

## REPUBLIC OF RWANDA



MINISTRY OF FINANCE AND ECONOMIC PLANNING  
NATIONAL INSTITUTE OF STATISTICS OF RWANDA

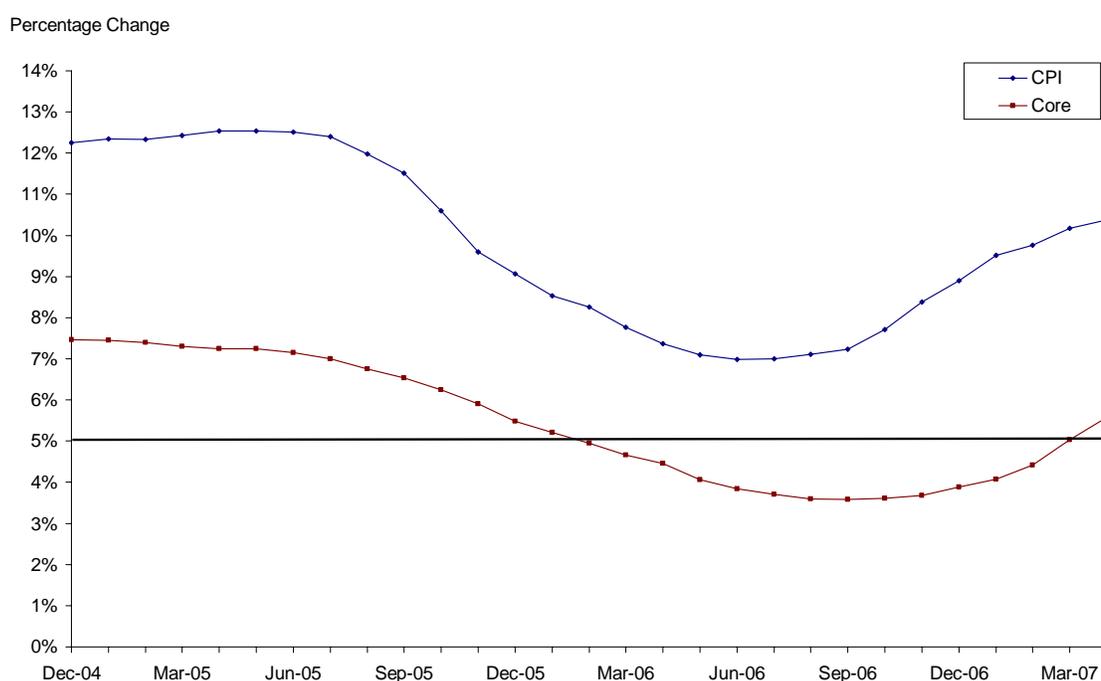
**CONSUMER PRICE INDEX (C.P.I.)**  
**Kigali – April 2007**

**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)** has continued its upturn in April, although at a slower rate, with the annual average rising to **10.4%** from 10.2% in March. The annual average **core inflation** – which excludes fresh produce and energy prices - stands at **5.6%** at end April (up from 5.0% last month). Figure 1.1 shows the evolution of these indicators over time. On a monthly basis the CPI fell by 0.23% while the core increased slightly by 0.03%.

Figure 1.1 - CPI and Core Inflation (Annual Average Percentage Change)



**Note: the 5% line indicates the IMF target for inflation in Rwanda**

The increase in the **CPI** has been mainly a result of a rise in the price index for 'food and non-alcoholic beverages', which contributed 5.5% to overall inflation. Disaggregating further the increase can be attributed to a short fall in crop production in season A (from September 2006 to February 2007), particularly affected the price of vegetables, which contributed 3.5% to the annual average change in the CPI.

'Housing, water, gas and other fuels' and 'health' are two other significant factors increasing **CPI** and **core inflation**. The rise associated with 'housing, water, gas and other fuels' contributed 2.9% 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).

'Education' and 'Transport' have also provided upward pressure on prices. A one-off rise in school fees implemented in January has contributed 0.7% to the CPI. The price of 'transport' has contributed 0.5% of which most can be accounted for by rising prices of lubricants.

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

MONTH	Apr. 06	May 06	Jun. 06	Jul. 06	Aug. 06	Sept. 06	Oct. 06	Nov. 06	Dec. 06	Jan. 07	Feb. 07	Mar. 07	Apr. 07
CPI	7.4	7.1	7.0	7.0	7.1	7.2	7.7	8.4	8.9	9.5	9.8	10.2	10.4
Core / Underlying	4.5	4.1	3.8	3.7	3.6	3.6	3.6	3.7	3.9	4.1	4.4	5.0	5.6

As mentioned above, in April 2007 the average index of the last twelve months (May 2006 to April 2007) increased by 10.4% compared to the average index of the previous twelve months (May 2005 to April 2006).

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.

	Weights	Indices for the following months:				Changes in % over:			
		Apr-06	Jan-07	Feb-07	Mar-07	Apr-07	1 month	3 months	12 months
<b>General Index</b>	<b>10 000</b>	132.6	140.0	142.8	146.2	145.9	-0.23	4.17	10.00
<b>Local Goods Index</b>	<b>6 956</b>	137.0	147.6	151.1	156.2	155.1	-0.76	5.06	13.22
Food and non-alcoholic beverages	<b>2 627</b>	145.8	162.0	166.6	166.9	165.8	-0.70	2.33	13.71
Housing, water, electricity, gas and other fuels	<b>1 501</b>	164.2	166.5	166.2	189.6	187.9	-0.93	12.84	14.42
Transport	<b>698</b>	106.9	113.8	113.8	114.0	114.2	0.15	0.28	6.82
<b>Imported Goods Index</b>	<b>3 044</b>	121.9	124.9	126.0	125.4	123.5	-1.47	-1.12	1.30
Food and non-alcoholic beverages	<b>1 082</b>	134.6	138.3	139.5	140.2	137.4	-2.00	-0.60	2.08
Furnishing, household equipment	<b>533</b>	114.8	114.4	114.2	114.8	114.7	-0.14	0.25	-0.09
Transport	<b>289</b>	135.8	142.6	143.9	144.5	145.0	0.37	1.68	6.79
<b>Kigali Index</b>	<b>7 679</b>	131.8	137.4	140.2	144.3	144.0	-0.19	4.80	9.25
<b>Provinces Index<sup>(1)</sup></b>	<b>2 321</b>	135.1	148.9	151.8	152.8	152.3	-0.34	2.26	12.74
<b>Fresh Products<sup>(2)</sup> index</b>	<b>2 186</b>	148.5	167.7	174.1	175.0	174.1	-0.52	3.81	17.25
<b>Energy index</b>	<b>761</b>	233.3	223.0	221.9	225.3	223.1	-0.97	0.04	-4.35
<b>General Index excluding fresh Products and energy<sup>(3)</sup></b>	<b>7 053</b>	116.8	122.5	124.6	128.7	128.8	0.03	5.13	10.23

(1) This is the national index without Kigali

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

(3) Proxy for underlying inflation

The table above can explain the recent price movements in the economy by looking at different sources of inflation. It shows that *'local goods'* are more inflationary than those which are *'imported'*; over the past year (April 2007 to April 2006) we see a 13% increase in locally produced goods compared to 1% rise 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 again food is the driving force behind general inflation; with *'fresh produce'* prices rising 17% as compared to April 2006.

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		
			Apr 06	Jan 07	Feb 07	Mar 07	Apr 07	1 month	3 months	12 months
	<b>GENERAL INDEX</b>	<b>10 000</b>	132.6	140.0	142.8	146.2	145.9	-0.23	4.17	10.00
<b>01</b>	<b>Food and non-alcoholic beverages</b>	<b>3 709</b>	142.6	155.1	158.8	159.2	157.7	-0.99	1.62	10.57
0111	❖ Bread and cereals	625	144.8	154.7	155.4	155.1	154.0	-0.67	-0.45	6.35
0112	❖ Meat	345	120.5	125.6	120.4	121.0	119.2	-1.54	-5.12	-1.10
0113	❖ Fish	114	146.6	141.3	143.9	154.0	154.7	0.45	9.52	5.51
0117	❖ Vegetables	1 332	152.0	176.5	187.2	186.8	185.4	-0.71	5.07	21.96
<b>012</b>	<b>❖ Non-alcoholic beverages</b>	<b>180</b>	125.5	125.7	130.9	129.7	132.7	2.26	5.59	5.73
<b>02</b>	<b>Alcoholic beverages and tobacco</b>	<b>221</b>	114.9	119.2	131.6	127.5	126.7	-0.65	6.30	10.30
<b>03</b>	<b>Clothing and footwear</b>	<b>500</b>	105.7	105.8	106.3	104.0	104.0	-0.01	-1.67	-1.58
<b>04</b>	<b>Housing, water, electricity, gas and other fuels</b>	<b>1 579</b>	164.0	168.0	167.8	189.6	187.9	-0.86	11.89	14.62
<b>05</b>	<b>Furnishing, household equipment and routine household maintenance</b>	<b>764</b>	117.6	117.2	118.4	117.3	118.0	0.60	0.61	0.32
<b>06</b>	<b>Health</b>	<b>708</b>	105.7	113.9	121.2	120.5	123.7	2.66	8.63	17.09
<b>07</b>	<b>Transport</b>	<b>987</b>	115.5	122.4	122.7	123.0	123.2	0.13	0.66	6.62
<b>08</b>	<b>Communication</b>	<b>37</b>	110.1	135.0	135.3	135.3	135.3	0.00	0.26	22.94
<b>09</b>	<b>Recreation and culture</b>	<b>206</b>	113.2	114.2	113.3	114.2	109.1	-4.50	-4.46	-3.68
<b>10</b>	<b>Education</b>	<b>432</b>	139.5	139.5	152.7	152.7	152.7	0.00	9.44	9.44
<b>11</b>	<b>Restaurants and hotels</b>	<b>273</b>	109.0	128.9	135.2	135.8	144.5	6.38	12.09	32.53
<b>12</b>	<b>Miscellaneous goods and services</b>	<b>584</b>	109.5	109.4	108.9	109.4	111.1	1.56	1.49	1.40

Month	Apr 06	May 06	June 06	July 06	Aug 06	Sept 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07
<b>Index (2003=100)</b>	132.6	132.4	133.5	133.5	134.9	136.2	136.5	135.9	137.0	140.0	142.8	146.2	145.9
<b>Annual changes</b>	7.5	7.9	9.4	9.4	9.2	9.3	10.7	11.4	12.1	12.6	10.8	11.8	10.0

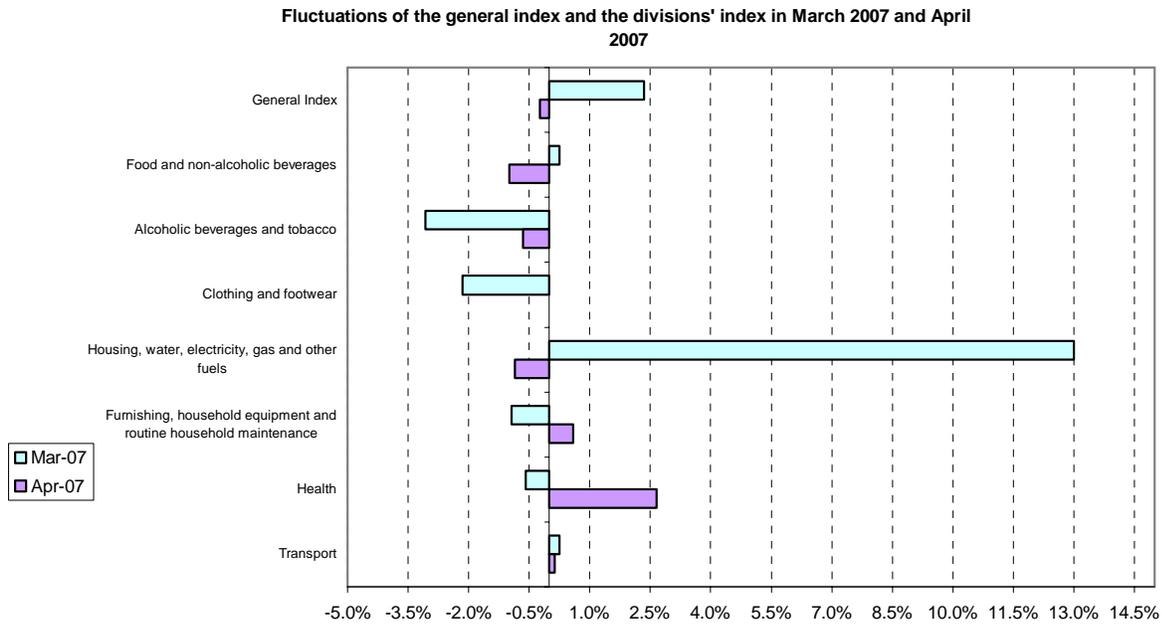
A closer analysis of the food component shows two sub-categories with rising prices over the month; 'fish' and 'non-alcoholic beverages', the remainder are falling.

General prices for 'recreation and culture' have been falling on average for the last year and show a relatively large drop in April of 4.5%. This can be associated with the lower prices paid for electronic goods, audio and video equipment.

The large annual increase in 'restaurants and hotels' of 33% can be associated with increasing food prices in the 'food and non-alcoholic beverages' category (11%), in addition to rising alcohol prices from 'alcoholic beverages and

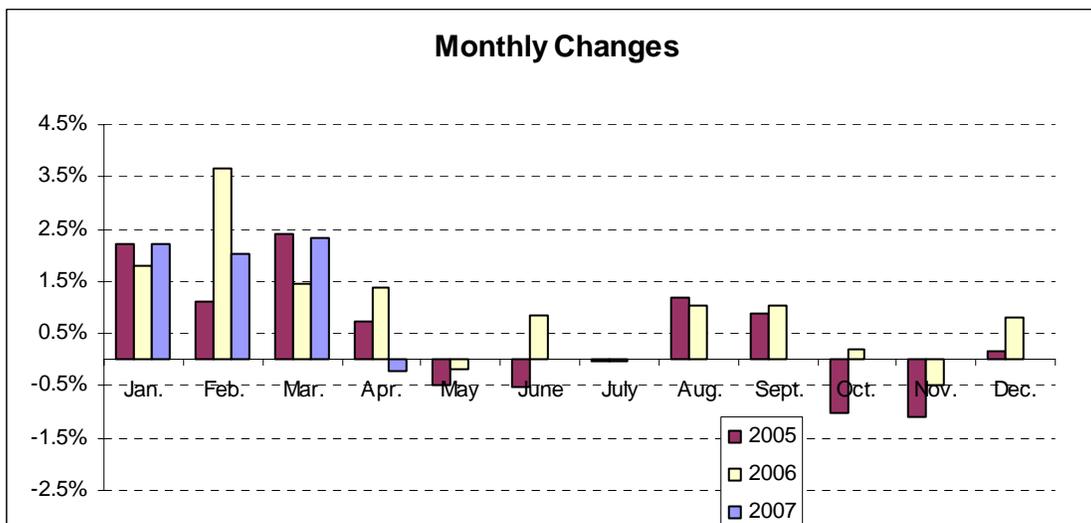
tobacco' (10%).

Finally, the 9% rise for 'education' is due to a one off rise of school fees in January 2007.

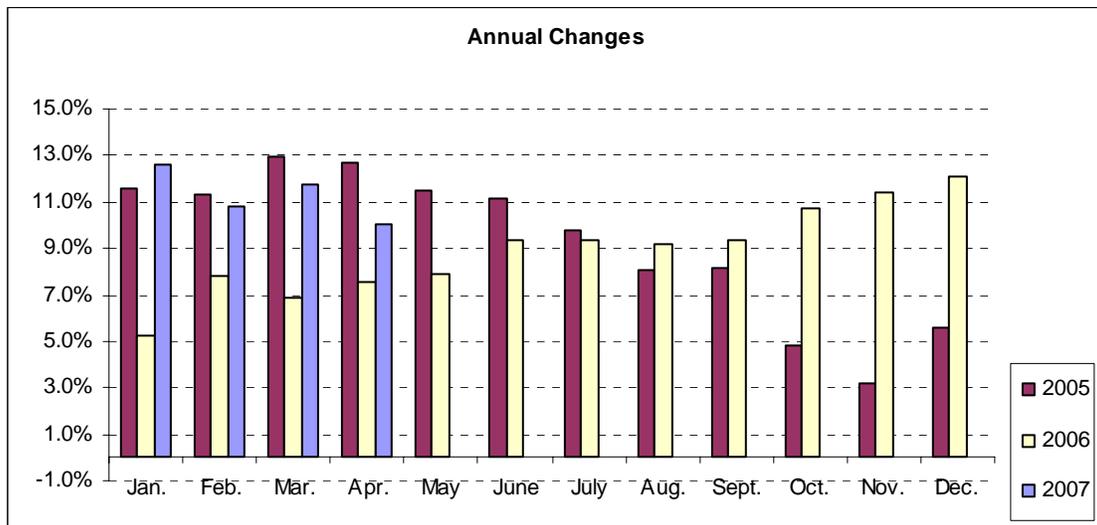


The figure above shows the monthly price fluctuations in the CPI. It highlights that prices in April have generally been more stable than in March. The large increase in March from 'housing, water, electricity, gas and other fuels' was due to rising Kigali rents. Price rises in 'health' has been the dominant factor in April due to increased fees for certain medical treatments at private hospitals in Kigali.

It is important to note that the monthly change in prices of 'food and non-alcoholic beverages' actually decreased by 1% in April. Disaggregating this we see price reductions in the majority of food stuffs over the month, even the prices of vegetables which have been driving price rises so far in 2007 have fallen.



As can be seen in the monthly changes chart, by comparison the inflation rate in April 2007 is much lower than in April 2006 and 2005. In 2007 we are seeing the first fall in April's monthly inflation rate in 3 years.



This chart records the annual change in the CPI and thus shows that price levels in April 2007 compared to April 2006 are 10.0% higher. However, this is a fall from the 11.8% in March 2007.

#### **CONSUMER PRICE INDEX (CPI), APRIL 2007 (Base 100 = 2003)**

**In April 2007, the Consumer Price Index decreased by 0.23%. In April 2006, it had increased by 1.4%. The annual change in prices is 10.0%. It was 11.8% in March 2007.**

The 0.23% drop in the CPI for the month of April is mainly a result of a fall in the price index for « Food and non-alcoholic beverages » (-0.99%) as well as a drop in the index for « Housing, electricity, gas and other fuels » (-0.86%).

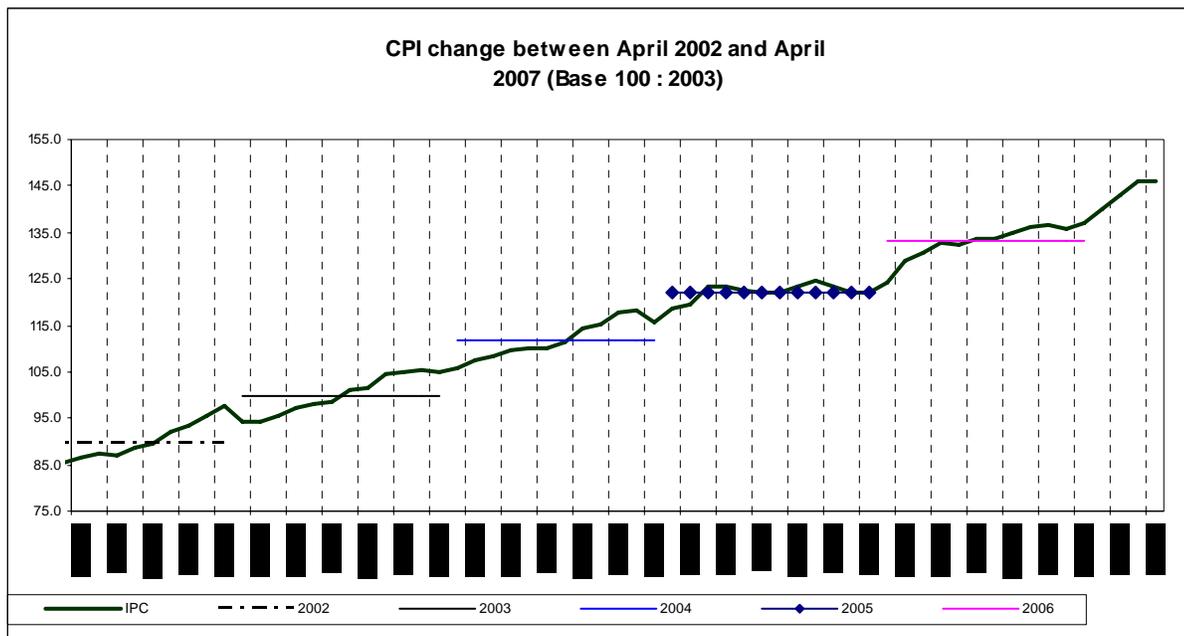
The 0.99% fall in the index for « Food and non-alcoholic beverages » was caused by a reduction of the index for « Oils and fats » (-5.4%), « Milk, cheese and eggs » (-3.3%) as well as that for « Vegetables » which went down by 0.7% because of the fall in the index for « Irish potatoes » (-3.66%), « Sweet potatoes » (-20.1%) and « Cassava » (-3.1%). The 0.86% drop in the index for « Housing, water, electricity and other fuels » can be attributed to a reduction of the price index for « Charcoal » mainly (-2.4%). Nevertheless, the index for « Vegetables » fell by 0.23% following a decrease in the index for « Irish potatoes » (-3.1%), « Sweet potatoes » (-3%), « Cassava » (-1.1%), « Cooking bananas » (-7.4%), and « Other vegetables (peanuts, tomatoes, carrots, cabbages, onions, etc.) » (-4.6%).

**Over the last twelve months, the average rate of inflation is 10.4%.**

The annual change of 10.0% in the Consumer Price Index was caused, among other things, by the strong increase in the prices of « Food and non-alcoholic beverages » (+10.57%), « Housing, water, gas, electricity and other fuels » (+14.62%), « Health » (+17.09%), « Restaurants and hotels » (+32.53%) and « Transport » (+6.62%). Even though the index for « Communication » went up by as much as 22.94%, its contribution to the overall increase of the general index is extremely low because of its small weight.

The price index for « Local products » registered an increase of 0.76% that resulted from a fall in the price index for « Housing, water, electricity, gas and other fuels » (-0.93%) and also in the index for « Food and non-alcoholic beverages » (-0.70%). The index for « Imported products » decreased by 1.47%, mainly because of a fall of the index for imported « Food products and non-alcoholic beverages » (-2.0%).

The price index for « Fresh products » slightly decreased by 0.52% whereas the index for « Energy » fell by 0.97%. The « General index excluding fresh products and energy » slightly increased by 0.03%.



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:

Year	2004	2005	2006
General Index Excluding Fresh Products and Energy	107.3	113.2	117.5
Imported Products Index	110.9	119.2	122.5
CPI	111.95	122.16	133.0
Annual core inflation rate	7.3%	5.5%	3.8%
Annual imported inflation rate	10.9%	7.4%	2.8%
Annual inflation rate	11.95%	9.12%	8.9%

The following two tables contain time series data:

### Underlying Inflation

	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06
General index excluding fresh products and energy	112.6	114.2	113.6	113.4	113.7	113.9	113.7	113.6	113.6	115.6	115.9	116.2
Monthly change (in %)	0.00	1.39	-0.51	-0.19	0.31	0.14	-0.18	-0.04	-0.01	1.73	0.28	0.29
Annual underlying inflation rate (in %) <sup>(4)</sup>	7.2	7.2	7.1	7.0	6.8	6.5	6.2	5.9	5.5	5.2	4.9	4.7

	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07
General index excluding fresh products and energy	116.8	116.8	117.4	117.6	117.7	119.0	118.9	118.9	119.4	122.5	124.6	128.7
Monthly change (in %)	0.47	0.04	0.46	0.16	0.09	1.16	-0.12	-0.02	0.49	2.40	1.75	3.29
Annual underlying inflation rate (in %) <sup>(4)</sup>	4.5	4.1	3.8	3.7	3.6	3.6	3.6	3.6	3.8	4.1	4.4	5.0

	Apr-07
General index excluding fresh products and energy	128.8
Monthly change (in %)	0.03
Annual underlying inflation rate (in %) <sup>(4)</sup>	5.6

<sup>(4)</sup>In April 2007 the average index of the last twelve months (May 2006 to April 2007) increased by **5.6%** compared to the average index of the previous twelve months (May 2006 to April 2006)

### Imported Inflation

	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06
Imported products index	118.8	121.1	120.3	119.1	119.8	120.5	119.2	118.6	118.7	118.7	119.2	120.7
Monthly change (in %)	0.70	1.90	-0.65	-0.95	0.58	0.53	-1.03	-0.56	0.08	0.07	0.39	1.27
Annual imported inflation rate (in %) <sup>(5)</sup>	-	-	-	-	-	-	-	-	-	6.6	5.8	5.2

	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07
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Imported products index	121.9	123.1	123.4	123.7	124.1	123.8	123.0	123.8	124.0	124.9	125.9	125.4
Monthly change (in %)	0.98	0.95	0.25	0.27	0.30	-0.21	-0.62	0.59	0.18	0.65	0.84	-0.48
Annual imported inflation rate (in %) <sup>(5)</sup>	4.6	3.8	3.3	3.0	2.8	2.4	2.4	2.5	2.8	3.2	3.6	3.7

	Apr-07
Imported products index	123.5
Monthly change	-1.47
Annual imported inflation rate(in %) <sup>(5)</sup>	3.6

<sup>(5)</sup>In April 2007 the average index of the last twelve months (May 2006 to April 2007) increased by **3.6%** compared to the average index of the previous twelve months (May 2006 to April 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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