



NATIONAL INSTITUTE OF
STATISTICS OF RWANDA



NATIONAL BANK OF RWANDA

**PRODUCER PRICE INDEX FOR
MANUFACTURING SECTOR (PPI-M)
THIRD QUARTER 2010**

Background

This is the twenty third issue of monthly Producer Price Index for the Manufacturing sector (PPI-M). Work on the development of the methodology for the construction of the PPI-M started in March 2003 with technical assistance from the IMF East AFRITAC and financial assistance from the UK DFID. The PPI project is a joint project between the National Institute of Statistics of Rwanda (NSIR) and the National Bank of Rwanda (NBR).

Table 1: Monthly Producer Price Indices by activity group: **Third Quarter 2010**
Goods Produced mainly for local sales
(Base Period: Fourth Quarter 2003 = 100)

Activity group	Weight	2009			2010			2009	2010
		July	Aug.	Sept.	July	Aug.	Sept.	3 rd Qrt	3 rd Qrt
PPI for Mainly Local Sold products	1000	154.89	153.15	153.11	163.19	162.81	162.92	153.72	162.97
<i>% change, previous month/quarter^(*)</i>		<i>0.58</i>	<i>-1.12</i>	<i>-0.02</i>	<i>-0.05</i>	<i>-0.23</i>	<i>0.07</i>	<i>-0.15</i>	<i>-0.21</i>
<i>% change, 12 months</i>		<i>-1.17</i>	<i>-2.94</i>	<i>-3.06</i>	<i>5.36</i>	<i>6.31</i>	<i>6.40</i>	<i>-2.40</i>	<i>6.02</i>
Food Products, Beverages and Tobacco	456	153.38	149.51	149.44	163.39	162.69	162.71	150.78	162.93
<i>% change, previous month/quarter^(*)</i>		<i>0.25</i>	<i>-2.52</i>	<i>-0.05</i>	<i>0.07</i>	<i>-0.43</i>	<i>0.01</i>	<i>-0.88</i>	<i>-0.32</i>
<i>% change, 12 months</i>		<i>1.78</i>	<i>-1.95</i>	<i>-2.14</i>	<i>6.53</i>	<i>8.81</i>	<i>8.88</i>	<i>-0.78</i>	<i>8.06</i>
Food products	129	189.09	175.51	175.26	181.32	178.82	178.90	179.95	179.68
<i>% change, previous month/quarter^(*)</i>		<i>0.73</i>	<i>-7.18</i>	<i>-0.15</i>	<i>0.23</i>	<i>-1.38</i>	<i>0.04</i>	<i>-2.46</i>	<i>-1.02</i>
<i>% change, 12 months</i>		<i>5.20</i>	<i>-5.51</i>	<i>-6.05</i>	<i>-4.11</i>	<i>1.89</i>	<i>2.08</i>	<i>-2.21</i>	<i>-0.15</i>
Production, processing and preserving of meat and meat products	3	220.85	220.85	220.85	220.85	220.85	220.85	220.85	220.85
Processing and preserving of fruits and vegetables	8	151.41	151.41	151.41	168.53	168.53	168.53	151.41	168.53
Manufacture of dairy products	32	195.90	195.90	195.90	212.10	212.10	212.10	195.90	212.10
Manufacture of grain mill and animal feeds products	27	182.81	181.92	181.92	150.61	150.88	151.41	182.22	150.97
Manufacture of bakery products, pastry, biscuits	13	204.83	204.65	204.28	172.89	172.89	172.89	204.59	172.89
Manufacture of sugar	45	188.17	149.97	149.35	180.18	172.90	172.81	162.50	175.30
Beverages and Tobacco	327	139.23	139.20	139.20	156.29	156.29	156.29	139.21	156.29
<i>% change, previous month/quarter^(*)</i>		<i>0.00</i>	<i>-0.02</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>-0.04</i>	<i>0.00</i>
<i>% change, 12 months</i>		<i>0.04</i>	<i>-0.06</i>	<i>-0.06</i>	<i>12.25</i>	<i>12.27</i>	<i>12.27</i>	<i>-0.03</i>	<i>12.27</i>
<i>Manufacture of beer, soft drinks and tobacco</i>	327	139.23	139.20	139.20	156.29	156.29	156.29	139.21	156.29
Other than Food, Beverages and Tobacco	544	156.15	156.20	156.20	163.01	162.91	163.09	156.18	163.01
<i>% change, previous month/quarter^(*)</i>		<i>0.86</i>	<i>0.03</i>	<i>0.00</i>	<i>-0.16</i>	<i>-0.06</i>	<i>0.11</i>	<i>0.44</i>	<i>-0.12</i>
<i>% change, 12 months</i>		<i>-3.48</i>	<i>-3.73</i>	<i>-3.80</i>	<i>4.39</i>	<i>4.30</i>	<i>4.41</i>	<i>-3.67</i>	<i>4.37</i>
Manufacture of textiles, wearing apparel, tanning and dressing of leather	47	135.65	135.65	135.53	147.23	146.80	146.37	135.61	146.80
Manufacture of paper and paper products, publishing of books, newspapers	40	120.50	123.40	123.49	144.22	143.04	145.01	122.46	144.09
Manufacture of chemical products	172	137.24	137.24	137.24	148.57	148.57	148.80	137.24	148.64
Manufacture of plastic products, tubes, retreading and rebuilding of rubber tyres	45	173.78	173.78	173.78	151.32	151.32	151.32	173.78	151.32
Manufacture of ceramic products, cement, lime and articles of concrete	126	182.53	182.53	182.53	195.98	196.08	196.08	182.53	196.04
Manufacture of fabricated metal products	70	176.19	174.90	174.90	172.71	172.71	172.71	175.33	172.71
Manufacture of furniture	43	159.43	159.43	159.43	155.93	155.93	155.93	159.43	155.93

(*) Only for quarterly figures

Source: Quarterly Producer Price Index Survey

Table 1b: Monthly Producer Price Indices by activity group: **Third Quarter 2010**
Goods produced mainly for export

(Base Period: Fourth Quarter 2003 = 100)

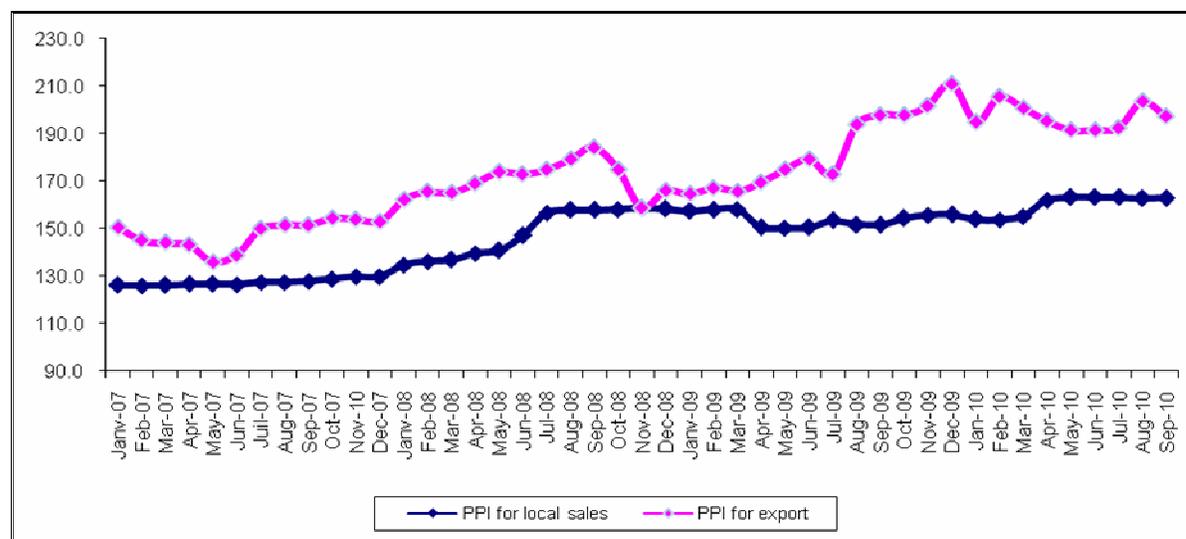
Activity group	Weight	2009			2010			2009	2010
		July	Aug.	Sept.	July	Aug.	Sept.	3 rd Qrt	3 rd Qrt
PPI for Mainly Export Products	1000	186.79	193.81	198.00	192.49	203.53	197.28	192.87	197.77
% change, previous month/quarter ^(*)		4.08	3.76	2.16	0.45	5.74	-3.07	10.42	2.59
% change, 12 months		6.92	8.22	7.48	3.05	5.02	-0.36	7.54	2.54
Manufacture of other food products n.e.c	978	183.87	189.26	193.55	187.74	198.53	192.14	188.89	192.81
% change, previous month/quarter ^(*)		5.31	2.93	2.26	0.48	5.75	-3.22	10.93	2.53
% change, 12 months		5.75	6.11	5.41	2.11	4.90	-0.73	5.75	2.07
Production of tea	585	156.10	165.49	167.93	148.59	162.92	160.77	163.17	157.43
% change, previous month/quarter ^(*)		9.29	6.01	1.48	-0.62	9.65	-1.32	18.33	2.76
% change, 12 months		15.52	16.65	11.47	-4.81	-1.55	-4.26	14.47	-3.52
Production of coffee	392	225.27	224.72	231.74	246.13	251.64	238.92	227.24	245.56
% change, previous month/quarter ^(*)		1.50	-0.25	3.13	1.48	2.24	-5.05	3.96	2.32
% change, 12 months		-2.75	-3.47	-0.45	9.26	11.98	3.10	-2.22	8.06
Manufacture of pesticides and other agro-chemical products	22	315.30	394.12	394.33	401.41	423.63	423.63	367.92	416.22
% change, previous month/quarter ^(*)		-20.00	25.00	0.05	0.00	5.54	0.00	0.02	3.69
% change, 12 months		49.47	86.83	86.93	27.31	7.49	7.43	74.41	13.13
Production of pyrethrum	22	315.30	394.12	394.33	401.41	423.63	423.63	367.92	416.22

(*) Only for quarterly figures

Source: Quarterly Producer Price Index Survey

Graph1: PPI for local sales and export products

(Fourth quarter 2003=100)



Source: Quarterly Producer Price Index Survey

I. Monthly PPI-M (Base period: 4th Quarter 2003 =100)

1.1 PPI-M: Local sales (table 1a)

In September 2010, the index for products manufactured for sale on the local market stood at 162.92, which is a slight increase of 0.07%. However, slight decreases of 0.05% and 0.23% have been recorded in July and August 2010 respectively.

On annual basis, the index for September 2010 was 6.40% higher. This increase is mainly attributable to price increases in the following subgroups: « Food products, beverages and tobacco» (+8.88 %) and «Other than food, beverages and tobacco » (+4.41%). Within the subgroup « Food products, beverages and tobacco», indices for «Beverages and tobacco» and « Food products » rose by 12.27% and 2.08% respectively. The increase of 2.08% in the index for « Food products » is as follows: «Manufacture of dairy products» (+8.27%), «Manufacture of Sugar» (+15.71%) and «Processing and preserving of fruits and vegetables» (+11.31%). However, «Manufacture of bakery products, pastry, biscuits» and «Manufacture of grain mill and animal feeds products» retreated by 16.77% and 15.37% respectively.

The index for the subgroup « Other than food, beverages and tobacco » increased by 4.41% in September 2010 when compared to the same month of the year 2009. This increase is mostly attributable to the overall effect of price changes in the following classes: «Manufacture of textiles, wearing apparel, tanning and dressing of leather» (+8.00%), «Manufacture of paper and paper products, publishing of books, newspapers» (+17.43%), «Manufacture of chemical products» (+8.42%), and «Manufacture of ceramic products, cement, lime and articles of concrete» (+7.42%). However, « Manufacture of plastic products, tubes, retreading and rebuilding of rubber tyres» (-12.92%), Manufacture of furniture (-2.19%) and « Manufacture of fabricated metal products » (-1.25%) have partially offset the positive trend of this subgroup.

1.2 PPI-M Exports (table1b)

As shown in the table 1b, the PPI-M for goods mainly produced for exports stood at 192.49 in July, 203.03, in August and 197.28 in September 2010. Prices fetched for coffee exports registered a decrease of 5.05% in September and increases of 1.48% and 2.24% in July and August respectively. On the other hand, export price of tea went up by 9.65% in August and decreased by 0.62% and 1.32% in July and September respectively.

On an annual basis, the index for export products registered a slight decrease of 0.36% in September 2010 when compared to the same month of the previous year.

II. Quarterly PPI-M (Base period: 4th Quarter 2003 =100)

2.1 PPI-M Local sales

The index of the third quarter registered a decrease of 0.21% when compared to the index of the previous quarter and an increase of 6.02% when compared to the third quarter of the year 2009.

2.2 PPI-M Exports

The quarterly index for manufacturing exports registered an increase of 2.59% in the third quarter of the year 2010 when compared to the previous quarter and an increase of 2.54% when compared to the same quarter of the previous year. *

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Technical Note on PPI-M

1. Scope and composition: For the purpose of these indices, manufacturing encompass all products produced for sale on the domestic market as well as for the exports that is divisions 15 to 36. The PPI-M will initially cover manufacturing establishments that operate with 10 or more workers.

2. Items and weights: These indices are fixed weight indices. The weights were obtained from the gross output value reported by manufacturers at the 2000 Census of Industrial Production conducted in 2001. Gross output is valued at basic prices, and thus excludes all taxes on products, namely excise duties and Value added tax. Each selected product is assigned a weight representing its share in the total turnover for the fourth quarter of 2003 as reported by the establishments.

3. Price information: The point of pricing is the establishment. The price is the selling price received by the producer for the selected product as it leaves the factory gate. In general prices are collected at *mid – point of each month*.

4. Reference base period for PPI_M: The reference period for the calculation of PPI-M is the fourth quarter 2003. The base price for a particular product is an arithmetic mean of the fourth quarter monthly prices in 2003.

5. Index formula: The PPI is calculated according to the Laspeyres formula, which is the weighted average of price relatives.

$$I_c = \sum \frac{w_i * (P_{ci} / P_{oi})}{\sum w_i} * 100$$

Where I_c = Index for current month

W_i = Weight associated with product i

P_{ci} = Price of product i for the current month

P_{oi} = Price for product i for the reference period

6. Uses of the PPI

The main uses of the PPI are:

- As a leading indicator of inflationary trends.
- As deflators for national accounting at constant prices.
- As “escalators” to adjust prices of inputs in long term sales contracts.

7. Dissemination of PPI-M: The monthly PPI-M will be published in each quarter, about 8 weeks following the quarter under review.
