

## **Consumer Price Index**

### **3rd Quarter 2005**

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# CONSUMER PRICE INDEX

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### 1. Introduction

This issue of Economic and Social Indicators presents the monthly Consumer Price Index (CPI) for the third quarter of 2005 with the period July 2001 to June 2002 as base. It also includes a table on inflation rates for past years as well as a forecast for 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 – 3rd Quarter 2005.

The Consumer Price Index, which was at 117.3 in June 2005, remained at the same level in September 2005 (*Table 1*).

The index, in fact, increased by 0.7 point in July, remained unchanged in August and then dropped by 0.7 point in September.

*Table 2* shows the evolution of price changes of the main commodities that affected the index during the period under review. Increases in prices were noted in fruits, fish, chicken, other food products, cigarettes, materials for the maintenance and repair of dwellings, domestic services, clinic fees, airfare and other goods and services. These increases were offset by decreases in the price indices of fresh vegetables, milk, free bus transport to elderly (as from 15 August 2005) and free bus transport to students on schooldays (as from 1 September 2005).

### 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 third quarter of 2005.

The “*Food and non-alcoholic beverages*” sub-index increased by 0.5% mainly as a result of higher prices of fruits (6.4%), fish (3.2%) and chicken (2.0%). The effect of these increases was partly offset by decline in price indices of fresh vegetables (1.2%) and milk (7.3%).

The sub-index for “*Alcoholic beverages and tobacco*” went up by 2.9% mainly as a result of price increases of cigarettes (5.4%) following budgetary measures.

The “*Clothing and footwear*” sub-index increased by 0.5% mainly due to higher prices of some ready-made garments (2.0%).

The sub-index for “*Housing, water, electricity, gas and other fuels*” increased by 1.0% mainly due to higher prices of some materials for the maintenance and repair of dwellings (3.4%).

The sub-index for “*Furnishings, household equipment and routine household maintenance*” increased by 1.6% mainly due to higher charges for domestic services (7.5%) together with price increases of some washing materials and softeners (0.7%).

The sub-index for “*Health*” increased by 3.4% due to higher clinic fees (15.7%).

The sub-index for “*Transport*” decreased by 6.2%. This was due to the combined effects of free bus transport provided to elderly persons as from 15 August 2005 and to students during schooldays as from 1 September 2005. However, these effects were partly offset by price increases of airfare (4.0%).

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

The “*Recreation and culture*” sub-index increased by 0.5%. This was mainly due to price increases in some audio and video equipment (1.3%) and some sports equipment (1.0%).

The sub-index “*Education*” remained unchanged.

The sub-index for “*Restaurants and hotels*” registered an increase of 1.6% as a result of higher charges for catering services (1.7%).

The sub-index for “*Miscellaneous goods and services*” increased by 0.7%. This was mainly attributable to price increases of some goods for personal care and hygiene (1.4%).

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

The rate of inflation for financial year 2004/05 was 5.6% compared to 3.9% for financial year 2003/04 (*Table 4*). For calendar year 2004, the rate of inflation was 4.7%. On the basis of trends in previous years and recent price changes, 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 - September 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>
January	105.5	114.6	120.0	125.9	133.5		105.5	109.7	116.1
February	106.0	114.9	120.6	126.5	134.7		105.7	110.1	116.7
March	106.7	115.1	121.0	126.3	135.4		105.6	110.1	117.1
April	107.4	115.6	120.9	126.5	135.7		105.8	110.4	117.1
May	108.0	115.8	121.0	126.8	135.9		106.5	110.7	117.2
June	109.6	117.4	121.0	127.8	135.9		106.9	111.3	117.3
July	109.7	117.8	121.3	129.7		103.1	107.5	112.5	118.0
August	110.0	118.3	121.7	129.9		103.6	107.4	112.7	118.0
September	112.1	118.5	121.9	130.1		104.0	107.9	113.1	117.3
October	112.7	118.5	124.6	130.5		105.0	108.3	114.6	
November	113.1	118.9	124.8	131.1		104.9	108.4	114.7	
December	113.4	119.6	125.2	131.8		104.8	108.9	115.0	
Yearly average	109.5	117.1	122.0	128.6		103.0	107.0	112.1	
<i>Annual change (%)</i> <i>(Inflation rate)</i>	+ 6.8	+ 6.9	+ 4.2	+ 5.4		+ 6.4	+3.9	+ 4.7	

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

<b>Commodity</b>	<b>Change in overall index point</b>	<b>% change in price index between June &amp; September 2005</b>
Milk	- 0.2	-7.3
Fruits	+ 0.1	+6.4
Fish	+ 0.1	+3.2
Fresh vegetables	- 0.1	-1.2
Chicken	+ 0.1	+2.0
Other food products	+ 0.2	+1.1
Cigarettes	+ 0.3	+5.4
Materials for the maintenance & repair of dwellings	+ 0.1	+3.4
Domestic services	+ 0.1	+7.5
Clinic fees	+ 0.1	+15.7
Bus fare	- 1.1	-25.1
Airfare	+ 0.1	+4.0
Other goods and services	+ 0.2	+0.6
<b>Total</b>	<b>-</b>	<b>-</b>

**Table 3 : Monthly sub-indices by division of consumption expenditure, January - September 2005**

*(Base: July 2001 - June 2002 = 100)*

Division	Description	Weight	January 2005	February 2005	March 2005	April 2005	May 2005	June 2005	July 2005	August 2005	Sept. 2005	% change between Jun. & Sept. 2005
01	Food and non-alcoholic beverages	299	116.5	117.3	117.8	118.3	118.8	118.9	119.7	119.1	119.5	+ 0.5
02	Alcoholic beverages and tobacco	86	123.5	124.0	124.2	125.5	125.3	125.8	128.6	128.7	129.5	+ 2.9
03	Clothing and footwear	60	106.5	106.7	107.0	104.9	105.2	105.2	105.2	105.1	105.7	+ 0.5
04	Housing, water, electricity, gas and other fuels	96	108.7	109.2	109.6	109.9	110.0	110.0	110.7	111.0	111.1	+ 1.0
05	Furnishings, household equipment and routine household maintenance	80	111.5	112.0	112.1	111.5	111.2	111.7	113.0	113.6	113.5	+ 1.6
06	Health	28	119.2	120.1	120.8	121.0	121.0	120.9	121.0	125.2	125.0	+ 3.4
07	Transport	139	119.7	119.7	120.0	119.8	119.7	119.3	120.0	118.7	111.9	- 6.2
08	Communication	31	135.4	135.4	135.5	135.1	134.8	134.8	134.8	134.8	134.8	-
09	Recreation and culture	53	105.0	104.9	105.2	105.4	105.3	105.0	105.4	105.5	105.5	+ 0.5
10	Education	24	115.7	119.5	119.5	119.5	119.5	119.5	119.5	119.5	119.5	-
11	Restaurants and hotels	50	119.7	120.4	120.3	121.0	121.0	121.6	121.8	122.9	123.6	+ 1.6
12	Miscellaneous goods and services	54	118.1	120.6	120.8	119.5	118.7	118.6	118.8	119.3	119.4	+ 0.7
<b>Total</b>		<b>1,000</b>	<b>116.1</b>	<b>116.7</b>	<b>117.1</b>	<b>117.1</b>	<b>117.2</b>	<b>117.3</b>	<b>118.0</b>	<b>118.0</b>	<b>117.3</b>	<b>0.0</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	5.6

<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://statsmauriti.us.gov.mu/report/natacc/hbs02/index.htm>].