



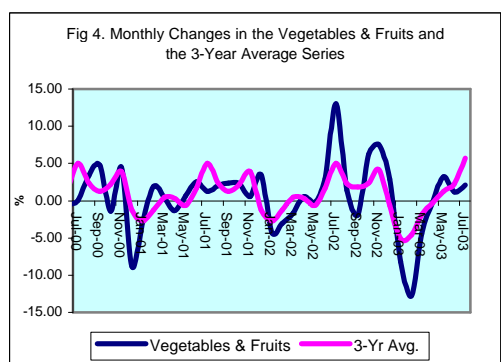
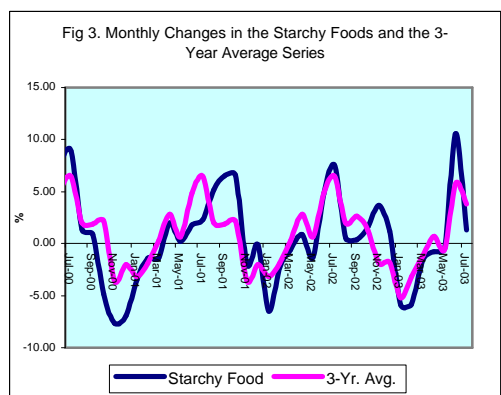
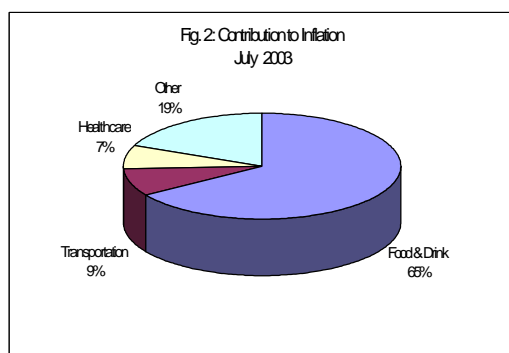
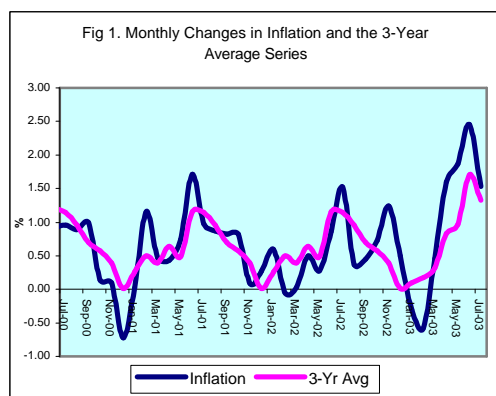
INFLATION REPORT

JULY 2003



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Introduction

1.0 The All Jamaica Consumer Price Index (CPI) increased by 1.5 per cent in July 2003, in line with the Bank's projection. This outturn brought inflation for the first four months of FY 2003/04 to 7.6 per cent, compared to 3.2 per cent obtained over the same interval in FY 2002/03. For the first seven months of the calendar year, the inflation rate was 7.2 per cent, relative to 3.8 per cent in the comparable period of 2002. The point-to-point inflation rate as at July 2003 was 10.7 per cent, 3.9 percentage points above the rate recorded in the previous year. However, the annual average inflation rate at July 2003 was 7.4 per cent, or 0.2 percentage points below the rate recorded for July 2002 (Table 1).

2.0 The major influences on July's inflation were the pass through of recent exchange rate depreciation, new tax revenue measures and further tightening in agricultural supplies. Additionally, there were impulses from recent global oil price increases which affected oil related commodities. All the sub-indices of the CPI recorded increases relative to June. The inflation outturn primarily reflected price increases for items in the *Food & Drink*, *Transportation* and *Healthcare & Personal Expenses* sub-indices. Inflation in these sub-indices were 1.9 per cent, 2.1 per cent and 1.6 per cent, contributing 65.8 per cent, 8.5 per cent and 7.0 per cent, respectively, to the overall outturn.

Main Developments in the Basket

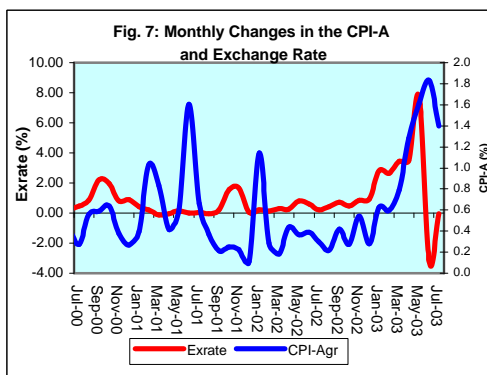
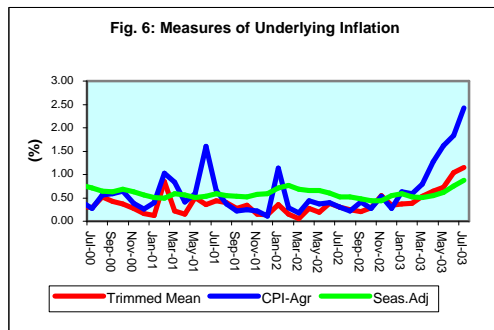
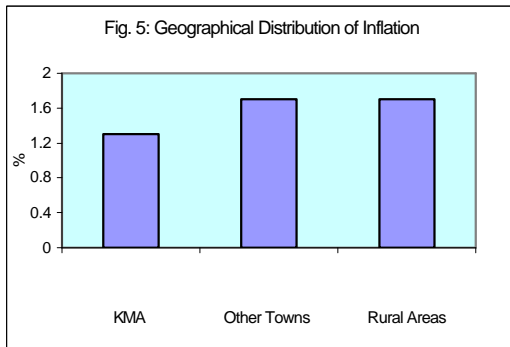
3.0 The out-turn in the *Food & Drink* sub-index was influenced primarily by increases of 3.7 per cent and 1.3 per cent increase in the *Dairy Products*, *Oils & Fats* and *Meat, Poultry & Fish*, sub-groups, respectively. This was complemented by expansions of 2.1 per cent, 1.8 per cent and 1.7 per cent in the *Vegetables & Fruits*, *Baked Products*, *Cereals & Breakfast Drinks*, and *Meals Away from Home* sub-groups, respectively (see Table 2A). The rise in the *Dairy Products*, *Oils & Fats* sub-group accounted for 15.3 per cent of the overall inflation. Increases in the prices of cooking oils and condensed milk were primarily responsible for the expansion in this sub-group. The *Baked Products*, *Cereals & Breakfast Drink* sub-group

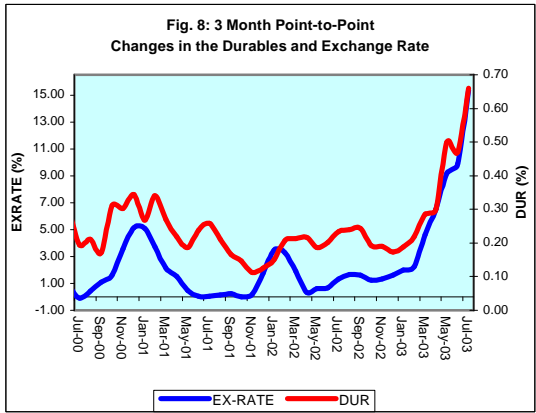
was mainly affected by the increased prices of bread, cornmeal and flour. These items as well as others in the *Food & Drink* sub-category were affected by the depreciation in the exchange rate in the June quarter, as well as recent revenue measures.

4.0 The *Transportation* sub-index was chiefly influenced by increases in the prices of air travel and taxi fares. Airfares increased significantly by 37.3 per cent and were due to the effect of seasonally higher demand as well as rising fuel cost. Higher taxi fares averaging 5.4 per cent was recorded in the rural areas. The change in the *Transportation* index also reflected increases in the price of gasoline and lubricants.

5.0 The upward movement in the *Healthcare & Personal Expenses* sub-category of 1.6 per cent resulted primarily from higher *opticians' fees* and increases in the cost of *toothpaste, toothbrush* and *spectacles*. The movements in the prices of toothpaste and toothbrush were primarily the result of the removal of the exempted and zero-rated status from certain personal care items.

6.0 At the regional level, all areas reported an increase in its overall index for the month. The CPI in the KMA increased by 1.3 per cent, while the indices for the Other Towns and Rural Areas both increased by 1.7 per cent. The pattern of change across the region was reflected mainly in the *Food & Drink* sub-index, which increased by 1.7 per cent, 2.1 per cent and 2.0 per cent in the KMA, Other Towns and Rural Areas, respectively. An observation of the changes in the subcomponent of the *Food & Drink* sub-index revealed that with the exception of the *Dairy Products, Oils & Fats* sub-group, changes in the KMA were lower than in the other two regions. This pattern is also borne out in most of the other sub-indices.





7.0 The measure of inflation that excludes agricultural prices (CPI-A) was 1.40 per cent for July. This estimate was 0.43 percentage point below the measure in the previous month and 1.1 percentage points above that which obtained in July 2002. This index has trended sharply upward since the beginning of the calendar year in tandem with the accelerated depreciation in the exchange rate particularly in the June quarter. However, since then with the appreciation in the exchange rate, there has been a departure from this trend (See Figure 7). Simultaneously, the durable products index has advanced steadily since the beginning of the calendar year (see Figure 8).

Core Inflation

8.0 The trimmed mean index, adjusted for the impact of the revenue measures, was estimated to have increased by 0.94 per cent in the review month, 0.03 percentage points above the estimate for the previous month (table 4). This estimate brings core inflation for the fiscal year to date to 3.27 per cent, 1.11 percentage points above that which obtained for the similar interval of 2002. The 12-month point-to-point core inflation rate was 6.3 per cent, 3.3 percentage points above the comparable measure at July 2002. Similarly, the annual average core inflation rate of 3.99 per cent was 0.29 percentage points above the rate in the corresponding month of 2002.

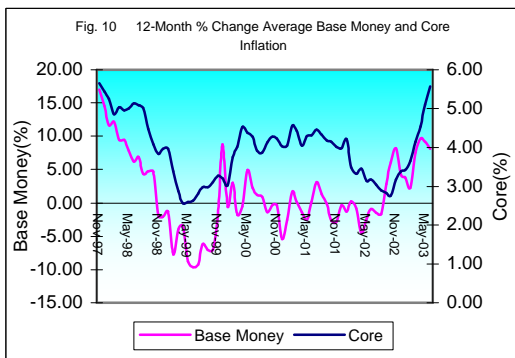
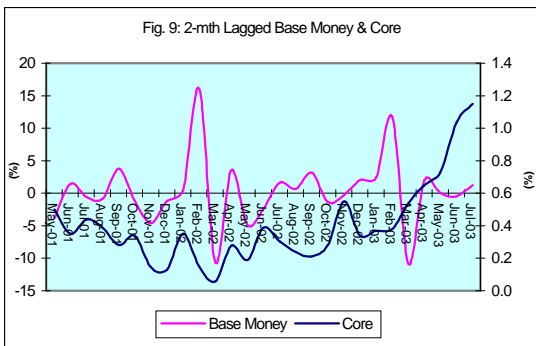


Table 1A
JAMAICA: INFLATION RATES

	1/ C.P.I	3 Month AVG. C.P.I	Monthly % change	3 Month * % change	3 Month # % change	12 Month* % change	12 Month# % change	
1999	Apr	1179.9	1179.7	-0.22	-0.84	-0.26	5.37	7.79
	May	1190.6	1184.3	0.91	1.17	0.02	5.46	7.53
	Jun	1205.9	1192.1	1.29	1.98	0.77	4.93	7.10
	Jul	1220.4	1205.6	1.20	3.43	2.20	4.99	6.67
	Aug	1234.3	1220.2	1.14	3.67	3.03	5.09	6.28
	Sep	1237.6	1230.7	0.27	2.63	3.24	5.26	6.02
	Oct	1247.5	1239.8	0.80	2.22	2.83	6.43	5.96
	Nov	1259.9	1248.3	0.99	2.07	2.31	7.39	6.03
	Dec	1265.9	1257.7	0.48	2.29	2.19	6.78	5.95
2000	Jan	1268.1	1264.6	0.17	1.65	2.00	6.57	5.88
	Feb	1273.1	1269.0	0.39	1.05	1.66	8.18	6.04
	Mar	1281.7	1274.3	0.68	1.25	1.31	8.39	6.25
	Apr	1294.4	1283.0	0.99	2.07	1.46	9.70	6.61
	May	1300.0	1292.0	0.43	2.11	1.81	9.19	6.92
	Jun	1311.4	1301.9	0.88	2.32	2.17	8.75	7.24
	Jul	1324.0	1311.8	0.96	2.29	2.24	8.49	7.53
	Aug	1335.9	1323.7	0.90	2.76	2.46	8.23	7.79
	Sep	1349.3	1336.4	1.00	2.89	2.65	9.03	8.10
	Oct	1351.1	1345.4	0.13	2.05	2.56	8.30	8.25
	Nov	1352.4	1350.9	0.10	1.24	2.05	7.34	8.25
	Dec	1342.6	1348.7	-0.72	-0.50	0.92	6.06	8.17
2001	Jan	1342.9	1345.9	0.02	-0.61	0.04	5.90	8.11
	Feb	1358.6	1348.0	1.17	0.46	-0.21	6.72	7.98
	Mar	1365.0	1355.5	0.47	1.67	0.50	6.50	7.82
	Apr	1370.8	1364.8	0.42	2.08	1.40	5.90	7.51
	May	1381.1	1372.3	0.75	1.65	1.80	6.24	7.27
	Jun	1404.9	1385.6	1.73	2.93	2.22	7.13	7.14
	Jul	1418.7	1401.6	0.98	3.50	2.70	7.15	7.03
	Aug	1431.1	1418.3	0.87	3.63	3.35	7.13	6.94
	Sep	1442.9	1430.9	0.82	2.70	3.27	6.94	6.78
	Oct	1454.9	1443.0	0.83	2.55	2.95	7.68	6.73
	Nov	1456.2	1451.3	0.09	1.75	2.33	7.68	6.76
	Dec	1460.2	1457.1	0.27	1.20	1.83	8.76	6.99
2002	Jan	1468.8	1461.7	0.59	0.96	1.30	9.38	7.28
	Feb	1468.0	1465.6	-0.05	0.81	0.99	8.05	7.39
	Mar	1468.5	1468.4	0.03	0.57	0.78	7.58	7.48
	Apr	1475.9	1470.8	0.50	0.48	0.62	7.67	7.62
	May	1480.0	1474.8	0.28	0.82	0.62	7.16	7.69
	Jun	1492.8	1482.9	0.86	1.65	0.99	6.25	7.61
	Jul	1515.6	1496.1	1.53	2.69	1.72	6.83	7.58
	Aug	1521.2	1509.9	0.37	2.79	2.38	6.29	7.51
	Sep	1528.0	1521.6	0.45	2.36	2.61	5.90	7.41
	Oct	1539.2	1529.5	0.73	1.56	2.23	5.80	7.25
	Nov	1558.3	1541.8	1.24	2.44	2.12	7.01	7.20
	Dec	1566.1	1554.5	0.50	2.49	2.16	7.25	7.08
2003	Jan	1561.3	1561.9	-0.31	1.44	2.12	6.30	6.83
	Feb	1552.2	1559.9	-0.58	-0.39	1.17	5.74	6.64
	Mar	1559.5	1557.7	0.47	-0.42	0.20	6.20	6.52
	Apr	1584.0	1565.2	1.57	1.45	0.21	7.33	6.50
	May	1613.4	1585.6	1.86	3.94	1.65	9.01	6.66
	Jun	1653.1	1616.8	2.46	6.00	3.80	10.74	7.04
	Jul	1678.4	1648.3	1.53	5.96	5.31	10.74	7.38

1/ January 1988 = 100

* Point to point

Moving average

Source: STATIN

Table 1B
JAMAICA: CPI WITHOUT AGRICULTURE

	1/ CPI-A	3 Month AVG. CPI-A	Monthly % change	3 Month * % change	3 Month # % change	12 Month* % change	12 Month# % 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
	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
2001	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
2002	Aug	235.3	234.2	0.37	2.66	2.72	8.04	6.39
	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
2003	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
	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
2003	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

1/ December 1993 = 100

* Point to point

Moving average

Source: BOJ

Table 2A
Component Contribution to Inflation
July 2003

	Weight in the CPI	Monthly Inflation(%)	Weighted Inflation	% Contribution to Inflation
FOOD & DRINK	0.5563	1.9	1.0550	65.8
- Meals Away From Home	0.0741	1.7	0.1259	7.9
- Meat Poultry & Fish	0.1613	1.3	0.2069	12.9
- Dairy Products Oils & Fats	0.0668	3.7	0.2459	15.3
- Baked Products Cereals & Breakfast Drink	0.0864	1.8	0.1516	9.5
- Starchy Foods	0.0525	1.3	0.0686	4.3
- Vegetables & Fruits	0.0650	2.1	0.1373	8.6
- Other Food & Beverages	0.0502	2.4	0.1188	7.4
FUELS & OTHER HOUSEHOLD SUPPLIES	0.0735	0.9	0.0989	6.2
- Household Supplies	0.0482	2.0	0.0947	5.9
- Fuels	0.0253	0.2	0.0042	0.3
HOUSING & OTHER HOUSING EXPENSES	0.0786	0.4	0.0370	2.3
- Rental	0.0209	1.2	0.0252	1.6
- Other Housing Expenses	0.0577	0.2	0.0117	0.7
HOUSEHOLD FURNISHINGS & FURNITURE	0.0283	3.1	0.0775	4.8
- Furniture	0.0068	6.5	0.0445	2.8
- Furnishings	0.0215	1.5	0.0331	2.1
HEALTHCARE & PERSONAL EXPENSES	0.0697	1.6	0.1130	7.0
PERSONAL CLOTHING FOOTWEAR & ACC.	0.0507	0.4	0.0191	1.2
- Clothing Materials	0.0055	0.0	0.0002	0.0
- Readymade Clothing & Accessories	0.0242	0.5	0.0111	0.7
- Footwear	0.0159	0.3	0.0051	0.3
- Making & Repairs	0.0051	0.5	0.0026	0.2
TRANSPORTATION	0.0644	2.1	0.1357	8.5
MISCELLANEOUS EXPENSES	0.0785	0.9	0.0668	4.2
			*	
ALL GROUPS	1.0000	1.53	1.60	100.0

* Differs from the 1.53 reported due to rounding

Table 2B
Component contribution to Inflation
Fiscal Year to July 2003

	Weight in the CPI	FYTD Inflation(%)	Weighted Inflation	% Contribution to Inflation
FOOD & DRINK	0.5563	9.1	4.91	67.7
- Meals Away From Home	0.0741	8.0	0.59	8.2
- Meat Poultry & Fish	0.1613	6.3	1.02	14.1
- Dairy Products Oils & Fats	0.0668	11.9	0.80	11.0
- Baked Products Cereals & Breakfast Drin	0.0864	11.4	0.98	13.5
- Starchy Foods	0.0525	10.8	0.56	7.8
- Vegetables & Fruits	0.0650	6.4	0.42	5.8
- Other Food & Beverages	0.0502	10.7	0.54	7.4
FUELS & OTHER HOUSEHOLD SUPP	0.0735	9.4	0.59	8.1
- Household Supplies	0.0482	5.8	0.28	3.8
- Fuels	0.0253	12.3	0.31	4.3
HOUSING & OTHER HOUSING EXPE	0.0786	1.9	0.15	2.1
- Rental	0.0209	1.3	0.03	0.4
- Other Housing Expenses	0.0577	2.1	0.12	1.7
HOUSEHOLD FURNISHINGS & FURN	0.0283	4.4	0.12	1.6
- Furniture	0.0068	8.1	0.055	0.8
- Furnishings	0.0215	2.8	0.060	0.8
HEALTHCARE & PERSONAL EXPEN	0.0697	4.9	0.34	4.7
PERSONAL CLOTHING FOOTWEAR	0.0507	2.4	0.12	1.6
- Clothing Materials	0.0055	0.3	0.00	0.0
- Readymade Clothing & Accessories	0.0242	2.1	0.05	0.7
- Footwear	0.0159	3.3	0.05	0.7
- Making & Repairs	0.0051	2.5	0.01	0.2
TRANSPORTATION	0.0644	2.4	0.15	2.1
MISCELLANEOUS EXPENSES	0.0785	11.1	0.88	12.1
ALL GROUPS	1.0000	7.62	7.25	100.0

* Differs from the 7.62 reported due to rounding

Table 3
Regional Inflation
July 2003

	KMA (%)	Other Towns (%)	Rural (%)
FOOD & DRINK	1.7	2.1	2.0
- Meals Away From Home	1.8	1.5	1.6
- Meat Poultry & Fish	1.2	1.4	1.3
- Dairy Products Oils & Fats	4.4	2.9	3.3
- Baked Products Cereals & Breakfast Drink	1.4	1.9	2.1
- Starchy Foods	0.2	3.4	1.2
- Vegetables & Fruits	0.6	2.0	3.8
- Other Food & Beverages	2.4	2.5	2.3
FUELS & OTHER HOUSEHOLD SUPPLIES	0.9	0.8	1.1
- Household Supplies	2.1	1.4	2.1
- Fuels	0.0	0.4	0.3
HOUSING & OTHER HOUSING EXPENSES	0.5	0.2	0.4
- Rental	1.5	0.0	0.0
- Other Housing Expenses	0.1	0.2	0.5
HOUSEHOLD FURNISHINGS & FURNITURE	1.0	3.8	4.6
- Furniture	0.0	9.5	9.7
- Furnishings	1.4	1.1	2.0
HEALTHCARE & PERSONAL EXPENSES	1.3	1.4	2.2
PERSONAL CLOTHING FOOTWEAR & ACC.	0.4	1.0	0.0
- Clothing Materials	0.0	0.0	0.1
- Readymade Clothing & Accessories	0.3	1.5	0.0
- Footwear	0.4	0.6	0.0
- Making & Repairs	0.8	0.8	0.0
TRANSPORTATION	2.0	2.8	1.7
MISCELLANEOUS EXPENSES	0.5	1.2	1.2
ALL GROUPS	1.3	1.7	1.7

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

Table 5
ASSUMPTIONS

EXCHANGE RATE ASSUMPTIONS - 2003/04
Average selling rate of J\$47.76 = US\$1.00 for April 2002
Average selling rate of J\$48.14 = US\$1.00 for May 2002
Average selling rate of J\$48.43 = US\$1.00 for June 2002
Average selling rate of J\$48.53 = US\$1.00 for July 2002
Average selling rate of J\$48.73 = US\$1.00 for August 2002
Average selling rate of J\$49.08 = US\$1.00 for September 2002
Average selling rate of J\$49.30 = US\$1.00 for October 2002
Average selling rate of J\$49.71 = US\$1.00 for November 2002
Average selling rate of J\$50.17 = US\$1.00 for December 2002
Average selling rate of J\$50.37 = US\$1.00 for January 2003
Average selling rate of J\$50.47 = US\$1.00 for February 2003
Average selling rate of J\$50.57 = US\$1.00 for March 2003
Average selling rate of J\$56.69 = US\$1.00 for April 2003
Average selling rate of J\$61.08 = US\$1.00 for May 2003
Average selling rate of J\$59.11 = US\$1.00 for June 2003
Average selling rate of J\$59.08 = US\$1.00 for July 2003
Average selling rate of J\$59.14 = US\$1.00 for August 2003
Average selling rate of J\$59.57 = US\$1.00 for September 2003
Average selling rate of J\$60.07 = US\$1.00 for October 2003
Average selling rate of J\$60.41 = US\$1.00 for November 2003
Average selling rate of J\$60.75 = US\$1.00 for December 2003
LOCAL COSTS ASSUMPTIONS
1. Local Cost (1999/00) : 5.59 %
2. Local Cost (2000/01) : 4.43 %
3. Local Cost (2001/02) : 10.76 %
4. Local Cost (2002/03) : 7.03 %
5. Local Cost (2003/04) : 15.83 %