

# COST OF LIVING

ASG, ECONOMIC DEVELOPMENT PLANNING OFFICE, RESEARCH AND STATISTICS DIVISION, PAGO PAGO AMERICAN SAMOA 96799

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## THE AMERICAN SAMOA CONSUMER PRICE INDEX.

The American Samoa Consumer Price Index (CPI) is designed to measure changes in prices of commodities and services normally purchased by the consuming community. The American Samoa CPI (like the U.S. CPI) is based on the concept of representative "market basket," a sample of goods and services that the consumer purchases. The CPI was first developed during the early part of 1974. The selection of weights distribution was based on "General Statement of Articles of Import of Merchandise into American Samoa from July 1970 - June 1971". The weight distributions was later updated using household expenditure patterns derived from a household income and expenditure survey conducted by EDPO in 1982.

A total of approximately 215 items are divided into 5 major groups and sub-groups, and indices are computed at different levels of aggregations.

### CPI GROUPS AND WEIGHTS

Group	Group Weights	No. of Items Allocated
Food	460	93
Housing	190	44
Clothing	65	16
Transportation	135	17
Miscellaneous	150	45
	1,000	215

The index uses a system which is known as Modified Laspeyres. This gives exactly the same result as an ordinary Laspeyres index, but the method of calculation is different. The formula for the Modified Laspeyres Index can be written as:

$$I_n = E(W_{n-1} \times P_n / P_{n-1})$$

where  $I_n$  is the value of the index in the current period (i.e. period 'n'),  $W_{n-1}$  is the weight (or index value) of each item in the previous period (i.e. in period 'n-1'), and the fraction  $P_n/P_{n-1}$  is the price relative for each item, between the current price ( $P_n$ ) and the price in the previous quarter ( $P_{n-1}$ ).

Close the 800 price quotations are collected during the middle month of each quarter for computing the CPI. The total number of business and government outlets included in the collection and construction of the CPI is approximately 51, ranging from major retail outlets and grocery stores to a variety of services establishments such as gas stations, snack bar and government utility offices.

### Interpreting index changes.

In compiling the CPI, price movement for the different component items are combined using WEIGHTS, which represent the relative importance of each of the components to total expenditure of the population.

In determining price relatives, average prices of the selected consumer basket are matched to previous prices to get actual movements. These price relatives are then multiplied by the previous expenditure weights to derive new expenditure weights. These weights are then combined into composite expenditure groups and sub-groups.

A price change can be expressed as a percentage change between two periods. It can also be expressed as a difference in index points between a given period and a base period ( which is assigned an index of 100.0).

**FOURTH QUARTER 1994 - INDEX.**

**Rate of inflation measured at the end of the fourth quarter 1994 was 1.3 percent.**

The overall index for the fourth quarter of 1994 (October to December) registered at 144.7 index points; an increase of about 0.4 percent from the previous quarter.

**Food Group: +0.4%**

Increases recorded for meat, fruits and vegetables, cereal, bakery products and beverages contributed to this slight increase in the Food Group.

**Housing Group: -0.1%**

Housing Group decreased slightly due the lower prices of dishwashing liquids, insect spray and other housekeeping supplies.

**Clothing Group: -0.5%**

There was a slight decline in this group alone, due to lower prices of mens sports shirt and singlet t-shirts.

**Transportation Group: +1.2%**

Increase in the cost of new vehicles contributed to this rise in transportation. in this quarter.

**Miscellaneous Group: +0.5%**

Miscellaneous group increased due to higher cost in tobacco and other miscellaneous items.

**CONSUMER PRICE INDEX  
FOURTH QUARTER 1994  
COMPARATIVE INDEX ANALYSIS**

	All Items	Food	Housing	Clothing	Transport	Miscellaneous
4 Qrt 1993	142.9	134.5	133.1	159.5	158.8	159.4
1 Qrt 1994	143.1	135.1	130.9	161.5	158.3	161.6
2 Qrt 1994	143.4	133.8	131.9	161.1	167.8	157.7
3 Qrt 1994	144.1	134.3	132.9	164.3	168	157.9
4 Qrt 1994	144.7	134.9	132.8	163.4	170.1	158.7
% Change	0.4	0.4	-0.1	-0.5	1.2	0.5

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