Australian Bureau of Statistics

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New Issue

Information Paper

Consumer Price Index with Reserve Bank of Australia Consumer Price Measures

Australia

2007

Information Paper

Consumer Price Index with Reserve Bank of Australia Consumer Price Measures

Australia

2007

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AUSTRALIAN BUREAU OF STATISTICS

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INQUIRIES

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INTRODUCTION

INTRODUCTION

The Australian Bureau of Statistics (ABS) and the Reserve Bank of Australia (RBA) have agreed that the ABS will publish – on behalf of the RBA – the RBA trimmed mean and weighted median consumer price measures. This step is being taken to enable a more timely release of the RBA measures, making them available at the same time that the quarterly Consumer Price Index (CPI) is released.

The ABS first compiled the CPI in 1960 with series extending back to September quarter 1948. The CPI measures quarterly changes in the price of a 'basket' of goods and services, which account for a high proportion of expenditure by the CPI population group (i.e. metropolitan households). This 'basket' covers a wide range of goods and services. The CPI measures actual contemporary movements in prices and as such reflects any real world volatility that may occur. This can make it difficult for economic analysts to distinguish the noise of short-term fluctuations from the underlying inflationary trend.

In its analysis of the Australian economy, the RBA uses several underlying inflation measures to look at the trend in price changes. These include both simple exclusion-based measures which exclude recognised volatile items such as fruit, vegetables and fuel, as well as statistical measures such as the trimmed mean and weighted median. The exclusion-based measures have been calculated and published as analytical series by the ABS since December quarter 1986.

The RBA trimmed mean and weighted median series aim to reduce the effect of large quarter to quarter price movements of individual items within the CPI. Both measures use ABS CPI data, with adjustments made to exclude components with the largest price changes each quarter. Components that are identified as having a seasonal pattern are seasonally adjusted each quarter.

The ABS will now incorporate these measures in its quarterly publication *Consumer Price Index, Australia* (cat. no. 6401.0), commencing with the June quarter 2007 issue to be released on 25 July 2007.

In publishing these measures, the RBA methodology will be retained except that the ABS will now adopt concurrent seasonal adjustment for the series. That is, from June quarter 2007, the ABS will undertake concurrent seasonal adjustment using the history of price indexes up to the current quarter. Concurrent seasonal adjustment had not previously been possible as the RBA did not have access to the current quarter CPI data prior to its release.

Unlike the CPI, which is not seasonally adjusted, these series are subject to revision. Where revisions to the series occur, these will be published by the ABS.

The RBA will maintain responsibility for the design of the measures and will answer queries on their design and use. The ABS will be responsible for calculating the measures and will answer queries on the compilation and publication of the measures.

This information paper sets out where these series can be found in the CPI publication and on the ABS website. Also presented are the Explanatory Notes that will be published with the series.

PRESENTATION

The ABS will publish the following statistics for both the trimmed mean and weighted median measures:

- percentage change from the previous quarter
- percentage change from the corresponding quarter of the previous year
- percentage change from the previous financial year.

The ABS will publish these statistics both in the *Consumer Price Index, Australia* (cat. no. 6401.0) and on its website. The ways the series will be presented in the publication and on the website are set out below. The historical numbers for both series presented in this information paper are as they were published by the RBA for the March quarter 2007. In the June Quarter 2007 release these figures may be revised. These revisions will result from the ABS applying current quarter seasonal factors and using price changes and expenditure weights to a higher level of precision, affecting rounding.

In the CPI Publication

The ABS will publish the series starting at September 2002 in Table 10 of *Consumer Price Index, Australia* (cat. no. 6401.0). A copy of this table is shown on page 3. The RBA Consumer Price Measures can be found in the last two columns of the table.

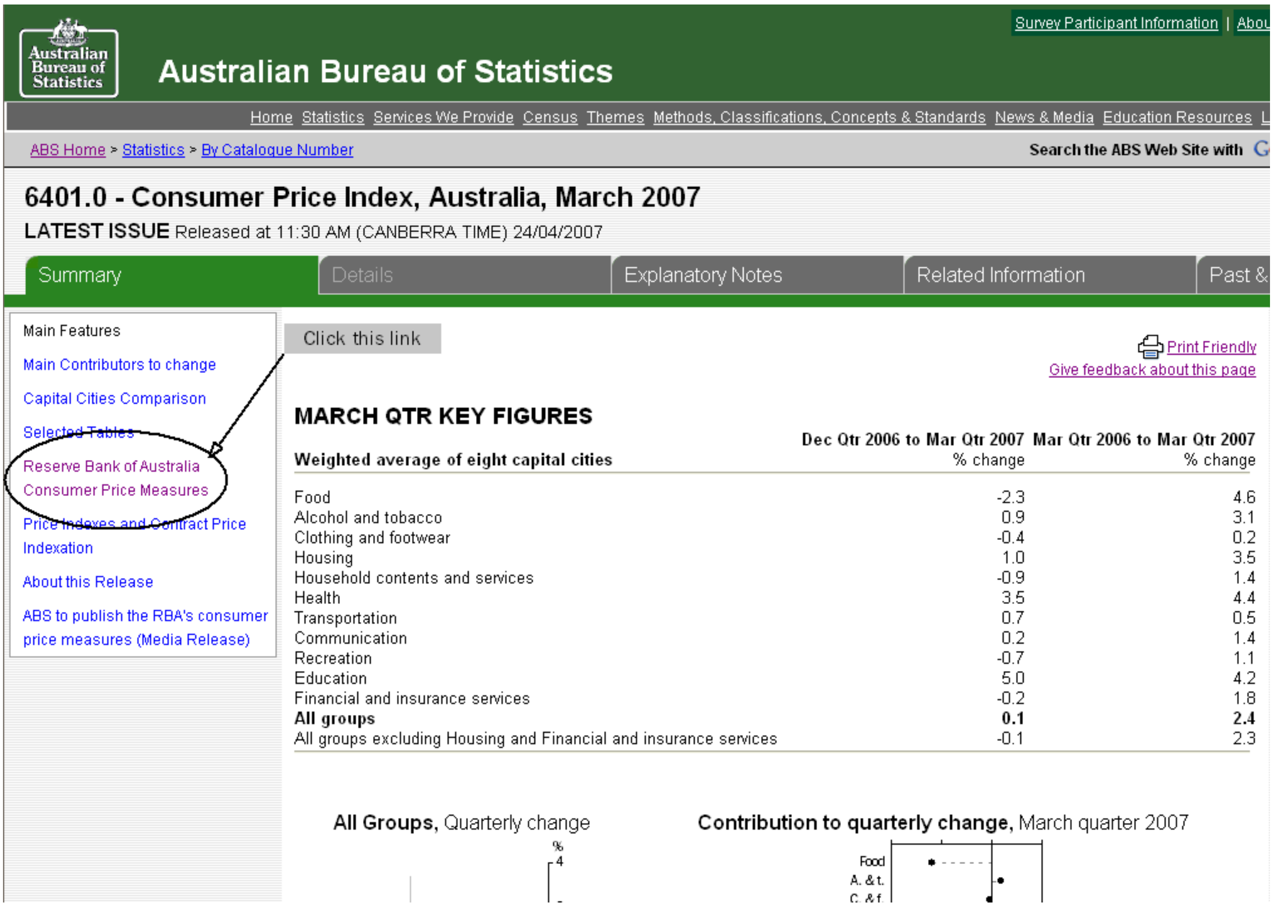
On the ABS Website

The data will also be available on the ABS website. A link to these data can be found on the Consumer Price Index summary page. Representations of the relevant web pages are shown on pages 4-5. A time series of data back to September 2002 will be found in the time series spreadsheet *6401.0 TABLES 9 and 10. CPI: Analytical Series, Index Numbers and Percentage Changes* located under the *Details* tab. Users who wish to access a longer historical series can visit the "*Measures of Consumer Price Inflation*" page on the RBA website, <http://www.rba.gov.au/Statistics/measures_of_cpi.html>.

10 ANALYTICAL SERIES, Percentage changes(a)

Period	All groups	All groups excluding Housing and Financial and insurance services	All groups excluding 'volatile items'	MARKET GOODS AND SERVICES EXCLUDING 'VOLATILE ITEMS' Goods	Services	Total	Tradables	Non-tradables	RBA CONSUMER PRICE MEASURES Weighted median	Trimmed mean
PERCENTAGE CHANGE (from previous financial year)										
2002–03	3.1	3.0	2.9	1.8	3.6	2.3	2.0	3.9	3.0	2.8
2003–04	2.4	1.9	2.3	1.4	1.9	1.6	0.2	4.3	2.7	2.5
2004–05	2.4	2.0	2.1	1.1	2.4	1.6	1.0	3.6	2.5	2.6
2005–06	3.2	3.3	2.3	1.7	2.3	1.9	3.0	3.3	2.7	2.6
PERCENTAGE CHANGE (from corresponding quarter of previous year)										
2003										
March	3.4	3.4	2.7	1.7	3.1	2.1	2.7	4.0	3.2	2.9
June	2.7	2.3	2.7	1.9	2.5	2.0	1.0	4.1	3.0	2.8
September	2.6	2.2	2.6	2.1	1.8	2.0	0.7	4.1	2.9	2.7
December	2.4	1.8	2.4	1.6	2.2	1.8	0.0	4.4	2.8	2.5
2004										
March	2.0	1.4	2.1	1.1	1.8	1.3	–0.5	4.1	2.6	2.4
June	2.5	2.1	1.9	0.9	1.9	1.2	0.5	4.1	2.7	2.5
September	2.3	2.0	1.8	0.6	2.4	1.2	0.7	3.6	2.5	2.4
December	2.6	2.3	2.1	1.2	2.1	1.4	1.4	3.5	2.6	2.7
2005										
March	2.4	2.0	2.4	1.3	2.8	1.8	0.6	3.7	2.5	2.6
June	2.5	2.1	2.3	1.5	2.4	1.8	1.3	3.5	2.5	2.6
September	3.0	3.0	2.4	1.9	2.2	2.0	2.6	3.4	2.5	2.6
December	2.8	2.5	2.3	1.5	2.2	1.8	2.0	3.5	2.5	2.3
2006										
March	3.0	3.1	2.2	1.6	1.9	1.7	2.8	3.1	2.7	2.6
June	4.0	4.4	2.4	1.5	2.7	2.0	4.8	3.4	2.9	2.8
September	3.9	4.2	2.6	1.7	2.9	2.1	4.4	3.6	3.1	2.9
December	3.3	3.6	2.7	1.7	3.2	2.3	2.9	3.5	3.0	2.9
2007										
March	2.4	2.3	2.5	1.8	2.8	2.2	1.0	3.5	2.7	2.7
PERCENTAGE CHANGE (from previous quarter)										
2003										
March	1.3	1.3	0.8	0.5	0.5	0.5	1.2	1.3	0.8	0.7
June	0.0	–0.3	0.6	0.6	0.3	0.5	–0.9	0.7	0.6	0.6
September	0.6	0.3	0.6	0.4	0.4	0.4	–0.3	1.3	0.7	0.7
December	0.5	0.5	0.3	0.1	1.1	0.4	0.0	0.9	0.6	0.5
2004										
March	0.9	0.9	0.5	0.1	0.1	0.0	0.6	1.1	0.6	0.6
June	0.5	0.5	0.5	0.4	0.4	0.4	0.2	0.7	0.7	0.6
September	0.4	0.1	0.5	0.1	0.8	0.3	–0.1	0.9	0.6	0.6
December	0.8	0.7	0.6	0.6	0.8	0.7	0.6	0.8	0.6	0.7
2005										
March	0.7	0.6	0.8	0.2	0.8	0.4	–0.1	1.3	0.5	0.5
June	0.6	0.6	0.4	0.6	–0.1	0.3	0.8	0.5	0.7	0.7
September	0.9	1.0	0.6	0.5	0.6	0.6	1.2	0.8	0.6	0.6
December	0.5	0.3	0.4	0.3	0.9	0.5	0.0	0.8	0.6	0.5
2006										
March	0.9	1.1	0.8	0.3	0.5	0.3	0.8	0.9	0.8	0.8
June	1.6	1.9	0.6	0.5	0.7	0.6	2.7	0.8	0.9	0.9
September	0.9	0.8	0.8	0.6	0.8	0.7	0.8	1.0	0.8	0.7
December	–0.1	–0.3	0.5	0.3	1.1	0.7	–1.4	0.8	0.5	0.5
2007										
March	0.1	–0.1	0.6	0.3	0.1	0.3	–1.0	0.9	0.5	0.5

(a) Refer to paragraph 12 of the Explanatory Notes for a description of these series



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MARCH QTR KEY FIGURES

Weighted average of eight capital cities	Dec Qtr 2006 to Mar Qtr 2007 % change	Mar Qtr 2006 to Mar Qtr 2007 % change
Food	-2.3	4.6
Alcohol and tobacco	0.9	3.1
Clothing and footwear	-0.4	0.2
Housing	1.0	3.5
Household contents and services	-0.9	1.4
Health	3.5	4.4
Transportation	0.7	0.5
Communication	0.2	1.4
Recreation	-0.7	1.1
Education	5.0	4.2
Financial and insurance services	-0.2	1.8
All groups	**0.1**	**2.4**
All groups excluding Housing and Financial and insurance services	-0.1	2.3

All Groups, Quarterly change

Contribution to quarterly change, March quarter 2007

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RESERVE BANK OF AUSTRALIA CONSUMER PRICE MEASURES

RBA Consumer Price Measures(a), percentage change(b)

		Weighted median	Trimmed mean
	Percentage change (from corresponding quarter of previous year)		
2006	December	3.0	2.9
2007	March	2.7	2.7
	Percentage change (from previous quarter)		
2006	December	0.5	0.5
2007	March	0.5	0.5

(a) Refer to table 10 of 6401.0 and the timeseries spreadsheets 6401.0 tables 9 and 10 CPI: Analytical Series, Index Numbers and Percentage Changes.
(b) Refer to paragraph 12 of the Explanatory Notes for a description of these series.

EXPLANATORY NOTES THAT WILL ACCOMPANY THE RBA SERIES

EXPLANATORY NOTES

Below is the information about the RBA consumer price measures that will appear in paragraph 12 of the Explanatory Notes section of the CPI publication.

SPECIAL SERIES

- *RBA measures 'Weighted median' and 'Trimmed mean'*: These measures are calculated following the methodology adopted by the Reserve Bank of Australia. The 'Trimmed mean' is calculated by ordering the CPI expenditure class components by their price change in the quarter and taking the expenditure weighted average of the middle 70 per cent of these price changes. The 'Weighted median' is the price change of the component in the middle of this ordering. For calculating the 'Weighted median' and 'Trimmed mean' series, where CPI components are identified as having a seasonal pattern, quarterly price changes are estimated on a seasonally adjusted basis. Seasonal adjustment factors are calculated using the history of price changes up to the current quarter CPI and are revised each quarter. These revisions to the seasonal adjustment factors lead to revisions in the 'Weighted median' and 'Trimmed mean' series. Movements in the series from one period to another are expressed as percentage changes.

For further information on the various measures of underlying consumer price inflation, refer to '*Box D: Underlying Inflation*', *Statement on Monetary Policy, May 2002*; '*Box D: Measures of Underlying Inflation*', *Statement on Monetary Policy, August 2005; and Roberts (2005),* '*Underlying Inflation: Concepts, Measurement and Performance*', *Reserve Bank of Australia Research Discussion Paper No 2005-05.*

CONTACT DETAILS AND FURTHER INFORMATION

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FURTHER INFORMATION

Users requiring further information concerning the CPI are referred to the ABS publication *A Guide to the Consumer Price Index: 15th Series* (cat. no. 6440.0). Users who wish to understand more about the 'Trimmed Mean' and Weighted Median' series, should refer to '*Box D: Underlying Inflation*', *Statement on Monetary Policy, May 2002*; '*Box D: Measures of Underlying Inflation*', *Statement on Monetary Policy, August 2005*; and Roberts (2005), '*Underlying Inflation: Concepts, Measurement and Performance*', *Reserve Bank of Australia Research Discussion Paper No 2005-05*. All of these publications are available on the RBA website.

FOR MORE INFORMATION . . .

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