Meeting of Group of Experts on Consumer Price Indices

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Geneva
Kiribati CPI Weights: A Review of Household Expenditure Data

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Introduction

• Kiribati is an island nation scattered across thousands of miles of the pacific ocean

• Household expenditure and income survey periodically done across all the islands

• Data collection is a daunting exercise challenged by geography and limited personnel to cover all islands
Current CPI

- Base period is 1996
- 1996 HIES survey was done to generate weights
- Food expenses dominate household consumption expenditure
1996 HIES Weights

- Food: 52%
- Alcohol & Tobacco: 11%
- Drinks: 10%
- Housing: 4%
- Transport: 6%
- Clothing: 1%
- Education: 5%
- Recreation: 4%
- Utilities: 3%
- Household Operations: 4%
Current CPI

• Another HIES was done in 2006
  • New weights generated
  • Methodology and coverage similar
  • Some questions on the results
    • Kiribati NSO decided not use 2006 weights
2006 HIES Weights

- Food: 52%
- Alcohol & Tobacco: 11%
- Drinks: 10%
- Housing: 4%
- Utilities: 3%
- Transport: 6%
- Clothing: 1%
- Education: 5%
- Recreation: 4%
- Household Operations: 4%
Effects of change in weights on CPI

-2  -1.5  -1  -0.5  0  0.5  1

Aug-11  Sep-11  Oct-11  Nov-11  Dec-11  Jan-12

-0.5  0.8  0.7  -0.6  0.3

2006 Weights (Inflation)
1996 Weights (Inflation)
Key issues

- Other factors assumed constant to affect CPI i.e. substitution effects, seasonality, quality adjustments;
  - Their effects cannot be completely ignored
- HIES have critical issues that should be considered carefully when updating CPI weights
  - Survey errors of all forms
- Commodity flow techniques
  - Trade statistics
- Initiatives to standardise HIES methods across Pacific Island countries