

24 March 2021

Adam Irish

fyi-request-14885-e5aeb0ca@requests.fyi.org.nz

Dear Adam,

Official Information Act request

Thank you for Official Information Act request, made via the FYI website on 9 March, for the following:

“I wish to request under the Official Information Act the following information:

Why housing prices are not a direct component of the Consumer Price Index (CPI) and instead only included as part of a boarder housing cost component.

Housing cost components and its changes within the CPI for the last 10 years.

What the level of home ownership has been for the last 10 years and what impact a decline in home ownership has on the housing CPI component.

Lastly does Statistics New Zealand collect information on New Zealands population and migration figures along with housing stock and new building consents and feed this through to Immigration New Zealand when they come to set their migration targets.”

“Why housing prices are not a direct component of the Consumer Price Index (CPI) and instead only included as part of a boarder housing cost component.”

The CPI measures inflation for the purchase of new housing, but not changes in the price of existing housing – this is approach is in line with international recommendations.

Stats NZ surveys the price of buying a newly built house (excluding the land the house is built on) from builders that build standard-plan houses. Land is excluded as it is considered to be the investment component of new housing, and investments are considered out of scope of the CPI. The other component, the house itself, is considered to be a consumption component (called the ‘Purchase of housing’ class in the CPI). The rationale behind this is that the physical structure deteriorates over time and is therefore ‘consumed,’ while the land remains constant and constitutes an investment that can be recouped. The practical separation of investment components from consumption components is consistent with international recommendations for a CPI whose main purpose is measuring monetary policy, as is the case of New Zealand’s CPI.

Stats NZ does not track changes in the price of existing (second-hand) houses. This is because expenditure on existing dwellings has no overall impact on the stock of owner-

occupied housing: each sale of an existing dwelling (negative expenditure) is cancelled out by a corresponding purchase of that dwelling (positive expenditure). Because the CPI looks at the economy from a macro-level, rather than at an individual household level, this negative and positive expenditure equates to zero, leaving only spending on newly built houses. Spending on newly built houses represents a net addition to the stock of owner-occupied housing, and is therefore included, as are alterations and additions to existing owner-occupied houses.

Other types of expenditure associated with home ownership are also included within the scope of the CPI. These include local authority rates, property maintenance, dwelling insurance, conveyancing legal fees and real estate fees.

“Housing cost components and its changes within the CPI for the last 10 years.”

Please see the attached spreadsheet for the index values, percent change from previous quarter, and percent change from the same quarter of previous year for the ‘Purchase of housing’ class for the last 10 years.

“What the level of home ownership has been for the last 10 years and what impact a decline in home ownership has on the housing CPI component.”

The CPI does not measure home ownership levels. Home ownership can be best represented by household data from the census; most commonly given as the percentage of those in occupied private dwellings who own their home, or hold their home in a family trust. In 2013, 64.8 percent of households in occupied private dwellings owned their home or held it in a family trust. In 2018, 64.5 percent of households in occupied private dwellings owned their home or held it in a family trust. More information on home ownership, and housing more generally, can be found in the [Housing in Aotearoa 2020 report](#). Declines in these home ownership rates do not have a direct impact on the housing component of the CPI.

Stats NZ also estimate expenditure by households on the purchase of new housing, using a combination of private dwelling estimates, population figures, Quarterly Building Activity information, and CPI housing data. This expenditure feeds into the expenditure weights used in the CPI (reviewed every three years). In June 2020 this was 8.65 percent of all household expenditure, compared to 5.50 percent in September 2017 and 4.20 percent in June 2014.

“Lastly does Statistics New Zealand collect information on New Zealand’s population and migration figures along with housing stock and new building consents and feed this through to Immigration New Zealand when they come to set their migration targets.”

Stats NZ publishes regular statistics on population, international migration, dwellings and households, and building consents. Stats NZ does not directly supply Immigration New Zealand with these figures. However, they can access our data releases if they wish to use the data themselves. For more information on how Immigration New Zealand use Stats NZ data, we recommend contacting Immigration New Zealand directly, via OIA@mbie.govt.nz.

If you have any further questions about the CPI or require further help, please do not hesitate to contact me via aaron.beck@stats.govt.nz.

You have the right, by way of complaint to the Office of the Ombudsman under section 28(3) of the Act, to seek an investigation and review of this response to your request.

Stats NZ intends to publish its response to your request made under the Act on the Stats NZ website. This letter, with your personal details removed, will be published in its entirety. Consistent with the Act, publishing responses increases the availability of information to the public and helps promote balanced public debate.

Yours sincerely,

A handwritten signature in black ink that reads "AR Beck". The letters are cursive and connected, with a distinct loop for the 'A' and 'R'.

Aaron Beck

Senior Manager – Prices

Stats NZ