

CONSUMER PRICE INDEX

July - December 2002

1. Introduction

This issue of "Economic and Social Indicators" presents the Consumer Price Index (C.P.I.) for the months of July to December 2002.

A new C.P.I. series, based on an updated basket of goods and services derived from the 2001/02 Household Budget Survey, has been introduced as from July 2002. The base period is July 2001 to June 2002. Henceforth, all monthly C.P.I. figures will refer to this new base period.

The methodology used for the calculation of the updated index is described at Annex.

2. Main movements in the Consumer Price Index – July to December 2002.

The Consumer Price Index (C.P.I.) which stood at 103.1 in July 2002 registered a net increase of +1.7 points (or 1.6%) to reach 104.8 in December 2002 (*Table 1*). In fact, the index showed an upward trend from July to October, with a peak increase of 1.0 point in October, thereafter it declined by 0.1 point both in November and December.

Table 2 shows the net contribution of the main commodities that influenced the C.P.I. from July to December 2002. The main causes for the increase were:

- higher rates for bus fare and water charges in August,
- higher charges for telephone services in October, and
- higher prices of cigarettes in December.

3. Changes in sub-indices by division of consumption expenditure.

Table 3 shows the evolution of the indices (sub-indices) for the twelve divisions of consumption expenditure during the period July to December 2002. Except for "*Food and non-alcoholic beverages*" and "*Education*", all sub-indices registered net changes during the period under review.

The sub-index for "*Food and non alcoholic beverages*" stood at 103.2 in December, that is the same level as in July 2002. This was however the net effect of price increases of refined cooking oil (14.8%) and fish (4.0%) together with price decreases of eggs (34.5%) and powdered milk (4.2%).

The "*Alcoholic beverages and tobacco*" sub-index went up by 1.6%. This increase is mainly attributable to price increases of cigarettes (3.7%)

The sub-index for "*Clothing and footwear*" rose by 0.6% due to price increases of some ready-made clothing (0.7%) and footwear (0.6%) as well as higher tailoring charges (1.6%).

The "*Housing, water, electricity, gas and other fuels*" sub-index went up by 1.9% mainly as a result of higher rates for water charges (15.5%).

A marginal decrease of 0.1% was recorded in the "*Furnishings, household equipment and routine household maintenance*" sub-index due to lower prices of refrigerators (3.2%) and laundry soap (2.3%). This was partly offset by price increases of washing material and softeners (3.3%) and dry cells (12.6%).

The sub-index for "*Health*" increased by 3.8%, because of price increases of some medicinal products (4.4%), higher doctor's fees (2.2%) and higher rates for clinic charges (5.0%).

The "*Transport*" sub-index registered an increase of 1.9%. This was mainly due to higher rates for bus fare (14.5%) partly offset by prices decreases of motor cars (3.1%).

The sub index for "*Communication*" went up by 19.8% reflecting higher charges for telephone services (21.8%).

The "*Recreation and culture*" sub index increased by 1.1% mainly as a result of higher prices of newspapers

and periodicals (6.5%) and school textbooks (4.2%).

The "Restaurants and hotels" sub index rose by 2.6% following higher charges in bars and restaurants (3.0%) as well as higher prices of cakes and snacks (4.8%).

The "Miscellaneous goods and services" sub index went up by 3.5% due to higher rates for home insurance (35.2%) together with price increases of some goods for personal care and hygiene (1.3%).

4. Comparison with previous series

The new C.P.I. series is not strictly comparable with the previous series based on the 1996/97 Household Budget Survey because of different consumption patterns of households. If needed, a rough comparison with the previous series can be made by multiplying the new index by the factor 1.329.

5. Rate of inflation

The rate of inflation for calendar year 2002 works out to 6.4% compared to 5.4% for calendar year 2001. The rate of inflation for financial year 2001/2002 was 6.3% (*Table 4*). On the basis of price movements observed during July to December 2002, trends in previous years as well as recent price changes, it is expected that the inflation rate for the financial year 2002/03 will be around 5.4%.

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Note: Monthly Consumer Price Index data are available on CSO website(<http://statsmauritius.gov.mu>) within 5 working days after the end of the reference month.

Table 1 - Monthly Consumer Price Index, January 1998 - December 2002

<i>(Base : July 1996 - June 1997 = 100)</i>						<i>(Base : July 2001 - June 2002 = 100)</i>
<i>Month</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2002</i>
January	105.5	114.6	120.0	125.9	133.5	
February	106.0	114.9	120.6	126.5	134.7	
March	106.7	115.1	121.0	126.3	135.4	
April	107.4	115.6	120.9	126.5	135.7	
May	108.0	115.8	121.0	126.8	135.9	
June	109.6	117.4	121.0	127.8	135.9	
July	109.7	117.8	121.3	129.7		103.1
August	110.0	118.3	121.7	129.9		103.6
September	112.1	118.5	121.9	130.1		104.0
October	112.7	118.5	124.6	130.5		105.0
November	113.1	118.9	124.8	131.1		104.9
December	113.4	119.6	125.2	131.8		104.8
Yearly average	109.5	117.1	122.0	128.6		
<i>Annual change (%)</i> <i>(Inflation rate)</i>	<i>+ 6.8</i>	<i>+ 6.9</i>	<i>+ 4.2</i>	<i>+ 5.4</i>		<i>+ 6.4</i>

Table 2 - Net contribution of main commodities that affected the index between July and December 2002

Commodity	Change in overall index point	% change in price index between July & December 2002
Fish	+ 0.1	+ 4.0
Powdered milk	- 0.1	- 4.2
Eggs	- 0.2	- 34.5
Refined cooking oil	+ 0.1	+ 14.8
Cigarettes	+ 0.2	+ 3.7
Water rates	+ 0.2	+ 15.5
Medicinal products	+ 0.1	+ 4.4
Motor cars	- 0.1	- 3.1
Bus fare	+ 0.4	+ 14.5
Telephone services	+ 0.6	+ 21.8
Newspapers and periodicals	+ 0.1	+ 6.5
Food consumed in bars and restaurants	+ 0.1	+ 3.0
Home insurance	+ 0.1	+ 35.2
Other goods and services	+ 0.1	+ 0.4
Total	+ 1.7	+ 1.6

Table 3 : Monthly sub-indices by division of consumption expenditure, July - December 2002*(Base: July 2001 - June 2002 = 100)*

Division	Description	Weight	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	% change in price between July & December 2002
01	Food and non-alcoholic beverages	299	103.2	103.2	103.8	103.8	103.6	103.2	-
02	Alcoholic beverages and tobacco	86	104.5	104.1	104.6	104.8	104.7	106.2	+ 1.6
03	Clothing and footwear	60	101.9	102.1	102.1	102.3	102.4	102.5	+ 0.6
04	Housing, water, electricity, gas and other fuels	96	101.8	103.7	103.7	103.7	103.7	103.7	+ 1.9
05	Furnishings, household equipment and routine household maintenance	80	103.7	103.4	104.2	104.0	104.3	103.6	- 0.1
06	Health	28	103.8	105.5	105.9	106.8	107.2	107.7	+ 3.8
07	Transport	139	103.4	105.8	105.9	106.3	105.5	105.4	+ 1.9
08	Communication	31	101.2	101.2	101.1	122.6	122.6	121.2	+ 19.8
09	Recreation and culture	53	102.5	102.5	102.5	103.6	103.0	103.6	+ 1.1
10	Education	24	101.7	101.7	101.7	101.7	101.7	101.7	-
11	Restaurants and hotels	50	102.9	103.3	103.5	103.9	105.4	105.6	+ 2.6
12	Miscellaneous goods and services	54	104.2	104.4	104.7	108.1	107.9	107.8	+ 3.5
	Total	1000	103.1	103.6	104.0	105.0	104.9	104.8	+ 1.6

Table 4 - Inflation rate (%), 1975 - 2002

<i>Calendar year</i>	<i>Inflation rate</i>	<i>Financial year</i>	<i>Inflation rate</i>
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
1990	13.5	1989 - 90	10.7
1991	7.0	1990 - 91	12.8
1992	4.6	1991 - 92	2.9
1993	10.5	1992 - 93	8.9
1994	7.3	1993 - 94	9.4
1995	6.0	1994 - 95	6.1
1996	6.6	1995 - 96	5.8
1997	6.6	1996 - 97	7.9
1998	6.8	1997 - 98	5.4
1999	6.9	1998 - 99	7.9
2000	4.2	1999 - 2000	5.3
2001	5.4	2000 - 2001	4.4
2002	6.4	2001 - 2002	6.3
		2002 - 2003 ¹	Around 5.4

Methodology used for the computation of the updated Consumer Price Index
(Base July 2001 – June 2002 = 100)

1. Measurement of the CPI

The CPI is a measure of changes over time in the general level of prices of goods and services, which the private consumer buys or pays for. It is an important macro-economic indicator used for a variety of purposes such as adjustment of wages and pensions and in industrial contracts.

The CPI is measured by computing the average change over time in the cost of a fixed market basket of consumer goods and services. As prices vary, the total cost of the basket also varies and thus the CPI measures the change in the cost of this basket. It provides a way to compare what this basket costs at a given period relative to a reference or base period.

The cost of the CPI basket is assigned a value of 100.0 in the base period and the costs in other periods are expressed as percentages of the cost in the base period. For example, if the CPI is 110, this means that there has been an increase of 10% in the cost of the basket since the base year; similarly an index of 90 means a 10% decrease in the cost of the basket.

2. The CPI basket

The composition of the CPI basket, which is based on the expenditure pattern of private Mauritian households, has been derived from the 2001/02 Household Budget Survey data adjusted for underreporting of alcoholic beverages and tobacco.

The items constituting the basket have been selected on the basis of the importance of household consumption expenditure on them. The item's relative importance, which is called the "weight" (usually expressed as a figure per 1000), is the expenditure share of the item. Non-consumption items such as income tax, social security contributions, purchase of land and houses, shares and life insurance are excluded.

The commodities in the basket are classified according to the UN COICOP (Classification of Consumption Expenditure according to Purpose) with 12 divisions, 41 groups and 83 classes.

3. Price collection

Prices are the primary inputs in the calculation of the CPI and are collected on a regular basis. Each month, around 6,200 price quotations are collected in respect of 824 item indicators from some 370 outlets across the islands of Mauritius and Rodrigues.

Prices of non-perishable items are collected monthly in 10 regions, namely Port Louis, Rose Hill, Curepipe, Vacoas, Mahebourg, Flacq, Goodlands and Rodrigues.

Prices of fresh fruits, vegetables, meat and fish are collected on a weekly basis from 9 markets in Port Louis, Rose Hill, Curepipe, Vacoas, Mahebourg, Flacq, Goodlands, Pamplémousses and Port Mathurin.

Information on rent is obtained from a quarterly rent survey of some 150 rented dwellings.

The prices collected are those that any member of the public would have to pay to purchase the specified goods or services. Any sales or excise taxes attached to the goods are included.

4. Calculating the CPI

Once the prices have been collected, they are carefully examined for consistency and validity before they are entered into the CPI calculations. Independent random field checks are also made

to ensure that price collection is done properly.

The Consumer Price Index is computed according to the Laspeyres Formula as a weighted average of price relatives of individual items. The weights are fixed and correspond to the base period expenditures.

The following formula is used for computing the consumer Price Index at time t is

$$I_t = \frac{\sum W_i (P_{it} / P_{i0})}{\sum W_i} \times 100$$

where,

I_t : CPI for period t with reference to a base period 0

P_{i0} : Price of item i at time 0, i.e. during base period

P_{it} : Price of item i at time t

W_i : Weight of item i

The base period is July 2001 to June 2002, the period during which the latest Household Budget Survey was conducted.