



Statistics
South Africa

Preferred supplier of quality statistics



>> consumer price index

Clothing in the South African CPI: Exclusion of clearance sales

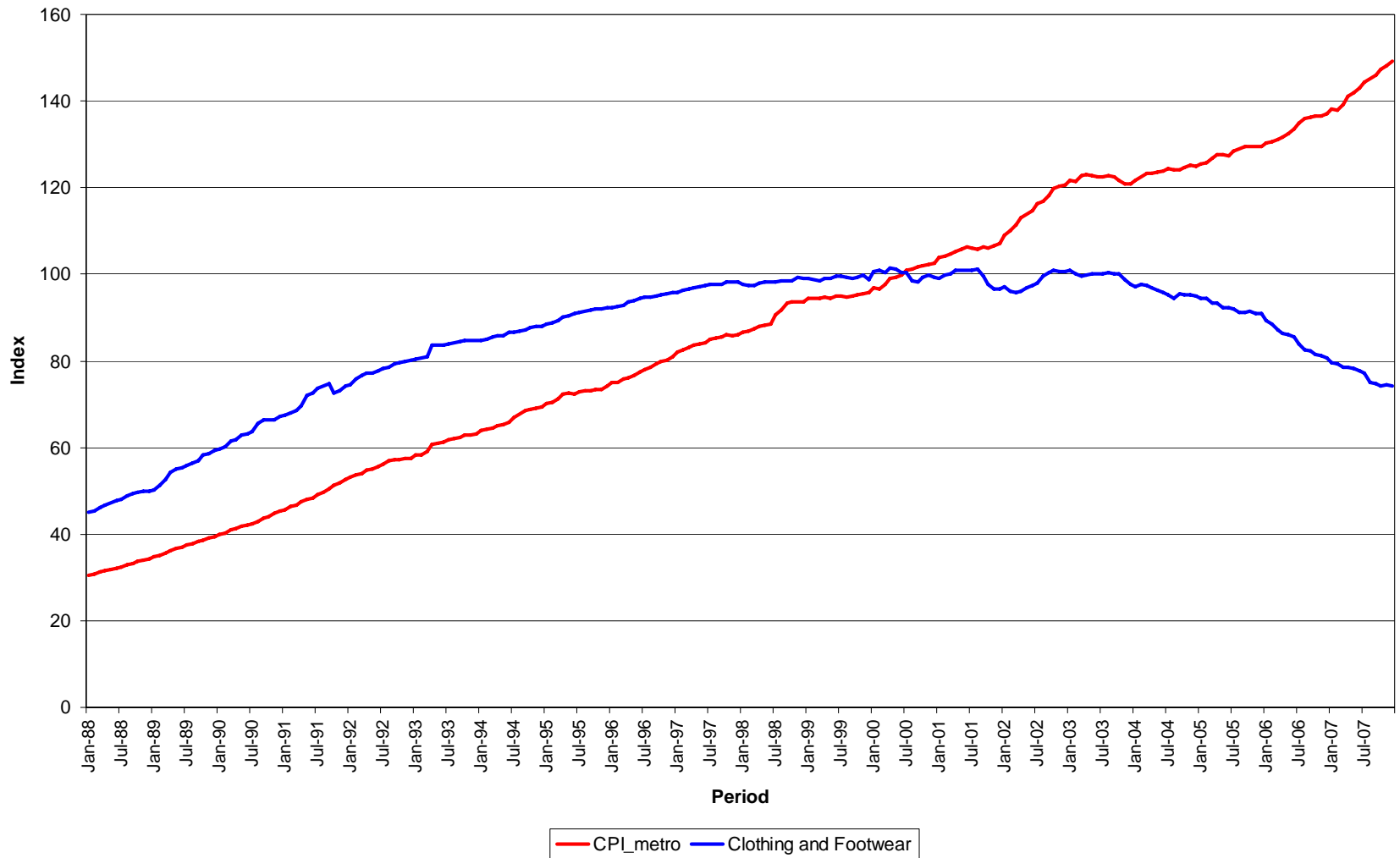
Patrick Kelly and Lee Everts



Aim of this paper

- >> To demonstrate a simple method for dealing with clothing prices in absence of quality adjustments

Pattern of clothing and footwear over long period



Understanding clothing deflation from 2003

- >> Deflation initially attributed to cheap imports from East
- >> Corroborated by anecdotal information from retailers
- >> By mid 2006, general inflation accelerating
- >> Clothing retailers reporting internal inflation
- >> Certain private sector analysts raise questions about validity of continued clothing deflation

Change in price collection method

>> Pre 2005

- Questionnaires dispatched to retailers (head office)
- Chain stores provide one price (average)
 - Problem: cannot track regional variations
 - No indication of availability
- Strict specifications - *Woman's summer blouse, short sleeves, made from 100% synthetic fabric.*

>> Post 2005

- Price collectors deployed through the country
- Specifications not changed
- Specific item identified and described for pricing in future months

Typical pricing behaviour

- >> **Fashion/seasonal items** vs non fashion/seasonal items
- >> Seasonal patterns not strong
- >> Item comes onto rack at certain price
- >> Remains at same price for season (± 6 months)
- >> End of season: two stages of sales
 - General price reduction
 - Final stock clearance
- >> Substitute item comes in at higher price (usually)

Collection method bias on pricing trends

- >> Old method: capturing an average price, will reflect price change when substitute item is introduced
- >> New method: tracking specific item, captures entry price, then price drop at end of season
- >> New item then initiated and spliced in at same price level as previous item ended
- >> Leads to deflationary trend

ILO manual

*“Sale or special offer prices should be recorded if these are either **temporary reductions** on goods that are likely to be available again at normal prices or are **stock-clearing sales** (such as January sales or summer sales). Special purchases of **end-of-range**, damaged, shop-soiled or defective goods **should not normally be priced**, as they are likely not to be the same quality as, or comparable with, goods previously priced and are **unlikely to be available in future**. If the special offer is limited to the first customers, the item should not be priced, as the offer is not available to everyone.....”*

International precedents

- >> Many countries require that discounted products be available in adequate quantities to be eligible for pricing and employ quality adjustment techniques
- >> Some exclude discount prices if they are not expected to return to normal price

New South African practice

- >> All end of season discounts are considered to be of a permanent nature and with limited availability
- >> When an item is discounted then this is recorded by the price collector on the form. The discount price is recorded but is not used in index calculation
- >> The following month the price collector receives a form requiring identification of a substitute item

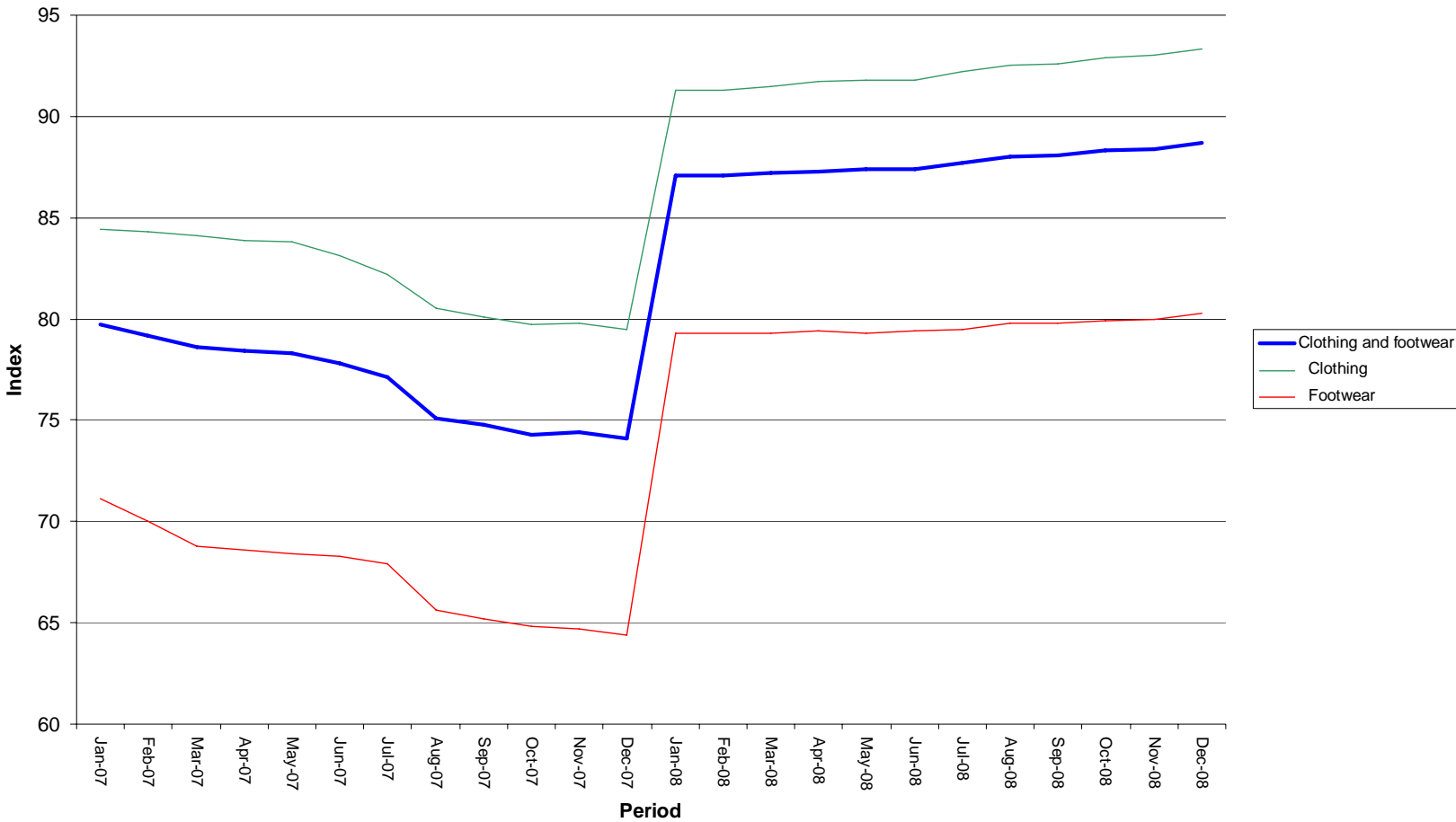
Method of introduction

- >> Change-over introduced in January 2008
- >> Took a conservative (strict) view of principle of non revision of historical numbers
- >> Compared

2007 indices	2008 indices
Included discounted prices	Excluded discount prices
Deflationary	Inflationary

- >> Resulted in steep month on month increase from Dec 07 to Jan 08

CPI Clothing and Footwear



Reaction to change

- >> Outcry over the big jump in January
- >> Stats SA committed to publishing the extent of upward bias created by the method of introduction
- >> Bias calculated by creating a non discounted index for 2007 and comparing difference between change in this, with change in published index

Extent of bias in headline CPI from change in clothing

Period	Contribution of clothing to all items % y/y	Contribution of clothing to all items % y/y	Upward bias to all items % y/y from clothing
	Non-discounted on discounted	Non-discounted on non-discounted	
Jan-08	0,174	0,016	0,158
Feb-08	0,186	0,014	0,172
Mar-08	0,201	0,012	0,189
Apr-08	0,205	0,014	0,191
May-08	0,209	0,014	0,195
Jun-08	0,218	0,011	0,207
Jul-08	0,239	0,018	0,221
Aug-08	0,289	0,025	0,264
Sep-08	0,296	0,024	0,271
Oct-08	0,309	0,029	0,280
Nov-08	0,307	0,028	0,279
Dec-08	0,318	0,035	0,283

Changes to clothing in 2009

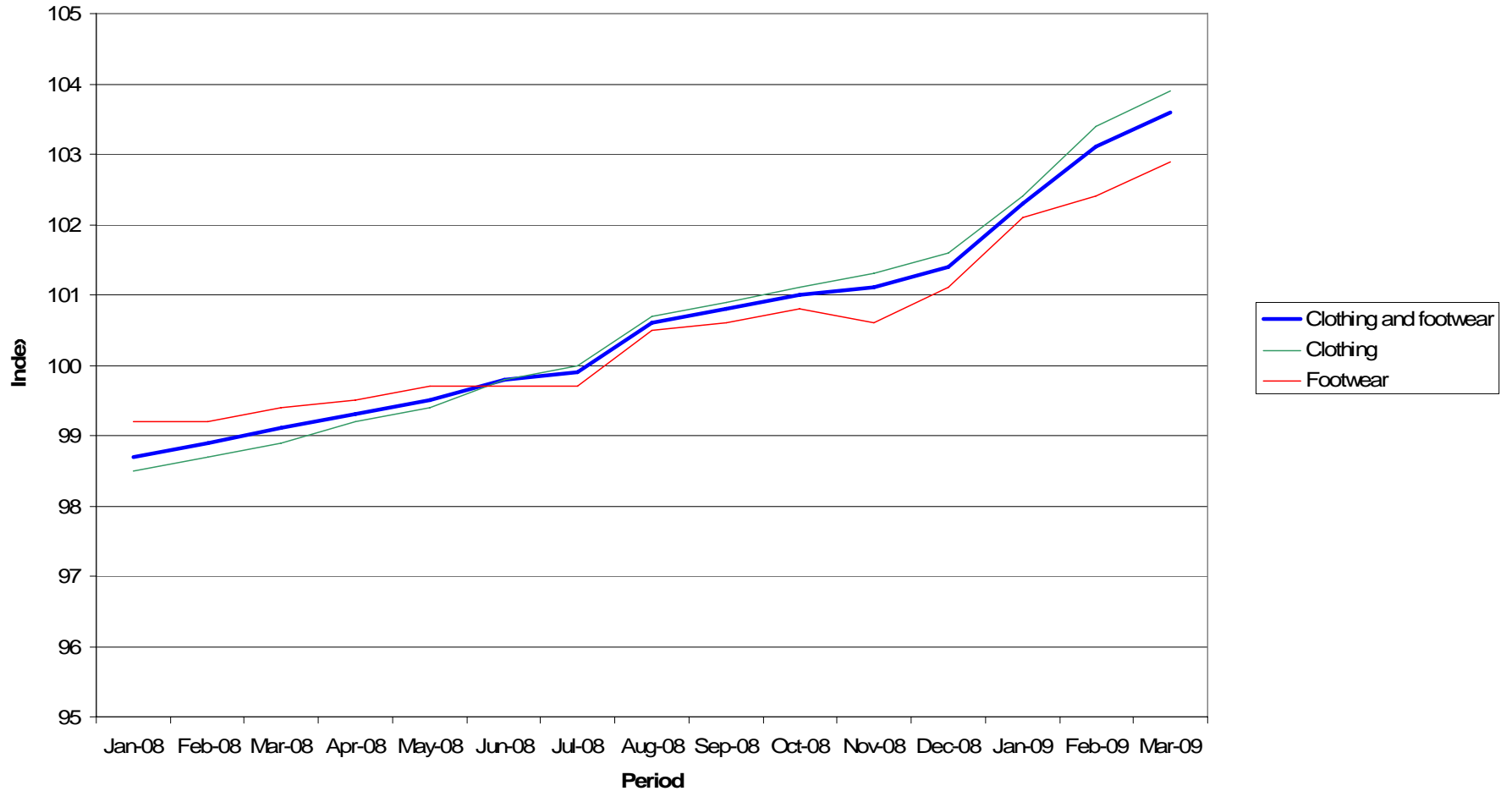
- >> Major changes to many aspects of CPI in 2009 as part of reweighting and overhaul
- >> Change in clothing is to move away from many narrow products to few broadly defined categories

Changes to clothing in 2009

Old description	New description
'BLOUSE - SUMMER - SHORT SLEEVE/SLEEVELESS - Made from SYNTHETIC FABRIC	Blouse
'TROUSERS - SUMMER - Made from NATURAL FABRIC	Trousers (excl jeans) - business
'CARDIGAN - WINTER - LONG SLEEVE	Knitwear

It is responsibility of price collector to identify most popular item in particular store

Clothing and footwear (Metro)



>> Thank you <<