

Information note: Proposed new CPI basket

12 September 2007

Statistics South Africa today released a discussion document which proposes the set of products and services that will comprise the CPI in future. These proposals form part of the ongoing review and improvement of official statistics in South Africa. The list of proposed products is based on research conducted by the organisation on what South African households typically spend their money on. Methodological improvements have also brought about changes in the composition of the basket.

Stats SA proposes the inclusion of certain products for the first time. These include:

- **minibus taxis**, which account for over 60% of public transport. Collection of these prices is now possible as a result of the establishment of a national team of price collectors for CPI;
- **funeral costs and funeral insurance** enter the basket as expenditure on these items increases;
- **restaurants, take-aways and hotels**, now appear as a distinct category in the new CPI classification and Stats SA proposes to publish their price change explicitly;
- **internet service provider fees** and **laptops** enter the basket as this technology becomes more pervasive;
- **DVD and CD players and disks** replace VHS and audio tapes and players as a result of changes in technology;
- **tickets to sporting events** are added to the entertainment basket; and
- the **lottery** will be included in the basket if it is operational on 1 January 2008.

The introduction of these products and services is illustrative of two important trends. The first is a response to changes in technology which sees dying technologies (such as VHS and audio tapes) being replaced by those technologies that have established themselves as the standard (CD's and DVD's). The increasing penetration of Information technology is evidenced by the inclusion of ISP fees and computers (laptops).

The second trend is an attempt to make the CPI basket more representative of the experiences of the majority of South Africans. This is reinforced by a new methodology used by Stats SA to decide which products and services should make up the CPI basket.

Stats SA employed two criteria to select products and services for the CPI basket. These are the total expenditure on an item, and the number of households which purchased the product. The combination of these two approaches serves to exclude any luxury items that may record high expenditure because they are expensive, but are bought exclusively by a small minority of households.

Also for the first time, Stats SA has derived a basket for each province. This was achieved by applying the selection criteria on a province by province basis, rather than for the country as a whole. This change makes the CPI more responsive to the different purchasing behaviour of consumers in different provinces.

As a result of these and other methodological changes, the total number of products in the national CPI basket drops from the current 1124 to 386 (excluding health items which will be added later). A total of 389 products disappear because of methodological changes, while 349 have dropped from the basket because they did not meet the criteria. The total of 386 is well within the range of products appearing in the CPIs of other countries around the world. There are 292 products that appear in all provinces. However, Stats SA will maintain its current level of price collection at approximately 100 000 prices per month so as to improve the reliability of the CPI at different geographic levels.

In January 2008 Stats SA will start collection of prices on those products which are not part of the current basket. The CPI will continue to be published on the basis of the current basket and weights until the December 2008 release (in January 2009). The January 2009 CPI (published in February 2009) will be the first to be published on the basis of the new basket and weights.

Stats SA invites members of the public, consumer groups, producer groups, and any other interested party to make comments on the list of proposed products and services and the methodology used to arrive at the list. The document is available www.statssa.gov.za/cpi and comments can be submitted by email to CPIbasket@statssa.gov.za; by fax to 012 321 7361 or by post to CPI, Private Bag x44, Pretoria, 0001. The deadline for submitting comments is 12 October 2007.

Once all the comments have been received, Stats SA will consider them and make changes to the basket where it is warranted. Quantitative evidence of proposals for changes will more easily be incorporated.

Media and other enquiries may be directed to

Patrick Kelly
Executive Manager: Consumer Price Index
012 310 8290
082 888 2248