

Consumer Price Index Republic of Palau

4th Quarter 2019



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December 2019

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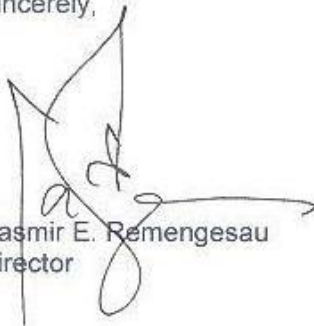
Foreword

We are pleased to publish this quarter's Consumer Price Index (CPI) publication.

The statistical information presented in this publication contains a wealth of information that measures quarterly changes in prices of a "basket" of goods and services, which are representative of purchases by private households in Palau.

We acknowledge with great appreciation the valuable contributions of many offices of the National Government and state governments as well as those participating establishments for enabling us to continue the collection of prices on a quarterly basis for the selected items within the Palau CPI. With your cooperation and assistance, we will continue to publish the Palau CPI to account for the changes in the prices of commodities consumed by all the people residing in Palau.

Sincerely,



Casmir E. Remengesau
Director

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Explanatory Notes

Brief Description of the Palau Consumer Price Index:

The Consumer Price Index (CPI) measures quarterly changes in prices of a ‘basket’ of goods and services, which are representative of purchases by private households in Palau. This ‘basket’ covers a wide range of goods and services, arranged in the following twelve groups: Food and non-alcoholic beverages; Alcoholic beverages, tobacco and narcotics; Clothing and footwear; Housing, water, electricity, gas and other fuels; Furnishings, household equipment and routine household maintenance; Health; Transport; Communication; Recreation and culture; Education; Restaurants and hotels; Miscellaneous goods and services. Examples of items priced in each major group can be found in Appendix 2.

The Palau CPI measures price changes over time. It does not measure difference in price levels between groups or sub-groups. The base period for the Palau index is the third quarter of 2016.

Weighting of the CPI ‘Basket’

The weighting is based on the results from the 2014 *Household Income and Expenditure Survey* (HIES). The weights on expenditure groups are displayed in the CPI tables appearing in the subsequent pages. The sum of all the twelve weighted groups is equal to 100. Each weight for a certain expenditure group represents the percentage of consumer expenditure on that expenditure group in 2014. For example, the weight for the Food and non-alcoholic beverages group in Palau is 23.62 percent; consequently, about 24 percent of the household expenditure in Palau is used for food and non-alcoholic beverage purchases. More details on the weights for each major group and sub-group can be found in Appendix 1.

Prices

Prices of goods and services included in the CPI are collected quarterly in the middle month of each quarter, from a representative range of retail outlets.

Domestic and Imported Price Indexes

These sub-indexes can give an indication of factors driving CPI price changes. The import index includes only items that are imported, such as canned foods, fuels, rice, motor vehicles. On the other hand, the domestic index includes items and services that are locally produced and have a local component, such as fresh fish, local produce, bakery goods, seafarers and electricity.

Note, however, that the prices for domestic items may be determined by prices of imported items. For example, if price of fuel, an imported commodity, should increase this will cause an upward movement in the domestic CPI index, because a higher fuel price causes an increase in price for items which are reflected in the domestic index.

In Palau, like other countries in the Pacific, imported items and services dominate household consumption, resulting in a weight of 57.03 percent. In other words, imported items represent around 64 percent of the overall consumer spending, while domestic items make up around 36 percent of consumer spending.

Analysis of CPI Changes:

Movements in index numbers from one period to another can be expressed in index points or as percentage changes. The following example illustrates the method of calculating changes in index points and percentage changes between any two periods. It is simply a difference between the current quarter index and the previous quarter index. The difference is divided by the previous quarter's index to generate the percent change between those two periods.

<p><u>Example (quarterly change)</u></p> <p>Reference Periods: 1st Quarter 2012 – 4th Quarter 2011</p> <p>Change in Index: 112.1 - 111.8 = 0.3</p> <p>Change in Percent: $0.3/111.8 = .003$</p> <p style="padding-left: 40px;">$.003 * 100 = 0.3\%$</p> <p><u>Example (annual change)</u></p> <p>Reference Periods: 1st Quarter 2012 – 1st Quarter 2011</p> <p>Change in Index: 112.1 – 103.9 = 8.2</p> <p>Change in Percent: $8.2/103.9 = .079$</p> <p style="padding-left: 40px;">$.079 * 100 = 7.9\%$</p>
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For Further Information

In addition to the statistics included in this publication, the Office of Planning and Statistics may have further details available. Inquiries should be directed to Ms. Muriell Sinsak, Senior Planning Analyst, Office of Planning and Statistics at phone: (680) 767-1269, fax: (680) 767-5642; or email: ops@palaugov.org.

PALAU CPI - SUMMARY OF MOVEMENTS FOR 2019 QTR 4

Summary of Quarterly Movement

The Palau quarterly inflation rate for this quarter is 0.9%; this is a 1.1% increase on the equivalent quarterly inflation for the same period last year. The contributors to this increase include Transportation at 3.4%, Food & non-alcoholic beverages at 1.6%, Clothing & Footwear group at 0.7% and Education group at 0.3%. The remaining groups; Alcoholic beverages, tobacco, and narcotics, Housing, water, electricity, gas, & other fuels, Furnishings, household equipment, and routine household maintenance, Health, Communication, Recreation & Culture, Restaurants & Hotels, and Miscellaneous goods & services.

This quarter's inflation rate can be further analyzed for domestic and imported items (Table 4). Domestic items saw an increase 0.5% and, imported items with an increase of 1.1% over the last quarter.

More details on what has caused the latest quarterly movement can be found in the "quarterly change analysis" section of this report.

Summary of Annual Movement

The Palau annual inflation rate for this quarter is 0.6% or an increase of 1% compare to the same period last year. In the last 12 months, the following groups that saw increases are Restaurant and Hotels group at 4.6%, Transport group at 1.3%, and Clothing and Footwear group and Food and non-alcoholic beverages group both at 1.2%. Whereas, group that showed significant decreases includes Miscellaneous goods and services group at -1.5% and Recreation and culture group at -0.7%. The remaining groups; Alcoholic beverages, tobacco, & narcotics group, Housing, water, electricity, gas, & other fuels group, Furnishings, household equipment, & routine household maintenance group, Health group, Communication group, and Education group saw little or no annual price change.

The annual inflation rate can be further analyzed for both domestic and imported items (Table 4). Domestic items increased by 1.5% while, imported items saw increase of 0.2% over the same period last year.

More details on what has caused the latest annual movement can be found in the "annual change analysis" section of this report.

PALAU CPI – ANALYSIS OF INDEX, ANNUAL AND QUARTERLY

Table 1 below shows the value of the index for each major group, and its change over time both from an annual and quarterly perspective. More information regarding the interpretation of the changes from both annually and quarterly can be found in the next two sections of the analysis in this report.

Table 1: Palau Consumer Price Indexes by Major Group

Period	All groups	Food and non-alcoholic beverages	Alcoholic beverages, tobacco and	Clothing and footwear	Housing, water, electricity and	Furnishings and household equipment	Health	Transport	Communication	Recreation and culture	Education	Restaurants and hotels	Miscellaneous goods and services
Annual													
2017	100.7	101.6	100.0	96.1	100.8	101.1	100.0	102.3	100.0	101.4	100.0	99.2	99.8
2018	102.9	105.6	99.7	97.1	103.7	99.5	102.0	108.9	99.6	99.0	100.0	97.1	97.7
2019	103.1	106.3	99.8	96.5	103.8	99.5	102.6	109.1	99.6	98.2	100.1	100.8	96.6
Quarter													
Sep-16	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Dec-16	99.7	99.9	99.6	95.6	100.0	101.1	100.0	100.4	100.0	100.0	100.0	99.2	97.4
Mar-17	100.5	101.5	99.8	95.6	100.6	101.4	100.0	101.7	100.0	100.0	100.0	99.2	100.0
Jun-17	100.6	100.6	100.0	95.8	100.9	100.8	100.0	103.1	100.0	102.3	100.0	99.2	99.2
Sep-17	100.7	101.1	100.0	96.5	100.8	101.3	100.0	102.4	100.0	101.6	100.0	99.2	99.2
Dec-17	101.1	103.0	100.0	96.5	100.8	100.8	100.0	101.9	100.0	101.6	100.0	99.2	100.8
Mar-18	101.8	103.4	99.5	97.9	103.5	99.5	100.2	105.9	100.1	99.7	100.0	96.4	97.4
Jun-18	103.1	107.3	99.5	97.7	103.9	99.5	102.6	107.3	99.0	101.9	100.0	96.4	98.2
Sep-18	103.3	106.0	100.0	96.00	103.5	100.0	102.6	110.7	99.7	97.1	100.0	99.0	98.3
Dec-18	103.2	105.9	100.0	96.6	103.4	99.3	102.6	111.6	99.6	97.1	100.0	96.4	96.9
Mar-19	102.5	106.9	99.8	94.0	103.7	99.4	102.6	104.7	99.6	99.9	100.0	100.8	96.8
Jun-19	103.2	105.6	99.8	97.1	104.0	99.5	102.6	109.4	99.6	99.9	100.0	100.8	97.6
Sep-19	102.9	105.4	99.8	97.1	103.8	99.5	102.6	109.4	99.6	96.5	100.0	100.8	96.7
Dec-19	103.9	107.1	99.8	97.8	103.7	99.4	102.6	113.1	99.6	96.5	100.3	100.8	95.4

PALAU CPI – QUARTERLY CHANGE ANALYSIS, December 2016 – December 2019

DECEMBER QUARTER KEY POINTS

ALL GROUPS CPI

- Increased by 0.9 percent compare to last quarter.

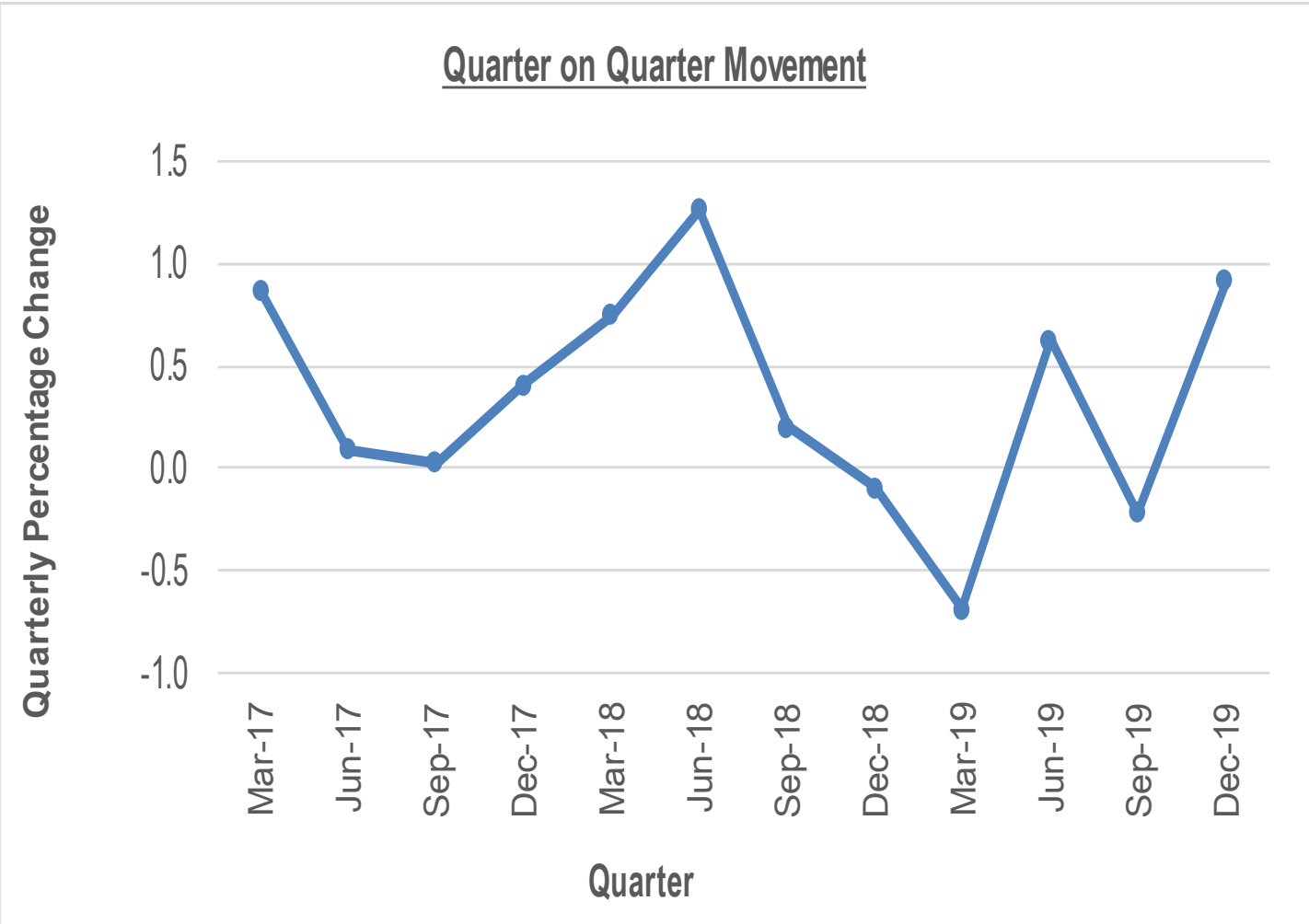
OVERVIEW OF CPI MOVEMENTS

- Groups that saw price increase include Transport group, Food & non-alcoholic beverages group, and Clothing & Footwear group. These changes were mainly due to price change on fuels, bread, cereals and branded T-shirts.

Table 2: Palau CPI Quarterly Change by Major Group, December 2016 – December 2019

Period	All groups	Food and non-alcoholic beverages	Alcoholic beverages, tobacco and narcotics	Clothing and footwear	Housing, water, electricity, gas and other fuels	Furnishings, household equipment and routine household maintenance	Health	Transport	Communication	Recreation and culture	Education	Restaurants and hotels	Miscellaneous goods and services
Dec-16	-0.3	-0.1	-0.4	-4.4	0.0	1.1	0.0	0.4	0.0	0.0	0.0	-0.8	-2.6
Mar-17	0.9	1.6	0.2	0.0	0.7	0.4	0.0	1.3	0.0	0.0	0.0	0.0	2.7
Jun-17	0.1	-0.9	0.3	0.2	0.3	-0.7	0.0	1.4	0.0	2.3	0.0	0.0	-0.8
Sep-17	0.0	0.5	0.0	0.7	0.0	0.6	0.0	-0.7	0.0	-0.6	0.0	0.0	0.0
Dec-17	0.4	1.9	0.0	0.0	0.0	-0.5	0.0	-0.5	0.0	0.0	0.0	0.0	1.6
Mar-18	0.7	0.3	-0.5	1.5	2.7	-1.3	0.2	4.0	0.1	-1.9	0.0	-2.8	-3.4
Jun-18	1.3	3.8	0.0	-0.2	0.3	0.0	2.4	1.3	-1.0	2.1	0.0	0.0	0.9
Sep-18	0.2	-1.2	0.4	-1.8	-0.1	0.0	0.0	3.1	0.6	-4.7	0.0	2.6	0.0
Dec-18	-0.1	-0.1	0.0	0.7	-0.5	-0.2	0.0	0.9	-0.1	0.0	0.0	-2.6	-1.4
Mar-19	-0.7	1.0	-0.2	-2.7	0.3	-0.1	0.0	-1.2	0.0	2.8	0.0	4.6	-0.1
June-19	0.6	-1.2	0.0	3.3	0.2	0.1	0.0	4.5	0.0	0.0	0.0	0.0	0.8
Sep-19	-0.2	-0.2	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	-3.4	0.0	0.0	-0.9
Dec-19	0.9	1.6	0.0	0.7	-0.1	-0.1	0.0	3.4	0.0	0.0	0.3	0.0	-1.3

Figure 1: Palau CPI, Quarterly Change, All Groups, March 2017 – December 2019



PALAU CPI – ANNUAL CHANGE ANALYSIS, 2017 - 2019

ALL GROUPS CPI

- The annual inflation saw a 0.6% over the last 12 months.

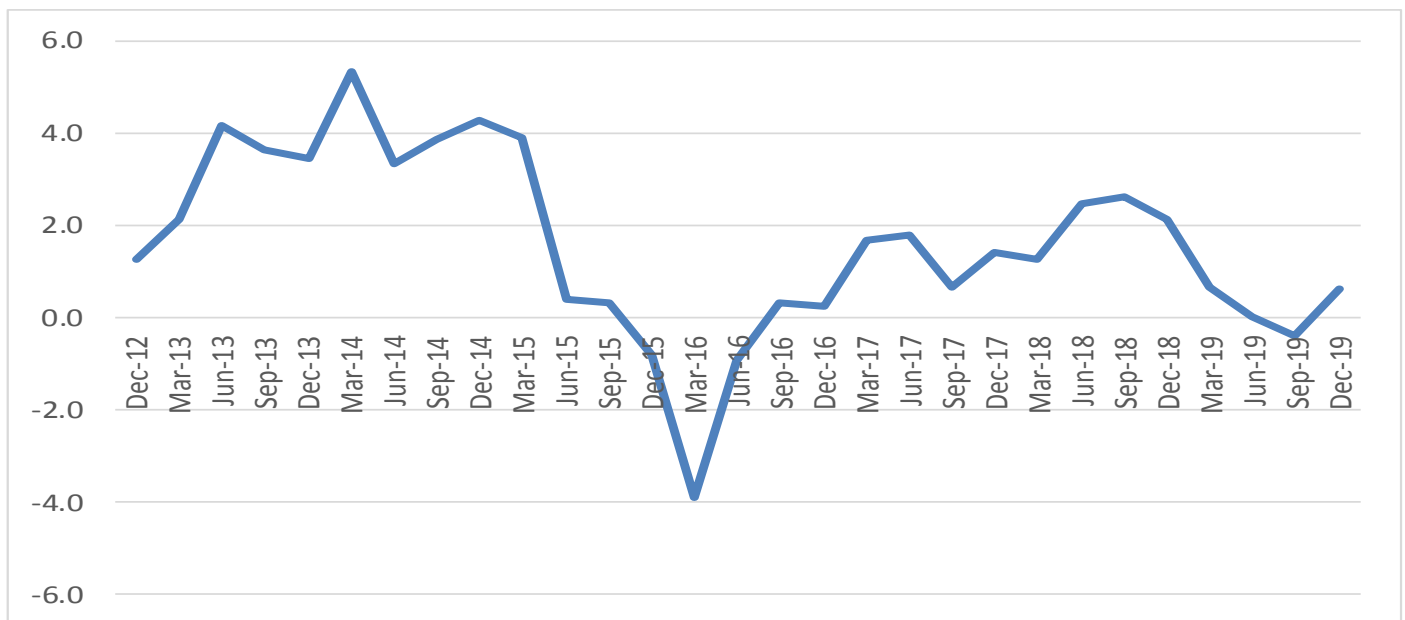
OVERVIEW OF CPI MOVEMENTS

- In the last 12 months, groups that saw increases are Restaurant and Hotels group, Transport group, Clothing and footwear group, Housing, water, electricity, gas, & other fuels group, Education group, and Furnishings, household equipment and routine household maintenance. Items that contributed the most to these groups' increases includes restaurant food take outs, bread, cereals, local fresh fish, and sunflower mackerel. On the other hand, groups that saw decreases are Miscellaneous good and services group and Recreation and Culture group, and Alcoholic beverages, tobacco and narcotics. Mainly due to price decreases on women shampoo and deodorant, and smart TV's.

Table 3: Palau CPI: Annual Change by Major Group, 2017 - 2019

Period	All groups	Food and non-alcoholic beverages	Alcoholic beverages, tobacco and	Clothing and footwear	Housing, water, electricity,	Furnishings, household equipment	Health	Transport	Communication	Recreation and culture	Education	Restaurants and hotels	Miscellaneous goods and services
Sep-17	0.7	1.1	0.0	-3.5	0.8	1.3	0.0	2.4	0.0	1.6	0.0	-0.8	-0.8
Dec-17	1.4	3.1	0.4	0.9	0.9	-0.3	0.0	1.5	0.0	1.6	0.0	0.0	3.4
Mar-18	1.3	1.8	-0.2	2.4	2.9	-1.9	0.2	4.1	0.1	-0.3	0.0	-2.8	-2.7
Jun-18	2.5	6.7	-0.5	2.0	3.0	-1.2	2.6	4.1	-1.0	-0.4	0.0	-2.8	-1.0
Sep-18	2.6	4.9	-0.1	-0.5	3.1	-1.8	2.6	8.1	-0.3	-4.4	0.0	-0.3	-0.9
Dec-18	2.1	2.8	0.0	0.2	2.6	-1.4	2.6	9.5	-0.4	-4.4	0.0	-2.8	-3.8
Mar-19	0.7	3.4	0.3	-4.0	0.2	-0.1	2.4	-1.2	-0.5	0.1	0.0	4.6	-0.5
Jun-19	0.0	-1.6	0.2	-0.6	0.1	0.0	0.0	1.9	0.6	-2.0	0.0	4.6	-0.7
Sep-18	-0.4	-0.6	-0.2	1.2	-0.2	0.0	0.0	-1.1	-0.1	-0.7	0.0	1.9	-1.6
Dec-19	0.6	1.2	-0.2	1.2	0.3	0.1	0.0	1.3	0.0	-0.7	0.3	4.6	-1.5

Figure 2: Palau CPI, Annual Change, All Groups, December 2012 – December 2019



PALAU CPI – DOMESTIC v IMPORTED ITEM ANALYSIS

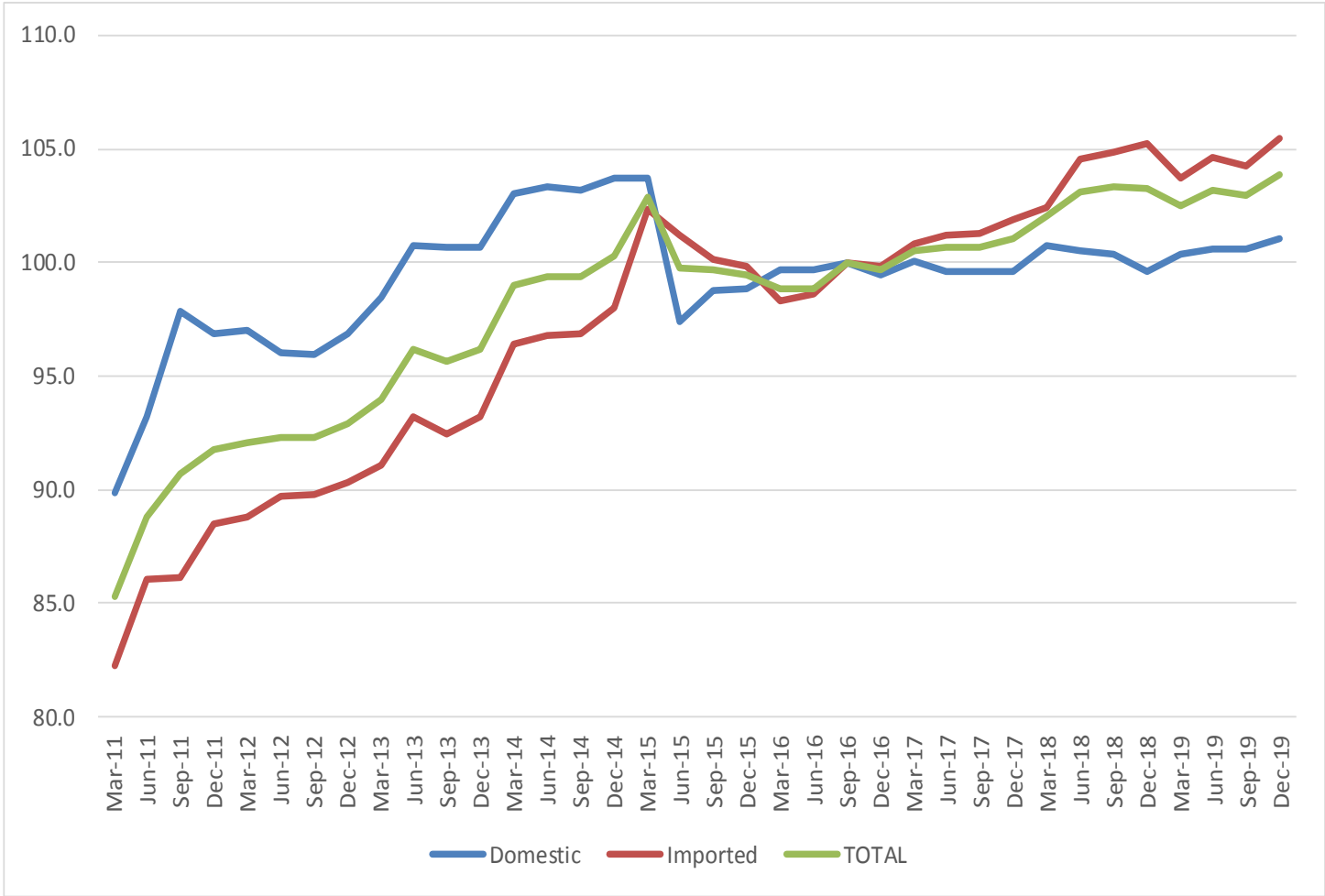
The final analysis section examines the impact of both domestic and imported item on the CPI for Palau. As discussed in the explanatory notes, imported items make up the bulk of household expenditure, accounting for 64 percent in total, with the remaining 36 percent covering expenditure on domestic items.

Both Table 4 and Figure 3 show the change in the index for both groups since the re-base in September 2016. As can be seen from this analysis, during this period, imported items saw increase of 0.2 percent while domestic items increased by 1.5 percent annually.

Table 4: Palau CPI: Domestic v Imported Index, March 2012 – December 2019

Quarter	Domestic	Imported	TOTAL
Mar-12	97.0	88.8	92.0
Jun-12	96.1	89.7	92.3
Sep-12	96.0	89.8	92.3
Dec-12	96.9	90.4	92.9
Mar-13	98.5	91.0	94.0
Jun-13	100.7	93.2	96.1
Sep-13	100.6	92.4	95.6
Dec-13	100.6	93.2	96.1
Mar-14	103.0	96.4	99.0
Jun-14	103.3	96.8	99.3
Sep-14	103.1	96.8	99.3
Dec-14	103.7	98.0	100.2
Mar-15	103.7	102.3	102.9
Jun-15	97.4	101.2	99.8
Sep-15	98.7	100.2	99.7
Dec-15	98.8	99.8	99.4
Mar-16	99.6	98.3	98.9
Jun-16	99.6	98.6	98.9
Sep-16	100.0	100.0	100.0
Dec-16	99.4	99.8	99.7
Mar-17	100.1	100.8	100.5
Jun-17	99.6	101.2	100.6
Sep-17	99.6	101.2	100.7
Dec-17	99.6	101.9	101.1
Mar-18	100.7	102.5	102.0
Jun-18	100.5	104.6	103.1
Sep-18	100.4	104.8	103.3
Dec-18	99.6	105.2	103.2
Mar-19	100.3	103.7	102.5
Jun-19	100.6	104.6	103.2
Sep-19	100.6	104.3	102.9
Dec-19	101.1	105.4	103.9

Figure 3: Palau CPI, Index for Domestic vs. Imported Items, March 2011 – December 2019



Appendix 1: CPI Weights for Major Groups

Group	Weight
TOTAL	100.00%
01 Food and non-alcoholic beverages	23.62%
01.1 Food	20.55%
01.2 Non- alcoholic beverages	3.07%
02 Alcoholic beverages, tobacco and narcotics	17.22%
02.1 Alcoholic beverages	10.18%
02.2 Tobacco	5.97%
02.3 Narcotics	1.07%
03 Clothing and footwear	4.37%
03.1 Clothing	3.85%
03.2 Footwear	0.51%
04 Housing, water, electricity, gas and other fuels	15.13%
04.1 Actual rentals for housing	3.28%
04.3 Maintenance and repair of the dwelling	0.80%
04.4 Water supply and miscellaneous services relating to the dwelling	1.39%
04.5 Electricity, gas and other fuels	9.67%
05 Furnishings, household equipment and routine household maintenance	4.51%
05.1 Furniture and furnishings, carpets and other floor coverings	0.41%
05.3 Household appliances	0.57%
05.4 Glassware, tableware and household utensils	0.42%
05.5 Tools and equipment for house and garden	0.30%
05.6 Goods and services for routine household maintenance	2.81%
06 Health	1.79%
06.1 Medical products, appliances and equipment	0.45%
06.2 Outpatient services	0.63%
06.3 Hospital services	0.71%
07 Transport	15.70%
07.2 Operation of personal transport equipment	13.43%
07.3 Transport services	2.27%
08 Communication	5.03%
08.1 Postal services	0.11%
08.2 Telephone and telefax equipment	0.21%
08.3 Telephone and telefax services	4.71%
09 Recreation and culture	3.03%
09.1 Audio-visual, photographic and information processing equipment	0.49%
09.3 Other recreational items and equipment, gardens and pets	0.49%
09.4 Recreational and cultural services	1.43%
09.5 Newspapers, books and stationery	0.61%
10 Education	1.82%
10.1 Pre-primary and primary education	0.38%
10.2 Secondary education	0.44%
10.4 Tertiary education	0.99%
11 Restaurants and hotels	3.24%
11.1 Catering services	3.24%
12 Miscellaneous goods and services	4.53%
12.1 Personal care	3.09%
12.3 Personal effects n.e.c.	0.31%
12.6 Financial services n.e.c.	0.88%
12.7 Other Services n.e.c.	0.25%

Appendix 2: Examples of items being priced

Major Group	Examples of Items Priced
Food and non-alcoholic beverages	Fresh fish, Frozen chicken, Canned beef, Onions, Taro, Rice, Flour, Bread, Oil, Soya sauce, Milk, Egg, Soft drink, Coffee
Alcoholic beverages, tobacco and narcotics	Cigarettes, Beer, Wine, Spirits, Betelnut
Clothing and footwear	Jeans, T-shirt, Shorts, Sport shoes
Housing, water, electricity, gas and other fuels	Rent, Electricity bill, Water bill, LP Gas
Furnishings, household equipment and routine household maintenance	Sofa set, Refrigerator, Washer, Laundry soap, Housekeeping services
Health	Pain reliever, Outpatient consultation fee, Physical exam fee
Transport	Gasoline, Diesel, Car hire, Airfare, Boat hire
Communication	Mobile phone, PO Box rental charge
Recreation and culture	Television set, Toys, Dog food, Cat food, Books
Education	Private school fee, College enrollment fee
Restaurants and hotels	Fried chicken take-out, Cheeseburger, Bento
Miscellaneous goods and services	Haircut, Shampoo, Toothpaste, Bath soap, Diapers, Toilet paper, Attorney's fee