



NATIONAL INSTITUTE OF
STATISTICS OF RWANDA



NATIONAL BANK OF RWANDA

**PRODUCER PRICE INDEX FOR
MANUFACTURING SECTOR (PPI-M)
SECOND QUARTER 2007**

Background

This is the tenth 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 1a: Monthly Producer Price Indices by activity group: **Second Quarter 2007**
Goods Produced mainly for local sales
(Base Period: Fourth Quarter 2003 = 100)

Activity group	Weight	2006			2007		
		Apr.	May.	Jun.	Apr.	May.	Jun.
PPI for Mainly Local Sold products	1000	121.1	121.1	122.7	126.6	126.6	126.6
<i>% change, previous month</i>		<i>0.68</i>	<i>0.00</i>	<i>1.36</i>	<i>0.3</i>	<i>0.0</i>	<i>-0.1</i>
<i>% change, 12 months</i>		<i>2.50</i>	<i>2.59</i>	<i>4.60</i>	<i>4.59</i>	<i>4.61</i>	<i>3.15</i>
Food Products, Beverages and Tobacco	456	116.7	121.1	116.5	122.6	122.7	122.4
<i>% change, previous month</i>		<i>0.23</i>	<i>1.40</i>	<i>1.33</i>	<i>5.37</i>	<i>-0.10</i>	<i>0.00</i>
<i>% change, 12 months</i>		<i>1.53</i>	<i>0.94</i>	<i>1.73</i>	<i>9.82</i>	<i>9.82</i>	<i>6.77</i>
Food Products	129	148.4	145.4	147.8	146.5	146.9	146.1
<i>% change, previous month</i>		<i>1.19</i>	<i>-2.01</i>	<i>1.36</i>	<i>1.73</i>	<i>0.3</i>	<i>-0.6</i>
<i>% change, 12 months</i>		<i>8.00</i>	<i>6.86</i>	<i>10.79</i>	<i>-1.27</i>	<i>1.02</i>	<i>-1.14</i>
Production, processing and preserving of meat and meat products	3	137.0	137.0	137.0	166.8	166.8	166.8
Processing and preserving of fruits and vegetables	8	141.0	141.0	141.0	143.9	143.9	143.9
Manufacture of dairy products	32	138.9	138.9	138.9	142.5	142.5	148.9
Manufacture of grain mill and animal feeds products	27	118.2	118.4	120.4	127.4	127.4	127.4
Manufacture of bakery products, pastry, biscuits	13	128.7	128.5	128.0	143.7	143.7	143.7
Manufacture of sugar	45	181.3	172.7	178.3	160.8	161.9	155.0
Beverages and Tobacco	327	104.1	104.1	104.1	113.0	113.0	113.0
<i>% change, previous month</i>		<i>0.38</i>	<i>0.00</i>	<i>0.05</i>	<i>0.00</i>	<i>0.0</i>	<i>0.0</i>
<i>% change, 12 months</i>		<i>-0.68</i>	<i>-0.68</i>	<i>-1.13</i>	<i>8.61</i>	<i>8.61</i>	<i>8.57</i>
Manufacture of beer, soft drinks and tobacco	327	104.1	104.1	104.1	113.0	113.0	113.0
Other than Food, Beverages and Tobacco	544	125.8	128.1	127.6	135.0	135.0	135.0
<i>% change, previous month</i>		<i>0.38</i>	<i>1.8</i>	<i>-0.3</i>	<i>0.15</i>	<i>0.0</i>	<i>0.0</i>
<i>% change, 12 months</i>		<i>2.66</i>	<i>2.66</i>	<i>3.15</i>	<i>4.24</i>	<i>3.60</i>	<i>1.67</i>
Manufacture of textiles, wearing apparel, tanning and dressing of leather	47	123.2	123.2	123.2	123.2	123.2	123.2
Manufacture of paper and paper products, publishing of books, newspapers	40	120.6	120.5	120.4	122.6	122.6	122.6
Manufacture of chemical products	172	116.8	116.5	121.6	117.8	117.6	117.4
Manufacture of plastic products, tubes, retreading and rebuilding of rubber tyres	45	125.8	128.1	127.6	135.0	135.0	135.0
Manufacture of ceramic products, cement, lime and articles of concrete	126	129.0	129.0	129.0	138.6	138.6	139.2
Manufacture of fabricated metal products	70	144.1	148.8	155.8	152.9	152.9	152.9
Manufacture of furniture	43	117.1	117.1	117.1	126.1	125.9	125.9

Source: Quarterly Producer Price Index Survey

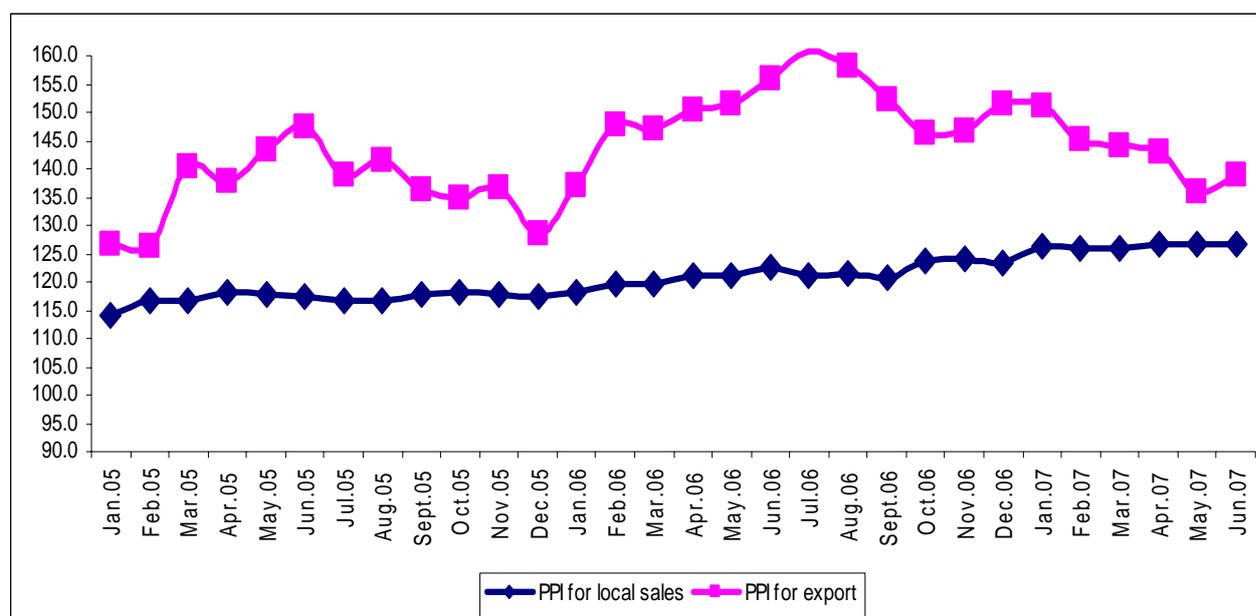
Table 1b: Monthly Producer Price Indices by activity group: **Second Quarter 2007**
Goods produced mainly for export

(Base Period: Fourth Quarter 2003 = 100)

Activity group	Weight	2006			2007		
		Apr.	May.	Jun.	Apr.	May.	Jun.
PPI for Mainly Export Products	1000	150.4	151.5	156.1	143.0	135.8	138.9
<i>% change, previous month</i>		2.3	0.7	3.1	-0.6	-5.1	2.3
<i>% change, 12 months</i>		9.0	5.7	6.0	-4.9	-10.3	-11.0
Manufacture of other food products n.e.c	978	151.6	152.7	157.4	144.6	137.2	140.3
<i>% change, previous month</i>		2.3	0.7	3.1	-0.6	-5.1	2.3
<i>% change, 12 months</i>		9.2	5.9	6.1	-4.6	-10.1	-10.9
Production of tea	585	126.3	129.0	132.2	100.3	91.3	96.8
Production of coffee	392	189.3	188.0	195.0	210.7	205.7	205.3
Manufacture of pesticides and other agro-chemical products	22	97.0	97.0	97.0	74.5	74.1	74.1
<i>% change, previous month</i>		-0.3	0.0	0.0	0.0	-0.6	0.0
<i>% change, 12 months</i>		-2.1	-2.1	-2.1	-23.2	-23.7	-23.2
Production of pyrethrum	22	97.0	97.0	97.0	74.5	74.1	74.1

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)

For the second quarter of the year 2007 the prices of manufacturing products almost remained unchanged. In June, the Producer Price Index reached at 126.57 after 126.63 and 126.61 attained in May and April respectively, that is a slight decline in June(-0.05%) compared to May, succeeding stagnation between April and Mai and an increase of 0.3% between March and April. (See table 1a).

On annual basis, the index for the manufactured products sold on local market rose by 4.6% in April and May respectively and by 3.1% in June. This rise is due to increase in the sub group« Food products, beverages and tobacco»which moved from 116.5 in June 2006 to reach at 122.4 in June 2007, that is an increase of 5.1% and subgroup « Other than Food, beverages and tobacco»which increased by 1.7%, that is from 127.9 in June 2006 to 130.0 in June 2007.

There was 5.1% increase in the sub group« Food products, beverages and tobacco» when comparing the last month of the quarter under review (June 2007) with the corresponding month of the previous year (June 2006), while subgroup« Other than Food, Beverage and Tobacco» rose by 5.8%. In subgroup« Food products, beverages and tobacco», beverages and tobacco increased by 8.6% as a result of the increase in consumption tax which augmented from 57% to 60% effective from January 2007, while others show the following development; «Production, processing and preserving of meat and meat products» (+21.7%), «Manufacture of bakery products, and biscuits» (+12.3%),«Manufacture of dairy products» (+7.2%), «Manufacture of grain flour and animal feeds products» (+5.8%),whereas «Manufacture of sugar» declined by (-13.1%). This increase is due to lack of raw materials.

On the other hand, index for subgroup « Other than Food, Beverages and Tobacco » moved upward due to the overall effect of price changes in the following groups: «Manufacture of ceramic products, cement, lime and articles of concrete » (+7.9%), « Manufacture of furniture » (+7.5%), and « Manufacture of plastic products, tubes, retreating and rebuilding of rubber tyres» (+5.8%), while « Manufacture of chemical products »and « Manufacture of fabricated metal products » declined by 3.4% and 1.9% respectively due to appreciation of our currency which made the cost of importing raw materials more manageable as well as competitive factor against products entering from COMESA region.

1.2 PPI-M Exports (table 1b)

The index of goods produced for export stood at 143.0 in April, 135.8 in May and at 138.9 in June, that is a decrease of 0.6% and 5.1% in April and May respectively whereas there is increase of 2.3% in

June. Of which coffee exports registered an increase of 1.7% in April and a decline of 2.4% and 0.2% in May and June respectively. On the other hand, export price index of tea grew by 6.0% in June and declined by 3.6% and 9.0% in April and Mai respectively. The price fluctuations for both coffee and tea are caused by price changes on the international market. On annual basis, during the last twelve months the index for June 2006 (156.1) compared to the index for June 2007 (138.9) was 11.0% lower. This decrease was mainly attributable to lower prices fetched for tea with (-26.8%), pyrethrum (-23.7%) while coffee increased by 5.3%.

II. Analysis of trends- Quarterly Change

2.1 PPI-M Local sales

Compared to the previous quarter, the index of the second quarter increased by 0.3%. On annual basis, the PPI-M for local sold products went up by 4.1% as it rose from 121.6 in the second quarter of year 2006 to reach at 126.6 in the second quarter of year 2007.

2.2 PPI-M Exports

The index for manufacturing exports which stood at 146.5 in the first quarter reached at 139.2 in the second quarter of the year 2007, which is a decrease of 5.0%. Compared to the same quarter of the previous year, the quarterly change was 8.8%. This decrease is due to price decline for tea and pyrethrum by 25.6% and 23.5% respectively.

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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.
