

Inflation

October 2015

Release date: 22 December 2015

	Oct 15	Sep 15	Aug 15	Jul 15
Headline*	-1.3	-1.9	-1.0	1.6
Domestic^	4.0	1.3	2.6	3.9
Imported^	-4.9	-3.2	-3.6	-2.3
Underlying*	5.9	5.3	7.9	9.9

*Year-ended growth

^Percentage point contribution to year-ended growth

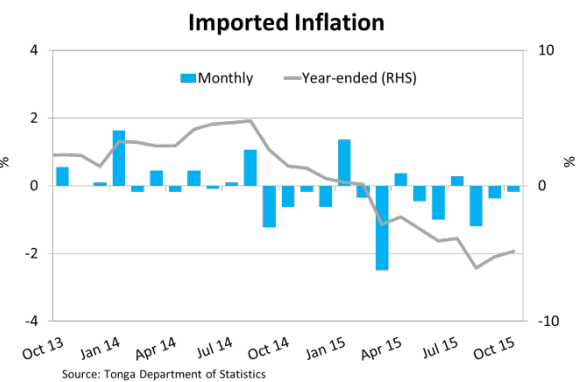
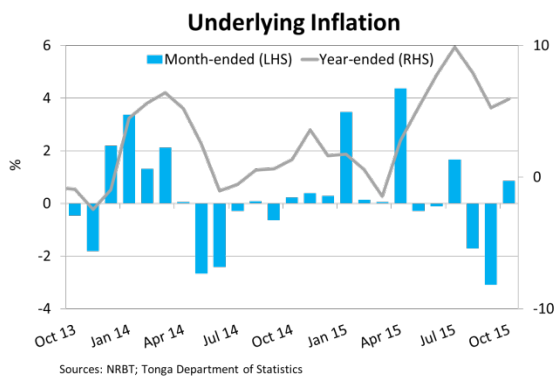
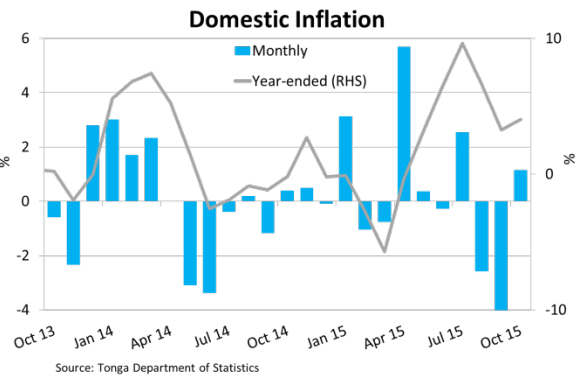
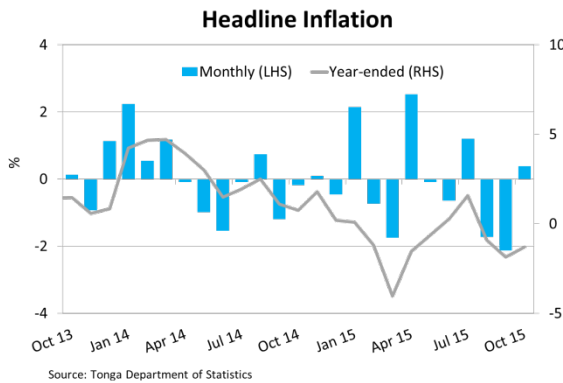
Deflation continues due to lower global prices

CPI increased slightly by 0.3% over the month caused by higher domestic prices particularly domestic Food prices. Higher prices for food items such as pineapples, taro, sweet potatoes, cassava, and fish contributed to the monthly rise. Prices within the Household Operations component increased. In contrast, Imported prices fell by 0.2% mainly due to lower Transportation prices. Overall Imported Food prices rose slightly despite decreases in Fruit & Vegetables, and Cereals and Cereal Products. The Tongan Pa'anga depreciated against the New Zealand Dollar which could have contributed to the higher Imported Food prices.

Over the year, the headline inflation decreased by 1.3% as a result of lower imported prices. Imported prices fell by 4.9% whilst domestic prices increased by 4.0%. Prices for all Imported Food items decreased except for Other food. In addition, prices within the Household Operation (electricity prices) and Transportation components declined due to the falling global oil prices over the year. Other imported items such as Tobacco & Alcohol, and Clothing & Footwear prices increased over the year but were insufficient to offset the declines for food and energy prices. Domestic prices increased due to rising food prices for items such as Fruit & Vegetables, Meats, Fish & Poultry, and Dairy products. This coincides with lower agricultural output due to adverse weather

conditions over the year. The annual core inflation rate (excluding energy and imported food) increased by 5.9% indicating the significant influence global prices has on inflation.

On the outlook, the NRBT continues to expect that headline inflation will continue to remain low until the end of this calendar year. However, risks to this forecast would be developments in world oil and food prices for both domestic and imported inflation.



Inflation Breakdown*

	Weight	Month-ended		Year-ended	
	%	Change %	Contribution to total ppt	Change %	Contribution to total ppt
CPI	100	0.3	0.3	-1.3	-1.3
Domestic	42.2	1.1	0.5	4.0	1.6
Food	17.8	2.1	0.4	15.7	2.6
<i>Fruit & vegetables</i>	6.5	4.9	0.4	46.5	2.6
<i>Meats, fish & poultry</i>	3.7	0.5	0.0	1.4	0.1
<i>Dairy farm & vegetable products</i>	0.5	0.0	0.0	0.7	0.0
<i>Cereals & cereal products</i>	3.4	0.0	0.0	-1.6	-0.1
<i>Other food</i>	0.0	0.0	0.0	0.0	0.0
<i>Drinks, sweets and meal away from home</i>	3.7	0.0	0.0	0.0	0.0
Transportation	0.5	0.0	0.0	-0.4	0.0
Tobacco & Alcohol	1.5	0.0	0.0	0.0	0.0
Household Operation	17.3	0.4	0.1	-5.9	-1.0
<i>Domestic Power & Fuel</i>	6.0	0.0	0.0	-11.2	-0.7
<i>Household Appliances</i>	0.0	0.0	0.0	0.0	0.0
<i>Household furniture, furnishing & textiles</i>	1.4	0.0	0.0	2.0	0.0
<i>Household supplies & services</i>	4.7	1.6	0.1	-7.5	-0.3
<i>Communication services</i>	5.2	0.0	0.0	0.0	0.0
Clothing & Footwear	0.0	0.0	0.0	0.0	0.0
Housing	1.7	0.0	0.0	0.0	0.0
Miscellaneous goods & services	3.5	0.0	0.0	0.0	0.0
Imported	57.8	-0.2	-0.1	4.9	-2.9
Food	27.9	0.2	0.1	-7.2	-2.2
<i>Fruit & vegetables</i>	0.9	-5.2	-0.1	-8.2	-0.1
<i>Meats, fish & poultry</i>	14.6	0.7	0.1	-13.9	-2.3
<i>Dairy farm & vegetable products</i>	3.2	0.8	0.0	-1.2	0.0
<i>Cereals & cereal products</i>	3.5	-2.3	-0.1	-1.3	0.0
<i>Other food</i>	5.7	0.9	0.1	6.8	0.4
<i>Drinks, sweets and meal away from home</i>	0.0	0.0	0.0	0.0	0.0
Transportation	11.5	-1.7	-0.2	-11.2	-1.3
<i>Private</i>	8.6	-2.2	-0.2	-14.4	-1.3
<i>Public</i>	2.9	0.0	0.0	-0.5	0.0
Tobacco & Alcohol	4.5	0.3	0.0	10.8	0.4
<i>Tobacco</i>	2.9	0.3	0.0	12.3	0.3
<i>Alcohol</i>	1.6	0.0	0.0	7.6	0.1
<i>Kava</i>	0.0	0.0	0.0	0.0	0.0
Household Operation	3.5	-0.6	0.0	-6.7	-0.2
<i>Domestic Power & Fuel</i>	1.1	0.4	0.0	-15.2	-0.2
<i>Household Appliances</i>	1.2	0.0	0.0	1.6	0.0
<i>Household furniture, furnishing & textiles</i>	0.0	0.0	0.0	0.0	0.0
<i>Household supplies & services</i>	1.2	-1.9	0.0	-4.4	0.0
<i>Communication services</i>	0.0	0.0	0.0	0.0	0.0
Clothing & Footwear	3.2	0.0	0.0	8.2	0.3
Housing	0.8	1.1	0.0	1.6	0.0
Miscellaneous goods & services	6.4	0.0	0.0	0.7	0.0
Underlying CPI measures					
Ex. Energy**	81.4	0.7	0.5	1.1	0.9
Ex. imported food	72.1	0.4	0.3	1.2	0.9
Ex. energy and imported food	53.5	0.9	0.5	5.9	3.0

* Due to rounding and Tonga Department of Statistics errors some data may not aggregate precisely.

**Excluded from the 'Ex energy' index is imported transportation and 'domestic fuel and power' component of 'Household operation'.

Source: Tonga Department of Statistics