

APPENDIX I

Technical Notes

Import Price Index [MPI]

Measures changes in the cost, insurance and freight (CIF) prices of imports of merchandise into Fiji. It is a fixed weighted index with December 2011 = 100.0 and is calculated on a quarterly basis using the International Harmonized System (HS) of Trade Classification. The items included in the index were selected on the basis of their importance to the total merchandise import

Export Price Index [XPI]

Measures changes on the free on board (FOB) prices of exports of merchandise out of Fiji. It is a fixed weighted index with December quarter 2011 = 100.0 and is calculated on a quarterly basis using the International Harmonized System (HS) of Trade Classification. The items included in the index were selected on the basis of their importance to the total merchandise exports

Export and Import Price Index [XMPI]

The Export and Import price index represents 95 per cent of merchandise for both. Those items that are not directly represented are indirectly represented by directly priced imports and exports whose prices are considered to move similarly. Approximately 5 per cent of all merchandise imports or exports are neither directly nor indirectly represented because of the difficulties in pricing the items to a constant quality or little influence they have in terms of their importance to total value of imports or exports.

Index Formula

The Import Price Index is compiled using geometric mean formula which has been adopted in the computation of elementary aggregate price indices. The use of geometric mean is a recommended approach in the 2004 IMF Producer Price Index Manual for the compilation of unweighted elementary indices. The use of geometric mean minimises bias and improves the accuracy of the elementary aggregates price indices. The arithmetic mean formula is retained for compiling indices at higher levels of aggregation where weights of specific sub-indices are available. Group price indices are calculated by weighting product indices with the relevant product weight, according to each group's weighting structure, using the Laspeyers index formula.

Terms of Trade [TOT]

Terms of Trade is calculated as the ratio of the total export price index to the total import price index.