

مركز الإحصاء
STATISTICS CENTRE



Consumer Price Index

Third Quarter, 2014

(Base year 2007)

Detailed by:

- Expenditure groups
- Household welfare levels
- Household type
- Regions
- Expected inflation

Oct 16, 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.

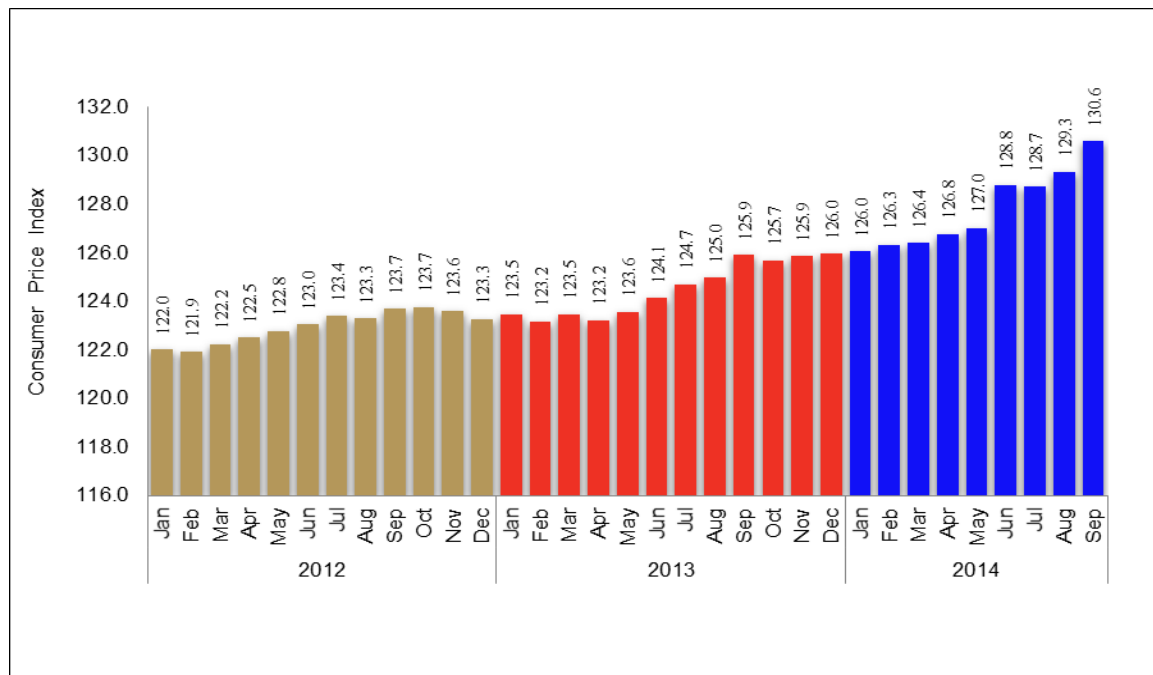
To represent all regions of the Emirate, the selected sample of items included in the Consumer Price Index basket uses actual data from the 2007 Household Income and Expenditure Survey. The sample of outlets were selected in such a way to represent points of purchase for a large base of consumers all 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 September and the third quarter 2014 with the base year 2007. In addition, the publication provides the results of the CPI by household welfare levels and by household type, and expected inflation for the fourth quarter of 2014 and expected inflation –of 2014 .The main findings of this analysis are outlined below:

- The inflation rate in consumer prices for the first nine months of 2014 was 3.0%, compared with the same period of 2013, as shown by the increase in the CPI to 127.8 points during the first nine months of 2014, up from 124.1 points during the same period of 2013.
- The CPI increased by 3.7% in September 2014, compared with the same period of 2013, as shown by the increase in the CPI from 125.9 points in September 2013 to 130.6 points in September 2014.
- The CPI increased by 1.0% in September 2014 compared with August 2014.

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



Source: Statistics Centre- Abu Dhabi

- Consumer price index for Q3 2014 compared with Q3 2013 increased by 3.5%.
- Consumer price index for Q3 2014 compared with Q2 2014 increased by 1.6%.
- Consumer prices for households of the bottom welfare quintile increased by 2.2% during the first nine months of 2014 compared with the same period in 2013. For the other welfare levels, consumer prices grew by 3.0% for the middle welfare quintile and 3.1% for the households of the top quintile.
- The rise in consumer prices for the first nine months of 2014 compared with the same period in 2013, pushed up consumer prices for citizen households by 3.2%, and by 2.9% for non-citizen households and 2.3% for share households.
- Data of the CPI estimates for the fourth quarter 2014 shows that the average CPI is expected to be 130.7 points, an increase of 0.9% compared with the third quarter of 2014. The estimated annual inflation for the fourth quarter of 2014 is expected to be around 3.8%, compared with 3.5% annual inflation for the third quarter of 2014.

Consumer Price Index (CPI) for the Month of September 2014 (2007=100)

A. Percentage changes in the CPI

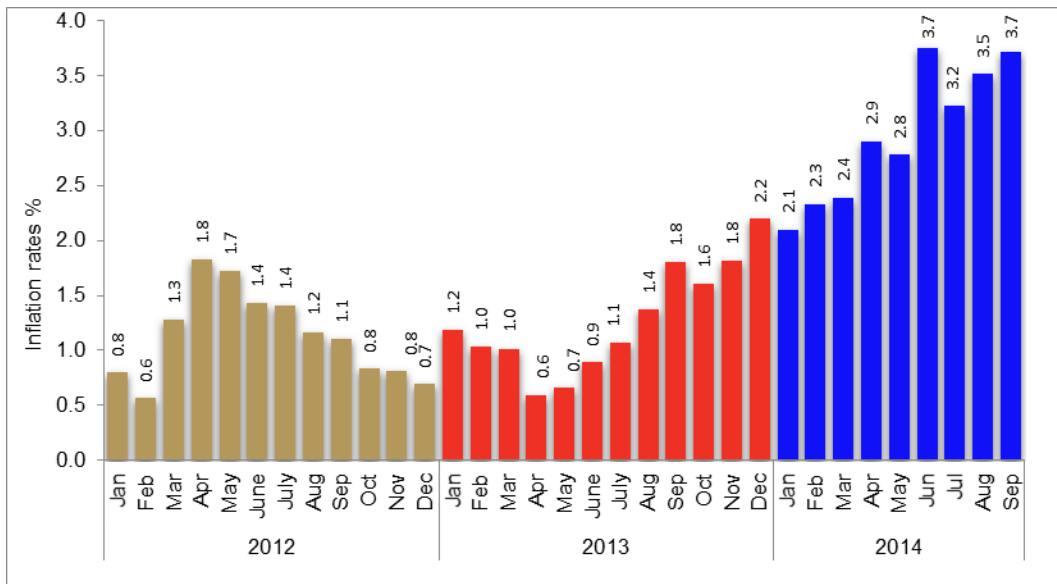
During the first nine months of 2014, the average consumer prices rose by 3.0% compared with the same period of 2013, with the CPI for the first nine months of 2014 at 127.8 points, compared with 124.1 points for the same period of 2013. This rise in prices reflects the net change in the consumer basket prices (resulting from upward and downward movement) during the periods compared.

Table (1): Consumer price index

| Year | August | September | Q2 | Q3 | Jan - Sep |
|-----------------|--------|-----------|-------|-------|-----------|
| CPI | | | | | |
| 2013 | 125.0 | 125.9 | 123.6 | 125.2 | 124.1 |
| 2014 | 129.3 | 130.6 | 127.5 | 129.5 | 127.8 |
| — % — | | | | | |
| Relative change | 3.5 | 3.7 | 3.1 | 3.5 | 3.0 |

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 Nine 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 households' expenditure 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 nine 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 3.0%.

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

| Main Expenditure Groups | Weight | Relative change — % — | Contribution |
|--|--------|--------------------------|--------------|
| Food and beverages | 16.1 | 2.2 | 13.5 |
| Alcoholic beverages and tobacco | 0.3 | 2.8 | 0.3 |
| Clothing and footwear | 9.8 | 2.4 | 6.4 |
| Housing, water, electricity, gas and other fuels | 37.9 | 3.3 | 41.8 |
| Furnishings, household equipment and routine household maintenance | 4.8 | 9.9 | 16.4 |
| Health | 0.8 | -0.3 | -0.1 |
| Transport | 9.7 | 0.2 | 0.7 |
| Communication | 7.7 | -0.2 | -0.4 |
| Recreation and culture | 2.4 | 1.9 | 1.3 |
| Education | 2.6 | 4.1 | 4.8 |
| Restaurants and hotels | 3.4 | 5.2 | 7.5 |
| Miscellaneous goods and services | 4.6 | 5.1 | 7.7 |
| Total | 100 | 3.0 | 100 |

Source: Statistics Centre - Abu Dhabi

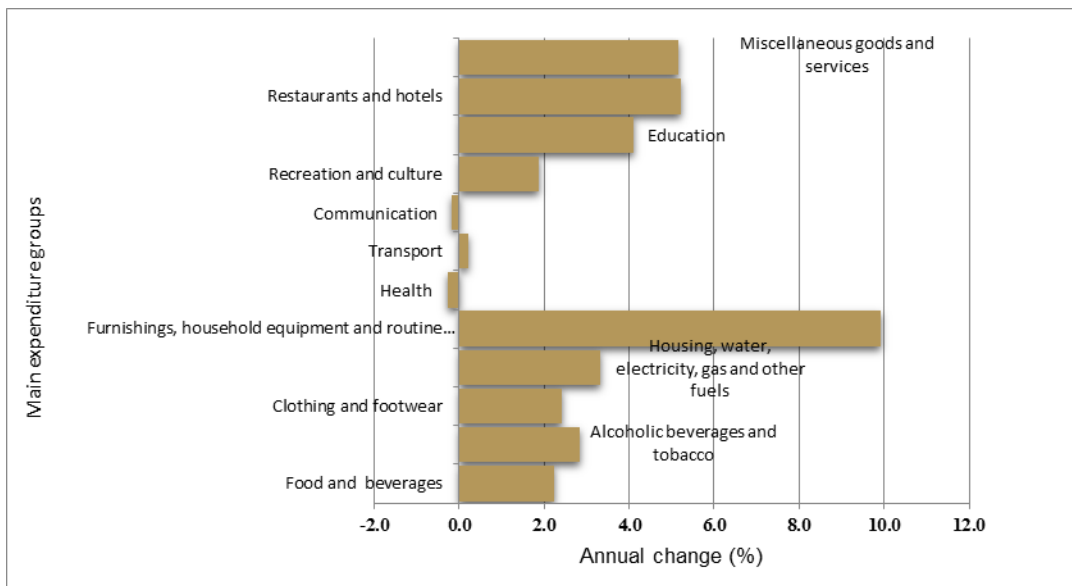
The above table shows the 'Housing, water, electricity, gas and other fuels' group accounted for the largest rise in the index during the first nine months of 2014 compared with the same period of 2013, contributing 41.8% to the change. This contribution resulted from an increase of 3.3% in the prices of this group.

The second highest contributor to the overall increase in the CPI over the first nine months of 2014 was 'Furnishings, household equipment and routine household maintenance' group accounted for 16.4% of the overall increase occurring during the first nine months of 2014 compared with the same period of 2013. This contribution resulted from an increase of 9.9% in the prices of this group.

The 'Food and beverages' group, which accounted for 13.5% of the overall increase prices of this group increased by 2.2% during the first nine months of 2014 compared with the same period of 2013.

The prices of 'Restaurants and hotels' rose by 5.2% during the first nine 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): Relative change in CPI for the main groups (First nine months of 2014 compared with the same period of 2013)



Source: Statistics Centre - Abu Dhabi

C. CPI for the third quarter of 2014

Table (3): Weights, relative change and contribution of expenditure groups to the overall change in CPI, Q3 2014 compared with Q3 2013.

| Main Expenditure Groups | Weight | Relative change | Contribution |
|--|--------|-----------------|--------------|
| | | — % — | |
| Food and beverages | 16.1 | 1.5 | 8.0 |
| Alcoholic beverages and tobacco | 0.3 | 6.4 | 0.5 |
| Clothing and footwear | 9.8 | 1.0 | 2.4 |
| Housing, water, electricity, gas and other fuels | 37.9 | 4.7 | 51.1 |
| Furnishings, household equipment and routine household maintenance | 4.8 | 13.1 | 18.4 |
| Health | 0.8 | 0.3 | 0.1 |
| Transport | 9.7 | -0.1 | -0.4 |
| Communication | 7.7 | -0.1 | -0.1 |
| Recreation and culture | 2.4 | 3.8 | 2.3 |
| Education | 2.6 | 4.5 | 4.6 |
| Restaurants and hotels | 3.4 | 4.2 | 5.2 |
| Miscellaneous goods and services | 4.6 | 6.3 | 8.0 |
| Total | 100 | 3.5 | 100 |

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

- The average rise in consumer prices for the third quarter of 2014 was 3.5%, compared with the same period of 2013.
- The 'Housing, water, electricity, gas and other fuels' group, which accounted for the largest rise in the index during the third quarter 2014 compared with the same period of 2013, contributed 51.1% to the overall change. Prices for this group increased by 4.7%.

- The next highest group contributing to the overall increase in the CPI over the third quarter of 2013 was the 'Furnishings, household equipment and routine household maintenance' group which contributed for 18.4% of the rise in the index, with the prices for this group increasing by 13.1%.

D. CPI of September 2014

1. Comparing the CPI of September 2014 with the CPI of September 2013

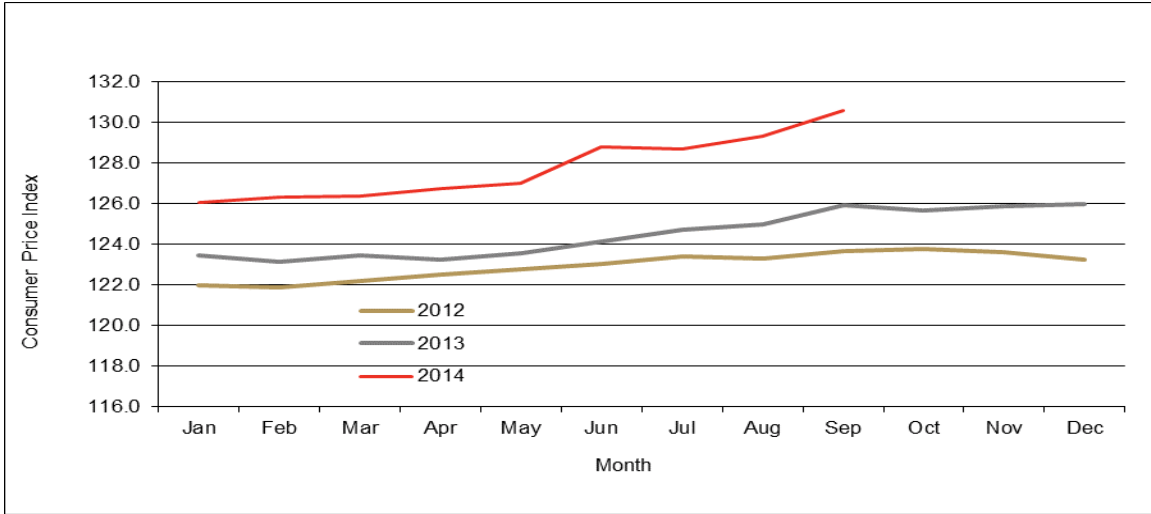
The average consumer prices increased by 3.7% in September 2014 compared with September 2013, with the CPI at 130.6 points in September 2014, up from 125.9 points in September 2013. This increase in prices was due to the net movement (increases and decreases) of consumer prices during the mentioned months.

The most significant groups, which experienced increases in prices during September 2014 compared with September 2013, were 'Furnishings, household equipment and routine household maintenance' with a 13.3% increase, and 'Education' with a 5.9% increase, and 'Miscellaneous goods and services' with 5.8%, followed by 'Alcoholic beverages and tobacco' with 6.4%, and 'Housing, water, electricity, gas and other fuels' with 5.4%.

2. Comparing the CPI of September 2014 with the CPI of August 2014

The average consumer prices increased by 1.0% in September 2014 compared with August 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

E. CPI by household welfare level

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

The rise of 3.0% in consumer prices during the first nine months of 2014 compared with the same period in 2013, resulted in an increase of 2.2% in consumer prices for households of the bottom welfare quintile and by 3.0% for households in the middle quintile, while prices increased by 3.1% in the top welfare quintile.

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

| Period | Bottom | Bottom-Middle | Middle | Top-Middle | Top | All households |
|-----------------|--------|---------------|--------|------------|-------|----------------|
| — CPI — | | | | | | |
| 2013 | 124.9 | 125.4 | 125.0 | 124.4 | 123.0 | 124.1 |
| 2014 | 127.7 | 129.0 | 128.8 | 128.2 | 126.8 | 127.8 |
| — % — | | | | | | |
| Relative Change | 2.2 | 2.8 | 3.0 | 3.1 | 3.1 | 3.0 |

Source: Statistics Centre - Abu Dhabi

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

The 3.7% rise in consumer prices in September 2014 compared with September 2013 caused a 2.6% rise in consumer prices for households in the bottom welfare quintile and 3.9% in the top welfare quintile, while prices increased by 3.7% for households in the middle quintile.

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

| Period | Bottom | Bottom-Middle | Middle | Top-Middle | Top | All households |
|-----------------|--------|---------------|--------|------------|-------|----------------|
| — CPI — | | | | | | |
| Sep-13 | 127.3 | 127.6 | 127.0 | 126.4 | 124.5 | 125.9 |
| Sep-14 | 130.7 | 132.0 | 131.7 | 131.1 | 129.4 | 130.6 |
| — % — | | | | | | |
| Relative Change | 2.6 | 3.4 | 3.7 | 3.8 | 3.9 | 3.7 |

Source: Statistics Centre - Abu Dhabi

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

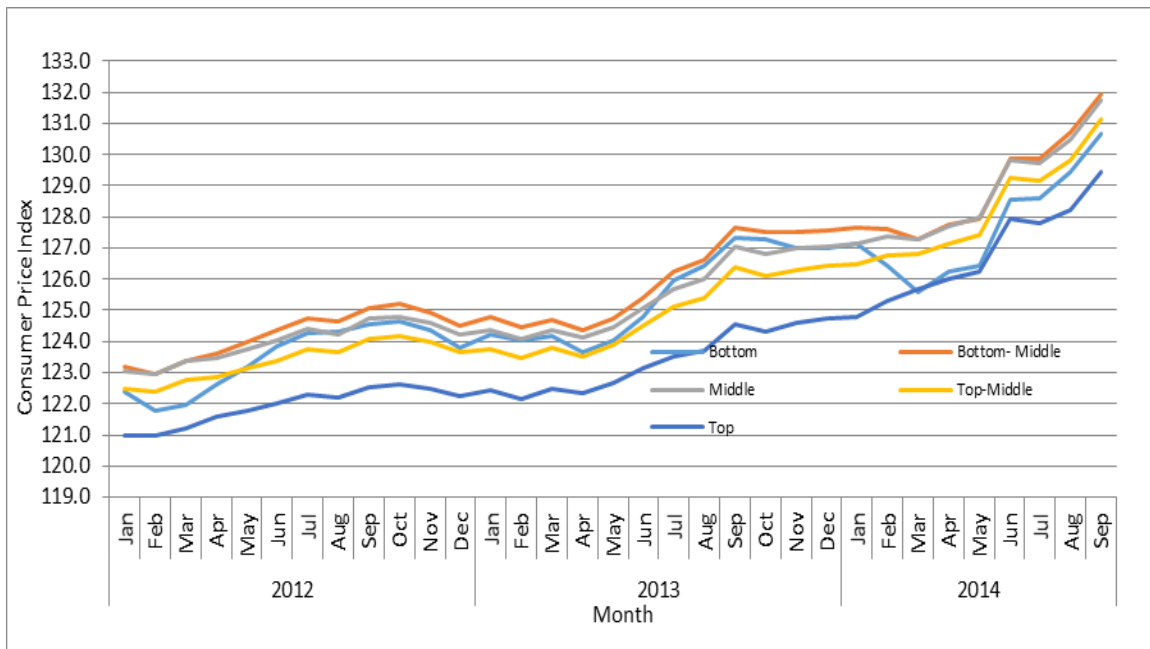
In September 2014, consumer prices increased by 1.0% compared with August 2014. This caused an increase of 0.9% in consumer prices for households in the bottom welfare quintile, while the middle welfare quintile and the top welfare quintile increased by 1.0%.

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

| Period | Bottom | Bottom-Middle | Middle | Top-Middle | Top | All households |
|-----------------|--------|---------------|--------|------------|-------|----------------|
| — CPI — | | | | | | |
| Aug-14 | 129.5 | 130.7 | 130.5 | 129.8 | 128.2 | 129.3 |
| Sep-14 | 130.7 | 132.0 | 131.7 | 131.1 | 129.4 | 130.6 |
| — % — | | | | | | |
| Relative Change | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |

Source: Statistics Centre - Abu Dhabi

Figure (5): Monthly CPI by household welfare levels from Jan 2012 to September 2014



Source: Statistics Centre - Abu Dhabi

F. CPI by household type

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

The 3.0% rise in consumer prices for the first nine months of 2014 compared with the same period of 2013, pushed up consumer prices for citizen households by 3.2%, non-citizen households by 2.9% and share households by 2.3%.

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

| Period | Citizen | Non-Citizen | Share | All households |
|-----------------|---------|-------------|-------|----------------|
| — CPI — | | | | |
| 2013 | 123.5 | 124.5 | 124.8 | 124.1 |
| 2014 | 127.5 | 128.1 | 127.7 | 127.8 |
| — % — | | | | |
| Relative Change | 3.2 | 2.9 | 2.3 | 3.0 |

Source: Statistics Centre - Abu Dhabi

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

The 3.7% rise in consumer prices for September of 2014 compared with the same period of 2013, pushed up consumer prices for citizen households by 4.0%, non-citizen households by 3.6% and share households by 2.6%.

Table (8): Average CPI during September 2013 and September 2014 by household type

| Period | Citizen | Non-Citizen | Share | All households |
|-----------------|---------|-------------|-------|----------------|
| — CPI — | | | | |
| Sep 2013 | 125.2 | 126.4 | 127.3 | 125.9 |
| Sep 2014 | 130.2 | 131.0 | 130.6 | 130.6 |
| — % — | | | | |
| Relative Change | 4.0 | 3.6 | 2.6 | 3.7 |

Source: Statistics Centre - Abu Dhabi

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

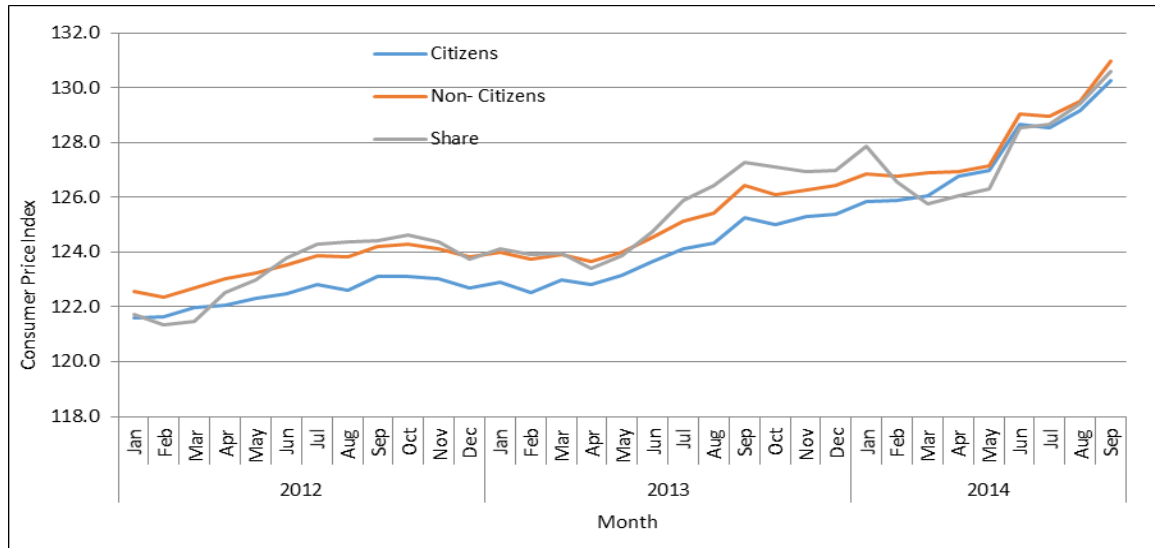
The 1.0% rise in consumer prices for September 2014 compared with August 2014, pushed up consumer prices for citizen households by 0.8% and non-citizen households by 1.1%, and the share households by 0.9%.

Table (9): Average CPI during September 2014 and August 2014 by household type

| Period | Citizen | Non-Citizen | Share | All households |
|-----------------|---------|-------------|-------|----------------|
| — CPI — | | | | |
| Aug 2014 | 129.2 | 129.5 | 129.4 | 129.3 |
| Sep 2014 | 130.2 | 131.0 | 130.6 | 130.6 |
| — % — | | | | |
| Relative Change | 0.8 | 1.1 | 0.9 | 1.0 |

Source: Statistics Centre - Abu Dhabi

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



Source: Statistics Centre - Abu Dhabi

G. CPI by region

1. Consumer Price Index – Abu Dhabi Region

- The inflation rate in Abu Dhabi region increased by 3.0% in the first nine months of 2014, compared with the same period in 2013.
- The inflation rate in Abu Dhabi region increased by 3.8% in September 2014, compared with the same month in 2013.
- The CPI increased by 1.0% in September 2014, compared with August 2014. The major groups that increased in September 2014 compared with August 2014 were 'Education' by 5.9%, 'Housing, water, electricity, gas and other fuels' by 1.6%, and 'Recreation and culture' by 0.8%.

2. Consumer Price Index- Al Ain Region

- The inflation rate in Al Ain region increased by 2.9% in the first nine months of 2014, compared with the same period in 2013.

- The inflation rate in Al Ain region increased by 3.8% in September 2014, compared with the same month in 2013.
- The CPI increased by 0.8% in September 2014, compared with August 2014. The major groups that increased in September 2014 compared with August 2014 were 'Food and beverages' by 1.3%, and 'Housing, water, electricity, gas and other fuels' by 1.4%, and 'Education' by 3.4%.

3. Consumer Price Index, Al Gharbia Region

- The inflation rate in Al Gharbia region increased by 2.7% in the first nine months of 2014, compared with the same period in 2013.
- The inflation rate in Al Gharbia region increased by 3.5% in September 2014, compared with the same month in 2013.
- The CPI increased by 0.4% in September 2014, compared with August 2014. The major groups that increased in September 2014 compared with August 2014 were 'Food and beverages' by 0.6%, and 'Housing, water, electricity, gas and other fuels' by 1.4%.

H. Expected inflation

1. The expected inflation in the consumer prices for the fourth quarter of 2014

Data of the CPI estimates for the fourth quarter 2014 shows that the average CPI will be about 130.7 points, an increase of 0.9% compared with the third quarter of 2014. The estimated annual inflation for the fourth quarter 2014 is expected to be around 3.8% compared with 3.5% in the third quarter 2014.

The table (10) shows the actual CPI for the first, second, third and fourth quarters and for the twelve months of 2013 and the first, second and third quarters of 2014. The table also shows the expected CPI for the fourth quarter and the twelve months of 2014.

Table (10): Consumer price index and the expected inflation

| Year | Q1 | Q2 | Q3 | Q4 | Jan-Dec |
|-----------|-------|-------|-------|-------|---------|
| | CPI | | | | |
| 2013 | 123.4 | 123.6 | 125.2 | 125.8 | 124.5 |
| 2014 | 126.3 | 127.5 | 129.5 | 130.7 | 128.5 |
| | — % — | | | | |
| Inflation | 2.3 | 3.1 | 3.5 | 3.8 | 3.2 |

Source: Statistics Centre - Abu Dhabi

Regarding the inflation during the period of January – December 2014, the actual CPI results for the period of Jan- Sep 2014 and the estimates for the period of Oct - Dec 2014 show that the average CPI in the twelve month of 2014 is expected to reach 128.5 points. Accordingly, the estimated annual inflation for the twelve months of 2014 is expected to be around 3.2%.

Next release:

The CPI for October 2014 will be released on 15 November 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 is calculated 'on the main group level' using the geometric mean of elementary aggregates. The price ratio is calculated by dividing the comparison price by the base price, while the new price is calculated by multiplying by the base price.

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 importance¹ of goods and services were calculated based on the results of the 2007-2008 Household Income and Expenditure Survey. Goods and services with a

¹ 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

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.

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 main 12 groups, 34 subgroups (two digits) and 63 subgroups (three digits). The following table shows the main groups (one digit) and their weights:

| COICOP Classification | Main Expenditure Groups | Weight |
|-----------------------|--|--------|
| | Total | 100.0 |
| 1 | Food and beverages | 16.1 |
| 2 | Alcoholic beverages and tobacco | 0.3 |
| 3 | Clothing and footwear | 9.8 |
| 4 | Housing, water, electricity, gas and other fuels | 37.9 |
| 5 | Furnishings, household equipment and routine household maintenance | 4.8 |
| 6 | Health | 0.8 |
| 7 | Transport | 9.7 |
| 8 | Communication | 7.7 |
| 9 | 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 | 2,683.3 | 11,122.0 | 7,838.7 |
| Low middle | 11,125.8 | 16,887.4 | 14,069.6 |
| Middle | 16,896.2 | 23,716.1 | 20,260.2 |
| Upper middle | 23,732.4 | 34,606.9 | 28,685.6 |
| Top | 34,631.6 | 422,932.4 | 52,720.3 |

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 one weekly, semi-monthly, 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:

- Implementation 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 data base 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 time 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.