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CONSUMER PRICE INDEX - 1st QUARTER 1989

1. Movements in Consumer Price Index - 1st Quarter 1989

During the first quarter of 1989, the Consumer Price Index (C.P.I) increased moderately by 2.4 points or 2.1% from 116.1 in December 1988 to 118.5 in March 1989 (Table 1). It might be noted that during the corresponding quarter of 1987 and 1988 the C.P.I. had increased by 3 and 1.1% respectively.

Table 1 - Monthly Consumer Price Index (July 1987 - March 1989)

Base : July 1986 - June 1987 = 100

	<u>1987</u>	<u>1988</u>	<u>1989</u>
January		102.4	116.8
February		101.7	118.6
March		101.4	118.5
April		103.1	
May		103.8	
June		107.2	
July	99.8	110.7	
August	99.1	113.8	
September	99.2	116.3	
October	99.8	117.5	
November	100.2	117.4	
December	100.3	116.1	

2. Changes by group and commodity

Table 2 shows the evolution of the quarterly indices by major commodity group.

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

Major Commodity Group	% Weight	1 9 8 8				Yearly Average	1989 1st Quarter
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter		
1. Food and non-alcoholic beverages	41.9	104.9	107.5	118.5	122.7	113.4	122.2
2. Alcoholic beverages and tobacco	7.2	100.7	122.7	136.9	137.2	121.9	137.5
3. Clothing and footwear	8.4	92.0	92.9	97.3	99.8	95.5	101.1
4. Fuel and light	5.7	99.5	99.5	99.9	100.1	99.8	100.1
5. Housing and household operations	13.5	101.9	105.1	108.9	114.6	107.6	118.1
6. Medical care and health expenses	3.0	115.0	116.3	118.2	120.4	117.5	122.4
7. Transport and communication	9.3	100.6	101.7	113.2	118.5	108.5	119.4
8. Recreation, entertainment, education and cultural services	6.0	90.6	90.9	92.0	90.7	91.0	96.9
9. Miscellaneous goods and services	5.0	104.6	109.0	118.8	121.2	113.4	122.3
All Groups	100.0	101.8	104.7	113.6	117.0	109.3	118.0

The highest increase is noted in the "Recreation, entertainment, education and cultural services" group which increased by 6.8% from 90.7 in the last quarter of 1988 to 96.9 in the first quarter of 1989. This increase which is mainly attributable to price increases of school requisites and educational services in January 1989 has had a slight incidence on the overall index due to the small relative importance of this group in the index. Moderate increases in prices of laundry soap and construction materials have pushed the index of "Housing and household operations" upwards by 3.1% from 114.6 to 118.1.

On the other hand the index of the most important group in the index "Food and non-alcoholic beverages" has declined marginally by 0.4% between the two quarters. This, however, reflects the net effect of rising prices of several commodities such as fresh fruits, powdered milk, meat, fish and eggs on the one hand and contrary price movements of fresh vegetables on the other.

The remaining groups have increased slightly or have remained stable.

During the first quarter of 1989, the index has been affected by price changes of the commodities shown in Table 3. The impact of these changes on the movement of the index is also given in the table.

Table 3 - Change in Consumer Price Index by commodity during the first quarter of 1989

<u>Commodity</u>	<u>Change in index points</u>
Fresh meat	+ 0.1
Frozen beef	+ 0.1
Frozen mutton	+ 0.1
Fresh fish	+ 0.1
Powdered milk	+ 0.4
Eggs	+ 0.2
Margarine and ghee	+ 0.1
Fresh fruits	+ 0.4
Fresh vegetables	- 0.5
Cigarettes	+ 0.1
Construction materials	+ 0.1
Laundry soap	+ 0.2
Motor vehicle repairs	+ 0.1
Preprimary education services	+ 0.1
Private tuition	+ 0.2
School requisites	+ 0.1
Other goods and services	+ 0.5
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T O T A L	+ 2.4
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The price of powdered milk which increased by more than 10% in January 1989 has affected the index adversely by 0.4 point while successive price increases of fresh fruits in January, February and March have also caused the index to rise by 0.4 point. The resultant effect of price changes of fresh vegetables during the first quarter shows a decrease of 0.5 point in spite of substantial price increases of this commodity in February, following the passage of cyclone "Firinga". There has also been moderate increases in the prices of other food products such as meat (0.3 point), fish (0.1 point) and eggs (0.2 point).

Increases in prices of educational services have jointly contributed 0.4 point to the rise in the index during the first quarter of this year, while the combined effect of price increases of construction materials and laundry soap have caused the index to rise by 0.3 point.

3. Rate of inflation

The current annual rate of inflation for the twelve months ending March 1989 works out to 12.7% compared to 0.6% for the corresponding twelve months ending March 1988. This rate was 1.5% for financial year 1987-88 and 9.2% for calendar year 1988 (Table 4).

The rate of inflation for the current financial year forecast at around 15% in January 1989 is maintained.

Table 4 - 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

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