

Ch. Luchman



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CONSUMER PRICE INDEX - 2nd QUARTER 1987

1. Movements in Consumer Price Index - 2nd Quarter 1987

The second quarter of 1987 has been characterised by a relative stability of prices of most commodities, except fresh vegetables and textile goods. Prices of fresh vegetables which normally show a downward movement at this period of the year have continued to be high. On the other hand prices of textile goods have decreased substantially following Government's decision to exempt textile materials of all duties. The combined effect of the above factors have caused the index to fall by 1.2 points or 0.9% from 127.3 in March to 126.1 in June 1987 (Table 1). The fall in the index for the corresponding period of 1986 was only 0.1 point. During the first six months of the year the index has gained 2.5 points or 2% rising from 123.6 at the end of December 1986 to 126.1 at the end of June 1987. The increase for the previous corresponding period between December 1985 and June 1986 was only 1 point.

Table 1 - Monthly Consumer Price Index (January 1984 - June 1987)

	Base : Jan. - June 1982 = 100			
	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
January	109.9	119.1	124.0	123.7
February	110.6	120.7	124.2	125.0
March	112.4	121.7	124.7	127.3
April	113.2	121.0	124.6	124.7
May	113.5	121.1	124.5	125.8
June	113.2	121.2	124.6	126.1
July	114.0	121.9	124.8	
August	115.6	122.7	125.5	
September	117.4	124.2	124.3	
October	118.0	124.2	124.0	
November	117.4	124.0	123.1	
December	118.2	123.6	123.6	

2. Changes by Commodities

Table 2 shows the evolution of the quarterly indices by major commodity group. The "Clothing, Footwear and bedding" group has decreased significantly by 12% from 125.1 in the first quarter to 110.0 in the second quarter of 1987. The "Food and non-alcoholic beverages" and the "Medical care" groups show moderate increases while the other groups have changed only marginally.

Table 2 - Sub-indices by major commodity group (Base: January - June 1982 = 100)

Commodity Group	% Weight	1986				Yearly Average 1986	1987	
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter		1st Quarter	2nd Quarter
1. Food and non-alcoholic beverages	43.9	129.5	130.3	130.7	127.8	129.6	131.5	135.2
2. Alcoholic beverages and tobacco	6.5	112.3	112.2	112.3	112.2	112.3	112.3	112.2
3. Fuel and light	6.4	111.3	108.5	106.6	106.6	108.3	106.4	106.7
4. Housing	10.4	124.5	124.5	125.2	125.0	124.8	125.6	125.7
5. Clothing, footwear, bedding, etc.	10.5	122.0	122.7	123.9	124.3	123.3	125.1	110.0
6. Transport and communication	10.0	113.0	112.2	112.2	112.4	112.5	112.0	111.8
7. Medical care	3.0	140.6	140.4	138.3	131.5	137.7	132.5	135.2
8. Education and reading	2.9	118.7	119.4	119.5	119.6	119.3	120.5	120.6
9. Miscellaneous	6.4	129.9	130.8	133.2	134.8	132.2	135.3	136.1
ALL GROUPS	100.0	124.3	124.6	124.9	123.6	124.3	125.3	125.5

The net contribution of the main commodities that have influenced the movement of the index from the end of March to the end of June 1937 is shown in Table 3 below. The most significant contribution comes from textile goods where a fall in prices of about 14% on average, with peaks of up to 45% for certain items, have caused the index to fall by 1.9 points. On the other hand higher prices of medicinal products have pushed the index up by 0.2 point.

Table 3 - Changes in Consumer Price Index by commodity during the
the second quarter of 1937

<u>Commodity</u>	<u>Change (points)</u>
Baby milk foods	+ 0.1
Fresh beef	+ 0.1
Fresh fish	+ 0.1
Frozen fish	+ 0.1
Salted fish	+ 0.1
Fresh vegetables	+ 0.1
Fresh fruits	- 0.1
Textile goods	- 1.9
Medicinal products	+ 0.2
	<u> </u>
T O T A L	- 1.2
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3. Rate of Inflation

The annual rate of inflation for the current financial year works out to 0.7% which is the lowest rate recorded since 1970-71 and represents a decline of 98% over the peak rate of 33.0% observed in 1979-80. This rate was 4.3% for financial year 1985-86 and 1.8% for calendar year 1986.

If the current price trends continue the rate of inflation for calendar year 1987 is expected not to exceed 0.5% .

Table 4 - Inflation Rate (%); 1975 - 1987

<u>Calendar Year</u>	<u>Inflation Rate</u>	<u>Financial Year</u>	<u>Inflation Rate</u>
1975	14.7	1974 - 75	20.6
1976	13.4	1975 - 76	14.7
1977	9.2	1976 - 77	9.6
1978	8.5	1977 - 78	10.1
1979	14.5	1978 - 79	8.0
1980	42.0	1979 - 80	33.0
1981	14.5	1980 - 81	26.5
1982	11.4	1981 - 82	13.4
1983	5.6	1982 - 83	7.5
1984	7.3	1983 - 84	5.6
1985	6.7	1984 - 85	8.3
1986	1.8	1985 - 86	4.3
		1986 - 87	0.7

Central Statistical Office
Rose Hill

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