

Inflation

March 2015

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	Mar 15	Feb 15	Jan 15	Dec 14
Headline*	-4.0	-1.1	0.1	0.2
Domestic^	-2.4	-1.2	0.0	-0.1
Imported^	-1.7	0.0	0.2	0.3
Underlying*	-1.5	0.6	1.7	1.6

*Year-ended growth

^Percentage point contribution to year-ended growth

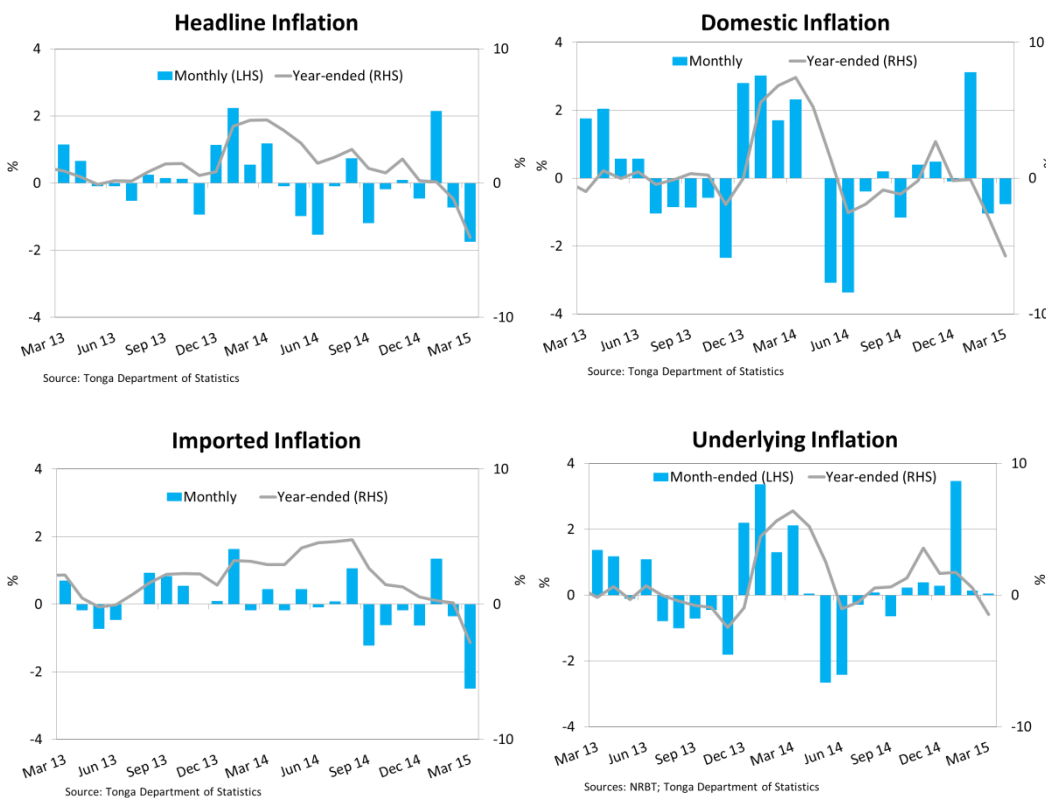
Food and oil prices cause lowest deflation rate

Over March, deflation continued with a decrease of 1.8% in consumer price index. The general decline in prices was due mainly to lower global oil prices affecting Imported and Domestic prices, particularly prices within the Household Operations component. In particular, Domestic fuel and power prices dropped by 6.0% over the month. Additionally, Food prices declined by 2.7% further contributing to deflation. Specifically, Meats, fish and poultry prices drove a 4.4% decrease in Imported Food prices whilst it caused a 0.2% rise for Domestic Food prices. Despite the Tongan Pa'anga slightly depreciating against the New Zealand Dollar, particular food items imported from New Zealand were cheaper on average over the month. This included lower prices for meats and tinned foods.

Headline inflation over the year was -4.0% being the lowest deflation rate on record for Tongatapu. Domestically, prices dropped by 5.7% which was caused largely by low food prices for most food items. In addition, prices within the Household Operations component fell by 6.4%, resulting from the decreased Domestic fuel and power prices. Further contributing to the annual deflation was a 0.3% decline in Transportation prices, particularly Public Transportation and was most likely due to low global oil prices. Other components such as Clothing & Footwear, Housing, and Miscellaneous goods & services had no annual price changes.

Over the year, Imported prices decreased by 2.8% and was mainly due to a fall in prices for the Housing, Household Operations and Transportation components. House maintenance goods drove a 1.2% drop for Housing prices whilst Domestic fuel and power prices fell by 21.1% driving the fall in Household Operations prices. Public and Private Transportation prices both declined which further added to the annual fall in Imported prices. In contrast, Food and Clothing & Footwear prices increased by 1.1% and 8.4% respectively. All food items drove Imported Food prices up except for Cereals and cereal products. Similarly, both Clothing supplies and services, and Footwear caused the rise in Clothing & Footwear prices.

Looking forward, the NRBT expects headline inflation will continue to remain negative until the end of this calendar year due to lag effects of falling global oil prices and the high probability of oil prices to remain low as stocks remain high. Given that deflation is expected, it would continue to affect consumers by increasing their purchasing power and businesses by discouraging investments. However, the NRBT continues to monitor inflation changes and will adjust its monetary policy stance if needed to maintain price stability and stimulate economic growth.



Inflation Breakdown*

	Weight %	Month-ended		Year-ended	
		Change %	Contribution to total ppt	Change %	Contribution to total ppt
CPI	100	-1.8	-1.8	-4.0	-4.0
Domestic	42.2	-0.8	-0.3	-5.7	-2.4
Food	17.8	0.2	0.0	-7.1	-1.4
<i>Fruit & vegetables</i>	6.5	0.0	0.0	-11.7	-1.0
<i>Meats, fish & poultry</i>	3.7	1.1	0.0	-6.5	-0.2
<i>Dairy farm & vegetable products</i>	0.5	0.0	0.0	-3.6	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	0.6	0.0
Transportation	0.5	0.0	0.0	-0.3	0.0
Tobacco & Alcohol	1.5	0.0	0.0	0.0	0.0
Household Operation	17.3	-2.2	-0.3	-6.4	-1.0
<i>Domestic Power & Fuel</i>	6.0	-6.5	-0.3	-18.0	-1.1
<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	0.0	0.0	0.0	0.0
<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	-2.5	-1.5	-2.8	-1.7
Food	27.9	-4.4	-1.4	1.1	0.3
<i>Fruit & vegetables</i>	0.9	0.1	0.0	11.1	0.1
<i>Meats, fish & poultry</i>	14.6	-8.1	-1.5	1.1	0.2
<i>Dairy farm & vegetable products</i>	3.2	0.4	0.0	2.0	0.1
<i>Cereals & cereal products</i>	3.5	0.1	0.0	-1.5	-0.1
<i>Other food</i>	5.7	1.2	0.1	0.3	0.0
<i>Drinks, sweets and meal away from home</i>	0.0	0.0	0.0	0.0	0.0
Transportation	11.5	-0.6	-0.1	-18.9	-2.2
<i>Private</i>	8.6	-0.8	-0.1	-24.4	-2.2
<i>Public</i>	2.9	0.0	0.0	-0.5	0.0
Tobacco & Alcohol	4.5	-0.2	0.0	2.9	0.1
<i>Tobacco</i>	2.9	-0.2	0.0	10.0	0.3
<i>Alcohol</i>	1.6	0.0	0.0	-9.7	-0.1
<i>Kava</i>	0.0	0.0	0.0	0.0	0.0
Household Operation	3.5	-1.4	0.0	-8.3	-0.3
<i>Domestic Power & Fuel</i>	1.1	-3.1	0.0	-21.1	-0.3
<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	-1.1	0.0	-3.6	0.0
<i>Communication services</i>	0.0	0.0	0.0	0.0	0.0
Clothing & Footwear	3.2	0.0	0.0	8.4	0.3
Housing	0.8	1.1	0.0	-1.2	0.0
Miscellaneous goods & services	6.4	0.0	0.0	2.5	0.1
Underlying CPI measures					
Ex. Energy**	81.4	-1.6	-1.4	-0.5	-0.4
Ex. imported food	72.1	-0.6	-0.4	-6.1	-4.4
Ex. energy and imported food	53.5	0.0	0.0	-1.5	-0.8

* 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