

## **Consumer Price Index**

**1st Quarter 2005**

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# CONSUMER PRICE INDEX

## 1st Quarter 2005

### 1. Introduction

This issue of Economic and Social Indicator was scheduled for 25 April 2005. However, it was delayed in order to integrate the effect of budgetary measures, more specifically the reduction in customs duty, on the Consumer Price Index (CPI) and the inflation rate. It presents the monthly Consumer Price Index (CPI) for the first quarter of 2005 with July 2001 to June 2002 as base. It also includes a table on inflation rates for past years as well as forecasts for the financial year 2004/2005 and calendar year 2005.

The methodology used for computing the CPI and the inflation rate is given in the technical note at Annex.

### 2. Main movements in the Consumer Price Index – 1st Quarter 2005.

The Consumer Price Index, which stood at 115.0 in December 2004, registered an increase of 2.1 points (or 1.8%) during the first quarter of 2005 to reach 117.1 in March 2005 (*Table 1*).

The index, in fact, rose by 1.1 points in January, by 0.6 point in February, and by 0.4 point in March.

As shown in *Table 2*, the main contributors to the increase in the C.P.I. during the period under review were increases in the prices of dairy products, fresh vegetables, other food products, school and tuition fees as well as other goods and services, coupled with price decreases of gasoline and airfare.

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

*Table 3* shows the evolution of the sub-indices for the twelve divisions of consumption expenditure during the first quarter of 2005.

The “*Food and non-alcoholic beverages*” sub-index increased by 2.7% mainly as a result of higher prices of powdered milk (7.9%), fresh vegetables (3.5%), fresh fruits (8.7%), soft drinks (4.4%) and trader’s rice (3.1%).

The sub-index for “*Alcoholic beverages and tobacco*” went up by 1.3%. This was attributable mainly to price increases of some cane spirits (11.3%) and whisky (8.4%).

The “*Clothing and footwear*” sub-index registered an increase of 1.1% mainly due to higher prices of some ready-made garments (1.2%) and footwear (1.0%).

The sub-index for “*Housing, water, electricity, gas and other fuels*” increased by 0.9% due to higher prices of cement (16.2%) as from 19 February 2005, paint (6.4%) and corrugated iron sheets (6.8%).

The sub-index for “*Furnishings, household equipment and routine household maintenance*” increased by 2.8% mainly as a result of price increases of some washing materials (5.7%), laundry soap (5.8%) and furniture (2.7%).

The sub-index for “*Health*” increased by 2.2% mainly due to higher doctors’ fees (5.5%).

The sub-index for “*Transport*” decreased by 0.7%. This was due to revised prices of gasoline (down by 3.3%) and diesel oil (up by 7.3%) applicable since 5 January 2005. Lower prices of air tickets (5.5%) also contributed to the decrease.

The sub-index for “*Communication*” remained unchanged.

The “*Recreation and culture*” sub-index increased by 2.3%. This was largely attributable mainly to price increases of school textbooks (9.3%) .

The sub-index for “*Education*” went up by 7.0% mainly due to higher fees for schools (7.2%) and private tuition (10.7%).

The sub-index for “*Restaurants and hotels*” registered an increase of 2.2% mainly as a result of higher charges in bars and restaurants (2.2%).

The sub-index for “*Miscellaneous goods and services*” increased by 3.8%, mainly attributable to price increases of some goods for personal care and hygiene (3.8%) together with higher passport fees (114.3%).

#### **4. Rate of inflation**

The rate of inflation for calendar year 2004 was 4.7% and that for financial year 2003/04 was 3.9% (*Table 4*). On the basis of trends in previous years and price changes prior to the budget, the inflation rate for financial year 2004/2005 was estimated at around 5.7%. Price changes observed after the budgetary measures announced on 4 April 2005 indicate that the inflation rate for 2004/05 will be lower, at around 5.5%.

The rate of inflation for calendar year 2005 is estimated at around 5.0%.

## Note :

- (i) This publication is available on our website <http://statsmauritius.gov.mu>. From the homepage, choose “Publications” followed by “Economic and Social Indicators”, then “Consumer Price Index”.
- (ii) The monthly CPI is also available on our website. It is posted within 5 working days after the reference month.

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**Table 1 - Monthly Consumer Price Index, January 1998 - March 2005**

<i>Month</i>	<i>( Base : July 1996 - June 1997 = 100 )</i>					<i>( Base : July 2001 - June 2002 = 100 )</i>			
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
<b>January</b>	<b>105.5</b>	<b>114.6</b>	<b>120.0</b>	<b>125.9</b>	<b>133.5</b>	<b>105.5</b>	<b>109.7</b>	<b>116.1</b>	
<b>February</b>	<b>106.0</b>	<b>114.9</b>	<b>120.6</b>	<b>126.5</b>	<b>134.7</b>	<b>105.7</b>	<b>110.1</b>	<b>116.7</b>	
<b>March</b>	<b>106.7</b>	<b>115.1</b>	<b>121.0</b>	<b>126.3</b>	<b>135.4</b>	<b>105.6</b>	<b>110.1</b>	<b>117.1</b>	
<b>April</b>	<b>107.4</b>	<b>115.6</b>	<b>120.9</b>	<b>126.5</b>	<b>135.7</b>	<b>105.8</b>	<b>110.4</b>		
<b>May</b>	<b>108.0</b>	<b>115.8</b>	<b>121.0</b>	<b>126.8</b>	<b>135.9</b>	<b>106.5</b>	<b>110.7</b>		
<b>June</b>	<b>109.6</b>	<b>117.4</b>	<b>121.0</b>	<b>127.8</b>	<b>135.9</b>	<b>106.9</b>	<b>111.3</b>		
<b>July</b>	<b>109.7</b>	<b>117.8</b>	<b>121.3</b>	<b>129.7</b>		<b>103.1</b>	<b>107.5</b>	<b>112.5</b>	
<b>August</b>	<b>110.0</b>	<b>118.3</b>	<b>121.7</b>	<b>129.9</b>		<b>103.6</b>	<b>107.4</b>	<b>112.7</b>	
<b>September</b>	<b>112.1</b>	<b>118.5</b>	<b>121.9</b>	<b>130.1</b>		<b>104.0</b>	<b>107.9</b>	<b>113.1</b>	
<b>October</b>	<b>112.7</b>	<b>118.5</b>	<b>124.6</b>	<b>130.5</b>		<b>105.0</b>	<b>108.3</b>	<b>114.6</b>	
<b>November</b>	<b>113.1</b>	<b>118.9</b>	<b>124.8</b>	<b>131.1</b>		<b>104.9</b>	<b>108.4</b>	<b>114.7</b>	
<b>December</b>	<b>113.4</b>	<b>119.6</b>	<b>125.2</b>	<b>131.8</b>		<b>104.8</b>	<b>108.9</b>	<b>115.0</b>	
<b>Yearly average</b>	<b>109.5</b>	<b>117.1</b>	<b>122.0</b>	<b>128.6</b>		<b>103.0</b>	<b>107.0</b>	<b>112.1</b>	
<b>Annual change (%) (Inflation rate)</b>	<b>+ 6.8</b>	<b>+ 6.9</b>	<b>+ 4.2</b>	<b>+ 5.4</b>		<b>+ 6.4</b>	<b>+3.9</b>	<b>+ 4.7</b>	

**Table 2 - Net contribution of main commodities that affected the index during the first quarter of 2005**

<b>Commodity</b>	<b>Change in overall index point</b>	<b>% change in price index between Dec. 2004 &amp; Mar. 2005</b>
Dairy products	+ 0.3	+ 6.7
Fresh vegetables	+ 0.2	+ 3.5
Fresh fruits	+ 0.1	+ 8.7
Soft drinks	+ 0.1	+ 4.4
Trader's rice	+ 0.1	+ 3.1
Other food products	+ 0.1	+ 1.8
Cane spirits	+ 0.1	+ 11.3
Ready made clothing	+ 0.1	+ 1.2
Materials for the maintenance and repair of dwellings	+ 0.1	+ 3.5
Non durable household goods	+ 0.1	+ 4.0
Furniture and floor covering	+ 0.1	+ 2.7
Doctors' fees	+ 0.1	+ 5.5
Gasolene	- 0.1	-3.3
Airfare	- 0.1	-5.5
School textbooks	+ 0.1	+ 9.3
School and tuition fees	+ 0.2	+ 9.6
Expenditure in bars and restaurants	+ 0.1	+ 2.2
Goods for personal care and hygiene	+ 0.1	+ 3.8
Passport fees	+ 0.1	+ 114.3
Other goods and services	+ 0.2	+ 0.8
<b>Total</b>	<b>+ 2.1</b>	<b>+ 1.8</b>

**Table 3 : Monthly sub-indices by division of consumption expenditure, December 2004 - March 2005***(Base: July 2001 - June 2002 = 100)*

Division	Description	Weight	December 2004	January 2005	February 2005	March 2005	% change between December 2004 & March 2005
01	Food and non-alcoholic beverages	299	114.7	116.5	117.3	117.8	+ 2.7
02	Alcoholic beverages and tobacco	86	122.6	123.5	124.0	124.2	+ 1.3
03	Clothing and footwear	60	105.8	106.5	106.7	107.0	+ 1.1
04	Housing, water, electricity, gas and other fuels	96	108.6	108.7	109.2	109.6	+ 0.9
05	Furnishings, household equipment and routine household maintenance	80	109.4	111.5	112.0	112.1	+ 2.5
06	Health	28	118.2	119.2	120.1	120.8	+ 2.2
07	Transport	139	120.8	119.7	119.7	120.0	- 0.7
08	Communication	31	135.5	135.4	135.4	135.5	-
09	Recreation and culture	53	102.8	105.0	104.9	105.2	+ 2.3
10	Education	24	111.7	115.7	119.5	119.5	+ 7.0
11	Restaurants and hotels	50	117.7	119.7	120.4	120.3	+ 2.2
12	Miscellaneous goods and services	54	116.4	118.1	120.6	120.8	+ 3.8
	<b>Total</b>	<b>1,000</b>	<b>115.0</b>	<b>116.1</b>	<b>116.7</b>	<b>117.1</b>	<b>1.8</b>

**Table 4 - Inflation rate (%), 1975 - 2005**

<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
2003	3.9	2002 - 2003	5.1
2004	4.7	2003 - 2004	3.9
2005	Around 5.0 <sup>1</sup>	2004 - 2005	Around 5.5 <sup>1</sup>

<sup>1</sup> Forecast

## Technical note

### 1. Methodology used for the computation of the Consumer Price Index

(Base July 2001 – June 2002 = 100)

#### (a) Definition

The **Consumer Price Index** (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.

#### (b) Measurement of the CPI

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.

#### (c) 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 (HBS) 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.

(d) 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 the nine geographical districts of the island of Mauritius and in 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, Pamplemousses 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.

(e) 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 CPI 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 CPI 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 HBS was conducted.

## **2. Inflation**

### (a) Definition of Inflation

Inflation is the percentage change in the level of prices (as measured by the CPI) from one period to another.

### (b) Calculating the Inflation Rate

In Mauritius, like in many other countries, the rate of inflation is calculated by comparing the average level of prices during a twelve-month period with the average level during the preceding twelve-month period.

Note: More information about the concept, computation and use of the CPI is available online in the publication “HBS 2001/02 and updated CPI” [<http://statsmauritius.gov.mu/report/natacc/hbs02/index.htm>].