

All groups index numbers should be published for each quarter for each of the ten towns for which complete (or nearly complete) price-collections covering all groups are available. The New Zealand all-groups index numbers will be a combination of the required index numbers for food, housing, and fuel and lighting (twenty-one towns) and clothing and miscellaneous items (ten towns or, in some cases, four chief centres). This national average index for all groups will be a weighted average index—that is, it will combine the twenty-one towns weighted by suitable population weights. Details of the population weighting and the method of combining the regional index numbers are given in Appendix C.

CHAPTER 8—SEASONAL CHANGES

31. The problem of purely seasonal changes in consumption and prices is one which constantly causes difficulties in index-number construction. These difficulties are not, however, as pronounced in New Zealand as in countries where there are wide variations in climate and, consequently, very considerable changes in the pattern of consumer expenditure as between one season and another—*e.g.*, summer and winter expenditure on fuel and lighting and clothing. Actually, in this country it is only in the fruit and vegetables group and for certain other foods—notably eggs and potatoes—where seasonal fluctuations are of such magnitude as to cause technical difficulties in the construction of a retail or consumers' price index. However, here, as elsewhere, it is considered undesirable that the index should be subject to sudden fluctuations, upwards and downwards, caused by purely transitory seasonal phenomena, and special techniques have been devised to avoid these fluctuations, while at the same time recording any "non-seasonal" movements in prices. The actual methods followed to meet this problem are described later in the detailed description of the method of compiling the food groups indices.*

CHAPTER 9—BASE PERIOD OF THE INDEX

32. The selection of the base period for a prices index is a matter of considerable importance, since any errors in pricing in the particular period chosen as the starting-point for the index will reflect themselves in all subsequent index numbers, which in such circumstances would not correctly reflect the changes in prices which have occurred since the base period. The Government Statistician's previous index of retail prices was related to average prices ruling during a five-yearly period (1926-30), while the Wartime Prices Index related to a base date (15th December, 1942†). In view of the fact that the proposed index will include a large number of commodities and services not covered in any previous index in this country, it is clearly undesirable that the first period for which prices are collected for these new items should be the base for the index. Difficulties will inevitably arise in the completion of specifications, in pricing, and in making reporting retailers fully conversant with what is required of them. Such difficulties can only be cleared up by practical experience. We understand that the Government Statistician is provisionally collecting prices of the additional items on the new basis commencing in November, 1948. By February, 1949, when the six-monthly census of rents is due, the problems connected with the initiation of the prices collection should have been overcome. We recommend, therefore, that the base period of the proposed index should be the first quarter of 1949. It should be observed that the selection of this period as the starting-point for the proposed index does not preclude the Government Statistician from calculating the new index backwards.

*See para. 36 and Appendices E and F.

† As required by the Economic Stabilization Emergency Regulations 1942 (Part IV, Regulation 40).