

Inflation

April 2015

Release date: 26 May 2015

	Apr 15	Mar 15	Feb 15	Jan 15
Headline*	-1.5	-4.0	-1.1	0.1
Domestic^	-0.2	-2.4	-1.2	0.0
Imported^	-1.3	-1.7	0.0	0.2
Underlying*	2.8	-1.5	0.6	1.7

*Year-ended growth

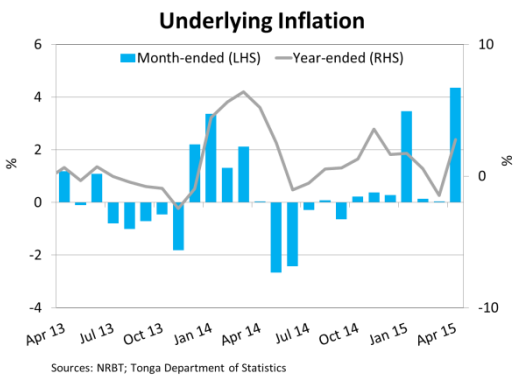
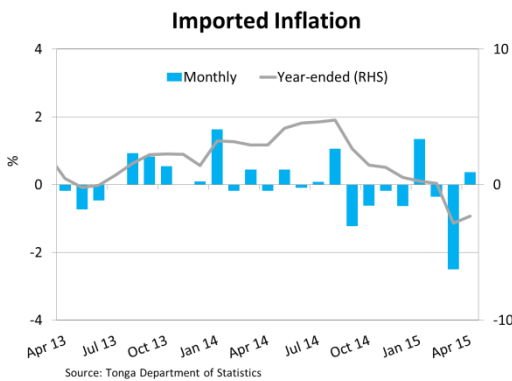
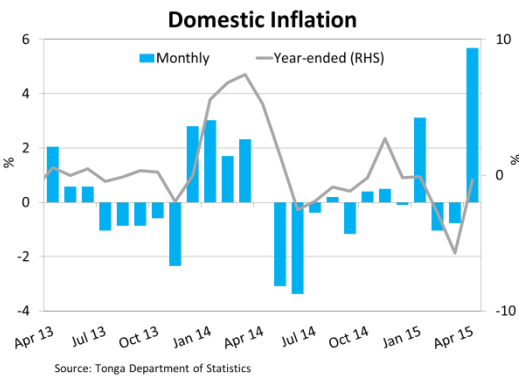
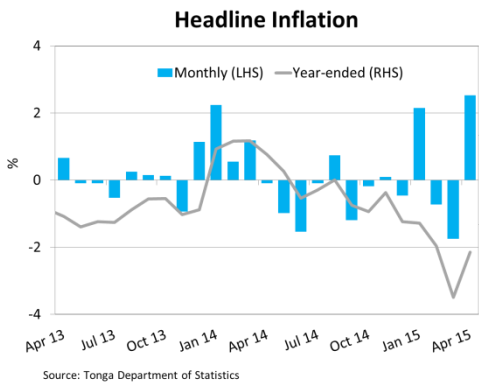
^Percentage point contribution to year-ended growth

Prices rise yet headline deflation continues

Over the month of April, CPI rose by 2.5% as a result of both Domestic and Imported prices increasing. Domestic prices increased by 5.7%, driven mostly by a 12.7% rise in Food prices. Imported prices rose by 0.4% as a result of Domestic Power & Fuel and Transportation prices increasing by 0.3% and 3.9% respectively. This coincides with the rise in global oil prices over the month. However, Imported Food prices dropped by 0.6% in spite of the Tongan Pa'anga depreciating against the New Zealand Dollar. In addition, prices for the Housing component fell by 1.7% which had slightly offset the rise in energy prices.

Despite the rise in global oil prices over the month, on annual terms global energy prices remained 25% lower than the previous year. Consequently, the annual headline inflation rate dropped by 1.5%. Specifically, Imported prices decreased by 2.3% whilst Domestic prices decreased by 0.4%; the fall driven mainly by the Household Operation and Transportation components. In contrast, increases in food prices such as Fruit & Vegetables, Meats, and Fish & Poultry had an upward influence on Imported and Domestic Food prices, slightly offsetting the fall caused by the lower oil prices. Furthermore, annual imported prices for Tobacco, Clothing & Footwear, and Miscellaneous goods & services increased whilst domestic prices showed no changes.

On the outlook, the NRBT continues to expect that headline inflation will remain negative until the end of this calendar year. However, recent developments in world oil prices could alter the current forecast. In spite of these changes, deflation is still expected to affect consumers by raising their purchasing power and businesses by discouraging investments. 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	2.5	2.5	-1.5	-1.5
Domestic	42.2	5.7	2.3	-0.4	-0.2
Food	17.8	12.7	2.4	4.6	0.9
<i>Fruit & vegetables</i>	6.5	28.4	2.2	10.6	0.9
<i>Meats, fish & poultry</i>	3.7	4.7	0.2	3.0	0.1
<i>Dairy farm & vegetable products</i>	0.5	3.0	0.0	-0.7	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	0.6	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	0.0	0.0	-6.4	-1.0
<i>Domestic Power & Fuel</i>	6.0	0.0	0.0	-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	0.4	0.2	-2.3	-1.3
Food	27.9	-0.6	-0.2	1.0	0.3
<i>Fruit & vegetables</i>	0.9	0.7	0.0	9.9	0.1
<i>Meats, fish & poultry</i>	14.6	-1.2	-0.2	0.4	0.1
<i>Dairy farm & vegetable products</i>	3.2	-0.5	0.0	1.4	0.0
<i>Cereals & cereal products</i>	3.5	0.0	0.0	-2.1	-0.1
<i>Other food</i>	5.7	1.0	0.1	2.8	0.1
<i>Drinks, sweets and meal away from home</i>	0.0	0.0	0.0	0.0	0.0
Transportation	11.5	3.9	0.4	-15.9	-1.9
<i>Private</i>	8.6	5.5	0.4	-20.5	-1.9
<i>Public</i>	2.9	0.0	0.0	-0.5	0.0
Tobacco & Alcohol	4.5	0.1	0.0	3.0	0.1
<i>Tobacco</i>	2.9	0.1	0.0	10.2	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	0.0	0.0	-8.3	-0.3
<i>Domestic Power & Fuel</i>	1.1	0.3	0.0	-20.7	-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	-0.2	0.0	-4.2	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	-1.7	0.0	-2.0	0.0
Miscellaneous goods & services	6.4	0.0	0.0	2.3	0.1
Underlying CPI measures					
Ex. Energy**	81.4	2.6	2.2	2.1	1.7
Ex. imported food	72.1	3.9	2.7	-2.5	-1.8
Ex. energy and imported food	53.5	4.4	2.3	2.8	1.5

* 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