



TUVALU GOVERNMENT
MINISTRY OF FINANCE AND ECONOMIC PLANNING

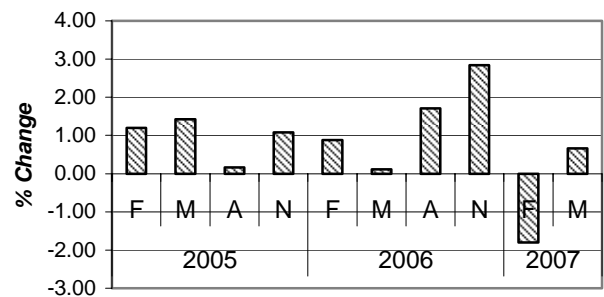
CONSUMER PRICE INDEX REPORT
MAY 2007

(2nd Quarter Report 2007)

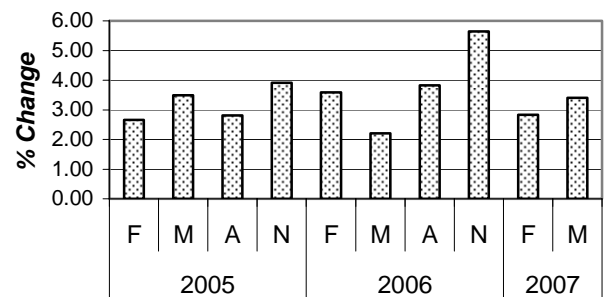
Highlights

- The Consumer Price Index rose 0.66 percent in the May 2007 quarter.
- Interestingly Food prices fell by 4.24%, with main contributions coming from lower prices for Sugar and Sweets, fruits and vegetables in particular onions, apples, pears and Taro.
- Transport rose by 9.47%, driven by higher prices for petrol.
- Housing rose by 1.11% with strong contribution from Kerosene.
- Miscellaneous commodities prices increase by 3.50% mainly due to increase in prices for pig food.
- The CPI increase by 3.40% for the year to the May 2007 quarter.

Consumer Price Index
Quarterly Percentage Change



Consumer Price Index
Annual Percentage Change



OVERVIEW

The prices for this second quarter of 2007 was collected on from 22nd to 24th of May 2007. The prices were confirmed on the 25th May 2007. There were no substitution taken place for this quarter. The method of substitution is used when items are no longer on the shelves.

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

Fetuvalu High School, Falesa Gas, NAFICOT, Marine Department, Funafuti Fusi (Fakai Funfuti Branch), 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 1027.21 of the previous quarter to 1034.01 for this quarter. This result in a quarterly percentage change of **0.66%** for which result in the net change of 6.80.

This change results in the annual inflation rate of **3.40%** for the last twelve months as compared to the inflation rate of **2.83%** 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 1997 to this quarter (second) of 2007. 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 two years from 2004 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	February	May	August	November	Average Rate
1996	3.0	0.7	-0.5	0.0	0.80
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	5.6	3.80
2007	2.8	3.4			

Note: Central Statistics Divison can provide earlier inflation rates from 1985 to 1995

Graph 1: Tuvalu Annual Inflation Rate

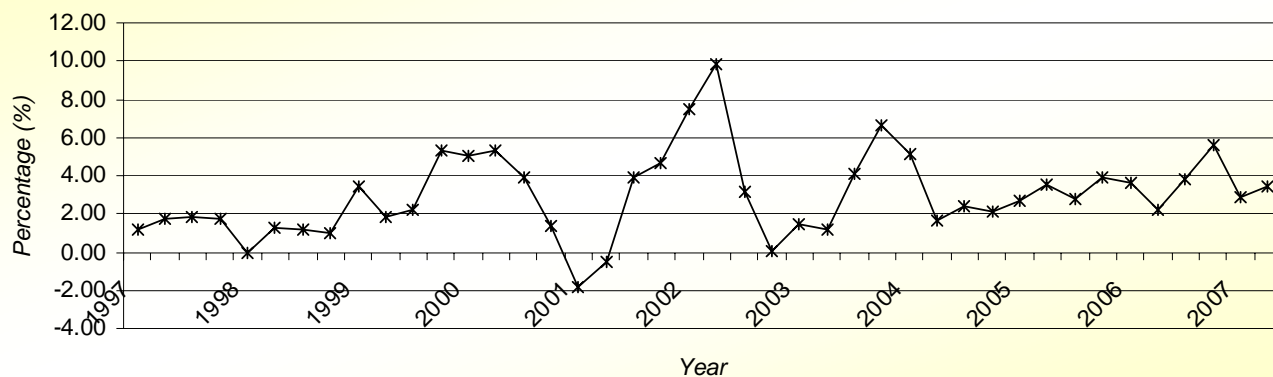


Table 2 below shows the trends of price indices by major groups, for the last three and twelve months period.

Table 2: Consumer Price Index - Funafuti, Tuvalu

<i>Major Group</i>	<i>May-06</i>	<i>Feb-07</i>	<i>May-07</i>	Changes in Percentages (%)	
				3 Months	12 Months
<i>Food</i>	1000.00	1022.72	979.33	-4.24	-2.07
<i>Alcohol & Tobacco</i>	1000.00	999.71	999.71	0.00	-0.03
<i>Clothing & Textiles</i>	1000.00	1342.98	1342.98	0.00	34.30
<i>Transport</i>	1000.00	1029.75	1127.28	9.47	12.73
<i>Housing</i>	1000.00	969.73	980.50	1.11	-1.95
<i>Miscellaneous</i>	1000.00	964.09	997.84	3.50	-0.22
ALL ITEMS	1000.00	1027.21	1034.01	0.66	3.40

As stated before, the above table shows an increase in the overall index of **0.66%** from the previous quarter. The increase was mainly contributed by the increase of major group index such as Transport (9.47%), Miscellaneous (3.50%), followed by housing (1.11%). Alcohol & Tobacco and Clothing & have no change in their group index from the previous quarter. One group opposing the increase is food with negative change of 4.24%.

For the last twelve months there is an increase in the overall index of **3.40%**. This increase was contributed by major groups such as Clothing & Textiles 34.30% and Transport 12.73%. Four major groups indicate a relatively small decline, Food -2.07%, Housing -1.95%, Miscellaneous -0.22% and Alcohol with -0.03%.

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 index records a decrease of 4.24% for this quarter as compared to the previous quarter (from 1022.72 to 979.33). The decrease is mainly due to the following decreases in prices of the following items:

- Apples -25.0% (i.e. from \$6.40 to \$4.80)
- Onions -23.1% (i.e. from \$2.60 to \$2.00)
- Pears -19.6% (i.e. from \$5.10 to \$4.10)
- Brown Sugar -17.6% (i.e. from \$1.70 to \$1.40)
- Cooking Oil -17.3% (i.e. from \$5.20 to \$4.30)
- Coffee -12.5% (i.e. from \$4.00 to \$3.50)
- Taro -11.1% (i.e. from \$3.60 to \$3.20)
- Tea -5.0% (i.e. from \$2.00 to \$1.90)
- Cassava -3.4% (i.e. from \$2.90 to \$2.80)

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

- Baking Powder 38.5% (i.e. from \$1.30 to \$1.80)
- English Cabbage 40.7% (i.e. from \$2.70 to \$3.80)
- Lamb Necks 13.9% (i.e. from \$4.30 to \$4.90)
- Potatoes 11.1% (i.e. from \$1.80 to \$2.00)
- Flour 10.0% (i.e. from \$1.00 to \$1.10)
- Canned Corned Beef (B) 5.9% (i.e. from \$3.35 to \$3.55)
-

The group total contribution resulted from its items-to-price with change in price is -9.47.

Transport

The group recorded the highest contribution onto the overall net change of the CPI. It recorded a quarterly increase of 9.47%. Petrol and diesel are the two contributors with items-to-price contribution of 9.54 and -0.16 respectively. Quarterly price changes are 13.33% for Petrol (i.e. from \$1.50 to \$1.70) and -0.16% for diesel (i.e. from \$1.70 to \$1.60).

Housing

The increase of 1.11% (from 969.73 to 980.50) of this group contributed to the overall index. This results from the increase in the price of Kerosene from \$1.40 to \$1.50 (2.34%).

The group total contribution resulted from items-to-price with change in price is -12.23.

Miscellaneous

This group recorded a quarterly increase of 0.66% (from 1027.2 to 1034.01). The subgroup that contributes most to this effect is Miscellaneous for commodity- Pig Food. Pig Food increases from average price of \$0.80 to \$1.00 (25%) and has a contribution of 4.09. Opposing the increase in contribution is Deodorant under subgroup Toiletries which have a quarterly price decrease of 2.3% (from \$2.15 to \$2.10).

From the above changes in prices; results in the contribution of 4.95.

CONCLUSION

This Consumer Price Index shows an increase of **0.66%** for the first quarter as compared to the decrease of **1.80%** for the previous quarter first quarter 2007. The annual inflation rate from second quarter of 2006

to this second quarter of 2007 is **3.40%**. The increase in the overall index attributed by the changes made to the affected items such as price changes by the changes made to the country of import.

Three of the six of CPI groups recorded increases in the May 2007 quarter. The most significant upward contributions came from Transport (9.47%), Miscellaneous (3.50%) and Housing (1.11%). One group recorded a decrease, Food with a downward contribution of 4.24%. CPI Groups Alcohol & Tobacco and Clothing & Textiles have no contribution to the overall change of CPI for the May 2007 quarter.

The most significant individual upward contribution came from pig food (up 25.0%), chicken food (up 11.11%), Petrol (up 13.3%) and Kerosene (up 7.1%). The reason for the increase of pig food because of the low supply of wheat which is basically uses as pig food after flour have been extort from wheat. Because of bad growing condition for wheat reported in some condition in Australia, the price of wheat has increase. This then lead to an upward increase for the price of pig and chicken food which Fiji mainly produces from imported wheat from Australia. Tuvalu imported its pig and chicken food from Fiji (mainly from Punja and FMF). Because of the high demand and low supply of fuel globally, the prices of Petrol and Kerosene have increase globally.

The downward decrease of the subgroup Fruits and Vegetables (-10.86%) have contributed to the decrease of CPI group Food. The most significantly individual downward contribution came from apples (down 25.0%), pears (down 19.6%), onions (down 23.1%) and cooking oil (down 17.3%). Because of the increase of production mainly for apples, pears, oranges in NZ (where Tuvalu imported its fruits) the prices for these commodities decreases.



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)

	2005			2006				2007	
	May-05	Aug-05	Nov-05	Feb-06	May-06	Aug-06	Nov-06	Feb-07	May-07
1 Food Group									
1.1 Meat	939.16	946.81	954.97	974.47	1000	999.69	1005.26	1002.45	1016.066
1.2 Fish	1014.40	1014.40	902.00	968.64	1000	1053.33	1053.33	1064.37	1064.367
1.3 Dairy Produce	987.63	984.13	1005.61	996.02	1000	1166.46	1255.23	1275.02	1275.021
1.4 Cereals	986.39	1011.68	1024.99	1028.00	1000	1006.46	1000.00	1016.12	1037.587
1.5 Sugar and Sweets	870.94	915.67	915.67	915.67	1000	1000.00	1055.41	1103.90	937.6794
1.6 Fruits & Vegetables	998.50	982.49	1059.35	1093.75	1000	1044.18	1069.15	1276.91	1138.181
1.7 Beverages	982.39	982.39	1009.21	996.95	1000	961.15	1016.56	995.04	958.4243
1.8 Cooking Oil and Fats	1004.29	1004.29	1004.29	1000.00	1000	1000.00	1225.61	1194.66	1073.983
1.9 Miscellaneous	988.97	984.05	989.62	1000.00	1000	868.93	926.97	967.97	994.8431
Total Food Group	965.30	977.13	981.54	994.65	1000	1009.75	1025.64	1022.72	979.3269
2 Alcohol & Tobacco Group									
2.1 Alcohol	916.63	993.92	1017.77	1016.64	1000	970.38	980.45	999.20	999.1989
2.2 Tobacco	1052.45	993.12	1004.56	1004.56	1000	1000.00	1000.00	1000.00	1000
Total Alcohol & Tobacco	998.42	993.44	1009.82	1009.37	1000	989.28	992.93	999.71	999.7102
3 Clothing & Textiles									
3.1 Clothing	901.12	953.68	973.26	979.78	1000	951.56	1477.34	1553.93	1553.928
3.2 Textiles	922.02	922.02	922.02	922.02	1000	1040.17	1040.17	846.02	846.0244
Total Clothing & Textiles	916.63	939.01	947.35	950.12	1000	977.96	1347.06	1342.98	1342.977
4 Transport Group									
4.1 Fares	n.a	n.a	n.a	n.a	1000	1000.00	1000.00	1000.00	1000
4.2 Private Transport	958.22	958.41	975.13	993.75	1000	1224.47	1225.55	1036.81	1157.44
Total Transport Group	964.66	964.29	981.78	999.12	1000	1181.47	1182.34	1029.75	1127.279
5 Housing Group									
5.1 House Rentals	1000.00	1000.00	1000.00	1000.00	1000	1000.00	1000.00	1000.00	1000
5.2 House Maintenance	979.00	983.07	989.32	981.47	1000	951.05	960.48	966.51	966.5063
5.3 Fuel & Electricity	920.20	917.30	958.96	958.96	1000	1000.00	1099.75	1010.38	1034.021
5.4 Household Appliances)	n.a	n.a	n.a	n.a	1000	1000.00	1000.00	849.83	849.8288
Total Housing Group	972.97	962.93	986.29	983.36	1000	989.95	1037.34	969.73	980.504
6 Miscellaneous Group									
6.1 Education	1000.00	1000.00	1000.00	1000.00	1000	1000.00	1000.00	1000.00	1000
6.2 Telecom	1000.00	1000.00	1000.00	1000.00	1000	1000.00	1000.00	1000.00	1000
6.3 Entertainment	1032.79	1032.79	1032.79	1032.79	1000	1000.00	1000.00	807.23	807.2286
6.4 Toiletries	1045.45	994.76	969.47	972.50	1000	1000.00	890.05	892.93	890.0464
6.5 Cleaning Materials	1025.66	999.22	984.26	1000.00	1000	1000.00	985.93	985.93	985.9268
6.6 Miscellaneous	1262.29	1262.29	1262.29	1367.48	1000	967.41	967.41	967.41	1147.621
Total Misc. Group	1012.89	1000.73	995.16	1005.17	1000	993.85	982.85	964.09	997.8391
All Groups	977.98	979.60	990.16	998.89	1000	1017.09	1046.01	1027.21	1034.01

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 (Feb-07)	current weights (May-07)	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	0.3043	0.3468	\$4.30	\$4.30	\$4.90	13.953	0.4246
1.1.2 Lamb Chops	0.2412	0.2508	0.2572	\$7.80	\$7.80	\$8.00	2.564	0.0643
1.1.5 Sausages	0.6833	0.6929	0.7122	\$7.20	\$7.20	\$7.40	2.778	0.1925
1.1.8 Canned Corned Beef (B)	1.1003	1.0841	1.1488	\$3.35	\$3.35	\$3.55	5.970	0.6472
Sub-Group Index(base 1000)	1002.45	1016.07					1.36	1.3286
1.4 Cereals								
1.4.2 Flour 1kg (loose)	2.5810	2.8678	3.1545	\$1.00	\$1.00	\$1.10	10.000	2.8678
Sub-Group Index(base 1000)	1016.12	1037.59					2.11	2.8678
1.5 Sugar and Sweets								
1.5.1 Brown Sugar per kilo (loose)	4.7472	5.0439	4.1538	\$1.70	\$1.70	\$1.40	-17.647	-8.9010
Sub-Group Index(base 1000)	1103.90	937.68					-15.06	-8.9010
1.6 Fruits & Vegetables								
1.6.2 Apples	0.2130	0.4261	0.3195	\$6.40	\$6.40	\$4.80	-25.000	-1.0652
1.6.3 Pears	0.2025	0.1796	0.1444	\$5.10	\$5.10	\$4.10	-19.608	-0.3522
1.6.4 Potatoes	0.3256	0.3908	0.4342	\$1.80	\$1.80	\$2.00	11.111	0.4342
1.6.5 Onions	0.4664	0.8085	0.6219	\$2.60	\$2.60	\$2.00	-23.077	-1.8657
1.6.6 English Cabbages	0.1748	0.0858	0.1208	\$2.70	\$2.70	\$3.80	40.741	0.3497
1.6.7 Taro	0.2807	0.3368	0.2994	\$3.60	\$3.60	\$3.20	-11.111	-0.3742
1.6.8 Cassava	0.4166	0.5033	0.4860	\$2.90	\$2.90	\$2.80	-3.448	-0.1736
Sub-Group Index(base 1000)	1276.91	1138.18					-10.86	-3.0470
1.7 Beverages								
1.7.1 Coffee	0.4739	0.4308	0.3770	\$4.00	\$4.00	\$3.50	-12.500	-0.5385
1.7.2 Tea	0.4278	0.3889	0.3694	\$2.00	\$2.00	\$1.90	-5.000	-0.1944
Sub-Group Index(base 1000)	995.04	958.42					-3.68	-0.7330
1.8 Cooking Oil and Fats								
1.8.1 Cooking Oil	0.7142	0.9646	0.7977	\$5.20	\$5.20	\$4.30	-17.308	-1.6695
Sub-Group Index(base 1000)	1194.66	1073.98					-10.10	-1.6695
1.9 Miscellaneous Food								
1.9.4 Baking Powder	0.2310	0.1767	0.2446	\$1.30	\$1.30	\$1.80	38.462	0.6795
Sub-Group Index(base 1000)	967.97	994.84					2.78	0.6795
Group Index(base 1000)	1022.72	979.33					-4.24	-9.4747
4. TRANSPORT								
4.2 Private Transport								
4.2.1 Petrol	7.1570	7.1570	8.1113	\$1.50	\$1.50	\$1.70	13.333	9.5427
4.2.2 Diesel	0.2343	0.2845	0.2678	\$1.70	\$1.70	\$1.60	-5.882	-0.1674
Sub-Group Index(base 1000)	1036.81	1157.44					11.64	9.3753
Group Index(base 1000)	1029.75	1127.28					9.47	9.3753
5. HOUSING								
5.3 Fuel & Electricity								
5.3.2 Kerosene	2.7285	2.7285	2.9234	\$1.40	\$1.40	\$1.50	7.143	1.9489
Sub-Group Index(base 1000)	1010.38	1034.02					2.34	1.9489
Group Index(base 1000)	969.73	980.50					1.11	1.9489

Item		Base Year weight	previous weight (Feb-07)	current weights (May-07)	Previous Price	Price Relative	Current Price	Quarterly % Change	Items-to-price Contribution (base1000)
		6. MISCELLANEOUS							
6.4	Toiletries								
6.4.2	Deodorant	0.2744	0.1473	0.1439	\$2.15	\$2.15	\$2.10	-2.326	-0.0343
Sub-Group Index(base 1000)			892.93	890.05				-0.32	-0.0343
6.6	Miscellaneous								
6.6.1	Pig Food	1.6346	1.6346	2.0433	\$0.80	\$0.80	\$1.00	25.000	4.0865
6.6.2	Chicken Food	0.9021	0.8119	0.9021	\$0.90	\$0.90	\$1.00	11.111	0.9021
Sub-Group Index(base 1000)			967.41	1147.62				18.63	4.9886
Group Index(base 1000)			964.09	997.84				3.50	4.9544
All Group Index (base 1000)			1027.21	1034.01				0.66	6.8039