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BANK OF JAMAICA

Quarterly Monetary Policy Report

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Monetary Policy at the Bank of Jamaica

Bank of Jamaica's monetary policy objective is to achieve an inflation target of 4 – 6 per cent per annum. This low, stable and predictable inflation rate, measured as the change in the consumer price index that is published by the Statistical Institute of Jamaica, will facilitate sustained growth and development in Jamaica.

The inflation target was established by the Minister of Finance and the Public Service in consultation with Bank of Jamaica in September 2017.

The Bank uses a variety of tools to achieve its inflation target, the main one being the interest rate on overnight balances in the current accounts of deposit-taking institutions at Bank of Jamaica. Changes in the Bank's policy rate signals the Bank's policy stance towards achieving its inflation objective, which is transmitted to prices through the financial markets and then through spending and investment decisions.

Monetary policy decisions affect inflation with a lag of between 4 to 8 quarters. For this reason, monetary policy in Jamaica is forward looking and the Bank puts much effort into establishing its view of the economy in the future, and bases its decision on this view. It is also important that the Bank clearly and transparently communicates this view of the future to the Jamaican public. The Bank undertakes an assessment of the economy eight times during each calendar year and publishes its decisions in accordance with a pre-announced schedule. On four of these occasions, when most data on the key macro-economic variables are available, the Bank prepares a comprehensive macroeconomic forecast covering the international economy, the fiscal accounts, balance of payments, money, credit, interest rates, GDP and prices.

This Monetary Policy Report describes the Bank's most recent policy decision by the Bank and outlines the Bank's projections for inflation in Jamaica and the main macroeconomic variables that affect it. The Monetary Policy Report is prepared and published once every three months at the time of four of the Bank's monetary policy announcements.

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Overview

Developments in the September 2020 quarter were impacted by the ongoing coronavirus (COVID-19) crisis in Jamaica and the world. The duration of the global pandemic remains highly uncertain and there remains much risk of a resurgence of new cases as governments restart their economies.

Annual inflation decelerated to 4.9 per cent at September 2020 from 6.3 per cent at June 2020. This outturn was mainly due to the impact of slowing in agricultural food price inflation, water and sewage rates supported with the non-repetition of a significant increase in communication prices in the previous year. Over the next eight quarters, inflation is projected to average 5.3 per cent (higher than the average rate of 4.6 per cent previously projected). It is anticipated that there will be a spike in inflation over the next two quarters, mainly due to an increase in agricultural prices as heavy rains have adversely impacted domestic agricultural supplies. Inflation is projected to rise to the range 5.5 to 6.5 per cent at December 2020, breach the upper limit of the target range (6.0 to 7.0 per cent) at March 2021 and then decelerate to 4.0 to 5.0 per cent at June 2021. Inflation is projected remain within the Bank's inflation target of 4.0 per cent to 6.0 per cent over the medium-term.

The Jamaican economy is estimated to have contracted in the range of 10.0 per cent to 13.0 per cent for the September 2020 quarter, a slower pace of contraction compared to decline of 18.4 per cent recorded for the June 2020 quarter. The estimated decline in the quarter occurred in the context of the continued adverse impact of the novel coronavirus on the economy and measures implemented to contain its spread. From the perspective of aggregate supply, there were estimated declines in the majority of the industries for the review quarter. For FY2020/21, real GDP is projected to fall between 10 per cent and 12.0 per cent but recover partially in the next year. The risks to the growth forecast are skewed to the downside.

Jamaica's current account of the balance of payments is expected to improve over the next two years, relative to the previous forecast. This improvement is largely underpinned by an upward revision in remittance inflows to the country. The Bank is anticipating that Jamaica will record a current account deficit (CAD) of the balance of payments in the range of 3.0 – 4.0 per cent of GDP for FY2020/21 to FY2022/23,lower (better) than the previous forecast of 5.5 – 6.5 per cent of GDP. The outlook for the gross reserves has also improved relative to the previous projection due to a favourable outturn at September 2020 and higher net portfolio and multilateral inflows. The foreign exchange market has generally observed the continuation of two-way movements in the exchange rate. The annual average rate of depreciation at end-October 2020 was 6.7 per cent, which, although above the average depreciation of 2.6 per cent recorded last year is still moderate under the circumstances. At end-October 2020, in excess of US$240 million was sold to the market to augment supplies since the start of the pandemic.The risks to the projections for the CAD are balanced.

Jamaica's international reserves remain buoyant, with gross reserves at end-October amounting to approximately US$3.9 billion, representing 116.2% of the Assessing Reserve Adequacy metric for FY2020/21. The financial system has remained generally resilient throughout the pandemic. Both the primary ratio and capital adequacy ratio, which measures the capacity of banks to absorb unexpected losses, remained comfortably above their respective statutory minima. All banks have also remained very liquid, reporting Liquidity Coverage Ratios in excess of 100 per cent at end-September.

The COVID-19 pandemic continues to affect activity in the domestic banking sector and overall financing in Jamaica. Broad money grew at an annual rate of approximately 21 per cent at September 2020, an acceleration relative to the growth at June 2020 and at September 2019. This acceleration was reflected in all the components of money, particularly currency, indicative of the public's desire to hold its assets in more liquid forms in the context of the uncertainties surrounding the Covid-19 pandemic. Some of the deposit growth may also have been related to the welfare payments of the government as well as the nascent normalisation of the economy, relative to the previous quarter. Private sector credit provided by DTI's however grew at a slower pace, related to declines in financing to individuals and households. Since the start of the pandemic, the Bank has implemented a number of initiatives aimed at supporting JMD liquidity including reducing the J$ cash reserve requirement, implementing a GOJ-BOJ bond-buying programme, reactivating the BOJ Intermediation Facility, a special Repo facility for Credit Unions and also the Occasional Term Repurchase Operation. At end-October 2020, total JMD liquidity support provided by the bank since the start of the pandemic is in excess of J$76.0 billion.

Given the heightened challenges associated with the COVID-19 outbreak, Bank of Jamaica has maintained an accommodative monetary policy stance, aimed at encouraging and supporting a speedy economic recovery, once the crisis has passed. At the same time, the Bank has maintained a stern vigil to ensure that inflation remains low, stable and predictable, within our target of 4.0 to 6.0 per cent. The Bank is also prepared to take all necessary actions to ensure that Jamaica's financial system remains sound and well capitalized.

Contents

ABBREVIATIONS & ACRONYMS

B-FXITT	Bank of Jamaica's Foreign Exchange Intervention & Trading Tool
BOJ	Bank of Jamaica
BOP	Balance of Payments
Brexit	British Exit
bps	Basis points
CAD	Current Account Deficit
CDs	Certificates of Deposit
CDI	Credit Demand Index
CIF	Cost, Insurance and Freight
CPI	Consumer Price Index
CPI-AF	Consumer Price Index without Agriculture and Fuel
CPI-F	Consumer Price Index without Fuel
CPI-FF	Consumer Price Index without Food and Fuel
CSI	Credit Supply Index
CY	Calendar Year
DIJA	The Dow Jones Industrial Average
DTIs	Deposit-taking Institutions
EFR	Excess funds rate
EGOF	Electricity, Gas & Other Fuels
EMBI+	JP Morgan Emerging Market Bond Index
e.o.p	End of Period
EPI	Export Price Index
EFR	Excess Funds Rate
Fed	US Federal Reserve System
FNB	Food & Non-Alcoholic Beverages
FTSE	Financial Times Stock Exchange
FY	Fiscal Year
GDP	Gross Domestic Product
GOJ	Government of Jamaica
GOJGBs	Government of Jamaica Global Bonds
HWEG	Housing, Water, Electricity Gas & Other Fuels
IES	Inflation Expectations Survey
IMF	International Monetary Fund
IPI	Import Price Index
IRC	Interest Rate Corridor
JMD	Jamaica Dollar
JSE	Jamaica Stock Exchange

LHS	Left Hand Side
LME	London Metal Exchange
M2J	Broad money supply
M2+	Broad money supply that includes foreign currency deposits
MCI	Monetary Conditions Index
NDA	Net Domestic Assets
NIR	Net International Reserve
NOP	Net Opening Position
o/w	Of which
O/N	Overnight
OMO	Open Market Operations
PMMR	Private Money Market Rates
QoQ	Quarter over Quarter
QPC	Quantitative Performance Criteria
RADA	Rural Agriculture Development Agency
REER	Real Effective Exchange Rate
S&P	Standard & Poor's
SBA	Stand-by Agreement
SCT	Special Consumption Tax
SLF	Standing Liquidity Facility
T-Bill	Treasury Bill
TP	Trading Partners
UR	Unemployment Rate
US	United States
USD	US dollar
WASR	Weighted Average Selling Rate
WTI	West Texas Intermediate

1.0 Inflation

The inflation forecast is higher relative to the previous projections of 4.6 per cent. Inflation is projected to average 5.3 per cent over the next eight quarters (December 2020 to September 2022), within the target range of 4.0 per cent to 6.0 per cent. This projection is primarily driven by the impact of adverse weather conditions on agricultural supplies and slightly higher services inflation over the forecast horizon. Recent flood rains are projected to result in a significant adverse shock to agricultural prices in the December 2020 quarter with a moderate reversal in the March 2021 quarter.

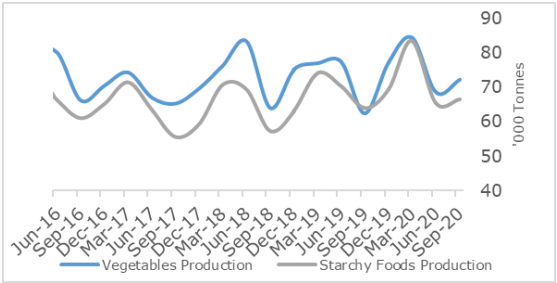
Core inflation is projected to gradually increase up to the first quarter in FY2021/22 and decelerate thereafter. This increase reflects the effect of a faster pace of exchange rate depreciation and heightened inflation expectations. Notwithstanding accommodative monetary and fiscal policies and acceleration in external demand conditions, weak demand conditions, induced by the impact of the COVID-19 pandemic, will continue to keep core inflation relatively low.

Recent Developments and Near-term Outlook

The annual point-to-point inflation rate at September 2020 was 4.9 per cent, a deceleration relative to the 6.3 per cent recorded at June 2020 but an acceleration relative to the 3.4 per cent recorded at September 2019. The annual headline inflation rate at September 2020 was within the Bank's target of 4.0 per cent to 6.0 per cent but below the Bank's previous projection of 5.2 per cent.

The deceleration in inflation for the September 2020 quarter, relative to the preceding quarter, mainly reflected the impact of a slowing in agricultural food price inflation, water and sewage rates along with the non-repetition of a significant increase in communication prices in the previous year. Inflation for the Vegetables, Tubers, Plantains, Cooking Bananas and Pulses (VTPC&P) class decelerated to an annual rate of 15.9 per cent at September 2020, compared to 34.1 per cent at June 2020. Lower agricultural food price inflation largely reflected the impact of improved weather conditions on agricultural food supplies in the September 2020 quarter. Furthermore, sewage and water rates contributed to the lower inflation for the quarter, particularly due to a significant decline in September. Of note, tariff adjustments that were expected in the quarter did not materialize (see Box 1: The Impact of Regulated Price Increases on Inflation).

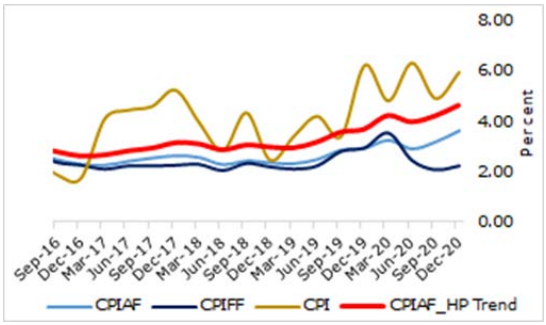
Figure 1: Vegetables and Starchy Foods Supply (Tonnes)



Source: MICAF & BOJ Calculations
The graph represents quarterly supply (in tonnes) for vegetables and selected starches provided by Ministry of Agriculture.

The Bank's main measure of core inflation (inflation that excludes the immediate influence of agriculture and energy prices – referred to as CPIAF) at September 2020 was 3.2 per cent, higher than the 3.0 per cent at June 2020 and 2.9 per cent at September 2019 (see Figure 2). Core inflation continues to reflect shifts in expenditure patterns in the context of the COVID-19 pandemic, manifested in higher inflation for services (education and personal care services) and some processed food items. A higher exchange rate trajectory and more accommodative monetary conditions also supported higher core inflation.

Figure 2: Core Inflation and CPI
(Annual per cent change)



Source: STATIN & BOJ

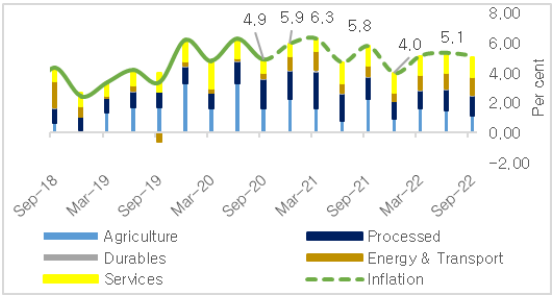
Inflation Outlook & Forecasts

For the December 2020 quarter, inflation is anticipated to be in the range 5.5 to 6.6 per cent which will reflect an increase in agricultural prices as heavy rains have adversely impacted domestic agricultural supplies. Core inflation is also projected to increase gradually over the December 2020 quarter, driven by a faster pace of exchange rate depreciation, higher inflation expectations and more accommodative monetary conditions, notwithstanding the contraction in the economy.

Headline inflation is projected to accelerate in the range 6.0 to 7.0 per cent at March 2021 and then decelerate in the range 4.0 to 5.0 per cent at June 2021 (see **Figure 3**). For the March 2021 quarter, stronger inflationary pressures from other services and energy and transport related costs are expected in the context expected adjustments in regulated price (see **Box 1: The Impact of Regulated Price Increases on Inflation**), the effects of which are expected to be partly offset by lower inflation in the Vegetables, tubers, plantains, cooking bananas and pulses category. Beyond June 2021, inflation meanders within the target range due to base effects before settling around 5.0 per cent at the start of FY2022/23.

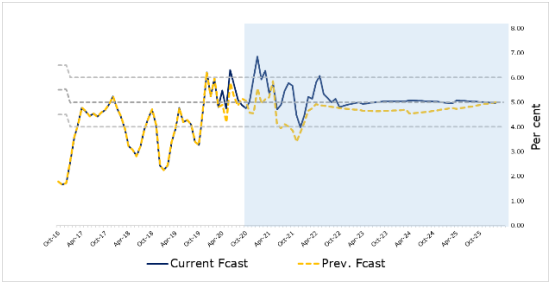
The Bank's survey of businesses' inflation expectations (IES) at September 2020 indicated that businesses' one-year ahead inflation expectations of 7.0 per cent was higher than the Bank's inflation target and marginally higher than the results of the July 2020 survey. The expectations for inflation 12-months ahead have been rising since August 2019 (see **Box 2: Businesses' Inflation Expectations Survey**).

Figure 3: Component Contribution to Inflation



Source: STATIN & BOJ

Figure 4: Comparative Headline Inflation Forecasts



Source: Bank of Jamaica

Box 1: The Impact of Regulated Price Increases on Inflation

This box outlines the inflationary impact of regulated price adjustments that are expected for the remainder of FY2020/21 and the first quarter of the FY2021/22. The price adjustments are expected from two different sources: (1) the Jamaica Public Service Company (JPS) and (2) the National Minimum Wage.

The JPS Tariff (5-year) and the National Minimum Wage adjustments scheduled to be implemented in September 2020 were shifted to December 2020 and March 2021, respectively. Additionally, the JPS Tariff (annual) was shifted from November 2020 to June 2021. These adjustments will directly affect the Housing, Water, Electricity, Gas & Other Fuels (HWEG) and the Furnishings, Household Equipment & Routine Household Maintenance (FHERM) divisions, with the majority of the inflationary impact reflected in the HWEG division. Cumulatively, the shift of the adjustments will result in inflation being lower by approximately 0.6 percentage point (pp) at September 2020 while the impact on inflation for the fiscal year will be lower by 0.16 pp (See Table 1). The impact for the next eight quarters is however unchanged.

The utility companies (JPS and NWC) are regulated by the Office of Utilities Regulation (OUR), which reviews and sets tariff rates at scheduled intervals. For the JPS, non-fuel rates are set by the OUR every five years.[4]

Table 1.0: Regulated Price Increases & Inflation Impact

	Administered Price Increases	Sub-Division/Division				
			Estimated Monthly Inflation (%)	Projected Impact (ppt.)	Implementation Date	New Implementation Date
	FY2020/21					
1a	*JPS Tariff(5-year)*	*Electricity, Gas and Other Fuels (HWEG)*	5.6	0.40	Sept-2020	Dec-2020
1b	*JPS Tariff(annual)*	*Electricity, Gas and Other Fuels (HWEG)*	2.3	0.16	Nov-2020	Jun-2021
2	*National Minimum Wage*	*Goods and Services for Routine Household Maintenance (FHERM)*	14.3	0.16	Sept-2020	Mar-2021
	Total			**0.72**		

JPS initially applied for an increase of 18.1 per cent in the non-fuel tariff which was rejected by the OUR pending adjustments to the application. The JPS resubmitted an application in December 2019, which includes a range of increases for different customer classes. Residential customers are likely to see the largest increase (17.1 per cent). After accounting for the projections in the exchange rate and the fuel and IPP charge, the pass through to EGOF from this assumed increase in the range 3.5 per cent to 6.0

[4] Within a five-year period, JPS is allowed an annual adjustment to the non-fuel rates, to reflect the impact of inflation as well as the cost of expected improvements in the Company's efficiency. These rates include: a fixed monthly customer charge to cover the cost of meters, meter maintenance, bill delivery, etc, (currently at $445.39), a charge based on the first 100 kilowatts hours (kWh) consumed ($9.66/kWh) as well as a charge for every unit above 100kWh ($22.49/kWh). There are also adjustment components that allow for movements in the exchange rate and inflation. The Foreign Exchange Adjustment is the difference between the Base Exchange Rate and the Billing Exchange Rate. Base Exchange Rate refers to the foreign exchange rate of US$128.00 = US$1.00 that existed at the time the Office of Utilities Regulation (OUR) approved the Company's Rate Schedule. Billing Exchange Rate refers to the average exchange rate for a particular month. A similar adjustment is done for inflation. When the billing variable is higher than the base, the bill is adjusted upwards and vice-versa.

per cent. The JPS is also due an annual tariff adjustment, which is a separate mechanism from the 5-year tariff adjustment. The BOJ has assumed an increase of 5.0 per cent, which implies an increase in EGOF in the range 2.0 per cent to 3.0 per cent.

The National Minimum Wage Commission is expected to make a submission to the Government on the proposed rate of increase in the minimum wage. Notably, the last minimum wage increase from $6,200 to $7,000 per week occurred in June 2018. A reasonable assumption envisages the minimum wage increasing from $7,000 to $8,000 (as the next threshold) which translates to a 14.3 per cent increase.

Box 2: Businesses' Inflation Expectations Survey – June 2020

Overview

The Bank's Survey of Businesses' Inflation Expectations (IES) at September 2020 indicated that the one-year ahead inflation expectations was higher than the Bank's inflation target of 4.0 to 6.0 per cent. In contrast to the previous survey, respondents expect the cost of wages and salary to reflect the highest increase among the input factors over the next twelve months.[1] The proportion of respondents who held this view was higher relative to the July 2020 survey. On the other hand, the costs of stock replacement were expected to increase the least over the next twelve months. There was an increase in the proportion of respondents anticipating higher costs for raw materials and a decrease in the proportion of those indicating higher costs for fuel and transport during the year. Perceptions about the present business conditions remain unchanged while the future business conditions deteriorated for the month and on a yearly basis in the latest survey.

Inflation Expectations

In the September 2020 survey, respondents' expectation of inflation 12 months ahead increased to 7.0 per cent, relative to 6.5 per cent in the July 2020 survey. Furthermore, businesses expected an inflation rate for CY2020 of 6.7 per cent, which is above the Bank's forecast for CY2020 (see **Figure 1**).

Perception of Inflation Control

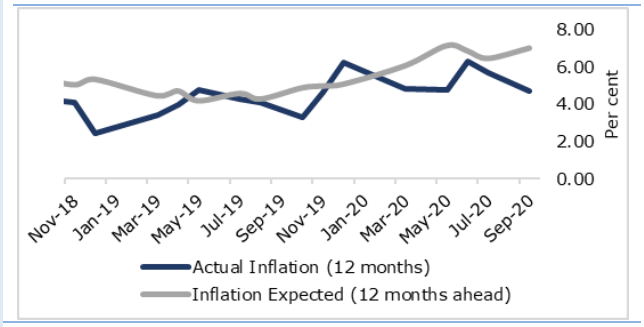
The index of inflation control inched downwards when compared to the July 2020 survey (see **Figure 2**). This outturn reflected an increase in the share of respondents who were "very dissatisfied" and "dissatisfied" with how inflation was being controlled.

[1] Approximately 40.4 per cent of the respondents anticipated an increase in wages over the next twelve months, an increase relative to that in the July 2020 survey.

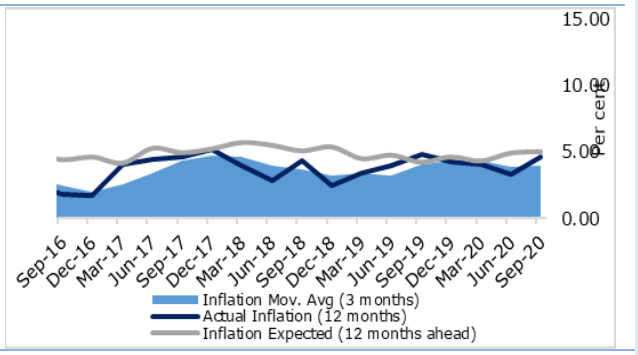
Figure 1: Expected 12-Month Ahead Inflation

Question: Based on the average monthly inflation for the last 12 months, what do you think the average monthly rate will be for the next 12 months?

a.



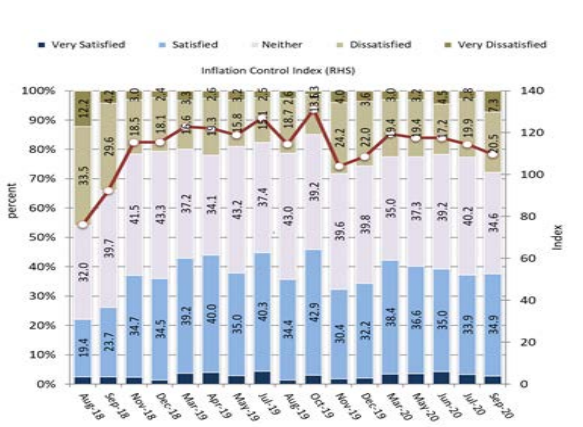
b.



Source: Businesses' Inflation Expectations Survey

Figure 2: Perception of Inflation Control

Question: How satisfied are you with the way inflation is being controlled by the Government?



Source: Businesses' Inflation Expectations Survey

Notes: The Index of Inflation Control is calculated as the number of satisfied respondents minus the number of dissatisfied respondents plus 100

Exchange Rate Expectations

n the September 2020 survey, respondents expected the exchange rate to depreciate over all three horizons (see Table 1). However, relative to the July 2020 survey, respondents expected a faster pace of depreciation over these periods.

Table 1: Exchange Rate Expectations

Question: In July 2020 the exchange rate for the Jamaican Dollar (JA$) in respect of the United States Dollar (US$) was $144.96. What do you think the rate will be for the following periods?

	Expected Exchange Rate Change at Survey Date (%)			
Periods Ahead	May-20	Jun-20	Jul-20	Sep-20
3-Month	4.7	-0.5	1.6	3.6
6-Month	5.9	0.1	2.6	4.6
12- Month	5.1	0.4	3.0	4.1

Source: Businesses' Inflation Expectations Survey.

Note: The responses have been converted to percentage change.

Interest Rate Expectations

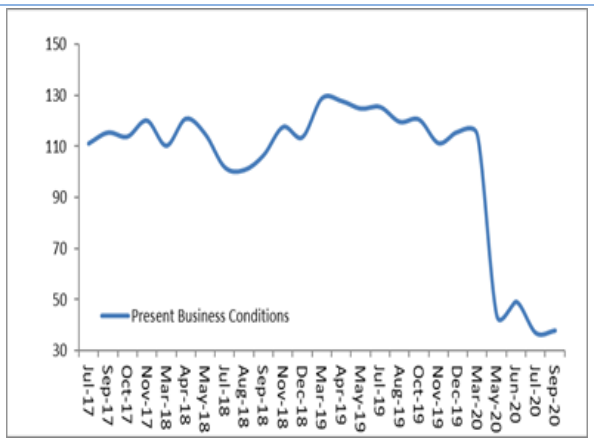
The majority of respondents expected the Bank's policy rate, three months ahead, to remain unchanged. The proportion of respondents of this view increased relative to the previous survey while there was an increase in the proportion who believes it will be "marginally lower". The 90-day Treasury bill (T-Bill) yield, three months ahead, was expected to increase to 1.3 per cent when compared to the expected 1.4 per cent recorded in the July 2020 survey.

Perception of Present and Future Business Conditions

Respondents views on present business conditions improved marginally in the September 2020 survey relative to the previous survey. This was due to a slight increase in the proportion of respondents of the view that things are "better". However. relative to the July 2020 survey, businesses were less optimistic about the future as the proportion of respondents who believe that conditions will be "worse" increased.

Figure 3: Perception of Present Business Conditions

Question: In general, do you think business conditions are better, about the same or worse than they were a year ago in Jamaica?



Source: Businesses' Inflation Expectations Survey

Notes: The Index is calculated using the balance score method (Better – Worse +100)

Figure 4: Perception of Future Business Conditions

Question: Do you think that a year from now business conditions will get better, about the same as present or get worse?

Source: Businesses' Inflation Expectations Survey

Notes: The Index is calculated using the balance score method (Better – Worse +100)

Expected Increase in Operating Expenses

Respondents indicated that they expected the largest increase in production costs over the next 12 months to emanate from wages and salary. This was followed by the costs for fuel and transport. The cost for stock replacement reflected the least increase (see Table 2).

Table 2: Expectations about Operating Expenses

Question: Which input do you think will have the highest price increase over the following time periods?[2]

	Nov-19	Dec-19	Mar-20
Utilities	27.8	11.3	10.1
Stock Replacement	36.3	12.3	11.9
Raw Materials	14.8	13.7	10.4
Fuel & Transport	13.1	26.1	28.8
Wages & Salary	6.8	35.9	37.4
Other	0.0	0.0	0.0
Not Stated	1.3	0.8	1.5

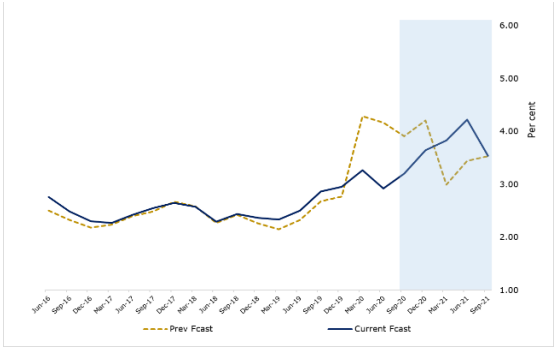
Source: Survey of Businesses' Inflation Expectations (IES)

[2] The 3-month, 6-month and 12-month horizons.

Inflation Risks

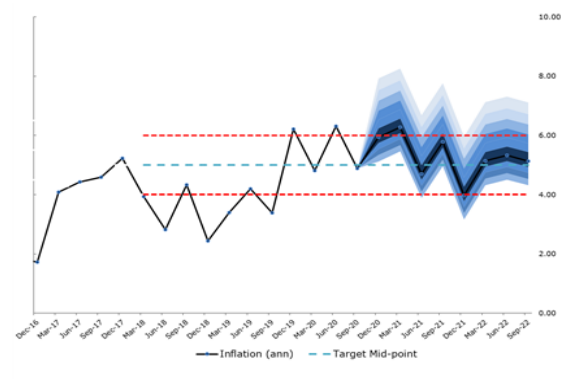
The risks to the inflation forecast are assessed to be balanced. Upside risks include the impact of continuous adverse weather conditions on agricultural food supply. Additionally, higher exchange rate depreciation may contribute to higher inflation. However, continued weak domestic demand conditions could keep inflation constrained over the near-term. Furthermore, a possible non-occurrence of the assumed regulated price increases and a stronger than anticipated reversal in agricultural prices in the March 2021 quarter could result in lower inflation. The inflation path carries a risk of breaching the target in the context of increased volatility in the exchange rate and agricultural prices.

Figure 5: Comparative Core Inflation Forecasts



Source: Bank of Jamaica

Figure 6: Inflation Fan Chart



Source: Bank of Jamaica

2.0 International Economy

The initial phase of economic recovery from the coronavirus lockdown has been faster than anticipated. However, with the virus yet to be contained and the ongoing need for measures to curb its spread, the pace of the global recovery is projected to slow from the December 2020 quarter onwards, relative to the previous projections.

Preliminary indications are that GDP growth in the US expanded by 33.1 per cent for the September 2020 quarter, above expectations, following a contraction of 31.4 per cent for the June 2020 quarter. Assuming a gradual recovery in the second half of the year, it is projected that US GDP for 2020 will contract by 4.1 per cent, with a 4.0 per cent rebound in 2021. This represents an upward revision relative to the decline of 6.6 per cent previously projected for 2020 and growth of 3.7 per cent for 2021. Consequently, the output gap for the US is projected to be less negative than previously forecasted over the next eight quarters.

Bank of Jamaica anticipates that the Fed will maintain interest rates at current levels over the next eight quarters, implying the absence of external impetus for domestic interest rates to rise. Jamaica's sovereign bond yields are consequently projected to be relatively stable over the forecast horizon.

The projection for grains prices over the next eight quarters has been revised upwards, relative to the previous forecast. However, crude oil prices remain broadly in line with the previous projection. The risks to the forecast for commodity prices are skewed to the downside.

Trends in the Global Economy

An expansion of 9.9 per cent in the global economy is estimated for the September 2020 quarter, compared with a contraction of 12.8 per cent in the June 2020 quarter. [1] This estimate is also 8.6 percentage points above the Bank's previous forecast and primarily reflects an uptick in consumption and investment as lockdown measures were eased.[2]

Global growth is projected to average 3.2 per cent over the next eight quarters (December 2020 to September 2022), below the previous projection of 4.2 per cent (see **Figure 7**). [3,4] While the global are

[1] A report presenting the J.P. Morgan Global Composite PMI, an index which measures changes in total output across both manufacturing and service sectors, highlighted that the global economy continued its path for recovery in September, with output and new orders rising for the third successive month. The upturn also filtered through to the labour market, as staffing levels increased for the first time since January. Though output growth was registered in both the manufacturing and services sectors, the increase in manufacturing production remained faster than that signalled for service sector business activity. Economic activity rose in five of the six sub-sectors covered by the survey in September. The strongest performance was in the investment goods industry, where production rose at the fastest pace in almost a decade.

[2] The pace of the rebound observed in the September 2020 quarter is not projected to be sustainable, as it reflected a one-time boost in growth as economies re-opened from depressed levels of activity. The economy going forward will transition to a slower phase of the recovery, as the slow return to pre-pandemic levels of economic activity continues.

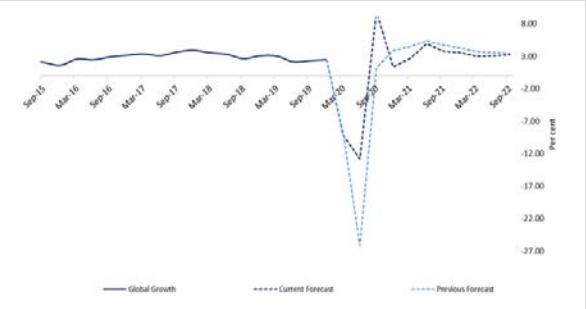
[3] According to the IMF's October 2020 World Economic Outlook (WEO) the global economy is projected to contract sharply by 4.4 per cent in 2020, 0.8 percentage points (pps) above the June 2020 WEO forecast. Global activity is expected to recover in the third quarter of 2020, with a gradual but slower recovery thereafter. In 2021, growth is projected at 5.2 per cent, 0.2 pps lower than the June 2020 forecast. As with the June 2020 WEO projections, there remains tremendous uncertainty around the outlook, as the forecast depends on public health and economic factors that are difficult to predict.

[4] The recovery is likely to be characterized by persistent social distancing until health risks are addressed and countries may have to again tighten measures depending on the spread of the virus.

signs that renewed outbreaks of the COVID-19 pandemic have already led to a slowdown in economic activity.[5] With renewed upticks in COVID-19 infections, re-opening has been paused and targeted shutdowns are being reinstated. Furlough schemes and other forms of government income support to households are set to expire or become less generous, while unemployment is likely to remain above pre-virus levels. Notwithstanding, survey indicators continue to show an uptick in both the manufacturing and services industry.

The risks to global growth are skewed to the downside. Worse outcomes could arise if the COVID-19 outbreak persists longer. If the virus resurges, progress on treatments or vaccines is slower than anticipated, or country's access to them remain unequal, economic activity could be lower than projected with renewed measures to contain the spread of the virus. On the upside, the recession could turn out to be less severe if there is a production of a safe effective vaccine. Many countries have also provided large-scale macroeconomic support to mitigate the negative economic impact of the pandemic.

Figure 7: Global Growth Projection*
(Per cent change annualised)



Source: Bloomberg
*Bank of Jamaica's Estimate and forecast

The Bureau of Economic Analysis' (BEA's) advance estimate indicates that US GDP for the September 2020 quarter increased by 33.1 per cent, following a contraction of 31.4 per cent in the June 2020 quarter. [6, 7]

Between the December 2020 and the September 2022 quarters, the Bank projects real output growth in the US to average 3.4 per cent, below the previous forecast of 5.2 per cent but at a faster pace than potential GDP (see **Figure 8**).[8, 9] In particular, the resurgence in coronavirus infections, the expiration of key fiscal stimulus and the ongoing need for physical distancing measures means that the pace of recovery will be slower relative to the previous projections.[10] Renewed containment measures is likely to also have a more significant impact on the economy if they become much more widespread or if some states resort to full lockdown measures.

[5] High frequency indicators relating to trips for retail and recreation has slowed.

[6] The expansion in real GDP reflected increases in personal consumption expenditures (PCE), private inventory investment, exports, nonresidential fixed investment, and residential fixed investment that were partly offset by decreases in federal government spending (reflecting fewer fees paid to administer the Paycheck Protection Program loans) and state and local government spending. Imports, which are a subtraction in the calculation of GDP, decreased.

[7] At the August 2020 assessment, the Bank projected that the US economy would record an expansion of 7.9 per cent for the September 2020 quarter. Of note, the Bank's current estimate anticipated an expansion of 25.7 per cent for the September 2020 quarter. The expansion in the September quarter was predominantly supported by a projected increase in consumption and investment spending.

[8] The Global Projection Model Network (GPMN) estimated an expansion of 7.8 per cent in output in the December 2020 quarter, following a projected expansion of 19.1 per cent in the September 2020 quarter.

[9] The timing of the Bank's forecast is prior to the November 2020 elections. With fiscal and monetary policy likely to remain loose regardless of who wins the elections, it is not likely that the election will have a major impact on the outlook for economic growth in 2021 and beyond. Arguably of more importance is the makeup of Congress, with a clean sweep of the House, Senate, and the Presidency enabling either party to loosen fiscal policy more markedly.

[10] The resurgence in infections, which has forced some states in the Midwest, including Alaska and Montana to impose new restrictions on activity, will weigh on spending in October and beyond. Despite strong consumption growth following the post lockdown period, the expiration of enhanced unemployment benefits and ongoing physical distancing restrictions still weighing on services spending, will lead to a slower pace in consumption growth. Consumption will also be held back by a higher precautionary saving. Low interest rates however, are contributing to a strong rebound in investment which, after declining in 2020, is expected to rebound in 2021.

Box 3: Economic Growth in Selected Economies

China

The Chinese economy recorded an expansion of 4.9 per cent for the September 2020 quarter compared to a year ago. This pace was quicker than the expansion of 3.2 per cent in the June 2020 quarter. The expansion in the September 2020 quarter was underpinned by a continued strengthening in industrial activity and construction, which remained among the fastest growing sectors. Services activity also accelerated but remains much more mixed, with some sectors like hospitality still contracting year-on-year but others, such as IT, expanding at a rapid pace.[11]

GDP growth in China is projected to average 7.2 per cent, over the next eight quarters, and range between 5.3 per cent to 17.2 per cent.[12]

Japan

The Japanese economy is estimated to have recorded an expansion of 15.4 per cent for the September 2020 quarter, following a contraction of 28.1 per cent in the June 2020 quarter.

For the next eight quarters, GDP growth in Japan is projected in the range of 1.2 per cent to 5.0 per cent, averaging approximately 2.3 per cent.

Canada

The Canadian economy is estimated to have expanded by 45.0 per cent for the September 2020 quarter, compared to the contraction of 38.7 per cent for the June 2020 quarter.

For the next eight quarters, GDP growth in Canada is projected in the range of 2.7 per cent to 5.9 per cent, averaging approximately 3.6 per cent.

Of note, the continued decline in the daily cases of COVID-19 and the increase in oil and gas prices, signals a potential recovery in the Canadian economy in the near term.

Euro Area

The Euro Area is estimated to have expanded by 38.1 per cent in the September 2020 quarter, compared to the contraction of 39.4 per cent in the previous quarter.

For the next eight quarters, GDP growth in the Euro Area is projected in the range of 2.4 per cent to 9.5 per cent, averaging approximately 4.1 per cent.

United Kingdom (UK)

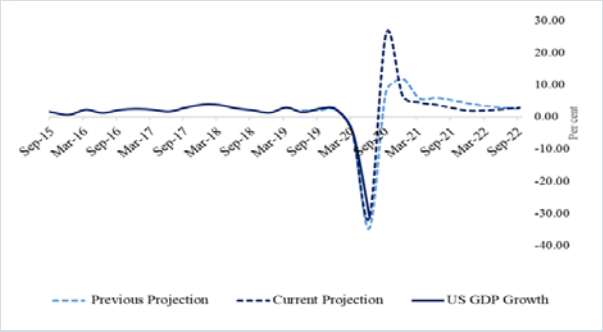
The UK economy is estimated to have expanded by 78.0 per cent in the September 2020 quarter, following a contraction of 58.7 per cent in the previous quarter.

Growth in the UK economy over the next eight quarters is projected in the range of 2.4 per cent to 12.6 per cent, averaging approximately 4.6 per cent.

[11] China's economy continued its rapid rebound in the September 2020 quarter, with the recovering broadening and becoming less reliant on investment led stimulus. China has largely contained the spread of the coronavirus, and the economy quickly returned to growth in the April-June period. China is likely to be the only country to reach pre-crisis levels by the end of 2020.

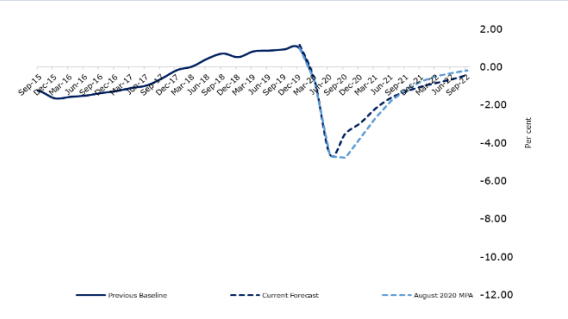
[12] Estimates for China growth represent year-over-year per cent change.

Figure 8: Comparative US GDP Growth Forecast
(Per cent)



Source: BOJ, CBO

Figure 9: US Output Gap
(Per cent of Potential GDP)



Source: BOJ, CBO

For the December 2020 and March 2021 quarters, real output growth in the US is projected at 6.5 per cent and 4.5 per cent, respectively. [13] Real output growth in the US is projected to average 2.6 per cent for the June 2021 to September 2022 quarters, compared to 4.0 per cent in the previous projection. [14] For the period 2022 to 2024, economic growth in the US is projected to average 2.6 per cent, in line with the previous forecast. [15]

The US output gap, which is estimated to have been positive since the December 2017 quarter, became negative in the March 2020 quarter and is projected to remain negative in the September 2020 to the December 2022 quarter (see **Figure 9**). [16] The projected output gap is however less negative than previously forecasted until the June 2021 quarter. [17]

The key downside risk is that recurring waves of coronavirus infections prompt more measures aimed at containing it. The key upside risks are that an effective vaccine becomes widely available in early-2021 and, post-election, the new Congress agrees on another major fiscal stimulus.

The unemployment rate in the US at September 2020 was 7.9 per cent, a decline of 0.5 percentage points relative to August 2020 (**see Table 2**). This rate was below the Bank's projection of 10.1 per cent and above the US Federal Reserve's estimate of the natural rate of 4.1 per cent. [18] The US unemployment rate is projected to decline over the next eight quarters. [19, 20]

[13] The US Congress is currently working toward a deal on a fiscal package that would include some form of extension of the CARE programme. However, with the prospect of a pre-election fiscal stimulus fading, the forecast does not factor in any additional action next year. The timing, size and composition of any new stimulus depends crucially on the outcome of November's elections.

[14] The latest IMF forecast, completed in October 2020, assumes a contraction of 4.3 per cent in 2020 and growth of 3.1 per cent in 2021. Based on the latest median projections, Fed officials expect GDP to contract by 3.7 per cent in 2020 before rebounding by 4.0 per cent in 2021 and 3.0 per cent in 2022. a lower projection for 2021 and beyond leaving GDP below its pre-pandemic level.

[15] Notwithstanding this, US GDP in levels remains above the previous forecast.

[16] The output gap equals the difference between historical or projected GDP and the US Congressional Budget Office's (CBO) estimate of potential GDP and is expressed as a percentage of potential GDP. The US output gap is estimated at negative 3.5 per cent for the September 2020 quarter.

[17] The gap is expected to be less negative than previously forecasted, amid an upward revision to US GDP, primarily during the September 2020 quarter. However, subsequent to the September 2020 quarter US GDP growth was revised downward marginally, and therefore, the slope of the gap onwards is less steep, reflecting a slower pace of recovery. Consequently, after September 2021, the current projection of output gap falls below the previous forecast.

[18] Following an expansion of 1.5 million in August 2020, total nonfarm payroll employment in the US increased by 661,000 in September 2020. The improvements in the labor market reflected the continued resumption of economic activity that had been curtailed in March and April due to the COVID-19 pandemic and efforts to contain it. In September 2020, there were notable job gains in leisure and hospitality, retail trade, health care and social assistance and in professional and business services. By contrast, employment in state and local government education declined as the new school year shifted largely online. The labour force participation rate declined by 0.3 percentage points relative to August 2020, and is currently 2.0 percentage points lower than in February 2020.

[19] The unemployment rate is projected to end FY2020/21 at 6.2 per cent, 1.8 percentage point above end-FY2019/20, and end FY2021/22 at 5.5 per cent.

[20] Continuing jobless claims in the US was approximately 9.4 million in the week ending 03 October 2020.

Table 2: Unemployment/ Job Seeking Rate for Selected Economies

(e.o.p Per Cent)

	USA*	Canada*	Euro
Sep-18	3.7	5.9	8.0
Dec-18	3.9	5.7	7.9
Mar-19	3.9	5.8	7.7
Jun-19	3.6	5.5	7.5
Sep-19	3.6	5.7	7.5
Dec-19	3.5	5.6	7.4
Mar-20	4.4	7.8	7.2
Jun-20	11.1	12.3	7.8
Sep-20	7.9	9.0	8.1

Source: Official statistics offices

*The job seeking rate is the percentage of the labour force actively seeking work. The rates in the table for US and Canada represent job seeking rates. Jamaica's job seeking rate was 7.5 per cent as at July 2020.

In November 2020, the Federal Open Market Committee (FOMC) maintained its US Fed Funds target range at 0 per cent – 0.25 per cent, in line with the Bank's projections.[21] The Committee expects it will be appropriate to maintain this target range until labour market conditions reach levels consistent with the Committee's assessments of maximum employment and inflation rises to 2.0 per cent and is on track to moderately exceed 2.0 per cent for some time. Further, the Fed reiterated its commitment to using its full range of tools to support the US economy for as long as it takes. The Bank consequently anticipates that the Fed will maintain interest rates at their current level for the foreseeable future.[22]

Trading Partners' Inflation

The weighted average of 12-month inflation rates for Jamaica's trading partners' (TPs) at September 2020 is estimated at 1.3 per cent. This estimate is above the Bank's previous forecast of 0.9 per cent. For the US, annual CPI inflation at September 2020 was 1.4 per cent, an acceleration relative to the previous forecast of 1.0 per cent. The personal consumption expenditures (PCE) price index increased by 1.5 per cent on a year-on-year basis at September 2020, and has remained below the Fed's target of 2.0 per cent since October 2018.

Over the next eight quarters, the Bank projects the inflation rate of Jamaica's main trading partners (TP) to average 2.1 per cent, higher than the previous forecast average of 2.0 per cent (see **Figure 10**).[23] The marginally higher TP inflation largely reflects the upward pressure on prices resulting from supply constraints as well as the revised outlook for commodity prices. US inflation is projected to average 2.5 per cent, above the previous forecast of 2.3 per cent (see **Figure 11**). This profile reflects the upward pressure on prices resulting from supply constraints, the revised outlook for grains prices and a further increase in imported inflation given the assumption for the faster depreciation of the US Dollar. [24, 25]

[21] The Federal Open Market Committee (FOMC) was unanimous in its judgement. Members agreed that the ongoing public health crisis would weigh heavily on economic activity, employment and inflation in the near term and was posing considerable risks to the economic outlook over the medium term. The Fed will be adopting a flexible form of average inflation targeting. The FOMC seeks to achieve inflation that averages 2.0 per cent over time and following periods when inflation has been running persistently below 2.0 per cent, appropriate monetary policy will likely aim to achieve inflation moderately above 2.0 per cent for some time. Additionally, the Fed will now interpret its maximum employment goal as a broad-based and inclusive goal, which suggests that rather than focusing solely on the aggregate unemployment rate, officials will also explicitly take into account how low-income and minority labour market participants are faring.

[22] This is consistent with the GPMN forecast which assumes that the Fed will maintain its rates at the current level for the foreseeable future to support a recovery in demand.

[23] The inflation rate of Jamaica's main trading partners (TP inflation) for FY2020/21 is projected at 1.8 per cent, higher relative to the previous forecast of 1.5 per cent

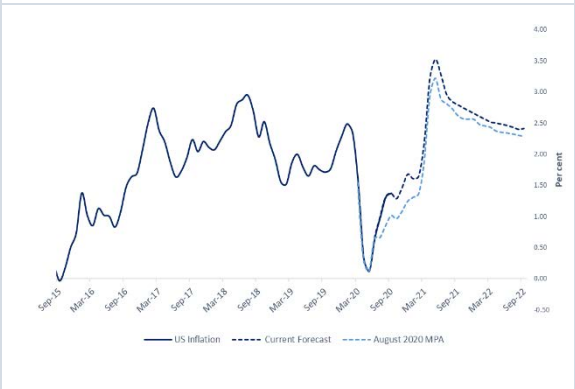
[24] Supply constraints arise as the recovery in US manufacturing has stalled, with output more than 6.0 per cent below its February level and lagging well behind the recovery in retail sales.

[25] With core services inflation still muted, the rapid recovery has been driven entirely by a resurgence in goods prices. In particular, a large part of the increase is supported by used vehicle prices which, after surging by 5.4 per cent in August, rose by 6.7 per cent in September, the biggest monthly gain since 1969. The latest auction price data suggest that used vehicle prices specifically will not continue to rise at that rapid pace for much longer. However, there is still plenty of scope for unusually low inventory levels to put upward pressure on other goods prices.

Figure 10: Trade Weighted Trading Partners' Inflation
(12-month Per cent change)

Source: Bloomberg

Figure 11: US Inflation
(12-month Per cent change)



Source: Bloomberg

Trends in Trading Partners' Exchange Rates

During the September 2020 quarter, TP currencies generally appreciated against the US dollar relative to the previous quarter.[26] The weaker US dollar primarily reflected the impact of a decline in investors' preference for safe-haven assets in a context of the gradual rebound in US economic activity. [27]Additionally, the market's expectations that the Fed's policy will remain accommodative for longer, amid a more relaxed approach to inflation and unemployment, further supported the depreciation of the US dollar.

Bank of Jamaica projects that, over the next eight quarters (December 2020 to September 2022), the currencies of Jamaica's major trading partners will appreciate, on average, against the US dollar (see Figure 12). This projection reflects interest rate and growth advantages relative to its major currency peers.

Over the December 2020 and March 2021 quarters the currencies of Jamaica's major trading partners will appreciate against the US dollar as the outlook for the global economy improves and reduces investors' appetite for safe-haven assets such as the US dollar.[28, 29]

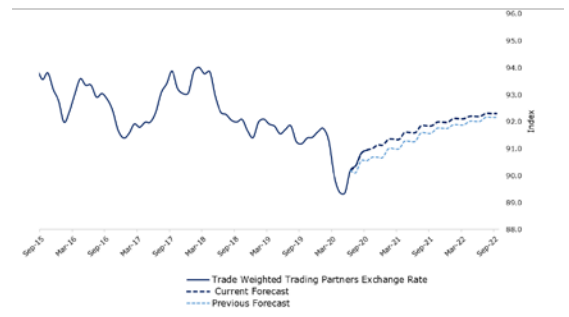
[26] There was an average appreciation of 1.2 per cent in the exchange rate of Jamaica's trading partners vis-à-vis the USD for the September 2020 quarter, following an average depreciation of 1.5 per cent in the June 2020 quarter. This compares to the previous forecast for an appreciation of 0.8 per cent for the review quarter. The exchange rates of Jamaica's trading partners vis-à-vis the USD depreciated, on average, by 0.8 per cent in the September 2020 quarter relative to a year prior. This reflected a slower pace of depreciation relative to the Bank's previous forecast for depreciation of 1.1 per cent.

[27] The US is a major economy and further increase in growth in the US has positive spillovers to the rest of the world.

[28] Of note, this forecast was made prior to the scheduled US elections on 03 November 2020. The Bank did not make any assumptions about the outcome of the US presidential and congressional elections in the forecast, however, the result of the US Presidency as well as the House and the Senate are likely to inject additional volatility into markets. A second term for US President Donald Trump and the current situation prevailing in the House of Representatives and Senate may prove destabilizing for risky assets (positive for the US dollar) as prospects for additional fiscal relief will remain uncertain and trade tensions may intensify further. Victory by the Democratic nominee Joe Biden and a split Congress is likely to also dampen expectations of quick action on fiscal support. A clean sweep of Congress for the Democrats should reduce the risk of post-election litigation and raise hopes for swift fiscal relief. This would be positive for risk assets (negative for the US dollar).

[29] Brexit is poised to impact the performance of the pound sterling. The Bank assumes that there will be an agreement between the UK and the European Union by the 31 December 2020 deadline. The UK government appears willing to exit the European Union at the end of the year without a trade deal to govern the post-Brexit environment. If there is a no-deal Brexit this will cloud economic prospects and weigh negatively on the pound sterling in early 2021.

Figure 12: Trading Partners' Trade Weighted Exchange Rate – vis-à-vis USD, May 2013 =100



Source: Bloomberg

Terms of Trade

Jamaica's terms of trade (TOT) index increased at an annual pace of 0.6 per cent at September 2020, following a decline of 1.2 per cent at June 2020. The increase in the index reflected a decline of 12.7 per cent in the import price index (IPI), the impact of which was partly offset by a decline of 12.2 per cent in the export price index (EPI). The reduction in the IPI was primarily driven by reductions in the prices for fuel and raw materials while the decline in the EPI emanated mainly from reductions in the prices for alumina and tourism services.[30]

The outturn for the September 2020 quarter reflects a smaller improvement relative to the previous projection and was largely attributable to a faster pace of decline in export prices.

Bank of Jamaica projects that Jamaica's TOT will deteriorate over the next eight quarters (December 2020 quarter to the September 2022 quarter, primarily due to reductions in export prices, particularly that for tourism, as well as an improvement in import prices, driven by fuel and raw materials.[31]

Commodity Prices

The daily average of West Texas Intermediate crude oil prices for the September 2020 quarter increased by 47.0 per cent relative to the June 2020 quarter. However, relative to the September 2019 quarter, crude oil prices declined by 27.5 per cent.[32] The increase in crude oil prices, relative to the previous quarter, mainly emanated from (i) the continued easing of lockdown measures around the world and the lifting of travel restrictions, which increased petroleum consumption, (ii) positive macroeconomic data from China, the world's largest crude oil importer, thereby supporting increased investor optimism regarding fuel demand, (iii) optimism about a potential COVID-19 vaccine [33] (iv) continued investor optimism about output cuts from OPEC and their allies, (iv) and the reduction of US crude output ahead of Hurricane Laura. However, the impact of the increase in prices was partly offset by investors' continued concern about the global economic recovery and demand conditions following reports of an increase in the number of COVID-19 cases in Europe and other countries, resulting in the re-imposition of restrictions. Additionally, there were increased oversupply concerns as Libya's National Oil Corporation lifted the status of force majeure on several ports and facilities in Libya.[34]

The projected path for crude oil prices over the near term (December 2020 to September 2022) is broadly in-line, relative to the last forecast.[35] Oil

[30] The months of July and August 2020 recorded average increases in crude oil prices, however, there was a reversal in the market in September 2020 due to waning hopes of a second round of US stimulus before the November 2020 US Presidential election and a resurgence in European COVID-19 cases.

[31] In particular, the TOT is projected to decline at an annual rate of 10.5 per cent and 0.5 per cent in the December 2020 and March 2021 quarters, respectively.

[32] In the previous projection the Bank projected the daily average of West Texas Intermediate crude oil prices for the September 2020 quarter to increase by 44.6 per cent relative to the June 2020 quarter.

[33] The discovery of a vaccine for coronavirus will be the most important catalyst for global oil demand to return to its pre-pandemic levels of 100 million b/d as it will allow people to drive and travel without any restrictions.

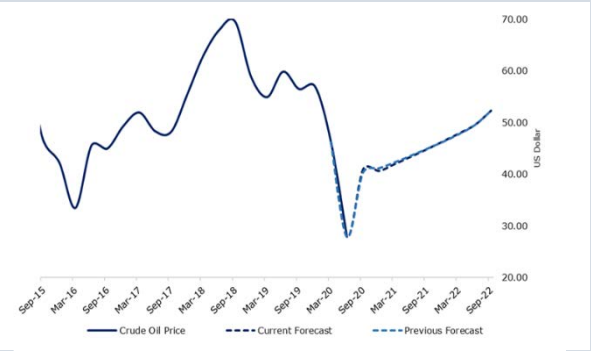
[34] Libya is an OPEC member which was exempt from the output cut deal given its near zero production quota due to an export blockade since the start of the year. Because Libya is excluded from the current production agreement among members of the OPEC and partner countries, an increase in crude oil production from the country could significantly affect crude oil supply and inventories in the coming months.

[35] Despite a more positive macroeconomic environment, the oil market rebalancing (higher demand and lower supply) has slowed. After oil demand took the largest hit ever recorded in the first half of 2020, fuel consumption started to improve as the lockdowns

prices are projected to average US45.85 per barrel for the next eight quarters compared to an average of US$45.96 per barrel in the previous projection. This forecast nonetheless implies that the average of the quarter-over-quarter increase in crude oil prices for the period has been revised marginally to 3.1 per cent, compared with the 3.3 per cent previously anticipated.

For the December 2020 and March 2021 quarters, oil prices are projected to average US$40.62 per barrel (0.7 per cent decline for the quarter) and US$41.98 per barrel (3.2 per cent increase for the quarter), respectively, which compares to quarterly averages of US$41.13 and US$42.29 in the previous projection (see **Figure 13**). The projected marginal decline in crude oil prices for the December 2020 quarter is underpinned by the assumption of slowing increases in global oil demand, high inventory levels and surplus crude oil production capacity which is likely to limit upward pressure on oil prices.[36] However, prices on average are projected to increase for the March 2021 quarter as global demand recovers into 2021.

Figure 13: Trend in Average WTI Crude Oil Prices



Sources: Bloomberg, BOJ

The risks to the forecast for oil prices are skewed to the downside. In relation to the downside risks (that is oil prices could track below the forecast), a longer lasting and more intensive impact of COVID-19 could further hurt the recovery in global trade, further reduce confidence and investment worldwide, which could result in downward price pressures. Generally, weaker than expected growth in advanced and emerging market economies could result in a fall in oil prices. Demand will continue to be the key uncertainty for the global oil market. A slower than expected recovery in oil demand has fostered greater uncertainty about prices going forward.[37] Further, OPEC and non-OPEC oil producers could increase crude oil output from their pledged quotas. Conversely, upward pressures may emerge if there is an introduction of an effective vaccine that becomes widely available next year. The outcome of the US elections may also have important ramifications for the energy sector.

Average grains prices for the September 2020 quarter increased by 5.3 per cent, relative to the June 2020 quarter (an increase of 3.6 per cent on an annual basis).[38] This increase was associated with higher prices for soybean (9.3 per cent increase for the quarter, 8.7 per cent increase on an annual basis) and corn (5.4 per cent increase for the quarter, 9.4 per cent decline on an annual basis). However, there were lower prices for wheat (1.8 per cent decline for the quarter, 5.3 per cent increase on an annual basis). The average increase in grains prices for the quarter reflected an increase in demand amid the continued gradual reopening of the US economy as well as strong import demand from China, particularly for soybeans. In addition,

were eased around the world and workers started to return to their daily commutes. However, such recovery continues to be fragile and it could take a long time until all segments of oil consumption surpass levels prior to the COVID-19 shock. As demand recovers, OPEC and their allies agreed to remove large volumes of oil from the market over a two-year period. In addition, the collapse in shale production in the US contributed to this rebalancing process in the oil market. However, such rebalancing from the supply side has slowed down as some OPEC members continue to exceed their pre-agreed quotas and Libya is starting to show signs of a potential return to the market. On the Non-OPEC side, some US onshore production has quickly come online, and shut-in wells are beginning to restart.

[36] Recent increases in cases of COVID-19 in some countries have led to some renewed government-imposed restrictions, albeit to a much lesser extent than in March and April 2020, which could also be contributing to some downward pressure on crude oil prices.

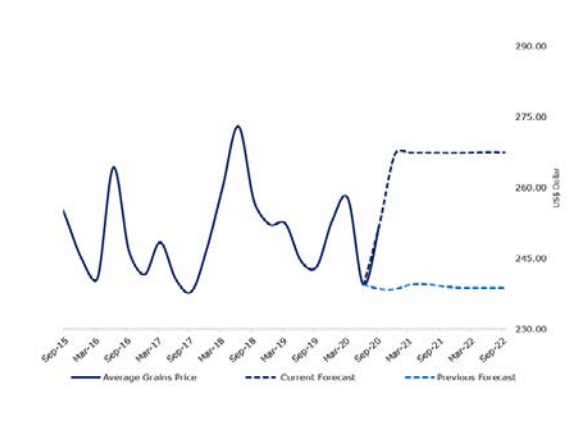
[37] A resurgence in COVID-19 cases, and the fact that international travel remains heavily restricted, is weighing on recovery expectations. According to the Inter-American Development Bank, as of September 2020, the aviation industry is struggling to return to a 50.0 per cent of pre-virus travel levels, and is expected that in 2021, the industry is unlikely to return anywhere near normal until there is a vaccine commercially available.

[38] The Bank projected a decline of 0.4 per cent for the September 2020 quarter relative to the June 2020 quarter.

the depreciation of the US dollar against third party currencies, which increased the demand for dollar denominated commodities, also supported the upward trend in prices. Wheat prices declined during the quarter reflecting investors' concerns about global wheat oversupply.

The average price of grains is projected to increase at an average quarter over quarter rate of 0.8 per cent over the next eight quarters (December 2020 to September 2022), a rate that is marginally higher than the Bank's previous forecast.[39] This projected faster pace of increase in prices relative to the previous forecast mainly reflects stronger demand for commodities, particularly from China, and a further weakening in the US dollar.[40] Of note, the average price of grains over the December 2020 and March 2021 quarters is projected to increase at an average quarter over quarter rate of 3.0 per cent due to the gradual reopening of the global economy and rising demand (see **Figure 14**).

Figure 14: Trend in Average Grains Prices

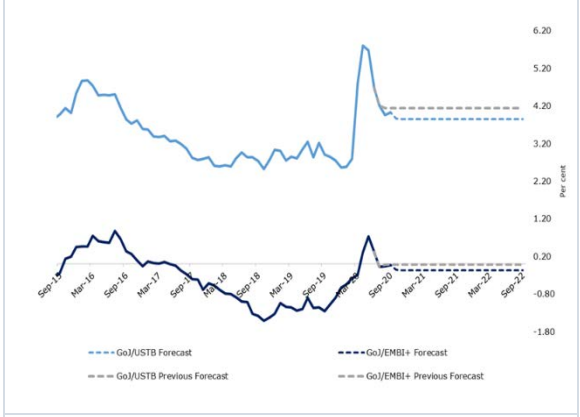


Sources: Bloomberg, BOJ

External Financial Markets

The performance of GOJ's sovereign bonds spreads on the international market over the September 2020 quarter was broadly in line relative to the previous projection. In particular, GOJ's sovereign bonds spreads over US Treasuries and the EMBI+ improved marginally, relative to the previous projection. The average of the daily spreads between the indicative yield on Government of Jamaica global bonds (GOJGBs) and the yield on US Treasury Bills as well as the average of the daily spreads between the indicative yield on GOJGBs and the yield on the EMBI+ improved (declined) by 132 basis points (bps) and 51 bps, respectively, when compared to the same measure for the June 2020 quarter.[41] The average of the daily spreads between the indicative yield on GOJGBs and the yield on US Treasury Bills and the average of the daily spreads between the indicative yields on GOJGBs and the yield on the EMBI+ were projected to decline by 122 bps and 49 bps, respectively (see **Figure 15**).[42]

Figure 15: Average International Bond Spreads



Sources: Bloomberg,

[39] The previous forecast assumed an average quarter over quarter increase of 0.01 per cent over the December 2020 to September 2022 quarter.

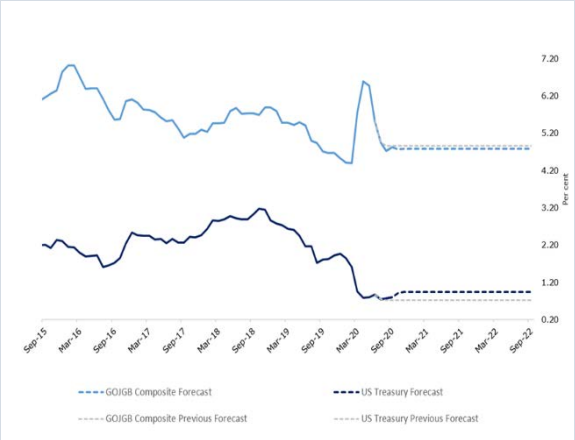
[40] China is expected to continue buying grains at a faster-than-expected pace in the coming months as the country seeks to meet its internal demand and ensure stable domestic reserves in the backdrop of uncertain market factors such as food supply scare and trade tensions.

[41] For the quarter, relative to US Treasury Bill yields and EMBI+, these spreads were 407 bps and negative 6 bps, respectively.

[42] The spread for the September 2020 quarter, relative to US Treasury Bill yields and the EMBI+, were projected to be 416 bps and negative 4 bps, respectively. During July and August 2020 investors continued to view reports of gradual reopening measures in countries as positive, which supported optimism about an economic rebound. Consequently, GOJGBs spreads started to narrow given the reduced demand for the safe haven assets. However, in September 2020 there was a general deterioration in global risk appetite driven by concerns about the rise in new coronavirus cases (and new containment measures), particularly in Europe, and rising uncertainty regarding US fiscal support. Of note, sovereign bond yield spreads (including Jamaica's) were impacted by concerns about the long-term economic impact of the new coronavirus.

In the context of the performance of the GOJ yield spreads over the quarter, there were respective declines of 5 bps, 86 bps and 137 bps in the average yields on US Treasuries, EMBI+ and GOJGBs (see **Figure 16**).

Figure 16: Average International Bond Yields
(Per cent)



Sources: Bloomberg,

Jamaica's sovereign bond yields are projected to be relatively stable to the September 2022 quarter.[43]

Global Stock Market

The performances of selected global stock market indices during the September 2020 quarter were mixed. Relative to the June 2020 quarter, the Dow Jones Industrial Average (DJIA) and the S&P 500 advanced by 7.6 per cent and 8.5 per cent, respectively, while the Eurofirst 300 and the FTSE 100 declined by 0.5 per cent and 4.7 per cent, respectively (see **Figure 17**). Generally, global equities were positively impacted by signs of economic recovery and loose monetary policy. However, there were idiosyncratic factors which negatively impacted the markets. Of note, the month of September saw a more muted tone in markets amid rising COVID-19 infection rates and renewed localised lockdowns in Europe and other countries.

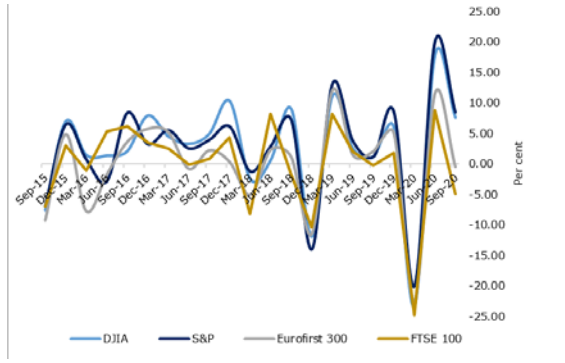
In July 2020, US equities surged reflecting investor optimism regarding solid employment growth, a rise in personal income and consumer spending, a surge in the housing sector and an increase in industrial production. However, all news was not positive as the June 2020 GDP growth estimate declined more than 31.0 per cent and many states witnessed an increase in the number of reported COVID-19 cases. In August 2020, equities continued to rebound as the Federal Reserve's messaging remained highly accommodative as well as investors focused on favourable economic data and the possibility of further government stimulus, despite rising virus cases. However, in September 2020, the market's rally reversed due to waning hopes of a second round of stimulus before the November 2020 US Presidential election. Investor sentiment was further dampened by a resurgence in European COVID-19 cases and discord between the US and China as the US President threatened recourse against American companies that do business with China. Notwithstanding this, overall the September 2020 quarter produced a second consecutive quarter of notable market gains.

Eurozone equities were virtually flat over the September 2020 quarter. In July, the EU approved a €750 billion fund to help member states recover from the pandemic. The rate of improvement in economic activity slowed since then and COVID-19 infections rose rapidly in several countries as the quarter progressed, notably Spain and France, and new restrictions to contain the virus were announced.

UK equities were negatively impacted by renewed fears around a disorderly Brexit, which weighed on investor sentiment, as well as concerns towards the end of the period around the implications of a second wave in COVID-19 infections. Rising infection rates necessitated the re-imposition of localised restrictions following similar measures taken in continental Europe.

[43] The possibility exists that Jamaica could receive a rating downgrade over the near term. However, there is an equal risk of a rating downgrade in other EMEs and AEs given the rise in debt ratios globally. Additionally, the main narrative over the next couple of years will be one of progress in containing the virus, accompanied by a further recovery in the global economy, which could provide further downward pressure for GOJGB.yields.

Figure 17: Selected Stock Market Indices
(Quarter-over-Quarter Per cent)



Source: Bloomberg

3.0 Real Sector

In the context of the impact of the coronavirus on the Jamaican economy, domestic economic activity is projected to decline over the September 2020 to March 2021 quarters then rebound over the rest of the forecast horizon. Consequently, for FY2020/21, real GDP is projected to fall in the range 10.0 to 12.0 per cent and recover partially in the range of 3.0 to 8.0 per cent in FY2021/22. Real GDP is anticipated to return to its pre-COVID level in the December 2022 quarter. Over the medium term (the next three years), GDP growth is projected to average 1.5 to 2.5 per cent per year, which is above the previous projections, mainly reflecting the re-phasing of the expected rebound in tourism and related industries as well as higher growth in manufacturing.

Relative to the previous forecast, a faster contraction is projected over the near-term (December 2020 to September 2021) which mainly reflects the impact of lower projections for construction, electricity, transport, agriculture and distribution. The output gap over the projection horizon is, on average, wider than that estimated at the last forecast. The risks to the forecast for real GDP growth are skewed to the downside.

GDP Growth and Output Gap

The Jamaican economy is estimated to have contracted in the range of 10.0 to 13.0 per cent for the September 2020 quarter, a slower pace of contraction compared to the 18.4 per cent decline recorded for the June 2020 quarter but greater relative to the previous projection for a reduction of 8.0 per cent. The estimated decline for the quarter occurred in the context of the continued adverse impact of the novel coronavirus on the economy and measures implemented to contain its spread.[1] Consequently, only Government Services and *Agriculture, Forestry & Fishing* are estimated to have grown. Reductions were chiefly reflected *in Hotels & Restaurants, Other Services, Mining & Quarrying Wholesale & Retail* and *Construction*.[2]

Worse than previously projected declines for the review quarter are estimated for *Construction, Wholesale & Retail Trade, Electricity & Water, Manufacture* and *Finance & Insurance*. In contrast, a slower pace of decline for *Hotel & Restaurants* as well as higher growth in *Agriculture, Forestry & Fishing* are estimated. The downward revision to construction was due to reductions in all sub-industries, particularly for building construction and civil engineering, the latter reflecting lower spending on road rehabilitation works.[3] *Manufacture* is estimated to have declined faster due to reductions in both food production and petroleum refining.[4] The stronger decline in *Wholesale & Retail Trade* is predicated on the estimated performance of the manufacturing and construction sectors. With regard to Electricity, larger declines are now estimated on the basis of available data.[5] The downward revision to *Finance & Insurance Services* reflected trends in recent outturns, due to significant declines in fees and service charges, possibly related to increased on-line banking, and a reduction in premiums for insurance services.

In the context of the decline for the June 2020 quarter, Bank of Jamaica estimated a more negative output gap for the quarter relative to the previous projection. This estimated output gap was also smaller than the gap in June 2020 but larger than the gap in the September 2019 quarter.[6]

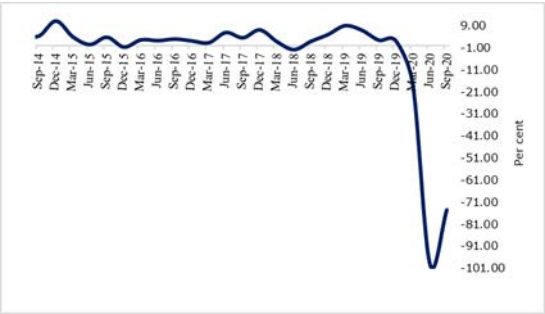
[1] During the September 2020 quarter, measures implemented to contain the spread of the coronavirus included nightly curfews, stay at home orders for person 70 years and older as well as restrictions on gatherings.
[2] Other Services include recreation, entertainment and sporting activities.
[3] For the September 2020 quarter, there were respective declines of 54.3 per cent and 1.1 per cent in NHT housing starts and completions.
[4] The decline in food production reflected lower output in most categories, particularly meat and meat production and sugar & molasses.
[5] Electricity consumption declined by 8.4 per cent for the September 2020 quarter relative to the anticipated fall of 2.4 per cent.
[6] The output gap is the difference between real GDP and the potential output. Expressed in percentage form, the output gap

Aggregate Supply

For the September 2020 quarter, value added in the majority of the industries is estimated to have declined. In contrast, Agriculture, Forestry & Fishing and Producers of Government Services are estimated to have grown, the former reflecting growth in domestic crops while the latter arising from greater services offered to curb the spread of the virus.

Following the significant reduction in the June 2020 quarter, value added for *Hotels & Restaurants* is estimated to have declined at a slower pace in the September 2020 quarter (see **Figure 18**). The reduction for the quarter is premised on lower foreign national arrivals via air transport and cruise ships. Notably, there have been no cruise arrivals since the re-opening of the ports to incoming passengers in the June 2020 quarter. Additionally, airport arrivals continue to be affected by travel advisories in major source markets given the increase in the number of coronavirus cases in the Island which led to the lower bookings and a scaling down of operations by many hotels. In addition, travel procedures have become more stringent.

Figure 18: Trend in Visitor Days (12-Month Per cent change)



Source: The Jamiaca Tourist Board

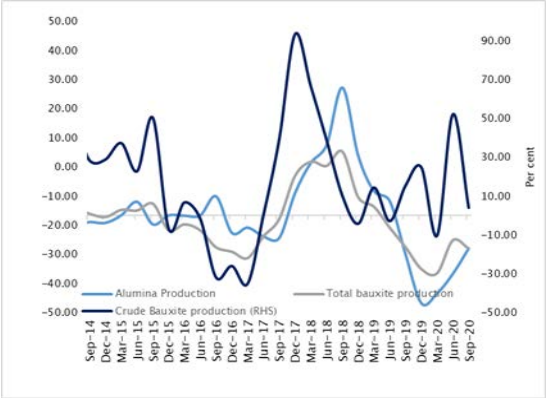
Value added for *Mining & Quarrying* for the June 2020 quarter is estimated to have declined at a slower pace relative to that in the previous quarter. The contraction for the review quarter reflected declines in both alumina production and bauxite production (see **Figure 19**). Lower alumina production largely reflected the closure of the Alpart plant while the reduction in bauxite production reflected lower export demand during the quarter.

Table 2: Industry Contribution to Growth (September 2020 Quarter)

	Contribution	Estimated Impact on Growth
GOODS	15.1	−8.0 to −7.0
Agriculture, Forestry & Fishing	−2.4	4.0 to 5.0
Mining & Quarrying	5.0	−24.5 to −23.5
Manufacture	6.6	−9.0 to −8.0
Construction	1.2	−10.5 to −9.5
SERVICES	84.9	−14.0 to −13.0
Electricity & Water Supply	2.0	−8.0 to −7.0
Wholesale & Retail Trade, Repairs & Installation	16.3	−12.0 to −11.0
Hotels & Restaurants	30.1	−65.5 to −64.5
Transport Storage & Communication	12.8	−14.5 to −13.5
Financing & Insurance Services	3.6	−4.5 to −3.5
Real Estate, Renting & Business Activities	3.5	−4.5 to −3.5
Producers of Government Services	−0.3	0.0 to 1.0
Other Services	15.8	−28.0 to −26.5
Financial Intermediation Services Indirectly Measured	−1.1	2.5 to 3.5

Source: Bank of Jamaica

Figure 19: Trends in Crude Bauxite, Alumina & Total Bauxite Production (12-Month Per cent Change)



Source: Jamaica Bauxite Institute

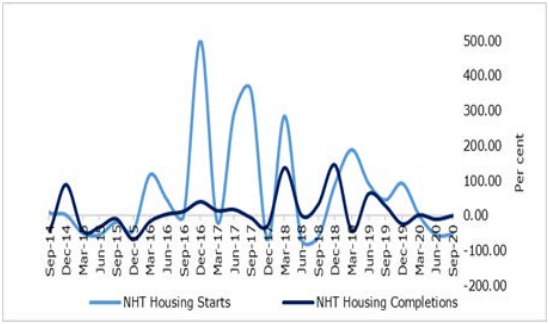
measures the deviation of real GDP from its potential as a fraction of potential output.

Transport, Storage & Communication is estimated to have declined for the September 2020 quarter and was also related to the reduction in air passenger arrivals. Declines were also seen in road transportation as well as in the movement of cargo at the outports and public passenger transportation.

Electricity & Water Supply is estimated to have contracted in the review quarter. This reduction reflected a fall in electricity consumption (proxied by total electricity sales) and water consumption during the review period. The decrease in electricity and water consumption during the period may be associated with lower usage in the context of the closure of schools and some businesses.

Construction is estimated to have declined for the review quarter. This performance was largely driven by a reduction within building construction, civil engineering and building installation. Activities related to civil engineering were lower due to the recent completion of major road rehabilitation projects. With regard to building construction, NHT housing starts and completions declined in the quarter (see Figure 20).

Figure 20: National Housing Trust Housing Starts & Completion (12-Month Per cent change)



Source: The National Housing Trust

The decline in *Manufacturing* for the review quarter largely reflected a fall in both Other Manufacturing and Food, Beverages & Tobacco. The reduction in Other Manufacturing is associated mainly with decreased production of refined petroleum as well as reductions in non-metallic minerals and chemicals & chemical products during the quarter. Food, Beverages & Tobacco is estimated to have declined consequent on a decrease in all categories, particularly meat and meat production and sugar & molasses.

Wholesale & Retail Trade is estimated to have declined for the review quarter. This performance was largely driven by a reduction in output levels in the construction, agriculture and manufacturing industries as well as a decrease in imports of goods.

Value added for *Agriculture, Forestry & Fishing* is estimated to have grown in the quarter. This increase largely reflected growth in domestic crop production which was partly offset by a decline in traditional export crops. The growth in domestic crop production is due to greater production in all categories, except for yams and sorrel.[7] With regard to traditional crops, the decline largely reflected reductions in the production of sugar cane, banana, coffee and cocoa. Animal farming is also estimated to have declined given a decrease in broiler production.

Given the above changes, both non-tradable and tradable industries are estimated to have contracted for the review quarter. The decline in the tradable sector was mainly attributed to *Hotels & Restaurants* and *Mining & Quarrying* while for the non-tradable sector the decline was chiefly associated with *Other Services, Wholesale & Retail* and *Construction*.

Aggregate Demand

From the perspective of aggregate demand, there were also indications of a decline in spending for the September 2020 quarter. This estimate reflected reductions in net exports, investment and private consumption. The deterioration in net exports for the

[7] For the September 2020, domestic crop production grew by 9.8 per cent. There were growth in all categories except yams and sorrel, which recorded declines of 10.2 per cent and 8.8 per cent, respectively. Fruits, condiments and other tubers recorded increases in excess of 20.0 per cent.

quarter was greater than anticipated due to lower than anticipated exports as well as higher imports, particularly capital goods and raw materials (see Balance of Payments). The decline in investment was greater than anticipated and largely reflected contractions in real FDI and GOJ's capital expenditure.[8] Private consumption is also estimated to have declined in the quarter and was generally in line with expectations.[9]

Labour Market Developments

Jamaica's unemployment rate (UR) at July 2020 increased to 12.6 per cent, 4.8 percentage points (pps) relative to the rate at July 2019. The increase in the UR reflected a decline of 10.8 per cent (135,800) in the employed labour force, in the context of a reduction of 6.0 per cent (81,200) in the labour force. The number of unemployed persons increased by 51.2 per cent, while the labour force participation rate fell by 4.0 pps to 61.3 per cent.

In the context of the adverse impact of the novel coronavirus, Bank of Jamaica projects that labour market conditions will worsen over the next eight quarters. In this regard, the average unemployment rate over the December 2020 to September 2022 quarters is projected to increase within the range of 13.0 per cent to 15.0 per cent, relative to the 9.0 per cent over the past year. The employed labour force is projected to decline (year over year) at an average rate of 0.5 per cent per quarter, even while the labour force is projected to decline.

The anticipated increase in unemployment, particularly over the next four quarters is greater than the previous projection. The expected increase in unemployment is anticipated mainly in tourism, construction, transport and wholesale & retail industries.

Outlook

Real GDP is projected to grow at an average rate of 2.0 to 3.0 per cent over the December 2020 to September 2022 quarters and remain well below potential output. This forecast reflects anticipated declines in real GDP over the next two quarters in the context of the continuing impact of the novel coronavirus on the economy and recovery in real GDP in the latter quarters. The projected growth in the economy occurs in the context of accommodative monetary conditions over the forecast horizon (see Monetary Conditions). In addition, the domestic fiscal stance is anticipated to be expansionary, particularly over the next four quarters before becoming contractionary. The outlook for external demand has been revised upwards relative to the previous forecast because of better than anticipated estimates for the June and September 2020 quarters (see International Economy).

The forecast of aggregate spending supports the outlook for a V-shaped path for real GDP over the next four quarters. The projected reduction over the near term is in the context of a deterioration in net exports as well as declines in investment and consumption. The deterioration in net exports is predicated on lower travel inflows, partly offset by lower goods imports. For investment, the reduction reflects declines in FDI inflows, given the postponement of tourism-related projects and lower private domestic investment. Government capital expenditure is also anticipated to decrease due to reduced spending on projects. The fall in consumption is anticipated given lower incomes and job losses due to the impact of the novel coronavirus. This impact is partly offset by higher than anticipated growth in remittances.

[8] The estimate for investment spending for the September 2020 quarter reflects decreases in real FDI and GOJ's capital expenditure. GOJ's capital expenditure is estimated to decline by 4.5 per cent in the quarter, relative to 13.3 per cent for the preceding quarter. Notably, there was no loan inflow from China EXIM Bank related to the South Coast Highway Improvement Project (SCHIP) in the quarter. Private domestic investment, which reflects the level of spending on investment goods after the influence of FDI and government capital expenditure have been taken into account, is estimated to have been generally unchanged even with the introduction of a few new projects. Real FDI is estimated to have declined by 45.9 per cent, following a reduction of 40.7 per cent in the previous quarter and an average decline of 28.6 per cent over the last four quarters. The reduction in FDI for the review quarter largely reflected lower spending on infrastructure activities and tourism-related projects.

[9] The decline in real private consumption is inferred from the lagged decrease in GCT on imports in the March 2020 quarter.

There has been a downward revision to GDP growth over the near term (December 2020 to September 2021 quarters), relative to the previous forecast. This revision is largely related to *Agriculture, Forestry & Fishing, Hotel & Restaurant, Wholesale & Retail Trade, Other Services, Real Estate & Renting,* and *Finance & Insurance Services*. *Agriculture, Forestry & Fishing* was revised down due to recent adverse weather conditions. With regards to *Distribution*, it is anticipated that the industry will be adversely affected by a greater than previously anticipated reduction in domestic output. *Real Estate & Renting* is anticipated to be lower than previously expected due to lower business and construction activities. The downward revision to *Finance & Insurance Services* reflected trends in the recent outturns while the downward revision to *Hotel & Restaurant* is consistent with the revision to the outlook US GDP growth.

4.0 Fiscal Accounts

Central government operations are anticipated to be expansionary over the next four quarters, reflecting a fall in revenues in the context of lower economic activity and higher expenditure as outlined in the second supplementary estimates that were tabled by the Government in October 2020.

In the context of the adverse impact of COVID-19 on the economic environment, GOJ's medium term debt target of 60.0 per cent of GDP was shifted to March 2028. Central Government is therefore required to run a primary surplus of 6.5 per cent beginning in FY2021/22 to achieve the new target. The risks to the fiscal projections are skewed to the downside (higher fiscal deficit) given the likelihood of additional spending on health, on other COVID-related activities and in the context of the impact of adverse weather conditions.

Recent Developments

Fiscal policy for the September 2020 quarter showed signs of being more expansionary. For the quarter, Central Government's operations recorded a fiscal deficit of $35.9 billion (1.8 per cent of GDP), in contrast to the surplus of $1.6 billion (0.1 per cent of GDP) for the September 2019 quarter. Similarly, the primary surplus for the September 2020 quarter was $5.6 billion (0.3 per cent of GDP), compared to the primary surplus of $42.7 billion (2.0 cent of GDP) for the similar period of 2019. The fiscal outturn for the review period reflected a faster pace of growth in expenditure as well as lower revenues & grants, relative to the corresponding period of 2019, both reflecting the adverse impact of the Covid-19 pandemic.

The performance of Revenues & Grants for the September 2020 quarter, was attributable to lower tax and non-tax revenue receipts relative to the corresponding period of 2019.[1] The decline in tax revenues emanated mainly from the international trade and production & consumption categories.[2]

With the exception of capital expenditure, higher spending was evident in all categories of expenditure. The higher programme spending was due to allocations for COVID-19 Allocation of Resources for Employees packages.

The financing requirement for Central Government for the September 2020 quarter was $55.4 billion (2.8 per cent of GDP) reflecting the fiscal deficit noted above and amortization of $19.6 billion (1.0 per cent of GDP). In addition, Central Government made payments of $24.2 billion (1.2 per cent of GDP) on behalf of the Clarendon Aluminium Partners.

The above noted expenses were financed by domestic and external loan receipts of $25.1 billion (1.3 per cent of GDP) and $1.0 billion (0.1 per cent of GDP), respectively. For domestic loans, three benchmark investment notes (BINs) amounting to $19.3 billion (1.0 per cent of GDP) were issued to the domestic capital market during the period. In addition, Treasury bills issuances amounted to $5.8 billion (0.3 per cent of GDP). External loan receipts amounted to US$7.0 million (0.1 per cent of GDP) from multi-lateral agencies for investment projects. Against this background, there was a draw-down of $52.8 billion (2.7 per cent of GDP) in Central Government bank balances.

[1] Notwithstanding lower flows relative to September 2019, non-tax revenue reflected $3.5 billion from the sale of the Transjamaica Highway preference shares 08 September 2020.

[2] The lower international trade receipts were attributable to reduced inflows from travel tax, SCT(imports), GCT(imports) and custom duty. The declines in travel inflows, GCT(imports), SCT(imports) & customs duty were primarily due to the adverse impact of the COVID-19 pandemic on imports. For production & consumption receipts, the decline largely reflected lower inflows from GCT (local) and SCT (local). The deterioration in GCT (local) was due to lower economic activity while the lower than projected domestic production of refined fuel drove the outturn for SCT (local).

Domestic amortization for the September 2020 quarter amounted to $6.7 billion (0.3 per cent of GDP) mainly reflecting maturing Treasury bills for the quarter. External amortization included payments of US$42.4 million (0.3 per cent of GDP) and US$4.0 million (0.1 per cent of GDP) to multi-lateral and bi-lateral lending agencies, respectively. In addition, there were contingency payments of US$11.2 million (0.1 per cent of GDP).

Near Term Outlook

In the context of the continued impact of the coronavirus on the economy, Central Government operations are expected to be more expansionary over the next four quarters relative to the previous assessment. The more expansionary stance is due primarily to an increase of $15.7 billion in expenditure due to the incorporation of the second supplementary budget.[3]

[3] The second supplementary budget indicated an increase of $15.7 billion in expenditure. There was an additional allocation of $9.7 billion for non-debt recurrent expenditure, of which $6.1 billion and $3.6 billion were allocated to programmes and compensation, respectively. Increases in programmes represented higher spending due to Covid-19 for the Ministry of Health and Wellness for staff costs, purchase of drugs and reagents, and rental and refurbishing of office space. Increased compensation was due mainly to an increase for the Ministry of National Security, mainly JDF. In addition, capital spending increased by $6.9 billion, of which $4.6 billion is allocated towards Southern Coastal Highway Improvement Project.

5.0 Balance of Payments

The current account deficit (CAD) of the balance of payments (BOP) is projected to improve significantly over the next eight quarters (December 2020 – September 2022), relative to the previous forecast, by an average of US$116.7 million per quarter.[1] This improvement is largely underpinned by an upward revision to remittance inflows. In this context, the CAD as a percentage of GDP is projected to average 3.2 percent of GDP over the period FY2020/21 to FY2022/23, lower (better) than the previous projection of 5.9 per cent of GDP. Over the medium term (FY2020/21 to FY2025/26) the CAD is expected to average 3.1 per cent of GDP. The outlook for the gross reserves has improved, relative to the previous projection, due to a favourable outturn as at September 2020 and higher net portfolio and multilateral inflows. The adequacy of reserves has consequently improved in the near-term albeit below the ARA 100% metric at end-FY2025/26. The risks to the projections for the CAD and reserves are balanced.

Recent Developments

The current account deficit (CAD) of Jamaica's balance of payments for the June 2020 quarter amounted to US$105.9 million (0.7 per cent of GDP), US$44.7 million higher (worse than) than the CAD recorded for the June 2019 quarter. This deterioration was reflected in the services and income sub-accounts, partly offset by improvements on the merchandise trade and current transfers sub-accounts.

Relative to the Bank's projection, the CAD was higher (worse) by US$11.9 million. The variance in the CAD was largely underpinned by a higher than projected deterioration on the income sub-account and merchandise trade balance partially offset by a better than projected improvement in the services sub-account. The deficit on the income account was above projection by US$76.8 million mainly due to higher portfolio investment outflows. For the merchandise trade balance, exports (f.o.b) were US$1.6 million above projection while imports were higher by US$12.1 million.[2] The services account was above projection by US$67.5 million primarily due to higher than projected other business services inflows. Current transfers were above projections by US$8.4 million, primarily due to higher than projected remittance inflows.

For the September 2020 quarter, the CA is estimated to amount to a surplus of US$73.0 million (0.5 per cent of GDP), US$464.5 million higher (better) than the previous projection and US$211.2 million above (better than) the CAD for the September 2019 quarter. This improvement, relative to the previous year, is reflected primarily in the merchandise trade balance, current transfers and the income sub-accounts, partially offset by deterioration in the services sub-account. The merchandise trade balance is estimated to have improved due to a decline in imports, particularly fuel, in the context of declines in both price and volumes.[3] The estimated improvement in current transfers is assessed to have been driven by a range of factors including the fiscal stimulus measures in

[1] For the March 2020 quarter, Jamaica's current account of the Balance of Payments (BOP) recorded a deficit of 1.6 per cent of GDP. This was 0.5 percentage points lower than the previous estimate in August 2020. The revised estimate was underpinned by a downward adjustment to average daily expenditure by US$16.70.

[2] Relative to the corresponding period of the previous year, imports of mineral fuels, machinery and transport and manufactured goods declined by US$310.2 million (69.6 per cent), US$119.1 million (31.7 per cent) and US$82.5 million (37.1 per cent), respectively. Exports were higher than previously projected, primarily due to higher than expected non-traditional exports of US$47.2 million. Regarding the variance on non-traditional exports, the main component was other non-traditional goods.

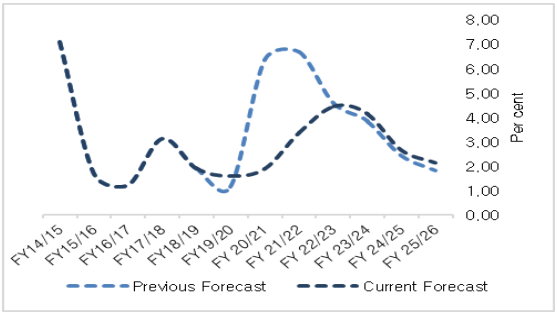
[3] Relative to the corresponding period of the previous year, fuel prices and non-mining volumes fell by 53.4 per cent and 35.3 per cent, respectively.

source markets, increased use of the formal channel given the decline in travel, as well as increased local hardship which drives the altruistic motive for remittances. In contrast, the deterioration on the services balance reflects lower stop-over arrivals which is associated with the economic impact of the COVID-19 pandemic in source markets.

The variance in the CAD for the September 2020 quarter, relative to projections, was underpinned by a higher than projected surplus on current transfers of US$416.2 million.[4] This was partially offset by a higher than projected deficit on the merchandise trade balance of US$20.0 million.[5]

The CAD for the period FY2020/21 is expected to be broadly sustainable in the context of the higher inflows of remittances before breaching the sustainability condition in FY2022/23. For FY2020/21, the CAD is projected to deteriorate marginally to 1.9 per cent of GDP, relative to the estimate of 1.6 per cent of GDP for FY2019/20.

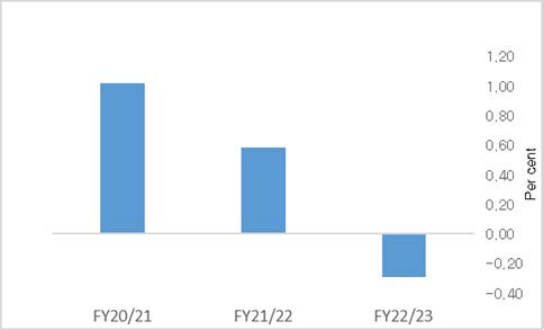
Figure 21: Medium-Term CAD Forecast (% GDP)



Source: Bank of Jamaica

The CAD (as a per cent of GDP) is projected to improve over the medium-term, relative to the previous forecast. The CAD is projected to average 3.3 per cent of GDP between FY2020/21 and FY2024/25, relative to the previous forecast of 4.8 per cent of GDP (see Figure 21). The expected improvement is mainly due to higher remittance inflows. The current account balance, after accounting for FDI-related imports, reflects an average surplus of 0.4 per cent of GDP for the 3-year forecast period of FY2020/21 to FY2022/23 (see Figure 22).

Figure 22: Current Account less FDI (% of GDP)



Source: Bank of Jamaica

[4] Remittance inflows for the Sep-20 quarter is expected to grow by 39.5 per cent relative to the corresponding period of the previous year. This is an upward revision compared to the significant decline previously anticipated.

[5] The deficit on the merchandise trade balance increased mainly due to an upward revision to capital good imports.

6.0 Monetary Policy & Market Operations

BOJ maintained its signal rate during the September 2020 quarter at 0.50 per cent. This decision was based on the Bank's view that monetary conditions are generally appropriate to support inflation remaining within the target of 4.0 per cent to 6.0 per cent over the next two years.

In order to ensure the orderly functioning of the foreign exchange market during the September 2020 quarter, BOJ provided liquidity amounting to US$112.0 million via the B-FXITT facility and swap arrangements, and US$38.0 million via other market sales.

In light of the Bank's FX sales to the market, Jamaican dollar liquidity tightened, but remained buoyant, during the September 2020 quarter, relative to the preceding quarter.

BOJ maintained its signal rate at 0.5 per cent, effective 30 September 2020.[1] However, money market rates and GOJ treasuries generally declined for the September 2020 quarter, reflective of the buoyancy in liquidity for the period.

Liquidity Conditions

Although remaining at a buoyant level, liquidity conditions during the September 2020 quarter tightened relative to the June 2020 quarter. This was indicated by the maintenance by deposit-taking institutions (DTIs) and primary dealers of average current account balances at Bank of Jamaica of $48.7 billion, below the average of $55.5 billion for the preceding quarter, but above the level (of $44.3 billion) considered adequate for the system.

Liquidity conditions over the September 2020 quarter were less buoyant relative to the projections at the last assessment. Financial institutions' (FIs') average current account balances for the quarter were lower than projected by $7.7 billion.[2] Lower than anticipated balances primarily reflected net absorption from GOJ operations of $2.9 billion from the system during the quarter, which compares to projected injection of $8.5 billion. On the other hand, net absorption of $3.9 billion through BOJ operations during the September 2020 quarter was $3.8 billion lower than projected (see Table 3). This largely reflected net absorptions from OMOs of $21.9 billion, which was marginally lower than anticipated, and Other BOJ operations of $7.8 billion, which was $2.3 billion stronger than expected largely due to higher than expected currency issues. This absorption was partly offset by an injection from BOJ FX operations of $25.7 billion, which was $5.9 billion above projection.

Bank of Jamaica conducted 13 auctions of 30-day CDs during the review quarter. The average offer size during the September 2020 quarter was $5.4 billion, above the average of $3.9 billion for the June 2020 quarter. The increase reflected the actions of the central bank over the period to sterilize excess liquidity levels in the financial system following the reduction in the cash reserves in the June 2020 quarter amid the impact of COVID-19. The average offer size was lower than the average maturities of $5.0 billion for the quarter. As a result of institutions' high demand for the instrument, the average yield on the 30-day CDs for the review quarter was 0.84 per cent, 112 bps below the average for the June 2020 quarter.

BOJ continued to offer its weekly 14-day repos via competitive auctions during the September 2020 quarter. Liquidity accessed via 14-day repos during the quarter averaged $11.0 billion, relative to $2.4

[1] Consequently, the SLF rate and the EFR were maintained at 2.50 per cent and 6.50 per cent, respectively, during the review quarter.

[2] Financial institutions refer to DTIs and primary dealers.

billion in the June 2020 quarter. A total of 13 auctions were held during the review period, equivalent to the previous quarter. Only 6 offers received subscriptions which reflected an average yield of 1.25 per cent, unchanged from the preceding quarter.[3]

Table 3: BOJ Liquidity Facility (J$ Billions)

BOJ Liquidity Flow (J$ Billions)	Actual Mar-20	Actual Jun-20	Projected Sep-20	Actual Sep-20	Variance Sep-20
Net BOJ Operations (Inject/Absorb)	15.4	46.6	-7.7	-3.9	12.9
Open Market Operations	3.0	-9.2	-22.1	-21.9	-2.4
BOJ Repo - (incl. OTROs)	-0.2	1.0	-11.3	-3.2	-2.3
FR CDs - (incl. 30d cds)	3.1	28.8	-3.3	-3.5	0.2
VR CDs	0.0	0.0	0.0	0.0	0.0
USD Indexed Notes	0.0	-39.0	-7.5	-15.2	-0.2
BOJ FX (incl. PSE)	24.6	11.0	19.9	25.7	7.5
BOJ Other	-12.2	44.8	-5.4	-7.8	7.8
o.w. Currency Issue	-5.2	-11.5	-14.7	-20.4	-1.3
o.w. Cash Reserve (Com Banks)	-2.1	5.0	7.5	6.8	6.6
o.w. other	1.5	3.4	1.1	5.5	4.4
GOJ Operations	-20.7	-31.3	8.5	-2.9	-11.5
Current A/C (+) = Loosen; (-) = Tighten	-5.4	15.3	0.8	-6.9	-7.7
Current A/C Balance (AvgStock)	37.5	55.5	56.3	48.7	-7.7

Notes: (+) = Inject; (-) = Absorb

Source: Bank of Jamaica

Strong foreign currency demand during the September 2020 quarter and the associated fluctuations in market conditions necessitated BOJ's foreign currency sale of US$144.0 million and the provision of US$6.0 million via swap arrangements, respectively. The swap arrangement partially replaced the US$37.0 million that matured during the quarter. There was also a repayment of USD CDs totalling US$3.0 million. There were no new issues of USD CDs during the review period (see Table 4).

Table 4: Placements & Maturities of BOJ USD Instruments

	April - June 2020			July - September 2020		
	Placements (US$MN)	Maturities (US$MN)	Average Rate (%)	Placements (US$MN)	Maturities (US$MN)	Average Rate (%)
3-year	-	0.0	-	-	2.91	-
5-year	-	10.7	-	-	0.13	-
TOTAL	**-**	**10.7**	**-**	**-**	**3.04**	**-**

Source: Bank of Jamaica

[3] The increase in funds accessed via the 14-day repo facility was in the context of temporary shortages in liquidity, which coincided with the issue of BOJ USD Indexed Bonds.

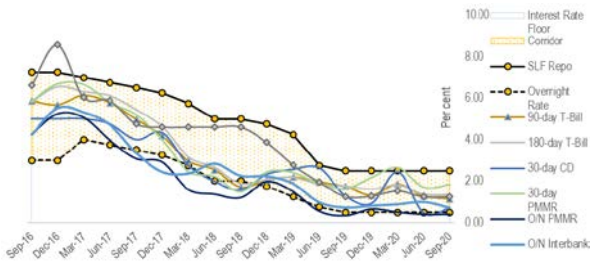
7.0 Financial Markets

There was a general decline in money market rates during the September 2020 quarter, which primarily reflected buoyant liquidity conditions in the market, in the context of Bank of Jamaica's unchanged monetary policy and loose monetary conditions. The estimated yield curve on GOJ JMD bonds at end-September 2020 was stable, relative to the yield curve at end-June 2020. Sovereign risk declined while exchange rate risk increased.

Market Interest Rates

Largely reflective of buoyant liquidity conditions, there was a general decline in money market rates during the September 2020 quarter, relative to the preceding quarter. When compared to the rates at end-June 2020, O/N interbank rates were lower by 27 bps, while overnight (O/N) and 30-day private money market rates (PMMR) were higher by 1 bp and 14 bps, respectively. Likewise, the yields on GOJ 90-day, 180-day and 270-day Treasury bills at end-September 2020 were lower by 14 bps, 3 bps and 18 bps, respectively (see Figure 23).

Figure 23: Money Market Rates (Nominal)[1]



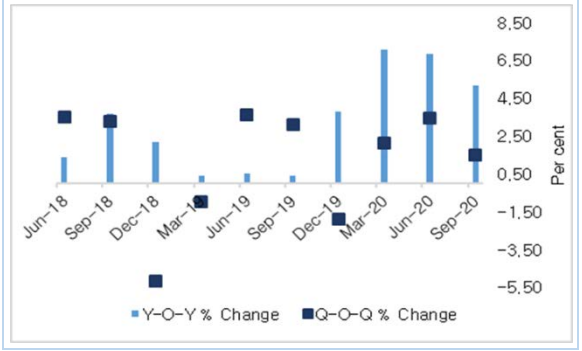
	BOJ SLF Rate	BOJ 30-day CD	BOJ O/N Deposit	O/N PMMR +	O/N Int. Bank +	30-day PMMR +	90-day T-Bill	180-day T-Bill	270-day T-Bill
Mar-19	4.25	2.57	1.25	1.49	1.89	2.40	2.19	2.17	2.17
Jun-19	2.75	2.64	0.75	0.55	0.98	1.87	1.95	1.84	2.09
Sep-19	2.50	1.30	0.50	0.33	0.73	1.63	1.74	1.75	2.01
Dec-19	2.50	0.93	0.50	0.66	0.82	2.16	1.32	1.60	1.73
Mar-20	2.50	2.45	0.50	0.50	0.89	2.64	1.85	1.80	1.67
Jun-20	2.50	0.47	0.50	0.39	1.00	1.69	1.28	1.36	1.83
Sep-20	2.50	0.71	0.50	0.40	0.73	1.83	1.14	1.33	1.65

Source: Bank of Jamaica

Exchange Rate Developments

The nominal exchange rate depreciated during the review quarter, relative to the previous quarter. The weighted average selling rate of the Jamaica Dollar vis-á-vis the US dollar (WASR) closed the September 2020 quarter at J$142.10 = US$1.00, reflecting depreciation of 1.5 per cent, relative to the previous quarter and depreciation of 5.1 per cent relative to end-September 2019.[2] This outturn compares to the Bank's assumption of 0.0 per cent (q-t-q).

Figure 24: Movements in WASR



The depreciation in the exchange rate during the September 2020 quarter was particularly noticeable in July 2020. This was underpinned by increased end user demand, particularly the manufacturing and distributive trade. These demand pressures were attenuated by B-FXITT sales of US$106.0 million for the quarter, of which US$70.0 million was sold in July 2020. Subsequently, an appreciation cycle in September 2020 was influenced by an

[1] Notes: (i) PMMR is the private money market rate (ii) O/N is the overnight rate in the market accessible by all financial institutions while the interbank rate (I/B) is the overnight rate accessible only by banks.
+ Reflects average rate for the month.

* Rates represent month-to-date

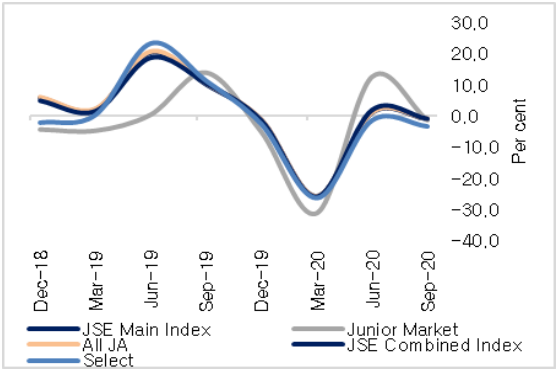
[2] The WASR (avg) closed the quarter at J$146.40 = US$1.00, reflecting depreciation of 3.0 per cent relative to the previous quarter and depreciation of 6.9 per cent relative to end-September 2019.

increase in USD supply from the earner segment of the market, particularly remittances, as well as greater willingness of some FX intermediaries to augment US dollar liquidity.

Equities Market

For the September 2020 quarter, all the Jamaica Stock Exchange (JSE) indices recorded declines, which ranged between −3.3 per cent and −0.9 per cent (see Figure 25). Of note, the JSE Main Index decreased by 0.9 per cent relative to an increase of 1.2 per cent, the previous quarter. Consequently, on an annual basis, all JSE indices decreased, with the JSE Main Market and Junior Market indices recording declines of 26.3 per cent and 27.7 per cent, respectively. This annual decline in the JSE Main Market and Junior market indices compares to growth of 44.0 per cent and 4.1 per cent, respectively, for the corresponding period of the previous year.

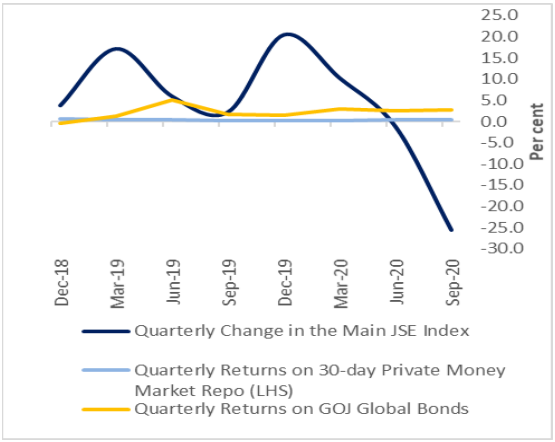
Figure 25: Quarterly Growth of the JSE Indices
(Per cent Change)



Source: Jamaica Stock Exchange

The weak performance in the equities market for the review quarter, largely reflected low investor interest due to continued uncertainty about the prospects for the economy, given the COVID-19 pandemic. This uncertainty was also reflected in the continued depreciation in the local currency vis-à-vis the US dollar. As such, returns on foreign currency investments were higher than returns on the stock market. Returns on foreign currency investments yielded quarterly returns of 2.5 per cent for the review quarter, while equities offered a quarterly return of −0.9 per cent.[3] The average returns in the 30-day private money market was 0.5 per cent for the review quarter (see Figure 26).

Figure 26: Returns from Private Money Market, GOJ Global Bonds and Capital Gains/ (Losses) from JSE Main Index
(Per cent)



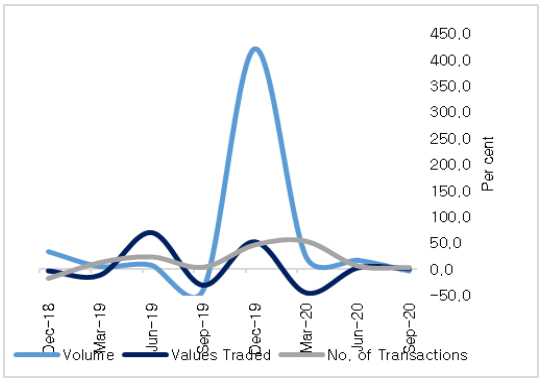
Source: Jamaica Stock Exchange and Bloomberg

Notwithstanding the decline in the JSE Main Index, the results for stock market activity indicators were mixed for the review quarter.[4] Specifically, the value and number of transactions increased by 0.8 per cent and 2.0 per cent, respectively. Meanwhile, the volume of transactions decreased by 4.2 per cent for the quarter, relative to an increase of 16.2 per cent in the June 2020 quarter (see Figure 27).

[3] The return on foreign currency investments is computed as the sum of quarterly foreign currency gains (losses) and the average quarterly returns on GOJ global bonds.

[4] During the review quarter, Transjamaica Highway Cumulative Redeemable 8% Preference Shares and Tropical Battery Limited Ordinary Shares were listed on the JSE Main and Junior Market, respectively. In addition, there was an APO of new ordinary shares on the main market by Barita Investments Limited.

Figure 27: Quarterly Change in the Monthly Volumes, Values Traded & Number of Transactions (Main JSE Index) (Per cent)



Source: Jamaica Stock Exchange

The price performance of the stocks on the JSE Main Index, as measured by the advance to decline ratio, was 15:24 for the September 2020 quarter. Of note, stock price appreciation was largely concentrated among the *Financial* sector. Meanwhile, the *Manufacturing* and *Other* categories accounted for most of the declining stocks for the September 2020 quarter (see Tables 6 and 7).

Table 6: Stock Price Appreciation

Top Ten Advancing	Per cent
Other	
Pulse Investments	54.76
Tourism	
Ciboney Group	45.5
Manufacturing	
Seprod Limited	11.18
Financial	
Mayberry Investments Limited	5.58
Sterling Investments Limited	5.26
Scotia Group Jamaica	19.93
Barita Investments Limited	58.86
Proven Investments Limited	10.08
Eppley Limited	246.03
Sygnus Credit Investments JMD	8.90

Table 7: Stock Price Depreciation

Top Ten Declining	Per cent
Financial	
Sygnus Credit Investments USD	-79.17
Victoria Mutual Investment	-24.13
Sagicor Select Funds Limited – Financial	-14.28
Other	
Palace Amusement	-29.72
138 Student Living Jamaica Limited	-12.06
MPC Caribbean Clean Energy Limited	-11.24
Manufacturing	
Jamaica Broilers	-16.66
Wisynco Group Ltd	-13.86
Kingston Wharves	-13.12
Berger Paints (Jamaica)	-15.36

8.0 Monetary Aggregates

Growth in the monetary aggregates and credit to the private sector as at September 2020 were faster than previously projected.

Over the ensuing eight quarters, the average annual growth rate in the base money and broad money are expected to be above the previous projection, while growth in private sector credit is expected to remain generally in line with previous projections.

Money

The annual growth in the monetary base as at September 2020 was 20.8 per cent, relative to the previous projection of 17.8 per cent and above the growth of 17.1 per cent at June 2020. This stronger growth reflected higher than anticipated cash reserves and currency issued. This was partly offset by lower than anticipated current account balances.

Table 8: Bank of Jamaica Balance Sheet (Analytical Presentation)

	Stock (J$MN)			Flow (%)	
	Sep-19	Jun-20	Sep-20	Qtr. -o- Qtr.	Y-o-Y
NIR (US$MN)	3,098.05	2,949.26	2,747.49	-6.8	-11.3
NIR(J$MN)	416,559.34	412,462.00	389,247.96	-5.6	-6.6
- Assets	481,618.87	546,127.57	526,087.24	-3.7	9.2
- Liabilities	-65,059.53	-133,665.57	-136,839.28	2.4	110.3
Net Domestic Assets	-196,425.99	-173,194.88	-123,393.84	28.8	37.2
- Net Claims on Public Sector	105,103.31	159,189.03	211,632.04	32.9	101.4
- Net Credit to Banks	-68,898.95	-65,274.73	-66,981.90	2.6	-2.8
- Open Market Operations	-55,784.53	-74,311.08	-76,564.65	3.0	37.3
- Other	-176,845.81	-192,798.09	-191,479.34	-0.7	8.3
-o/w USD FR CDs	-31,828.17	-20,044.12	-19,618.25	-2.1	-38.4
Monetary Base	220,133.35	239,267.12	265,854.12	11.1	20.8
- Currency Issue	126,960.09	151,704.79	170,033.01	12.1	33.9
- Cash Reserve	45,140.93	35,280.94	37,093.77	5.1	-17.8
- Current Account	48,032.33	52,281.40	58,727.34	12.3	22.3

Source: Bank of Jamaica

Regarding the sources of the annual change in the monetary base at September 2020, there was an increase of 37.2 per cent in the net domestic assets (NDA), the impact of which was partly offset by a decline of 6.6 per cent in Bank of Jamaica's net international reserves (NIR) (see Table 10). The decline in the NIR stock was driven by outflows from Government of Jamaica, as well as net B-FXITT sales of US$443.5 million over the year. These outflows were largely offset by net purchases via the public sector entities (PSE) facility. The net claims on the public sector contributed to the increase in the NDA.[1]

Broad money grew at an annual rate of approximately 21 per cent at September 2020, an acceleration relative to the growth at June 2020 and at September 2019. This acceleration was reflected in all the components of money, particularly currency, indicative of the public's desire to hold its assets in more liquid forms in the context of the uncertainties surrounding the Covid-19 pandemic.

[1] The annual increase in net claims on public sector largely reflected increased holdings of GOJ securities, partly offset by higher Central Government deposits. Increased holdings of GOJ securities reflected $49.5 billion of outright purchases of GOJ VR BINs on the secondary market, and receipt of $21.7 billion in GOJ FR BINs from Central Government for past due losses.

Some of the deposit growth may also have been related to the welfare payments of the government as well as the nascent normalisation of the economy, relative to the previous quarter.

The expansion in M2J at September 2020 was underpinned by growth of 19.7 per cent in local currency deposits, an acceleration relative to the 14.6 per cent recorded at end-June 2020. The acceleration in the growth in deposits was reflected in demand and savings deposits, which grew by 22.1 per cent and 17.8 per cent, respectively, relative to growth of 14.8 per cent and 16.3 per cent in June 2020.

Table 9: Components of Money Supply (M2*)

	Percentage Change (%)		
	Sep-19	Jun-20	Sep-20
Total Money Supply (M2*)	8.9	16.3	20.6
Money Supply (M2J)	11.5	16.5	21.1
Money Supply (M1J)	12.3	18.7	24.1
Currency with the public	11.9	24.7	27.1
Demand Deposits	12.7	14.8	22.1
Quasi Money	10.8	14.6	18.4
Savings Deposits	13.4	16.3	17.8
Time Deposits	2.0	8.1	20.7
Foreign Currency Deposits	4.5	15.9	19.8

Source: Bank of Jamaica

Private Sector Credit

Growth in private sector loans and advances moderated relative to the previous quarter. Loans and advances (including domestic and foreign currency denominated loans) to the non-financial private sector by deposit-taking institutions (DTIs) expanded by 12.2 per cent at September 2020. This was below the growth of 13.3 per cent as at June 2020.

This growth was underpinned by expansions in loans and advances of 15.7 per cent and 9.6 per cent to the productive sector and individuals, respectively. Growth in loans to the productive sector was mainly attributed to growth in loans to the *Tourism, Construction & Land Development* and *Other Professional* industries.

Table 10: Select Private Sector Financing Indicators
(12-month Percentage Change)

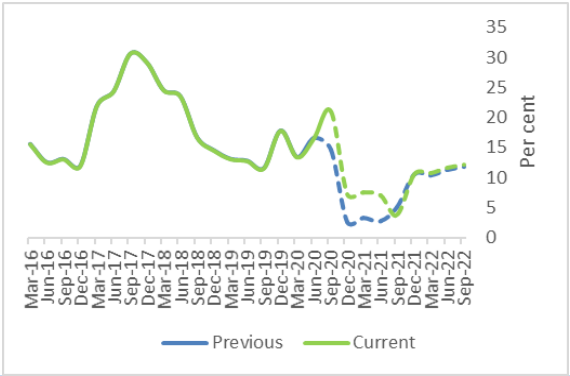
Stock	Sep-19	Jun-20	Sep-20
Total DTI	15.6	13.3	12.2
o.w. to Businesses	16.0	16.9	15.7
o.w. to Consumers	15.3	10.7	9.6
Stock as a % of Annual GDP			
Total DTI	38.3	43.1	44.6
o.w. to Businesses	15.9	18.4	19.1
o.w. to Consumers	22.4	24.7	25.5

Source: Bank of Jamaica

Monetary Projections

Growth in the money base and broad money is expected to be higher than previously projected over the next eight quarters. The monetary base is projected to expand at an annual average rate of 20.7 per cent, above the previous projection of 4.8 per cent. M2J is projected to expand at an average annual rate of 8.9 per cent over the next eight quarters, above the previous projection of 7.2 per cent. This revision largely reflects a base effect, notwithstanding the downward revision to GDP growth.

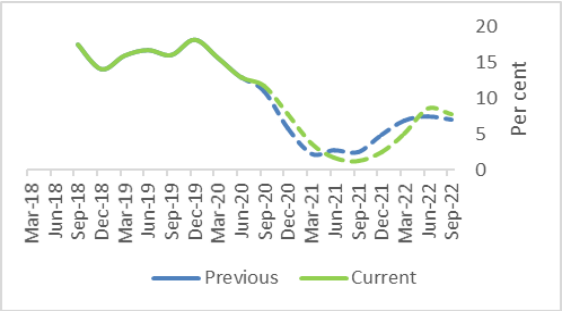
Figure 25: Annual Growth in M2J



Source: Bank of Jamaica

Growth in private sector credit is expected to be in line with previous projections over the next eight quarters. Private sector credit is projected to grow at an average rate of 4.9 per cent up to September 2022, unchanged compared to the previous forecasted expansion. The projection remains in line with expectations of a continued fallout in demand, but remains unchanged in light of growth in credit to some industries over the September 2020 quarter.

Figure 26: Private Sector Credit



Source: Bank of Jamaica

9.0 Conclusion

Lockdowns and other measures to slow the spread of COVID-19 continued to be lifted in the September 2020 quarter. This contributed to the resurgence of new cases in some countries, including the USA. Consequently, significant disruptions will continue in some regions and, as measures to contain the spread of the virus are reimposed in major advanced economies, global growth will normalise at a slower than earlier anticipated pace. The duration of the global pandemic remains highly uncertain and there is much risk of a stronger resurgence of new cases as governments attempt to restart their economies.

Inflation is projected to average 5.3 per cent over the next eight quarters (December 2020 to September 2022), within the target range of 4.0 per cent to 6.0 per cent. This is higher relative to the previous projections of 4.6 per cent. This projection is primarily driven by higher agricultural price inflation and slightly higher services inflation over the forecast horizon.

The outlook for the US economy has improved, notwithstanding the resurgence of the spread of the COVID-19 in some key states. The economy is projected to contract at a smaller pace of 4.1 per cent in 2020, with a 4.0 per cent rebound in 2021. This represents an upward revision relative to the decline of 6.6 per cent previously projected for 2020 and growth of 3.7 per cent for 2021. Consequently, the output gap for the US is projected to be less negative than previously forecasted over the next eight quarters.

The projection for average grains over the next eight quarters has also been revised upwards, relative to the previous forecast while the projection for crude oil prices is unchanged. The Bank anticipates that the US Federal Reserve (Fed) will maintain interest rates at the zero bound over the forecast horizon.

The outlook for GDP growth in the Jamaican economy has deteriorated relative to the previous projections, influenced by the impact of adverse weather conditions in October 2020 and a faster pace of contraction in a number of sectors. The near-term outlook is for real GDP to contract in the range 10.0 – 12.0 per cent for FY2020/21 but recover partially in the next year. The output gap over the near term has widened relative to the last projections. The risks to the forecast for real GDP growth remain skewed to the downside and have been exacerbated by the heavy rains in November 2020.

Central government operations are anticipated to be expansionary, particularly over the next five quarters, reflecting an expected fall in revenues in the context of lower economic activity and the implementation of an additional $15.7 billion stimulus package. However, given its commitments under the Fiscal Responsibility Framework (FPP), the GOJ will be required to run high primary surpluses, in order to meet its revised debt targets. The risks to the stance of fiscal policy are skewed to the downside (i.e. it could become more expansionary).

Jamaica's CAD has improved relative to the previous forecast is projected to average 3.2 per cent of GDP over the period FY2020/21 to FY2025/26, lower than the previous projection of 5.9 per cent of GDP. The outlook for the gross reserves has improved relative to the previous projection mainly due to a less pessimistic outlook for portfolio outflows. The risks to the projections for the CAD and the reserves are balanced.

The central bank has maintained its policy rate at 0.50 per cent over the past year. The effects of this stance are helping to maintain inflation within the target range 4.0 to 6.0 per cent as well as support economic activity in the context of the current crisis. Going forward, the central bank is committed to ensuring that inflation remains low, stable and predictable.

Additional Tables

1: INFLATION RATES

		CPI (Point-to-Point) **	Headline Inflation	Core Inflation*
FY08/09	Jun-08	49.90	23.97	20.27
	Sep-08	52.28	25.30	20.99
	Dec-08	52.28	16.84	16.61
	Mar-09	52.94	12.43	12.98
FY09/10	Jun-09	54.39	8.95	10.29
	Sep-09	56.03	7.22	9.77
	Dec-09	57.62	10.21	10.28
	Mar-10	59.99	13.33	11.60
FY10/11	Jun-10	61.53	13.21	10.99
	Sep-10	62.34	11.26	9.40
	Dec-10	64.38	11.74	8.65
	Mar-11	64.69	7.84	6.57
FY11/12	Jun-11	65.98	7.20	6.67
	Sep-11	67.37	8.07	6.99
	Dec-11	68.25	6.01	6.86
	Mar-12	69.39	7.26	6.97
FY12/13	Jun-12	70.41	6.71	6.91
	Sep-12	71.86	6.65	5.59
	Dec-12	73.71	8.00	5.44
	Mar-13	75.72	9.13	6.30
FY13/14	Jun-13	76.57	8.76	6.26
	Sep-13	79.37	10.46	6.95
	Dec-13	80.70	9.47	7.38
	Mar-14	82.04	8.34	6.54
FY14/15	Jun-14	82.68	7.97	6.10
	Sep-14	86.50	8.99	6.72
	Dec-14	85.83	6.36	5.97
	Mar-15	85.29	3.96	5.51
FY15/16	Jun-15	86.29	4.37	4.81
	Sep-15	88.08	1.82	4.00
	Dec-15	88.97	3.66	3.51
	Mar-16	87.82	2.96	3.04
FY16/17	Jun-16	88.46	2.52	2.76
	Sep-16	89.71	1.86	2.49
	Dec-16	90.50	1.72	2.31
	Mar-17	91.41	4.09	2.27
FY17/18	Jun-17	92.38	4.43	2.43
	Sep-17	93.82	4.58	2.55
	Dec-17	95.24	5.24	2.65
	Mar-18	95.00	3.94	2.58
FY18/19	Jun-18	94.99	2.82	2.29
	Sep-18	97.89	4.33	2.44
	Dec-18	97.56	2.44	2.36
	Mar-19	98.23	3.39	2.33
FY19/20	Jun-19	98.97	4.19	2.50
	Sep-19	101.20	3.39	2.87
	Dec-19	103.63	6.22	2.95
	Mar-20	102.95	5.44	4.50
FY20/21	Jun-20	105.20	6.31	4.71
	Sep-20	106.14	4.88	3.20

* Core inflation is measured as headline inflation excluding agriculture and fuel related components of the CPI Basket (CPI-AF)
** STATIN revised the reference basket used to measure the CPI in March 2020

2: ALL JAMAICA INFLATION – Point–to–Point (Setember 2020) *

Divisions, Classes and Groups	Weight (%)	Inflation (%)	Weighted Inflation	Contribution
FOOD & NON-ALCOHOLIC BEVERAGES	35.79	7.49	2.68	69.36
Food	33.76	7.67	2.59	66.99
Cereals and cereal products (ND)	6.68	4.84	0.32	8.37
Live animals, meat and other parts of slaughtered land animals (ND)	6.60	6.57	0.43	11.23
Fish and other seafood (ND)	3.59	4.75	0.17	4.41
Milk, other dairy products and eggs (ND)	2.86	3.96	0.11	2.93
Oils and Fats (ND)	0.91	3.73	0.03	0.88
Fruits and nuts (ND)	2.60	4.98	0.13	3.34
Vegetables, tubers, plantains, cooking bananas and pulses (ND)	7.02	15.87	1.11	28.82
Tubers, plantains, cooking bananas and pulses (ND)	2.04	34.60	0.71	18.26
Vegetables	4.98	9.74	0.49	12.55
Sugar, confectionery and desserts (ND)	1.31	7.97	0.10	2.70
Ready-made food and other food products n.e.c. (ND)	2.19	4.73	0.10	2.68
Non-Alcoholic Beverages	2.03	4.39	0.09	2.31
Fruit and Vegetable Juices (ND)	0.66	2.09	0.01	0.36
Coffee, Tea and Cocoa	0.46	4.15	0.02	0.49
Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	0.91	4.74	0.04	1.12
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	1.45	2.67	0.04	1.00
CLOTHING AND FOOTWEAR	2.48	4.00	0.10	2.57
Clothing	1.66	4.17	0.07	1.79
Footwear	0.82	3.55	0.03	0.75
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	17.85	3.29	0.59	15.17
Rentals for Housing	9.09	0.21	0.02	0.49
Maintenance, Repair and Security of the Dwelling	0.67	4.24	0.03	0.74
Water Supply and Miscellaneous Services Related to the Dwelling	2.27	-1.11	-0.03	-0.65
Electricity, Gas and Other Fuels	5.82	8.25	0.48	12.42
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	3.77	3.63	0.14	3.54
Furniture, Furnishings, and Loose Carpets	0.36	4.51	0.02	0.41
Household Textiles	0.22	4.07	0.01	0.23
Household Appliances	0.35	4.01	0.01	0.37
Tools and Equipment for House and Garden	0.15	3.59	0.01	0.14
Goods and Services for Routine Household Maintenance	2.70	3.45	0.09	2.40
HEALTH	2.63	2.87	0.08	1.95
Medicines and Health Products	2.16	3.26	0.07	1.81
Outpatient Care Services	0.30	2.29	0.01	0.18
Other Health Services	0.17	1.53	0.00	0.07
TRANSPORT	11.23	-2.10	-0.24	-6.10
INFORMATION AND COMMUNICATION	4.57	0.20	0.01	0.24
RECREATION, SPORT AND CULTURE	5.02	3.20	0.16	4.15
EDUCATION SERVICES	2.43	-4.30	-0.10	-2.71
RESTAURANTS & ACCOMMODATION SERVICES	6.65	2.96	0.20	5.10
INSURANCE AND FINANCIAL SERVICES	1.13	0.00	0.00	0.00
PERSONAL CARE, SOCIAL PROTECTION AND MISCELLANEOUS GOODS AND SERVICES	4.99	4.44	0.22	5.72
ALL DIVISIONS	100.00	4.88	3.87	100.00

*BOJ Estimates

3: BANK OF JAMAICA OPERATING TARGETS

	Actual Sep-18	Actual Dec-18	Actual Mar-19	Actual Jun-19	Actual Sep-19	Actual Dec-19	Actual Mar-20	Actual Jun-20	Actual Sep-20
Net International Reserves (US$)	3,026.72	3,005.41	3,084.83	3,035.31	3,098.05	3,162.53	3,237.67	2,949.26	2,747.49
NET INT'L RESERVES (J$)	386,118.0	383,190.7	393,530.9	387,214.6	395,218.9	403,445.0	413,029.7	412,462.0	389,093.8
Assets	455,276.4	450,373.2	459,912.5	451,256.7	456,945.4	463,218.4	470,535.2	546,127.6	526,087.2
Liabilities	69,158.4	67,182.5	66,381.6	64,042.1	61,726.5	59,773.4	57,505.5	133,665.6	136,839.3
NET DOMESTIC ASSETS	-208,752.4	-180,643.6	-179,515.8	-182,895.9	-175,085.5	-182,491.4	-171,025.0	-173,194.9	-123,393.84
-Net Claims on Public Sector	167,156.1	137,291.6	122,087.2	119,278.3	120,036.17	92,866.8	106,366.5	159,189.0	211,632.0
-Net Credit to Banks	-65,665.8	-63,233.2	-65,541.9	-67,623.5	-68,898.9	-67,433.6	-73,493.8	-65,274.7	-66,981.9
-Open Market Operations	-117,584.7	-73,962.1	-58,532.9	-56,504.49	-56,565.5	-45,884.5	-41,981.8	-74,311.1	-76,564.7
-Other	-192,657.9	-180,740.0	-177,528.3	-178,046.3	-169,657.3	-162,040.1	-161,915.9	-192,798.1	-191,479.3
MONETARY BASE	177,365.6	202,547.1	214,015.1	204,318.6	220,133.4	220,953.6	242,004.7	239,267.1	265,854.1
- Currency Issue	108,264.9	133,544.8	116,399.2	120,388.4	127,107.1	148,989.0	145,735.2	151,704.8	170,033.0
- Cash Reserve	68,815.3	67,484.2	54,101.0	44,023.5	45,140.9	45,884.5	48,878.3	35,280.94	37,093.8
- Current Account	258.5	1,518.1	43,514.88	39,906.8	48,032.3	26,113.9	47,391.2	52,281.4	58,727.3
GROWTH IN MONETARY BASE [F-Y-T-D]	5.3	17.1	-	-4.5	2.9	3.2	-	-1.1	9.8

4: MONETARY AGGREGATES

		BASE	M1J	M1*	M2J	M2*	M3J	M3*
	Dec-15	122211.75	160268.64	160268.64	317745.81	517788.53	453436.26	653478.99
	Mar-16	120011.93	155348.7	180719.1	313587.6	530398.8	460873.6	677684.8
FY16/17	Jun-16	120682.00	152152.3	176967.0	315129.2	542936.3	468354.8	696162.0
	Sep-16	125112.90	162012.8	183699.4	327364.0	554814.8	485596.6	713047.4
	Dec-16	140698.1	184887.8	210703.5	356709.1	586686.9	514906.4	744884.2
	Mar-17	139,460.80	177,728.24	205,405.77	385,130.22	636,350.53	545,141.71	796,362.01
FY17/18	Jun-17	147,019.31	176,880.50	206,834.55	390,658.46	661,159.67	555,312.55	825,813.77
	Sep-17	154,764.51	183,754.61	213,187.22	425,524.34	699,679.21	601,465.45	875,620.33
	Dec-17	172,290.94	205,967.44	233,487.21	457,905.02	718,529.75	633,487.37	894,112.10
	Mar-18	170,142.28	220,372.56	250,633.11	479,452.65	756,399.23	657,857.33	934,803.92
FY18/19	Jun-18	169,828.80	216,289.92	251,603.73	482,485.41	770,885.09	673,782.30	962,181.99
	Sep-18	177,365.64	230,629.81	266,659.06	496,418.25	804,064.91	693,490.11	1,001,136.77
	Dec-18	202,547.07	251,413.40	283,542.66	524,339.37	818,748.06	731,302.94	1,025,711.62
	Mar-19	214,015.10	249,673.01	285,367.63	542,149.88	844,420.19	753,609.43	1,055.879.73
FY19/20	Jun-19	204,318.65	256,383.63	294,330.41	544,085.24	858,311.49	763,563.05	1,077,789.31
	Sep-19	220,133.35	258,452.00	291,166.83	553,029.15	874,593.99	784,502.64	1,106,067.49
	Dec-19	220,953.60	288,765.41	324,896.57	617,627.36	941,252.00	843,835.41	1,167,460.05
	Mar-20	220,952.59	291,510.62	341,364.49	612,444.99	963,144.91	842,710.44	1,193,410.36
FY20/21	Jun-20	239,267.12	304,413.99	346,525.54	634,039.95	998,227.40	852,992.97	1,217,180.42
	Sep-20	265,854.12	321,603.09	366,833.99	670,333.46	1,055,569.83	889,371.33	1,274,607.69

5: GOJ TREASURY BILL YIELDS
(End of Period)

		1-month	3-month	6-month	9-month	12-month
FY12/13	Sep-12	6.16	6.36	6.57	...	...
	Dec-12	6.31	7.67	7.18	...	...
	Mar-13	5.37	5.82	6.22	...	...
	Jun-13	6.02	6.76	7.12	...	...
FY13/14	Sep-13	6.32	7.42	7.95	...	...
	Dec-13	6.25	7.53	8.25	...	...
	Mar-14	6.76	8.35	9.11	...	...
	Jun-14	6.80	7.66	8.37	...	...
FY14/15	Sep-14	6.89	7.47	8.00	...	...
	Dec-14	6.38	6.96	7.14	...	...
	Mar-15	6.30	6.73	7.00	...	...
	Jun-15	6.23	6.48	6.63	...	...
FY15/16	Sep-15	6.23	6.20	6.35	...	...
	Dec-15	5.97	5.96	6.04	...	...
	Mar-16	5.38	5.75	5.83	...	...
	Jun-16	5.47	5.86	6.01	...	...
FY16/17	Sept-16	5.84	5.86	5.81	...	...
	Dec-16	5.64	5.68	6.56	...	...
	Mar-17	6.10	6.13	6.32	...	...
	Jun-17	...	5.77	6.13	...	...
FY17/18	Sept-17	...	4.98	5.45	...	...
	Dec-17	...	4.18	4.63	...	...
	Mar-18	...	2.98	3.17	...	...
	Jun-18	...	2.54	2.66	...	...
FY18/19	Sep-18	...	1.71	1.87	...	...
	Dec-18	...	2.05	2.07	...	...
	Mar-19	...	2.19	2.17	...	...
	Jun-19	...	1.95	1.84	...	...
FY19/20	Sep-19	...	1.74	1.75	...	...
	Dec-19	...	1.32	1.60	...	...
	Mar-20	...	1.85	1.80	...	...
FY20/21	Jun-20	...	1.28	1.36	...	...
	Sep-20	...	1.14	1.33	...	...

6: BANK OF JAMAICA OPEN MARKET INTEREST RATES
(End of Period)

		30 days	60 days	90 days	120 days	180 days	270 days	365 days
	Mar-12	6.25	...	...	...	...	...	...
FY12/13	Jun-12	6.25	...	...	...	...	...	...
	Sep-12	6.25	...	...	...	...	...	...
	Dec-12	6.25	...	...	...	...	...	...
	Mar-13	5.75	...	...	...	...	...	...
FY13/14	Jun-13	5.75	...	...	...	...	...	...
	Sep-13	5.75	...	...	...	...	...	...
	Dec-13	5.75	...	...	...	...	...	...
	Mar-14	5.75	...	...	...	...	...	...
FY14/15	Jun-14	5.75	...	...	...	...	...	...
	Sep-14	5.75	...	...	...	...	...	...
	Dec-14	5.75	...	...	...	...	...	...
	Mar-15	5.75	...	...	...	...	...	...
FY15/16	Jun-15	5.50	...	...	...	...	...	...
	Sep-15	5.25	...	...	...	...	...	...
	Dec-15	5.25	...	...	...	...	...	...
	Mar-16	5.25	...	...	...	...	...	...
FY16/17	Jun-16	5.00	...	...	...	...	...	...
	Sep-16	5.00	...	...	...	...	...	...
	Dec-16	5.00	...	...	...	...	...	...
	Mar-17	5.00	...	...	...	...	...	...
FY17/18	Jun-17	4.75	...	...	...	...	...	...
	Sep-17	4.50	...	...	...	...	...	...
	Dec-17	4.00	...	...	...	...	...	...
	Mar-18	3.50	...	...	...	...	...	...
FY18/19	Jun-18	3.00	...	...	...	...	...	...
	Sep-18	3.00	...	...	...	...	...	...
	Dec-18	3.00	...	...	...	...	...	...
	Mar-19	3.00	...	...	...	...	...	...
FY19/20	Jun-19	1.25	...	...	...	...	...	...
	Sep-19	1.25	...	...	...	...	...	...
	Dec-19	1.00	...	...	...	...	...	...
	Mar-20	1.00	...	...	...	...	...	...
FY20/21	Jun-20	1.00	...	...	...	...	...	...
	Sep-20	1.00	...	...	...	...	...	...

7: Placements and Maturities* in BOJ OMO Instruments

	January – March 2020			April – June 2020			July - September 2020		
	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)
30-day CD	134.7	113.9	1.96	65.2	51.5	0.84	65.0	76.0	0.62
272-day VR CD	0	0		0	0		0	0	
365-day VR CD	0	0		0	0		0	0	
548-day VR CD	0	0		0	0		0	0	
729-day VR CD	0	0		0	0		0	0	
272-day FR CD	0	0		0	0		0	0	
365-day FR CD	0	0		0	0		0	0	
272-day FR USD IB	0	0		0	24.0		0	0	
365-day FR USD IB	0	0		0	0		0	0	
540-day FR USD IB	0	0		0	22.7		0	0	
730-day FR USD IB	0	0		0	0		15.0	29.7	
Repos	100.1	104.1		40.2	32.8		49.6	65.8	
	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)
1-year FR USD CD	0.0	0.0		0	0		0	0	
2-year FR USD CD	0.0	0.0		0	0		0	0	
3-year FR USD CD	21.4	0.0		0	0		2.91	0	
4-year FR USD CD	0.0	0.0		0	0		0	0	
5-year FR USD CD	20.4	0.0		10.7	0		0.13	0	
7-year FR USD CD	0.0	0.0		0	0		0	0	
TOTAL	41.8	0.0		10.7	0		3.04	0	

8: EXTERNAL TRADE – GOODS EXPORTS (f.o.b)

(Flows – US$MN)

	Bauxite	Alumina	Sugar	Bananas	Other Traditional	Non-Traditional	Other	Total Goods Exports
FY12/13	131.9	516.7	54.8	0.0	80.8	707.1	252.9	1744.1
Jun-12	31.8	132.4	37.5	0.0	22.3	126.8	66.7	417.5
Sep-12	34.7	130.7	0.5	0.0	20.4	162.3	58.6	407.1
Dec-12	32.4	117.2	0.0	0.0	19.3	223.5	57.9	450.3
Mar-13	33.0	136.4	16.8	0.0	18.8	194.5	69.7	469.2
FY13/14	125.0	526.0	53.7	0.0	70.9	455.9	260.3	1492.0
Jun-13	31.6	127.0	36.3	0.0	23.5	104.0	62.4	384.8
Sep-13	30.6	117.6	0.0	0.0	18.5	120.3	75.8	362.8
Dec-13	32.8	142.7	0.0	0.0	13.8	118.7	55.4	363.4
Mar-14	30.0	138.7	17.4	0.0	15.1	112.9	66.8	381.0
FY14/15	136.5	522.9	55.5	0.2	65.8	395.6	225.6	1402.2
Jun-14	34.4	108.6	26.5	0.0	21.0	96.1	69.2	355.9
Sep-14	33.4	151.6	11.9	0.1	16.6	99.3	62.1	375.0
Dec-14	33.4	130.4	0.0	0.1	13.6	106.8	49.2	333.5
Mar-15	35.3	132.3	17.1	0.1	14.5	93.4	45.1	337.9
FY15/16	116.4	479.8	36.9	0.3	69.9	317.8	158.3	1178.7
Jun-15	32.0	143.8	23.6	0.1	21.9	80.4	45.2	347.0
Sep-15	33.8	114.5	13.1	0.1	19.2	71.0	31.9	283.6
Dec-15	23.9	116.4	0.2	0.1	13.4	84.2	38.8	277.0
Mar-16	26.6	105.1	0.0	0.1	15.4	82.2	42.3	271.1
FY16/17	80.5	472.3	17.7	0.4	76.9	407.3	191.0	1246.1
Jun-16	26.7	126.6	9.0	0.1	26.9	90.7	55.2	335.3
Sep-16	20.6	102.7	4.8	0.1	20.6	93.0	41.0	282.7
Dec-16	17.9	109.6	0.3	0.1	13.0	108.4	49.9	299.1
Mar-17	15.3	133.4	3.6	0.1	16.5	115.2	44.9	328.9
FY17/18	94.5	641.9	11.3	0.7	65.8	436.1	205.3	1455.6
Jun-17	19.7	128.4	8.8	0.1	18.7	108.8	56.3	340.8
Sep-17	19.4	142.5	1.7	0.1	18.9	95.8	43.8	322.3
Dec-17	29.4	148.2	0.3	0.1	15.1	119.1	46.6	358.8
Mar-18	25.9	222.9	0.5	0.3	13.2	112.3	58.6	433.7
FY18/19	94.7	1136.8	15.8	0.5	68.4	424.8	232.3	1973.2
Jun-18	25.3	300.8	3.9	0.1	19.5	99.0	58.9	507.5
Sep-18	23.2	328.5	11.3	0.1	21.3	100.6	52.5	537.4
Dec-18	25.9	270.0	0.3	0.1	14.0	112.6	59.4	482.3
Mar-19	20.3	237.5	0.4	0.1	13.5	112.6	61.5	445.9
FY19/20+	88.6	601.3	10.2	0.6	81.8	519.8	186.4	1488.6
Jun-19+	26.1	214.6	6.4	0.1	20.8	117.9	50.7	436.6
Sep-19+	22.5	169.4	3.0	0.1	24.0	120.2	46.8	386.0
Dec-19+	21.1	113.0	0.4	0.1	18.2	122.0	44.5	319.4
Mar-20+	18.7	104.3	0.4	0.2	18.8	159.8	44.4	346.6
Jun-20	27.3	94.0	6.0	0.2	19.3	106.2	7.4	260.5

+ Revision

9: BALANCE OF PAYMENTS QUARTERLY SUMMARY
(US$MN)

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19+	Mar-20+	Jun-20
1. Current Account	-42.6	51.6	-153.4	-99.5	-98.6	-61.2	-138.2	-20.6	-30.2	-105.9
A. Goods Balance	-866.8	-804.5	-898.5	-945.0	-1011.2	-1017.8	-971.2	-1035.9	-825.5	-594.9
Exports (f.o.b)	433.7	507.5	537.4	482.3	445.9	436.6	386.0	319.4	346.7	260.5
Imports (f.o.b)	1300.5	1312.0	1435.9	1427.4	1457.1	1454.5	1357.2	1355.3	1172.1	855.4
B. Services Balance	466.9	360.9	273.7	313.3	516.1	417.2	347.1	426.3	419.2	-72.7
Transportation	-161.7	-158.5	-183.4	-183.0	-178.4	-180.9	-171.1	-172.5	-153.7	-119.9
Travel	794.4	666.7	642.3	709.5	921.3	793.0	746.0	854.8	732.7	5.3
Other Services	-165.7	-147.3	-185.3	-213.2	-226.8	-194.8	-227.8	-256.0	-159.9	42.0
Goods & Services Balance	-399.8	-443.6	-624.8	-631.8	-495.0	-600.6	-624.1	-609.6	-406.3	-667.6
C. Income	-210.7	-111.7	-174.4	-99.2	-174.5	-45.0	-161.4	-24.7	-201.7	-129.4
Compensation of employees	15.0	9.0	21.1	50.6	6.0	14.2	23.7	50.9	7.5	8.9
Investment Income	-225.7	-120.6	-195.5	-149.8	-180.5	-59.2	-185.1	-75.6	-209.2	-138.2
D. Current Transfers	568.0	606.9	645.8	631.5	571.0	584.4	647.3	613.7	577.8	691.0
General Government	45.4	44.0	74.3	43.6	46.5	26.1	51.6	15.9	43.4	21.7
Other Sectors	522.6	562.9	571.5	587.9	524.5	558.4	595.8	597.8	534.3	669.3
2. Capital & Financial Account	1720.3	67.9	569.5	836.3	-57.1	-31.8	-69.0	560.2	242.2	396.0
A. Capital Account	3.3	-3.7	-4.8	-6.5	-7.1	-8.5	-6.1	-5.0	-9.5	-9.2
Capital Transfers	3.3	-3.7	-4.8	-6.5	-7.1	-8.5	-6.1	-5.0	-9.5	-9.2
General Government	11.8	4.7	2.8	0.7	1.4	1.4	1.5	2.4	0.5	0.8
Other Sectors	-8.5	-8.5	-7.6	-7.2	-8.5	-9.8	-7.6	-7.3	-10.0	-9.9
Acq/disp of non-produced non- fin assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Financial Account	1717.1	71.6	574.4	842.8	-50.1	-23.3	-62.9	565.2	251.7	405.2
Direct Investment	243.1	166.7	169.0	183.1	196.5	-76.7	161.0	-104.4	96.7	70.9
Portfolio Investment	1606.6	-328.7	199.6	129.8	26.7	-98.5	-311.8	260.8	103.1	-49.9
Other official investment	-4.4	-22.8	15.2	-120.4	-112.4	-156.0	-173.6	1.4	-236.4	-58.6
Other private Investment	-261.9	317.3	81.8	629.0	-81.5	258.3	324.3	471.8	263.9	154.3
Reserves	133.7	-60.9	108.8	21.3	-79.4	49.5	-62.7	-64.5	24.4	288.4
Errors & Omissions	-1677.7	-119.4	-416.2	-736.8	155.7	93.0	207.1	-539.6	-212.0	-290.1

+ Revised

10: FOREIGN EXCHANGE SELLING RATES

(J$ per unit of foreign currency – end of period)

		US$	Can$	GBP £
	Dec-11	86.6000	84.2000	134.4400
	Mar-12	87.3000	87.6500	139.2800
FY12/13	Jun-12	88.7000	86.7100	138.6600
	Sep-12	89.9300	91.4200	145.3900
	Dec-12	92.9800	93.3100	152.6400
	Mar-13	98.8900	97.9900	151.9000
FY13/14	Jun-13	101.3800	96.7000	154.4800
	Sep-13	103.6000	100.7100	167.1600
	Dec-13	106.3800	99.7200	175.8400
	Mar-14	109.5700	98.9300	181.7700
FY14/15	Jun-14	112.2022	103.1802	191.8988
	Sep-14	112.6662	101.0142	180.2393
	Dec-14	114.6607	97.6896	177.6759
	Mar-15	115.0435	90.6202	169.9738
FY15/16	Jun-15	116.9832	93.8399	183.7774
	Sep-15	119.0553	88.6177	180.1478
	Dec-15	120.4150	84.9062	177.1179
	Mar-16	122.0421	92.5223	173.4625
FY16/17	Jun-16	126.3835	97.8795	169.8517
	Sept-16	128.2704	97.3084	166.7776
	Dec-16	128.4404	95.8778	157.4208
	Mar-17	128.6672	97.1686	159.5670
FY17/18	Jun-17	128.6228	99.3865	166.5811
	Sep-17	129.9127	105.0988	173.8791
	Dec-17	125.0004	97.3947	167.0275
	Mar-18	125.9850	97.1994	178.1109
FY18/19	Jun-18	130.3918	100.0079	172.9757
	Sep-18	134.6486	103.7023	178.1844
	Dec-18	127.7162	91.5382	159.0355
	Mar-19	126.4666	95.8862	165.5342
FY19/20	Jun-19	131.0682	101.8648	168.0812
	Sep-19	135.1591	102.3052	166.1363
	Dec-19	132.5690	100.1539	171.6232
	Mar-20	135.3908	95.3267	169.1721
FY20/21	Jun-20	140.0111	105.1658	177.1609
	Sep-20	142.1048	107.7533	185.5508

11: BANK OF JAMAICA: NET INTERNATIONAL RESERVES
(End-of-Point)

		(US$MN)	(US$MN)	(US$MN)	Weeks of Imports	
		Gross Foreign Assets	Gross Foreign Liabilities	International Reserves (Net)	Goods	Goods & Services
FY12/13	Jun-13	1,881.10	877.90	1,003.20	16.70	12.60
	Sep-13	1,713.50	803.40	910.10	15.80	11.90
	Dec-13	1,817.60	769.70	1,047.90	17.30	12.80
	Mar-14	2,048.60	745.00	1,303.60	19.10	14.40
FY14/15	Jun-14	2,016.53	640.40	1,376.13	20.19	14.57
	Sep-14	2,715.25	514.68	2,200.57	27.79	19.66
	Dec-14	2,473.01	471.92	2,001.09	26.31	18.41
	Mar-15	2,689.74	396.06	2,293.68	28.61	20.02
FY15/16	Jun-15	2,537.27	420.76	2,116.51	29.00	19.83
	Sep-15	2,890.45	448.57	2,441.88	32.34	22.39
	Dec-15	2,890.45	479.82	2,437.01	34.61	23.45
	Mar-16	2,894.31	478.77	2,415.53	34.38	23.30
FY16/17	Jun-16	2,819.90	554.77	2,265.13	32.66	19.36
	Sep-16	3,056.16	593.15	2,463.01	36.30	24.60
	Dec-16	3,291.47	-572.10	2,719.37	38.40	22.27
	Mar-17	3,323.89	-554.72	2,769.17	38.78	22.49
FY17/18	Jun-17	3,185.65	-568.84	2,616.81	35.44	20.54
	Sep-17	3,714.94	-577.80	3,137.14	40.87	23.70
	Dec-17	3,781.17	-572.88	3,208.29	38.83	22.78
	Mar-18	3,656.91	-582.35	3,074.57	35.83	21.29
FY18/19	Jun-18	3,687.40	-551.91	3,135.49	32.49	19.80
	Sep-18	3,568.84	-542.12	3,026.72	33.14	19.67
	Dec-18	3,532.04	-526.63	3005.41	32.80	19.47
	Mar-19	3,605.18	-520.35	3,084.83	35.54	20.50
FY19/20	Jun-19	3,537.33	-502.02	3,035.31	32.88	22.62
	Sep-19	3,581.92	-483.86	3,098.05	33.45	22.82
	Dec-19	3,631.09	-468.55	3,152.53	33.80	22.94
	Mar-20	3,688.45	-450.78	3,237.67	34.27	23.22
FY20/21	Jun-20	3,905.02	-955.76	2,949.26	56.33	38.15
	Sep-20	3,713.37	-965.88	2,747.49	53.56	36.28

12: VALUE ADDED BY INDUSTRY AT CONSTANT (2007) PRICES (% CHANGE)

Sep 2018 – Jun 2020– + (Seasonally Unadjusted)

(Percentage Change (%) Over the Corresponding Quarter of Previous Year)

	Sep-18+	Dec-18+	Mar-19+	Jun-19+	Sep-19+	Dec-19+	Mar-20	Jun-20
Total Value Added at Basic Prices	1.9	2.0	1.7	1.3	0.6	-0.0	-2.3	-18.3
Agriculture, Forestry & Fishing	0.0	3.2	0.1	-1.7	-0.0	3.9	7.8	7.9
Mining & Quarrying	53.3	25.3	11.1	4.7	-17.5	-40.4	-35.8	-25.2
Manufacturing	-0.2	2.4	-1.3	3.2	4.9	0.4	2.2	-11.8
Food, Beverages & Tobacco	0.2	2.6	0.2	0.1	2.3	1.8	0.1	-8.6
Other Manufacturing	-0.7	2.2	-3.4	8.0	8.8	-1.2	5.3	-16.5
Construction	4.3	4.2	3.4	-1.4	-2.1	-1.9	-3.3	-14.5
Electricity & Water	-0.4	-0.5	1.9	-0.1	0.8	2.8	2.1	-8.7
Wholesale & Retail Trade; Repairs; Installation Of Machinery	1.0	1.7	1.3	1.0	0.6	0.7	-1.3	-15.6
Hotels and Restaurants	1.9	2.6	7.3	5.8	2.5	3.7	-14.1	-85.6
Transport, Storage & Communication	1.1	1.6	1.2	0.8	1.2	0.5	-2.7	-20.8
Finance & Insurance Services	0.5	0.5	2.4	4.4	3.1	3.3	-1.2	-5.5
Real Estate & Business Services	0.7	0.8	0.8	0.8	0.9	0.7	0.2	-5.5
Government Services	-0.2	-0.0	0.2	0.3	0.4	0.2	0.2	0.2
Other Services	1.3	1.0	2.0	1.8	1.9	1.4	-3.7	-44.3
Less Financial Intermediation Services Indirectly Measured (FISIM)	1.3	3.4	2.6	3.9	3.7	3.5	3.1	3.9

13: USD LONDON INTERBANK OFFER RATE–LIBOR (End– of–Period)

		1-month	3-month	6-month	12-month
FY11/12	Sep-11	0.2394	0.3743	0.5578	0.8649
	Dec-11	0.2953	4.9075	0.8085	1.1281
	Mar-12	0.2413	0.4682	0.7334	1.0485
FY12/13	Jun-12	0.2458	0.4606	0.7344	1.0680
	Sep-12	0.2143	0.3585	0.6359	0.9730
	Dec-12	0.2087	0.3060	0.5083	0.8435
	Mar-13	0.2037	0.2826	0.4449	0.7315
FY13/14	Jun-13	0.1958	0.2731	0.4144	0.6902
	Sep-13	0.1789	0.2489	0.3685	0.6294
	Dec-13	0.1677	0.2461	0.3480	0.5831
	Mar-14	0.1520	0.2306	0.3289	0.5581
FY14/15	Jun-14	0.1552	0.2307	0.3268	0.5451
	Sep-14	0.1565	0.2351	0.3304	0.5786
	Dec-14	0.1713	0.2556	0.3628	0.6288
	Mar-15	0.1763	0.2708	0.4007	0.6942
FY15/16	Jun-15	0.1865	0.2832	0.4449	0.7715
	Sep-15	0.1930	0.325	0.534	0.8511
	Dec-15	0.4300	0.613	0.846	1.1780
	Mar-16	0.4370	0.6290	0.900	1.2100
FY16/17	Jun-16	0.4650	0.6540	0.9240	1.2300
	Sept-16	0.5311	0.8537	1.2397	1.5518
	Dec-16	0.7717	0.9979	1.3177	1.6857
	Mar-17	0.9828	1.1496	1.4232	1.8018
FY17/18	Jun-17	1.2239	1.2992	1.4477	1.7384
	Sep-17	1.2322	1.3339	1.5060	1.7823
	Dec-17	1.5640	1.6940	1.8370	2.1070
	Mar-18	1.8831	2.3118	2.4524	2.6626
FY18/19	Jun-18	2.0903	2.3358	2.5013	2.7641
	Sep-18	2.2606	2.3984	2.6039	2.9186
	Dec-18+	2.5027	2.8076	2.8756	3.0054
	Mar-19	2.4945	2.5998	2.6595	2.7106
FY19/20	Jun-19	2.3980	2.3199	2.2005	2.1781
	Sep-19	2.0156	2.0851	2.0556	2.0321
	Dec-19	1.7625	1.9083	1.9121	1.9962
	Mar-20	0.9930	1.4510	1.1750	0.9980
FY20/21	Jun-20	0.1623	0.3020	0.3693	0.5458
	Sep-20	0.1483	0.2339	0.2598	0.3601

14: PRIME LENDING RATES (End-of-Period)

		EURO-ZONE	UNITED STATES			UNITED KINGDOM
		Repo rate	Fed Funds Rate	Discount Rate	Prime Rate	Repo rate
FY11/12	Jun-11	1.25	0 – 0.25	0.75	3.25	0.50
	Sep-11	1.50	0 – 0.25	0.75	3.25	0.50
	Dec-11	1.00	0 – 0.25	0.75	3.25	0.50
	Mar-12	1.00	0 - 0.25	0.75	3.25	0.50
FY12/13	Jun-12	1.00	0 - 0.25	0.75	3.25	0.50
	Sep-12	0.75	0 - 0.25	0.75	3.25	0.50
	Dec-12	0.75	0 - 0.25	0.75	3.25	0.50
	Mar-13	0.75	0 - 0.25	0.75	3.25	0.50
FY13/14	Jun-13	0.50	0 - 0.25	0.75	3.25	0.50
	Sep-13	0.50	0 - 0.25	0.75	3.25	0.50
	Dec-13	0.25	0 - 0.25	0.75	3.25	0.50
	Mar-14	0.25	0 - 0.25	0.75	3.25	0.50
FY14/15	Jun-14	0.15	0 - 0.25	0.75	3.25	0.50
	Sep-14	0.05	0 - 0.25	0.75	3.25	0.50
	Dec-14	0.05	0 - 0.25	0.75	3.25	0.50
	Mar-15	0.05	0 - 0.25	0.75	3.25	0.50
FY15/16	Jun-15	0.05	0 - 0.25	0.75	3.25	0.50
	Sep-15	0.05	0 - 0.25	0.75	3.25	0.50
	Dec-15	0.05	0 - 0.50	1.00	3.50	0.50
	Mar-16	0.00	0 - 0.50	1.00	3.50	0.50
FY16/17	Jun-16	0.00	0 - 0.50	1.00	3.50	0.50
	Sept-16	0.00	0 – 0.50	1.00	3.50	0.25
	Dec-16	0.00	0 .50– 0.75	1.25	3.75	0.25
	Mar-17	0.00	0.75–1.00	1.50	4.00	0.25
FY17/18	Jun-17	0.00	1.00–1.25	1.75	4.25	0.25
	Sep-17	0.00	1.00–1.25	1.75	4.25	0.25
	Dec-17	0.00	1.25-1.50	2.00	4.50	0.50
	Mar-18	0.00	1.50-1.75	2.25	4.75	0.50
FY18/19	Jun-18	0.00	1.75-2.00	2.50	5.00	0.50
	Sep-18	0.00	2.00-2.25	2.75	5.25	0.75
	Dec-18	0.00	2.25–2.50	3.00	5.50	0.75
	Mar-19	0.00	2.25–2.50	3.00	5.50	0.75
FY19/20	Jun-19	0.00	2.25-2.50	3.00	5.50	0.75
	Sep-19	0.00	1.75-2.00	2.50	5.00	0.75
	Dec-19	0.00	1.50-1.75	2.25	4.75	0.75
	Mar-20	0.00	0.00-0.25	0.25	3.78	0.10
FY20/21	Jun-20	0.00	0.00-0.25	0.25	3.25	0.10
	Sep-20	0.00	0.0-0.25	0.25	3.25	0.10

15: INTERNATIONAL EXCHANGE RATES

		Sterling vs. US$	Canadian $ vs. US$	Yen vs. US$	Euro vs. US$
	Mar-12	0.6256	0.9991	82.4340	0.7500
FY12/13	Jun-12	0.6376	1.0191	79.8040	0.7894
	Sep-12	0.6199	0.9837	77.9480	0.7779
	Dec-12	0.6150	0.9949	86.6630	0.7584
	Mar-13	0.6588	1.0156	94.0370	0.7787
FY13/14	Jun-13	0.6575	1.0512	99.1700	0.7687
	Sep-13	0.6181	1.0285	98.3270	0.7389
	Dec-13	0.6034	1.0636	105.2030	0.7258
	Mar-14	0.6012	1.1053	103.0100	0.7259
FY14/15	Jun-14	0.5846	1.0676	101.2900	0.7305
	Sep-14	0.6168	1.1196	109.6491	0.7917
	Dec-14	0.6418	1.1614	119.8035	0.8264
	Mar-15	0.6737	1.2679	119.9472	0.9321
FY15/16	Jun-15	0.6737	1.2483	122.1001	0.8966
	Sep-15	0.6609	1.3394	119.6745	0.8943
	Dec-15	0.6786	1.3837	120.2501	0.9206
	Mar-16	0.6964	1.3004	112.5746	0.8787
FY16/17	Jun-16	0.7513	1.2925	103.1779	0.9004
	Sept-16	0.7709	1.3127	101.3377	0.8901
	Dec-16	0.8104	1.3439	117.0001	0.9508
	Mar-17	0.7968	1.3317	111.3958	0.9388
FY17/18	Jun-17	0.7677	1.2963	112.3469	0.8752
	Sep-17	0.7464	1.2470	112.5239	0.8465
	Dec-17	0.7400	1.2571	112.6888	0.8330
	Mar-18	0.7135	1.2895	106.2812	0.8114
FY18/19	Jun-18+	0.7572	1.3134	110.6929	0.8559
	Sep-18	0.7601	1.3043	111.8443	0.8559
	Dec-18	0.7841	1.3639	109.6131	0.8721
	Mar-19	0.7672	1.3349	110.8525	0.8914
FY19/20	Jun-19	0.7876	1.3094	107.8865	0.8793
	Sep-19	0.8161	1.3224	106.3943	0.9062
	Dec-19	0.7543	1.2990	108.6366	0.8918
	Mar-20	0.8052	1.4067	107.5384	0.9065
FY20/21	Jun-20	0.8064	1.3576	107.9331	0.8902
	Sep-20	0.7740	1.3321	105.4519	0.8532

16: WORLD COMMODITY PRICES (Period Averages)

		CRUDE OIL PRICES		FOOD	
		North Sea Brent (US$/barrel – f.o.b.)	West Texas Intermediate (US$/barrel – f.o.b.)	Wheat (US$/mt, Average Winter)	Coffee (USc/kg, Arabica brand)
FY11/12	Jun-11	117.10	102.56	320.60	636.54
	Sep-11	112.48	89.76	293.06	597.37
	Dec-11	109.29	94.06	265.07	536.18
	Mar-12	118.60	102.94	268.88	486.95
FY12/13	Jun-12	108.86	93.50	260.39	400.35
	Sep-12	109.95	92.22	341.46	399.96
	Dec-12	110.45	88.19	346.48	357.12
	Mar-13	112.91	94.40	309.51	335.49
FY13/14	Jun-13	103.01	94.23	294.50	319.86
	Sep-13	110.10	105.83	281.76	298.23
	Dec-13	109.41	97.48	292.20	276.82
	Mar-14	107.88	98.67	280.67	382.67
FY14/15	Jun-14	109.78	102.98	292.86	467.06
	Sep-14	102.08	97.07	238.17	455.92
	Dec-14	76.01	73.16	248.61	464.59
	Mar-15	53.93	48.63	231.09	389.21
FY15/16	Jun-15	62.10	57.97	210.64	354.39
	Sep-15	50.03	51.52	189.86	336.22
	Dec-15	43.41	42.18	190.10	327.74
	Mar-16	34.36	33.45	190.23	330.86
FY16/17	Jun-16	45.95	45.50	183.79	346.71
	Sept-16	45.80	44.94	156.02	378.80
	Dec-16	50.08	49.29	156.18	385.71
	Mar-17	54.12	51.91	165.66	364.09
FY17/18	Jun-17	50.25	48.28	177.79	329.68
	Sep-17	51.74	48.20	183.94	327.83
	Dec-17	61.47	55.40	177.43	307.79
	Mar-18	66.95	62.87	190.71	301.42
FY18/19	Jun-18	74.49	67.88	210.30	296.87
	Sept-18	75.48	69.50	215.61	277.04
	Dec-18	67.37	58.81	211.01	295.09
	Mar-19	63.27	54.90	212.06	279.84
FY19/20	Jun-19	68.34	59.81	204.21	272.94
	Sept-19	61.86	56.45	195.06	287.03
	Dec-19	62.65	56.96	214.61	311.92
	Mar-20	51.05	46.17	227.33	312.86
FY20/21	Jun-20	33.36	27.85	209.22	327.55
	Sep-20	42.72	40.93	205.47	350.23

Glossary

Amortization: The repayment of a loan in installments over an agreed period of time.

Base Money: The sum of notes and coins held by the public and the cash reserves of commercial banks (including both their holding of cash and their deposits at the central bank). The monetary base is the operating target used in the BOJ monetary policy framework and can be controlled through open market operations. Changes in the monetary base emanate from sources within the net domestic assets (NDA) as well as the net international reserves (NIR).

Basis Point (bp): This is a unit of percentage measure which is equal to one hundredth of one percent (0.01% = 1bp). Basis points is commonly used when discussing interest rates and fixed income securities.

Bond Market: The domestic bond market primarily captures debt instruments offered by the Central Government to fund its budgetary needs.

Brexit: Brexit has become the abbreviated way of refering to the United Kingdon (UK) leaving the European Union (EU) it combines the words British and exit. The referndum where citizens of the UK voted to exit the EU took place on the June 23, 2016.

Cash Reserve Requirement: The requirement by law that a percentage of deposit liabilities of deposit-taking institutions must be held as interest free deposits at the Central Bank.

Core Inflation: Also called Underlying Inflation. It is that part of overall inflation that can be attributed to changes in base money. Central Banks typically try to control core inflation because there are some parts of inflation that are outside of their control. One example of this is the effect of changes in oil prices.

Credit: Loans extended by banks, building societies and other financial institutions.

Currency Issue: refers to Jamaican notes and coins in the hands of the public (currency in circulation) in addition to notes and coins held by financial institutions in their vaults (vault cash). Bank of Jamaica redeems (buys) or issues (sells) notes and coins to financial institutions when institutions have a demand for cash. The difference between currency issued and that which is redeemed during a period of time is referred to as net currency issue.

Exchange rate (nominal): The number of units of one currency offered in exchange for another. For example a Jamaica dollar/ United States dollar exchange rate of 'forty two dollars to one' indicates that forty-two Jamaican dollars are needed to obtain one United States dollar.

Exchange rate pass-through: The effect of exchange rate changes on one or more of the following: import and export prices, consumer prices, investments and trade volumes.

Export Price Index: The export price index (EPI) is a weighted index of the prices of goods and services sold by residents of a country to foreign buyers.

Foreign exchange cash demand/supply: The amount of foreign exchange purchased by market participants from the authorized dealers and cambios, while cash supply/inflows is the amount sold to the Bank of Jamaica, authorized dealers and cambios by market participants, private institutions and multilateral agencies.

Financial Programme: An integrated system of macroeconomic accounts and behavioural relationships defining the set of monetary, fiscal and exchange rate policy measures designed to achieve specified macroeconomic targets.

Financial Asset: An instrument issued by an institution (e.g. BOJ) that provides economic benefits, by (1) generating interest income or net profits and (2) acting as a store of value. These benefits are created through a formal/informal borrowing/lending relationship. Most common types of financial assets are money and credit.

Fiscal deficit: The excess of the Government's expenditure over its revenue for a given period of time.

Fiscal Year: The twelve months beginning in April. Thus fiscal year 2000/2001 refers to the period April 2000 to March 2001.

Government Securities: Debt instruments issued by the Ministry of Finance either to bridge timing gaps between revenue and expenditure or to cover any excess of expenditure over revenue. These securities include short-term instruments such as Treasury Bills and more long-term ones like Local Registered Stock, or Debentures.

Gross Domestic Product (GDP): This is the total value of all goods and services produced within an economy over a particular time period –either a year or three months.

Import Price Index: The import price index (IPI) is a weighted index of the prices of goods and services purchased by residents of a country from foreign sellers.

Inflation: refers to the change in the general price level. In Jamaica, this is defined as the change in the Consumer Price Index (CPI) calculated and published by the Statistical Institute of Jamaica.

Intermediate Target: An intermediate target of policy. e.g. the money supply or the exchange rate, has three main characteristics. It is not directly determined by the Central Bank, it responds, however, to a stimulus that the Central Bank can vary, and its behaviour should be closely related to the ultimate target–inflation.

Jamaica Central Securities Depository (JCSD): The Principal function of the JCSD is to provide for relatively risk-free settlement of share transactions. It accomplishes this by employing an electronic, book-entry system for registering changes of ownership of securities which eliminates the need for physical certificates. The JCSD also provides vaulting facilities for the safekeeping of certificates.

JSE Indices: The JSE Index comprises all Ordinary Companies on the Main Market. The JSE Combined Index comprises all Ordinary Companies on the Main Market and Junior Market. The JSE All Jamaican Composite Index comprises of only Jamaican Companies on the Main Market. The JSE Select Index comprises the JSE's 15 most liquid Securities on the Main Market. The JSE Cross Listed Index is comprised of only foreign companies on the Main Market. The Junior Index comprises all Ordinary Companies on the Junior Stock Market.

Liquid Asset: An asset is considered liquid if it can be easily and with little or no loss converted to cash. The liquid assets of commercial banks in Jamaica include notes and coins, short-term deposits at the Bank of Jamaica, GOJ Treasury Bills, Local Registered Stock maturing within 270 days and any GOJ security designated by the Ministry of Finance.

Money: Anything that is generally accepted in exchange for goods and services and for the payment of debt. (e.g. example, notes and coins.). Hence money is said to be a medium of exchange. Money also serves as a means of storing wealth as well as a standard of and unit of accounting for financial values and flows.

Money Multiplier: This defines the relationship between the monetary base (M0) and the money supply and is usually calculated as the ratio of M3 to M0. It measures the maximum amount of money that can be created by the banking system given the provision of an additional dollar to the system by the central bank. The money multiplier implies that when the central bank conducts monetary policy in such a way as to increase the monetary base, the overall expansion in the money supply is a multiple of this initial increase. This is also true if the central bank reduces the monetary base.

Money Supply: This is the stock of instruments or assets formally designated as money in a particular economy. There are alternative measures of money supply both within and between countries. In Jamaica, the measurements of money that are calculated and published are:

M1: Notes and coins in circulation + Demand Deposits
M2: M1+ Time and savings deposits
M3: M2 + Other Deposits.

A 'J' indicates that the components are Jamaican dollar liabilities only and an '*' indicates that the components also include foreign currency liabilities of the banking system.

Monetary Base: See Base Money

Monetary policy framework: This defines the transmission process through which policy actions taken by the Central Bank make an impact on the final target – inflation. The components of a monetary policy framework are policy instruments, operating targets, intermediate targets, and the ultimate goal/objective.

Monetary Policy Instruments: These are instruments used by the Central Bank to influence the money supply and credit. They include open market operations and the reserve requirement ratio.

Net Domestic Assets: The difference between the monetary base and the NIR. It is comprised of the Bank's net claims on the public sector, mainly Central Government, open market operations liabilities and net claims on commercial banks and other financial institutions.

Open Market Operations (OMO): Money market trading between the Bank of Jamaica and authorized dealers with the intention of influencing money and credit in the financial system. OMO involves outright sale or purchase of GOJ securities from the stock of securities held by BOJ, and/or repurchase and reverse repurchase transactions.

Operating Rate: The percentage of total production capacity of some entity, such as a country or a company that is being utilized at a given time.

Operating Target: An operating target of policy e.g. the monetary base and interest rates, is influenced directly by the Central Bank and is adjusted by the Bank in order to bring about the desired impact on its policy target.

Primary Dealer (PD): The set of intermediaries through which BOJ conducts open market operations. In developed country markets, PD's underwrite government issues as well as participate in block transactions with the central bank.

Public Sector Entities (PSE) Foreign Exchange Facility: A foreign exchange surrender facility for public sector entities which seeks to centralize foreign currency demand. Under this facility Commercial Banks, Authorized Dealers and Cambios agreed to surrender amounts in addition to the pre-existing requirements.

Quasi-Fiscal Costs: The cost to the central bank of sterilizing the liquidity effects of capital inflows.

Quasi-money: Savings Deposits plus Time Deposit.

Real Appreciation: An increase in the volume of foreign goods that can be bought with a unit of domestic currency; alternatively it is a decrease in the volume of domestic goods that can be purchased with a unit of foreign currency. Thus, a real appreciation makes exports less attractive and imports relatively cheaper. This may ensue from a nominal appreciation, which is the rise in the unit price of the currency, or a greater increase in domestic prices relative to foreign prices, or both.

Real Exchange Rate: The price of one country's currency in terms of another, adjusted for the inflation differential between the countries.

Real interest rate: This represents the rate of return on assets after accounting for the effects of inflation on the purchasing power of the return. It is calculated by adjusting the nominal interest rate by the inflation rate.

Repurchase Agreement (repo): The purchase of a security from a primary dealer who agrees to repurchase the same at a specified rate and an agreed future date.

Reserve Requirement: refers to the portion of deposit liabilities that financial institutions may not lend and have to retain either as liquid assets or on deposit at the Bank of Jamaica.

Reverse Repurchase Agreements: An agreement whereby the Central Bank sells a security that it owns and agrees to buy back same at a specified rate at an agreed future date.

Securities: Legal documents giving entitlement to property ownership, or claim on income e.g. bonds and stocks.

Signal Rate: Effective 1 July 2017, the Bank of Jamaica policy rate is the interest rate paid on overnight deposits held by deposit-taking iinstitutions ("DTIs") at Bank of Jamaica.

Special Drawing Right: The SDR is an interest-bearing international reserve asset created by the IMF to supplement the official reserves of member countries.

Statutory Cash Reserves: That portion of deposit liabilities of deposit-taking institution, which by a statutorily based stipulation, must be held as interest-free deposits at the Central Bank.

Sterilization: The use of open market operations to prevent intervention in the foreign exchange market from changing the monetary base. With sterilization, any purchase of foreign exchange is accompanied by an equal-value sale of domestic bonds and vice versa.

Time deposit: A bank account based on a contractual arrangement between the deposit taking institution and the depositor where both parties agree to a pre-determined interest rate and maturity date, on which deposits earn interest and premature withdrawals from which require advance notice.

Terms of Trade: An index of the ratio of export prices to the index of import prices. An improvement in the terms of trade follows if export prices rise more quickly than import prices.

Tourism Implicit Price Index: a measure of prices in the tourism industry as reflected by average daily expenditure per tourist.

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