



Technical Note on the Compilation of the Rental Index in the Consumer Price Index

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Background

Over the past year the Statistics Division (SD) in the Ministry of Finance and Corporate Governance has been updating the relevance of the Consumer Price Index (CPI). This is important to ensure the quality of the CPI for a wide variety of data users to facilitate informed decision making and policy formulation.

The CPI is a statistical index of the changes in the general level of prices of a fixed basket of consumer goods and services purchased by private households. The index provides an estimate of the price change between any two periods.

During the COVID -19 pandemic, the SD faced extraordinary challenges in the collection of rental prices for housing. The SD therefore consulted International price experts from organizations such as the ILO, IMF CARTAC, UNECLAC and the CARICOM Secretariat Regional Statistical Programme to gain their insights and strategies for dealing with those challenges. The main conclusion of these consultations was that SD should recommence regular collection of prices for housing rents, once a frame for the collections can be developed from the 2024 Population and Housing Census. However, as a temporary solution in the interim, it was proposed that a composite index based on other representative components of the CPI could be used as a proxy for changes in housing rents.

General Approach

Therefore, with the release of the July 2023 CPI, the SD has introduced into the CPI category for *Housing, Water, Electricity, Gas and Other Fuels* a composite index¹ of housing rents as a proxy for the *Actual Rents of Tenants* and *Imputed Rents of Owner Occupiers*.

Conclusion

The inclusion of this composite index for housing rents into the CPI will improve the aggregate measure of inflation. However, the SD is also actively engaged in re-establishing an index for housing rental based on actual data on these costs.

¹ The composite index was produced using CPI indexes and special indexes. For additional information, please contact the Statistics Division at info.stats@ab.gov.ag