

## Revised CCPI less sensitive to food prices

The Department of Census and Statistics (DCS) last week updated the base period of the Colombo Consumer Price Index (CCPI) the official consumer price index to 2006/07. It was based on 2002.

The regular revision of the base period of CPI is a technical detail and is the normal practice that requires to reflect the changing household consumption pattern, said Director, Price and Wages Department D.C.A. Gunawardena.

The revision is based on the current consumer expenditure survey. The revised index CCPI (Base 2006/7) reflects the changes in consumer price at aggregate level more realistically.

IMF and UN guidelines have been followed in revising the index. The base weight of a CPI should be revised at least every three to five years, he said.

Inflation (year on year and 12 months moving average) is slightly low when computed using the revised index. Inflation in June was 7.1 percent



under the revised index and was slightly higher under the CCPI (Base 2002).

Gunawardena said that this change is due to a change in the weights given for each category of the items in the commodity basket used to measure the consumer price index.

The revised index is less sensitive to change in prices of food items compared to CCPI (Base 2002). In CCPI (Base 2002) weight given for food was 46.71 and in CCPI (Base 2006/7) it declined to 41.03 percent.

Weights given to non food items increased from 53.29 percent to 58.97 percent.

Changes of weights of sub categories are - food and non alcoholic beverages from 46.71 to 41.03, clothing and footwear from 3.08 to 3.14, housing, water, electricity and

gas from 18.29 to 23.72, furnishing household equipment and routine household maintenance from 3.22 to 3.60, health from 4.18 to 3.16, transport from 9.47 to 12.26, communication from 4.42 to 4.75, recreation and culture from 2.18 to 1.50, education from 5.79 to 3.94, miscellaneous goods and services from 2.65 to 2.89.

Household size of the new index is 4.5. The base expenditure value of the revised index is Rs.27,972.11 and is taken as 100. This expenditure level is 55.4 percent greater than the base period expenditure level of Rs.17,996.38 of CCPI (Base 2002).

This increase reflects the increased expenditure, due to the higher income, prices and the changed composition of the consumption basket.

The geographical coverage of consumers as well as price collection centres have been widened in the new index. Price collection centres have been widened from 12 markets to 14 markets in the Colombo district. -GW