



Note to users of the Consumer Price Index for contract and legal agreement inflators

2 March 2009

On 25 February 2009 Stats SA published the January 2009 release of the Consumer Price Index. This was the first official CPI release to be based on the new basket and weights. Relevant changes to the CPI were posted on Stats SA's website and communicated via the media extensively over the past six months.

Two of the most important changes are the discontinuation of CPIX and the introduction of a parallel survey to ensure a like-on-like comparison to generate annual inflation figures.

Stats SA is aware that these changes, while based on sound methodological practice, do inconvenience users who utilise the CPI in contract adjustments, legal proceedings and the like.

In order to assist such users, Stats SA is preparing a set of indices which will link the new indices (base period 2008) with the historical indices (base period 2000). Continuous time series will be made available for the main CPI aggregate indices (Headline, CPIX, food etc), for each provincial aggregate and for each primary urban (historical metropolitan) area.

Historical tables will be provided for users who require comparable back data. Users who require forward continuity will be given a link factor they can apply to current and future values. Both the back series and the factors will be made available by 16 March 2009 on the Stats SA website (www.statssa.gov.za).

Users should note that the historical indices will reflect the official indices published for 2008, and not those calculated on the basis of the parallel series. Accordingly there will be differences in the annual rates of change for 2009 when compared against the inflation rates published by Stats SA during this year. As for the historical month-on-month and year-on-year percentage changes, they will be preserved up to and including December 2008. For users making use of the factors for forward continuity, the month-on-month percentage changes will be the same as those published by Stats SA and the year-on-year percentage changes will become identical to the official rates after one year.

CPI users are urged to consult the documentation regarding the changes to the CPI on the Stats SA website under the CPI review page. In particular the 'Booklet on changes to the CPI' is a good starting point.

As announced by the Minister of Finance, Mr Trevor Manuel, in October 2008, a new Headline inflation rate – the CPI for all urban areas – replaces the CPIX (for historical metropolitan and other urban areas) as the inflation target measure and the CPI for metropolitan urban areas as the Headline inflation measure. In addition, Stats SA will no longer publish an official core measure of inflation.

Where appropriate, users of the CPI are therefore advised to amend their contracts or legal agreements as soon as possible so as to use the Headline inflation measure. This is now the primary official measure of inflation for South Africa.

The publication on 16 March 2009 will guide users on which series are comparable with each other for the purposes of contract continuity.

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