



## Consumer Price Index (CPI)

### 2nd Quarter (April-June) 2016 Report

#### Key facts:

- Quarterly change Highlights**

December 2014= 100 base month

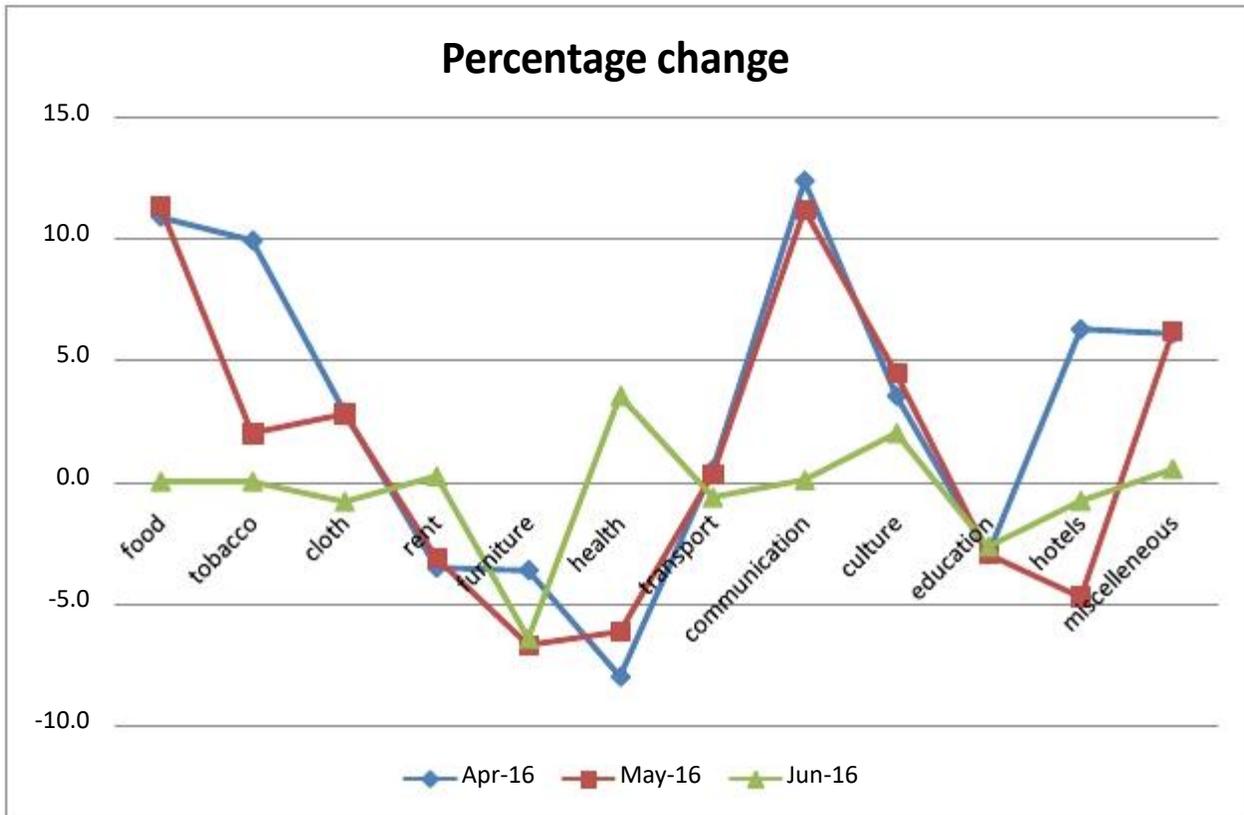
**Overall index:** Overall index during April- June 2016 was **1.8%** compare 1.7% last quarter.

**The inflation rate:** Overall inflation rate 2<sup>nd</sup> quarter (April- June) 2016 was **1.2%**, compare 0.9% of Last quarter Jan-March 2016.

**Table 1: Categories: 2<sup>nd</sup> quarter (April-June) 2016**

Consumer Price Index Base month Jan 2015=100	Percentage change				
	Weight	April 2016	May 2016	June 2016	% Monthly Average change
All CPI	100.0	102.7	122.8	99.8	1.8
FOOD AND NON ALCOHOLIC BEVERAGES	34.0	110.9	111.3	100.0	7.4
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	1.0	109.9	102.0	100.0	4.0
CLOTHING AND FOOTWEAR	8.0	102.9	102.8	99.2	1.6
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	26.0	96.5	96.9	100.2	-2.1
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE	5.0	96.4	93.3	93.6	-5.6
HEALTHMAINTENANCE OF THE HOUSE	10.0	92.0	93.8	103.5	-3.5
TRANSPORT	3.0	100.5	100.3	99.4	0.1
COMMUNICATION	3.0	112.4	111.2	100.1	7.9
RECREATION AND CULTURE	0.5	103.6	104.5	102.0	3.3
Education	5.5	97.0	97.0	97.4	-2.9
RESTAURANTS AND HOTELS	2.0	106.3	95.3	99.2	0.3
MISCELLANEOUS GOODS AND SERVICES	2.0	106.1	106.2	100.5	4.3
Average Inflation Rate					14.8/12=1.2%

Chart 1: Categories Percentage Change



## Main Findings

The changes in the sub-indices for the twelve divisions of consumption expenditure from April – June 2016 were as follows:

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<b>Food and Drinks (7.4%)</b>	There is significant 7.4 % increase of this index. Prices of most of food sub categories were recorded increase compared last quarter
<b>Khat and tobacco (4.0%)</b>	The increase of 4.0 % was due to prices of Khat business which normally fluctuates some seasons
<b>Clothing and footwear (1.6%)</b>	This index increase of 1.6% was mainly due to prices of and men footwear of 0.43% and women footwear 3% increase 2 <sup>nd</sup> quarter (April-June) 2016
<b>Housing, water, electricity, gas and other fuels (-2.1%)</b>	Prices of category went down -2.1 % during April-June 2016 due to lower prices of fuel and gas.
<b>Furnishings, household equipment and routine household maintenance (-5.6%)</b>	There is decrease of -5.6%, largely the result of decreases average prices for household textiles of -6.6%.
<b>Health (-3.5%)</b>	There was a -3.5 % decrease in this division's price index largely traced to medical products, (-1%) and medical services (-9%).
<b>Transport (0.1%)</b>	Transport index has gone up 1.0%% from, was mainly due to prices of some second hand motor vehicles went up (1%).
<b>Communication (7.9%)</b>	The decrease of 7.9% was due to decrease some prices of and mobile phones and accessories.
<b>Recreation and culture (3.3%)</b>	There is significant increase of 1.5% was mainly coming from laptops (2.5%), during April-June 2016 magazines went down (6%).

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<b>Education (2.9%)</b>	The increase of 2.9% was mainly due to primary school (2.0%), while secondary school fees increase (7.1%).
<b>Restaurants and hotels (0.3%)</b>	The increase of 0.3% average price quarterly was come from single room accommodation of 2.2% while double room accommodation gone up 3.3%.
<b>Miscellaneous goods and services (4.3%)</b>	The increase of 4.3 % was mainly Contributed hair dressing 2.0%, while personal care like jewelers and watches gone down of 1.4%.

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## Technical note

### 1. Methodology used for the computation of the Consumer Price Index (Base

period: January 2015 = 100)

#### **(a) Definition**

The **Consumer Price Index** (CPI) is an indicator of changes over time in the general level of prices of goods and services acquired by Somali consumers.

#### **(b) Measurement of the CPI**

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by Somali consumers for goods and services. The CPIs are based on prices of food, clothing, beverages, fuels, transportation fares and other goods and services that people buy for day-to-day living. Prices are collected each month across the Country from different regions but in this report we focus only Mogadishu the Capital City.

Prices of most goods and services are obtained through personal visits by Statistics staff and it reflects the goods and services within the CPI market basket. In calculating the index, price changes for the various items in each location are averaged together with weights that represent their importance. Local data are then combined to obtain a national average.

Good progress has been made, the Directorate of National Statistics has developed a consumer price index (CPI) for Mogadishu with a basket of 310 goods and services classified using the Classification of Individual Consumption according to Purpose (COICOP) system.

The national Statistics office has been compiling this new CPI since January 2014. Work on refining price collection and index compilation techniques is ongoing.

Socioeconomic survey will be collected soon which will consist of three data collection components: (Supported by the World Bank)

- a) Household Survey,
- b) Market Survey, and
- c) Exchange Rate, the survey will help on the development of the Countries weight.

**(c) Inflation:** this refers to the percentage change in the Consumer Price Index from one period to another. Typically, this period would be a year or a quarter.

- **Annual Inflation Rate:** the percentage change of the CPI in the quarter under review over the CPI of the same quarter a year ago. This is also known as year-on-year inflation rate.
- **Quarterly Inflation Rate:** the percentage change of the CPI in the quarter under review over the immediate previous quarter. This is also known as quarter-on-quarter inflation rate

**(d) Price coverage**

The prices used in the CPI calculation are those that any member of the public would have to pay to purchase the specified goods or services. Any taxes on products attached to the goods are included.

Price collection is done on a regular basis. Each month, around 4 Major Market's quotations are collected in respect of 310 item indicators from some 200 outlets selected to be representative of regions across Mogadishu.

Prices of non-perishable items are collected monthly in the 4 geographical districts of the City.

**(e) Formula for computation of the CPI**

The CPI is computed according to the Laspeyres Formula as a weighted average of price relatives of individual items. The weights are fixed and correspond to the base period expenditures. The Laspeyres Index measures the cost of a basket of goods and services at different points in time, relative to the cost of the same basket in the base period.

The formula used for computing the CPI at time  $t$  is

$$I_t = \frac{\sum W_i (P_{it} / P_{i0})}{\sum W_i} \times 100$$