



Core Inflation: October 2008

The two measures of core inflation maintained their upward path. CORE1 inflation rose further to 8.5 per cent in October 2008, from 8.3 per cent in September 2008 and 5.9 per cent a year earlier. CORE2 edged up marginally to 6.1 per cent in October 2008 from 6.0 per cent in September 2008. CORE2 inflation stood at 6.1 per cent in October 2007.

TRIM10 inflation, which trims 5% of the most volatile items in the CPI on both side of the distribution, declined further to 5.1 per cent in October 2008, from 5.5 per cent in September 2008 and 7.1 per cent in October 2007.

Table 1: Headline and Core Inflation Rates¹ (Per cent)

Month	Headline	CORE1	CORE2	TRIM10
Jul-07	10.5	7.6	6.4	7.5
Aug-07	10.1	7.0	6.2	7.4
Sep-07	9.7	6.4	6.2	7.2
Oct-07	9.4	5.9	6.1	7.1
Nov-07	9.1	5.4	6.0	7.0
Dec-07	8.8	5.0	5.7	7.0
Jan-08	8.9	5.2	5.7	7.4
Feb-08	9.0	5.5	5.7	7.5
Mar-08	9.0	5.8	5.7	7.3
Apr-08	8.9	5.9	5.6	7.0
May-08	8.8	6.2	5.6	6.7
Jun-08	8.8	6.6	5.5	6.5
Jul-08	9.1	7.2	5.7	6.2
Aug-08	9.5	7.8	5.9	5.9
Sep-08	9.8	8.3	6.0	5.5
Oct-08	9.9	8.5	6.1	5.1

¹ Effective July 2007, Core inflation data are compiled using the new basket of goods and services derived from the 2006-07 Household Budget Survey.

While headline inflation for October 2008 stood at 9.9 per cent, core inflation was between 1.4 and 4.8 percentage points lower than the headline inflation.

Notes:

1. CORE1 excludes “Food, Beverages and Tobacco” components and mortgage interest on housing loan from headline inflation.
2. CORE2 excludes Food, Beverages, Tobacco, mortgage interest, energy prices and administered prices from headline inflation
3. TRIM10 truncates 5 per cent of each tail of the distribution of price changes.

Statistics Division
Bank of Mauritius
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