

45. The Committee recommends that prices of seasonal items such as seasonal fruits, vegetables, and eggs should be included in the index, despite the difficulties caused by seasonal variations in purchases and prices. Nevertheless, we consider it undesirable that the index should be subject to sudden fluctuations, upwards or downwards, owing to purely transitory seasonal phenomena. Therefore we approve of the principle of smoothing seasonal fluctuations in these items by appropriate techniques (see Appendices E and F).

46. Durable consumer goods such as furniture, household appliances, radios, &c., will be well represented in the proposed index. The weight allotted to such items represents the annual replacement cost.

47. While the normal practice is to include only rentals of unfurnished houses in a consumers' (or retail) prices index, the Committee recommends that, in addition, rentals of unfurnished flats and the costs of owner-occupied houses should be represented in the index.

48. Certain groups of commodities and services—*e.g.*, contributions to charity and gifts—cannot be represented in a consumers' price index. Two other groups—namely, private-telephone charges and domestic service—have been omitted as not being important items in the average urban New Zealand household. Holiday expenditure is partly but not fully represented by such items as rail and taxi fares and entertainments. The index as recommended would cover 85 per cent. of normal consumer expenditure, or 95 per cent. of expenditure excluding the items mentioned in the following paragraph.

49. Expenditure on private motoring for pleasure and on alcoholic liquors are not represented in the proposed index, principally because of the great variability in expenditure (from nothing to considerable amounts) on these items.

50. Savings and direct taxation are not represented: the former because the index covers spending, not saving; and the latter because the index covers purchases of commodities and services out of disposable income—*i.e.*, after direct taxes have been paid.

51. The weighting pattern of the proposed index is based on post-war habits of consumption.

52. In order to give effect to the proposal in para. 51, the Government Statistician estimated the value, at retail prices, of goods and services purchased in 1946—the latest year for which a complete compilation is available. The statistics were adjusted to take account of price changes between 1946 and 1948. This estimate forms the basis of the weighting diagram. We recognize that 1946 and 1948 are not “normal” post-war years, and we recommend that if the consumption of any commodity of importance changes materially an immediate adjustment of the weighting of that commodity should be brought into effect. The index should be completely revised every five years.

53. While the items included will represent more particularly living-costs in urban localities, the index will still indicate, reasonably well, *changes* in prices affecting all consumers.

54. Although all commodities and services purchased at retail—with the exceptions indicated in paras. 48-50—are represented in the index, it would be clearly impossible to “price” the many thousands of individual items represented. Accordingly a selection of key items—300 in all—has been made for which actual prices will be collected. Each of these items will carry a weight representing all similar items. The selection of items to be priced has been given careful consideration to ensure that properly representative items are priced and that a proper balance between locally produced and imported items is secured. It is worth noting that the number of items to be priced is considerably greater than is the case in other countries of which we have records. In the Australian index, for example, 160 commodities and services are priced; in the United Kingdom, 230; in Canada, 152; in the United States of America, 160; in South Africa, 208.