Price Index of a Small Basket (PISB) of 100 Goods and Services Considered as Socially Useful and Vital for Living

(Methodology)

Aim and nature

The aim is to obtain representative country data about the prices paid by the households in the country for approximately 100 goods and services included in the so-called "small basket". On the basis of these prices indices measuring their changes (movements) in time are calculated. These indices (PISBs) measure the average price changes of selected socially useful and vital for the living goods and services that are essential for the biological and social existence of a separate person or household with comparatively low income. This means that the weighting of the goods and services in the small basket is done by the monetary expenditure data for the lowest income 20% of the persons in the households, which is derived from the Household Budget Survey (HBS) carried out monthly by the National Statistical Institute (NSI).

For the calculation of PISB an identical calculation procedure is used to the one used for calculating the Consumer Price Index (CPI).

It should be underlined that the PISB is based on a small basket composed of approximately 100 goods and services, which are consumed mainly by households with comparatively low (the lowest) incomes. This means that PISB cannot (and should not) be used as a macroeconomic indicator.

Purpose of the PISB

The purpose of PISB is as follows:

- To increase the possibilities for making more extensive and qualitative analysis of the developing socio-economical processes in the country;
- To assist the regularly conducted negotiations of social partners by providing more detailed information;
- To provide information on which to base eventual amendments of the social transfers;
- To broaden the analysis of officially measured inflation in the country;
- To serve as a basis for creating more elaborate methodology and constructing price indices that measure price changes of goods and services, for example between regions (in geographical perspective), as well as certain indicators referring to the population (for example the part of the population considered to be living in poverty).

Scope and composition of the small basket of approximately 100 goods and services

By using the small basket of approximately 100 goods and services, the PISB calculation is built up on the premise that the composition of the basket allows the maintenance of a low but satisfactory level of living standard. Principally, this small basket is formed on the basis of two major criteria: the monetary expenditures that are represented by the selected goods and services should have the highest share in the budget of the lowest income households in Bulgaria, and to

include goods and services without which normal physical and social existence would not be possible.

The basket includes all basic foods. This is based on the assumption that there should be no restrictions regarding nutrition as the viability of the nation depends on it. At the same time alcohol and tobacco are excluded from the small basket (as prices and expenditures), because the Government uses their prices for certain fiscal purposes. Furthermore alcohol and tobacco cannot be considered as vitally necessary for human existence and it is well known that misuse of these goods may lead to shorter life and a premature decrease of active working capacity.

In 2019 the small basket consists of 124 goods and services, divided into three basic groups:

- Foods - 58;
- Non-foods - 47;
- Services - 19.

Scope of households for which the PISB is calculated

On the basis of HBS information, 10 groups of equal numbers of people arranged by their total income are differentiated. Practically, separate sub-groups of persons from households having different total income levels are obtained using statistical clustering technique. This makes it possible to distinguish the lowest 20% of the population that is considered to be living in poverty.

Publicity and transparency

NSI web site (www.nsi.bg) contains PISB methodology and basic data.