

Quarterly Index of Industrial Production (QIIP)

Second Quarter 2012

1. Introduction

The Index of Industrial Production shows the evolution of the volume of output of the Industrial Sector which covers “Mining and quarrying”, “Manufacturing” and “Electricity, gas and water supply” and accounts for around 20% of Gross Domestic Product (GDP). The index compiled on a quarterly basis is one of the most important industrial short-term indicators, which aims at measuring, on a quarterly basis, the changes in the volume of industrial output.

The industrial classification used in this issue is the National Standard Industrial Classification (NSIC 1) based on the International Standard Industrial Classification (ISIC), Rev. 3. As from the next issue, the Index of Industrial Production will be published using the NSIC Rev. 2, based on ISIC Rev. 4.

This issue of “Economic and Social Indicators” presents the quarterly indices for the first quarter of 2008 to second quarter of 2012 with weights based on the results of the 2007 Census of Economic Activities.

The indices are given separately for the three sections, namely, “Mining and quarrying”, “Manufacturing” and “Electricity, gas and water supply”. Within “Manufacturing”, estimates by broad group, namely Export Oriented Enterprises (EOE), Non-EOE and “Sugar milling” as well as by main industrial grouping are given. Wherever possible, the annual averages of the quarterly indices have been worked out and included in the tables. It is to be noted that, due to incomplete data, indices for the Second quarter of 2012 are provisional and published at section and broad group level only. They are therefore subject to revision in future issues of the Economic and Social Indicators of QIIP.

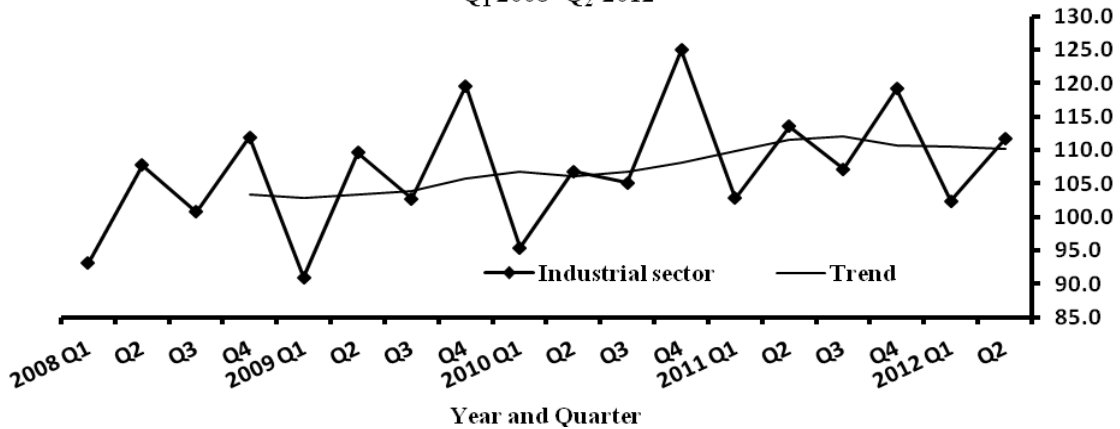
The published indices are not seasonally adjusted. The user is therefore advised to base comparisons for a particular quarter of a year on the corresponding quarter of the previous year.

The objectives of the QIIP, data sources and methodology used in the compilation of the index as well as the limitations of the index are given at annex.

2. The overall index - Industrial Sector

In the second quarter of 2012 the overall index of industrial production grew by 9.1% compared to the previous quarter, and declined by 1.6% compared to the corresponding quarter of 2011. In the year ending second quarter 2012, i.e. third quarter 2011 to Second quarter 2012 real industrial output went down by 1.3% compared to the corresponding period a year before. The above decline is explained by a contraction of 1.8% in “Manufacturing” partly offset by expansions in “Mining and quarrying” (+4.6%) and “Electricity, gas and water supply” (+2.4%). Within “Manufacturing”, “Export Oriented Enterprises (EOE)” and “Sugar milling” grew by 0.9% and 0.5% respectively; however the “Non-EOE” sector contracted by 4.4%.

Chart 1 : Industrial sector - Quarterly index of industrial Production, Q₁ 2008 -Q₂ 2012

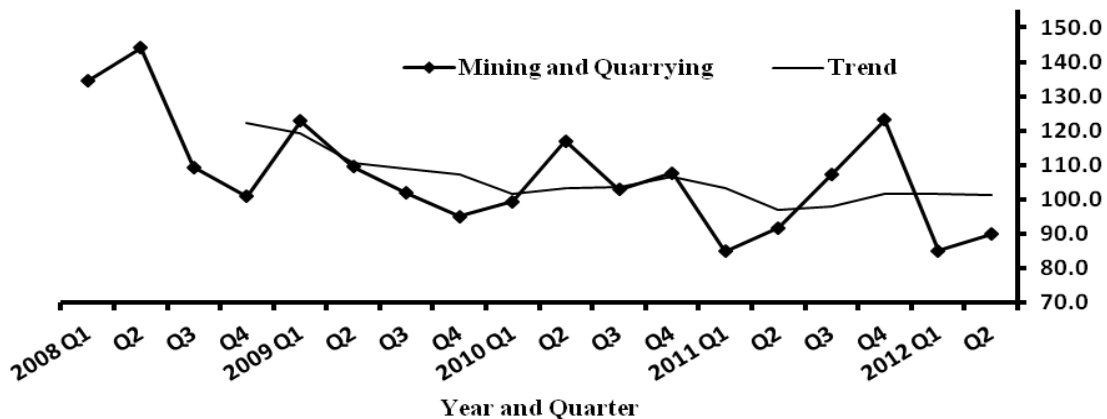


3. Changes by section

3.1 Mining and quarrying

“Mining and quarrying” is restricted to activities relating to quarrying of decorative stones, sand and salt extraction and represents only 0.2% of the output of the industrial sector. In the second quarter of 2012, real output increased by 5.7% compared to the previous quarter and decreased by 2.0% compared to the corresponding quarter of 2011. In the year ending second quarter of 2012, real output went up by 4.6% (Table 1).

Chart 2 : Mining and Quarrying - Quarterly index of industrial Production, Q₁ 2008 - Q₂ 2012



3.2 Manufacturing

Manufacturing output, which covers the production of a wide range of goods, represented 90% of the output of the industrial sector in 2011. For analysis purposes, “Manufacturing” is broken down into the following broad groups:

- Sugar milling representing around 2% of manufacturing output
- EOE (36%)
- Non-EOE (62%)

Chart 3 : Manufacturing - Quarterly index of industrial production, Q₁ 2008 - Q₂ 2012

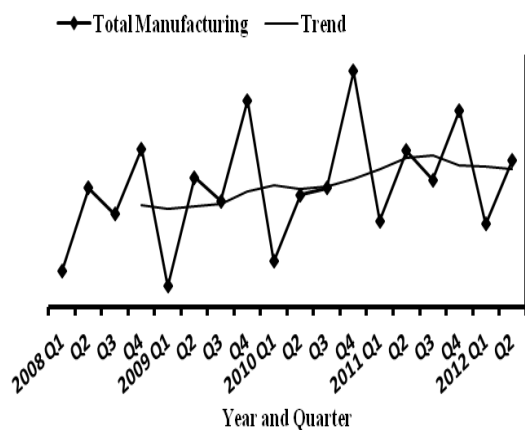
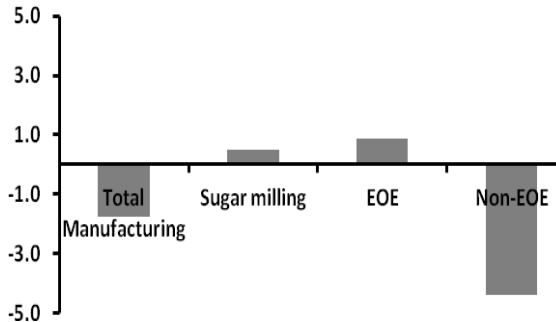


Chart 4 : % growth in manufacturing output in year ending 2nd quarter 2012

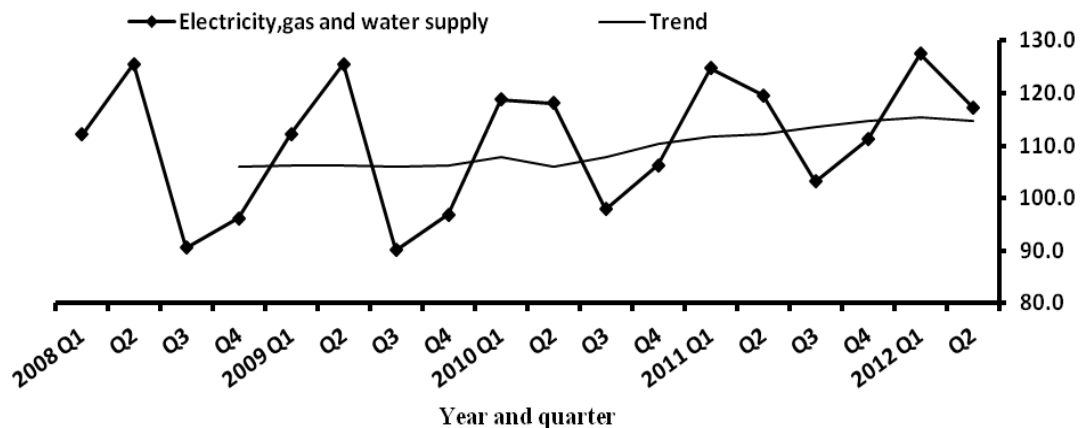


Manufacturing output in the second quarter of 2012 grew by 11.4% compared to the previous quarter, and receded by 1.5% compared to the corresponding quarter of 2011 (Table1). In the year ending second quarter 2012, real output went down by 1.8%. This is explained by a decrease of 4.4% in the “Non EOE” sector, partly offset by increases of 0.5% and 0.9% in “Sugar Milling” and “EOE” respectively. The performances of the EOE and the Non-EOE excluding “Sugar Milling” by detailed industry group up to first quarter 2012 are analysed separately in Section 4.

3.3 Electricity, gas and water supply

“Electricity, gas and water supply” accounts for around 9.6% of the output of the industrial sector. In the second quarter of 2012, real output of this sector receded by 8.0% compared to the previous quarter and by 1.9% when compared to the corresponding quarter of 2011. In the year ending second quarter of 2012, it is estimated to have moved up by 2.4% (Table 1).

Chart 5 : Electricity, gas and water supply - Quarterly index of industrial production, Q₁ 2008 - Q₂ 2012

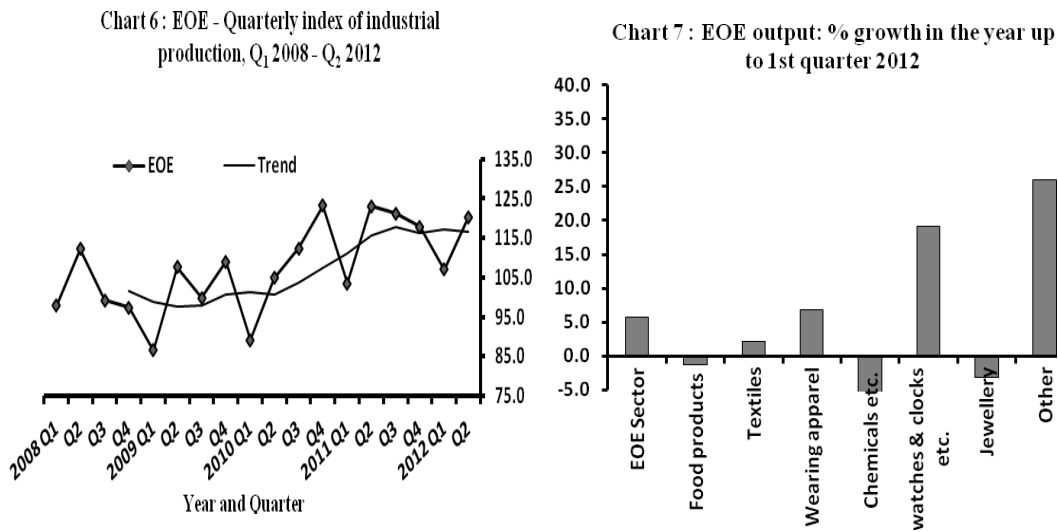


4. Changes by broad group

4.1 EOE

Real output of the EOE increased by 12.4% in the second quarter of 2012 compared to the first quarter of 2012 while when compared to the corresponding quarter of 2011, it went down by 2.4%. In the year ending second quarter of 2012, output in the EOE grew by 0.9% (Table 1).

Indices by main industrial grouping for the second quarter of 2012 are not available. However, an indication of the annual performance at this level can be obtained by comparing the detailed quarterly indices available for year ending first quarter 2012 to those for year ending first quarter 2011 (Table 3). Real output of “Wearing apparel”, the most important industrial grouping within the EOE, and that of “Textiles” increased by 6.8% and 2.2% respectively. These two sub-groups account for 72.7% of the total weight allocated to the EOE. Positive growths have been observed for “Optical instruments, watches and clocks” (+19.2%), whereas the production of “Food products”, “Chemicals and man-made fibres” and “Jewellery” declined by 1.3%, 14.3% and 3.1% respectively. The positive growth of 26.1% noted in the production of “Other manufacturing” is mainly explained by increase in the production of “Paper products and printing” and also in “Furniture”. Details of changes at sub-group level are shown in Chart 7.



4.2 Non-EOE excluding “Sugar milling”

Provisional estimate of the real output of Non-EOE establishments shows an increase of 10.0% in the second quarter of 2012 compared to the previous quarter and a decrease of 0.8% compared to the corresponding quarter of 2011. In the year ending second quarter of 2012, the index receded by 4.4% (Table 1).

An indication of the annual performance at sub-group level is obtained by comparing the detailed quarterly indices available for year ending first quarter 2012 to those for year ending first quarter 2011 (Table 4). Increases were registered in “Beverages” (+5.1%), “Publishing and printing” (+3.3%), “Chemicals and man-made fibres” (+5.4%), and “Other manufacturing” (+2.4%). Decreases were noted in “Food products excluding sugar” (-8.9%), “Textiles” (-5.6%), “Wearing Apparel” (-4.0%), “Non-metallic mineral products” (-23.7%), “Basic metals and metal products” (-8.7%) and “Furniture” (-22.0%) as illustrated in chart 9.

Chart 8 : Non EOE excl. "sugar milling" - Quarterly index of industrial production, Q₁ 2008 - Q₂ 2012

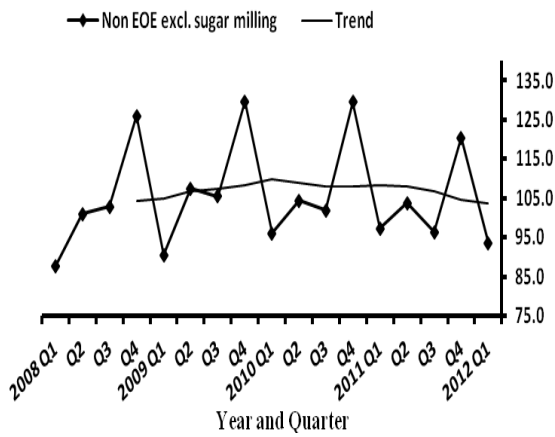
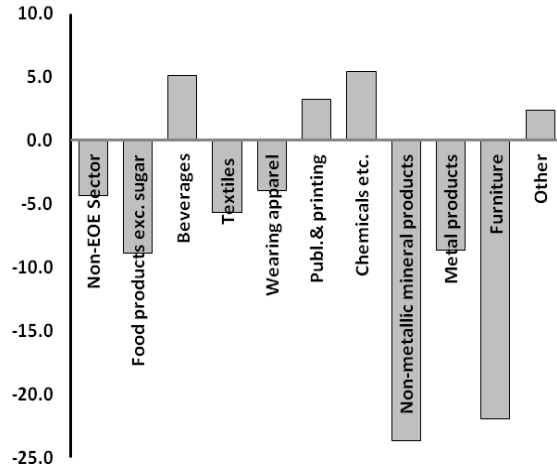


Chart 9 : Non-EOE output: % growth in the year up to 1st quarter 2012



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Table 1: Index of industrial production by section - annual and quarterly indices, Q₁ 2008 to Q₂ 2012

Year 2007 = 100

	Industrial sector	Mining and quarrying	Manufacturing				Electricity, gas and water supply	
			Total	Total exc. sugar milling	Sugar milling ¹	EOE	Non-EOE	
NSIC Rev. 3	10 - 37, 40, 41	10 - 14	15 - 37	15-37 exc. 1542	1542	15 - 37	15 - 37	40, 41
Weight	1000	2	924	898	26	397	501	74
Annual								
2008	103.4	122.2	103.1	103.1	103.5	101.7	104.3	106.1
2009	105.8	107.3	105.7	105.4	119.0	100.8	108.3	106.2
2010	108.1	106.7	107.9	107.7	114.2	107.4	108.0	110.2
2011	110.7	101.7	110.3	110.1	118.5	116.4	104.5	114.7
Quarterly								
2008 Q1	93.1	134.5	91.5	92.1	72.7	97.8	87.5	112.1
Q2	107.7	144.2	106.2	106.0	114.4	112.2	101.1	125.6
Q3	100.8	109.4	101.6	101.2	114.0	99.3	102.8	90.6
Q4	112.0	100.8	113.3	113.3	112.8	97.4	125.9	96.1
2009 Q1	91.0	122.8	88.9	89.0	83.6	86.6	90.5	112.2
Q2	109.7	109.5	108.1	107.5	131.6	107.6	107.5	125.6
Q3	102.8	101.9	104.0	103.3	131.1	99.8	105.5	90.1
Q4	119.6	95.1	121.9	121.7	129.8	109.0	129.7	96.9
2010 Q1	95.4	99.4	93.2	93.5	80.2	89.1	96.1	118.8
Q2	106.8	116.9	105.0	104.6	126.2	104.9	104.4	118.0
Q3	105.1	102.9	106.2	105.8	125.8	112.3	101.9	97.9
Q4	124.9	107.7	127.0	127.1	124.5	123.2	129.5	106.3
2011 Q1	102.8	84.9	100.4	100.7	83.2	103.4	97.3	124.7
Q2	113.6	91.7	112.9	112.6	131.0	123.1	103.8	119.6
Q3	107.2	107.2	107.7	107.2	130.5	121.3	96.4	103.2
Q4	119.2	123.1	120.1	119.9	129.2	117.8	120.4	111.2
2012 Q1	102.4	85.0	99.8	100.2	80.5	106.9	93.6	127.5
Q2	111.7	89.9	111.2	110.9	126.7	120.2	103.0	117.3
% change, latest quarter over: ¹								
previous quarter	9.1	5.7	11.4	10.6	57.4	12.4	10.0	-8.0
same quarter a year ago	-1.6	-2.0	-1.5	-1.5	-3.3	-2.4	-0.8	-1.9
% growth in output in the year ending: ¹								
2nd quarter 2012	-1.3	4.6	-1.8	-1.8	0.5	0.9	-4.4	2.4

¹ Provisional

Table 2: Index of industrial production by main industrial grouping - manufacturing, Q, 2008 to Q, 2012

Year 2007 = 100

	Main industrial grouping									
	Total manufacturing	Food products inc. sugar	Beverages	Textiles	Wearing apparel	Publishing and printing	Chemicals and man-made fibres	Non-metallic mineral products	Basic metals and metal products	Other
NSIC Rev. 3	15 - 37	151 - 154	155	17	18	22	23 - 25	26	27, 28	19 - 21, 29 - 37
Weight	1000	213	111	59	296	42	60	43	49	127
Annual										
2008	103.1	108.8	104.5	93.3	101.5	106.2	109.3	97.1	101.4	99.7
2009	105.7	116.6	103.7	75.0	105.6	112.1	106.3	89.9	101.3	105.8
2010	107.9	120.4	109.6	79.7	103.6	119.2	107.3	97.8	102.0	104.5
2011	110.3	112.8	118.6	92.0	110.9	120.1	109.0	84.9	101.7	110.5
Quarterly										
2008 Q1	91.5	92.9	88.3	93.3	95.0	88.1	94.9	83.6	84.1	88.0
Q2	106.2	103.5	96.8	110.8	110.2	104.8	108.8	104.8	109.5	106.1
Q3	101.6	118.2	96.2	85.2	95.1	98.7	108.0	94.3	105.0	100.3
Q4	113.3	120.7	136.5	83.8	105.6	133.1	125.6	105.9	106.9	104.5
2009 Q1	88.9	91.3	91.1	66.8	100.4	94.6	86.7	69.2	86.6	77.0
Q2	108.1	124.6	95.0	72.3	110.9	109.5	99.2	99.9	100.0	110.7
Q3	104.0	120.9	91.7	81.8	97.5	112.4	105.3	90.7	102.4	108.1
Q4	121.9	129.7	136.9	79.1	113.5	132.0	134.2	99.6	116.2	127.2
2010 Q1	93.2	104.8	90.9	67.0	90.6	115.8	92.1	82.2	91.0	86.3
Q2	105.0	125.0	102.4	90.1	91.3	124.3	106.7	107.3	98.2	98.0
Q3	106.2	119.6	99.6	73.5	110.2	102.4	97.4	91.2	100.5	106.7
Q4	127.0	132.1	145.4	88.3	122.2	134.1	132.8	110.3	118.2	127.0
2011 Q1	100.4	104.4	101.7	95.4	96.0	105.0	98.8	92.6	104.4	100.8
Q2	112.9	121.3	112.4	107.0	112.7	122.2	114.9	87.0	103.2	105.7
Q3	107.7	104.6	110.4	82.8	117.5	110.5	110.9	78.5	96.7	109.1
Q4	120.1	120.8	149.7	82.7	116.9	142.6	111.5	81.6	102.4	126.3
2012 Q1	99.8	110.6	108.4	79.3	98.3	112.4	93.0	59.5	89.7	98.4
% change, latest quarter over:										
previous quarter	-16.9	-8.5	-27.5	-4.1	-15.9	-21.2	-16.6	-27.1	-12.4	-22.1
same quarter a year ago	-0.6	5.9	6.6	-16.9	2.3	7.1	-5.9	-35.8	-14.1	-2.4
% growth in output in the year ending:										
1st Quarter 2012	0.4	-4.9	7.1	1.2	6.1	4.7	-1.3	-23.7	-7.0	1.6

Table 3: Index of industrial production by main industrial grouping - EOE, Q, 2008 to Q, 2012

Year 2007 = 100

	Main industrial grouping							
	EOE, Manufacturing	Food products	Textiles	Wearing apparel	Chemicals and man- made fibres	Optical instruments, watches & clocks	Jewellery	Other
NSIC Rev. 3	15 - 37	151 - 154	17	18	23 - 25	33	3691	19 - 22, 26 - 32, 34, 35,36 (Excl. 3691), 37
Weight	1000	133	118	638	16	18	25	52
Annual								
2008	101.7	107.5	93.4	101.4	127.3	122.0	111.2	89.3
2009	100.8	118.4	74.6	101.3	172.4	75.7	122.2	72.2
2010	107.4	137.4	79.4	103.1	152.5	70.6	147.1	90.7
2011	116.4	135.0	94.5	110.8	170.1	95.8	133.5	117.0
Quarterly								
2008 Q1	97.8	98.9	93.4	96.8	163.9	111.7	91.2	94.7
Q2	112.2	107.5	113.5	112.5	150.9	136.2	120.3	94.4
Q3	99.3	125.7	85.1	96.0	87.3	114.7	129.8	87.7
Q4	97.4	97.8	81.5	100.4	107.0	125.3	103.5	80.3
2009 Q1	86.6	76.9	67.3	96.8	108.2	75.8	61.0	61.5
Q2	107.6	138.0	73.5	111.9	102.5	94.4	80.0	68.4
Q3	99.8	129.8	83.7	95.9	173.3	57.8	116.7	67.6
Q4	109.0	128.5	73.8	100.7	305.5	74.8	231.2	91.3
2010 Q1	89.1	94.9	64.8	92.2	143.7	58.3	104.5	58.9
Q2	104.9	158.8	91.3	93.9	151.2	86.4	106.1	89.8
Q3	112.3	137.2	72.9	113.2	147.2	54.5	137.8	98.7
Q4	123.2	158.7	88.7	113.3	167.6	83.1	239.8	115.5
2011 Q1	103.4	116.0	100.0	97.3	213.9	103.7	90.2	100.3
Q2	123.1	147.9	111.0	115.5	227.0	98.7	96.0	114.2
Q3	121.3	132.7	85.6	119.3	148.4	82.9	136.7	127.6
Q4	117.8	143.5	81.5	111.3	91.2	97.9	211.2	126.0
2012 Q1	106.9	139.0	82.4	99.8	116.1	111.1	112.0	141.8
% change, latest quarter over:								
previous quarter	-9.2	-3.2	1.0	-10.4	27.4	13.4	-47.0	12.5
same quarter a year ago	3.4	19.8	-17.6	2.6	-45.7	7.1	24.2	41.4
% growth in output in the year ending:								
1st Quarter 2012	5.7	-1.3	2.2	6.8	-14.3	19.2	-3.1	26.1

Table 4: Index of industrial production by main industrial grouping - Non-EOE (exc. Sugar), Q, 2008 to Q, 2012

Year 2007 = 100

Main industrial grouping												
	Non-EOE, manufacturing	Food products exc. sugar	Beverages	Textiles	Wearing apparel	Publishing and printing	Chemicals and man-made fibres; Rubber & plastic Products	Non-metallic mineral products	Basic metals and metal products	Furniture	Other	
NSIC Rev. 3	15-37	151-154	155	17	18	22	24 & 25	26	27, 28	361	19 - 21, 29 - 37(excl 361)	
Weight	1000	234	205	14	41	70	99	79	82	85	91	
Annual												
2008	104.3	110.6	104.4	92.8	102.4	109.9	274.2	97.1	102.5	92.2	102.5	
2009	108.3	115.6	103.3	77.9	152.5	116.6	98.5	89.9	103.1	102.6	118.1	
2010	108.0	115.2	107.5	81.8	107.0	124.2	100.1	97.8	104.7	104.9	100.6	
2011	104.5	102.6	114.1	76.7	101.7	123.3	102.9	84.9	102.7	88.7	108.1	
Quarterly												
2008 Q1	87.5	94.7	88.4	92.7	72.6	83.9	220.8	83.6	84.8	86.6	84.0	
Q2	101.1	99.3	96.8	93.5	82.3	112.4	265.1	104.8	110.6	95.8	106.4	
Q3	102.8	115.8	96.2	86.0	84.0	104.5	283.2	94.3	105.3	87.4	104.9	
Q4	125.9	132.8	136.2	98.8	170.8	138.7	327.7	105.9	109.1	98.8	114.8	
2009 Q1	90.5	98.5	90.9	63.9	140.3	99.4	84.1	69.2	87.3	86.5	77.4	
Q2	107.5	118.0	94.6	65.1	99.8	115.5	98.8	99.9	100.9	90.9	145.9	
Q3	105.5	115.6	91.5	69.8	114.5	118.7	97.2	90.7	104.7	112.1	120.5	
Q4	129.7	130.1	136.1	112.8	255.4	133.0	113.8	99.6	119.7	121.0	128.6	
2010 Q1	96.1	111.6	90.5	81.4	78.3	120.8	83.9	82.2	94.7	96.1	81.5	
Q2	104.4	112.8	100.2	82.6	70.8	129.6	99.7	107.3	100.2	95.2	102.4	
Q3	101.9	112.5	96.8	77.7	87.5	106.6	89.6	91.2	102.5	109.0	106.4	
Q4	129.5	123.8	142.4	85.5	191.6	139.6	127.3	110.3	121.5	119.2	112.0	
2011 Q1	97.3	102.1	98.1	68.6	74.6	107.5	81.6	92.6	106.8	105.9	93.7	
Q2	103.8	108.8	109.1	82.9	72.7	125.2	98.2	87.0	104.0	79.5	114.2	
Q3	96.4	89.4	106.0	66.0	88.8	113.3	105.3	78.5	96.0	90.8	94.8	
Q4	120.4	110.1	143.2	89.6	170.9	147.2	126.3	81.6	104.1	78.7	129.7	
2012 Q1	93.6	102.6	101.5	58.2	75.2	113.5	90.0	59.5	89.4	85.9	85.6	
% change, latest quarter over:												
previous quarter	-22.2	-6.8	-29.1	-35.0	-56.0	-22.9	-28.8	-27.1	-14.2	9.1	-34.0	
same quarter a year ago	-3.8	0.6	3.5	-15.1	0.9	5.5	10.2	-35.8	-16.3	-18.9	-8.6	
% growth in output in the year ending :												
1st Quarter 2012	-4.4	-8.9	5.1	-5.6	-4.0	3.3	5.4	-23.7	-8.7	-22.0	2.4	

ANNEX

Quarterly Index of Industrial Production (QIIP) - Methodology

1 Introduction

The Index of Industrial Production shows the movement of the volume of output of the Industrial Sector. This index was calculated annually and published in the Digest of Industrial Statistics. Following the needs expressed by various institutions, both public and private, the Central Statistics Office decided to compile and disseminate the index on a quarterly basis. The compilation and dissemination of the Quarterly Index of Industrial Production is also one of the requirements of the International Monetary Fund (IMF) towards graduation to the Special Data Dissemination Standard (SDDS).

2 Objectives

The Quarterly Index of Industrial Production (QIIP) is one of the most important industrial short-term indicators which aim at measuring, on a quarterly basis, the ups and downs of the volume of industrial output with a special focus on detecting, as early as possible, the turning points of the business cycle. This enables planners, decision makers and the business community at large to be aware of any sign of change in the progress of the economy in order to take appropriate and timely policy measures.

At the office level, the index based on “hard” data, provides useful and reliable inputs for the improvement of the annual production estimates and forecasts as well as estimates of quarterly value added for the Industrial Sector.

3 Concept/Definition

The basic concept of the Index of Industrial Production is the measurement of the change in real value added at basic prices. Given that value added is defined as the difference between output and input, the compilation of the index, on a quarterly basis, is faced with practical difficulties in obtaining the data required on inputs and outputs within a reasonable period. In the absence of detailed data for most of the different industrial groups, an approximation of the index is based on change in deflated turnover, physical output or other indicators of change in real value added generated by industrial enterprises. The indicators used by main industrial grouping/sector are as follows:

Sector/Industrial grouping	Indicators used
Mining and quarrying	Value added deflated by appropriate deflators
Industry groups within manufacturing (excluding sugar milling)	Use of proxy indicators <ol style="list-style-type: none">Volume of productionEmploymentTurnover data deflated by appropriate deflators (for most of the industry groups)Consumption of raw materials

Sector/Industrial grouping	Indicators used
Sugar milling	Value added deflated using the double deflation method. However, until final data are obtained quarterly changes are based on proportions of the deflated annual estimate/forecast. The proportions are computed from the latest quarterly cost structure of milling activities (see sections 7 and 8).
Electricity, gas and water supply	Volume of sales as proxy indicator.

The deflators used are the following price indices at detailed level, wherever possible:

- i. Producer Price Index (PPI)
- ii. Export Price Index (EPI)
- iii. Consumers Price Index (CPI)
- iv. Import Price Index (IPI)
- v. Wage Rate Index (WRI)

4 Scope/Classification

The Quarterly Index of Industrial Production covers the Industrial Sector, which comprises:

- Mining and quarrying (NSIC Section C),
- Manufacturing (NSIC Section D), and
- Electricity, Gas and Water Supply (NSIC Section E)

The activity classification used is the National Standard Industrial Classification of Economic Activities (NSIC) which is compatible to ISIC Rev. 3 recommended by the United Nations. As regards Manufacturing, the index is compiled separately for the EOE and Non-EOE sectors. Non EOE sectors now comprises small and large establishments, while previous series covered only large establishments. Therefore the new series is not strictly comparable with those compiled previously. Output of small manufacturing establishments accounts for around 25% of total Non-EOE output.

5 Compilation practices

The weights have been derived (separately for EOE and Non-EOE within the manufacturing sector) from value added at basic prices by detailed industry group (mostly at 5-digit level of activity classification) compiled from the 2007 Census of Economic Activities. A representative sample has been selected from the CEA 2007 data which covers the whole manufacturing sector. The VAT turnover for the selected establishments is used to derive the index. The index is calculated for each of the lowest level of activity classification and aggregation to the broader level is done as a weighted arithmetic average of the lowest level indices. Under the new methodology the weights will be revised every year.

6 Data sources

As mentioned previously, use is extensively made of proxy indicators for the calculation of the index and one such indicator is deflated turnover data. Turnover data are mainly obtained

from the VAT (Value Added Tax) Department, which is a very important source of secondary data. The sources of data by industry are as follows:

Sector/Industrial grouping	Data sources
Mining and quarrying	<ul style="list-style-type: none"> • Survey of establishments • Deflators used: CPI
Industry groups within manufacturing (excluding sugar milling)	<ul style="list-style-type: none"> • Turnover data from VAT Department • Trade statistics • Quarterly Stock Survey • Quarterly Survey of Employment among EOE • Sales of excisable goods from the Mauritius Revenue Authority • Continuous Multipurpose Household Survey • Building permits statistics • Deflators used: PPI, EPI and IPI
Sugar milling	<ul style="list-style-type: none"> • Survey of establishments • Deflators used: PPI and CPI
Electricity, gas and water supply	Returns from CEB, CWA and Independent Power Producers (IPPs)

7 Problems/Constraints/Data quality

The practical difficulties in compiling an ideal index showing the evolution of value added at constant prices lead to the use of a number of approximation methods which are listed at section 3. Each of the methods has a number of constraints, the main ones being:

Deflated turnover:

- quality of data from VAT Department. The data refer to a mix of formal “large” responding enterprises/establishments. The output of secondary activities of an enterprise are included in turnover data corresponding to the main activity of the enterprise;
- time-lag between production and sales may lead to a late identification of a turning point in the business cycle;
- ignorance of changes in stocks gives a false picture of true production. However, based on available information from the Quarterly Stock Survey, adjustments are made, wherever possible, to take account of changes in stocks;
- the quality of the index is subject to the precision and relevance of the different price indices used for deflation.
- assumption based on a fixed ratio of value added to gross output when, in fact, the ratio may change as a result of technological changes, productivity changes as well as seasonal variation in the production structure

Consumption of raw materials:

- involves the assumption that output is constant per unit of materials used.

Employment:

- does not take account of changes in labour productivity. Although, in the short term, it is reasonable to assume that labour productivity is relatively constant, this is not true in the long term;

Volume of production:

- does not take account of quality changes

Indirect Indicators

- Indirect indicators such as household consumption and building permits have been used to estimate volume changes for certain activities of small establishments. The volume changes may be revised when more appropriate data sources are obtained or the next Census of Economic Activities is carried out.

8 Appropriateness of the QIIP

In spite of the above constraints/weaknesses, it is observed that the index shows relative consistency and is of reliable quality for the measurement of quarterly and other changes. However, great care should be taken when interpreting small changes that may be insignificant at the more detailed level.

9 Index calculation

The QIIP is calculated according to a modified Laspeyre's index and the formula is:

$$I_t = \frac{\sum W_i (Q_{it}/Q_{io})}{\sum W_i} \times 100$$

with I_t = index for quarter t
 W_i = weight for activity i

(Q_{it}/Q_{io}) = is the growth in real value added of activity i in quarter t relative to the base year as estimated by an appropriate proxy indicator

10. Main changes from the index compiled previously

- Indices were calculated for Manufacturing, Electricity, gas and water supply and Mining and Quarrying. Within Manufacturing sub indices were compiled for Sugar milling, EPZ and Non EPZ (large establishments only). Now indices will still be calculated for the same industry groups except that the coverage of Non EPZ will be increased to include small establishments as well. Export Oriented Enterprises consist of all enterprises, previously operating with an EPZ certificate, and those enterprises manufacturing goods for exports and holding a registration certificate issued by the Board of Investment. Indices for EOE sector can be considered as being the same as for EPZ since the latter constitutes more than 95% of EOE. Thus appellations of EPZ and Non EPZ have been changed to EOE and Non EOE respectively.
- A fixed base Laspeyre's index system was used and the weight was from the 2002CEA. Now a chain base index is compiled using the Annual Overlap technique to derive the index based on previous year weights. In this method the weight is

updated every year and indices are first compiled based on the change in a given quarter compared to the previous year, then the indices are chain linked to produce a series with the same reference year. Thus in the formula given at 9 above the weights will refer to previous year weights.