



NATIONAL INSTITUTE OF
STATISTICS OF RWANDA



NATIONAL BANK OF RWANDA

**PRODUCER PRICE INDEX FOR
MANUFACTURING SECTOR (PPI-M)
SECOND QUARTER 2009**

Background

This is the eighteenth 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 Statistics Institute of Rwanda (NSIR) and the National Bank of Rwanda (NBR).

Table 1: Monthly Producer Price Indices by activity group: **Second Quarter 2009**
Goods Produced mainly for local sales
(Base Period: Fourth Quarter 2003 = 100)

Activity group	Weight	2008			2009			2008	2009
		April	May	June	April	May	June	2Qrt	2Qrt
PPI for Mainly Local Sold products	1000	139.60	140.93	147.12	153.52	153.21	153.44	142.55	153.39
<i>% change, previous month/quarter^(*)</i>		<i>2.00</i>	<i>0.96</i>	<i>4.39</i>	<i>-2.89</i>	<i>-0.20</i>	<i>0.15</i>	<i>4.84</i>	<i>-2.84</i>
<i>% change, 12 months</i>		<i>10.15</i>	<i>11.18</i>	<i>16.18</i>	<i>9.97</i>	<i>8.71</i>	<i>4.30</i>	<i>12.50</i>	<i>7.60</i>
Food Products, Beverages and Tobacco	456	129.86	132.04	133.69	158.06	158.00	159.41	131.86	158.49
<i>% change, previous month/quarter^(*)</i>		<i>1.97</i>	<i>1.68</i>	<i>1.25</i>	<i>2.81</i>	<i>-0.04</i>	<i>0.89</i>	<i>3.90</i>	<i>3.39</i>
<i>% change, 12 months</i>		<i>6.43</i>	<i>8.12</i>	<i>9.80</i>	<i>21.72</i>	<i>19.67</i>	<i>19.24</i>	<i>8.12</i>	<i>20.20</i>
Food Products	129	168.25	169.49	175.30	205.42	205.20	210.15	171.01	206.93
<i>% change, previous month/quarter^(*)</i>		<i>6.88</i>	<i>0.74</i>	<i>3.43</i>	<i>8.00</i>	<i>-0.11</i>	<i>2.41</i>	<i>9.61</i>	<i>9.71</i>
<i>% change, 12 months</i>		<i>16.33</i>	<i>16.88</i>	<i>21.97</i>	<i>22.09</i>	<i>21.07</i>	<i>19.88</i>	<i>18.39</i>	<i>21.00</i>
Production, processing and preserving of meat and meat products	3	175.84	175.84	175.84	220.85	220.85	220.85	175.84	220.85
Processing and preserving of fruits and vegetables	8	145.70	145.70	145.70	151.41	151.41	151.41	145.70	151.41
Manufacture of dairy products	32	155.67	155.67	155.67	284.57	284.57	284.57	155.67	284.57
Manufacture of grain mill and animal feeds products	27	159.10	160.55	160.84	184.17	183.95	184.29	160.17	184.13
Manufacture of bakery products, pastry, biscuits	13	189.58	198.57	199.17	202.88	204.02	205.16	195.77	204.02
Manufacture of sugar	45	179.91	179.91	196.17	172.26	171.43	185.03	185.33	176.24
Beverages and Tobacco	327	114.64	117.19	117.19	139.29	139.29	139.29	116.34	139.29
<i>% change, previous month/quarter^(*)</i>		<i>-0.69</i>	<i>2.22</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.83</i>	<i>0.00</i>
<i>% change, 12 months</i>		<i>1.41</i>	<i>3.67</i>	<i>3.67</i>	<i>21.50</i>	<i>18.86</i>	<i>18.86</i>	<i>2.92</i>	<i>19.73</i>
<i>Manufacture of beer, soft drinks and tobacco</i>	327	114.64	117.19	117.19	139.29	139.29	139.29	116.34	139.29
Other than Food, Beverages and Tobacco	544	147.77	148.40	158.39	149.70	149.19	148.44	151.52	149.11
<i>% change, previous month/quarter^(*)</i>		<i>2.02</i>	<i>0.43</i>	<i>6.74</i>	<i>-7.44</i>	<i>-0.34</i>	<i>-0.50</i>	<i>5.54</i>	<i>-7.80</i>
<i>% change, 12 months</i>		<i>13.06</i>	<i>13.59</i>	<i>21.16</i>	<i>1.31</i>	<i>0.54</i>	<i>-6.28</i>	<i>15.93</i>	<i>-1.59</i>
Manufacture of textiles, wearing apparel, tanning and dressing of leather	47	138.10	144.33	145.43	146.42	146.25	138.90	142.62	143.86
Manufacture of paper and paper products, publishing of books, newspapers	40	123.80	123.69	123.79	122.42	121.21	119.62	123.76	121.08
Manufacture of chemical products	172	137.38	137.70	138.50	116.32	116.32	116.32	137.86	116.32
Manufacture of plastic products, tubes, retreading and rebuilding of rubber tyres	45	148.47	148.47	148.47	176.15	176.15	176.15	148.47	176.15
Manufacture of ceramic products, cement, lime and articles of concrete	126	142.57	142.57	180.69	182.43	182.43	182.43	155.28	182.43
Manufacture of fabricated metal products	70	204.70	204.70	211.12	171.04	167.90	167.90	206.84	168.95
Manufacture of furniture	43	144.34	144.34	144.36	154.43	154.44	154.43	144.35	154.44

(*) Only for quarterly figures

Source: Quarterly Producer Price Index Survey

Table 1b: Monthly Producer Price Indices by activity group: **Second Quarter 2009**
Goods produced mainly for export

(Base Period: Fourth Quarter 2003 = 100)

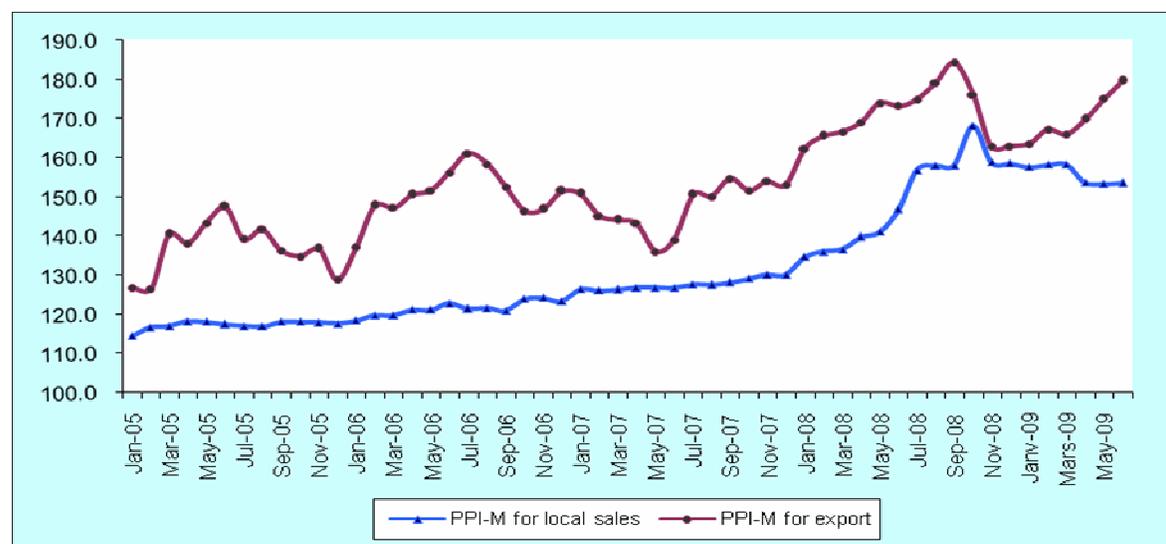
Activity group	Weight	2008			2009			2008	2009
		April	May	June	April	May	June	2Qrt	2Qrt
PPI for Mainly Export Products	1000	168.93	173.78	173.10	169.64	174.91	179.46	171.94	174.67
% change, previous month/quarter ^(*)		2.40	2.87	-0.39	2.30	3.11	2.60	4.73	5.37
% change, 12 months		18.10	27.96	25.28	0.42	0.65	3.68	23.69	1.59
Manufacture of other food products n.e.c	978	168.83	173.25	172.24	166.33	169.94	174.59	171.44	170.29
% change, previous month/quarter ^(*)		2.46	2.62	-0.59	2.39	2.17	2.74	4.89	4.81
% change, 12 months		16.76	26.27	23.36	-1.48	-1.91	1.37	22.04	-0.67
Production of tea	585	130.65	135.44	133.39	132.49	138.37	142.83	133.16	137.90
% change, previous month/quarter ^(*)		3.47	3.67	-1.51	4.47	4.44	3.22	4.80	10.08
% change, 12 months		30.32	48.43	39.55	1.41	2.17	7.08	39.15	3.56
Production of coffee	392	225.78	229.64	230.17	216.80	217.01	221.95	228.53	218.59
% change, previous month/quarter ^(*)		1.60	1.71	0.23	0.56	0.10	2.27	4.97	0.30
% change, 12 months		7.14	11.62	12.11	-3.98	-5.50	-3.57	10.26	-4.35
Manufacture of pesticides and other agro-chemical products	22	173.45	196.89	210.95	315.30	394.12	394.12	193.76	367.85
% change, previous month/quarter ^(*)		0.00	13.51	7.14	0.36	25.00	0.00	-1.04	18.04
% change, 12 months		132.88	165.87	184.85	81.78	100.18	86.83	161.15	89.85
Production of pyrethrum	22	173.45	196.89	210.95	315.30	394.12	394.12	193.76	367.85

(*) 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. PPI-M (Base year: 4th Quarter 2003 =100)

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

The results of the index of products in manufacturing sector for sales on the local market registered a slight decline of 0.15% at the end of June 2009 compared to previous month. The subgroup « Food products, Beverage and Tobacco» registered an increase of 0.89% in June 2009, while the subgroup « Other than Food, Beverages and Tobacco » went down by 0.50% in the same month (See table 1a).

During the period of last twelve months that is between June 2008 and June 2009, the index of products manufactured for local sales rose by 9.97% in April, 8.71% in May and 4.30% in June 2009.

The index of «Food Products, Beverages and Tobacco» experienced an increase of 19.24% in June 2009 of which: «Production of meat and meat products» (+25.60%), «Production of dairy products» (+82.80%) and « Manufacture of grain mill and animal feeds products » (+14.57%). The subgroup of «Production of beverages and tobacco » registered an increase of 18.86% in the same period.

The index for the subgroup « Other than Food, Beverages and Tobacco » went down by 6.28% in June 2009 compared to the same month of the year 2008. The decrease was mostly due to the overall effect of price changes in the following subgroups: « Manufacture of textiles, wearing apparel, tanning and dressing of leather » (-4.49%), « Manufacture of chemical products » (-16.01%), and « Manufacture of fabricated metal products » (-20.47%). However, « Manufacture of plastic products, tubes, retreading and rebuilding of rubber tyres » (+18.64%) and « Manufacture of furniture» (+6.98%) have dampened the negative trend of this group.

The main cause of price decrease for some manufactured products is the competing products imported from the EAC countries because they do not pay customs duties.

1.2 PPI-M Exports (table1b)

The PPI-M for goods mainly produced for exports stood at 179.46% in June 2009, which is an increase of 2.60% compared to the previous month. *The prices of exported products start to show an upward trend because the international market is improving after the economic crisis which has paralyzed the global economy.*

On annual basis, the index for June 2009 was 3.68% higher. This increase was mainly attributable to higher price fetched for the refined pyrethrum (+86.83%).

II. Analysis of trends- Quarterly Change

2.1 PPI-M Local sales

The index of the second quarter registered a decrease of 2.84% compared to the index of the previous quarter and an increase of 7.60% compared to the second quarter of the year 2008.

2.2 PPI-M Exports

The quarterly index for manufacturing exports registered a decrease of 5.37% in the second quarter of the year 2009 compared to the previous quarter and an increase of 1.59% 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.