QUARTERLY MONETARY POLICY REPORT

JANUARY - MARCH 2007
Volume 7 No. 4

Bank of Jamaica
Quarterly Monetary
Policy Report

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PREFACE

The Bank of Jamaica's Quarterly Monetary Policy Report reviews the conduct of monetary policy and the main factors that influenced inflation during the quarter. It also presents the Bank's perspective on emerging economic trends and the path of monetary policy over the short to medium term. This issue includes a discussion on Jamaica's Financial Programme as well as, the Bank's Inflation Expectations Survey which seeks to capture how business leaders view prevailing and prospective economic conditions in general and inflation and interest rates in particular. The third box features a brief introduction to the new Producer Price Index (PPI) computed by the Statistical Institute of Jamaica.

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 favourable macroeconomic conditions experienced for the first three quarters of FY2006/07 continued in the March 2007 quarter. In particular, inflation was moderate, strong economic growth persisted and financial markets remained relatively stable. However, excess liquidity conditions during the quarter, emanating from Government of Jamaica (GOJ) net maturities of debt instruments and higher than normal currency redemption, created challenges for monetary policy. In order to contain this liquidity, the Bank sold GOJ securities from its holdings in addition to offering new Bank of Jamaica (BOJ) variable rate certificates of deposit on two occasions.

Inflation remained moderate at 1.0 per cent for the March 2007 quarter, contributing to an inflation rate for FY2006/07 of 6.6 per cent compared to 11.4 per cent in FY2005/06. This outturn, which was the lowest since FY2002/03, marked a return to single digit inflation after four years. The factors that underpinned the quarterly inflation performance were moderate movements in international crude oil prices, continued buoyant domestic food supplies and relative stability in the exchange rate.

Underpinning the favourable headline inflation outturn for the quarter was core inflation of 0.8 per cent similar to the outturn for the corresponding quarter in 2006. For the fiscal year, this measure was 3.3 per cent, reflecting a decline relative to 5.2 per cent and 5.0 per cent at the end of FY2004/05 and FY2005/06, respectively. The current outturn was also the lowest fiscal year core inflation rate since FY2001/02. The continued moderation in core inflation reflected minimal monetary impulses over the previous two quarters.

The monetary base contracted during the March quarter by 10.6 per cent. This contraction was consistent with the seasonal pattern for a March quarter, and largely influenced by aggressive BOJ liquidity management operations resulting in an overall absorption of $22.3 billion. This was reflected in a reduction of 15.0 per cent in the currency stock. Despite this significant liquidity absorption, the contraction in base money was less than the amount programmed for the quarter reflecting a higher level of cash reserves. The main source of this deviation was the increase in the net international reserves (NIR) relative to the decline as set out in the programme.

The NIR at end-March 2007 was US$2 329.4 million, representing an increase of US$11.8 million relative to end-December 2006. This outturn was mainly influenced by the Bank's foreign currency purchases from the market and part proceeds from the Eurobond issued by the GOJ during the quarter.

There was a marginal depreciation in the exchange rate of 0.96 per cent over the review period, despite bouts of instability in the foreign exchange market. This instability was primarily driven by a contraction in net private capital inflows, evidenced by a build-up in net foreign currency positions of the authorized dealers and the consequent reduction in the amounts available to clients. In a context where strong demand by portfolio investors diverted foreign currency flows from commercial importers, the Bank augmented supply to the market during the quarter. Market demand was facilitated by excess liquidity emanating from GOJ net maturity of $23.2 billion in debt instruments as well as seasonally high currency redemptions in the quarter. However, BOJ operations, which included the sale of GOJ Jamaica Dollar instruments from its holdings as well as two BOJ variable rate instruments, tempered the depreciation in the exchange rate for the quarter.

Against the background of the buoyant liquidity, limited availability of GOJ primary debt issues and continued moderation in inflation, average yields on GOJ Treasury Bills declined during the quarter. By end-March 2007, the yield on the 182-day tenor had declined by 66 basis points, while the yield on the 91-day tenor had declined by 71 basis points.

Economic growth for the March 2007 quarter is estimated to have continued at a rate similar to the three previous quarters, ranging between 2.0 per cent to 2.5 per cent. The growth within the economy was driven primarily by **Construction & Installation**,

Agriculture, Forestry & Fishing, **Electricity & Water** and **Distributive Trade**.

In contrast to the December 2006 quarter, weak performance was estimated for **Mining & Quarrying** associated with capacity constraint in the alumina industry and marginal capacity reserves in the bauxite industry. Bank estimates suggest that **Miscellaneous Services** was the only sector to have declined, lowering the average quarterly growth of 3.2 per cent since March 1998. The estimated contraction in this sector stemmed mainly from a 2.5 per cent decline in tourist arrivals reflective of the revitalization of Cancun, the mild winter season in the United States, the new USA passport requirement and the temporary CARICOM visa requirement during Cricket World Cup. Estimates of the change in aggregate demand suggest that growth was reflected in all components driven largely by fixed capital investments, an improvement in net external demand and increased government consumption.

The Bank's estimate suggests that overall economic growth for FY2006/07 accelerated to a range of 2.4 per cent to 2.6 per cent in comparison to an average growth of approximately 1.1 per cent over the last eight years. The continued buoyancy in economic activity was supported by a further expansion in private sector credit of 6.9 per cent during the March quarter following a growth rate of 10.4 per cent for the December 2006 quarter. Loan expansion in the March quarter reflected an increase in credit to the distribution and construction sectors. The growth in personal loans decelerated for the review quarter but continued to account for the largest share of private sector credit.

Box 1: Jamaica's Financial Programme: FY2007/08-FY2009/10 discusses the programme framework and provides the macroeconomic targets for the near to medium-term. The economic outlook for the FY 2007/08 is positive. Real GDP growth is projected in the range of 2.5 per cent to 3.5 per cent with the main impetus expected to emanate from expansion in the construction, mining, transport and electricity sectors.

Headline inflation for FY 2007/08 is projected in the range of 6.0 per cent to 7.0 per cent. The primary upside risks to inflation for the 2007 fiscal year are adverse conditions affecting weather and crude oil supply, as well as a rise in world grain prices due to an increase in corn demand for ethanol production.

Core inflation should remain stable within the Bank's target range of 3.0 per cent to 4.0 per cent for the FY2007/08. This is in the context of a generally conservative monetary policy stance.

The exchange rate should be relatively stable consequent on a favourable foreign and domestic environment for prices and interest rates. As inflation expectations continue to decline and with the possible easing of monetary conditions in the United States, there should be further opportunities for the Bank to continue its policy of lowering interest rates during the fiscal year.

The Bank through the Statistical Institute of Jamaica (STATIN) commenced business expectations surveys in August 2005 (see **Box 2: Inflation Expectations**). The results of the last four business surveys suggest that inflation expectations have been declining consistently.

In March 2007, STATIN launched the publication of a Producer Price Index (PPI) for the mining and manufacturing sectors (see **Box 3: The Producer Price Index**). The publication of PPI for other sectors, including agriculture and services, will begin in the near future. The change in the PPI is an important leading indicator of CPI inflation. The introduction and development of these two indices will augment the range of economic indicators used for monetary policy analysis.

Monetary Policy and Financial Markets

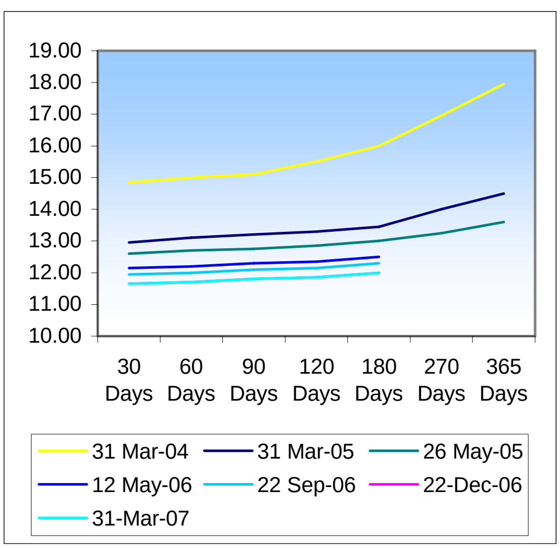
The monetary base contracted at a slower rate than programmed.

Table 1.1

Selected Economic Indicators	Outturn for Mar'07 Quarter	Projection for Mar'07 Quarter	Outturn for FY06/07	Targets for FY06/07
Inflation (% change)	1.0	0.9	6.6	9.0-10.0
Base Money (% change)	-10.6	-11.8	18.8	11.7
NIR (eop) (US$mn)	2329.5	2001.1	2329.5	2001.1
GDP (12-mth % chg.)	+ve	+ve	+ve	2.0 –3.0

The Bank sold variable rate certificates of deposit to accompany other tools of liquidity absorption.

Figure 1.1
BOJ Open Market Operations Yield Curve



Money & Credit

Monetary Policy and Base Money Management

During the quarter, the Bank held interest rates constant and sold variable rate certificates of deposit (CD) as well as GOJ securities from its own holdings. In addition, the Bank offered its 30-180 day CD and sold a significant amount of foreign currency to engender stability in the exchange rate during the quarter. These actions occurred against the background of the Bank's focus on absorbing liquidity emanating from the seasonally high currency redemptions and the Government's net redemption of securities. In this context, the monetary base contracted by an amount that was less than programmed during the March quarter.

During the March quarter, the Bank maintained the interest rates applicable to open market operations at the December 2006 levels, in light of relatively high domestic liquidity in the system and some instability in the foreign exchange market. This contrasted with the first three quarters of the fiscal year when the Bank reduced interest rates (see **Figure 1.1**).

The high levels of domestic liquidity emanated from the seasonal net redemption of currency and higher than usual amortization of GOJ instruments (see **Bond Market**). The higher than normal reduction in the currency stock during the March quarter occurred in a context where currency issued in the December quarter was higher than normal following large salary increases during the year and a decline in the unemployment rate. The amortization of Government debt was financed from significant balances that were accumulated at the Bank over the preceding quarters. In the absence of suitable substitutes for GOJ maturing instruments and the need to rebalance portfolios, this liquidity facilitated instability in the foreign exchange market (see **Foreign Exchange Market**). Consequently, in addition to the normal menu of open market instruments and the outright sale of GOJ securities from its own holdings, the Bank sold two special issues of variable rate certificates of deposit (VR CDs).

Table 1.2

Net International Reserves Jan-Mar 2007 Flows (US$MN)				
	Jan	Feb	Mar	Total
NIR	-29.2	-102.8	143.8	11.8

Figure 1.2

Base Money

(Quarterly Change)

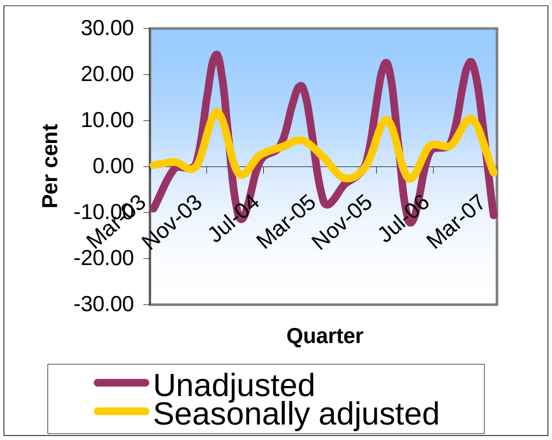
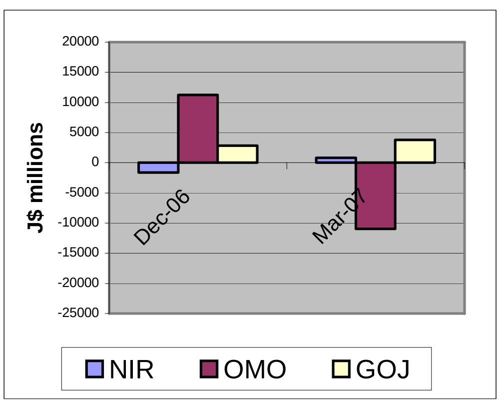


Figure 1.3

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



*Absorption-negative, Injection-positive

Against the background of the Bank's measures to absorb liquidity, the monetary base contracted during the March quarter by $6 152.2 million or 10.6 per cent (see **Table 1.1** and **Figure 1.2**). The contraction was largely reflected in a reduction of $6 361.1 million or 15.0 per cent of the currency stock consistent with the seasonal pattern for a March quarter. The main sources of liquidity absorption were the Bank's sale of Government securities and VR CDs which absorbed $18 132.1 million and $22 367.6 million, respectively, of Jamaica Dollar liquidity from the system. Liquidity was also absorbed through the Bank's sale of $US455.9 million of foreign currency to the market to engender stability. Despite this high level of sales, the NIR increased by US$11.8 million during the quarter mainly influenced by the Bank's market purchases as well as the purchase of some of the Eurobond proceeds which the GOJ raised during the quarter (see **Table 1.2** and **Bond Market**).

The contraction in base money was less than the amount that was programmed for the quarter. The main source of the deviation was the increase in the NIR relative to the programmed decline. On the demand side, the deviation was mainly reflected in higher cash reserves, a direct consequence of faster than expected growth in deposits.

For the fiscal year 2006/07, the monetary base expanded by 18.8 per cent which was higher than the programmed expansion of 11.7 per cent. The major source of the deviation in the fiscal year was the increase in the NIR relative to the decline as set out in the programme. The greater than programmed expansion in the monetary base reflected the higher than programmed currency issue.

Figure 1.4

Money Supply
(Quarterly Growth rates)
March 2003 to 2007

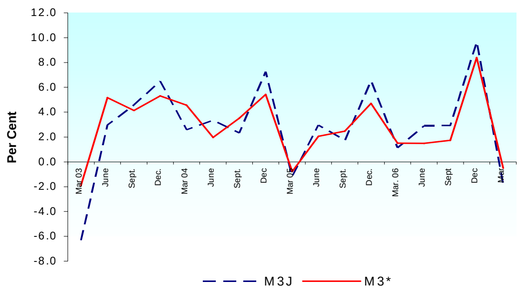


Table 1.3

Money Supply /1 (12-month growth rates)		
MJ	**Mar-06**	**Mar-07**
M1J	11.4	21.0
M2J	10.1	14.2
M3J	12.8	14.1
M*		
M1*	12.0	15.5
M2*	9.0	10.8
M3*	11.1	11.3

Table 1.4

INTEREST RATES IN THE DOMESTIC AND INTERNATIONAL MARKET			
	Feb-06	**Dec-06**	**Feb-07**
COMMERCIAL BANK WEIGHTED AVERAGE DEPOSIT RATES			
Overall	**5.36**	**5.02**	**5.02**
Demand	2.92	2.86	2.89
Savings	4.88	4.64	4.61
Time	7.11	6.60	6.76
Foreign Currency	**3.24**	**3.26**	**3.20**
Demand	2.87	2.28	2.31
Savings	2.27	2.21	2.28
Time	4.95	5.01	5.12
6-MONTH TREASURY BILL RATE	**13.24**	**12.31**	**11.94**
BOJ 180-DAY REPURCHASE AGREEMENT RATE	**13.00**	**12.00**	**12.00**
PRIVATE MONEY MARKET RATE	**12.80**	**11.85**	**11.75**
6-MONTH U.S. TREASURY RATE	**4.52**	**4.88**	**5.16**

Money Supply

During the March 2007 quarter, broad Jamaica Dollar money supply (M3J) declined by 1.8 per cent relative to the reduction of 2.4 per cent outlined in the monetary programme. The deviation from programme largely reflected a slower than anticipated reduction in currency in circulation. The main source of reduction in M3J was an increase in open market operations. For FY2006/07, M3J recorded a faster rate of growth relative to FY2005/06 and the programme for the fiscal year.

The measure of money supply that includes foreign currency deposits, M3, declined by 0.5 per cent reflecting the contraction in M3J. Foreign currency deposits increased by 3.4 per cent in the review quarter. Consequently, there was an increase in the ratio of foreign currency deposits to total private sector deposits during the review quarter.*

For the March 2007 quarter, broad Jamaica Dollar money supply (M3J) declined by 1.8 per cent relative to the decline of 2.4 per cent anticipated in the monetary programme and the 1.1 per cent increase recorded in the March 2006 quarter (see **Figure 1.4**). The deviation from programme largely reflected a slower than anticipated reduction in currency in circulation. The outturn in M3J for the review quarter brought growth in M3J for the FY2006/07 to 14.1 per cent, which was higher than the programmed 11.8 per cent.

The main source of reduction in M3J during the review quarter was an increase of $10 947.0 million in open market operations. In addition, there was a reduction in the net foreign assets of the commercial banks.

With respect to the components of money supply, local currency deposits grew by 0.2 per cent during the review quarter relative to the 3.3 per cent recorded in the March 2006 quarter. This increase largely reflected growth of 4.1 per cent and 1.1 per cent in other deposits and time deposits, respectively. Demand deposits and time deposits declined by 6.2 per cent and 0.4 per cent, respectively. Currency in circulation, the other component of M3J declined by $4 631.3 million or 12.9 per cent. The decline in currency in circulation reflected seasonal net currency redemption following the sharp increase in the Christmas season.

Figure 1.5
Deposits in Commercial Banks
Quarterly Growth Rates)
March 2004 to 2007

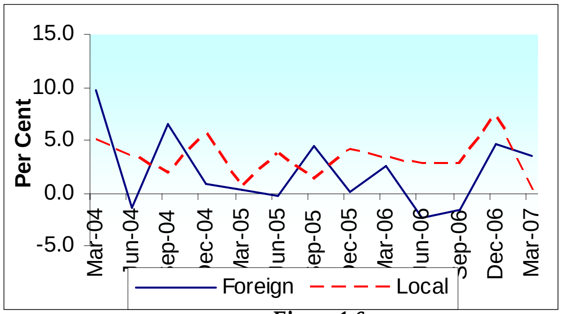


Figure 1.6
Foreign Currency Deposits to Total Deposits
March 2004 to 2007

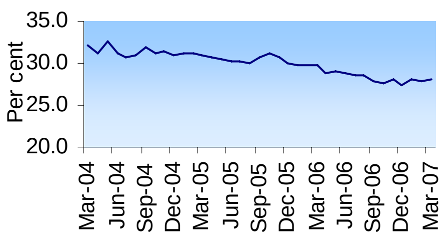


Figure 1.7
Money multiplier
(Quarterly Trend)
March 2005 to 2007

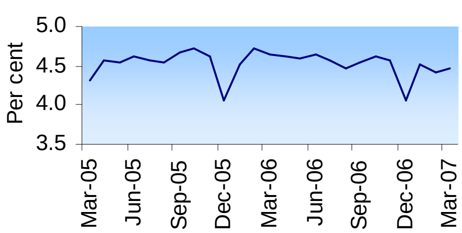


Table 1.5

COMPONENTS OF THE MONEY MULTIPLIER	Mar-06	Dec-06	Mar-07
	%	%	%
Currency to Deposits	14.83	17.91	15.56
Reserves to Deposits	9.86	11.11	10.33
Excess Reserves to Deposits	*2.11*	*3.69*	*2.47*
Cash Reserves to Deposits	*7.75*	*7.42*	*7.86*
Money Multiplier	**4.65**	**4.06**	**4.46**

During the review quarter, M3* declined by 0.5 per cent, relative to the 1.5 per cent increase recorded in the March 2006 quarter, reflecting the contraction in M3J (see **Figure 1.4**). Foreign currency deposits recorded growth of 3.4 per cent. Consequently, the ratio of foreign currency deposits to total private sector deposits was 28.0 per cent at end-March 2007 relative to 27.3 per cent at end-December 2006 and 29.8 per cent at end-March 2006 (see **Figure 1.6**).

The money multiplier was 4.46 at end-March 2007 relative to 4.06 at end-December 2006 and 4.65 at end-March 2006. The outturn for the quarter reflected decreases in both the currency to deposit and reserve to deposit ratios (see **Table 1.5**). The reduction in the currency to deposit ratio mainly reflected the seasonal net currency redemption. The decline in the reserves to deposit ratio reflected lower holdings of vault cash given the seasonal contraction in the demand for currency.

For FY2006/07, M3J increased by 14.1 per cent relative to a programme target increase of 11.8 per cent and 12.8 per cent increase recorded for FY2005/06. The higher than programmed growth in M3J was reflected in both currency in circulation and local currency deposits which increased by 18.8 per cent and 13.3 per cent, respectively, during the fiscal year. Growth in local currency deposits was largely reflected in an increase of 22.7 per cent in demand deposits.

In spite of a slower rate of growth in foreign currency deposits in FY2006/07, the expansion in M3* surpassed that of the previous year. This was due to increased growth in local currency deposits. The growth in local currency deposits was consistent with relatively stable macroeconomic conditions and improved investor confidence in the fiscal year.

Figure 1.8
Quarterly Growth Rates of Private Sector Credit
March 2004 to March 2007

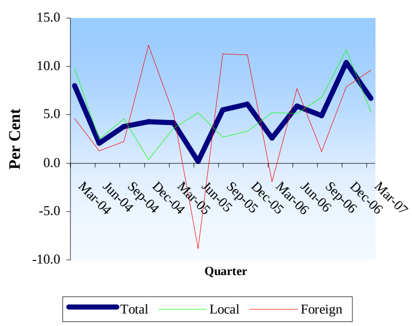


Table 1.6

Commercial Bank Distribution of Total Credit to the Private Sector J$ Million (Quarterly Flows)	Mar-06	Prov. Dec-06	Prov. Mar-07
Total Private Sector Credit	**2 713.9**	**12 216.3**	**8 729.4**
Loans and Advances	2 698.0	11 037.4	8 991.4
Other Investments and Private Debentures	15.9	1 178.9	-262.0

Table 1.7

Commercial Bank Distribution of Loans & Advances to the Private Sector (FLOWS J$M)	Mar-06	Dec-06	Mar-07
Agriculture & Fishing	34.9	494.6	361.6
Mining & Quarrying	108.1	15.4	-40.6
Manufacturing	200.2	-1 427.1	98.1
Construction & Land Dev.	325.7	940.5	1292.2
Transport, Storage & Comm.	-17.8	162.8	1 126.5
Tourism	-2 030.1	2 183.3	-603.3
Distribution	1 124.1	3 340.1	2 788.9
Professional & Other Services	489.6	1 133.4	1 251.3
Personal Loans	2 454.6	4 164.5	2 799.1
Electricity, Gas & Water	1.4	57.0	-66.4
Entertainment	8.7	-25.3	-7.2
Overseas Residents	-1.4	3.1	-8.9
TOTAL	**2 698.0**	**11 042.3**	**8 991.4**

Private Sector Credit

*Growth in private sector credit remained robust during the March 2007 quarter, surpassing the target outlined in the monetary programme. This reflected buoyant growth in foreign currency denominated loans mainly to **Distribution**. Growth in **Personal Loans** decelerated during the review quarter. For FY 2006/07, private sector credit recorded growth of 30.8 per cent relative to growth of 15.0 per cent in FY 2005/06.*

The stock of private sector credit within the commercial banking sector at end-March 2007 was $138 593.0 million, representing an expansion of 6.7 per cent relative to end-December 2006. This expansion was in line with the average of 7.1 per cent for the past three quarters. The increase for the March 2007 quarter, however, exceeded the expansion of 2.8 per cent outlined in the monetary programme and brought growth in credit to 30.8 per cent for FY 2006/07. The expansion for the fiscal year compared to growth of 15.0 per cent for FY 2005/06, and the 14.8 per cent targeted for the fiscal year.

There was robust growth in credit to ***Distribution, Construction & Land Development, Professional & Other Services*** and ***Transport, Storage & Communication.*** Loans to ***Distribution*** grew by 20.6 per cent during the review quarter, relative to growth of 13.0 per cent for the March 2006 quarter. The strong growth in loans to this sector was consistent with continued growth in production and import of raw materials and finished goods. Loans to ***Construction & Land Development*** expanded significantly by 16.1 per cent consistent with the boom within this sector. There was also strong growth in loans to ***Professional & Other Services*** and ***Transport, Storage & Communication*** of 13.5 per cent and 30.4 per cent, respectively. In contrast, there was a slowdown in the growth of ***Personal Loans*** to 5.0 per cent from 8.0 per cent in the December 2006 quarter and relative to the 6.0 per cent in the March 2006 quarter. Notwithstanding this deceleration, the category continued to account for the largest proportion of the outstanding stock of private sector loans (see **Figure 1.9**). There were net repayments within the tourism sector while all other categories of loans remained relatively flat (see **Table 1.7**)

Figure 1.9
Sectoral Distribution of Commercial Bank Loans & advances to the Private Sector Per Cent of outstanding Stock
March 2006 & March 2007

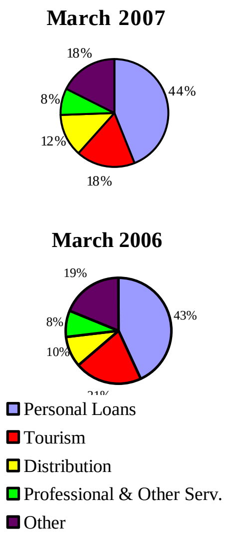


Table 1.8

Commercial Bank Distribution of Foreign Currency Loans & Advances to the Private Sector (FLOWS US$M)	Mar-06	Dec-06	Mar-07
Agriculture & Fishing	0.8	0.1	1.8
Mining & Quarrying	1.2	-0.3	-0.5
Manufacturing	-2.5	-24.1	1.0
Construction & Land Development	0.8	7.9	10.2
Transport, Storage & Comm.	-0.8	4.4	4.5
Electricity, Gas & Water	0.0	-1.9	0.0
Distribution	5.4	22.2	34.2
Tourism	-27.1	21.9	-7.6
Entertainment	-0.2	-0.3	-0.2
Professional & Other Services	-0.6	-0.1	4.3
Personal Loans	2.5	4.6	1.0
Overseas Residents	0.0	0.0	-0.1
TOTAL	**-20.5**	**34.3**	**48.6**

The growth in loans and advances largely reflected an increase of US$48.6 million or 7.3 per cent in foreign currency denominated loans during the review quarter. This compared to growth of 5.4 per cent in the December 2006 quarter and a decline of 3.4 per cent during the comparable period of 2006. The outturn for the March 2007 quarter mainly reflected increases of 44.4 per cent and 17.8 per cent in loans to ***Distribution*** and ***Construction & Land Development,*** respectively**.** There was also significant growth in foreign currency loans to ***Transport, Storage & Communication*** and ***Professional & Other Services*** (see **Table 1.8**).

There were net repayments of foreign currency loans from ***Tourism*** during the review quarter. However, this sector continued to account for the largest proportion of foreign currency loans at end-March 2007 (see **Figure 1.10**). Consequent on these net repayments, the proportion of foreign currency loans to total loans declined slightly to 33.9 per cent at end-March 2007 from 34.4 per cent at end-March 2006.

Interest Rates

For the two months ended February 2007, the overall weighted average lending rate declined by 23 basis points (bps), reflecting a continuation of the general downward trend exhibited over the last four years (see **Figure 1.11**). With the exception of rates on loans to the Central Government, there was a reduction in the weighted average loan rate charged for all categories of loans.

The overall weighted average rate on foreign currency loans declined marginally by 5 bps over the two months ended February 2007, reflecting a reduction in the weighted average rates on loans to the private sector.

Performance Indicators

Consistent with significant real sector activity and the increased marketing of competitive loan packages, the ratio of private sector credit to total assets increased to 31.8 per cent at end-March 2007 from 30.4 per cent at end-December 2006 and 27.7 per cent at end-March 2006.

Concurrently, there was an improvement in the quality of the loan portfolio as the ratio of past due loans (over three months) to total loans declined over the review quarter. At end-March 2007, the ratio of past due loans to total loans was 2.1 per cent, marginally below the ratio which obtained at end-December 2006 and end-March 2006. In addition, the ratio of past due loans to private sector loans declined to 2.6 per cent at end-March 2007 from 2.7 per cent and 3.0 per cent at end-December 2006 and end-March 2006, respectively (see **Figure 1.12**).

Figure 1.10

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

March 2006 & March 2007

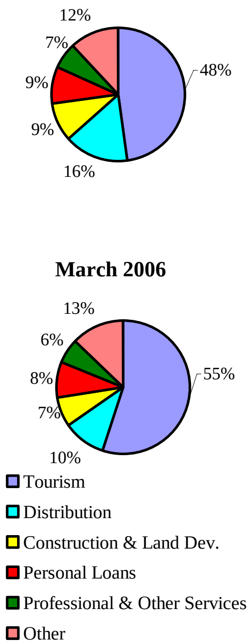


Table 1.9

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

	Feb-06	Dec-06	Feb-07
Overall	**17.94**	**17.59**	**17.36**
Public Sector	**14.23**	**12.36**	**12.21**
Local Govt. & Other Public Ent.	13.42	12.12	11.46
Central Government	16.61	13.83	15.41
Private Sector	**19.11**	**18.81**	**18.55**
Instalment	22.88	21.65	21.54
Mortgage	24.97	13.09	10.15
Personal	29.41	27.64	27.27
Commercial	13.82	13.36	13.23

Figure 1.11

Commercial Banks' Weighted Average Loan Rate

February 2003 to February 2007

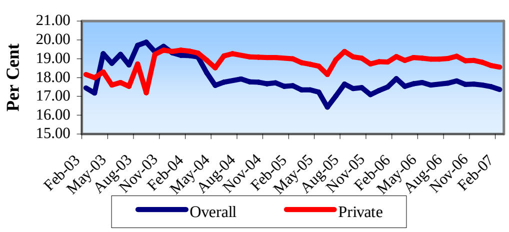


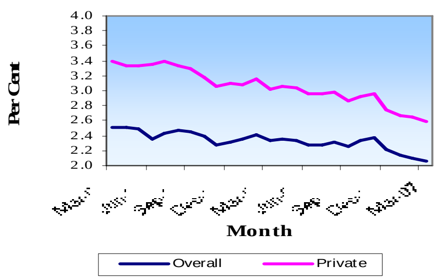
Table 1.10

Commercial Bank Foreign Currency Average Weighted Lending Rates by Loan Type Per Cent	Feb-06	Dec-06	Feb-07
Overall	**9.33**	**9.76**	**9.71**
Public Sector	**9.02**	**9.82**	**10.11**
Local Govt. & Other Public Ent.	8.73	9.70	10.01
Central Government	14.25	12.50	12.50
Private Sector	**9.43**	**9.75**	**9.57**
Instalment	6.85	13.33	14.00
Personal	15.27	15.58	15.38
Commercial	9.11	9.18	9.04

Figure 1.12

Commercial Banks' Past Due Loans (Three Months and Over) to Total Loans

March 2005 to March 2007



T able 1.11

GOJ Public Domestic Debt Raising January - March 2007			
	Amount allotted (J$MN)	Amount maturing (J$MN)	Net maturities (J$MN)
Treasury Bills	2,700.0	2,700.0	0.0
Variable Rate LRS	0.0	3,536.3	3,536.3
Fixed Rate LRS	0.0	400.0	400.0
Var. Rate Inv. Deb.	0.0	350.0	350.0
Fixed Rate Inv. Deb.	0.0	9,998.6	9,998.6
Var. Rate Inv. Bd.	0.0	8,944.8	8,944.8
Fixed Rate Inv. Bd.	0.0	0.0	0.0
US$ indexed Bd.	0.0	0.0	0.0
Fixed Rate Reg. Bd.	0.0	0.0	0.0
Sub-total	2,700.0	25,929.7	23,229.7
Fixed Rate US-denom. Bd./ Eurobonds	350.0	0.0	-350.0
J$ equivalent	23,697.1	0.0	-23,697.1
Total (J$)	26,397.1	25,929.7	-467.4

Significant GOJ net maturities during the quarter

Table 1.12

Treasury Bill Auctions and Maturities January - March 2007				
Issue Date	Tenor (days)	Avg. yield (%)	Allotment (J$M)	Amount Maturing (J$M)
26-Jan-07	182	11.99	500	
	91	11.79	400	
				900.0
23-Feb-07	182	11.94	500.0	
	91	11.78	400.0	
				900.0
23-Mar-07	182	11.65	500.0	
	91	11.55	400.0	
				900.0
Total			2700.0	2700.0

Average GOJ yields continue to fall

Bond Market

In the domestic market, the GOJ's outstanding stock of variable rate debt was repriced at a lower interest rate, given the decline in Treasury Bill yields which continued during the quarter. The limited availability of GOJ instruments during the quarter had a significant impact on investors' bond portfolios. In the context of GOJ's restricted issue of instruments and the liquidity that resulted from the GOJ's redemption of instruments, investors gravitated towards BOJ CDs in an effort to rebalance their portfolios. The continued improvement in the macroeconomic environment allowed the government to raise funds on the international capital market at a lower coupon rate.

During the March 2007 quarter, GOJ activities in the domestic market were significantly less than in the December quarter. In the review quarter, there were net maturities of GOJ instruments of $23 230 million in contrast to the net allotment of $15 745.6 million in the previous quarter (**see Table 1.11**). The Government partially pre-funded its FY 2007/08 budget by floating a bond on the international capital market for the first time in the fiscal year and raised US$350.0 million on 14 March. This bond has a tenor of 32 years and a coupon rate of 8.00 per cent, the lowest coupon ever obtained on a GOJ Eurobond, and was priced on issue to return a yield to maturity of 8.125 per cent.

Given the Government's significantly reduced presence in the market and the excess liquidity that resulted in the system, the BOJ sold GOJ securities from its holdings and introduced for the first time, variable rate certificates of deposit on two occasions. Over 18 to 19 January, the BOJ offered for sale 1-year VR CDs in the context of the excess liquidity resulting from the redemption of two GOJ debentures on 18 January 2007. The second offer of a 2-year VR CD was made over the period 26 February to 2 March, as the Government redeemed another maturing debenture. The initial interest rate on both VR CDs was 11.80 per cent per annum paid after three months. Both instruments will be repriced quarterly. The reset margin for the 1-year VR CDs is 1.0 percentage point above the BOJ 90-day OMO rate, while the 2-year instrument is repriced at 1.125 percentage points above the same rate, given the longer maturity. There was an overall absorption of $22 367.6 million by the VR CDs on these two instruments.

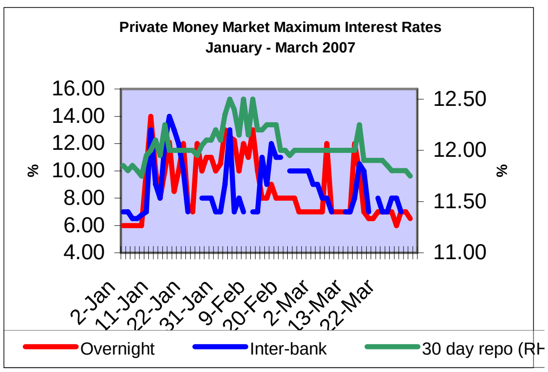
Table 1.13

	January - March 2007				October - December 2006	
	Maturities		Placements		Placements	
	($)	(%)	($)	(%)	($)	(%)
30-day	42,911.3	34.5	40,441.6	36.3	49,540.7	44.4
60-day	2,088.9	4.1	3,977.1	3.6	3,718.9	3.3
90-day	8,632.0	6.9	12,572.9	11.3	11,320.8	10.1
120-day	3,955.4	3.2	2,076.7	1.9	4,202.1	3.8
180-day	26,382.8	21.2	30,555.6	27.4	42,767.3	38.3
270-day	617.3	0.5	0.0	0.0	0.0	0.0
365-day	19,229.2	15.4	0.0	0.0	0.0	0.0

***excludes overnight transactions during the period**

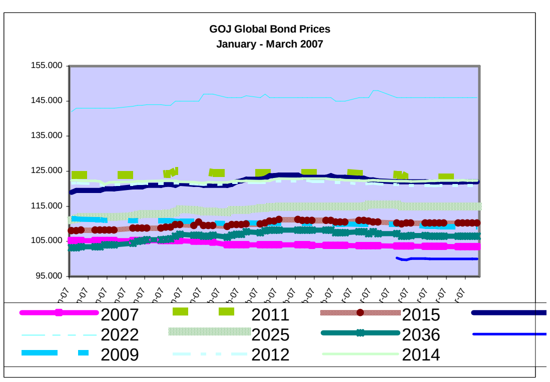
Investors increase placements on 60- and 180-day OMO instruments

Figure 1.13



Average money market rates continue to decline

Figure 1.14



GOJ Global bonds maintain positive performance

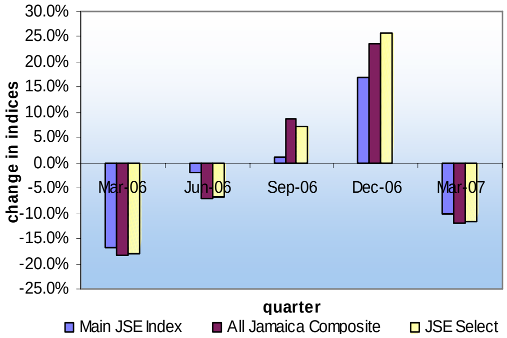
Relatively high liquidity and continued moderation in inflation underpinned the decline in average yields on GOJ Treasury Bills during the quarter. By the end of the quarter, the yield on the 182-day tenor had declined by 66 basis points, while the yield on the 91-day tenor had declined by 71 basis points (**see Table 1.12**).

Consistent with the liquidity conditions, interest rates softened in the private money market. This was in spite of high volatility in the first half of the quarter which reflected a tightening of domestic liquidity as institutions paid for the foreign currency which the Bank sold to abate pressures in the foreign exchange market (**see Figure 1.13** and **Foreign Exchange Market**). Tightened liquidity conditions also coincided with annual taxation obligations later in the quarter. Despite these volatilities in rates, the money market was fairly liquid as captured in the average rates which approximated those of the previous quarter.

Against the background of demand for liquidity to meet tax obligations and for investment in the Bank's VR CD, there was an overall net unwinding of open market liabilities of $12.2 billion. This unwinding was largely from the 270-day and 365-day instruments, in the context of BOJ's removal of these tenors in the June 2006 quarter. With respect to the 30-day and 180-day tenors, these instruments continued to dominate placements (**see Table 1.13**). In contrast to the previous quarter, when the 30-day tenor was the sole instrument on which there were net placements, both the 60-day and 180-day tenors had net placements during the review quarter.

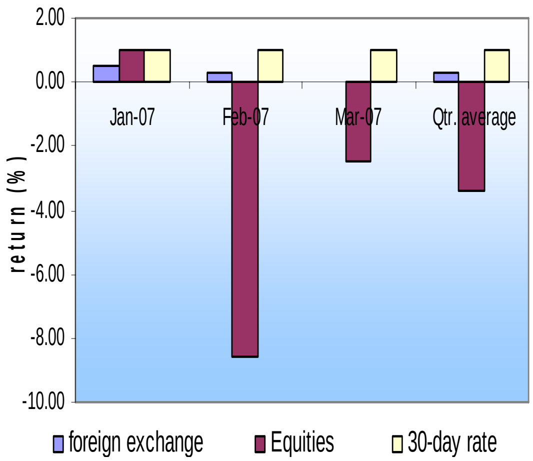
Generally, GOJ global bond prices increased relative to the previous quarter so that the premia above the benchmark 10-year US Treasuries increased during the quarter. The decision of the US Federal Reserve to keep rates stable in the context of prospects for 'firmer economic growth' and expectations for continued moderate inflation, encouraged investors to hold GOJ sovereign bonds with the exception of those maturing in September 2007. There was strong response to the initial issue of the new global bond floated during the quarter. This demand was manifested in the bond's creditable performance on the secondary market (**see Figure 1.14**).

Figure 1.15
Quarterly Growth of JSE Indices – March 2006 – March 2007



Source: Jamaica Stock Exchange

Figure 1.16
Monthly Returns from Equities, Fixed Income and Foreign Exchange – March 2006 – March 2007 Quarter



Source: Jamaica Stock Exchange

Stock Market

The Main Jamaica Stock Exchange (JSE) Index declined sharply during the March 2007 quarter. Investor interest in the equities market was partly influenced by less than favourable earnings reports for 2006 by several listed companies. Despite the generally stable macroeconomic environment, investor outlook regarding equity investments was also affected by the deterioration in the fiscal performance and reported uncertainties regarding the FY2007/08 budget. However, for the fiscal year there was an overall gain of 4.3 per cent in the Main JSE Index.

Weak investor interest contributed to declines in all three stock market indices for the March 2007 quarter. Relative to end December 2006, the Main JSE Index declined by 10.0 per cent to close the quarter at 90 595 points (see **Figure 1.15**). Similarly, the All Jamaica Composite Index declined by 11.8 per cent, while the JSE Select Index declined by 11.5 per cent. The fall in the Main JSE Index followed an average increase of 9.1 per cent over the previous two quarters. The decline was concentrated in the last two months in the review quarter with respective contractions of 8.6 per cent and 2.5 per cent in February and March.

Weakened demand for local equities weakened in a context where many of the listed companies reported disappointing earnings results for 2006 during the review quarter. Furthermore, uncertainties surrounding the Fy2007/08 budget also made investors more cautious about long-term investment in the local stock market. Consequently, there was increased sale of shares by investors in an attempt to minimize capital losses. Funds were diverted from stocks towards relatively more stable returns from domestic fixed income and foreign exchange investments. For the quarter, average returns on foreign currency and domestic fixed income investments exceeded average returns on the Main JSE Index (see **Figure 1.16**). Additionally, weak interest by institutional investors moderated overall market demand and contributed to large price declines across all categories of stocks during February and March.

The dampened overall market performance was primarily due to weak investor interest and large price declines for financial and manufacturing stocks.[1] This performance occurred in a context where earnings results for

1 At the end of the quarter, the listed entities in the financial and manufacturing sectors accounted for approximately 79.0 per cent of total market capitalization.

Table 1.14
10 Largest Declining Stocks -
March 2007 Quarter

Companies	Price at 30-Mar-07 $	Qtr. Change %
Declining Stocks		
Tourism		
Pegasus	10.50	-24.46
Ciboney	0.04	-42.86
Financial		
CCBM	12.00	-35.10
JMMB	10.50	-25.50
Mayberry	2.77	-30.80
FCIBJ	17.58	-32.40
Conglomerates		
JA Producers' Group	30.99	-29.41
Manufacturing		
Berger Paints	3.00	-28.6
Insurance		
Dyoll Group	0.26	-71.11

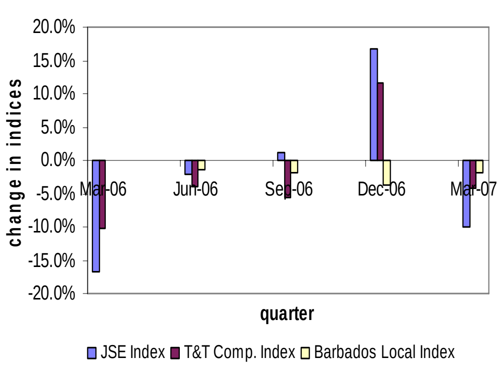
Source: Jamaica Stock Exchange

Table 1.15
Advancing Stocks -
March 2007 Quarter

Companies	Price at 30-Mar-07 $	Qtr. Change %
Advancing Stocks		
Manufacturing		
Montego Bay Ice	7.00	6.71
Salada Foods Ltd.	55.00	37.50
Seprod	16.51	3.19
Retail		
Courts	4.25	5.88
Financial		
NCB Capital markets	3.22	1.26
Other		
Supreme Ventures	2.10	16.67

Source: Jamaica Stock Exchange

Figure 1.17
Quarterly Growth of Regional Indices –
March 2006 – March 2007



2006 for a number of the listed companies in manufacturing and financial sectors were somewhat below expectations. Financial entities achieved mixed earnings performance due to lower interest rate environment. Some of these entities increased interest income and profitability by refocusing their portfolios towards core business activities. Among the financial institutions that experienced lower growth in interest income and profitability during 2006 were Capital and Credit Merchant Bank and Jamaica Money Market Brokers. However, manufacturing entities experienced weakened earnings growth due to the cement shortage and the resulting slow-down in construction activity. Caribbean Cement and Berger Paints were among the manufacturing entities that experienced containment in profitability during 2006.

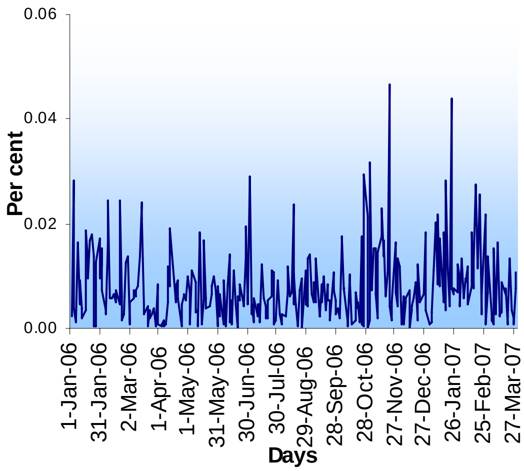
For the March 2007 quarter, 36 stocks declined while 6 stocks recorded price gains. Strong price declines were evident across a wide cross section of sectors. The two worst performers were Dyoll Group and Ciboney (see **Table 1.14**).[2] Among the top performers were Salada and Supreme Ventures Limited (see **Table 1.15**).

In spite of the decline in the March quarter, there were overall gains in all three local stock market indices for FY2006/07, largely reflecting the rebound in the market's performance in the September and December 2006 quarters. The Main JSE index, Jamaica Select index and All Jamaica Composite index recorded increases of 4.3 per cent, 10.2 per cent and 11.1 per cent, respectively. This was in contrast to respective declines of 22.4 per cent, 27.4 per cent and 29.3 per cent for FY2005/06.

Within the Caribbean, the main stock market indices of the Trinidad and Tobago Stock and Barbados stock exchanges recorded declines during the March 2007 quarter. For Trinidad & Tobago, the Composite Index declined by 4.1 per cent, compared to an increase of 11.6 per cent in the previous quarter while for Barbados, the Local Index declined by 1.8 per cent relative to a decline of 3.7 per cent for the December 2006 quarter (see **Figure 1.17**). This performance was influenced by low investor interest as well as strong price declines by the Jamaican cross-listed companies.

[2] The poor price performance for Dyoll Group largely reflected the market's reaction to news of the delisting of the entity by the JSE in March 2007.

Figure 1.18
Exchange Rate Volatility (*)



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

Figure 1.19
Percentage Change in Weighted Average Selling Exchange Rate (e.o.p.) (J$1.00= US$)

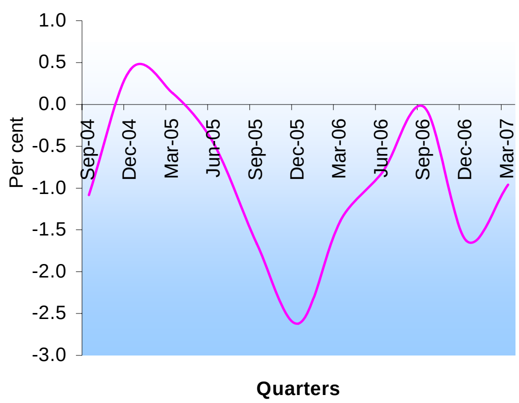
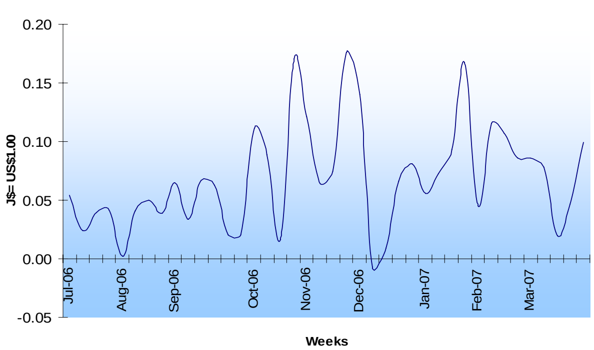


Figure 1.20
Weekly Exchange Rate Trading Range



Foreign Exchange Market

For the March 2007 quarter, the foreign exchange market experienced some bouts of instability, notwithstanding the relatively small change in the exchange rate. Market conditions during the period were influenced by a contraction in net private capital inflows reflecting portfolio switching as well as high Jamaica Dollar liquidity conditions. There was, however, a reduction in the demand for foreign exchange to purchase goods imports.

BOJ operations during the quarter, which included the net sale of foreign exchange and Jamaica Dollar instruments, underpinned the relative stability in the exchange rate (see *Figure 1.22****). Despite the intervention, the NIR at end-March 2007 was higher than the programmed level and the outturn for end-December 2006. Gross reserves at end-March 2007 represented 19.7 weeks of estimated goods and services imports, remaining well above the international benchmark of 12.0 weeks.***

The selling price of the US dollar increased to J$67.80 = US$1.00 at end-March 2007 from J$67.15 = US$1.00 at end-December 2006, representing a depreciation of 0.96 per cent for the quarter. This movement in the exchange rate compared favourably with the 1.63 per cent depreciation in the December 2006 quarter but was marginally above the average depreciation of 0.63 per cent for the preceding three March quarters **(**see **Figure 1.19)**. Within the review quarter, the most pronounced depreciation in the exchange rate of 0.62 per cent occurred in January. The rate at end-February remained unchanged, relative to end-January, while a depreciation of 0.37 per cent was recorded in March. The outturn for the review period resulted in a depreciation of 3.40 per cent for FY2006/07, compared to the 6.03 per cent depreciation recorded for FY 2005/06.

Consistent with the moderate movement in the exchange rate during the quarter, the weekly market trading range averaged J$0.08, relative to an average of J$0.09 for the preceding quarter. For January, the trading range averaged J$0.10, relative to an average of J$0.08 for both February and March (see **Figure 1.20**).[3] The average bid-ask spread, expressed as a percentage of the buying rate, increased by 4.3 per cent relative to a 13.4 per cent increase in the December 2006 quarter (see **Figure 1.21**).

3The trading range for the exchange rate is an indicator of risk or uncertainty. It is the difference between the high and low quotes for the sale of US dollars over a particular period.

Table 1.16
Net International Reserves
(US$MN)

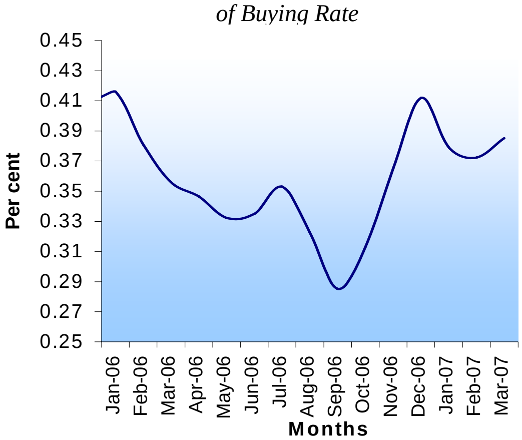
Month	Stock	One Month Change	Three Month Change
Mar-06	2078.1	53.9	-9.3
Apr-06	2151.8	73.7	58.3
May-06	2162.8	10.9	138.6
Jun-06	2110.1	-52.7	32
Jul-06	2087.8	-22.8	-63.9
Aug-06	2215.6	127.8	52.8
Sep-06	2342.0	126.4	231.9
Oct-06	2306.4	-35.6	218.6
Nov-06	2353.0	46.6	137.4
Dec-06	2317.6	-35.4	-24.4
Jan-07	2288.4	-29.2	-18.0
Feb-07	2185.6	-102.8	-167.4
Mar-07	2329.4	143.8	11.8

Table 1.17
Foreign Exchange Cash Flows*

US$MN	2006		2007	Change Relative To Previous	
	Jan-Mar	Oct-Dec	Jan-mar	Qtr	yr
Net Current Inflows	-507.9	-620.7	-465.9	154.8	*41.9*
Current Inflows	893.9	963.0	997.3	34.3	*103.4*
Current Outflows	1401.7	1583.7	1463.3	-120.4	*61.6*
Net Private Capital Inflows	603.5	580.6	442.2	-138.4	*-161.3*
Balance	95.6	-40.1	-57.6	-17.5	*-153.2*

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

Figure 1.21
Foreign Exchange Spread as a Percentage of Buying Rate



The performance of the market during the quarter was largely influenced by increased preference for US Dollar denominated instruments, attributed in part to a shift in investor sentiments in light of an accelerated pace of exchange rate depreciation during the December 2006 quarter. This demand was facilitated by the net amortisation of GOJ debt instruments in the context of a large build-up in Government deposits generated from strong subscriptions to instruments issued in previous quarters. To absorb excess Jamaica Dollar liquidity, the Bank sold GOJ securities from its holdings, as well as offered two special variable rate Jamaica Dollar instruments in January and February 2007.

The increased preference for US Dollar denominated instruments was evident in a US$138.4 million decline in estimated net private capital inflows. Contributing to this was a US$40.5 million build-up in net foreign currency positions of the authorized dealers. The build-up in foreign currency positions was associated with a number of institutions moving to long-positions in foreign exchange from short-positions in the December quarter.

Notwithstanding the fall in net private capital inflows, market conditions during the quarter benefited from reduced net foreign exchange demand to facilitate current account transactions. The Bank estimates that payments for consumer goods and fuel imports for the quarter declined by 16.6 per cent and 14.0 per cent respectively (see **Table 1.17**). The fall in payments for consumer goods imports is typical of March quarters, following the seasonally high demand in December quarters, while the contraction in spending on fuel coincided with a 14.8 per cent fall in crude oil prices on the international market. On the other hand, supplies to the foreign exchange market declined by a marginal US$5.5 million, reflecting lower inflows from seasonal workers abroad and remittances.

In response to imbalances in US dollar flows, BOJ net sold US$57.6 million to the market, compared with net purchases of US$24.9 million in the December 2006 quarter and net sales of US$119.7 million in the March 2006 quarter. In spite of the sales to the market the NIR at end-March 2007 was US$2 329.4 million, representing an increase of US$11.8 million relative to end-December (see **Table 1.16**). The Bank's gross reserves at end-March 2006 were US$2 613.6 million, representing 19.7 weeks of estimated goods and services imports.

Box 1: Jamaica's *Financial Programme*

Introduction

A financial programme provides the broad framework for the conduct of monetary and fiscal policies in an economy. The programme is a consistent set of policy measures with a supporting system of economic sector accounts, namely national income, balance of payments, fiscal and monetary accounts.

The Programme Framework

Jamaica's financial programme is designed to cover a five year period with focus placed on the current fiscal year. The framework allows for an assessment of the performance of the Jamaican economy and provides information on the available financing to the public and private sectors. There are accounting relationships in the programme which highlight the fact that any sector's spending beyond its income must be financed by the savings of other sectors. Excess spending by the entire economy is possible only when financed from external sources. The programme is therefore an economic model which can be used to assess the changes in policy variables needed to achieve given policy objectives, in the short and medium term.

Macroeconomic targets are set for inflation, real output growth, the net international reserves and the fiscal balance. These targets are derived from an assessment of the domestic and international environment and are generally in line with certain broad objectives. For example, some of the medium term objectives are to bring inflation in line with those of our major trading partners, attain gross domestic product (GDP) growth to facilitate faster economic development and to maintain the NIR above the international benchmark of 12 weeks of imports of goods and services. Yearly targets are set, based on their feasibility, to gradually attain the medium term targets. The Bank of Jamaica, The Planning Institute of Jamaica and the Ministry of Finance are the major players in the determination of the targets.

Using the broad macroeconomic targets as a base, assumptions are made for growth in the monetary aggregates. For example, money supply is projected to increase in line with the growth in nominal (GDP). The projected increase in money supply coupled with the change in the net foreign assets of the banking system provides the resources for growth in credit to the public and private sectors from the banking system. A projection is made of the required growth in private sector credit which would facilitate the projected expansion in real economic activity. Residual resources are then treated as the amount available for lending to the public sector.

Programme Monitoring

The targets and accounts are monitored on a frequent basis. Quarterly targets are established for key variables such as the fiscal balance, the NIR and the monetary base of the Bank of Jamaica. Beyond this, monthly, weekly, and even daily targets are established for the Bank's balance sheet. The evolution of the economic variables are then monitored to determine whether a policy response is required if there are deviations from the targeted path. For example, if there is a higher than anticipated build-up in the NIR due to stronger than projected economic activity, the Central Bank would increase its open market operations (OMO) in order to contain the expansion of the monetary base. With regard to fiscal measures, the Government may seek to address a deterioration of the fiscal accounts by increasing taxes or cutting capital expenditure.

The Medium Term Programme

Objective

Jamaica's medium term programme is aimed at bringing about faster economic growth within a stable macroeconomic environment. In this regard, the main objective of monetary policy is to obtain low and stable inflation through the targeting of the monetary base. Simultaneously, fiscal policy is aimed at achieving a balanced budget and a reduction in the debt dynamics.

Targets

The macroeconomic targets which the Government plans to pursue for the fiscal year and the medium term are:

- A fiscal deficit of 4.5 per cent of GDP in FY2007/08 down from 5.4 per cent of GDP in FY2006/07. A balanced budget is expected by FY 2009/10. It is expected that the debt to GDP ratio will decline to 125.1 per cent in FY2007/08 from 127. 0 per cent in at the end of FY 2006/07 and to 110.9 per cent by FY2009/10;
- Inflation within the range of 6.0 per cent to 7.0 per cent for FY 2007/08. Inflation is targeted to decline to 3.0 per cent by 2010/11.;
- NIR of US$2.2 billion at end-March 2008 and US$2.6 billion at end-March 2011.
- Real economic growth within the range of 3.0 per cent to 4.0 per cent for FY2007/08. Growth is expected to accelerate in the medium term.

Financing

The monetary programme as at March 2007 suggests that there will be adequate financing to meet the needs of the public and private sector. In FY 2007/08, for example, the programme assumes that the commercial banks will increase their lending to the private sector. This growth assumes that the banks will increase the proportion of deposits lent to the private sector (advance to deposit ratio). Given this increase in private sector credit, there will be an excess which the banks may opt to lend to the Central Government. In addition, the Government in March 2007 prefinanced a large portion of the budget for FY 2007/08 through the floating of a US$350 million Eurobond, which will be used to effect foreign debt repayments during the year. The programme therefore suggests a relatively small reliance on securities' financing by the Government to attain consistency with the macroeconomic targets. This pattern should also obtain in the medium term if the Government continues the path of reducing the fiscal deficit.

2. Real Sector Developments

Table 2.1

SECTORAL CONTRIBUTION TO GROWTH March 2007 Quarter	Estimated Impact on Growth
GOODS	+ve
AGRICULTURE FORESTRY & FISHING	+ve
MINING & QUARRYING	+ve
MANUFACTURING	+ve
CONSTRUCTION & INSTALLATION	+ve
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 Inst.	+ve
TOTAL GDP	+ve

Leading indicators of economic activity suggest that the economy continued on a stable growth path in the March 2007 quarter, ranging between 2.0 per cent to 2.5 per cent. The estimated growth in the review quarter was reflected in an expansion in all components of aggregate spending. Overall economic growth for FY2006/07 was estimated to have accelerated to a range of 2.4 per cent to 2.6 per cent in comparison to an average growth of 1.1 per cent in the last eight years.

The positive growth trends have been supported by generally favourable domestic macroeconomic conditions, characterised by declining inflation and generally stable exchange rate for the fiscal year. These conditions facilitated continued strong optimism among investors and translated into a sustained expansion in credit to the productive sector.

Aggregate Supply

The Bank's estimate of the country's Gross Domestic Product (GDP) for the March 2007 quarter indicates growth in the range of 2.0 per cent to 2.5 per cent, resulting in a fiscal year growth of 2.4 per cent to 2.6 per cent. The expansion in FY06/07 represented an acceleration in growth when compared to the 2.0 per cent recorded in FY05/06 and the average growth of 1.1 per cent recorded over the last eight years.

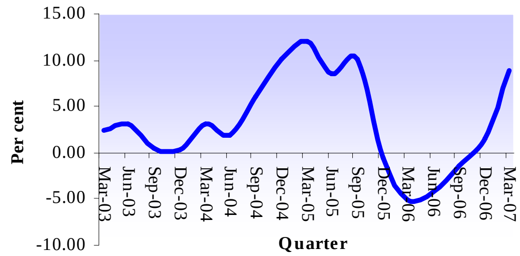
Growth within the March 2007 quarter emanated primarily from ***Construction & Installation***, ***Agriculture Forestry & Fishing***, ***Electricity & Water*** and ***Distributive Trade***. ***Miscellaneous Services*** was the only sector that was estimated to have declined in the review quarter. Notably, most of the growth in the quarter emanated from the non-tradable sectors. The main factors supporting growth were investment spending, recovery following adverse shocks, as well as favourable external and domestic conditions.

The recovery in ***Construction & Installation*** that commenced in the previous quarter, strengthened significantly in the review period. This was facilitated by the normalisation of cement supply in the domestic market, as well as the robust expansion in commercial bank credit to the sector since the start of the fiscal year (see **Money & Credit**) [4].

[4] Cement was available consistently throughout the review quarter as indicated by reports from market players and a survey conducted by the Consumer Affairs Commission.

Figure 2.1

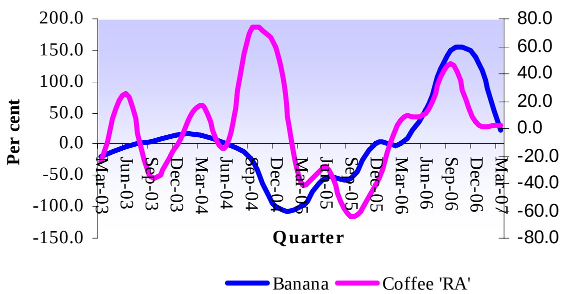
Construction & Installation: Growth
(12-Month Change)



Source: STATIN & BOJ

Figure 2.2

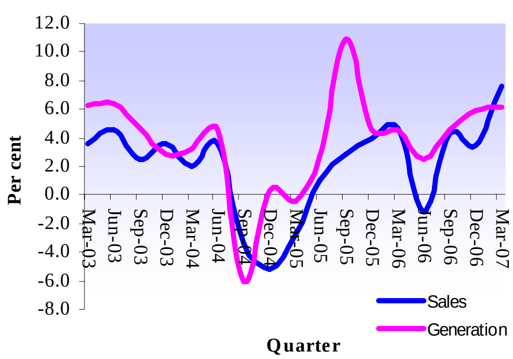
Banana & Coffee Exports
(12-Month Change)



Source: STATIN & BOJ

Figure 2.3

Electricity Generation & Sales
(12-Month change)



Source: JPS & Bank of Jamaica

Growth within the sector was buoyed by hotel construction, expansion in the telecommunication infrastructure and major public sector projects (e.g. the North Coast Highway, expansions at both sea and air ports and preparations for the 2007 World Cup Cricket) [5]. Residential construction also improved during the period as indicated by growth of 39.2 per cent in the National Housing Trust housing starts for the period. In this context, growth within the quarter was estimated to have considerably surpassed the average expansion of 2.6 per cent realized over the last eight quarters (see **Figure 2.1**).

The estimated growth in ***Agriculture, Forestry & Fishing***, although significantly slower than the previous four quarters, is likely to have exceeded the pre Hurricane Ivan average growth of 1.5 per cent[6]. The performance of the sector during the March 2007 quarter continued to be led by export agriculture and mirrored the consolidation and improved productivity in key industries such as banana, coffee and citrus (see **Figure 2.2**). Growth in production was primarily attributable to the generally favourable weather conditions over last year, which facilitated increased crop establishment and crop yields.

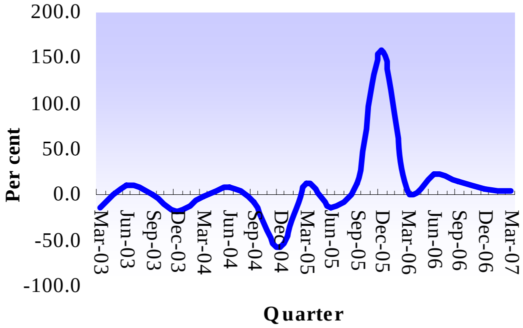
Expansion in ***Electricity & Water*** was assessed to be above the average growth of 3.8 per cent over the last eight quarters. This growth was primarily facilitated by an increase in generating capacity at one of the private electricity producers in March 2006. As a result, total electricity generation for the review quarter increased by 6.2 per cent, while sales increased by 7.6 per cent (see **Figure 2.3**). Although capacity utilization remained low in the quarter at 57.2 per cent it was slightly higher than the utilization rate of 54.5 per cent in the similar period of 2006. Moderating the growth in the sector was a marginal decline of 0.1 per cent in water production, relative to the corresponding quarter in 2006. This was attributable to capacity constraints in this sub-sector.

The overall growth in the economy was dampened by the performance of key tradable sectors, namely mining and tourism. The mining sector recorded a marginal growth while tourism is estimated to have declined. The weak performance in ***Mining & Quarrying*** was associated with capacity constraint in the alumina industry, and marginal capacity

[5] The construction of three major hotels commenced during the quarter.

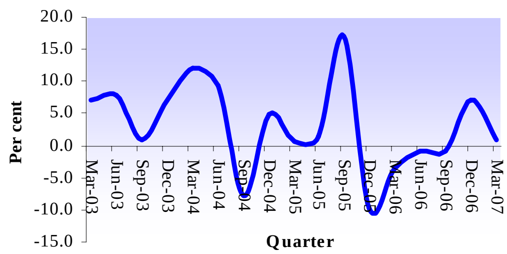
[6] Represents average growth between March 2001 and June 2004. The strong growth in the previous four quarters, which averaged 15.9 per cent, reflected primarily recovery following the impact of Hurricane Ivan, the effect of which would have dissipated in the review quarter.

Figure 2.4
Trends in* Crude Bauxite *Production
(12-Month Change)



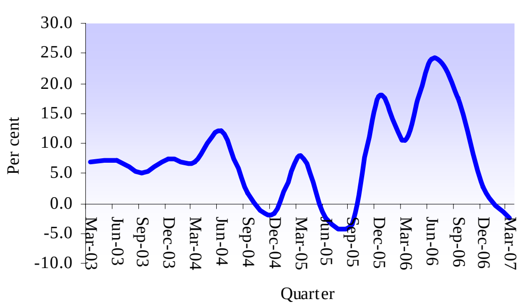
Source: Jamaica Bauxite Institute

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



Source: Jamaica Bauxite Institute

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



Source: Jamaica Tourist Board

reserves in the bauxite industry. Against this background, crude bauxite and alumina production improved by 4.1 per cent and 0.6 per cent, respectively, relative to the similar period in 2006 (see **Figures 2.4** and **2.5**). Output growth in the alumina industry was significantly below the trend average for the March quarters, while that for the bauxite industry was exceeded.

In spite of the continued buoyancy in the world economy, the demand for the Island's tourism product declined due to a confluence of factors. This decline was reflected in a contraction in ***Miscellaneous Services*** relative to a long run trend growth of 3.2 per cent[7]. The revitalization of Cancun, the mild winter season in the United States along with the USA Government's Western Hemisphere Travel Initiative and the CARICOM visa requirement during Cricket World Cup, significantly constrained tourist arrivals during the period[8]. Against that background, total stopover visitors declined by 2.5 per cent, while cruise passenger arrivals expanded by 3.6 per cent (see **Figures 2.6 & 2.7**). Correspondingly, there was minor increase in visitor expenditure, relative to the corresponding quarter in 2006.

Aggregate Demand

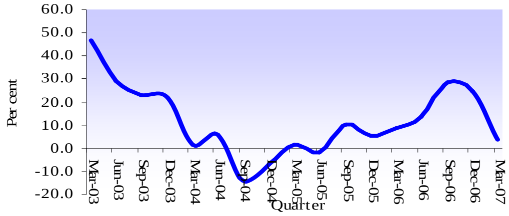
Indicators of expenditure spending suggest that the expansion in the economy in the March 2007 quarter was driven largely by fixed capital investments, an improvement in net external demand and increased government consumption. Private consumption remained relatively unchanged during the review period.

Gross Fixed Capital Formation grew in the March 2007 quarter at a pace similar to that recorded in 2006. The major contributor to this expansion was foreign direct investment (FDI) inflows, which are estimated at US$232.5 million, when compared to US$192.9 million in the corresponding quarter of 2006 (see **Figure 2.8**). FDI flows occurred primarily within the tourism industry as well as in road construction. Against this background, FDI as a per cent of GDP for FY 2006/07 was estimated at 8.8 per cent, relative to 5.9 per cent in FY2005/06. In addition, domestic investment also expanded, as indicated by the growth

[7] Trend growth since March 1998.
[8] Requires all US citizens traveling by air between selected countries to present a valid passport on reentry into the US as at 23 January 2007.

Figure 2.7

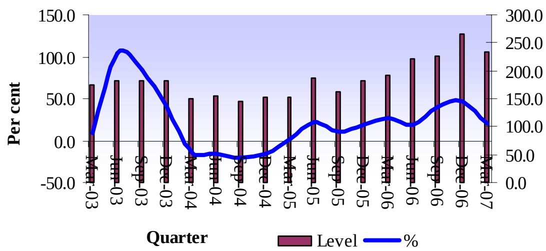
Cruise Passenger Arrivals (12-Month Change)



Source: Jamaica Tourist Board

Figure 2.8

Trends in Foreign Direct Investment (12-Month Change)



Source: Bank of Jamaica

Figure 2.9

Trends in Net External Demand

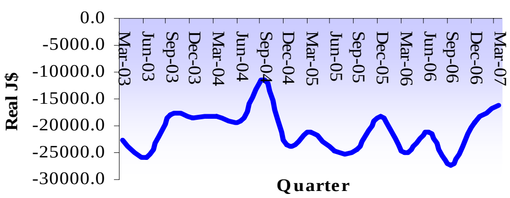
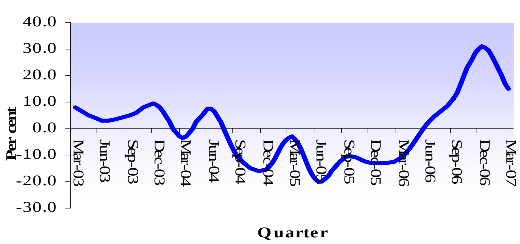


Figure 2.10

Trends in Government Wage Settlement (12-Month change)



Source: STATIN, Bank of Jamaica

trends in credit to the productive sector (see **Money & Credit**). The expansion in investment reflected the improved business confidence since the September 2006 quarter, which continued into the review quarter. The Jamaica Conference Board Business Confidence index rose to 126.7 up from 119.3 in the comparable period of 2006, reflecting increased optimism regarding economic growth and hence profit in the short- term.

There was a notable improvement in ***Net External Demand*** during the review period, when compared to the corresponding period of 2006 (see **Figure 2.9**). This improvement was influenced by an estimated increase of 7.6 per cent in the export of goods and services, which was augmented by a decline of 3.7 per cent in imports of goods and services. The performance of export reflected the significant growth in mineral fuels and scrap metals as well as increases in alumina and banana exports. The reduction in imports primarily reflected significant decreases in the price of fuel.

There was a continuation of the robust growth observed in ***Public Consumption*** since the September 2006 quarter. Although there was a slow down in the rate of growth in the review quarter, relative to the December 2006 quarter, the expansion contrasts sharply with the decline in the March 2006 quarter. The expansion continued to reflect the adjustment in public sector wages under the new public sector wage settlement (see **Figure 2.10**) (see **Appendix A: Fiscal Developments**).

Private Consumption was weak for the review period. This was inferred from a contraction of 4.5 per cent in total goods imports, which dampened the effects from the real increase of 11.0 per cent in consumption taxes, relative to the similar period of 2006. A survey of consumer confidence conducted by the Jamaica Conference Board indicated that although confidence remains high, consumers are cautious as it relates to spending and as such are forecasting a reduction in the rate of growth in their spending habits in the short term.

3. International Developments

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

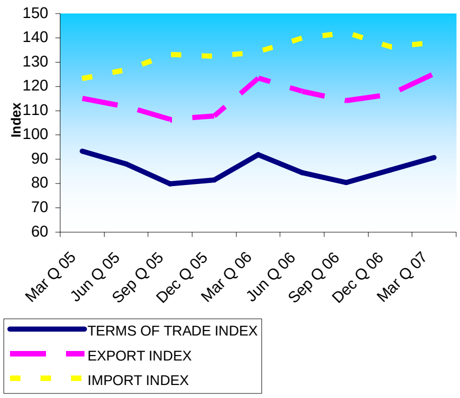
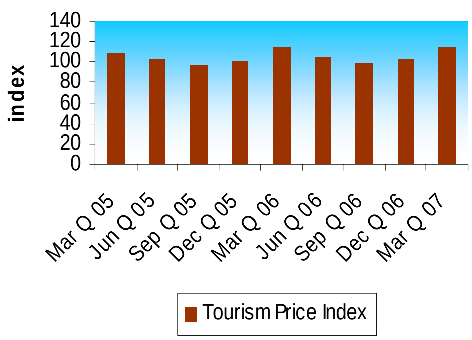


Figure 3.2
Implicit Tourism Price Index
Mar 05 to Mar 07
(quarterly average)



External influences on the Jamaican economy were generally positive during the March 2007 quarter. International commodity prices remained stable, interest rates in advanced economies were unchanged and demand for Jamaican bonds increased. In the context of a stable international commodity market, Jamaica's terms of trade (TOT) was estimated to have improved during the quarter, partly reflecting an increase in the implicit price of the tourism product. There was continued narrowing of the spreads between the yields on Government of Jamaica (GOJ) Sovereign and long-term Treasury bonds during the quarter. Emerging market bond prices rose over the quarter in the context of an increase in investors' risk appetite, the perception that rates in the United States of America (USA) would not increase further, as well as the favourable macroeconomic performances of individual economies, including Jamaica.

Terms of Trade

Jamaica's TOT improved during the March 2007 quarter by an estimated 2.5 per cent, relative to the preceding quarter (see **Figure 3.1**).[9] This growth was, however, below an average increase of 10.9 per cent over the past five March quarters. The rise in the TOT index during the review period reflected the impact of an increase of 3.5 per cent in the Export Price Index (EPI) and an increase of 0.9 per cent in the Import Price Index (IPI).

The increase in the EPI over the review period was attributable to a 7.2 per cent increase in the tourism implicit price index (TIPI) (see **Figure 3.2**), which was partially offset by an estimated fall of 1.5 per cent in the price of alumina.[10] With respect to the IPI, the movement in the index reflected a 3.3 per cent decline in crude oil prices, offset by a 6.6 per cent increase in the price of raw material food.[11]

Crude oil prices fell to an average of US$58.00 per barrel for the March 2007 quarter, largely influenced by above-normal winter temperatures in

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

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

[11] The raw material food price index captures the prices of agricultural foods, feeds and beverages. Data is taken from the US Bureau of Economic Analysis' end use export indices. Crude oil price is measured by the West Texas Intermediate (WTI) index.

Figure 3.3
WTI Crude Oil Prices
Mar 05 - Mar 07
(monthly averages)

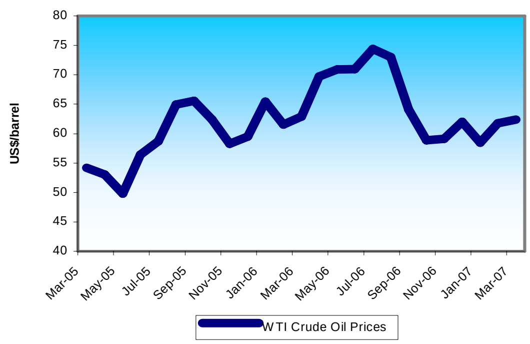


Figure 3.4
Raw Material (food) Prices
Mar 05 - Mar 07
(Quaterly averages)

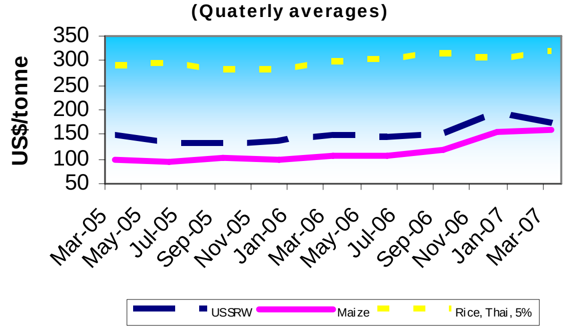


Table 3.1

Selected Key Interest rates **Dec 06 - Mar 07**				
	Dec	**Jan**	**Feb**	**Mar**
USA[a]	5.25	5.25	5.25	5.25
Euro Area[c]	3.50	3.50	3.50	3.75
Canada[b]	4.25	4.25	4.25	4.25
UK[c]	5.00	5.25	5.25	5.25
Japan[d]	0.25	0.25	0.25	0.50

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

North America. The decline largely occurred in January, when prices fell by 12.6 per cent. Prices increased by 9.2 per cent and 2.1 per cent in February and March, respectively (see **Figure 3.3**). The upturn in prices in the last two months of the quarter was in response to higher heating oil demand, associated with a cold snap in the USA as well as a cut in crude oil production by the Organisation of Petroleum Exporting Countries. There was a significant increase in prices towards the end of March due to the temporary closure of several refineries in the USA for routine maintenance, as well as geopolitical tensions in Iran.[12]

The growth in the raw material food index during the review quarter reflected respective increases of 9.9 per cent and 9.8 per cent in the prices of maize and soybean, partly offset by a decline of 6.5 per cent in wheat prices (see **Figure 3.4**). The increase in the price of maize reflected continued robust demand for the grain as a feedstock for ethanol. Consequently, this fostered an increase in the demand for soybean as an alternative input in animal feed. The fall in wheat prices reflected improving weather conditions in the USA.

International Capital Market Developments

Monetary Policy

Key interest rates among selected advanced economies were either kept constant or increased during the review quarter (see **Table 3.1**). In the USA, the Fed maintained their target rate at 5.25 per cent throughout the quarter. This decision was influenced by expectations of a moderation in inflation and signs of a deceleration in growth, particularly against the background of a slowdown in the housing market and growth in consumer spending. The Bank of Canada (BoC) also kept its official interest rates unchanged at 4.25 per cent.

In contrast, the Bank of England (BoE), European Central Bank (ECB) and the bank of Japan (BoJ) raised their benchmark rates during the quarter in response to increasing inflationary pressures. In January, the BoE raised its benchmark rate by 25 basis points (bps) to 5.25 per cent, while the ECB raised its benchmark rate by 25 bps to 3.75 per cent in March. In an effort to stem the outflow of private capital, the BoJ doubled its interest rate in March to 0.5 per cent from 0.25 per cent.

[12] Oil prices rose to a six-month high of US$66.04/bbl on the 29 March after 15 British naval personnel were captured in Iran. This coincided with the imposition of new sanctions on Iran by the United Nations Security Council on 24 March.

Figure 3.5
US Treasury Yield Curve

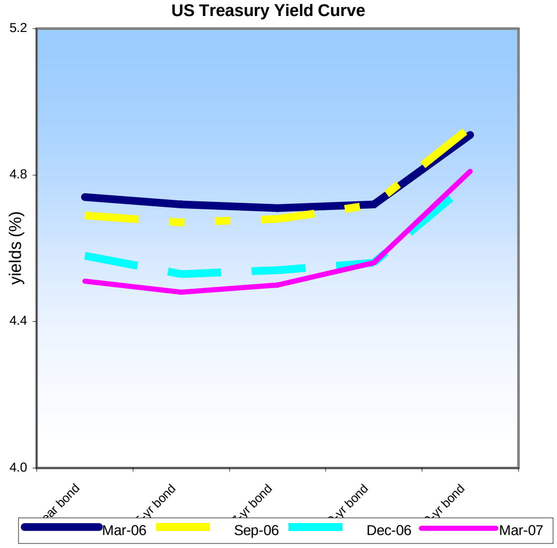
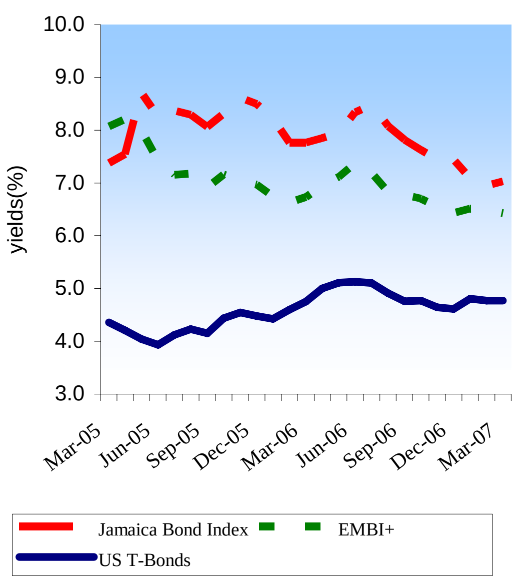


Figure 3.6
Global Bond Yields
Mar 05 to Mar 07



unchanged at 4.56 per cent, relative to the previous quarter (see **Figure 3.5**). Rates in the international financial market, as indicated by the London Interbank Offer Rate (LIBOR), also remained relatively stable during the review period, declining by an average of 2 bps across all tenors up to 1-year.

Emerging Market Bonds

Yields on emerging market bonds, as measured by the JP Morgan Emerging Market Bond Index Plus (EMBI+), declined by 7 bps to 6.38 per cent at the end of the review quarter. Consequently, there was a narrowing of the spreads between the yields on emerging market bonds and US Treasuries (see **Figure 3.6**).

The yields on GOJ US dollar-denominated sovereign bonds declined on average by 27 bps over the quarter, relative to the December 2006 quarter. This reflected a continued increase in investors' appetite for higher yields in the context of the Fed rate being held constant. The yields on GOJ Euro-denominated bonds, however, increased by 15 bps during the review period.

Foreign Exchange Market

The US dollar experienced mixed movements against the major currencies during the March 2007 quarter. The dollar depreciated against the Great Britain Pound and the Euro, while appreciating against the Canadian dollar and the Japanese yen. In particular, the value of the US dollar declined by 1.5 per cent against the Euro, slightly below the average depreciation of 2.1 per cent over the previous five quarters. The monetary policy tightening by the ECB, as well as news of the economic slowdown in the US, led to a weakening of the US dollar. This prompted investors to increase the proportion of their assets denominated in Euros, relative to US dollar denominated assets.[13]

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[13] GDP growth in the USA is projected to decelerate in the March 2007 quarter, relative to the 2.5 per cent growth in December 2006 quarter. Selected indicators suggest that growth in investments and consumption spending will weaken. New home sales for February fell by 18.3 per cent, relative to February 2006. Retail sales, an indicator of consumption expenditure, grew by 0.6 per cent in the March 2007 quarter relative to a growth rate of 1.2 per cent over the past five March quarters.

Box 2: *Inflation Expectations*

Inflation expectations play a significant role in the design and implementation of monetary policy. This is against the background that investors' expectations about inflation influence their consumption and investment decisions which, in turn, directly or indirectly determines actual inflation and nominal interest rates. In this context, a large number of central banks, particularly those that have adopted an inflation targeting framework, use the results of inflation expectation surveys as a key input in their monetary policy decision-making process and to evaluate the credibility of monetary policy.

Accordingly, in pursuit of its objective of price stability, the Bank of Jamaica through the Statistical Institute of Jamaica (STATIN) commenced business expectations surveys in August 2005. The surveys, administered quarterly, canvass expectations about the future movements of prices and interest rate. Additionally, the surveys solicit views on other economic variables such as the exchange rate, output growth and the level of wage/salary increases. Further, the survey seeks to ascertain businesses' view on the prevailing economic conditions and how they expect these conditions to change in the near term.

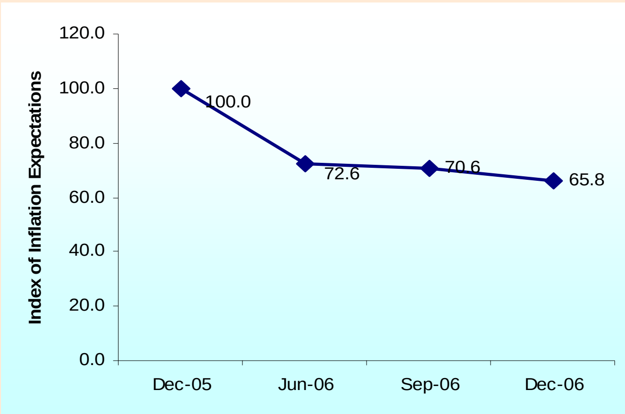
The sample size used for the survey is approximately 350 businesses covering all the sectors of the economy. Since August 2005, the survey has had an average response rate of approximately 80.0 per cent. The Bank hopes to publish analyses of the results of the surveys to facilitate public understanding and assessment of inflation perspectives relative to the actual outturn, and the policy stance of the Bank.

The results of the four business surveys conducted suggest that inflation expectations have been declining consistently since August 2005 (see **Figure 1**). The level of annual inflation expected by the private sector declined by 34.0 per cent as at the November 2006/January 2007 survey relative to the expectations in August 2005. This perception would have been influenced by the fall in the actual inflation rate over the period.

Notably, the pace of reduction in expectations slowed in the latter surveys, as the actual rate of inflation settled in the range of 6.0 per cent to 7.0 per cent. Correspondingly, perception about the effectiveness of inflation management has improved since the initial survey (see **Figure 2**). Figure 3 and Figure 4 indicate a significant improvement in businesses' perception of present and future economic conditions.

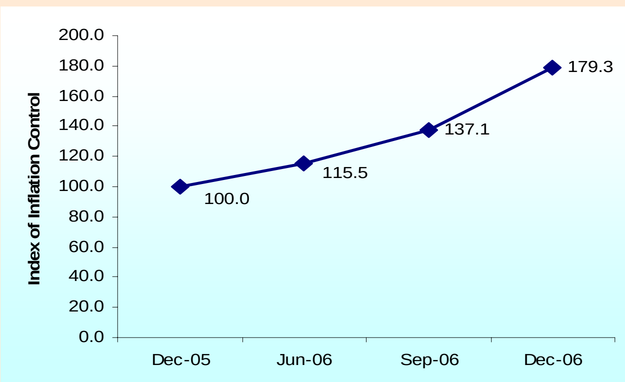
An issue emerging from the surveys is the extent to which perceptions of inflation vary widely across sectors. Since price setting and wage bargaining are typically guided by perceptions of changes in inflation over time, the Bank will be redoubling its efforts in broadening awareness of economic trends to assist the public in making more informed decisions.

Figure 1: Inflation Expectations



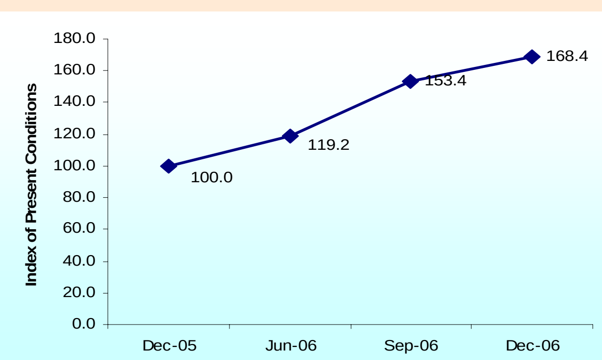
Decline in index indicates lower inflation expectations

Figure 2: Inflation Control



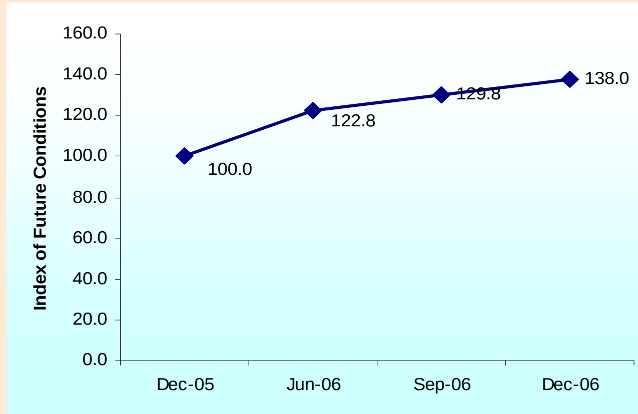
Rise in index indicates greater satisfaction with inflation control by authorities

Figure 3: Current Business Conditions



Rise in index indicates greater optimism of present conditions relative to one year ago

Figure 4: Future Business Conditions



Rise in index indicate greater optimism that conditions in one year will be better than present conditions

4. Inflation

Figure 4.1
Quarterly Inflation Rate
(5-yr Average & Last 4Qtrs Comparison)

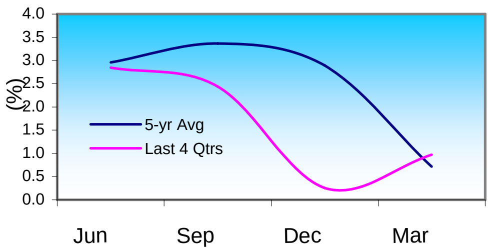


Figure 4.2
Inflation Rate
(12 Month Pt-to-Pt & Quarterly Comparison)

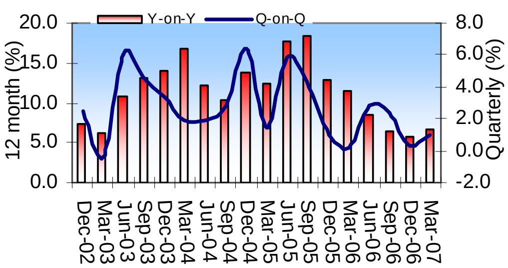
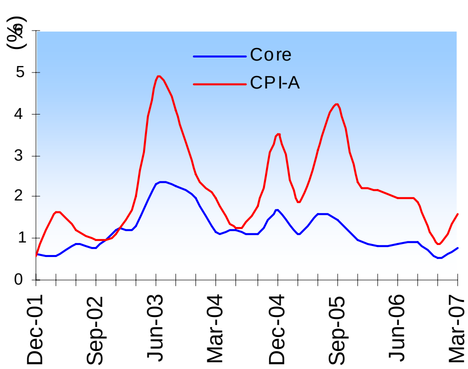


Figure 4.3
Core Inflation per Quarter



Headline inflation for the March 2007 quarter was 1.0 per cent, in line with the Bank's estimate. This outturn compared to 0.3 per cent for the preceding quarter and 0.1 per cent for the March 2006 quarter. The result for the quarter contributed to an inflation rate for FY 2006/07 of 6.6 per cent compared to 11.4 per cent in FY 2005/06, and marked a return to single digit inflation after four years. The factors that underpinned the inflation for the March quarter were moderate movements in international crude oil prices, continued buoyant domestic food supplies and relative stability in the exchange rate for the fiscal year.

Core inflation for the quarter was estimated at 0.8 per cent, relative to the 0.5 per cent in the previous quarter and similar to the rate attained in the corresponding quarter of FY 2005/06. This brought underlying inflation to 3.3 per cent for the fiscal year, relative to 5.0 per cent for FY 2005/06 and was below the Bank's target range of 4.0 per cent to 5.0 per cent.

The All Jamaica Consumer Price Index (CPI) increased by 1.0 per cent in the March 2006 quarter, consistent with projections. On a monthly basis, inflation was 0.3 per cent and 0.2 per cent in January and February, respectively, followed by 0.5 per cent in March. The outturn for the quarter was above the average increase of 0.7 per cent for the March quarter of the last 5 years (see **Figure 4.1**). Inflation in the review quarter was reflective of lagged effects of higher imported grain prices as well as higher costs associated with renewal of annual contracts. These impulses were moderated by mild movements in the price of international crude oil as well as lower prices for agricultural commodities due to strong supplies, particularly for starchy foods.

Inflation for FY2006/07 was 6.6 per cent relative to 11.4 per cent in the previous year and below the Bank's target range of 9.0 per cent to 10.0 per cent. This was the lowest fiscal year inflation outturn since FY 2002/03. The outturn for the fiscal year was largely attributable to the stability of the exchange rate in the first half of the year and the reversal of agriculture prices in the second half. The favourable headline inflation for the fiscal year was also underpinned by continued moderation in core inflation and a relatively stable exchange rate.

Figure 4.4
12- Mth % Change in Average Base Money & Annual Average Core

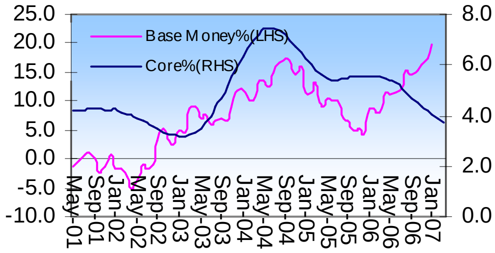
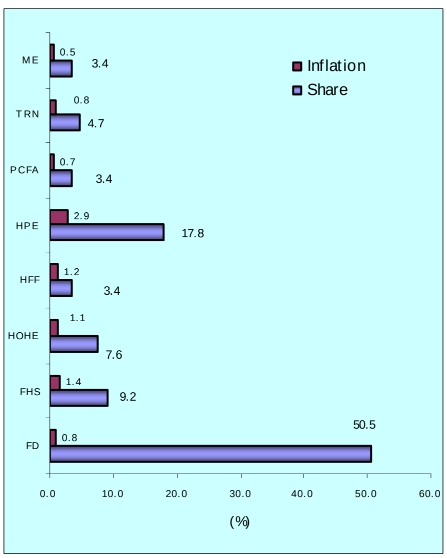
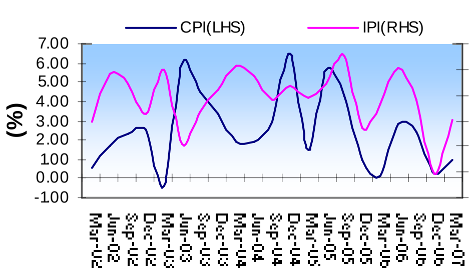


Figure 4.5
Inflation by Group



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

Figure 4.6
Import Price Index and Inflation



Monetary Policy and Inflation

Core inflation for the review quarter was 0.8 per cent compared to 0.5 per cent in the previous quarter and 0.8 per cent in the corresponding quarter of 2006. For the fiscal year, this measure was 3.3 per cent, reflecting a downward trend relative to 5.2 per cent and 5.0 per cent at the end of FY2004/05 and FY2005/06, respectively. The current outturn was also the lowest fiscal year core inflation rate since FY2001/02.

The continued low outturn for core inflation comes in spite of a seasonally high monetary base in the December 2006 quarter. This reflects a change in the temporal relationship between this monetary aggregate and underlying inflation (**Figure 4.4**).

Non-Monetary Factors

The main non-monetary contributors to inflation were higher international grain prices, lagged pass-through of previous increases in energy costs which led to higher operational costs for some services as well as some seasonal increases. There were countervailing movements arising from lower prices from increased supply of agricultural commodities.

Imported Inflation

Imported inflation, as measured by changes in the Bank's Import Price Index (IPI), was 0.9 per cent for the March quarter. This compares to a decline of 3.7 per cent for the December 2006 quarter and a 1.4 per cent increase for the March 2006 quarter (see **Figure 4.6**). The change in the IPI in the review quarter was influenced by the increases in the international prices of raw materials (food), such as corn, rice, wheat and edible oils. These impulses were reflected in the prices of some of the heavily weighted food items in the CPI (e.g. meat, dairy and edible oils). The movement in the prices of raw materials (food) was partially offset by a decline in international oil prices (see **International Developments**). The decline in international oil prices moderated the increases in the energy-related components of the domestic CPI basket (see **Figure 4.9**).

Figure 4.7
Food & Non-food Inflation
(a:Quarterly) (b:Annual)

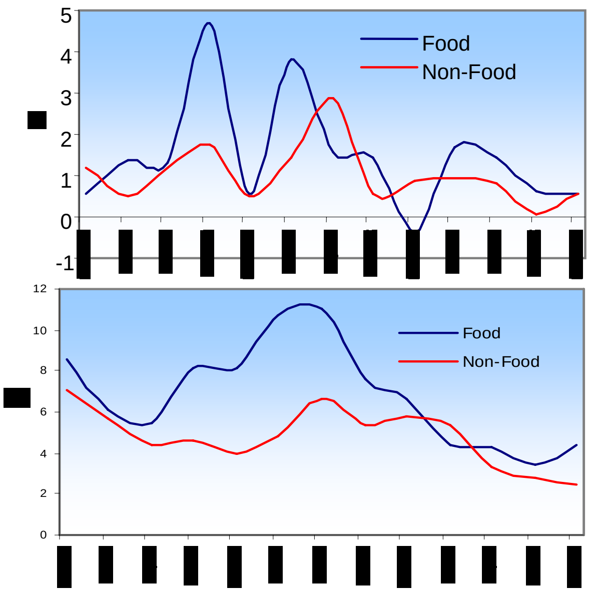


Figure 4.8
3 Month Pt-to-Pt Changes in the Durables Index & the Exchange Rate

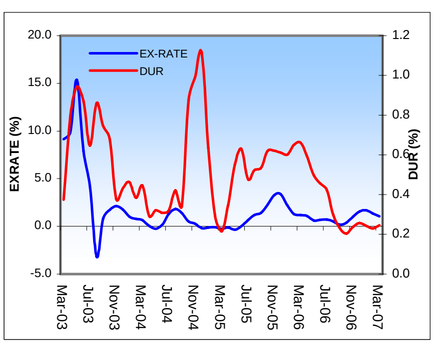
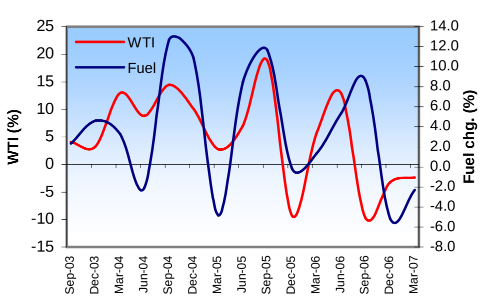


Figure 4.9
Quarterly Chg. in Fuel Index & WTI



Domestic Supply Conditions

The supply of domestic agricultural commodities, particularly tubers, improved for a second consecutive quarter. Consequently, the average price of starchy foods declined by 5.8 per cent during the March quarter, in line with the five-year average decrease of 5.9 per cent in previous March quarters. The supply conditions regarding short-term crops were also positive and this resulted in a decline of 2.3 per cent in vegetables and fruit prices for the quarter. However, this decrease was well below the five–year average rate of deflation of 13.1 per cent over the similar period. In the context of the favourable agricultural supply shocks, there was a moderate increase of 0.6 per cent in the Bank's Food Index relative to a 0.7 per cent increase in the December quarter (see **Figures 4.7a & b**).

The Non-Food index reflected modest inflationary impulses related primarily to the relatively benign movements in oil-related commodities in the CPI. The Non- Food index increased by 0.6 per cent relative to a five-year average increase of 1.0 per cent in the previous March quarters.

Component Contribution to Inflation

Changes in the **Food & Drink, Healthcare & Personal Expenses** and **Fuels & Other Household Supplies** were the major influences on inflation in the review period (see **Figure 4.5**). Other inflationary impulses of note were evident in **Housing & Other Housing Expenses**.

For the review quarter, **Food & Drink** increased by 0.8 per cent and contributed 50.5 per cent to overall inflation. The major movements in this group emanated from *Meat, Poultry & Fish*, *Meals Away from Home* and *Dairy Products, Oils & Fats* which increased by 3.0 per cent, 3.1 per cent and 2.2 per cent, contributing 43.4 per cent, 20.6 per cent and 13.1 per cent, respectively, of the quarter's inflation. The decline in the agricultural sub-groups offset more than a third of the inflation in the sub-index.

The increase in *Meat, Poultry & Fish* reflected continued upward movements in the prices of beef and fish. *Meals Away from Home* reflected the cumulative increases in meat prices since 2006 as well as increases in the cost of beer and rum, attributable to lagged energy price impulses. *Dairy Products, Oils & Fats* reflected the impact of rising prices for grains such as soybeans, which are intermediate inputs in the production of many vegetable oils.

Figure 4.10
Average WTI Crude price (US$) per barrel

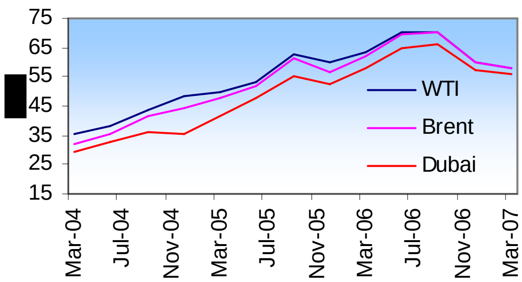
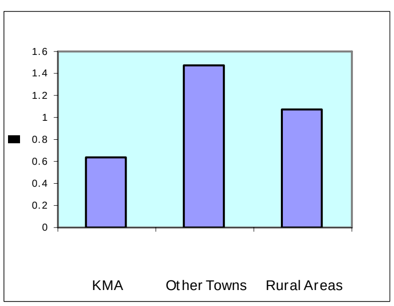


Figure 4.11
Geographical Distribution of Inflation



Seasonal increases in the cost of health insurance, medical services, medicaments and personal grooming were principal factors explaining the expansion of 2.9 per cent in **Healthcare & Personal Expenses.** This sub-group contributed 17.8 per cent of the quarter's inflation.

Fuels & Other Household Supplies reflected respective increases of 1.4 per cent in both sub-categories. *Other Household Supplies* rose due to increases in the prices of items such as detergents and other cleaning agents. The increase in *Fuels* reflected increases in the prices of household fuels such as liquid petroleum gas (LPG), kerosene and charcoal, emanating from the lagged impact of earlier upward movements in oil prices.

The increase in **Housing & Other Housing Expenses** was largely reflective of the 14.0 per cent adjustment in the minimum wage in February 2007. The impact of the wage adjustment on the sub-index was partially moderated by movements in international crude oil prices. The sub-index reflected a decline in the cost of electricity due primarily to an approximately 16.0 per cent fall in the fuel charge component.

Regional Inflation

There was significant disparity in inflation across the three regions during the March quarter. While the indices of the Rural Areas and Other Towns reflected inflation of 1.1 per cent and 1.5 per cent, respectively, the index for the Kingston Metropolitan Area (KMA) was 0.6 per cent. The disparity was primarily evident in *Food & Drink* and *Fuels & Other Household Supplies*. For *Food & Drink*, there were respective increases of 1.4 per cent, 0.8 per cent and 0.5 per cent for Other Towns, Rural Areas and KMA. This primarily reflected sharper declines in *Starchy Foods* and *Vegetables & Fruits* in the KMA. *Fuels & Other Household Supplies* rose by 2.0 per cent and 1.9 per cent in the Other Towns and Rural Areas, respectively, in comparison to 0.8 per cent in the KMA. The disparity in *Fuels & Other Household Supplies* largely reflected the stronger weights of charcoal and kerosene in Other Towns and Rural Areas.

Box 3: *The Producer Price Index (PPI)*

Introduction

In March 2007, the Statistical Institute of Jamaica commenced publication of a Producer Price Index (PPI) for Jamaica. The PPI reflects the prices charged by producers for their finished goods. The addition of this index expands the range of indicators available for economic analysis. Importantly, its timely provision will enhance the estimation of nominal GDP at a quarterly frequency. The change in the PPI is also an important leading indicator of consumer price inflation and in developed economies the PPI is a closely watched and well used economic variable. This index will therefore significantly augment the range of economic indicators used for macroeconomic policy analysis. The usefulness of the PPI is not only limited to macroeconomic analysis but can be of value to the private sector in deflating other economic time series such as inventories and sales, determining price escalation clauses in contracts, assisting in revenue projections and market analysis and in analyzing industry price trends.

Composition and Weights

The Jamaican PPI currently exists for only two sectors, Mining and Manufacturing[14] (see **Table 1**). PPIs for other sectors such as agriculture and services will be developed in the near future. The index is structured according to the Jamaica Industrial Classification (JIC) system, in which each establishment is classified according to its main activity. Approximately 160 establishments and more than 400 products are represented in these two sectors.

Production Cycle & Revision Policy

Monthly producer prices have been collected since January 2005 and consequently, the PPI's base year is 2005. The PPI will be published with an eight-week lag and prices are collected in the third and fourth weeks of each month.

Table 1: Industry	**PPI Structure & Weights**	*Weights*
MINING		**100.0**
Bauxite, Mining & Alumina Processing		97.3
Other Mining & Quarrying		2.7
MANUFACTURING		**100.0**
Food, Beverage & Tobacco		60.2
Textiles, Wearing Apparel & Leather		2.1
Wood, Wood Products & Furniture		2.2
Paper, Paper Products, Printing &		3.3
Chemical & Chemical Products		6.5
Refined Petroleum Products		9.5
Other Non-Metallic Mineral Products		8.5
Fabricated Metal Products (ex. M&E)		4.8
Machinery & Equipment (M&E)		2.9

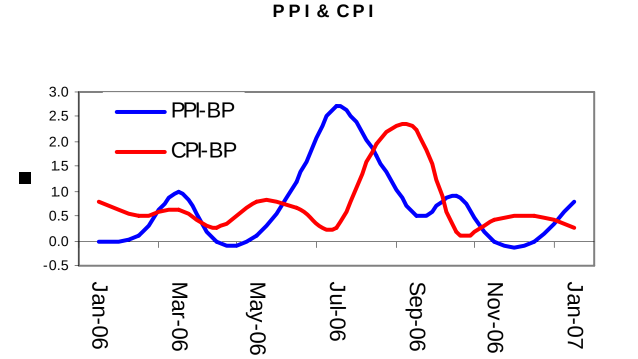
Source: Statistical Institute of Jamaica

The preliminary data published is subject to a minimum of two subsequent revisions in succeeding months. Consequently, the data released in each month would reflect the preliminary figure for the review month, the revised number for the preceding month, and the second revision to the index for the prior month

Comparisons: PPI and CPI

In contrast to the Consumer Price Index (CPI) which captures retail prices, the PPI measures prices as they leave the producer. The index is sometimes being referred to as the Wholesale Price Index. As an analytical tool, the PPI is a more appropriate indicator for the GDP deflator than the CPI. The PPI is generally a good leading indicator of certain categories of the

Figure1: Comparative Sub-group Movement in the PPI & CPI



[14] These groups are further sub-divided into sub-groups such as Manufacture of Dairy Products and Other Food Products.

CPI. For example, Figure 1 shows that there is a two month lag in the relationship between the producer price of baked products and the Baked Products sub-group of the CPI. Similar to the CPI, the PPI can be used to compare the relative competitive position of countries.

5. Economic Outlook and Monetary Policy Perspectives

In the FY2006/07, the economy experienced relatively strong economic growth, moderate inflation and relatively stable financial markets. For FY2007/08, it is expected that these positive trends will continue. Economic growth is projected in the range of 2.5 per cent to 3.5 per cent due to expansion in the construction, mining, transport and electricity sectors. Inflation should be in the range of 6.0 per cent to 7.0 per cent in the absence of negative weather and oil shocks. The Bank will continue its mix of monetary policy strategies aimed at maintaining economic stability. As inflation expectations continue to decline and with the possibility of monetary conditions in the United States easing in the latter half of 2007, there should be further opportunities for the Bank to gradually ease its conservative monetary policy stance.

Table 5.1

Jamaica: Selected Economic Indicators

	Projections for Jun'07 Quarter	*Target for FY07/08*
Inflation (% change)	2.0– 3.0	6.0 – 7.0
Base Money (% change)	4.0	10.0
NIR End Period (US$MN)	2 281.1	2216.1
GDP (12-mth % chg.)	+ve	2.5 – 3.5

Outlook

International Environment

The Jamaican economy should continue to benefit from generally favourable international economic conditions. Although global economic growth is expected to slow to 4.9 per cent in 2007, from 5.4 per cent in 2006, the medium term outlook still remains positive[15], as economic growth is expected to average over 5.0 per cent. Moreover, it is anticipated that the expansion will be broader based. This positive medium term outlook should continue to support strong FDI flows into Jamaica and bodes well for Jamaica's goods and services exports.

There are still some challenges with respect to monetary policy in the US economy as the Federal Reserves tackles the inflation/output trade-off, while seeking to maintain the international competitiveness of US securities. It is expected that inflationary pressures should dissipate by the September 2007 quarter. At that point it is likely that there could be some easing of monetary policy and the economy should gradually return to its long run growth path. The lower inflation rate would translate into lower imported inflation, while the reductions in the US interest rates would enhance the attractiveness of Jamaica Dollar investments.

[15] See IMF's World Economic Outlook released in April 2007. The lower growth is largely due to a slow down in the US and European economies.

Oil prices stable between US60.00 and US$70.00 per barrel with some upside risk to the forecast.

Oil prices remain a concern in the global economy. However, with the increased investment in renewable energy, oil prices should remain stable within the range US$60.00 to US$70.00 per barrel. The average rate of increase in WTI crude oil price in FY2007/08 is expected to be lower than the 8.3 per cent recorded in FY2006/07. Most of the increase in oil prices is expected in the first half of the year. There remains an upside risk to this forecast due to the ongoing instability in the Middle East.

The outlook for key grain prices is mixed. While corn and soya bean prices are expected to rise, wheat prices are expected to decline. The inflation in corn prices is due to the increasing demand for the commodity as a feedstock in the production of ethanol. Consequently, there has also been an increase in the demand, and hence the projected price, for the substitute, soya bean. The projected reduction in wheat prices is predicated on buoyant supplies, resulting from favourable weather conditions.

Inflation

FY2007/08

Inflation expected to remain in the 6.0 per cent to 7.0 per cent

Inflation for FY2007/08 is projected to be in the range 6.0 per cent to 7.0 per cent. This forecast is based on an anticipated acceleration in output growth, which could be accompanied by some inflationary pressures on factor prices as the economy approaches its short run potential. However, an anticipated moderation in imported inflation and declining or stable inflation expectations would dampen any inflationary impulse from demand/supply conditions. The upside risks to this outlook include adverse weather and high oil prices, whilst the downside risks include favourable weather and a possible recession in the US.

Stronger economic growth anticipated in FY2007/08.

Growth in the economy is projected to be in the range 2.5 per cent to 3.5 per cent for the FY2007/08. The main drivers of this expansion should be *Construction; Electricity* and *Mining & Quarrying.*[16] Given that output growth has been above trend since 2006, it is likely that the economy is now closer to its potential output than before[17]. The accelerated growth could eventually place increased pressures on factor prices in some sectors as the rate of expansion exceeds the growth in potential output.

[16] *Construction* growth will accelerate significantly, reflecting major public and private sector construction projects. The projected expansion in the electricity sector reflects the trend growth in demand, which will be facilitated by an expansion in capacity by one of the county's *independent power producers.*

17 Potential output is not directly observable but the Bank estimates this using a number of techniques, including a Kalman filter and an SVAR model.

The impact of imported inflation should be lower in FY2007/08, in a context of the anticipated moderation in the rate of increase in oil prices and a relatively stable exchange rate. The stability in the exchange rate will be underpinned by improved inflows from exports and private transfers.

Inflation expectations have declined over the last 3 fiscal years.

Reinforcing the moderate inflation rate is inflation expectation, which, based on the Bank's surveys have declined in the last two years (see Box: Inflation Expectations). The declining trend in the inflation expectations could be attributed to the Bank's ability to achieve its target for core inflation, which in addition to a reversal in agriculture prices, has resulted in consistent reduction in headline inflation over the last 3 fiscal years.

Short term Outlook – June 2007 quarter

Relatively strong economic growth is anticipated for the review quarter, led by construction, mining as well as basic services, which includes electricity generation, transportation and communication. The pace of economic expansion will be dampened by a slow down in the tourism sector, reflecting the impact of the recovery in Cancun, a major competing destination, as well as the US Government's Western Hemisphere Travel Initiative.

Headline inflation rate for the June 2007 quarter is projected to be in the range of 2.0 per cent to 3.0 per cent. This forecast reflects the usual seasonal increase in the June quarter and would be in line with the 2.8 per cent outturn recorded in the similar period of 2006. The forecast is underpinned by expected increases in oil prices due to the driving season in the US. The impact of this, however, would be moderated by general stability in the exchange rate. A seasonal fall in agricultural output should cause some price increases in the latter part of the quarter. These increases, however, should be lower than in previous years due to the investments that have been made in the sector. The movement in consumer prices during the quarter will also reflect the impact of Government's recent tax measures.

Risks

Upside risks to the forecast include adverse weather and oil prices. The 2007 hurricane season has been forecasted to be extremely active with 17 named storms, 9 hurricanes and 5 reaching intense hurricane status.[18] This creates the risk of a supply shock, which could affect prices as it did in the

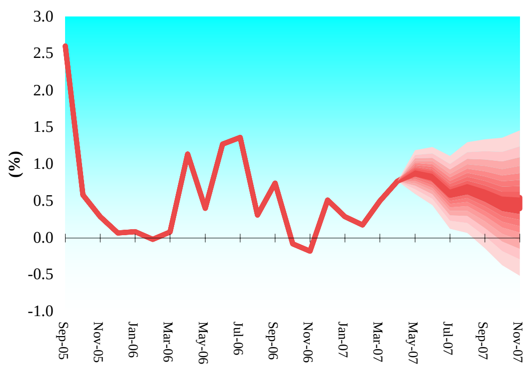
[18] Forecasts by noted hurricane experts Philip J. Klotzbach, Dr. William M. Gray, and their associates at Colorado State University, released 03 April 2007.

2004 to 2005 hurricane seasons. There remains a great deal of instability in the Middle East, which could feed through to international oil prices.

Notwithstanding the upside risks, inflation could be closer to the lower end of the range if the excess agriculture supply conditions and hence the price reversals that characterized latter half of FY2006/07 recur in FY2007/08. In addition to favourable weather this would be dependent on significant improvements in productivity. The possibility of a recession in the US economy also poses a downside risk to the outlook. A recession could result in sharp declines in prices and sharp interest rate reductions by the Fed to stimulate consumer spending. Such an eventuality would result in lower import prices and appreciating tendencies in the domestic exchange rate.

Figure 5.1

Monthly Inflation Forecasts



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

Monetary Policy

For FY2007/08 the Bank will target inflation consistent with the outlook of 6.0 per cent to 7.0 per cent. In this context, the monetary base is targeted to expand in line with nominal GDP growth, by approximately 10.0 per cent relative to the 18.8 per cent recorded in FY2006/07. The demand for financing by Central Government will not pose a challenge to the Bank's monetary programme (see **Box 1: Jamaica's Financial Programme**).

At this point the Bank is of the view that the risks to the inflation forecasts are slightly skewed to the upside (see **Figure 5.1**). Against this background and the imperative of moderating aggregate demand in line with the expansion in the economy's capacity, the Bank will maintain a conservative monetary policy stance. A moderation in the upside risks, further declines in inflation expectations, continued stability in the foreign exchange market, and favourable interest rate policy actions by the US Fed, would provide opportunities for a gradual easing of this stance.

Appendices

A. Fiscal Developments: January to March 2007

Provisional data for the March quarter indicated a fiscal surplus of $883.2 million or 0.1 per cent of GDP, significantly below the target of $9 353.8 million or 1.3 per cent of GDP. The deviation from target was due to higher than budgeted expenditure and a shortfall in revenue and grants. The primary surplus was 3.5 per cent of GDP, compared to the target of 4.1 per cent while, the current surplus was 0.6 per cent of GDP relative to the target of 1.8 per cent.

The expenditure outturn reflected higher recurrent expenditure as capital expenditure was slightly below budget. The deviation in recurrent expenditure was partly influenced by higher spending on domestic interest payments and wages and salaries, with the latter reflecting higher than planned wage settlement under the second Memorandum of Understanding (MOU).

The underperformance of revenue and grants in the March quarter relative to the budget mainly reflected a shortfall in tax revenue. The performance of tax revenue reflected lower than targeted receipts from *Income and Profits* and *Production and Consumption*.

For FY2006/07, the provisional deficit was $37 476.0 million or 5.4 per cent of GDP, compared to the budget of $21 377.9 million or 2.9 per cent of GDP. The deviation reflected higher than budgeted expenditure, as well as a shortfall in revenue and grants. The *current deficit* of 3.0 per cent was above the target of 0.5 per cent due mainly to a significant deviation in expenditure. The primary surplus of 8.7 per cent of GDP was below the target of 9.7 per cent.

Expenditure for the fiscal year reflected higher recurrent expenditure in the second half of the year, influenced by the payment of wages and travelling allowances at rates above those which were budgeted. Interest expenditure exceeded budget throughout the fiscal year due to higher than planned reliance on variable rate (VR) domestic debt instruments which was refinanced at a higher frequency.

The lower than anticipated revenue largely reflected the deviation in tax revenue which was partly influenced by lower than expected collections from the Accounts Receivable Conversion (ARC) Programme. Grant flows were also lower than budget consequent on delays in projects to which these flows are linked.

For the fiscal year, the Government financed operations and amortised debt from domestic and foreign sources, utilising more domestic financing than planned. With regards to domestic financing, there was a greater reliance on VR long-term instruments. As a consequence, at the end of March 2007, the stock of VR instruments was 67.4 per cent of the stock of outstanding domestic debt relative to a target of 40 per cent. Additionally, approximately 80.0 per cent of debt issued in FY2006/07 had maturities of above 5 years resulting in a weighted average age of new debt issued of 9.8 years, relative to 4.2 years for FY2005/06.

The Government also utilised $10 384.2 million (net) in foreign financing, primarily reflecting the issue of a US$350.0 million Eurobond in March 2007. The proceeds will be used to pre-fund the FY2007/08 budget. The amortisation of foreign debt was $16 764.0 million for the fiscal year, slightly more than budgeted.

CENTRAL GOVERNMENT SUMMARY ACCOUNTS
FY 2006/07
(J$MN)

	FY 2006/07 Q4	Target Q4	Variance		FY 2006/07 Q1 - Q4	Target Q1 - Q4	Variance	
Revenue & Grants	**63271.5**	**65009.4**	**-1737.9**	**-2.67%**	**211625.0**	**219234.4**	**-7609.4**	**-3.47%**
Revenue	**62947.6**	**64475.7**	**-1528.1**	**-2.37%**	**209811.3**	**215541.4**	**-5730.1**	**-2.66%**
Tax Revenue	55,911.0	58,002.4	-2091.4	**-3.61%**	188,299.6	195,034.0	-6734.5	**-3.45%**
Non-Tax Revenue	4,488.5	4,267.7	220.8	**5.17%**	14,048.5	12,809.7	1238.8	**9.67%**
Bauxite Levy	1,131.7	997.2	134.5	**13.49%**	4,170.0	3,902.0	268.0	**6.87%**
Capital Revenue	1,416.4	1,208.4	208.0	**17.21%**	3,293.3	3,795.7	-502.4	**-13.24%**
Grants	323.9	533.7	-209.8	**-39.31%**	1,813.7	3,693.0	-1879.3	**-50.89%**
Expenditure	**62388.3**	**55655.6**	**6732.7**	**12.10%**	**249101.0**	**240612.3**	**8488.7**	**3.53%**
Recurrent Expenditure	56718.2	49536.8	7181.4	**14.50%**	225599.1	211727.3	13871.8	**6.55%**
Programmes	12,717.3	11,020.6	1696.7	**15.40%**	49,068.0	46,543.1	2524.9	**5.42%**
Wages & Salaries	20,447.5	17,880.3	2567.2	**14.36%**	78,713.1	72,763.9	5949.2	**8.18%**
Interest	23,553.5	20,635.9	2917.6	**14.14%**	97,818.1	92,420.3	5397.7	**5.84%**
Domestic	17,309.0	14,708.2	2600.9	**17.68%**	71,296.0	66,337.5	4958.5	**7.47%**
Foreign	6,244.5	5,927.8	316.7	**5.34%**	26,522.0	26,082.8	439.2	**1.68%**
Capital Expenditure	5,670.1	6,118.8	-448.7	**-7.33%**	23,501.9	28,885.0	-5383.1	**-18.64%**
Non-interest expenditure	**38834.8**	**35019.7**	**3815.1**	**10.89%**	**151282.9**	**148192.0**	**3090.9**	**2.09%**
Fiscal Balance	**883.2**	**9353.8**	**-8470.6**	**-90.56%**	**-37476.0**	**-21377.9**	**-16098.1**	**75.30%**
Current Balance	**4489.1**	**13196.8**	**-8707.7**	**-65.98%**	**-20894.7**	**-3674.6**	**-17220.1**	**468.63%**
Primary balance	**24436.7**	**29989.7**	**-5553.0**	**-18.52%**	**60342.1**	**71042.4**	**-10700.3**	**-15.06%**
BR	**-0.13**	**-1.28**			**5.37**	**2.91**		
CB	**0.64**	**1.80**			**-2.99**	**-0.50**		
PB	**3.50**	**4.09**			**8.65**	**9.69**		
IP	**3.38**	**2.81**			**14.02**	**12.60**		
FSR	**-0.99**	**-0.86**			**-1.18**	**-1.10**		
NIE	**5.57**	**4.77**			**21.68**	**20.20**		

Key

BR = Borrowing Requirement

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

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

IP = Interest Payments as a percent of GDP

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

NIE = Non-Interest Expenditure = Total Expenditures - Interest Expenditure as a percentage of GDP

International Benchmarks

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

FSR closer to zero indicates more stable government finances

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

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

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

B. MONETARY POLICY DEVELOPMENTS

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

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

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

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

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

18/04/06	The Bank suspended the acceptance of placements on its open market operations (OMO) instruments with tenors of 270 days and 365 days, until further advised. The OMO instruments, along with corresponding interest rates, that remained on offer were 30-days: 12.6 per cent; 60-days: 12.70 per cent; 90-days: 12.75 per cent; 120-days: 12.85 per cent; and 180-days: 13.00 per cent.
01/05/06	The Bank removed the requirement that deposit-taking institutions must hold some portion of their assets as a Special Deposit with the Central Bank. This requirement was introduced in January 2003 to stabilize the financial markets. The initial deposit requirement was set at 5 per cent of prescribed liabilities and this was reduced to 1 per cent in two steps between February and May 2005. The significant improvement in macroeconomic conditions and the positive outlook for fiscal year 2006/07 allowed for the return of the remaining deposits. The sum due to financial institutions as at 28 April 2006 was J$1 564.1 million.
12/05/06	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 12.45 per cent, 12.50 per cent, 12.60 per cent, 12.65 per cent and 12.80 per cent, respectively.
01/09/06	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 12.15 per cent, 12.2 per cent, 12.30 per cent, 12.35 per cent and 12.50 per cent, respectively.
22/09/06	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 11.95 per cent, 12.00 per cent, 12.10 per cent, 12.15 per cent and 12.30 per cent, respectively.
22/12/06	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 11.65 per cent, 11.70 per cent, 11.80 per cent, 11.85 per cent and 12.00 per cent, respectively. This policy action comes against the background of continued robust economic performance and favourable medium term economic outlook.

LIST OF SUMMARY TABLES

C. Summary Tables

1

INFLATION RATES
(%)

	CPI Index (e.o.p)	Head-line (Quarter)	Core (Quarter)
1998/1999	**1182.5**	**6.0**	**2.9**
1999/2000	**1281.7**	**8.4**	**4.0**
June	1205.9	2.0	0.9
September	1237.6	2.6	1.4
December	1265.9	2.3	0.9
March	1281.7	1.3	0.8
2000/2001	**1364.3**	**6.4**	**4.2**
June	1311.4	2.3	1.1
September	1349.3	2.9	1.2
December	1342.6	-0.5	0.8
March	1364.3	1.6	1.0
2001/2002	**1468.5**	**7.6**	**3.3**
June	1404.0	2.9	1.0
September	1442.7	2.7	1.1
December	1459.9	1.2	0.6
March	1468.5	0.6	0.6
2002/2003			
June	1492.8	1.7	0.9
September	1528.0	2.4	0.8
December	1566.1	2.5	1.2
March	1558.4	-0.4	1.3
2003/2004			
June	1653.1	6.0	2.3
September	1728.4	4.6	2.3
December	1786.8	3.4	2.0
March	1820.8	1.9	1.1
2004/2005			
June	1854.8	1.9	1.1
September	1909.2	2.9	1.2
December	2032.1	6.4	1.7
March	2061.5	1.4	1.1
2005/2006			
June	2178.9	5.7	1.7
September	2272.4	4.3	1.4
December	2293.8	0.9	1.0
March	2297.1	0.1	0.8
2006/2007			
June	2362.3	2.8	0.9
September	2419.8	2.4	1.1
December	2425.9	0.3	0.5
March	2449.4	1.0	0.8

2A

COMPONENT CONTRIBUTION TO INFLATION
All Jamaica
January – March 2007

Groups and Sub-groups	Weight in CPI	Inflation (%)	Contribution
FOOD & DRINK	**0.5563**	**0.8**	**50.5**
- Meals Away From Home	0.0741	3.1	20.6
- Meat Poultry & Fish	0.1613	3.0	43.4
- Dairy Products Oils & Fats	0.0668	2.2	13.1
- Baked Products Cereals &Breakfast Drinks	0.0864	1.2	9.3
- Starchy Foods	0.0525	-5.8	-26.8
- Vegetables & Fruits	0.0650	-2.3	-13.1
- Other Food & Beverages	0.0502	0.9	4.0
FUELS & OTHER HOUSEHOLD SUPPLIES	**0.0735**	**1.4**	**9.2**
- Household Supplies	0.0482	1.4	6.0
- Fuels	0.0253	1.4	3.2
HOUSING & OTHER HOUSING EXPENSES	**0.0786**	**1.1**	**7.6**
- Rental	0.0209	0.6	1.1
- Other Housing Expenses	0.0577	1.3	6.5
HOUSEHOLD FURNISHINGS & FURNITURE	**0.0283**	**1.2**	**3.4**
- Furniture	0.0068	0.5	0.3
- Furnishings	0.0215	1.6	3.1
HEALTHCARE & PERSONAL EXPENSES	**0.0697**	**12.9**	**17.8**
PERSONAL CLOTHING FOOTWEAR & ACC.	**0.0507**	**0.7**	**3.4**
- Clothing Materials	0.0055	0.5	0.2
- Readymade Clothing & Accessories	0.0242	0.9	1.8
- Footwear	0.0159	0.5	0.7
- Making & Repairs	0.0051	1.2	0.5
TRANSPORTATION	**0.0644**	**0.8**	**4.7**
MISCELLANEOUS EXPENSES	**0.0785**	**0.5**	**3.4**
ALL GROUPS	**1.0000**	**1.0**	**100.0**

2B

REGIONAL INFLATION

January – March 2007

Groups and Sub-groups	KMA (%)	Other Towns (%)	Rural Areas (%)
FOOD & DRINK	**0.5**	**1.4**	**0.8**
- Meals Away From Home	3.5	1.9	3.6
- Meat Poultry & Fish	2.7	4.3	2.6
- Dairy Products Oils & Fats	2.2	2.5	2.1
- Baked Products Cereals &Breakfast Drinks	1.4	1.4	1.0
- Starchy Foods	-7.8	-4.7	-5.2
- Vegetables & Fruits	-7.0	-0.7	2.2
- Other Food & Beverages	0.3	1.4	1.3
FUELS & OTHER HOUSEHOLD SUPPLIES	**0.8**	**2.0**	**1.9**
- Household Supplies	1.0	2.8	1.1
- Fuels	0.7	1.6	2.3
HOUSING & OTHER HOUSING EXPENSES	**1.0**	**1.0**	**1.8**
- Rental	0.6	0.5	0.5
- Other Housing Expenses	1.1	1.0	1.9
HOUSEHOLD FURNISHINGS & FURNITURE	**-0.1**	**1.4**	**2.4**
- Furniture	-1.9	1.5	2.3
- Furnishings	1.0	1.3	2.5
HEALTHCARE & PERSONAL EXPENSES	**2.2**	**2.7**	**4.1**
PERSONAL CLOTHING FOOTWEAR & ACC.	**0.8**	**0.9**	**0.6**
- Clothing Materials	0.4	0.3	0.8
- Readymade Clothing & Accessories	1.3	0.8	0.5
- Footwear	0.4	0.8	0.4
- Making & Repairs	0.6	2.2	1.3
TRANSPORTATION	**0.7**	**1.1**	**1.0**
MISCELLANEOUS EXPENSES	**0.1**	**1.5**	**0.3**
ALL GROUPS	**0.6**	**1.5**	**1.1**

3

BANK OF JAMAICA OPERATING TARGETS

	Sept-05	Dec-05	Mar-06	Jun-06	Sept-06	Dec-06	Mar-07
Net International Reserves (US$)	**2 119.0**	**2 087.4**	**2 078.1**	**2 110.1**	**2 342.0**	**2 317.6**	**2 329.4**
Net International Reserves ($J)	**131 376.1**	**136 120.7**	**135 515.2**	**138 862.3**	**155 486.0**	**153 862.1**	**157 743.9**
- Assets	139 063.5	141 443.1	154 736.5	150 915.4	164 296.7	159 276.9	**176 994.1**
- Liabilities	-7 687.4	-5 322.4	-19 221.3	-12 053.1	- 8 810.7	-5 414.8	**-19 250.2**
Net Domestic Assets	**-91 001.9**	**-86 703.0**	**-91 907.4**	**-93 911.6**	**-108 165.8**	**- 95 886.7**	**-105 920.6**
-Net Claims on the Public Sector	103 491.4	96 607.0	99 001.8	98 961.5	93 207.9	94 684.7	**96 326.9**
- Net Credit to Banks	-10 289.3	-10 871.7	-10 906.7	-9 322.7	-9 886.1	-10 303.6	**-10 858.6**
- Open Market Operations	-168 108.2	-149 806.5	-157 357.6	-159 438.0	-166 018.9	-154 757.0	**-165 704.0**
- Other	-16 095.8	-22 631.8	-22 644.9	-24 112.3	-25 468.8	-25 510.8	**-25 684.9**
Monetary Base	**40 374.2**	**49 417.7**	**43 607.8**	**44 950.6**	**47 320.2**	**57 975.5**	**51 823.2**
- Currency Issue *	27 401.5	35 644.5	29 714.4	30 734.4	32 143.4	42 317.3	**35 956.2**
- Cash Reserve	12 937.6	13 125.8	13 685.2	14 093.2	14 907.8	14 821.7	**15 734.2**
- Current Account	35.1	647.4	208.2	123.0	269.0	836.5	**132.8**
% change Monetary Base (F-Y-T-D)	**-3.1**	**18.7**	**4.7**	**3.1**	**8.5**	**32.9**	**18.8**

** Excludes BOJ's teller cash*

4

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

	M1J	M1*	M2J	M2*	M3J	M3*
2002/2003						
September	42 475.0	49 450.6	117 345.1	160 591.3	142 633.2	185 879.3
December	44 704.0	51 486.7	119 330.6	165 026.0	145 583.9	191 279.3
March	33 733.5	40 791.3	107 472.2	158 719.5	136 368.0	187 615.2
2003/2004						
June	37 201.6	46754.7	109 847.2	166750.9	140 414.9	197319.3
September	39 838.8	49 028.9	114 121.8	172 760.3	146 844.5	205 483.0
December	45 220.9	55 237.5	123 090.2	183 117.4	156 387.0	216 414.2
March	44 942.9	57 124.2	124 892.6	190 784.0	160 403.2	226 294.7
2004/2005						
June	46 496.4	57 161.6	128 294.6	193 296.0	165 766.6	230 768.0
September	48 959.1	60 090.6	130 416.1	199 673.9	169 273.8	238 532.8
December	55 258.0	67 724.6	141 539.8	211 468.2	182 029.6	251 723.8
March	52 605.9	62 309.4	139 480.6	209 583.2	179 769.4	249 872.0
2005/2006						
June [r]	52 942.5	62 310.9	142 111.3	212 032.6	185 090.2	255 011.5
September	53 089.8	63 212.3	143 430.0	216 480.9	188 253.9	261 304.7
December	62 572.8	72 736.2	155 248.0	228 320.7	200 537.3	273 609.9
March	58 617.7	69 800.3	153 618.0	228 524.9	202 804.6	277 711.5
2006/2007						
June	61 908.1	71 897.4	159 153.6	232 227.4	208 718.0	281 791.8
September	64 668.9	73 233.3	162 466.8	234 331.2	214 812.8	286 677.2
December	78 180.3	87 446.4	181 792.9	256 975.7	235 544.9	310 727.7
March [p]	80 607.2	90 318.5	185 040.3	262 806.8	240 966.1	318 732.6

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

5

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

	Jun-05 r	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06 P	Mar-06 P
M2J	**2 630.7**	**1 318.8**	**11 818.0**	**-1 630.0**	**5 535.6**	**3 313.2**	**19 326.1**	**-6 420.6**
Currency	-574.0	1 119.6	5 549.5	-3 435.3	1 285.3	966.9	7 333.8	-4 631.3
Demand Deposits	910.4	-972.3	3 933.5	-519.7	2 005.1	1 793.9	6 177.6	-2 609.9
Savings Deposits	1 579.0	111.6	3 505.2	296.3	2 951.0	1 288.2	4 413.7	919.7
Time Deposits	715.4	1 059.9	-1 170.2	2 028.7	- 705.8	-735.8	1 401.0	-99.1
OTHER DEPOSITS	**2 690.1**	**1 844.9**	**465.5**	**3 897.4**	**377.8**	**2 781.5**	**1 406.0**	**2 184.8**
TOTAL (M3J)	**5 320.8**	**3 163.7**	**12 283.4**	**2 267.4**	**5 913.4**	**6 094.7**	**20 732.2**	**4 235.8**

SOURCES OF CHANGE IN LOCAL CURRENCY MONEY SUPPLY

	Jun-05 r	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06 P	Mar-06 P
N.I.R. of B.O.J.	**15 796.3**	**-2 41.7**	**-1 952.9**	**-605.5**	**2 100.0**	**15 400.2**	**-1 624.0**	**799.4**
M&LTFL of B.O.J	**11.7**	**33.3**	**44.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Banking System Credit	**18 612.8**	**5 597.7**	**-3 193.7**	**3 235.0**	**3 712.2**	**-3 896.5**	**6 620.4**	**18 440.5**
Public Sector	15 551.6	3 896.3	-5 333.0	-194.2	276.5	-8 872.8	-2 471.5	**13 835.9**
Private Sector	3 061.1	1 701.4	2 139.3	3 429.2	3 435.7	4 976.3	9 091.9	**4 604.6**
Open Market Operations	**-23 658.2**	**-595.1**	**18 301.7**	**-7 551.1**	**-2 080.4**	**- 6580.9**	**11 261.9**	**-10 947.0**
Other	**-5 441.7**	**469.4**	**-916.4**	**7 189.0**	**2 181.6**	**1 171.9**	**4 473.8**	**-12 528.7**
TOTAL	**5 320.8**	**3 163.7**	**1 2 283.4**	**2 267.4**	**5 913.4**	**6 094.7**	**20 732.2**	**4 235.8**
Memo:								
Foreign Currency Deposits (Private Sector)	**-181.3**	**3 129.6**	**21.8**	**1 834.2**	**-1 833.1**	**-1 209.3**	**3 318.4**	**2 583.6**
Foreign Currency Loans (Private Sector)	**-2 901.0**	**3 389.6**	**3 754.3**	**715.3**	**2 801.9**	**478.0**	**3 124.4**	**4 124.8**

preliminary
r-revised

6A

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

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

6B

GOJ TREASURY BILL YIELDS
(End of Period)

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

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

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

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

8A

JAMAICA: GOVERNMENT BOND MARKET
GOJ Maturities
January – March 2007

Maturity Date		Amount J$M	Applicable Interest Rate [b/]
18 January	*VR Inv. Bond 2006/2007 Ser. "B"*	*2 940.7*	*13.80*
18 January	*FR Inv. Deb. 2007 Ser. "Ar"*	*6 062.7*	*15.75*
9 February	*VR Inv. Deb. 2007 Ser. "T"*	*350.0*	*13.925*
15 February	*FR LRS 2007 AE*	*400.0*	*16.25*
26 February	*VR Inv. Bond 2006/2007 Ser. "A"*	*6 004.1*	*13.8*
16 March	*FR Inv. Deb. 2007 Ser. "Aq"*	*3 935.9*	*16.5*
30 March	*VR LRS 2007*	*3 536.3*	*14.99*

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

8B

JAMAICA: GOVERNMENT BOND MARKET
GOJ Domestic Market Issues
January – March 2007

Issue Date	Stock Name	Features	Amount Raised J$M

Source: Debt Management Unit, Ministry of Finance & Planning

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

	Bauxite	Alumina	Sugar	Bananas	Other Traditional	Non-Traditional	Other Goods	Total Exports
2003/2004 [r]	**92.3**	**726.0**	**82.9**	**18.6**	**65.7**	**250.9**	**231.0**	**1 467.4**
June	24.1	166.0	28.9	5.0	17.6	52.4	52.0	346.0
September	23.1	183.2	10.4	4.4	18.5	66.0	60.2	365.8
December	21.0	176.7	1.1	4.6	12.6	60.4	63.2	339.6
March	24.1	200.1	42.5	4.6	17.0	72.1	55.6	416.0
2004/2005 [r]	**82.1**	**825.0**	**87.0**	**8.2**	**74.2**	**272.6**	**216.3**	**1 565.4**
June	25.4	202.8	47.9	4.3	19.2	77.3	55.8	432.7
September	22.3	173.8	7.7	3.9	20.3	59.9	66.7	354.6
December	8.6	237.8	0.0	0.0	19.6	74.1	58.2	398.3
March	25.8	210.6	31.4	0.0	15.1	61.3	37.0	381.2
2005/2006 [r]	100.6	957.5	89.4	7.7	65.3	418.1	170.0	1 808.6
June	22.6	245.2	41.5	2.1	17.2	61.9	48.6	439.1
September	24.8	233.3	3.8	1.3	18.2	106.8	38.9	427.1
December	25.7	231.1	0.0	1.3	9.0	111.6	38.2	416.9
March [p]	27.5	247.9	44.1	3.0	20.9	137.8	44.3	525.5
2006/2007								
June [r]	29.4	258.8	43.0	3.2	25.0	144.8	42.0	546.2
September [p]	29.4	268.7	2.6	3.8	20.1	166.0	40.1	530.7
December [p]	27.0	265.2	0.0	3.4	14.8	161.4	43.2	515.0

r-revised; p-preliminary

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

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

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

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BALANCE OF PAYMENTS QUARTERLY SUMMARY
(US$M)

	Jun-05	Sep-05	Dec-05	Mar-06[r]	Jun-06[r]	Sep-06[r]	Dec-06[r]
1. Current Account	**-294.2**	**-355.2**	**-260.6**	**-255.4**	**-189.8**	**-381.5**	**-270.4**
A. Goods Balance	**-622.0**	**-700.3**	**-657.8**	**-735.9**	**-673.2**	**-822.1**	**-713.7**
Exports (f.o.b.)	439.1	427.1	416.9	**525.5**	546.2	**530.7**	**515.0**
Imports (f.o.b.)	1 061.1	1 127.5	1 074.7	**1 261.4**	1 219.4	**1 352.8**	**1 228.6**
B. Services Balance	**141.2**	**108.1**	**150.0**	**243.3**	**222.2**	**158.8**	**177.8**
Transportation	-72.5	-83.7	-71.5	**-62.1**	**-74.3**	**-103.8**	**-82.0**
Travel	317.2	296.3	330.0	**428.2**	416.6	**386.3**	**382.3**
Other Services	-103.5	-104.5	-108.5	**-122.7**	-120.2	**-123.8**	**-122.5**
Goods & Services Balance	**-480.8**	**-592.2**	**-507.8**	**-492.4**	**-451.1**	**-663.4**	**-535.9**
C. Income	**-190.5**	**-157.1**	**-164.2**	**-169.8**	**-167.9**	**-155.1**	**-188.0**
Compensation of Employees	11.8	35.4	32.8	**9.1**	14.9	**34.8**	**42.3**
Investment Income	-202.3	-192.5	-197.0	**-178.9**	-182.7	**-189.9**	**-230.2**
D. Current Transfers	**377.1**	**394.1**	**411.4**	**406.9**	**429.1**	**437.0**	**435.5**
General Government	32.7	30.8	31.1	**35.7**	31.8	**30.0**	**32.5**
Other Sectors	344.4	363.3	380.3	**371.2**	397.3	**407.0**	**421.0**
2. Capital & Financial Account	**294.2**	**255.2**	**260.6**	**255.4**	**189.8**	**381.5**	**270.4**
A. Capital Account	**-0.7**	**-1.0**	**-0.1**	**-1.8**	**1.3**	**1.1**	**0.8**
Capital Transfers	-0.7	-1.0	-0.1	**-1.8**	1.3	**1.1**	**0.8**
General Government	0.2	0.0	0.0	**0.0**	2.1	**1.6**	**0.4**
Other Sectors	-0.9	-1.0	-0.1	**-1.8**	-0.8	**-0.5**	**0.4**
Acq./disp. Of non-produced non-fin. Assets	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0
B. Financial Account	**294.9**	**356.2**	**260.7**	**257.2**	**188.5**	**380.4**	**269.6**
Official Investment	-7.5	180.5	222.6	**-17.0**	192.5	**121.7**	**280.8**
Private Investment (including net errors & omissions)	557.6	137.9	6.5	**264.9**	27.9	**490.7**	**-35.7**
Reserves	-255.2	37.8	31.6	**9.3**	-31.9	**-232.0**	**24.5**

r-revised

p-provisional

12

PRIVATE SECTOR QUARTERLY CURRENT GROSS TRANSFERS (INCLUDING REMITTANCE INFLOWS) (US$MN)	Commercial Banks	Remittance Companies	Post Offices	Building Societies	Total Remit. Inflows	Other Current Transfers	Total
2003/2004	**330.7**	**697.8**	**1.2**	**298.1**	**1 327.8**	**148.2**	**1 476.0**
June	58.8	170.1	0.3	63.2	292.4	36.0	328.4
September	74.5	169.4	0.3	71.6	315.8	36.0	351.8
December	100.8	183.4	0.3	80.4	364.9	36.0	400.9
March	96.6	174.9	0.3	82.9	354.7	40.2	394.9
2004/2005[r]	**360.6**	**809.5**	**1.2**	**327.4**	**1 498.7**	**272.7**	**1 771.4**
June	96.9	185.6	0.3	83.3	366.1	40.2	406.3
September	70.3	186.4	0.3	84.8	341.8	48.3	390.1
December	97.5	216.5	0.3	88.8	403.1	134.1	537.2
March	95.9	221.0	0.3	70.5	387.7	50.1	437.8
2005/2006	**364.9**	**978.6**	**1.2**	**302.5**	**1 647.2**	**162.6**	**1 809.8**
June	74.7	241.6	0.3	77.3	393.9	40.8	434.7
September	90.8	245.3	0.3	75.2	411.6	40.8	452.4
December	96.7	254.0	0.3	77.1	428.1	40.8	468.9
March	102.7	237.7	0.3	72.9	413.6	40.2	453.8
2006/2007							
June	93.7	260.0	0.3	81.4	435.4	40.2	475.6
September	94.7	268.5	0.3	88.5	452.0	40.2	492.3
December	94.0	276.0	0.3	98.9	469.2	40.2	509.4

13

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

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

	US$	Can$	GB£
2003/2004			
June	59.01	43.69	96.79
September	59.71	43.92	98.54
December	60.62	46.59	107.45
March	61.01	46.46	111.34
2004/2005			
June	61.22	45.65	102.39
September	61.89	49.05	111.62
December	61.63	50.66	117.92
March	61.54	50.61	115.35
2005/2006			
June	61.84	50.52	110.52
September	62.89	53.61	110.02
December	64.58	54.95	110.40
March	65.50	56.14	112.94
2006/2007			
June	66.03	59.50	120.19
September	66.06	59.10	123.48
December	67.15	57.53	131.53
March	67.80	58.75	132.40

15

PUBLIC SECTOR DOMESTIC SECURITIES
Outstanding Stocks

(J$MN)

End Period	Local Registered Stocks	Treasury Bills	Bonds	BOJ Open Market Operations Securities
2002/2003			99 432.9	
December	240 843.3	4 150.0		89 981.3
March	240 923.0	2 950.0	114 524.1	86 203.8
2003/2004				
June	241,163.2	2 000.0	137,960.0	77 126.4
September	232 914.5	2 400.0	160 594.3	83 700.3
December	228 509.3	4 400.0	178 308.3	81 969.4
March	220 819.2	3 750.0	184 219.0	108 281.7
March	240 923.0	2 950.0	114 524.1	86 203.8
2004/2005				
June	222 372.2	3 950.0	187 932.0	123 222.1
September	222 522.4	3 750.0	197 847.6.	127 629.3
December	220 290.5	3 750.0	210 300.0.	130 692.1
March	218 412.6	4 050.0	214 565.6	143 854.8
2005/2006				
June	220 529.2	4 050.0	231 749.8	167 485.1
September	220 059.0	3 800.0	244 195.7	168 108.2
December	225 762.8	3 500.0	240 934.0	149 806.5
March	235 632.7	3 800.0	233 643.7	157 357.6
2006/2007				
June	236 668.6	4 200.0	249 662.1	159 438.0
September	231 237.9	4 600.0	285 901.2	166 018.9
December	229 978.3	4 700.0	294 773.2	154 757.0
March	n.a.	4 200.0	n.a.	165 704.0

n.a: Not Available

16

STOCK MARKET ACTIVITIES
Jamaica Stock Exchange

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

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

17

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

	Bauxite	Alumina	Sugar	Bananas*
2003/2004	**3 842.4**	**3 956.4**	**174.7**	**40.1**
June	992.9	957.0	53.7	9.9
September	975.3	939.8	1.3	10.2
December	916.7	1 012.6	5.9	10.5
March	957.5	1 047.0	113.8	9.5
2004/2005	**3 451.4**	**4 028.5**	**142.0**	**18.1**
June	1 071.2	1 046.4	60.0	9.9
September	907.1	866.7	3.7	8.2
December	398.5	1 062.6	3.6	0.0
March	1 074.6	1 052.8	74.7	0.0
2005/2006	4 099.7	4 048.7	151.0	18.8
June	916.0	1 061.8	51.6	4.5
September	1 022.3	1 013.7	0.0	3.6
December	1 035.9	957.4	5.4	3.5
March	1 125.5	1 015.8	94.0	7.2
2006/2007				
June	1 136.3	1 053.4	46.3	6.9
September	1 186.5	1 003.9	0.0	9.9
December	1 099.7	1 026.5	2.3	8.0
March	1 171.8	1 021.4	95.4	5.8

** Exports*

GROSS DOMESTIC PRODUCT BY INDUSTRY IN PRODUCER'S VALUES, AT CONSTANT (1996) PRICES
Dec 2004 - Dec 2006 (Seasonally Unadjusted)

	Dec-04	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06
Total Gross Domestic Product	-0.87	-0.05	-0.04	3.39	2.57	2.14	2.60	2.91	2.40
Agriculture, Forestry & Fishing	-29.73	-25.72	-17.48	1.57	27.99	22.94	18.36	10.51	11.74
Export Agriculture	-68.94	-52.04	-41.69	-57.76	112.17	64.32	17.83	112.85	28.12
Domestic Agriculture, Livestock, Forestry & Fishing	-22.44	-16.28	-10.78	9.77	21.73	14.43	18.46	5.06	9.62
Mining & Quarrying	0.30	1.33	0.82	16.64	-3.34	-2.08	1.50	0.79	7.04
Manufacturing	0.14	-4.25	-0.06	3.76	-4.42	-0.93	-3.96	-1.47	-3.38
Food, Beverages & Tobacco	3.84	-2.72	0.67	-1.27	-10.38	-6.82	-9.40	-4.72	-7.16
Other Manufacturing	-3.56	-6.33	-1.08	9.63	2.01	7.33	3.79	1.95	0.19
Electricity & Water	-0.23	0.44	1.74	10.24	4.46	3.98	2.01	3.23	4.38
Construction & Installation	10.08	12.09	8.53	10.19	-0.59	-5.05	-4.22	-1.48	1.60
Distributive Trade	0.90	1.77	1.15	0.71	0.86	0.74	0.81	1.76	2.38
Transport, Storage & Communication	-1.16	2.48	-0.59	0.35	2.74	2.74	4.66	6.98	4.39
Finance & Insurance Services	-0.75	-0.39	-0.69	0.22	2.52	1.96	2.11	2.40	2.07
Real Estate & Business Services	1.53	1.64	2.26	2.08	1.81	2.71	2.21	2.27	2.41
Producers of Government Services	0.94	-0.20	-0.74	0.99	1.13	0.21	-0.16	-0.27	0.50
Miscellaneous Services Household and Private Non-Profit Institutions	0.22	5.61	-0.65	-2.33	9.72	7.70	15.81	12.77	3.64
Hotels, Restaurants & Clubs	-0.72	6.50	-1.70	-4.32	12.79	9.17	19.98	16.46	4.09
Less Imputed Bank Service Charge	3.44	2.02	-0.77	-3.27	-2.68	-0.07	1.11	2.45	5.68

D. BANK OF JAMAICA BALANCE SHEET

ASSETS AND LIABILITIES
(End of Period)
J$MN

	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07
Assets	**222 399.7**	**240 192.4**	**248 926.4**	**240 336.2**	**259 287.8**	**256 398.4**	**270 564.3**	**270 075.2**	**269 863.3**
Foreign	118 206.1	134 085.9	140 935.2	139 675.7	154 986.1	150 870.6	163 156.8	160 890.6	176 699.3
Current Account & Foreign Currency Balances	14 005.1	16 263.7	17 681.6	14 090.9	8 942.3	9 263.6	11 987.9	8 668.6	19 617.9
Time Deposits & Securities	98 606.1	108 978.7	120 550.1	122 805.6	138 634.6	134 050.6	143 498.5	144 347.6	149 013.7
Holdings of Special Drawing Rights	10.5	2.6	25.2	0.4	8.8	14.5	17.0	17.9	16.4
Other	5 584.4	8 840.9	2 678.3	2 778.8	7 400.4	7 541.9	7 653.4	7 856.5	8 051.3
Local	104 193.6	106 106.5	107 991.2	100 660.5	104 301.7	105 527.8	107 407.5	109 184.6	93 164.0
Public Sector Securities	85 139.9	85 125.9	90 034.8	81 357.5	79 358.9	84 862.3	87 163.4	86 784.5	68 877.1
Other Assets	19 053.7	20 980.6	17 956.4	19 303.0	24 942.8	20 665.5	20 244.1	22 400.1	24 286.9
Liabilities	**222 399.7**	**240 192.4**	**248 926.4**	**240 336.2**	**259 287.8**	**256 398.4**	**270 564.3**	**270 075.2**	**269 863.3**
Foreign	370.7	395.2	342.2	346.6	361.7	310.3	236.0	295.5	244.8
Local	222 028.9	239 797.2	248 584.2	239 989.8	258 926.1	256 088.1	270 328.3	269 779.7	269 618.4
Currency in Circulation	28 711.7	27 049.7	27 445.9	35 682.7	29 747.7	30 776.5	32 187.6	42 347.3	35 994.1
Deposits	179 817.5	201 790.1	207259.0	187 435.9	210 909.4	210 670.5	224 521.8	212 865.8	219 603.0
Bankers	27 086.5	24 396.5	24 819.5	26 226.8	26 442.0	25 246.5	26 843.9	27 912.0	28 750.2
Government	4 739.6	6 774.8	4 637.5	3 308.4	6 557.1	11 366.4	20 097.7	19 670.0	5 634.1
Open Market Operations	143 854.8	167 485.1	168 108.2	149 806.5	157 357.6	159 438.0	166 018.9	154 757.0	165 704.0
Other	4 136.6	3 133.7	9 693.8	8 094.2	20 552.7	14 619.6	11 561.3	10 526.8	19 514.7
Allocation of Special Drawing Rights	3 573.6	3 792.7	3 792.6	3 792.7	3 792.7	3 792.7	3 792.7	3 914.0	3 914.0
Capital & Reserves	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Other Reserves	2 282.3	2 983.3	2 961.6	2 866.2	2 813.1	3 279.5	3 112.0	3 670.1	3 175.6
Other Liabilities	7 619.9	4 157.4	7 101.1	10 188.1	11 639.2	7 544.9	6 690.2	6 958.5	6 907.8

E. COMMERCIAL BANKS' BALANCE SHEET

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

	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07 P
Assets	**343 452.4**	**346 352.9**	**356 575.5**	**367 078.0**	**385 759.5**	**399 879.3**	**411 403.4**	**429 969.2**	**439 390.1**
Cash	5 139.9	4 034.0	3 320.8	6 014.4	3 519.6	3 254.3	3 696.4	6 536.5	4 806.7
Balances with BOJ	59 776.1	61 415.5	62 486.9	57 747.9	66 793.0	70 857.1	75 384.0	72 120.9	68 393.5
Foreign Assets	67 327.2	61 079.6	71 328.1	75 443.9	83 846.4	90 768.5	90 298.1	96 277.1	93 298.3
Loans & Advances	118 444.9	125 513.2	124 842.3	132 095.3	131 963.6	140 265.3	143 400.2	153 449.2	164 106.1
Private Sector	88 548.4	88 829.5	93 714.5	99 544.2	102 911.4	109 273.5	114 369.4	125 512.2	133 869.2
Public Sector	29 896.5	36 683.7	31 127.8	32 551.1	29 052.2	30 991.8	29 030.8	27 937.0	30 236.9
Public Sector Securities	52 434.0	57 644.9	56 515.4	56 118.0	56 144.6	54 399.3	55 984.4	58 191.2	61 284.1
Cheques in the Process of Collection	6 330.5	3 484.2	4 860.9	3 472.3	7 331.1	5 249.7	4 292.2	4 133.5	7 875.9
Other Assets	33 999.8	33 181.5	33 221.1	36 186.2	36 161.2	35 085.1	38 348.1	39 260.8	39 625.5
Liabilities	**343 452.4**	**346 352.9**	**356 575.5**	**367 078.0**	**385 759.5**	**399 879.3**	**411 403.4**	**429 969.2**	**439 390.1**
Deposits	234 117.2	233 407.8	240 794.3	246 264.9	255 315.4	262 241.9	268 345.9	282 925.5	281 934.6
Local Currency	145 325.4	143 720.0	144 734.2	148 895.3	157 303.3	161 806.5	165 253.8	175 855.2	
Foreign Currency	88 791.9	89 687.8	96 060.1	97 369.6	98 012.1	100 435.4	103 092.1	107 070.3	
Foreign Liabilities	28 856.4	31 241.4	30 496.4	35 453.1	41 797.7	47 720.5	55 210.6	56 800.0	59 386.0
Discounts & Advances from BOJ	117.5	144.1	361.6	234.5	174.6	173.1	226.1	182.6	168.1
Loans/Advances from Other Institutions	5 214.4	5 042.9	5 059.6	5 095.7	4 896.5	4 989.0	4 777.0	5 451.4	5 295.1
Cheques in the Process of Payment	3 056.4	2 828.2	2 616.4	2 789.5	3 450.9	3 645.1	3 305.9	3 900.8	4 528.8
Other Liabilities	72 090.5	73 688.9	77 247.2	77 240.3	80 124.4	81 109.7	79 537.9	80 708.9	88 077.5

P = preliminary

F. INTERNATIONAL INDICATORS

1

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

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

2

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

	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
2002/2003				
June	4 - 3 29/32	4 1/8 - 4 1/32	4 9/32 - 4 3/16	4 21/32 - 4 9/16
September	3 15/16 – 3 27/32	3 29/32 – 3 3/16	3 7/8 – 3 25/32	3 7/8 – 3 25/32
December	4 1/16 – 3 15/16	4 1/32 – 3 29/32	4 – 3 7/8	4 – 3 7/8
March	3 21/32 – 3 19/32	3 21/32 – 3 9/16	3 9/16 – 3 1/2	3 9/16 – 3 7/16
2003/2004				
June	3 11/16 – 3 9/16	3 19/32 – 3 17/32	3 17/32 – 3 15/32	3 17/32 – 3 7/16
September	3 5/8 – 3 17/32	3 11/16 – 3 19/32	3 25/32 – 3 11/16	3 31/32 – 3 7/8
December	4 6/7 – 3 6/8	4-3 7/8	4 5/16 – 4 3/16	4 19/32 – 4 15/32
March	4 3/16 – 4 1/16	4 3/8 – 4 1/4	4 9/16 – 4 7/16	4 3/4 - 4 5/8
2004/2005				
June	4 5/8 – 4 1/2	4 7/8 – 4 3/14	5 1/16 – 4 15/16	5 ¼ - 5 1/8
September	4 27/32-4 23/32	4 15/16-4 13/16	5-4 7/8	5 1/8-5
December	4 7/8 – 4 3/4	4 29/32 – 4 25/32	4 15/16 – 4 13/16	4 31/32 4 27/32
March	4 27/32 – 4 3/4	4 31/32 – 4 7/8	5 1/32 – 4 15/16	5 1/8 – 5 1/32
2005/2006				
June	4 27/32 – 4 11/16	4 25/32 – 4 5/8	4 23/32 – 4 9/16	4 19/32 – 4 13/32
September	4 19/32 – 4 15/32	4 19/32 – 4 15/32	4 9/16-4 7/16	4 7/16 – 4 13/32
December	4 21/32 – 4 17/32	4 5/8 – 4 17/32	4 19/32-4 15/32	4 9/16 – 4 15/32
March	4 19/32 – 4 1/2	4 5/8 – 4 17/32	4 11/16 – 4 9/16	4 25/32 – 4 11/16
2006/2007				
June	4 11/16 – 4 19/32	4 3/4 – 4 21/32	4 13/16 – 4 23/32	5 – 4 29/32
September	4 15/16 – 4 7/8	5 1/16 – 5	5 3/16 – 5 3/32	5 9/32 – 5 7/32
December	5 1/32 – 5 ¼	5 5/16 – 5 7/32	5 13/32 – 5 5/16	5 17/32 – 5 7/16
March	5 15/32 -5 13/32	5 5/8-5 17/32	5 ¾-5 21/32	5 7/8-5 25/32

3

PRIME LENDING RATES
(End- of-Period)

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

4A

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

	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07
US$ vs. Sterling	0.5502	0.5653	0.5818	0.5704	0.5425	0.53430	0.51056	**0.5132**
US$ vs. Canadian $	1.2402	1.1606	1.1656	1.1547	1.1138	1.1153	1.1653	**1.1682**
US$ vs. Yen	108.75	113.34	117.88	117.28	114.63	118.00	119.03	**117.26**
US$ vs. Euro	0.8227	0.8294	0.8445	0.8315	0.7900	0.78820	0.75782	**0.7550**

4B

INTERNATIONAL EXCHANGE RATES
EXCHANGE CROSS RATES
(March 2007)

	GBP	CAN$	US$	Yen	Euro
GBP	1.000	2.275	1.947	228.33	1.470
CAN$	0.440	1.000	0.856	100.37	0.646
US$	0.514	1.168	1.000	117.26	0.755
Yen	0.004	0.010	0.009	1.000	0.006
Euro	0.680	1.547	1.325	155.31	1.000

4C

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

	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar -07
Sterling vs. US$	1.7691	1.7168	1.7440	1.843	1.8716	19586	1.9473
Sterling vs. Canadian $	2.0532	2.0054	2.0185	2.053	2.0874	2.2824	2.2748
Sterling vs. Yen	200.51	202.63	204.54	211.29	220.84	233.14	228.36
Sterling vs. Euro 1/	1.467	1.4554	1.4501	1.456	1.4752	1.4843	1.4702

5A

WORLD COMMODITY PRICES
ALUMINIUM
(US$ per tonne)
(End- of-Period)

	Sept-05	Dec-05	Mar-06	Jun-06	Sept-06	Dec-06	Mar - 07
Spot (Cash)	1857.00	2247.50	2429.12	2477.34	2572.00	2850.00	2801.5
3 Month	1877.00	2236.50	2458.15	2520.61	2587.00	2800.00	2604.0

5B

WORLD COMMODITY PRICES
FOOD
(End- of-Period)

	Sep-05	Dec-05	Mar-06	Jun-06	Sept-06	Dec-06	Mar - 07
Wheat **(US$/m t)**	159.7	164.44	174.40	195.20	196.00	204.31	199.10
Coffee (USc/kg arabica brand)	219.3	233.18	250.6	227.40	242.10	282.99	258.12

5C

MAJOR STOCK MARKET INDICES
(End- of-Period)

	Sep-05	Dec-05	Mar-06	Jun-06	Sept-06	Dec-06	Mar-07
TOKYO							
Nikkei Index	13574.3	16111.43	17059.66	15505.18	16127.58	17225.83	17287.65
NEW YORK							
Dow Jones Industrials	10568.7	10717.50	11150.30	11150.22	11679.07	12463.15	12354.35
S & P Composite	1228.81	1248.29	1299.72	1270.20	1335.85	1418.30	1420.86
LONDON							
Financial Times SE 100	5477.7	5618.8	5964.6	5833.4	5960.8	6220.8	6308.0
FRANKFURT							
Dax Index	5044.12	5408.26	5970.08	5683.31	6004.33	6596.92	6917.03
ZURICH							
SMI Index	6898.88	7583.93	8023.30	7652.10	8425.91	8785.74	8976.99

6

WORLD COMMODITY PRICES KEY CRUDE OIL PRICES (US$/barrel – f.o.b.) (End- of-Period)							
	Sep-05	**Dec-05**	**Mar-06**	**Jun-06**	**Sep-06**	**Dec-06**	Mar - 07
UAE's Dubai Light	56.54	56.75	57.65	65.08	59.77	58.67	59.05
North Sea Brent	61.88	53.13	62.25	68.86	62.77	62.31	62.09
West Texas Intermediate	66.25	59.41	62.89	70.93	64.10	62.03	60.61

Glossary

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

Base Money: The sum of notes and coins held by the public and the cash reserves of commercial banks (including both their holding of cash and their deposits at the central bank). The monetary base is the operating target used in the BOJ monetary policy framework and can be controlled through open market operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Money Supply**:** This is the stock of instruments or assets formally designated as money in a particular economy. There are alternative measures of money supply both within and between countries. In Jamaica, the measurements of money that are calculated and published are:
M1: Notes and coins in circulation + Demand Deposits
M2: M1+ Time and savings deposits
M3: M2 + Other Deposits.
A 'J' indicates that the components are Jamaican dollar liabilities only and an '*' indicates that the components also include foreign currency liabilities of the banking system.

Monetary Base*: See *Base Money

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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