



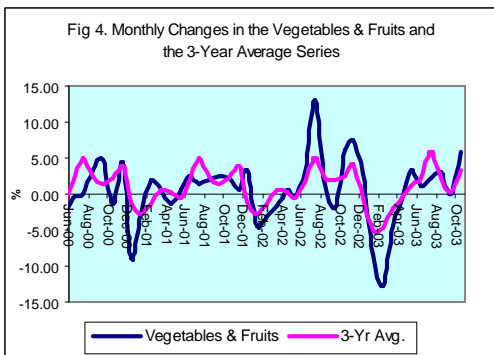
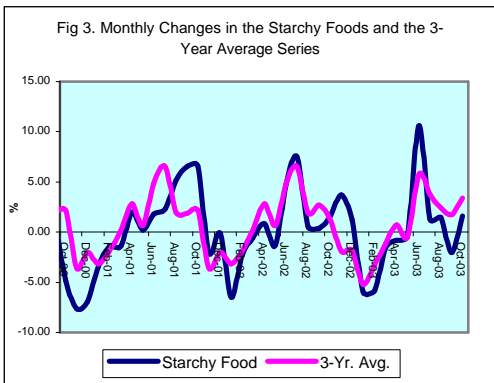
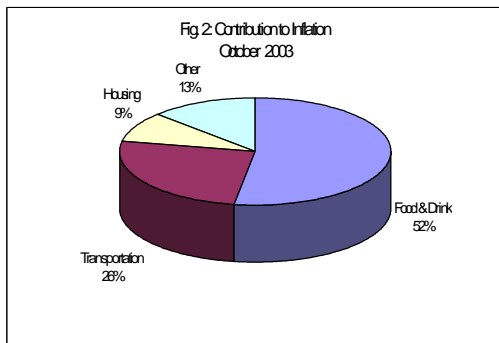
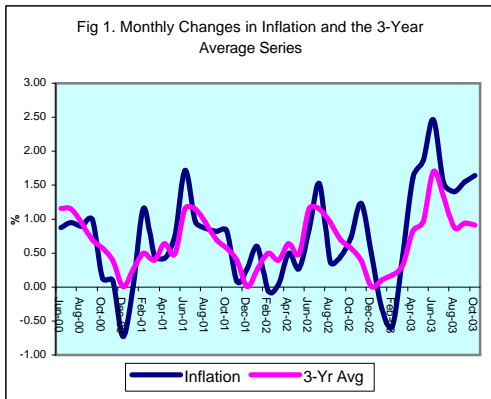
INFLATION REPORT

OCTOBER 2003



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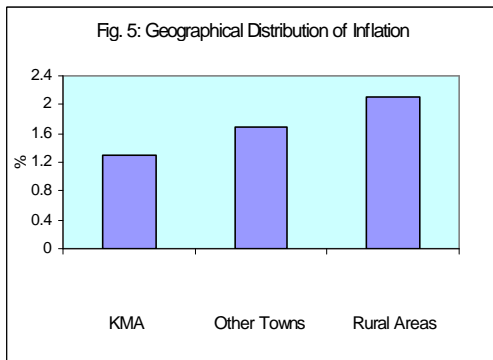
Introduction

1.0 The All Jamaica Consumer Price Index (CPI) increased by 1.6 per cent in October 2003. This outturn brought inflation for the first seven months of FY 2003/04 to 12.6 per cent, compared to 4.8 per cent obtained over the same interval in FY 2002/03. For the first ten months of the calendar year, the inflation rate was 12.2 per cent, relative to 5.4 per cent in the comparable period of 2002. The 12-month point-to-point inflation rate as at October 2003 was 14.1 per cent, 8.3 percentage points above the rate recorded in the previous year. Similarly, the annual average inflation rate at October 2003 was 9.2 per cent, or 2.0 percentage points above the rate recorded for October 2002 (Table 1).

2.0 The major influences on October's inflation were higher vegetables, fruits and meat prices, and increases in bus fares in the rural areas. Additional impulses emanated from the increased cost of rental, healthcare and electricity (see Table 4). All the sub-indices of the CPI recorded increases relative to September. The major increases were recorded in the *Food & Drink*, *Transportation*, *Housing & Other Housing Expenses*, and *Healthcare & Personal Expenses* sub-indices. Inflation in these sub-indices were 1.6 per cent, 6.8 per cent, 1.9 per cent and 1.0 per cent, contributing 52.6 per cent, 25.5 per cent, 9.1 per cent, and 3.9 per cent, respectively, to the overall outturn (see Table 2).

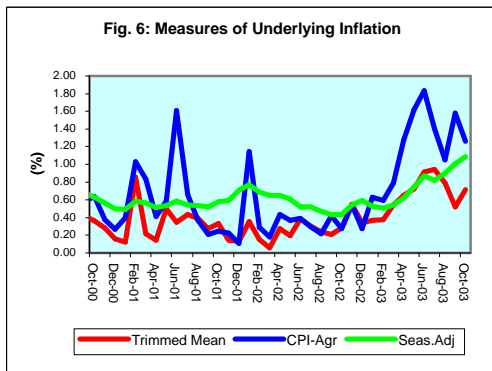
Main Developments in the Basket

3.0 The increase in the *Food & Drink* sub-index was influenced primarily by price movements in the *Vegetables & Fruits*, *Meat, Poultry & Fish* and *Baked Products, Cereals & Breakfast Drinks* sub-indices. These subgroups increased by 5.8 per cent, 0.7 per cent and 1.2 per cent, respectively (see Table 2). The increase in these sub-groups was influenced by a combination of seasonal declines in output, exchange rate movements, international commodity prices and revenue measures. Exchange rate movements were primarily reflected in the price of feeds, flour, meat and baked products prices. Since August, soybean prices, an important input in animal feeds, have increased from



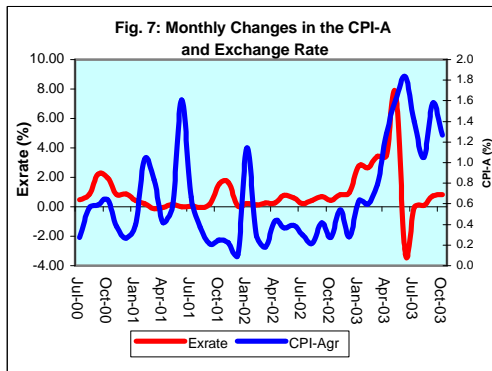
\$160 per short ton to \$250 per short ton, which represents a seven-year high.

4.0 The *Transportation* sub-index was influenced primarily by increased cost of air travel and an upward adjustment in bus fares in the Rural Areas. Airfares were increased by an average 16.7 per cent while rural bus fares rose by 32.0 per cent. Other price pressures emanated from recent increases in oil prices and adjustments in the exchange rate.



5.0 The *Housing & Other Housing Expenses* sub-index increased by 1.9 per cent, largely influenced by the *Other Housing Expenses* sub-group. There was also a significant movement in the *Rental* sub-group. The primary impetus for the increase in the *Other Housing Expenses* sub-group resulted from a higher electricity bill, which jumped by 4.2 per cent, largely as a result of an increase in the billed fuel rate.

6.0 The upward movement in the *Healthcare & Personal Expenses* sub-category of 1.0 per cent resulted primarily from higher prices for *dental products, powders, tonics* and increased *dentists' fees*.



7.0 There was a significant disparity in inflation across the regions. The CPI in the Rural Areas increased by 2.1 per cent, while the indices for the KMA and Other Towns increased by 1.3 per cent and 1.7 per cent, respectively. The pattern was due mainly to the movements in the *Transportation* sub-index, which increased by 17.8 per cent in the Rural Areas, 11.9 per cent in the Other Towns and marginally by 0.4 per cent in the KMA.

