

# CONSUMER PRICE INDEX

## 1st Quarter 2007

### 1. Introduction

This issue of Economic and Social Indicators presents the monthly Consumer Price Index (CPI) for the first quarter of 2007 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 2006. A forecast for financial year 2006/07 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 2007.

The Consumer Price Index, which stood at 133.7 in December 2006, registered an increase of 2.4 points (or 1.8%) during the first quarter of 2007 to reach 136.1 in March 2007 (*Table 1*).

On a monthly basis, the index rose by 0.2 point in January, by 1.0 point in February, and by 1.2 points in March.

As shown in Table 2, the main contributors to the rise in the CPI during the period under review were price increases of fresh vegetables, chicken, meat, powdered milk, oil and some other food products as well as higher tuition fees. These increases were partly offset by the downward revision in the prices of gasoline and diesel as from 4 January 2007.

### 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 2007.

The “*Food and non-alcoholic beverages*” sub-index increased by 5.9% mainly as a result of higher prices of fresh vegetables (11.3%), chicken (10.9%), trader’s rice (6.6%), meat (5.6%), fish (3.4%), powdered milk (8.2%), fresh eggs (22.9%), oil (10.7%), fruits (3.1%), pulses (9.2%), ground spices (38.1%) and other food products (5.8%).

The sub-index for “*Alcoholic beverages and tobacco*” went up by 1.7%. This was largely attributable to price increases of whisky (12.3%), rum and other cane spirits (3.3%), and wine (7.5%).

The “*Clothing and footwear*” sub-index registered an increase of 1.5% mainly due to higher prices of some ready-made garments (1.9%).

The sub-index for “*Housing, water, electricity, gas and other fuels*” increased by 0.2% due to higher prices of cement (14.5%) as from 20 January 2007 and price increases of some materials for the maintenance and repair of dwellings (4.0%). These increases were partly offset by lower prices of kerosene (21.0%).

The sub-index for “Furnishings, household equipment and routine household maintenance” increased by 2.0% mainly as a result of price increases of some washing materials and softeners (4.6%), and furniture (2.2%).

The sub-index for “*Health*” rose by 1.3% mainly due to price increases of some medicinal products (2.5%).

The sub-index for “Transport” decreased by 6.8%. The downward revision in the prices of gasoline (20.0%) and diesel oil (12.3%) on 4 January 2007 as well as lower prices of motor vehicles (1.8%) contributed mainly to this decrease.

The sub-index for “*Communication*” remained unchanged in the first quarter of 2007.

The “*Recreation and culture*” sub-index increased by 1.2%, mainly attributable to price increases of school textbooks (7.2%) and some stationeries (8.0%).

The sub-index for “*Education*” went up by 9.0% mainly due to higher fees for schools (11.9%) and private tuition (9.6%).

The sub-index for “*Restaurants and hotels*” registered an increase of 1.5% mainly as a result of higher charges for pastry and snacks (1.4%), prepared meals (2.7%) and expenditure in bars and restaurants (1.2%).

The sub-index for “*Miscellaneous goods and services*” increased by 2.7%, mainly attributable to price increases of some goods for personal care and hygiene (3.6%), and some jewellery products (3.9%).

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

The inflation rate for calendar year 2006 was 8.9% and that for financial year 2005/06 was 5.1% (*Table 4*). On the basis of trends in previous years and recent price changes, the inflation rate for financial year 2006/07 is estimated at around 10.5%.

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 - March 2007**

<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>	<i>2007</i>
January	105.5	114.6	120.0	125.9	133.5	105.5	109.7	116.1	123.1	133.9	
February	106.0	114.9	120.6	126.5	134.7	105.7	110.1	116.7	123.5	134.9	
March	106.7	115.1	121.0	126.3	135.4	105.6	110.1	117.1	124.2	136.1	
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	129.9	
August	110.0	118.3	121.7	129.9		103.6	107.4	112.7	118.0	130.9	
September	112.1	118.5	121.9	130.1		104.0	107.9	113.1	117.3	131.7	
October	112.7	118.5	124.6	130.5		105.0	108.3	114.6	118.2	132.3	
November	113.1	118.9	124.8	131.1		104.9	108.4	114.7	118.8	133.3	
December	113.4	119.6	125.2	131.8		104.8	108.9	115.0	119.5	133.7	
Yearly average	109.5	117.1	122.0	128.6		103.0	107.0	112.1	117.6	128.1	
<i>Annual change (%) (Inflation rate)</i>	<i>+ 6.8</i>	<i>+ 6.9</i>	<i>+ 4.2</i>	<i>+ 5.4</i>		<i>+ 6.4</i>	<i>+3.9</i>	<i>+ 4.7</i>	<i>+ 4.9</i>	<i>+ 8.9</i>	

**Table 2 - Net contribution of main commodities that affected the index during the first quarter of 2007**

<b>Commodity</b>	<b>Change in overall index point</b>	<b>% change in price index between Dec. 2006 &amp; Mar. 2007</b>
Trader's rice	+0.1	+ 6.6
Meat	+0.2	+ 5.6
Chicken	+0.3	+ 10.9
Fish	+0.1	+ 3.4
Powdered milk	+0.2	+ 8.2
Fresh eggs	+0.1	+ 22.9
Oil	+0.2	+ 10.7
Fruits	+0.1	+ 3.1
Fresh vegetables	+0.6	+ 11.3
Pulses	+0.1	+ 9.2
Ground spices	+0.1	+ 38.1
Other food products	+0.3	+ 5.8
Whisky	+0.1	+ 12.3
Rum & other cane spirits	+0.1	+ 3.3
Wine	+0.1	+ 7.5
Ready made clothing	+0.1	+ 1.9
Materials for the maintenance & repair of dwellings	+0.1	+ 5.9
Kerosene	- 0.1	- 21.0
Washing materials and softeners	+0.1	+ 4.6
Motor vehicles	- 0.1	- 1.8
Gasolene	- 1.1	- 20.0
Diesel	- 0.1	- 12.3
School books	+0.1	+ 7.2
School fees	+0.1	+ 11.9
Tuition fees	+0.2	+ 9.6
Prepared meals	+0.1	+ 2.7
Goods for personal care and hygiene	+0.1	+ 3.6
Other goods and services	+0.2	+ 0.6
<b>Total</b>	<b>+2.4</b>	<b>+ 1.8</b>

**Table 3 : Monthly sub-indices by division of consumption expenditure, December 2006 - March 2007***(Base: July 2001 - June 2002 = 100)*

Division	Description	Weight	Dec. 2006	Jan. 2007	Feb. 2007	Mar. 2007	% change between December 2006 & March 2007
01	Food and non-alcoholic beverages	299	138.4	141.2	143.3	146.5	+ 5.9
02	Alcoholic beverages and tobacco	86	152.1	153.7	153.7	154.7	+ 1.7
03	Clothing and footwear	60	116.4	117.8	118.0	118.2	+ 1.5
04	Housing, water, electricity, gas and other fuels	96	127.2	126.6	127.2	127.4	+ 0.2
05	Furnishings, household equipment and routine household maintenance	80	124.2	125.2	125.6	126.7	+ 2.0
06	Health	28	133.9	134.2	135.2	135.6	+ 1.3
07	Transport	139	135.2	125.6	126.3	126.0	- 6.8
08	Communication	31	131.0	131.0	131.0	131.0	-
09	Recreation and culture	53	113.4	115.4	115.1	114.8	+ 1.2
10	Education	24	123.2	132.8	134.3	134.3	+ 9.0
11	Restaurants and hotels	50	150.6	151.6	151.6	152.8	+ 1.5
12	Miscellaneous goods and services	54	129.3	130.8	132.1	132.8	+ 2.7
	<b>Total</b>	<b>1000</b>	<b>133.7</b>	<b>133.9</b>	<b>134.9</b>	<b>136.1</b>	<b>+ 1.8</b>

Table 4 - Inflation rate (%), 1975 - 2007

<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	8.9	2005 - 2006	5.1
		2006 - 2007	Around 10.5 <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 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>].