

**CONSUMER PRICE INDEX
MONTHLY REPORT**

AUGUST 2009



PREPARED BY:

**BUREAU OF STATISTICS
DEPARTMENT OF FINANCE**

15/09/09

THE CONSUMER PRICE INDEX

1. Monthly Change

The CPI variation for the month of August of this Fiscal Year 2009/10 is observed at **107.90** which show that the price index has grown by **0.32%** from the previous month ending July, 2009. Table 1 depicts the variant changes of the index between the two observation periods. Annexed herein is the CPI Basket depicting the changes for each observation.

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

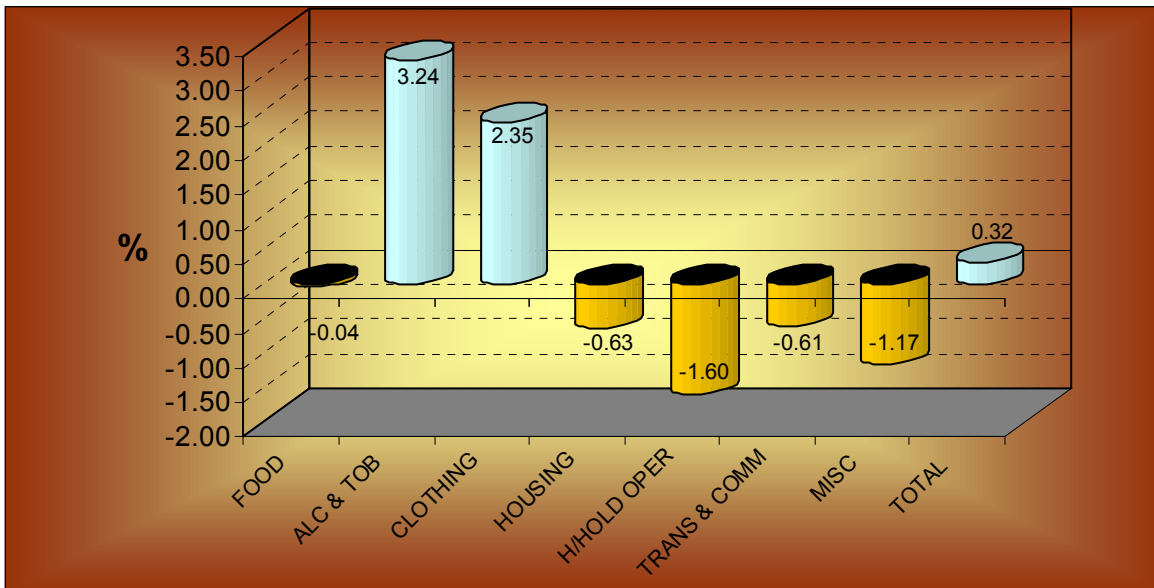
GROUP	JULY '09 INDEX	AUG '09 INDEX	DIFFERENCE	% INCREASE (+) DECREASE (-)
FOOD	62.91	62.88	-0.03	-0.04
ALCOHOL & TOBACCO	17.30	17.86	0.56	3.24
CLOTHING	3.53	3.61	0.08	2.35
HOUSING	3.02	3.00	-0.02	-0.63
HOUSEHOLD OPERATIONS	8.18	8.05	-0.13	-1.60
TRANSPORT & COMMUNICATION	8.14	8.09	-0.05	-0.61
MISCELLANEOUS	4.47	4.42	-0.05	-1.17
TOTAL	107.55	107.90	0.35	0.32

1.1 Observation

The results from the August CPI or goods and services have shown an increase of **0.32** percent as a result of increases from two of the seven group indices. It's obvious that in Table 1 and Chart 1 the Alcohol & Tobacco index heads the largest increase of **3.24** percent with the increasing price of Alpine cigarettes solely impacting the change. Lastly, this was followed by the Clothing Index with an increase of **2.35** percent and similarly with the latter, the price variant of a single commodity namely T-shirts solely affecting the change.

The occurrence of group indices experiencing negative growth compared to those that underwent positive growth has been uncommon throughout the observation of the CPI. However when scrutinizing the CPI closely, it is apparent that a majority of the negative growth were very small in contrast and evidently had very little impact on the overall change in the CPI. Nevertheless this period recorded five group indices that experienced decreases with the Household Operations index leading with **1.60** percent. This decline is attributed to the reducing price of washing soap powder and mosquito repellent coils or incense. This is followed by the Miscellaneous index with **1.17** percent with drops in bathing soap bar solely contributing to the decline. Subsequently, the Housing index recorded a minor decrease of **0.63** percent with paint affected the change. This was followed by the Transport & Communication index with **0.61** percent where the slight drop in the price of airfare contributing to the variation. Lastly, the Food index recorded a very minor decrease of **0.04** percent.

Chart 1. Monthly % change for the period ending August 31st, 2009.



2. Annual Change

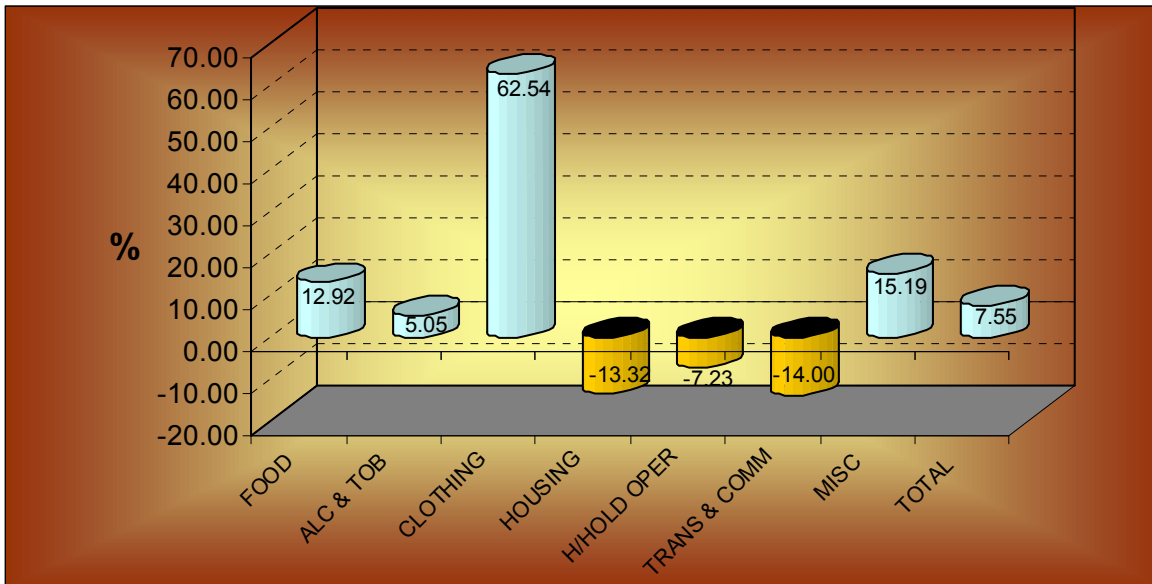
Chart 2 illustrates the annual variation of goods and services which depicts the fluctuations of each observation. When current prices are compared in the last twelve months, it is evident that prices are maintaining an upward growth and the overall cost of goods and services has grown significantly by 7.55 percent.

Over the twelve month interval, four of the seven group indices experienced increase's with Clothing leading with a significant growth of 62.54 percent. This growth is stimulated by the emerging prices of key commodities such as ladies mumu¹ and shoes changing over time. This is followed by the Miscellaneous group with 15.19 percent with key commodities such as deodorant, fishing hooks, exercise books and canned dog food influencing a bulk of the growth. Thirdly, the Food index also reported growth of 12.92 percent with key commodities such as rice, cooking oil and eggs largely contributing. Lastly the Alcohol & Tobacco index recorded an increase of 5.05 percent and is largely attributed to the increased price of (Alpine) cigarettes.

Three of the seven group indices recorded decreases over the twelve month period and that is the Transport & Communication, Housing and the Household Operations index with 14.00, 13.32 and 7.23 respectively. Overtime the decline of the Transport & Communication index is mainly attributed to the reduced price of motor fuel (petrol/diesel/oil) as well as airfare. While the decline of the Housing index was affected by the dropping price of tiles and timbers. In the Household operations index the implementation of the prepaid meter offering new and cheaper rates of electricity has mostly affected the decline.

¹ Women's casual dress is referred to by locals as "Mumu"

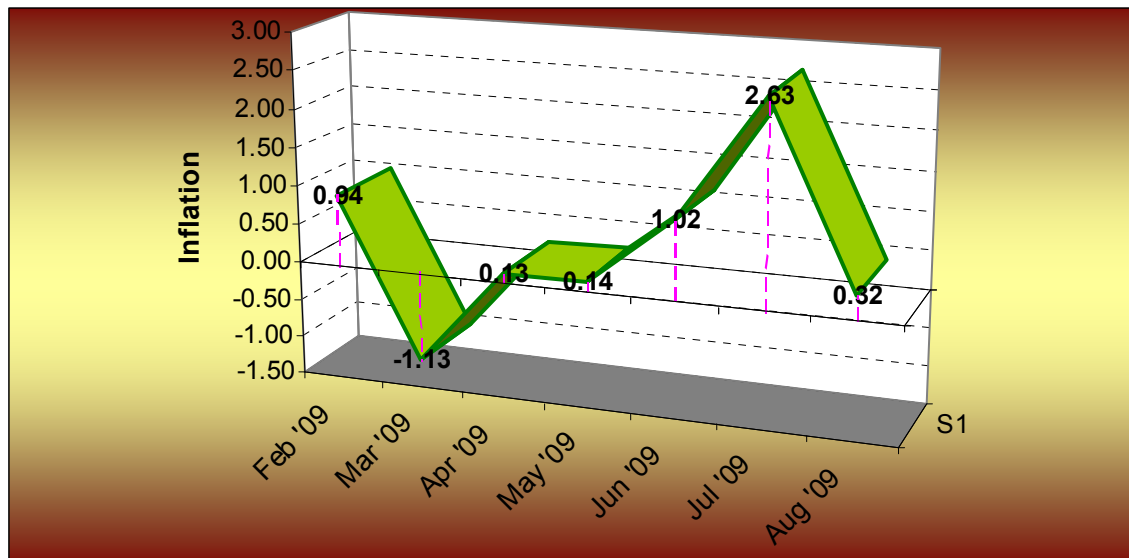
Chart 2. Annual percentage change



3. Historical Series

Chart 3 below is a brief historical glance of the patterns of change since February 2009 which illustrates the behavior and growth trend of the index overtime. Since February of the observation period the index declined by 1.13 percent in March '09 then turned around in the following period (March-April) with an increases on 0.13. This turning point marked consecutive increases (or inflations) depicted by the cart below through changes in percentage terms between April through July. These changes showed consecutive increases of 0.14 (April-May), 1.02 (May-June) and peaked at 2.63 percent between June and July and marked the next turning point in the progress of the CPI. The current month shows a minor increase of 0.32 percent but does not suggest that prices or the index have fell, only the magnitude of the change. The Consumer Price index for August continues the increasing trend shown in previous periods from April.

Chart 3. Monthly inflation trend and historical observation



4. Conclusion

Although the monthly index change is quite insignificant, when reviewing the characteristics of this report one key element is prominent and is considering. It is important to note that since monitoring began last year significant changes in price of goods and service have taken place. In perspective Clothing has increase by (62.52%), Miscellaneous goods and services have increased by (15.19%) and most significantly Food has increased by (12.92%).

Although this may be attributed to the changing commodities and basket of goods this is not the only factor. What cannot be overlooked as well are the following factors that impact or contribute to increases in prices or inflation;

1. Transportation costs of imported goods
2. Concise Taxes (duties)
3. Other taxes on services

The above factors have a direct impact on consumer spending power, as importers aim to increase their profit margins and supplement their losses, and in a similar sense governments aims to increase its revenue base. Since Nauru is highly dependent on imports it is highly likely that increases in any of the factors listed above will continue to have a significant impact on inflation, solely because the country is not the major producer of its own goods, and to some extent services. The balancing factor in maintaining some control over prices would be to encourage more local producers to produce.

Lastly, a point to note is that in a period of economic boom, inflation will always tend to increase, as the income of the nation increases. With the increase of mining activities and sales in minerals etc during the past year or so, it is evident that the economy has regained some ground and is currently experiencing a small boom period. Whether this also has an impact on current inflation trends cannot be overlooked.

				01 AUG '08	JULY '09		AUG '09	
REF-NO	ITEM NAME	DESCRIPTION	WEIGHT	BASE PRICE	PRICE	INDEX	PRICE	INDEX
	<u>RICE & OTHER CEREALS</u>							
1010	Rice	Imported rice/sunwhite/bag/25kg	15.48	41.00	61.60	23.26	61.60	23.26
1020	Bread (sliced loaf)	Bread//white/local/sliced loaf	3.65	1.75	2.00	4.17	1.93	4.03
1030	Noodles	Noodles/sachet/85g	1.68	0.53	0.63	2.01	0.63	2.01
1040	Other bread and Biscuits	Dry biscuits/brand/250g	0.54	2.10	2.65	0.68	2.85	0.73
1050	Self raising	Imported Flour/self raising/1kg	0.39	2.50	2.72	0.42	3.02	0.47
	<u>MEAT</u>							
1060	Chicken	Imported Chicken/cuts/2kg	7.99	9.18	8.00	6.96	8.00	6.96
1070	Canned Meat	Tinned beef/corned beef/imperial/326g	3.63	4.53	4.75	3.81	4.67	3.74
1080	Canned Meat	Tinned meat/luncheon/397g	1.69	2.43	1.53	1.07	1.53	1.07
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	3.48	1.25	3.48	1.25
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	2.98	0.63	3.25	0.69
	<u>FOOD, FRUIT & VEGETABLES</u>							
1140	Canned Tomatoes	Tinned tomatoes/brand/400g	0.71	1.97	1.81	0.65	1.91	0.69
1150	Onions and Chives	Onions/sea feight/1kg	0.34	3.95	4.94	0.43	4.74	0.41
1160	Potatoes	Potatoes/sea freight/1kg	0.14	3.90	4.06	0.15	3.81	0.14
	<u>DAIRY</u>							
1170	Butter	Imported butter/brand/250g	1.43	2.65	2.77	1.49	2.82	1.52
1180	Milk powder	Milk powder/brand/1kg	0.99	12.87	11.88	0.91	11.87	0.91
1190	Cooking Oil	Cooking oil/brand/750ml	0.52	4.57	4.80	0.55	4.80	0.55
1200	Fresh milk	Fresh milk/full cream/1litre	0.42	2.63	2.83	0.45	2.57	0.41
1210	Eggs	Imported Eggs/dozen/600g	0.29	5.47	6.20	0.33	6.20	0.33

				01 AUG '08	JULY '09		AUG '09	
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	1.08	1.01	1.15	1.07
1230	Sugar	Imported sugar/white/brand/2kg	4.60	4.10	4.27	4.79	4.23	4.75
1240	Soya sauce	Soya sauce/light/500ml	0.58	2.90	3.02	0.60	2.92	0.58
1250	Tea	Imported tea/100 bags/180g	0.49	4.60	3.53	0.38	3.75	0.40
1260	Coffee	Imported coffee/brand/100g	0.45	7.42	4.28	0.26	4.28	0.26
1270	Baby food	Baby food/heinz/vanilla custard/110g	0.44	1.27	1.38	0.48	1.38	0.48
	<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
	Sub total :	(Food group)	55.71			62.91		62.88
	<u>ALCOHOL & TOBACCO</u>							
1410	Beer	Beer/brand/1can/375ml	4.27	2.00	2.00	4.27	2.00	4.27
1420	Cigarettes	Cigarettes/Alpine brand/1packet/25 sticks	12.20	5.50	5.88	13.03	6.13	13.59
	Sub total :	(Alcohol & Tobacco group)	16.47			17.30		17.86
	<u>CLOTHING</u>							
1510	Nappies	Nappies/plastic/brand/size medium/20 per pack	0.81	17.04	13.60	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	8.75	0.30	11.00	0.38
	<u>FOOTWEAR</u>							
1540	Footwear	Shoes/womens slip-ons/size 9	0.14	3.00	14.35	0.67	14.35	0.67
	Sub total :	(Clothing group)	2.17			3.53		3.61
	<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	JULY '09		AUG '09	
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	22.70	0.84	22.70	0.84
1640	Paint	Paint/brand/enamel/4litre	0.51	62.63	72.42	0.59	70.08	0.57
1650	Timber	Timber/treated pine/4x2/4.8metres	0.44	47.00	34.00	0.32	34.00	0.32
	Sub total :	(Housing group)	3.48			3.02		3.00
	<u>BILLS</u>							
1710	Electricity bill	Electricity bill/kilowatt per hour	1.60	0.30	0.05	0.27	0.05	0.27
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	1101.67	1.65	1101.67	1.65
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	411.33	0.79
1760	Washing machine	Washing machine/brand/5kg capacity	0.68	1195.00	856.67	0.49	856.67	0.49
	<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	2.30	1.32	2.32	1.33
1800	Washing soap powder	Washing soap powder/brand/500g	0.71	5.60	5.08	0.64	4.40	0.56
1810	Mosquito coil	Mosquito coil/1packet/10coils/120g	0.69	1.14	1.45	0.88	1.30	0.79
1820	Dishwashing liquid	Dishwashing liquid/brand/500ml	0.30	3.48	2.68	0.23	3.10	0.27
1830	Batteries	Batteries/brand/1pack/2 x size D	0.17	2.52	6.08	0.41	6.08	0.41
	Sub total :	(Household Operations group)	8.82			8.18		8.05

<u>REF-NO</u>	<u>ITEM NAME</u>	<u>DESCRIPTION</u>	<u>WEIGHT</u>	<u>01 AUG '08 BASE PRICE</u>	<u>JULY '09 PRICE</u>	<u>INDEX</u>	<u>AUG '09 PRICE</u>	<u>INDEX</u>
	<u>TRANSPORT & COMMUNICATIONS</u>							
1910	Petrol	Petrol/1 litre	5.34	2.00	1.76	4.70	1.76	4.70
1920	Airfair	Return ticket/Australia	2.88	1468.00	1228.00	2.41	1208.00	2.37
1930	Oil	Oil/brand/multi-grade/1litre	0.48	14.37	10.02	0.33	9.46	0.32
1940	Deisel	Diesel/1 litre	0.43	2.05	1.72	0.36	1.72	0.36
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
	Sub total :	(Transport & Communication group)	9.47			8.14		8.09
	<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	0.94	0.63	0.85	0.57
2090	Toothpaste	Toothpaste/brand/90g	0.17	2.63	2.36	0.15	2.62	0.17
2100	Deodorant, body spray	Deodorant/brand/body spray/100ml	0.13	3.90	4.88	0.16	4.90	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	2.10	0.32	2.05	0.32
	Sub total :	(Miscellaneous group)	3.88			4.47		4.42
	GRAND TOTAL:	(all groups)	100.00			107.55		107.90

SUMMARY SHEET

GROUP	JULY '09 INDEX	AUG '09 INDEX	DIFFERENCE	% INCREASE (+) DECREASE (-)
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