



Office of the Council for the
Ongoing Government of Tokelau
Tokelau National Statistics Office

December 2017 quarter Consumer Price Index of Tokelau

Key facts

In the December 2017 quarter compared with the September 2017 quarter:

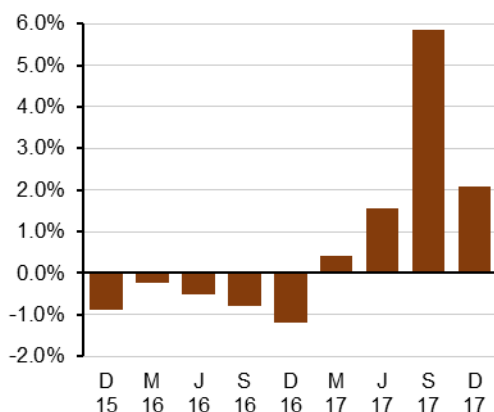
- The consumer price index (CPI) rose by 2.1 percent.
- The largest upward contribution came from the Alcoholic drinks and tobacco group, up 2.0 percent. This resulted from the three atoll stores completing the implementation of a national health policy, to discourage smoking by increasing the price of cigarettes.
- Prices in the Transport group contributed 0.6 percent, due to rising airfares.
- The Food and non-alcoholic beverages group contributed a negative 0.1 percent to the CPI.
- The Communications group remained unchanged. Contributions from the other groups were negligible this quarter.

From the December 2016 quarter to the December 2017 quarter:

- The CPI increased 10.3 percent.
- This compares with a 6.8 percent increase (revised from 6.6 percent) in the year to the September 2017 quarter.

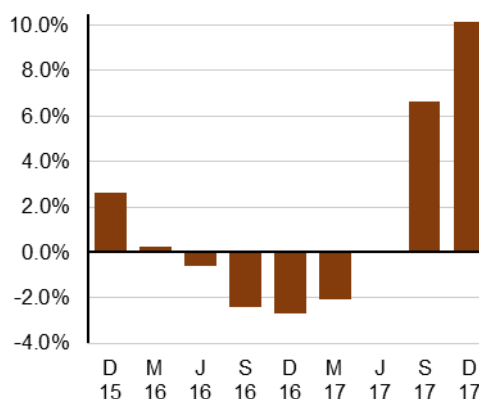
The CPI measures the rate of price change of goods and services purchased by Tokelau households. The Tokelau National Statistics Office (TNSO) collects prices from the co-op and bulk stores on all three atolls, as well as prices from service providers, including transport, energy, and telecommunications.

Consumer price index
Quarterly change



Source: Tokelau National Statistics Office

Consumer price index
Annual change



Source: Tokelau National Statistics Office

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31 January 2018

Commentary

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

- [Quarterly CPI increase of 2.1 percent for December 2017](#)
- [Alcoholic beverages and tobacco group up as national pricing policy fully implemented](#)
- [Summary of other group movements in the quarterly CPI](#)
- [Impact of items that rose and fell in price](#)
- [CPI shows 10.3 percent increase for the year to the December 2017 quarter](#)
- [Effect of cigarette prices on the Tokelau CPI.](#)

Quarterly CPI increase of 2.1 percent for December 2017

Compared to September 2017, the December CPI increased by 2.1 percent. Quarterly inflation was down from 5.9 percent (revised from 5.8 percent) for the September 2017 quarter.

Two of the CPI's nine groups recorded price increases for the December 2017 quarter, six groups made downward contributions and one remained unchanged.

Prices for the Food and non-alcoholic beverages group fell 0.3 percent in the December 2017 quarter, contributing negative 0.1 percent to quarterly inflation. This compares to a positive 2.5 percent rise contribution to the quarterly inflation rate of 5.9 percent in the September 2017 quarter.

The main individual upward contribution to the Food subgroup came from higher prices recorded for corned beef (up 19 percent). A key individual downward contribution came from lower prices for flour (down 17 percent).

The Non-alcoholic beverages subgroup dropped by 0.2 percent this quarter, influenced by the price of instant coffee (down 19 percent).

Group	Quarterly percentage points contribution to CPI
01. Food and non-alcoholic beverages	-0.1%
02. Alcoholic beverages and tobacco	2.0%
03. Clothing and footwear	-0.1%
04. Housing, water, electricity, gas and other fuels	-0.1%
05. Furnishings, household equipment and routine household maintenance	-0.1%
07. Transport	0.6%
08. Communication	0.0%
09. Recreation and culture	-0.1%
12. Miscellaneous goods and services	-0.1%
Overall CPI	2.1%

Note: Percentages may not sum to total due to rounding.

Alcoholic beverages and tobacco group up as national pricing policy fully implemented

The Alcoholic beverages and tobacco group made the highest contribution to CPI, 2.0 percent this *quarter*, compared to 3.3 percent in the September 2017 quarter. This is the result of completing the gradual implementation of a nationwide policy to increase the price of cigarettes to discourage smoking, to an average \$9.53 for a packet of 20 (up from \$6.73 in March 2017).

For the *year* to the December 2017 quarter, Alcoholic beverages and tobacco prices contributed 6.8 percent to the CPI: 6.7 percent was due to the tobacco pricing policy mentioned above; alcoholic beverages contributed only 0.1 percent to the annual CPI.

Summary of other group movements in the quarterly CPI

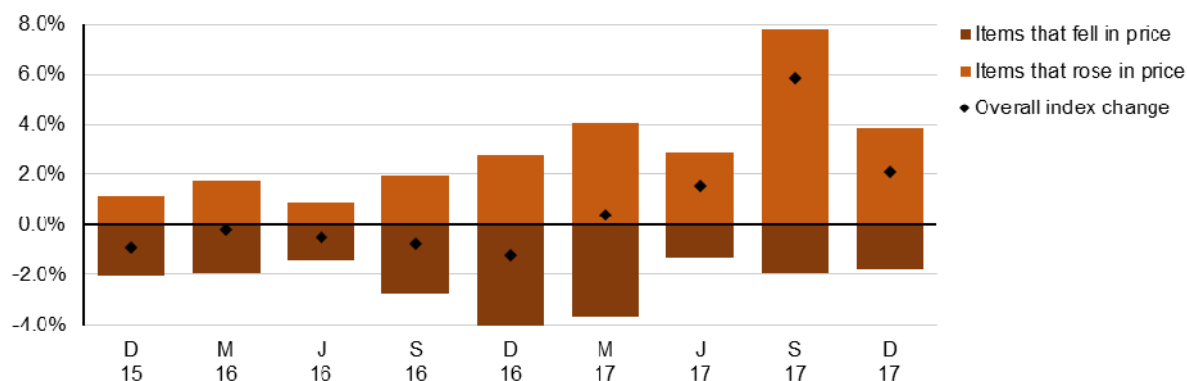
The contribution to quarterly inflation by the Transport group was 0.6 percent, due to an increase in the price of airfares. The Communication group remained unchanged. The contribution to quarterly inflation was -0.1 each for the groups Clothing and footwear; Housing, water, electricity, gas and other fuels; Furnishing, household equipment and routine household maintenance; Recreation and culture; and Miscellaneous goods and services.

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 2.1 percent increase in the CPI for the December 2017 quarter.

Percentage points contribution to consumer price index over time

Quarterly change to December 2017 quarter

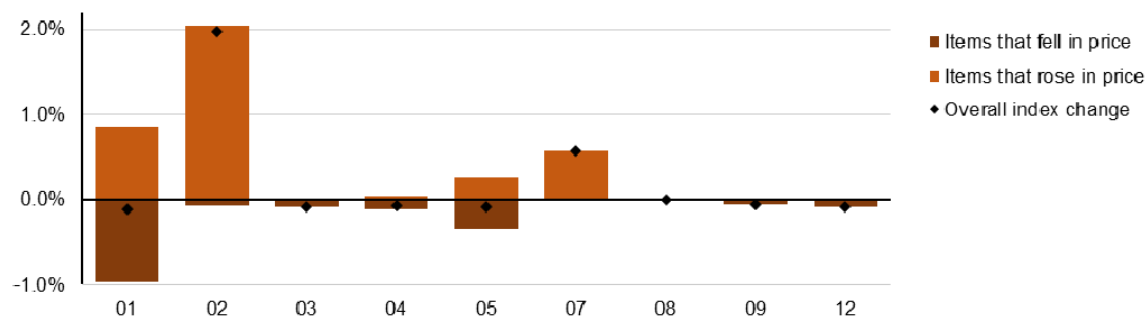


Source: Tokelau National Statistics Office

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

Percentage points contribution to consumer price index by group

in December 2017 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

09 Recreation and culture

12 Miscellaneous goods and services

Source: Tokelau National Statistics Office

CPI shows 10.3 percent increase for the year to the December 2017 quarter

The CPI increased 10.3 percent in the year to the December 2017 quarter. This compares with a 6.8 percent (revised from 6.6 percent) annual inflation rate in the September 2017 quarter.

The main upward movement came from the group Alcoholic beverages and tobacco, contributing 6.8 percent due to the tobacco policy mentioned above. Prices in the group Food and non-alcoholic beverages contributed 4.3 percent to the annual CPI.

Other contributions to the annual value were minor, with only the Communication group contributing negative 1.1 percent.

As the Tokelau CPI was re-based in the March 2017 quarter, it is not yet possible to describe annual price movements of individual items in the basket of goods and services. This will resume with the March 2018 CPI calculation and publication. However unweighted prices of selected items are shown in Table 2 of the accompanying Excel file, compared to those in the previous quarter as usual.

Effect of cigarette prices on the Tokelau CPI

Cigarettes have a large weight in the Tokelau CPI (originally 16.55 percent, and 16.16 percent since rebasing: Table 3 in the Excel file); therefore increasing prices has a significant effect on the overall CPI movement. Policies to try and have Tokelau tobacco-free by 2020 include increasing the tax on cigarettes, as has been gradually implemented in the co-operative stores during 2017.

The graph below shows how the Tokelau CPI has changed since the base period (June 2012): the all-groups CPI indicates inflation of 18 percent over the entire period. The CPI excluding cigarettes, however, shows an inflation of only 4 percent over the same period for the remainder of items in the basket of goods and services.



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 has been published quarterly since September 2012, and was rebased in March 2017. The index reference period is the June 2012 quarter (=1.000).

An updated 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> (October 2017 version).

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 1.15, prices have increased by 15 percent since the index reference period).

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. If two items record the same percentage rise in price, then the item with the larger CPI weighting will make a larger contribution to the overall movement. This contribution is also referred to as points (or index points) contribution.

Reference period

Prices for the December 2017 quarter were collected on or near 15 November 2017, by staff working for the nuku administrative centres, as well as TNSO staff in Apia.

Price influencers

Price changes may be influenced by external events. Factors that affected the quarterly and the annual December 2017 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 sets pricing policy (such as for cigarettes, alcoholic and non-alcoholic drinks) independently, and this can change at any point. In July 2017, General Fono (Parliament)

approved a national 325 percent tax increase on cigarettes, in an effort to reduce smoking and hence the prevalence of non-communicable diseases in the atoll population. Because cigarettes have a relatively large weight in the CPI, any change in their price cigarettes will significantly impact the overall CPI movement as seen in 2017.

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