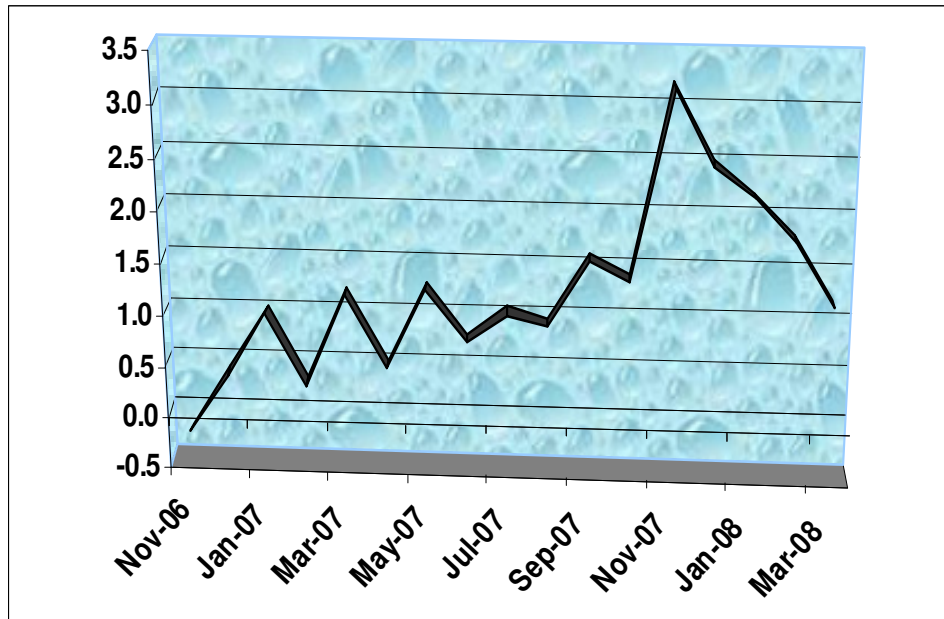


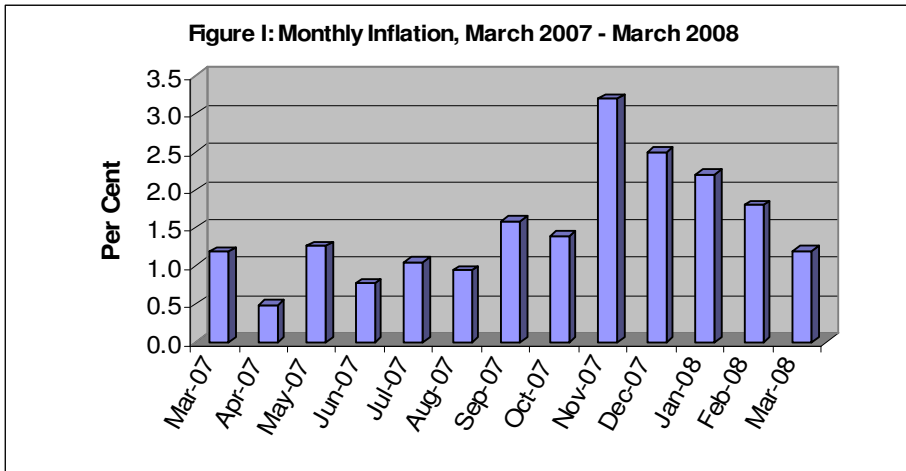
March 2008



MONTHLY INFLATION REPORT

Introduction

For March 2008, the All Jamaica “All Divisions” Consumer Price Index (CPI) stood at 122.9, this represented an inflation of 1.2 per cent, over the preceding month (Figure I).

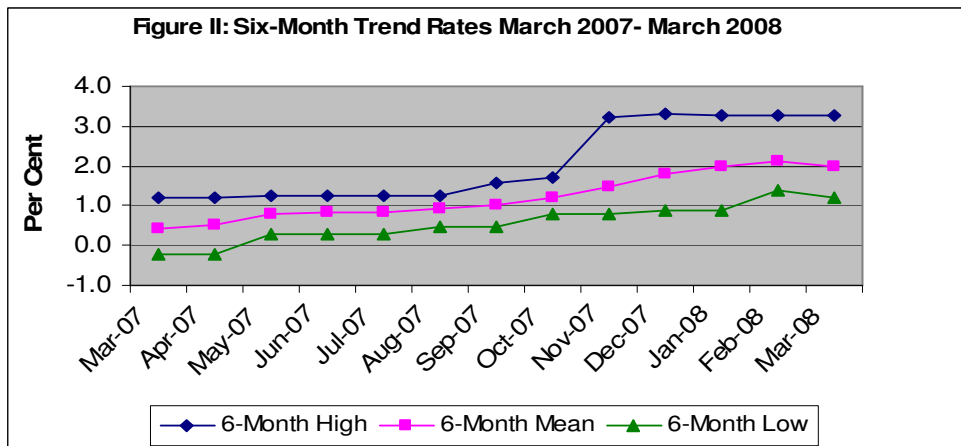


As a result of March’s inflation out-turn, the inflation rate for FY 2007/08 was 19.9 per cent. (Table1).

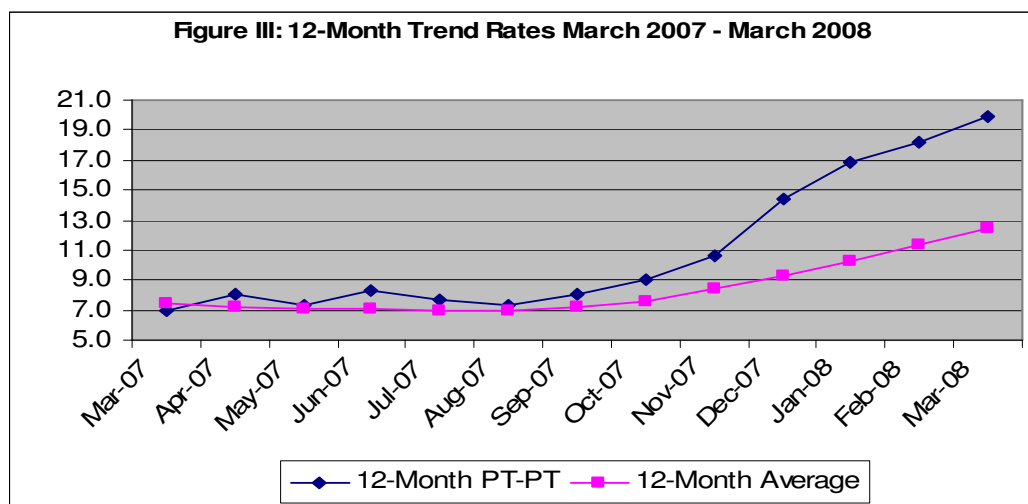
Inflation for the review

month was largely concentrated in the division Food & Non-Alcoholic Beverages. Seasonal impulses for agricultural supply were worsened by adverse weather conditions in the latter half to 2007. As such, price movements in this division were mainly associated with the continued shortage of domestically produced agricultural items. Additionally, the effect of rising international grain prices was reflected during the review month.

Recent Trends



- ✓ The average inflation for the last 6 months was 2.0 per cent (Figure II).
- ✓ The 12-month average increased to 12.4 per cent. This was one percentage point above the average for February 2008 (Figure III).
- ✓ Inflation for the calendar year to March was 5.2 per cent, this was 2.7 percentage points above the inflation recorded for the first 3 months of calendar year 2007 (Table I).



- ✓ Inflation for FY 2007/08 was 19.9 per cent, relative to 8.0 per cent recorded for FY 2006/07 (see Table 1).

Period	Calendar Year to Date	Period	Fiscal Year to Date
2005	1.5	2004/2005	13.2
2006	0.2	2005/2006	11.2
2007	2.5	2006/2007	8.0
2008	5.2	2007/2008	19.9

ANALYSIS OF INFLATION FOR MARCH

Commodity Composition of Price Changes

Nine of the twelve divisions in the CPI recorded increased indices. These increases ranged from 0.3 per cent for Health to 3.6 per cent for Miscellaneous Goods & Services. The divisions Communication and Education recorded no change in their respective indices, while the index for Housing, Water, Electricity, Gas & Other Fuels declined.

There was a 2.1 per cent increase in the index for **Food & Non-Alcoholic Beverages**. This was supported by increases of 2.2 per cent and 0.8 per cent, in the groups Food and Non-Alcoholic Beverages, respectively. Food however was the larger contributor, accounting for approximately 65.0 per cent of overall inflation.

Prices of *Vegetables & Starchy Foods* rose by an average of 3.1 per cent, the largest increase of all nine food classes¹. This reflected the continued effect of Hurricane Dean and heavy rains during October–November 2007. Items for which prices increased included dasheens, yams and plantains. Additionally domestic agricultural production was adversely affected by rises in fertilizer prices.

The movement in international grain prices², in particular rice, wheat, sorghum and corn influenced the movements in the following food classes: *Bread & Cereals*; *Milk, Cheese & Eggs*; and *Meat*. Amidst record low stocks and poor prospects for the current crop, international wheat prices increased by approximately 20.4 per cent for the first three months of calendar year 2008. This heavily influenced the domestic price movements in flour and baking products. Given increased demand and domestic export constraints placed on suppliers, the international price of rice increased. Sorghum and corn prices were pushed upwards given: (i) the competing uses (food and ethanol production); and

¹ The nine food classes are: Bread & Cereals; Meat; Fish & Seafood; Milk, Cheese & Eggs; Oils & Fats; Oils & Fats; Fruit; Vegetables & Starchy Foods; Sugar, Jam, Honey, Chocolate and Confectionery; and Food Products.

² See Attachment 1, for recent trend in selected commodity prices.

(ii) the diversion of land away from these grains to the more profitable wheat crop. One direct result of higher sorghum and corn prices is the increased input cost of manufacturing livestock feeds and ultimately *Meat* higher prices. The 3.5 per cent increase in *Fish & Seafood* prices was driven by supply constraints and increased consumer demand during the Lenten season.

Increases in food prices were however tempered by the Government of Jamaica's \$500.0 million subsidy which ended March 31, 2008.

There was a 0.8 per cent increase in the index for Non-Alcoholic Beverages. This was largely driven by the 1.1 per cent increase in *Mineral Water, Soft Drinks, Fruit & Vegetable Juices*. The index for *Coffee, Tea & Cocoa* increased by 0.3 per cent.

The 0.4 per cent movement in the index **Restaurants & Accommodation Services** was pushed by the cost of eating outside of the home due to higher input costs, in particular food prices.

The index for **Miscellaneous Goods & Services** rose by 3.6 per cent. This increase reflected the increased cost associated with personal care items and services. **Transport** related expenses increased by 0.4 per cent relative to the preceding month. This increase was driven by the upward movement in prices for petroleum and engine oil, reflective of the increases in energy prices.

The division **Furnishings, Household Equipment & Routine Household Maintenance** recorded a 0.7 per cent increase in its index. This increase was fuelled by increased prices for household furnishings and appliances, as reflected in the increases in the indices of the groups *Furniture & Furnishings, Carpets & Other Floor Coverings* (1.1 per cent); *Household Appliances* (2.3 per cent); and *Glassware, Tableware & Household Utensils* (1.8 per cent).

Table II –INFLATION AND CONTRIBUTION TO INFLATION BY CPI DIVISION					
	Mar 2007	Feb 2008	Mar 2008	Percentage Contribution, Mar 2008 *	Percentage Point Contribution, Mar 2008 *
ALL DIVISIONS	1.2	1.8	1.2	100.0	1.2
FOOD & NON-ALCOHOLIC BEVERAGES	1.0	1.9	2.1	67.1	0.8
ALCOHOLIC BEVERAGES & TOBACCO	0.3	1.5	0.7	0.9	0.0
CLOTHING & FOOTWEAR	1.0	3.0	0.8	2.5	0.0
HOUSING, WATER, ELECTRICITY, GAS & OTHER FUELS	1.9	2.7	-0.9	-9.3	-0.1
FURNISHINGS, HOUSEHOLD EQUIPMENT & ROUTINE HOUSEHOLD MAINTENANCE	1.8	4.0	0.7	3.0	0.0
HEALTH	0.7	0.5	0.3	0.8	0.0
TRANSPORT	0.5	0.7	0.4	5.0	0.1
COMMUNICATION	0.0	0.0	0.0	0.0	0.0
RECREATION & CULTURE	0.9	0.4	0.9	2.5	0.0
EDUCATION	0.0	0.0	0.0	0.0	0.0
RESTAURANTS & ACCOMMODATION SERVICES	2.5	1.6	0.4	2.2	0.0
MISCELLANEOUS GOODS & SERVICES	1.5	1.6	3.6	25.4	0.3
* There may be errors due to rounding					

Recreation & Culture and **Clothing & Footwear** recorded increased indices of 0.9 per cent and 0.8 per cent, respectively. For the review period the increase in Recreation & Culture was influenced by higher school related expenses. These expenses included books and other school equipment. The upward movement in the index for Clothes and Footwear was the result of higher prices for both clothing and footwear.

Health expenses increased by 0.3 per cent. This increase was supported by increases in the indices of its two groups, *Medical Products, Appliances & Equipment* (0.4 per cent)

and *Health Services* (0.2 per cent). On average, prices of **Alcoholic Beverages & Tobacco** were 0.7 per cent higher (Table II).

The overall increase in prices was however tempered by the 0.9 per cent reduction in the index for **Housing, Water, Electricity, Gas & Other Fuels**³. This decrease was as a result of lower indices for the groups *Water Supply & Miscellaneous Services Relating to the Dwelling* (6.4 per cent) and *Electricity Gas & Other Fuels* (1.0 per cent), which outweighed the increases in *Rental for Housing* (1.0 per cent) and *Maintenance & Repair of the Dwelling* (0.7 per cent).

Regional Composition of Price Changes

	CPI – Mar '08	Inflation		
		Mar '07	Feb '08	Mar '08
All Jamaica	122.9	0.5	1.8	1.2
GKMA	125.0	0.2	2.2	1.4
Other Urban Centres	122.5	0.9	1.6	1.6
Rural Areas	121.7	0.7	1.6	0.9

The All Jamaica 1.2 per cent inflation recorded for March 2008 was supported by increases in all three regions. Of the three regions, Other Urban Centres recorded the highest rate of 1.6 per cent (Table II). The GKMA and Rural Areas recorded an average increase in prices of 1.4 per cent and 0.9 per cent, respectively. Increases in all three regions were reflective of the All Jamaica price pattern.

³ This is the first reduction in this index since April 2007.

OUTLOOK

It is anticipated that inflationary influences over the next few months will be derived from:

- Sustained high levels in commodity prices⁴, as outlined below:
 - ✓ Continued increases in food prices, amidst strong demand, low stocks and the increased production of biofuels;
 - ✓ Increased international crude oil prices largely attributed to lower inventories (particularly in the U.S.) and supply concerns due to geopolitical issues. The movement in international oil prices is likely to result in the higher domestic household and automotive fuels as well as increased utility costs.
- Administrative price adjustments related to water rates, taxi fares, cigarettes and motor vehicle licensing fees;

1. ⁴ The International Monetary Fund in its *World Economic Outlook. Housing and the Business Cycle*, April 2008. Source: <http://www.imf.org/external/pubs/ft/weo/2008/01/pdf/text.pdf>, retrieved May 8, 2008.

ATTACHMENT 1:

PRICE MOVEMENT OF SELECTED COMMODITY PRICES

(January 2005 – March 2008)

