



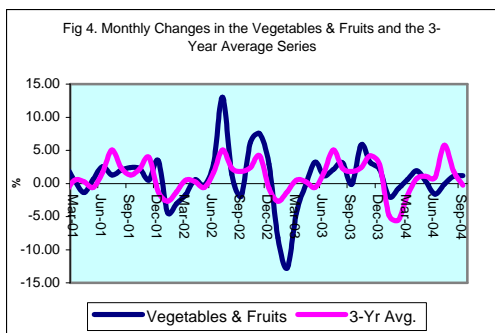
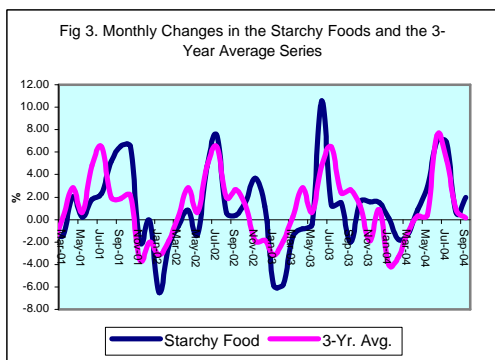
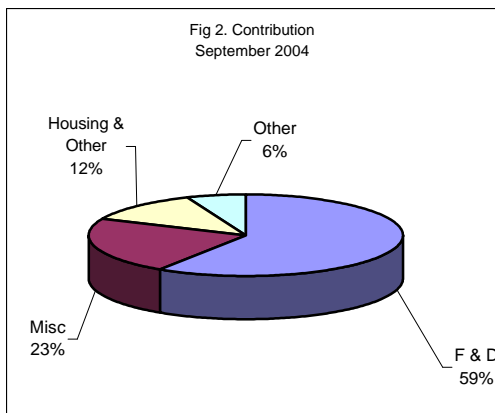
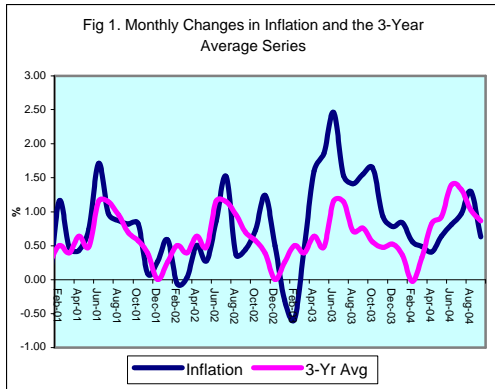
INFLATION REPORT

SEPTEMBER 2004



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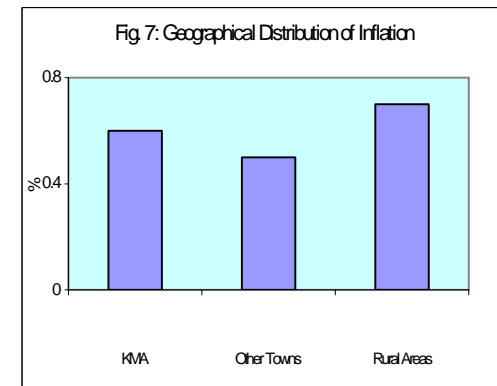
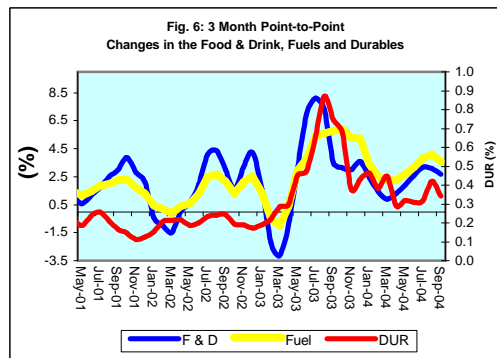
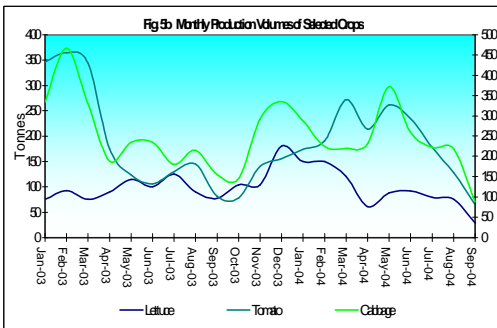
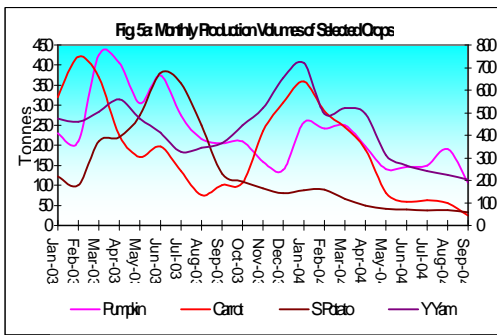
Introduction

1.0 The All Jamaica Consumer Price Index (CPI) increased by 0.6 per cent in September 2004. This outturn brought inflation for the first six months of fiscal year (FY) 2004/05 to 4.9 per cent, compared with the 10.8 per cent obtained over the same interval in FY2003/04. The inflation rate was 6.8 per cent for the first nine months of the calendar year, relative to 10.4 per cent in the comparable period of 2003. Continuing the declining trend since March 2004, the annual point-to-point inflation rate at September 2004 was 10.5 per cent, 2.6 percentage points below the rate recorded at September 2003. In contrast, the annual average inflation rate at September 2004 was 13.8 per cent, which was higher than the 8.5 per cent recorded at September 2003 (Table 1).

2.0 The primary influences on inflation in September were increases in the prices of domestic agricultural products and selected international commodities. These shocks were largely reflected in the *Food & Drink*, *Miscellaneous Expenses* and the *Housing & Other Housing Expenses* sub-indices that increased by 0.6 per cent, 1.5 per cent and 0.9 per cent, respectively (Table 2). The respective contributions from these sub-groups to inflation were 59.1 per cent, 22.5 per cent and 12.3 per cent.

Main Developments in the Basket

3.0 The increase in the *Food & Drink* sub-index emanated mainly from the *Starchy Foods* and the *Vegetables & Fruits* sub-groups. The respective increases of 2.0 per cent and 1.2 per cent in the *Starchy Foods* sub-group and *Vegetables & Fruits* sub-group were due primarily to seasonal reductions in agricultural supply, exacerbated by flooding from Tropical Storm Charley (see Figures 5a and 5b). The main items affected were yams, potatoes, dasheen, tomato, cabbage and escallion.



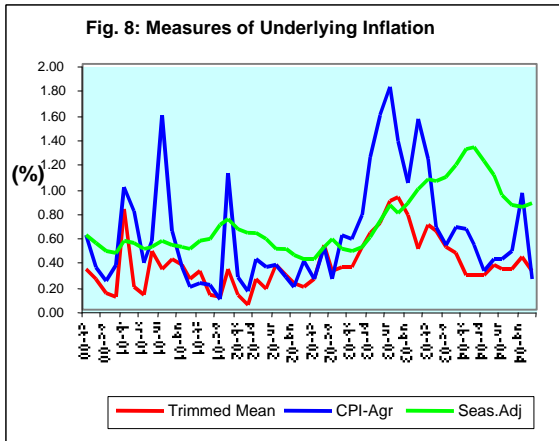
4.0 For the *Miscellaneous Expenses* sub-index, upward adjustments in tuition fees and preparatory expenses for the new school year were the main factors behind the increase. An average increase of 7.5 per cent in preparatory school fees across the three regions was recorded for the month.

5.0 The *Housing & Other Housing Expenses* sub-index was primarily influenced by a 3.75 per cent increase in water rates across the regions. This reflected the lagged effects of increases in electricity rates. There was a countervailing decline of 0.3 per cent in the *Transportation* sub-index, primarily as the result of reductions in airfare and petroleum prices.

6.0 There was relatively uniform inflation across the regions. The CPI in the Rural Areas, KMA and Other Towns rose by 0.7 per cent, 0.6 per cent and 0.5 per cent, respectively. Despite this convergence, there were some disparities between changes in the sub-groups. In the *Baked Products, Cereals & Breakfast Drinks* sub-group, the Rural Areas index increased faster than the other regions (see Table 3) and was caused primarily by a significant increase in the price of rice. Similarly, the increase in *Starchy Foods* index for the Rural Areas was mainly attributable to higher price increases for luca yam, dasheen and green bananas. The *Miscellaneous Expenses* sub-index rose by 2.1 per cent in the KMA, compared with 1.0 per cent and 0.9 per cent in the Rural Areas and Other Towns, respectively. This disparity was reflected in the relatively higher increases in tuition fees in the KMA, compared to the other regions.

Core Inflation *Trimmed Mean*

7.0 Core inflation has been stable since February 2004. The trimmed mean index increased by 0.34 per cent in September, which was a 0.12 percentage points below the previous month's measure (Table 4). The 12-month point-to-point core inflation rate at September 2004 of 5.5 per cent was 0.2 percentage points below the comparable measure in the previous month and 1.8 percentage points below the measure one year ago. Similarly, core inflation for the fiscal year to date was 2.3 per cent, which compares favourably with the 4.6 per cent for recorded for the



same period in the previous fiscal year. The annual average core inflation rate of 7.2 per cent was, however, higher by 2.5 percentage points when compared with the rate recorded in September 2003.

Other Measures of Underlying Inflation

8.0 The measure of underlying inflation that excludes agricultural prices (CPI-A) was **0.27 per cent in September**. This estimate represents a significant reduction relative to the 0.98 per cent recorded the previous month. Changes in the CPI-A index, which exhibited a declining trend since June 2003, has been increasing since May 2004.

Table 1A
JAMAICA: INFLATION RATES

	1/	3 Month	Monthly	3 Month *	3 Month #	12 Month*	12 Month#	FYTD	CYTD	
	C.P.I	AVG. C.P.I	% change	% change	% change	% change	% change	% change	% 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
	Sep	1349.3	1336.4	1.00	2.89	2.65	9.03	8.10	5.27	6.59
2001	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
	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
2002	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
	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
2003	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
	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
2004	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
	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
	Sep	1909.2	1893.1	0.63	2.93	2.83	10.46	13.77	4.86	6.85

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
	Dec	221.9	221.2	0.26	1.29	1.56	5.34	5.77
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
	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
2002	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
2003	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
2004	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
	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
2004	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
	Sep	298.3	296.8	0.27	1.77	1.70	7.70	11.98

1/ December 1993 = 100

* Point to point

Moving average

Source: BOJ

Table 2
Component Contribution to Inflation
September 2004

	Weight in the CPI	Monthly Inflation(%)	Weighted Inflation	% Contribution to Inflation
FOOD & DRINK	0.5563	0.6	0.3187	59.1
- Meals Away From Home	0.0741	0.2	0.0141	2.6
- Meat Poultry & Fish	0.1613	0.2	0.0371	6.9
- Dairy Products Oils & Fats	0.0668	0.3	0.0225	4.2
- Baked Products Cereals & Breakfast Drink	0.0864	0.6	0.0477	8.9
- Starchy Foods	0.0525	2.0	0.1031	19.1
- Vegetables & Fruits	0.0650	1.2	0.0758	14.1
- Other Food & Beverages	0.0502	0.4	0.0183	3.4
FUELS & OTHER HOUSEHOLD SUPPLIES	0.0735	0.2	0.0157	2.9
- Household Supplies	0.0482	0.2	0.0108	2.0
- Fuels	0.0253	0.2	0.0048	0.9
HOUSING & OTHER HOUSING EXPENSES	0.0786	0.9	0.0663	12.3
- Rental	0.0209	0.0	0.0000	0.0
- Other Housing Expenses	0.0577	1.1	0.0663	12.3
HOUSEHOLD FURNISHINGS & FURNITURE	0.0283	0.5	0.0132	2.5
- Furniture	0.0068	1.0	0.0070	1.3
- Furnishings	0.0215	0.3	0.0062	1.2
HEALTHCARE & PERSONAL EXPENSES	0.0697	0.2	0.0162	3.0
PERSONAL CLOTHING FOOTWEAR & ACC.	0.0507	0.2	0.0095	1.8
- Clothing Materials	0.0055	0.1	0.0005	0.1
- Readymade Clothing & Accessories	0.0242	0.1	0.0032	0.6
- Footwear	0.0159	0.3	0.0050	0.9
- Making & Repairs	0.0051	0.2	0.0008	0.1
TRANSPORTATION	0.0644	-0.3	-0.0218	-4.0
MISCELLANEOUS EXPENSES	0.0785	1.5	0.1210	22.5
			*	
ALL GROUPS	1.0000	0.63	0.54	100.0

* May differ from the 0.63 reported due to rounding

Table 3
Regional Inflation
September 2004

	KMA (%)	Other Towns (%)	Rural (%)
FOOD & DRINK	0.5	0.5	0.9
- Meals Away From Home	0.4	0.0	0.0
- Meat Poultry & Fish	0.2	0.1	0.3
- Dairy Products Oils & Fats	0.3	0.2	0.5
- Baked Products Cereals & Breakfast Drink	0.1	0.2	1.2
- Starchy Foods	1.5	0.9	2.5
- Vegetables & Fruits	1.2	3.3	0.1
- Other Food & Beverages	0.5	0.3	0.3
FUELS & OTHER HOUSEHOLD SUPPLIES	0.2	0.4	0.1
- Household Supplies	0.1	0.3	0.3
- Fuels	0.2	0.5	0.0
HOUSING & OTHER HOUSING EXPENSES	0.9	1.0	0.8
- Rental	0.0	0.0	0.0
- Other Housing Expenses	1.3	1.1	0.8
HOUSEHOLD FURNISHINGS & FURNITURE	1.0	0.1	1.6
- Furniture	3.1	0.1	0.0
- Furnishings	0.1	0.0	0.7
HEALTHCARE & PERSONAL EXPENSES	0.0	0.4	0.4
PERSONAL CLOTHING FOOTWEAR & ACC.	0.2	0.2	0.2
- Clothing Materials	0.0	0.2	0.2
- Readymade Clothing & Accessories	0.2	0.0	0.1
- Footwear	0.4	0.2	0.3
- Making & Repairs	0.0	0.8	0.0
TRANSPORTATION	-0.4	-0.3	-0.1
MISCELLANEOUS EXPENSES	2.1	0.9	1.0
ALL GROUPS	0.6	0.5	0.7

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
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
Sep	0.63	0.34	4.86	2.25	5.46	7.19

Table 5

Decomposition of Inflation Out-turn		
April - September 2004		
	(%)	
	FYTD Inflation	Contribution
<u>Non-Core Shocks</u>	2.6	53.6%
<i>Food & Drink</i>	1.7	35.3%
Meat, Poultry & Fish	0.5	10.3%
Starchy Foods	1.0	19.8%
Baked Products, Cereals etc	0.3	5.2%
<i>Other Housing Expenses</i>	0.3	5.3%
<i>Miscellaneous Expenses</i>	0.4	8.5%
<i>Other</i>	0.2	4.5%
<u>Core</u>	<u>2.3</u>	<u>46.4%</u>
<u>TOTAL</u>	<u>4.9</u>	<u>100.0%</u>