

Inflation

August 2016

Release date: 5 October 2016

	August 16	July 16	June 16	May 16
Headline*	5.1	1.6	0.1	-1.0
Domestic^	2.1	0.7	2.1	1.9
Imported^	3.1	1.0	-1.9	-2.9
Underlying*	6.3	3.9	5.6	5.1

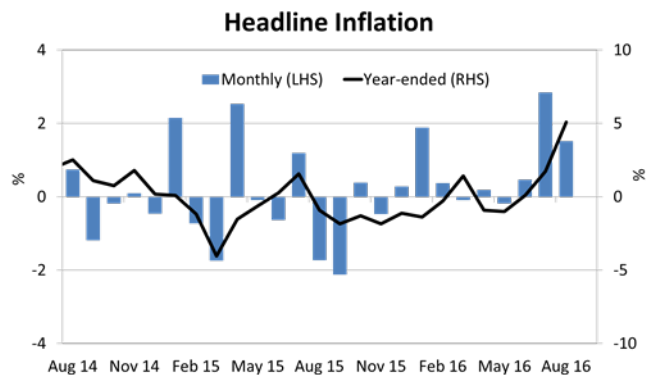
*Year-ended growth

^Percentage point contribution to year-ended growth

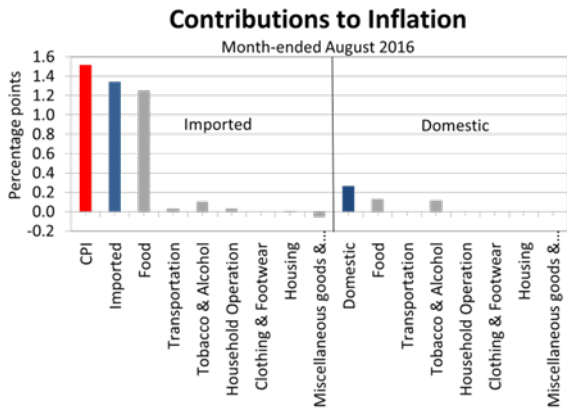
Rise in prices reflect new excise tax

Headline inflation over the month of August was 1.6%. The rise in prices were mainly driven by the prices of imported food component. The high prices were due to the imposed customs and excise tax in July on certain cuts of meat, including lamb flaps and chicken pieces to name a few.

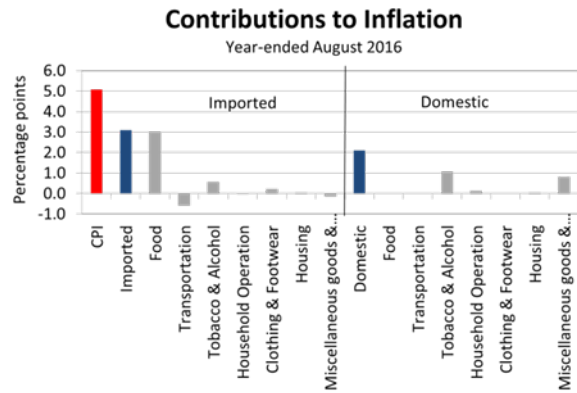
In year ended terms, inflation stood at a record 5.1%. The significant rise reflects the effect of the new excise tax, resulting in overall prices being much higher than the same period last year.



Source: Tonga Department of Statistics



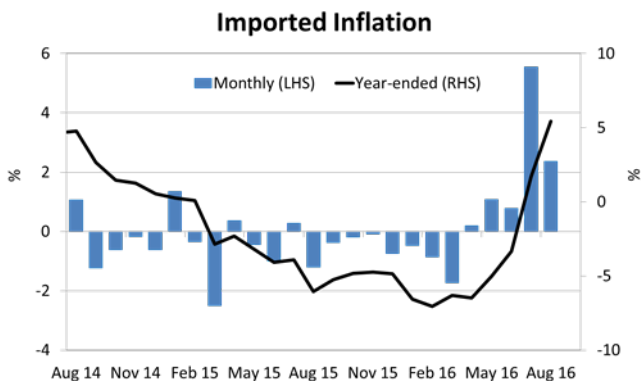
Source: Tonga Department of Statistics



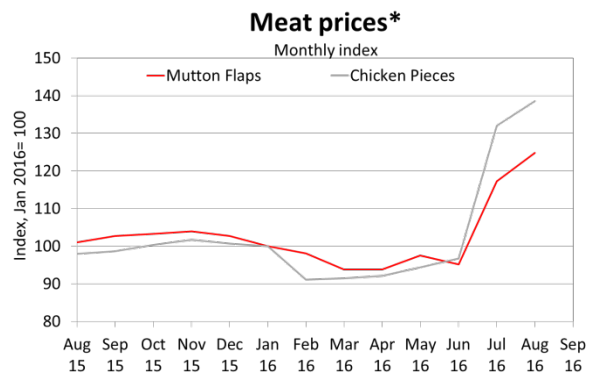
Source: Tonga Department of Statistics

According to Reuters, world oil prices were steady over August at US\$47 per barrel, the same level as in July. The flow on effects of changes in world oil prices is felt in Tonga with a lag of between 1-2 months. Local fuel prices fell in August, by 7 and 12 seniti respectively for diesel and petrol. The prices of petrol and diesel were 10% and 4% lower than the same period last year largely due to the fall in world oil prices.

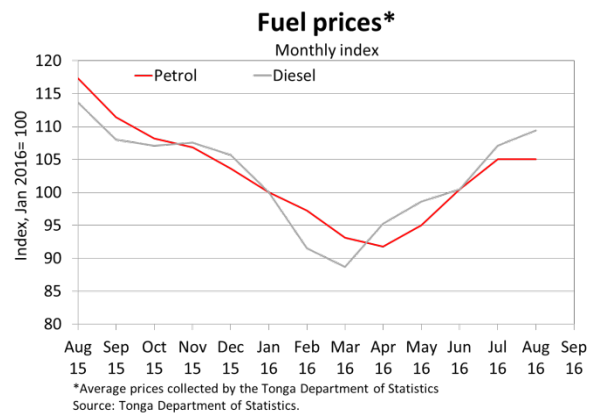
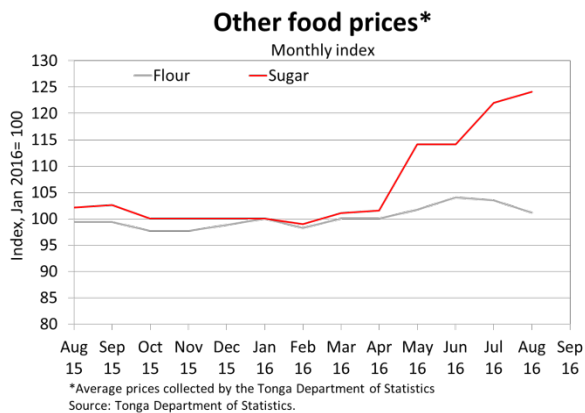
(Note: Fuel prices graph depict indices of average prices collected by the Tonga Department of Statistics, the rise in local fuel prices mentioned above are using actual prices.)



Source: Tonga Department of Statistics

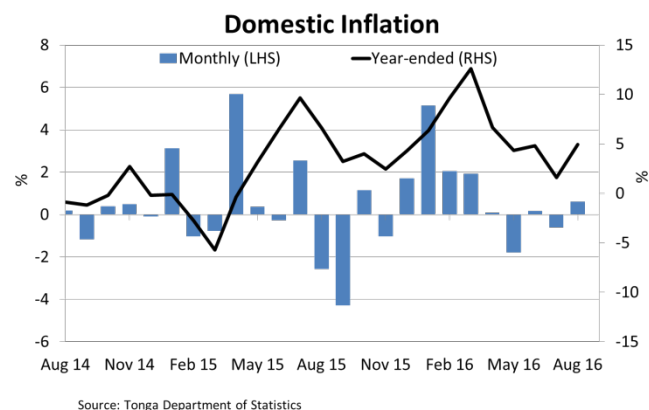


*Average prices collected by the Tonga Department of Statistics. Source: Tonga Department of Statistics.



The prices of domestic components contributed to the monthly inflation with prices rising by 0.6%. Although not as significant as the imported component, the rise was driven by food and tobacco. The rise in prices reflect the new excise tax.

In year ended terms, the prices of domestic components rose by 4.9%, a shortage in kava and other miscellaneous goods and services are responsible for the rise.



The NRBT projects inflation to fall to 3.4% next month before rising to peak at 4.3% in November. Prices are then expected to decline at the beginning of 2017 before picking up to 3.3% in May 2017. This forecast is based on the assumption that the TOP would remain at its current level; international food and oil prices will decline steadily over the next 12 month period. Developments to global food and oil prices will pose a risk to this outlook.

Inflation Breakdown*

	Weight	Month-ended		Year-ended	
	%	Change %	Contribution to total ppt	Change %	Contribution to total ppt
CPI	100	1.5	1.5	5.1	5.1
Domestic	42.2	0.6	0.3	4.9	2.1
Food	17.8	0.6	0.1	0.1	0.0
<i>Fruit & vegetables</i>	6.5	0.6	0.1	0.9	0.1
<i>Meats, fish & poultry</i>	3.7	1.6	0.1	-2.6	-0.1
<i>Dairy farm & vegetable products</i>	0.5	5.4	0.0	3.0	0.0
<i>Cereals & cereal products</i>	3.4	0.0	0.0	0.1	0.0
<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	1.0	0.0
Transportation	0.5	0.0	0.0	0.2	0.0
Tobacco & Alcohol	1.5	5.1	0.1	77.5	1.1
Household Operation	17.3	0.0	0.0	0.8	0.1
<i>Domestic Power & Fuel</i>	6.0	0.0	0.0	-13.1	-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	19.8	0.3
<i>Household supplies & services</i>	4.7	0.0	0.0	3.3	0.1
<i>Communication services</i>	5.2	0.0	0.0	9.3	0.4
Clothing & Footwear	0.0	0.0	0.0	0.0	0.0
Housing	1.7	0.0	0.0	2.4	0.0
Miscellaneous goods & services	3.5	0.0	0.0	24.9	0.8
Imported	57.8	2.4	1.3	5.4	3.1
Food	27.9	4.4	1.2	11.0	3.0
<i>Fruit & vegetables</i>	0.9	-1.3	0.0	-8.1	-0.1
<i>Meats, fish & poultry</i>	14.6	6.5	1.0	20.2	2.9
<i>Dairy farm & vegetable products</i>	3.2	0.5	0.0	-2.3	-0.1
<i>Cereals & cereal products</i>	3.5	2.4	0.1	2.1	0.1
<i>Other food</i>	5.7	2.6	0.1	3.8	0.2
<i>Drinks, sweets and meal away from home</i>	0.0	0.0	0.0	0.0	0.0
Transportation	11.5	0.3	0.0	-5.3	-0.6
<i>Private</i>	8.6	0.4	0.0	-7.2	-0.6
<i>Public</i>	2.9	0.0	0.0	0.0	0.0
Tobacco & Alcohol	4.5	2.1	0.1	12.4	0.6
<i>Tobacco</i>	2.9	2.9	0.1	18.3	0.6
<i>Alcohol</i>	1.6	0.0	0.0	0.0	0.0
<i>Kava</i>	0.0	0.0	0.0	0.0	0.0
Household Operation	3.5	1.2	0.0	-0.3	0.0
<i>Domestic Power & Fuel</i>	1.1	0.3	0.0	-5.7	-0.1
<i>Household Appliances</i>	1.2	0.0	0.0	0.9	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	3.2	0.0	3.2	0.0
<i>Communication services</i>	0.0	0.0	0.0	0.0	0.0
Clothing & Footwear	3.2	0.0	0.0	5.5	0.2
Housing	0.8	0.8	0.0	3.8	0.0
Miscellaneous goods & services	6.4	-0.9	-0.1	-2.5	-0.2
Underlying CPI measures					
Ex. Energy	81.4	1.9	1.6	7.9	6.5
Ex. imported food	72.1	0.5	0.4	2.9	2.1
Ex. energy and imported food	53.5	0.6	0.3	6.3	3.5

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