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Using Engel curves to estimate CPI bias in a small, open, inflation-targeting economy


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¹ Examples include Australia (Edwards, [1997](#)), France (Lequiller, [1997](#)) and the United Kingdom (Fenwick, [1997](#)). Similarly, the New Zealand Government Statistician claimed that 'The CPI in the United States is not updated as frequently as in New Zealand. ... I do not believe that the level of bias estimated in the Boskin report for the US. CPI is relevant to New Zealand' (Morris, [1997](#), p. 50). Similarly, the Reserve Bank of New Zealand note 'Statistics New Zealand appears to be more thorough than many foreign statistical bureaus in trying to account for these biases' (Ebert, [1994](#), p. 25).

² A chronology of New Zealand's financial market reforms is given by Boyle and Eckhold ([1997](#)).

³ The Boskin Commission estimated commodity substitution bias of 0.15 percentage points out of a total annual bias of 1.1 points. This was comparable to the outlet bias of 0.1 points and smaller than the formula bias of 0.25 points and the bias due to quality change and new products of 0.6 points.

⁴ Here the CPI failed to capture rising costs of housing services in a credit-financed house price boom.

⁵ This provides the basis of the Almost Ideal Demand System (AIDS) of Deaton and Muellbauer ([1980](#)). Results when a quadratic in log income is used are also described in the following.

⁶ New Zealand's CPI is based on cross-sectional data from the 1984. The March year-end micro data from

⁷ These data were on a micro data from

⁸ The GDP deflator with real per capita GDP and the GDP deflator with an exchange

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