

<div align="justify"><p align="justify">◆A WHOPPING 11 per cent. That's how much the Consumer Price Index (CPI) for food and non-alcoholic beverages has increased since 2005.

In layman's lingo, it means the cost of living has gone up. And ouch, it's squeeze on your wallet.

 Since 2005, wheat flour, for example, has increased by 55 per cent and rice by 4.3 per cent.

 International Association for Consumer Law deputy president Datuk Dr Sothi Rachagan said it was important to understand that the CPI was based on a "market basket" and pricing procedures on the experience of the relevant average household.
 </p></div><div align="justify"> "It reflects that for the average household, food and non-alcoholic beverages had gone up by 11 per cent compared with 2005," said Sothi.

 "The CPI is an index, but it is an index of prices."

 He added that the CPI is important because it is the price the consumer pays and not what the producers pay.

 Sothi said its major uses include being economic indicators, a means of adjusting currency values, and assisting in the use of other economic data.

 " It is not a cost of living data as not all cost of living factors are taken into account but it takes into account a substantial portion of the cost of living."

 From February 2007 to February 2008, the index for food and non-alcoholic beverages had gone up by 4.5 per cent.

 According to the Department of Statistics, the increase in index for the same category between 2000 and 2005 was only nine per cent.

Kamarudin Muhamed, its senior director for prices, income and expenditure division, said a consumer spent about 31.4 per cent of his salary on food and non-alcoholic beverages in 2005 compared to 34.9 per cent in 2000.

 "As one's income increases, the percentage spent on food and non-alcoholic beverages is lower and the extra portion is spent on other areas like transport, communication, restaurants and hotels."

 How did they come to that conclusion?

 "Every five years, we conduct a Household Expenditure Survey (HES) to know what Malaysians are spending on," explained Kamarudin. "The weights used in the calculation of the CPI are obtained from the HES."

 CPI is the measure of rate of price change for goods and services bought by consumers. The weights used in the calculation of the CPI are the amount of expenditure incurred by a household for this category.

 "The CPI is important because it is a proxy to inflation and is an indicator of price changes in the economy. It also monitors and controls prices of goods and services and is connected to salary adjustment.

 "Prices are important because it determines the welfare of the people and if prices are high, purchasing power is lower."

 Kamarudin added the CPI is pegged to a basket of 460 goods and services. The items in the basket are revised every five years.

 There are 12 categories of items in the basket based on the United Nations' "Classification of Individual Consumption According to Purpose (COICOP)".

 Kamarudin said the index for milk, cheese and eggs increased the most in February 2008 (12.1 per cent) as compared to other food items for the same month in 2007.

 This was followed by coffee, tea, cocoa and non-alcoholic beverages (5.8 per cent) while rice, bread and other cereals saw an increase of 5.7 per cent.

 The index for fish and other seafood saw a drastic increase of 16.8 per cent in February 2008 as compared to the base year 2005.

 "In October 2007, prices started to increase for food. This was due to the rise in world food prices.

 "Weather calamities in food producing countries were the main contributing factor," said Kamarudin.

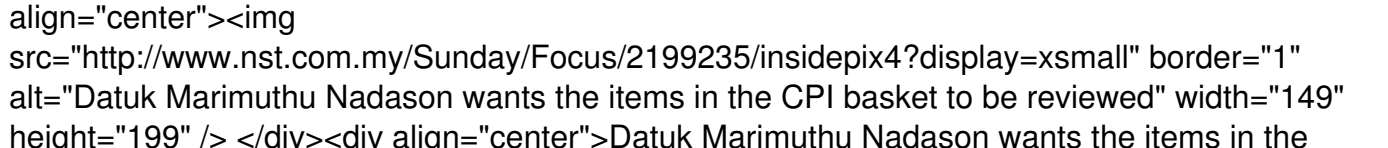
 Prime Minister Datuk Seri Abdullah Ahmad Badawi recently said that with the new cabinet in place, his priority was to support lower income groups who are suffering from surging prices of consumer goods.

 The Federation of Malaysian Consumers Associations (Fomca) suggests that it is time to review the

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items in the CPI basket.



Datuk Marimuthu Nadason wants the items in the CPI basket to be reviewed

Its president Datuk Marimuthu Nadason said items in the basket that are obsolete, unnecessary and carry virtually zero weight should be critically reviewed for omission.

Is the basket filled with virtually weightless objects? "Even though the weight for some items are 0.0 per cent, it does not mean they are irrelevant. It just indicates that consumption of those items is smaller compared to other items. It could be a weight of 0.001 per cent," said Kamarudin. "And the items in the basket are in accordance with the list we receive from the United Nations." But Fomca said items carrying virtually zero weight should be critically reviewed for omission to make way for new items that will better reflect the expenditure pattern of modern day consumers. As the population demographics has evolved to the point that we now have a thick layer of middle-income earners, Fomca suggests that the CPI to be broken into two population groups to better reflect the composition of modern day society. The first population group, Marimuthu said, should consist of lower income earners with low consumption expenditure such as rural households and the urban poor. While the other group, he added, will consist of middle and higher income urbanites with higher consumption expenditure to better represent the national index for population. "We have the index for the lower-income category as well as the urban and rural categories but that information is only for our stakeholders," said Kamarudin. Marimuthu also said the base year for CPI reviews should be extended from five to 10 years or more to better reflect the actual inflation rate of the country to consumers. However, Kamarudin said the general recommendation by the United Nations is to review the basket every five years. "This is the standard practice everywhere," he said.

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