PRODUCER PRICE INDEX FOURTH QUARTER 2016

Kenya National Bureau of Statistics hereby releases the Producer Price Index (PPI) for the fourth quarter of 2016. Producer Price Index measures the gross changes in the trading price of products on the domestic and non-domestic markets, at all stages of processing. The price changes are measured from the perspective of the producer. The producer prices are collected as at 15th February, 15th May, 15th August and 15th November of the year. These dates correspond to the first, second, third and fourth quarters of the year respectively.

The Producer Price Indices are grouped according to the International Standards of Industrial Classifications of All Economic Activities (ISIC) Rev 4. As shown in Figure 1, the fourth quarter year on year overall producer inflation was negative 0.47 per cent in 2016 compared to 6.8 per cent recorded in the fourth quarter of 2015. A negative producer prices inflation was last recorded in the fourth quarter of 2012.

Figure 1: Year on Year Percentage Changes on Producer Prices

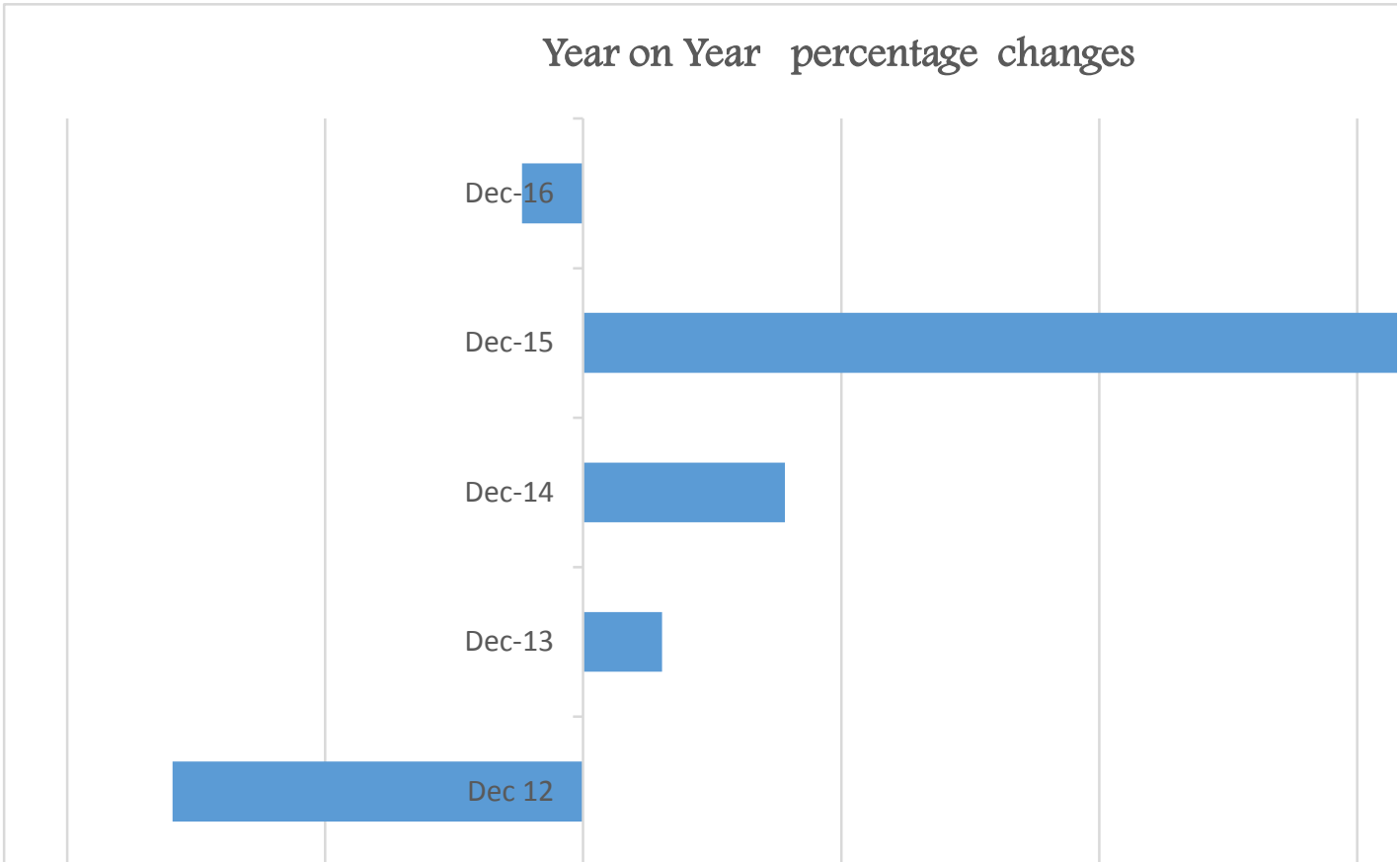


Table 1 presents percentage changes of producer prices over the previous quarter and the same quarter a year ago. The overall producer prices increased by 1.79 per cent compared with the previous quarter mainly due to increases in the manufacture of food products,

manufacture of rubber and plastic products and manufacture of basic metals and fabricated metal products. However, producer prices of manufacture of textiles, mining and quarrying and manufacture of chemicals and chemical products declined over the same period. The producer price index of food products increased due to rise in prices of sugar, grain mill products and tea compared with the third quarter of 2016. Producer prices of paints and fabricated metals also went up during the same period. The change over a year ago mainly declined due to lower producer prices of manufacture of cocoa, chocolate and sugar confectionery, tea and manufacture of knitted and crocheted fabrics.

Table 1: Percentage Changes Over a Quarter and a Year Ago

2-Digit ISIC	Descriptions	Weights-**	% Change over three months ago (Dec 2016/Sept 2016)	% Change over a year ago (Dec 2016/Dec 2015)
10	Manufacture of food products	**34.24**	3.59	-1.97
11	Manufacture of beverages	**6.54**	1.38	2.32
12	Manufacture of tobacco products	**1.38**	0.06	1.49
13	Manufacture of textiles	**2.29**	-2.74	-3.72
14	Manufacture of wearing apparel	**2.91**	0.04	-0.07
15	Manufacture of leather and related products	**0.90**	-0.20	0.08
16	Manufacture of wood and of products of wood and cork except furniture	**2.19**	-0.22	9.78
17	Manufacture of paper and paper products	**3.15**	1.83	1.40
18	Printing and reproduction of recorded media	**5.66**	0.00	0.00
19	Manufacture of lubricating petroleum oils	**0.01**	0.00	0.00
20	Manufacture of chemicals and chemical products	**5.97**	-1.24	-4.25
22	Manufacture of rubber and plastics products	**5.47**	3.57	4.01
23	Manufacture of other non-metallic mineral products	**4.32**	0.15	-4.71
24	Manufacture of basic metals	**6.51**	2.98	2.53
25	Manufacture of fabricated metal products except machinery and equipment	**3.31**	7.58	4.60
29	Manufacture of motor vehicles	**1.20**	0.28	-0.31
35	Electricity	**8.63**	0.41	-1.07
36	Water	**0.46**	0.00	4.90
08	Mining and Quarrying	**1.60**	-2.19	-1.38
31	Manufacture of Furniture	**1.83**	0.00	-0.86
33	Repair and installation of machinery and equipment	**1.42**	0.27	-0.13
	Total	**100.00**	**1.79**	**-0.47**

*** Weights re-adjusted after closure of Kenya Petroleum Refineries Limited (KPRL)*

As shown in Table 2, the overall PPI increased from 113.33 in the third quarter 2016 to 115.36 in the fourth quarter 2016. The 'year on year' change was negative 0.47 per cent. The stable exchange rate of the Kenya shilling against major foreign currencies led to the slow increase in 'year on year' producer prices.

Table 2: Producer Price Indices at Division Level

Base June 2011=100

2-Digit ISIC	Descriptions	Weights-**	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
10	Manufacture of food products	**34.24**	118.65	114.54	109.77	112.28	116.31
11	Manufacture of beverages	**6.54**	135.63	135.85	135.85	136.87	138.77
12	Manufacture of tobacco products	**1.38**	123.35	125.20	124.92	125.11	125.19
13	Manufacture of textiles	**2.29**	128.96	127.92	127.04	127.66	124.16
14	Manufacture of wearing apparel	**2.91**	102.19	102.13	101.99	102.09	102.13
15	Manufacture of leather and related products	**0.90**	104.07	104.02	104.39	104.36	104.15
16	Manufacture of wood and of products of wood and cork except furniture	**2.19**	107.78	107.78	109.71	118.58	118.32
17	Manufacture of paper and paper products	**3.15**	111.99	112.74	112.40	111.52	113.56
18	Printing and reproduction of recorded media	**5.66**	104.66	104.66	104.66	104.66	104.66
19	Manufacture of lubricating petroleum oils	**0.01**	114.76	114.76	114.76	114.76	114.76
20	Manufacture of chemicals and chemical products	**5.97**	122.13	118.78	119.27	118.40	116.94
22	Manufacture of rubber and plastics products	**5.47**	110.42	109.43	110.86	110.89	114.85
23	Manufacture of other non-metallic mineral products	**4.32**	118.83	113.17	112.77	113.06	113.24
24	Manufacture of basic metals	**6.51**	93.11	91.14	92.54	92.70	95.46
25	Manufacture of fabricated metal products except machinery and equipment	**3.31**	93.86	91.74	91.20	91.26	98.18
29	Manufacture of motor vehicles	**1.20**	123.84	121.86	123.37	123.11	123.45
35	Electricity	**8.63**	117.49	116.59	116.26	115.76	116.23
36	Water	**0.46**	136.92	143.63	143.63	143.63	143.63
08	Mining and Quarrying	**1.60**	138.44	138.44	137.88	139.58	136.52
31	Manufacture of Furniture	**1.83**	132.88	130.84	130.84	131.74	131.74
33	Repair and installation of machinery and equipment	**1.42**	104.04	103.91	103.62	103.62	103.90
	Total	**100.00**	**115.91**	**113.73**	**112.25**	**113.33**	**115.36**

*** Weights re-adjusted after closure of Kenya Petroleum Refineries Limited (KPRL)*