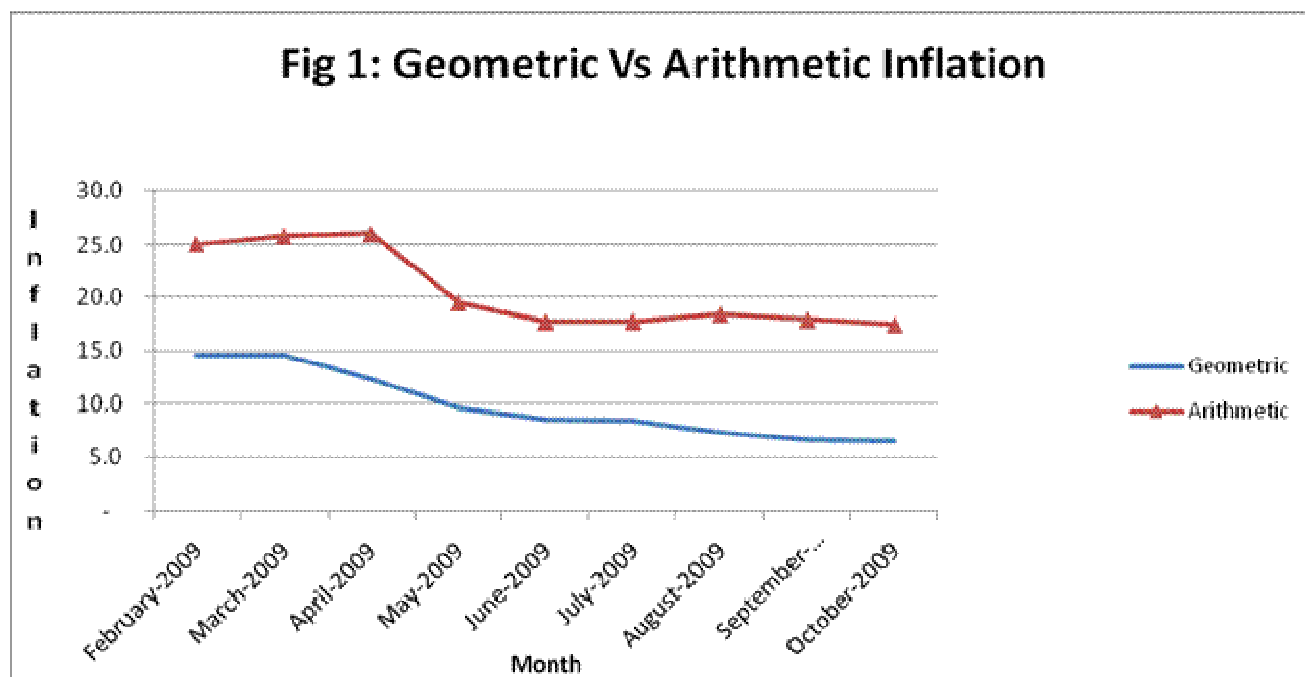


CPI AND INFLATION RATES FOR THE MONTH OF OCTOBER 2009

GEOMETRIC CPI AND INFLATION RATES TO THE MONTH OF OCTOBER, 2009

Over the years, Kenya National Bureau of Statistics has been releasing the CPI and inflation figures based on arithmetic mean computation method. However, this approach has been found not to be robust in the sense that it is influenced by outliers. As a result, and in line with best practices as recommended in the ILO CPI manual 2004, the Bureau has adopted a geometric mean computation approach. As can be seen from the figure below, the effect of the outliers is clearly demonstrated since the trends echo each other. The old methodology would have yielded an October inflation of 17.5 percent.



Presented below, are the Geometric Consumer Price Indices (CPI) and inflation rates pertaining to the month of October 2009 with base period as October 2005. The numbers have been generated through monthly data collection from selected retail outlets in 13 urban centers in Kenya whereby prices are collected within the second and third weeks of the month of review in order to maintain consistency.

As indicated in Table 1, the CPI computed through this new approach increased by 0.50 percent from 140.51 points in September 2009 to 141.21 points in October 2009. Month-on-month overall inflation rate stood at 6.6 percent in October 2009 compared to 6.7 percent in September 2009.

Table 1: One Month and Twelve Months Changes in the Price Indices

Broad Item Group	% Change on Previous month (October 09 / August 09)	% Change on Previous year (October 09/October 08)
Food & Non-alcoholic drinks	0.55	9.24
Alcohol & Tobacco	2.35	5.47
Clothing & Footwear	0.41	3.99
Housing Costs	0.16	6.91
Fuel & Power	0.95	-9.92
Household Goods & Services	-0.18	1.98
Medical Goods and Services	0.09	7.99
Transport & Communication	0.04	1.72
Recreation & Education	0.29	4.63
Personal Goods	0.23	7.61
Average all Groups	0.50	6.60

Food and non alcoholic drinks' index went up by 0.55 percent from 157.29 points in September to 158.15 points in October 2009. This is attributed to rise in the prices of English potatoes, beans, cabbages, beef with bones and sugar among other food items. On average, the price of a kilogram of English potatoes was retailing at KSh. 34.94 in September compared to KSh.36.93 in October 2009, an increase of 5.71 percent. Similarly, the average prices of beans, cabbages, beef with bones and sugar went up by 3.92, 4.12, 0.96 and 1.30 percent, respectively. There were however notable falls in the prices of sifted maize flour, tomatoes ,onions and loose maize grains by 3.45, 3.49, 6.04 and 1.47 percent, respectively.

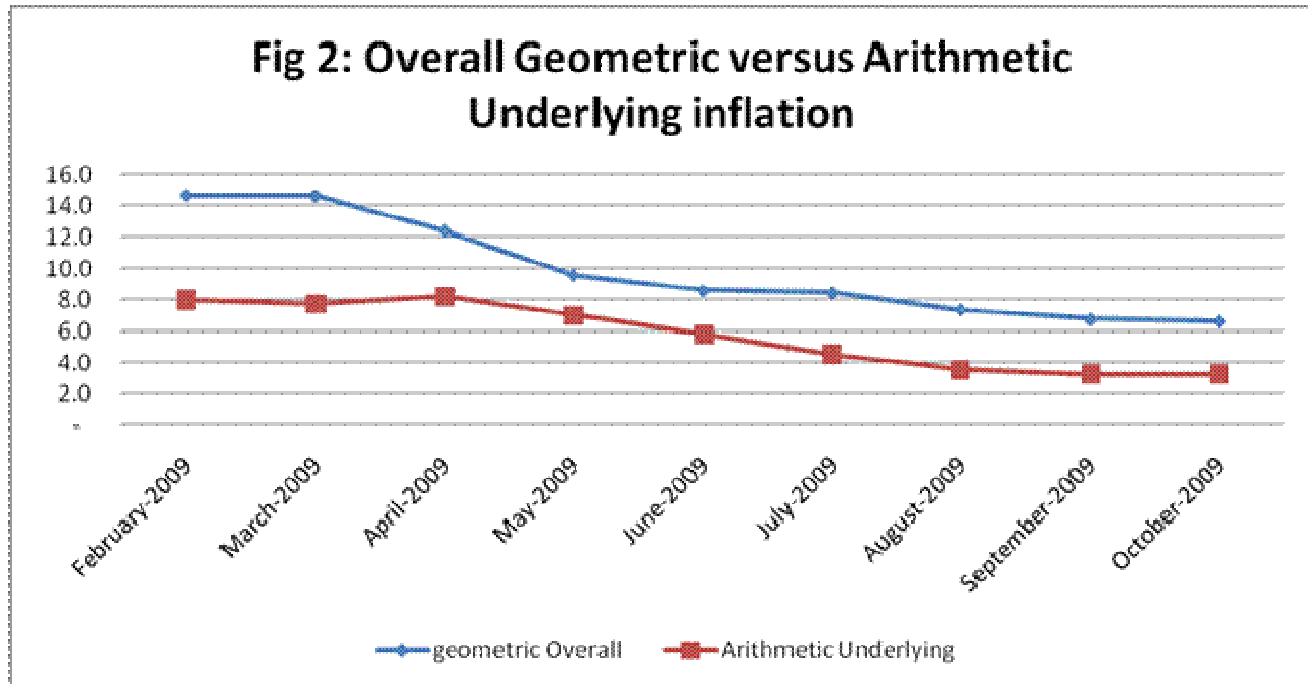
During the same review period, the fuel and power index increased by 0.95 percent from 134.27 points in September 2009 to 135.55 points in October 2009. This was mainly due to increase in the cost of electricity, paraffin and charcoal by 12.62, 1.56 and 1.31 percent, respectively.

Table 2: Geometric CPI, overall Geometric Inflation and Arithmetic Underlying Inflation

Month	Geometric CPI	Geometric Overall inflation
February-2009	139.0	14.6
March-2009	140.5	14.6
April-2009	141.9	12.4
May-2009	141.2	9.6
June-2009	140.2	8.6
July-2009	139.8	8.4
August-2009	139.9	7.3
Sept-2009	140.5	6.7
October-2009	141.2	6.6

Table 2 presents a comparison of the geometric CPI and consequential Overall inflation compared with the underlying inflation as previously

published using the arithmetic mean methodology. This old series was computed so as to remove the impact of the volatile outliers in the food basket. As can be seen in the figure below, the new methodology conveys the same information while using the whole basket of goods and services and is therefore a more desirable indicator.



Source: Kenya National Bureau of Statistics