



# PRESS RELEASE

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## **For Immediate Release**

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### **Consumer Price Index – FIRST QUARTER 2008**

The compounded effect of both domestic and external factors contributed to an inflation rate of 14.0% during 2007. These factors were analyzed in detail during 2007 and adequately summarized during the Budget presentation of 2008. The impact of the external factors (imported price escalations in both food and fuel imports) have continued unabated into 2008, and small open economies like Guyana have had to bear the full brunt of this reality resulting in the participation by Government in several initiatives at the Regional level and introduction of additional policy measures nationally to bring further levels of relief to the populace as a whole in the ongoing combat against the rise in global food prices and the cost of living.

The overall inflation rate of 14.0 per cent in 2007 was primarily fuelled by the increase in food prices of 20.6 per cent. In fact except for Pulses and Pulse Products (8.0%), there were double-digit increases in the indices of all other twelve (12) sub-categories in the Food Basket. These were therefore the underlying set of inflationary factors at the commencement of this year

## **THE FIRST QUARTER 2008**

Little has changed during the First Quarter in the global series of events which have impacted so directly on the level of inflation in Guyana. In fact, food prices have escalated even further in several countries of the world, and the price of crude oil and imported fuel prices have hit record highs. Guyana accordingly has not been spared from these influences.

Food prices in Guyana increased a further 8.4% in the First Quarter, with Vegetables and Vegetable Products having increased by 20.6%, Sugar, Honey and Related Products by 18.3%, Cereals and Cereal Products by 11.7%, Pulses and Pulse Products by 11.0%, and Fruits and Fruit Products by 10.8%, among the main sub-categories of increase.

Adverse weather conditions affected both the Rice and Sugar industries with production in both showing a relative decline in comparison to First Quarter 2007, thereby affecting the availability of supply on the local market during the First Quarter 2008, with consequential effects on the level of prices. Initiatives were taken by Government during the First Quarter, through the Ministry of Agriculture, to stabilize the price of Rice in the short-term, and in respect of Sugar, even with the shortfall in production GUYSSUCO was very strident in making it known to the populace that it had not increased its wholesale selling price of sugar to its major wholesaler customers. The data suggests that this relief afforded by GUYSSUCO was not passed on to the retailers and ultimately all customers.

In the non-Food sub-categories, Fuel and Power charges increased by 8.6%, Purchased Transport Services by 3.2% and Hospital and Related Care Services by 5.1%. It has been observed within the First Quarter however that generally the public of necessity has obviously made adjustments to their expenditure portfolios and that apart from those increases mentioned above in the services categories, consumer demand has obviously slackened and with it a lowering of prices in several non-food and lower priority categories, resulting in declines in the index of such sub-categories like Clothing by -0.6%, (including Clothing Materials by -2.7%), Furniture by -2.0%, and Household Services by -9.6%, Educational, Recreational and Cultural Services by -0.5%, and Footwear and Repairs by -4.3%.

As a result of these offsetting reductions, the Consumer Price Index has increased by an overall 4.8% in the

First Quarter. Such sub-categories such as Vegetables and Fruits are heavily influence by seasonality and weather factors and those price movements are expected to show major reversals in the months to come. Government has also signaled further policy initiatives to contain price pressures on such key consumables as bread and fuel, this being in addition to the umbrella initiative to encourage individual domestic production of some basic crops. The impact of all these initiatives and seasonality factors will be captured when the Index for the second quarter is computed. In respect of those imported prices over which the economy has no control, it was noticeable that imported milk prices declined on the market by -0.8%, and this decline was consistent with the declared reduction in import prices by Importers to the Customs and Trade Administration.

The developments in price movements in these and other key imports will be carefully monitored, both in terms of their declared import prices by importers as well as their final retail prices. Of importance to note however is the fact that there has been already a reversal in the seasonality patterns which adversely affected the supplies and prices of such seasonal crops as Fruits and Vegetables in the First Quarter, and with the already significant improvement in the production of both these cash crops as well as the major agricultural sector crops of Rice and Sugar, together with the spike in supply of Chicken early in the second quarter, the combination of the above factors affecting both imported and domestically produced food and other goods can reasonably be expected to influence the level of the Index as the year progresses.