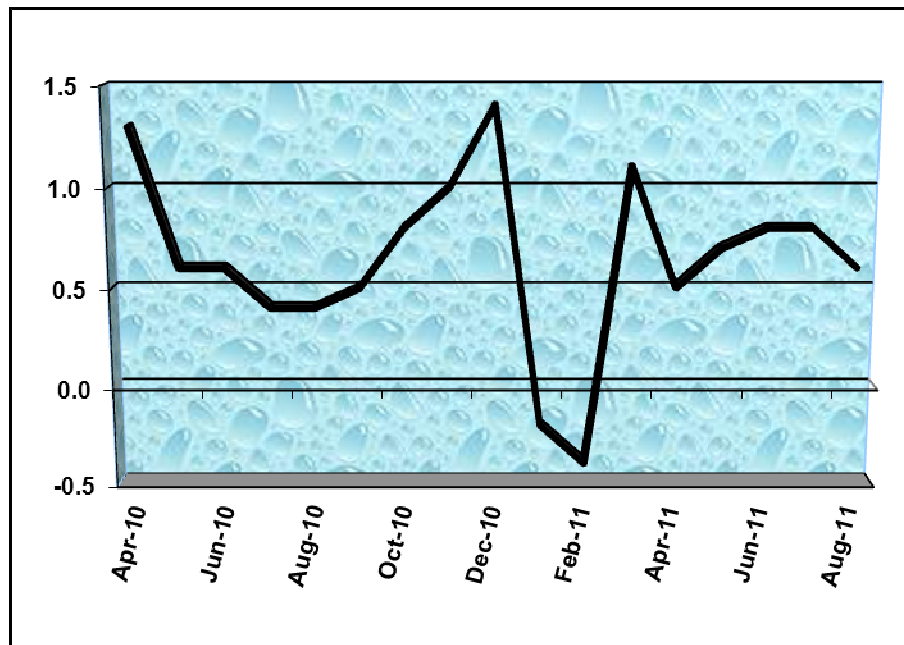
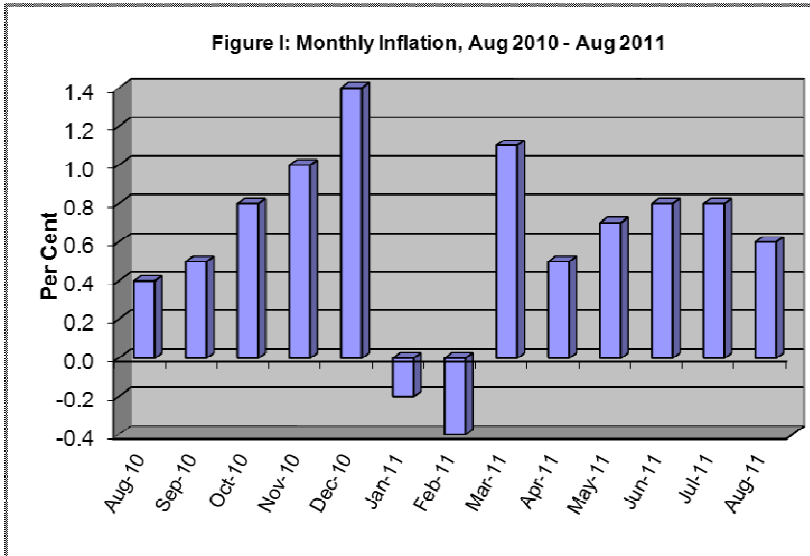


**August 2011**



# MONTHLY INFLATION REPORT

## Introduction



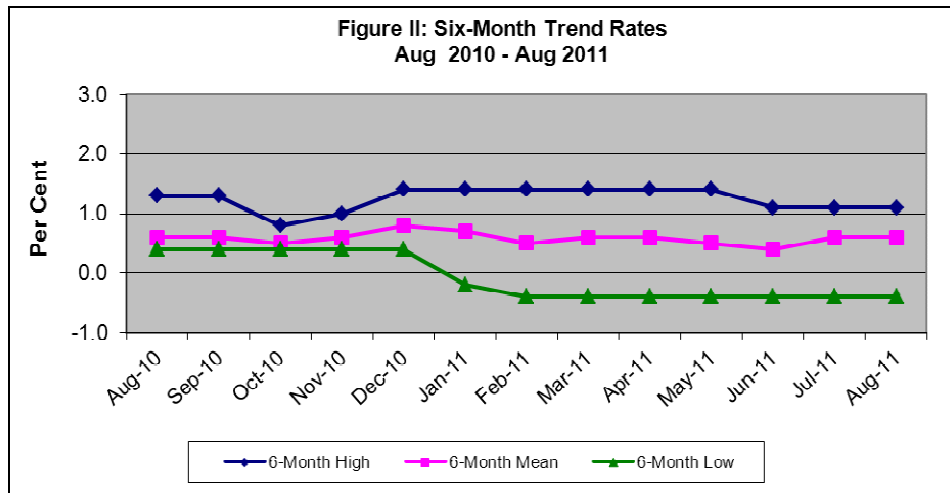
For the month of August the All Jamaica 'All Divisions' Consumer Price Index (CPI), stood at 174.6. This represented a monthly inflation rate of 0.6 per cent, above the rate (0.4 per cent) recorded for August 2010 and below the rate (0.8 per

cent ) recorded for the preceding month (Figure 1). Inflationary impulses emanated largely from higher domestic agricultural prices reflecting a combination of: (a) seasonal shortages of some agricultural produce; and (b) a return to normal pricing of some items, subsequent to depressed prices during the glut which occurred in the first half of the year. This was reflected in the upward movement of the Food & Non-Alcoholic Beverages division which accounted for approximately 70.0 per cent of overall inflation.

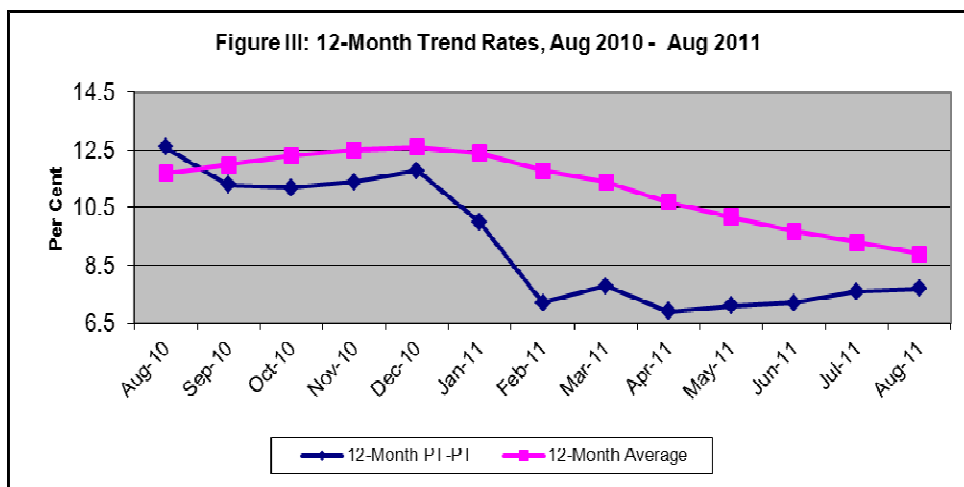
## Recent Trends

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

- ✓ **6-month mean of 0.7 per cent** (Figure II). For the six month period, March–August 2011, the highest monthly inflation was 1.1 per cent, recorded in March and the lowest was 0.5 per cent, recorded in April

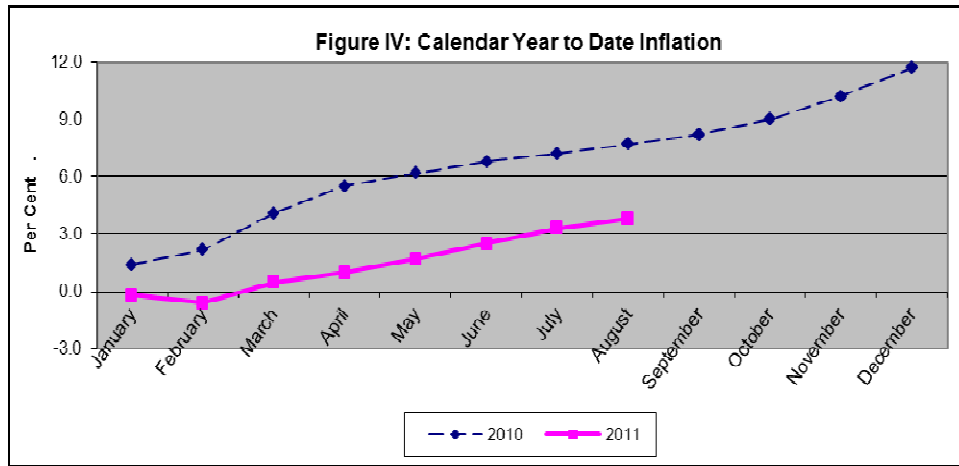


✓ the **12-month average<sup>1</sup> inflation was 8.9 per cent**. The **12-month point-to-point inflation was 7.8 per cent**, from 7.7 per cent recorded in July (Figure III)



✓ **Calendar year-to-date inflation of 3.89 per cent** (Figure IV and Table I). For the same period of 2010 the inflation rate stood at 7.7 per cent

<sup>1</sup> 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.



- ✓ **Fiscal year-to-date inflation of 3.3 per cent**, 0.1 percentage point below the rate recorded for the same period of FY2010/11 (Figure V and Table I).

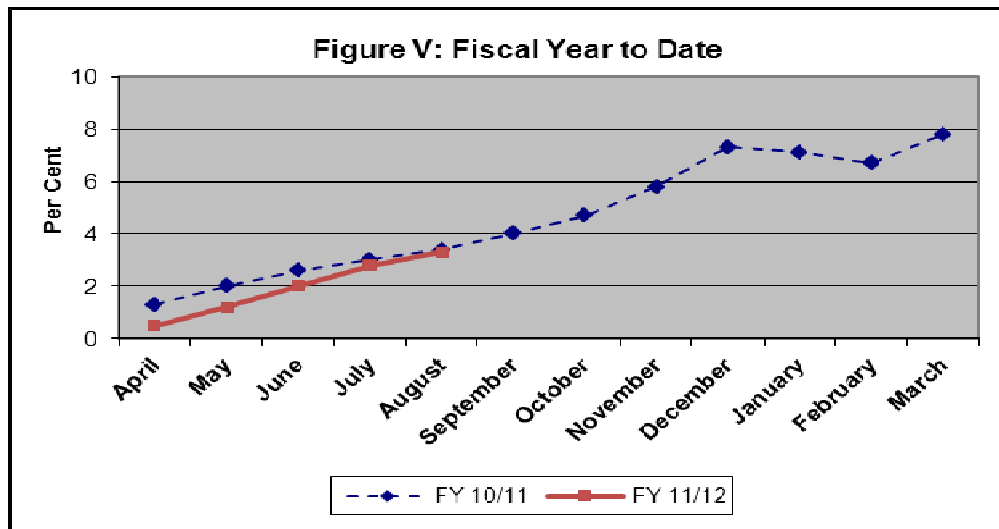


Table I: CALENDAR YEAR & FISCAL YEAR-TO-DATE INFLATION			
Period	Calendar Year to Date	Period	Fiscal Year
2008	16.1	2008/2009	10.3
2009	5.4	2009/2010	4.1
2010	7.7	2010/2011	3.4
2011	3.8	2011/2012	3.3

## ANALYSIS OF INFLATION FOR AUGUST

### Composition of Price Changes

Contributing to the upward movement in the CPI were ten divisions, which recorded an increase in their indices. These increases were constrained by the decline in the index for Housing, Water, Electricity, Gas & Other Fuels. The index for Education remained unchanged (Table II).

For the fifth consecutive month the division **Food & Non-Alcoholic Beverages** was the largest contributor to inflation. During August its index increased by 1.3 per cent and accounted for approximately 79.0 per cent of the general increase in the price level. This out-turn resulted mainly from a shortage of some agricultural items.

As was the case with the division, the index for the **Food** group was 1.3 per cent higher, reflecting increases in all food classes. Of the nine food classes the largest absolute movement was recorded for *Vegetables & Starchy Foods*, within which *Vegetables* increased by 4.9 per cent and *Starchy Foods* by 3.9 per cent. These increases reflect sharp increases in domestic agricultural prices subsequent to the end of glut which occurred in the first half of the year. Other significant contributors to the out-turn of the Food Group were *Bread & Cereals* and *Meat*, which increased by 0.4 per cent and 0.5 per cent, respectively.

In the case of **Non-Alcoholic Beverages**, there was a 0.7 per cent increase. This was driven by respective increases of 0.8 per cent and 0.6 per cent in the indices of the food classes Coffee, Tea & Cocoa and Mineral Waters, Soft Drinks, Fruit & Vegetable Juices.

There was a 3.1 per cent upward movement in the index for the division **Communication**. This was the first increase in this index in a year<sup>2</sup>, and reflected a rise in rental rates of landlines during the review month.

The third largest contributor, inflation, was a 0.9 per cent rise in the **Transport** index (see Table II). This was largely the result of increases in airfares, associated with the uptick in travel during the summer. Also impacting this division was the lagged impact of increases in international crude oil prices, during the month of July, on the domestic prices of petroleum and petroleum-related products.

The divisions **Miscellaneous Goods & Services** and **Furnishings, Household Equipment & Routine Household Maintenance** recorded increases of 0.7 per cent and 0.6 per cent, respectively. In the case of the latter, whilst all six groups recorded increases, the out-turn was due mainly to increases in *Furniture & Furnishings (including Floor Coverings)* (up 1.8 per cent) and *Goods & Services for Routine Household Maintenance* (up 0.3 per cent).

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<sup>2</sup> In August 2010, the Communication index increased by 2.3 per cent.

	Aug 2010	July 2011	Aug 2011	Percentage Contribution, Aug 2011*	Percentage Point Contribution, Aug 2011 *
ALL DIVISIONS	0.4	0.8	0.6	100.0	0.6
FOOD & NON-ALCOHOLIC BEVERAGES	0.5	1.4	1.3	78.9	0.5
ALCOHOLIC BEVERAGES & TOBACCO	0.3	0.4	0.3	0.6	0.0
CLOTHING & FOOTWEAR	0.7	0.7	0.9	4.7	0.0
HOUSING, WATER, ELECTRICITY, GAS & OTHER FUELS	0.0	0.6	-2.1	-44.0	-0.3
FURNISHINGS, HOUSEHOLD EQUIPMENT & ROUTINE HOUSEHOLD MAINTENANCE	0.7	0.3	0.6	4.9	0.0
HEALTH	0.3	0.3	0.4	2.5	0.0
TRANSPORT	-0.1	0.3	0.9	19.7	0.1
COMMUNICATION	2.3	0.0	3.1	20.4	0.1
RECREATION & CULTURE	0.7	0.2	0.2	1.3	0.0
EDUCATION	0.0	0.0	0.0	-0.0	-0.0
RESTAURANTS & ACCOMMODATION SERVICES	0.3	0.3	0.1	1.7	0.0
MISCELLANEOUS GOODS & SERVICES	1.0	0.4	0.7	9.1	0.1
* There may be errors due to rounding.					

An increase of 0.9 per cent was recorded for **Clothing & Footwear**, the largest monthly increase for the calendar year. The upward movement in the Clothing index (1.0 per cent) emanated from higher prices for clothing and fabrics. On average, shoe prices increased by 0.6 per cent.

Movements in the **Health** index indicate that there was a 0.5 per cent increase in the cost of acquiring health-related goods and services. The price of health-related products increased by 0.1 per cent and health-related services up 0.7 per cent.

The two remaining divisions recording increases during the review month were **Restaurants & Accommodation Services** and **Recreation & Culture**, up by 0.1 per cent and 0.2 per cent respectively.

Further increase in the All Jamaica CPI was constrained by the 2.1 per cent reduction in the index for the division **Housing, Water, Electricity, Gas & Other Fuels**. The lower index resulted from a decline in electricity rates as reflected by the 3.8 per cent reduction in the index for *Electricity, Gas & Other Fuels*.

### **Regional Composition of Price Changes**

<b>Table III: REGIONAL CPI AND INFLATION</b>			
	CPI	Inflation (%)	
		August '11	July '11
All Jamaica	174.6	0.8	0.6
Greater Kingston Metropolitan Area (GKMA)	180.7	0.7	0.8
Other Urban Centres (OUC)	176.0	0.8	0.7
Rural Areas	169.6	0.8	0.3

All three regions recorded an increase in index. Of the three, prices in the Greater Kingston Metropolitan Area recorded the highest increase of 0.8 per cent, followed by Other Urban Centres with 0.7 per cent. Rural Areas recorded the smallest increase, due largely to the fact that the impact of the shortage of agricultural items was not as strong in this region.

### **OUTLOOK**

Within the domestic sphere, prices are expected to be influenced upwards by: (i) restrictions in the availability of sugar amidst a global shortage; (ii) increased demand for education-related items and services associated with the beginning of the 2011/12 school year. Prices are however expected to be tempered by weak domestic demand, and stability in the foreign exchange market. Additionally, as the short-term prospects for the international economy are revised downwards and as a consequence the global demand for oil falls, domestic energy prices are also expected to move in the same direction.