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Title: Is There a Measurement Bias from Quality Adjustment in Austria and Italy?

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Abstract (maximum length of 400 words)

Improper quality adjustment has been identified as a source of potential bias for CPIs for a long time. However, as a benchmark for quality adjustment does not exist, it has always been complicated to estimate a potential bias. For this paper, we use a corridor, in which quality adjusted prices are supposed to lie, by defining its borders as the two extreme cases of attributing the whole price change to a change in quality (link-to-show-no-price-change) and assuming an unchanged quality when comparing prices (direct price comparison). Analysing micro price data for a number of non-energy industrial goods in Austria and Italy in the period 2011-2018 we find no systematic measurement bias induced by the quality adjustment methods implemented in these countries. Actual quality adjustment of prices conducted by Statistics Austria and ISTAT in most cases lies within the borders of the corridor. Nevertheless, inflation rates calculated according to different quality adjustment methods can differ substantially which calls for further harmonization of quality adjustment practices within euro area countries.

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