



Press Release

December Quarter 2008 Consumer Price Index

The underlying Consumer Price Index CPI rose by 0.6 per cent in the December quarter, compared to 2.9 per cent in the September quarter, to be 10.3 per cent higher through-the-year. The headline CPI rose by 0.9 per cent in the December quarter, compared to 3.2 per cent in the September quarter, to be 11.2 per cent higher in through-the-year terms.

The slight easing in CPI inflation in the December quarter 2008 was driven largely by the significant decline in oil prices. However, we are yet to see the full pass through of the appreciation of the Kina in the second half of 2008 especially to other consumer prices against the Australian dollar. The government is keen to see inflation continue to ease in 2009 particularly food prices where it would appear that there is some scope for wholesalers and retailers to reduce prices.

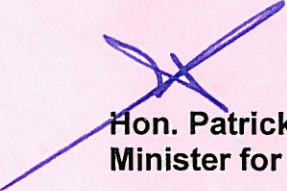
Overall, inflation in 2008 in year-average terms was 10.7 per cent as recorded by the National Statistical Office (NSO), compared to the 2009 Budget forecast of 10.6 per cent.

An easing of inflationary pressures in the December quarter 2008 is welcomed following high inflationary outcomes earlier in 2008. However, this easing is due largely to a reversal of the international drivers of inflation, as domestic inflationary pressures remain strong. Over three quarters of the CPI expenditure subgroups recorded above-trend increases in the December quarter.

The prices of imported (or tradeable) goods increased by 9.2 per cent in the year to the December quarter 2008, down from 12.1 per cent in the year to the September quarter 2008. Non-tradable inflation grew by 13.6 per cent in the year to the December quarter, a little below the 15.1 per cent recorded in the year to the September quarter.

All regions recorded price increases in the December quarter. Lae recorded the highest inflation rate of almost 20 per cent in the December quarter 2008 followed by Rabaul with 12 per cent.

Monetary and credit growth are at very high rates, indicating that the Central Bank will need to remain vigilant in the operation of monetary policy. It is very important that the Government and Bank of PNG work together to get inflation back to low and stable rates.



Hon. Patrick Pruaitch, MP
Minister for Treasury and Finance