

CONSUMER PRICE INDEX

2nd Quarter 2006

1. Introduction

This issue of Economic and Social Indicators presents the monthly Consumer Price Index (CPI) for the second quarter of 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 June 2006.

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 – 2nd Quarter 2006.

The Consumer Price Index, which stood at 124.2 in March 2006, registered an increase of 2.0 points (or 1.6%) during the second quarter of 2006 to reach 126.2 in June 2006 (*Table 1*).

On a monthly basis, the index declined by 0.2 point in April and then increased by 0.3 point in May, and by 1.9 points in June.

The main contributors to the increase in the CPI during the second quarter included higher prices of alcoholic beverages and cigarettes following the last Budget, as well as price increases for catering services, soft drinks, bread and some other food products. Lower prices of gasoline mitigated by a rise in the price of diesel oil following the Automatic Pricing Mechanism (APM) review in April together with price decreases of motor vehicles (resulting from the Budget), fresh vegetables, fresh fruits and ginger moderated the impact of the increase. Table 2 gives more details on the main contributors to the net CPI increase in the second quarter.

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 second quarter of 2006.

The “*Food and non-alcoholic beverages*” sub-index increased by 0.3% mainly as a result of higher prices of bread (4.9%) as from 29 May 2006, meat (1.8%) and soft drinks (11.9%). These increases were partly offset by price decreases of fresh vegetables (4.8%), ginger (30.5%) and fresh fruits (12.0%).

The sub-index for “*Alcoholic beverages and tobacco*” went up by 12.9%. This was attributable mainly to the budgetary measures announced on 9 June 2006, which resulted in higher prices of beer (15.9%), rum and other cane spirits (10.9%), whisky (20.5%) and cigarettes (17.8%).

The “*Clothing and footwear*” sub-index registered an increase of 1.6% mostly due to higher prices of some ready-made clothing (2.2%).

The sub-index for “*Housing, water, electricity, gas and other fuels*” increased by 1.1% following the upward revision in the price of kerosene (43.2%) as from 30 May 2006.

The sub-index for “*Furnishings, household equipment and routine household maintenance*” increased by 2.0% mainly as a result of price increases of some furniture (2.8%) and some household appliances (3.7%).

The sub-index for “*Health*” increased by 1.2% due to higher doctors’ fees (4.1%) and higher charges for dental services, partly offset by price decreases of some medicinal products (0.6%).

The sub-index for “*Transport*” declined by 3.0%. This was due to the downward revision in the price of gasoline (10.1%) on 3 April 2006 together with lower prices of motor vehicles (5.4%) following budgetary measures in June 2006. The decrease was however mitigated by price increases of diesel oil (20.0%) on 3 April 2006.

The sub-index for “*Communication*” declined by 3.4% as a result of lower charges for telephone services (4.5%) as from May 2006.

The “*Recreation and culture*” sub-index increased by 2.9%. This was mainly attributable to price increases of newspapers and magazines (11.3%) and higher rental for films (26.1%) .

The sub-index for “*Education*” remained unchanged during the second quarter 2006.

The sub-index for “*Restaurants and hotels*” registered an increase of 4.6% following price increases of prepared meals (2.7%) and, pastry and snacks (2.9%). Higher charges for food and drinks in bars and restaurants (6.8%) also contributed to the increase.

The sub-index for “*Miscellaneous goods and services*” increased by 2.5%, mainly attributable to price increases of some personal effects (15.2%) and some goods for personal care and hygiene (1.9%).

4. Rate of inflation

The rate of inflation for financial year 2005/06 was 5.1% compared to 5.6% for financial year 2004/05 (*Table 4*). For calendar year 2005, the rate of inflation was 4.9%. On the basis of trends in previous years and recent price changes, the rate of inflation for calendar year 2006 is estimated at around 8.5%.

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 - June 2006

<i><u>Month</u></i>	<i><u>(Base : July 1996 - June 1997 = 100)</u></i>					<i><u>(Base : July 2001 - June 2002 = 100)</u></i>				
	<i><u>1998</u></i>	<i><u>1999</u></i>	<i><u>2000</u></i>	<i><u>2001</u></i>	<i><u>2002</u></i>	<i><u>2002</u></i>	<i><u>2003</u></i>	<i><u>2004</u></i>	<i><u>2005</u></i>	<i><u>2006</u></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	124.0	
May	108.0	115.8	121.0	126.8	135.9	106.5	110.7	117.2	124.3	
June	109.6	117.4	121.0	127.8	135.9	106.9	111.3	117.3	126.2	
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 (%)</i> <i>(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 second quarter of 2006

Commodity	Change in overall index point	% change in price index between March & June 2006
Bread	+ 0.1	+ 4.9
Fresh vegetables	- 0.2	- 4.8
Ginger	- 0.2	- 30.5
Fresh fruits	- 0.2	- 12.0
Soft drinks	+ 0.2	+ 11.9
Meat	+ 0.1	+ 1.8
Other food products	+ 0.3	+ 1.8
Rum and other cane spirits	+ 0.2	+ 10.9
Beer	+ 0.3	+ 15.9
Whisky	+ 0.1	+ 20.5
Wine	+ 0.1	+ 7.9
Cigarettes	+ 0.8	+ 12.5
Ready made clothing	+ 0.1	+ 2.2
Kerosene	+ 0.1	+ 43.2
Medical and dental services	+ 0.1	+ 4.3
Gasolene	- 0.5	- 10.0
Diesel oil	+ 0.2	+ 20.0
Motor vehicles	- 0.2	- 5.4
Telephone services	- 0.1	- 4.5
Newspapers and magazines	+ 0.1	+ 11.3
Catering services	+ 0.3	+ 4.9
Goods for personal effects	+ 0.1	+ 15.2
Goods for personal care and hygiene	+ 0.1	+ 1.9
Other goods and services	+ 0.2	+ 0.7
Total	+ 2.0	+ 1.6

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

Division	Description	Weight	January 2006	February 2006	March 2006	April 2006	May 2006	June 2006	% change between March & June 2006
01	Food and non-alcoholic beverages	299	125.5	126.1	126.9	127.1	126.6	127.3	+ 0.3
02	Alcoholic beverages and tobacco	86	130.4	130.5	131.8	131.3	132.5	148.8	+ 12.9
03	Clothing and footwear	60	111.0	111.2	111.6	111.6	112.8	113.4	+ 1.6
04	Housing, water, electricity, gas and other fuels	96	119.3	120.5	120.9	121.0	121.1	122.2	+ 1.1
05	Furnishings, household equipment and routine household maintenance	80	116.1	116.8	117.2	117.7	119.1	119.6	+ 2.0
06	Health	28	129.7	130.1	130.0	129.9	131.0	131.6	+ 1.2
07	Transport	139	125.2	125.2	125.2	123.1	123.7	121.5	- 3.0
08	Communication	31	133.6	133.0	133.0	132.6	128.3	128.5	- 3.4
09	Recreation and culture	53	107.5	107.6	109.3	110.1	112.5	112.5	+ 2.9
10	Education	24	122.7	123.2	123.2	123.2	123.2	123.2	-
11	Restaurants and hotels	50	132.5	132.5	134.9	134.9	135.4	141.1	+ 4.6
12	Miscellaneous goods and services	54	120.4	120.8	121.4	122.0	123.3	124.4	+ 2.5
	Total	1,000	123.1	123.5	124.2	124.0	124.3	126.2	+ 1.6

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
2006	Around 8.5 ¹	2005 - 2006	5.1

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://www.gov.mu/portal/sites/ncb/cso/report/natacc/hbs02/index.htm>].