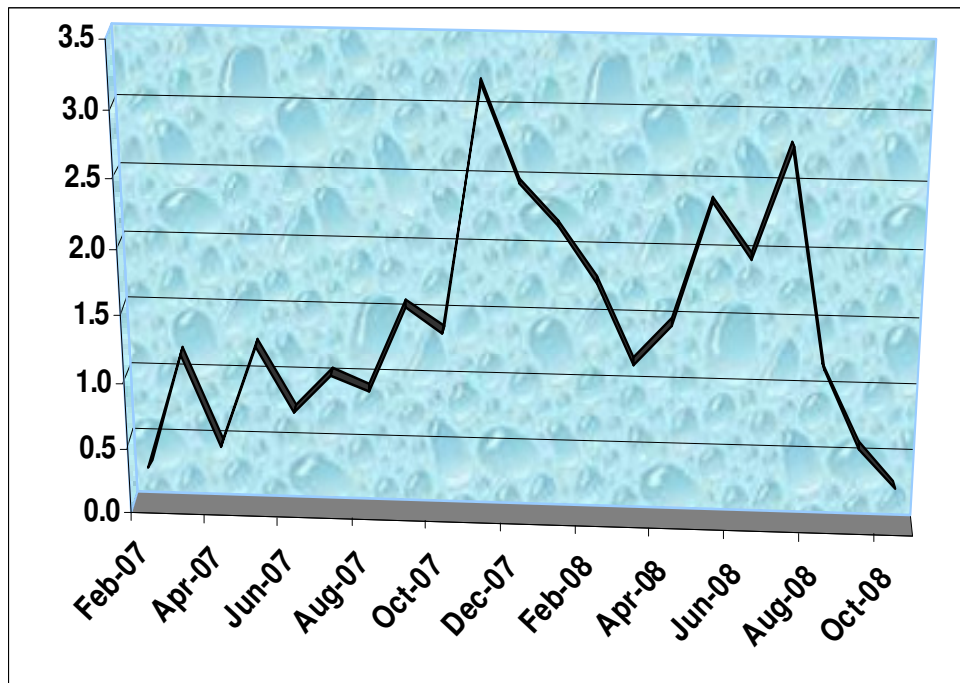


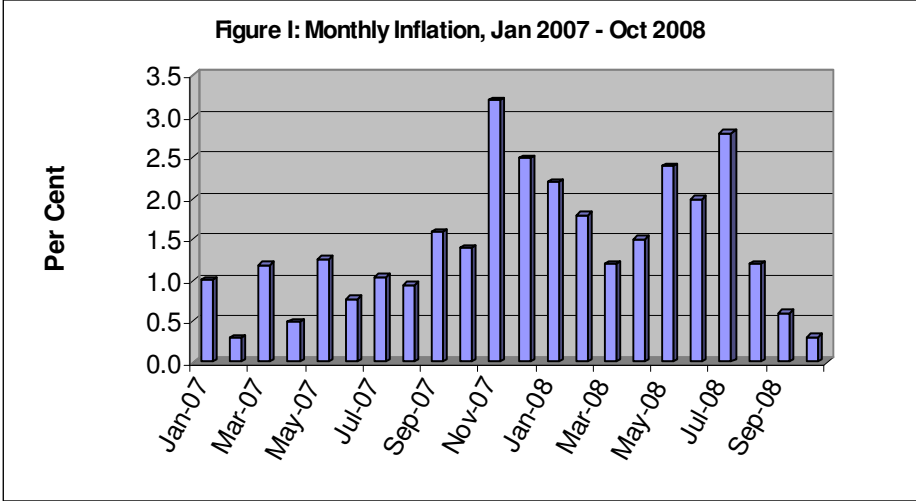
October 2008



MONTHLY INFLATION REPORT

Introduction

For the month of October 2008, the All Jamaica ‘All Divisions’ Consumer Price Index



increased to 136.9. This reflected an inflation rate of 0.3 per cent, continuing the trend of increasingly lower rates

started in August 2008 (Figure 1). The out-turn for October was the lowest monthly inflation rate since February 2007, when the same rate was recorded. Inflation for the first ten months of the calendar year was 17.2 per cent, whilst for the seven months of FY 2008/09 it was 11.3 per cent. Inflation for the review month largely reflected: (i) the impact of higher input costs e.g. feeds, seeds, livestock and fertilizers as well as the passage of Tropical Storm Gustav on the Agriculture Industry; and (ii) the pass through effect of the depreciation of the Jamaica dollar.

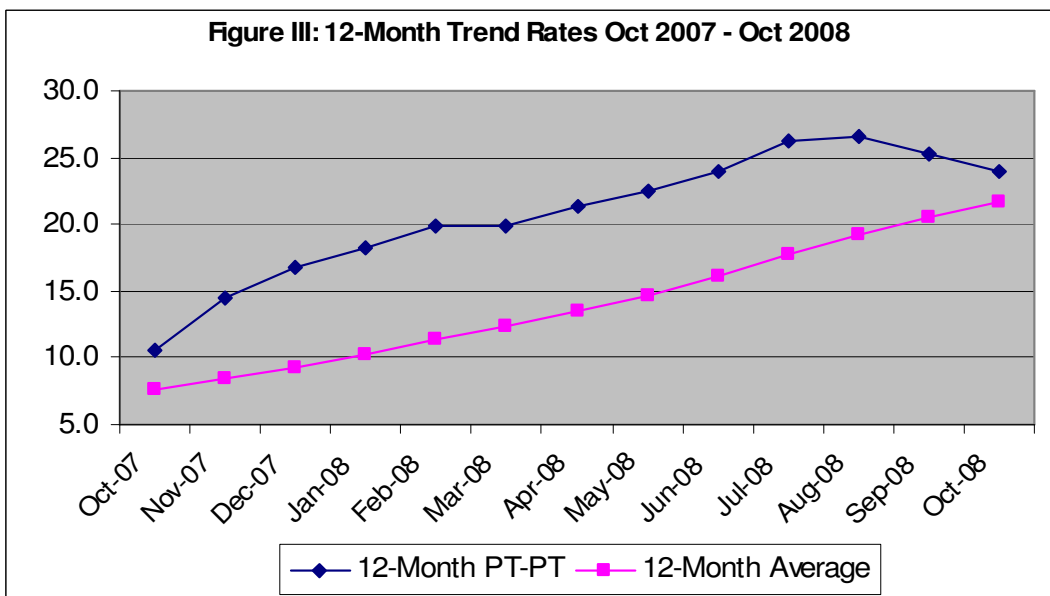
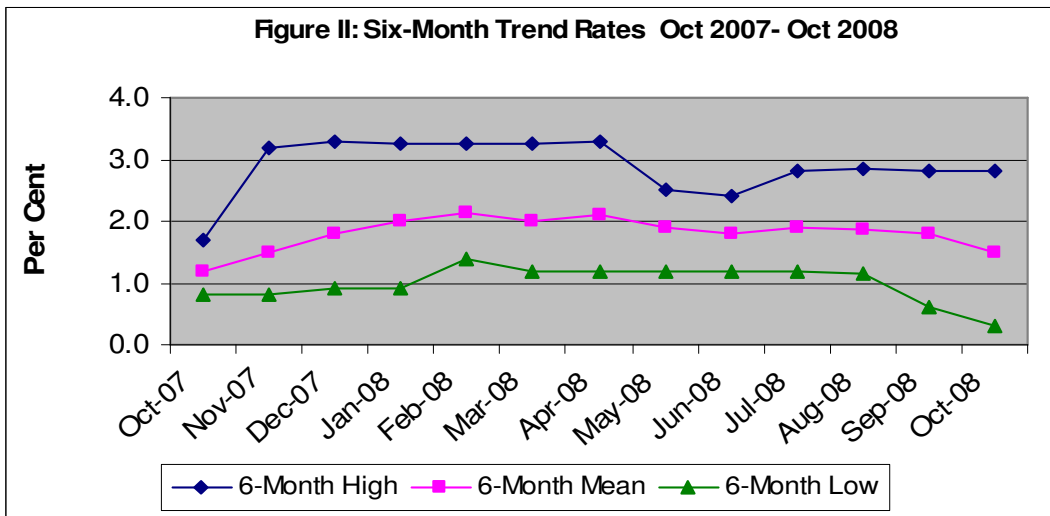
Recent Trends

Inflation for October resulted in the following trend rates:

- ✓ 6-month mean of 1.5 per cent. The highest inflation for the past 6 months was the 2.8 per cent recorded in July, while the lowest for the same period was 0.3 per cent, recorded this month (Figure II).
- ✓ an increase in the 12-month average¹ inflation to reach 20.6 per cent (Figure III).

¹ 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.

- ✓ the 12-month point-to-point inflation (October 2007 to October 2008) of 24.0 per cent.
- ✓ calendar year-to-date inflation was 17.2 per cent, relative to the 10.4 per cent recorded for the same period in 2007 (Figure IV).
- ✓ for the first seven months of the fiscal year, the inflation rate was 11.3 per cent relative to the 7.7 per cent recorded for the same period in fiscal year 2007/08 (Figure V).



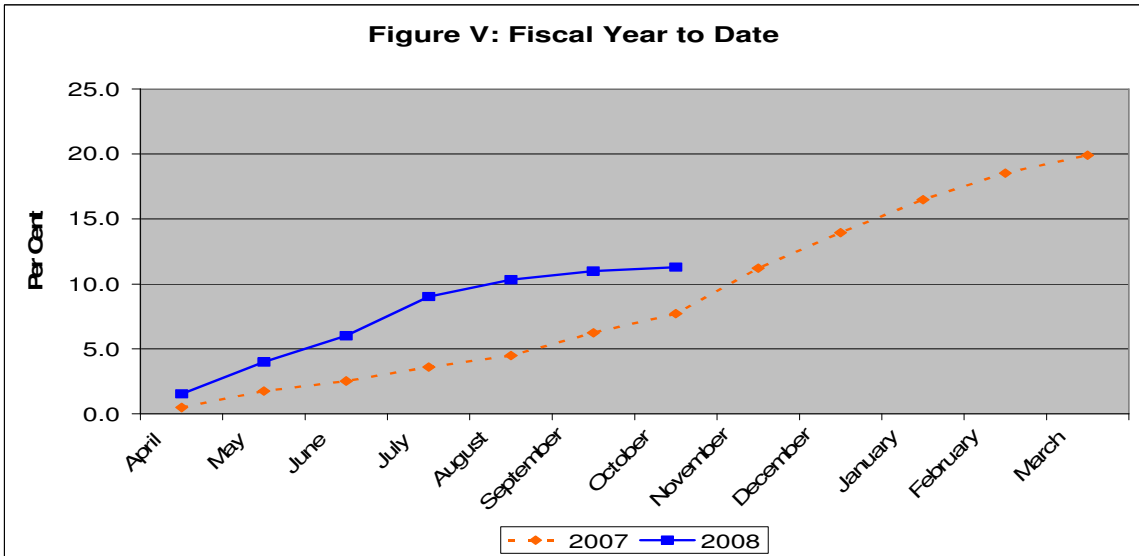
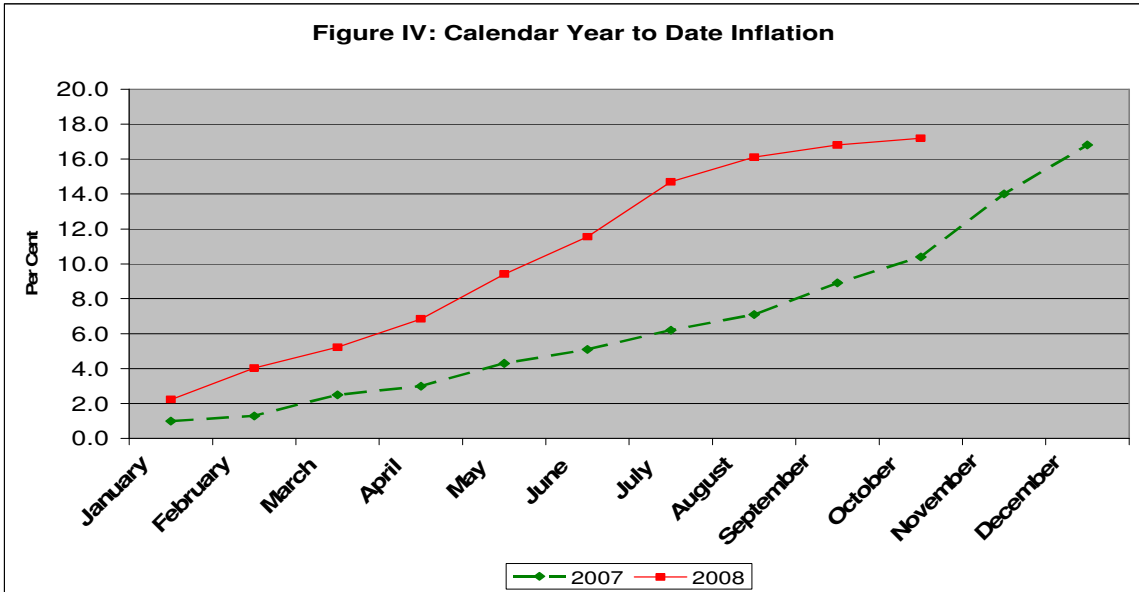


Table I: CALENDAR YEAR & FISCAL YEAR-TO-DATE INFLATION			
Period	Calendar Year to Date	Period	Fiscal Year to Date
2005	12.2	2005/2006	10.5
2006	5.5	2006/2007	5.2
2007	10.4	2007/2008	7.7
2008	17.2	2008/2009	11.3

ANALYSIS OF INFLATION FOR OCTOBER

Commodity Composition of Price Changes

Nine of the twelve divisions recorded higher indices during the review month. Food, Non-Alcoholic Beverages and Furnishings, Household Equipment & Routine Household Maintenance both recorded the largest movement (0.9 per cent) in their index. Of the remaining three, one was unchanged while the other two indices namely Transport and Housing, Water, Electricity, Gas & Other Fuels, declined. The largest contributor to overall inflation was the division Food, Non-Alcoholic Beverages, whilst the lower Transport related costs were mainly responsible for restricting the upward movement in overall inflation.

Within **Food & Non-Alcoholic Beverages**, the two respective groups increased Food by 0.9 per cent and Non-Alcoholic Beverages by 0.4 per cent. The increased Food index was due to growths in the indices of the nine food classes. The index for *Meat* increased by 0.9 per cent. On average the prices of *Fish & Seafood* rose by 1.3 per cent. The index for *Vegetables & Starchy Food* was 0.9 per cent higher. This outcome was due to the 3.2 per cent increase in the index for Vegetables, which was the largest contributor to higher food prices. The index for Starchy Foods fell by 3.7 per cent. The 0.8 per cent increase in the index for *Bread & Cereals* was also a significant contributor to food inflation. The increase in the index for Non-Alcoholic Beverages was due to higher indices of its two food classes, *Coffee, Tea & Cocoa* (0.4 per cent) and *Mineral Water, Soft Drinks, Fruit & Vegetable Juices* (0.4 per cent).

For the review period, the index for **Miscellaneous Goods & Services** increased by 0.8 per cent and was the second largest contributor to overall inflation. Goods and services recording increased prices in this division included, personal care items, other appliances and the services provided by some hairdressing salons and grooming establishments.

The increase of 0.9 per cent in the index for **Furnishings, Household Equipment & Routine Household Maintenance** was supported by increased indices of the six groups in the division. The largest contributors to this out-turn were *Goods & Services for Routine Household Maintenance* and *Household Appliances* which both increased by 1.0 per cent.

The indices for **Restaurants & Accommodation Services** and **Alcoholic Beverages** increased by 0.5 per cent and 0.2 per cent, respectively. For the latter, this increase was the result of higher prices for alcoholic beverages and tobacco products.

During October, **Health** related expenses increased by an average of 0.3 per cent. Within this division the index for *Medical Products, Appliances & Equipment* rose by 0.2 per cent and *Health Services* by 0.3 per cent. On average the costs of **Clothing & Footwear** increased (0.6 per cent). Of the two groups in this division Footwear was the larger contributor to this outcome, increasing by 1.0 per cent. The index for Clothing was 0.3 per cent higher.

For the second consecutive month the indices for **Transport** and **Housing, Water, Electricity, Gas & Other Fuels** declined. These reductions reflect the fall in domestic energy prices as international crude oil prices continue its downward trend. The Transport index was 2.1 per cent lower and was largely responsible for containing inflation (Table II). There were lower prices for local petroleum prices and airfares. The index for Housing, Water, Electricity, Gas & Other Fuels decreased by 0.1 per cent. This out-turn was the result of declines in the groups *Water Supply & Miscellaneous Services Related to the Dwelling* and *Electricity Gas & Other Fuels*, which fell by 1.1 per cent and 0.2 per cent, respectively. The decline in the Housing, Water, Electricity, Gas & Other Fuels division was however tempered by an increase in the index of *Rentals for Housing* (0.3 per cent) and *Maintenance & Repair of Dwelling* (0.7 per cent).

Table II –INFLATION AND CONTRIBUTION TO INFLATION BY CPI DIVISION					
	October 2007	September 2008	October 2008	Percentage Contribution, October 2008*	Percentage Point Contribution, October 2008*
ALL DIVISIONS	1.4	0.6	0.3	100.0	0.3
FOOD & NON-ALCOHOLIC BEVERAGES	2.7	1.5	0.9	133.7	0.3
ALCOHOLIC BEVERAGES & TOBACCO	1.1	0.3	0.2	0.7	0.0
CLOTHING & FOOTWEAR	0.4	0.4	0.6	6.8	0.0
HOUSING, WATER, ELECTRICITY, GAS & OTHER FUELS	0.4	-2.4	-0.1	-3.3	-0.01
FURNISHINGS, HOUSEHOLD EQUIPMENT & ROUTINE HOUSEHOLD MAINTENANCE	0.7	0.7	0.9	18.3	0.0
HEALTH	0.2	0.2	0.3	3.3	0.0
TRANSPORT	0.3	-0.4	-2.1	-100.5	-0.3
COMMUNICATION	0.0	0.0	0.0	0.0	0.0
RECREATION & CULTURE	1.1	1.1	0.3	3.1	0.0
EDUCATION	0.0	9.2	0.0	0.0	0.0
RESTAURANTS & ACCOMMODATION SERVICES	0.3	1.4	0.5	12.7	0.1
MISCELLANEOUS GOODS & SERVICES	1.6	0.8	0.8	25.1	0.3
* There may be errors due to rounding					

A 0.7 per cent increase was recorded in the index for **Furnishings, Household Equipment & Routine Household Maintenance**. This outcome was supported by increases in all six groups within this division. The groups with the largest increase in their index were *Furniture & Furnishings, Carpets & Other Floor Coverings* (1.3 per

cent); *Household Textiles* (1.0 per cent); and *Goods & Services for Routine Household Maintenance* (0.7 per cent).

On average **Clothing & Footwear** prices increased by 0.4 per cent. This was due to a 0.3 per cent and 0.4 per cent increase in the index for *Clothing* and *Footwear*, respectively. The indices for **Alcoholic Beverages & Tobacco** and **Health** rose by 0.3 per cent and 0.2 per cent, respectively. Higher health related expenses were derived from upward adjustments in the prices for *Medical Products, Appliances & Equipment* (0.1 per cent) and *Health Services* (0.2 per cent).

The indices for the divisions **Housing, Water, Electricity, Gas & Other Fuels** and **Transport** declined by 2.4 per cent and 0.3 per cent, respectively (see Table II). In the case of Housing, Water, Electricity, Gas & Other Fuels, this decline was the result of a 4.2 per cent fall in the index for the group *Electricity, Gas & Other Fuels*, as the indices of two other groups increased and one was unchanged. The decline in this group as well as the index for transportation reflected the impact of lower crude oil prices on the international market on domestic energy related prices such as electricity, and petroleum products², and transportation costs in the case of air fares.

² The World Bank's commodity data indicate that the average spot price for crude oil fell by approximately 24.2 per cent between June and September, 2008.

Regional Composition of Price Changes

Table III: REGIONAL CPI AND INFLATION			
	CPI	Inflation	
	October '08	September '08	October '08
All Jamaica	136.5	0.6	0.3
GKMA	138.1	0.8	0.1
Other Urban Centres	137.1	0.8	0.1
Rural Areas	135.1	0.4	0.5

All three recorded increased indices. The Consumer Price Index in Rural Areas rose by 0.5 per cent, the highest monthly movement of a regional index for October. The Rural index moved up by 0.4 per cent. The indices of the Greater Kingston Metropolitan Area (GKMA) and Other Urban Centres (OUC) both increased by 0.1 per cent. These rates were lower than the 0.8 per cent increase recorded for the index of both regions in September. The disparity between the rates in the three regions reflected the 1.4 per cent increase in the index for Food & Non-Alcoholic Beverages within Rural Areas, whilst in the GKMA and in OUC it increased by 0.6 per cent and 0.3 per cent, respectively.

OUTLOOK

There has been a recent trend of declining commodity prices, which is being passed on to the consumer, particularly in the area of energy related prices. The impact of this declining trend is however expected to be tempered by the depreciation of the Jamaican dollar.