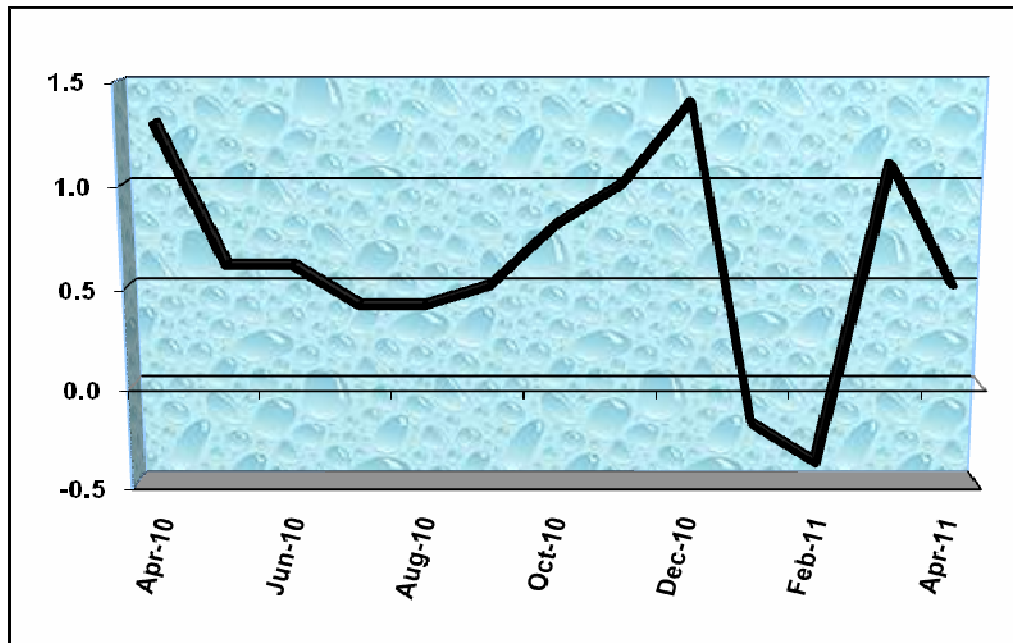
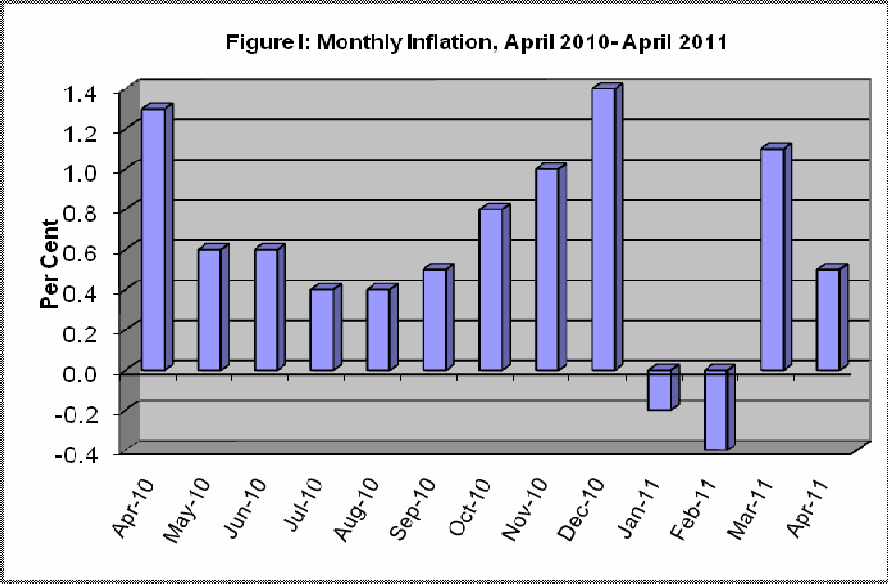


April 2011



MONTHLY INFLATION REPORT

Introduction



For the month of April 2011 The All Jamaica 'All Divisions' Consumer Price Index (CPI) stood at 169.7, reflecting a monthly inflation of 0.5 per cent. This rate of inflation was 0.8 percentage point and

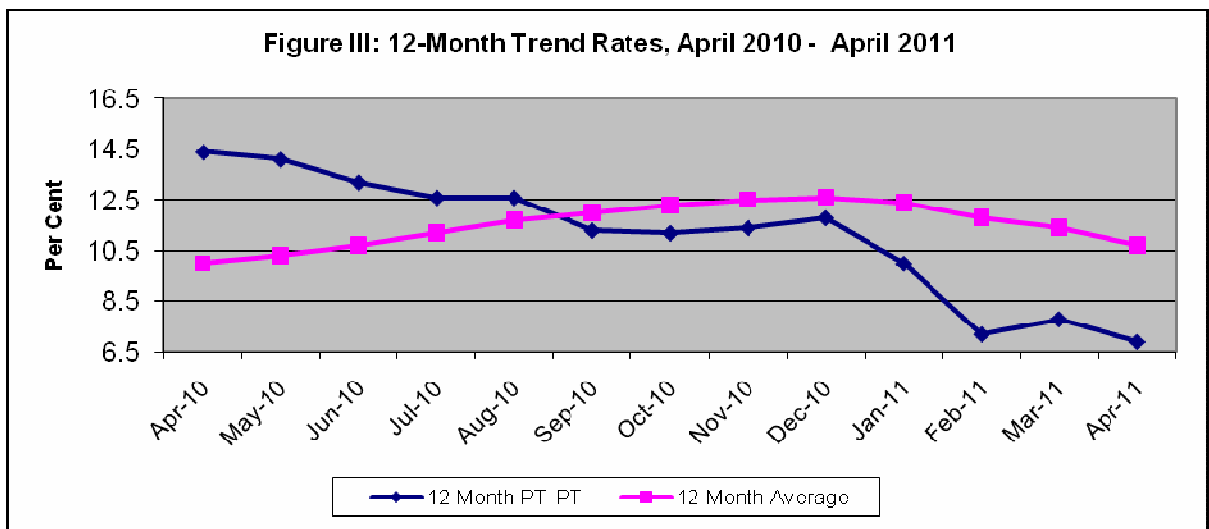
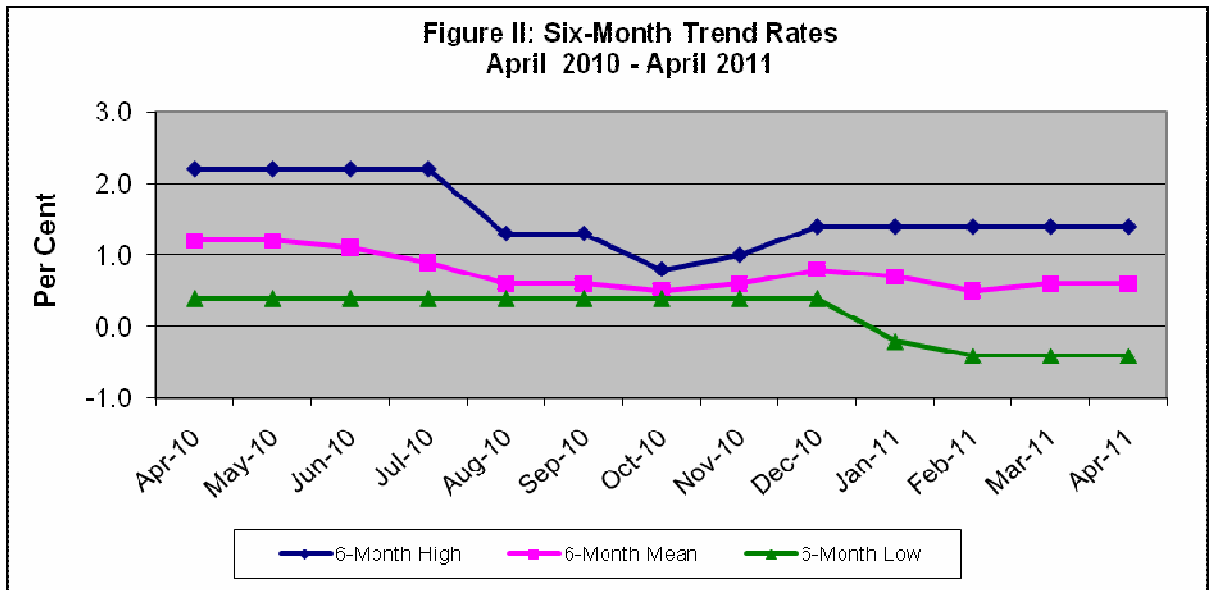
0.6 percentage point below the rate recorded for April 2010 and the preceding month. Higher prices during the month reflected the impact of increased grain and crude oil prices on domestic food prices and transportation costs. These movements were reflected in the Food & Non-Alcoholic Beverages and Transport divisions of the basket of goods and services consumed by middle income and poor Jamaican households. Combined, these two divisions accounted for approximately 87.0 per cent of overall inflation.

Recent Trends

The upward movement in the index during April resulted in the following trend rates:

- ✓ 6-month mean of 0.6 per cent (Figure II). This average rate of inflation over the period November 2010 – April 2011 was half the rate recorded for the same period a year ago

- ✓ the 12-month average¹ inflation was 10.7 per cent. The 12-month point-to-point inflation was 6.9 per cent (Figure III)
- ✓ Calendar year-to-date inflation of 1.0 per cent (Figure IV and Table I). For the same period of 2010 the inflation rate stood at 5.5 per cent
- ✓ Fiscal year-to-date inflation of 0.5 per cent, relative to the 1.3 per cent recorded for the same period of FY2010/11 (Figure V and Table I).



¹ This is a moving average, taking the percentage change between the arithmetic mean of the monthly indices for a year and the arithmetic mean of the monthly indices for the previous year.

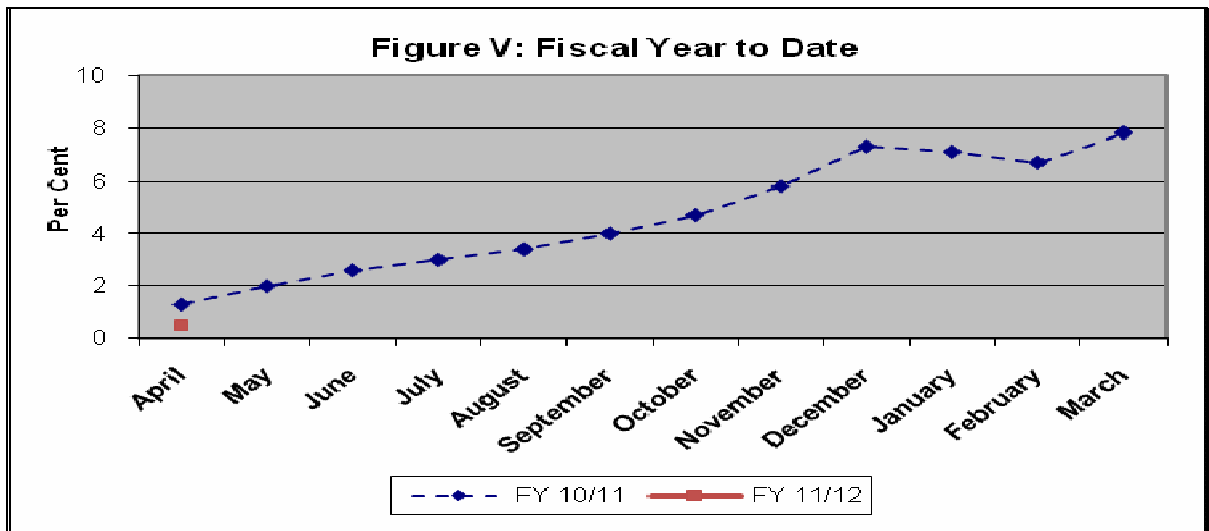
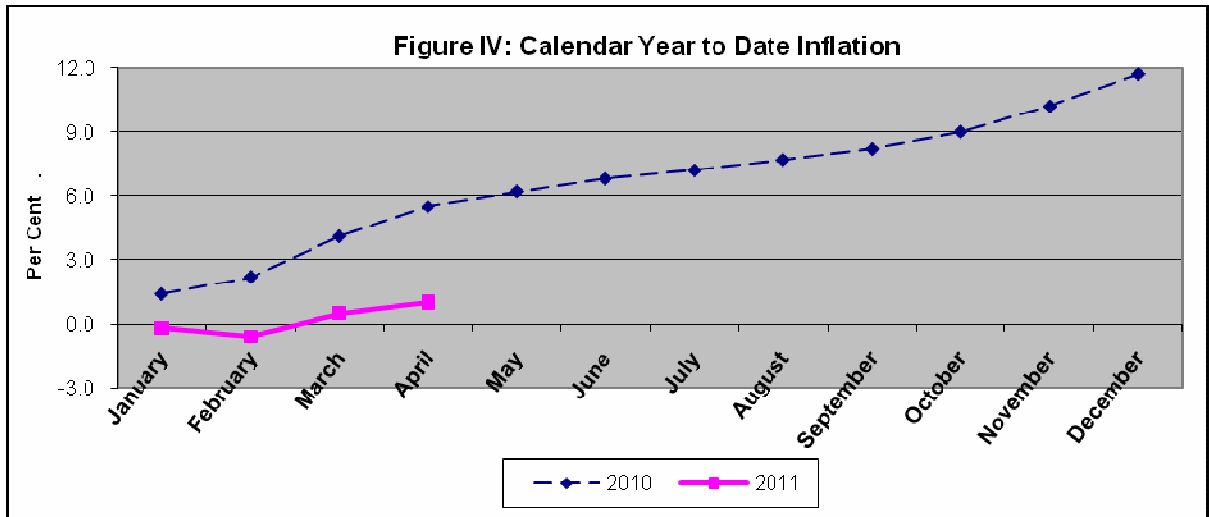


Table I: CALENDAR YEAR & FISCAL YEAR-TO-DATE INFLATION			
Period	Calendar Year to Date	Period	Fiscal Year
2008	6.8	2007/2008	1.5
2009	1.7	2008/2009	0.4
2010	5.5	2009/2010	1.3
2011	1.0	2010/2011	0.5

ANALYSIS OF INFLATION FOR APRIL

Composition of Price Changes

For the review month, nine divisions recorded a higher index, two remained unchanged and one declined (Table II). The rate of increases was as low as 0.1 per cent and as high as 1.3 per cent. The divisions for which there was no change in index were:

- Communication – this index remained stable for the eighth consecutive month
- Education – this index remained unchanged for the third consecutive month.

Inflation was tempered by a reduction in the index for Housing, Water, Electricity, Gas & Other Fuels, which detracted 0.02 percentage point from the inflation out-turn. The divisional analysis below is done according to weighted contribution to overall inflation.

The index for **Food & Non-Alcoholic Beverages** recorded the largest absolute increase of 0.7 per cent, relative to 0.4 per cent for the preceding month. This out-turn was the result of a 0.7 per cent increase in the index for **Food** and a 0.6 per cent increase in the index for **Non-Alcoholic Beverages**. Food prices were driven largely by the upward movement in international grain prices. The impact of higher international grain prices was most evident in the 3.2 per cent increase in the index for *Bread & Cereals*, resulting in this food class accounting for almost half of the movement in food prices. Within this food class there were higher prices for bread and flour among other things. Other food classes impacted by the movement in international grain prices were *Meat* (up 0.9 per cent) and *Milk, Cheese & Eggs* (up 1.3 per cent).

The out-turn of the Food & Non-Alcoholic Beverages division was constrained by a 0.9 per cent decline in the index for *Vegetables & Starchy Foods*. This was driven by a 2.2 per cent reduction in the index for Vegetables as there was a 2.4 per cent increase in the index for Starchy Foods. Lower vegetable prices resulted from the continued abundant supply of domestically produced agricultural foods.

The **Transport** index rose by 1.3 per cent and accounted for approximately 35.0 per cent of April's inflation. This out-turn was the largest monthly movement since April 2009, and reflected the impact of increased international crude oil prices on domestic transport costs. Items in this division which recorded significant increases in price were fuels, lubricants and the cost of air travel.

The index for the division **Miscellaneous Goods & Services** was 0.5 per cent higher and was the third largest contributor to overall inflation. This increase was driven by higher prices for personal care services as well as personal effect products.

The indices of **Recreation & Culture** and **Furnishings, Household Equipment & Routine Household Maintenance** were 0.3 per cent and 0.1 per cent, respectively. The inflation out-turn for the latter was pushed mainly by the 0.1 per cent increase in the index for the group *Goods & Services for Routine Household Maintenance*.

For the review month there were increases of 0.1 per cent and 0.3 per cent for the divisions **Restaurants & Accommodation Services** and **Alcoholic Beverages & Tobacco**, respectively.

The inflation out-turn for the month was constrained by a 0.2 per cent reduction in the index for **Housing, Water, Electricity, Gas & Other Fuels**. This was in contrast to the **4.1** per cent increase in March 2011. The lower index reflected the 1.3 per cent contraction in *Electricity, Gas & Other Fuels*. This was the first decline in this index since August 2010 and reflected the lowering of electricity fuel rate, linked to declines in crude oil prices. Lower than anticipated economic results, particularly in the US and associated concerns about demand led to a fall in crude oil prices.

Table II –INFLATION AND CONTRIBUTION TO INFLATION BY CPI DIVISION					
	Apr 2010	Mar 2011	Apr 2011	Percentage Contribution, Apr 2011 *	Percentage Point Contribution, Apr 2011 *
ALL DIVISIONS	1.3	1.1	0.5	100	0.5
FOOD & NON-ALCOHOLIC BEVERAGES	0.7	0.4	0.7	51.3	0.2
ALCOHOLIC BEVERAGES & TOBACCO	0.4	0.5	0.3	0.7	0.0
CLOTHING & FOOTWEAR	0.7	0.8	0.5	3.5	0.0
HOUSING, WATER, ELECTRICITY, GAS & OTHER FUELS	-1.5	4.1	-0.2	-4.3	-0.0
FURNISHINGS, HOUSEHOLD EQUIPMENT & ROUTINE HOUSEHOLD MAINTENANCE	0.7	2.8	0.1	1.3	0.0
HEALTH	0.2	0.2	0.1	0.6	0.0
TRANSPORT	9.3	1.2	1.3	35.4	0.2
COMMUNICATION	0.0	0.0	0.0	0.0	0.0
RECREATION & CULTURE	0.3	0.2	0.3	1.9	0.0
EDUCATION	1.5	0.0	0.0	0.0	0.0
RESTAURANTS & ACCOMMODATION SERVICES	0.6	0.1	0.1	0.9	0.0
MISCELLANEOUS GOODS & SERVICES	0.4	0.3	0.5	8.8	0.0
* There may be errors due to rounding					

Regional Composition of Price Changes

Table III: REGIONAL CPI AND INFLATION			
	CPI	Inflation (%)	
		Apr '11	Mar '11
All Jamaica	169.7	1.1	0.5
Greater Kingston Metropolitan Area (GKMA)	175.7	1.5	0.5
Other Urban Centres (OUC)	170.4	1.0	0.7
Rural Areas	165.2	0.8	0.4

All three regions recorded increased indices within a range of 10.0 per cent and 1.5 per cent (Table III). Consistent with the movement in the All Jamaica index, the movement in the Food & Non-Alcoholic Beverages division was most influential to the out-turn of all three regions. Food prices were however tempered by lower domestic agriculture prices, particularly in Rural Areas and Other Urban Centres, which recorded respective declines of 2.5 per cent and 3.7 per cent in the index of Vegetables & Starchy Foods.

OUTLOOK

It is anticipated that inflationary impulses for the shorter term will emanate mainly from higher food prices, particularly for cereals and baked products given the movement in international grain prices. These increases are expected to be tempered by a restraint in agricultural prices. Additionally the inflation out-turn is likely to be impacted by higher energy prices.