

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

19 – 20 October 2011

Question No: SBT 840

Topic: September quarter figures

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Senator Cormann asked:

Senator CORMANN: Will you just apply that new methodology from September 2011 onwards or will you also adjust figures going backwards in order to allow for—

Mr Ewing: I believe we have published prior to the release of the September quarter the adjusted numbers for earlier periods.

Senator CORMANN: How far are you going back?

Mr Ewing: I will take that on notice.

Answer:

The Australian Bureau of Statistics (ABS) conducted the 16th series review of the Australian Consumer Price Index in 2010, inviting user views on key issues such as the CPI analytical series. An important outcome of the review was the decision to produce an 'All groups CPI, seasonally adjusted' analytical series, from the September quarter 2011, to further assist users in understanding underlying price inflation. The unadjusted CPI remains the official headline inflation measure. The review process culminated in the publication of *Information paper: Outcome of the 16th Series Australian Consumer Price Index Review* (cat. no. 6469.0) on 6 December 2010.

Seasonal adjustment helps the analysis of price movements as it estimates then removes influences that are systematic and calendar related, from a time series. The ABS published *Information paper: Seasonal Adjustment of Consumer Price Indexes, 2011* (cat. no. 6401.0.55.003) on 14 September 2011 to provide information on the new seasonally adjusted series and the improved seasonal adjustment methodology that would be used to calculate the new seasonally adjusted series and the underlying inflation measures (the *Weighted median* and the *Trimmed mean*), from the September quarter 2011 onwards. Along with this information paper, the ABS also released experimental estimates of the new All groups CPI, seasonally adjusted series from the December quarter 1986 through to the June quarter 2011, and of the underlying inflation measures from the June quarter 2002 through to the June quarter 2011.

The September quarter 2011 release of the CPI on 26 October 2011 included a range of changes as a result of the 16th series CPI review. The headline 'All groups CPI' from the September quarter 2011 onwards included new weighting patterns and structures, but there were no changes to the previously published headline CPI series. The headline CPI is not revised when new weighting patterns are introduced - the new series is linked to the back series.

The September quarter 2011 CPI publication included the new 'All groups CPI, seasonally adjusted' analytical series for the first time, with the series commencing from the December quarter 1986. The 'All groups CPI, seasonally adjusted' analytical series is subject to revision each quarter as extra quarters are included in the series analysed for seasonal influences.

The September quarter 2011 CPI publication also included the measures of underlying inflation, based on the new seasonal adjustment method, back to the June quarter 2002. Like the 'All groups CPI, seasonally adjusted' analytical series, the measures of underlying inflation are also subject to revision each quarter.