

FEATURE ARTICLES

Revision of Consumer Price Index Basket in Zimbabwe

Chikoko Laurine Tawedzerwa Ngundu[♦] and
Kennedy Kupeta[♣]*

Abstract

The Zimbabwe Statistical Agency (ZIMSTAT) introduced a revised Consumer Price Index (CPI) basket, effective January 2013. Periodic revisions of the expenditure weights are necessary so that the CPI reflects price changes of current spending patterns. The latest 2012 revision of CPI basket shows an increase in weight of basic items such as food and non-alcoholic beverages, education, housing, water, electricity, gas and other fuels, health, clothing and footwear divisions of the CPI. The depressed disposable incomes have led to consumers reverting to the 'basic' basket. Communication division, however, increased in weight, owing to the impact of technology on the consumers. As the Consumer Price Index is used for many purposes, and affects various policies, it is important to maintain the public credibility on inflation statistics through improving its timeliness, relevance and accuracy. In this regard, the CPI basket should be frequently updated. Thus, the relatively long time of about 11 years taken before revising the CPI basket in Zimbabwe in the face of clear changing expenditures, is not welcome and may have contributed to a larger extent to criticisms about the credibility of inflation figures in the country.

* Midlands State University; banking and Finance, Department; Email chikokol@msu.ac.zw

♦ Tawedzerwa Ngundu; Reserve Bank of Zimbabwe; Email: ngundutawedzerwa@gmail.com

♣ Kennedy Kupeta; Reserve Bank of Zimbabwe; Email kkupeta@gmail.com