

## GENERAL STATISTICS OFFICE

Hanoi, 28 December 2009

### PRESS RELEASE ON UPDATING CPI CALCULATION METHOD IN THE PERIOD 2009-2014

Consumer Price Index (CPI) is an indicator reflecting changes in price of consumer goods and services.

To calculate CPI, the General Statistics Office (GSO) has to identify a list of goods and services ("basket" of goods) which are popular ones consumed by people (which are called list of representative goods and services) and collect monthly prices of goods and services within this list.

Because of different consumption of each type of goods and services, CPI is calculated by weighted average between changes of prices of each goods and service within the list of representative goods and services and the weight as expenditure proportion of each corresponding goods and services as compared to total expenditures of people. (This proportion is from results of the Vietnam Household Living Standard Survey and Survey of CPI's weight conducted by the GSO).

Since the "Doi moi", fast economic development has been observed. Various goods and services have been produced with improved and better quality and models; people's living standard has been improved and these have led to changes of consumption structure over time. This requires the GSO to update representative goods, conduct survey to identify weight of final consumption of people for every 5 years.

CPI was calculated and disseminated by the GSO for the first time in 1998 (before, that was retail sale index of goods and services) with the base year 1995.

In 2001, the GSO updated the list of representative goods and services and final consumption weight for calculating CPI with the base year 2000.

In 2006, the GSO updated the list of representative goods and services and final consumption weight for calculating CPI with the base year 2005.

In October 2009, the GSO updated the list of representative goods and services and the weight with the base year 2009.

Below is the calculation method of CPI for the period of 2009-2014.

#### **1/ List of representative goods**

In order to develop the list of representative goods, the GSO has conducted a market survey in 63 provinces/cities under central management. From this survey, some goods and services which are not popular any longer have been excluded from the list and some new goods have been added. Total number of goods in the

“basket” for the period of 2009-2014 is 572 (an increase of 78 goods in comparison with the previous “basket”).

Prices of gold and US dollar in free market are collected for calculating gold price index and US dollar price index.

## 2/Weight

Weight for CPI calculation for the period of 2009-2014 is developed from results of the Household Living Standard Survey and Survey of weight for CPI conducted by the GSO in 2008.

From data of these surveys, the GSO has compiled different types of weight for calculating CPI at provincial, regional and national level. Of which the group of goods at level I – Food and foodstuff is disaggregated into 3 groups at level II (*food, foodstuff and meals and drinks out*). One more level I group has been added in comparison with the previous weight because the group of Transportation and Post and Telecommunications has been separated.

### Weight for national CPI calculation of the period 2009-2014

Code	Groups of goods and services	Weight (%)
C	Total expenditure for final consumption	<b>100,00</b>
01	I- Food and foodstuff	39,93
011	1. Food	8,18
012	2. Foodstuff	24,35
013	3. Meals and drinks out	7,40
02	II. Beverage and cigarette	4,03
03	III- Garment, footwear, hat	7,28
04	IV- Housing and construction materials	10,01
05	V- Household equipment and goods	8,65
06	VI- Medicament, health	5,61
07	VII- Transportation	8,87
08	VIII- Post and telecommunications	2,73
09	IX- Education	5,72
10	X- Culture, sport, entertainments	3,83
11	XI- Other goods and services	3,34

## 3. Formula for CPI calculation

CPI in Vietnam for the period of 2009-2014 is calculated by Laspeyres formula which is in accordance with international practice and CPI calculation method of previous periods:

$$I^{t \rightarrow 0} = \frac{\sum_{i=1}^n p_i^t q_i^0}{\sum_{i=1}^n p_i^0 q_i^0} = \sum_{i=1}^n W_i^0 * \left( \frac{p_i^t}{p_i^0} \right)$$

where:

$I^{t \rightarrow 0}$  : CPI of the t<sup>th</sup> reporting period compared to the base period 0;

$p_i^t$  : price of i<sup>th</sup> goods in the t<sup>th</sup> reporting period;  $p_i^0$  is price of i<sup>th</sup> goods in base period;

$W_i^0$  : Constant weight of 2009.

#### 4. Dissemination of CPI

The national CPI, CPI of 6 economic regions, CPI of provinces/cities under central management in the period of 2009-2014 is disseminated monthly in following format:

- General Price index, price index of 11 level I groups and 3 level II groups (food, foodstuff and meals and drinks out) and by urban, rural area;

- By 5 comparison bases: base year 2009, same month of previous year, previous December, previous month, and average price index of the same period.

**Gold price index and US dollar price index** are not included in CPI and are disseminated monthly with CPI.

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