

10 June 2010

Brian Pink
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Re: 16th Series CPI Review

The Executive Committee of the Australian Business Economists (ABE) includes representatives of most of the major domestic and international banks, as well as other representatives from private and public sector organisations. The Committee recently discussed some of the issues being considered in the 16th series review of the Consumer Price Index (CPI).

While the ABE Committee wishes to state its support for the ABS in its production of high quality statistics, members felt that some modifications could be made following this review. In this regard, the Committee wishes to associate itself with the views put forward in submissions from the Reserve Bank of Australia (RBA) and other financial institutions.

In particular we strongly support the following:

- The Committee supports the publication of a monthly CPI. The CPI is a key economic indicator, and is central to Australia's monetary policy framework. A monthly CPI would provide more timely information on inflationary pressures in the economy, and help the earlier detection of turning points in the economic cycle. A monthly CPI should be as comprehensive and of the same high quality as the existing quarterly series. The Committee feels that the benefits of a monthly CPI would more than justify the additional compilation costs. Moving to a monthly CPI would bring Australian practice into line with the vast majority of advanced economies.
- Following a shift to a monthly CPI, the ABS should publish a seasonally adjusted CPI, in line with the practice in the United States and some other economies. The ABS should also liaise with the RBA regarding publication of measures of underlying inflation that the RBA considers useful in the formulation of policy and communication with the public and financial market participants.
- The Committee encourages the ABS to undertake more frequent reweighting of the CPI basket, in line with international standards, to ensure that the CPI remains representative of household spending patterns.
- The methodology used to construct the deposit & loan facilities index should be reviewed as a matter of urgency, given that movements in this component have been difficult to understand in recent years, and the methodology is not transparent.

Committee members would be happy to undertake further discussions on this topic with ABS staff.

Regards,

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