

Consumer Price Index First Quarter 2006

TABLE OF CONTENTS:

Introduction

Table 1 - Monthly Consumer Price Index, January 1998 - March 2006

Table 2 - Net contribution of main commodities that affected the index during the first quarter of 2006

Table 3 : Monthly sub-indices by division of consumption expenditure, December 2005 - March 2006

Table 4 - Inflation rate (%), 1975 - 2006

Annex

CONSUMER PRICE INDEX

1st Quarter 2006

1. Introduction

This issue of Economic and Social Indicators presents the monthly Consumer Price Index (CPI) for the first quarter 2006 with the period July 2001 to June 2002 as base. It also includes a table on inflation rates for past years (both calendar year and financial year) up to 2005. A forecast for financial year 2005/06 is also provided.

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 2006.

The Consumer Price Index, which stood at 119.5 in December 2005, registered an increase of 4.7 points (or 3.9%) during the first quarter of 2006 to reach 124.2 in March 2006 (*Table 1*).

On a monthly basis, the index rose by 3.6 points in January, by 0.4 point in February, and by 0.7 point in March.

As shown in Table 2, the main contributors to the increase in the CPI during the period under review were increases in the prices of gasoline, diesel oil and electricity (as from 4 January 2006), bread and government subsidised flour (as from 7 January 2006) and cooking gas (as from 22 January 2006). Other price increases were noted in fish, fresh vegetables, other food products, taxi services, expenditure in bars and restaurants as well as other goods and services.

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 2006.

The “*Food and non-alcoholic beverages*” sub-index increased by 4.3% mainly as a result of higher prices of government subsidised flour (19.8%) and bread (21.4%) as from 7 January 2006, as well as price increases of fish (5.1%), fresh vegetables (3.8%), milk (3.3%), eggs (14.7%) and beef (3.9%).

The sub-index for “*Alcoholic beverages and tobacco*” went up by 2.2%. This was attributable mainly to price increases of beer (8.2%) and rum and other cane spirits (4.2%).

The “*Clothing and footwear*” sub-index registered an increase of 2.1% mainly due to higher prices of some ready-made garments (2.9%) and some clothing material (3.6%).

The sub-index for “*Housing, water, electricity, gas and other fuels*” increased by 4.9% due to higher rates for electricity (9.4%) and price increases of cooking gas (10.0%) in January 2006.

The sub-index for “Furnishings, household equipment and routine household maintenance” increased by 1.6% mainly as a result of price increases of some washing materials and softeners (3.7%) and furniture (1.9%), whose effects were partly offset by price decreases of some household appliances (2.7%).

The sub-index for “*Health*” increased by 4.2% mainly due to higher doctors’ fees (12.6%).

The sub-index for “Transport” increased by 6.8%. This was due to upward revision in prices of gasoline (20.0%) and diesel oil (20.0%) applicable since 4 January 2006 as well as higher taxi fares (19.8%). However, the above effects were partly mitigated by lower prices of air tickets (4.9%).

The sub-index for “*Communication*” declined by 1.0% due to decreases in rates for international calls (20.5%).

The “*Recreation and culture*” sub-index increased by 2.8%. This was mainly attributable to price increases of newspapers and magazines (5.8%) and school textbooks (3.9%) .

The sub-index for “*Education*” went up by 3.1% mainly due to higher fees for schools (4.2%) and private tuition (4.2%).

The sub-index for “*Restaurants and hotels*” registered an increase of 7.7% mainly as a result of higher charges for pastry and snacks (12.5%), prepared meals (6.3%) and expenditure in bars and restaurants (7.4%).

The sub-index for “*Miscellaneous goods and services*” increased by 2.0%, mainly attributable to price increases of some personal effects (7.4%) and some goods for personal care and hygiene (1.2%).

4. Rate of inflation

The rate of inflation for calendar year 2005 was 4.9% and that for financial year 2004/05 was 5.6% (*Table 4*). On the basis of trends in previous years and recent price changes, the inflation rate for financial year 2005/2006 is estimated at around 5.0%.

Note :

- (i) This publication is available on our website <http://statsmauritus.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 2006

<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>	<i>2006</i>
January	105.5	114.6	120.0	125.9	133.5	105.5	109.7	116.1	123.1	
February	106.0	114.9	120.6	126.5	134.7	105.7	110.1	116.7	123.5	
March	106.7	115.1	121.0	126.3	135.4	105.6	110.1	117.1	124.2	
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	118.2	
November	113.1	118.9	124.8	131.1		104.9	108.4	114.7	118.8	
December	113.4	119.6	125.2	131.8		104.8	108.9	115.0	119.5	
Yearly average	109.5	117.1	122.0	128.6		103.0	107.0	112.1	117.6	
<i>Annual change (%) (Inflation rate)</i>	+ 6.8	+ 6.9	+ 4.2	+ 5.4		+ 6.4	+3.9	+ 4.7	+ 4.9	

Table 2 - Net contribution of main commodities that affected the index during the first quarter of 2006

Commodity	Change in overall index point	% change in price index between Dec. 2005 & Mar. 2006
Bread	+ 0.4	+ 21.4
Fish	+ 0.2	+ 5.1
Fresh vegetables	+ 0.2	+ 3.8
Milk	+ 0.1	+ 3.3
Fruits	+ 0.1	+ 6.3
Government subsidised flour	+ 0.1	+ 19.8
Eggs	+ 0.1	+ 14.7
Beef	+ 0.1	+ 3.9
Other food products	+ 0.3	+ 1.7
Beer	+ 0.1	+ 8.2
Rum & other cane spirits	+ 0.1	+ 4.2
Ready made clothing	+ 0.1	+ 2.9
Electricity	+ 0.3	+ 9.4
Cooking gas	+ 0.2	+ 10.0
Washing materials and softeners	+ 0.1	+ 3.7
Doctors' fees	+ 0.1	+ 12.6
Gasolene	+ 0.8	+ 20.0
Taxi services	+ 0.3	+ 19.8
Diesel oil	+ 0.1	+ 20.0
Airfare	- 0.1	- 4.9
Newspapers and magazines	+ 0.1	+ 5.7
Expenditure in bars and restaurants	+ 0.2	+ 7.4
Pastry and snacks	+ 0.1	+ 12.5
Prepared meals	+ 0.1	+ 6.3
Personal effects	+ 0.1	+ 7.4
Other goods and services	+ 0.4	+ 1.0
Total	+ 4.7	+ 3.9

Table 3 : Monthly sub-indices by division of consumption expenditure, December 2005 - March 2006*(Base: July 2001 - June 2002 = 100)*

Division	Description	Weight	Dec. 2005	Jan. 2006	Feb. 2006	Mar. 2006	% change between December 2005 & March 2006
01	Food and non-alcoholic beverages	299	121.7	125.5	126.1	126.9	+ 4.3
02	Alcoholic beverages and tobacco	86	128.9	130.4	130.5	131.8	+ 2.2
03	Clothing and footwear	60	109.3	111.0	111.2	111.6	+ 2.1
04	Housing, water, electricity, gas and other fuels	96	115.2	119.3	120.5	120.9	+ 4.9
05	Furnishings, household equipment and routine household maintenance	80	115.4	116.1	116.8	117.2	+ 1.6
06	Health	28	124.8	129.7	130.1	130.0	+ 4.2
07	Transport	139	117.2	125.2	125.2	125.2	+ 6.8
08	Communication	31	134.4	133.6	133.0	133.0	- 1.0
09	Recreation and culture	53	106.3	107.5	107.6	109.3	+ 2.8
10	Education	24	119.5	122.7	123.2	123.2	+ 3.1
11	Restaurants and hotels	50	125.3	132.5	132.5	134.9	+ 7.7
12	Miscellaneous goods and services	54	119.0	120.4	120.8	121.4	+ 2.0
	Total	1000	119.5	123.1	123.5	124.2	+ 3.9

Table 4 - Inflation rate (%), 1975 - 2006

<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	4.9	2004 - 2005	5.6
		2005 - 2006	Around 5.0 ^{1/}

^{1/} 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 in the base period and the costs in other periods are expressed as percentage changes compared to 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 taxes on products 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 formula 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>].