

## **Introduction of the 16<sup>th</sup> Series CPI – September 2011**

The 16<sup>th</sup> Series CPI includes a number of changes. These are described in some detail in an Information Paper (Cat. No. 6470.0) on the ABS website [www.abs.gov.au](http://www.abs.gov.au).

The change of most interest to Commonwealth superannuation pensioners is the removal of the indirectly measured component of the “Deposit and loan facilities” index from the CPI. Only the direct fees and charges component will remain. As a result, the weight of the “Financial Services” group will decrease from 7.81 to 3.68. The indirectly measured component had been added at the time of the introduction of the 15<sup>th</sup> Series, after its performance had been observed on an experimental basis for some years, during which time the methodology had appeared to be robust. However, it displayed some volatility during the Global Financial Crisis, which prompted concerns from users. With the removal of that component, it is expected that the CPI as a whole will be less volatile.

The “Motor vehicles” expenditure class will now include new cars, transfer of used cars to the household sector (from business or government) and the service fee for the transfer of second hand cars, whereas the 15<sup>th</sup> Series included only new cars. The ABS paper does not say how this change might affect the CPI.

New household expenditure weights will be derived from the 2009-10 Household Expenditure Survey (HES) and other data sources. Some group weights will increase, including those of food, housing (which includes utilities) and health. There have also been a number of classification and name changes. “House purchase” will become “new dwelling purchase by owner-occupiers” (with no change in the data content).

The analytical measures of trend inflation derived from the CPI, the Trimmed mean and the Weighted median, will be revised and calculated using the standard ABS seasonal adjustment methodology. Some press comments have suggested that the CPI itself will be seasonally adjusted. However, the headline CPI (the All groups CPI), the one that is used to index our pensions, will not be revised as a result to the updates, and it will not be seasonally adjusted.