

This resolution brings out a most important point—namely, that full importance should be accorded to all commodities and services represented in the index, including items for which price quotations are not collected. The Committee recommends that this principle be followed.

27. The actual steps in the process of applying the principles stated in the foregoing paragraphs were—

- (a) The aggregate expenditure, valued at retail prices in 1946, of every class of commodity and service—*e.g.*, meat, fish, boys' clothing, &c.—included in the index was computed.
- (b) The values shown under (a) were divided up into constituent sub-classes—*e.g.*, meat into cuts, fish into different classes of fish, &c.
- (c) Representative items were selected for pricing purposes, each of these items being allotted a "weight" representing expenditure on all constituent items in the particular sub-class.
- (d) The values shown under (c) were adjusted to bring them up to the level of retail prices in 1948.
- (e) The weights estimated under (d) were converted to per-million proportions. These, representing the "weights" allotted to the items included in the list of commodities and services priced, are shown in detail in Appendix B.

Actually, since the index will be computed throughout on the aggregate-expenditure method, the proportions of total value shown in Appendix B will be converted to a quantity basis by dividing the values by the retail prices of each item as ascertained at the first complete collection. This calculation will produce a set of quantity weights which, when multiplied by prices for the unit of quantity for which prices are recorded, will give properly weighted aggregates for each group and for all groups combined.

28. In order to afford an indication of the full extent of the coverage of the new index, a computation (necessarily very approximate) of the aggregate national expenditure on the omitted items was made, and it was estimated that the proposed index would cover approximately 95 per cent. of normal consumer expenditure excluding private motoring for pleasure and alcoholic liquors, or approximately 85 per cent. of such expenditures including these items. This coverage is very much greater than the coverage of any previously existing New Zealand retail prices index. The "old series" retail prices index covered 81 per cent. of the total household expenditure recorded in the 1930 budget inquiry; but the families returning budgets at that inquiry recorded very little non-essential expenditure. The coverage of the Wartime Prices Index represented 85 per cent. of essential wartime expenditure.

29. As will be apparent from this discussion on the method of weighting, the Committee did not select a "typical" family on which to base the pattern of the index, but relied on aggregate consumption statistics as the basis of weighting. However, the index is intended to apply more particularly to family living-conditions as such, and for this reason such items as hotel charges, board and lodging charges, and rentals of furnished rooms are not represented. The living-costs of persons not living as a family are thus not directly represented in the index. This must be so, for a general index can only apply to typical conditions, and special indices with probably very different