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CONSUMER PRICE INDEX - 2ND QUARTER 1990

1. Movements in Consumer Price Index - second quarter 1990

During the second quarter of 1990, the average level of prices has registered a marginal increase of only 0.2 point or 0.1% as revealed by the Consumer Price Index (C.P.I) which increased from 135.2 in March to 135.4 in June 1990 (Table 1). This increase compares favourably with those of the corresponding quarters of 1988 and 1989 when the C.P.I rose by 5.8 and 4.1 points respectively.

Prices of fresh vegetables which reached a peak in March 1990 have registered substantial decreases during the second quarter. Lower prices of this commodity have alone caused the index to fall by 1.8 points, almost offsetting the 2.1 points rise due to price increases of other commodities, in particular, powdered milk, fish, tea and newspapers.

Table 1 - Monthly Consumer Price Index (July 1987 - June 1990)

Base : July 1986 - June 1987 = 100

	<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>
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	126.4
November	100.2	117.4	128.1
December	100.3	116.1	128.7
January	102.4	116.8	131.9
February	101.7	118.6	133.4
March	101.4	118.5	135.2
April	103.1	121.7	134.9
May	103.8	122.3	135.7
June	107.2	122.6	135.4
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12 month average	101.5	117.7	130.3
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Annual rate of inflation (%)	1.5	16.0	10.7

2. Changes by group and commodity

Table 2 shows the evolution of the average quarterly indices by major commodity group. "Food and non alcoholic beverages", the most important group in the index with weight aggregating to nearly 42% has increased by 1.8% between the first and second quarters of 1990. Increases of about the same magnitude are also noted in "Housing and household operations" and "Medical care and health expenses" whereas "Miscellaneous goods and services" which has a 5% share in the market basket of goods and services" has increased by about 4%.

The remaining groups have increased marginally if at all:

The net contributions of the main commodities that have influenced the movement of the index during the second quarter of 1990 are shown in Table 3.

The price of powdered milk which increased by 9% in April has pushed the index up by 0.4 point.

A 17% increase in the price of frozen fish and 24% increase in that of tea have each produced a 0.2 point rise in the index.

The price of some newspapers which have been revised upwards by 50% has caused the index to rise by 0.2 point.

On the other hand substantial decreases registered in the prices of fresh vegetables in April and June 1990 have checked the rise in the index by 1.8 points.

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

Major Commodity Group	Percentage Weight	1989				1990	
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter
1. Food and non alcoholic beverages	41.9	122.2	127.8	131.4	135.2	138.8	141.3
2. Alcoholic beverages and tobacco	7.2	137.5	142.2	142.8	143.2	145.1	145.7
3. Clothing and footwear	8.4	101.1	107.2	109.3	113.2	123.6	123.8
4. Fuel and light	5.7	100.1	100.3	100.6	101.4	101.5	101.5
5. Housing and household operations	13.5	118.1	120.2	122.7	125.3	129.0	131.7
6. Medical care and health expenses	3.0	122.4	123.7	124.9	130.1	138.0	140.0
7. Transport and communication	9.3	119.4	123.2	124.8	124.9	130.7	130.6
8. Recreation, entertainment, education & cultural services	6.0	96.9	99.4	101.5	110.7	135.9	135.9
9. Miscellaneous goods and services	5.0	122.3	126.2	127.1	128.2	138.0	143.4
All Groups	100.0	118.0	122.2	124.6	127.7	133.5	135.3

Table 3 - Net contributions of main commodities affecting the
C.P.I during the second quarter of 1990

<u>Commodity</u>	<u>Change in index point</u>
Pastries, cakes etc	+ 0.1
Fresh fish	+ 0.1
Frozen fish	+ 0.2
Powdered milk	+ 0.4
Fresh fruits	- 0.1
Fresh vegetables	- 1.8
Tea	+ 0.2
Other food products	+ 0.3
Textile goods	+ 0.1
Household goods	+ 0.1
Newspapers and magazines	+ 0.2
Other goods and services	+ 0.4
Total	<u>+ 0.2</u>

3. Rate of Inflation

With the availability of the June 1990 index, the actual rate of inflation for financial year 1989-90 has now been worked out to be 10.7% compared to 16% for the previous financial year. The rate of inflation for the last two calendar years were 9.2 and 12.6 % respectively. (Table 4).

Based on the trend for the first six months of 1990 together with the likely movements of the index during the next six months, it is expected that the rate of inflation for the present calendar year will be around 12%.

Table 4.- Inflation Rate (%) 1980 - 1990

<u>Calendar year</u>	<u>Inflation Rate</u>	<u>Financial Year</u>	<u>Inflation Rate</u>
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
1990	around 12.0 ^{1/}	1989-90	10.7

1/ Forecast

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