

Make the Consumer Price Index reflective of reality

LETTERS: Public scepticism of the Consumer Price Index (CPI) has increased as the cost of living has gone up.

The CPI is computed on a single basket of goods and services that reflect average consumption patterns and prices.

It does not reflect the cost of living. Therefore, inflation rates across income groups and states will be different from the national average.

Nevertheless, the B40 is experiencing higher inflation rates than the M40 and T20 due to greater expenditure on food, which generally register higher price increases.

The **Department of Statistics Malaysia (DOSM)** Household Expenditure Survey Report 2019 showed the B40 spend more on food and beverage compared with the M40 and T20.

It's been suggested that a Food Price Index (FPI) should be set up.

The weighted averages of FPI price increases should be derived from a single national supply chain data management platform, linking growers and entrepreneurs on a network.

Eliminating the middlemen will enable small farmers to collectively bring produce to the markets at lower prices.

This approach can become a powerful vehicle for data collection, which will inform policy decisions.

The DOSM's Household Income Estimates and Incidence of Poverty Report (2020) revealed that around 580,000 households fell from the M40 group to the B40 in 2020.

So many people losing a big part of their income is the real picture of the cost of living, not the official inflation numbers.

It is therefore imperative to revisit the CPI and ensure that it's more reflective of reality.

<https://www.nst.com.my/opinion/letters/2022/08/822479/make-consumer-price-index-reflective-reality>