

Solomon Islands Government



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HONIARA CONSUMER PRICE INDEX

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**Solomon Islands National Statistics Office
Ministry of Finance & Treasury
PO Box G6
Honiara
Enquiries: Tel: (677) 27835, Email: STATS-Economics@mof.gov.sb**

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COMMENTARY

Headline CPI

The Honiara Consumers Price Index (CPI) for the month of January 2016 rose by 0.7% from 188.1 the previous month to 189.4. This was largely driven by increases in prices of food and betel-nut outweighing declines in fuel prices.

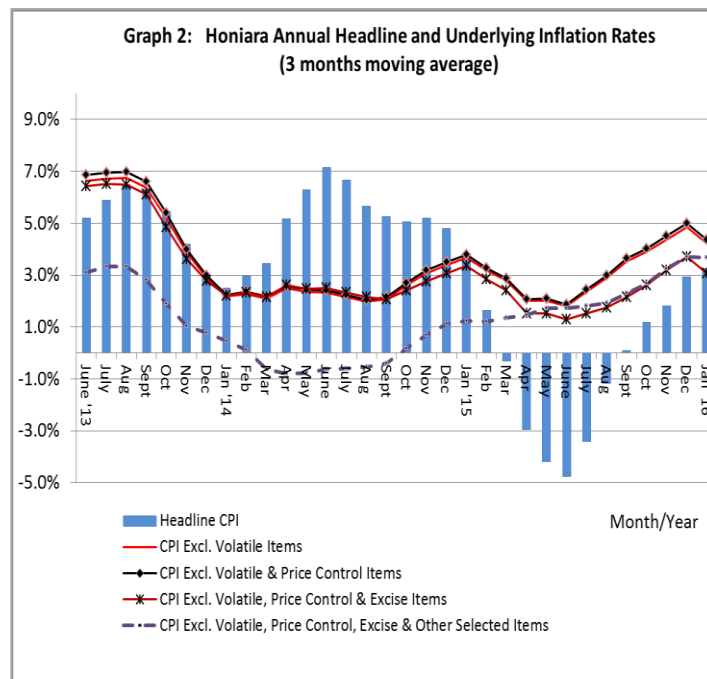
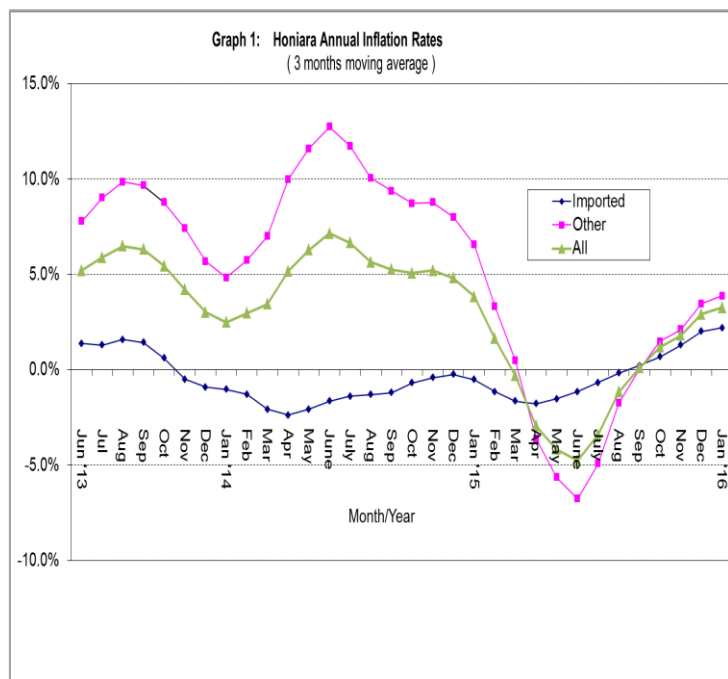
The Food sub-index increased by 1.5% to 178.2. This was on account of price increases in most fresh fruits and vegetables sold at the Honiara market. Most notable are dry and green coconuts (7.2% and 9.5% respectively), kumara (8.0%), cassava (8.2%), bush cabbage (21.0%), chinese cabbage (14.3%), fern cabbage (16.7%) and green beans (10.2%). These outweighed drops in the prices of other food items such as rice (1.1%) and peanut (10.9%) to result in the rise of the overall Food sub-index.

Changes in other sub-indexes were as follows:

- Drinks & Tobacco went up 4.5% driven by a 24.2% increase in the price of betel nut which outweighed drops of 2.7% and 0.8% in the prices of tobacco and cigarettes, respectively.
- Housing and Utilities fell by 0.9% on account of a 2.1% drop in water charges and a 0.9% drop in electricity charges outweighing a rise of 2.2% in the price of kerosene.
- Transport & Communications was down by 0.2% due to declines of 1.0% and 1.1% in the prices of petrol and diesel, respectively.

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

The overall annual headline inflation rate for the month of January 2016, calculated on a 3 months moving average basis was 3.3%, up 0.3 of a percentage point from 2.9% the previous month. The corresponding inflation rates for imported and other items were 2.2% and 3.9% respectively.



Underlying Inflation

The main underlying rates of inflation based on a 3 months moving average for the month of January 2016 were observed between 3.1% and 4.4% while the headline inflation rate was 3.3%.

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

Year/ Month	Food	Drinks & Tobacco	Clothing & Footwear	Housing & Utilities	Household Operations	Transport & Commu-nications	Recreation health & Oth. Serv.	Misce-llaneous	All Items	(%) Change
	Wght	429	47	38	181	47	164	76	18	1000
2013 August	177.8	188.0	156.3	232.1	176.6	144.1	127.7	198.9	178.3	-0.6
September	175.7	188.7	157.5	231.2	176.2	145.4	127.7	196.8	177.4	-0.5
October	172.4	196.3	157.5	228.7	176.2	147.4	127.7	196.8	176.3	-0.7
November	167.6	205.4	157.5	228.8	176.2	147.3	127.7	196.8	174.6	-0.9
December	166.1	214.1	157.5	228.8	176.2	147.2	127.7	196.9	174.4	-0.2
2014 January/r	166.6	285.5	162.6	235.5	176.1	147.4	130.8	196.9	179.6	3.0
February/r	170.1	286.9	162.6	253.2	178.0	147.6	130.8	196.9	184.5	2.7
March/r	170.6	289.7	162.6	253.3	178.0	148.2	130.8	196.5	185.0	0.3
April	186.9	290.3	162.6	254.5	178.0	148.7	130.8	196.5	192.3	4.0
May	188.7	260.4	162.6	255.8	177.8	148.2	130.8	196.5	191.8	-0.3
June	190.2	219.9	162.6	255.8	180.6	148.8	134.4	198.6	191.1	-0.4
July	191.0	201.7	162.6	251.8	183.4	148.6	134.4	199.2	190.0	-0.6
August	182.7	195.3	162.6	251.6	183.4	149.2	134.4	199.9	186.1	-2.0
September/r	182.5	223.1	162.6	251.5	181.8	147.6	134.4	199.9	187.0	0.5
October	180.2	223.5	162.7	250.3	182.4	146.6	134.4	199.8	185.7	-0.7
November	174.8	220.8	163.1	249.9	182.2	146.2	134.4	197.4	183.1	-1.4
December	172.4	220.1	163.1	249.2	182.2	144.9	134.4	197.4	181.7	-0.8
2015 January/r	172.1	223.6	174.8	256.6	182.3	146.3	138.9	197.4	184.1	1.3
February	168.2	224.6	174.8	254.4	182.7	142.5	138.9	198.6	181.5	-1.4
March	170.9	214.4	174.8	253.5	183.1	141.1	138.9	198.6	181.8	0.2
April	170.0	227.9	174.8	248.0	184.5	143.3	144.0	199.9	181.9	0.1
May	170.1	218.0	175.1	248.0	183.7	144.2	144.0	200.2	181.6	-0.2
June	174.1	233.8	175.1	248.0	183.7	145.3	144.0	200.2	184.2	1.5
July	177.9	261.4	175.1	248.0	183.9	147.1	144.0	200.2	187.5	1.8
August	180.9	261.1	175.1	248.1	183.9	147.4	144.0	200.6	188.8	0.7
September	176.9	265.2	175.0	247.9	184.0	146.7	147.1	203.3	187.4	-0.7
October	179.7	267.8	175.1	250.9	184.1	146.3	147.1	204.9	189.3	1.0
November	179.0	278.8	175.1	250.7	184.1	144.8	147.1	204.9	189.2	-0.03
December	175.5	290.7	175.1	250.7	184.1	143.9	147.1	204.9	188.1	-0.6
2016 January	178.2	303.6	175.1	248.5	184.1	143.6	147.1	204.9	189.4	0.7
Percentage Change in the CPI by Group										
<i>(a) on the same month a year ago</i>										
2013 August	4.3	11.5	8.8	14.5	2.6	3.9	-1.5	0.7	6.5	
September	4.2	10.4	9.4	13.3	5.7	1.8	-1.5	-0.3	6.0	
October	3.2	14.9	9.4	5.4	5.7	1.2	-2.5	-0.3	3.9	
November	1.1	6.7	8.8	5.5	5.8	1.4	-2.5	-0.1	2.7	
December	-0.8	10.9	8.8	6.8	5.5	1.9	-2.5	1.4	2.5	
2014 January	-2.0	36.9	4.5	2.1	0.0	2.1	2.4	0.9	2.3	
February	-1.8	36.5	4.5	9.6	0.9	1.7	2.4	-0.5	4.1	
March	-2.6	43.6	4.5	9.6	1.2	1.1	2.4	-0.7	4.0	
April	5.5	49.1	4.5	9.4	0.7	0.5	2.4	-0.7	7.4	
May	6.6	35.9	4.5	9.9	0.4	1.6	2.4	-0.7	7.4	
June	5.5	19.2	4.4	10.2	1.9	2.9	5.2	0.4	6.6	
July	6.2	7.7	4.4	8.5	3.5	2.1	5.2	0.7	5.9	
August	2.7	3.8	4.0	8.4	3.8	3.5	5.2	0.5	4.4	
September	3.9	18.2	3.2	8.8	3.2	1.5	5.2	1.6	5.4	
October	4.5	13.9	3.3	9.4	3.5	-0.6	5.2	1.6	5.4	
November	4.2	7.5	3.6	9.2	3.4	-0.8	5.2	0.3	4.8	
December	3.8	2.8	3.6	8.9	3.4	-1.5	5.2	0.2	4.2	
2015 January	3.3	-21.7	7.5	9.0	3.5	-0.8	6.2	0.2	2.5	
February	-1.1	-21.7	7.5	0.5	2.6	-3.4	6.2	0.9	-1.6	
March	0.2	-26.0	7.5	0.1	2.8	-4.8	6.2	1.1	-1.7	
April	-9.0	-21.5	7.5	-2.6	3.6	-3.6	10.1	1.7	-5.4	
May	-9.8	-16.3	7.7	-3.1	3.3	-2.7	10.1	1.9	-5.3	
June	-8.5	6.3	7.7	-3.0	1.7	-2.3	7.2	0.8	-3.6	
July	-6.9	29.6	7.7	-1.5	0.3	-1.0	7.2	0.5	-1.3	
August	-1.0	33.7	7.7	-1.4	0.3	-1.2	7.2	0.4	1.4	
September	-3.1	18.9	7.6	-1.4	1.2	-0.6	9.5	1.7	0.2	
October	-0.3	19.8	7.6	0.2	0.9	-0.2	9.5	2.5	1.9	
November	2.4	26.3	7.4	0.3	1.0	-0.9	9.5	3.8	3.3	
December	1.8	32.1	7.4	0.6	1.0	-0.7	9.5	3.8	3.5	
2016 January	3.5	35.8	0.2	-3.2	1.0	-1.8	6.0	3.8	2.9	
<i>(b) 3 months moving average on same period a year ago</i>										
2013 August	5.1	9.7	8.5	14.5	2.8	1.9	-1.5	1.9	6.5	
September	4.6	11.1	8.9	14.1	3.7	2.3	-1.5	0.8	6.3	
October	3.9	12.3	9.2	11.0	4.6	2.3	-1.8	0.0	5.4	
November	2.9	10.5	9.2	8.0	5.7	1.5	-2.2	-0.3	4.2	
December	1.2	10.7	9.0	5.9	5.7	1.5	-2.5	0.3	3.0	
2014 January	-0.6	18.7	7.3	4.7	3.7	1.8	-0.9	0.7	2.5	
February	-1.6	28.5	5.9	6.2	2.1	1.9	0.8	0.6	3.0	
March	-2.2	38.9	4.5	7.1	0.7	1.6	2.4	-0.1	3.4	
April	0.4	42.9	4.5	9.5	0.9	1.1	2.4	-0.6	5.2	
May	3.2	42.9	4.5	9.6	0.8	1.1	2.4	-0.7	6.3	
June	5.9	35.0	4.5	9.8	1.0	1.7	3.4	-0.3	7.2	
July	6.1	21.0	4.4	9.6	1.9	2.2	4.3	0.1	6.7	
August	4.8	10.2	4.3	9.1	3.1	2.8	5.2	0.5	5.6	
September	4.3	9.9	3.9	8.6	3.5	2.4	5.2	0.9	5.3	
October	3.7	12.0	3.5	8.9	3.5	1.5	5.2	1.2	5.1	
November	4.2	13.0	3.4	9.2	3.4	0.1	5.2	1.1	5.2	
December	4.2	7.9	3.5	9.2	3.4	-1.0	5.2	0.7	4.8	
2015 January/r	3.8	-5.7	4.9	9.0	3.4	-1.0	5.6	0.3	3.8	
February	2.0	-15.0	6.2	6.0	3.2	-1.9	5.9	0.4	1.6	
March	0.8	-23.1	7.5	3.0	3.0	-3.0	6.2	0.7	-0.3	
April	-3.5	-23.1	7.5	-0.7	3.0	-3.9	7.5	1.2	-3.0	
May	-6.4	-21.4	7.6	-1.8	3.3	-3.7	8.8	1.5	-4.2	
June	-9.1	-11.8	7.6	-2.9	2.9	-2.9	9.1	1.5	-4.8	
July	-8.4	4.6	7.7	-2.5	1.8	-2.0	8.2	1.0	-3.4	
August	-5.5	22.6	7.7	-2.0	0.8	-1.5	7.2	0.6	-1.2	
September	-3.7	27.0	7.7	-1.4	0.6	-0.9	8.0	0.9	0.1	
October	-1.4	23.7	7.6	-0.9	0.8	-0.7	8.7	1.5	1.2	
November	-0.3	21.6	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	

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

Year/ Month	Food	Drinks & Tobacco	Clothing & Footwear	Housing & Utilities	Household Operations	Transport & Commu-nications	Recreation health & Oth. Serv.	Misce-llaneous	All Items	(%) Change
	<i>Wght</i>	4	31	52	34	50	23	18	398	
2013 August	181.3	145.3	136.2	175.9	171.9	172.2	155.4	198.9	174.1	-0.3
September	181.2	145.3	137.7	172.9	171.3	176.3	155.4	196.8	174.1	0.0
October	174.9	145.3	137.7	171.0	171.3	176.3	155.4	196.8	170.9	-1.8
November	174.5	145.3	137.7	171.2	171.3	175.4	155.4	196.8	170.6	-0.2
December	174.2	145.3	137.7	171.3	171.9	175.0	155.4	196.9	170.5	-0.1
2014 January	173.8	145.3	137.7	171.6	171.8	175.7	155.4	196.9	170.5	0.0
February	174.5	145.3	137.7	170.0	174.4	176.2	155.4	196.9	170.9	0.2
March	172.0	145.3	137.7	170.2	175.0	178.3	155.4	196.5	170.0	-0.5
April	172.0	145.3	137.7	173.8	175.0	179.9	155.4	196.5	170.7	0.4
May	172.4	145.3	137.7	178.8	175.0	178.4	155.4	196.5	171.3	0.4
June	172.4	145.3	137.7	178.9	175.4	180.2	154.9	198.6	171.7	0.2
July	172.4	145.3	137.7	178.9	179.3	179.7	154.9	199.2	172.0	0.2
August	172.7	145.3	137.7	177.8	179.3	181.5	154.9	199.9	172.3	0.2
September	173.0	145.3	137.7	177.8	177.1	181.5	154.9	199.9	172.2	0.0
October	172.8	145.3	137.9	177.0	178.2	173.0	154.9	199.8	171.0	-0.7
November	172.2	145.3	138.4	175.7	177.9	171.7	154.9	197.4	170.3	-0.4
December	172.2	145.3	138.4	173.3	177.9	167.5	154.9	197.4	169.5	-0.5
2015 January	172.6	145.3	138.4	173.5	177.9	163.6	154.9	197.4	169.2	-0.1
February	174.0	145.3	138.4	165.8	178.4	151.1	154.9	198.6	167.4	-1.1
March	174.0	145.3	138.4	162.8	178.7	146.8	154.9	198.6	166.4	-0.6
April	173.9	145.3	138.4	163.6	180.6	154.0	172.0	199.9	168.7	1.3
May	175.1	145.3	138.7	163.4	180.4	153.6	172.0	200.2	169.2	0.3
June	175.9	145.3	138.7	163.7	180.4	157.4	172.0	200.2	170.0	0.5
July	179.0	145.3	138.7	167.3	180.7	160.4	172.0	200.2	172.4	1.4
August	179.3	145.3	138.7	167.4	180.7	161.2	172.0	200.6	172.6	0.2
September	179.6	145.5	138.6	166.8	181.1	159.1	172.0	203.3	172.6	0.0
October	182.8	145.5	138.7	165.3	181.2	157.6	172.0	204.9	173.8	0.7
November	184.3	145.5	138.7	165.0	181.2	152.9	172.0	204.9	173.8	0.0
December	184.3	145.5	138.7	164.9	181.2	149.7	172.0	204.9	173.4	-0.2
2016 January	183.2	145.5	138.7	165.3	181.2	148.9	172.0	204.9	172.9	-0.3
Percentage Change in Imported Items Index by Group										
(a) on the same month a year ago										
2013 August	1.6	1.6	10.6	-4.5	6.5	2.9	4.8	0.7	1.9	
September	1.0	0.0	11.4	-7.5	5.0	1.8	4.8	-0.3	0.9	
October	-1.4	0.0	11.4	-8.6	5.0	-2.2	2.0	-0.3	-1.0	
November	-2.2	0.0	10.6	-8.1	5.2	-2.4	2.0	-0.1	-1.4	
December	-1.9	0.0	10.6	-3.4	5.2	-1.0	2.0	1.4	-0.3	
2014 January	-2.0	0.0	1.7	-3.8	0.6	-0.6	0.0	0.9	-1.4	
February	-3.3	0.0	1.7	-4.7	2.0	-1.6	0.0	-0.5	-2.2	
March	-4.6	0.0	1.7	-4.7	2.4	-0.9	0.0	-0.7	-2.7	
April	-3.8	0.0	1.7	-2.4	1.4	-2.3	0.0	-0.7	-2.3	
May	-3.3	0.0	1.7	0.4	1.8	0.2	0.0	-0.7	-1.3	
June	-4.9	0.0	1.6	1.7	2.0	3.8	-0.3	0.4	-1.4	
July	-4.9	0.0	1.6	1.7	4.2	1.6	-0.3	0.7	-1.5	
August	-4.7	0.0	1.1	1.1	4.3	5.4	-0.3	0.5	-1.0	
September	-4.5	0.0	0.0	2.8	3.4	3.0	-0.3	1.6	-1.1	
October	-1.2	0.0	0.1	3.5	4.0	-1.8	-0.3	1.6	0.1	
November	-1.3	0.0	0.5	2.6	3.9	-2.1	-0.3	0.3	-0.2	
December	-1.2	0.0	0.5	1.1	3.5	-4.3	-0.3	0.2	-0.6	
2015 January	-0.7	0.0	0.5	1.1	3.5	-6.9	-0.3	0.2	-0.7	
February	-0.3	0.0	0.5	-2.4	2.3	-14.3	-0.3	0.9	-2.1	
March	1.1	0.0	0.5	-4.4	2.1	-17.7	-0.3	1.1	-2.1	
April	1.1	0.0	0.5	-5.9	3.2	-14.4	10.7	1.7	-1.2	
May	1.6	0.0	0.7	-8.6	3.1	-13.9	10.7	1.9	-1.3	
June	2.0	0.0	0.7	-8.5	2.9	-12.7	11.0	0.8	-1.0	
July	3.8	0.0	0.7	-6.5	0.8	-10.7	11.0	0.5	0.2	
August	3.8	0.0	0.7	-5.8	0.8	-11.2	11.0	0.4	0.2	
September	3.8	0.2	0.6	-6.2	2.3	-12.4	11.0	1.7	0.2	
October	5.8	0.2	0.6	-6.6	1.7	-8.9	11.0	2.5	1.6	
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	6.2	0.2	0.3	-4.7	1.9	-9.0	11.0	3.8	2.2	
(b) 3 months moving average on same period a year ago										
2013 August	2.1	1.6	10.2	-4.5	6.6	-2.0	4.8	1.9	1.6	
September	1.6	1.0	10.7	-5.6	6.1	0.4	4.8	0.8	1.4	
October	0.4	0.5	11.1	-6.9	5.5	0.8	3.9	0.0	0.6	
November	-0.9	0.0	11.1	-8.1	5.1	-1.0	3.0	-0.3	-0.5	
December	-1.8	0.0	10.9	-6.8	5.2	-1.9	2.0	0.3	-0.9	
2014 January	-2.0	0.0	7.5	-5.2	3.7	-1.4	1.4	0.7	-1.0	
February	-2.4	0.0	4.5	-4.0	2.6	-1.1	0.7	0.6	-1.3	
March	-3.3	0.0	1.7	-4.4	1.7	-1.0	0.0	-0.1	-2.1	
April	-3.9	0.0	1.7	-3.9	1.9	-1.6	0.0	-0.6	-2.4	
May	-3.9	0.0	1.7	-2.2	1.8	-1.0	0.0	-0.7	-2.1	
June	-4.0	0.0	1.7	-0.1	1.7	0.5	-0.1	-0.3	-1.7	
July	-4.4	0.0	1.6	1.2	2.6	1.9	-0.2	0.1	-1.4	
August	-4.8	0.0	1.4	1.5	3.5	3.6	-0.3	0.5	-1.3	
September	-4.7	0.0	0.9	1.8	4.0	3.3	-0.3	0.9	-1.2	
October	-3.5	0.0	0.4	2.5	3.9	2.2	-0.3	1.2	-0.7	
November	-2.4	0.0	0.2	3.0	3.8	-0.3	-0.3	1.1	-0.4	
December	-1.2	0.0	0.3	2.4	3.8	-2.7	-0.3	0.7	-0.3	
2015 January	-1.1	0.0	0.5	1.6	3.6	-4.4	-0.3	0.3	-0.5	
February	-0.7	0.0	0.5	-0.1	3.1	-8.5	-0.3	0.4	-1.1	
March	0.0	0.0	0.5	-1.9	2.6	-13.0	-0.3	0.7	-1.6	
April	0.6	0.0	0.5	-4.2	2.6	-15.5	3.4	1.2	-1.8	
May	1.3	0.0	0.5	-6.3	2.8	-15.3	7.0	1.5	-1.5	
June	1.6	0.0	0.6	-7.7	3.0	-13.7	10.8	1.5	-1.1	
July	2.5	0.0	0.7	-7.9	2.2	-12.4	10.9	1.0	-0.7	
August	3.2	0.0	0.7	-6.9	1.5	-11.5	11.0	0.6	-0.2	
September	3.8	0.1	0.7	-6.2	1.3	-11.4	11.0	0.9	0.2	
October	4.5	0.1	0.6	-6.2	1.6	-10.8	11.0	1.5	0.7	
November	5.5	0.2	0.5	-6.3	1.9	-10.8	11.0	2.7	1.3	
December	6.6	0.2	0.4	-5.8	1.8	-10.1	11.0	3.4	2.0	
January	6.7	0.2	0.3	-5.2	1.9	-10.2	11.0	3.8	2.2	

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

Year/ Month	Food	Drinks & Tobacco	Clothing & Footwear	Housing & Utilities	Household Operations	Transport & Communications	Recreation health & Oth. Serv.	Miscellaneous	All Items	(%) Change
Wght	243	43	7	129	13	114	53		602	
2013 August	175.1	192.0	245.0	254.7	189.1	131.8	115.6	--	181.1	-0.8
September	171.4	192.7	245.0	254.7	189.1	131.8	115.6	--	179.6	-0.8
October	170.4	201.0	245.0	252.0	189.1	134.7	115.6	--	179.8	0.1
November	162.4	210.9	245.0	252.0	189.1	135.0	115.6	--	177.3	-1.4
December	159.9	220.5	245.0	252.0	187.3	135.0	115.6	--	176.9	-0.2
2014 January/r	161.1	298.5	272.7	261.2	187.3	135.0	120.1	--	185.7	4.9
February/r	166.7	300.1	272.7	286.8	187.3	135.0	120.1	--	193.5	4.2
March/r	169.5	303.2	272.7	286.8	186.0	135.0	120.1	--	194.9	0.7
April	198.3	303.8	272.7	287.1	186.0	135.0	120.1	--	206.6	6.0
May	201.2	271.1	272.7	286.8	185.2	135.0	120.1	--	205.3	-0.6
June	203.9	226.8	272.7	286.8	194.2	135.0	125.4	--	203.9	-0.7
July	205.3	207.0	272.7	281.3	194.2	135.0	125.4	--	201.9	-1.0
August	190.3	199.9	272.7	281.3	194.2	135.0	125.4	--	195.3	-3.2
September	189.2	227.0	272.7	281.3	194.2	135.0	125.4	--	196.8	0.8
October	185.8	230.8	272.7	279.8	193.3	135.0	125.4	--	195.4	-0.7
November	176.8	227.8	272.7	279.8	193.3	135.0	125.4	--	191.5	-2.0
December	172.6	227.0	272.7	279.8	193.3	135.0	125.4	--	189.8	-0.9
2015 January	171.7	230.9	336.4	290.1	193.8	138.7	131.9	--	193.9	2.2
February	163.8	232.0	336.4	290.1	193.8	138.7	131.9	--	190.8	-1.6
March	168.6	220.8	336.4	290.1	194.6	138.7	131.9	--	192.0	0.6
April	167.0	235.6	336.4	282.0	194.6	138.7	131.9	--	190.7	-0.7
May	166.3	224.8	336.4	282.0	192.5	140.1	131.9	--	189.8	-0.4
June	172.7	242.0	336.4	282.0	192.5	140.1	131.9	--	193.6	2.0
July	177.1	272.2	336.4	280.6	192.5	141.2	131.9	--	197.5	2.0
August	182.1	271.9	336.4	280.6	192.5	141.3	131.9	--	199.5	1.0
September	174.8	276.3	336.4	280.6	191.6	141.3	136.4	--	197.2	-1.1
October	177.4	279.1	336.4	285.3	191.6	141.3	136.4	--	199.5	1.1
November	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
2016 January	174.3	318.3	336.4	282.0	191.6	141.3	136.4	--	200.3	1.3
Percentage Change in Other Items Index by Group										
<i>(a) on the same month a year ago</i>										
2013 August	6.5	12.3	4.7	21.2	-5.7	4.4	-4.9	--	9.6	
September	7.0	11.2	4.7	20.8	7.2	1.7	-4.9	--	9.5	
October	7.1	16.1	4.7	10.0	7.2	3.3	-4.9	--	7.3	
November	4.0	7.2	4.7	10.0	7.2	3.7	-4.9	--	5.5	
December	0.0	11.6	4.7	10.0	6.3	3.7	-4.9	--	4.3	
2014 January	-2.0	39.2	11.3	3.8	-1.6	3.7	3.8	--	4.7	
February	-0.6	38.8	11.3	13.7	-1.6	3.7	3.8	--	8.1	
March	-1.0	46.5	11.3	13.7	-1.6	2.3	3.8	--	8.2	
April	12.8	52.4	11.3	12.7	-0.9	2.3	3.8	--	13.6	
May	14.2	38.4	11.3	12.6	-2.9	2.4	3.8	--	12.9	
June	13.5	20.5	11.3	12.6	1.8	2.4	8.5	--	11.6	
July	14.8	8.2	11.3	10.4	1.8	2.4	8.5	--	10.6	
August	8.7	4.1	11.3	10.4	2.7	2.4	8.5	--	7.9	
September	10.4	17.8	11.3	10.4	2.7	2.4	8.5	--	9.6	
October	9.0	14.8	11.3	11.0	2.3	0.2	8.5	--	8.7	
November	8.8	8.0	11.3	11.0	2.3	0.0	8.5	--	8.0	
December	7.9	2.9	11.3	11.0	3.2	0.0	8.5	--	7.3	
2015 January	6.6	-22.6	23.3	11.1	3.4	2.7	9.8	--	4.5	
February	-1.7	-22.7	23.3	1.2	3.4	2.7	9.8	--	-1.4	
March	-0.6	-27.2	23.3	1.2	4.6	2.7	9.8	--	-1.5	
April	-15.8	-22.5	23.3	-1.8	4.6	2.7	9.8	--	-7.7	
May	-17.3	-17.1	23.3	-1.6	3.9	3.8	9.8	--	-7.5	
June	-15.3	6.7	23.3	-1.6	-0.9	3.8	5.2	--	-5.0	
July	-13.7	31.5	23.3	-0.2	-0.9	4.6	5.2	--	-2.2	
August	-4.3	36.0	23.3	-0.2	-0.9	4.7	5.2	--	2.1	
September	-7.6	21.7	23.3	-0.2	-1.3	4.7	8.7	--	0.2	
October	-4.6	20.9	23.3	2.0	-0.9	4.7	8.7	--	2.1	
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	
2016 January	1.5	37.8	0.0	-2.8	-1.1	1.9	3.4	--	3.3	
<i>(b) 3 months moving average on same period a year ago</i>										
2013 August	7.6	10.4	4.7	21.2	-5.1	4.2	-4.9	--	9.8	
September	7.0	11.9	4.7	21.1	-1.4	3.4	-4.9	--	9.7	
October	6.9	13.2	4.7	17.1	2.6	3.1	-4.9	--	8.8	
November	6.0	11.3	4.7	13.4	7.2	2.9	-4.9	--	7.4	
December	3.7	11.4	4.7	10.0	6.9	3.5	-4.9	--	5.7	
2014 January	0.6	19.9	6.9	7.8	3.8	3.7	-2.1	--	4.8	
February	-0.9	30.4	9.2	9.1	0.9	3.7	0.8	--	5.7	
March	-1.2	41.4	11.3	10.4	-1.6	3.2	3.8	--	7.0	
April	3.8	45.7	11.3	13.3	-1.4	2.7	3.8	--	10.0	
May	8.8	45.8	11.3	13.0	-1.8	2.3	3.8	--	11.6	
June	13.5	37.4	11.3	12.6	-0.7	2.4	5.4	--	12.7	
July	14.2	22.5	11.3	11.9	0.2	2.4	6.9	--	11.7	
August	12.3	10.9	11.3	11.2	2.1	2.4	8.5	--	10.1	
September	11.3	10.0	11.3	10.4	2.4	2.4	8.5	--	9.4	
October	9.4	12.3	11.3	10.6	2.6	1.6	8.5	--	8.7	
November	9.4	13.4	11.3	10.8	2.4	0.8	8.5	--	8.8	
December	8.6	8.4	11.3	11.0	2.6	0.1	8.5	--	8.0	
2015 January	7.8	-6.1	15.6	11.1	3.0	0.9	8.9	--	6.6	
February	4.2	-15.8	19.6	7.5	3.4	1.8	9.4	--	3.3	
March	1.4	-24.2	23.3	4.3	3.8	2.7	9.8	--	0.5	
April	-6.6	-24.1	23.3	0.2	4.2	2.7	9.8	--	-3.6	
May	-11.8	-22.4	23.3	-0.7	4.4	3.1	9.8	--	-5.7	
June	-16.1	-12.4	23.3	-1.7	2.5	3.4	8.2	--	-6.8	
July	-15.4	4.8	23.3	-1.2	0.7	4.1	6.7	--	-4.9	
August	-11.3	24.0	23.3	-0.7	-0.9	4.4	5.2	--	-1.7	
September	-8.7	29.4	23.3	-0.2	-1.0	4.7	6.3	--	0.0	
October	-5.5	25.8	23.3	0.5	-1.0	4.7	7.5	--	1.5	
November	-4.5	23.5	23.3	1.2	-1.0	4.7	8.7	--	2.1	
December	-2.6	27.5	23.3	2.0	-0.9	4.7	8.7	--	3.5	
2016 January	-0.6	33.2	14.4	0.3	-1.0	3.7	6.9	--	3.9	

Table 4. THE HONIARA CONSUMER PRICE INDEX BY GROUP (4th Qtr 1992 = 100)

Year/ Qtr/ Month	Food	Drinks & Tobacco	Clothing & Footwear	Housing & Utilities	Household Operations	Transport & Commu-nications	Recreation health & Oth. Serv.	Misce-llaneous	All Items	(%) Change	
(Spliced Series)											
2013	July/r	569.3	604.3	218.1	864.6	484.9	584.5	447.7	428.2	567.8	0.0
	August	562.9	606.5	218.8	864.6	483.3	578.7	447.7	430.4	564.4	-0.6
	September	556.1	608.6	220.6	861.3	482.1	583.7	447.7	425.8	561.7	-0.5
	October	545.7	633.1	220.6	852.2	482.1	591.8	447.7	425.8	558.0	-0.7
	November	530.7	662.4	220.6	852.4	482.1	591.4	447.7	425.8	552.9	-0.9
	December	525.8	690.6	220.6	852.5	482.1	590.9	447.7	426.1	552.1	-0.2
2014	January	527.4	920.8	227.7	877.2	481.9	591.8	458.6	426.1	568.7	3.0
	February	538.5	925.5	227.7	943.4	487.0	592.5	458.6	426.1	584.2	2.7
	March	540.2	934.5	227.7	943.6	487.2	595.0	458.6	425.3	585.7	0.3
	April	591.7	936.5	227.7	948.3	487.2	596.9	458.6	425.3	608.8	4.0
	May	597.4	839.8	227.7	952.9	486.6	595.2	458.6	425.3	607.3	-0.3
	June	602.2	709.2	227.7	952.9	494.2	597.3	471.2	429.8	605.0	-0.4
	July	604.8	650.7	227.7	938.3	501.8	596.7	471.2	431.1	601.5	-0.6
	August	578.3	629.8	227.7	937.2	501.8	599.0	471.2	432.5	589.3	-2.0
	September	577.7	719.5	227.7	937.1	497.5	592.7	471.2	432.5	592.1	0.5
	October	570.5	720.9	227.9	932.5	499.0	588.5	471.2	432.4	588.0	-0.7
	November	553.3	712.1	228.4	931.1	498.4	586.9	471.2	427.1	579.6	-1.4
	December	545.8	709.8	228.4	928.5	498.4	581.8	471.2	427.1	575.2	-0.8
2015	January	544.8	721.3	244.8	956.0	498.8	587.3	487.0	427.1	582.8	1.3
	February	532.6	724.5	244.8	947.8	499.9	572.0	487.0	429.8	574.6	-1.4
	March	541.1	691.5	244.8	944.6	501.0	566.7	487.0	429.8	575.6	0.2
	April	538.2	735.1	244.8	924.0	504.8	575.6	505.1	432.5	575.9	0.1
	May	538.7	703.1	245.2	923.8	502.8	579.0	505.1	433.2	575.0	-0.2
	June	551.1	754.0	245.2	924.1	502.8	583.6	505.1	433.2	583.3	1.5
	July	563.3	843.0	245.2	924.1	503.3	590.5	505.1	433.2	593.6	1.8
	August	572.8	842.2	245.2	924.3	503.3	591.7	505.1	434.1	597.8	0.7
	September	560.0	855.3	245.1	923.6	503.4	589.1	516.0	439.8	593.4	-0.7
	October	569.0	863.6	245.2	934.6	503.7	587.3	516.0	443.3	599.2	1.0
	November	566.7	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	564.1	979.3	245.3	925.7	503.7	576.7	516.0	443.3	599.7	0.7
Percentage Change in the CPI by Group											
<i>12 months moving average on same period a year ago</i>											
2013	July/r	2.3	9.5	5.6	16.2	1.9	1.0	1.6	6.6	5.5	
	August	2.4	10.4	6.1	16.2	1.9	1.6	1.0	5.7	5.7	
	September	2.6	11.3	6.8	15.9	2.3	1.9	0.4	4.7	5.8	
	October	2.8	12.5	7.4	15.1	2.8	1.9	-0.3	3.6	5.8	
	November	2.9	12.1	8.0	14.3	3.4	1.8	-1.0	2.7	5.6	
	December	2.6	12.1	8.6	13.7	4.0	1.8	-1.8	2.5	5.4	
2014	January	2.1	14.3	8.3	12.0	3.7	1.8	-1.4	2.2	4.9	
	February	1.7	15.9	7.9	11.1	3.4		-1.1	1.7	4.6	
	March	1.5	18.5	7.6	10.3	3.2	1.6	-0.8	1.2	4.5	
	April	1.9	21.8	7.3	9.8	3.0	1.5	-0.5	0.7	4.7	
	May	2.4	23.7	7.0	9.5	2.8	1.6	-0.1	0.4	5.0	
	June	2.4	24.7	6.6	9.1	2.7	1.8	0.4	0.2	5.0	
	July	2.5	24.3	6.3	8.7	2.8	1.8	1.0	0.1	5.0	
	August	2.4	23.5	5.9	8.2	2.9	1.8	1.6	0.0	4.8	
	September	2.3	24.1	5.4	7.9	2.7	1.8	2.1	0.2	4.7	
	October	2.5	23.9	4.9	8.2	2.5	1.6	2.8	0.4	4.9	
	November	2.7	23.9	4.5	8.5	2.3	1.5	3.4	0.4	5.0	
	December	3.1	23.0	4.1	8.7	2.2	1.2	4.1	0.3	5.2	
2015	January	3.5	16.6	4.3	9.3	2.4	0.9	4.4	0.2	5.2	
	February	3.6	10.6	4.6	8.4	2.6	0.5	4.7	0.4	4.7	
	March	3.8	4.0	4.9	7.6	2.7	0.0	5.0	0.5	4.2	
	April	2.5	-2.0	5.1	6.5	3.0	-0.3	5.7	0.7	3.1	
	May	1.1	-5.9	5.4	5.4	3.2	-0.7	6.3	0.9	2.0	
	June	-0.2	-6.6	5.7	4.3	3.2	-1.1	6.5	0.9	1.1	
	July	-1.3	-5.0	5.9	3.4	2.9	-1.4	6.6	0.9	0.5	
	August	-1.6	-2.9	6.2	2.6	2.6	-1.8	6.8	0.9	0.3	
	September	-2.2	-2.6	6.6	1.8	2.5	-1.9	7.2	0.9	-0.2	
	October	-2.6	-2.0	7.0	1.1	2.2	-1.9	7.5	1.0	-0.4	
	November	-2.7	-0.5	7.3	0.4	2.0	-1.9	7.9	1.3	-0.5	
	December	-2.8	1.7	7.6	-0.2	1.9	-1.9	8.2	1.6	-0.6	
2016	January	-2.8	6.7	6.9	-1.2	1.7	-1.9	8.2	1.9	-0.5	

Table 5. HONIARA CPI AND MEASURES OF UNDERLYING INFLATION (4th Qtr 2005=100)

Year/ Month	Headline CPI	Measures of Underlying Inflation (Exclusion Based)			
		I. Excl. Volatile Items	II. Excl. Volatile Items & Price Control	III. Excl. Volatile, Price Control & Excise	IV. Excl. Volatile, Price Control, Excise & Other Selected Items
<i>Wght</i>	<i>1000</i>	<i>848</i>	<i>803</i>	<i>766</i>	<i>540</i>
2013 July	179.3	175.8	179.8	178.8	170.5
August	178.3	175.8	179.8	178.8	170.5
September	177.4	175.5	179.5	178.5	170.1
October	176.3	174.0	177.9	176.7	167.6
November	174.6	173.9	177.8	176.6	167.5
December	174.4	173.5	177.4	176.2	167.4
2014 January	179.6	175.2	179.2	178.1	167.6
February	184.5	179.3	183.5	182.6	168.5
March	185.0	178.5	182.7	181.8	167.7
April	192.3	178.8	183.0	182.1	168.0
May	191.8	179.1	183.3	182.4	168.5
June	191.1	179.7	183.9	183.1	169.4
July	190.0	179.0	183.2	182.4	169.6
August	186.1	179.1	183.3	182.4	169.7
September	187.0	180.0	184.3	182.4	169.7
October	185.7	179.8	184.1	182.2	169.7
November	183.1	179.6	183.9	181.9	169.3
December	181.7	179.5	183.7	181.8	169.1
2015 January	184.1	182.6	187.0	185.2	170.2
February	181.5	182.6	187.0	185.2	170.3
March	181.8	182.6	187.0	185.2	170.2
April	181.9	182.1	186.5	184.5	171.1
May	181.6	182.5	187.0	185.0	171.6
June	184.2	182.7	187.1	185.2	171.9
July	187.5	185.2	189.8	186.1	173.3
August	188.8	185.5	190.0	186.2	173.4
September	187.4	186.4	191.1	186.7	174.0
October	189.3	188.1	192.8	188.4	175.2
November	189.2	188.5	193.3	188.9	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
<i>Percentage Change: on the same month a year ago</i>					
2013 July	6.5	6.8	7.0	6.6	3.5
August	6.5	6.6	6.8	6.3	3.1
September	6.0	5.8	6.0	5.5	1.9
October	3.9	3.3	3.4	2.8	0.7
November	2.7	2.5	2.6	2.6	0.4
December	2.5	2.8	2.9	2.9	1.1
2014 January	2.3	1.2	1.2	1.1	-0.2
February	4.1	2.8	2.9	3.0	-0.7
March	4.0	2.3	2.4	2.4	-1.1
April	7.4	2.4	2.5	2.5	-0.6
May	7.4	2.4	2.5	2.5	-0.6
June	6.6	2.2	2.3	2.5	-0.7
July	5.9	1.8	1.9	2.0	-0.5
August	4.4	1.9	1.9	2.0	-0.5
September	5.4	2.6	2.6	2.2	-0.2
October	5.4	3.4	3.5	3.1	1.2
November	4.8	3.3	3.4	3.0	1.1
December	4.2	3.5	3.6	3.2	1.0
2015 January	2.5	4.2	4.4	4.0	1.6
February	-1.6	1.9	1.9	1.4	1.0
March	-1.7	2.3	2.4	1.9	1.5
April	-5.4	1.9	1.9	1.3	1.9
May	-5.3	1.9	2.0	1.4	1.8
June	-3.6	1.7	1.7	1.1	1.5
July	-1.3	3.5	3.6	2.1	2.1
August	1.4	3.6	3.7	2.1	2.2
September	0.2	3.6	3.7	2.4	2.6
October	1.9	4.6	4.7	3.4	3.3
November	3.3	4.9	5.1	3.8	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
<i>Percentage Change: 3 months moving average on same period a year ago</i>					
2013 July	5.9	6.7	7.0	6.5	3.3
August	6.5	6.7	7.0	6.5	3.3
September	6.3	6.4	6.6	6.1	2.8
October	5.4	5.2	5.4	4.9	1.9
November	4.2	3.9	4.0	3.6	1.0
December	3.0	2.9	3.0	2.8	0.8
2014 January	2.5	2.2	2.2	2.2	0.5
February	3.0	2.3	2.3	2.3	0.1
March	3.4	2.1	2.2	2.2	-0.6
April	5.2	2.5	2.6	2.6	-0.8
May	6.3	2.4	2.4	2.5	-0.8
June	7.2	2.3	2.4	2.5	-0.6
July	6.7	2.2	2.2	2.3	-0.6
August	5.6	2.0	2.0	2.2	-0.6
September	5.3	2.1	2.2	2.1	-0.4
October	5.1	2.6	2.7	2.4	0.2
November	5.2	3.1	3.2	2.7	0.7
December	4.8	3.4	3.5	3.1	1.1
2015 January	3.8	3.7	3.8	3.4	1.2
February	1.6	3.2	3.3	2.8	1.2
March	-0.3	2.8	2.9	2.4	1.4
April	-3.0	2.0	2.1	1.5	1.5
May	-4.2	2.0	2.1	1.5	1.7
June	-4.8	1.8	1.9	1.3	1.7
July	-3.4	2.4	2.4	1.5	1.8
August	-1.2	2.9	3.0	1.8	1.9
September	0.1	3.5	3.6	2.2	2.3
October	1.2	3.9	4.0	2.6	2.7
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	4.4	3.1	3.7

Table 6. COMPARATIVE PRICES OF SELECTED																		
DESCRIPTION	2011	2012	2013				2014				2015			2016				
	Year	Year	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	Jan	
FOOD																		
RICE (Soliras: 20kg Bag)	17327	16776	17408	17409	17408	17417	17328	18072	18072	18072	18072	18072	18072	18072	18072	18072	18072	18750
NOODLE (Nagji: 85g pkt)	3.04	3.00	3.00	3.00	3.00	3.00	3.00	3.00	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)	19521	19261	18935	18942	18940	18922	18850	18890	18879	18978	18978	19383	19383	19383	19383	19383	19383	19383
CHICKEN WING (imported, 500g pkt)	3825	5304	1375	1375	1375	1375	1375	1398	1396	1421	1421	1388	1386	1400	1450	1513	1513	1513
TUNA (second grade Taiyo: 180g can)	5.46	5.28	5.49	5.51	5.51	5.50	5.08	4.99	4.99	4.97	4.97	4.92	4.92	4.92	4.92	4.92	4.92	4.92
KUMARA HEAPS (\$/kg)	4.10	4.37	369	370	369	363	418	603	604	585	585	521	520	519	516	533	492	531
SUPPERY CABBAGE \$/kg	6.72	7.97	964	969	968	958	911	1177	1178	1113	1113	1261	1264	1229	1162	972	770	931
WHITE SUGAR (Chelsea, 500gmm pkt)	8.13	7.86	7.16	7.17	7.17	7.16	688	660	660	656	656	658	658	658	658	642	642	642
SALT (Sky salt, 1kg.)	4.67	4.65	5.39	5.39	5.39	5.39	527	506	506	507	507	505	505	505	510	510	510	510
DRINKS & TOBACCO																		
SOLBREW BEER (Solbrew, 355ml bottle)	9.25	9.79	10.50	10.50	10.50	10.50	10.50	10.77	1074	1103	1103	1167	1168	1182	1210	1210	1210	1210
TMIST TOBACCO (per stick)	19.13	19.59	20.80	20.80	20.80	20.80	20.80	23.37	23.14	25.83	25.83	33.03	32.98	33.67	37.20	37.20	37.20	36.20
UTILITIES																		
WATER CHARGES (500gal)	80.52	122.99	17428	17405	17403	17427	20624	21151	21134	21338	21338	21446	21446	21446	22552	22552	22552	22089
ELECTRICITY (40 units)	22533	25953	26435	26418	26416	26281	27874	27195	27224	26870	26870	26232	26232	26232	25790	25790	25790	25568
TRANSPORT & COMMUNICATION																		
PETROL (cents per litre)	1178.78	1114.25	1080.41	1080.66	1080.58	1081.24	1091.17	1006.93	1010.35	966.00	966.00	928.04	928.40	926.05	900.00	849.00	814.00	806.00
TELEPHONE CHARGES (per call, within 1 h)	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.58	0.57	0.60	0.60	0.70	0.70	0.70	0.70	0.70	0.70	0.70
MISCELLANEOUS GOODS & SERVICES																		
BATH SOAP (Giv: 85g cake)	2.53	2.95	3.00	3.00	3.00	3.00	3.00	2.97	2.97	2.97	2.97	3.00	3.00	3.00	3.00	3.00	3.00	3.00
TOOTHPASTE (Colgate: 110g)	18.89	19.83	20.80	20.80	20.80	20.80	20.80	21.05	21.03	21.30	21.30	21.50	21.50	21.50	22.30	22.30	22.30	22.30

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 price 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 were 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 introduced 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 subsidies, 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. 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.