

**CONSUMER PRICE INDEX  
MONTHLY REPORT**

**JANUARY 2010**



***PREPARED BY:***

**BUREAU OF STATISTICS  
DEPARTMENT OF FINANCE**

**15.04.10**

## THE CONSUMER PRICE INDEX

### 1. Monthly Change

The CPI for the opening month of the New Year 2010 is reported at **101.49** which show that the index has increased by **0.13** percent from the previous month of December. Table 1 confirms the variation of the index between the two observation periods and attached herewith is the CPI basket of goods depicting the index movement for each observation.

**Table 1. % change in Group Indices and Overall Consumer Price Index**

GROUP	DEC '09 INDEX	JAN '10 INDEX	DIFFERENCE	% INCREASE (+) DECREASE (-)
FOOD	57.70	57.43	-0.27	-0.47
ALCOHOL & TOBACCO	17.61	17.61	0.00	0.00
CLOTHING	3.61	3.66	0.05	1.44
HOUSING	3.06	2.99	-0.08	-2.50
HOUSEHOLD OPERATIONS	8.28	8.33	0.05	0.62
TRANSPORT & COMMUNICATION	6.72	7.03	0.31	4.63
MISCELLANEOUS	4.39	4.45	0.06	1.38
TOTAL	101.37	101.49	0.13	0.13

#### 1.1 Monthly Observation

The Consumer Price Index for consumers or cost of goods and services has increased as a result of increases from four of the seven groups for January. Each of the four groups--Clothing, Household operations, Transport & Communications and Miscellaneous--contributed to the slight surge.

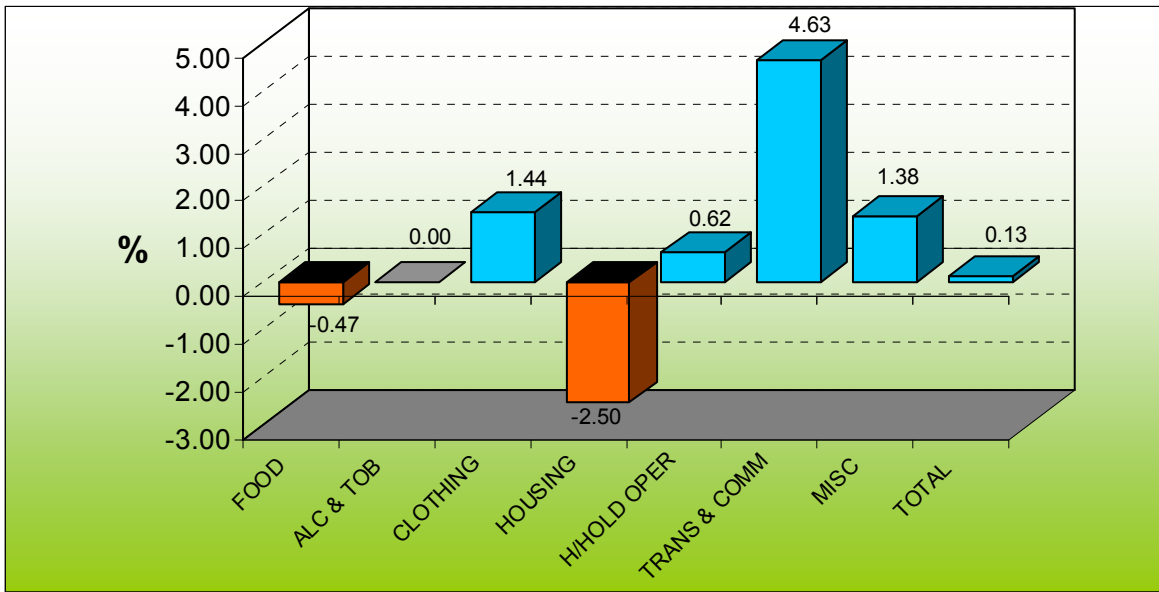
Heading the growth is the Transport & Communication index which reported an increase of **4.63** percent from the previous month following a decrease of -3.23 percent in December. Within the Transport & Communication group, the rising index for airfare and canister oil has influenced the advance with increases of 25.06 and 8.98 percent respectively since December while the index for petrol and diesel dropped slightly with -2.23 and -4.06 respectively. The other two remaining components of the Transport & Communication index--Departure tax and international call cards remained unchanged.

The index for Clothing recorded the second largest increase of **1.44** percent after remaining stable from the preceding four months. Within Clothing, the increased index for T-shirt of 13.64 percent solely contributed to the advance while the remaining indexes--Nappies, Ladies mumu and shoes remained unchanged.

The Miscellaneous index rose **1.38** percent after remaining steady in December and it's solely contributed to the advance index for bathing soap which increased 12 percent. The Household operations index reported the last known increase of **0.62** percent which is virtually unchanged.

To counterbalance the index, the falling index for Housing and Food each with **2.50** and **0.47** respectively. Within the Housing, the declining index for paint of 13 percent solely influenced the drop while small proportion of decrease on Food is widespread and insignificant. The index for Alcohol & Tobacco remained unchanged.

**Chart 1. Monthly % change for the period ended January 31<sup>st</sup>, 2010.**



## 2. Annual Change

When the current index for January 2010 is analyzed and measured up to the index from a year ago, it is clear that the annualised change has recorded a drop of **2.09** percent as illustrated in Chart 2. A majority of the sub-index groups—Food, Housing, Household operations, Transport & Communication and Miscellaneous—have all reported decreases.

Leading the decline is the index for Transport & Communication with a significant drop of **21.00** percent. The regulated price control on fuel especially on diesel and petrol is having a significant impact with drops of 30.23 and 24.01 percent respectively. Similarly with the latter, the average decrease for airfares also contributed to the decline of the group index with a drop of 18.73 percent compared to a year ago.

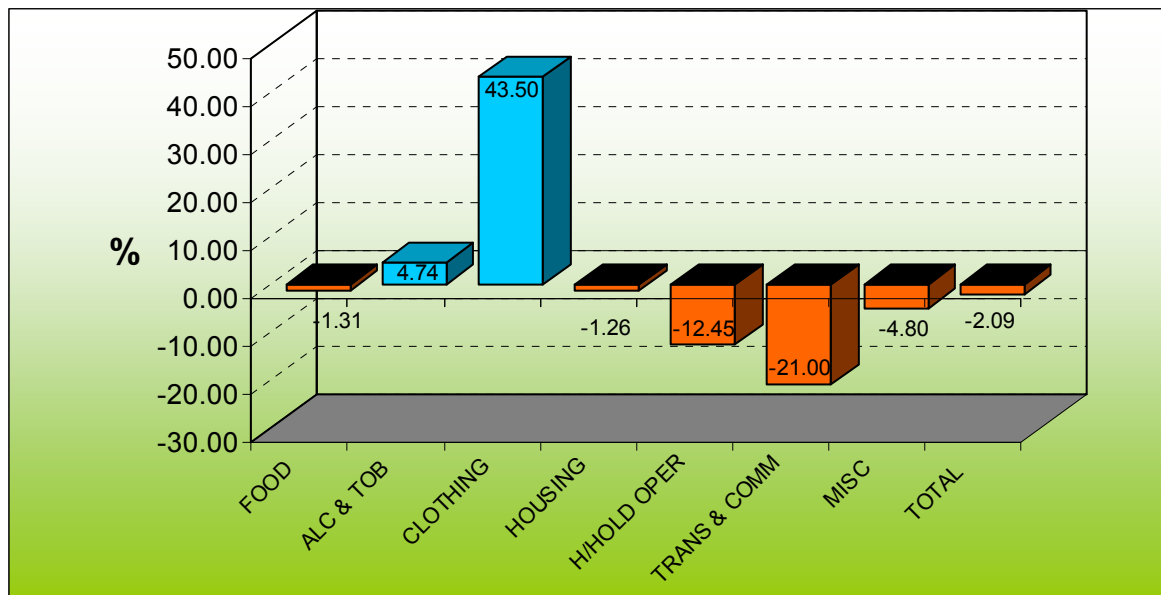
This is then followed by a decrease of the Household operations index with a drop of **12.45** percent. The key components that has affected the change of the index is the fallen rate of electricity, reduce index for freezers and refrigerators with 66.67, 24.02 and 6.57 respectively.

The index for the Miscellaneous group has also reported annual deflation with **4.80** percent and the key components that has directed the variance is the falling index for exercise book, tinned dog food and blank CD towards the group decline with drops of 41.18, 14.58 and 14.29 percent.

Likewise, the falling index of the Food group with **1.03** percent and Housing group with **1.26** percent has contributed small yet significant decreases towards the overall deflation. Key commodities affecting the decline of Food consist of a bag of rice, milk powder and teabags with decreases of 14.86, 6.82 and 5.74 percent respectively. In the Housing group, the falling index for ceramic tiles and paint mainly affected the variance with drops of 16.06 and 10.11 percent respectively.

In contrast, increases of index from Clothing and Alcohol & Tobacco with **43.50**, and **4.74** percent have alleviated the deflation. The main index motivating the advance of the Clothing group is the increased index of mumu and infant nappies. Similarly, small increases of index for cigarettes have alone contributed to the increase of the Alcohol & Tobacco group with growth of 10.43 percent.

**Chart 2. Annualised % change since January 2009**



### 3. CPI Historical Series

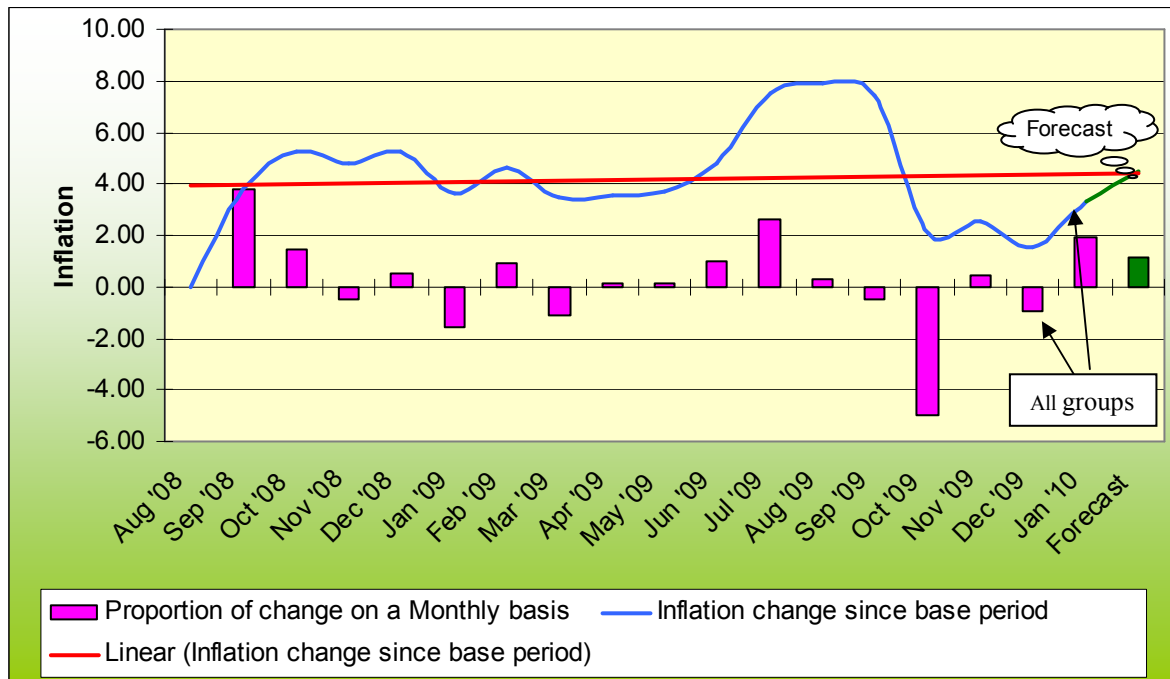
The CPI's basket of goods consist of seven major groups--Food, Alcohol & Tobacco, Clothing, Housing, Household operations, Transport & Communications and Miscellaneous--which make up the All Groups index. The seven major components of the CPI are weighted and it's a reflection to the buying habits of the Nauruan consumers, based from the Household Income & Expenditure Survey (HIES) conducted by the bureau in 2006. In the All Groups index one component of the CPI overlooks the others and is accounted to more than half of the All Groups weight (55.71%), signifying the importance of the Food index compared to the remaining six groups.

Chart 3 below depicts the CPI's historical trends for All Groups since the base period (August 2008). A brief visual observation of the chart implies that there are three levels of inflation at a given time which could be aggregated as high, medium and low. The so-called mid-inflation period is observed starting from base to June 2009 and high-inflation from July to September 2009 while the low-inflation period spanning from October 2009 until the current period.

The theory to support the movement of the inflation for the three observed levels coincides with the movement of the Food group where the mechanism for driving the variance is mostly influenced by the fluctuation of the rice index with its individual weight of 15.48 in contrast to the CPI basket of goods. Recently the rice index has made a significant impact for the All Groups index movement especially in those periods earmarked as the high and low inflation period.

The January 2010 All Groups index has reported slight surge from the preceding month and it appears that the index will regain momentum with an increased forecast of 1.18 percent for February.

**Chart 3. CPI Monthly variables and Inflation trend since base period including forecast**



#### 4. Conclusion

The CPI provides information about price changes in the economy to government, business and individuals and is used by them as a guide to making economic decisions. In addition, the policy and decision makers use trends in the CPI to aid in formulating fiscal and monetary policies.

The information and usage of the CPI based on a contemporary context has been fair especially with initiating price regulations throughout the observation period which have had a direct impact on the basket of goods and services. For instance, the recent regulated prices on petrol, diesel and rice have been implemented with local prices of petrol and diesel is consistent to global market prices for oil. Generally, there should be a policy in place for most of the goods and services that could be affected by seasonal factors. Such as the Food, Housing and Transport & Communications group to ensure the stability of the national inflation.

				01 AUG '08	DEC '09		JAN '10	
REF-NO	ITEM NAME	DESCRIPTION	WEIGHT	BASE PRICE	PRICE	INDEX	PRICE	INDEX
	<u>RICE &amp; OTHER CEREALS</u>							
1010	Rice	Imported rice/sunwhite/bag/25kg	15.48	41.00	48.00	18.12	48.00	18.12
1020	Bread (sliced loaf)	Bread//white/local/sliced loaf	3.65	1.75	1.93	4.03	1.93	4.03
1030	Noodles	Noodles/sachet/85g	1.68	0.53	0.65	2.06	0.65	2.06
1040	Other bread and Biscuits	Dry biscuits/brand/250g	0.54	2.10	3.10	0.80	3.02	0.78
1050	Self raising	Imported Flour/self raising/1kg	0.39	2.50	3.08	0.48	2.78	0.43
	<u>MEAT</u>							
1060	Chicken	Imported Chicken/cuts/2kg	7.99	9.18	7.78	6.77	7.78	6.77
1070	Canned Meat	Tinned beef/corned beef/imperial/326g	3.63	4.53	4.67	3.74	4.67	3.74
1080	Canned Meat	Tinned meat/luncheon/397g	1.69	2.43	1.73	1.21	1.73	1.21
1090	Sausages	Sausages/1pack/pork/1kg	1.07	7.33	4.05	0.59	4.05	0.59
	<u>SEAFOOD</u>							
1100	Fish	Tuna/Skipjack(bonita)/1 kg	2.50	6.00	6.00	2.50	6.00	2.50
1110	Canned Fish	Imported tinned mackerel/brand/425g	0.92	2.55	3.10	1.12	2.70	0.97
1120	Reef fish	Reef fish/1 kg	0.75	8.00	8.00	0.75	8.00	0.75
1130	Canned Fish	Tinned sardines/sardines/425g	0.50	2.35	3.00	0.64	3.25	0.69
	<u>FOOD, FRUIT &amp; VEGETABLES</u>							
1140	Canned Tomatoes	Tinned tomatoes/brand/400g	0.71	1.97	2.06	0.74	2.06	0.74
1150	Onions and Chives	Onions/sea feight/1kg	0.34	3.95	5.74	0.49	5.54	0.48
1160	Potatoes	Potatoes/sea freight/1kg	0.14	3.90	4.00	0.14	4.10	0.15
	<u>DAIRY</u>							
1170	Butter	Imported butter/brand/250g	1.43	2.65	2.82	1.52	2.63	1.42
1180	Milk powder	Milk powder/brand/1kg	0.99	12.87	11.52	0.89	11.52	0.89
1190	Cooking Oil	Cooking oil/brand/750ml	0.52	4.57	5.35	0.61	5.35	0.61
1200	Fresh milk	Fresh milk/full cream/1litre	0.42	2.63	2.77	0.44	2.82	0.45
1210	Eggs	Imported Eggs/dozen/600g	0.29	5.47	5.76	0.31	5.72	0.30

				01 AUG '08	DEC '09		JAN '10	
REF-NO	ITEM NAME	DESCRIPTION	WEIGHT	BASE PRICE	PRICE	INDEX	PRICE	INDEX
	<u>OTHER FOODS</u>							
1220	Soft drink	Soft drinks/brand/1can/375ml	0.96	1.03	1.12	1.04	1.12	1.04
1230	Sugar	Imported sugar/white/brand/2kg	4.60	4.10	4.10	4.60	4.10	4.60
1240	Soya sauce	Soya sauce/light/500ml	0.58	2.90	2.92	0.58	2.92	0.58
1250	Tea	Imported tea/100 bags/180g	0.49	4.60	3.68	0.39	3.67	0.39
1260	Coffee	Imported coffee/brand/100g	0.45	7.42	5.22	0.32	5.16	0.31
1270	Baby food	Baby food/heinz/vanilla custard/110g	0.44	1.27	1.40	0.49	1.40	0.49
	<u>TAKE AWAY</u>							
1280	Plate of food/Take away	Plate of food/take away	2.20	3.77	3.38	1.97	3.38	1.97
1290	Dinner out	Dinner for two/Formal/Reynaldo	0.36	22.50	22.50	0.36	22.50	0.36
	<b>Sub total :</b>	<b>(Food group)</b>	<b>55.71</b>			<b>57.70</b>		<b>57.43</b>
	<u>ALCOHOL &amp; TOBACCO</u>							
1410	Beer	Beer/brand/1can/375ml	4.27	2.00	1.65	3.52	1.65	3.52
1420	Cigarettes	Cigarettes/Alpine brand/1packet/25 sticks	12.20	5.50	6.35	14.09	6.35	14.09
	<b>Sub total :</b>	<b>(Alcohol &amp; Tobacco group)</b>	<b>16.47</b>			<b>17.61</b>		<b>17.61</b>
	<u>CLOTHING</u>							
1510	Nappies	Nappies/plastic/brand/size medium/20 per pack	0.81	17.04	13.70	0.65	13.70	0.65
1520	Mumu	Casual/imported formal dress/mumu size large	0.85	15.60	35.00	1.91	35.00	1.91
1530	T/Shirt	Imported T-shirt/duel sex/size large	0.37	10.65	11.00	0.38	12.50	0.43
	<u>FOOTWEAR</u>							
1540	Footwear	Shoes/womens slip-ons/size 9	0.14	3.00	14.35	0.67	14.35	0.67
	<b>Sub total :</b>	<b>(Clothing group)</b>	<b>2.17</b>			<b>3.61</b>		<b>3.66</b>
	<u>RENT</u>							
1610	Rent for dwelling per month	Rent unit/MQ/Location	0.23	75.00	75.00	0.23	75.00	0.23

				01 AUG '08	DEC '09		JAN '10	
REF-NO	ITEM NAME	DESCRIPTION	WEIGHT	BASE PRICE	PRICE	INDEX	PRICE	INDEX
	<u>MAINTENANCE</u>							
1620	Ceramic tiles	Tiles/plastic tiles/size square cm/1case()	1.54	68.80	46.50	1.04	46.50	1.04
1630	Cement	Cement/bag/40 kg	0.76	20.60	23.00	0.85	23.00	0.85
1640	Paint	Paint/brand/enamel/4litre	0.51	62.63	72.42	0.59	63.00	0.51
1650	Timber	Timber/treated pine/4x2/4.8metres	0.44	47.00	38.00	0.36	38.00	0.36
	<b>Sub total :</b>	<b>(Housing group)</b>	<b>3.48</b>			<b>3.06</b>		<b>2.99</b>
	<u>BILLS</u>							
1710	Electricity bill	Electricity bill/kilowatt per hour	1.60	0.30	0.10	0.53	0.10	0.53
1720	Water bill	Water Bill/per 10 litre	0.35	0.03	0.03	0.35	0.03	0.35
	<u>APPLIANCES</u>							
1730	Freezer	Freezer	1.12	750.00	1051.25	1.57	1016.25	1.52
1740	Refridgerator	Refridgerator	0.73	1635.00	1527.50	0.68	1527.50	0.68
1750	Television	Television/brand/15 inch	0.71	369.50	411.33	0.79	448.67	0.86
1760	Washing machine	Washing machine/brand/5kg capacity	0.68	1195.00	993.17	0.57	993.17	0.57
	<u>FURNITURE</u>							
1770	Light fitting	Light fitting/brand/60watt globe	0.28	2.50	1.94	0.22	1.94	0.22
1780	Beds	Beds/single/foam-sponge	0.25	400.00	425.00	0.27	425.00	0.27
	<u>SUPPLIES</u>							
1790	Toilet paper	Toilet Paper/brand/1000 sheets	1.23	2.15	2.35	1.34	2.43	1.39
1800	Washing soap powder	Washing soap powder/brand/500g	0.71	5.60	4.67	0.59	4.50	0.57
1810	Mosquito coil	Mosquito coil/1packet/10coils/120g	0.69	1.14	1.28	0.78	1.18	0.72
1820	Dishwashing liquid	Dishwashing liquid/brand/500ml	0.30	3.48	2.53	0.22	3.30	0.28
1830	Batteries	Batteries/brand/1pack/2 x size D	0.17	2.52	5.53	0.37	5.53	0.37
	<b>Sub total :</b>	<b>(Household Operations group)</b>	<b>8.82</b>			<b>8.28</b>		<b>8.33</b>



<u>REF-NO</u>	<u>ITEM NAME</u>	<u>DESCRIPTION</u>	<u>WEIGHT</u>	<u>01 AUG '08</u> <u>BASE PRICE</u>	<u>DEC '09</u> <u>PRICE</u>	<u>INDEX</u>	<u>JAN '10</u> <u>PRICE</u>	<u>INDEX</u>
	<u>TRANSPORT &amp; COMMUNICATIONS</u>							
1910	Petrol	Petrol/1 litre	5.34	2.00	1.57	4.19	1.54	4.10
1920	Airfair	Return ticket/Australia	2.88	1468.00	798.00	1.57	998.00	1.96
1930	Oil	Oil/brand/multi-grade/1litre	0.48	14.37	8.46	0.28	9.22	0.31
1940	Deisel	Diesel/1 litre	0.43	2.05	1.60	0.34	1.54	0.32
1950	Departure tax	Departure Tax	0.22	50.00	50.00	0.22	50.00	0.22
1960	Other communication	International call card to Australia/rate per hour	0.12	6.00	6.00	0.12	6.00	0.12
	<b>Sub total :</b>	<b>(Transport &amp; Communication group)</b>	<b>9.47</b>			<b>6.72</b>		<b>7.03</b>
	<u>HEALTH</u>							
2010	Hospital charges	Hospital charges/Minor surgery	0.35	20.00	20.00	0.35	20.00	0.35
2020	Doctors/dentists fees	Doctors/dentist/Consultation fees	0.33	10.00	10.00	0.33	10.00	0.33
	<u>EDUCATION</u>							
2030	School clothing	School clothing/Shirts/shorts	0.34	10.00	10.00	0.34	10.00	0.34
2040	Books & schooling supplies	Exercise Books/brand/64pages	0.16	0.85	1.00	0.19	1.00	0.19
	<u>RECREATION</u>							
2050	Records, Cassettes,CD's	Blank CDR/brand/single/700mb	0.64	1.25	1.20	0.61	1.20	0.61
2060	Fishing equipment and supplies	Fishing hook/brand/Nickel coated/size 7/0	0.34	0.20	0.50	0.85	0.50	0.85
2070	DVD hire	DVD hire	0.16	2.00	2.00	0.16	2.00	0.16
	<u>PERSONAL PRODUCTS</u>							
2080	Bathing soap (liquid/bar )	Soap/bar/brand/100g	0.60	0.89	0.83	0.56	0.93	0.63
2090	Toothpaste	Toothpaste/brand/90g	0.17	2.63	2.40	0.16	2.40	0.16
2100	Deodorant, body spray	Deodorant/brand/body spray/100ml	0.13	3.90	4.90	0.16	4.70	0.16
	<u>MISCELANEOUS</u>							
2110	Overseas, Newspaper, Jounals	Magazine/PIM	0.36	4.95	5.00	0.36	5.00	0.36
2120	Dog food	Dog food/canned/700g	0.30	1.95	2.05	0.32	2.05	0.32
	<b>Sub total :</b>	<b>(Miscellaneous group)</b>	<b>3.88</b>			<b>4.39</b>		<b>4.45</b>
	<b>GRAND TOTAL:</b>	<b>(all groups)</b>	<b>100.00</b>			<b>101.37</b>		<b>101.49</b>

SUMMARY SHEET

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