



Inflation Expectations Survey *(IES)*

Survey Month: August 2014

(The reported survey findings represent the views of respondents and not necessarily those of the Bank of Mauritius.)

Introduction

The Bank of Mauritius carried out its 24th Inflation Expectations Survey in August 2014. From the 50 stakeholders chosen from the financial and real sectors of the economy, a 100 per cent response rate was achieved. Consequently, the findings are based on these 50 responses.

Findings of the IES

1. With respect to how respondents perceived the 3.9 per cent headline inflation* rate for the month of July 2014, 72.0 per cent of respondents considered this rate as being appropriate while 14.0 per cent of respondents judged it to be low. Out of total respondents, 12.0 per cent deemed this rate as being high and 2.0 per cent viewed it as being too high.

(*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.)

2. With regard to their best description of the movement of prices over the preceding 12 months, 80.0 per cent of respondents indicated that prices of goods and services had gone up, while 16.0 per cent of respondents viewed that prices were unchanged. 4.0 per cent were of the opinion that prices had gone down.

3. Concerning the three main factors that accounted for the prevailing inflation pattern, *External Factors* were viewed by 76.0 per cent of respondents as accounting for the primary source of inflation in Mauritius. *Change in exchange rates* and *Change in aggregate demand* were regarded more or less at par as being the other key factors.

4. In relation to movement of prices over the next 12 months, 82.0 per cent of respondents expected prices to go up, while 6.0 per cent of respondents anticipated a decrease in prices. 12.0 per cent of respondents expected that prices would remain unchanged.

5. Respondents were also requested to provide their expectations of headline inflation for December 2014, June 2015 and a year ahead.

- December 2014: 78.0 per cent of the respondents were expecting inflation to be less than 4.5% while 22.0 per cent of respondents were expecting inflation to range from 4.5% to 6.5%. None of the respondents were anticipating inflation to be above 6.5%.
- June 2015: 58.0 per cent of the respondents were expecting inflation to be lower than 4.5% while 40.0 per cent of respondents were expecting inflation to be within 4.5% to 6.5%. 2.0 per cent of the respondents were anticipating inflation to be above 6.5%.
- A year ahead: 50.0 per cent of the respondents were expecting inflation to be less than 4.5% and 48.0 per cent of respondents were expecting inflation to range from 4.5% to 6.5%. 2.0 per cent of the respondents were expecting inflation to be beyond 6.5%.

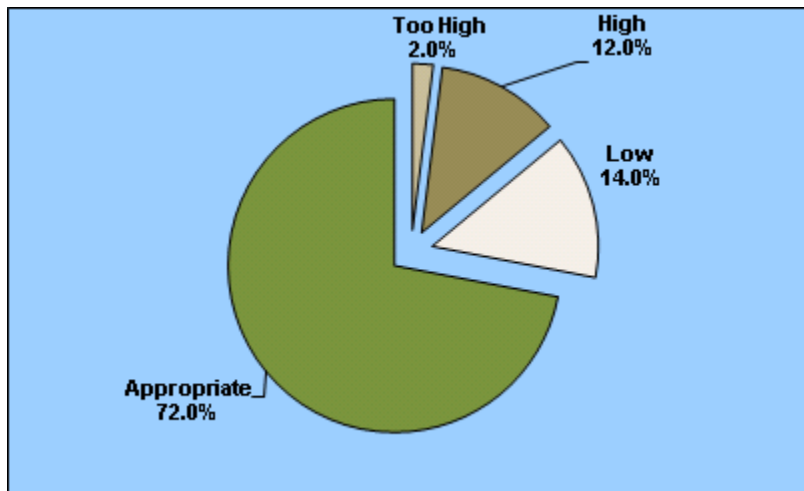
6. Adjusted for outliers*, the mean headline inflation rates expected by respondents were 4.1%, 4.3% and 4.5% respectively, for December 2014, June 2015 and a year ahead.

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

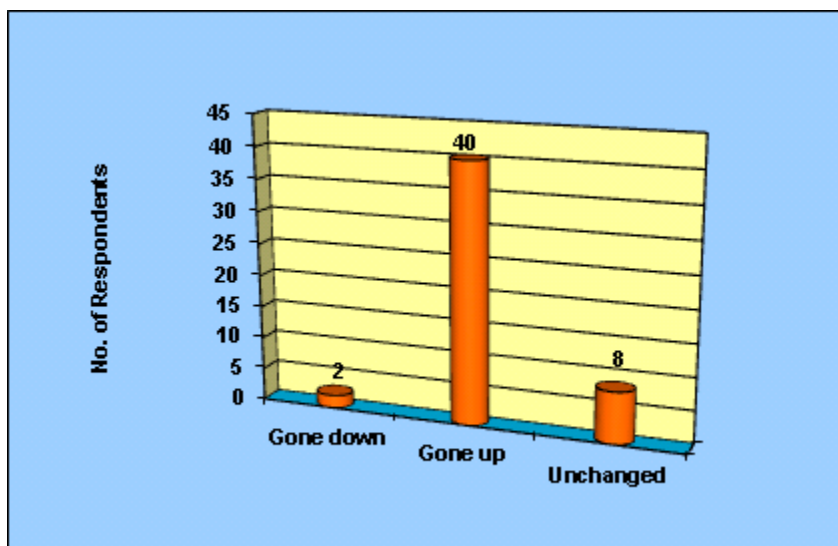
**Statistics Division
09 September 2014**

Graphical Representation of Responses

Q1.1. Headline Inflation for the month of July 2014 was 3.9 per cent. Do you perceive this rate to be.....?



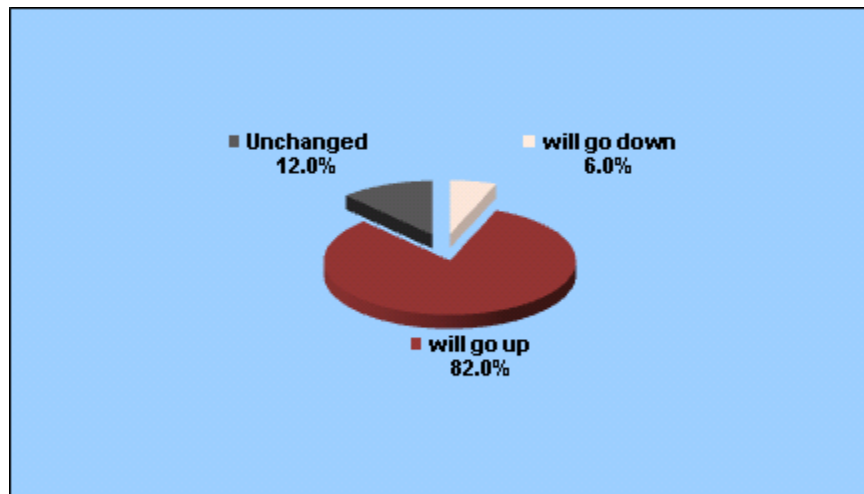
Q1.2. Which of the following best describes the movement of prices over the past 12 months?



QI.3. 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	2	6
Change in interest rates	2	3	2
Change in exchange rates	2	18	17
External factors	38	6	3
Wage policy	1	4	9
Change in aggregate demand	6	17	13
Other	0	0	0

QII.1. Which of the following would best describe the movement of prices over the next 12 months?



QII.2 What is your expectation of headline inflation in (a) **December 2014**, (b) **June 2015** and (c) **a year ahead**?

