



## Frequently asked questions

### Consumer Price Index (CPI) base year 2023=100

#### 1. What is the CPI?

The Consumer Price Index (CPI) is an economic indicator whose purpose is to measure the monthly variation of prices of a basket of goods and services, and its variation is crucial to understanding price trends in the national economy.

#### 2. What is the CPI used for?

The general purpose of the CPI is to be a measure of inflation and deflation. The CPI (both the index and its variation) also has several specific purposes, including the following:

- To be used as an input by the Central Bank of Chile (BCCh) for determining the country's monetary-policy rate.
- To determine the variation of the Unidad de Fomento (UF)<sup>1</sup> and the Unidad Tributaria Mensual (UTM)<sup>2</sup>.
- To bring to present value or to deflate final consumption expenditure of households or other economic series in national accounts.
- To index income<sup>3</sup> because inflation is an important factor in the adjustment of wages.
- To adjust or update monetary values from one time period to another.
- To adjust tariffs for various basic services, such as electricity and health services, that use the CPI in their polynomial of calculation.
- To serve as a proxy for the cost of living<sup>4</sup>, which enables contracts to be indexed (for example, for rental agreements)<sup>5</sup>.

#### 3. Is the CPI a cost-of-living index?

The CPI is often used as an indirect indicator of the cost of living, although the two concepts are significantly different. A cost-of-living index evaluates the expenditure necessary for households to maintain a constant level of satisfaction. Its objective is to answer the question: What is the cost of maintaining the same standard of living over

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<sup>1</sup> The UF is a unit of account that is adjusted each month according to the variation of the CPI. It was created by Decree No. 40 of the Ministry of Finance on 20 January 1967.

<sup>2</sup> The UTM, which is continually updated by the CPI, is defined in Chile as an amount of money expressed in pesos and determined by law (Decree Law No. 830 published in the Official Gazette on 31 December 1974). The UTM is used as a tax measure.

<sup>3</sup> Indexation is a procedure by which monetary values are modified in proportion to the change in prices over a given period.

<sup>4</sup> Although it is often used for this purpose, the CPI is only an indirect cost-of-living index. When the CPI is defined as a cost-of-living index, it measures changes in the expenditures that households must incur to keep their standard of living constant.

<sup>5</sup> Indexation in contracts seeks to maintain the purchasing power of money constant over time.

time (compared to a reference period) under current market prices? While the CPI reflects how prices affect consumer spending, it does not adjust for changes in the level of satisfaction or welfare that households experience as a cost-of-living index does.

#### **4. How is the CPI basket of goods and services constructed?**

The CPI basket of goods and services is constructed with information from the Household Budget Survey (HBS), which INE conducts every five years. The main objective of the HBS is to identify the structure and characteristics of final consumption expenditure and total disposable income of urban households in the regional capitals and their conurbations, using a reference period of one year. In other words, the HBS shows how households in Chile spend their income (for example, how much they spend on food, health, transport, and entertainment).

With the information gathered through the HBS, products are selected that represent average household consumption. The selection of these products is based on their proportion in household expenditure, which determines their relevance in the construction of the CPI basket. In this process, the weight of each product is established according to its corresponding level of expenditure, thus reflecting the contribution of each product in the overall calculation of the index.

#### **5. Is the CPI basket of goods and services representative of the average consumption of the country's households?**

The CPI monitors monthly prices of a basket of goods and services that are representative of domestic household spending.

The representativeness of the CPI basket is achieved through a selection of products (goods and services) whose characteristics reflect household consumption patterns and whose share in the expenditure structure is high. The more accurate the selection of these products in relation to consumption, the more representative the index will be. The basket therefore needs to be regularly updated.

#### **6. What is the difference between the basic food basket of the Ministry of Social Development and Family and the CPI basket of INE?**

The basic food basket (BFB) refers to a set of food goods that forms the basis for defining the lines of poverty and extreme income poverty. The Ministry of Social Development and Family produces and uses the BFB to determine the poverty line. The threshold of the BFB is an average daily intake of 2,000 calories per person in both urban and rural areas, and its update is based on information provided by the Household Budget Survey (HBS), which is conducted by INE. The BFB is updated every month according to the price variations in the Consumer Price Index of each product.

Although both the CPI basket and the BFB use the HBS as their main source, they differ in that the BFB includes only food, whereas the CPI basket is representative of the general average consumption of households (food, clothing, housing, education, health, financial expenses, travel, etc.).

## 7. Why doesn't the CPI reflect the prices I see?

The CPI measures changes in the price of a fixed basket of goods and services constructed on the basis of average household spending in regional capitals and conurbations, rather than that of specific families or individuals. If your consumption habits differ from basket weights or if the products you consume do not have significant weights in the basket, the variations you observe will probably not be fully reflected in the CPI.

## 8. How do I read and interpret an index number?

An index number is a tool that simplifies the measurement of movements in a numerical series, providing a snapshot of price variations over time. For example, an index number of 110 signifies a 10% increase in prices since the reference period, while an index number of 90 indicates a 10% decrease. By providing a relative measure of price changes over time, index numbers enable the direction and magnitude of changes to be rapidly understood.

## 9. What is the difference between monthly, cumulative, and twelve-month variations?

Monthly, cumulative, and twelve-month variations of the CPI refer to different ways of measuring and expressing changes in the prices of goods and services over time.

- **Monthly variation** indicates the percentage change in prices compared to the previous month. For example, a monthly variation of 2% means that prices increased 2% over the previous month.
- **Cumulative variation** indicates the cumulative percentage change from December of the previous year, and it is obtained by adding the monthly variations during that period. For example, a cumulative variation of 6% means that prices have increased by 6% in the year to date.
- **Twelve-month variation** indicates the percentage change in prices compared to the same month of the previous year. A twelve-month variation of 4% means that prices have increased by 4% compared to the same month of the previous year.

In summary, the monthly variation focuses on the change from one month to another, the cumulative variation is the percentage change in the year to date, and the twelve-month variation compares prices in a given month with the same month of the previous year. Each of these measures provides different perspectives on the price trends over time.

## 10. What are impacts?

In the calculation of the CPI, impacts measure the weight or specific contribution of a particular product, subclass, class, group, or division in the monthly variation of the general index. The sum of the monthly impacts is equal to the monthly variation of the CPI (or of the particular aggregate under analysis) for the month used in the calculation.

Because the calculation of this sum uses a different number of decimal places, it may vary with figures published by INE in its bulletins. The same relationship holds between cumulative impacts and cumulative variations and between twelve-month impacts and twelve-month variations.

### **11. What is the geographical coverage of the CPI?**

Because the coverage of the CPI is national, results are constructed and disseminated at the national level only.

The collection of information for the monthly CPI covers the urban areas of the sixteen regional capitals and their main conurbations.

### **12. Can regional CPIs be determined?**

The HBS is the basis for constructing the basket weights, but it is not representative at the regional level. Consistent and representative weights therefore cannot be obtained at the regional level nor can regional CPIs currently be calculated.

Although the HBS has a national scope and its sampling design enables consistent and statistically significant estimates to be made at the level of nation and macro-zone (North, Central, South, and Metropolitan Region), the CPI sampling design can produce consistent estimates at only the national level.

### **13. How often is the CPI published? Where can the results be found?**

INE publishes the results of the index, including its monthly, cumulative, and twelve-month variations, as well as their respective impacts, on the institutional website ([www.ine.gob.cl](http://www.ine.gob.cl)) at 8:00 a.m. within the first eight days of the month following the calculation period. The calendar of CPI publications, which is available on the website, is updated at the end of each year.

On each occasion, the general index is published, together with the variation by levels of disaggregation (division, group, class, subclass, and product) for the current month, the analytical indices, the historical series, and the referential series. All of these data are freely available on INE's website.

After publication of the CPI, INE publishes a database of average prices whose information is anonymized.

### **14. Are the published figures of the index subject to later revision?**

Once the figures are published, they become official and are not retrospectively amended or corrected. Prior to the calculation of the index however, data are continuously reviewed and validated to prevent errors and thus to provide an index of high statistical quality.

One of the main reasons for not amending the CPI figures is to avoid unexpected fluctuations in the index, which would result in changes to CPI-indexed payments and contracts.

The policy of not amending the Consumer Price Index in Chile is consistent with the general rule followed by most national statistical offices around the world.

**15. What is the earliest period for which processed and published information is available on the institutional website?**

Processed and published information on the institutional website is available from 1928 to the present for the general CPI level.

For more detailed disaggregation than the general index, information is available from 2009 to the present. Product prices before 2009 can thus be updated for the level of general index only, but not for any lower-level indices.

**16. Is it possible to find more detailed information about the CPI, for example, the region and establishments where the information was collected?**

INE cannot provide any information that is more detailed than that which has already been published. There is a risk of both explicit and implicit identification of respondents. This identification may happen directly (for example, when brands or sources of information are named) or indirectly (for example, when identification is made from geographical information). Some products of the basket belong to atomized markets, and a simple cross reference or inference might provide the identification of the respondent.

**17. What is statistical secrecy?**

Statistical secrecy means that statistical data may not be published or disseminated with expressed reference to the persons or entities to which they directly or indirectly refer, if prohibited by the parties to which reference is made. Statistical secrecy has been established by Article 30 of Law 17.374.

In addition, Article 29 indicates that the National Statistics Institute, fiscal and semi-fiscal bodies, state enterprises, and all their respective officials may not disclose facts connected with any persons or entities acquired in the course of carrying out the duties of their offices.

Finally, any infraction thereof will incur a penalty described in Article 247 of the Criminal Code. The penalty will in every case include custodial sentencing.

**18. Does INE make CPI projections?**

No, it doesn't. The National Statistics Institute has among its institutional functions only the processes of collection and calculation of the indicator in the corresponding month, whose results are available to all users within the first eight days of the following month.

## **19. How can old pesos or escudos be converted to current pesos?**

Whenever monetary values prior to 29 September 1975 (the date when the current peso replaced the escudo) need to be adjusted, users must convert the values to current pesos.

Old pesos were in effect until 31 December 1959, the escudos were in effect until 28 September 1975, and current pesos have been used since 29 September 1975. The relationships between the currencies in effect are as follows: 1 escudo = 1,000 old pesos; 1 current peso = 1,000 escudos; 1 current peso = 1,000,000 old pesos.

For example, if you need to know what the value of 30,000 escudos is in current pesos, you must apply a simple rule of three and divide the 30,000 into 1,000, according to the previously defined ratios, to obtain a result of \$30 (in current pesos).

## **20. How is a monetary value updated with data from the CPI?**

INE's CPI Calculator can be found on its website at <https://calculadoraipc.ine.cl/>. With the calculator, any monetary value can easily be updated between periods.

To use the calculator, you must first know the monetary value (in pesos) to be adjusted. Next, a starting period must be identified which is a combination of a year and month from which the amount is to be updated. Finally, you will need to identify the final period: the year and month to which the monetary value is to be updated<sup>6</sup>.

## **21. Which months must be included in order to calculate the CPI variation over a complete year? Should the first and last months be repeated?**

To include a twelve-month period, the initial and final month must be the same. For example, if we want to calculate the annual variation of the CPI in September 2023, we should compare the variation in September 2022 with the variation in September 2023 (twelve months), not August 2022 with September 2023 (thirteen months) or October 2022 with September 2023 (eleven months). The period must be twelve months because the indices refer to the last day of the month. Therefore, the variation in September 2022 would not be added to or subtracted from the calculation of annual variation, but the variation of September 2023 would be added or subtracted.

## **22. How can I find the adjusted value of the CPI and an interest rate?**

With the information provided by INE, you will be able to update only CPI variations in the calculator provided for this purpose. If you want to incorporate an interest rate into your results, you should search for a public or private organization specialized in the

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<sup>6</sup> For more details, see Annex 8 "The CPI calculator" of the Methodological Manual of the Consumer Price Index [https://www.ine.gob.cl/docs/default-source/consumer-price-index/methodologies/base-year-2023/methodological-manual-cpi-2023.pdf?sfvrsn=ec90d043\\_12](https://www.ine.gob.cl/docs/default-source/consumer-price-index/methodologies/base-year-2023/methodological-manual-cpi-2023.pdf?sfvrsn=ec90d043_12)

area of finance to help you with the calculation because interest rate adjustments or methods of adjustment outside the CPI are not within the authority of INE.