

**CONSUMER PRICE INDEX
MONTHLY REPORT**

DECEMBER 2009



PREPARED BY:

**BUREAU OF STATISTICS
DEPARTMENT OF FINANCE**

19/01/10

THE CONSUMER PRICE INDEX

1. Monthly Change

The CPI for the closing month of the calendar year 2009 is reported at 101.37 which show that the index has slightly decreased by 1.15 percent from the previous month of November. 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	NOV '09 INDEX	DEC '09 INDEX	DIFFERENCE	% INCREASE (+) DECREASE (-)
FOOD	57.81	57.70	-0.11	-0.19
ALCOHOL & TOBACCO	18.36	17.61	-0.75	-4.08
CLOTHING	3.61	3.61	0.00	0.00
HOUSING	2.99	3.06	0.07	2.34
HOUSEHOLD OPERATIONS	8.44	8.28	-0.16	-1.90
TRANSPORT & COMMUNICATION	6.94	6.72	-0.22	-3.23
MISCELLANEOUS	4.39	4.39	0.00	0.00
TOTAL	102.54	101.37	-1.17	-1.15

1.1 Monthly Observation

The Consumer Price Index for the Nauruan consumers has slightly decreased as a result of decreases from four of the seven group indices. It's apparent in Table 1 and Chart 1 that leading the decline is the drop of the Alcohol and Tobacco with 4.08 percent which has reported two consecutive decreases from the past two months. The significant decline is primarily devised by the addition of another Alcohol product into the price collection and this has affected the fluctuation of the index.

Secondly, the decline of Transport & Communication with 3.23 percent and it's the fifth consecutive decrease since August. Driving this downward trend is the fuel index. Within the index the dropping prices of automotive based fuel in particular petrol, diesel and oil are the key contributors to the decline.

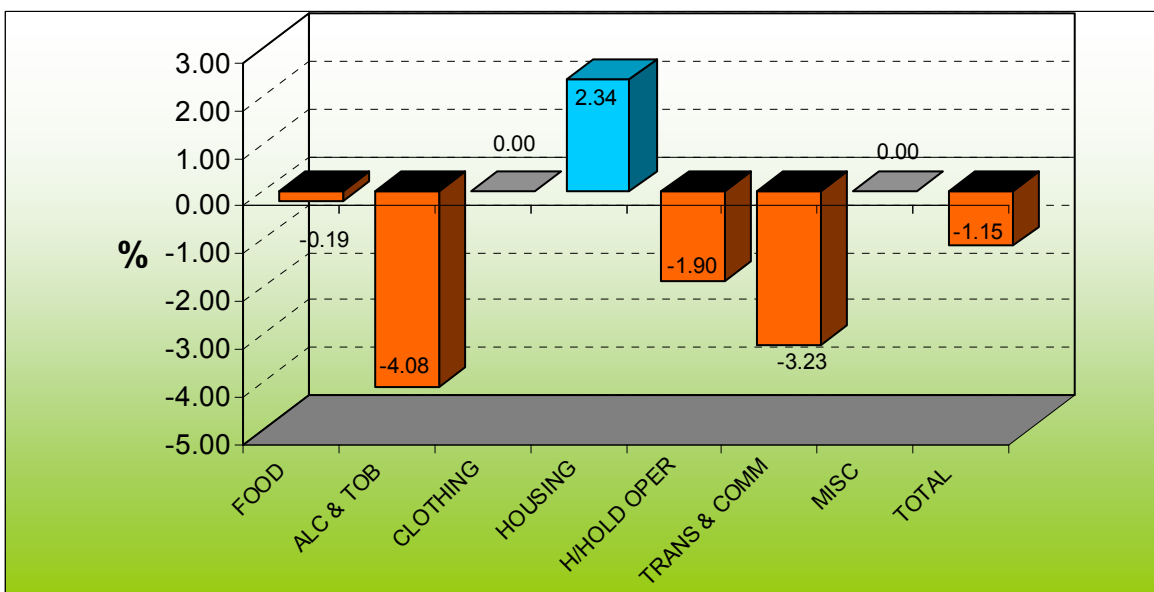
Following similarly with the latter, the Household operation with 1.90 percent decrease is mainly driven by dropping prices of freezers as well as household supplies such as toilet papers and mosquito coils after recording an increase of 3.24 percent in November.

Finally the insignificant decline of the Food group with 0.19 percent is attributed to the decline of dairy and related products and the most noticeable item is the declining price of butter which has dropped 15 percent from the preceding month.

The cluster of negative impact of the above mentioned sectors has transformed the drop for all groups of the CPI with 1.15 percent after a small rise in November.

Counter balancing the index is the single reported growth of the Housing index which reported 2.34 percent increase after remaining unchanged in November. This variance is linked to the slight surge for the average price of paint and this growth maybe connected to the constructions industry and ongoing building projects where demand on materials is high therefore driving the Housing index higher. The index for Clothing and Miscellaneous is virtually unchanged in December however the clothing index has reported no changes for five successive months since August.

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



2. Annual Change

On an annual adjusted basis, when comparing the present purchasing power for consumers to December 2008, it's clearly evident in Chart 2 that the cost of goods and services have fallen **2.12** percent. This is a result for decreases of five from the seven major groups.

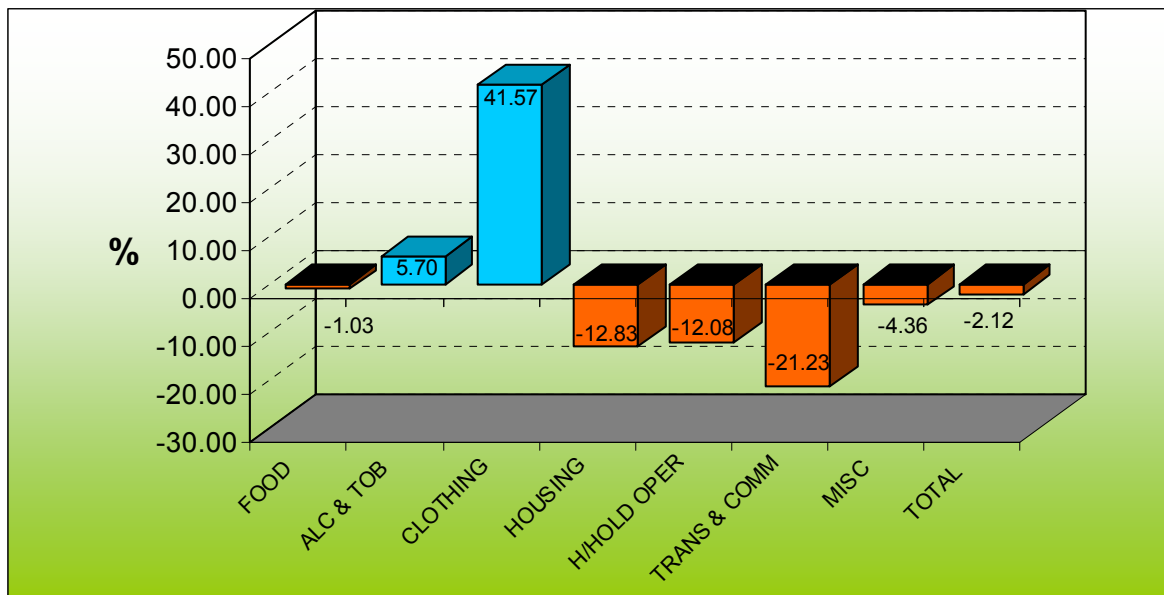
Transport & Communication index headed the decline with a significant drop of **21.23** percent. Similarly with the monthly observations the decreases of the index is largely attributed to the large decreases of fuel prices (petrol/diesel) combined with airfare which has fallen considerably. A combined drop of petrol and diesel is totaled at 49.55 percent and a reduction of 35.02 percent for airfares compared to a year ago.

The index for Housing fell **12.83** percent where the price of ceramic tiles has solely deflated the index due to its weight within the group. Following closely behind is the Household operations index which reported decreases of **12.08** percent as seven major items experienced decreases. The items that have reported decreases are electricity bills, freezers, refrigerators, washing machines, light fitting, dishwashing liquid and large disposable batteries.

The index for the Miscellaneous group also reported annual deflation with **4.36** percent and the falling index for dog food has contributed to the decline. Likewise, the falling index of the Food group with **1.03** percent has contributed small yet significant decreases towards the overall decrease of the annual inflation and this is partly due to drops of key items in all 7 major components of the food group such as rice, sausages, potatoes etc.

On the other hand, increases from Clothing and Alcohol & Tobacco with **41.57**, and **5.70** respectively have somewhat stabilized the deflation. The main commodities driving growth of the Clothing group is the increased index of mumu and infant nappies. Likewise, slight increases of index for beer and cigarettes have contributed to the increase of the Alcohol & Tobacco group.

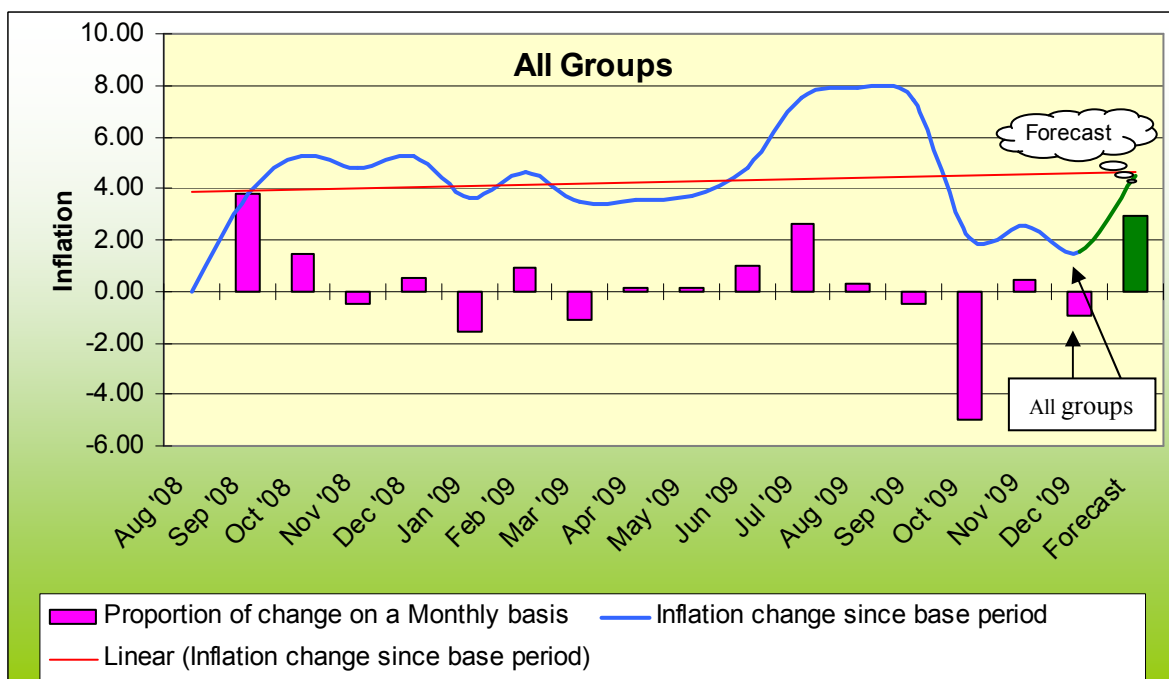
Chart 2. Annualised % change since December 2008



3. CPI Historical Series

Chart 3 presents the proportion of change in percentage and the pattern of inflation and trend since base period August 2008 where the index is zero. It is evident that the All groups index remained relatively stable from September 2008 up until June 2009 with insignificant changes. Beyond this point up until the end of September 2009 is an era of significant increases mainly due to the growing index of rice which is listed as the top item in the CPI basket of goods. October 2009 is when the rice index deflated together with several of the major components like the Fuel index which has lowered inflation to an even lower level compared to the starting period prior to the inflation peaking.

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



4. Conclusion

The results are a matter of one sharp increase in one area is offset by lower price in other areas, resulting in a moderate price change published for the Nauruan consumers. Generally, most consumers notice price changes in those goods and services purchased frequently. These items, such as food, fuel and household necessities, have relatively large price swings, because of seasonal influences in supply and demand. Less attention is paid to many items such as household appliances that are purchased infrequently, which have relatively stable prices which is evident in conducting the analysis.

Perhaps it is important to note that the CPI affects nearly all Nauruans because it's based on the buying habits of the average consumer, it may not be a perfect reflection of individual price experience. But the CPI is the most economical feasible method for providing statistics on inflation and it's extensive use such as adjusting incomes, lease payment and so forth is listed a vital tool for all it's application.

				01 AUG '08	NOV '09		DEC '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	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	3.08	0.79	3.10	0.80
1050	Self raising	Imported Flour/self raising/1kg	0.39	2.50	3.10	0.48	3.08	0.48
	<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	4.73	3.79	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	3.10	1.12
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	2.83	0.60	3.00	0.64
	<u>FOOD, FRUIT & VEGETABLES</u>							
1140	Canned Tomatoes	Tinned tomatoes/brand/400g	0.71	1.97	2.13	0.77	2.06	0.74
1150	Onions and Chives	Onions/sea feight/1kg	0.34	3.95	4.90	0.42	5.74	0.49
1160	Potatoes	Potatoes/sea freight/1kg	0.14	3.90	4.00	0.14	4.00	0.14
	<u>DAIRY</u>							
1170	Butter	Imported butter/brand/250g	1.43	2.65	3.32	1.79	2.82	1.52
1180	Milk powder	Milk powder/brand/1kg	0.99	12.87	11.18	0.86	11.52	0.89
1190	Cooking Oil	Cooking oil/brand/750ml	0.52	4.57	4.70	0.53	5.35	0.61
1200	Fresh milk	Fresh milk/full cream/1litre	0.42	2.63	2.77	0.44	2.77	0.44
1210	Eggs	Imported Eggs/dozen/600g	0.29	5.47	5.60	0.30	5.76	0.31

				01 AUG '08	NOV '09		DEC '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	1.15	1.07	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	3.68	0.39
1260	Coffee	Imported coffee/brand/100g	0.45	7.42	4.44	0.27	5.22	0.32
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
	Sub total :	(Food group)	55.71			57.81		57.70
								2.33
	<u>ALCOHOL & TOBACCO</u>							
1410	Beer	Beer/brand/1can/375ml	4.27	2.00	2.00	4.27	1.65	3.52
1420	Cigarettes	Cigarettes/Alpine brand/1packet/25 sticks	12.20	5.50	6.35	14.09	6.35	14.09
	Sub total :	(Alcohol & Tobacco group)	16.47			18.36		17.61
	<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	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			3.61		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	NOV '09		DEC '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	23.00	0.85	23.00	0.85
1640	Paint	Paint/brand/enamel/4litre	0.51	62.63	63.00	0.51	72.42	0.59
1650	Timber	Timber/treated pine/4x2/4.8metres	0.44	47.00	38.00	0.36	38.00	0.36
	Sub total :	(Housing group)	3.48			2.99		3.06
	<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	1101.67	1.65	1051.25	1.57
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	928.00	0.53	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	2.38	1.36	2.35	1.34
1800	Washing soap powder	Washing soap powder/brand/500g	0.71	5.60	4.67	0.59	4.67	0.59
1810	Mosquito coil	Mosquito coil/1packet/10coils/120g	0.69	1.14	1.45	0.88	1.28	0.78
1820	Dishwashing liquid	Dishwashing liquid/brand/500ml	0.30	3.48	2.53	0.22	2.53	0.22
1830	Batteries	Batteries/brand/1pack/2 x size D	0.17	2.52	5.53	0.37	5.53	0.37
	Sub total :	(Household Operations group)	8.82			8.44		8.28

<u>REF-NO</u>	<u>ITEM NAME</u>	<u>DESCRIPTION</u>	<u>WEIGHT</u>	<u>01 AUG '08 BASE PRICE</u>	<u>NOV '09 PRICE</u>	<u>INDEX</u>	<u>DEC '09 PRICE</u>	<u>INDEX</u>
	<u>TRANSPORT & COMMUNICATIONS</u>							
1910	Petrol	Petrol/1 litre	5.34	2.00	1.64	4.38	1.57	4.19
1920	Airfair	Return ticket/Australia	2.88	1468.00	798.00	1.57	798.00	1.57
1930	Oil	Oil/brand/multi-grade/1litre	0.48	14.37	9.12	0.30	8.46	0.28
1940	Deisel	Diesel/1 litre	0.43	2.05	1.65	0.35	1.60	0.34
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			6.94		6.72
	<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	0.83	0.56
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	4.90	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	2.05	0.32	2.05	0.32
	Sub total :	(Miscellaneous group)	3.88			4.39		4.39
	GRAND TOTAL:	(all groups)	100.00			102.54		101.37

SUMMARY SHEET

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