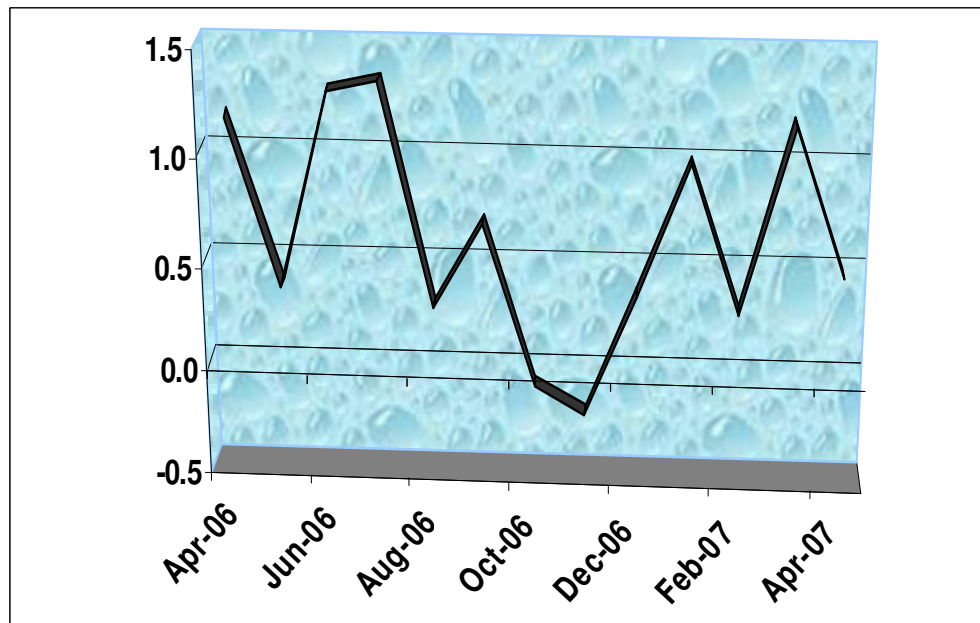


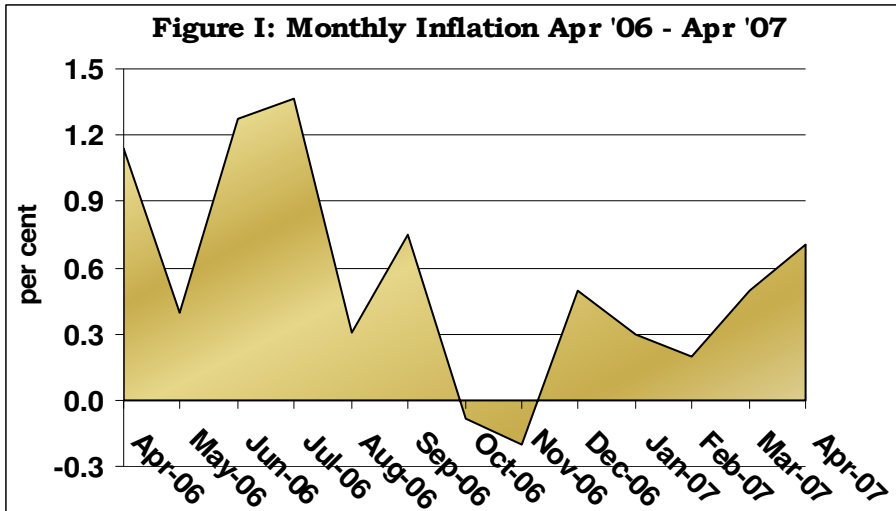
April 2007



# MONTHLY INFLATION REPORT

## Introduction

During April 2007, the 'All Group' Consumer Price Index increased to 2 466.0, resulting



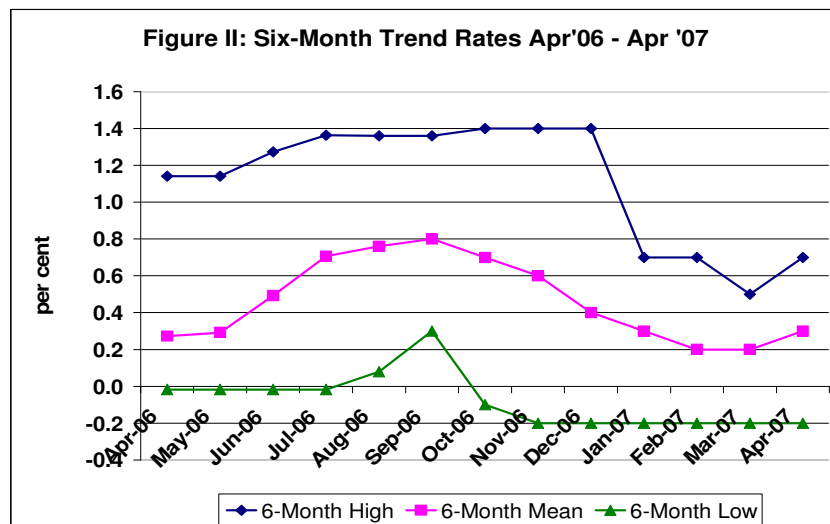
in an inflation rate of 0.7 per cent. This was the highest monthly inflation, since the start of the calendar year (Figure 1). In comparison, the inflation rate for

for April 2006 was 1.1 per cent. The inflation out-turn for the review period was mainly the result of increased cigarette and fish prices.

## Recent Trends

Inflation for April resulted in the following trend rates:

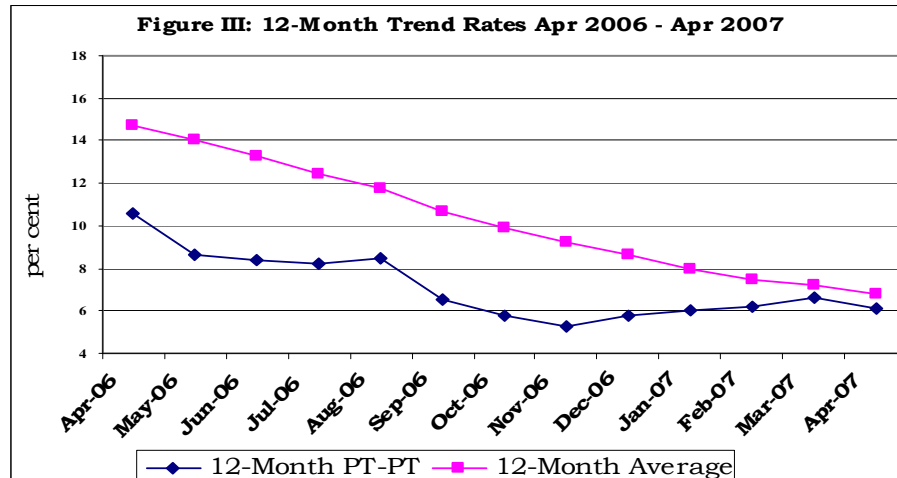
- ✓ Mean inflation for the past six months (6-month mean) was 0.3 per cent, up from



0.2 per cent in March 2007 (Figure II). The highest inflation for the past 6 months, is the 0.7 per cent recorded for the review period.

✓ the 12-month average<sup>1</sup> inflation continued to decline and stood at 6.8 per cent (Figure III).

✓ the 12-month point-to-point was 6.1 per cent.



Period	Calendar Year to Date	Period	Fiscal Year-to-Date
2004	2.3	2004/2005	0.4
2005	3.4	2005/2006	1.9
2006	1.3	2006/2007	1.1
2007	1.7	2007/2008	0.7

## ANALYSIS OF INFLATION FOR APRIL

### Commodity Composition of Price Changes

For the review period, all main groups with the exception of Housing & Other Housing Expenses recorded increased indices. **Miscellaneous Expenses** recorded the largest increase in its index (4.2 per cent), and was also the main contributor to overall inflation. This was largely the result of the March 12<sup>th</sup> increase in the price of cigarettes. The

<sup>1</sup> This is a moving average taking the change in the average CPI for the 12 months to date over the average CPI for the previous 12 months.

increase was due to increased input costs and in anticipation of the increased tax to be applied by the Minister of Finance.<sup>2</sup>

The index for **Food & Drink** increased by 0.3 per cent. Within this group, the prices of Meat, Poultry & Fish were driven by shortages of fish due to: (i) increased consumer demand during the Lenten season; and (ii) supply side difficulties as fishermen faced increasing dangers at sea. There were also continued increases in the prices of beef. The higher index for Dairy Products, Oils & Fats reflected increased prices for margarine and cooking oil, as well as for milk. These increases were fuelled by surges in the prices of corn, which is used in feedstock production. The upward movement in milk prices world wide was exacerbated by droughts in major milk producing countries.

Increases in the Food & Drink group were partly offset by the fourth consecutive monthly decline in the indices for Starchy Foods and Vegetables & Fruits. Given favourable weather conditions, there continued to be an ample supply of some domestically produced agricultural items. This was particularly evident in Other Towns.

The **Transportation Index** increased by 0.8 per cent, its largest movement since the start of the calendar year. This was due to: (i) increased airfare driven by the seasonal increase in air travel during that time of the year; and (ii) higher domestic petroleum prices which reflected increased international oil prices due to political conflicts in Nigeria<sup>3</sup> and the capture of 15 British soldiers by Iran<sup>4</sup>. Increases in the prices of batteries and the costs of repairing a vehicle also contributed to the increased Transportation index.

Higher **Healthcare & Personal Expenses** resulted in a 0.8 per cent upward movement in its index. Within this group there were increased prices of personal care products, in

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<sup>2</sup> In his budget speech of April 12, the Minister of Finance announced that effective April 13, 2007, the Special Consumption Tax applied to cigarettes would be increased by 20.0 per cent.

<sup>3</sup> This refers to the continued conflict between the Nigerian government and the rebels of the Niger Delta where most of Nigeria's oil reserves are found.

<sup>4</sup> On March 23, 2007 fifteen British soldiers were detained by Iran's Revolutionary Guard while on patrol in the northern Persian Gulf.

particular toilet soap, toothpaste and deodorant. Medical fees, especially those charged by dentists and opticians and the cost of hair care for both men and women increased.

**Fuels & Other Household Supplies** and **Personal Clothing, Footwear & Other Accessories** increased by 0.3 per cent and 0.7 per cent, respectively. The higher index of the former was mainly attributed to the 0.6 per cent inflation recorded for the subgroup Other Household Supplies which captured the increase in household cleaning materials, shoe polish, matches and batteries. The movement in the index for Personal Clothing, Footwear & Other Accessories mainly reflected the higher cost of repairing clothes and shoes for both men and women.

<b>Table II –INFLATION AND BY CPI GROUP</b>			
	<b>Apr 2006</b>	<b>Mar 2007</b>	<b>Apr 2007</b>
<b>ALL GROUPS</b>	<b>1.1</b>	<b>0.5</b>	<b>0.7</b>
<b>FOOD &amp; DRINK</b>	<b>1.1</b>	<b>0.3</b>	<b>0.3</b>
<b>FUELS &amp; OTHER H/HOLD SUP.</b>	<b>0.4</b>	<b>0.6</b>	<b>0.3</b>
<b>HOUSING &amp; OTHER HOUSING EXPENSES</b>	<b>3.9</b>	<b>1.7</b>	<b>-1.4</b>
<b>HOUSEHOLD FURNISHINGS</b>	<b>1.2</b>	<b>0.6</b>	<b>0.2</b>
<b>HEALTHCARE &amp; PERSONAL</b>	<b>0.7</b>	<b>0.3</b>	<b>0.8</b>
<b>PERSONAL CLOTHING</b>	<b>0.3</b>	<b>0.4</b>	<b>0.7</b>
<b>TRANSPORTATION</b>	<b>0.3</b>	<b>0.4</b>	<b>0.8</b>
<b>MISCELLANEOUS EXP.</b>	<b>0.6</b>	<b>0.2</b>	<b>4.2</b>
* There may be errors due to rounding			

The index for **Housing & Other Housing Expenses** declined (1.4 per cent) for the third time in four months. The source of this downward movement was the decline in the index of the subgroup Other Housing Expenses reflecting the reduction in the monthly Price Adjustment Mechanism applied by the National Water Commission. This

reduction was the lagged effect of a reduction in energy rates, experienced earlier in the calendar year.<sup>5</sup>

**Regional Composition of Price Changes**

<b>Table III: REGIONAL CPI AND INFLATION</b>				
	<b>CPI</b>	<b>Inflation</b>		
	<b>Apr '07</b>	<b>Apr '06</b>	<b>Mar '07</b>	<b>Apr '07</b>
All Jamaica	2466.0	1.1	0.5	0.7
KMA	2472.5	0.8	0.2	0.9
Other Towns	2476.7	0.8	0.9	0.3
Rural Areas	2450.9	1.8	0.7	0.6

For the review period, all three regions recorded increased indices (Table III). The main force behind the movement in all regions was the increase in the price of cigarettes. The largest movement was recorded for the Kingston Metropolitan Area (KMA). Within this region all groups with the exception of Housing & Other Housing Expenses recorded increased indices. In addition to cigarettes, other significant movements were in the Food & Drink group, in particular the prices of fish, beef, margarine and cooking oils. Another major contributor was the Starchy Food subgroup, which increased by 2.4 per cent. This was the only region for which there was an increase in the index for Starchy Foods.

The 0.3 per cent movement in the index for Other Towns reflected an increase in five of the eight main groups. Food & Drink, and Housing & Other Housing Expenses recorded lower indices of 0.5 per cent and 1.4 per cent, respectively. There was no movement in the Household Furnishings & Furniture index.

For Rural Areas, five groups recorded increased indices, ranging from 5.6 per cent for Miscellaneous Expenses to 0.1 per cent for Fuels & Other Household Supplies. The

<sup>5</sup> For the January–March 2007 quarter, the spot peak price of crude oil on the international market averaged US\$57.23, relative to an average of US\$59.02 for October–December 2006.

indices for Food & Drink and Household Furnishings & Furniture did not change, while Housing & Other Housing Expenses declined.

## **OUTLOOK**

For the next few months movements in the CPI are expected to be influenced by:

- increased international crude oil prices, associated with political tensions in Nigeria and lower OPEC production;
- increased demand for grains, fats and oils. Grain prices have been driven by energy related demands; and
- seasonal increases in the prices of some agricultural products.