



Republic of Somali

Ministry of Planning and National

CONSUMER PRICE INDEX (CPI)
(JAN-DEC 2012 = 100)

DECEMBER 2020

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 December 2020

In December 2020, the overall CPI decreased minus 3.5% over the previous month, and 4.4% 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.

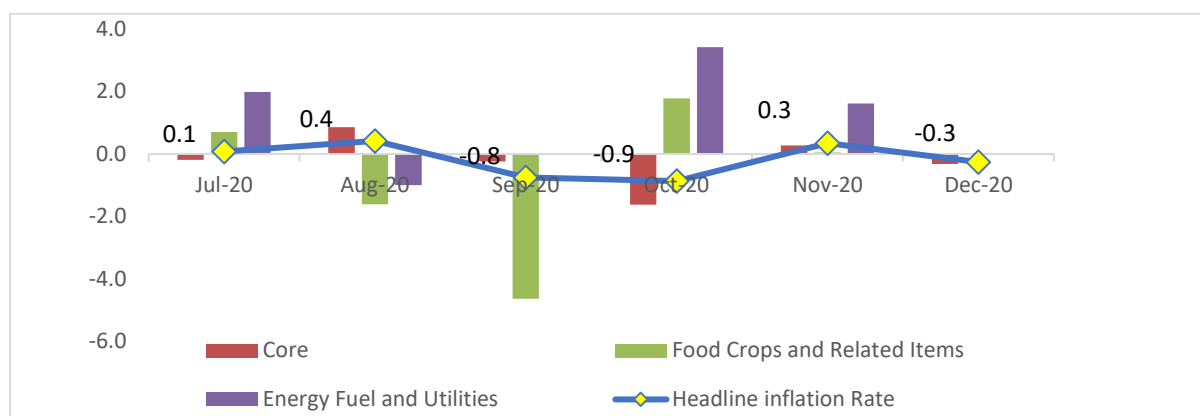
Table 1. Monthly and annual change in overall CPI and main COICOP Divisions for December 2020

Code	Main Divisions/classes	Weights	Dec_19	Nov_20	Dec_20	Month Percent change	Annual Percent change
	HEADLINE INDEX	100%	178.08	184.82	184.34	-0.3	3.5
1	Food and non-alcoholic beverages	41.75%	195.78	204.99	205.35	0.2	4.9
1.1	FOOD	38.71	195.91	204.00	204.41	0.2	4.3
01.1.1	Bread and Cereals	10.48	176.66	183.26	183.33	0.0	3.8
01.1.2	Meat	6.05	224.77	220.92	224.57	1.7	-0.1
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	228.24	212.27	212.27	0.0	-7.0
01.1.5	Oil and fats	1.54	133.91	134.90	134.75	-0.1	0.6
01.1.6	Fruits	3.26	269.15	297.97	297.32	-0.2	10.5
01.1.7	Vegetables	6.28	163.23	192.36	192.66	0.2	18.0
01.1.8	Sugar, Jam, Honey, chocolate and confe	2.53	144.39	150.42	150.42	0.0	4.2
01.1.9	Food products n.e.c	3.99	213.17	234.38	232.86	-0.6	9.2
2	tobacco and narcotics	4.56%	208.62	224.11	210.66	-6.0	1.0
3	Clothing and footwear	5.73%	176.41	185.58	184.94	-0.3	4.8
4	Housing water, electricity, gas and other fuels	14.10%	174.83	173.66	173.66	0.0	-0.7
5	Furnishings household equipment and routine household maintenance	5.55%	161.75	166.39	166.33	0.0	2.8
6	Health	2.56%	172.52	202.29	202.29	0.0	17.3
7	Transport	8.85%	121.87	120.78	120.78	0.0	-0.9
8	Communication	2.99%	187.74	181.38	181.38	0.0	-3.4
9	Recreation and culture	2.25%	150.83	160.61	160.61	0.0	6.5
10	Education	3.69%	149.46	148.43	148.43	0.0	-0.7
11	Restaurants and hotels	3.35%	166.47	169.63	169.58	0.0	1.9
12	Miscellaneous goods and services	4.62%	167.36	186.39	186.60	0.1	11.5

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 0.4% in August. Headline inflation slightly decelerated in the following months, before almost stopping in November at 0.3% and slightly going up in December at minus 0.3%.

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 to 1.8%, while it varied between minus 1.6% and minus 4.6% in August and September. However, the inflation jumps up in October at 1.8% and slightly decelerated in December constant at 0.1%.

On the other hand, the “Energy, Fuel and Utilities” component saw the highest monthly increased at 3.4% in October, followed by 2.6% and 2.0% in June and July respectively. However, the lowest inflation was experienced in September and November at minus 1.0%, 0.0% and 1.6%. In December inflation were constant. This significant drop was driven by low worldwide fossil fuel prices following the global recession provoked by the COVID-19 pandemic.

The “Core Inflation” component, which reflects change in prices of goods in the consumption goods belonging to one of the other two components, was the least volatile of the three, oscillating between minus 0.3% decreases in September and a minus 0.2% decrease in October. Likewise, followed by an increases of inflation rate at 0.3% in November and then went minus 2.0% in September. Whereas, in December the inflation rate reached at minus 0.3%. 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 was driven by this component were **Maize, grain** which decreased minus 17.8% and **Camel Meat** decreased minus 15.0%.

Annual and monthly inflation rates over 12 months

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

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

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

2019		2020											
Component	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Headline index	4.7	4.6	5.0	5.6	6.3	6.3	6.9	6.8	7.1	6.0	4.6	4.4	3.5
Core	5.6	5.0	5.2	5.0	6.0	6.1	6.2	5.9	6.5	6.2	3.8	2.8	2.0
Food crops & related items	6.7	7.4	9.3	14.7	18.0	18.3	20.7	21.3	18.9	11.2	12.1	17.1	14.5
EFU	-6.7	-3.2	-2.3	-0.2	-6.2	-8.1	-4.6	-3.0	-2.6	-2.5	3.2	4.9	3.9

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	184.34	Current month index level	184.34
Less index for previous month	<u>184.82</u>	Less index for same month of the previous year	<u>178.08</u>
Index point difference	-0.480	Index point difference	6.26
Divided by the previous month index	<u>184.82</u>	Divided by the previous year index	<u>178.08</u>
Equals	-0.002597	Equals	0.0351527
Results multiplied by 100	-0.002597 x 100	Results multiplied by 100	0.0351527 x 100
Equals percent change	-0.3	Equals percent change	3.5