

PRESS STATEMENT

PLANNED IMPROVEMENTS TO THE CONSUMER PRICE INDEX AND PRODUCER PRICE INDEX

17 NOVEMBER 2011

Statistics South Africa plans to introduce a range of measures aimed at improving the quality of its price statistics series – the consumer price index (CPI) and the producer price index (PPI).

Key improvements include more frequent updates of the CPI and PPI weights and a new format for the PPI.

PPI weights to be updated annually

The PPI weights are derived from the national accounts and a variety of industry surveys and administrative sources. These weights will be updated annually, at the beginning of each calendar year with effect from 2014. Currently they are updated every five years. This will ensure the index reflects changes in the distribution of production in the economy as soon as source data is available.

CPI weights to be updated every three years

The weights of the CPI are based on a survey of household expenditure (Income and Expenditure Survey). Traditionally this survey has been conducted every five years. Stats SA now has an additional expenditure-based survey (Living Conditions Survey) in between IESs. Data from this survey will be used in future to update the CPI weights. This will result in the CPI weights being updated every three years, compared with the current five. The improved frequency will enable the CPI to better reflect changes in consumer expenditure patterns.

The next reweighting of the CPI will be implemented with effect from the January 2013 release.

New format for the PPI.

A number of improvements are being made to the PPI. Key among these is the discontinuation of the aggregate (all groups) PPI. Instead, the headline PPI will be the PPI for final manufactured goods, as this best represents the effects of price changes through other stages of production. A further four main indices will be published:

- Agriculture, forestry and fishing
- Mining and quarrying
- Electricity and Water
- Intermediate manufactured goods

These changes will take effect from mid 2012 which will also include new weights for the PPI.

Launch of the personal inflation calculator

It will now be possible for South Africans to calculate their personal inflation rates. Stats SA today launched its personal inflation calculator. This calculator, which is on Stats SA's website (www.statssa.gov.za) from Friday 18 November, allows you to capture your own expenditure as a basis for your personal 'weights'. The price changes as used in the official CPI are then used to calculate your personal inflation rate. This rate will differ from the official CPI as the weights of the CPI are based on the total expenditure of all households in the country.

Further documentation is available on the Stats SA website.

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