Bank of Jamaica Quarterly Monetary Policy Report

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CONTENTS

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 future economic trends and the path of monetary policy over the short to medium term. This issue includes features on the profitability of the Commercial Banking system, the regional disparity in inflation, as well as recent developments in Argentina and the implications for the Jamaican economy. The report also highlights the importance of Jamaica's compliance with the General Data Dissemination Standards (GDDS) implemented by the International Monetary Fund.

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

The defining characteristic of the March 2002 quarter was the marked slowdown in the 3-month rate of inflation to 0.6 per cent in contrast to an average rate of over 2.0 per cent for each of the three quarters to December. The inertia in domestic prices coincided with the calm conditions in the foreign exchange market, a smooth supply of domestic food items and the maintenance of a tight rein on base money. The out-turn for March brought the domestic inflation rate to 7.6 per cent for the fiscal year and marked the sixth consecutive year of single digit inflation.

The 0.6 per cent inflation recorded for the March quarter was considerably lower than the projection of 1.2 per cent published in the December 2001 QMPR. The deviation stemmed primarily from stronger than anticipated declines in agricultural prices. During the quarter, the CPI moved by 0.6 per cent, -0.1 per cent and 0.03 per cent in January, February and March, respectively. The only noteworthy impulses to prices emanated from increases in the Housing & Other Housing Expenses sub-index which reflected the impact of the 50.0 per cent adjustment in the minimum wage in January and increases in the wages of some artisans in February. Regional differences in the pattern of inflation have become quite stark in recent years and these are analyzed in a special contribution to the Report (See **Box 2**)

The containment of base money and money supply has remained a significant factor underlying continued achievement of single digit inflation. The Bank of Jamaica's management of the monetary base resulted in a 11.9 per cent contraction during the quarter that was spurred by a reduction in the cash reserve ratio to 9 per cent. The decline of 0.8 per cent in the monetary base for the fiscal year 2001/02 was consistent with the programme target of a 0.6 per cent reduction. Broad Jamaica Dollar money supply (M3J) contracted by 0.4 per cent during the quarter relative to an increase of 0.6 per cent for the corresponding quarter of the previous year. For the fiscal year, M3J expanded by 8.1 per cent relative to an expansion of 10.7 per cent in the 2000/01 fiscal year. The growth of domestic money supply has therefore slowed relative to the previous year and was in line with the targeted increase of 8.3 per cent outlined in the monetary programme.

The decline in inflation and in short run inflation expectations was underpinned by the relative stability in the foreign exchange market during the March quarter. The weighted average selling rate depreciated only marginally (0.4 per cent) when compared with the 3.2 per cent depreciation in the December 2001 quarter. The stability in the market was influenced by the excess supply of foreign exchange to the official system, the continued moderation in inflation expectations and evidence of a recovery in the real sector. In particular, the fall-out in tourism was not as severe as earlier anticipated by both industry officials and players in the foreign exchange market.

In this context of price and exchange rate stability, the Bank reduced the interest rate on all tenors of open market instruments with an emphasis on the continued reduction in the premium on the longer-term instruments. The rates on 270-day and 365-day tenors were lowered by 420 basis points and 390 basis points, respectively in comparison to the previous quarter. The 30-day signal rate was reduced to 13.25 per cent by the end of the quarter, 100 basis points lower than the rate prevailing at end December. Policy was further loosened with the last of the planned reductions in the statutory cash reserve requirement, which was adjusted by 1.0 percentage point to 9.0 per cent on 01 March 2002.

The reduction in BOJ's interest rate structure influenced average yields on Treasury Bills as investors' expectations of lower interest rates were reinforced. As such, the average yield on six-month Treasury Bills declined from 17.03 per cent at the last auction on 21 December 2001 to 14.30 per cent at end-March 2002 representing a decline of 273 basis points. These market determined rates were the lowest observed since 1984.

Interest rate trends added further stimulus to trade in equities as the Jamaica Stock Exchange (JSE) exhibited a significant improvement in performance relative to the comparable period of the previous year. Similarly, the performance for the fiscal year exceeded that of 2000/01. Investment in the stock market was also encouraged by the positive financial results posted by many listed firms. As a result, the JSE Index reached a record high of 37,445.9 points by the end of the quarter.

The cumulative reduction in interest rates during the fiscal year also propelled an expansion in commercial bank credit. While net credit to the private sector was relatively weak in the March quarter owing to large repayments by a few entities, the net expansion in private sector credit during fiscal year 2001/02 was $5607.0 million or 16.5 per cent. This expansion surpassed growth of $2313.5 million or 6.8 per cent during the previous fiscal year as well as the 12.4 per cent outlined in the monetary programme for 2001/02. The increase was spread across all sectors but was heavily concentrated in Personal Loans, Transport, Storage & Communication and Tourism. A part of the expansion was funded by the Development Bank of Jamaica from a pool of resources that had been built-up by contributions from the cash savings of financial institutions as their reserve requirements were lowered. The loan portfolio of the commercial banks continued to show improvements as reflected in a decline in the ratio of past due loans to total loans to 5.6 per cent at end-March 2002 relative to 8.9 per cent at end March 2001. Financial statements to December also confirm the return to strong profitability in the banking sector. (See **Box 1**).

Leading indicators of economic performance suggest an expansion in real GDP during the March 2002 quarter, relative to the corresponding quarter of 2001. Growth is estimated in both the goods producing and services sectors. The growth in the goods producing sectors reflected the improvement in the agriculture and mining sectors. Growth in services was tempered by the decline in the miscellaneous and financial services sectors, which partially negated the growth from the other sectors.

The expansion in the March quarter combined with growth in the first half of the fiscal year outweighed the contraction in the December quarter resulting in an overall expansion in economic activity for the fiscal year 2001/02. This estimated expansion emanated from growth in both the goods producing and services sectors. All the goods producing sectors are estimated to have grown while for services, the estimated growth in basic services outweighed the decline in other services. The overall positive performance for the year was underpinned by a relatively stable economic environment, which facilitated a lowering of domestic interest rates. However, the expansion in real gross domestic product (GDP) during the fiscal year was moderated by the adverse impact of the social disturbance in July and the events of 11 September 2001 in the United States.

Short-term prospects and policy outlook

Against this background of a stable macroeconomy and the anticipated recovery in the global economy and the USA in particular, there are sound prospects for growth in the Jamaican economy in fiscal year 2002/03. The economic growth recorded in the USA in the six months to March, as well as other leading indicators for that economy signal that the recession, which officially began in the March 2001 quarter was one of the shortest in US history. Although growth may be mild in the June 2002 quarter, stronger growth is anticipated for the second half of the year. Other major economies, notably the Euro area, are also expected to reflect stronger growth patterns. The impact of recent developments in Latin America particularly Argentina and their implications for Jamaica is analyzed in **Box 3** of the Report.

With the recovery in the world economy, external demand for Jamaican goods and services, particularly tourism, should improve throughout the fiscal year. Given this and expectations of continued expansion in agriculture, mining, communication and other services, the macro-economic programme envisages economic **growth in the range of 2.0 per cent to 4.0 per cent for fiscal year 2002/03**.

The Bank of Jamaica has targeted an inflation rate in the range of **5.0 per cent to 6.0 per cent for fiscal year 2002/03** with economic programme targets consistent with this objective. **For the June quarter, the projection is for inflation of 1.0 per cent to 1.4 per cent**. The risks to this target range are expected to arise mainly from external factors such as the volatility that characterized oil prices in the recent past.

There is also the possibility that the recovery in the world economy may be slower than expected. In either case, there is the potential for pressure on the balance of payments and, more directly, on the foreign exchange market. The risks of destabilization posed by the external environment can be cushioned by timely use of the Net International Reserves. Passively, the reserves are expected to decline during the course of the year given the extraordinary official debt obligations in the year for which added provision had been made at the end of December 2001. The NIR is expected to end the fiscal year at about US$1600 million, a level that is more than adequate to meet short-term contingencies and underwrite exchange rate stability.

As part of its commitment to transparency, the Bank, in conjunction with the Ministry of Finance and the Statistical Institute of Jamaica, is in an advanced preparatory stage of subscribing to the General Data Dissemination Standard (GDDS), an IMF data standards initiative that is designed to enhance the availability of timely and comprehensive statistics. The consistent provision of macroeconomic and socio-demographic information to both a local and international audience will ensure the availability of comprehensive and reliable data in a timely fashion and in a format that facilitates international comparison. Progress towards the implementation of this Standard is discussed in a special insert in the Report (See **Box 4**).

1. Monetary Policy and Financial Markets

Money and Credit

Base Money

The Bank of Jamaica's management of the monetary base resulted in a contraction of 11.9 per cent for the March 2002 quarter. For the fiscal year 2001/02, the monetary base reflected a decline of 0.8 per cent, consistent with the programme target of a 0.6 per cent reduction. The containment of base money has remained a significant factor underlying continued achievement of single digit annual inflation.

Interest rate reductions in March quarter ...

During the quarter, the generally favourable climate of the domestic financial markets allowed the Bank to take a proactive monetary policy stance. The monetary decisions encompassed reductions in the rates on BOJ open market instruments and a reduction in the statutory cash reserve requirement for deposit-taking institutions. The foreign exchange market was generally stable over the review period. Moreover, the strong NIR position provided the resources for the BOJ to smooth the effects of any intermittent episode of instability.

Interest rate hit record low since 1985.

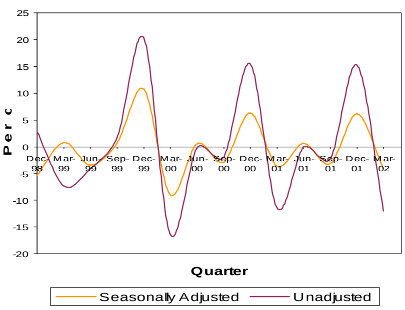
The favourable liquidity conditions that prevailed in the market facilitated the Bank's dual policy action of simultaneously selling foreign exchange and reducing interest rates on its open market instruments. This confirmed the financial system's expectations for continued stability in the foreign exchange market while maintaining a lower interest rate path. Within this context, there were interest rate reductions on all tenors of open market instruments, with a continuation of the reduction in the premium on the longer-term instruments. Consequently, the 270 day and 365 day tenors were lower by 420 basis points and 390 basis points, respectively in comparison to the previous quarter. The 30-day signal rate stood at 13.25 per cent at the end of the quarter, 100 basis points lower than the rate prevailing at end December.

Cash reserve requirement at 9.0 per cent in March 2002.

The Bank reduced the statutory cash reserve requirement by 1.0 percentage point from 10.0 per cent to 9.0 per cent on 01 March 2002. In this regard, the commercial banks were refunded $893.2 million in domestic currency cash reserves during the period (see **Table 3 Appendix C**). The potential liquidity impact of the cash reserves refund was absorbed by the Bank's open market operations.

The decline in the monetary base during the quarter was supported by the overall contraction in the net domestic assets (NDA), which countered the expansion in the NIR. Within the NDA, the total absorption from the take-up on open market instruments amounted to $1367.0 million and this offset the injection stemming from the $2978.4 million increase in Net Claims on the Public Sector.

Figure 1.1
Base Money (Quarterly Change)



The decline in the NDA offset J$4794.2 million in liquidity that emanated from the US$100.9 million increase in the NIR. Foreign reserve accumulation during the quarter stemmed from official capital inflows including multilateral loan flows and divestment proceeds from public sector owned assets.

The decline in base money included a lower demand for currency during the March 2002 quarter. The currency stock declined by $2893.4 million, 12.95 per cent relative to the end-December position. This was in line with the historical pattern of a sharp decline in the fourth quarter of the fiscal year (see **Figure 1.1**). The lower demand for currency was consistent with the low inflation rate of 0.6 per cent for the review quarter.

The Bank's ability to appropriately respond to base money challenges was assisted by the build-up of Government balances at the BOJ during the quarter. Additionally, domestic borrowing by the GOJ was conducted in relatively small tenders and generally coincided with periods of ample liquidity and thus did not create undue interest rate pressure in the money market.

The containment of base money to lower levels than programmed for the fiscal year augured well in restraining the growth in money supply and underpinned the Bank's ability to restrict inflation to single digit.

Money Supply[1]

Broad Jamaica dollar money supply (M3J) contracted by 0.4 per cent during the March 2002 quarter relative to an increase of 0.6 per cent for the corresponding quarter of the previous year. For the fiscal year, money supply expanded by 8.1 per cent relative to an expansion of 10.7 per cent in the 2000/01 fiscal year. The growth of domestic money supply has therefore slowed relative to the previous year and was in line with the targeted increase of 8.3 per cent outlined in the monetary programme.

The outturn for the quarter was reflected in a 4.8 per cent decline in M1J consequent on the reduction in currency in circulation and demand deposits during the quarter. The decline was partially offset by growth in savings, time and other deposits.

During the quarter, the Bank increased its open market operations, which absorbed Jamaica Dollar liquidity from the system. This, in addition to a net decline in banking system credit to the public sector was the major source of contraction in the money supply. This contraction was partly countered by the Jamaica Dollar liquidity emanating from a build up in the NIR (See **Table 3 in the Appendix**).

While the 12-month growth rates in M2 and M3 appear to be stable there has been a trend increase in the rate of growth in M1 (see **Figure 1.2**). This increased growth rate in M1 was driven by a trend increase in the growth of demand deposits as the 12-month growth rate in currency in circulation remained relatively stable and appeared to be converging towards inflation (see **Figure 1.3**). Since inflation has been relatively low and moderately stable, the increased rate of growth in demand deposits may be

[1] Data on money and credit is provisional.

Table 1.1

Money Supply Growth Rate (Quarters ending March 2001 and March 2002)		
MJ	**Q4 0/01**	**Q4 01/02**
M1	-3.1	-4.8
M2	-0.6	-1.5
M3	0.6	-0.4
M*		
m1*	-3.0	-3.1
m2*	0.6	1.0
m3*	1.1	1.5

Table 1.2

M3J - Growth Rates			
		3 mths	**12 mths**
2000	Mar.	1.2	21.2
	June	4.1	15.7
	Sept.	1.4	9.0
	Dec.	4.1	10.9
2001			
	Mar.	0.6	10.7
	June	2.3	8.7
	Sept.	2.8	10.2
	Dec.	3.3	9.3
2002	Mar.	-0.4	8.1

Figure 1.2
Money Supply
(12-mth growth rates)

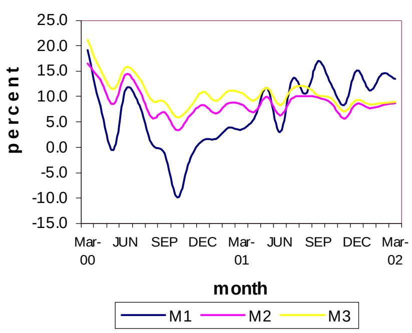


Figure 1.3
M1 Components and Inflation
(12-month growth)

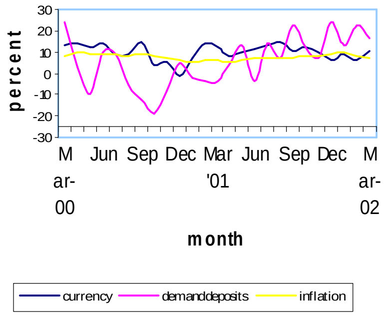


Figure 1.4
Money Multiplier & Cash Reserves Ratio
(Mar. 00 - Mar. 02)

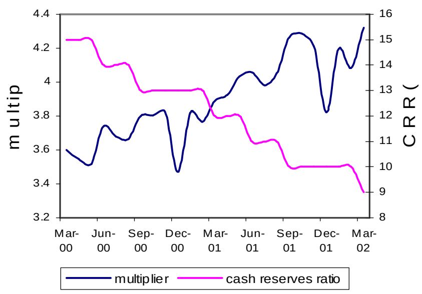


Table 1.3

Commercial Banks' Private Sector Credit January - March 2002				
	Stocks (J$MN)	Change (%)		
	Mar. 02	Mar. 01	Mar. 02	FY 01/02
Local	**28 562.3**	**-3.4**	**-0.3**	**7.1**
Development Bank	2 366.0	-14.9	-6.9	24.7
Other Private	26 196.6	-2.5	-0.9	5.7
Foreign	**10 997.5**	**5.2**	**-5.5**	**51.0**
Total	**39 560.2**	**-1.5**	**-1.8**	**16.5**

associated with an expansion in economic activity. This pattern is also consistent with the trend decline in interest rates.

Money supply including foreign currency deposits (M3*) increased by 1.5 per cent for the quarter relative to a growth of 1.1 per cent for the March 2001 quarter (See **Table 1.1**). The increase in the foreign currency component was reflected in strong growth in all categories of deposits. In the corresponding quarter of last year however, strong growth was recorded in savings deposits while demand and time deposits declined. The ratio of foreign currency deposits to total deposits fluctuated between 24.0 per cent and 25.0 per cent for the year but expanded to 26.0 per cent in March 2002.

During the quarter, the money multiplier increased to 4.3 following a further 1.0 percentage point reduction in the cash reserve ratio to 9.0 per cent. This increase in the money multiplier compared favorably to the 3.8 per cent recorded in the previous quarter. The multiplier is expected to remain stable barring any further reductions in the cash reserve ratio (see **Figure 1.4**).

Using the broad M3J aggregate, the income velocity of circulation has declined over the long period since 1991. However, velocity of money has remained fairly constant during the last three calendar years, as the rate of growth in money has been controlled. The Central Bank will continue to conduct monetary policy within a framework of limiting money growth in line with targeted GDP of 2.0 to 4.0 per cent for the fiscal year 2002/03 (see **Real Sector Developments**).

Private Sector Credit

The stock of private sector credit outstanding contracted by $769.8 million or 1.8 per cent during the March 2002 quarter in contrast to significant growth of 8.4 per cent and 10.0 per cent in the September and December 2001 quarters, respectively (see **Tables 1.3 and 1.4)**. Despite the decrease in the fourth quarter the total expansion in the

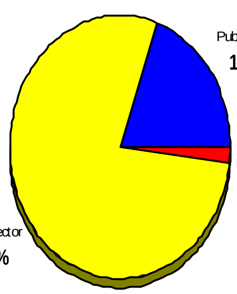
Table 1.4

Commercial Banks' Private Sector Credit (Flows J$MN)

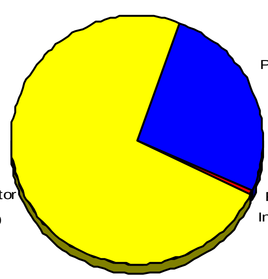
	Mar. 01	Mar 02	Fy 00/01	Fy 01/02
Local	**-898.9**	**123.8**	**994.9**	**1 892.1**
Development Bank	-282.4	153.2	-174.7	468.2
Other Private	-616.5	277.0	1 169.6	1 423.9
Foreign	**375.3**	**646.0**	**1 318.6**	**3 714.9**
Total	**523.6**	**769.8**	**2 313.5**	**5 607.0**

Figure 1.5
Distribution of Commerical Banks' Total Loans and Advances

At 31 March 2001



At 31 March 2002



stock of private sector credit during the fiscal year 2001/02 was $5607.0 million or 16.5 per cent. This expansion surpassed increases of $2313.5 million or 7.3 per cent during the previous fiscal year as well as the 12.4 per cent expansion outlined in the monetary programme for 2001/02.

The decline in the stock of private sector credit during the review quarter was reflected in both foreign and local currency denominations of $646.0 million or 5.5 per cent and $123.8 million or 0.3 per cent, respectively. During the corresponding quarter of fiscal year 2000/01, the decline in the stock of credit was reflected in local currency denominated credit only.

The private sector still held the greatest share of loans and advances at end March 2002 accounting for 73.5 per cent of the outstanding stock while, the public sector and other financial institutions held shares of 26.1 per cent and 0.4 per cent, respectively (see **Figure 1.5**). The current distribution represents an adjustment in shares relative to 31 March 2001 when the private sector accounted for 78.7 per cent, the public sector 19.5 per cent and other financial institutions 1.8 per cent.

The stock of loans to business firms, although recording a decline of $486.7 million or 2.8 per cent during the March 2002 quarter, continued to record strong annual growth (see **Table 1.5**). During 2001/02 the stock of loans to the business sector rose by $3706.3 million or 28.0 per cent relative to growth of $2282.2 million or 20.8 per cent during 2000/01. The strong increase observed in this area may be an indication of growth in economic activity.

The sectoral distribution of loans and advances to the private sector shows that the review quarter's decline in the stock of credit was concentrated in *Transport, Storage & Communication*, which recorded net repayments of $1287.5 million (see Tables **1.6 and 1.7**). This is in contrast to the expansion reflected in these sectors in the last two quarters. Loans extended to *Construction & Land*

Table 1.5

Commercial Banks' Total Loans and Advances (Stocks J$MN)

	Dec. 00	Mar. 01	Dec. 01	Mar. 01
Private Sector	**33 123.4**	**32 577.9**	**38 568.7**	**37 712.4**
Business Firms	13 015.8	13 256.8	17 449.8	16 963.1
Individuals	11 013.5	11 120.8	12 713.8	13 090.1
Other	3 729.5	3 349.2	3 024.5	3 021.7
Specialised Inst.	5 364.7	4 851.3	5 380.5	4 637.5
Public Sector	**6 696.8**	**8 057.0**	**10 288.2**	**13 421.8**
Financial Inst.	**747.3**	**744.0**	**178.2**	**220.5**
Total Credit	**40 567.4**	**41 378.8**	**49 035.1**	**51 354.7**

Table 1.6

Commercial Banks' Sectoral Distribution of Loans and Advances to the Private Sector (Flows J$MN)

	Jun. 01	Sept. 01	Dec. 01	Mar. 02
Agriculture	-235.6	93.6	-57.2	-8.5
Mining	-8.8	-1.3	39.3	8.9
Manufacturing	-12.3	295.9	-0.9	201.6
Construction	-416.9	198.2	426.3	-434.0
Transport & Comm.	34.1	1 640.2	1 552.7	-1 287.5
Tourism	-111.0	147.7	457.5	208.6
Distribution	-33.4	-164.0	114.0	569.9
Professional	-196.6	-820.4	132.7	91.7
Personal	948.8	1 542.5	14.3	-174.1
Electricity	-64.9	-118.9	592.7	-43.5
Entertainment	-28.6	-5.7	-2.2	10.0
Overseas	42.2	-1.9	-9.5	0.6
TOTAL	**-79.1**	**2 809.8**	**3 259.7**	**-856.2**

Table 1.7

Commercial Banks' Sectoral Distribution of Loans and Advances to the Private Sector (Stocks J$MN)

	Dec. 00	Mar. 01	Dec. 01	Mar. 02
Agriculture	1 557.2	1 678.8	1 479.6	1 471.1
Mining	872.2	69.0	98.2	107.1
Manufacturing	3 046.8	2 836.6	3 119.3	3 320.9
Construction	2 026.1	2 131.8	2 339.4	1 905.4
Transport & Comm.	1 525.7	1 182.8	4 409.8	3 122.3
Tourism	4 747.7	4 672.1	5 166.3	5 374.9
Distribution	3 563.9	3 308.1	3 224.7	3 794.7
Professional	4 723.7	4 433.0	3 552.7	3 644.4
Personal	10 882.8	11 245.3	13 751.0	13 577.3
Electricity	773.9	848.0	1 256.9	1 213.4
Entertainment	137.5	125.8	89.4	9.4
Overseas	50.8	46.5	81.0	81.6
TOTAL	**33 123.4**	**32577.9**	**38 568.3**	**37 712.4**

Development and *Personal Loans* decreased by $434.0 million and $174.1 million, respectively. For the fiscal year 2001/02 most of the sectors recorded increases in loans.

The stock of loans financed through the Development Bank of Jamaica (DBJ) grew by $153.2 million or 6.9 per cent during the March 2002 quarter. For fiscal year 2001/02, the loan stock increased by $468.2 million or 24.7 per cent compared to a contraction by $174.7 million or 8.4 per cent in 2000/01.

The loan portfolio of the commercial banks, continued to show improvements as reflected in the decline in the ratio of past due loans to total loans to 5.6 per cent at end March 2002 relative to 8.9 per cent at end March 2001 (see **Figure 1.8**).

The increase in the stock of private sector credit during the fiscal year occurred in a context of declining interest rates (see **Figure 1.9**). Current lending rates, as quoted by commercial banks, ranged from 20.75 per cent to 31.75 per cent at 31 March2002 relative to the range of 21.0 per cent to 40.0 per cent at the start of the fiscal year.

The interest rates charged on all categories of credit contributed to the general decline in the average weighted lending rate. (see Table 1.8). The most significant reduction in interest rates during the period April 2001 to January 2002 occurred in lending rates for mortgage loans, which declined to 20.94 per cent. However, this category represented less than 1.0 per cent of credit, while the weighted loan rate on commercial credit, which represented 47.6 per cent of loans, declined to 16.64 per cent. Lending rates for installment credit and personal credit experienced declines to 26.59 per cent and 26.88 per cent, respectively. The cost of credit to Central Government increased by 96.9 basis points to 20.72 per cent. The weighted interest rate on commercial credit was one of the lowest rates among all categories of credit falling below the weighted loan rate of credit to Central

Figure 1.8
Commerical Banks' Loans more than three months overdue to total loans

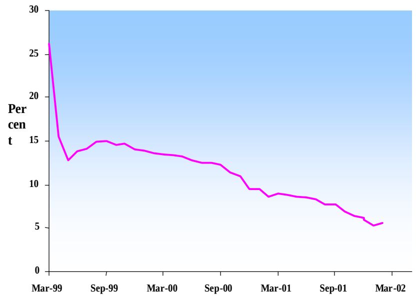


Figure 1.8
Commerical Banks' Loans more than three months overdue to total loans

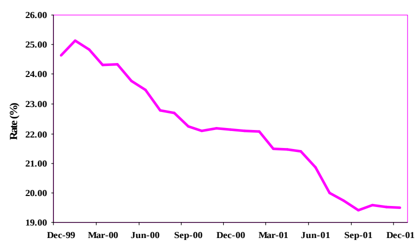


Table 1.8

Commercial Banks' Weighted Average Lending Rates (by loan type)			
	Mar. 00	**Mar 01**	**Jan. 02**
Instalment Credit	29.83	28.05	26.58
Mortgage Credit	28.69	25.36	20.94
Personal Credit	31.58	29.00	26.88
Commercial Credit	22.23	19.24	16.64
Local Government & Other Public Entitites	14.89	16.70	14.65
Central Government	22.63	19.57	20.72
Overall Weighted Average Rate	**24.32**	**21.49**	**19.49**

Government and also below the overall average weighted loan rate.

As a result of the systematic reduction in cash reserves requirement by the BOJ, the DBJ entered into an agreement with the commercial banks and FIA licensees to use 50.0 per cent of the effective reserves released to purchase a Development Bond issued by the DBJ. The proceeds from this bond issue were made available to the private sector at 9.5 per cent. Credit extended at this low interest rate, has influenced the fall in the overall weighted average lending rate during the last two fiscal years to January 2002.

During 2001/02 approved DBJ loans, funded from the proceeds of the bond issue, were $743.5 million, relative to the $633.9 million approved during 2000/01. Although the overall weighted loan rate has been declining slowly, the productive sector has continued to take advantage of the lower level interest rates on DBJ loans.

Commercial banks' weighted average lending rates on foreign currency credit have also been declining over the last two years. However, the reductions in foreign currency loan rates have been more modest relative to the domestic currency counterpart. The average weighted loan rate on foreign currency loans remained relatively flat averaging 12.0 per cent for the fiscal year to end December 2001. Weighted rates, according to loan category, ranged from a high of 13.27 per cent on commercial credit to a low of 10.00 per cent on credit to Central Government at end December 2001.

In spite of the decline in the stock of credit during the review quarter, growth in credit for the fiscal year was still significant. Major beneficiaries of loans were the transportation, communications, tourism and manufacturing industries. The revival of lending has impacted positively on commercial banking system's balance sheet as borne out in the increase in the ratio of loans to deposits to 25.9 per cent from 24.6 per cent and contributed to the profitability in the commercial banking sector. (See **Box 1**). The gradual decline in the weighted average lending rates, the increased competition among the commercial banks and the increase in loanable resources provide a platform for further expansion in lending activities.

***Box 1*: Commercial Bank Profitability: January to December 2001**

The commercial banking sector continued to be profitable in 2001 recording $4.8 billion in pre-tax profits. However, this profit represents a decline of $396.2 million relative to 2000. During the year, the commercial banks recorded a decline in both operating income and operating expenses.

Operating expenses amounted to $27,359.4 million for the review period, a decline of $1961.1 million relative to 2000. The decline in operating expenses reflected lower interest expenses due to the reduced reliance on liquidity support from the Bank of Jamaica and from a reduction in borrowing from other financial institutions. Interest expenses on deposits also declined by $269.7 million due mainly to a reduction in deposit rates during the year. Other operating expenses declined by $562.4 million due to lower loan loss provisioning and a reduction in employee remuneration. The reduction in loan loss provisioning has occurred in light of the contraction in the stock of non-performing loans during the year. This was reflected in the ratio of past due loans to total loans, which declined to 6.1 per cent as at December 2001 from 9.5 per cent as at December 2000.

Total operating income fell to $32,338.3 million during 2001, representing a $1294.0 million decline relative to 2000. A contraction in interest income, due primarily to the falloff in interest income from investments was the main factor contributing to the lower operating income for the review period. The lower interest income from investments can be directly associated with the decline in money market rates as the stock of investments held by commercial banks remained flat in 2001 relative to 2000. Interest income from loans and advances increased by $226.5 million during the year. This occurred in light of the increase in lending activity in the sector as reflected in a 20.9 per cent growth in the stock of loans relative to the stock at end December 2000.

Non-interest income amounted to $4323.6 million for the year, an increase of $397.9 million. The additions to non-interest income were generated through an expansion in Service Charges & Transactions Fees and foreign exchange gains.

As a result of the performance in 2001, the pre-tax profit margin and return on average assets of the sector declined to 14.9 per cent and 2.1 per cent, relative to 15.5 per cent and 2.6 per cent respectively, in 2000. Although there was a decline in the return on average assets in 2001, the ratio of 2.1 per cent remains above the Jamaica benchmark of 0.6 per cent. However, the ability of commercials banks to contain expenses resulted in an increase in the ratio of income assets to expense liabilites to 99.8 per cent relative to 97.4 per cent in 2000. The profitability observed in 2001 is expected to continue in 2002 in light of the continued improvements in the operation of the sector.

COMMERCIAL BANKS' PROFITABILITY
1999-2001
J$MN

		1999	2000	2001	CHANGE 2001-2000
OPERATING INCOME		**30 920.5**	**33 632.3**	**32 338.3**	**-1 294.0**
Interest Income		**27 691.6**	**29 706.6**	**28 014.7**	**-1 691.9**
of which	*Loans & Advances*	*7 885.8*	*7 597.3*	*7 823.7*	*226.5*
	Bank of Jamaica	*1 272.6*	*1 889.7*	*1 422.4*	*-467.3*
	Banks & Other Financial Institutions	*590.7*	*834.2*	*855.1*	*20.9*
	Investment	*17 942.4*	*19 385.4*	*17 913.4*	*-1 472.0*
Non-Interest Income		**3 228.9**	**3 925.7**	**4 323.6**	**397.9**
	Service Charges & Fees	*2 182.1*	*2 458.5*	*2 877.2*	*418.7*
	Dividends and Trading Profits	*226.7*	*13.8*	*38.7*	*24.9*
	Foreign Exchange Gains (losses)	*643.7*	*1 127.0*	*1 170.4*	*43.5*
	Other Income	*176.4*	*326.5*	*237.3*	*-89.2*
OPERATING EXPENSE		**28 767.1**	**29 320.5**	**27 359.4**	**-1 961.1**
Interest Expense		**14 684.5**	**15 938.2**	**14 539.4**	**-1 398.7**
of which	*Deposits*	*10 218.8*	*10 915.1*	*10 645.4*	*-269.7*
	Borrowing	*4 465.7*	*5023.1*	*3 894.1*	*-1 129.0*
Other Operating Expense		**14 082.6**	**13 382.3**	**12 820.0**	**-562.4**
of which	*Provision for loan losses*	*2 244.7*	*1 666.4*	*265.9*	*-1 400.4*
	Staff Expenses	*5 612.9*	*6 389.3*	*6 150.9*	*-238.4*
GROSS OPERATING PROFITS (LOSSES)		2 153.3	4 311.8	4 978.9	667.1
PRE-TAX PROFITS		2 337.8	5 211.5	4 815.3	-396.2

Figure 1.10
BOJ OMO Yield Curve

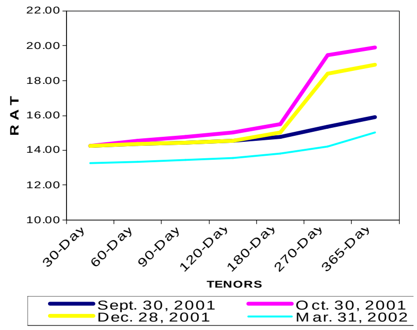
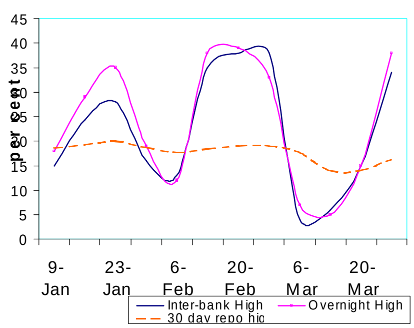


Table 1.9

Treasury Bills Auctions January - March 2002				
Issue Date	**Tenor (days)**	**Avg.Yield (%)**	**Allotment (JS$MN)**	**Amount Maturing (JS$MN)**
25 Jan.	182	17.08	550	300
08 Feb.	273	16.40	300	300
22 Feb.	182	15.93	500	500
15 Mar.	364	14.96	350	350
28 Mar.	183	14.30	500	400
Total			**2 200**	**1 850**

Figure 1.11
Private Money Market Rates



Bond Market

During the March quarter, there was a reversal of the sharp increase in the domestic money market rates that had occurred in the previous quarter. Improved money market conditions coupled with increased foreign exchange flows and a strong net international reserve position allowed the Central Bank to reduce interest rates on four occasions during the quarter. The adjustment in rates resulted in a downward shift and a less steep yield curve on BOJ's instruments relative to the December quarter (see **Figure 1.10**).

The reduction in BOJ's interest rate structure influenced average yields on Treasury Bills as investors' expectations of lower interest rates were reinforced. As such, the average yield on six-month Treasury Bills declined from 17.03 per cent at the last auction on 21 December 2001 to 14.30 per cent at end March 2002 representing a decline of 273 basis points (**Table 1.9**).

Interest rates in the private money market displayed significant volatility but declined during the quarter, reflecting the fluctuating liquidity conditions. Inter-bank, Overnight and 30-day rates fell to their lowest levels for the period to 4.0 per cent, 5.0 per cent and 14.0 per cent, respectively during the week of 13 March. This followed rates that peaked at 38.0 per cent, 39.0 per cent and 19.0 per cent, respectively during the week of 20 February. These higher rates were as a result of the effects of Central Governments' debt raising efforts on liquidity during that period (see **Figure 1.11**).

Despite the significant volatility of rates in the overnight and inter-bank markets, rates in the 30-day market remained relatively stable over the quarter. The 30-day rates fluctuated within the interest rate band of 14.00 per cent to 19.00 per cent and displayed convergence towards the BOJ's signal rate of 13.25 per cent.

Table 1.10

Placements in BOJ OMO Instruments Percentage of Total Placements* (during December & March quarters)	December Quarter (%)	March Quarter (%)
30 Days	21.6	46.6
60 Days	1.7	4.9
90 Days	3.4	7.7
120 Days	0.2	4.2
180 Days	1.3	5.4
270 Days	10.6	9.6
365 Days	61.2	21.5

*Excludes overnight transactions during the period.

Figure 1.12
GOJ Global Bond Yield
****indicates primary offer***

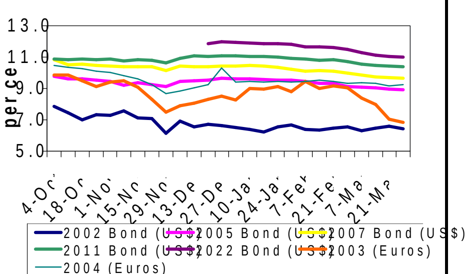
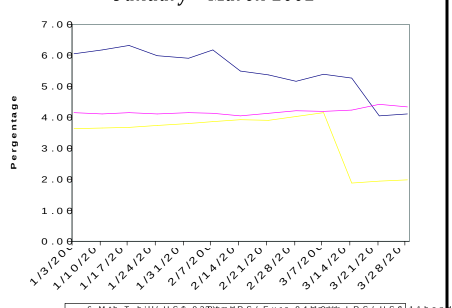


Figure 1.13
Interest Rate Differential[2]
January - March 2002



[2]3-year LRS rates are as at September quarter.

The lower premium on longer-term tenors induced a shift by investors into the shorter-term instruments. Placements in the 365-day tenors declined by 39.7 percentage points to 21.5 per cent as at the end of the March quarter while investments in 30-day tenors increased significantly to 46.6 per cent, an increase of 25 percentage points for the quarter (See **Table 1.10**). The investment path indicates that the placement profile has returned to its pre-December levels.

With the reduction in the demand for BOJ's long-term instruments, investors also displayed an interest in US Dollar denominated GOJ Instruments. The demand for GOJ Global Bonds on the secondary market increased during the quarter resulting in lower yields on these instruments (**Figure 1.12**).

The interest rate differentials between selected Jamaican dollar denominated assets and GOJ global bonds during the quarter indicated that there were premiums on the domestic currency instruments that exceeded the average annualised rate of depreciation in the weighted average selling rate. During the period 03 January to 28 March the average interest rate differentials between the 90-day equivalent of the 180-day Treasury Bill and the US$ 02Bond, the 3-year LRS and the Euro 04Bond and the 10-year LRS and the US$ 11Bond were 5.49 percentage points , 4.18 percentage points and 3.40 percentage points, respectively. This is in comparison to the average annualised rate of depreciation in the exchange rate of 0.52 per cent for the similar period (see **Figure 1.13**)

There was a private bond offer for J$3552.00 million during the quarter. This was raised by the National Road Operating and Constructing Company and was aimed at raising funds for the Highway 2000 project. This tax-free infrastructure bond is a long-term investment, which has a tenure of 30 years, with a rate of return indexed at 400 basis points above the inflation rate and interest paid on a semi-annual basis.

Table 1.11

GOJ Domestic Debt Raising
July - September 2001

	Amount Allotted (J$MN)	Amount Maturing (J$MN)	Net Redemption (J$MN)
Treasury Bills	2 200.00	1 850.00	-350.00
LRS	2 491.03	8 093.40	5 602.37
Debenture	11 103.47	11 083.40	-20.07
US$ Bonds	3 943.55	0.00	-3 943.55
TOTAL	**19 738.05**	**21 026.8**	**1 288.75**

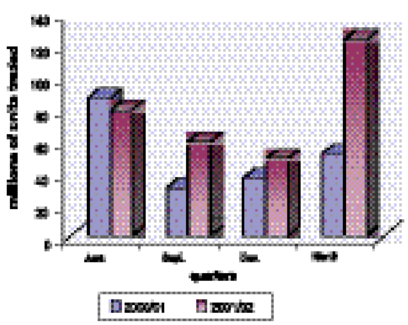
During the quarter public offers of Government instruments resulted in a net redemption of J$1288.75 million in GOJ domestic debt instruments (see **Table 1.11**). This reflected net redemption of J$5602.37 million in Local Registered Stock (LRS) and net issues of J$3943.55 million, J$350.00 million and J$20.07 million in US$ index-linked bond, Treasury Bills and an investment debenture, respectively. The stock of Treasury Bills outstanding as at 28 March 2002 was J$4250.00 million relative to J$3900.00 million at 31 December 2001 and the statutory ceiling of J$12000.00 million.

With the continued downward trend in BOJ's reverse repurchase rates during the quarter, the stock market experienced some gains as the conditions in the financial market improved and remained relatively stable.

Stock Market

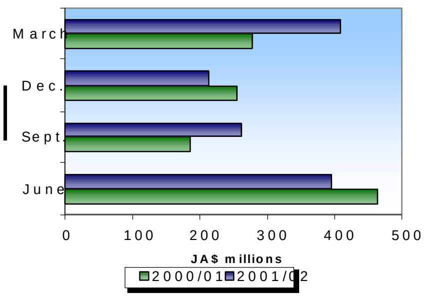
During the March 2002 quarter, the Jamaica Stock Exchange (JSE) exhibited a significant improvement in performance relative to the comparable period of the previous year. Similarly, for the fiscal year 2001/02, there was an expansion in market activity on the JSE relative to the previous fiscal year. The buoyant stock market outturn during the review quarter was primarily due to the downward adjustment in domestic interest rates and relative stability in the foreign exchange market. Further, investment in the stock market was encouraged by the positive financial results posted by many listed firms.

Figure 1.14
Average Volume Traded on the JSE
(fiscal year 2001/02 vs 2000/01



For the fiscal year 2001/02, there were strong gains in market activity as measured by higher volume and value traded. Average monthly volume traded was 73.6 million units, an increase of 45.0 per cent, from the 50.7 million units in the previous fiscal year. Similarly, average value traded grew to $319.9 million from $296.4 million. For the review quarter, the average monthly volume traded more than doubled, increasing to 123.6 million units from 51.3 million units for the comparable period in the previous year (See **Figure 1.14**). The average monthly value traded and

Figure 1.15
Average Value of Shares Traded
(fiscal year (2001/02 vs 2000/01)



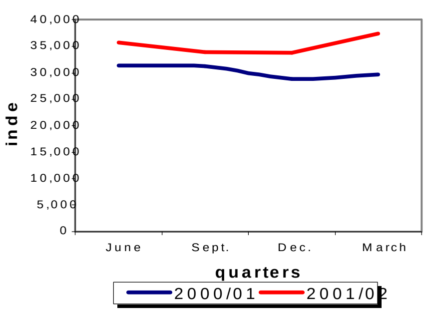
the average number of transactions also performed strongly, expanding by 47.0 per cent and 36.0 per cent, respectively. (See **Figure 1.15**)

At the end of the quarter, market capitalisation was $245.3 billion, which represented a growth of 48.5 per cent, relative to $165.2 billion at the end of March 2001. The advance/decline ratio for stocks also improved significantly during the March quarter. Notably, 31 stocks recorded price gains, while 5 declined and 1 traded firm. This compares positively with the outturn for the comparable quarter of 19 stocks advancing, 15 declining and 4 trading firm.

JSE Index hits record high since inception.

The JSE Index at the end of March 2002 was 37,445.9 points, the highest level recorded since the inception of the stock market. This represents a gain of 26.1 per cent, relative to 29,701.9 points at the end of March 2001. The All Jamaica Composite Index and the Jamaica Select Index also registered considerable gains of 33.6 per cent 11.2 per cent, respectively.

Figure 1.16
Movements in the JSE Index
(fiscal year 2001/02 vs 2000/01



The performance of the stock market was positively influenced by favourable developments in the macroeconomic environment during the review quarter. Notably, there was relative stability in the foreign exchange market and a strong net international reserves position. These factors facilitated the Central Bank's reduction of interest rates on its entire spectrum of open market instruments (See Bond Market). Consequently, the rates on Government domestic debt instruments also declined. These developments facilitated an increase in the relative profitability of equity investments and fostered greater trading activity.

The healthy financial results of many listed firms engendered significant price appreciation and an expansion in market activity during the review quarter. **Table 1.12** shows the strong improvements in the earnings per share of selected companies at the end of the fiscal year relative to the previous fiscal year. For the top ten performing stocks

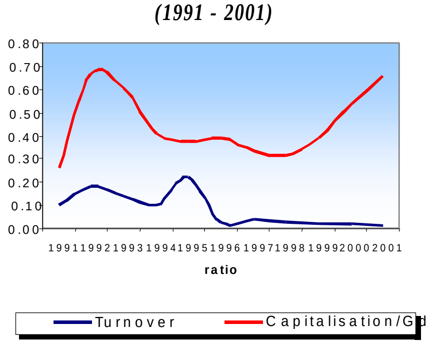
Table 1.12

Earnings per Share of Selected Firms end fiscal year 2001/02 vs 2000/01	2001/02 (J$)	2000/01 (J$)
Financial Services		
Bank of Nova Scotia	2.27	1.86
Dehring, Bunting & Golding	1.29	0.76
First Life Insurance	1.28	0.89
Manufacturing		
Desnoes & Geddes	0.41	0.33
Salada Foods	3.59	2.73
Jamaica Broilers	0.37	0.36
Consumer Services		
Palace Amusement	27.35	2.82
Communications		
Radio Jamaica	0.28	0.25
Distributive Trade		
Grace Kennedy	3.79	3.33
Courts	0.71	0.43
Conglomerates		
Lascelles	10.15	7.10
Pan Jam Investments	1.59	1.29

Table 1.13

Top Ten Performers March 2002/march 2001	Open (J$)	Close (J$)	Change %
Other Services			
Palace Amusement	23.50	94.30	301.3
Financial Services			
Life of Jamaica	0.70	2.72	288.6
Dehring, Bunting & Golding	2.55	8.00	213.7
Island Life	11.50	25.00	117.4
Dyoll Life	4.00	8.50	112.5
First Life	4.85	9.00	85.6
Manufacturing			
Salada Foods	6.25	23.50	276.0
Desnoes & Geddes	3.16	6.79	112.5
Jamaica Broilers	1.24	2.36	90.3
Communications			
Radio Jamaica	1.20	2.45	104.2

Figure 1.17
Indicators of Size and Liquidity of the JSE (1991 - 2001)



(See **Table 1.13**), the appreciation in prices ranged between 85.6 per cent and 301.3 per cent. Notably, companies from the financial services and manufacturing sectors continued to experience substantial advances in their share prices.

With regards to the development and structure of the Jamaican stock market, the size of the market, as measured by the ratio of stock market capitalisation to GDP, has shown a steady rise since 1998. This ratio [2] increased to 0.66 at the end of 2001 from 0.32 in 1998 (See **Figure 1.17**). However, the liquidity of the market relative to its size has remained fairly flat between 1998-2001 [3]. At the end of 2001, the ratio of value traded to market capitalisation (turnover ratio) remained at the same level as the previous year. Market liquidity has been significantly affected by a dormant primary market, which retards the ability of the market to attract investors.

The sustained buoyancy in the stock market for the June quarter is contingent on the continued decline in real interest rates and foreign exchange market stability. Importantly, Government's expenditure management and debt raising activities will be critical factors in the achievement of macroeconomic targets. Investor interest in the stock market may also be stimulated by the elimination of the tax on dividends in April 2002. Those firms that have a consistent dividend policy may be the primary beneficiaries of this tax relief given higher demand for their shares. Further, the new stock brokerages are expected to generate increased interest in equity investments through their marketing efforts and product developments.

[2] A ratio of 1 (or greater) indicates a large market while 0.10 shows a very small or limited market.

[3] Liquidity is defined as the ability to easily buy and sell securities.

Figure 1.18
Weighted Average Selling Exchange Rate (period average)

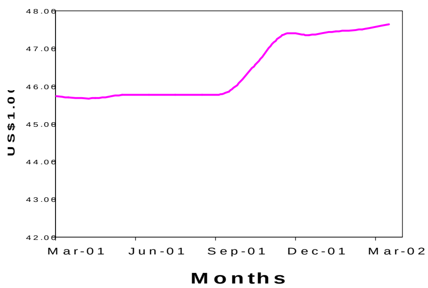
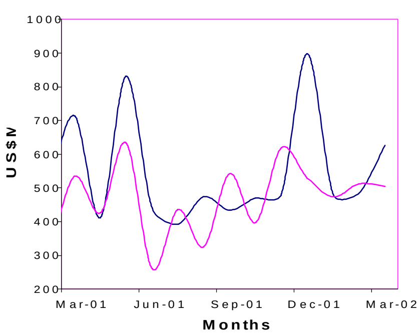


Figure 1.19
Foreign Exchange Cash Inflows &Outflows



Foreign Exchange Market

The foreign exchange market exhibited relative stability during the March 2002 quarter, in contrast to the sharp depreciation in the December 2001 quarter (see **Figure 1.18**). For the review quarter, the weighted average selling rate depreciated marginally by 0.4 per cent from US$1.00=J$47.40 at end-December to US$1.00=J$47.61 at end-March. This compares favourably with the 3.2 per cent depreciation in the December 2001 quarter. The stability in the market was underpinned by a favourable macroeconomic environment during the quarter. This included the continued moderation in inflation and inflationary expectations, and evidence of a faster than anticipated recovery in the real sector, and of tourism in particular. The associated enhancement of foreign exchange flows, as well as official inflows, strengthened the Bank's capacity to manage the foreign exchange market.

Preliminary estimates of total foreign exchange flows for the review period revealed that inflows to the economy exceeded outflows by US$100.9 million (see **Figure 1.19**). This compares with an average net inflow of US$184.8 million over the first three quarters of the fiscal year. Relative to the March 2001 quarter, total inflows and outflows are estimated to have contracted by US$307.9 million and US$52.0 million, respectively, to US$1591.6 million and US$1490.7 million. The fall-off in inflows reflected lower levels of Government external borrowing. Private capital inflows were also lower, despite the divestment of National Commercial Bank and the sale of FINSAC's non-performing loan portfolio. The contraction in total outflows was associated with a lower level of Government's foreign debt payments.

Notwithstanding the net inflow to the overall system, the authorized foreign exchange dealers recorded a net outflow of US$187.0 million over the review period, the largest change since the June 1994 quarter. Relative to the March 2001 quarter, total purchases increased by US$121.1

Figure 1.20a
Foreign Exchange Cash Inflows by Institutions

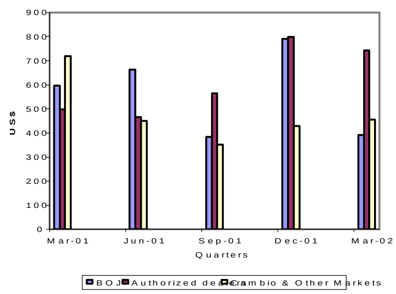
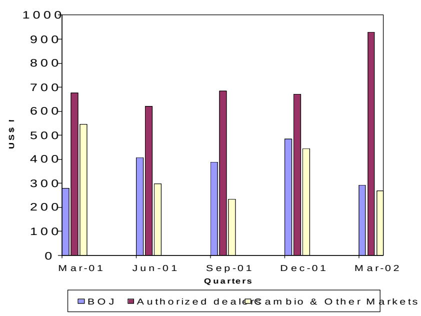


Figure 1.20b
Foreign Exchange Cash Outflows by Institutions



million to US$742.2 million, while total sales rose sharply by US$254.2 million to US$929.2 million (see **Figure 1.20a and Figure 1.20b**). The net outflow of foreign exchange from this segment of the market largely reflected increased end user demand, particularly for the purchase of services from abroad.

The Cambios recorded a net inflow of US$70.9 million during the March 2002 quarter. Total purchases of foreign exchange by Cambios increased by US$12.9 million to US$409.3 million, relative to the comparable quarter in 2001. Concurrently, total sales from this segment of the market expanded by US$27.1 million to US$338.4 million.

The Jamaican currency experienced relatively damped fluctuations during the review quarter. The intermittent pressures that arose during the quarter reflected attempts by the dealers to cover short US dollar positions following earlier conversions to participate in the offer of Government of Jamaica debenture (see **Bond Market**). The market was also subject to pressure as the authorized dealers tried to source funds to repay external private sector debt.

Gross Reserves at record US$2.0 billion at end March 2002.

The Bank of Jamaica sold foreign exchange to the market in response to these modest intermittent pressures on the exchange rate during the quarter. However, net direct sales of US$36.4 million remained flat relative to the March 2001 quarter. With the additional foreign exchange flows received during the quarter, the Bank's net international reserves attained an unprecedented level of US$1941.7 million at end-March 2002, representing an increase of US$655.4 million for the fiscal year (see **Table1.14**). Gross reserves at end-March 2002 amounted to US$2000.3 million, representing 23.9 weeks of estimated goods and services imports, compared with the international benchmark of 12.0 weeks.

Table 1.14

Net International Reserves (US$MN)		
	Stock	**Change**
Mar-01	1 286.3	179.7
Apr-01	1 281.8	-4.5
May-01	1 480.6	198.8
Jun-01	1 540.5	59.9
July-01	1 526.2	-14.4
Aug-01	1 599.0	72.8
Sept-01	1 536.7	-62.3
Oct-01	1 477.5	-59.2
Nov-01	1 477.0	-0.4
Dec-01	1 840.7	363.7
Jan-02	1 848.7	7.9
Feb-02	1 820.9	-27.8
Mar-02	1 941.7	120.8

Table 2.1

Sectoral Contribution to Growth Fourth Quarter	Estimated Impact on Growth
1. GOODS	+ve
AGRICULTURE FORESTRY & FISHING	-ve
MINING & QUARRYING	+ve
MANUFACTURING	+ve
CONSTRUCTION & INSTALLATION	+ve
2. SERVICES	+ve
BASIC SERVICES	+ve
Electricity & Water	+ve
Transport Storage & Communication	+ve
OTHER SERVICES	-ve
Distributive Trade	+ve
Financing & Insurance Services	-ve
Real Estate & Business Services	+ve
Producers of Government Services	+ve
Miscellaneous Services	-ve
Households & Private Non-Profit Instit	+ve
TOTAL GDP	+ve

Table 2.2

Sectoral Contribution to Growth Fiscal Year 2001/02	Estimated Impact on Growth
1. GOODS	+ve
AGRICULTURE FORESTRY & FISHING	+ve
MINING & QUARRYING	+ve
MANUFACTURING	+ve
CONSTRUCTION & INSTALLATION	+ve
2. SERVICES	+ve
BASIC SERVICES	+ve
Electricity & Water	+ve
Transport Storage & Communication	+ve
OTHER SERVICES	-ve
Distributive Trade	+ve
Financing & Insurance Services	-ve
Real Estate & Business Services	+ve
Producers of Government Services	+ve
Miscellaneous Services	-ve
Households & Private Non-Profit Instit	+ve
TOTAL GDP	+ve

Overview

Leading indicators of economic performance suggest an expansion in real GDP during the March 2002 quarter, relative to the corresponding quarter of 2001. Economic growth was estimated to have occurred in both the goods producing sectors and services (see **Table 2.1**). The estimated growth in the goods producing sectors during the review quarter reflected the improvement in the **manufacturing** and **mining** sectors. Growth in services was tempered by the decline in the **miscellaneous** sector, which partially negated the growth from the other sectors.

The expansion in the March quarter combined with growth in the first half of the fiscal year outweighed the contraction in the December quarter resulting in an overall expansion in economic activity for the fiscal year 2001/02. This estimated expansion emanated from growth in both the goods producing and services sectors. The improved performance within the goods producing sector was influenced by the activities in all the sectors with the exception of the agriculture sector. With respect to services, the estimated growth in basic services outweighed the decline in other services (see **Table 2.2**). The positive performance was underpinned by a relatively stable economic environment, which facilitated a lowering of domestic interest rates. However, the expansion in real gross domestic product (GDP) during the fiscal year was restricted by the adverse impact of the social disturbance in July and the events of 11 September 2001 in the United States.

Aggregate Supply for the March Quarter

During the review quarter, expansion in output was evident in all sectors, with the exception of the agriculture, and miscellaneous sectors. The goods producing sectors recorded a higher level of growth than the services sectors.

Figure 2.1
Trends in Domestic Crop Production
(12-month change)

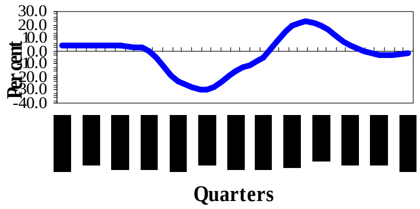


Figure 2.2
Export Agriculture
(change over corresponding quarter)

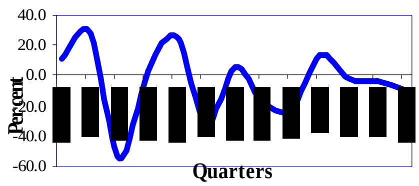
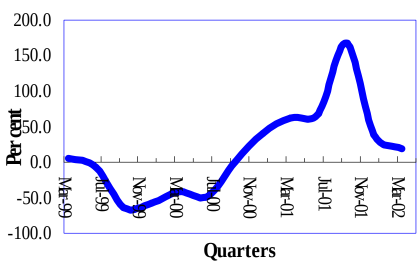


Figure 2.3
Trends in Crude Bauxite Production
(12-month change)



The marginal decline in **agricultural output** was inferred from a small decline in the production of domestic crops (see **Figure 2.1**) relative to March 2001. While there was increased production for some agricultural crops, overall production levels were marginally lower relative to the corresponding period of 2000. The performance of the domestic crop sub-sector reflected the impact of heavy rains in October and November 2001. Fuelling this decline was an estimated 2.6 per cent decline in export agriculture (see **Figure 2.2**). During the review quarter the production of sugar declined by 19.8 per cent, relative to the corresponding period in 2001. For bananas it is estimated that the output of exportable quality fruits increased, given increased productivity resulting from investments in technology, disease control and organizational strengthening. However, the growth in banana exports was not sufficient to counter the decline in sugar exports.

The value added in the **mining** sector is estimated to have increased appreciably in the March 2002 quarter relative to the March 2001 quarter. This was due to the production of bauxite (See **Figure 2.3**) and aluminum, which grew by 10.0 per cent and 19.5 per cent, respectively, relative to the March 2001 quarter. In addition, during the review quarter, key performance indicators such as total bauxite production, alumina production and alumina exports exceeded that obtained prior to the Gramercy accident in July 1999. The return of the Kaiser plant to pre-Gramercy production levels largely accounted for this expansion.

Based on the trends in the previous two quarters, where there was an estimated growth of between 0.5 per cent and 1.0 per cent, the manufacturing sector is estimated to have experienced a marginal expansion for the March 2002 quarter. This assessment is based on observed trends in food processing, petroleum refining and production of sugar, molasses & rum and beverages. The performance of the sector was, however, dampened by declines in the value added of other industries, particularly apparel and tobacco. Of note, the decline in value added from the

Figure 2.4
Cement Sales
(change over corresponding quarter)

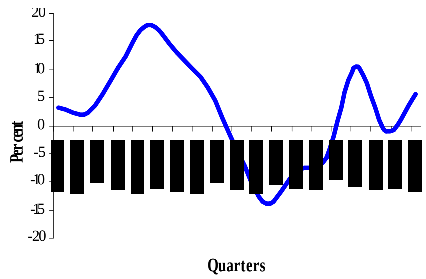
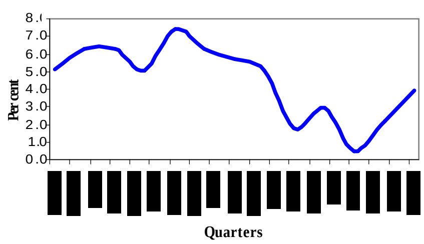


Figure 2.5
Electricity Sales
(change over corresponding quarter)



apparel industry reflected the relocation of plants to lower cost producing countries.

During the March 2001 quarter, it is estimated that growth in the **construction & installation** sector was more robust than the trends observed over the past four quarters. This estimate was in part, inferred from cement sales, which increased by more than 5.5 per cent (see **Figure 2.4**). In addition, there has been an expansion in loans to the sector since the second half of 2001. Another indicator, construction material imports, also increased by approximately 4.3 per cent between April and December 2001 relative to the corresponding period of 2000. Growth in the construction sector was further boosted by Government's infrastructure development activities, which began in 2001 and continued in the March 2002 quarter.

Basic services, which comprise **electricity & water** and **transport, storage & communication**, was estimated to have grown during the quarter. The expansion in electricity & water was inferred primarily from increased electricity sales, reflecting reduced load shedding. During the review quarter total electricity sales increased by 4.0 per cent relative to the same period in 2001 (see **Figure 2.5**). In addition there was an estimated 3.4 per cent expansion in the generation of electricity. Growth in the **transport, storage & communication** sector was driven mainly by the communications industry, which continues to benefit from additional investments. The growth in the quarter reflected additional services created by the new entrants to the industry, relative to March 2001.

The **distribution sector** is estimated to have registered marginal growth for the review quarter relative to the corresponding quarter of 2001. This was inferred partly from an increase in the stock of loans extended to the sector during the quarter of 17.7 per cent relative to the 7.2 per cent reduction recorded in the same period in 2001. In addition, there was an estimated increase in merchandise imports, particularly consumer goods. Loans from the Commercial banks extended to the sector increased by 14.7 per cent between April and March 2001.

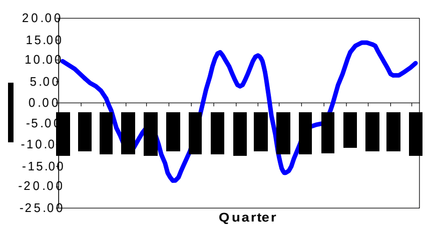
During the March 2002 quarter, the decline in the value added in the miscellaneous sector, which includes hotels, restaurants & clubs continued to reflect the impact of the decline in world travel consequent on the events of 11 September 2001. Estimates suggest that, relative to the March 2001 quarter, there was a reduction of 13.0 per cent and 8.8 per cent, respectively, in both visitor arrivals and expenditure during the review quarter. Among visitor arrivals, foreign nationals and non-resident Jamaicans declined by 10.7 per cent and 9.6 per cent, respectively. Cruise passenger arrivals, which have been declining over the last three quarters contracted by 15.8 per cent in the period relative to March 2001. The decline in tourist arrivals was much sharper than the previous estimates made by the Bank, due particularly to the fall-out in cruise passenger arrivals.

Estimated Real GDP growth of 1.2 to 2.0 for fiscal year.

In summary, there was a recovery in economic activity in the March 2002 quarter. Given this recovery, real GDP growth of between 1.5 and 2.0 per cent was estimated for the fiscal year 2001/02. The fiscal year performance was driven mainly by the strong growth in the first two quarters. The major sources of growth were in the mining, manufacturing and basic services sectors.

Growth in mining was driven by the return to pre-Gramercy production levels at Kaiser Jamaica Limited. Continued improvements in the communication industry steered the growth in basic services. This was partially offset, however, by the reduction in the miscellaneous services in the third and fourth quarters.

Figure 2.6
Trends in Public Consumption
(chagne over corresponding quarter)



Aggregate Demand for the September Quarter

Indicators suggest that during the March 2002 quarter real consumption spending increased relative to the corresponding quarter last year. This expansion was evident in public consumption (see **Figure 2.6**), as reflected by the growth of Government spending on salaries & wages and programmes. Government spending was 9.2 per cent higher during the review quarter compared to the corresponding March 2001 quarter. The increase in government spending

Figure 2.7
Trends in Consumption Tax
(change over corresponding quarter)

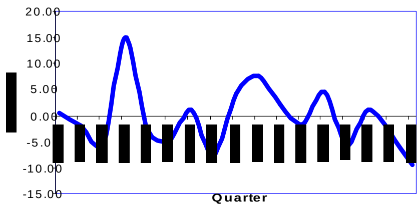


Figure 2.8
Trends in Public Investment
(change over corresponding quarter)

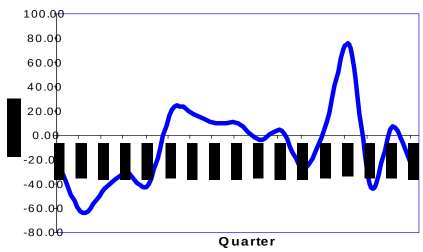


Figure 2.9
Trends in Private Investment
(change over corresponding quarter)

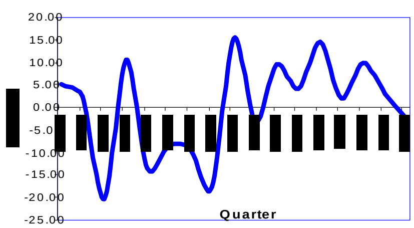
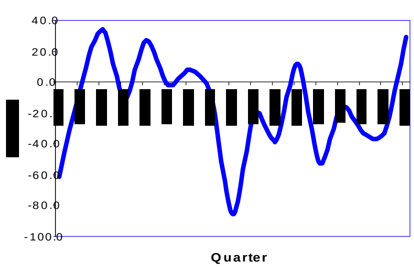


Figure 2.10
Trends in External Demand
(change over corresponding quarter)



was a consequence of payments associated with new wage contracts signed in mid 2001.

With respect to private consumption, there was a decline in the March 2002 quarter. The General consumption tax (GCT) intake, which is used as a proxy for private consumption, declined by approximately 9.0 per cent in the review quarter (see **Figure 2.7**). The reduction in revenue from GCT was due to a lower level of compliance relative to target. Indicators of real investment demand during the quarter suggested a decline in both public and private investment relative to the corresponding period of fiscal year 2000/01 (see **Figures 2.8 and 2.9**). The decline in public capital expenditure in the quarter was due to investment payments being deferred until the June quarter. Public investment declined by over 20.0 per cent in the review quarter relative to the 10.9 per cent increase in the March 2001 quarter. With respect to real private investment, there was a marginal contraction relative to the March 2001 quarter. (see **Figure 2.9**). This contraction was inferred partly from a 1.5 per cent reduction in real capital goods imports. The substantial investment in telecommunication equipment during the March 2001 quarter was not replicated in the March 2002 review quarter.

There was an estimated improvement in net external demand during the review quarter when compared to the March 2001 quarter (see **Figure 2.10**). This was facilitated by an estimated decline in the value of imported goods, which outweighed the decline in the value of exports. The decline in imports reflected lower levels of imports from the communication industry relative to the March 2001 quarter.

The overall assessment of aggregate demand for the review quarter suggests an increase when compared to the corresponding quarter of fiscal year 2000/01. This was reflected in the estimates of changes in expenditures, which showed improvements in consumption and net external demand.

For the fiscal year 2001/02, the indicator for government consumption suggests an increase of approximately 10.3 per cent when compared to fiscal year 2000/01. However, for the same period, the indicator for private consumption suggests a decline of approximately 4.4 per cent. The decline in private consumption was due partly to the events of 11 September, which affected retail businesses, among other things, in Jamaica.

Investment indicators show improvements in March quarter.

Investment indicators showed improvements for fiscal year 2001/02 relative to fiscal year 2000/01. The growth in public investment was due partly to the Government's road construction and repair projects. The indicator for public investment was relatively strong in the first and third quarters. With regard to private capital, investments in the telecommunication industry were primarily responsible for the growth during the fiscal year. Between April and December 2001, the importation of machinery and equipment grew significantly relative to the same period in 2000.

Summary

Estimates of economic performance for the March 2002 quarter and the 2001/02 fiscal year have indicated that there was an expansion of economic activity. An assessment of the goods producing sectors showed that growth in the sector was moderated by the marginal decline in agriculture. All other sectors within the goods sectors showed improvements with notable strong growth in the **mining** industry. Similarly, all services sectors improved, with the exception of **financing & insurance** and **miscellaneous** sectors. Consumption and investment demand were the main factors underlying this growth.

Single digit inflation for a sixth consecutive fiscal year ...

Figure 3.1
Inflation rate for fiscal year 2001/02

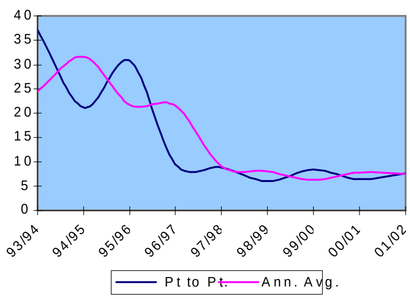


Table 3.1

Decomposition of Inflation Outturn FY 2001/02		
	Inflation (%)	**Contribution (%)**
Shocks	**4.24**	**55.9**
Transportation	**1.38**	**18.2**
Housing Expenses	**0.95**	**12.5**
Other Housing Expense	0.36	4.8
Rental	0.59	7.7
Agriculture	**1.04**	**13.7**
Starchy Foods	0.73	9.6
Vegetables & Fruits	0.31	4.1
Postage	**0.88**	**11.6**
Core	**3.34**	**44.1**
TOTAL	**7.58**	**100.0**

Headline Inflation

During the review quarter, the tendency since June 2001 for a slower rate of increase in the Consumer Price Index (CPI) was maintained. For the review quarter, the CPI rose by 0.6 per cent compared to 1.2 per cent in the previous quarter and 1.7 per cent in the corresponding quarter of 2000/01. The outturn brought the twelve-month point-to-point fiscal year inflation rate to 7.6 per cent. This represents the sixth consecutive fiscal year of single digit inflation, the first since the close of the 1960's. For the fiscal year, core inflation accounted for 44.1 per cent of headline inflation while shocks were responsible for the remaining 55.9 per cent (see **Table 3.1**). The major shocks arose early in the fiscal year and threatened to derail the single-digit inflation objective.

The March quarter

For the quarter, the inflation outturn was considerably lower than projected in the December 2001 QMPR report. The deviation stemmed primarily from stronger than anticipated declines in agricultural prices. Over the quarter the CPI moved by 0.6 per cent, -0.1 per cent and 0.03 per cent in January, February and March, respectively.

The major inflationary impulse over the quarter emanated from increases in the Housing & Other Housing Expenses sub-index. This was largely reflective of the 50.0 per cent increase in the minimum wage in January and increases in the wages of some artisans in February.

Contributory Factors

Low imported inflation moderated price movements in the quarter. Internationally traded commodity prices were stable and in some cases declined over the quarter (see **Table 3.2**). This was mainly a result of sluggish world demand, oversupply of some commodities, such as

Table 3.2

International Prices of Selected Commodities (US$)

Commodity	Units	Jan. - Mar. 2001	Oct. - Dec. 2001	Jan. - Mar. 2002
Vegetable Oils				
Coconut oil	$/mt	297.7	325.3	368.0
Groundnut oil	$/mt	690.3	667.3	667.0
Soybean oil	$/mt	312.3	389.0	366.7
Grains				
Soybean meal	$/mt	189.0	179.0	171.7
Soybean	$/mt	201.7	188.3	188.7
Maize	$/mt	92.5	89.3	90.8
Sorghum	$/mt	98.1	95.2	93.3
Wheat Canada	$/mt	156.9	148.5	147.4
Rice (A1)	$/mt	192.6	143.5	134.1
Exports				
Sugar (EU)	Cts/kg	53.00	52.77	52.14
Sugar (US)	Cts/kg	47.44	46.97	45.78
Sugar (World)	Cts/kg	21.65	16.40	15.42

Figure 3.2
Annual WTI Crude price (US$) per barrel

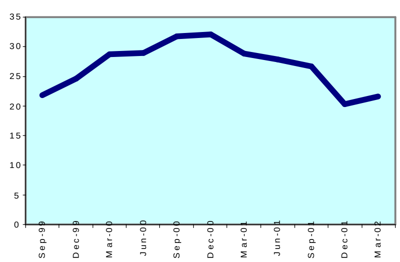
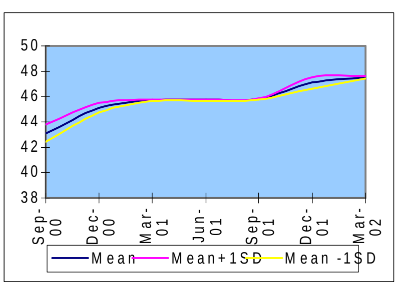


Figure 3.3
Exchange Rate Stability



soybeans and grains, and currency devaluations of some major producers. Despite indications of an earlier than expected return to growth of the US economy, global demand has recovered more slowly than expected during the quarter.

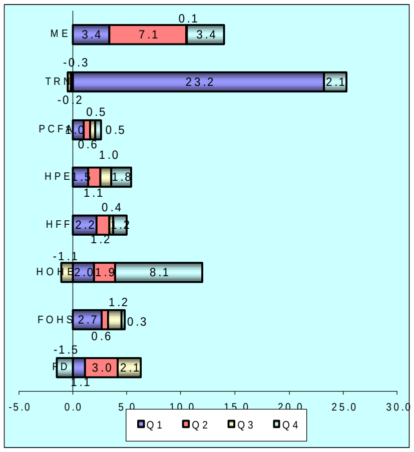
Another factor that contributed to the favourable inflation outturn was the low rate of inflation among Jamaica's main trading partners. The 12-month point-to-point inflation rate for the United States fell to 1.1 per cent as at March 2002, from 2.9 per cent in March 2001. Inflation rates for the U.K. and Canada fell to 1.2 per cent from 2.2 and 2.5 per cent, respectively. These low rates are, in part, reflective of lower world demand relative to the previous year.

For most of the March 2002 quarter, international oil prices were stable and relatively low. However, a number of developments served to destabilize the oil market within the last month of the quarter. The major concerns were political conflicts in the Middle East and possible oil supply cuts by Iraq and OPEC. As a consequence, the benchmark West Texas Intermediate crude oil price rose above the average December level of US$20.36 per barrel to an average US$21.60 per barrel in March peaking at US$26.33 at the end of March. This price was still well below the US$28.79 per barrel mark at the end of March 2001 (see **Figure 3.2**).

The inflation out-turn was also influenced by the decline in sugar prices on the world, European Union and United States markets (see **Table 3.2**). This served to limit price impulses to critical sub-groups of the CPI.

Exchange rate movements have always been a significant factor in the determination of the rate of inflation. For the fiscal year, however, the transmission of exchange rate adjustments to prices was moderate. The monthly weighted average selling rate depreciated by 4.2 per cent for FY2001/02, relative to 8.4 per cent in the previous fiscal year. Further, over the March 2002 quarter, the exchange rate depreciated by 0.6 per cent compared to 3.3 per cent in

Figure 3.4
Structure of the CPI Growth
FY 01/02



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

Table 3.3

Decomposition of Inflation Outturn Q1 2001/02		
	Inflation (%)	**Contribution (%_)**
Shocks	**0.01**	**2.0**
Healthcare	**0.13**	**22.5**
Motor Insurance	**0.11**	**19.3**
Other Housing Expense	0.54	94.8
Agriculture	**-1.04**	**-181.6**
Starchy Foods	-0.47	-82.8
Vegetables & Fruits	-0.56	-98.8
Miscellaneous Expenses	**0.27**	**47.0**
Core	**0.56**	**98.0**
TOTAL	**0.57**	**100.0**

the previous quarter. The degree of pass through was restrained by the relative exchange rate stability and increased competition in the retail sector.

With respect to the domestic commodities, weather patterns have been very important in explaining the outturn for the fiscal year and in particular the quarter under review. The March 2002 quarter saw significant reversal in agricultural prices consequent on improved weather conditions. This is in contrast to the moderate increases in December and sharp increases in the September quarters when drought conditions had resulted in positive shocks to the inflation outturn.

Contribution to Inflation

The movement for each category of the CPI during the fiscal year is represented in **Figure 3.4** and **Table 2 of the appendix**. For the fiscal year, large price movements were recorded in the Transportation, Miscellaneous Expenses and Housing & Other Housing Expenses sub-indices. These movements were reflective of discrete adjustments in bus fares, the cost of postage and rental rates.

For the March 2002 quarter, the primary impulse to prices originated within the Housing & Other Housing Expenses sub-index. This sub-index expanded by 8.1 per cent, buoyed primarily by the impact of a 50.0 per cent increase in the minimum wage in January. In the following month, there were increases in carpenters' and masons' wages resulting from an earlier wage agreement. Notably, wage settlements generally have declined from double digits to the present single digits, in tandem with declines in headline inflation.

The Miscellaneous Expenses group ranked second in its contribution to quarterly inflation. This sub-index increased by 3.4 per cent and was affected by an increase in cinema fares announced in December, as well as higher costs for magazines and legal services.

Table 3.4

Regional Distribuiton of Inflation			
Groups/Subgroups	KMA (%)	Other Towns (%)	Rural (%)
FOOD & DRINK	**-0.8**	**-3.1**	**-1.5**
- Meat, Poultry & Fish	1.7	0.0	0.3
- Starchy Foods	-6.9	-20.3	-5.9
- Vegetables & Fruits	-10.1	-9.7	-6.6
FUELS & OTHER HOUSEHOLD SUPPLIES	**0.6**	**0.5**	**-0.1**
- Fuels	0.1	0.6	-0.2
HOUSING & OTHER HOUSING EXPENSES	**6.8**	**8.0**	**10.9**
- Other Housing Expenses	7.9	8.6	11.9
HOUSEHOLD FURNISHINGS & FURNITURE	**0.7**	**1.3**	**1.7**
- Furniture	0.0	**2.9**	**4.1**
HEALTHCARE & PERSONAL EXPENSES	**1.3**	**2.3**	**2.6**
PERSONAL CLOTHING FOOTWEAR & ACC.	**0.4**	**0.6**	**0.5**
TRANSPORTATION	**1.9**	**2.3**	**2.1**
MISCELLANEOUS EXPENSES	**3.9**	**5.0**	**1.0**
ALL GROUPS	**1.1**	**0.1**	**0.1**

The Transportation sub-index acutely reflected the effects on insurance costs following the events of 11 September in the USA. In particular, motor vehicle insurance premiums increased by 43.1 per cent, the result of the confluence of regular annual adjustments and higher reinsurance costs.

The Food & Drink sub-index declined by 1.5 per cent during the quarter, generating a significant countervailing impetus to overall inflation. This was chiefly a result of reductions of 9.0 per cent and 8.7 per cent in the Starchy Foods and Vegetables & Fruits sub-groups, respectively. The regular seasonal pattern is for greater supply, which usually moderates agricultural prices over the December and March quarters. Adverse weather in October disrupted harvesting and production, delaying the customary decline in prices. However, this development sustained the incidence of countervailing movements later into the March quarter. The reductions in the Starchy Foods and Vegetables & Fruits sub-group compare well with declines of 6.2 per cent and 0.5 per cent in the corresponding quarter of the previous fiscal year.

The Healthcare & Personal Expenses sub-index expanded by 1.8 per cent, displaying the effects of increases in doctors', dentists' and opticians' fees over the quarter. This occurrence is consistent with biannual adjustments on a six-month cycle.

Regional Distribution of Inflation

During the review quarter, the CPI increased by 1.1 per cent in the KMA, and by 0.1 per cent in both the Other Towns and in the Rural Areas (see **Table 3.4**). The difference in the outturn was primarily due to stronger declines in the Food & Drink sub-index outside the KMA, resulting in lower inflation in both the Rural Areas and Other Towns. The Food & Drink sub-index declined sharply by 3.1 per cent in the Other Towns, and by 1.5 per cent and 0.8 per cent in the Rural Areas and the KMA. The differences stemmed primarily from uneven regional changes in the Meat, Poultry & Fish and Starchy Foods

Figure 3.5
Base Money Growth & Core

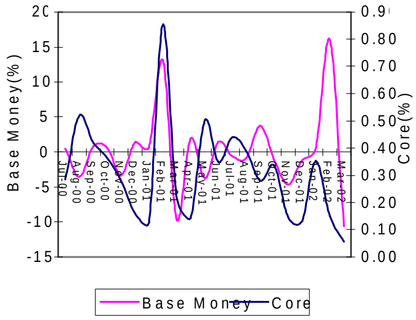
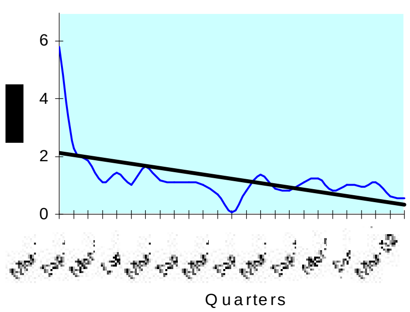


Figure 3.6
Core Inflation (3 months)



sub-groups. For a full discussion on regional differences see **Box 2**.

Core Inflation and Monetary Policy

Core inflation during the quarter was estimated at 0.6 per cent, coincident with the estimate for the previous quarter. With the exception of the March 1999 quarter, where core was zero, these outturns have been the lowest since March 1990. Core inflation has exhibited a steadily declining trend over the latter half of the 1990's and into the new decade (see **Figure 3.6**). For the Fiscal Year, core inflation is estimated at 3.3 per cent, 1.1 percentage points below the estimate for the previous fiscal year.

Summary

Despite the shocks in the first half of the year, the relatively lower inflation outturn in the second half has resulted in another fiscal year of single digit inflation. In particular, the low outturn for the March quarter was due mainly to substantial countervailing influences from prices of agricultural produce that occurred later in the year. The adherence to the base money targets has also resulted in a continued lowering of core inflation below that of the previous-year.

Box 2: Regional Disparities in Jamaica's Inflation 1997/98 to 2001/02

Introduction

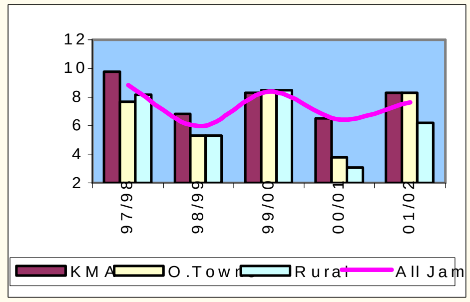
The Jamaica's Consumer Price Index (CPI) is compiled at both the national and the regional levels. The regions are the Kingston Metropolitan Area (KMA)[1], Other Towns[2], and Rural Areas[3]. Price levels vary across regions, primarily because of income distribution, supply conditions and transportation costs. The critical factor for policy however is the regional disparity in the rate of increases in prices across regions. Against this background, this box presents an overview of the recent trends in inflation disparities across Jamaica, over the five-year period, 1997/98 to 2001/02.

General Trends in Regional Inflation

The inflation rate according to the All Jamaica price index has been on a declining trend over the period, with the lowest rate experienced in 1998/99. Historically, the inflation out-turn has largely been influenced by expansion of prices in the KMA. Inflation in the KMA is generally higher than that of Other Towns and Rural Areas. The notable exceptions were in 1999/00 and 2001/02 when inflation in Other Towns exceeded that of KMA. Inflation in all regions has however trended downwards over the period, with the steepest decline in 2000/01(see **figure 2.1**). Over the period, inflation in the KMA averaged 9.9 per cent relative to 8.2 per cent and 7.3 per cent for Other Towns and Rural Areas, respectively.

[1]The KMA includes Portmore and Spanish Town.
[2]Other Towns represents parish capitals and other main towns eg. Lindstead, Chapelton, Porus.
[3]Rural Areas represents all other areas excluding the KMA and Other Towns eg. Moneague, Cambridge, Lyssons.

Figure 2.1
Fiscal Year Inflation



Peculiarities Among Sub-Indices

The geographical disparities can be explained by the contribution of various sub-indices. **Table 1** ranks the major contributors for the KMA, Other Towns and Rural Areas, for the five-year period. The table reveals that the Food & Drink sub-index has been the leading contributor to inflation across regions. In the KMA and Rural Areas, the Food & Drink sub-index contributed 3.1 percentage points of the 9.9 per cent and 8.2 per cent inflation reported in the respective regions and contributed 2.8 percentage points in the Other Towns of the 8.2 per cent reported for the period. The second major contributor to inflation over the five-year period was *Miscellaneous Expenses* in Other Towns and Rural Areas, contributing 2.0 percentage points and 1.2 percentage points to inflation, respectively, while for the KMA the second major contributor to inflation was the *Housing & Other Housing Expenses* sub-index, which contributed 2.3 percentage points. There was no similarity among the third major contributor across regions, as in the KMA, *Miscellaneous Expenses* contributed 1.7 percentage points, in the Other Towns, *Housing & Other Housing Expenses* contributed 1.5 percentage points, and in the Rural Areas Transportation contributed 0.9 percentage points to inflation.

Table 1

Major Contributors to regional inflation (FY 1997/98 to 2001/02)			
	KMA	**Other Towns**	**Rural Areas**
FIRST	F&D	F &D	F&D
SECOND	HHE	MISC	MISC
THIRD	MISC	HHE	TRANS

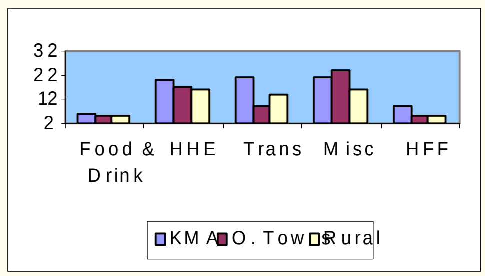
*F&D - Food & Drink, HHE - Housing & Other Household Expenses, MISC - Miscellaneous Expenses, TRANS - Transportation

Although the Food & Drink sub-index has been the leading contributor to inflation across regions, there have been large disparities in the rate of growth of food prices across the regions, particularly the Starchy Foods and Vegetables & Fruits sub-groups. Average increases in the price of Vegetables & Fruits were larger in the KMA (8.9 per cent), when compared to the Other Towns (6.8 per cent) and Rural Areas (6.6 per cent) (see **Table 2**). Similarly for Starchy Foods, inflation in the KMA (14.3 per cent) was greater than that experienced in the Other Towns (13.9 per cent) and Rural Areas (12.0 per cent) (see **figure 2.3**).

Inflation in the Rural Areas for *Vegetables & Fruits* and *Starchy Foods* tends to be lowest when compared to the other regions, as there is generally excess supply in this region. Conversely, the high level of inflation that exists in the KMA may be attributable in part to lower supply. There are times however, when Other Towns experience higher inflation rates for *Starchy Foods* and *Vegetables & Fruits*. This situation occurs in a context where merchants bypass the markets in the Other Towns, so as to capitalize on higher prices in the KMA.

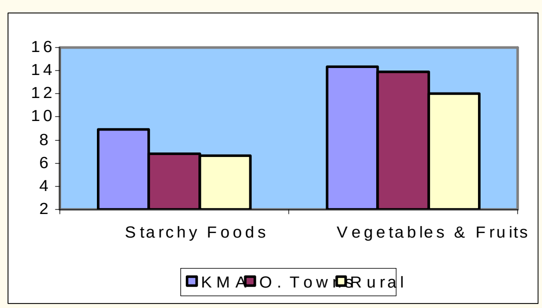
Significant regional disparities in inflation was also observed in *Housing & Other Housing Expenses*, *Transportation*, *Miscellaneous Expenses* and *Household Furnishings & Furniture* sub-indices (see **figure 2.2**), all being significant contributors to inflation over the period.

Figure 2.2
Regional Disparities - Sub-indices
(1997/98 to 2001/02)



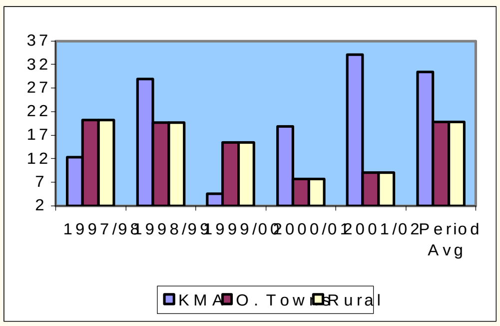
HHE - Housing & Other Household Expenses, Trans - Transportation, Misc - Miscellaneous Expenses, HFF - Household Furnishings & Furniture

Figure 2.3
Average Regional Inflation
(1997/98 to 2001/02)



The Housing & Other Housing Expenses sub-index is made up of two categories, Rental and Other Housing Expenses. Historically, changes in the price index for the Rental sub-group in the KMA relative to the other two regions have been significantly higher. For the period under review, average inflation for the Rental sub-group was 30.4 per cent for the KMA, compared to 19.8 per cent for Other Towns and Rural Areas [4].

Figure 2.4
Regional Inflation in Rental



The excess demand for houses in the KMA is a fundamental factor in explaining the higher level of increases in rental rates. The KMA has a greater population density, with approximately 33 per cent of total population [5], and hence the greater demand for housing.

The significant number of housing projects undertaken in the KMA may have only partially alleviated the supply problem. However, rental rates charged for new houses are much higher than rates on older houses. In addition, the rate of occupancy turnover in the KMA tends to be greater when compared to Other Towns and Rural Areas. In this context, each new occupant can be charged a higher rate.

[4] Rental Index in Other Towns and Rural Areas are the same.
[5] Source: Statistical Institute of Jamaica.

The disparity in the inflation rates for Transportation (see **Table 2**), coincided with increases in 'bus fares' in June 1998 and June 2001. For fiscal year 1998/99, the KMA experienced a 22.8 per cent increase in transportation prices, compared to 16.7 per cent and 38.4 per cent increases in the Other Towns and Rural Areas, respectively. For fiscal year 2001/02, the KMA experienced a 43.9 per cent increase in transportation prices, compared to 8.0 per cent and 11.8 per cent increases in the Other Towns and Rural Areas, respectively.

Bus fares, which are an administered price, are adjusted occasionally. However, increases are not always consistent across regions. In addition to increased 'bus fares' experienced in 1998/99, the exceptional increase in transportation prices in the Rural Areas resulted from a 83.3 per cent increase in 'taxi fares', compared with 6.9 per cent and 14.3 per cent increase in Other Towns and KMA, respectively. In 2001/02, increases in bus fares in the KMA reflected costs to upgrade the service, as well as a reduction in support from Government.

The average increase in the Miscellaneous Expenses sub-index over the review period was greater in the Other Towns (23.8 per cent), relative to increases experienced for the KMA (21.0 per cent) and Rural Areas (15.8 per cent). This sub-index was the second major contributor to inflation in the Other Towns and Rural Areas, which reflected increases in cinema fares. Although being the third major contributor to inflation in the KMA, the Miscellaneous Expenses sub-index expanded at a faster rate than in the Rural Areas. This was primarily due to increases in preparatory school tuition fees given the higher demand in the KMA as well as increases in cinema fares.

Another significant disparity in inflation was observed in the *Household Furnishings & Furniture* sub-index, specifically the *Furniture* sub-group. Over the period, Other Towns and Rural Areas experienced average inflation of 10.2 per cent and 10.6 per cent, respectively, while there was a 6.5 per cent increase in the price of furniture in the KMA. Specifically, for 2001/02, the price index for the *Furniture* sub-group declined by 2.6 per cent in the KMA, while in the Other Towns and Rural Areas, there were increases of 17.8 per cent and 19.4 per cent, respectively. One possible explanation of this behaviour is the greater level of competition in the KMA relative to the Other Towns and Rural Areas.

Peculiarities Among Selected Commodities

There are individual consumer items that have large disparities in price changes across region, but because of the weights associated with the respective sub-indices, these changes would not be fully reflected in the inflation outturn. One such item is charcoal, which is represented in the *Fuels & Other Household Supplies* sub-index. Over the period, the price of charcoal has increased on average by 14.1 per cent, 10.6 per cent and 5.5 per cent in the KMA, Other Towns and Rural Areas, respectively. These increases contributed only 1.7 per cent, 1.4 per cent and 0.9 per cent to the *Fuels & Other Household Supplies* sub-index in the KMA, Other Towns and Rural Areas, respectively.

The core production of charcoal occurs in the Rural Areas. This ready supply explains to some extent the lower level of inflation in the Rural Areas. On the other hand, there has been a steady demand for the product in the KMA, arising in part from growth in charcoal-intensive enterprises.

Increases in kerosene prices also showed large disparities across regions. In particular, for the period under review, the price of kerosene increased annually at an average rate of 9.4 per cent, 17.5 per cent and 31.7 per cent in the KMA, Other Towns and Rural Areas, respectively. The reason for greater increases in prices for kerosene in Other Towns and Rural Areas may have resulted from greater usage. Kerosene is more widely used both commercially and domestically in the Other Towns and Rural Areas.

With regard to services, increases in medical fees have historically been greater in the Other Towns and Rural Areas. One plausible explanation of higher inflation in medical fees in the Other Towns and Rural Areas is the increased costs to operate in these areas, relative to the urban area. Additionally, in the Other Towns and Rural Areas, there is less access to public medical services.

Concluding Comments

While inflation has declined steadily over the past five years, there has been some disparity in inflation across regions, resulting primarily from a dominant inflation trend in the KMA. This related mainly to higher changes in food prices, rental rates and transportation prices. However, overall, disparities existed in *Starchy Foods*, *Vegetables & Fruits*, Transportation, Rental, and Furniture groups. Specific consumer items, such as charcoal and kerosene also displayed significant disparities in inflation across regions.

With increased competition within the economy, and as economic development, particularly in the Rural Areas proceeds, it is expected that such disparities may lessen.

Table 1

Major Contributors to regional inflation (FY 1997/98 to 2001/02)

	KMA	Other Towns	Rural Areas
ALL ITEM	9.9	8.2	7.3
FOOD & DRINK	6.2	5.3	5.3
Starchy Foods	14.3	13.9	12.0
Vegetables & Fruits	8.9	6.8	6.6
Baked Products Cereal	4.1	2.8	2.6
FHS*	7.1	8.1	10.7
HHE*	19.8	16.7	16.0
Rental	30.4	19.8	19.8
HFF*	8.7	5.1	4.6
Furniture	6.5	10.2	10.6
HPE*	8.4	6.9	6.5
PCFA*	7.7	2.9	4.9
TRANSPORTATION	20.6	9.0	14.3
MISCELLANEOUS	21.0	23.8	15.8

*FHS - Fuels & Other Housing Expenses; HHE - Housing & Other Housing Expenses; HFF - Household Furnishings & Furniture, HPE - Healthcare & Other Personal Expenses; PCFA - Personal Clothing Footwear & Other Accessories

Table 4.1

Jamaica's Economic Performance Targets FY 2002/03	
	Targets
NIR End March 2002 (US$mn)	1 600.0
Base Money Growth	8 - 10%
Inflation	5 - 6%
Fiscal Balance (%GDP)	-4.4%
Primary Balance (%GDP)	
GDP* (**12-mth change**)	2 - 4%

Outlook

Leading indicators of economic performance suggest that the growth momentum, which started in the earlier part of the fiscal year, has resumed despite adverse shocks in the December 2001 quarter. The containment of monetary impulses facilitated inflation of 7.6 per cent relative to the revised target of 8.0 to 9.0 per cent. Notwithstanding significant shocks to prices, underlying or core inflation maintained its stable downward trajectory. This in addition to more stable and liquid financial markets facilitated a downward adjustment in interest rates.

Inflation target of 5 to 6 per cent for FY 2002/03.

Against this background and the anticipated recovery in the global economy and the USA in particular, the prospects for growth in the Jamaican economy in fiscal year 2002/03 are encouraging. The economic growth recorded in the last two quarters in the USA, as well as other leading indicators signal that the recession, which officially began in the March 2001 quarter, was one of the shortest in its history. Although the growth may be mild in the June 2002 quarter, stronger growth is anticipated for the second half of the year. Other major economies, notably the Euro area, are also expected to reflect stronger growth patterns.

Growth of 2.0 to 4.0 per cent for FY 2002/03.

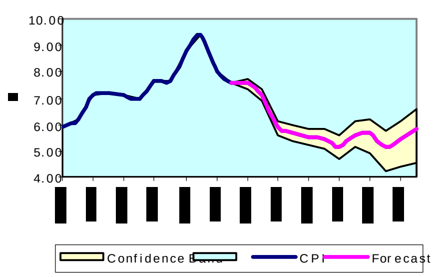
In this context external demand for Jamaican goods and services, particularly tourism, should improve throughout the fiscal year. Given this and expectations of continued expansions in agriculture, mining, communication and other services, the macro-economic programme envisages economic growth in the range of 2.0 per cent to 4.0 per cent for fiscal year 2002/03 (see **Table 4.1**).

The expected growth in the agriculture sector is based partly on increased production arising from various agricultural projects and initiatives implemented over the past two years. Growth in the mining sector is predicated on the full utilisation of productive capacity at the Kaiser bauxite plant and marginal growth in the alumina industry. Additionally, the ongoing reform of the bauxite levy regime is expected to stimulate investments in the sector. Construction and installation activities should be enhanced by the Highway 2000 project and increased investments in utilities including communications. Growth in services is expected to be led by continued positive developments in the transport & communication, utilities, financial services and the tourism sectors.

In order to facilitate a more competitive environment, monetary policy will continue to focus on a gradual reduction in inflation, and inflationary expectations. This will provide the basis for more moderate wage increases and a sustainable reduction in interest rates.

In this context, the Bank of Jamaica has targeted an inflation rate in the range of 5.0 per cent to 6.0 per cent for fiscal year 2002/03 (see **Figure 4.1**). Given the inflation objective and expectations for growth, the Bank's operating target, the monetary base, is programmed to increase by 8.0 per cent to 10.0 per cent in the fiscal year. This growth in base money, though higher than the previous fiscal year reflects the maintenance of the cash reserve ratio at 9 per cent. The Bank had aggressively reduced this ratio, from a high of 25.0 per cent at August 1998 to 9.0 per cent at March 2002. This level compares favourably with the ratios in other floating rate countries within the region.

Figure 4.1
12-month Inflation: Actual and Forecast



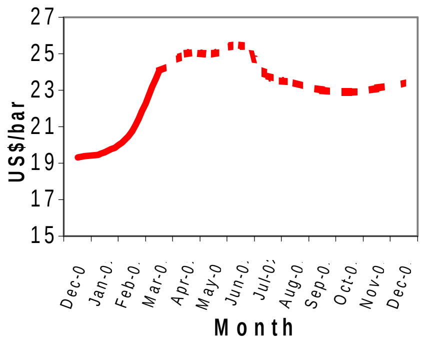
Given substantial capital inflows into the economy over the last four years, the Bank accumulated a substantial stock of reserves. During the last year however, reserve accumulation was much higher than targeted due to the pre-borrowing of US$200 million on the capital market to finance central government budget in 2002/03. Gross reserves at end March were US$2000.3 million representing an estimated 23.9 weeks of imports of goods and services.

In light of the Government's substantial external debt obligations in fiscal year 2002/03, it is expected that the NIR will decline over the fiscal year. In terms of weeks of goods and services imports, the gross reserves will decline from an estimated 23.9 to 17.8 weeks of imports of goods and services at end FY2002/03, which is still considerably above the international benchmark of 12 weeks.

Risks

The challenges to the economy and the macroeconomic programme over the fiscal year 2002/03 are expected to arise mainly from external factors. The main risks are shocks to oil prices and a slower than anticipated recovery in the world economy. On the domestic side weather related shocks to agricultural production could result in sharp changes to prices of food items. While general elections are constitutionally due by end fiscal year, this is not expected to influence the outlook for inflation.

Figure 4.2
Oil Price: West Texas Intermediate



Attempts at restricting world oil supply by OPEC, as well as recent political developments in the Middle East have resulted in a rise in oil prices since February 2002. Oil prices, which averaged US$21.45 per barrel in the March quarter, accelerated to approximately $26.00 in April 2002. The current forecast envisages that oil prices will average between US$24.00 to US$26.00 per barrel in the June quarter. The prospect for oil prices will depend on the resolution of the conflict in the Middle East and the prospect for the world economy. In this context there is some uncertainty, which may lead to price volatility over the year which may prove inimical to inflation and expectation in the economy (see **Figure 4.2**).

A slower than anticipated pace of recovery in the world economy would lead to a slower growth in tourism and sustain the depressed prices for major export commodities such as alumina and coffee. This situation could lead to lower foreign exchange inflows and adversely affect the current account of the Balance of payments. Invariably, this could place unexpected pressure on the exchange rate and hence inflation.

The macro-economic programme has targeted a fiscal deficit of 4.4 per cent of GDP for 2002/03. This lowering of the deficit relative to the previous fiscal year of 5.7 per cent of GDP will require greater fiscal prudence on the part of the Central Government and will be necessary for the attainment of other economic targets. In this context, it is important that government's debt raising activities be properly managed and supportive of monetary policy to ensure minimal effects on the money and foreign exchange market, and the inflation target in particular.

Inflation of between 1.0 to 1.4 per cent estimated for June quarter.

Short Term Outlook - June 2002 Quarter

Inflation over the June quarter is expected to show the seasonal increase relative to the March quarter. Headline inflation on a quarterly basis is projected to be between 1.0 per cent and 1.4 per cent relative to 0.6 per cent in March 2002 and 2.9 per cent in June 2001. The exchange rate was fairly stable during the previous quarter (see **Foreign Exchange Market**) and therefore significant inflationary pressures from exchange rate movements are not anticipated over the ensuing months, given expectations for continued stability.

Inflationary pressure are however expected from seasonally higher agricultural prices, which have over the years been influential in the inflation determination for the quarter. This development will be due to projected lower yield, which is associated with a pattern of lower rainfall at this time. Volumes of produce are expected to dwindle as the quarter progresses, as already there have been reports of falling volumes in some southern parishes.

For the quarter, monetary policy will target a 0.4 per cent growth in base money, which should facilitate an estimated 2.0 per cent growth in the money supply (M3J). With an anticipated decline in the NIR to finance external debt payments, it is expected that less reliance will be placed on open market operations in the conduct of monetary policy.

In summary, the prospects for the new financial year are encouraging against the background of expected positive developments in the world economy. The resurgence of real sector activity observed in FY2001/02 is projected to continue into FY2002/03. This will be supported by the maintenance of a stable monetary environment by the central bank.

Box 3: The Argentina Debt Crisis & Implications for Jamaica

On 02 January 2002, Argentina formally defaulted on its foreign debt of US$146.0 billion[4]. This box presents an assessment of the debt crisis as well as the subsequent policies to address the problems. One of the principal aims is to distil the implications of the Argentine default for other emerging market economies like Jamaica.

Background

The crisis in Argentina was rooted in the currency board system and an inflexible fiscal regime. The Argentinean economy recorded hyperinflation rates of 3080 per cent and 2314 per cent in 1989 and 1990, respectively. In order to stabilize the economy, the Government introduced the **convertibility plan**, the centrepiece of which was the establishment of a currency board in April 1991[5]. In effect, the currency board linked growth in the monetary base to growth in the foreign currency reserves.

The rigid monetary arrangement contributed to significant reductions in inflation. Within the first two years, inflation fell to an average of 17.8 per cent and has since remained very low (see **Table 1**). Growth in real gross domestic product (GDP) reached a high of 8.4 per cent in 1997, one of the highest rates in the world. Notwithstanding the success of the currency board arrangement in reducing inflation, the fixed exchange rate vis-à-vis the US dollar implied that firms in Argentina lost competitiveness.

Against the background of the relatively inflexible monetary arrangement, the series of external financial crises that affected emerging markets in the latter part of the 1990's had a significant adverse impact on the Argentina economy. Growth in 1998 was affected by the international financial crisis caused by Russia's debt default and by increasing investor anxiety over the devaluation of the Brazilian real[6]. The economy was also affected by capital outflows, which had consequences for monetary conditions and the banking sector.

Economic performance in the wake of the external shocks was weak. GDP fell by 3.0 per cent in 1999, while the economy declined by 0.5 per cent in 2000. Real GDP was estimated to have contracted by 4.0 per cent in 2001. The unemployment rate in September 2001 was 18.3 per cent, relative to 15.5 per cent in 1999 (see **Table 1**). Workers in the manufacturing and construction sectors were most adversely affected by the downturn.

The problems faced by the economy from these shocks were compounded by the Government's failure to adjust the imbalance in the fiscal accounts. As the real economy contracted, government revenues declined and public indebtedness increased in a context of unconstrained borrowing by the provincial

[4] This was the total external debt as at the end of September 2001. By the end of February 2002, Argentina's total external debt had risen to US$155.0 million.

[5] This scheme established a fixed parity between the Argentine peso and the US dollar (10 000 australes (now 1 peso) = US$1) and ensured convertibility of the domestic currency.

[6] Brazil is one of Argentina's major trading partners.

Table 1

Major Contributors to regional inflation (FY 1997/98 to 2001/02)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001*
	Annual percentage changes; unless otherwise indicated												
GDP at 1990 prices	-6.2	0.1	8.9	8.7	6	7.4	-0.5	4.3	8.4	3.9	-3	-0.5	-4.0
Unemployment	7.3	9.2	6.3	7.2	9.1	11.7	15.9	16.3	n.a.	14.1	15.5	16.4	18.3
Inflation	3 080	2314	171.7	24.9	10.6	4.2	3.4	0.2	0.5	0.9	-1.2	-0.9	n.a.
Interest rates:													
Landing rates	n.a.	n.a.	n.a.	n.a.	n.a.	10.0	18.0	10.5	9.2	10.6	11.0	11.1	n.a.
Deposit rates	17 236	1 518	61.7	16.8	11.4	8.1	12.0	7.4	7.0	7.6	8.0	8.3	16.2
International Reserves (US billions)	1.5	4.6	6.0	10.0	13.8	14.3	14.3	18.1	22.3	24.8	26.3	25.1	14.6
Money	n.a.	1 023.0	147.0	49.0	33.0	8.2	1.6	15.0	13.0	0.0	1.6	-9.1	n.a.
Public Sector Debt/GDP	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	27.6	28.9	27.0	28.8	30.4	30.6	34.5
Fiscal Deficit/GDP	n.a.	n.a.	n.a.	n.a.	1.2	-0.1	-0.6	-2.1	-1.5	-1.4	-1.7	-2.5	-3.3

Source: International Financial Statistics, February 2002 and the Argentine Ministry of Finance (MECON)
n.a. means not available
*Estimates

governments. In this context, public sector external debt rose from 27.0 per cent of gross domestic product in 1997, to an estimated 34.5 per cent in 2001.

In the context of capital flight, economic decline, an overvalued peso, a rising fiscal deficit and increasing social tensions, Argentina sought additional assistance from the International Monetary Fund (IMF) in November 2001[7]. However, the IMF's review of Argentina's economic programme revealed outstanding issues, related mainly to the poor fiscal performance and prospects. The IMF emphasized the need to craft an economic programme that would enable the Argentine authorities to reduce the fiscal deficit, while restructuring the economy. Argentina was therefore unable to obtain balance of payments support, as well as an imprimatur from the IMF that would allow it to access other forms of foreign financing.

[7] Argentina's quota in the IMF is SDR 2.117 billion (about US$2.695 billion). Its outstanding use of IMF credit currently totals SDR 6.494 billion (about US$8.267 billion). Since 1998, the IMF has entered three lending arrangements with the Argentina.

Recent Economic and Institutional changes

In an attempt to deal with the economic problems, the Argentinean Congress approved the "Public Emergency and Currency Reform Law", delegating extraordinary powers to the administration until 10 December 2003. Under this law, the administration effected a number of changes. One principal adjustment was the introduction of a dual exchange rate regime, which became effective 07 January 2002, thereby officially abandoning the currency board regime. For official transactions, the exchange rate was fixed at 1.40 pesos to the US dollar. Other transactions were allowed at a parallel, free-floating rate. By February, the parallel exchange rate regime was abandoned and the peso was allowed to float freely against the US dollar. Since then, the peso has depreciated significantly (see **chart 1**).

Another element of the Government's economic plan was the "zero deficit" budget. Revenue measures to achieve this included an increase in the tax on financial transactions, coupled with the elimination of all exemptions. In addition, primary expenditure

Chart 1

was to be reduced through a number of measures, including an across-the-board cut of 13.0 per cent in expenditure on wages and pensions. Federal and Provincial bonds were to be gradually exchanged for Central Government bonds (LECOP), and ultimately cancelled[8].

The administration also announced the "de-dollarization" of debt obligations owed to banks. With de-dollarization, the government hoped to restore the peso as a widely accepted medium of exchange in the economy, and by so doing improve its ability to finance its deficit. De-dollarization however threatened the solvency of banks as their assets and liabilities were converted to pesos at different exchange rates. Retail and commercial loans were converted from US dollars to pesos at a 1-to-1 exchange rate. Corporate loans were subject to a different restructuring mechanism that included the lengthening of maturities and a reduction in interest payments. Outstanding US dollar credit card balances for purchases incurred in Argentina were to be settled in pesos. Dollar savings on the other hand were initially converted at an exchange rate of 1.4 pesos to the US dollar.

Given the initial devaluation of the fixed rate, the Executive sought to compensate financial institutions for their losses through the issue of collateralised bonds denominated in both local and foreign currency, among other means. With the exchange rate during the last week in March averaging 3.24 pesos per US dollar, these losses have increased significantly.

A restriction on withdrawals from commercial banks (the corralito) of 1,500 pesos per person per month was also implemented. Following a ruling by the Supreme Court of Argentina, this restriction was relaxed, prompting extraordinary withdrawals from banks and the subsequent closure of the system.

In February 2002, the new Bankruptcy Law was passed. This allowed the government to unilaterally impose a moratorium on private-sector foreign debt.

International Implications - With Special Reference to Jamaica

International financial markets did not react significantly to the news of the Argentine default and the subsequent introduction of the dual exchange rate system. In the case of Jamaica, no significant adjustments in the yields on Government of Jamaica bonds were noted. This inertia on the part of the financial markets suggests that the market had long expected the default and had positioned itself for this eventuality.

[8] Reform of provincial fiscal practices had, as an objective, fiscal stabilization for the provinces. The authorities have attempted the reform process by consensus with the provincial Governors.

Investors have been taking a more discerning position with respect to emerging market debt since the financial crises of the 1990s. The Argentine debt default has however served to increase the sensitivity of rating agencies and investment houses to deviations in macroeconomic performance from targets. While Standard and Poor's has affirmed its single 'B'-plus long-term foreign currency and its double 'B'-minus long-term local currency sovereign credit ratings on Jamaica, it has duly noted the country's significant exposure to the international commercial markets.

Beyond the issues in the financial markets, the crisis in Argentina has opened the possibility of deterioration in Jamaica's external competitiveness. Some trade in consumer related food items takes place between Argentina and Jamaica and the two countries also trade with the USA. A real depreciation of the Argentine peso can engender increases in Jamaican imports from Argentina. It could also facilitate a cheapening of competing Argentinean products in the US market, relative to similar Jamaican products.

In terms of the broad lessons that can be drawn from Argentina's experience, it should be noted that, in the context of external shocks and a rigid monetary regime, there were little or no offsetting adjustments in the fiscal accounts. Hence, the problems faced by Argentina underscores the importance for all countries to have complementary labour and fiscal policies underpinning monetary and exchange rate arrangements.

Box 4: General Data Dissemination Standards

The IMF developed the General Data Dissemination System (GDDS) in 1997 as a means of enhancing the data management frameworks of member countries with less advanced statistical systems. The developmental strategy focuses on the continuous improvement in the quality, frequency and timeliness of disseminated data. The GDDS is the second tier of a two-part standard generally designed to guide members in the reporting of economic and financial data to the public.

The higher-level tier, the Special Data Dissemination Standard (SDDS), was established in 1996. It is open to member countries that either have access to, or are seeking access to international capital markets. Accordingly, qualifying conditions for subscription to the SDDS are more stringent when compared with those for the GDDS. As at March 2002, there were fifty (50) subscriptions to the SDDS, while there were forty one (41) participants in the GDDS, seven (7) of which were Caribbean countries.

Participation in the GDDS requires that members pledge to use its framework for the development of their individual statistical systems. Furthermore, participants are required to prepare the metadata [9] that outline their present production and dissemination practices and detail plans for improvements in these practices. The objective of this exercise is the provision of comprehensive, timely and reliable economic, financial and socio-demographic statistics. This is aimed at facilitating the formulation and implementation of informed economic decisions by the public and private sectors. It will also assist in cross-country comparisons in an international environment of increasing economic and financial integration.

Economic and financial data within the structure of data dimension specified by the GDDS are divided into four macroeconomic sectors - real, fiscal, financial and external. Recently, the IMF, in collaboration with the World Bank articulated and finalized a socio-demographic component of the GDDS. The socio-demographic data are classified into four data categories - population, health, education and poverty. Basic components have been identified for the macroeconomic and socio-demographic data categories. "Encouraged" extensions have also been specified for some of these data categories. Participants in the GDDS are required to attain and maintain the standards for coverage, periodicity (frequency of compilation), timeliness (speed of dissemination), quality, access and integrity of published data (see **Table 1**).

Jamaica's Position in Relation to the GDDS

Jamaica has commenced preparation for subscription to the GDDS. There has been collaboration between the Ministry of Finance, the Statistical Institute of Jamaica and the Bank of Jamaica on issues of data compilation and dissemination methods in respect of the four macroeconomic sectors. The metadata

[9] These are systematic descriptions of a country's statistical practices.

which outlines Jamaica's statistical practices and plans for improvements in these sectors have been prepared and submitted to the IMF for review before being posted on the Fund's Dissemination Standards Bulletin Board (www.dsbb.imf.org). Provisions for the coverage of Jamaica's socio-demographic data within the GDDS framework will be finalized shortly.

An overall assessment of Jamaica's current statistical practices in respect of macroeconomic data shows that dissemination in the majority of areas compare favourably with the GDDS prescribed standards for coverage, periodicity and timeliness. Currently, all requirements for the fiscal and financial sectors are consistent with those for the GDDS. In the real sector, all requirements are satisfied[10] except those for production indices, which are not currently being generated for publication. However, the production and dissemination of these statistics form part of the plans for improving the country's statistical coverage. In the external sector, the GDDS requirements in respect of balance of payments aggregates, international reserves, merchandise trade and exchange rates are currently satisfied. Annual data on debt service and debt service indicators are currently disseminated to the public. However, some debt data categories are being revised to ensure consistency with GDDS recommendations.

Jamaica's participation in the GDDS will facilitate the enhancement of the country's statistical systems. Accordingly, the associated transparency will serve to boost the authenticity, consistency and credibility of the data. These attributes of the statistics will enable the public to use the published data with a greater level of confidence.

[10] Real sector categories which currently meet GDDS requirements include National Accounts Aggregates, Price Indices (CPI) and Labour Market Indicators.

Table 1

Data Coverage, Periodicity & Timeliness		
Data Coverage (Data Categories)	**Periodicity**	**Timeliness**
Real Sector		
National Accounts Aggregates (GDP-nominal and real). Encouraged Extensions: Gross national income, capital formation, saving)	Annual (quarterly encouraged)	6 - 9 months
Production Index/Indices. Manufacturing/industrial indices; Primary commodity, or other indices as relevant	Monthly	6 - 12 weeks for all indices
Price Indices (Consumer Price Index) Encouraged extension: Producer Price Index	Monthly	1 - 2 months
Labour Market Indicators - Employment/unemployment; wage/earnings	Annual	6 - 9 months
Fiscal Sector		
Central Government Aggregates - revenue, expenditure, balance and financing. Encouraged Extension: Interest payments	Quarterly	3 months
Central Government Debt - Domestic & Foreign. Encouraged Extension: Government Guaranteed Debt	Annual (quarterly encouraged)	1 - 2 quarters
Financial Sector		
Broad Money & Credit Aggregates -Net external position, domestic credit broad/narrow money	Monthly	1 - 3 months
Central Bank Aggregates-Monetary base	Monthly	1 - 2 months
Interest Rates-Short/medium term government security rates, policy variable rates. Encouraged Extensions: money or inter-bank rates; other deposit & lending rates	Monthly	-
Stock Market. Encouraged: Share Price Index	Monthly	-
External Sector		
Balance of Payments Aggregates: Imports/exports of goods & services, current account, reserves, overall balance	Annual (quarterly strongly encouraged)	6 months
External Debt and Debt Service Schedule: - Public and Publicly guaranteed external debt by maturity· - Public and publicly guaranteed external debt service schedule· - Private external debt not publicly guaranteed and debt service schedule (encouraged)	 Quarterly Twice yearly with data for 4 qtrs & 2 semesters ahead Annual	 1 - 2 quarters 3 - 6 months 6 - 9 months
International Reserves: gross official reserves denominated in US dollars. Encouraged: reserve-related liabilities	Monthly	1 - 4 weeks
Merchandise trade: total exports and imports; Encouraged: major commodity breakdowns with longer time lapses	Monthly	8 - 12 weeks
Exchange rates: spot rates	Daily	-
Socio-demographic data		
Population		
Education		
Health		
Poverty		

A. Fiscal Developments: January - March 2002

Provisional data indicate that during the March quarter of FY 2001/02, Central Government operations resulted in a surplus of $1171.0 million or 0.3 per cent of Gross Domestic Product (GDP) relative to the targeted surplus of $4927.6 million or 1.4 per cent of GDP under the revised Staff Monitored Program (SMP). The deviation in the out-turn for the March quarter relative to target occurred in a context of lower than anticipated revenue flows and higher recurrent expenditure. The primary balance of 3.3 per cent of GDP was 1.5 percentage points lower than the targeted out-turn.

During the quarter there was a net amortization of domestic debt, which was financed by the fiscal surplus and net foreign inflows. The main foreign inflows comprised loans from the International Development Bank and the World Bank as well as receipts from the sale of National Commercial Bank and the non-performing loan portfolio.

Central Government operations resulted in a provisional fiscal deficit of $21,207.9 million for fiscal year 2001/02, approximately 5.7 per cent of GDP, relative to the $14,841.0 million or 4.1 per cent of GDP targeted under the revised SMP. The higher than anticipated fiscal deficit reflected lower than targeted revenues during the second half of the year, which were exacerbated by higher expenditures. The primary balance to GDP ratio of 8.0 per cent was below the targeted 9.9 per cent consequent on the shortfall in total revenues and the higher non-interest expenditure relative to target.

The deviation in revenue flows of $4614.1 million during fiscal year 2001/02 reflected shortfalls in tax and capital revenues, the impact of which was partially offset by higher non-tax and bauxite levy receipts. Closer examination of tax receipts suggest that the shortfall which occurred during the second half of the fiscal year was due to lower than expected company taxes and General Consumption Tax (imports and local). Receipts from companies were largely affected by lower expected profits. The shortfall in General Consumption Tax receipts was partially explained by the delay in enacting the enabling legislation during the review year, which would have broadened the tax base.

Overall expenditure exceeded target by $1752.9 reflecting higher than planned recurrent expenditure which was partly offset by lower than projected spending on capital projects. Notably, the deviation in recurrent expenditure was mainly attributed to additional spending on wages & salaries and interest payments.

In order to finance the deficit, Government increased its borrowing from external sources and while there was a net amortization of domestic debt, this was less than targeted during the fiscal year. Government accessed US$650.0 million from the international capital market, of which US$400 million was raised in the June quarter and US$250 million in the December quarter. Of the latter amount, US$200.0 million was earmarked for financing the 2002/03 budget.

Fiscal Performance
Comparitive Analysis
J$ Million
2001/02

	Provisional 2001/02 Q4	SMP Q4	Change	Provisional FY 2001/02	SMP FY 2001/02	Change
Revenue and Grants	**28 850.70**	**31 942.70**	**-3 092.00**	**102 583.30**	**107 197.60**	**-4 614.30**
Tax Revenue	25 711.90	26 544.90	-833.00	90 568.20	94 975.10	-4 406.90
Capital Revenue	923.40	2 634.20	-1 710.80	2 839.10	4 010.20	-1 171.10
Other (incl. Non-tax)	2 215.40	2 763.60	-548.20	9 176.00	8 212.30	963.70
Expenditure	**27 679.70**	**27 015.10**	**664.60**	**123 791.20**	**122 038.60**	**1 752.60**
Recurrent Expenditure*	25 995.80	24 949.50	1 046.30	113 665.10	111 618.00	2 047.10
Capital Expenditure	1 518.40	1 900.00	-381.60	9 290.70	9 618.80	-328.10
IMF #1 Account	165.50	165.60	-0.10	835.40	801.80	33.60
Unallocated						
Overall Balance	**1 171.00**	**4 927.60**	**-3 756.60**	**-21 207.90**	**-14 841.00**	**-6 366.90**
Current Balance	**1 931.50**	**4 359.00**	**-2 427.50**	**-13 920.90**	**-8 430.60**	**-5 490.30**
Primary Balance	**12 128.30**	**16 867.90**	**-4 739.60**	**29 802.30**	**35 436.20**	**-5 633.90**

Performance Indicators
(percentages of GDP)

	BR	CB	PB
Q1 - Q3 FY2001/02	6.02	-4.26	4.75
Q1 - Q3 FY2001/02 SMP	5.53	-3.58	5.19
Q4 FY2001/02	-0.31	0.52	3.26
Q4 FY2001/02 SMP	-1.38	1.22	4.72
FY2001/02	5.70	-3.74	8.02
FY 2001/02 SMP	4.15	-2.36	9.91

Key
BR = Borrowing Requirement
CB = Current Balance = Current Revenue - Current Expenditure as a percentage of GDP
PB = Primary Balance = Total Revenues - Total Expenditure less Interest Payments (IP) as a percentage of GDP
IP = Interest Payments as a percentage of GDP
FSR = Fiscal Stability Ratio = (Overall Balance/Total Revenue) - 1

International Benchmarks
BR greater than **3% of GDP** often indicates serious fiscal imbalance
FSR closer to zero indicates more stable government finances
Negative CB ratio of less than 1% indicates dissaving or a need for fiscal adjustment as the public sector is borrowing for consumption
PB ratio above zero indicates major fiscal adjustment to cover interest on past obligations

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

B. Monetary Policy Developments: April 2000 to March 2002

27/04/2000	30-day Reverse Repurchase Rate was reduced from 17.30 per cent to 17.00 per cent.
01/06/2000	Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty-three per cent (33%) to thirty-two per cent (32%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from fifteen per cent (15%) to fourteen per cent (14%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and thirty-two per cent (5% and 32%) for Building Societies.
	The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and fourteen per cent (1% and 14%) in respect of local and foreign currency deposits.
28/07/2000	30-day Reverse Repurchase Rate was reduced from 17.00 per cent to 16.75 per cent.
11/08/2000	30-day Reverse Repurchase Rate was reduced from 16.75 per cent to 16.45 per cent.
01/09/2000	Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty-two per cent (32%) to thirty-one per cent (31%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from fourteen per cent (14%) to thirteen per cent (13%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and thirty-one per cent (5% and 31%) for Building Societies.

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

08/03/01 Interest rates on the 365-day, 270-day, instruments were reduced to 19.00 per cent, 18.25 per cent respectively.

12/03/01 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 18.50 per cent, 17.75 per cent, 16.70 per cent, 16.40 per cent, 16.25 per cent, 16.15 per cent and 16.00 per cent respectively.

22/03/01 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 17.75 per cent, 17.00 per cent, 16.15 per cent, 15.80 per cent, 15.70 per cent, 15.60 per cent and 15.50 per cent respectively.

11/04/01 Interest rates on the 365-day and 270-day instruments were reduced to 17.50 per cent and 16.75 per cent respectively.

21/05/01 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 16.50 per cent, 15.70 per cent, 15.30 per cent, 15.05 per cent, 14.95 per cent, 14.85 per cent and 14.75 per cent respectively.

01/06/01 Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty per cent (30%) to twenty nine per cent (29%).

Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from twelve per cent (12%) to eleven per cent (11%).

The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and twenty nine per cent (5% and 29%) for Building Societies.

The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and eleven per cent (1% and 11%) in respect of local and foreign currency deposits.

08/06/01 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 15.90 per cent, 15.35 per cent, 15.00 per cent, 14.80 per cent, 14.70 per cent, 14.60 per cent and 14.50 per cent respectively.

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

06/02/02 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 16.70 per cent, 15.90 per cent, 14.70 per cent, 14.30 per cent, 14.20 per cent, 14.10 per cent and 14.00 per cent, respectively.

14/02/02 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 15.80 per cent, 15.00 per cent, 14.40 per cent, 14.05 per cent, 13.95 per cent, 13.85 per cent and 13.95 per cent, respectively.

01/03/02 Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from twenty eight per cent (28%) to twenty seven per cent (27%).

Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from ten per cent (10%) to nine per cent (9%).

11/03/02 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 15.00 per cent, 14.20 per cent, 13.80 per cent, 13.55 per cent, 13.45 per cent, 13.35 per cent and 13.25 per cent, respectively.

C. Summary Tables

1

Inflation Rates (%)			
	CPI Index (e.o.p.)	**Head-line (quarter)**	**Core (quarter)**
1998/1999	**1 182.5**	**6.0**	**2.9**
1999/2000	**1 281.7**	**8.4**	**4.0**
June	1 205.9	2.0	0.9
September	1 237.6	2.6	1.4
December	1 265.9	2.3	0.9
March	1 281.7	1.3	0.8
2000/2001	**1 364.3**	**6.4**	**4.2**
June	1 311.4	2.3	1.1
September	1 349.3	2.9	1.2
December	1 342.6	-0.5	0.8
March	1 364.3	1.6	1.0
2001/2002	**1 468.5**	**7.6**	3.3
June	1 404.0	2.9	1.0
September	1 442.7	2.7	1.1
December	1459.9	1.2	0.6
March	1468.5	0.6	0.6

2

Component Contribution to Inflation
All Jamaica
January - March 2002 and FY 01/02

Groups and Sub-groups	Weight in CPI	Inflation (%)		Contribution (%)	
		Q4	FY 01/02	Q4	FY 01/02
FOOD & DRINK	**0.5563**	**-1.5**	**4.8**	**-109.3**	**35.6**
- Meals Away from Home	0.0741	0.4	2.5	4.5	2.5
- Meat Poultry & Fish	0.1613	0.8	2.9	22.4	6.5
- Dairy Products Oils & Fats	0.0668	1.1	4.9	12.8	4.6
- Baked Products Cereals & Breakfast Drinks	0.0864	1.2	3.1	17.1	3.7
- Starchy Foods	0.0525	-9.0	13.9	-79.9	10.1
- Vegetables & Fruits	0.0650	-8.7	4.8	-95.4	4.3
- Other Food & Beverages	0.0502	1.1	5.7	9.2	3.9
FUELS & OTHER HOUSEHOLD SUPPLIES	**0.0735**	**0.3**	**4.9**	**5.4**	**4.0**
- Household Supplies	0.0482	0.6	2.2	4.9	1.5
- Fuels	0.0253	0.1	7.2	0.4	2.5
HOUSING & OTHER HOUSING EXPENSES	**0.0786**	**7.9**	**10.5**	**105.4**	**13.1**
- Rental	0.0209	4.2	28.1	15.4	8.1
- Other Housing Expenses	0.0577	8.9	6.3	89.9	5.0
HOUSEHOLD FURNISHINGS & FURNITURE	**0.0283**	**1.2**	**5.1**	**5.5**	**1.9**
- Furniture	0.0068	2.4	10.7	2.7	1.0
- Furnishings	0.0215	0.8	3.0	2.8	09
HEALTHCARE & PERSONAL EXPENSES	**0.0697**	**1.8**	**5.5**	**21.7**	**5.3**
PERSONAL CLOTHING FOOTWEAR & ACC.	**0.0507**	**0.5**	**2.6**	**4.0**	**1.8**
- Clothing Materials	0.0055	0.0	1.0	0.0	0.1
- Readymade Clothing & Accessories	0.0242	0.8	2.7	3.1	0.9
- Footwear	0.0159	0.3	3.2	0.8	0.7
- Making & Repairs	0.0051	0.1	1.2	0.0	0.1
TRANSPORTATION	**0.0644**	**2.1**	**25.2**	**22.5**	**22.4**
MISCELLANEOUS EXPENSES	**0.0785**	**3.4**	**14.6**	**45.4**	**15.9**
ALL GROUPS	**1.0000**	**0.6**	**7.6**	**100.0**	**100.0**

3

BANK OF JAMAICA OPERATING TARGETS FY 2001/2002	Mar-01	Jun-01	Sep-01	Dec-01	Mar-02	SMP	Mar-01 Flows	Deviation Q4 - SMP
Net International Reserves (US$)	**1 286.3**	**1 540.5**	**1 536.7**	**1840.7**	**1941.7**	**1580.6**	**100.9**	**361.1**
Net International Reserves ($J)	**59 169.3**	**70 863.5**	**70 688.2**	**87435.2**	**92229.3**	**75078.5**	**4794.2**	**17150.8**
Assets	62 646.9	74 174.1	73 871.4	90406.3	95015.7	71487.5	4609.4	23528.2
Liabilities	-3 477.6	-3 310.6	-3 183.2	-2971.1	-2786.4	-3591.0	-184.8	804.7
Net Domestic Assets	**-28 690.0**	**-40 409.0**	**-40 960.3**	**-53125.4**	**-62007.9**	**-44771.3**	**-8882.5**	**-17236.6**
Net Claims on the Public Sector	32 400.6	32 703.5	35 328.3	33964.1	36942.5	34990.3	2978.4	1952.2
Net Credit to Banks	-6 595.7	-5 988.1	-5 681.1	-6154	-4400.6	-5968.9	1753.4	1568.3
Open Market Operations	-61 441.4	-74 164.5	-77 525.5	-85628.3	-99195.3	-80596.9	-13567.0	-18598.4
Other	6 946.6	7 040.0	6 918.1	4692.7	4645.4	6804.2	-47.3	-2158.8
Monetary Base	**30 479.4**	**30 454.4**	**29 772.5**	**34309.8**	**30221.4**	**30307.2**	**-4088.3**	**-85.8**
Currency Issue	17 659.7	17 522.7	17 580.1	22340.5	19447.1	19276.3	-2893.4	170.8
Cash Reserve	12 763.7	12 685.8	11 723.9	11474.4	10581.2	10950.9	-893.2	-369.7
Current Account	56.0	245.9	468.5	494.9	193.1	80	-301.7	113.1
% change Monetary Base (F-Y-T-D)	**0.1**	**-0.1**	**-2.3**	**12.6**	**-0.8**	**-0.6**	**-11.9**	**-0.2**

4

Monetary Aggregates (End-of-Period - J$MN)	M1J	M1*	M2J	M2*	M3J	M3*
1998/1999	**26 564.6**	**30 306.5**	**79 732.5**	**103 612.3**	**90 474.3**	**114 354.2**
1999/2000	**31 686.8**	**37 311.4**	**92 865.8**	**122 905.4**	**109 123.2**	**139 162.8**
2000/2001						
June	32 017.2	37 737.7	95 966.4	125 498.3	113 634.3	143 166.2
September	30 527.0	35 897.9	96 419.1	128 067.1	115 248.5	146 896.6
December	33 832.3	38 111.4	100 747.1	132 997.8	119 962.1	152 226.0
March	32 783.8	36 970.0	100 746.3	133 790.6	120 789.7	153 906.9
2001/2002						
June	32 951.4	38 015.3	102 002.8	135 708.9	123 200.3	156 806.8
September	35 690.9	41 620.6	105 818.0	141 583.6	127 000.0	162 765.5
December[r]	38 964.5	45 310.0	109 419.3	146 061.6	131 161.0	167 803.4
March[p]	37 084.9	43 946.9	107 832.3	147 496.6	130 630.9	170 295.3

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

5

COMPONENTS OF CHANGE IN MONEY SUPPLY
2000/01 (Flows - J$MN)

	Jun-00	Sept-00	Dec-00	Mar-01	Jun -01	Sep -01p	Dec-01p	Mar-01p
M2J	**3 122.7**	**452.5**	**4 327.4**	**-72.8**	**1 329.4**	**3 813.6**	**3 597.1**	**-1 586.8**
Currency	281.0	207.5	3 000.2	-1 724.4	115.6	171.2	2 598.8	-1295.5
Demand Deposits	71.5	-1 697.8	304.2	677.0	52.0	2 571.9	671.8	-584.0
Savings Deposits	1 951.1	347.9	1 305.9	417.5	1 522.0	766.2	1028.4	236.4
Time Deposits	819.1	1 594.9	-282.9	557.1	-360.2	304.3	-701.9	56.3
OTHER DEPOSITS	**1 388.2**	**1 161.7**	**438.7**	**848.1**	**987.1**	**84.2**	**559.8**	**1 056.8**
TOTAL(M3J)	**4 511.0**	**1 614.3**	**4 766.0**	**775.2**	**2 316.5**	**3 897.8**	**4 156.9**	**-530.0**

Sources of Change in Money Supply

	Jun-00	Sept-00	Dec-00	Mar-01	Jun -01	Sep -01p	Dec-01p	Mar-01p
N.I.R. of B.O.J.	**2 251.2**	**7 608.0**	**1 531.4**	**14 254.7**	**11 643.3**	**-130.1**	**14 395.8**	**4 794.1**
M & LTFL of B.O.J.	**8.0**	**26.0**	**111.7**	**14.6**	**7.8**	**15.2**	**8.0**	**14.0**
Banking System Credit	**12 873.3**	**-3 543.5**	**8 623.6**	**-7 509.6**	**5 552.5**	**7 289.9**	**9 203.6**	**-19 55.9**
Public Sector	12 900.7	-3 407.9	6 566.9	-6 610.7	5199.9	6 444.6	8 385.6	-1 827.1
Private Sector	-27.3	-135.6	2 056.7	-898.9	352.6	845.3	818.0	-128.8
Open Market Operations	**-5 575.3**	**-6 819.4**	**84.7**	**-9 640.5**	**-12 723.1**	**-3 361.0**	**-8 102.8**	**-13 566.9**
Other	**-5 046.2**	**4 343.2**	**-5 585.5**	**3 656.0**	**-2 164.0**	**83.8**	**-11 347.7**	**10 184.7**
TOTAL	**4 511.1**	**1 614.3**	**4 766.0**	**775.2**	**2 316.5**	**3 897.8**	**4 156.9**	**-530.0**
Memo:								
Foreign Currency Deposits	-507.7	2 116.2	603.4	865.6	583.3	2 016.0	880.9	3 021.9
Foreign Currency Loans	476.0	529.8	-62.5	375.3	-207.7	1 986.6	2 581.8	-646.0

p - preliminary

6A

SELECTED INTEREST RATES (%)
(End-of-Period)

	Fixed Deposit* 3-6 months	6-12 months	Savings Deposits (Average)	Loan Rate (Average)	Fixed Deposit Rate (WeightedAverage)	Loan Rate (Weighted Average)
1998/1999	**10.50 - 18.75**	**9.50 - 18.75**	**12.09**	**38.60**	**14.63**	**29.65**
1999/2000	**11.00 - 17.50**	**11.50 - 16.50**	**11.38**	**33.92**	**12.99**	**24.32**
June	10.00 - 17.50	10.00 - 17.00	11.96	37.89	14.08	27.12
September	10.00 - 17.50	10.00 - 17.00	11.50	35.92	13.47	26.16
December	11.00 - 17.50	11.50 - 16.50	11.38	33.92	13.27	24.64
March	11.00 - 17.50	11.50 - 16.50	11.38	33.92	12.99	24.32
2000/2001						
June	10.00 - 17.50	10.00 - 16.50	10.11	33.00	12.74	23.48
September	10.00 - 17.05	10.00 - 17.05	9.96	31.50	12.59	22.23
December	10.00 - 17.05	10.00 - 17.60	9.86	31.67	12.21	22.12
March	10.00 - 17.00	10.00 - 16.75	9.84	31.33	12.13	21.49
2001/2002						
June	8.75 - 17.00	8.75 - 15.00	9.45	30.67	11.11	20.97
September	8.75 - 17.00	8.75 - 15.00	9.08	26.96	10.52	19.41
December	7.75 - 15.00	7.75 - 15.00	9.08	26.79	10.13	19.50
March	7.75 -15.00	7.75 - 15.00	9.36	26.29	n.a.	n.a.

** relate to deposits of $100 000 and over*
n.a. - not available

6B

GOJ TREASURY BILL YIELDS
(End Period)

	3-month	6-month	9-month	12-month	BOJ 30-day Open Market Rate
1998/1999				**21.67**	**20.75**
1999/2000	**17.82**	**17.96**	**18.30**	**18.37**	**17.30**
June	20.24	20.16	20.45	20.05	18.85
September	18.63	19.21		20.20	18.35
December	19.92	22.03	21.43	22.00	18.35
March	17.82	17.96	18.30	18.37	17.30
2000/2001					
June	17.68	17.47	17.88	18.10	17.00
September	16.62	17.13	16.91	16.94	16.45
December		20.16	19.67	20.98	16.45
March		16.88		17.86	15.50
2001/2002					
June		16.20			14.25
September		15.10	15.50		14.25
December		17.03			14.25
March		14.30		14.96	13.25

7A

JAMAICA: GOVERNMENT BOND MARKET
GOJ Maturities January - March 2002

Maturity Date	Stock Name	Amount J$MN	Applicable Interest Rate[c/]	After-tax return[b/]	Features
18 Jan. 2002	GOJ INV DEB. 2001/02 Series. 'M'	11 083.4	19.00	14.25	Interest rate fixed at 19.00% per annum
18 Feb. 2002	VR LRS 2012/2013	1 000.0	15.10	11.33	Initial interest rate of 18.27%, reset semi-annually at theTreasury Bill rate
28 Feb. 2001	VR LRS 2002D	4 312.7	18.66	13.99	Initial interest rate of 23.00% fixed to 28 Aug. 1997 thereafter semi-annually at 2.50pp above Treasury Bill rate[a/]
01 Mar. 2002	FR US$ Prom. Note 2002	US$5.435	10.5	N/A	Non-Market Security
06 Mar. 2002	VR LRS 2002 C	1 718.4	18.36	13.77	Initial interest rate of 37.5% fixed at 25 April 1997 thereafter semi-annually at 3.25p.p above Treasury Bill rate[a/]
06 Mar. 2002	VR LRS 2002 M	1 062.3	18.00	13.50	Initial interest rate of 23.00% fixed at 06 Sep. 99 thereafter semi-annually at 2.25pp above Treasury Bill rate[a/]

Notes:

a/ Rate above Treasury is the 6-month 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 01 May 2000.

c/ A/Y- Average Yield

Source: Debt Management Unit, Ministry of Finance & Planning

7B

JAMAICA: GOVERNMENT BOND MARKET
GOJ Issues January - March 2002

Issue Date	Stock Name	Features [a/]	Amount Raised J$MN
14 - 18 Jan 2002	GOJ INV DEB. 18.00% 2004 Series 'S'	Interest fixed at 18.00% and paid quarterly commencing 20 April 2002	11103.47
15 Feb. 2002	FR LRS 2007 AE16.25% 2003 Series Q	Auctioned instrument having taxable fixed rate of 16.25%, A/Y 16.78%	393.06
27 Feb. - 01 Mar. 2002	Fixed rate US$ indexed bond 11.625% 2006	Auctioned instruments having taxable fixed yields of 11.625%. conversion factor for repayment based on 10-day moving average selling rate applicable on the 10th business day prior to payment date multiplied by a factor of 1.005	3943.55
08 Mar. 2002	FRS LRS 2009AA 15.50%; FRS LRS 2012AA 15.125%	Auctioned instrument having taxable fixed rate of 15.50%, A/Y 15.75%; Auctioned instrument having taxable fixed rate of 15.125%, A/Y 16.47%.	1,154.67
21 Mar. 2002	FRS LRS 2009AB 15.00%; FRS LRS 2014AA 14.75%	Auctioned instrument having taxable fixed rate of 15.00%, A/Y 15.49%; Auctioned instrument having taxable fixed rate of 14.75%, A/Y 15.90%.	943.30

Notes:
a/ The withholding tax of 25% on interest income has been in effect since 01 May 2000.

Source: Debt Management Unit, Ministry of Finance & Planning

8

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

	Bauxite	Alumina	Sugar	Bananas	Other Traditional	Non-Traditional	Other	Total Goods Exports
1998/1999	**82.7**	**587.9**	**98.3**	**33.1**	**57.8**	**371.7**	**321.7**	**1 552.3**
1999/2000	**49.1**	**666.4**	**103.5**	**26.6**	**68.9**	**346.9**	**290.9**	**1 550.5**
June	20.3	145.5	54.6	7.6	15.2	88.9	71.3	403.4
September	7.6	166.0	5.5	7.5	19.8	92.4	80.5	379.3
December	8.1	182.0	0.0	6.3	16.6	84.9	71.6	369.5
March	13.1	171.1	43.4	5.2	17.3	80.7	67.5	398.3
2000/2001	**56.1**	**670.6**	**69.4**	**22.3**	**74.8**	**330.9**	**285.0**	**1 509.1**
June	10.4	167.9	33.6	5.5	20.5	90.6	76.6	405.1
September	8.2	163.8	6.2	6.2	18.3	81.7	80.7	365.1
December	13.9	181.4	0.0	6.1	17.0	91.3	76.4	386.1
March	23.6	157.5	29.6	4.5	19.0	67.3	57.8	359.3
2001/2002								
June	23.5	182.4	34.9	4.9	18.8	69.3	66.9	400.7
September	25.5	176.9	6.1	3.7	18.7	74.7	71.1	376.7
December	20.7	122.4	0.0	4.4	15.6	88.9	62.9	314.9
March								

9

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

	Consumer Goods	Raw Materials	Capital Goods	Other	Total Imports
1998/1999	**923.6**	**1 505.0**	**553.3**	**191.4**	**3 173.3**
1999/2000	**965.0**	**1 614.0**	**508.4**	**180.7**	**3 268.2**
June	220.4	395.5	123.6	47.1	786.6
September	227.5	385.7	104.8	50.9	768.9
December	298.0	410.5	130.1	42.0	880.6
March	219.1	422.3	149.9	40.8	832.1
2000/2001	**982.0**	**1 761.2**	**519.1**	**167.6**	**3 429.9**
June	228.5	442.2	119.2	42.3	832.3
September	245.8	422.6	120.2	43.5	832.1
December	282.5	426.1	121.8	53.9	884.3
March	225.2	470.3	157.9	27.9	881.3
2001/2002					
June	242.6	444.0	125.7	59.9	872.2
September	237.6	432.8	153.9	46.1	870.4
December	283.1	441.9	128.6	34.1	887.7

10

BALANCE OF PAYMENTS SUMMARY
(Flows - US$MN)

	2000/01	Jun-00	Sept-00	Dec-00	Mar-01	Jun-01	Sept-01	Dec-01
1. Current Account	**-408.6**	**-47.7**	**-90.0**	**-114.8**	**-156.1**	**-101.9**	**-126.7**	**-265.3**
A. Goods Balance	**-1453.5**	**-313.5**	**-350.5**	**-371.9**	**-417.6**	**-351.6**	**-369.8**	**-441.0**
Exports (f.o.b.)	1515.6	405.1	365.1	386.1	359.3	400.7	376.7	314.9
Imports (f.o.b.)	2969.1	718.6	715.6	758.0	776.9	752.3	746.5	755.9
B. Services Balance	**608.7**	**148.8**	**152.5**	**122.0**	**185.4**	**158.8**	**138.8**	**63.4**
Transportation	-246.8	-60.3	-63.7	-69.4	-53.4	-60.0	-68.8	-78.2
Travel	1136.5	272.9	293.7	264.4	305.5	287.8	269.8	210.1
Other Services	-281.0	-63.8	-77.5	-73.0	-66.7	-69.0	-62.2	-68.5
Goods & Services Balance	**-844.8**	**-164.7**	**-198.0**	**-249.9**	**-232.2**	**-192.8**	**-231.0**	**-377.6**
C. Income	**-395.0**	**-107.8**	**-63.2**	**-84.9**	**-139.1**	**-119.9**	**-115.3**	**-114.4**
Compensation of Employees	68.3	6.4	23.7	33.1	5.1	11.4	28.4	33.9
Investment Income	-463.3	-114..2	-86.9	-118.0	-144.2	-131.3	-143.7	-148.3
D. Current Transfers	**831.2**	**225.0**	**171.2**	**220.0**	**215.2**	**210.8**	**219.6**	**226.7**
General Government	134.7	67.6	10. 8	34.7	21.6	20.2	11.0	10.1
Other Sectors	696.5	157.2	160.4	185.3	193.6	190.6	208.6	216.6
2. Capital & Financial Account	**408.6**	**47.7**	**90.0**	**114.8**	**156.1**	**101.9**	**126.7**	**265.3**
A. Capital Account	**-4.4**	**-0.4**	**-1.6**	**0.3**	**-2.7**	**-4.6**	**-3.5**	**-1.6**
Capital Transfers	-4.4	-0.4	-1.6	0.3	-2.7	-4.6	-3.5	-1.6
General Government	10.1	3.2	2.1	3.0	1.8	0.2	0.1	1.4
Other Sectors	-14.5	-3.6	-3.7	-2.7	-4.5	-4.8	-3.6	-3.0
B. Financial Account	**413.0**	**48.1**	**91.6**	**114.5**	**158.8**	**106.5**	**130.2**	**266.9**
Direct Investment	523.8	85.4	112.0	105.2	221.2	79.6	63.3	115.5
Other Official Investment	342.0	-52.7	178.7	101.0	115.0	333.0	-63.3	268.7
Other Private Investment (including net errors & omissions)	130.0	68.4	-20.1	-57.7	139.4	-51.9	126.4	186.8
Reserves	-582.8	-53.0	-179.0	-34.0	-316.8	-254.2	3.8	-304.1

11

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

	Gross Foreign Assets	Gross Foreign Liabilities	International Reserves (Net)	Weeks of Imports Goods	Weeks of Imports Goods & Services
1998/1999	**700.1**	**120.8**	**579.3**	**13.5**	**9.2**
1999/2000					
June	701.9	111.3	590.6	13.3	9.0
September	633.8	112.8	521.0	12.0	8.1
December	552.2	105.9	446.3	10.5	7.1
March	801.3	100.5	700.8	15.2	10.3
2000/2001					
June	848.3	91.9	756.5	15.0	10.2
September	1 022.1	86.7	935.5	17.9	12.3
December	1 048.8	79.3	969.5	18.3	12.6
March	1 361.9	75.6	1 286.3	24.0	16.4
2001/2002					
June	1 612.5	71.9	1 540.5	27.3	18.6
September	1 605.9	69.2	1 536.7	27.1	18.6
December	1 903.3	62.6	1 840.7	33.2	22.5
March	2 000.3	58.7	1 941.6	34.9	23.9

12

FOREIGN EXCHANGE SELLING RATES
(J$ per unit of foreign currency-end period)

	US$	Can$	UK£
1998/1999	**38.28**	**24.64**	**59.64**
1999/2000			
June	38.97	25.65	59.29
September	40.00	26.72	63.79
December	41.42	27.80	65.80
March	42.14	29.01	66.65
2000/2001			
June	42.51	28.17	62.73
September	44.83	29.25	64.15
December	45.53	29.51	66.78
March	45.68	29.17	64.11
2001/2002			
June	45.82	29.80	63.94
September	45.94	29.00	66.74
December	47.40	29.45	67.94
March	47.61	29.88	67.14

13

PUBLIC SECTOR SECURITIES
Outstanding Stocks (J$MN)
Government of Jamaica

	Local Registered Stocks	Treasury Bills	Bonds*	FINSAC Bonds	BOJ Open Market Operations Securities
1998/1999	**105 121.4**	**10 450.0**	**17 873.4**	**49 873.1**	**38 073.8**
1999/2000	**126 022.9**	**9 550.0**	**36 510.4**		38 469.9
June	112 513.0	10 200.0	25 603.0		36 703.9
September	116 959.5	9 900.0	31 266.7		29 286.9
December	130 939.9	10 650.0	32 165.4		39 490.9
March	126 022.9	9 550.0	36 510.4		
2000/2001	**159 734.8**	**6 950.0**	**45 107.7**		45 066.2
June	131 477.8	9 750.0	37 268.0		51 885.6
September	132 589.8	9 850.0	38 789.9		51 800.9
December	134 896.5	7 600.0	41 920.6		61 441.4
March	159 734.8	6 950.0	45 107.7		
2001/2002					
June	227 311.3	6 900.0	48 325.7		74 164.5
September	230 950.9	5 450.0	52 780.1		77 525.5
December	257 494.3	3 900.0	60 527.7		85 628.3
March[p]	n.a.	4 250.0	n.a.		99 195.3

** - local issues*
p - preliminary

14

STOCK MARKET ACTIVITIES
Jamaica Stock Exchange

	JSE Index	Volume Traded MN.	Value of Stocks Traded (J$MN)
1998/1999	**19 127.1**	**613.4**	**2 139.7**
1999/2000	**27 165.6**	**610.7**	**2 393.2**
June	19 687.7	165.4	712.6
September	20 677.7	96.8	549.4
December	21 892.6	166.6	534.8
March	27 165.6	181.9	596.4
2000/2001	**29 701.9**	**669.4**	**3 683.0**
June	31 338.3	300.9	1 480.3
September	31 152.7	95.6	591.4
December	28 893.2	116.5	773.0
March	29 701.9	156.4	838.3
2001/2002			
June	35 723.6	2 315.0*	3 584.2
September	33 892.4	182.8	840.4
December	33 835.6	171.3	704.9
March	37 446.0	417.7	1 419.5

* *Includes a large block transaction arising from the de-listing of UBJ*

15

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

	Bauxite	Alumina	Sugar	Bananas*
1998/1999	**4 087.0**	**3 441.0**	**212.1**	**59.3**
1999/2000	**2 385.9**	**3 624.5**	**237.4**	**48.0**
June	1 022.8	909.3	101.2	12.5
September	369.0	904.7	-	12.8
December	419.4	913.6	-	13.4
March	574.7	896.9	136.1	9.3
2000/2001	**2 420.4**	**3 617.8**	**185.4**	**44.1**
June	527.8	893.8	78.2	9.7
September	372.3	897.9	1.6	10.8
December	587.1	911.4	3.5	12.2
March	933.2	914.7	102.1	11.3
2001/2002				
June	888.5	943.4	91.5	11.0
September	997.2	946.3	7.3	9.9
December	816.1	738.0	4.2	10.8
March	1 106.6	866.0	81.8	10.6

* *Exports*

D. BANK OF JAMAICA BALANCE SHEET

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

	Jun-00	Sept-00	Dec-00	Mar-01	June-01	Sept-01	Dec-01	Mar-02
Assets	**110 200.6**	**117 132.0**	**122 042.5**	**136 282.7**	**148 059.3**	**148 672.9**	**165 421.1**	**173 579.0**
Foreign	35 845.1	45 063.4	47 693.0	62 139.6	73 743.7	73 650.3	89 754.1	95 228.9
Current Account & Foreign Currency Balances	5 639.2	7 921.0	11 888.2	18 223.4	3 738.0	3 618.0	13 926.8	7 769.8
Time Deposits & Securities	28 711.4	35 519.8	34 087.6	42 150.5	68 290.4	68 283.1	73 899.6	85 539.9
Holdings of Special Drawing Rights	9.6	70.4	69.4	103.7	15.6	20.4	68.9	42.0
Other	1 484.9	1 552.2	1 647.8	1 662.0	1 699.7	1 728.6	1 858.8	1 877.2
Local	74 355.5	72 068.6	74 349.5	74 143.1	74 315.6	75 022.6	75 667.0	78 350.1
Public Sector Securities	53 927.4	52 933.0	54 905.5	56 896.9	56 462.8	56 103.7	56 000.2	56 109.5
Other Assets	20 428.1	19 135.6	19 444.0	17 246.2	17 852.8	18 918.9	19 666.8	22 240.6
Liabilities	**110 200.6**	**117 132.0**	**122 042.5**	**136 282.7**	**148 059.3**	**148 672.9**	**165 421.1**	**173 579.0**
Foreign	815.0	695.0	673.1	607.0	582.8	545.9	450.4	411.5
Local	109 385.6	116 437.0	121 369.4	128 876.1	138 794.3	148 127.0	16 4970.7	173 167.5
Currency in Circulation	15 691.1	16 080.6	20 644.0	17 685.1	17 565.7	17 607.3	22 378.7	19 481.9
Deposits	88 152.4	93 447.8	92 734.6	111 191.0	121 228.6	120 498.5	134 014.7	145 003.5
Bankers	38 028.3	40 119.8	28 243.0	32 173.3	30 092.9	27 437.8	23 356.1	19 028.0
Government	15 815.0	15 553.0	16 687.3	12 644.7	4 053.7	4 370.6	5 529.4	7 591.3
Other	34 309.1	37 775.0	47 804.3	66 373.0	87 082.0	88 690.1	105 129.2	118 384.2
Allocation of Special Drawing Rights	2 246.0	2 246.0	2 246.0	2 246.0	2 347.0	2 347.0	2 347.0	2 347.0
Capital & Reserves	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Other Reserves	819.7	873.2	873.5	873.5	939.6	939.5	939.6	1 174.8
Other Liabilities	2 452.4	3 765.4	4 847.3	3 656.1	5 371.6	6 710.7	5 266.7	5 136.3

E. COMMERCIAL BANKS' BALANCE SHEET

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

	Jun-00	Sept-00	Dec-00	Mar-01	Jun-01	Sept-01	Dec-01[r]	Mar-02[p]
Assets	**206 204.3**	**215 197.0**	**221 705.2**	**224 936.4**	**220 655.6**	**242 006.2**	**239 087.8**	**255 631.4**
Cash	1 288.7	1 471.3	3 036.0	1 800.5	1 547.9	1 434.1	3 595.7	1 997.9
Balances with BOJ	36 098.8	38 002.6	29 199.7	27 992.5	28 745.0	32 234.1	36 782.2	44 646.1
Foreign Assets	26 227.8	26 877.0	29 339.1	31 217.1	30 737.8	38 233.5	40 495.4	47 610.2
Loans & Advances	38 754.9	39 390.8	40 573.7	41 378.8	41 883.2	42 981.6	49 035.1	51 354.7
Private Sector	33 356.1	33 481.4	33 876.9	33 321.9	33 131.4	35 829.3	38 746.9	37 932.9
Public Sector	5 398.8	5 909.4	6 696.8	8 056.9	8 751.8	7 152.3	10 288.2	13 421.8
Public Sector Securities	80 708.3	86 135.1	88 119.3	87 888.6	87 181.4	89 564.7	79 603.7	76 048.1
Cheques in the Process of Collection	3 142.7	3 503.8	2 936.5	4 912.4	3 211.8	5 515.4	2 917.6	6 348.0
Other Assets	19 983.1	19 816.4	28 500.9	29 746.5	27 348.5	32 042.8	26 658.1	27 626.4
Liabilities	**206 204.3**	**215 197.0**	**221 705.2**	**224 936.4**	**220 655.6**	**242 006.2**	**239087.8**	**255 631.4**
Deposits	137 631.0	150 876.1	149 666.8	154 942.9	150 950.1	163 056.9	15 8918.1	165 541.3
Foreign Liabilities	5 174.3	4 956.8	6 592.4	7 777.4	6 004.5	13 857.9	13 265.5	17 648.8
Discounts & Advances from BOJ	175.0	74.7	3 043.9	69.0	82.6	24.3	83.0	43.9
Loans/Advances from Other Institutions	9 556.1	9 519.8	9 653.1	8 847.7	8 830.5	9 017.1	9 177.7	9 017.9
Cheques in the Process of Payment	3 514.1	2 101.2	2 560.3	2 649.6	2 509.7	2 114.2	2 026.9	3 324.6
Other Liabilities	50 153.8	47 668.4	50 188.7	50 649.8	52 278.2	53 935.8	55 616.6	60 054.9

r - revised; p - preliminary

F. INTERNATIONAL INDICATORS

1

LONDON INTERBANK OFFER RATE -LIBOR
(End-of-Period)

	1 Month	3 Months	6 Months	12 Months
1998/1999	**4.9375**	**5.0000**	**5.0625**	**5.2500**
1999/2000	**5.4063**	**6.0000**	**6.1250**	**6.5000**
2000/2001				
June	6.6563	6.8125	7.0000	7.2188
September	6.6250	6.8125	6.7500	6.8125
December	6.5625	6.4063	6.2188	5.9688
March	5.0938	4.8750	4.7188	4.6563
2001/2002				
June	3.7900	3.7300	3.7300	3.9400
September	2.6300	2.5900	2.5225	2.6425
December	1.8738	1.8813	1.9813	2.4425
March	1.8788	2.0300	2.3300	3.0025

2

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

	1 Month	3 Months	6 Months	12 Months
1998/1999	**5 5/16 - 5 3/8**	**5 7/32 - 5 1/4**	**5 1/8 - 5 3/16**	**5 1/8 - 5 3/16**
1999/2000	**5 27/32 -5 31/32**	**6 1/8 - 6 1/4**	**6 5/16 - 6 7/16**	**6 21/32 - 6 25/32**
2000/2001				
June	5 7/8 -6	6 1/16 - 6 3/16	6 3/16 - 6 5/16	6 3/8 - 6 1/2
September	6 - 6 1/8	6 1/8 - 6 1/4	6 3/16 - 6 5/16	6 1/4 - 6 3/8
December	5 11/16 - 5 7/8	5 3/4 - 5 29/32	5 3/4 - 6 7/8	5 11/16 - 5 13/16
March	5 9/16 - 5 11/16	5 3/8 - 5 1/2	5 3/16 - 5 5/16	5 5/32 - 5 9/32
2001/2002				
June	5 - 8 1/8	5 1/8 - 5 1/4	5 1/4 - 5 3/8	5 1/2 - 5 5/8
September	4 9/16 - 4 11/16	4 13/32 - 5 17/32	4 3/8 - 4 1/2	4 13/32 - 5 17/32
December	4 1/32 - 4 11/16	4 - 4 1/8	4 1/32 - 4 5/32	4 3/8 - 4 17/32
March	3 29/32 - 4 1/32	3 29/32 - 4 1/32	4 5/16 - 4 7/16	4 23/32 - 4 27/32

3

PRIME LENDING RATES (End-of-Period)

	EURO-ZONE	UNITED STATES			UK
	Repo rate	Fed Funds Rate	Discount Rate	Prime Rate	Prime Rate
1998/1999	**3.00**	**4.81**	**4.50**	**7.75**	**5.50**
1999/2000	**3.50**	**6.31**	**5.50**	**9.00**	**6.00**
2000/2001	4.25	7.00	6.00	9.50	6.00
June	4.50	6.50	6.00	9.50	6.00
September	4.75	6.50	6.00	9.50	6.00
December	4.75	5.00	4.50	8.00	5.75
March					
2001/2002					
June	4.50	3.75	3.25	6.75	5.25
September	3.75	3.00	2.50	6.00	4.75
December	3.25	1.75	1.25	4.75	4.00
March	3.25	1.75		4.75	4.00

4A

INTERNATIONAL EXCHANGE RATE
US$ VS OTHER MAJOR CURRENCIES
(currency/US$)

	1999/00	Sept-00	Dec-00	Mar-01	June-01	Sept-01	Dec-01	Mar-02
US$ vs Sterling	0.6268	0.6764	0.6694	0.7034	0.7085	0.6804	0.6871	0.8753
US$ vs Canadian $	1.4518	1.5046	1.5020	1.5746	1.5272	1.5797	1.5963	1.5954
US$ vs Yen	102.57	108.06	114.20	125.32	124.36	119.13	131.06	132.55
US$ vs Euro	2.044	2.2164	2.0833	2.2125	2.2892	2.1476	2.1966	0.8724

4B

INTERNATIONAL EXCHANGE RATES
STERLING VS OTHER MAJOR CURRENCIES
(currency/£)

	1999/00	Dec-00	Mar-01	June-01	Sept-01	Dec-01	Mar-02
Sterling vs US$	1.5953	1.4938	1.4217	1.4113	1.4697	1.4554	1.4240
Sterling vs Canadian $	2.3161	2.2440	2.2386	2.1553	2.3217	2.3230	2.2719
Sterling vs Yen	163.62	170.60	178.16	175.50	175.09	190.70	188.73
Sterling vs Euro[1/]	3.2607	3.1120	3.1454	3.2306	3.1564	3.1970	0.8724

[1/] *Since January 2002, the Euro has replaced all the currency in the Euro area. The data is for 01 April 2002*

4C

INTERNATIONAL EXCHANGE RATES
EXCHANGE CROSS RATES
March 2002

	GBP	C$	US$	Yen	Ecu
U.K.	1	2.301	1.438	192.00	1.635
Canada	0.435	1	0.625	83.42	0.711
U.S.	0.695	1.600	1	133.5	1.137
Japan	0.521	1.199	0.749	100	0.852
Euro-zone	0.612	1.407	0.880	117.4	1

5A

WORLD COMMODITY PRICES KEY CRUDE OIL PRICES (US$/barrel - f.o.b.)							
	1999/00	**Dec-00**	**Mar-01**	**Jun-01**	**Sept-01**	**Dec-01**	**Mar-02**
UAE's Dubai Light	23.93-24.00	19.20-19.90	22.50-22.70	24.09-24.19	21.35 -21.45	18.36 - 18.46	24.13-24.23
North Sea Brent	23.73-23.78	22.31-22.39	23.73-23.77	26.71-26.77	21.72 -21.78	19.31 - 19.41	25.30-25..36
West Texas Intermediate	26.48-26.52	26.17-26.21	26.25-26.27	26.45-26.50	23.25-23.29	19.85 - 19.96	26.01-26.09
Nymex-unleaded Gasoline Futures (cents per gallon)	88.15-90.00	74.75-75.90	90.90-92.75	76.50-78.25	64.00-68.80	56.50 - 58.60	80.80-83.00

5B

WORLD COMMODITY PRICES ALUMINIUM (US$ per tonne)						
	Dec-00	**Mar-01**	**Jun-01**	**Sept-01**	**Dec-01**	**Mar-02**
Spot (Cash)	1 565.5 - 1 567.5	1 477.0 - 1 478.0	1 453.5 - 1 554.5	1 319 - 1 319.5	1 334.5 - 1 335.0	1 385.0 - 1 386.0
3 Month	1 560.0 - 1 562.0	1 466.5 - 1 467.5	1 476.0 - 1 477.0	1 338.5 - 1 339	1 350.0 - 1 351.0	1 401.0 - 1 401.5

5C

WORLD COMMODITY PRICES FOOD						
	1999/00	**Mar-01**	**Jun-01**	**Sept-01**	**Dec-01**	**Mar-02**
Wheat Futures (US cents/60lb bushel)	254.75	255.00	251.00	270.75	289.00	285.0
Coffee (USc/lb) Daily Composite	73.16	48.21	46.21	40.81	43.75	50.87

6

MAJOR STOCK MARKET INDICES							
	1999/00	**Dec-00**	**Mar-01**	**Jun-01**	**Sept-01**	**Dec-01**	**Mar-02**
Tokyo							
Nikkei Index	20 337.3	13 785.7	12 999.7	12 829.0	9 774.68	10 542.6	11 024.94
New York							
Dow Jones Industrials	10 921.9	10 787.9	9 878.8	10 434.8	8 847.56	10 021.5	10 426.91
S&P Composite	1 498.6	1 320.3	1 160.3	1 211.1	1 194.60	1 148.1	1 144.58
London							
Financial Times-SE 100	6 540.2	6 225.3	5 633.7	5 607.9	4 903.4	5 217.4	5 271.8
Frankfurt	7 599.4	6 433.6	5 830.0	5 833.1	4 308.15	5 160.1	5 397.29
Dax Index							
Zurich	7 428.1	8 135.4	7 167.8	6 997.4	6 014.2	6 417.8	6 655.2

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 money base is the operating target used in the BOJ monetary policy framework and can be controlled trough 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.

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.

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.

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.

Liquid Asset: an asset is considered liquid if it can be easily and with little or no loss coverted 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 the sale or purchase of GOJ securities from the stock of securities held by BOJ, in the form of repurchase or reverse repurchase agreement, along with the issue of certificates of deposit.

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

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

Real 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 institutions, which must be held as interest free deposits at the Central Bank.

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. Premature withdrawals from these deposits require advance notice.