# MAKERERE UNIVERSITY

## SCHOOL OF STATISTICS AND APPLIED ECONOMICS

## ASSESSMENT OF THE DIFFERENCE BETWEEN THE URBAN AND RURAL CONSUMER PRICE INDEX IN UGANDA (2005 – 2011)

**BY**

**NAWOOVA BETTY**
**B. Stat (Hons), PGD. Stat (Mak)**

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**ABSTRACT**

This study assessed the difference between the rural and urban Consumer Price Index and how the overall rate of inflation was affected when the indices were combined into a national index.  The assessment period was from July 2005 to December 2011 (78 months). The urban CPI compiled by Uganda Bureau of Statistics was used while a rural index was compiled using expenditure data from 2005/06 Uganda National Household Survey and rural prices collected during the 2005/06 and 2011 phase for the International Comparison Programme. The national index was compiled by weighting and aggregating the rural and urban CPI.  Data was analysed using Stata statistical software and Microsoft Excel. Two non-parametric tests namely; Mann–Whitney U test and Wilcoxon Signed rank test were used to ascertain the existence of any difference between the indices.

The distribution of the monthly CPI for all items was different across the rural and urban Uganda in "clothing and footwear",  "housing, water, electricity, gas and other fuels", "furnishings, household equipment and routine household maintenance", health and education.  At national level, the inclusion of the rural CPI to the urban CPI increased the Food and Non-Alcoholic Beverage expenditure weight by 21 percentage points from 28.7 percent to 49.8 percent.  On the average the urban annual inflation rate differed from the national by about 2.8 percent points.

Based on the findings, it is recommended, that UBOS compiles separate indices for the rural and urban, and a national CPI as significant differences have been identified. The national index will provide a more appropriate deflator for the Gross Domestic Product and poverty estimates that combines both the rural and urban price variations.