



STATISTICAL NEWS

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CONSUMER PRICE INDEX RE-BASE 2014

[Base: Average 12 months 2014 = 100.0]

The Fiji Bureau of Statistics has completed its re-weighting of the Consumer Price Index (CPI) to the 2014 base year. The previous base year was 2011. The new weights are based on expenditure data from the 2013/2014 Household Income and Expenditure Survey (HIES). The weight of an item equates to the proportion it accounts for in an average household budget and the higher the weight of an item, the greater is its influence on the movement of the index. The index, which tracks changes in Consumer Prices, will now reflect household spending patterns in 2013/2014 instead of 2008.

The New Base

The new Consumer Price Index has been re-structured, re-weighted and linked and now has its Base, Average 12 months 2014 = 100.0. It continues to use the Classifications of Individual Consumption According to Purpose (COICOP) to classify its consumption groups in line with recommended international best practices.

The New Weights

In deriving the new weighting pattern, the 2011 base index was re-referenced to 2014. A new index based on reference period 2014 = 100 will be compiled and linked to the re-referenced index to form a continuous series starting February 2019. Since the new weights are being used from February 2019, the first impact on the index would be in March 2019 i.e. the February 2019 to March 2019 index movement and future months.

Neither the re-referencing, i.e. changing the time reference base of the linked historical series nor the linking of the new series to the old series affect the month-to-month, or year-to-year, index movements. However, due to rounding, after re-referencing a maximum difference of 0.1% can occur between some of the old and new estimates. The series of index number levels based on reference period 2014 is consistently, and proportionately, lower than those on the reference base of 2011 due to changing the index reference period from 2011 to 2014.

Weights Comparisons (2011 vs 2014)

Table 1

Division Code	Division Description	NATIONAL WEIGHTS		Absolute Change
		2011	2014	
1	Food and non-alcoholic beverages	283.2	347.1	63.9
2	Alcoholic beverages, tobacco and narcotics	77.1	105.7	28.6
3	Clothing and footwear	18.7	21.7	3.0
4	Housing, water, electricity, gas and other fuels	117.3	126.8	9.5
5	Furnishings, household equipment and routine household maintenance	58.8	50.0	-8.8
6	Health	13.8	14.1	0.3
7	Transport	144.6	138.7	-5.9
8	Communication	54.2	44.2	-10.0
9	Recreation and culture	29.2	16.1	-13.1
10	Education	102.4	75.3	-27.1
11	Restaurants and hotels	23.8	29.8	6.0
12	Miscellaneous goods and services	76.9	30.5	-46.4
	TOTAL	1000.0	1000.0	

As can be seen on *Table 1*, the new and old weight patterns show a similar structure, but with some differences. The increase in the expenditure share of Food and Non-Alcohol is driven by a large increase in the weights of cassava and dalo and, to a lesser degree, other vegetables and fruit.

There is also a substantial increase in the weight of alcohol and tobacco. This increase is largely driven by larger shares of beer, spirits and kava. Prices for these items have increased substantially. Given the traditionally low price elasticity of these items, this increase was expected. The increase in Division 4 “Housing, water...” etc. is largely the result of larger weights for house rents.

Some divisions instead see reductions in their expenditure shares. In 2014, the Fiji government introduced a free education scheme for primary and secondary education. As a result, the relative share for this division drops sharply. In division 12, the reduction is caused by the removal of life insurance from the basket of goods and services, in line with international best practices which regard the majority of expenditures on this product as savings rather than consumption.

The New Series

The monthly CPI release from March 2019 will be published with the new base and weights. The old base (2011 = 100.0) index series can be made available upon request but would be discontinued from publication by June 2019.

The index continues to cover price changes in Fiji’s major urban areas (Suva, Lami, Nasinu, Nausori, Lautoka, Nadi, Ba and Labasa) and, with some minor changes, the same set of goods and services.

The two measures of inflation used in Fiji for the 2011 base have been retained: one comparing the average CPI over the past twelve months with the average CPI over the previous twelve months, whilst the other, which is the one used in most countries, compares the CPI in the current month with the CPI in the corresponding month of the previous year.

The publication will also continue to report on monthly relative changes in the indexes.

Attached are the following tables:

Table 2: National percentage change on corresponding period in previous year;

Table 3: Month on previous month percentage change;

Table 4: National consumer price index;

Table 5: Central division consumer price index;

Table 6: Western division consumer price index;

Table 7: Northern division consumer price index;

Table 8: 2011 base National consumer price index; and

Appendix I: Steps involved in Re-weighting and Re-structuring the Index.

The first publication on the basis of the new weights for reference period March 2019 will be released on 29th March 2019.

For further enquiries please contact Mr Sitiveni Sikivou on email ssikivou@statsfiji.gov.fj or telephone 331 5822 (ext. 386 239) or direct line 323 0839.



Kemueli Naiqama [Mr]
Deputy Government Statistician

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APPENDIX I: STEPS INVOLVED IN RE-WEIGHTING AND RE-STRUCTURING THE INDEX

The following are the detailed steps involved in deriving the updated weighting pattern:

- i. the 2013/2014 HIES data was adjusted for under-reporting by reference to production, imports and retail sales data;
- ii. the adjusted HIES expenditure data was then allocated to the COICOP classification of the CPI at the national and regional level;
- iii. list of index items were finalized;
- iv. elementary expenditure aggregates were derived and the values combined successively to higher levels in the index structure;
- v. weighting patterns in terms of 1000 were calculated and loaded onto the processing system;
- vi. combined weights for each of the three regions, Central, Western and Northern were calculated.