



*REPUBLIC OF SOMALILAND
MINISTRY OF NATIONAL PLANNING & DEVELOPMENT
Central Statistics Department*

OFFICIAL RELEASE

**Monthly Consumer Price Index
July 2016**



2016

SOMALILAND CONSUMER PRICE INDEX

Consumer Price Index (CPI) July, 2016

The Central Statistics Department of the Ministry of National Planning & Development (MoNP&D), has released the Consumer Price Index (CPI) for the month of July 2016 (Base year 2012=100)

The Annual Headline Inflation (Y-o-Y) for the year ending July 2016 rose to 4.9 percent compared to 3.5 percent recorded for the year ended June 016.

Looking at a month on month [M-o-M] basis, the **Monthly Headline Inflation** for July 2016, dropped further by minus **-0.2** percent compared to a drop of minus **1.6** percent that was registered for the month of June 2016.

Comparison of the CPI of June 2016 with the CPI of July 2016.

An analysis on [M-o-M] basis of CPI for July 2016 compared with that of June 2016, shows that there are six divisions whose prices have generally dropped while the remaining six divisions their prices have generally gone up as given below.

Divisions whose prices have reduced are: “Food and Non-Alcoholic Beverages by minus 0.6 percent”; Clothing and Footwear by minus 0.8 percent”; “Health by minus 2.3 percent”; “Transport by minus 4.1 percent”; “Recreation and Culture by minus 4.3 percent”; and “Restaurants and Hotels by minus 1.6 percent”.

Divisions whose prices have risen are: “Alcoholic beverages, Tobacco and Narcotics by 0.4 percent”; Housing, water, electricity, gas and other fuels by 2.4 percent”; “Furnishings, household equipment and routine household maintenance by 0.2 percent”; “Communication by 1.8 percent”; “Education by 6.8 percent”; and “Miscellaneous goods and services by 0.3 percent”

Comparison of the CPI of Jun 2016 with the CPI of July 2015.

A rise in the Annual Headline Inflation was recorded at 4.9 percent where food inflation was 8.3 percent while the Non-food inflation was at 2.7 percent.

The [Y-o-Y] price surge is primarily due to the increase in prices recorded in the following divisions: “Food and Non-Alcoholic Beverages by 8.4 percent”; “Alcoholic Beverages, Tobacco and Narcotics by 13.8 percent”; “Clothing and Footwear by 3.2 percent”; “Housing, Water, Electricity, Gas and Other Fuels by 3.8 percent”. “Furnishings, Household Equipment and Routine Household Maintenance 3.8 percent”; “Health 1.6 percent”; “Communication by 7.2 percent”; “Recreation and Culture by 0.2 percent”; “Education by 12.2 percent”; “Restaurants and Hotels by 0.1 percent”; and “Miscellaneous Goods and Services 0.6 percent”.

On contrary, one division registered a drop in the annual inflation below zero percent and this is: “transport by minus 12.3 percent”

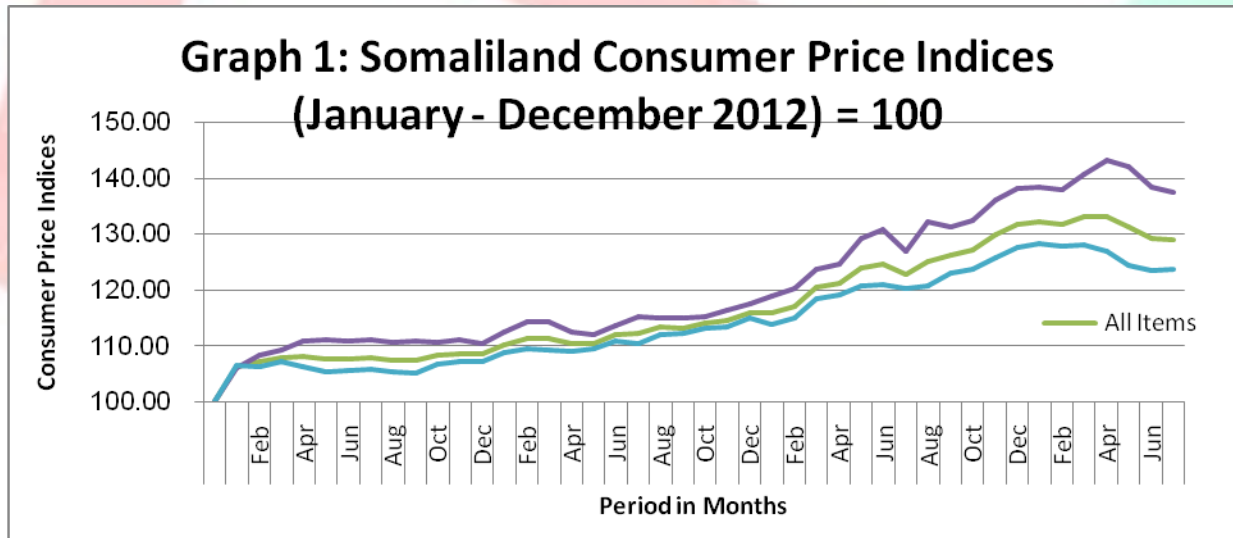
Table 1 below gives the CPI for July 2016 together with the inflation for all items, food, non- food and all the 12 divisions. Graph 1 shows the movement of consumer price indices while Graph 2 shows Annual inflation.

Table 1 Base year 2012=100

COICOP Codes	Major Categories and Divisions	CPI Weights 2012 Calendar Year	Monthly Index Numbers			Inflation (Percentage Change)	
			July-15	June-16	July-16	Y-o-Y (Annual)	M-o-M (Monthly)
	All Items	1,000.0000	122.84	129.12	128.92	4.9	-0.2
	Food	387.1043	126.87	138.26	137.38	8.3	-0.6
	Non-Food	612.8957	120.30	123.35	123.58	2.7	0.2
01	Food and Non-Alcoholic Beverages	417.4920	127.00	138.61	137.73	8.4	-0.6
02	Alcoholic Beverages, Tobacco and Narcotics	45.5716	134.59	152.50	153.17	13.8	0.4
03	Clothing and Footwear	57.3343	120.45	125.30	124.25	3.2	-0.8
04	Housing, Water, Electricity, Gas and Other Fuels	141.0220	125.47	127.20	130.29	3.8	2.4
05	Furnishings, Household Equipment and Routine Household Maintenance	55.4872	115.91	120.08	120.26	3.8	0.2
06	Health	25.5464	117.45	122.20	119.38	1.6	-2.3
07	Transport	88.5129	113.60	103.99	99.68	-12.3	-4.1
08	Communication	29.9332	114.76	120.84	123.01	7.2	1.8
09	Recreation and Furniture	22.4557	117.51	123.05	117.75	0.2	-4.3
10	Education	36.8795	113.66	119.34	127.49	12.2	6.8
11	Restaurants and Hotels	33.5201	112.21	114.10	112.30	0.1	-1.6
12	Miscellaneous Goods and Services	46.2451	120.51	120.82	121.19	0.6	0.3

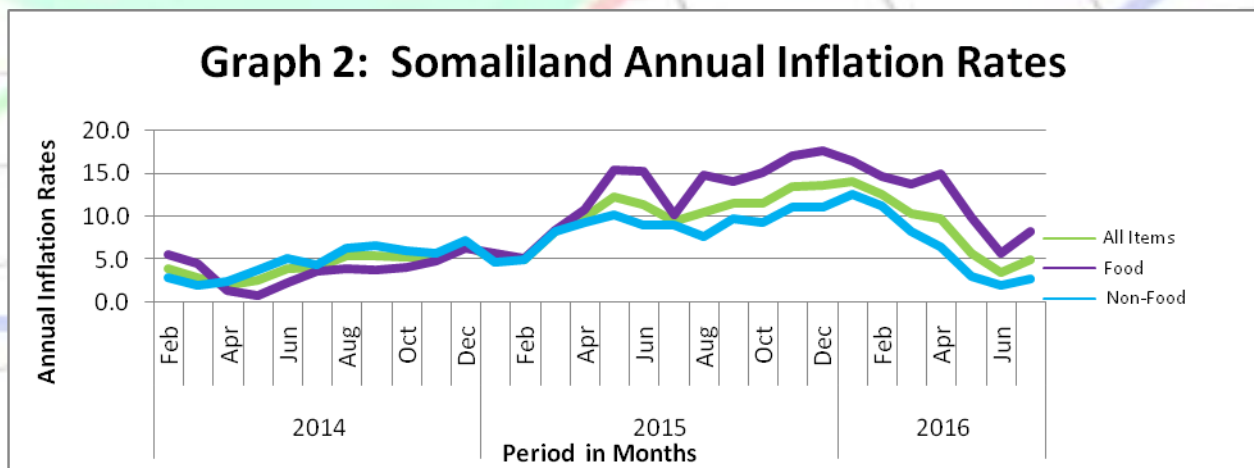
Graph 1: Somaliland Consumer Price Indices

Graph 1 shows that price levels for food have gradually persistently moved faster than those for the non-food category through the entire period of index measurement. i.e. from January 2013 to July 2016. During the period from December 2013 to December 2014, the gap narrowed but food price levels still remained higher and increase only in July 2016. This implies that the food sector has gradually contributed a lot to the rising price levels of household consumer goods and services as indicated in the graph.



Graph 2: Somaliland Annual Inflation Rates

Graph 2 also demonstrates that for the entire period i.e. January 2014 to July 2016, all the measured annual inflation were mostly positive. This is an indication of persistent increase in consumer prices within the Somaliland economy which has a negative impact on the welfare of the households more especially those with a fixed income together with those with very low income and without any savings at all. The same graph shows that food prices were volatile compared to non-food prices. Food prices changed more frequently and sharply mostly due the seasonal factors. The second factor that is likely to have affected the food prices is the depreciation of the local currency. It is assumed that a good proportion of food consumed in Somaliland is imported; hence a direct increase in prices for such products whenever there is a depreciation of the local currency.



1. EXPLANATORY NOTES

1.1 CPI Weights:

The results of the 2012 Somaliland Household Survey (SHS) were used as a major source of data to compute weights for the Somaliland Consumer Price Index (CPI). The 2012 SHS was designed in such a way that household data was collected from the entire Somaliland. However, only the household final consumption expenditure data for the Hargeisa domain were analyzed and used to compute the Somaliland CPI weights. This is due to the limited availability of resources.

The Somaliland CPI weights are based on the principal of Household Final Consumption (HFC) expenditure for Hargeisa. Both Monetary and non-monetary household final consumption were included during the computation of the Somaliland CPI weights.

The exclusion approach was used during the compilation of the Somaliland CPI weights. Thus, all illegal expenditures such as expenditure on alcoholic drinks were excluded during the compilation of the Somaliland CPI weights. In addition, due to practical reasons of regular collection of rental charges, imputed rents for owner-occupied dwellings were excluded.

The National approach was used during the computation of the CPI weights. Thus, the weights were compiled according to the “Resident Population” concept. This implies that the household final consumption expenditures were used as reported during the SHS irrespective of where the purchase of the consumable goods and services took place.

The plutocratic approach was followed during the compilation of the CPI weights. This means that the Somaliland CPI weights were computed as a total aggregated expenditure values rather than average household expenditure proportions. In addition, it also implies that all eligible expenditures for all households were included during the computation of the CPI weights, irrespective of the levels of expenditure whether for the category of the wealthiest or the poorest.

1.2 Cclassification

The classification used during the compilation of the Somaliland weights and the CPI is the Official United Nations Classification Of Individual Consumption according to Purpose (COICOP).

1.3 CPI Prices:

Prices used to compute the Somaliland CPI are of three categories. The first category comprises prices of items that are advertised and payable in Somaliland Shillings. Such prices are recorded and used directly to compute the CPI.

The second category, are the prices of items that are advertised and transacted in United States Dollars in a particular outlet. Such prices are converted to the equivalents in the national currency at the open market nominal exchange rate applying on the date of price collection. The third category caters for the missing prices. Such prices are estimated using the recommended techniques of imputing missing prices

1.4 Calculation of the Index Numbers

The price reference period (base) for the Somaliland CPI is the 2012 calendar year. i.e. from January to December, 2012. This implies that the monthly index calculations started from January 2013. The Somaliland CPI has been

calculated in two stages. The first stage is the computation of the Elementary Aggregate Indices while the second stage is the computation of the Higher Level indices.

1.5 Computation of the Elementary Aggregate Indices

The Elementary Aggregate Indices are calculated using the geometric mean (GM) method, commonly referred to as the Jevons index. This is the GM of the un-weighted price relatives. The short term approach is used during the computation of elementary aggregate indices. This is where price ratios or price relatives are computed between the current month and the previous month.

1.6 Computation of the Higher Level indices

These are the indices at levels above those of the elementary aggregate indices. They are in hierarchy starting with sub-class indices, class indices, group indices, division indices, non-food indices and all items indices. Higher level indices are calculated as a weighted arithmetic means of the indices for all the components within that higher level aggregate. For instance, a sub-class index is calculated as a weighted arithmetic means of all the Elementary Aggregate indices within that sub-class. A class index is calculated as a weighted arithmetic means of all the sub-class indices within that class etc... The construction of these indices is based on a Laspeyres-type Fixed Base Weight Index, being the price of the consumption basket at a given time as a percentage of its price in the base period.

1.7 Computation of the Monthly Inflation (M-o-M)

Monthly Inflation is calculated as the percentage change between the CPI of the current month and the CPI of the previous month.

1.8 Computation of the Annual Inflation (Y-o-Y)

Annual Inflation is calculated as the percentage change between CPI of the current month and the CPI of the same month but for the previous year;