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PRICES

GENERAL

(Tables 13.1-13.2)

PURPOSE OF PRICE INDICES

The indices measure the percent of change over time in the cost of a "fixed basket" of goods and services, or the change in revenue obtained for a fixed basket of goods and services. Such a "basket" represents patterns of consumption or production as reflected over a certain period, which constitutes the base period of each index. The basket of each index includes goods and services of fixed or equivalent quality and quantity, so that the changes in index represent changes in prices only.

WEIGHTS

The weights of each index are value weights, and the importance attributed to each item of the index basket equals the percent of the expenses on it or the revenue from it (during the base period), out of the total expenses or revenue included in the index.

SAMPLE OF GOODS AND SERVICES

The changes in the price levels of each item of the various indices are estimated according to the changes in the prices of a sample of various goods and services. The sample of goods is determined by their impact on the expenses or revenue covered by the index and by their ability to represent price trends of large groups of similar goods.

METHOD OF COLLECTING PRICES

The prices of each one of the goods or services in each business are recorded by a fixed and detailed definition of the goods according to a set of rules, whose purpose is to ensure that the index represents changes of prices and not of quantity or quality of the goods. In output price indices, i.e., the Consumer Price Index and the wholesale price index of manufacturing output, the prices measured include taxes and impositions on the product, including VAT. In input price indices, however, the prices measured include all taxes and impositions, excluding VAT.

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Labour cost (formerly: wages) - for detailed definitions of wages and labour cost, see Introduction to Chapter 14 - *National Accounts*.

METHOD OF COMPUTATION

The index of change (in points) in the price of each one of the goods or services is computed according to the price of each as recorded in the various businesses over a given period (one month, a quarter-year, a year) in relation to the base period. The general index is obtained as a weighted average of the price indices of all goods or services whose prices are measured. An average annual index is obtained as an arithmetical average of the monthly or quarterly indices, except the agricultural output price index (see Definitions and Explanations in the *Price Statistics Monthly*, Hebrew only).

UPDATING AND CHAINING THE INDICES

Each index is updated every few years. When this is done, the basket and its weights are updated accordingly. In general, the updated index is presented in relation to a different base period from that used prior to the updating.

For practical purposes, different series of the same index, which are presented according to different base periods, can be chained and presented on a uniform base. The general formula for chaining (in terms of the base period) is multiplying the index by a "chaining coefficient". The coefficient being the index of the new base period, which is computed according to the old base divided by 100.

THE CONSUMER PRICE INDEX

(See *Technical Series No. 60*)

(Tables 13.3-13.5)

*DEFINITION OF THE INDEX AND ITS**APPLICATIONS*

The Consumer Price Index measures the percent change over time in the expenditure necessary for purchasing a "fixed basket" of goods and services, whose prices can be measured regularly. This "basket" represents

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the consumption of the households.

The index is used mainly for various linkages, as well as for determining cost of living, allowances in wages and for analyzing the trends of prices in the economy.

SOURCES OF INDEX WEIGHTS

The composition of household consumption expenses during the base period is obtained from Household Expenditure Surveys.

The goods and services basket of the Consumer Price Index whose prices are measured from January 2005 until December 2006 is based on the findings of 2002-2003 Households Expenditure Surveys. In order to compute the index the survey data have been adjusted to the average level of prices in 2004, and the index is presented for that period according to the average base: 2002=100 points.

From January 2007 until December 2008, the index is presented in relation to the base period 2006=100.0 points. The index is based on the findings of household expenditure surveys conducted in 2004-2005, and has been adapted to the average level of prices in 2006.

SAMPLE OF GOODS AND METHOD OF COLLECTING PRICES

The change in the index is estimated according to changes in consumer prices of about 1,300 goods and services. The prices of these items are collected by enumerators or by phone from about 3,000 stores, businesses and households in about 100 localities (excluding the sample of rent prices).

CONSUMER PRICE INDEX SERIES

Period	Base period	Chaining coefficient to previous index
XI 1951-I 1959	XI 1951	..
I 1959-XII 1964	I 1959	2.753
I 1965-XII 1969	Average 1964	1.347
I 1970-XII 1976	Average 1969	1.237
I 1977-XII 1980	Average 1976	4.112
I 1981 - XII 1985	Average 1980	8.349
I 1986-XII 1987	Average 1985	2.25 ⁽¹⁾
I 1988-XII 1993	Average 1987	1.775
I 1994-XII 1998	Average 1993	2.421
I 1999-XII 2000	Average 1998	1.581
I 2001-XII 2002	Average 2000	1.064
I 2003-XII 2006	Average 2002	1.068
I 2007-XII 2008	Average 2006	1.038
2009-	Average 2008	1.051

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⁽¹⁾ In order to chain the 1985 indices to those prior to 1985, they must be multiplied by 100; in order to chain the indices as of 1986 and onward with those prior to 1985, they must be multiplied by the respective coefficient multiplied by 100.

PRICE INDEX OF INPUTS IN RESIDENTIAL BUILDING

(For a detailed explanation of index principles, the method of conducting the survey and its findings, see *Price Statistics Monthly*, No. 2, 2004, and No. 5, 2004).

(Tables 13.6-13.8)

DEFINITION OF THE INDEX AND ITS APPLICATIONS

The index measures the changes over time in the cost of a "fixed basket" of materials, products and services used for constructing residential buildings. This basket represents the composition of construction expenditures for contractors and subcontractors.

In addition to the system of indices relating to the total "basket" of residential building, since February 1992, a system of sub-indices related to building episodes has been published.

The index is used mainly as a basis for linking building contracts, for deducting price changes from the changes in the value of investments in building and as a general gauge of price changes in construction.

SOURCES OF INDEX WEIGHTS

The index basket, whose prices have been measured since February 2004, is based on the findings of a survey of expenditure on construction of residential buildings conducted in 2003. The survey investigated the components of inputs in about 125 building projects that began in September 1998 and were completed by the end of September 2002.

In order to compute the weights, the survey data were evaluated at prices of the base period (January 2004 = 100.0 points).

SAMPLE OF MATERIALS AND METHOD OF PRICE COLLECTION

Within the framework of the index the prices of materials and services are measured directly in a sample of wholesalers and manufacturers who supply materials and services to contractors throughout the country. The prices measured are those paid

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by contractors and sub-contractors to all types of suppliers.

SERIES OF PRICE INDICES INPUTS IN RESIDENTIAL BUILDING

Period	Base period	Chaining coefficient to previous index
VII 1950-I 1964	VII 1950	..
II 1964-XII 1968	I 1964	6.680
I 1969-IV 1975	Average 1968	1.259
V 1975-X 1983	VI 1975	3.434
XI 1983-I 1992	X 1983	176.512
II 1992-I 2004	I 1992	49.091
Since II 2004	I 2004	2.048

PRICE INDEX OF INPUTS IN ROAD CONSTRUCTION

(A detailed explanation of index principles, the method of conducting the survey and its findings can be found in Special Series publication no. 688, *Index of Input Prices in Road Construction 1980/81*. The changes introduced into the index following the January 1996 update are presented in the *Price Statistics Monthly*, No. 1, 1996).

(Table 13.9)

DEFINITION OF THE INDEX AND ITS APPLICATIONS

The index measures the percent change, over time, in the cost of a "fixed basket" of materials and services used for constructing roads. This basket represents the components of expenses in the road construction activity.

The index consists of two systems of sub-indices: one sub-system includes three sub-indices for layers (construction works, sub-base and bearing course) and the other includes two sub-indices for types of roads (non-urban and urban). Separate weighted averages of sub-indices for each system provide a basis for compiling an overall index for road construction.

The index serves mainly as a basis for linking contracts of road construction and for deduction of changes in prices from the changes of value of investments in road construction.

SOURCES OF INDEX WEIGHTS

The index basket, whose prices have been measured since February 1996, represents the components of expenditures in the road construction industry for construction projects completed in 1990-1991, after the expenditures are adjusted as of January 1996,

which constitutes the new base period for the updated index.

PRODUCT SAMPLE AND METHOD OF PRICE COLLECTION

Within the index framework, the prices of materials and services are calculated directly. Prices of materials and services are collected from a sample of wholesalers and manufacturers who provide materials and services to paving contractors in all the regions of the country. The prices calculated are those paid by the paving contractors to the various kinds of marketers.

PRICE INDICES SERIES OF INPUTS FOR ROAD CONSTRUCTION

Period	Base period	Chaining coefficient to previous index
I 1966-XII 1972	I 1966	..
I 1973-V 1981	Average 1972	1.542
VI 1981-I 1996	V 1981	82.016
Since II 1996	I 1996	46.839 ⁽¹⁾

⁽¹⁾ To link the indices since 1985 to pre-1985 indices, multiply them by 10.

WHOLESALE PRICE INDEX OF MANUFACTURING OUTPUT

(See methodological details in Technical Series No. 22. The changes in the indices after updating are presented in the following publications: "Update of Wholesale Price Index of Industrial Output for Domestic Destinations" in *Price Statistics Monthly*, No. 1, in 1969, 1972, 1978, 1989, 1995 and 2006).

(Table 13.10)

DEFINITION OF THE INDEX AND ITS APPLICATIONS

The index measures changes in prices obtained by industrial manufacturers for products and services included in manufacturing output, during the first stage of marketing in Israel.

The main use of the index is to deduct the value of manufacturing output series, calculated at current prices, by conversion into a series of values at constant prices.

SOURCES OF INDEX WEIGHTS

The output basket of the present index, whose prices have been measured since January 2006, represents the composition of manufacturing output for the local market during 2004/05. Data on the value of marketed output by industry (divisions and

groups) were derived from manufacturing indices for 2004/05. These data, combined with the estimated output of self-employed persons, served as the basis for calculating the weights of the divisions and the groups.

To adjust the weights of the groups to the "Classification of Products", and to determine the weights of products and categories of products in the index, a special survey was conducted on the distribution of the marketed manufacturing by products. The survey data relate to the base period 2004.

In order to compute the weights, output value data were evaluated at 2005 prices (the base period).

SAMPLE OF COMMODITIES AND METHOD OF PRICE COLLECTION

The index measures about 1,500 types of products and services. Prices of the various products and services are collected from a sample of about 800 establishments. The sample includes most of the large establishments which make a significant contribution to the output value of the activity, as well as medium and small establishments which are representative of their group.

The prices measured are those received by the manufacturer on the first transaction, generally at the establishment gate. These are market prices which include purchase tax but not subsidies.

WHOLESALE PRICE INDICES SERIES OF MANUFACTURING OUTPUT

Period	Base period	Chaining coefficient to previous index
I 1964-XII 1968	Average 1963	..
I 1969-XII 1977	Average 1968	1.138 ⁽¹⁾
I 1978-XII 1988	Average 1977	6.105
I 1989-XII 1994	Average 1988	29.101 ⁽²⁾
Since 1995	Average 1994	2.015 ⁽²⁾
Since 2006	Average 2005	1.706 ⁽²⁾
Since 2006	Average 2005	1.791 ⁽³⁾

⁽¹⁾ Excluding fuel, "Diamonds" and "Printing and Publishing".

⁽²⁾ Excluding fuel and "Diamonds".

⁽³⁾ General index (including fuel).

PRICE INDICES OF OUTPUT AND INPUT IN AGRICULTURE

Principles of the index were detailed in Technical Series No. 58, *Price Indices in the Agricultural Activity*.

The changes in the indices after updating are presented in the following publications: *Price Statistics Monthly*, No. 6, 2001 and 4, 2002.

(Table 13.11)

DEFINITION OF THE INDEX AND ITS APPLICATIONS

The indices measure the influence of price changes on agricultural income from the commodities it produces and on its expenses for consumption products and services used as inputs.

These indices are mainly used for the following purposes: as deflators, i.e., they express value series in current prices as value series at fixed prices; they check the influence of price changes on the terms of trade in agriculture; they update calculations used to determine prices and subsidies for agricultural produce; they are used to calculate the value of agricultural production, etc.

The percent of change in the index is different from the percent of change in prices of agricultural output (which is derived from the account of agriculture - Chapter 19 - *Agriculture*). For the most part, changes in the price index of output in agriculture are reflected in base weight prices (base year 2000), whereas price changes in the index of the industry are reflected in current weights.

SOURCES OF INDEX WEIGHTS

The weights of the agricultural output and input price indices must reflect in principle the relative importance of the various kinds of output and input values within the overall output and input values during the base period of the index.

The weight is based on the value of output in the base year (2000). The prices used to derive the price index of output in agriculture are calculated according to the weighted mean of the quantity of every product marketed that year. The indices derived from these prices are weighted as aggregative means, by the weights of the values of the base period.

The estimate of the input values which are included in the updated basket of the price index of agricultural inputs is based on a large number of detailed data on purchases for agricultural activities, or on the production and marketing value of enterprises that supply materials, products and services to

agriculture, e.g., animal feed, fertilizer, seeds, etc.

The data are derived from many sources, the principal ones being: estimates of the agriculture activity accounts, findings of the Agricultural Survey 1995, data from producers and marketers, data commissioned from various governmental and administrative organizations, the Israel Electric Corporation, the Water Commission, the Ministry of Agriculture, etc.

The weights of the input prices index for agriculture are based on data for input value in 2000.

PRICE INDICES OF OUTPUT SERIES AND INPUT IN AGRICULTURE

Period	Base period	Chaining Coefficient to previous index
1. Price index of agricultural output 1976/77-1986/87	Average 1975/76	..
1987-2000	Average 1986	2,896
Since 2001	Average 2000	2,861
2. Price index of input in agriculture 1976/77-1986/87	Average 1975/76	..
1987-2000	Average 1986	2,909
Since 2001	Average 2000	3,987

PRICE INDEX OF INPUT IN BUSES

(Detailed descriptions of index principles appear in *Price Index of Input in Buses 1969*, Price Statistics Monthly No. 2, 1971 (Hebrew only). For updates and consequent changes, see *Price Statistics Monthly*, No. 11, 1978 and No. 4, 1994)

(Tables 13.12-13.13)

DEFINITION OF THE INDEX AND ITS APPLICATIONS

The index measures the percent of change, over time, in the costs of "fixed basket" of products and services used to operate bus services.

Until January 2007, the index was calculated according to two systems: an index relating to the population at large and a sub-index relating only to the public sector.

As of January 2007, the index is calculated

according to the following two systems: an index relating to the entire population, and a sub-index relating to concessionaires companies only.

The index serves as a basis for determining prices and subsidies in the bus activity. The index also serves as a current indicator of price development in the industry.

SOURCES OF INDEX WEIGHTS

The index basket, whose prices were measured as of January 2007, represents the composition of inputs of bus companies in 2004, at 2007 prices. Data on the components of the bus companies' expenses for various materials, goods, and services, were received in the Survey of Bus Companies' Expenses. This survey investigated the detailed expense structure of the companies operating buses on scheduled routes and special bus services as defined in classes 6000 and 6001 in the *Standard Industrial Classification of All Economic Activities 1993, Second Edition*, Technical publication No. 63.

SAMPLE OF GOODS AND SERVICES AND THE PRICES MEASURED

The index measures the prices of various goods and services collected in the sample. The prices relate to detailed definitions of goods and services, as well as the terms of transaction and payment, at which they are sold to the bus companies.

PRICE INDICES SERIES OF INPUT IN BUSES

Period	Base period	Chaining coefficient to previous index
I-III 1970-X-XII 1977	Average 1969	..
IV-VI 1978-X-XII 1993	I-III 1978	10.347 ⁽¹⁾
I-III 1994- II 2007	X-XII 1993	56.578 ⁽²⁾
Since II 2007	II 2007	2.41 ⁽³⁾

⁽¹⁾ Excluding wages of cooperative members.

⁽²⁾ To the public sector - excluding housing services.

⁽³⁾ For the total population.

SELECTED PUBLICATIONS

"Da" - *Consumer Price Index (explanation Bulletin) (Hebrew only)*
Price Indices - Multi-Annual Series, 1997-2000 (Hebrew only)

SPECIAL PUBLICATIONS

1153 Household Expenditure Survey 1999, General Summaries

TECHNICAL SERIES

58 Input and Output Price Indices in the Agricultural Branch, 1986

60 Consumer Price Index, 1992

66 Price Indices of Inputs in Residential Building, 1995

CURRENT BRIEFINGS IN STATISTICS

5, 1996 Update of Index of Input in Road Construction (Hebrew only)

39, 1998 Survey of Residential Building Cost (for building completed in 1995)

PUBLICATIONS APPEARING ONLY ON THE CBS WEBSITE

Price Index of Inputs in Residential Building, January 2004 (in the *Price Statistics Monthly*).

Updated Price Indices for Building States (in the *Price Statistics Monthly*).

Price Index of Input in Buses, 2007 (in the *Price Statistics Monthly*).