

**CONSUMER PRICE INDEX  
MONTHLY REPORT**

**DECEMBER 2013**



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**17.01.14**

## THE CONSUMER PRICE INDEX

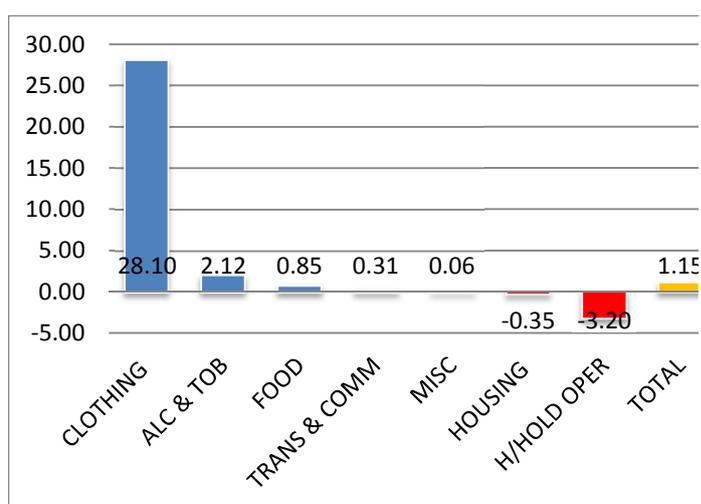
### 1. Monthly Change

The CPI for the month of December 2013 is calculated at **98.36** which indicated that the index increased **1.15** percent after posting a small increase in November. The Table below depicts the variations of the CPI index between the two observation periods and enclosed in Appendix 1 is the CPI market basket for comparisons. Similarly the annualised CPI market basket is attached in Appendix 2 as well as Technical notes in Appendix 3 for readers/users reference.

**Table**                      **Change in Monthly Group Indices**

GROUP	NOV '13 INDEX	DEC '13 INDEX	DIFF	% INC (+) DEC (-)
FOOD	53.49	53.95	0.46	0.85
ALCOHOL & TOBACCO	17.43	17.80	0.37	2.12
CLOTHING	1.91	2.45	0.54	28.10
HOUSING	3.81	3.80	-0.01	-0.35
HOUSEHOLD OPERATION	8.00	7.74	-0.26	-3.20
TRANSPORT & COMMUNICATION	7.69	7.71	0.02	0.31
MISCELLANEOUS	4.92	4.92	0.00	0.06
<b>TOTAL</b>	<b>97.24</b>	<b>98.36</b>	<b>1.12</b>	<b>1.15</b>

**Chart 1.**                      **% change for December 2013 in descending order**



Note: Discrepancy of numbers is due to calculations and rounding.

### 1.1 Monthly Observation

The CPI of goods and services have posted an increase as a result of rises from five of the seven group indices. As depicted in Table 1 and Chart 1 the Clothing index headed the increase with a significant surge of **28.10** percent which rebounded from a significant decline in November. The group increase is the result for the rebounding prices for a ladies mumu dress (local style dress) and large dual sex T - Shirts.

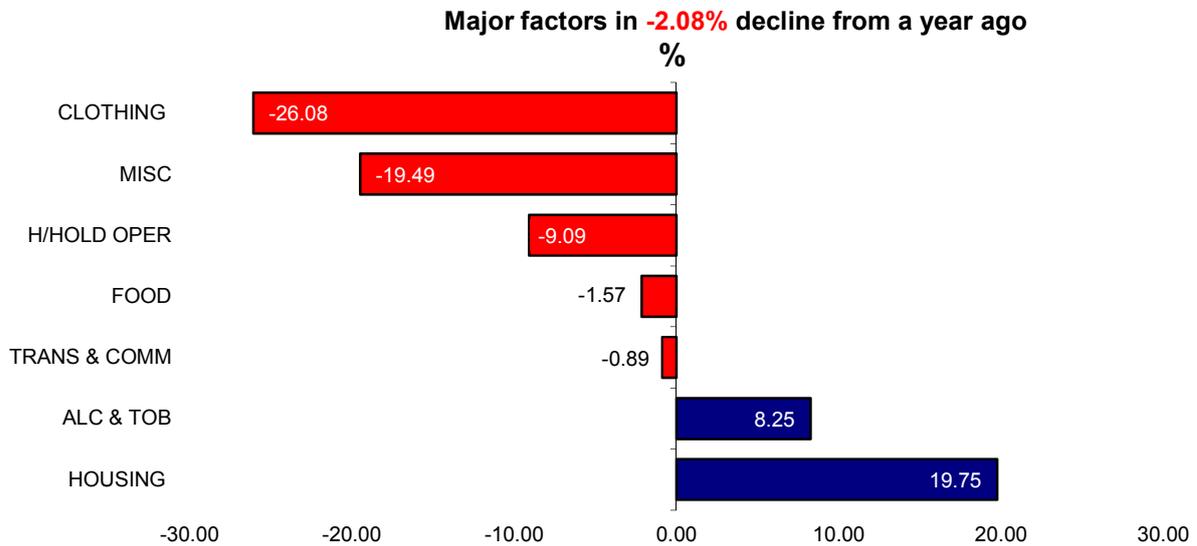
Likewise, with slightly smaller yet significant percentage increase is the Alcohol & Tobacco index which posted a **2.12** percent growth following similar growth in November. This is attributed to the surging prices for cigarettes which experienced supply shortage on island which prompted the rise. Following this is the growth of the Food index which contributed the third largest growth of **0.85** percentage increases from the previous month. Within Food the most notable rising average price is traced to a sachet of noodles as the main contributing factor with over 30 percent increase over the period. Likewise, cooking oil and baby food also contributed to the growth with around 15 and 9 percent respectively. Other smaller contributors to the growth were traced to 2kg chicken cuts and baby food with around 6 and 5 percent surge respectively. Transport & Communications also posted increases of **0.31** with a canister of engine oil individually impacted the increase with a rise of around 8 percent.

Offsetting the rise for December CPI is the deflated Household Operations and Housing Index with drops of **-3.20** and **-0.35** percent respectively. Within the Household operations the decline is attributed mainly to four goods namely a packet of size D disposable batteries (-28%), dishwashing liquid (-17%), washing soap powder (-11%) and freezer (-6%). Within Housing, the drop in paint prices solely influenced the group decline with around (-3%).

## 2. Annual Change

The Year to date change has reported a decrease in Nauru's CPI to **2.08** percent in comparison prices to December 2012, with the main contributors clearly illustrated in Chart 2 below.

**Chart 2. Annualised % change since December 2012**



### 2.1 Annual Observation

In an annualized change for December 2013 the goods and services posted a decrease for consumers' prices as a result for major decreases of the CPI groups with five out of the seven groups posting negative values.

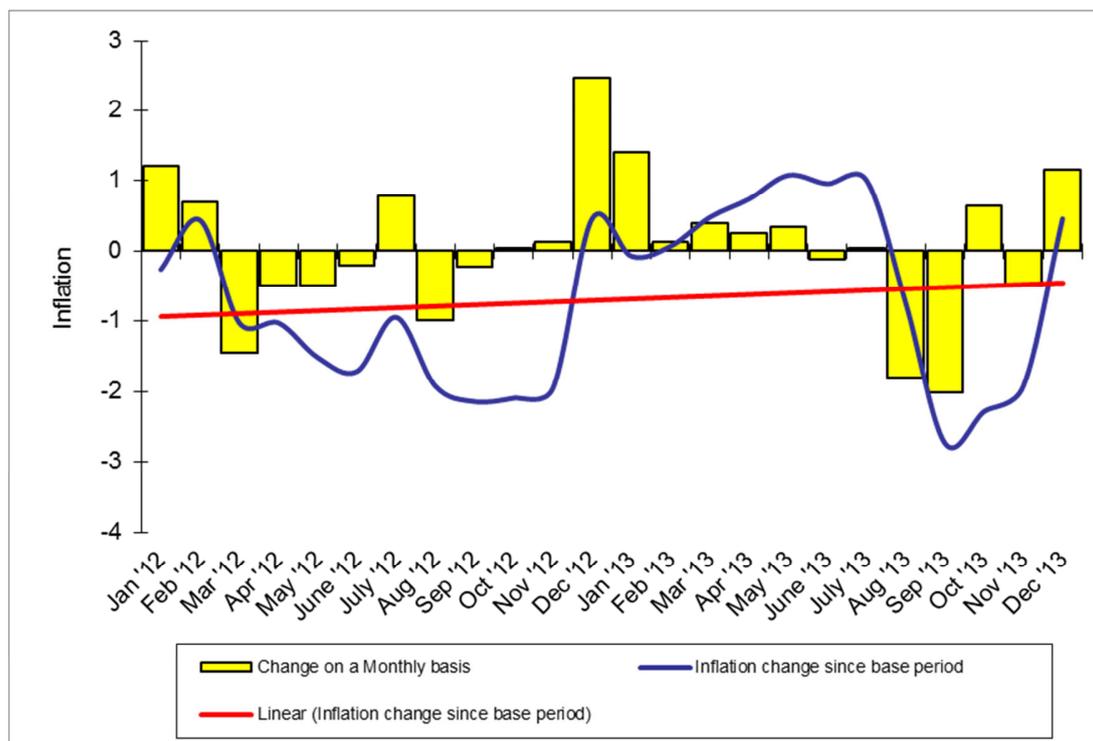
The largest contributor to the annual price decrease is the Clothing index with **26.08** percent. The main contributor is traced to large deflation of disposable diapers, large t-shirts, and ladies mumu dress with drops of -53%, -51% and -20% respectively. Posting similar downward trend is the Miscellaneous index with **19.49** percent. The main component affecting the decrease is attributed to exercise book, blank CD-R and size 7 fishing hook all posting significant declines. The Household operations index reported a slightly smaller annual deflation with **9.09** percent. The major components impacting this change are related to the drop of mostly white goods in refrigerators, freezers and washing machines. Other major contributors were founded for single beds made of foam and size D disposable. Food index posted an annualised deflation of around **1.57** percent and evidence was drawn from the following main contributors: onions by -54%, butter by -27%, tea by -25%, potatoes by -24%, milk powder by -13%, self-raising flour by -18%, coffee by -18%, fresh milk by -13% and canned tomatoes by -11%. Transport & Communications index recorded the smallest decrease with **0.89** percent with the largest contributors is traced to the decline of a motor oil and airfare which cost -17 and -8 percent less compared to a year ago.

On the offset, the index for Housing and Alcohol & Tobacco posted annual inflation growths in December with **74.51** and **18.06** percent. Within Housing the significant increases for prices of cement bags (70%) and 4x2 timbers (18%) have alone impacted the surge. In Alcohol & Tobacco, the slight rise for cigarette prices of (5%) percent has influenced the change.

### 3. All Groups CPI Series

The All Groups CPI Series (Chart 3) depicts historical data over the past 24 months with two measuring components. First the bar graph represents the percentage movements of the All Groups CPI from one month to the other. The line graph depicts the percentage change since the CPI base period (August 2008) to the corresponding monthly CPIs.

**Chart 3. All Groups CPI Monthly variables and Inflation trend since base period**



#### 3.1 Historical Outlook

##### i. Change on a Monthly on month basis (BAR GRAPH)

The historical outlook since the start of these series in January 2012 to December 2013 has three notable spikes. The first notable spike is traced in November and December 2012 peaking with nearly 2.4 percent rise. Historical evidence have depicted that the sharp spike in the All Groups for this periods is attributed to an increase of the Food index primarily in the event of the festive season. The second notable spike is the significant decline for the period in August and September 2013 being accountable to the decelerating estimates for the Alcohol and Tobacco especially the easing of cigarette prices after a dramatic rise in July. The third spike is founded for the slight surge of the current period December 2013 with evidence of inflated groups such as Clothing, Alcohol & Tobacco and Food as the main contributors. The increase is attributed to the usually inflated of goods and services for the festive seasons.

##### ii. Inflation change since base period (LINEAR GRAPH)

The historical outlook for inflation since base period has generally remained below negative values as clearly evident in Chart 3 where the only periods that inflation recorded positive values was between December 2012 and July 2013. The current trends support the hypothesis set in previous findings that the price level for when the CPI was rebased in August 2008 is much higher and the current CPI basket is in need of revision so it's more representative to the current spending patterns of the common Nauruan household. Although it's quite obvious that when measuring Nauru's inflation overtime it is clear that it is quite volatile as well due to heavy reliant to supply and demand of goods and services.

#### 4. Conclusion

In conclusion and recap the findings accounted to the three methods for measuring the Consumer Price Index is as follows:

- The CPI for the **Monthly Change** rose by an estimated 1.15 percent with soaring prices for the Clothing index.
- The CPI for the **Annual Change** decreased by an estimated 2.08 percent which accounted for the declines of the Clothing, Miscellaneous, Household Operation, Food and Transport & Communications index.
- The CPI for the **All Groups CPI Series** found that from a longer observation period the CPI is quite volatile due to the important factors that supply and demand influences the flow of national inflation.

On the regional arena the Food and Agriculture Organisation (FAO) monthly publication of the Asia/Pacific Food Situation Update registered an increase of 8.3 percent on a year on year comparison.