

REPUBLIC OF RWANDA



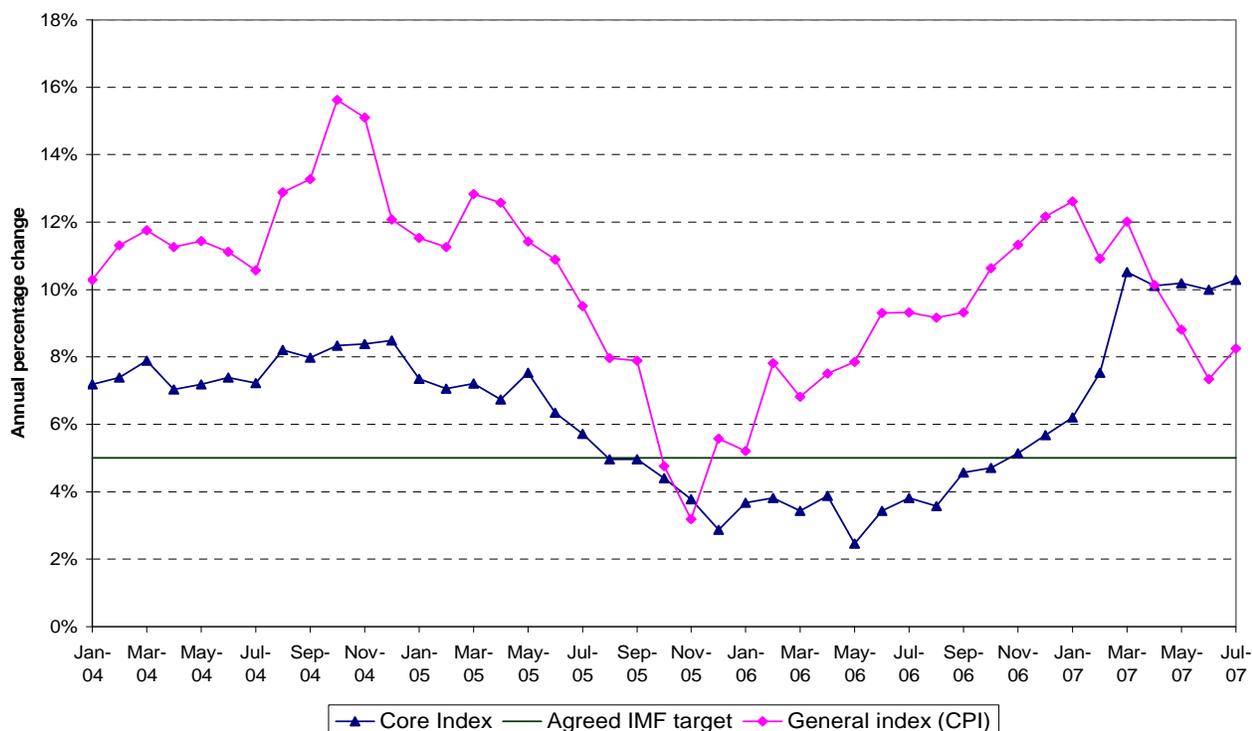
NATIONAL INSTITUTE OF STATISTICS OF RWANDA

CONSUMER PRICE INDEX (C.P.I.)
Kigali – July 2007
CAUTION

The National Institute of Statistics of Rwanda is very pleased to deliver to users the new Consumer Price Index (CPI) based in 2003 that replaces the previous one which was based in 1989. **The Index is published every month by the 15th.**

The **Consumer Price Index (CPI)** in July has risen **0.83%** compared to last month. The annual inflation rate now stands at **8.25%**, (July 2007 compared to July 2006). The **core inflation** – which excludes fresh produce and energy prices – went up slightly over the month by **0.46%**, and now stands at **10.29%** as compared to July 2006.¹

Annual changes (Comparison with the same month of the previous year)



The main upward pressure on monthly changes was a result of rising *food and non-alcoholic beverages* prices,

¹ Core inflation is a measure of inflation which excludes items that face volatile price movements. Therefore, it records the underlying movement of prices in the economy without taking into account the large swings in prices of seasonal food production and any prices shocks to energy.

(+1.20%). In particular the price of *vegetables* went up by 3.12%. These prices have been affected primarily by the lack of supplies as a low season B output has combined with the previous low season A. Information from MINAGRI suggests that the production from season B fell by 3.7% as compared to 2006 season B; thus resulting in an overall crop harvest for 2007 3.8% lower than in 2006. Please note that the CPI definition of *vegetables* includes *Irish potato*. Production of *Irish potato* reduced substantially in the season B and thus had a large effect on the pricing levels, which this month rose by 9%.

This month there was downward pressure on general prices sourced from *Hotels and restaurants* falling 3.38%.

Changes over the year show upward pressure driven mostly by *housing, water, electricity, gas and other fuels*. This is largely due to rising prices of rents (+54.2%), water (+34.3%).

The table below gives more in depth information on the price movements throughout the past months and year:

Base 100: 2003

	Divisions ❖ Groups	Weights	Indices for the following months:					Changes in % over		
			July 06	Apr 07	May 07	June 07	July 07	1 month	3 months	12 months
	GENERAL INDEX	10 000	133.4	145.9	143.9	143.2	144.4	0.83	-1.06	8.25
01	Food and non-alcoholic beverages	3 709	147.0	157.6	150.9	148.8	150.6	1.20	-4.44	2.43
0111	❖ Bread and cereals	625	147.4	154.2	151.1	147.9	146.0	-1.30	-5.31	-0.95
0112	❖ Meat	345	121.8	119.2	118.4	119.5	119.8	0.24	0.54	-1.68
0113	❖ Fish	114	142.2	155.2	154.0	153.7	154.7	0.67	-0.35	8.77
0117	❖ Vegetables	1 332	161.9	185.4	168.4	164.3	169.4	3.12	-8.62	4.67
012	❖ Non-alcoholic beverages	180	125.4	131.1	131.0	131.9	131.7	-0.13	0.49	5.05
02	Alcoholic beverages and tobacco	221	115.2	126.8	127.8	127.9	129.0	0.84	1.71	11.98
03	Clothing and footwear	500	106.8	104.2	103.8	104.6	108.5	3.80	4.16	1.65
04	Housing, water, electricity, gas and other fuels	1 579	157.4	187.9	191.7	191.3	192.5	0.66	2.44	22.29
05	Furnishing, household equipment and routine household maintenance	764	116.5	118.0	119.1	118.9	119.7	0.60	1.42	2.67
06	Health	708	107.5	122.7	122.5	122.2	123.0	0.61	0.25	14.46
07	Transport	987	114.5	123.2	123.4	123.5	123.6	0.11	0.39	8.02
08	Communication	37	110.1	135.3	135.3	135.3	135.3	0.00	0.00	22.90
09	Recreation and culture	206	113.1	108.5	107.0	107.6	107.7	0.10	-0.71	-4.77
10	Education	432	139.5	156.5	155.8	155.9	156.1	0.11	-0.27	11.91
11	Restaurants and hotels	273	115.1	144.5	148.0	148.6	143.6	-3.38	-0.59	24.79
12	Miscellaneous goods and services	584	109.5	111.1	106.3	107.8	109.8	1.84	-1.16	0.26

Month	July 06	Aug 06	Sept 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07	May 07	June 07	July 07
Index (2003=100)	133.4	134.8	136.2	136.4	135.7	137.0	140.0	142.9	146.4	145.9	143.9	143.2	144.4
Annual changes	9.3	9.1	9.3	10.6	11.3	12.1	12.61	10.9	12.0	10.1	8.8	7.3	8.3

The table below can explain the recent price movements in the economy by looking at different sources of inflation. It shows that 'local goods' are inflationary, contrary to those which are 'imported'; over the past year (July 2007 to July 2006) we see an **11.59%** increase in locally produced goods compared to **0.25%** fall for imported goods. This is important when considering that locally produced goods account for 70% of the basket of goods and services included in the CPI calculations, and imports are only 30%. This table also highlights that 'fresh produce' prices rose **3.80%** as compared to July 2006. This is very unusual, for recent trends show 'fresh produce' prices with very high annual rates, sometimes reaching 35% (January 2007). These high rates started going down in February this year.

In addition, this month's prices have shown an increase in both *fresh products* and *locally produced* goods, by **1.87%** and **1.00%**, respectively. Last month, these rates were in negative territory (-7.68% and -1.83% respectively) and, today, they are the reversal of a trend of negative rates that started last February. This may be related to increased supplies of fresh produce from the season B then followed by the reduction of said supplies due to low output. The *energy* index went up by 1.09% over the month.

Underlying, Imported and Other Indices

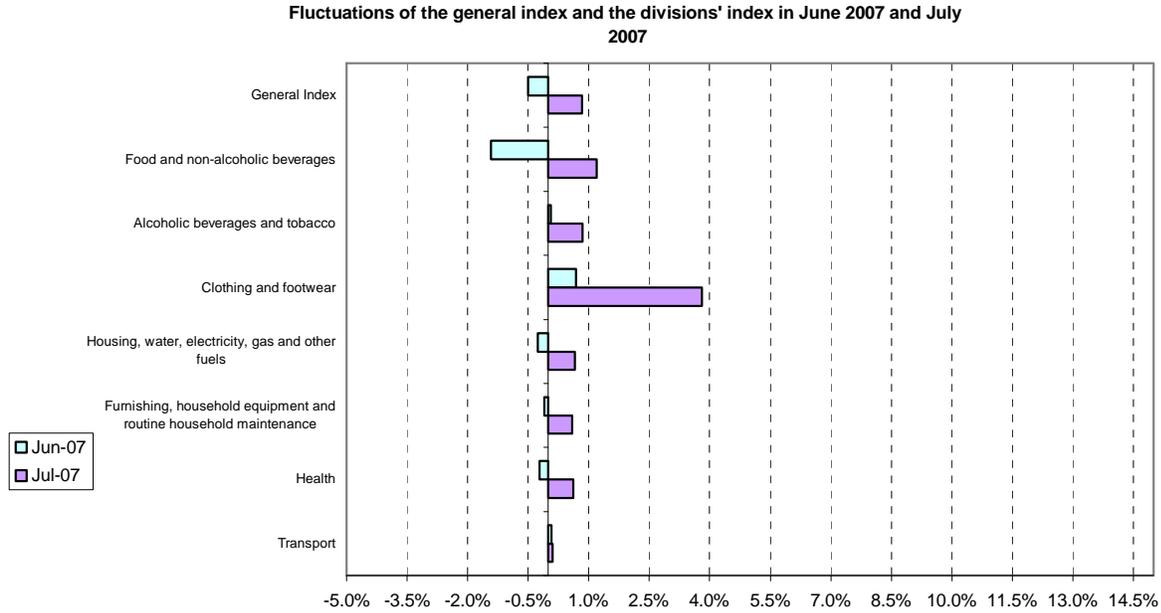
	Weights	Indices for the following months:				Changes in % over:			
		Jul-06	Apr-07	May-07	Jun-07	Jul-07	1 month	3 months	12 months
General Index	10 000	133.4	145.9	143.9	143.2	144.4	0.83	-1.06	8.25
Local Goods Index	6 956	137.2	155.2	152.4	151.6	153.1	1.00	-1.39	11.59
Food and non-alcoholic beverages	2 627	150.6	165.6	155.5	153.3	155.7	1.56	-5.97	3.39
Housing, water, electricity, gas and other fuels	1 501	155.9	187.9	192.0	191.1	192.5	0.70	2.45	23.50
Transport	698	105.6	114.2	114.2	114.2	114.2	0.00	0.01	8.10
Imported Goods Index	3 044	123.7	123.3	123.3	122.7	123.4	0.61	0.10	-0.25
Food and non-alcoholic beverages	1 082	137.1	137.5	139.3	136.8	136.9	0.10	-0.43	-0.17
Furnishing, household equipment	533	115.1	114.7	117.7	118.3	118.3	0.04	3.17	2.83
Transport	289	135.3	145.0	145.4	145.7	146.2	0.32	0.83	8.08
Kigali Index	7 679	132.2	144.0	142.3	141.6	142.5	0.65	-1.01	7.83
Provinces Index⁽¹⁾	2 321	137.2	152.5	149.3	148.4	150.6	1.42	-1.30	9.71
Fresh Products⁽²⁾ index	1 829	158.9	180.2	166.3	161.9	164.9	1.87	-8.48	3.80
Energy index	761	219.4	223.1	230.5	228.5	231.0	1.09	3.51	5.28
General Index excluding fresh Products and energy⁽³⁾	7 410	118.2	129.5	129.5	129.8	130.4	0.46	0.68	10.29

(1) This is the national index without Kigali

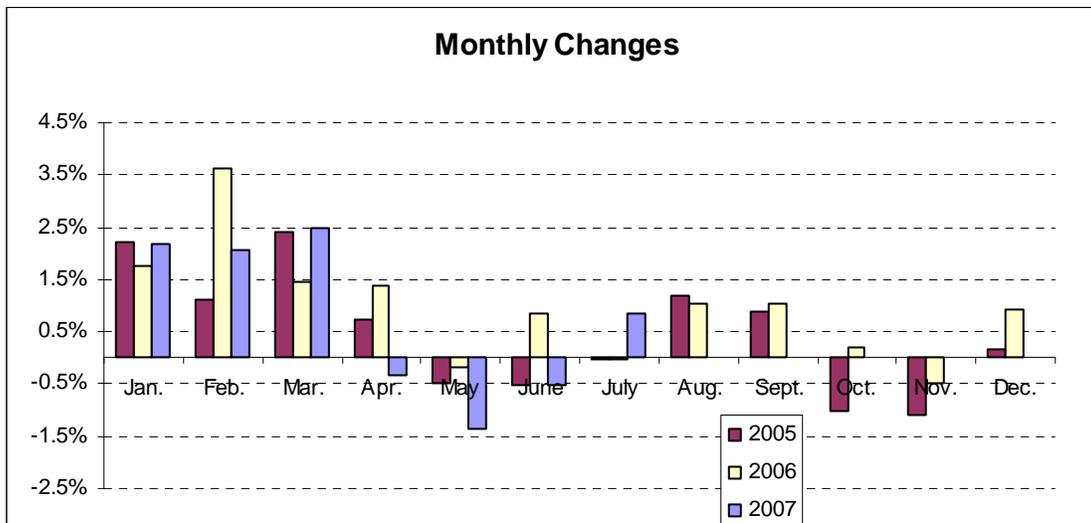
(2) Fresh products are food products which have seasonal fluctuations

(3) Proxy for underlying inflation

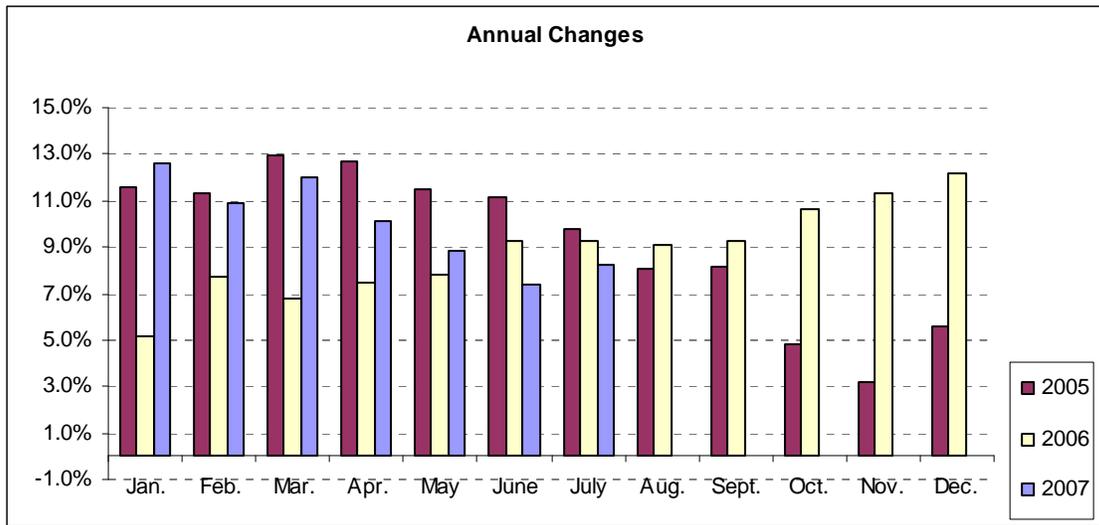
The figure below shows the monthly price fluctuations in the CPI. It highlights that the price of *food and non-alcoholic beverages* in July have increased, contrary to the previous month. The largest increase was sourced from clothing and footwear, rising 3.8% over the month.



As can be seen in the monthly changes chart below, by comparison the July monthly inflation rate this month is the highest of the last 3 years.



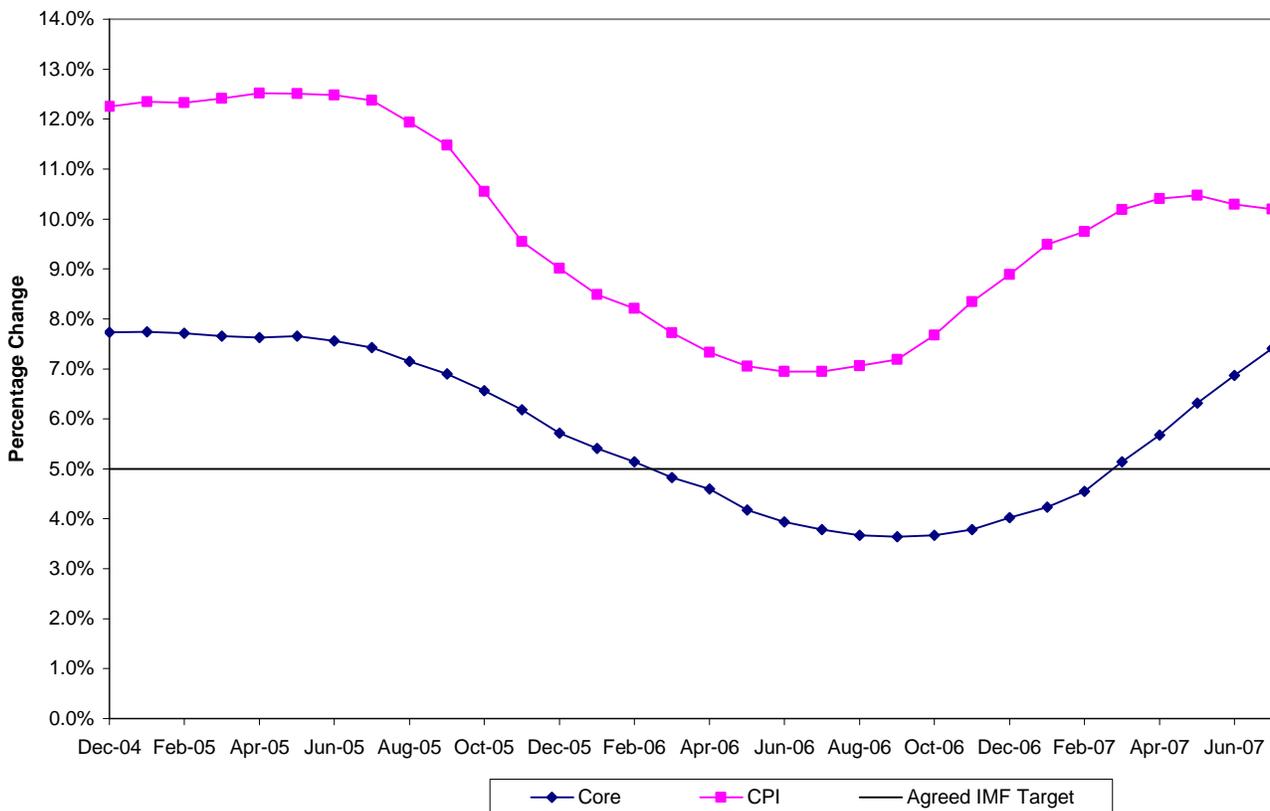
The chart below records the annual change in the CPI and thus shows that price levels in July 2007 compared to July 2006 are **8.25%** higher. This rate is a rise from the **7.3%** in June 2007 but it is the lowest July annual change in three years.



CPI and Core Inflation (Annual Average Percentage Change)

In July 2007 the average index of the last twelve months (August 2006 to July 2007) increased by 10.2% compared to the average index of the previous twelve months (August 2005 to July 2006).

CPI and Core Inflation (Annual Average Percentage Change)



The annual average **CPI** has risen to 10.2% in July, however the rate of increase is falling. Driving this rise has been the increase in the price index for '*food and non-alcoholic beverages*', which contributed 4.89% to the overall annual average CPI. Disaggregating further the increase can be attributed to the price of vegetables, which contributed 3.23%.

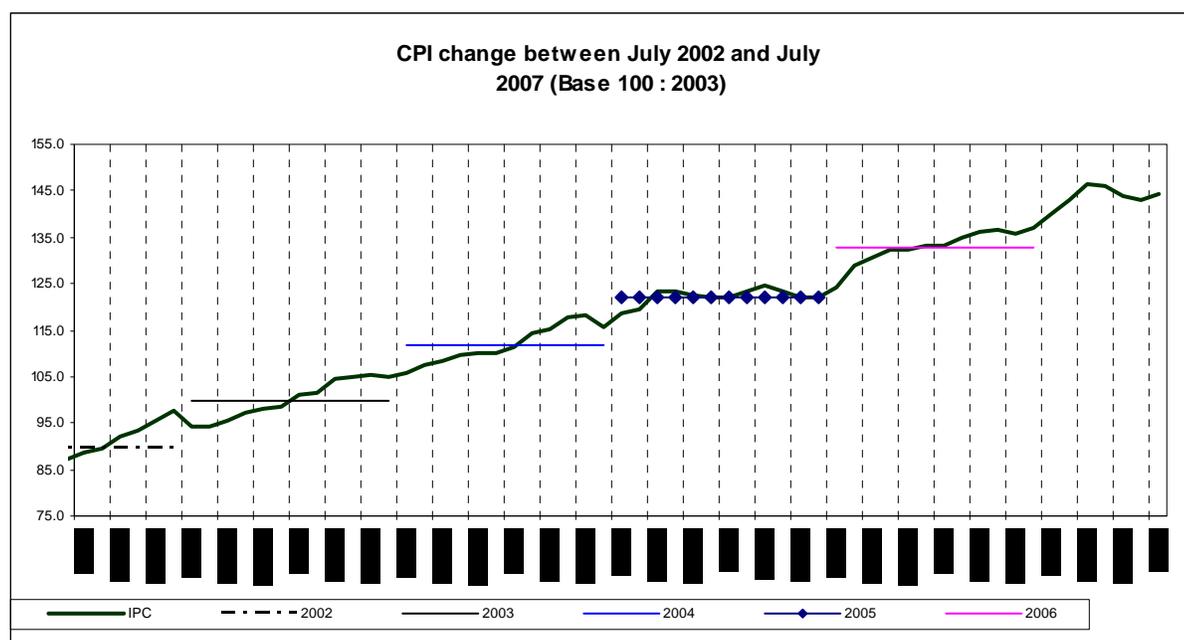
'*Housing, water, gas and other fuels*' has been another significant factor increasing annual average **CPI** and **core inflation**. The rise associated with '*housing, water, gas and other fuels*' contributed 2.88% to the overall CPI and has been sourced to: rising rents in Kigali; a water tariff increase in January 2007; the continuing effect of the rise of the electricity tariff in December 2005 (not included in core); and the rise in price of charcoal due to governmental environmental policy attempting to prevent deforestation (not included in core).

The table below shows the evolution of these indicators over time. On a monthly basis the annual average inflation rate fell by 0.1 percentage point while the core increased by 0.5 percentage points.

Evolution (over 12 months) of the rate of inflation (%)⁽¹⁾

MONTH	Jul. 06	Aug. 06	Sept. 06	Oct. 06	Nov. 06	Dec. 06	Jan. 07	Feb. 07	Mar. 07	Apr. 07	May 07	Jun. 07	Jul. 07
CPI	7.0	7.1	7.2	7.7	8.3	8.9	9.5	9.8	10.2	10.4	10.5	10.3	10.2
Core / Underlying	3.8	3.7	3.6	3.7	3.8	4.0	4.2	4.5	5.1	5.7	6.3	6.9	7.4

(1) In July 2007 the average index of the last twelve months (August 2006 to July 2007) increased by 10.2% compared to the average index of the previous twelve months (August 2005 to July 2006).



The figure above shows the time series of the general price index with horizontal lines identifying annual averages.

The next table shows a summary of the average annual indices and inflation rates over the past three years:

Annual Average Indices and Annual Average Inflation Rates Over the Past 3 Years

Year	2004	2005	2006
General Index Excluding Fresh Products and Energy	107.6	113.7	118.3
Imported Products Index	110.9	119.2	122.5
CPI	112.0	122.1	132.9
Core inflation	7.7%	5.7%	4.0%
Imported inflation	10.9%	7.4%	2.8%
General inflation	12.3%	9.0%	8.9%

The following two tables contain time series data:

Underlying Inflation

	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
General index excluding fresh products and energy	113.9	114.3	114.6	114.2	114.0	114.1	116.0	116.6	117.1	117.6	117.5	118.0
Monthly change (in %)	-0.17	0.40	0.19	-0.28	-0.20	0.04	1.74	0.46	0.43	0.47	-0.10	0.41
Annual underlying inflation rate (in %) ⁽⁴⁾	7.4	7.2	6.9	6.6	6.2	5.7	5.4	5.1	4.8	4.6	4.2	3.9

	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
General index excluding fresh products and energy	118.2	118.4	119.8	119.6	119.9	120.5	123.2	125.4	129.4	129.5	129.5	129.8
Monthly change (in %)	0.20	0.16	1.15	-0.14	0.21	0.56	2.25	1.72	3.22	0.10	-0.04	0.25
Annual underlying inflation rate (in %) ⁽⁴⁾	3.8	3.7	3.6	3.7	3.8	4.0	4.2	4.5	5.1	5.7	6.3	6.9

	Jul-07
General index excluding fresh products and energy	130.4
Monthly change (in %)	0.46
Annual underlying inflation rate (in %) ⁽⁴⁾	7.4

⁽⁴⁾In July 2007 the average index of the last twelve months (August 2006 to July 2007) increased by **7.4%** compared to the average index of the previous twelve months (August 2005 to July 2006)

Imported Inflation

	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Imported products index	119.2	119.8	120.5	119.2	118.6	118.7	118.8	119.3	120.8	122.0	123.1	123.4
Monthly change (in %)	-0.95	0.58	0.53	-1.02	-0.56	0.08	0.09	0.39	1.27	0.98	0.95	0.25
Annual imported inflation rate (in %) ⁽⁵⁾	-	-	-	-	-	7.4	6.6	5.8	5.2	4.6	3.9	3.3

	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
Imported products index	123.7	124.1	123.9	123.2	123.9	124.1	124.9	125.7045	124.928	123.3167	123.3	122.7
Monthly change (in %)	0.27	0.29	-0.18	-0.54	0.57	0.13	0.65	0.65	-0.62	-1.29	0.00	-0.50
Annual imported inflation rate (in %) ⁽⁵⁾	3.0	2.8	2.5	2.4	2.6	2.8	3.2	3.5	3.6	3.5	3.4	3.1

	Jul-07
Imported products index	123.4
Monthly change	+0.61
Annual imported inflation rate (in %) ⁽⁵⁾	2.7

⁽⁵⁾In July 2007 the average index of the last twelve months (August 2006 to July 2007) increased by **2.7%** compared to the average index of the previous twelve months (August 2005 to July 2006)

METHODOLOGICAL NOTICE

The Consumer Price Index is a Laspeyres index that covers household consumption as it is used by national accounts. The reference population for the CPI consists of all households living in urban areas in Rwanda.

The housewife basket includes 438 products observed in many places spread all over the administrative centers of all provinces in Rwanda. All kinds of places of observation are selected: shops, markets, services, etc. More than 25,000 prices are collected every month by enumerators of the National Institute of Statistics of Rwanda and of the National Bank of Rwanda.

The base year for the CPI is the year 2003.

The weights used for this new index are the result of the Household Living Conditions Survey (EICV) conducted in 2000-2001 with a sample of 6,450 households.

The splicing with the old index is feasible using the splicing coefficient of 3.889. If you divide the old index by this coefficient, you will be able to make comparisons with the new index based in 2003.

Additional methodological documentation can be obtained at the National Institute of Statistics of Rwanda, Economic Statistics Department.

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