



QUARTERLY MONETARY POLICY REPORT

January - March 2008
Volume 8 No. 4





Bank of Jamaica
Quarterly Monetary
Policy Report

JANUARY - MARCH 2008

Volume 8 No. 4

© 2003 Bank of Jamaica
Nethersole Place
Kingston
Jamaica

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

ISSN 0799 1037

*The report is available in PDF format at the Bank's website.
Comments on this publication are welcome and can be sent directly to the Bank or to our website.*

CONTENTS

Preface	i
Overview	iii
1. Monetary Policy and Financial Markets	
Money & Credit	1
<i>Monetary Policy & Base Money Management</i>	1
<i>Money Supply</i>	4
<i>Private Sector Credit</i>	7
Bond Market	10
Stock Market	12
Foreign Exchange Market	15
2. Real Sector Developments	17
<i>Box 1: Impact of a Potential USA Recession on the Jamaican Economy</i>	21
3. International Developments	23
4. Inflation	27
<i>Box 2: Recent Trends in International Commodity Prices</i>	31
5. Economic Outlook and Monetary Policy Perspectives	34
Appendices	
A. Fiscal Developments	40
B. Monetary Policy Developments	43
C. Summary Tables	48
Glossary	71
List of Boxes in the QMPR	75

PREFACE

The Bank of Jamaica's Quarterly Monetary Policy Report reviews the conduct of monetary policy and the main factors that influenced inflation during the quarter. It also presents the Bank's perspective on emerging economic trends and the path of monetary policy over the short to medium term. This issue features a discussion on the impact of a potential US recession on the Jamaican economy (Box 1) as well as, an examination of recent trends in international commodity prices (Box 2).

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 macroeconomic environment continued to be adversely affected by international economic developments during the March 2008 quarter, influenced primarily by increases in agricultural raw material and, to a lesser extent, oil prices. An acceleration of price increases for these commodities, since 2007, reflected robust growth in world demand, tightening of global supplies and increased speculation in commodities futures markets (see **Box 2: Recent Trends in International Commodity Prices**). In addition, major domestic supply constraints resulted in excess demand in the retail markets for agricultural commodities, placing considerable upward pressure on prices during the quarter. Consequently, headline inflation was 5.2 per cent in the March 2008 quarter. The outturn for the quarter exceeded the average increase of 1.2 per cent for the March quarters of the last 5 years. Inflation in the March quarter emanated mainly from changes in food prices, with **Food & Non-Alcoholic Beverages** accounting for 52.3 per cent of the inflation outturn. Administered prices and energy costs were also significant, with **Miscellaneous Goods & Services** and **Housing, Water, Electricity Gas & Other Fuels** contributing 11.2 per cent and 9.3 per cent, respectively.

The Bank implemented several measures in an effort to tighten monetary policy in response to continuing inflationary pressures and instability in the foreign exchange market facilitated by excess Jamaica Dollar liquidity early in the quarter. A significant block of Jamaica Dollar liquidity was absorbed by the BOJ by way of a variable rate certificate of deposit (VR CD) complemented by the sale of foreign currency to the market. In addition, the Bank increased interest rates twice on its entire spectrum of open market operation (OMO) instruments during the quarter and re-introduced the 365-day tenor. The adjustment in OMO rates influenced an increase in the overall commercial bank weighted average lending rate by 22.0 basis points for the review quarter.

The tightening of monetary policy during the review quarter, an overall softening of external interest rates as well as general uncertainties surrounding external financial conditions all had a positive impact on foreign exchange market stability.

Consequently, the strong demand pressures experienced in the market in January 2008 abated during February and March. This stability was bolstered by increased foreign currency inflows primarily from the tourism sector, the foreign acquisition of a major listed company as well as from the unwinding of foreign currency positions by the authorized dealers. At end-March 2008 the weighted average selling rate (WASR) of the US dollar increased to J\$71.09 = US\$1.00, representing a 0.66 per cent rate of depreciation for the quarter. This depreciation was above the 0.29 per cent depreciation in the December quarter, but below the average depreciation of 0.74 per cent in the preceding three March quarters.

In the context of the improvement in foreign exchange market conditions, the Bank net purchased US\$289.7 million from the market during the quarter. Consequently, the NIR at end-March 2008 was US\$2 083.4 million, US\$205.7 million above the outturn for end-2007. The liquidity emanating from the BOJ's foreign currency purchases was absorbed primarily through the Bank's open market operations, which amounted to \$23 437.9 million. Against this background, the monetary base contracted by 9.8 per cent, marginally less than the programmed contraction of 10.6 per cent.

Close management of the Bank's main operating target, the monetary base, kept the related indicators of monetary expansion with their target zone. Broad Jamaica money supply (M3J) contracted by 4.0 per cent relative to the 3.9 per cent contraction programmed for the March 2008 quarter and the decline of 1.8 per cent in the March 2007 quarter. The reduction in M3J during the review quarter was reflected in all categories of local currency deposits as well as currency in circulation. For the fiscal year as a whole, M3J increased by 9.0 per cent relative to the 9.5 per cent increase anticipated in the monetary programme and the 14.1 per cent expansion recorded for FY 2006/07.

The rate of expansion of private sector credit slowed to 2.7 per cent during the review quarter following growth of 5.1 per cent and 6.7 per cent during the December 2007 and March 2007 quarters, respectively. The outturn brought credit growth to 23.8

per cent for FY2007/08, well above the increase of 13.5 per cent outlined within the financial programme. Consistent with the trend over the past seven quarters, the ratio of private sector loans to total assets continued to increase as the commercial banks maintained their aggressive marketing of private sector loans.

During the March 2008 quarter, the economy is estimated to have grown between 1.0 per cent and 1.5 per cent in the March 2008 quarter, representing a marginal deceleration, relative to growth of 1.9 per cent in the corresponding quarter of 2007. The main drivers of growth within the review quarter were *Construction & Installation, Hotel, Restaurant & Clubs, Transport, Storage & Communication, Financing & Insurance* and *Distributive Trade*. However, overall growth in the economy is estimated to have been significantly dampened by the contractions in *Agriculture, Forestry & Fishing, Electricity & Water* and *Mining & Quarrying*. For FY2007/08, the economy's growth is estimated to have decelerated to a range of 0.8 per cent to 1.2 per cent, from 2.4 per cent in the previous fiscal year.

The bank's projection for the June 2008 quarter envisages output to grow within the range of **1.5 per cent to 2.5 per cent**. The increase in output should be primarily due to expansions in *Mining & Quarrying, Miscellaneous Services, Construction & Installation* and *Transport, Storage & Communication*.

If the current slowdown in the US economy develops into a recession, Jamaica's GDP growth is expected to be lower by 0.4 percentage point relative to the forecast of 3.0 per cent growth in FY 2008/09 (see *Box 1: Impact of a Potential USA Recession on the Jamaican Economy*). This marginal impact is mainly attributed to the anticipated short duration of the recession as well as the relative small contribution to GDP of the sectors which would be primarily affected. The adverse impact of the recession is expected to be predominantly reflected in the mining, tourism, export manufacturing and transportation industries, and, to a lesser extent, the distributive trade sector.

Consequent on the assumptions of a recession in the United States of America, the projected inflation for FY 2008/09 is expected to

be lower by 1.6 percentage points relative to the baseline forecast of 11.5 per cent to 14.5 per cent. However, the risks to the inflation forecast continue to be biased on the upside. These risks include adverse weather, higher than anticipated increases in international commodity prices and continued uncertainty in the international credit markets.

Headline inflation for the June 2008 quarter is forecasted to be in the range of **5.0 per cent to 6.0 per cent**. This forecast is underpinned by expectations of continued increases in international commodity prices, adjustments in administered prices and some domestic capacity constraints. The foreign exchange market should continue to display relative stability and hence will not compound the pass-through of imported inflation. The main policy challenges for the Central Bank during the June 2008 quarter will be to constrain inflation to the lower end of the forecast range. In this context, the Bank has targeted a reduction in monetary base of approximately 3.0 per cent for the quarter, relative to the average seasonal increase of 0.3 per cent for June quarters. The Bank remains prepared to enact any further policy action necessary to ensure price stability.



1. Monetary Policy and Financial Markets

Table 1.1

Selected Economic Indicators				
	Outturn for Mar'08 Quarter	Projection for Mar'08 Quarter	Outturn for FY07/08	Original Targets for FY07/08
Inflation (% change)	5.2	0.7	19.9	7.0-8.0
Base Money (% change)	-9.8	-10.6	13.5	11.1
NIR (eop) (US\$ mn)	2 083.4	2 216.1	2 083.4	2 216.1

Money & Credit

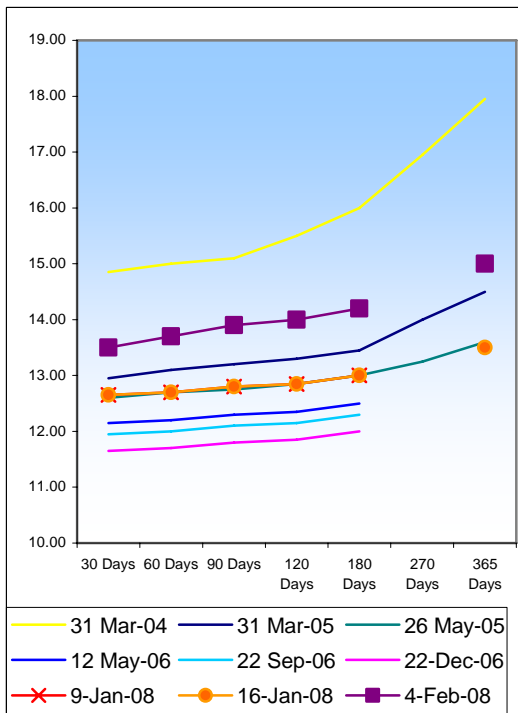
Monetary Policy and Base Money Management

The Bank tightened monetary policy during the March 2008 quarter in order to mitigate inflationary impulses emanating from instability in the foreign exchange market early in the quarter. In particular, the Bank increased interest rates twice on the entire spectrum of open market (OMO) instruments during the quarter and reintroduced the 365-day tenor. The Bank also offered a variable rate certificate of deposit (VR CD) and sold foreign currency to the market. The tighter monetary policy stance and the widening of the interest rate differential due to reductions in US interest rates, influenced investors to unwind foreign currency holdings. This contributed to net foreign currency purchases by the Bank during the second half of the quarter. Against this background, the monetary base contracted by **9.8 per cent** relative to the programmed contraction of **10.6 per cent**.

The Bank increased interest rates on two occasions during the quarter.

Figure 1.1

BOJ Open Market Operations Yield Curve



The Bank undertook several policy measures in the March 2008 quarter in an effort to manage excess domestic liquidity emanating from seasonally high currency redemption and maturing Government of Jamaica (GOJ) and OMO instruments. This action was warranted given the acceleration in inflation that began in the December 2007 quarter and the need to limit additional inflationary impulses associated with the instability in the foreign exchange market during January (see **Foreign Exchange Market** and **Inflation**).

The Bank increased interest rates by 100 basis points on 09 January across the entire spectrum of 30-180 day OMO instruments and on 16 January, reintroduced the 365-day tenor, which had been removed from the menu of open market instruments in April 2006. This action elongated the maturity profile of OMO instruments.

In addition to these instruments, the Bank offered an 18-month VR CD on 18 – 22 January to replace a maturing 1-year BOJ VR CD. The new VR CD offered an initial coupon of 12.80 per cent, 100 basis points higher than the coupon on the maturing instrument. The repricing margin was also increased by 50 basis points to 1.5 percentage points (see **Bond Market**). In contrast to the maturing VR CD whose repricing was linked to the BOJ 90-day CD, the new

Table 1.2

Net International Reserves				
Jan – Mar 2008				
Flows (US\$MN)				
	Jan	Feb	Mar	Total
NIR	-58.6	137.1	127.2	205.7

Figure 1.2
Base Money
(Quarterly Change)

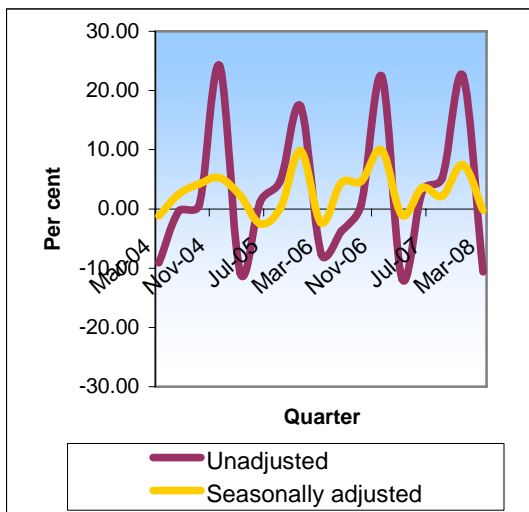
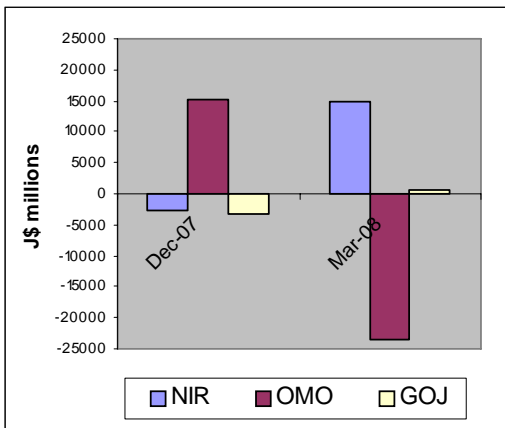


Figure 1.3

Effects of the NIR, GOJ & OMO on Liquidity*



*Absorption-negative, Injection-positive

VR CD was linked to the 90-day weighted average Treasury Bill rate applicable at the beginning of each quarterly interest period.

On 4 February, the Bank further increased rates across the spectrum of 30-365 OMO instruments by 85 to 150 basis points (see **Figure 1.1**). This second adjustment was aimed at further enhancing the attractiveness of domestic assets in light of an acceleration in inflation above expectations. The need for this action was also underscored by increased pace of depreciation of the Jamaica Dollar despite the earlier policy measures. In conjunction with these OMO adjustments, the Bank sold foreign currency to the market during the first month of the quarter to augment supply (see **Foreign Exchange Market**).

The OMO rate increases led to a further widening in the interest rate differential between foreign currency and Jamaica Dollar instruments. In the context of the attractive interest differential, there was an unwinding of foreign currency holdings, which engendered stability in the foreign exchange market during the second half of the quarter. This stability was bolstered by increased foreign currency inflows primarily from the tourism sector as well as the sale of a large Jamaican enterprise to a Trinidadian firm (see **Stock Market** and **Foreign Exchange Market**). These conditions influenced net purchases of foreign currency by the Bank of US\$289.7 million during the quarter, and contributed to an increase of US\$205.7 million in the NIR (see **Table 1.2** and **Foreign Exchange Market**). The increase in the NIR represented the main source of domestic liquidity throughout the quarter. This liquidity was reabsorbed by the Bank through OMO of \$23 437.9 million, and to a lesser extent through a build up in GOJ balances at the bank.

Against this background, there was a contraction in the monetary base of \$6 414.7 million or 9.8 per cent which was less than the 10.6 per cent programmed for the quarter (see **Table 1.1** and **Figure 1.2**). The contraction in the monetary base was largely reflected in a net currency redemption of \$6 975.4 million or 14.8 per cent, mainly due to the decline in demand for cash following the seasonal increase in the December quarter. The deviation in the contraction of the monetary base was reflected in an increase in the cash reserve relative to a programmed decline. Contributing to the deviation, was the greater than programmed increase in the NIR.

In contrast to the outturn for the quarter, the monetary base for the fiscal year 2007/08 expanded by **13.5 per cent**, which was **2.4 percentage points** higher than programmed. The main source of the deviation was the net unwinding of OMO securities, relative to an anticipated absorption, the impact of which was partially offset by a greater than programmed decline in the NIR. The unwinding of OMO instruments during the fiscal year largely facilitated the acquisition of foreign currency assets. The higher demand for foreign currency assets relative to domestic assets was associated with uncertainties regarding possible policy changes after the general elections and the impact on the real sector of Hurricane Dean and the prolonged October rains (see **Real Sector**).

Figure 1.4
Money Supply
(Quarterly Growth Rates)
 March 2004 to March 2008

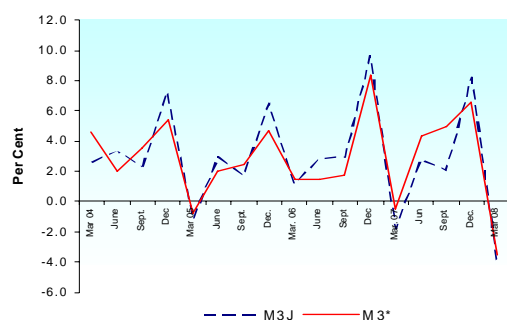


Table 1.3

Money Supply (12-month growth rates)		
MJ	Mar-07	Mar-08
M1J	21.0	8.9
M2J	14.2	7.9
M3J	14.1	9.0
M*		
M1*	15.5	9.5
M2*	10.8	12.5
M3*	11.3	12.5

Table 1.4

INTEREST RATES IN THE DOMESTIC MARKET			
	Feb-07	Dec-07	Feb-08
COMMERCIAL BANK			
WEIGHTED AVERAGE			
DEPOSIT RATES			
Overall	5.02	4.92	4.85
Demand	2.89	2.79	2.53
Savings	4.61	4.47	4.41
Time	6.76	6.99	6.88
Foreign Currency	3.20	3.13	2.93
Demand	2.31	2.35	1.88
Savings	2.28	2.31	2.20
Time	5.12	5.09	4.96
6-MONTH TREASURY			
BILL RATE	11.94	13.34	14.22
BOJ 180-DAY REPURCHASE			
AGREEMENT RATE	12.00	12.00	14.20
PRIVATE MONEY			
MARKET RATE	12.00	12.60	14.00
<i>memo:</i>			
6-MONTH U.S.			
TREASURY RATE	5.16	3.34	2.10

Money Supply

During the March 2008 quarter, broad Jamaica Dollar money supply (M3J) declined by 4.0 per cent relative to the 3.9 per cent reduction anticipated in the monetary programme and the decline of 1.8 per cent recorded for the March 2007 quarter. The main source of the reduction in M3J was a build-up in open market securities, which was partially offset by an increase in the NIR.

The measure of money supply that includes foreign currency deposits, M3*, declined by 3.5 per cent. This reflected a decline of 2.1 per cent in foreign currency deposits as well as the contraction in M3J. Consequently, the ratio of foreign currency deposits to total private sector deposits declined to 30.4 per cent at end-March 2008 from 30.5 per cent at end-December 2007. However, this ratio was higher than the 28.0 per cent at end March 2007, largely reflecting significant growth in foreign currency deposits for FY 2007/08.

For the March 2008 quarter, broad Jamaica Dollar money supply (M3J) declined by 4.0 per cent relative to the 3.9 per cent reduction anticipated in the monetary programme and the decline of 1.8 per cent recorded in the March 2007 quarter. The outturn brought growth in M3J to 9.0 per cent for the fiscal year 2007/08, within the programme target of 9.5 per cent (see **Figure 1.3**).

The main source of reduction in M3J for the March 2008 quarter was net placements of \$23 437.9 million in OMO securities. A net build-up in deposits by the public sector also contributed to the reduction in M3J. The reduction in M3J was partially offset by an increase of \$14 793.9 million in the NIR.

The reduction in money supply during the review quarter was reflected in both local currency deposits and currency in circulation. Local currency deposits declined by \$ 10 563.2 million or 1.4 per cent, relative to marginal growth of 0.2 per cent in the corresponding quarter of 2007.

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

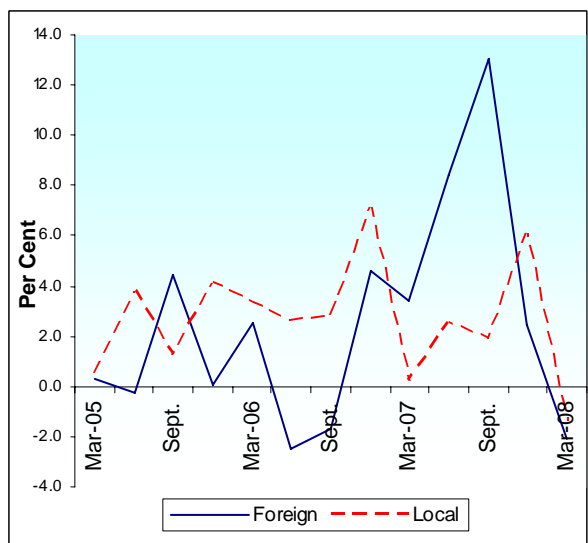


Figure 1.6

Foreign Currency Deposits to Total Deposits
March 2005 to March 2008

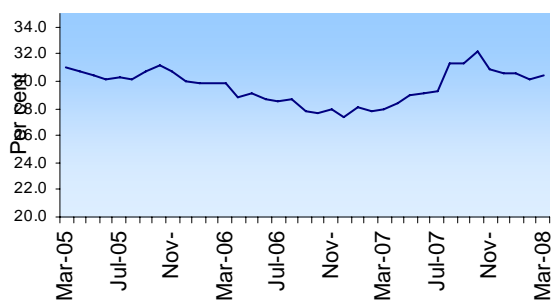


Table 1.5

COMPONENTS OF THE MONEY MULTIPLIER			
	Mar-07	Dec-07	Mar-08
	%	%	%
Currency to Deposits	15.56	18.33	15.17
Reserves to Deposits	10.33	11.07	11.71
Money Multiplier	4.46	4.02	4.28

The reduction in local currency deposits was reflected in all components, particularly demand and time deposits which declined by 9.0 per cent and 3.9 per cent, respectively. The decline in these deposits occurred in a context where a portion of these funds would have been used to finance tax obligations which became due in March. In addition, investors participated in Government's debt raising activities which occurred towards the end of the quarter.

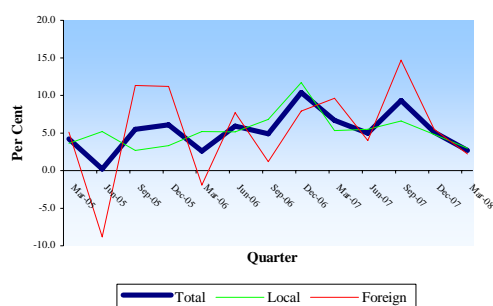
Currency in circulation declined by \$7 472.1 million or 18.4 per cent, a more significant reduction when compared to the 12.9 per cent decline recorded for the corresponding period of 2007. The decline in currency in circulation reflected seasonal net currency redemption following the sharp increase in the Christmas season. The more significant reduction in currency is consistent with the lower economic activity in the quarter relative to the corresponding period of the previous fiscal year.

During the review quarter, M3* declined by 3.5 per cent, relative to the 0.5 per cent decline for the March 2007 quarter (see **Figure 1.4**). Within M3*, foreign currency deposits declined by 2.1 per cent, relative to expansions of 2.4 per cent and 3.4 per cent in the preceding quarter and the March 2007 quarter, respectively. A tightening in the Bank's monetary policy stance in the March quarter and excess supply of foreign currency would have induced investors to convert some of their foreign currency holdings to Jamaica Dollar instruments. The decline in these deposits influenced a reduction in the ratio of foreign currency deposits to total private sector deposits to 30.4 per cent at end-March 2008 from 30.5 per cent at end-December 2007. However, this was above the 28.0 per cent recorded at the end of the March 2007 quarter (see **Figure 1.6**).

At end-March 2007, the money multiplier was 4.28 relative to 4.02 at the end of the previous quarter and 4.46 at end-March 2007. The outturn for the quarter was due to a reduction in the currency to deposit ratio and an increase in the reserve to deposit ratio. The reduction in the currency to deposit ratio mainly reflected the seasonal net currency redemption. The increase in the reserves to deposit ratio was in the context of vault cash holdings by commercial banks that surpassed the outturn for the December 2007 quarter (see **Table 1.5**). This could be possibly due to a higher than anticipated draw down in deposits to meet tax payments in the context of the Government's aggressive drive to collect taxes.

For FY 2007/08, M3J increased by 9.0 per cent relative to the 9.5 per cent increase anticipated in the monetary programme and the 14.1 per cent expansion recorded for FY 2006/07. The expansion in M3J for FY 2007/08 reflected increases of 9.4 per cent and 6.6 per cent in local currency deposits and currency in circulation, respectively. During FY 2006/07, local currency deposits and currency in circulation increased by 18.9 per cent and 18.3 per cent, respectively. The growth in local currency deposits in FY 2007/08 mainly resulted from expansions of 12.4 per cent and 7.8 per cent in other deposits and savings deposits, respectively.

During FY 2007/08, there was robust growth of 22.9 per cent in foreign currency deposits relative to an increase of 3.8 per cent in FY 2006/07 and the average of 5.7 per cent for the last 3 fiscal years. The outturn in FY 2007/08 largely reflected expansions of 23.7 per cent and 25.8 per cent in savings and time deposits, respectively. The preference for foreign currency may have reflected the uncertainty associated with the general elections as well as investors' acquisition of assets that could provide a hedge. The expansion in foreign currency deposits translated into a faster rate of increase in M3* during the period (see **Table 1.2**).

Figure 1.7Quarterly Growth Rates of Private Sector Credit
March 2005 to March 2008**Table 1.6**

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

	Mar-07	Dec-07	Prov. Mar-08
Total Private Sector Credit	8 729.4	8 040.4	4 564.5
Loans and Advances	8 991.4	8 076.7	4 596.7
Other Investments and Private Debentures	-0 262.0	-36.3	-32.2

Table 1.7

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

	Mar-07	Dec-07	Mar-08
Agriculture & Fishing	361.6	173.8	38.2
Mining & Quarrying	-40.6	-44.3	-41.7
Manufacturing	98.1	-50.1	290.8
Construction & Land Dev.	1 292.2	-1 450.4	1 054.1
Transport, Storage & Comm.	1 126.5	1 118.1	687.4
Tourism	-603.3	1 601.7	-610.1
Distribution	2 788.9	579.8	-1 939.1
Professional & Other Services	1 251.3	-85.5	247.9
Personal Loans	2 799.1	5 522.3	4 402.8
Electricity, Gas & Water	-66.4	714.3	396.0
Entertainment	-7.2	-3.2	37.1
Overseas Residents	-8.9	0.2	33.3
TOTAL	8 991.4	8 076.7	4 596.7

Private Sector Credit

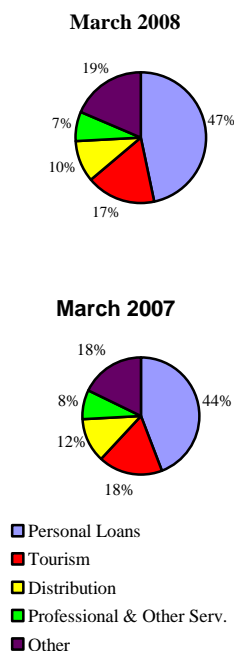
Private sector credit expanded in the March 2008 quarter, albeit at a slower pace than the previous quarter. This slower rate of increase was reflected in both foreign and local currency loans. Significant net repayment in *Tourism and Distribution* as well as a slowdown in the rate of increase in *Personal loans* contributed to the slower rate of expansion in credit during the review quarter. There was however, notable growth in credit to *Construction & Land Development and Manufacturing*. Consistent with the trend over the past seven quarters, the ratio of private sector loans to total assets continued to increase as the commercial banks maintained their aggressive marketing of consumer loans.

At end-March 2008, the stock of private sector credit was \$171 608.8 million, representing an expansion of 2.7 per cent for the review quarter. This expansion was higher than the 2.5 per cent outlined in the monetary programme but represented a deceleration relative to increases of 5.1 per cent and 6.7 per cent during the December 2007 and March 2007 quarters, respectively (see **Figure 1.7**). The outturn brought growth in private sector credit to 23.8 per cent for fiscal year (FY) 2007/08, well above the increase of 13.5 per cent outlined in the financial programme.

Loans and advances, which comprise 97.5 per cent of the stock of private sector credit outstanding, expanded by \$4 596.7 million or 2.8 per cent during the review quarter relative to an increase of 5.2 per cent in the December quarter (see **Table 1.6**). The slower rate of growth largely reflected net repayments by *Tourism and Distribution* as well as the slowdown in the rate of increase in *Personal Loans, Transport, Storage & Communication and Electricity, Gas & Water* (see **Table 1.7**). The net repayment by *Tourism* followed a significant increase in loans to the sector for the December quarter, arising from refurbishment of hotel resorts during most of the period in preparation for the winter tourist season. The outturn was consistent with the trend observed for each March quarter since 2005. The net repayment by *Distribution* is consistent with the usual lower build-up in inventories and hence lower need for financing after the December quarter. *Personal* loans increased by 6.0 per cent during the review quarter relative to increases of 8.1 per cent and 5.0 per cent in the previous and corresponding quarters, respectively. The lower outturn for the review quarter was consistent

Figure 1.8

Sectoral Distribution of Commercial Bank Loans & advances to the Private Sector Per Cent of outstanding Stock
March 2007 & March 2008

**Table 1.8**

Commercial Bank Distribution of Foreign Currency Loans & Advances to the Private Sector (Flows US \$M)			
	Mar-07	Dec-07	Mar-08
Agriculture & Fishing	1.8	0.4	0.2
Mining & Quarrying	-0.5	-0.9	-0.4
Manufacturing	1.0	-2.6	8.0
Construction & Land Development	10.2	4.9	5.1
Transport, Storage & Comm.	4.5	14.7	0.0
Electricity, Gas & Water	0.0	10.2	6.6
Distribution	34.2	-4.2	-23.2
Tourism	-7.6	13.6	1.6
Entertainment	-0.2	-0.1	0.4
Professional & Other Services	4.3	-1.0	6.3
Personal Loans	1.0	5.4	4.5
Overseas Residents	-0.1	0.0	0.3
TOTAL	48.6	40.5	9.2

with reduced spending following the Christmas season. This category of loans continued to account for the largest proportion of the outstanding stock of private sector loans (see **Figure 1.8**). Credit card receivables increased by 1.2 per cent during the review quarter compared to a reduction of 2.0 per cent in the corresponding period of 2007. There was robust growth in loans to *Construction & Land Development, Manufacturing, Professional & Other Services, Entertainment and Overseas Residents*.

There was a slower build-up in foreign currency loans relative to the previous quarter. Foreign currency denominated loans expanded by US\$9.2 million or 1.1 per cent, relative to increases of 5.0 per cent and 7.3 per cent in the December 2007 and the March 2007 quarters, respectively. The deceleration in foreign currency loans reflected significant net repayment by *Distribution* as well as slower rates of increases in credit to *Transport, Storage & Communication, Tourism, Electricity, Gas & Water* and *Personal Loans* (see **Table 1.8**). There were, however, buoyant increases in credit to *Manufacturing* and *Professional & Other Services*. *Tourism* continued to account for the largest proportion of foreign currency loans at end-March 2008 (see **Figure 1.9**). Consequent on the slower rate of growth in foreign currency loans, the proportion of these loans to total loans declined marginally to 35.2 per cent at end-March 2008 from 35.4 per cent at end-2007. The ratio was 33.9 per cent at end-March 2007.

Interest Rates

For the review quarter, the overall weighted average lending rate increased by 22.0 basis points (bps). The weighted average lending rate on private sector loans rose by 6.0 bps. The higher rate charged on private sector loans mainly reflected an increase in the volume of loans within *Instalment* and *Personal*, with the exception of mortgages, lending rates for all other categories declined during the quarter. The lending rate charged on public sector loans also increased by 6.0 bps during the March 2008 quarter mainly due to an increase in lending rate for *Local Government & Other Public Entities* (see **Table 1.9**)

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

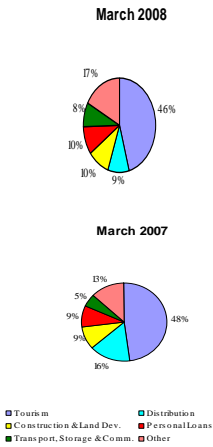
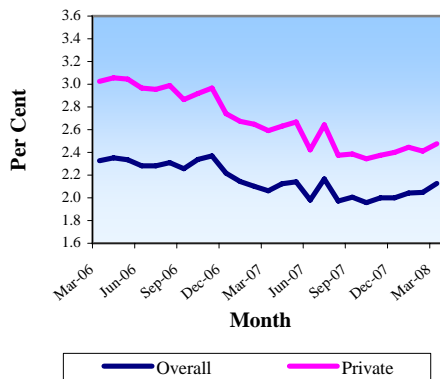


Table 1.9

Commercial Bank Domestic Currency Average Weighted Lending Rates by Loan Type Per Cent			
	Mar-07	Dec-07	Mar-08
Overall	17.29	17.11	17.33
Public Sector	11.76	11.43	11.49
Local Govt. & Other Public Ent.	11.06	10.52	10.92
Central Government	15.15	15.23	15.23
Private Sector	18.58	18.25	18.31
Instalment	21.43	20.94	20.72
Mortgage	9.90	7.40	7.50
Personal	27.36	25.42	25.27
Commercial	13.40	13.87	13.79

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



Performance Indicators

The continued aggressive marketing of consumer loans by the commercial banks in recent years facilitated a further increase in the ratio of private sector credit to total assets to 34.8 per cent at end-March 2008 from 34.2 per cent at end 2007 and 31.8 per cent at end-March 2007. At end-March 2008, the ratio of past due loans (over three months) to total private sector loans, a measure of the quality of the loan portfolio, was 2.5 per cent, relative to the 2.4 per cent recorded at end 2007 and the 2.6 per cent at end-March 2007 (see **Figure 1.10**).

Table 1.10

GOJ Public Domestic Debt Raising January - March 2008			
	Amount allotted (J\$MN)	Amount maturing (J\$MN)	Net maturities (J\$MN)
Treasury bills	2,200.0	2,700.0	500.0
Variable Rate LRS	0.0	500.0	500.0
Fixed Rate LRS	1,200.0	1,046.8	-153.2
Var. Rate Inv. Deb.	0.0	2,816.0	2,816.0
Var. Rate Inv. Bd.	10,588.3	2,712.8	-7,875.6
Fixed Rate Reg. Bd.	60.1	0.0	-60.1
Total (J\$)	14,048.4	9,775.7	-4,272.8

GOJ continued to issue variable rate debt

Table 1.11

Treasury Bill Auctions and Maturities January - March 2008					
Issue Date	Tenor (days)	Avg. yield (%)	Allotment (J\$M)	Amount Maturing (J\$M)	
25-Jan-08	182	13.33	500	900.0	
	91	12.97	400		
29-Feb-08	182	14.22	200.0	900.0	
	91	13.93	400.0		
28-Mar-08	182	14.22	300.0	900.0	
	91	13.97	400.0		
Total			2200.0	2700.0	

Average yields on GOJ Treasury bills increase

Bond Market

During the review quarter, bond market developments were mainly influenced by the Bank's OMO interest rate increases, US Fed rate cuts as well as general uncertainties surrounding external financial conditions. The BOJ rate changes led to an increase in domestic market rates on a number of instruments, including Treasury Bills. These higher domestic rates coupled with Fed rate cuts further widened the interest differentials over foreign-denominated assets. At the same time, uncertainties surrounding external financial conditions caused local investors to temper the demand for foreign denominated assets. These developments led to increased demand for Jamaica Dollar asset thus allowing the Central Bank to reabsorb excess liquidity, mainly emanating from currency reflows and GOJ maturities early in the quarter. In the context of rising inflation expectations however, the demand for GOJ variable rate instruments remained strong.

In keeping with the general trend in emerging markets, the price of GOJ global bonds declined during the quarter. Rating agencies, however, maintained the stable ratings on GOJ instruments mainly in a context of Jamaica's history of repaying its debt.

During the March 2008 quarter, the GOJ issued \$4 272.8 million in debt net of maturities (see **Table 1.10**) as compared to \$7 186.2 million in the previous quarter. Variable rate (VR) instruments again constituted the majority of the issues given investors' preference for these instruments, which offer an indirect hedge against inflation. These VR instruments were issued at a lower initial coupon but with the same repricing margin as in the previous quarter (see **Appendix C Table 8B**). Unlike the previous quarter however, they were linked solely to the 3-month weighted average Treasury bill yield.

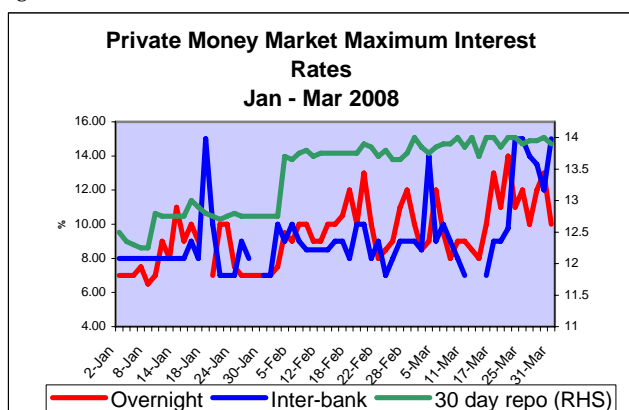
Treasury bill yields increased on both the 90-day and 180-day tenors compared to the yields at end-December 2007 (see **Table 1.11**). The general increase in yields, particularly at the February auction, was influenced by the BOJ rate adjustments (see **Monetary Policy and Base Money Management**) and also reflected participants' concerns about inflation. The general downward path of United States interest rates and fairly high levels of domestic liquidity emanating from currency redemption and maturing GOJ and OMO instruments, had the effect of containing the increases in Treasury bill yields.

Table 1.12

Placements and Maturities* in BOJ OMO Instruments:

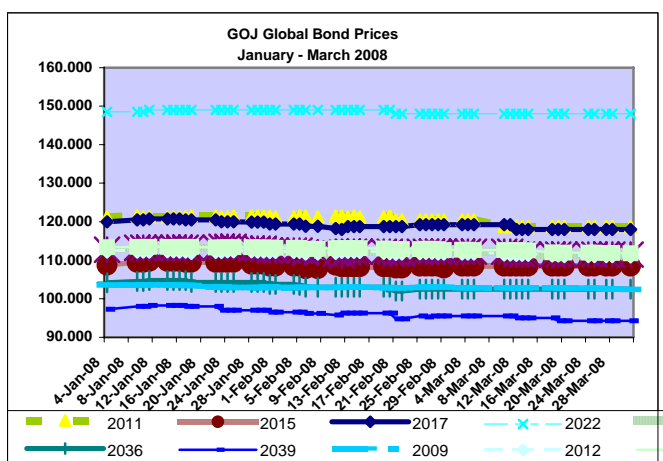
	January - March 2008				October - December 2007	
	Maturities		Placements		Placements	
	(\$)	(%)	(\$)	(%)	(\$)	(%)
30-day	49,957.5	69.5	39,639.3	42.9	49,244.5	75.4
60-day	4,296.1	6.0	3,269.4	3.5	4,327.7	6.6
90-day	2,590.8	3.6	6,034.3	6.5	3,116.8	4.8
120-day	915.5	1.3	1,766.8	1.9	979.9	1.5
180-day	14,145.8	19.7	15,507.1	16.8	7,627.8	11.7
270-day	0.0	0.0	n.a	0.0	n.a	0.0
365-day	0.0	0.0	26,160.5	28.3	0.0	0.0

Figure 1.11



*excludes overnight transactions during the period

Figure 1.12

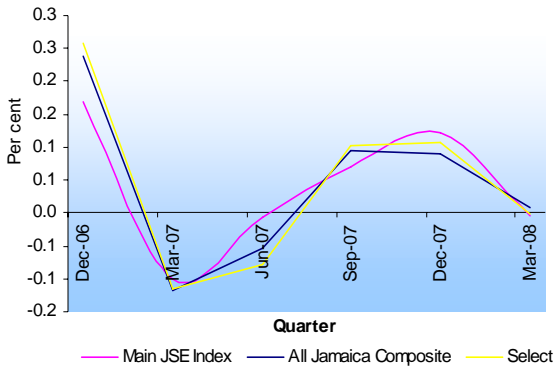


The BOJ sold one tranche of VR CDs, issued at 12.80 per cent with quarterly interest payments set at the 90-day weighted average Treasury bill yield plus a margin of 1.5 percentage points. This instrument absorbed \$5 353.2 million. For the quarter, there was a net placement of \$20 471.7 million on BOJ's 30-day to 365-day OMO instruments. In particular, there were net placements on all tenors except the 30-day and 60-day instruments on which there were net redemptions of \$10 318.2 million and \$1 026.7 million, respectively. Notably, more than half of the placements for the review quarter were made in January given the currency reflows from December and the Bank's first rate hike of the quarter. Placements in January were mainly on the 180-day security, the longest available tenor at the time. In February, placements were mostly on the 365-day instrument which was reintroduced during the month after having been removed in April 2006.

Overall, average rates in the private money market remained similar to those of the previous quarter. This was due largely to the fairly liquid conditions in the quarter. Spikes in rates during the quarter coincided with GOJ debt issues, BOJ's offer of a VR CD as well as OMO interest rate adjustments. Rates on 30-day instruments were particularly sensitive to the OMO rate adjustment and increased by **115.0 basis points** subsequent to the Bank's policy action on 4 February (see Figure 1.11).

In the context of a weakening United States' economy as well as the credit crisis in international financial markets, the price of all GOJ global bonds fell (see Figure 1.12). This was in keeping with the general trend in emerging markets during the quarter. Notwithstanding this manifestation of declining investor confidence, international rating agencies maintained their stable rating on GOJ instruments, mostly in the context of the GOJ's ability and willingness to repay its debt.

Figure 1.13
Quarterly Growth of the JSE Index –
December 2006 – March 2008



Stock Market

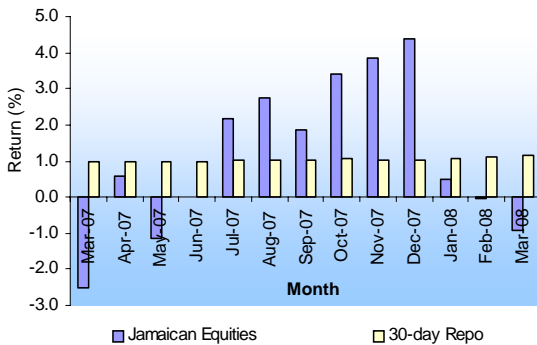
The Main Jamaica Stock Exchange (JSE) Index declined marginally during the March 2008 quarter. Despite favourable earnings results by a number of the listed companies, growth in the equities market was constrained by the increased inflationary pressures as well as the upward adjustments in BOJ interest rates. The demand for local equities also weakened in a context of investor’s concerns about the Central Government’s FY2008/09 budget, given the uncertain impact of potential tax measures on the relative attractiveness of different asset classes. Despite the fall in the Main JSE Index for the March 2008 quarter, there was an overall gain of 18.6 per cent in the Index for the fiscal year 2007/08.

Table 1.13
Average Monthly Price Gains by Category
March 2008 Quarter (per cent)

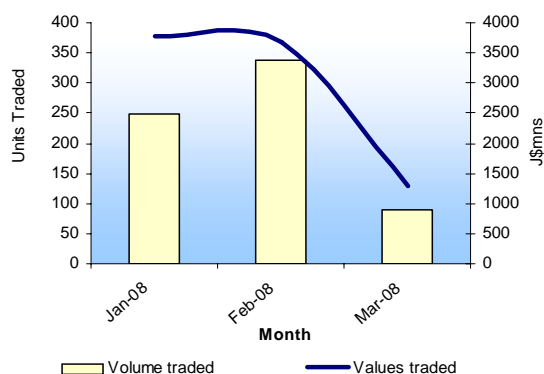
Category	Jan-08	Feb-08	Mar-08
Financial	2.7	0.7	-3.5
Manufacturing	6.3	8.9	-0.6
Conglomerates	4.7	4.6	-1.7
Communication	0.0	6.2	-15.1
Tourism	63.6	46.4	3.2
Retail	11.6	6.8	-13.3
Insurance	2.0	-3.8	3.4
Other	30.6	29.2	2.8

The performance of the market indices for the March 2008 quarter was buoyed by the strong investor participation in the equities market during the first two months of the quarter. This increased activity was largely supported by the favourable earnings results of a number of the listed companies as well as investors positioning to take advantage of the capital gains arising from the announcement of the Lascelles/Angostura deal. The impact of these activities was evidenced by an increase in all three JSE indices in the first two months of the quarter. However, the declines in the indices in March offset the gains realized in the first two months of the quarter (see **Table 1.13**). In March, the Main JSE Index, All Jamaica Composite and Select Index recorded respective declines of 0.9 per cent, 7.5 per cent and 7.6 per cent. The decline in the indices was evidenced by a sharp fall-off in market activity in March which contributed to large price declines across most categories of stocks (see **Figure 1.15**). Consequently, the Main JSE Index and the Select Index recorded respective declines of 0.5 per cent and 0.1 per cent, while the All Jamaica Composite recorded marginal growth of 0.9 per cent over the March 2008 quarter (see **Figure 1.13**)

Figure 1.14
Monthly Returns from Equities and Fixed
Income Investments



During the review quarter, the demand for local equities was tempered by interest rate increases by the Bank during the period. This contributed to a diversion of funds from the equities market to local fixed income investments (see **Figure 1.14**). For the quarter, the stock market returned an average monthly loss of 0.2 per cent to investors relative to an average monthly return of 1.1 per cent from money market securities (see **Figure 1.14**).

Figure 1.15Movements in Volumes & Values Traded –
March 2008 Quarter (per cent)

Growth in the equities market also weakened in a context of the uncertainties surrounding the Central Government's budget for FY2008/09, which made investors cautious about investment in the local stock market. In addition, to the extent that firms were unable to pass on higher prices to consumers, higher than expected inflation over the March quarter would have depressed growth in the JSE Index.^{1,2}

In terms of the performance of individual stocks over the March 2008 quarter, 28 stocks recorded price gains while 14 experienced declines. Advancing stocks were mainly in the tourism sector as well as the conglomerate and other categories.³ The strong price increases for listed companies in the tourism sector were influenced by the generally favourable earnings result for these companies during the quarter. The stocks registering the largest advances were Pulse Investments and Salada (see **Table 1.15**). Declining stocks were mainly from the financial, manufacturing and communication sectors (see **Table 1.16**). The worst performers were Gleaner Company and FCIBJ (see **Table 1.15**).

Despite the overall decline in the March quarter, there were robust gains in all three local stock market indices for FY2007/08, largely reflecting the market's performance in the September and December 2007 quarters. The Main JSE Index, All Jamaica Composite Index and All Jamaica Select Index recorded increases of 18.6 per cent, 14.0 per cent and 12.3 per cent relative to respective increases of 4.3 per cent, 11.1 per cent and 10.2 per cent for FY2006/07.

The other major stock exchanges in the region, registered mixed performances during the quarter. In Trinidad & Tobago, the Composite Index increased by 1.1 per cent, compared to an increase of 4.9 per cent in the previous quarter. The weaker outturn for the March 2008 quarter may have been due to the tightening of monetary policy in Trinidad and Tobago during the period. For Barbados, the Local Index declined by 0.4 per cent relative to an increase of 7.7 per cent for the December 2007 quarter (see **Figure 1.15**). However, for FY2007/08, the Composite Index increased by

¹ Investors would anticipate lower levels of profitability for listed firms which were unable to pass-on higher input costs to consumers thereby reducing the attractiveness of equities relative to other asset classes as a good inflation hedge.

² Inflation for the quarter was above the average of 1.2 per cent for the previous five march quarters as well as the 2.5 per cent for the march 2007 quarter.

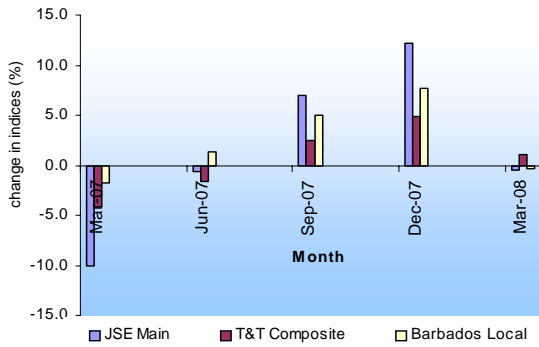
³ The advancing conglomerate stocks were Grace Kennedy Ltd and Jamaica Producers which advanced by 13.9 and 14.1 per cent respectively.

Companies	Price at 31-Mar-08 (\$)	Qtr. Change (%)
Advancing Stocks		
Conglomerates		
Grace Kennedy Limited	81.50	13.99
Jamaica Producers Group	40.00	14.12
Communication		
Cable & Wireless	0.78	16.42
Manufacturing		
Salada	92.00	109.09
Tourism		
Pegasus Hotel	16.00	50.23
Ciboney Group	0.05	14.16
Montego Freeport	2.15	34.38
Other		
Supreme Ventures	3.50	24.11
Palace Amusement	41.21	31.03
Pulse Investments	7.00	169.23

Companies	Price at 31-Mar-08 \$	Qtr. Change %
Declining Stocks		
Financial		
NCB	21.60	-5.88
Mayberry Investments	4.40	-10.20
FCIB	142.00	-6.58
FCIBJ	23.00	-14.81
Manufacturing		
Kingston Wharves	7.55	-1.31
Jamaica Broilers Group	4.20	-6.67
Conglomerates		
Lascelles DeMercado	485.00	-14.16
Communication		
Radio Jamaica	3.15	-12.50
Gleaner Company	2.90	-32.56
Insurance		
Life of Jamaica	7.95	-2.45

Figure 1.15

Quarterly Growth of Regional Indices – March 2007 – March 2008



6.9 per cent and the Local Index increased by 14.2 per cent. Importantly, higher than expected inflation in the March quarter would have depressed the growth in the equity indices in each of these economies.⁴

⁴ Both Barbados and Trinidad and Tobago experienced higher levels of inflation over the March quarter.

Figure 1.16
Quarterly Change (%) in Weighted Average Selling Exchange Rate (e.o.p.) (J\$1.00= US\$)

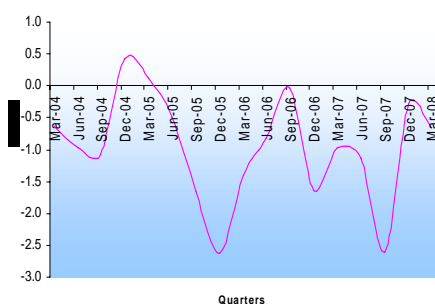
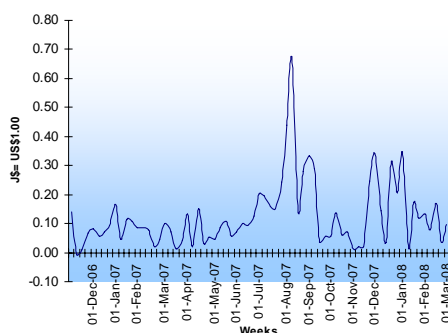
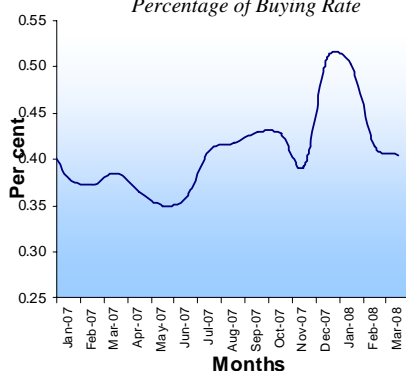


Figure 1.17
Weekly Exchange Rate Trading Range



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

Figure 1.18
Foreign Exchange Spread as a Percentage of Buying Rate



Foreign Exchange Market

There was an increase in the pace of depreciation of the exchange rate during the review quarter influenced by strong demand pressures, particularly in January 2008. Investors' preference for US dollar denominated instruments was against the backdrop of high levels of Jamaica Dollar liquidity emanating from seasonally higher currency redemption and maturing GOJ and OMO instruments. For February and March however, the foreign exchange market reacted favourably to domestic monetary tightening, overall softening of monetary conditions in external markets as well as general uncertainties about the conditions of financial markets in the major developed economies. There was an appreciation in the exchange rate in February and March, which tempered the overall depreciation of the rate for the quarter. Given the stability in the market in the last two months of the quarter, the NIR ended March 2008 at US\$2 083.4 million, US\$205.7 million higher than the stock at end-December 2007.

The pace of depreciation increased to 0.66 per cent in the March 2008 quarter, relative to 0.29 per cent depreciation in the December quarter, but was below the average depreciation of 0.74 per cent in the preceding three March quarters (see **Figure 1.16**). The weighted average selling rate (WASR) of the US dollar increased to J\$71.09 = US\$1.00 at end-March 2008 from J\$70.62 = US\$1.00 at end-December 2007. The relatively moderate movement in the rate for the quarter, however, masked the 1.57 per cent (J\$1.13) depreciation in January. Improved market conditions in February and March resulted in respective appreciations in the exchange rate of 0.52 per cent (0.37 cents) and 0.40 per cent (0.28 cents). For fiscal year (FY) 2007/08, the value of the Jamaica Dollar vis-à-vis the US Dollar declined by 4.63 per cent, compared to 3.40 per cent for FY2006/07.

Consistent with the increase in the pace of depreciation over the quarter, the average weekly market trading range of the selling rate moved to J\$0.14, relative to J\$0.11 for the preceding quarter (see **Figure 1.17**).⁵ The average bid-ask spread expressed as a percentage of the buying rate for the market, however, remained constant reflecting the improved liquidity conditions in the last two months of the quarter (see **Figure 1.18**).

⁵The 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 1.17
Foreign Exchange Cash Flows*

	US\$MN			Change Relative To Previous	
	2007		2008	Qtr	Yr
	Jan-Mar	Oct-Dec	Jan-Mar		
Net Current Inflows	-573.4	-766.7	-638.8	127.8	-65.4
Current Inflows	975.9	1058.7	1098.2	39.5	122.3
Current Outflows	1549.3	1825.3	1737.1	-82.2	187.7
Net Private Capital Inflows	585.8	682.2	894.0	211.8	308.2
Balance	-12.4	-84.4	255.2	339.6	242.8

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

Table 1.18
Net International Reserves
(US\$MN)

Month	Stock	One Month Change	Three Month Change
Mar-07	2329.4	143.8	11.8
Apr-07	2292.4	-37.0	4.0
May-07	2252.2	-40.1	66.6
Jun-07	2238.9	-13.3	-90.5
Jul-07	2146.2	-92.7	-146.2
Aug-07	2067.3	-78.9	-184.9
Sep-07	1916.2	-151.1	-322.7
Oct-07	1924.5	8.3	-221.7
Nov-07	1808.5	-116.0	-258.8
Dec-07	1877.6	69.2	-38.5
Jan-08	1819.1	-58.5	-105.4
Feb-08	1956.2	137.1	147.7
Mar-08	2083.4	127.2	205.7

The depreciation in January was largely associated with high levels of Jamaica Dollar liquidity emanating from seasonally higher currency redemption and maturing GOJ and OMO instruments. This supported investors' increased preference for US dollar-denominated instruments in the context of heightened domestic inflation expectations. There were also no new offers of GOJ instruments during the month. In response to the pressures in the foreign exchange market and to temper inflationary expectations, the BOJ in January re-introduced its 365-day CD and offered a special 18-month Variable Rate CD. The Bank also increased rates on all tenors of its OMO instruments (see **Base Money**).

For February and March, there was an improvement in market conditions largely associated with an increase of US\$211.8 million in net private capital inflows for the quarter (see **Table 1.17**). This was influenced by the BOJ's monetary policy actions and the general uncertainty surrounding external financial markets. There was also a seasonal increase in foreign currency inflows to satisfy Jamaica Dollar-denominated tax obligations in March. Private capital inflows over the two months were also buoyed by the sale of a local rum manufacturing company to a Trinidadian firm in February as well as, an estimated decline of US\$60.6 million in the net foreign currency positions of the authorized dealers. The market also benefited from improved inflows from the tourism sector over the winter tourist season. Reflecting the growth in inflows, average per-diem purchases by the system (authorised dealers and cambios) amounted to US\$35.7 million over the review quarter, compared with US\$30.5 million over the December quarter.

The Bank estimates that net foreign exchange demand to facilitate current account transactions declined relative to the previous quarter. This was reflected in an estimated US\$82.2 million fall in foreign exchange outflows, principally associated with the seasonal reduction in consumer goods imports.

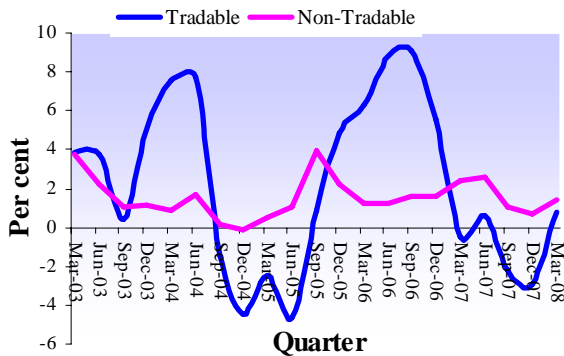
Given the overall improvement in market conditions, the Bank net purchased US\$255.2 million (net of surrenders) from the market, relative to net sales of US\$57.6 million in the comparable period of 2007 and US\$84.4 million (net) in the December 2007 quarter. Consequently, the NIR at end-March 2008 stood at US\$2 083.4 million, US\$205.7 million above the outturn at end-December 2007 (see **Table 1.18**). The Bank's gross reserves at end-March 2007 were US\$2 105.9 million representing 12.1 weeks of estimated goods and services imports.



2. Real Sector Developments

Table 2.1

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



Economic growth strengthened in the March 2008 quarter following average quarterly growth of 0.2 per cent for the last half of 2007. This improvement emanated primarily from the tradables sector, in particular, tourism, transport, storage & communication and manufacturing. From the expenditure side, the expansion in economic activity was reflected in increases in Gross Fixed Capital Formation and Private Consumption Spending, which outweighed declines in Public Consumption and Net External Demand. For FY2007/08, economic growth is estimated to have been in a range of 0.8 per cent to 1.2 per cent, decelerating from 2.4 per cent in the previous fiscal year.

Aggregate Supply

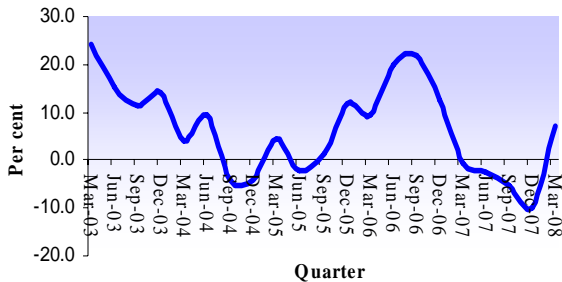
The economy is estimated to have grown between 1.0 per cent and 1.5 per cent in the March 2008 quarter. This represented a marginal deceleration in economic activity, relative to growth of 1.9 per cent in the corresponding quarter of 2007. There was, however, an improvement in growth relative to the last two quarters, when the economy grew on average by 0.2 per cent. Growth in the review quarter was influenced by recovery in the tradable sectors as well as, continued improvement in the non-tradable sectors (see **Figure 2.1**). The main factor supporting this expansion was growth in foreign investment spending.

Given the estimated growth for the March 2008 quarter, an outturn in the range of 0.8 per cent to 1.2 per cent is estimated for FY 2007/08. This represents a deceleration in economic growth when compared to the increase of 2.4 per cent in FY06/07 and the average growth of 1.8 per cent over the last five years. The deceleration in growth primarily reflected the negative impact of Hurricane Dean and the prolonged rainfall in October 2007 on economic activity.

The main growth sectors were *Construction & Installation, Miscellaneous Services, Transport, Storage & Communication, Financing & Insurance* and *Distributive Trade*. *Agriculture, Forestry & Fishing, Electricity & Water* and *Mining & Quarrying* declined in the review quarter.

Figure 2.2

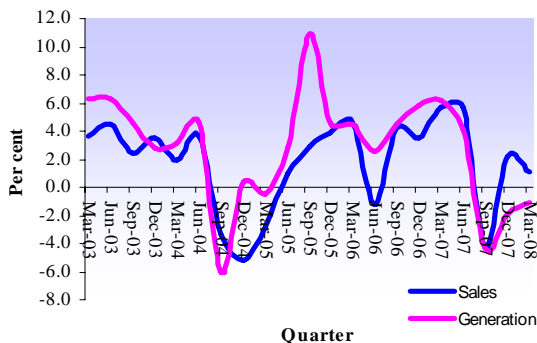
Total Stopover Visitor Arrivals
(12-Month Change)



Source: Jamaica Tourist Board

Figure 2.3

Electricity Generation & Sales
(12-Month change)



Source: JPS & Bank of Jamaica

Construction & Installation is estimated to have registered growth for the sixth consecutive quarter, which was inline with the average growth over the last five years. The sector's performance continued to reflect the impact of foreign direct investment, primarily towards the construction of hotels and the expansion of the Island's telecommunication infrastructure. In addition, local investment to the sector improved, evident in residential construction and public infrastructure developments. The improvement in residential construction was indicated by an increase of 19.6 per cent in housing completions by the National Housing Trust.

For the review quarter, the expansion of **Miscellaneous Services** is estimated to have surpassed its ten year average growth of 3.7 per cent. The improvement primarily reflected the strong performance of *Hotel, Restaurants & Clubs*. The performance of the tourism industry was buoyed by growth of 11.5 per cent in total stopover visitor arrivals, relative to a decline of 2.1 per cent in the similar period in 2007 (see **Figure 2.2**). The growth in stopover arrivals was attributed, in part, to normalisation following the US Western Hemisphere Trade Initiative that commenced in the March 2007 quarter, new airlifts to the Island as well as, the aggressive advertisements in Europe and the United States by the Government and key industry players.⁶ In addition, the opening of a new hotel in the quarter as well as, adverse weather conditions in some source countries contributed to the improvement in arrivals.⁷

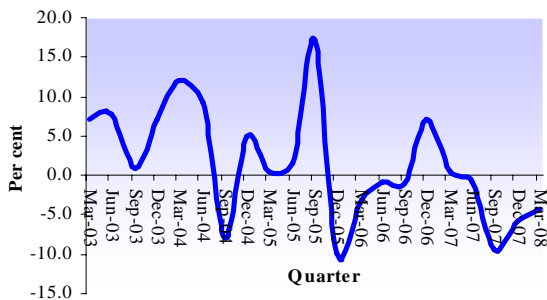
Growth of **Transport, Storage & Communication** is attributed primarily to expansions within *Transport* and *Communication*. The expansion in *Transport* reflected growth in air transportation, inferred from increases of 7.9 per cent and 6.3 per cent in visitor arrivals and air cargo movement, respectively, relative to the March 2007 quarter. In relation to *Communication*, the number of telephone lines in service (mobile and 'plain old telephones') is estimated to have grown by 8.9 per cent when compared to the similar period in 2007.

Electricity & Water is estimated to have registered a third consecutive quarter of decline primarily attributed to two instances of island wide

⁶ The Western Hemisphere Travel Initiative is a U.S. law that requires all travellers within the western hemisphere, including U.S. and Canadian citizens, to present a valid passport when travelling to, through or from the United States.

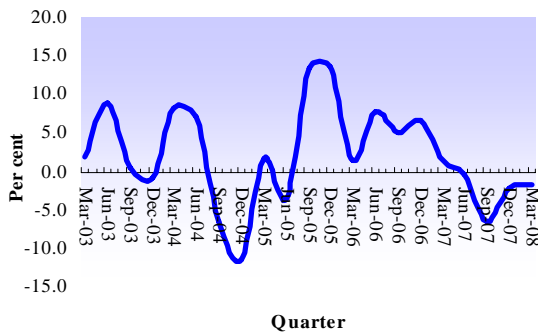
⁷ Iberostar Beaches opened in January with 310 rooms.

Figure 2.4
Trends in Alumina Production
(12-Month Change)



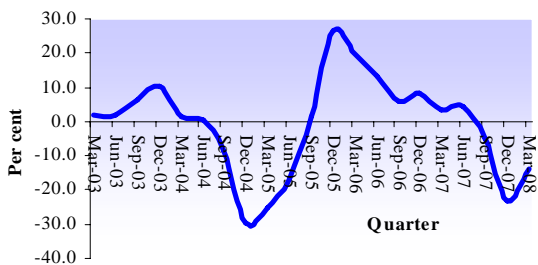
Source: Jamaica Bauxite Institute

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



Source: Jamaica Bauxite Institute

Figure 2.6
Agriculture (Value Added)
(12-Month Change)



Sources: Bank of Jamaica, MOA

electricity outages during the quarter. These arose from technical difficulties at the power company’s plant. As a result, total electricity generation and sales for the review quarter declined by 1.9 per cent and 2.2 per cent, respectively (see Figure 2.3). Moderating the decline in the sector was a marginal increase of 1.7 per cent in water production, relative to the corresponding quarter in 2007.

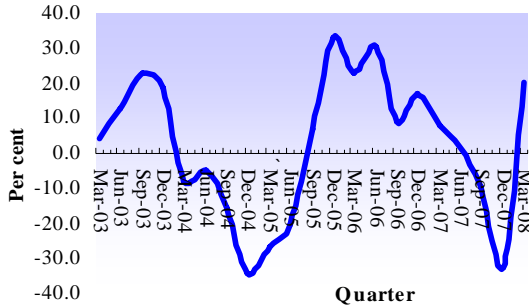
The estimated weak performance in *Mining & Quarrying* stemmed from mechanical problems at one of the alumina companies as well as the impact of the island wide electricity outages, which disrupted operations in the industry. Consequently, the sector is anticipated to record a fourth consecutive quarter of decline following average quarterly growth of 1.8 per cent over the last five years. This decline reflected reductions of 4.2 per cent and 1.8 per cent in alumina and total bauxite production, respectively (see Figures 2.4 & 2.5).

Output within *Agriculture, Forestry & Fishing* continued to reflect the adverse impact of Hurricane Dean as well as the effects from the prolonged heavy rains in October 2007. The sector’s performance was also affected by dry spells in key agriculture parishes in the review quarter. These conditions led to a reduction in crop establishment and crop yields. Accordingly, the sector is anticipated to record a third consecutive quarter of decline (see Figure 2.6). Both *export* and *domestic agriculture* are estimated to have declined in the review period. Domestic agriculture production is estimated to have declined by 21.0 per cent influenced by the fall in output in fruits, vegetables and condiments (see Figure 2.7). Within export agriculture, there were no exports of banana, while the exports of coffee and sugar declined by 40.0 per cent and 31.3 per cent, respectively. The banana crop was totally destroyed by Hurricane Dean while the coffee crops sustained significant damage. Yields in the sugar industry declined due to bad farming conditions.

Aggregate Demand

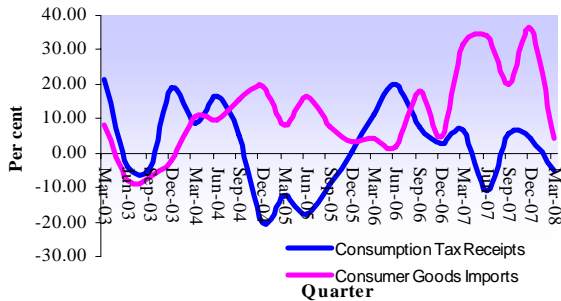
Indicators of expenditure on GDP suggest that the moderate expansion in the economy in the March 2008 quarter was mainly driven by *Gross Fixed Capital Formation* and *Private Consumption*. *Public Consumption* is estimated to have fallen, while a deterioration was estimated for *Net External Demand*.

Figure 2.7
Domestic Crops
(12-Month Change)



Sources: Bank of Jamaica, MOA

Figure 2.8
Private consumption Spending Indicators
(12-Month change)



Source: Bank of Jamaica, MOF

Gross Fixed Capital Formation grew in the March 2008 quarter, relative to the corresponding period of 2007. The major contributor to this expansion was foreign direct investment (FDI) inflows, which is estimated to have increased by 10.0 per cent within the review period. FDI flows occurred primarily within the tourism, communication and cement industries. On the other hand, domestic investment declined, as indicated by the fall in real credit to the productive sector. The contraction in domestic investment reflected the worsening in business sentiments within the period, relative to the March 2007 quarters, as indicated by the Jamaica Chamber of Commerce’s Conference Board Business Confidence Index. The reduced confidence reflected pessimism regarding future profitability and the investment climate.

Private Consumption grew marginally during the review quarter. The marginal growth was inferred from an increase of 4.3 per cent in the volume of consumer goods imports which was sufficient to outweigh an estimated decline of 5.0 per cent in real consumption tax receipts (see **Figure 2.8**). A survey of consumer confidence conducted by the Jamaica Conference Board indicated a marginal improvement in consumer confidence as reflected in an increase in the consumer confidence index to 142.4 from 139.9 in the similar period in 2007. The survey’s results, however, indicated that consumers were cautious as it related to spending and as such may have begun to reappraise their consumption levels in the short-term.

Estimates of **Net External Demand** suggested deterioration in external trade, when compared to the similar period in 2007. The weakening was influenced by an estimated increase of 2.4 per cent in the import of goods and services, which offset the growth of 13.6 per cent in exports of goods and services. The increase in imports primarily reflected significant increases in raw material imports and consumer goods imports.

Box 1: Impact of a Potential USA Recession on the Jamaican Economy

This box presents a preliminary evaluation of the impact of a likely recession in the United States of America (USA) on the Jamaican economy for fiscal year 2008/09. The assessment is based on the assumptions of economic conditions in the USA, including:

- (i) *The recession will last for a maximum period of eight months, with declining gross domestic product (GDP) in the March and June 2008 quarters,*
- (ii) *The Federal Reserve will reduce interest rate to 2.0 per cent by end June 2008,*
- (iii) *Annual inflation will decelerate to 1.5 per cent at end-December 2008.*

The assessment is also based on estimates reflecting the historical relationship between the business cycles of the USA and Jamaica.

The Business-Cycle Dating Committee of the National Bureau of Economic Research (NBER) defines a recession as a significant decline in economic activity spread across the economy which lasts for more than a few months. In particular, an economy is considered to be in recession when there is widespread downturn in economic activity that brings with it declines in employment, production, personal incomes, total manufacturing and net exports. That downturn must be deep enough or long enough to be classified as "significant and substantial." According to the NBER, the last two recessions that occurred in the US were from July 1990 to March 1991 and March 2001 to November 2001.

This impact analysis has been largely informed by the 1990/91 US recession given the close similarity between the conditions that existed then and the present conditions. In particular, the 1990/91 US recession was characterized by a combination of higher oil prices and tightened credit conditions in the international financial markets. The analysis will also consider the impact of current international developments on Jamaica's resilience.

The 1990/1991 US recession did not have a significant impact on the Island's current account of the balance of payments. The current account deficit increased to US\$309.0 million in FY 1990/91, reflecting a worsening of US\$52.0 million. This was largely associated with a 31.5 per cent decline in net transfers to Government. The decline, however, was in a context of the significant increase in government aid and grant inflows in the previous year, which was largely associated with continued recovery from the impact of Hurricane Gilbert in September 1988. The recession did not have a significant impact on private remittances. The tourism industry grew by 11.0 per cent, albeit slower than the 13.0 per cent in the previous fiscal year. During the period, alumina, sugar and banana export volumes also increased by 13.6 per cent, 10.2 per cent and 16.7 per cent, respectively, relative to the comparable period in FY1989/90.

Similarly, the impact of the recession on Jamaica's economic growth was not substantial. The economy grew by 4.0 per cent in FY1990/91, following average growth of 5.5 per cent between 1987/88 and 1989/90. The slower rate of growth in FY1990/91 primarily reflected normalization in construction activities.

The overall impact of the US recession in FY 2008/09 on Jamaica's balance of payments is expected to be more significant than the 1990/91 recession. Unlike previous recessions, commodity prices are expected to remain buoyant due to the recent increase in speculation in the commodity futures markets and strong demand from Asia (See Box 2: **Recent Trends in International Commodity prices**). This suggests that developments in the global capital markets should offset the income effect arising from a slow-down in the U.S economy. In this context, the growth in earnings from exports, particularly alumina, should continue to accelerate. Increases in corn, wheat and crude oil prices are also expected to continue in the near term. This would increase spending on imports, fully offsetting the expected impact of higher earnings

from Jamaica's main exports. However, the scenario does not envision a significant impact to private capital flows. The cost of borrowing on the international capital market for emerging market economies is expected to increase as risk premiums increase worldwide.

In the context of the recession, Jamaica's real GDP growth is expected to be lower by 0.4 percentage point in FY2008/09, relative to the forecast of 3.0 per cent growth. This marginal impact is mainly attributed to the anticipated short duration of the recession as well as the relative small contribution to GDP of the sectors which would be primarily affected. The adverse impact of the recession is expected to be predominantly reflected in the mining, tourism, export manufacturing and transportation industries, and, to a lesser extent, the distributive trade sector. However, tourism is expected to rebound by the last quarter of FY2008/09. The expected fall-out in mining emanates primarily from the bauxite industry as alumina production would not be significantly affected.

For tourism, the deceleration in growth is linked to lower tourist arrivals from the USA during the first three quarters of the fiscal year. The improved outlook in the last quarter is associated with the anticipated interest rate cuts by the FED. These interest rates cuts are expected to stimulate US growth in the March 2009 quarter above the baseline projection of 0.86 per cent. The impact on the manufacturing sector largely reflects the anticipated short-term effect of the recession on food processing. For transport, storage and communication, the above-mentioned fall-out in visitor arrivals is expected to affect air and land transportation. Further, a reduction in transshipment activity is envisaged as most of the country's cargoes are destined for Latin America, with the USA being one of their main export markets.

Consequent on the assumptions of a recession, the projected inflation for FY 2008/09 is expected to be lower by 1.6 percentage points relative to the baseline forecast of 11.5 – 14.5 per cent.

3. International Developments

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

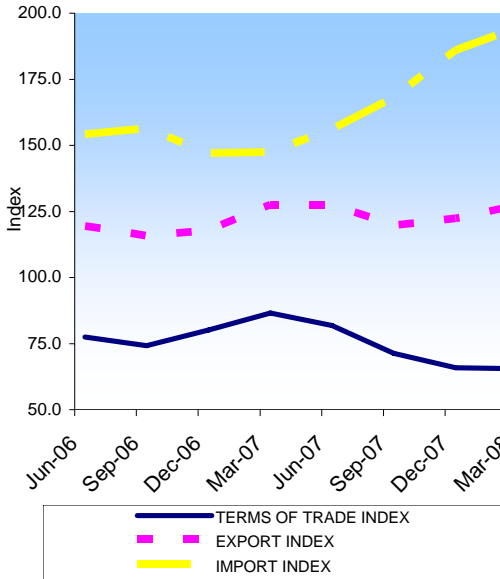
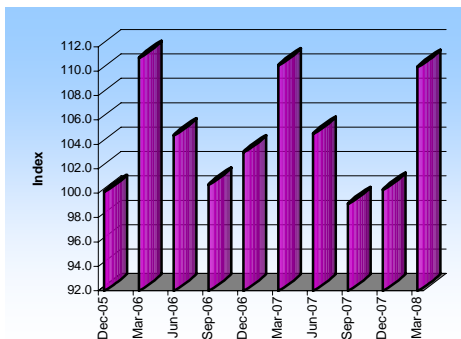


Figure 3.2
Implicit Tourism Price Index
Dec 05 to Mar 08
(Quarterly average)



The Jamaican economy continued to be adversely affected by developments in the international economy during the March 2008 quarter. Accordingly, Jamaica's terms of trade (TOT) index deteriorated for the fourth consecutive quarter, influenced primarily by increases in oil and agricultural raw material prices. However, this was partly offset by significant improvements in the price of the tourism product.

The Federal Reserve (Fed) lowered its official interest rates due to expectations of a recession in that economy. Economic conditions in the U.S. reflected the impact of the increased uncertainty and a tightening of credit conditions in the international financial markets. This increased uncertainty precipitated a general upward movement in the yields on emerging market bonds, including Government of Jamaica (GOJ) sovereigns.

Terms of Trade

Jamaica's TOT declined during the March 2008 quarter by an estimated 0.6 per cent, relative to the preceding quarter (see **Figure 3.1**).⁸ This was in comparison to an average increase of 7.6 per cent for the past four March quarters. In the context of the deterioration, the TOT index at end-March 2008 was 24.3 per cent lower than the index at end-March 2007.

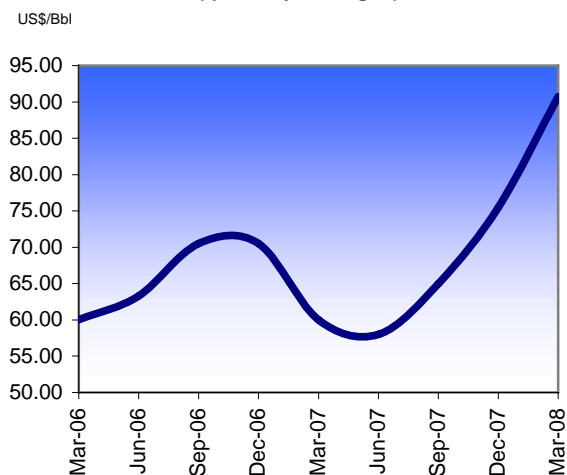
The movement in the TOT index during the review period reflected a 4.6 per cent rise in the Import Price Index (IPI), the impact of which was partially offset by an increase of 4.0 per cent in the Export Price Index (EPI). The movement in the IPI reflected respective increases of 8.0 per cent and 2.8 per cent in the price of crude oil and agricultural raw material prices. With respect to the EPI, the increase was attributable to a 10.0 per cent rise in the Tourism Implicit Price Index (TIPI) (see **Figure 3.2**).⁹

Crude oil prices rose to an average of US\$97.94 per barrel for the March 2008 quarter, representing the highest quarterly average since 2006 (see **Figure 3.3**). The movement in the price of oil during the quarter reflected the impact of continued supply concerns in the market. Lower than expected inventory levels in the USA and the announcement by the

⁸ 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.

⁹ The Tourism Implicit Price Index measures the ratio of the average tourist expenditure to their average length of stay.

Figure 3.3
WTI Crude Oil Prices
Mar 06 - Mar 08
(quarterly averages)



Organisation of Petroleum Exporting Countries that the production targets would remain unchanged during the period, adversely affected market sentiments. Weather-related risks and increased geopolitical tensions in Iraq, Iran and Nigeria added upward pressure on prices. The rise in prices also reflected increased speculation in the crude oil futures market in light of expectations of further weakening of the U.S. dollar against other major currencies. The price of oil rose to a record high of US\$110.33 per barrel on 13 March 2008, after the U.S. dollar fell to a record low against the Euro.

With respect to imported agricultural raw material inputs, the prices of rice, corn and wheat rose by 43.1 per cent, 28.1 per cent and 20.2 per cent, respectively, relative to December 2007. The general increase in prices was influenced, in part, by the reduced exports of these commodities in a number of countries, including Argentina, India and Thailand. The movement in wheat and corn prices also reflected market perception of future supply tightness arising from adverse weather conditions in the main producing areas. The movement in the prices of these commodities provided a stimulus for domestic inflation.

Monetary Policy

The declines in key interest rates among Jamaica's main trading partners, which started in the second half of 2007, intensified during the March 2008 quarter (see **Table 3.1**). In the U.S, the Fed reduced their target interest rate on three occasions during the quarter by a cumulative 225 basis points (bps). Similarly, both the Bank of Canada and the Bank of England reduced their respective benchmark interest rates by 75 bps and 25 bps during the quarter. The adjustments in interest rates were in response to the tightening of credit conditions in the international capital markets, as well as the prospect of a recession stemming from the fallout in the U.S. sub-prime mortgage market.

The European Central Bank (ECB) and the Bank of Japan (BoJ) kept their official interest rates unchanged at 4.00 per cent and 0.50 per cent, respectively. The ECB's decision was influenced by concerns about inflation pressures, which were counterbalanced by the downside risk to economic growth. For the BoJ, the interest rate posture reflected expectations of a slowdown in economic growth being offset by concerns about the adverse effects of a reversal in the current trend of investors unwinding their carry trade positions.

Table 3.1

Selected Key Interest Rates				
Dec 07 – Mar 08				
	Dec	Jan	Feb	Mar
USA ^a	4.25	3.00	3.00	2.25
Euro Area ^c	4.00	4.00	4.00	4.00
Canada ^b	4.25	4.00	4.00	3.50
UK ^c	5.50	5.50	5.25	5.25
Japan ^d	0.50	0.50	0.50	0.50

^a Fed fund rate

^b Benchmark rate

^c Repo rate

^d Discount rate

Figure 3.4
US Treasury Yield Curve

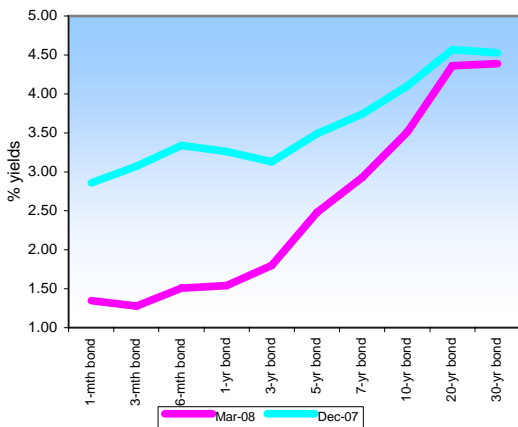
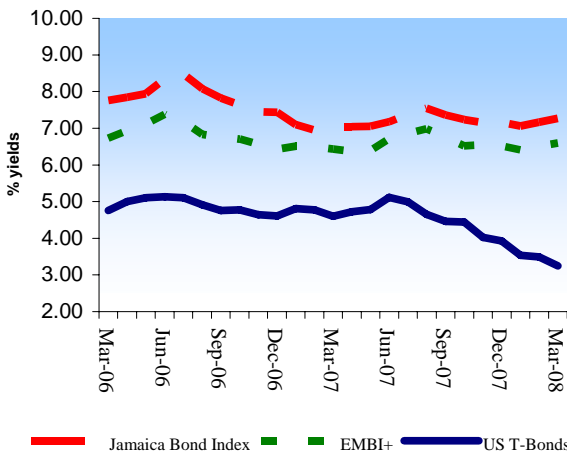


Figure 3.5
Global Bond Yields
Mar 06 to Mar 08



In addition to adjustments in interest rates, the Fed and other major central banks continued to inject liquidity into the money markets to alleviate the tightness in the credit market. The Fed also extended the temporary Term Auction Facility, which was established in December 2007, to primary dealers. As of the 17 March 2008, primary dealers were able to access short-term loans from the Fed’s discount window using a wide range of assets as collateral, including investment-grade debt securities. The Treasury also gave their commitment that similar facilities would be made available to customers of any other lender that faces difficulty from the current credit turmoil.

Private Market Rates

Consistent with the adjustments in the Fed funds rate, the yields in the secondary market for short-term U.S. Treasury Bills declined by an average of 1.44 percentage points across the 3-month to 1-year tenors. Similarly, the average yield on longer-term U.S. securities declined by 0.7 percentage points over the review quarter (see **Figure 3.4**). Interest rates in the other international private markets also declined, albeit by less than the adjustments in the Fed funds rate. The London Inter-bank Offered Rate (LIBOR) fell by an average of 1.7 percentage points across the 3-month to 1- year tenors.¹⁰ The downward movement in the yields reflected increased investor demand for relatively safer assets amidst the uncertainty in international financial markets.

Emerging market bonds

In contrast to the fall in interest rates in the international capital market, yields on emerging market bonds, as measured by the JP Morgan Emerging Market Bond Index Plus (EMBI+), increased by 17 basis points to 6.68 per cent during the review period. Similarly, average yields on GOJ global bonds increased by 11 basis points to 7.23 per cent during the quarter (see **Figure 3.5**). These movements resulted in a widening of the spread between GOJ global bonds and U.S. benchmark rates (see **Figure 3.5**). The fall in the demand for emerging market bonds and Jamaican global bonds reflected the unwillingness of investors to hold riskier securities, due to the fall-out in the U.S. financial markets.

¹⁰ The LIBOR is the rate of interest at which banks borrow funds from each other in the London inter-bank market. It is the primary benchmark for short-term interest rates globally.

Foreign Exchange Market

The U.S. dollar depreciated to record levels against the currencies of Jamaica's other major trading partners during the review period. The dollar depreciated by an average of 3.5 per cent against the Euro during the March 2008 quarter, reflecting widening interest rate differentials and market expectations of further monetary loosening by the Fed. The U.S. dollar also depreciated against the Yen by an average of 7.5 per cent, reflecting the unwinding of carry trade positions as liquidity conditions tightened, as well as reports of strong economic growth in Japan. However, the U.S. dollar appreciated against the Great Britain Pound and Canadian dollar by 3.2 per cent and 2.3 per cent, respectively, reflecting monetary loosening by the central banks in these countries.



4. Inflation

Figure 4.1
Quarterly Inflation Rate

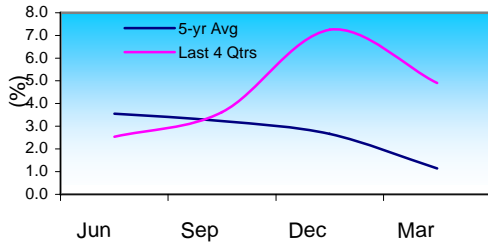


Figure 4.2
Inflation
(12 Month Pt-to-Pt & Quarterly Rates)

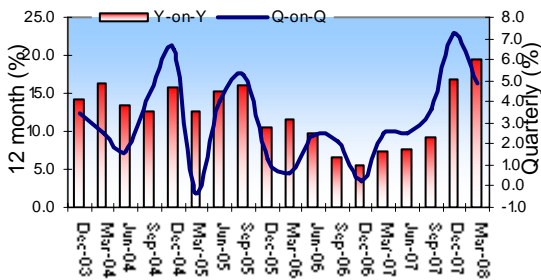
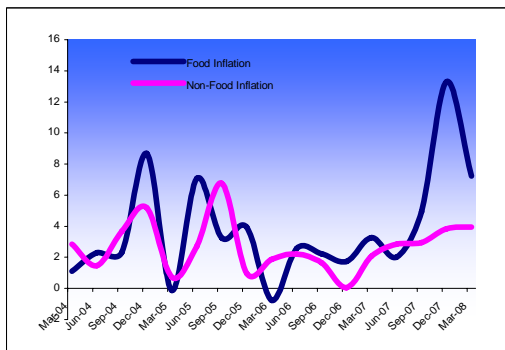
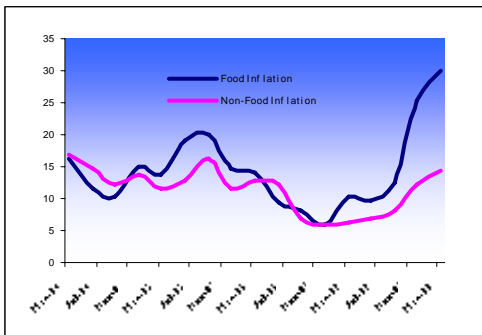


Figure 4.3
Food & Non-Food Inflation (Annual & Quarterly)



Headline inflation moderated to 5.2 per cent in the March 2008 quarter from 7.3 per cent in the preceding quarter. Inflation for the quarter was, however, significantly above the average of 1.2 per cent for the previous five March quarters as well as the 2.5 per cent for the March 2007 quarter. The inflation rate in the review quarter was influenced primarily by excess demand for certain domestic commodities and supply shocks to international commodities. Relative stability in the exchange rates since the December quarter, as well as increased interest rates would have helped to moderate inflationary impulses.

Regionally, inflation was higher in the Greater Kingston Metropolitan Area (GKMA) and the Other Urban Centres (OUC). This largely reflected stronger demand impulses in the urban centres.

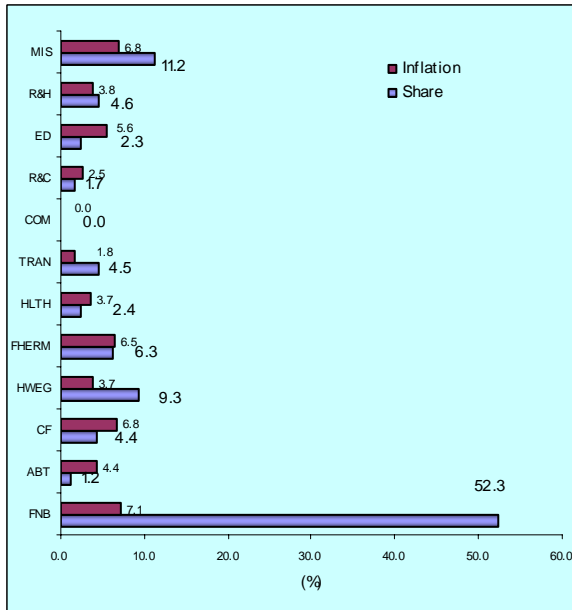
Trends in Price Indices

The All Jamaica Consumer Price Index increased by 5.2 per cent in the March 2008 quarter. The outturn for the quarter exceeded the average increase of 1.2 per cent for the March quarters of the last 5 years (see **Figure 4.1**). However, inflation in the quarter was 2.1 percentage points below the rate in the December quarter. Monthly inflation slowed consistently over the quarter as reflected in price increases of 2.2 per cent in January, 1.8 per cent in February and 1.2 per cent in March.

Most of the inflation in the March quarter emanated from continuous upward movements in food prices, with *Food & Non-Alcoholic Beverages* accounting for 52.3 per cent of the inflation outturn. Agricultural prices were the predominant drivers in the division but bread, cereals and milk prices were also of significance. Against this background, Food inflation in the quarter was 7.2 per cent relative to 3.9 per cent in Non-Food inflation. On an annual basis, Food inflation was 30.0 per cent while Non-Food inflation was by 14.3 per cent (see **Figures 4.3a & b**).

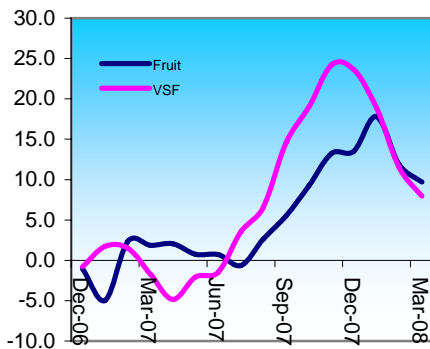
Administered prices and energy costs were also significant contributors to the inflation out-turn, with *Miscellaneous Goods & Services* and *Housing, Water, Electricity Gas & Other Fuels* contributing 11.2 per cent and 9.3 per cent, respectively, to inflation in the review period.

Figure 4.4
Inflation by Division



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

Figure 4.5
Quarterly Changes in Vegetables & Starchy Foods (VSF) and Fruit Indices



Main Inflationary Factors

The main factor that drove inflation in the review quarter was excess demand for domestic agricultural produce. Also of significance were higher international grain prices, lagged and contemporaneous pass-through of increases in energy costs as well as the impact of worsened inflation expectations on contract renegotiations. Tightened monetary policy since the December 2007 quarter would have engendered relative stability in the exchange rate of the Jamaica Dollar vis-à-vis the United States dollar and dampened the pass-through of imported inflation to domestic prices.

Domestic Supply Conditions

Despite improved production in agricultural commodities relative to the December quarter, increased exports and demand from agro-processors resulted in excess demand in the retail markets. As a result, *Vegetables & Starchy Foods* rose by 8.0 per cent during the March quarter and was the strongest inflationary impulse in the quarter. The *Fruit* index increased by 9.6 per cent, contributing 2.2 per cent to inflation. These movements are in contrast to average declines for the last five March quarters for *Vegetables & Starchy Foods* and *Fruit* of 9.4 per cent and 1.0 per cent, respectively. The increase in the prices of agricultural commodities was largely responsible for the movement in **Food & Non-Alcoholic Beverages**, which increased by 7.2 per cent and contributed 52.3 per cent to overall inflation (see **Figure 4.4**).

Imported Inflation

Imported inflation, as measured by changes in the Bank’s Import Price Index (IPI), increased by 4.6 per cent for the March quarter, largely as a result of respective increases of 8.0 per cent and 2.8 per cent in the prices of crude oil and agricultural raw materials. The increase in the price of West Texas Intermediate crude oil in the March quarter followed a 20.1 per cent increase in the previous quarter (see **International Developments**). Domestic prices in the review quarter were also influenced by lagged and contemporaneous increases in the international prices of food raw materials, such as wheat and rice.

The average price of US Hard and Soft Red Winter wheat increased by 20.5 per cent and 20.0 per cent, respectively, in the March quarter, following increases of 24.4 per cent and 21.9 per cent, respectively, in the December quarter. The price of rice increased 43.1 per cent in the review

Figure 4.6
Import Price Index (IPI) and Inflation

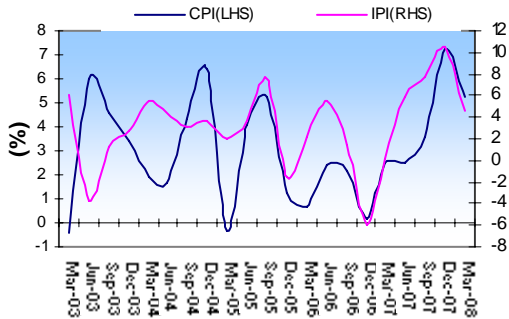
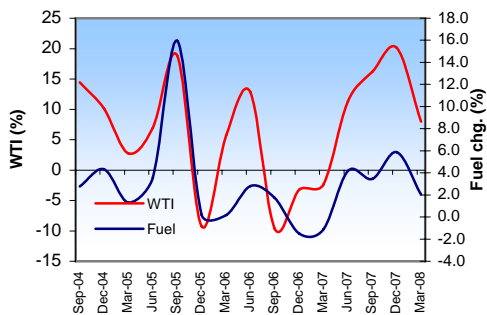


Figure 4.7
Quarterly Chg. in Fuel Index & WTI



quarter largely as a consequence of reduced exports from major producers. Rapid economic growth in China and India increased demand for milk and milk solids, while adverse weather in producing countries like Australia and New Zealand resulted in reduced supplies of these commodities. On the basis of the strong increases in the prices of imported inputs, *Milk, Cheese & Eggs* and *Bread & Cereals* increased by 13.1 per cent and 6.4 per cent, respectively, contributing 7.9 per cent and 7.6 per cent to the quarter's inflation.

During the review quarter, a price support programme implemented by the Government, aimed at limiting the levels of increases in the prices of basic food items such as rice, flour, powdered milk and cooking oil, had some moderating effect. Imported inflation, too, slowed somewhat relative to the previous quarter as the increase in the Bank's Import Price Index (IPI), of 4.6 per cent for the March quarter was less than a half of the increase in the December quarter, largely as a result of the moderation in increases in fuel prices.

The price of West Texas Intermediate crude oil rose by 8.0 per cent in the March quarter following a 20.1 per cent increase in the previous quarter (see **International Developments**). These movements prompted increases in the energy-related components of the domestic CPI basket, but below levels of the prior quarter. Accordingly, energy-related inflation, as measured by the Fuel Index, expanded by 2.1 per cent, following a 5.9 per cent increase in the previous quarter (see **Figure 4.7**). This reflected moderate increases in electricity rates, the cost of household fuels such as kerosene and liquid petroleum gas (LPG) and the price of petrol and lubricants. Residential electricity rates increased by 1.4 per cent during the quarter, relative to 9.3 per cent in the December quarter. This was a result of a 2.2 per cent expansion in fuel charges and negligible depreciation in the billing exchange rate. During the quarter, petrol prices increased by approximately 5.0 per cent but the cost of LPG declined by 1.5 per cent. Largely as a result of these factors, **Housing, Water, Electricity, Gas & Other Fuels** and **Transport** increased by 3.7 per cent and 1.7 per cent contributing 9.3 per cent and 4.5 per cent, respectively, to inflation during the quarter.

Figure 4.8
Durables and Services Inflation

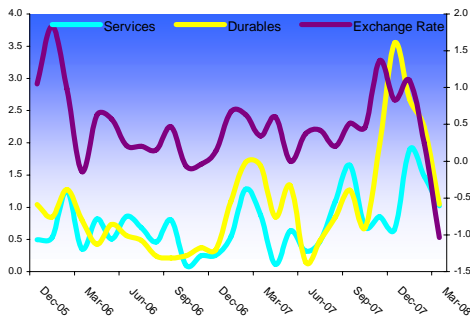
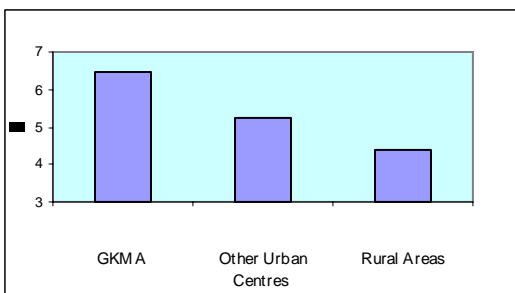


Figure 4.9
Geographical Distribution of Inflation



Exchange Rate Pass-through

In the December 2007 and March 2008 quarters, the exchange rate depreciated by 0.29 per cent and 0.66 per cent, respectively, following three consecutive quarters of depreciation above 1.0 per cent. The slower rate of depreciation, which occasioned lower pass-through, would have aided the attainment of lower inflation in the review quarter relative to the December quarter. This was particularly noticeable in durables and services inflation which fell sharply in the March quarter (see **Figure 4.8**).

Lagged Inflation and Inflation Expectations

The recent inflation experience would have conditioned the behaviour of agents setting administered prices and annual contracts. In this context, the increase in **Miscellaneous Goods & Services** largely reflected adjustments at higher prices to annual contracts for insurance covering the areas of life, health and transportation. The increase in **Housing, Water, Electricity, Gas & Other Fuels** also reflected the impact of a 15.6 per cent increase in the minimum wage while **Furnishings, Household Equipment & Routine Household Maintenance** reflected the impact of a 12.0 per cent increase in the wages of masons, carpenters, plumbers, painters and electricians.

Regional Inflation

The indices of the Greater Kingston Metropolitan Area (GKMA) and Other Urban Centres (OUC) reflected increases of 6.5 per cent and 5.2 per cent, respectively, while the index for the Rural Areas rose by 4.2 per cent (**Figure 4.9**). This disparity primarily reflected sharper increases for *Rental, Oils & Fats, Bread & Cereals* and *Goods & Services for Routine Household Maintenance* outside the Rural Areas. This primarily reflected stronger demand for these products and services in the corporate and urban centres.

Fiscal Year 2007/08

Inflation for the fiscal year 2007/08 was 19.9 per cent, relative to 7.4 per cent in the previous fiscal year and above the Bank's target range of 7.0 per cent to 8.0 per cent. This was the highest fiscal year inflation outturn since FY 1995/96. The outturn for the fiscal year was largely attributable to supply constraints in domestic agriculture and the adverse developments with international commodity prices such as crude oil and grains as well as some exchange rate instability.

Box 2: Recent Trends in International Commodity Prices

Recent Trend in Prices

The rate of growth in international commodity prices accelerated in 2007, relative to the average increase between 2005 and 2006. Food prices, as measured by the IMF's Primary Commodity Price Food Index, rose by 15.0 per cent in 2007, after growing at an annual average rate of 4.8 per cent between 2005 and 2006. In the March 2008 quarter, the index grew by 16.3 per cent, relative to the previous quarter. The rise in food prices primarily reflected increases in the price of grains and oilseeds such as soybeans (see **Table 1**). Energy and fertilizer prices also increased significantly during the period, with crude oil breaking the US\$100.00 per barrel (bbl) benchmark on 19 February 2008 (see **Table 1** and **International Developments**).¹¹

The movement in commodity prices reflected robust growth in world demand, tightening supplies and increased speculation in futures markets. Recent distortions in the global markets for some commodities, which arose from official intervention to preserve food security and to minimise the social consequences that accompany higher prices, also contributed to the movement in prices. There is growing concern that the protracted boom in commodity prices could exacerbate a global slowdown and result in an acceleration in inflation.

Factors Affecting Prices

(a) Trends in Demand and Supply

The growth in prices reflected, in part, the steady increase in global demand for commodities over the past 3 years (see **Table 2**). Most of the increase in global demand is attributed to the rapid economic expansion in emerging market economies, in particular, the Asian economies. For example, India accounted for 46.0 per cent of the growth in global demand for rice in 2007 relative to 38.0 per cent in 2006. Similarly, non-OECD countries, which include China and India, accounted for 70.7

per cent of growth in oil demand in 2007. There was, however, a notable decline in the consumption of most grains in China.

Table 1: International Commodity Prices (Period Average)

	2005	2006	2007	Q1 2008
WTI Crude Oil (US\$/bbl)	56.44	66.10	72.30	97.94
Wheat (\$/mt)	144.04	175.45	246.96	401.43
Corn (\$/mt)	98.68	121.84	164.08	220.00
Rice (\$/mt)	286.44	305.01	326.43	467.37
Soybeans (\$/mt)	274.77	268.34	383.61	563.00
Fertilizer (\$/mt)	173.54	180.71	270.42	506.91

Source: World Bank Commodity Price Data

An increase in the production of bio-fuel in response to higher crude oil prices also contributed to the rise in global grain demand.¹² The impact of this diversion of output away from human consumption has triggered increases in the prices of other food commodities via higher animal feed costs and crop substitution. Higher commodity prices also contributed to increased planting of grains, which consequently resulted in higher demand for fertilizers.

Notwithstanding the increase in the production of grains, (see **Table 2**), the rate of growth in global supply has been constrained by, inter alia, limited production capacity for commodities that are required as inputs to commercial agriculture, in particular crude oil and fertilizers. In addition, adverse weather conditions associated with El Niño and La Niña have affected food production in several major producing

¹¹ The impact of these developments has been, and is expected to be more pronounced in developing countries which generally have a relatively inelastic demand for the commodities.

¹² Bio-fuel is gas or liquid fuel made from plant material such as corn, wheat and wood waste.

Table 2: Production, Consumption and Stocks for Selected Commodities¹³

	Avg Annual 2005-2006)	2007
Rice (mn tonnes)		
Production	409.4	420.6
(% change)		2.74
Consumption	412.2	420.9
(% change)		2.11
Stocks	75.5	75.2
(% change)		-0.40
Wheat (mn tonnes)		
Production	623.7	593
(% change)		-4.92
Consumption	615.8	615.8
(% change)		0.00
Stocks	149.2	124.8
(% change)		-16.35
Corn (mn tonnes)		
Production	706.1	705.3
(% change)		-0.11
Consumption	696	722.3
(% change)		3.78
Stocks	128.6	108.2
(% change)		-15.86
Soybean (mn tonnes)		
Production	0.2	0.2
(% change)		0.00
Consumption	0.3	0.2
(% change)		-33.33
Stocks	0.1	0.1
(% change)		0.00
Crude oil (million barrels per day)		
Production	85.2	87
(% change)		2.11
Consumption	84.3	85.8
(% change)		1.78

Source: United States Department of Agriculture

¹³ Production data was unavailable for fertilizers

countries.¹⁴ In February 2008, Canada reported the lowest wheat harvest since 1945, due to adverse weather conditions.

There were also severe droughts in Brazil and Australia in the latter half of 2007 which affected yields. In this context, there has been a decline in inventory levels of several grains (see **Table 2**). However, existing inventory levels for some commodities, such as crude oil and soybeans, are above the five year average.

(b) Speculation

Recent developments in the commodity futures markets suggest that demand and supply may not be the sole contributors to the growth in prices. Although producers and consumers remain the major participants in the futures markets, a rising proportion of the activity is speculative.¹⁵ The number of agents taking speculative positions in commodities markets increased by 73.4 per cent to 1 402 143 between 2005 and 2008 and reflected expectations about future commodity and money market conditions (see Figure 1).¹⁶

Global demand for commodities is expected to continue to increase in the near-to-medium term driven primarily by robust demand from Asia. This is likely to be exacerbated by continued distortions in existing market structure, as efforts by Governments to ensure domestic food security intensify (see International Developments).

The growth in speculative activities has been influenced by the relative attractiveness of commodity futures as a hedge against inflation and possible exchange rate losses. This occurred, and is expected to continue, in the context of monetary loosening by some central banks, which has resulted in low or negative real interest rates. Additionally, the weakening of the U.S. dollar has

¹⁴ El Niño refers to the southern oscillation of the ocean-atmosphere system in the tropical Pacific Ocean. Some consequences include increased rainfall across the southern tier of the U.S. and drought in the West Pacific ocean. La Niña is defined as cooler than normal sea-surface temperatures in the central and eastern tropical Pacific Ocean. The effects of "La Niña" are drier than normal conditions in the Southwest U.S. and increased rainfall in the West Pacific.

¹⁵ This involves investors buying, holding, selling, and short-selling financial instruments with the sole purpose of profiting from fluctuations in its price.

¹⁶ Speculation is measured as total non-commercial positions in the Chicago Board of Trade (CBOT) and the New York Mercantile Exchange (NYMEX).

forced several major food exporting countries to raise their prices, which are typically quoted in U.S. dollars, to ensure profitability.

Prospects

It is expected that there will be a significant slowdown in global economic growth in 2008 which should result in a decline in demand for commodities. There is, however, the possibility that the impact of higher fuel and food prices might trigger higher inflation expectations and consequently constrain the pace of monetary loosening necessary to avert a global recession. The movement in prices over the near-term will therefore depend on the relative strength of the U.S dollar and the path of interest rates, which could determine the extent of speculative activities in commodities markets. The restoration of normal commodity market forces remains critical to the alleviation of some of the tightness in the global market.



5. Economic Outlook and Monetary Policy Perspectives

Table 5.1

Jamaica: Selected Economic Indicators		
	<i>Projections for June '08 Quarter</i>	<i>Target for FY08/09</i>
Inflation (% change)	5.0 - 6.0	11.5 – 14.5
Base Money (% change)	-3.0	11.0
NIR End Period (US\$MN)	2023.4	1750.0
GDP (12-mth % chg.)	+ve	2.5 – 3.5

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

Inflation in the June 2008 quarter is expected to be similar to the outturn in the March 2008 quarter.

The December 2007 and March 2008 quarters were characterized by significant challenges arising from international commodity prices which reached record levels, the uncertainty emanating from the crisis in the US sub-prime market and the resulting slowdown of the US economy. It is expected that these trends will continue in the June 2008 quarter and for most of FY2008/09 albeit at a reduced rate relative to FY2007/08.

Headline inflation for the June 2008 quarter is forecasted to be in the range of 5.0 per cent to 6.0 per cent. This forecast is underpinned by expectations of continued increases in international commodity prices, adjustment in domestic administered prices and some tightening of domestic capacity constraints. The foreign exchange market should continue to display relative stability which would dampen the impact of imported price movements.

In the June 2008 quarter, output is projected to increase in the range 1.5 per cent to 2.5 per cent, higher than the growth projected for the March 2008 quarter. The increase in output should be primarily due to expansions in Mining & Quarrying, Miscellaneous Services, Construction & Installation and Transport, Storage & Communication sectors.

The main policy challenges for the Central Bank during the June 2008 quarter will be to reduce the rate of price increases in the economy, while ensuring the economy remains on its current growth trajectory.

Outlook - June 2008 Quarter

Inflation

Headline inflation in the June 2008 quarter is expected to be in the range of 5.0 per cent to 6.0 per cent, slightly higher than the 5.2 per cent rate of increase recorded in the March 2008 quarter. This projection is in keeping with the seasonal pattern of higher inflation in June quarters relative to March quarters. It should be noted that abstracting from the possible administrative price increases, inflation for the quarter would be in the range 3.0 per cent to 4.0 per cent. The inflation forecast for the quarter is underpinned by expectations of continued increases in international commodity prices, a reduced rate of depreciation of the Jamaica Dollar

Figure 5.1
Index of Inflation Expectations

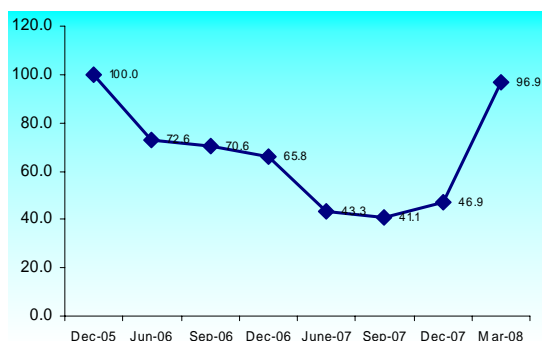


Figure 5.2
Index of Present Business Conditions

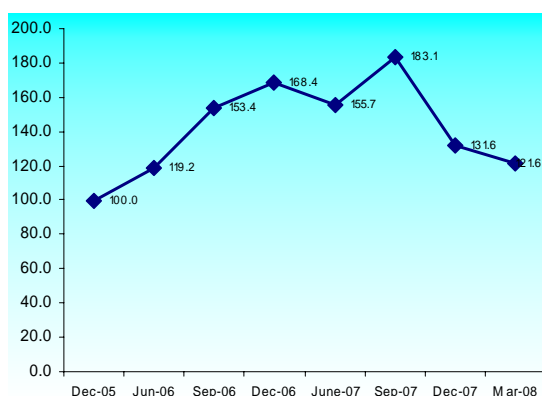
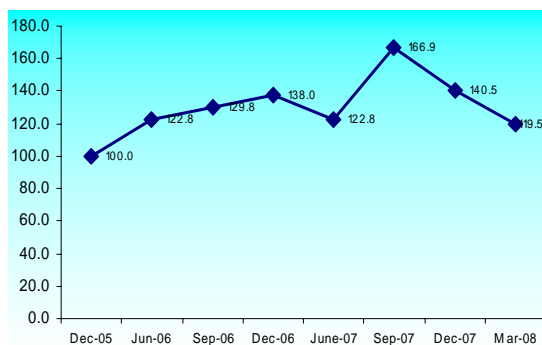


Figure 5.3
Index of Future Business Conditions



that will dampen the impact of imported price movements, adjustments in domestic administered prices and domestic capacity pressures.¹ The Government will discontinue the subsidies which were aimed at reducing the impact of international commodity in the March 2008 quarter.

Administered Price Adjustments

The assumed increases in administered domestic prices reflect adjustments to bus and taxi fares given the higher cost of fuel and wage inputs in public transportation. Other increases expected in the quarter could emanate from the increase in the rate of Special Consumption Tax on tobacco products. The total effect of these changes in administered prices could dominate the expected outturn for the quarter, accounting for more than 70.0 per cent of overall inflation.

Inflation Expectations

The Bank's most recent survey shows that inflation expectations have risen significantly relative to the modal responses recorded over the past three years. This increase in inflation expectations in the March survey would have been in response to price increases in the December and March quarters which exceeded the expectations recorded by respondents in earlier surveys. Perceptions of declining present and future business conditions have served to magnify expectations of future price increases. Nonetheless, respondents expect that any increase in interest rates will be marginal, suggesting a perception that monetary tightening may not be key to reversing price pressures.

Imported Inflation

Imported inflation in the June 2008 quarter should moderate based on movements in international commodity prices and the exchange rate. Since the December 2007 quarter, the global economy has been experiencing record levels of international commodity prices, in particular oil, wheat and corn. Commodity prices continue to be driven by speculation and excess demand conditions. However, the rate of price increases in some of these commodities are expected to moderate. Wheat and rice prices should be impacted by the easing of supply conditions as major exporting countries like Russia and Vietnam are scheduled to remove export bans in this quarter.

¹ In the Bank's macroeconomic model, inflation is forecasted using a forward looking open economy Phillips curve. The determinants of inflation are expectations, imported inflation and a measure of domestic capacity conditions.

Figure 5.4
Trends in Changes in Exchange Rate and Headline Inflation

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

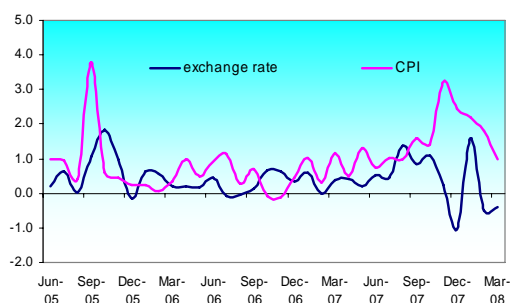
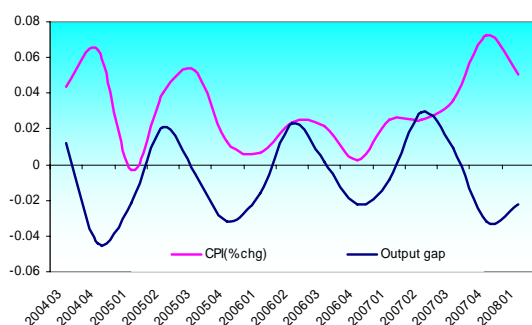


Figure 5.5
Trends in Domestic Headline Inflation and the Output Gap



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

However, some of the other major grain producers may continue their export bans in light of continued concerns about food security. The Bank projects that during the June 2008 quarter, oil prices could increase sharply relative to the previous quarter due to continued uncertainty in the global market.

The stability experienced in the foreign currency market since the December 2007 quarter is expected to continue during the June 2008 quarter. Following three consecutive quarters of depreciation above 1.0 per cent, the WASR of the US dollar depreciated by 0.29 and 0.66 per cent, respectively, in the December and March quarters. The anticipated stability in the June 2008 quarter reflects the lagged impact of the Bank's monetary policy actions taken in the March 2008 quarter, the continued downward path of interest rates in the US as well as, the general uncertainty associated with holding foreign currency denominated assets, in the context of the credit crunch in major developed markets. The increased inflows from the expected upturn in selected export earnings as well as remittances will also have a positive impact on the market. Some increase in the demand for foreign exchange is, however, anticipated to facilitate payments for imports of fuel and consumer durables. Given the impact on private capital inflows from the sale of Lascelles deMercado and Company Ltd. in the March 2008 quarter, a moderation in these inflows is naturally expected in the June 2008 quarter. Broadly, however, there should be an overall excess supply of foreign exchange to the market over the quarter. This stable trend in the exchange rate should have a dampening effect on domestic prices in the quarter based on the estimated exchange rate pass-through.

Domestic Capacity Conditions

The Bank's current estimates suggest that Jamaica's potential output grows at approximately 1.6 per cent per annum.¹⁸ With the economy forecasted to record increased output growth in the June quarter in excess of this level, there could be some capacity-related pressures, which could result in increased prices for factors of production, like wages. Recent labour market data from the Statistical Institute of Jamaica suggests that nominal and real wages have risen faster than productivity over the previous 8 quarters. Figure 5.5 shows a plot of the quarterly inflation and a measure of the output gap, depicting a strong correlation between the gap and inflation with the only major deviation occurring in the December 2007 quarter.

¹⁸ This estimate does not include the increases in capacity expected from the FDI projects slated for the second half of FY2008/09

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

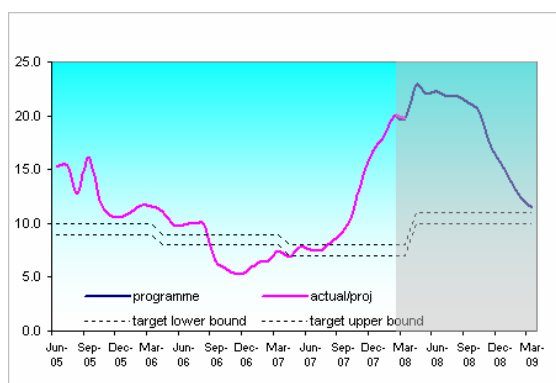
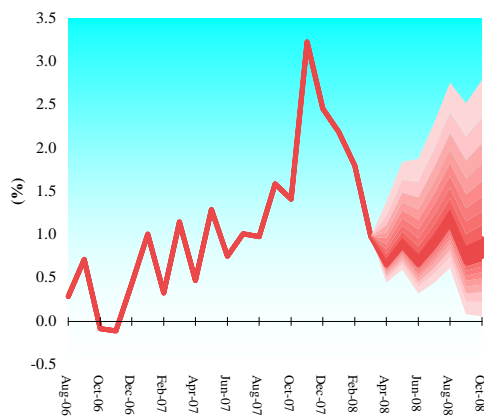


Figure 5.7
Monthly Inflation Forecasts



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

In that quarter, the majority of the inflation was attributable to imported price changes. The projected increase in output in the June 2008 quarter could result in output being close to or exceeding capacity, resulting in price pressures on some factors of production. This could result in some cost push pressures for producers, leading to price increases of domestic final goods.

Output

Real GDP in the June 2008 quarter should expand by between 1.5 per cent and 2.5 per cent, an acceleration relative to the March 2008 quarter. This would mark a return to the growth trend of approximately 2.0 per cent per quarter that the country has been experiencing since the September 2005 quarter. Forecasted declines in US and global growth are not expected to significantly affect the domestic growth prospects for the quarter (See **Box 1**). The increase in output is expected primarily from the *Mining & Quarrying, Miscellaneous Services, Construction & Installation* and the *Transport, Storage & Communication* sectors. *Mining & Quarrying* should expand relative to the June 2007 quarter, as the industry had experienced production problems in 2007, both in bauxite and alumina production in that quarter. *Miscellaneous Services* should be buoyed by increases in the number of stop over arrivals expected from the opening of new hotels. Construction should continue to grow due to the ongoing investment in hotels, roads and the Island's air and sea ports. Growth in *Transportation, Storage & Communication* sector is associated with the projected growth in visitor arrivals during the quarter. *Agriculture, Forestry & Fishing* should decline, albeit at a slower rate than what was recorded in the December 2007 and March 2008 quarters. This projection would imply a reduction in the rate of price increases of domestic agricultural products in the quarter.

Outlook - FY2008/09

For the FY2008/09, headline inflation is projected to be in the range 11.5 per cent to 14.5 per cent while growth in the range of between 2.5 per cent to 3.5 per cent is projected. These projections are based on the assumptions of continued increases in international commodity prices, a recession in the US economy, and tightening domestic capacity constraints in the first half of the fiscal year. Despite the expected slow down in the global economy, the Jamaican economy is expected to expand based on the foreign direct investments (FDI) projects that have for the most part, already started.

Expansion should continue due to FDI projects that have, for the most part, already started

These investments should expand the country's capacity, reducing pressures on factor prices and lead to less cost-push inflationary pressures in the latter part of the fiscal year.

Risks

The risks to the inflation forecast continue to be biased to the upside. These risks include adverse weather, higher than anticipated increases in international commodity prices, a deep and protracted recession in the US and continued uncertainty in the international credit markets.

In December 2007, hurricane experts forecasted that the 2008 Atlantic hurricane season would have above normal activity.¹⁹ The expectations were for 13 storms, 7 hurricanes and 3 major hurricanes relative to their averages of 10 storms, 6 hurricanes and 2 major hurricanes.²⁰ With the beginning of the hurricane season in June, there is a probability of the country being affected by a storm system near the end of the quarter.

The risks to the forecasts of international commodity prices are biased to the upside. Export restricting measures and the continued threat of geopolitical tensions will continue to provide a fillip to commodity prices. Geopolitical tensions continue in the Middle East and Nigeria, which when added to the expected depreciation of the US dollar versus other major currencies, could also result in higher projected oil prices. The expected depreciation of the US dollar could also translate into higher than anticipated increases in the prices of other commodities like wheat, soybeans and corn. The Sub-Prime Crisis has continued to unfold, resulting in record losses for large financial companies and a significant reduction in lending. In April 2008, the IMF estimated that the crisis could result in losses close to US\$1.0 trillion. This phenomenon is expected to result in significant reductions in credit available to emerging markets. This could adversely affect the domestic financial markets, particularly the market for foreign currency.

Monetary Policy

The main challenge for the Central Bank is tempering the rate of price increases and inflationary expectations. In this context, the Bank's monetary programme will incorporate targets for money and credit that are consistent with restraining inflation to the lower end of the forecast range for the fiscal year. As such, base money is targeted to grow by 11.0 per cent. Given that the risks to the target

¹⁹ Dr. Philip J. Klotzbach, Dr. William M. Gray and their associates at Colorado State University

²⁰ Average Atlantic tropical storm activity between 1950 and 2000.

Commodity prices will continue to be impacted by export restricting measures and the continued threat of geopolitical tensions.

The Bank's monetary programme will be consistent with restraining inflation to the lower end of the forecast range

are biased to the upside, the Bank will maintain a conservative monetary policy stance throughout the year.

With the tightening in the monetary stance since the end of the December 2007 quarter, and continued adequate inflows of foreign currency, the foreign exchange market should continue to reflect stability over the quarter. Liquidity in the quarter should not pose significant challenges for the Bank. In this context, the Bank has targeted a reduction in monetary base of approximately 3.0 per cent for the quarter, relative to the average seasonal increase of 0.3 per cent for June quarters.²¹ The Bank remains prepared to enact any further policy action necessary to ensure price stability

²¹ Average quarterly change in monetary base for the June quarter from 2000 to present.



Appendices

A. Fiscal Developments: January to March 2008

Central Government operations for the March 2008 quarter resulted in a surplus of \$2 684.8 million or 0.34 per cent of GDP, significantly lower than the surplus of \$9 309.2 million or 1.2 per cent of GDP anticipated for the period. The lower than budgeted surplus was due to above target expenditure, which more than offset higher than budgeted revenues. The primary surplus was 3.3 per cent of GDP relative to the budgeted primary surplus of 4.2 per cent. Concurrently, the current surplus to GDP ratio of 1.2 per cent was lower than the current surplus of 1.8 per cent of GDP indicated by the budget (see **table**).

Total expenditure for the March 2008 quarter exceeded budget by 27.9 per cent, with higher than targeted spending on programmes being the major contributor to the deviation. Expenses associated with the passage of Hurricane Dean, an increase in the pension rate, the payment of tuition fees for students attending secondary schools as well as, health care costs in public hospitals and clinics for all persons, 18.0 years and younger, were the main factors contributing to the above budget expenditure on programmes. Notably, these factors dominated the performance of programmes for much of the fiscal year. There were however, countervailing influences from wages and salaries, largely associated with a delay in the reclassification of some workers in the health sector.

For the review quarter, total revenues and grants exceeded budget by 14.9 per cent, with the increase reflected in capital and non-tax revenue, as well as grants. Tax revenues were virtually in line with target while, there was a small shortfall in bauxite levy receipts relative to budget. Of note, capital revenue, which exceeded budget for the quarter by \$4 809.9 million was boosted by the flows associated with the sale of shares in Petrojam, while non-tax revenue reflected receipts from the Universal Access Fund.

For FY 2007/08, the Government incurred a deficit of \$37 638.7 million or 4.7 per cent of GDP, almost in line with the budgeted deficit of 4.5 per cent of GDP. The outturn for the fiscal year reflected higher than budgeted expenditure, which was largely offset by better than expected revenues. Excluding the exceptional revenue flows from the sale of Petrojam shares, the fiscal deficit for FY2007/08 was 5.3 per cent of GDP, which was lower than the revised target of 5.5 per cent of GDP, projected in the Second Supplementary Budget Estimates. The primary balance was 8.1 per cent of GDP, 0.6 percentage points lower than target while, the current deficit was 1.3 per cent of GDP relative to the 0.4 per cent of GDP current deficit indicated by the budget.

Total expenditure was 5.8 per cent higher than budget for FY 2007/08,, with the deviation reflected primarily in recurrent expenditure which accounted for 84.3 per cent of the increase. Revenue and Grant exceeded budget by 5.6 per cent, reflecting strong contributions from *Income & Profits* and *Environmental Levy*, which outweighed lower than budgeted receipts from *Production & Consumption* and *International Trade*. Within *Income & Profits*, corporate taxes, PAYE and Tax on Dividends were the major areas which performed above target. With

respect to the latter two sub-categories, the major item influencing the shortfalls was Special Consumption Tax (SCT) receipts. Grant flows were bolstered by the receipt of Hurricane Dean Relief support from the European Union and the Republic of Trinidad and Tobago. Tax revenue reflected higher than budgeted receipts from current transactions as well as, arrears.

In a context of the larger than budgeted deficit for FY 2007/08, the Government utilised higher than targeted domestic financing, obtained mainly through the issue of variable rate debt which accounted for 65.9 per cent of new debt. As a consequence, variable rate debt accounted for 62.3 per cent of total debt at end FY 2007/08 relative to 59.9 per cent at end FY2006/07, consistent with investor preference for hedge instruments. Concurrently, Government net amortised \$4 244.8 million (approximately US\$45.0 million) more in foreign debt than was budgeted.

CENTRAL GOVERNMENT SUMMARY ACCOUNTS									
FY 2007/08									
(J\$MN)									
	FY 2007/08 Q4	Budget Q4	Variance	%	FY 2007/08 Q1- Q4	Budget Q1- Q4	Variance	%	
Revenue & Grants	81957.8	71303.2	10654.6	14.9	256640.9	243091.7	13549.2	5.6	
Revenue	79075.4	70541.6	8533.9	12.1	252101.4	239801.5	12300.0	5.1	
Tax Revenue	64130.3	64136.3	-6.0	0.0	219517.6	217630.3	1887.3	0.9	
Non-Tax Revenue	8247.7	4405.5	3842.2	87.2	18235.0	14340.6	3894.4	27.2	
Bauxite Levy	1011.4	1123.6	-112.2	-10.0	4998.4	4268.2	730.2	17.1	
Capital Revenue	5686.1	876.2	4809.9	548.9	9350.5	3562.4	5788.0	162.5	
Grants	2882.4	761.6	2120.8	278.4	4539.5	3290.2	1249.3	38.0	
Expenditure	79273.1	61994.0	17279.1	27.9	294279.7	278181.0	16098.6	5.8	
Recurrent Expenditure	64168.4	56233.5	7934.9	14.1	252878.0	239300.0	13578.0	5.7	
Programmes	18370.2	10937.1	7433.1	68.0	64918.8	49320.0	15598.8	31.6	
Wages & Salaries	22176.3	22666.1	-489.8	-2.2	86235.7	88510.3	-2274.5	-2.6	
Interest	23621.9	22630.3	991.6	4.4	101723.5	101469.7	253.7	0.3	
Domestic	16287.7	15893.9	393.8	2.5	70022.7	70487.4	-464.8	-0.7	
Foreign	7334.2	6736.4	597.8	8.9	31700.8	30982.3	718.5	2.3	
Capital Expenditure	15104.7	5760.4	9344.2	162.2	41401.7	38881.1	2520.6	6.5	
Non-interest expenditure	55651.2	39363.6	16287.5	41.4	192556.2	176711.3	15844.9	9.0	
Fiscal Balance	2684.8	9309.3	-6624.5	-71.2	-37638.7	-35089.3	-2549.4	7.3	
Current Balance	9221.0	13431.8	-4210.9	-31.3	-10127.0	-3060.9	-7066.1	230.8	
Primary balance	26306.6	31939.6	-5632.9	-17.6	64084.7	66380.4	-2295.7	-3.5	
BR	-0.3	-1.2			4.7	4.6			
CB	1.2	1.8			-1.3	-0.4			
PB	3.3	4.2			8.1	8.7			
IP	3.0	3.0			12.8	13.3			
FSR	-1.0	-0.9			-1.1	-1.1			
NIE	7.0	5.2			24.2	23.1			
Key									
BR = Borrowing Requirement									
CB= Current Balance = Current Revenue-Current Expenditure as a percent of GDP									
PB= Primary Balance = Total Revenues-Total Expenditures less Interest Payments (IP) as a percent of GDP									
IP= Interest Payments as a percent of GDP									
FSR=Fiscal Stability Ratio = (Overall Balance/ Total Revenue) - 1									
International Benchmarks									
BR greater than 3% of GDP often indicates serious fiscal imbalance									
FSR closer to zero indicates more stable government finances									
Negative CB ratio of less than 1% indicates dissaving or a need for fiscal adjustment as the public sector is borrowing for consumption									
PB ratio above zero indicates major fiscal adjustment to cover interest on past obligations									
* Recurrent Expenditure includes programmes, wages and salaries and interest payments.									

B. MONETARY POLICY DEVELOPMENTS

- 6/02/02 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.

8/04/06	<p>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.</p>
01/05/06	<p>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.</p>
12/05/06	<p>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.</p>
01/09/06	<p>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.</p>
22/09/06	<p>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.</p>
22/12/06	<p>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.</p>
18/01/07	<p>The Bank of Jamaica offered a Special One-Year Variable rate Instrument to Primary Dealers and Commercial Banks. Interest payments on this instrument will be made quarterly. The initial coupon is 11.80 per cent per annum, the rate being paid on a Bank of Jamaica 90-day Certificate of Deposit. Subsequent interest payments will be calculated at 1.00 percentage point above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period.</p> <p>The offer was made in the context of the redemption of Government of Jamaica domestic debt instruments on 18 January 2007 which would increase the level of liquidity in the financial system beyond normal requirements. The Bank continues to offer its regular issues of Certificates of Deposits ranging from 30 days to 180 days.</p>
19/06/07	<p>The Bank of Jamaica offered a Special Two-Year Variable rate Instrument to Primary Dealers and Commercial Banks during the period 19-22 June 2007. The instrument will be amortized in two equal tranches on 19 June 2008 and 19 June 2009 with quarterly interest payments. The initial coupon is 11.80 per cent per annum, the rate being paid on a Bank of Jamaica 90-day Certificate of Deposit. Subsequent interest payments will be calculated at 1.25 percentage point above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period.</p> <p>The offer was made in the context of the exceptionally high level of liquidity of Jamaica Dollar liquidity anticipated during the offer period. The Bank continues to offer its regular issues of Certificates of Deposits ranging from 30 days to 180 days.</p>
04/07/07	<p>As part of its liquidity management strategy, the Bank of Jamaica offered a Special Two-Year Variable Rate Instrument to Primary Dealers and Commercial Banks from 04 July 2007 to 09 July 2007. The instrument, with an initial coupon of 11.98 percent, will be amortized in two equal tranches on 02 January 2009 and 03 July 2009 with quarterly interest payments. Subsequent interest payments will be calculated at 2.00 percentage points above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period.</p> <p>The Bank of Jamaica will continue to offer its regular issues of Certificates of Deposit ranging from 30 days to 180 days</p>
06/09/07	<p>As part of its liquidity management strategy, the Bank of Jamaica offered a Special Two-Year Variable Rate Instrument to Primary Dealers and Commercial Banks commencing from 06 September 2007 to 12 September 2007. The instrument, with an initial coupon of 12.21 percent per annum, will be amortized in two equal tranches on 05 September 2008 and 04 September 2009 with quarterly interest payments. Subsequent interest payments will be calculated at 2.00 percentage points above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period.</p> <p>The Bank of Jamaica will continue to offer its regular issues of Certificates of Deposit ranging from 30 days to 180 days.</p>
18/09/07	<p>The Bank of Jamaica accepted subscriptions on a Special One-Year Certificate of Deposit from 18 September 2007 to 26 September 2007. As is customary, this instrument was offered to Primary Dealers and Commercial Banks. Interest on this</p>

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

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

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

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

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

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

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

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

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

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

The rates applicable to all other BOJ instruments remained unchanged.

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

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

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

LIST OF SUMMARY TABLES

Table		Page
1	Inflation Rates	49
2A	Component Contribution to Inflation	50
2B	Regional Inflation	51
3	Bank of Jamaica Operating Targets	52
4	Monetary Aggregates	52
5	Component of Change in Currency Money Supply	53
6A	Selected Interest Rates	54
6B	GOJ Treasury Bill Yields	54
7	Bank of Jamaica Open Market Interest Rates	55
8A	Jamaica: Government Bond Market GOJ Maturities	56
8B	Jamaica: Government Bond Market GOJ Domestic Market Issues	57
9	External Trade - Goods Exports (f.o.b.)	58
10	External Trade - Goods Imports (c.i.f.)	58
11	Balance of Payments Summary	59
12	Private Sector Quarterly Remittance Flows	59
13	Foreign Exchange Selling Rates	60
14	Bank of Jamaica: Net International Reserves	61
15	Stock Market Activities	62
16	Public Sector Domestic Securities	63
17	Production of Selected Commodities	64
18	GDP By Industry in Producers' Value	65
D.	Bank of Jamaica Balance Sheet	66
E.	Commercial Banks' Balance Sheet	67
F.1	International Indicators	68
2	London Money Rates-Interbank Sterling	68
3	Prime Lending Rates	69
4A	International Exchange Rate US\$ vs Other Major Currencies	69
4B	International Exchange Rates Exchange Cross Rates	69
4C	International Exchange Rates Sterling vs Other Major Currencies	69
5A	World Commodity Prices Key Crude Oil Price	70
5B	World Commodity Prices Aluminium	70
5C	World Commodity Prices Food	70
6	Major Stock Market Indices	70

C. Summary Tables

1

INFLATION RATES (%)			
	CPI Index (e.o.p)	Head-line (Quarter)	Core (Quarter)
1998/1999			
<i>June</i>	58.3	3.0	1.7
<i>September</i>	59.9	2.7	5.2
<i>December</i>	60.6	1.1	0.9
<i>March</i>	61.0	0.6	2.4
2002/2003			
<i>June</i>	62.0	1.6	1.0
<i>September</i>	63.4	2.3	1.3
<i>December</i>	65.0	2.5	1.5
<i>March</i>	64.7	-0.4	1.6
2003/2004			
<i>June</i>	68.5	5.9	4.7
<i>September</i>	71.5	4.4	3.6
<i>December</i>	73.9	3.4	2.6
<i>March</i>	75.4	2.0	2.7
2004/2005			
<i>June</i>	76.8	1.9	1.5
<i>September</i>	79.0	2.9	3.5
<i>December</i>	84.1	6.4	5.4
<i>March</i>	85.3	1.5	1.3
2005/2006			
<i>June</i>	90.0	5.5	2.7
<i>September</i>	93.8	4.2	2.7
<i>December</i>	94.6	0.9	2.5
<i>March</i>	94.9	0.2	2.7
2006/2007			
<i>June</i>	97.6	2.9	2.1
<i>September</i>	99.9	2.4	2.1
<i>December</i>	100.0	0.1	1.0
<i>March</i>	102.5	2.5	4.0
2007/2008			
<i>June</i>	105.1	2.5	2.3
<i>September</i>	108.3	3.6	2.7
<i>December</i>	116.8	7.3	5.8
<i>March</i>	122.9	5.2	5.5

2A

COMPONENT CONTRIBUTION TO INFLATION			
All Jamaica			
January – March 2008			
Divisions, Classes and Groups	Weight in CPI	Inflation (%)	Contribution
FOOD & NON-ALCOHOLIC BEVERAGES	0.3746	7.2	52.3
Food	0.3512	7.3	49.9
- Bread and Cereals	0.0610	6.4	7.6
- Meat	0.0766	3.9	5.8
- Fish and Seafood	0.0533	5.8	6.0
- Milk, Cheese and Eggs	0.0311	13.1	7.9
- Oils and Fats	0.0164	12.3	3.9
- Fruit	0.0114	9.6	2.2
- Vegetables and Starchy Foods	0.0686	8.0	10.7
- Sugar, Jam, Honey, Chocolate and Confectionery	0.0172	9.1	3.1
- Food Products n.e.c.	0.0155	9.4	2.8
Non-Alcoholic Beverages	0.0235	5.4	2.5
- Coffee, Tea and Cocoa	0.0066	3.0	0.4
- Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	0.0169	6.2	2.1
ALCOHOLIC BEVERAGES AND TOBACCO	0.0138	4.4	1.2
CLOTHING AND FOOTWEAR	0.0333	6.7	4.4
Clothing	0.0212	5.3	2.2
Footwear	0.0122	8.9	2.1
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	0.1276	3.7	9.3
Rentals for Housing	0.0301	5.1	3.0
Maintenance and Repair of Dwelling	0.0080	9.4	1.5
Water Supply and Miscellaneous Services Related to the Dwelling	0.0132	-4.4	-1.1
Electricity, Gas and Other Fuels	0.0712	3.8	5.2
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	0.0493	6.5	6.3
Furniture and Furnishings	0.0069	5.9	0.8
Household Textiles	0.0032	3.7	0.2
Household Appliances	0.0056	4.4	0.5
Glassware, Tableware and Household Utensils	0.0005	8.0	0.1
Tools and Equipment for House and Garden	0.0015	3.3	0.1
Goods and Services for Routine Household Maintenance	0.0316	7.5	4.6
HEALTH	0.0329	3.7	2.4
Medical Products, Appliances and Equipment	0.0122	6.7	1.6
Health Services	0.0207	1.9	0.8
TRANSPORT	0.1282	1.7	4.5
COMMUNICATION	0.0399	0.0	0.0
RECREATION AND CULTURE	0.0336	2.8	1.7
EDUCATION	0.0214	5.6	2.3
RESTAURANTS & ACCOMMODATION SERVICES	0.0619	3.8	4.6
MISCELLANEOUS GOODS AND SERVICES	0.0837	6.9	11.2
ALL DIVISIONS	1.0000	5.2	100.0

2B

REGIONAL INFLATION			
January – March 2008			
Divisions, Classes and Groups	GKMA	Other Urban Centres	Rural Areas
FOOD & NON-ALCOHOLIC BEVERAGES	8.4	7.1	6.1
Food	8.3	7.3	6.3
- Bread and Cereals	7.4	5.8	6.1
- Meat	4.1	6.1	3.0
- Fish and Seafood	3.9	5.3	7.1
- Milk, Cheese and Eggs	19.6	11.3	9.7
- Oils and Fats	22.0	12.5	7.4
- Fruit	13.6	12.8	1.6
- Vegetables and Starchy Foods	7.3	8.0	7.0
- Sugar, Jam, Honey, Chocolate and Confectionery	12.9	6.9	8.0
- Food Products n.e.c.	10.0	5.0	10.9
Non-Alcoholic Beverages	10.3	3.7	3.3
- Coffee, Tea and Cocoa	8.3	2.4	0.8
- Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	11.0	4.1	4.5
ALCOHOLIC BEVERAGES AND TOBACCO	8.5	1.0	3.4
CLOTHING AND FOOTWEAR	12.1	1.4	5.7
Clothing	6.4	1.2	6.1
Footwear	20.9	1.7	5.0
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	5.2	2.6	2.9
Rentals for Housing	8.2	0.9	0.9
Maintenance and Repair of Dwelling	10.4	9.1	9.0
Water Supply and Miscellaneous Services Related to the Dwelling	-4.4	-4.4	-4.4
Electricity, Gas and Other Fuels	4.3	4.0	3.4
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	8.7	6.9	4.8
Furniture and Furnishings	4.5	6.5	6.9
Household Textiles	5.3	5.6	2.0
Household Appliances	6.3	3.7	3.0
Glassware, Tableware and Household Utensils	14.6	2.1	5.7
Tools and Equipment for House and Garden	4.6	3.2	3.1
Goods and Services for Routine Household Maintenance	10.4	7.8	5.0
HEALTH	1.7	5.0	4.3
Medical Products, Appliances and Equipment	2.2	7.0	9.5
Health Services	1.3	3.8	1.5
TRANSPORT	2.4	3.5	0.5
COMMUNICATION	0.0	0.0	0.0
RECREATION AND CULTURE	4.8	2.1	1.5
EDUCATION	6.5	4.9	4.8
RESTAURANTS & ACCOMMODATION SERVICES	4.5	7.2	1.5
MISCELLANEOUS GOODS AND SERVICES	9.2	7.0	5.1
ALL DIVISIONS	6.5	5.2	4.2

3

BANK OF JAMAICA OPERATING TARGETS

	Sept-06	Dec-06	Mar-07	June-07	Sep-07	Dec-07	Mar-07 ^P
Net International Reserves (US\$)	2 342.0	2 317.6	2 329.4	2 238.9	1 916.2	1 877.7	2 083.4
Net International Reserves (\$J)	155 486.0	153 862.1	157 743.9	152 579.0	133 807.5	135 065.1	149 859.0
- Assets	164 296.7	159 276.9	176 994.1	168 485.2	135 690.2	137 087.1	151 477.4
- Liabilities	- 8 810.7	-5 414.8	-19 250.2	-15 906.2	-1882.7	-2 022.0	-1 618.4
Net Domestic Assets	-108	- 95 886.7	-105 920.6	-99 591.6	-79 335.9	-69 808.0	-91 016.6
	165.8						
-Net Claims on the Public Sector	93 207.9	94 684.7	96 326.9	91 824.7	95 955.4	95 010.4	97 776.9
- Net Credit to Banks	-9	-10 303.6	-10 858.6	-10 860.9	-11 858.7	-12 419.5	-13 019.4
	886.1						
- Open Market Operations	-166	-154 757.0	-165 704.0	-150 758.3	-129 771.5	-114 741.3	-138 179.1
	018.9						
- Other	-25	-25 510.8	-25 684.9	-29 797.1	-33 661.1	-37 657.6	-37 595.0
	468.8						
Monetary Base	47 320.2	57 975.5	51 823.2	52 987.4	54 771.7	65 257.1	58 842.4
- Currency Issue *	32 143.4	42 317.3	35 956.2	36 348.3	37 446.0	47 220.7	40 245.3
- Cash Reserve	14 907.8	14 821.7	15 734.2	16 177.6	16 893.4	17 259.8	17 650.0
- Current Account	269.0	836.5	132.8	461.5	132.3	776.6	947.1
% change Monetary Base (F-Y-T-D)	8.5	32.9	18.8	2.2	5.1	25.9	13.5

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

4

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

	M1J	M1*	M2J	M2*	M3J	M3*
2004/2005						
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 ^f	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 ^f	70 936.5	80 588.3	175 367.2	253 125.3	231 304.0	309 062.2
2006/2007						
June	74 603.1	85 666.8	182 099.9	266 428.9	237 729.8	322 058.8
September	75 563.7	90 053.6	185 371.1	280 698.4	242 607.4	337 934.7
December ^f	89 116.4	105 258.4	202 344.5	299 970.7	262 637.7	360 263.9
March	77 281.4	88 284.0	189 205.0	284 765.3	252 074.4	347 634.7

J- Includes local currency liabilities only

* -Includes local and foreign currency liabilities;

p - preliminary; r- revised

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

	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07 ^r	Mar-08 ^p
M2J	5 535.6	3 313.2	19 326.1	-6 423.0	6 882.8	3 271.2	16 973.3	-13 139.5
Currency	1 285.3	966.9	7 333.8	-4 631.3	1 506.1	839.2	7 180.0	-7 472.1
Demand Deposits	2 005.1	1 793.9	6 177.6	-2 609.9	2 310.5	121.3	6 372.7	-4 363.0
Savings Deposits	2 951.0	1 288.2	4 413.7	917.8	1 826.7	2 798.0	2 038.3	-332.7
Time Deposits	- 705.8	-735.8	1 401.0	-99.1	1 239.5	-487.3	1 382.3	-971.7
OTHER DEPOSITS	377.8	2 781.5	1 406.0	2 184.8	-302.8	1 606.4	3 056.9	2 576.3
TOTAL (M3J)	5 913.4	6 094.7	20 732.2	4 238.2	6 580.0	4 877.6	20 030.2	-10 563.2

SOURCES OF CHANGE IN LOCAL CURRENCY MONEY SUPPLY

N.I.R. of B.O.J.	2 100.0	15 400.2	-1 624.0	799.4	-6 166.4	-22 532.7	- 2 685.7	14 793.9
M&LTFI of B.O.J	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banking System Credit	3 712.2	-3 896.5	6 620.4	440.5	587.8	315.9	4 847.7	- 4 228.8
Public Sector	276.5	-8 872.8	-2 471.5	13 835.9	6 955.0	-6 050.0	-114.6	-7 463.5
Private Sector	3 435.7	4 976.3	9 091.9	4 604.6	5 632.8	6 365.9	4 962.3	3 234.7
Open Market Operations	-2 080.4	- 6580.9	11 261.9	-10 947.0	14 945.8	20 986.7	15 030.2	-23 437.9
Other	2 181.6	1 171.9	4 473.8	-12 531.1	-14 787.2	6 107.7	2 838.0	2 309.6
TOTAL	5 913.4	6 094.7	20 732.2	4 238.2	6 580.0	4 877.6	20 030.2	-10 563.2

Memo:

Foreign Currency Deposits (Private Sector)	-1 833.1	-1 209.3	3 318.4	2 576.8	6 570.8	10 998.3	2 299.0	-2 065.9
Foreign Currency Loans (Private Sector)	2 801.9	478.0	3 124.4	4 124.8	1 874.8	7 173.2	3 078.1	1 329.8

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

6A

SELECTED INTEREST RATES (%)							
(End-of-Period)							
	Fixed Deposits *		Savings Deposits (Average) ^r	Lending Rate (Average)	Fixed Deposits Rate (Weighted Average)	Loan Rate (Weighted Average)	Inter-bank Lending Rate (Average)
	3-6 months	6-12 months					
2002/2003							
June	7.75-13.25	7.75-13.25	9.00	25.92	9.28	18.15	14.68
September	7.75-13.25	7.75-13.25	8.86	26.25	8.98	18.08	13.88
December	7.75-13.25	7.75-13.25	8.96	25.04	8.92	18.26	11.50
March	8.50-13.15	8.50-13.15	8.22	24.73	8.87	17.23	21.90
2003/2004							
June	8.50-13.15	8.50-13.15	8.22	25.18	8.98	19.23	38.40
September	8.50-13.25	8.50-13.50	8.43	25.60	9.02	19.87	17.01
December	8.50-13.25	8.50-13.50	7.24	25.60	8.68	19.32	24.08
March	8.50-13.25	8.50-13.50	6.78	25.40	8.47	19.01	17.16
2004/2005							
June	8.50 - 13.25	8.50-13.50	6.61	25.02	8.15	17.75	15.75
September	8.50 - 13.25	8.50-13.50	6.61	24.95	7.99	17.76	8.38
December	3.00 - 14.10	3.50-14.30	6.48	24.89	7.78	17.72	12.95
March	3.00 - 14.10	3.50-14.30	6.36	24.89	7.54	17.35	12.58
2005/2006							
June	3.00-14.10	3.50-14.30	5.52	24.70	7.34	16.43	10.00
September	2.50- 14.10	3.00-14.30	5.48	22.00	7.11	17.41	11.13
December	2.50- 14.10	3.00-14.30	5.48	22.00	7.00	17.32	12.42
March	2.50- 14.10	3.00-14.30	5.30	21.84	7.17	17.54	10.00
2006/2007							
June	2.50- 14.10	3.00-14.30	5.39	22.50	7.17	17.60	9.00
September	2.50- 14.10	3.00-14.30	5.36	21.80	6.88	17.83	9.13
December	2.50- 14.10	3.00-14.30	5.20	21.90	6.60	17.59	8.10
March	2.50- 14.10	3.00-14.30	5.15	22.49	6.94	17.28	7.75
2007/2008							
June	6.80 - 10.95	6.50 - 11.60	5.17	22.49	6.96	17.23	9.67
September	6.80 - 11.85	6.50 - 12.35	4.88	21.08	6.85	17.06	10.50
December	6.80 - 11.85	6.50 - 12.35	4.88	20.82	6.99	17.11	7.58
March	6.80 - 12.85	6.50 - 13.35	4.88	22.47	n.a.	n.a.	8.29

*Relate to deposits of \$100 000 and over.

r - revised

n.a: Not Available

6B

GOJ TREASURY BILL YIELDS (End of Period)				
	3-month	6-month	9-month	12-month
2000/2001				
September	16.62	17.13	16.91	16.94
December		20.16	19.67	20.98
March		16.88		17.86
2001/2002				
June	23.48	16.20		
September	22.23	15.10	15.50	
December	22.12	17.03		
March	21.49	14.30		14.96
2002/2003				
June		13.81		14.77
September		16.69	16.98	
December		17.01		
March		33.47		
2003/04				
June		28.46		
September		23.42	23.87	
December		22.05		
March	15.23	15.57		
2004/05				
June	15.04	14.98	15.18	
September	14.41	14.80		16.36
December	14.41	14.94		
March	13.21	13.46	14.00	
2005/2006				
June	12.85	12.88		
September	12.96	13.15		
December	13.34	13.55		
March	13.16	13.18		
2006/2007				
June	12.64	12.82		
September	12.44	12.49		
December	12.26	12.31		
March	11.55	11.65		
2007/2008				
June	11.98	12.13		
September	14.34	14.29		
December	12.89	13.34		
March	13.97	14.22		

BANK OF JAMAICA OPEN MARKET INTEREST RATES							
(End of Period)							
Tenor of Instruments							
End Period	30 days	60 days	90 days	120 days	180 days	270 days	365 days
2001/2002							
June	14.25	14.35	14.45	14.55	14.75	15.35	15.90
September	14.25	14.35	14.45	14.55	14.75	15.35	15.90
December	14.25	14.35	14.45	14.55	15.00	18.40	18.90
March	13.25	13.35	13.45	13.55	13.80	14.20	15.00
2002/2003							
June	13.25	13.35	13.45	13.55	13.80	14.20	15.00
September	12.95	13.05	17.25	17.05	13.45	13.85	14.50
December	12.95	13.05	18.25	18.40	13.45	13.85	14.50
March	15.00	15.30	20.00	24.00	33.15	34.50	35.95
2003/2004							
June	15.00	15.30	20.00	24.00	26.50	29.50	30.00
September	15.00	15.30	18.00	21.00	23.50	23.75	24.00
December	15.00	15.30	17.00	20.00	21.00	22.00	23.00
March	14.85	15.00	15.10	15.50	16.00	16.95	17.95
2004/2005							
June	14.20	14.30	14.40	14.55	15.05	15.65	16.40
September	14.00	14.10	14.20	14.35	14.80	15.35	16.00
December	13.80	13.95	14.05	14.15	14.30	15.00	15.50
March	12.95	13.10	13.20	13.30	13.45	14.00	14.50
2005/2006							
June	12.60	12.70	12.75	12.85	13.00	13.25	13.60
September	12.60	12.70	12.75	12.85	13.00	13.25	13.60
December	12.60	12.70	12.75	12.85	13.00	13.25	13.60
March	12.60	12.70	12.75	12.85	13.00	13.25	13.60
2006/2007							
June*	12.45	12.50	12.60	12.65	12.80	...	...
September	11.95	12.00	12.10	12.15	12.30	...	...
December	11.65	11.70	11.80	11.85	12.00	...	...
March	11.65	11.70	11.80	11.85	12.00	...	...
2007/2008							
June	11.65	11.70	11.80	11.85	12.00	...	...
September	11.65	11.70	11.80	11.85	12.00	...	14.00
December	11.65	11.70	11.80	11.85	12.00	...	13.46
March	13.50	13.70	13.90	14.00	14.20	...	15.00

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

8A

JAMAICA: GOVERNMENT BOND MARKET			
GOJ Maturities			
January – March 2008			
Maturity Date		Amount J\$M	Applicable Interest Rate ^{b/}
15 Jan	FR LRS 2011b Tr.G	46.8	15.00
27Feb	FR LRS 2008	400.0	16.75
27Feb	VR Inv. Bd. 2007/2008 Ser. E	2712.8	15.11
20 Mar	FR LRS 2008 AA	600.0	15.5
28 Mar	VR Inv. Bd.2007/2008 Ser.K	2816.0	14.84
31Mar	VR LRS 2007/2008 B	500.0	14.84

Notes:

a/ Rate above Treasury is the relevant Treasury bill rate in effect at the beginning of the interest period.

b/ The withholding tax of 25% on interest income has been in effect since May 1, 2000.

c/ FR – Fixed Rate

d VR-Variable Rate

N.I.B. Non interest bearing

Source: Debt Management Unit, Ministry of Finance & Planning

8B

JAMAICA: GOVERNMENT BOND MARKET
GOJ Domestic Market Issues
January - March 2008

Issue Date	Stock Name	Features	Amount raised J\$M
29 February	VR Inv. Bond 2010/2011 Ser. At	Tenor of 3 years. Interest rate fixed at 13.25% for first 3 months. Thereafter, quarterly payments of 1.5 percentage points above 3 month WATBY.	5 706.3
14 March	FR LRS 2013 AH	Tenor of 5 years. Interest rate fixed at 14.25%. Interest paid on 17 March and 17 September until maturity.	1 200.0
28 March	VR Inv. Bond 2010/2011	Tenor of 3 years. Interest rate fixed at 13.93% for first 3 months. Thereafter, quarterly payments of 1.5 percentage points above 3 month WATBY.	4 882.0
28 March	FR Reg. Bond 2028 Ser.R	Tenor of 20 years. Interest rate fixed at 15.50%. First interest payment will become due and payable after 6 months. Thereafter, interest paid semi-annually on 26 March and 26 September until maturity.	60.1

Notes:

a/ Rate above Treasury is the relevant Treasury bill rate in effect at the beginning of the interest period.

b/ The withholding tax of 25% on interest income has been in effect since May 1, 2000.

c/ FR – Fixed Rate

d VR-Variable Rate

N.I.B. Non interest bearing

Source: Debt Management Unit, Ministry of Finance & Planning

EXTERNAL TRADE – GOODS EXPORTS (f.o.b)								
(Flows - US\$MN)								
	Bauxite	Alumina	Sugar	Bananas	Other Traditional	Non- Traditional	Other	Total Goods Exports
2004/2005	82.1	825.0	87.0	8.2	74.2	272.6	216.3	1 565.4
June	25.4	202.8	47.9	4.3	19.2	77.3	55.8	432.7
September	22.3	173.8	7.7	3.9	20.3	59.9	66.7	354.6
December	8.6	237.8	0.0	0.0	19.6	74.1	58.2	398.3
March	25.8	210.6	31.4	0.0	15.1	61.3	37.0	381.2
2005/2006	100.6	957.5	89.4	7.7	65.3	418.1	170.0	1 808.6
June	22.6	245.2	41.5	2.1	17.2	61.9	48.6	439.1
September	24.8	233.3	3.8	1.3	18.2	106.8	38.9	427.1
December	25.7	231.1	0.0	1.3	9.0	111.6	38.2	416.9
March r	27.5	247.9	44.1	3.0	20.9	137.8	48.4	529.6
2006/2007^r	115.2	1 042.5	90.4	13.3	78.6	643.9	171.9	2 155.8
June	29.4	258.8	43.0	3.2	25.0	144.8	46.0	550.2
September	29.4	268.7	2.6	3.8	20.1	166.0	44.2	534.8
December	27.0	265.2	0.0	3.4	14.8	161.4	47.2	519.0
March	29.4	296.1	44.8	2.9	18.7	171.7	50.7	614.3
2007/2008								
June	28.5	320.6	42.4	4.5	21.7	162.5	48.4	628.6
September	28.3	262.3	13.1	1.9	22.4	138.7	51.4	518.1
December	26.7	320.0	0.0	0.0	21.0	145.8	65.5	579.0

r-revised; p-preliminary

10

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

11

BALANCE OF PAYMENTS QUARTERLY SUMMARY							
(US\$M)							
	Jun-06 ^r	Sep-06 ^r	Dec-06 ^r	Mar-07 ^r	Jun-07 ^r	Sep-07 ^r	Dec-07 ^p
1. Current Account	-215.1	-405.3	-283.7	-315.0	-370.9	-542.9	-596.9
A. Goods Balance	-672.9	-821.7	-713.3	-729.8	-775.4	-936.4	-1011.5
Exports (f.o.b.)	550.2	534.8	519.0	606.9	620.0	525.0	579.0
Imports (f.o.b.)	1 223.1	1 356.5	1 232.3	1 336.6	1 395.5	1 461.4	1 590.5
B. Services Balance	179.1	117.1	133.1	168.9	124.3	89.9	81.2
Transportation	-99.7	-126.8	-108.7	-116.1	-126.9	-140.0	-147.6
Travel	412.4	380.9	377.5	427.1	384.0	365.9	365.8
Other Services	-133.5	-137.0	-135.7	-142.0	-132.9	-136.1	-137.0
Goods & Services Balance	-493.7	-704.6	-580.2	-560.9	-651.2	-846.5	-930.3
C. Income	-156.9	-144.2	-163.7	-207.4	-209.0	-196.9	-192.6
Compensation of Employees	13.6	33.5	41.0	2.1	9.9	32.3	43.6
Investment Income	-170.5	-177.7	-204.7	-209.5	-218.9	-229.2	-236.2
D. Current Transfers	435.6	443.5	460.2	453.2	489.4	500.5	526.0
General Government	36.7	34.9	37.4	35.1	37.3	36.3	34.9
Other Sectors	389.9	408.6	422.8	418.1	452.1	464.2	491.1
2. Capital & Financial Account	215.1	405.3	283.7	315.0	370.9	542.9	596.9
A. Capital Account	0.9	0.7	0.4	-1.8	-1.3	-1.3	-0.4
Capital Transfers	0.9	0.7	0.4	-1.8	-1.3	-1.3	-0.4
General Government	2.1	1.6	0.3	0.2	0.2	0.3	0.0
Other Sectors	-1.2	-0.9	0.1	-2.0	-1.5	-1.6	-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	214.2	404.6	283.3	316.8	372.2	544.2	597.3
Official Investment	192.5	176.7	280.8	174.8	174.9	110.5	185.6
Private Investment	53.6	459.9	-22.0	153.8	106.8	111.0	234.7
(including net errors & omissions)							
Reserves	-31.9	-232.0	24.5	-11.8	90.5	322.7	177.0

p-provisional

r-revised

12

PRIVATE SECTOR QUARTERLY CURRENT GROSS TRANSFERS (INCLUDING REMITTANCE INFLOWS) (US\$MN)							
	Commercial Banks	Remittance Companies	Post Offices	Building Societies	Total Remit. Inflows	Other Current Transfers	Total
2003/2004	330.7	697.8	1.2	298.1	1 327.8	148.2	1 476.0
2004/2005^f	360.6	809.5	1.2	327.4	1 498.7	272.7	1 771.4
June	96.9	185.6	0.3	83.3	366.1	40.2	406.3
September	70.3	186.4	0.3	84.8	341.8	48.3	390.1
December	97.5	216.5	0.3	88.8	403.1	134.1	537.2
March	95.9	221.0	0.3	70.5	387.7	50.1	437.8
2005/2006	364.9	978.6	1.2	302.5	1 647.2	162.6	1 809.8
June	74.7	241.6	0.3	77.3	393.9	40.8	434.7
September	90.8	245.3	0.3	75.2	411.6	40.8	452.4
December	96.7	254.0	0.3	77.1	428.1	40.8	468.9
March	102.7	237.7	0.3	72.9	413.6	40.2	453.8
2006/2007	376.2	1 069.8	0.0	355.9	1 801.9	174.5	1 976.4
June	93.7	260.1	0.0	81.4	435.2	41.7	476.9
September	94.7	268.6	0.0	88.5	451.8	41.8	493.6
December	93.9	276.2	0.0	98.9	469.0	41.7	510.7
March	93.9	264.9	0.0	87.1	445.9	49.3	495.2
2007/2008							
June	94.5	290.0	0.0	94.2	478.7	49.6	528.3
September	110.9	296.7	0.0	97.7	505.3	49.6	554.9
December	112.8	315.0	0.0	106.5	534.3	49.5	583.8

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)	Goods	Weeks of Imports	Goods & Services
2002/2003						
December	1643.1	46.1	1 597.0		27.9	18.4
March	1382.2	42.5	1 339.7		22.1	14.8
2003/2004						
June	1 165.2	37.8	1 127.4		18.3	12.0
September	1216.6	34.0	1182.6		19.0	12.8
December	1 196.3	31.4	1 164.9		18.3	12.5
March	1 596.9	28.2	1 568.7		25.0	16.6
2004/2005						
June	1630.3	26.2	1604.1		22.5	15.3
September	1 640.7	24.2	1 616.5		23.5	16.0
December	1 881.9	23.4	1 858.5		27.5	18.7
March	1 924.1	22.5	1901.6		27.5	18.8
2005/2006						
June	2 179.3	22.5	2 156.8		28.1	19.5
September	2 243.0	124.0	2 119.0		27.0	19.1
December	2 169.0	81.6	2 087.4		27.0	19.0
March	2 372.9	294.8	2 078.1		28.3	20.1
2006/2007						
June	2 293.2	183.2	2 110.0		22.9	16.7
September	2 474.7	132.7	2 342.0		26.1	18.8
December	2 399.1	81.6	2 317.5		25.2	18.2
March	2 613.6	284.3	2 329.3		27.1	19.5
2007/2008						
June	2 472.3	233.4	2 238.9		24.5	17.7
September	1 943.2	27.0	1 916.2		18.2	13.2
December	1 905.8	28.1	1 877.7		16.8	12.3
March	2 105.90	22.50	2 083.40		18.00	13.27

14

FOREIGN EXCHANGE SELLING RATES (J\$ per unit of foreign currency-end of period)			
	US\$	Can\$	GB£
2004/2005			
June	61.22	45.65	102.39
September	61.89	49.05	111.62
December	61.63	50.66	117.92
March	61.54	50.61	115.35
2005/2006			
June	61.84	50.52	110.52
September	62.89	53.61	110.02
December	64.58	54.95	110.40
March	65.50	56.14	112.94
2006/2007			
June	66.03	59.50	120.19
September	66.06	59.10	123.48
December	67.15	57.53	131.53
March	67.80	58.75	132.40
2007/2008			
June	68.58	64.81	136.60
September	70.41	70.38	142.28
December	70.62	71.39	140.32
March	71.09	69.75	141.15

15

PUBLIC SECTOR DOMESTIC SECURITIES Outstanding Stocks (J\$MN)				
End Period	Local Registered Stocks	Treasury Bills	Bonds	BOJ Open Market Operations Securities
2003/2004				
September	232 914.5	2 400.0	160 594.3	83 700.3
December	228 509.3	4 400.0	178 308.3	81 969.4
March	220 819.2	3 750.0	184 219.0	108 281.7
March	240 923.0	2 950.0	114 524.1	86 203.8
2004/2005				
June	222 372.2	3 950.0	187 932.0	123 222.1
September	222 522.4	3 750.0	197 847.6	127 629.3
December	220 290.5	3 750.0	210 300.0	130 692.1
March	218 412.6	4 050.0	214 565.6	143 854.8
2005/2006				
June	220 529.2	4 050.0	231 749.8	167 485.1
September	220 059.0	3 800.0	244 195.7	168 108.2
December	225 762.8	3 500.0	240 934.0	149 806.5
March	235 632.7	3 800.0	233 643.7	157 357.6
2006/2007				
June	236 668.6	4 200.0	249 662.1	159 438.0
September	231 237.9	4 600.0	285 901.2	166 018.9
December	229 978.3	4 700.0	294 773.2	154 757.0
March	226 631.1	4 200.0	276 155.1	165 704.0
2007/2008				
June	232 363.8	4 200.0	297 276.0	150 758.3
September	226 746.9	4 200.0	315 256.5	129 771.5
December	224 228.4	4700.0	324 929.2	114 741.3
March	223 581.6	4 200.0	330 008.5	138 179.1

n.a.: Not Available

16

STOCK MARKET ACTIVITIES Jamaica Stock Exchange			
	<i>JSE Index</i>	<i>Volume Traded (M.)</i>	<i>Value of Stocks Traded (J\$M.)</i>
2003/2004			
June	50 478.9	352.4	2 077.7
September	57 769.1	2 167.4	11 321.3
December	67 586.7	530.5	3 682.9
March	99 630.2	3 380.8	14 533.7
2004/2005			
June	94 718.4	665.7	9 395.7
September	99 819.8	391.1	4 920.4
December	112 655.5	532.0	7 144.9
March	111 931.2	920.4	18 029.3
2005/2006			
June	110 621.9	866.8	14 136.8
September	103 332.6	387.8	4 189.6
December	104 510.4	323.1	4 391.0
March	86 896.1	366.5	4 513.8
2006/2007			
June	85 108.2	1 882.6	10 627.1
September	86 196.0	610.4	3 441.1
December	100 678.0	2 823.9	18 459.0
March	90 595.1	556.1	7 662.6
2007/2008			
June	90 069.9	352.4	2 762.0
September	96 299.8	884.7	5 013.4
December	107 968.0	640.3	13 609.5
March	107 439.3	678.2	9 817.1

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

17

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

	Crude Bauxite	Alumina	Total Bauxite	Sugar	Bananas*
2003/2004	3 842.4	3 956.4	13 710.2	174.7	40.3
2004/2005	3 451.4	4 028.5	13 411.9	142.0	18.1
June	1 071.2	1 046.4	3 636.5	60.0	9.9
September	907.1	866.7	3 125.3	3.7	8.2
December	398.5	1 062.6	3 030.0	3.6	0.0
March	1 074.6	1 052.8	3 620.1	74.7	0.0
2005/2006	4 099.7	4 048.7	14 167.4	151.0	18.8
June	916.0	1 061.8	3 508.3	51.6	4.5
September	1 022.3	1 013.7	3 544.5	0.0	3.6
December	1 035.9	957.4	3 442.6	5.4	3.5
March	1 125.5	1 015.8	3 672.0	94.0	7.2
2006/2007	4 594.3	4 105.2	14 905.5	144.0	30.5
June	1 136.3	1 053.4	3 779.2	46.3	6.9
September	1 186.5	1 003.9	3 724.6	0.0	9.4
December	1 099.7	1 026.5	3 675.2	2.3	8.4
March	1 171.8	1 021.4	3 726.5	95.4	5.8
2007/2008	4 386.2	3 897.8	14 523.0	156.9	11.7
June	1 089.7	1 044.3	3 775.3	59.7	8.1
September	1 123.1	908.9	3 489.6	6.9	3.6
December	1 033.3	966.4	3 597.2	9.4	0.0
March	1 140.1	978.2	3 660.9	80.9	0.0

* Exports

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

	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07
Total Gross Domestic Product	2.64	2.16	2.59	2.83	2.28	1.88	2.21	0.45	0.04
Agriculture, Forestry & Fishing	26.41	19.49	13.46	5.98	8.26	3.50	4.34	-5.00	-23.32
<i>Export Agriculture</i>	106.41	52.77	9.96	100.63	22.13	1.79	24.70	-2.60	-46.92
<i>Domestic Agriculture, Livestock, Forestry & Fishing</i>	20.42	12.60	14.09	0.99	6.48	3.98	0.79	-5.25	-19.84
Mining & Quarrying	-3.46	-1.96	1.31	0.44	6.70	0.79	-0.65	-8.42	-4.85
Manufacturing	-4.35	-1.56	-4.15	-1.13	-2.90	-0.37	3.23	-0.18	0.77
<i>Food, Beverages & Tobacco</i>	-10.17	-6.72	-9.44	-4.14	-6.19	-0.99	3.33	3.26	0.04
<i>Other Manufacturing</i>	1.91	5.67	3.40	2.04	0.22	0.40	3.10	-3.58	1.41
Electricity & Water	4.43	3.91	1.91	3.14	4.30	4.54	3.93	-4.49	-1.40
Construction & Installation	-0.14	-3.84	-2.72	-1.45	2.70	4.50	3.73	4.97	7.94
Distributive Trade	0.86	0.74	0.81	1.76	2.38	2.82	3.15	2.30	2.12
Transport, Storage & Communication	2.75	2.86	4.76	7.30	4.41	3.67	2.45	0.14	-0.29
Finance & Insurance Services	2.87	2.30	1.80	1.24	0.73	4.02	5.82	3.82	2.06
Real Estate & Business Services	1.75	2.67	2.27	2.44	2.63	2.58	2.16	3.55	2.26
Producers of Government Services	1.13	0.21	-0.16	-0.27	0.50	0.66	0.67	0.54	0.44
Miscellaneous Services Household and Private Non-Profit Institutions	9.71	7.66	15.77	12.72	3.59	-0.40	-1.73	1.93	3.07
<i>Hotels, Restaurants & Clubs</i>	12.80	9.08	19.95	16.46	4.16	-1.11	-2.70	1.94	3.48
Less Imputed Bank Service Charge	-3.40	-1.61	-0.90	-0.12	5.31	8.50	6.07	5.08	4.09

D. BANK OF JAMAICA BALANCE SHEET

ASSETS AND LIABILITIES									
(End of Period)									
J\$MN									
	Mar-06	Jun-06	Sep-06	Dec-06¹	Mar-07	Jun-07	Sep-07	Dec-07	Mar-07
Assets	259 287.8	256 398.4	270 564.3	269 763.7	269 863.3	266 006.6	234 449.4	233 640.7	247 757.6
<i>Foreign</i>	154 986.1	150 870.6	163 156.8	160 616.1	176 699.3	169 301.9	136 180.7	134 243.8	149 671.7
Current Account & Foreign Currency Balances	8 942.3	9 263.6	11 987.9	8 670.1	19 617.9	6 382.1	9 199.7	32 665.7	16 279.0
Time Deposits & Securities	138 634.6	134 050.6	143 498.5	144 055.8	149 013.7	154 673.4	118 397.0	92 715.1	124 208.5
Holdings of Special Drawing Rights	8.8	14.5	17.0	17.9	16.4	14.6	11.4	20.5	5.5
Other	7 400.4	7 541.9	7 653.4	7 872.3	8 051.3	8 231.8	8 572.6	8 842.5	9 178.7
<i>Local</i>	104 301.7	105 527.8	107 407.5	109 147.6	93 164.0	96 704.7	98 268.7	99 396.9	98 085.9
Public Sector Securities	84 862.3	87 163.4	86 784.5	86 791.0	68 877.1	68 615.5	73 834.6	73 756.7	73 697.2
Other Assets	20 665.5	20 244.1	22 400.1	22 356.6	24 286.9	28 089.2	24 434.1	25 640.2	24 388.7
Liabilities	259 287.8	256 398.4	270 564.3	269 763.7	269 863.3	266 006.6	234 449.4	233 640.7	247 757.6
<i>Foreign</i>	361.7	310.3	236.0	295.5	244.8	263.4	259.5	283.0	254.7
<i>Local</i>	258 926.1	256 088.1	270 328.3	269 468.2	269 618.4	265 743.2	234 189.9	186 102.6	247 502.9
Currency in Circulation	29 747.7	30 776.5	32 187.6	42 347.3	35 994.1	36 397.1	37 509.0	47 255.1	40 293.8
Deposits	210 909.4	210 670.5	224 521.8	212 883.2	219 603.0	215 715.8	180 700.9	170 289.8	194 151.5
Bankers	26 442.0	25 246.5	26 843.9	27 912.0	28 750.2	29 596.9	31 101.9	32 677.2	33 897.2
Government	6 557.1	11 366.4	20 097.7	19 678.5	5 634.1	17 575.9	14 499.1	18 217.8	10 476.0
Open Market Operations	157 357.6	159 438.0	166 018.9	154 757.0	165 704.0	150 758.3	129 771.5	114 741.3	138 179.1
Other	20 552.7	14 619.6	11 561.3	10 535.7	19 514.7	17 784.7	5 328.4	4 653.5	11 599.2
Allocation of Special Drawing Rights	3 792.7	3 792.7	3 792.7	3 914.0	3 914.0	3 914.0	3 914.0	3 914.0	3 914.0
Capital & Reserves	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Other Reserves	2 813.1	3 279.5	3 112.0	3 378.8	3 175.6	4 274.0	4 382.3	5 104.0	5 590.0
Other Liabilities	11 639.2	7 544.9	6 690.2	6 920.9	6 907.8	5 418.3	7 659.7	6 770.8	3 529.6

r- revised

E. COMMERCIAL BANKS' BALANCE SHEET

ASSETS AND LIABILITIES (End-of -period) J\$MN									
	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07 ^P	Mar-07 ^P
Assets	385 759.5	399 879.3	411 403.4	429 969.2	439 454.8	452 281.0	471 604.9	490 987.8	496 084.2
Cash	3 519.6	3 254.3	3 696.4	6 536.5	4 806.7	3 692.7	3 951.2	6 545.7	7 042.5
Balances with BOJ	66 793.0	70 857.1	75 384.0	72 120.9	68 390.5	60 056.9	60 014.3	69 208.5	75 736.3
Foreign Assets	83 846.4	90 768.5	90 298.1	96 277.1	93 327.2	105 317.4	111 578.5	109 103.8	112 802.9
Loans & Advances	131 963.6	140 265.3	143 400.2	153 449.2	164 106.1	172 769.7	183 898.4	195 075.1	194 847.0
Private Sector	102 911.4	109 273.5	114 369.4	125 512.2	133 626.6	141 770.6	155 376.6	163 411.9	167 849.2
Public Sector	29 052.2	30 991.8	29 030.8	27 937.0	30 479.5	30 999.1	28 521.8	31 663.2	26 997.8
Public Sector Securities	56 144.6	54 399.3	55 984.4	58 191.2	61 284.1	66 639.3	64 883.9	63 495.2	60 352.7
Cheques in the Process of Collection	7 331.1	5 249.7	4 292.2	4 133.5	7 924.7	4 628.2	5 177.6	6 146.8	4 084.2
Other Assets	36 161.2	35 085.1	38 348.1	39 260.8	39 615.5	39 176.8	42 101.0	41 412.7	41 218.6
Liabilities	385 759.5	399 879.3	411 403.4	429 969.2	439 454.8	452 281.0	471 604.9	490 987.8	496 084.2
Deposits	255 315.4	262 241.9	268 345.9	282 925.5	281 934.5	292 735.3	308 182.3	321 158.7	321 588.7
Local Currency	157 303.3	161 806.5	165 253.8	175 855.2	179 631.3	182 259.7	188 681.1	198 395.7	
Foreign Currency	98 012.1	100 435.4	103 092.1	107 070.3	102 303.2	110 475.6	119 501.2	122 763.0	
Foreign Liabilities	41 797.7	47 720.5	55 210.6	56 800.0	59 656.7	56 315.8	61 469.2	61 298.0	66 724.9
Discounts & Advances from BOJ	174.6	173.1	226.1	182.6	168.1	192.3	178.3	33.4	430.8
Loans/Advances from Other Institutions	4 896.5	4 989.0	4 777.0	5 451.4	5 295.1	5 126.0	6 082.5	5 137.5	5 594.6
Cheques in the Process of Payment	3 450.9	3 645.1	3 305.9	3 900.8	4 528.8	4 745.0	4 024.0	5 5234.0	6 391.0
Other Liabilities	80 124.4	81 109.7	79 537.9	80 708.9	87 871.6	93 166.6	91 668.6	97 836.2	95 354.2

P - preliminary ; r - revised

F. INTERNATIONAL INDICATORS

1

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

	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
2003/2004				
June	1.1620	1.1225	1.0815	1.0944
September	1.1200	1.4246	1.1856	1.3525
December	1.1326	1.1670	1.2274	1.4688
March	1.0923	1.1122	1.1585	1.3251
2004/2005				
June	1.3687	1.6100	1.9400	2.4625
September	1.8400	2.0200	2.1963	2.4825
December	2.3890	2.4959	2.7069	3.0109
March	2.6464	2.8335	3.0700	3.4237
2005/2006				
June	3.2498	3.4263	3.6131	3.8135
September	3.7779	3.8981	4.0363	4.1951
December	4.3622	4.4910	4.6662	4.8357
March	4.7604	4.9203	5.0527	5.1867
2006/2007				
June	5.2301	5.3673	5.4759	5.5772
September	5.3300	5.3898	5.4249	5.4101
December	5.3219	5.3600	5.3700	5.3294
March	5.3199	5.3462	5.3132	5.1969
2007/2008				
June	5.3200	5.3600	5.3863	5.4256
September	5.5572	5.5424	5.3916	5.0865
December	4.6000	4.7025	4.5963	4.2238
March	2.7031	2.6881	2.6143	2.4862

2

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

	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
2004/2005				
June	4 5/8 – 4 1/2	4 7/8 – 4 3/4	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 ¼-5 21/32	5 7/8-5 25/32
2007/2008				
June	5 92/100- 5 95/100	6 1/100 - 5 93/100	6 14/100 – 6 6/100	6 33/100 – 6 23/100
September	n.a.	n.a.	n.a.	n.a.
December	6 4/100 – 5 24/25	6 2/100 - 5 47/50	5 97/100 – 5 91/100	5 3/4 – 5 67/100
March				

n.a. : not available

3

**PRIME LENDING RATES
(End- of-Period)**

	EURO-ZONE		UNITED STATES		UNITED KINGDOM	
	Repo rate		Fed Funds Rate	Discount Rate	Prime Rate	Repo rate
2004/2005						
June	2.00		1.25	2.014	4.00	4.50
September	2.00		1.75	2.58	4.75	4.75
December	2.00		2.25	3.15	5.25	4.75
March	2.00		2.75	3.58	5.50	4.75
2005/2006						
June	2.00		3.25	4.01	6.00	4.75
September	2.00		3.75	4.59	6.75	4.50
December	2.25		4.25	5.15	7.25	4.50
March	2.50		4.75	5.53	7.75	4.50
2006/2007						
June	2.75		5.25	6.02	8.25	4.50
September	3.00		5.25	6.25	8.25	4.75
December	3.50		5.25	6.25	8.25	5.00
March	3.75		5.25	6.25	8.25	5.25
2007/2008						
June	4.00		5.25	6.25	8.25	5.50
September	4.00		4.75	5.25	8.25	5.75
December	4.00		4.25	4.75	7.25	5.50
March	4.00		2.25	2.50	5.25	5.25

4A

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

	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08
US\$ vs. Sterling	0.5425	0.53430	0.51056	0.5132	0.4985	0.4905	0.4955	0.5037
US\$ vs. Canadian \$	1.1138	1.1153	1.1653	1.1682	1.0634	0.9963	1.0024	1.0279
US\$ vs. Yen	114.63	118.00	119.03	117.26	123.39	114.98	112.36	99.893
US\$ vs. Euro	0.7900	0.78820	0.75782	0.7550	0.7397	0.7033	0.6865	0.6328

4C

**INTERNATIONAL EXCHANGE RATES
EXCHANGE CROSS RATES
(Mar 2008)**

	GBP	CAN\$	US\$	Yen	Euro
GBP	1.000	2.040	1.985	198.32	1.256
CAN\$	0.490	1.000	0.973	97.182	0.616
US\$	0.504	1.028	1.000	99.893	0.633
Yen	0.005	0.010	0.010	1.0000	0.006
Euro	0.796	1.624	1.580	157.86	1.000

5A

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

	Dec-06	Mar -07	Jun-07	Sep-07	Dec-07	Mar-08
Sterling vs. US\$	1.8716	1.9586	1.9473	2.0061	2.0388	2.0176
Sterling vs. Canadian \$	2.0874	2.2824	2.2748	2.1333	2.0313	2.0242
Sterling vs. Yen	220.84	233.14	228.36	247.54	234.43	226.70
Sterling vs. Euro 1/	1.4752	1.4843	1.4702	1.4839	1.4339	1.3857

5B

WORLD COMMODITY PRICES
FOOD
 (End- of-Period)

	Sept-06	Dec-06	Mar - 07	Jun-07	Sep-07	Dec-07	Mar-08
Wheat (US\$/m t)	196.00	204.31	199.10	197.03	357.68	356.96	440.17
Coffee (US\$/kg arabica brand)	242.10	282.99	258.12	252.90	282.28	304.33	328.97

5C

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

	Sep-06	Dec-06	Mar - 07	Jun -07	Sep-07	Dec-07	Mar-08
North Sea Brent	62.77	62.31	62.09	71.92	80.65	91.45	103.28
West Texas Intermediate	64.10	62.03	60.61	70.69	81.67	91.36	105.48

MAJOR STOCK MARKET INDICES							
(End- of-Period)							
	Sept-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08
TOKYO							
Nikkei Index	16127.58	17225.83	17287.65	18138.36	16785.69	15307.78	
NEW YORK							
Dow Jones Industrials	11679.07	12463.15	12354.35	13408.62	13912.94	13264.82	
S & P Composite	1335.85	1418.30	1420.86	1503.35	1531.38	1468.36	
LONDON							
Financial Times SE 100	5960.8	6220.8	6308.00	6607.90	6486.40	6806.11	
FRANKFURT							
Dax Index	6596.92	6917.03	8007.32	8005.90	7861.42	8067.32	
ZURICH							
SMI Index	8425.91	8785.74	8976.99	9209.36	8886.00	8484.46	

Glossary



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Intermediate Target: An intermediate target of policy. e.g. the money supply or the exchange rate, has three main characteristics.

It is not directly determined by the Central Bank,

It responds, however, to a stimulus that the Central Bank can vary, and

Its behaviour should to be closely related to the ultimate target-inflation.

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

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

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

Money Supply: This is the stock of instruments or assets formally designated as money in a particular economy. There are alternative measures of money supply both within and between countries. In Jamaica, the measurements of money that are calculated and published are:

M1: Notes and coins in circulation + Demand Deposits

M2: M1+ Time and savings deposits

M3: M2 + Other Deposits.

A ‘J’ indicates that the components are Jamaican dollar liabilities only and an ‘*’ indicates that the components also include foreign currency liabilities of the banking system.

Monetary Base: See *Base Money*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

List of Boxes in the Quarterly Monetary Policy Report



QMPR ISSUE

LIST OF BOXES

October – December
2000

1. Sovereign Credit Ratings & Outlook
2. E-gate & the Foreign Exchange Market
3. The International Oil Market: Recent Developments and Outlook
4. Jamaica's IMF Staff Monitored Programme (SMP)

January – March 2001

5. Core Inflation in Jamaica – Concept & Measurement
6. Highlights of the IMF 2001 Article IV Consultation

April – June 2001
Volume 2 No. 1

7. Jamaica's Banking Sector Recovery – An Overview
8. Jamaica's Sovereign Credit Ratings – An Update
9. Highlights of the IMF's May 2001 Article IV Consultation

July – September 2001
Volume 2 No.2

10. Innovations in Jamaica's Payment System
11. Expanding the Role of Equity Finance in Jamaica: Some Perspectives
12. The US Economy: Recent Trends and Prospects

October – December
2001 Volume 2 No. 3

13. The Performance of Remittances in the Jamaican Economy: 1997 - 2001
14. Tourism and the Jamaican Economy: Pre & Post 11 September 2001
15. World Trade Organization (WTO): Outcome of the Fourth Ministerial Conference in Doha, Qatar and the possible Implications for Jamaica

January – March 2002
Volume 2 No. 4

16. Commercial Bank Profitability (January to December 2001)
17. Regional Disparities in Jamaica's Inflation (1997/98 to 2001/02)
18. The Argentina Debt Crisis & Implications for Jamaica
19. General Data Dissemination Standards

April - June 2002
Volume 3 No. 1

20. The Automated Clearing House: Implications for the Payment System
21. Macroeconomic Implications of Cross Border Capital Flows: Some Scenarios
22. Performance of Remittances in the Latin American and Caribbean Region: 1997 - 2001

List of Boxes in the Quarterly Monetary Policy Report

QMPR ISSUE

LIST OF BOXES

July – Sept 2002 Volume 3 No. 2	23. Building Societies' New Mortgage Loans: July 2001 – June 2002 24. An Overview of the CARICOM Single Market and Economy (CSME)
Oct – Dec 2002 Volume 3 No. 3	25. The Profitability of the Banking System: 1991 - 2002 26. Interest Rate Spreads in Jamaica: 1995 – 2002 27. Implications of the International Accounting Standards (IAS) for Financial Systems and Financial Stability
Jan – Mar 2002 Volume 3 No. 4	28. Opportunities for Savings and Investments in Jamaica: Financial Intermediaries and Financial Instruments 29. The CPI and the GDP Deflator: Concepts and Applications
Apr – Jun 2003 Volume 4 No. 1	30. The Concept and Measurement of External Competitiveness 31. Exchange Rate Pass-Through in the Jamaican Economy.
July – Sept 2003 Volume 4 No. 2	32. The International Investment Position 33. The Fifth WTO Ministerial Conference: Implications for Future Trading Negotiations
Oct – Dec 2003 Volume 4 N0.3	34. The Monetary Policy Committees: International Precedents and Macroeconomic Context 35. Macroeconomic Determinants of Nominal Interest Rate
Jan – Mar 2004 Volume 4 No.4	36. Recent trends and Prospects in the Balance of Payments 37. The Exchange Rate Regime and Monetary Policy
Apr – Jun 2004 Volume 5. No. 1	38. Preserving Financial Stability 39. Financial Sector Assessment Programme 40. Jamaica's Current Relationship with the IMF
Jul –Sep 2004 Volume 5 No.2	41. Recent Developments in Crude Oil Prices 42. Implications of higher crude oil prices for the Balance of payments & Inflation

QMPR ISSUE

LIST OF BOXES

Oct – Dec 2004 Volume 5 No.3	43. Recent Trends in Foreign Direct Investments
	44. Exploring the Jamaican Foreign Exchange Market Dynamics: 2001 – 2004 (Special Feature)
Jan – Mar 2005 Volume 5 No.4	45. The BOJ Macroeconomic Stress Testing Programme and
	46. Financial Stability
Apr – Jun 2005 Volume 6 No.1	47. Issues of Foreign Reserve Adequacy
	48. Credit Bureaux and Financial Market Efficiency
	48. Trends in Labour Productivity
Jul – Sep 2005 Volume 6 No.2	49. Inflation in Selected Caribbean Countries
	50. Special Feature: International Developments
Oct – Dec 2005 Volume 6 No.3	51. Payment Systems Reform
Jan – Mar 2006 Volume 6 No.4	52. The IMF’s Code of Good Practices on Transparency on Monetary policy: A summary of the IMF’s assessment report on Jamaica
Apr – June 2006 Volume 7 No.1	53. Trends in Private Sector Credit: FY 2001/02 to FY2005/06
	54. Exploring the Internet Rate Differential between Jamaica dollar and US dollar denominated assets: Jan 2001 – Jun 2006
	55. Jamaica Labour Market: Trends and Key Indicators: 1996 – 2005
July – Sept 2006 Volume 7 No.2	56. Labour Market Update – June 2006
	57. The Special (Upper Income) Consumer Price Index
	58. Jamaica Interim Staff Report Under Intensified Surveillance: Executive Summary
Oct – Dec 2006 Volume 7 No. 3	59. Factors Influencing the Demand for Currency issued by the BOJ & the Impact of Currency demand on the Balance sheet of Financial Institutions
Jan – Mar 2007 Volume 7 No. 4	60. Jamaica’s Financial Programme
	61. Inflation Expectation Survey
	62. The Producer’s Price Index
Apr – Jun 2007 Volume 8 No. 1	63. Measuring Core Inflation: Emerging Issues
Jul – Sept 2007 Volume 8 No.2	64. The Recent Turbulence in the US Subprime Mortgage Market
	65. The Revised Consumer Price Index
Oct – Dec 2007 Volume 8 No. 3	66. Trends in Jamaica’s Fuel Demand
	67. Trends in Inflation
	68. The EU-CARIFORUM Economic Partnership Agreement