BANK OF JAMAICA

QUARTERLY MONETARY POLICY REPORT

January - March 2009

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Bank of Jamaica Quarterly Monetary Policy Report

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PREFACE

The Bank of Jamaica's Quarterly Monetary Policy Report reviews the conduct of monetary policy and the main factors that influenced inflation during the quarter. It also presents the Bank's perspective on emerging economic trends and the path of monetary policy over the short to medium term. This issue also features an assessment of developments associated with the global financial crisis, the impact on the Jamaican economy and the Bank's response. Also discussed is the transmission of monetary policy in Jamaica and the relationship between monetary policy actions and economic growth and development.

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

During the March 2009 quarter, the turbulence in the global financial markets and the consequent economic recession continued to have a dominant influence on the Jamaican economy. In particular, the foreign exchange market experienced severe demand pressures, mainly in January. There was also an increase in inflation in the review quarter, relative to the previous quarter. In addition, the Jamaican economy is estimated to have contracted in the review quarter, continuing the trend since the March 2008 quarter.

There were significant imbalances in the foreign exchange market during the quarter, largely associated with a contraction of US$542.0 million in net private capital flows, relative to the December quarter. This decline reflected the impact of reductions in credit lines to financial institutions and importers as well as waning investor confidence. However, the Bank estimates that there was also reduced demand for foreign currency to meet payments for imports of goods and services largely, fuel imports.

In this context, the Jamaica Dollar depreciated vis-á-vis the US dollar by 9.4 per cent in the review quarter, a slight moderation when compared with the depreciation of 9.7 per cent in the December 2008 quarter. For the fiscal year (FY) 2008/09, the value of the Jamaica Dollar declined by 20.0 per cent vis-á-vis the US dollar, relative to 4.6 per cent recorded in FY 2007/08.

Headline inflation was 1.3 per cent for the March quarter, relative to 0.0 per cent for the December 2008 quarter. The higher inflation rate in the review quarter was due largely to strengthening in non-food inflation associated with the lagged impact of the sharp depreciation of the exchange rate in the December 2008 quarter. This impact offset the contribution from the decline in the prices of international commodities, particularly the price of oil. For the review quarter, the price of the benchmark West Texas Intermediate crude oil fell by 26.3 per cent following a decline of 50.4 per cent in the December quarter. There were also some partial countervailing price impulses from excess supply of domestic vegetables and fruits.

For the March quarter, measures of underlying inflation remained broadly stable. In particular, the trimmed mean measure was unchanged at 1.1 per cent relative to the previous quarter. The annual measures of core inflation continued to reflect moderation relative to the previous quarter.

For fiscal year (FY) 2008/09, headline inflation was 12.4 per cent, significantly lower than the 19.9 per cent for FY 2007/08. The lower inflation in the review period was due to lower food and energy related price increases. While the impact of international commodity prices was significant in the first half of FY 2008/09, the sharp reversals in the later half had a strong countervailing influence. In this context, the main inflationary impulses in the review year were increases in international commodity prices in the first half of the year and sharp depreciation in the exchange rate in the second half.

Against the background of continued weak external and domestic demand as well as heightened uncertainty regarding future economic prospects, the Jamaican economy continued to weaken in the March 2009 quarter. It is estimated that domestic output contracted in the range 2.0 to 3.0 per cent, the fourth consecutive quarter of decline. The turmoil in the global financial markets continued to have a debilitating effect on external demand, while falling real income, lower remittance inflows and tightening credit conditions had a major impact on domestic demand. It is estimated that both the tradable and non- tradable industries declined during the review quarter. In particular, contractions are estimated for Mining & Quarrying and Construction. The contraction in the review quarter contributed to an estimated decline in real sector activity in the range of 0.5 to 1.5 per cent for FY2008/09.

The general downturn in the domestic economy was mirrored in the performance of the equities market. All three stock exchange indices declined sharply in the review quarter as many listed companies recorded reduced earnings.

Given the deteriorating economic fundamentals in the review quarter, the Central Bank continued to pursue a tight monetary policy to maintain stability in the financial markets. The Bank's intervention was further dictated by the continuation of excess Jamaica Dollar liquidity in the system, arising from the proceeds of BOJ and GOJ maturities as well as the seasonal currency redemption, which could have further fuelled demand pressures in the foreign exchange market.

The Bank removed excess liquidity from the system by increasing the domestic currency cash reserve requirement of deposit-taking institutions by an additional three percentage points to 14.0 per cent in the quarter. In addition, the Bank sold foreign currency to the market to augment supplies to end-users. The Central Bank also implemented a foreign exchange facility for public sector entities in February. This facility consolidated the foreign exchange demand of these entities and coordinated foreign currency payments so as to minimize volatility in the market. To complement these actions, the Bank increased the frequency of dialogue with commercial banks and cambios to engender orderly conditions in the foreign exchange market. A summary of the Bank's policy actions since the intensification of the global financial crisis in September 2008 is provided in Box 1.

Two companion articles have also been included in Boxes 2 and 3 which discuss, in the first instance, the route through which policy changes influence the economy and inflation in particular. Box 3 clarifies several issues relating to other objectives of monetary policy, the framework of its conduct and accountability for the outcomes.

Against the background of the Bank's policy actions, the net international reserves (NIR) declined by US$144.4 million during the quarter, absorbing Jamaica Dollar liquidity from the system. Government's debt raising activity, which resulted in a build-up of balances in the Bank, also supported the contraction in liquidity. Against this background, the monetary base contracted by 0.4 per cent during the quarter, broadly in line with the programmed decline. The contraction in the monetary base was mainly reflected in currency redemption of 14.1 per cent, in line with the average net redemption of 14.6 per cent over the previous five March quarters.

Outlook

Developments in the global economy will continue to have an adverse impact on the domestic economy in the June quarter. The Bank is forecasting that the economy will contract in the range of 3.0 to 4.0 per cent. Significant declines are expected for Mining & Quarrying and Construction. The sectors projected to record growth are Agriculture, Forestry & Fishing and Electricity and Water.

For the fiscal year domestic output is forecasted to contract by 3.0 to 4.0 per cent. The major contraction will occur in the first half of the year, mirroring the depth of the global recession. It is expected that the rate of decline will decelerate in the second half of the year as the world economy begins to stabilize.

Headline inflation for the June quarter is projected in the range of 4.0 to 5.5 per cent. The forecast for a higher level of inflation relative to the March quarter is premised on the expected pass-through of the heightened rates of depreciation of the domestic currency in the December 2008 and March 2009 quarters as well as the impact of the tax measures announced in the budget presentation. For FY2009/10 headline inflation is projected to be in the range of 11.0 to 14.0 per cent.

The upside risks to the inflation forecast is the possible impact of a hurricane. Downside risks include the impact of a greater than anticipated reduction in global and domestic demand.

In the context of the continued problems in the global economy and the marked decline in investor confidence, the challenge to the

Bank will be to maintain stability in the foreign exchange market. This is against the background of reduced foreign currency inflows from major earners and remittances.

The Bank will therefore continue to monitor the market and act judiciously to maintain stability in the financial markets and foster the return of investor confidence.

1. Monetary Policy and Financial Markets

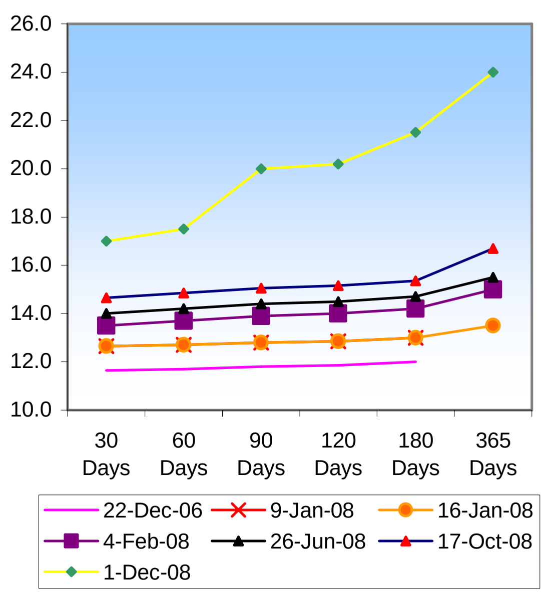
Table 1.1

	Outturn for Mar'09 Quarter	Projection for Mar'09 Quarter	Outturn for FY08/09	Original Targets for FY08/09
Inflation (%change)	1.3	1.5 - 2.5	12.4	11.5 - 14.5
Base Money (%change)	-0.4	-0.3	21.0	13.6
NIR (eop) (US$ mn)	1 628.6	1 600.0 - 1 700.0	1 628.6	1 750.0

The Bank increased the statutory cash reserve ratio by three percentage points during the quarter

Figure 1.1

BOJ Certificate of Deposits Yield Curve[1]



[1] The 365 day instruments were removed from the spectrum at end 2005 and were reintroduced on 09 Jan. 2008

Money & Credit

Monetary Policy and Base Money Management

During the March 2009 quarter, the main challenge for monetary policy was to maintain stability in the domestic financial markets. This was against the background of significant foreign exchange demand overhang and excess domestic liquidity which could have fuelled a sharper depreciation in the exchange rate. To this end, the Bank tightened its monetary policy stance by further increasing the cash reserve ratio by three percentage points. The Bank also sold foreign currency to augment the supply to end-users and implemented a facility to centralize the foreign exchange demand from public sector entities. In addition, the Bank relied more on moral suasion and continued to operate the lending and intermediation facilities established in the previous quarter.

*For the quarter, base money contracted by 0.4 per cent which was largely in line with the Bank's projections (see **Table 1.1**). However, for the fiscal year, there was a higher than programmed base money outturn reflected in the increase in the cash reserves.*

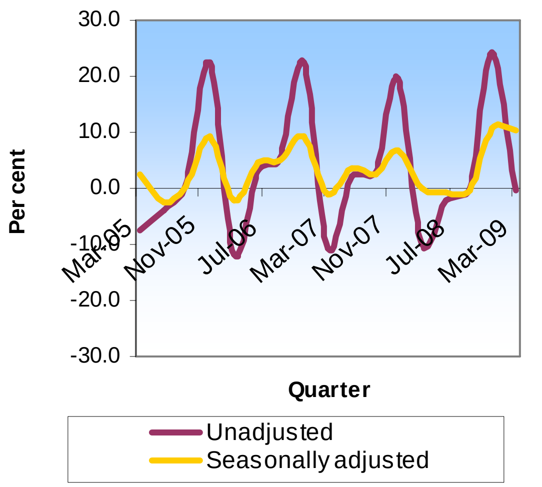
In light of the turmoil in the global financial markets and the adverse effects on the domestic economy, particularly the supply of foreign currency, the Bank continued to tighten its monetary policy stance during the March quarter. Consequently, the Bank focused on absorbing excess domestic liquidity which could have threatened stability. This liquidity emanated from the seasonally high currency redemptions and maturing BOJ Certificates of Deposit (CD) as well as GOJ debt maturities. As such, the Bank increased the statutory cash reserve requirement ratio during the quarter. In particular, the domestic cash reserve ratio was increased from 11.0 per cent to 13.0 per cent on 02 January and from 13.0 per cent to 14.0 per cent on 06 February**.** These increases absorbed $6.2 billion from the system and represented a continuation of the policy action that had been implemented in the previous quarter.

Against the background of significant excess foreign exchange demand the Bank sold US$141.5 million to the market to augment the supply to end-users. The Bank also implemented the Public Sector Entities (PSE) foreign exchange facility, in February, to consolidate the demand and coordinate foreign currency payments so as to ensure less volatility in the markets when foreign currency payments become due. Under this arrangement, commercial banks and cambios have agreed to surrender to the facility and addition 15 per cent

Figure 1.2

Base Money

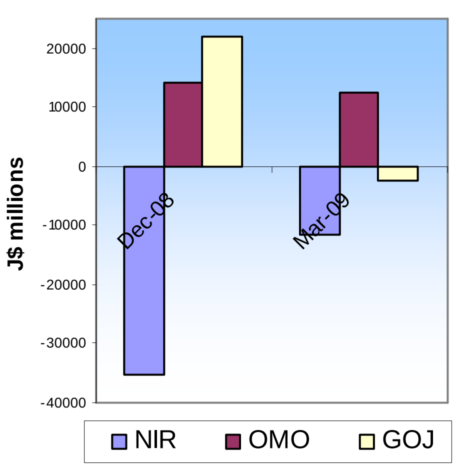
(Quarterly Change)



The Bank implemented the PSE facility to centralize Public Sector Entities' foreign currency demand

Figure 1.3

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



*Absorption-negative, Injection-positive

and 10 per cent of US dollar purchases, respectively. Inflows to the Public Sector facility during the quarter amounted to US$104.5 million, while outflows amounted to approximately US$92.2 million (see **Foreign Exchange Market**). The Bank also had more frequent dialogue with the authorised dealers and cambios during the quarter to foster orderly foreign exchange market conditions. The direct lending and intermediation facilities which were established in the previous quarter were also maintained during the March quarter. These initiatives contributed to relative stability in the foreign exchange market for the latter half of the quarter.

The high domestic liquidity conditions during the quarter facilitated Government debt raising activities which resulted in a build-up in Government deposits at the Bank. In addition, the Bank's policy actions contained the decline in the NIR to US$144.4 million for the quarter relative to US$478.2 million in the December quarter. The absorption from these sources more than offset the liquidity emanating from net OMO maturities of $12.6 billion (see **Figure 1.3 & Bond Market**).

Against this background, the monetary base contracted by $296.0 million or 0.4 per cent which was in line with the Bank's projection of 0.3 per cent (see **Figure 1.2**). The contraction in the monetary base mainly reflected net currency redemptions of $6.9 billion or 14.1 per cent, in line with the average net currency redemptions of 14.6 per cent over the last five March quarters. The impact of the currency redemption on the monetary base was partly offset by the increase in the cash reserves.

For the fiscal year, the monetary base expanded by $12.4 billion or 21.0 per cent. This mainly reflected the increase in the cash reserves of $11.3 billion associated with the Bank policy action as well as net currency issue of $1.9 billion or 4.7 per cent. The growth in currency issue was significantly lower than the historical trend for the last five fiscal years which averaged 14.4 per cent. The slowdown in currency issue could be attributed to the decline in economic activity. The expansion in the monetary base during the fiscal year was influenced by the net unwinding of OMO securities and the draw-down in Government deposits at the Bank which facilitated increased demand for foreign currency. In response to this demand, the Bank sold foreign currency to the market which contributed to the decline in the NIR.

Figure 1.4
Money Supply
(Quarterly Growth Rates)
March 2005 to March 2009

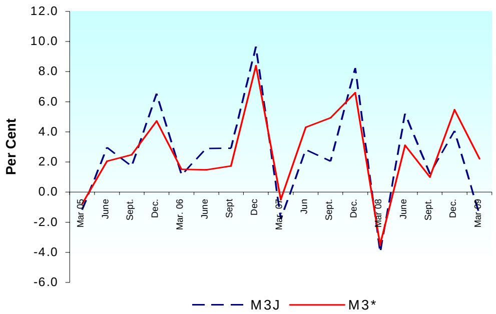


Table 1.3

Money Supply (12-month growth rates)		
MJ	**Mar-08**	**Mar-09**
M1J	8.9	10.7
M2J	7.9	7.2
M3J	9.0	9.2
M*		
M1*	9.5	9.6
M2*	12.5	11.6
M3*	12.5	12.2

Table 1.4

INTEREST RATES IN THE DOMESTIC MARKET			
	Mar-08	**Dec-08**	**Mar-09**
COMMERCIAL BANK WEIGHTED AVERAGE DEPOSIT RATES			
Overall	**4.75**	**5.16**	**4.89**
Demand	2.64	2.45	2.43
Savings	4.33	4.48	4.34
Time	6.82	7.37	6.99
Foreign Currency	**2.88**	**3.02**	**2.94**
Demand	1.77	1.72	1.52
Savings	2.10	2.00	1.98
Time	4.93	5.11	4.92
6-MONTH TREASURY BILL RATE	**14.22**	**24.45**	**21.77**
BOJ 180-DAY REPURCHASE AGREEMENT RATE	**14.20**	**21.50**	**21.50**
PRIVATE MONEY MARKET RATE	**13.90**	**25.00**	**20.25**
memo:			
6-MONTH U.S. TREASURY RATE	**1.51**	**0.26**	**0.43**

Money Supply

During the March 2009 quarter, broad Jamaica Dollar money supply (M3J) fell by 1.5 per cent, relative to the reduction of 4.0 per cent for the March 2008 quarter. The decline in the review quarter was in contrast to the increase of 0.1 per cent outlined in the monetary programme. The deviation from programme largely reflected a lower than projected growth in local currency deposits in the context of the slowdown in the economy due to the impact of the global recession. The Bank's tightening of its monetary stance by further increasing the cash reserve ratio by three percentage points during the review quarter also influenced the deviation.

The measure of money supply that includes foreign currency deposits (M3) increased by 2.2 per cent, relative to a reduction of 3.5 per cent in the corresponding quarter of 2008. The expansion in the review quarter reflected growth of 12.3 per cent in private sector foreign currency deposits consequent on the valuation effect of a depreciation in the exchange rate. Abstracting from the impact of the depreciation in the exchange rate, M3* would have fallen by 0.6 per cent during the quarter. At end-March 2009, the ratio of foreign currency deposits to total private sector deposits was 32.5 per cent relative to 30.1 per cent at end March 2008.*

For the March 2009 quarter, broad Jamaica Dollar money supply (M3J) declined by 1.5 per cent, relative to the marginal increase of 0.1 per cent anticipated in the monetary programme (see **Figure 1.4**). This outturn was sharper than the average decline of 0.7 per cent for the past five March quarters. The outturn for the review quarter implies growth in M3J of 9.2 per cent for FY 2008/09 significantly below the programme target of 22.0 per cent (see **Table 1.3**). The deviation from the programme target was influenced by a sharper than anticipated slowdown in economic activity due to the impact of the global recession. In addition, the tightening of the Bank's monetary policy stance also influenced the deviation in the quarter (see **Box 1**).

The main source of reduction in M3J for the March 2009 quarter was a decline in the NIR, the equivalent of $11.7 billion. In addition, there was a decline of $6.5 billion in the net foreign assets of commercial banks. These impulses were partially offset by the net maturity of

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

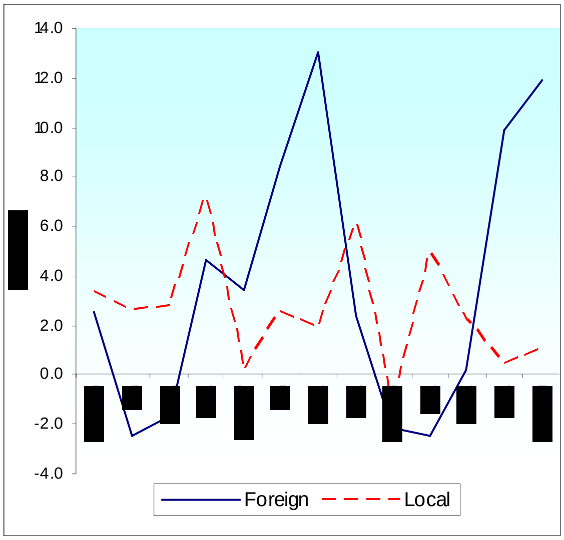


Figure 1.6
Foreign Currency Deposits to Total Deposits
March 2006 to March 2009

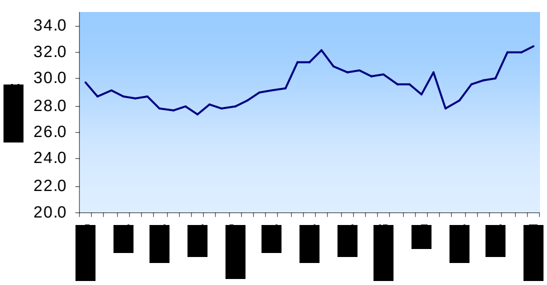


Table 1.5

COMPONENTS OF THE MONEY MULTIPLIER	Mar-08	Dec-08	Mar-09
		%	
Currency to Deposits	15.17	17.69	15.46
Reserves to Deposits	11.71	12.43	14.41
Money Multiplier	**4.28**	**3.91**	**3.87**

$12.6 billion in BOJ open market securities.

The reduction in money supply during the review quarter reflected a contraction in currency in circulation of $ 5.1 billion or 12.3 per cent, due to the usual currency reflows subsequent to the Christmas holidays. This reduction was smaller than the average decline of 13.1 per cent over the past 5 March quarters. In real terms, there was a reduction of 1.3 per cent in currency in circulation, relative to a reduction of 11.1 per cent for the comparable period of 2008. The lower real decline in currency for the review period mainly reflected a deceleration in the rate of inflation.

Local currency deposits, the other component of M3J, grew marginally by $956.7 million or 0.4 per cent. The increase in the quarter represented a marked slowdown, relative to average growth of 1.5 per cent for the last five March quarters. The slower rate of growth in local currency deposits reflected declines in time, savings and demand deposits of 8.3 per cent, 0.2 per cent and 0.7 per cent, respectively. The impact of these declines was offset by an increase in other deposits of 5.7 per cent. These reductions reflect the general weakness in the economy.

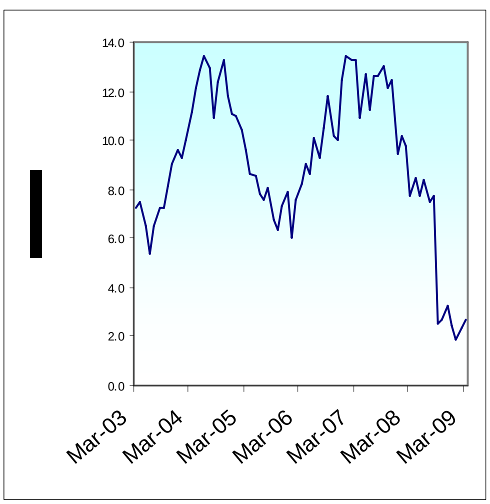
During the review quarter, M3* increased by 2.2 per cent, in contrast to a reduction of 3.5 per cent for the March 2008 quarter (see **Figure 1.4**). Within M3*, foreign currency deposits grew by 12.3 per cent, relative to the decline of 2.1 per cent recorded in the March 2008 quarter. The expansion in the book value of foreign currency deposits during the quarter largely reflected the heightened pace of depreciation in the Jamaica Dollar as there was a marginal increase of 1.8 per cent in the U.S dollar value of these deposits. This largely reflected an expansion of 13.4 per cent in the time deposits of ***Individuals*** during the quarter as there was a reduction in the deposits of ***Business firms***. The expansion in the Jamaica Dollar equivalent of these deposits influenced an increase in the ratio of foreign currency deposits to total private sector deposits to 32.5 per cent at end-March 2009, relative to 30.1 per cent at end-December 2008 and 30.4 per cent at end March 2008 (see **Figure 1.6**).

At end-March 2009, the money multiplier was 3.87, relative to 3.91 at the end of the previous quarter and 4.28 at end-March 2008. The decline

Table 1.6

COMPONENTS OF MONEY SUPPLY (M3J) (Fiscal Year Growth Rates)	Mar-06	Mar-07	Mar-08	Mar-09
			%	
Currency in Circulation	11.3	18.9	6.6	11.0
Local Currency Deposits	13.0	13.3	9.4	8.9
Demand Deposits	11.5	22.7	10.8	10.4
Savings Deposits	8.3	13.3	7.8	2.7
Time Deposits	12.9	-0.6	5.1	12.7
Other Deposits	22.1	13.7	12.4	15.1

Figure 1.7
Annual Growth in Private Sector Savings deposits
March 2003 to March 2009



in the money multiplier relative to the previous quarter largely reflected an increase in the reserve to deposit ratio and a decline in the currency to deposit ratio (see **Table 1.5**). The decline in the currency to deposit ratio was as a consequence of the usual currency reflows during the period. The increase in the reserves to deposit ratio was in the context of the increase in the required cash reserve ratio to 14.0 per cent from 11.0 per cent during the quarter.

For FY 2008/09, M3J increased by 9.2 per cent relative to the 22.0 per cent increase anticipated in the monetary programme and the 12.5 per cent expansion recorded for FY 2007/08. The expansion in M3J for FY 2008/09 reflected increases of 8.9 per cent and 11.0 per cent in local currency deposits and currency in circulation, respectively (see Table 1.6). The slower rate of growth in local currency deposits in FY 2008/09 was mainly influenced by a deceleration in the growth rate of savings deposits to 2.7 per cent from 7.8 per cent in the previous fiscal year (see **Figure1.7**).

During FY 2008/09, there was robust growth of 20.2 per cent in foreign currency deposits relative to the average of 13.7 per cent for the last 5 fiscal years. The increase during FY 2008/09 was reflected in expansions of 18.9 per cent and 32.8 per cent in savings and time deposits, respectively, and was largely attributable to the sharp pace of depreciation in the exchange rate particularly in the last two quarters of the fiscal year. For the FY 2008/09, the U.S dollar stock of private sector foreign currency deposits declined by 3.5 per cent reflecting declines in the deposits of both Business firms and Individuals. In the context of the growth in the Jamaica Dollar equivalent of these deposits, M3* grew by 12.2 per cent similar to the rate of expansion in FY 2007/08 (see **Table 1.2**).

Figure 1.7
Quarterly Growth Rates of Private Sector Credit Denominated in Jamaica Dollars
March 2006 to March 2009

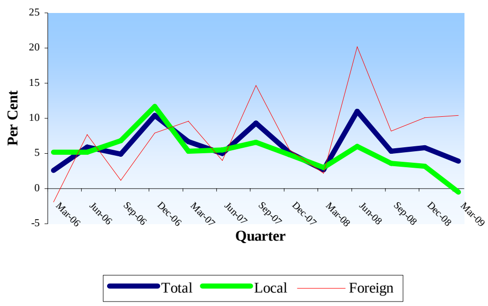


Table 1.6

		Commercial Bank Distribution of Total Credit to the Private Sector J$ Million (Quarterly Flows)			
			Mar-08	Dec-08	Prov. Mar-09
	Total Private Sector Credit		**4 507.9**	**11 569.6**	**8 331.4**
	Loans and Advances		4 540.1	12 715.8	9 309.1
less	Overseas Residents		33.3	1 093.1	1 059.4
Add	Corporate Securities		1.1	-53.1	-81.6

Table 1.7

Commercial Bank Distribution of Total Loans & Advances to the Private Sector (Flows J$M)			
	Mar-08	Dec-08	Mar-09
Agriculture & Fishing	38.2	1130.1	-58.4
Mining & Quarrying	-41.7	92.0	-66.8
Manufacturing	290.8	90.9	-95.5
Construction & Land Dev.	1 054.1	815.8	2 213.7
Transport, Storage & Comm.	687.4	215.9	908.7
Tourism	-610.1	4 641.9	3 745.9
Distribution	-1939.1	668.0	1 674.4
Professional & Other Services	247.9	1 849.9	379.4
Personal	4 346.2	2 126.9	-421.1
Electricity, Gas & Water	396.0	-40.6	-107.4
Entertainment	37.1	32.0	76.8
Overseas Residents	33.3	1 093.1	1 059.4
TOTAL	**4 540.1**	**12 715.8**	**9 309.1**

Private Sector Credit

Private sector credit (net) continued to expand in the March 2009 quarter, albeit at a slower pace than the previous quarter. The slower rate of increase is consistent with the seasonal reduction in spending as well as the slowdown in economic activity. The deceleration in credit reflected a reduction in local currency loans. A decline in the stock of **Personal Loans** *contributed to the slower rate of expansion in credit during the review quarter. The quality of the banks' loan portfolio remained unchanged relative to the end of the previous quarter.*

At end-March 2009, the stock of private sector credit was $220 577.9 million, representing an expansion of 3.9 per cent for the review quarter. This expansion was however, a deceleration relative to the increase of 5.8 per cent during the December 2008 quarter but exceeded the increase of 2.7 per cent for the March 2008 quarter. The deceleration relative to the previous quarter was consistent with the seasonal reduction in spending as well as the slowdown in the economic activity (see **Real Sector**). The faster growth relative to the March 2008 quarter was mainly due to the impact of the sharp depreciation in the exchange rate primarily in January and February (see **Figure 1.7**). Credit denominated in local currency declined while the stock of loans denominated in foreign currency was flat. The expansion for the quarter, brought growth in private sector credit to 28.5 per cent for FY 2008/09, above the increase of 26.8 per cent outlined within the financial programme.

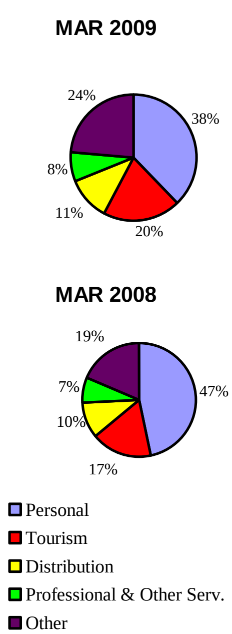
Loans and advances, which comprise 97.5 per cent of the stock of private sector credit, expanded by $9 309.1 million or 4.3 per cent during the review quarter relative to an increase of 6.3 per cent in the December 2008 quarter (see **Table 1.6**). The slower rate of growth largely reflected a reduction in the stock of **Personal Loans** (see **Table 1.7**). This was the first quarter in the last 5 years that there was a reduction in the stock of **Personal Loans,** an indicator of the sharp slowdown in economic activity and the growth in job losses. Notably, there was further weakening in the demand for motor cars as evidenced by a decline of 33.3 per cent in credit for the purchase of these vehicles relative to a lower reduction of 10.6 per cent in the March 2008 quarter.

Table 1.8

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

	Mar-08	Dec-08	Mar-09
Agriculture & Fishing	20.3	942.7	-34.7
Mining & Quarrying	-13.1	60.2	-140.5
Manufacturing	-294.4	-69.3	-335.2
Construction & Land Dev.	656.6	185.7	477.7
Transport, Storage & Comm.	650.5	-243.0	233.4
Tourism	-916.9	-17.5	-20.7
Distribution	-343.3	-516.9	1.7
Professional & Other Services	-223.8	1 244.1	-177.6
Personal	4 045.0	1 416.0	-671.0
Electricity, Gas & Water	-85.3	566.5	-239.6
Entertainment	11.3	25.8	71.5
Overseas Residents	14.3	3.8	447.2
TOTAL	3 521.2	3 598.1	-387.8

Figure 1.8
Sectoral Distribution of Commercial Bank Loans & advances to the Private Sector Per Cent of Outstanding Stock
March 2008 & March 2009



Concurrently, the value of credit card transactions declined by 4.4 per cent during the review quarter compared to an increase of 3.2 per cent in the corresponding period of 2008. In contrast, there was robust growth in ***Construction & Land Development, Distribution*** and ***Overseas Residents.***

The stock of foreign currency-denominated loans at end-March 2009 was flat relative to that which obtained at end-December 2008 in the context of the global recession. This outturn was relative to marginal increases of 0.2 per cent and 1.0 per cent in the December 2008 and the March 2008 quarters, respectively. There were reductions in most sectors with **Personal loans** reflecting the sharpest decline (see **Table 1.9**). There were, however, buoyant increases in credit to ***Distribution*** and ***Construction & Land Development. Tourism*** continued to account for the largest proportion of foreign currency loans at end-March 2009 (see **Figure 1.9**).

Interest Rates

For the review quarter, the overall weighted average lending rate declined by 20.0 basis points (bps) reflecting a reduction in the lending rate charged on public sector loans (see **Table 1.10)**. The lending rate charged on public sector loans declined by 198.0 bps during the March 2009 quarter reflecting reductions for both *Local Government & Other Public Entities* However, the weighted average lending rate on private sector loans rose by 5.0 bps. The higher rate charged on private sector loans reflected increases in the lending rates for all categories with the exception of **Personal loans**.

Performance Indicators

Despite the slowdown in private sector credit, these loans accounted for 38.8 per cent of commercial banks' total assets at end-March 2009 relative to 39.0 per cent at end-2008. The share at the end of the review quarter was above the 34.8 per cent at end-March 2008, mainly due to the valuation effect of the depreciation in the exchange rate. At end-March 2009, the quality of the private sector loan portfolio as measured by the ratio of past due loans (over three months) to total private sector loans, remained unchanged at 3.0 per cent, relative to the outturn at end-December 2008.

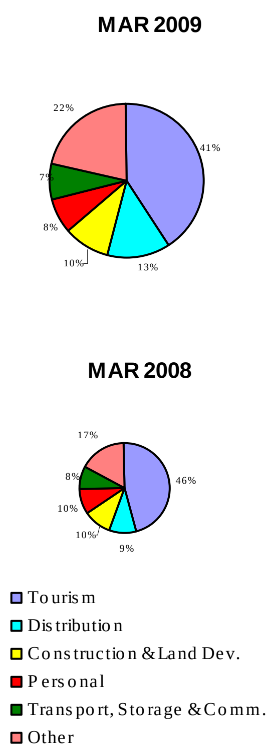
Table 1.10

Commercial Bank Distribution of Foreign Currency Loans & Advances to the Private Sector (Flows US $M)	Mar-08	Dec-08	Mar-09
Agriculture & Fishing	0.2	0.1	-2.5
Mining & Quarrying	-0.4	0.2	0.7
Manufacturing	8.0	-4.3	-3.0
Construction & Land Development	5.1	-2.4	9.8
Transport, Storage & Comm.	0.0	-2.9	-0.5
Electricity, Gas & Water	6.6	-11.2	-1.0
Distribution	-23.2	1.3	5.6
Tourism	1.6	13.6	-2.3
Entertainment	0.4	0.0	-0.1
Professional & Other Services	6.3	0.7	-0.5
Personal	3.7	-0.2	-6.0
Overseas Residents	0.3	7.2	0.0
TOTAL	**8.4**	**2.3**	**0.2**

Figure 1.9

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

March 2008 & March 2009



The outturn for the review quarter was however above the 2.5 per cent at end-March 2008 (see **Figure 1.10**).

Table 1.9

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

	Mar-08	Dec-08	Prov. Mar-09
Overall	**17.33**	**16.78**	**16.58**
Public Sector	**11.49**	**14.72**	**12.74**
Local Govt. & Other Public Ent.	10.92	13.33	11.28
Central Government	15.23	22.33	15.72
Private Sector	**18.31**	**17.14**	**17.19**
Instalment	20.72	20.39	20.48
Mortgage	7.51	7.57	9.64
Personal	25.27	24.93	24.06
Commercial	13.79	13.01	13.33

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

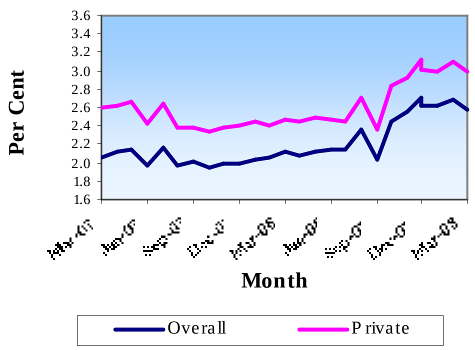


Table 1.10

Treasury Bill Auctions and Maturities
January - March 2009

Issue Date	Tenor (days)	Avg. yield (%)	Allotment (J$M)	Amount Maturing (J$M)
30-Jan-09	182	24.26	400.0	
	91	22.33	400.0	
			800.0	800.0
26-Feb-09	183	23.13	400.0	
	92	21.69	400.0	
			800.0	800.0
27-Mar-09	182	21.77	400.0	
	91	20.51	400.0	
			800.0	900.0
Total			**2 400.0**	**2 500.0**

Average yields on GOJ Treasury Bills decline

Table 1.11

GOJ Public Domestic Debt Raising
January - March 2009

	Amount Allotted (J$MN.)	Amount Maturing (J$MN.)	Net Issues (J$MN.)
Treasury Bills	2 400.0	2 500.0	-100.0
Variable Rate LRS		700.0	-700.0
Var. Rate Inv. Bd.	21 521.7	12 188.7	9 333.0
Fixed Rate LRS		2 284.0	
Fixed Rate Inv. Deb.	25 814.9	5 344.7	20 470.2
Fixed Rate Reg. Bd.		4 205.5	
Sub-total	49 736.7	27 223.0	22 513.7
Eurobonds (J$ Equivalent)		23 395.7	-23 395.7
Total (J$)	**49 736.7**	**50 618.7**	**-882.0**

GOJ predominantly offered short term debt.

Bond Market

During the March 2009 quarter, the performance of the bond market was influenced by a moderation in inflation expectations, the downgrade of Jamaica's sovereign bond ratings as well as uncertainties regarding the global economic environment. The bond market was also significantly affected by the high domestic liquidity conditions, which persisted despite two rounds of increases in the cash reserve requirement. Against this background, both private money market rates and yields on GOJ Treasury Bills declined on average. In relation to the Government's debt raising activities, the majority of the placements were made at fixed rates despite a higher number of variable rate debt issues. There were net maturities of GOJ and BOJ domestic instruments to fund taxation obligations and the demand for foreign currency.

The prices on GOJ global bonds fell marginally despite the downgrade of Jamaica's sovereign debt credit rating by Moody's Investors Service and Standard & Poor's during the review quarter.

During the March 2009 quarter, the yields on Treasury Bills declined, in sharp contrast to significant increases recorded in the previous quarter. These declines were largely influenced by a lowering of inflation expectations, buoyant Jamaica Dollar liquidity conditions as well as declining cost of funds in the private money market. The average yield on the 90-day and 180-day Treasury Bills decreased by 150.0 basis points (bps) and 268.0 bps, respectively (see **Table 1.10**). At the end of the review quarter, the respective yields on the 90-day and 180-day Treasury Bills were 51.0 bps and 27.0 bps above the rates on the Bank's corresponding OMO instruments.

In addition to the issue of Treasury Bills during the review quarter, the GOJ issued 10 debt instruments to the domestic market, of which, 7 were issued at variable rates. However, the GOJ raised more funds from the 3 fixed rate instruments offered during the review quarter (see **Table 1.11** and **Appendix 8B**). The strong performance of these fixed rate instruments was influenced by the generally short tenors of 12 to 15 months, in keeping with the preference for short-term instruments by investors.[2] In addition, the fixed rate instruments offered coupons in the range of 24.25 per cent to 25.0 per cent, which was 25.0

[2] The modal range tenor was 3 to 4 years on the fixed rate instrument during the review quarter.

Table 1.12

Placements and Maturities* in BOJ OMO Instruments:				
	January - March 2009		October - December 2008	
	Maturities (J$MN.)	Placements (J$MN.)	Maturities (J$MN.)	Placements (J$MN.)
30-day	38 800.3	31 771.3	73 009.5	58 416.1
60-day	1 518.9	1 661.9	3 827.2	2 594.8
90-day	8 365.0	7 873.4	5 718.5	8 374.2
120-day	1 138.3	949.1	4 172.2	1089.0
180-day	2 447.6	5 455.2	4 096.0	2 631.7
270-day	0.0	0.0	0.0	0.0
365-day	28 632.5	24 322.3	1 693.0	7 342.3
Variable Rate CD	9 594.8	0.0	7 777.9	0.0
Fixed Rate CD	0.0	0.0	0.0	8 106.2
TOTAL	90 497.4	72 033.2	100 294.2	88 554.2

****excludes overnight transactions during the period**

Figure 1.11

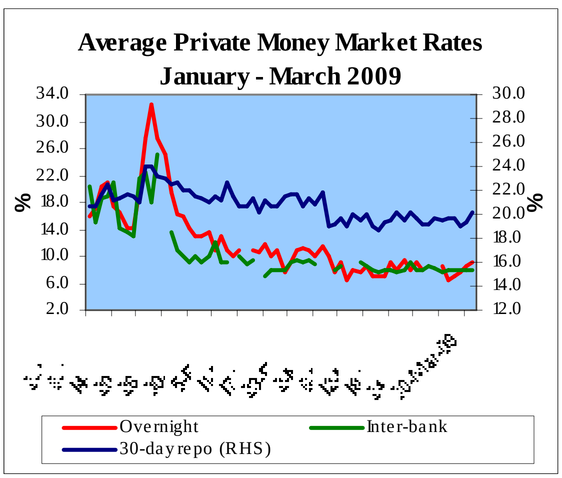
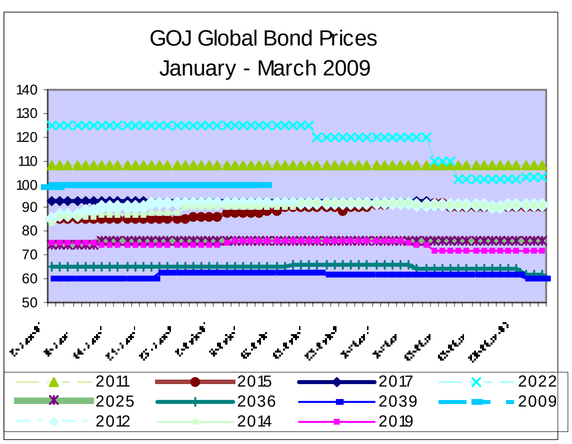


Figure 1.12



Prices on GOJ Global bonds remained fairly stable

bps to 100.0 bps above the yield on the Bank's 1-year OMO security. While the GOJ offered two variable rate instruments with maturities of 10 and 20 years, the majority of the variable rate debt issued during the quarter will mature within 1 to 3 years. The re-pricing margin on the variable rate debt was held at 1.50 percentage points above the yield on the 90-day and 180-day Treasury Bills.

During the quarter, the Government net redeemed $882.0 million in debt. Included in this amount was the maturity of a €200.0 million Eurobond in February which was not re-issued due to the adverse global credit conditions (see **Table 1.11)**. Excluding the maturity of the Eurobond, the Government net issued $22.5 billion in domestic debt, given a significant shortfall in major revenue items. The high net issue in the March 2009 quarter was in sharp contrast to trends in previous March quarters where there is a generally low allotment of domestic debt.

For the review quarter, there was net injection of $18 464.2 million from BOJ securities, which included the maturity of a variable rate Certificate of Deposit (CD) (see **Table 1.12)**. Of this total, there was net maturity of $8 869.4 million of BOJ's 30-day to 365-day OMO instruments. The impact of this liquidity was offset by two rounds of increases in the cash reserve requirements, GOJ debt raising as well as tax obligations (see **Monetary Policy** and **Base Money Management**). With regard to placements, investors continued to gravitate towards the shorter end of the spectrum. Nevertheless, there were strong placements on the 365-day tenor as a result of the premium on this tenor.

Private money market rates generally trended downwards during the review quarter, indicative of a wider distribution of the high domestic liquidity. The average rate on the overnight instrument fell to 12.41 per cent in the review quarter from 18.51 per cent in the previous quarter. Similarly, the average interbank rate decreased to 10.90 per cent from 14.51 per cent in the December 2008 quarter. In contrast, the average rate on the 30-day repo increased to 20.82 per cent in the review quarter, up from 17.40 per cent in the previous quarter. However, this increase was largely influenced by an upturn in mid-January which coincided with a GOJ debt offer. For the remainder of the quarter, there was a trend decline in this rate (see **Figure 1.11**).

The prices of the GOJ global bonds remained relatively stable during the review quarter in spite of continued turmoil in international credit markets and the downgrades of Jamaica's foreign debt by two international rating agencies. On 04 March, Moody's Investors Service lowered their credit ratings on foreign currency and local currency for bonds to 'B2' from 'B1' and 'Ba2', respectively, and the foreign currency country ceiling for deposits was downgraded to 'B3' from 'B2'. Similarly, on 18 March, Standard & Poor's lowered its long-term sovereign credit ratings on Jamaica to 'B-' from 'B'. In addition, short-term ratings were lowered by one notch to 'C' from 'B'. The outlook remained 'negative'. The country transfer and convertibility assessments were also lowered to 'B+' from 'BB-'. Despite the downgrades, there was an overall increase in the prices on the 2012 and 2014 Eurobonds during the review quarter (see **Figure 1.12**).

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

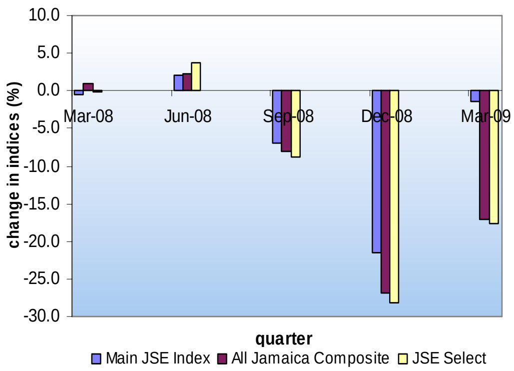


Figure 1.14
Quarterly Movements in Number of Transactions & Values Traded
March 2008- March 2009

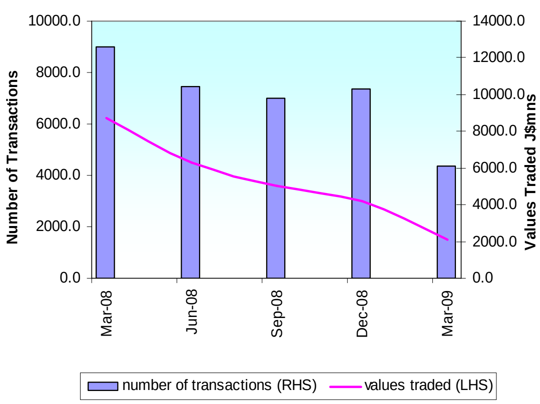
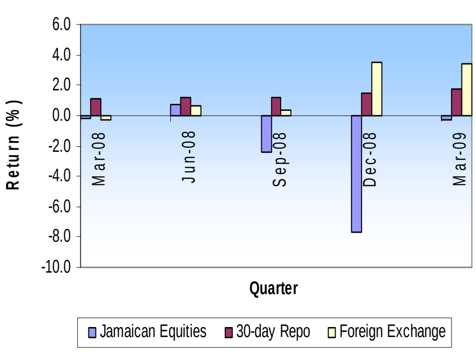


Figure 1.15
Average Monthly Returns from Equities and Fixed Income Investments



Stock Market

During the March 2009 quarter, the Main Jamaica Stock Exchange (JSE) Index registered its third consecutive quarterly decline. The decline in the index reflects continued contraction in local economic activity and consequently expectations of further weakening in earnings for many of the listed companies, largely as a result of the global economic recession.

The Jamaica stock market recorded its third consecutive quarterly decline since the second quarter of 2008. During the review quarter, the Main JSE Index declined by 1.4 per cent, while the All Jamaica Composite and the Select indices declined by 17.1 and 17.6 per cent, respectively (see **Figure 1.13**). However, the declines in the indices were less pronounced than in the December 2008 quarter.[3]

The downturn in the stock market was also reflected in trading activity which declined during the March 2009 quarter. Over the review period, 4 341 transactions were recorded with a total value of $2.1 billion, relative to 7 380 transactions valued at $4.1 billion in the previous quarter, representing quarterly declines of 41.1 and 50.2 per cent, respectively (see **Figure 1.14**).

Despite a marginal improvement during the March 2009 quarter, the advance to decline ratio remained negative relative to the previous quarter. This ratio was 6:26 at end March 2009 compared to 1:34 at end-2008, signalling continued weak investor interest in the market. The decline in the Main JSE Index during the review quarter was reflected across almost all stock categories. The top ten declining stocks were primarily concentrated in the financial, manufacturing and conglomerate categories (see **Table 1.16**). The stocks that advanced included FirstCaribbean International Bank (FCIB), Sagicor Financial Corporation (SFC), PanCaribbean Financial Services (PCFS), Carreras Limited (CAR), Jamaica Broilers Group (JBG) and Pulse Investments Limited (see **Table 1.17**)

[3] The global economic crisis which directly led to institutions liquidating positions in stocks in order to meet margin call obligations would have contributed to the sharp decline in the Main JSE index during the December 2008 quarter. Additionally, increased rates on fixed income instruments, instability in the foreign exchange market and increased investor uncertainty also contributed to the decline.

Table 1.16
Declining Stocks - March 2009 Quarter

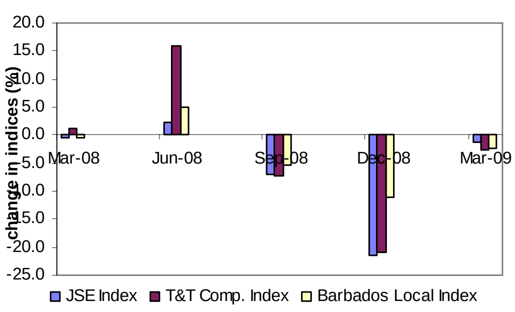
Companies	Price at 31-Mar-09 $	Qtr. Change %
Declining Stocks		
Financial		
National Commercial Bank	12.22	-32.11
Capital & Credit	3.95	-25.19
First Jamaica Investments	19.04	-23.84
Manufacturing		
Mobay Ice Company	10.28	-20.00
Kingston Wharves	3.05	-36.46
Salada Foods	10.28	-20.92
Conglomerates		
Jamaica Producers	16.07	-30.13
Lascelles	300.01	-21.67
Retail		
Hardware & Lumber	5.10	-49.00
Insurance		
Sagicor Life	4.20	-25.00

Table 1.17
Advancing Stocks - March 2009 Quarter

Companies	Price at 31-Mar-09 $	Qtr. Change %
Advancing Stocks		
Financial		
First Caribbean	120.00	20.00
Sagicor Financial	260.00	19.27
Pan Caribbean	12.34	2.38
Manufacturing		
Jamaica Broilers	3.50	9.37
Retail		
Carreras	37.76	7.89
Other		
Pulse Investments	5.45	4.81

Figure 1.18
Quarterly Growth of Regional Indices

December 2007 – December 2008



The performance of the stock market was negatively influenced by unfavourable developments in the macroeconomic environment. In particular, real Gross Domestic Product (GDP) is estimated to have contracted by 1.7 per cent relative to growth of 0.1 per cent in the corresponding period of 2008 (see **Real Sector**). The demand for local equities was adversely affected by higher returns on fixed income and foreign currency investments relative to equity investments (see **Figure 1.15**).[4] Growth in the equities market also weakened in a context where earnings results of listed companies deteriorated, reflective of the impact of the downturn in local economic activity. Additionally, uncertainties surrounding the FY2009/10 Central Government budget and the expectation of further deterioration in the macroeconomy made investors cautious about equities investment. This uncertainty was exacerbated by the downgrades of Jamaica's sovereign bonds by Moody's and Standard & Poor's rating agencies during the review quarter.

On 02 February 2009, the JSE published its first cross listed index. This index is aimed at tracking the performance of stocks of foreign-owned listed companies. The cross listed index began with an initial value of 1 000.0 points but declined marginally to 991.1 points by the end of March. The stocks that comprise this index include, First Caribbean International Bank, Guardian Holding Limited, Sagicor Financial Corporation and Trinidad Cement Limited.

The other two major stock exchanges in the Caribbean also recorded declines during the March 2009 quarter. In Trinidad & Tobago, the Composite Index fell by 2.5 per cent, compared to a decline of 20.9 per cent in the previous quarter. Correspondingly, for Barbados, the Local Index declined by 2.4 per cent, relative to a decrease of 11.2 per cent in the December 2008 quarter (see **Figure 1.18**). The outturn for the March 2009 quarter may be reflective of the generally cautious outlook for listed companies and the economies by equity investors in Trinidad and Barbados.

[4] During the March 2009 quarter, the stock market yielded an average monthly loss of 0.3 per cent relative to average returns of 1.7 per cent and 3.4 per cent from money market and foreign currency investments respectively.

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

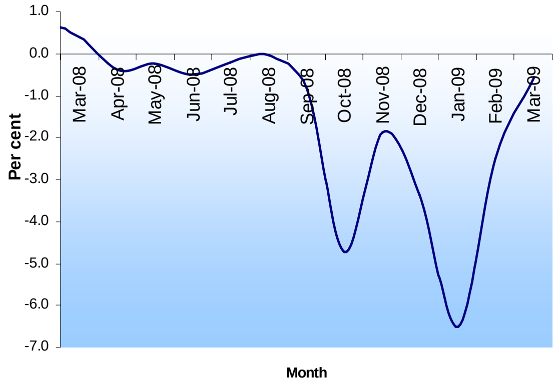
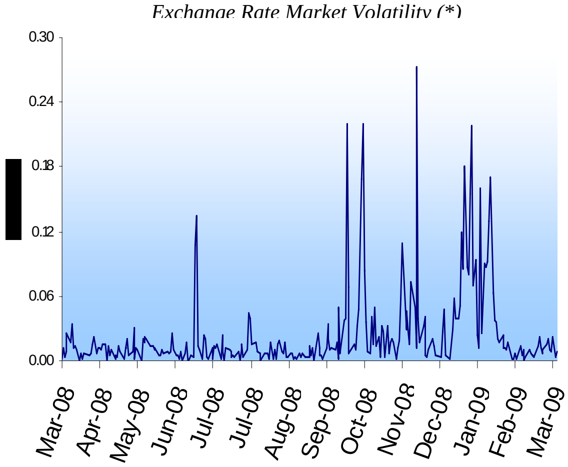
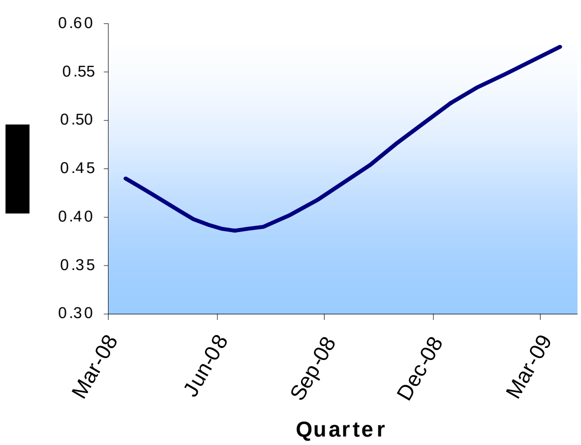


Figure 1.23
Exchange Rate Market Volatility (*)



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

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



Foreign Exchange Market

The foreign exchange market was characterized by significant pressures in the March 2009 quarter, particularly in the first half of the quarter (see Figure 1.23). These pressures were influenced by a contraction in foreign exchange inflows as well as high Jamaica Dollar liquidity conditions which facilitated an increase in demand for US dollars. In the second half of the quarter, however, the foreign exchange market reacted favourably to BOJ's actions which included moral suasion, the sale of foreign currency to the market and the implementation of a foreign exchange surrender facility for public sector entities. These actions constrained the overall pace of depreciation to 9.40 per cent for the quarter, relative to 9.69 per cent in the preceding quarter. In this context, the NIR stock fell to US$1 628.6 million at 31 March 2009, from US$1772.9 million at the end of the previous quarter.

The weighted average selling rate (WASR) of the US dollar increased to J$88.82 = US$1.00 at end-March 2009 from J$80.47 = US$1.00 at end-December 2008. This represented a slight moderation in the rate of depreciation for the quarter to 9.4 per cent, from 9.7 per cent during the December 2008 quarter (see **Figure 1.22**). This depreciation was, however, significantly higher than the average of 0.7 per cent for the preceding five March quarters. For FY 2008/09 the value of the Jamaica Dollar declined by 20.0 per cent vis-à-vis the US Dollar, significantly higher than the 4.6 per cent recorded for FY 2007/08.

Consistent with the instability in the market during the quarter, the average bid-ask spread, expressed as a percentage of the buying rate, increased to 0.58 per cent from 0.51 per cent in the previous quarter (see **Figure 1.24)**. Similarly the average weekly market trading range increased to J$0.66 from J$0.50 in the December 2008 quarter (see **Figure 1.25**).[5]

The pressures that emerged during the review quarter were mainly associated with a contraction of US$542.0 million in net private capital inflows, relative to the December 2008 quarter (see **Table 1.11**). This decline was sharpest over the first half of the quarter and influenced depreciations of 6.5 per cent and 2.5 per cent in the exchange rate for January and February, respectively. The contraction reflected the impact of reductions in credit lines to the financial and productive sectors by foreign banks as well as waning investor confidence, associated with the high exchange rate volatility of the previous quarter.

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

Figure 1.25
Weekly Exchange Rate Trading Range

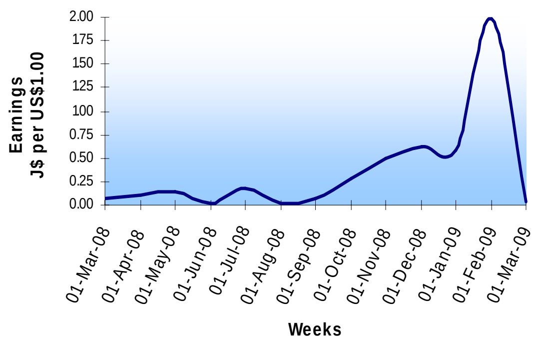


Table 1.11
Foreign Exchange Cash Flows*

	US$MN			Change Relative To Previous	
	2008		2009		
	Jan-Mar	Oct-Dec	Jan-Mar	Qtr	yr
Net Current Inflows	-481.4	-983.3	-254.9	728.4	226.6
Current Inflows	1390.3	1183.4	1052.2	-131.2	-338.1
Current Outflows	1871.8	2166.7	1307.0	-859.6	-564.7
Net Private Capital Inflows	736.7	760.9	218.7	-542.2	-517.9
Balance	255.2	-222.3	-36.1	186.2	-291.3

Table 1.12
Net International Reserves
(US$MN)

Month	Stock	One Month Change
Oct – 08	1802.6	-448.5
Nov – 08	1794	-8.6
Dec – 08	1772.9	-21.1
Jan – 09	1765	-7.9
Feb – 09	1601.9	-163.1
Mar – 09	1628.6	26.7

The market also acted on its expectations of a decline in foreign exchange earnings, given the contraction in the global economy, as well as expectations of a downgrade in Jamaica's sovereign credit ratings by Moody's and Standard and Poor's. The above noted factors were manifested in a marked increase in demand for foreign exchange on the domestic market, particularly in January, which was facilitated by high Jamaica Dollar liquidity conditions (see **Money and Credit**).

Notwithstanding the fall in net private capital inflows, the Bank estimates that there was a reduction of US$728.4 million in net foreign exchange demand to facilitate current account transactions, relative to the December 2008 quarter. This was attributed to a decline in foreign exchange outflows associated with spending on fuel imports. Oil prices, the main factor affecting the value of fuel imports, fell by 26.3 per cent in the review quarter. This impact was partially offset by an 11.1 per cent decline in inflows, the result of an estimated 27.8 per cent reduction in export earnings and a 9.8 per cent decline in remittance inflows.

Consistent with the fall in foreign exchange supply during the quarter, the average daily purchases by the system (authorised dealers and cambios) amounted to US$23.5 million during the quarter, compared with US$28.7 million in the previous quarter and US$34.4 million for the comparable period in 2008. Demand also fell, with average daily sales declining to US$26.0 million compared with US$34.6 million in the previous quarter and US$36.1 million in the March 2008 quarter.

The reduction in the pace of depreciation in the second half of the quarter resulted from BOJ operations which included, *inter alia*, moral suasion, the establishment of a foreign exchange facility for public sector entities and the sale of foreign currency to the market. During the quarter, the authorized dealers and cambios agreed to moderate their over-the-counter and contract bids to purchase foreign exchange, which had the effect of tempering movements in the exchange rate. These institutions also agreed to surrender foreign exchange under the foreign exchange facility for public sector entities. The main objective of the facility was to centralize the supply of foreign currency so as to efficiently meet the demand of these entities without unnecessary market fluctuations (see **Appendix**). The Bank sold approximately

US$64.0 million (net) to the market during the quarter, relative to net sales of US$333.4 million in the previous quarter.

The Bank also increased the domestic cash reserve requirement (CRR) for deposit-taking institutions by three percentage points and maintained its foreign currency loan intermediation facility for financial institutions. During the quarter, the Bank accepted US$228.1 million in deposits intended for intermediation, relative to US$143.6 million in the previous quarter. In the context of the Bank's actions in the market, the NIR at end-March 2009 fell to US$1 628.6 million, US$144.4 million below the outturn for end-December 2008 (see **Table 1.12**).

Box 1: BOJ's Monetary Policy Response to the Global Financial Crisis

The 2008/09 fiscal year was extraordinarily challenging for the conduct of monetary policy. This was due largely to the adverse impact on the Jamaican economy of the intensification of the global financial crisis and the subsequent fall out in global growth. In particular, Jamaica's foreign exchange market came under inordinate pressure (see **Box 1, QMPR July – September 2008**). In addition, there was some disruption in the normal functioning of the domestic interbank credit market. In response to these adverse developments, the Bank implemented various policy measures in order to mitigate the effects on price and financial market stability.

The global financial crisis which began with the sub-prime mortgage problems in mid-2007 had minimal impact on the Jamaican financial markets in its nascent stage. However, by the June 2008 quarter, there was growing uncertainty about the exposure of some large financial institutions abroad to subprime mortgage linked assets, as the number of large banks reporting significant losses and insolvency problems increased. Consequently, a number of Jamaican investors opted to keep their investments in Jamaica Dollars. This was evidenced by net placements in the BOJ open market securities of $12 656.6 million and a build up in GOJ accounts at the Bank from local debt raising activities during the quarter. These investments were financed mainly from the conversion of US dollars.

By mid-September 2008, pressures emerged in the local foreign exchange market due to the impact of heightened instability in global financial markets. This instability was triggered by the collapse of the US investment bank, Lehman Brothers in mid-September, leading to heightened uncertainty throughout international financial markets and a tightening in credit markets. The tightening in global credit conditions led to margin calls and the closing out of repo arrangements as well as the termination or reduction of credit lines of some domestic investors. This had an adverse impact on the foreign exchange market as demand for foreign currency increased relative to supply. Consequently, between the period 15 to 30 September, there was an increase in the daily average rate of depreciation to J$0.48 from J$0.12 for the first two weeks of the month. **To alleviate the impact of the attendant problems on the Jamaica Dollar, the Bank increased its sale of foreign currency to the market.**

The tightening in global credit conditions intensified in the December 2008 quarter due to deterioration in the health of several large financial institutions globally. This deterioration was reflected in increased write downs and losses on the books of these institutions. Asset prices fell sharply, leading to a general loss in wealth. In addition, a number of firms were forced to merge, seek government support or file for bankruptcy protection. Consequently, international investors gravitated towards US government treasuries signalling a significantly reduced appetite for higher risk debt, including emerging market debt. This resulted in a marked increase in calls on Jamaican financial institutions to repay loans associated with external margin arrangements that were backed by these sovereign bonds, including GOJ bonds. The closing out of repurchase agreements and the termination and reduction of lines of credit by overseas brokers and distributors also intensified.

The impact of these liability calls on the foreign exchange market was further exacerbated by unfavourable reports on Jamaica's credit-worthiness from major rating agencies. As a consequence, the demand for foreign currency increased considerably. This demand was compounded by the forward purchasing of foreign exchange to meet seasonally higher imports payments. There was also a significant fallout in foreign currency inflows from earners. In the context of these factors, the exchange rate depreciated by 9.7 per cent in the December quarter.

To facilitate the repayment of margin arrangements that were collateralized with GOJ global bonds, the Bank established a US$300 million Special Loan Facility on 15 October 2008 for securities dealers and deposit-taking institutions. A total of US$168 million was utilized.

The Bank also acknowledged that a higher floor for domestic interest rates had been set, in the context of the sharp depreciation in the exchange rate and the increased yields on GOJ global bonds in the secondary market. In addition, the Bank projected a fundamental gap in the balance of payments due to the fall out in the global economy. In this regard, it was extremely necessary to protect the value of the NIR to ensure that the country had adequate reserves to meet its future debt obligations. Accordingly, **the Bank increased interest rates across the spectrum of OMO securities on 17 October 2008 and 01 December 2008.**

Another manifestation of the adverse impact of the global financial crisis was an increased reluctance of some domestic financial institutions to extend loans in the interbank credit market. Moreover, liquidity was concentrated in a few institutions. Consequently, **the Bank established Intermediation Facilities in foreign and domestic currency on 12 November 2008 in an effort to enhance the flow of credit in the financial market.**[6]

The intermediation facilities had a neutral impact on domestic liquidity, which was high throughout the period. This high level of domestic liquidity was likely to fuel further purchases of foreign currency. **In an effort to address the high domestic liquidity, the Bank offered a special 15-day Certificate of Deposit (CD) to Primary Dealers and commercial banks over the period 18 – 19 November 2008. On the maturity of this instrument on 03 December 2008, the Bank increased the statutory domestic cash reserve requirement (CRR) for deposit taking institutions by 2.0 percentage points (pps) to 11.0 per cent. The CRR was further increased by 2.0 pps in January and 1.0 pp in February 2009.** These latter increases mainly targeted liquidity emanating from the high seasonal currency reflows.[7]

Instability in the financial markets, in particular the foreign exchange market, continued during the March 2009 quarter despite the actions pursued by the Bank in the previous quarter. In January 2009, for example, the Jamaica Dollar depreciated by 6.5 per cent vis-à-vis the US dollar. The main contributory

[6] The domestic currency intermediation facility was operationalized on 24 November 2008.

7 The statutory foreign currency cash reserve requirement was also increased by 2 percentage points in January to ensure that banks had adequate reserves to meet a possible increase in calls on their liabilities.

factors to the volatility were the continued contraction in private capital inflows due to the disruption in credit lines to the financial and productive sectors.[8] There was also increased demand for foreign currency given the continued waning in market confidence among investors. The decline in confidence and increased uncertainty was exacerbated by the impact of the expectations for a downgrade of Jamaica's sovereign debt credit rating by international rating agencies given their stance in the December quarter. This was compounded by an accelerated fall out in earnings in some of the major exporting sectors.

Given the special circumstances arising from the global financial crises, the Bank thought it necessary to remove large block demands, such as those of the public sector entities, from the foreign exchange market. These large blocks, in the context of the shortages of foreign currency, added to the volatility in the exchange rate. In this context, **the Bank implemented a facility on 3 February 2009 to consolidate the foreign exchange demand from public sector entities and coordinate foreign currency payments.** This facility was financed by commercial banks and cambios which agreed to surrender an additional 15.0 per cent and 10.0 per cent, respectively, of US dollar purchases to the facility.

The Bank sold a total of US$700.45 million in the market since the collapse of Lehman to end March 2009. Of this amount, US$432.1 million was sold during the December quarter.

In addition to these policy measures, the Bank intensified its dialogue with the Authorised Dealers and Cambios in an effort to bolster orderly conditions in the foreign exchange market.

All the facilities established during the year have generated positive results. In particular, the pace of depreciation in the exchange rate slowed to 2.5 per cent and 0.6 per cent in February and March, respectively, from 6.5 per cent in January and 9.7 per cent in the December 2008 quarter. In addition, the annual point-to-point inflation fell sharply from a rate of approximately 25.0 per cent in September to 12.4 per cent at end March. Inflation is projected in a range of 11.0 per cent – 14.0 per cent for FY 2009/10. The Bank also significantly constrained the fall in the NIR to US$454.8 million for FY 2008/09. Consequently, the NIR was US$1 628.58 million at end-March 2009, representing import coverage of 13.0 weeks of goods and services, in line with the benchmark.

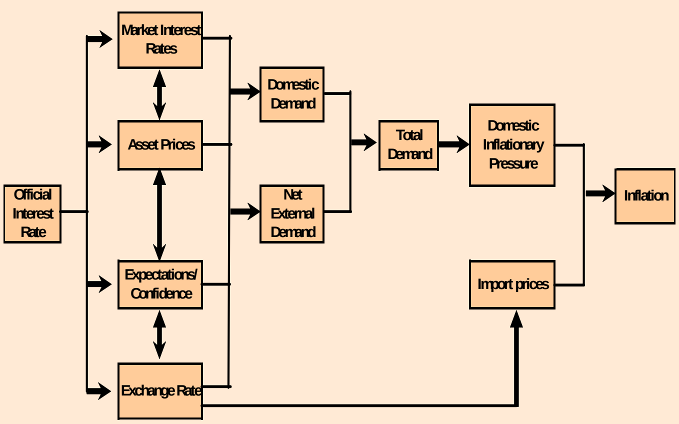
8 BOP estimates as at April 2009 suggest that net private capital inflows declined by US$542.0 million or 71.3 per cent during the March 2009 quarter.

Box 2: The Transmission of Monetary Policy in Jamaica

The monetary transmission mechanism is the process through which monetary policy actions affect the economy in general and inflation in particular. It describes how changes in policy are transmitted through the financial system and then ultimately to prices. The monetary transmission process has been the subject of decades of theoretical and empirical research. Due to the far reaching implications of monetary policy, it is important that the transmission mechanism be fully understood. This box highlights empirical research done by the Bank on the subject.

The diagram below provides a generic illustration of the monetary transmission mechanism.

Figure 1: The Generic Monetary Transmission Mechanism



The two channels of the monetary policy transmission that are typically significant in small open economies like Jamaica's are the exchange rate channel and the credit channel. Changes in the exchange rate, both actual and expected, can affect inflation directly, insofar as imported goods and services are directly used in production and consumption. The effect of policy which operates through the exchange rate is known as the exchange rate channel. The interest rate response of financial intermediaries to a monetary policy adjustment will affect saving decisions of households and the borrowing/investment plans of firms. This will in turn influence the level of domestic demand for goods and services relative to domestic supply, thereby affecting prices and hence inflation. Broadly, this is referred to as the credit channel of monetary policy.

Since the mid-1990s, the Bank of Jamaica has employed different types of empirical models to identify the main channels of the monetary transmission mechanism. These models range from simple vector autoregressive models (VARs) which seek to explain certain or specific aspects of the transmission, to much more complex structural macro-models. The menu of models provides a comprehensive guide to the effect of policy on the different areas of the economy.

Based on the Bank's research, the main transmission channel of monetary policy in Jamaica is the exchange rate channel. Allen and Robinson (2004) found that a fall in inflation amounting to 0.1 per cent in one quarter after a one per cent increase in interest rates can be split into 0.078 per cent reflecting the exchange rate channel and 0.022 per cent reflecting the influence of the credit channel[9]. This underscores the importance of exchange rate movements in the determination of inflation in Jamaica. The greatest

[9] See for example, Allen, C. and Robinson, W, (2004) "Monetary Policy Rules and the Transmission Mechanism in Jamaica", Money Affairs, Volume XXVIII, Number 2, July – September

impact on average of monetary policy on inflation occurred within two to three quarters after a monetary shock. The impact on output was small with a lag of approximately two to three quarters.[10]

The Bank's research also found that the effect of policy may also vary depending on the nature of the policy change and the current state of the economy.[11] That is, positive and negative monetary policy innovations (increases and reductions in interest rates) have different effects, which are amplified depending on the state of the economy. Negative interest rate shocks, for example, were found to have stronger output and price effects when the economy is in a low inflation environment

A number of other research work have been undertaken by the Bank which dealt with various aspects of the transmission of monetary policy to the rest of the economy.[12] A key area is the transmission to market interest rates from changes in the official rates.[13] For example, in examining the factors affecting the evolution of bank spreads Robinson (2002) concluded that operating efficiency and credit risks, among other factors, were important in influencing the interest rate of commercial banks. More recently, Jackson (2008) noted that the passthrough of an increase in the official rate by the Central Bank was significantly faster and more complete for market loan rates when compared to deposit rates and vice versa.[14]

The analysis of the monetary transmission mechanism in Jamaica is an ongoing process. This is because structural changes may arise which may change the behaviour of economic agents. For example, the global financial crisis has resulted in a shift in the relative importance of the monetary transmission channels in the developed countries. The Bank will therefore continually monitor and assess these developments and tailor its policy accordingly.

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[10] See for example, Serju, P, (2003), "Monetary Policy and the Jamaican Economy: A Sectoral Analysis", Bank of Jamaica Working Paper

[11] See for example, Mitchell, N and Robinson, W, (2007), "The Asymmetric Effects of Nominal Shocks on the Jamaican Economy: Evidence from a Non-Linear VAR" Bank of Jamaica Working Paper, Bank of Jamaica

[12] The full series of papers on monetary transmission in Jamaica is available at http://www.boj.org.jm/publications_show.php?publication_id=10

[13] See McLeod, R, (2008), The Lead-lag Structure of Interest Rate Relationships in Jamaica, Bank of Jamaica Working Paper and Robinson, J, (2002), Commercial Bank Interest Rate Spreads in Jamaica: Measurement, Trends, Prospects Bank of Jamaica Working Paper

[14] See Jackson, D, (2008) The Dynamics of Bank Spreads in the Jamaican Banking Sector: An Empirical Assessment, Bank of Jamaica Working Paper

2. Real Sector Developments

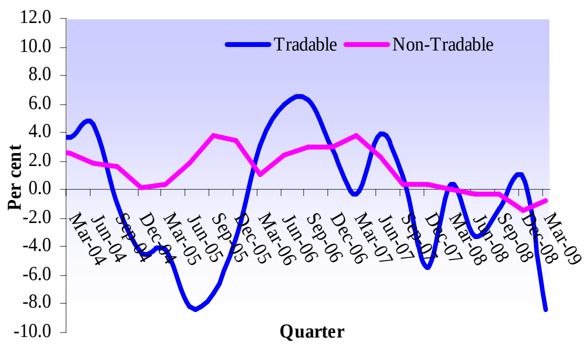
The Jamaican economy continued to weaken in the March 2009 quarter, with an estimated decline in the range of 2.0 - 3.0 per cent. This followed a contraction of 1.1 per cent in the December 2008 quarter. The reduction in the review quarter emanated primarily from the tradable industries, in particular mining and transport, storage & communication. The decline in GDP was reflected in private & public consumption spending and gross fixed capital formation, which outweighed an improvement in net external demand. The economy is therefore estimated to have contracted in FY2008/09 in the range of 0.5 per cent to 1.5 per cent. This was the first decline since FY1998/99.

Aggregate Supply

The Jamaican economy is estimated to have declined in the March 2009 quarter in the range of 2.0 to 3.0 per cent. This decline reflected a contraction in both the tradable and non-tradable industries (**see Figure 2.1**). The main precipitating factors were weak external and domestic demand coupled with heightened uncertainty regarding economic prospects. External demand was severely constrained by the global financial crisis, while weak domestic demand emanated from falling real income, slower remittance inflow and tightening credit conditions. Further, domestic spending was tempered by fears of further job losses. Given the estimated contraction for the March 2009 quarter, a decline in the range of 0.5 to 1.5 per cent is estimated for FY2008/09.

Figure 2.1

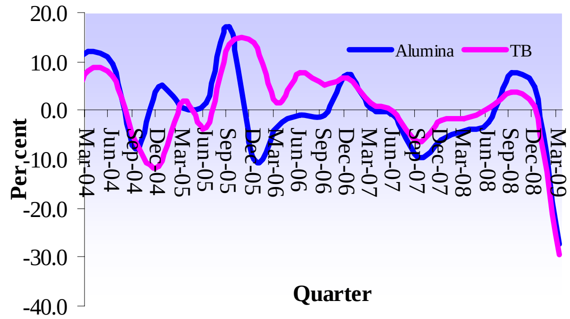
GDP Growth : Tradables vs. Non-Tradables Industries (12-Month Change)



The main sectors that contracted in the review quarter were ***Mining & Quarrying, Construction, Electricity & Water Supply*** and ***Transport, Storage & Communication.*** Moderate growth is estimated for ***Agriculture, Forestry & Fishing***, with a negligible increase in ***Finance & Insurance Services.***

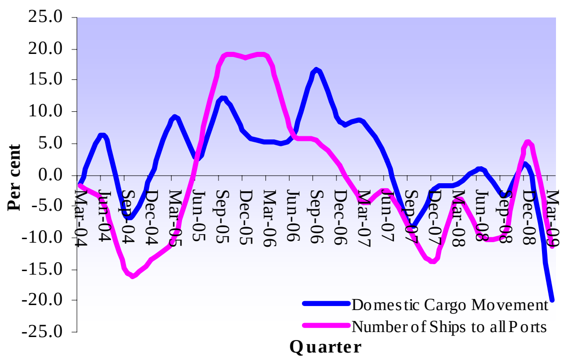
For the review quarter, ***Mining & Quarrying*** is estimated to have contracted more sharply than the 3.2 per cent decline in the March 2008 quarter. The industry's performance reflected the reduction in alumina and total bauxite production by 29.6 per cent and 27.4 per cent, respectively, in the quarter (see **Figure 2.2**). This was due to the impact

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



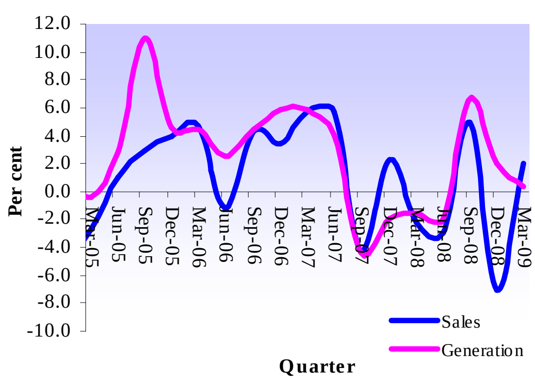
Source: Jamaica Bauxite Institute

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



Source: Port Authority of Jamaica

Figure 2.4
Electricity Generation & Sales
(12-Month change)



Source: JPS & Bank of Jamaica

of a major downturn of the world market for alumina and its finished products[15]. Average capacity utilization in the alumina and bauxite industries was reduced to 63.3 per cent and 60.1 per cent, respectively, relative to 86.5 per cent and 91.7 per cent in the similar period of 2008.

In the context of continued declines in private sector projects, residential construction and public sector capital projects, ***Construction*** is estimated to have contracted in the review quarter continuing the trend since the June 2008 quarter. This contraction is estimated to be in line with the decline of 10.4 per cent recorded in the second half of 2008. Private sector investment continued to be adversely affected by the global financial crisis and weak domestic demand.

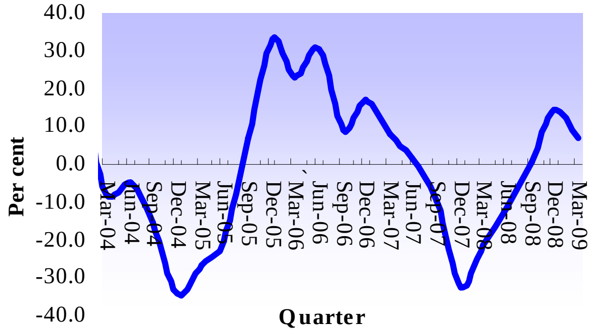
The estimated contraction in ***Transport, Storage and Communication*** represented the fifth consecutive quarter of decline. The industry's performance mainly reflected declines in water and air transportation. The reduction in water transportation was inferred from declines of 11.4 per cent and 19.9 per cent in the number of ships calling at Jamaica's ports and in domestic cargo movement (**see Figure 2.3**). The fallout in ship calls was primarily attributed to declines in both cruise and cargo shipping. Air transportation was negatively affected by reduced activity by the national airline stemming from its restructuring and retooling exercises.

Electricity & Water is estimated to have declined in the review period, similar to the contraction of 1.3 per cent in the March 2008 quarter. The reduction in the industry was inferred from a fallout of 2.0 per cent in electricity generation, relative to the corresponding period of 2008 (**see Figure 2.4**). Moderating the decline in the sector was an increase of 2.3 per cent in water production, relative to the corresponding quarter in 2008.

The recovery in ***Agriculture, Forestry and Fishing*** that commenced in the previous quarter continued in the review period. This was facilitated by relatively favourable weather conditions as well as productivity support programs coordinated by the Ministry of Agriculture. Growth in the industry reflected an increase of 6.8 per cent in domestic crop production, relative to the decline of 21.3 per cent recorded in the

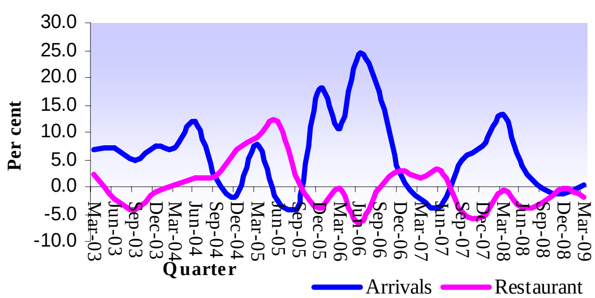
[15] Of the three alumina companies, only one did not cut production.

Figure 2.5
Domestic Crops
(12-Month Change)



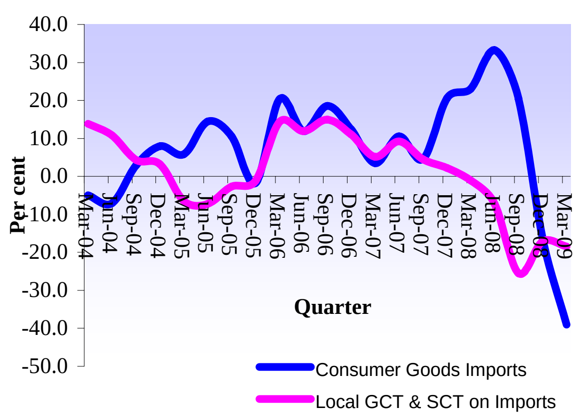
Sources: Bank of Jamaica, MOA

Figure 2.6
Total Stopover Visitor Arrivals & Imputed Restaurant Activities
(12-Month Change)



Source: Jamaica Tourist Board

Figure 2.7
Private consumption Spending Indicators
(12-Month Change)



Source: Bank of Jamaica, MOF

corresponding quarter of 2008 (**see Figure 2.5**). However, export agriculture is estimated to have registered a negligible contraction in the review quarter, attributed to the decline of 9.2 per cent in sugar cane milled, which was sufficient to offset the growth in the other export crops. Citrus and coffee grew by 5.3 per cent and 1.9 per cent, respectively. The decline in sugar cane milled reflected the late start of reaping activities and the closure of one Government-owned sugar factory.

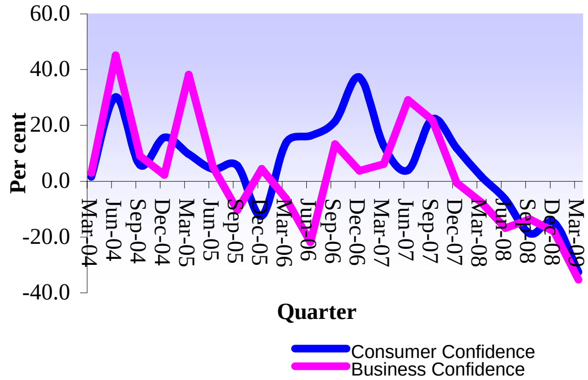
Hotels and Restaurants is estimated to have declined, albeit marginally, in the review quarter, relative to growth of 9.8 per cent in the corresponding quarter of 2008 and average growth of 2.5 per cent for the four preceding quarters. The industry's performance is inferred from an increase of 0.2 per cent in stop-over arrivals and an estimated decline of 2.0 per cent in activities within the restaurant industry (see **Figure 2.6**). Intensified advertising by the Jamaica Tourist Board and industry players as well as a negative U.S. travel advisory for Mexico contributed to the growth in stop-over arrivals. Lower real income contributed to the decline in restaurant activities.

Aggregate Demand

Estimates of the expenditure components of GDP for the review quarter suggest further declines in ***Consumption*** and ***Investment***, partly offset by an improvement in ***Net External Demand,*** relative to the comparable period of 2008.

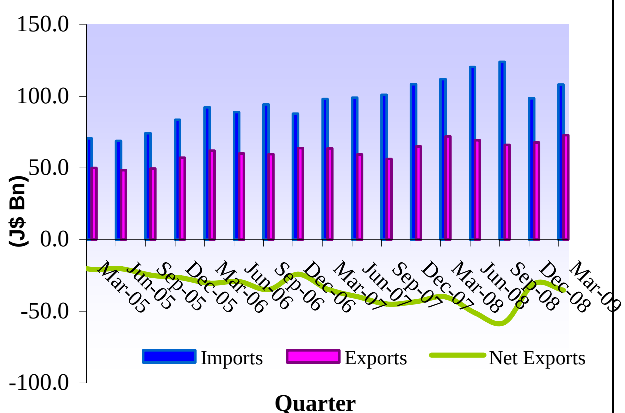
The reduction in ***Private Consumption*** was inferred from real declines of 39.0 per cent and 18.5 per cent in consumer goods imports and local GCT and SCT on imports receipts, respectively. The fall in households' real consumption is attributed to the erosion in real wages, a decline in remittance inflows and expectations of future job losses emanating from the current global financial crisis and the consequent contraction in the domestic economy. The sharp decline in consumer spending was corroborated by the deterioration in consumer confidence as reflected in the Jamaica Conference Board survey of consumer confidence. Consumer confidence declined by 32.6 per cent relative to the similar period last year, representing the steepest decline in the past eight years (**see Figure 2.8**).

Figure 2.8
Private Consumption Spending Indicators
(12-Month Change)



Source: Jamaica Chamber of Commerce

Figure 2.9
Net Exports



Source: STATIN

Gross Fixed Capital Formation is estimated to have declined for the seventh consecutive quarter, albeit marginally. This contraction reflected a deterioration in both private and public investment spending. The fallout in private spending is inferred from the decline of 34.9 per cent in foreign direct investment, while the deterioration in public investment is indicated by a contraction of 27.5 per cent in central government capital expenditure. The decline in foreign direct investment resulted from tightened credit conditions in the global economy. This resulted in postponement of investment projects slated for Jamaica including the Palmyra Cinnamon Hill (Phase III) project. Confidence among business firms weakened in the review period as indicated by The Jamaica Chamber of Commerce Conference Board survey. The Index of Business Confidence plunged by 35.3 per cent relative to the comparable period in 2008, bringing the index to its lowest level on record (**see Figure 2.8**). The fall in the business confidence index was influenced by the deepening recession among Jamaica's major trading partners, the lower value of the Jamaica Dollar, tighter credit conditions and constrained domestic sales due to rising unemployment and falling incomes.

Estimates of ***Net External Demand*** suggest an improvement in external trade, when compared to the similar period of 2008. The improvement was influenced by an estimated decline of 21.6 per cent in the import of goods and services, which outweighed the fallout of 19.2 per cent in exports of goods and services (see **Figure 2.9**). The weaker performance of imports could be attributed to the general slowdown in the economy due to the deepening global financial crisis. In this context, raw material imports and consumer goods fell by 33.4 per cent each, respectively. In regards to exports, alumina, sugar and bauxite declined by 61.2 per cent, 51.2 per cent and 17.3 per cent, respectively.

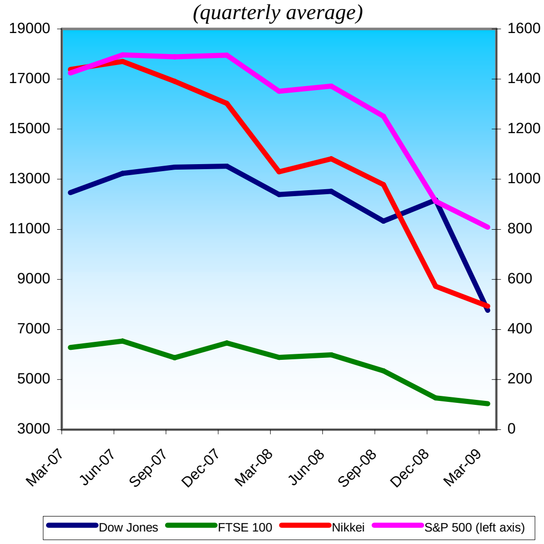
3. International Developments

The global financial crisis continued to dominate developments in the world economy during the March 2009 quarter. There were continued declines in economic activity in most economies, albeit at slower rates than in the previous quarter. Consequently, there were further increases in unemployment during the quarter, prompting the launch of fiscal stimuli in some countries. In the context of declining global demand, there was a sharp fall in the price of crude oil, as well as marginal declines in the prices of most imported agricultural products. As a result of falling global demand, Jamaica's terms of trade (TOT) index fell during the review period.

In the attempt to revive credit markets, most governments of advanced economies loosened monetary policy during the quarter. Consequently, bond yields in the international money market declined. In light of easing credit conditions, there was also a general decline in the yields on emerging market bonds, including Government of Jamaica (GOJ) sovereigns. This decline partly reflected improved prospects for exports from emerging market countries.

Jamaica's terms of trade declined in the March 2009 quarter

Figure 3.1
Selected Stock Market Indices
Mar 07 to Mar 09
(quarterly average)



The Impact of the Global Financial Crisis

The global economy continued to be adversely affected by the financial crisis during the March 2009 quarter, albeit to a lesser extent, relative to the December 2008 quarter. Real GDP in the US declined on an annualised basis by 6.1 per cent during the March 2009 quarter, a slight moderation relative to the 6.5 per cent contraction in the December 2008 quarter. This decline reflected the lagged impact of the credit crunch on investment spending. Economic activity also contracted in the U.K. and the Euro Area as a result of the crisis. Developing economies also continued to be affected by the crisis through reductions in export demand by the major developed economies and reduced access to credit. Real GDP growth in China, the largest developing economy, fell to 6.1 per cent in the March 2009 quarter, compared with growth of 6.8 per cent in the December 2008 quarter.

Inflation in the major developed countries declined marginally during the March 2009 quarter. This primarily reflected the lagged effects of significant declines in the price of crude oil during the previous quarter on transportation and energy costs. During the quarter, inflation in the US, U.K. and Canada declined by 0.6 per cent, 0.4 per cent and 0.3 per cent, respectively.

Figure 3.2
Jamaica Terms of Trade Index
Mar 07 to Mar 09
(Quarterly average)

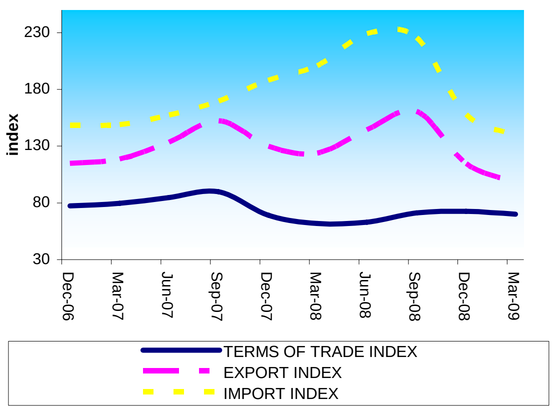


Table 3.1

Selected Import/Export Prices Mar 2008 to Mar 2009 (per cent change)					
	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09
Crude Oil	7.96	26.52	-4.80	-50.45	-26.29
Corn	28.28	17.54	-5.51	-31.21	-0.86
Wheat	19.17	-21.56	-10.48	-26.48	1.98
Rice	39.01	80.16	-18.29	-19.84	3.90
Soybeans	16.49	4.16	-2.40	-33.99	4.22
TIPI	-23.99	25.98	23.71	-23.19	-19.90
Aluminum	7.73	3.65	-3.83	-25.63	-26.69

In the context of the continued downturn in the major developed economies, there were significant increases in unemployment in the quarter. In the US, the unemployment rate rose to 8.5 per cent in March 2009 from 7.2 per cent in December 2008. Labour market data for the U.K. showed that the unemployment rate for February 2009 was 6.7 per cent, compared with 6.3 per cent at December 2008. In Canada, the unemployment rate also rose to 8.0 per cent in March 2009, from 6.6 per cent in December 2008.

There were overall declines in the major international stock market indices during the quarter. This largely reflected declines in the first two months of the quarter in the context of negative macroeconomic and sector specific developments. However, the markets recovered in March, reflecting optimism surrounding stimulus packages announced in the advanced economies. In the US, the Dow Jones Industrial Average and S&P 500 Indices declined for the quarter by 36.3 per cent and 11.4 per cent, respectively, relative to the previous quarter. In Europe, the FTSE 100 Index fell by 5.3 per cent (see **Figure 3.1**).

In continued attempts at ameliorating the impact of the financial crisis, several stimulus packages were announced in the quarter. For example, the US announced a programme to reduce mortgage costs for at-risk debtors. US lawmakers also agreed on a US$789.0 billion economic stimulus in February, to be delivered via tax cuts and direct government expenditure. In March, the US government announced a Public-Private Investment Program (PIP), aimed at removing legacy assets from the banks' balance sheets. Developing countries such as China, Brazil, and India also commenced additional fiscal spending.

Terms of Trade

Associated with the evolution of the international financial crisis, Jamaica's TOT index declined by an estimated 3.4 per cent during the March 2009 quarter, relative to the previous quarter.[16] The TOT index for the review quarter was, however, 13.4 per cent higher than the index at March 2008 (see **Figure 3.2**).

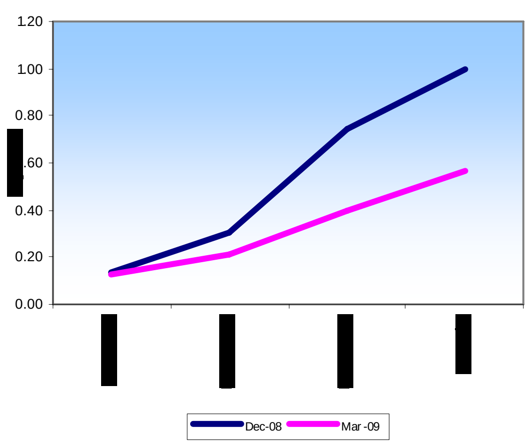
[16]The Bank estimates a measure of Jamaica's terms of trade which is a ratio of the index of export prices to the index of import prices. An improvement in the terms of trade follows if export prices rise more quickly than import prices.

Table 3.2

Selected Key Interest Rates Dec 08 - Mar 09				
	Dec	**Jan**	**Feb**	**Mar**
USA[a]	0.25	0.25	0.25	0.25
Euro Area[c]	2.50	2.00	2.00	1.50
Canada[b]	1.50	1.00	1.00	0.50
UK[c]	2.00	1.50	1.00	0.50
Japan[d]	0.30	0.10	0.10	0.10

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

Figure 3.3
US Treasury Yield Curve



The movement in the TOT index during the review period reflected a fall of 14.7 per cent in the Export Price Index (EPI) which was partly offset by an 11.7 per cent decline in the Import Price Index (IPI). Primarily influencing the performance of the EPI was a 26.7 per cent decline in the price of alumina as well as a fall of 19.9 per cent in the Tourism Implicit Price Index (TIPI). [17] The decline in alumina prices reflected declining global demand in the context of the continuing downturns in the housing markets and automotive sectors. The fall in the TIPI reflected the impact of discounting by major hotels. The decline in the IPI primarily reflected a decline of 26.3 per cent in the price of crude oil.[18] There was also a decline of 1.3 per cent in the average price of corn during the quarter (see **Table 3.1**).

The movement in the price of crude oil resulted from a reduction in oil consumption, indicated by an increase of 9.8 per cent (31.0 million barrels) in inventories during the quarter, relative to stocks at the end of the previous quarter. Compounding the decline in prices were forecasts for further reduction in consumption in 2009, associated with the slowdown in the global economy. The fall in the price of corn reflected the impact of declining demand for bio-fuels.

For other agricultural products, prices increased marginally during the quarter. In particular, the average prices of rice and wheat increased by 5.0 per cent and 0.9 per cent, respectively, relative to the December 2008 quarter (see **Table 3.1**). The movement in the price of rice was influenced by the reinstating of export bans in major producing countries. For wheat, the price increase reflected concerns about supply conditions in light of adverse weather in the US Midwest region.

Monetary Policy

The monetary policy stances of most major central banks were loosened during the March 2009 quarter in the context of the continued adverse credit conditions, deterioration in macroeconomic conditions as well as the general decline in inflation (see **Table 3.2**).[19] Although the US Federal

[17] The Tourism Implicit Price Index measures the ratio of the average tourist expenditure to their average length of stay.
[18] Crude oil prices are measured by the West Texas Intermediate Index at Cushing in US dollars per Barrel.
[19] The Bank of England and European Central Bank lowered their benchmark interest rates to 1.50 per cent and 0.50 per cent, respectively. The Bank of Canada reduced its target interest rate to end the quarter at 0.50 per cent. The Bank of Japan also reduced its target rate to 0.1 per cent.

Figure 3.4
Global Bond Yields
Mar 07 to Mar 09

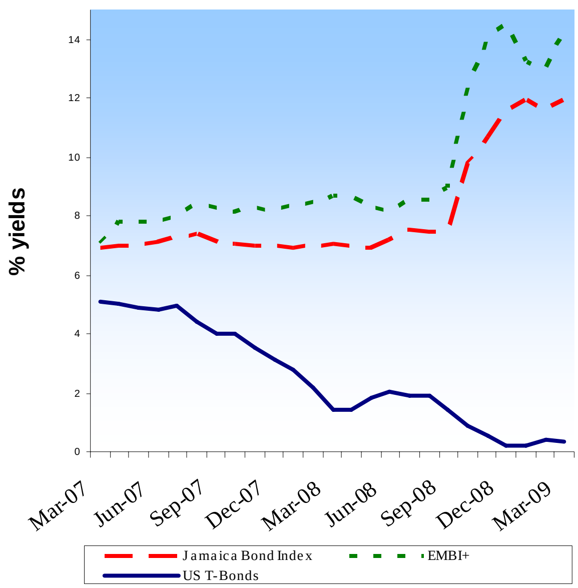
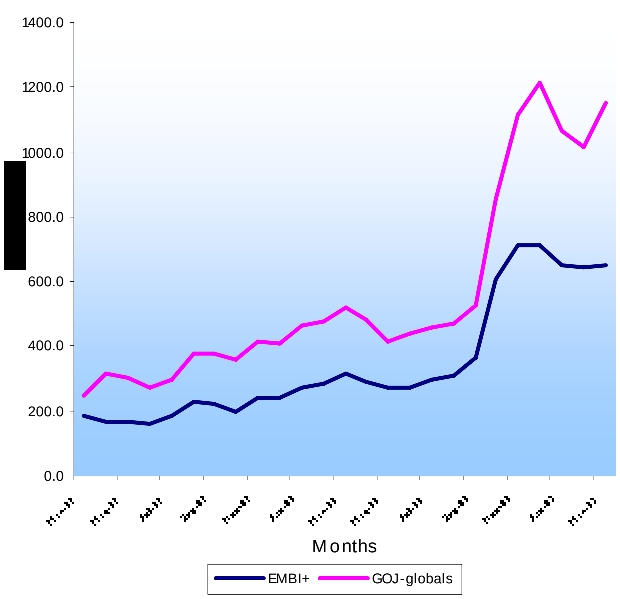


Figure 3.5
Bond Spreads
(Bond yields minus U.S. 10-year T-bonds)



Reserve maintained its target interest rate during the quarter, it committed to purchasing US$300.0 billion of Treasuries to inject liquidity into the system. Other central banks also continued to inject liquidity into the system during the quarter.

Selected Interest Rates

Influenced by the adjustments in monetary policy by the major central banks, market interest rates trended down over the quarter. The average yield in the secondary market for short-term US Treasury Bills declined by 22 basis points (bps) relative to the preceding quarter, to 0.33 per cent (see **Figure 3.3**). Similarly, average yields on longer tenors declined by 31 bps. The average US dollar LIBOR across the 3-month to 1-year tenors also declined by 1.2 percentage points, reflecting easing credit conditions among financial institutions. Consequently, the spread between the 3-month US LIBOR and the three-month US Treasury bill, an indicator of the state of credit risk in the market, declined by 138 bps, relative to the previous quarter, to average 103 bps.

Emerging market bonds

In light of the moderation in interest rates and the overall easing of monetary conditions in the major developed financial markets, the average yields on emerging market bonds, as measured by the JP Morgan Emerging Market Bond Index Plus (EMBI+), fell by 0.59 percentage point to 9.2 per cent during the review period (see **Figure 3.4**). The declines in these yields also reflected the easing of concerns about the export earnings of the major emerging market economies and about their ability to access credit in international capital markets. In this context, Latin American countries successfully issued bonds on the international capital market during the quarter. [20]

Consistent with the trend in emerging market bonds, average yields on GOJ global bonds declined by 6 bps to 13.6 per cent during the quarter. However, the spread between GOJ global bonds and US long-term Treasury bonds rose by 0.25 percentage point to 11.0 percentage points, possibly reflecting the impact of a credit rating downgrade by Standard and Poor's (see **Figure 3.4** and **Figure 3.5**).

[20] Mexico issued two bonds on the international capital market. In January and February valued at US$3.0 million.

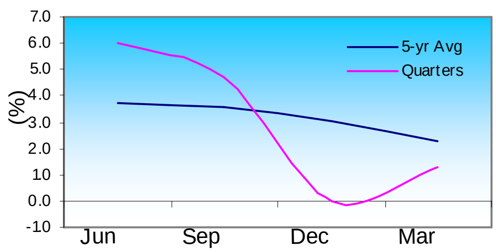
Foreign Exchange Market

With the exception of the Japanese Yen, the US dollar strengthened against selected currencies during the review period. Relative to the average exchange rates in the December 2008 quarter, the US dollar appreciated by 9.3 per cent, 4.1 per cent and 1.1 per cent against the Great Britain Pound, Canadian dollar and the Euro, respectively. The weakening of these currencies in the March 2009 quarter largely reflected the impact of the US financial crisis on their economies. The US dollar weakened against the Japanese Yen by 2.5 per cent, reflecting the unwinding of carry trade positions.[21]

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

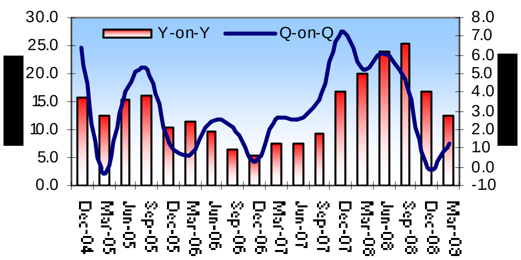
4. Inflation

Figure 4.1
Quarterly Inflation Rate



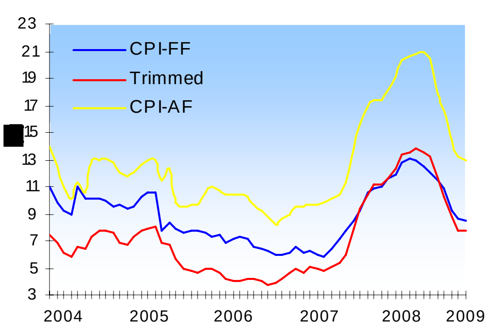
Source: STATIN

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



Source: STATIN

Figure 4.3
Selected Measures of Inflation (Annual)



Headline inflation was 1.3 per cent for the March 2009 quarter relative to 0.0 per cent in the preceding quarter. The higher inflation rate was influenced primarily by a strengthening of non-food inflation stemming from the impact of the accelerated depreciation in the exchange rate. This impact was partially offset by a moderation in the prices of some domestic agricultural produce and household energy costs.

Trends in Price Indices

The All Jamaica Consumer Price Index (CPI) increased by 1.3 per cent during the March 2009 quarter relative to the index at the end of the December 2008 quarter. Prices on average fell by 0.3 per cent in January, but rose by 0.8 per cent in both February and March. The outturn for the quarter was below the average of 2.8 per cent for the previous five March quarters but above the 0.0 per cent outturn for the previous quarter (see **Figure 4.1**).

Fiscal Year 2008/09

Inflation for FY2008/09 was 12.4 per cent, 7.5 percentage points below the outturn for FY2007/08 (see **Figure 4.2**). The lower inflation in the current fiscal year was due primarily to lower food and energy price inflation. While the impact of international commodity prices was significant in the first half of FY2008/09, sharp reversals in the later half had a strong countervailing influence. *Food & Non-Alcoholic Beverages*, *Miscellaneous Goods & Services* and *Furnishings, Household Equipment & Routine Maintenance* recorded inflation of 17.4 per cent, 13.2 per cent and 8.2 per cent, respectively. These divisions accounted for 71.5 per cent of the fiscal year outturn. The main inflationary impulses were increases in international commodity prices early in the fiscal year and sharp exchange rate depreciation towards the end of the year (see **Foreign Exchange Market**).

Underlying Inflation

Most of the quarterly indicators of core inflation point to a slight upward pressure in the March 2009 quarter. The CPI excluding food and fuel (CPI-FF) increased by 1.8 per cent relative to an increase of 1.1 per cent in the previous quarter. A similar movement occurred with the CPI excluding agriculture and the direct impact of fuel (CPI-AF), which increased by 2.2 per cent compared to 2.0 per cent in the previous quarter. The uptick in these quarterly measures

Figure 4.4
Food & Non-Food Inflation (Quarterly)

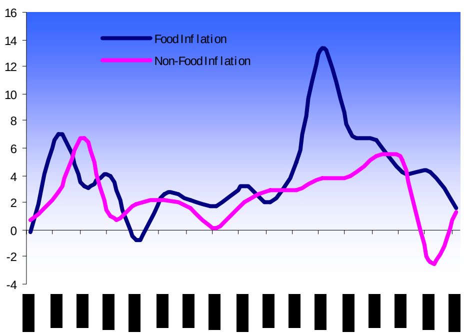
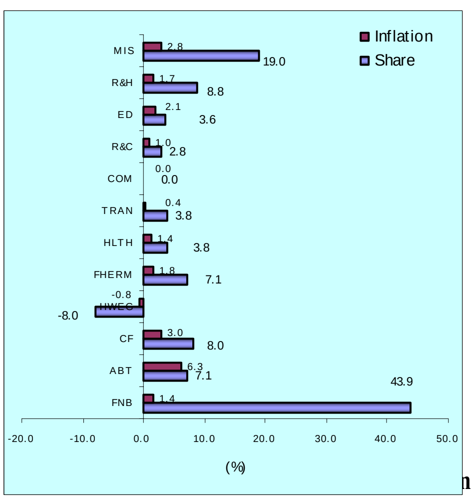


Figure 4.5
Inflation by Division



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

Source: STATIN & BOJ's Calculations

reflected the pass-through of the exchange rate movements. However, the trimmed mean measure held firm at 1.1 per cent for the March quarter. Annual measures of core inflation continued to reflect moderation relative to the previous quarter (see **Figure 4.3**).

Main Inflationary Factors

The higher inflation for the review quarter relative to the previous quarter was due mainly to the strengthening in non-food inflation related to the accelerated depreciation in the exchange rate in the December quarter (see **Figure 4.4**). This depreciation offset the contribution of imported prices, which declined in the December quarter. As a consequence, inflationary impulses from imported durable goods as well as some food items were more pronounced during the quarter. There were some partially offsetting price impulses from excess supply of vegetables and fruit as well as from the lagged impact of falling crude oil prices on household energy costs.

Exchange Rate Pass-through and Imported Inflation

Given the lags in transmission, inflation in the March quarter principally reflected the impact of exchange rate depreciation and import prices during the December quarter. In the December quarter, the weighted average selling rate of the Jamaica Dollar vis-à-vis the US dollar depreciated by 9.7 per cent following a 1.1 per cent slippage in the September quarter. Import prices on average decreased by 34.9 per cent as reflected in the Import Price Index (IPI) (see **International Economic Developments**). The movement in the IPI in the December quarter was driven primarily by a 50.4 per cent decrease in the price of the benchmark West Texas Intermediate crude oil, a 17.6 per cent decline in the price of Raw Materials/Food and a 16.3 per cent fall in Consumer Goods/Food. As a result of the exchange rate pass-through, there were significant increases in food prices, durables and services inflation and in the prices of discretionary items. This was manifested in *Food & Non-Alcoholic Beverages*, *Miscellaneous Goods & Services*, *Furnishings, Household Equipment & Routine Maintenance*, *Clothing & Footwear* and *Alcoholic Beverages & Tobacco*.

Figure 4.6

Lagged Import Price Index (IPI) and Inflation

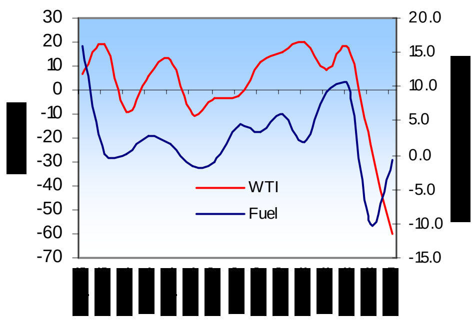
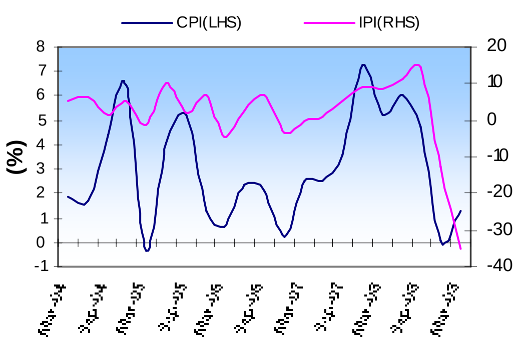


Figure 4.7

Quarterly Chg. in Fuel Index & Lagged WTI



Food Prices

Despite lower food inflation relative to the December quarter, food-related price impulses were significant in the review quarter. This was largely due to the adverse movement in the domestic exchange rate as intermediate costs such as import prices were lower. As a result, upward impulses were evident in the prices of meat, fish, and cereals. Largely on the basis of these developments, *Meat, Fish & Seafood* and *Bread & Cereals* increased by 2.8 per cent, 2.7 per cent and 1.8 per cent, respectively, collectively contributing 38.4 per cent of the quarter's inflation. *Food & Non-Alcoholic Beverages* increased by 1.4 per cent and accounted for 43.9 per cent of the outturn (see **Figure 4.6**).

Durables and Services Inflation

Durable goods inflation increased to 2.6 per cent in the December quarter from 1.7 per cent in the March quarter. Similarly, services inflation rose from 1.3 per cent to 1.9 per cent over the same period (see **Figure 4.8**). The surge in durables was largely related to increases in *Furnishings, Household Equipment & Routine Maintenance* and *Clothing & Footwear*, of 1.8 per cent and 3.0 per cent, respectively. These groups together contributed 15.1 per cent of the quarter's inflation. For services, the inflation was largely reflected in *Miscellaneous Goods & Services* which increased by 2.8 per cent, contributing 19.0 per cent of the outturn. The main items affected in this division were service charges such as visa fees, which change with the movements in the exchange rate, and personal care products and services.

Discretionary Items

In the March quarter, the market leader in beer production and sales effected an increase in the price of its flagship product. The main reason highlighted by the company was the impact of the depreciation in the exchange rate. The prices of imported wines and spirits were also affected. The major distributor of cigarettes was also affected by the movement in the exchange rate as the product is imported. As a direct consequence, *Alcoholic Beverages & Tobacco* increased by 6.3 per cent contributing 7.1 per cent of the outturn for the quarter (see **Figure 4.6**).

Figure 4.8
Durables and Services Inflation

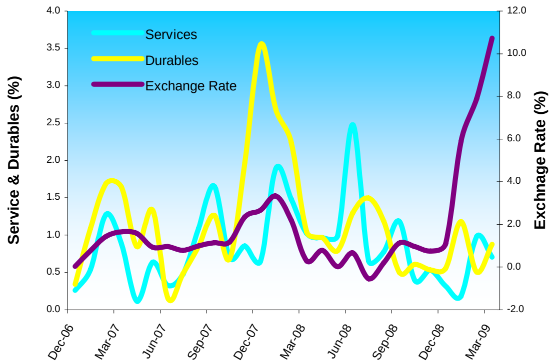
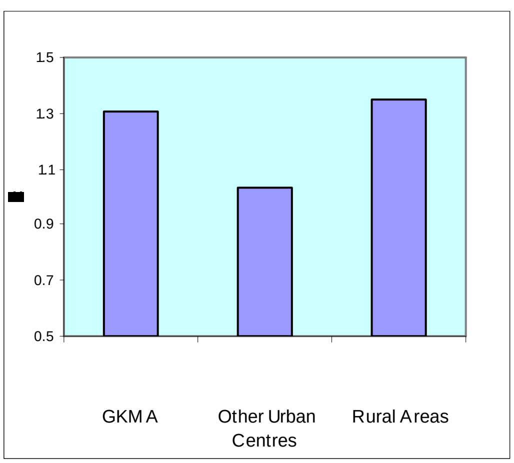


Figure 4.9

Geographical Distribution of Inflation



Source: STATIN

Countervailing Inflation Impulses

Domestic Agricultural Market Conditions

Production of key agricultural commodities was above seasonal levels for the March quarter and was sufficient to meet demand. This was in a context where initiatives from the Ministry of Agriculture and its agencies to boost output and increase productivity have improved crop yields and participation rates. As a result, *Vegetables & Starchy Foods* decreased by 1.9 per cent, while *Fruit* declined by 0.1 per cent in the quarter. These factors provided partial offset to the aforementioned increase in the *Food & Non-Alcoholic Beverages* division.

Energy Prices

Energy-related inflation, as measured by changes in the Bank's Fuel Index, contracted by 0.8 per cent for the review quarter following a 10.1 per cent decrease in the previous quarter (see **Figure 4.7**). *Housing, Water, Electricity, Gas & Other Fuels* declined by 0.8 per cent for the quarter (see **Figure 4.6**). This decline was primarily associated with downward movements in electricity rates and the prices of some household fuels, namely liquid petroleum gas. Residential electricity rates declined by 5.7 per cent during the review quarter. The decline in electricity rates was as a result of a 17.7 per cent contraction in fuel charges, stemming from the lagged impact of declines in crude oil prices, which was partially offset by depreciation of 13.5 per cent in the billing exchange rate.

Regional Inflation

The indices for the Greater Kingston Metropolitan Area (GKMA) and Rural Areas each increased by 1.3 per cent, while the index for the Other Urban Centres (OUC) rose by 1.0 per cent (see **Figure 4.9**). This pattern primarily reflected the fact that while Other Urban Centres had the highest increase in *Food & Non-Alcoholic Beverages*, it had the lowest price movement in six of the remaining eleven divisions. In particular, over the quarter, this region experienced the sharpest declines in the cost of household fuels and the only decline in *Transport*.

Box 3: Monetary Policy, Economic Growth and Inflation

Introduction

The Bank of Jamaica (BOJ) is responsible for the formulation and implementation of monetary policy in Jamaica as set out in the BOJ Act (1960). Monetary policy is the means whereby a central bank attains price stability in the domestic economy by regulating the growth of money and credit in line with the pace that enables economic activity to attain its fullest expansion.

The primary method by which the Bank influences the expansion in money supply is through its conduct of open market operations (OMO). The Bank, like other central banks, conducts OMO to control liquidity either by: (a) buying and selling government securities which it owns; or (b) issuing and redeeming its own securities, labelled certificates of deposit.

The conduct of OMO in any year is guided explicitly by a monetary programme that is constructed by the Bank at the beginning of the year. This programme is formulated around detailed projections of real economic growth, the country's external balance, the fiscal balance and private sector credit growth, with the ultimate programme objective of price stability. Importantly, these projections enable the Bank to estimate money demand for transactions in the economy throughout the year and, hence, determine the necessary liquidity level on a daily basis to meet this demand.

Is the Bank responsible for growth in the economy?

The BOJ facilitates economic growth by maintaining price stability. This is achieved by aligning money supply with money demand. If the Bank were to attempt to grow the economy through an extemporized expansion in money supply, without the requisite expansion in money demand as determined by economic activity, inflation would rise. For this reason, the use of monetary stimulus in and of itself to promote virtual growth would be in direct contravention of the BOJ Act.

Should the Bank lower interest rates to generate growth?

The Bank modifies its signal interest rates (the OMO rates that in turn influence other rates in the system) whenever, by careful analysis, it determines that such modification is necessary either to:

(a) correct a fundamental disequilibrium in money demand and supply; or

(b) moderate the demand for, and hence the price of, obtaining foreign currency.

The lowering of interest rates to expand money supply without a corresponding increase in money demand can have additional inflationary consequences such as explosive expansions in the prices of real estate, commodities, stocks and foreign currencies, above levels justified by the fundamentals. The inevitable bursting of these asset price 'bubbles' oftentimes results in significant deterioration in economic growth and conduces to financial instability, as evidenced by the current crisis in the major advanced economies.

The interest rates set on the Bank's OMO instruments are determined by a number of macroeconomic factors. These factors include inflation expectations, foreign currency demand pressures, the state of the fiscal balance and the country's external balance as well as the rate of growth of money[22]. The BOJ closely and actively monitors any material changes in these factors and adjusts OMO rates appropriately. If the BOJ did not adjust rates in response, for instance, to a fall in public demand for its OMO instruments as influenced by changes in underlying macroeconomic

[22] A fulsome discussion on interest rate determination can be found in a Box entitled Macroeconomic Determinants of Nominal Interest Rate published in the BOJ's Quarterly Monetary Policy Report for the December 2003 quarter.

factors, then monetary policy would be ineffective in maintaining price stability and the Bank would quickly lose credibility.

Is the Bank responsible for the full inflation outturn?

Inflation, as measured by the Consumer Price Index (CPI), produced by the Statistical Institute of Jamaica, of necessity includes price movements which are not related to monetary conditions. Examples of these non-monetary price movements are supply shocks through adverse weather conditions, price increases of imported products and changes in administered prices, including tax rates, bus fares and utility prices.

Inflation in Jamaica has been highly correlated with fluctuations in weather conditions due to its geographic location, as well as the relatively high weight placed on food items in the average consumer's basket of goods and services. Thus, the only aspect of inflation for which all central banks, including the BOJ, are accountable, is that termed monetary or "core" inflation. Since 1997, core inflation has been low and stable, reflecting the Bank's commitment to contain monetary inflation. Between 1997 and 2008, trimmed mean inflation in Jamaica, which is a measure of core inflation that is used to assess the performance of central banks, averaged 5.4 per cent per annum.

In summary, the role of the Central Bank is to create conditions which engender stability and thereby facilitate long-term growth. Consequently, the Bank's primary responsibility is to control domestic money supply and protect the external value of the domestic currency.

5. Economic Outlook and Monetary Policy Perspectives

The Jamaican economy will continue to be adversely affected by developments in the global economy. This is in a context where global demand, output and private capital flows will be reduced during the FY2009/10. Recovery could be hastened by the numerous stimuli packages implemented by some governments, and the unified strategy to confront the crisis developed by the G20 nations at the London Summit 2009.

The Government of Jamaica's (GOJ's) budget for FY2009/10 will result in some upward impetus to domestic prices and also constrain domestic aggregate demand.

In the context of these international and domestic factors, output could decline by approximately 3.0 per cent to 4.0 per cent in the June quarter, relative to the estimated 2.0 per cent to 3.0 per cent decline in the March 2009 quarter. Mining and Construction should experience significant reductions in output. Agriculture is the only sector expected to record meaningful expansion in the June quarter.

Domestic headline inflation should be in the range of 4.0 per cent to 5.5 per cent for the June 2009 quarter, higher than the 1.3 per cent recorded in the March 2009 quarter. This forecast is underpinned by the expected lagged impact of accelerated exchange rate depreciation in the December 2008 and March 2009 quarter, the GOJ's 2009/10 revenue measures and a slight increase in domestic inflation expectations. The impact of these factors will be partially offset by some excess capacity conditions.

There are some upside risks to the inflation forecasts, which will therefore define the policy challenge for the Central Bank.

Table 5.1

Jamaica: Selected Economic Indicators

	Projections for Jun'09 Quarter	*Target for FY09/10*
Inflation (% change)	4.0 to 5.5	11.0 to 14.0
Base Money (% change)	3.1	7.4
NIR (End Period) (US$MN)	1550.0	1600.0
GDP (12-mth % chg.)	-ve	-4.0 to -3.0

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

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

Outlook - June 2009 Quarter

Inflation

Inflation in the June 2009 quarter should be in the range 4.0 per cent to 5.5 per cent. This follows inflation rates of 0.0 per cent and 1.3 per cent in the December 2008 and March 2009 quarters. The forecast for the June 2009 quarter is underpinned by the expected lagged impact of the heightened rates of depreciation in the December 2008 and March 2009 quarters.

Figure 5.1

Consumer Price Index

(Annual point to point change)

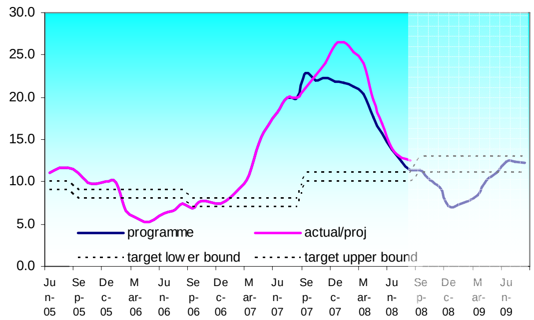
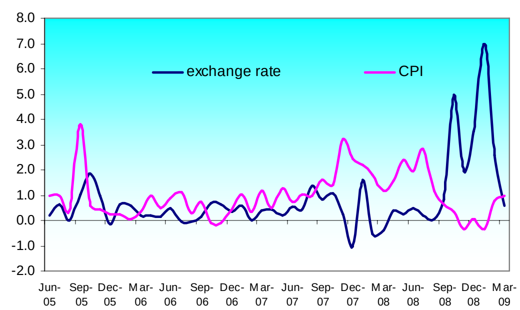


Figure 5.2

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.

However, the pass-through to inflation should be tempered by the significant decline in domestic demand. In addition, the GOJ's FY2009/10 budget includes administrative price changes that will result in some upward impetus for prices. Despite the significant decline in domestic inflation over the latter half of FY2008/09, the new fiscal revenue measures could result in increased inflation expectations. The excess capacity conditions that have resulted from the decreased domestic output should provide some downward impetus to prices.

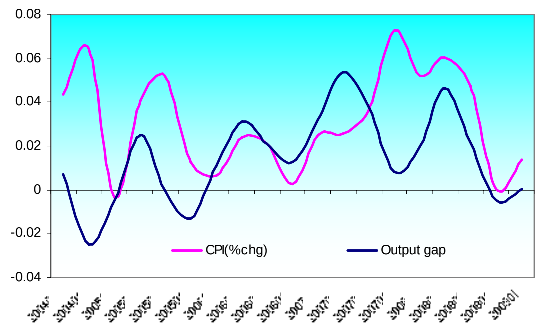
Imported Inflation

The Bank projects that average import prices will rise during the June 2009 quarter by 7.9 per cent, representing a turn around relative to the average decline of 14.5 per cent over the past three quarters. The increase in import prices in the June quarter is primarily driven by a projected rise in fuel prices of approximately 28.1 per cent (US$13.5), relative to the March quarter. This is largely due to expectations of a seasonal increase in demand during the summer driving season as well as the general view in the market that the US economy is stabilizing. Other commodity prices have also reached an apparent trough and are projected to rise during the quarter. Corn and soybean prices are expected to rise, on average by 3.8 per cent and 9.7 per cent, respectively, over the quarter. The expected increase in the price of corn reflects reduced crop yields in light of poor weather in the US Midwest. The projected increase in the price of soybean reflects the impact of rapidly declining inventories. However, rice prices are expected to fall by 10.7 per cent in light of good harvests in Vietnam and Thailand. Wheat prices are also expected to decline by 1.4 per cent during the quarter in light of falling demand.

During the June 2009 quarter, the market for foreign currency should see increased stability due to the expected improvement in inflows associated with growth in earnings in non-traditional exports, particularly refined fuel, relative to the previous quarter. This increased stability will follow respective depreciation rates of 9.7 per cent and 9.4 per cent in the December 2008 and March 2009 quarters. The lagged impact of these increased rates of depreciation could manifest in the June 2009 quarter.

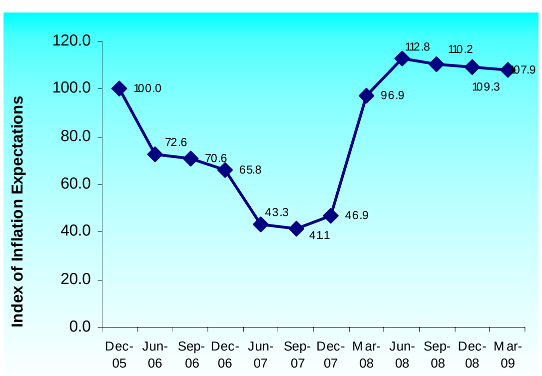
Net private capital inflows are expected to be more than sufficient to offset the demand for foreign currency associated with current account transactions. In this context, any bouts of instability that could occur in the

Figure 5.3
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)

Figure 5.4
Index of Inflation Expectations



quarter should be adequately addressed by the Bank's ongoing liquidity management programme.

Domestic Capacity Conditions

Domestic output is estimated to have contracted in the December 2008 and March 2009 quarters. Due to the challenging global economic environment and significant reductions in domestic demand, domestic output is projected to contract further in the June 2009 quarter. This protracted downturn would therefore mean that output growth has fallen significantly below the Bank's estimated growth in potential output of approximately 1.6 per cent per annum. The resulting negative output gap should result in the excess supply of a number of factors of production such as labour and hence lead to reductions in their costs.

The Statistical Institute of Jamaica's (Statin's) most recent labour market survey indicated that real wages declined by approximately 6.5 per cent in the December 2008 quarter relative to the December 2007 quarter. This decline in real wages as headline inflation declined to its lowest level in the fiscal year indicates a significant decline in the rate of increase in nominal wages during the period. For the March 2009 and June 2009 quarters, it is expected that real wages could continue to decline, due to the increased rate of inflation in the March 2009 quarter and the announced public sector wage freeze. This easing in capacity pressures should continue to place some downward pressure on the overall price levels in the June 2009 quarter.

Inflation Expectations

The most recent Inflation Expectations Survey conducted by the BOJ in the March 2009 quarter indicated a very marginal improvement in inflation expectations (see **Figure 5.4**). This is in contrast to the sharp deceleration in actual inflation which occurred over the second half of FY2008/09. Inflation expectations could be adversely impacted by government revenue measures.

The survey of businesses' assessment of future economic conditions indicates some optimism (see **Figure 5.5**). Despite the decline in their perception of current conditions, expectations of future business conditions have increased, albeit marginally. This optimism is somewhat inconsistent with global business sentiment as investors wait for signs of a recovery.

Figure 5.5
Index of Present Business Conditions

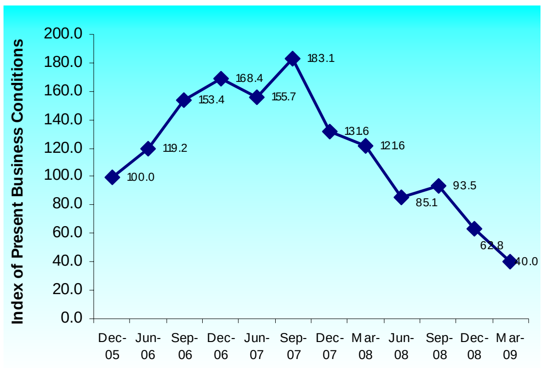
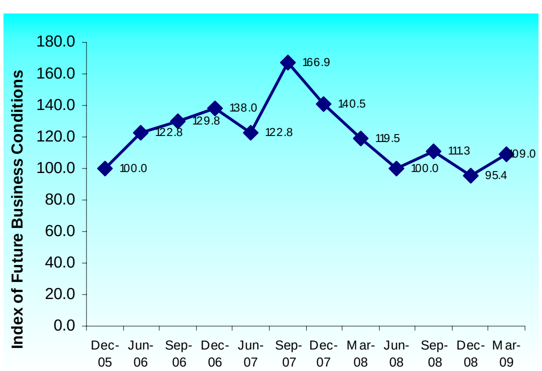


Figure 5.6

Index of Future Business Conditions



Output

Domestic output in the review quarter should decline by approximately 3.0 per cent to 4.0 per cent, relative to the estimated 2.0 per cent to 3.0 per cent reduction in the March 2009 quarter.

Significant declines are expected in *Mining & Quarrying* and *Construction. Mining & Quarrying* will decline as a result of the closure of Alpart and Windalco bauxite processing facilities. *Construction* should decline as a result of the completion of most of the large road and hotel construction projects. Also, the *Wholesale & Retail Trade Repairs & Installation of Machinery* industry should contract as a result of weak consumer demand.

The only sectors expected to record positive growth are *Agriculture* and *Electricity & Water*. *Agriculture* should continue to expand as a result of the ongoing investments by the private and public sector.

The risks to the output forecast are biased to the downside with the start of the 2009 hurricane season and a sharper than anticipated decline in global output.

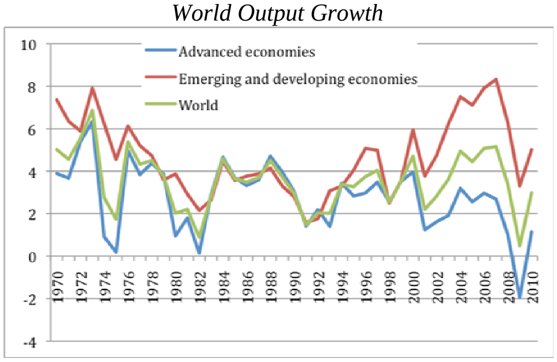
Outlook - FY2009/10

The Jamaican economy will continue to be adversely affected by developments in the global economy. During FY2009/10, relatively stable international commodity prices, a protracted recession, reduced global trade and significant reductions in global private capital flows will characterize the global economy. World output is projected to contract by 1.3 per cent for the calendar year, the first contraction since 1970 (see **Figure 5.7**).

The outlook for the domestic economy is that the annual point-to-point inflation rate could be in the range 11.0 per cent to 14.0 per cent. Inflation in the second half of the year is expected to be lower than in the second half of the fiscal year. Domestic output could contract to between 3.0 per cent and 4.0 per cent. During the second half of the fiscal year, the rate of decline in domestic output should be reduced as the global economy begins to stabilize.

Figure 5.7

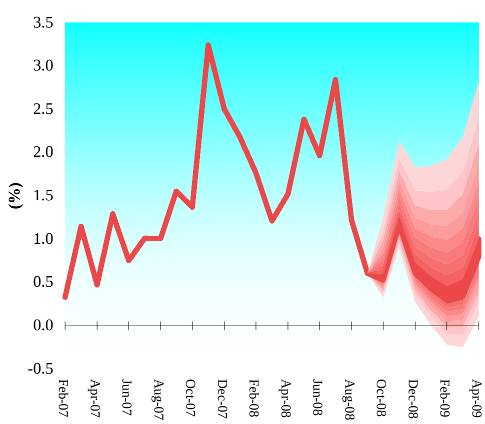
World Output Growth



Source: IMF: World Economic Outlook database

Figure 5.8

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.

Risks

Risks to the inflation forecasts are currently biased to the upside. The upside risks to inflation include the possible impact on prices of a hurricane.[23] A hurricane also has the potential of causing a spike in oil prices if its trajectory results in a disruption of petroleum production in the Gulf of Mexico.

Downside risks to the inflation forecast includes the impact of a greater than anticipated reduction in global and domestic demand. This could cause international commodity prices to be significantly lower than current projections.

Monetary Policy

The Central Bank's tight monetary policy stance in the face of significant financial market instability and a sharp increase in prices earlier in the year has yielded some success. Inflation has generally trended down and the instability seen in the market for foreign currency has gradually dissipated. Also, the Bank's strict regulatory controls of the financial system have been tested by the global financial crisis and proven sound.

In the context of the current challenges facing Jamaica, the Central Bank will continue its focus on maintaining price stability. The policy mix will continue to be responsive to changes in market conditions.

[23] On 07 April, 2009, Colorado State University issued their forecast for the 2009 season. They predicted near-average activity of 12 named storms, 6 hurricanes, with two of Category 3 or higher for this season. The main contributory factor is the possible formation of a weak El Niño.

Appendices

A. Fiscal Developments: Preliminary January to March 2009

Provisional data for the March 2009 quarter indicate that Central Government operations resulted in a deficit of \$18.4 billion or 1.7 per cent of GDP, relative to a budgeted surplus of \$4.5 billion or 0.4 per cent of GDP.[24] This was the first recorded deficit for a fourth quarter since FY1998/99. The deficit reflected higher than budgeted spending as well as a shortfall in *Revenue*. The primary surplus was 1.1 per cent of GDP, significantly below the target of 3.1 per cent of GDP. Concomitantly, the current deficit was 0.3 per cent of GDP, compared to the implied budgeted current surplus of 0.8 per cent of GDP (see **Table**).

Expenditure for the quarter was 10.3 per cent above budget, largely reflected in *Capital Expenditure* which exceeded budget by \$8.2 billion or 66.6 per cent. This excess partly reflected \$5.3 billion received from the International Development Bank (IDB) for the Liquidity Support Programme for on-lending to the Private Sector. *Revenue & Grants* for the March 2009 quarter were J\$13.8 billion or 14.7 per cent below budget. Shortfalls were observed in all areas with the exception of *Grants*. *Tax Revenue* reflected a considerable shortfall in GCT receipts, stemming from the slowdown in economic activities. The lower than budgeted *Capital Revenue* reflected the delay in proceeds from the intended divestment of Air Jamaica. *Grants* were above budget, largely reflecting the receipt of \$2.0 billion (€18.6 million) from the European Union.[25]

For FY2008/09, the deficit was \$75.3 billion or 6.8 per cent of GDP, substantially above the budgeted deficit of \$43.2 billion or 3.9 per cent of GDP. The deviation for the most part, reflected shortfalls in all areas of *Revenue* including *Tax* and *Capital Revenue* inflows. *Tax Revenue* was 7.1 per cent below budget, largely reflecting a shortfall in GCT receipts during the last three quarters of the fiscal year consequent on the deteriorating economic conditions. The shortfall in *Capital Revenue* was mainly reflective of the aforementioned developments in the March 2009 quarter. *Expenditure* was 0.7 per cent above budget, primarily reflecting higher than anticipated *Recurrent Expenditure* in all areas. The primary surplus was 4.5 per cent of GDP, significantly below the targeted 7.3 per cent of GDP. Concurrently, the current deficit was 3.9 per cent of GDP, compared to a target of 1.1 per cent of GDP.

The deficit for the fiscal year was largely financed through higher than budgeted domestic financing, reflected in greater use of financing from the banking system as well as higher than expected instrument issue. There were 36 instruments issued excluding Treasury Bills, of which 51.1 per cent were at variable rate relative to the 64.1 per cent in fiscal year 2007/08. Notably, there was a significant increase in instruments issued with maturity of 5 years and below to 84.0 per cent, from 67.0 per cent in FY2007/08. Consequently, there was a decline in the average weighted age of new issues to 2.8 years, from 5.2 years in FY2007/08. This was reflected in the duration of domestic debt which was 0.78 years at end-March 2009, relative to 0.98 years at end-March 2008. With respect to foreign financing, given the unfavorable conditions in the international financial markets

[24] The size and composition of GDP were revised in 2008 and the base year used in its calculation was changed from1996 to 2003.
[25] The €18.6 million is a part of an expected €96.1 million aimed at debt reduction and assisting the Sugar Sector to name a few.

in the review period, there was a greater reliance on multilateral loans which replaced borrowing planned for the international capital markets in the fourth quarter of the fiscal year.

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

	FY 2008/09 Q4	Budget Q4	Variance	%	FY 2008/09 Q1- Q4	Budget Q1- Q4	Variance	%
Revenue & Grants	79761.8	93551.5	-13789.8	-14.7	276199.7	306046.7	-29847.0	-9.8
Revenue	75027.2	73925.4	-10267.8	-18.6	268623.0	300515.1	-31892.2	-10.6
Tax Revenue	69862.4	76377.0	-6514.6	-8.5	246216.6	265071.6	-18855.1	-7.1
Non-Tax Revenue	4096.9	6529.2	-2432.4	-37.3	16081.3	18229.2	-2147.9	-11.8
Bauxite Levy	296.3	2282.3	-1986.0	-87.0	4446.6	8645.1	-4198.5	-48.6
Capital Revenue	771.6	6972.7	-6201.1	-88.9	1878.4	8569.1	-6690.7	-78.1
Grants	4734.6	1390.3	3344.3	240.5	7576.7	5531.6	2045.1	37.0
Expenditure	98208.5	89037.8	9170.7	10.3	351521.5	349242.4	2279.1	0.7
Recurrent Expenditure*	77605.8	76668.1	937.7	1.2	310149.6	304445.0	5704.6	1.9
Programmes	19359.8	17560.8	1799.0	10.2	73772.0	73781.3	-9.3	0.0
Wages & Salaries	27952.5	29365.2	-1412.7	-4.8	111072.4	107020.2	4052.2	3.8
Interest	30293.5	29742.1	551.4	1.9	125305.2	123643.5	1661.7	1.3
Domestic	21580.3	19852.2	1728.1	8.7	89522.8	87051.3	2471.5	2.8
Foreign	8713.2	9889.9	-1176.7	-11.9	35782.4	36592.2	-809.8	-2.2
Capital Expenditure	20602.7	12369.7	8233.0	66.6	41371.9	44797.4	-3425.5	-7.6
Fiscal Balance	-18446.7	4513.8	-22960.5	-508.7	-75321.8	-43195.7	-32126.1	74.4
Current Balance	-3350.2	8520.5	-11870.7	-139.3	-43405.0	-12499.0	-30906.0	247.3
Primary balance	11846.7	34255.9	-22409.1	-65.4	49983.4	80447.8	-30464.5	-37.9

	In Percent of GDP**		In Percent of GDP**	
BR	**1.7**	**-0.4**	6.8	3.9
CB	**-0.3**	**0.8**	-3.9	-1.1
PB	**1.1**	**3.1**	4.5	7.3
IP	**2.7**	**2.7**	11.3	11.2
FSR	**-1.2**	**-1.0**	-1.3	-1.1
NIE	**6.1**	**5.3**	20.4	20.4

Key

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

International Benchmarks

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

** Recurrent Expenditure includes programmes, wages and salaries and interest payments.*
***Projected Nominal GDP for fiscal year 2008/09 is $1 108 341.4 million.*

B. MONETARY POLICY DEVELOPMENTS

27/04/2000	30-day Reverse Repurchase Rate was reduced from 17.30 per cent to 17.00 per cent.
01/06/2000	Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty-three per cent (33%) to thirty-two per cent (32%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from fifteen per cent (15%) to fourteen per cent (14%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and thirty-two per cent (5% and 32%) for Building Societies.
	The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and fourteen per cent (1% and 14%) in respect of local and foreign currency deposits.
28/07/2000	30-day Reverse Repurchase Rate was reduced from 17.00 per cent to 16.75 per cent.
11/08/2000	30-day Reverse Repurchase Rate was reduced from 16.75 per cent to 16.45 per cent.
01/09/2000	Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty-two per cent (32%) to thirty-one per cent (31%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from fourteen per cent (14%) to thirteen per cent (13%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and thirty-one per cent (5% and 31%) for Building Societies.
	The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and thirteen per cent (1% and 13%) in respect of local and foreign currency deposits.
18/09/20000	Bank of Jamaica introduces 270-day and 365-day reverse repurchase instruments at 17.6 and 18.0 per cent respectively.
04/10/20000	Interest rates on the 270-day and 365-day instruments were increased to 20.0 and 22.0 per cent respectively.
23/10/2000	Interest rates on the 270-day and 365-day instruments were reduced to 17.6 and 18.0 per cent respectively.
24/11/2000	Interest rates on the 270-day and 365-day instruments were increased to 20.0 and 22.0 per cent respectively.
28/12/2000	Interest rate on the 365-day instrument was reduced to 21 per cent.
14/02/2001	Interest rates on the 365-day and 270-day instruments were reduced to 20.00 per cent and 19.25 per cent respectively.
20/02/2001	Interest rates on the 365-day and 270-day instruments were reduced to 19.50 per cent, and 18.75 per cent respectively.
01/03/2001	Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty-one per cent (31%) to thirty per cent (30%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirteen per cent (13%) to twelve per cent (12%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and thirty per cent (5% and 30%) for Building Societies.
	The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and twelve per cent (1% and 12%) in respect of local and foreign currency deposits.
08/03/2001	Interest rates on the 365-day, 270-day instruments were reduced to 19.00 per cent, 18.25 per cent per cent respectively.

12/03/2001 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 18.50 per cent, 17.75 per cent, 16.70 percent, 16.40 per cent, 16.25 per cent, 16.15 per cent and 16.00 per cent respectively.

22/03/2001 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 17.75 per cent, 17.00 per cent, 16.15 per cent, 15.80 per cent, 15.70 per cent, 15.60 per cent and 15.50 per cent respectively.

11/04/2001 Interest rates on the 365-day and 270-day instruments were reduced to 17.50 per cent and 16.75 per cent respectively.

21/05/2001 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 16.50 per cent, 15.70 per cent, 15.30 per cent, 15.05 per cent, 14.95 per cent, 14.85 per cent and 14.75 per cent respectively.

01/06/2001 Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty per cent (30%) to twenty nine per cent (29%).

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

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

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

08/06/2001 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 15.90 per cent, 15.35 per cent, 15.00 percent, 14.80 per cent, 14.70 per cent, 14.60 per cent and 14.50 per cent respectively.

25/06/2001 Interest rates on the 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 14.75 percent, 14.55 per cent, 14.45 per cent, 14.35 per cent and 14.25 per cent respectively.

29/06/2001 The Bank of Jamaica introduced Certificates of Deposits to the range of instruments used in open market operations. All the terms and conditions applicable to Reverse Repurchase transactions apply to Certificates of Deposits, with the exception that the latter are covered by the central bank's assets as against Government securities. Central Bank deposits which are maintained in statement form (i.e. no physical certificate is issued) will continue to be used for placements of seven (7) days or less.

01/09/2001 Liquid assets ratio of commercial banks and FIA institutions in respect of local and foreign currency liabilities reduced from twenty nine per cent (29%) to twenty eight per cent (28%).

Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from eleven per cent (11%) to ten per cent (10%).

The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and twenty eight per cent (5% and 28%) for Building Societies.

The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and ten per cent (1% and 10%) in respect of local and foreign currency deposits.

30/10/2001 Interest rates on the 365-day, 270-day, 180-day, 90-day and 60-day instruments were increased to 19.90 per cent, 19.45 per cent, 15.50 per cent, and 15.00 per cent, 14.75 per cent and 14.55 per cent, respectively

28/12/2001 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day and 60-day instruments were reduced to 18.90 per cent, 18.40 per cent, 15.00 per cent, and 14.55 per cent, 14.45 per cent and 14.35 per cent, respectively.

09/01/2002 Interest rates on the 365-day and 270-day instruments were reduced to 17.90 per cent and 17.00per cent, respectively.

06/02/2002 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 16.70 per cent, 15.90 per cent, 14.70 per cent, 14.30 per cent, 14.20 per cent, 14.10 per cent and 14.00 per cent, respectively.

14/02/2002	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 15.80 per cent, 15.00 per cent, 14.40 per cent, 14.05 per cent, 13.95 per cent, 13.85 per cent and 13.95 per cent, respectively.
01/03/2002	Liquid assets ratio of commercial banks and FIA institutions in respect of local and foreign currency liabilities were reduced from twenty eight per cent (28%) to twenty seven per cent (27%). Cash reserve ratio of commercial banks and FIA institutions in respect of local and foreign currency liabilities reduced from ten per cent (10%) to nine per cent (9%).
11/03/2002	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced from 13.75 per cent, 13.85 per cent, 13.95 per cent, 14.05 per cent, 14.40 per cent, 15.00 per cent and 15.80 per cent to 13.25 per cent, 13.35 per cent, 13.45 per cent, 13.55 per cent, 13.80 per cent, 14.20 per cent, and 15.00 per cent, respectively.
11/07/2002	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day, and 365-day open market instruments were reduced from 13.25 per cent, 13.35 per cent, 13.45 per cent, 13.55 per cent, 13.80 per cent, 14.20 per cent, and 15.00 per cent to 12.95 per cent, 13.05 per cent, 13.15 per cent, 13.25 per cent, 13.45 per cent, 14.00 per cent, and 14.90 per cent, respectively.
01/09/2002	Liquid Assets ratio of commercial banks, FIA institutions and of building societies, in respect of local and foreign currency liabilities were reduced from twenty seven percent (27%) to twenty three percent (23%).
07/08/2002	Interest rates on Bank of Jamaica 270-day and 365-day open market instruments were reduced from 14.00 per cent to 13.85 per cent and from 14.90 per cent to 14.50 per cent, respectively.
09/09/2002	Interest rates on Bank of Jamaica 90-day and 120-day open market instruments were increased from 13.15 per cent to 17.25 per cent and from 13.25 per cent to 17.05 per cent, respectively.
09/10/2002	Interest rates on Bank of Jamaica 90-day and 120-day open market instruments were increased from 17.25 per cent to 19.25 per cent and from 17.05 per cent to 19.40 per cent, respectively.
28/10/2002	Interest rates on Bank of Jamaica 90-day and 120-day open market instruments were reduced from 19.25 per cent to 18.25 per cent and from 19.40 per cent to 18.40 per cent, respectively.
01/11/2002	The interest rate chargeable in respect of breaches by commercial banks, of the cash reserve and liquid assets ratios in respect of Jamaica Dollar liabilities, was reduced from 69 per cent per annum to 45 per cent per annum. The interest rate chargeable in respect of breaches by building societies and institutions licensed under the Financial Institutions Act, of the cash reserve and liquid assets ratios in respect of Jamaica Dollar liabilities, was adjusted from one-sixth of one per centum per day to 45 per cent per annum.
10/01/03	The Bank of Jamaica instituted a "Special Deposit" requirement for Commercial Banks and institutions licensed under the Financial Institutions Act. Each institution will be required to place cash deposits with the Central Bank equivalent to 5% of its Jamaican Dollar prescribed liabilities.
10/02/2003	The Bank of Jamaica introduced a special five-month open market instrument which earned interest at 30% per annum. This instrument was introduced in a context of significant Jamaica dollar liquidity and protracted instability in the foreign exchange market.
14/02/2003	The Bank of Jamaica withdrew the special five- month open market instrument which was introduced on 10 February 2003. The decision to remove this instrument came against the background of tight Jamaica dollar liquidity and the appreciation in the exchange rate over the previous four days. The removal was also in response to representations made to the Bank of Jamaica by financial institutions and understandings reached with respect to the development of foreign exchange market protocols.

19/03/2003	Interest rates on Bank of Jamaica's 180-day, 270-day and 365-day open market instruments were increased to 19.65 per cent, 21.50 per cent and 24.0 per cent, respectively.
26/03/2003	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were increased to 15.00 per cent, 15.30 per cent, 20.00 per cent, 24.00 per cent, 33.15 per cent, 34.50 per cent and 35.95 per cent, respectively.
25/04/2003	Interest rates on Bank of Jamaica 180-day, 270-day and 365-day open market instruments were reduced to 28.00 per cent, 32.50 per cent and 33.00 per cent, respectively.
19/05/2003	The interest rate applicable to overdrafts on accounts held with the Bank of Jamaica was increased to 65.0 per cent per annum.
24/06/2003	Interest rates on Bank of Jamaica 180-day, 270-day and 365-day open market instruments were reduced to 26.50 per cent, 29.50 per cent and 30.00 per cent, respectively.
08/07/2003	Interest rates on Bank of Jamaica 270-day and 365-day open market instruments were reduced to 27.50 per cent and 28.00 per cent, respectively.
04/08/2003	Interest rates on Bank of Jamaica 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 18.00 per cent, 22.00 per cent, 25.00 per cent, 25.75 per cent and 26.00 per cent, respectively.
09/09/2003	Interest rates on Bank of Jamaica 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 21.00 per cent, 23.50 per cent, 23.75 per cent and 24.00 per cent, respectively.
17/10/2003	Bank of Jamaica withdrew its 270-day and 365-day instruments from open market trading.
29/10/2003	Bank of Jamaica returned its 270-day and 365-day instruments to open market trading at 23.75 per cent and 24.00 per cent respectively.
10/12/2003	Interest rates on Bank of Jamaica 90-day 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 17.00 per cent, 20.00 per cent, 21.00 per cent, 22.00 per cent and 23.00 per cent, respectively.
09/01/2004	Interest rates on Bank of Jamaica 90-day 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 16.00 per cent, 18.00 per cent, 19.50 per cent, 21.00 per cent and 22.00 per cent, respectively.
21/01/2004	Interest rates on Bank of Jamaica 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 15.20 per cent, 15.50 per cent, 17.00 per cent, 18.25 per cent, 20.00 per cent and 21.00 per cent respectively.
26/01/2004	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.85 per cent, 15.00 per cent, 15.10 per cent, 16.00 per cent, 17.25 per cent, 18.75 per cent and 20.00 per cent, respectively.
16/02/2004	Interest rates on Bank of Jamaica 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 15.50 per cent, 16.25 per cent, 17.75 per cent and 19.00 per cent, respectively.
27/02/2004	Interest rates on Bank of Jamaica 180-day, 270-day and 365-day open market instruments were reduced to 16.00 per cent, 17.25 per cent and 18.50 per cent, respectively.
10/03/2004	Interest rates on Bank of Jamaica 270-day and 365-day open market instruments were reduced to 16.95 per cent and 17.95 per cent, respectively.
10/03/2004	Pursuant to Section 15 (2) (h) of the Banking Act and the Financial Institutions Act, and Regulation 38 (h) of the Bank of Jamaica (Building Societies) Regulation, the Minister of Finance determined that all debt securities or instruments issued by the Government of Jamaica, whether denominated in Jamaican dollars or in a foreign currency and irrespective of their original maturity terms, shall, within nine months of their maturity date be designated Liquid Assets.

02/04/2004	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.60 per cent, 14.70 per cent, 14.80 per cent, 15.10 per cent, 15.60 per cent, 16.50 per cent and 17.40 per cent, respectively.
19/04/2004	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.40 per cent, 14.50 per cent, 14.60 per cent, 14.85 per cent, 15.30 per cent, 16.00 per cent and 16.90 per cent, respectively.
05/05/2004	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.20 per cent, 14.30 per cent, 14.40 per cent, 14.55 per cent, 15.05 per cent, 15.65 per cent and 16.40 per cent, respectively.
03/09/2004	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.00 per cent, 14.10 per cent, 14.20 per cent, 14.35 per cent, 14.80 per cent, 15.35 per cent and 16.00 per cent, respectively.
28/12/2004	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 13.80 per cent, 13.95 per cent, 14.05 per cent, 14.15 per cent, 14.30 per cent, 15.00 per cent and 15.50 per cent, respectively.
07/02/05	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 13.50 per cent, 13.65 per cent, 13.75 per cent, 13.85 per cent, 14.00 per cent, 14.50 per cent and 15.00 per cent, respectively.
07/02/05	The Bank of Jamaica reduced the Special Deposit holdings for commercial banks and FIA licensees by two (2) percentage points. Accordingly, these institutions, until further notified, are required to maintain with the Bank of Jamaica as a Special Deposit, an amount wholly in the form of cash, representing three (3) percent of their prescribed liabilities.
07/03/05	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 12.95 per cent, 13.10 per cent, 13.20 per cent, 13.30 per cent, 13.45 per cent, 14.00 per cent and 14.50 per cent, respectively. These rate adjustments were underpinned by continued stability in the exchange rate, reflecting buoyant foreign exchange inflows from tourism and remittances. Also, the Bank's net international reserves remained around US$1.8 billion, a level that was more than adequate to underwrite near term stability. In addition, inflation in the first quarter of 2005 was expected to continue on a downward trend engendering a return to single digit inflation in the forthcoming fiscal year.
16/05/2005	The Bank of Jamaica reduced the Special Deposit holdings for commercial banks and FIA licensees by two (2) percentage points. Accordingly, these institutions, until further notified, are required to maintain with the Bank of Jamaica as a Special Deposit, an amount wholly in the form of cash, representing one (1) percent of their prescribed liabilities.
26/05/2005	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 12.60 per cent, 12.70 per cent, 12.75 per cent, 12.85 per cent, 13.00 per cent, 13.25 per cent and 13.60 per cent, respectively. The adjustments were consistent with the steady improvement in Jamaica's economic environment as reflected in buoyant foreign exchange inflows, stability in the money and foreign exchange markets and a strong international reserve position. Furthermore, the near-term prospects for production and prices continued to be very favourable with strong recovery expected in domestic agriculture as well as ongoing expansion in tourism and mining activities. In addition, it was expected that the normalization of food supplies and continued stability in the foreign exchange market would help to contain inflation during the 2005/2006 fiscal year.
27/05/2005	The Bank phased out its reverse repurchase agreements. This facilitated consistency in the accounting treatment (under International Financial Reporting Standards) of open market instruments by holders.

18/04/2006	The Bank suspended the acceptance of placements on its open market operations (OMO) instruments with tenors of 270 days and 365 days, until further advised. The OMO instruments, along with corresponding interest rates, that remained on offer were 30-days: 12.6 per cent; 60-days: 12.70 per cent; 90-days: 12.75 per cent; 120-days: 12.85 per cent; and 180-days: 13.00 per cent.
01/05/2006	The Bank removed the requirement that deposit-taking institutions must hold some portion of their assets as a Special Deposit with the Central Bank. This requirement was introduced in January 2003 to stabilize the financial markets. The initial deposit requirement was set at 5 per cent of prescribed liabilities and this was reduced to 1 per cent in two steps between February and May 2005. The significant improvement in macroeconomic conditions and the positive outlook for fiscal year 2006/07 allowed for the return of the remaining deposits. The sum due to financial institutions as at 28 April 2006 was J$1 564.1 million.
12/05/2006	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 12.45 per cent, 12.50 per cent, 12.60 per cent, 12.65 per cent and 12.80 per cent, respectively.
01/09/2006	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 12.15 per cent, 12.2 per cent, 12.30 per cent, 12.35 per cent and 12.50 per cent, respectively.
22/09/2006	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 11.95 per cent, 12.00 per cent, 12.10 per cent, 12.15 per cent and 12.30 per cent, respectively.
22/12/2006	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 11.65 per cent, 11.70 per cent, 11.80 per cent, 11.85 per cent and 12.00 per cent, respectively. This policy action comes against the background of continued robust economic performance and favourable medium term economic outlook.
18/01/2007	The Bank of Jamaica offered a Special One-Year Variable rate Instrument to Primary Dealers and Commercial Banks. Interest payments on this instrument will be made quarterly. The initial coupon is 11.80 per cent per annum, the rate being paid on a Bank of Jamaica 90-day Certificate of Deposit. Subsequent interest payments will be calculated at 1.00 percentage point above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period. The offer was made in the context of the redemption of Government of Jamaica domestic debt instruments on 18 January 2007 which would increase the level of liquidity in the financial system beyond normal requirements. The Bank continues to offer its regular issues of Certificates of Deposits ranging from 30 days to 180 days.
19/06/2007	The Bank of Jamaica offered a Special Two-Year Variable rate Instrument to Primary Dealers and Commercial Banks during the period 19-22 June 2007. The instrument will be amortized in two equal tranches on 19 June 2008 and 19 June 2009 with quarterly interest payments. The initial coupon is 11.80 per cent per annum, the rate being paid on a Bank of Jamaica 90-day Certificate of Deposit. Subsequent interest payments will be calculated at 1.25 percentage point above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period. The offer was made in the context of the exceptionally high level of liquidity of Jamaica Dollar liquidity anticipated during the offer period. The Bank continues to offer its regular issues of Certificates of Deposits ranging from 30 days to 180 days.
04/07/2007	As part of its liquidity management strategy, the Bank of Jamaica offered a Special Two-Year Variable Rate Instrument to Primary Dealers and Commercial Banks from 04 July 2007 to 09 July 2007. The instrument, with an initial coupon of 11.98 percent, will be amortized in two equal tranches on 02 January 2009 and 03 July 2009 with quarterly interest payments. Subsequent interest payments will be calculated at 2.00 percentage points above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period. The Bank of Jamaica will continue to offer its regular issues of Certificates of Deposit ranging from 30 days to 180 days
06/09/2007	As part of its liquidity management strategy, the Bank of Jamaica offered a Special Two-Year Variable Rate Instrument to Primary Dealers and Commercial Banks commencing from 06 September 2007 to 12 September 2007. The instrument, with an initial coupon of 12.21 percent per annum, will be amortized in two equal tranches on 05 September 2008 and 04 September 2009 with quarterly interest payments. Subsequent interest payments will be calculated at 2.00 percentage points above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period. The Bank of Jamaica will continue to offer its regular issues of Certificates of Deposit ranging from 30 days to 180 days.
18/09/2007	The Bank of Jamaica accepted subscriptions on a Special One-Year Certificate of Deposit from 18 September 2007 to 26 September 2007. As is customary, this instrument was offered to Primary Dealers and Commercial Banks. Interest on this

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

12/10/2007 The Bank of Jamaica, as part of its liquidity management strategy, offered a `Special Eighteen-Month Variable Rate Instrument to Primary Dealers and Commercial Banks. The instrument will be amortized in two equal tranches on 11 July 2008 and 14 April 2009 with quarterly interest payments. The initial coupon is 14.34 percent per annum. Subsequent interest payments will be calculated at 1.625 percentage points above the Government of Jamaica 90-day weighted average Treasury Bill yield applicable at the beginning of each quarterly interest period.

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

16/11/2007 The Bank of Jamaica, as part of its liquidity management strategy, offered a Special Twelve-Month Variable Rate Instrument to Primary Dealers and Commercial Banks. The instrument will be amortized on 14 November 2008 with quarterly interest payments. The initial coupon is 13.46 percent per annum. Subsequent interest payments will be calculated at 1.5 percentage points above the Government of Jamaica 90-day weighted average Treasury Bill yield applicable at the beginning of each quarterly interest period.

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

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

Tenor	**30-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//01/2008 Bank of Jamaica offered a 365-day Certificate of Deposit in addition to its regular suite of instruments. This offer attracted a rate of 13.50 per cent per annum, which was consistent with the Bank's then existing interest rate structure. The rates on 30-day to 180-day instruments remain unchanged.

18/01/2008 Bank of Jamaica offered a special 18-month, variable rate certificate of deposit (CD) to banks and primary dealers. The CD attracted a rate of 12.80 per cent for the first 3 months. Thereafter, quarterly interest payments at the 90-day weighted average Treasury Bill rate applicable at the beginning of each interest period plus a margin of 1.5 percentage points apply.

The rates applicable to all other BOJ instruments remained unchanged.

04/02/2008 Interest rates paid on open market instruments issued by the Bank of Jamaica were revised as follows:

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

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

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

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

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

01/09/2008 Bank of Jamaica offered a special 18-month, variable rate certificate of deposit (CD) to banks and primary dealers. The CD attracted a rate of 14.58 per cent for the first 3 months. Thereafter, quarterly interest payments at the 90-day weighted average Treasury Bill rate applicable at the beginning of each interest period plus a margin of 1.25 percentage points apply.

The rates applicable to all other BOJ instruments remained unchanged.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LIST OF SUMMARY TABLES

C. Summary Tables

1

INFLATION RATES (%)

	CPI Index (e.o.p)	Head-line (Quarter)	Core (Quarter)
2001/2002			
June	58.3	3.0	0.1
September	59.9	2.7	1.5
December	60.6	1.1	0.5
March	61.0	0.6	0.4
2002/2003			
June	62.0	1.6	0.7
September	63.4	2.3	0.7
December	65.0	2.5	0.9
March	64.7	-0.4	1.0
2003/2004			
June	68.5	5.9	2.5
September	71.5	4.4	2.0
December	73.9	3.4	1.4
March	75.4	2.0	1.6
2004/2005			
June	76.8	1.9	1.1
September	79.0	2.9	2.3
December	84.1	6.4	2.6
March	85.3	1.5	0.7
2005/2006			
June	90.0	5.5	2.1
September	93.8	4.2	1.2
December	94.6	0.9	0.6
March	94.9	0.2	0.9
2006/2007			
June	97.6	2.9	1.3
September	99.9	2.4	1.4
December	100.0	0.1	0.2
March	102.5	2.5	1.9
2007/2008			
June	105.1	2.5	1.3
September	108.9	3.6	1.9
December	116.8	7.3	4.0
March	122.9	5.2	3.5
2008/09			
June	130.3	6.0	3.4
September	136.5	4.7	2.0
December	136.5	0.0	1.1
March	138.2	1.3	1.1

2A

COMPONENT CONTRIBUTION TO INFLATION
All Jamaica
January – March 2009

Divisions, Classes and Groups	Weight in CPI	Inflation (%)	Weighted Inflation	Contribution (%)
FOOD & NON-ALCOHOLIC BEVERAGES	**0.3746**	1.4	0.54	43.9
Food	**0.3512**	1.4	0.47	38.9
- Bread and Cereals	0.0610	1.8	0.11	8.9
- Meat	0.0766	2.8	0.21	17.6
- Fish and Seafood	0.0533	2.7	0.15	11.9
- Milk, Cheese and Eggs	0.0311	2.0	0.06	5.1
- Oils and Fats	0.0164	2.2	0.04	3.0
- Fruit	0.0114	-0.1	0.00	-0.1
- Vegetables and Starchy Foods	0.0686	-1.9	-0.13	-10.5
- Sugar, Jam, Honey, Chocolate and Confectionery	0.0172	1.6	0.03	2.3
- Food Products n.e.c.	0.0155	3.4	0.05	4.4
Non-Alcoholic Beverages	**0.0235**	2.8	0.07	5.4
- Coffee, Tea and Cocoa	0.0066	3.5	0.02	1.9
- Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	0.0169	2.6	0.04	3.6
ALCOHOLIC BEVERAGES AND TOBACCO	**0.0138**	6.3	0.09	7.1
CLOTHING AND FOOTWEAR	**0.0333**	3.0	0.10	8.0
Clothing	**0.0212**	2.8	0.06	4.9
Footwear	**0.0122**	3.2	0.04	3.2
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	**0.1276**	-0.8	-0.10	-8.0
Rentals for Housing	**0.0301**	2.9	0.09	7.1
Maintenance and Repair of Dwelling	**0.0080**	6.5	0.05	4.3
Water Supply and Miscellaneous Services Related to the Dwelling	**0.0132**	0.0	0.00	0.0
Electricity, Gas and Other Fuels	**0.0712**	-3.5	-0.25	-20.6
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	0.0493	1.8	0.09	7.1
Furniture and Furnishings	**0.0069**	2.9	0.02	1.6
Household Textiles	0.0032	1.4	0.00	0.4
Household Appliances	0.0056	1.0	0.01	0.5
Glassware, Tableware and Household Utensils	**0.0005**	2.6	0.00	0.1
Tools and Equipment for House and Garden	**0.0015**	1.7	0.00	0.2
Goods and Services for Routine Household Maintenance	**0.0316**	1.6	0.05	4.2
HEALTH	**0.0329**	1.4	0.05	3.8
Medical Products, Appliances and Equipment	0.0122	1.9	0.02	1.9
Health Services	0.0207	1.1	0.02	1.9
TRANSPORT	**0.1282**	0.4	0.05	3.8
COMMUNICATION	**0.0399**	0.0	0.00	0.0
RECREATION AND CULTURE	**0.0336**	1.0	0.03	2.8
EDUCATION	**0.0214**	2.1	0.04	3.6
RESTAURANTS & ACCOMMODATION SERVICES	**0.0619**	1.7	0.11	8.8
MISCELLANEOUS GOODS AND SERVICES	**0.0837**	2.8	0.23	19.0
ALL DIVISIONS	**1.0000**	1.3	1.2	100.0

2B

REGIONAL INFLATION
January – March 2009

Divisions, Classes and Groups	GKMA	Other Urban Centres	Rural Areas
FOOD & NON-ALCOHOLIC BEVERAGES	1.0	2.0	1.5
Food	1.0	2.0	1.4
- Bread and Cereals	1.5	1.7	2.0
- Meat	2.7	2.6	3.1
- Fish and Seafood	3.4	2.1	2.5
- Milk, Cheese and Eggs	2.4	2.4	1.6
- Oils and Fats	2.4	2.4	2.1
- Fruit	-1.1	0.7	1.2
- Vegetables and Starchy Foods	-3.7	1.6	-2.0
- Sugar, Jam, Honey, Chocolate and Confectionery	2.3	0.9	1.6
- Food Products n.e.c.	5.0	3.1	2.6
Non-Alcoholic Beverages	1.9	2.8	3.5
- Coffee, Tea and Cocoa	2.5	3.1	4.1
- Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	1.7	2.7	3.2
ALCOHOLIC BEVERAGES AND TOBACCO	5.1	5.8	7.2
CLOTHING AND FOOTWEAR	4.3	1.6	2.6
Clothing	3.4	1.6	2.9
Footwear	5.4	1.5	2.2
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	0.3	-1.5	-1.5
Rentals for Housing	3.7	1.6	1.8
Maintenance and Repair of Dwelling	8.1	6.1	5.7
Water Supply and Miscellaneous Services Related to the Dwelling	0.0	0.0	0.0
Electricity, Gas and Other Fuels	-3.8	-4.2	-3.0
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	1.7	1.4	1.9
Furniture and Furnishings	0.6	4.0	4.2
Household Textiles	2.1	1.8	0.8
Household Appliances	2.3	0.3	0.3
Glassware, Tableware and Household Utensils	3.1	2.8	2.2
Tools and Equipment for House and Garden	2.0	0.6	1.9
Goods and Services for Routine Household Maintenance	1.8	1.1	1.8
HEALTH	0.7	1.2	1.9
Medical Products, Appliances and Equipment	1.5	0.8	2.6
Health Services	0.2	1.5	1.5
TRANSPORT	1.6	-0.5	0.0
COMMUNICATION	0.0	0.0	0.0
RECREATION AND CULTURE	0.5	1.2	1.3
EDUCATION	0.0	3.7	3.6
RESTAURANTS & ACCOMMODATION SERVICES	1.3	0.6	2.8
MISCELLANEOUS GOODS AND SERVICES	3.8	1.1	2.8
ALL DIVISIONS	1.3	1.0	1.3

3

BANK OF JAMAICA OPERATING TARGETS

	Sep-07	Dec-07	Mar-08	June-08	Sep-08	Dec-08	Mar-09^p
Net International Reserves (US$MN)	1 916.2	1 877.7	2 083.4	2 228.8	2 251.1	1 772.94	1 628.6
Net International Reserves ($JMN)	133 807.5	135 065.1	149 859.0	161 565.7	163 180.8	128 520.4	132 224.4
- Assets	135 690.2	137 087.1	151 477.4	179 545.4	165 314.9	130151.4	135 054.7
- Liabilities	-1882.7	-2 022.0	-1 618.4	-17 979.7	-2 134.1	-1631.0	-2 830.3
Net Domestic Assets	-79 335.9	-69 808.0	-91 016.6	-103 922.7	-105 610.2	-57 021.8	-61 021.9
-Net Claims on the Public Sector	95 955.4	95 010.4	97 776.9	98 324.8	93 497.6	123 972.4	128 337.6
- Net Credit to Banks	-11 858.7	-12 419.5	-13 019.4	-13 488.6	-14 259.9	- 14 270.5	-17 461.4
- Open Market Operations	-129 771.5	-114 741.3	-138 179.1	-150 835.7	-146 219.8	-1 31 928.8	- 119 337.6
- Other	-33 661.1	-37 657.6	-37 595.0	-37 923.2	-38 628.1	-34 794.9	-52 560.5
Monetary Base	54 771.7	65 257.1	58 842.4	57 643.0	57 570.6	71 498.6	71 202.5
- Currency Issue *	37 446.0	47 220.7	40 245.3	39 383.8	38 940.9	49 025.6	42 128.7
- Cash Reserve	16 893.4	17 259.8	17 650.0	18 066.9	18 400.9	21 983.4	28 927.0
- Current Account	132.3	776.6	947.1	192.3	228.8	489.6	146.8
% change Monetary Base (F-Y-T-D)	5.1	25.9	13.5	-2.0	-2.2	21.5	21.0

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

4

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

	M1J	M1*	M2J	M2*	M3J	M3*
2005/2006						
June [r]	52 942.5	62 310.9	142 111.3	212 032.6	185 090.2	255 011.5
September	53 089.8	63 212.3	143 430.0	216 480.9	188 253.9	261 304.7
December	62 572.8	72 736.2	155 248.0	228 320.7	200 537.3	273 609.9
March	58 617.7	69 800.3	153 618.0	228 524.9	202 804.6	277 711.5
2006/2007						
June	61 908.1	71 897.4	159 153.6	232 227.4	208 718.0	281 791.8
September	64 668.9	73 233.3	162 466.8	234 331.2	214 812.8	286 677.2
December	78 180.3	87 446.4	181 792.9	256 975.7	235 544.9	310 727.7
March	70 936.5	80 588.3	175 367.2	253 125.3	231 304.0	309 062.2
2007/2008						
June	74 603.1	85 666.8	182 099.9	266 428.9	237 729.8	322 058.8
September	75 563.7	90 053.6	185 371.1	280 698.4	242 607.4	337 934.7
December	89 116.4	105 258.4	202 344.5	299 970.7	262 637.7	360 263.9
March [r]	77 281.4	88 284.0	189 205.0	284 765.3	252 074.4	347 634.7
2008/2009						
June	82 507.5	89 946.4	197 780.8	291 010.2	265 221.7	358 451.0
September	83 539.4	90 900.7	199 539.0	292 918.6	268 487.6	361 867.2
December	91 017.9	100 097.1	210 962.0	313 194.9	279 396.0	381 628.9
March [P]	85 513.0	96 779.2	202 843.4	317 676.1	275 204.7	390 037.4

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

5

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

	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09p
M2J	**6 732.8**	**3 271.2**	**16 973.3**	**-13 139.5**	**8 575.8**	**1 758.2**	**11 423.0**	**-8 118.6**
Currency	1 506.1	839.2	7 180.0	-7 472.1	2 287.4	-1 887.5	8 393.0	-5 148.0
Demand Deposits	2 160.5	121.3	6 372.7	-4 363.0	2 938.7	2 919.4	-914.6	-356.9
Savings Deposits	1 826.7	2 798.0	2 038.3	-332.7	2 458.3	-1 978.0	2 034.5	-162.0
Time Deposits	1 239.5	-487.3	1 382.3	-971.7	891.4	2 704.3	1 910.1	-2 451.7
OTHER DEPOSITS	**-307.0**	**1 606.4**	**3 056.9**	**2 576.3**	**4 571.4**	**1 507.7**	**-514.6**	**3 927.3**
TOTAL (M3J)	**6 425.8**	**4 877.6**	**20 030.2**	**-10 563.2**	**13 147.2**	**3 265.9**	**10 908.4**	**-4 191.3**
SOURCES OF CHANGE IN LOCAL CURRENCY MONEY SUPPLY								
N.I.R. of B.O.J.	**-6 166.4**	**-22 532.7**	**- 2 685.7**	**14 793.9**	**10 458.6**	**2 863.2**	**-34 660.4**	**-11 720.6**
M&LTFL of B.O.J	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Banking System Credit	**11 871.1**	**315.9**	**4 847.7**	**- 4 228.8**	**14 405.7**	**-4 799.0**	**39 128.0**	**2 572.9**
Public Sector	**6 874.0**	**-6 050.0**	**-114.6**	**-7 463.5**	**7 722.9**	**-9 000.0**	**35 483.6**	**3 232.6**
Private Sector	**4 997.1**	**6 365.9**	**4 962.3**	**3 234.7**	**6 682.8**	**4 201.4**	**3 644.4**	**-659.7**
Open Market Operations	**14 945.8**	**20 986.7**	**15 030.2**	**-23 437.9**	**-12 656.5**	**4 615.9**	**14 291.0**	**12 591.2**
Other	**-14 224.7**	**6 107.7**	**2 838.0**	**2 309.6**	**939.4**	**585.8**	**-7 850.2**	**-7 634.8**
TOTAL	**6 425.8**	**4 877.6**	**20 030.2**	**-10 563.2**	**13 147.2**	**3 265.9**	**10 908.4**	**-4 191.3**
Memo:								
Foreign Currency Deposits (Private Sector)	**6 570.8**	**10 998.3**	**2 299.0**	**-2 065.9**	**-2 193.5**	**1 896.6**	**3 684.0**	**3 620.4**
Foreign Currency Loans (Private Sector)	**1 874.8**	**7 173.2**	**3 078.1**	**1 329.8**	**7 044.0**	**- 2632.6**	**3 510.2**	**321.5**

p-preliminary

n.a: not available

6A

COMMERCIAL BANKS' SELECTED INTEREST RATES (%)
(End-of-Period)

	Fixed Deposits * 3-6 months	Fixed Deposits * 6-12 months	Savings Deposits (Average) r	Lending Rate (Average)	Fixed Deposits Rate (Weighted Average)	Loan Rate (Weighted Average)	Inter-bank Lending Rate (Average)
2002/2003							
June	7.75–13.25	7.75–13.25	9.00	25.92	9.28	18.15	14.68
September	7.75–13.25	7.75–13.25	8.86	26.25	8.98	18.08	13.88
December	7.75–13.25	7.75–13.25	8.96	25.04	8.92	18.26	11.50
March	8.50-13.15	8.50-13.15	8.22	24.73	8.87	17.23	21.90
2003/2004							
June	8.50–13.15	8.50-13.15	8.22	25.18	8.98	19.23	38.40
September	8.50-13.25	8.50-13.50	8.43	25.60	9.02	19.87	17.01
December	8.50-13.25	8.50-13.50	7.24	25.60	8.68.	19.32	24.08
March	8.50–13.25	8.50-13.50	6.78	25.40	8.47	19.01	17.16
2004/2005							
June	8.50 – 13.25	8.50-13.50	6.61	25.02	8.15	17.75	15.75
September	8.50 - 13.25	8.50-13.50	6.61	24.95	7.99	17.76	8.38
December	3.00 – 14.10	3.50–14.30	6.48	24.89	7.78	17.72	12.95
March	3.00 – 14.10	3.50–14.30	6.36	24.89	7.54	17.35	12.58
2005/2006							
June	3.00–14.10	3.50-14.30	5.52	24.70	7.34	16.43	10.00
September	2.50- 14.10	3.00–14.30	5.48	22.00	7.11	17.41	11.13
December	2.50- 14.10	3.00–14.30	5.48	22.00	7.00	17.32	12.42
March	2.50- 14.10	3.00–14.30	5.30	21.84	7.17	17.54	10.00
2006/2007							
June	2.50- 14.10	3.00–14.30	5.39	22.50	7.17	17.60	9.00
September	2.50- 14.10	3.00–14.30	5.36	21.80	6.88	17.83	9.13
December	2.50- 14.10	3.00–14.30	5.20	21.90	6.60	17.59	8.10
March	2.50- 14.10	3.00–14.30	5.15	22.49	6.94	17.28	7.75
2007/2008							
June	6.80 - 10.95	6.50 - 11.60	5.17	22.49	6.96	17.23.	9.67
September	6.80 - 11.85	6.50 – 12.35	4.88	21.08	6.85.	17.06	10.50
December	6.80 - 11.85	6.50 – 12.35	4.88	20.82	6.99	17.11	7.58
March	6.80 – 12..85	6.50 – 13.35	4.88	22.47	6.82	17.33	8.29
2008/2009							
June	6.80 – 12..85	6.50 – 13.35	5.05	21.46	6.94.	16.97	11.67
September	7.30 - 12.85	7.00 – 13.35	5.54	23.18	7.03	16.46	8.67
December	7.30 - 12.85	7.00 – 13.35	5.33	23.17	7.37	16.78	24.50
March	7.30 – 16.33	7.00 - 18.11	5.89	22.34	6.99	16.58	8.29

**Relate to deposits of $100 000 and over.*
n.a: not available

6B

GOJ TREASURY BILL YIELDS
(End of Period)

	3-month	*6-month*	*9-month*	*12-month*
2000/2001				
September	16.62	17.13	16.91	16.94
December		20.16	19.67	20.98
March		16.88		17.86
2001/2002				
June	23.48	16.20		
September	22.23	15.10	15.50	
December	22.12	17.03		
March	21.49	14.30		14.96
2002/2003				
June		13.81		14.77
September		16.69	16.98	
December		17.01		
March		33.47		
2003/04				
June		28.46		
September		23.42	23.87	
December		22.05		
March	15.23	15.57		
2004/05				
June	15.04	14.98	15.18	
September	14.41	14.80		16.36
December	14.41	14.94		
March	13.21	13.46	14.00	
2005/2006				
June	12.85	12.88		
September	12.96	13.15		
December	13.34	13.55		
March	13.16	13.18		
2006/2007				
June	12.64	12.82		
September	12.44	12.49		
December	12.26	12.31		
March	11.55	11.65		
2007/2008				
June	11.98	12.13		
September	14.34	14.29		
December	12.89	13.34		
March	13.97	14.22		
2008/2009				
June	14.19	14.43		
September	14.81	15.35		
December	22.01	24.45		
March	20.51	21.77		

7

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

Tenor of Instruments

End Period	30 days	60 days	90 days	120 days	180 days	270 days	365 days
2001/2002							
June	14.25	14.35	14.45	14.55	14.75	15.35	15.90
September	14.25	14.35	14.45	14.55	14.75	15.35	15.90
December	14.25	14.35	14.45	14.55	15.00	18.40	18.90
March	13.25	13.35	13.45	13.55	13.80	14.20	15.00
2002/2003							
June	13.25	13.35	13.45	13.55	13.80	14.20	15.00
September	12.95	13.05	17.25	17.05	13.45	13.85	14.50
December	12.95	13.05	18.25	18.40	13.45	13.85	14.50
March	15.00	15.30	20.00	24.00	33.15	34.50	35.95
2003/2004							
June	15.00	15.30	20.00	24.00	26.50	29.50	30.00
September	15.00	15.30	18.00	21.00	23.50	23.75	24.00
December	15.00	15.30	17.00	20.00	21.00	22.00	23.00
March	14.85	15.00	15.10	15.50	16.00	16.95	17.95
2004/2005							
June	14.20	14.30	14.40	14.55	15.05	15.65	16.40
September	14.00	14.10	14.20	14.35	14.80	15.35	16.00
December	13.80	13.95	14.05	14.15	14.30	15.00	15.50
March	12.95	13.10	13.20	13.30	13.45	14.00	14.50
2005/2006							
June	12.60	12.70	12.75	12.85	13.00	13.25	13.60
September	12.60	12.70	12.75	12.85	13.00	13.25	13.60
December	12.60	12.70	12.75	12.85	13.00	13.25	13.60
March	12.60	12.70	12.75	12.85	13.00	13.25	13.60
2006/2007							
June*	12.45	12.50	12.60	12.65	12.80	...	...
September	11.95	12.00	12.10	12.15	12.30	...	...
December	11.65	11.70	11.80	11.85	12.00	...	...
March	11.65	11.70	11.80	11.85	12.00	...	...
2007/2008							
June	11.65	11.70	11.80	11.85	12.00	...	...
September	11.65	11.70	11.80	11.85	12.00	...	14.00
December	11.65	11.70	11.80	11.85	12.00	...	13.46
March	13.50	13.70	13.90	14.00	14.20	...	15.00
2008/2009							
June	14.00	14.20	14.40	14.50	14.70	...	15.50
September	14.00	14.20	14.40	14.50	14.70	...	15.50
December	17.00	17.50	20.00	20.20	21.50	...	24.00
March	17.00	17.50	20.00	20.20	21.50	...	24.00

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

8A

JAMAICA: GOVERNMENT BOND MARKET
GOJ Maturities
January - March 2009

Maturity Date		Amount J$M	Applicable Interest Rate b/
20 Jan	FR Inv. Deb. 2009 Ser. Bb	3 956.4	13.00
24 Jan	VR LRS 2008/2009 F	400.0	16.40
04 Feb	FR Reg. Bd. 2009 Ser.D	4 205.5	16.125
11 Feb	FR €200.0 million 2009 Eurobond	23 395.7	10.50
17 Feb	FR Inv. Deb. 2009 Ser. Ax	1 388.3	13.80
20 Feb	VR Inv. Bd. 2008/2009 Ser. L	2 492.4	18.46
27 Feb	VR Inv. Bd. 2008/2009 Ser. An	9 696.3	18.42
28 Feb	VR LRS 2008/2009	300.0	16.705
01 Mar	FR LRS 2009	1 084.0	16.00
08 Mar	FR LRS 2009 AA	600.0	15.50
21 Mar	FR LRS 2009 AB	600.0	15.00

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 2009			
Issue Date	**Stock Name**	**Features**	**Amount raised J$M**
08 January	*VR. Inv. Bd. 2010/2011 Ser. Bk*	*Tenor of 15 months. Interest rate fixed at 22.25% for first 3 months. Thereafter, quarterly payments of 1.50 percentage points above 3-month WATBY.*	*4 425.2*
16 January	*FR Inv. Deb. 2010 Ser. Bh*	*Tenor of 1 year. Interest rate fixed at 25.00%. First interest payment will become due and payable after 6 months. Thereafter, final interest payment will be paid at maturity.*	*8 950.3*
23 January	*VR Inv. Bd. 2010/2011 Ser. Bl*	*Tenor of 18 months. Interest rate fixed at 22.25% for first 3 months. Thereafter, quarterly payments of 1.50 percentage points above 3-month WATBY.*	*2 546.2*
30 January	*VR Inv. Bd. 2028/2029 Ser. Bm*	*Tenor of 20 years. Interest rate fixed at 24.50% for first 6 months. Thereafter, semi-annual payments of 1.50 percentage points above 6-month WATBY.*	*1 597.7*
06 February	*FR Inv. Deb. 2010 Ser. Bj*	*Tenor of 15 months. Interest rate fixed at 24.50%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity.*	*5 273.0*
20 February	*VR Inv. Bd. 2010/2011 Ser. Bn*	*Tenor of 2 years. Interest rate fixed at 24.50% for first 6 months. Thereafter, quarterly payments of 1.50 percentage points above 3-months WATBY.*	*7 201.0*
02 March	*VR Inv. Bd. 2018/2019 Ser. Bn*	*Tenor of 10 years. Interest rate fixed at 24.25% for first 3 months. Thereafter, quarterly payments of 1.50 percentage points above 3-months WATBY.*	*3 484.1*
02 March	*FR Inv. Deb. 2010 Ser. Bk*	*Tenor of 15 months. Interest rate fixed at 24.25%. First interest payment will become due and payable after 3 months. Thereafter, interest will be paid quarterly until maturity.*	*11 591.6*
09 March	*VR Inv. Bd. 2010/2011 Ser. Bq*	*Tenor of 2 years. Interest rate fixed at 22.00% for first 3 months. Thereafter, quarterly payments of 1.50 percentage points above 3-months WATBY.*	*1 384.4*
18 March	*VR Inv. Bd. 2010/2011 Ser. Br*	*Tenor of 3 years. Interest rate fixed at 23.25% for first 6 months. Thereafter, semi-annual payments of 1.50 percentage points above 6-months WATBY.*	*883.3*

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

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

	Bauxite	Alumina	Sugar	Bananas	Other Traditional	Non-Traditional	Other	Total Goods Exports
2004/2005	**82.1**	**825.0**	**87.0**	**8.2**	**74.2**	**272.6**	**216.3**	**1 565.4**
June	25.4	202.8	47.9	4.3	19.2	77.3	55.8	432.7
September	22.3	173.8	7.7	3.9	20.3	59.9	66.7	354.6
December	8.6	237.8	0.0	0.0	19.6	74.1	58.2	398.3
March	25.8	210.6	31.4	0.0	15.1	61.3	37.0	381.2
2005/2006	**100.6**	**957.5**	**89.4**	**7.7**	**65.3**	**418.1**	**170.0**	**1 808.6**
June	22.6	245.2	41.5	2.1	17.2	61.9	48.6	439.1
September	24.8	233.3	3.8	1.3	18.2	106.8	38.9	427.1
December	25.7	231.1	0.0	1.3	9.0	111.6	38.2	416.9
March r	27.5	247.9	44.1	3.0	20.9	137.8	48.4	529.6
2006/2007 r	115.2	1 083.7	90.4	13.3	78.5	619.8	188.6	2 189.5
June	29.4	258.8	43.0	3.2	25.0	144.8	46.0	550.2
September	29.4	268.7	2.6	3.8	20.1	166.0	44.2	534.8
December	27.0	265.2	0.0	3.4	14.8	161.4	47.2	519.0
March	29.4	291.0	44.8	2.9	18.6	147.6	51.2	585.5
2007/2008	**112.7**	**1 212.8**	**104.9**	**6.4**	**82.9**	**664.4**	**227.8**	**2 411.9**
June	28.5	314.4	42.4	4.5	21.4	139.8	47.5	598.5
September	28.3	267.7	13.1	1.9	22.3	112.2	54.3	499.8
December	26.7	320.0	0.0	0.0	21.0	117.4	57.5	542.6
March r	29.2	310.7	49.4	0.0	18.2	295.0	68.5	771.0
2008/2009								
June r	29.6	366.9	43.0	0.0	24.9	251.6	83.3	799.3
September p	28.8	304.6	11.8	0.0	25.6	269.3	80.7	720.8
December p	27.4	252.8	0.0	0.0	11.9	124.4	53.5	470.0

r-revised; p-preliminary

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

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

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

11

BALANCE OF PAYMENTS QUARTERLY SUMMARY
(US$MN)

	Jun-07[r]	Sep-07[r]	Dec-07[r]	Mar[r]	Jun-08[r]	Sep-08[p]	Dec-08[p]
1. Current Account	**-332.5**	**-523.8**	**-618.0**	**-630.6**	**-972.1**	**-1 016.4**	**-603.5**
A. Goods Balance	**-799.2**	**-963.8**	**- 1 050.2**	**-1 128.2**	**-1420.3**	**-1 437.8**	**-995.0**
Exports (f.o.b.)	598.5	499.8	542.6	771.0	799.3	720.8	470.0
Imports (f.o.b.)	1 397.7	1 463.6	1 592.8	1 899.2	2 219.6	2 158.5	1 465.0
B. Services Balance	**121.0**	**85.8**	**74.6**	**195.6**	**55.8**	**19.7**	**84.4**
Transportation	-124.5	-137.7	-145.3	-146.4	-194.4	-198.4	-149.5
Travel	402.1	383.4	379.8	522.0	425.1	379.6	388.8
Other Services	-156.6	-159.9	-159.9	-180.0	-174.9	-161.6	-154.9
Goods & Services Balance	**-678.2**	**-878.0**	**-975.6**	**-932.6**	**-1 364.5**	**- 1 418.1**	**-910.6**
C. Income	**-161.4**	**-164.1**	**-186.2**	**-199.9**	**-154.3**	**-136.5**	**-189.1**
Compensation of Employees	4.1	26.5	37.8	-0.7	7.0	21.6	29.4
Investment Income	-165.5	-190.6	-224.0	-199.2	-161.3	-158.1	-218.5
D. Current Transfers	**507.1**	**518.2**	**543.7**	**501.9**	**546.7**	**538.2**	**496.2**
General Government	34.6	33.6	32.3	33.1	31.9	31.8	28.2
Other Sectors	472.5	484.6	511.4	468.8	514.8	506.4	468.0
2. Capital & Financial Account	**332.5**	**523.8**	**618.0**	**630.6**	**972.1**	**1 016.4**	**603.5**
A. Capital Account	**-9.0**	**-9.0**	**-8.1**	**20.7**	**-6.0**	**11.2**	**-4.3**
Capital Transfers	-9.0	-9.0	-8.1	20.7	-6.0	11.2	-4.3
General Government	0.2	0.3	0.0	29.5	0.0	19.1	3.6
Other Sectors	-9.2	-9.3	-8.1	-8.8	-6.0	-7.8	-7.9
Acq./disp. Of non-produced non-fin. Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Financial Account	**341.5**	**532.8**	**626.1**	**609.9**	**978.1**	**1 005.2**	**607.8**
Official Investment	176.3	44.8	250.8	-40.7	174.5	370.3	14.2
Private Investment (including net errors & omissions)	74.7	165.3	336.8	856.2	949.0	656.2	115.5
Reserves	90.5	322.7	38.5	-205.7	-145.4	-22.3	478.1

p-provisional
r-revised

r: revised
p: provisional

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PRIVATE SECTOR QUARTERLY CURRENT GROSS TRANSFERS (INCLUDING REMITTANCE INFLOWS) (US$MN)							
	Commercial Banks	Remittance Companies	Post Offices	Building Societies	Total Remittance Inflows	Other Current Transfers	Total
2004/2005[r]	**360.6**	**809.5**	**1.2**	**327.4**	**1 498.7**	**272.7**	**1 771.4**
June	96.9	185.6	0.3	83.3	366.1	40.2	406.3
September	70.3	186.4	0.3	84.8	341.8	48.3	390.1
December	97.5	216.5	0.3	88.8	403.1	134.1	537.2
March	95.9	221.0	0.3	70.5	387.7	50.1	437.8
2005/2006	**364.9**	**978.6**	**1.2**	**302.5**	**1 647.2**	**162.6**	**1 809.8**
June	74.7	241.6	0.3	77.3	393.9	40.8	434.7
September	90.8	245.3	0.3	75.2	411.6	40.8	452.4
December	96.7	254.0	0.3	77.1	428.1	40.8	468.9
March	102.7	237.7	0.3	72.9	413.6	40.2	453.8
2006/2007 [r]	376.2	1 069.5	0.0	355.9	1 801.6	195.2	1 996.8
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	264.6	0.0	87.1	445.6	70.0	515.6
2007/2008 [r]	**413.2**	**1 192.9**	**0.0**	**400.4**	**2 006.5**	**279.9**	**2 286.4**
June	94.5	290.1	0.0	94.2	478.8	70.0	548.8
September	110.9	296.7	0.0	97.7	505.3	70.0	575.3
December	112.8	315.0	0.0	106.5	534.3	70.0	604.3
March	95.0	291.1	0.0	102.0	488.1	69.9	558.0
2008//2009							
June	109.6	317.8	0.0	103.9	531.3	69.9	601.2
September	107.0	317.1	0.0	103.1	527.2	69.9	597.1
December [p]	73.4	309.1	0.0	96.0	478.5	69.9	548.1

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FOREIGN EXCHANGE SELLING RATES (J$ per unit of foreign currency-end of period)			
	US$	Can$	GB£
2004/2005			
September	61.89	49.05	111.62
December	61.63	50.66	117.92
March	61.54	50.61	115.35
2005/2006			
June	61.84	50.52	110.52
September	62.89	53.61	110.02
December	64.58	54.95	110.40
March	65.50	56.14	112.94
2006/2007			
June	66.03	59.50	120.19
September	66.06	59.10	123.48
December	67.15	57.53	131.53
March	67.80	58.75	132.40
2007/2008			
June	68.58	64.81	136.60
September	70.41	70.38	142.28
December	70.62	71.39	140.32
March	71.09	69.75	141.15
2008/2009			
June	71.89	71.49	142.55
September	72.68	69.49	130.35
December	80.47	65.54	116.84
March	88.82	71.97	129.02

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

	Gross Foreign Assets (US$MN)	Gross Foreign Liabilities (US$MN)	International Reserves (Net) (US$MN)	*Weeks of Imports* Goods	Goods & Services
2003/2004					
September	1216.6	34.0	1182.6	19.0	12.8
December	1 196.3	31.4	1 164.9	18.3	12.5
March	1 596.9	28.2	1 568.7	25.0	16.6
2004/2005					
June	1630.3	26.2	1604.1	22.5	
September	1 640.7	24.2	1 616.5	23.5	16.0
December	1 881.9	23.4	1 858.5	27.5	18.7
March	1 924.1	22.5	1901.6	27.5	18.8
2005/2006					
June	2 179.3	22.5	2 156.8	28.1	19.5
September	2 243.0	124.0	2 119.0	27.0	19.1
December	2 169.0	81.6	2 087.4	27.0	19.0
March	2 372.9	294.8	2 078.1	28.3	20.1
2006/2007					
June	2 293.2	183.2	2 110.0	22.9	16.7
September	2 474.7	132.7	2 342.0	26.1	18.8
December	2 399.1	81.6	2 317.5	25.2	18.2
March	2 613.6	284.3	2 329.3	27.1	19.5
2007/2008					
June	2 472.3	233.4	2 238.9	24.5	17.7
September	1 943.2	27.0	1 916.2	18.2	13.2
December	1 905.8	28.1	1 877.7	16.8	12.3
March	2 105.90	22.50	2 083.40	18.0	13.3
2008/2009					
June	2 476.8	248.0	2 228.8	17.9	13.6
September	2 280.5	29.4	2 251.1	17.0	12.8
December	1 795.4	22.5	1 772.9	14.4	10.6
March	1 663.4	34.8	1 628.6	12.8	9.5

15

STOCK MARKET ACTIVITIES

Jamaica Stock Exchange

	JSE Index	*Volume Traded* (MN.)	*Value of Stocks Traded (J$MN.)*
2004/2005			
September	99 819.8	391.1	4 920.4
December	112 655.5	532.0	7 144.9
March	111 931.2	920.4	18 029.3
2005/2006			
June	110 621.9	866 .8	14 136.8
September	103 332.6	387.8	4 189.6
December	104 510.4	323.1	4 391.0
March	86 896.1	366.5	4 513.8
2006/2007			
June	85 108.2	1 882.6	10 627.1
September	86 196.0	610.4	3 441.1
December	100 678.0	2 823.9	18 459.0
March	90 595.1	556.1	7 662.6
2007/2008			
June	90 069.9	352.4	2 762.0
September	96 299.8	884.7	5 013.4
December	107 968.0	640.3	13 609.5
March	107 439.3	678.2	9 817.1
2008/2009			
June	109 754.0	1 117 .5	13 665.7
September	102 018.9	637.8	39 352.8
December	80 152.0	519.6	4 191.3
March	79 022.6	657.7	2 248.7

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

16

PUBLIC SECTOR DOMESTIC SECURITIES
Outstanding Stocks

(J$MN)

End Period	Local Registered Stocks	Treasury Bills	Bonds	BOJ Open Market Operations Securities
2003/2004				
September	232 914.5	2 400.0	160 594.3	83 700.3
December	228 509.3	4 400.0	178 308.3	81 969.4
March	220 819.2	3 750.0	184 219.0	108 281.7
March	240 923.0	2 950.0	114 524.1	86 203.8
2004/2005				
June	222 372.2	3 950.0	187 932.0	123 222.1
September	222 522.4	3 750.0	197 847.6.	127 629.3
December	220 290.5	3 750.0	210 300.0.	130 692.1
March	218 412.6	4 050.0	214 565.6	143 854.8
2005/2006				
June	220 529.2	4 050.0	231 749.8	167 485.1
September	220 059.0	3 800.0	244 195.7	168 108.2
December	225 762.8	3 500.0	240 934.0	149 806.5
March	235 632.7	3 800.0	233 643.7	157 357.6
2006/2007				
June	236 668.6	4 200.0	249 662.1	159 438.0
September	231 237.9	4 600.0	285 901.2	166 018.9
December	229 978.3	4 700.0	294 773.2	154 757.0
March	226 631.1	4 200.0	276 155.1	165 704.0
20007/2008				
June	232 363.8	4 200.0	297 276.0	150 758.3
September	226 746.9	4 200.0	315 256.5	129 771.5
December	224 228.4	4700.0	324 929.2	114 741.3
March	223 581.6	4 200.0	330 008.5	138 179.1
2008/2009				
June	218 100.0	4 200.0	344 170.3	150 835.7
September	213 495.2	4 300.0	357 755.7	146 219.8
December	205 120.1	4 194.5	392 220.6	131 928.8
March	201 936.1	4 094.5	438 381.6	119 337.6

17

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

	Crude Bauxite	Alumina	Total Bauxite	Sugar	Bananas*
2004/2005	**3 451.4**	**4 028.5**	**13 411.9**	**142.0**	**18.1**
June	1 071.2	1 046.4	3 636.5	60.0	9.9
September	907.1	866.7	3 125.3	3.7	8.2
December	398.5	1 062.6	3 030.0	3.6	0.0
March	1 074.6	1 052.8	3 620.1	74.7	0.0
2005/2006	**4 099.7**	**4 048.7**	**14 167.4**	**151.0**	**18.8**
June	916.0	1 061.8	3 508.3	51.6	4.5
September	1 022.3	1 013.7	3 544.5	0.0	3.6
December	1 035.9	957.4	3 442.6	5.4	3.5
March	1 125.5	1 015.8	3 672.0	94.0	7.2
2006/2007	**4 594.3**	**4 105.2**	**14 905.5**	**144.0**	**30.5**
June	1 136.3	1 053.4	3 779.2	46.3	6.9
September	1 186.5	1 003.9	3 724.6	0.0	9.4
December	1 099.7	1 026.5	3 675.2	2.3	8.4
March	1 171.8	1 021.4	3 726.5	95.4	5.8
2007/2008	**4 386.2**	**3 897.8**	**14 523.0**	**156.9**	**11.7**
June	1 089.7	1 044.3	3 775.3	59.7	8.1
September	1 123.1	908.9	3 489.6	6.9	3.6
December	1 033.3	966.4	3 597.2	9.4	0.0
March	1 140.1	978.2	3 660.9	80.9	0.0
2008/2009	**3 916.7**	**3 856.3**	**13 614.4**	**139.4**	**0.0**
June	1 020.4	1 153..9	3 794.4	54.8	0.0
September	1 115.0	980.5	3 6 18.7	4.2	0.0
December	1 043.0	1 011.8	3 622.5	0.2	0.0
March	738.3	710.1	2 578.8	80.2	0.0

** Exports*

18

GROSS DOMESTIC PRODUCT
VALUE ADDED AT CONSTANT (2003) PRICES
SEPTEMBER 2006 – SEPTEMBER 2008
(SEASONALLY UNADJUSTED)
CHANGE (%) OVER THE PRECEDING PERIOD

	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08
Total Value Added at Basic Prices	3.01	3.15	2.56	0.41	-0.40	0.10	-0.82	-0.47	-1.14
Agriculture, Forestry & Fishing	12.29	6.05	7.05	-7.24	-28.98	-14.11	-10.77	-1.57	12.51
Mining & Quarrying	6.55	1.06	-0.05	-7.51	-4.26	-3.19	-1.26	5.71	3.52
Manufacture	-2.12	-0.14	2.42	-1.99	0.49	-0.73	-0.71	0.08	-3.66
Food, Beverages & Tobacco	-4.20	0.76	5.68	1.99	2.47	-0.77	0.05	1.21	-1.44
Other Manufacturing	0.04	-1.36	-1.90	-6.25	-1.47	-0.68	-1.79	-1.24	-5.95
Electricity & Water Supply	4.25	4.42	3.91	-4.48	-1.38	-1.26	-1.85	5.70	1.28
Construction	.027	4.44	1.81	2.48	8.88	2.38	-2.24	-7.72	-13.13
Wholesale & Retail Trade; Repair and Installation of Machinery	2.82	2.82	3.03	1.83	0.27	0.47	0.71	-0.31	-0.45
Hotels and Restaurants	2.74	-1.23	-2.40	3.01	4.50	9.81	2.17	-0.90	-1.00
Transport, Storage & Communication	5.06	8.65	3.33	1.04	0.35	-1.22	-2.29	-2.66	-2.63
Finance & Insurance Services	3.55	4.55	5.60	2.79	1.04	2.18	1.59	1.77	0.36
Real Estate, Renting & Business Services	2.31	2.78	3.15	3.63	3.28	1.53	1.57	0.22	0.43
Government Services	2.39	1.53	1.09	1.28	-0.81	0.72	-0.92	-0.24	0.18
Other Services	3.63	2.38	2.08	2.07	0.92	1.96	-0.20	-0.03	0.07
Less Financial Intermediation Services Indirectly Measured (FISIM)	5.47	5.99	6.04	7.09	1.74	1.70	1.35	-1.85	-2.08

D. BANK OF JAMAICA BALANCE SHEET

ASSETS AND LIABILITIES
(End of Period)
J$MN

	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09
Assets	**269 863.3**	**266 006.6**	**234 449.4**	**233 640.7**	**247 757.6**	**278 045.0**	**267 838.0**	**273 994.4**	**278 865.6**
Foreign	176 699.3	169 301.9	136 180.7	134 243.8	149 671.7	177 518.2	164 990.4	143 530.2	146 851.9
Current Account & Foreign Currency Balances	19 617.9	6 382.1	9 199.7	32 665.7	16 279.0	36 274.4	22 474.3	30 350.9	25 289.6
Time Deposits & Securities	149 013.7	154 673.4	118 397.0	92 715.1	124 208.5	132 102.3	133 223.7	100 738.6	102 477.6
Holdings of Special Drawing Rights	16.4	14.6	11.4	20.5	5.5	13.4	4.2	7.7	7.4
Other	8 051.3	8 231.8	8 572.6	8 842.5	9 178.7	9 128.1	9 288.2	12 433.0	19 077.3
Local	93 164.0	96 704.7	98 268.7	99 396.9	98 085.9	100 526.8	102 847.6	130 464.2	132 013.7
Public Sector Securities	68 877.1	68 615.5	73 834.6	73 756.7	73 697.2	73 717.4	79 687.4	107 104.6	113 074.2
Other Assets	24 286.9	28 089.2	24 434.1	25 640.2	24 388.7	26 809.4	23 160.2	23 359.6	18 939.5
Liabilities	**269 863.3**	**266 006.6**	**234 449.4**	**233 640.7**	**247 757.6**	**278 045.0**	**267 838.0**	**273 994.4**	**278 865.6**
Foreign	244.8	263.4	259.5	283.0	254.7	268.6	237.9	183.8	245.5
Local	269 618.4	265 743.2	234 189.9	186 102.6	247 502.9	277 776.4	267 600.1	273 810.6	278 620.1
Currency in Circulation	35 994.1	36 397.1	37 509.0	47 255.1	40 293.8	39 441.3	38 977.0	49 069.0	42 178.3
Deposits	219 603.0	215 715.8	180 700.9	170 289.8	194 151.5	224 425.0	214 859.7	198 224.7	206 875.9
Bankers	28 750.2	29 596.9	31 101.9	32 677.2	33 897.2	33 105.9	34 281.2	53 951.0	72 751.5
Government	5 634.1	17 575.9	14 499.1	18 217.8	10 476.0	6 589.0	8 286.9	4 503.6	5 208.3
Open Market Operations	165 704.0	150 758.3	129 771.5	114 741.3	138 179.1	150 835.7	146 219.8	131 928.8	119 337.6
Other	19 514.7	17 784.7	5 328.4	4 653.5	11 599.2	33 894.4	26 071.8	7 841.3	9 578.5
Allocation of Special Drawing Rights	3 914.0	3 914.0	3 914.0	3 914.0	3 914.0	4 185.3	5 020.6	5 020.6	5 020.6
Capital & Reserves	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Other Reserves	3 175.6	4 274.0	4 382.3	5 104.0	5 590.0	5 660.8	5 458.0	5 685.0	5 520.9
Other Liabilities	6 907.8	5 418.3	7 659.7	6 770.8	3 529.6	4 040.0	3 260.8	15 787.3	19 000.4

E. COMMERCIAL BANKS' BALANCE SHEET

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

	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08 p	Mar-09 p
Assets	439 454.8	452 281.0	471 604.9	490 987.8	496 030.6	519 204.9	533 049.2	548 341.6	572 720.3
Cash	4 806.7	3 692.7	3 951.2	6 545.7	7 042.5	3 893.6	5 338.2	7 029.9	5 280.9
Balances with BOJ	68 390.5	60 056.9	60 014.3	69 208.5	75 753.2	76 629.6	86 077.6	81 762.9	92 513.2
Foreign Assets	93 327.2	105 317.4	111 578.5	109 103.8	112 802.9	110 430.8	100 289.2	104 184.8	108 218.2
Loans & Advances	164 106.1	172 769.7	183 898.4	195 075.1	194 847.0	215 973.6	233 120.9	246 167.5	259 146.7
Private Sector	133 626.6	141 770.6	155 376.6	163 411.9	167 792.6	187 366.6	202 280.2	215 392.1	224 852.5
Public Sector	30 479.5	30 999.1	28 521.8	31 663.2	27 054.4	28 607.0	30 840.7	30 775.4	34 294.2
Public Sector Securities	61 284.1	66 639.3	64 883.9	63 495.2	60 352.7	62 265.7	58 867.3	57 691.2	55 571.9
Cheques in the Process of Collection	7 924.7	4 628.2	5 177.6	6 146.8	4 005.5	6 013.2	4 936.6	2 425.2	5 863.5
Other Assets	39 615.5	39 176.8	42 101.0	41 412.7	41 226.8	43 998.4	44 419.4	49 080.1	46 125.9
Liabilities	439 454.8	452 281.0	471 604.9	490 987.8	496 030.6	519 204.9	533 049.2	548 341.6	572 720.3
Deposits	281 934.5	292 735.3	308 182.3	321 158.7	321 588.7	322 095.9	327 776.0	333 960.0	353 880.5
Local Currency	179 631.3	182 259.7	188 681.1	198 395.7	196 044.3	199 675.1	205 462.6	205 487.7	210 182.7
Foreign Currency	102 303.2	110 475.6	119 501.2	122 763.0	125 544.4	122 420.8	122 313.4	128 472.3	143 697.8
Foreign Liabilities	59 656.7	56 315.8	61 469.2	61 298.0	66 811.5	79 532.3	79 180.9	88 460.5	91 717.1
Discounts & Advances from BOJ	168.1	192.3	178.3	33.4	430.8	203.2	53.3	197.1	93.6
Loans/Advances from Other Institutions	5 295.1	5 126.0	6 082.5	5 137.5	5 594.6	5 051.8	5 164.8	5 456.1	9 032.4
Cheques in the Process of Payment	4 528.8	4 745.0	4 024.0	5 5234.0	6 329.3	4 574.3	4 583.3	7 900.8	4 388.8
Other Liabilities	87 871.6	93 166.6	91 668.6	97 836.2	95 275.7	107 747.4	116 290.9	112 367.1	113 607.9

P - preliminary ; r - revised

F. INTERNATIONAL INDICATORS

1

LONDON INTERBANK OFFER RATE–LIBOR (End- of-Period)	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
2003/2004				
June	1.1620	1.1225	1.0815	1.0944
September	1.1200	1.4246	1.1856	1.3525
December	1.1326	1.1670	1.2274	1.4688
March	1.0923	1.1122	1.1585	1.3251
2004/2005				
June	1.3687	1.6100	1.9400	2.4625
September	1.8400	2.0200	2.1963	2.4825
December	2.3890	2.4959	2.7069	3.0109
March	2.6464	2.8335	3.0700	3.4237
2005/2006				
June	3.2498	3.4263	3.6131	3.8135
September	3.7779	3.8981	4.0363	4.1951
December	4.3622	4.4910	4.6662	4.8357
March	4.7604	4.9203	5.0527	5.1867
2006/2007				
June	5.2301	5.3673	5.4759	5.5772
September	5.3300	5.3898	5.4249	5.4101
December	5.3219	5.3600	5.3700	5.3294
March	5.3199	5.3462	5.3132	5.1969
2007/2008				
June	5.3200	5.3600	5.3863	5.4256
September	5.5572	5.5424	5.3916	5.0865
December	4.6000	4.7025	4.5963	4.2238
March	2.7031	2.6881	2.6143	2.4862
2008/2009				
June	2.4625	2.7831	3.1088	2.4862
September	3.9263	4.0525	3.9813	3.9625
December	0.4360	1.4250	1.7500	2.0040
March	0.5320	1.2670	1.8270	2.1170

2

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

	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
2004/2005				
June	4 5/8 – 4 ½	4 7/8 – 4 3/14	5 1/16 – 4 15/16	5 ¼ - 5 1/8
September	4 27/32-4 23/32	4 15/16-4 13/16	5-4 7/8	5 1/8-5
December	4 7/8 – 4 ¾	4 29/32 – 4 25/32	4 15/16 – 4 13/16	4 31/32 4 27/32
March	4 27/32 – 4 ¾	4 31/32 – 4 7/8	5 1/32 – 4 15/16	5 1/8 – 5 1/32
2005/2006				
June	4 27/32 – 4 11/16	4 25/32 – 4 5/8	4 23/32 – 4 9/16	4 19/32 – 4 13/32
September	4 19/32 – 4 15/32	4 19/32 – 4 15/32	4 9/16-4 7/16	4 7/16 – 4 13/32
December	4 21/32 – 4 17/32	4 5/8 – 4 17/32	4 19/32-4 15/32	4 9/16 – 4 15/32
March	4 19/32 – 4 ½	4 5/8 – 4 17/32	4 11/16 – 4 9/16	4 25/32 – 4 11/16
2006/2007				
June	4 11/16 – 4 19/32	4 ¾ – 4 21/32	4 13/16 – 4 23/32	5 – 4 29/32
September	4 15/16 – 4 7/8	5 1/16 – 5	5 3/16 – 5 3/32	5 9/32 – 5 7/32
December	5 1/32 – 5 ¼	5 5/16 – 5 7/32	5 13/32 – 5 5/16	5 17/32 – 5 7/16
March	5 15/32 -5 13/32	5 5/8-5 17/32	5 ¾-5 21/32	5 7/8-5 25/32
2007/2008				
June	5 92/100- 5 95/100	6 1/100 - 5 93/100	6 14/100 – 6 6/100	6 33/100 – 6 23/100
September	6 8/100 – 6 18/100	6 25/100 – 6 8/100	6 25/100 – 6 15/100	6 18/100 – 6 8/100
December	6 4/100 – 5 24/25	6 2/100 – 5 47/50	5 97/100 – 5 91/100	5 ¾ – 5 67/100
March	5 70/100- 5 79/100	5 94/100 - 6	5 90/100 – 5 98/100	5 74/100 – 5 84/100
2007/2008				
June	5 40/100- 5 51/100	5 86/100 - 5 95/100	6 5/100 – 6 17/100	6 36/100 – 6 45/100
September	5 90/100- 6	6 18/100- 6 28/100	6 25/100 – 6 35/100	6 35/100 – 6 45/100
December	2 5/100-2 5/100	2 68/100- 2 78/100	2 85/100 – 2 85/100	3 00/100 - 3 10/100
March	95/100 -1 05/100	1 60/100 – 1 70/100	1 85/100 - 1 95/100	2 06/100 – 2 16/100

3

PRIME LENDING RATES
(End- of-Period)

	EURO-ZONE	UNITED STATES			UNITED KINGDOM
	Repo rate	Fed Funds Rate	Discount Rate	Prime Rate	Repo rate
2004/2005					
June	2.00	1.25	2.014	4.00	4.50
September	2.00	1.75	2.58	4.75	4.75
December	2.00	2.25	3.15	5.25	4.75
March	2.00	2.75	3.58	5.50	4.75
2005/2006					
June	2.00	3.25	4.01	6.00	4.75
September	2.00	3.75	4.59	6.75	4.50
December	2.25	4.25	5.15	7.25	4.50
March	2.50	4.75	5.53	7.75	4.50
2006/2007					
June	2.75	5.25	6.02	8.25	4.50
September	3.00	5.25	6.25	8.25	4.75
December	3.50	5.25	6.25	8.25	5.00
March	3.75	5.25	6.25	8.25	5.25
2007/2008					
June	4.00	5.25	6.25	8.25	5.50
September	4.00	4.75	5.25	8.25	5.75
December	4.00	4.25	4.75	7.25	5.50
March	4.00	2.25	2.50	5.25	5.25
2008/2009					
June	4.00	2.00	2.25	5.00	5.00
September	4.25	2.00	225	5.00	5.00
December	2.50	0 – 0.25	0.50	3.61	2.00
March	1.50	0.25	0.50	3.25	0.50

4A

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

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

4B

INTERNATIONAL EXCHANGE RATES
EXCHANGE CROSS RATES
(Mar 2009)

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

4C

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

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

5A

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

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

5B

WORLD COMMODITY PRICES
FOOD
(End- of-Period)

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

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MAJOR STOCK MARKET INDICES
(End- of-Period)

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Monetary Base*: See *Base Money

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Quasi-money: Savings Deposits plus Time Deposits.

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