



Consumer Price Index Second quarter, 2012

(Base year 2007)

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Introduction

The consumer price Index (CPI) is an important statistical indicator for the purposes of planning and research in various disciplines. Statistics centers and agencies in different countries consistently compile these indices, which depend on the prices of a basket of goods and services consumed by the household sector. The figures thus calculated constitute a time series that provides a measure of changes in the cost of living over time.

Therefore Statistics Centre - Abu Dhabi has always taken interest in collecting the prices of those goods and services on a regular basis and publishes the indicators derived from this data, following the methodologies adopted internationally in this field.

The Prices and income statistics section in SCAD developed the consumer price index in a way that allows calculating the consumer prices by household welfare level and by household type.

As for the household welfare level, the society is divided into five segments representing five living standards relying on the average annual spending per capita, which ranged from AED 7839 for the bottom welfare quintile, AED 20262 for the middle welfare quintile and AED 52720 for the top welfare quintile. Each segment reflects a consumption pattern of the households included.

As for the Household Type, the society is divided into three types of households: Citizen, Non-citizen and Collective households (based on the household expenditure and income survey 2007/8).

To represent all regions of the Emirate, the selected sample of items included in the Consumer Price Index basket uses actual data from the 2007/8 household income and expenditure survey. The sample of outlets were selected in such a way as to represent points of purchase for a large base of consumers all over the Emirate of Abu Dhabi, taking into account the geographical distribution of sources within the Emirate.

Key Points

- The average rise in consumer prices for the first half of 2012 was 1.3 per cent, compared with the same period of 2011.
- From June 2011 to June 2012, average consumer prices rose by 1.4 per cent.
- From May 2012 to June 2012, average consumer prices increased by 0.2 per cent.

Table 1: Average CPI and relative change

Year	May	June	Q1	Q2	Jan-June
CPI					
2011	120.7	121.3	121.0	120.8	120.9
2012	122.8	123.0	122.0	122.8	122.4
— % —					
Relative change	1.7	1.4	0.9	1.7	1.3

Source: Statistics Centre - Abu Dhabi

Relative change is based on the unrounded CPI

- Consumer prices for Q2 2012 compared with Q1 2012 increased by 0.6 per cent.
- From Q2 2011 to Q2 2012, average consumer prices rose by 1.7 per cent.
- An overall rise in consumer prices during the first half of 2012 compared with the same period in 2011 has led to an increase of 1.5 per cent in consumer prices for households of the bottom welfare quintile over the same period of comparison. As for the other welfare levels, consumer prices grew by 1.1 per cent for households of the top quintile and by 1.4 per cent for the middle welfare quintile.
- During the first half of 2012 compared with the same period in 2011, consumer prices for national households increased by 1.5 per cent, and by

1.0 per cent for non-national households and 2.3 per cent for share households.

1. Consumer prices for the first half of 2012

Table 2: Weights, relative price index changes and contributions of expenditure groups to the overall percentage points change in CPI, Jan-June 2012 compared with Jan-June 2011.

Main Expenditure Groups	Weight	Relative change in group CPI's	Contribution to percentage point change in CPI
		— % —	
Food and non-alcoholic beverages	16.1	4.7	64.4
Alcoholic beverages and tobacco	0.3	9.2	1.8
Clothing and footwear	9.8	0.0	0.1
Housing, water, electricity, gas and other fuels	37.9	-1.1	-35.0
Furnishings, household equipment and routine household maintenance	4.8	2.8	10.5
Health	0.8	0.2	0.1
Transport	9.7	0.8	6.3
Communication	7.7	0.0	-0.2
Recreation and culture	2.4	-0.3	-0.6
Education	2.6	4.8	12.7
Restaurants and hotels	3.4	15.0	42.0
Miscellaneous goods and services	4.6	-0.6	-2.1
Total	100	-	100

Source: Statistics Centre - Abu Dhabi
Relative change is based on the unrounded CPI

- The average rise in consumer prices for the first half of 2012 was 1.3 per cent, compared with the same period of 2011.
- The "Food and non-alcoholic beverages" group, accounted for 64.4 per cent of the percentage point rise in the index, due to increases in the prices

of most of the subgroups included in this group. The highest price increase was in the "Meat" subgroup which rose by 10.9 per cent, followed by "Fish and seafood" (10.3%), "Coffee, tea and cocoa" (9.4%), "Oils and fats" (6.9%), and "Milk, cheese and eggs" (3.0%).

- The next highest group contributor to the overall year-to-date increase in the CPI over the first half of 2012 was "Restaurants and hotels" which accounted for 42.0 per cent of the increase in the CPI. Prices for this group increased by 15 per cent.
- The main group that slowed down the rise in consumer prices during the first half of 2012 compared with the same period of 2011 was "Housing, water, electricity, gas and other fuels" which contributed a negative 35.0 per cent of the overall change in the CPI index. The average prices of this group decreased by 1.1 per cent.

2. Consumer price for second quarter 2012

Table 3: Weights, relative change and contribution of expenditure groups to the overall change in CPI, Q2 2012 compared with Q2 2011.

Main Expenditure Groups	Weight	Relative change in group CPI's	Contribution to percentage point change in CPI
		— % —	
Food and non-alcoholic beverages	16.1	5.1	53.8
Alcoholic beverages and tobacco	0.3	10.3	1.5
Clothing and footwear	9.8	2.9	13.8
Housing, water, electricity, gas and other fuels	37.9	-1.5	-36.5
Furnishings, household equipment and routine household maintenance	4.8	4.1	11.7
Health	0.8	0.4	0.2
Transport	9.7	0.9	5.1
Communication	7.7	0.0	-0.1
Recreation and culture	2.4	-0.4	-0.5

Education	2.6	4.8	9.7
Restaurants and hotels	3.4	20.1	43.0
Miscellaneous goods and services	4.6	-0.6	-1.8
Total	100	-	100

Source: Statistics Centre - Abu Dhabi
Relative change is based on the unrounded CPI

- The average rise in consumer prices for the second quarter of 2012 was 1.7 per cent, compared with the same period of 2011.
- The "Food and non-alcoholic beverages" group, accounted for 53.8 per cent of the percentage point rise in the index, due to increases in the prices of most of the subgroups included in this group.
- The next highest group contributor to the overall year-to-date increase in the CPI over the second quarter of 2012 was "Restaurants and hotels" which accounted for 43.0 per cent of the increase in the CPI. While prices for this group increased by 20.1 per cent.
- The main group that slowed down the rise in consumer prices during the second quarter of 2012 compared with the same period of 2011 was "Housing, water, electricity, gas and other fuels" which contributed a negative 36.5 per cent of the overall change in the CPI index. The average prices of this group decreased by 1.5 per cent.
- Consumer prices for Q2 2012 compared with Q1 2012 increased by 0.6 per cent. The most significant individual increase came from prices for "Restaurants and hotels" which increased by 9.2 per cent.
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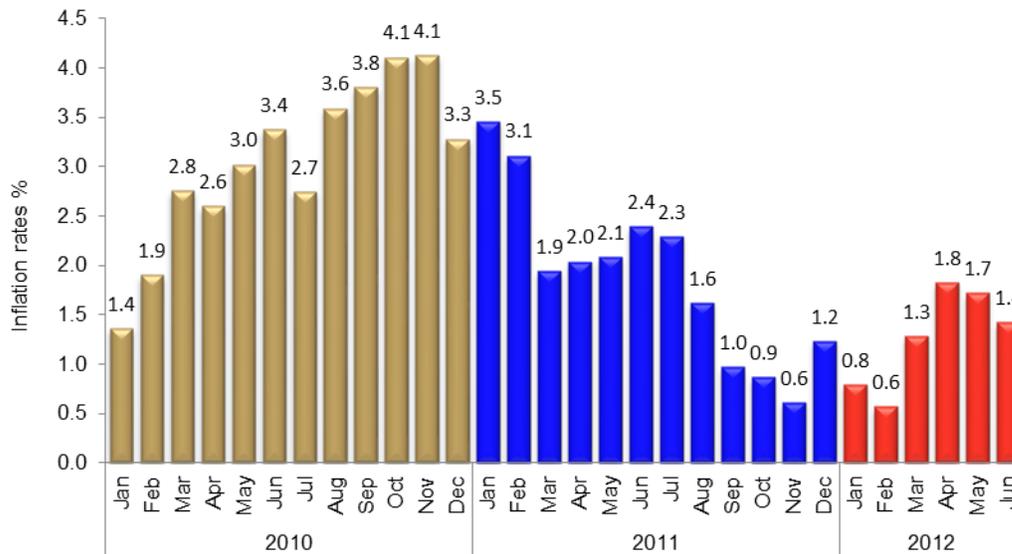
3. Consumer prices for June 2012

- Over the year, that is, for June 2012 compared with June 2011, average consumer prices increased by 1.4 per cent. The most significant individual increase came from higher prices for "Restaurants and hotels" which rose by 22.4 per cent, followed by "Alcoholic beverages and tobacco" (10.7%)

and “Food and non-alcoholic beverages” (4.2%). Over the same period, prices of the “Housing, water, electricity, gas and other fuels” group decreased by 2.0 per cent.

- Over the month, that is, for June 2012 compared with May 2012, average consumer prices increased by 0.2 per cent. The most significant individual increase came from prices for “Restaurants and hotels” which increased by 2.8 per cent.

Figure 1: Annual inflation rates from January 2010 to June 2012



Source: Statistics Centre - Abu Dhabi

4. Consumer prices by household welfare level for June 2012

- Consumer prices for households of the bottom welfare quintile increased by 1.5 per cent during the first half of 2012 compared with the same period in 2011. Consumer prices for households of the middle welfare quintile increased by 1.4 per cent. The corresponding rise for other welfare levels was 1.1 per cent for households of the top quintile.
- Consumer prices for households in the bottom welfare quintile increased by 1.9 per cent in June 2012 compared with June 2011. Prices in the middle welfare level increased by 1.5 per cent. Prices for households in the top welfare level increased by 1.3 per cent.

- Consumer prices increased in June 2012 compared with May 2012 for all welfare levels. Prices in the bottom welfare level increased by 0.5 per cent. Prices for households in the top welfare level and in the middle welfare level increased by 0.2 per cent.

5. Consumer prices by household type for June 2012

- During the first half of 2012 compared with the same period in 2011, consumer prices for national households increased by 1.5 per cent, and by 1.0 per cent for non-national households and 1.6 per cent for share households.
- Consumer prices for national households increased by 1.5 per cent, in June 2012 compared with June 2011, while consumer prices for non national households increased by 1.2 per cent and share households 2.3 per cent.
- Compared with May 2012, consumer prices increased by 0.1 per cent for national households, 0.2 per cent for non-national households, and 0.7 per cent for share households.

Next release

Consumer price index, July 2012, will be released on 10 August 2012. For more information on prices and other official statistics, please visit the SCAD website at <http://www.scad.ae>

Consumer Price Index (CPI) Calculation Methodology

The CPI is a mathematical average that measures the rate of change in the prices of a basket of goods and services purchased by representative households between five time periods. The period against which prices are compared is known as the base period and the period under review is known as the comparison period.

1- Sources of Goods and Services

The sources used for collection of price data were determined through field visits conducted by a team from SCAD's Price Indices Section. These sources are updated on a regular basis e.g. when any source closes down or relocates premises. Price data are currently collected from 117 sources.

2- Collection of Price Data

The CPI basket is collected every month, except for the group of vegetables, fruit, meat, fish, and chicken for which price data are collected every week due to price fluctuations in these items. Data on home rentals are collected on a quarterly basis, and school tuition fees semi-annually. The index is calculated using 2007 as the base year for the Abu Dhabi region, with a basket consisting of 334 goods and services and a consumer basket consisting of 670 goods and services.

3 - Weights

The weights (relative importance) of goods and services are calculated using the results of the 2007-08 Household Income and Expenditure Survey. Goods or services with a weight of 0.002 per cent or more were included in the CPI basket of goods and services. Goods with weights below this value were distributed proportionally among the other goods in the same group.

4- Compilation of the CPI

The CPI is calculated using the Laspeyres method which uses fixed base-year weights:

$$CPI_L = \sum \frac{P_{1i}}{P_{0i}} \times W_{0i}$$

The average prices of items in the basket are calculated using the geometric mean of elementary aggregates. Price ratios are calculated by dividing the comparison price by the base price. The price ratios are then multiplied by their appropriate base weights, and are then summed to form the average index.

The index for house rentals is calculated separately using a moving base. This figure is calculated on a quarterly basis.

In addition to the general CPI for all Abu Dhabi Emirate, the CPI is also constructed for five welfare levels classified according to annual household income quintiles. In addition, the CPI by household type is constructed for the classifications of household type: national, non-national and share households. A share household means two or more unrelated persons living in one housing unit and sharing their living arrangements.