



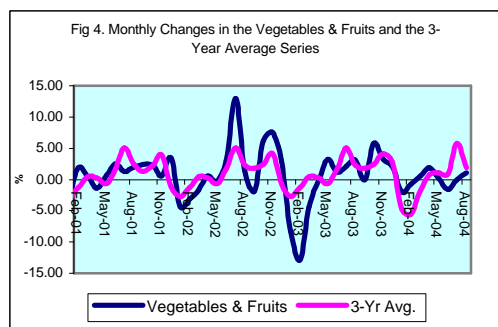
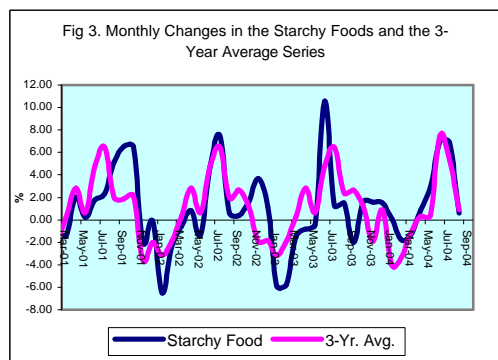
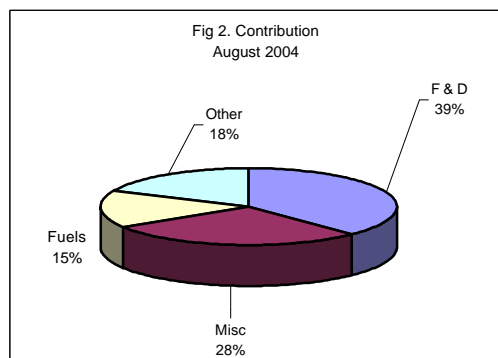
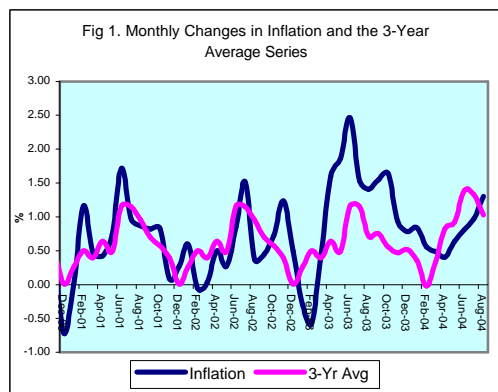
INFLATION REPORT

AUGUST 2004



Contents

A.	NOTE: AUGUST 2004	I
B.	APPENDIX:	
	TABLE 1A: Jamaica's Inflation Rates	1
	TABLE 1B: CPI without Agriculture	2
	TABLE 2: Contribution to Inflation	3
	TABLE 3: Regional Inflation	4
	TABLE 4: Core Inflation	5
	TABLE 5: Inflation Decomposition	6



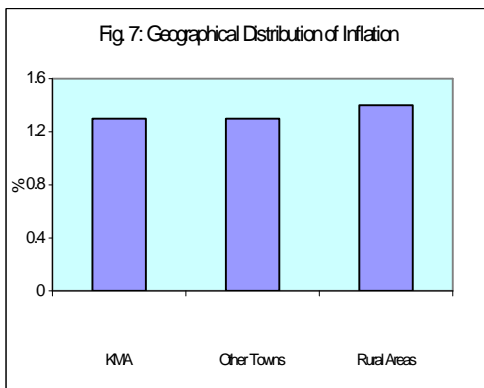
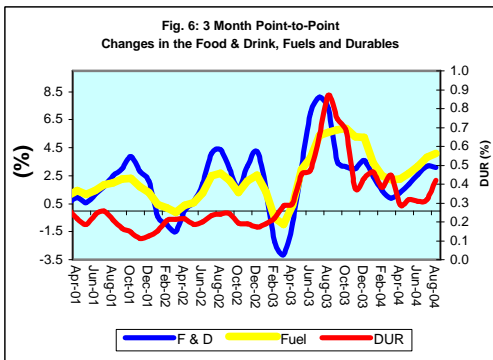
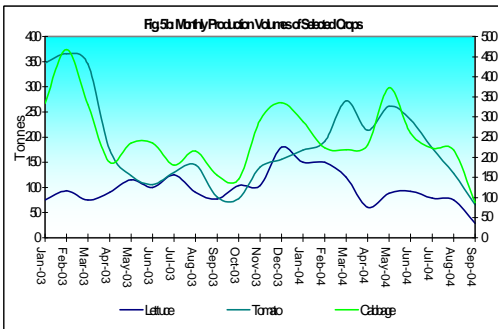
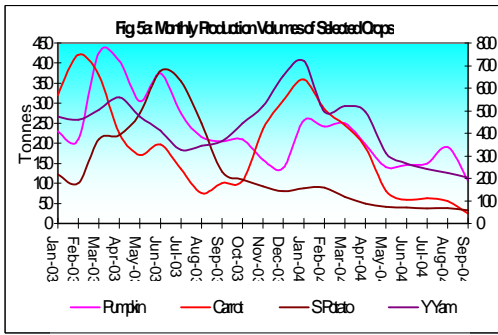
Introduction

1.0 The All Jamaica Consumer Price Index (CPI) increased by 1.3 per cent in August 2004 just below the 1.4 per cent inflation recorded in August 2003. The rate of inflation for the fiscal year to August was 4.2 per cent, significantly less than the 9.1 per cent recorded over the same interval in 2003. The annual point-to-point inflation rate of 11.5 per cent was 0.4 percentage point below that recorded for August 2003 and continued the declining trend evident since April 2004 (see Figure 11). The annual average rate at August 2004 was 14.0 per cent, higher than the 7.9 per cent as at August 2003 (Table 1). It is noteworthy, however, that this outturn reflected the first decline since April 2003.

2.0 The primary influences on inflation in August were increases in the prices of domestic agricultural products and some international commodities, as well as administrative price adjustments. These increases were largely reflected in the *Food & Drink*, *Miscellaneous Expenses* and the *Housing & Other Housing Expenses* sub-indices that increased by 0.8 per cent, 3.9 per cent and 2.3 per cent, respectively (Table 2). The respective contributions from these sub-groups were 37.8 percent, 28.4 per cent and 15.4 per cent.

Main Developments in the Basket

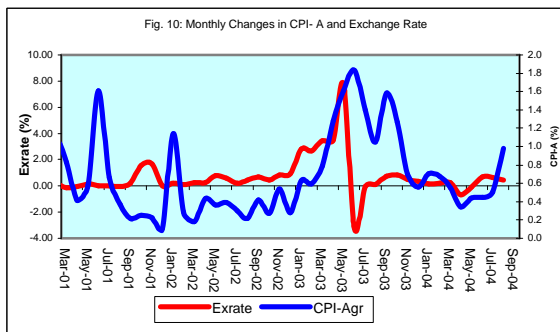
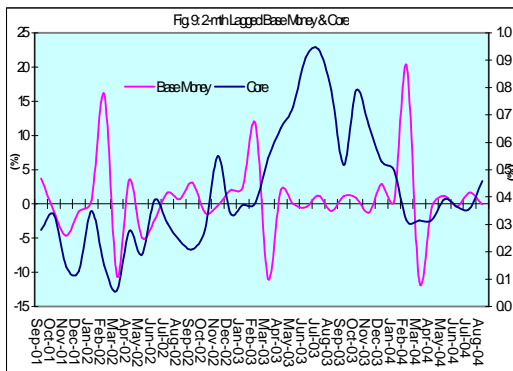
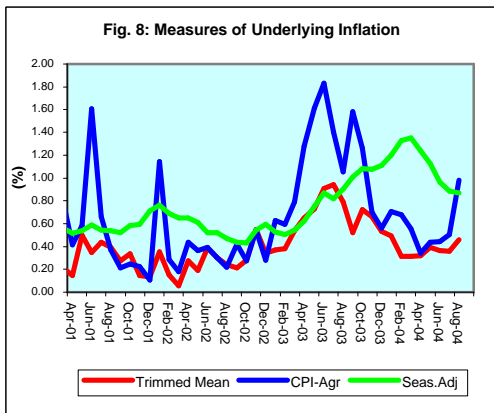
3.0 The increases in the *Food & Drink* sub-index emanated mainly from the *Baked Products, Cereals & Breakfast Drinks, Meals Away From Home* and the *Vegetables & Fruits* sub-groups. The increase of 1.2 per cent in the index of the *Baked Products, Cereals & Breakfast Drinks* sub-group was due primarily to price adjustments in important consumer staples such as bread, rice and flour. The rise in the *Vegetables & Fruits* sub-group of 1.1 per cent reflected the expected tightening in agricultural supplies relative to June. The 1.0 per cent expansion in the index of the *Meals Away From Home* sub-group reflected recent increases in the price of domestic food items and chicken meat.



4.0 The increase in the *Miscellaneous Expenses* sub-index was primarily influenced by significant upward adjustments in the cost of postal services. The cost of inland postage doubled while postage to the United States and the United Kingdom rose by 50 per cent and 56 per cent, respectively. The significant adjustment in the cost of postage is an attempt by the postal authorities to increase profitability and stem the use of Jamaica as a bulk distribution point by US companies. The increase in the sub-index was also affected by a 5.3 per cent increase in the cost of admission to cinemas.

5.0 The increase in the *Housing & Other Housing Expenses* sub-index was primarily influenced by upward adjustments in the cost of utilities, namely electricity and water. Electricity cost was influenced by an adjustment in tariff rates and the continuous increase in world oil prices. The increase in the cost of water was directly related to the increased cost of electricity, which is used to power the pumps for distribution. Other sub-groups that reflected impulses of note were the *Healthcare & Personal Expenses* and the *Fuels & Other Household Supplies*. Expansion in the former sub-group continued to reflect increases in doctors', opticians' and dentists' fees. Upward movements in the latter sub-group were primarily due to increases in the cost of household fuels, in particular, kerosene oil. This development is in response to the upward trend in crude oil prices.

6.0 There was relatively uniform inflation across the regions. The CPI in both the KMA and Other Towns rose by 1.3 per cent, while that of the Rural Areas increased by 1.4 per cent. Despite the convergence in the size of the increases in the overall indices, there were some disparities worthy of note within the sub-groups. Disparities were particularly evident in the *Baked Products, Cereals & Breakfast Drinks, Healthcare & Personal Expenses* and the *Fuels* sub-groups. In the *Baked Products, Cereals & Breakfast Drinks* sub-group, the Other Towns index moved three times faster than the other regions (see Table 3) and was caused primarily by a significant increase in the price of rice in the Other Towns region. Similarly, the increase for the Rural Areas *Healthcare & Personal Expenses* index was mainly attributable to higher prices for tonics and doctors' fees there. The *Fuels* sub-index rose by 3.6 per cent in the KMA and 0.7 per cent and 1.0 per cent in the Other Towns and Rural Areas, respectively. This was due to a shock increase in the price of kerosene which



had not increased when prices in the other regions moved in the recent past.

Core Inflation *Trimmed Mean*

7.0 The trimmed mean index was estimated to have increased by 0.46 per cent in August, which was a 0.1 percent increase over the previous month's measure (Table 4). While reflecting an increase over the previous month, core inflation has been consistent with the path of the monetary base and has been fairly stable since February 2004 (Figure 9). The 12-month point-to-point core inflation rate at August 2004 was 5.7 per cent, 0.3 percentage point below the comparable measure in the previous month, and 1.2 percentage points below the measure one year ago. Similarly, the fiscal year to date core inflation of 1.9 per cent, compares favourably to the 4.1 per cent for the equivalent measure at August 2003. The annual average core inflation rate of 7.3 per cent also revealed a lower position of 0.1 percentage point when compared to the rate recorded in the previous month.

Other Measures of Underlying Inflation

8.0 The measure of underlying inflation that excludes agricultural prices (CPI-A) was 0.98 per cent in August (see Table 1B). This estimate represents a significant increase relative to the 0.51 per cent the previous month. This outturn was affected primarily by the significant adjustment in postal rates. The CPI-A index, which had exhibited a declining trend since June 2003 has reflected a reversal since May 2004. This development is related to impulses arising from administrative price adjustments as well as recent trends in the prices of crude oil and grains.

Table 1A
JAMAICA: INFLATION RATES

	1/ C.P.I	3 Month AVG. C.P.I	Monthly % change	3 Month * % change	3 Month # % change	12 Month* % change	12 Month# % change	FYTD % change	CYTD % change	
2000	Jan	1268.1	1264.6	0.17	1.65	2.00	6.57	5.88	7.24	0.17
	Feb	1273.1	1269.0	0.39	1.05	1.66	8.18	6.04	7.66	0.57
	Mar	1281.7	1274.3	0.68	1.25	1.31	8.39	6.25	8.39	1.25
	Apr	1294.4	1283.0	0.99	2.07	1.46	9.70	6.61	0.99	2.25
	May	1300.0	1292.0	0.43	2.11	1.81	9.19	6.92	1.43	2.69
	Jun	1311.4	1301.9	0.88	2.32	2.17	8.75	7.24	2.32	3.59
	Jul	1324.0	1311.8	0.96	2.29	2.24	8.49	7.53	3.30	4.59
	Aug	1335.9	1323.7	0.90	2.76	2.46	8.23	7.79	4.23	5.53
2001	Sep	1349.3	1336.4	1.00	2.89	2.65	9.03	8.10	5.27	6.59
	Oct	1351.1	1345.4	0.13	2.05	2.56	8.30	8.25	5.41	6.73
	Nov	1352.4	1350.9	0.10	1.24	2.05	7.34	8.25	5.52	6.83
	Dec	1342.6	1348.7	-0.72	-0.50	0.92	6.06	8.17	4.75	6.06
	Jan	1342.9	1345.9	0.02	-0.61	0.04	5.90	8.11	4.77	0.02
	Feb	1358.6	1348.0	1.17	0.46	-0.21	6.72	7.98	6.00	1.19
	Mar	1365.0	1355.5	0.47	1.67	0.50	6.50	7.82	6.50	1.67
	Apr	1370.8	1364.8	0.42	2.08	1.40	5.90	7.51	0.42	2.10
2002	May	1381.1	1372.3	0.75	1.65	1.80	6.24	7.27	1.18	2.87
	Jun	1404.9	1385.6	1.73	2.93	2.22	7.13	7.14	2.93	4.64
	Jul	1418.7	1401.6	0.98	3.50	2.70	7.15	7.03	3.94	5.67
	Aug	1431.1	1418.3	0.87	3.63	3.35	7.13	6.94	4.85	6.59
	Sep	1442.9	1430.9	0.82	2.70	3.27	6.94	6.78	5.71	7.47
	Oct	1454.9	1443.0	0.83	2.55	2.95	7.68	6.73	6.59	8.36
	Nov	1456.2	1451.3	0.09	1.75	2.33	7.68	6.76	6.68	8.46
	Dec	1460.2	1457.1	0.27	1.20	1.83	8.76	6.99	6.97	8.76
2003	Jan	1468.8	1461.7	0.59	0.96	1.30	9.38	7.28	7.60	0.59
	Feb	1468.0	1465.6	-0.05	0.81	0.99	8.05	7.39	7.55	0.53
	Mar	1468.5	1468.4	0.03	0.57	0.78	7.58	7.48	7.58	0.57
	Apr	1475.9	1470.8	0.50	0.48	0.62	7.67	7.62	0.50	1.08
	May	1480.0	1474.8	0.28	0.82	0.62	7.16	7.69	0.78	1.36
	Jun	1492.8	1482.9	0.86	1.65	0.99	6.25	7.61	1.65	2.23
	Jul	1515.6	1496.1	1.53	2.69	1.72	6.83	7.58	3.21	3.79
	Aug	1521.2	1509.9	0.37	2.79	2.38	6.29	7.51	3.59	4.18
2004	Sep	1528.0	1521.6	0.45	2.36	2.61	5.90	7.41	4.05	4.64
	Oct	1539.2	1529.5	0.73	1.56	2.23	5.80	7.25	4.82	5.41
	Nov	1558.3	1541.8	1.24	2.44	2.12	7.01	7.20	6.12	6.72
	Dec	1566.1	1554.5	0.50	2.49	2.16	7.25	7.08	6.65	7.25
	Jan	1561.3	1561.9	-0.31	1.44	2.12	6.30	6.83	6.32	-0.31
	Feb	1552.2	1559.9	-0.58	-0.39	1.17	5.74	6.64	5.70	-0.89
	Mar	1559.5	1557.7	0.47	-0.42	0.20	6.20	6.52	6.20	-0.42
	Apr	1584.0	1565.2	1.57	1.45	0.21	7.33	6.50	1.57	1.14
2005	May	1613.4	1585.6	1.86	3.94	1.65	9.01	6.66	3.46	3.02
	Jun	1653.1	1616.8	2.46	6.00	3.80	10.74	7.04	6.00	5.56
	Jul	1678.4	1648.3	1.53	5.96	5.31	10.74	7.38	7.62	7.17
	Aug	1702.0	1677.8	1.41	5.49	5.81	11.88	7.85	9.14	8.68
	Sep	1728.4	1702.9	1.55	4.56	5.33	13.11	8.47	10.83	10.36
	Oct	1756.7	1729.0	1.64	4.67	4.90	14.13	9.17	12.65	12.17
	Nov	1773.0	1752.7	0.93	4.17	4.46	13.78	9.74	13.69	13.21
	Dec	1786.8	1772.2	0.78	3.38	4.07	14.09	10.32	14.58	14.09
2006	Jan	1801.8	1787.2	0.84	2.57	3.36	15.40	11.08	15.54	0.84
	Feb	1811.9	1800.2	0.56	2.19	2.71	16.73	11.99	16.18	1.40
	Mar	1820.8	1811.5	0.49	1.90	2.22	16.76	12.86	16.76	1.90
	Apr	1828.2	1820.3	0.41	1.47	1.85	15.42	13.52	0.41	2.32
	May	1839.9	1829.6	0.64	1.55	1.64	14.04	13.93	1.05	2.97
	Jun	1854.8	1841.0	0.81	1.87	1.63	12.20	14.03	1.87	3.81
	Jul	1872.8	1855.8	0.97	2.44	1.95	11.58	14.08	2.86	4.81
	Aug	1897.3	1875.0	1.31	3.12	2.48	11.47	14.02	4.20	6.18

1/ January 1988 = 100

* Point to point

Moving average

Source: STATIN

Table 1B
JAMAICA: CPI WITHOUT AGRICULTURE

	1/	3 Month	Monthly	3 Month *	3 Month #	12 Month*	12 Month#	
	CPI-A	AVG. CPI-A	% change	% change	% change	% change	% change	
2000	Apr	214.3	213.3	0.55	1.54	1.31	6.25	6.06
	May	215.1	214.2	0.36	1.27	1.34	6.15	6.03
	Jun	216.0	215.1	0.41	1.33	1.38	6.17	6.11
	Jul	216.6	215.9	0.28	1.05	1.22	5.71	6.14
	Aug	217.8	216.8	0.56	1.25	1.21	5.10	6.03
2001	Sep	219.0	217.8	0.59	1.43	1.24	5.19	5.94
	Oct	220.4	219.1	0.64	1.80	1.49	5.64	5.89
	Nov	221.3	220.3	0.38	1.61	1.61	5.44	5.81
	Dec	221.9	221.2	0.26	1.29	1.56	5.34	5.77
	Jan	222.7	222.0	0.40	1.04	1.31	5.54	5.76
	Feb	225.0	223.2	1.03	1.70	1.34	5.95	5.70
	Mar	226.9	224.9	0.83	2.28	1.67	6.47	5.74
	Apr	227.8	226.6	0.41	2.29	2.09	6.32	5.75
	May	229.2	228.0	0.58	1.84	2.14	6.55	5.79
	Jun	232.9	230.0	1.61	2.62	2.25	7.83	5.93
	Jul	234.4	232.1	0.66	2.88	2.45	8.24	6.15
	Aug	235.3	234.2	0.37	2.66	2.72	8.04	6.39
2002	Sep	235.8	235.1	0.21	1.25	2.26	7.64	6.60
	Oct	236.4	235.8	0.25	0.83	1.57	7.22	6.73
	Nov	236.9	236.3	0.22	0.69	0.92	7.06	6.86
	Dec	237.1	236.8	0.11	0.58	0.70	6.89	6.99
	Jan	239.9	238.0	1.14	1.48	0.92	7.68	7.16
	Feb	240.5	239.2	0.29	1.54	1.20	6.89	7.24
	Mar	241.0	240.5	0.18	1.62	1.55	6.20	7.21
	Apr	242.0	241.2	0.44	0.91	1.35	6.23	7.20
	May	242.9	242.0	0.37	0.99	1.17	6.00	7.15
	Jun	243.9	242.9	0.39	1.20	1.03	4.73	6.88
	Jul	244.6	243.8	0.30	1.06	1.08	4.35	6.55
	Aug	245.1	244.5	0.22	0.91	1.06	4.19	6.23
2003	Sep	246.2	245.3	0.42	0.94	0.97	4.41	5.96
	Oct	246.8	246.0	0.28	0.91	0.92	4.43	5.73
	Nov	248.2	247.1	0.54	1.24	1.03	4.76	5.54
	Dec	248.9	248.0	0.28	1.10	1.08	4.94	5.38
	Jan	250.4	249.2	0.63	1.45	1.26	4.41	5.11
	Feb	251.9	250.4	0.60	1.51	1.35	4.73	4.94
	Mar	253.9	252.1	0.79	2.02	1.66	5.36	4.87
	Apr	257.1	254.3	1.28	2.68	2.07	6.24	4.88
	May	261.3	257.4	1.61	3.72	2.81	7.56	5.02
	Jun	266.1	261.5	1.83	4.79	3.74	9.10	5.39
	Jul	269.8	265.7	1.40	4.93	4.48	10.30	5.89
	Aug	272.6	269.5	1.05	4.35	4.69	11.22	6.48
2004	Sep	276.9	273.1	1.58	4.09	4.45	12.51	7.16
	Oct	280.5	276.7	1.26	3.95	4.13	13.62	7.93
	Nov	282.4	279.9	0.70	3.58	3.87	13.79	8.69
	Dec	284.0	282.3	0.56	2.54	3.35	14.11	9.45
	Jan	286.0	284.1	0.71	1.97	2.69	14.20	10.27
	Feb	287.9	286.0	0.68	1.96	2.16	14.30	11.06
	Mar	289.5	287.8	0.56	1.95	1.96	14.04	11.78
	Apr	290.5	289.3	0.34	1.58	1.83	12.98	12.34
	May	291.8	290.6	0.44	1.34	1.62	11.68	12.67
	Jun	293.1	291.8	0.44	1.23	1.38	10.16	12.73
	Jul	294.6	293.2	0.51	1.40	1.32	9.18	12.61
	Aug	297.5	295.0	0.98	1.94	1.52	9.10	12.41

1/ December 1993 = 100

* Point to point

Moving average

Source: BOJ

Table 2
Component Contribution to Inflation
August 2004

	Weight in the CPI	Monthly Inflation(%)	Weighted Inflation	% Contribution to Inflation
FOOD & DRINK	0.5563	0.8	0.4074	37.8
- Meals Away From Home	0.0741	1.0	0.0722	6.7
- Meat Poultry & Fish	0.1613	0.5	0.0780	7.2
- Dairy Products Oils & Fats	0.0668	0.9	0.0602	5.6
- Baked Products Cereals & Breakfast Drink	0.0864	1.2	0.1030	9.5
- Starchy Foods	0.0525	0.6	0.0301	2.8
- Vegetables & Fruits	0.0650	1.1	0.0693	6.4
- Other Food & Beverages	0.0502	-0.1	-0.0053	-0.5
FUELS & OTHER HOUSEHOLD SUPPLIES	0.0735	1.5	0.0773	7.2
- Household Supplies	0.0482	0.5	0.0221	2.1
- Fuels	0.0253	2.2	0.0552	5.1
HOUSING & OTHER HOUSING EXPENSES	0.0786	2.3	0.1666	15.4
- Rental	0.0209	0.3	0.0071	0.7
- Other Housing Expenses	0.0577	2.8	0.1595	14.8
HOUSEHOLD FURNISHINGS & FURNITURE	0.0283	0.8	0.0225	2.1
- Furniture	0.0068	1.0	0.0067	0.6
- Furnishings	0.0215	0.7	0.0157	1.5
HEALTHCARE & PERSONAL EXPENSES	0.0697	1.1	0.0745	6.9
PERSONAL CLOTHING FOOTWEAR & ACC.	0.0507	0.5	0.0243	2.3
- Clothing Materials	0.0055	0.0	0.0002	0.0
- Readymade Clothing & Accessories	0.0242	0.2	0.0054	0.5
- Footwear	0.0159	1.0	0.0166	1.5
- Making & Repairs	0.0051	0.4	0.0021	0.2
TRANSPORTATION	0.0644	0.0	0.0000	0.0
MISCELLANEOUS EXPENSES	0.0785	3.9	0.3064	28.4
			*	
ALL GROUPS	1.0000	1.31	1.08	100.0

* May differ from the 1.31 reported due to rounding

Table 3
Regional Inflation
August 2004

	KMA (%)	Other Towns (%)	Rural (%)
FOOD & DRINK	0.7	0.6	0.9
- Meals Away From Home	1.0	0.4	1.4
- Meat Poultry & Fish	0.4	0.4	0.6
- Dairy Products Oils & Fats	0.1	0.4	2.1
- Baked Products Cereals & Breakfast Drink	0.9	2.7	0.8
- Starchy Foods	0.9	0.0	0.6
- Vegetables & Fruits	1.8	-0.3	0.9
- Other Food & Beverages	0.1	-0.3	-0.3
FUELS & OTHER HOUSEHOLD SUPPLIES	2.1	0.7	0.9
- Household Supplies	0.1	0.7	0.8
- Fuels	3.6	0.7	1.0
HOUSING & OTHER HOUSING EXPENSES	2.2	2.4	2.4
- Rental	0.4	0.1	0.1
- Other Housing Expenses	2.9	2.7	2.6
HOUSEHOLD FURNISHINGS & FURNITURE	0.2	1.3	1.2
- Furniture	0.5	3.1	0.0
- Furnishings	0.0	0.4	1.8
HEALTHCARE & PERSONAL EXPENSES	0.7	0.5	2.0
PERSONAL CLOTHING FOOTWEAR & ACC	0.2	0.2	1.1
- Clothing Materials	0.0	0.1	0.1
- Readymade Clothing & Accessories	0.1	0.1	0.4
- Footwear	0.2	0.2	2.6
- Making & Repairs	0.7	0.6	0.0
TRANSPORTATION	0.0	0.0	0.0
MISCELLANEOUS EXPENSES	3.2	4.4	4.7
ALL GROUPS	1.3	1.3	1.4

Table 4
Inflation: Actual & Core

	Monthly		Fiscal Year to Date		12-Mth Core	
	Actual	Core	Actual	Core	Pt to Pt	Average
2001/02						
Apr	0.42	0.14	0.42	0.14	4.04	4.18
May	0.75	0.50	1.18	0.65	4.29	4.17
Jun	1.73	0.35	2.93	1.00	4.30	4.17
Jul	0.98	0.44	3.94	1.44	4.46	4.22
Aug	0.87	0.39	4.85	1.84	4.33	4.26
Sep	0.82	0.28	5.71	2.12	4.18	4.26
Oct	0.83	0.34	6.59	2.46	4.15	4.25
Nov	0.09	0.15	6.68	2.61	4.01	4.23
Dec	0.27	0.13	6.97	2.75	3.98	4.23
Jan	0.59	0.35	7.60	3.11	4.22	4.24
Feb	-0.05	0.15	7.55	3.26	3.49	4.15
Mar	0.03	0.06	7.58	3.32	3.32	4.06
2002/03						
Apr	0.50	0.28	0.50	0.28	3.46	4.01
May	0.28	0.19	0.78	0.47	3.14	3.91
Jun	0.86	0.39	1.65	0.86	3.18	3.82
Jul	1.53	0.30	3.21	1.16	3.04	3.70
Aug	0.37	0.24	3.59	1.41	2.89	3.58
Sep	0.45	0.21	4.05	1.62	2.82	3.47
Oct	0.73	0.28	4.82	1.90	2.76	3.35
Nov	1.24	0.55	6.12	2.47	3.18	3.29
Dec	0.50	0.34	6.65	2.82	3.39	3.24
Jan	-0.31	0.37	6.32	3.20	3.41	3.17
Feb	-0.58	0.38	5.70	3.59	3.65	3.19
Mar	0.47	0.54	6.20	4.15	4.15	3.26
2003/04						
Apr	1.57	0.65	1.57	0.65	4.54	3.35
May	1.86	0.73	3.46	1.38	5.09	3.51
Jun	2.46	0.91	6.00	2.30	5.64	3.72
Jul	1.53	0.94	7.62	3.27	6.31	3.99
Aug	1.41	0.79	9.14	4.08	6.90	4.33
Sep	1.55	0.52	10.83	4.62	7.22	4.70
Oct	1.64	0.79	12.65	5.45	7.77	5.12
Nov	0.93	0.66	13.69	6.14	7.89	5.51
Dec	0.78	0.53	14.58	6.70	8.09	5.90
Jan	0.84	0.50	15.54	7.23	8.22	6.30
Feb	0.56	0.32	16.18	7.57	8.15	6.68
Mar	0.49	0.32	16.76	7.91	7.91	6.99
2004/05						
Apr	0.41	0.32	0.41	0.32	7.55	7.24
May	0.64	0.39	1.05	0.71	7.20	7.41
Jun	0.81	0.36	1.87	1.08	6.62	7.48
Jul	0.97	0.36	2.86	1.44	6.00	7.45
Aug	1.31	0.46	4.20	1.91	5.66	7.34

Table 5

Decomposition of Inflation Out-turn		
April - August 2004		
	(%)	
	FYTD Inflation	Contribution
<u>Non-Core Shocks</u>	2.3	54.6%
<i>Food & Drink</i>	1.6	37.3%
Meat, Poultry & Fish	0.5	11.4%
Starchy Foods	0.9	20.7%
Dairy Products	0.2	5.2%
<i>Healthcare & Personal Expenses</i>	0.2	5.0%
<i>Fuels & Other H'hold Supplies</i>	0.3	7.5%
<i>Other</i>	0.2	4.9%
<u>Core</u>	<u>1.9</u>	<u>45.4%</u>
<u>TOTAL</u>	<u>4.2</u>	<u>100.0%</u>