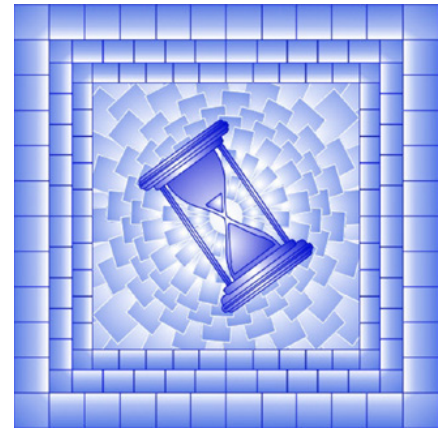


Catalogue no. 62F0014M
ISSN 1706-7723
ISBN 978-0-660-35097-4

Methodological Supplement for the Provincial Monthly Average Retail Prices Table



Release date: June 10, 2020



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Methodological Supplement for the Provincial Monthly Average Retail Prices Table

The table, [Monthly average retail prices for selected products, by province](#), provides average monthly price estimates for a range of products commonly purchased by Canadian consumers.

The average prices in this table are calculated using scanner data (also known as transaction data) collected from Canadian retailers. Transaction data provide a comprehensive electronic record of the transactions made through a retailer's point-of-sale system, and contain relevant pricing information, such as product descriptions and quantities sold. The use of transaction data for the calculation of the average prices in this table offers a significant quality advantage over traditional in-store collection, given the number of product prices available in the transaction data and the geographic coverage available.

Product definition

Average prices are derived for products as defined by a specific size or quantity measure (e.g. 4 litres, 1 dozen) and exclude taxes. In most cases, a standard size or quantity can be easily identified as the measure of best fit for a particular product (for example, 1 dozen eggs). For certain products which are available to consumers in a wide variety of package sizes, prices for products within a set range¹ of package sizes are standardized before the average price calculation. Standardization is an accepted practice in the field of price measurement. It allows for the measurement of a broader group of product sizes which increases the robustness of a given sampled product category, and improves the comparability of products across time and geographies. For example, prices for blocks of cheese ranging in size from 400 g to 800 g are adjusted to represent a 500 g block of cheese, and are represented as such in the average prices table.

Average price calculation

The average price calculation is a two-step process. In the first step, unit prices are calculated for all unique items belonging to a product, across all store locations of each retailer, in a given province. In the second step, the final average price is calculated as the weighted arithmetic mean of the prices of all retailers in the transaction dataset within that province. The weight applied to the mean represents the retailer's share of total units sold for that product within the province.

Average prices and the Consumer Price Index

While the average prices in this table are derived from transaction data that are also used in the calculation of Canada's Consumer Price Index (CPI), the purpose and use of the two measures are different (Table 1).

1. As a product's size may impact its price, acceptable size ranges are established using transaction data and expert judgment by commodity specialists.

Table 1
Features of the provincial average prices table, and the Consumer Price Index

	Provincial average prices	Consumer Price Index (CPI)
Type of measure	Average price estimates are measures of price levels.	Price indexes measure price change.
Frequency	Released monthly. Usually the second month following the observation period.	Released monthly. Usually in the third week of the month following the observation period.
Content updates	As consumer preferences change the contents of the table may, from time to time, be updated.	The CPI basket is updated every two years to reflect changing household expenditures, and ensure the goods and services it contains are current. The published CPI products are updated accordingly so that the aggregated headline CPI remains an accurate measure of average price change.
Comparability	Average price estimates are not a measure of pure price observations and do not take into account changes in the quality of a product. Consequently, differences in the brand, quality and regional variations in products may affect the comparability of estimates in the current reference period and over time. Further, average price estimates may not move in the same direction or by the same magnitude as the CPI. The absence of a constant quality approach, and different sample design, data source and calculation methodology mean that the two measures cannot be compared.	The CPI is a measure of pure price change, tracking products of constant quality, and holding all variables constant except for the month when prices are observed. This ensures the continuity of the CPI time series.

Note to users

Users are advised to exercise caution when comparing average prices for products across geographies as these may reflect brand and quality differences inherent to the various regions. Branded products such as yogurt and block cheese are more affected by such differences than homogenous products such as produce and meat. Further, shifting consumer preferences may also have an impact on price levels, and users should keep this in mind when making comparisons over time.