

Inflation

June 2015

Release date: 05 August 2015

	Jun 15	May 15	Apr 15	Mar 15
Headline*	0.2	-0.6	-1.5	-4.0
Domestic^	2.6	1.3	-0.2	-2.4
Imported^	-2.4	-1.9	-1.3	-1.7
Underlying*	7.8	5.3	2.8	-1.5

*Year-ended growth

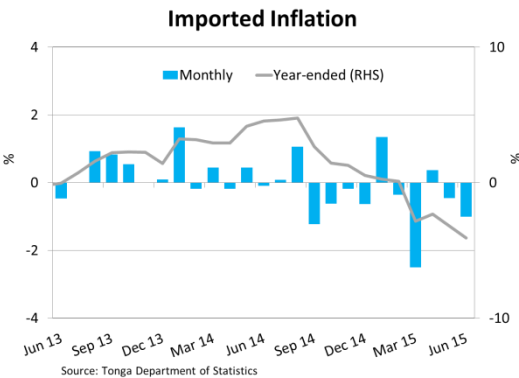
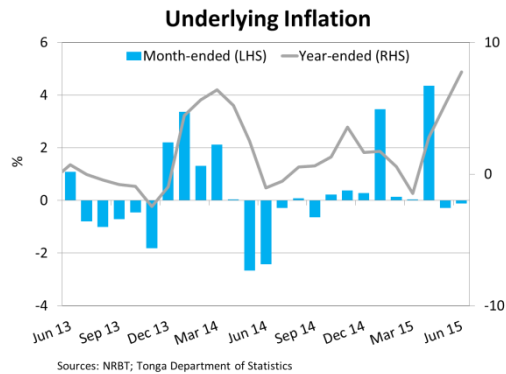
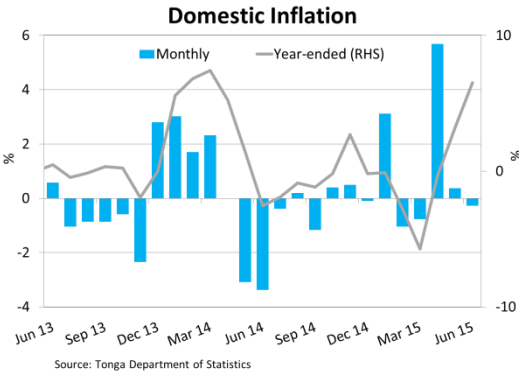
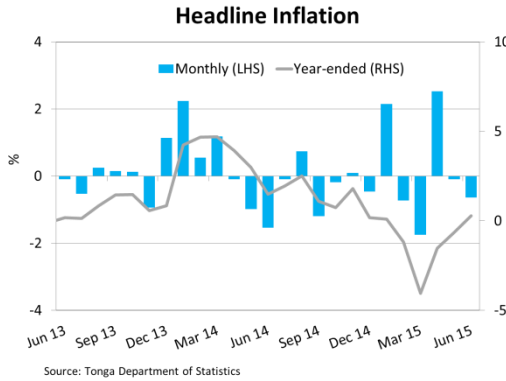
^Percentage point contribution to year-ended growth

Domestic prices cause headline inflation to rise

Over June, CPI fell by 0.7% as a result of low Imported and Domestic prices. Specifically, Imported and Domestic prices dropped by 1.0% and 0.2% respectively. In particular, lower prices for Food drove Imported inflation down. The Tongan Pa'anga appreciated against the New Zealand Dollar which could have contributed to the low imported food prices. Additionally, the fall in Domestic inflation was caused by a decrease in Household Supplies & Services prices.

After four consecutive months of headline deflation, the inflation rate was 0.2% over the year to June. This was due to a 6.6% increase in Domestic prices which offset a 4.1% decline in Imported prices. Food prices increased over the year which more than offset a decline in Household Operation and Transportation prices. Higher prices for food items, namely Fruit & vegetables and Meats, fish & poultry contributed to a 21.5% increase in Domestic Food prices whereas the same food items drove Imported Food prices down by 4.3%. Contrastingly, Domestic Fuel & Power prices fell over the year resulting in lower Household Operation and Transportation components. Furthermore, the annual core inflation rate (excluding energy and imported food) increased by 7.8% indicating the significant influence global prices has on inflation.

On the outlook, the NRBT continues to expect that headline inflation will remain low until the end of this calendar year. However, recent developments in world oil prices could alter the current forecast. The NRBT will continue to closely monitor the country's economic and financial conditions in order to maintain and promote economic prosperity.



Inflation Breakdown*

	Weight	Month-ended		Year-ended	
	%	Change %	Contribution to total ppt	Change %	Contribution to total ppt
CPI	100	-0.6	-0.6	0.2	0.2
Domestic	42.2	-0.2	-0.1	6.6	2.6
Food	17.8	0.9	0.2	21.5	3.6
<i>Fruit & vegetables</i>	6.5	1.4	0.1	63.1	3.7
<i>Meats, fish & poultry</i>	3.7	1.5	0.1	3.5	0.1
<i>Dairy farm & vegetable products</i>	0.5	-2.9	0.0	-3.7	0.0
<i>Cereals & cereal products</i>	3.4	0.0	0.0	-4.1	-0.1
<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	0.0	0.0
Transportation	0.5	0.0	0.0	0.0	0.0
Tobacco & Alcohol	1.5	0.0	0.0	0.0	0.0
Household Operation	17.3	-1.7	-0.3	-6.0	-1.0
<i>Domestic Power & Fuel</i>	6.0	0.0	0.0	-12.5	-0.8
<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	2.0	0.0
<i>Household supplies & services</i>	4.7	-6.2	-0.3	-6.2	-0.3
<i>Communication services</i>	5.2	0.0	0.0	0.0	0.0
Clothing & Footwear	0.0	0.0	0.0	0.0	0.0
Housing	1.7	0.0	0.0	0.0	0.0
Miscellaneous goods & services	3.5	0.0	0.0	0.0	0.0
Imported	57.8	-1.0	-0.6	-4.1	-2.4
Food	27.9	-2.9	-0.8	-4.3	-1.3
<i>Fruit & vegetables</i>	0.9	-2.6	0.0	-1.2	0.0
<i>Meats, fish & poultry</i>	14.6	-5.6	-0.9	-9.1	-1.5
<i>Dairy farm & vegetable products</i>	3.2	0.6	0.0	2.2	0.1
<i>Cereals & cereal products</i>	3.5	0.5	0.0	-1.5	-0.1
<i>Other food</i>	5.7	0.3	0.0	3.7	0.2
<i>Drinks, sweets and meal away from home</i>	0.0	0.0	0.0	0.0	0.0
Transportation	11.5	2.3	0.2	-12.5	-1.5
<i>Private</i>	8.6	3.1	0.2	-16.1	-1.5
<i>Public</i>	2.9	0.0	0.0	-0.5	0.0
Tobacco & Alcohol	4.5	0.6	0.0	7.2	0.3
<i>Tobacco</i>	2.9	-0.7	0.0	10.5	0.3
<i>Alcohol</i>	1.6	3.1	0.0	0.7	0.0
<i>Kava</i>	0.0	0.0	0.0	0.0	0.0
Household Operation	3.5	-0.4	0.0	-5.5	-0.2
<i>Domestic Power & Fuel</i>	1.1	-1.3	0.0	-16.7	-0.2
<i>Household Appliances</i>	1.2	0.0	0.0	1.6	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	0.0	0.0	-1.0	0.0
<i>Communication services</i>	0.0	0.0	0.0	0.0	0.0
Clothing & Footwear	3.2	0.0	0.0	8.2	0.3
Housing	0.8	0.3	0.0	-0.1	0.0
Miscellaneous goods & services	6.4	0.1	0.0	-0.2	0.0
Underlying CPI measures					
Ex. Energy**	81.4	-1.1	-0.9	3.3	2.7
Ex. imported food	72.1	0.2	0.2	2.1	1.5
Ex. energy and imported food	53.5	-0.1	-0.1	7.8	4.0

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

**Excluded from the 'Ex energy' index is imported transportation and 'domestic fuel and power' component of 'Household operation'.

Source: Tonga Department of Statistics