; first on the basis of prices observed during the first two days of the month (in effect on 3-4 January) according to the present law, and then based on the prices observed for a period of one week in the middle of the month (14-18 January) according to the new Act.

The CPI compiled according to the present law will be published for the last time on 14 January 2008. The average index for 2007 will be derived from that index, both for the total index and the index excluding housing. A complete data set will be provided on the Statistics Iceland website until the new and final January index, according to the new law, will be published.

When the timing of the price collection has been moved to the middle of the month according to the new scheme, the processing of the CPI will not be finalised until the end of the month. The new CPI will be published for the first time on 29 January 2008 and that index will be the official January index. The complete data set will then be published again and preserved on the website.

In February 2008, Statistics Iceland will change the reference period for sub-indices of the CPI to January 2008=100 owing to the shift in the time period of the collection of price data. This change itself will not cause any changes in the index results. The reference period for the main headings will be kept unchanged, May 1988=100.

Owing to the changes in the period of the collection of price data for the CPI, it has been necessary to change the provisions on the time of application of the CPI for indexation purposes. This has been done by an Act no. 51/2007 which changes the Act on interest and indexation no. 38/2001. This comes into effect in January 2008. According to this new provisions, the monthly CPI published by the end of each month shall be applied for indexation in the second month thereafter. A temporary clause in the Act stipulates that the CPI compiled on the basis of prices observed at the beginning of January shall be used for indexation in February 2008 and that the CPI based on prices at the middle of January shall be applied for indexation in March 2008.