



## Inflation Outturn - December 2019 *16 January 2019*

The Statistical Institute of Jamaica (STATIN) yesterday reported that the annual point-to-point inflation rate in Jamaica at December 2019 was 6.2 per cent, which represents a sharp jump when compared with the 3.4 per cent recorded at September 2019. This inflation outturn was not anticipated and was higher than Bank of Jamaica's target of 4.0 to 6.0 per cent.

The higher inflation rate was primarily influenced by faster increases in food and energy-related prices in the consumer price index (CPI). The heavily weighted Food & Non-Alcoholic Beverages division of the CPI increased over the year to December by 10.7 per cent, when compared with 6.7 per cent at September 2019. This was primarily related to higher prices for vegetables and starchy foods, the consequence of adverse weather conditions (drought followed by heavy rains) that affected the Island between June and October 2019. There was also news of crop-related diseases affecting some items. Housing, Water, Electricity, Gas & Other Fuels reflected higher rates for electricity and water, which was partly related to increases in international oil prices in the December 2019 quarter. This division increased over the year to December to 1.5 per cent, compared with a decline of 3.2 per cent at September 2019.

Despite the higher headline inflation, underlying inflation, which excludes the immediate influence of agriculture and energy prices, remained stable and below 3.0 per cent. At December 2019, the annual rate for this measure was 2.9 per cent, which was unchanged compared with the rate at September 2019. This underscores that the Jamaican economy continue to reflect some slack with economic growth below its potential. **It also highlights that the jump in inflation is likely to be temporary as expected tempered movements in agricultural prices dampen inflation over the next three to six months.**

### **Background**

The (CPI), compiled by STATIN, measures changes in the general level of prices of consumer goods and services purchased by lower/middle income households. The basket of goods and services is based on the 2004/5 Household Expenditure Survey (HES). STATIN measures price movements in over 500 items/services that are classified into 12 main groups. STATIN further divides Jamaica into three geographical regions and calculates CPI specific to each of these regions.