

## **INTRODUCTION**

The Consumer Price Index (CPI) measures changes overtime in the general level of prices of goods and services that households acquired, (use or pay for) for the purpose of consumption.

In many countries, they were originally introduced to provide a measure of the changes in the living costs faced by workers, so that wage increases could be related to the changing levels of prices. However over the years, CPIs have widened their scope, and now a days are widely used as a micro economic indicator of inflation, as a tool for governments and Central Banks for inflation targeting and for monitoring price stability, and as deflators in the national accounts.

In short, CPIs are now considered as one of the most important economic and social indicators produces by National Statistics Offices (NSOs) throughout the world. Against this background, the challenge is to identify users' needs; to conceptualize users' needs in terms of economic theory, etc.

For Liberia, the CPI is currently capital city based, that is to say, the data is collected only in the Capital, Monrovia. Also the CPI is measured against a fixed weight basket of goods and services that totals 235 commodities and services. The data is collected from four general markets in Monrovia and its environs and 39 shopping centers and supermarkets which also include barbing salon, beauty saloon furniture shops, etc. The data is collected once a week for the first three weeks of the month, and is then edited, entered and processed using Laspeyres Formula. Average prices are also generated for each commodity monthly. CPI data is made available on the 16 of the current month for the previous month. The CPI is calculated using 2005 as a base period. That is to say, December 2005 is equal to 100 and the comparison of indices of all other periods is compared using this as a base year, which is written as December 2005=100.

## **DATA**

Liberia like many other countries follows the **COICOP (Classification of Individual Consumption by Purpose)** classification for calculating and presentation of CPI. The COICOP is the term for classifying consumer expenditures and prices on goods and services by purpose. The COICOP consists of 12 Divisions or Major Groups. The data is therefore presented in this format.

For 2013 August, all 12 Divisions (Major Groups) with an exception of Education experienced an increased in their indices when compared to August 2012. For example, the Food and non Alcoholic Beverages Division rose from **225.86** in August 2012 to **244.21** in August of 2013, which indicates an **8.12%** increase in the prices of food and non alcoholic products. This change came about mainly from the increase in the following items; Fish, steak, Palm oil (Unrefined), Rice (imported), Eddoes, Irish potatoes, Okra, pepper and Coconuts.

Another Division that experienced a very high increase was the Alcoholic Beverages, Tobacco and Narcotics. This index rose from **157.03** in August 2012 to **173.32** in August 2013. This indicates an increase of **10.37%** increase in prices of alcoholic and Narcotics products. The commodities responsible for this increase include: Vodka, Johnny Walker, Heineken beer, Red wine, Stout, and Cigarettes.

For the Restaurants and Hotels, the index rose from **268.99** in August 2012 to **296.86** in August 2013. This indicates a 10.36% increase from 2012 to 2013. The price of room per night in hotels account for this increase in the price and also the price of prepared food (Rice and chicken, Chicken and sauce etc.) gives rise to this index.

On the General level, the All Items Index rose from **189.45** in August 2012 to **203.63** in August 2013. This indicates an increase of **7.48%** from 2012 August to 2013 of the same month. Generally, the Food and Non-Alcoholic Beverages, Restaurants & Hotels, Household Furnishing and Equipments, Clothing and Footwear, etc have experienced price increases since 2012 and have been the cause of much increase in the general index from August 2012 to August 2013.

The General rate of inflation also increased from **4.25%** in August 2012 to **7.49%** in August 2013. Though there is an increase in the inflation, however, the one digit figure is still being realized currently.

On the other hand, Domestic Food items is still experiencing high indices due to high cost of transporting domestic food from one point to another and then Monrovia. This may improve when the cost of fuel on the world market is further reduced and more importantly, when farm to market roads and major highways between counties become accessible.