



INFLATION REPORT

MAY 2004



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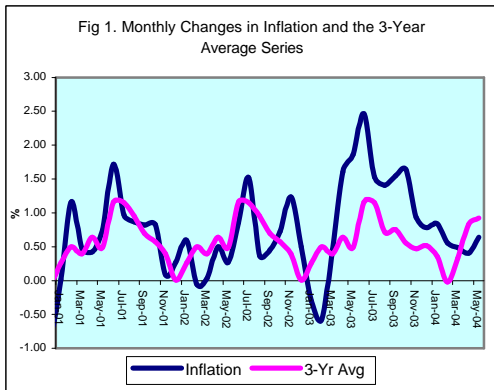


Fig 1. Monthly Changes in Inflation and the 3-Year Average Series

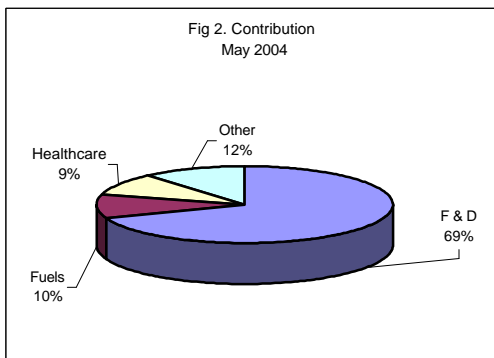


Fig 2. Contribution May 2004

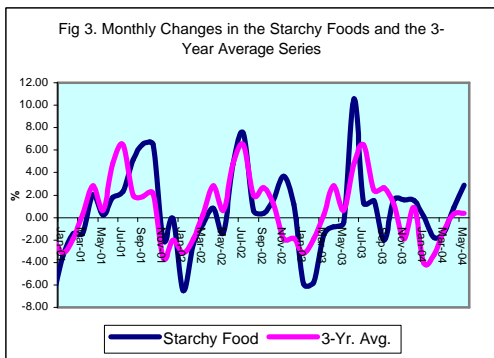


Fig 3. Monthly Changes in the Starchy Foods and the 3-Year Average Series

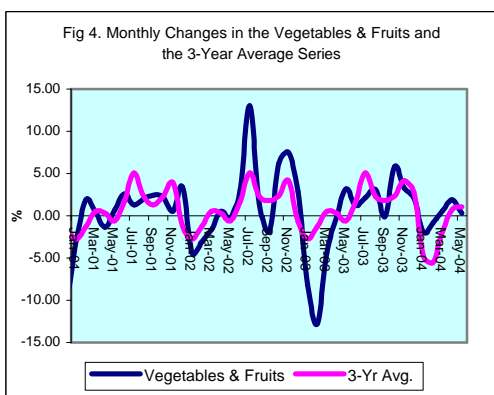


Fig 4. Monthly Changes in the Vegetables & Fruits and the 3-Year Average Series

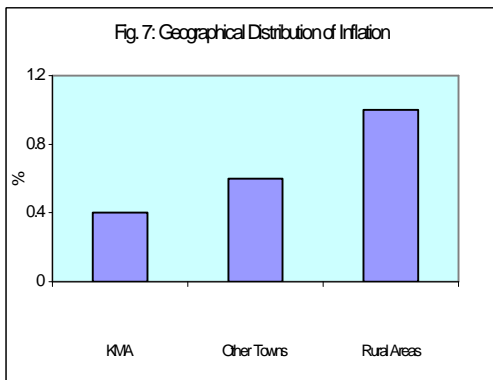
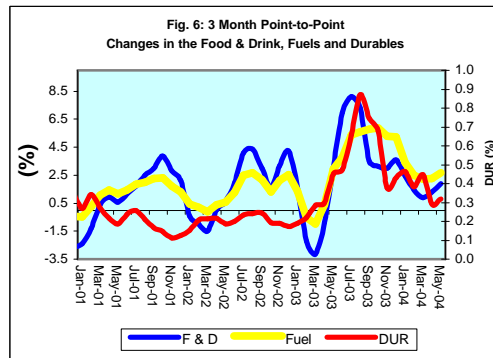
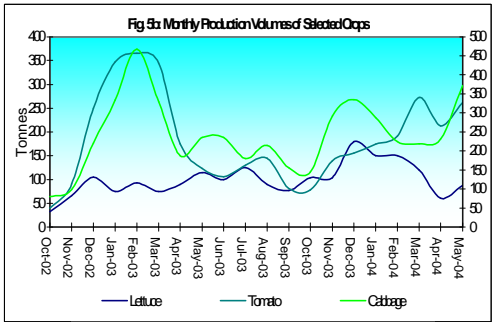
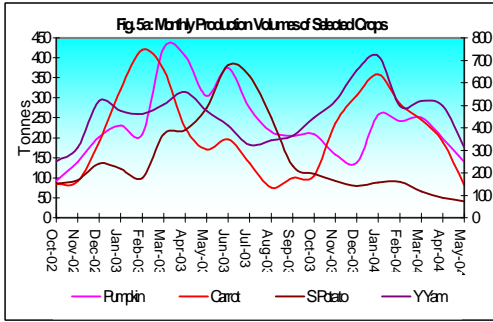
Introduction

1.0 The All Jamaica Consumer Price Index (CPI) increased by 0.6 per cent in May 2004. This contributed to the rate of inflation for the calendar year to date of 3.0 per cent, similar to what obtained over the same interval in 2003. The outturn for May reflected the seasonal upturn in price increases (see Figure 1), albeit below the 1.9 per cent inflation recorded in May 2003. The annual average rate at May 2004 was 13.9 per cent, significantly higher than the 6.7 per cent as at May 2003 (Table 1). Similarly, the point-to-point inflation rate was 14.0 per cent, 5.0 percentage points above that recorded in the similar period of 2003.

2.0 The primary influences on inflation in May were changes in international commodity prices and the prices of domestic agricultural products continuing the trend in recent months. These increases were largely reflected in the *Food & Drink* sub-index, which increased by 0.8 per cent in the review month, contributing 69.3 per cent of the overall inflation. Other significant contributors to the outturn were the *Fuels & Other Household Supplies*, *Healthcare & Personal Expenses* and *Transportation* sub-indices, which increased by 1.0 per cent, 0.8 per cent and 0.5 per cent, respectively. These sub-indices respectively contributed 10.0 per cent, 9.2 per cent and 5.6 per cent to the overall inflation (Table 2A).

Main Developments in the Basket

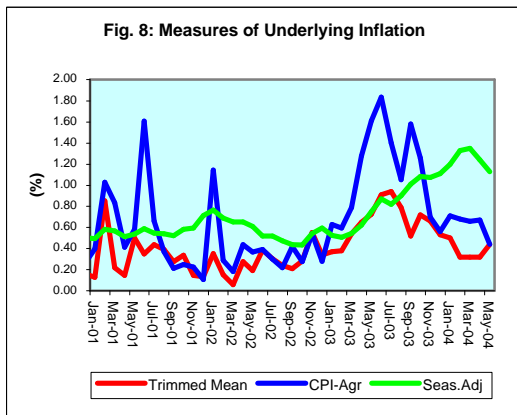
3.0 The primary impetus to price increases in the *Food & Drink* sub-index emanated from the *Starchy Foods* sub-group. This sub-group increased by 2.9 per cent and primarily reflected price increases for yams, potatoes and breadfruit. These increases were due, in part, to reduction in production volumes, relative to April (Figure 5a). There were also strong impulses from the *Meat, Poultry & Fish* sub-group, reflective of price increases for beef, mutton and chicken.



4.0 The increase in the *Fuels & Other Household Supplies* sub-index was mainly influenced by upward adjustments in the *Fuels* sub-group. In particular, there were increases in the prices of cooking gas and kerosene. These increases were principally attributed to the movements in world oil prices, which, as indicated by the West Texas Intermediate index, rose by approximately 14.0 per cent between January and April 2004. The movement in the *Transportation* sub-index was also influenced by other oil-price-related impulses, notably, increases in petroleum and lubricant prices as well as air fares.

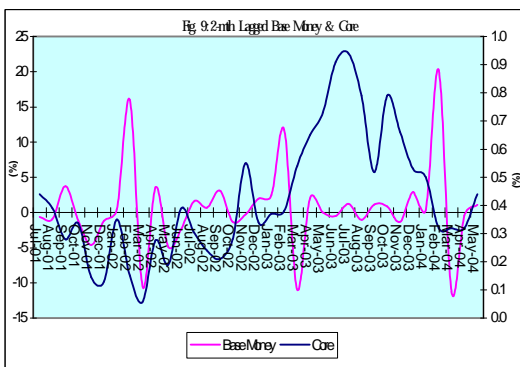
5.0 The increase in the *Healthcare & Personal Expenses* sub-index was primarily influenced by upward adjustments in dentists' and opticians' fees. Dentists' fees increased by 7.8 per cent in the Other Towns and Rural Areas, respectively, but remained unchanged in the KMA. While opticians' fees increased by 3.7 per cent in the KMA, they remained unchanged for the Other Towns and Rural Areas.

6.0 At the regional level, the CPI in the Rural Areas, Other Towns and KMA had respective increases of 1.0 per cent, 0.6 per cent, and 0.4 per cent. This pattern was mostly influenced by the *Food & Drink* sub-category, which increased by 1.2 per cent in the Rural Areas, while expanding by 0.7 per cent and 0.5 per cent in the Other Towns and KMA, respectively. The disparity in this sub-category was particularly evident in the *Meat, Poultry & Fish, Dairy Products, Oils & Fats* and the *Other Food & Beverages* sub-groups. Other sub-categories that highlighted the disparity were *Transportation* and *Healthcare & Personal Expenses*. The disparity observed across the regions reflected a reversal of the relative price increases observed in April, when prices rose more strongly in the KMA and Other Towns than in the Rural Areas.



Core Inflation
Trimmed Mean

7.0 The trimmed mean index was estimated to have increased by **0.39 per cent** in May, **0.07 percentage points** above the previous month's measure (Table 4). Consistent with the path of the monetary base, core inflation has been stable since February 2004 (Figure 9). The 12-month point-to-point core inflation rate at May 2004 was 7.2 per cent, 2.1 percentage points above the comparable measure at May 2003. Similarly, the annual average core inflation rate of 7.4 per cent was 3.9 percentage points above the rate recorded in the corresponding month of 2003.



Other Measures of Underlying Inflation

8.0 The measure of underlying inflation that excludes agricultural prices (CPI-A) was **0.44 per cent** in May (see Table 2B). This estimate showed an increase of 0.1 percentage points, relative to the estimate for the previous month. Non-agricultural inflation had peaked in June 2003, consequent on impulses arising from budgetary measures and the instability in the exchange rate. Subsequent policy actions aimed at limiting the inflationary effects from this development and restoring general stability have led to the general downward trend in this measure of underlying inflation.

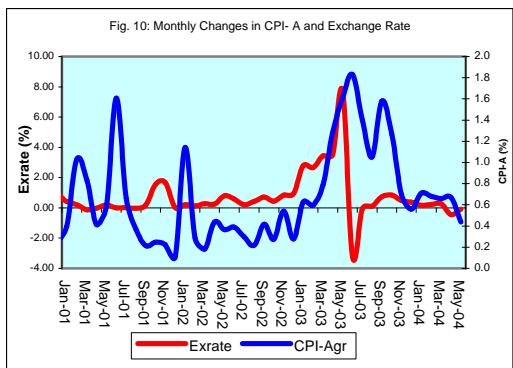


Table 1A
JAMAICA: INFLATION RATES

		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	Dec	1265.9	1257.7	0.48	2.29	2.19	6.78	5.95	7.05	6.78
	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
	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	
2001	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
	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
2002	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
	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
2003	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
	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
2004	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

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	
2001	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
2002	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
	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
2003	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
	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
2004	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
	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

1/ December 1993 = 100

* Point to point

Moving average

Source: BOJ

Table 2
Component Contribution to Inflation
May 2004

	Weight in the CPI	Monthly Inflation(%)	Weighted Inflation	% Contribution to Inflation
FOOD & DRINK	0.5563	0.8	0.4311	69.3
- Meals Away From Home	0.0741	0.5	0.0368	5.9
- Meat Poultry & Fish	0.1613	0.5	0.0841	13.5
- Dairy Products Oils & Fats	0.0668	1.0	0.0641	10.3
- Baked Products Cereals & Breakfast Drink	0.0864	0.4	0.0317	5.1
- Starchy Foods	0.0525	2.9	0.1529	24.6
- Vegetables & Fruits	0.0650	0.3	0.0208	3.3
- Other Food & Beverages	0.0502	0.8	0.0407	6.5
FUELS & OTHER HOUSEHOLD SUPPLIES	0.0735	1.0	0.0622	10.0
- Household Supplies	0.0482	0.6	0.0307	4.9
- Fuels	0.0253	1.2	0.0315	5.1
HOUSING & OTHER HOUSING EXPENSES	0.0786	0.2	0.0134	2.2
- Rental	0.0209	0.0	0.0000	0.0
- Other Housing Expenses	0.0577	0.2	0.0134	2.2
HOUSEHOLD FURNISHINGS & FURNITURE	0.0283	0.1	0.0042	0.7
- Furniture	0.0068	-0.6	-0.0044	-0.7
- Furnishings	0.0215	0.4	0.0086	1.4
HEALTHCARE & PERSONAL EXPENSES	0.0697	0.8	0.0573	9.2
PERSONAL CLOTHING FOOTWEAR & ACCESSORIES	0.0507	0.2	0.0093	1.5
- Clothing Materials	0.0055	0.0	0.0002	0.0
- Readymade Clothing & Accessories	0.0242	0.1	0.0024	0.4
- Footwear	0.0159	0.4	0.0067	1.1
- Making & Repairs	0.0051	0.0	0.0001	0.0
TRANSPORTATION	0.0644	0.5	0.0346	5.6
MISCELLANEOUS EXPENSES	0.0785	0.1	0.0099	1.6
			*	
ALL GROUPS	1.0000	0.64	0.62	100.0

* Differs from the 0.64 reported due to rounding

Table 3
Regional Inflation
May 2004

	KMA	Other Towns	Rural
	(%)	(%)	(%)
FOOD & DRINK	0.5	0.7	1.2
- Meals Away From Home	0.5	0.6	0.5
- Meat Poultry & Fish	0.3	0.3	0.9
- Dairy Products Oils & Fats	0.9	0.7	1.2
- Baked Products Cereals & Breakfast Drink	0.2	0.5	0.5
- Starchy Foods	2.0	3.9	3.0
- Vegetables & Fruits	0.7	-0.7	0.4
- Other Food & Beverages	0.0	0.8	1.7
FUELS & OTHER HOUSEHOLD SUPPLIES	0.5	2.2	1.1
- Household Supplies	0.1	0.6	1.4
- Fuels	0.7	3.4	0.8
HOUSING & OTHER HOUSING EXPENSES	0.1	0.2	0.4
- Rental	0.0	0.0	0.0
- Other Housing Expenses	0.1	0.2	0.5
HOUSEHOLD FURNISHINGS & FURNITURE	0.2	-0.2	0.1
- Furniture	0.2	-1.0	-1.2
- Furnishings	0.1	0.2	0.9
HEALTHCARE & PERSONAL EXPENSES	0.2	0.7	2.0
PERSONAL CLOTHING FOOTWEAR & ACC.	0.2	0.3	0.1
- Clothing Materials	0.0	0.1	0.0
- Readymade Clothing & Accessories	0.0	0.1	0.2
- Footwear	0.5	0.8	0.0
- Making & Repairs	0.0	0.0	0.0
TRANSPORTATION	0.5	0.4	0.8
MISCELLANEOUS EXPENSES	0.1	0.2	0.1
ALL GROUPS	0.4	0.6	1.0

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

Table 5

Decomposition of Inflation Out-turn January - May 2004		
	(%) CYTD Inflation	Contribution
<u>Non-Core Shocks</u>	1.18	39.8%
<i>Food & Drink</i>	0.62	20.8%
Dairy Products etc	0.14	4.8%
Meals Away from Home	0.13	4.3%
Meat Poultry & Fish	0.35	11.7%
<i>Other Housing Expenses</i>	0.16	5.5%
<i>Healthcare</i>	0.11	3.8%
<i>Miscellaneous Expenses</i>	0.14	4.7%
<i>Other</i>	0.15	5.0%
<u>Core</u>	1.79	<u>60.2%</u>
<u>TOTAL</u>	2.97	<u>100.0%</u>