



# PRESS RELEASE

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## For Immediate Release

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### Consumer Price Index – SECOND QUARTER 2008

The second quarter of 2008 has reinforced the observations made at the end of the first quarter that the combination of factors that inter alia had already resulted in the improvement of agricultural supplies to the market could only have a positive impact on the index as the year progressed.

Prices overall did rise in the second quarter but the slowdown in the rate of price increase in this period was patently obvious. From the 4.8% increase recorded at the end of the first quarter, prices increased by a further 1.0 percentage points, so that the overall CPI, now stands at 5.8 per cent at the end of the half-year.

As indicated above, a very significant factor in the slowdown of the price increase has been the fall in prices of Vegetables and Fruits, two (2) of the heavier weighted items of the Food basket, during the second quarter of 2008. In fact, consistent with the observation in March that there were signs of an improvement in the supply of agricultural produce, the months of April and May recorded strong declines in vegetable prices of 6.3 and 9.5 per cent respectively, before prices once again reversed and increased by 1.2% in June over the May level.

The movement in Fruit prices was also significant. From the position at end of the First Quarter where Fruit prices were 10.8 per cent over the December level, prices declined by 6.7 percentage points overall during the second quarter. Following a further increase in Fruit prices of 3.7 per cent in April, prices tumbled dramatically by 9.9% in May and a further 0.5% in June. In the other major food categories, Cereals and Cereal products which at the end of March had increased 11.7% over December's price levels, almost doubled

and at the end of the first half recorded a 22.4% increase over the December level. There were continuous price increases within this sub-category in all three (3) months of the second quarter by approximately 3.9% in April, 4.4% in May and 2.0% in June, fuelled by increases in the price of rice in all three (3) months and flour prices in the months of May and June.

Milk and Milk products, which had recorded an overall decline of – 0.8% at the end of the first quarter, however showed somewhat of a reversal and increased by approximately 3.6 percentage points in the second quarter, so that at the half-year prices of Milk products overall are 2.9% over the price levels at December.

The cumulative effect of these countervailing price movements was that the Food Index which recorded a 8.4% increase at end March only moved a further 0.5% in the second quarter, and stood at 8.9% at end June.

Of note however was the fact that in the non-Food categories there were overall price declines at the half-year in three (3) categories, viz: Clothing by - 1.7%, Footwear and Repairs by -3.5% and Furniture by -0.1%. Offsetting these were increases in the Transport and Communication category by 4.7%, Housing by 3.8% and Miscellaneous Foods and Services by 2.3%.

The slowdown in the rate of price increases in the second quarter is undoubtedly due to the fact that with Food having such a heavy influence in the Overall Basket, all of the heavy- weighted items in the Food basket are locally produced thereby eliminating the effect of imported food inflation, and 63 per cent of all items within the Food basket are either zero rated or VAT exempt, so the VAT has a very suppressed influence at this time on further increases in Food prices.

The level of the Index at the end of the third quarter will give a fairly good indication of where the overall index and thus the level of inflation will be by year end. The obvious concerns will obviously be on fuel prices in the second half which have an influential effect on prices in all sectors of the economy.

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Bureau of Statistics, August 15, 2008.