

## REPUBLIC OF RWANDA



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

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

**NOTE:** *There has been a methodological change in the calculation of core or underlying inflation. Fish, salt, spices, sauces and flour have been removed from the 'fresh products' category. As these products are not seasonal they have been removed from this category. Exclusion is due to the fact that salt, spices, sauces and flour can be stored while fish production does not rely on seasonal factors. This has been backdated throughout the entire series; from January 2004 to date. Differences due to this amendment are **very small and not significant at all***

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The **Consumer Price Index (CPI)** in May has fallen **1.38%** over the month, with the annual inflation rate standing at **8.80%**, (May 2007 compared to May 2006). The **core inflation** – which excludes fresh produce and energy prices – fell slightly over the month by **0.04%**, and now stands at **10.17%** as compared to May 2006.<sup>1</sup>

The main downward pressure on monthly changes was a result of falling *food and non-alcoholic beverages* prices, (**-4.20%**). In particular the price of *vegetables* fell by **9.19%**. *Recreation and culture* price levels fell again over the month by **1.36%**, in addition to *miscellaneous goods and services* falling **4.30%**.

There was upward pressure on general prices sourced from *housing, water, electricity, gas and other fuels*, rising **1.98%** due to rising price of *charcoal*.

Changes over the year however show upward pressure driven by *food and non-alcoholic beverages* and *housing, water, electricity, gas and other fuels*. Thus although the price of *vegetables* fell during May this was not

<sup>1</sup> 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.

enough to offset the previous rises in vegetables over the past few months.

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		
			May 06	Feb 07	Mar 07	Apr 07	May 07	1 month	3 months	12 months
	<b>GENERAL INDEX</b>	<b>10 000</b>	132.3	142.9	146.4	145.9	143.9	-1.38	0.72	8.80
<b>01</b>	<b>Food and non-alcoholic beverages</b>	<b>3 709</b>	141.1	158.8	159.6	157.6	150.9	-4.20	-4.92	6.94
0111	❖ Bread and cereals	<b>625</b>	147.5	155.4	155.3	154.2	151.1	-1.98	-2.73	2.44
0112	❖ Meat	<b>345</b>	119.8	120.4	119.7	119.2	118.4	-0.62	-1.65	-1.19
0113	❖ Fish	<b>114</b>	144.4	143.9	154.0	155.2	154.0	-0.81	7.04	6.62
0117	❖ Vegetables	<b>1 332</b>	147.9	187.2	188.5	185.4	168.4	-9.19	-10.05	13.84
<b>012</b>	<b>❖ Non-alcoholic beverages</b>	<b>180</b>	125.2	129.8	129.0	131.1	131.0	-0.08	0.88	4.59
<b>02</b>	<b>Alcoholic beverages and tobacco</b>	<b>221</b>	115.3	131.7	127.6	126.8	127.8	0.80	-2.92	10.84
<b>03</b>	<b>Clothing and footwear</b>	<b>500</b>	106.3	106.5	104.2	104.2	103.8	-0.34	-2.48	-2.31
<b>04</b>	<b>Housing, water, electricity, gas and other fuels</b>	<b>1 579</b>	165.2	167.8	189.6	187.9	191.7	1.98	14.26	16.00
<b>05</b>	<b>Furnishing, household equipment and routine household maintenance</b>	<b>764</b>	117.5	118.4	117.3	118.0	119.1	0.92	0.57	1.35
<b>06</b>	<b>Health</b>	<b>708</b>	105.9	120.2	119.4	122.7	122.5	-0.13	1.95	15.64
<b>07</b>	<b>Transport</b>	<b>987</b>	114.9	122.7	123.0	123.2	123.4	0.21	0.58	7.43
<b>08</b>	<b>Communication</b>	<b>37</b>	110.1	135.3	135.3	135.3	135.3	0.00	0.01	22.95
<b>09</b>	<b>Recreation and culture</b>	<b>206</b>	113.3	112.7	113.4	108.5	107.0	-1.36	-5.03	-5.52
<b>10</b>	<b>Education</b>	<b>432</b>	139.5	156.1	156.1	156.5	155.8	-0.47	-0.19	11.68
<b>11</b>	<b>Restaurants and hotels</b>	<b>273</b>	110.3	135.2	135.8	144.5	148.0	2.41	9.44	34.10
<b>12</b>	<b>Miscellaneous goods and services</b>	<b>584</b>	109.2	108.8	109.3	111.1	106.3	-4.30	-2.23	-2.61

Month	May 06	June 06	July 06	Aug 06	Sept 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07	May 07
<b>Index (2003=100)</b>	132.3	133.4	133.4	134.8	136.2	136.4	135.7	137.0	140.0	142.9	146.4	145.9	143.9
<b>Annual changes</b>	7.8	9.3	9.3	9.1	9.3	10.6	11.3	12.1	12.61	10.9	12.0	10.1	8.8

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 more inflationary than those which are '*imported*'; over the past year (May 2007 to May 2006) we see a **12.17%** increase in locally produced goods compared to **0.17%** 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 **11.73%** as compared to May 2006. However, this month's prices have shown a reduction in both '*fresh products*' and '*locally produced goods*', by **7.68%** and **1.84%**, respectively.

### Underlying, Imported and Other Indices

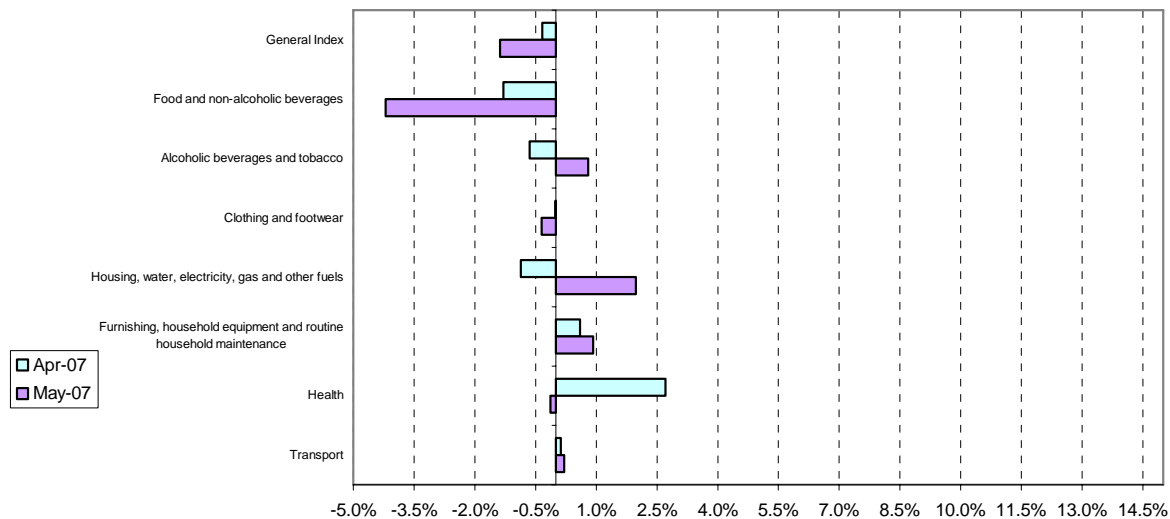
	Weights	Indices for the following months:				Changes in % over:			
		May-06	Feb-07	Mar-07	Apr-07	May-07	1 month	3 months	12 months
<b>General Index</b>	<b>10 000</b>	132.3	142.9	146.4	145.9	143.9	-1.38	0.72	8.80
<b>Local Goods Index</b>	<b>6 956</b>	135.8	151.3	156.7	155.2	152.4	-1.84	0.72	12.17
Food and non-alcoholic beverages	2 627	142.4	166.5	167.7	165.6	155.5	-6.10	-6.61	9.20
Housing, water, electricity, gas and other fuels	1 501	165.4	166.2	189.6	187.9	191.9	2.13	15.44	15.99
Transport	698	105.3	113.8	114.0	114.2	114.2	0.01	0.33	8.40
<b>Imported Goods Index</b>	<b>3 044</b>	123.1	125.7	124.9	123.3	123.3	0.00	-1.90	0.17
Food and non-alcoholic beverages	1 082	136.6	139.5	139.8	137.5	139.3	1.28	-0.19	1.91
Furnishing, household equipment	533	116.0	114.2	114.9	114.7	117.7	2.63	3.08	1.53
Transport	289	137.4	143.9	144.5	145.0	145.4	0.29	1.05	5.84
<b>Kigali Index</b>	<b>7 679</b>	131.1	140.2	144.5	144.0	142.3	-1.16	1.49	8.54
<b>Provinces Index<sup>(1)</sup></b>	<b>2 321</b>	135.8	152.0	152.9	152.5	149.3	-2.14	-1.78	9.93
<b>Fresh Products<sup>(2)</sup> index</b>	<b>1 829</b>	148.9	180.9	182.5	180.2	166.3	-7.68	-8.06	11.73
<b>Energy index</b>	<b>761</b>	235.9	221.9	225.3	223.1	230.5	3.29	3.87	-2.30
<b>General Index excluding fresh Products and energy<sup>(3)</sup></b>	<b>7 410</b>	117.5	125.4	129.4	129.5	129.5	-0.04	3.27	10.17

(1) This is the national index without Kigali

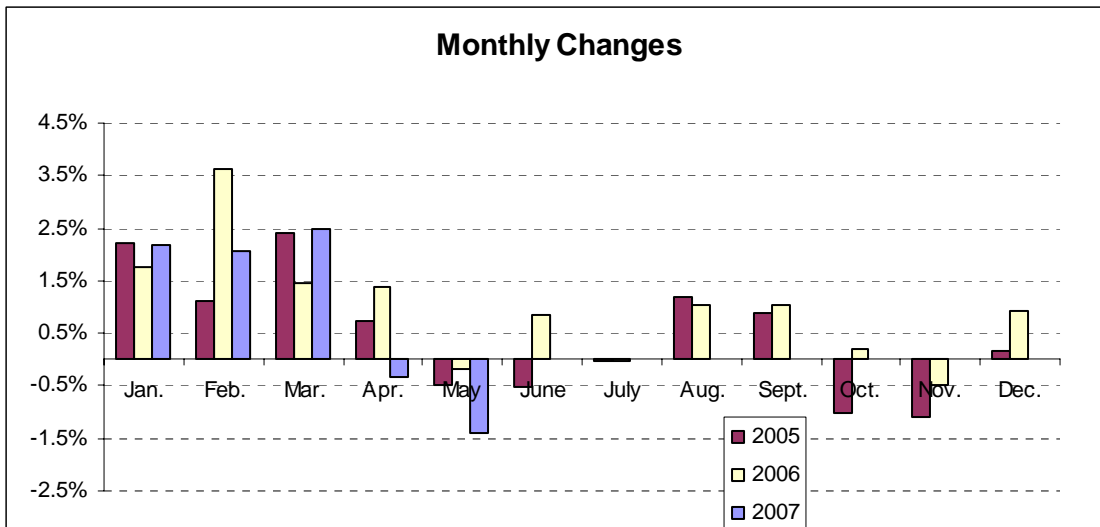
(2) Fresh products are food products which have seasonal fluctuations

(3) Proxy for underlying inflation

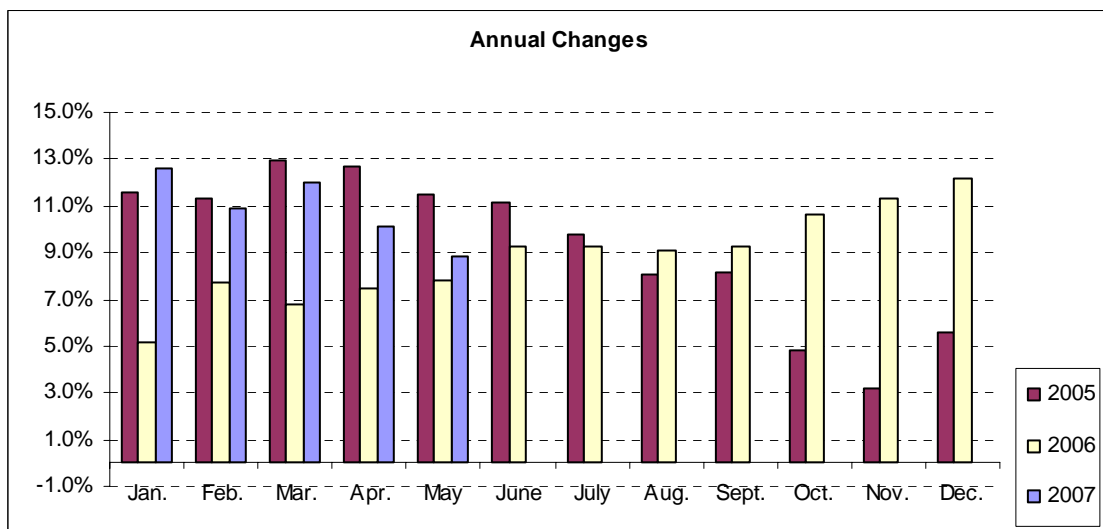
Fluctuations of the general index and the divisions' index in April 2007 and May 2007



The figure above shows the monthly price fluctuations in the CPI. It highlights that the price of *food and non-alcoholic beverages* in May have fallen by a greater degree than in the previous month.



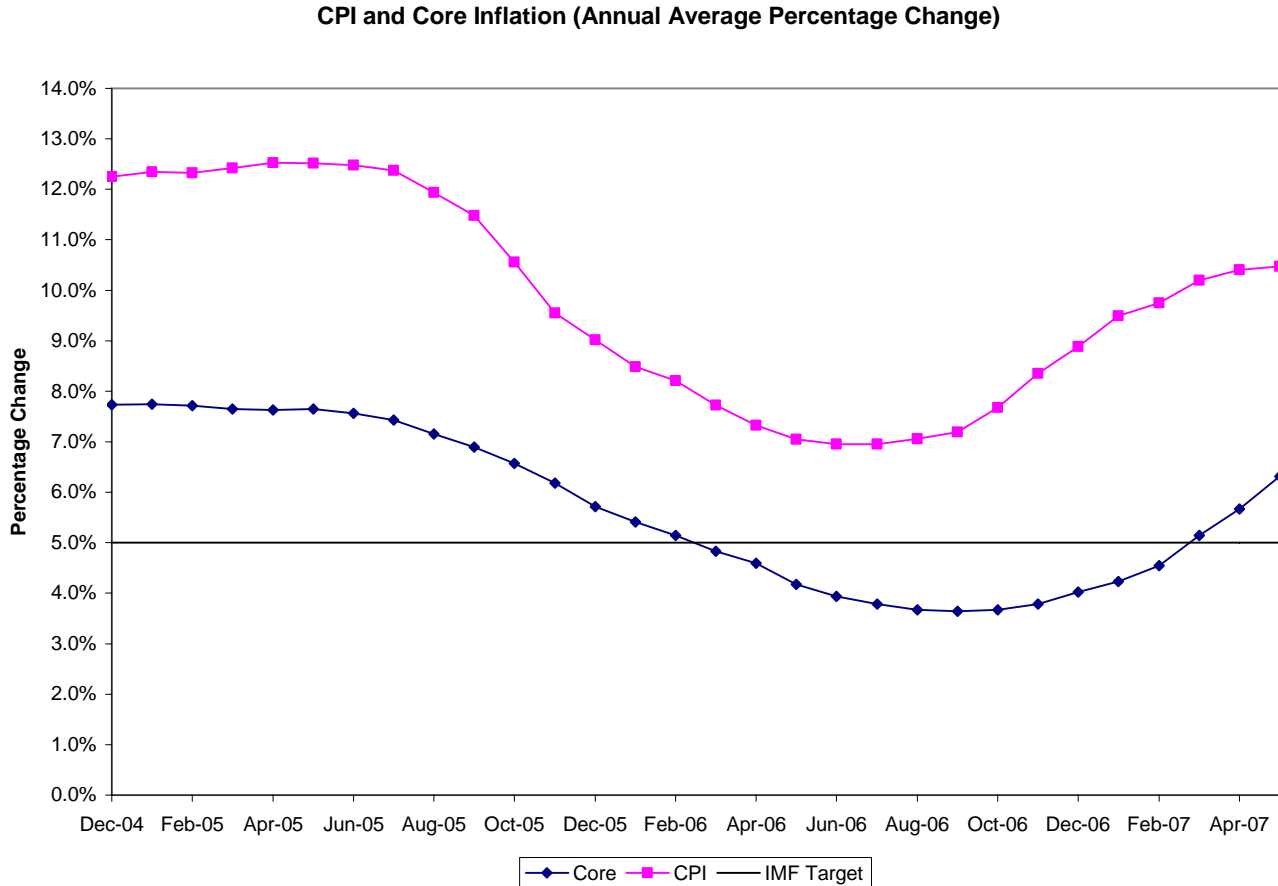
As can be seen in the monthly changes chart, by comparison the inflation rate in May 2007 is much lower than in May 2006 and 2005. In 2007 we are seeing the largest fall in May's monthly inflation rate in 3 years. Moreover, this monthly fall is the largest of all monthly declines in the last 3 years.



This chart records the annual change in the CPI and thus shows that price levels in May 2007 compared to May 2006 are **8.80%** higher. However, this is a fall from the **10.0%** in April 2007.

## CPI and Core Inflation (Annual Average Percentage Change)

In May 2007 the average index of the last twelve months (June 2006 to May 2007) increased by 10.5% compared to the average index of the previous twelve months (June 2005 to May 2006).



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

The annual average **CPI** has risen to 10.5% in May, 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 5.51% to the overall annual average CPI. Disaggregating further the increase can be attributed to the price of vegetables, which contributed 3.57%.

'*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 2.79% 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 CPI fell by 0.07 percentage points while the core increased slightly by 0.65 percentage points.

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

MONTH	May 06	Jun. 06	Jul. 06	Aug. 06	Sept. 06	Oct. 06	Nov. 06	Dec. 06	Jan. 07	Feb. 07	Mar. 07	Apr. 07	May 07
CPI	7.1	6.9	7.0	7.1	7.2	7.7	8.3	8.9	9.5	9.8	10.2	10.4	10.5
Core / Underlying	4.2	3.9	3.8	3.7	3.6	3.7	3.8	4.0	4.2	4.5	5.1	5.7	6.3

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

In May 2007, the Consumer Price Index decreased by 1.38%. In May 2006, it had fallen by 0.17%. The annual change in prices is 8.80%. It was 10.0% in April 2007.

The 1.38% drop in the CPI for the month of May is mainly a result of a fall in the price index for « Food and non-alcoholic beverages » (-4.20%) as well as a drop in the index for « miscellaneous goods and services » (-4.30%).

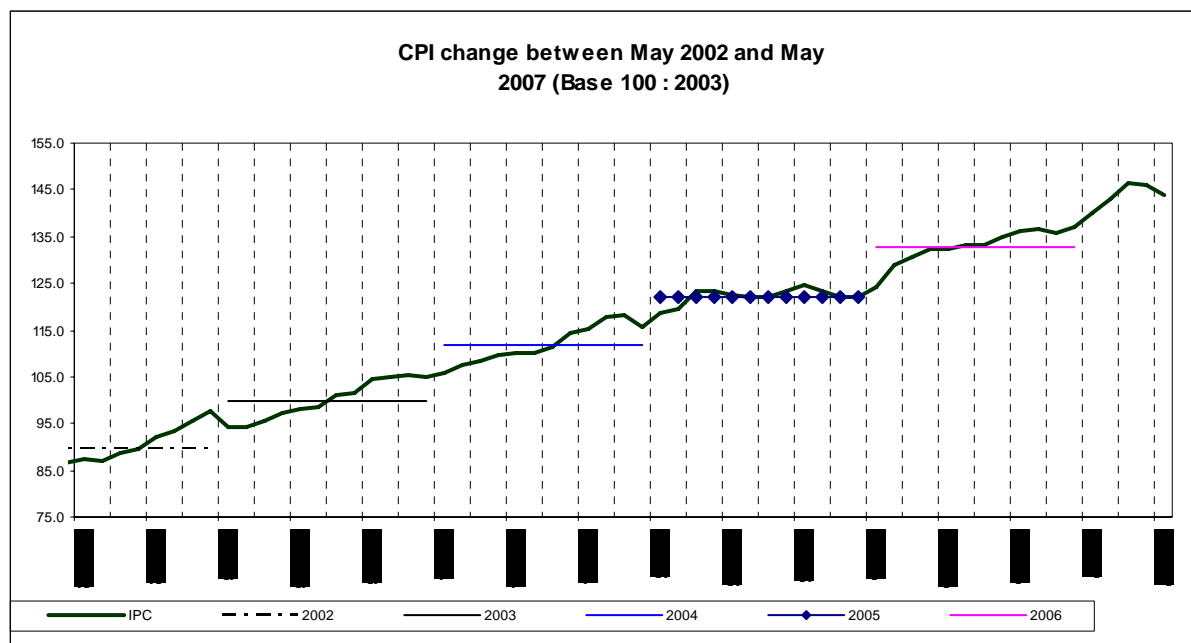
The 4.20% fall in the index for « Food and non-alcoholic beverages » was caused by a reduction of the index for « Vegetables » which went down by 9.19% because of the fall in the index for « Irish potatoes » (-17.3%), « Sweet potatoes » (-17.8%), « Beans » (-14.4%) and « cooking bananas » (-5.0%). The index for « bread and cereals » fell by 1.98%.

Over the last twelve months, the average rate of inflation is 10.5%.

The annual change of 8.8% in the Consumer Price Index was caused, among other things, by the strong increase in the prices of « Food and non-alcoholic beverages » (+6.94%), « Housing, water, gas, electricity and other fuels » (+16.00%), « Health » (+15.64%). Even though the price of « Restaurants and hotels », « Communication » and « alcoholic beverages and tobacco » increased by 34.10%, 22.95% and 10.84%, respectively, their contribution to the overall increase of the general index is extremely low due to their small weight.

The price index for « Local products » registered a fall of 1.84% that resulted from a significant fall in the price index for « Food and non-alcoholic beverages » (-6.10%). The index for « Imported products » remained constant.

The price index for « Fresh products » decreased sharply by 7.68% whereas the index for « Energy » increased by 3.29%. The « General index excluding fresh products and energy » slightly increased by 0.04%.



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

	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06
General index excluding fresh products and energy	114.7	114.1	113.9	114.3	114.6	114.2	114.0	114.1	116.0	116.6	117.1	117.6
Monthly change (in %)	1.28	-0.53	-0.17	0.40	0.19	-0.28	-0.20	0.04	1.74	0.46	0.43	0.47
Annual underlying inflation rate (in %) <sup>(4)</sup>	7.7	7.6	7.4	7.2	6.9	6.6	6.2	5.7	5.4	5.1	4.8	4.6

	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07
General index excluding fresh products and energy	117.5	118.0	118.2	118.4	119.8	119.6	119.9	120.5	123.2	125.4	129.4	129.5
Monthly change (in %)	-0.10	0.41	0.20	0.16	1.15	-0.14	0.21	0.56	2.25	1.72	3.22	0.10
Annual underlying inflation rate (in %) <sup>(4)</sup>	4.2	3.9	3.8	3.7	3.6	3.7	3.8	4.0	4.2	4.5	5.1	5.7

	May-07
General index excluding fresh products and energy	129.5
Monthly change (in %)	-0.04
Annual underlying inflation rate (in %) <sup>(4)</sup>	6.3

<sup>(4)</sup>In May 2007 the average index of the last twelve months (June 2006 to May 2007) increased by **6.3%** compared to the average index of the previous twelve months (June 2006 to May 2006)



### Imported Inflation

	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06
Imported products index	121.1	120.3	119.2	119.8	120.5	119.2	118.6	118.7	118.8	119.3	120.8	122.0
Monthly change (in %)	1.90	-0.64	-0.95	0.58	0.53	-1.02	-0.56	0.08	0.09	0.39	1.27	0.98
Annual imported inflation rate (in %) <sup>(5)</sup>	-	-	-	-	-	-	-	7.4	6.6	5.8	5.2	4.6

	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07
Imported products index	123.1	123.4	123.7	124.1	123.9	123.2	123.9	124.1	124.9	125.7045	124.928	123.3167
Monthly change (in %)	0.95	0.25	0.27	0.29	-0.18	-0.54	0.57	0.13	0.65	0.65	-0.62	-1.29
Annual imported inflation rate (in %) <sup>(5)</sup>	3.9	3.3	3.0	2.8	2.5	2.4	2.6	2.8	3.2	3.5	3.6	3.5

	May-07
Imported products index	123.3
Monthly change	0.00
Annual imported inflation rate (in %) <sup>(5)</sup>	3.4

<sup>(5)</sup>In May 2007 the average index of the last twelve months (June 2006 to May 2007) increased by **3.4%** compared to the average index of the previous twelve months (June 2006 to May 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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