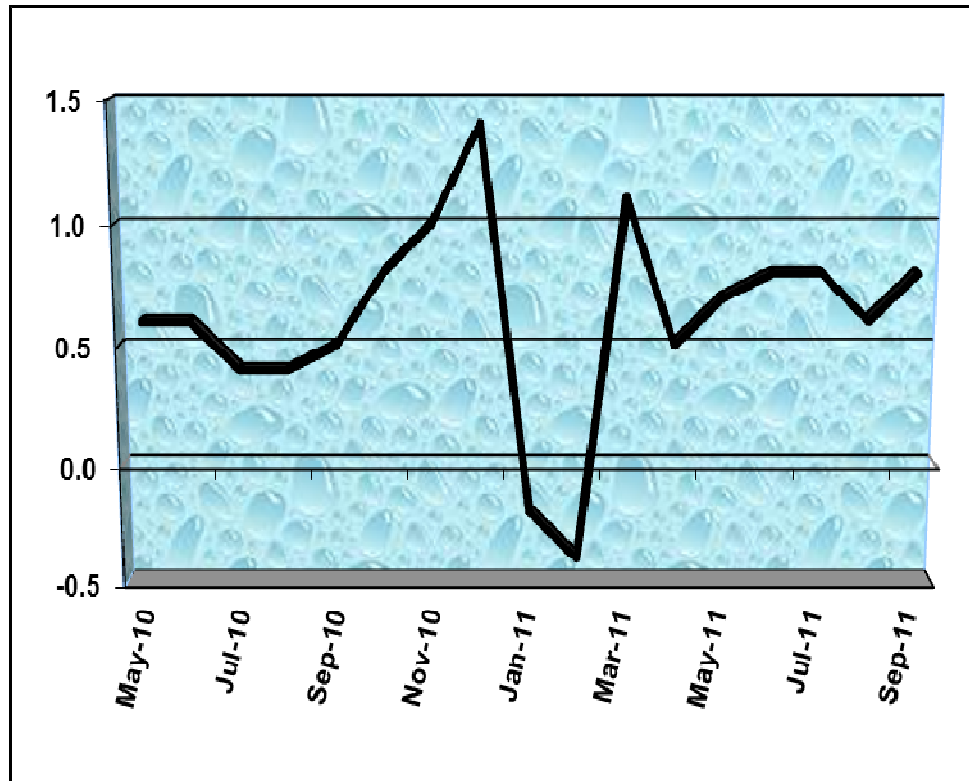
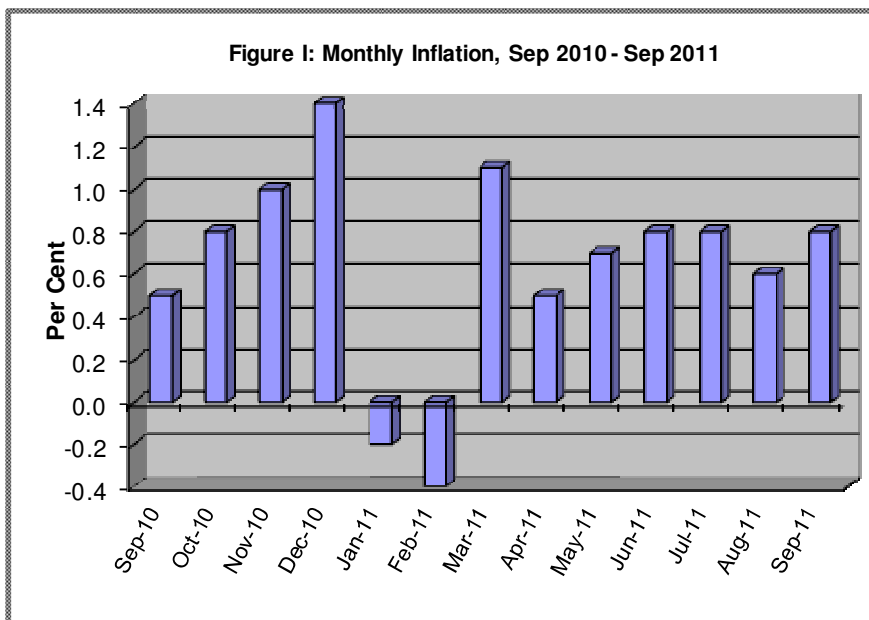


September 2011



MONTHLY INFLATION REPORT

Introduction



The upward movement in the All Jamaica 'All Divisions' Consumer Price Index (CPI) for September reflected a monthly inflation of **0.8** per cent. This was higher than the 0.6 per cent and 0.5 per cent recorded for August

2011 and September 2010, respectively (Figure 1). The higher CPI largely reflected the combined impact of domestic and external influences. In the domestic environment, higher prices were derived from:

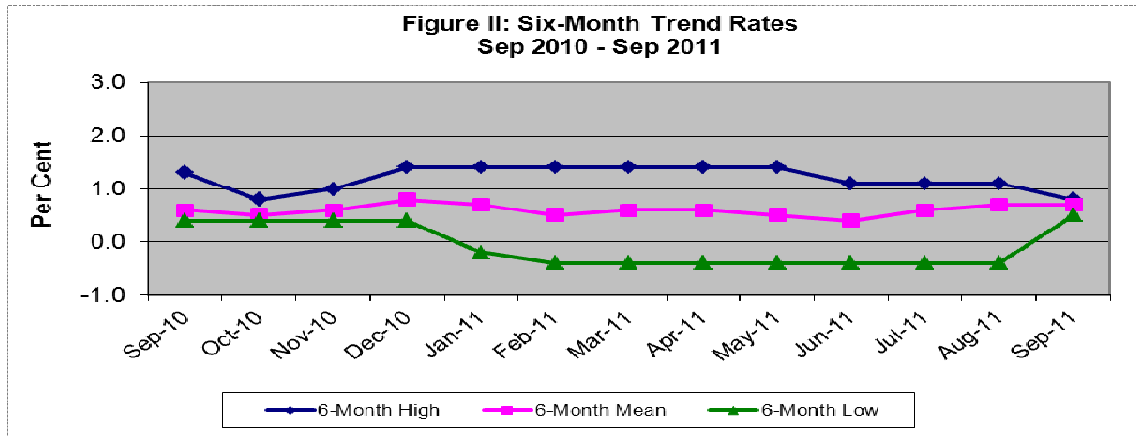
- seasonal shortage of some agricultural foods
- increased costs of educational goods and services.

The external impact on prices emanated from the immediate pass through of increased crude oil prices on electricity rates. The rate of price increases were however constrained by weak domestic demand and continued stability in the exchange rate of the Jamaican dollar vis-à-vis major currencies.

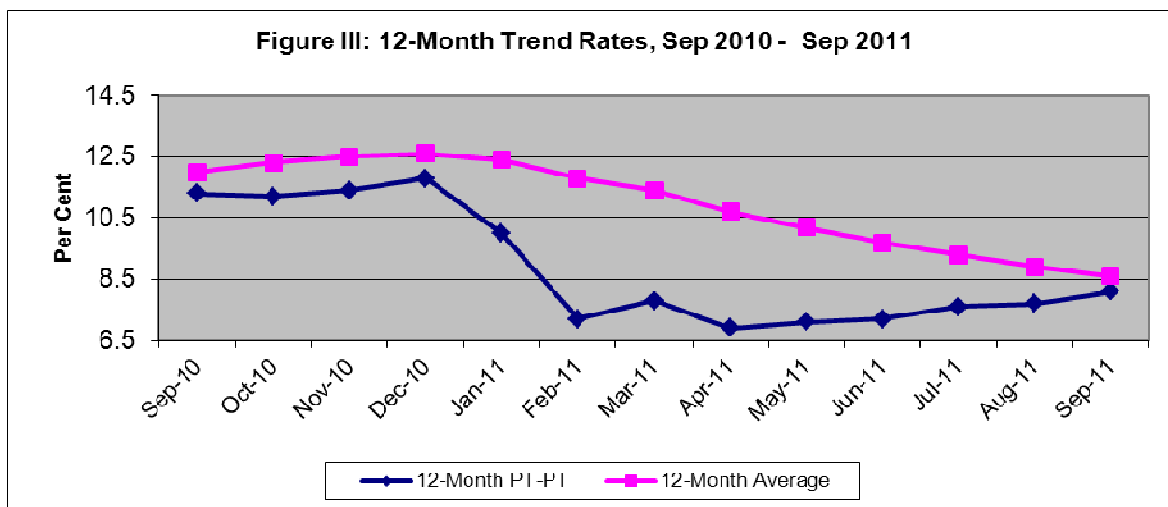
Recent Trends

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

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

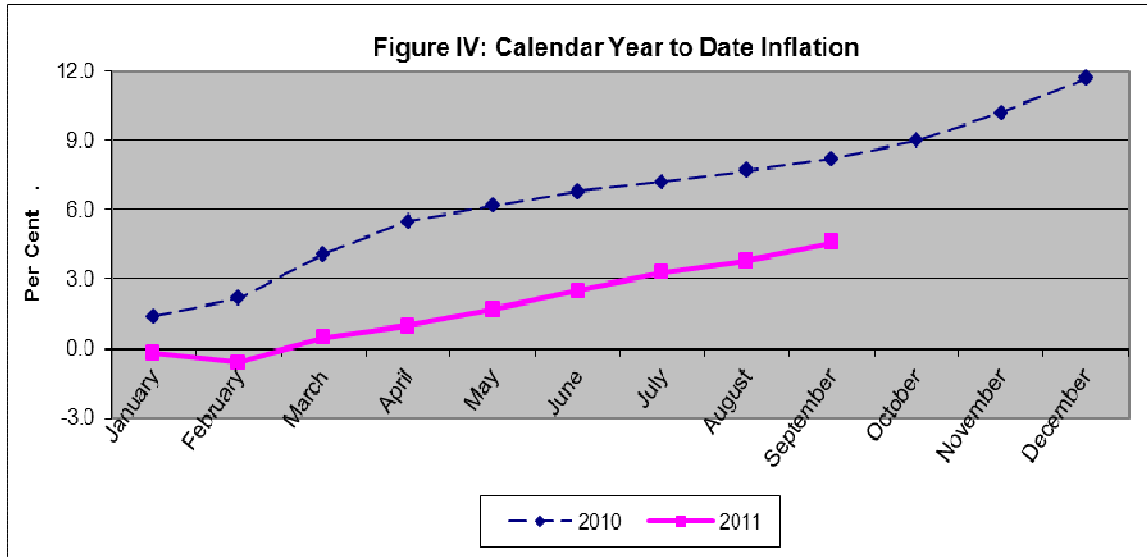


- ✓ the **12-month average¹ inflation was 8.6 per cent**. The **12-month point-to-point inflation was 8.1 per cent**, from 11.2 per cent recorded in July (Figure III)



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 4.6 per cent** (Figure IV and Table I). For the same period of 2010 the inflation rate stood at 8.2 per cent



- ✓ **Fiscal year-to-date inflation of 4.1 per cent** compared with 3.9 per cent, recorded for the same period of FY2010/11 (Figure V and Table I).

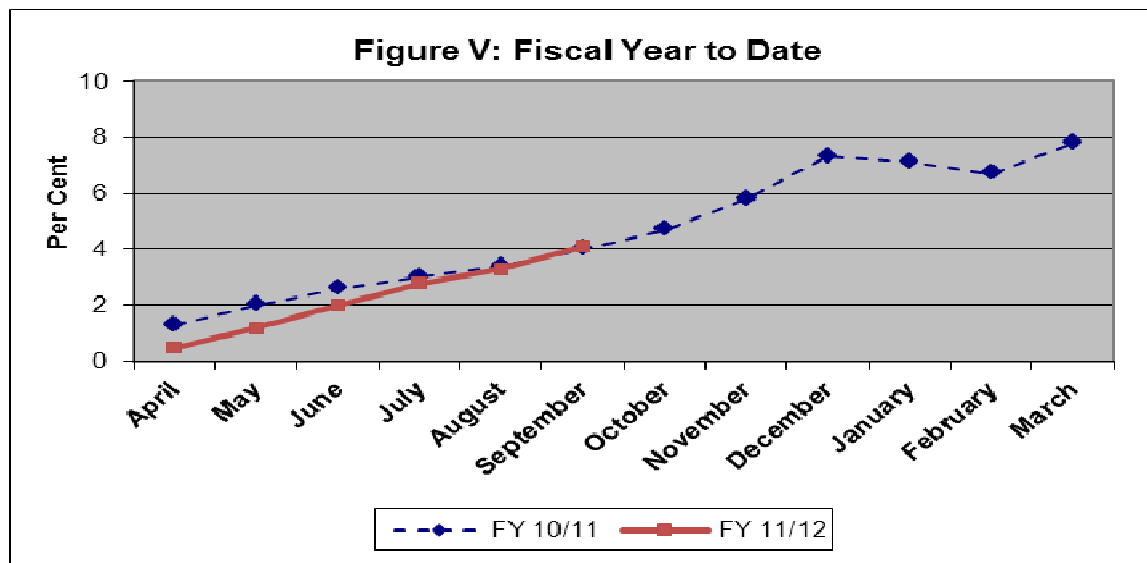


Table I: CALENDAR YEAR & FISCAL YEAR-TO-DATE INFLATION			
Period	Calendar Year to Date	Period	Fiscal Year
2008	16.8	2008/2009	11.0
2009	7.2	2009/2010	5.9
2010	8.2	2010/2011	3.9
2011	4.6	2011/2012	4.1

ANALYSIS OF INFLATION FOR SEPTEMBER

Composition of Price Changes

The higher CPI for this month was the result of increased indices for ten of the twelve divisions. These increases were tempered by the lower index for Transport, whilst there was no change in the Communication index (Table II).

The index for **Food & Non-Alcoholic Beverages** increased by 0.9 per cent relative to 1.3 per cent and 0.4 per cent for the preceding month and September 2010, respectively. This division accounted for approximately 45.0 per cent of inflation due to price movements in the Food group which increased by 0.9 per cent.

Within the Food group inflationary pressures were derived mainly from:

- *Vegetables & Starchy Foods* (up 1.8 per cent) – this increase was driven by seasonal shortages of some domestically produced vegetables, resulting in an average 2.8 per cent increase in prices. This was however tempered by lower Starchy Foods prices (down 0.6 per cent)
- *Sugar, Jam, Honey, Chocolate & Confectionery* (up 3.2 per cent) – the higher prices of items in this food class reflected the difficulties associated with sourcing sugar within the domestic market.

Other significant contributors to the out-turn of the Food & Non-Alcoholic Beverages Division were:

- Meat (up 0.5 per cent)
- Fish & Seafood (0.5 per cent).

Table II –INFLATION AND CONTRIBUTION TO INFLATION BY CPI DIVISION					
	Sept 2010	Aug 2011	Sept 2011	Percentage Contribution, Sept 2011*	Percentage Point Contribution, Sept 2011 *
ALL DIVISIONS	0.5	0.6	0.8	100.0	0.8
FOOD & NON-ALCOHOLIC BEVERAGES	0.4	1.3	0.9	44.7	0.3
ALCOHOLIC BEVERAGES & TOBACCO	0.2	0.3	0.2	0.4	0.0
CLOTHING & FOOTWEAR	0.5	0.9	1.3	5.7	0.0
HOUSING, WATER, ELECTRICITY, GAS & OTHER FUELS	0.9	-2.1	1.5	26.2	0.2
FURNISHINGS, HOUSEHOLD EQUIPMENT & ROUTINE HOUSEHOLD MAINTENANCE	0.4	0.6	0.4	2.9	0.0
HEALTH	0.4	0.4	0.3	1.5	0.0
TRANSPORT	-0.1	0.9	-0.5	-8.9	-0.1
COMMUNICATION	0.0	3.1	0.0	0.0	0.0
RECREATION & CULTURE	0.8	0.2	0.1	0.6	0.0
EDUCATION	4.6	0.0	8.0	23.1	0.2
RESTAURANTS & ACCOMMODATION SERVICES	0.2	0.1	0.2	1.3	0.0
MISCELLANEOUS GOODS & SERVICES	0.5	0.7	0.2	2.4	0.0
* There may be errors due to rounding.					

The second largest contributor to inflation for September was the 1.5 per cent increase in the index for **Housing, Water, Electricity, Gas & Other Fuels**. This increase was subsequent to a 2.1 per cent decline recorded during the previous month. The higher index for the review month was due mainly to a 25.7 per cent increase in the fuel component of electricity rates, reflective of the immediate pass-through of movements in international crude prices². This was reflected in the 2.4 per cent increase in the index for the group *Electricity, Gas & Other Fuels*. The out-turn for the division was however tempered by a 1.3 per cent reduction in the index for *Water Supply & Miscellaneous Services*.

² In August, the average spot peak price of crude oil increased by 1.7 per cent.

The **Education** index was 8.0 per cent higher. This was the largest increase in this index since 2008³. The upward movement in this index was associated with higher tuition at the start of the 2011/12 school year.

Clothing & Footwear prices increased by an average of 1.3 per cent. This was the highest increase for the calendar year to date. Within this division, the *Clothing* index rose, 1.3 per cent and *Footwear* by 1.2 per cent.

There was a 0.4 per cent increase in the index for **Furnishings, Household Equipment & Routine Household Maintenance**. Of the six groups within this division, the largest contributors to this out-turn were: Goods & Services for Routine Household Maintenance (up 0.3 per cent); and Furniture & Furnishings (including Floor Coverings){up 1.0 per cent).

Miscellaneous Goods & Services recorded a 0.2 per cent increase in its index. This was driven by higher prices for personal care items and personal effects. The other divisions recording increases were:

- **Alcoholic Beverages & Tobacco** (up 0.2 per cent)
- **Health** (up 0.3 per cent)
- **Recreation & Culture** (up 0.1 per cent)
- **Restaurant & Accommodation Services** (0.2 per cent).

Combined, these divisions accounted for approximately 4.0 per cent of overall inflation (see Table II).

The above increases were tempered by a 0.5 per cent contraction in the **Transport** index. Lower transport related expenses were associated with lower petroleum prices, brought about by the lagged impact of declines in crude oil prices. Additionally, the Transport index was influenced by declines in air fares.

³ In September 2008, the Education index increased by 9.2 per cent.

Regional Composition of Price Changes

Table III: REGIONAL CPI AND INFLATION			
	CPI	Inflation (%)	
	September '11	August '11	September '11
All Jamaica	175.9	0.6	0.8
Greater Kingston Metropolitan Area (GKMA)	182.4	0.8	0.9
Other Urban Centres (OUC)	177.2	0.7	0.7
Rural Areas	170.7	0.3	0.7

All three regions recorded an increase in index. Of the three, prices in the Greater Kingston Metropolitan Area recorded the highest increase of 0.9 per cent. Average prices in Other Urban Centres and Rural Areas increased by 0.7 per cent (Table III).

OUTLOOK

In the short-term, prices are expected to be influenced upward by an uptick in demand traditionally associated with the Christmas season. Downward pressure on prices is however expected to emanate from a decline in commodity prices associated with slowing global demand, against a background of concerns about short-term global economic prospects.