Solomon Islands Government



Statistical Bulletin: 1/2018

HONIARA CONSUMER PRICE INDEX

(December, 2017)

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COMMENTARY

Headline CPI

The Honiara Consumers Price Index (CPI) for the month of December 2017 rose by 0.8% from 186.4 the previous month to 187.8. This was largely driven by price increases in Food, Drinks and Tobacco, and Transport and Communication sub-sections of the index.

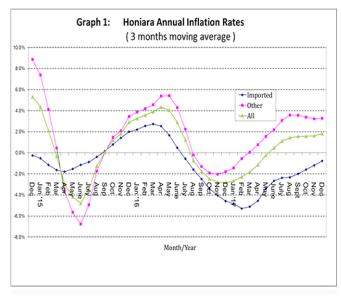
The Food sub-index rose by 0.6% to 170.2. This was mainly driven by price rises in selected fresh fruits and vegetables sold at the Honiara market; most notable are kumara heaps (4.1%), chinese cabbage (24.4%), cucumber (31.6%), bush cabbage (24.4%), tomatoes (6.2%) and green beans (15.0%). These outweighed price decreases mainly in certain goods including fruits and vegetables. The price of rice dropped by 0.7% noting an adjustment in volume from 20kg bag to 40lbs (18.14kg). Other price declines include fern cabbage (12.1%), green pepper (11.3%), and bush line (17.7%) to result in the rise of the overall Food sub-index.

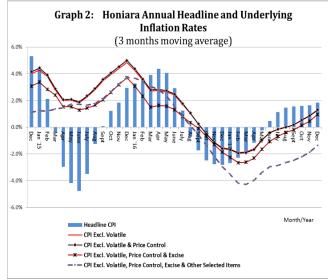
Major changes in other sub-indexes were as follows:

- Drinks and Tobacco rose by 2.6% driven by a rise of 0.3% in the price of tobacco and 11.9% in betel nut. Tobacco prices have been revised as a result of an adjustment in volume (25 rolls a pack to a 20 rolls pack) of the pallmall cigarette.
- Clothing and Footwear declines by 0.2% on account of a drop of 2.3% in the price of linen especially blankets and spread sheets.
- Housing and Utilities rose by 0.1% driven by a 0.1% rise in electricity charges and a 2.4% rice in the price of kerosene.
- Household Operations increased by 0.4% resulting from a rise of 0.2% in the price of household appliances and similarly, a 0.7% rise in the price of household supplies, especially washing powder and steel wool.
- Transport and Communications rose by 2.3% on account of price rises in petrol (4.1%), diesel (3.8%) and transport operations (3.1%).

Apart from the above, price movements elsewhere in the consumption basket were negligible.

The overall annual headline inflation rate for the month of December 2017 calculated on a 3 months moving average basis was 1.8%, up 0.2 percentage points from the previous month. The corresponding inflation rates for imported and other items were -0.8% and 3.3%, respectively.





Underlying Inflation

The main underlying rates of inflation based on a 3 months moving average for the month of December 2017 were observed between -1.4% and 1.3% while the headline inflation rate was at 1.8%.

Table 1. THE HONIARA CONSUMER PRICE INDEX BY GROUP (4th Qtr 2005=100)

		NIARAC	Drinks	Clothing	Housing	Household		Recreation		All	(%)
		Food	&	&	&	Operations	& Commu-	health &	llaneous	Items	Change
Year/ M			Tobacco	Footwear	Utilities		-nications	•	ļ		ļ
	Wght	429	47	38	181	47	164	76	18	1000	
2015	November	179.0	278.8	175.1	250.7	184.1	144.8 143.9	147.1	204.9	189.2	0.0
2016	December January	175.5 178.2	290.7 303.6	175.1 175.1	250.7 248.5	184.1 184.1	143.9	147.1 147.1	204.9 204.9	188.1 189.4	-0.6 0.7
2010	February/r	178.2	305.7	175.1	248.5	184.1	142.9	147.1	204.9	189.4	0.0
	March	180.1	300.4	175.1	249.5	184.1	141.6	147.1	204.9	189.9	0.3
	April	183.7	258.5	175.7	247.5	183.5	144.3	147.2	204.9	189.6	-0.2
	May	180.1	259.5	174.0	247.4	182.2	144.4	147.3	200.0	187.9	-0.9
	June	176.4	262.0	172.2	247.5	178.5	145.3	147.4	187.9	186.1	-0.9
	July	175.4	264.1	171.9	246.5	176.9	146.7	147.6	179.7	185.6	-0.3
	August	172.6	265.3	170.7	246.3	176.9	146.3	147.6	179.8	184.3	-0.7
	September	171.6	265.2	171.6	246.2	176.8	145.0	147.6	169.6	183.5	-0.5
	October	170.6	265.8	172.4	248.3	176.3	145.7	147.6	171.3	183.7	0.1
	November	168.9	274.5	172.4	246.1	176.1	146.3	147.6	171.3	183.0	-0.4
	December	169.7	286.2	172.6	246.2	174.5	146.5	147.6	172.5	183.9	0.5
2017	January	170.9	304.5	166.7	241.9	174.6	147.2	151.9	167.5	184.6	0.4
	February	172.6	299.3	166.5	242.6	174.1	148.3	151.9	168.8	185.4	0.4
	March	177.6	301.3	166.5	246.3	174.0	149.6	151.9	160.4	188.4	1.6
	April	178.5	300.7	166.5	246.1	173.8	148.8	151.9	160.4	188.6	0.1
	May	178.4	305.3	166.5	247.8	173.8	149.6	151.9	159.2	189.2	0.3
	June/r	178.2	292.9	167.5	248.5	173.8	148.3	151.9	158.0	188.4	-0.4
	July	178.0	292.6	167.5	248.5	174.0	147.9	151.9	158.9	188.3	-0.1
	August	175.0	293.8	167.5	250.8	174.2	147.6	151.9	158.9	187.4	-0.1
	_										
	September	172.1	295.2	167.5	250.5	174.3	148.4	151.9	158.9	186.3	-0.6
	October	170.5	298.7	167.5	254.6	173.7	147.7	151.9	158.9	186.4	0.1
	November	169.2	305.7	167.5	255.4	173.8	147.9	151.9	159.1	186.4	0.0
	December	170.2	313.7	167.2	255.6	174.4	151.3	151.9	159.1	187.8	0.8
	Percenta	age Chan	ge in the (CPI by Gro	up						
			same mon								
2015	November	2.4	26.3	7.4	0.3	1.0	-0.9	9.5	3.8	3.3	
2016	December January	1.8 3.5	32.1 35.8	7.4 0.2	0.6 -3.2	1.0 1.0	-0.7 -1.8	9.5 6.0	3.8 3.8	3.5 2.9	
2010	February/r	5.9	36.1	0.2	-3.2 -2.3	0.8	0.3	6.0	3.1	4.3	
	March	5.4	40.1	0.2	-1.6	0.5	0.4	6.0	3.1	4.5	
	April	8.0	13.4	0.5	-0.2	-0.6	0.7	2.2	2.5	4.2	
	May	5.8	19.0	-0.6	-0.2	-0.8	0.1	2.2	-0.1	3.5	
	June	1.3	12.1	-1.7	-0.2	-2.9	0.0	2.4	-6.2	1.0	
	July August	-0.8 -4.6	1.1 1.6	-1.8 -2.5	-0.6 -0.7	-3.8 -3.8	-0.3 -0.7	2.5 2.5	-10.3 -10.3	-0.8 -2.4	
	September	-3.0	0.0	-2.0	-0.7	-3.9	-1.2	0.3	-16.5	-2.1	
	October	-5.0	-0.7	-1.5	-1.0	-4.2	-0.4	0.3	-16.4	-2.9	
	November	-5.6	-1.5	-1.6	-1.9	-4.3	1.0	0.3	-16.4	-3.3	
0047	December	-3.3	-1.5	-1.4	-1.8	-5.2	1.8	0.3	-15.8	-2.2	
2017	January –	-4.1	0.3	-4.8	-2.7	-5.1	2.5	3.2	-18.2	-2.5	
	February	-3.1	-2.1	-4.9	-2.4	-5.4	3.8	3.2	-17.6	-2.1	
	March	-1.4	0.3	-4.9	-1.3	-5.5	5.6	3.2	-21.7	-0.8	
	April	-2.8	16.3	-5.2	-0.6	-5.3	3.1	3.2	-21.7	-0.5	
	May	-0.9	17.6	-4.3	0.2	-4.6	3.6	3.1	-20.4	0.7	
	June/r	1.0	11.8	-2.7	0.4	-2.6	2.1	3.0	-15.9	1.2	
	July	1.4	10.8	-2.5	8.0	-1.6	8.0	2.9	-11.6	1.4	
	August	1.4	10.8	-1.8	1.8	-1.5	0.9	2.9	-11.6	1.7	
	September	0.3	11.3	-2.4	1.7	-1.4	2.3	2.9	-6.3	1.5	
	October	-0.1	12.4	-2.8	2.6	-1.4	1.4	2.9	-7.2	1.5	
	November December	0.2 0.3	11.4 9.6	-2.8 -3.1	3.8 3.8	-1.3 -0.1	1.1 3.3	2.9 2.9	-7.1 -7.8	1.8 2.1	
	December					-∪. i riod a year a		2.9	-7.6	2.1	
2015	November	-0.3	22.2	7.5	-0.3	1.1	-0.6	9.5	2.7	1.8	
	December	1.3	26.0	7.4	0.4	1.0	-0.6	9.5	3.4	2.9	
2016	January	2.6	31.4	4.9	-0.8	1.0	-1.1	8.3	3.8	3.3	
	February/r	3.7	34.7	2.5	-1.6	0.9	-0.7	7.1	3.6	3.6	
	March	4.9	37.3	0.2	-2.4	8.0	-0.4	6.0	3.4	3.9	
	April	6.4	29.6	0.3	-1.4	0.2	0.5	4.7	2.9	4.3	
	May June	6.4 5.0	23.9 14.8	0.0 -0.6	-0.7 -0.2	-0.3 -1.4	0.4 0.3	3.4 2.3	1.8 -1.3	4.1 2.9	
	July	5.0 2.1	14.8	-0.6 -1.4	-0.2 -0.4	-1.4 -2.5	-0.3 -0.1	2.3 2.4	-1.3 -5.5	2.9 1.2	
	August	-1.4	4.6	-2.0	-0.5	-3.5	-0.4	2.5	-8.9	-0.7	
	September	-2.8	0.9	-2.1	-0.7	-3.8	-0.7	1.8	-12.4	-1.7	
	October	-4.2	0.3	-2.0	-0.8	-4.0	-0.7	1.0	-14.4	-2.5	
	November	-4.6	-0.8	-1.7	-1.2	-4.1	-0.2	0.3	-16.4	-2.8	
	December	-4.7	-1.3	-1.5	-1.6	-4.6	8.0	0.3	-16.2	-2.8	
2017	January	-4.3	-0.9	-2.6	-2.1	-4.9	1.8	1.3	-16.8	-2.7	
	February	-3.5	-1.1	-3.7	-2.3	-5.2	2.7	2.2	-17.2	-2.3	
	March	-2.9	-0.5	-4.9 5.0	-2.1 1.4	-5.3	4.0	3.2	-19.2	-1.8 1.1	
	April May	-2.4 -1.7	4.2 10.9	-5.0 -4.8	-1.4 -0.6	-5.4 -5.1	4.1 4.1	3.2 3.2	-20.3 -21.3	-1.1 -0.2	
	June/r	-1.7 -0.9	15.2	-4.8 -4.1	0.0	-5.1 -4.2	4.1 2.9	3.∠ 3.1	-21.3 -19.4	-0.2 0.5	
	July	0.5	13.4	-3.2	0.5	-3.0	2.2	3.0	-16.1	1.1	
	August	1.3	11.1	-2.4	1.0	-1.9	1.3	2.9	-13.1	1.4	
	September	1.0	11.0	-2.2	1.5	-1.5	1.3	2.9	-9.9	1.5	
	October	0.5	11.5	-2.3	2.0	-1.5	1.5	2.9	-8.5	1.6	
	November	0.1	11.7	-2.7	2.7	-1.4	1.6	2.9	-6.9	1.6	
	December	0.1	11.1	-2.9	3.4	-0.9	2.0	2.9	-7.4	1.8	

Table 2. PRICE INDEX OF IMPORTED ITEMS BY GROUP (4th Qtr 2005=100)

rable 2.	PRICE IN	DEX OF	Drinks	Clothing	Housing	Household	Transport	Recreation	Misce-	All	(%)
		Food	&	&	&	Operations	& Commu-	health &	llaneous	Items	Change
Year/ Mo			Tobacco	Footwear	Utilities		-nications	Oth. Serv.			
	Wght	186	4	31	52	34	50	23	18	398	
2015	November	184.2	145.5	138.7	165.0	181.2	152.9	172.0	204.9	173.8	0.0
2016	December	184.2	145.5	138.7	164.9	181.2	149.7	172.0	204.9	173.4	-0.2
	January February	183.2 183.2	145.5 145.5	138.7 138.7	165.3 165.5	181.2 181.2	148.9 146.7	172.0 172.0	204.9 204.9	172.9 172.6	-0.3 -0.1
	March	180.4	145.5	138.7	168.8	181.2	142.5	172.0	204.9	172.0	-0.1
	April	180.4	145.5	139.4	169.3	181.2	143.0	172.1	204.9	171.2	0.1
	May	178.8	145.5	137.3	169.1	179.1	143.3	172.4	200.0	170.1	-0.7
	June	177.5	145.5	135.1	169.2	174.0	146.1	172.9	187.9	168.7	-0.8
	July	178.3	145.5	134.8	169.5	171.8	147.0	173.5	179.7	168.7	0.0
	August	177.9	145.5	133.3	169.1	172.1	146.2	173.5	179.8	168.3	-0.2
	September	176.4	145.5	134.4	168.6	171.4	142.0	173.5	169.6	166.6	-1.0
	October	175.0	145.5	135.4	168.8	170.6	144.3	173.5	171.3	166.3	-0.2
	November	175.3	145.5	135.4	165.0	170.5	146.1	173.5	171.3	166.2	-O.1
	December	171.9	145.5	135.7	165.5	168.3	146.7	173.5	172.5	164.6	-0.9
2017	January	171.0	145.5	135.6	165.1	168.4	148.8	173.5	167.5	164.2	-0.3
	February	166.2	145.5	135.4	165.7	168.0	152.5	173.5	168.8	162.5	-1.0
	March	167.5	145.5	135.4	171.9	167.7	152.7	173.5	160.4	163.5	0.6
	April May	173.0 173.9	145.5 145.5	135.4 135.4	171.1 168.4	167.5 167.5	150.1 152.7	173.5 173.5	160.4 159.2	165.6 166.0	1.3 0.2
	June	173.3	145.5	136.6	166.8	167.5	148.5	173.5	158.0	165.0	-0.6
	July	172.6	145.5	136.6	166.7	167.3	147.2	173.5	158.9	164.5	-0.3
	August	172.9	145.5	136.6	165.9	167.6	146.2	173.5	158.9	164.5	-0.1
	September	172.2	145.5	136.6	166.4	167.7	148.8	173.5	158.9	164.6	0.1
	October	171.8	145.5	136.6	167.8	166.9	146.7	173.5	158.9	164.2	-0.2
	November	171.5	145.5	136.6	170.0	166.8	147.3	173.5	159.1	164.4	0.1
	December	171.1	145.5	136.2	170.3	167.7	150.3	173.5	159.1	164.7	0.2
	Percer			ported Iter		y Group					
				th a year ag							
2015	November	7.0	0.2	0.3	-6.1	1.9	-10.9	11.0	3.8	2.1	
	December	7.0	0.2	0.3	-4.8	1.9	-10.6	11.0	3.8	2.3	
2016	January	6.1	0.2	0.3	-4.7	1.9	-9.0	11.0	3.8	2.2	
	February	5.3	0.2	0.3	-0.2	1.5	-2.9	11.0	3.1	3.2	
	March	3.7	0.2	0.3	3.7	1.4	-2.9	11.0	3.1	2.9	
	April	3.6	0.2	0.8	3.5	0.3	-7.1	0.1	2.5	1.6	
	May	2.1	0.2	-1.0	3.5	-0.7	-6.8	0.2	-0.1	0.6	
	June	0.9	0.2	-2.6	3.4	-3.6	-7.2	0.6	-6.2	-0.7	
	July	0.9	0.2	-2.8	1.3	-4.9	-8.4	0.9	-10.3	-1.5	
	August	-0.8	0.2	-3.9	1.0	-4.7	-9.3	0.9	-10.3	-2.5	
	September	-1.8	0.0	-3.0	1.1	-5.3	-10.7	0.9	-16.5	-3.5	
	-										
	October	-4.3	0.0	-2.4	2.1	-5.8	-8.4	0.9	-16.4	-4.3	
	November	-4.8	0.0	-2.4	0.0	-5.9	-4.5	0.9	-16.4	-4.4	
	December	-6.7	0.0	-2.2	0.3	-7.1	-2.0	0.9	-15.8	-5.1	
2017	January	-6.6	0.0	-2.2	-0.1	-7.0	-0.1	0.9	-18.2	-5.0	
	February	-9.3	0.0	-2.4	0.2	-7.3	3.9	0.9	-17.6	-5.8	
	March	-7.2	0.0	-2.4	1.8	-7.4	7.2	0.9	-21.7	-4.5	
	April	-4.0	0.0	-2.9	1.1	-7.6	5.0	8.0	-21.7	-3.3	
	May	-2.8	0.0	-1.4	-0.4	-6.5	6.6	0.7	-20.4	-2.4	
	June	-2.4	0.0	1.1	-1.4	-3.8	1.6	0.3	-15.9	-2.2	
	July	-3.2	0.0	1.4	-1.7	-2.6	0.2	0.0	-11.6	-2.5	
	August	-2.8	0.0	2.5	-1.9	-2.7	0.0	0.0	-11.6	-2.3	
	September	-2.4	0.0	1.7	-1.3	-2.2	4.8	0.0	-6.3	-1.2	
	October	-1.8	0.0	0.9	-0.6	-2.2	1.7	0.0	-7.2	-1.3	
	November	-2.2	0.0	0.9	3.0	-2.1	0.8	0.0	-7. <u>2</u> -7.1	-1.0	
	December	-2.2 -0.5	0.0	0.9	2.9	-2.1	2.5	0.0	-7.1 -7.8	0.1	
	December					od a year ago		0.0	-7.8	0.1	
2015	November	5.5	0.2	0.5	-6.3	1.9	-9.9	11.0	2.7	1.4	
	December	6.6	0.2	0.4	-5.8	1.8	-10.1	11.0	3.4	2.0	
2016	January	6.7	0.2	0.3	-5.2	1.9	-10.2	11.0	3.8	2.2	
	February	6.2	0.2	0.3	-3.3	1.7	-7.6	11.0	3.6	2.6	
	March April	5.1 4.2	0.2 0.2	0.3 0.4	-0.5 2.3	1.6 1.1	-5.1 -4.4	11.0 7.1	3.4 2.9	2.7 2.5	
	May	3.2	0.2	0.4	2.3 3.6	0.3	-4.4 -5.6	3.5	1.8	2.5 1.7	
	June	2.2	0.2	-0.9	3.4	-1.3	-7.0	0.3	-1.3	0.5	
	July	1.3	0.2	-2.1	2.7	-3.1	-7.4	0.6	-5.5	-0.6	
	August	0.3	0.2	-3.1 -3.2	1.9	-4.4 -5.0	-8.3 -9.5	8.0	-8.9 -12.4	-1.6 -2.5	
	September October	-0.6 -2.3	0.1 0.1	-3.2 -3.1	1.1 1.4	-5.0 -5.3	-9.5 -9.5	0.9 0.9	-12.4 -14.4	-2.5 -3.4	
	November	-2.5	0.0	-3.1 -2.6	1.1	-5.3 -5.7	-9.5 -7.9	0.9	-16.4	-4.0	
	December	-5.3	0.0	-2.3	8.0	-6.3	-5.0	0.9	-16.2	-4.6	
2017	January	-6.1	0.0	-2.3	0.1	-6.7	-2.2	0.9	-16.8	-4.8	
	February	-7.5	0.0	-2.3	0.1	-7.2 7.3	0.6	0.9	-17.2	-5.3	
	March April	-7.7 -6.8	0.0 0.0	-2.3 -2.6	0.6 1.0	-7.3 -7.4	3.6 5.3	0.9 0.9	-19.2 -20.3	-5.1 -4.6	
		-4.7	0.0	-2.2	0.8	-7. 4 -7.2	6.3	0.8	-20.3	-3.4	
	May				-0.3	-6.0	4.4	0.6	-19.4	-2.7	
	June	-3.1	0.0	-1.1							
	June July	-2.8	0.0	0.4	-1.2	-4.3	2.8	0.3	-16.1	-2.4	
	June July August	-2.8 -2.8	0.0 0.0	0.4 1.7	-1.2 -1.7	-4.3 -3.0	0.6	0.1	-13.1	-2.3	
	June July August September	-2.8 -2.8 -2.8	0.0 0.0 0.0	0.4 1.7 1.8	-1.2 -1.7 -1.6	-4.3 -3.0 -2.5	0.6 1.6	0.1 0.0	-13.1 -9.9	-2.3 -2.0	
	June July August	-2.8 -2.8	0.0 0.0	0.4 1.7	-1.2 -1.7	-4.3 -3.0	0.6	0.1	-13.1	-2.3	

Table 3. PRICE INDEX OF OTHER ITEMS BY GROUP (4th Qtr 2005=100)

rable 3.	INICE	INDEX OF	OTHERT		<u> </u>	(4th Qtr 2	000=700)			•	
Year/ Mo	onth	Food	Drinks & Tobacco	Clothing & Footwear	Housing & Utilities	Household Operations	Transport & Commu- -nications	Recreation health & Oth. Serv.	Misce- llaneous	All Items	(%) Change
	Wght	243	43	7	129	13	114	53		602	
2015	November	2 43 174.9	291.1	336.4	285.3	191.6	141.3	136.4		199.4	-0.1
	December	168.8	304.2	336.4	285.3	191.6	141.3	136.4		197.8	-0.8
	January	174.3	318.3	336.4	282.0	191.6	141.3	136.4		200.3	1.3
	February	174.2	320.6	336.4	282.0	191.6	141.3	136.4		200.5	0.1
	March	179.8	314.8	336.4	282.0	191.6	141.3	136.4		202.3	1.0
	April	186.3	269.0	336.4	279.0	189.4	144.9	136.4		201.7	0.6
	May	181.0	270.1	336.4	279.0	190.2	144.9	136.4		199.6	-1.0
	June	175.5	272.8	336.4	279.0	190.2	144.9	136.4		197.6	-1.0
	July	173.3	275.2	336.4	277.5	190.2	146.5	136.4		196.8	-0.4
	August	168.5	276.4 276.3	336.4	277.5	189.5 191.0	146.3	136.4		194.9	-1.0
	September October	167.8 167.3	276.3 277.0	336.4 336.4	277.5 280.3	191.0	146.3 146.3	136.4 136.4		194.7 195.1	-0.1 0.2
	November	167.3	286.5	336.4	278.7	191.0	146.3	136.4		193.1	-0.5
	December	168.0	299.3	336.4	278.7	191.0	146.3	136.4		196.7	1.3
	January	170.7	319.3	304.5	272.8	191.0	146.5	142.5		198.1	0.7
	February	177.4	313.6	304.5	273.5	190.2	146.5	142.5		200.6	1.2
	March	185.3	315.8	304.5	276.2	190.2	148.2	142.5		204.8	2.1
	April	182.7	315.1	304.5	276.3	190.2	148.2	142.5		203.7	-0.5
	May	181.8	320.1	304.5	279.8	190.2	148.2	142.5		204.5	0.4
	June/r	181.9	306.6	304.5	281.5	190.2	148.2	142.5		203.9	-0.3
	July	182.1	306.3	304.5	281.5	191.7	148.2	142.5		204.0	0.0
	August	176.6	307.6	304.5	285.1	191.7	148.2	142.5		202.6	-0.7
	September	172.0	309.2	304.5	284.4	191.7	148.2	142.5		200.7	-0.9
	October	169.6	313.0	304.5	289.7	191.7	148.2	142.5		201.2	0.2
	November	167.4	320.6	304.5	289.9	192.0	148.2	142.5		200.9	-0.1
	December	169.5	329.3	304.5	290.0	192.0	151.8	142.5		203.1	1.1
			nange in Otl				101.0	1-12.0		200.1	
			same month								
	November	-1.0	27.8	23.3	2.0	-0.9	4.7	8.7		4.1	
	December	-2.2	34.0	23.3	2.0	-0.9	4.7	8.7		4.2	
	January February	1.5 6.4	37.8 38.2	0.0 0.0	-2.8 -2.8	-1.1 -1.1	1.9 1.9	3.4		3.3 5.0	
	March	6.7	38.2 42.6	0.0	-2.8 -2.8	-1.1 -1.5	1.9	3.4 3.4		5.0 5.4	
	April	11.6	14.2	0.0	-1.1	-2.7	4.5	3.4		5.8	
	May	8.8	20.2	0.0	-1.1	-1.2	3.5	3.4		5.2	
	June	1.6	12.7	0.0	-1.1	-1.2	3.5	3.4		2.0	
	July	-2.2	1.1	0.0	-1.1	-1.2	3.8	3.4		-0.3	
	August	-7.5	1.7	0.0	-1.1	-1.5	3.6	3.4		-2.3	
	September	-4.0	0.0	0.0	-1.1	-0.3	3.6	0.0		-1.3	
	October November	-5.7 -6.3	-0.8 -1.6	0.0 0.0	-1.8 -2.3	-0.3 -0.3	3.6 3.6	0.0 0.0		-2.2 -2.6	
	December	-0.4	-1.6	0.0	-2.3 -2.3	-0.3	3.6	0.0		-0.6	
	January	-2.1	0.3	-9.5	-3.3	-0.3	3.7	4.5		-1.1	
	February	1.8	-2.2	-9.5	-3.0	-0.7	3.7	4.5		0.1	
	March	3.1	0.3	-9.5	-2.0	-0.7	4.9	4.5		1.2	
	April	-2.0	17.1	-9.5	-1.0	0.4	2.3	4.5		1.0	
	May	0.4	18.5	-9.5	0.3	0.0	2.3	4.5		2.4	
	June/r	3.7	12.4	-9.5	0.9	0.0	2.3	4.5		3.2	
	July August	5.1 4.8	11.3 11.3	-9.5 -9.5	1.4 2.7	0.8 1.1	1.1 1.3	4.5 4.5		3.6 3.9	
	September	2.5	11.9	-9.5	2.5	0.4	1.3	4.5		3.1	
	October	1.3	13.0	-9.5	3.3	0.4	1.3	4.5		3.1	
	November	2.1	11.9	-9.5	4.0	0.6	1.3	4.5		3.5	
	December	0.9	10.0	-9.5	4.0	0.6	3.7	4.5		3.2	
0015	Nove					od a year ag		o -		0.4	
	November	-4.5 -2.6	23.5	23.3	1.2	-1.0 -0.9	4.7 4.7	8.7 8.7		2.1	
	December January	-2.6 -0.6	27.5 33.2	23.3 14.4	2.0 0.3	-0.9 -1.0	4.7 3.7	8.7 6.9		3.5 3.9	
	February	1.8	36.7	6.7	-1.3	-1.0	2.8	5.1		4.2	
	March	4.8	39.5	0.0	-2.8	-1.3	1.9	3.4		4.6	
	April	8.2	31.4	0.0	-2.2	-1.8	2.8	3.4		5.4	
	May	9.0	25.4	0.0	-1.7	-1.8	3.3	3.4		5.4	
	June	7.3	15.6	0.0	-1.1	-1.7	3.8	3.4		4.3	
	July	2.6	10.7	0.0	-1.1	-1.2	3.6	3.4		2.3	
	August	-2.8	4.9	0.0	-1.1	-1.3	3.6	3.4		-0.2	
	September October	-4.6 5.7	0.9	0.0	-1.1 1.2	-1.0	3.6	2.2		-1.3 1.0	
	October November	-5.7 -5.3	0.3 -0.8	0.0 0.0	-1.3 -1.7	-0.7 -0.3	3.6 3.6	1.1 0.0		-1.9 -2.0	
	December	-4.2	-1.3	0.0	-1.7 -2.1	-0.3	3.6	0.0		-2.0 -1.8	
	January	-3.0	-0.9	-3.2	-2.6	-0.3	3.6	1.5		-1.4	
	February	-0.2	-1.2	-6.3	-2.9	-0.5	3.7	3.0		-0.5	
	March	1.0	-0.5	-9.5	-2.8	-0.6	4.1	4.5		0.1	
	April	0.9	4.4	-9.5	-2.0	-0.3	3.6	4.5		8.0	
	May	0.5	11.4	-9.5	-0.9	-0.1	3.1	4.5		1.6	
	June/r	0.7	16.0	-9.5	0.1	0.1	2.3	4.5		2.2	
	July August	3.0 4.5	14.1 11.7	-9.5 -9.5	0.9 1.7	0.3 0.6	1.9 1.6	4.5 4.5		3.1 3.6	
	August September	4.5 4.1	11.7 11.5	-9.5 -9.5	1.7 2.2	0.6	1.6	4.5 4.5		3.6	
	October	2.9	12.1	-9.5 -9.5	2.9	0.6	1.3	4.5		3.4	
	November	2.0	12.3	-9.5	3.3	0.4	1.3	4.5		3.2	
	December	1.4	11.6	-9.5	3.8	0.5	2.1	4.5		3.3	

Table 4.	THE HO	NIARA	CONSU	MER PRI	CE INDE	X BY GRO	OUP (4th	n Qtr 1992	= 100)		
			Drinks	Clothing	Housing	Household	-		Misce-	All	(%)
Year/ Q	tr/ Month	Food	&	&	&	Operations	& Commu-	health &	llaneous	Items	Change
			Tobacco	Footwear	Utilities		-nications	Oth. Serv.			
					(Spliced	Series)					
2015	November	566.6	899.1	245.3	934.2	503.7	581.5	516.0	443.3	599.0	0.0
	December	555.6	937.5	245.3	934.1	503.7	577.6	516.0	443.3	595.5	-0.6
2016	January	564.0	979.3	245.3	925.7	503.7	576.7	516.0	443.3	599.6	0.7
	February	563.9	985.9	245.3	925.9	503.7		516.0		599.6	0.0
	March	570.0	969.0	245.3	929.5	503.7				601.3 600.2	0.3
	April May	581.5 570.1	833.8 836.9	246.0 243.7	922.1 921.9	502.0 498.5				594.8	-0.2 -0.9
	June	558.3	844.9	241.1	922.1	488.4				589.2	-0.9
	July	555.4	852.0	240.7	918.3	484.0		517.7		587.7	-0.3
	August	546.4	855.6	239.1	917.8	484.2		517.7		583.6	-0.7
	September	543.1	855.3	240.3	917.3	483.8		517.7		581.0	-0.5
	October	540.2	857.3	241.4	925.0	482.3		517.7		581.5	0.1
	November December	534.6 537.3	885.3 923.1	241.4 241.8	916.7 917.2	482.0 477.6		517.7 517.7		579.4 582.3	-0.4 0.5
2017	January	540.9	982.1	233.5	901.1	477.6 477.9		532.5		584.5	0.5
2011	February	546.4	965.3	233.3	903.7	476.4		532.5		587.1	0.4
	March	562.2	971.9	233.3	917.5	476.0		532.5		596.4	1.6
	April	565.0	969.8	233.3	916.7	475.5		532.5		597.0	0.1
	May	564.7	984.6	233.3	923.3	475.5	600.6	532.5	344.4	598.9	0.3
	June/r	564.1	944.7	234.6	925.9	475.5		532.5		596.5	-0.4
	July	563.4	943.9	234.6	925.8	476.2		532.5		596.1	-0.1
	August	554.0	947.6	234.6	934.5	476.8		532.5		593.4	-0.4
	September	544.7	952.2	234.6	933.3	477.0		532.5		589.9	-0.6
	October November	539.8 535.6	963.5 986.1	234.6 234.6	948.7 951.7	475.4 475.6		532.5 532.5		590.3 590.1	0.1 0.0
	December	538.8	1,011.8	234.0	951.7	477.3				594.6	0.0
	Percentage				002.0	477.0	007.7	002.0	011.1	00-1.0	0.0
	_	_		on same p	eriod a yea	ar ago					
2015	November	-2.7	-0.4	7.3	0.4	2.0	-1.9	7.9	1.3	7.9	
	December	-2.9	1.8	7.6	-0.2	1.9	-1.9	8.2	1.6	-0.6	
2016	January	-2.9	6.8	6.9	-1.2	1.7	-1.9	8.2	1.9	-0.5	
	February	-2.3	12.1	6.3	-1.4	1.5	-1.6	8.2	2.1	0.0	
	March	-1.9	18.4	5.6	-1.6	1.3	-1.2	8.1	2.3	0.5	
	April May	-0.5 0.9	22.3 25.9	5.0 4.3	-1.4 -1.2	1.0 0.6	-0.9 -0.6	7.4 6.8	2.3 2.2	1.3 2.0	
	June	1.7	26.3	4.5 3.5	-0.9	0.0	-0.6 -0.4	6.4	1.6	2.4	
	July	2.3	23.6	2.7	-0.8	-0.1	-0.4	5.9	0.7	2.5	
	August	2.0	20.8	1.9	-0.8	-0.5	-0.3	5.6	-0.2	2.2	
	September	2.0	18.9	1.1	-0.7	-0.9	-0.4	4.8	-1.8	2.0	
	October	1.6	16.9	0.4	-0.8	-1.3	-0.4	4.0	-3.4	1.6	
	November	1.0	14.5	-0.3	-1.0	-1.8	-0.2	3.3	-5.1	1.0	
	December	0.5	11.6	-1.0	-1.2	-2.3	0.0	2.5	-6.7	0.5	
2017	January	-0.1	8.7	-1.4	-1.2	-2.8	0.3	2.3	-8.5	0.1	
	February March	-0.8 -1.4	5.7 2.9	-1.8 -2.3	-1.2 -1.1	-3.3 -3.8	0.6 1.1	2.1 1.9	-10.3 -12.3	-0.5 -0.9	
	April	-1. 4 -2.3	3.2	-2.3 -2.7	-1.1 -1.2	-3.6 -4.2	1.1	2.0	-12.3 -14.3	-0.9 -1.3	
	May	-2.8	3.3	-3.0	-1.1	-4.5	1.5	2.0	-16.0	-1.5	
	June/r	-2.8	3.3	-3.1	-1.1	-4.5	1.7	2.1	-16.8	-1.5	
	July	-2.6	4.1	-3.2	-1.0	-4.3	1.8	2.1	-16.9	-1.3	
	August	-2.1	4.8	-3.1	-0.8	-4.1	1.9	2.2	-17.1	-1.0	
	September	-1.9	5.7	-3.2	-0.6	-3.9	2.2	2.4	-16.4	-0.7	
	October	-1.5	6.8	-3.3	-0.3	-3.7	2.4	2.6	-15.7	-0.3	
	November	-1.0	7.9	-3.4	0.2	-3.5	2.4	2.8	-15.0	0.1	
	December	-0.7	8.9	-3.5	0.7	-3.0	2.5	3.0	-14.4	0.5	

Year/ M					ATION (4th Qtr 20 ing Inflation (Exc	
		Headline CPI	I. Excl.	1	III. Excl. Volatile,	1
			Volatile	Items & Price	Price Control &	Control, Excise & Other
			Items	Control	Excise	Selected Items
	Wght	1000	848	803	766	540
0045	0.1.1	100.0	100.0	100.0	400.0	175.0
2015	October November	189.2 189.2	188.0 188.5	192.8 193.3	188.3 188.9	175.2 175.9
	December	188.1	188.5	193.3	188.9	175.9
2016	January	189.4	187.6	192.3	188.1	175.6
	February/ r March/ r	189.4 189.9	187.6 187.4	192.3 192.1	188.1 187.8	175.6 175.2
	April	189.6	187.3	191.9	188.1	175.2
	May	187.9	187.0	191.7	187.5	174.4
	June	186.1	186.2	190.8	186.4	172.9
	July August	185.6 184.3	186.2 186.1	190.9 190.8	186.3 186.2	172.8 172.6
	September	183.5	185.5	190.1	185.6	171.7
	October	183.7	185.6	190.2	185.7	171.2
	November	183.0	185.6	190.1	185.3	170.7
2017	December January	183.9 184.6	185.1 184.7	189.7 189.2	184.4 183.2	169.4 168.6
	February	185.4	183.2	187.7	182.3	166.9
	March	188.4	184.3	188.8	183.6	168.3
	April May	188.6 189.2	185.6 186.6	190.1 191.2	184.9 185.6	170.0 168.8
	June/r	188.4	186.1	190.7	185.4	168.3
	July	188.3	185.9	190.5	185.3	168.1
	August	187.4	186.6	191.2	185.9	168.2
	September October	186.3 186.4	186.3 187.3	190.9 192.0	185.7 186.6	167.9 168.0
	November	186.4	187.7	192.4	186.7	168.1
	December	187.8	188.4	193.1	187.5	168.4
204 <i>E</i>	Percenta October	nge Change: on th 1.9	ne same mont 4.6	h a year ago 4.7	3.4	2.2
2015	November	3.3	4.6 4.9	4.7 5.1	3.4 3.8	3.2 3.9
	December	3.5	5.0	5.2	3.9	4.0
2016	January	2.9	2.7	2.8	1.5	3.1
	February/ r March/ r	4.3 4.5	2.7 2.6	2.8 2.7	1.5 1.4	3.1 2.9
	April	4.2	2.9	2.9	1.9	2.4
	May	3.5	2.5	2.5	1.3	1.6
	June	1.0	1.9	2.0	0.6	0.6
	July August	-0.8 -2.4	0.8 0.4	0.9 0.4	0.4 0.0	0.2 -0.5
	September	-2.1	-0.5	-0.5	-0.6	-1.4
	October	-2.9	-1.3	-1.3	-1.4	-2.2
	November December	-3.3 -2.2	-1.6 -1.8	-1.6 -1.8	-1.9 -2.3	-3.0 -3.7
2017	January	-2.2 -2.5	-1.6	-1.6	-2.6	-3.7
	February	-2.1	-2.3	-2.4	-3.1	-5.0
	March	-0.8	-1.6	-1.7 -0.9	-2.2 -1.7	-4.0
	April May	-0.5 0.7	-0.9 -0.2	-0.9 -0.3	-1.7 -1.0	-3.0 -3.2
	June/r	1.2	-0.1	-0.1	-0.5	-2.7
	July	1.4	-0.2	-0.2	-0.5	-2.7
	August September	1.7 1.5	0.2 0.4	0.2 0.5	-0.1 0.1	-2.6 -2.2
	October	1.5	0.4 0.9	0.5	0.1	-2.2 -1.9
	November	1.8	1.1	1.2	0.7	-1.5
	December	2.1	1.7	1.8	1.6	-0.6
2015	Perce. October	ntage Change: 3 1.2	3 months mo 3.9	ving average or 4.1	n same period a <u>j</u> 2.6	year ago 2.7
_0.5	November	1.8	4.4	4.5	3.2	3.2
	December	2.9	4.8	5.0	3.7	3.7
2016	January	3.3	4.2 3.5	4.4 3.6	3.1 2.3	3.7
	February/ r March/ r	3.6 3.9	3.5 2.7	3.6 2.8	2.3 1.5	3.4 3.1
	April	4.3	2.7	2.8	1.6	2.8
	May	4.1	2.6	2.7	1.6	2.3
	June July	2.9 1.2	2.4 1.7	2.5 1.8	1.3 0.8	1.6 0.8
	August	1.∠ -0.7	1.7	1.8	0.8	0.8
	September	-1.7	0.2	0.2	-0.1	-0.6
	October	-2.5	-0.5	-0.5	-0.7	-1.4
	November December	-2.8 -2.8	-1.1 -1.6	-1.2 -1.6	-1.3 -1.9	-2.2 -3.0
2017	January	-2.6 -2.7	-1.6 -1.6	-1.6 -1.7	-1.9 -2.3	-3.5
	February	-2.3	-1.9	-2.0	-2.7	-4.2
	March	-1.8	-1.8	-1.9	-2.6	-4.3
	April May	-1.1 -0.2	-1.6 -0.9	-1.7 -1.0	-2.3 -1.6	-4.0 -3.4
	June/r	0.5	-0.4	-0.4	-1.0 -1.1	-3.4
	July	1.1	-0.2	-0.2	-0.7	-2.9
	August	1.4	0.0	0.0	-0.4	-2.6
	September October	1.5 1.6	0.2 0.5	0.2 0.5	-0.2 0.1	-2.5 -2.2
	November	1.6	0.8	0.9	0.4	-1.9
	December	1.8	1.3	1.3	1.0	-1.4

 Table 6.
 COMPARATIVE PRICES OF SELECTED ITEMS

	2011	2012	2013		20	14			201	15			20	16			2017				
DESCRIPTION	Year	Year	Year	Qtr 1	Qtr 2	Qtr3	Qtr4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Oct	Nov	Dec
FOOD																					
RICE (Solrais: 40lbs Bag)/r ¹	155.70	152.19	156.11	157.20	155.58	156.39	156.49	157.45	160.22	164.20	171.91	170.10	169.82	168.64	158.16	144.70	156.70	155.14	153.86	153.53	152.5
NOODLE (Maggi: 75g pkt) /r	2.65	2.65	2.65	2.65	2.65	2.65	2.65	2.65	2.65	2.65	2.65	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
FLOUR (plain white flour: 25kg bag)	195.21	192.61	189.35	188.50	156.48	159.25	125.12	187.89	192.44	193.83	193.83	192.89	192.89	191.21	192.75	176.75	176.75	176.75	176.75	176.50	176.5
CHICKEN WING (imported, 500g pkt)	38.25	53.04	13.75	13.75	11.45	11.66	9.17	13.75	13.75	14.00	14.92	21.12	21.16	20.74	21.67	24.38	24.38	24.38	24.38	24.38	24.38
TUNA (second grade Taiyo: 180g can)	5.46	5.28	5.49	5.08	4.16	4.24	3.33	4.94	4.92	4.92	4.92	5.09	5.09	5.11	5.09	5.32	5.32	5.32	5.32	5.32	5.32
SLIPPERY CABBAGE \$/Kg	6.72	7.97	9.64	9.11	10.16	10.31	7.92	8.38	9.56	12.29	9.68	6.15	6.14	3.51	5.96	2.70	5.87	8.61	7.70	5.22	5.28
WHITE SUGAR (Chelsea,500grm pkt)	8.13	7.86	7.16	6.88	5.52	5.62	4.42	6.63	6.62	6.58	6.47	6.26	6.26	6.24	6.28	5.99	5.99	6.02	5.92	5.92	5.92
SALT (Sky salt, 1kg,)	4.67	4.65	5.39	5.27	3.67	3.79	2.30	5.05	5.05	5.05	5.10	5.11	5.11	5.13	5.11	5.29	5.29	5.27	5.22	5.22	5.05
DRINKS & TOBACCO																					
SOLBREW BEER (Solbrew, 330ml bottle)	9.25	9.79	10.50	10.50	9.34	9.44	8.18	10.50	11.25	11.82	12.10	12.25	12.25	12.29	12.10	14.10	14.10	14.10	14.10	14.60	14.60
SOLBACO (per pouch)	19.13	19.59	20.80	20.80	17.16	17.48	13.54	20.80	20.80	33.67	37.20	39.26	39.26	38.97	39.13	40.00	40.00	40.00	40.60	40.20	40.20
UTILITIES																					
WATER CHARGES (500gal)	80.52	122.99	174.28	206.24	174.60	177.71	139.75	221.70	215.61	214.46	225.52	220.34	220.34	220.34	220.34	220.34	220.34	220.34	220.34	220.34	220.3
ELECTRICITY (40 units)	225.33	259.53	264.35	278.74	229.30	233.38	183.62	280.97	265.03	262.32	257.90	249.17	249.19	253.26	250.88	275.68	275.77	277.46	298.65	299.49	299.9
TRANSPORT & COMMUNICATION																					
PETROL (cents per litre)	1178.78	1114.25	1080.41	1091.17	873.05	888.36	698.94	852.43	868.33	926.05	854.33	761.24	761.32	757.69	759.67	773.95	773.49	776.83	767.00	772.00	804.0
TELEPHONE CHARGES (per call, Honiara MISCELLANEOUS GOODS & SERVICES	0.55	0.55	0.55	0.55	0.46	0.47	0.37	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
BATH SOAP (Giv. 85g cake)	2.53	2.85	3.00	3.00	2.47	2.51	1.97	2.97	3.00	3.00	3.00	2.55	2.55	2.55	2.55	2.55	2.55	2.55	2.55	2.55	2.55
TOOTHPASTE (Colgate: 110g)	18.89	19.83	20.80	20.80	17.68	17.95	14.57	20.80	21.50	21.50	22.30	11.38	11.38	11.34	11.55	9.50	9.50	9.50	9.50	9.70	9.70

1 note: Volume was reduced from 20 kg to 40 lbs (18.14kg) in Nov 2017. Adjustment made in series to reflect adjustment in price.

ANNEX 1: EXPLAINATORY NOTES - UNDERLYING INFLATION

Background

- 1. The aim of constructing measures of underlying inflation is to provide supplementary measures to the headline consumer price index (CPI) in analyzing inflation and related movements of the CPI in the Solomon Islands. The CPI measures prices changes of a selected basket of goods and services that currently represent the spending behavior of the Honiara (country proxy) urban selected population. Inflation calculated from the headline CPI is referred to as headline inflation.
- 2. Price movements in the CPI can be highly influenced by internal and external shocks attributed mainly to volatility associated with seasonal effects (e.g., weather patterns, Christmas festive periods etc), irregular fluctuations (e.g., varying changes in consumer behavior, government policy decisions etc) and external factors (e.g., changes in global energy prices etc). These factors hinder analysis and interpretation of the current headline inflation and in forecasting future inflation.
- 3. The underlying inflation (or the underlying rate of inflation) measure attempts to isolate the effects of the price shocks in inflation while retaining persistent movements. Such a measure is more useful than the headline inflation for purposes of analysis such as in developing and monitoring monetary and fiscal policies.
- 4. The exclusion based approach is the method applied in deriving the underlying inflation measures. Whilst there are various methods of constructing underlying inflation measures, two initial approaches namely the (a) trimmed mean approach and (b) exclusion based method where discussed with a number of key agencies such as the Central Bank, the Australian Bureau of Statistics (ABS) and the IMF. The former approach was not suitable as it required detailed analysis of the data and seasonal adjustment. Otherwise, the resulting measure would be biased towards 'no change'. For example, prices which move only once a year are always trimmed out. The exclusion approach was applicable in the context of the focus tailored towards removing price shocks, particularly isolating the effects of the most volatile (in terms of price change) items experienced by the country so as to better meet analytical purposes.
- 5. Analysis of prices were based on subjective assessments incorporating local knowledge and graphical observations of the time series behavior of the prices of individual items at the detailed level other than undertaking any detailed empirical analysis. The latter studies are necessary in the future to further support the current approach and decisions taken. Note that other techniques (e.g., ARIMA 11) relating to the specific treatment of seasonal adjustments can be applied separately by the user.
- 6. The underlying rates of inflation are published on a trial or experimental basis and are subject to change depending on new data and on-going revisions where necessary.
- 7. The issue of Statistical Bulletin 1/2014 introduces the measures of underlying inflation together with the November December, 2013 CPI figures.

Measures of Underlying Inflation

- 8. There are four proposed underlying measures of inflation categorized as follows:
- **I.** All CPI excluding Volatile Items: Fruit and Vegetables + Fresh seafood
- + Betel nut + Motor vehicle fuel (petrol & diesel) + Fuel for household utilities (kerosene)
- 9. Items that are most volatile are excluded. This measure includes the majority of items within the subgroup of local fruit and vegetables, and betel nut that are predominantly affected by seasonal factors. Although fresh meats such as domestically prepared chicken wings are assumed to be highly volatile, there

was no strong evidence of this. Fresh sea food consisted mainly of coral fish and bonito. It was noted that the formal collection of the prices for bonito fish was temporarily suspended due to inconsistent selling practices by sellers (prices per kg/pound versus price/physical size etc) impacting on consistency of actual price assessments and product specifications. In addition, the buying and selling of bonito within the specified outlet usually takes place after normal working hours. This has also restricted the formal collection of prices during working hours by SINSO staff. The SINSO is currently progressing suitable techniques to adjust for such cases. However, indirect price observations monitored by the SINSO imply that bonito prices are highly volatile.

10. Motor vehicle fuel includes automobile petrol and diesel. Moreover, although it was assumed that price movements of specific clothing would be highly volatile, there was no strong evidence of this, as was the case with other assumed volatile items such as milk, bread etc. Fuel for household utilities consists of kerosene.

II. All CPI excluding Volatile Items and Price Control Items: First Grade Taiyo can fish + Bus fares + Taxi fares

- 11. First Grade Taiyo canned fish, Buss fares and Taxi fares are effectively direct price control items whose prices are fixed and thus are excluded. It is noted that in the case of the Tuna Taiyo (second grade) canned fish, there was evidence that even though the actual prices shown in a number of the listed shops were fixed, prices in a few number of listed shops were not. These caused variations in the average price of Tuna Taiyo (second grade) canned fish and thus the item was not excluded at this stage. This item is considered in the fourth proposed underlying measure discussed below as part of the other selected items.
- 12. Although the Price Control Act (Chapter 64) stipulates price controls for certain goods and services, their corresponding prices are not actually fixed. It is obvious that the margins set on their prices are fixed but not their actual prices. It should be noted that even if some of the actual prices of aforesaid excluded items vary in some outlets, they are neither part of the CPI basket nor listed as a registered CPI outlet.

III. All CPI excluding Volatile, Price Control and Excise Items: Alcohol + Tobacco

- 13. The excise items excluded are alcohol and tobacco which includes cigarettes. Arguments against excluding excise items unless there are highly volatile have been considered earlier in the first proposed underlying measure (*I*).
- 14. There was further concern that excise items should not be excluded simply because they are subject to some form of tax (excise, sales, VAT etc). This was because the effects of any specific change in tax rates can be adjusted from the index whilst simultaneously allowing price change to remain. In the context of the Solomon Islands, and since the reform efforts after 2003, numerous changes to tax and customs acts relating to excise items have eventuated whose effects have impinged on price movements in the CPI over time. Whilst it would be inconsiderate for concerned authorities not to adjust for any changes in tax rates, in the meantime, this measure provides an alternate choice to the user to decide if it would be useful for their purposes.

IV. All CPI excluding Volatile, Price Control, Excise Items and Other Selected Items

15. Apart from the price control and excise items, the other selected category includes goods and services whose prices are often impacted by price regulatory effects or policy changes (e.g., school fee subsides, reforms to tariff charges of state own utilities etc). These items include house rent (public service), telephone charges, electricity and water, 3rd party insurance, transport fares and education. As noted earlier, Tuna Taiyo (second grade) canned fish is included due to the government price control on the item. However, at this stage, this regulation has not been fully adhered to by a number of retail outlets and consumers.

Implications on Sample and Weights

- 16. To ensure proper scrutiny and robustness of the measures, an analysis of the implications of the underlying inflation measures on the sample (CPI basket) and weights were undertaken. Some of the observations and arguments are noted below.
- 17. The table below shows the underlying CPI by subgroup, number of items and corresponding weights. Note that the total CPI basket consists of 187 items and that totals in the table could slightly vary due to rounding of decimal points.

Underlying CPI Item Subgroup	No. of Items	(%) of CPI basket	Relative Weight (% of CPI)	Relative Weight (% of Underlying CPI)
1. Volatile Items (V)	26	14	15	33
2. Excise Items (E)	6	3	4	8
3. Price Control Items (PC)	4	2	5	10
4. Other Selected Items (OS)	16	9	23	49
5. All Ex. Items: Underlying CPI	52	28	47	100
1. (V)	26	14	15	33
2. (V)+(E)	32	17	19	41
3. (V)+(E)+(PC)	36	19	24	51
4. (V)+(E)+(PC)+(OS)	52	28	47	100

- 18. The reduction in sample size and corresponding weights as items get excluded from the CPI basket would impact on the quality of the sample to generate efficient estimates and impinge on the relative importance of the underlying inflation measures. For the first proposed underlying measure (CPI excluding (V)), the table shows that volatile items (V) represent 14% of the basket and 15% of the total CPI weight. This implies that the underlying measure (CPI excluding (V)) retains 86% of total CPI basket and 85% of the CPI weight. This suggests that the underlying inflation measure is reliable.
- 19. In the second proposed underlying measure (CPI excluding (V) + (E)), the items consisting of the combined (V + E) make up 17% of the basket with a combined weight of 19%. This suggests that the underlying measure continues to retain 83% of the basket of items with a close to similar size in weight. Hence, the underlying inflation measure is reliable.
- 20. For the third proposed underlying measure (CPI excluding (V) + (E) + (PC)), it is evident that a combined number of items constitute of 19% of the basket with a combined weight of 24%. This means that the underlying measure retains 81% of the basket representing a weight of around 76% suggesting that the measure is reliable.
- 21. In terms of the fourth proposed underlying measure (CPI excluding (V) + (E) + (PC) + (OS)), the combined items consist of 28% of the basket with a combined weight of 47%. This measure represents 135 (i.e., 187-52) items. This means that the underlying inflation measure retains 72% of the basket and 53% or slightly over half the total weight suggesting that the underlying measure is not significantly unreliable. This is despite the significant loss in weight that shows the relative importance of the (OS) items.
- 22. The above considerations show that the proposed four underlying inflation measures are reliable. However, of concern is the diminishing weight of what remains and the implications if one considers the weight

as a proportion of consumer expenditure. This would imply the exclusion of a greater proportion of consumer expenditure as the weight of the excluded items increase. This could also be deemed as reducing the importance (to the Consumer) of the index. The SINSO notes this and to mitigate any perceived weakness due to this, the SINSO plans to publish additional separate indexes in the future such as volatile items and non-volatile items, excise and non-excise items etc to bring greater clarity and transparency to the users.

Future Considerations

23. Given that the proposed underlying measures are published on a trial basis, the SINSO will continue to improve the measures as new data is received such as the data from the Household Income and Expenditure Survey (HIES) 2012-2013 that is currently been analyzed. Work will also be ongoing to investigate alternative methods for constructing underlying inflation, undertake empirical analysis, address product quality and specification issues, and publish additional information for users where necessary.