QUARTERLY MONETARY POLICY REPORT

April - June 2007
Volume 8 No. 1

Bank of Jamaica

Quarterly Monetary

Policy Report

APRIL - JUNE 2007

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Nethersole Place
Kingston
Jamaica

Telephone: (876) 922 0750-9
Fax: (876) 922 0854
E-mail: library@boj.org.jm
Website: www.boj.org.jm

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PREFACE

The Bank of Jamaica's Quarterly Monetary Policy Report reviews the conduct of monetary policy and the main factors that influenced inflation during the quarter. It also presents the Bank's perspective on emerging economic trends and the path of monetary policy over the short to medium term. This issue includes a discussion on measuring core inflation and highlights a number of alternative measures of core inflation that are currently produced and monitored by the Bank.

The developments in the review quarter are set against policy targets for the fiscal year, which runs from April to March. In some instances the data used in the preparation of the report are provisional and are therefore subject to change.

OVERVIEW

Macroeconomic conditions in the domestic economy remained positive for the June 2007 quarter as evidenced by an expansion in economic activity and moderate inflationary pressures. However, external influences on the Jamaican economy were generally unfavourable during the review quarter. International commodity prices increased, primarily for oil and raw material food. In addition, interest rates in the advanced economies were either increased during the quarter or held at relatively high levels, which contributed to a significant decline in net private capital inflows to the domestic economy. This decline contributed to foreign exchange market pressures during the review quarter, which prompted the Bank to sell a significant amount of foreign currency to the market in order to foster stability. Additionally, in order to absorb excess liquidity emanating from net maturities of Bank of Jamaica (BOJ) open market operation (OMO) instruments, the Bank offered a two-year variable rate (VR) certificate of deposit (CD) in addition to the normal menu of OMO instruments. In this context, the rate of depreciation of the Jamaica Dollar vis-à-vis the US dollar was 1.14 per cent for the review quarter, marginally above the 0.96 per cent depreciation recorded in the March 2007 quarter, but below the 2.20 per cent for the comparable period of 2006.

The significant decline in net private capital inflows in the June quarter occurred in the context of a narrowing in the interest rate differential between GOJ global bonds and Jamaica Dollar securities, reflecting the period of monetary tightening in the US since 2005. This differential remained, despite an increase in average yields on GOJ Treasury Bills during the quarter, as GOJ global bond yields also increased overall. The higher GOJ global bond yields were consistent with an increase in yields on US long term Treasuries as well as other emerging market bonds in the June 2007 quarter.

In the USA, the Fed maintained their target rate at 5.25 per cent throughout the quarter. This decision was influenced by relatively stable inflation and signs of a deceleration in growth, particularly against the background of a slowdown in the US housing market. However, towards the end of the quarter, rising inflation expectations prompted concerns about the likelihood of an upward adjustment in interest rates. The Bank of Canada (BoC) and the Bank of Japan (BoJ) also kept their official interest rates unchanged. In contrast, the Bank of England (BoE) and European Central Bank (ECB)) raised their benchmark rates during the quarter in response to increasing inflationary pressures.

Against the background of greater demand for foreign currency, the Bank augmented supply to the foreign exchange market. This resulted in a decline in the NIR by US$90.5 million at end-June relative to end-March 2007. This outturn was marginally lower than the programmed level.

Despite significant liquidity absorption by the Bank, facilitated by sales to the foreign exchange market and the issue of a VR CD, the monetary base expanded by 2.2 per cent. This increase was higher than the programmed expansion of 1.5 per cent for the quarter. The main source of this deviation was a higher than programmed expansion in the NDA due primarily to a significant net unwinding of OMO instruments. The expansion was largely reflected in increases in the currency issue and the current accounts of commercial banks.

Headline inflation increased to 1.9 per cent for the June 2007 quarter relative to 1.0 per cent for the preceding quarter, mainly reflecting lagged effects of higher international grain and crude oil prices as well as the increased costs of cigarettes and fish. However, the result for the quarter was well below the average of 3.7 per cent for the previous five June quarters due primarily to the continued buoyancy in agricultural supplies and relative stability in the exchange rate.

Underlying inflationary impulses also continued to moderate for the review quarter. At end June 2007, the trimmed mean measure of core inflation increased marginally to 1.0 per cent relative to the 0.9 per cent for the June 2006 quarter. In addition, CPI without agriculture (CPI-A) and CPI without agriculture and fuel (CPI-AF) were estimated to have increased marginally to 2.2 per cent and

1.9 per cent, respectively, but were below seasonal averages of 2.4 per cent and 2.1 per cent. **Box 1: Measuring Core Inflation: Emerging Issues** introduces a number of alternative measures of core inflation that are currently produced and monitored by the Bank. In addition, the Box highlights advantages and disadvantages associated with these measures in the context of monetary policy.

Economic growth for the June 2007 quarter is estimated in the range of 1.5 per cent to 2.5 per cent, similar to the March 2007 quarter but slowed relative to the June 2006 quarter. This moderation in growth was associated with the contraction in the tradables sector attributed to the fall out in the tourism and mining industries. Although growth moderated, it remained above the quarter's long run trend of 1.1 per cent for the June quarters since 1998.

Economic activity was driven mainly by ***Transport, Storage & Communication***, ***Distributive Trade*** and ***Construction & Installation*** for the review quarter. Growth within ***Transport, Storage & Communication*** reflected upgrading exercises at both sea and air ports as well as investment in the communications industry. These factors also influenced the recovery in ***Construction & Installation***. Growth for these three sectors continued to be supported by strong expansion in commercial bank credit to these sectors during the six months leading up to the end of the review quarter.

The positive GDP growth was not reflected in the stock market performance during the review quarter. The Main JSE Index, the All Jamaica Composite and the Select Index all declined for the June 2007 quarter. However, the 0.6 per cent decline in the Main JSE Index was less than the decline of 10.0 per cent recorded in the March 2007 quarter and the decline of 2.1 per cent in the June 2006 quarter. During the quarter, equity investors remained apprehensive towards the stock market, due to less than favourable earnings reports by a number of the listed companies and uncertainties surrounding the upcoming general elections. In an attempt to counter this apprehension, there have been strong improvements in dividend offerings by many companies while the management of the JSE announced various initiatives geared at stimulating investor interest in the equities market.

The positive domestic economic trends that have been evident since the second half of the FY2005/06 are expected to continue in the September 2007 quarter. Output in the September 2007 quarter is projected to expand at a faster pace than in the June 2007 quarter and inflation is projected to remain moderate. GDP growth for the September 2007 quarter is forecasted to be led by ***Mining & Quarrying*** and ***Construction & Installation***. Headline inflation for the September 2007 quarter is forecasted to be within the range of 2.0 per cent to 3.0 per cent, influenced by seasonal excess demand for agricultural output, rising cost of the factors of production and higher imported inflation. Core inflation is expected to remain stable for the September 2007 quarter. Key risks to the inflation forecasts emanate from the possibility of higher than projected crude oil prices as well as foreign exchange market pressures due to reductions in foreign currency inflows and increased Jamaica Dollar liquidity. In this context, the Central Bank will continue to focus policy on maintaining stability in the foreign currency market whilst ensuring the overall policy environment remains consistent with long-term macroeconomic growth and stability.

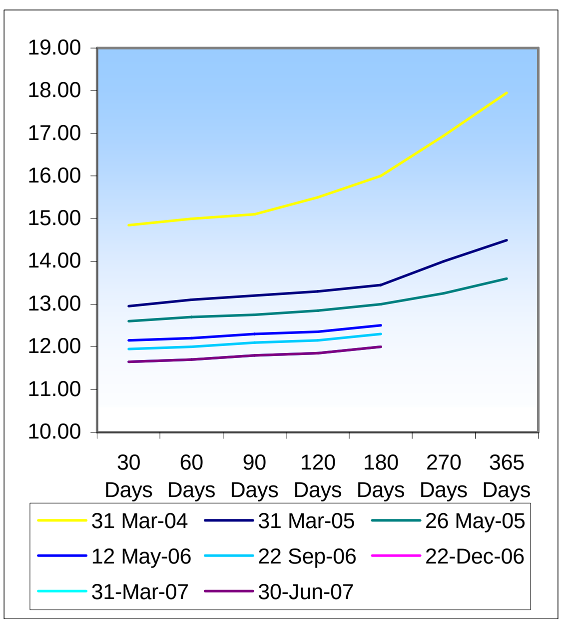
1. Monetary Policy and Financial Markets

Table 1.1

Selected Economic Indicators	Outturn for Jun'07 Quarter	Projection forJun'07 Quarter	Targets for FY07/08
Inflation (% change)	*1.9*	*2.0-3.0*	*6.0-7.0*
Base Money (% change)	*2.2*	*1.5*	*11.1*
NIR (eop) (US$mn)	*2 238.9*	*2 281.1*	*2 216.1*

The Bank offered a two-year variable rate certificate of deposit to absorb excess liquidity.

Figure 1.1
BOJ Open Market Operations Yield Curve



Money & Credit

Monetary Policy and Base Money Management

The June 2007 quarter was characterized by excess Jamaica dollar liquidity pressures in the system which facilitated bouts of instability in the foreign exchange market. In this context, the Bank held interest rates constant on its 30-180 day certificates of deposit (CDs) but offered a two-year variable rate CD for a limited period. The Bank also sold a significant amount of foreign currency to the market to engender stability in the exchange rate during the quarter. Against this background, the monetary base increased by 2.2 per cent relative to the programmed expansion of 1.5 per cent for the quarter.

During the June 2007 quarter, there was relatively high domestic liquidity in the system which emanated from the net unwinding of open market operation (OMO) securities. Although a portion of these OMO maturities largely financed investors' participation in GOJ debt instruments for the quarter, excess liquidity also facilitated considerable demand for foreign currency (see **Bond Market** and **Foreign Exchange Market**).

In an effort to absorb incremental liquidity and foster stability in the foreign exchange market, the Bank offered a two-year variable rate CD. This instrument was offered on 19-22 June and absorbed $5 007.8 million of Jamaica Dollar liquidity from the system (see **Bond Market**). This complimented the normal menu of OMO instruments and the net sale of US$145.6 million of foreign currency to the market.

Given the sale of foreign currency to the market, the NIR declined by US$90.5 million (see **Table 1.2**). In addition there was a build-up in Government accounts at the Bank. This liquidity absorption was completely offset by the significant net unwinding of OMOs which contributed to an overall expansion in the Net Domestic Assets (NDA) of $7 330.7 million. Against this background, the monetary base expanded during the quarter by $ 1 164.2 million or 2.2 per cent relative to the programmed expansion of 1.5 per cent (see **Table 1.1** and **Figure 1.2**). The expansion was largely reflected in an increase in

Table 1.2

Net International Reserves Apr - Jun 2007 Flows (US$MN)				
	Apr	May	Jun	Total
NIR	-37.0	-40.1	-13.4	-90.5

Figure 1.2

Base Money

(Quarterly Change)

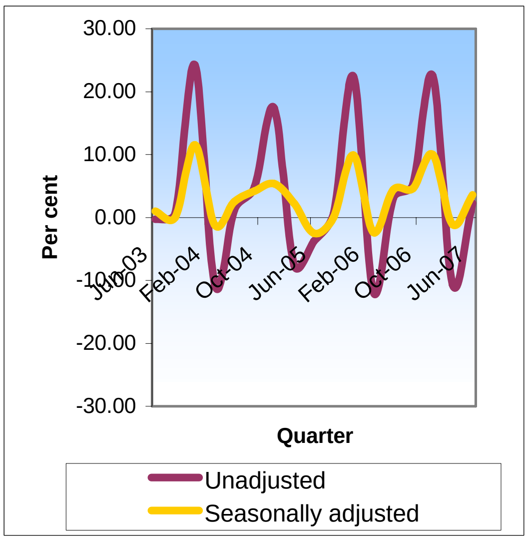
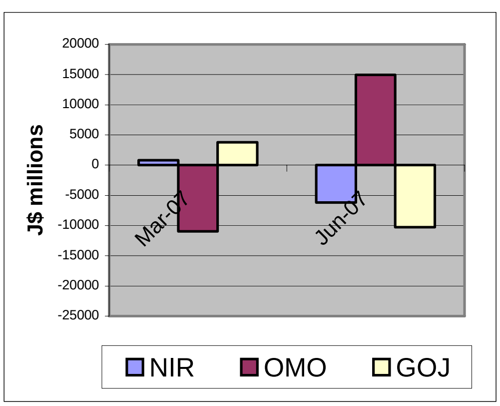


Figure 1.3

*Effects of the NIR, GOJ & OMO on Liquidity**



*Absorption-negative, Injection-positive

the currency stock of $392.1 million or 1.1 per cent relative to the programmed expansion of $300.8 or 0.8 per cent and an increase in the commercial banks' current accounts of $328.7 million or 247.5 per cent relative to the programmed reduction of $32.8 or 24.7 per cent.

Figure 1.4

Money Supply
(Quarterly Growth Rates)
June 2003 to June 2007

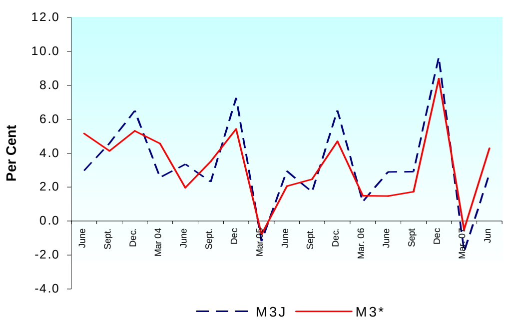


Table 1.2

Money Supply /1 (12-month growth rates)		
MJ	**Jun-06**	**Jun-07**
M1J	17.0	20.7
M2J	12.0	14.5
M3J	12.8	14.0
M*		
M1*	15.4	19.4
M2*	9.5	14.8
M3*	10.5	14.3

Table 1.3

INTEREST RATES IN THE DOMESTIC MARKET			
	May-06	**Mar-07**	**May-07**
COMMERCIAL BANK WEIGHTED AVERAGE DEPOSIT RATES			
Overall	**5.39**	**4.97**	**5.02**
Demand	2.85	2.75	2.70
Savings	4.87	4.58	4.59
Time	7.23	6.94	6.85
Foreign Currency	**3.20**	**3.16**	**3.15**
Demand	2.71	2.29	2.31
Savings	2.26	2.26	2.31
Time	5.02	5.09	4.96
6-MONTH TREASURY BILL RATE	**12.84**	**11.65**	**11.96**
BOJ 180-DAY REPURCHASE AGREEMENT RATE	**12.80**	**12.00**	**12.00**
PRIVATE MONEY MARKET RATE	**12.60**	**11.75**	**11.85**
memo:			
6-MONTH U.S. TREASURY RATE	**4.82**	**5.10**	**4.98**

Money Supply

During the June 2007 quarter, broad Jamaica Dollar money supply (M3J) increased by 2.8 per cent, in line with the 2.9 per cent growth outlined in the monetary programme and the outturn for the June 2006 quarter. The main source of expansion in M3J was the net unwinding of open market securities, the impact of which was partially offset by a decline in the NIR.

The measure of money supply that includes foreign currency deposits, M3, increased at a faster rate than the outturn for the June 2006 quarter. At end June 2007, the ratio of foreign currency deposits to total private sector deposits was 29.1 per cent relative to 28.7 per cent at end June 2006.*

For the June 2007 quarter, broad Jamaica Dollar money supply (M3J) increased by 2.8 per cent. This increase was in line with the 2.9 per cent growth anticipated in the monetary programme and the outturn recorded in the June 2006 quarter (see Figure 1.4). The expansion in M3J for the review quarter brought the annual growth to 14.0 per cent (see Table 1.2).

The main source of growth in M3J during the review quarter was the net unwinding of OMO securities amounting to $14 945.8 million. Investors used some of the proceeds from maturing instruments to finance placements in GOJ debt issues which were partly used to honor obligations in the domestic market. The main countervailing influence on the growth in money supply was a reduction in the NIR during the quarter. This reduction was influenced by increased demand for foreign currency, in a context of inadequate supply which necessitated the Bank's sale of foreign currency to Authorized Dealers. The increased demand for foreign currency was facilitated by some of the proceeds from maturing OMO securities.

With respect to the components of money supply, local currency deposits grew by 2.5 per cent during the review quarter, in line with the growth recorded in the June 2006 quarter. The increase during the review quarter largely reflected growth of 5.8 per cent and 2.2 per cent in demand and savings deposits, respectively. Currency in circulation,

Figure 1.5

Deposits in Commercial Banks
(Quarterly Growth Rates)
June 2004 to June 2007

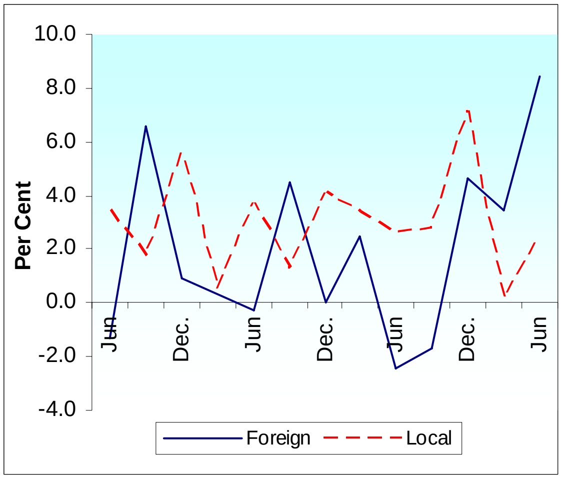


Figure 1.6

Foreign Currency Deposits to Total Deposits
June 2004 to June 2007

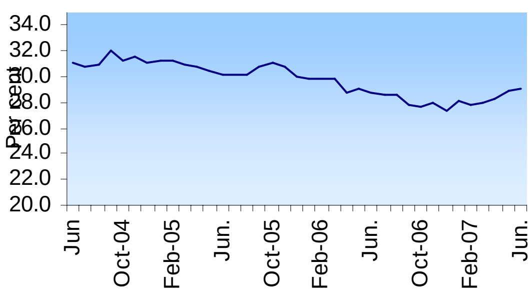


Table 1.4

COMPONENTS OF THE MONEY MULTIPLIER	Jun-06	Mar-07	Jun-07
	%	%	%
Currency to Deposits	15.16	15.56	15.91
Reserves to Deposits	9.64	10.33	9.91
Excess Reserves to Deposits	*1.87*	*2.47*	*2.02*
Cash Reserves to Deposits	*7.77*	*7.86*	*7.88*
Money Multiplier	**4.64**	**4.46**	**4.49**

the other component of M3J increased by $1 506.1 million or 4.8 per cent, in line with the growth recorded for the corresponding period of 2006.

During the review quarter, M3* grew by 4.3 per cent relative to the 1.5 per cent increase recorded in the June 2006 quarter (see **Figure 1.4**). This was influenced by an expansion of 8.5 per cent in foreign currency deposits in contrast to the decline of 2.4 per cent in the June 2006 quarter. The growth in foreign currency deposits surpassed the average of 1.7 per cent for the last five June quarters and largely reflected expansions of 26.2 per cent and 13.9 per cent in time and demand deposits, respectively. The increase in foreign currency deposits could be associated with uncertainty which usually arises in periods preceding the staging of general elections. Growth in these deposits influenced an increase in the ratio of foreign currency deposits to total private sector deposits to 29.1 per cent at end June 2007 from 28.0 per cent at end March 2007 and 28.7 per cent at the end of the June 2006 quarter (see **Figure 1.6**).

At end June 2007, the money multiplier was 4.49 relative to 4.46 at the end of the previous quarter and 4.64 at end June 2006. The increase in the money multiplier relative to end March 2007 reflected an increase in the currency to deposits ratio and a decline in the reserve to deposit ratio (see **Table 1.4**). The increase in the currency to deposit ratio largely reflected increased demand for cash balances in June. The reduction in the reserves to deposit ratio was in the context of lower vault cash holdings maintained by commercial banks.

Figure 1.5
Quarterly Growth Rates of Private Sector Credit
June 2004 to June 2007

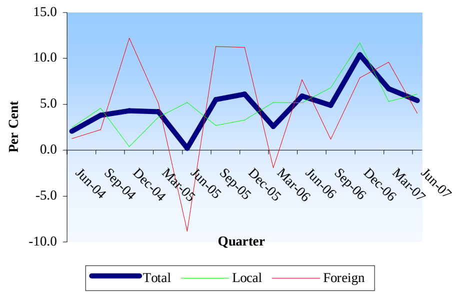


Table 1.5

Commercial Bank Distribution of Total Credit to the Private Sector J$ Million (Quarterly Flows)

	Jun-06	Mar-07	Prov. Jun-07
Total Private Sector Credit	**6 237.6**	**8 729.4**	**7 507.6**
Loans and Advances	6 403.4	8 991.4	8 584.5
Other Investments and Private Debentures	-165.8	-262.0	-1 076.9

Table 1.6

Commercial Bank Distribution of Loans & Advances to the Private Sector (Quarterly Flows J$M)

	Jun-06	Mar-07	Jun-07
Agriculture & Fishing	470.3	361.6	-379.9
Mining & Quarrying	0.0	-40.6	-36.0
Manufacturing	2 065.3	98.1	-479.4
Construction & Land Dev.	888.8	1 292.2	739.7
Transport, Storage & Comm.	482.0	1 126.5	1 499.9
Tourism	999.6	-603.3	989.0
Distribution	-1 171.5	2 788.9	1 108.7
Professional & Other Services	-567.7	1 251.3	222.4
Personal Loans	3 206.0	2 799.1	4 821.4
Electricity, Gas & Water	12.9	-66.4	52.6
Entertainment	6.8	-7.2	19.7
Overseas Residents	10.9	-8.9	26.3
TOTAL	**6 403.4**	**8 991.4**	**8 584.5**

Private Sector Credit

Private sector credit continued to grow at a relatively strong pace during the June 2007 quarter, exceeding the target outlined in the monetary programme. The growth was however, slower than the outturn for the previous quarter. The deceleration reflected a slowdown in foreign currency denominated loans while there was faster growth in loans denominated in local currency. Personal Loans accounted for most of the increase in credit. The quality of the loan portfolio continued to reflect improvement.

At end-June 2007, the stock of private sector credit within the commercial banking sector was $146 100.5 million, representing an expansion of 5.4 per cent relative to end-March 2007. Growth in private sector credit exceeded the increase of 2.9 per cent outlined in the monetary programme. However, the outturn represented a slowdown relative to the growth of 6.7 per cent and 5.9 per cent for the March 2007 and June 2006 quarters, respectively (see ***Figure 1.5***)..

Growth in loans and advances to the private sector reflected an increase of $8 585.5 million or 6.5 per cent in during the review quarter. This expansion in loans and advances was mainly in ***Personal Loans*** as well as loans to ***Transport, Storage & Communication***, ***Distribution***, ***Tourism*** and ***Construction & Land Development*** (see **Table 1.6**). ***Personal Loans*** grew significantly by 8.2 per cent during the review quarter, outpacing growth of 5.0 per cent and 7.4 per cent for the March 2007 and June 2006 quarters, respectively. This category of loans continued to account for the largest proportion of the outstanding stock of private sector credit (see **Figure 1.6**). There was also exceptional growth of 31.0 per cent in loans to ***Transport, Storage & Communication,*** mainly reflecting expansion activities in the telecommunications industry.

Loans to ***Distribution*** grew by 6.8 per cent during the review quarter, lower than growth of 20.5 per cent for the previous quarter. However, the outturn exceeded the average of 3.8 per cent for the last five June quarters. The continued growth in loans to this sector was consistent with increases in the import of raw materials and finished

Figure 1.6
Sectoral Distribution of Commercial Bank Loans & advances to the Private Sector as a per cent of outstanding Stock June 2006 & June 2007

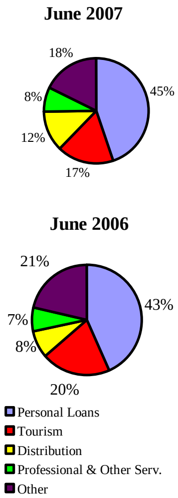


Table 1.7

Commercial Bank Distribution of Foreign Currency Loans & Advances to the Private Sector (FLOWS US$M)	Jun-06	Mar-07	Jun-07
Agriculture & Fishing	0.9	1.8	-4.9
Mining & Quarrying	0.0	-0.5	0.0
Manufacturing	28.5	1.0	0.2
Construction & Land Development	7.4	10.2	7.4
Transport, Storage & Comm.	6.3	4.5	11.9
Electricity, Gas & Water	1.0	0.0	0.0
Distribution	-11.9	34.2	-5.0
Tourism	5.5	-7.6	3.2
Entertainment	0.0	-0.2	-0.1
Professional & Other Services	2.4	4.3	2.2
Personal Loans	3.6	1.0	5.0
Overseas Residents	0.0	-0.1	0.2
TOTAL	**43.4**	**48.6**	**20.1**

Table 1.8

Commercial Bank Domestic Currency Average Weighted Lending Rates by Loan Type Per Cent	May-06	Mar-07	May-07
Overall	**17.73**	**17.29**	**17.06**
Public Sector	**13.40**	**11.78**	**11.84**
Local Govt. & Other Public Ent.	12.50	11.08	11.14
Central Government	16.23	15.15	15.10
Private Sector	**19.03**	**18.58**	**18.24**
Instalment	22.32	21.43	21.51
Mortgage	25.07	9.91	9.39
Personal	29.22	27.36	26.38
Commercial	13.88	13.40	13.22

goods as well as expansions in output within the ***Manufacturing*** and ***Agriculture, Forestry & Fishing*** sectors. Loans to ***Tourism*** grew by 4.2 per cent, mainly reflecting robust construction and refurbishment activities within the hotel industry. Loans to ***Construction & Land Development*** expanded by 7.9 per cent, consistent with the resurgence of activity in this sector. Conversely, there were net repayments within the ***Manufacturing***, ***Agriculture & Fishing*** and the ***Mining & Quarrying*** sectors while all other sectors remained relatively flat.

Foreign currency loans expanded by US$20.1 million or 2.8 per cent during the review quarter. This compared to growth of 7.3 per cent and 7.5 per cent in the March 2007 and June 2006 quarters, respectively. The deceleration mainly reflected slower growth in loans to ***Construction & Land Development.*** There was acceleration in the growth of ***Personal Loans*** as well as loans to ***Tourism*** and ***Transport, Storage & Communication*** (see **Table 1.7**). ***Tourism*** continued to account for the largest proportion of foreign currency loans at end-June 2007 (see **Figure 1.7**). Consequent on the general slowdown in foreign currency loans, the proportion of these loans to total loans declined to 33.4 per cent at end-June 2007 from 35.0 per cent at end-June 2006.

Interest Rates

Lending rates to the private sector continued the downward trend exhibited over the last four years. The weighted average loan rate to the private sector declined by 34 basis points (bps) over the two months ended May 2007. This decline in the overall weighted average rate was reflected in a reduction in the weighted average loan rate on all categories of loans except *Installment credit.* The overall weighted average rate on foreign currency loans also declined over the two months ended May 2007, reflecting a reduction in the weighted average rates on all categories of loans except *Commercial* credit.

Figure 1.7
Sectoral Distribution of Foreign Currency Loans & Advances to the Private Sector as a per cent of Outstanding Stock
June 2006 & June 2007

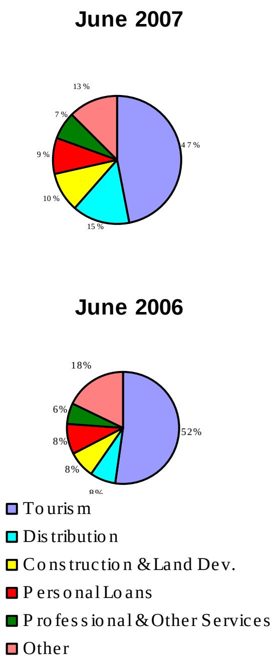


Table 1.9

Commercial Bank Foreign Currency Average Weighted Lending Rates by Loan Type Per Cent	May-06	Mar-07	May-07
Overall	**9.94**	**9.66**	**9.65**
Public Sector	**10.09**	**9.74**	**9.60**
Local Govt. & Other Public Ent.	10.01	9.62	9.48
Central Government	11.75	12.50	12.22
Private Sector	**9.88**	**9.63**	**9.67**
Instalment	6.33	14.00	14.00
Personal	16.23	15.32	15.26
Commercial	9.33	9.09	9.12

Performance Indicators

The ratio of private sector credit to total assets increased to 32.5 per cent at end-June 2007 from 31.5 per cent at end-March 2007 and 28.3 per cent at end-June 2006.The increase in this ratio is consistent with strong economic activity and aggressive marketing of loans by the commercial banks. There was further improvement in the quality of the loan portfolio as evidenced by a decline in the ratio of past due loans (over three months) to total loans to 2.0 per cent at end-June 2007 from 2.3 per cent at end-June 2006 (see **Figure 1.9**).

T able 1.11

GOJ Public Domestic Debt Raising April - June 2007			
	Amount allotted (J$MN)	Amount maturing (J$MN)	Net maturities (J$MN)
Treasury bills	2,700.0	2,700.0	0.0
Variable Rate LRS	0.0	2,559.6	2,559.6
Fixed Rate LRS	3,348.8	1,250.0	-2,098.8
Fixed Rate Inv. Deb.	0.0	5,203.0	5,203.0
Var. Rate Inv. Bd.	18,819.4	0.0	-18,819.4
Fixed Rate Reg. Bd.	9,872.0	798.1	-9,073.9
Sub-total	34,740.2	12,510.7	-22,229.5
US$ Prom. Note	*0.0*	*0.6*	*0.6*
Fixed Rate US-denom. Bd.	*0.0*	*33.0*	*33.0*
J$ equivalent	0.0	2,297.5	2,297.5
Total (J$)	34,740.2	14,808.2	-19,932.1

GOJ increases debt raising activities

Table 1.12

Treasury Bill Auctions and Maturities April - June 2007				
Issue Date	Tenor (days)	Avg. yield (%)	Allotment (J$M)	Amount Maturing (J$M)
27-Apr-07	182	11.81	500	
	91	11.74	400	
				900.0
25-May-07	182	11.96	500.0	
	91	11.80	400.0	
				900.0
22-Jun-07	182	12.13	500.0	
	91	11.98	400.0	
				900.0
Total			2700.0	2700.0

Average yields on GOJ Treasury bills increase

Bond Market

The GOJ increased its debt-raising activity in the local bond market following its limited activity in the previous quarter. Similar to the December quarter, most of the debt issued was at variable rates, albeit at a lower repricing margin. Treasury bill rates however, showed an increase during the quarter.

The GOJ's activity assisted in the management of excess liquidity conditions during the quarter as evidenced by the buildup in GOJ balances held with the BOJ. Despite GOJ's stronger presence in the market the level of liquidity remained high and was concentrated in a few institutions. In order to reduce excess liquidity in the market, the BOJ issued a special VR CD.

During the June 2007 quarter, the GOJ increased its debt raising activities relative to the March 2007 quarter as evidenced in a net allotment of $19 932.1 million as compared to $467.4 million in the previous quarter (**see Table 1.11**). A similar number of instruments, but with a shorter maturity profile, was issued as compared to the December 2006 quarter. Also, the GOJ issued more fixed rate (FR) than variable rate (VR) instruments. However, as in the December 2006 quarter, the variable rate instruments constituted a significant majority of the total allotment. Interest rates at which the GOJ issued both FR and VR instruments were, in general, lower than the previous quarter. Additionally, the repricing margin on VR instruments was lowered and aligned with the six-month weighted average Treasury bill yield (WATBY), as compared to the three-month WATBY in the December 2006 quarter.

The net allotment by the GOJ facilitated a buildup of its balances held in the BOJ and helped to reduce pressures in the foreign exchange market during the quarter. Despite the build up of Government balances in the Central Bank, the level of Jamaica Dollar liquidity remained high (**see Money & Credit**). In this context, the BOJ sold a special 2-year VR CD to absorb the excess liquidity. The instrument

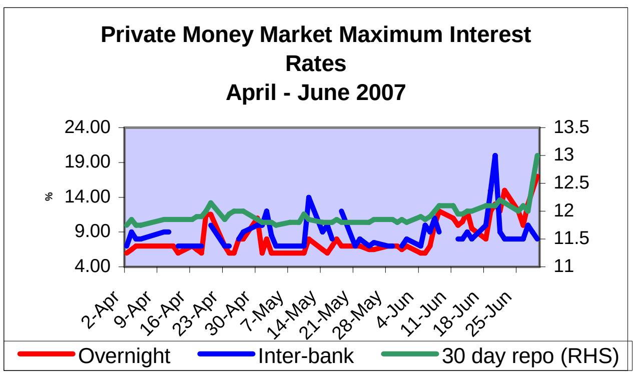
Table 1.13

Placements and Maturities* in BOJ OMO Instruments:						
	April - June 2007				January - March 2007	
	Maturities		Placements		Placements	
	($)	(%)	($)	(%)	($)	(%)
30-day	48,207.5	38.4	43,618.6	38.9	52,689.6	45.3
60-day	8,750.9	7.0	6,791.7	6.1	7,579.3	6.5
90-day	9,881.3	7.9	9,842.8	8.8	9,881.3	8.5
120-day	3,566.5	2.8	5,129.5	4.6	3,255.5	2.8
180-day	42,827.3	34.1	41,719.1	37.2	42,840.8	36.9
270-day	0.0	0.0	0.0	0.0	0.0	0.0
365-day	12,250.9	9.8	0.0	0.0	0.0	0.0
2-year	-	-	5,007.9	4.5	-	-

***excludes overnight transactions during the period**

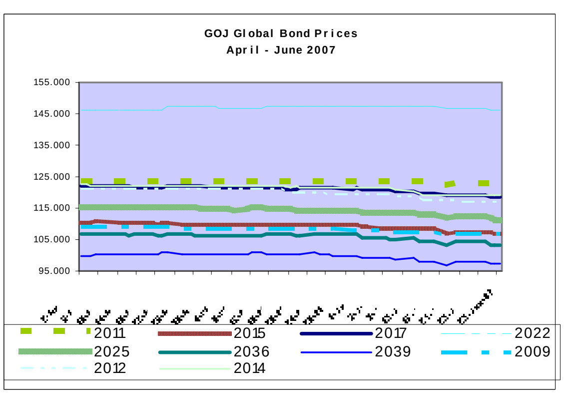
Investors continue to favour 30-day and 180-day OMO instruments

Figure 1.13



Average money market rates remain flat

Figure 1.14



***market quotes on the '07s have been suspended**

had an initial coupon of 11.80 per cent per annum, the rate that obtained on the BOJ 90-day CD, with a quarterly repricing of 1.25 percentage points above the BOJ 90-day OMO rate.

Notwithstanding the high levels of liquidity, average yields on Treasury bills increased at each auction. The yield on the 182-day tenor increased by 48 basis points for the quarter, while the yield on the 91-day tenor increased by 43 basis points (**see Table 1.12**). The increase in the Treasury bill yield was most evident in June and may have been associated with instability in the foreign exchange market during that month.

Interest rates in the private money market remained similar to the rates which prevailed in the previous quarter. However, there were spikes in interest rates throughout the quarter which corresponded largely to offers of GOJ debt instruments and BOJ VR CDs, as well as instances when the Bank sold foreign currency to contain pressures in the foreign exchange market **(see Figure 1.13**).

Overall, GOJ global bond prices fell in the context of a general deterioration in the performance of emerging market sovereign bonds (**see Figure 1.14**). In the context of the Euro weakening against the United States dollar from end April through to the end of the quarter, as well as market-determined US interest rates increasing given the expectations for upward adjustment of US policy rates, the heaviest declines were on the Euro-denominated bonds. The bonds particularly impacted were those maturing in 2012 and 2014, as investors sought to shift funds out of Euro-denominated bonds faster than US-denominated bonds.

Figure 1.18
Quarterly Growth of the Main JSE Index – March 2006 – June 2007

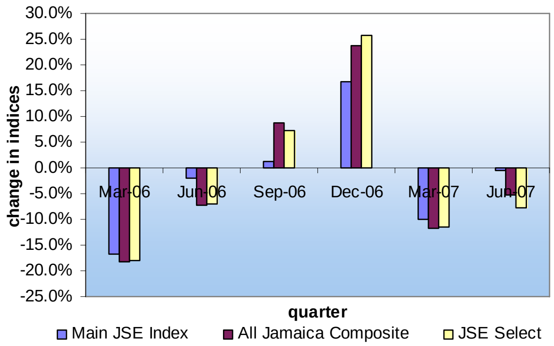


Figure 1.19
Monthly Returns from Equities, Fixed Income & Foreign Exchange – January– June 2007

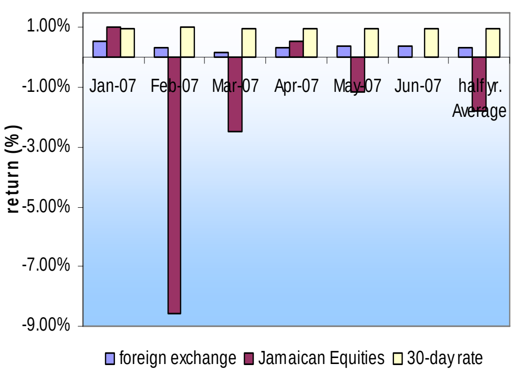


Table 1.15
Dividend Yield by Business Category

Category (%)	June 2006 (%)	June 2007
Financial	1.93	3.47
Manufacturing	2.35	2.87
Conglomerates	4.32	5.19
Insurance	1.64	2.08
Communication	3.38	2.16
Retail	2.22	0.00
Tourism	1.04	0.00
Other	0.96	0.66

Stock Market

The Main Jamaica Stock Exchange (JSE) Index declined marginally during the June 2007 quarter. The downturn in the stock market occurred in a context of lower than expected reported earnings for a number of the listed companies and continued uncertainties surrounding the upcoming general elections. Additionally, despite buoyant Jamaica Dollar liquidity conditions, investors made portfolio shifts away from equity invesmtents in a context where domestic stocks continued to provide low capital gains. Against this background, the management of the JSE announced various initiatives geared at stimulating investor interest in the equities market and there were strong improvements in dividend offerings by many companies.

The Main JSE Index, the All Jamaica Composite and the Select Index declined by 0.6 per cent, 5.4 per cent and 7.8 per cent, respectively, for the June 2007 quarter (see **Figure 1.18**). The decline in the Main JSE Index was not as sharp as that recorded in the June 2006 and March 2007 quarters. During the review quarter, investors remained apprehensive towards the stock market, due to less than favourable earnings reports by a number of the listed companies and uncertainties surrounding the upcoming general elections.

The generally weak performance in the stock market was observed during all three months of the quarter. The Main JSE Index recorded a marginal increase of 0.6 per cent for April, declined by 1.2 per cent for May and remained unchanged in June. The low capital gains on domestic stocks influenced a diversion of funds from equity investments, to relatively higher returns on foreign currency, fixed income and variable rate investments. Average returns on foreign currency and fixed income investments exceeded average returns on local equities investments for the first half of 2007 (see **Figure 1.19**).[1]

Many listed companies offered higher dividends to stimulate investor interest in the equities market. This was particularly evident for listed companies in the financial and manufacturing sectors as well as the

[1] The secondary 30-day repo rates and the rate of depreciation of the Jamaica Dollar vis-à-vis the US dollar are used as proxies for fixed income and foreign currency investments, respectively.

Table 1.16
Advancing Stocks -
June 2007 Quarter

Companies	Price at 29-Jun-07 $	Qtr. Change %
Advancing Stocks		
Financial		
FCIB	123.00	6.95
FCIB Jamaica	24.00	36.52
PCFS	18.99	5.50
Manufacturing		
Trinidad Cement	85.00	11.84
Caribbean Cement	8.70	2.59
Jamaica Broilers Group	4.65	5.68
Tourism		
Montego Freeport	2.06	3.00
Communications		
Gleaner Company	1.85	5.11
Retail		
Hardware & Lumber	15.25	8.93
Other		

Table 1.17
10 Largest Declining Stocks -
June 2007 Quarter

Companies	Price at 29-Jun-07 $	Qtr. Change %
Declining Stocks		
Communication		
Cable & Wireless Ja.	0.89	-10.10
Radio Jamaica	3.15	-27.59
Financial		
Pan Jam Investments	40.00	-9.10
JMMB	9.32	-11.24
Mayberry	2.33	-15.88
BNS	20.15	-16.39
CCMB	9.85	-17.92
Tourism		
Ciboney	0.03	-25.00
Manufacturing		
Salada Foods	32.00	-41.82
Desnoes & Geddes	7.05	-12.96

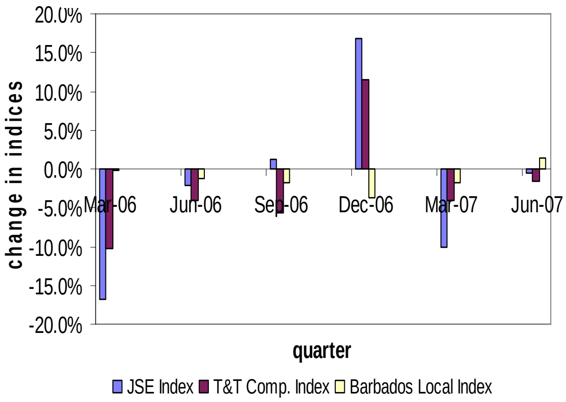
conglomerate category. These categories accounted for the bulk of market capitalization and have the greatest impact on the index. The increase in dividends for these sectors contributed to an improvement in their dividend yield at end June 2007, relative to the corresponding period of the previous year (see **Table 1.15**).[2]

For the June quarter, 15 stocks recorded price gains while 25 stocks declined. Strong price declines were evident across the financial, manufacturing and communication sectors (see **Table 1.17)**. However, the top ten stock price performers were also largely from the manufacturing and financial sectors (see **Table 1.16)**. The performance of some of the financial companies continued to be impacted by the lower interest rate environment. A number of factors affected companies in the manufacturing sector including the higher costs for imported inputs (See **international Developments)**.

At the institutional level, the management of the JSE announced various initiatives aimed at improving the operational efficiency and enhance growth prospects of the stock market. These ventures include the establishment of a business development unit (BDU), which is expected to play an integral role in the current restructuring of the JSE from a regulatory body to a profit organization. The BDU is expected to increase the number of new listings on the JSE and is scheduled to become operational by the end of 2007. There are also plans for the BDU to work with listed companies in the development of new products such as fixed income and derivatives with a view to enhancing shareholder value and to expand investor choices.

[2] The dividend yield for a stock is computed by dividing the dividend by the current stock price.

Figure 1.20
Quarterly Growth of Regional Indices – March 2006 – June 2007



Additionally, plans are underway for the establishment of a Caribbean Regional Stock Exchange. The proposal involves the integration of the three major regional exchanges and is expected to greatly enhance the efficiency of trading stocks regionally and facilitate a more dynamic stock market.

The performance among the other major stock exchanges in the region was mixed in the June 2007 quarter. For Barbados, the Local Index increased by 1.4 per cent relative to a 1.8 per cent decline for the March 2007 quarter. For Trinidad & Tobago, the Composite Index declined by 1.6 per cent, compared to a decline of 4.1 per cent in the previous quarter. This performance was influenced by low investor interest as well as strong price declines by the Jamaican cross-listed companies (see **Figure 1.20**).

Figure 1.22
Percentage Change in Weighted Average Selling Exchange Rate (e.o.p.) (J$1.00= US$)

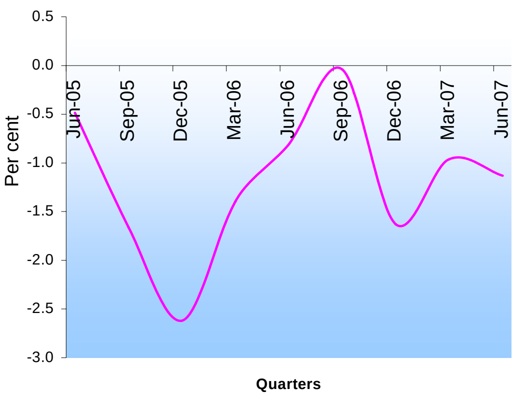


Figure 1.23
Weekly Exchange Rate Trading Range

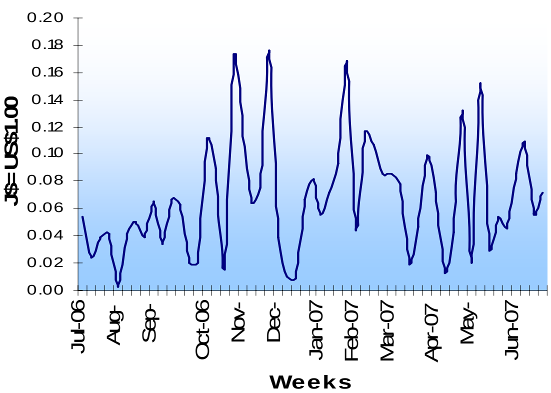
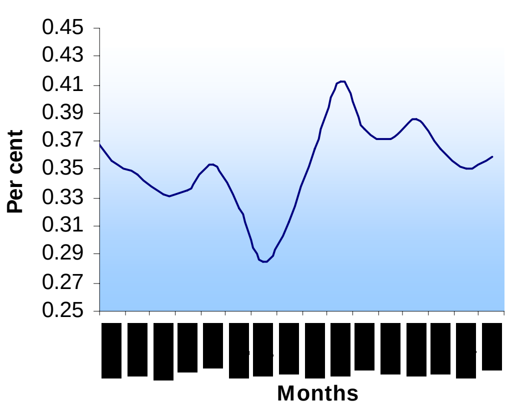


Figure 1.24
Foreign Exchange Spread as a Percentage of Buying Rate



Foreign Exchange Market

The foreign exchange market was characterised by bouts of strong demand pressures during the June 2007 quarter, precipitated by portfolio switching by investors from Jamaica Dollar to US dollar denominated assets. In the context of the demand pressures the Bank of Jamaica (BOJ) issued a variable rate instrument and sold foreign exchange to the market. This action constrained the pace of exchange rate depreciation to 1.14 per cent for the quarter. At end-June 2007, the NIR was lower than the programmed level. Gross reserves, however, remained adequate at 17.8 weeks of estimated goods and services imports.

The weighted average selling rate (WASR) of the US dollar increased to J$68.58 = US$1.00 at end-June 2007 from J$67.80 = US$1.00 at end-March 2007. This represented a depreciation of 1.14 per cent, marginally above the 0.96 per cent depreciation recorded over the March 2007 quarter **(**see **Figure 1.22)**. The largest monthly depreciation during the quarter (0.51 per cent) was recorded in June. Notwithstanding the accelerated pace of depreciation for the quarter, the value of the Jamaica Dollar declined vis-à-vis the US dollar by 2.08 per cent for the calendar year to June, below the 2.20 per cent depreciation for the comparable period of 2006.

Despite the increase in the rate of depreciation for the quarter, the weekly market trading range narrowed to an average of J$0.07 in the June 2007 quarter, relative to J$0.08 in the preceding quarter (see **Figure 1.23**).[3] This decline was most evident in April and May, where the trading range averaged J$0.06 before increasing to J$0.08 in June. Similarly, the average bid-ask spread, expressed as a percentage of the buying rate, declined by 5.6 per cent in the June 2007 quarter (see **Figure 1.24**).

The pressures that emerged in the foreign exchange market during the review quarter were mainly associated with a contraction of US$119.8 million in net private capital inflows, relative to the March 2007 quarter. This fall largely reflected portfolio switching by investors, evidenced by an estimated build-up of US$63.5 million in the net foreign currency positions of the authorized dealers. The fall in net private capital inflows occurred in the context of a narrowing in the interest rate differential between Jamaica

3The trading range is the difference between the high and low quotes for the sale of US dollars over a particular period.

Table 1.11
Foreign Exchange Cash Flows*

US$MN	2006 Apr-Jun	2007 Jan-Mar	2007 Apr-Jun	Change Relative To Previous Qtr	Change Relative To Previous yr
Net Current Inflows	-496.8	-549.8	-487.3	62.5	9.5
Current Inflows	950.0	968.3	1008.3	40.2	58.5
Current Outflows	1446.8	1518.1	1495.8	-22.3	49.0
Net Private Capital Inflows	564.7	492.2	372.4	-119.8	-192.3
Balance	67.9	-57.6	-114.9	-57.3	-182.8

* *BOJ Estimates of cash flow within the private domestic economy.*

Table 1.12
Net International Reserves
(US$MN)

Month	Stock	One Month Change	Three Month Change
Jun-06	2 110.1	-52.7	32
Jul-06	2 087.8	-22.8	-63.9
Aug-06	2 215.6	127.8	52.8
Sep-06	2 342.0	126.4	231.9
Oct-06	2 306.4	-35.6	218.6
Nov-06	2 353.0	46.6	137.4
Dec-06	2 317.6	-35.4	-24.4
Jan-07	2 288.4	-29.2	-18
Feb-07	2 185.6	-102.8	-167.4
Mar-07	2 329.4	143.8	11.8
Apr-07	2 292.4	-37.0	4.0
May-07	2 252.2	-40.1	66.6
Jun-07	2 238.9	-13.3	-90.5

Dollar and US dollar denominated bonds (see **International Economic Developments**). External financing activities by a public sector company in June, as well as increased foreign currency demand by selected private sector entities to facilitate dividend payments, acted as triggers for increased instability in the market over the quarter.

The Bank estimates that there was a decline in the net foreign exchange demand to facilitate current account transactions, which partly mitigated the impact of the fall in net private capital inflows. This lower net demand was attributed to a US$40.0 million increase in foreign exchange inflows, principally associated with higher remittances and earnings from seasonal workers abroad. On the other hand, payments declined by an estimated US$23.8 million, largely attributed to lower spending on imports.

Reflecting the growth in inflows from earners, average per-diem purchases by the system (authorised dealers and cambios) amounted to US$28.0 million over the review quarter, compared with US$26.5 million over the March quarter. Consistent with the build up in positions however, the system net purchased, on a daily basis (excluding intervention and interdealer transactions), an average of US$0.8 million from the market during the quarter, compared with US$0.6 million over the March 2007 quarter.

To moderate the pressures that emerged in the foreign exchange market, the Bank sold US$145.0 million (net) and offered a special variable rate Jamaica dollar instrument in June. This constrained the excess Jamaica Dollar liquidity that was evident in some institutions and resulted in exceptional US dollar purchases from the market. In the context of these developments, the NIR at end-June 2007 was US$2 238.9 million, representing a decline of US$90.5 million, relative to end-March 2007(see **Table 1.12**) as well as being US$42.2 million below the programme target. However, the Bank's gross reserves at end-June 2007 amounted to US$2 472.3 million, representing 17.8 weeks of projected goods and services imports. This compares favourably with the international benchmark of 12 weeks.

2. Real Sector Developments

Growth driven by favourable domestic macroeconomic environment, recovery activities and increased capacity utilization

Economic growth in the June 2007 quarter continued at a similar pace as in the March 2007 quarter. However, it moderated relative to the corresponding period in 2006. This slower pace of growth was associated with the contraction in the tradable sector attributed to the fall out in the tourism and mining industries. The slow expansion in economic activity reflected estimated improvements in all components of aggregate spending, with the exception of Private Consumption.

Figure 2.1

Tradables vs. Non-Tradables GDP Growth (12-Month Change)

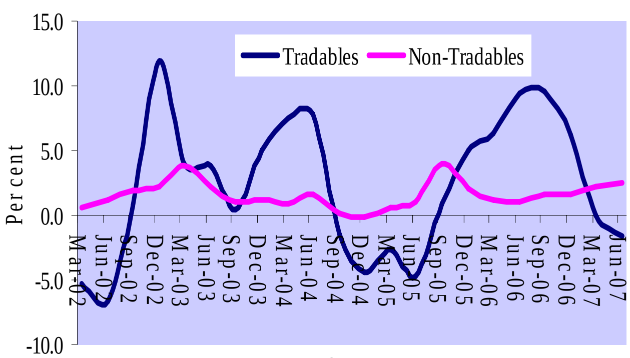
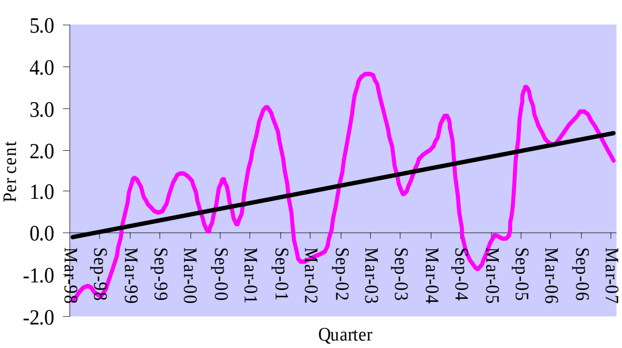


Figure 2.2

GDP Growth: March 1998 – March 2007 (12-Month Change)



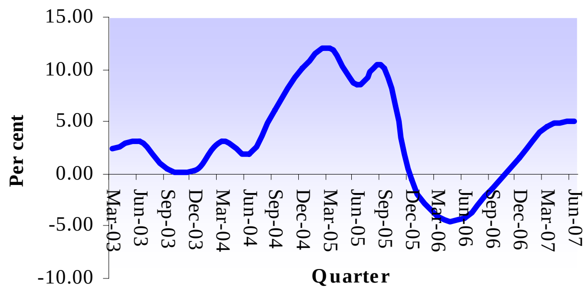
Aggregate Supply

The Bank's estimate of economic activity indicates that the growth in Gross Domestic Product (GDP) for the June 2007 quarter was in the range of 1.5 per cent to 2.5 per cent, similar to the March 2007 quarter. This, however, represented a moderation in growth relative to the June 2006 quarter; influenced by the slower expansion in non-tradables and a sharp decline in tradables. The reduction in the tradables sector is attributed to a fall out in two key industries, tourism and mining. The moderation in growth follows a period of accelerated expansion since the September 2005 quarter, fuelled by activities within the tradables sector and fairly consistent growth in non-tradables (see **Figure 2.1**).

Although growth moderated, it remained above the economy's long run trend growth of 1.2 per cent since March 1998 (see **Figure 2.2**). The economy's performance in the June 2007 quarter was stimulated by investment spending, recovery in some sectors as well as increased capacity utilization in selected industries. Investment spending reflected both foreign capital inflows and domestic capital. The latter is inferred from a considerable increase in commercial bank credit extended to the productive sector during the six months leading up to the end of the review quarter. The main beneficiaries were ***Construction & Installation***, ***Transport, Storage & Communication and Distributive Trade.*** These sectors were among the leading growth sectors during the review quarter.

Figure 2.3

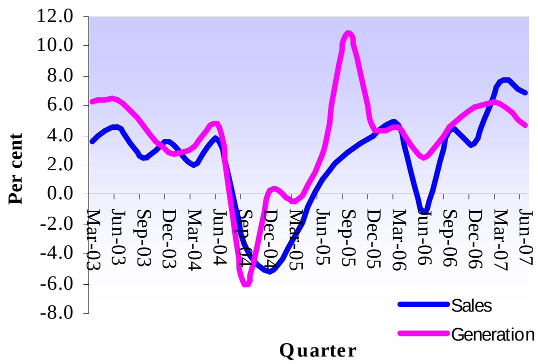
Growth in Commercial Banks Loans: Construction & Installation (12-Month Change)



Source: STATIN & BOJ

Figure 2.4

Electricity Generation & Sales (12-Month change)



Source: JPS & Bank of Jamaica

Output within ***Construction & Installation*** continued to rebound in the June 2007 quarter, following the fall out in the industry between the December 2005 and September 2006 quarters (see **Figure 2.3**). The sector's performance reflected not only expansion activities in the telecommunication and transport industries but also major road works conducted under the North Coast Highway and Road Improvement Projects. The expansion in the sector was moderated by a slow down in residential construction. This was inferred from a contraction of 13.7 per cent in the National Housing Trust housing starts for the period. Growth, however, remained above the sector's long run trend average of 1.2 per cent since the March 1998 quarter.

Growth within ***Transport, Storage & Communication*** was driven by upgrading exercises at both sea and airports as well as investment in the communication industry. These factors also influenced the recovery in ***Construction & Installation***.

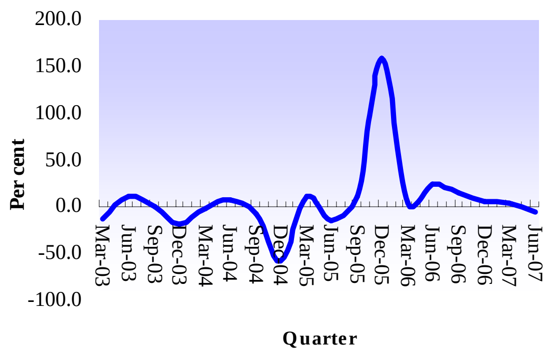
Recovery in economic activity also occurred within ***Manufacturing***, following six consecutive quarters of declines as a result of the closure of the tobacco industry. This improved performance was facilitated primarily by growth in *sugar, molasses & rum* and *non-metallic minerals*.

Improvements in capacity utilization of 4.2 per cent and 3.2 per cent, respectively, in the power and water industries, drove the expansion in ***Electricity & Water***. Growth in electricity continued to be above the long run average trend of 3.5 per cent since the March 1998 quarter. Total electricity generation for the review quarter grew by 4.7 per cent, while sales improved by 6.9 per cent (see **Figure 2.4**). These improvements are within the context of increased industrial demand. Further, water production increased by 3.2 per cent, relative to the corresponding quarter in 2006.

For the second consecutive quarter, growth in the economy was dampened by the performance of mining and tourism, the two key tradable industries. The contraction in ***Mining & Quarrying*** was related to production problems at the bauxite plant as well as capacity constraint in the alumina industry.[4] In this context, crude bauxite and

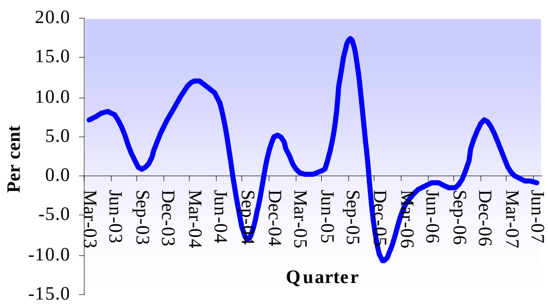
[4] The dryer system, used to pull moisture from the bauxite was out of operation for two weeks.

Figure 2.5
Trends in Crude Bauxite Production
(12-Month Change)



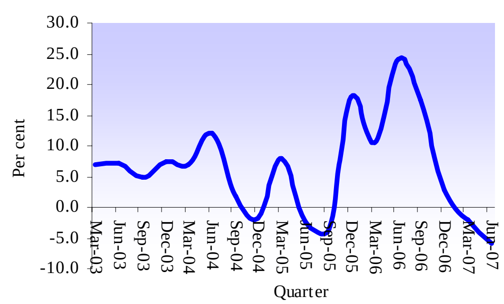
Source: Jamaica Bauxite Institute

Figure 2.6
Trends in Alumina Production
(12-Month Change)



Source: Jamaica Bauxite Institute

Figure 2.7
Total Stopover Visitor Arrivals
(12-Month Change)



Source: Jamaica Tourist Board

alumina production declined by 4.1 per cent and 0.9 per cent, respectively, relative to the similar period in 2006 (see **Figures 2.5** and **2.6**). As such, output continued to be below the sector's long run trend growth of 2.3 per cent since the March 1998 quarter.

Similar to the previous quarter, ***Miscellaneous Services*** contracted. This decline was reflected primarily in tourism activities, notwithstanding fairly buoyant global economic growth. The fall out in demand for Jamaica's tourism product was due in part to the revitalization of Cancun, the USA Government's Western Hemisphere Travel Initiative[5] and the CARICOM visa requirement between 1 February and 15 May 2007. Against this background, total stopover visitors declined by 5.9 per cent, while cruise passenger arrivals expanded by 7.1 per cent (see **Figure 2.7**). Correspondingly, there was a decline of 7.8 per cent in visitor expenditure, relative to the corresponding quarter in 2006.

Aggregate Demand

Growth within the real sector reflected increased ***Public Consumption*** and ***Gross Fixed Capital Formation***, as well as an improvement in ***Net External Demand***. There was, however, a fall in ***Private Consumption*** during the review quarter.

The robust expansion in ***Public Consumption*** that started in the September 2006 quarter continued into the review period. Notably, the pace of growth remained high and reflected the adjustment in public sector wages under the new Memorandum of Understanding.

There was a continuation of the improvement in ***Net External Demand*** in the previous quarter. This upturn was influenced by an estimated increase of 6.4 per cent in the export of goods and services, which was augmented by a decline of 1.8 per cent in imports of goods and services. The performance of export reflected the considerable growth in banana and ethanol as well as increases in mineral fuels (see **Figure 2.8**). The reduction in imports primarily reflected moderate decreases in the price and quantity of fuel. Further, the export of banana and mineral fuels also grew significantly during the period.

[5] Requires all US citizens traveling by air between selected countries to present a valid passport on reentry into the US as at 23 January 2007.

Figure 2.86

Ethanol Exports
(US$ mill)

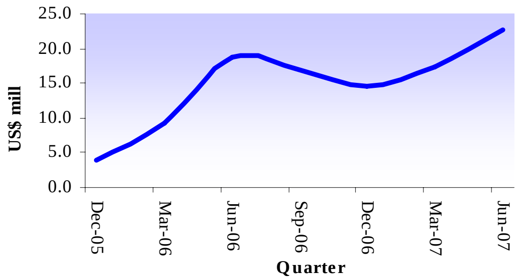
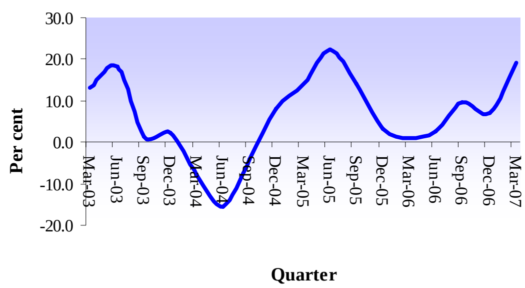


Figure 2.9

Trends in Capital Goods & Raw Material Imports
(12-Month Change)



Source: STATIN, Bank of Jamaica

Consistent with the previous five quarters, there was an expansion in ***Gross Fixed Capital Formation*** in the review period, albeit at a decelerated rate of growth. This spending occurred primarily within the mining, cement and petroleum industries as well as transportation, financed largely by credit from local financial institutions. One indicator of investment spending, capital goods & raw material imports is estimated to have grown by 11.3 per cent in the review period (see **Figure 2.9**). The expansion in investment mirrored the improved business confidence since the September 2006 quarter. The Jamaica Conference Board Business Confidence Index rose to 123.9 up from 96.0 in the comparable period of 2006, reflecting increased optimism regarding economic growth and profitability of private sector firms.

Following six consecutive quarters of growth, ***Private Consumption*** contracted in the June 2006 quarter. This was inferred from contractions of 5.8 per cent and 3.2 per cent in consumption tax receipts and total goods imports, relative to the similar period of 2006. This was consistent with the survey of consumer confidence conducted by the Jamaica Conference Board in March 2007, which indicated that although confidence remains high, consumers were cautious as it relates to spending and were forecasting a reduction in the rate of growth in their spending habits in the short term. The report for the June 2007 quarter revealed that, while consumers remained optimistic about the economy's prospects, they were expecting to spend less in the upcoming year.

3. International Developments

External influences on the Jamaican economy were generally unfavourable during the June 2007 quarter. International commodity prices increased during the review period, influenced primarily by higher oil and agricultural raw material prices. In this context, Jamaica's terms of trade (TOT) was estimated to have deteriorated during the quarter.

Interest rates in selected advanced economies were either increased or held constant. For the United States of America (USA) in particular, rising inflation expectations also reduced the likelihood of a downward adjustment in interest rates in the near future. This, however, coincided with increased uncertainty about the potential impact of the ongoing problems in the US housing market spreading to other sectors of the economy. The increased uncertainty precipitated a general upward adjustment in the yields on emerging market bonds, including Government of Jamaica (GOJ) Sovereigns.

Figure 3.1
Jamaica Terms of Trade Index
Jun 05 to Jun 07
(quarterly average)

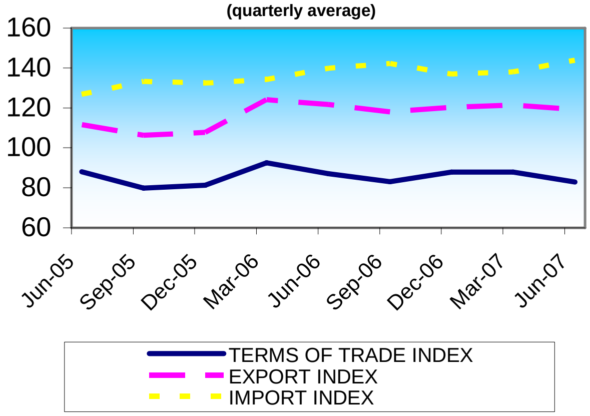
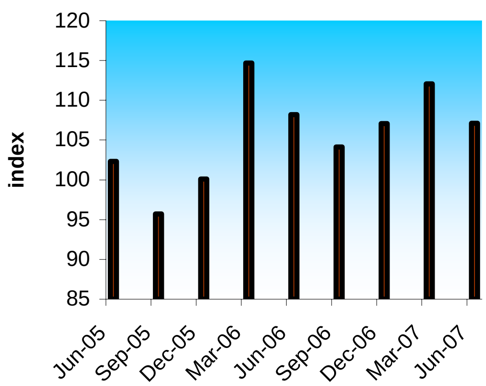


Figure 3.2
Implicit Tourism Price Index
Jun 05 to Jun 07
(quarterly average)



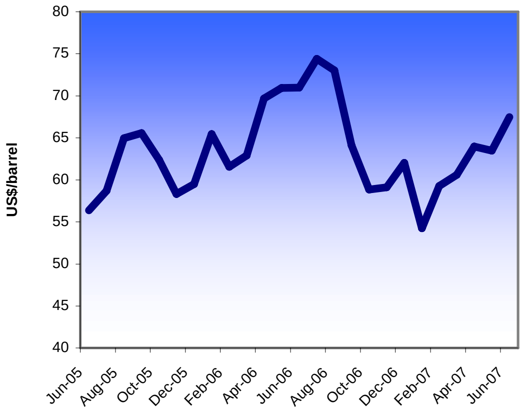
Terms of Trade

Jamaica's TOT deteriorated during the June 2007 quarter by an estimated 5.6 per cent, relative to the preceding quarter, broadly in line with seasonal patterns (see **Figure 3.1**).[6] The movement in the TOT index during the review period was influenced by an increase of 4.2 per cent in the Import Price Index (IPI) as well as a decline of 1.7 per cent in the Export Price Index (EPI). The increase in the IPI reflected increases of 10.6 per cent and 1.7 per cent in crude oil and agricultural raw material prices, respectively. With respect to the EPI, the decline was attributable to a 4.4 per cent fall in the Tourism Implicit Price Index (TIPI) (see **Figure 3.2**).[7]

Crude oil prices rose to an average of US$64.17 per barrel for the June 2007 quarter, influenced by respective increases of 5.5 per cent and 2.6 per in April and June (see **Figure 3.3**). The overall growth in price for the quarter was related to the unexpected closure of several refineries in the USA for maintenance, which intensified concerns about the sufficiency of gasoline inventories for the summer driving season. Prices were also affected by expectations of delays in fuel shipments from Nigeria, arising from increased political and labour unrests in that country.

[6] The Bank estimates a measure of Jamaica's terms of trade which is a ratio of the index 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.
[7] The Tourism Implicit Price Index measures the ratio of the average tourist expenditure to their average length of stay.

Figure 3.3
WTI Crude Oil Price
Jun 05 - Jun 07
(monthly averages)



Source:US Energy Information Administration

The growth in agricultural raw material prices during the quarter mainly reflected respective increases of 4.1 per cent and 3.8 per cent in the prices of soft red winter (SRW) wheat and soybeans. The impact of these increases was partly offset by a decline of 7.8 per cent in the price of corn. The movement in SRW wheat prices reflected a fall in world supply due to drought conditions in Russia, while the increase in soybean prices was attributed to ongoing substitution of corn production for soybean. This substitution also resulted in the over production of corn, leading to a decline in price of the commodity.

Monetary Policy

Key interest rates among selected advanced economies were either kept constant or increased during the review quarter. In the USA, the Federal Reserve (Fed) maintained their target rate at 5.25 per cent throughout the quarter. The decision to maintain rates was influenced by continued concerns of high inflation expectations which was counterbalanced by a deceleration in growth, particularly against the background of a slowdown in the housing market.

Like the Fed, The Bank of Canada (BoC) and the Bank of Japan (BoJ) kept their official interest rates unchanged at 4.25 per cent and 0.50 per cent, respectively. The BoC, however, indicated towards the end of the period that monetary tightening might be necessary in the near future to stem rising inflationary pressures. For the BoJ, concerns about low inflation and the risk of a recession offset the problems associated with increased private capital outflows due to widening interest rate differentials.

Table 3.1

Selected Key Interest Rates

Mar 07 – Jun 07

	Mar	Apr	May	Jun
USA[a]	5.25	5.25	5.25	5.25
Euro Area[c]	3.75	3.75	3.75	4.00
Canada[b]	4.25	4.25	4.25	4.25
UK[c]	5.25	5.50	5.50	5.50
Japan[d]	0.50	0.50	0.50	0.50

[a] *Fed fund rate*
[b] *Benchmark rate*
[c] ***Repo rate***
[d] ***Discount rate***

In contrast, the Bank of England (BoE) and European Central Bank (ECB)) raised their benchmark rates during the quarter in response to increasing inflationary pressures. In April, the BoE raised its benchmark rate by 25 basis points (bps) to 5.50 per cent, while the ECB raised its benchmark rate by 25 bps to 4.00 per cent in June (see **Table 3.1**).

Private Market Rates

The yield curve for secondary market US treasury bonds steepened in the June 2007 quarter, relative to the March 2007 quarter. The yields on short-term US Treasury Bills fell by 15.20 bps to average 4.94 per cent during the June 2007 quarter. The yields on longer-term US securities, however,

Figure 3.4
US Treasury Yield Curve

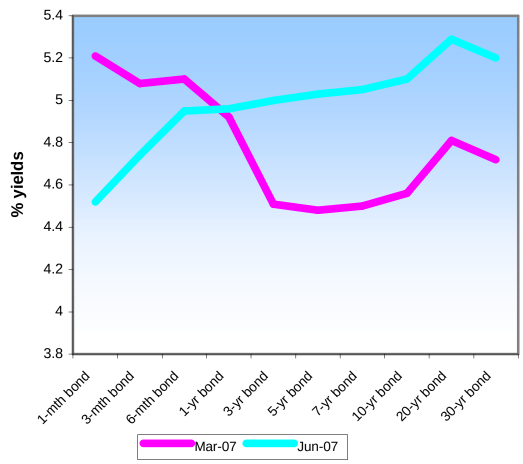
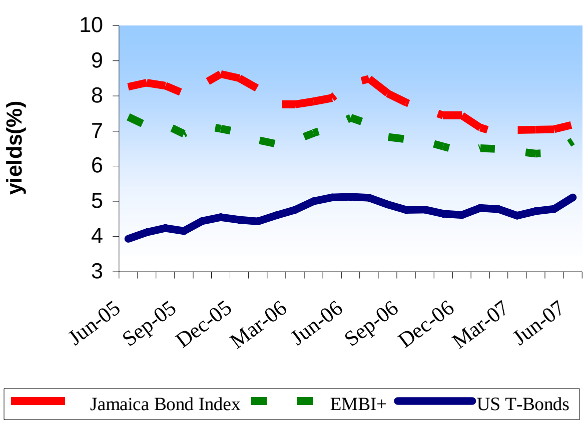


Figure 3.5
Global Bond Yields
Dec 04 to Dec 06



increased by 53 bps to 5.09 per cent, relative to the previous quarter (see Figure 3.4). These developments, which largely occurred in June, were influenced by the market's perceptions that monetary policy in the USA would be tightened. Rates on the international financial market, as indicated by the London Inter-bank Offer Rate (LIBOR), remained relatively stable during the review period.

Emerging Market Bonds

Consistent with the increase in yields in the major advanced economies, yields on emerging market bonds, as measured by the JP Morgan Emerging Market Bond Index Plus (EMBI+), increased by 42.6 bps to 6.81 per cent at the end of the review quarter. The yields on GOJ US dollar-denominated and Euro-denominated sovereign bonds also increased by 16.6 bps and 63.6 bps, respectively, during the quarter. These movements, however, resulted in a 33 bps narrowing of the spread between GOJ global bonds and US benchmark Treasuries (see **Figure 3.5**). The lower demand for emerging market bonds reflected concerns about a possible spill-over of the problems in the USA sub-prime market to other markets.

Foreign Exchange Market

The US dollar depreciated against selected major currencies during the review period, with the exception of the Japanese Yen. The value of the dollar declined by 8.4 per cent against the Canadian dollar during the quarter, relative to an average appreciation of 0.1 per cent over the previous five quarters. The appreciation of the Canadian dollar was mainly the result of higher oil prices and its impact on the economy's current account balance. This was further supported by investors' expectations of monetary tightening by the BoC in the September quarter in the context of increased inflation.

The US dollar also depreciated against the Great Britain Pound and the Euro by 1.9 per cent and 1.1 per cent, respectively. This occurred in a context of monetary tightening by the BoE and the ECB during the quarter. The US dollar, on the other hand, appreciated against the Yen by 4.7 during the quarter, reflecting continued net private capital outflows from the Japanese economy in response to relatively large differentials between rates on Yen denominated assets and rates on assets in other advanced economies.

4. Inflation

Figure 4.1
Quarterly Inflation Rate

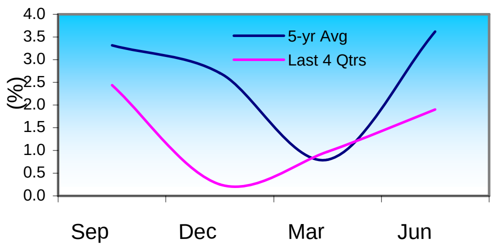


Figure 4.2
Inflation
(12 Month Pt-to-Pt & Quarterly Rates)

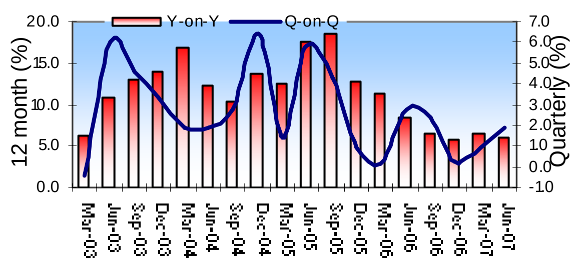
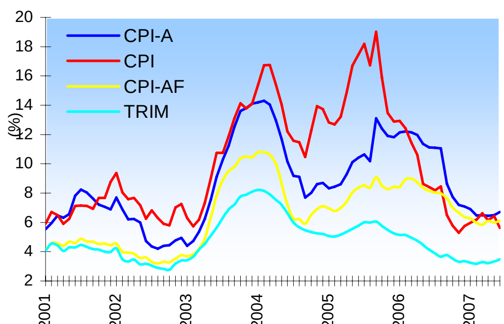


Figure 4.3
Selected Measures of Inflation



Headline inflation for the June 2007 quarter was 1.9 per cent relative to 1.0 per cent for the preceding quarter. The higher inflation in the June quarter related to the lagged effects of higher international commodity prices as well as the increased costs of cigarettes. The inflation for the quarter was well below the average of 3.7 per cent for the previous five June quarters. Underpinning the lower than customary inflation for the review quarter were uncharacteristic declines in agricultural prices and relative stability in the exchange rate.

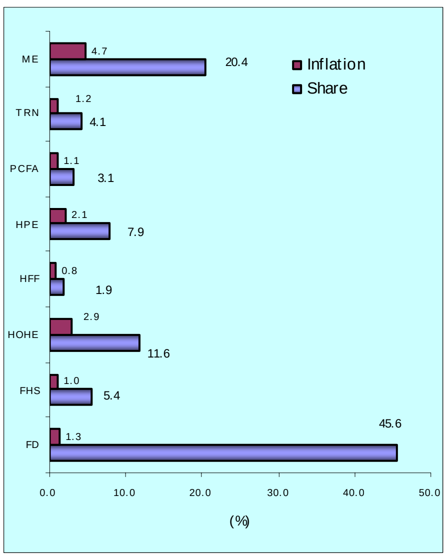
Similar to headline inflation, underlying inflationary impulses have remained moderate. The trimmed mean measure declined to 3.5 per cent at June 2007 relative to the 4.1 per cent as at June 2006. For the June 2007 quarter, the CPI without agriculture (CPI-A) and the CPI without agriculture and energy (CPI-AF) were estimated at 2.2 per cent and 1.9 per cent, respectively, below their seasonal averages of 2.4 per cent and 2.1 per cent.

Trends in Price Indices

The All Jamaica Consumer Price Index (CPI) increased by 1.9 per cent in the June 2007 quarter and was below the Bank's projections. On a monthly basis, inflation was 0.7 per cent in both April and May and 0.5 per cent in June. The annual point to point inflation rate as at June 2007 was 5.6 per cent compared to 6.6 per cent at the end of the previous quarter and 8.4 per cent as at June 2006. Inflation in the review quarter was reflective of lagged effects of higher imported international commodity prices as well as higher costs associated with healthcare and tobacco smoking. These impulses were moderated by lower prices for agricultural commodities due to strong supplies, particularly for starchy foods. Largely due to the declines in agriculture prices, the outturn for the quarter was well below the average increase of 3.7 per cent for the June quarters of the last 5 years (see **Figure 4.1**). There was relative stability in the exchange rate during the quarter and, consequently, minimal effect from this channel on prices.

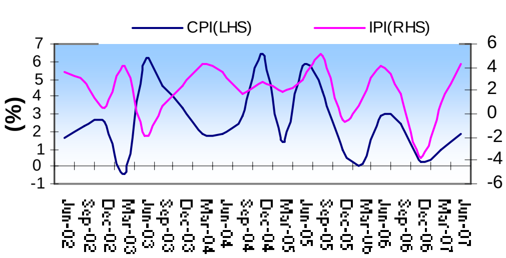
Inflation for the calendar year to June was 2.9 per cent relative to 3.0 per cent in the previous year. The outturn for the 6-month period was largely attributable to the continued buoyancy in agricultural supplies, chiefly due

Figure 4.4
Inflation by Group



ME= Miscellaneous Expenses, TRN=Transportation, PCFA=Personal Clothing, Footwear & Accessories, HPE=Healthcare & Personal Expenses, HFF=Household Furnishings & Furniture, HOHE= Housing & Other Housing Expenses, FHS=Fuels & Other Household Supplies, FD=Food & Drink

Figure 4.5
Import Price Index (IPI) and Inflation



to an extended period of favourable weather along with improved farming practices.

Underlying Inflation

Underlying/core inflation as measured by the trimmed mean was 1.0 per cent for the quarter in line with the Bank's expectation. The longer term trend however has declined in line with headline inflation. The twelve month inflation as at June 2007 was 3.5 per cent compared to 4.1 per cent in June 2006. Other measures of underlying inflation, namely CPI-A and CPI-AF increased marginally in the review quarter, due to a one off increase in cigarette prices. However, the annual point to point measure of the CPI-A was 6.7 per cent relative to 11.1 per cent in the previous year. Similarly, for CPI-AF, the measure at June 2007 was 6.1 per cent relative to 8.2 per cent at the comparable point in 2006.

Main Inflationary Factors

The main contributors to inflation were higher international grain and crude oil prices and lagged pass-through of previous increases in energy costs. The impact of these factors, however, was moderated by the relatively stable exchange rate. There was also a sharp adjustment in cigarette prices and higher prices for fish associated with the heightened demand in the Lenten season. For a third consecutive quarter, lower agricultural prices had a countervailing impact.

Imported Inflation

Imported inflation, as measured by changes in the Bank's Import Price Index (IPI), was 4.2 per cent for the June quarter. This followed an increase of 0.9 per cent for the March 2007 quarter and 4.1 per cent increase in June 2006 quarter (see **Figure 4.5**). The change in the review quarter primarily reflected the sharp rise in international oil prices (see **International Developments**). The upward movements in international oil prices spurred increases in the energy-related components of the domestic CPI basket (see **Figures 4.6, 4.7**). In particular, there was a sharp increase in electricity rates during the quarter consequent on a steep rise in fuel charges by the monopoly utility company. Residential electricity rates increased by 13.6 per cent over the quarter largely as a result of a sharp 25.9 per cent increase in fuel charges. Chiefly as a result of the rising cost of electricity, **Housing & Other Housing Expenses** increased by 2.9 per cent, contributing 11.6 per cent to inflation during the quarter.

Figure 4.6
Food & Non-food Inflation
(a:Quarterly) (b:Annual)

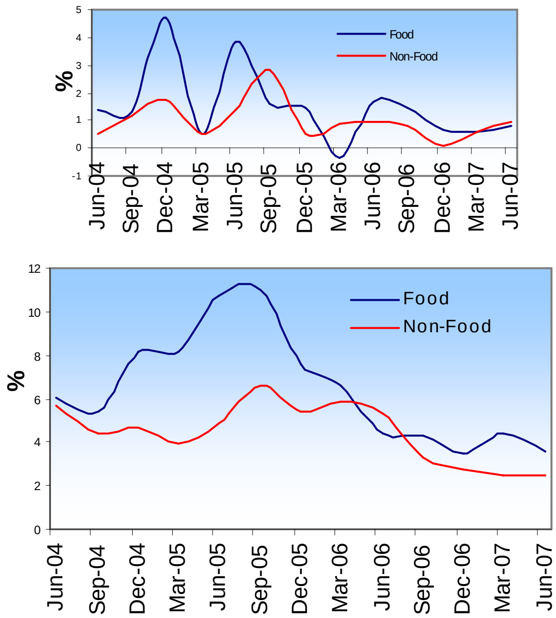


Figure 4.7
Quarterly Chg. in Fuel Index & WTI

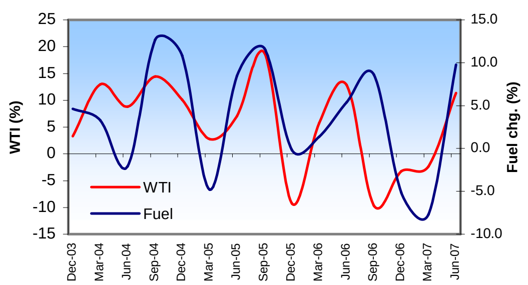
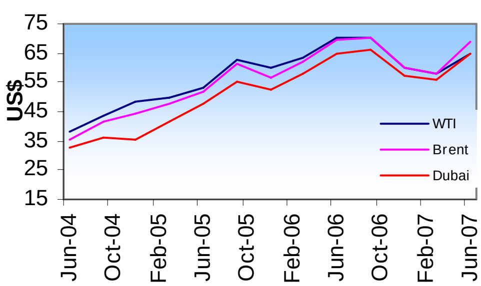


Figure 4.8
Average WTI Crude price (US$) per barrel



The change in the IPI in the review quarter was also influenced by the increases in the international prices of food raw materials such as corn, rice, wheat and edible oils. The increased cost of grains affected key sub-groups in **Food & Drink**, chief of which was the *Meat, Poultry & Fish* sub-group that provided the strongest contribution to inflation during the quarter. The higher energy cost also affected the cost of processing, storage and the production of feeds and influenced sharp increases in beef, pork and chicken prices. The increases in grain prices, particularly wheat and soybean, led to increases in flour and its by-products and edible oils. Consequent on the foregoing, *Meat, Poultry & Fish*, *Baked Products, Cereals & Breakfast Drinks* and *Dairy Products, Oils & Fats* increased by 3.0 per cent, 4.3 per cent and 4.2 per cent, contributing 26.9 per cent, 20.4 per cent and 11.7 per cent, respectively, of the quarter's inflation.

Domestic Supply Conditions

The supply of domestic agricultural commodities, particularly tubers, improved for a third consecutive quarter. Consequently, the indices of *Starchy Foods* and *Vegetables & Fruit* declined by 5.6 per cent and 1.5 per cent, respectively, during the June quarter, in contrast to five-year average increases of 11.7 per cent and 5.8 per cent. The decline in the agricultural sub-groups moderated the inflation in the **Food & Drink** sub-index. **Food & Drink** increased by 1.3 per cent and contributed 45.6 per cent to overall inflation which is less than its weight (see **Figure 4.4**). In the context of these uncharacteristic agricultural supply shocks, there was a modest increase of 0.8 per cent in the Bank's Food Index relative to a 0.6 per cent increase in the March quarter and 1.7 per cent in the June 2006 quarter (see **Figures 4.6a & b**).

Other Developments

Reflecting cumulative cost pressures and taxes, there was a sharp increase in cigarette prices effected by the sole distributor. This was the principal factor explaining the expansion of 4.7 per cent in **Miscellaneous Expenses,** which contributed 20.4 per cent of the quarter's inflation.

Box 1: Measuring Core Inflation: Emerging Issues

Since 1997, the BOJ has used a 'symmetric' trimmed mean measure of core inflation which characterizes underlying inflation as that component of inflation which is associated with monetary dynamics[8]. This is in a context where the Bank employs a monetary targeting framework. Empirical evidence shows that changes in the Bank's monetary base influence trimmed mean inflation with a one-quarter lag[9]. As such the lag movements in the monetary base are used to explain core inflation as measured by the trimmed mean[10].

However, emerging concerns regarding the relationship between monetary aggregates and underlying inflation, as well as the efficacy of the trimmed mean inflation has prompted a review of the methodology. The trimmed mean method used by the Bank involves an equal or symmetric trimming of the tails of the price distribution i.e. the removal of top and bottom 10 per cent of the distribution. This procedure assumes symmetry in the shape of the underlying distribution of price changes. Otherwise, symmetric trimming would result in a biased estimate of the true population mean. Further, if the distribution is changing over time then the application of a constant rate of trim would also produce biased results.

An analysis of data from the CPI over the period 1997 to 2006 indicates that the distribution of price changes has been changing significantly over time, particularly in the last three years (see **Figure 2**). While the high degree of kurtosis still persists, there has been an increase in the degree of skewness. Noticeable skewness in the price data could occur if there is an increased preponderance of extreme positive relative price shocks.

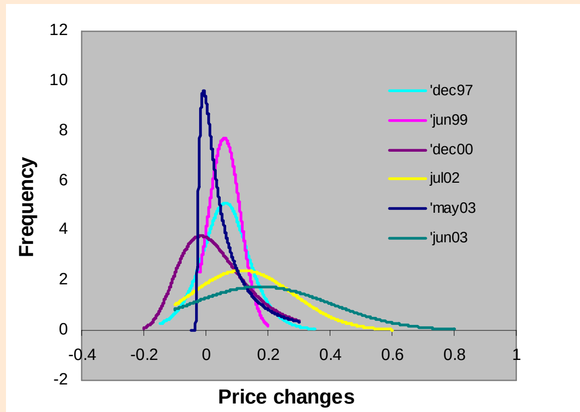
[8]Bryan, M and Cecchetti, S (1994), ' Measuring Core Inflation' in Mankiw, NG (ed) *Monetary Policy*, NBER

[9] Allen, C (1997), 'Measuring Core Inflation in Jamaica available at www.boj.org.jm

[10] The trimmed mean was also adopted because of the high kurtosis in the price data.

Given these concerns the Bank of Jamaica evaluated a number of alternative measures of underlying inflation. In general, these measures seek to minimize the influence of transitory and volatile shocks on inflation. Such factors generally arise from supply shocks which would not be within the control of the central bank.

Figure 2: Selected Distribution of Price Changes



One set of measures uses an exemption clause which excludes components of the CPI that are considered to be particularly volatile. These measures are the CPI without agriculture (CPI-A), CPI without fuel and utility costs (CPI-F) and CPI without agriculture, fuel and utility costs (CPI-AF). The rationale for excluding agriculture prices is that agriculture supply is heavily influenced by changes in the weather conditions. Given the relatively low price elasticity of demand for agriculture commodities, shifts in supply can cause relatively large changes in prices and consequently in aggregate inflation. A significant portion of headline inflation in Jamaica is due to the volatility in agriculture prices. The *direct* effect of fuel and utility prices is excluded on the basis that it largely reflects the passthrough of the volatility in the international oil market and as such is not related to domestic aggregate demand.

Other measures are the CPI adjusted for volatility (CPI-V) and the weighted median (MEDX). The CPI-V is computed by re-weighting the components of the CPI based on volatility, where the most volatile components are given lower weights. The MEDX measure of core inflation belongs to the class of trimmed mean measures where the median price change is used.

It is important to point out that all the measures have some drawbacks and hence the lack of consensus on the most appropriate measure. A number of criteria have been advanced for selecting an appropriate core measure. The most commonly used criteria are timeliness, transparency, easy comprehension by the public, unbiasness or consistency with long term or trend inflation. Ideally, the measure of core inflation should not be subject to revision.

The exclusion based measures outlined above would satisfy most of these criteria. Like the trimmed mean, the advantage of measures based on excluding components is that they are timely and easy to calculate. Unlike the trimmed mean, the components of the underlying basket remain unchanged in each period, which allow for consistent comparisons over time. However, this could also be viewed as a weakness since a once and for all judgment is made about the least informative price component for measuring core inflation. These measures are, however, more readily understood.

All the above measures were subjected to a series of statistical tests for unbiasness. These tests assessed the ability of the core measures to track trends in a long term 'reference' inflation series and to forecast future headline inflation. No one measure was found to be superior across all the tests.

Against this background and following the principle of ease of verification and comprehension by the public, the CPI-A and the CPI-AF, which the Bank has been monitoring along with the trimmed mean, will now be included in the communication on underlying inflation to the public.

5. Economic Outlook and Monetary Policy Perspectives

The positive economic trends that have been evident since the second half of the FY2005/06 are expected to continue in the September 2007 quarter. Inflation in the September 2007 quarter is expected to be seasonally higher than the June 2007 quarter but generally in line with the outturn recorded in the September 2006 quarter. The seasonally higher inflation for the September quarter reflects excess demand due to relatively low supply of agricultural output and higher imported inflation as a result of higher fuel prices. Output is projected to expand at a steady pace, buoyed mainly by growth in the Mining & Quarrying and Construction & Installation sectors. The main policy challenge relates to the impact of recent developments in the international capital markets on private capital flows. In this context, the Central Bank will focus its policy on maintaining stability in the foreign exchange market whilst ensuring the overall policy environment remains consistent with long-term macroeconomic growth and stability.

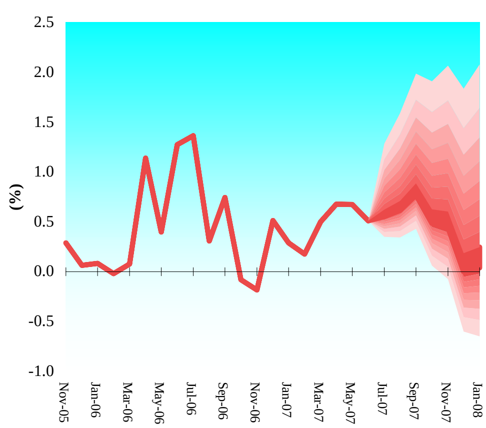
Table 5.1

Jamaica: Selected Economic Indicators

	Projections for Sept'07 Quarter	*Projections for FY07/08*	*Target for FY07/08*
Inflation (% change)	2.0 – 3.0	6.0 – 7.0	6.0 – 7.0
Base Money (% change)	4.0	9.6	9.6
NIR End Period (US$MN)	2011.0	2216.1	2216.1
GDP (12-mth % chg.)	+ve	2.0 – 3.0	2.0 – 3.0

Figure 5.1

Monthly Inflation Forecasts



The fan chart depicts the probability distribution for the inflation forecast and reflects the Bank's assessment of the risks. The darkest band represents the central (single most likely) projection and covers 10 per cent of the probability. The bands widen as the time horizon is extended, indicating increasing uncertainty about the inflation outcome.

Outlook - September 2007 Quarter

Inflation

Headline inflation for the September 2007 quarter is forecasted to be within the range 2.0 per cent to 3.0 per cent. This would translate into an annual inflation rate of between 5.0 per cent and 6.0 per cent at end September. Underlying inflation should remain moderate. The main drivers of inflation should be increased imported inflation and excess demand conditions for agricultural output. There are some risks to the inflation forecasts, which are skewed to the upside (see **Figure 5.1**). These risks include hurricanes, higher than projected increases in oil prices and inflation in the US economy.

Imported inflation in the September 2007 quarter should increase, mainly due to higher fuel prices. The Bank projects that crude oil prices will increase by 6.1 per cent, albeit below the seasonal average of 9.0 per cent for the previous five September quarters. The forecasted movement in crude oil prices reflects the tight supply conditions that have resulted from the closure of several refineries in the US during the June 2007 quarter. The impact of the resulting lower supply could be exacerbated by the increased demand typically seen in the US summer driving season. Consequently, electricity and fuel prices are expected to reflect continued increases.

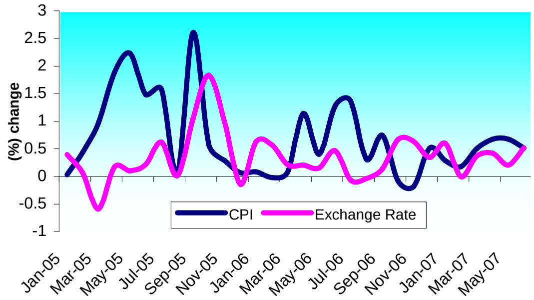
Fuel prices are forecasted to increase, albeit at a rate below the seasonal average.

The prices of corn and soybean on the international commodity market are expected to fall whilst the price of wheat should increase, all as a result of existing supply conditions. With the anticipated higher grain and fuel prices, meat and baked product prices could also increase.

In general, the cumulative movement in the exchange rate over the previous two quarters could have a slight upward impact on domestic prices. Depreciation in the March 2007 and June 2007 quarters was 1.0 per cent and 1.14 per cent, respectively, slightly higher than their seasonal averages of 0.8 per cent for both quarters.[11]

Figure 5.2

Trends in Changes in the Exchange Rate and Headline Inflation



The diagram depicts the changes in the monthly end of period exchange rate and monthly headline inflation.

Output in the September 2007 quarter is projected to expand at a faster pace than in the June 2007 quarter, but slower than the expansion recorded in the September 2006 quarter. The *Mining & Quarrying* and the *Construction & Installation* sectors should lead this growth. Other sectors expected to contribute to the economy's expansion include the *Distributive Trade*, *Miscellaneous Services*, *Electricity* & *Water* and the *Agriculture*, *Forestry* & *Fishing* sectors. The impact of economic activity on inflation in the quarter will mainly emanate from lower agricultural output

The main drivers of output expansion in the September 2007 quarter should be the Mining & Quarrying and the Construction & Installation sectors.

Agricultural output is expected to decline relative to the June 2007 quarter, but expand relative to September 2006 quarter. Some crops like fruits and vegetables are particularly susceptible to the dry conditions expected during this summer. In a context where the demand is not likely to fall, a reversal in the trend decline in agriculture prices is anticipated in the September 2007 quarter.

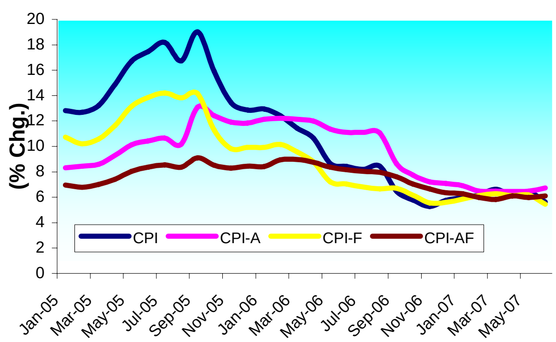
All the measures of core inflation, which excludes the most volatile components of the index, indicate that underlying inflation should remain stable (see **Figure 5.3**). Since the June 2006 quarter, the CPI-AF, for example, has been showing a trend decline, reflecting the relatively tight monetary policy stance of the Central Bank. The absence of exogenous shocks since the end of 2005 has gradually led to the convergence of these measures of core inflation with headline inflation. As the Bank continues to pursue a tight monetary policy stance to ensure that the growth in aggregate demand is in line with the economy's potential, core inflation is expected to remain stable at current levels.

[11] The seasonal average is calculated from the year 2000 and excludes the depreciation in the year 2003 due to the unusual instability that occurred in that year.

Figure 5.3

Trends in Annual Core and Headline inflation

The diagram depicts the changes in the annual headline and core inflation. Core inflation is represented here as the CPI excluding agricultural (CPI-A), CPI excluding fuel (CPI-F) and the CPI excluding agriculture and fuel prices (CPI-AF). These prices are excluded due to their inherent volatility.



The medium term outlook is for continued economic expansion.

The main risks to the outlook for the September quarter include severe adverse weather, stronger than anticipated increases in oil prices and heightened volatility in the domestic foreign exchange market. With respect to the latter, the foreign currency market could experience some pressure due to reduced net private capital inflows and increased Jamaica Dollar liquidity. The expected reduction in net capital inflows is against the background of a tightening in monetary policy in a number of central banks in developed countries, as well as the potential spillover effects of the problems in the sub prime mortgage market in the USA. The more conservative monetary policy stance, particularly in Europe, is influenced by forecasts of strong growth and associated inflationary pressures. These developments have tempered capital flows to developing economies as evidenced by the trend increase in yields on the emerging market bond index (EMBI).

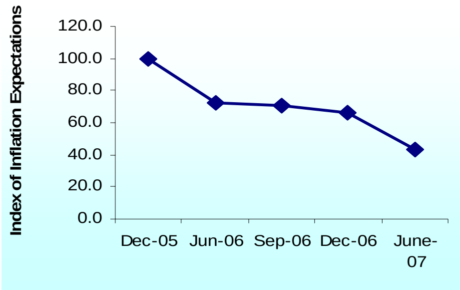
For FY2007/08, price increases are projected to be within the range of 6.0 per cent to 7.0 per cent, in line with the programmed target. The international assumptions underpinning the projections are that for FY2007/08 inflation, benchmark interest rate and growth in the US economy will be approximately 2.5 per cent, 5.25 per cent and 2.8 per cent respectively. Domestic assumptions are that the Bank will maintain its current policy stance and the Government will continue on its path of fiscal conservatism. The main impetus to inflation during the fiscal year will largely be imported inflation. With slower growth, the inflationary impact of the output gap[12] will be lower and account for a relatively small portion of the movement in the general price level.

Monetary Policy

The outlook for the short to medium term is for continued expansion in output, seasonal price increases and continued fiscal restraint. In addition, the private sector's outlook as indicated by the Bank's survey of expectations remains positive. In line with the current trends in inflation, businesses perception of inflation has also reflected a decline. For the June quarter, the index of businesses expectation of inflation for 2007 fell by 12.4 percentage points relative to the last survey. The survey revealed a slight deterioration in how present and future business conditions are viewed. This result however is still above expectations as at the corresponding period last year. The companies surveyed on average expect economic growth in the range of 2.5-3.0 per cent for 2007.

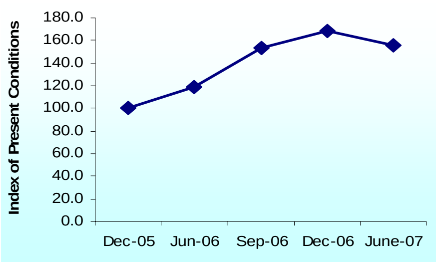
[12] This is defined as the difference between actual output and its potential or natural rate. The latter is estimated using a Kalman filter.

Figure 5.4
Inflation Expectations



Decline n index indicates lower expectations

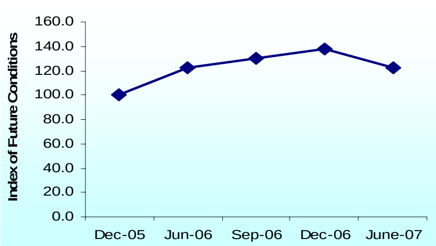
Figure 5.5
Present Business Expectations



Rising index indicates greater optimism about present conditions relative to conditions one year ago

Figure 5.6

Future Business Conditions



Rising index indicates greater optimism that condition in one year will be better than present conditions

However, capital flows in the emerging markets should continue to be impacted by the tight monetary policy stance of most central banks in developed countries. In addition, the emerging problem of the sub prime loan market in the USA has the possibility of a spill over into international financial markets. These developments may have implications for the domestic financial market.

The main challenge for domestic monetary policy in the very near term arises from the possibility of pressures on the foreign exchange market in the context of investors positioning to replace a maturing GOJ US dollar indexed bond. However, the stable macroeconomic environment and the relatively favourable domestic real interest rates should ensure that there would still be strong demand for Jamaica Dollar denominated assets. In this context, the Bank's policy focus will continue to be the preservation of stability in the foreign exchange market, whilst ensuring that the overall financial environment remains consistent with long-term economic growth and stability.

Appendices

A. Fiscal Developments: April to June 2007

Provisional data for the June 2007 quarter indicate that Central Government operations yielded a deficit of $8 967.3 million or 1.2 per cent of GDP, relative to the budgeted deficit of $13 719.9 million or 1.8 per cent of GDP. The better than expected outturn reflected lower than anticipated expenditure, which was partially offset by a marginal shortfall in revenues relative to budget. Accordingly, the primary surplus was 2.1 per cent of GDP, relative to 1.6 per cent of GDP as per budget. Further, the current deficit to GDP ratio was 0.8 per cent of GDP relative to 0.9 per cent of GDP in the budget.

Total expenditure was 7.1 per cent below budget for the quarter, reflecting containment in both recurrent and capital expenditure. The lower recurrent expenditure was reflected in all sub-categories with the exception of programmes. Interest payments were lower than budget as provisions for contingencies were not fully utilized. The lower than budgeted capital expenditure was primarily due to the postponement of some expenditure.

For the June quarter, total revenue was below target by 0.4 per cent. This shortfall was reflected in all income sub-groups with the exception of bauxite levy. Notably, within tax revenue, collections in respect of the special consumption tax (SCT) on local and imported items were significantly below budget. Grant flows were below budget partly due to project delays.

During the first quarter of the fiscal year, Government utilised higher than planned domestic financing, through the issue of domestic securities. For the quarter, five of the seven instruments issued were at fixed rates and accounted for $13 278.1 million of the $32 097.5 million in securities issued. As such, the proportion of variable rate instruments in the Government debt portfolio increased to 61.0 per cent from 60.0 per cent at end March 2007. The weighted average age of new GOJ issues was 8.72 years relative to 9.46 years for the first quarter of 2006/07. The Government net amortised foreign debt relative to a targeted net use of foreign credit for the quarter consequent on the non-issuance of a Eurobond originally budgeted for June.

CENTRAL GOVERNMENT SUMMARY ACCOUNTS
FY 2007/08
(J$MN)

	FY 2007/08 Q1	Budget Q1	Variance	%
Revenue & Grants	**55694.6**	**55894.8**	**-200.2**	**-0.36**
Revenue	**54833.2**	**55022.4**	**-189.3**	**-0.34**
Tax Revenue	49449.3	49839.7	-390.5	-0.78
Non-Tax Revenue	2549.1	2596.7	-47.6	-1.83
Bauxite Levy	1448.5	1109.5	339.0	30.56
Capital Revenue	1386.3	1476.5	-90.3	-6.11
Grants	861.4	872.4	-11.0	-1.26
Expenditure	**64661.9**	**69614.7**	**-4952.9**	**-7.11**
Recurrent Expenditure	**59599.3**	**60663.9**	**-1064.7**	**-1.75**
Programmes	14160.6	13718.2	442.3	3.22
Wages & Salaries	20576.1	20854.7	-278.6	-1.34
Interest	24862.6	26091.0	-1228.4	-4.71
Domestic	18121.7	18939.7	-818.0	-4.32
Foreign	6740.9	7151.3	-410.4	-5.74
Capital Expenditure	5062.6	8950.8	-3888.2	-43.44
Non-interest expenditure	**39799.3**	**43523.7**	**-3724.5**	**-8.56**
Fiscal Balance	**-8967.3**	**-13719.9**	**4752.6**	**-34.64**
Current Balance	**-6152.3**	**-7118.0**	**965.6**	**-13.57**
Primary balance	**15895.3**	**12371.1**	**3524.2**	**28.49**
BR	**1.16**	**1.77**		
CB	**-0.79**	**-0.92**		
PB	**2.05**	**1.60**		
IP	**3.21**	**3.37**		
FSR	**-1.16**	**-1.25**		
NIE	**5.14**	**5.62**		

Key

BR = Borrowing Requirement

CB= Current Balance = Current Revenue-Current Expenditure as a percent of GDP

PB= Primary Balance = Total Revenues-Total Expenditures less Interest Payments (IP) as a percent of GDP

IP= Interest Payments as a percent of GDP

FSR=Fiscal Stability Ratio = (Overall Balance/ Total Revenue) - 1

International Benchmarks

BR greater than **3% of GDP** often indicates serious fiscal imbalance

FSR closer to zero indicates more stable government finances

Negative CB ratio of less than 1% indicates dissaving or a need for fiscal adjustment as the public sector is borrowing for consumption

PB ratio above zero indicates major fiscal adjustment to cover interest on past obligations

** Recurrent Expenditure includes programmes, wages and salaries and interest payments.*

B. MONETARY POLICY DEVELOPMENTS

27/04/2000	30-day Reverse Repurchase Rate was reduced from 17.30 per cent to 17.00 per cent.
01/06/2000	Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty-three per cent (33%) to thirty-two per cent (32%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from fifteen per cent (15%) to fourteen per cent (14%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and thirty-two per cent (5% and 32%) for Building Societies.
	The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and fourteen per cent (1% and 14%) in respect of local and foreign currency deposits.
28/07/2000	30-day Reverse Repurchase Rate was reduced from 17.00 per cent to 16.75 per cent.
11/08/2000	30-day Reverse Repurchase Rate was reduced from 16.75 per cent to 16.45 per cent.
01/09/2000	Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty-two per cent (32%) to thirty-one per cent (31%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from fourteen per cent (14%) to thirteen per cent (13%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and thirty-one per cent (5% and 31%) for Building Societies.
	The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and thirteen per cent (1% and 13%) in respect of local and foreign currency deposits.
18/09/00	Bank of Jamaica introduces 270-day and 365-day reverse repurchase instruments at 17.6 and 18.0 per cent respectively.
04/10/00	Interest rates on the 270-day and 365-day instruments were increased to 20.0 and 22.0 per cent respectively.
23/10/00	Interest rates on the 270-day and 365-day instruments were reduced to 17.6 and 18.0 per cent respectively.
24/11/00	Interest rates on the 270-day and 365-day instruments were increased to 20.0 and 22.0 per cent respectively.
28/12/00	Interest rate on the 365-day instrument was reduced to 21 per cent.
14/02/01	Interest rates on the 365-day and 270-day instruments were reduced to 20.00 per cent and 19.25 per cent respectively.
20/02/01	Interest rates on the 365-day and 270-day instruments were reduced to 19.50 per cent, and 18.75 per cent respectively.
01/03/01	Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty-one per cent (31%) to thirty per cent (30%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirteen per cent (13%) to twelve per cent (12%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and thirty per cent (5% and 30%) for Building Societies.
	The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and twelve per cent (1% and 12%) in respect of local and foreign currency deposits.
08/03/01	Interest rates on the 365-day, 270-day, instruments were reduced to 19.00 per cent, 18.25 per cent per cent respectively.

12/03/01	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 18.50 per cent, 17.75 per cent, 16.70 percent, 16.40 per cent, 16.25 per cent, 16.15 per cent and 16.00 per cent respectively.
22/03/01	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 17.75 per cent, 17.00 per cent, 16.15 per cent, 15.80 per cent, 15.70 per cent, 15.60 per cent and 15.50 per cent respectively.
11/04/01	Interest rates on the 365-day and 270-day instruments were reduced to 17.50 per cent and 16.75 per cent respectively.
21/05/01	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 16.50 per cent, 15.70 per cent, 15.30 per cent, 15.05 per cent, 14.95 per cent, 14.85 per cent and 14.75 per cent respectively.
01/06/01	Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty per cent (30%) to twenty nine per cent (29%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from twelve per cent (12%) to eleven per cent (11%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and twenty nine per cent (5% and 29%) for Building Societies.
	The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and eleven per cent (1% and 11%) in respect of local and foreign currency deposits.
08/06/01	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 15.90 per cent, 15.35 per cent, 15.00 percent, 14.80 per cent, 14.70 per cent, 14.60 per cent and 14.50 per cent respectively.
25/06/01	Interest rates on the 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 14.75 percent, 14.55 per cent, 14.45 per cent, 14.35 per cent and 14.25 per cent respectively.
29/06/01	The Bank of Jamaica introduced Certificates of Deposits to the range of instruments used in open market operations. All the terms and conditions applicable to Reverse Repurchase transactions apply to Certificates of Deposits, with the exception that the latter are covered by the central bank's assets as against Government securities. Central Bank deposits which are maintained in statement form (i.e. no physical certificate is issued) will continue to be used for placements of seven (7) days or less.
01/09/01	Liquid assets ratio of commercial banks and FIA institutions in respect of local and foreign currency liabilities reduced from twenty nine per cent (29%) to twenty eight per cent (28%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from eleven per cent (11%) to ten per cent (10%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and twenty eight per cent (5% and 28%) for Building Societies.
	The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and ten per cent (1% and 10%) in respect of local and foreign currency deposits.
30/10/01	Interest rates on the 365-day, 270-day, 180-day, 90-day and 60-day instruments were increased to 19.90 per cent, 19.45 per cent, 15.50 per cent, and 15.00 per cent, 14.75 per cent and 14.55 per cent, respectively
28/12/01	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day and 60-day instruments were reduced to 18.90 per cent, 18.40 per cent, 15.00 per cent, and 14.55 per cent, 14.45 per cent and 14.35 per cent, respectively.
09/01/02	Interest rates on the 365-day and 270-day instruments were reduced to 17.90 per cent and 17.00per cent, respectively.
06/02/02	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 16.70 per cent, 15.90 per cent, 14.70 per cent, 14.30 per cent, 14.20 per cent, 14.10 per cent and 14.00 per cent, respectively.

14/02/02	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 15.80 per cent, 15.00 per cent, 14.40 per cent, 14.05 per cent, 13.95 per cent, 13.85 per cent and 13.95 per cent, respectively.
01/03/02	Liquid assets ratio of commercial banks and FIA institutions in respect of local and foreign currency liabilities were reduced from twenty eight per cent (28%) to twenty seven per cent (27%). Cash reserve ratio of commercial banks and FIA institutions in respect of local and foreign currency liabilities reduced from ten per cent (10%) to nine per cent (9%).
11/03/02	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced from 13.75 per cent, 13.85 per cent, 13.95 per cent, 14.05 per cent, 14.40 per cent, 15.00 per cent and 15.80 per cent to 13.25 per cent, 13.35 per cent, 13.45 per cent, 13.55 per cent, 13.80 per cent, 14.20 per cent, and 15.00 per cent, respectively.
11/07/02	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day, and 365-day open market instruments were reduced from 13.25 per cent, 13.35 per cent, 13.45 per cent, 13.55 per cent, 13.80 per cent, 14.20 per cent, and 15.00 per cent to 12.95 per cent, 13.05 per cent, 13.15 per cent, 13.25 per cent, 13.45 per cent, 14.00 per cent, and 14.90 per cent, respectively.
01/09/02	Liquid Assets ratio of commercial banks, FIA institutions and of building societies, in respect of local and foreign currency liabilities were reduced from twenty seven percent (27%) to twenty three percent (23%).
07/08/02	Interest rates on Bank of Jamaica 270-day and 365-day open market instruments were reduced from 14.00 per cent to 13.85 per cent and from 14.90 per cent to 14.50 per cent, respectively.
09/09/02	Interest rates on Bank of Jamaica 90-day and 120-day open market instruments were increased from 13.15 per cent to 17.25 per cent and from 13.25 per cent to 17.05 per cent, respectively.
09/10/02	Interest rates on Bank of Jamaica 90-day and 120-day open market instruments were increased from 17.25 per cent to 19.25 per cent and from 17.05 per cent to 19.40 per cent, respectively.
28/10/02	Interest rates on Bank of Jamaica 90-day and 120-day open market instruments were reduced from 19.25 per cent to 18.25 per cent and from 19.40 per cent to 18.40 per cent, respectively.
01/11/02	The interest rate chargeable in respect of breaches by commercial banks, of the cash reserve and liquid assets ratios in respect of Jamaica Dollar liabilities, was reduced from 69 per cent per annum to 45 per cent per annum. The interest rate chargeable in respect of breaches by building societies and institutions licensed under the Financial Institutions Act, of the cash reserve and liquid assets ratios in respect of Jamaica Dollar liabilities, was adjusted from one-sixth of one per centum per day to 45 per cent per annum.
10/01/03	The Bank of Jamaica instituted a "Special Deposit" requirement for Commercial Banks and institutions licensed under the Financial Institutions Act. Each institution will be required to place cash deposits with the Central Bank equivalent to 5% of its Jamaican Dollar prescribed liabilities.
10/02/03	The Bank of Jamaica introduced a special five-month open market instrument which earned interest at 30% per annum. This instrument was introduced in a context of significant Jamaica dollar liquidity and protracted instability in the foreign exchange market.
14/02/03	The Bank of Jamaica withdrew the special five- month open market instrument which was introduced on 10 February 2003. The decision to remove this instrument came against the background of tight Jamaica dollar liquidity and the appreciation in the exchange rate over the previous four days. The removal was also in response to representations made to the Bank of Jamaica by financial institutions and understandings reached with respect to the development of foreign exchange market protocols.

19/03/03	Interest rates on Bank of Jamaica's 180-day, 270-day and 365-day open market instruments were increased to 19.65 per cent, 21.50 per cent and 24.0 per cent, respectively.
26/03/03	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were increased to 15.00 per cent, 15.30 per cent, 20.00 per cent, 24.00 per cent, 33.15 per cent, 34.50 per cent and 35.95 per cent, respectively.
25/04/03	Interest rates on Bank of Jamaica 180-day, 270-day and 365-day open market instruments were reduced to 28.00 per cent, 32.50 per cent and 33.00 per cent, respectively.
19/05/03	The interest rate applicable to overdrafts on accounts held with the Bank of Jamaica was increased to 65.0 per cent per annum.
24/06/03	Interest rates on Bank of Jamaica 180-day, 270-day and 365-day open market instruments were reduced to 26.50 per cent, 29.50 per cent and 30.00 per cent, respectively.
08/07/03	Interest rates on Bank of Jamaica 270-day and 365-day open market instruments were reduced to 27.50 per cent and 28.00 per cent, respectively.
04/08/03	Interest rates on Bank of Jamaica 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 18.00 per cent, 22.00 per cent, 25.00 per cent, 25.75 per cent and 26.00 per cent, respectively.
09/09/03	Interest rates on Bank of Jamaica 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 21.00 per cent, 23.50 per cent, 23.75 per cent and 24.00 per cent, respectively.
17/10/03	Bank of Jamaica withdrew its 270-day and 365-day instruments from open market trading.
29/10/03	Bank of Jamaica returned its 270-day and 365-day instruments to open market trading at 23.75 per cent and 24.00 per cent respectively.
10/12/03	Interest rates on Bank of Jamaica 90-day 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 17.00 per cent, 20.00 per cent, 21.00 per cent, 22.00 per cent and 23.00 per cent, respectively.
09/01/04	Interest rates on Bank of Jamaica 90-day 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 16.00 per cent, 18.00 per cent, 19.50 per cent, 21.00 per cent and 22.00 per cent, respectively.
21/01/04	Interest rates on Bank of Jamaica 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 15.20 per cent, 15.50 per cent, 17.00 per cent, 18.25 per cent, 20.00 per cent and 21.00 per cent respectively.
26/01/04	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.85 per cent, 15.00 per cent, 15.10 per cent, 16.00 per cent, 17.25 per cent, 18.75 per cent and 20.00 per cent, respectively.
16/02/04	Interest rates on Bank of Jamaica 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 15.50 per cent, 16.25 per cent, 17.75 per cent and 19.00 per cent, respectively.
27/02/04	Interest rates on Bank of Jamaica 180-day, 270-day and 365-day open market instruments were reduced to 16.00 per cent, 17.25 per cent and 18.50 per cent, respectively.
10/03/04	Interest rates on Bank of Jamaica 270-day and 365-day open market instruments were reduced to 16.95 per cent and 17.95 per cent, respectively.
10/03/04	Pursuant to Section 15 (2) (h) of the Banking Act and the Financial Institutions Act, and Regulation 38 (h) of the Bank of Jamaica (Building Societies) Regulation, the Minister of Finance determined that all debt securities or instruments issued by the Government of Jamaica, whether denominated in Jamaican dollars or in a foreign currency and irrespective of their original maturity terms, shall, within nine months of their maturity date be designated Liquid Assets.

02/04/04	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.60 per cent, 14.70 per cent, 14.80 per cent, 15.10 per cent, 15.60 per cent, 16.50 per cent and 17.40 per cent, respectively.
19/04/04	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.40 per cent, 14.50 per cent, 14.60 per cent, 14.85 per cent, 15.30 per cent, 16.00 per cent and 16.90 per cent, respectively.
05/05/04	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.20 per cent, 14.30 per cent, 14.40 per cent, 14.55 per cent, 15.05 per cent, 15.65 per cent and 16.40 per cent, respectively.
03/09/04	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.00 per cent, 14.10 per cent, 14.20 per cent, 14.35 per cent, 14.80 per cent, 15.35 per cent and 16.00 per cent, respectively.
28/12/04	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 13.80 per cent, 13.95 per cent, 14.05 per cent, 14.15 per cent, 14.30 per cent, 15.00 per cent and 15.50 per cent, respectively.
07/02/05	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 13.50 per cent, 13.65 per cent, 13.75 per cent, 13.85 per cent, 14.00 per cent, 14.50 per cent and 15.00 per cent, respectively.
07/02/05	The Bank of Jamaica reduced the Special Deposit holdings for commercial banks and FIA licensees by two (2) percentage points. Accordingly, these institutions, until further notified, are required to maintain with the Bank of Jamaica as a Special Deposit, an amount wholly in the form of cash, representing three (3) percent of their prescribed liabilities.
07/03/05	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 12.95 per cent, 13.10 per cent, 13.20 per cent, 13.30 per cent, 13.45 per cent, 14.00 per cent and 14.50 per cent, respectively.
	These rate adjustments were underpinned by continued stability in the exchange rate, reflecting buoyant foreign exchange inflows from tourism and remittances. Also, the Bank's net international reserves remained around US$1.8 billion, a level that was more than adequate to underwrite near term stability. In addition, inflation in the first quarter of 2005 was expected to continue on a downward trend engendering a return to single digit inflation in the forthcoming fiscal year.
16/05/05	The Bank of Jamaica reduced the Special Deposit holdings for commercial banks and FIA licensees by two (2) percentage points. Accordingly, these institutions, until further notified, are required to maintain with the Bank of Jamaica as a Special Deposit, an amount wholly in the form of cash, representing one (1) percent of their prescribed liabilities.
26/05/05	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 12.60 per cent, 12.70 per cent, 12.75 per cent, 12.85 per cent, 13.00 per cent, 13.25 per cent and 13.60 per cent, respectively.
	The adjustments were consistent with the steady improvement in Jamaica's economic environment as reflected in buoyant foreign exchange inflows, stability in the money and foreign exchange markets and a strong international reserve position. Furthermore, the near-term prospects for production and prices continued to be very favourable with strong recovery expected in domestic agriculture as well as ongoing expansion in tourism and mining activities. In addition, it was expected that the normalization of food supplies and continued stability in the foreign exchange market would help to contain inflation during the 2005/2006 fiscal year.
27/05/05	The Bank phased out its reverse repurchase agreements. This facilitated consistency in the accounting treatment (under International Financial Reporting Standards) of open market instruments by holders.

18/04/06	The Bank suspended the acceptance of placements on its open market operations (OMO) instruments with tenors of 270 days and 365 days, until further advised. The OMO instruments, along with corresponding interest rates, that remained on offer were 30-days: 12.6 per cent; 60-days: 12.70 per cent; 90-days: 12.75 per cent; 120-days: 12.85 per cent; and 180-days: 13.00 per cent.
01/05/06	The Bank removed the requirement that deposit-taking institutions must hold some portion of their assets as a Special Deposit with the Central Bank. This requirement was introduced in January 2003 to stabilize the financial markets. The initial deposit requirement was set at 5 per cent of prescribed liabilities and this was reduced to 1 per cent in two steps between February and May 2005. The significant improvement in macroeconomic conditions and the positive outlook for fiscal year 2006/07 allowed for the return of the remaining deposits. The sum due to financial institutions as at 28 April 2006 was J$1 564.1 million.
12/05/06	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 12.45 per cent, 12.50 per cent, 12.60 per cent, 12.65 per cent and 12.80 per cent, respectively.
01/09/06	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 12.15 per cent, 12.2 per cent, 12.30 per cent, 12.35 per cent and 12.50 per cent, respectively.
22/09/06	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 11.95 per cent, 12.00 per cent, 12.10 per cent, 12.15 per cent and 12.30 per cent, respectively.
22/12/06	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 11.65 per cent, 11.70 per cent, 11.80 per cent, 11.85 per cent and 12.00 per cent, respectively. This policy action comes against the background of continued robust economic performance and favourable medium term economic outlook.
18/01/07	The Bank of Jamaica offered a Special One-Year Variable rate Instrument to Primary Dealers and Commercial Banks. Interest payments on this instrument will be made quarterly. The initial coupon is 11.80 per cent per annum, the rate being paid on a Bank of Jamaica 90-day Certificate of Deposit. Subsequent interest payments will be calculated at 1.00 percentage point above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period. The offer was made in the context of the redemption of Government of Jamaica domestic debt instruments on 18 January 2007 which would increase the level of liquidity in the financial system beyond normal requirements. The Bank continues to offer its regular issues of Certificates of Deposits ranging from 30 days to 180 days.
19/06/07	The Bank of Jamaica offered a Special Two-Year Variable rate Instrument to Primary Dealers and Commercial Banks during the period 19-22 June 2007. The instrument will be amortized in two equal tranches on 19 June 2008 and 19 June 2009 with quarterly interest payments. The initial coupon is 11.80 per cent per annum, the rate being paid on a Bank of Jamaica 90-day Certificate of Deposit. Subsequent interest payments will be calculated at 1.25 percentage point above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period. The offer was made in the context of the exceptionally high level of liquidity of Jamaica Dollar liquidity anticipated during the offer period. The Bank continues to offer its regular issues of Certificates of Deposits ranging from 30 days to 180 days.

LIST OF SUMMARY TABLES

C. Summary Tables

1

INFLATION RATES (%)	CPI Index (e.o.p)	Head-line (Quarter)	Core (Quarter)
1998/1999	**1182.5**	**6.0**	**2.9**
1999/2000	**1281.7**	**8.4**	**4.0**
June	1205.9	2.0	0.9
September	1237.6	2.6	1.4
December	1265.9	2.3	0.9
March	1281.7	1.3	0.8
2000/2001	**1364.3**	**6.4**	**4.2**
June	1311.4	2.3	1.1
September	1349.3	2.9	1.2
December	1342.6	-0.5	0.8
March	1364.3	1.6	1.0
2001/2002	**1468.5**	**7.6**	**3.3**
June	1404.0	2.9	1.0
September	1442.7	2.7	1.1
December	1459.9	1.2	0.6
March	1468.5	0.6	0.6
2002/2003			
June	1492.8	1.7	0.9
September	1528.0	2.4	0.8
December	1566.1	2.5	1.2
March	1558.4	-0.4	1.3
2003/2004			
June	1653.1	6.0	2.3
September	1728.4	4.6	2.3
December	1786.8	3.4	2.0
March	1820.8	1.9	1.1
2004/2005			
June	1854.8	1.9	1.1
September	1909.2	2.9	1.2
December	2032.1	6.4	1.7
March	2061.5	1.4	1.1
2005/2006			
June	2178.9	5.7	1.7
September	2272.4	4.3	1.4
December	2293.8	0.9	1.0
March	2297.1	0.1	0.8
2006/2007			
June	2362.3	2.8	0.9
September	2419.8	2.4	1.1

2A

COMPONENT CONTRIBUTION TO INFLATION
All Jamaica
April – June 2007

Groups and Sub-groups	Weight in CPI	Inflation (%)	Contribution
FOOD & DRINK	**0.5563**	**1.3**	**45.6**
- Meals Away From Home	0.0741	1.3	4.9
- Meat Poultry & Fish	0.1613	3.0	26.9
- Dairy Products Oils & Fats	0.0668	3.2	11.7
- Baked Products Cereals &Breakfast Drinks	0.0864	4.3	20.4
- Starchy Foods	0.0525	-5.6	-16.2
- Vegetables & Fruits	0.0650	-1.5	-5.3
- Other Food & Beverages	0.0502	1.2	3.2
FUELS & OTHER HOUSEHOLD SUPPLIES	**0.0735**	**1.0**	**5.4**
- Household Supplies	0.0482	1.8	4.7
- Fuels	0.0253	0.5	0.7
HOUSING & OTHER HOUSING EXPENSES	**0.0786**	**2.9**	**11.6**
- Rental	0.0209	0.8	0.9
- Other Housing Expenses	0.0577	3.4	10.8
HOUSEHOLD FURNISHINGS & FURNITURE	**0.0283**	**0.8**	**1.9**
- Furniture	0.0068	-2.0	-0.7
- Furnishings	0.0215	2.2	2.6
HEALTHCARE & PERSONAL EXPENSES	**0.0697**	**2.1**	**7.9**
PERSONAL CLOTHING FOOTWEAR & ACC.	**0.0507**	**1.1**	**3.1**
- Clothing Materials	0.0055	0.4	0.1
- Readymade Clothing & Accessories	0.0242	0.6	0.8
- Footwear	0.0159	1.1	0.9
- Making & Repairs	0.0051	3.4	1.0
TRANSPORTATION	**0.0644**	**1.2**	**4.1**
MISCELLANEOUS EXPENSES	**0.0785**	**4.7**	**20.4**
ALL GROUPS	**1.0000**	**1.9**	**100.0**

2B

REGIONAL INFLATION

April – June 2007

Groups and Sub-groups	KMA (%)	Other Towns (%)	Rural Areas (%)
FOOD & DRINK	**2.9**	**0.2**	**0.2**
- Meals Away From Home	0.8	2.1	1.2
- Meat Poultry & Fish	4.2	3.0	1.8
- Dairy Products Oils & Fats	3.8	3.2	2.6
- Baked Products Cereals &Breakfast Drinks	5.6	4.6	2.9
- Starchy Foods	0.7	-13.7	-5.7
- Vegetables & Fruits	1.4	-6.8	-1.6
- Other Food & Beverages	2.0	1.5	0.1
FUELS & OTHER HOUSEHOLD SUPPLIES	**0.9**	**2.2**	**0.3**
- Household Supplies	1.7	2.6	1.3
- Fuels	0.4	2.0	-0.2
HOUSING & OTHER HOUSING EXPENSES	**2.5**	**3.1**	**3.7**
- Rental	0.9	0.1	0.1
- Other Housing Expenses	3.2	3.4	4.0
HOUSEHOLD FURNISHINGS & FURNITURE	**2.9**	**-0.2**	**-0.7**
- Furniture	1.4	-4.0	-4.2
- Furnishings	3.9	1.6	1.0
HEALTHCARE & PERSONAL EXPENSES	**2.0**	**2.4**	**1.9**
PERSONAL CLOTHING FOOTWEAR & ACC.	**1.4**	**1.6**	**0.5**
- Clothing Materials	0.0	2.4	1.9
- Readymade Clothing & Accessories	0.6	0.7	0.6
- Footwear	0.6	2.4	0.6
- Making & Repairs	6.4	2.6	0.0
TRANSPORTATION	**0.8**	**1.6**	**1.6**
MISCELLANEOUS EXPENSES	**3.6**	**5.7**	**1.2**
ALL GROUPS	**2.5**	**1.6**	**1.2**

3

BANK OF JAMAICA OPERATING TARGETS

	Dec-05	Mar-06	Jun-06	Sept-06	Dec-06	Mar-07[r]	June-07[p]
Net International Reserves (US$)	**2 087.4**	**2 078.1**	**2 110.1**	**2 342.0**	**2 317.6**	**2 329.4**	**2 238.9**
Net International Reserves ($J)	**136 120.7**	**135 515.2**	**138 862.3**	**155 486.0**	**153 862.1**	**157 743.9**	**152 579.0**
- Assets	141 443.1	154 736.5	150 915.4	164 296.7	159 276.9	**176 994.1**	**168 485.2**
- Liabilities	-5 322.4	-19 221.3	-12 053.1	- 8 810.7	-5 414.8	**-19 250.2**	**-15 906.2**
Net Domestic Assets	**-86 703.0**	**-91 907.4**	**-93 911.6**	**-108 165.8**	**- 95 886.7**	**-105 920.6**	**-99 591.6**
-Net Claims on the Public Sector	96 607.0	99 001.8	98 961.5	93 207.9	94 684.7	**96 326.9**	**91 824.7**
- Net Credit to Banks	-10 871.7	-10 906.7	-9 322.7	-9 886.1	-10 303.6	**-10 858.6**	**-10 860.9**
- Open Market Operations	-149 806.5	-157 357.6	-159 438.0	-166 018.9	-154 757.0	**-165 704.0**	**-150 758.3**
- Other	-22 631.8	-22 644.9	-24 112.3	-25 468.8	-25 510.8	**-25 684.9**	**-29 797.1**
Monetary Base	**49 417.7**	**43 607.8**	**44 950.6**	**47 320.2**	**57 975.5**	**51 823.2**	**52 987.4**
- Currency Issue *	35 644.5	29 714.4	30 734.4	32 143.4	42 317.3	**35 956.2**	**36 348.3**
- Cash Reserve	13 125.8	13 685.2	14 093.2	14 907.8	14 821.7	**15 734.2**	**16 177.6**
- Current Account	647.4	208.2	123.0	269.0	836.5	**132.8**	**461.5**
% change Monetary Base (F-Y-T-D)	**18.7**	**4.7**	**3.1**	**8.5**	**32.9**	**18.8**	**2.2**

** Excludes BOJ's teller cash; r: revised; p: preliminary*

4

MONETARY AGGREGATES (End-of-Period) (J$MN)

	M1J	M1*	M2J	M2*	M3J	M3*
2004/2005						
June	46 496.4	57 161.6	128 294.6	193 296.0	165 766.6	230 768.0
September	48 959.1	60 090.6	130 416.1	199 673.9	169 273.8	238 532.8
December	55 258.0	67 724.6	141 539.8	211 468.2	182 029.6	251 723.8
March	52 605.9	62 309.4	139 480.6	209 583.2	179 769.4	249 872.0
2005/2006						
June[r]	52 942.5	62 310.9	142 111.3	212 032.6	185 090.2	255 011.5
September	53 089.8	63 212.3	143 430.0	216 480.9	188 253.9	261 304.7
December	62 572.8	72 736.2	155 248.0	228 320.7	200 537.3	273 609.9
March	58 617.7	69 800.3	153 618.0	228 524.9	202 804.6	277 711.5
2006/2007						
June	61 908.1	71 897.4	159 153.6	232 227.4	208 718.0	281 791.8
September	64 668.9	73 233.3	162 466.8	234 331.2	214 812.8	286 677.2
December	78 180.3	87 446.4	181 792.9	256 975.7	235 544.9	310 727.7
March[r]	70 936.5	80 588.3	175 367.2	253 125.3	231 304.0	309 062.2
2006/2007						
June[p]	74 753.1	85 816.8	182 249.9	266 578.9	237 884.0	322 213.0

J- Includes local currency liabilities only
** -Includes local and foreign currency liabilities;*
p – preliminary; r- revised

5

COMPONENTS OF CHANGE IN LOCAL CURRENCY MONEY SUPPLY
(Quarterly Flows - J$MN)

	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07[r]	Jun-07[p]
M2J	**1 318.8**	**11 818.0**	**-1 630.0**	**5 535.6**	**3 313.2**	**19 326.1**	**-6 423.0**	**6 882.8**
Currency	1 119.6	5 549.5	-3 435.3	1 285.3	966.9	7 333.8	-4 631.3	1 506.1
Demand Deposits	-972.3	3 933.5	-519.7	2 005.1	1 793.9	6 177.6	-2 609.9	2 310.5
Savings Deposits	111.6	3 505.2	296.3	2 951.0	1 288.2	4 413.7	917.8	1 826.7
Time Deposits	1 059.9	-1 170.2	2 028.7	- 705.8	-735.8	1 401.0	-99.1	1 239.5
OTHER DEPOSITS	**1 844.9**	**465.5**	**3 897.4**	**377.8**	**2 781.5**	**1 406.0**	**2 184.8**	**-302.8**
TOTAL (M3J)	**3 163.7**	**12 283.4**	**2 267.4**	**5 913.4**	**6 094.7**	**20 732.2**	**4 238.2**	**6 580.0**

SOURCES OF CHANGE IN LOCAL CURRENCY MONEY SUPPLY

	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07[r]	Jun-07[p]
N.I.R. of B.O.J.	**-2 41.7**	**-1 952.9**	**-605.5**	**2 100.0**	**15 400.2**	**-1 624.0**	**799.4**	**-6 166.4**
M&LTFL of B.O.J	**33.3**	**44.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Banking System Credit	**5 597.7**	**-3 193.7**	**3 235.0**	**3 712.2**	**-3 896.5**	**6 620.4**	**18 440.5**	**12 587.8**
Public Sector	3 896.3	-5 333.0	-194.2	276.5	-8 872.8	-2 471.5	**13 835.9**	**6 955.0**
Private Sector	1 701.4	2 139.3	3 429.2	3 435.7	4 976.3	9 091.9	**4 604.6**	**5 632.8**
Open Market Operations	**-595.1**	**18 301.7**	**-7 551.1**	**-2 080.4**	**- 6580.9**	**11 261.9**	**-10 947.0**	**14 945.8**
Other	**469.4**	**-916.4**	**7 189.0**	**2 181.6**	**1 171.9**	**4 473.8**	**-12 531.1**	**-14 787.2**
TOTAL	**3 163.7**	**1 2 283.4**	**2 267.4**	**5 913.4**	**6 094.7**	**20 732.2**	**4 238.2**	**6 580.0**
Memo:								
Foreign Currency Deposits (Private Sector)	**3 129.6**	**21.8**	**1 834.2**	**-1 833.1**	**-1 209.3**	**3 318.4**	**2 576.8**	**6 570.8**
Foreign Currency Loans (Private Sector)	**3 389.6**	**3 754.3**	**715.3**	**2 801.9**	**478.0**	**3 124.4**	**4 124.8**	**1 874.8**

p-preliminary

r-revised

6A

SELECTED INTEREST RATES (%) (End-of-Period)	Fixed Deposits *		Savings Deposits (Average) r	Lending Rate (Average)	Fixed Deposits Rate (Weighted Average)	Loan Rate (Weighted Average)	Inter-bank Lending Rate (Average)
	3-6 months	6-12 months					
2002/2003							
June	7.75–13.25	7.75–13.25	9.00	25.92	9.28	18.15	14.68
September	7.75–13.25	7.75–13.25	8.86	26.25	8.98	18.08	13.88
December	7.75–13.25	7.75–13.25	8.96	25.04	8.92	18.26	11.50
March	8.50-13.15	8.50-13.15	8.22	24.73	8.87	17.23	21.90
2003/2004							
June	8.50–13.15	8.50-13.15	8.22	25.18	8.98	19.23	38.40
September	8.50-13.25	8.50-13.50	8.43	25.60	9.02	19.87	17.01
December	8.50-13.25	8.50-13.50	7.24	25.60	8.68.	19.32	24.08
March	8.50–13.25	8.50-13.50	6.78	25.40	8.47	19.01	17.16
2004/2005							
June	8.50 – 13.25	8.50-13.50	6.61	25.02	8.15	17.75	15.75
September	8.50 - 13.25	8.50-13.50	6.61	24.95	7.99	17.76	8.38
December	3.00 – 14.10	3.50–14.30	6.48	24.89	7.78	17.72	12.95
March	3.00 – 14.10	3.50–14.30	6.36	24.89	7.54	17.35	12.58
2005/2006							
June	3.00–14.10	3.50-14.30	5.52	24.70	7.34	16.43	10.00
September	2.50- 14.10	3.00–14.30	5.48	22.00	7.11	17.41	11.13
December	2.50- 14.10	3.00–14.30	5.48	22.00	7.00	17.32	12.42
March	2.50- 14.10	3.00–14.30	5.30	21.84	7.17	17.54	10.00
2006/2007							
June	2.50- 14.10	3.00–14.30	5.39	22.50	7.17	17.60	9.00
September	2.50- 14.10	3.00–14.30	5.36	21.80	6.88	17.83	9.13
December	2.50- 14.10	3.00–14.30	5.20	21.90	6.60	17.59	8.10
March	2.50- 14.10	3.00–14.30	5.15	22.49	6.94	17.29	7.75
2007/2008							
June	6.80-11.15	6.50-11.60	5.17	22.49	n.a.	n.a.	9.67

**Relate to deposits of $100 000 and over.*
r - revised
n.a: Not Available

6B

GOJ TREASURY BILL YIELDS
(End of Period)

	3-month	*6-month*	*9-month*	*12-month*
2000/2001				
September	16.62	17.13	16.91	16.94
December		20.16	19.67	20.98
March		16.88		17.86
2001/2002				
June	23.48	16.20		
September	22.23	15.10	15.50	
December	22.12	17.03		
March	21.49	14.30		14.96
2002/2003				
June		13.81		14.77
September		16.69	16.98	
December		17.01		
March		33.47		
2003/04				
June		28.46		
September		23.42	23.87	
December		22.05		
March	15.23	15.57		
2004/05				
June	15.04	14.98	15.18	
September	14.41	14.80		16.36
December	14.41	14.94		
March	13.21	13.46	14.00	
2005/2006				
June	12.85	12.88		
September	12.96	13.15		
December	13.34	13.55		
March	13.16	13.18		
2006/2007				
June	12.64	12.82		
September	12.44	12.49		
December	12.26	12.31		
March	11.55	11.65		
2007/2008				
June	11.98	12.13		

7

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

Tenor of Instruments

End Period	30 days	60 days	90 days	120 days	180 days	270 days	365 days
2001/2002							
June	14.25	14.35	14.45	14.55	14.75	15.35	15.90
September	14.25	14.35	14.45	14.55	14.75	15.35	15.90
December	14.25	14.35	14.45	14.55	15.00	18.40	18.90
March	13.25	13.35	13.45	13.55	13.80	14.20	15.00
2002/2003							
June	13.25	13.35	13.45	13.55	13.80	14.20	15.00
September	12.95	13.05	17.25	17.05	13.45	13.85	14.50
December	12.95	13.05	18.25	18.40	13.45	13.85	14.50
March	15.00	15.30	20.00	24.00	33.15	34.50	35.95
2003/2004							
June	15.00	15.30	20.00	24.00	26.50	29.50	30.00
September	15.00	15.30	18.00	21.00	23.50	23.75	24.00
December	15.00	15.30	17.00	20.00	21.00	22.00	23.00
March	14.85	15.00	15.10	15.50	16.00	16.95	17.95
2004/2005							
June	14.20	14.30	14.40	14.55	15.05	15.65	16.40
September	14.00	14.10	14.20	14.35	14.80	15.35	16.00
December	13.80	13.95	14.05	14.15	14.30	15.00	15.50
March	12.95	13.10	13.20	13.30	13.45	14.00	14.50
2005/2006							
June	12.60	12.70	12.75	12.85	13.00	13.25	13.60
September	12.60	12.70	12.75	12.85	13.00	13.25	13.60
December	12.60	12.70	12.75	12.85	13.00	13.25	13.60
March	12.60	12.70	12.75	12.85	13.00	13.25	13.60
2006/2007							
June*	12.45	12.50	12.60	12.65	12.80	...	...
September	11.95	12.00	12.10	12.15	12.30	...	...
December	11.65	11.70	11.80	11.85	12.00	...	...
March	11.65	11.70	11.80	11.85	12.00	...	...
2007/2008							
June	11.65	11.70	11.80	11.85	12.00	...	...

*** Bank of Jamaica ceased accepting placements for 270-day and 365-day tenors on 18 April 2006.**

8A

JAMAICA: GOVERNMENT BOND MARKET
GOJ Maturities
April – June 2007

Maturity Date		Amount J$M	Applicable Interest Rate b/
20 April	*FR Inv. Debenture2007 Series :An"*	*5203.0*	*16.625*
25 April	*FR LRS 2010 Tr. A*	*300.0*	*14.75*
25 April	*FR LRS 2010 Tr. B*	*50.0*	*14.75*
03 May	*FR LRS 2007AF*	*400.0*	*14.5*
31 May	*VR LRS 2007 A*	*2241.0*	*14.78*
31 May	*FR LRS 2007 C*	*500.0*	*14.25*
01 June	*VR LRS 2003-2009 Tr. E*	*200.0*	*14.03*
15 June	*13.75% Reg. Bond 2007 Series "G"*	*798.129*	*13.75*
15 June	*US$ Denom. Prom. Note 2011 Tr. B*	*US$0.6*	*N.I.B.*
20 June	*7.75% US$ Den. Local Bond 2007*	*33.0*	*7.75*
28 June	*VR LRS 2004/2008 Tr. G*	*116.14*	*13.15*
29 June	*VR LRS1999/2008 Series "T"*	*2.4*	*14.31*

Notes:
a/ Rate above Treasury is the relevant Treasury bill rate in effect at the beginning of the interest period.
b/ The withholding tax of 25% on interest income has been in effect since May 1, 2000.
c/ FR – Fixed Rate
d VR-Variable Rate
N.I.B. Non interest bearing
Source: Debt Management Unit, Ministry of Finance & Planning

8B

JAMAICA: GOVERNMENT BOND MARKET
GOJ Domestic Market Issues
April – June 2007

Issue Date	Stock Name	Features	Amount raised J$M
19 - 23 April	*VR Inv. Bond 2017/2018 Series "Aj"*	*Tenor of 10 years. Interest rate fixed at 11.55% three months after issue; thereafter quarterly payments of 1.5 percentage points above the 3month WATBY.*	*12 706.1*
26 – 27 April	*FR Reg. Bond 2012 Series "L"*	*Tenor of 5 years. Interest rate fixed at 12.75 %. Interest payable after first 6 months; thereafter interest paid semi-annually.*	*8 652.0*
26 – 27 April	*FR 13.375% Reg. Bond 2032 Series " M"*	*Tenor of 25 years. Interest rate fixed at 13.375%. Interest paid after six months; thereafter interest paid semi-annually.*	*530.0*
11 May	*FR LRS 2017 AD*	*Tenor of 10 years. Interest rate fixed at 12.50%. Interest paid on 11 May and 11 November.*	*1 542.7*
31 May – 01 June	*FR 12.85% Reg. Bond 2022 Series "N"*	*Tenor of 15 years. Interest rate fixed at 12.85%. Interest payable after first 6 months; thereafter interest paid semi-annually.*	*689.91*
7 June – 8 June	*VR Inv. Bond 2014/2015 Series "Ak"*	*Tenor of 7 years. Interest rate fixed at 11.96%for 6 months ;thereafter semi-annual payments of 1.375 percentage points above the 6-month WATBY.*	*6 113.3*
29 June	*FR LRS2022 AA*	*Tenor of 15 years. Interest rate fixed at 12.75%. Interest paid on 29 June and 29 December.*	*1 806.1*

Notes:
a/ Rate above Treasury is the relevant Treasury bill rate in effect at the beginning of the interest period.
b/ The withholding tax of 25% on interest income has been in effect since May 1, 2000.
c/ FR – Fixed Rate
d VR-Variable Rate
N.I.B. Non interest bearing
Source: Debt Management Unit, Ministry of Finance & Planning

9

EXTERNAL TRADE – GOODS EXPORTS (f.o.b)
(Flows - US$MN)

	Bauxite	Alumina	Sugar	Bananas	Other Traditional	Non-Traditional	Other	Total Goods Exports
2004/2005	82.1	825.0	87.0	8.2	74.2	272.6	216.3	1 565.4
June	25.4	202.8	47.9	4.3	19.2	77.3	55.8	432.7
September	22.3	173.8	7.7	3.9	20.3	59.9	66.7	354.6
December	8.6	237.8	0.0	0.0	19.6	74.1	58.2	398.3
March	25.8	210.6	31.4	0.0	15.1	61.3	37.0	381.2
2005/2006	100.6	957.5	89.4	7.7	65.3	418.1	170.0	1 808.6
June	22.6	245.2	41.5	2.1	17.2	61.9	48.6	439.1
September	24.8	233.3	3.8	1.3	18.2	106.8	38.9	427.1
December	25.7	231.1	0.0	1.3	9.0	111.6	38.2	416.9
March	27.5	247.9	44.1	3.0	20.9	137.8	44.3	525.5
2006/2007	**115.2**	**1 042.5**	**90.4**	**13.3**	**78.6**	**643.9**	**171.9**	**2 155.8**
June	29.4	258.8	43.0	3.2	25.0	144.8	42.0	546.2
September	29.4	268.7	2.6	3.8	20.1	166.0	40.1	530.7
December	27.0	265.2	0.0	3.4	14.8	161.4	43.2	515.0
March	29.4	249.8	44.8	2.9	18.7	171.7	46.6	563.9

r-revised; p-preliminary

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EXTERNAL TRADE – GOODS IMPORTS (c.i.f)
(Flows - US$MN)

	Consumer Goods	*Raw* Materials	Capital Goods	Other	Total Imports
2001/2002	**1 000.2**	**1 762.6**	**565.4**	**170.3**	**3 498.5**
June	241.0	444.1	127.7	61.3	874.1
September	238.4	431.1	156.7	47.4	873.6
December	279.9	475.2	133.9	35.4	924.4
March *r*	240.9	412.2	147.1	26.2	826.4
2002/2003	**1 113.9**	**1 951.9**	**674.2**	**128.3**	**3 868.3**
June	265.4	410.9	176.2	40.9	893.4
September	271.6	539.3	167.2	39.1	1 017.2
December	316.5	442.6	180.5	25.6	965.2
March r	260.4	559.1	150.3	22.7	992.5
2003/2004	**1 054.5**	**1 963.8**	**545.6**	**140.5**	**3 704.4**
June	244.7	499.6	138.5	50.9	933.7
September	252.8	490.4	144.3	33.5	921.0
December	310.4	503.3	125.1	26.6	965.4
March	246.6	470.5	137.7	29.5	884.3

Note: No data available from STATIN for period after March 2004

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BALANCE OF PAYMENTS QUARTERLY SUMMARY
(US$M)

	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07p
1. Current Account	**-355.2**	**-260.6**	**-255.4**	**-189.8**	**-381.5**	**-270.4**	**-305.5**
A. Goods Balance	**-700.3**	**-657.8**	**-735.9**	**-673.2**	**-822.1**	**-713.7**	**-763.7**
Exports (f.o.b.)	427.1	416.9	**525.5**	546.2	**530.7**	**515.0**	**563.9**
Imports (f.o.b.)	1 127.5	1 074.7	**1 261.4**	1 219.4	**1 352.8**	**1 228.6**	**-1 327.6**
B. Services Balance	**108.1**	**150.0**	**243.4**	**222.2**	**158.8**	**177.8**	**208.9**
Transportation	-83.7	-71.5	**-62.1**	**-74.3**	**-103.8**	**-82.0**	**-86.9**
Travel	296.3	330.0	**428.2**	416.6	**386.3**	**382.3**	**418.9**
Other Services	-104.5	-108.5	**-122.7**	-120.2	**-123.8**	**-122.5**	**-123.1**
Goods & Services Balance	**-592.2**	**-507.8**	**-492.4**	**-451.1**	**-663.4**	**-535.9**	**-554.8**
C. Income	**-157.1**	**-164.2**	**-169.8**	**-167.9**	**-155.1**	**-188.0**	**-192.2**
Compensation of Employees	35.4	32.8	**9.1**	14.9	**34.8**	**42.3**	**3.3**
Investment Income	-192.5	-197.0	**-178.9**	-182.7	**-189.9**	**-230.2**	**-195.5**
D. Current Transfers	**394.1**	**411.4**	**406.9**	**429.1**	**437.0**	**435.5**	**441.6**
General Government	30.8	31.1	**35.7**	31.8	**30.0**	**32.5**	**34.4**
Other Sectors	363.3	380.3	**371.2**	397.3	**407.0**	**421.0**	**407.2**
2. Capital & Financial Account	**255.2**	**260.6**	**255.4**	**189.8**	**381.5**	**270.4**	**305.5**
A. Capital Account	**-1.0**	**-0.1**	**-1.8**	**1.3**	**1.1**	**0.8**	**-1.4**
Capital Transfers	-1.0	-0.1	**-1.8**	1.3	**1.1**	**0.8**	**-1.4**
General Government	0.0	0.0	**0.0**	2.1	**1.6**	**0.4**	**0.2**
Other Sectors	-1.0	-0.1	**-1.8**	-0.8	**-0.5**	**0.4**	**-1.5**
Acq./disp. Of non-produced non-fin. Assets	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0
B. Financial Account	**356.2**	**260.7**	**257.2**	**188.5**	**380.4**	**269.6**	**306.8**
Official Investment	180.5	222.6	**-17.0**	192.5	**121.7**	**280.8**	**187.2**
Private Investment (including net errors & omissions)	137.9	6.5	**264.8**	27.9	**490.7**	**-35.7**	**131.4**
Reserves	37.8	31.6	**9.3**	-31.9	**-232.0**	**24.5**	**-11.8**

p-provisional

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PRIVATE SECTOR QUARTERLY CURRENT GROSS TRANSFERS (INCLUDING REMITTANCE INFLOWS) (US$MN)

	Commercial Banks	Remittance Companies	Post Offices	Building Societies	Total Remit. Inflows	Other Current Transfers	Total
2003/2004	**330.7**	**697.8**	**1.2**	**298.1**	**1 327.8**	**148.2**	**1 476.0**
September	74.5	169.4	0.3	71.6	315.8	36.0	351.8
December	100.8	183.4	0.3	80.4	364.9	36.0	400.9
March	96.6	174.9	0.3	82.9	354.7	40.2	394.9
2004/2005r	**360.6**	**809.5**	**1.2**	**327.4**	**1 498.7**	**272.7**	**1 771.4**
June	96.9	185.6	0.3	83.3	366.1	40.2	406.3
September	70.3	186.4	0.3	84.8	341.8	48.3	390.1
December	97.5	216.5	0.3	88.8	403.1	134.1	537.2
March	95.9	221.0	0.3	70.5	387.7	50.1	437.8
2005/2006	**364.9**	**978.6**	**1.2**	**302.5**	**1 647.2**	**162.6**	**1 809.8**
June	74.7	241.6	0.3	77.3	393.9	40.8	434.7
September	90.8	245.3	0.3	75.2	411.6	40.8	452.4
December	96.7	254.0	0.3	77.1	428.1	40.8	468.9
March	102.7	237.7	0.3	72.9	413.6	40.2	453.8
2006/2007	**376.4**	**1 067.1**	**1.2**	**355.8**	**1 800.5**	**160.8**	**1 961.3**
June	93.7	260.0	0.3	81.4	435.4	40.2	475.6
September	94.7	268.5	0.3	88.5	452.0	40.2	492.2
December	94.0	276.0	0.3	98.9	469.2	40.2	509.4
March	94.0	262.6	0.3	87.0	443.9	40.2	484.1

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

	Gross Foreign Assets (US$MN)	Gross Foreign Liabilities (US$MN)	International Reserves (Net) (US$MN)	*Weeks of Imports* Goods	Goods & Services
2002/2003					
June	1837.5	55.2	1 782.3	31.2	20.6
September	1738.6	51.3	1 687.3	29.5	19.5
December	1643.1	46.1	1 597.0	27.9	18.4
March	1382.2	42.5	1 339.7	22.1	14.8
2003/2004					
June	1 165.2	37.8	1 127.4	18.3	12.0
September	1216.6	34.0	1182.6	19.0	12.8
December	1 196.3	31.4	1 164.9	18.3	12.5
March	1 596.9	28.2	1 568.7	25.0	16.6
2004/2005					
June	1630.3	26.2	1604.1	22.5	15.3
September	1 640.7	24.2	1 616.5	23.5	16.0
December	1 881.9	23.4	1 858.5	27.5	18.7
March	1 924.1	22.5	1901.6	27.5	18.8
2005/2006					
June	2 179.3	22.5	2 156.8	28.1	19.5
September	2 243.0	124.0	2 119.0	27.0	19.1
December	2 169.0	81.6	2 087.4	27.0	19.0
March	2 372.9	294.8	2 078.1	28.3	20.1
2006/2007					
June	2 293.2	183.2	2 110.0	22.9	16.7
September	2 474.7	132.7	2 342.0	26.1	18.8
December	2 399.1	81.6	2 317.5	25.2	18.2
March	2 613.6	284.3	2 329.3	27.1	19.5
2007/2008					
June	2 472.3	233.4	2 238.9	24.5	17.7

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FOREIGN EXCHANGE SELLING RATES (J$ per unit of foreign currency-end of period)	US$	Can$	GB£
2003/2004			
June	59.01	43.69	96.79
September	59.71	43.92	98.54
December	60.62	46.59	107.45
March	61.01	46.46	111.34
2004/2005			
June	61.22	45.65	102.39
September	61.89	49.05	111.62
December	61.63	50.66	117.92
March	61.54	50.61	115.35
2005/2006			
June	61.84	50.52	110.52
September	62.89	53.61	110.02
December	64.58	54.95	110.40
March	65.50	56.14	112.94
2006/2007			
June	66.03	59.50	120.19
September	66.06	59.10	123.48
December	67.15	57.53	131.53
March	67.80	58.75	132.40
2007/2008			
June	68.58	64.81	136.60

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PUBLIC SECTOR DOMESTIC SECURITIES
Outstanding Stocks

(J$MN)

End Period	Local Registered Stocks	Treasury Bills	Bonds	BOJ Open Market Operations Securities
2003/2004				
June	241,163.2	2 000.0	137,960.0	77 126.4
September	232 914.5	2 400.0	160 594.3	83 700.3
December	228 509.3	4 400.0	178 308.3	81 969.4
March	220 819.2	3 750.0	184 219.0	108 281.7
March	240 923.0	2 950.0	114 524.1	86 203.8
2004/2005				
June	222 372.2	3 950.0	187 932.0	123 222.1
September	222 522.4	3 750.0	197 847.6.	127 629.3
December	220 290.5	3 750.0	210 300.0.	130 692.1
March	218 412.6	4 050.0	214 565.6	143 854.8
2005/2006				
June	220 529.2	4 050.0	231 749.8	167 485.1
September	220 059.0	3 800.0	244 195.7	168 108.2
December	225 762.8	3 500.0	240 934.0	149 806.5
March	235 632.7	3 800.0	233 643.7	157 357.6
2006/2007				
June	236 668.6	4 200.0	249 662.1	159 438.0
September	231 237.9	4 600.0	285 901.2	166 018.9
December	229 978.3	4 700.0	294 773.2	154 757.0
March	226 631.1	4 200.0	276 155.1	165 704.0
20007/2008				
June	n.a.	4 200.0	n.a.	150 758.3

n.a: Not Available

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STOCK MARKET ACTIVITIES
Jamaica Stock Exchange

	JSE Index	Volume Traded (M.)	Value of Stocks Traded (J$M.)
2002/2003			
June	38,606.7	404.9	1 35.9
September	39,219.6	401.1	2 32.1
December	45,396.2	380.9	1 49.4
March	46,982.0	1 240.1	7 155.5
2003/2004			
June	50 478.9	352.4	2 077.7
September	57 769.1	2 167.4	11 321.3
December	67 586.7	530.5	3 682.9
March	99 630.2	3 380.8	14 533.7
2004/2005			
June	94 718.4	665.7	9 395.7
September	99 819.8	391.1	4 920.4
December	112 655.5	532.0	7 144.9
March	111 931.2	920.4	18 029.3
2005/2006			
June	110 621.9	866 .8	14 136.8
September	103 332.6	387.8	4 189.6
December	104 510.4	323.1	4 391.0
March	86 896.1	366.5	4 513.8
2006/2007			
June	**85 108.2**	**1 882.6**	**10 627.1**
September	**86 196.0**	**610.4**	**3 441.1**
December	**100 678.0**	**2 823.9**	**18 459.0**
March	**90 595.1**	**556.1**	**7 662.6**
2007/2008			
June	**90 069.9**	**352.4**	**2 762.0**

Note: Both volume and value reflect ordinary and block quarterly transactions

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PRODUCTION OF SELECTED COMMODITIES
(Quarterly Flows- 000', tonnes)

	Bauxite	Alumina	Sugar	Bananas*
2003/2004	**3 842.4**	**3 956.4**	**174.7**	**40.1**
2004/2005	**3 451.4**	**4 028.5**	**142.0**	**18.1**
June	1 071.2	1 046.4	60.0	9.9
September	907.1	866.7	3.7	8.2
December	398.5	1 062.6	3.6	0.0
March	1 074.6	1 052.8	74.7	0.0
2005/2006	**4 099.7**	**4 048.7**	**151.0**	**18.8**
June	916.0	1 061.8	51.6	4.5
September	1 022.3	1 013.7	0.0	3.6
December	1 035.9	957.4	5.4	3.5
March	1 125.5	1 015.8	94.0	7.2
2006/2007	**4 594.3**	**4 105.2**	**144.0**	**30.6**
June	1 136.3	1 053.4	46.3	6.9
September	1 186.5	1 003.9	0.0	9.9
December	1 099.7	1 026.5	2.3	8.0
March	1 171.8	1 021.4	95.4	5.8
2007/2008				
June	1 089.7	1 044.3	59.7	8.1

** Exports*

GROSS DOMESTIC PRODUCT BY INDUSTRY IN PRODUCER'S VALUES, AT CONSTANT (1996) PRICES
Mar 2005 - Mar 2007 (Seasonally Unadjusted)

	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07
Total Gross Domestic Product	-0.05	-0.04	3.39	2.57	2.12	2.60	2.91	2.40	1.74
Agriculture, Forestry & Fishing	-25.72	-17.48	1.57	27.99	20.17	18.36	10.51	11.74	1.66
Export Agriculture	-52.04	-41.69	-57.76	112.17	54.55	17.83	112.85	28.12	1.79
Domestic Agriculture, Livestock, Forestry & Fishing	-16.28	-10.78	9.77	21.73	13.10	18.46	5.06	9.62	1.63
Mining & Quarrying	1.33	0.82	16.64	-3.34	-1.92	1.50	0.79	7.04	0.79
Manufacturing	-4.25	-0.06	3.76	-4.42	-1.61	-3.96	-1.47	-3.38	-0.86
Food, Beverages & Tobacco	-2.72	0.67	-1.27	-10.38	-6.81	-9.40	-4.72	-7.16	-1.63
Other Manufacturing	-6.33	-1.08	9.63	2.01	5.68	3.79	1.95	0.19	0.09
Electricity & Water	0.44	1.74	10.24	4.46	3.92	2.01	3.23	4.38	4.54
Construction & Installation	12.09	8.53	10.19	-0.59	-4.05	-4.22	-1.48	1.60	4.50
Distributive Trade	1.77	1.15	0.71	0.86	0.74	0.81	1.76	2.38	2.81
Transport, Storage & Communication	2.48	-0.59	0.35	2.74	2.85	4.66	6.98	4.39	3.81
Finance & Insurance Services	-0.39	-0.69	0.22	2.52	2.08	2.11	2.40	2.07	4.14
Real Estate & Business Services	1.64	2.26	2.08	1.81	2.67	2.21	2.27	2.41	2.54
Producers of Government Services	-0.20	-0.74	0.99	1.13	0.21	-0.16	-0.27	0.50	0.66
Miscellaneous Services Household and Private Non-Profit Institutions	5.61	-0.65	-2.33	9.72	7.66	15.81	12.77	3.64	-0.33
Hotels, Restaurants & Clubs	6.50	-1.70	-4.32	12.79	9.08	19.98	16.46	4.09	-1.07
Less Imputed Bank Service Charge	2.02	-0.77	-3.27	-2.68	-1.28	1.11	2.45	5.68	8.50

D. BANK OF JAMAICA BALANCE SHEET

ASSETS AND LIABILITIES
(End of Period)
J$MN

	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06r	Mar-07	Jun-07
Assets	**240 192.4**	**248 926.4**	**240 336.2**	**259 287.8**	**256 398.4**	**270 564.3**	**269 763.7**	**269 863.3**	**266 006.6**
Foreign	134 085.9	140 935.2	139 675.7	154 986.1	150 870.6	163 156.8	160 616.1	176 699.3	169 301.9
Current Account & Foreign Currency Balances	16 263.7	17 681.6	14 090.9	8 942.3	9 263.6	11 987.9	8 670.1	19 617.9	6 382.1
Time Deposits & Securities	108 978.7	120 550.1	122 805.6	138 634.6	134 050.6	143 498.5	144 055.8	149 013.7	154 673.4
Holdings of Special Drawing Rights	2.6	25.2	0.4	8.8	14.5	17.0	17.9	16.4	14.6
Other	8 840.9	2 678.3	2 778.8	7 400.4	7 541.9	7 653.4	7 872.3	8 051.3	8 231.8
Local	106 106.5	107 991.2	100 660.5	104 301.7	105 527.8	107 407.5	109 147.6	93 164.0	96 704.7
Public Sector Securities	90 034.8	81 357.5	79 358.9	84 862.3	87 163.4	86 784.5	86 791.0	68 877.1	68 615.5
Other Assets	17 956.4	19 303.0	24 942.8	20 665.5	20 244.1	22 400.1	22 356.6	24 286.9	28 089.2
Liabilities	**240 192.4**	**248 926.4**	**240 336.2**	**259 287.8**	**256 398.4**	**270 564.3**	**269 763.7**	**269 863.3**	**266 006.6**
Foreign	395.2	342.2	346.6	361.7	310.3	236.0	295.5	244.8	263.4
Local	239 797.2	248 584.2	239 989.8	258 926.1	256 088.1	270 328.3	269 468.2	269 618.4	265 743.2
Currency in Circulation	27 049.7	27 445.9	35 682.7	29 747.7	30 776.5	32 187.6	42 347.3	35 994.1	36 397.1
Deposits	201 790.1	207259.0	187 435.9	210 909.4	210 670.5	224 521.8	212 883.2	219 603.0	215 715.8
Bankers	24 396.5	24 819.5	26 226.8	26 442.0	25 246.5	26 843.9	27 912.0	28 750.2	29 596.9
Government	6 774.8	4 637.5	3 308.4	6 557.1	11 366.4	20 097.7	19 678.5	5 634.1	17 575.9
Open Market Operations	167 485.1	168 108.2	149 806.5	157 357.6	159 438.0	166 018.9	154 757.0	165 704.0	150 758.3
Other	3 133.7	9 693.8	8 094.2	20 552.7	14 619.6	11 561.3	10 535.7	19 514.7	17 784.7
Allocation of Special Drawing Rights	3 792.7	3 792.6	3 792.7	3 792.7	3 792.7	3 792.7	3 914.0	3 914.0	3 914.0
Capital & Reserves	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Other Reserves	2 983.3	2 961.6	2 866.2	2 813.1	3 279.5	3 112.0	3 378.8	3 175.6	4 274.0
Other Liabilities	4 157.4	7 101.1	10 188.1	11 639.2	7 544.9	6 690.2	6 920.9	6 907.8	5 418.3

r- revised

E. COMMERCIAL BANKS' BALANCE SHEET

ASSETS AND LIABILITIES
(End-of -period)
J$MN

	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07 r	Jun-07 P
Assets	**346 352.9**	**356 575.5**	**367 078.0**	**385 759.5**	**399 879.3**	**411 403.4**	**429 969.2**	**439 454.8**	**452 281.0**
Cash	4 034.0	3 320.8	6 014.4	3 519.6	3 254.3	3 696.4	6 536.5	4 806.7	3 692.7
Balances with BOJ	61 415.5	62 486.9	57 747.9	66 793.0	70 857.1	75 384.0	72 120.9	68 390.5	60 056.9
Foreign Assets	61 079.6	71 328.1	75 443.9	83 846.4	90 768.5	90 298.1	96 277.1	93 327.2	105 375.9
Loans & Advances	125 513.2	124 842.3	132 095.3	131 963.6	140 265.3	143 400.2	153 449.2	164 106.1	172 711.2
Private Sector	88 829.5	93 714.5	99 544.2	102 911.4	109 273.5	114 369.4	125 512.2	133 626.6	141 770.6
Public Sector	36 683.7	31 127.8	32 551.1	29 052.2	30 991.8	29 030.8	27 937.0	30 479.5	30 940.6
Public Sector Securities	57 644.9	56 515.4	56 118.0	56 144.6	54 399.3	55 984.4	58 191.2	61 284.1	66 639.2
Cheques in the Process of Collection	3 484.2	4 860.9	3 472.3	7 331.1	5 249.7	4 292.2	4 133.5	7 924.7	4 628.2
Other Assets	33 181.5	33 221.1	36 186.2	36 161.2	35 085.1	38 348.1	39 260.8	39 615.5	39 176.9
Liabilities	**346 352.9**	**356 575.5**	**367 078.0**	**385 759.5**	**399 879.3**	**411 403.4**	**429 969.2**	**439454.8**	**452 281.0**
Deposits	233 407.8	240 794.3	246 264.9	255 315.4	262 241.9	268 345.9	282 925.5	281 934.5	292 735.3
Local Currency	143 720.0	144 734.2	148 895.3	157 303.3	161 806.5	165 253.8	175 855.2	179 631.3	
Foreign Currency	89 687.8	96 060.1	97 369.6	98 012.1	100 435.4	103 092.1	107 070.3	102 303.2	
Foreign Liabilities	31 241.4	30 496.4	35 453.1	41 797.7	47 720.5	55 210.6	56 800.0	59 656.7	56 315.8
Discounts & Advances from BOJ	144.1	361.6	234.5	174.6	173.1	226.1	182.6	168.1	192.3
Loans/Advances from Other Institutions	5 042.9	5 059.6	5 095.7	4 896.5	4 989.0	4 777.0	5 451.4	5 295.1	5 126.0
Cheques in the Process of Payment	2 828.2	2 616.4	2 789.5	3 450.9	3 645.1	3 305.9	3 900.8	4 528.8	4 745.0
Other Liabilities	73 688.9	77 247.2	77 240.3	80 124.4	81 109.7	79 537.9	80 708.9	87 871.6	93 166.6

P - preliminary ; r - revised

F. INTERNATIONAL INDICATORS

1

LONDON INTERBANK OFFER RATE–LIBOR (End- of-Period)	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
2003/2004				
June	1.1620	1.1225	1.0815	1.0944
September	1.1200	1.4246	1.1856	1.3525
December	1.1326	1.1670	1.2274	1.4688
March	1.0923	1.1122	1.1585	1.3251
2004/2005				
June	1.3687	1.6100	1.9400	2.4625
September	1.8400	2.0200	2.1963	2.4825
December	2.3890	2.4959	2.7069	3.0109
March	2.6464	2.8335	3.0700	3.4237
2005/2006				
June	3.2498	3.4263	3.6131	3.8135
September	3.7779	3.8981	4.0363	4.1951
December	4.3622	4.4910	4.6662	4.8357
March	4.7604	4.9203	5.0527	5.1867
2006/2007				
June	5.2301	5.3673	5.4759	5.5772
September	5.3300	5.3898	5.4249	5.4101
December	5.3219	5.3600	5.3700	5.3294
March	5.3199	5.3462	5.3132	5.1969
2007/2008				
June	5.3200	5.3600	5.3863	5.4256

2

LONDON MONEY RATES – INTERBANK STERLING (End- of-Period)	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
2004/2005				
June	4 5/8 – 4 1/2	4 7/8 – 4 3/14	5 1/16 – 4 15/16	5 ¼ - 5 1/8
September	4 27/32-4 23/32	4 15/16-4 13/16	5-4 7/8	5 1/8-5
December	4 7/8 – 4 3/4	4 29/32 – 4 25/32	4 15/16 – 4 13/16	4 31/32 4 27/32
March	4 27/32 – 4 3/4	4 31/32 – 4 7/8	5 1/32 – 4 15/16	5 1/8 – 5 1/32
2005/2006				
June	4 27/32 – 4 11/16	4 25/32 – 4 5/8	4 23/32 – 4 9/16	4 19/32 – 4 13/32
September	4 19/32 – 4 15/32	4 19/32 – 4 15/32	4 9/16-4 7/16	4 7/16 – 4 13/32
December	4 21/32 – 4 17/32	4 5/8 – 4 17/32	4 19/32-4 15/32	4 9/16 – 4 15/32
March	4 19/32 – 4 1/2	4 5/8 – 4 17/32	4 11/16 – 4 9/16	4 25/32 – 4 11/16
2006/2007				
June	4 11/16 – 4 19/32	4 3/4 – 4 21/32	4 13/16 – 4 23/32	5 – 4 29/32
September	4 15/16 – 4 7/8	5 1/16 – 5	5 3/16 – 5 3/32	5 9/32 – 5 7/32
December	5 1/32 – 5 ¼	5 5/16 – 5 7/32	5 13/32 – 5 5/16	5 17/32 – 5 7/16
March	5 15/32 -5 13/32	5 5/8-5 17/32	5 ¾-5 21/32	5 7/8-5 25/32
2007/2008				
June	5 92/100- 5 95/100	6 1/100 - 5 93/100	6 14/100 – 6 6/100	6 33/100 – 6 23/100

3

PRIME LENDING RATES
(End- of-Period)

	EURO-ZONE	UNITED STATES			UNITED KINGDOM
	Repo rate	Fed Funds Rate	Discount Rate	Prime Rate	Repo rate
2004/2005					
June	2.00	1.25	2.014	4.00	4.50
September	2.00	1.75	2.58	4.75	4.75
December	2.00	2.25	3.15	5.25	4.75
March	2.00	2.75	3.58	5.50	4.75
2005/2006					
June	2.00	3.25	4.01	6.00	4.75
September	2.00	3.75	4.59	6.75	4.50
December	2.25	4.25	5.15	7.25	4.50
March	2.50	4.75	5.53	7.75	4.50
2006/2007					
June	2.75	5.25	6.02	8.25	4.50
September	3.00	5.25	6.25	8.25	4.75
December	3.50	5.25	6.25	8.25	5.00
March	3.75	5.25	6.25	8.25	5.25
2007/2008					
June	4.00	5.25	6.25	8.25	5.50

4A

INTERNATIONAL EXCHANGE RATES
US$ vs. OTHER MAJOR CURRENCIES
(Currency/US$)
(End- of-Period)

	Sep-05	**Dec-05**	**Mar-06**	**Jun-06**	**Sep-06**	**Dec-06**	**Mar-07**	**Jun-07**
US$ vs. Sterling	**0.5653**	0.5818	0.5704	0.5425	0.53430	0.51056	**0.5132**	**0.4985**
US$ vs. Canadian $	**1.1606**	1.1656	1.1547	1.1138	1.1153	1.1653	**1.1682**	**1.0634**
US$ vs. Yen	**113.34**	117.88	117.28	114.63	118.00	119.03	**117.26**	**123.39**
US$ vs. Euro	**0.8294**	0.8445	0.8315	0.7900	0.78820	0.75782	**0.7550**	**0.7397**

4C

INTERNATIONAL EXCHANGE RATES
EXCHANGE CROSS RATES
(Jun 2007)

	GBP	**CAN$**	**US$**	**Yen**	**Euro**
GBP	1.000	2.133	2.006	247.54	1.484
CAN$	0.469	1.000	0.940	116.04	0.696
US$	0.499	1.063	1.000	123.39	0.740
Yen	0.004	0.009	0.008	1.0000	0.006
Euro	0.674	1.438	1.352	166.81	1.000

5A

INTERNATIONAL EXCHANGE RATES
STERLING vs. OTHER MAJOR CURRENCIES
(End of Period)

	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar -07	Jun-07
Sterling vs. US$	1.7168	1.7440	1.843	1.8716	19586	1.9473	2.0061
Sterling vs. Canadian $	2.0054	2.0185	2.053	2.0874	2.2824	2.2748	2.1333
Sterling vs. Yen	202.63	204.54	211.29	220.84	233.14	228.36	247.54
Sterling vs. Euro 1/	1.4554	1.4501	1.456	1.4752	1.4843	1.4702	1.4839

5B

WORLD COMMODITY PRICES
FOOD
(End- of-Period)

	Dec-05	Mar-06	Jun-06	Sept-06	Dec-06	Mar - 07	Jun-07
Wheat **(US$/m t)**	164.44	174.40	195.20	196.00	204.31	199.10	197.03
Coffee (USc/kg arabica brand)	233.18	250.6	227.40	242.10	282.99	258.12	252.90

5C

MAJOR STOCK MARKET INDICES
(End- of-Period)

	Dec-05	Mar-06	Jun-06	Sept-06	Dec-06	Mar-07	Jun-07
TOKYO							
Nikkei Index	16111.43	17059.66	15505.18	16127.58	17225.83	17287.65	18138.36
NEW YORK							
Dow Jones Industrials	10717.50	11150.30	11150.22	11679.07	12463.15	12354.35	13408.62
S & P Composite	1248.29	1299.72	1270.20	1335.85	1418.30	1420.86	1503.35
LONDON							
Financial Times SE 100	5618.8	5964.6	5833.4	5960.8	6220.8	6308.0	6607.9
FRANKFURT							
Dax Index	5408.26	5970.08	5683.31	6004.33	6596.92	6917.03	8007.32
ZURICH							
SMI Index	7583.93	8023.30	7652.10	8425.91	8785.74	8976.99	9209.36

6

WORLD COMMODITY PRICES

KEY CRUDE OIL PRICES (US$/barrel – f.o.b.)

(End- of-Period)

	Dec-05	**Mar-06**	**Jun-06**	**Sep-06**	**Dec-06**	Mar - 07	Jun -07
UAE's Dubai Light	56.75	57.65	65.08	59.77	58.67	59.05	
North Sea Brent	53.13	62.25	68.86	62.77	62.31	62.09	71.92
West Texas Intermediate	59.41	62.89	70.93	64.10	62.03	60.61	70.69

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.

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

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.

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.

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 month.

Inflation: refers to the change in the general price level. In Jamaica, this is derived 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 to 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.

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 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.

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: **T**he 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.

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 title to property, or claim on income e.g. bonds and stocks.

Signal Rate: Interest rate on Bank of Jamaica's thirty-day reverse repurchase agreements. This rate provides a benchmark for the pricing of all open market instruments negotiated between the BOJ and Primary Dealers.

***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.

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

Quasi-money: Savings Deposits plus Time Deposits.

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