



June 2016 quarter Consumer Price Index of Tokelau

Embargoed until 19 July 2016

Key facts

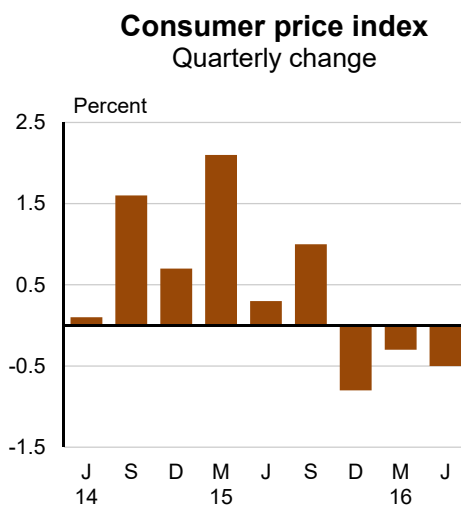
In the June 2016 quarter compared with the March 2016 quarter:

- The consumer price index (CPI) fell by 0.5 percent.
- The main downward contribution (0.7 percent) came from the Food and non-alcoholic beverages group, reflecting lower prices for sausages, potatoes and cooking oil.
- The Transport group fell 2.0 percent, due to a further fall in the price of petrol.
- The Housing, water, electricity, gas and other fuels group fell by 1.1 percent.
- The main upward contribution (0.2 percent) came from the Alcoholic beverages and cigarettes group, reflecting higher prices for spirits.
- Miscellaneous goods and services rose 0.3 percent; Furnishings, household equipment and routine household maintenance went down 0.4 percent.
- The Clothing and footwear group and the Communications group remained unchanged.

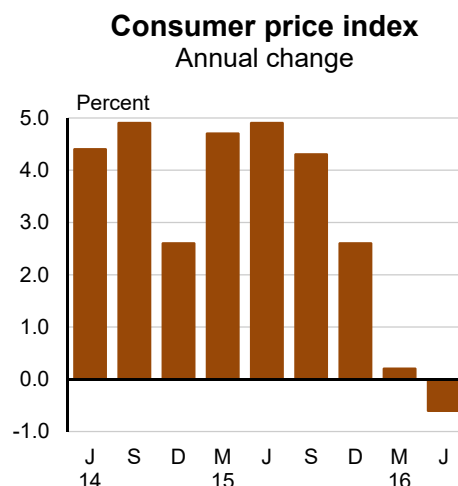
From the June 2015 quarter to the June 2016 quarter:

- The CPI decreased 0.6 percent.
- This compares with a 0.2 percent increase in the year to the March 2016 quarter (revised).

The CPI measures the rate of price change of goods and services purchased by Tokelau households. The Tokelau National Statistics Office (TNSO) collects prices from the co-op and bulk stores on all three atolls, as well as prices from service providers, including transport, energy, and telecommunications.



Source: Tokelau National Statistics Office



Source: Tokelau National Statistics Office

Kele Lui
National Statistician

19 July 2016

Commentary

The following sections provide detailed commentary on the consumer price index of Tokelau:

- [CPI falls 0.5 percent in the June 2016 quarter](#)
- [CPI shows 0.6 percent decrease for the year to the June 2016 quarter](#)
- [Prices for Alcoholic beverages and tobacco group rise 0.2 percent](#)
- [Summary of other group movements in the quarterly CPI](#)
- [Impact of items that rose and fell in price](#)
- [Effect of cigarettes on the Tokelau CPI.](#)

CPI falls 0.5 percent in the June 2016 quarter

The 0.5 percent CPI fall in the June 2016 quarter follows a fall of 0.3 percent in the March 2016 quarter (incorrectly reported in April 2016 as a decrease of 1.1 percent: see data quality section on page 7 for details).

Four of the CPI's eight groups recorded lower prices for the June 2016 quarter. Two groups made an upward contribution, and two groups showed no movement.

Prices for the Food and non-alcoholic beverages group fell 0.7 percent in the June 2016 quarter. This compares to a 1.2 percent fall in the March 2016 quarter (revised).

The main individual downward contributions to the Food subgroup came from lower prices for:

- sausages (down 11 percent)
- potatoes (down 16 percent)
- cooking oil (down 12 percent).

Key individual upward contributions to the Food subgroup came from higher prices for:

- chicken (up 6.8 percent)
- tomato sauce (up 17 percent).

Prices for the Non-alcoholic beverages subgroup rose 2.9 percent for the quarter, influenced by the price for chocolate-flavoured drink powder (up 26 percent) and milk powder (up 4.1 percent).

Consumer price index groups: June 2016 quarter

Group	Index points contribution to CPI	Quarterly change (percent)
Food and non-alcoholic beverages	-0.313	-0.7%
Transport	-0.180	-2.0%
Housing, water, electricity, gas and other fuels	-0.112	-1.1%
Furnishings, household equipment and routine household maintenance	-0.025	-0.4%
Clothing and footwear	-	0.0%
Communication	-	0.0%
Miscellaneous goods and services	0.016	0.3%
Alcoholic beverages and tobacco	0.045	0.2%
Grand Total	-0.569	-0.5%

Note: Points contribution may not sum to total due to rounding.

CPI shows 0.6 percent decrease for the year to the June 2016 quarter

The CPI decreased 0.6 percent in the year to the June 2016 quarter. This compares with a 0.2 percent increase in the year to the March 2016 quarter (incorrectly reported in April 2016 as a decrease of 0.6 percent: see data quality section on page 7 for details).

Downward contributions came from the groups:

- Food and non-alcoholic beverages (down 2.5 percent)
- Transport (down 6.9 percent)
- Furnishings, household equipment, and routine household maintenance (down 6.3 percent)
- Housing, water, electricity, gas, and other fuels (down 2.4 percent)
- Clothing and footwear (down 4.4 percent)
- Miscellaneous goods and services group (down 0.7 percent).

Of the eight groups in the CPI, only one made an upward contribution: the Alcoholic beverages and tobacco group (up 6.6 percent).

Prices for the Communication group remained unchanged. This reflects the fact that Tokelau has only one telecommunications provider, whose prices change infrequently.

The main individual downward contributions during the year came from:

- chicken (down 21 percent)
- sugar (down 24 percent)
- canned corned beef (down 15 percent)
- lamb or mutton (down 14 percent).

Individually, the main upward contribution came from higher prices for cigarettes (up 6.8 percent). Higher prices were also recorded for:

- canned fish (up 13 percent)
- milk powder (up 15 percent)
- biscuits and crackers (up 7.8 percent).

Prices for Alcoholic beverages and tobacco group rise 0.2 percent

The Alcoholic beverages and tobacco group rose 0.2 percent in the June 2016 *quarter*, with no change in the price for beer or cigarettes this quarter. Spirit prices went up by 1.4 percent.

Annual prices

For the *year* to the June 2016 quarter, Alcoholic beverages and tobacco prices rose 6.6 percent. An increase in the price of cigarettes (up 6.8 percent) was a major contributor to the group's overall increase. Prices increased for beer (up 11 percent) and spirits (up 2.0 percent).

Summary of other group movements in the quarterly CPI

In the June 2016 quarter, prices in the Transport group fell 2.0 percent, due to a further drop in the price of petrol (down 5.4 percent).

The Housing, water, electricity, gas, and other fuels group fell 1.1 percent, influenced by a drop in the price of kerosene (down 21 percent).

The Furnishings, household equipment, and routine household maintenance group fell 0.4 percent. This was influenced by a drop in prices of washing powder (down 1.9 percent).

The Miscellaneous goods and services group rose 0.3 percent, influenced by an increase in the price of baby oil (up 4.0 percent).

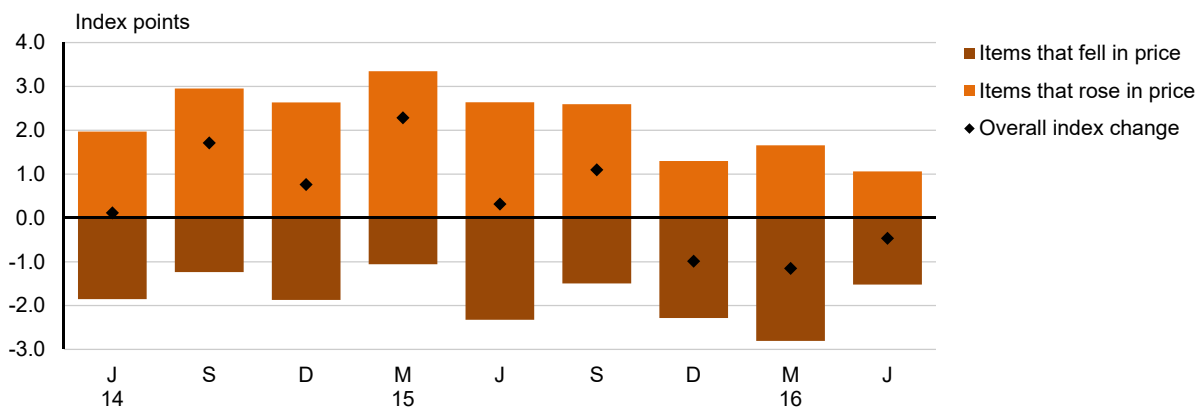
The Clothing and footwear group, and the Communication group remained unchanged.

Impact of items that rose and fell in price

The graph below shows the impact of items that rose and fell in price over time: the overall impact was a 0.5 percent decrease in the CPI for the June 2016 quarter.

Index points contribution to consumer price index over time

Quarterly change to June 2016 quarter

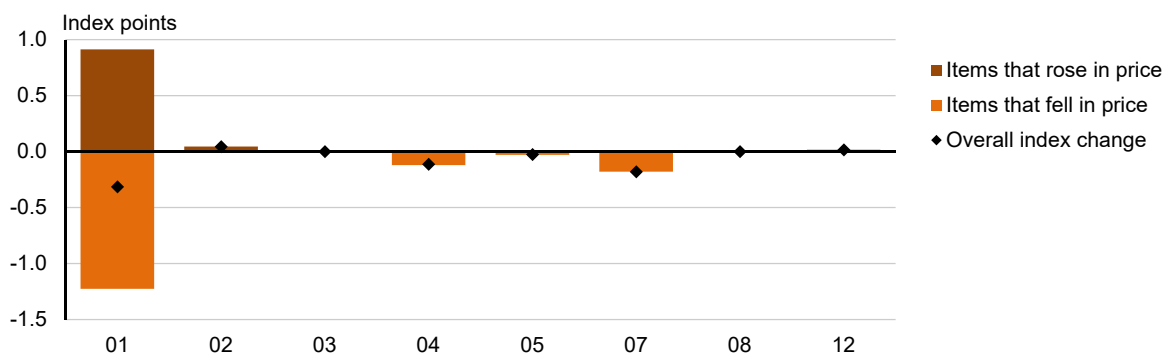


Source: Tokelau National Statistics Office

The graph below shows the impact of items that rose and fell in price by group this quarter.

Index points contribution to consumer price index by group

June 2016 quarter



01 Food and non-alcoholic beverages

02 Alcoholic beverages and tobacco

03 Clothing and footwear

04 Housing, water, electricity, gas, and other fuels

05 Furnishings, household equipment, and routine household maintenance

07 Transport

08 Communication

12 Miscellaneous goods and services

Source: Tokelau National Statistics Office

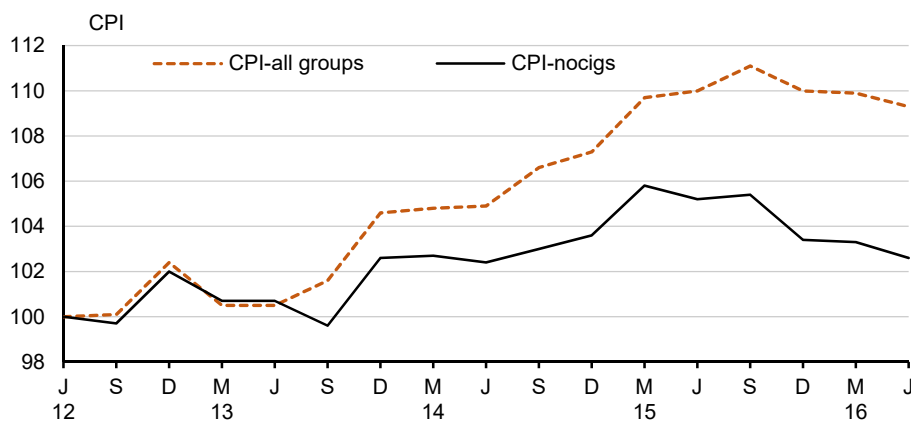
Effect of cigarettes on the Tokelau CPI

Each nuku (village) sets pricing policy independently for its co-operative and bulk stores, and this can change at any point. In the September 2013 quarter, Nukunonu was the first to implement a policy of price increases for cigarettes, using the additional revenue to offset prices in other areas. Cigarette prices have since increased regularly, in Atafu and Fakaofu also.

Because cigarettes have a heavy weighting in the Tokelau CPI (16.55%), increasing their price has a significant effect on the overall CPI movement. Policies are being developed to try and eliminate smoking from Tokelau by 2021. Increasing tax on cigarettes will be a major means to do so, as elsewhere in the Pacific. If successful, such policies will increase the cost of living for a decreasing percentage of Tokelauans who smoke daily.

The graph that follows shows how the Tokelau CPI has changed since its base quarter (June 2012): the all-groups CPI indicates inflation of 9.3 percent over the entire period to June 2016. The CPI excluding cigarettes shows an increase of 2.6 percent over the same period.

Tokelau quarterly consumer price index



Source: Tokelau National Statistics Office

Definitions

About the consumer price index

The consumer price index (CPI) measures the changing price of a fixed basket of goods and services purchased by households. The selection and relative importance of the goods and services in the CPI basket represents the overall expenditure pattern of households in Tokelau.

The aim of the CPI is to measure price changes of the same sample of products at each outlet over time. When there is a change in the size or quality of any of the goods or services in the basket, an adjustment is made to ensure that the price change shown in the CPI is not affected by the change in size or quality.

The CPI of Tokelau is published quarterly.

A listing of the representative goods and services monitored in the CPI basket, and the sources and methods used to compile various parts of the CPI, are available in the "Technical notes: Consumer Price Index" at <http://TokelauNSO.tk>.

More definitions

A **price index** measures the change in price between time periods for a given set of goods and services. It summarises a set of prices for a variety of goods and services collected from a number of outlets.

The **index reference** period is the benchmark to which prices in other periods are compared (eg if the index number in a later period is 150, prices have increased by 50 percent since the index reference period). Prices for later periods can also be compared in similar fashion. The Tokelau CPI has as index reference period the June 2012 quarter (=100).

Upward/downward contributions: Items mentioned in this release are often those that made a large contribution to the overall movement in the CPI. An item's contribution is a combination of its weight in the index (its relative importance, based on its share of household spending on goods and services covered by the CPI) and the magnitude of price movement. For example, for two items recording the same percentage rise in price, the item with the larger weight in the CPI will make a larger contribution to the overall movement. This contribution is also referred to as points (or index points) contribution.

Period-specific data quality information

Data correction

Upon recalculation, we discovered price imputation errors in March 2016 for three items: rice, flour, and soap. The effect of their volume adjustment is that the Quarterly CPI for March as published on 28 April 2016 came out too low, that is in error at -1.1 percent as opposed to the revised -0.3 percent. The Annual CPI to the March 2016 quarter as published also came out too low, that is in error at -0.6 percent as opposed to the revised -0.2 percent. Adjusted data are presented in Tables 1.1, 1.2, 1.3, and 2 published with this release. Steps are being taken to reduce the chance of such errors in future; we apologise for any inconvenience.

Reference period

Prices for the June 2016 quarter were collected between 23 May and 9 June 2016, by staff working for the nuku administrative centres.

Price influencers

Price changes may be influenced by external events. Factors that affected the quarterly and the annual June 2016 CPI include:

- Tokelau uses the New Zealand dollar as its currency; so changes in the strength of the New Zealand dollar over the Samoan tala can change Tokelau's buying power in Samoa. Changes are likely to affect the prices of goods sold in Tokelau.
- Since 2013 nearly all goods sold in Tokelau have been sourced directly from Samoa, however many of these goods are re-exports, originating from various other countries including China, Australia, and New Zealand. This has an ongoing impact on price levels by introducing price fluctuation between quarters. These fluctuations can be caused both by local demand, and by international variables including demand, availability, seasonal effect, and changes in exchange rates. Changes in availability or price in Samoa have a strong influence on the Tokelau CPI.
- Each nuku (village) sets pricing policy (such as for cigarettes, alcoholic and non-alcoholic drinks) independently, and this can change at any point. Because of their relatively large weight in the CPI, any change in the price of cigarettes will significantly impact the overall CPI movement. This effect will increase with plans to increase cigarette prices annually.

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