QUARTERLY MONETARY POLICY REPORT

April - June 2008
Volume 9 No. 1

Bank of Jamaica

Quarterly Monetary

Policy Report

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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 features a discussion on the global monetary policy response to spiralling commodity prices (Box 1).

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

Monetary policy continued to be significantly challenged during the June 2008 quarter by international economic developments. The most significant of these were the sharp increases in the prices of certain commodities, particularly crude oil and grains. The increases were much sharper than anticipated and contributed to a rise in global inflation. In this context, the challenge for the Central Bank was to anchor medium-term inflation expectations by limiting the pass through of rising commodity prices to core inflation.

The acceleration in commodity prices occurred in a context where global demand was buoyed by continued strong growth in emerging economies. The impact of this demand was exacerbated by supply shortages as a number of countries implemented export bans on certain commodities in response to concerns about domestic food security. In addition, there was continued speculation in commodity futures, given the weakness in the US dollar.

Among the major commodities, crude oil prices rose to a record average of US$123.91 per barrel, an increase of 26.5 per cent for the quarter. The average prices of rice and corn rose by 80.2 per cent and 17.5 per cent, respectively, to US$861.4 per metric tonne and US$259.0 per metric tonne in the quarter. The price of rice increased by 150.0 per cent since December 2007.

Consequent on these developments, headline inflation of 6.0 per cent in the June quarter emanated mainly from increases in food and energy related prices. These were reflected in the *Food & Non-Alcoholic Beverages, Housing, Water, Electricity Gas & Other Fuels* and *Transportation* divisions of the CPI, which together accounted for 4.5 percentage points of the inflation outturn for the review quarter. This outturn was at the upper end of the Bank's inflation forecast range of **5.0 per cent – 6.0 per cent** for the quarter and also exceeded the average increase of 3.7 per cent for the previous five June quarters.

The continued acceleration in inflation since mid-2007 had begun to fuel higher inflation expectations as confirmed by the Bank's Inflation Survey for the June quarter. The Bank, cognisant of the need to anchor inflation expectations, effected an additional 50 basis point increase to interest rates on its spectrum of open market instruments on 26 June 2008. This followed two rate increases in the March 2008 quarter. The concern of the Bank was that core inflation arising from spiralling commodity costs, if left unchecked, would lead to further adjustments in other prices and spill over into wage demands, even when the value of these commodities recede (second round effects).

Central banks worldwide, also facing similar challenges to contain the second round effects on inflation, have increased their inflation-fighting rhetoric, increased rates or have simply discontinued a policy of reducing rates. It would also appear that globally, central banks are finding the forecasting of short-term inflation more challenging as reflected in the magnitude of the revisions to their inflation forecasts (see ***Box 1****: Global Monetary Policy Response to Spiralling Commodity Prices*). In addition to the challenge of fighting inflation, some central banks are faced with the credit crunch challenge arising from the sub-prime mortgage crisis.

The sub-prime mortgage crisis, however, continued to have a positive impact on the Jamaican financial markets due mainly to uncertainties about the health of some financial institutions abroad. In addition, external rates further softened in April increasing the relative attractiveness of Jamaica Dollars. This led to a reduction in foreign currency demand in the first two months of the quarter. However, there was a reversal in June as Authorized Dealers and investors purchased foreign currency to invest in the GOJ Eurobond which was floated in that month. In addition, some investors purchased foreign currency in anticipation of corporate bond issues which were expected in July.

The demand for foreign currency in June led to bouts of instability in the market during that month. The Bank responded by selling foreign currency to the market to provide liquidity to end-users. This contained the depreciation in the weighted average selling rate for the quarter to 1.1 per cent, relative to the average of 1.5 per cent in the preceding five June quarters.

Partly influencing the relative stability in the exchange rate for the quarter was a decline in net foreign currency demand for current account transactions. Notwithstanding a significant increase in the demand for foreign currency to settle fuel imports, there was a reduction in overall demand, driven by a fall in other merchandise imports. At the same time, supplies were buoyed by higher remittance inflows and increased mineral fuel exports. Net private capital inflows also declined but were sufficient to more than offset the estimated net outflows from current account transactions. Hence, for the quarter, the Bank purchased **US$220.2 million** (net), relative to **US$255.2 million** in the March 2008 quarter. Consequently, the NIR at end June was **US$2 228.8 million**, **US$145.4 million** above the outturn at end-March 2008.

The BOJ's foreign currency purchases injected J$10 458.6 million in the system. At the same time, there was an overall contraction in the Net Domestic Assets of $11 658.0 million primarily through the Bank's open market operations. Against this background, the monetary base contracted by 2.0 per cent, which was stronger than the contraction of 1.7 per cent anticipated. This was reflected in higher than expected net currency redemptions. Consequently, the annual growth in currency was 8.4 per cent as at June relative to 18.3 per cent in June 2007. The slower growth in currency was generally consistent with the data on debit card and point-of-sale transactions, suggesting that in real terms, householders have reduced their spending.

A sharp deceleration in the growth of personal loans was also consistent with reduced spending. Over the past five years, growth in personal loans has been particularly strong but there was a reversal of this trend in the June quarter. Personal loans grew by 1.9 per cent, in comparison to average growth of 7.4 per cent for the past five June quarters.

Commercial loans to the productive sector, however, grew by 20.2 per cent in comparison to a marginal decline in the previous quarter and 5.5 per cent in the June 2007 quarter. All sectors recorded an expansion in credit with *Tourism*, *Distribution* and *Manufacturing* accounting for the bulk of the increase. In real terms however, private sector credit declined for the quarter. *Manufacturing*, *Electricity*, *Gas & Water*, *Agriculture* and *Mining* were the only sectors to have recorded an expansion in credit in real terms. The real increase in loans to these sectors is expected to have a positive effect on output growth in ensuing quarters.

GDP growth for the June quarter is now estimated to be well below the average quarterly growth of **0**.7 per cent recorded over the last four quarters. Growth was restrained by the performance of *Agriculture*, *Manufacturing* as well as *Mining & Quarrying*. On the expenditure side, there were declines in *Public Consumption Expenditure* and *Gross Fixed Capital Formation***.** *Net external Demand* fell while *Private Consumption* grew negligibly**.**

For the September 2008 quarter, domestic output is forecasted to expand in a range of **1.5 per cent** to **2.5 per cent**, driven by continued recovery in *Manufacturing*, *Electricity*, *Gas & Water*, *Mining & Quarrying and Agriculture* from the impact of Hurricane Dean in 2007. Growth in *Agriculture* is however expected to be marginal. Recovery should be facilitated by the real increase in credit extended to these sectors. Continued growth is also expected in *Construction & Installation* as well as *Real Estate & Business Services.*

Headline inflation is forecasted to be in the range of **5.5 per cent** to **6.5 per cent** in the September 2008 quarter. International commodity prices, while remaining at elevated levels relative to 2007, are expected to moderate over the remainder of 2008. This is in a context of a slowing in the global economy and indications of a possible strengthening of the US dollar. Accordingly, the main impetus to inflation during the September quarter will emanate from adjustments in administered prices, the lagged impact of imported inflation in the previous quarter and supply constraints in some agricultural commodities. For the fiscal year, inflation is forecasted to increase in the range of **15.0 per cent – 17.0 per cent** from the range of **11.5 per cent – 14.5 per cent** outlined in the March 2008 Quarterly Monetary Policy Report.

The risks to the inflation forecast continue to be biased towards the upside mainly because of the strong probability of adverse weather changes and higher than anticipated increases in international commodity prices. However, the Bank’s measure of the output gap suggests that there should be some easing of domestic capacity constraints in the September quarter, putting downward pressures on inflation.

The monetary base is expected to increase in the September quarter to facilitate households' currency demand for non-discretionary expenditure such as school fees and other expenditure in preparation for the new school year. In real terms however, all the monetary aggregates are expected to decline in the quarter given the tight policy stance adopted by the Bank. In this regard, the major challenge to the Bank will be to contain inflation expectations. The Bank will continue to closely monitor the situation and effect the necessary policy action to ensure that inflation expectations are well anchored.

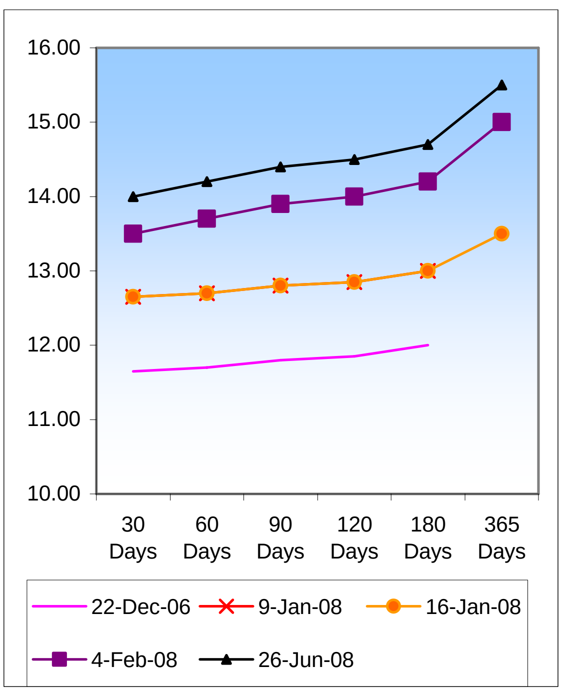
1. Monetary Policy and Financial Markets

Table 1.1

	Outturn for Jun'08 Quarter	Projection for Jun'08 Quarter	Original Targets for FY08/09
Inflation (% change)	6.0	5.0 - 6.0	15.0 - 18.0
Base Money (% change)	-2.0	-1.7	13.6
NIR (eop) (US$ mn)	2 228.8	2 023.5	1 750.0

The Bank increased interest rates on 26 June by 50 basis points.

Figure 1.1
BOJ Open Market Operations Yield Curve[1]



[1] The 365 Day instruments were removed from the spectrum at end 2005, the latter was reintroduced on 09 Jan. 2008

Money & Credit

Monetary Policy and Base Money Management

*The Bank tightened monetary policy on 26 June 2008 given the acceleration in inflation and indications of rising inflation expectations. The Bank also sold foreign currency to engender stability in the foreign exchange market in response to an increase in demand in June. Notwithstanding the sale of foreign currency in June, the Bank made net purchases of foreign currency during the June 2008 quarter. The liquidity emanating from these purchases was reabsorbed by the Bank through open market operations (OMO) instruments. Against this background, the monetary base contracted by **2.0 per cent** for the quarter relative to the programmed contraction of **1.7 per cent.***

The Bank increased interest rates by 50 basis points on 26 June 2008 across the entire spectrum of OMO instruments (see **Figure 1.1**). The increase in rates was aimed at mitigating inflationary impulses resulting from rising inflation expectations and its attendant effect on wages and yields (see **Inflation**). The Bank was of the view that increased inflation expectations, if left unchecked, would lead to further adjustments in the prices of domestic goods and services. The tightening of monetary policy by the Bank was consistent with the response of a number of central banks to the global rise in inflation expectations (see **Box 1**).

The main source of liquidity for the quarter was the net purchase of foreign currency from the market of US$220.2 million. This contributed to an increase in the NIR of US$145.4 million which injected J$10 458.6 million in the system. Other minor impulses came from OMO inputs during the quarter. The liquidity from these sources was reabsorbed through net placements in OMO securities of $12 656.6 million particularly made during the first two months of the quarter. Liquidity emanating from the net purchases of foreign currency also financed investors' participation in Government of Jamaica (GOJ) debt instruments for the quarter (see **Bond Market**). This contributed to an overall build up in Government accounts at the Bank thereby contributing to an overall contraction in the Net Domestic Assets (NDA) of $11 658.0 million**.**

Table 1.2

Net International Reserves Apr - Jun 2008 Flows (US$MN)				
	Apr	May	Jun	Total
NIR	79.5	96.3	-30.4	145.4

Figure 1.2

Base Money

(Quarterly Change)

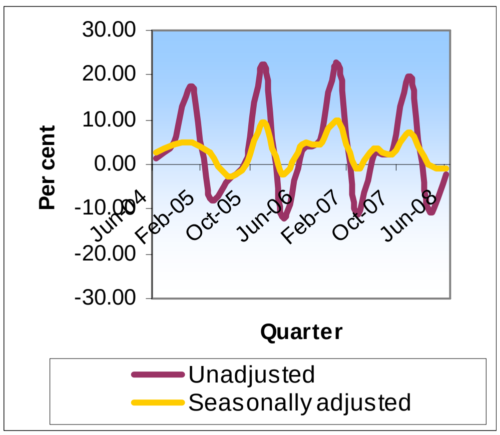
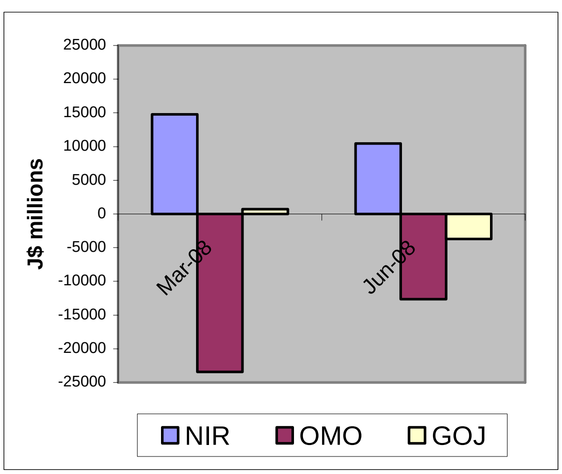


Figure 1.3

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



*Absorption-negative, Injection-positive

The net unwinding of OMO instruments during June, however, facilitated strong demand for foreign currency. Consequently, the Bank sold US$160.0 million in an effort to engender stability in the foreign exchange market (see **Foreign Exchange Market** and **Inflation**).

Against this background, the monetary base contracted during the quarter by $1 199.4 million or 2.0 per cent (see **Table 1.1** and **Figure 1.2**). The contraction in the monetary base was largely reflected in net currency redemption of $861.5 million and a reduction in the commercial banks' current account of $754.8 million. The contraction in the monetary base was higher than the programmed contraction of 1.7 per cent. This deviation was reflected in net currency redemption of 2.3 per cent relative to the programmed net redemption of 1.1 per cent. The main source of the deviation in the monetary base was the greater than anticipated net absorption through OMO securities.

The currency issue reflected a real decline of 7.8 per cent for the quarter attributed to the adverse effect of rising inflation expectation, on consumers' spending behaviour. The decline in real demand for currency continued the trend observed since late 2007 as consumers remained cautious about their spending. This real decline in currency was also consistent with the decelerating trend in alternative means of payment data.

Box 1: *Global Monetary Policy Response to Spiralling Commodity Prices*

Introduction

Central banks worldwide have been preoccupied with the challenge of managing inflation expectations in the context of spiralling commodity prices (see **Table 1**). The general aim is to prevent commodity price increases from leading to acceleration in core price inflation. Consequently, a number of central banks have tightened monetary policy while others, including the US Federal Reserve (Fed), have increased the rhetoric on fighting inflation. This stance has gained strong support from institutions such as the International Monetary Fund (IMF) and the World Bank.

Table 1: ***International Commodity Prices***

(Period Averages)

	2005	2006	2007	Q1 2008	Q2 2008
WTI Crude Oil (US$/bbl)	56.44	66.10	72.30	97.94	123.91
Wheat ($/mt)	144.04	175.45	246.96	397.92	312.14
Corn ($/mt)	98.68	121.84	164.08	220.00	259.00
Rice ($/mt)	286.44	305.01	326.43	478.12	861.38
Soybeans ($/mt)	274.77	268.34	383.61	562.67	586.08

Source: World Bank Commodity Price Data

Recent Trend in Inflation

The World Bank noted that nearly all countries that managed to restrain annual inflation to under 7.0 per cent during 2000-2005 were experiencing higher inflation by early 2008. For example, median inflation in developing countries had almost doubled. Moreover, annual inflation exceeded 10.0 percent in more than one third of the developing countries for which monthly data were available in comparison to a quarter of the sample in 2003.[2] Information gathered by the Bank of Jamaica for selected countries also showed that inflation doubled in some developed countries since 2006 (see **Table 2**).

Table 2

Annual Point-to-Point Inflation: Selected Countries

	Dec 06	Dec 07	Mar 08	June 08
US	2.54	4.08	3.98	5.00
Japan	0.30	0.70	1.20	2.00
Euro Zone	1.40	3.10	3.10	3.30
UK	3.00	2.10	2.50	3.80
Canada	1.70	2.40	1.40	3.10
Switzerland	0.62	2.00	2.63	2.90
Poland	1.40	4.00	4.10	4.60
Russia	9.00	11.90	13.30	15.10
Ukraine	11.60	16.60	26.20	29.30
Brazil	3.14	4.46	4.73	6.06
Mexico	4.05	3.76	4.25	5.26
Chile	2.60	7.80	8.50	9.50
Trinidad	9.08	7.60	9.80	n/a
Jamaica	5.50	16.80	19.90	24.0
Turkey	9.60	8.40	9.20	10.61
Phillipines	4.30	3.90	6.40	11.40
China	2.80	6.50	8.30	7.10
Saudi Arabia	2.88	6.47	9.60	n/a

Source: Bloomberg and Central Bank Websites

Effect of Spiraling Commodity Prices on Inflation Forecasts

The increase in commodity prices accelerated sharply in 2008, driving inflation above central banks comfort zones. For example, the average price of rice increased by approximately 164.0 per cent for the first six months of 2008 in comparison to an increase of 7.0 per cent in 2007. At the same time, the

[2] See 'Double Jeopardy: Responding to High Food and Fuel Prices', World Bank, 2 July, 2008

average price of crude oil increased by approximately 71.0 per cent, following an increase of 9.4 per cent in 2007.

The higher than anticipated increases in commodity prices have forced central banks to make sharp revisions to their inflation forecasts. This has been the case in both developed and developing countries. The European Central Bank (ECB), for example, raised its inflation forecast for 2008 by approximately 17.0 per cent, as inflation in the Euro zone accelerated to an annual rate of 4.0 per cent in June, more than double the ECB's medium term goal. The Fed also raised its inflation forecast by approximately 24.0 per cent at the upper end of the range to 3.8 per cent, relative to the forecast given at the beginning of the June quarter.

Monetary Policy Response

The posture of almost all central banks since April 2008 signals a tightening in monetary policy. A survey of fifty central banks found that twenty five of these banks had increased rates since the start of 2008, most of which increased rates in the June quarter.[3] Central banks, including the Bank of Canada, the Fed and the Bank of England, which had been reducing interest rates in early 2008 have since paused the rate reductions and increased the inflation-fighting rhetoric. The pause in rate reductions by these central banks reflects the heightened concerns about inflation even as the outlook for economic growth remains weak, given the sub-prime mortgage crisis which began in the US. The weak growth performance has constrained core inflation to date in these economies.

Conclusion

Food and energy prices should continue to fuel global inflation in the near term as demand from emerging economies remains strong. In this context, further tightening of monetary policy is expected globally, as central banks anchor inflation expectations. The situation will be particularly challenging in the context of the ongoing turbulence in the global financial markets and the attendant weakening in some of the major economies.

Interest Rates: Selected Countries*

	Dec 06	Dec 07	Mar 08	June 08
US	5.25	4.25	2.25	2.00
Japan	0.25	0.5	0.5	0.5
Euro Zone	3.50	4.00	4.00	4.25
UK	5.00	5.50	5.25	5.00
Canada	4.25	4.25	3.50	3.00
Switzerland	2.00	2.75	2.75	2.75
Poland	4.00	5.00	5.75	6.00
Russia	11.00	10.00	10.25	10.75
Ukraine	8.50	8.00	10.00	12.00
Brazil	18.00	11.25	11.25	12.25
Mexico	7.00	7.50	7.5	7.75
Chile	5.25	6.00	6.25	6.75
Trinidad	8.00	8.00	8.25	8.25
Jamaica	12.00	12.00	14.20	14.70
Turkey	17.50	15.75	15.25	16.25
Philippines	7.50	5.25	5.00	5.25
China	6.12	7.47	7.47	7.47
Saudi Arabia	9.00	11.00	11.00	12.00
South Africa	9.00	11.00	11.00	12.00

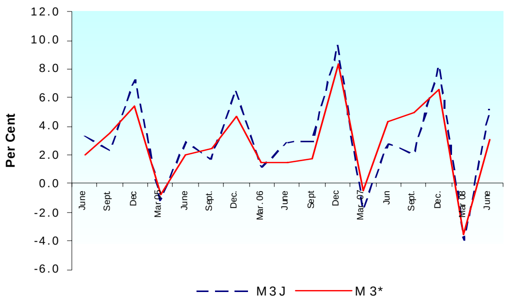
Source: Bloomberg and Central Bank Websites

**Rates are not necessarily comparable*

[3] The ECB also increased rates on 3 July 2008.

Figure 1.4

Money Supply



(Quarterly Growth Rates)
June 2004 to June 2008

Table 1.3

Money Supply (12-month growth rates)		
MJ	**Jun-07**	**Jun-08**
M1J	20.5	10.6
M2J	14.4	8.6
M3J	13.9	11.6
M*		
M1*	19.2	5.0
M2*	14.7	9.2
M3*	14.3	11.3

Table 1.4

INTEREST RATES IN THE DOMESTIC MARKET	Jun-07	Mar-08	Jun-08
COMMERCIAL BANK WEIGHTED AVERAGE DEPOSIT RATES			
Overall	**4.99**	**4.75**	**4.85**
Demand	2.67	2.64	2.63
Savings	4.54	4.33	4.35
Time	6.96	6.82	6.93
Foreign Currency	**3.20**	**2.88**	**2.81**
Demand	2.20	1.77	1.80
Savings	2.30	2.10	2.08
Time	5.05	4.93	4.71
6-MONTH TREASURY BILL RATE	**12.13**	**14.22**	**14.43**
BOJ 180-DAY REPURCHASE AGREEMENT RATE	**12.00**	**14.20**	**14.70**
PRIVATE MONEY MARKET RATE	**13.00**	**13.90**	**14.65**
memo:			
6-MONTH U.S. TREASURY RATE	**4.95**	**1.51**	**2.19**

Money Supply

During the June 2008 quarter, broad Jamaica Dollar money supply (M3J) increased by 5.2 per cent, relative to the 4.5 per cent increase anticipated in the monetary programme and the outturn for the June 2007 quarter. This deviation from programme was in the context of a sharper than projected increase in private sector credit.

The measure of money supply that includes foreign currency deposits, M3, increased by 3.1 per cent. This was a slower rate of growth relative to the outturn in the corresponding quarter of 2007. The slowdown reflected a decline of 2.4 per cent in foreign currency deposits. Consequently, the ratio of foreign currency deposits held by the private sector to total private sector deposits declined to 28.9 per cent at end-June 2008 from 30.4 per cent at end-March 2008. This ratio was also lower than the 29.1 per cent at end June 2007.*

For the June 2008 quarter, broad Jamaica Dollar money supply (M3J) increased by 5.2 per cent, relative to the expansion of 2.8 per cent recorded in the June 2007 quarter (see **Figure 1.4**). The increase during the review quarter was also above the 4.5 per cent growth anticipated in the monetary programme and was in the context of a sharper than projected increase in private sector credit. The growth in M3J for the review quarter brought the annual growth to 11.6 per cent (see **Figure 1.3**).

The main sources of growth in M3J for the June 2008 quarter were an expansion in the NIR of $10 458.6 million and an increase of $6 682.8 million in banking system credit to the private sector (see **Private Sector Credit**). The impact of the expansion in the NIR and private sector credit was partially offset by a net build-up of $12 656.5 million in BOJ open market operation securities.

Growth in money supply during the review quarter was reflected mainly in the demand for local currency deposits which grew by $ 10 859.8 million or 5.0 per cent. This expansion in local currency deposits in the review quarter was well above growth of 2.5 per cent in the corresponding quarter of 2007. The increase in local deposits was

Figure 1.5
Deposits in Commercial Banks
(Quarterly Growth Rates)
June 2005 to June 2008

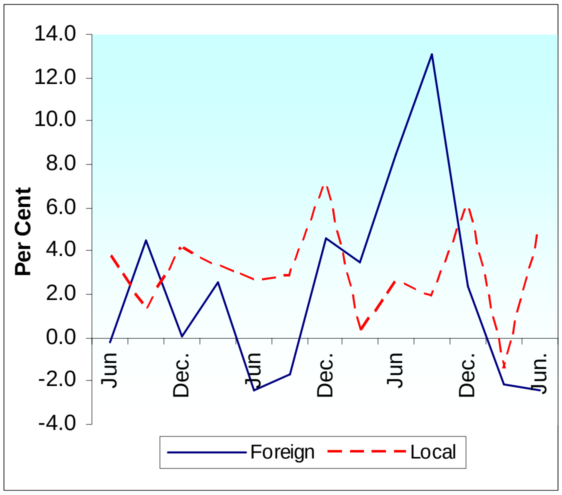


Figure 1.6
Foreign Currency Deposits to Total Deposits
June 2005 to June 2008

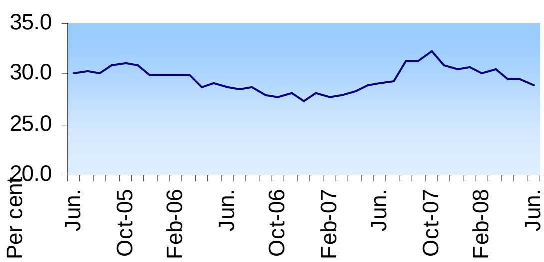


Table 1.5

COMPONENTS OF THE MONEY MULTIPLIER	Jun-07	Mar-08	Jun-08
	%	%	%
Currency to Deposits	15.92	15.17	15.45
Reserves to Deposits	9.91	11.71	9.64
Money Multiplier	**4.49**	**4.28**	**4.60**

reflected in all components, particularly 'other deposits' and demand deposits which increased by 7.3 per cent and 6.7 per cent, respectively. Currency in circulation, the other component of M3J, increased by $2 287.4 million or 6.9 per cent for the June 2008 quarter relative to the growth of 4.8 per cent recorded for the corresponding period of 2007. The growth in currency in circulation during the review quarter occurred largely in April and May.

For the 12-month period ended June 2008, currency in circulation grew by 8.7 per cent relative to an increase of 18.8 per cent for the comparable period ending June 2007. In real terms, there was a reduction of 12.3 per cent in currency in circulation relative to an increase of 10.4 per cent for the comparable period of 2007. The real decline in currency may be attributed to lower economic activity during the 12-month period ended June 2008 relative to the corresponding period ended June 2007.

During the review quarter, M3* increased by 3.1 per cent, relative to growth of 4.2 per cent for the June 2007 quarter (see **Figure 1.4**). Within M3*, foreign currency deposits declined by 2.4 per cent following a reduction of 2.1 per cent in the preceding quarter and was in contrast to the expansion of 8.5 per cent in the June 2007 quarter. A further widening in the interest rate differentials, resulting from the reduction of the US Federal Funds rate and the increase in domestic interest rates as well as a general uncertainty surrounding external financial markets would have induced investors to convert some of their foreign currency holdings to Jamaica Dollar instruments. The decline in these deposits influenced a reduction in the ratio of foreign currency deposits to total private sector deposits to 28.9 per cent at end-June 2008 from 30.4 per cent at end-March 2007. This ratio was also below the 29.1 per cent recorded at the end of the June 2007 quarter (see **Figure 1.6**).

At end-June 2008, the money multiplier was 4.60 relative to 4.28 at the end of the previous quarter and 4.49 at end-June 2007. The outturn for the review quarter was largely due to a reduction in the reserve to deposit ratio. The reduction in the reserves to deposit ratio was in the context of significantly lower vault cash holdings maintained by commercial banks, albeit in the last five days of the quarter (see **Table 1.5**).

Figure 1.7
Quarterly Growth Rates of Private Sector Credit
June 2005 to June 2008

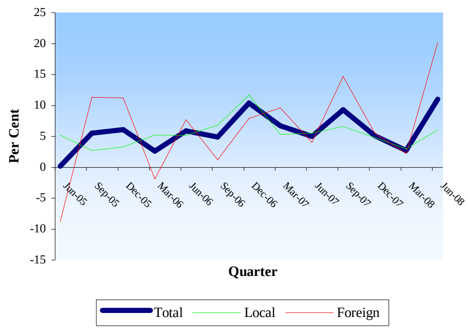


Table 1.6

Commercial Bank Distribution of Total Credit to the Private Sector J$ Million (Quarterly Flows)	Jun-07	Mar-07	Prov. Jun-08
Total Private Sector Credit	**6 871.9**	**4 564.5**	**18 879.4**
Loans and Advances	8 584.5	4 596.7	18 999.6
Other Investments and Private Debentures	-1 712.6	-32.2	-120.3

Table 1.7

Commercial Bank Distribution of Loans & Advances to the Private Sector (Quarterly Flows J$M)	Jun-07	Mar-08	Jun-08
Agriculture & Fishing	-379.9	38.2	939.2
Mining & Quarrying	-36.0	-41.7	143.7
Manufacturing	-479.4	290.8	2 501.3
Construction & Land Dev.	0 739.7	1 054.1	1 061.3
Transport, Storage & Comm.	1 499.9	687.4	1 615.1
Tourism	989.0	-610.1	4 068.1
Distribution	1 108.7	-1939.1	3 978.2
Professional & Other Services	0 222.4	247.9	1 830.2
Personal	4 821.4	4 402.8	1 499.5
Electricity, Gas & Water	52.6	396.0	1 056.0
Entertainment	19.7	37.1	55.9
Overseas Residents	26.3	33.3	251.3
TOTAL	8 584.5	4 596.7	18 999.6

Private Sector Credit

During the June 2008 quarter, private sector credit grew by 11.4 per cent, surpassing the expansion of 4.3 per cent anticipated in the monetary programme. This notable expansion was reflected in both foreign and local currency loans, with foreign currency loans recording the stronger growth. Total credit to the productive sector grew by 20.2 per cent during the June 2008 quarter, well above the 5.5 per cent which was recorded in the June 2007 quarter. Loans to ***Tourism accounted for the largest share of the increase in credit for the review quarter****. Unlike in previous quarters, there was marginal growth in* ***Personal*** *loans during the review quarter. Consistent with the trend over the past eight quarters, the ratio of private sector loans to total assets continued to increase.*

At end-June 2008, the stock of private sector credit was $190 488.2 million (22.9 per cent of GDP), representing an expansion of 11.0 per cent for the review quarter. This expansion exceeded the 4.3 per cent outlined in the monetary programme and the increases of 2.7 per cent and 5.0 per cent during the March 2008 and June 2007 quarters, respectively (see **Figure 1.7**). The outturn brought the annual growth in private sector credit as at June 2008 to 31.0 per cent relative to the increase of 29.7 per cent for the 12-month period ended June 2007.

The strong growth in private sector credit during the June 2008 quarter largely reflected loans extended by one commercial bank. The outturn was also influenced by credit granted by PanCaribbean Bank which changed status from a merchant bank to a commercial bank as at 23 June. Credit extended by PanCaribbean accounted for 39.5 per cent of the deviation from programme.

With regard to the sectoral breakout of credit, loans and advances expanded by $18 999.6 million or 11.4 per cent during the review quarter relative to an increase of 2.8 per cent in the March quarter (see **Table 1.6**). The strong growth in loans during the review quarter was mainly reflected in ***Tourism, Distribution, Manufacturing, Transport, Storage & Communication*** and ***Electricity, Gas & Water*** (see **Table 1.7**). There was growth of 14.1 per cent in ***Tourism*** during the quarter, relative to net repayment during the previous quarter and an expansion of 4.2 per cent during the comparable period of 2007. The growth in

Figure 1.8

Sectoral Distribution of Commercial Bank Loans & Advances to the Private Sector Per Cent of Outstanding Stock: June 2007 & June 2008

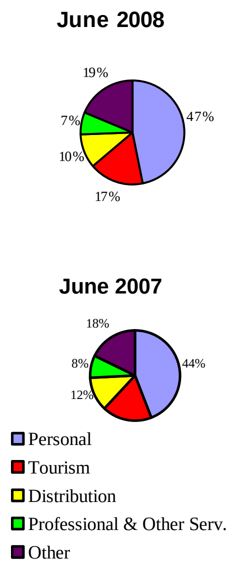


Table 1.8

Commercial Bank Distribution of Foreign Currency Loans & Advances to the Private Sector (Flows US $M)

	Jun-07	Mar-08	Jun-08
Agriculture & Fishing	-4.9	0.2	12.7
Mining & Quarrying	0.0	-0.4	-1.0
Manufacturing	0.2	8.0	27.0
Construction & Land Development	7.4	5.1	13.3
Transport, Storage & Comm.	11.9	0.0	12.2
Electricity, Gas & Water	0.0	6.6	10.8
Distribution	-5.0	-23.2	36.9
Tourism	3.2	1.6	38.9
Entertainment	-0.1	0.4	0.2
Professional & Other Services	2.2	6.3	13.5
Personal	5.0	4.5	2.6
Overseas Residents	0.2	0.3	3.5
TOTAL	**20.1**	**9.2**	**170.8**

loans to this sector in the review quarter largely reflected financing for the purchase of a property as well as credit to be used for working capital. ***Distribution*** reflected strong growth of 23.7 per cent, significantly above the expansion of 6.8 per cent recorded during the June 2007 quarter. The acceleration in credit to this sector was mainly due to loans extended to a large distributor. Growth of 32.8 per cent in ***Manufacturing*** mainly reflecting credit extended to a major manufacturer. ***Transport, Storage & Communication*** reflected robust growth of 18.2 per cent, most of which was utilized by the telecommunication sector. An expansion of 37.7 per cent in ***Electricity, Gas & Water*** mainly reflected credit granted to the Electricity sub-sector.

In contrast to previous quarters, there was marginal growth in Personal loans during the June 2008 quarter. Growth in Personal loans decelerated to 1.9 per cent during the review quarter, from 6.0 per cent and 8.2 per cent in the previous quarter and the corresponding quarter of 2007, respectively. The outturn for the quarter was also well below the average growth of 7.4 per cent for the last 5 June quarters. Notwithstanding this, Personal loans continued to account for the largest proportion of the outstanding stock of private sector loans (see **Figure 1.8**). However, credit card receivables increased by 6.1 per cent during the review quarter compared to growth of 1.2 per cent and 9.1 per cent in the previous quarter and the corresponding period of 2007, respectively.

There was significant growth in foreign currency loans relative to the previous quarter. Foreign currency denominated loans expanded by US$170.8 million or 19.7 per cent, relative to increases of 1.1 per cent and 2.8 per cent in the March 2008 and the June 2007 quarters, respectively. The faster growth in foreign currency loans reflected significant increases in ***Tourism, Manufacturing, Distribution as well as Construction & Land Development*** (see **Table 1.8**). There was however, notable slowdown in Personal Loans. ***Tourism*** continued to account for the largest proportion of foreign currency loans at end-March 2008 (see **Figure 1.9**). Consequent on the faster rate of growth in foreign currency loans, the proportion of these loans to total loans increased to 38.1 per cent at end-June 2008 from 36.2 per cent at end-March 2008. The ratio was 35.2 per cent at end-June 2007.

Figure 1.9
Sectoral Distribution of Foreign Currency Loans & Advances to the Private Sector Per Cent of Outstanding Stock
June 2007 & June 2008

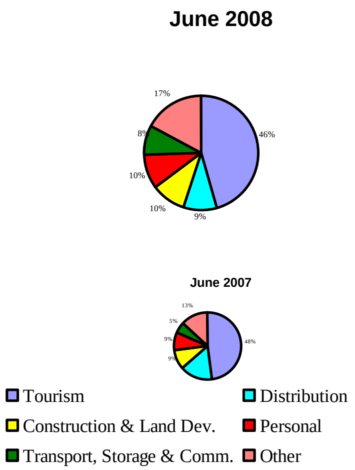
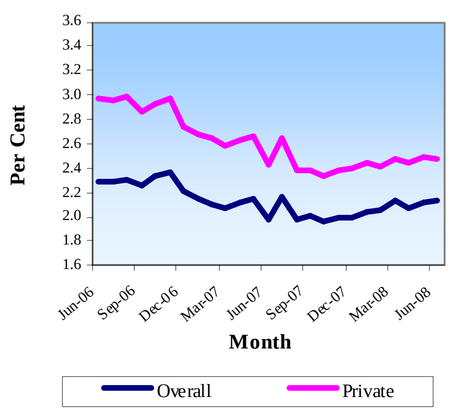


Table 1.9

Lending Rates by Loan Type Per Cent	Jun-07	Mar-08	Jun-08
Overall	**17.23**	**17.33**	**16.97**
Public Sector	**11.83**	**11.49**	**11.43**
Local Govt. & Other Public Ent.	11.22	10.92	11.08
Central Government	14.75	15.23	14.71
Private Sector	**18.46**	**18.31**	**17.85**
Instalment	21.50	20.72	20.48
Mortgage	9.00	7.50	7.47
Personal	26.77	25.27	25.23
Commercial	13.32	13.79	13.61

Figure 1.10
Commercial Banks' Past due Loans (Three Months and Over) to Total Loans
June 2006 to June 2008



Interest Rates

For the review quarter, the overall weighted average lending rate declined by 36.0 basis points (bps). The weighted average lending rate on private sector loans declined by 46.0 bps. With the exception of commercial loans, lending rates for all other categories declined during the quarter. The lending rate charged on public sector loans declined by 6.0 bps during the June 2008 quarter due to a reduction in lending rate for *Central Government.* (see **Table 1.9**)

Performance Indicators

Consistent with the trend over the past eight quarters, the ratio of private sector credit to total assets increased to 36.9 per cent at end-June 2008 from 34.8 per cent at end March 2008 and 32.4 per cent at end-June 2007. At end-June 2008, the ratio of past due loans (over three months) to total private sector loans, a measure of the quality of the loan portfolio, remained at the 2.5 per cent, which was recorded at end March 2008 but was higher than the 2.4 per cent at end-June 2007 (see **Figure 1.10**).

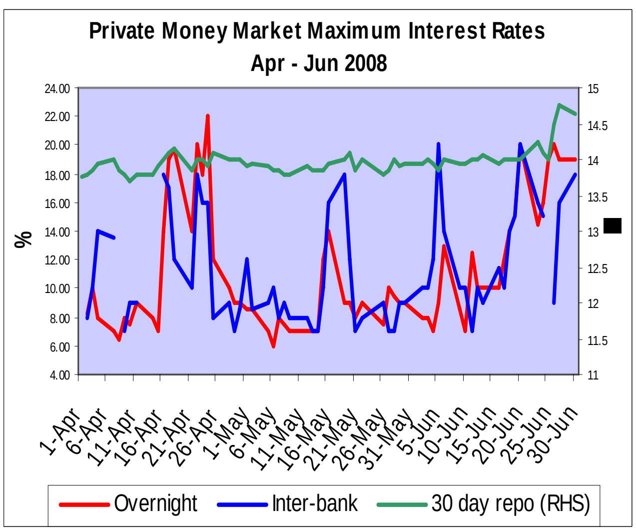
Table 1.10

Treasury Bill Auctions and Maturities
April - June 2008

Issue Date	Tenor (days)	Avg. yield (%)	Allotment (J$M)	Amount Maturing (J$M)
25-Apr-08	182	14.2	300	
	91	13.95	400	
				900.0
30-May-08	182	14.28	400.0	
	91	13.92	400.0	
				900.0
20-Jun-08	182	14.43	400.0	
	91	14.19	400.0	
				900.0
Total			**2300.0**	**2700.0**

Average yields on GOJ Treasury Bills increase

Figure 1.11



Average overnight and inter-bank rates increase

Bond Market

Developments in the bond market were favourable for most of the quarter. In particular, market-determined rates remained stable for the first two months of the quarter. This was against the background of improved fiscal performance, as well as the expectation of further widening in the interest differential between Jamaica Dollar and foreign denominated assets. In this context, investors showed strong demand for domestic assets during this period. However, with the acceleration in domestic inflation in June, investors required higher returns on Jamaica Dollar assets. Consequently, foreign exchange rate pressures surfaced, with the increased demand for foreign currency in the month being related to the positioning by investors for US dollar corporate bonds in July.

Bolstered by the continued affirmation of the country's sovereign ratings from international ratings agencies, the Government was able to float a global bond on the international capital market in late June, despite unfavourable credit conditions in the US.

During the first two months of the June 2008 quarter, the bond market was stable with favourable conditions being reflected in the stability of private money market rates as well as Treasury Bill rates. However, there was a period of instability in the month of June when investors' expectations began to change in the context of a continued rise in inflation and the tightening of monetary policy by other central banks. The 90-day and 180-day Treasury Bill yields increased by 0.22 percentage point and 0.21 percentage point, respectively, compared to the March auction (**see Table 1.10**). Much of this overall increase for the quarter took place at the June auction. This increase at the June auction occurred in the context of heightened inflation concerns as well as a concentration of Jamaica Dollar liquidity at that time.

Overall, average 30-day rates in the private money market remained similar to those in the previous quarter, while overnight and inter-bank rates increased over those of the previous period. The increases in rates in these segments of the money market were largely due to the concentration of liquidity in some of the commercial banks at intervals during the review period **(see Figure 1.11**).

Table 1.11

Placements and Maturities* in BOJ OMO Instruments:	April - June 2008		January - March 2008	
	Maturities ($)	Placements ($)	Maturities ($)	Placements ($)
30-day	42,675.3	38,549.7	49,957.5	39,639.3
60-day	4,963.3	3,451.8	4,296.1	3,269.4
90-day	7,544.1	7,047.1	2,590.8	6,034.3
120-day	1,741.1	2,741.8	915.5	1,766.8
180-day	7,484.5	3,979.4	14,145.8	15,507.1
270-day	0.0	0.0	0.0	0.0
365-day	0.0	23,450.1	0.0	26,160.5

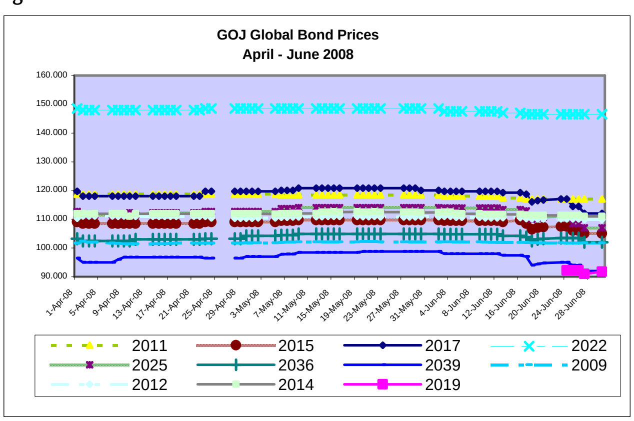
***excludes overnight transactions during the period**

T able 1.12

GOJ Public Domestic Debt Raising April - June 2008	Amount allotted (J$MN)	Amount maturing (J$MN)	Net maturities (J$MN)
Treasury bills	2,300.0	2,700.0	400.0
Variable Rate LRS	0.0	818.5	818.5
Fixed Rate LRS	0.0	4,863.1	4,863.1
Var. Rate Inv. Deb.	0.0	0.0	0.0
Fixed Rate Inv. Deb.	4,264.6	0.0	-4,264.6
Var. Rate Inv. Bd.	14,848.0	6,149.6	-8,698.4
Fixed Rate Inv. Bd.	0.0	0.0	0.0
Fixed Rate Reg. Bd.	645.9	0.0	-645.9
Sub-total	22,058.5	14,531.2	-7,527.3
Fixed Rate US-denom. Bd./ Eurobonds	*350.0*	*0.0*	*-350.0*
Fixed Rate Ind.Bd.	*0.0*	*0.6*	*0.6*
J$ equivalent	25,135.1	*40.1*	*-25,094.9*
Total (J$)	47,193.5	14,571.3	-32,622.2

GOJ continued to issue variable rate debt

Figure 1.12



GOJ Global bond successfully raises US$350.0 million

Following the BOJ interest rate increases in the previous quarter, demand for BOJ OMO instruments remained strong for most of the quarter as reflected in a net placement of $14 811.5 million on BOJ's 30-day to 365-day OMO instruments **(see Table 1.11)**. Much of the placement took place in April and May, in contrast to June when there was net unwinding as investors rebuilt their foreign currency holdings. The increased demand for foreign currency in June arose as investors sought to hedge against rising domestic inflation and to position for corporate bonds which were expected to be floated in the September quarter. Throughout the review quarter, BOJ instruments with a longer tenor were generally favoured. Despite concerns about increasing commodity prices and the expectation of tighter monetary policy at other central banks, financial institutions net-unwound instruments at the shorter end of the range.

During the June 2008 quarter, the GOJ net issued $7 527.3 million in domestic debt (**see Table 1.12**) as compared to $4 272.8 million in the previous quarter. Variable rate (VR) instruments continued to receive the majority of placements as investors sought a hedge against inflation. These VR instruments were issued at higher coupons, lower repricing margins and linked to the 3-month weighted average Treasury Bill yield.

The price levels on GOJ global bonds were relatively stable for most of the quarter but declined sharply in June. The first decline coincided with the offer of the GOJ global bond which raised US$350.0 million on the international capital market on 16 June at a coupon of 8.0 per cent, priced to yield 8.375 per cent and slated to mature in 2019. A second price depreciation occurred later in June as risk-averse investors reduced demand for emerging market debt and sought the security of safer instruments (**see Figure 1.12**). The overall stability of the global bond prices reflected the continued positive sentiment towards Jamaica's fiscal performance as exhibited by Standard & Poor's ratings agency maintaining its 'stable' outlook during the quarter.

Figure 1.13
Quarterly Growth of the JSE Indices
June 2007 – June 2008

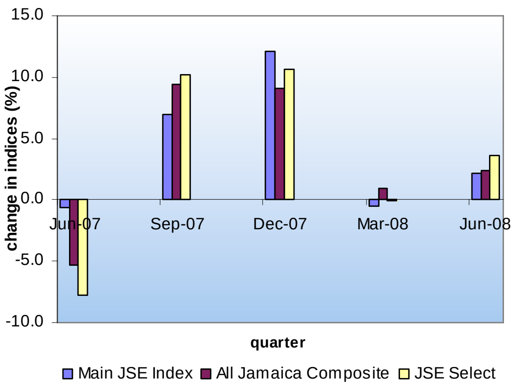


Figure 1.14
Movements in Volumes & Values Traded January-June 2008

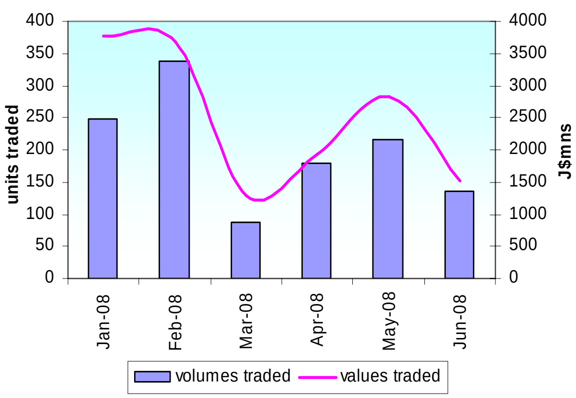
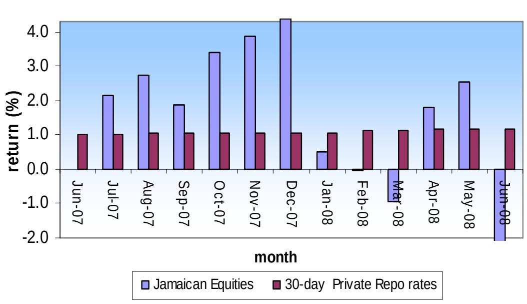


Figure 1.15
Monthly Returns from Equities and Fixed Income Investments



Stock Market

The main Jamaica Stock Exchange (JSE) Index increased moderately during the June 2008 quarter. Favourable earnings results by many of the listed companies coupled with the relative stability in the foreign exchange market were supporting factors behind the growth in the equities market for the quarter. Price gains were also fuelled by investors positioning to purchase stocks in anticipation of increased inflows into the regional markets from the takeover of RBTT banking group by Royal Bank of Canada. However, the demand for local equities was constrained by a generally cauious view of future market performance as well as interest rates adjustments during the first half of the year.

All three major local stock market indices recorded increases for the June 2008 quarter. The main JSE Index increased by 2.2 per cent while the All Jamaica Composite and the Select indices grew by 2.3 and 3.7 per cent, respectively (see **Figure 1.13**). The moderate gain in the JSE Index during the June 2008 quarter compares favourably to a marginal decline of 0.5 per cent during the March 2008 quarter.

The performance of the market for the June quarter was largely defined by developments in the first two months. Stronger investor participation during April and May contributed to an average increase of 2.2 per cent in the main JSE Index during this period relative to a decline of 2.1 per cent for the month of June (see **Figure 1.14**). The market, on average, yielded a return of 0.7 per cent to investors relative to quarterly returns of 1.2 per cent from money market securities (see **Figure 1.15**). The advance- to- decline ratio was 15:18, compared to 28:14 for the previous period.[4] Price gains were concentrated in the manufacturing sector, which accounted for 4 of the top ten advancing stocks, whilst decliners were mainly from the financial sector (see **Table 1.13 & 1.14**).

The overall growth in the equities market was supported by the favourable earnings results of a number of listed companies. Quarterly earnings of the listed companies on average grew significantly for the June 2008 quarter, relative to the corresponding period of the previous year.[5] This was largely evidenced in the financial, insurance, manufacturing and tourism sectors (see **Figure 1.16**). The

[4] The advance/decline ratio determines the momentum of the market by calculating the ratio of advancing issues to declining issues.
[5] Profits grew significantly over the period, mainly influenced by one- off gains by a number of listed companies such as National Commercial Bank, Mayberry Investments and Seprod Limited.

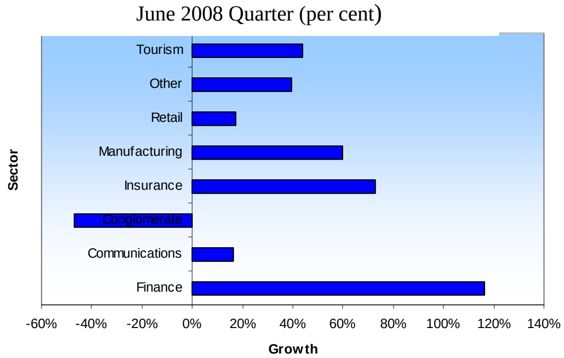
Table 1.13
Advancing Stocks
June 2008 Quarter

Companies	Price as at Jun-08 $	Qtr. Change %
Advancing Stocks		
Manufacturing		
Salada Foods	110.00	37.50
Jamaica Broilers Group	6.00	27.39
Mobay Ice Company	20.00	11.11
Caribbean Cement	9.80	5.83
Finance		
ScotiaDBG	28.00	21.33
Tourism		
Pegasus Hotel	22.49	43.25
Retail		
Hardware & Lumber	16.31	8.16
Conglomerate		
Grace Kennedy	88.99	6.56
Insurance		
Guardian Holding	360.00	21.21
Other		
Palace Amusement	50..00	21.21

Table 1.14
Declining Stocks
June 2008 Quarter

Companies	Price as at Jun-08 $	Qtr. Change %
Declining Stocks		
Financial		
Capital & Credit	8.00	-12.09
Mayberry Investments	4.40	-9.28
Pan Caribbean	20.00	-6.98
Manufacturing		
Goodyear Jamaica	4.10	-16.33
Conglomerate		
Jamaica Producers	34.00	-12.82
Pan Jamaican Trust	51.00	-5.56
Communications		
Radio Jamaica	3.02	-12.46
Tourism		
Montego Freeport	2.10	-8.70
Other		
Pulse Investments	6.40	-20.00
Supreme Ventures	3..31	-5.43

Figure 1.16
Average Growth in Quarterly Earnings by Sector
June 2008 Quarter (per cent)



equities market also benefited from relative stability in the foreign exchange market as well as the impact of investors positioning in anticipation of inflows into the Trinidadian stock market from the acquisition of RBTT banking group by Royal Bank of Canada (RBC).[6] This translated into price gains in a number of blue chip stocks such as ScotiaDBG, Guardian Holding, Jamaica Broilers Group and Grace Kennedy Limited.

Growth in the equities market was, however, tempered by the continued increase in interest rates by the Central Bank since the beginning of the year.[7] This may have contributed to a diversion of funds from the equities market, to more attractive returns on less risky fixed income investments. The relatively moderate gains in the stock market, despite strong improvements in earnings, may also have reflected weak investor expectations for the stock market as a hedge against inflation.

The other major stock exchanges in the region performed creditably for the review quarter. In Trinidad & Tobago, the Composite Index increased by 15.7 per cent compared to an increase of 1.1 per cent in the previous quarter. This is as a result of expectations regarding amendments to the pension plan legislation in 2008 coupled with increased liquidity flows to the market during the quarter emanating from the RBTT/RBC transaction. However, the Central Bank of Trinidad & Tobago has intensified the level of open market operations which could divert funds from the equities market. The Barbados Local Index advanced by 5.1 per cent during the quarter relative to a marginal increase of 0.4 per cent in the March 2008 quarter (see **Figure 1.17).** The performance for the June quarter was largely attributable to favourable earnings news from companies listed on the Barbados stock exchange.

[6] During the review quarter Royal Bank of Canada paid out in excess of US$2.0B to shareholders of RBTT banking group. This has resulted in stock price appreciation for several cross listed entities in particular Guardian Holdings Limited (GHL) and ScotiaDBG.

7 The Bank increased rates on its open market instruments three times during the first half of the current calendar year.

Figure 1.17
Quarterly Growth of Regional Indices
June 2007 – June 2008

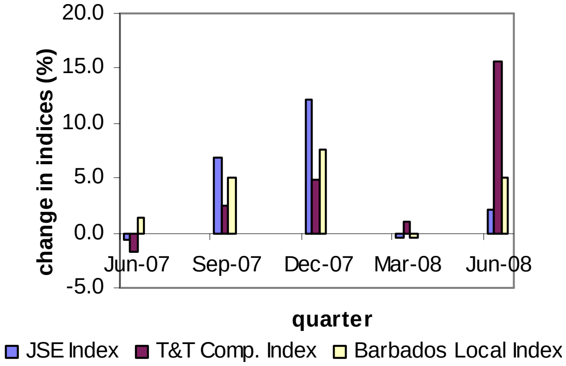


Figure 1.18
Percentage Change in Weighted Average Selling Exchange Rate (e.o.p.) (J$1.00= US$)

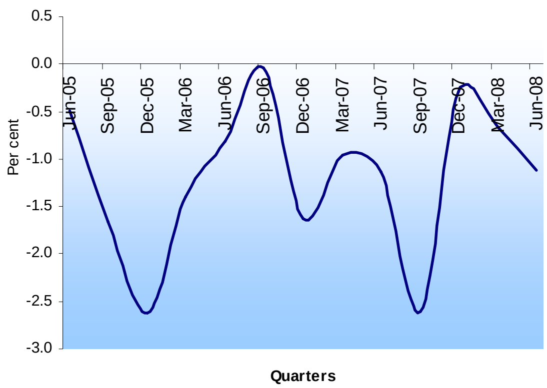


Figure 1.19
Foreign Exchange Spread as a Percentage of Buying Rate

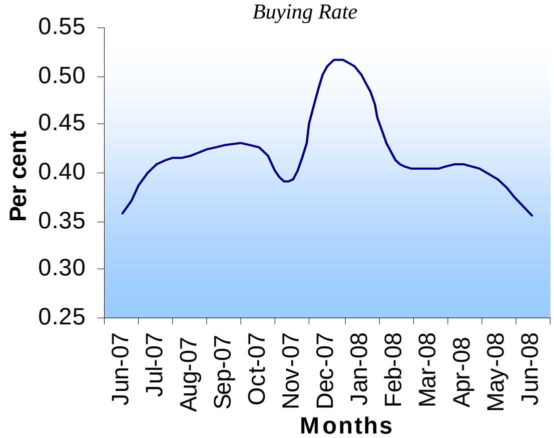
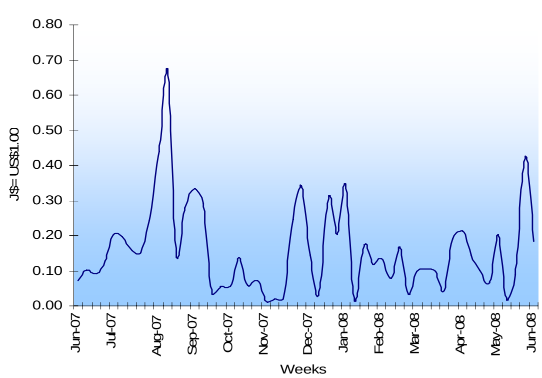


Figure 1.20
Weekly Exchange Rate Trading Range



Foreign Exchange Market

The foreign exchange market was relatively stable during the June 2008 quarter despite strong demand pressures in the month of June. In this context there was a moderate depreciation of the exchange rate. Stability during the quarter reflected the continued impact of the BOJ's monetary policy actions in the previous quarter, the general uncertainty surrounding external financial markets and low levels of Jamaica Dollar liquidity. The demand pressures in June occurred in the context of increased foreign exchange demand from the energy and telecommunications sectors as well as heightened inflation expectations which led to increased investor preference for US dollar denominated assets. This interest was manifested in some secondary market trading of a GOJ Global bond issued during the month. Given the overall stability in the market for the quarter, the NIR at end-June 2008 was US$2 228.8 million, US$145.4 million higher than the stock at end-March 2008.

The weighted average selling rate (WASR) of the US dollar increased to J$71.89 = US$1.00 at end-June 2008 from J$71.09 = US$1.00 at end-March 2008, representing a depreciation of 1.11 per cent. This movement in the exchange rate compared favourably with the average depreciation of 1.55 per cent for the preceding five June quarters, but was above the decline of 0.66 per cent in the March 2008 quarter **(**see **Figure 1.18)**. Market conditions in June resulted in the fastest rate of currency depreciation for the quarter. For the calendar year to June, the value of the Jamaica Dollar declined, vis-à-vis the US dollar, by 1.77 per cent, below the fall of 2.08 per cent for the comparable period of 2007.

Consistent with the relatively stable conditions in the foreign exchange market during the review quarter, the average bid-ask spread, expressed as a percentage of the buying rate, declined to 0.39 per cent, relative to the 0.44 per cent in the March 2008 quarter (see **Figure 1.19)**. However, influenced by the increased pace of depreciation in the month of June, the average weekly market trading range widened slightly to J$0.15, relative to an average of J$0.14 for the March 2008 quarter.[8] For April and May, the trading range averaged J$0.13, relative to an average of J$0.18 for June (see **Figure 1.20**).

The stability during the quarter was partly underwritten by a decline, relative to the previous quarter, in net foreign exchange demand from current account transactions. There was an estimated US$75.6 million increase in foreign

8The trading range for the exchange rate is an indicator of risk or uncertainty. It 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			Change Relative To Previous	
	2007	2008			
	Apr-Jun	Jan-Mar	Apr-Jun	Qtr	yr
Net Current Inflows	-560.1	-655.7	-554.0	101.7	6.1
Current Inflows	1020.2	1092.7	1168.3	75.6	148.1
Current Outflows	1580.3	1748.3	1722.3	-26.0	142.0
Net Private Capital Inflows	490.2	910.9	774.2	-136.7	284.0
Balance	-69.9	255.2	220.2	-35.0	150.3

** 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-07	2238.9	-13.3	-90.5
Jul-07	2146.2	-92.7	-146.2
Aug-07	2067.3	-78.9	-184.9
Sep-07	1916.2	-151.1	-322.7
Oct-07	1924.5	8.3	-221.7
Nov-07	1808.5	-116.0	-258.8
Dec-07	1877.6	69.2	-38.5
Jan-08	1819.1	-58.5	-105.4
Feb-08	1956.2	137.1	147.7
Mar-08	2083.4	127.2	205.8
Apr-08	2162.9	79.5	343.8
May-08	2259.2	96.3	303.0
Jun-08	2228.8	-30.4	145.4

exchange inflows, principally associated with higher remittance inflows and mineral fuel exports (See **Table 1.11**). Notwithstanding a significant increase in spending on fuel imports during the quarter, the estimated demand for foreign exchange declined marginally. This, as the demand to pay for other merchandise imports was seasonally lower in the June quarter. Consistent with the marginal decline in demand, the average daily sales by authorised dealers and cambios amounted to US$34.2 million, compared with US$34.8 million in the previous quarter.

Net private capital inflows also declined to US$774.2 million from US$910.9 million in the preceding March quarter, but were more than sufficient to offset the estimated net outflow of US$554.0 million from current account transactions. The decline followed exceptionally large private capital inflows in the March 2008 quarter, some of which was related to the sale of a local rum manufacturing company to a Trinidadian firm in February as well as increased foreign currency inflows to satisfy Jamaica Dollar-denominated tax obligations in March. Abstracting from these exceptional flows, underlying net private capital flows would have grown by approximately US$140.0 million during the review quarter.

The continued buoyancy in underlying net private capital flows resulted from increased investor preference for Jamaica Dollar denominated instruments during the first two months of the quarter. This was associated with a widening of the differential between yields on Jamaica Dollar denominated and foreign currency denominated assets. This widening was influenced by a general increase in domestic rates, associated with Bank of Jamaica's monetary policy action in the previous quarter. Increased demand for Jamaica Dollar denominated assets also reflected the general uncertainty surrounding external financial markets and was supported by a favourable assessment of the country by Standard and Poor's in May 2008 (see **International Economy**).

Notwithstanding the overall stability in the quarter, market conditions deteriorated in June. This deterioration largely reflected an increase in net foreign exchange demand from the energy and telecommunications sector. Energy demand was buoyed by increased fuel imports in the previous quarter following the re-opening of the refinery, as well as a 26.5 per cent increase in the average price of oil, relative to the previous quarter. The increased pace of depreciation also reflected a decline in net private capital inflows during the month. This was associated with heightened inflation expectations, which led to an increased preference for US dollar denominated instruments. The increase in inflation expectations was evidenced by the strong domestic investor interest in secondary market trading of the GOJ Global bonds issued on 16 June 2008. In response to the heightened inflation expectations, the BOJ increased rates by 50 bps on all tenors on 26 June 2008. The Bank also sold US$128.8 million to the market in June.

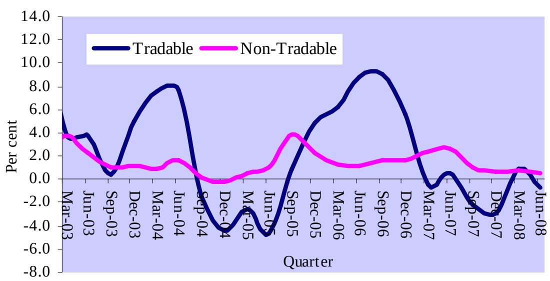
For the overall quarter, the Bank purchased US$220.2 million (net) from the market, relative to US$255.2 million in the March 2008 quarter and net sales of US$89.9 million in the comparable period of 2007. Consequently, the NIR at end-June 2008 was US$ 2 228.8 million, US$205.4 million above the target and US$145.4 million above the outturn for end-March 2008.

2. Real Sector Developments

Gross Domestic Product (GDP) growth, in the June 2008 quarter, is estimated to be well below the average quarterly growth of 0.7 per cent recorded over the last four quarters. The weak performance was reflected in all sectors of the economy with the exception of Construction & Installation, Real Estate & Business Services and Miscellaneous Services. In relation to aggregate spending there were estimated declines in Public Consumption Expenditure, Gross Fixed Capital Formation and a worsening of Net External Demand. Growth in Private Consumption remained negligible.

Table 2.1

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



Output growth continue to be weak in the June 2008 quarter

Aggregate Supply

Quarterly growth in Jamaica's Gross Domestic Product (GDP) is estimated to have weakened to a range of -0.5 per cent to 0.2 per cent in the June 2008 quarter, relative to growth of 2.2 per cent in the corresponding period of 2007. This performance can be attributed to a decline in the tradable sectors coupled with weak growth in the non-tradable sectors **(see Figure 2.1)**.[9]

The poor performance of the economy is within a context of rising inflation, deterioration in business confidence and an uncertain international environment. The performance of the economy was also affected by reduction in capacity utilization in selected industries attributed to unfavourable domestic conditions[10].

The economy's performance reflected declines in ***Agriculture***, ***Manufacturing***, ***Mining & Quarrying***, ***Electricity & Water*** and ***Transport, Storage & Communication***. ***Construction & Installation***, ***Real Estate & Business Services*** and ***Miscellaneous Services*** are estimated to record reasonable growth. Moderate growth was estimated for ***Distributive Trade*** and ***Financial & Insurance***.

Transport, Storage & Communication is estimated to have declined in the review quarter. This contraction was driven primarily by *Transport* as *Communication* is estimated to have expanded. The

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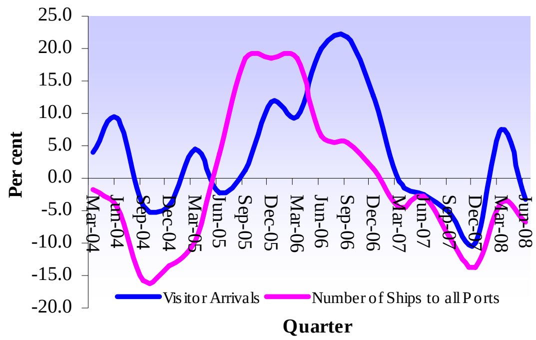
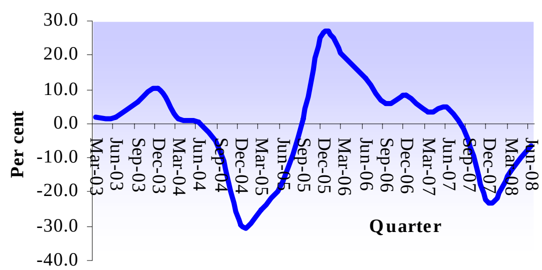
[9] *Tradable sectors include those industries that are involved in international trade.*
[10] *These include among others power outages and drought conditions.*

Figure 2.2
Total Visitor Arrivals & Number of Ship Calls to Ports
(12-Month change)



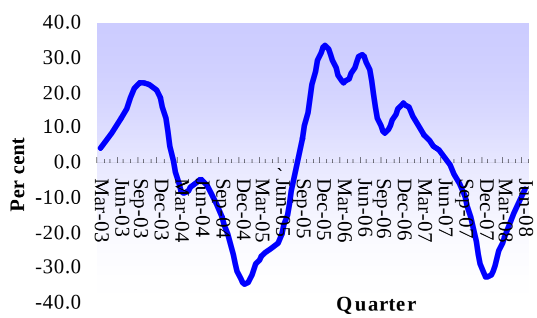
Source: Jamaica Tourist Board and Port Authority of Jamaica

Figure 2.3
Agriculture (Value Added)
(12-Month Change)



Sources: Bank of Jamaica, MOA

Figure 2.4
Domestic Crops
(12-Month Change



Sources: Bank of Jamaica, MOA

decline in *Transport***,** attributed to both air and water, was inferred from reductions of 6.8 per cent and 4.0 per cent in the number of ship calls to all ports and total visitor arrivals, respectively **(see Figure 2.2)**.[11] During the quarter, a major cruise line reduced its ship calls. In relation to *Communication*, the number of telephone lines in service (mobile and 'plain old telephones') is estimated to have grown when compared to the similar period in 2007.

The weak performance of ***Manufacturing*** over the last three quarters persisted into the review quarter.[12] This reflects declines in *chemical & non-chemical products, food processing* and *sugar, molasses & rum*, which more than offset the moderate growth in *non-metallic minerals. Chemicals & non-chemical products* contracted reflecting reduced demand for fertilizer resulting from higher prices. A marginal increase of 1.8 per cent in cement production led the growth in *non-metallic minerals*.

Agriculture, Forestry & Fishing is estimated to have recorded a fourth consecutive quarter of decline **(see Figure 2.3)**. Within the review period, output contracted in both domestic and export agriculture. Domestic agriculture production is estimated to have declined by 6.2 per cent compared to growth of 0.8 per cent in the similar period of 2007. The reduced output was influenced by the fall in the production of fruits, vegetables and condiments **(see Figure 2.4)**. This fallout reflected dry spells in key agriculture parishes as well as a cutback in the use of fertilizers, which led to a reduction in crop establishment and yields. In addition, approximately 800 acres of farmlands in St. Elizabeth, the main farming parish, was damaged by fire. With respect to *export agriculture*, output continued to reflect the adverse impact of Hurricane Dean. There were no exports of banana, while the exports of coffee and sugar cane production declined by 7.6 per cent and 6.9 per cent, respectively.

The Bank estimates that Mining & Quarrying contracted in the review quarter, a continuation of the trend decline since the June 2007 quarter. The performance reflected a reduction of 2.2 per cent in alumina production, which offset the growth of 0.5 per cent in total bauxite

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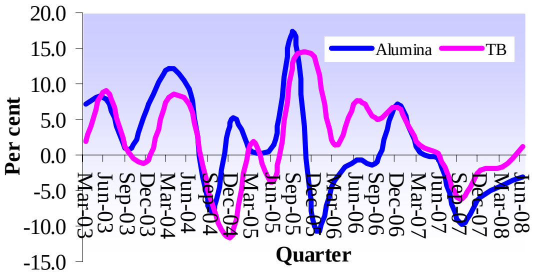
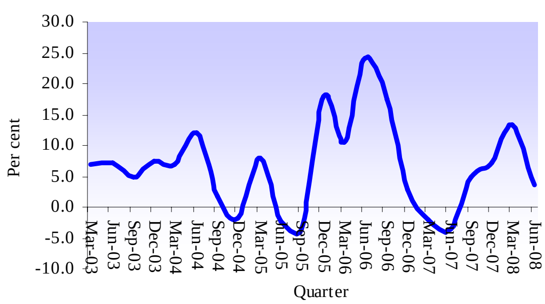
[11] *Total visitor arrivals includes stopover arrivals and cruise passenger arrivals.*
[12] *Manufacturing recorded average quarterly growth of 0.1 per cent in the last three quarters.*

Figure 2.5
Trends in Alumina & Total Bauxite Production (12-Month Change)



Source: Jamaica Bauxite Institute

Figure 2.6
Total Stopover Visitor Arrivals (12-Month Change)



Source: Jamaica Tourist Board

production **(see Figure 2.5)**. The decline in alumina production was attributed to damage sustained to equipment at one of the refinery's plant. Capacity utilization within the alumina industry fell to 90.5 per cent from 94.1 per cent in the similar period of 2007.

For the seventh consecutive quarter ***Construction & Installation*** is estimated to have expanded, albeit at a slower pace than the previous four quarters.[13] The estimated expansion in the sector was predominantly due to foreign direct investment, primarily related to the construction of hotels and the expansion of the Island's telecommunication infrastructure. Additionally, there was a continuation of public infrastructure development projects. Residential construction, however, declined during the quarter. This was indicated by declines of 64.2 per cent and 52.6 per cent in housing starts and completions, respectively, by the National Housing Trust.

Miscellaneous Services is estimated to have grown for the fourth consecutive quarter, in line with the average quarterly growth of 2.7 per cent over the last year. This estimated performance was influenced by expansion in the sector's main component, *Hotel, Restaurants & Clubs*, relative to the corresponding period in 2007. The growth in tourism was attributed to an increase of 4.1 per cent in total stop over arrivals, relative to a decline of 3.6 per cent in the similar period in 2007 **(see Figure 2.6)**. The growth in stopover arrivals was attributed, in part, to normalisation following the US Western Hemisphere Travel Initiative that commenced in the March 2007 quarter, as well as the aggressive advertisements in Europe and the United States by the Government and key industry players.

Aggregate Demand

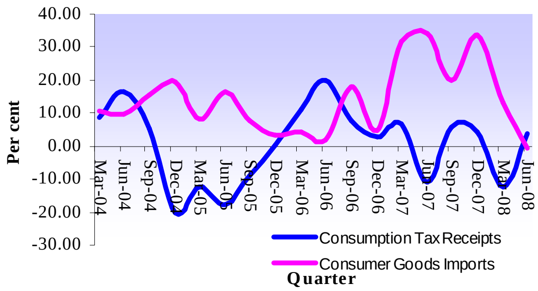
The weak economic activity reflected sluggish growth in ***Private Consumption***, reductions in ***Gross Fixed Capital Formation*** and ***Public Consumption***. A deterioration was estimated for ***Net External Demand***.

Private Consumption growth is estimated to have weakened during the review quarter, relative to the similar period in 2007. The performance was deduced from an increase of 3.9 per cent in real consumption tax

[13] *Construction* recorded quarterly average growth of 5.0 per cent during that period.

Figure 2.7

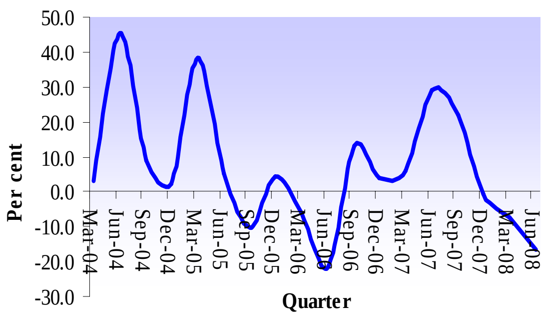
Private consumption Spending Indicators
(12-Month change)



Source: Bank of Jamaica, MOF

Figure 2.8

Jamaica Conference Board Business Confidence Index
(12-Month change)



Source: Jamaica Conference Board

receipts and an estimated decrease of 2.0 per cent in consumer goods imports, relative to the corresponding quarter of 2007 **(see Figure 2.7)**. The estimated weak performance in ***Private Consumption*** was consistent with the decline in the Jamaica Conference Board Consumer Confidence Index in the review period.

Gross Fixed Capital Formation for the June 2008 quarter is estimated to have declined, relative to the similar period of 2007. The investment outturn reflected a contraction in foreign investment which outweighed the expansion in domestic investments. The performance of foreign investment was deduced from a fall of 31.0 per cent in foreign direct investment during the quarter. The increase in domestic investment was inferred from a 45.7 per cent growth in commercial banks' real credit to the productive sector.[14] The overall reduced level of investment spending reflected the general deceleration in business optimism relative to the June 2007 quarter as borne out by the Jamaica Conference Board Business Confidence Index during the quarter **(see Figure 2.8)**.

Estimates of ***Net External Demand*** suggest deterioration when compared to the similar period in 2007. The contraction in net exports reflected an estimated increase of 8.5 per cent in the import of goods and services, which was sufficient to offset the growth of 12.0 per cent in the exports of goods and services. The expansion in goods imports reflected greater demand for raw material imports and fuel, while the growth in goods exports was attributed to increases in alumina and non-traditional exports. The deterioration in net services was precipitated by an estimated fallout in transportation, which was sufficient to offset the improvement estimated for travel.

[14] *Reflects real credit extended six months to the end of the review quarter. Real credit to the productive sector declined in all industries with the exception of tourism.*

3. International Developments

Figure 3.1
Jamaica Terms of Trade Index
Jun 06 to Jun 08 (Quarterly average)

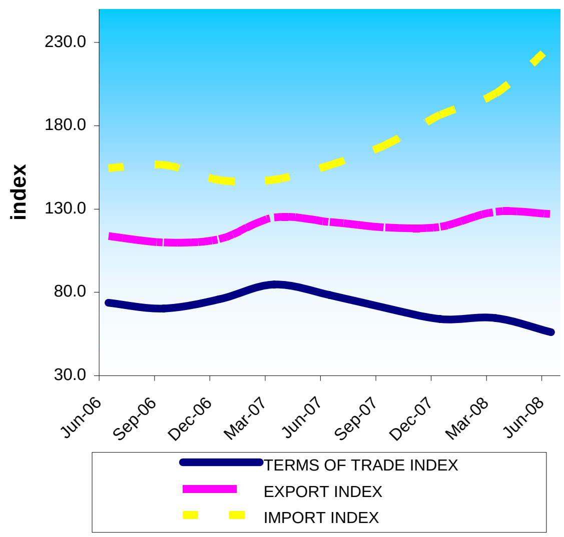


Table 3.1

Selected Import/Export Prices June 2007 to June 2008 (per cent change)					
	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08
Crude Oil	11.93	16.20	20.17	7.96	26.52
Corn	-6.82	-3.37	11.52	28.28	17.54
Wheat	5.60	38.34	22.92	19.17	-21.56
Rice	1.13	2.50	5.15	39.01	80.16
Soybeans	6.48	16.93	22.13	16.49	4.16
TIPI	-5.14	-5.50	1.17	9.55	-6.38
Aluminum	-1.41	-7.79	-4.04	12.23	7.20

Developments in the international economy during the June 2008 quarter continued to adversely affect the Jamaican economy. Jamaica's terms of trade (TOT) index deteriorated for the fifth consecutive quarter, influenced primarily by significant increases in the prices of oil and agricultural raw materials.

In relation to external financial markets, the Federal Reserve (Fed) lowered its target interest rate in April 2008 due to concerns about an impending slowdown in that economy. However, due to heightened inflation expectations in the context of ongoing shocks to commodity prices, the Fed's interest rate target was held at the April 2008 level for the remainder of the quarter. For the same reason, other central banks around the world tightened their monetary policy stance

Heightened inflation expectations also precipitated a general upward movement in the yields on emerging market bonds, including Government of Jamaica (GOJ) sovereigns.

Terms of Trade

Jamaica's TOT deteriorated by an estimated 13.1 per cent during the June 2008 quarter, relative to the index at end-March 2008. The TOT index at end-June 2008 was also 29.9 per cent lower than the index at end-June 2007 (see **Figure 3.1**).[15] The quarterly decline was larger than the average of 7.4 per cent for the past four June quarters.

The movement in the TOT index during the review period reflected a rise of 14.1 per cent in the Import Price Index (IPI), relative to the index at end-March 2008, the impact of which was enhanced by a decline of 1.0 per cent in the Export Price Index (EPI). The performance of the IPI was influenced primarily by respective increases of 26.5 per cent and 6.1 per cent in the price of crude oil and agricultural raw material prices.[16] With respect to the EPI, the decline was attributable to a 6.4 per cent fall in the Tourism Implicit Price Index (TIPI) (see **Table 3.1**).[17]

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[15] 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.

[16] Crude oil prices are measured by the West Texas Intermediate Index at Cushing in U.S. dollars Per Barrel.

[17] The Tourism Implicit Price Index measures the ratio of the average tourist expenditure to their average length of stay.

Significant increases in crude oil prices during the quarter

Crude oil prices rose to a record average of US$123.91 per barrel for the June 2008 quarter, relative to US$97.94 in the March quarter (see **Table 3.1**). The movement in the price of oil during the quarter reflected the impact of lower than expected inventory levels in the U.S. and the announcement by the Organisation of Petroleum Exporting Countries (OPEC) that its production targets would remain unchanged during the period. The price of oil rose to a record high of US$140.21 per barrel on 27 June 2008 after Libya threatened to cut output. Weather-related risks and increased geopolitical tensions also affected prices. The rise in prices also reflected increased speculation in the crude oil futures market in light of expectations of further weakening of the U.S. dollar against other major currencies.

Table 3.2

Selected Key Interest Rates Mar 08 – Jun 08				
	Mar	**Apr**	**May**	**June**
USA[a]	2.25	2.00	2.00	2.00
Euro Area[c]	4.00	4.00	4.00	4.00
Canada[b]	3.50	3.00	3.00	3.00
UK[c]	5.25	5.00	5.00	5.00
Japan[d]	0.50	0.50	0.50	0.50

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

With respect to imported agricultural raw material inputs, the prices of rice and corn rose by 80.2 per cent and 17.5 per cent respectively, relative to March 2008 (see **Table 3.1)**. The price of wheat, however, fell by 21.6 per cent in the review quarter, influenced by an unexpected increase in supply in the U.S. due to improved weather conditions. The movement in the price of rice was influenced, in part, by the introduction and/or continuation of export bans on this commodity in a number of countries, including Argentina, India and Thailand. This was further exacerbated by the destruction of the entire crop in Myanmar, the world's seventh largest producer of rice. The movement in corn prices reflected market perception of future supply tightness arising from adverse weather conditions in the main production areas in the U.S.

Monetary Policy

General monetary tightening throughout the quarter

There were adjustments to key interest rates in some of Jamaica's main trading partners during the June 2008 quarter (see **Table 3.2**). In the U.S, the Fed reduced its target interest rate by 25 basis points (bps) in April. Inflation pressures in the latter part of the quarter prompted the monetary authorities to stop further rate adjustments. The Bank of Canada and the Bank of England also reduced their respective benchmark interest rates by 50 bps and 25 bps during the quarter. The adjustments in interest rates were in response to continued tightening of credit conditions in the international capital markets, which triggered concerns about a slowdown in economic growth.

Figure 3.4
US Treasury Yield Curve

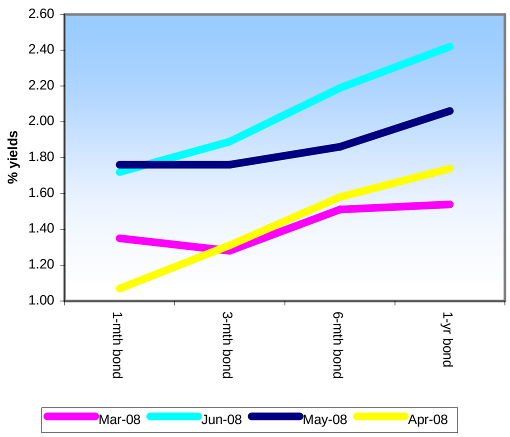
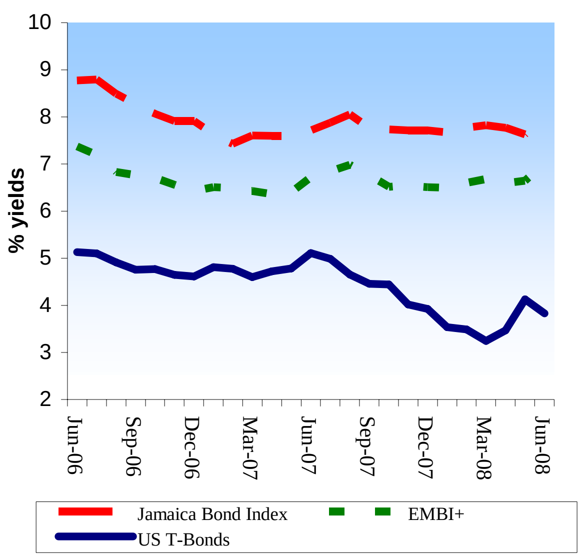


Figure 3.3
Global Bond Yields
Jun 06 to Jun 08



The European Central Bank and the Bank of Japan however kept their official interest rates unchanged at 4.0 per cent and 0.5 per cent, respectively. These decisions were influenced by concerns about inflation pressures, which were counterbalanced by a downside risk to economic growth. Other central banks around the world also increased their target rates in the context of similar concerns about inflation (see **Box 1**)

Private Market Rates

In the context of heightened inflation expectations over the quarter, yields in the secondary market for short-term U.S. Treasury Bills increased by an average of 64 basis points (see **Figure 3.2).** Notwithstanding the increase in risk free rates in the US, the London Inter-bank Offered Rate (LIBOR) fell by an average of 0.1 percentage point across the 3-month to 1-year tenors. The net effect of the rate changes in these two markets was a fall in the spread of LIBOR relative to US treasury yields. This suggested that the level of uncertainty that characterized the private money markets in the previous quarter abated over the review period.

Emerging market bonds

Consistent with the general rise in interest rates in the U.S. private money market, yields on emerging market bonds, as measured by the JP Morgan Emerging Market Bond Index Plus (EMBI+) rose over the review period. This resulted in a widening of the spread between the yields on emerging market bonds and U.S. benchmark rates (see Figure 3.3). The rise in emerging market bond yields reflected concerns about macroeconomic stability in the context of heightened inflation expectations. The average yields on GOJ bonds also rose over the period, attributable to the issue of a new instrument on 16 June 2008. This new bond offer, which raised US$350 million, was priced lower than previous GOJ issues due to the credit conditions in the international capital market. Abstracting from the impact of the new issue, the average yields on the GOJ global bonds over the quarter fell marginally, relative to the same measure in the preceding quarter.

Foreign Exchange Market

The U.S. dollar recorded mixed results against selected currencies during the review period. The dollar depreciated by 4.2 per cent against the Euro during the June 2008 quarter, mainly reflecting movements in the first half of the quarter. This was due to a widening of US/Euro interest rate differentials and market expectations of further monetary loosening by the

Fed in April. The U.S. dollar also depreciated against the Japanese Yen by 0.4 per cent, reflecting the unwinding of carry trade positions as liquidity conditions tightened.[18] The U.S. dollar, however, appreciated against the Canadian Dollar and the Great Britain pound by 0.6 per cent and 0.4 per cent, respectively, relative to the March 2008 quarter. This was due to reductions in interest rates by these central banks and market perception of further decreases.

[18] Carry trade is a strategy in which an investor sells a certain currency with a relatively low interest rate and uses the funds to purchase a different currency yielding a higher interest rate.

4. Inflation

Figure 4.1
Quarterly Inflation Rate

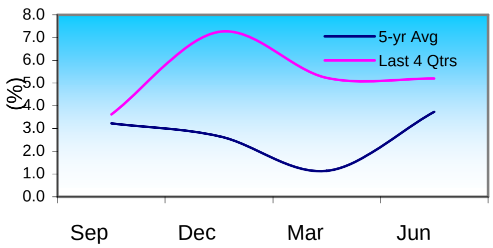
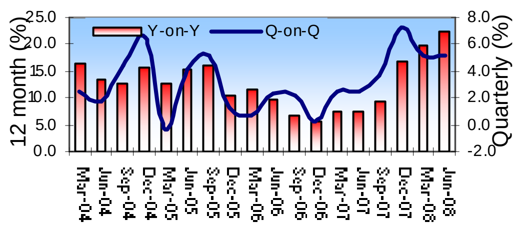
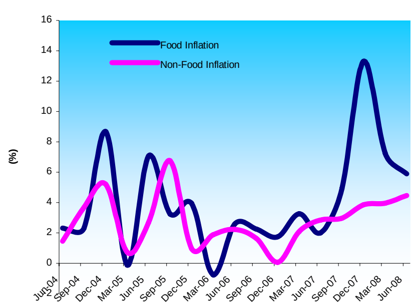
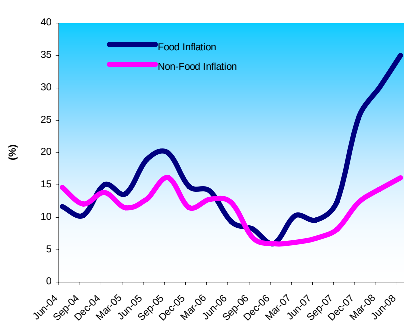


Figure 4.2
Inflation
(12 Month Pt-to-Pt & Quarterly Rates)



Figures 4.3a &b
Food & Non-Food Inflation (Quarterly & Annual)





Headline inflation accelerated to 6.0 per cent in the June 2008 quarter, above the outturn of 5.2 per cent in the preceding quarter. Inflation for the quarter also exceeded the average of 3.7 per cent for the previous five June quarters. The inflation rate in the review quarter was influenced primarily by international commodities price shocks, excess demand for certain domestic commodities and administered price adjustments. Relative stability in the value of the Jamaican Dollar vis a vis the US dollar in the preceding two quarters tempered the pass-through of imported inflation to domestic prices.

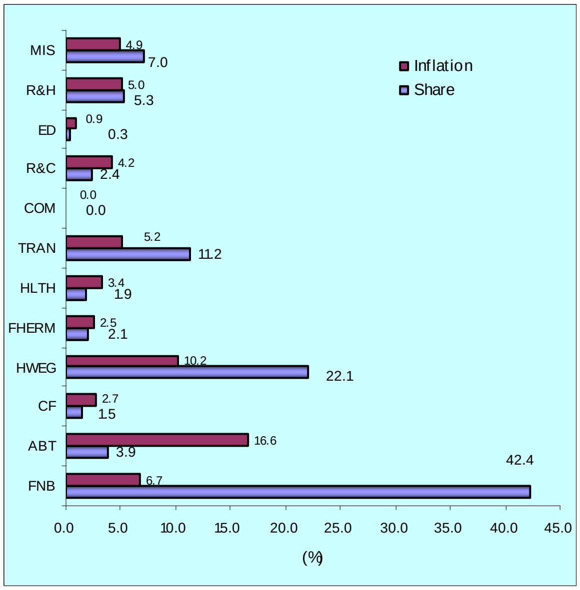
Trends in Price Indices

The All Jamaica Consumer Price Index increased by 6.0 per cent in the June 2008 quarter. The outturn for the quarter exceeded the average inflation of 3.7 per cent for the June quarters of the last 5 years (see **Figure 4.1**). Inflation largely emanated from continuous upward movements in international commodity prices, which affected Food & Non-Alcoholic Beverages, Housing, Water, Electricity, Gas & Other Fuels and Transport. Increases in the prices of grains and meat were the predominant drivers of inflation in Food & Non-Alcoholic Beverages but higher prices for domestic agricultural commodities were also of significance. Against this background, Food inflation in the quarter was 5.9 per cent relative to Non-Food inflation of 4.5 per cent. On an annual basis, Food inflation was 35.0 per cent while Non-Food inflation was 16.1 per cent (see **Figures 4.3a & b**).

Underlying Inflation

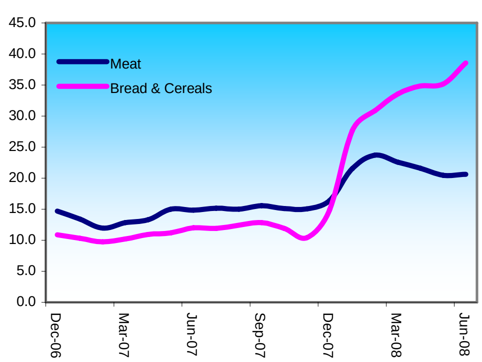
Tightened monetary policy since the December 2007 quarter constrained underlying impulses and enabled the attainment of lower core inflation in the review quarter. Underlying or core inflation as measured by the trimmed mean measure of inflation moderated to 3.0 per cent from 3.5 per cent. Similar moderation occurred with the CPI excluding food and fuel, which increased by 3.8 per cent compared to 4.0 per cent in the previous quarter. Underlying or core inflation as measured by the CPI excluding agriculture and the direct impact of fuel (CPI-AF) was 5.4 per cent for the quarter relative to 5.5 per cent in the March quarter.

Figure 4.4
Inflation by Division



MIS= Miscellaneous Goods & Services, R&H=Restaurants & Hotels, ED=Education, R&C=Recreation & Culture, COM=Communication, TRAN= Transporttion, HLTH=Health, FHERM=Furniture, Household Equipment & Routine Household Maintenance, HWEG=Housing, Water, Electricity, Gas & Other Fuels, C&F=Clothing & Footwear, ABT=Alcohol, Beverages & Tobacco, FNB=Food & Non-Alcoholic Beverages

Figure 4.5
Annual Changes in Bread &Cereals
and Meat Indices



Main Inflationary Factors

The main factors that drove inflation in the review quarter were the lagged and contemporaneous pass-through of increases in international grain and crude oil prices. Also of importance was excess demand for domestic agricultural produce as well as the impact of the revenue enhancement measures of Central Government. Tighter monetary conditions would have engendered relative stability in the exchange rate of the Jamaica Dollar vis-à-vis the United States dollar and dampened the pass-through of imported inflation to domestic prices.

Imported Inflation

Sharp movements in international commodity prices within the review quarter as well as in the previous quarter, drove key domestic prices higher. This was reflected in greater imported inflation, as measured by changes in the Bank's Import Price Index (IPI) (see **International Developments**). Domestic prices were influenced by both lagged and contemporaneous price increases in international commodities such as crude oil and food raw materials such as corn, wheat and rice.

The significant movement in the IPI was driven primarily by a 26.5 per cent increase in the price of West Texas Intermediate crude oil in the June quarter, which followed a 7.9 per cent rise in the previous quarter (see **International Developments**). These movements influenced increases in the energy-related components of the domestic CPI basket, above the levels of the prior quarter. Accordingly, energy-related inflation, as measured by changes in the Fuel Index, expanded by 7.2 per cent, following a 2.1 per cent increase in the previous quarter (see **Figure 4.7**). This was associated with sharp upward movements in electricity rates, the cost of household fuels such as kerosene and liquid petroleum gas (LPG) and the price of petrol and lubricants. Residential electricity rates increased by 12.0 per cent during the quarter, relative to 1.4 per cent in the March quarter. This was a result of a 19.0 per cent expansion in fuel charges and 0.2 per cent depreciation in the billing exchange rate.

During the quarter, the price of petrol increased by approximately 22.0 per cent, diesel by 22.2 per cent, kerosene by 23.2 per cent and LPG by 21.4 per cent. Largely as a result of these factors, Housing, Water, Electricity, Gas & Other Fuels and Transport increased by 10.2 per cent and 5.2 per cent contributing 22.1 per cent and 11.2 per cent, respectively, to inflation during the quarter.

Figure 4.6
Import Price Index (IPI) and Inflation

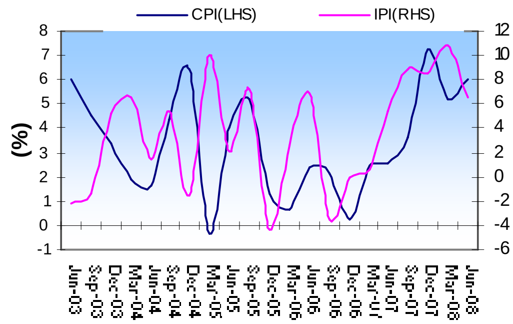
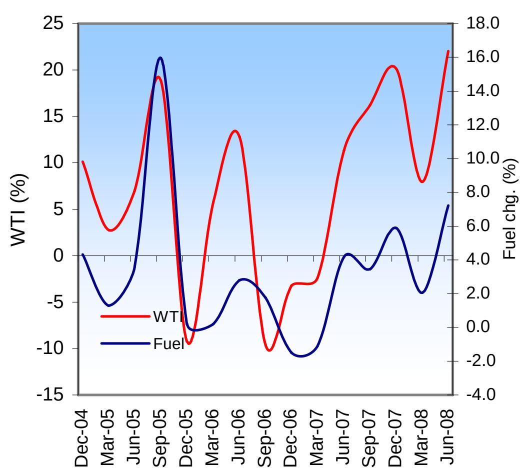


Figure 4.7
Quarterly Chg. in Fuel Index & WTI



The price of rice increased by 80.2 per cent in the review quarter largely as a consequence of reduced exports from major producers. Concerns regarding domestic food security in as many as 28 producing countries led to export bans and consequent global supply shortages. Corn prices increased by 17.5 per cent in the review quarter following an expansion of 28.3 per cent in the prior quarter. Although the average price of US Hard and Soft Red Winter wheat decreased by 15.9 per cent and 27.7 per cent, respectively, in the June quarter, there were significant increases of 20.5 per cent and 17.7 per cent, respectively, in the March quarter. Notably, in the twelve months to March 2008, the average price of US Hard and Soft Red Winter wheat increased by 120.8 per cent and 149.0 per cent, respectively. Also, the ending of a price support programme on these basic commodities would have allowed the full interplay of market forces to once again determine these prices. Largely on the basis of these developments, Bread & Cereals and Meat increased by 18.2 per cent and 3.1 per cent, respectively, contributing 18.8 per cent and 4.0 per cent to the quarter's inflation. Additionally, the increases in the price of grains also contributed to a 11.3 per cent increase in Oils & Fats.

Domestic Food Supply Conditions

Despite improved production in agricultural commodities relative to the March quarter, heightened demand by exporters and agro-processors resulted in excess demand in the retail markets[19]. As a result, Vegetables & Starchy Foods rose by 4.6 per cent during the June quarter while the Fruit index increased by 2.6 per cent, collectively accounting for 5.8 per cent of inflation. The increase in the prices of international and domestic commodities was largely responsible for the movement in Food & Non-Alcoholic Beverages, which increased by 6.7 per cent and contributed 42.4 per cent to overall inflation (see **Figure 4.4**).

Administered Prices

The revenue enhancement measures of the Government also contributed to some price movements during the quarter. The main impact on prices was from an increase in Special Consumption Tax (SCT) on tobacco. As a consequence, Alcoholic Beverages & Tobacco increased by 16.6 per cent and accounted for 3.9 per cent of the quarter's inflation. Other inflationary impetus emanated from measures that affected the motor vehicle industry,

[19] Available balance of payments data to March indicate that exports of yams and sweet potatoes for the March quarter increased by 119.7 per cent and 19.1 per cent, respectively, relative to the December 2008 quarter.

Figure 4.8
Durables and Services Inflation

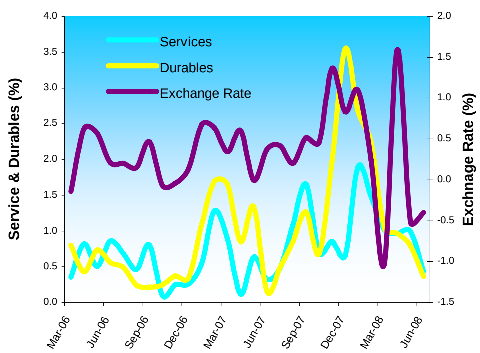
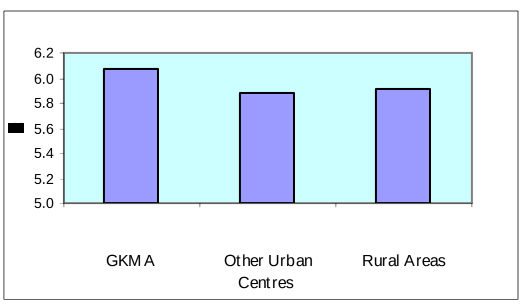


Figure 4.9
Geographical Distribution of Inflation



in particular, the increased examination and licensing fees contributed to the inflation in Transport. An all-island 25.0 per cent increase in route taxi fares also contributed to the increase in the division. Similarly, a 29.1 per cent increase in water rates granted to the National Water Commission affected Housing, Water, Electricity, Gas & Other Fuels. The increase was responsible for approximately 8.4 percentage points of the inflation in this division for the quarter.

Exchange Rate Pass-through

In the March quarter, the weighted average selling rate depreciated by 0.66 per cent following a 0.29 per cent slippage in the December quarter. The relatively modest rates of depreciation influenced the noticeable reduction in durables and services inflation in the review quarter relative to the March quarter (see **Figure 4.8**).

Regional Inflation

The indices of the Rural Areas and Other Urban Centres (OUC) both reflected increases of 5.9 per cent while the index for the Greater Kingston Metropolitan Area (GKMA) rose by 6.1 per cent (**Figure 4.9**). This disparity primarily reflected sharper increases in Alcoholic Beverages & Tobacco in the GKMA, in particular with regard to the increased tax on tobacco. Cigarette prices increased in the GKMA by 10.0 percentage points more than the average change in the other two areas

5. Economic Outlook and Monetary Policy Perspectives

Table 5.1

Jamaica: Selected Economic Indicators

	Projections for Sept.'08 Quarter	*Target for FY08/09*	*Revised Projections for FY08/09*
Inflation (% change)	5.5 - 6.5	11.5 – 14.5	15.0 - 17.0
Base Money (% change)	5.5	13.6	13.6
NIR End Period (US$MN)	2023.5	1750.0	1750.0
GDP (12-mth % chg.)	+ve	2.5 – 3.5	1.2 – 2.2

The inflation rate, target and projections, reflect the revised price changes from the new basket (December 2006 = 100).

Inflation in the September 2008 quarter is expected to be slightly higher than the outturn in the June 2008 quarter.

It is anticipated that for the remaining three quarters of FY2008/09, the global economy will continue to be characterised by slower growth, higher commodity prices and reduced investments when compared to FY2007/08. The magnitude of these challenges, however, should be less in the second half of the fiscal year than in the first half.

In this context, domestic headline inflation is forecasted to be in the range of 5.5 per cent to 6.5 per cent for the September 2008 quarter. This forecast is underpinned by a projected moderation in international commodity prices. The main inflationary impulses are expected from further adjustments in domestic administered prices as well as the lagged impact of previous commodity price increases.

Despite the slowdown in the global economy, domestic output is projected to expand in the September 2008 quarter, mainly reflecting recovery from the impact of Hurricane Dean in the September 2007 quarter. This recovery is expected in Agriculture, Forestry & Fishing, Mining & Quarrying and Electricity & Water.

In the context of the ongoing challenges in the foreign and domestic environment and with the significant upside risk to inflation, the Bank will maintain a tight monetary policy stance in the September quarter.

Outlook - September 2008 Quarter

Inflation

The inflation rate in the September 2008 quarter is forecasted to be in the range of 5.5 per cent to 6.5 per cent. This projection is underpinned by some moderation in international commodity prices as well as, an expected easing of domestic capacity constraints. However, the lagged impact of previous increases in international commodity prices, upward adjustments in some domestic administered prices as well as higher inflation expectations will continue to add upward pressures to domestic prices.

Figure 5.1
Index of Inflation Expectations

Figure 5.2
Index of Present Business Conditions

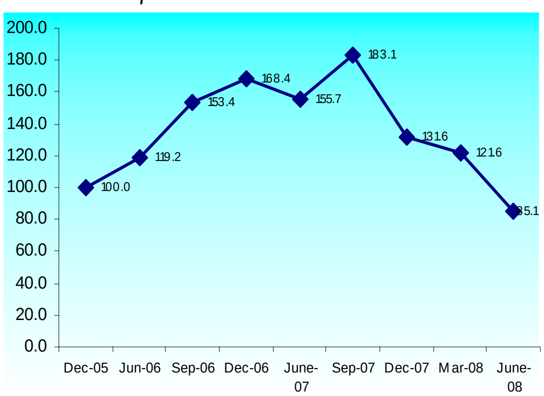
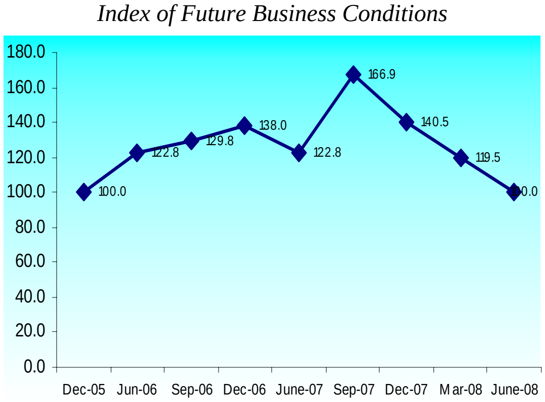


Figure 5.3
Index of Future Business Conditions



Imported Inflation

The average price of the benchmark WTI crude oil in the September 2008 quarter is expected to be similar to the average realised in the June 2008 quarter. This outlook is predicated on weaker global demand as well as a strengthening of the US dollar. The moderating impact of these factors is expected to offset the influence of geopolitical tensions in Nigeria and Iran on the global oil market.

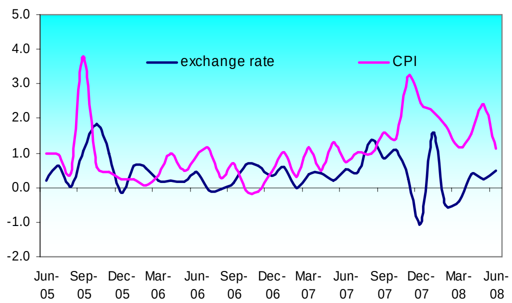
The prices of grains are projected to remain high, though some deceleration in the rate of price increases is anticipated. Preliminary reports indicate that the floods of June 2008 in the corn producing sections of the US Midwest destroyed approximately 2.0 per cent of crops and should therefore only affect prices in July 2008. However, these increased costs are expected to be dampened by a projected decline in wheat prices as a result of exceptional harvest in the Midwest U.S. In addition, rice prices could decline as several export bans that resulted in abnormal prices in the March 2008 quarter have been removed.

The impact of the recent developments in international commodity prices will translate to lower domestic inflation in the latter part of the quarter. Domestic energy, transportation and food prices will continue to reflect the lagged impact of increases in international commodity prices in the previous quarter.

The foreign currency market displayed relative stability for most of the June 2008 quarter. However in June, there was some increase in the rate of depreciation, resulting in a 1.1 per cent depreciation of the Weighted Average Selling Rate (WASR) for the quarter. This follows the 0.29 per cent and the 0.66 per cent depreciation experienced in the December 2007 and March 2008 quarters, respectively. The increasing rate of depreciation could cause some upward pressures on the retail price of imported commodities in the September 2008 quarter (see **Figure 5.4)**.

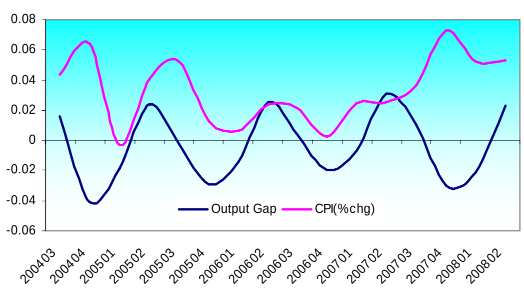
Demand for foreign currency should continue to increase in order to facilitate payments for imports, such as fuel and consumer durables. There will also be increased demand for foreign currency as corporate

Figure 5.4
Trends in Changes in Exchange Rate and Headline Inflation



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

Figure 5.5
Trends in Domestic Headline Inflation and the Output Gap



The diagram is a plot of quarterly headline inflation and the output gap (calculated as the difference between the log of real GDP and its time trend)

entities seek to make dividend and coupon payments in the quarter. However, in the September quarter, the country is expected to experience increased foreign currency inflows from the upturn in earnings from selected goods and services exports as well as, remittances. Additionally, an expansion in private capital inflow is anticipated primarily from inflows of the second tranche of the proceeds of a recent sale of a large Jamaican enterprise. These developments should result in a moderation of pressures in the market for foreign currency.

Inflation Expectations

The results of the June 2008 expectations survey revealed that inflation expectations have continued the positive trend observed since September 2007 (see **Figures 5.1 to 5.3)**. This trend is consistent with the price increases that the country has been experiencing since the unusual shocks to international commodity prices since the end of the September 2007 quarter. From the June 2008 survey, indications are that people's perception of their current and future economic conditions remains pessimistic. These sentiments could adversely affect the pricing contracts of producers of goods and sellers of labour. However, expected moderation in international commodity prices and recent monetary policy action could serve to counter the formation of more elevated inflation expectations.

Administered Price Adjustments

The increase in bus fares for the rural areas approved by the Government will take effect in the September 2008 quarter. Toll rates charged by the operators of Highway 2000 have also been increased, which could result in a general rise in the cost of transportation. In August, the JPS will also make its annual adjustments to its tariff to account for inflation in the previous year. These changes will result in increased costs of transportation and electricity in the CPI for the September 2008 quarter.

Domestic Capacity Conditions

Figure 5.5 shows a plot of the quarterly inflation outturn against an estimate of the country's capacity. This estimate suggests that Jamaica's potential output grows at approximately 1.6 per cent per annum. With the exception of the December 2007 and March 2008

Figure 5.6
Consumer Price Index
(Annual point to point change)

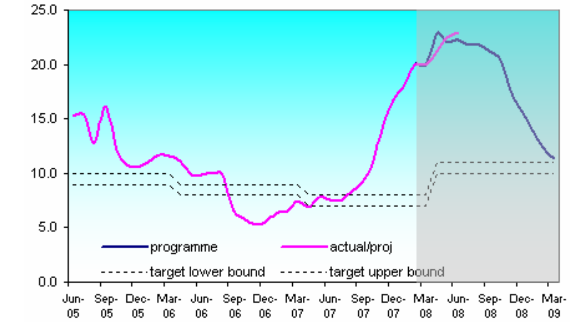
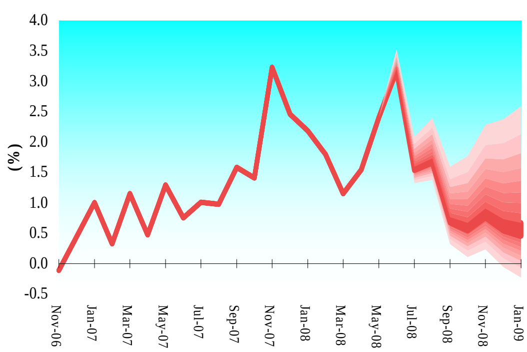


Figure 5.7
Monthly Inflation Forecasts



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.

quarters, there seems to be a strong positive correlation between the output gap and inflation. While the economy is projected to grow at faster rate than the growth in potential output in the September 2008 quarter, it is unlikely to be inflationary as the growth is attributed to a recovery from a supply shock in the September 2007 quarter. Current projections suggest that the output gap could in fact be negative, thus having a dampening effect on factor prices in the quarter.

Output

Domestic output is forecasted to expand in the range of 1.5 per cent to 2.5 per cent in the September 2008 quarter. The forecasted growth is above the average quarterly growth of 0.7 per cent recorded in each quarter since June 2007. This expansion is mainly attributed to recovery in *Mining & Quarrying*, *Manufacturing* and *Electricity & Water* from the impact of Hurricane Dean in the September 2007 quarter. Continued growth is also forecasted in *Construction & Installation* and *Real Estate & Business Services*. Some recovery is expected in export agriculture, following the destruction of export crops in the corresponding period of 2007 by Hurricane Dean. However, domestic agriculture is forecasted to register its fifth consecutive quarter of decline, albeit marginal, due to the challenges posed by the cost of fertilizer, dry spells and drought. In this context, Agriculture, Forestry & Fishing, is expected to record a marginal decline.

Outlook - FY2008/09

For FY2008/09, the revised projections indicate that headline inflation will be in the range 15.0 per cent to 17.0 per cent, and domestic output growth in the range 1.2 per cent to 2.2 per cent.

The upward revision in the inflation projection is based on forecasts of stronger increases in international oil prices than what was assumed in the previous projection[20]. This is notwithstanding the moderation anticipated in the second half of the year. Also, the current trends and outlook for international commodity prices have increased domestic inflation expectations which have resulted in increased price adjustments.

[20] See March 2008 Quarterly Monetary Policy Report

Domestic output expansion has been revised downwards due to the expected impact of reduced global economic growth. However, the foreign direct investments (FDI) projects that have for the most part, already started are expected to continue. These investments should expand the country's capacity, reducing pressures on factor prices and lead to less cost-push inflationary pressures in the latter part of the fiscal year.

Risks

As illustrated in **Figure 5.7**, the risks to the inflation forecast continue to be biased to the upside. These risks include the possible impact of adverse weather conditions and greater than anticipated increases in international commodity prices.

The September quarter historically has the highest probability of adverse weather, particularly storms. Current predictions for the 2008 Atlantic hurricane season is for above normal activity with expectations for 13 storms, of which 7 could be hurricanes with 3 being major hurricanes.[21]

Notwithstanding the recent declines, the rapid changes in the demand dynamics for fuel and food commodities have led to a great deal of uncertainty in the global markets. In this context there will be opportunities for profit by speculators, helping to drive further price increases.

There is a downside risk related to the fact that the current increases in the price of domestic agricultural products might result in increased production. If this increase in output materialises without a commensurate growth in demand, there could be some price reductions in these commodities at the end of the quarter.

Monetary Policy

The main challenge for the Central Bank in the September 2008 quarter will be to contain inflation expectations and to maintain stability in the market for foreign currency. At the end of the June

[21] Dr. Philip J. Klotzbach, Dr. William M. Gray and their associates at Colorado State University. Average Atlantic tropical storm activity between 1950 and 2000 was 10 storms, of which 6 were hurricanes with 2 being major hurricanes.

2008 quarter the Central Bank implemented the third upward interest rate adjustment for 2008. This action was aimed at realigning foreign and domestic real rates and constraining the growth in domestic aggregate demand. The Bank will continue its posture of tight monetary control in order to ensure that stability is maintained in the financial markets and reduce the rate of domestic price changes, particularly the second round movements.

Appendices

A. Fiscal Developments: Preliminary April to June 2008

Preliminary data for the June 2008 quarter indicated that the Central Government ran a deficit of $8.6 billion or 0.9 per cent of GDP, relative to the budgeted deficit of $12.8 billion or 1.3 per cent of GDP. The variance reflected lower than budgeted expenditure, partly offset by a higher than budgeted revenue. The primary surplus was 2.2 per cent of GDP, relative to the budgeted surplus of 1.9 per cent. Concurrently, the current deficit to GDP ratio of 0.3 per cent for the quarter was smaller than the current deficit of 0.6 per cent of GDP implied by the budget (see **Table)**.

Total expenditure for the June quarter was $3 315.2 million below budget, largely reflected in respective deviations of $1970.4 million and $1 344.8 million in recurrent and capital expenditure, in particular programmes. The deviation in programmes and capital expenditure reflected the slower implementation of projects anticipated for the quarter. These shortfalls were partly offset by an excess of $176.2 million in budgeted expenditure on wages and salaries.

Total revenue and grants for the quarter was $823.7 million above budget, largely reflecting higher than anticipated non-tax and tax revenue, which were partly offset by a shortfall in receipts from other categories. Non-tax revenue benefited from higher than expected departmental revenues and Customs User Fee (CUF). The higher than budgeted tax revenue reflected strong collections through the tax amnesty. Further disaggregation of tax receipts indicated that revenue from other companies, other individuals and tax on interest were the better performing categories of taxes. On the other hand, SCT on imports showed the largest shortfall relative to budget. The deviation in grant receipts was attributed to the slow start to some projects that were to be financed externally. In addition, revenue from bauxite levy was not as buoyant as anticipated due in part to a decline in demand for alumina, significant increase in the price for caustic soda and reduction in bauxite production.

During the latter part of the first quarter of FY 2008/09, the Government issued a US$350.0 million bond on the international capital market. The proceeds of the bond which are expected to be used to amortize foreign debt maturing during the fiscal year, was reflected in a build up in the Government's deposits at the Bank of Jamaica. The Government also issued seven domestic instruments during the June quarter, of which five were variable rate instruments, accounting for 75.2 per cent of the financing raised. Given the Government's thrust to lengthen the maturity profile of its debt, the weighted average age of new Government of Jamaica (GOJ) issues on the domestic market increased to 14.24 years relative to 8.72 years for the comparable period in FY 2007/08.

CENTRAL GOVERNMENT SUMMARY ACCOUNTS
FY 2008/09
(J$MN)

	FY 2008/09 Q1	Budget Q1	Variance	%
Revenue & Grants	**67622.8**	**66799.0**	**823.7**	**1.2**
Revenue	**66697.7**	**65746.0**	**951.7**	**1.4**
Tax Revenue	60843.0	60113.7	729.3	1.2
Non-Tax Revenue	4205.6	3199.6	1006.1	31.4
Bauxite Levy	1431.5	1947.1	-515.6	-26.5
Capital Revenue	217.6	485.6	-268.0	-55.2
Grants	925.1	1053.1	-128.0	-12.2
Expenditure	**76238.5**	**79553.6**	**-3315.2**	**-4.2**
Recurrent Expenditure	69412.3	71382.7	-1970.4	-2.8
Programmes	14524.5	16136.5	-1612.0	-10.0
Wages & Salaries	24502.1	24325.9	176.2	0.7
Interest	30385.7	30920.3	-534.6	-1.7
Domestic	22764.8	22685.1	79.7	0.4
Foreign	7620.8	8235.2	-614.4	-7.5
Capital Expenditure	6,826.2	8,171.0	-1344.8	-16.5
Non-interest expenditure	**45852.8**	**48633.3**	**-2780.5**	**-5.7**
Fiscal Balance	**-8615.7**	**-12754.6**	**4138.9**	**-32.5**
Current Balance	**-2932.2**	**-6122.3**	**3190.1**	**-52.1**
Primary balance	**21770.0**	**18165.7**	**3604.3**	**19.8**
	In Percent of GDP			
BR	**0.87**	**1.33**		
CB	**-0.30**	**-0.64**		
PB	**2.19**	**1.89**		
IP	**3.06**	**3.22**		
FSR	**-1.13**	**-1.19**		
NIE	**4.61**	**5.07**		

Key

BR = Borrowing Requirement = Fisacl Balance as a percent of GDP

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.
04/07/07	As part of its liquidity management strategy, the Bank of Jamaica offered a Special Two-Year Variable Rate Instrument to Primary Dealers and Commercial Banks from 04 July 2007 to 09 July 2007. The instrument, with an initial coupon of 11.98 percent, will be amortized in two equal tranches on 02 January 2009 and 03 July 2009 with quarterly interest payments. Subsequent interest payments will be calculated at 2.00 percentage points above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period. The Bank of Jamaica will continue to offer its regular issues of Certificates of Deposit ranging from 30 days to 180 days
06/09/07	As part of its liquidity management strategy, the Bank of Jamaica offered a Special Two-Year Variable Rate Instrument to Primary Dealers and Commercial Banks commencing from 06 September 2007 to 12 September 2007. The instrument, with an initial coupon of 12.21 percent per annum, will be amortized in two equal tranches on 05 September 2008 and 04 September 2009 with quarterly interest payments. Subsequent interest payments will be calculated at 2.00 percentage points above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period. The Bank of Jamaica will continue to offer its regular issues of Certificates of Deposit ranging from 30 days to 180 days.
18/09/07	The Bank of Jamaica accepted subscriptions on a Special One-Year Certificate of Deposit from 18 September 2007 to 26 September 2007. As is customary, this instrument was offered to Primary Dealers and Commercial Banks. Interest on this

instrument will be payable semi-annually at a fixed rate of 14.00 per cent per annum. The offer was designed to effectively manage the level of Jamaica Dollar liquidity anticipated in the financial system.

12/10/07 The Bank of Jamaica, as part of its liquidity management strategy, offered a `Special Eighteen-Month Variable Rate Instrument to Primary Dealers and Commercial Banks. The instrument will be amortized in two equal tranches on 11 July 2008 and 14 April 2009 with quarterly interest payments. The initial coupon is 14.34 percent per annum. Subsequent interest payments will be calculated at 1.625 percentage points above the Government of Jamaica 90-day weighted average Treasury Bill yield applicable at the beginning of each quarterly interest period.

The Bank of Jamaica will continue to offer its regular issues of Certificates of Deposit ranging from 30 days to 180 days.

16/11/07 The Bank of Jamaica, as part of its liquidity management strategy, offered a Special Twelve-Month Variable Rate Instrument to Primary Dealers and Commercial Banks. The instrument will be amortized on 14 November 2008 with quarterly interest payments. The initial coupon is 13.46 percent per annum. Subsequent interest payments will be calculated at 1.5 percentage points above the Government of Jamaica 90-day weighted average Treasury Bill yield applicable at the beginning of each quarterly interest period.

The Bank of Jamaica will continue to offer its regular issues of Certificates of Deposit ranging from 30 days to 180 days.

09/01/08 The Bank of Jamaica implemented the following changes to interest rates payable on open-market instruments:

Tenor	**30-day**	**60-day**	**90-day**	**120-day**	**180-day**
Previous Rates (%)	11.65	11.70	11.80	11.85	12.00
New Rate	**12.65**	**12.70**	**12.80**	**12.85**	**13.00**

The realignment of rates placed the Bank in a better position to manage the Jamaica Dollar liquidity that emanated from the maturity of both of both Bank of Jamaica and Government of Jamaica instruments as well as the reflow of currency issued for the Christmas season. The revised rate structure offered investors a range of options that more closely reflected the then existing money market rates.

16//01/08 Bank of Jamaica offered a 365-day Certificate of Deposit in addition to its regular suite of instruments. This offer attracted a rate of 13.50 per cent per annum, which was consistent with the Bank's then existing interest rate structure. The rates on 30-day to 180-day instruments remain unchanged.

18/01/08 Bank of Jamaica offered a special 18-month, variable rate certificate of deposit (CD) to banks and primary dealers. The CD attracted a rate of 12.80 per cent for the first 3 months. Thereafter, quarterly interest payments made at the 90-day weighted average Treasury Bill rate applicable at the beginning of each interest period plus a margin of 1.5 percentage points apply.

The rates applicable to all other BOJ instruments remained unchanged.

04/02/08 Interest rates paid on open market instruments issued by the Bank of Jamaica were revised as follows:

Tenor	**30-days**	**60-days**	**90 days**	**120 days**	**180 days**	**365 days**
Previous rate	12.65	12.70	12.70	12.85	13.00	13.50
New rate	**13.50**	**13.70**	**13.90**	**14.00**	**14.20**	**15.00**
Difference	85 bps	100 bps	120 bps	115 bps	120 bps	150 bps

The revisions reflected concerns about the rising trend in inflation and its impact on the attractiveness of Jamaica Dollar investments.

26/06/08 Interest rates paid on Bank of Jamaica open market operations instruments were adjusted as follows:

Tenor	30 day	60-day	90-day	120-day	180-day	365-day
New rates	**14.00**	**14.20**	**14.40**	**14.50**	**14.70**	**15.50**
Previous rates	13.50	13.70	13.90	14.00	14.20	15.00

The adjustment in rates was aimed at guiding domestic inflation towards a range of 12 – 15 per cent by March 2009, based on current projections for commodity prices.

LIST OF SUMMARY TABLES

C. Summary Tables

1

INFLATION RATES
(%)

	CPI Index (e.o.p)	Headline (Quarter)	Core (Quarter)
2001/2002			
June	58.3	3.0	0.1
September	59.9	2.7	1.5
December	60.6	1.1	0.5
March	61.0	0.6	0.4
2002/2003			
June	62.0	1.6	0.7
September	63.4	2.3	0.7
December	65.0	2.5	0.9
March	64.7	-0.4	1.0
2003/2004			
June	68.5	5.9	2.5
September	71.5	4.4	2.0
December	73.9	3.4	1.4
March	75.4	2.0	1.6
2004/2005			
June	76.8	1.9	1.1
September	79.0	2.9	2.3
December	84.1	6.4	2.6
March	85.3	1.5	0.7
2005/2006			
June	90.0	5.5	2.1
September	93.8	4.2	1.2
December	94.6	0.9	0.6
March	94.9	0.2	0.9
2006/2007			
June	97.6	2.9	1.3
September	99.9	2.4	1.4
December	100.0	0.1	0.2
March	102.5	2.5	1.9
2007/2008			
June	105.1	2.5	1.3
September	108.3	3.6	1.9
December	116.8	7.3	4.0
March	122.9	5.2	3.5
2008/2009			
June	130.3	6.0	3.4

2A

COMPONENT CONTRIBUTION TO INFLATION
All Jamaica
April – June 2008

Divisions, Classes and Groups	Weight in CPI	Inflation (%)	Contribution
FOOD & NON-ALCOHOLIC BEVERAGES	**0.3746**	**6.7**	**42.4**
Food	**0.3512**	**6.9**	**40.8**
- Bread and Cereals	0.0610	**18.2**	**18.8**
- Meat	0.0766	**3.1**	**4.0**
- Fish and Seafood	0.0533	**2.9**	**2.6**
- Milk, Cheese and Eggs	0.0311	**5.1**	**2.7**
- Oils and Fats	0.0164	**11.3**	**3.1**
- Fruit	0.0114	**2.6**	**0.5**
- Vegetables and Starchy Foods	0.0686	**4.6**	**5.3**
Household Textiles	0.0032	**4.1**	**0.2**
Household Appliances	0.0056	**2.1**	**0.2**
Glassware, Tableware and Household Utensils	**0.0005**	**3.2**	**0.0**
Tools and Equipment for House and Garden	**0.0015**	**2.7**	**0.1**
Goods and Services for Routine Household Maintenance	**0.0316**	**1.5**	**0.8**
HEALTH	**0.0329**	**3.4**	**1.9**
Medical Products, Appliances and Equipment	0.0122	**1.1**	**0.2**
Health Services	0.0207	**4.8**	**1.7**
TRANSPORT	**0.1282**	**5.2**	**11.2**
COMMUNICATION	**0.0399**	**0.0**	**0.0**
RECREATION AND CULTURE	**0.0336**	**4.2**	**2.4**
EDUCATION	**0.0214**	**0.9**	**0.3**
RESTAURANTS & ACCOMMODATION SERVICES	**0.0619**	**5.0**	**5.3**
MISCELLANEOUS GOODS AND SERVICES	**0.0837**	**4.9**	**7.0**
ALL DIVISIONS	**1.0000**	**6.0**	**100.0**

2B

REGIONAL INFLATION
April – June 2008

Divisions, Classes and Groups	GKMA	Other Urban Centres	Rural Areas
FOOD & NON-ALCOHOLIC BEVERAGES	**5.9**	**6.8**	**7.0**
Food	**5.9**	**7.1**	7.3
- Bread and Cereals	11.2	21.2	20.6
- Meat	4.9	2.6	2.1
- Fish and Seafood	3.4	4.9	1.8
- Milk, Cheese and Eggs	5.2	5.9	4.6
- Oils and Fats	11.9	13.4	10.1
- Fruit	4.6	-3.8	4.3
- Vegetables and Starchy Foods	4.6	2.4	5.6
- Sugar, Jam, Honey, Chocolate and Confectionery	4.4	3.9	4.7
- Food Products n.e.c.	4.8	5.0	6.2
Non-Alcoholic Beverages	**5.4**	**2.8**	**2.3**
- Coffee, Tea and Cocoa	4.2	1.3	1.4
Electricity, Gas and Other Fuels	**10.1**	**10.2**	**11.3**
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	2.3	2.3	2.5
Furniture and Furnishings	**2.2**	**7.0**	**7.8**
Household Textiles	2.1	4.9	5.0
Household Appliances	2.4	2.1	1.9
Glassware, Tableware and Household Utensils	**5.7**	**1.9**	**1.8**
Tools and Equipment for House and Garden	**1.5**	**3.1**	**2.7**
Goods and Services for Routine Household Maintenance	**2.3**	**1.1**	**1.1**
HEALTH	**5.4**	**2.2**	**2.8**
Medical Products, Appliances and Equipment	1.0	0.5	1.4
Health Services	8.4	3.3	3.5
TRANSPORT	**7.5**	**5.3**	**3.7**
COMMUNICATION	**0.0**	**0.0**	**0.0**
RECREATION AND CULTURE	**2.1**	**2.1**	**6.2**
EDUCATION	**0.2**	**1.4**	**1.5**
RESTAURANTS & ACCOMMODATION SERVICES	**7.3**	**4.2**	**3.7**
MISCELLANEOUS GOODS AND SERVICES	**5.1**	**5.3**	**4.8**
ALL DIVISIONS	**6.1**	**5.9**	**5.9**

3

BANK OF JAMAICA OPERATING TARGETS

	Dec-06	Mar-07	June-07	Sep-07	Dec-07	Mar-08	June-08[p]
Net International Reserves (US$MN)	2 317.6	2 329.4	2 238.9	1 916.2	1 877.7	2 083.4	2 228.8
Net International Reserves ($JMN)	153 862.1	157 743.9	152 579.0	133 807.5	135 065.1	149 859.0	160 317.6
- Assets	159 276.9	176 994.1	168 485.2	135 690.2	137 087.1	151 477.4	178 158.4
- Liabilities	-5 414.8	-19 250.2	-15 906.2	-1882.7	-2 022.0	-1 618.4	-17 840.8
Net Domestic Assets	- 95 886.7	-105 920.6	-99 591.6	-79 335.9	-69 808.0	-91 016.6	-102 674.6
-Net Claims on the Public Sector	94 684.7	96 326.9	91 824.7	95 955.4	95 010.4	97 776.9	98 324.8
- Net Credit to Banks	-10 303.6	-10 858.6	-10 860.9	-11 858.7	-12 419.5	-13 019.4	-13 488.6
- Open Market Operations	-154 57.0	-165 704.0	-150 758.3	-129 771.5	-114 741.3	-138 179.1	-150 835.7
- Other	-25 510.8	-25 684.9	-29 797.1	-33 661.1	-37 657.6	-37 595.0	-36 675.1
Monetary Base	57 975.5	51 823.2	52 987.4	54 771.7	65 257.1	58 842.4	57 643.0
- Currency Issue *	42 317.3	35 956.2	36 348.3	37 446.0	47 220.7	40 245.3	39 383.8
- Cash Reserve	14 821.7	15 734.2	16 177.6	16 893.4	17 259.8	17 650.0	18 066.9
- Current Account	836.5	132.8	461.5	132.3	776.6	947.1	192.3
% change Monetary Base (F-Y-T-D)	32.9	18.8	2.2	5.1	25.9	13.5	-2.0

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

4

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

	M1J	M1*	M2J	M2*	M3J	M3*
2004/2005						
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
2007/2008						
June	74 603.1	85 666.8	182 099.9	266 428.9	237 729.8	322 058.8
September	75 563.7	90 053.6	185 371.1	280 698.4	242 607.4	337 934.7
December	89 116.4	105 258.4	202 344.5	299 970.7	262 637.7	360 263.9
March	77 281.4	88 284.0	189 205.0	284 765.3	252 074.4	347 634.7
2008/2009						
June	82 507.5	89 946.4	197 780.8	291 010.2	265 221.7	358 451.0

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-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08p
M2J	**3 313.2**	**19 326.1**	**-6 423.0**	**6 882.8**	**3 271.2**	**16 973.3**	**-13 139.5**	**8 575.8**
Currency	966.9	7 333.8	-4 631.3	1 506.1	839.2	7 180.0	-7 472.1	2 287.4
Demand Deposits	1 793.9	6 177.6	-2 609.9	2 310.5	121.3	6 372.7	-4 363.0	2 938.7
Savings Deposits	1 288.2	4 413.7	917.8	1 826.7	2 798.0	2 038.3	-332.7	2 458.3
Time Deposits	-735.8	1 401.0	-99.1	1 239.5	-487.3	1 382.3	-971.7	891.4
OTHER DEPOSITS	**2 781.5**	**1 406.0**	**2 184.8**	**-302.8**	**1 606.4**	**3 056.9**	**2 576.3**	**4 571.4**
TOTAL (M3J)	**6 094.7**	**20 732.2**	**4 238.2**	**6 580.0**	**4 877.6**	**20 030.2**	**-10 563.2**	**13 147.2**

SOURCES OF CHANGE IN LOCAL CURRENCY MONEY SUPPLY

	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08p
N.I.R. of B.O.J.	**15 400.2**	**-1 624.0**	**799.4**	**-6 166.4**	**-22 532.7**	**- 2 685.7**	**14 793.9**	**10 458.6**
M&LTFL of B.O.J	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Banking System Credit	**-3 896.5**	**6 620.4**	**18 440.5**	**12 587.8**	**315.9**	**4 847.7**	**- 4 228.8**	**14 405.7**
Public Sector	-8 872.8	-2 471.5	**13 835.9**	**6 955.0**	**-6 050.0**	**-114.6**	**-7 463.5**	**7 722.9**
Private Sector	4 976.3	9 091.9	**4 604.6**	**5 632.8**	**6 365.9**	**4 962.3**	**3 234.7**	**6 682.8**
Open Market Operations	**- 6580.9**	**11 261.9**	**-10 947.0**	**14 945.8**	**20 986.7**	**15 030.2**	**-23 437.9**	**-12 656.5**
Other	**1 171.9**	**4 473.8**	**-12 531.1**	**-14 787.2**	**6 107.7**	**2 838.0**	**2 309.6**	**939.4**
TOTAL	**6 094.7**	**20 732.2**	**4 238.2**	**6 580.0**	**4 877.6**	**20 030.2**	**-10 563.2**	**13 147.2**
Memo:								
Foreign Currency Deposits (Private Sector)	**-1 209.3**	**3 318.4**	**2 576.8**	**6 570.8**	**10 998.3**	**2 299.0**	**-2 065.9**	**-2 331.0**
Foreign Currency Loans (Private Sector)	**478.0**	**3 124.4**	**4 124.8**	**1 874.8**	**7 173.2**	**3 078.1**	**1 329.8**	**12 378.3**

p-preliminary
r-revised
n.a: not available

6A

COMMERCIAL BANKS' 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	17.28	7.75
2007/2008							
June	6.80 - 10.95	6.50 - 11.60	5.17	22.49	6.96	17.23.	9.67
September	6.80 - 11.85	6.50 – 12.35	4.88	21.08	6.85.	17.06	10.50
December	6.80 - 11.85	6.50 – 12.35	4.88	20.82	6.99	17.11	7.58
March	6.80 – 12..85	6.50 – 13.35	4.88	22.47	6.82	17.33	8.29
2008/2009							
June	6.80 – 12..85	6.50 – 13.35	5.05	21.46	n.a..	n.a..	11.67

**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		
September	14.34	14.29		
December	12.89	13.34		
March	13.97	14.22		
2008/2009				
June	14.19	14.43		

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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	...	...
September	11.65	11.70	11.80	11.85	12.00	...	14.00
December	11.65	11.70	11.80	11.85	12.00	...	13.46
March	13.50	13.70	13.90	14.00	14.20	...	15.00
2008/2009							
June	14.00	14.20	14.40	14.50	14.70	...	15.50

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

8A

JAMAICA: GOVERNMENT BOND MARKET
GOJ Maturities
April – June 2008

Maturity Date		Amount J$M	Applicable Interest Rate [b/]
04 Apr	FR LRS 2008 AB	600.0	15.50
14 Apr	VR LRS 2008/2009 E	500.0	14.84
17 Apr	VR Inv. Bd. 2008/2009 Ser. V	2626.3	14.39
25 Apr	FR LRS 2008 AC	600.0	15.5
16 May	FR LRS 2008 AD	800.0	15.25
28 May	VR Inv. Bd. 2008/2009 Ser. W	3523.3	15.43
30 May	FR LRS 2008 AE	800.0	14.75
02 Jun	VR LRS 2003-2009 Tr. (G)	200.0	15.32
06 Jun	FR LRS 2008 AL	663.1	27.75
06 Jun	FR LRS 2008 AF	700.0	14.5
16 Jun	NIB US$ Den. Prom. Note 2011 Tr. D	40.1	0.00
20 Jun	FR LRS 2008 AG	700.0	14.25
27 Jun	VR LRS 2004/2008 Tr. J	116.1	15.72
30 Jun	VR LRS 99/2008 (V)	2.4	15.34

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 2008

Issue Date	Stock Name	Features	Amount raised J$M
18 April	*VR Inv. Bd. 2013/2014 Ser. Av*	*Principal will be repaid at maturity on April 24, 2014. Interest will become due after6 months at a fixed rate of 15.125%. Thereafter, interest will be paid semi-annually until maturity.*	*6 785.5*
28 April	*FR Reg. Bd Ser. S*	*Tenor of 4 years. Interest rate fixed at 13.95% for first 3 months. Thereafter, quarterly payments of 1.25 percentage points above 3-month WATBY.*	*645.9*
19 May	*VR. Inv. Bd. 2012/2013 Ser. Aw*	*Tenor of 4 years. Interest rate fixed at 13.95% for first 3 months. Thereafter, quarterly payments of 1.25 percentage points above 3-month WATBY.*	*3 097.1*
29 May	*VR Inv. Bd. 2012/2013 Ser. Ax*	*Tenor of 12 months. Interest rate fixed at 15.00% first interest payment will become due and payable after 6 months. Thereafter, interest paid semi-annually on 5 June, 5 December until maturity.*	*2 284.3*
6 June	*FR Inv. Deb 2009 Ser. Bd.*	*Tenor of 3 years. Interest rate fixed at 13.92% for first 3 months. Thereafter, quarterly payments of 1.125 percentage points above3-months WATBY.*	*4 264.6*
13 June	*VR Inv. Bd 2011/2012 Ser. Ay*	*Tenor of 3 years. Interest rate fixed at 13.92% for first 3 months. Thereafter, quarterly payments of 1.125 percentage points above3-months WATBY.*	*1 369.7*
30 June	*VR Inv. Bond 2011/2012 Ser. Az*	*Tenor of 3 years. Interest rate fixed at 14.19% for first 3 months. Thereafter, quarterly payments of 1.125 percentage points above Above 3-month WATBY.*	*946.5*

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

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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 r	27.5	247.9	44.1	3.0	20.9	137.8	48.4	529.6
2006/2007 r	115.2	1 083.7	90.4	13.3	78.5	644.0	185.8	2 210.9
June	29.4	258.8	43.0	3.2	25.0	144.8	46.0	550.2
September	29.4	268.7	2.6	3.8	20.1	166.0	44.2	534.8
December	27.0	265.2	0.0	3.4	14.8	161.4	47.2	519.0
March	29.4	291.0	44.8	2.9	18.6	171.8	48.4	606.9
2007/2008	**112.9**	**1 209.7**	**89.8**	**6.4**	**82.3**	**633.7**	**231.4**	**2 366.2**
				4.544.				
June r	28.5	314.4	42.4	4.5	21.4	162..9	45.9	620.0
September r	28.3	267.7	13.1	1.9	22.3	138.8	52.9	525.0
December r	26.7	320.0	0.0	0.0	21.0	145.8	65.5	579.0
March p	29.4	307.6	34.3	0.0	17.6	186.2	67.1	642.2

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$MN)

	Sep-06	Dec-06	Mar-07[r]	Jun-07[r]	Sep-07[r]	Dec-07[r]	Mar-08
1. Current Account	**-405.3**	**-283.7**	**-299.2**	**-356.7**	**-529.8**	**-586.6**	**-535.5**
A. Goods Balance	**-821.7**	**-713.3**	**-729.8**	**-775.4**	**-936.4**	**- 1 011.5**	**-983.7**
Exports (f.o.b.)	534.8	519.0	606.9	620.0	525.0	579.0	642.2
Imports (f.o.b.)	1 356.5	1 232.3	1 336.6	1 395.5	1 461.4	1 590.5	1 625.9
B. Services Balance	**117.1**	**133.1**	**184.8**	**138.4**	**102.9**	**91.5**	**184.8**
Transportation	-126.8	-108.7	-116.1	-126.9	-140.0	-147.6	-132.0
Travel	380.9	377.5	446.2	401.1	381.8	378.1	462.9
Other Services	-137.0	-135.7	-145.3	-135.8	-138.9	-139.0	-146.1
Goods & Services Balance	**-704.6**	**-580.2**	**-545.0**	**-637.0**	**-833.4**	**-920.0**	**-798.9**
C. Income	**-144.2**	**-163.7**	**-207.4**	**-209.0**	**-196.9**	**-192.6**	**-230.6**
Compensation of Employees	33.5	41.0	2.1	9.9	32.3	43.6	5.1
Investment Income	-177.7	-204.7	-209.5	-218.9	-229.2	-236.2	-235.6
D. Current Transfers	**443.5**	**460.2**	**453.2**	**489.4**	**500.5**	**526.0**	**494.0**
General Government	34.9	37.4	35.1	37.3	36.3	34.9	36.8
Other Sectors	408.6	422.8	418.1	452.1	464.3	491.1	457.2
2. Capital & Financial Account	**405.3**	**283.7**	**299.2**	**356.7**	**529.8**	**586.6**	**535.5**
A. Capital Account	**0.7**	**0.4**	**-1.8**	**-1.3**	**-1.2**	**-0.6**	**27.6**
Capital Transfers	0.7	0.4	-1.8	-1.3	-1.2	-0.6	27.6
General Government	1.6	0.3	0.2	0.2	0.3	0.0	29.5
Other Sectors	-0.9	0.1	-2.0	-1.5	-1.5	-.06	-1.9
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	**404.6**	**283.3**	**301.0**	**358.0**	**531.0**	**587.2**	**507.9**
Official Investment	176.7	280.8	176.7	176.3	44.8	250.8	-46.8
Private Investment (including net errors & omissions)	459.9	-22.0	136.1	91.2	163.5	297.9	760.4
Reserves	-232.0	24.5	-11.8	90.5	322.7	38.5	-205.7

p-provisional

r-revised

12

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
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	**376.2**	**1 069.8**	**0.0**	**355.9**	**1 801.9**	**174.5**	**1 976.4**
June	93.7	260.1	0.0	81.4	435.2	41.7	476.9
September	94.7	268.6	0.0	88.5	451.8	41.8	493.6
December	93.9	276.2	0.0	98.9	469.0	41.7	510.7
March	93.9	264.9	0.0	87.1	445.9	49.3	495.2
2007/2008	421.9	1 194.2	0.0	400.4	2 016.5	198.3	2 214.8
June	94.5	290.0	0.0	94.2	478.7	49.6	528.3
September	110.9	296.7	0.0	97.7	505.3	49.6	554.9
December	112.8	315.0	0.0	106.5	534.3	49.5	583.8
March	103.7	292.5	0.0	102.0	498.2	49.6	547.8

13

FOREIGN EXCHANGE SELLING RATES (J$ per unit of foreign currency-end of period)	US$	Can$	GB£
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
September	70.41	70.38	142.28
December	70.62	71.39	140.32
March	71.09	69.75	141.15
2008/2009			
June	71.89	71.49	142.55

14

PUBLIC SECTOR DOMESTIC SECURITIES
Outstanding Stocks

(J$MN)

End Period	**Local Registered Stocks**	**Treasury Bills**	**Bonds**	**BOJ Open Market Operations Securities**
2003/2004				
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	232 363.8	4 200.0	297 276.0	150 758.3
September	226 746.9	4 200.0	315 256.5	129 771.5
December	224 228.4	4700.0	324 929.2	114 741.3
March	223 581.6	4 200.0	330 008.5	138 179.1
2008/2009				
June	n.a.	4 200.0	n.a.	150 835.7

n.a: Not Available

15

STOCK MARKET ACTIVITIES
Jamaica Stock Exchange

	JSE Index	Volume Traded (M.)	Value of Stocks Traded (J$M.)
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**
September	**96 299.8**	**884.7**	**5 013.4**
December	**107 968.0**	**640.3**	**13 609.5**
March	**107 439.3**	**678.2**	**9 817.1**
2008/2009			
June	**109 754.0**	**1 117 .5**	**13 665.7**

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

16

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
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
September	1 943.2	27.0	1 916.2	18.2	13.2
December	1 905.8	28.1	1 877.7	16.8	12.3
March	2 105.90	22.50	2 083.40	18.0	13.3
2008/2009					
June	2 476.8	248.0	2 228.8	17.9	13.6

17

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

	Crude Bauxite	Alumina	Total Bauxite	Sugar	Bananas*
2004/2005	**3 451.4**	**4 028.5**	**13 411.9**	**142.0**	**18.1**
June	1 071.2	1 046.4	3 636.5	60.0	9.9
September	907.1	866.7	3 125.3	3.7	8.2
December	398.5	1 062.6	3 030.0	3.6	0.0
March	1 074.6	1 052.8	3 620.1	74.7	0.0
2005/2006	**4 099.7**	**4 048.7**	**14 167.4**	**151.0**	**18.8**
June	916.0	1 061.8	3 508.3	51.6	4.5
September	1 022.3	1 013.7	3 544.5	0.0	3.6
December	1 035.9	957.4	3 442.6	5.4	3.5
March	1 125.5	1 015.8	3 672.0	94.0	7.2
2006/2007	**4 594.3**	**4 105.2**	**14 905.5**	**144.0**	**30.5**
June	1 136.3	1 053.4	3 779.2	46.3	6.9
September	1 186.5	1 003.9	3 724.6	0.0	9.4
December	1 099.7	1 026.5	3 675.2	2.3	8.4
March	1 171.8	1 021.4	3 726.5	95.4	5.8
2007/2008	**4 386.2**	**3 897.8**	**14 523.0**	**156.9**	**11.7**
June	1 089.7	1 044.3	3 775.3	59.7	8.1
September	1 123.1	908.9	3 489.6	6.9	3.6
December	1 033.3	966.4	3 597.2	9.4	0.0
March	1 140.1	978.2	3 660.9	80.9	0.0
2008/2009					
June	1 020.4	1 153..9	3 794.4	54.8	0.0

** Exports*

GROSS DOMESTIC PRODUCT BY INDUSTRY IN PRODUCER'S VALUES,
AT CONSTANT (1996) PRICES
Mar 2006 - Mar 2008 (Seasonally Unadjusted)

	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08
Total Gross Domestic Product	2.16	2.59	2.83	2.28	1.88	2.21	0.45	0.04	0.23
Agriculture, Forestry & Fishing	19.49	13.46	5.98	8.26	3.50	4.34	-5.00	-23.32	-12.64
Export Agriculture	52.77	9.96	100.63	22.13	1.79	24.70	-2.60	-46.92	-15.18
Domestic Agriculture, Livestock, Forestry & Fishing	12.60	14.09	0.99	6.48	3.98	0.79	-5.25	-19.84	-11.94
Mining & Quarrying	-1.96	1.31	0.44	6.70	0.79	-0.65	-8.42	-4.85	-3.19
Manufacturing	-1.56	-4.15	-1.13	-2.90	-0.37	3.23	-0.18	0.77	-0.16
Food, Beverages & Tobacco	-6.72	-9.44	-4.14	-6.19	-0.99	3.33	3.26	0.04	-1.56
Other Manufacturing	5.67	3.40	2.04	0.22	0.40	3.10	-3.58	1.41	1.53
Electricity & Water	3.91	1.91	3.14	4.30	4.54	3.93	-4.49	-1.40	-1.28
Construction & Installation	-3.84	-2.72	-1.45	2.70	4.50	3.73	4.97	7.94	2.55
Distributive Trade	0.74	0.81	1.76	2.38	2.82	3.15	2.30	2.12	0.87
Transport, Storage & Communication	2.86	4.76	7.30	4.41	3.67	2.45	0.14	-0.29	-1.19
Finance & Insurance Services	2.30	1.80	1.24	0.73	4.02	5.82	3.82	2.06	1.40
Real Estate & Business Services	2.67	2.27	2.44	2.63	2.58	2.16	3.55	2.26	2.95
Producers of Government Services	0.21	-0.16	-0.27	0.50	0.66	0.67	0.54	0.44	0.62
Miscellaneous Services Household and Private Non-Profit Institutions	7.66	15.77	12.72	3.59	-0.40	-1.73	1.93	3.07	7.37
Hotels, Restaurants & Clubs	9.08	19.95	16.46	4.16	-1.11	-2.70	1.94	3.48	8.80
Less Imputed Bank Service Charge	-1.61	-0.90	-0.12	5.31	8.50	6.07	5.08	4.09	0.76

D. BANK OF JAMAICA BALANCE SHEET

ASSETS AND LIABILITIES
(End of Period)
J$MN

	Jun-06	Sep-06	Dec-06[r]	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08
Assets	**256 398.4**	**270 564.3**	**269 763.7**	**269 863.3**	**266 006.6**	**234 449.4**	**233 640.7**	**247 757.6**	**278 045.0**
Foreign	150 870.6	163 156.8	160 616.1	176 699.3	169 301.9	136 180.7	134 243.8	149 671.7	177 518.2
Current Account & Foreign Currency Balances	9 263.6	11 987.9	8 670.1	19 617.9	6 382.1	9 199.7	32 665.7	16 279.0	36 274.4
Time Deposits & Securities	134 050.6	143 498.5	144 055.8	149 013.7	154 673.4	118 397.0	92 715.1	124 208.5	132 102.3
Holdings of Special Drawing Rights	14.5	17.0	17.9	16.4	14.6	11.4	20.5	5.5	13.4
Other	7 541.9	7 653.4	7 872.3	8 051.3	8 231.8	8 572.6	8 842.5	9 178.7	9 128.1
Local	105 527.8	107 407.5	109 147.6	93 164.0	96 704.7	98 268.7	99 396.9	98 085.9	100 526.8
Public Sector Securities	87 163.4	86 784.5	86 791.0	68 877.1	68 615.5	73 834.6	73 756.7	73 697.2	73 717.4
Other Assets	20 244.1	22 400.1	22 356.6	24 286.9	28 089.2	24 434.1	25 640.2	24 388.7	26 809.4
Liabilities	**256 398.4**	**270 564.3**	**269 763.7**	**269 863.3**	**266 006.6**	**234 449.4**	**233 640.7**	**247 757.6**	**278 045.0**
Foreign	310.3	236.0	295.5	244.8	263.4	259.5	283.0	254.7	268.6
Local	256 088.1	270 328.3	269 468.2	269 618.4	265 743.2	234 189.9	186 102.6	247 502.9	277 776.4
Currency in Circulation	30 776.5	32 187.6	42 347.3	35 994.1	36 397.1	37 509.0	47 255.1	40 293.8	39 441.3
Deposits	210 670.5	224 521.8	212 883.2	219 603.0	215 715.8	180 700.9	170 289.8	194 151.5	224 425.0
Bankers	25 246.5	26 843.9	27 912.0	28 750.2	29 596.9	31 101.9	32 677.2	33 897.2	33 105.9
Government	11 366.4	20 097.7	19 678.5	5 634.1	17 575.9	14 499.1	18 217.8	10 476.0	6 589.0
Open Market Operations	159 438.0	166 018.9	154 757.0	165 704.0	150 758.3	129 771.5	114 741.3	138 179.1	150 835.7
Other	14 619.6	11 561.3	10 535.7	19 514.7	17 784.7	5 328.4	4 653.5	11 599.2	33 894.4
Allocation of Special Drawing Rights	3 792.7	3 792.7	3 914.0	3 914.0	3 914.0	3 914.0	3 914.0	3 914.0	4 185.3
Capital & Reserves	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Other Reserves	3 279.5	3 112.0	3 378.8	3 175.6	4 274.0	4 382.3	5 104.0	5 590.0	5 660.8
Other Liabilities	7 544.9	6 690.2	6 920.9	6 907.8	5 418.3	7 659.7	6 770.8	3 529.6	4 040.0

r- revised

E. COMMERCIAL BANKS' BALANCE SHEET

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

	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08[r]	Jun-08[p]
Assets	**399 879.3**	**411 403.4**	**429 969.2**	**439 454.8**	**452 281.0**	**471 604.9**	**490 987.8**	**496 030.6**	**510 544.4**
Cash	3 254.3	3 696.4	6 536.5	4 806.7	3 692.7	**3 951.2**	**6 545.7**	**7 042.5**	**3 883.7**
Balances with BOJ	70 857.1	75 384.0	72 120.9	68 390.5	60 056.9	**60 014.3**	**69 208.5**	**75 753.2**	**76 359..8**
Foreign Assets	90 768.5	90 298.1	96 277.1	93 327.2	105 317.4	**111 578.5**	**109 103.8**	**112 802.9**	**110 659.0**
Loans & Advances	140 265.3	143 400.2	153 449.2	164 106.1	172 769.7	**183 898.4**	**195 075.1**	**194 847.0**	**210 702.5**
Private Sector	109 273.5	114 369.4	125 512.2	133 626.6	141 770.6	**155 376.6**	**163 411.9**	**167 792.6**	**182 210.5**
Public Sector	30 991.8	29 030.8	27 937.0	30 479.5	30 999.1	**28 521.8**	**31 663.2**	**27 054.4**	**28 492.0**
Public Sector Securities	54 399.3	55 984.4	58 191.2	61 284.1	66 639.3	**64 883.9**	**63 495.2**	**60 352.7**	**60 927.6**
Cheques in the Process of Collection	5 249.7	4 292.2	4 133.5	7 924.7	4 628.2	**5 177.6**	**6 146.8**	**4 005.5**	**6 013.2**
Other Assets	35 085.1	38 348.1	39 260.8	39 615.5	39 176.8	**42 101.0**	**41 412.7**	**41 226.8**	**41 998.6**
Liabilities	**399 879.3**	**411 403.4**	**429 969.2**	**439 454.8**	**452 281.0**	**471 604.9**	490 987.8	**496 030.6**	**510 544.4**
Deposits	262 241.9	268 345.9	282 925.5	281 934.5	292 735.3	308 182.3	321 158.7	**321 588.7**	317 263.4
Local Currency	161 806.5	165 253.8	175 855.2	179 631.3	182 259.7	188 681.1	198 395.7	**196 044.3**	
Foreign Currency	100 435.4	103 092.1	107 070.3	102 303.2	110 475.6	119 501.2	122 763.0	**125 544.4**	
Foreign Liabilities	47 720.5	55 210.6	56 800.0	59 656.7	56 315.8	61 469.2	61 298.0	**66 811.5**	79 683.4
Discounts & Advances from BOJ	173.1	226.1	182.6	168.1	192.3	178.3	33.4	**430.8**	203.2
Loans/Advances from Other Institutions	4 989.0	4 777.0	5 451.4	5 295.1	5 126.0	6 082.5	5 137.5	**5 594.6**	4 833.4
Cheques in the Process of Payment	3 645.1	3 305.9	3 900.8	4 528.8	4 745.0	4 024.0	5 5234.0	**6 329.3**	4 359.4
Other Liabilities	81 109.7	79 537.9	80 708.9	87 871.6	93 166.6	91 668.6	97 836.2	**95 275.7**	104 201.6

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
September	5.5572	5.5424	5.3916	5.0865
December	4.6000	4.7025	4.5963	4.2238
March	2.7031	2.6881	2.6143	2.4862
2008/2009				
June	2.4625	2.7831	3.1088	2.4862

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
September	n.a.	n.a.	n.a.	n.a.
December	6 4/100 – 5 24/25	6 2/100 - 5 47/50	5 97/100 – 5 91/100	5 3/4 – 5 67/100
March				

n.a. : not available

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	2.01	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
September	4.00	4.75	5.25	8.25	5.75
December	4.00	4.25	4.75	7.25	5.50
March	4.00	2.25	2.50	5.25	5.25
2008/2009					
June	4.00	2.00	2.25	5.00	5.00

4A

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

	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08
US$ vs. Sterling	0.53430	0.51056	**0.5132**	**0.4985**	**0.4905**	**0.4955**	**0.5037**	**0.5023**
US$ vs. Canadian $	1.1153	1.1653	**1.1682**	**1.0634**	**0.9963**	**1.0024**	**1.0279**	**1.0186**
US$ vs. Yen	118.00	119.03	**117.26**	**123.39**	**114.98**	**112.36**	**99.893**	**106.180**
US$ vs. Euro	0.78820	0.75782	**0.7550**	**0.7397**	**0.7033**	**0.6865**	**0.6328**	**0.6350**

4B

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

	Mar -07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08
Sterling vs. US$	1.9586	1.9473	2.0061	2.0388	2.0176	1.9906
Sterling vs. Canadian $	2.2824	2.2748	2.1333	2.0313	2.0242	2.0276
Sterling vs. Yen	233.14	228.36	247.54	234.43	226.70	211.36
Sterling vs. Euro 1/	1.4843	1.4702	1.4839	1.4339	1.3857	1.264

4C

INTERNATIONAL EXCHANGE RATES
EXCHANGE CROSS RATES
(Jun 2008)

	GBP	CAN$	US$	Yen	Euro
GBP	1.000	1.999	1.966	210.243	1.264
CAN$	0.500	1.000	0.984	105.162	0.632
US$	0.509	1.017	1.000	106.921	0.643
Yen	0.005	0.010	0.009	1.000	0.006
Euro	0.791	1.582	1.556	166.376	1.000

5A

WORLD COMMODITY PRICES
KEY CRUDE OIL PRICES (US$/barrel – f.o.b.)
(End- of-Period)

	Dec-06	Mar - 07	Jun -07	Sep-07	Dec-07	Mar-08	Jun -08
North Sea Brent	62.31	62.09	71.92	80.65	91.45	103.28	133.05
West Texas Intermediate	62.03	60.61	70.69	81.67	91.36	105.48	133.93

5B

WORLD COMMODITY PRICES
FOOD
(End- of-Period)

	Dec-06	Mar - 07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08
Wheat **(US$/m t)**	204.31	199.10	197.03	357.68	356.96	440.17	348.55
Coffee (USc/kg arabica brand)	282.99	258.12	252.90	282.28	304.33	328.97	322.21

6

MAJOR STOCK MARKET INDICES
(End- of-Period)

	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08
TOKYO							
Nikkei Index	17225.83	17287.65	18138.36	16785.69	15307.78	12525.54	15307.78
NEW YORK							
Dow Jones Industrials	12463.15	12354.35	13408.62	13912.94	13264.82	12295.29	13264.82
S & P Composite	1418.30	1420.86	1503.35	1531.38	1468.36	1325.52	1468.36
LONDON							
Financial Times SE 100	6220.8	6308.00	6607.90	6486.40	6806.11	5702.1	6806.11
FRANKFURT							
Dax Index	6917.03	8007.32	8005.90	7861.42	8067.32	8067.32	8067.32

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

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

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

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.

List of Boxes in the Quarterly Monetary Policy Report