

STATISTICAL RELEASE

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EXPORT AND IMPORT PRICE INDICES FOR SEPTEMBER, 2018

Background notes

Definition

The Export and Import Price Indices (XMPI) are measures of price changes of goods imported into or exported outside the country. The XMPI are used to analyse Terms of Trade (ToT) which is the ratio of Export Price Index (XPI) to the Import Price Index (MPI).

The Export and Import Price Index (XMPI) covers both exports and imports of merchandise trade. These quarterly specification-based XMPI have been compiled and disseminated since the first quarter of 2013 up to the last quarter 2017 with reference base period of March quarter 2013. The updated XMPI has the fourth quarter of 2017 as the reference base period. The updating of the weights and the product sample for the XMPI used customs data for the years 2014 to 2016. Initiation of price collection for the updated XMPI was carried out during the period October-December 2017. This allows for the compilation of the XMPI for the fourth quarter of 2017 using the new product and enterprise samples.

Weights and a reference period

The XMPI weights are based on values of imported and exported commodities for the years 2014 to 2016. A top-down approach was taken in the determination of the index structure, composition and the allocation of the weights. The aim was to maximize the indirect representation of un-priced commodities in the index, through a chain of representation. The price reference period is the quarter ending December 2017.

Product Classification

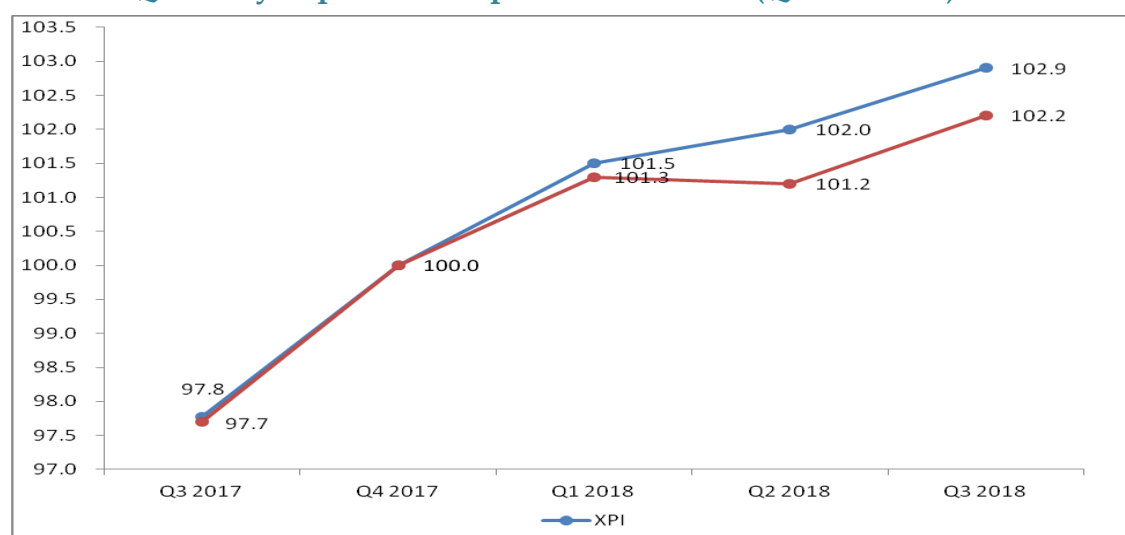
The products are classified according to the United Nations Harmonized Commodity Description and Coding System (HS). The HS is an international nomenclature for the classification of products.

Methodology

Selection of items: In the selection of items, a top - down procedure was applied in three steps. First, the major 2 digit HS chapters contributing to the total value of imports in terms of the sum of values for the year 2014 to 2016 were selected for direct inclusion in the indices. 14 chapters (2 digit HS codes) were selected for imports and 12 chapters for exports out of 99 chapters representing 80 percent or more depending on the degree of concentration. Secondly, the process was repeated at 4 digit level of HS; 73 items were selected for imports and 19 items were selected for exports. Finally, the procedure was repeated at 8 digit level of the HS by selecting 178 items for imports and 23 items for exports. The result of these procedures was the derivation of the structure and composition of the indices.

The XMPI has incorporated a number of methodological improvements including the use of geometric means for compiling elementary index aggregates, the use of an improved index compilation system, and improved procedures for collecting and processing prices. The Laspeyres index formula was used to compute higher level aggregates for the XMPI. **Chart 1** depicts trend of XPI and MPI in the selected quarters.

Chart 1: Quarterly Export and Import Price Indices (Q4 2017=100).



Q1=January-March, Q2=April-June, Q3=July-September, Q4=October-December

Export Price Index

Structure of the XPI

The XPI covers 12 chapters out of 99 chapters, namely; (i) Fish and crustacean, mollusk and other aquatic invertebrate, (ii) Edible vegetables and certain roots and tubers, (iii) Edible fruits and nuts, peel of citrus fruit or melons, (iv) Coffee, tea, mate and spices, (v) Oil seed, oleaginous fruits; miscell grain, seed, fruit etc, (vi) Animal/veg fats & oil & their cleavage products; etc, (vii) Residues & waste from the food industry; pre-prepared animal fodder, (viii) Tobacco and manufactured tobacco substitutes, (ix) cotton, (x) Wadding, felt & nonwoven; yarns; twine, cordage, etc, (xi) Glass and glassware and (xii) Natural/cultured pearls, precious stones and metals, coin, etc. The sampled twelve chapters constitute 80 percent of total value of exports, aggregated from 2014 to 2016.

Quarterly Export Price Index

The overall export price index during the third quarter of 2018 increased by 0.9 percent to 102.9 compared to 102.0 recorded in the previous quarter. The rise was mainly explained by the increase in prices of oil seeds, cotton; and wadding, felt & nonwoven, yarns, twine, cordage etc (**Table1**).

Table 1: Quarterly Export Price Indices by Chapter (Q4 2017= 100)

HS Code	Description	Weight	Q4 2017	Q1 2018	Q2 2018	Q3 2018	% Change Previous Quarter
Overall		100	100.0	101.5	102.0	102.9	0.9
03	Fish & crustacean, mollusc & other aquatic invertebrate	6.2	100.0	102.5	101.9	103.6	1.7
07	Edible vegetables and certain roots and tubers	11.4	100.0	100.3	102.2	102.4	0.2
08	Edible fruit and nuts; peel of citrus fruit or melons	17.4	100.0	104.7	105.7	106.3	0.6
09	Coffee, tea, mate and spices	4.3	100.0	96.8	98.6	96.0	-2.6
12	Oil seed, oleaginous fruits; miscell grain, seed, fruit etc	4.2	100.0	105.7	103.3	110.6	7.1
15	Animal/veg fats & oil & their cleavage products; etc	7.4	100.0	100.7	101.7	102.3	0.6
23	Residues & waste from the food industry; pre-prepared animal fodder	6.2	100.0	100.3	102.1	99.5	-2.6
24	Tobacco and manufactured tobacco substitutes	5.9	100.0	103.5	101.5	102.1	0.6
52	Cotton	1.0	100.0	100.3	100.9	103.6	2.7
56	Wadding, felt & nonwoven; yarns; twine, cordage, etc	4.9	100.0	102.8	103.4	105.4	1.9
70	Glass and glassware	2.2	100.0	100.0	101.1	101.7	0.6
71	Natural/cultured pearls, precious stones & metals, coin etc	28.9	100.0	100.5	101.9	101.2	-0.7

Q1=January-March, Q2=April-June, Q3=July-September, Q4=October-December

Sub indices by Chapter

In order to understand movements of export price indices, chapter by chapter analysis has been undertaken.

Chapter 03: Fish and crustacean, mollusk and other aquatic invertebrate

During the third quarter of 2018, the index for “Fish and crustacean, mollusk and other aquatic invertebrate” which accounts for 6.2 percent of the total weight increased by 1.7 percent to 103.6 from 101.9. The increase was mainly attributed to a rise in prices of both the frozen fish maws and the frozen Nile perch.

Chapter 07: Edible vegetables and certain roots and tubers

This chapter contributed 11.4 percent of the total weight of the exported commodities and the index for this chapter increased slightly by 0.2 percent from 102.2 in the second quarter 2018 to 102.4 in the third quarter 2018.

Chapter 08: Edible fruits and nuts, peel of citrus fruit or melons

The export price index for “Edible fruits and nuts”, which accounts for 17.4 percent of the total weight, increased slightly by 0.6 percent to 106.3 from 105.7 recorded in the second quarter of 2018.

Chapter 09: Coffee, tea, mate and spices

This chapter contributed 4.3 percent of the total weight of exported commodities. During the third quarter of 2018, “Coffee, tea, mate and spices” recorded XPI of 96.0, equivalent to 2.6 percent decrease compared to 98.6 recorded in the second quarter 2018. The negative performance was due to decrease in price of tea (Mombasa Auction) and coffee (Arabica) in the world market, on account of improved supply.

Chapter 12: Oil seed, oleaginous fruits; miscell grain, seed, fruit etc

This chapter accounts for 4.2 percent of the total weight. During the third quarter of 2018, index for “Oil seed, oleaginous fruits; miscell grain, seed, fruit etc” increased by 7.1 percent to 110.6 from 103.3. The positive performance was a result of increase in the price of sesame seeds following low production of the crop due to unfavourable weather conditions.

Chapter 15: Animal/veg fats & oil & their cleavage products; etc

The export price index for “Animal/veg fats & oil & their cleavage products; etc”, which accounts for 7.4 percent of the total weight, increased slightly by 0.6 percent to 102.3 in the third quarter of 2018 when compared to the previous quarter.

Chapter 23: Residues & waste from the food industries; prepared animal fodder

The export price index for “Residues & waste from the food industries; prepared animal fodder”, which accounts for 6.2 percent of the total weight, decreased by 2.6 percent to 99.5 in the third quarter 2018 when compared to 102.1 of the previous period. The negative performance was a result of the decrease in the price of sunflower seed meal due to bumper supply of sunflower in the market.

Chapter 24: Tobacco and manufactured tobacco substitutes

This chapter accounts for 5.9 percent of the total weight. During the third quarter of 2018, index for “Tobacco and manufactured tobacco substitutes” increased slightly to 102.1 compared to 101.5 of the previous quarter.

Chapter 52: Cotton

During the third quarter of 2018 the export price index for “Cotton”, which accounts for 0.97 percent of the total weight, increased to 103.6 compared to 100.9 of the second quarter. The positive performance was attributed to strong global demand following decline in production.

Chapter 56: Wadding, felt & nonwoven; yarns; twine, cordage, etc

This chapter contributed 4.9 percent of the total weight of exported commodities. During the third quarter of 2018, “Wadding, felt & nonwoven; yarns; twine, cordage, etc” recorded XPI of 105.4, equivalent to 1.9 percent increase compared to 103.4 of the second quarter. The positive performance was mainly attributed by the increase in the prices of sisal fibre, rope and yarn.

Chapter 70: Glass and glassware

During the third quarter of 2018 the export price index for “Glass and glassware”, which accounts for 2.2 percent of the total weight, increased slightly by 0.6 percent to 101.7 compared to 101.1 of the second quarter 2018.

Chapter 71: Natural/cultured pearls, precious stones and metals, coin etc

The export price index for “Natural/cultured pearls, precious stones and metals, coin etc”, which account for 28.9 percent of the total weight of exported commodities, slightly decreased by 0.7 percent to 101.2 from 101.9 recorded in the second quarter.

Import Price Index

Structure of the MPI

The MPI covers 14 chapters out of 99 chapters, namely; (i) Cereals, (ii) Animal fats and oil & their cleavage product, (iii) Mineral fuels, oils and product of their distillation, (iv) Pharmaceutical products, (v) Fertilizers, (vi) Miscellaneous chemical products, (vii) Plastics and articles thereof, (viii) Rubber and articles thereof, (ix) Iron and steel, (x) Articles of iron and steel, (xi) Nuclear reactors, boilers, machinery and machinery appliance, parts, (xii) Electrical machinery equipments parts thereof; sound recorder etc, (xiii) Vehicles other than railway/transport way rool-stock, parts and accessories and (xiv) Optical, photo, cine, meas, checking, precision, etc. The sampled fourteen chapters constitute 80 percent of total value of imports aggregated from 2014 to 2016.

Quarterly Import Price Index

The overall Import Price Index for the third quarter of 2018 increased by 1.0 percent to 102.2 compared to the 101.2 percent of the second quarter (**Table 2**).

Table 2: Quarterly Import Price Indices by Chapter (Q4 2013= 100)

HS Code	Description	Weight	Q4 2017	Q1 2018	Q2 2018	Q3 2018	% Change Previous Quarter
Overall		100.0	100.0	101.3	101.2	102.2	1.0
10	Cereals	4.1	100.0	101.1	100.6	101.7	1.1
15	Animal/veg fats & oil & their cleavage products; etc	4.2	100.0	98.2	97.9	97.1	-0.8
27	Mineral fuels, oils & product of their distillation; etc	21.7	100.0	109.7	117.4	118.1	0.6
30	Pharmaceutical products	5.2	100.0	100.7	101.1	101.7	0.6
31	Fertilisers	1.8	100.0	108.2	105.7	107.9	2.1
38	Miscellaneous chemical products	2.0	100.0	100.3	100.3	98.0	-2.3
39	Plastics and articles thereof	6.2	100.0	95.5	98.6	99.2	0.6
40	Rubber and articles thereof	2.8	100.0	100.3	89.4	93.5	4.6
72	Iron and steel	5.3	100.0	101.2	102.1	103.0	0.8
73	Articles of iron and steel	4.0	100.0	100.4	101.3	104.4	3.0
84	Nuclear reactors, boilers, mchy & mech appliance; parts	15.2	100.0	101.0	102.0	105.9	3.8
85	Electrical mchy equip parts thereof; sound recorder etc	10.9	100.0	99.8	98.2	101.4	3.3
87	Vehicles o/t railw/tranw rool-stock, pts & accessories	14.4	100.0	101.0	101.2	97.3	-3.8
90	Optical, photo, cine, meas, checking, precision, etc	2.1	100.0	100.3	101.2	102.3	1.0

Q1=January-March, Q2=April-June, Q3=July-September, Q4=October-December

Sub indices by Chapter

This section analyses movements of import price indices for each chapter.

Chapter 10: Cereals

This chapter accounts for 4.1 percent of the total weight. During the third quarter of 2018, the import price index for “Cereals” increased by 1.1 percent to 101.7 from 100.6 recorded in the second quarter. The positive performance was mainly attributed to low production in major growing countries following unfavorable weather conditions.

Chapter 15: Animal fats and oil and their cleavage product

This chapter contributes 4.2 percent of the total weight of the imported commodities and recorded MPI of 97.1 in the third quarter of 2018, representing a decrease of 0.8 percent from 97.9 of the first quarter of 2018.

Chapter 27: Mineral fuels, oils and product of their distillation

During the third quarter of 2018, import price index for “Mineral fuels, oils and product of their distillation” which contributes 21.7 percent to the total weight of the imported commodities increased slightly by 0.6 percent to 118.1 from 117.4 of the second quarter.

Chapter 30: Pharmaceutical products

The index for “Pharmaceutical products” which represent about 5.2 percent of the total weight increased marginally from 101.1 in the second quarter to 101.7 recorded in the third quarter of 2018.

Chapter 31: Fertilizers

The index for “Fertilizers” which accounts for 1.8 percent of the total weight of the imported commodities increased by 2.1 percent to 107.9 during the third quarter of 2018 compared to 105.7 recorded in the second quarter. The increase was mainly attributed by a increase in the prices of Diammonium Phosphate (DAP) and Urea in the world market.

Chapter 38: Miscellaneous chemical products

The index for “Miscellaneous chemical products” which accounts for 2.0 percent of the total weight decreased by 2.3 percent to 98.0 during the third quarter of 2018 compared to 100.3 recorded in the second quarter. The decrease was mainly attributed by the decrease in prices of chemical products.

Chapter 39: Plastics and articles thereof

This chapter contributes 6.3 percent to the total weight of imported commodities. The index increased marginally by 0.6 percent to 99.2 in the third quarter of 2018 from 98.6 recorded in the previous quarter.

Chapter 40: Rubber and articles thereof

During the third quarter of 2018, the index for “Rubber and articles thereof” which contributes 2.8 percent to the total weight of imported commodities, increased by 4.6 percent to 93.5 from 89.4 recorded in the second quarter. The performance was attributed by the increase in the prices of brand new tyres for cars and trucks.

Chapter 72: Iron and steel

In the third quarter of 2018, the index for “Iron and steel”, which accounts for 5.3 percent of the total weight, increased slightly by 0.8 percent to 103.0 from 102.1 recorded in the second quarter 2018.

Chapter 73: Articles of iron and steel

This chapter contributes 4.0 percent of the total weight. During the third quarter of 2018, the index for “Articles of iron and steel” went up by 3.0 percent to 104.4 when compared to 101.3 of the previous quarter. The performance was attributed by the increase in prices of iron and steel products.

Chapter 84: Nuclear reactors, boilers, machinery and mechanical appliance and parts

The index for “Boilers, machinery and machinery appliance” which accounts for 15.2 percent of total weight of imported commodities increased by 3.8 percent to 105.9 in the third quarter of 2018. The positive performance was credited to the increase in prices of water pump, fan and condenser.

Chapter 85: Electrical machinery equipment and parts thereof

The index for “Electrical machinery equipment and parts thereof” increased by 3.3 percent to 101.4 in the third quarter 2018 compared with 98.2 of the second quarter 2018. The performance was partly attributed to the increase in prices of computer equipments (smart ups) and electrical transformers.

Chapter 87: Vehicles other than railway/transport ways rool-stock

The index for “Vehicles other than railway/transport ways rool-stock” which accounts for 14.4 percent of total weight decreased by 3.8 percent to 97.3 in the third quarter of 2018 from 101.2 recorded in the second quarter. The performance was attributed by the decrease of prices of Toyota vehicles.

Chapter 90: Optical, photo, cine, meas, checking, precision, etc

This chapter accounts for 2.1 percent of the total weight. The index for “Optical, photo, cine, meas, checking, precision, etc” increased by 1.0 percent to 102.3 in the third quarter of 2018 compared with 101.2 of the second quarter. The development was attributed by the increase in prices of medical equipments and transmitter.

Terms of Trade

The term of trade index is the ratio of export price index to import price index. During the third quarter of 2018, terms of trade index slightly improved, recording an increase of 0.2 points when compared to the second quarter (Table 3).

Table 3: Quarterly Terms of Trade (Q4 2017 = 100)

Indices	2017	2018		
	Q4	Q1	Q2	Q3
EXPI	100.0	101.5	102.0	102.9
MPI	100.0	101.3	101.5	102.2
TOT	100.0	100.2	100.5	100.7

Note: Q1=January-March, Q2=April-June, Q3=July-September, Q4=October-December
 XPI = Export Price Index
 MPI = Import Price Index
 ToT = Terms of Trade

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