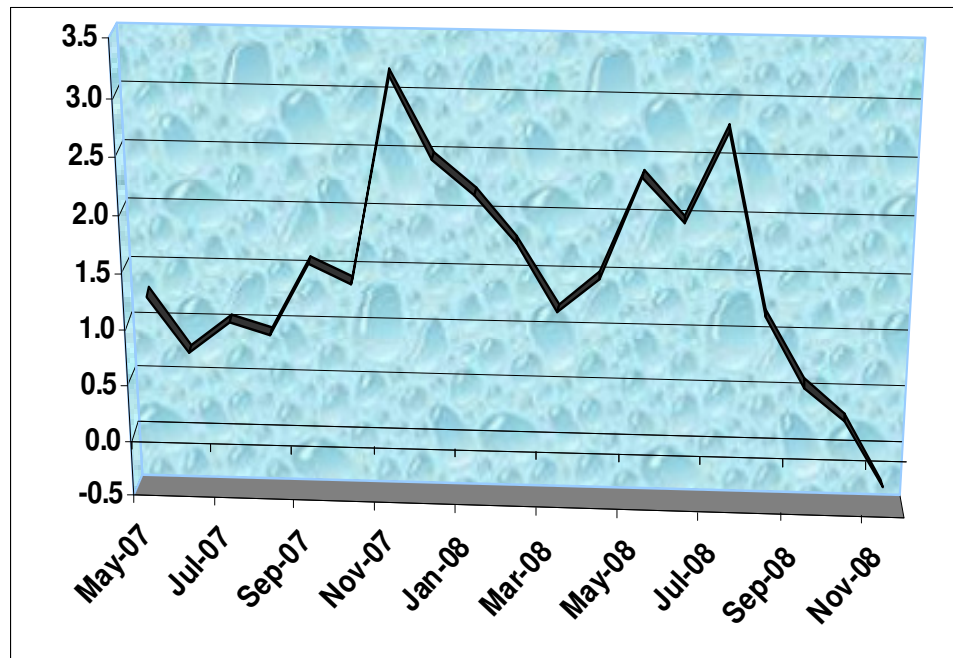


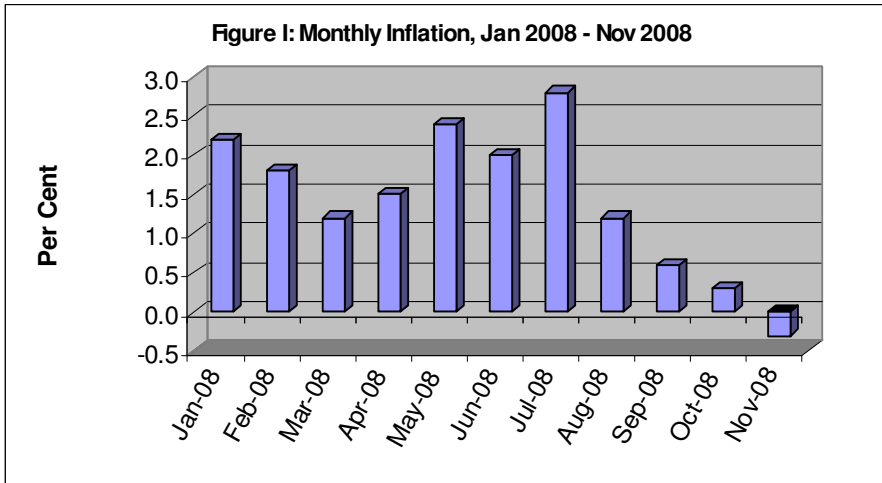
November 2008



# MONTHLY INFLATION REPORT

## Introduction

During the month of November 2008, the All Jamaica 'All Divisions' Consumer Price



Index decreased to 136.4, representing a 0.3 per cent decline in the rate of inflation (Figure 1). This was the lowest monthly inflation since November 2006<sup>1</sup>.

As a result of the outturn for November, inflation for the calendar year to date (January 2008–November 2008) remained at 16.8 per cent, as was recorded for January–October 2008. The decline in the general level of prices, was largely due to the continuing trend of lower international energy prices<sup>2</sup>; within the domestic economy this was largely reflected in lower (i) prices for electricity and other fuels; and (ii) petroleum prices.

## Recent Trends

Inflation for November resulted in the following trend rates:

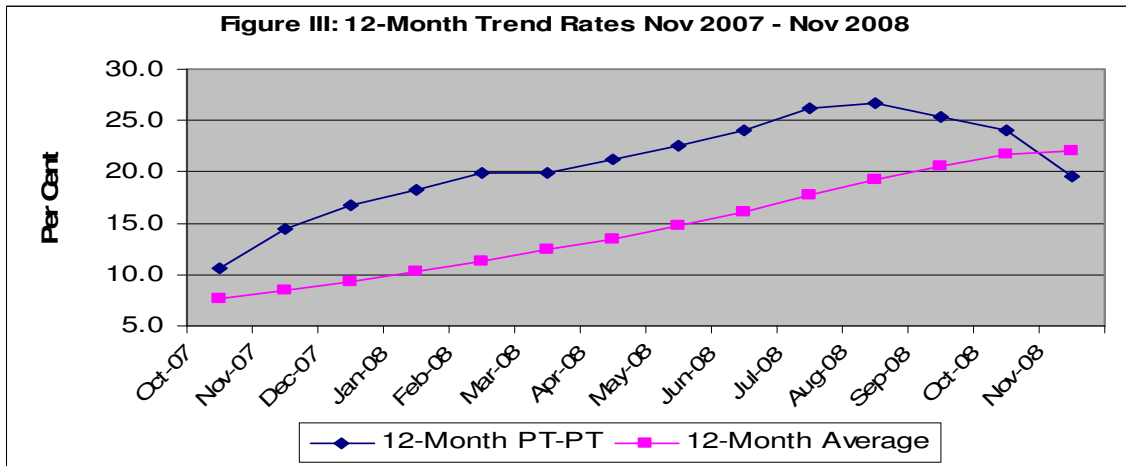
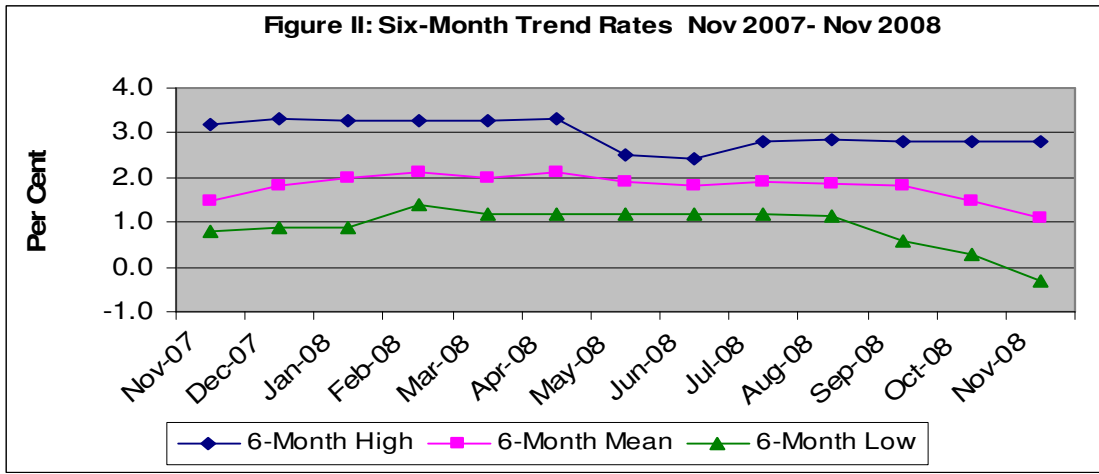
- ✓ 6-month mean of 1.1 per cent. During the past 6 months, the highest monthly inflation was 2.8 per cent recorded in July, while the lowest for the same period was -0.3 per cent, recorded this month (Figure II).
- ✓ 12-month average<sup>3</sup> inflation of 22.1 per cent (Figure III).
- ✓ 12-month point-to-point inflation (November 2007 to November 2008) of 19.7 per cent.

<sup>1</sup> The monthly rate of inflation for November 2006, was -0.2 per cent.

<sup>2</sup> Having peaked in July 2008, crude oil prices have since declined.

<sup>3</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.

- ✓ Calendar year to date inflation of 16.8 per cent. There was no change in the calendar year-to-date inflation for the first ten and eleven months of 2008. (Figure IV).
- ✓ Fiscal year to date inflation of 11.0 per cent relative to the 11.2 per cent recorded for the same period of fiscal year 2007/08 (Figure V).



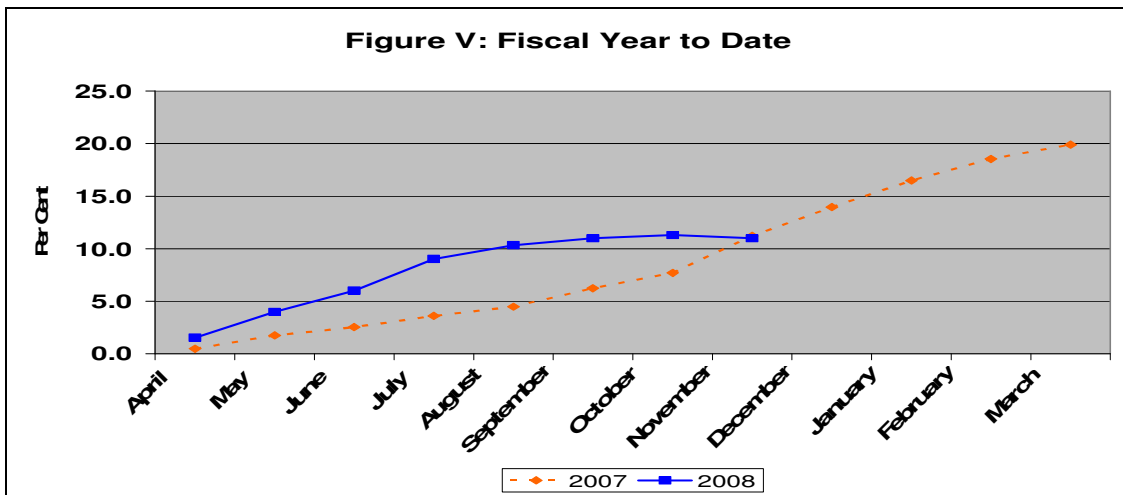
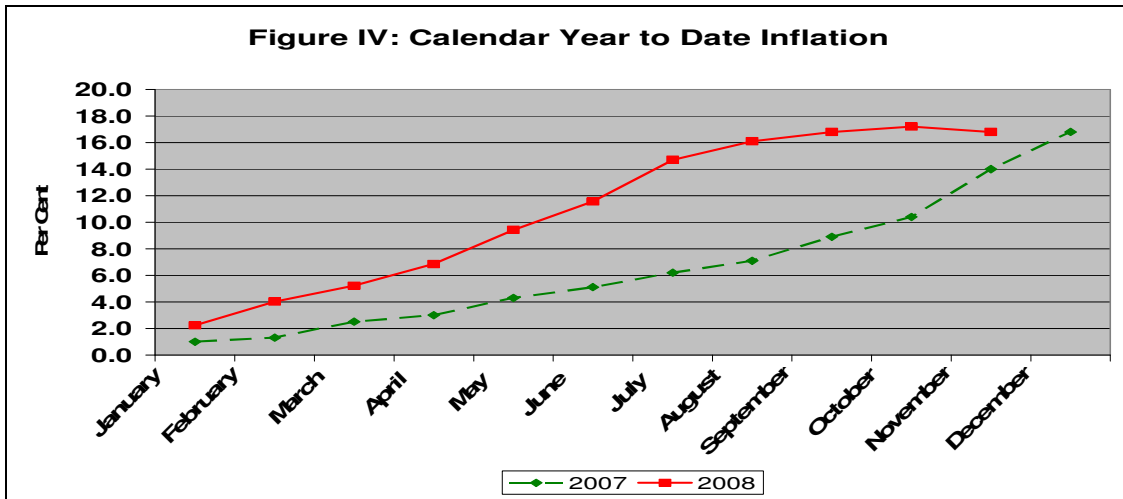


Table I: CALENDAR YEAR & FISCAL YEAR-TO-DATE INFLATION			
Period	Calendar Year to Date	Period	Fiscal Year to Date
2005	12.5	2005/2006	5.0
2006	5.3	2006/2007	5.0
2007	14.0	2007/2008	11.2
2008	16.8	2008/2009	11.0

## **ANALYSIS OF INFLATION FOR NOVEMBER**

### *Commodity Composition of Price Changes*

During the review period, lower indices were recorded for two divisions: Housing, Water, Electricity, Gas & Other Fuels and Transport. Increased indices were recorded for nine divisions, whilst the index for one was unchanged. Of the divisions with higher indices, Food, Non-Alcoholic Beverages recorded the largest movement (0.9 per cent) in its index. There was no change in the index for the Communication division.

The index for **Housing, Water, Electricity, Gas & Other Fuels** fell by 8.1 per cent, its sharpest decline for calendar year 2008. This index also fell by 0.1 per cent and 2.4 per cent in October and September 2008, respectively. These outcomes reflect the impact of declining international crude oil prices on domestic energy costs. For the month of November, the out-turn for the division was due to the 13.7 per cent decline in the index for the group *Electricity, Gas & Other Fuels*. This is the largest reduction in this index since its recent reductions starting in September 2008. Within the domestic market, lower international crude oil prices have also been reflected in lower Transport related costs. The **Transport** index decreased by 2.8 per cent as a result of reductions in petroleum prices.

The index for **Food & Non-Alcoholic Beverages** increased by 2.3 per cent. Having increasingly lower rates of increases for four consecutive months, this is the largest increase in this index since June 2008, when the index increased by 2.0 per cent. November's increase in the index for this division was largely driven by the 2.4 per cent growth in the index, food; reflecting increases in the indices for all nine food classes. The index for Vegetables & Starchy Foods increased by 8.8 per cent, its largest monthly movement for 2008. This out-turn was the result of a 12.8 per cent increase, which outweighed the 0.9 per cent decline in Starchy Foods. Other significant increases were recorded for the food classes Fish & Seafood and Meat, which increased by 1.0 per cent and 0.7 per cent, respectively.

The indices for the divisions **Recreation & Culture** and **Miscellaneous Goods & Services** increased by 1.6 per cent and 0.7 per cent, respectively (Table II). In the case of the former, higher prices were recorded for sporting goods, as well as entertainment and information processing equipment. For Miscellaneous Goods & Services, the higher index was largely due to increases in the prices for toiletries and visa fees.

There was a 0.6 per cent increase in the index for **Furnishings, Household Equipment & Routine Household Maintenance**. All groups within this division recorded higher indices, with the largest movements being *Tools & Equipment for House & Garden* (0.8 per cent); *Household Textiles* (0.7 per cent); and *Goods & Services for Routine Household Maintenance* (0.7 per cent).

**Clothing & Footwear** index costs rose by 0.7 per cent. This increase was mainly due to the 1.5 per cent increase in the index for the group Footwear, as the Clothing index increased by 0.1 per cent. There was an average increase of 0.3 per cent in **Restaurants & Accommodation Services** during the review month. This was the smallest increase in this division's index for calendar year 2008.

Education related expenses increased by 0.2 per cent, relative to 0.0 per cent for the previous month. This increase was the result of an increase in the fees for overseas examinations. The remaining divisions with higher indices for November were: **Health** 0.3 per cent); **Recreation & Culture** 1.6 per cent); and **Alcoholic Beverages & Tobacco** 0.3 per cent) (Table II).

**Table II –INFLATION AND CONTRIBUTION TO INFLATION BY CPI DIVISION**

	<b>November 2007</b>	<b>October 2008</b>	<b>November 2008</b>	<b>Percentage Contribution, November 2008*</b>	<b>Percentage Point Contribution, November 2008*</b>
<b>ALL DIVISIONS</b>	<b>3.2</b>	<b>0.3</b>	<b>-0.3</b>	<b>100.0</b>	<b>- 0.3</b>
<b>FOOD &amp; NON- ALCOHOLIC BEVERAGES</b>	<b>6.2</b>	<b>0.9</b>	<b>2.3</b>	<b>-250.3</b>	<b>0.8</b>
<b>ALCOHOLIC BEVERAGES &amp; TOBACCO</b>	<b>1.0</b>	<b>0.2</b>	<b>0.3</b>	<b>-1.1</b>	<b>0.0</b>
<b>CLOTHING &amp; FOOTWEAR</b>	<b>2.4</b>	<b>0.6</b>	<b>0.7</b>	<b>-6.8</b>	<b>0.0</b>
<b>HOUSING, WATER, ELECTRICITY, GAS &amp; OTHER FUELS</b>	<b>3.0</b>	<b>-0.1</b>	<b>-8.1</b>	<b>304.6</b>	<b>-1.0</b>
<b>FURNISHINGS, HOUSEHOLD EQUIPMENT &amp; ROUTINE HOUSEHOLD MAINTENANCE</b>	<b>1.3</b>	<b>0.9</b>	<b>0.6</b>	<b>-8.7</b>	<b>0.0</b>
<b>HEALTH</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>	<b>-2.6</b>	<b>0.0</b>
<b>TRANSPORT</b>	<b>1.2</b>	<b>-2.1</b>	<b>-2.8</b>	<b>104.4</b>	<b>-0.3</b>
<b>COMMUNICATION</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>RECREATION &amp; CULTURE</b>	<b>0.2</b>	<b>0.3</b>	<b>1.6</b>	<b>-15.5</b>	<b>0.0</b>
<b>EDUCATION</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>-1.0</b>	<b>0.0</b>
<b>RESTAURANTS &amp; ACCOMMODATION SERVICES</b>	<b>0.4</b>	<b>0.5</b>	<b>0.3</b>	<b>-5.6</b>	<b>0.0</b>
<b>MISCELLANEOUS GOODS &amp; SERVICES</b>	<b>1.7</b>	<b>0.8</b>	<b>0.7</b>	<b>-17.4</b>	<b>0.1</b>

\* There may be errors due to rounding

## **Regional Composition of Price Changes**

**Table III: REGIONAL CPI AND INFLATION**

	CPI	Inflation	
	November '08	October '08	November '08
All Jamaica	136.4	0.3	-0.3
Greater Kingston Metropolitan Area	137.1	0.1	-0.8
Other Urban Centres	136.0	0.1	-0.9
Rural Areas	136.2	0.5	0.3

The 0.3 per cent decline in the All Jamaica CPI was driven by declines in the indices for the Greater Kingston Metropolitan Area (GKMA) and Other Urban Centres (OUC), as the index for Rural Areas increased. During November, the index for the GKMA and OUC declined by 0.8 per cent and 0.9 per cent, respectively (Table III). There was a 0.3 per cent increase in the index for Rural Areas. The declines were the result of the general decrease in energy prices as primarily reflected in the developments in the Housing, Water, Electricity, Gas & Other Fuels and Transport divisions.

There were also lower energy prices in Rural Areas. However the higher weight placed on the Food & Non-Alcoholic Beverages division in this region, combined with higher food prices significantly contributed to the difference in the direction of the change in the regional indices.

## **OUTLOOK**

Inflation for the next few months is expected to be influenced by the pass-through effect of the depreciation of the Jamaican dollar<sup>4</sup>. Additionally, energy prices are expected to increase amidst fears of interruption in gas and crude oil supplies due to the: (i) Russian-Ukraine natural gas dispute; and (ii) Palestinian–Israeli war in the Gaza strip.

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