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MAURITIUS

CONSUMER PRICE INDEX 1988

1. Movements in the Consumer Price Index in 1988

After two years of remarkable price stability in 1986 and 1987, when the average level of prices had increased by only 1.8 and 0.6% respectively, the year 1988 has witnessed a substantial upward movement in prices. The Consumer Price Index which measures changes in the average level of prices has increased from 100.1 in 1987 to 109.3 in 1988, representing an annual increase of 9.2% (Table 1).

The upward price movement started in April 1988 and accelerated during the following months up to October 1988, with peaks in June and July. However this trend was reversed in the last two months of the year when a marginal decrease of 0.1 point in the index was noted in November followed by a more substantial decrease of 1.3 points in December.

The main causes for price increases in 1988 were:

- (i) the upward revision of prices of certain basic commodities such as rice, flour, bread in April and edible oil in July as a result of higher prices for these on the world market as well as a rise in the exchange rate of the dollar,
- (ii) higher rates of excise duties on alcoholic beverages and tobacco that came into force in June,
- (iii) increase in tariffs for water charges (May) and bus fares (August),
- (iv) adverse climatic conditions which pushed up the prices of fresh vegetables, fruits and fish during the first ten months of the year.

2. Changes by group and commodity

Table 2 shows the evolution of the quarterly indices in 1988, and the yearly indices in 1987 and 1988 by major commodity group. The highest increase, more than 20% between 1987 and 1988, is observed in the "Alcoholic beverages and tobacco" group followed by "Miscellaneous goods and services" which includes alcoholic beverages consumed in bars and restaurants. "Food and non alcoholic beverages" the most important group in the index, has advanced by about 12% from 101.5 in 1987 to 113.4 in 1988. "Medical care and health expenses" has also increased by about 12% while "Housing and household operations" and "Transport and Communication" have increased moderately by about 8%. The remaining groups have shown slight or marginal decreases.

The net contributions of the main commodities that have affected the index in 1988 are shown in Table 3 while Table 4 shows the percentage change in prices of commodities that have had the highest incidence on the index in 1988.

Prices of rice and flour were revised upwards by 40% in April 1988 and have caused the index to rise by 1 and 0.3 point respectively. Price increases of bread and flour products which have followed that of flour have jointly contributed 0.7 point to the rise in the index. The price of edible oil also went up by 35% in July and produced a 0.6 point rise in the index.

Consequent upon the upward revision of excise duties on alcoholic beverages and cigarettes in June, prices of these commodities shot up by about 30 and 50% respectively and were responsible for a 1.7 and 1.5 point increase in the index.

Tariffs for water charges were revised by about 25% while higher tariffs (+ 30%) for bus fares became operational in August. The impact of these measures on the CPI was 0.4 point and 1.4 points respectively.

Prices of fresh vegetables climbed considerably between July and October 1988 and in spite of decreases in other months, have contributed 1.1 points to the rise in the index during the year.

3. Rate of Inflation

After two years of relatively low inflation rates in 1986 and 1987, when they were respectively 1.8 and 0.6%, the rate of inflation in 1988 has increased substantially to 9.2% (Table 5).

On the present trend, it is estimated that the rate of inflation for the current financial year will be around 15% as compared with 0.7 and 1.5% for 1986/87 and 1987/88 respectively.

4. Purchasing power of the Rupee

The rate of inflation determines the purchasing power of the rupee. After two years of low inflation rate in 1986 and 1987 when the purchasing power of the Rupee remained almost stationary, in 1988 it has declined by around 9% (Table 6).

Central Statistical Office
Rose Hill

January 1989

Table I - Monthly Consumer Price Index (January 1985 - December 1988)

	Base : January - June 1982 = 100			Base : July 1986 - June 1987=100	
	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1987</u>	<u>1988</u>
January	119.1	124.0	123.7		102.4
February	120.7	124.2	125.0		101.7
March	121.7	124.7	127.3		101.4
April	121.0	124.6	124.7		103.1
May	121.1	124.5	125.8		103.8
June	121.2	124.6	126.1		107.2
July	121.9	124.8		99.8	110.7
August	122.7	125.5		99.1	113.8
September	124.2	124.3		99.2	116.3
October	124.2	124.0		99.8	117.5
November	124.0	123.1		100.2	117.4
December	123.6	123.6		100.3	116.1
Yearly average	<u>122.1</u>	<u>124.3</u>		<u>100.1</u>	<u>109.3</u>
Annual change(%)	6.7	1.8		0.6	9.2

Table 2 - Sub-indices by major commodity group (Base : July 1986 - June 1987 = 100)

Major Commodity Group	1987					1988				
	Yearly Average	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.	Yearly Average	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.
1. Food and non-alcoholic beverages	101.5	104.9	107.5	118.5	122.7	113.4	104.9	107.5	118.5	122.7
2. Alcoholic beverages and tobacco	100.4	100.7	112.7	136.9	137.2	121.9	100.7	112.7	136.9	137.2
3. Clothing and footwear	95.8	92.0	92.9	97.3	99.8	95.5	92.0	92.9	97.3	99.8
4. Fuel and light	99.9	99.5	99.5	99.9	100.1	99.8	99.5	99.5	99.9	100.1
5. Housing and household operations	99.8	101.9	105.1	108.9	114.6	107.6	101.9	105.1	108.9	114.6
6. Medical care and health expenses	104.2	115.0	116.3	118.2	120.4	117.5	115.0	116.3	118.2	120.4
7. Transport and Communication	100.1	100.6	101.7	113.2	118.5	108.5	100.6	101.7	113.2	118.5
8. Recreation, entertainment, education and cultural services	93.2	90.6	90.9	92.0	90.7	91.0	90.6	90.9	92.0	90.7
9. Miscellaneous goods and services	99.6	104.6	109.0	118.8	121.2	113.4	104.6	109.0	118.8	121.2
All Groups	100.1	101.8	104.7	113.6	117.0	109.3	101.8	104.7	113.6	117.0

Table 3 - Net contributions of main commodities affecting the index in 1988

<u>Commodity</u>	<u>Change in index points</u>
Bread	+ 0.5
Rice	+ 1.0
Flour	+ 0.3
Flour preparations	+ 0.2
Cakes and snacks	+ 0.4
Fresh beef	+ 0.1
Frozen beef	+ 0.1
Frozen mutton	+ 0.5
Fresh goat	+ 0.1
Fresh fish	+ 0.4
Frozen fish	+ 0.1
Salted fish	- 0.1
Powdered milk	+ 0.8
Cheese	+ 0.1
Eggs	+ 0.1
Edible oil	+ 0.6
Butter, margarine and ghee	+ 0.1
Fresh fruits	+ 0.4
Fresh vegetables	+ 1.1
Dried vegetables	+ 0.1
Soft drinks	+ 0.1
Other food products	+ 0.7
Alcoholic beverages	+ 1.7
Cigarettes	+ 1.5
Textile goods	+ 0.7
Rent of dwellings	+ 0.2
Water charges	+ 0.4
Household appliances, household durable goods, etc.	+ 0.5
Domestic Services	+ 0.2
Medicinal products	+ 0.1
Motor vehicle spare parts and repairs	+ 0.1
Bus fares	+ 1.4
Taxi fares	+ 0.2
Television and video sets	- 0.1
School requisites	+ 0.1
Other goods and services	+ 1.1
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	+ 15.8
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Table 4 - Price changes of some commodities affecting the Consumer Price Index in 1988

<u>Commodity</u>	<u>Percentage change in price</u>
Bread	+ 20.3
Rice	+ 40.0
Flour	+ 40.0
Flour preparations	+ 14.2
Cakes and snacks	+ 23.2
Frozen mutton	+ 28.1
Fresh fish	+ 26.2
Powdered milk	+ 32.3
Edible oil	+ 37.2
Fresh fruits	+ 17.4
Fresh vegetables	+ 14.3
Alcoholic beverages	+ 29.6
Cigarettes	+ 50.9
Textile goods	+ 12.7
Water charges	+ 22.8
Bus fares	+ 28.4

Table 5 - Inflation rate (%), 1975 - 1988

<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	1.8	1985 - 86	4.3
1987	0.6	1986 - 87	0.7
1988	9.2	1987 - 88	1.5

Table 6 - Internal purchasing power of the rupee (1962 - 1988)

	EROSION OF PURCHASING POWER										
	1962	1970	1980	1981	1982	1983	1984	1985	1986	1987	1988
1962	100	83.8	21.6	18.9	17.0	16.1	15.0	14.1	13.9	13.8	12.6
1970	119.3	100	25.7	22.4	20.1	19.0	17.7	16.6	16.3	16.2	14.8
1980	463.2	388.3	100	87.3	78.4	74.2	69.2	64.9	63.8	63.4	58.1
1981	530.4	444.6	114.5	100	89.8	85.0	79.2	74.2	72.9	72.5	66.4
1982	590.9	495.3	127.6	111.4	100	94.7	88.3	82.8	81.3	80.8	74.0
1983	624.0	523.0	134.7	117.6	105.6	100	93.2	87.3	85.8	85.3	78.1
1984	669.6	561.2	144.5	126.2	115.3	107.3	100	93.7	92.0	91.4	83.7
1985	714.5	598.8	154.2	134.7	120.9	114.5	106.7	100	98.2	97.6	89.4
1986	727.4	609.6	157.0	137.1	123.1	116.6	108.6	101.8	100	99.4	91.0
1987	731.8	613.3	157.9	137.9	123.8	117.3	109.3	102.4	100.6	100	91.6
1988	799.1	669.7	172.4	150.6	135.2	128.1	119.4	111.8	109.9	109.2	100

EQUIVALENT PURCHASING POWER