

PBS updates method to calculate inflation

ISLAMABAD: The Governing Council of Pakistan Bureau of Statistics (PBS) on Monday approved the much-awaited new inflation rebasing mechanism for mapping the consumption of arrival of new products in urban and rural areas of the country.

Currently, the PBS measures prices of 487 items collected from 76 markets in 40 cities across Pakistan, representing only the urban consumption basket at the exclusion of the 62 per cent of rural households. Each item is assigned a certain “weight” in the overall basket, and the Consumer Price Index (CPI) is then calculated by taking the change in price of that item from the base year, and applying the “weight”. The CPI is widely used for making policy and investment decisions, and can impact on the course of interest rates as well as the future of cost of long-term investments.

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The PBS approved the changes to the base year as well as the relative weightages assigned to various items in the basket in the 17th meeting of the Governing Council of Pakistan Bureau of Statistics, presided over by Federal Minister for Planning Khusro Bakhtyar in his capacity as Chairman of the Council, held on Monday.

After the meeting, an official announcement said the new base year for measuring CPI will be shifted from 2007-08 to 2015-16 instead. Officials present at the meeting confirmed that the relative weightages of the items in the CPI basket has also been changed, but would not share details. The decision now has to be approved by the Economic Coordination Committee before it can go into effect.

Base year and weightages both changed

“Changing the base year should make no difference to the measurements of CPI” says Dr Nadeem ul Haque, who is a monetary economist with deep understanding of inflation and its determinants and has served as planning minister in the past.

“The weightages are the real thing” he tells Dawn. Changing the weight assigned to different items, for example food, can have the effect of either increasing or decreasing the CPI.

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Under the new base, the PBS will compile Urban Consumer Price Index, Rural Consumer Price Index and National Consumer Price Index on monthly basis. The new base will be published after the approval by the Economic Coordination Committee.

The PBS had already completed its work last year to change the base year from 2007-08 to 2015-16 but it was awaiting approval of the governing council, an apex body of the PBS headed by the planning minister.

That approval finally came on Monday, about a week after the government complained to the PBS about its methodology. The government’s complaints were prompted by a fierce backlash when March inflation data showed a 9.4pc rise, the largest in five years.

According to the official announcement released after the meeting, “the Minister for Planning Khusro Bakhtyar emphasised the need for authentic data collection for better policy and decision making”. He said

that PBS should devise a mechanism to deliver more reliable official figures relating to economy, population, agriculture, trade and other areas.

The rebasing was due to be effective from July 2018, but has been awaiting approval ever since. The original schedule for the rebasing was June 2017. On Monday, the governing council of the PBS approved the summary of rebasing and directed to implement it immediately.

Statistics Secretary Dr Shaista Sohail said that normally base is changed every five years. The new base has been approved by a high-level technical committee of the PBS, she said.

Khusro stressed the need to ascertain the real impact of gas and electricity price increases as well as prices of essential food items on consumers falling in different categories. He was apprised that poor consumers falling in the lowest slab have not been affected much by increase in prices of gas and electricity due to protective cover given by the government.

The meeting was apprised that 5th meeting of the Governing Council of the PBS had decided to rebase the National Accounts Committee and Price Statistics after every 10 years.

Subsequently, a technical committee under the chairmanship of ex-vice chancellor, Pakistan Institute of Development Economics, Dr Asad Zaman, was constituted which recommended changing the base.

Regarding the appointment of Chief Statistician, the minister directed to expedite the process for smooth functioning of the PBS. It was also decided that the PBS will conduct Pakistan Demographic Survey (PDS) periodically and try to resolve the issue in consultation with Nadra and local governments. PDS is critical for capturing changing demographic patterns in the country.

The Newspaper's Staff Reporter