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# Productivity and Competitiveness Indicators

1990 to 2001

## Introduction

This issue of the Economic and Social Indicators presents the productivity and competitiveness indices for the years 1990 to 2001 pertaining to the total economy, the manufacturing sector and the Export Processing Zone (EPZ). A description of concepts, definitions and the methodology adopted are given in the technical notes.

Tables 1.1 to 1.4 present indices for the total economy, tables 2.1 to 2.5 for the manufacturing sector and tables 3.1 to 3.6 for the EPZ and its sub-sectors (textile and non-textile).

## 2. Indicators for the total economy

The table below presents the growth rates of the productivity, unit labour cost and other competitiveness related indices for the total economy.

| Indicator |                                     | Growth rate (%) |      |      |
|-----------|-------------------------------------|-----------------|------|------|
|           |                                     | 1990-2001       | 2000 | 2001 |
| 1         | Output (GDP at basic prices)        | 5.6             | 9.3  | 5.8  |
| 2         | GDP per capita                      | 4.4             | 8.2  | 4.7  |
| 3         | Labour input                        | 1.3             | 1.0  | 1.1  |
| 4         | Capital - Labour ratio              | 5.3             | 4.1  | 4.0  |
| 5         | Capital input                       | 6.7             | 5.2  | 4.8  |
| 6         | Labour productivity                 | 4.2             | 8.2  | 5.0  |
| 7         | Capital productivity                | -1.0            | 3.9  | 1.0  |
| 8         | Multifactor productivity            | 0.8             | 4.7  | 1.2  |
| 9         | Average compensation                | 9.8             | 8.0  | 7.1  |
| 10        | Unit labour cost (Mauritian rupees) | 5.4             | -0.2 | 1.9  |
| 11        | Unit labour cost ( US dollars)      | -0.8            | -4.4 | -7.9 |

### 2.1 Gross Domestic Product (output) per capita

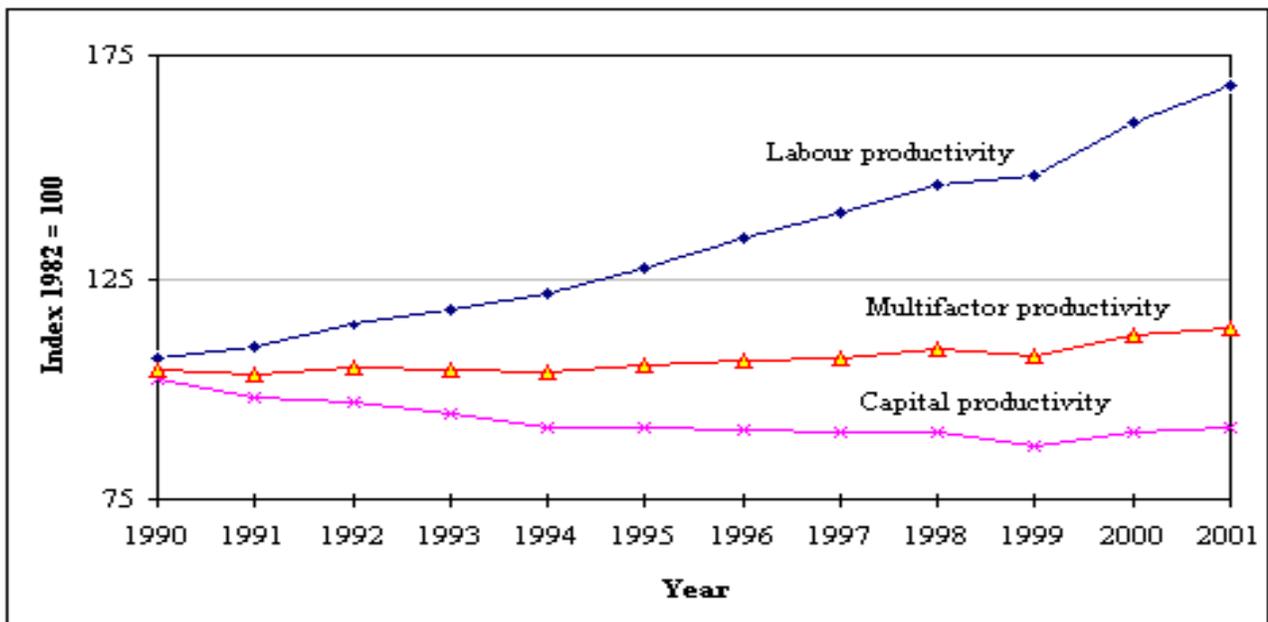
Gross Domestic Product (GDP) gives the total value of goods and services produced within a country in a given year and GDP per capita is used as an indicator of the standard of living of the population. Between 1990 and 2001, GDP in real terms grew on average by 5.6% per annum and population by 1.1%, resulting in a GDP per capita growth of 4.4% per annum.

### 2.2 Labour and capital inputs

Between 1990 and 2001, whilst GDP in real terms increased by 5.6% per annum, the two main inputs required for production, namely labour and capital grew by 1.3% and 6.7% respectively. During the period under review, the capital-labour ratio which gives the proportion of stock of fixed capital to labour inputs increased on average by 5.3%, a clear indication of capital deepening taking place.

### 2.3 Productivity trends

**Chart 1 : Trends in productivity indices – Total economy, 1990-2001**



### 2.3.1 Labour productivity

During the period 1990 to 2001, labour productivity that is, GDP per worker, averaged 4.2% per annum. However in 1999, the index grew by only 1.4% as a result of the slow down in the growths of both GDP (2.3%) and labour input (0.9%): The low GDP growth is explained by the severe drought in 1999. In 2000, the economy picked up and recovery in the sugar sector led to high GDP growth of 9.3%. As labour increased by only 1.0%, labour productivity therefore posted a high growth of 8.2% in 2000. In 2001, labour productivity grew by 5.0% following a 1.1% rise in labour input and 5.8%, in GDP.

### 2.3.2 Capital productivity

An analysis of the trend in capital productivity shows two phases: from 1990 to 1997, a decline was registered with the index dropping to 89.9 in 1997; the next phase from 1998 to 2001 suggests a consolidation phase with the index improving on average by 0.3% annually to attain 91.0 in 2001.

### 2.3.3 Multifactor productivity

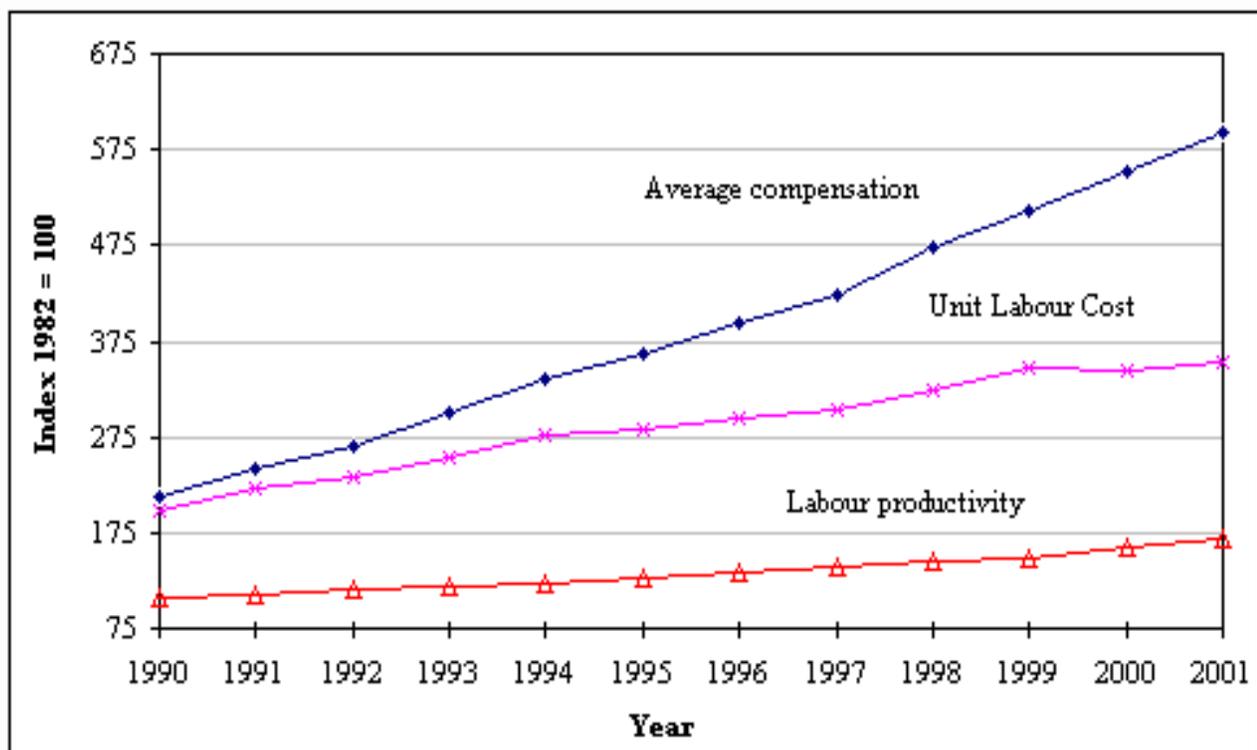
Multifactor productivity (MFP) gives an indication of the contribution to output per unit of combined capital and labour inputs and of factors such as better quality products and services, better management and improved training. The MFP index increased from 104.2 in 1990 to 113.3 in 2001. For the period 1990-2001, the average growth of MFP works out to 0.8% annually. In 2001, MFP grew by 1.2%.

## 2.4 Growth accounting

The contribution of different factors to economic growth is determined by the growth accounting technique. Between 1990 and 2001, the contribution of labour to the 5.6% growth in GDP works out to 11% and that of capital, 65%. The residual 24% represents the contribution of 'Total Factor Productivity' (TFP), which comprises other factors such as training, management and technology.

## 2.5 Unit Labour Cost (ULC)

Chart 2 : Trends in Unit Labour Cost - Total economy, 1990 - 2001



During the period under review (1990 to 2001), average compensation increased by 9.8% and labour productivity grew by 4.2% annually. The growth in labour productivity was thus inadequate to absorb the rise in average compensation which resulted in increasing the Unit Labour Cost (ULC). ULC therefore grew on average by 5.4% per annum.

In order to assess international trends in competitiveness, it is advisable to consider the effect of changes in exchange rates. Whilst ULC in Mauritian rupees rose by 5.4%, ULC in US dollar declined by 0.8% annually during the period 1990 to 2001: a result of the continuous depreciation of the Mauritian rupee (6.3%) vis-à-vis the US dollar during that period.

### 3. Indicators for the Manufacturing sector

The table given below summarises the main indicators for the Manufacturing sector.

| Indicator |                                     | Growth rate (%) |      |      |
|-----------|-------------------------------------|-----------------|------|------|
|           |                                     | 1990-2001       | 2000 | 2001 |
| 1         | Output (GDP at basic prices)        | 5.4             | 7.9  | 4.6  |
| 2         | Labour input                        | 0.6             | -1.6 | -0.2 |
| 3         | Capital input                       | 2.9             | 5.4  | 2.9  |
| 4         | Labour productivity                 | 4.7             | 9.6  | 4.8  |
| 5         | Capital productivity                | 2.5             | 2.4  | 1.7  |
| 6         | Multifactor productivity            | 3.4             | 5.2  | 2.6  |
| 7         | Average compensation                | 9.7             | 9.5  | 5.6  |
| 8         | Unit labour cost (Mauritian rupees) | 4.7             | -0.1 | 0.8  |
| 9         | Unit labour cost ( US dollars)      | -1.4            | -4.3 | -9.0 |

#### 3.1 Output and inputs

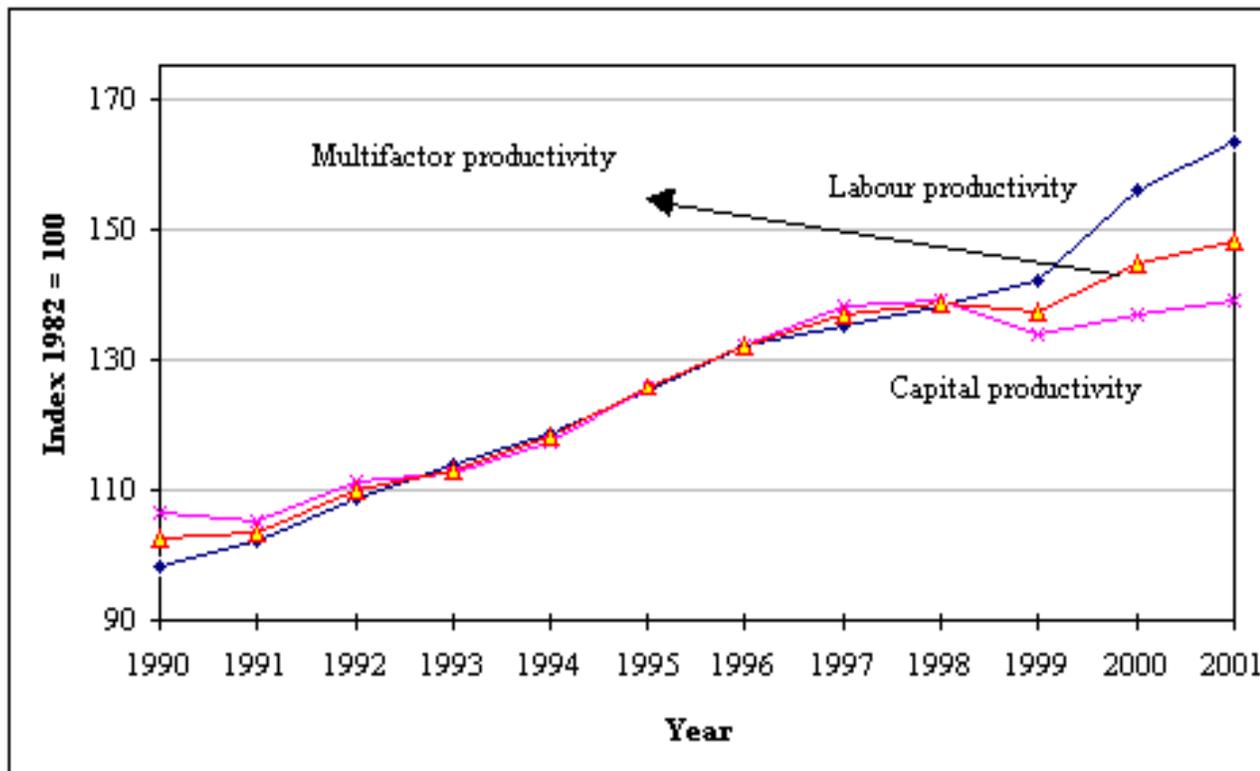
During the period 1990 to 2001, manufacturing output (value added) grew on average by 5.4% annually, labour by 0.6% and capital by 2.9%.

In 2001, output of the manufacturing sector grew at a lower rate of 4.6% compared to 7.9% in 2000. Labour

input declined further by 0.2% after dropping by 1.6% in 2000. Capital input increased by 2.9% against 5.4% in 2000.

### 3.2 Productivity trends

**Chart 3: Trends in productivity indices – Manufacturing sector, 1990 - 2001.**



The high performances of labour, capital and multifactor productivity during the period 1990 to 2001 are explained by the low growths in employment (0.6%) and capital (2.9%) against the high growth in output (5.4%). Labour productivity in the manufacturing sector therefore grew by an average annual rate of 4.7%, capital productivity, by 2.5% and multifactor productivity by 3.4%.

### 3.3 Unit Labour Cost (ULC)

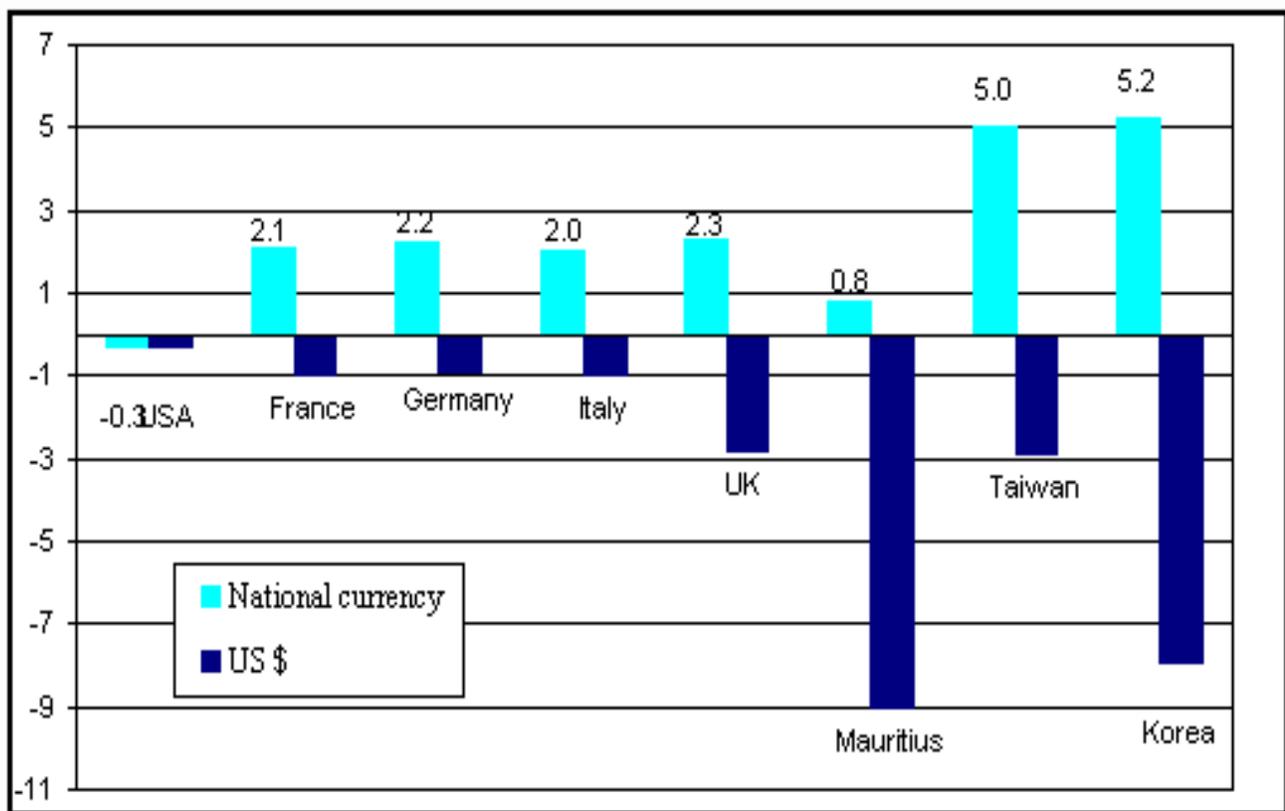
During the period 1990 to 2001, ULC (in local currency) grew on average by 4.7% annually. This was offset by the continuous depreciation of the Mauritian rupee (6.3%) vis-à-vis the US dollar so that ULC in US dollar terms declined by 1.4%. In 2001, ULC in local currency grew by 0.8% whilst in US dollar, it declined by 9.0%.

### 3.4 International comparison of Unit Labour Costs in Manufacturing – Growth rate (%) 2001

An international comparison of growth in ULC in the manufacturing sector for the year 2001 both in national currency and in the US dollar is given in the table and chart below.

| Country           | USA  | France | Germany | Italy | UK   | Mauritius   | Taiwan | Korea |
|-------------------|------|--------|---------|-------|------|-------------|--------|-------|
| National currency | -0.3 | 2.1    | 2.2     | 2.0   | 2.3  | <b>0.8</b>  | 5.0    | 5.2   |
| US\$              | -0.3 | -1.0   | -0.9    | -1.0  | -2.8 | <b>-9.0</b> | -2.9   | -7.9  |

**Chart 4 : International comparison of ULC in Manufacturing – Growth rate (%) 2001**



Source: U.S Bureau of Census and Central Statistics Office estimates

### 3.5 International comparison of hourly labour cost

Another indicator of international competitiveness is the Hourly Labour Cost (HLC). In 2000, HLC for Mauritius stood at 1.17 US dollar. Table 2.5 compares the evolution of HLC in the manufacturing sector of Mauritius with some of its trading partners.

### 4. Indicators for Export Processing Zone (EPZ) sector

The table below shows the main indicators for the EPZ sector.

| Indicator |                                     | Growth rate (%) |      |      |
|-----------|-------------------------------------|-----------------|------|------|
|           |                                     | 1990-2001       | 2000 | 2001 |
| 1         | Output (GDP at basic prices)        | 5.7             | 6.0  | 4.4  |
| 2         | Labour input                        | -0.1            | 0.4  | -2.3 |
| 3         | Capital input                       | 1.6             | 5.1  | 2.9  |
| 4         | Labour productivity                 | 5.7             | 5.5  | 6.9  |
| 5         | Capital productivity                | 4.0             | 0.9  | 1.4  |
| 6         | Multifactor productivity            | 4.5             | 2.7  | 3.0  |
| 7         | Average compensation                | 10.9            | 7.2  | 9.6  |
| 8         | Unit labour cost (Mauritian rupees) | 4.8             | 1.5  | 2.6  |
| 9         | Unit labour cost ( US dollars)      | -1.3            | -2.8 | -7.3 |

#### 4.1 Output and inputs

The share of the EPZ sector in the economy, in 2001, was 11.7% and textile industries accounted for 85% of the value added in this sector.

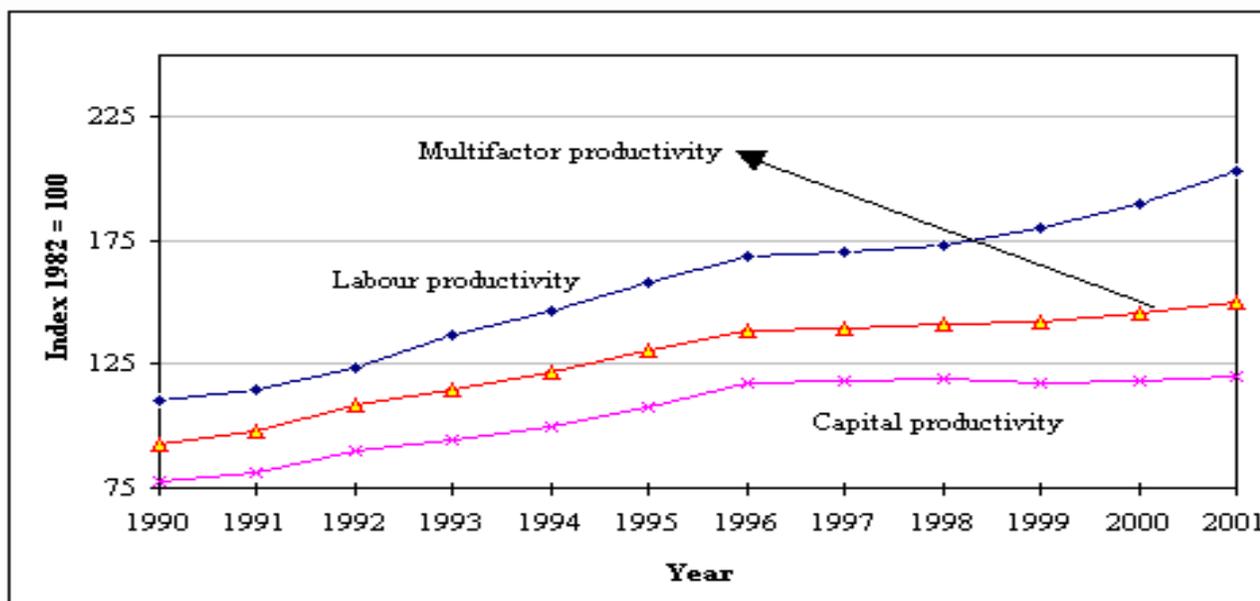
As shown in Table 3.3, between 1990 and 2001, the EPZ sector registered an average annual growth of 5.7%, with the textile companies growing by 6.0% and the non-textile ones by 4.4%.

From 1991 to 1995, employment in the EPZ sector dropped by 2.7% annually. The trend was reversed in 1996 and from 1996 to 2000, an improvement was noticed with the rate increasing by 3.0% annually. However, for the year 2001, employment dropped by 2.3%. This drop occurred mainly in the EPZ-textile sub-sector (-2.7%) while employment in the non-textile industries rose by 0.4%.

As regards capital inputs, a declining trend was registered between 1990 and 1996 except for 1993 when a slight growth of 0.5% was witnessed. From 1997 to 2001, the trend was reversed following substantial investment in both the textile and non-textile enterprises. However in 2001, a slower growth of 2.9% was witnessed compared to 5.1% in year 2000.

#### 4.2 Productivity trends

Chart 5 : Trends in productivity indices – EPZ sector, 1990 - 2001.



Between 1990 and 2001, labour productivity in the EPZ sector rose on average by 5.7% per annum, capital productivity by 4.0% and MFP by 4.5%. The high productivity performances was the result of a drop in labour input (-0.1%), low growth in capital input (1.6%) coupled with the high growth in output (5.7%).

#### 4.3 Unit Labour Cost (ULC)

During the period under review (1990-2001), average compensation paid to the workers in the EPZ sector increased by 10.9% annually. This increase was however mitigated by a 5.7% gain in labour productivity. In local currency, ULC therefore grew on average by 4.8% annually.

However, ULC, in US dollar terms, declined on average by 1.3% per year. The continuous depreciation of the US dollar has therefore helped to maintain the competitiveness of our EPZ exports.

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Table 1.1 - Trends in output and inputs - Total economy, 1990 - 2001

(Index 1982 = 100)

| Year  | Real output Index | Growth rate (%) | Labour input |                 | Capital input |                 |
|---|-------------------|-----------------|--------------|-----------------|---------------|-----------------|
|   |                   |                 | Index        | Growth rate (%) | Index         | Growth rate (%) |
| 1990  | 157.9             | 7.3             | 147.8        | 2.8             | 154.9         | 9.7             |
| 1991  | 164.9             | 4.4             | 150.8        | 2.0             | 168.3         | 8.6             |
| 1992  | 176.1             | 6.8             | 153.7        | 1.9             | 182.2         | 8.3             |
| 1993  | 184.8             | 4.9             | 156.6        | 1.9             | 196.3         | 7.7             |
| 1994  | 193.6             | 4.8             | 159.2        | 1.6             | 212.4         | 8.2             |
| 1995  | 204.3             | 5.5             | 160.5        | 0.9             | 224.1         | 5.5             |
| 1996  | 217.0             | 6.2             | 161.7        | 0.7             | 239.2         | 6.7             |
| 1997  | 229.3             | 5.7             | 163.8        | 1.3             | 255.1         | 6.6             |
| 1998  | 242.6             | 5.8             | 166.1        | 1.4             | 268.8         | 5.4             |
| 1999  | 248.2             | 2.3             | 167.6        | 0.9             | 286.3         | 6.5             |
| 2000  | 271.3             | 9.3             | 169.3        | 1.0             | 301.0         | 5.2             |
| 2001  | 287.0             | 5.8             | 170.6        | 1.1             | 315.5         | 4.8             |
| <b>Average annual growth rate 1990 - 2001</b> |                   | 5.6%            |              | 1.3%            |               | 6.7%            |

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Table 1.2 - Trends in productivity - Total economy, 1990 - 2001

(Index 1982 = 100)

| Year  | Labour productivity |                 | Capital productivity |                 | Multifactor productivity |                 |
|---|---------------------|-----------------|----------------------|-----------------|--------------------------|-----------------|
|   | Index               | Growth rate (%) | Index                | Growth rate (%) | Index                    | Growth rate (%) |
| 1990  | 106.8               | 4.4             | 102.0                | -2.2            | 104.2                    | 0.8             |
| 1991  | 109.4               | 2.4             | 98.0                 | -3.9            | 103.1                    | -1.0            |
| 1992  | 114.6               | 4.8             | 96.7                 | -1.3            | 104.4                    | 1.2             |
| 1993  | 118.0               | 2.9             | 94.1                 | -2.6            | 104.0                    | -0.3            |
| 1994  | 121.7               | 3.1             | 91.2                 | -3.2            | 103.5                    | -0.5            |
| 1995  | 127.3               | 4.6             | 91.2                 | 0.0             | 104.9                    | 1.4             |
| 1996  | 134.2               | 5.4             | 90.7                 | -0.5            | 106.2                    | 1.2             |
| 1997  | 140.0               | 4.3             | 89.9                 | -0.9            | 106.8                    | 0.6             |
| 1998  | 146.0               | 4.3             | 90.3                 | 0.4             | 108.7                    | 1.8             |
| 1999  | 148.1               | 1.4             | 86.7                 | -4.0            | 107.0                    | -1.6            |
| 2000  | 160.2               | 8.2             | 90.1                 | 3.9             | 112.0                    | 4.7             |
| 2001  | 168.2               | 5.0             | 91.0                 | 1.0             | 113.3                    | 1.2             |
| <b>Average annual growth rate 1990 - 2001</b> | 4.2%                |                 | 1.0%                 |                 | 0.8%                     |                 |

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**Table 1.3 - Average compensation, Unit Labour Cost, and Labour productivity - Total economy, 1990 - 2001**

(Index 1982 = 100)

| Year  | Average compensation |                 | Unit Labour Cost |                 | Labour productivity |                 |
|---|----------------------|-----------------|------------------|-----------------|---------------------|-----------------|
|   | Index                | Growth rate (%) | Index            | Growth rate (%) | Index               | Growth rate (%) |
| 1990  | 211.2                | 13.7            | 197.7            | 8.9             | 106.8               | 4.4             |
| 1991  | 242.4                | 14.7            | 221.6            | 12.1            | 109.4               | 2.4             |
| 1992  | 266.5                | 10.0            | 232.5            | 4.9             | 114.6               | 4.8             |
| 1993  | 299.0                | 12.2            | 253.4            | 9.0             | 118.0               | 2.9             |
| 1994  | 336.7                | 12.6            | 276.7            | 9.2             | 121.7               | 3.1             |
| 1995  | 360.9                | 7.2             | 283.6            | 2.5             | 127.3               | 4.6             |
| 1996  | 395.0                | 9.4             | 294.4            | 3.8             | 134.2               | 5.4             |
| 1997  | 423.6                | 7.2             | 302.6            | 2.8             | 140.0               | 4.3             |
| 1998  | 472.6                | 11.6            | 323.6            | 6.9             | 146.0               | 4.3             |
| 1999  | 512.5                | 8.4             | 346.1            | 7.0             | 148.1               | 1.4             |
| 2000  | 553.5                | 8.0             | 345.5            | -0.2            | 160.2               | 8.2             |
| 2001  | 592.5                | 7.1             | 352.2            | 1.9             | 168.2               | 5.0             |
| <b>Average annual growth rate 1990 - 2001</b> | 9.8%                 |                 | 5.4%             |                 | 4.2%                |                 |

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Table 1.4 - ULC in local currency and US dollar - Total economy, 1990 - 2001

(Index 1982 = 100)

| Year  | Unit Labour Cost |                 | Exchange rate MUR/US \$ |             | Unit Labour Cost (US \$) |                 |
|---|------------------|-----------------|-------------------------|-------------|--------------------------|-----------------|
|   | Index            | Growth rate (%) | Index                   | (%) Change* | Index                    | Growth rate (%) |
| 1990  | 197.7            | 8.9             | 136.0                   | -3.4        | 145.4                    | 12.7            |
| 1991  | 221.6            | 12.1            | 143.5                   | 5.5         | 154.5                    | 6.2             |
| 1992  | 232.5            | 4.9             | 142.3                   | -0.8        | 163.4                    | 5.8             |
| 1993  | 253.4            | 9.0             | 161.6                   | 13.6        | 156.8                    | -4.1            |
| 1994  | 276.7            | 9.2             | 165.1                   | 2.1         | 167.6                    | 6.9             |
| 1995  | 283.6            | 2.5             | 162.6                   | -1.5        | 174.5                    | 4.1             |
| 1996  | 294.4            | 3.8             | 180.0                   | 10.7        | 163.5                    | -6.3            |
| 1997  | 302.6            | 2.8             | 192.2                   | 6.8         | 157.4                    | -3.7            |
| 1998  | 323.6            | 6.9             | 219.0                   | 13.9        | 147.8                    | -6.1            |
| 1999  | 346.1            | 7.0             | 229.7                   | 4.9         | 150.7                    | 2.0             |
| 2000  | 345.5            | -0.2            | 239.8                   | 4.4         | 144.1                    | -4.4            |
| 2001  | 352.2            | 1.9             | 265.5                   | 10.7        | 132.7                    | -7.9            |
| <b>Average annual growth rate 1990 - 2001</b> | 5.4%             |                 | 6.3%                    |             | 0.8%                     |                 |

\* + : depreciation, - : appreciation of the MUR vis -a- vis the US \$

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Table 2.1 - Trends in output and inputs - Manufacturing sector, 1990 - 2001

(Index 1982 = 100)

| Year  | Real output |                 | Labour input |                 | Capital input |                 |
|---|-------------|-----------------|--------------|-----------------|---------------|-----------------|
|   | Index       | Growth rate (%) | Index        | Growth rate (%) | Index         | Growth rate (%) |
| 1990  | 219.7       | 7.7             | 223.9        | 1.2             | 206.1         | 7.3             |
| 1991  | 229.8       | 4.6             | 225.1        | 0.5             | 218.9         | 6.2             |
| 1992  | 244.8       | 6.5             | 225.5        | 0.2             | 220.7         | 0.8             |
| 1993  | 256.4       | 4.8             | 225.6        | 0.0             | 227.9         | 3.3             |
| 1994  | 268.3       | 4.6             | 226.4        | 0.4             | 228.7         | 0.4             |
| 1995  | 284.0       | 5.9             | 226.4        | 0.0             | 225.5         | -1.4            |
| 1996  | 301.6       | 6.2             | 228.1        | 0.7             | 228.2         | 1.2             |
| 1997  | 320.2       | 6.2             | 236.5        | 3.7             | 231.7         | 1.5             |
| 1998  | 340.1       | 6.2             | 245.8        | 3.9             | 244.5         | 5.5             |
| 1999  | 346.9       | 2.0             | 243.9        | -0.8            | 259.2         | 6.0             |
| 2000  | 374.3       | 7.9             | 240.1        | -1.6            | 273.2         | 5.4             |
| 2001  | 391.5       | 4.6             | 239.7        | -0.2            | 281.0         | 2.9             |
| <b>Average annual growth rate 1990 - 2001</b> | 5.4%        |                 | 0.6%         |                 | 2.9%          |                 |

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Table 2.2 Trends in productivity - Manufacturing sector, 1990 - 2001

(Index 1982 = 100)

| Year  | Labour productivity |                 | Capital productivity |                 | Multifactor productivity |                 |
|---|---------------------|-----------------|----------------------|-----------------|--------------------------|-----------------|
|   | Index               | Growth rate (%) | Index                | Growth rate (%) | Index                    | Growth rate (%) |
| 1990  | 98.1                | 6.5             | 106.6                | 0.4             | 102.3                    | 3.3             |
| 1991  | 102.1               | 4.1             | 105.0                | -1.5            | 103.5                    | 1.2             |
| 1992  | 108.6               | 6.3             | 110.9                | 5.7             | 109.7                    | 6.0             |
| 1993  | 113.7               | 4.7             | 112.5                | 1.4             | 113.1                    | 3.1             |
| 1994  | 118.5               | 4.2             | 117.3                | 4.3             | 117.9                    | 4.3             |
| 1995  | 125.5               | 5.9             | 126.0                | 7.4             | 125.7                    | 6.6             |
| 1996  | 132.2               | 5.4             | 132.2                | 4.9             | 132.2                    | 5.1             |
| 1997  | 135.4               | 2.4             | 138.2                | 4.6             | 137.0                    | 3.6             |
| 1998  | 138.3               | 2.2             | 139.1                | 0.7             | 138.8                    | 1.3             |
| 1999  | 142.2               | 2.8             | 133.8                | -3.8            | 137.4                    | -1.0            |
| 2000  | 155.9               | 9.6             | 137.0                | 2.4             | 144.6                    | 5.2             |
| 2001  | 163.3               | 4.8             | 139.3                | 1.7             | 148.4                    | 2.6             |
| <b>Average annual growth rate 1990 - 2001</b> | 4.7%                |                 | 2.5%                 |                 | 3.4%                     |                 |

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**Table 2.3 Average compensation, Unit Labour Cost, and Labour productivity - Manufacturing sector, 1990 - 2001**

(Index 1982 = 100)

| Year  | Average compensation |                 | Unit Labour Cost |                 | Labour productivity |                 |
|---|----------------------|-----------------|------------------|-----------------|---------------------|-----------------|
|   | Index                | Growth rate (%) | Index            | Growth rate (%) | Index               | Growth rate (%) |
| 1990  | 225.7                | 19.2            | 230.0            | 12.0            | 98.1                | 6.5             |
| 1991  | 269.0                | 19.2            | 263.5            | 14.5            | 102.1               | 4.1             |
| 1992  | 310.4                | 15.4            | 285.9            | 8.5             | 108.6               | 6.3             |
| 1993  | 329.3                | 6.1             | 289.7            | 1.3             | 113.7               | 4.7             |
| 1994  | 367.8                | 11.7            | 310.3            | 7.1             | 118.5               | 4.2             |
| 1995  | 405.6                | 10.3            | 323.3            | 4.2             | 125.5               | 5.9             |
| 1996  | 431.9                | 6.5             | 326.6            | 1.0             | 132.2               | 5.4             |
| 1997  | 447.4                | 3.6             | 330.4            | 1.2             | 135.4               | 2.4             |
| 1998  | 491.3                | 9.8             | 355.1            | 7.5             | 138.3               | 2.2             |
| 1999  | 541.0                | 10.1            | 380.5            | 7.2             | 142.2               | 2.8             |
| 2000  | 592.4                | 9.5             | 380.1            | -0.1            | 155.9               | 9.6             |
| 2001  | 625.5                | 5.6             | 383.0            | 0.8             | 163.3               | 4.8             |
| <b>Average annual growth rate 1990 - 2001</b> | 9.7%                 |                 | 4.7%             |                 | 4.7%                |                 |

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Table 2.4 - ULC in local currency and US dollar - Manufacturing sector, 1990 - 2001

(Index 1982 = 100)

| Year  | Unit Labour Cost |                 | Exchange rate MUR/US \$ |             | Unit Labour Cost (US \$) |                 |
|---|------------------|-----------------|-------------------------|-------------|--------------------------|-----------------|
|   | Index            | Growth rate (%) | Index                   | (%) Change* | Index                    | Growth rate (%) |
| 1990  | 230.0            | 12.0            | 136.0                   | -3.4        | 169.2                    | 15.9            |
| 1991  | 263.5            | 14.5            | 143.5                   | 5.5         | 183.6                    | 8.6             |
| 1992  | 285.9            | 8.5             | 142.3                   | -0.8        | 200.9                    | 9.4             |
| 1993  | 289.7            | 1.3             | 161.6                   | 13.6        | 179.2                    | -10.8           |
| 1994  | 310.3            | 7.1             | 165.1                   | 2.1         | 187.9                    | 4.9             |
| 1995  | 323.3            | 4.2             | 162.6                   | -1.5        | 198.9                    | 5.8             |
| 1996  | 326.6            | 1.0             | 180.0                   | 10.7        | 181.4                    | -8.8            |
| 1997  | 330.4            | 1.2             | 192.2                   | 6.8         | 171.9                    | -5.2            |
| 1998  | 355.1            | 7.5             | 219.0                   | 13.9        | 162.2                    | -5.6            |
| 1999  | 380.5            | 7.2             | 229.7                   | 4.9         | 165.6                    | 2.1             |
| 2000  | 380.1            | -0.1            | 239.8                   | 4.4         | 158.5                    | -4.3            |
| 2001  | 383.0            | 0.8             | 265.5                   | 10.7        | 144.3                    | -9.0            |
| <b>Average annual growth rate 1990 - 2001</b> | 4.7%             |                 | 6.3%                    |             | 1.4%                     |                 |

\* + : depreciation, - : appreciation of the MUR vis- a - vis the US \$

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**Table 2.5 - Hourly labour cost in US dollar - Manufacturing sector, 1990 - 2001**

| <b>Country</b>   | 1990        | 1991        | 1992        | 1993        | 1994        | 1995        | 1996        | 1997        | 1998        | 1999        | 2000        | 2001        |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Australia        | 13.24       | 13.53       | 13.02       | 12.49       | 14.12       | 15.56       | 16.88       | 16.58       | 15.22       | 15.99       | 14.47       | 13.15       |
| France           | 15.49       | 15.26       | 16.89       | 16.23       | 17.63       | 19.35       | 19.93       | 17.99       | 17.49       | 17.19       | 15.66       | 15.88       |
| Germany          | 21.95       | 22.69       | 25.40       | 25.35       | 26.80       | 30.27       | 31.20       | 26.36       | 26.28       | 25.66       | 22.99       | 22.86       |
| Hong Kong        | 3.23        | 3.58        | 3.92        | 4.29        | 4.61        | 4.91        | 5.14        | 5.42        | 5.57        | 5.54        | 5.63        | 5.96        |
| Japan            | 12.80       | 14.67       | 16.29       | 19.01       | 21.08       | 23.82       | 21.00       | 19.54       | 18.29       | 20.89       | 22.00       | 19.59       |
| Korea            | 3.71        | 4.61        | 5.22        | 5.64        | 6.40        | 7.29        | 8.22        | 7.86        | 5.67        | 7.35        | 8.48        | 8.09        |
| <b>Mauritius</b> | <b>0.76</b> | <b>0.88</b> | <b>1.02</b> | <b>1.02</b> | <b>1.14</b> | <b>1.26</b> | <b>1.20</b> | <b>1.20</b> | <b>1.14</b> | <b>1.13</b> | <b>1.17</b> | <b>1.14</b> |
| Mexico           | 1.58        | 1.84        | 2.17        | 2.40        | 2.47        | 1.65        | 1.54        | 1.78        | 1.64        | 1.83        | 2.08        | 2.34        |
| Portugal         | 3.77        | 4.24        | 5.17        | 4.50        | 4.60        | 5.37        | 5.58        | 5.38        | 5.48        | 5.35        | 4.75        | N/A         |
| Singapore        | 3.78        | 4.35        | 4.95        | 5.25        | 6.29        | 7.33        | 8.32        | 8.24        | 7.72        | 7.13        | 7.42        | 7.77        |
| Sri Lanka        | 0.35        | 0.40        | 0.40        | 0.42        | 0.45        | 0.48        | 0.48        | 0.46        | 0.47        | 0.46        | 0.48        | N/A         |
| Taiwan           | 3.90        | 4.36        | 5.09        | 5.19        | 5.55        | 5.85        | 5.95        | 5.91        | 5.18        | 5.51        | 5.85        | 5.70        |
| United Kingdom   | 12.70       | 13.77       | 14.43       | 12.48       | 12.80       | 13.78       | 14.09       | 15.42       | 16.75       | 17.04       | 16.45       | 16.14       |
| USA              | 14.91       | 15.58       | 16.09       | 16.51       | 16.86       | 17.19       | 17.70       | 18.27       | 18.64       | 19.11       | 19.72       | 20.32       |

Source : US Bureau of Labour Statistics

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Table 3.1 - Trends in output and inputs - Export Processing Zone (EPZ), 1990 - 2001

(Index 1982 = 100)

| Year  | Real output |                 | Labour input |                 | Capital input |                 |
|---|-------------|-----------------|--------------|-----------------|---------------|-----------------|
|   | Index       | Growth rate (%) | Index        | Growth rate (%) | Index         | Growth rate (%) |
| 1990  | 393.4       | 7.0             | 357.5        | -0.3            | 508.8         | 3.7             |
| 1991  | 413.2       | 5.0             | 360.0        | 0.7             | 508.1         | -0.1            |
| 1992  | 438.0       | 6.0             | 354.1        | -1.6            | 487.9         | -4.0            |
| 1993  | 464.3       | 6.0             | 340.2        | -3.9            | 490.4         | 0.5             |
| 1994  | 483.9       | 4.2             | 330.0        | -3.0            | 484.3         | -1.2            |
| 1995  | 508.2       | 5.0             | 322.3        | -2.3            | 470.7         | -2.8            |
| 1996  | 543.7       | 7.0             | 323.1        | 0.2             | 464.5         | -1.3            |
| 1997  | 576.4       | 6.0             | 338.0        | 4.6             | 485.7         | 4.6             |
| 1998  | 616.1       | 6.9             | 356.1        | 5.4             | 515.6         | 6.1             |
| 1999  | 653.1       | 6.0             | 362.4        | 1.8             | 558.0         | 8.2             |
| 2000  | 692.3       | 6.0             | 364.0        | 0.4             | 586.7         | 5.1             |
| 2001  | 722.7       | 4.4             | 355.5        | -2.3            | 604.0         | 2.9             |
| <b>Average annual growth rate 1990 - 2001</b> | 5.7%        |                 | 0.1%         |                 | 1.6%          |                 |

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**Table 3.2 Trends in productivity - Export Processing Zone (EPZ), 1990 - 2001**

(Index 1982 = 100)

| Year  | Labour productivity |                 | Capital productivity |                 | Multifactor productivity |                 |
|---|---------------------|-----------------|----------------------|-----------------|--------------------------|-----------------|
|   | Index               | Growth rate (%) | Index                | Growth rate (%) | Index                    | Growth rate (%) |
| 1990  | 110.0               | 7.4             | 77.3                 | 3.2             | 92.6                     | 5.5             |
| 1991  | 114.8               | 4.3             | 81.3                 | 5.2             | 98.3                     | 6.1             |
| 1992  | 123.7               | 7.8             | 89.8                 | 10.4            | 108.3                    | 10.2            |
| 1993  | 136.5               | 10.3            | 94.7                 | 5.5             | 115.1                    | 6.3             |
| 1994  | 146.7               | 7.5             | 99.9                 | 5.5             | 122.2                    | 6.2             |
| 1995  | 157.6               | 7.5             | 108.0                | 8.0             | 131.0                    | 7.2             |
| 1996  | 168.3               | 6.7             | 117.1                | 8.4             | 138.9                    | 6.1             |
| 1997  | 170.5               | 1.3             | 118.7                | 1.4             | 139.5                    | 0.4             |
| 1998  | 173.0               | 1.5             | 119.5                | 0.7             | 141.3                    | 1.3             |
| 1999  | 180.2               | 4.2             | 117.0                | -2.1            | 142.2                    | 0.6             |
| 2000  | 190.2               | 5.5             | 118.0                | 0.9             | 146.1                    | 2.7             |
| 2001  | 203.3               | 6.9             | 119.6                | 1.4             | 150.5                    | 3.0             |
| <b>Average annual growth rate 1990 - 2001</b> | 5.7%                |                 | 4.0%                 |                 | 4.5%                     |                 |

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**Table 3.3 - Trends in output and inputs in the textile and non textile subsectors of EPZ, 1990 - 2001**

(Index 1982 = 100)

| Year                                  | Real output |         |             | Labour input |         |             | Capital input |         |             |
|---------------------------------------|-------------|---------|-------------|--------------|---------|-------------|---------------|---------|-------------|
|                                       | Total       | Textile | Non-textile | Total        | Textile | Non-textile | Total         | Textile | Non-textile |
| 1990                                  | 393.4       | 424.9   | 240.0       | 357.5        | 375.0   | 255.6       | 508.8         | 511.0   | 493.3       |
| 1991                                  | 413.2       | 449.6   | 239.9       | 360.0        | 378.1   | 254.3       | 508.1         | 510.4   | 492.2       |
| 1992                                  | 438.0       | 475.5   | 257.8       | 354.1        | 371.7   | 251.5       | 487.9         | 490.3   | 463.7       |
| 1993                                  | 464.3       | 500.5   | 288.2       | 340.2        | 355.6   | 250.4       | 490.4         | 492.7   | 459.9       |
| 1994                                  | 483.9       | 526.2   | 283.3       | 330.0        | 341.4   | 263.3       | 484.3         | 486.7   | 446.9       |
| 1995                                  | 508.2       | 550.7   | 304.9       | 322.3        | 329.2   | 282.6       | 470.7         | 473.0   | 425.7       |
| 1996                                  | 543.7       | 596.5   | 295.7       | 323.1        | 330.7   | 279.0       | 464.5         | 466.7   | 396.5       |
| 1997                                  | 576.4       | 634.1   | 304.2       | 338.0        | 348.4   | 277.5       | 485.7         | 487.8   | 386.0       |
| 1998                                  | 616.1       | 677.8   | 325.2       | 356.1        | 368.7   | 282.9       | 515.6         | 517.6   | 368.6       |
| 1999                                  | 653.1       | 718.5   | 344.7       | 362.4        | 376.1   | 282.2       | 558.0         | 559.9   | 390.4       |
| 2000                                  | 692.3       | 761.6   | 365.4       | 364.0        | 376.2   | 292.9       | 586.7         | 588.8   | 410.9       |
| 2001                                  | 722.7       | 807.3   | 387.3       | 355.5        | 366.1   | 294.0       | 604.0         | 607.1   | 417.8       |
| <b>Average annual growth rate (%)</b> |             |         |             |              |         |             |               |         |             |
| 1990 - 2001                           | 5.7         | 6.0     | 4.4         | -0.1         | -0.2    | 1.3         | 1.6           | 1.6     | -1.5        |
| 1999 - 2000                           | 6.0         | 6.0     | 6.0         | 0.4          | 0.0     | 3.8         | 5.1           | 5.2     | 5.2         |
| 2000 - 2001                           | 4.4         | 6.0     | 6.0         | -2.3         | -2.7    | 0.4         | 2.9           | 3.1     | 1.7         |

**Table 3.4 - Trends in productivity in the textile and non textile subsectors of EPZ, 1990 - 2001**

(Index 1982 = 100)

| Year                                  | Labour productivity |         |             | Capital productivity |         |             | Multifactor productivity |         |             |
|---------------------------------------|---------------------|---------|-------------|----------------------|---------|-------------|--------------------------|---------|-------------|
|                                       | Total               | Textile | Non-textile | Total                | Textile | Non-textile | Total                    | Textile | Non-textile |
| 1990                                  | 110.0               | 113.3   | 93.9        | 77.3                 | 83.2    | 48.6        | 92.6                     | 98.0    | 62.7        |
| 1991                                  | 114.8               | 118.9   | 94.3        | 81.3                 | 88.1    | 48.7        | 98.3                     | 104.5   | 64.5        |
| 1992                                  | 123.7               | 127.9   | 102.5       | 89.8                 | 97.0    | 55.6        | 108.3                    | 114.4   | 75.4        |
| 1993                                  | 136.5               | 140.7   | 115.1       | 94.7                 | 101.6   | 62.7        | 115.1                    | 121.3   | 84.0        |
| 1994                                  | 146.7               | 154.1   | 107.6       | 99.9                 | 108.1   | 63.4        | 122.2                    | 130.5   | 82.3        |
| 1995                                  | 157.6               | 167.3   | 107.9       | 108.0                | 116.4   | 71.6        | 131.0                    | 140.4   | 87.1        |
| 1996                                  | 168.3               | 180.4   | 106.0       | 117.1                | 127.8   | 74.6        | 138.9                    | 150.3   | 88.7        |
| 1997                                  | 170.5               | 182.0   | 109.6       | 118.7                | 130.0   | 78.8        | 139.5                    | 150.8   | 93.3        |
| 1998                                  | 173.0               | 183.8   | 115.0       | 119.5                | 131.0   | 88.2        | 141.3                    | 152.5   | 101.6       |
| 1999                                  | 180.2               | 191.0   | 122.2       | 117.0                | 128.3   | 88.3        | 142.2                    | 154.4   | 100.5       |
| 2000                                  | 190.2               | 202.5   | 124.8       | 118.0                | 129.4   | 88.9        | 146.1                    | 158.8   | 102.4       |
| 2001                                  | 203.3               | 220.5   | 131.7       | 119.6                | 133.0   | 92.7        | 150.5                    | 166.3   | 107.0       |
| <b>Average annual growth rate (%)</b> |                     |         |             |                      |         |             |                          |         |             |
| 1990 - 2001                           | 5.7                 | 6.2     | 3.1         | 4.0                  | 4.4     | 6.0         | 4.5                      | 4.9     | 5.0         |
| 1999 - 2000                           | 5.5                 | 6.0     | 2.1         | 0.9                  | 0.8     | 0.7         | 2.7                      | 2.9     | 1.9         |
| 2000 - 2001                           | 6.9                 | 8.9     | 5.5         | 1.4                  | 2.8     | 4.3         | 3.0                      | 4.7     | 4.5         |

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**Table 3.5 - Average compensation, ULC and Labour productivity in the textile and non textile subsectors of EPZ, 1990 - 2001**

(Index 1982 = 100)

| Year                                  | Average compensation |         |             | Unit Labour Cost |         |             | Labour productivity |         |             |
|---------------------------------------|----------------------|---------|-------------|------------------|---------|-------------|---------------------|---------|-------------|
|                                       | Total                | Textile | Non-textile | Total            | Textile | Non-textile | Total               | Textile | Non-textile |
| 1990                                  | 287.5                | 289.7   | 293.2       | 261.3            | 255.7   | 312.4       | 110.0               | 113.3   | 93.9        |
| 1991                                  | 337.5                | 341.3   | 336.4       | 294.1            | 287.0   | 356.7       | 114.8               | 118.9   | 94.3        |
| 1992                                  | 410.5                | 425.1   | 338.6       | 331.9            | 332.3   | 330.3       | 123.7               | 127.9   | 102.5       |
| 1993                                  | 453.8                | 462.3   | 426.4       | 332.6            | 328.4   | 370.6       | 136.5               | 140.7   | 115.1       |
| 1994                                  | 514.8                | 527.7   | 458.2       | 351.0            | 342.4   | 425.9       | 146.7               | 154.1   | 107.6       |
| 1995                                  | 571.1                | 587.8   | 493.0       | 362.3            | 351.3   | 456.9       | 157.6               | 167.3   | 107.9       |
| 1996                                  | 612.9                | 639.0   | 482.8       | 364.2            | 354.3   | 455.6       | 168.3               | 180.4   | 106.0       |
| 1997                                  | 624.3                | 635.5   | 582.3       | 366.1            | 349.2   | 531.1       | 170.5               | 182.0   | 109.6       |
| 1998                                  | 688.9                | 697.1   | 670.0       | 398.2            | 379.2   | 582.7       | 173.0               | 183.8   | 115.0       |
| 1999                                  | 760.8                | 784.2   | 646.0       | 422.2            | 410.5   | 528.8       | 180.2               | 191.0   | 122.2       |
| 2000                                  | 815.2                | 852.8   | 621.2       | 428.6            | 421.2   | 497.9       | 190.2               | 202.5   | 124.8       |
| 2001                                  | 893.7                | 922.6   | 756.3       | 439.7            | 418.4   | 574.1       | 203.3               | 220.5   | 131.7       |
| <b>Average annual growth rate (%)</b> |                      |         |             |                  |         |             |                     |         |             |
| 1990 - 2001                           | 10.9                 | 11.1    | 9.0         | 4.8              | 4.6     | 5.7         | 5.7                 | 6.2     | 3.1         |
| 1999 - 2000                           | 7.2                  | 8.7     | -3.8        | 1.5              | 2.6     | -5.8        | 5.5                 | 6.0     | 2.1         |
| 2000 - 2001                           | 9.6                  | 8.2     | 21.7        | 2.6              | -0.7    | 15.3        | 6.9                 | 8.9     | 5.5         |

**Table 3.6 - ULC in local currency and US dollar for the textile and non textile subsectors of EPZ, 1990 - 2001**

(Index 1982 = 100)

| Year                                  | ULC (MUR) |         |             | Exchange Rate MUR/US \$ |           | ULC (US Dollar) |         |             |
|---------------------------------------|-----------|---------|-------------|-------------------------|-----------|-----------------|---------|-------------|
|                                       | Total     | Textile | Non-textile | Index                   | % Change* | Total           | Textile | Non-textile |
| 1990                                  | 261.3     | 255.7   | 312.4       | 136.0                   | -3.4      | 192.2           | 188.0   | 229.7       |
| 1991                                  | 294.1     | 287.0   | 356.7       | 143.5                   | 5.5       | 205.0           | 200.1   | 248.6       |
| 1992                                  | 331.9     | 332.3   | 330.3       | 142.3                   | -0.8      | 233.3           | 233.5   | 232.1       |
| 1993                                  | 332.6     | 328.4   | 370.6       | 161.6                   | 13.6      | 205.8           | 203.2   | 229.3       |
| 1994                                  | 351.0     | 342.4   | 425.9       | 165.1                   | 2.1       | 212.6           | 207.4   | 258.0       |
| 1995                                  | 362.3     | 351.3   | 456.9       | 162.6                   | -1.5      | 222.9           | 216.1   | 281.1       |
| 1996                                  | 364.2     | 354.3   | 455.6       | 180.0                   | 10.7      | 202.4           | 196.8   | 253.1       |
| 1997                                  | 366.1     | 349.2   | 531.1       | 192.2                   | 6.8       | 190.5           | 181.6   | 276.3       |
| 1998                                  | 398.2     | 379.2   | 582.7       | 219.0                   | 13.9      | 181.8           | 173.2   | 266.1       |
| 1999                                  | 422.2     | 410.5   | 528.8       | 229.7                   | 4.9       | 183.8           | 178.7   | 230.2       |
| 2000                                  | 428.6     | 421.2   | 497.9       | 239.8                   | 4.4       | 178.7           | 175.6   | 207.6       |
| 2001                                  | 439.7     | 418.4   | 574.1       | 265.5                   | 10.7      | 165.6           | 157.6   | 216.3       |
| <b>Average annual growth rate (%)</b> |           |         |             |                         |           |                 |         |             |
| 1990 - 2001                           | 4.8       | 4.6     | 5.7         | 6.3                     |           | -1.3            | -1.6    | -0.5        |
| 1999 - 2000                           | 1.5       | 2.6     | -5.8        | 4.4                     |           | -2.8            | -1.7    | -9.8        |
| 2000 - 2001                           | 2.6       | -0.7    | 15.3        | 10.7                    |           | -7.3            | -10.3   | 4.2         |

\* + : depreciation, - : appreciation of the MUR vis -a- vis the US \$

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## Technical Notes

### Concepts and definitions

Productivity expresses the relationship between the output of goods and services (real output) and the various inputs required for production (e.g labour and capital). Two important productivity indicators used are: labour productivity, that is, the ratio of real output to labour input and capital productivity, the ratio of real output to stock of fixed capital used in the production process. However these indicators are limited in the sense that they indicate the influence of only one factor of production at a time, on productivity. An improvement over these partial indicators is the multifactor productivity which takes into account the simultaneous influences of several factors on production, including qualitative factors such as better management, improved quality of inputs and higher quality of goods.

Unit Labour Cost (ULC) is another important indicator of competitiveness which is defined as the remuneration of labour for producing one unit of real output. As ULC can also be expressed as the ratio of average compensation to labour productivity, it indicates how improvement in productivity offsets increases in average compensation.

**1. Real output** is given by value added at constant prices.

$$\text{Output index} = \frac{\text{Value added (constant price) in year } n}{\text{Value added in base year}} \times 100$$

### 2. Employment/Labour input

In the absence of total man hours, labour refers to the total number of persons engaged, that is employers, own account workers, contributing family workers and employees in any type of economic activity. Employment for year  $n$  is the average number of persons engaged in June of year  $(n)$  and June of year  $(n+1)$ .

$$\text{Labour input index} = \frac{\text{Number of persons engaged in year } n}{\text{Number of persons engaged in base year}} \times 100$$

### 3. Capital input

Capital refers to the net stock of investment in reproducible fixed assets. Reproducible fixed assets are investments in residential and non-residential building (excluding land), infrastructural work, machinery and equipment.

$$\text{Capital input index} = \frac{\text{Stock of fixed capital in year } n}{\text{Stock of fixed capital in base year}} \times 100$$

### 4. Labour Productivity

Labour productivity index shows the rate of change in output per person engaged.

$$\text{Labour Productivity Index} = \frac{\text{Output index}}{\text{Labour input index}} \times 100$$

### 5. Capital productivity

The capital productivity index shows the rate of change in output per unit of capital.

$$\text{Capital Productivity Index} = \frac{\text{Output index}}{\text{Capital input index}} \times 100$$

### 6. Multifactor productivity

Multifactor productivity (MFP) index shows the rate of change in "productive efficiency", and is obtained as the ratio of the output to a weighted combination of labour and capital inputs. The limitation of partial productivity measures is that they attribute to one factor of production, changes in efficiency that are attributable to other factors. MFP reflects many influences including qualitative factors such as better management and improved quality of inputs through training and technology.

$$\text{Multifactor productivity index} = \frac{\text{Output index}}{\text{Multifactor input index}} \times 100$$

$$A(t) = \frac{Q(t)}{\{WL(t) \times L(t)\} + \{WK(t) \times K(t)\}} \times 100$$

where:

A(t) = Multifactor Productivity index in time t

Q(t) = Output index in time t

WL(t) = Labour's input share in time t (ratio of compensation of employees to value added)

L(t) = Labour input in time t

WK(t) = 1 - WL(t)

K(t) = Capital input in time t

## 7. Unit Labour

Unit labour cost is the remuneration of labour to produce one unit of output. It is computed as the ratio of the labour cost index to an index of production. The index shows the rate of change in labour cost per unit of output.

$$\text{Unit Labour Cost Index} = \frac{\text{Labour Cost Index}}{\text{Output Index}} \times 100$$

For Competitiveness purposes, the exchange rate effect has to be taken into account. ULC is therefore computed both in local currency and in US dollar.

ULC index (US \$) = ULC index (MUR) / Exchange rate index of MUR/ US \$.

## 8. Hourly Labour cost

Hourly labour cost is the ratio of compensation to total hours worked, inclusive of overtime. Compensation of employees comprises wages & salaries in cash and in kind, bonus, overtime and social contribution incurred by employers. The sources of data are Survey on Employment & Earnings carried out in March and for total hours worked, the September Survey of Employment, Earnings and Hours of work.

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