

Consumer Price Index - 2nd Quarter 1986

1. Movements in Consumer Price Index - 2nd Quarter 1986

During the second quarter of 1986 a relative stability in prices has been noted, with a decrease of 0.1 point in the overall index from 124.7 in March 1986 to 124.6 in June 1986. This is attributable mainly to the favourable effect of the continuing fall in the exchange rate of the dollar and the decrease in prices of petroleum products. On the other hand, prices of fresh vegetables which usually show a downward movement during this period of the year have in fact shown a marginal increase this time. The fall in the index for the corresponding period of 1985 was 0.5 point (Table 1). If the first six months of the year are considered, it is observed that the overall index has risen by only one point in 1986 as compared to about 3 points in 1985.

Table 1 - Monthly Consumer Price Index (January 1984 - June 1986)

Base : Jan. - June 1982 = 100

	<u>1984</u>	<u>1985</u>	<u>1986</u>
January	109.9	119.1	124.0
February	110.6	120.7	124.2
March	112.4	121.7	124.7
April	113.2	121.0	124.6
May	113.5	121.1	124.5
June	113.2	121.2	124.6
July	114.0	121.9	
August	115.6	122.7	
September	117.4	124.2	
October	118.0	124.2	
November	117.4	124.0	
December	118.2	123.6	

2. Table 2 shows the evolution of the quarterly indices by major commodity group. Between the first and second quarters of 1986, moderate increases are observed for the groups "Food and non-alcoholic beverages", "Clothing, footwear and bedding, etc." and "Education" whereas a substantial decrease is noted for the group "Fuel and light" and a moderate decrease for the group "Transport and communication". The other groups remained almost unchanged.

Table 2 - Sub-indices by major commodity group (Base : January - June 1982 = 100)

Commodity group	% Weight	1 9 8 5				Yearly Average	1 9 8 6	
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter		1st Quarter	2nd Quarter
1. Food and non-alcoholic beverages	43.9	125.5	125.4	127.6	128.7	126.8	129.5	130.3
2. Alcoholic beverages and tobacco	6.5	111.3	111.2	111.2	112.3	111.5	112.3	112.2
3. Fuel and light	6.4	113.5	113.5	114.2	114.5	113.9	111.3	108.5
4. Housing	10.4	122.6	123.1	124.7	125.0	123.9	124.5	124.5
5. Clothing, footwear and bedding, etc.	10.5	117.8	119.5	121.9	121.9	120.3	122.0	122.7
6. Transport and communication	10.0	110.3	111.6	112.8	113.3	112.0	113.0	112.2
7. Medical care	3.0	121.9	124.4	129.1	136.4	128.0	140.6	140.4
8. Education	2.9	113.0	113.9	115.5	115.6	114.5	118.7	119.4
9. Miscellaneous	6.4	122.7	124.7	126.6	128.0	125.5	129.9	130.8
ALL GROUPS	100.0	120.5	121.1	122.9	123.9	122.1	124.3	124.6

3. The net contribution of the main commodities which have affected the index from the beginning of April to the end of June 1986 is shown on Table 3. below. The most important change during this period was the downward revision of the price of **Kerosene** and cooking gas which alone caused the index to fall by 0.2 point.

Table 3 - Change in Consumer Price Index by commodity during  
the second quarter of 1986

<u>Commodity</u>	<u>Change</u>
Pulses	- 0.1
Frozen beef	+ 0.1
Frozen mutton	- 0.1
Fresh vegetables	+ 0.1
Petroleum products	- 0.2
Other goods and services	+ 0.1
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Total	- 0.1
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4. Rate of Inflation

The current annual rate of inflation for financial year 1985-86 is 4.3%, which is the lowest rate registered since financial year 1971-72 when it was 3.2%. This rate was 8.3% for financial year 1984-85 and 6.7% for calendar year 1985.

With current price trends and price decreases of medicinal products becoming operational shortly, the rate of inflation for calendar year 1986 is expected to be around 2.5%.

Table 4 - Inflation Rate (%), 1975 - 1986

<u>Calendar Year</u>	<u>Inflation Rate</u>	<u>Financial Year</u>	<u>Inflation Rate</u>
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	2.5 <sup>1/</sup>	1985 - 86	4.3

<sup>1/</sup> Forecast

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