MEETING OF THE GROUP OF EXPERTS ON CONSUMER PRICE INDICES

THE HARMONIZATION OF THE CONSUMER PRICE INDICES IN THE EAST AFRICAN COMMUNITY PARTNER STATES (EAC)

IRANYIBUTSE Fidèle

Ingénieur Statisticien

Institut de Statistiques et d’Etudes Economiques du Burundi (ISTEEBU)

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1. Classification

- Classification

The classification recommended during the compilation of the EAC HCPI and its sub-indices is the United Nations Classification of Individual Consumption According to Purpose (COICOP). The « Institut de Statistiques et d’Etudes Economiques du Burundi (ISTEEBU) », Kenya National Bureau of Statistics (KNBS), National Institute of Statistics of Rwanda (NISR), National Bureau of Statistics (NBS) and Office of the Chief Government Statistician (OCGS), Uganda Bureau of Statistics (UBOS) followed the recommended International classification of goods and services in the CPI basket which is COICOP.
1. Classification

- **special categories of products-Education**
  The recommended best practice is that all goods and services ancillary to education should NOT be classified under Education (COICOP division. So, All the 5 Partner States are complainant with the recommendation

- **Special categories of products-Health and Rent**
  The recommended classification for all goods and services related to health and rent should be classified within their respective divisions and classes. For instance, electricity charges should not be classified as part of rent.

  All the 5 Partner States are complainant with the recommendation
1. Classification

- **Classification of Second-hand goods**

Classification of second hand goods has to be done within the same Class of COICOP where new products of similar type are classified. All the 5 Partner States are complainant with the recommendation
2. EAC HCPI Coverage

- **CPI Product Coverage**

  The recommended best practice is to cover all final consumption goods and services consumed within the economic territory by Domestic residents, Foreign residents and Non-residents.

  - ISTEEBU of Burundi covers products mostly for the first two categories of the population
  - KNBS of Kenya covers products mostly for the first two categories of the population
  - NISR of Rwanda covers products mostly for the first two categories of the population
2. EAC HCPI Coverage

- **CPI Product Coverage**
  
  - NBS of Tanzania covers products mostly for the first two categories of the population while OCGS covers all the three categories of products.
  
  - UBOS of Uganda covers products mostly for the first two categories of the population.

  *The Remarks is this: All the 5 Partner States need to improve the scope of the product coverage.*
2. EAC HCPI Coverage

- **CPI Geographical**
  
  The Coverage of Price Collection for The recommended best practice is to collect consumer prices from capital cities, other urban areas and rural areas (National Coverage).

  - ISTEEBU of Burundi collects consumer prices from the capital city which is Bujumbura, Seventeen urban areas and seventeen rural areas.
  
  - KNBS of Kenya collects consumer prices from the capital city Nairobi and thirteen other urban areas. Thus, consumer prices from rural areas are NOT collected.
  
  - NISR of Rwanda collects consumer prices from the capital city which is Kigali, 20 urban areas and 20 rural areas.
2. EAC HCPI Coverage

- **CPI Geographical**
  - NBS of Tanzania collects consumer prices from Dar Es Salaam which is the business city and twenty five other urban areas. Thus, consumer prices from rural areas are NOT collected.
  - OCGS collects prices from six urban areas of Zanzibar.
  - Zanzibar does not collect prices in rural areas.
  - UBOS of Uganda collects consumer prices from the capital city which is Kampala and six urban areas. Thus, consumer prices from rural areas are NOT collected.

**Ascertainment:** Only Burundi and Rwanda collect consumer prices from rural areas. Other Partner States should fast track the process of collecting consumer prices from rural areas.
2. EAC HCPI Coverage

- **CPI Geographical Coverage of Household Expenditure**

  The recommended best practice is to include household expenditures of the capital cities, other urban areas and rural areas during the compilation of weights for the CPI (**National Coverage**).

- ISTEEBU CPI weights for Burundi cover household consumption expenditures for the capital city which is Bujumbura, Seventeen other urban areas and seventeen rural areas.

- KNBS CPI weights for Kenya cover household expenditures for both rural and urban
2. EAC HCPI Coverage

- **CPI Geographical Coverage of Household Expenditure**
  - NISR CPI weights for Rwanda cover household expenditures for the capital city which is Kigali and twenty other urban areas. Thus, household expenditures for the rural areas are **NOT included**.
  - UBOS CPI weights for Uganda cover household expenditures for the capital city which is Kampala and seven other urban areas. Thus, household expenditures for the rural areas are **NOT included**.
  - NBSCPI weights for Tanzania cover household consumption expenditures for Dar Es Salaam, which is the busiest business city, twenty other urban areas, and household expenditures for the rural areas.
2. EAC HCPI Coverage

- **CPI Geographical Coverage of Household Expenditure**

Only Burundi and Tanzania include household consumption expenditures for both Urban and Rural areas. Other Partner States should fast track the process of incorporating household consumption expenditures for
3. Determination of baskets

Data Source

According to the recommended best practices, the computation of the EAC HCPI weights, the main source of data should be:

- Should be the results of the HBS
- The HBS should be conducted for at least 12 consecutive months

ISTEEBU fulfilled only the first recommendation. Her HBS lasted for only two months and others fulfilled both recommendations.
3. Determination of baskets

- **Treatment of under-reported Expenditures**

According to the recommended best practices that should be followed during the computation of weights for the EAC HCPI, there are well known categories of products that are always under-reported during the HBS survey, alcoholic beverages and tobacco being the most common. HBS expenditure values for such products have to be compared with other data sources. Consequently, adjustments are made if there are discrepancies.

All the Partner States complied with the recommendation
4. Product Sample in the HCPI basket

- **CPI Special Product Categories for Exclusion**

  The following special categories of products are recommended for exclusion during the compilation of the EACH CPI: Narcotics (including Khat), Games of chance (Gambling), Prostitution, Life insurance and Black market products.

  All the Partner States are compliant with the recommendation during the compilation of the Harmonized CPI.
5. Price Collection

- **Timing of Price Collection**
  Prices of items in the HCPI should be recorded during the first three weeks of the month. i.e. from 1\textsuperscript{st} to 21\textsuperscript{st} of each month.
  
  All the five Partner States are compliant with the recommendation

- **Instruments used during Prices Collection**
  - ISTEEBU is testing the use of electronic devices
  - KNBS Uses Paper questionnaires in the current CPI. However, the new rebased CPI is planned so as to use tablets.
  - NISR Uses both Paper questionnaires and electronic devices. However, it plans to shift to electronic devices
  - NBS and OCGS Both Use paper questionnaires
  - UBOS uses paper questionnaires. However, it plans to introduce electronic devises soon
6. Price Data Validation and Editing

- **Validation mechanism**
  There should be a system of checking of prices by Price Collectors, Field supervisors and finally, at the central office. All the five Partner are compliant with the recommendation.

- **Treatment of Temporary Price Reductions**
  Price Reductions should be included only when reductions are non-conditional and when they apply to individual products. All the five Partner are compliant with the recommendation.
7. Computation of the CPI

✧ **Index Formula**
Jevons Index formula should be used during the computation of EAls.
All the five Partner States are complaint with the recommendation

✧ **Calculation of the EAls**
Chained monthly calculations should be used
All the five Partner States are complaint with the recommendation

✧ **Computation of the Higher Level Indices**
Stepwise weighted average aggregation should be done while computing higher level indices
All the five Partner States are complaint with the recommendation
7. Computation of the CPI

- **Software for Computation of the CPI**

Partner States should adopt a fully compatible software for the compilation of the HCPI

- ISTEEBU Uses CSPro for capturing CPI prices and MS. Excel for the computation of the CPI
- KNBS Uses MS. Excel for data entry and fox pro for the computation of the CPI
- NISR Uses MS. Access for both Data Entry and for the computation of the CPI. But NISR uses Excel for the Tables
- NBS and OCGS Both Use MS. Excel for Data Entry and for the computation of the CPI
- UBOS Uses MS. Excel for Data Entry and for the computation of the CPI

There is urgent need to support all Partner States within the EAC region to adopt a fully compatible software for the compilation of the HCPI
8. Publication and Dissemination

- The recommended date for submission of the national HCPI of the current month together with the matrix of events to the EAC Secretariat is the 10th day of the following month.
- ISTEUBU disseminates the national CPI on 10th day of the following month. However, matrices of events are not documented.
- KNBS disseminates the national CPI to the public on the last working day of that very month. However, matrices of events are not documented.
- NISR disseminates the national CPI to the public on the 10th day of the following month. However, matrices of events are not documented.
- NBS and OCGS disseminate the national CPI to the general public on the 10th day of the following month. However, matrices of events are not documented.
- UBOS disseminates the national CPI to the public on the last working day of that very month. However, matrices of events are not documented.
THANK YOU