

MEMORANDUM

*Date:* 29 April 2014

*Subject:* **Airfares in the consumer price index**

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Statistics Iceland works in cooperation with Eurostat and other statistical institutions in Europe to harmonise methodology used for the Consumer Price Index (CPI) and the Harmonised Index of Consumer Prices (HICP). New guidelines from Eurostat state that prices of goods are to be included in the compilation of the index at time of purchase, whereas prices of services shall be included at the time when the service is used. Differences in the two cases are rare, except with regard to airfares.

Statistics Iceland is changing the timing of when airfare purchases are included in the compilation in compliance with the guidelines. Statistics Iceland measures various flight routes with three types of departure; with a departure after two weeks, with a departure after one month and with a departure after two months. Until now all prices have been included in the CPI calculation in the month when the prices were observed. Prices will continue to be collected in the same way as before; however prices for departures with later departures than after 14 days will be included in the CPI with a delay with respect to the timing when the intended flight takes place.

In April prices of flights with a departure after 14 days have been included in the calculation. Prices of flights with a departure after one month or after two months are unchanged from March. In May prices for flights with a departure after 14 days observed in May will be included in the calculation as well as prices for flights with a departure after one month which were collected in April. In June all flight routes with various departure delays will have new prices and the change will have passed through. The change disregards price observations that have already been taken into account in previous months.