

Republic of Somaliland

CONSUMER PRICE INDEX (CPI)

(JAN-DEC 2012 = 100)

OCTOBER 2020

Ministry of Planning and National Development

Central Statistics Department (CSD)

Methodological Note

The Consumer Price Index (CPI) and the accompanying report are prepared monthly by the Central Statistics Department (CSD) at the Ministry of Planning and National Development (MoPND). January to December 2012 is the price reference period, for which the CPI was set to 100.

The CPI is compiled from approximately 520 product prices collected in Hargeisa, mainly from the city's two biggest open-air markets. Those product prices are weighted according to the representative consumption basket, which is calculated based on consumption data from the Somaliland Household Survey (2013) and auxiliary data sources to overcome data gaps.

The CPI is produced following international standards for price statistics. For instance, the CPI follows the Classification of Individual Consumption by Purpose (COICOP), elementary aggregate indices are calculated using the geometric average method (Jevons index), and higher-level indices are computed as weighted arithmetic averages of their sub-indices (Laspeyres index).

Time series for the CPI and its main components, annual and monthly inflation, as well as detailed information on methodology are available on the CSD website: <https://somalilandcsd.org/>

Consumer Price Index summary for October 2020

In October 2020, the overall CPI decreased minus 0.9% over the previous month, and 0.8% over the same month in the previous year. Table 1 below summarizes the month-over-month and year-over-year changes in the overall CPI and for the main COICOP groups.

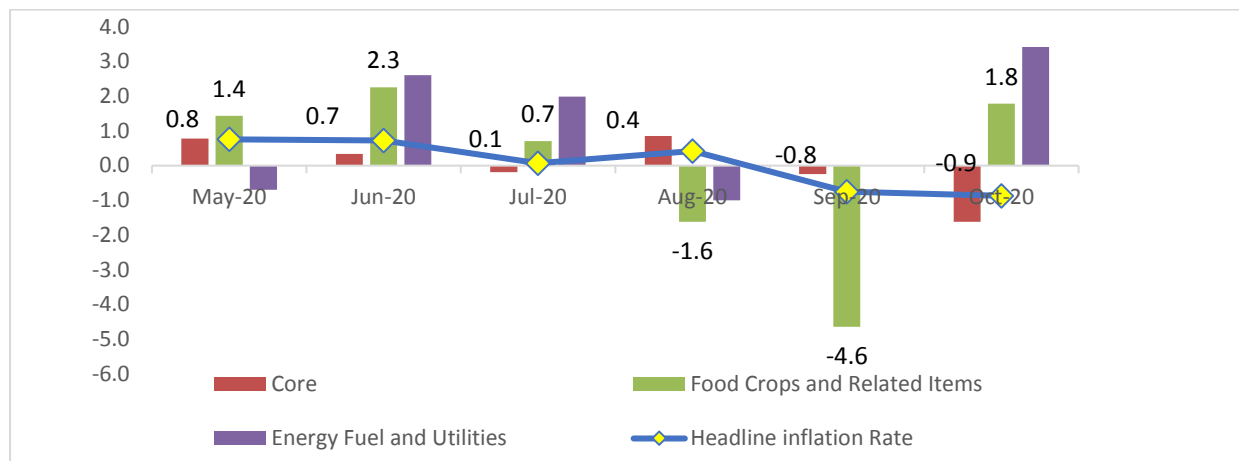
Table 1. Monthly and annual change in overall CPI and main COICOP Divisions for October 2020

Code	Main Divisions/classes	Weights	Oct_19	Sep_20	Oct_20	Month Percent change	Annual Percent change
	HEADLINE INDEX	100%	176.05	185.79	184.14	-0.9	4.6
1	Food and non-alcoholic beverages	41.75%	194.45	202.64	204.04	0.7	4.9
1.1	FOOD	38.71	194.07	206.66	202.49	-2.0	4.3
01.1.1	Bread and Cereals	10.48	174.73	182.12	183.37	0.7	4.9
01.1.2	Meat	6.05	208.56	220.51	220.92	0.2	5.9
01.1.3	Fish and sea food	0.37	221.61	221.96	221.96	0.0	0.2
01.1.4	Milk, cheese and eggs	4.23	233.40	212.21	212.27	0.0	-9.1
01.1.5	Oil and fats	1.54	133.95	132.95	134.90	1.5	0.7
01.1.6	Fruits	3.26	271.30	287.74	297.62	3.4	9.7
01.1.7	Vegetables	6.28	168.45	191.42	192.36	0.5	14.2
01.1.8	Sugar,Jam,Honey,chocolate and confe.	2.53	144.39	150.34	150.42	0.1	4.2
01.1.9	Food products n.e.c	3.99	210.68	224.36	224.69	0.1	6.6
2	tobacco and narcotics	4.56%	182.21	289.94	224.11	-22.7	23.0
3	Clothing and footwear	5.73%	175.32	184.64	185.83	0.6	6.0
4	Housing water, electricity, gas and other fuels	14.10%	177.41	169.56	171.86	1.4	-3.1
5	Furnishings household equipment and routine household maintenance	5.55%	159.10	166.35	166.55	0.1	4.7
6	Health	2.56%	171.02	200.39	202.36	1.0	18.3
7	Transport	8.85%	120.61	117.63	120.77	2.7	0.1
8	Communication	2.99%	185.91	181.40	181.40	0.0	-2.4
9	Recreation and culture	2.25%	149.36	159.12	160.61	0.9	7.5
10	Education	3.69%	149.46	147.98	147.35	-0.4	-1.4
11	Restaurants and hotels	3.35%	165.84	169.60	169.86	0.2	2.4
12	Miscellaneous goods and services	4.62%	167.00	185.35	186.47	0.6	11.7

Recent trends in the CPI and its main components

Decomposing inflation into the three components presented in Figure 1 allows us to see the effects on prices of the movement of the typically most volatile components of the CPI, food crops and energy fuel prices decline. It also allows us to calculate “Core Inflation” by subtracting these volatile components, which more accurately reflects the economy-wide change in prices that are influenced by aggregate demand and supply evolutions.

Figure 1. Monthly headline inflation and its main components, trailing 6 months



Over the past 6 months, monthly headline inflation has remained positive, peaking at 0.8% in May. Headline inflation slightly decelerated in the following two months, before almost stopping in September with minus 0.8% monthly inflation rate and slightly going October at minus 0.9%.

The biggest monthly increases were measured for the “Food crop & related items” component, peaking at 2.3% in June, followed by a 0.7% rate in July, October rate rebounded 1.8%, while it varied between minus 1.6% and minus 4.6% August and September respectively. The key product was driven by this component were Sweet/ripe bananas which decreased 6.6% and (Potatoes) 6.9%.

On the other hand, the “Energy, Fuel and Utilities” component saw the lowest monthly decrease at minus 0.7% in May, followed by a rapid increase at 2.6% in June. This significant drop was driven by low worldwide fossil fuel prices following the global recession provoked by the COVID-19 pandemic. The next three months have shown a decrease with inflation rates of 2.0%, minus 0.1 and zero rates in July, August and September respectively but rapidly seen October Increment to 3.2%. The key product was driven by this component were Charcoal which increment 8.3% and Paraffin or kerosene increased 9.1%.

The “Core Inflation” component, which reflects change in prices of goods in the consumption minus goods belonging to one of the other two components, was the least volatile of the three, oscillating between a 0.8% increase in May and a minus 0.2% decrease in July, in August there is slight increase 0.9% in rate of October decreased by minus 1.6%. Over the last three months, headline inflation has fairly closely followed “Core Inflation” as the more volatile components

varied less than in previous months). The key product that was driven by this component were Sorghum, flour which decreased minus 8.2% and Cow Milk decreased minus 18.0%.

Annual and monthly inflation rates over 12 months

Table 2. Annual percentage change in overall CPI and main components

Component	2019					2020							
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Headline index	4.0	4.4	4.7	4.6	5.0	5.6	6.3	6.3	6.9	6.8	7.1	6.0	4.6
Core	4.4	5.3	5.6	5.0	5.2	5.0	6.0	6.1	6.2	5.9	6.5	6.2	3.8
Food crops & related items	10.2	6.1	6.7	7.4	9.3	14.7	18.0	18.3	20.7	21.3	18.9	11.2	12.1
EFU	-7.1	-6.3	-6.7	-3.2	-2.3	-0.2	-6.2	-8.1	-4.6	-3.0	-2.6	-2.5	3.2

Table 3. Monthly percentage change in overall CPI and main components

Component	2019					2020							
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Headline index	0.5	0.6	0.6	0.5	0.6	0.8	1.1	0.8	0.7	0.1	0.4	-0.8	-0.9
Core	0.7	1.2	0.4	0.1	0.5	0.1	1.4	0.8	0.3	-0.2	0.9	-0.2	-1.6
Food crops & related items	0.9	-4.1	2.2	3.8	1.5	5.4	3.3	1.4	2.3	0.7	-1.6	-4.6	1.8
EFU	-2.3	0.0	0.9	0.5	0.1	1.6	-6.0	-0.7	2.6	2.0	-1.0	0.0	3.4

Glossary

Index reference period (Jan-Dec 2012=100): The period with which all other periods are compared (the period for which the value of the CPI is set at 100).

Percentage change: The change in an index or other statistical series from one period to another expressed as a percentage of its value in the first of the two periods.

Annual inflation: Percentage change between the current index number for a particular month and the index number for the same month of the previous year.

Monthly inflation: Percentage change between the current index number for a particular month and the index number for the previous month.

COICOP: The Classification of individual consumption by purpose, abbreviated as COICOP, is a classification developed by the United Nations Statistics Division to classify and analyse individual consumption expenditures incurred by households, non-profit institutions serving households and general government according to their purpose.

How to interpret inflation and CPI statistics?

Movements of the indices from one month to another usually are expressed as percentage changes rather than changes in index points. For instance, one index going from 50 in one month to 55 the next month represents a 10% increase in that index, which will be typically reported as a 10% rate of monthly inflation.

Table 4 below illustrates in more detail how to calculate monthly and annual inflation rates from index changes.

Table 4. Example on how to interpret the relations between index changes and inflation

Monthly Inflation		Annual Inflation	
Current month index level	184.18	Current month index level	184.18
Less index for previous month	<u>185.79</u>	Less index for same month of the previous year	<u>176.05</u>
Index point difference	0.99	Index point difference	1.05
Divided by the previous month index	185.79	Divided by the previous year index	176.05
Equals	99.13343	Equals	104.618
Results multiplied by 100	99.13343 x 100	Results multiplied by 100	104.618 x 100
Equals percent change	-0.9	Equals percent change	4.6