

Changes to the Traveller Accommodation Index of the Consumer Price Index (CPI), effective with the January 2016 CPI

Background

The Consumer Price Index (CPI) measures the change in prices of consumer goods and services over time. In order to accurately reflect changes in the market and in the behaviour of consumers, Statistics Canada periodically reviews and updates the methods applied to the various components of the CPI program. The release of the January 2016 CPI (published on February 19, 2016) marks the implementation of the new methodology of the traveller accommodation component of the CPI.

The Traveller accommodation index belongs to the Recreation, education and reading index, which is a major component of the All-items CPI. Upon publication of the January 2015 CPI, the basket weight of the traveller accommodation component, with a weight reference period of 2013 and at link month (December 2014) prices, was 1.02%.

The following changes were made to the Traveller accommodation index:

1. **Weights are no longer distributed inter-provincially.** In the past, adjustments were made to account for the fact that a portion of consumer expenditures on accommodation services take place out of consumers' province of residence. These adjustments are no longer made, creating a consistent domestic approach between national and provincial indexes.
2. **The sample of outlets was updated** to better represent the transactions made between service providers and Canadian consumers. The new outlet sample was selected from Statistics Canada's Business Register (BR) from a target population of businesses classified by the North American Industry Classification System (NAICS 2012) in code 7211 (Traveller Accommodation).
3. **The pattern of pricing has changed** to reflect consistent purchasing behaviour through time. Each collected price now corresponds to a booking made for a fixed time interval in advance of the occupancy date. This helps to eliminate fluctuations in price resulting from varying advance-booking periods between reference periods.
4. **The aggregation structure was changed** to be in line with practices used for other CPI components. The geographic strata used for the majority of other CPI components replace the existing strata (which were based on tourist regions as defined by the Canadian Travel Survey) and are used for outlet selection and aggregation of price changes at regional and national levels. The commonly used unweighted geometric mean formula is the only formula used to calculate average price changes at the lowest aggregation level.

The updated methodology better reflects the changing consumption patterns of Canadians and ensures greater consistency with the methods used in other CPI component indexes. It should be noted that changing methodological elements of any index may result in variations in the series trend. As such, interpretation of the 12-month price change indicator should be made with caution, particularly in the year following the implementation of a new methodology.