



# **Inflation Expectations Survey<sup>1</sup>** **(IES)**

**Survey Month: August 2016**

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<sup>1</sup>The reported survey findings represent the views of respondents.

1. **In August 2016, the Bank of Mauritius conducted the 32<sup>nd</sup> Inflation Expectations Survey.** Out of 50 stakeholders randomly chosen from the financial and real sectors of the economy, 42 of them provided responses to the survey.
2. **With regard to how respondents viewed the 0.9 per cent headline inflation rate<sup>2</sup> recorded for July 2016,** 71.4 per cent of respondents considered this rate as being low, while 26.2 per cent of them judged it to be appropriate. 2.4 per cent of respondents deemed it high.
3. **Respondents were asked to provide the three main factors that accounted for the prevailing inflation pattern.** 78.6 per cent of them indicated that external factors accounted for the primary source of inflation in Mauritius. The change in exchange rate of the rupee was considered by 57.1 per cent of respondents as being the second most important factor. The change in aggregate demand was regarded by 59.5 per cent of respondents as the third most important factor.
4. **Respondents were requested to provide their expectations of headline inflation for December 2016, June 2017 and a year ahead.**
  - **December 2016:** 95.2 per cent of respondents were expecting the rate of inflation to be below 3.0 per cent, while 2.4 per cent of respondents were anticipating the inflation rate to range between 3.0 per cent and 4.4 per cent. 2.4 per cent of respondents were envisaging an inflation rate of over 4.4 per cent.
  - **June 2017:** 78.6 per cent of respondents were expecting the rate of inflation to be under 3.0 per cent, while 16.8 per cent of respondents were anticipating the inflation rate to range between 3.0 per cent and 4.4 per cent. 4.8 per cent of respondents were envisaging an inflation rate of over 4.4 per cent.
  - **A year ahead:** 73.8 per cent of the respondents were expecting the inflation rate to be lower than 3.0 per cent, while 21.4 per cent them were anticipating the inflation rate to be between 3.0 per cent and 4.4 per cent. 4.8 per cent of respondents were anticipating that the inflation rate would exceed 4.4 per cent.

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<sup>2</sup>Headline inflation is measured by comparing the average level of prices, as measured by the CPI, during a twelve-month period with the average level during the corresponding previous twelve-month period.

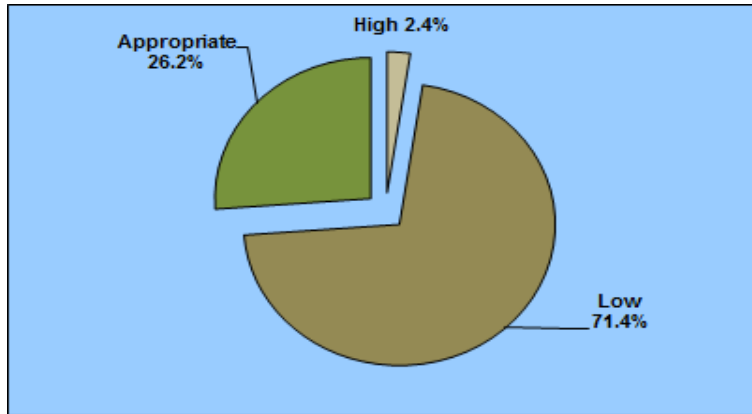
5. Adjusted for outliers<sup>^</sup>, **the mean headline inflation rates expected by respondents were** 1.5 per cent for December 2016; 2.2 per cent for June 2017 and 2.3 per cent a year ahead (i.e. July 2017).

*^Note: Observations outside the interval  $[\hat{Y} - 4\sigma; \hat{Y} + 4\sigma]$  are considered as outliers, where  $\hat{Y}$  and  $\sigma$  denote the mean and the standard deviation of  $Y$ , respectively.*

**Research and Economic Analysis Department**  
**15 September 2016**

## Graphical representation of responses

**QI.1.** Headline inflation for the month of July 2016 was 0.9 per cent. Do you perceive this rate to be.....?



**QI.2.** Which of the following factors account for the current inflation pattern?  
(Ranking in order of importance starting with 1 for most important)

Factors	Rank(starting with 1 for most important)		
	1	2	3
Fiscal policy	1	3	6
Change in interest rates	2	2	0
Change in exchange rates	4	24	3
External factors	33	6	2
Wage policy	0	0	5
Change in aggregate demand	2	6	25
Other	0	1	1

**QI.3.** What is your expectation of headline inflation in (a) **December 2016**, (b) **June 2017** and (c) **a year ahead**?

