

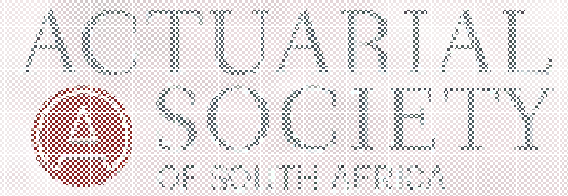


# Changes to the Consumer Price Index with a focus on health

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1. Key changes to the CPI
2. Coverage of health

# Objectives of the CPI

CPI is a measure of average price changes for consumer goods and services

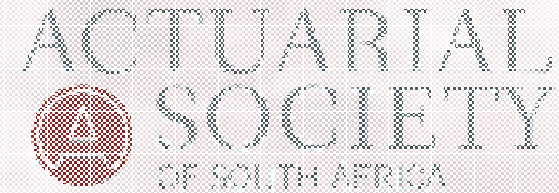
## Measure of inflation in the economy

- Macroeconomic analysis
- Monetary policy

## Cost of living

- Wage negotiations
- Adjustments to pensions, grants, maintenance, etc
- Adjustments to contracts

# Reweighting the CPI



International practice is to refresh the CPI weights at least every 5 years

Weights represent the proportions of total consumption expenditure of households

Reweighting ensures that CPI is based on pattern of recent household expenditure

Weights are mainly based on the Income and Expenditure Survey (IES) of 2005/6 released in March 2008

Used reweighting as opportunity for overhaul of CPI

## Why and how

### Why

- Improve the relevance of the CPI to South Africans
- Ensure the application of best and relevant international practices

### How

- Experienced international advisors
- User Advisory Committee
- Dedicated methodology team
- Experienced statisticians
- Committed operations staff

## Key methodological improvements

12 Month Income and Expenditure survey using diary

- More relevant weights
- Streamlined basket of products and services

New method for owner-occupied housing

- Owners' equivalent rent (OER) vs Interest rates

New Headline measure and inflation target

New methods for many other items

- Medical, education, books...

New classification (COICOP)

New method of transition from 2000 series to 2008 series

- Introduction of parallel price survey

Methods and sources manual

## New CPI basket

### Some new products:

- Minibus taxi trips
- Restaurant and take away meals
- Hotel accommodation
- Funeral costs
- Tickets to sporting events
- CDs and DVDs

### Some old basket products that are no longer included:

- Caravans and boats
- Musical instruments
- Laundry services
- VHS recorders and cassettes
- Mozerella cheese; Olive oil; butter

# Headline weights: 2000 and 2008

Category	Old Headline	New Headline
Food and non-alcoholic beverages (incl restaurants)	22,09	15,68 (17,53%)
Alcoholic beverages and tobacco	2,54	5,58
Clothing and footwear	3,25	4,11
Housing and utilities	25,36	22,56
Household contents, equipment and maintenance	7,39	5,86
Health	5,72	1,47
Transport	14,50	18,80
Communication	2,98	3,22
Recreation and culture	3,70	4,19
Education	3,48	2,19
Restaurants and Hotels	0,00	2,78
Miscellaneous	8,99	13,56

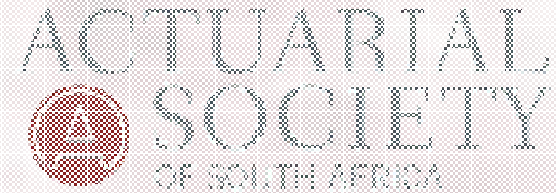


## Health weights

<b>Headline CPI</b>	<b>2000</b>	<b>2008</b>
<b>Total health</b>	<b>6,90*</b>	<b>1,47</b>
Medical professionals	2,25	0,72
Hospital services	0,63	0,18
Medical products	2,47	0,57
Medical equipment	0,14	n/a
Medical insurance	1,51	3,68

<b>Income &amp; Expend survey</b>	<b>1995</b>	<b>2000</b>	<b>2006</b>
Proportion of household expenditure on health	1,2%	1,5%	1,9%

# Medical products



## Prescription pharmaceuticals –

178 top sellers, track average price, transaction data

## Non prescription pharmaceuticals –

10 common medicines, supermarkets

## Dispensing fees –

Average % markup for the 178 prescription drugs, transaction data

# Medical services



## Consists of :

- General Practitioners
- Specialists (Physicians, Pediatricians and Gynecologists)
- Dentists

## Methodology –

- Previously used NHRPL
- National survey with sample size of 550 (drawn from BHF database)
- Fees for consultation, and limited (out of hospital) procedures
- Fees for four different classes of patient

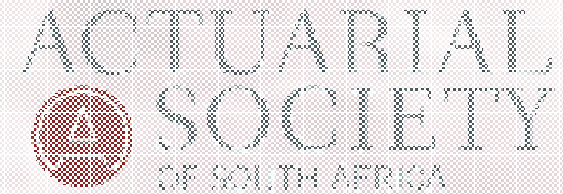
# Hospital services

- **Previously** – only public hospitals
- **Now** – only private hospitals, change in the cost per account for hospital stays related to surgery, medical admission and births

Accounts selected at beginning of year, repriced on quarterly basis

Tracking the pure price change

# Medical Insurance



## Medical aid premiums –

- Five different schemes (4-5 options per scheme)
- Contributions for main member, adult and child dependent

# Results from February 2009

		Annual % change
<b>Health</b>	Medical products	+7,7
	Doctors	+10,4
	Dentists	+9,5
	Hospital services	+8,8
<b>Health</b>		<b>+9,2</b>
<b>Medical insurance</b>		<b>+11,3</b>
<b>Health including Medical insurance</b>		<b>+10,7</b>
<b>Total CPI</b>		<b>+8,6</b>



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