

مركز الإحصاء  
STATISTICS CENTRE



Consumer Price Index,

**October 2014**

(Base year 2007)

Detailed by:

- Expenditure groups
- Household welfare levels
- Household type
- Region

Nov 9<sup>th</sup>, 2014

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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 centres 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 Price Indices Section at the Statistics Centre - Abu Dhabi compile CPI according to households' levels of welfare and type. For the welfare level approach, the population is divided into five segments (quintiles), which represent five standard of living levels based on average annual expenditure per capita.

For the household type approach, the population is divided into three types of households as set out in the results of the Household Income and Expenditure Survey (2007), namely, Citizen, Non-Citizen and Share households.

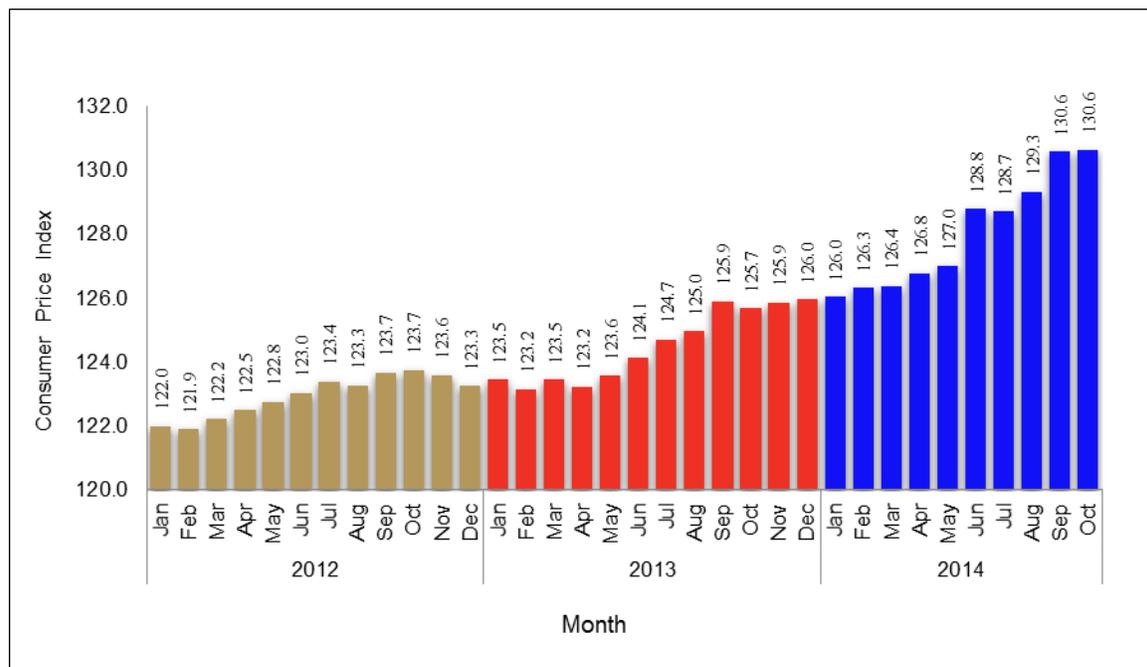
To represent all regions of the Emirate, the selected sample of items included in the Consumer Price Index basket uses actual data from the Household Income and Expenditure Survey 2007. The sample of outlets were selected in such a way to represent points of purchase for a large base of consumers all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

## Key Points

This publication provides an analysis of the results of the CPI for the month of October 2014 and the first ten months of 2014 with the base year 2007. In addition, the publication provides the results of the CPI by household welfare levels, by household type and by region. The main findings of this analysis are outlined below:

- The inflation rate in consumer prices for the first ten months of 2014 was 3.1%, compared with the same period of 2013, as shown by the increase in the CPI to 128.1 points during the first ten months of 2014, up from 124.2 points during the same period of 2013.
- The CPI increased by 4.0% in October 2014, compared with the same period of 2013, as shown by the increase in the CPI from 125.7 points in October 2013 to 130.6 points in October 2014.
- The CPI increased by 0.1% in October 2014 compared with September 2014.

**Figure (1): CPI for the months of 2012, 2013, 2014**



Source: Statistics Centre- Abu Dhabi

- An overall rise of 3.1% in consumer prices during the first ten months of 2014 compared with the same period in 2013, has led to an increase of 2.3% in consumer prices for households of the bottom welfare quintile over the same period of comparison. While the consumer prices grew by 3.1% for households of the middle welfare quintiles and by 3.2% for the top quintile welfare quintile.
- The rise in consumer prices for the first ten months of 2014 compared with the same period in 2013, pushed up consumer prices for citizen households by 3.3%, and by 3.0% for non-citizen households and 2.4% for share households.
- The CPI increased in October 2014, compared with the same month in 2013, by 4.1% in Abu Dhabi, 4.0% in Al Ain, and 3.1% in Al Gharbia region.

## Consumer Price Index (CPI) for October 2014 (2007=100)

### A. Inflation rates

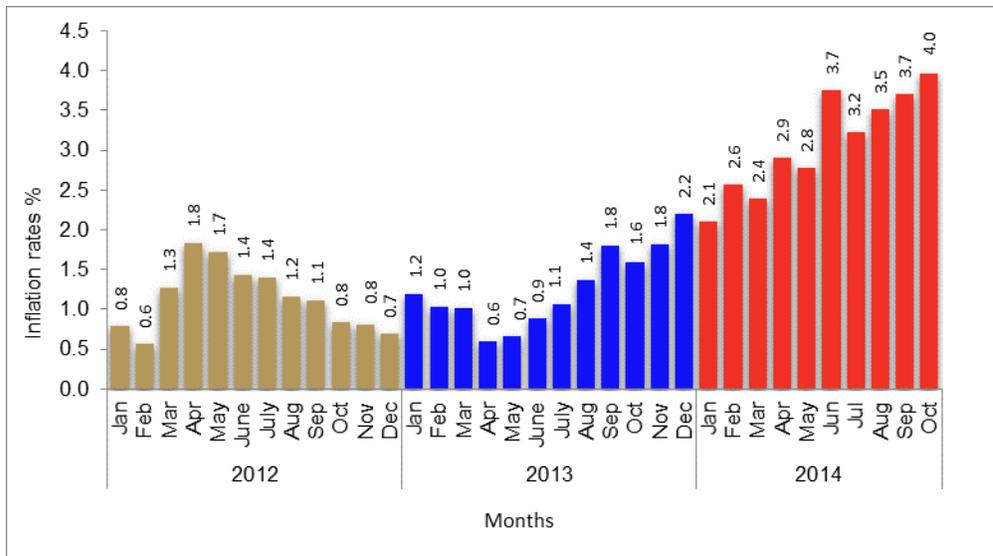
The annual inflation rate for the first ten months of 2014 reached 3.1%, with the CPI for the first ten months of 2014 at 128.1 points, compared with 124.2 points for the same period of 2013. Annual inflation for October 2014 has reached 4.0%, and (Figure 2) shows annual inflation rates for the months of 2012, 2013, and 2014.

**Table (1): Consumer price index**

Year	September	October	Jan – October
	CPI		
2013	125.9	125.7	124.2
2014	130.6	130.6	128.1
	— % —		
Relative change	3.7	4.0	3.1

Source: Statistics Centre - Abu Dhabi

**Figure (2): Annual inflation rates for the months of 2012, 2013 and 2014**



Source: Statistics Centre – Abu Dhabi

## B. Average CPI for the first ten months of 2014 compared with the same period of 2013

Table (2) shows the twelve major expenditure groups, as per the Classification of Individual Consumption according to Purpose (COICOP), and the Weight or relative importance of each one of the main expenditure groups. The Weight of any group is the expenditure by all households on that group as a proportion of total expenditure on all groups. The table also shows the relative change, which is the percentage rate of change in the prices of any given group for the first ten months of 2014 compared with the same period of 2013. The percentage contribution reflects the expenditure group's contribution to the overall change in the prices of all groups, which is 3.1%.

**Table (2): Major expenditure groups by weights, relative change and contribution for the first ten months of 2014**

Main expenditure groups	Weight	Relative change	Contribution
		— % —	
Food and beverages	16.1	2.4	14.2
Alcoholic beverages and tobacco	0.3	3.0	0.3
Clothing and footwear	9.8	1.9	5.0
Housing, water, electricity, gas and other fuels	37.9	3.5	43.0
Furnishings, household equipment and routine household maintenance	4.8	10.2	16.4
Health	0.8	-0.2	-0.1
Transport	9.7	0.2	0.6
Communication	7.7	-0.2	-0.3
Recreation and culture	2.4	2.1	1.4
Education	2.6	4.3	4.9
Restaurants and hotels	3.4	5.1	7.1
Miscellaneous goods and services	4.6	5.2	7.5
Total	100	3.1	100

Source: Statistics Centre - Abu Dhabi

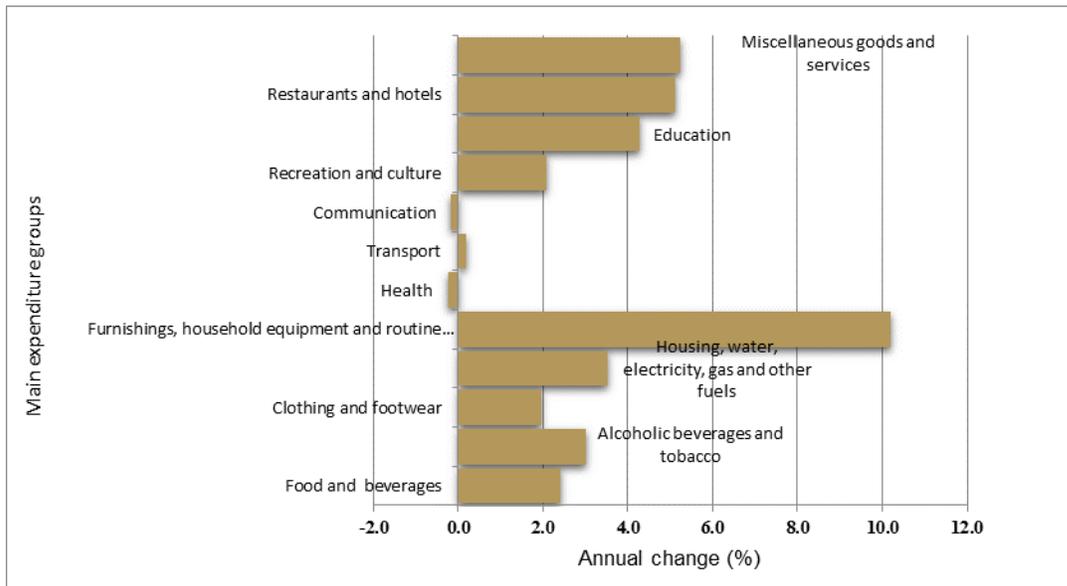
The above table shows the 'Housing, water, electricity, gas and other fuels' group accounted for the largest rise in the index during the first ten months of 2014 compared with the same period of 2013, contributing 43.0% to the change. This contribution resulted from an increase of 3.5% in the prices of this group.

The second highest contributor to the overall increase in the CPI over the first ten months of 2014 was the 'Furnishings, household equipment and routine household maintenance' group which contributed 16.4% to the overall increase in the CPI. Prices of this group increased by 10.2% compared with the same period of 2013.

The 'Food and beverages' group, which contributed 14.2% of the overall increase in prices of this group rose by 2.4% compared with the same period of 2013.

The prices of 'Miscellaneous goods and services' rose by 5.2% during the first ten months of 2014 compared with the same period of 2013. This group contributed 7.5% of the total increase achieved by all groups.

**Figure (3): Annual change in the CPI for the main groups (first ten months of 2014 compared with the same period of 2013)**



Source: Statistics Centre - Abu Dhabi

### C. CPI of October 2014

#### 1. Comparing the CPI of October 2014 with the CPI of October 2013

The average consumer prices increased by 4.0% in October 2014 compared with October 2013, with the CPI at 130.6 points in October 2014, up from 125.7 points in

October 2013. This increase in prices was due to the net movement (increases and decreases) of consumer prices during the mentioned months.

The most significant groups, which experienced increases in prices during October 2014 compared with October 2013, were 'Furnishings, household equipment and routine household maintenance' with 12.9%, and followed by 'Miscellaneous goods and services' with 6.0%, 'Education' with 5.9%, 'Housing, water, electricity, gas and other fuels' with 5.4% and 'Alcoholic beverages and tobacco' with 4.8%,.

**Table (3): Main expenditure group by weights, relative change and contribution, October 2014 compared with October 2013**

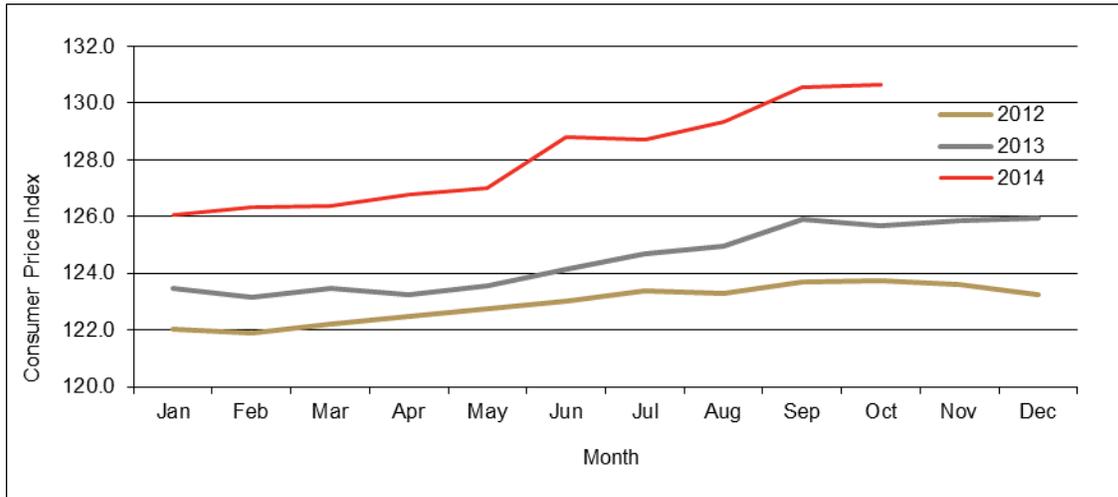
Main Expenditure Groups	Weight	Relative change — % —	Contribution
Food and beverages	16.1	4.0	18.5
Alcoholic beverages and tobacco	0.3	4.8	0.3
Clothing and footwear	9.8	-2.2	-4.5
Housing, water, electricity, gas and other fuels	37.9	5.4	51.2
Furnishings, household equipment and routine household maintenance	4.8	12.9	15.9
Health	0.8	-0.1	0.0
Transport	9.7	0.0	0.0
Communication	7.7	-0.1	-0.1
Recreation and culture	2.4	3.9	2.1
Education	2.6	5.9	5.3
Restaurants and hotels	3.4	4.2	4.5
Miscellaneous goods and services	4.6	6.0	6.7
Total	100	4.0	100

Source: Statistics Centre - Abu Dhabi

## 2. Comparing the CPI of October 2014 with the CPI of September 2014

The average consumer prices increased by 0.1% in October 2014 compared with September 2014. This overall increase in prices between the two months reflects the net movement (increases and decreases) of consumer prices during the periods compared.

**Figure (4): Consumer price index for the months of 2012, 2013 and 2014**



Source: Statistics Centre - Abu Dhabi

#### **D. CPI by household welfare level**

1. Comparing the average CPI by household welfare level for the first ten months of 2014 with the same period of 2013

The rise of 3.1% in consumer prices during the first ten months of 2014 compared with the same period in 2013, resulted in an increase of 2.3% in consumer prices for households of the bottom welfare quintile for the same period of comparison. The corresponding rise for other welfare levels was 3.1% for households of the middle quintile and 3.2% for households of the top welfare quintile.

**Table (4): Average CPI values by household welfare level for the first ten months of 2013 and 2014**

Period	Bottom level	Bottom-middle level	Middle level	Top-middle level	Top level	All households
	— CPI —					
2013	125.2	125.6	125.2	124.6	123.1	124.2
2014	128.1	129.3	129.1	128.5	127.1	128.1
	— % —					
Relative Change	2.3	2.9	3.1	3.2	3.2	3.1

Source: Statistics Centre - Abu Dhabi

2. Comparing the average CPI by household welfare level for the month of October 2014 with October 2013

The 4.0% rise in consumer prices in October 2014 compared with October 2013 caused an increase of 3.2% in consumer prices for households in the bottom quintile and 3.9% in the middle quintile, while prices for households of the top welfare quintile increased by 4.1%.

**Table (5): Average CPI values by household welfare level for the months of October 2013 and October 2014**

Period	Bottom level	Bottom-middle level	Middle level	Top-middle level	Top level	All households
— CPI —						
October -2013	127.3	127.5	126.8	126.1	124.3	125.7
October -2014	131.3	132.2	131.8	131.2	129.4	130.6
— % —						
Relative Change	3.2	3.7	3.9	4.0	4.1	4.0

Source: Statistics Centre - Abu Dhabi

3. Comparing the average CPI by household welfare level for the month of October 2014 with September 2014

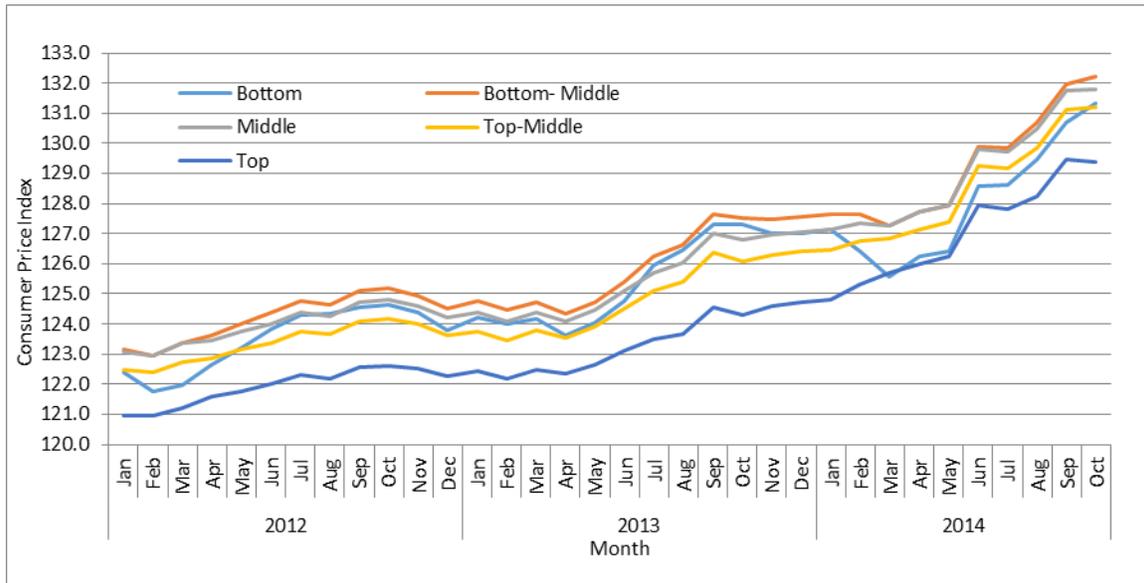
In October 2014, consumer prices increased by 0.1% compared with September 2014. This caused an increase of 0.5% in consumer prices for households in the bottom welfare level.

**Table (6): Average CPI values by household welfare level for the months of October 2014 and September 2014**

Period	Bottom level	Bottom-Middle Level	Middle Level	Top-Middle Level	Top Level	All households
— CPI —						
Sep -2014	130.7	132.0	131.7	131.1	129.4	130.6
Oct -2014	131.3	132.2	131.8	131.2	129.4	130.6
— % —						
Relative Change	0.5	0.2	0.0	0.1	0.0	0.1

Source: Statistics Centre - Abu Dhabi

**Figure (5): Monthly CPI movements by household welfare levels from January 2012 to October 2014**



Source: Statistics Centre - Abu Dhabi

## E. CPI by household type

1. Comparing the average CPI by household type for the first ten months of 2014 with the same period of 2013

The 3.1% rise in consumer prices for the first ten months of 2014 compared with the same period of 2013, pushed up consumer prices for citizens by 3.3%, non-citizen households by 3.0%, and share households by 2.4%.

**Table (7): Average CPI by household type values for the first ten months of 2013 and 2014**

Period	Citizen	Non-citizen	Share	All households
— CPI —				
2013	123.7	124.7	125.1	124.2
2014	127.8	128.4	128.1	128.1
— % —				
Relative Change	3.3	3.0	2.4	3.1

Source: Statistics Centre - Abu Dhabi

2. Comparing the average CPI by household type for the month of October 2014 with October 2013

The 4.0% rise in consumer prices for October of 2014 compared with the same period of 2013, pushed up consumer prices for citizen households by 4.1%, non-citizen households by 4.0% and share households by 3.3%.

**Table (8): Average CPI by household type values during October 2013 and October 2014**

Period	Citizen	Non-citizen	Share	All households
	— CPI —			
October 2013	125.0	126.1	127.1	125.7
October 2014	130.1	131.1	131.4	130.6
	— % —			
Relative Change	4.1	4.0	3.3	4.0

Source: Statistics Centre - Abu Dhabi

3. Comparing the average CPI by household type for the month of October 2014 with September 2014

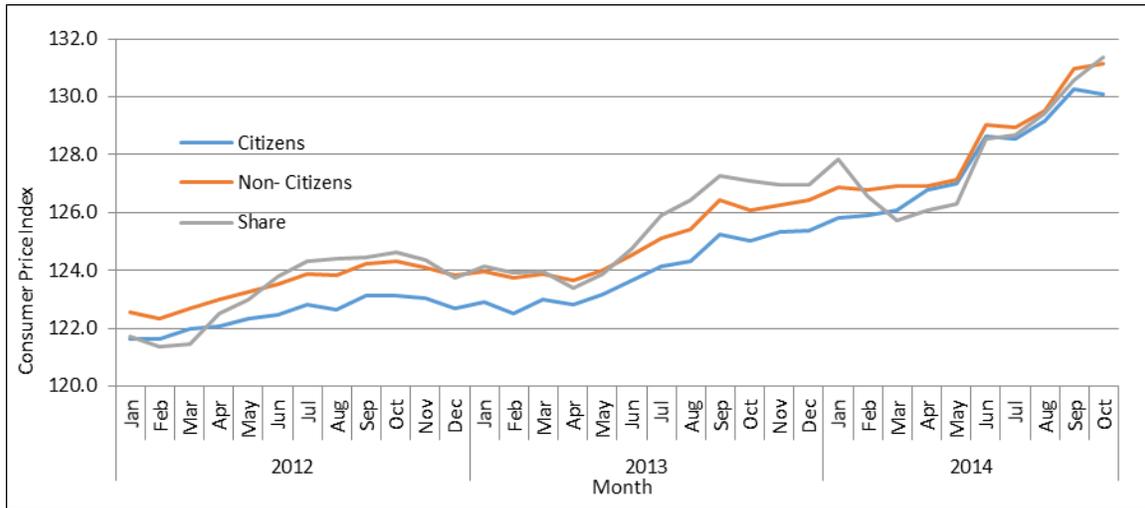
The 0.1% increase in consumer prices for October 2014 compared with September 2014 increased the consumer prices for non-citizen household by 0.1%, and for share household increase by 0.6%.

**Table (9): Average CPI values by household type during October 2014 and September 2014**

Period	Citizen	Non-citizen	Share	All households
	— CPI —			
September 2014	130.2	131.0	130.6	130.6
October 2014	130.1	131.1	131.4	130.6
	— % —			
Relative Change	-0.1	0.1	0.6	0.1

Source: Statistics Centre - Abu Dhabi

**Figure (6): Monthly CPI movements by household type for the period January 2012 to October 2014.**



Source: Statistics Centre - Abu Dhabi

## F. CPI by Region

### 1. Consumer Price Index – Abu Dhabi Region

- The CPI in the Abu Dhabi region increased by 4.1% in October 2014, compared with the same month in 2013.
- The CPI increased by 0.1% in October 2014, compared with September 2014.
- The major groups that increased in October 2014 compared with September 2013 were 'Food and beverages' by 1.4%.

### 2. Consumer Price Index - Al Ain Region

- The CPI in the Al Ain region increased by 4.0% in October 2014, compared with the same month in 2013.
- The CPI increased by 0.1% in October 2014, compared with September 2014.
- The major group that increased in October 2014 compared with September 2014 was 'Food and beverages' by 0.5% and 'Health' by 0.4%.

### **3. Consumer Price Index - Al Gharbia Region**

- The CPI in the Al Gharbia region increased by 3.1% in October 2014, compared with the same month in 2013.
- The CPI decreased by 0.1% in October 2014, compared with September 2014.
- The major group that increased in October 2014 compared with September 2014 was 'Food and beverages' by 0.6%.

#### **Share of the regions in the average price change In Abu Dhabi Emirate in the first ten months 2014 compared with the same period of 2013:**

The rise of 3.1% in consumer prices for the first ten months 2014 compared with the same period in 2013, resulted from the rise of consumer prices in the regions of Abu Dhabi, Al Ain and Al Gharbia.

The increase in the CPI in the Abu Dhabi region contributed 69.0% of the total increase during the first ten months while the Al-Ain region contributed 24.5% and the Al Gharbia region 6.5% of the total increase during the period.

#### **Next release:**

The CPI for Nov. 2014 will be released on 15 Dec. 2014. For more information on prices and other official statistics, please visit the SCAD website at <http://www.scad.ae>

## **CPI Methodology**

### **Introduction**

Statistics Centre- Abu Dhabi is the sole official body responsible for calculating and publishing the Consumer Price Index (CPI) within the Emirate of Abu Dhabi. The Centre updated the CPI base year to 2007 for both prices and weights in 2008. Weights that are used in the new CPI were calculated using the results derived from the Household Income and Expenditure Survey 2007, which was carried out in the Emirate of Abu Dhabi. The methodology used in calculating the CPI follows best international recommendations and practices in this field.

### **What is the Consumer Price Index?**

The CPI is a tool that measures the rate of change in the prices of a basket of goods and services between two 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.

### **Importance of the Consumer Price Index**

The CPI provides monthly estimates on the rate of change in the prices of a consumer price basket in the Emirate of Abu Dhabi. Some of the significant utilizations of the CPI are:

- The CPI is used as an important economic indicator to calculate inflation rates. The Inflation rate is a key statistic for economic policymaking and is used for adjusting payments (such as rents and wages).
- Salaries and wages are being adjusted by international entities and big corporations based on the change taking place in the CPI.
- The CPI is used as a deflator while producing national accounts at constant prices.

### **Updating the Consumer Price Index**

The Consumer Price Index weights are updated on a regular basis once the necessary data becomes available. Usually the update takes place after releasing the results of the Household Income and Expenditure Survey, which is carried out periodically about every eight years. Updating the weights of goods and services of the CPI basket ensure that these weights represent as close as possible the current consumption pattern of households.

The last CPI update in the Emirate of Abu Dhabi took place in 2007-2008, where 2007 was regarded as the new CPI base year for both weights and prices.

## 1. CPI Compilation

The CPI is calculated using the Laspeyres method 
$$CPI_L = \sum \frac{P_{1i}}{P_{0i}} \times W_{0i}$$

Prices of goods and services of the CPI basket are collected periodically, except for the vegetables, fruits, meat, fish and chicken groups which are collected on a weekly basis due to the continuous change that occur in its prices. Rentals prices are collected quarterly, while education fee prices are collected semi- annually.

The current CPI uses 2007 as the base year in the Emirate of Abu Dhabi. The current CPI basket consists of 334 goods and services, while the consumer basket contains 760 goods and services. The new CPI included the CPI of residential units occupied by their owners; this was done by adding the weight of this item to the weight of the rented residential units followed by calculation of a single index for all rented units.

The average item price at the 'elementary group level' is calculated using the geometric mean. Regarding the price ratio and the new weight, price ratio is calculated by dividing the comparison price by the base year price, and then the new weight is calculated by multiplying the price ratio by the base year weight.

To calculate the CPI on the sub- group level, the new weight of all goods and services of the sub-group should be added and then divided by the base price of the same group. The CPI of the main groups and the general CPI are calculated using the same method.

## 2. Weights

The Consumer Price Index is a weighted average of the change in the price of goods and services of the CPI basket. The weight of the good or service reflects its relative importance. The weight of good (C) is calculated by dividing the total expenditure of all households on the good (C) by the total expenditure of all households on all goods and services.

The relative importance<sup>1</sup> of goods and services were calculated based on the results of the 2007-2008 Household Income and Expenditure Survey. Goods and services with a weight of 0.002 per cent or more were included in the CPI basket of goods and services.

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<sup>1</sup> Relative importance of a given good or the weight of the good is the total expenditure of all households on the good divided by the total expenditure of all households on all groups

Goods with weights below this value were distributed proportionally among the other goods in the same group.

### 3. CPI basket and Consumer basket

After calculating weights and identifying goods and services representing the CPI, the 334 goods and services in the consumer basket was identified. Each item in the CPI basket is represented by one good or service or more, therefore the consumer basket is larger than the CPI basket. The CPI basket includes 760 goods and services.

### 4. Classifications used in the CPI

The Classification of Individual Consumption according to Purpose (COICOP) is used in the construction of the CPI. The COICOP is a United Nations classification, which is used for statistical purposes. Based on the COICOP, goods and services of the CPI basket were classified into the 12 main groups, 34 subgroups (two digits) and 63 subgroups (three digits). The following table shows the main groups (one digit) and their weights:

Exp. Grp. No.	Main Expenditure Groups	Weight
	Total	100.0
01	Food and beverages	16.1
02	Alcoholic beverages and tobacco	0.3
03	Clothing and footwear	9.8
04	Housing, water, electricity, gas and other fuels	37.9
05	Furnishings, household equipment and routine household maintenance	4.8
06	Health	0.8
07	Transport	9.7
08	Communication	7.7
09	Recreation and culture	2.4
10	Education	2.6
11	Restaurants and hotels	3.4
12	Miscellaneous goods and services	4.6

## 5. The Classification used in the CPI by household welfare

According to this classification, households were divided into five segments based on the average expenditure per capita in 2007, when the last Household Income and Expenditure Survey was carried out.

The bottom welfare quintile represented the segment with the lowest income, while the top welfare quintile represented the segment with the highest income.

### Average expenditure per capita

Welfare	Lowest	Highest	Average
Low	2,683	11,122	7,839
Low middle	11,126	16,887	14,070
Middle	16,896	23,716	20,260
Upper middle	23,723	34,607	28,686
Top	34,632	422,932	52,720

## 6. Terms related to the CPI

Term	Description
Price	Price is defined as the value of one unit of a product or service; this means the market value of the product or service. This value is established through the exchange of products and services in the markets. This value is equivalent to the benefit achieved by the consumer.
Consumer Price Index (CPI)	The Consumer Price Index (CPI) is a statistical indicator that measures changes in the level of prices of goods, services and rents of residential units within the consumer spending basket of households between two periods, the reference period and the comparison period.
Expected Inflation	Expected inflation is the expected rate of the rise in consumer prices. It is calculated using the CPI time series data by studying the movement of prices at the level of main and sub groups of the index basket, taking into account the seasonal changes. The expected inflation rates are statistical estimates, subject to increase or decrease depending on the unexpected changes in

	market prices.
Weight	Weight is the relative importance of a product or service within the CPI basket compared with all other products or services.
Outlet	Outlets where products or services are sold such as shops, supermarkets and stores.
Periods of Collection	Periods of collection are the adopted periods to repeat the survey of all groups in each basket. The period might be weekly, monthly or quarterly.

## 7. Classification used in the CPI by household type

According to this classification, households were divided into three types, citizen, non-citizen and share household:

- Citizen household: is one person or more from the UAE citizens, who live permanently in the Emirate of Abu Dhabi. They should have a head, while their members might be related to each other or not and they should share accommodation and food.
- Non- citizen household; is one person or more who are non UAE citizen. The members of the non-citizen household should share accommodation and food, while they might be related or not and they should have a head. The household is considered non- citizen if the head is non-citizen and wife is non-citizen, even if the wife has citizen children from a previous marriage.
- Share household: is a group of persons (more than two) regardless of their nationalities. It should have a head and their members might be related to each other or not. The members of the share household share accommodation but they normally do not share food.

## 8. Geographical Scope

The current geographical scope of SCAD covers the Emirate of Abu Dhabi including all sub regions. However, the comprehensive coverage to the whole Emirate is essential but it requires a huge effort in order to collect the prices on a regular basis from all the regions of the Emirate.

## **9. Sources of Goods and Services**

Sources used for the collection of price data were determined through field visits conducted by a team from SCAD's Price Indices Section. The team updates SCAD on a regular basis if any source closes down or relocates premises. While choosing a source, it has been taken into consideration that it should represent a large segment of consumers in the Emirate of Abu Dhabi. Price data are currently collected from 180 sources.

## **10. Collection of Price Data**

Price data collection is a crucial stage that requires a significant amount of time and effort. The collection of price data is conducted by a group of employees who are well trained. To ensure the accuracy of the collected prices, the price of a sample of goods and services are reviewed through field visits. Each group of prices is collected differently, some is collected weekly, and others are collected monthly and quarterly.

In order to develop the price collection mechanism and cope with the latest IT trends, SCAD developed a comprehensive system that aims at calculating CPI using tablets.

The system aims at:

- Automation of all CPI stages.
- Provision of electronic programs and tools required for the price data collection (field collection) and transfer of data to the tablets, in addition to receiving data and transfer to the prices database.
- Ability to examine data accuracy and integration at all stages of the system, including preparation of the goods and services basket, the field work and calculating the index.
- Ability to calculate the CPI for any region of the Emirate (according to the geographical scope).
- Ability to deal with special situations that may arise during data collection or CPI calculation such as disappearance of goods, resources, and changes in the goods.
- Determining the goods and services basket of the base year with the relative weights of the groups, in addition to calculating the prices of goods and services of the base year.
- Assisting data collectors while editing data by connecting the current database with the previous one.

## **11. Publishing**

SCAD publishes the CPI and prices of consumer goods and service on a monthly basis, two weeks after the end of the month. SCAD also publish annual CPI results and inflation rates. The CPI can also be provided on CDs upon request.

### **12. How to read the CPI**

The CPI reflects the rate of the change in the prices of a specified goods and services basket between two periods, the base period and the comparison period. For example, if the price of the goods and services basket during a specified base period is AED 100, and the CPI of the comparison period was 105.0, this means that prices of goods and services increased by about 5%.

In order to measure the change in the prices of the current period and the previous period, the current CPI should be divided by the previous CPI, and the result then multiplied by (100) followed by subtracting 100.

### **13. The expected inflation**

The expected inflation is of great importance; it indicates the future inflation rates, which are used to create future monetary policies by banks and financial establishments.

Kindly note, the expected inflation rate is a statistical estimate that might increase or decrease according to the unexpected changes of the market.