

CONSUMER PRICE INDEX

July - September 2007

1. Introduction

This issue of Economic and Social Indicators presents the Consumer Price Index (CPI) for the months of July to September 2007.

A new CPI series, based on an updated basket of goods and services derived from the 2006/07 Household Budget Survey, has been introduced as from July 2007. The base period is July 2006 to June 2007. Henceforth, all monthly CPI figures will refer to this new base period.

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 – July to September 2007.

The Consumer Price Index, which stood at 103.7 in July 2007, registered a net increase of 1.6 points (or 1.5%) to reach 105.3 in September 2007 (*Table 1*).

On a monthly basis, the index rose by 0.4 point in August and by 1.2 points in September.

Table 2 shows the net contribution of the main commodities that influenced the CPI from July to September 2007. The main causes for the increase were:

- higher rates for electricity charges in September, and
- higher prices for food products including those consumed in bars and restaurants.

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 period July to September 2007.

The “*Food and non-alcoholic beverages*” sub-index increased by 1.5% mainly as a result of higher prices of milk and milk preparations (2.9%), trader’s rice (3.2%), fish (3.0%), fruit juice (9.0%), and pulses (5.7%).

The sub-index for “*Alcoholic beverages and tobacco*” went up by 4.1%. This was largely attributable to price increases of cigarettes (9.4%) on 17 July 2007 and, beer and stout (5.8%).

The “*Clothing and footwear*” sub-index registered an increase of 0.9% mainly due to higher prices of some ready-made garments (0.9%).

The sub-index for “*Housing, water, electricity, gas and other fuels*” increased by 3.8% due to higher rates for electricity (13.7%) as from 1 September 2007.

The sub-index for “Furnishings, household equipment and routine household maintenance” increased by 1.1% mainly as a result of price increases of some washing materials and softeners (1.7%), and higher rates for domestic services (1.5%).

The sub-index for “*Health*” rose by 4.9% mainly due to higher charges for clinic (15.4%).

The sub-index for “Transport” decreased by 0.8%. This was mainly due to lower prices of motor vehicles (2.0%) as well as price decreases of air tickets (1.8%).

The sub-index for “*Communication*” decreased by 0.2%. in the third quarter of 2007 due to decline in the price of some mobile phones (9.1%).

The sub-index for “*Restaurants and hotels*” registered an increase of 2.3% mainly as a result of higher charges for food and drinks in bars and restaurants (2.4%).

The sub-index for “*Miscellaneous goods and services*” increased by 1.3%, mainly attributable to price increases of some goods for personal care and hygiene (2.1%).

The sub-indices for “*Recreation and culture*” and “*Education*” remained unchanged from July to September 2007.

4. Comparison with previous series

The new CPI series is not strictly comparable with the previous series based on the 2001/02 Household Budget Survey because of different consumption patterns of households. If needed, a rough comparison with the previous series can be made by multiplying the new index by the factor 1.3426.

5. Rate of inflation

The inflation rate for calendar year 2006 was 8.9% and that for financial year 2006/07 was 10.7% (*Table 4*). On the basis of trends in previous years and recent price changes, the inflation rate for calendar year 2007 is estimated at around 8.8%.

Note :

- (i) This publication is available on our website <http://statsmauritius.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 2003 - September 2007

<i>Month</i>	<i>(Base : July 2001 - June 2002 = 100)</i>					<i>(Base : July 2006 - June 2007 = 100)</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2007</i>
January	105.5	109.7	116.1	123.1	133.9	
February	105.7	110.1	116.7	123.5	134.9	
March	105.6	110.1	117.1	124.2	136.1	
April	105.8	110.4	117.1	124.0	137.5	
May	106.5	110.7	117.2	124.3	138.1	
June	106.9	111.3	117.3	126.2	138.8	
July	107.5	112.5	118.0	129.9		103.7
August	107.4	112.7	118.0	130.9		104.1
September	107.9	113.1	117.3	131.7		105.3
October	108.3	114.6	118.2	132.3		
November	108.4	114.7	118.8	133.3		
December	108.9	115.0	119.5	133.7		
Yearly average	107.0	112.1	117.6	128.1		
<i>Annual change (%)</i> <i>(Inflation rate)</i>	+3.9	+ 4.7	+ 4.9	+ 8.9		

Table 2 - Net contribution of main commodities that affected the index between July and September 2007

Commodity	Change in overall index point	% change in price index between July & September 2007
Trader's rice	+0.1	+3.2
Milk and milk preparations	+0.1	+2.9
Fish	+0.1	+3.0
Other food products	+0.2	+0.9
Cigarettes	+0.2	+4.6
Beer & stout	+0.1	+5.8
Electricity	+0.5	+13.7
Clinic fees	+0.1	+15.4
Motor vehicles	-0.1	-2.0
Food and drinks in bars and restaurants	+0.1	+2.4
Goods for personal care and hygiene	+0.1	+2.4
Other goods & services	+0.1	+0.4
Total	+1.6	+1.5

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

Division	Description	Weight	July 2007	August 2007	September 2007	% change between July & September 2007
01	Food and non-alcoholic beverages	286	106.7	107.2	108.3	+ 1.5
02	Alcoholic beverages and tobacco	92	103.1	105.3	107.3	+ 4.1
03	Clothing and footwear	51	102.8	103.4	103.7	+ 0.9
04	Housing, water, electricity, gas and other fuels	131	101.3	101.3	105.1	+ 3.8
05	Furnishings, household equipment and routine household maintenance	64	103.9	104.4	105.0	+ 1.1
06	Health	30	101.4	104.9	106.4	+ 4.9
07	Transport	147	102.8	102.0	102.0	- 0.8
08	Communication	36	100.2	100.1	100.0	- 0.2
09	Recreation and culture	48	100.7	100.7	100.7	-
10	Education	32	102.7	102.7	102.7	-
11	Restaurants and hotels	43	103.6	104.2	106.0	+ 2.3
12	Miscellaneous goods and services	40	104.6	105.3	106.0	+ 1.3
Total		1,000	103.7	104.1	105.3	+ 1.5

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
2007	Around 8.8 ¹	2006 - 2007	10.7

¹ Forecast

Technical note

1. Methodology used for the computation of the Consumer Price Index

(Base July 2006 – June 2007 = 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 2006/07 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, 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, 43 groups and 84 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 7,800 price quotations are collected in respect of 1,080 item indicators from some 400 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, Q.Bornes, Vacoas, Mahebourg, Flacq, Goodlands, Pamplemousses and Port Mathurin.

Information on rent is obtained from a quarterly rent survey of some 100 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 2006 to June 2007, 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 2006/07 and updated CPI” [<http://www.gov.mu/portal/goc/cso/ei664/toc.htm>]