



TUVALU GOVERNMENT
MINISTRY OF FINANCE AND ECONOMIC PLANNING

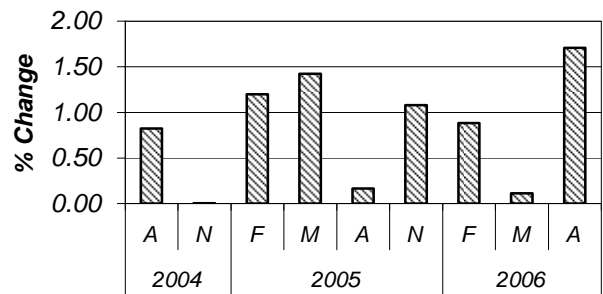
CONSUMER PRICE INDEX REPORT
AUGUST 2006

(3rd Quarter Report 2006)

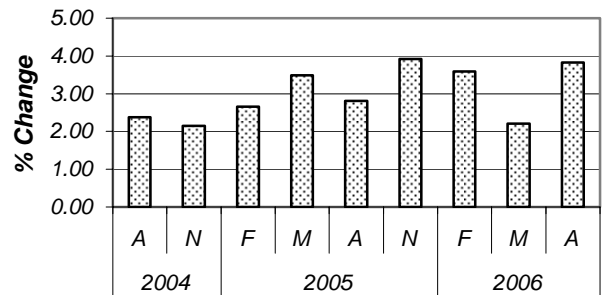
Highlights

- *The Consumer Price Index rose 1.71 percent in the August 2006 quarter.*
- *Transport prices rose by 18.15% driven by rise in petrol and diesel prices.*
- *Food prices rose by 0.98% with main contribution from diary produce and fish.*
- *All other CPI Groups records a quarterly decrease.*
- *Clothing & Textiles records offsetting price falls of 2.20% driven by lower price for nappies.*
- *Alcohol & Tobacco prices fall by 1.07% driven by lower price for beer.*
- *Housing prices fall by 1.00% driven by lower price for timber and chicken food.*
- *Miscellaneous prices fall by 0.61% with main contribution from chicken food.*
- *The CPI increase by 3.83% for the year to the August 2005 quarter.*

Consumer Price Index
Quarterly Price Change



Consumer Price Index
Annual Percentage Change



OVERVIEW

This release of this Tuvalu **Consumer Price Index (CPI)** have a regimen and weight based on the new CPI rebase which is base on the recent **Household Income and Expenditure Survey 2004/05**. Like the old CPI, the new CPI express the index on base 1000. Replacements items of commodities that are no longer available, with additional items to the old Basket of Goods, are also introduced with their new weights. The following are included in the new regimen; these were not included in the previous index:

- **Mineral Water**
- **Ice Block**
- **Taro**
- **Garlic**
- **Curry Powder**
- **Cell Phone Call Charges**
- **Water Tank (Plastic)**
- **Nappies**

Starting from this quarter the Consumer Price Index has an expression base May (second quarter) 2006. More information on the method of deriving the new weights of regimen, are found on the **“Documentation for the Tuvalu March 2006 CPI Re-base”**. The work done on the CPI Rebase was done by Mr. Chris Ryan (Technical Adviser from the Statistics and Demography Programme) from the Secretariat of Pacific Community (SPC) and Mr. Niuatui Niuatui (Statistical Analyst) from the Central Statistics Division. All prices are collected on the capital Funafuti with the assumption that it represents all of Tuvalu Islands prices.

The prices for this third quarter of 2006 was collected on from 15th to 18th of August 2006 and prices were confirmed on the 22nd August 2006. There were no substitution taken place for this quarter. The method of substitution is used when items are no longer on the shelve.

The Tuvalu Consumer Price Index (CPI) expression base is currnetly base on May (second quarter) 2006. Prices are collected from the following Outlets:

Fetuvalu High School, Falesa Gas, NAFICOT, Marine Department, Funafuti Fusi, Samuelu Hardware, Kaupule Funafuti, Semaia Bus Service, Matagi Gali Bar, Vaiaku Lagi Hotel, Lucky Set Bar, Setusa & Pasefika Fish Market, Manaema Bakery, Telecom, Travel Office, TEC, Personnel & Training Department, Bread Market, Sulani & Afelee Video Library.

Tuvalu Consumer Price Index Revision

The All Group Index of the Tuvalu Consumer Price Index (CPI) for this quarter of the year is an increase from 1000.00 of the previous quarter to 1017.09 for this quarter. This result in a quarterly percentage change of **1.75%** for which result in the net change of 17.09.

This change results in the annual inflation rate of **3.83%** for the last twelve months as compared to the inflation rate of **2.20%** of the previous quarter. The reason behind this increase in the inflation rate can be found later in this report when *analyzing significant movement within indices (and therefore indicate which item or regimen have increase or decrease their prices)*. This observation is shown in Graph 1 (next page). Graph 1 shows the Annual Inflation Rate from 1996 to this quarter (second) of 2006. This Annual Inflation Rate is the difference of All Group Index in percentage between a current quarter and the same quarter of the previous year.

Table 1 on the next page show that there is an increase in the **average rate quarterly inflation rate** (average for all four quarters) for the last eleven years from 1996 to 2006. There is an increase from 2.83% in 2004 to 3.80% in 2006. However there is a decrease from 3.38% in 2003 to 2.83% in 2005. The reason for the decreases and increases in inflation rate have been explain in earlier quarterly report for the mention period.

TABLE 1: ANNUAL INFLATION RATE IN PERCENTAGE BY QUARTERLY PERIOD

(Base May 2006 = 1000)

YEAR	<i>February</i>	<i>May</i>	<i>August</i>	<i>November</i>	<i>Average Rate</i>
1996	0.7	-0.5	0.0		0.1
1997	1.2	1.7	1.8	1.7	1.60
1998	-0.1	1.3	1.2	1.0	0.85
1999	3.5	1.8	2.2	5.3	3.20
2000	5.1	5.3	3.9	1.3	3.90
2001	-1.8	-0.5	3.9	4.6	1.53
2002	7.5	9.9	3.2	0.0	5.15
2003	1.5	1.2	4.1	6.7	3.38
2004	5.1	1.6	2.4	2.2	2.83
2005	2.7	3.5	2.8	3.9	3.23
2006	3.6	2.2	3.8		3.20

Note: Central Statistics Divison can provide earlier inflation rates from 1985 to 1994

Graph 1: Tuvalu Annual Inflation Rate

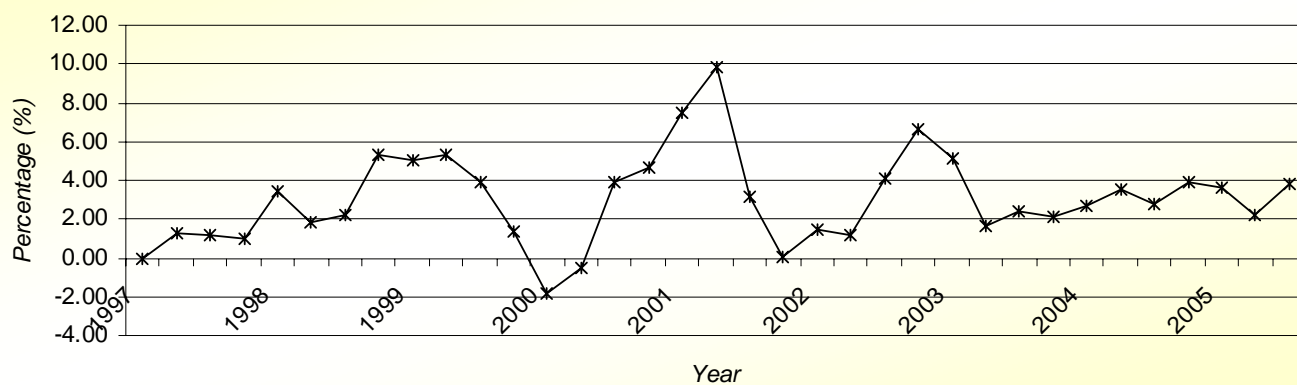


Table 2 below shows the trends of price indices by major groups, for the last three and twelve months period.

Table 2: Consumer Price Index - Funafuti, Tuvalu

Major Group	Aug-05	May-06	Aug-06	Changes in Percentages (%)	
				3 Months	12 Months
<i>Food</i>	977.13	1000.00	1009.75	0.98	3.34
<i>Alcohol & Tobacco</i>	993.44	1000.00	989.28	-1.07	-0.42
<i>Clothing & Textiles</i>	939.01	1000.00	977.96	-2.20	4.15
<i>Transport</i>	964.29	1000.00	1181.47	18.15	22.52
<i>Housing</i>	962.93	1000.00	989.95	-1.00	2.81
<i>Miscellaneous</i>	1000.73	1000.00	993.85	-0.61	-0.69
ALL ITEMS	979.60	1000.00	1017.09	1.71	3.83

As stated before, the above table shows an increase in the overall index of **1.71%** from the previous quarter. The increase was mainly contributed by the increase of two major group's indices - Transport (18.15%) and Food (0.98%). Opposing the increase are Clothing & Textiles (-2.20%), Alcohol & Tobacco (-1.07%), Housing (-1.00%) and Miscellaneous (-0.61%).

For the last twelve months there is an increase in the overall index of **3.83%**. This increase was contributed by major groups such as Transport (22.52%), Clothing & Textiles (4.15%), Food (3.34%) and Housing (2.81%). Opposing the increase is the decline of Miscellaneous from 1000 to 989.95 (-0.69%) and Alcohol & Tobacco from 993.44 to 989.28 (-0.42%).

The following explanations briefly indicate the significant movements within the indices:

Note: Refer to appendix 2

(Contributions generally show the effect of items with price changed, sub-groups and major groups onto the overall net change of the CPI. It simply indicate the 'quantity added to or subtracted from the previous quarter all groups index' to provide the current CPI)

Food Group

The group records an increase of 0.98% for this quarter as compared to the previous quarter (from 1000.00 to 1009.75). The increase is mainly due to the following increase of index for subgroup Dairy Produce (16.65%), Fish (5.33%), Fruits & Vegetables (4.42%), Meat (12.00%) and Cereals (0.65%). Opposing the increase of subgroups indices is subgroup- Miscellaneous Food (-13.11%), Beverages (-3.89%) and Meat (0.03%). The following are some of the commodities with increases to their prices:

• Eggs	75.00%	(i.e. from \$3.60 to \$6.30)
• Onions	20.00%	(i.e. from \$1.50 to \$1.80)
• Fresh Tuna	6.06%	(i.e. from \$3.60 to \$3.50)
• Bottom Fish	4.10%	(i.e. from \$3.17 to \$3.30)
• Cabin Biscuit	3.03%	(i.e. from \$3.30 to \$3.40)
• Salt Beef	5.32%	(i.e. from \$9.40 to \$9.90)
• Pears	7.83%	(i.e. from \$5.75 to \$6.20)
• Oranges	9.47%	(i.e. from \$4.75 to \$5.20)
• Sausages	2.82%	(i.e. from \$7.10 to \$7.30)

Offsetting the above increase is the decrease in the price of the following commodities:

• Meals take Away from Rest.	-27.54%	(i.e. from \$6.90 to \$5.00)
• Lamb Necks	-10.67%	(i.e. from \$4.40 to \$4.50)
• Tea	-18.18%	(i.e. from \$2.20 to \$1.80)
• Ice Cream	-4.35%	(i.e. from \$6.90 to \$6.60)
• Apples	-9.38%	(i.e. from \$3.20 to \$2.90)

The group total contribution resulted from its items-to-price with change in price is 4.22.

Alcohol & Tobacco

The group records a decrease of -2.96% to the overall index as a result of the decrease to the average price of Beer from \$1.95 to \$1.87 (-4.10%). The item contribution for beer and therefore the whole group is -1.24.

Clothing & Textiles

This group recorded a quarterly decrease of 2.20% (from 1000.00 to 977.96). Two commodities affected this group – Nappies and Plain Poplin. The price for Nappies drops from \$1.00 to \$0.90 (-10.00%) with item contribution of -0.94. The price of Plain Poplin increases from \$2.40 to \$3.35 (39.58%) with a contribution of 0.33.

Item-to-price contribution for the whole group is -0.61.

Transport

The group index recorded an increase from 1000.00 to 1181.47 (18.15%). The only subgroup contribute to this effect is Private Sector through commodities – Petrol, Diesel and Truck Registration. Petrol prices have increases from \$1.50 to \$1.85 (23.33%) per litre. Diesel prices have increases from \$1.40 to \$1.80 (28.57%) and truck registration from \$50.00 to \$51.00 (2.00%).

Item-to-price contribution for the whole is 17.45.

Housing

Two sub groups have effect to the group; House Maintenance and Miscellaneous. Commodity Timber under House Maintenance decreases its price from \$2.60 to \$2.10 resulting in a downward quarterly change of 19.23% and with a contribution of -2.38. For subgroup Miscellaneous, one commodity

contributes to the effect on the subgroup – chicken food. Chicken has a downward quarterly price change of 10.00% from \$1.00 to \$0.90 and a contribution of -2.72.

The group total contribution resulted from items-to-price with change in price is -2.72.

CONCLUSION

This Consumer Price Index shows an increase of **1.71%** for this first quarter of 2008 as compared to the increase of **0.11%** for the previous quarter (second quarter 2006). The annual inflation rate from the same quarter (third) of 2005 to this third quarter of 2006 is **3.83%**.

The most significant upward contribution came from group Transport (up by 18.15%) and Food (up by 0.98%). Three groups recorded decreases: Clothing & Textiles (-2.20), Housing (-1.00%), Alcohol & Tobacco (-1.01%) and Housing (-1.00%).

The most significant individual upward contribution came from higher prices for eggs (up 75.00%), Plain Poplin (up 39.58%), diesel (up 28.57%) and petrol (up 23.33%). The most significant individual downward contribution came from lower prices for Timber (down 19.23%), Tea (down 18.18%), Nappies (down 10.00%) and lamb chops (down 10.67%).



Niuatui I Niuatui
Statistical Analyst

Appendix 1: Annual Consumer Price Index (CPI)

Annual indices on the base 2nd Quarter 2006 are shown in the following tables. They have been calculated as the simple average of the constituent's quarters using un-rounded quarterly index numbers. Please note that fares and household appliances were not part of items selected in basket of goods prior to May 2006.

(Base May 2006 = 1000)

	2004			2005			2006		
	Aug-04	Nov-04	Feb-05	May-05	Aug-05	Nov-05	Feb-06	May-06	Aug-06
1 Food Group									
1.1 Meat	915.615	915.615	918.579	939.157	946.81	954.97	974.47	1000.00	999.69
1.2 Fish	930.452	936.332	949.722	1014.4	1014.4	902.00	968.64	1000.00	1053.33
1.3 Dairy Produce	875.156	909.943	965.107	987.633	984.13	1005.61	996.02	1000.00	1166.46
1.4 Cereals	994.798	940.65	999.579	986.387	1011.68	1024.99	1028.00	1000.00	1006.46
1.5 Sugar and Sweets	855.552	846.767	870.94	870.94	915.666	915.67	915.67	1000.00	1000.00
1.6 Fruits & Vegetables	901.98	946.013	917.22	998.504	982.488	1059.35	1093.75	1000.00	1044.18
1.7 Beverages	981.587	982.112	981.912	982.395	982.395	1009.21	996.95	1000.00	961.15
1.8 Cooking Oil and Fats	888.982	1004.29	1004.29	1004.29	1004.29	1004.29	1000.00	1000.00	1000.00
1.9 Miscellaneous	714.597	882.749	882.749	988.967	984.046	989.62	1000.00	1000.00	868.93
Total Food Group	918.329	921.681	944.951	965.297	977.128	981.54	994.65	1000.00	1009.75
2 Alcohol & Tobacco Group									
2.1 Alcohol	913.431	923.59	933.328	916.635	993.919	1017.77	1016.64	1000.00	970.38
2.2 Tobacco	983.993	993.12	993.12	1052.45	993.12	1004.56	1004.56	1000.00	1000.00
Total Alcohol & Tobacco	955.921	965.459	969.333	998.417	993.438	1009.82	1009.37	1000.00	989.28
3 Clothing & Textiles									
3.1 Clothing	839.525	840.075	834.825	901.124	953.677	973.26	979.78	1000.00	951.56
3.2 Textiles	958.202	942.953	927.704	922.021	922.021	922.02	922.02	1000.00	1040.17
Total Clothing & Textiles	911.326	902.745	891.695	916.635	939.008	947.35	950.12	1000.00	977.96
4 Transport Group									
4.1 Fares	n.a	n.a	n.a	n.a	n.a	n.a	n.a	1000.00	1000.00
4.2 Private Transport	982.068	963.066	958.303	958.217	958.414	975.13	993.75	1000.00	1224.47
Total Transport Group	993.151	977.59	968.549	964.663	964.29	981.78	999.12	1000.00	1181.47
5 Housing Group									
5.1 House Rentals	1000	1000	1000	1000	1000	1000.00	1000.00	1000.00	1000.00
5.2 House Maintenance	972.709	981.029	984.368	979.001	983.066	989.32	981.47	1000.00	951.05
5.3 Fuel & Electricity	910.067	910.067	917.303	920.198	917.303	958.96	958.96	1000.00	1000.00
5.4 Household Appliances)	n.a	n.a	n.a	n.a	n.a	n.a	n.a	1000.00	1000.00
Total Housing Group	943.049	943.52	955.184	972.97	962.931	986.29	983.36	1000.00	989.95
6 Miscellaneous Group									
6.1 Education	1000	1000	1000	1000	1000	1000.00	1000.00	1000.00	1000.00
6.2 Telecom	982.532	982.532	982.532	1000	1000	1000.00	1000.00	1000.00	1000.00
6.3 Entertainment	1032.79	1032.79	1032.79	1032.79	1032.79	1032.79	1032.79	1000.00	1000.00
6.4 Toiletries	949.157	949.157	1052.59	1045.45	994.759	969.47	972.50	1000.00	1000.00
6.5 Cleaning Materials	1062.51	1011.77	1039.02	1025.66	999.223	984.26	1000.00	1000.00	1000.00
6.6 Miscellaneous	1262.29	1262.29	1262.29	1262.29	1262.29	1262.29	1367.48	1000.00	967.41
Total Misc. Group	1010.48	1012.01	1026.66	1012.89	1000.73	995.16	1005.17	1000.00	993.85
All Groups	952.784	952.826	964.26	977.98	979.596	990.16	998.89	1000.00	1017.09

Appendix 2: Specifications of the Quarterly Change of the CPI

The table below provides the quarterly index of the groups that contribute to the observed Consumer Price Index of Tuvalu (Base May 2006)

Item	Base Year weight	previous weight (May-06)	current weights (Aug-06)	Previous Price	Price Relative	Current Price	Quarterly % Change	Items-to-price Contribution (base1000)
1. FOOD GROUP								
1.1 Meat								
1.1.1 Lamb Necks	0.3114	0.3114	0.3185	\$4.40	\$4.40	\$4.50	2.273	0.0708
1.1.2 Lamb Chops	0.2412	0.2412	0.2154	\$7.50	\$7.50	\$6.70	-10.667	-0.2572
1.1.5 Sausages	0.6833	0.6833	0.7026	\$7.10	\$7.10	\$7.30	2.817	0.1925
1.1.6 Salt Beef	0.5405	0.5405	0.5693	\$9.40	\$9.40	\$9.90	5.319	0.2875
1.1.8 Canned Corned Beef (B)	1.1003	1.1003	1.0679	\$3.40	\$3.40	\$3.30	-2.941	-0.3236
Sub-Group Index(base 1000)		1000.00	999.69				-0.031	-0.0301
1.2 Fish								
1.2.1 Fresh Tuna	3.1129	3.1129	3.3016	\$3.30	\$3.30	\$3.50	6.0606	1.8866
1.2.2 Bottom Fish	0.7154	0.7154	0.7447	\$3.17	\$3.17	\$3.30	4.1009	0.2934
Sub-Group Index(base 1000)		1000.00	1053.33				5.3327	2.1800
1.3 Dairy Produce								
1.3.3 Eggs	0.5981	0.5981	1.0467	\$3.60	\$3.60	\$6.30	75.0000	4.4858
1.3.4 Ice-Cream	0.3580	0.3580	0.3425	\$6.90	\$6.90	\$6.60	-4.3478	-0.1557
Sub-Group Index(base 1000)		1000.00	1166.46				16.646	4.3301
1.4 Cereals								
1.4.6 Cabin Biscuit / in container per kg	2.8467	2.8467	2.9329	\$3.30	\$3.30	\$3.40	3.0303	0.8626
Sub-Group Index(base 1000)		1000.00	1006.46				0.646	0.8626
1.6 Fruits & Vegetables								
1.6.1 Oranges	0.1168	0.1168	0.1278	\$4.75	\$4.75	\$5.20	9.4737	0.1106
1.6.2 Apples	0.2130	0.2130	0.1931	\$3.20	\$3.20	\$2.90	-9.375	-0.1997
1.6.3 Pears	0.2025	0.2025	0.2184	\$5.75	\$5.75	\$6.20	7.826	0.1585
1.6.5 Onions	0.4664	0.4664	0.5597	\$1.50	\$1.50	\$1.80	20.000	0.9329
1.6.6 English Cabbages	0.1748	0.1748	0.1717	\$5.50	\$5.50	\$5.40	-1.8182	-0.0318
Sub-Group Index(base 1000)		1000.00	1044.18				4.418	0.9705
1.7 Beverages								
1.7.2 Tea	0.4278	0.4278	0.3500	\$2.20	\$2.20	\$1.80	-18.182	-0.7777
Sub-Group Index(base 1000)		1000.00	961.15				-3.885	-0.7777
1.9 Miscellaneous Food								
1.9.3 Soy Sauce	0.3913	0.3913	0.3787	\$1.55	\$1.55	\$1.50	-3.2258	-0.1262
1.9.5 Meals take away from Restraunt	1.1579	1.1579	0.8391	\$6.90	\$6.90	\$5.00	-27.536	-3.1885
Sub-Group Index(base 1000)		1000.00	868.93				-13.107	-3.3147
Group Index(base 1000)		1000.00	1009.75				0.975	4.2207
2. ALCOHOL & TOBACCO GROUP								
2.1 Alcohol								
2.1.1 Beer	3.0220	3.0220	2.8980	\$1.95	\$1.95	\$1.87	-4.103	-1.2398
Sub-Group Index(base 1000)		1000.00	970.38				-2.962	-1.2398
Group Index(base 1000)		1000.00	989.28				-1.072	-1.2398

Item		Base Year weight	previous weight (May-06)	current weights (Aug-06)	Previous Price	Price Relative	Current Price	Quarterly % Change	Items-to-price Contribution (base1000)
		3. CLOTHING & TEXTILES							
3.1	Clothing								
3.1.4	Nappies	0.9442	0.9442	0.8498	\$1.00	\$1.00	\$0.90	-10.000	-0.9442
Sub-Group Index(base 1000)		1000.00	951.56					-4.844	-0.9442
3.2	Textiles								
3.2.2	Plain Poplin	0.0840	0.0840	0.1172	\$2.40	\$2.40	\$3.35	39.583	0.3323
Sub-Group Index(base 1000)		1000.00	1040.17					4.02	0.3323
Group Index(base 1000)		1000.00	977.96					-2.20	-0.6119
		4. TRANSPORT							
4.2	Private Transport								
4.2.1	Petrol	7.1570	7.1570	8.8270	\$1.50	\$1.50	\$1.85	23.333	16.6997
4.2.2	Diesel	0.2343	0.2343	0.3012	\$1.40	\$1.40	\$1.80	28.571	0.6694
4.2.3	Truck Registration	0.3804	0.3804	0.3880	\$50.00	\$50.00	\$51.00	2.000	0.0761
Sub-Group Index(base 1000)		1000.00	1224.47					22.45	17.4452
Group Index(base 1000)		1000.00	1181.47					18.15	17.4452
		5. HOUSING							
5.2	House Maintenance								
5.2.1	Timber	1.2363	1.2363	0.9986	\$2.60	\$2.60	\$2.10	-19.231	-2.3775
5.2.4	Paint	0.4776	0.4776	0.5336	\$25.60	\$25.60	\$28.60	11.719	0.5597
Sub-Group Index(base 1000)		1000.00	951.05					-4.90	-1.8178
6.6	Miscellaneous								
6.6.2	Chicken Food	0.9021	0.9021	0.8119	\$1.00	\$1.00	\$0.90	-10.000	-0.9021
Sub-Group Index(base 1000)		1000.00	967.41					-3.26	-0.9021
Group Index(base 1000)		1000.00	989.95					-1.00	-2.7199
All Group Index (base 1000)		1000.00	1017.09					1.71	17.094