



NATIONAL INSTITUTE OF
STATISTICS OF RWANDA



NATIONAL BANK OF RWANDA

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

Background

This is the ninth 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: **First Quarter 2007**
Goods Produced mainly for local sales
(Base Period: Fourth Quarter 2003 = 100)

Activity group	Weight	2006			2007		
		Jan.	Feb.	Mar.	Jan.	Feb.	Mar.
PPI for Mainly Local Sold products	1000	118,3	119,6	119,6	126,2	125,9	126,1
<i>% change, previous month</i>		<i>0,68</i>	<i>1,04</i>	<i>0,06</i>	<i>2,5</i>	<i>-0,2</i>	<i>0,1</i>
<i>% change, 12 months</i>		<i>3,54</i>	<i>2,54</i>	<i>2,33</i>	<i>6,69</i>	<i>6,69</i>	<i>5,43</i>
Food Products, Beverages and Tobacco	456	111,1	112,6	119,6	121,9	121,7	121,7
<i>% change, previous month</i>		<i>0,23</i>	<i>1,40</i>	<i>1,33</i>	<i>5,27</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>9,71</i>	<i>9,71</i>	<i>6,66</i>
Food Products	129	128,7	134,2	139,5	144,1	143,6	143,6
<i>% change, previous month</i>		<i>0,68</i>	<i>4,25</i>	<i>3,93</i>	<i>-0,69</i>	<i>-0,31</i>	<i>0,00</i>
<i>% change, 12 months</i>		<i>6,46</i>	<i>4,37</i>	<i>6,70</i>	<i>11,94</i>	<i>11,94</i>	<i>2,99</i>
Production, processing and preserving of meat and meat products	3	140,9	140,9	140,9	149,5	149,5	149,5
Processing and preserving of fruits and vegetables	8	141,0	141,0	141,0	143,6	143,7	143,7
Manufacture of dairy products	32	131,3	131,3	131,3	139,1	139,1	139,1
Manufacture of grain mill and animal feeds products	27	115,8	115,8	116,1	128,3	128,3	129,0
Manufacture of bakery products, pastry, biscuits	13	127,9	127,9	128,7	129,3	129,3	129,1
Manufacture of sugar	45	131,7	147,3	162,0	161,1	159,8	159,4
Beverages and Tobacco	327	104,1	104,1	104,1	113,0	113,0	113,0
<i>% change, previous month</i>		<i>0,00</i>	<i>0,00</i>	<i>0,00</i>	<i>8,56</i>	<i>0,00</i>	<i>0,00</i>
<i>% change, 12 months</i>		<i>-0,72</i>	<i>-0,72</i>	<i>-0,72</i>	<i>8,61</i>	<i>8,61</i>	<i>8,61</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	124,4	125,4	124,3	129,9	129,5	129,8
<i>% change, previous month</i>		<i>1,03</i>	<i>0,78</i>	<i>-0,90</i>	<i>0,39</i>	<i>-0,35</i>	<i>0,26</i>
<i>% change, 12 months</i>		<i>4,44</i>	<i>4,44</i>	<i>4,48</i>	<i>4,44</i>	<i>4,44</i>	<i>4,48</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	122,2	120,8	121,9	121,9	121,9	122,3
Manufacture of chemical products	172	116,4	120,1	116,1	117,8	117,5	117,5
Manufacture of plastic products, tubes, retreading and rebuilding of rubber tyres	45	125,4	124,3	124,7	139,1	134,0	137,0
Manufacture of ceramic products, cement, lime and articles of concrete	126	129,0	129,0	129,0	138,6	138,6	138,6
Manufacture of fabricated metal products	70	144,0	144,0	144,1	152,8	153,2	153,2
Manufacture of furniture	43	113,7	113,7	113,7	121,6	121,6	122,2

Source: Quarterly Producer Price Index Survey

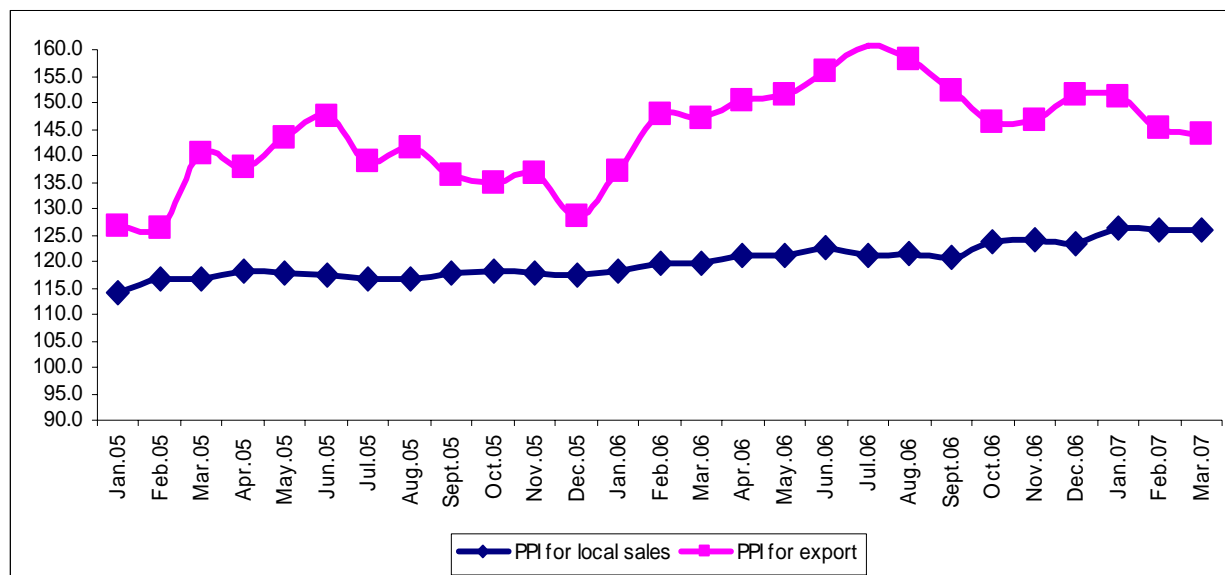
Table 1b: Monthly Producer Price Indices by activity group: **First Quarter 2007**
Goods produced mainly for export

(Base Period: Fourth Quarter 2003 = 100)

Activity group	Weight	2006			2007		
		Jan.	Feb.	Mar.	Jan.	Feb.	Mar.
PPI for Mainly Export Products	1000	137,0	147,6	147,1	150,6	145,0	143,9
<i>% change, previous month</i>		6,5	7,7	-0,4	-0,4	-3,8	-0,7
<i>% change, 12 months</i>		8,2	16,9	4,9	9,9	-1,8	-2,2
Manufacture of other food products n.e.c	978	137,9	148,7	148,2	152,4	146,6	145,5
<i>% change, previous month</i>		6,6	7,8	-0,4	-0,2	-3,8	-0,7
<i>% change, 12 months</i>		8,4	17,3	5,0	10,5	-1,5	-1,8
Production of tea	585	105,1	120,9	119,2	115,7	104,4	104,0
Production of coffee	392	186,9	190,2	191,3	207,0	210,4	207,2
Manufacture of pesticides and other agro-chemical products	22	97,3	97,3	97,3	74,5	74,5	74,5
<i>% change, previous month</i>		-0,1	0,0	0,0	-18,6	0,0	0,0
<i>% change, 12 months</i>		-1,8	-1,8	-1,8	-23,4	-23,4	-23,4
Production of pyrethrum	22	97,3	97,3	97,3	74,5	74,5	74,5

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)

During the first three months of the year 2007, the Producer Price Index of the products manufactured for local sales which stood at 123.2 in December 2006 rose to reach at 126.1 in March 2007 following an increase of (+2.5%) and(+0.1%)in January and March respectively and a decline of (-0.2%) in February (See table 1a).

Compared to the corresponding period of the previous year the index increased by 6.7% in January and February respectively and 5.4% in March.

There was 5.4% increase when comparing the last month of the quarter under review (March 2007) with the corresponding month of the previous year (March 2006).

Producer Price Index of «Manufacturing products» between March 2007 and March 2006, increase mainly due to price increases in the subgroups: « Food products, Beverage and Tobacco» which rose from 119.6 to 121.7, that is 6.7% increase, and subgroup « Other than Food, Beverage and Tobacco» which moved from 124.3 to 129.8, that is an increase of 4.5% from March 2006 to March 2007.

Meanwhile during the last twelve months the index of subgroup « Food products, Beverage and Tobacco» experienced an increase in the subgroup « Food products»which increased by 2.9% of which: «Manufacture of grain mill and animal feeds products» (+11.1%), «Manufacture of dairy products» (+5.9%), «Processing and preserving of fruits and vegetables» (+1.9%), as a result of *increase in purchase price of imported raw materials*.

The price index for «Beverages and Tobacco» increased by 8.6% *due to increase of beer consumption tax from 57% to 60%*.

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 plastic products, tubes, retreating and rebuilding of rubber tyres” (+9.8%), “Manufacture of furniture”(7.5%), “Manufacture of ceramic products, cement, lime and articles of concrete” (+7.4%) “Manufacture of fabricated metal products” (+6.3%). The higher selling prices reflected the increase in the production cost, namely the higher prices paid for raw materials.

1.2 PPI-M Exports (table1b)

The index of goods produced for export which stood at 151.3 in December moved downward successively to reach at 150.6 in January, 145.0 in February and 143.9 in March, with a successive decrease of 0.4%, 3.8% and 0.7% in January, February and March respectively. The producer price index of sub group «Manufacture of other food product n.e.c» registered too a decrease of 0.1% in January, 3.8% in February and 0.7% in March respectively. Of which coffee exports registered an increase of 1.2% in February and a decline of 1.3% and 1.0% in January and March respectively, on the other hand, export price index of tea grew by 1.2% in January and drop by 9.8% and 0.4% in

February and March respectively. The price fluctuations for both coffee and tea are caused by price changes on the international market. During the last twelve months the index for March 2006 (147.1) compared to the index for March 2007 (143.9) was 2.2% lower. This decrease was mainly attributable to lower prices fetched for tea with 12.7%.

II. Analysis of trends- Quarterly Change

2.1 PPI-M Local sales

Comparing to the corresponding quarter of year 2006, the PPI-M first quarter for local sold products went up by 5.7% as it raised from 119.2 in the first quarter of year 2006 to reach at 126.1 in the first quarter of year 2007, whereas compared to the index of the previous quarter, the index of the First quarter moved upward by 1.9%.

2.2 PPI-M Exports

In first quarter 2007 the index for manufacturing exports registered a decrease of 0.9% compared to the previous quarter. The annual quarterly change was 1.9%, as it rose from 143.9 in the first quarter of 2006 to reach at 146.7 in the first quarter of 2007. This increase is due to price rise by 10.0% for coffee but which offset by 6.1% decrease in price for tea.

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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.

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

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.
