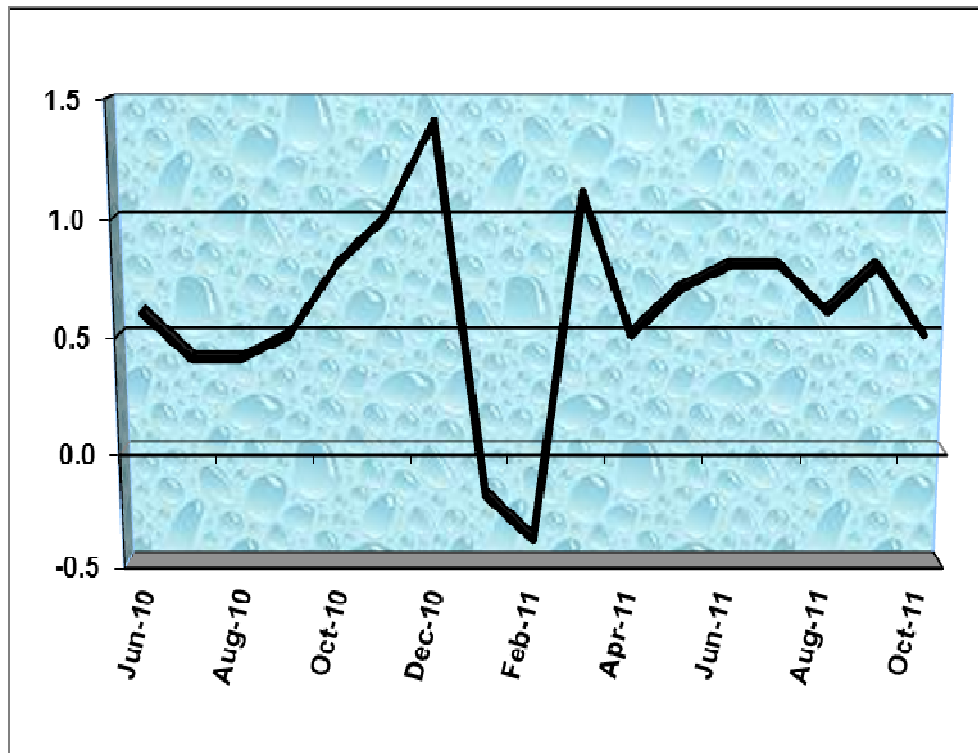
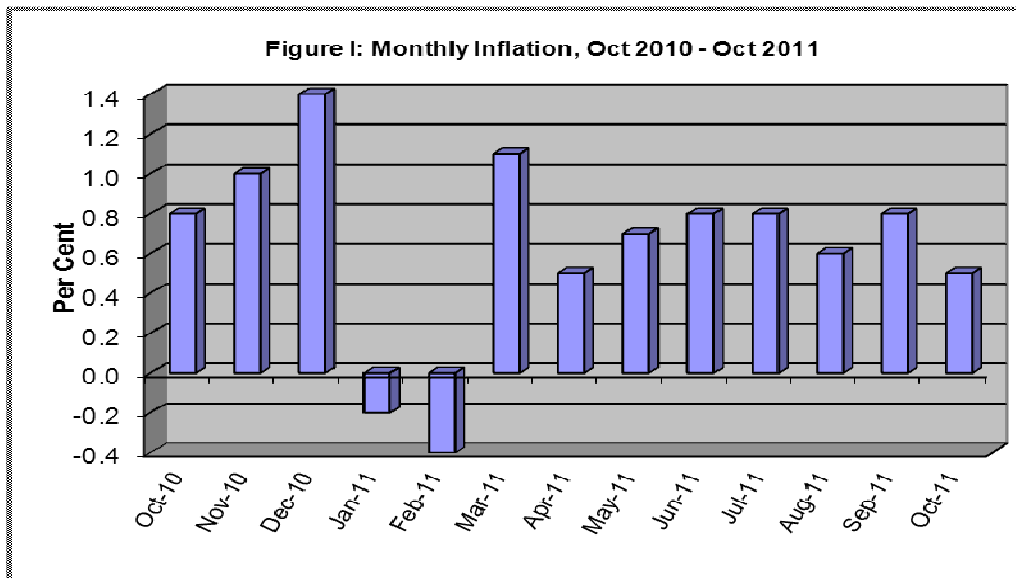


October 2011



MONTHLY INFLATION REPORT

Introduction



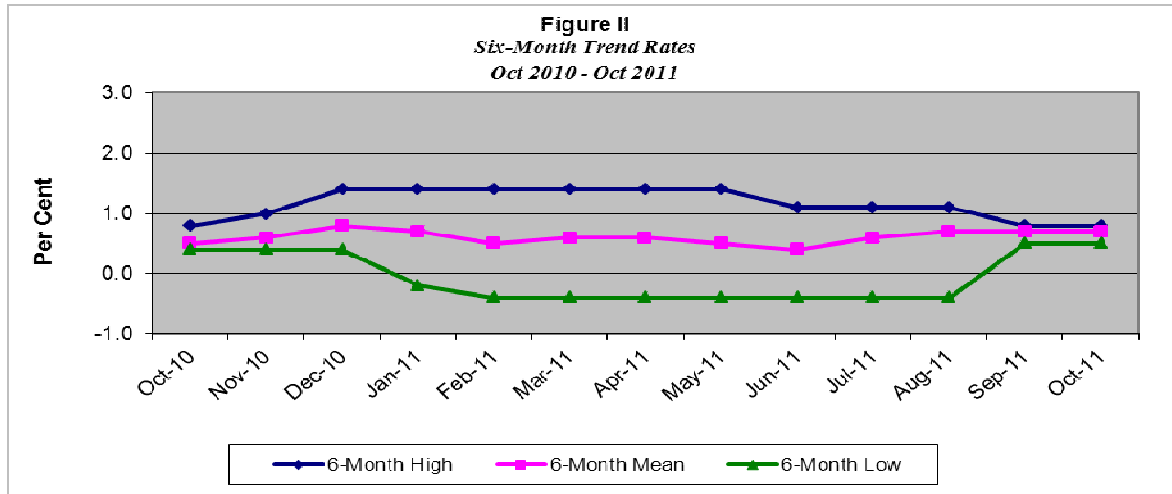
The All Jamaica 'All Divisions' Consumer Price Index (CPI) for October increased to reach 176.7, reflecting a monthly

inflation of **0.5** per cent. This percentage change in the CPI was the lowest recorded since April 2011, when the same rate was reported (Figure 1). The higher price level for the review period largely reflected increases in the prices of some foods, particularly meat and sugar. Also contributing were higher housing prices, as well as the upward movement in electricity rates. These increases were brought about by, among other things, higher input costs, shortages of some items, upward adjustments to rent and the fuel component of electricity rates. These factors impacted the Food & Non-Alcoholic Beverages; and Housing Water, Electricity, Gas & Other Fuels divisions, the largest contributors to overall inflation. The impact of these increases were however tempered by lower transportation costs and declines in the prices of domestically produced starchy foods.

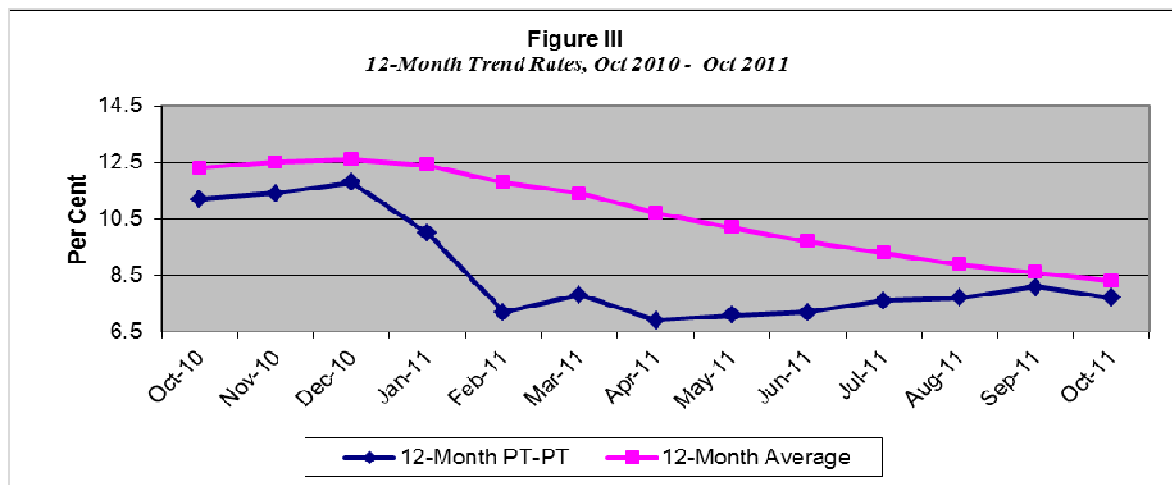
Recent Trends

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

- ✓ **6-month mean of 0.7 per cent** (Figure II). For the six-month period, May–October 2011, the highest monthly inflation was 0.8 per cent; recorded in the months of June, July and September. The lowest monthly rate was 0.5 per cent, recorded in the review month

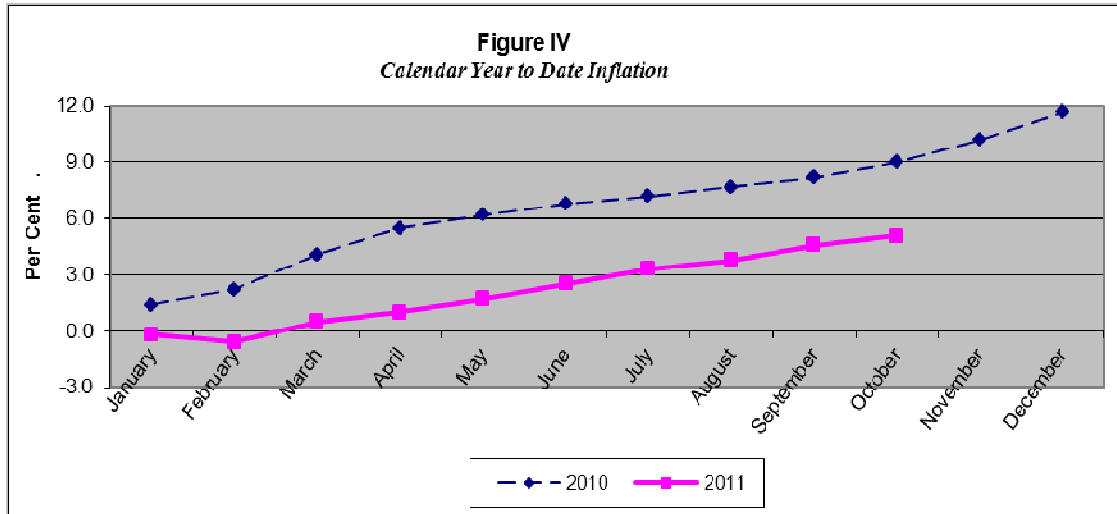


- ✓ the **12-month average¹ inflation was 8.3 per cent**. The **12-month point-to-point inflation was 7.7 per cent** relative to 8.1 per cent recorded in September (Figure III)



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.

- ✓ **Calendar year-to-date inflation of 5.1 per cent** (Figure IV and Table I). The out-turn for the calendar year to date was below the average of 10.0 per cent for the previous five January–October periods (2006–2010)



- ✓ **Fiscal year-to-date inflation of 4.6 per cent** compared with 4.8 per cent recorded for the same period of FY2010/11 (Figure V and Table I).

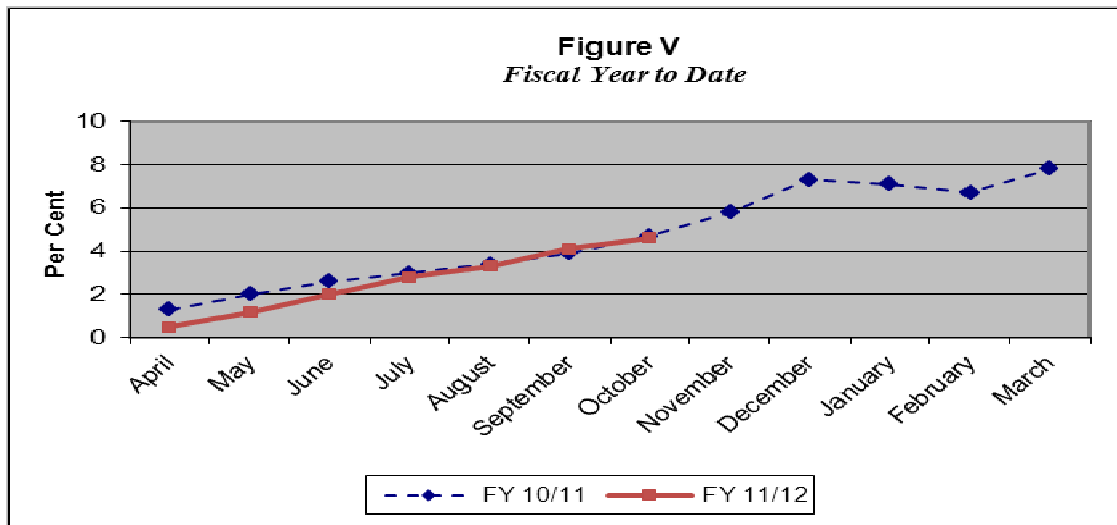


Table I: CALENDAR YEAR & FISCAL YEAR-TO-DATE INFLATION			
Period	Calendar Year to Date	Period	Fiscal Year
2008	17.2	2008/2009	11.3
2009	8.1	2009/2010	6.7
2010	9.0	2010/2011	4.8
2011	5.1	2011/2012	4.6

ANALYSIS OF INFLATION FOR OCTOBER

Composition of Price Changes

The largest contributor to inflation for the review month was the division **Food & Non-Alcoholic Beverages** which increased by 0.7 per cent and accounted for approximately 62.0 per cent of the inflation for October. The increase for the division was the result of a 0.7 and 0.9 per cent increase in the index for the groups **Food** and **Non-Alcoholic Beverages**, respectively.

Food related price impulses were due largely to:

- Increases in input costs, which have been passed on to the consumer
- Recent shortages in the supply of sugar to the domestic market.

These factors were reflected in respective increases of 1.4 per cent and 2.1 per cent in the index of *Meat and Sugar, Jam, Honey, Chocolate & Confectionery*, which combined accounted for approximately half of the month's inflation.

The increase in the index for the **Food** group was constrained by the 0.9 per cent decline in the index for *Vegetables & Starchy Foods*. This was the second consecutive monthly reduction and was the result of an increase in the supply of domestically produced starchy foods. Among the foods abundant in supply were yams and potatoes. Vegetable prices were, however, higher by 0.7 per cent.

	Oct 2010	Sept 2011	Oct 2011	Percentage Contribution, Oct 2011*	Percentage Point Contribution, Oct 2011 *
ALL DIVISIONS	0.8	0.8	0.5	100.0	0.5
FOOD & NON-ALCOHOLIC BEVERAGES	1.0	0.9	0.7	61.9	0.3
ALCOHOLIC BEVERAGES & TOBACCO	0.8	0.2	0.1	0.4	0.0
CLOTHING & FOOTWEAR	0.7	1.3	0.4	3.4	0.0
HOUSING, WATER, ELECTRICITY, GAS & OTHER FUELS	1.0	1.5	1.6	49.4	0.2
FURNISHINGS, HOUSEHOLD EQUIPMENT & ROUTINE HOUSEHOLD MAINTENANCE	0.5	0.4	0.3	3.2	0.0
HEALTH	0.1	0.3	0.2	1.2	0.0
TRANSPORT	0.3	-0.5	-0.9	-28.8	-0.1
COMMUNICATION	0.0	0.0	0.0	0.0	0.0
RECREATION & CULTURE	0.2	0.1	0.2	1.9	0.0
EDUCATION	0.0	8.0	0.0	0.0	0.0
RESTAURANTS & ACCOMMODATION SERVICES	0.1	0.2	0.0	0.6	0.0
MISCELLANEOUS GOODS & SERVICES	1.4	0.2	0.3	6.8	0.0
* There may be errors due to rounding.					

The index for the **Housing, Water, Electricity, Gas & Other Fuels** division rose by 1.6 per cent. This was primarily the result of upward movements in rental costs and higher electricity rates. The higher electricity rate reflected a 1.3 per cent rise in the fuel charge component of electricity bills.

Miscellaneous Goods & Services recorded a 0.3 per cent increase in its index. This was driven by higher prices for personal care items and personal effects. The index for the division **Furnishings, Household Equipment & Routine Household Equipment** increased by 0.3 per cent. The largest contributor to this out-turn was the group *Goods & Services for Routine Household Maintenance* (up 0.2 per cent).

The other divisions recording increases were:

- **Alcoholic Beverages & Tobacco** (up 0.1 per cent)

- **Clothing & Footwear** (0.4 per cent)
- **Health** (0.2 per cent)
- **Recreation & Culture** (0.2 per cent)

There was no change to the index for **Communication; Education; and Restaurants & Accommodation Services**.

Following a 0.5 per cent decline in September, the **Transport** index declined by 0.9 per cent during October. This reduction detracted 0.1 per cent from the overall inflation out-turn. Contributing to the out-turn for the review month were lower airfares and reductions in the price of petroleum and related products.

Regional Composition of Price Changes

Table III: REGIONAL CPI AND INFLATION			
	CPI	Inflation (%)	
	October '11	September '11	October '11
All Jamaica	176.7	0.8	0.5
Greater Kingston Metropolitan Area (GKMA)	183.1	0.9	0.4
Other Urban Centres (OUC)	178.0	0.7	0.5
Rural Areas	171.7	0.7	0.5

All three regions recorded an increase in index (Table III). Consistent with the movement in the All Jamaica CPI, higher food prices was the most influential contributor to the inflation out-turn.

OUTLOOK

For the remainder of the year, increased seasonal demand during the Christmas holidays is expected to apply upward pressure on prices. On the other hand, continued downward pressure on global demand is expected to cause lower commodity prices, thus constraining domestic inflation.