



مركز الإحصاء
STATISTICS CENTRE

Consumer Price Index

July, 2013

(Base year 2007)

by:

- by household welfare level and type



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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 the 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.

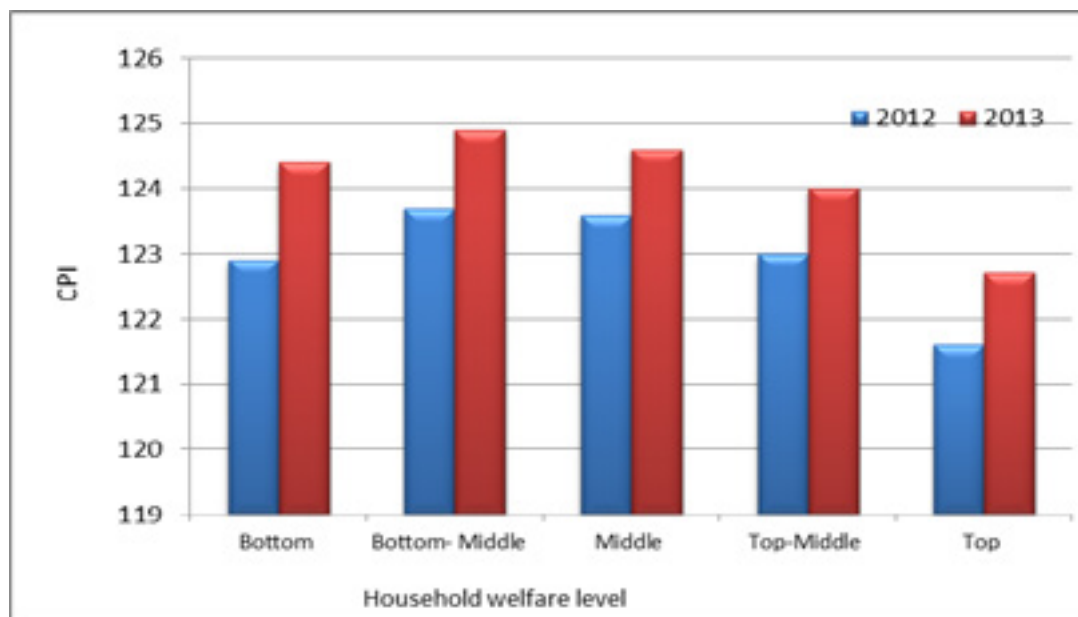
For the household type approach, the population is divided into three types of households as set out in the results of the Household Income and Expenditure Survey (2007-2008), namely, Citizen, Non-Citizen and Share households.

Key Points

This publication provides the results of the CPI by household welfare levels and by household type as at July 2013. The main findings of this analysis are outlined below:

- An overall rise of 0.9% in consumer prices during the first half of 2013 compared with the same period in 2012, has led to an increase of 1.2% 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 0.9% for households of the top quintile and by 0.8% for the middle welfare quintile.

Figure (1): Consumer price index for the first seven months of 2012 and 2013 by household welfare level



Source: Statistics Centre - Abu Dhabi

- The rise in consumer prices for the first seven months of 2013 compared with the same period in 2012, pushed up consumer prices for both citizen and non-citizen households by 0.9% and for share households by 1.4%.

Consumer Price Index (CPI) by Household Welfare Level and Type

A. CPI by household welfare level

1. Comparing the average CPI by household welfare level for the first seven months of 2013 with the same period of 2012

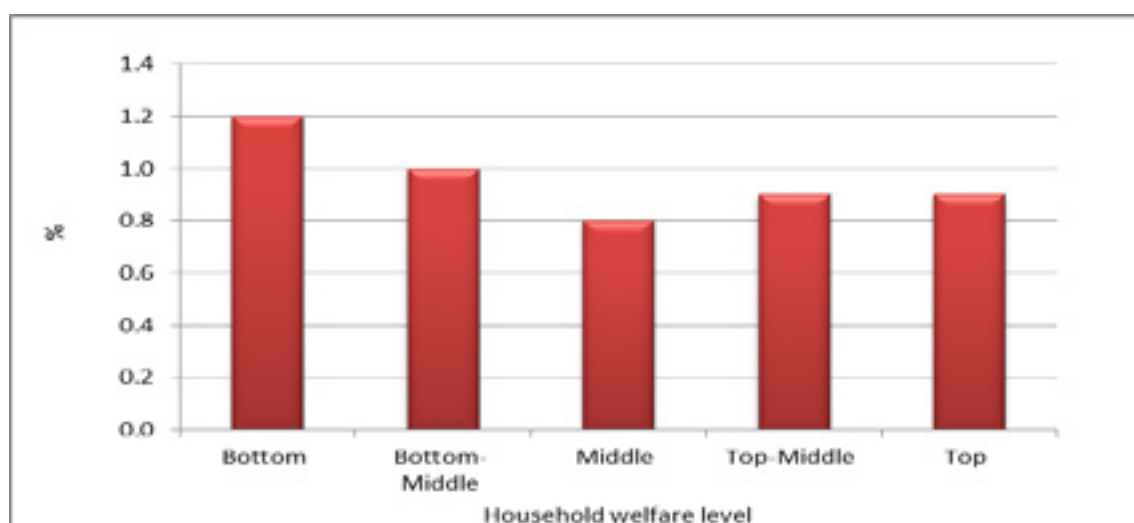
The rise of 0.9% in consumer prices during the first seven months of 2013 compared with the same period in 2012, resulted in an increase of 1.2% in consumer prices for households of the bottom welfare quintile for the same period of comparison. The corresponding rise for other welfare levels was 0.9% for households of the top quintile and 0.8% for the middle quintile.

Table (1): Average CPI values by household welfare level by the first seven months of 2012 and 2013

Period	Bottom	Bottom-Middle	Middle	Top-Middle	Top	All Households
— CPI —						
2012	122.9	123.7	123.6	123.0	121.6	122.5
2013	124.4	124.9	124.6	124.0	122.7	123.7
— % —						
Relative Change	1.2	1.0	0.8	0.9	0.9	0.9

Source: Statistics Centre - Abu Dhabi

Figure (2): Inflation rate for the first seven months of 2013 for household welfare level



Source: Statistics Centre - Abu Dhabi

2. Comparing the average CPI by household welfare level for July 2013 with July 2012

The rise of 1.1% in consumer prices during the twelve month period ending July 2013, resulted in an increase of 1.4% in consumer prices for households in the bottom welfare quintile, while prices increased by 1.1% for households in the middle quintile and by 1.0% for the top welfare quintile.

Table (2): Average CPI values by household welfare level for the months of July 2012 and July 2013

Period	Bottom	Bottom-Middle	Middle	Top-Middle	Top	All Households
— CPI —						
July-12	124.3	124.8	124.4	123.7	122.3	123.4
July-13	126.0	126.2	125.7	125.1	123.5	124.7
— % —						
Relative Change	1.4	1.2	1.1	1.1	1.0	1.1

Source: Statistics Centre - Abu Dhabi

3. Comparing the average CPI by household welfare level for July 2013 with June 2013

In July 2013 consumer prices increased by 0.5% compared with June 2013. This caused an increase in the bottom welfare quintile of 1.0%, while prices increased for households in the middle welfare quintile by 0.5% and for the top welfare quintile by 0.3%.

Table (3): Average CPI values by household welfare level for the months of June 2013 and May 2013

Period	Bottom	Bottom-Middle	Middle	Top-Middle	Top	All Households
— CPI —						
June-12	124.8	125.4	125.1	124.5	123.1	124.1
July-12	126.0	126.2	125.7	125.1	123.5	124.7
— % —						
Relative Change	1.0	0.7	0.5	0.5	0.3	0.5

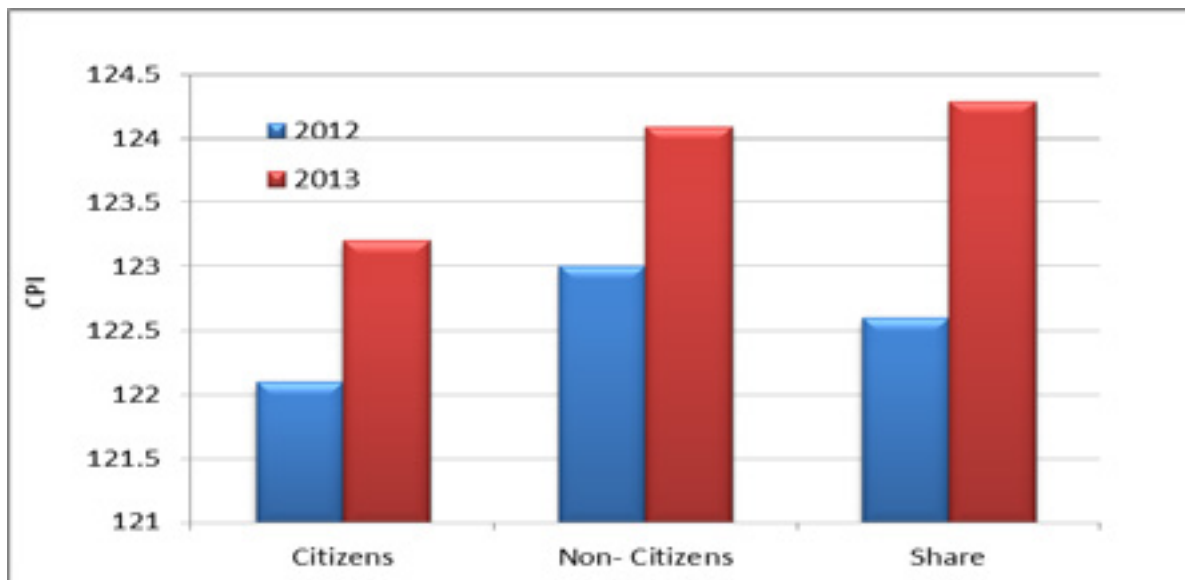
Source: Statistics Centre - Abu Dhabi

B. CPI by household type

1. Comparing the average CPI by household type for the first seven months of 2013 with the same period of 2012

The 0.9% rise in consumer prices for the first seven months of 2013 compared with the same period of 2012, pushed up consumer prices for both citizen households and non-citizen households by 0.9% and share households by 1.4%.

Figure (3): Average CPI values for the first seven months of 2012 and 2013 by household type



Source: Statistics Centre - Abu Dhabi

2. Comparing the average CPI by household type for the month of July 2013 with July 2012

The 1.1% rise in consumer prices in July 2013 compared with July 2012 resulted in higher consumer prices of 1.1% for citizen households, 1.0% for non-citizen and 1.3% for share households.

Table (4): Average CPI values during July 2012 and July 2013 by household type

Period	Citizen	Non-Citizen	Share	All Households
— CPI —				
July 2012	122.8	123.9	124.3	123.4
July 2013	124.1	125.1	125.9	124.7
— % —				
Relative Change	1.1	1.0	1.3	1.1

Source: Statistics Centre - Abu Dhabi

3. Comparing the average CPI by household type for the month of July 2013 with June 2013

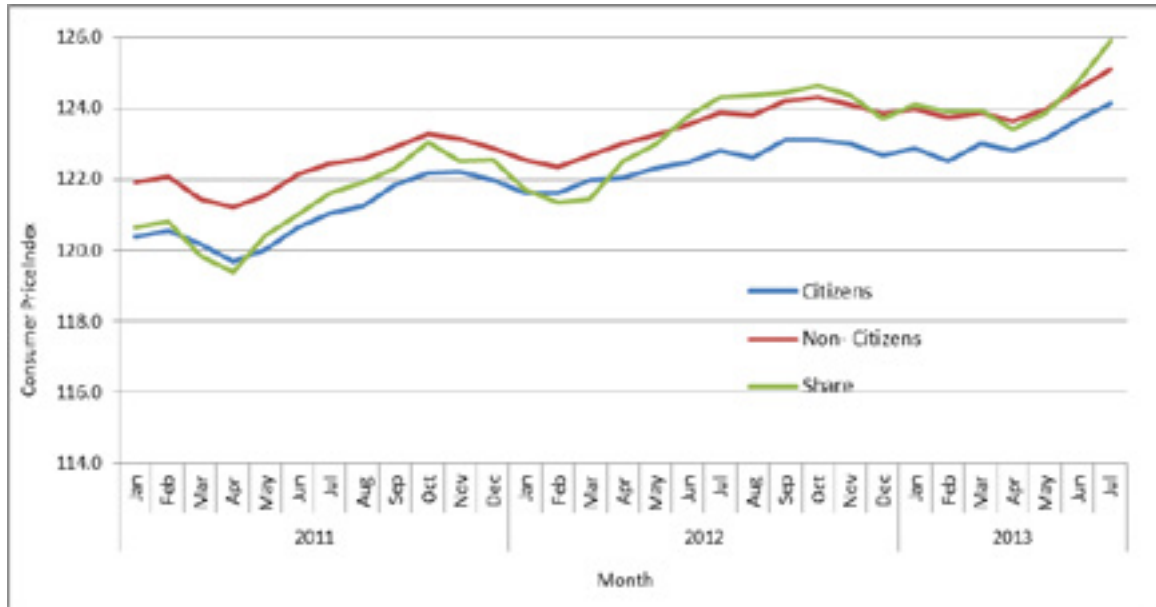
The 0.5% increase in consumer prices in July 2013 compared with June 2013 caused a 0.4% rise in consumer prices for citizen households, while prices for non-citizen households increased by 0.5% and share households by 0.9% during the same period.

Table (5): Average CPI values during July 2013 and June 2013 by household type

Period	Citizen	Non-Citizen	Share	All households
— CPI —				
June 2013	123.7	124.6	124.7	124.1
July 2013	124.1	125.1	125.9	124.7
— % —				
Relative Change	0.4	0.5	0.9	0.5

Source: Statistics Centre - Abu Dhabi

Figure (4): Monthly CPI movements by household type for the period Jan 2011 to July 2013.



Source: Statistics Centre - Abu Dhabi

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. Weights that are used in the new CPI were calculated using the results derived from the Household Income and Expenditure Survey 2007-2008, 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 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.

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 uses 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 policy making and is used for the purpose of adjusting payments (such as rents).
- 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 five years. Updating 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. Weights

The weight or relative importance of certain expenditure group is calculated by dividing what all households spent on this group by the total spending of all households on all groups. Major expenditure groups have been classified into 12 groups based on the Classification of Individual Consumption by Purpose.

Table (6): Relative importance of major expenditure groups by household welfare

Groups of Commodities & Services	Household Welfare level					
	Bottom	Bottom-Middle	Middle	Top-Middle	Top	All Households
General Index	100	100	100	100	100	100
Food and non-alcoholic beverages	27.5	21.5	18.2	16	12.1	16.1
Alcoholic beverages and tobacco	0.7	0.3	0.3	0.2	0.2	0.3
Clothing and footwear	4.6	7.3	9.2	10	11.3	9.8
Housing, water, electricity, gas and other fuels	38.5	35.8	35.9	38.2	38.9	37.9
Furnishings, household equipment and routine household maintenance	2.3	4.2	4.9	4.7	5.4	4.8
Health	0.8	0.8	0.8	0.9	0.9	0.8
Transport	6.4	8.8	9.5	9.8	10.4	9.7
Communication	10.5	9	8.4	7.7	6.7	7.7
Recreation and culture	0.5	1.2	1.8	1.9	3.5	2.4
Education	1.7	3.4	3.5	3.1	1.9	2.6
Restaurants and hotels	3.4	3.6	3.1	3	3.6	3.4
Miscellaneous goods and services	3	4	4.5	4.5	5.1	4.6

Weights or relative importance of goods and services play a key role in determining the price change level in both sub-groups and major groups. Goods and services that have a high weight contribute more to the rate of change compared with goods and services that have a lower weight when the change in price is equal.

2. 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 annual household expenditure per capita

Welfare level	Lowest	Highest	Average
Bottom	2,683.3	11,122.0	7,838.7
Bottom Middle	11,125.8	16,887.4	14,069.6
Middle	16,896.2	23,716.1	20,260.2
Top Middle	23,732.4	34,606.9	28,685.6
Top	34,631.6	422,932.4	52,720.3

3. 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 five) 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.

