

Changes to the Inflation target and Headline inflation measures

21 October 2008

Minister of Finance, Mr Trevor Manuel, today announced that the CPI for all urban areas would replace CPIX (CPI excluding interest rates on mortgage bonds) as the inflation target measure. The CPI for all urban areas will be known as the Headline inflation measure and will replace the current headline measure (CPI for historical metropolitan areas). These changes will come into effect with the January 2009 CPI. The alignment of the inflation target measure and the headline measure should make the use of inflation data simpler for experts and lay people alike.

This change results from Stats SA's decision to bring the South African CPI in line with international standards by dropping interest rates on mortgage bonds as the indicator of changes in housing costs. From next year, Stats SA will use a measure of Owners' Equivalent Rent which is based on rentals paid for similar dwellings as those found in the owner-occupier market. A survey of rentals, conducted by Stats SA, will form the source for this item.

Stats SA will also be changing the names it uses to describe the geographical areas for which CPI is reported. Currently, the largest urban areas in each province are reported as 'historical metropolitan areas' in the CPI. The smaller urban areas in each province are reported as 'other urban areas'. From January 2009, the CPI will use the terms 'primary' and 'secondary' urban areas. Primary urban areas are defined by the municipal boundaries of the largest urban areas in a province. Some province may have more than one. Secondary urban areas are an aggregation of the next two or three largest urban areas per province. In total, Stats SA collects data for the CPI in 42 different towns and cities.

Many legal agreements make use of the current headline measure (CPI for historical metropolitan areas) or CPIX (for metropolitan and other urban areas) as an inflator. In order to assist users, Stats SA will continue to publish indices that will provide continuity for these purposes. The CPI for primary urban areas will replace the CPI for historical metropolitan areas, and the CPI excluding Owners' equivalent rent will replace the CPIX.

For further information please contact

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