

# **Quarterly Index of Industrial Production (QIIP)**

**Fourth Quarter 2018**

**(Base year: 2013 =100)**

## **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”, “Electricity, gas, steam and air conditioning supply” and “Water supply; sewerage, waste management and remediation activities”. The value added of these activities accounts for around 18% 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.

## **2. Contents of the publication**

This issue of “Economic and Social Indicators” presents the quarterly indices for the first quarter of 2014 to the fourth quarter of 2018 with weights based on the results of the 2013 Census of Economic Activities.

The indices are given separately for the four sections, namely, “Mining and quarrying”, “Manufacturing”, “Electricity, gas, steam and air conditioning supply” and “Water supply; sewerage, waste management and remediation activities”. Within “Manufacturing”, estimates by broad group, namely “Export Oriented Enterprises” (EOE), “Non-EOE” and “Sugar milling” as well as by main industry group 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 fourth quarter of 2018 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 on 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 methodology used for the computation of QIIP including its limitations, are given at Annex.

## **3. The overall index - Industrial Sector**

In the fourth quarter of 2018, the overall index of industrial production expanded by 16.3% compared to the previous quarter and by 2.2% when compared to the corresponding quarter of 2017.

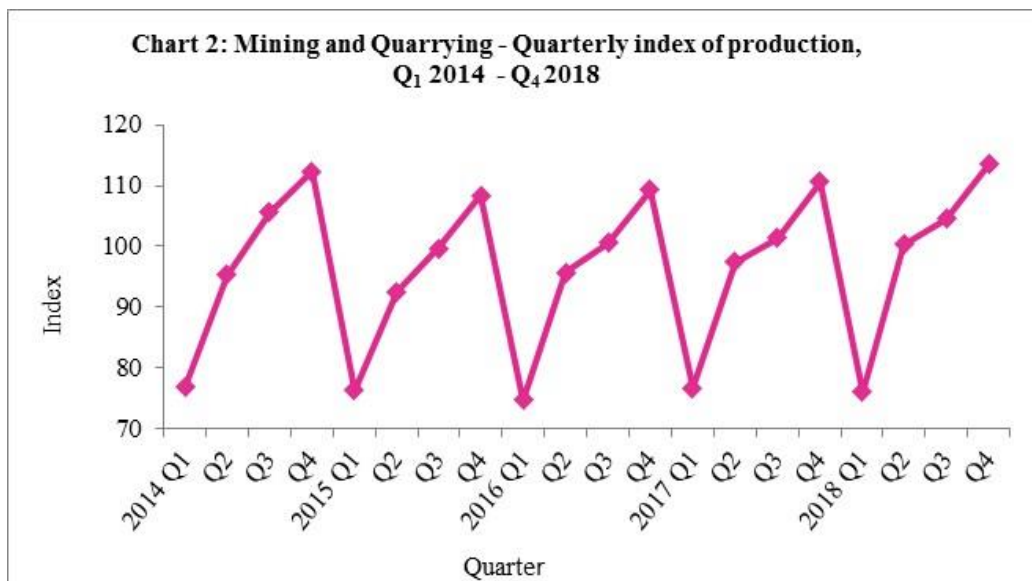
The index for the year 2018, worked out as the average of quarterly indices, grew by 0.8%. This is explained by expansions in “Mining and quarrying” (+2.1%), “Manufacturing” (+0.7%), “Electricity, gas, steam and air conditioning supply” (+2.7%) and “Water supply; sewerage, waste management and remediation activities” (+4.5%).



#### 4. Changes by section

##### 4.1 Mining and quarrying

“Mining and quarrying” comprises activities relating to quarrying of decorative stones, sand and salt extraction as well as stone crushing and represents only 2% of the output of the industrial sector. In the fourth quarter of 2018, real output expanded by 8.6% compared to the previous quarter and by 2.7% compared to the corresponding quarter of 2017. In year ending fourth quarter 2018, production went up by 2.1% (Table 1).

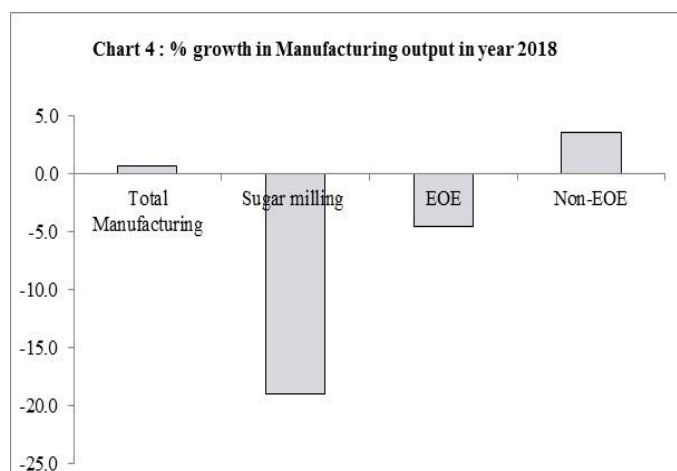
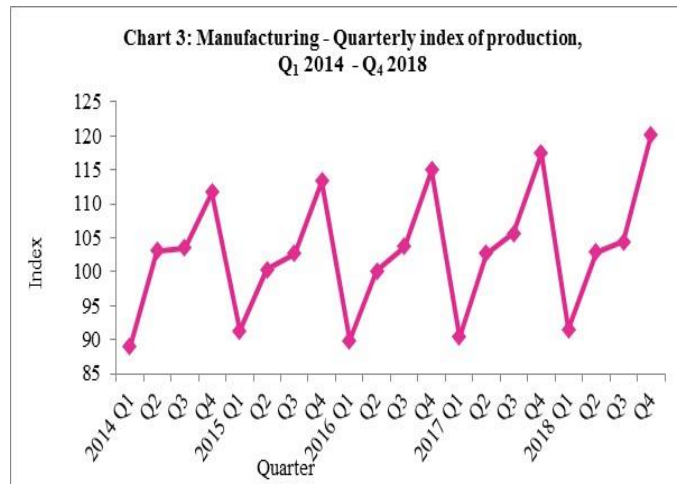


## 4.2 Manufacturing

Manufacturing output, which covers the production of a wide range of goods, represented 88% of the output of the industrial sector in 2013. For analysis purposes, “Manufacturing” is broken down into the following broad groups:

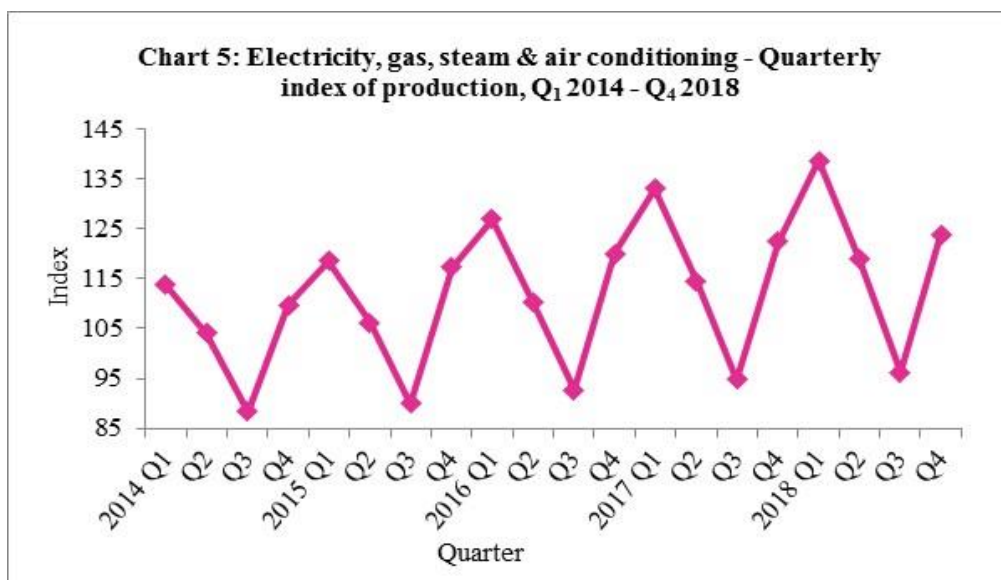
- Sugar milling representing 2% of manufacturing output
- EOE (39%)
- Non-EOE (59%)

Manufacturing output in the fourth quarter of 2018 expanded by 15.1% compared to the previous quarter and contracted by 2.3% when compared to the corresponding quarter of 2017 (Table 1). In year 2018, real output registered a positive growth of 0.7%. This is due to an expansion of 3.5% in the “Non-EOE” sector partly offset by contractions of 19.0% and 4.6% in “Sugar milling” and “EOE” sectors respectively. The performances of “EOE” and “Non-EOE” by detailed industry group up to third quarter 2018 are analysed separately in Section 5.



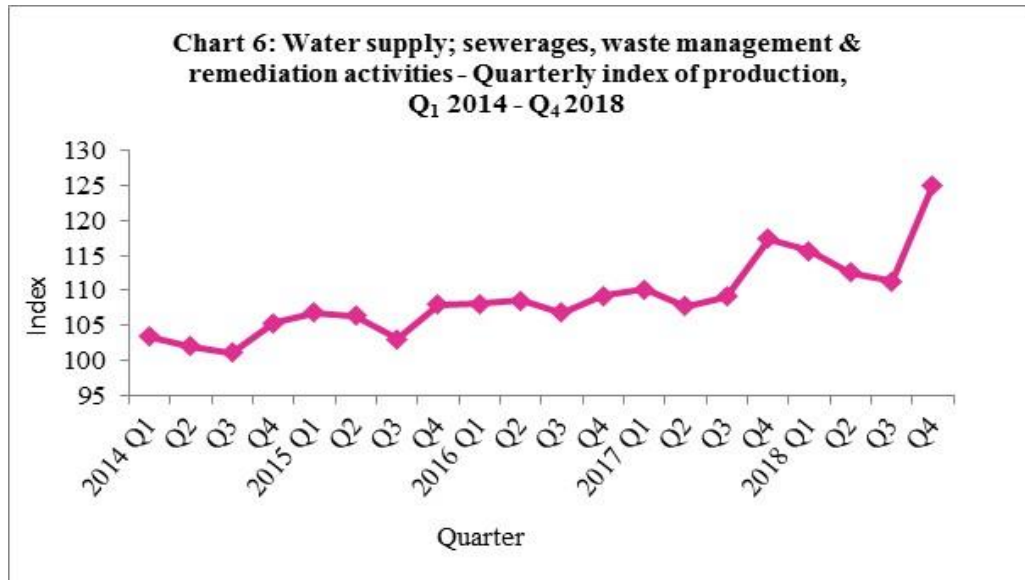
## 4.3 Electricity, gas, steam and air conditioning supply

“Electricity, gas, steam and air conditioning supply” accounts for 8.0% of the output of the industrial sector. In the fourth quarter of 2018, real output of this sector registered a positive growth of 28.8% compared to the previous quarter and by 1.2% compared to the corresponding quarter of 2017. In 2018, production expanded by 2.7% (Table 1).



## Water supply; sewerage, waste management and remediation activities

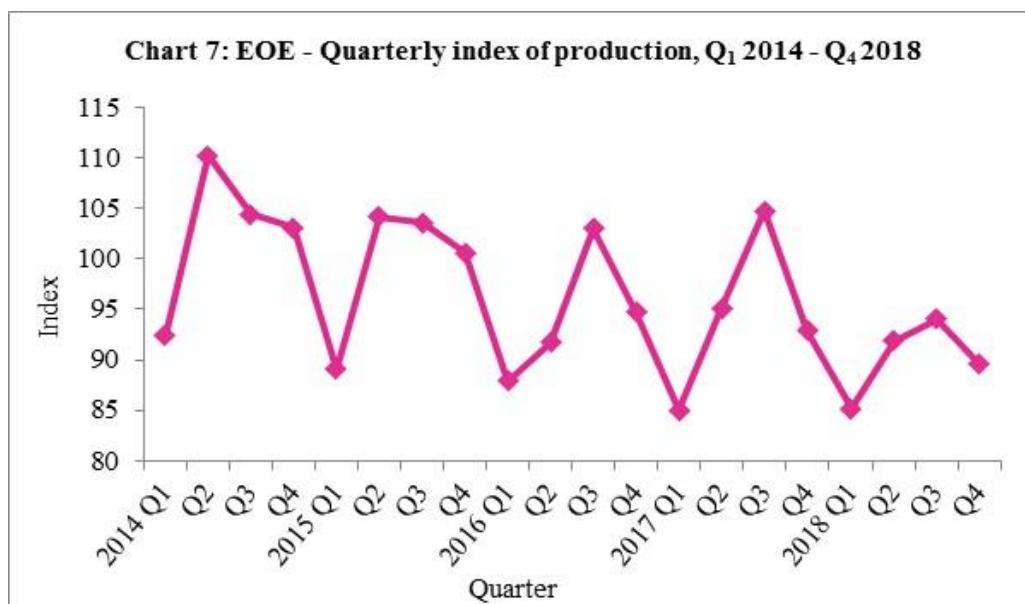
“Water supply; sewerage, waste management and remediation activities” accounts for around 2% of the output of the industrial sector. In the fourth quarter of 2018, real output of this sector went up by 12.4% compared to the previous quarter and expanded by 6.5% when compared to the corresponding quarter of 2017. In year 2018, an expansion of 4.5% has been noted (Table 1).



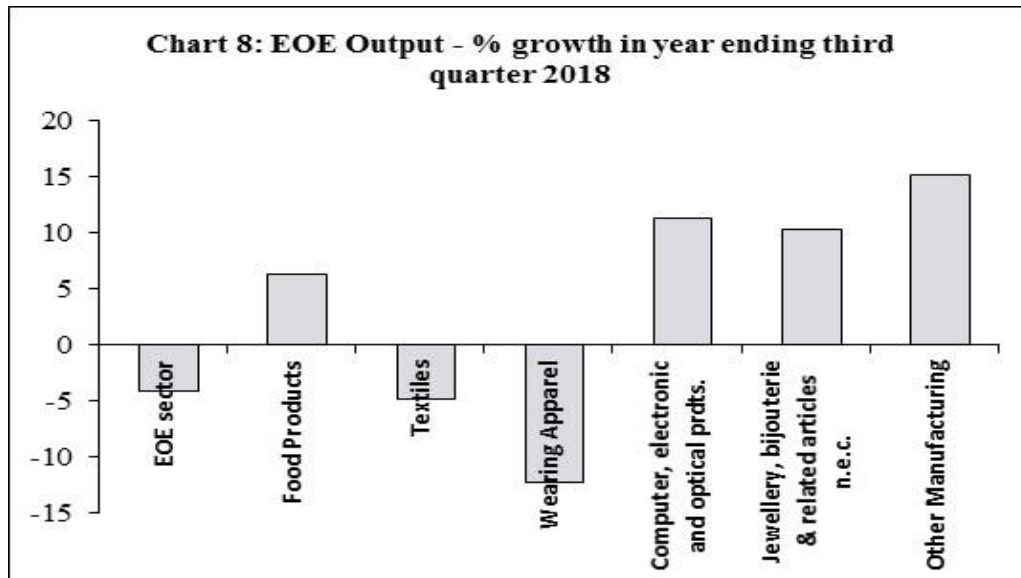
## 5. Changes by broad group

### 5.1 Export Oriented Enterprises (EOE)

Real output of the EOE sector went down by 4.8% in the fourth quarter of 2018 compared to the previous quarter and by 3.6% compared to the corresponding quarter of 2017. In 2018, the EOE sector registered a negative growth of 4.6% (Table 1).

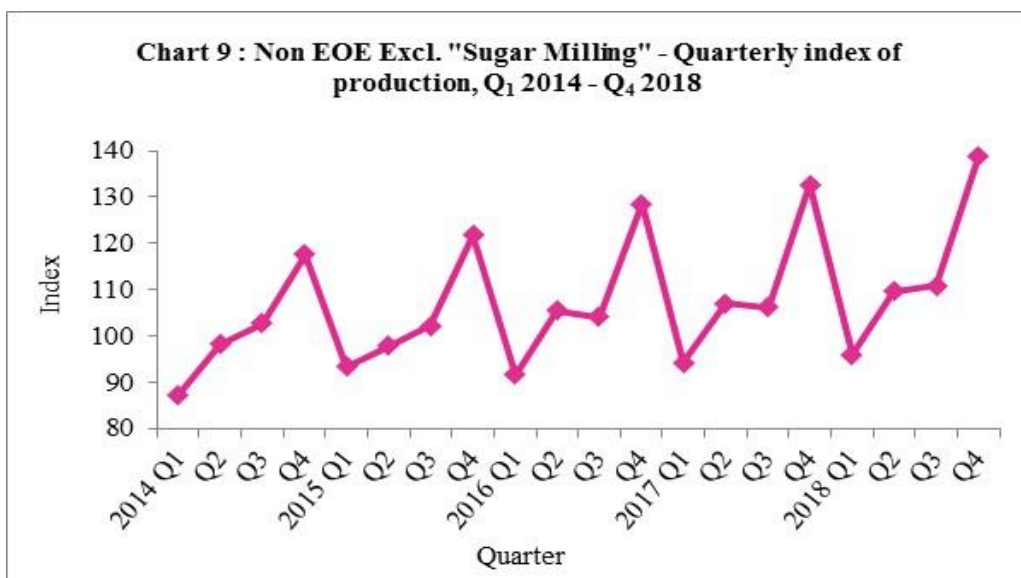


Lower level indices for the fourth quarter of 2018 are not yet available. However, an indication of the annual performance at sub-group levels can be obtained by comparing indices available for year ending third quarter 2018 to those for year ending third quarter 2017 (Table 3). Real output of “Wearing apparel”, the most important industry group within the EOE, contracted by 12.2% and that of “Textiles” by 4.8%. These two sub-groups account for almost 69% of the total weight allocated to the EOE. Expansions were registered in “Food products” (+6.3%), “Computer, electronic and optical products” (+11.4%), “Jewellery, bijouterie & related articles n.e.c.” (+10.3) and “Other manufacturing” (+15.2%). Details of changes at sub-group level are shown in Chart 8.

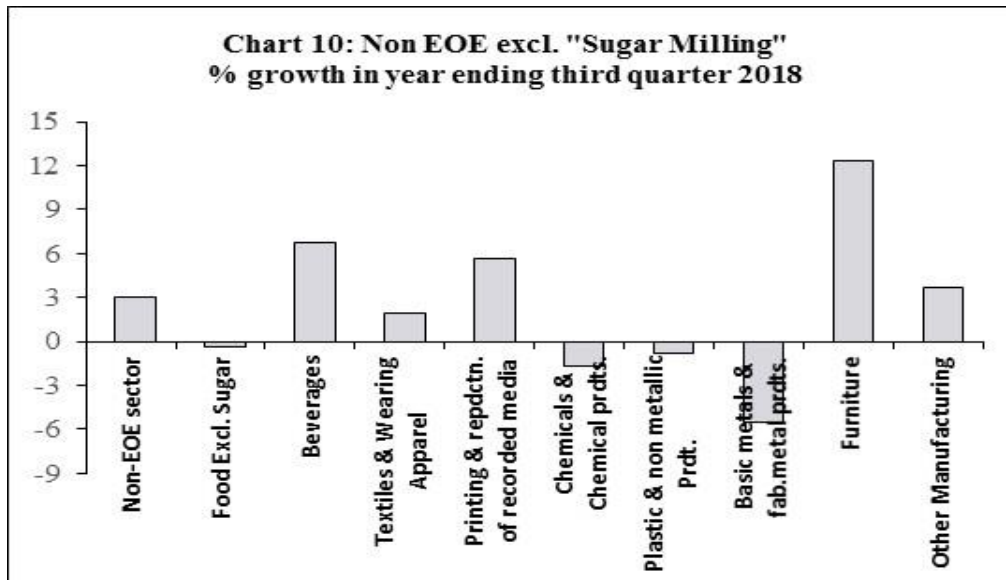


## 5.2 Non-EOE excluding “Sugar milling”

In the fourth quarter of 2018, the real output of the Non-EOE sector expanded by 25.3% compared to the previous quarter and by 4.8% when compared to the corresponding quarter of 2017. In year 2018, it went up by 3.5% (Table 1).



The annual performance at sub-group level is obtained by comparing the detailed indices available for year ending third quarter 2018 to those for year ending third quarter 2017 (Table 4). Expansions were registered in “Beverages” (+6.7%), “Textiles & wearing apparel” (+1.9%), “Printing and reproduction of recorded media” (+5.6%), “Furniture” (+12.3%) and “Other Manufacturing” (+3.7%). Contractions were noted in “Food products excluding sugar” (-0.4%), “Chemicals & chemical products” (-1.6%), “Plastic and non-metallic product” (-0.8%) and “Basic metals and fabricated metal products” (-5.5%) as illustrated in Chart 10.



## Statistics Mauritius

Ministry of Finance and Economic Development

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**Table 1: Index of industrial production by industry group - annual and quarterly indices, Q<sub>1</sub> 2014 to Q<sub>4</sub> 2018**

**Base period: Year 2013 = 100**

NSIC Division/Subclass	Manufacturing							Electricity, gas, steam and air conditioning supply	Water supply; sewerage, waste management & remediation
	Industrial sector	Mining and quarrying	Total	Total exc. sugar milling	Sugar milling	EOE	Non-EOE		
	05 - 33, 35 - 39	05 - 09	10 - 33	10 - 33 except 10720	10720	10 - 33	10 - 33	35	36-39
Weight (Year 2013)	1000	15	882	869	13	347	523	80	22
<b>Annual</b>									
2014	102.0	97.5	101.8	101.8	100.8	102.5	101.4	104.0	102.9
2015	102.4	94.3	101.9	102.0	95.7	99.3	103.7	108.0	106.1
2016	103.4	95.1	102.2	102.2	102.0	94.3	107.4	112.5	108.2
2017	105.7	96.6	104.1	104.1	104.4	94.4	109.9	116.3	111.1
2018	106.5	98.6	104.8	105.0	84.6	90.1	113.8	119.4	116.2
<b>Quarterly</b>									
2014 Q1	91.1	76.9	89.0	89.3	70.8	92.4	87.2	113.8	103.3
Q2	103.0	95.4	103.1	103.0	111.5	110.3	98.1	104.1	102.1
Q3	102.3	105.6	103.5	103.4	111.0	104.4	102.7	88.4	101.1
Q4	111.4	112.3	111.7	111.8	109.9	103.1	117.5	109.8	105.3
2015 Q1	93.8	76.3	91.3	91.6	67.2	89.0	93.2	118.6	106.9
Q2	100.9	92.6	100.3	100.3	105.8	104.2	97.7	106.2	106.4
Q3	101.5	99.7	102.7	102.7	105.4	103.6	102.1	89.9	103.0
Q4	113.5	108.4	113.3	113.4	104.3	100.6	121.7	117.4	108.0
2016 Q1	94.3	74.8	89.9	90.1	71.7	87.9	91.6	126.9	108.1
Q2	101.5	95.7	100.2	100.0	112.8	91.7	105.5	110.4	108.5
Q3	102.5	100.6	103.7	103.7	112.4	103.0	104.1	92.6	106.9
Q4	115.4	109.3	115.0	115.1	111.3	94.7	128.5	120.0	109.2
2017 Q1	96.2	76.8	90.4	90.6	73.4	85.0	94.1	133.1	110.1
Q2	104.3	97.4	102.7	102.5	115.5	95.1	107.1	114.6	107.8
Q3	104.3	101.4	105.7	105.6	115.0	104.7	106.1	94.9	109.1
Q4	118.0	110.6	117.5	117.5	113.9	92.9	132.6	122.5	117.4
2018 Q1	96.9	76.1	91.5	91.9	59.4	85.1	95.9	138.7	115.7
Q2	104.8	100.3	102.9	103.0	93.5	91.8	109.6	119.1	112.6
Q3	103.8	104.5	104.5	104.6	93.1	94.0	110.9	96.2	111.3
Q4	120.6	113.5	120.2	120.5	92.2	89.5	138.9	123.9	125.1
<b>% change, latest quarter over: <sup>1</sup></b>									
previous quarter	16.3	8.6	15.1	15.2	-1.0	-4.8	25.3	28.8	12.4
same quarter a year ago	2.2	2.7	2.3	2.6	-19.0	-3.6	4.8	1.2	6.5
<b>% growth in output in year</b>									
2018	0.8	2.1	0.7	0.9	-19.0	-4.6	3.5	2.7	4.5

<sup>1</sup> Provisional

**Table 2: Index of industrial production by main industry group of the manufacturing sector, Q<sub>1</sub> 2014 to Q<sub>3</sub> 2018**

**Base period: Year 2013 = 100**

		<b>Main industry group</b>										
		Total manufacturing	Food Incl. sugar	Beverages	Textile	Wearing apparel	Printing & reproduction of recorded media	Chemical products	Non Metallic Products	Basic Metals& fabricated metals	Furniture	Other
NSIC Division		10 -33	10	11	13	14	18	20 & 21	22 & 23	24 & 25	31	15-17, 19, 26-30,32,33
Weight (Year 2013)		1000	208	149	53	251	24	50	55	62	47	103
<b>Annual</b>												
	2014	101.8	101.6	103.3	97.4	105.7	125.3	104.1	90.1	96.1	92.7	100.1
	2015	101.9	104.7	105.6	98.2	101.9	121.2	98.3	88.2	91.7	98.8	104.3
	2016	102.2	105.4	108.7	96.9	95.0	140.1	93.7	76.5	88.1	138.4	109.5
	2017	104.1	106.9	107.8	101.4	93.0	153.4	97.6	84.6	94.8	138.2	106.3
<b>Quarterly</b>												
	2014 Q1	89.0	91.9	84.7	83.1	91.1	105.0	80.3	70.5	87.2	120.1	83.6
	Q2	103.1	103.6	94.8	112.6	109.8	124.8	105.1	96.0	96.7	76.3	106.5
	Q3	103.5	103.8	101.7	103.4	105.5	124.8	110.0	96.1	92.9	92.7	107.4
	Q4	111.7	107.1	132.0	90.6	116.2	146.7	120.9	97.9	107.4	81.5	103.0
	2015 Q1	91.3	96.7	92.9	85.9	88.3	111.7	85.7	66.9	86.7	117.0	89.2
	Q2	100.3	104.9	97.2	111.5	100.6	117.7	97.7	82.4	85.0	106.6	102.3
	Q3	102.7	107.3	96.8	93.9	107.4	112.3	96.2	99.5	91.6	90.5	108.1
	Q4	113.3	110.1	135.6	101.4	111.3	142.9	113.5	103.9	103.3	81.1	117.8
	2016 Q1	89.9	95.1	97.4	85.6	85.6	119.3	86.0	73.8	80.5	95.6	88.3
	Q2	100.2	105.8	101.2	97.2	86.2	132.5	96.0	81.2	80.0	131.8	125.3
	Q3	103.7	107.6	99.5	94.5	107.9	124.5	87.8	70.9	97.6	153.4	98.9
	Q4	115.0	112.9	136.7	110.4	100.2	184.3	105.0	80.1	94.1	172.8	125.5
	2017 Q1	90.4	93.4	92.2	94.6	84.0	126.7	79.8	68.0	84.7	111.3	91.0
	Q2	102.7	106.3	101.4	102.1	91.3	150.4	89.7	102.8	93.0	127.2	108.8
	Q3	105.7	112.0	96.8	96.9	104.4	127.3	98.0	87.3	100.6	131.0	109.3
	Q4	117.5	115.9	140.9	111.9	92.3	209.1	122.7	80.1	100.9	183.2	116.1
	2018 Q1	91.5	97.5	100.7	86.1	76.0	129.9	90.2	63.8	84.9	108.9	102.6
	Q2	102.9	105.9	108.6	101.9	79.7	155.9	105.2	91.5	87.7	159.0	114.0
	Q3	104.5	107.8	104.4	99.3	91.0	127.1	92.6	102.3	91.7	155.4	114.4
<b>% change, latest quarter over:</b>												
	previous quarter	1.5	1.8	-3.8	-2.6	14.2	-18.5	-12.0	11.8	4.5	-2.3	0.4
	same quarter a year ago	-1.2	-3.7	7.9	2.5	-12.9	-0.1	-5.6	17.1	-8.8	18.6	4.7
<b>% growth in output in year ending:</b>												
	third quarter 2018	0.6	0.6	6.5	-1.2	-10.8	5.7	10.2	-0.1	-1.9	11.9	2.9

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**Table 3: Index of industrial production by main industry group of the EOE sector, Q<sub>1</sub> 2014 to Q<sub>3</sub> 2018**

**Base period: Year 2013 = 100**

	<b>Main industry group</b>						
	<b>EOE, Manufacturing</b>	Food Products	Textiles	Wearing Apparel	Computer, electronic & optical products	Jewellery	Other Manufacturing
NSIC Division/Subclass	10 - 33	10	13	14	26	32100	11-18, 20-22, 25, 27, 32 except 32100, 33
Weight (Year 2013)	1000	140	118	570	23	18	130
<b>Annual</b>							
2014	102.5	98.2	94.1	107.5	101.7	87.2	95.2
2015	99.3	101.6	93.6	102.8	92.1	65.9	93.3
2016	94.3	105.6	88.1	95.0	93.5	51.9	92.6
2017	94.4	107.5	92.2	92.1	94.8	45.8	97.1
<b>Quarterly</b>							
2014 Q1	92.4	97.6	81.1	94.0	98.0	99.2	88.1
Q2	110.3	107.0	109.6	114.4	118.3	92.4	97.4
Q3	104.4	104.9	103.7	107.1	95.3	82.0	97.4
Q4	103.1	83.5	82.1	114.6	95.4	75.2	98.0
2015 Q1	89.0	98.4	83.7	89.9	100.2	64.7	82.7
Q2	104.2	114.9	112.0	102.9	93.9	67.9	100.6
Q3	103.6	105.4	91.6	109.9	84.8	60.4	93.6
Q4	100.6	87.8	87.0	108.5	89.7	70.5	96.4
2016 Q1	87.9	101.0	79.4	87.7	112.0	60.1	84.3
Q2	91.7	115.8	90.1	86.8	85.0	70.5	96.3
Q3	103.0	107.0	90.5	110.1	87.4	40.6	89.2
Q4	94.7	98.5	92.2	95.3	89.5	36.5	100.8
2017 Q1	85.0	93.7	92.4	83.1	82.3	40.2	80.7
Q2	95.1	109.1	95.1	91.8	106.9	39.4	97.6
Q3	104.7	119.7	90.7	107.0	90.2	55.6	102.1
Q4	92.9	107.5	90.6	86.6	99.6	47.9	108.1
2018 Q1	85.1	104.9	81.1	76.5	107.1	50.6	106.1
Q2	91.8	122.4	91.3	78.1	108.0	46.6	121.3
Q3	94.0	112.7	89.6	90.0	96.3	44.2	103.6
<b>% change, latest quarter over:</b>							
previous quarter	2.4	-8.0	-1.8	15.2	-10.8	-5.2	-14.6
same quarter a year ago	-10.2	-5.9	-1.2	-15.9	6.7	-20.5	1.5
<b>% growth in output in year ending:</b>							
third quarter 2018	-4.2	6.3	-4.8	-12.2	11.4	10.3	15.2

**Table 4: Index of industrial production by main industry group of the Non-EOE sector (exc. Sugar), Q<sub>1</sub> 2014 to Q<sub>3</sub> 2018**

**Base period: Year 2013 = 100**

	<b>Main industry group</b>									
	<b>Non-EOE, manufacturing</b>	Food Excl. Sugar	Beverages	Textiles & Wearing Apparel	Printing and reproduction of recorded media	Chemicals & Chemical products	Plastic & non metallic Product	Basic metals & fabricated metal products	Furniture	Other
NSIC Division	10-33	10	11	13 &14	18	20	22 & 23	24 &25	31	15-17, 19, 26-30, 32-33
Weight (Year 2013) <b>Annual</b>	1000	252	245	49	33	64	80	94	77	106
2014	101.4	102.9	103.2	95.1	128.7	110.2	90.0	96.5	92.5	101.6
2015	103.7	106.4	105.3	100.9	128.2	95.1	89.8	92.0	99.0	114.2
2016	107.4	105.5	108.0	107.2	144.5	91.1	75.6	90.4	138.5	121.7
2017	109.9	106.9	106.8	112.9	167.6	88.9	83.1	95.6	138.3	117.4
<b>Quarterly</b>										
2014 Q1	87.2	92.0	84.5	71.0	103.9	80.0	68.0	87.9	120.4	77.7
Q2	98.1	101.5	94.8	80.2	127.0	113.3	97.3	96.5	76.1	106.3
Q3	102.7	102.7	101.8	92.4	126.4	116.3	96.7	93.1	92.9	114.1
Q4	117.5	115.4	131.7	136.9	157.6	131.1	97.9	108.5	80.5	108.4
2015 Q1	93.2	98.4	92.8	78.6	116.0	84.6	66.6	87.8	117.5	92.9
Q2	97.7	101.6	96.9	84.1	124.8	94.4	82.5	81.9	107.5	107.0
Q3	102.1	108.1	96.5	87.8	119.2	90.0	102.9	91.9	90.8	122.0
Q4	121.7	117.8	134.9	153.1	152.7	111.4	107.3	106.4	80.3	134.8
2016 Q1	91.6	94.9	97.2	78.9	122.9	82.2	74.8	81.4	96.0	90.4
Q2	105.5	102.1	100.8	93.8	136.6	89.7	80.9	80.4	132.3	142.8
Q3	104.1	107.5	99.0	95.6	127.5	87.3	68.6	100.8	153.9	108.5
Q4	128.5	117.6	135.1	160.3	191.2	105.1	78.2	99.0	171.7	144.9
2017 Q1	94.1	95.2	91.6	94.8	141.2	74.7	65.8	86.4	111.9	98.3
Q2	107.1	104.5	99.8	101.8	160.3	86.0	106.0	91.5	127.2	120.3
Q3	106.1	109.2	96.3	96.6	137.3	87.9	85.0	102.4	130.7	118.8
Q4	132.6	118.8	139.6	158.6	231.6	107.0	75.5	102.0	183.2	132.3
2018 Q1	95.9	97.7	100.1	83.4	135.3	69.6	62.4	83.7	109.3	112.0
Q2	109.6	101.2	107.9	108.5	165.5	87.8	90.6	83.3	159.7	124.4
Q3	110.9	107.2	103.7	111.5	132.8	83.5	103.9	89.5	155.9	131.4
<b>% change, latest quarter over:</b>										
previous quarter	1.1	5.9	-3.9	2.7	-19.7	-4.9	14.6	7.4	-2.4	5.7
same quarter a year ago	4.5	-1.8	7.7	15.4	-3.3	-5.0	22.2	-12.6	19.3	10.7
<b>% growth in output in year ending :</b>										
third quarter 2018	3.1	-0.4	6.7	1.9	5.6	-1.6	-0.8	-5.5	12.3	3.7

## **Quarterly Index of Industrial Production (QIIP)**

### **Methodology for the computation of the QIIP**

#### **1. Introduction**

The Index of Industrial Production shows the movement of the volume of output of the Industrial Sector. Prior to 2001, the index was calculated annually and published in the Digest of Industrial Statistics. Following the needs expressed by various institutions, both public and private, Statistics Mauritius started to compile and disseminate the index on a quarterly basis as from the first quarter of 2001. The compilation and dissemination of high frequency (monthly/quarterly) Index of Industrial Production is also one of the requirements of the International Monetary Fund (IMF) 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 aims 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 measures.

The index provides useful and reliable inputs for the estimates of quarterly and annual value added for the Industrial Sector.

#### **3. Concepts and definitions**

Basically, the Index of Industrial Production is a measurement of the change in real value added (value added at constant price). Value added is defined as the difference between output and input. Computation of quarterly value added at current and constant prices requires data on inputs and outputs in the different industry groups within a given time frame. In the absence of the detailed data required, an approximation of the index is based on change in deflated turnover, physical quantity of goods produced and other indicators of change in real value added generated by industrial enterprises.

The indicators/methods used in compiling QIIP and data sources by sector/industry group are given at section 5.

#### **4. Scope and classification**

The indices are compiled by industry group according to the National Standard Industrial Classification Rev.2 (NSIC Rev.2), based on the UN International Standard Industrial Classification Rev.4 (ISIC Rev.4).

The Quarterly Index of Industrial Production covers the Industrial Sector, which comprises the following sections of NSIC Rev.2:

Section B: Mining and quarrying;

Section C: Manufacturing;

Section D: Electricity, Gas, Steam and Air Conditioning Supply; and

Section E: Water Supply; Sewerage, Waste Management and Remediation Activities

## 5. Indicators and data sources

The table below shows price and volume indicators used as well as corresponding data sources by industry group.

<b>Sector/Industry group</b>	<b>Indicators used</b>	<b>Data sources</b>
Mining and quarrying	Value added deflated by relevant components of Consumer Price Index (CPI)	<ul style="list-style-type: none"> <li>• Quarterly survey of establishments</li> <li>• Monthly and quarterly data from VAT Department</li> </ul>
Industry groups within manufacturing (excluding sugar milling)	Turnover data deflated by: <ul style="list-style-type: none"> <li>(i) Export Price Index (EPI) for EOE</li> <li>(ii) Producer Price Index – Manufacturing (PPI-M) for Non-EOE</li> <li>(iii) Relevant components of CPI for small establishments</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly and quarterly data from VAT Department</li> <li>• Quarterly exports statistics</li> <li>• Quarterly Stock Survey</li> <li>• Expenditure on “Clothing and footwear” from the Continuous Multi-Purpose Household Survey (CMPHS) for small establishments engaged in the manufacture of these products.</li> <li>• Building permits statistics for small establishments engaged in the manufacture fabricated metal products and wooden furniture.</li> </ul>
Sugar milling	Gross output deflated by sugar prices and inputs deflated by a weighted price index based on relevant components of CPI.	<ul style="list-style-type: none"> <li>• Annual survey of establishments</li> <li>• Production of sugar and prices from Mauritius Sugar Syndicate</li> </ul>
Electricity, gas, steam and air conditioning supply	Volume of electricity produced	<ul style="list-style-type: none"> <li>• Quarterly returns from Central Electricity Board and Independent Power Producers (IPPs)</li> </ul>
Water supply; sewerage, waste management and remediation activities	Volume of water sold used as volume indicator for water supply and waste management services; Value added deflated by relevant components of CPI for other activities.	<ul style="list-style-type: none"> <li>• Quarterly returns from Central Water Authority</li> <li>• Monthly and quarterly data from VAT Department</li> </ul>

## 6. Weights

Weights for the QIIP are derived from value added by detailed industry group (5-digit subclass level) compiled from the Census of Economic Activities (CEA). The current weights is based on the results of the 2013 CEA.

For the manufacturing sector the weights are computed separately for Export Oriented Enterprises (EOE) and Non-EOE sub-sectors. Prior to 2008, the weight of the Non-EOE sub-sector was based on large establishments (engaging 10 or more persons) only. As from 2008, value added of small establishments (engaging less than 10 persons) has been considered in the calculation of the weights.

## 7. Reliability of the indices

The practical difficulties in compiling an index showing the evolution of value added at constant prices requires a number of approximation methods which are listed at section 5. Each of these methods has a number of constraints, the main ones being:

### *Deflated turnover:*

- Quality of the data from the different sources. The output figures in a given industry group may include output of some other activities (secondary activities) which should have been classified elsewhere;
- Time-lag between production and sales may lead to a late identification of a turning point in the business cycle;
- Turnover data need to be adjusted for changes in stocks for a true picture of production. This exercise is partly done, based on available information from the Quarterly Stock Survey;
- The quality of the index is subject to the precision and relevance of the different price indices used for deflation; and
- The base year ratio of value added to gross output is maintained throughout the period covered by the indices, when, in fact, the ratio may change as a result of technological changes, productivity changes as well as seasonal variation in the production structure.

### *Volume of production:*

- does not take account of quality changes

### *Indirect Indicators*

- In the absence of data for small establishments, indirect indicators such as household consumption expenditure and building permits are used for activities concerned

In spite of the above limitations, 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 at the more detailed level.

## 8. Index calculation

The QIIP is calculated according to Laspeyre's index as follows:

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

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