

CONSUMER PRICE INDEX - 1989

1. Movements in Consumer Price Index in 1989

The year 1989 was characterized by a continuation in the upward price movements as revealed by the average level of prices which increased by 12.6% in 1989 compared to 9.2% in 1988 (Table 1). Except for the months of March and August, when marginal decreases of 0.1 point each was noted, the Consumer Price Index (CPI) has increased steadily each month in 1989 with a peak of 3.2 points in April.

Price increases in 1989 are mainly attributable to:

- (i) Higher prices of imported consumer goods due to the combined effect of price increases of these goods in their country of origin and the deterioration in the exchange rate of the Mauritian Rupee.
- (ii) Adverse climatic conditions and their effects on prices of fresh fish and fruits in particular.

2. Changes by group and commodity

Table 2 shows the evolution of the quarterly indices in 1989 and the yearly indices in 1988 and 1989 by major commodity group. The "Alcoholic beverages and tobacco" group shows the highest increase, more than 15%, between 1988 and 1989, which is largely due to the full impact in 1989 of price increases of alcoholic drinks and cigarettes which became effective in June 1988. "Medical care and health expenses" has increased moderately while "Fuel and Light" has shown a marginal increase. The remaining groups have increased significantly in the range of 12 to 14%.

About 50% or 5.8 points of the 12.6 point increase in the CPI in 1989 is attributable to price increases of food products, the most important being powdered milk (1.1), fresh meat (0.6), frozen meat (0.6), fresh fish (0.5) and fresh fruits (0.6) (Table 3). Three successive revisions in the prices of powdered milk in January, June and September have together pushed up prices of this commodity by about 30% in 1989.

The price of fresh fish and of fresh meat (beef in particular) have gone up by about 35% (Table 4).

The passage of cyclones "Firinga" and "Krissy" has severely affected fruit production, bananas in particular. Thus while the price of fresh fruits have increased by more than 50% on average, that of bananas has more than trebled in 1989.

Among non food commodities that have affected the index in 1989, the most prominent are T.V. licence fee, textile goods, household durable goods and taxi fares.

The upward revision of T.V. licence fee by 400% from Rs 15 to Rs 75 monthly was responsible for a 1.6 point rise in the index.

The price of textile goods has continued to rise in 1989 and the 12.7% price increase of this commodity in 1988 has been followed by a further 17.1% increase in 1989 which has affected the index adversely by 1 point.

Revised tariffs for taxi fares which increased by more than 40% in May 1989 have produced a 0.4 point rise in the index while an average 10% increase in prices of household durable goods has pushed up the index by 0.5 point.

3. Rate of inflation

The rate of inflation for calendar year 1989 is 12.6% compared to 9.2% for calendar year 1988. The last time that a rate of inflation of more than 10% was registered was in 1982 when it was 11.4% (Table 5). It might be noted that the rate of inflation for the last two financial years was 1.5 and 16% respectively.

On present trends it is estimated that the rate of inflation for financial year 1989-90 may be around 10%.

4. Purchasing power of the rupee

After a substantial erosion of about 8% in 1988, the purchasing power of the Rupee has further declined by more than 11% in 1989 (Table 6).

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Table I - Monthly Consumer Price Index (January 1985 - December 1989)

	Base : January - June 1982 = 100			Base : July 1986 - June 1987 = 100		
	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
January	119.1	124.0	123.7		102.4	116.8
February	120.7	124.2	125.0		101.7	118.6
March	121.7	124.7	127.3		101.4	118.5
April	121.0	124.6	124.7		103.1	121.7
May	121.1	124.5	125.8		103.8	122.3
June	121.2	124.6	126.1		107.2	122.6
July	121.9	124.8		99.8	110.7	124.0
August	122.7	125.5		99.1	113.8	123.9
September	124.2	124.3		99.2	116.3	126.0
October	124.2	124.0		99.8	117.5	126.4
November	124.0	123.1		100.2	117.4	128.1
December	123.6	123.6		100.3	116.1	128.7
Yearly average	<u>122.1</u>	<u>124.3</u>		<u>100.1</u>	<u>109.3</u>	<u>123.1</u>
Annual change(%)	6.7	1.8		0.6	9.2	12.6

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

Major Commodity Group	1988 Yearly Average	1989				Yearly Average
		1st Qr.	2nd Qr.	3rd Qr.	4th Qr.	
1. Food and non-alcoholic beverages	113.4	122.2	127.8	131.4	135.2	129.2
2. Alcoholic beverages and tobacco	121.9	137.5	142.2	142.8	143.2	141.5
3. Clothing and footwear	95.5	101.1	107.2	109.3	113.2	107.7
4. Fuel and light	99.8	100.1	100.3	100.6	101.4	100.6
5. Housing and household operations	107.6	118.1	120.2	122.7	125.3	121.6
6. Medical care and health expenses	117.5	122.4	123.7	124.9	130.1	125.3
7. Transport and communication	108.5	119.4	123.2	124.8	124.9	123.1
8. Recreation, entertainment, education and cultural services	91.0	96.9	99.4	101.5	110.7	102.1
9. Miscellaneous goods and services	113.4	122.3	126.2	127.1	128.2	126.0
All Groups	109.3	118.0	122.2	124.6	127.7	123.1

Table 3 - Net contributions of main commodities affecting the index in 1989

<u>Commodity</u>	<u>Change in index point</u>
Snacks and meals out	+ 0.3
Fresh meat	+ 0.6
Frozen beef	+ 0.3
Frozen mutton	+ 0.2
Frozen chicken	+ 0.1
Fresh fish	+ 0.5
Frozen fish	+ 0.1
Fresh milk	+ 0.1
Powdered milk	+ 1.1
Cheese	+ 0.1
Cooking oil	+ 0.2
Margarine and ghee	+ 0.1
Fresh fruits	+ 0.6
Dried vegetables	+ 0.2
Soft drinks	+ 0.3
Other food products	+ 1.0
Alcoholic beverages	+ 0.3
Cigarettes	+ 0.1
Textile goods	+ 1.0
Construction materials	+ 0.2
Household durable goods	+ 0.5
Laundry soap	+ 0.2
Medical care goods and services	+ 0.2
Motor vehicle repairs	+ 0.1
Taxi fares	+ 0.4
Recreational durable goods	+ 0.2
T.V. licence fee	+ 1.6
Pre-primary education services	+ 0.1
Private tuition	+ 0.2
School requisites	+ 0.1
Other goods and services	+ 1.6
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	+ 12.6
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Table 4 - Price changes between December 1988 and December 1989 of
some selected commodities that have affected the index in 1989

<u>Commodity</u>	<u>Percentage change in price</u>
Fresh meat	+ 35.0
Frozen beef	+ 24.6
Frozen mutton	+ 15.1
Frozen chicken	+ 7.1
Fresh fish	+ 37.5
Frozen fish	+ 12.5
Fresh milk	+ 35.7
Powdered milk	+ 29.6
Cooking oil	+ 6.6
Fresh fruits	+ 56.5
Dried vegetables	+ 19.3
Soft drinks	+ 13.9
Alcoholic beverages	+ 6.8
Textile goods	+ 17.1
Construction materials	+ 19.1
Household durable goods	+ 9.7
Laundry soap	+ 19.2
Taxi fares	+ 44.5
T.V licence fee	+400.0
School requisites	+ 28.6

Table 5 - 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	12.6	1988 - 89	16.0
		1989 - 90	around 10 ^{1/2}

1/ Forecast

Table 6 - Internal purchasing power of the rupee (1962 - 1989)

EROSION OF PURCHASING POWER

	1962	1970	1980	1982	1983	1984	1985	1986	1987	1988	1989
1962	100	83.8	21.6	17.0	16.1	15.0	14.1	13.9	13.8	12.6	11.2
1970	119.3	100	25.7	20.1	19.0	17.7	16.6	16.3	16.2	14.8	13.1
1980	463.2	388.3	100	78.4	74.2	69.2	64.9	63.8	63.4	58.1	51.6
1982	590.9	495.3	127.6	100	94.7	88.3	82.8	81.3	80.8	74.0	65.7
1983	624.0	523.0	134.7	105.6	100	93.2	87.3	85.8	85.3	78.1	69.4
1984	669.6	561.2	144.5	113.3	107.3	100	93.7	92.0	91.4	83.7	74.3
1985	714.5	598.8	153.2	120.9	114.5	106.7	100	98.2	97.6	89.4	79.4
1986	727.4	609.6	157.0	123.1	116.6	108.6	101.8	100	99.4	91.0	80.8
1987	731.8	613.3	157.9	123.8	117.3	109.3	102.4	100.6	100	91.6	81.3
1988	799.1	669.7	172.4	135.2	128.1	119.4	111.8	109.9	109.2	100	88.8
1989	899.8	754.1	194.1	152.2	144.2	134.4	125.9	123.7	123.0	112.6	100

EQUIVALENT PURCHASING POWER