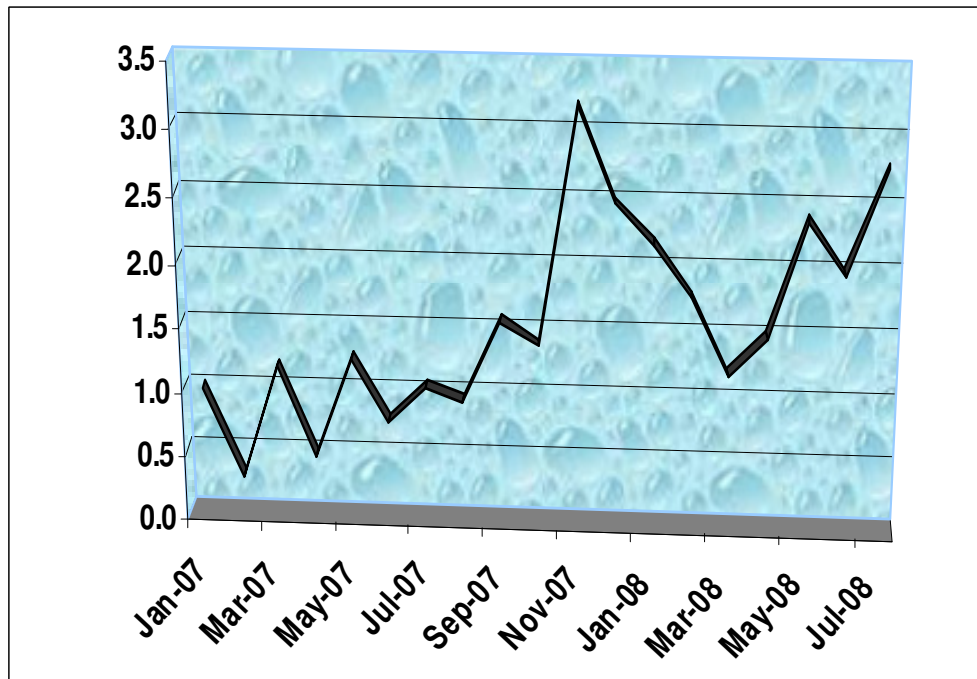


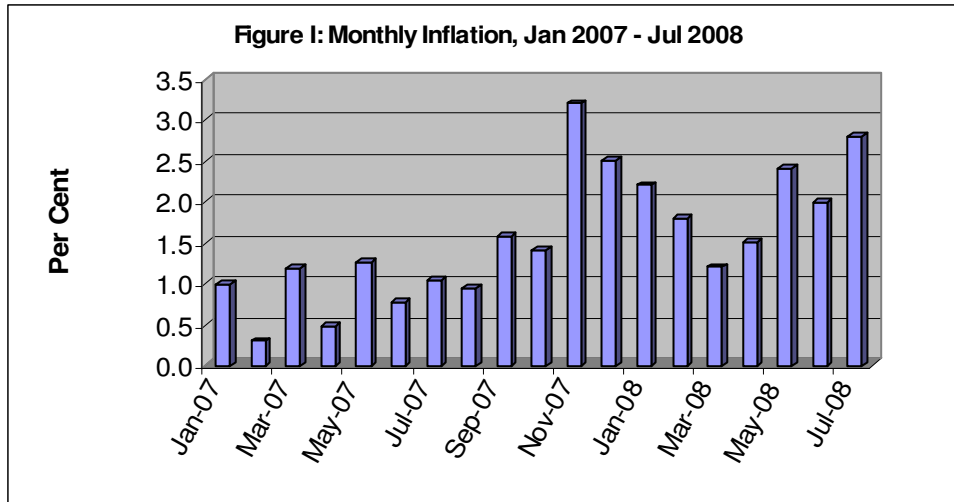
July 2008



MONTHLY INFLATION REPORT

Introduction

For July 2008 the 'All Divisions' Consumer Price Index increased to 134.0. This resulted



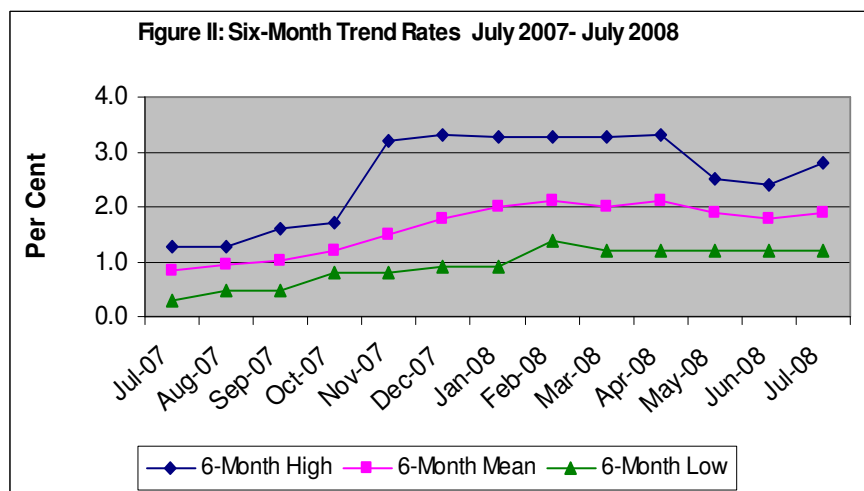
in an inflation rate of 2.8 per cent relative to 2.0 per cent for the previous month and

1.0 per cent for July 2007. The out-turn for July was the largest monthly rate for calendar year 2008 (Figure I). Inflation for the first seven months of the calendar year was 14.7 per cent, this was 6.5 per cent above the rate recorded for the same period of 2007. Fiscal year 2008/09 to date inflation was 9.0 per cent. Inflation for the review month was largely concentrated in the Transport and Housing, Water, Electricity, Gas & Other Fuels divisions, reflecting the effects of: (i) administrative price adjustments, in particular bus and taxi fares; and (ii) automatic adjustments in electricity rates to movements in international oil prices.

Recent Trends

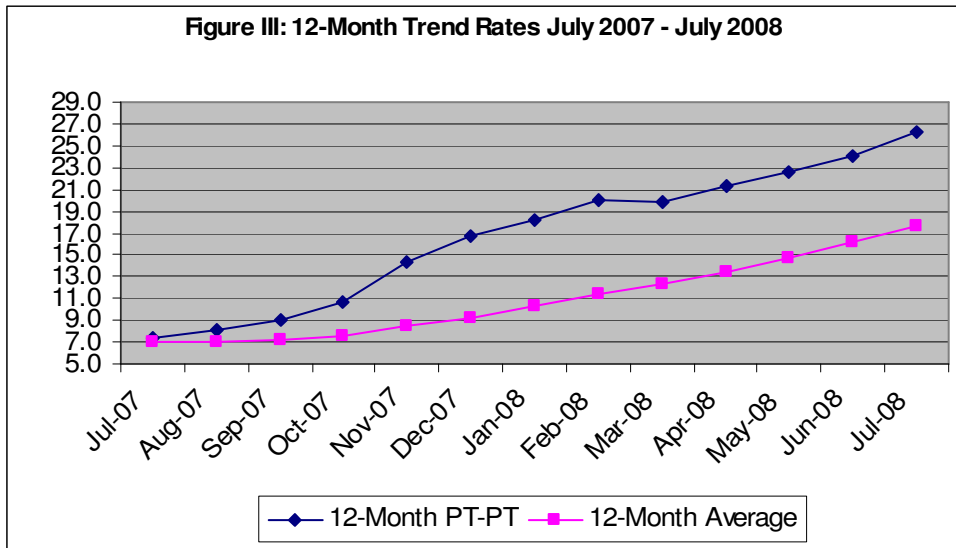
Inflation for July resulted in the following trend rates:

- ✓ 6-month mean of



1.9 per cent. The highest inflation for the past 6 months was the 2.8 per cent recorded for this month, while the lowest for the same period was the 1.2 per cent, recorded in March (Figure II).

- ✓ the 12-month average¹ inflation continued to increase and stood at 17.7 per cent (Figure III).
- ✓ the 12-month point-to-point inflation (July 2007 to July 2008) increased to 26.2 per cent, 2.2 percentage points above the point-to-point rate recorded in the previous month.



Period	Calendar Year to Date	Period	Fiscal Year to Date
2005	8.7	2005/2006	7.1
2006	4.5	2006/2007	4.2
2007	6.2	2007/2008	3.6
2008	14.7	2008/2009	9.0

¹ This is a moving average taking the change in the average CPI for the 12 months to date over the average CPI for the previous 12 months.

ANALYSIS OF INFLATION FOR JULY

Commodity Composition of Price Changes

For the review period, ten of the twelve divisions recorded increased indices, as the indices for Communication and Education remained the same. Price movements were largely evident in the divisions Transport and Housing, Water, Electricity, Gas & Other Fuels, which together accounted for approximately 74.0 per cent of overall inflation.

The index for the **Transport** division increased by 9.9 per cent relative to 2.9 per cent for the previous month and 0.2 per cent for the same period of 2007. This was the largest movement in the division's index since September 2005 when it increased by 26.7 per cent². Price movements in this division were largely determined by higher bus and taxi fares (chartered taxis) in Other Urban Centres and Rural Areas. The new fares were associated with the 25.0 per cent increase in fares for rural stage buses and hackney carriages, effective June 14, 2008. Also contributing to the higher Transport index was the upward movement in the price of some petroleum based products.

The second largest contributor (30.5 per cent) to overall inflation was the division **Housing, Water, Electricity, Gas & Other Fuels**, which increased by 6.9 per cent (Table II). This out-turn was mainly due to the 11.6 per cent increase in the index for the group *Electricity, Gas & Other Fuels*. Higher electricity prices for the month reflected the lagged effect of higher fuel rates in accordance with the movement of oil prices on the world market.

The index for **Food & Non-Alcoholic Beverages** increased by 1.2 per cent. This was the lowest monthly movement in food prices for calendar year 2008. The respective index for the two groups within this division increased: **Food** (1.2 per cent); and **Non-**

² The movement in the Transport Index during September 2005 was due to the August 21st, islandwide increase in bus and taxi fares combined with higher petroleum prices.

Alcoholic Beverages (1.0 per cent). Within the food group, all nine classes recorded increased indices. The largest contributor to food inflation was the 1.8 per cent increase in the index for Vegetables & Starchy Foods. This increase largely reflected higher prices for Starchy Foods. Other significant contributors to food inflation were Bread & Cereals (2.6 per cent), and Meat (2.2 per cent).

A 1.9 per cent increase was recorded in the index for **Furnishings, Household Equipment and Routine Household Maintenance**. Although all six groups recorded increased indices, this movement was largely the result of the 1.6 per cent increase of the cost of *Goods & Services for Routine Household Maintenance*. The index for **Miscellaneous Goods & Services** rose by 0.7 per cent. This movement reflected higher prices for jewellery, some appliances and personal care items.

The indices for **Recreation & Culture** and **Restaurants & Accommodation Services** increased by 1.6 per cent and 0.5 per cent, respectively (see Table II). Price movements in the latter largely reflected higher food prices. On average **Clothing & Footwear** prices increased by 1.0 per cent. This was due to a 0.8 per cent and 1.3 per cent increase in the index for Clothing and Footwear, respectively.

During July, the index for **Health** increased by 0.3 per cent. Higher health related expenses were derived from upward adjustments in the prices for *Medical Products, Appliances & Equipment* (0.2 per cent) and *Health Services* (0.4 per cent).

Table II –INFLATION AND CONTRIBUTION TO INFLATION BY CPI DIVISION					
	July 2007	June 2008	July 2008	Percentage Contribution, July 2008 *	Percentage Point Contribution, July 2008 *
ALL DIVISIONS	1.0	2.0	2.8	100.0	2.8
FOOD & NON-ALCOHOLIC BEVERAGES	1.1	2.1	1.2	15.4	0.4
ALCOHOLIC BEVERAGES & TOBACCO	0.4	2.6	1.5	0.7	0.0
CLOTHING & FOOTWEAR	0.8	1.0	1.0	1.2	0.0
HOUSING, WATER, ELECTRICITY, GAS & OTHER FUELS	3.6	2.8	6.9	30.5	0.9
FURNISHINGS, HOUSEHOLD EQUIPMENT & ROUTINE HOUSEHOLD MAINTENANCE	0.2	1.2	1.9	3.1	0.1
HEALTH	0.4	0.6	0.3	0.4	0.0
TRANSPORT	0.2	2.9	9.9	43.7	1.3
COMMUNICATION	0.0	0.0	0.0	0.0	0.0
RECREATION & CULTURE	0.5	2.6	1.6	1.8	0.0
EDUCATION	0.0	0.0	0.0	0.0	0.0
RESTAURANTS & ACCOMMODATION SERVICES	0.5	1.2	0.5	1.2	0.0
MISCELLANEOUS GOODS & SERVICES	0.1	1.4	0.7	2.1	0.1
* There may be errors due to rounding					

Regional Composition of Price Changes

Table III: REGIONAL CPI AND INFLATION				
	CPI	Inflation		
	July '08	July '07	June '08	July '08
All Jamaica	134.0	1.0	2.0	2.8
GKMA	134.7	1.3	2.3	1.6
Other Urban Centres	134.1	1.5	2.3	3.4
Rural Areas	133.4	0.7	2.5	3.5

For the review month, all three regions recorded increased indices (Table III). The 3.5 per cent and 3.4 per cent “All Division” index movements recorded for Rural Areas and Other Urban Centres (OUC), respectively, were primarily driven by increased bus fares. The index for Transport increased by 14.5 per cent in Rural Areas while in OUC the index was 13.2 per cent higher. Within both regions ten of the twelve divisions recorded higher indices. Other significant contributors to inflation in these two regions were Housing, Water, Electricity, Gas & Other Fuels and Food & Non-Alcoholic Beverages.

The “All Division” CPI for the Greater Kingston Metropolitan Area increased by 1.6 per cent over the preceding month. Within this region nine of the twelve divisions recorded increased indices. The largest movements in the index were: Housing, Water, Electricity, Gas & Other Fuels and Clothing & Footwear (2.2 per cent).

OUTLOOK

For the next few months inflationary pressures are expected to emanate largely from domestic influences. With the domestic environment, price movements are expected to be influenced by higher back-to-school related expenses. Additionally prices of some starchy foods are expected to increase given the effect of Tropical Storm Gustav, to the east of the island.

It is anticipated however, that price increases will be tempered by the downward movement in agricultural prices on the international market. This has been particularly evident in the lower prices for grains and oil seeds on the international market.