

Seasonal Products

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Abstract:

The paper looks at the problems associated with constructing a Consumer Price Index when the products in scope exhibit strong seasonality; i.e., for some months of the year, some products are simply not available. Under these circumstances, a single CPI cannot serve all purposes. The paper suggests that it would be useful to construct three separate indexes under these circumstances: (i) 12 year over year monthly indexes that compare say the prices of December in the current year with the prices in December of a prior year; (ii) an annual index that treats each product in each month as a separate product in the annual index (Mudgett-Stone annual indexes) and (iii) a month to month index that compares the prices in the current month with the corresponding prices in a reference month. The chain drift problem can be avoided if similarity linking is used. The various indexes are illustrated using a data set consisting of household monthly purchases of 14 types of fresh fruit in Israel over a 6 year period.