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MINISTRY OF ECONOMIC PLANNING & DEVELOPMENT  
PORT LOUIS  
MAURITIUS

# CONSUMER PRICE INDEX - 3RD QUARTER 1989

## 1. Movements in Consumer Price Index - 3rd Quarter 1989

During the third quarter of 1989 the Consumer Price Index (C.P.I.) increased moderately by 3.4 points or 2.8% from 122.6 in March to 126.0 in September 1989 (Table 1). This increase compares favourably with that of the second quarter of the year when the C.P.I. rose by 4.1 points but is higher than that of the first quarter (2.4 points). It might be pointed out that during the corresponding quarter of 1988 the C.P.I. rose significantly by 9.1 points or 8.5%.

The 3.4 point increase in the index during the third quarter of 1989 reflects the combined effects of price increases of a wide range of goods and services, the most prominent being fresh fish and vegetables, powdered milk, soft drinks and households goods.

**Table 1 - Monthly Consumer Price Index (July 1987 - September 1989)**

Base : July 1986 - June 1987 = 100

	<u>1987</u>	<u>1988</u>	<u>1989</u>
January		102.4	116.8
February		101.7	118.6
March		101.4	118.5
April		103.1	121.7
May		103.8	122.3
June		107.2	122.6
July	99.8	110.7	124.0
August	99.1	113.8	123.9
September	99.2	116.3	126.0
October	99.8	117.5	
November	100.2	117.4	
December	100.3	116.1	
Yearly Average	100.1	109.3	
Annual Change (%)	0.6	9.2	

## 2. Changes by group and commodity

Table 2 shows the evolution of the quarterly indices by major commodity group. The highest increase during the third quarter is shown by "Food and non alcoholic beverages", the most important group in the index, which has moved upwards by 2.8% from 127.8 to 131.4. "Clothing and footwear", "Housing and household operations" and "Recreation, entertainment, education and cultural services" have also registered moderate increases. The remaining groups have increased slightly or marginally.

Table 2 - Sub-indices by major commodity group (Base: July 1986 = June 1987 = 100)

Major Commodity Group	% Weight	1 9 8 8				Yearly Average	1 9 8 9		
		1st Qr.	2nd Qr.	3rd Qr.	4th Qr.		1st Qr.	2nd Qr.	3rd Qr.
1. Food and non alcoholic beverages	41.9	104.9	107.5	118.5	122.7	113.4	122.2	127.8	131.4
2. Alcoholic beverages and tobacco	7.2	100.7	112.7	136.9	137.2	121.9	137.5	142.2	142.8
3. Clothing and footwear	8.4	92.0	92.9	97.3	99.8	95.5	101.1	107.2	109.3
4. Fuel and light	5.7	99.5	99.5	99.9	100.1	99.8	100.1	100.3	100.6
5. Housing and household operations	13.5	101.9	105.1	108.9	114.6	107.6	118.1	120.2	122.7
6. Medical care and health expenses	3.0	115.0	116.3	118.2	120.4	117.5	122.4	123.7	124.9
7. Transport and communication	9.3	100.6	101.7	113.2	118.5	108.5	119.4	123.2	124.8
8. Recreation, entertainment, education and cultural services	6.0	90.6	90.9	92.0	90.7	91.0	96.9	99.4	101.5
9. Miscellaneous goods and services	5.0	104.6	109.0	118.8	121.2	113.4	122.3	126.2	127.1
All Groups	100.0	101.8	104.7	113.6	117.0	109.3	118.0	122.2	124.6

The net contributions of the main commodities that have affected the index from the beginning of July to the end of September 1989 are shown in Table 3. Price changes of fresh vegetables have produced a net increase of 0.4 point in the index.

A 10% rise in the price of powdered milk in September 1989 has alone caused the index to rise by 0.4 point. Powdered milk is one of the basic food commodities that has registered successive price increases since the beginning of the year and the 30% aggregate price increase of this commodity from January to September this year was responsible for a 1.1 point rise in the index during that period.

The short supply of fresh fish since the beginning of the year and during the month of September in particular, has pushed prices of this commodity substantially up. The retail price of the first choice of this commodity reached Rs 50 per half kilo in September 1989. These price increases have had a negative impact of 0.4 point during the third quarter and 0.7 point for the first nine months of the year.

Prices of soft drinks which were revised upwards by more than 15% in August 1989 have raised the index by 0.3 point while higher prices of some household goods such as household appliances and furniture have had a similar adverse effect on the index.

Table 3 - Net contributions of main commodities affecting the index during the 3rd quarter of 1989

<u>Commodity</u>	<u>Change in index points</u>
Pastries, cakes, etc.	+ 0.2
Frozen mutton	+ 0.1
Fresh fish	+ 0.4
Fresh milk	+ 0.1
Powdered milk	+ 0.4
Eggs	- 0.1
Soft drinks	+ 0.3
Fresh fruits	+ 0.1
Fresh vegetables	+ 0.4
Dried vegetables	+ 0.1
Other food products	+ 0.4
Textile goods	+ 0.2
Household goods	+ 0.3
Medical care goods and services	+ 0.1
Other goods and services	+ 0.4
<b>T O T A L</b>	<b>+ 3.4</b>

### 3. Rate of inflation

The current annual rate of inflation for the twelve months ending September 1989 works out to 14.7% compared to 5.3% for the corresponding twelve months ending September 1988. This rate was 9.2% for calendar year 1988 and 16% for financial year 1988-89 (Table 4).

Present price trends indicate that the rate of inflation for the current calendar year will lie between 12 and 13%.

Table 4 - Inflation rate (%) 1975 - 1989

<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
1987	0.6	1986 - 87	0.7
1988	9.2	1987 - 88	1.5
1989	between 12 and 13*	1988 - 89	16.0

\* Forecast

Central Statistical Office  
Rose Hill

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