

Government of Pakistan
Pakistan Bureau of Statistics

No. PBS. NA. Reb (01)/2016

Islamabad, the 9th December 2019

Subject: **Views of PBS on the article titled, “Understatement of the Rate of Inflation” published in the daily Business Recorder dated 03-12-2019.**

Reference article titled, “Understatement of the Rate of Inflation” published in the daily Business Recorder dated 03-12-2019. Point wise reply of the subject article is as under:

The argument that PBS changed the base year due to double-digit inflation is misleading. Governing Council of PBS in its 5th meeting held 29-12-2013 took a policy decision to rebase the national accounts and price statistics after every ten years. Consequently PBS has been working on the methodology of change of base of price statistics from 2007-08 to 2015-16 and got it finally approved in 17th meeting of Governing Council held on 08-04-2019. Thus the change of base was an already planned activity of PBS and was not motivated by the experience of double-digit growth.

For the new base, Household Integrated Income and Consumption Survey (HIICS) was conducted in 2015-16 to measure changes in consumption pattern of the households and calculation methodology has also been revised in-line with international best practices and to address major criticisms on the 2007-08 base. The inflation numbers under the new methodology are more representative of price dynamics in the Rural and Urban areas. For example, Food & Non-Alcoholic Beverages segment is relatively higher in Rural areas as compared to Urban areas. Similarly, weightage of Housing, Water & Electricity is higher in the Urban CPI. Another major change is in the calculation of Gas & Electricity tariff which now includes fuel price adjustment, GST and other surcharges rather than just the base tariff and calculates index based on the number of consumers falling in individual slabs.

The base period for CPI, WPI and SPI has been shifted from 2007-08 to 2015-16 w.e.f August, 2019. The statement that base year for SPI has not been changed is incorrect. The writer is confusing the readers by mixing the basket of goods and weights of 2007-08 with those of 2015-16. The new basket of goods and services for urban CPI consists of 356 items. The respective weights for major categories for food, beverages and tobacco; clothing and footwear and housing and utilities are 34.58, 1.02, 8.60 and 23.63 percent. The new methodology takes into account the Fuel Price Adjustment for the compilation of electricity tariff which was not considered in the previous methodology.

SPI comprises of 51 items (mostly food) while CPI comprises of 356 items, resultantly food inflation in SPI is higher than CPI. Further, the percent change for tomatoes in CPI Urban for the month of October, 2019 w.r.to September, 2019 is 34.97% whereas that of SPI for the same period is 65.25%. The food inflation reported in CPI Urban is 13.7% while 14.6% in RPI.

A brief analysis of this sort cannot conclusively determine the causal link between CPI and WPI prices. Historically, the difference between CPI and WPI has varied greatly with increases in CPI generally following increases in WPI and vice versa.

NEPRA has notified FPA for the month of June, 2019 and July, 2019 respectively as -0.1308 and 1.7799 which were charged from the billing month of October, 2019 and adjusted from October, 2019 CPI. The FPA for the month of August, 2019 was 1.6615 which has been charged from the billing month of November, 2019 and adjusted in the CPI of November, 2019. Moreover, the FPA of 1.83 is notified for the month of September, 2019 to be deducted from the billing month of December, 2019 by NEPRA and will be adjusted in the CPI of December, 2019. The weight assigned to Karachi city are based on recent population census and is 24.17% not 15.7%. Further these weights are used to compile the urban and rural representative average prices for each item.

2. PBS would like to state that PBS compiles the price statistics according to well stated and publically shared methodology which is based on international standards.

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