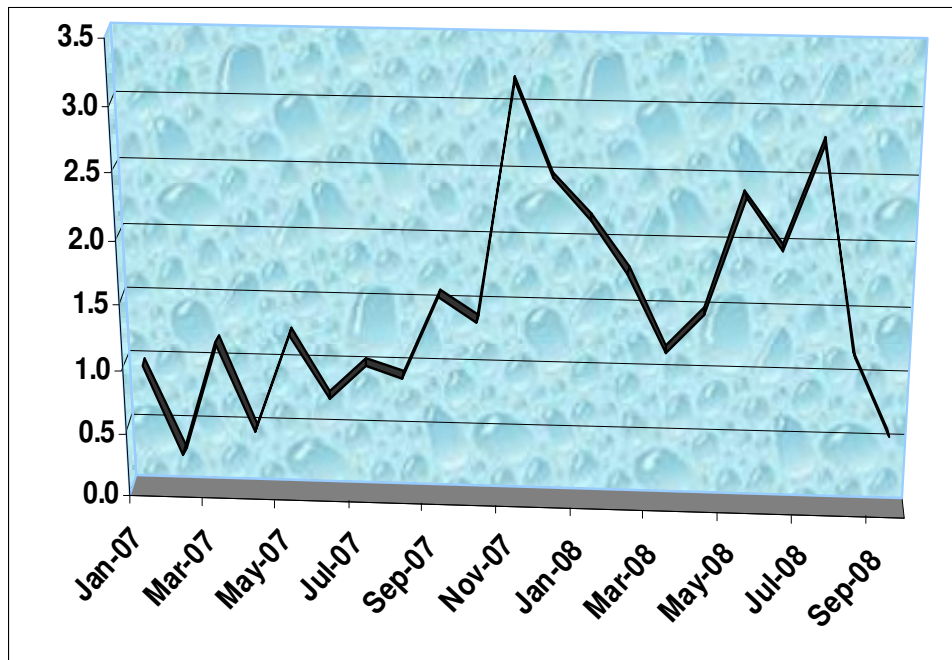
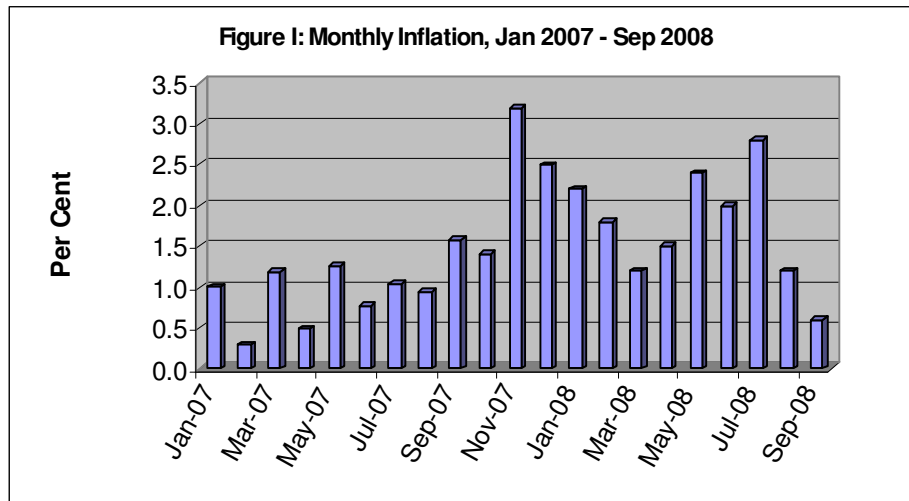


September 2008



MONTHLY INFLATION REPORT

Introduction



The All Jamaica 'All Divisions' Consumer Price Index increased to 136.5 during the month of September.

This resulted in an inflation rate of 0.6 per cent, the lowest monthly inflation rate since April 2007¹. The inflation rate for the preceding month was 1.2 per cent, whilst the rate for the September 2007 was 1.7 per cent. As a result of September's out-turn, inflation for the first nine months of the calendar year was 16.8 per cent, and 11.0 per cent for fiscal year 2008/09 to date. Inflation for the review month mainly reflected: (i) higher food prices in particular Vegetables & Starchy Foods, Meat, Bread & Cereals and Fish & Seafood; and (ii) increased education-related costs associated with the 2008/09 school year.

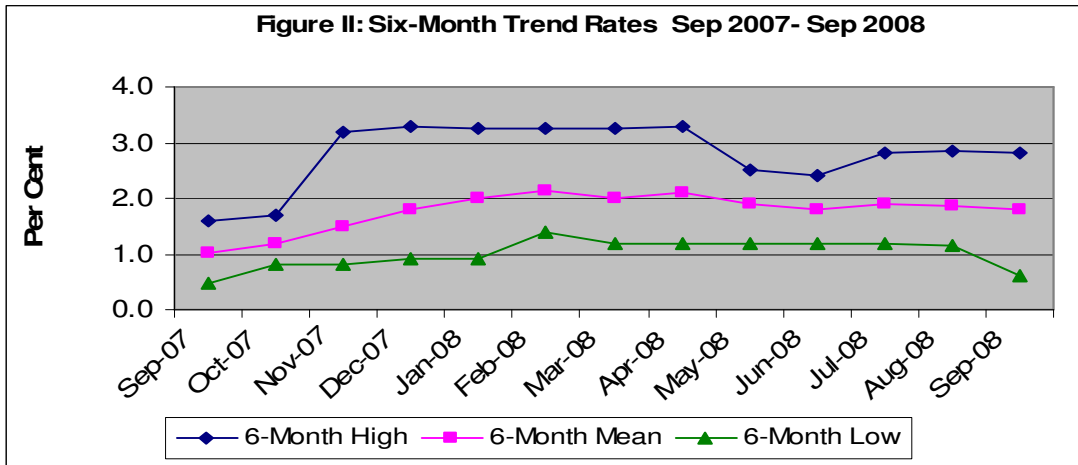
Recent Trends

Inflation for September resulted in the following trend rates:

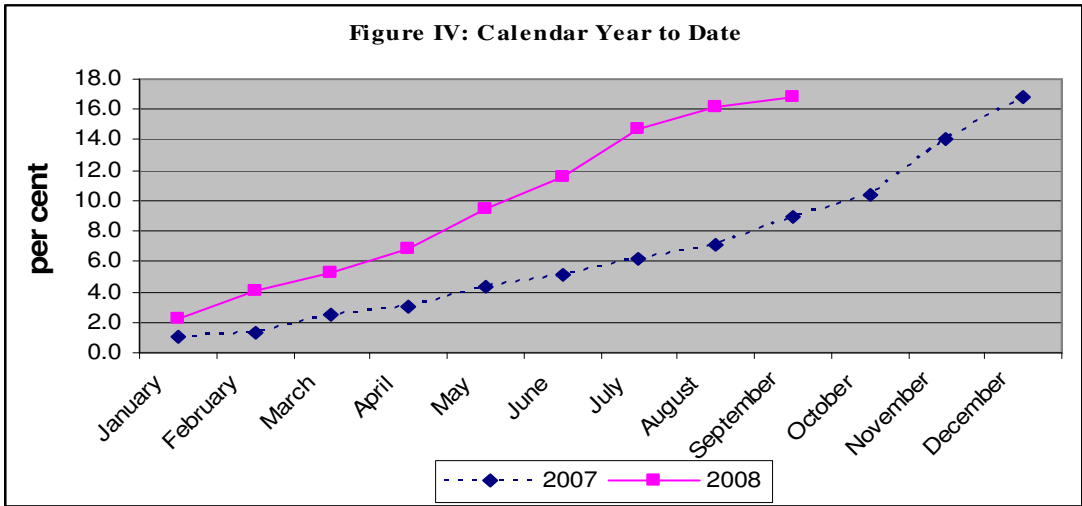
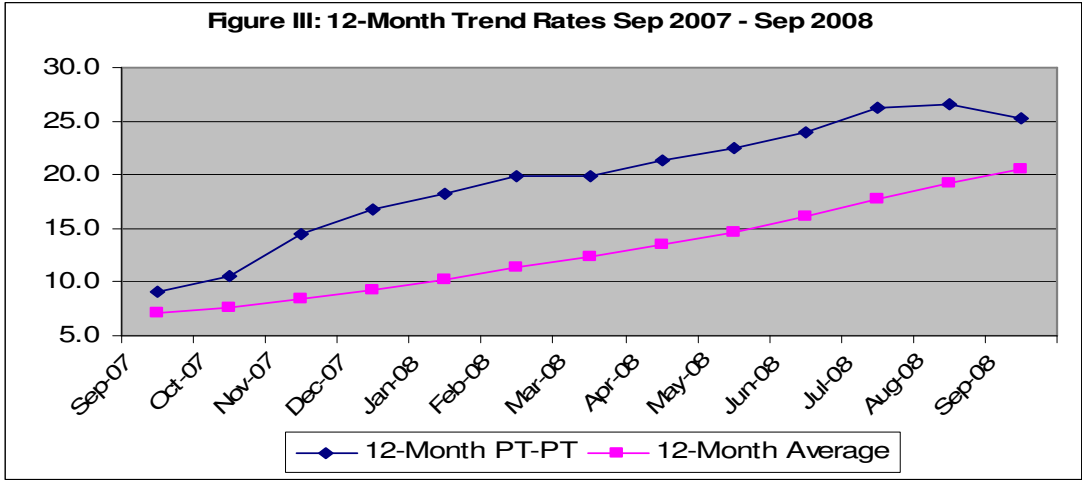
- ✓ 6-month mean of 1.8 per cent. The highest inflation for the past 6 months was the 2.8 per cent recorded in July, while the lowest for the same period was 0.6 per cent, recorded this month (Figure II).

¹ The inflation rate for April 2007 was 0.5 per cent.

- ✓ the 12-month average² inflation increased by 1.4 percentage points, to 20.6 per cent (Figure III).
- ✓ the 12-month point-to-point inflation (September 2007 to September 2008) decreased for the first time this calendar year. It stood at 25.34 per cent, 1.3 percentage points below the point-to-point rate recorded in the previous month.
- ✓ calendar year-to-date inflation was 16.8 per cent relative to the 8.9 per cent recorded for the same period in 2007 (Figure IV).
- ✓ for the first six months of the fiscal year, the inflation rate was 11.0 per cent, almost double the 6.2 per cent recorded for the same period of fiscal year 2007/08 (Figure V).



² 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.



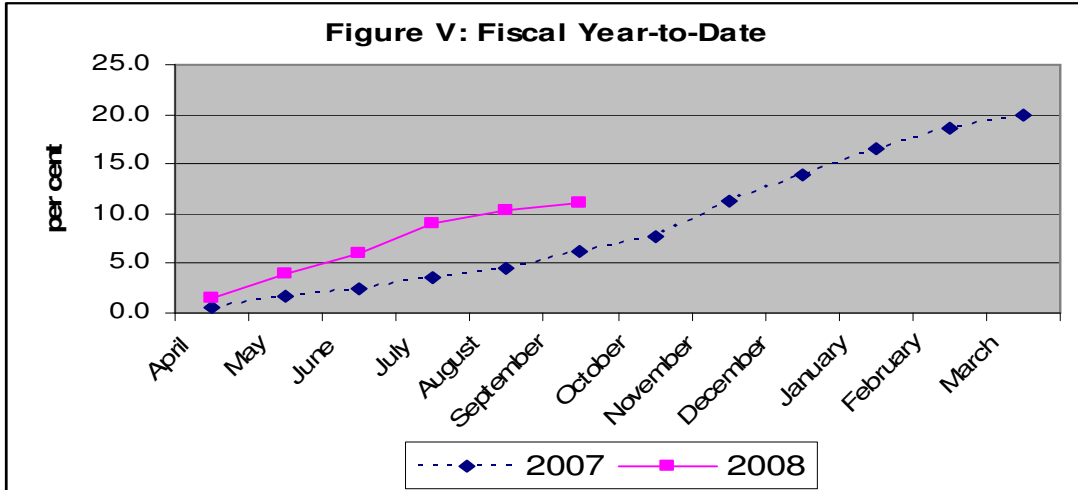


Table I: CALENDAR YEAR & FISCAL YEAR-TO-DATE INFLATION			
Period	Calendar Year to Date	Period	Fiscal Year-to-Date
2005	11.5	2005/2006	9.9
2006	5.5	2006/2007	5.3
2007	8.9	2007/2008	6.2
2008	16.8	2008/2009	11.0

ANALYSIS OF INFLATION FOR SEPTEMBER

Commodity Composition of Price Changes

During September, nine of the twelve divisions recorded increased/higher indices. Of the remaining three, one was unchanged while the other two indices declined. The indices for Food, Non-Alcoholic Beverages and Education were the largest contributors to overall inflation, indicative of increases in food prices and education related expenses for the review period.

The index for **Food & Non-Alcoholic Beverages** rose by 1.5 per cent. This was the outcome of increases in index for the two groups within this division, *Food* and *Non-Alcoholic Beverages*. The index for Food and Non-Alcoholic Beverages increased by 1.6 per cent and 0.5 per cent, respectively. Within the Food group all nine food classes had higher indices, of which the largest increases were for Vegetables & Starchy Foods (2.0 per cent); Meat (1.7 per cent); Bread & Cereals (1.7 per cent) and Fish & Seafood (1.5 per cent). Higher prices for Vegetables and Starchy Foods reflected the impact of heavy rains during August on domestic agriculture output. Items for which prices increased included tomatoes and sweet peppers.

As is customary, the education index rose the highest during the review period. The **Education** index increased by 9.2 per cent relative to 5.7 per cent for the previous year. Higher education related expenses were the result of increased tuition and prices for other school items associated with the beginning of the 2008/09 school year.

The third largest contributor to overall inflation was the division **Restaurant & Accommodation Services**. The index for this division increased by 1.4 per cent. This increase largely reflected the rise in the cost of dining outside of the home (Table II). The indices for **Miscellaneous Goods & Services** and **Recreation & Culture** increased by 0.9 per cent and 1.1 per cent, respectively.

Table II –INFLATION AND CONTRIBUTION TO INFLATION BY CPI DIVISION					
	September 2007	August 2008	September 2008	Percentage Contribution, September 2008 *	Percentage Point Contribution, September 2008 *
ALL DIVISIONS	1.7	1.2	0.6	100.0	0.6
FOOD & NON-ALCOHOLIC BEVERAGES	1.7	1.4	1.5	84.0	0.5
ALCOHOLIC BEVERAGES & TOBACCO	0.3	1.2	0.3	0.6	0.0
CLOTHING & FOOTWEAR	0.7	1.1	0.4	1.9	0.0
HOUSING, WATER, ELECTRICITY, GAS & OTHER FUELS	5.6	2.6	-2.4	-45.1	-0.3
FURNISHINGS, HOUSEHOLD EQUIPMENT & ROUTINE HOUSEHOLD MAINTENANCE	0.7	1.3	0.7	5.0	0.0
HEALTH	0.0	0.3	0.2	0.9	0.0
TRANSPORT	-0.1	0.3	-0.4	-6.1	-0.0
COMMUNICATION	0.1	0.0	0.0	0.0	0.0
RECREATION & CULTURE	1.4	0.5	1.1	5.4	0.0
EDUCATION	5.7	0.0	9.2	29.4	0.2
RESTAURANTS & ACCOMMODATION SERVICES	0.2	1.0	1.4	13.0	0.1
MISCELLANEOUS GOODS & SERVICES	0.9	0.9	0.8	11.0	0.1
* 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 remaining divisions with increased indices were **Alcoholic Beverages & Tobacco** and **Health**, which 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 products³, and transportation costs in the case of air fares.

Regional Composition of Price Changes

Table III: REGIONAL CPI AND INFLATION			
	CPI	Inflation	
	September '08	August '08	September '08
All Jamaica	136.5	1.2	0.6
GKMA	138.1	1.7	0.8
Other Urban Centres	137.1	1.4	0.8
Rural Areas	135.1	0.8	0.4

³ 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.

During September, all three regions recorded increased rates albeit at rates lower than those recorded for the previous month. The indices of the Greater Kingston Metropolitan Area and Other Urban Centres rose by 0.8 per cent, relative to 1.7 per cent and 1.4 per cent, respectively (Table III). The 0.4 per cent increase recorded for Rural Areas was half of the rate realised in August.

Inflation observed in these three regions was largely the result of increase in the prices of food items as reflected in the movements in the index for the Food & Non-Alcoholic Beverages division. The most significant increases were with the groups Meat and Bread & Cereals. Also contributing to the higher regional indices was the movement in the Education index.

OUTLOOK

There has been a recent trend of declining commodity prices, for example, the 24.2 per cent and 14.8 per cent reductions in the average prices of crude oil and grains, respectively. It is anticipated that consumers will experience lower prices, particularly for energy related products and some food items. However this effect may be tempered by increases in the prices of some domestically produced agricultural products amidst heavy rainfall in August.