



NATIONAL INSTITUTE OF
STATISTICS OF RWANDA



NATIONAL BANK OF RWANDA

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

Background

This is the twenty first 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: **First Quarter 2010**
Goods Produced mainly for local sales
(Base Period: Fourth Quarter 2003 = 100)

Activity group	Weight	2009			2010			2009	2010
		Jan.	Feb.	Mar.	Jan.	Feb.	Mar.	1Qrt	1Qrt
PPI for Mainly Local Sold products	1000	157.50	158.06	158.09	153.91	153.72	155.33	157.88	154.32
<i>% change, previous month/quarter^(*)</i>		<i>-0.52</i>	<i>0.35</i>	<i>0.02</i>	<i>-0.22</i>	<i>-0.13</i>	<i>1.05</i>	<i>-0.33</i>	<i>0.46</i>
<i>% change, 12 months</i>		<i>16.81</i>	<i>16.05</i>	<i>15.50</i>	<i>-2.28</i>	<i>-2.75</i>	<i>-1.74</i>	<i>16.12</i>	<i>-2.26</i>
Food Products, Beverages and Tobacco	456	152.57	153.56	153.74	153.50	153.50	156.92	153.29	154.64
<i>% change, previous month/quarter^(*)</i>		<i>-0.18</i>	<i>0.64</i>	<i>0.12</i>	<i>0.60</i>	<i>0.00</i>	<i>2.22</i>	<i>0.15</i>	<i>2.19</i>
<i>% change, 12 months</i>		<i>20.94</i>	<i>20.69</i>	<i>20.72</i>	<i>0.61</i>	<i>-0.04</i>	<i>2.06</i>	<i>20.78</i>	<i>0.88</i>
Food Products	129	186.08	189.55	190.20	189.57	189.57	189.53	188.61	189.56
<i>% change, previous month/quarter^(*)</i>		<i>-0.51</i>	<i>1.86</i>	<i>0.35</i>	<i>1.73</i>	<i>0.00</i>	<i>-0.02</i>	<i>0.44</i>	<i>4.20</i>
<i>% change, 12 months</i>		<i>21.30</i>	<i>20.57</i>	<i>20.82</i>	<i>1.87</i>	<i>0.01</i>	<i>-0.35</i>	<i>20.89</i>	<i>0.50</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	151.41	151.41	151.41	151.41	151.41
Manufacture of dairy products	32	197.98	197.98	197.98	196.24	196.24	196.24	197.98	196.24
Manufacture of grain mill and animal feeds products	27	185.94	186.21	186.14	184.89	184.89	184.68	186.10	184.82
Manufacture of bakery products, pastry, biscuits	13	203.94	203.94	203.94	205.40	205.40	205.40	203.94	205.40
Manufacture of sugar	45	176.52	186.25	188.17	187.91	187.91	187.91	183.65	187.91
Beverages and Tobacco	327	139.29	139.29	139.29	139.20	139.20	143.99	139.29	140.80
<i>% change, previous month/quarter^(*)</i>		<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>3.44</i>	<i>0.00</i>	<i>1.15</i>
<i>% change, 12 months</i>		<i>20.75</i>	<i>20.75</i>	<i>20.66</i>	<i>-0.06</i>	<i>-0.06</i>	<i>3.37</i>	<i>20.72</i>	<i>1.08</i>
<i>Manufacture of beer, soft drinks and tobacco</i>	327	139.29	139.29	139.29	139.20	139.20	143.99	139.29	140.80
Other than Food, Beverages and Tobacco	544	161.63	161.83	161.73	154.26	153.90	154.00	161.73	154.05
<i>% change, previous month/quarter^(*)</i>		<i>-0.79</i>	<i>0.12</i>	<i>-0.06</i>	<i>-0.90</i>	<i>-0.23</i>	<i>0.07</i>	<i>-0.71</i>	<i>-0.95</i>
<i>% change, 12 months</i>		<i>13.73</i>	<i>12.60</i>	<i>11.66</i>	<i>-4.56</i>	<i>-4.90</i>	<i>-4.78</i>	<i>12.66</i>	<i>-4.75</i>
Manufacture of textiles, wearing apparel, tanning and dressing of leather	47	156.50	156.56	156.62	146.22	146.22	146.16	156.56	146.20
Manufacture of paper and paper products, publishing of books, newspapers	40	123.77	123.73	122.07	124.30	120.09	121.57	123.19	121.99
Manufacture of chemical products	172	137.62	137.62	137.67	136.53	136.53	136.53	137.64	136.53
Manufacture of plastic products, tubes, retreading and rebuilding of rubber tyres	45	169.50	169.50	169.50	151.32	151.32	151.32	169.50	151.32
Manufacture of ceramic products, cement, lime and articles of concrete	126	182.43	182.43	182.43	182.52	182.52	182.52	182.43	182.52
Manufacture of fabricated metal products	70	208.12	209.67	209.67	168.53	168.16	168.16	209.15	168.28
Manufacture of furniture	43	154.45	154.45	154.45	159.44	159.44	159.44	154.45	159.44

(*) Only for quarterly figures

Source: Quarterly Producer Price Index Survey

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

(Base Period: Fourth Quarter 2003 = 100)

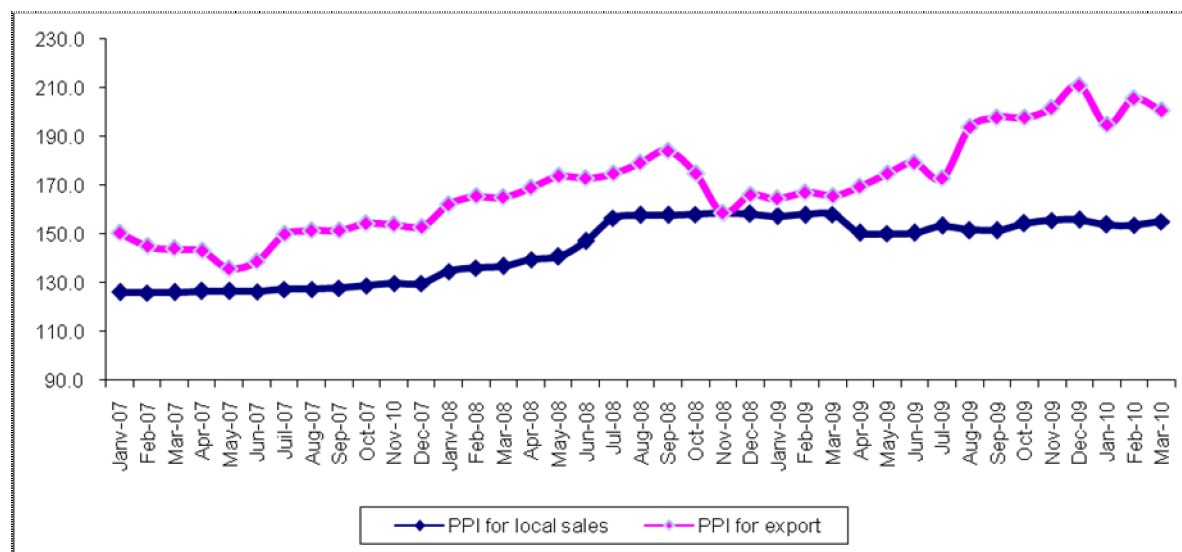
Activity group	Weight	2009			2010			2009	2010
		Jan.	Feb.	Mar.	Jan.	Feb.	Mar.	1Qrt	1Qrt
PPI for Mainly Export Products	1000	164.43	167.08	165.82	194.89	205.47	200.91	165.78	200.42
% change, previous month/quarter ^(*)		-0.89	1.61	-0.75	-7.69	5.43	-2.22	-0.49	-1.50
% change, 12 months		1.40	1.04	0.52	18.52	22.98	21.16	0.98	20.90
Manufacture of other food products n.e.c	978	161.20	163.74	162.45	190.30	197.68	196.46	162.46	194.81
% change, previous month/quarter ^(*)		-0.93	1.57	-0.78	-8.05	3.88	-0.62	-1.02	-2.17
% change, 12 months		0.51	-0.87	-1.41	18.05	20.73	20.93	-0.60	19.91
Production of tea	585	121.40	127.60	126.82	157.22	169.10	168.22	125.27	164.84
% change, previous month/quarter ^(*)		-3.25	5.11	-0.61	-15.52	7.56	-0.52	0.06	-6.90
% change, 12 months		-1.67	-2.93	0.44	29.50	32.52	32.64	-1.40	31.59
Production of coffee	392	220.55	217.62	215.60	239.64	240.29	238.57	217.92	239.50
% change, previous month/quarter ^(*)		1.06	-1.33	-0.93	0.67	0.27	-0.72	-1.93	3.22
% change, 12 months		2.37	1.00	-2.98	8.65	10.42	10.65	0.10	9.90
Manufacture of pesticides and other agro-chemical products	22	306.56	314.18	314.18	396.90	548.67	396.90	311.64	447.49
% change, previous month/quarter ^(*)		0.00	2.49	0.00	0.44	38.24	-27.66	13.45	13.40
% change, 12 months		27.48	81.13	81.13	29.47	74.64	26.33	59.17	43.59
Production of pyrethrum	22	306.56	314.18	314.18	396.90	548.67	396.90	311.64	447.49

(*) 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 index of products in the manufacturing sector for sales on the local market registered an increase of 1.05% at the end of March 2010 when compared to the previous month. The subgroup « Food products, Beverage and Tobacco» registered an increase of 2.22% in March 2010 and the subgroup « Other than Food, Beverages and Tobacco » registered a slight increase of 0.07% in the same month (See table 1a).

The percentage change over the past twelve months of the index of products manufactured for local sales was -2.28% in January, -2.75% in February and -1.74% in March 2010.

The index of «Food Products, Beverages and Tobacco» registered an increase of 2.06% in March 2010 when compared to the same period of the previous year of which: the « *Manufacture of beer, soft drinks and tobacco* » (+3.37%) and the « Food Products » (-0.35%) has partly offset the positive trend of this subgroup.

The index for the subgroup « Other than Food, Beverages and Tobacco » retreated by 4.78% in March 2010 when compared to the same month of the year 2009. This decrease is mostly attributable to the overall effect of price changes in the following classes: « Manufacture of fabricated metal products » (-19.80%), « Manufacture of plastic products, tubes, retreading and rebuilding of rubber tyres » (-10.72%), and « Manufacture of textiles, wearing apparel, tanning and dressing of leather » (-6.68%). However, « Manufacture of furniture » (+3.23%) has partially offset the negative trend of this subgroup.

The main causes of the observed price decrease for some manufactured products are competition from imported products and manufacturer's strategy to try to encourage demand.

1.2 PPI-M Exports (table1b)

The PPI-M for goods mainly produced for exports stood at 200.91 in March 2010, which is a decrease of 2.22% when compared to the previous month.

On an annual basis, the index for export products registered an increase of 21.16% in March 2010 when compared to the same month of the previous year.

II. Analysis of trends- Quarterly PPI-M

2.1 PPI-M Local sales

The index of the first quarter registered a slight increase of 0.46% when compared to the index of the previous quarter and a decrease of 2.26% when compared to the first quarter of the year 2009.

2.2 PPI-M Exports

The quarterly index for manufacturing exports registered a decrease of 1.50% in the first quarter of the year 2010 when compared to the previous quarter and an increase of 20.90% 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.
