Consumer Price Index, Core Inflation

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2. Metadata update	
2.1. Metadata last certified	February 14, 2024
2.2. Metadata last posted	February 14, 2024
2.3. Metadata last update	February 14, 2024

3. Statistical presentation
3.1. Data description
The consumer price index (CPI) measures average price level of the goods and services purchased by consumers compared to the reference period.   The consumer price index is the only indicator used to measure inflation rate in Georgia. Furthermore, the CPI is used for inflation targeting.   **Core inflation** is an inflation indicator, which is not influenced by the seasonal factor and products with highly volatile prices. The prime objective of this indicator is to show the main dynamics of inflation and therefore is an important analytical instrument for evaluating inflationary processes in the country.
3.2. Classification system
The data is grouped according to the Classification of Individual Consumption by Purpose (COICOP).
3.3. Sector coverage
The consumer price index and services acquired for private consumption by residents within and outside of the territory of the country.
3.4. Statistical concepts and definitions
Published data: **Consumer price index:**   • Consumer price indices compared to previous month;   • Consumer price indices compared to long term base period;   • Consumer price indices compared to corresponding month of previous year;   • Consumer price indices, 12-month average compared the previous 12-month average;   • Consumer price detail indices compared to previous month;   • Consumer price detail indices compared to corresponding month of previous year.   **Core inflation:**   • Core inflation compared to corresponding month of the previous year.
3.5. Statistical unit
Consumer price index: published index reflects the „final monetary expenditure" on goods and services acquired for private consumption by residents within and outside of the territory of the country.   **Core inflation**: published index reflects the „final monetary expenditure" on goods and services acquired for private consumption by residents within and outside of the territory of the country, excluding certain goods and services from the consumer basket.
3.6. Statistical population
The consumer price index reflects changes in expenditure on goods and services purchased for private consumption by residents within and outside of the territory of the country.   The index **does not cover** expenditures of government or institutional households (hospitals, prisons, shelters, etc.).   **The core inflation** is computed based on the general consumer price index with the same weight structure and formula types.

According to one of the methods of international methodology the core inflation is calculated by excluding certain goods and services from the consumer basket.

The core inflation in Georgia is calculated by excluding the following groups of goods and services:
- Food and non-alcoholic beverages;
- Tobacco (in certain cases);
- Fuels (Gasoline, diesel, gas, liquid gas, firewood);
- Administrative tariffs (water, refuse collection and disposal, electricity and gas);
- Transport (Outskirts and long-distance train, bus, inter-city transport, taxi and airplane).

3.7. Reference area

The prices are collected in retail outlets and service establishments in six cities: Tbilisi, Kutaisi, Batumi, Gori, Telavi and Zugdidi. The consumer basket is identical for all cities.

3.8. Time coverage

Consumer price index:
Total index – since 1988;
According to COICOP groups – since 2004.
Core inflation – since 2010.

3.9. Base period

Consumer price index – 2010;
Core inflation – corresponding month of the previous year.

4. Unit of measure

Consumer price index – index;
Core inflation – percentage change compared to the corresponding month of the previous year.

5. Reference period

Month.

6. Institutional mandate

6.1. Legal acts and other agreements

The Law of Georgia on Official Statistics;
https://www.geostat.ge/media/56202/The-Law-of-Georgia-on-Official-Statistics.pdf
Statistical Work Programme (annual);
https://www.geostat.ge/en/modules/categories/307/statistical-work-programme
Charter of the National Statistics Office of Georgia.
https://www.geostat.ge/media/20845/10%2Csaqstatis-konsolidirebuli-debuleba.pdf

6.2. Data sharing

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7. Confidentiality

7.1. Confidentiality – policy

1. The Law of Georgia on Official Statistics:
    - According to the article 5 of the law Statistical confidentiality and exclusive use for statistical purposes – individual data collected or received by the producer of official statistics, relating to natural or legal persons, must be strictly confidential and used only for statistical purposes.
    - According to the article 34 (Observing Confidentiality of Statistical Data) of the law 1. Data collected, processed, and stored to produce official statistics are confidential if they enable the direct or indirect identification of a statistical unit. In addition, aggregated data are subject to statistical confidentiality: a) Aggregates composed of 1 to 3 units, when the unit is a natural or legal person if one of these units could be identified indirectly, thereby disclosing individual data about this unit. Aggregates composed of more than 3 units may be declared confidential by the Executive Director if required to ensure statistical confidentiality; b) Information declares as a state secret on the basis of the „Law of Georgia on State Secrets". 2. Confidential data shall be used exclusively for the purposes of producing statistics in accordance with this law. 3. Statistical data about the administrative body cannot be considered confidential information, except for the information determined by the Law of Georgia „On State Secrets". 4. Individual data obtained from publicly available

sources, which are defined as public information in accordance with the legislation of Georgia, shall not be considered confidential information. 5. Confidential (individual) data may be published if there is written consent from the statistical unit regarding the publication of such data. 6. It is not allowed to disseminate and distribute confidential data or use it for non-statistical purposes.

- According to the article 38 (Confidentiality commitments) of the law the confidential statistical data collected and processed for statistical purposes shall not be used or disseminated either for personal, academic, research or any other activities, by the employees of the producers of Official Statistics.

https://www.geostat.ge/media/56202/The-Law-of-Georgia-on-Official-Statistics.pdf
2. Data Confidentiality Policy at Geostat
    https://www.geostat.ge/media/20860/Data-Confidentiality-Policy-at-Geostat_En.pdf
3. Procedure for providing access to confidential data for research purposes (in Georgian)
    https://www.geostat.ge/media/58983/დადგენილება--3.pdf
4. The Law of Georgia on Personal Data Protection
    https://matsne.gov.ge/en/document/view/1561437?publication=9

7.2. Confidentiality – data treatment

- Confidentiality guidelines.
- Written undertakings by an employee of Geostat on ensuring confidentiality of gained/collected data as a result of official duties.

8. Release policy

8.1. Release calendar

Data dissemination dates are defined by the calendar developed on the basis of the Statistical Work Programme, which is published on the website of Geostat and is publicly available.

8.2. Release calendar access

https://www.geostat.ge/en/calendar

8.3. User access

All users have the equal access to the statistical data simultaneously.

9. Frequency of dissemination

Monthly.

10. Accessibility and clarity

10.1. News release

Press release on consumer price index is published monthly on Geostat website, where monthly and annual inflation are presented. Furthermore, the groups that had significant contribution in index change and also price dynamics in different sections using graphs.

https://www.geostat.ge/en/news?year=&month=&category=7

10.2. Publications

Quarterly bulletin:

https://www.geostat.ge/en/single-categories/98/quarterly-bulletin

Statistical yearbook:

https://www.geostat.ge/en/single-categories/95/statistical-yearbook

10.3. On-line database

Data is accessible to all consumers on Geostat website:

https://www.geostat.ge/en/modules/categories/26/cpi-inflation

Also available in PC-Axis format:

https://pc-axis.geostat.ge/PXweb/pxweb/en/Database/?rxid=190da113-9324-45c5-8228-160074560a52

10.4. Micro-data access

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10.5. Other

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10.6. Documentation on methodology

The methodology on computing consumer price index and core inflation is available on Geostat website:

https://www.geostat.ge/media/46455/CPI-methodology_27Dec21.pdf

10.7. Quality documentation
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11. Quality management
11.1. Quality assurance
To ensure the quality of the statistical processes and products Geostat follows Chapter 10 – Quality of official statistics – of the Law of Georgia on Official Statistics, as well as the European Statistics Code of Practice, the UN Fundamental Principles of Official Statistics and Quality Assurance Framework of the European Statistical System (ESS QAF).
11.2. Quality assessment
Methodology and Quality Management Division of Geostat, along with the sectoral departments, is responsible for the quality of the produced statistical products and processes. The Division carries out quality audit, self-assessment of statistical processes and assesses the risks for the quality of statistical processes and products. Geostat has developed policy documents, guidelines and standard routine descriptions. These documents ensure the standardization of statistical processes and products and the establishment of a unified quality assurance system.   Quality policy is available on the following link: https://www.geostat.ge/media/44380/QP_Geostat_EN.pdf

12. Relevance
12.1. User needs
The consumer price index is used for the following purposes: 1. The CPI is the only index used to measure inflation rate in Georgia. It is also a significant factor for inflation targeting;   2. The CPI plays an important role in the process of indexation of the amount of incomes, social assistances, contracts and etc.;   3. The CPI is used as a deflator to eliminate the influence of inflation while calculating different economic indicators.   The main users of the index are: public authorities, international organizations, researchers and students, media and other interested persons.
12.2. User satisfaction
In 2021 user satisfaction survey was conducted, the target of the survey was to analyze the assessment of quality of statistical data by users and explore ways to improve user services. The survey report is available on the website of Geostat (in Georgian):   https://www.geostat.ge/ka/page/customer-service
12.3. Completeness
Data corresponds to international standards.

13. Accuracy and reliability
13.1. Overall accuracy
Data accuracy is provided with accordance to international methodology on research and calculation.
13.2. Sampling error
No sample error evaluation for CPI. Sample size is optimal given the study objectives and limited resources.
13.3. Non-sampling error
No non-sample error evaluation for CPI. In order to keep this type of error minimal index calculation includes multiple levels of validation.

14. Timeliness and punctuality
14.1. Timeliness
The data is published on dates 2-5 each month.
14.2. Punctuality
The data is published according to the date specified in the statistical work program. There has not been any violation of publication dates.

15. Coherence and comparability

15.1. Comparability – geographical
Prices are collected in retail outlets in six cities: Tbilisi, Kutaisi, Batumi, Gori, Telavi and Zugdidi. The national index is the weighted arithmetic mean of the lower and upper level aggregate indices of individual cities corresponding to their weights. Consumer basket is identical for all cities. The principles of price collection and index calculation are based on international methodology and are fully consistent with it. In addition, prices are collected using the general methodology, which insures data comparability within the country.

15.2. Comparability – over time
Consumer price index: Data is divided in two-time series: 1. 2000-2003; 2. 2004- until today. The division is due to adopting COICOP in 2004. Time series are comparable on group level for each period. Total index is comparable from 2000 until today.

15.3. Coherence – cross domain
Data is coherent.

15.4. Coherence – internal
The indices are consistent with the initial data – Aggregated indices are derived from elementary level indices through a clearly defined procedure.

16. Cost and burden
In 2024 annual budget of statistical surveys of prices (consumer, producer and import prices) amounted to 282 510 GEL.

17. Data revision

17.1. Data revision – policy
Statistical data revision policy is available on the website of Geostat: https://www.geostat.ge/media/44385/Revision-policy-and-error-correction_Geo.pdf

17.2. Data revision – practice
Planned revision of data is not carried out. An Unplanned revision (to clarify data) was not carried out in 2022.

18. Statistical processing

18.1. Source data
The primary data used for calculating CPI is the prices of goods and services obtained by monthly research. Observed goods and services are represented by the fixed consumer basket, which reflects the structure of consumption expenditures for an average consumer. Goods and services in the consumer basket are selected based on the data of National Accounts and Integrated Household Survey and are grouped according to COICOP (Classification of individual consumption by purpose). Currently, the basket consists of 305 types of goods and services. Prices are collected in retail outlets in **six largest cities**: Tbilisi, Kutaisi, Batumi, Gori, Telavi and Zugdidi. Cities are selected based on the share of region's population expenditure in total monetary expenditure and the size of the city. Information about the active business entities is used as a data source for outlet sampling. Sampling is conducted for each city, based on the commodity groups represented in the basket (in some cases for individual goods and services) and sequential pps (probability proportional to size) sampling method is applied. Currently, more than 1800 outlets are observed. After completing outlet sampling, market survey is conducted to determine the most commonly sold items of goods and services included in the basket. Thus, most demanded representative items are selected for price collection. More than 17 000 prices are collected each month within the country.

18.2. Frequency of data collection
Price collectors register consumer prices during the same dates from 10th to 20th of each month.

18.3. Data collection
There are two main methods of price collection - local and central. **Local price collection** is used for most of the goods and services represented in the consumer basket. It can be conducted in the following ways: • Price enumerator personally visits sampled outlets and registers the prices for predetermined goods and services;

- Price enumerator registers prices by the telephone. Such goods and services include:
  - Transport services (train tariffs, air flight fees, tariffs for public road transport);
  - Communication (monthly telephone fees, intercity telephone call tariffs, mobile phone tariffs;
  - Cable TV fee;
  - Public utility fees (natural gas, water, electricity, refuse collection);
  - Medical services (therapist's and dentist's services, surgeon and childbirth services, blood test).

Prices for goods and services are collected in the following types of retail outlets:
- Retail markets and market-type outlets;
- Stores;
- Supermarkets;
- Specialized stores and retail chains;
- Newsstands;
- Household service establishments;
- Recreation and entertainment facilities;
- Health and education institutions;
- Catering, etc.

Central price collection is conducted by headquarter representatives. This method includes centrally fixed prices, which can be obtained from the headquarters of retail outlets. In this case, it is important to check if the goods and services in question are actually available and sold in a specified outlet of a corresponding city.

Collection of centrally fixed prices considers price registration of goods and services that have the same price across the country or represent production sold in retail chains. Such prices can be registered either by price enumerators or central office and the price is extended across other cities. Examples for this kind of goods and services are:
- Pharmaceutical products;
- New and secondary cars;
- Fuel (gasoline, diesel);
- Train tariffs;
- Air flight fees;
- Mobile phone tariffs;
- Banking service fee;

Intercity telephone call tariffs, etc.

18.4. Data validation

Data validation consists of two stages:

On first stage price validation takes place simultaneously with price registration field work. If an observed price does not fall in the predetermined relative price range, built-in software controls alert the price enumerator to check the price. Price enumerators confirm the accuracy of the price by making an appropriate comment. The data is sent to the central office on the same day of price registration and the central office employee, responsible for the specific city, analyzes the data. If necessary, the price is checked by registrar.

On second stage primary data analysis is carried out by the central office after calculating the indices and average prices. During the second stage of validation the following analysis is performed:
1. Elementary and group indices for all six cities are compared and significant deviations from the average rate are checked;
2. Dynamics of average prices and detailed indices are analyzed.

Irrespective of the number of comparable prices registered in each city, an elementary aggregate index is considered to be reliable if it passes the above validation checks.

18.5. Data compilation

The weights for the groups of goods and services represented in the basket are based on the consumption structure derived from the National Accounts' data and reflect the latest expenditure pattern across the country. Additional source for the weight calculation is the information received from the Integrated Household Survey. The final data on weights represents the share of monetary expenditures on goods and services in the overall consumer's monetary expenditures.

Weights for each city are calculated as shares of consumer's monetary expenditures of the corresponding region in the total consumer expenditures. The city weights are also based on the National Accounts' data and the Integrated Household Survey information.

The weights are updated annually based on the newest information received from the above-mentioned sources.

Weights for period t are calculated based on the information from period t-2.

Elementary level index is the geometric mean of price ratios. CPI for the whole consumer basket is calculated using the Laspeyres-type formula. The national level index is a weighted arithmetic mean of elementary or higher-level aggregate indices calculated for individual cities.

During the annual update of the consumer basket and item specifications in December, the prices are collected for both old and new basket types, allowing for the chain linking of two different baskets. Regardless of the change in group weights or components, chain-linking can be used for group index calculations over a long-term base period.

18.6. Adjustment

Not applicable.

19. Comment

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