QUARTERLY MONETARY POLICY REPORT

April - June 2009

Volume 10 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 also includes a short article on the International Monetary Fund and its relationship with Jamaica as well as the current status of the Fund's lending arrangements.

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

There was an easing of the Central Bank's monetary policy stance at the commencement of the June 2009 quarter. In particular, on 08 April 2009, the Bank reduced the interest rate on its 365-day certificate of deposit (CD) by 133.0 basis points to 22.67 per cent. This rate reduction removed the premium on the instrument and aligned the yield with that paid on the 180-day CD. The 365-day CD was subsequently removed from the spectrum of open market instruments later in the quarter. The Bank's policy action was against the background of a relatively stable foreign exchange market since mid-February as well as the Bank's preference to operate in the shorter end of the market.

In support of its cautious policy stance, the Bank maintained its various foreign currency facilities which were established in the December 2008 and March 2009 quarters. Additionally, the Central Bank continued to meet regularly with authorised dealers and cambios to assess developments in the foreign exchange market. These actions were supported by the institutions upholding their agreement to exercise restraint in their bid and offer rates.

The Bank assessed that demand and supply in the foreign exchange market were relatively low during the quarter. Estimates suggest that there was a contraction of some US$200.0 million in net foreign currency demand to facilitate current account transactions. This was associated with a decline in foreign exchange outflows due to lower expenditure on consumer goods and fuel imports. Supplies to the market also declined due to reduced inflows from tourism and remittances. Further, it is estimated that net private capital inflows fell marginally during the quarter.

Against this background, the foreign exchange market remained relatively stable in the June quarter. This stability was reflected in the marginal depreciation of 0.29 per cent in the value of the Jamaica Dollar vis-á-vis the United States dollar. This compared favourably with the depreciation of 9.40 per cent in the March 2009 quarter. In the context of this stability, the Bank's intervention sale to the market was limited to US$10.0 million for the quarter.

In the context of the above developments, the stock of net international reserves (NIR) was US$1 619.4 million at end-June, representing a marginal decline of US$9.2 million relative to the stock at end-March. Gross reserves at end-June amounted to US$1 660.6
million, representing 13.1 weeks of projected goods and service imports.

For the June quarter, the monetary base expanded by $1.5 billion or 2.1 per cent relative to the target of 3.1 per cent. The expansion in the base was mainly reflected in growth in currency of $1.1 billion or 2.6 per cent as well as a lower than anticipated increase in the cash reserves. The main source of expansion in the monetary base was a drawdown in Government balances at the Bank. This was partly offset by absorption through the NIR and net investments in the Bank's open market operations instruments.

Headline inflation was 2.7 per cent for the June 2009 quarter, relative to 1.3 per cent for the preceding quarter. The out-turn in the quarter brought the twelve-month point-to-point inflation to 9.0 per cent at end-June. This represented a sharp decline of 15.1 percentage points relative to the rate in June 2008. The fall in annual inflation was due to significant declines in international commodity prices relative to the previous twelve month period.

Similar to headline inflation, all measures of underlying inflation continued to decline on an annual basis. In particular, the trimmed mean measure was 5.6 per cent, the lowest it has been since October 2007. The fall in core inflation underscores the appropriateness of the Bank's monetary policy since the December 2008 quarter.

Inflation in the June 2009 quarter reflected an increase in non-food prices. This mainly stemmed from increases in international commodity prices and adjustment in some administered prices due to Government tax measures in the review period. Of note, the price of the benchmark West Texas Intermediate crude oil increased by 38.4 per cent in the review quarter following a rise of 16.0 per cent in the March quarter.

In addition to the above factors, seasonal price adjustments associated with the Lent and Easter periods had an upward impulse on inflation in the quarter. There were also some price impulses from the lagged pass-through of the depreciation in the domestic currency in the previous quarter.

The Bank's estimates of real sector activities indicate that the Jamaican economy contracted in the range of 3.5 per cent to 4.5 per cent for the June quarter, the sixth consecutive quarter of decline. The estimated decline in the review quarter also represented the sharpest quarterly contraction in the past ten years. This contraction occurred against the background of continued weak external and domestic demand as well as uncertainty regarding future economic prospects, as indicated by the declines in the business and consumer confidence indices in the March quarter. Contributing to the weak domestic demand were continued declines in remittances as well as growth in local unemployment.

It is estimated that there was a significant contraction in the tradable industries. This contraction largely reflected the estimated sharp decline for ***Mining & Quarrying***. However, robust growth is estimated for ***Agriculture***, ***Forestry & Fishing*** and ***Hotels and Restaurants***.

Outlook

The downturn in the global economy will continue to have an adverse impact on the Jamaican economy in the September quarter. The domestic economy is projected to contract in the range of 3.0 per cent to 4.0 per cent, similar to the estimated rate of decline in the June quarter. Continued contraction is projected for ***Mining & Quarrying, Construction, Transport, Storage & Communication*** and ***Manufacture***. The sectors projected to grow are ***Agriculture, Forestry & Fishing*** and ***Hotels & Restaurants***.

The forecast for the fiscal year remains unchanged with domestic output expected to contract in the range of 3.0 per cent to 4.0 per cent. It is expected that the major contraction will occur in the June and September quarters, with the rate of decline slowing in the second half of the year as the world recession moderates.

For the September quarter, headline inflation is projected in the range of 2.0 per cent to 3.5 per cent. The forecast, although higher than the average inflation for the past three quarters, is lower than the out-turn of 3.6 per cent for the September 2008 quarter. Increased energy prices and seasonal demand and supply factors will be the major influences on inflation in this period. However, excess production capacity, depressed domestic aggregate demand and stable inflation expectations are expected to provide some offsetting impulses.

The forecast for headline inflation for the fiscal year has been revised downwards to the range of 10.0 per cent to 12.0 per cent from 11.0 per cent to 14.0 per cent. This revision is largely due to the lower than expected pass-through of some of the recent tax measures as well as the deceleration in the rate of depreciation in the value of the domestic currency.

The risks to the inflation forecasts are biased to the downside. These include the impact of a greater than anticipated reduction in global and domestic demand. The upside risk is the possible impact of adverse weather.

The foreign exchange market has remained relatively stable since February 2009. Inflation expectations have also abated over the period. The Government's announced intention to enter into a borrowing arrangement with the International Monetary Fund has also provided a fillip to investor confidence. With the signing of an agreement it is expected that there will be additional inflows of foreign exchange to strengthen stability in the market. ***Box 1*** sets out a brief overview on the IMF as well as Jamaica's relationship with this institution.

Against the background of these favourable trends, on 24 and 30 July, the Bank reduced interest rates across the spectrum of its open market operations instruments by 100 basis points and 150 basis points, respectively. Continuation of the positive trends will provide a basis for continued gradual easing of monetary policy in the short to medium-term.

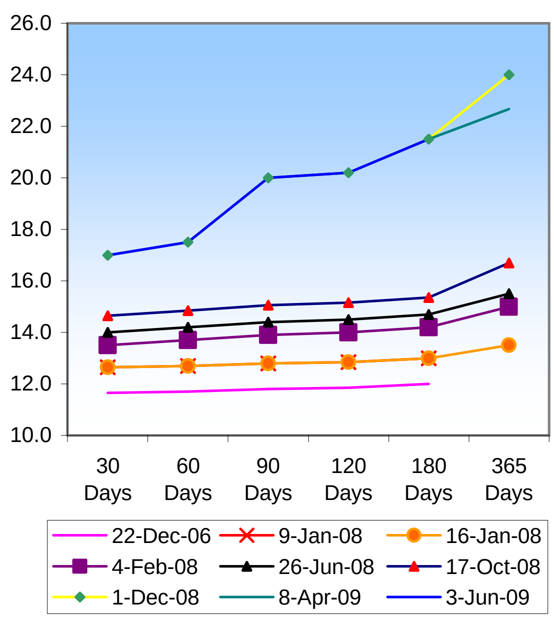
1. Monetary Policy and Financial Markets

Table 1.1

Selected Economic Indicators	Outturn for Jun'09 Quarter	Projection for Jun09 Quarter	Original Targets for FY09/10
Inflation (% change)	2.7	3.0-4.0	11.0-14.0
Base Money (% change)	2.1	3.1	6.1
NIR (eop) (US$ mn)	1 619.4	1594.7	1600.0

The Bank removed the 365-day CD from its menu of OMO instruments.

Figure 1.1
BOJ Certificate of Deposits Yield Curve[1]



[1] The 270-day and 365-day instrument were removed from the spectrum in December 2005 and the 365-day instrument was reintroduced on 09 Jan. 2008. The 365-day instrument was then removed on 03 June 2009.

Money & Credit

Monetary Policy and Base Money Management

During the June 2009 quarter, the Bank focused on preserving stability in the domestic financial market as well as maintaining an adequate level of foreign currency reserves. In this context, the Bank maintained its various foreign currency facilities established since October 2008. This was also supported by the continued restraint by Authorised Dealers and Cambios in their bid and offer rates which resulted in a sharp moderation in the rate of depreciation of the domestic currency. Given this stability, the Bank intervened in the foreign exchange market on only one occasion during the June quarter. Against this background, the Bank reduced the rate payable on the 365-day tenor and later removed the tenor from its spectrum of open market operations (OMO) instruments.

*For the quarter, base money expanded by 2.1 per cent which was less than the Bank's projection of 3.1 per cent (see **Table 1.1**). The deviation was reflected in lower than expected growth in the cash reserves.*

Monetary policy was mainly focused on preserving stability in the domestic financial markets as well as maintaining adequate net international reserves at the Bank. This was against the background of the downturn in the global economy which continued to have an adverse impact on the Jamaican economy mainly through a fallout in foreign exchange inflows and an increase in private capital outflows.

In this context, the Bank maintained its various foreign currency facilities established in the December 2008 and March 2009 quarters in an effort to counteract destabilising influences on the domestic financial markets. In particular, the Bank continued to act as an intermediary in the money market and facilitated domestic and foreign currency loans between financial institutions. The Bank also maintained the public sector facility to manage public sector demand for foreign currency more efficiently. In addition, the Bank had more frequent dialogue with the financial institutions. An agreement of continued restraint in bid and offer rates amongst Authorised

Figure 1.2

Base Money

(Quarterly Change)

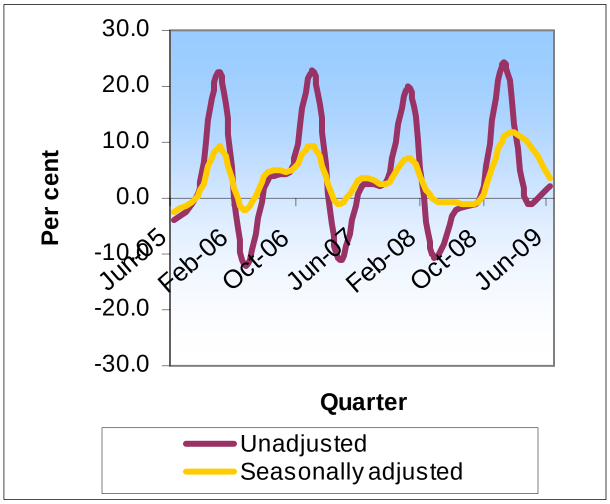
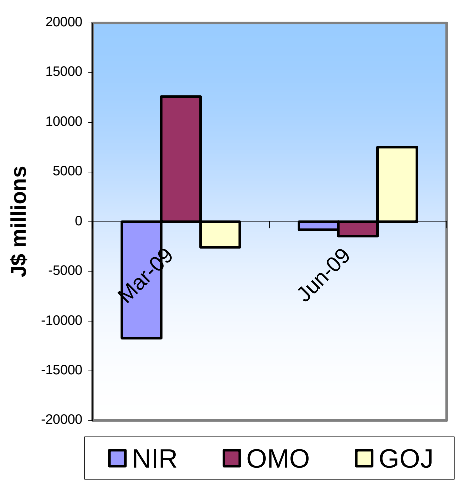


Figure 1.3

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



*Absorption-negative, Injection-positive

Dealers and Cambios also supported the Bank's objectives during the quarter. These initiatives induced a sharp moderation in the depreciation of the exchange rate as well as lower inflation expectations. In this context, on 8 April, the Bank reduced the rate payable on its 365-day certificate of deposit (CD) by 133.0 basis points to 22.67 per cent. This reduction removed the premium on the instrument and brought the yield in line with that earned on the 180-day CD. Later in the quarter, on 03 June, the Bank removed the 365-day CD from the menu of instruments on offer. The reduction in the rate on the 365-day instrument and the subsequent removal of this instrument contributed to continued declines in market rates (see **Bond Market**).

On 9 April, to augment supply the Bank also sold US$10.0 million to the market. However, given the stability in the foreign exchange market this was the only intervention by the Bank for the quarter (see **Foreign Exchange Market**). Consequent on this stability, the reduction in the NIR was curtailed to US$9.2 million[2], absorbing liquidity of $816.6 million.

In this context, the main source of liquidity during the quarter was the drawdown on Government deposits at the Bank of approximately $9.6 billion. Some of this liquidity was reabsorbed through net placements in OMO securities of $1.4 billion (see **Figure 1.3**).

Against this background, the monetary base expanded by $1.5 billion or 2.1 per cent. This expansion was lower than the Bank's projection of 3.1 per cent. The expansion in the base was reflected in net currency issue of $1.1 billion or 2.6 per cent. The expansion in the monetary base was also reflected in an increase in the cash reserves, albeit lower than anticipated (see **Table 1.1 and Figure 1.2**). The lower than expected growth in the monetary base could be attributed to lower economic activity as well as the absence of some wage settlements that were anticipated this quarter. This also had a negative impact on the growth in deposits, therefore contributing to the lower than expected expansion in the cash reserves and the deviation in the monetary base. Currency issue, however, was higher than the programmed increase of 1.8 per cent for the quarter, but was in line

[2] This decline in the NIR compares to reduction s of US$478.2 million and US$144.4 million in the December 2008 and March 2009 quarters.

with the growth in the last June quarter of 2.6 per cent, despite the fallout in the economy. This is in a context where commercial banks have not adjusted vault cash in line with trend possibly due to the anticipation of wage settlements.

Figure 1.4

Money Supply
(Quarterly Growth Rates)
June 2005 to June 2009

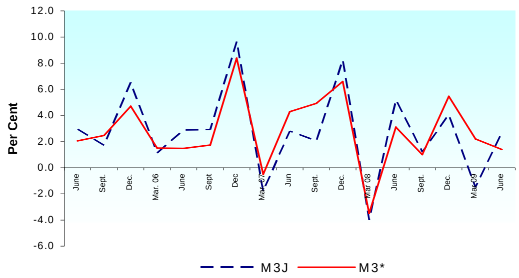


Table 1.3

Money Supply (12-month growth rates)		
MJ	**Jun-08**	**Jun-09**
M1J	10.6	7.6
M2J	8.6	4.4
M3J	11.6	6.4
M*		
M1*	5.0	9.9
M2*	9.2	9.8
M3*	11.4	10.3

Table 1.4

INTEREST RATES IN THE DOMESTIC MARKET			
	May-08	**Mar-09**	**May-09**
COMMERCIAL BANK WEIGHTED AVERAGE DEPOSIT RATES			
Overall	**4.84**	**4.89**	**5.04**
Demand	2.52	2.43	2.26
Savings	4.38	4.34	4.40
Time	6.77	6.99	7.18
Foreign Currency	**2.81**	**2.94**	**2.99**
Demand	1.80	1.52	1.47
Savings	2.08	1.98	1.98
Time	4.71	4.92	4.96
6-MONTH TREASURY BILL RATE	**14.28**	**21.77**	**21.08**
BOJ 180-DAY REPURCHASE AGREEMENT RATE	**14.20**	**21.50**	**21.50**
PRIVATE MONEY MARKET RATE	**13.95**	**20.25**	**19.00**
memo:			
6-MONTH U.S. TREASURY RATE	**1.86**	**0.43**	**0.30**

Money Supply

During the June 2009 quarter, broad Jamaica Dollar money supply (M3J) increased by 2.7 per cent, relative to an expansion of 5.2 per cent for the June 2008 quarter. The expansion in the review quarter was below the Bank's projection of 5.0 per cent and reflected lower than projected growth in both local currency deposits and currency in circulation. This deviation is attributed to lower economic activity as well as the delay in making retroactive salary payments to some workers which were anticipated in the quarter.

The measure of money supply that includes foreign currency deposits (M3) increased by 1.4 per cent. This was a slower rate of growth relative to the outturn of 5.2 per cent in the corresponding quarter of 2008. The slowdown in the review period reflected a decline of 1.6 per cent in foreign currency deposits. At end-June 2009, the ratio of foreign currency deposits to total private sector deposits was 31.6 per cent relative to 32.5 per cent at end-March 2009. This ratio was however higher than the 28.8 per cent at end- June 2008.*

For the June 2009 quarter, broad Jamaica Dollar money supply (M3J) increased by 2.7 per cent. This increase was below the Bank's projection of 5.0 per cent and the expansion of 5.2 per cent recorded in the June 2008 quarter (see **Figure 1.4**). The growth in M3J for the review quarter brought the annual growth to 6.4 per cent (see **Table 1.3**). The lower than expected growth in M3J could be attributed to lower economic activity as well as the delay in making retroactive salary payments to some workers which were anticipated in the quarter.

The main source of expansion in M3J for the June 2009 quarter was an increase in banking system credit to the public sector. This increase however, was partially offset by a net build-up in open market securities as well as a decline in the NIR.

Figure 1.5
Deposits in Commercial Banks
(Quarterly Growth Rates)
June 2006 to June 2009

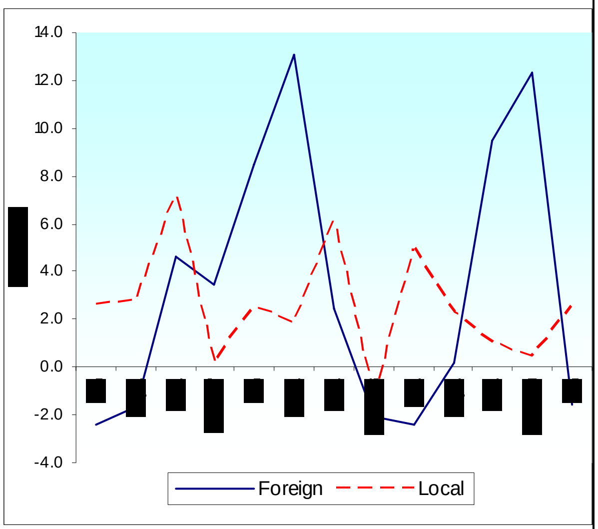


Figure 1.6
Foreign Currency Deposits to Total Deposits
March 2006 to March 2009

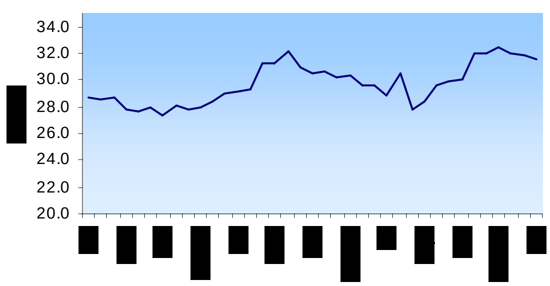


Table 1.5

COMPONENTS OF THE MONEY MULTIPLIER	Jun-08	Mar-09	Jun-09
		%	
Currency to Deposits	15.43	15.46	15.60
Reserves to Deposits	9.63	14.41	14.14
Money Multiplier	**4.60**	**3.86**	**3.89**

The expansion in money supply during the review quarter was mainly reflected in an increase in local currency deposits of $6.1 billion or 2.6 per cent. This growth in local currency deposits was slower than the Bank's projected growth of 5.0 per cent and was reflected in all components, except time deposits which declined.

Currency in circulation, the other component of M3J, increased by $1.3 billion or 3.5 per cent. The increase in the quarter represented a deceleration relative to the 6.9 per cent in the June 2008 quarter.

During the review quarter, M3* increased by 1.4 per cent, relative to growth of 3.1 per cent for the June 2008 quarter (see **Figure 1.4**). Within M3*, foreign currency deposits fell by 1.6 per cent, relative to the decline of 2.4 per cent recorded in the June 2008 quarter. The reduction in foreign currency deposits largely reflected declines in demand and time deposits of ***Non-Profit Organizations*** and ***Individuals***. The stability which characterized the foreign exchange market may have induced investors to drawdown on their foreign currency holdings to meet their obligations. The reduction in these deposits influenced a decline in the ratio of foreign currency deposits to total private sector deposits to 31.6 per cent at end-June 2009, relative to 32.5 per cent at end-March 2009.The ratio was however, higher than the 28.8 per cent recorded at end-June 2008 (see **Figure 1.6**).

At end-June 2009, the money multiplier was 3.89, relative to 3.86 at the end of the previous quarter and 4.60 at end-June 2008. The increase in the money multiplier relative to the previous quarter largely reflected an increase in the currency to deposit ratio in keeping with trend (see **Table 1.5**).

Figure 1.7
Quarterly Growth Rates of Private Sector Credit Denominated in Jamaica Dollars June 2005 to June 2009

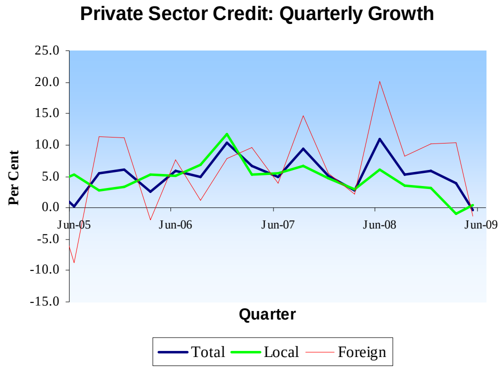


Table 1.6

Commercial Bank Distribution of Total Credit to the Private Sector J$ Million (Quarterly Flows)				
		Jun-08	Mar-09	Prov. Jun-09
	Total Private Sector Credit	**9 566.0**	**8 331.4**	**-821.3**
	Loans and Advances	9 389.6	9 309.1	-322.7
less	Overseas Residents	-1.8	1 059.4	8.8
Add	Corporate Securities	174.6	-81.6	7.9

Table 1.7

Commercial Bank Distribution of Total Loans & Advances to the Private Sector (Flows J$M)			
	Jun-08	Mar-09	Jun-09
Agriculture & Fishing	939.2	-58.4	122.5
Mining & Quarrying	143.7	-66.8	-75.2
Manufacturing	2 501.3	-95.5	191.7
Construction & Land Dev.	1 061.3	2 213.7	217.2
Transport, Storage & Comm.	1 615.1	908.7	-146.5
Tourism	4 068.1	3 745.9	-869.1
Distribution	3 978.2	1 674.4	632.4
Professional & Other Services	1 792.2	379.4	185.1
Personal	1 913.5	-421.1	-817.5
Electricity, Gas & Water	1 056.0	-107.4	240.5
Entertainment	95.0	76.8	-0.9
Overseas Residents	251.3	1 059.4	-2.9
TOTAL	**19 414.8**	**9 309.1**	**-322.7**

Private Sector Credit

The stock of private sector credit from commercial banks declined by 0.1 per cent in the first quarter of FY 2009/10. This outturn followed a marginal expansion in the previous quarter, and reflects the contraction in economic activity as well as the increase in job losses. The outturn also reflects the expectation that there will be a further decline in economic activity and income. The reduction in the stock of credit reflected a decline in foreign currency loans and a marginal increase in local currency loans. The decline in the stock of credit was mainly reflected in the stock of ***Personal Loans*** *and loans to* ***Tourism****.*

At end-June 2009, the stock of private sector credit was $220 258.1 million, representing a decline of 0.1 per cent for the review quarter. This was the first quarter in the last 5 years that there was reduction in the stock of private sector credit. (**see Figure 1.7**). The reduction in the review quarter is consistent with the contraction in economic activity. (see **Real Sector**). The outturn reflected a reduction in foreign currency loans and marginal growth in local currency credit.

Loans and advances declined by $322.7 million or 0.1 per cent during the review quarter relative to an increase of 4.3 per cent in the March 2009 quarter (see **Table 1.6**). The outturn for the review quarter largely reflected a reduction in the stock of ***Personal Loans*** and the stock of loans to ***Tourism***. There was also a decline in the stock of loans to ***Mining & Quarrying*** for the second consecutive quarter. The reduction in the stock of ***Personal Loans*** represented a larger decline than that which obtained in the previous quarter, reflecting worsening economic conditions. Within ***Personal Loans***, there was a decline of 1.8 per cent in credit for the purchase of motor cars relative to an increase of 7.3 per cent in the June 2008 quarter.

Table 1.8

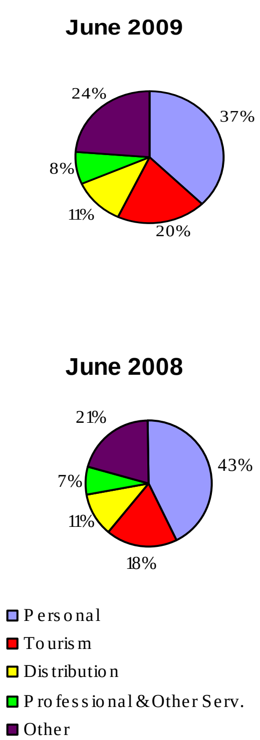
Commercial Bank Distribution of Local Currency Loans & Advances to the Private Sector (Flows J$M)

	Jun-08	Mar-09	Jun-09
Agriculture & Fishing	20.9	-34.7	-336.5
Mining & Quarrying	215.9	-140.5	109.8
Manufacturing	533.6	-335.2	-142.7
Construction & Land Dev.	44.4	477.7	270.8
Transport, Storage & Comm.	687.0	233.4	76.1
Tourism	994.3	-20.7	-428.9
Distribution	1 274.4	1.7	1 654.7
Professional & Other Services	424.2	-177.6	236.5
Personal	1 610.1	-671.0	-878.9
Electricity, Gas & Water	254.0	-239.6	-225.5
Entertainment	77.5	71.5	-46.8
Overseas Residents	1.7	447.2	-26.8
TOTAL	**6 138.0**	**-387.8**	**261.7**

Figure 1.8

Sectoral Distribution of Commercial Bank Loans & advances to the Private Sector Per Cent of Outstanding Stock

June 2008 & June 2009



Foreign currency-denominated loans declined by 1.0 per cent in the June 2009 quarter. The stock of these loans at end-March 2009 was in line with that which obtained at end-December 2008. During the June 2008 quarter there was an expansion of 20.2 per cent in foreign currency loans. The reduction in foreign currency-denominated loans relative to the previous quarter reflected a decrease in the stock of loans to ***Tourism***, ***Mining & Quarrying Distribution*** and ***Tourism***. The stock of loans to ***Mining & Quarrying*** declined by 80.6 per cent during the review quarter. This decline could be attributed to the slowdown in the construction and mining industries. However, there were increases in ***Electricity Gas and Water, Agriculture*** & ***Fishing*** and ***Manufacturing***.

Interest Rates

The overall weighted average lending rate for the review quarter declined by 69 basis points (bps), reflecting a reduction in the lending rate charged for both public sector and private sector loans (**see Table 1.10**). These declines reflected a fall in the value as well as the interest rate on loans to both sectors. The lending rates charged on public sector and private sector loans decreased by 85 and 68 bps respectively for the June quarter. The lower rate charged on the private sector loans reflected a reduction in the lending rates for all categories.

Performance Indicators

Lending to the private sector accounted for 38.7 per cent of the banks' total assets at the end of June 2009. This was slightly lower than the ratio of 38.8 per cent at end March 2009.

The quality of the private sector loan portfolio, measured by the ratio of past due loans (over three months) to total private sector loans deteriorated to 4.3 per cent at end-June 2009 from 3.1 per cent at end-March 2009. This outturn reflects deterioration in the loan quality to ***Mining & Quarrying, Manufacturing, Distribution*** as well as ***Personal Loans***. The ratio of past due loans to total loans deteriorated to 3.7 per cent at end-June 2009 from 2.7 per cent at end-March 2009.

Table 1.9

Commercial Bank Distribution of Foreign Currency Loans & Advances to the Private Sector (Flows US $M)			
	Jun-08	**Mar-09**	**Jun-09**
Agriculture & Fishing	12.7	-2.5	5.1
Mining & Quarrying	-1.0	0.7	-2.1
Manufacturing	27.0	-3.0	3.5
Construction & Land Development	13.3	9.8	-1.1
Transport, Storage & Comm.	12.2	-0.5	-2.9
Electricity, Gas & Water	10.8	-1.0	5.1
Distribution	36.9	5.6	-12.1
Tourism	38.9	-2.3	-6.9
Entertainment	0.2	-0.1	0.5
Professional & Other Services	18.5	-0.5	-0.9
Personal	3.4	-6.0	0.3
Overseas Residents	3.5	0.0	0.0
TOTAL	**176.6**	**0.1**	**-11.3**

Figure 1.9

Sectoral Distribution of Foreign Currency Loans & Advances to the Private Sector Per Cent of Outstanding Stock

June 2008 & June 2009

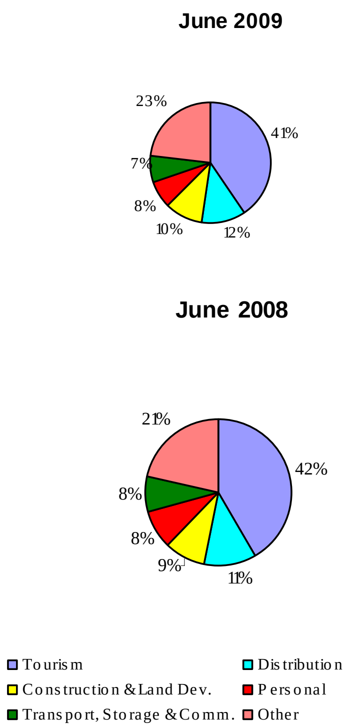


Table 1.10

Commercial Bank
Domestic Currency Average Weighted
Lending Rates by Loan Type
Per Cent

	May-08	Mar-09	Prov. May-09
Overall	**17.10**	**16.58**	**15.89**
Public Sector	**10.81**	**12.74**	**11.89**
Local Govt. & Other Public Ent.	10.26	11.28	10.66
Central Government	15.25	15.72	13.53
Private Sector	**18.21**	**17.19**	**16.50**
Instalment	20.63	20.48	20.64
Mortgage	7.48	9.64	9.01
Personal	25.18	24.06	23.16
Commercial	13.89	13.33	12.64

Figure 1.10
Commercial Banks' Past due Loans
(Three Months and over) to Total Loans
June 2007 to June 2009

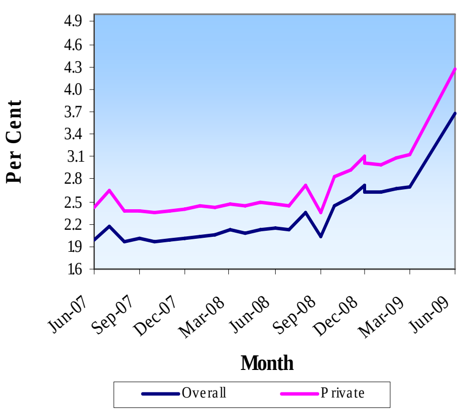


Table 1.10

Treasury Bill Auctions and Maturities
April - June 2009

Issue Date	Tenor (days)	Avg. yield (%)	Amount Allotted (J$M)	Amount Maturing (J$M)
24-Apr-09	182	21.17	400.0	400.0
	91	19.82	400.0	400.0
			800.0	800.0
29-May-09	182	21.08	400.0	400.0
	91	19.21	400.0	400.0
			800.0	800.0
19-Jun-09	182	21.05	377.2	400.0
24-Jun-09	91	19.58	378.5	400.0
			755.7	800.0
TOTAL			**2 355.7**	**2 400.0**

Table 1.11

GOJ Public Domestic Debt Raising
April - June 2009

	Amount Allotted (J$MN.)	Amount Maturing (J$MN.)	Net Issues (J$MN.)
Treasury Bills	2 355.7	2 400.0	-44.3
Variable Rate LRS		600.0	-600.0
Fixed Rate LRS	800.0	5 678.2	-4 878.2
Fixed Rate Inv. Deb.	26 357.6	12 421.5	13 936.1
Var. Rate Inv. Bd.	9 941.4		9 941.4
Fixed Rate Reg. Bd.	4 750.8		4 750.8
Total (J$)	**44 205.4**	**21 099.7**	**23 105.7**

Bond Market

Developments within the bond market were largely favourable during the review quarter. This was in a context of continued moderation in annual inflation, general stability in the foreign exchange market as well as ample domestic liquidity. This favourable environment, supported by the Bank's lowering of the yield on its 365-day Certificate of Deposit (CD) and the later removal of this tenor from the menu of OMO instruments, influenced a continuation of the downward trend in market-determined interest rates during the review quarter. There were net allotments on GOJ debt instruments, the majority of which continued to be placed at fixed rates. Similarly, there were net placements across the spectrum of the Bank's 30-day to 365-day OMO CDs.

The prices of GOJ global bonds rose during the review quarter, consequent on the generally improved market sentiment regarding the near-term outlook for the global financial market as well as expectations of the Government entering into an IMF borrowing programme.

The average yields on GOJ Treasury Bills continued to decline in the June 2009 quarter, in the context of continued moderation in inflation as well as relative stability in the foreign exchange market. The decline in the yields of these instruments was also influenced by a reduction in the interest rate applicable to the Bank's 365-day OMO security and later withdrawal of this tenor, a decline in the cost of funds in the private repo market as well as fairly buoyant Jamaica Dollar liquidity conditions. The average yields on the 90-day and 180-day Treasury Bills declined by 93.0 basis points (bps) and 72.0 bps, respectively, relative to the end of the March 2009 quarter (see **Table 1.10**). Notwithstanding the overall decline in the interest rates on GOJ Treasury Bills for the quarter, there was a marginal increase in the yield on the 90-day Treasury Bill as well as an under-subscription of both instruments in the June auction. These outturns largely reflected reduced Jamaica Dollar liquidity given concurrent offers of other GOJ instruments. At the end of the review quarter, the yields on the 90-day and 180-day Treasury Bills were 42.0 bps and 45.0 bps, respectively, below the rates on the Bank's corresponding OMO instruments.

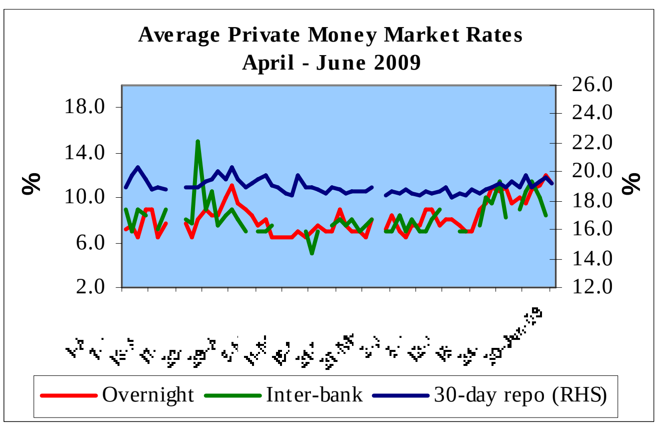
Table 1.12

Placements and Maturities* in BOJ OMO Instruments:

	April - June 2009		January - March 2009	
	Maturities (J$MN.)	Placements (J$MN.)	Maturities (J$MN.)	Placements (J$MN.)
30-day	37 583.0	37 642.9	38 800.3	31 771.3
60-day	2 640.5	2 776.4	1 518.9	1 661.9
90-day	7 873.4	8 323.4	8 365.0	7 873.4
120-day	794.6	1133.3	1 138.3	949.1
180-day	2 619.8	7 641.9	2 447.6	5 455.2
270-day	0.0	0.0	0.0	0.0
365-day	21 656.1	26 640.9	28 632.5	24 322.3
Variable Rate CD	6 926.6	0.0	9 594.8	0.0
Fixed Rate CD	0.0	0.0	0.0	0.0
TOTAL	**80 094.1**	**84 158.7**	**90 497.4**	**72 033.2**

***excludes overnight transactions during the period**

Figure 1.11

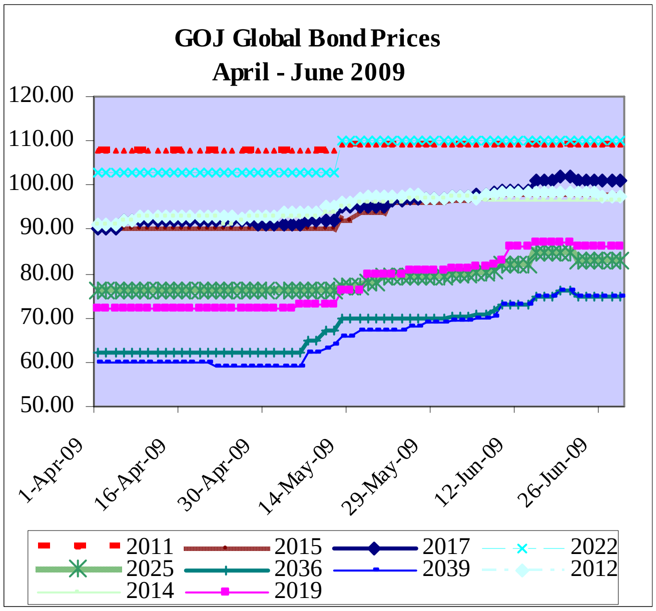


Excluding the Treasury Bills, the GOJ offered 15 additional debt instruments to the market, 8 of which were issued at fixed rates. Total allotments during the review quarter amounted to $41.8 billion, of which fixed rate (FR) instruments raised $31.9 billion (see **Table 1.11**). The heightened interest in FR instruments generally reflected investors' view that market interest rates would decline in the short-term. In keeping with investors' preferences for short-term securities, the majority of the fixed rate instruments will mature within 1 to 3 years and offered coupons in the range 21.75 per cent to 22.75 per cent (see **Appendix 8B**). The GOJ also offered a long-term 30-year FR registered bond during the quarter with a coupon of 23.75 per cent. On 24 June, there was an auction of one tranche of a FR GOJ Local Registered Stock (LRS). The average yield on this instrument was 22.32 per cent.

The GOJ variable rate (VR) instruments issued during the review quarter were all scheduled to mature within 3 years. The re-pricing margin on the variable rate debt was increased gradually from 1.375 percentage points to a high of 1.75 percentage points before closing the month at 1.625 percentage points above the yield on the 90-day Treasury Bill. During the June quarter, there were no offers or principal maturities of foreign currency-denominated or foreign currency-indexed bonds. In this regard, there was an overall net issue of GOJ domestic debt instruments of $23.1 billion during the review quarter, relative to a net maturity of $882.0 million in the March 2009 quarter.

There were net placements of $10 991.3 million across the spectrum of the Bank's 30-day to 365-day CDs and reflected net issues on all tenors of OMO instruments during the review quarter (see **Table 1.12**). The 30-day tenor recorded the majority of placements, a continuation of the trend in the previous quarter. There were also strong net placements on the 365-day instrument despite a 133.0 basis points reduction in the interest rate payable on this tenor on 08 April. The maturity of two VR CDs during the review quarter, injected $6 926.6 million into the market. With the inclusion of these VR CDs, there was an overall net issue of $4 064.6 million in BOJ securities during the quarter, compared to net maturities of $18 464.2 million in the previous quarter.

Figure 1.12



Private money market rates declined during the review quarter, reflective of the general stability in the foreign exchange market and buoyant domestic liquidity conditions (see **Base Money** and **Foreign Exchange Market**rage rate on the overnight instrument fell to 8.23 per cent in the review quarter from 12.41 per cent in the previous quarter. Similarly, the average interbank and 30-day repo rates decreased to 8.26 per cent and 19.0 per cent, respectively, representing declines of 246.0 and 182.0 basis points relative to the March 2009 quarter. Spikes in the private money market rates generally coincided with offers of GOJ instruments in the market (see **Figure 1.11**).

There was an overall improvement in the performance of GOJ global bonds during the June quarter. This reflected expectations of a near-term recovery within developed economies, reduced risk aversion to emerging market debt and generally improving sentiments in the global financial market. In addition, the improvement in the bond market was influenced by investors' view that the GOJ would be entering into an IMF borrowing programme. The prices on these sovereign bonds increased during the review quarter, particularly since May 2009 (see **Figure 1.12**). Consequently, the average yields on GOJ global bonds closed the quarter within the range 6.55 per cent – 12.01 per cent, relative to the range 7.58 per cent – 14.55 per cent at the close of the previous quarter.

Figure 1.13
Quarterly Growth of the JSE Indices
June 2008 – June 2009

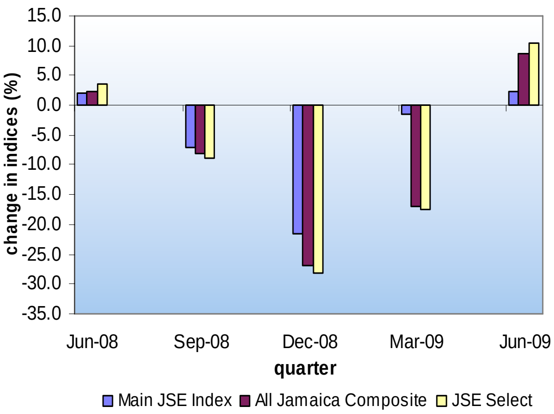


Figure 1.14
Average Monthly Returns from Equities, Foreign Currency and Fixed Income Investments

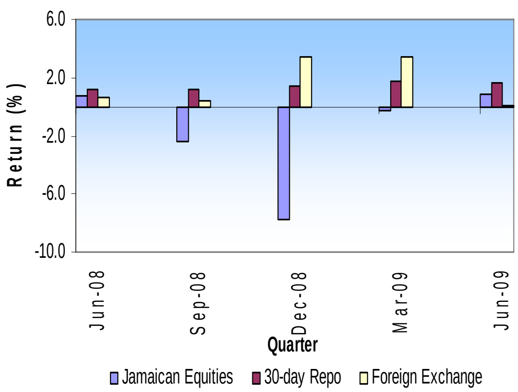
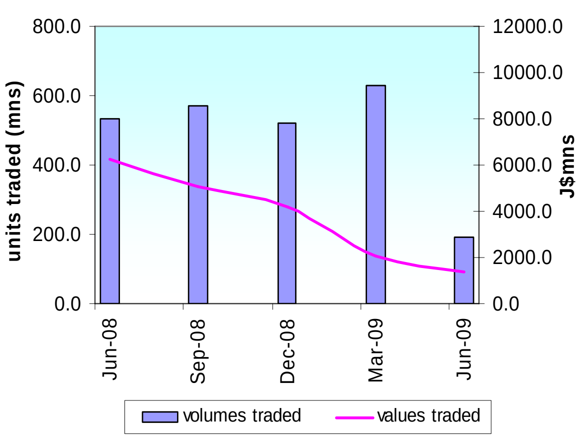


Figure 1.15
Quarterly Movements in Volumes & Values
Traded June 2008- June 2009



Stock Market

The Main Jamaica Stock Exchange (JSE) Index increased moderately during the June 2009 quarter. This outturn was primarily influenced by the better than expected earnings results of a few blue chip stocks as well as relative stability in the foreign exchange market during the quarter. However, investors' confidence remained subdued in the context of a contraction in real economic activity and higher return on fixed income securities.

During the June 2009 quarter, there were increases in all three major local stock market indices. The Main JSE Index increased by 2.3 per cent, while the All Jamaica Composite and the Select indices grew by 8.7 per cent and 10.5 per cent, respectively (see **Figure 1.13**). However, the JSE Cross Listed Index, which measures the performance of stocks of foreign-owned listed companies, contracted by 2.3 per cent to close the quarter at 968.6 points.[3]

The positive performance of the stock market was influenced by better than expected earnings results of a few blue chip stocks such as Scotia Group Jamaica, ScotiaDBG, Seprod and Gracekennedy Limited in the June 2009 quarter. In addition, the relatively stable foreign exchange market would have been a supporting factor during the quarter. More specifically, investments in equities yielded an average monthly return of 0.8 per cent relative to average monthly return of 0.1 per cent from foreign currency investments (see **Figure 1.14**). Nonetheless, further growth in the stock market was constrained by a decline in economic activity, higher returns on fixed income investments and expectation of further declines in economic activity in the short run.

The advance-to-decline ratio improved substantially to 16:17 in comparison to 6:26 in the previous quarter. Notably, growth in the indices was mainly concentrated in the financial and conglomerate categories which accounted for seven of the top ten advancing stocks (see **Figure 1.6**). Despite the improvement in the JSE indices, there was a significant reduction in overall volumes and values traded for the June quarter. The values and volumes of shares traded during the quarter fell 75.0 and 30.0 per cent, respectively, indicative of continued risk aversion by equities investors (see **Figure 1.15**).

3 The decline in the Cross Listed Index can be attributed to a sharp decline in the share price of Trinidad Cement Limited amidst poor earnings results.

Table 1.16
Advancing Stocks June 2009 Quarter

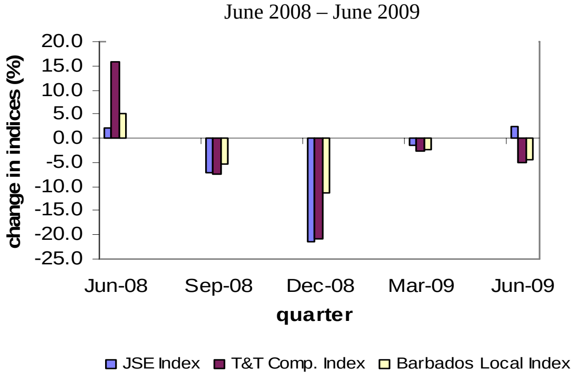
Companies	Price as at Jun-09 $	Qtr. Change %
Advancing Stocks		
Finance		
First Jamaica	25.50	33.93
Pan Caribbean	15.49	25.53
ScotiaDBG	16.06	23.54
Scotia Group Jamaica	17.22	21.70
Capital & Credit	4.36	10.38
Manufacturing		
Caribbean Cement	4.60	27.78
Insurance		
Sagicor Life Jamaica	4.78	13.81
Tourism		
Montego Freeport	2.28	47.10
Conglomerate		
Pan Jamaican Investments	35.49	43.39
GraceKennedy	48.03	20.38

Table 1.17
Declining Stocks - June 2009 Quarter

Companies	Price as at Jun-09 $	Qtr. Change %
Declining Stocks		
Manufacturing		
Trinidad Cement Limited	55.25	-30.94
Salada Foods	8.90	-13.42
Berger Paints	1.60	-11.11
Other		
Supreme Ventures	2.08	-16.08
Communications		
Radio Jamaica	1.73	-42.33
Gleaner Company	1.35	-11.76
Finance		
First Caribbean Bank Ja.	15.00	-25.00
Jamaica Money Market	4.51	-24.83
Tourism		
Ciboney	0.04	-20.00
Pegasus	12.54	-16.40

Figure 1.18
Quarterly Growth of Regional Indices

June 2008 – June 2009



During the quarter, the JSE launched the Jamaica Junior Stock Exchange. The Junior Stock Exchange is aimed at providing an opportunity for small and medium-sized enterprises (SMEs) to raise capital. In addition to providing a cheaper source of financing to SMEs, the Junior Stock Exchange will provide listed companies with expansion opportunities and tax exemption on profits for the first five years of listing. During the review period, the Government imposed an increase of 33 1/3 per cent in withholding tax on dividends to non-resident shareholders, taking effect in the fiscal year. This increase may possibly make the local stock market less attractive for these investors.

The Trinidad & Tobago Composite Index and the Barbados Local Index declined during the June 2009 quarter, representing a continuation of the trend decline observed since June 2008. In Trinidad & Tobago, the Composite Index fell by 5.1 per cent, compared to a decline of 2.5 per cent in the previous quarter. For Barbados, the Local Index declined by 4.6 per cent, relative to a decrease of 2.4 per cent for the March 2009 quarter (see **Figure 1.18**). The stock market outturns in Trinidad & Tobago and Barbados for the June 2009 quarter reflect the generally slower rate of growth in profitability of listed companies, in addition to the downturn in economic activity in these Caribbean states. This slowdown in economic activity also led to weakened consumer and business confidence in these economies.

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

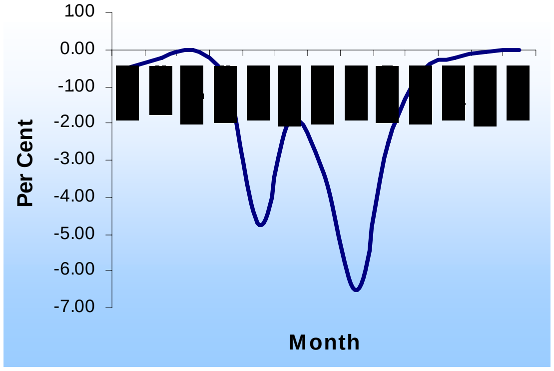
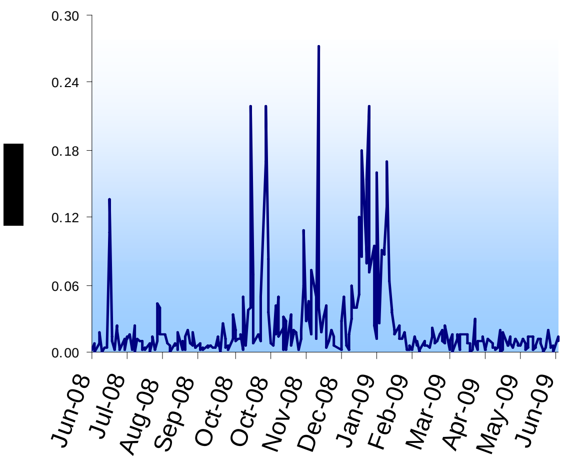
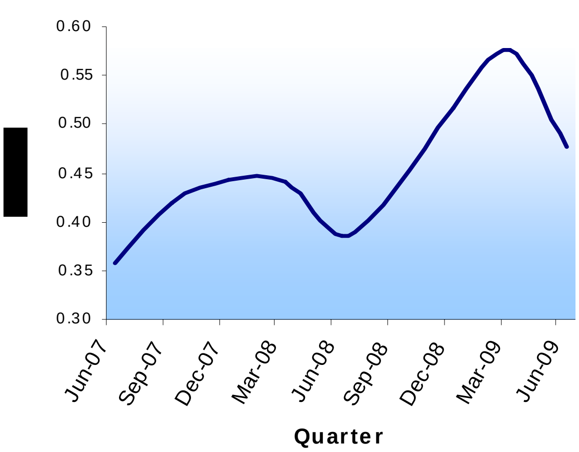


Figure 1.23
Exchange Rate Market Volatility (*)



(*) Volatility is calculated as the standard deviation of the daily logarithmic returns.

Figure 1.24
Foreign Exchange Spread as a Percentage of the Buying Rate



Foreign Exchange Market

The stability that characterized the foreign exchange market in the second half of the March 2009 quarter continued in the June 2009 quarter (See Figures 1.22 and 1.23). This was reflected in the marginal depreciation of 0.29 per cent, compared to 9.40 per cent in the March 2009 quarter. The relative stability in the exchange rate was underpinned by initiatives started by the BOJ in the two previous quarters, which included moral suasion, the establishment of a foreign exchange facility for public sector entities and the intermediation of foreign exchange flows. The NIR stock as at 30 June 2009 was US$1 619.4 million, US$9.2 million lower than the outturn at end-March 2009.

The weighted average selling rate (WASR) of the US dollar increased to J$89.07 = US$1.00 at end-June 2009 from J$88.82 = US$1.00 at end-March 2009. This represented a moderation in the rate of depreciation in the domestic currency to 0.29 per cent, relative to the 9.40 per cent in the previous quarter (see **Figure 1.22**). This rate was also lower than the 0.78 per cent depreciation over the previous five June quarters. However, for the calendar year to June, the value of the Jamaica Dollar, vis-à-vis the US dollar declined by 9.66 per cent, above the 1.77 per cent recorded for the comparable period of 2008.

Consistent with the decline in the pace of depreciation, the average bid-ask spread, expressed as a percentage of the buying rate, decreased to 0.47 per cent from 0.58 per cent in the previous quarter (see **Figure 1.24)**. Similarly, the average weekly market trading range declined to 0.06 in the June 2009 quarter from 0.66 in the March quarter (see **Figure 1.25**)[4].

The reduction in the pace of depreciation resulted from the impact of measures implemented by the BOJ, in the previous two quarters as well as a reduction in net demand for foreign currency. These measures included moral suasion through more frequent dialogue with market participants, from which the authorized dealers and cambios continued to moderate their over-the-counter and contract bids to purchase foreign exchange. This agreement had the effect of tempering movements in the exchange rate. The Bank also maintained its foreign exchange facility for public sector entities (see **Appendix**). Through this facility the authorised dealers and cambios surrendered US$186.7 million

4 The 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

Figure 1.25
Weekly Exchange Rate Trading Range

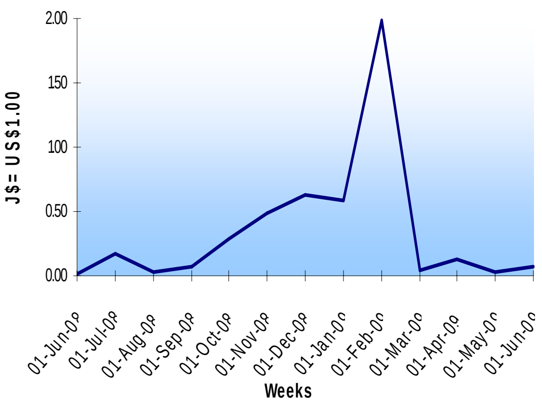


Table 1.11
Foreign Exchange Cash Flows*

	US$MN			Change Relative To Previous	
	2008 Apr-Jun	2009 Jan-Mar	2009 Apr-Jun	Qtr	yr
Net Current Inflows	-1016.9	-399.1	-199.5	199.6	817.4
Current Inflows	1327.1	1045.4	1030.1	-15.3	-297.0
Current Outflows	2344.1	1444.5	1229.6	-214.9	-2559.0
Net Private Capital Inflows	1237.1	363.0	307.1	-55.9	-930.0
Balance	220.2	-36.1	107.6	143.7	-112.6

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

Table 1.12
Net International Reserves
(US$MN)

Month	Stock	One Month Change
Jan-09	1765.0	-7.9
Feb-09	1601.9	-163.1
Mar-09	1628.6	26.7
Apr-09	1663.6	35.0
May-09	1671.7	8.1
Jun-09	1619.4	-52.3

to meet the demand of public sector entities, relative to US$115.5 million in the previous quarter. Given the success of the above initiatives, the Bank found it necessary to intervene on only one occasion, 09 April, selling US$10.0 million to the market to augment supply.

The Bank estimates that net foreign exchange demand to facilitate current account transactions declined by US$199.6 million, relative to the March 2009 quarter (See **Table 1.11**). This was associated with a decline in foreign exchange outflows due mainly to an estimated reduction in spending on consumer and fuel imports of US$50.1 million (15.8 per cent) and US$96.6 million (23.4 per cent), respectively. The contraction in spending on imports primarily resulted from weak domestic demand conditions (See **Real Sector Developments**). Supplies to the market, however, declined by US$15.3 million, underpinned by a 7.6 per cent reduction in estimated tourism earnings for the quarter. In addition, net private capital inflows also fell marginally. This primarily reflected the impact of weak external demand conditions due to the global economic recession.

Against this background, average per diem sales by the system (authorised dealers and cambios) declined to US$26.8 million for the review quarter, relative to the US$35.0 million in the comparable period in 2008. Average per diem purchases also declined to US$24.2 million, relative to US$31.7 million at end-June 2008.

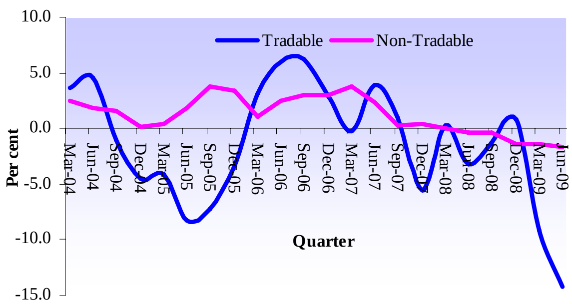
Given the overall improvement in market conditions during the quarter, the Bank net purchased approximately US$30.0 million from the system, relative to net sales of US$64.0 million in the previous quarter. Notwithstanding this net purchase, the NIR at end-June 2009 was US$1 619.4 million, US$9.2 million lower than the stock at end-March 2009. This marginal decline in the NIR compares to reductions of US$478.2 million and US$144.4 million in the December 2008 and March 2009 quarters, respectively (See **Table 1.12**). The Bank's gross reserves at end-June 2009 amounted to US$1 660.6 million, representing 13.1 weeks of projected goods and services imports. This compares favourably with the international benchmark of 12 weeks.

2. Real Sector Developments

Economic activity continued to weaken in the June 2009 quarter, with an estimated decline in output in the range of 3.5-4.5 per cent. This estimate represents the sixth consecutive quarter and the largest quarterly contraction in Gross Domestic Product (GDP) over the last ten years. The fallout in economic activity continues to emanate primarily from the tradable industries with major contractions in mining and transport, storage & communication. The decline in the aforementioned industries offset the robust growth estimated in Agriculture and Hotels & Restaurants. The contraction in output was reflected in declines in public and private consumption and investment spending, which outweighed an improvement in net external demand.

Figure 2.1

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



Aggregate Supply

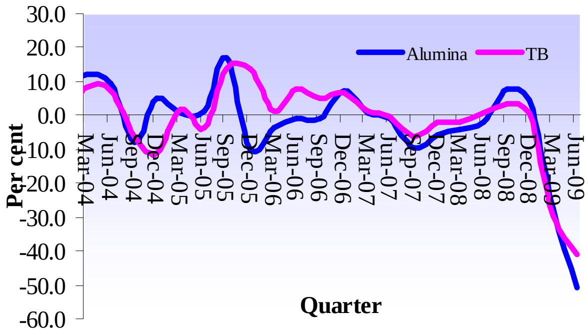
Jamaica's GDP is estimated to have declined in the June 2009 quarter in the range of 3.5 per cent to 4.5 per cent. This outturn was influenced by continued weak external and domestic demand. Although there were signs that global financial markets have been stabilizing, the recession continues. In this context, the demand for Jamaican goods and services remained weak. Additionally, the rise in unemployment in the major economies has resulted in continued declines in remittance inflows to Jamaica. These factors in conjunction with increased domestic unemployment and general uncertainty about future economic prospects have constrained domestic demand.

Against this background there was significant contraction in the tradable industries as well as moderate decline in the non-tradable industries (**see Figure 2.1**). The main industries that contracted in the review quarter were ***Mining & Quarrying***, ***Construction***, ***Transport, Storage & Communication, Wholesale & Retail Trade, Repairs & Installation Machinery*** and ***Manufacture***. Robust growth is estimated for ***Agriculture, Forestry & Fishing*** and ***Hotels & Restaurants*** with a negligible increase in ***Finance & Insurance Services*** and ***Other Services***.

Output is estimated to have contracted at the sharpest rate since the consistent fall out in the economy that started in the December 2007 quarter

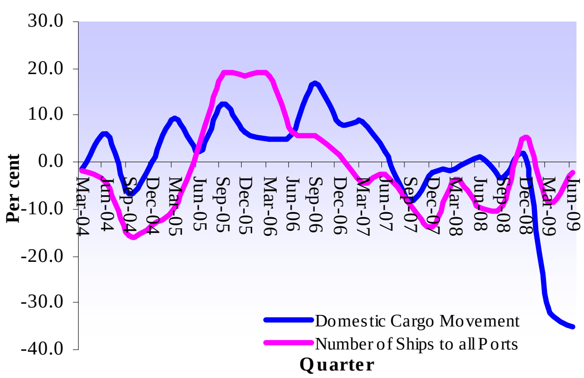
Mining & Quarrying is estimated to have contracted for the second consecutive quarter at a significantly sharper rate than the corresponding

Figure 2.2
Trends in Alumina &Total Bauxite Production
(12-Month Change)



Source: Jamaica Bauxite Institute

Figure 2.3
Total Domestic Cargo Movements and Number of Ships to all Ports
(12-Month change)



Source: Port Authority of Jamaica

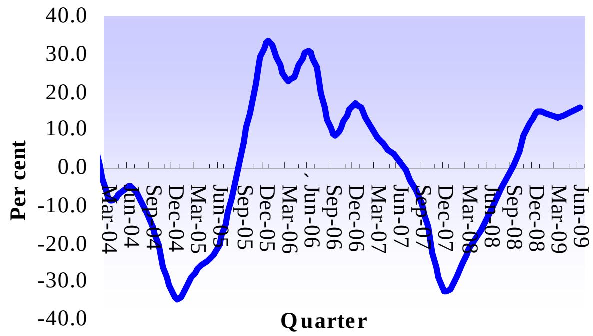
and previous quarters. The industry's performance reflected the closure of two of three alumina companies operating in Jamaica due to waning demand for aluminium on the international market. In addition, operations at the sole bauxite company have also been reduced. In this context, capacity utilization in the alumina and bauxite industries declined to 32.8 per cent and 43.7 per cent, respectively, from 90.5 per cent and 92.5 per cent in the corresponding period of 2008. This compares to a ten-year average of 93.7 per cent and 79.7 per cent, for the respective industries. Consequently, alumina and total bauxite production contracted by 63.6 per cent and 52.7 per cent, respectively, in the review quarter, relative to the comparable period of 2008 (**see Figure 2.2**).

The estimated decline in ***Construction*** for the fifth consecutive quarter reflected the fall off in private, residential and non-residential construction as well as public sector capital projects. The decline in the review period was marginally lower than the average contraction of 7.3 per cent over the last four quarters. Private sector investment continued to be adversely affected by the global credit crunch and weak domestic demand. The continued contraction in residential construction is inferred from declines of 34.9 per cent and 34.0 per cent in the National Housing Trust housing starts and completions throughout the review quarter. Public sector capital projects have been affected by the Government's financial constraints.

Influenced by significant declines in air and water transport, ***Transport, Storage & Communication*** is estimated to have contracted in the review period, continuing the trend since the March 2008 quarter. The strong decline in the industry reflected the impact of the weak external demand on shipping as well as the contraction in services by the national airline. The reduction in water transportation was inferred from declines of 2.1 per cent and 35.0 per cent in the number of ships calling at Jamaica's ports and domestic cargo movements, respectively (**see Figure 2.3**).

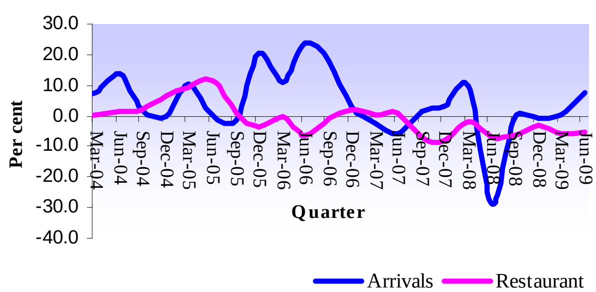
Manufacture declined for the third consecutive quarter reflecting contractions in both *Food & Beverages* and *Other Manufacturing*. Within *Food & Beverages* the decline primarily reflected reduced domestic and external demand for spirits. The temporary closure of the country's oil

Figure 2.4
Domestic Crops
(12-Month Change



Sources: Bank of Jamaica, MOA

Figure 2.5
Total Stopover Visitor Arrivals & Imputed Restaurant Output
(12-Month Change)



Source: Jamaica Tourist Board

refinery due to damage sustained at the beginning of June 2009 partly influenced the contraction in *Other Manufacturing*.

Agriculture, Forestry and Fishing is estimated to have recorded robust growth, reflecting continued recovery driven by relatively good weather conditions and coordinated growth initiatives by the Ministry of Agriculture. These initiatives include, *inter alia*, the development of greenhouse farms and the provision of machinery and lower cost fertilizer to assist farmers in land cultivation and crop development. While domestic crop production remains below pre-Hurricane Ivan levels[5], the initiatives by the Ministry have enhanced the recovery process. The industry's growth reflected increases in both domestic and export crop production. Domestic crop production increased by 22.3 per cent, relative to the decline of 11.3 per cent in the corresponding quarter of 2008 (see **Figure 2.4**). Amongst the crops grown for export, citrus and cocoa is estimated to have grown by 92.6 per cent and 65.4 per cent, respectively, relative to the corresponding period a year earlier. Sugar, however, contracted by 22.0 per cent due to the closure of two major sugar factories slated for divestment.

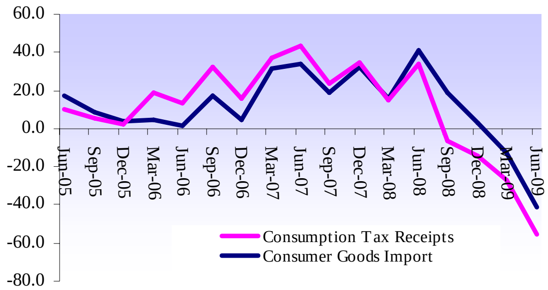
Growth in ***Hotels & Restaurants*** is estimated to be above the average expansion of 1.9 per cent over the last eight quarters. The industry's performance is inferred from an increase of 7.1 per cent in stop-over arrivals which offset an estimated decline of 5.5 per cent in activities within the restaurant industry (see **Figure 2.5**). The performance of the Hotels sub-industry reflected the impact of the diversions of visitors to Jamaica from Mexico due to the outbreak of the H1N1 virus. The intensified advertising by the Jamaica Tourist Board and industry players as well as a diversified tourism product continued to play a significant role in growth of the industry. Lower real income contributed to the decline in restaurant activities.

Aggregate Demand

Estimates of the expenditure components of GDP for the review quarter suggest further declines in ***Private*** and ***Public Consumption*** and ***Investment spending.*** This is in contrast to an estimated improvement in ***Net External Demand***, relative to the comparable period of 2008. The improvement in ***Net External Demand*** was offset by the

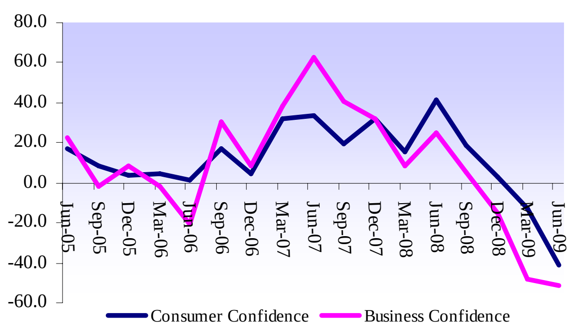
5 Jamaica experienced Hurricane Ivan in 2004.

Figure 2.6
Private Consumption Spending Indicator
(12-Month Change)



Source: Bank of Jamaica, MOF

Figure 2.7
Consumer and Business Confidence Index
(12-Month Change)



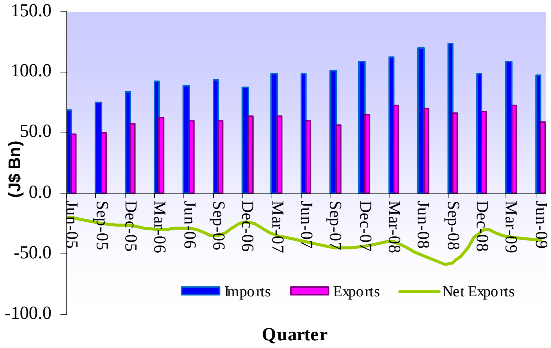
Source: Jamaica Chamber of Commerce

contraction in the other expenditure categories. The reduction in ***Private Consumption*** was inferred from real declines of 40.9 per cent and 14.3 per cent in consumer goods imports and consumption tax receipts, respectively **(see figure 2.6)**.The fall off in real consumption is attributed to the erosion of households' incomes emanating from growing unemployment as well as a wage freeze for public workers. In addition, remittance inflows have slowed while real wages have declined. The decline in consumer spending was corroborated by the deterioration in consumer confidence as reflected in the decline of 16.9 per cent in the Jamaica Conference Board's consumer confidence index, relative to the similar period in 2008 **(see Figure 2.7)**. This contraction represented the fifth consecutive quarter of decline and reflects consumers' expectations of future decline in real incomes. Notwithstanding, there was an increase in the index relative to the preceding quarter.

Government Consumption grew, albeit marginally, relative to the corresponding quarter of 2008. This expansion is attributed to an increase of 17.6 per cent in government wage payments. The expansion in wages reflected retroactive payments to certain public sector workers in the review quarter.

Gross Fixed Capital Formation is estimated to have declined for the third consecutive quarter. This contraction reflected deterioration in both private and public investment spending. The contraction in private spending is deduced from declines of 31.3 per cent and 49.0 per cent in capital goods imports and foreign direct investment, respectively. These contractions were partly influenced by tight credit conditions in both the domestic and global credit markets. The fallout in public investment is indicated by a contraction of 27.3 per cent in government capital expenditure attributed to its fiscal constraints for FY09/10. In relation to business expectation, the Jamaica Conference Board business confidence index weakened by 10.1 per cent in the review period, relative to the comparable period in 2008 **(see Figure 2.7)**. The fall in business confidence was influenced by uncertainty amongst firms regarding the ongoing recession amongst Jamaica's major trading partners. Consequently, firms have decided to rein in current investment and continue to postpone new investment.

Figure 2.8
Net Exports

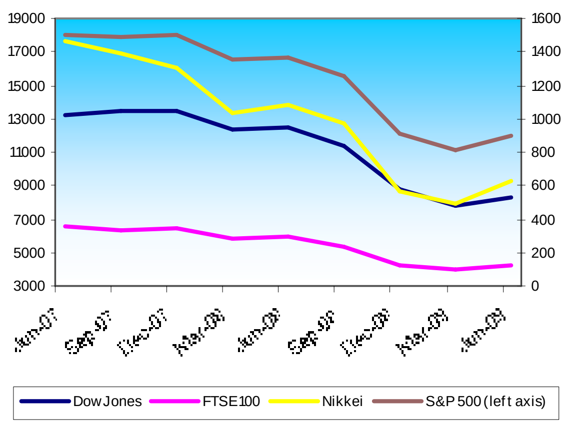


Source: BOJ & STATIN

Estimates of external trade suggest an improvement in ***Net External Demand*** when compared to the similar period of 2008 **(see figure 2.8)**. The improvement was influenced by an estimated decline of 19.9 per cent in imports of goods and services, which outweighed the fallout of 15.7 per cent in exports of goods and services. The larger contraction in imports is reflective of the general slowdown in the domestic economy. In this context, oil, raw material and consumer goods imports are estimated to have fallen by 63.0 per cent, 62.1 per cent and 40.9 per cent, respectively. In regards to exports, alumina, bauxite and sugar declined by 81.4 per cent, 43.3 per cent and 7.4 per cent, respectively. The decline in export is attributed to the aforementioned closure of two of the country's alumina plants as well as reduced activity in the sugar industry.

3. International Developments

Figure 3.1
Selected Stock Market Indices
June 07 to June 09
(quarterly averages)



While there were continued declines in economic activity in most advanced economies, these were at slower rates than in the previous quarter resulting from sustained efforts by governments and central banks to stimulate their economies. The renewed optimism prompted by these interventions resulted in notable increases in stock market indices as well as the prices of crude oil and selected agricultural commodities over the quarter. Despite the increased prices of imported commodities, a rise in the price of Jamaica's tourism product resulted in an improvement in Jamaica's terms of trade (TOT).

Against the background of fiscal and monetary easing, there was an improvement in liquidity and a reduction in global money market interest rates reflecting a reduced perception of risk. This in turn fostered a decline in the yields on emerging market bonds. In the context of increased investor optimism surrounding a possible borrowing agreement between the IMF and the Government of Jamaica, yields on Government of Jamaica (GOJ) sovereign bonds also declined.

Evolution of the Global Financial Crisis

The turmoil that characterized the global financial markets since mid-2007 abated during the June 2009 quarter. In particular, the three-month London Inter-bank Offered Rate (LIBOR) on US dollar denominated transactions, an indicator of global credit conditions declined. In addition, several major financial institutions in the US signalled improving operational health by initiating the repayment of loans previously received from the government.

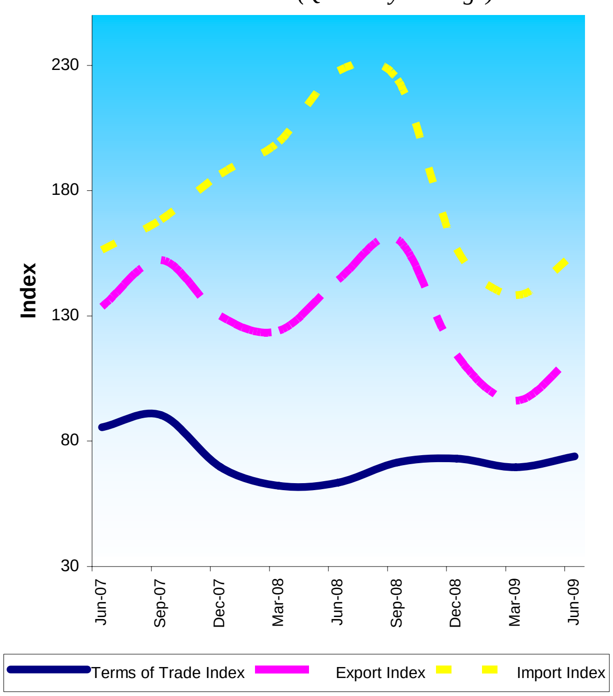
In an attempt to provide a unified framework for addressing the issues arising from the crisis, leaders of the world's largest economies articulated a global plan for recovery following the G-20 summit in April. In the plan measures valued in excess of US$1.0 trillion dollars were outlined to aid recovery. These measures included an agreement to triple the resources of the IMF to US$750 billion, as well as support for a general SDR allocation of $250 billion to inject liquidity into the global system. Additionally, the leaders agreed to undertake fiscal expansions amounting to US$5 trillion and to maintain expansionary monetary policies, including the utilisation of unconventional policy instruments, for as long as required to ensure recovery.

Jamaica's terms of trade improved in the June 2009 quarter

The optimistic outlook fostered by these announcements as well as improved macroeconomic fundamentals contributed to increases in global stock markets and commodities markets. For example, the Dow Jones Industrial Average (DJIA) increased by 11.0 per cent for the quarter to 8447 points at end June 2009 (see **Figure 3.1**).

Similar to the financial markets, the real economy also showed signs of improvement. For example, real GDP in the US is estimated to have declined on an annualized basis by 2.9 per cent during the June 2009 quarter, following a 5.5 per cent contraction in the March 2009 quarter. The rate of decline of real GDP in the UK is also estimated to have decelerated to 4.6 per cent for the quarter, compared to a contraction of 4.9 per cent in the March 2009 quarter. This lower contraction in GDP was driven by increases in consumption and resulted in an increase in the average price level during the June 2009 quarter compared to the March 2009 quarter. For the US, UK and Euro area, average prices in the June quarter were 0.3 per cent, 1.1 per cent and 0.1 per cent, respectively, above the same measure for the March 2009 quarter.

Figure 3.2
Jamaica Terms of Trade Index
June 07 to June 09 (Quarterly Average)



Although the world's major economies showed signs of recovery from the recession, unemployment continued to increase. For the US, the unemployment rate at June 2009 was 9.5 per cent, relative to 8.5 per cent at March 2009. Similarly, the unemployment rates in the Euro area and the UK rose to 9.5 per cent and 7.6 per cent at May 2009, respectively, from 9.0 per cent and 7.1 per cent at the end of the first quarter. The increase in unemployment reflected notable job losses in the manufacturing sector, even as losses in the services and construction sectors were moderating.

Terms of Trade

Jamaica's TOT index rose by an estimated 6.3 per cent during the June 2009 quarter, relative to the previous quarter.[6] The TOT index for the review quarter was also 16.6 per cent higher than the index at June 2008 (see **Figure 3.2**). The movement in the TOT index during the review period reflected a 19.1 per cent increase in the Export Price Index (EPI), which was partly offset by a 12.0 per cent increase in the Import Price Index (IPI). The increase in the EPI reflected a 22.1 per cent increase in

6 The Bank estimates a measure of Jamaica's terms of trade which is a ratio of the index of export prices to the index of import prices. An improvement of the terms of trade follows if export prices rise more quickly than import prices.

Table 3.1

	Selected Import/Export Prices (period averages) (Per cent changes relative to previous period)			
	Sep-08	**Dec-08**	**Mar-09**	**Jun-09**
Crude Oil	-4.80	-50.45	-26.29	38.39
Soybeans	-2.40	-33.99	4.30	16.84
Corn	-5.51	-31.21	-0.86	5.42
Rice	-17.80	-19.72	3.90	-5.93
Wheat	-10.48	-26.48	1.98	6.48
TIPI*	23.68	-23.22	-19.79	22.07
Aluminium	-5.20	-34.65	-25.35	9.21

Table 3.2

	Selecetd Key Interest Rates Mar 09 - Jun 09				
	USA[a]	**UK[b]**	**Euro Area[b]**	**Japan[c]**	**Canada[d]**
Mar	0.25	0.50	1.50	0.10	0.50
Apr	0.25	0.50	1.25	0.10	0.25
May	0.25	0.50	1.00	0.10	0.25
Jun	0.25	0.50	1.00	0.10	0.25

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

the Tourism Implicit Price Index (TIPI).[7] This increase in the TIPI was consistent with seasonal patterns, but remained below the five-year average of 24.9 per cent. Primarily influencing the performance of the IPI was an increase of 38.4 per cent in the price of crude oil as well as a 5.3 per cent rise in the food raw materials sub-index.[8] The rise in the price of crude oil reflected increased optimism about the prospects for global demand as well as several positive macroeconomic reports in the US.

For agricultural raw commodities, the average prices of corn, wheat and soybeans increased by 5.4 per cent, 6.5 per cent and 16.8 per cent respectively, relative to the March 2009 quarter (see **Table 3.1**). The increase in the prices of these commodities reflect ongoing concerns about supply in light of adverse weather conditions in the US Midwest region as well as reduced acreage in Argentina. However, the price of rice declined by 5.9 per cent, influenced by increased rice exports from Vietnam and anticipation of the removal of India's export ban.

Monetary Policy

The monetary policy stance of most major central banks remained unchanged during the June 2009 quarter, reflecting their views about the appropriate floor for nominal interest rates (see **Table 3.2**). All selected central banks with the exception of the European Central Bank (ECB) left rates unchanged for the quarter. In the case of the ECB, interest rates were lowered by 25 basis points in May.[9] Additionally, monetary authorities introduced a number of measures aimed at increasing liquidity in the banking system. For example, the Bank of England (BOE) committed to quantitative easing to inject liquidity into the system and at the end of the quarter had injected approximately £103.0 billion into the economy.

7 The Tourism Implicit Price Index measures the ratio of the average tourist expenditure to their average length of stay. While there were declines in average tourist expenditure, there was a larger decline in the average length of stay, which resulted in an increase of the index.
8 Crude oil prices are reported as the West Texas Intermediate prices at Cushing in US dollars per barrel.
9 This decision was primarily influenced by concerns about the prospects of slowing economic growth in member states.

Figure 3.3
US Treasury Yield Curve

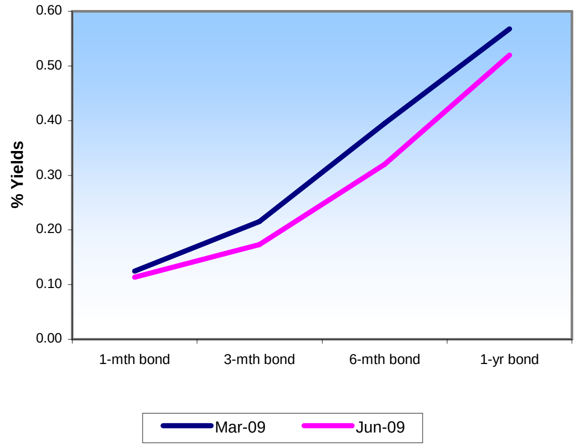
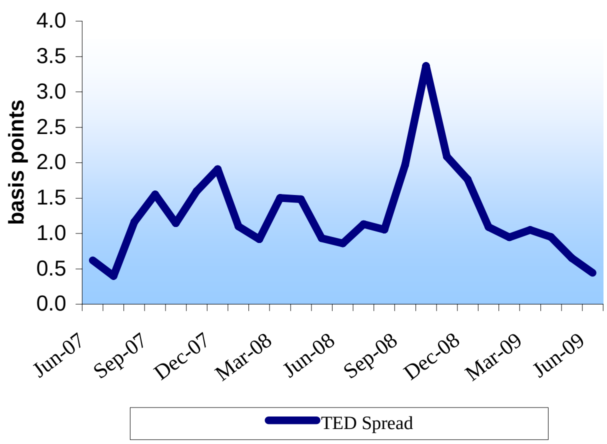


Figure 3.4
TED Spread
(3 mth US LIBOR minus 3 mth US T-bill)



Selected Interest Rates

Market interest rates trended down during the quarter. The average yield in the secondary market for short-term US Treasury Bills declined to 0.28 per cent from 0.32 per cent in the preceding quarter (see **Figure 3.3**). Average yields on longer tenors also declined by 53 bps. The average US dollar LIBOR across the 3-month to 1-year tenors declined significantly by 33 bps, reflecting easing credit conditions among financial institutions. In particular, the 3-month LIBOR declined to an average of 0.85 per cent in the June 2009 quarter, from an average of 1.24 per cent in the previous quarter. Notably, this was the lowest since the onset of the crisis and has fallen to below pre-crisis level. Given this, the spread between the 3-month US LIBOR and the three-month US Treasury bill, an indicator of the state of credit risk in the market, declined by 38 bps, relative to the previous quarter, to average 68 bps (see **Figure 3.4**).

Emerging Market Bonds

In light of the overall easing of monetary conditions in the major developed financial markets, the average yields on emerging market bonds, as measured by the JP Morgan Emerging Market Bond Index Plus (EMBI+), fell by 0.89 percentage point to 8.4 per cent during the review period (see **Figure 3.5**). The declines in these yields also reflected increased optimism about the export earnings of the major emerging market economies and their ability to access credit in international capital markets. The movement in emerging market yields also reflected an increase in the risk appetite of investors and growing optimism about economic recovery in developing markets. In this context, emerging economies such as South Korea, Turkey, Poland and South Africa were able to issue bonds on the international capital market during the quarter.[10] Consistent with the trend in emerging market bonds, average yields on GOJ global bonds declined by 93 bps to 11.7 per cent during the quarter. Consequently, the spread between GOJ global bonds and US long-term Treasury bonds declined by 40 bps to 8.23 percentage points (see **Figure 3.5** and **Figure 3.6**). The fall in the spreads on Jamaica's sovereign bonds also reflected investor optimism about a potential GOJ borrowing programme with the IMF.

[10] Korea issued US$3.5 billion, Turkey US$1.5 billion, Poland US$1.03 billion and South Africa US$1.5 billion.

Figure 3.5
Global Bond Yields
June 07 to June 09

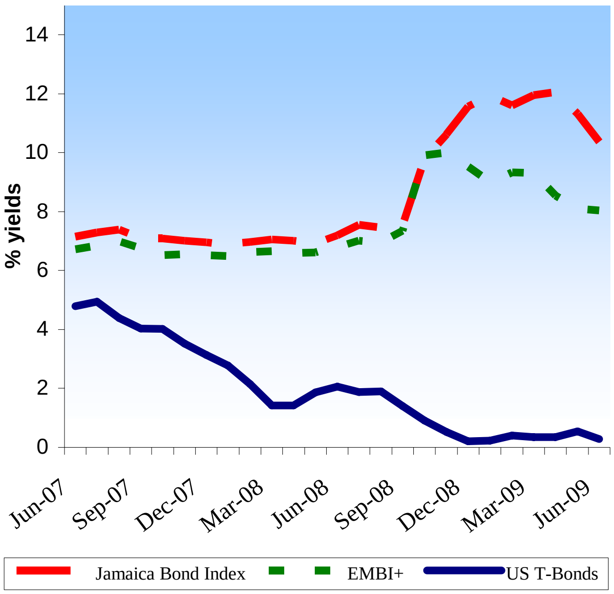
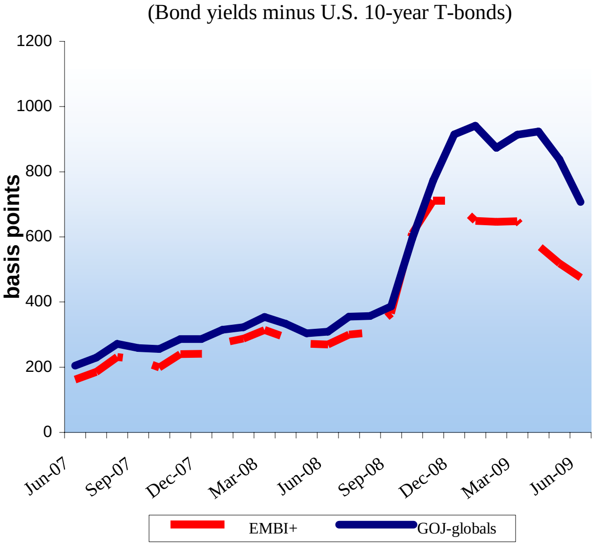


Figure 3.6
Bond Spreads
(Bond yields minus U.S. 10-year T-bonds)



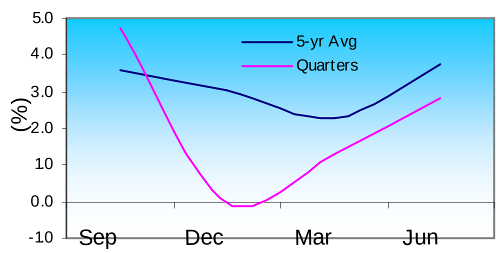
Foreign Exchange Market

With the exception of the Japanese Yen, selected currencies strengthened against the US dollar during the review period. Relative to the average exchange rate in the March 2009 quarter, the Yen depreciated by 3.9 per cent.[11] However, the Euro, Canadian dollar and the Great Britain Pound appreciated by 4.6 per cent, 8.1 per cent and 8.1 per cent, respectively, vis-à-vis the US dollar. The strengthening of these currencies in the June 2009 quarter largely reflected the impact of concerns about the growing US debt and relatively large fiscal debt.

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

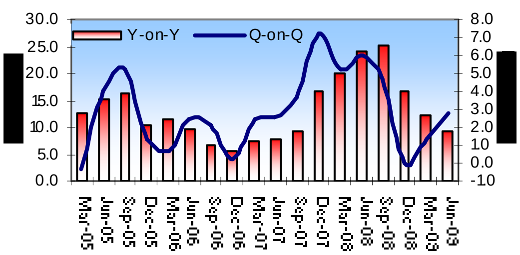
4. Inflation

Figure 4.1
Quarterly Inflation Rate



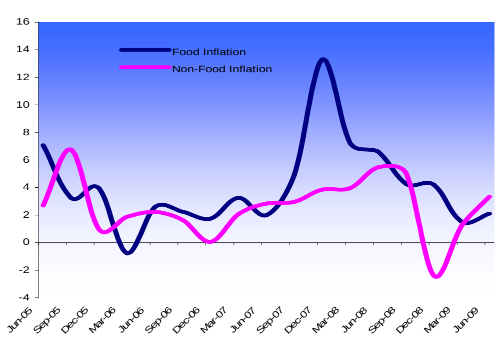
Source: STATIN

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



Source: STATIN

Figure 4.3
Food & Non-Food Inflation (Quarterly)



Headline inflation was 2.7 per cent for the June 2009 quarter relative to 1.3 per cent in the preceding quarter and 6.0 per cent in the June 2008 quarter. The higher inflation in the review period was influenced primarily by a strengthening of non-food inflation stemming from the impact of increases in international prices of crude oil and grains, administered price adjustments and seasonal impulses related to Lenten demand. The impact of these impulses on domestic prices was moderated by weak domestic demand. Additionally, there were some partially offsetting price impulses from an excess supply of some agriculture commodities.

Trends in Price Indices

The All Jamaica Consumer Price Index (CPI) increased by 2.7 per cent at the end of the June 2009 quarter relative to the index at the end of the March 2009 quarter. Prices on average rose by 0.4 per cent in April, 0.9 per cent in May and by 1.4 per cent in June. The outturn for the quarter, however, was below the average of 3.7 per cent for the previous five June quarters but above the 1.3 per cent recorded in the previous quarter (see **Figure 4.1**). Inflation in the review period largely emanated from movements in international commodity prices, seasonal increases related to Lent/Easter and administered prices, which affected *Food & Non-Alcoholic Beverages, Housing, Water, Electricity, Gas & Other Fuels* and *Transport.* Against this background, non-food inflation in the quarter was 3.0 per cent relative to food inflation of 2.3 per cent (see **Figure 4.3**).

Annual point-to-point inflation at June 2009 was 9.0 per cent compared to 24.0 per cent recorded at June 2008 (see **Figure 4.2**). A key difference in the two periods was the behaviour of international commodity prices. In the 2008 period, commodity prices were at or near record levels while for the twelve-month period ended June 2009 these prices fell precipitously from those record levels and since March 2009 have been in the midst of a mild recovery.

Regionally, the indices for the Other Urban Centres (OUC) and Rural Areas increased by 2.2 per cent and 2.5 per cent, respectively, while the index for the Greater Kingston Metropolitan Area (GKMA) rose by 3.3 per cent (see **Figure 4.4**). This pattern primarily reflected developments in

Figure 4.4
Geographical Distribution of Inflation

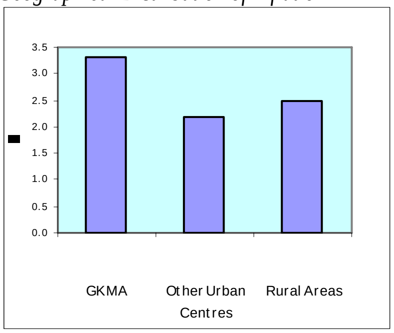


Figure 4.5
Selected 12-Month Measures of Underlying Inflation

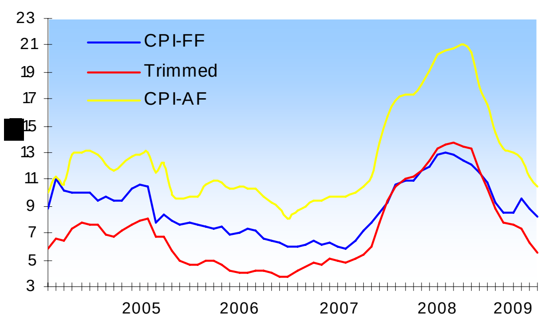
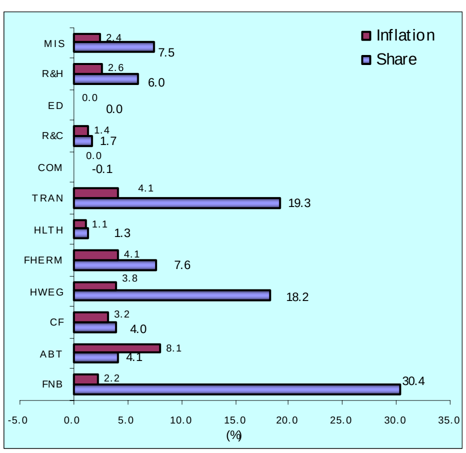


Figure 4.6
Inflation by Division



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

Source: STATIN & BOJ's Calculations

Food & Non-Alcoholic Beverages and *Alcoholic Beverages & Tobacco.* In particular, the GKMA was the only region in which there were no declines *Food & Non-Alcoholic Beverages* and *Alcoholic Beverages & Tobacco.* In particular, the GKMA was the only region in which there were no declines in agricultural prices while it also reflected the sharpest increase in cigarette and spirit prices.

Underlying Inflation

Core inflation remained relatively constrained in a context of tight monetary policy and weak demand. Underlying inflation, as measured by the CPI excluding food and fuel (CPI-FF), slowed to 1.8 per cent relative to an increase of 2.1 per cent in the previous quarter. The trimmed mean measure of inflation increased marginally to 1.3 per cent relative to an increase of 1.1 per cent in the March quarter. Similarly, the CPI excluding agriculture and the direct impact of fuel (CPI-AF) increased by 2.4 per cent compared to 2.2 per cent in the previous quarter. However, all measures of core inflation at an annual frequency continued to reflect moderation relative to prior periods (see **Figure 4.5**). The trimmed mean, CPI-AF and CPI-FF annual measures were near two-year lows with respective outturns of 5.6 per cent, 10.3 per cent and 8.3 per cent at June 2009.

Main Inflationary Factors

The higher inflation for the review quarter relative to the previous quarter was due mainly to a strengthening in non-food inflation arising from increases in the international price of crude oil and administered changes emanating from Government's revenue enhancement measures (see **Figure 4.3**). Seasonal price adjustments associated with the Lenten and Easter periods were also important to the outturn. Depreciation in the weighted average selling rate of the Jamaica Dollar in the March quarter, augmented the contribution of imported prices. As a consequence, inflationary impulses from imported finished goods as well as some food items were more pronounced during the quarter. There were some partially offsetting price impulses from excess supply of vegetables.

International Commodity Prices and the Exchange Rate

Inflation in the June quarter principally reflected the impact of import prices during the March quarter. In the March quarter, the weighted average selling rate of the Jamaica Dollar vis-à-vis the US dollar depreciated by 9.4 per cent following a 9.7 per cent slippage in the

Figure 4.7
Lagged Import Price Index (IPI) and Inflation

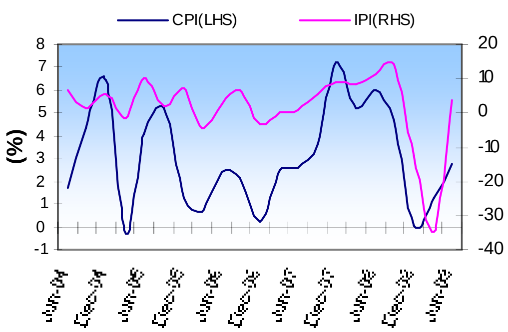
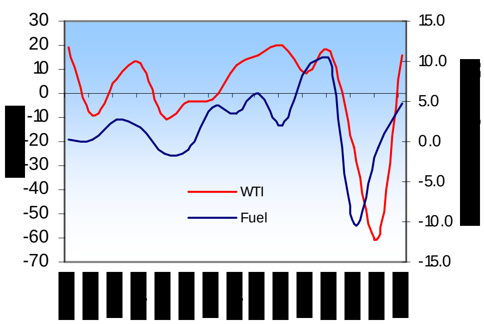


Figure 4.8

Quarterly Chg. in Fuel Index & Lagged WTI



December quarter. In addition, import prices on average increased by 3.8 per cent as reflected in the Import Price Index (IPI) (see **International Economic Developments**). The movement in the IPI in the March quarter was driven primarily by a 16.0 per cent increase in the price of the benchmark West Texas Intermediate crude oil (Fuel) and a 1.1 per cent rise in Raw Materials/Food. The IPI increased by a further 2.2 per cent in the month of April and 6.9 per cent in May. As a result of these factors, there were significant increases in energy and food prices. These developments were manifested primarily in *Housing, Water, Electricity, Gas & Other Fuels* and *Food & Non-Alcoholic Beverages.*

Household Energy Prices

Energy-related inflation, as measured by changes in the Bank's Fuel Index, expanded by 4.6 per cent for the review quarter following a 0.8 per cent decrease in the previous quarter (see **Figure 4.8**). This was mainly reflected in *Housing, Water, Electricity, Gas & Other Fuels* which increased by 3.8 per cent for the quarter, contributing 18.2 per cent of the quarter's inflation (see **Figure 4.6**). This increase was primarily associated with upward movements in electricity rates and the prices of household fuels, such as liquid petroleum gas and kerosene. Residential electricity rates rose by 7.4 per cent during the review quarter. This was as a result of a 14.0 per cent expansion in fuel charges, stemming from the lagged impact of increases in crude oil prices, which was supported by depreciation of 0.9 per cent in the billing exchange rate.

Food Prices

Food-related price impulses were significant in the review quarter. This was largely due to the adverse movements in international commodity prices and from seasonal demand in the Easter period. Corn and wheat prices rose by 4.0 per cent and 3.8 per cent, respectively, in the March quarter. The prices of seafood and some baked products rose as demand increased for these items in the Lenten/Easter period. As a result, upward impulses were evident in the prices of fish, meat and baked products. Largely on the basis of these developments, *Fish & Seafood*, *Meat* and *Bread & Cereals* increased by 5.7 per cent, 2.5 per cent and 2.2 per cent, respectively, collectively contributing 23.2 per cent of the quarter's inflation. *Food & Non-Alcoholic Beverages* increased by 2.2 per cent and accounted for 30.4 per cent of the outturn (see **Figure 4.6**).

Administered Prices

1. Special Consumption Tax

The special consumption tax (SCT) on cigarettes was raised from \$6,000.00 per 1,000 sticks to \$8,500.00 per 1,000 sticks, an increase of 41.7 per cent. There were also adjustments to the SCT on alcoholic beverages. As a direct consequence, *Alcoholic Beverages & Tobacco* increased by 8.1 per cent, contributing 4.1 per cent of the outturn for the quarter (see **Figure 4.6**). Simultaneously, the SCT on petrol was raised by \$8.75 per litre, an increase of approximately 16.0 per cent, based on prevailing prices. However, petrol prices changed by much smaller amounts as retailers adjusted margins and absorbed much of the impact in a context of significant weakness in demand. Nonetheless, *Transport* increased by 4.1 per cent accounting for 19.3 per cent of the quarter's inflation.

2. Minimum Wage

The minimum wage threshold was increased in the June quarter by 10.0 per cent to \$4070 per week. The wages of industrial security guards were also increased from \$5500 per week to \$6050 per week. These adjustments largely explain a 4.1 per cent rise in *Furnishings, Household Equipment & Routine Maintenance*, which accounted for 7.6 per cent of the overall inflation (see **Figure 4.6**).

Countervailing Inflation Impulses

Domestic Agricultural Market Conditions

Production of key agricultural commodities was above seasonal levels for the June quarter and was more than sufficient to meet demand. This was in a context where initiatives from the Ministry of Agriculture and its agencies to boost output and increase productivity have improved crop yields. Anecdotal evidence suggests that participation rates were also increased by the fallout from the mining and sugar industries which have encouraged some individuals into agriculture as a means of supplementing lost incomes (see **Real Sector**). As a consequence, *Vegetables & Starchy Foods* decreased by 1.1 per cent, principally as a result of *Vegetables* declining by 1.8 per cent in the quarter. This factor provided partial offset to the aforementioned increases in *Food & Non-Alcoholic Beverages*.

Demand Conditions

Indicators of spending suggest continued weakness in domestic demand conditions. For example, in May, GCT receipts in real terms, declined by 6.8 per cent while for the 12-month period to May GCT receipts fell by 12.7 per cent. Credit card receivables declined by 1.6 per cent in the month of May, but rose by 5.1 per cent on an annual basis. Nonetheless, since December 2008, credit card receivables have fallen by 2.5 per cent.

5. Economic Outlook and Monetary Policy Perspectives

Table 5.1

Jamaica: Selected Economic Indicators		
	Projections for Sept'09 Quarter	*Target for FY09/10*
Inflation (% change)	2.0 – 3.5	10.0 – 12.0
Base Money (% change)	0.1	6.1
Gross Reserves (End Period)	1660.0	1640.0
Weeks of Imports of Goods & Services (US$MN)	12	12
GDP (12-mth % chg.)	-ve	-4.0 - -3.0

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

Reduced global output and demand will continue to have an adverse impact on the Jamaican economy throughout FY2009/10, notwithstanding recent signs which suggest that the global recession might be moderating. In this context, domestic output is projected to decline by 3.5 per cent to 4.5 per cent in the September 2009 quarter, similar to the rate of decline estimated for the June 2009 quarter. Mining & Quarrying, Construction, Transport, Storage & Communication and Manufacture are projected to decline. Only Agriculture and Hotel & Restaurants are forecasted to record expansion.

Headline inflation is forecasted to be in the range of 2.0 per cent to 3.5 per cent for the September 2009 quarter. This forecast is underpinned by the expected impact of increased energy prices and seasonal demand and supply factors. Excess production capacity, depressed domestic aggregate demand, stable foreign currency market and stable inflation expectations could have some countervailing impact on potential price increases.

The risks to the inflation forecast are biased to the downside. However, the Central Bank's monetary policy stance will be conditioned by the fact that the financial markets remain vulnerable to external shocks.

Outlook - September 2009 Quarter

Inflation

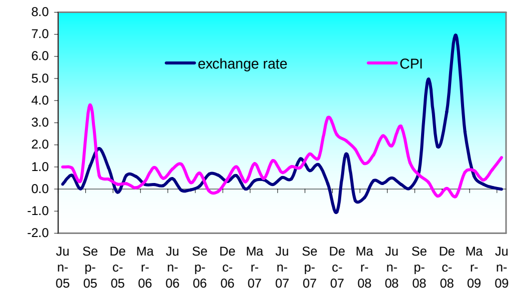
Headline inflation is forecasted to be in the range 2.0 per cent to 3.5 per cent in the September 2009 quarter. The rate could be similar to the 2.8 per cent recorded in the June 2009 quarter, but should be significantly lower than the 4.7 per cent recorded in the September 2008 quarter. Also, the inflation rate in September 2009 should be well below the seasonal average of 4.3 per cent.

Inflation in the September 2009 quarter is expected to be higher than the outturn in the June 2009 quarter.

The forecasted inflation in the September 2009 quarter is underpinned by the expected impact of increased energy prices as well as seasonal increases in demand associated with the holiday period and the new school year. There could also be some seasonal declines in agricultural output, which would add an upward impetus to agricultural prices in the quarter.

Figure 5.1

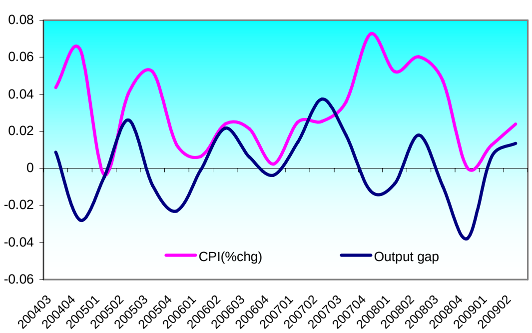
Trends in Changes in Exchange Rate and Headline Inflation



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

Figure 5.2

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)

However, excess production capacity, depressed domestic aggregate demand, stable foreign currency market and stable inflation expectations could have some countervailing impact on potential price increases.

Imported Inflation

Average import prices as measured by the Bank's import price index (IPI), are forecasted to increase by approximately 3.5 per cent in the September 2009 quarter. This expectation is informed by anticipated increases in fuel prices of approximately 9.5 per cent (US$5.63 per barrel), relative to the June 2009 quarter. This is in the context of expected increases in demand during the summer driving season in the US and the possible moderation of the recession in that country.

Most other international commodity prices are projected to decline during the September 2009 quarter relative to the June 2009 quarter. Wheat and corn prices could decline by 7.9 per cent and 15.3 per cent, respectively during the quarter due to above-average crop yields resulting from improved weather in the US Midwest. However, rice prices are forecasted to increase by 5.4 per cent in light of announcements by the government of India that its export ban on rice will remain in effect for the quarter. The impact of these declines in commodity prices on domestic inflation could be partially offset by the lagged impact of the increases which occurred in the June 2009 quarter (see **International Developments**).

The relatively stable foreign currency market could temper the impact of higher imported prices on domestic inflation (see **Figure 5.1**). This is in a context where the Bank continues the current initiatives that have resulted in stability and orderly adjustments in the market. Additionally, it is expected that with the weak domestic demand, the seasonal increase in net foreign currency demand should be constrained.

Domestic Capacity Conditions

Domestic capacity conditions as indicated by the output gap and the labour market conditions should have a countervailing impact on any potential price increases in the quarter.

The domestic output gap should become negative in the September 2009 quarter, providing a countervailing impact on price increases. This is in a context where the extended period of output contraction and the impact of

Figure 5.3

Index of Inflation Expectations

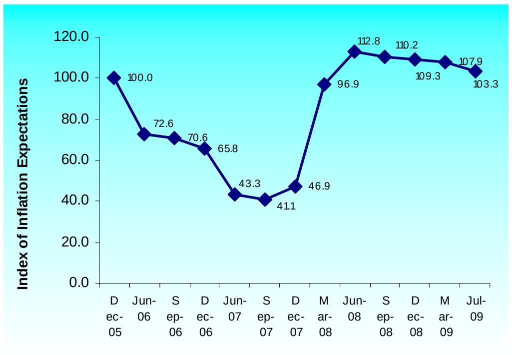
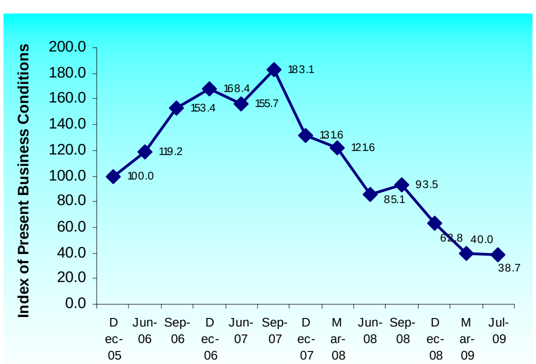


Figure 5.4

Index of Present Business Conditions



the global economic shock have resulted in a decline in the utilization of factors of production such as capital and labour. The growth in potential output has therefore fallen below Bank's previous estimate of approximately 1.6 per cent per annum (see **Figure 5.2**).

The most recent labour market survey published by the Statistical Institute of Jamaica (Statin) indicates that real wages declined by approximately 8.3 per cent in the March 2009 quarter relative to the March 2008 quarter. This decline has occurred in the context of falling headline inflation, indicating further deterioration in the growth in nominal wages. Real wages could continue to decline in the June 2009 and September 2009 quarters, as very little changes are expected in nominal wages. This trend in real wages indicates an excess supply of labour relative demand during the economic crisis period, resulting in lower costs of production and lower effective demand for goods and services by consumers.

Inflation Expectations

The Inflation Expectations Survey conducted by the BOJ in the June 2009 quarter indicated that inflation expectations continue to moderate albeit very slowly (see **Figure 5.4**). This moderate declining trend in inflation expectations should provide a countervailing impact on any potential price increases in the September 2009 quarter. The assessment of the perception of present and future business conditions show very little change over the previous survey. This result is consistent with the general uncertainty that continues to permeate business and consumer psyche during the protracted economic crisis.

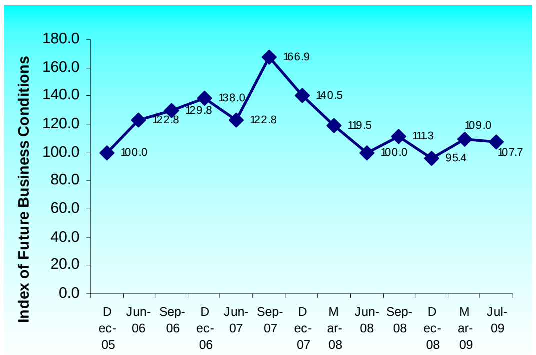
Output

Domestic output is projected to decline by approximately 3.5 per cent to 4.5 per cent in the September 2009 quarter. This follows declines of 1.1 per cent, 3.1 per cent and between 3.5 per cent and 4.5 per cent in the December 2008, March 2009 and June 2009 quarters, respectively.

Mining & Quarrying, *Construction*, *Transport*, *Storage & Communication* and *Manufacture* are forecasted to continue to decline during the September quarter. Relative to the corresponding period in 2008, *Mining & Quarrying* should decline as the average capacity utilization in bauxite and alumina production could fall by 62.5 per cent and 63.0 per cent

Figure 5.5

Index of Future Business Conditions



Continued contraction in global output and demand should continue to adversely affect the Jamaican economy during FY2009/10.

respectively, to 33.1 per cent and 31.6 per cent. *Construction* should continue to contract as projects are postponed or cancelled as a result of the general uncertainty in the economy. The forecasted performance of *Transport, Storage & Communication* is based on the assumption of a decline in Air Jamaica passenger miles given the rationalization of its services. Additionally, total domestic cargo should fall by 3.0 per cent to 4.0 per cent due to the weak demand. *Manufacture* should also decline as a result of significant reduction in foreign and domestic demand.

Agriculture continues to be one of the few sectors to record positive growth, despite the impact of the global economic crisis. Its recovery is expected to continue, conditional on favourable weather and the ongoing drive to improve productivity. The only other sector projected to record expansion is *Hotel & Restaurants*. This sector has been buoyed by the diversion of potential visitors to Mexico due to the impact of the influenza A (H1N1) virus and increased domestic violence. *Hotel & Restaurants* should also be positively impacted by the advertising and promotional activities of the Ministry of Tourism. In this context total stopover arrivals are expected to grow by 1.5 per cent.

There are a number of downside risks to the growth forecast for domestic output. These include adverse weather and a weaker than expected global economy. The September quarter is historically the most active period of the hurricane season and the 2009 season is projected to be near average.[12]

Outlook - FY2009/10

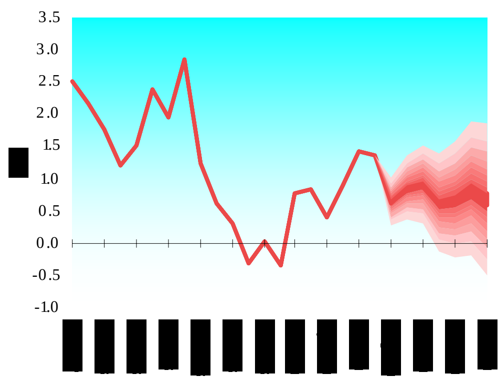
Reduced global demand and output will continue to adversely affect the Jamaican economy during FY2009/10. As the global economic crisis deepens, many forecasters have been revising their initial forecasts of global output downwards. The World Bank's current projections suggest that global output could contract by approximately 2.9 per cent for the calendar year 2009, compared to its original forecast of a 1.7 per cent contraction.[13] However, there have been some that the recession might be moderating in the US.

[12] Average is defined based on data between 1950 and 2000. During this period there were on average 9.6 tropical storms, 5.9 hurricanes, 2.3 major hurricane (Category 3 strength in the Saffir-Simpson Hurricane Scale)

[13] Forecast revised in June 2009

Figure 5.6

Monthly Inflation Forecasts

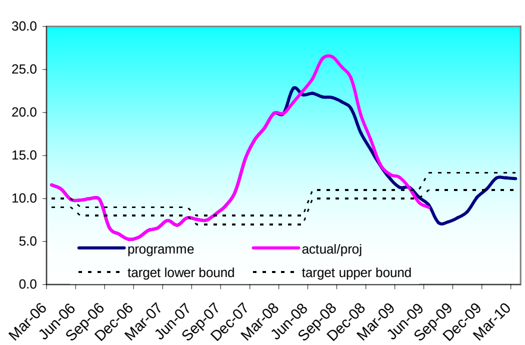


The fan chart depicts the probability distribution for the inflation forecast and reflects the Bank's assessment of the risks. The darkest band represents the central (single most likely) projection and covers 10 per cent of the probability. The bands widen as the time horizon is extended, indicating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

Figure 5.7

Consumer Price Index

(Annual point to point change)



Against this background, domestic output is projected to contract in the range 3.0 per cent and 4.0 per cent. Most of the contraction for the fiscal year is expected between the June and December 2009 quarters with the rate of reduction diminishing at the end of the fiscal year when the global economy could begin to stabilize.

Domestic headline annual point-to-point inflation rate should be in the range 10.0 per cent to 12.0 per cent. Inflation has already fallen below 10.0 per cent in May 2009, but should increase in the second half of the fiscal year to end in the target range.

Risks

The risks to the inflation forecast are biased to the downside (see **Figure 5.6**). Downside risks to the inflation forecast includes the impact of a greater than anticipated reduction in global and domestic demand. This could cause international commodity prices to be significantly lower than current projections. The upside risks include the possible impact of adverse weather conditions on prices. Adverse weather includes the possibility of hurricanes between June and November, and droughts between December and April.

Monetary Policy

The Central Bank's tight monetary policy stance in the face of significant financial market instability and sharp increase in prices has yielded some success (see **Figure 5.7**). The market for foreign currency has remained stable since February 2009 and inflation is in line with programme. A continuation of these positive trends along with improved investor confidence would provide the basis for a gradual easing of monetary policy over the short to medium term. However, the Central Bank's monetary policy stance will be conditioned by the fact that the financial markets and the external accounts remain vulnerable to external shocks.

Box 1: The International Monetary Fund (IMF) & Jamaica's Experience with the IMF

Overview of the IMF[14]

The fundamental mission of the International Monetary Fund (IMF) is to help ensure stability in the international monetary system. It does so by keeping track of the global economy and the economies of member countries and providing financing and policy support to countries experiencing balance of payments (BOP) difficulties with the aim of remedying underlying problems. IMF financing provides a cushion that eases the adjustment policies and reforms that a country must make to correct its BOP problem and restore conditions for economic growth[15]. The loan period can range from as short as three months to as long as 3 years, depending on the loan arrangement (see **Table 1**). The "arrangement" stipulates the specific policies and measures that a country has agreed to implement to resolve its balance of payments problem. These policy measures are known as the "conditionality" and they also serve as a guarantee that the country will repay the IMF.

In response to the "deepening" global economic difficulties, the IMF board approved a major 'overall' to its lending framework by:

(1) Modernizing the IMF conditionality
(2) Introducing a new flexible credit line
(3) Enhancing the flexibility of the Fund's regular stand-by lending arrangement
(4) Doubling access limits
(5) Adapting and simplifying the cost and maturity structures for its lending, and
(6) Eliminating facilities that were seldom used

The IMF is seeking to significantly increase both its concessional and non-concessional lending resources which would enable the institution to meet growing need for financing arising from the crisis.

IMF Conditionality

Up to the early 1980s, conditionality largely focused on macroeconomic policies. However, with the IMF's growing involvement with low-income and transition countries, there has been a broadening and deepening of conditionality. In 2000, an extensive consultative review of conditionality recognized that successful economic policy programs must be founded on strong country ownership. Hence, in recent times, the economic program underlying a lending arrangement is one that is formulated by the country in consultation with the IMF.

The recent changes to the conditionality framework in March 2009 are aptly described in the following text extracted from the Fund's website. The IMF "*modernized its conditionality framework to strengthen its capacity to prevent and resolve crises. The new framework ensures that conditions linked to disbursements of IMF financing are sufficiently focused and adequately tailored to the varying strengths of members' policies and fundamentals. This is to be achieved by making greater use of pre-set qualification criteria (ex-ante conditionality) and making more flexible modalities of traditional (ex-post) conditionality. In addition, structural reforms are now monitored in the context of program reviews, rather than through the use of structural performance criteria, which will be discontinued in all IMF arrangements, including those for low-income countries*".

IMF Resources

The IMF has in place a system of quotas, which is designed to reflect each member's weight or influence in the world economy. This quota determines a country's subscription to the Fund, its drawing rights under both regular and special facilities, voting power and the share of allocation of Special

[14] Information provided in box is sourced from IMF website and BOJ documents.
[15] The IMF in accordance with its mandate also provides countries with technical assistance and training in various areas.

Drawing Rights (SDRs)[16]. The total quota as at 31 July 2009 was SDR 217.4 billion.

Quota subscriptions from member countries are the IMF's main source of financing but the organization can supplement its resources through borrowing if these resources fall short of members' needs. There are a range of options available for temporarily supplementing the Fund's resources, including entering into bilateral loan agreements, issuing notes to the official sector and enlarging existing borrowing arrangements.

The General Arrangements for Borrowing (GAB) and the New Arrangements to Borrow (NAB) are credit arrangements between the IMF and a group of member countries and institutions. The purpose of these arrangements is to provide supplementary resources up to SDR 34 billion (approximately US$50 billion) to the IMF to forestall or cope with an impairment of the international monetary system or to cope with an exceptional threat to the stability of the system.

NEW LENDING TO IMF

COUNTRY	US$ (billion)
Japan	100
European Union	100
Norway	4.5
Canada	10
Switzerland	10
United States	100
Korea	10
Australia	7
Russia	10
China	50
Brazil	10
Total Available	**412**
Total Pledged	**750**
Balance Outstanding	**339**

[16] The SDR is an interest-bearing international reserve asset created by the IMF to supplement the official reserves of member countries

In light of the unprecedented shock confronting the global economy since 2007, there has been a sharp increase in demand for the IMF's resources. In order to ensure that the Fund has sufficient resources to meet this demand, the Group of 20 leading economies, on 2 April 2009, endorsed measures to triple the IMF's regular lending capacity by US$750.0 billion.

Recent Borrowing

Since the escalation of the global crisis, there has been a sharp increase in loans to member countries of the IMF. Between 1 November 2008 and 30 June 2009, 28 countries have accessed Fund facilities to the value of US$35.7 billion[17]. Of this amount the bulk of resources accessed have been under Stand-By Arrangements (see **Table 2**).

Jamaica's experience with the IMF

Jamaica became a member of the IMF on 21 February 1963. In June 1963, the country entered into a one-year Stand-By Arrangement (SBA) with the Fund, which permitted drawings up to a limit of SDR 10 million. However, the Arrangement expired in June 1964, unutilized. It was not until June 1973 that the country returned to borrow from the IMF and continued various arrangements until 1996, when it terminated its borrowing arrangement. Jamaica however, remained a member of the IMF and in 2001, agreed on an Intensified Surveillance Program (ISP) - a Staff Monitored Program - with the Fund[18].

Jamaica's borrowing arrangements with the Fund between 1973 and 1996 were largely aimed at correcting balance of payments problems arising from negative economic and financial trends including commodity price shocks (in particular oil), and high inflation. Whereas loans from the

[17] Computed at 27 July exchange rate of SDR=US$1.559

18 A staff monitored program is an informal and flexible instrument for dialogue between the staff of the IMF and a member country on its economic policies. It is not supported by the use of the Fund's financial resources nor is it subjected to the endorsement of the Executive Board of the IMF.

IMF are not available to the Government for project spending or on-lending, it was anticipated that borrowing from the IMF would create a platform for investment inflows which would lead to economic growth and development (see **Table 3**).

Current Status

The intensification of the global financial crisis since September 2008 has emphasized Jamaica's vulnerability to changes in the external economic environment. The impact of the global crisis has been observed in a number of sectors. The mining sector has been the hardest hit, while tourism and remittances flows have been on the decline. Concurrently, there has been fallout in capital inflows. Against this background, the gross foreign reserves could decline well below the internationally accepted benchmark of 12 weeks of goods and services imports, unless other resources are forthcoming. A sharp decline in reserves will erode investor confidence and destabilize the foreign exchange market.

Given weakness in the global economy and a decline in international commodity prices, Jamaica's GDP is projected to contract by 3-4 per cent in 2009. The decline in economic output, including mining activity, is having a negative impact on Government revenues. With revenues declining and interest payments accounting on average, for well over 40 per cent of total receipts, the Government is facing significant financing gaps.

In a context where the global economy is unlikely to recover before FY 2010/11, the Jamaican economy is unlikely to record strong growth over the next 2-3 years especially if the bauxite/alumina companies remain closed until 2011 and flows from remittances and tourism continue to be weak. Further, the reduction in earnings is likely to be exacerbated by proposed changes to the Petrocaribe agreement.

The international capital markets are virtually closed to emerging market debt and in order to meet its external debt obligations without depleting the NIR and eroding investor confidence, the Government has opted to negotiate a borrowing arrangement with the IMF in 2009. An agreement with the Fund will enable the Government to close the financing gaps through its catalytic influence on other multilateral loan inflows. Additionally, these flows would also underwrite stability in financial markets; facilitate continued easing of monetary policy and provide a platform for economic growth and development. An IMF agreement is also one of the pre-conditions for borrowing from the other multilateral agencies including the IDB and World Bank.

Passive balance of payments projections point to a financing gap of US$600 - US$800 million in FY 2009/10. The proposed financing to close the gap will come from two sources, a general allocation of SDR by the IMF and a multi-year Stand-By Arrangement (SBA). Jamaica's allocation currently stands at SDR 273.5 million. An increase in the general allocation of SDRs – that is, the distribution of SDR 250 billion among all member countries - has been approved by the Board of the Fund and is likely to be ratified by the Board of Governors. Jamaica's share of this allocation would boost resources available to the Bank of Jamaica by approximately US$320 million bringing Jamaica's total SDR allocation to over US$600 million.

With the conclusion of a SBA in the December quarter, the Fund is expected to commit the equivalent of 300 per cent of quota (US$ 1200 million) over two years. It is expected that at least US$400 million of the Stand-By Arrangement would be available in FY 2009/10. This pool of convertible resources and the endorsement of the Fund would also smooth the flow of approximately US$500 million to US$600 million from other multilateral sources. Loans from the multilaterals will support a programme of reform in the public sector, the provision of social and economic infrastructure and a range of programmes to enhance human development.

The IMF based on its recent Article IV consultation with Jamaica, has essentially identified three areas that they would like to see strengthened as part of a foundation for medium-term sustainability. These are, inter alia:

(1) Consolidation of public enterprises i.e. a structured approach to minimizing the impact of these enterprises on the accumulation of debt. This would include divestment, mergers and improvements to their governance that would minimize financial losses;

(2) The formulation of a medium term debt strategy to relieve the extraordinarily high debt service burden;

(3) Steps towards limiting the size of future deficits: These will include legislating guidelines for fiscal responsibility, streamlining the civil service and enhancing tax administration.

The key issue is containment the fiscal deficit. However, the inflows associated with IMF support will make such adjustments easier and set the stage for a more sustainable fiscal path into the future. The adoption of these measures to is consistent with commitments given to the multilateral agencies.

Table 1: LOAN ARRANGEMENTS AVAILABLE TO MEMBER COUNTRIES

FACILITY	PURPOSE	PERIOD	INTEREST LEVIED	REPAY. PERIOD
Poverty Reduction & Growth Facility and Exogenous Shocks Facility	For low income countries; ESF provides rapid shock assistance with streamlined conditionality.	5 1/2 years	Concessionary loans with rate of 0.5%	51/2 to 10 years
Stand-By Arrangements	Designed to help with short-term BOP problems. May be provided on a precautionary basis[1]. Front-loaded access available.	12-24 months	Subject to the IMF's market-related interest rate based on SDR rate.	2 1/4 - 5 years
Extended Fund Facility, Established in 1974	Aimed at helping countries with longer-term BOP problems.	3 years	The SDR rate levied, surcharges apply to high levels of access.	3 1/2 - 7 years
Supplemental Reserve Facility	For countries with large short-term financing needs. Based on sudden dusruptions in market confidence.	Very short-term large scale	300-500 basis points above the SDR rate.	0 - 1 1/2 years
Compensatory Financing Facility, Established in 1963 and modified in 1988	Assists countries experiencing sudden shortfall in export earnings or an increase in cost of cereal imports.	Similar to SBA, no surcharge.	Subject to the IMF's market-related interest rate based on SDR rate.	3 1/4 - 5 years
Flexible Credit Line	For countries with strong fundamentals, and track records of policy implementation. Useful for crisis prevention. Available in single upfront distribution or as a precaution.	Typically for 6 months or 1 year [2].	Subject to the IMF's market-related interest rate based on SDR rate.	3 1/4 - 5 years
Emergency Assistance	Provided to countries that have experienced a natural disaster or are emerging from conflict.	3 years	Subject to the SDR rate, subsidies available for PRGF eligible countries.	3 1/4 - 5 years

Notes

1. Countries may chose not to draw on approved amounts immediately

2. With mid-year review

Table 2: RECENT IMF LENDING ARRANGMENTS

General Resources Account (GRA): Stand-By Arrangements - (SBA)					
Member	**Date of Arrangement**	**Expiration**	**Total Amount Agreed**	**Undrawn Balance**	**IMF Credit Outstanding Under GRA**
Armenia, Republic of	March 06, 2009	July 05, 2011	533,600	269,380	264,220
Belarus, Repulic of	January 12, 2009	April 11, 2010	2,269,517	1,751,719	517,798
Costa Rica	April 11, 2009	July 10, 2010	492,300	492,300	0
El Salvador	January 16, 2009	March 31, 2010	513,900	513,900	0
Gabon	May 07, 2007	May 06, 2010	77,150	77,150	0
Georgia	September 15, 2008	March 14, 2010	477,100	189,200	287,900
Guatemala	Aprill 22, 2009	October 21, 2010	630,600	630,600	0
Hungry	November 06, 2008	April 05, 2010	10,537,500	2,950,500	7,587,000
Iceland	November 19, 2008	November 18, 2010	1,400,000	840,000	560,000
Latvia, Republic of	December 23, 2008	March 22, 2011	1,521,626	986,282	535,344
Mongolia	April 01, 2009	October 01, 2010	153,300	76,650	76,650
Pakistan	November 24, 2008	October 23, 2010	5,168,500	2,532,565	2,635,935
Romania	May 04, 2009	May 03, 2011	11,443,000	7,073,000	4,370,000
Serbia, Republic of	January 16, 2009	April 15, 2011	2,619,120	1,917,570	701,550
Seychelles	November 14, 2008	November 13, 2010	17,600	10,560	7,040
Ukraine	November 05, 2008	November 04, 2010	11,000,000	6,125,000	4,893,400
		Total	**48,854,813**	**26,436,376**	**22,436,837**

General Resources Account (GRA): Flexible Credit Line - (FCL)					
Member	**Date of Arrangement**	**Expiration**	**Total Amount Agreed**	**Undrawn Balance**	**IMF Credit Outstanding Under GRA**
Colombia	May 11, 2009	May 10, 2010	6,966,000	6,966,000	0
Mexico	April 17, 2009	April 16, 2010	31,528,000	31,528,000	0
Poland, Republic of	May 06, 2009	May 05, 2010	13,690,000	13,690,000	0
		Total	**52,184,000**	**52,184,000**	**0**

Exogenous Shocks Facility - (ESF)					
Member	**Date of Arrangement**	**Expiration**	**Total Amount Agreed**	**Undrawn Balance**	**IMF Credit Outstanding Under PRGF-ESF**
Kyrgyz Republic	December 10, 2008	June 09, 2010	66,600	33,300	115,600
Malawi	December 03, 2008	December 02, 2009	52,050	17,350	80,948
Mozambique	June 30, 2009	June 29, 2010	113,600	113,600	9,740
Senegal	December 19, 2008	June 18, 2010	121,350	64,720	73,960
Tanzania	May 29, 2009	May 28, 2010	218,790	59,670	170,320
		Total	**572,390**	**288,640**	**450,568**

Poverty Reduction and Growth Facility - (PRGF)					
Member	**Date of Arrangement**	**Expiration**	**Total Amount Agreed**	**Undrawn Balance**	**IMF Credit Outstanding Under PRGF-ESF**
Congo, Rebublic of	December 08, 2008	December 07, 2011	8,460	6,043	25,997
Core d'Ivoire	March 27, 2009	March 26, 2012	373,980	214,632	194,472
Sao Tome & Principe	March 2, 2010	March 1, 2012	2,590	2,220	2,839
Tajikstan, Republic of	April 21, 2009	April 20, 2012	78,300	52,200	26,100
		Total	**463,330**	**275,095**	**249,408**

Table 3: SUMMARY OF JAMAICA'S PERFORMANCE UNDER IMF PROGRAMMES

Date	Type and Duration	Quota SDR (millions)	Agreed Amount SDR (millions)	Date of Expired/ Cancelled	Undrawn Balances	Comments
13/6/1963	1 yr. Stand-by	20	10	12/6/1964	10	Expired: funds were unutilized as financing not necessary.
1/6/1973	1 yr. Stand-by	53.0	26.5	31/5/1974	13.3	Expired: only 50% needed.
11/8/1977	2 yr. Stand-by	53.0	64.0	9/6/1978	44.8	Cancelled: due to deviation of fiscal performance and breach of bank credit ceiling.
9/6/1978	3 yr. EFF	74.0	200.0	10/6/1979	130.0	Cancelled: based on deviation from NIR target of BOJ and breach of criterion to eliminate external arrears by end of 1979.
11/6/1979	2 yr. EFF	74.0	260.0	12/4/1981	175.0	Cancelled: based on deviation from NIR target of BOJ and breach of criterion to eliminate external arrears by end of 1979.
13/4/1981	3 yr. EFF	111.0	477.7	12/4/1984	74.9	Waiver granted: (after end March 1983) following breach of NIR. Cancelled: (after end Sept. 1983) following disagreement between IMF and the Government concerning technical aspects of performance criteria.
22/6/1984	1 yr. Stand-by	145.5	64.0	21/6/1985	-	Waiver granted: (after end Sept. and Dec. 1984) following breaches of programme targets on payment arrears.
17/7/1985	22 mth.	145.5	115.0	16/7/1986	73.4	Cancelled: with breach of NIR targets.
2/3/1987	15 mth.	145.5	85.0	31/5/1988	-	Expired: FY 1987/88 programme successfully completed.
19/9/1988	20 mth. Stand-by	145.5	82.0	30/9/1989	40.9	Waiver granted: (after end March 1989) following breach of targets relating to NIR, external payment arrears, ceiling on short term external public debt, limit on NDA, and financing requirements of public sector. Criteria postponed to June 1989. Cancelled: (after end Sept.1989), accumulation of payment arrears and breach of NIR.
23/3/1990	15 mth. Stand-by	145.5	82.0	31/3/1991	-	Waiver granted:(after end March and June 1991) following breaches of NIR targets. Expired: FY 1990/91 programme successfully completed.
28/06/1991	15 mth. Stand-by	145.0	43.6	30/09/1992	-	Expired: programme revised in April 1992 successfully completed in June 1992.
11/12/1992	3 yr. EFF	200.9	109.1	16/03/1996	22.0	Expired: programme successfully completed.

Appendices

A. Fiscal Developments: Provisional April to June 2009

Provisional data for the June 2009 quarter indicate that the Central Government incurred a deficit of $35.9 billion or 3.1 per cent of GDP compared to a budgeted deficit of $31.8 billion or 2.7 per cent of GDP. The variance from budget reflected lower than anticipated revenues which were partly offset by lower than budgeted expenditure. In that context, the primary balance was equivalent to 0.6 per cent of GDP relative to the budget of 1.0 per cent of GDP. Similarly, the current deficit to GDP was 2.4 per cent versus a budget of 2.2 per cent (see **Table**).

Revenue & Grants for the quarter was $7.7 billion below budget, reflecting lower than anticipated inflows from all categories with the exception of bauxite levy. Receipts from *International Trade* and *Production & Consumption* taxes accounted for the major portion of the deviation in revenues, reflecting shortfalls in SCT and GCT flows, respectively. Grants were lower than budgeted as flows from donor countries were contingent on the provision of a portion by local Government.

Expenditure for the review quarter was $3.7 billion below target. This deviation reflected variances in all subcategories with the exception of capital spending. Notably, expenditure on programmes was $4.8 billion below budget reflecting efforts by the Government to contain expenditure in light of weak revenue flows. Capital expenditure, however, exceeded budget by $1.0 billion reflecting redundancy payments of approximately $2.0 billion to sugar workers. These payments, which were budgeted to be paid in a later period, offset the impact of central government's restraint in spending on capital projects.

Financing during the quarter was obtained through the offer of fifteen domestic issues, as well as a reduction in Government of Jamaica (GOJ) deposits in the banking system. Of the total new debt issued in the review period, eight instruments were issued at fixed rates (FR) of interest, accounting for 76.3 per cent of the financing. Of note, with the exception of one instrument, all GOJ domestic issues had tenors of 3 years or below. Consequently, the weighted average age of new debt issued in the quarter was 4.63 years relative to 3.97 years in the first quarter of FY 2008/09, reflecting the issue of a 30-year instrument which raised over $4.7 billion. Net amortization of foreign debt amounted to $5.6 billion for the quarter, $2.8 billion higher than budgeted. Notably, the domestic and external debt stock at the end of June 2009, were $677.0 billion and $559.4 billion, respectively.

CENTRAL GOVERNMENT SUMMARY ACCOUNTS
FY 2009/10

(J$MN)

	Actual Q1	Budget Q1	Variance	%
Revenue & Grants	**62477.2**	**70225.6**	**-7748.3**	**-11.0**
Revenue	**62093.0**	**68887.8**	**-6794.8**	**-9.9**
Tax Revenue	58146.1	64236.8	-6090.7	-9.5
Non-Tax Revenue	3006.2	3584.5	-578.4	-16.1
Bauxite Levy	42.6	34.8	7.7	22.2
Capital Revenue	898.1	1031.6	-133.5	-12.9
Grants	384.2	1337.8	-953.6	-71.3
Expenditure	**98327.5**	**101989.7**	**-3662.2**	**-3.6**
Recurrent Expenditure	89519.1	94272.5	-4753.4	-5.0
Programs	15469.1	19558.8	-4089.7	-20.9
Wages & Salaries	31125.2	31668.9	-543.8	-1.7
Interest	42924.9	43044.8	-120.0	-0.3
Domestic	32045.3	32051.4	-6.1	0.0
Foreign	10879.6	10993.5	-113.9	-1.0
Capital Expenditure	8808.4	7717.1	1091.2	14.1
Non-interest expenditure	**55402.6**	**58944.8**	**-3542.2**	**-6.0**
Fiscal Balance	**-35850.3**	**-31764.1**	**-4086.2**	**12.9**
Current Balance	**-28324.2**	**-26416.4**	**-1907.9**	**7.2**
Primary balance	**7074.6**	**11280.7**	**-4206.1**	**-37.3**
		In Percent of GDP		
BR	**3.1**	**2.7**		
CB	**-2.4**	**-2.2**		
PB	**0.6**	**0.9**		
IP	**3.7**	**3.6**		
FSR	**-1.6**	**-1.5**		
NIE	**4.8**	**5.0**		

Key
BR = Borrowing Requirement = Fiscal 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 programs, 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.
18/09/20000	Bank of Jamaica introduces 270-day and 365-day reverse repurchase instruments at 17.6 and 18.0 per cent respectively.
04/10/20000	Interest rates on the 270-day and 365-day instruments were increased to 20.0 and 22.0 per cent respectively.
23/10/2000	Interest rates on the 270-day and 365-day instruments were reduced to 17.6 and 18.0 per cent respectively.
24/11/2000	Interest rates on the 270-day and 365-day instruments were increased to 20.0 and 22.0 per cent respectively.
28/12/2000	Interest rate on the 365-day instrument was reduced to 21 per cent.
14/02/2001	Interest rates on the 365-day and 270-day instruments were reduced to 20.00 per cent and 19.25 per cent respectively.
20/02/2001	Interest rates on the 365-day and 270-day instruments were reduced to 19.50 per cent, and 18.75 per cent respectively.
01/03/2001	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.
08/03/2001	Interest rates on the 365-day, 270-day instruments were reduced to 19.00 per cent, 18.25 per cent per cent respectively.

12/03/2001	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.
22/03/2001	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.
11/04/2001	Interest rates on the 365-day and 270-day instruments were reduced to 17.50 per cent and 16.75 per cent respectively.
21/05/2001	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.
01/06/2001	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.
08/06/2001	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.
25/06/2001	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.
29/06/2001	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.
01/09/2001	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.
30/10/2001	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
28/12/2001	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.
09/01/2002	Interest rates on the 365-day and 270-day instruments were reduced to 17.90 per cent and 17.00per cent, respectively.
06/02/2002	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.

14/02/2002	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.
01/03/2002	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%).
11/03/2002	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.
11/07/2002	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.
01/09/2002	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%).
07/08/2002	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.
09/09/2002	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.
09/10/2002	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.
28/10/2002	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.
01/11/2002	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.
10/02/2003	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.
14/02/2003	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.

19/03/2003	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.
26/03/2003	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.
25/04/2003	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.
19/05/2003	The interest rate applicable to overdrafts on accounts held with the Bank of Jamaica was increased to 65.0 per cent per annum.
24/06/2003	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.
08/07/2003	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.
04/08/2003	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.
09/09/2003	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.
17/10/2003	Bank of Jamaica withdrew its 270-day and 365-day instruments from open market trading.
29/10/2003	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.
10/12/2003	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.
09/01/2004	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.
21/01/2004	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.
26/01/2004	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.
16/02/2004	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.
27/02/2004	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.
10/03/2004	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.
10/03/2004	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.

02/04/2004	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.
19/04/2004	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.
05/05/2004	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.
03/09/2004	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.
28/12/2004	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.
16/05/2005	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.
26/05/2005	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.
27/05/2005	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.

18/04/2006	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.
01/05/2006	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.
12/05/2006	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.
01/09/2006	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.
22/09/2006	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.
22/12/2006	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.
18/01/2007	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.
19/06/2007	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.
04/07/2007	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
06/09/2007	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.
18/09/2007	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.

12/10/2007 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.

16/11/2007 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.

09/01/2008 The Bank of Jamaica implemented the following changes to interest rates payable on open-market instruments:

Tenor	**30 days**	**60 days**	**90 days**	**120 days**	**180 days**
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//01/2008 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.

18/01/2008 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 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.

04/02/2008 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 Rates (%)	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.

26/06/2008 Interest rates paid on Bank of Jamaica open market operations instruments were adjusted as follows:

Tenor	30 days	60 days	90 days	120 days	180 days	365 days
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.

01/09/2008 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 14.58 per cent for the first 3 months. Thereafter, quarterly interest payments at the 90-day weighted average Treasury Bill rate applicable at the beginning of each interest period plus a margin of 1.25 percentage points apply.

The rates applicable to all other BOJ instruments remained unchanged.

17/10/2008 Interest rates payable on Bank of Jamaica Certificates of Deposit were adjusted as follows:

Tenor	30 days	60 days	90 days	120 days	180 days	365 days
New rates	**14.65**	**14.85**	**15.05**	**15.15**	**15.35**	**16.70**
Previous rates	**14.00**	**14.20**	**14.40**	**14.50**	**14.70**	**15.50**

The adjustment will bring rates offered by the Central Bank in line with yields applicable to Government of Jamaica Treasury Bills and other short-dated market instruments.

18/11/2008 In an effort to remove liquidity overhang arising from the maturity of both BOJ and GOJ securities, and preserve order in financial markets, the Bank of Jamaica implemented the following measures:

- The Bank offered a Special Certificate of Deposit to Primary Dealers and Commercial Banks, which matured on 3 December 2008. Interest payable on this instrument was 20.50% per annum. This instrument was offered from Tuesday, 18 November to Wednesday, 19 November 2008.

  BOJ's regular menu of CDs ranging from 30 days to 365 days remain

- Effective 3 December, 2008, on the expiration of a 15 day notice period, the cash reserve requirement of commercial banks, merchant banks and building societies was increased by 2 percentage points to 11 per cent of Jamaica Dollar liabilities. As a consequence, the liquid asset requirement rose to 25 per cent from 23 per cent. It was intended to increase these requirements by a further 3 percentage points.

These monetary policy actions are intended to support the achievement of the inflation objective and the maintenance of macro-economic stability.

01/12/2008 Interest rates payable on Bank of Jamaica Certificates of Deposit were adjusted as follows:

Tenor	30 days	60-days	90 days	120 days	180 days	365 days
New rates (%)	**17.00**	**17.50**	**20.00**	**20.20**	**21.50**	**24.00**
Previous rates	**14.65**	**14.85**	**15.05**	**15.15**	**15.35**	**16.70**

The increase in interest rates occurred in the context of instability in the foreign exchange market, which was related to the sharp rise in the yields on Government of Jamaica (GOJ) Global Bonds and USD Bonds issued by Jamaican companies. The resulting spike in demand for foreign exchange by securities dealers to meet margin calls from overseas creditors, together with incremental demand for foreign exchange by a wider cross-section of persons triggered a disorderly depreciation in the exchange rate. If this condition persisted, it would precipitate higher inflation and greater macroeconomic instability.

In context of the foregoing, the Jamaica Dollar liquidity resulting from the maturity of significant sums in BOJ securities over the next three weeks makes it necessary for BOJ to take this action. Accordingly, the rise in interest rates is expected to dampen the extraordinary demand related to portfolio decisions and thereby restore predictability and order to local financial markets.

03/12/2008 The cash reserve ratio (CRR) and the liquid assets ratio (LAR) in respect of only domestic currency liabilities of commercial banks, building societies and institutions licensed under the Financial Institutions Act were increased by 2 percentage points to 11% and 25% respectively.

02/01/2009 The CRR and the LAR for both domestic and foreign currency liabilities of commercial banks, institutions licensed under the Financial Institutions Act and building societies were increased by 2 percentage points to 13% and 27% respectively in the case of domestic currency liabilities and 11% and 25%, respectively in the case of foreign currency liabilities.

03/02/2009 The CRR and the LAR in respect of Jamaica Dollar liabilities of deposit-taking institutions were increased by 1 percentage point to 14% and 28% respectively. The respective ratios relating to foreign currency liabilities remained unchanged at 11% and 25%.

09/02/03 The Bank of Jamaica established the Foreign Exchange Surrender Facility for public sector entities (PSE Facility). The aim of the facility is to centralize foreign currency demand of the public sector, especially Port Authority of Jamaica (PAJ), National Water Commission (NWC) and Petrojam. Under this facility Commercial Banks agreed to surrender fifteen percent (15%) of foreign currency purchases daily. The pre-existing requirement where Authorized Dealers and Cambios surrender within a range of five percent (5%) to ten percent (10%) of their gross foreign currency purchases from commercial clients remains in effect. Therefore commercial banks are to surrender, in total between twenty percent (20%) to twenty-five percent (25%) of foreign currency purchases daily.

08/04/2009 The rate payable on a 1-year Certificate of Deposit issued by Bank of Jamaica was reduced to 22.67 per cent. Rates on other tenors remained unchanged.

Tenor	30 days	60 days	90 days	120 days	180 days	365 days
New rates (%)	**17.00**	**17.50**	**20.00**	**20.20**	**21.50**	**22.67**
Previous rates	17.00%	17.50%	20.00%	20.20	21.50%	24.00%

The previous rate of 24 per cent included a premium that the Bank had offered to encourage longer term placements by investors. The adjustment on the one-year CD removed that premium and brought the yield on a 1-year placement in line with that earned on a 180 – day BOJ instrument.. It was noted that while rates had been falling in recent auctions of Treasury Bills, the then current yield on a 6-month Bill remained above the comparable BOJ rate.

03/06/2009 The Bank of Jamaica temporarily ceased offering its 1-year OMO instrument to Primary Dealers and Commercial Banks.

LIST OF SUMMARY TABLES

C. Summary Tables

1

INFLATION RATES (%)

	CPI Index (e.o.p)	Head-line (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	108.9	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
September	136.5	4.7	2.0
December	136.5	0.0	1.1
March	138.2	1.3	1.1
2009/2010			
June	142.0	2.7	1.3

2A

COMPONENT CONTRIBUTION TO INFLATION
All Jamaica
April – June 2009

Divisions, Classes and Groups	Weight in CPI	Inflation (%)	Weighted Inflation	Contribution (%)
FOOD & NON-ALCOHOLIC BEVERAGES	**0.3746**	2.2	0.82	30.4
Food	**0.3512**	2.2	0.76	28.1
- Bread and Cereals	0.0610	2.2	0.13	4.9
- Meat	0.0766	2.5	0.19	7.0
- Fish and Seafood	0.0533	5.7	0.31	11.3
- Milk, Cheese and Eggs	0.0311	2.0	0.06	2.3
- Oils and Fats	0.0164	2.3	0.04	1.4
- Fruit	0.0114	1.5	0.02	0.6
- Vegetables and Starchy Foods	0.0686	-1.1	-0.08	-2.8
- Sugar, Jam, Honey, Chocolate and Confectionery	0.0172	3.7	0.06	2.4
- Food Products n.e.c.	0.0155	4.7	0.07	2.7
Non-Alcoholic Beverages	**0.0235**	2.9	0.07	2.5
- Coffee, Tea and Cocoa	0.0066	2.9	0.02	0.7
- Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	0.0169	2.8	0.05	1.8
ALCOHOLIC BEVERAGES AND TOBACCO	**0.0138**	8.1	0.11	4.1
CLOTHING AND FOOTWEAR	**0.0333**	3.2	0.11	4.0
Clothing	**0.0212**	1.9	0.04	1.5
Footwear	**0.0122**	5.3	0.06	2.4
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	**0.1276**	3.8	0.49	18.2
Rentals for Housing	**0.0352**	1.2	0.04	1.5
Maintenance and Repair of Dwelling	**0.0080**	1.0	0.01	0.3
Water Supply and Miscellaneous Services Related to the Dwelling	**0.0132**	4.8	0.06	2.3
Electricity, Gas and Other Fuels	**0.0712**	5.5	0.39	14.5
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	0.0493	4.1	0.20	7.6
Furniture and Furnishings	**0.0069**	0.6	0.00	0.2
Household Textiles	0.0032	1.0	0.00	0.1
Household Appliances	0.0056	2.8	0.02	0.6
Glassware, Tableware and Household Utensils	**0.0005**	1.2	0.00	0.0
Tools and Equipment for House and Garden	**0.0015**	1.7	0.00	0.1
Goods and Services for Routine Household Maintenance	**0.0316**	5.7	0.18	6.7
HEALTH	**0.0329**	1.1	0.04	1.3
Medical Products, Appliances and Equipment	0.0122	1.5	0.02	0.7
Health Services	0.0207	0.9	0.02	0.7
TRANSPORT	**0.1282**	4.1	0.52	19.3
COMMUNICATION	**0.0399**	0.0	0.00	0.0
RECREATION AND CULTURE	**0.0336**	1.4	0.05	1.7
EDUCATION	**0.0214**	0.0	0.00	0.0
RESTAURANTS & ACCOMMODATION SERVICES	**0.0619**	2.6	0.16	6.0
MISCELLANEOUS GOODS AND SERVICES	**0.0837**	2.4	0.20	7.5
ALL DIVISIONS	**1.0000**	2.7	2.7	100.0

2B

REGIONAL INFLATION
April – June 2009

Divisions, Classes and Groups	GKMA	Other Urban Centres	Rural Areas
FOOD & NON-ALCOHOLIC BEVERAGES	3.9	0.6	1.7
Food	3.9	0.5	1.7
- Bread and Cereals	3.1	1.8	1.8
- Meat	4.4	2.4	1.1
- Fish and Seafood	5.9	6.3	5.4
- Milk, Cheese and Eggs	2.7	2.3	1.4
- Oils and Fats	3.2	1.6	1.9
- Fruit	3.6	1.6	-2.1
- Vegetables and Starchy Foods	2.6	-8.2	-0.5
- Sugar, Jam, Honey, Chocolate and Confectionery	4.8	5.3	2.7
- Food Products n.e.c.	6.7	4.1	3.6
Non-Alcoholic Beverages	3.8	2.5	2.4
- Coffee, Tea and Cocoa	5.1	2.7	1.8
- Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	3.4	2.4	2.7
ALCOHOLIC BEVERAGES AND TOBACCO	12.2	7.6	5.8
CLOTHING AND FOOTWEAR	2.3	2.0	4.2
Clothing	1.8	2.4	1.7
Footwear	2.9	1.4	8.5
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	3.1	4.3	4.4
Rentals for Housing	0.9	1.5	1.6
Maintenance and Repair of Dwelling	0.8	1.8	0.8
Water Supply and Miscellaneous Services Related to the Dwelling	4.8	4.7	4.8
Electricity, Gas and Other Fuels	5.3	5.9	5.3
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	4.3	5.9	3.2
Furniture and Furnishings	-0.8	1.1	1.5
Household Textiles	1.2	2.6	0.1
Household Appliances	0.6	4.7	3.7
Glassware, Tableware and Household Utensils	1.6	0.9	1.1
Tools and Equipment for House and Garden	3.5	2.7	1.2
Goods and Services for Routine Household Maintenance	6.5	7.6	4.1
HEALTH	0.6	1.5	1.3
Medical Products, Appliances and Equipment	1.1	2.4	1.5
Health Services	0.3	1.0	1.2
TRANSPORT	3.7	4.5	4.0
COMMUNICATION	0.0	0.0	0.0
RECREATION AND CULTURE	1.1	1.7	1.5
EDUCATION	0.0	0.0	0.0
RESTAURANTS & ACCOMMODATION SERVICES	2.9	0.9	3.2
MISCELLANEOUS GOODS AND SERVICES	3.0	2.6	2.0
ALL DIVISIONS	3.3	2.2	2.5

3

BANK OF JAMAICA OPERATING TARGETS

	Dec-07	Mar-08	June-08	Sep-08	Dec-08	Mar-09	Jun-09[p]
Net International Reserves (US$MN)	1 877.7	2 083.4	2 228.8	2 251.1	1 772.94	1 628.6	1 619.4
Net International Reserves ($JMN)	135 065.1	149 859.0	161 565.7	163 180.8	128 520.4	132 224.4	144 110.8
- Assets	137 087.1	151 477.4	179 545.4	165 314.9	130151.4	135 054.7	147 777.2
- Liabilities	-2 022.0	-1 618.4	-17 979.7	-2 134.1	-1631.0	-2 830.3	-3 666.4
Net Domestic Assets	-69 808.0	-91 016.6	-103 922.7	-105 610.2	-57 021.8	-61 021.9	-71 411.9
-Net Claims on the Public Sector	95 010.4	97 776.9	98 324.8	93 497.6	123 972.4	128 337.6	139 561.4
- Net Credit to Banks	-12 419.5	-13 019.4	-13 488.6	-14 259.9	- 14 270.5	-17 461.4	-17 679.8
- Open Market Operations	-114 741.3	-138 179.1	-150 835.7	-146 219.8	-1 31 928.8	- 119 337.6	-120 774.3
- Other	-37 657.6	-37 595.0	-37 923.2	-38 628.1	-34 794.9	-52 560.5	-72 519.2
Monetary Base	65 257.1	58 842.4	57 643.0	57 570.6	71 498.6	71 202.5	72 698.9
- Currency Issue *	47 220.7	40 245.3	39 383.8	38 940.9	49 025.6	42 128.7	43 207.7
- Cash Reserve	17 259.8	17 650.0	18 066.9	18 400.9	21 983.4	28 927.0	29 429.4
- Current Account	776.6	947.1	192.3	228.8	489.6	146.8	61.8
% change Monetary Base (F-Y-T-D)	25.9	13.5	-2.0	-2.2	21.5	21.0	2.1

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

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

	M1J	M1*	M2J	M2*	M3J	M3*
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	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 [r]	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
September	83 539.4	90 900.7	199 539.0	292 918.6	268 487.6	361 867.2
December	91 017.8	100 097.1	210 962.0	313 194.9	279 396.0	381 628.9
March [P]	85 513.0	96 779.2	202 843.4	317 676.1	275 204.7	390 037.4
2009/2010						
June						

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-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09p
M2J	**3 271.2**	**16 973.3**	**-13 139.5**	**8 575.8**	**1 758.2**	**11 423.0**	**-8 118.6**	
Currency	839.2	7 180.0	-7 472.1	2 287.4	-1 887.5	8 393.0	-5 148.0	
Demand Deposits	121.3	6 372.7	-4 363.0	2 938.7	2 919.4	-914.6	-356.9	
Savings Deposits	2 798.0	2 038.3	-332.7	2 458.3	-1 978.0	2 034.5	-162.0	
Time Deposits	-487.3	1 382.3	-971.7	891.4	2 704.3	1 910.1	-2 451.7	
OTHER DEPOSITS	**1 606.4**	**3 056.9**	**2 576.3**	**4 571.4**	**1 507.7**	**-514.6**	**3 927.3**	
TOTAL (M3J)	**4 877.6**	**20 030.2**	**-10 563.2**	**13 147.2**	**3 265.9**	**10 908.4**	**-4 191.3**	
SOURCES OF CHANGE IN LOCAL CURRENCY MONEY SUPPLY								
N.I.R. of B.O.J.	**-22 532.7**	**- 2 685.7**	**14 793.9**	**10 458.6**	**2 863.2**	**-34 660.4**	**-11 720.6**	
M&LTFL of B.O.J	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	
Banking System Credit	**315.9**	**4 847.7**	**- 4 228.8**	**14 405.7**	**-4 799.0**	**39 128.0**	**2 572.9**	
Public Sector	**-6 050.0**	**-114.6**	**-7 463.5**	**7 722.9**	**-9 000.0**	**35 483.6**	**3 232.6**	
Private Sector	**6 365.9**	**4 962.3**	**3 234.7**	**6 682.8**	**4 201.4**	**3 644.4**	**-659.7**	
Open Market Operations	**20 986.7**	**15 030.2**	**-23 437.9**	**-12 656.5**	**4 615.9**	**14 291.0**	**12 591.2**	
Other	**6 107.7**	**2 838.0**	**2 309.6**	**939.4**	**585.8**	**-7 850.2**	**-7 634.8**	
TOTAL	**4 877.6**	**20 030.2**	**-10 563.2**	**13 147.2**	**3 265.9**	**10 908.4**	**-4 191.3**	
Memo:								
Foreign Currency Deposits (Private Sector)	**10 998.3**	**2 299.0**	**-2 065.9**	**-2 193.5**	**1 896.6**	**3 684.0**	**3 620.4**	
Foreign Currency Loans (Private Sector)	**7 173.2**	**3 078.1**	**1 329.8**	**7 044.0**	**- 2632.6**	**3 510.2**	**321.5**	

p-preliminary

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	6.94.	16.97	11.67
September	7.30 - 12.85	7.00 – 13.35	5.54	23.18	7.03	16.46	8.67
December	7.30 - 12.85	7.00 – 13.35	5.33	23.17	7.37	16.78	24.50
March	7.30 – 16.33	7.00 - 18.11	5.89	22.34	6.99	16.58	8.29
2009/2010							
June	7.30 – 18.20	7.00 – 19.00	5.87	23.32	7.08	16.49	8.07

**Relate to deposits of $100 000 and over.*
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		
September	14.81	15.35		
December	22.01	24.45		
March	20.51	21.77		
2009/2010				
June	19.58	21.05		

7

BANK OF JAMAICA OPEN MARKET INTEREST RATES

(End of Period)

Tenor of Instruments

End Period	30 days	60 days	90 days	120 days	180 days	270 days	365 days
2001/2002							
June	14.25	14.35	14.45	14.55	14.75	15.35	15.90
September	14.25	14.35	14.45	14.55	14.75	15.35	15.90
December	14.25	14.35	14.45	14.55	15.00	18.40	18.90
March	13.25	13.35	13.45	13.55	13.80	14.20	15.00
2002/2003							
June	13.25	13.35	13.45	13.55	13.80	14.20	15.00
September	12.95	13.05	17.25	17.05	13.45	13.85	14.50
December	12.95	13.05	18.25	18.40	13.45	13.85	14.50
March	15.00	15.30	20.00	24.00	33.15	34.50	35.95
2003/2004							
June	15.00	15.30	20.00	24.00	26.50	29.50	30.00
September	15.00	15.30	18.00	21.00	23.50	23.75	24.00
December	15.00	15.30	17.00	20.00	21.00	22.00	23.00
March	14.85	15.00	15.10	15.50	16.00	16.95	17.95
2004/2005							
June	14.20	14.30	14.40	14.55	15.05	15.65	16.40
September	14.00	14.10	14.20	14.35	14.80	15.35	16.00
December	13.80	13.95	14.05	14.15	14.30	15.00	15.50
March	12.95	13.10	13.20	13.30	13.45	14.00	14.50
2005/2006							
June	12.60	12.70	12.75	12.85	13.00	13.25	13.60
September	12.60	12.70	12.75	12.85	13.00	13.25	13.60
December	12.60	12.70	12.75	12.85	13.00	13.25	13.60
March	12.60	12.70	12.75	12.85	13.00	13.25	13.60
2006/2007							
June*	12.45	12.50	12.60	12.65	12.80	...	...
September	11.95	12.00	12.10	12.15	12.30	...	...
December	11.65	11.70	11.80	11.85	12.00	...	...
March	11.65	11.70	11.80	11.85	12.00	...	...
2007/2008							
June	11.65	11.70	11.80	11.85	12.00	...	...
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
September	14.00	14.20	14.40	14.50	14.70	...	15.50
December	17.00	17.50	20.00	20.20	21.50	...	24.00
March	17.00	17.50	20.00	20.20	21.50	...	24.00
2009/2010							
June	17.00	17.50	20.00	20.20	21.50	...	22.67

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

8A

JAMAICA: GOVERNMENT BOND MARKET
GOJ Maturities
April - June 2009

Maturity Date		Amount J$M	Applicable Interest Rate [b/]
19 Apr	FR LRS 2009 AC	700.0	14.875
29 Apr	FR Inv. Deb. 2009 Ser. At	6 792.3	14.625
25 May	FR Inv. Deb. 2009 Ser. As	1 364.6	15.00
30 May	FR LRS 2009 AD	500.0	14.25
31 May	FR LRS 2009 AJ	300.0	15.25
05 Jun	FR Inv. Deb. 2009 Ser. Bd	4 264.6	15.00
08 Jun	VR LRS 2009/2010 A	600.0	20.76
28 Jun	FR LRS 2009 AE	700.0	14.25
30 Jun	FR LRS 2009	3 078.2	15.69
30 Jun	FR LRS 2009 AL	400.0	13.875

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 2009

Issue Date	Stock Name	Features	Amount raised J$M
09 April	VR. Inv. Bd. 2011/2012 Ser. Bs	Tenor of 2 ¼ years. Interest rate fixed at 22.5% for one year. Thereafter, quarterly payments of 1.375 percentage points above 3-month WATBY.	1 006.41
17 April	FR Inv. Deb. 2010 Ser. Bl	Tenor of 15 months. Interest rate fixed at 22.67%. First interest payment will become due and payable after 12 months. Thereafter, final interest payment will be paid at maturity.	4 622.42
24 April	VR Inv. Bd. 2010/2011 Ser. Bt	Tenor of 2 ¾ years. Interest rate fixed at 21.77% for first 6 months. Thereafter, semi-annual payments of 1.375 percentage points above 6-month WATBY.	452.91
01 May	VR Inv. Bd. 2010/2011 Ser. Bu	Tenor of 15 months. Interest rate fixed at 21.17% for first 3 months. Thereafter, quarterly payments of 1.625 percentage points above 3-month WATBY.	2 253.16
01 May	FR Inv. Deb. 2010 Ser. Bm	Tenor of 18 months. Interest rate fixed at 22.75%. First interest payment will become due and payable after 3 months. Thereafter, interest will be paid quarterly until maturity.	4 665.73
08 May	FR Inv. Deb. 2010 Ser. Bn	Tenor of 15 months. Interest rate fixed at 22.50%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity.	2 397.76
14 May	VR Inv. Bd. 2011/2012 Ser. Bv	Tenor of 2 years. Interest rate fixed at 21.17% for first 3 months. Thereafter, quarterly payments of 1.625 percentage points above 3-months WATBY.	1 149.30
22 May	FR Inv. Deb. 2010 Ser. Bp	Tenor of 12 months. Interest rate fixed at 22.375%. First interest payment will become due and payable after 3 months. Thereafter, interest will be paid quarterly until maturity.	3 019.70
29 May	VR Inv. Bd. 2010/2011 Ser. Bw	Tenor of 15 months. Interest rate fixed at 21.50% for first 3 months. Thereafter, quarterly payments of 1.75 percentage points above 3-months WATBY.	2 197.42
05 June	FR Inv. Deb. 2010 Ser. Bq	Tenor of 18 months. Interest rate fixed at 22.50%. First interest payment will become due and payable after 3 months. Thereafter, interest will be paid quarterly until maturity.	7 745.45
11 June	VR Inv. Bd. 2010/2011 Ser. Bx	Tenor of 15 months. Interest rate fixed at 21.50% for first 3 months. Thereafter, quarterly payments of 1.625 percentage points above 3-months WATBY.	1 569.50
19 June	FR Inv. Deb. 2010 Ser. Br	Tenor of 12 months. Interest rate fixed at 22.25%. First interest payment will become due and payable after 6 months. Thereafter, final interest payment will be paid at maturity.	3 906.56
19 June	FR Inv. Deb. 2039 Ser. Y	Tenor of 30 years. Interest rate fixed at 23.75%. First interest payment will become due and payable after 3 months. Thereafter, interest will be paid quarterly until maturity.	4 750.75
26 June	FR LRS 2012 AG	Tenor of 3 years. Coupon rate fixed at 21.75%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity. Average yield of 22.32%.	800.0
30 June	VR Inv. Bd. 2010/2011 Ser. By	Tenor of 12 months. Interest rate fixed at 21.08% for first 3 months. Thereafter, quarterly payments of 1.625 percentage points above 3-months WATBY.	1 312.71

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	619.8	188.6	2 189.5
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	147.6	51.2	585.5
2007/2008	**112.7**	**1 212.8**	**104.9**	**6.4**	**82.9**	**664.4**	**227.8**	**2 411.9**
June	28.5	314.4	42.4	4.5	21.4	139.8	47.5	598.5
September	28.3	267.7	13.1	1.9	22.3	112.2	54.3	499.8
December	26.7	320.0	0.0	0.0	21.0	117.4	57.5	542.6
March [r]	29.2	310.7	49.4	0.0	18.2	295.0	68.5	771.0
2008/2009	**106.0**	**1 043.3**	**92.4**	**0.0**	**82.6**	**606.0**	**392.1**	**2 322.4**
June [r]	29.6	366.9	43.0	0.0	24.9	192.6	142.3	799.3
September [p]	28.8	304.6	11.8	0.0	25.6	195.4	138.2	704.4
December [p]	27.4	252.8	0.0	0.0	11.9	124.4	53.6	470.1
March [p]	20.2	119.0	37.6	0.0	20.2	93.6	58.0	348.6

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-07 r	Dec-07 r	Mar r	Jun-08 r	Sep-08 r	Dec-08 r	Mar-09 p
							-209.9
1. Current Account	**-586.0**	**-774.6**	**-619.1**	**-1038.6**	**-1 072.2**	**-714.3**	
A. Goods Balance							**-738.4**
	-1 020.5	**-1 194.9**	**-1 116.6**	**-1 483.5**	**-1 491.5**	**-1 100.7**	
Exports (f.o.b.)	543.8	587.8	785.8	799.3	704.4	470.1	348.6
Imports (f.o.b.)	1 564.3	1 782.7	1 902.4	2 282.8	2 195.9	1 570.8	1 087.0
B. Services Balance	**80.4**	**62.8**	**195.4**	**52.5**	**17.7**	**78.8**	**226.9**
Transportation	-142.1	-1 55.0	-146.5	-197.1	-199.9	-154.0	-85.4
Travel	383.4	379.8	522.0	425.1	379.6	388.8	473.1
Other Services	-160.9	-162.0	-180.0	-175.6	-162.0	-156.0	-160.9
							-511.5
Goods & Services Balance	**-940.1**	**-1 132.1**	**-921.2**	**-1 431.0**	**-1 473.8**	**-1 021.9**	
C. Income	**-164.1**	**-186.2**	**-199.9**	**-154.3**	**-136.5**	**-188.6**	**-153.9**
Compensation of Employees	26.5	37.8	-0.7	7.0	21.6	29.4	-4.9
Investment Income	-190.6	-224.0	-199.2	-161.3	-158.1	-218.0	-149.0
D. Current Transfers	**518.2**	**543.7**	**501.9**	**546.7**	**538.2**	**496.2**	**455.6**
General Government	33.6	32.3	33.1	31.9	31.8	28.2	35.9
Other Sectors	484.6	511.4	468.8	514.9	506.4	468.0	419.6
2. Capital & Financial Account	**586.0**	**774.6**	**619.1**	**1 038.6**	**1 072.2**	**714.3**	**209.9**
A. Capital Account	**-9.0**	**-8.1**	**20.7**	**-6.0**	**11.2**	**-4.3**	**34.9**
Capital Transfers	0.3	0.0	29.5	0.0	19.1	3.6	34.9
General Government	-9.3	-8.1	-8.8	-6.0	-7.8	-7.9	44.7
Other Sectors	-9.0	-8.1	20.7	-6.0	11.2	-4.3	-9.8
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	**595.0**	**782.7**	**598.4**	**1 044.6**	**1 061.0**	**718.6**	**175.0**
							-156.1
Official Investment	55.7	219.9	-40.7	174.5	370.3	14.2	
Private Investment (including net errors & omissions)	216.6	524.3	844.8	1 015.5	713.0	226.3	**186.7**
							144.4
Reserves	322.7	38.5	-205.7	-145.4	-22.3	478.1	

p-provisional
r-revised

r: revised
p: provisional

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PRIVATE SECTOR QUARTERLY CURRENT GROSS TRANSFERS (INCLUDING REMITTANCE INFLOWS) (US$MN)					
	Remittance Companies	Other Remittances	Total Remittance Inflows	Other Current Transfers	Total
2008/2009	**1 524.5**	**427.3**	**1 951.8**	**279.6**	**2 231.4**
June	397.7	133.6	531.3	69.9	601.2
September	395.5	131.9	527.4	69.9	597.3
December	380.8	97.8	478.6	69.9	548.5
March	350.5	64.0	414.5	69.9	484.4
2009//2010					
June	384.3	61.0	445.3	**69.9**	515.2

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FOREIGN EXCHANGE SELLING RATES (J$ per unit of foreign currency-end of period)			
	US$	Can$	GB£
2004/2005			
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
September	72.68	69.49	130.35
December	80.47	65.54	116.84
March	88.82	71.97	129.02
2009/2010			
June	89.07	76.84	148.08

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

	Gross Foreign Assets (US$MN)	Gross Foreign Liabilities (US$MN)	International Reserves (Net) (US$MN)	*Weeks of Imports*	
				Goods	Goods & Services
2003/2004					
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	
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	21.2	15.6
September	2 280.5	29.4	2 251.1	18.0	13.3
December	1 795.4	22.5	1 772.9	14.8	10.9
March	1 663.4	34.8	1 628.6	12.2	9.2
2009/2010					
June	1 660.6	41.2	1 619.4	18.53	13.07

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STOCK MARKET ACTIVITIES

Jamaica Stock Exchange

	JSE Index	Volume Traded (MN.)	Value of Stocks Traded (J$MN.)
2004/2005			
September	99 819.8	391.1	4 920.4
December	112 655.5	532.0	7 144.9
March	111 931.2	920.4	18 029.3
2005/2006			
June	110 621.9	866 .8	14 136.8
September	103 332.6	387.8	4 189.6
December	104 510.4	323.1	4 391.0
March	86 896.1	366.5	4 513.8
2006/2007			
June	85 108.2	1 882.6	10 627.1
September	86 196.0	610.4	3 441.1
December	100 678.0	2 823.9	18 459.0
March	90 595.1	556.1	7 662.6
2007/2008			
June	90 069.9	352.4	2 762.0
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
September	102 018.9	637.8	39 352.8
December	80 152.0	519.6	4 191.3
March	79 022.6	657.7	2 248.7
2009/2010			
June	80 866.1	191.8	1 396.5

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

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PUBLIC SECTOR DOMESTIC SECURITIES
Outstanding Stocks

(J$MN)

End Period	Local Registered Stocks	Treasury Bills	Bonds	BOJ Open Market Operations Securities
2003/2004				
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	218 100.0	4 200.0	344 170.3	150 835.7
September	213 495.2	4 300.0	357 755.7	146 219.8
December	205 120.1	4 194.5	392 220.6	131 928.8
March	201 936.1	4 094.5	438 381.6	119 337.6
2009/2010				
June	196 457.9	3 955.7	469 957.3	120 774.3

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	**3 916.7**	**3 856.3**	**13 614.4**	**139.4**	**0.0**
June	1 020.4	1 153..9	3 794.4	54.8	0.0
September	1 115.0	980.5	3 6 18.7	4.2	0.0
December	1 043.0	1 011.8	3 622.5	0.2	0.0
March	738.3	710.1	2 578.8	80.2	0.0
2009/2010					
June	546.2	471.0	1 698.6	42.9	0.0

** Exports*

18

VALUE ADDED BY INDUSTRY
AT CONSTANT (2003) PRICES
Mar 2007 - Mar 2009 (Seasonally Unadjusted)

	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09
Total Value Added at Basic Prices	3.19	2.76	0.72	-0.67	-0.38	-1.20	-1.00	-1.22	-3.11
Agriculture, Forestry & Fishing	6.22	7.08	-7.05	-28.66	-17.11	-9.77	-0.53	13.82	8.34
Mining & Quarrying	1.63	0.62	-7.44	-5.34	-5.95	-5.06	1.48	0.18	-26.76
Manufacturing	0.35	3.16	-1.64	1.12	-1.33	-0.51	-0.94	-3.01	-6.78
Food, Beverages & Tobacco	0.72	5.52	1.68	1.96	-2.04	-0.60	-1.65	-1.61	-3.46
Other Manufacturing	-0.15	-0.02	-5.18	0.29	-0.36	-0.38	-0.13	-4.42	-11.27
Electricity & Water	4.42	3.91	-4.48	-1.38	-1.26	-1.84	5.70	1.28	-1.39
Construction & Installation	4.52	1.94	2.51	8.68	2.10	-3.67	-9.78	-14.10	-5.27
Wholesale & Retail Trade; Repair and Installation of Machinery	2.67	2.82	1.56	-0.08	0.30	0.37	-0.69	-0.69	-1.76
Hotels and Restaurants	-1.48	-2.71	2.49	3.90	9.59	1.63	-1.47	-1.49	-1.17
Transport, Storage & Communication	8.72	3.38	1.04	0.24	-1.16	-2.21	-2.88	-2.85	-8.28
Finance & Insurance Services	5.41	5.67	2.69	0.09	2.69	0.88	0.70	-0.96	1.00
Real Estate & Business Services	2.67	3.06	3.60	3.33	1.36	1.71	1.23	0.67	-0.13
Government Services	0.59	2.43	4.01	-1.73	-0.14	-1.28	-0.64	1.84	-0.17
Other Services	2.45	2.32	2.40	1.19	2.06	-0.34	-0.22	0.35	-0.80
Less Financial Intermediation Services Indirectly Measured (FISIM)	6.27	6.29	7.04	1.40	2.49	0.95	-2.83	-3.08	-0.10

D. BANK OF JAMAICA BALANCE SHEET

ASSETS AND LIABILITIES
(End of Period)
J$MN

	Jun-07	Sep-07	Dec-07	Mar-07	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09
Assets	**266 006.6**	**234 449.4**	**233 640.7**	**247 757.6**	**278 045.0**	**267 838.0**	**273 994.4**	**278 865.6**	**280 853.0**
Foreign	169 301.9	136 180.7	134 243.8	149 671.7	177 518.2	164 990.4	143 530.2	146 851.9	147 590.6
Current Account & Foreign Currency Balances	6 382.1	9 199.7	32 665.7	16 279.0	36 274.4	22 474.3	30 350.9	25 289.6	19 281.7
Time Deposits & Securities	154 673.4	118 397.0	92 715.1	124 208.5	132 102.3	133 223.7	100 738.6	102 477.6	106 616.5
Holdings of Special Drawing Rights	14.6	11.4	20.5	5.5	13.4	4.2	7.7	7.4	6.1
Other	8 231.8	8 572.6	8 842.5	9 178.7	9 128.1	9 288.2	12 433.0	19 077.3	21 686.3
Local	96 704.7	98 268.7	99 396.9	98 085.9	100 526.8	102 847.6	130 464.2	132 013.7	133 262.4
Discounts & Advances							16 777.2	19 654.1	18 666.6
Other Assets	28 089.2	24 434.1	25 640.2	24 388.7	26 809.4	23 160.2	23 359.6	18 939.5	19 121.3
Liabilities	**266 006.6**	**234 449.4**	**233 640.7**	**247 757.6**	**278 045.0**	**267 838.0**	**273 994.4**	**278 865.6**	**280 853.0**
Foreign	263.4	259.5	283.0	254.7	268.6	237.9	183.8	245.5	247.3
Local	265 743.2	234 189.9	186 102.6	247 502.9	277 776.4	267 600.1	273 810.6	278 620.1	280 605.6
Currency in Circulation	36 397.1	37 509.0	47 255.1	40 293.8	39 441.3	38 977.0	49 069.0	42 178.3	43 236.1
Deposits	215 715.8	180 700.9	170 289.8	194 151.5	224 425.0	214 859.7	198 224.7	206 875.9	209 072.4
Bankers	29 596.9	31 101.9	32 677.2	33 897.2	33 105.9	34 281.2	53 951.0	72 751.5	80,951.3
Government	17 575.9	14 499.1	18 217.8	10 476.0	6 589.0	8 286.9	4 503.6	5 208.3	1,515. 6
Open Market Operations	150 758.3	129 771.5	114 741.3	138 179.1	150 835.7	146 219.8	131 928.8	119 337.6	120,774.3
Other	17 784.7	5 328.4	4 653.5	11 599.2	33 894.4	26 071.8	7 841.3	9 578.5	5,831.2
Allocation of Special Drawing Rights	3 914.0	3 914.0	3 914.0	3 914.0	4 185.3	5 020.6	5 020.6	5 020.6	5,399.5
Capital & Reserves	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Other Reserves	4 274.0	4 382.3	5 104.0	5 590.0	5 660.8	5 458.0	5 685.0	5 520.9	5,077.6
Other Liabilities	5 418.3	7 659.7	6 770.8	3 529.6	4 040.0	3 260.8	15 787.3	19 000.4	17,796.1

E. COMMERCIAL BANKS' BALANCE SHEET

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

	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08 p	Mar-09	Jun-09 p
Assets	452 281.0	471 604.9	490 987.8	496 030.6	519 204.9	533 049.2	548 341.6	572 720.3	573 621.9
Cash	3 692.7	3 951.2	6 545.7	7 042.5	3 893.6	5 338.2	7 029.9	5 280.9	5 074.2
Balances with BOJ	60 056.9	60 014.3	69 208.5	75 753.2	76 629.6	86 077.6	81 762.9	92 513.2	92 378.6
Foreign Assets	105 317.4	111 578.5	109 103.8	112 802.9	110 430.8	100 289.2	104 184.8	108 218.2	112 238.0
Loans & Advances	172 769.7	183 898.4	195 075.1	194 847.0	215 973.6	233 120.9	246 167.5	259 146.7	259 340.6
Private Sector	141 770.6	155 376.6	163 411.9	167 792.6	187 366.6	202 280.2	215 392.1	224 852.5	224 361.5
Public Sector	30 999.1	28 521.8	31 663.2	27 054.4	28 607.0	30 840.7	30 775.4	34 294.2	34 979.1
Public Sector Securities	66 639.3	64 883.9	63 495.2	60 352.7	62 265.7	58 867.3	57 691.2	55 571.9	57 421.5
Cheques in the Process of Collection	4 628.2	5 177.6	6 146.8	4 005.5	6 013.2	4 936.6	2 425.2	5 863.5	3 466.2
Other Assets	39 176.8	42 101.0	41 412.7	41 226.8	43 998.4	44 419.4	49 080.1	46 125.9	43 702.8
Liabilities	452 281.0	471 604.9	490 987.8	496 030.6	519 204.9	533 049.2	548 341.6	572 720.3	573 621.9
Deposits	292 735.3	308 182.3	321 158.7	321 588.7	322 095.9	327 776.0	333 960.0	353 880.5	352 625.7
Local Currency	182 259.7	188 681.1	198 395.7	196 044.3	199 675.1	205 462.6	205 487.7	210 182.7	206 226.6
Foreign Currency	110 475.6	119 501.2	122 763.0	125 544.4	122 420.8	122 313.4	128 472.3	143 697.8	146 399.1
Foreign Liabilities	56 315.8	61 469.2	61 298.0	66 811.5	79 532.3	79 180.9	88 460.5	91 717.1	91 027.4
Discounts & Advances from BOJ	192.3	178.3	33.4	430.8	203.2	53.3	197.1	93.6	99.8
Loans/Advances from Other Institutions	5 126.0	6 082.5	5 137.5	5 594.6	5 051.8	5 164.8	5 456.1	9 032.4	10 642.6
Cheques in the Process of Payment	4 745.0	4 024.0	5 5234.0	6 329.3	4 574.3	4 583.3	7 900.8	4 388.8	4 200.7
Other Liabilities	93 166.6	91 668.6	97 836.2	95 275.7	107 747.4	116 290.9	112 367.1	113 607.9	115 025.7

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
September	3.9263	4.0525	3.9813	3.9625
December	0.4360	1.4250	1.7500	2.0040
March	0.5320	1.2670	1.8270	2.1170

2

LONDON MONEY RATES – INTERBANK STERLING
(End- of-Period)

	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
2004/2005				
June	4 5/8 – 4 ½	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 ¾	4 29/32 – 4 25/32	4 15/16 – 4 13/16	4 31/32 4 27/32
March	4 27/32 – 4 ¾	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 ½	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 ¾ – 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	6 8/100 – 6 18/100	6 25/100 – 6 8/100	6 25/100 – 6 15/100	6 18/100 – 6 8/100
December	6 4/100 – 5 24/25	6 2/100 – 5 47/50	5 97/100 – 5 91/100	5 ¾ – 5 67/100
March	5 70/100- 5 79/100	5 94/100 - 6	5 90/100 – 5 98/100	5 74/100 – 5 84/100
2007/2008				
June	5 40/100- 5 51/100	5 86/100 - 5 95/100	6 5/100 – 6 17/100	6 36/100 – 6 45/100
September	5 90/100- 6	6 18/100- 6 28/100	6 25/100 – 6 35/100	6 35/100 – 6 45/100
December	2 5/100-2 5/100	2 68/100- 2 78/100	2 85/100 – 2 85/100	3 00/100 - 3 10/100
March	95/100 -1 05/100	1 60/100 – 1 70/100	1 85/100 - 1 95/100	2 06/100 – 2 16/100

3

PRIME LENDING RATES
(End- of-Period)

	EURO-ZONE	UNITED STATES			UNITED KINGDOM
	Repo rate	Fed Funds Rate	Discount Rate	Prime Rate	Repo rate
2004/2005					
June	2.00	1.25	2.014	4.00	4.50
September	2.00	1.75	2.58	4.75	4.75
December	2.00	2.25	3.15	5.25	4.75
March	2.00	2.75	3.58	5.50	4.75
2005/2006					
June	2.00	3.25	4.01	6.00	4.75
September	2.00	3.75	4.59	6.75	4.50
December	2.25	4.25	5.15	7.25	4.50
March	2.50	4.75	5.53	7.75	4.50
2006/2007					
June	2.75	5.25	6.02	8.25	4.50
September	3.00	5.25	6.25	8.25	4.75
December	3.50	5.25	6.25	8.25	5.00
March	3.75	5.25	6.25	8.25	5.25
2007/2008					
June	4.00	5.25	6.25	8.25	5.50
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
September	4.25	2.00	225	5.00	5.00
December	2.50	0 – 0.25	0.50	3.61	2.00
March	1.50	0.25	0.50	3.25	0.50

4A

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

	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09
US$ vs. Sterling	0.4985	0.4905	0.4955	0.5037	0.5023	0.5564	0.6730	0.7058
US$ vs. Canadian $	1.0634	0.9963	1.0024	1.0279	1.0186	1.0581	1.2341	1.3123
US$ vs. Yen	123.39	114.98	112.36	99.893	106.180	106.572	91.290	97.8532
US$ vs. Euro	0.7397	0.7033	0.6865	0.6328	0.6350	0.6975	0.7416	0.7663

4B

INTERNATIONAL EXCHANGE RATES
EXCHANGE CROSS RATES
(Mar 2009)

	GBP	CAN$	US$	Yen	Euro
GBP	1.0000	1.7909	1.4168	127.60	1.0859
CAN$	0.5583	1.0000	0.7620	77.393	0.6064
US$	0.7058	1.2640	1.0000	97.857	0.7663
Yen	0.0072	0.0129	0.0102	1.0000	0.0078
Euro	0.9206	1.6490	1.3050	138.60	1.0000

4C

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

	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09
Sterling vs. US$	2.0388	2.0176	1.9906	1.7971	1.4859	1.4168
Sterling vs. Canadian $	2.0313	2.0242	2.0276	1.9015	1.8342	1.791
Sterling vs. Yen	234.43	226.70	211.36	191.53	135.67	138.65
Sterling vs. Euro 1/	1.4339	1.3857	1.264	1.2535	1.1040	1.0862

5A

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

	Sep-07	Dec-07	Mar-08	Jun -08	Sep-08	Dec-08	Mar-09
North Sea Brent	80.65	91.45	103.28	133.05	99.06	41.58	46.84
West Texas Intermediate	81.67	91.36	105.48	133.93	103.94	41.44	48.06

5B

WORLD COMMODITY PRICES
FOOD
(End- of-Period)

	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09
Wheat **(US$/m t)**	357.68	356.96	440.17	348.55	294.46	220.14	230.95
Coffee (USc/kg arabica brand)	282.28	304.33	328.97	322.21	315.86	262.13	283.34

6

MAJOR STOCK MARKET INDICES
(End- of-Period)

		Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09
TOKYO								
Nikkei Index		16785.69	15307.78	12525.54	13481.38	11259.86	8859.56	8109.53
NEW YORK								
Dow Jones Industrials		13912.94	13264.82	12295.29	11350.01	10850.66	8776.39	7608.92
S & P Composite		1531.38	1468.36	1325.52	1280.0	1166.36	903.25	797.87
LONDON								
Financial Times SE 100		6486.40	6806.11	5702.1	5625.9	4902.45	4434.17	3926.14
FRANKFURT								
Dax Index	8005.90	8067.32	6534.97	6418.32	5831.02	6145.00	4810.20	4084.76

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.

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

Quasi-money*: Savings Deposits plus Time Deposits.*

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.

List of Boxes in the Quarterly Monetary Policy Report