

Inflation

Release date: 22 January 2016

November 2015

	Nov 15	Oct 15	Sep 15	Aug 15
Headline*	-1.9	-1.3	-1.9	-1.0
Domestic^	1.0	4.0	1.3	2.6
Imported^	-2.8	-4.9	-3.2	-3.6
Underlying*	4.7	5.9	5.3	7.9

*Year-ended growth

^Percentage point contribution to year-ended growth

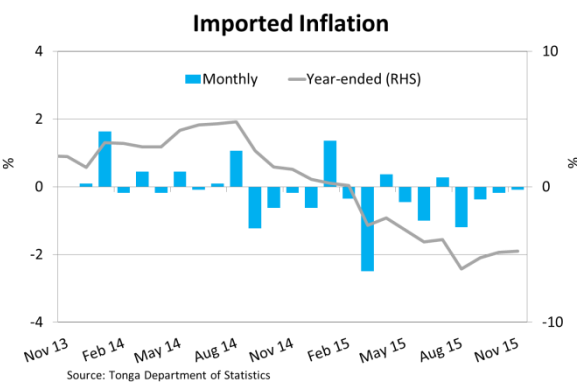
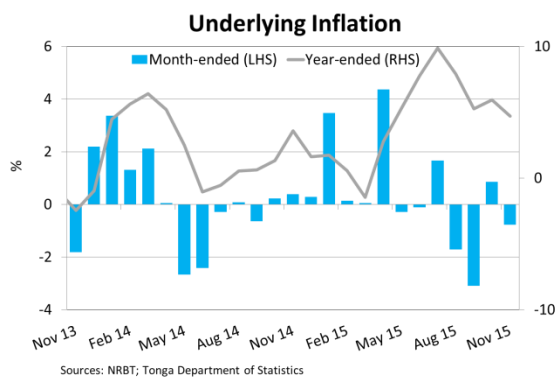
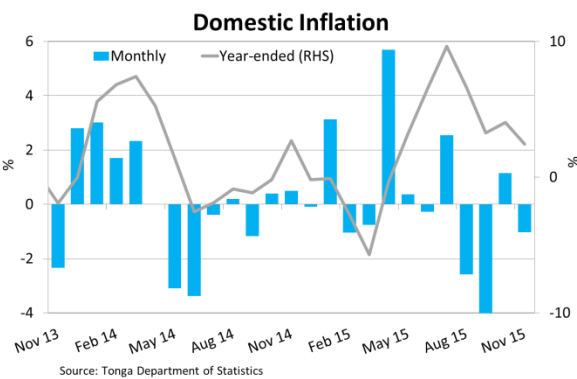
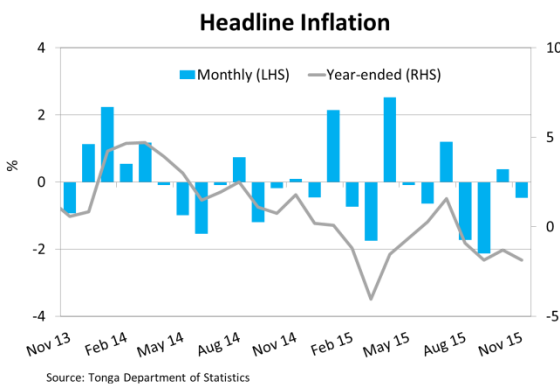
Global prices continue to drive headline deflation

Monthly CPI decreased slightly by 0.5% as a result of both declines in imported and domestic prices. More specifically, lower prices for domestic food items such as pineapples, ripe bananas, early yams, tomatoes and carrots contributed to a 1.0% decline in domestic prices. These food items are around their harvesting season and ripe bananas are usually in plentiful supply during summer season. Transportation prices for petrol caused the imported component to slightly decrease by 0.1% over the month as World oil prices fell by 7.6% from USD\$48.56 in October 2015 to USD\$44.86 in November 2015. The Tongan Pa'anga remained stable against the New Zealand Dollar but depreciated against the U.S. Dollar which partially offset the effect of falling global oil prices.

Annual inflation decreased by 1.9% due to falling imported prices. Imported inflation declined by 4.7% as a result of decreases for Meats, fish & poultry, and Fruit & vegetables. This include items such as mutton flaps, chicken pieces, oranges, potatoes and onions. However, prices for 'Other food' particularly flour and sugar increased over the year slightly offsetting the annual increase in Food prices. In addition, prices within the Household Operation and Transportation components decreased mainly due to the declining global oil prices. At the end of November 2015, global oil prices stood at

USD\$44.86 a barrel down from USD\$72.82 in November 2014. Other imported items such as Tobacco particularly Winfield blue, and Clothing & Footwear prices increased over the year but were insufficient to offset the declines for food and energy prices. Contrastingly, domestic prices rose by 2.4% and were driven by higher local food prices mainly for Fruit & vegetables such as pineapple, dry and green coconuts and lu which are mainly due to adverse weather conditions over the year. The annual core inflation rate (excluding energy and imported food) increased by 4.7% indicating the significant influence global prices has on inflation. However, it is still below the NRBT's reference range of 6-8%.

On the outlook, the NRBT continues to expect that headline inflation will continue to remain low in the near term. However, risks to this forecast would be developments in world oil and food prices for both domestic and imported inflation.



Inflation Breakdown*

	Weight	Month-ended		Year-ended	
	%	Change %	Contribution to total ppt	Change %	Contribution to total ppt
CPI	100	-0.5	-0.5	-1.9	-1.9
Domestic	42.2	-1.0	-0.4	2.4	1.0
Food	17.8	-2.3	-0.5	11.6	2.0
<i>Fruit & vegetables</i>	6.5	-5.1	-0.4	31.5	1.9
<i>Meats, fish & poultry</i>	3.7	-0.7	0.0	3.9	0.1
<i>Dairy farm & vegetable products</i>	0.5	0.0	0.0	0.7	0.0
<i>Cereals & cereal products</i>	3.4	0.0	0.0	-1.6	-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	0.3	0.0	-0.1	0.0
Tobacco & Alcohol	1.5	0.0	0.0	0.0	0.0
Household Operation	17.3	0.0	0.0	-5.9	-1.0
<i>Domestic Power & Fuel</i>	6.0	0.0	0.0	-11.2	-0.7
<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	-7.5	-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	-0.1	-0.1	-4.7	-2.8
Food	27.9	-0.1	0.0	-7.4	-2.2
<i>Fruit & vegetables</i>	0.9	0.0	0.0	-8.4	-0.1
<i>Meats, fish & poultry</i>	14.6	0.4	0.1	-13.9	-2.3
<i>Dairy farm & vegetable products</i>	3.2	-0.6	0.0	-1.5	0.0
<i>Cereals & cereal products</i>	3.5	-0.6	0.0	-1.2	0.0
<i>Other food</i>	5.7	-0.6	0.0	6.3	0.3
<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	-10.6	-1.2
<i>Private</i>	8.6	-0.9	-0.1	-13.8	-1.2
<i>Public</i>	2.9	0.0	0.0	-0.5	0.0
Tobacco & Alcohol	4.5	0.8	0.0	11.7	0.5
<i>Tobacco</i>	2.9	1.2	0.0	13.7	0.4
<i>Alcohol</i>	1.6	0.0	0.0	7.6	0.1
<i>Kava</i>	0.0	0.0	0.0	0.0	0.0
Household Operation	3.5	0.1	0.0	-6.5	-0.2
<i>Domestic Power & Fuel</i>	1.1	0.0	0.0	-15.1	-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	0.1	0.0	-5.8	-0.1
<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	-0.4	0.0	1.9	0.0
Miscellaneous goods & services	6.4	0.0	0.0	0.2	0.0
Underlying CPI measures					
Ex. Energy**	81.4	-0.5	-0.4	0.3	0.2
Ex. imported food	72.1	-0.7	-0.5	0.5	0.3
Ex. energy and imported food	53.5	-0.8	-0.4	4.7	2.4

* 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