QUARTERLY MONETARY POLICY REPORT

July - September 2008
Volume 9 No. 2

Bank of Jamaica

Quarterly Monetary

Policy Report

JULY - September 2008

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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 features a discussion on the recent developments in the international financial markets and its implications for Jamaica (Box 1) as well as the impact of Tropical Storm Gustav (Box 2).

The developments in the review quarter are set against policy targets for the fiscal year, which runs from April to March. In some instances the data used in the preparation of the report are provisional and are therefore subject to change.

OVERVIEW

Monetary policy for the September 2008 quarter was conducted within an environment characterized by falling inflation, continued fiscal restraint and weak economic growth. Challenges emerged in the foreign exchange market mainly in the final two weeks of the quarter, directly related to heightened global uncertainty triggered by the collapse of two large financial institutions in the US.

The fall in inflation for the quarter occurred mainly in a context of declines in the prices of all major international commodities. These declines were driven by lower global demand caused by a slowdown in global economic growth, mainly in the US.[1] In addition, supply conditions in the commodities market were enhanced by the lifting of export bans in a number of countries as concerns about domestic food security weakened. Commodity prices also declined in a context where speculation in commodities futures was reduced through tighter restrictions on participation in that market.

In this context, headline inflation for the quarter was **4.7 per cent**, representing a decline relative to the June 2008 outturn. This was below the Bank's forecast range of **5.5 per cent – 6.5 per cent**. The full impact of the decline in international commodity prices on inflation for the quarter was attentuated by the lagged impact of exchange rate depreciation and commodity price increases in previous quarters. In addition, there were impulses from administered price increases, albeit lower than those of the previous quarter. Price increases were mainly reflected in ***Transportation***, ***Education*** and ***Housing, Water, Electricity Gas & Other Fuels*** which together contributed **78.0 per cent** of headline inflation for the quarter. All measures of core inflation also fell for the quarter. This was influenced by the tighter monetary policy stance since the December 2007 quarter.

The exchange rate depreciated by **1.08 per cent** in the September quarter despite sustained foreign exchange market pressures in

[1] By end-September, the consensus in the Bank was that the US economy was in a recession.

July and September. In July, demand pressures mainly emanated from uncertainties regarding the rolling of a maturing GOJ indexed bond. In September, demand pressures increased significantly and were associated with a sharp tightening of global credit conditions due to renewed concerns and heightened uncertainty about the direct exposure of financial institutions to sub-prime mortgage linked assets. This led to calls for payment related to foreign exchange liabilities of some local financial institutions and a suspension of credit lines of corporate entities which caused a sharp contraction in net private capital inflows for the quarter (see ***Box 1****: Recent Developments in the International Financial Markets: Implications for Jamaica*).

Against the background of these developments, the Bank's main focus during the quarter centred on mitigating instability in the foreign exchange market to limit the pass through of exchange rate depreciation to inflation. Consequently, the Bank sold foreign exchange to the market and offered a variable rate CD to tighten Jamaica Dollar liquidity. Interest rates on the standard menu of open market instruments were maintained at levels which existed since 26 June 2008.

In this context, the monetary base contracted by **0.1 per cent** for the quarter, reflecting a reduction in currency demand and slower growth in the cash reserves. The decline in the monetary base represented a tightening of liquidity for the quarter in comparison to programmed growth of **5.5 per cent**. The main source of the contraction was a build-up in Government deposits at the Bank which more than offset the injections from an increase in the NIR and an unwinding of open market instruments to facilitate GOJ debt raising activities.

Growth in the money supply was lower than projected for the quarter. This was consistent with the lower than programmed outturn in the monetary base and occurred against a background where consumers continued to reduce spending at a faster rate than anticipated in response to an increase in unemployment, a decline in real wages and previous policy actions by the BOJ. The reduction in spending was manifested in a decline in currency in circulation of **5.3 per cent** for the quarter. This decline was in contrast with the average growth of **3.3 per cent** for a September quarter. With respect to the other component of local money supply, private sector deposits also grew at a slower rate in light of the weakness in domestic output growth.

Personal loans continued to decelerate in the review quarter, partly contributing to the slower growth in money supply. For the quarter, personal loans grew by **4.0 per cent**, in comparison to average growth of **9.3 per cent** for the past five September quarters. This slowdown was particularly driven by a reduction in motor car and home improvement loans as consumer demand weakened. The moderation in demand reflected a continuation of the trend observed in the first half of 2008.

The Bank's estimate of aggregate demand for the quarter suggests that growth remained weak reflecting further moderation in consumption and investment as well as a weakening of net external demand relative to the comparable period of 2007. With respect to aggregate supply, the weakness in the domestic economy was exacerbated by the impact of Tropical Storm Gustav. Sectors that were mostly affected include ***Agriculture, Forestry & Fishing***, ***Transport Storage & Communication*** and ***Miscellaneous Services***, which includes the tourism industry (see ***Box 2****: Economic Impact of Tropical Storm Gustav)*. The sectors that are estimated to have grown include ***Mining and Quarrying***, ***Electricity & Water*** as well as ***Distributive Trade***.

Outlook

For the December quarter, inflation is expected to moderate to a range of **1.3 per cent – 2.3 per cent** in light of continued reduction in aggregate demand and international commodity prices. Commodity prices are expected to remain low, given expectations of continued deceleration in global output growth. Impulses are however, expected from administered price changes such as the announced increase in bus fares in the Kingston Metropolitan Transport Region. For the fiscal year, the forecast for inflation remains in the range of **14.0 per cent – 16.0 per cent** mainly on the expectation that the exchange rate pass through to inflation should be moderated by the fall in commodity prices. The risks to the inflation forecast for the fiscal year are now biased on the downside given the possibility of a much faster than anticipated reduction in international commodities prices. The main upside risk is adverse weather conditions.

Domestic output growth is forecasted to be in a range of **-0.1 per cent** to **0.5 per cent.** This forecast primarily reflects continued recovery in mining and electricity as well as nascent recovery in agriculture. Economic activity in major sectors, such as construction, distributive trade, transportation and tourism services, is expected to be weak. The recovery in agriculture, albeit moderate, will be driven by some segments of domestic agriculture which were not significantly affected by the passage of Tropical Storm Gustav. Downside risks to growth relate to a faster than anticipated deceleration in global economic output, due to the credit crises in the global economy as well as adverse weather conditions.

The monetary base is projected to increase within a range of **18.0 per cent to 19.0 per cent** in the December 2008 quarter to facilitate households' currency demand for the Christmas season. The projected expansion is below the seasonal average increase of **21.3 per cent** for a December quarter over the past 5 years and will also represent a cut in real spending.

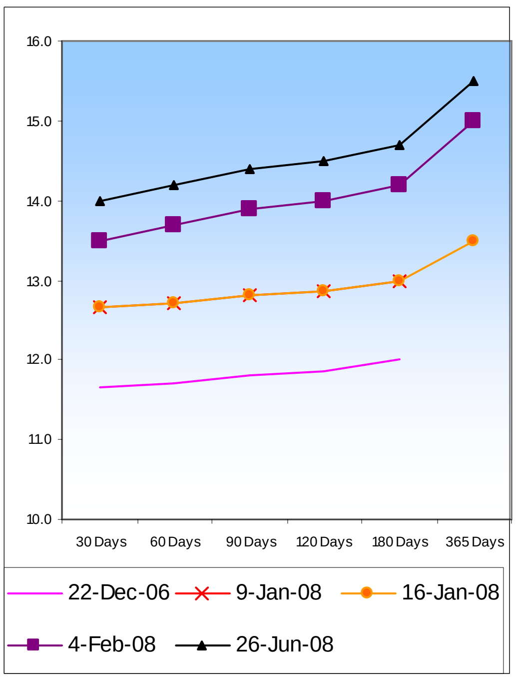
The major challenge for the Central Bank in the December quarter will be to maintain stability in the domestic financial markets in light of the impact of tightening global credit conditions on the Jamaican financial markets. To ensure stability in the financial system, the Bank, in October, raised interest rates on its spectrum of open market instruments and implemented a special foreign currency loan facility to financial institutions faced with margin calls on GOJ global bonds. This was complemented by interventions in the foreign exchange market. The Bank will continue to closely monitor the situation and effect further policy actions, if necessary, to limit the pass through of exchange rate depreciation on inflation and inflation expectations.

1. Monetary Policy and Financial Markets

Table 1.1

	Outturn for Sep'08 Quarter	Projection for Sep'08 Quarter	Original Targets for FY08/09
Inflation (% change)	4.7	5.5 - 6.5	11.5 - 14.5
Base Money (% change)	-0.1	5.5	13.6
NIR (eop) (US$ mn)	2 251.1	2023.5	1 750.0

Figure 1.1
BOJ Certificate of Deposits Yield



curve[2]

Money & Credit

Monetary Policy and Base Money Management

The Bank maintained its monetary policy stance during the September quarter in the context of an improvement in the outlook for inflation in the medium term. This improvement is based on projections of weaker global demand which would reduce the price of international commodities. In addition, there continued to be strong demand for Jamaica Dollar assets reflecting a moderation in inflation expectations and some uncertainty about conditions in the U.S. financial markets. In this regard, base money management largely centred on mitigating the inflationary impulses that could arise from episodes of instability in the foreign exchange market. To this end, the Bank sold foreign currency to the market and offered a variable rate certificate of deposit (VRCD) to absorb excess liquidity.

For the quarter, currency issue declined by 1.1 per cent relative to the programmed growth of 4.0 per cent. Against this background, the monetary base contracted by ***0.1 per cent*** *for the quarter in contrast to the programmed expansion of* ***5.5 per cent.***

During the September quarter, interest rates across the spectrum of the BOJ's open market instruments were held constant as monetary policy actions in the previous two quarters were effective in restraining monetary impulses to inflation. Also, the slowdown in global economic growth reduced the demand for commodities and led to a fall in commodity prices. In addition, the demand for Jamaica Dollar assets remained strong reflecting a moderation in inflation expectations and uncertainty about the US financial markets. (see **Inflation** and **Bond Market**). These factors supported an improvement in the Bank's medium term outlook for inflation.

Monetary policy in the review quarter was mainly focused on mitigating instability in the foreign exchange market so as to limit the pass-through to inflation. Demand pressures emerged in the context of the heightened global liquidity crisis which led to margin calls and the termination of some repo arrangements and credit lines of authorized dealers and end users (see **Foreign Exchange Market**). The Bank net sold **US$206.5 million** to augment the supply to end-users during the quarter (see

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

Table 1.2

Net International Reserves Jul - Sep 2008 Flows (US$MN)				
	Jul	Aug	Sep	Total
NIR	16.1	43.0	-36.8	22.3

Figure 1.2

Base Money

(Quarterly Change)

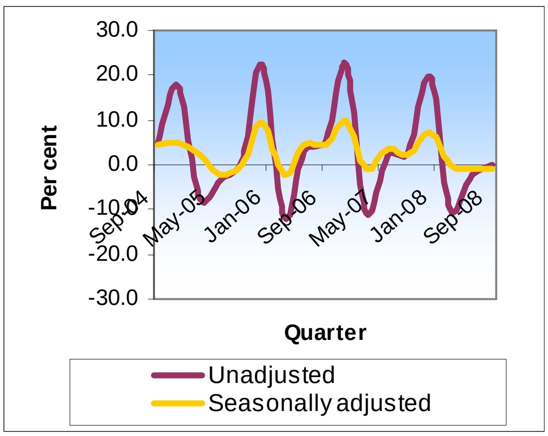
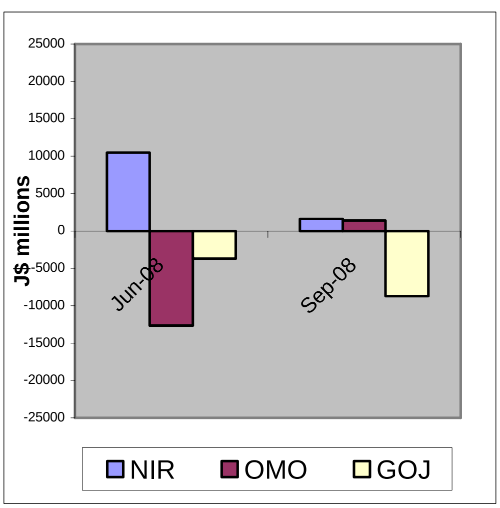


Figure 1.3

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



*Absorption-negative, Injection-positive

Foreign Exchange Market). Despite the intervention, there was an increase in the NIR of **US$22.3 million** during the quarter (see Table 1.2).

To further engender foreign exchange market stability, the Bank offered a VRCD on 01- 05 September with re-pricing margin of 1.25 per cent. This instrument absorbed **$3 155.8 million** from the system. Additional liquidity absorption was effected via a build-up in the GOJ accounts from net debt issues during the quarter. The take-up on the GOJ debt instruments was largely financed by the net unwinding of OMO securities of **$7 771.7 million** for the quarter.

Against this background, there was a contraction in the monetary base of **$72.4 million or 0.1 per cent** for the quarter **(**see **Table 1.1 and Figure 1.2)**. This contraction was largely reflected in net currency redemption of **$442.9 million** or **1.1 per cent** which was in contrast with the historical trend in currency for a September quarter associated with back to school demand. The decline in currency could be partly attributed to a decline in real wages and increased unemployment.

The contraction in the monetary base contrasted with the programmed expansion of **5.5 per cent** for the quarter. The deviation was reflected in the decline in currency for the quarter relative to programmed growth, as well as slower than programmed growth in the cash reserves. The main counterparts to the deviation were the smaller than programmed increase in the NIR as well as the build-up in Government deposits at the Bank relative to a programmed drawdown.

For the fiscal year to end September, the monetary base contracted by **$1 271.8 million** or **2.3 per cent** relative to the programmed expansion of **$2 211.1 million** or **3.8 per cent**. Similar to the outturn for the review quarter, the deviation was reflected in net currency redemptions, as well as the slower than programmed growth in the cash reserves. The main source of the deviation was the build up in Government deposits at the Bank relative to the programmed draw down. This was partially offset by the greater than programmed increase in the NIR as well as the smaller than anticipated absorption through OMO securities.

Figure 1.4

Money Supply
(Quarterly Growth Rates)
September 2004 to September 2008

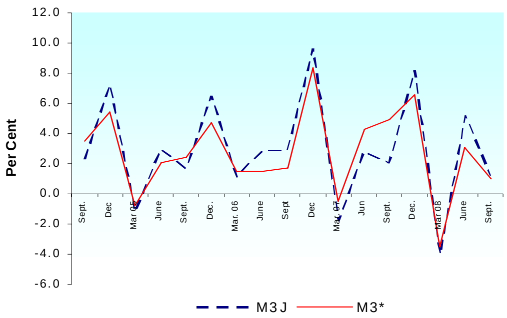


Table 1.3

Money Supply (12-month growth rates)		
MJ	**Sep-07**	**Sep-08**
M1J	16.8	10.6
M2J	14.1	7.6
M3J	12.9	10.7
M*		
M1*	23.0	0.9
M2*	19.8	4.4
M3*	12.9	10.7

Table 1.4

INTEREST RATES IN THE DOMESTIC MARKET	Aug-07	Jun-08	Aug-08
COMMERCIAL BANK WEIGHTED AVERAGE DEPOSIT RATES			
Overall	**5.02**	**4.85**	**4.94**
Demand	2.96	2.63	2.45
Savings	4.55	4.35	4.40
Time	6.87	6.93	6.94
Foreign Currency	**3.20**	**2.81**	**3.00**
Demand	2.60	1.80	1.59
Savings	2.33	2.08	2.08
Time	5.10	4.71	5.04
6-MONTH TREASURY BILL RATE	**12.21**	**14.43**	**15.08**
BOJ 180-DAY REPURCHASE AGREEMENT RATE	**12.00**	**14.70**	**14.70**
PRIVATE MONEY MARKET RATE	**12.50**	**14.65**	**14.60**
memo:			
6-MONTH U.S. TREASURY RATE	**4.55**	**2.19**	**1.97**

Money Supply

During the September 2008 quarter, broad Jamaica Dollar money supply (M3J) increased by 1.2 per cent, relative to 2.1 per cent for the September 2007 quarter. The growth in the review quarter was also below the increase of 5.7 per cent outlined in the monetary programme. On the demand side, the slower growth in money supply was reflected in a decline in currency in circulation relative to the programmed expansion. The supply of money was primarily influenced by slower than projected increase in banking system credit, particularly to the public sector.

The measure of money supply that includes foreign currency deposits, M3, increased by 1.0 per cent, relative to the outturn of 4.9 per cent in the corresponding quarter of 2007. The slowdown in the review quarter reflected a deceleration in the growth of private sector foreign currency deposits to 0.2 per cent from 13.0 per cent in September 2007. Consequently, the ratio of foreign currency deposits to total private sector deposits declined to 28.3 per cent at end-September 2008 relative to 31.3 per cent at end September 2007.*

For the September 2008 quarter, broad Jamaica Dollar money supply (M3J) increased by 1.2 per cent, relative to the expansion of 2.1 per cent recorded in the September 2007 quarter (see **Figure 1.4**). The increase during the review quarter was also below the 5.7 per cent growth anticipated in the monetary programme. Growth in M3J for the review quarter brought the annual growth to 10.7 per cent (see **Table 1.3**). The deviation from programme was in the context of a slower than projected increase in banking system credit, particularly to the public sector.

The main source of growth in M3J for the September 2008 quarter was an expansion in banking system credit to the private sector of 5.3 per cent or $4 201.4 million (see **Private Sector Credit**). This was complimented by an increase in the NIR equivalent to $2 863.2 million (US$22.3 million). The impact of the expansion in private sector credit and the NIR was partially offset by a net build-up of $4 615.9 million in BOJ open market operation securities.

Growth in money supply during the review quarter was reflected mainly in an expansion in local currency deposits of 2.2 per cent which was

Figure 1.5
Deposits in Commercial Banks
(Quarterly Growth Rates)
September2005 to September 2008

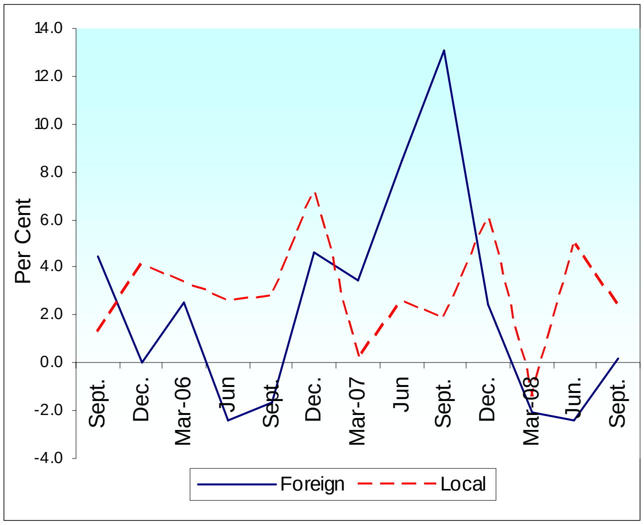


Figure 1.6
Foreign Currency Deposits to Total Deposits
September 2005 to September 2008

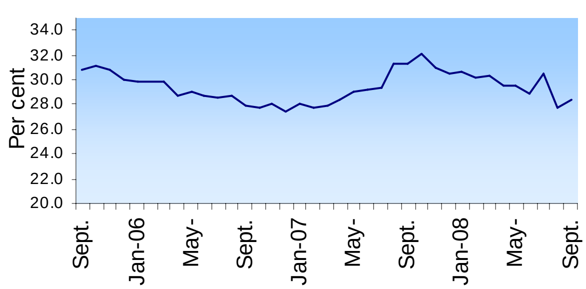


Table 1.5

COMPONENTS OF THE MONEY MULTIPLIER	Sep-07	Jun-08	Sep-08
		%	
Currency to Deposits	16.02	15.45	14.31
Reserves to Deposits	10.03	9.64	10.20
Money Multiplier	**4.45**	**4.60**	**4.66**

marginally above the growth of 2.0 per cent in the corresponding quarter of 2007. The increase in local currency deposits was mainly reflected in demand and time deposits which increased by 6.2 per cent and 10.8 per cent, respectively.

Currency in circulation, the other component of M3J, decreased by $1 887.5 million or 5.3 per cent for the September 2008 quarter in contrast to the growth of 2.6 per cent recorded for the corresponding period of 2007. The decline in currency in circulation during the review quarter occurred largely in August and September in contrast to the historical trend increase in these months associated with back-to-school expenses. For the 12-month period ended September 2008, currency in circulation grew by 0.3 per cent relative to an increase of 17.7 per cent for the comparable period ended September 2007. The annual growth at September 2008 was the lowest for the last five years. In real terms, there was a reduction of 19.9 per cent in currency in circulation, relative to an increase of 7.9 per cent for the comparable period of 2007. The real decline in currency may be attributed to a slowdown in overall real economic activity, the decline in real wages, as well as increased unemployment.

Consistent with the slowdown in overall real economic activity, the annual growth in the value of point of sale transactions slowed to 23.6 per cent in August 2008 relative to 28.5 per cent in August 2007. The slower growth in POS transactions reflected a deceleration in both debit and credit card transactions, in particular credit card transactions grew by 29.4 per cent in August 2008 relative to annual growth of 38.5 per cent in August 2007.

During the review quarter, M3* increased by 1.0 per cent, relative to growth of 4.9 per cent for the September 2007 quarter (see **Figure 1.4**). Within M3*, foreign currency deposits increased marginally by 0.2 per cent, significantly lower than the expansion of 13.0 per cent in the September 2007 quarter. Continued uncertainty which characterized external and domestic financial markets would have also influenced the marginal growth in foreign currency deposits during the review quarter (see **International Developments**). Consequently, the ratio of foreign currency deposits to total private sector deposits declined to 28.3 per cent at end-September 2008 relative to 31.3 per cent at end September 2007 (see **Figure 1.6**).

At end- September 2008, the money multiplier was 4.66 relative to 4.60 at the end of the previous quarter and 4.45 at end- September 2007. The outturn for the review quarter was largely due to a reduction in the currency to deposit ratio. The decline in the currency to deposit ratio was in the context of the continued reduction in the demand for currency in the last two months of the quarter (see **Table 1.5**).

Figure 1.7
Quarterly Growth Rates of Private Sector Credit
Sept 2005 to Sept 2008

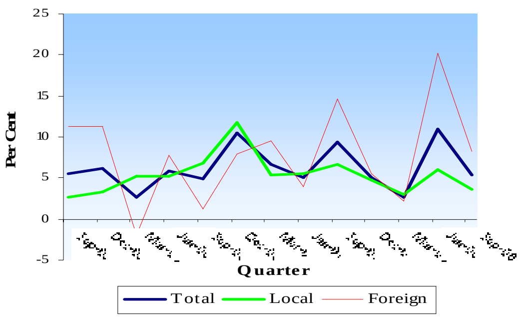


Table 1.6

Commercial Bank Distribution of Total Credit to the Private Sector J$ Million (Quarterly Flows)				
				Prov.
		Sep-07	Jun-08	Sep-08
	Total Private Sector Credit	**13 539.1**	**19 294.5**	**9 830.0**
	Loans and Advances	13 558.8	19 414.8	14 898.8
less	Overseas Residents	-7.5	251.3	4 562.4
add	Corporate Securities	-27.1	131.0	-506.4

Table 1.7

Commercial Bank Distribution of Loans & Advances to the Private Sector (Quarter to date Flows J$M)	Sep-07	Jun-08	Sep-08
Agriculture & Fishing	-237.5	939.2	316.8
Mining & Quarrying	-9.1	143.7	-6.5
Manufacturing	825.2	2 501.3	160.5
Construction & Land Dev.	350.3	1 061.3	993.6
Transport, Storage & Comm.	761.1	1 615.1	758.5
Tourism	3 293.1	4 068.1	3 106.3
Distribution	681.7	3 978.2	1 663.7
Professional & Other Services	1 138.0	1 792.2	1 053.2
Personal	5 263.6	1 913.5	2 788.8
Electricity, Gas & Water	1 514.7	1 056.0	-463.2
Entertainment	-14.8	95.0	-35.1
Overseas Residents	-7.5	251.3	4 562.4
TOTAL	**13 558.8**	**19 414.8**	**14 898.8**

Private Sector Credit

*Private sector credit expanded by 5.2 per cent in the September 2008 quarter, a slower rate of growth relative to the 11.2 per cent that obtained in the previous quarter. This moderation occurred in the context of a deceleration in economic activity in the review quarter. Both foreign and local currency loans reflected a deceleration in growth driven by net repayments in **Electricity, Gas & Water** and slower growth in **Manufacturing, Distribution, Tourism** as well as **Construction & Land Development**. Notwithstanding the deceleration in the growth of these loans, the ratio of private sector credit to total assets continued to increase.*

At end-September 2008, the stock of private sector credit was $200 676.8 million (17.6 per cent of GDP), representing an expansion of 5.2 per cent for the review quarter. This expansion was below the 7.4 per cent outlined in the monetary programme and also represented a deceleration relative to increases of 11.2 per cent and 9.3 per cent recorded in the June 2008 and September 2007 quarters, respectively (see **Figure 1.7**). The outturn for the review quarter contributed to annual growth in private sector credit of 31.0 per cent as at September 2008 relative to the increase of 35.2 per cent for the 12-month period ended September 2007.

Loans and advances expanded by $14 898.8 million or 8.0 per cent during the review quarter, lower than the 11.6 per cent in the June quarter (see **Table 1.6**). The slower rate of growth in loans during the review quarter was driven by deceleration in loans to the productive sector of 7.1 per cent from 19.4 per cent in the June 2008 quarter (see **Table 1.7**). The deceleration in growth was driven by net repayments in ***Electricity, Gas & Water*** and slower growth in ***Manufacturing, Distribution, Tourism*** as well as ***Construction & Land Development***. The slower growth in loans and advances during the review quarter occurred in the context of the deceleration in economic activity.

Personal loans, increased by 3.5 per cent during the September 2008 quarter, a faster rate of growth relative to the 2.5 per cent that obtained in the June quarter. However, the outturn for the review quarter represented the lowest increase for a September quarter since 2003 and was well below the average of 9.3 per cent for the last five September

Figure 1.8
Sectoral Distribution of Commercial Bank Loans & Advances to the Private Sector Per Cent of Outstanding Stock: Sept 2007 & Sept 2008

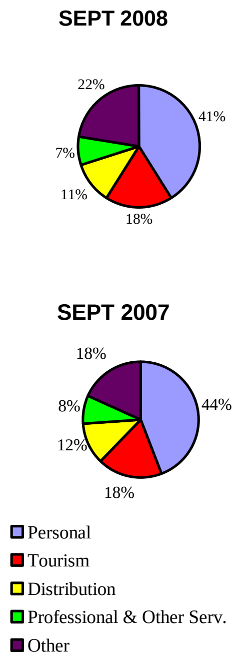


Table 1.8

Commercial Bank Distribution of Foreign Currency Loans & Advances to the Private Sector (Quarter to date flows US $M)	Sep-07	Jun-08	Sep-08
Agriculture & Fishing	4.1	12.7	3.0
Mining & Quarrying	-0.3	-1.0	-0.3
Manufacturing	2.5	27.0	-2.6
Construction & Land Development	-0.6	13.3	9.8
Transport, Storage & Comm.	7.4	12.2	6.1
Electricity, Gas & Water	21.4	10.8	-11.0
Distribution	1.2	36.9	24.4
Tourism	36.8	38.9	31.0
Entertainment	-0.1	0.2	-0.6
Professional & Other Services	4.0	18.5	-5.0
Personal	7.0	3.4	7.3
Overseas Residents	0.0	3.5	62.7
TOTAL	**83.6**	**176.6**	**124.9**

quarters. Notwithstanding this, Personal loans continued to account for the largest proportion of the outstanding stock of private sector loans (see **Figure 1.8).** Credit card receivables increased by 7.7 per cent during the review quarter compared to growth of 6.1 per cent and 8.7 per cent in the previous quarter and the corresponding period of 2008, respectively.

Foreign currency denominated loans expanded by US$124 million or 12.0 per cent in the review quarter, relative to an increase of 20.4 per cent in the June 2008 quarter. However, the outturn exceeded the 11.4 per cent expansion recorded for the September 2007 quarter. The deceleration in foreign currency loans relative to the previous quarter reflected significant net repayment by ***Electricity, Gas & Water*** as well as slower rate of increases in ***Tourism, Manufacturing, Distribution and Construction & Land Development*** (see **Table 1.8**). There was however, acceleration in credit to ***Overseas Residents*** for the payment of dividends. ***Tourism*** continued to account for the largest proportion of foreign currency loans at end-September 2008 (see **Figure 1.9**). Against this background, the proportion of foreign currency loans to total loans increased to 39.2 per cent at end-September 2008 from 38.1 per cent at end-June 2008. The ratio was 35.2 per cent at end-September 2007.

Interest Rates

The overall weighted average lending rate declined by a further 51.0 basis points (bps) during the review quarter reflecting aggressive marketing of loans by institutions. The reduction was reflected in a decline of 91.0 bps in the lending rate on private sector loans, driven by lending rates for personal and commercial loans during the quarter. In contrast, the lending rate charged on public sector loans increased by 199.0 bps during the September 2008 quarter reflecting increases in lending rates for both ***Central Government*** and ***Local Government & Other Public Sector Entities*** (see **Table 1.9**). This was consistent with the increase in market determined rates during the quarter.

Performance Indicators

Consistent with the trend over the past nine quarters, the ratio of private sector credit to total assets increased to 37.9 per cent at end-September 2008 from 36.9 per cent at end June 2008 and 33.9 per cent at end-September 2007. At end-September 2008, the quality of the loan portfolio measured by the ratio of past due loans (over three months) to

Figure 1.9

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

Sept 2007 & Sept 2008

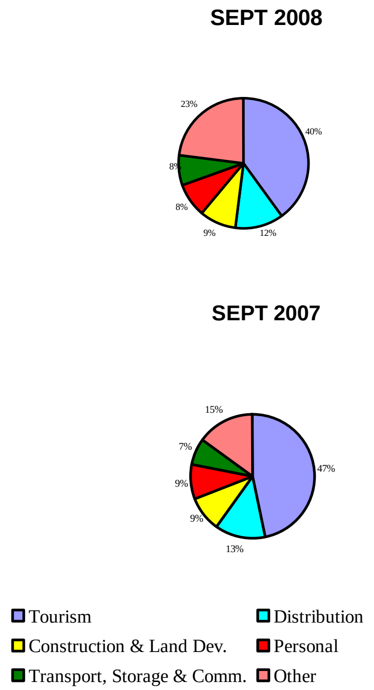
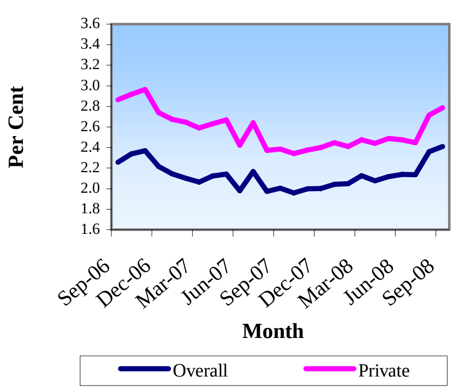


Table 1.9

Commercial Bank Domestic Currency Average Weighted Lending Rates by Loan Type Per Cent	Sep-07	Jun-08	Sep-08
Overall	**17.06**	**16.97**	**16.46**
Public Sector	**11.63**	**11.43**	**13.42**
Local Govt. & Other Public Ent.	11.03	11.08	13.26
Central Government	14.18	14.71	15.09
Private Sector	**18.09**	**17.85**	**16.94**
Instalment	21.20	20.48	20.49
Mortgage	8.19	7.47	7.50
Personal	25.43	25.23	24.40
Commercial	13.76	13.61	12.69

Figure 1.10

Commercial Banks' Past due Loans (Three Months and Over) to Total Loans Sept 2006 to Sept 2008



total private sector loans was 2.8 per cent, relative to the 2.5 per cent and 2.4 per cent which were recorded at end June 2008 and at end-September 2007, respectively (see **Figure 1.10**). However, the ratio is well below the international benchmark of 10.0 per cent.

Table 1.10

Treasury Bill Auctions and Maturities July - September 2008				
Issue Date	**Tenor (days)**	**Avg. yield (%)**	**Allotment (J$M)**	**Amount Maturing (J$M)**
25-Jul-08	182	14.90	500.0	
	91	14.46	400.0	
				900.0
29-Aug-08	182	15.08	400.0	
	91	14.58	500.0	
				600.0
19-Sep-08	91	14.81	400.0	
				400.0
26-Sep-08	182	15.35	500.0	
				300.0
Total			**2 700.0**	**2 200.0**

Average yields on GOJ Treasury Bills increase

Table 1.11

GOJ Public Domestic Debt Raising July - September 2008			
	Amount Allotted (J$MN.)	**Amount Maturing (J$MN.)**	**Net Maturities (J$MN.)**
Treasury Bills	2 700.0	2 200.0	-500.0
Variable Rate LRS		2 741.9	2 741.9
Fixed Rate LRS		1 700.0	1 700.0
Fixed Rate Inv. Deb.	7 441.2	14 748.3	7 307.1
Var. Rate Inv. Bd.	16 704.2	2 774.7	-13 929.5
Fixed Rate Reg. Bd.	8 613.3		-8 613.3
Sub-total	35 458.7	24 164.9	-11 293.8
Fixed Rate Ind. Bd.	*31.8*	*61.8*	*29.98*
J$ equivalent	2 297.0	4 426.9	2 129.9
Total (J$)	37 755.7	28 591.8	-9 163.9

GOJ increases placements on FR instruments

Bond Market

During the review quarter, interest rates in the bond market rose in a context of continued concerns about inflation and the effects of developments in international financial markets. In addition, rates responded to the increase in interest rates on the Bank's OMO instruments at the end of the previous quarter.

The issue of GOJ securities were largely equally distributed between fixed rate (FR) and variable rate (VR) allotments, contrary to the previous seven quarters where most of the debt allotted was variable.[3] The majority of the GOJ instruments issued will mature within three years. The operations of the Central Bank were generally absorptive as there were net placements across the spectrum of OMO tenors. Placements were, however, skewed towards the shorter-end of the market given the increased uncertainty within international financial markets associated with the current credit crisis. The crisis in the global financial market also had an adverse impact on the prices of most GOJ global bonds, which declined during the review quarter.

During the September 2008 quarter, movements in the yields on Treasury Bills generally reflected inflation expectations as well as the impact of the 50.0 basis points (bps) increase in rates on the Bank's OMO instruments on 26 June. Consequently, the average yields on the 90-day and 180-day tenors increased by 62.0 bps and 92.0 bps, respectively (see **Table 1.10**). The largest movement in yields for both tenors occurred at the Treasury bill auction in July.

The GOJ net issued $9 163.9 million in domestic debt during the review quarter relative to net issues of $7 527.3 million in the June 2008 quarter. Allotments of FR instruments increased significantly during the review quarter with total subscriptions being largely in line with the allotments of variable rate instruments (see **Table 1.11**). This was in contrast to the previous seven quarters where placements on VR instruments generally dominated. The greater placements on FR instruments could possibly be due to investors' need to diversify their portfolio given the dominance of VR issues as well as the relatively short maturities of these new instruments. However, VR instruments were issued at higher coupons, but

[3] With the exception of the Treasury Bills, there were no issues of GOJ securities in the March 2007 quarter.

Table 1.12

Placements and Maturities* in BOJ OMO Instruments:

	July - September 2008		April -June 2008	
	Maturities (J$MN.)	Placements (J$MN.)	Maturities (J$MN.)	Placements (J$MN.)
30-day	43 516.6	58 270.7	42 675.3	38 549.7
60-day	2 911.8	3 458.3	4 963.3	3 451.8
90-day	6 936.8	5 804.6	7 544.1	7 047.1
120-day	3 052.6	3 756.8	1 741.1	2 741.8
180-day	15 893.6	2 612.1	7 484.5	3 979.4
270-day	0.0	0.0	0.0	0.0
365-day	0.0	10 622.8	0.0	23 450.1
TOTAL	**72 311.4**	**84 525.2**	**64 408.4**	**79 219.9**

***excludes overnight transactions during the period**

Figure 1.11

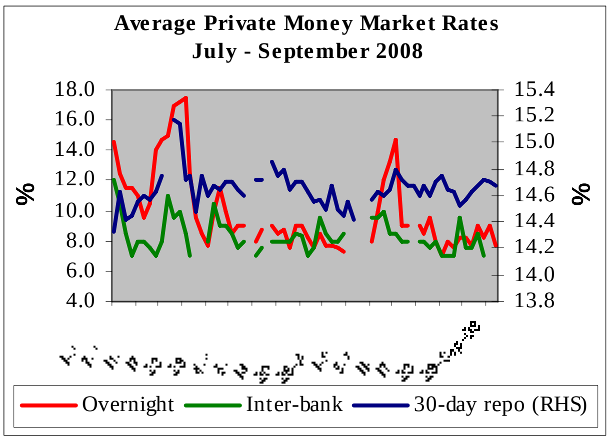
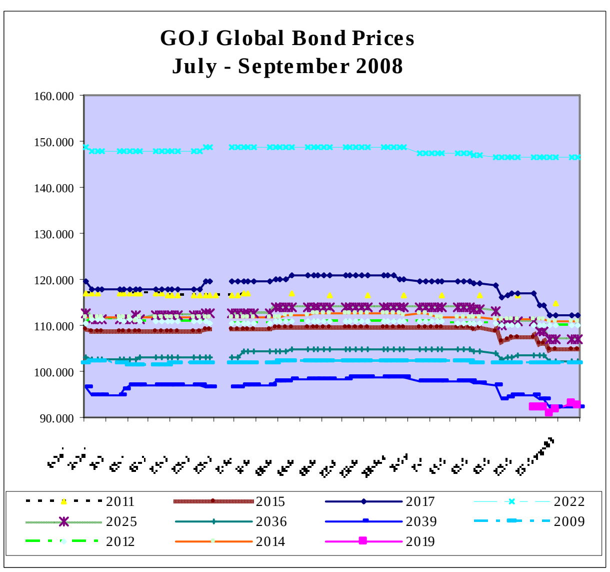


Figure 1.12



the repricing margin remained at 1.125 percentage points (pps) above the three-month Treasury bill yield. The GOJ also issued a US dollar indexed bond to replace a similar maturing instrument (see **Appendix Tables 8A and 8B**).

Given the increase in OMO rates during the previous quarter and relatively high liquidity conditions, there was overall net placements of $12 213.8 million on the Bank's OMO instruments (see **Table 1.12**). Placements were primarily concentrated in the 30-day tenor, indicative of a preference for shorter term investments given the uncertainties in the macroeconomic environment both locally and overseas.

In a context of heightened liquidity conditions arising from principal maturities of GOJ and BOJ instruments, the BOJ issued an 18-month VR CD in September (see **Base Money**). This instrument, which absorbed $3 155.8 million, was issued at a coupon of 14.58 per cent with a repricing margin of 1.25 pps above the 3-month weighted average Treasury Bill yield.

Private money market rates were generally stable during the review quarter. The average rate on the 30-day instrument remained fairly stable, recording a marginal increase of 0.83 pps to average 14.65 per cent during the review quarter. There was also a slight increase in the average overnight rate while the average inter-bank rate declined for the review quarter (see **Figure 1.11**). The spikes seen in the average overnight and interbank rates coincided with issues of GOJ instruments, the offer of the BOJ Variable rate CD as well as intervals of relatively narrow distribution of liquidity during the review quarter.

With the exception of two US dollar denominated GOJ global bonds scheduled to mature in 2017 and 2019, respectively, the prices on all GOJ global bonds fell during the review quarter (see **Figure 1.12**). This decline largely occurred during September, concurrent with the heightened turmoil in the US financial markets due to the sub-prime mortgage crisis. The downward trend in GOJ global bond prices was consistent with a general decline in prices on emerging market global bonds, reflecting a switch to securities that were perceived as less risky, such as US treasuries (see **International Developments**).

Figure 1.13
Quarterly Growth of the JSE Indices
September 2007 – September 2008

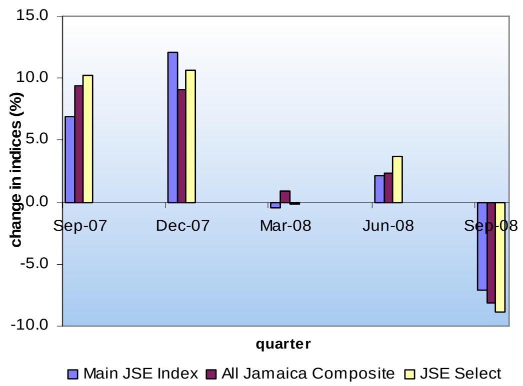


Figure 1.14
Quarterly Movements in Volumes & Values Traded September 2007-September 2008

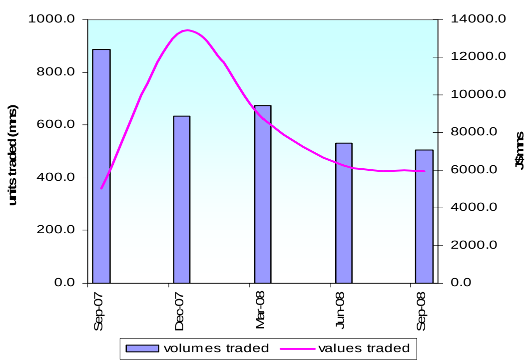
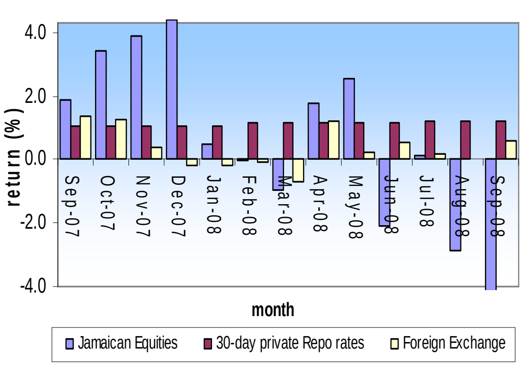


Figure 1.15
Monthly Returns from Equities and Fixed Income Investments



Stock Market

All three Jamaica Stock Exchange (JSE) indices fell sharply during the September 2008 quarter. The main JSE Index declined by 7.0 per cent, in sharp contrast to the average growth of 5.2 per cent over the previous four quarters. The decline occurred in a context of significant investor uncertainty, reflecting the global financial market turmoil, weak domestic macroeconomic conditions, higher rates on fixed income investments and expectations of slower growth in company earnings.

Relative to end June 2008, the main JSE Index decreased by 7.0 per cent, while the All Jamaica Composite and the Select indices declined by 8.1 per cent and 8.9 per cent, respectively (see **Figure 1.13**). The reduction in the main JSE index followed an average growth of 5.2 per cent over the previous four quarters. The fall-off in stock market performance was also reflected in a reduction in trading activity, which remained below levels experienced in the prior two quarters and that of the corresponding period last year (see **Figure 1.14**). For the review period, market volume declined by 4.9 per cent to 505.5 million units whilst market value fell by 5.4 per cent to $5,939 million relative to end-June 2008. The JSE advance-to-decline ratio was 8:28, compared to 15:18 for the previous quarter, indicative of the decreased market momentum. Price declines were largely evidenced in the financial, manufacturing and conglomerate sectors. Price gains were mainly from the communications and ‘other’ sectors, which accounted for four of the eight advancing stocks (see **Table 1.13**).

Increased investor uncertainty was the primary factor contributing to decreases in all three local stock market indices for the September 2008 quarter. The poor performance in the domestic equities market for the September 2008 quarter also occurred in a context of weak domestic and global macroeconomic conditions. Slower GDP growth as well as higher levels of inflation both locally and internationally, coupled with increased investor risk aversion all had a negative impact on the local stock market, particularly the performance of financial and manufacturing stocks.[4] Furthermore, relatively tight Jamaica Dollar liquidity conditions and the increased attractiveness of fixed income investments due to higher domestic interest rates also contributed to increased investor preference for relatively safer and more attractive fixed income investments.[5]

[4] Given the global financial crisis, local investors’ aversion to risk increased, as reflected in the general trend in stock prices for the quarter.
5 The Bank increased interest rates across the entire spectrum of its open market instruments on the 26th June 2008.

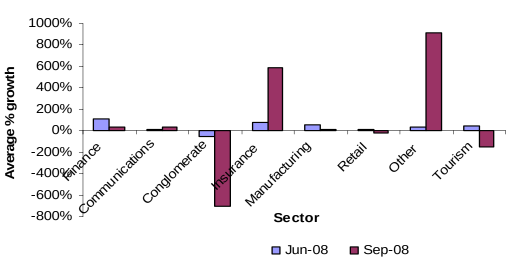
Table 1.13
Advancing Stocks
September 2008 Quarter

Companies	Price as at Sept-08 $	Qtr. Change %
Advancing Stocks		
Communications		
Radio Jamaica	3.20	8.11
Cable & Wireless	0.80	6.67
Manufacturing		
Seprod Limited	19.50	18.18
Goodyear Jamaica	4.75	5.56
Tourism		
Montego Freeport	3.05	48.78
Conglomerate		
Pan Jam Investments	49.99	0.66
Other		
Palace Amusement	61.00	22.00
Pulse Investments	6.00	1.69

Figure 1.16
Average Growth in Quarterly Earnings by Sector
June 2008 - September 2008 Quarter

Companies	Price as at Sept-08 $	Qtr. Change %
Declining Stocks		
Financial		
Mayberry Investments	3.35	-20.43
Scotia DBG Investments	23.90	-17.59
National Commercial Bank	20.00	-13.04
Jamaica Money Market	10.00	-9.09
Manufacturing		
Desnoes & Geddes	5.20	-25.61
Jamaica Broilers Group	5.80	-9.38
Insurance		
Guardian Holding	320.00	-11.11
Tourism		
Pegasus Hotel	19.00	-13.24
Conglomerate		
GraceKennedy	70.00	-20.51
Jamaica Producers Group	28.50	-16.18

Table 1.14
Declining Stocks
September 2008 Quarter



For the September quarter, the stock market yielded an average monthly return of negative 2.4 per cent compared to average monthly returns of 1.2 per cent from money market securities and 0.6 per cent on foreign currency holdings (see **Figure 1.15**). Additionally, price declines in the equities market during the September 2008 quarter were fuelled by a fall-off in earnings for many of the listed companies, which largely reflected a slow-down in aggregate demand and higher operating costs during the quarter. This downturn in earnings growth was evident in the financial sector which grew on average by 33.0 per cent relative to the 116.0 per cent for the previous quarter.[6] Earnings in the manufacturing, conglomerate, retail and tourism categories also slowed during the September quarter compared to the June 2008 quarter (see **Figure 1.16**).[7]

The other major stock exchanges in the region also recorded declines for the September 2008 quarter. In Trinidad & Tobago, the Composite Index fell by 7.4 per cent compared to an increase of 15.7 per cent in the previous quarter. Funds were diverted from the equities market due to higher local interest rates as well as in a context where the Central Bank offered several attractive fixed-income instruments during the quarter.[8] For Barbados, the Local Index declined by 5.2 per cent relative to 5.1 per cent gain for the June 2008 quarter and was consistent with the slowdown in GDP growth in that economy (See **Figure 1.17**).[9]

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[6] During the June 2008 quarter, profitability of several companies in the financial sector was influenced by one-off gains which were not repeated this quarter. In particular, during the previous quarter, Mayberry investments had significant trading gains realized from the liquidation of Lascelles shares which resulted in their net profit spiking to 980.0 per cent. NCB on the other hand gained $517 million from the mandatory sale of 50.0 per cent of its VISA shares. ScotiaDBG's marked improvement was attributed to strong growth in funds under management due to the acquisition of Scotia Jamaica Investment Management.

[7] Notably, of the seven sectors only three recorded an average increase in earnings over the June 2008 quarter (namely, insurance, communications and other). This was due to significant growth in earnings from Supreme Ventures and Guardian Holdings Limited during the current review quarter.

8 The Central Bank of Trinidad & Tobago raised "repo" rates by 25 basis point to 8.75 per cent, during the quarter. Moreover, the recent issue of TT$700.0 million Housing Development Corporation 8.7 per cent fixed rate bond was over subscribed indicative of investor's desire for relatively safer instruments.

[9] Economic growth in Barbados was flat (0.0 per cent) in the second quarter relative to 2.6 per cent in the first quarter of the current financial year.

Figure 1.17
Quarterly Growth of Regional Indices
September 2007 – September 2008

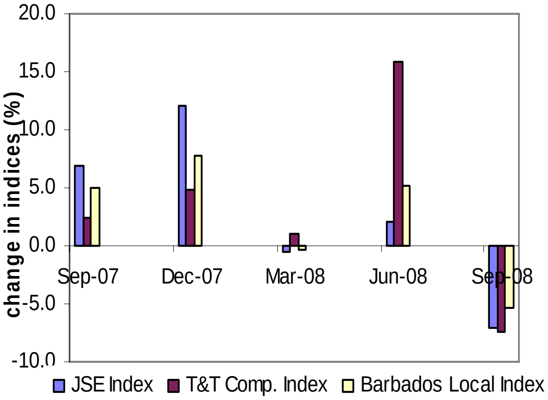


Figure 1.18
Percentage Change in Weighted Average Selling Exchange Rate (e.o.p.) (J$1.00= US$)

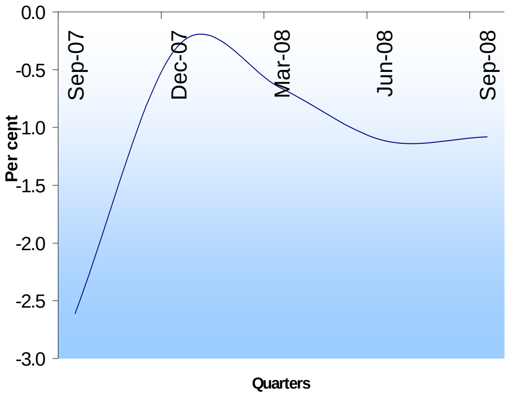


Figure 1.19
Mid-point of Weekly Exchange Rate Trading Range

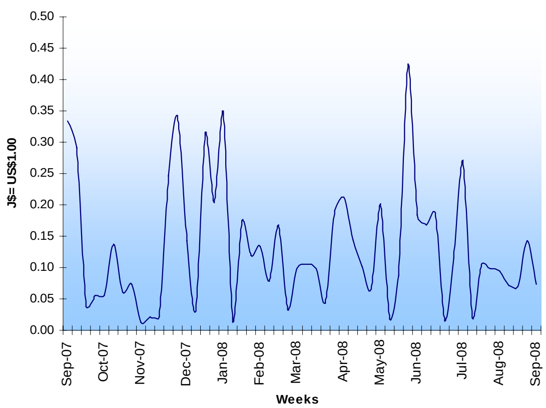
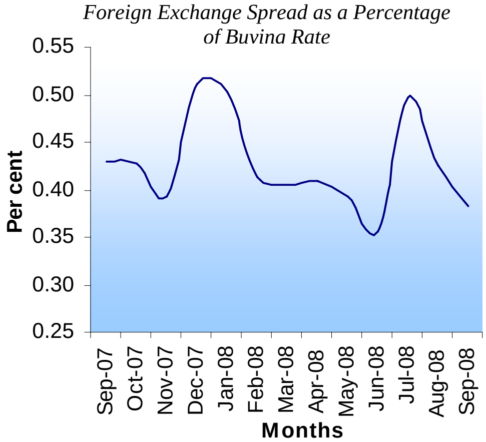


Figure 1.20
Foreign Exchange Spread as a Percentage of Buying Rate



Foreign Exchange Market

There was a marginal decline in the pace of depreciation of the Jamaica Dollar vis-à-vis the US dollar in the September 2008 quarter, despite sustained demand pressures in July and September (see Figure 1.22). The demand pressures in July were influenced by uncertainty about whether the Government would replace a US dollar indexed bond, which matured in August. In the month of September demand pressures increased significantly due to a marked contraction in net private capital inflows associated with increased margin and repo payments on GOJ global bonds to overseas institutions. The relatively stable movement of the exchange rate reflected BOJ operations during the quarter which included the net sale of foreign currency and the offer of a special instrument aimed at tightening Jamaica Dollar liquidity. Notwithstanding the net sale of foreign currency by the Bank, the NIR at end-September 2008 was higher than the programmed level and the outturn for end-June 2008.

The weighted average selling rate (WASR) of the US dollar vis-à-vis the Jamaica Dollar increased to J$72.68 = US$1.00 at end-September 2008 from J$71.89 = US$1.00 at end-June 2008, representing a depreciation of 1.08 per cent. This was below the 1.11 per cent depreciation in the June 2008 quarter and compared favourably with the average depreciation of 1.31 per cent for the preceding five September quarters **(**see **Figure 1.18)**. Most of the depreciation observed during the quarter occurred in the month of September, in particular the last two weeks of the month. This was evidenced by an increase in the average daily depreciation to J$0.48 (0.66 per cent) between 15 September and 30 September relative to J$0.12 (0.17 per cent) for the first two weeks of the month. The exchange rate depreciated by 0.21 percent, 0.04 percent and 0.83 per cent in July, August and September, respectively. For the calendar year to September, the value of the Jamaica Dollar, vis-à-vis the US dollar declined by 2.83 per cent, below the 4.63 per cent recorded for the comparable period of 2007.

Consistent with the movement in the exchange rate during the quarter, the average weekly market trading range narrowed to J$0.11, relative to an average of J$0.15 for the June 2008 quarter (see **Figure 1.19**).[1] The average bid-ask spread, expressed as a percentage of the buying rate, however,

1 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

Table 1.15

Foreign Exchange Cash Flow Estimates*

	2007 Jul-Sep (US$MN)	2008 Apr-Jun (US$MN)	2008 Jul-Sep (US$MN)	Change Relative To Previous Qtr	Change Relative To Previous yr
Net Current Inflows	-756.7	-966.0	-920.4	45.6	-163.7
Current Inflows	1012.9	1153.6	1187.7	34.1	174.8
Current Outflows	1769.6	2119.6	2108.1	-11.5	338.5
Net Private Capital Inflows	531.1	1186.1	840.0	-346.1	308.9
Balance	-225.6	220.2	-80.4	-300.6	145.2

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

increased to 0.43 per cent relative to the 0.39 per cent recorded in the June 2008 quarter largely reflecting increased demand pressures in July (see **Figure 1.20).**

The pressures that emerged during the review quarter were mainly associated with a contraction of US$346.1 million in net private capital inflows, relative to the June 2008 quarter. This decline was particularly evident in July and September. The contraction in net private capital inflows in July resulted from an increase in the foreign currency positions of authorized dealers, associated with uncertainty about whether the Government would replace a US dollar indexed bond, which matured in August. There was also a marked increase in US dollar portfolio demand in September as a number of institutions sought to satisfy overseas margin and repo payments on GOJ global bonds. This resulted from the deepening of the current global credit crisis precipitated by the failure of US investment bank Lehman Brothers Holdings Inc and the take over of Merrill Lynch by Bank of America Corp on 15 September (see **International Economic Developments**).

There was, however, a reduction in the net foreign exchange demand for current account transactions relative to the previous quarter. The Bank estimates that foreign exchange inflows increased by US$34.1 million due to a growth in earnings from seasonal workers abroad and non-traditional exports as well as greater remittances flows (See **Table 1.15).** Reflecting a reduction in demand for merchandise imports, payments declined by an estimated US$11.5 million. Consistent with the decline in demand during the quarter, the average daily sales by authorised dealers and cambios amounted to US$29.7 million, compared with US$32.5 million in the previous quarter.

To moderate the pressures that emerged in the foreign exchange market, the Bank offered a variable rate instrument in the month of September and sold US$206.5 million (net) (excluding surrenders and regular mining related purchases) to the market. This net sale contrasted with net purchases of US$86.5 million in the June 2008 quarter and but lower than net sales of US$335.7 million in the comparable period of 2007. Notwithstanding, the NIR at end-September 2008 was US$2 251.1 million, US$137.2 million above the target and US$22.3 million above the outturn for end-June 2008 (see **Table 1.16**).

Table 1.16

Net International Reserves

(US$MN)

Month	Stock	One Month Change
Sep-07	1916.2	-151.1
Oct-07	1924.5	8.3
Nov-07	1808.5	-116
Dec-07	1877.6	69.2
Jan-08	1819.1	-58.5
Feb-08	1956.2	137.1
Mar-08	2083.4	127.2
Apr-08	2162.9	79.5
May-08	2259.2	96.3
Jun-08	2228.8	-30.4
Jul-08	2244.9	16.05
Aug-08	2287.8	42.99
Sep-08	2251.1	-36.76

BOX 1: Recent Developments in the International Financial Markets: Implications for Jamaica

Overview

The instability that characterised the global financial markets since mid-2007 intensified following the collapse of a major financial institution during September. This led to increased uncertainty about the direct exposure of financial institutions to subprime mortgage linked assets, triggering an extraordinary tightening in global liquidity conditions and eroding the ability of some firms to meet their obligations. Additionally, increased losses suffered by many financial institutions reduced both their ability to lend as well as the willingness of other institutions to facilitate counterparty transactions. This had adverse implications for equity prices, consumer confidence and overall spending in the major developed economies.

In the context of the global liquidity crunch, Jamaica's foreign exchange market has come under inordinate pressure. This reflected, among other things, increased foreign exchange demand to satisfy margin calls, the withdrawal of international credit lines for companies and some fall-off in foreign exchange supplies from earners. To alleviate the pressures and restore confidence to the market, the Bank established a special U.S. dollar loan facility with the objective of insulating domestic institutions from the instability in international credit markets. This initiative was supported by foreign currency sales through the regular intervention window, an adjustment to policy interest rates and the implementation of a U.S. dollar repurchase facility.

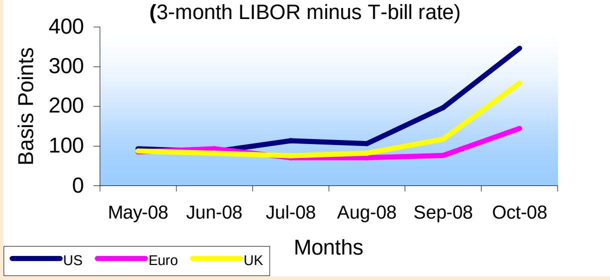
Jamaica's major macroeconomic variables will be affected by the international financial crisis. GDP growth for the near-term will be negatively affected. The current account of the balance of payments (BOP) is, however, projected to improve, influenced primarily by the recent reversals in commodity prices, particularly oil. Despite accelerated exchange rate depreciation in October, the impact of the crisis on the domestic inflation rate is also expected to be positive given the impact of falling oil prices. With respect to the fiscal accounts, initiatives to diversify Jamaica's funding sources should serve to buffer the country in the context of the funding shock.

Recent International Developments and Policy Response

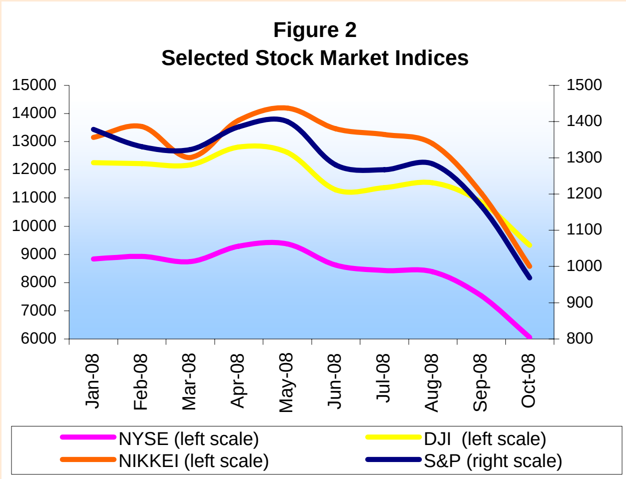
Since September 2008, several major international financial institutions encountered solvency challenges arising from increased write-downs and losses associated with the subprime mortgage crisis. This resulted in increased uncertainty in the global financial markets, fuelling a significant tightening of liquidity conditions and across-the-board declines in asset prices. As a result, a number of firms were forced to merge, seek government support or file for bankruptcy protection.[10]

The intensification of the international financial crisis was largely reflected in increased investor risk aversion, tightening of lending standards by banks and the erosion of wealth as indicated by a decline in asset prices globally (see **Figures 1-2** and **International Developments**). In this considerably in the December 2008 and March 2009 quarters, the impact of which has affected commodity prices, the most evident being that for oil.

Figure 1
Interest Rate Spreads
(3-month LIBOR minus T-bill rate)



[10]The investment bank, Lehman Brothers Inc. and mortgage lenders Federal National Mortgage Association and Federal Home Mortgage Corporation, were among the first of several large U.S. financial institutions to be adversely affected by the recent developments in the market.



To address the difficulties in the global financial system, the major central banks continued to inject liquidity in the financial markets. Various other policy initiatives have also been implemented by the authorities in the major developed economies since September 2008. Deposit insurance programmes were expanded, while a money market insurance programme was announced with a view to stabilising LIBOR rates. For the U.S., legislation was passed to establish a $700.0 billion fund to inject capital into adversely affected financial institutions, as well as to purchase troubled assets. Notably, a minimum of eleven large institutions in the U.S. and Europe received direct support from the authorities in exchange for shares, during the review period.

These initiatives were supplemented by coordinated interest rate reductions in the major advanced economies. More recently, the Federal Reserve agreed to provide US$30.0 billion each in currency swaps to the central banks of Brazil, Mexico, South Korea and Singapore, expanding its effort to unfreeze money markets. The International Monetary Fund has also re-activated emergency procedures to respond quickly to urgent requests. A similar facility is also being considered for implementation by the Inter-American Development Bank.

Implications for Jamaica

The overall impact of the international financial crisis on the Jamaican economy will be mixed. The Bank's revised forecast suggests that domestic GDP growth will be adversely affected. Among the industries that are likely to be most affected are tourism, transport, distribution and financial services.

For the tourism industry, stopover visitor arrivals are now projected to grow in the range of 1.5 per cent to 2.5 per cent for the FY 2008/09, relative to previous projections for growth of 6.0 per cent to 7.0 per cent. This expected slowdown in the growth of tourist arrivals, which reflects the projected deceleration in world growth, will also have a negative impact on air and ground transportation.

Growth in distribution is expected to moderate in the context of a projected slowdown in the growth in remittances inflows for FY2008/09. The projected growth in remittances inflows has been revised downwards by approximately 2.0 percentage points to within the range of 5.0 per cent to 6.0 per cent.

The impact of the crisis on the domestic financial industry is expected to be reflected in declines in the value of the asset portfolio of institutions, especially those with significant exposures to emerging market sovereign bonds. At the same time, influenced by the general re-evaluation of risk, institutions face a significant rise in foreign currency funding costs. Overall, the local financial institutions remain adequately capitalized.

The crisis could have positive implications for the current account of Jamaica's BOP. The current account is expected to benefit from the impact of the recent reversals in international commodity prices on imports. Profit remittances by the foreign direct investment companies are also projected to decline because of the shock to the terms of trade. The effects of these developments are expected to be partly offset by the projected slowdown in inflows from tourism, mining and remittance. In this context, the Bank estimates that the net impact of these changes on the current account deficit as a percentage of GDP could be an improvement in the range of 1.0 per cent to 2.0 per cent.

The financial account of the BOP has already seen significant private capital outflows influenced by the call on foreign liabilities and the suspension of credit lines. Some financial institutions have also sought to build long positions in foreign currency to meet obligations as they become due. There has consequently been an acceleration in the rate of depreciation in October to 4.7 per cent, relative to average monthly depreciation of 0.4 per cent over the period April to September 2008.

The outlook for inflation has been revised downwards in the range of 14.0 per cent to 16.0 per cent for the fiscal year (see **Outlook**). While the effect of falling international commodity prices is likely to be positive, the pass-through to domestic prices is expected to be slow due to existing inventories. There is also expected to be some moderation in aggregate demand pressures in the context of rising uncertainty and lower remittance flows. The effects of these factors may, however, be partly counterbalanced by the recent acceleration in the rate of depreciation in the exchange rate.

Domestic Policy Response

The authorities have been proactive in implementing measures to minimize the effects of the global financial crisis on the Jamaica economy. This includes the intensification of coordinated surveillance of the financial system by the Bank, the Ministry of Finance, the Planning Institute of Jamaica and the Financial Services Commission. There is also a commitment to more aggressive advertising of the country's tourism product in existing and new markets.

In response to the closure of global credit markets, the Bank, on 15 October 2008 opened a US$300.0 million temporary lending facility for the financial institutions faced with margin calls on GOJ global bonds. A U.S. dollar repurchase facility was also established to improve liquidity conditions in the local inter-bank market. Additionally, the Bank continues to provide U.S. dollar liquidity to the market through the regular intervention window. These developments have been complemented by an upward adjustment in interest rates to induce portfolio switching to Jamaica Dollar denominated assets.

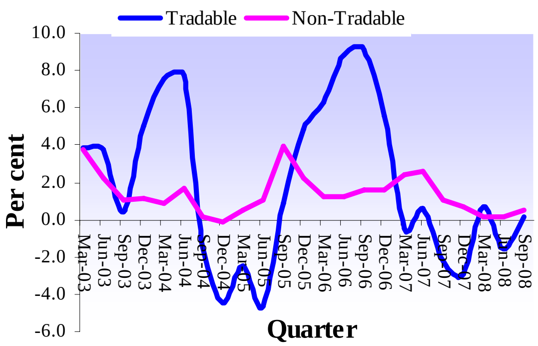
With regard to GOJ external financing activities, the authorities have proactively sought financing from the multilaterals. There are no large bullet payments in FY2009/10.

2. Real Sector Developments

In the September 2008 quarter, economic activity is estimated to have remained weak, continuing the trend observed for the first half of 2008. Economic activity in the quarter was adversely affected by the passage of Tropical Storm Gustav on 28 August 2008. Preliminary estimates of aggregate demand indicate a softening in domestic spending and continued weakening in net external demand

Figure 2.1

Tradable vs. Non-Tradable (12-Month Change)



Output growth continued to be weak in the September 2008 quarter

Aggregate Supply

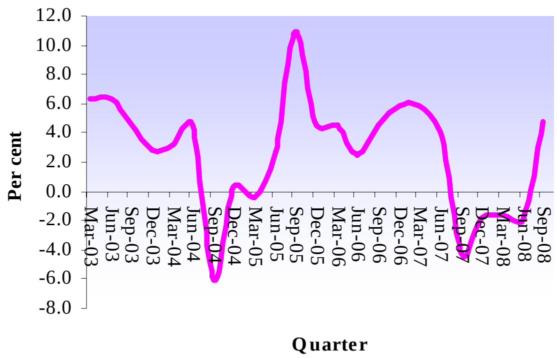
The economy is estimated to have grown marginally in the September 2008 quarter continuing the sluggish performance since the September 2007 quarter. Since that period, the economy declined on average by 0.2 per cent. The economy's performance for the review quarter reflected marginal growth in both the tradable and non-tradable sectors **(see Figure 2.1)**.

The performance of the economy was negatively affected by both external and domestic developments. The uncertain international environment would have adversely affected domestic investments, while, the passage of Tropical Storm Gustav partly derailed the recovery from Hurricane Dean in the previous year. Against this background, growth fell below the economy's long run trend average of 1.1 per cent, recorded since March 1998.

The estimated growth reflected a marginal expansion in the distributive trade as well as recovery within ***Electricity & Water*** and ***Mining & Quarrying***. However, the impact was tempered by estimated contractions in ***Agriculture***, ***Transport, Storage & Communication***, ***Manufacturing*** as well as the tourism industry.

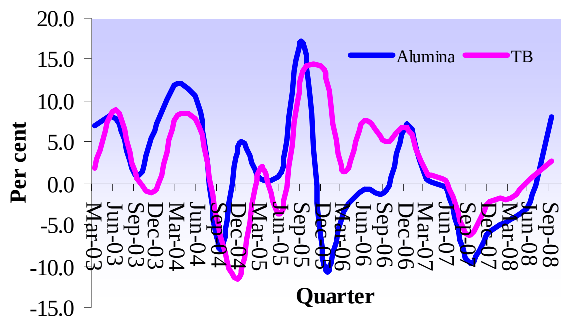
In the September 2008 quarter, the expansion in ***Distribution Trade*** is estimated to be in line with the average quarterly growth over the first half of 2008. The growth was inferred from a 5.5 per cent increase in consumer imports, significantly slower than the 19.9 per cent growth in September 2007.

Figure 2.2
Electricity Generation
(12-Month Change)



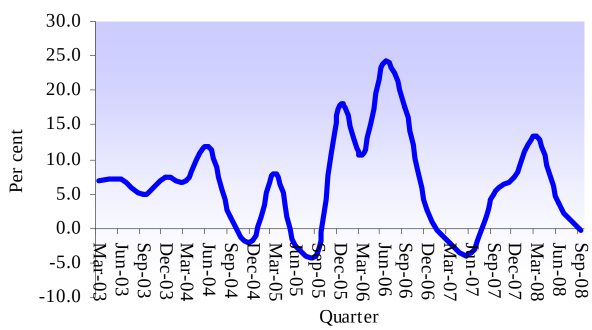
Source: JPS & Bank of Jamaica

Figure 2.3
Trends in Alumina and Total Bauxite Production
(12-Month Change)



Source: Jamaica Bauxite Institute

Figure 2.4
Total Stop over Arrivals
(12-Month change)



Source: Jamaica Tourist Board

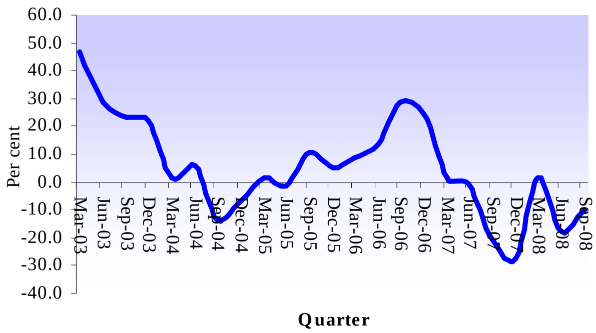
Electricity & Water is estimated to have recorded robust growth in the review quarter. Growth in the sector predominantly reflected recovery over the similar period of 2007 when electricity generation had been disrupted by the passage of Hurricane Dean. The full extent of the recovery was, however, tempered by the passage of Tropical Storm Gustav. Full normality in the supply of electricity was restored approximately two weeks after the passage of the storm. In this context, electricity generation increased by 4.3 per cent in September 2008 quarter, relative to the similar period in 2007 **(see Figure 2.2)**.

Mining & Quarrying is estimated to have grown following five consecutive quarters of contraction. This performance was largely based on increases of 1.7 per cent and 8.2 per cent in total bauxite and alumina production, respectively, relative to the corresponding period in 2007**(see Figure 2.3)**. The recovery was against the background of a significant fall-out in production in the September 2007 quarter attributed to Hurricane Dean. In this context, capacity utilization in the alumina industry improved to 85.3 per cent from 79.8 per cent in the September 2007 quarter.

There was a marginal contraction in *Hotels, Restaurants & Clubs* in the review period. Total stopover visitors contracted by 0.4 per cent, relative to growth of 4.9 per cent in the September 2007 quarter **(see Figure 2.4)**. Cruise ship arrivals declined by 17.1 per cent continuing the downward trend since the beginning of the calendar year **(See Figure 2.5)**. While the tropical storm had a marginal impact on the tourism infrastructure, the industry was mainly affected by weakening global demand for vacations. In this context, ***Miscellaneous Services*** grew weakly during the review quarter, below the average quarterly growth of 3.6 per cent recorded over the last four quarters. The performance of the sector was driven mainly by expansions in private education.

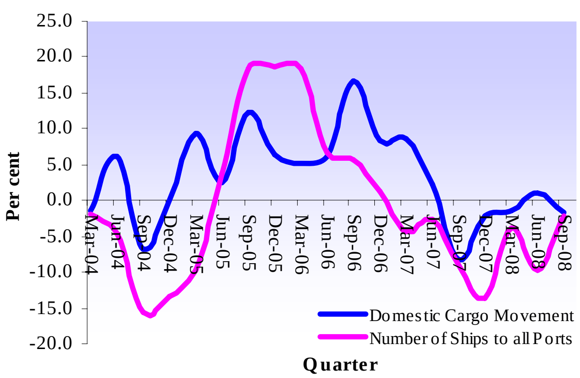
Construction activities remained weak during the review quarter, primarily due to a falloff in the residential sector. The reduction in residential construction, in part, was inferred from declines of 80.4 per cent and 78.0 per cent in housing starts and completions, respectively, by the National Housing Trust. Activity in the sector in general was

Figure 2.5
Total Cruise ship Arrivals
(12-Month change)



Source: Jamaica Tourist Board and Port Authority of Jamaica

Figure 2.6
Domestic Cargo Movement & Number of Ship Calls to Ports
(12-Month change)



Source: Jamaica Tourist Board and Port Authority of Jamaica

affected by the disruption in the transportation of building materials as a result of Tropical Storm Gustav.

Agriculture*, *Forestry & Fishing is estimated to have contracted for the fifth consecutive quarter. It is estimated that the agriculture sector incurred estimated losses of around $565.6 million or approximately 0.2 per cent of nominal GDP for the quarter[11] arising from the passage of Tropical Storm Gustav. For domestic agriculture, there was minimal damage to root crops and vegetables, as well as livestock. There was also minor damage to farming infrastructure such as, farm buildings, irrigation facilities and farm equipment. The Tropical Storm also affected export agriculture, mainly bananas and coffee. **(see Box 2.1)**. Approximately 70-85 per cent of the banana crop was destroyed with minor damage to coffee and sugar cane fields. With regard to coffee, preliminary estimates indicated that approximately 6.0 per cent of the crop was destroyed.

For the fourth consecutive quarter, economic activity in ***Transport, Storage & Communication*** is estimated to have fallen, similar to the average contraction recorded over the last three quarters. The contraction in the sector primarily reflected the decline in *transport*, indicated by estimated decreases of 1.7 per cent and 2.2 per cent in domestic cargo movements and ship calls to all ports, respectively **(See Figure 2.6)**. Air passenger miles by the local carrier are also estimated to have fallen in the review period.

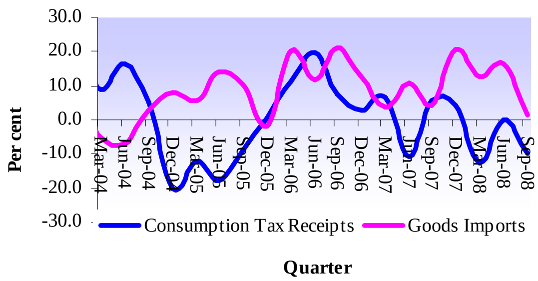
Aggregate Demand

Estimates of the real expenditure-based measure of GDP for the review quarter suggest further moderation in consumption and investment and a weakening in ***Net External Demand*** relative to the comparable period of 2007. The moderation in ***Private Consumption*** was deduced from a marginal increase of 1.5 per cent in total imports, relative to the September 2007 quarter. Further, there was a fall out of 10.1 per cent in real consumption tax receipts, relative to the September 2007 quarter **(See Figure 2.7)**. The estimates reflect the erosion of households' real consumption due to sharp increases in prices of imported commodities especially energy and food. Data on household financing also suggested

[11] Source: Rural Agricultural Development Authority

Figure 2.7

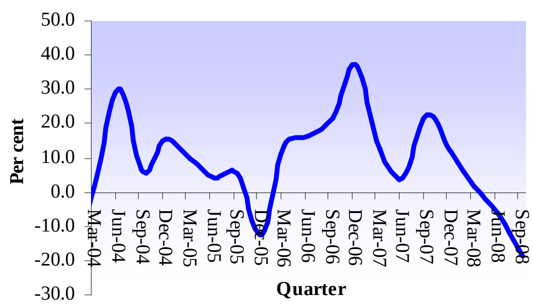
Private consumption Spending Indicator (12-Month change)



Source: Bank of Jamaica, MOF

Figure 2.8

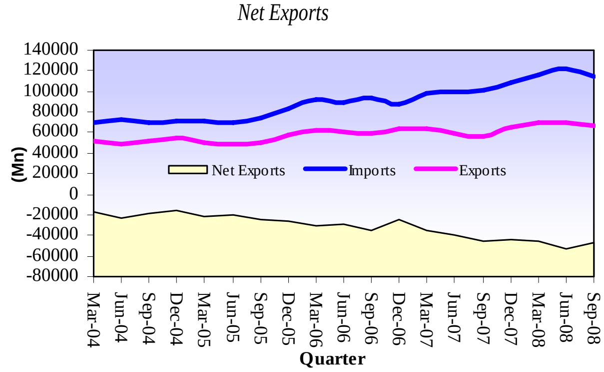
Survey of Consumer Confidence



Source: Jamaica Chamber of Commerce

Figure 2.9

Net Exports



Source: Bank of Jamaica

a tapering in consumer spending. The fall out in consumer spending was corroborated by the deterioration in consumer confidence as reflected in the Jamaica Conference Board's Survey of Consumer Confidence. Consumer confidence declined by 18.7 per cent in the review period when compared to the similar period of 2007 **(**see **Figure 2.8)**.

Gross Fixed Capital Formation is estimated to have declined for the third consecutive quarter. The estimate was partly based on a contraction of 1.9 per cent in foreign direct investment (FDI) inflows, relative to the similar period of 2007. Domestic investment is estimated to have improved in the quarter as indicated by an increase in real credit to the productive sector. [12]

Net External Demand waned during the review period, when compared to the corresponding period in 2007 (see **Figure 2.9**). Net exports are estimated to have deteriorated in the review period reflecting a sharper increase in imports, relative to the September 2007 quarter. The growth in imports fully offset the increase in exports. Increases in imports reflected growth of 60.0 per cent, 10.0 per cent and 10.0 per cent in fuel, raw material and consumer goods, respectively, relative to the comparable period in 2007. Growth in exports was attributed to a 15.0 per cent increase in alumina exports.

[12] *Reflects real credit extended six months to the end of the review quarter.*

Box 2: Economic Impact of Tropical Storm Gustav

The summary evaluation of the impact of Tropical Storm Gustav on the Jamaican economy for FY2008/09 is as follows: GDP growth is likely to be ***0.7 percentage point*** lower than previous projections; the current account deficit could widen by **0.8 per cent** of GDP while the shock to supply could contribute **0.3 percentage point** to the inflation outturn for the fiscal year.

The sectors that were primarily affected by the storm were **Agriculture**, **Electricity & Water**, **Tourism** and **Transport, Storage & Communication**. The preliminary estimates by the Ministry of Agriculture of damage to agricultural crops and livestock stood at $565.6 million.[13] Bananas and plantains had the most extensive damage with an estimated loss of between 70.0-85.0 per cent of the existing crop. The cessation of exports by one large banana producer will, however, serve to increase domestic supply of the commodity. The damage to short term crops was less severe as approximately 19 per cent, 14 per cent and 7.5 per cent, respectively, of condiments, vegetables and legumes under cultivation were damaged. Roots and tubers[14] suffered minimal damage. Approximately 6.0 per cent of the coffee was lost. In this context, growth in Agriculture, Forestry and Fishing is expected to be lower by ***9.0 percentage points*** for FY2008/09. The banana and plantain crops are expected to recover by the next fiscal year.

Within **Electricity & Water**, power and water generation were curtailed during the passage of the storm. Approximately 40.0 per cent of the Island was without electricity as a direct result of damage to the transmission infrastructure following the passage of the storm. To facilitate maintenance and restoration works, power generation was reduced for approximately two weeks after the storm. The loss in value-added in this sub-sector was limited to the September 2008 quarter. In this regard, the storm's impact is expected to lower growth in that sector by approximately ***2.0 percentage points*** for FY2008/09 relative to previous projections.

The tropical storm had no impact on the tourism infrastructure. However, visitor arrivals declined by 15.6 per cent during the week of the natural disaster. Consequently, for the September quarter stopover arrivals decreased moderately by 0.2 per cent, relative to a forecasted growth of 5.1 per cent. Against this background, growth in Tourism is expected to be reduced by approximately ***1.0 percentage point*** in FY2008/09 relative to the pre Gustav estimate.

Balance of Payments

The destruction caused by tropical storm Gustav and the necessary recovery efforts following the storm should add approximately **0.7 percentage point** of GDP to Jamaica's current account deficit. This primarily reflects a downward revision to net earnings from travel and services. The trade deficit is also expected to increase relative to previous projections on account of the expected increase in non-fuel raw material imports by the Government to facilitate reconstruction activities.

Inflation

A ***0.3 percentage point*** increase in inflation above previous projection is expected from the impact of Tropical Storm Gustav. This is largely due to the short term fall-out in domestic crops.

[13] This estimate excludes damage to coffee, sugar bananas grown by Jamaica Producers and infrastructural damage.
[14] Mainly, yam and cassava.

3. International Developments

The Jamaican economy was adversely affected by developments in the global economy during the September 2008 quarter, in particular, the weakening world demand. Consequently, Jamaica's terms of trade (TOT) index deteriorated for the sixth consecutive quarter, influenced primarily by an acceleration in the rate of decline in the price of Jamaica's tourism product. The impact of this development on the TOT index was, however, partly offset by notable declines in a number of key import prices including the prices of crude oil and agricultural raw materials.

In relation to external financial markets, most of Jamaica's major trading partners kept their target interest rates unchanged during the quarter amidst tightening global liquidity conditions, continued inflations concerns, as well as slowing economic growth. Most of the major central banks, however, increased their level of intervention, amending collateral requirements, to ease liquidity conditions in financial markets. Market conditions reflected increased difficulties faced by several major global financial institutions during the review period (see ***Box: Recent Developments in the International Financial Markets****).*

Increased uncertainty in global financial markets occasioned a general upward movement in the yields on emerging market bonds, including Government of Jamaica (GOJ) sovereigns.

Figure 3.3
Global Bond Yields
Sep 06 to Sep 08

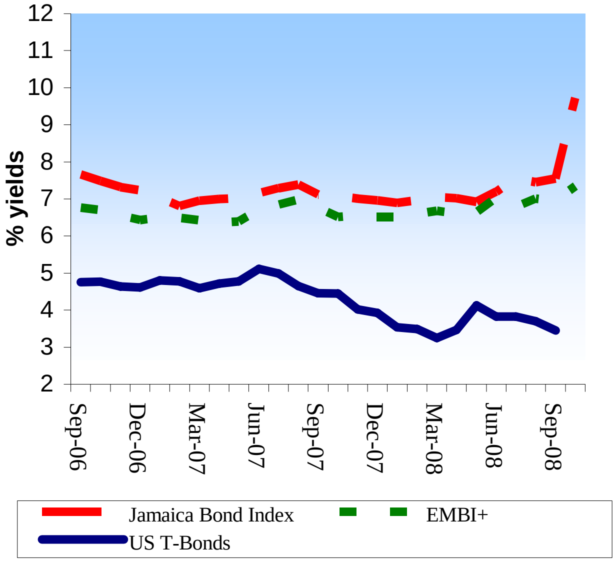


Table 3.1

Selected Import/Export Prices (Per cent change relative to previous period)	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
Crude Oil	16.20	20.17	7.96	26.52	-4.80
Corn	-3.37	11.52	28.28	17.54	-5.51
Wheat	38.34	22.92	19.17	-21.56	-10.48
Rice	2.50	5.15	39.01	80.16	-18.29
Soybeans	16.93	22.13	16.49	4.16	-2.40
TIPI	-5.53	1.14	9.84	-6.14	-6.55
Aluminum	-7.79	-4.04	12.23	7.20	-5.20

Terms of Trade

Jamaica's TOT index deteriorated by an estimated 2.2 per cent during the September 2008 quarter, relative to the previous quarter. The TOT index at the end of the review quarter was also 22.8 per cent lower than the index at end September 2007 (see **Figure 3.1**).[15] The decline during the period was, however, significantly below the five year average decline of 7.5 per cent

The movement in the TOT index during the review period reflected a quarterly decline of 3.8 per cent in the Export Price Index (EPI), which was partly offset by the impact of a decline of 1.6 per cent in the Import Price Index (IPI). The performance of the EPI was attributable to a 6.5 per cent fall in the Tourism Implicit Price Index (TIPI) due to a decline in

[15] 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.

tourist arrivals, relative to the previous quarter.[16]

Crude oil prices decline

The performance of the IPI was influenced primarily by respective declines of 4.8 per cent and 2.3 per cent in the price of crude oil and agricultural raw material prices (see **Table 3.1).**[17] After rising to record levels during the June 2008 quarter, crude oil prices declined by 4.8 per cent to average of US$117.96 per barrel for the September 2008 quarter (see **Table 3.1**). The movement in the price of crude oil reflected waning demand caused by the slowdown in global economic growth, as well as easing supply concerns. During the quarter, U.S. fuel consumption declined by 7.4 per cent relative to the average five-year decline of 2.4 per cent for the period. On the supply side, the OPEC increased supply by 200 000 barrels per day (bpd) during the quarter.

With respect to imported agricultural raw material inputs, the prices of most commodities declined during the quarter. The prices of rice, corn and wheat declined by 18.5 per cent, 9.7 per cent and 8.0 per cent, respectively, relative to June 2008 (see **Table 3.1)**. The movement in the price of rice was influenced by the removal of export bans on this commodity in Thailand as well as a relatively good harvest in that country. The movements in the price of wheat and corn reflected increased crop yields in the U.S. due to improved weather conditions.

Table 3.2

Selected Key Interest Rates

Jun 08 – Sept 08

	June	Jul	Aug	Sept
USA[a]	2.00	2.00	2.00	2.00
Euro Area[c]	4.00	4.00	4.25	4.25
Canada[b]	3.00	3.00	3.00	3.00
UK[c]	5.00	5.00	5.00	5.00
Japan[d]	0.50	0.50	0.50	0.50

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

Monetary Policy

The majority of Jamaica's main trading partners maintained their monetary policy stance during the September 2008 quarter (see **Table 3.2**). The Federal Reserve, the Bank of Canada and the Bank of England, all kept their target interest rates unchanged during the quarter. Their decisions to maintain rates were influenced by a worsening outlook for growth, particularly against the background of worsening financial market conditions (see Box: which was counterbalanced by continued concerns about high inflation expectations. However, increasingly tight global credit conditions led the Federal Reserve and other central banks to inject liquidity on several occasions during the quarter. The European Central Bank (ECB), raised its target rate by 25 basis points to 4.25 per cent in July, influenced by the risks that higher wages might be anchored by heightened inflation expectations.

[16] The Tourism Implicit Price Index measures the ratio of the average tourist expenditure to their average length of stay.
[17] Crude oil prices are measured by the West Texas Intermediate Index at Cushing in U.S. dollars Per Barrel.

Figure 3.2
US Treasury Yield Curve

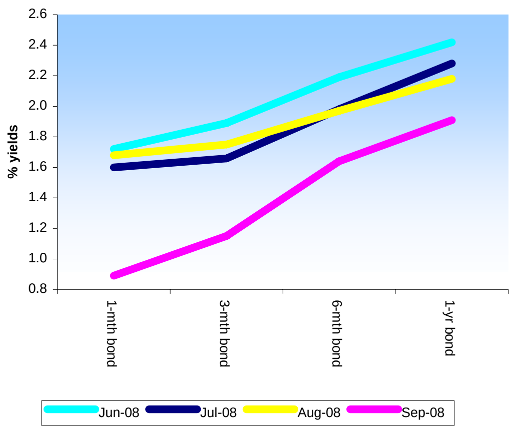


Figure 3.3
Global Bond Yields
Sep 06 to Sep 08

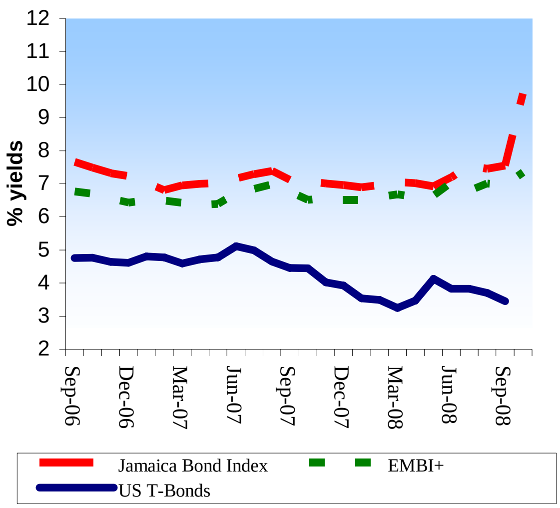
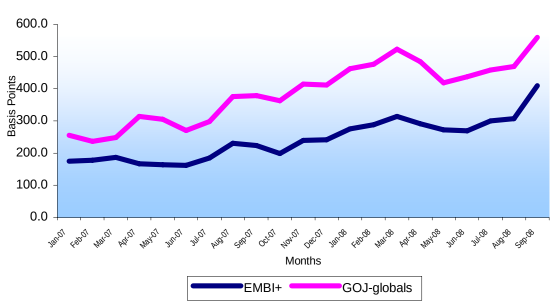


Figure 3.4
Bond Spreads
(Bond yields minus U.S. 10-year T-bonds)



Selected Interest Rates

The average yield in the secondary market for short-term U.S. Treasury Bills declined by an average of 6 basis points (bps) to 1.72 per cent, relative to the preceding quarter (see **Figure 3.2).** Similarly, average yields on longer tenors declined by 18 bps. The decline in yields across all tenors was more pronounced in September reflecting the movement to relatively safe investments in light of the intensification of the financial sector crisis. Interest rates on the international financial market, as indicated by the London Inter-bank Offered Rate (LIBOR) rose by an average of 0.16 percentage point across the 3-month to 1-year tenors, reflecting tightening liquidity conditions among financial institutions.

Emerging market bonds

Consistent with the general risk aversion of investors, yields on emerging market bonds, as measured by the JP Morgan Emerging Market Bond Index Plus (EMBI+) rose by 44 bps to 7.34 per cent at the end of the review period. The rise in emerging market bond yields reflected investors' re-evaluation of risks in the context of the worsening financial crisis. Similarly, average yields on GOJ global bonds increased by 48 basis points to 7.52 per cent during the quarter (see **Figure 3.3**). These movements resulted in a widening of the spread between GOJ global bonds and U.S. benchmark rates (see **Figure 3.4**). The fall in the demand for emerging market bonds and Jamaican global bonds reflected the unwillingness of investors to hold riskier securities due to the escalation of the U.S. financial crisis.

Foreign Exchange Market

The U.S. dollar strengthened against selected currencies during the review period. The dollar appreciated by 3.9 per cent against the Euro during the September 2008 quarter, due to a widening of US/Euro interest rate differentials and concerns about economic growth in the U.S. In this context, the U.S. dollar also appreciated against the Canadian Dollar and the Pound Sterling by 3.0 per cent and 4.1 per cent, respectively, relative to the June 2008 quarter, the U.S. dollar also strengthened against the Japanese Yen by 2.8 per cent, reflecting the unwinding of carry trade positions as liquidity conditions tightened.[18]

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

4. Inflation

Figure 4.1
Quarterly Inflation Rate

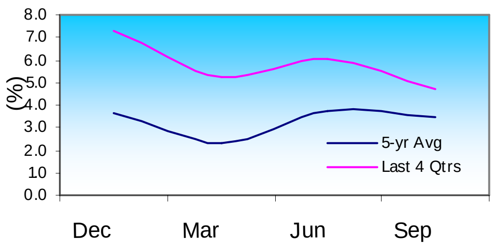


Figure 4.2
Inflation
(12 Month Pt-to-Pt & Quarterly Rates)

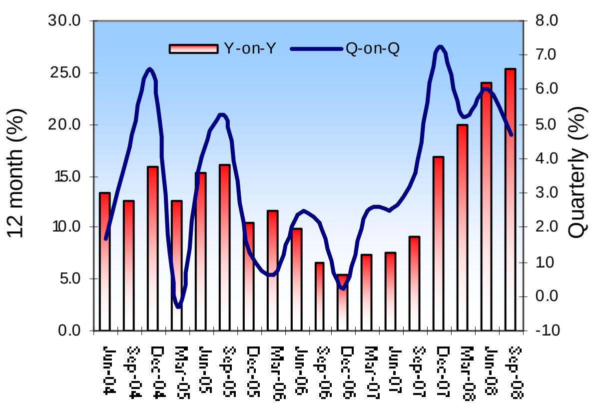
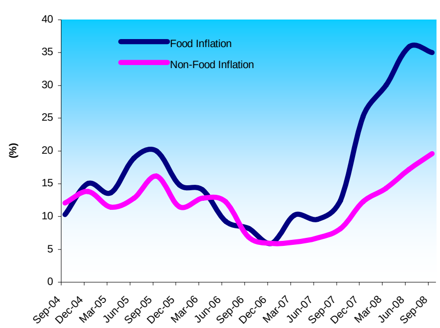


Figure 4.3
Food & Non-Food Inflation (Annual)



Headline inflation slowed to 4.7 per cent in the September 2008 quarter, from 6.0 per cent in the preceding quarter. This outturn, despite being below the 6.5 per cent projected at the end of the previous quarter, was above the average of the previous five September quarters as well as the September 2007 quarter. The lower inflation rate relative to the June quarter was influenced primarily by moderation in commodity price movements and less significant administered price adjustments. Depreciation in the exchange rate in the preceding quarter would have affected exchange rate pass-through to the outturn for the review quarter.

Trends in Price Indices

The All Jamaica Consumer Price Index (CPI) increased by 4.7 per cent in the September quarter, 1.3 percentage points below the outturn for the previous quarter. Inflation declined progressively throughout the quarter moving from 2.8 per cent in July to 1.2 per cent in August and 0.6 per cent in September. However, the outturn for the quarter was above the average of 3.5 per cent for the previous five September quarters (see **Figure 4.1**). For the fiscal year-to-September, inflation was 11.0 per cent, 4.8 percentage points above the corresponding measure in FY2007/08. Inflation for the calendar year-to-September was 16.8 per cent compared to 8.9 per cent in the comparable period in 2007.

The annual point-to-point inflation rate at September was 25.3 per cent, 16.1 percentage points above the outturn at September 2007. The significant movement in annual inflation was largely due to sharp increases in commodity prices, particularly grains and crude oil. As a consequence, annual Food inflation was 35.0 per cent while Non-Food inflation was 19.6 per cent (see **Figures 4.3a & b**).

Underlying Inflation

Core inflation was lower in the review quarter as a result of tightened monetary policy since the December 2007 quarter. Underlying or core inflation as measured by the trimmed mean measure of inflation was 2.0 per cent for the quarter relative to 3.4 per cent in the June quarter. Also, the CPI excluding food and fuel increased by 2.4 per cent relative to an increase of 2.9 per cent in the previous quarter. Similar moderation occurred with the CPI excluding agriculture and the direct impact of fuel

Figure 4.4
Food & Non-Food Inflation (Quarterly)

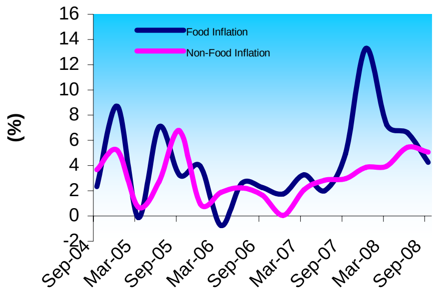
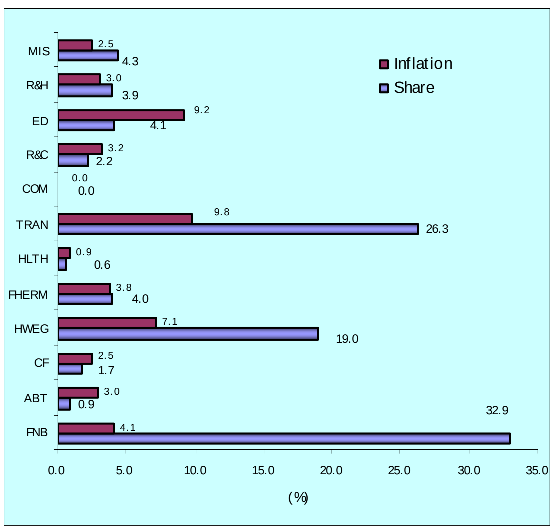
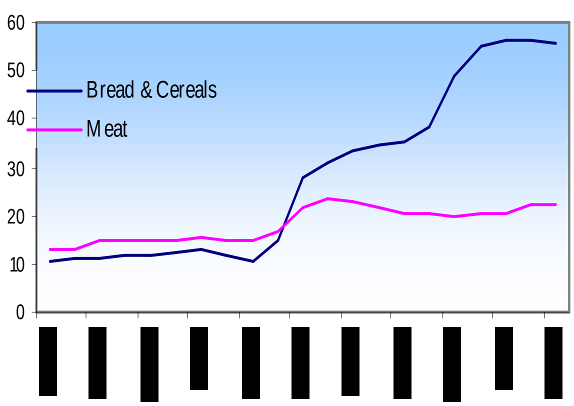


Figure 4.5
Inflation by Division



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

Figure 4.6
Annual Changes in Bread &Cereals and Meat Indices



(CPI-AF), which increased by 3.3 per cent compared to an increase of 5.4 per cent in the previous quarter.

Main Inflationary Factors

The declining trend in inflation was due mainly to lower administered price adjustments and moderation in the lagged pass-through of increases in international grain and energy prices. This was highlighted in the sharp downturn in Food Inflation in the quarter (**Figure 4.4**). Nonetheless, important inflationary impetus emanated from excess demand for domestic agricultural produce such as sweet potato and yellow yam. In addition, depreciation in the January to June period in the exchange rate of the Jamaica Dollar vis-à-vis the United States dollar would have compounded the contribution of imported inflation to domestic prices.

Administered Prices

An increase in the cost of public transportation effected near the end of the June quarter, contributed significantly to price movements during the review quarter. The Government approved a 25.0 per cent increase in bus and chartered taxi fares outside the Greater Kingston Metropolitan Area (GKMA). Largely as a consequence of this, *Transport* increased by 9.8 per cent and accounted for 26.3 per cent of the quarter's inflation (see **Figure 4.4**).

Inflation in the September quarter was also affected by the granting of the annual adjustment in the non-fuel charges of the Jamaica Public Service Company. Energy tariffs and the customer charge were increased by an average of 9.3 per cent and 9.8 per cent, respectively. The adjustment in these items contributed to an increase in electricity bills by 1.7 per cent and was reflected in an overall increase in *Housing, Water, Electricity, Gas & Other Fuels* of 7.1 per cent. This division contributed 19.0 per cent of inflation outturn in the review quarter (see **Figure 4.4**).

Imported Inflation

The prices of all major international commodities fell in the review quarter largely as a result of the strengthening US dollar and a slowdown in global demand. However, the lagged impulses of movements in these commodity prices in prior quarters drove key domestic prices higher in the review quarter. This was reflected in the Bank's Import Price Index (IPI) which increased by 14.3 per cent in the June quarter following an 11.0 per cent

Figure 4.7
Lagged Import Price Index (IPI) and Inflation

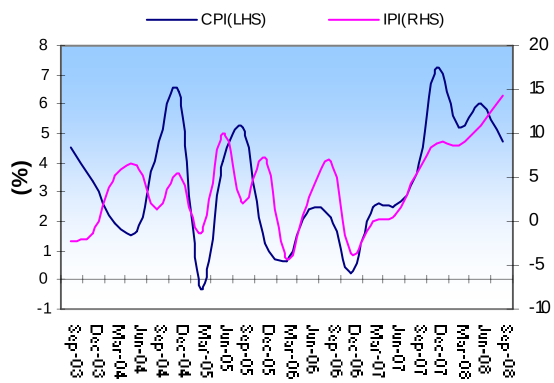
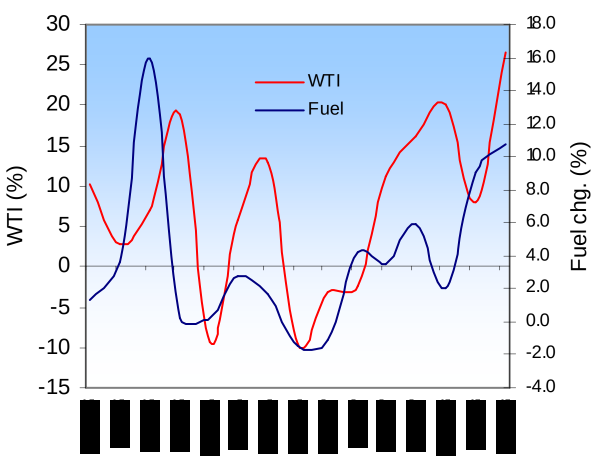


Figure 4.8
Quarterly Chg. in Fuel Index & Lagged WTI



increase in March. The significant movement in the IPI in the June quarter was driven primarily by a 26.5 per cent increase in the price of West Texas

Intermediate crude oil in the June quarter, which followed a 7.9 per cent rise in the previous quarter. These movements influenced increases in the energy-related components of the domestic CPI basket in the September quarter. Energy-related inflation, as measured by changes in the Bank's Fuel Index, expanded by 10.0 per cent, following a 9.1 per cent increase in the previous quarter (see **Figure 4.7**). This was associated with sharp upward movements in electricity rates and moderate increases in the cost of household and automotive fuels. Residential electricity rates increased by 12.3 per cent during the review quarter, relative to 12.0 per cent in the June quarter. This was a result of a 15.6 per cent expansion in fuel charges, the annual adjustment in energy tariffs and depreciation of 0.8 per cent in the billing exchange rate.

With respect to imported agricultural commodities, residual increases continued to be reflected in the prices of their key by-products. This was related to the fact that in the twelve months to September 2008 the price of corn, soybeans, and rice rose by 60.5 per cent, 43.1 per cent and 115.2 per cent, respectively. As a consequence of these earlier price developments, there were strong lagged impulses on the prices of meat, rice and cereals. Largely on the basis of these developments, *Meat* and *Bread & Cereals* increased by 4.6 per cent and 4.2 per cent, respectively, collectively contributing 12.7 per cent to the quarter's inflation. The contribution from these two classes was the dominant impact on *Food & Non-Alcoholic Beverages* in the quarter.

Domestic Agricultural Market Conditions

Production of key agricultural commodities was above seasonal levels for the September quarter. However, heightened demand by exporters and agro-processors resulted in excess demand in the retail markets[19]. As a result, *Vegetables & Starchy Foods* rose by 4.3 per cent during the September quarter while the *Fruit* index increased by 2.4 per cent, which together accounted for 6.8 per cent of inflation. The lagged impulses from

[19] Available balance of payments data to June indicate that exports of yams and sweet potatoes for the year to June increased by 151.5 per cent and 20.7 per cent, respectively, relative to the January to June 2007 period. Several agro-processing facilities were either opened or renovated in the first half of the year.

Figure 4.9
Durables and Services Inflation

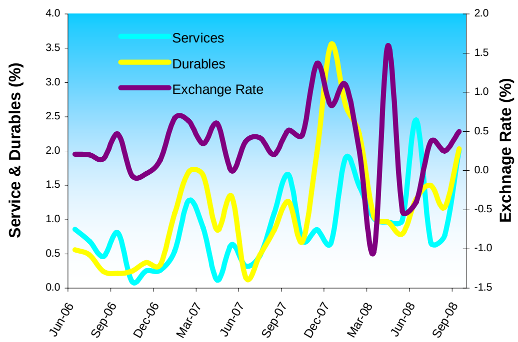
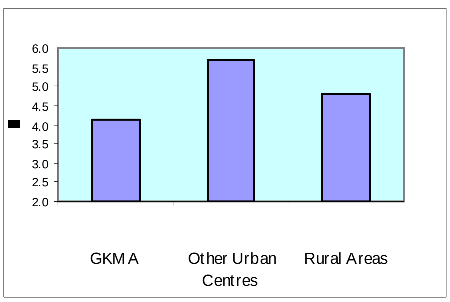


Figure 4.10
Geographical Distribution of Inflation



earlier increases in the prices of international commodities and the domestic price developments were largely responsible for the movement in *Food & Non-Alcoholic Beverages***,** which increased by 4.2 per cent and contributed 32.9 per cent to overall inflation (see **Figure 4.4**).

Exchange Rate Pass-through

In the June quarter, the weighted average selling rate vis-a-vis the US dollar depreciated by 1.11 per cent following a 0.67 per cent slippage in the March quarter. The cumulative depreciation influenced expansion in durables and services inflation in the September quarter relative to the June quarter (see **Figure 4.8**). This was most clearly observed within *Furnishings, Household Equipment & Routine Household Maintenance* which increased sharply in the review quarter relative to the June quarter.

Regional Inflation

The indices of the Greater Kingston Metropolitan Area (GKMA) and Rural Areas increased by 4.1 per cent and 4.8 per cent, respectively, while the index for the Other Urban Centres (OUC) rose by 5.7 per cent (**Figure 4.9**). This disparity primarily reflected sharper increases in *Transport* outside the GKMA.

5. Economic Outlook and Monetary Policy Perspectives

The Jamaican economy will continue to be affected by the global financial crisis and the attendant slowdown in world economic activity over the next two quarters. However, international commodity prices should continue to decelerate as world demand contracts.

In this context, domestic inflation for the December 2008 quarter is forecasted to be in the range of 1.3 per cent to 2.3 per cent, significantly lower than the previous two quarters. This projection is underpinned by expectations of significant reductions in imported inflation, as well as weaker domestic demand. However, an upward adjustment in administered prices would provide some countervailing impetus to the moderation in inflation. An additional inflationary impulse could emerge from the foreign exchange market if the instability in the exchange rate observed since September persists.

Economic activity is expected to remain constrained by lower domestic and external demand in the December quarter, with the risks being biased to the downside. While agriculture is anticipated to record some recovery, with the exceptions of mining and electricity, growth in the other sectors is projected to be weak.

In the context of the impact of current global economic crisis on the foreign currency market, the Bank will respond as necessary, while ensuring adequate liquidity in the financial system.

Table 5.1

Jamaica: Selected Economic Indicators

	Projections for Dec'08 Quarter	*Revised Target for FY08/09*	*Revised Projections for FY08/09*
Inflation (% change)	1.3-2.3	11.5 – 14.5	14 – 16.0
Base Money (% change)	18.0-19.0	13.6	6.0-7.0
NIR (End Period) (US$MN)	1700	1750.0	1750
GDP (12-mth % chg.)	0.0 – 0.8	1.5 – 2.5	-0.1 – 0.5

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

Outlook - June 2008 Quarter

Inflation

Inflation in the December 2008 quarter is expected to be significantly lower than the outturn in the September 2008 quarter.

Inflation is projected to be in the range **1.3 per cent** to **2.3 per cent** for the December 2008 quarter. The forecast is underpinned by expectations of significant reductions in imported inflation, weaker domestic demand and some upward adjustments in administered prices. This projection points to a sharp decline in the rate of inflation relative to the first half of the fiscal year, notwithstanding the lagged response of price setters to lower import costs.

Figure 5.1
Consumer Price Index
(Annual point to point change)

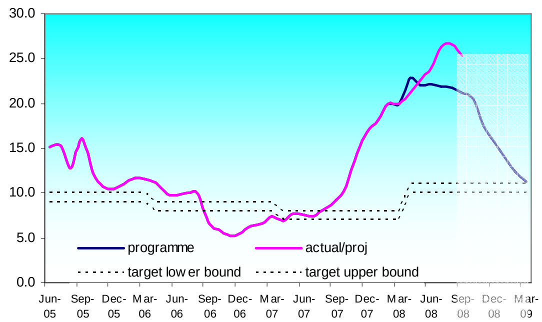
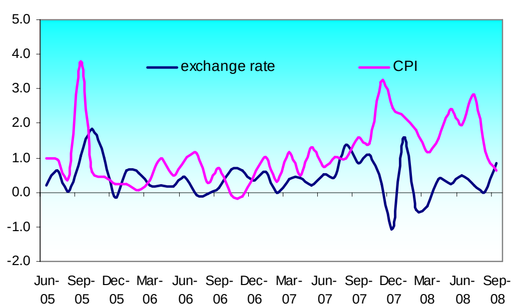


Figure 5.2
Trends in Changes in Exchange Rate and Headline Inflation



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

Imported Inflation

Imported inflation in the December 2008 quarter should moderate as a result of significant reductions in international commodity prices that have been seen since the September 2008 quarter. The forecast for continued reductions in commodity prices is predicated on significant reductions in global demand as a consequence of the global financial crisis. Crude oil prices are expected to decline in the December 2008 quarter by approximately 21.0 per cent relative to the September 2008 quarter. Much stronger declines are anticipated for other imported commodities such as corn and wheat. The impact of these reductions on domestic prices will be tempered by the pass-through of the accelerated rate of depreciation typically seen in this quarter.

Domestic Capacity Conditions

The Bank's macroeconomic assessment suggests that domestic demand conditions will remain weak, particularly as consumers adjust their spending given the inflation since the beginning of the year. In this context, capacity pressures should remain benign or decline which should result in a downward impetus on prices in the quarter.

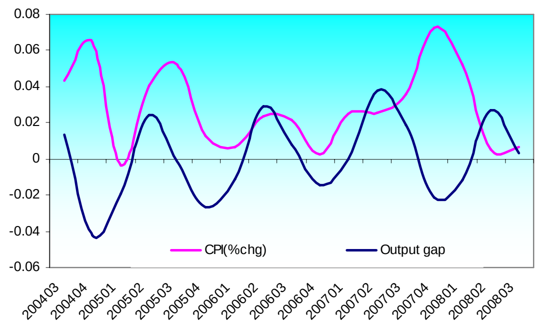
Administered Price Adjustments

The forecast assumes that the announced increase in bus fare for the Kingston Metropolitan Transport Region (KMTR) will be effected in the December 2008 quarter. It is also assumed that the increase could be approximately 25.0 per cent, in line with increases granted to rural transport operators. Consequently, an up-tick in the monthly inflation rate is projected in the December quarter.

Inflation Expectations

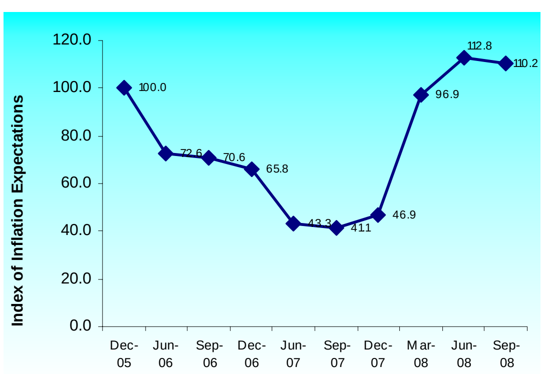
The Bank's Inflation Expectations Survey conducted in the September 2008 quarter indicated some improvement in inflation outlook (see figure 5.4). This result could mark a change in the trend of high inflation expectations which started to manifest in the December 2007 quarter, and may have reflected the reversal of the upward trend in international commodity prices during the quarter.

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



Output

Domestic output growth is expected to remain weak in the December 2008 quarter. This forecast primarily reflects continued recovery in mining and electricity as well as nascent recovery in agriculture. Economic activity in major sectors, such as construction, distributive trade, transportation and tourism services, is expected to be weak. The recovery in agriculture, albeit moderate, will be driven by some segments of domestic agriculture, as well as partial recovery in coffee and citrus production which were not significantly affected by the passage of Tropical Storm Gustav. The performance of the tourism sector will continue to be adversely affected by the global downturn as well as a delay in the opening of a major hotel. There is a significant downside risk to the forecast due to the expected adverse impact of the global financial crisis on global wealth and therefore the demand for recreational services.

Outlook - FY2008/09

Headline inflation is projected to be in the range 14.0 per cent to 16.0 per cent for the FY2008/09, relative to the previous projection of 15.0 per cent to 17.0 per cent. Growth forecasts for the fiscal year have been revised downward to the range -0.1 per cent to 0.5 per cent from the previous forecast range of 1.2 per cent to 2.2 per cent. The revisions in the outlook are based on the assumptions of continued reductions in international commodity prices and a protracted global slowdown.

Risks

The risks to the inflation forecast are balanced (see **Figure 5.7**), while the risk to economic growth is skewed to the downside. Upside risks to inflation include a reversal in the downward trajectory in oil prices as a result of possible actions at restraining supply by oil producing states and stronger than anticipated rates of depreciation in the foreign currency markets. Downside risks include greater than anticipated reductions in international commodity prices and higher than anticipated increases in some domestic agricultural output. Although there remains significant uncertainty as to the future direction of international commodity prices, the probability seems biased towards a reduction in prices, given the decline in global demand.

The weak global demand and the attendant uncertainty are major downside risks to growth. The global financial crisis is expected to result in significant reductions in credit available to emerging markets and may

Figure 5.5
Index of Present Business Conditions

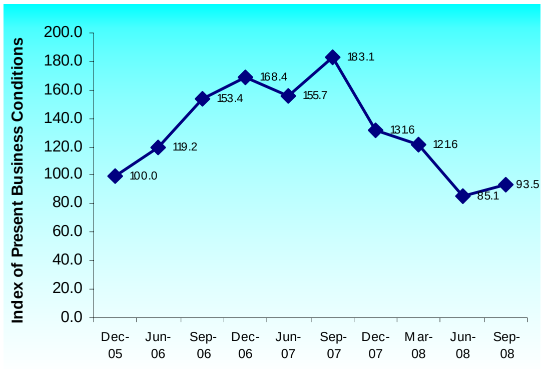


Figure 5.6
Index of Future Business Conditions

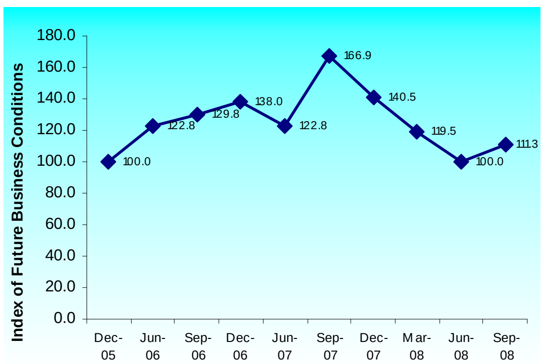
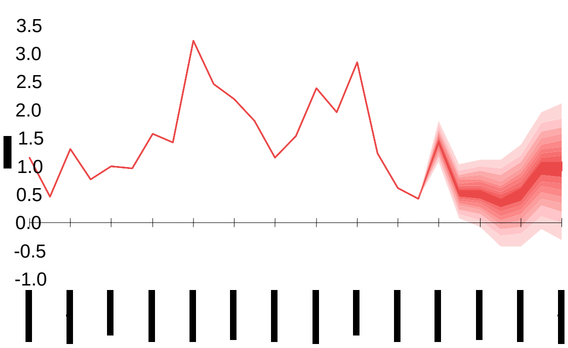


Figure 5.7
Monthly Inflation Forecasts



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.

therefore present some funding challenges for the Government in the second half of the fiscal year. This could adversely affect the domestic financial markets, particularly the market for foreign currency.

Monetary Policy

Against the background of the global financial crisis, the maintenance of relative stability in the domestic financial markets will be the main challenge for the Central Bank in the December 2008 quarter. In this regard, and in order preserve the stability of the financial system, the Bank implemented a special foreign currency loan facility to financial institutions faced with margin calls by foreign institutions. In addition, the Bank established a facility to supply US dollar liquidity to the domestic inter-dealer repo market. These initiatives will be complemented by direct sales of foreign currency to the market to meet excess end-user demand. Additionally, the Bank will maintain a tight monetary policy stance so as to moderate the adjustments in the exchange rate and limit the pass-through to inflation.

Appendices

A. Fiscal Developments: Preliminary July to September 2008

Provisional data for the September 2008 quarter indicate that Central Government operations generated a deficit of $16 530.4 million or 1.5 per cent of GDP compared to a budgeted deficit of $16 032.4 million or 1.4 per cent of GDP. The larger than expected deficit was influenced by lower than budgeted revenues, partly offset by lower than budgeted expenditure. The primary surplus was 1.1 per cent of GDP, relative to the budgeted surplus of 1.0 per cent. In contrast, the current deficit to GDP ratio of 0.8 per cent for the quarter was 0.3 percentage points higher than anticipated (see **Table)**.

For the September quarter, revenue and grants amounted to $64 659.8 million, 7.7 per cent below expectations, reflecting lower flows from all sub groups with the exception of non-tax revenues and grants. Tax revenues were below target, possibly indicative of the slowing in economic activity. As such, flows from *Production and Consumption*, *International Trade* and *Income and Profits* were 15.7 per cent, 4.4 per cent and 2.6 per cent lower than budget, respectively. Departmental and custom user fees on the other hand, contributed to the higher than anticipated non-tax revenue.

Total spending for the September quarter was $81 190.2 million, 5.7 per cent lower than anticipated, reflecting lower capital and recurrent expenditure. Capital expenditure continued to reflect delays in the implementation of some Government infrastructural projects, while programmes and wages reflected the non-settlement of wage negotiations for some groups. Notably, foreign interest payments were $940.9 million above budget, principally reflecting payments made on behalf of a public sector entity.

For the first half of the fiscal year, the Central Government deficit was $25 470.9 million or 2.2 per cent of GDP, relative to the targeted deficit of $28 787.1 million or 2.5 per cent of GDP. Expenditure was 5.1 per cent below budget reflecting 24.0 per cent containment in capital spending. Revenue flows for the April to September period were lower than anticipated due to lower than budgeted tax revenue, bauxite levy and capital revenues. Non-tax revenue was above budget for the review period consistent with strong inflows from custom user fees. In that context, the primary balance was 3.0 per cent of GDP compared to the budgeted 2.6 per cent of GDP. The current deficit of 1.15 per cent of GDP was slightly lower than projections of 1.07 per cent of GDP.

For April to September foreign financing was primarily secured through the issue of a US$350.0 million Eurobond in June 2008. Domestic financing was largely raised through the issue of eighteen instruments which garnered $10 844.5 million. Further, continued strong demand for variable rate instruments resulted in these instruments accounting for 57.6 per cent of financing raised relative to 58.6 per cent for the first half of fiscal year 2007/08. Consequently, the proportion of the domestic debt stock held in variable rate instruments increased to 63.7 per cent from 62.4 per cent at end March 2008. Concurrently, based on demand for short-term instruments, there was a decline in the weighted average age of new debt issued of 3.68 years compared to 6.75

years for April to September 2007. In that context, the duration of domestic debt at end September was 0.90, relative to 0.95 at the end of the previous quarter.

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

	FY 2008/09 Q2	Budget Q2	Variance	%	FY 2008/09 Q1- Q2	Budget Q1- Q2	Variance	%
Revenue & Grants	**64659.8**	**70046.9**	**-5387.1**	**-7.7**	**131634.8**	**136846.0**	**-5211.2**	**-3.8**
Revenue	**63220.2**	**68682.5**	**-5462.2**	**-8.0**	**129268.5**	**134428.5**	**-5160.0**	**-3.8**
Tax Revenue	57226.4	61629.1	-4402.7	**-7.1**	117419.9	121742.8	-4322.9	-3.6
Non-Tax Revenue	4405.5	4276.1	129.5	**3.0**	8611.2	7475.6	1135.5	15.2
Bauxite Levy	1286.0	2163.5	-877.5	**-40.6**	2717.5	4110.6	-1393.1	-33.9
Capital Revenue	302.3	613.8	-311.4	**-50.7**	519.9	1099.4	-579.5	-52.7
Grants	1439.6	1364.5	75.1	**5.5**	2366.3	2417.5	-51.2	**-2.1**
Expenditure	**81190.2**	**86079.4**	**-4889.2**	**-5.7**	**157105.6**	**165633.0**	**-8527.4**	**-5.1**
Recurrent Expenditure	72295.0	74088.5	-1793.6	**-2.4**	141775.7	145471.2	-3695.5	**-2.5**
Programmes	19188.5	21225.8	-2037.2	**-9.6**	33713.0	37362.3	-3649.2	**-9.8**
Wages & Salaries	24383.3	25695.9	-1312.5	**-5.1**	48885.4	50021.8	-1136.3	**-2.3**
Interest	28723.1	27166.9	1556.2	**5.7**	59177.2	58087.2	1090.0	**1.9**
Domestic	19634.2	19018.9	615.3	**3.2**	42535.9	41704.0	831.9	**2.0**
Foreign	9088.9	8148.1	940.9	**11.5**	16641.3	16383.2	258.1	**1.6**
Capital Expenditure	8895.3	11990.8	-3095.6	**-25.8**	15330.0	20161.8	-4831.8	**-24.0**
Non-interest expenditure	**52467.1**	**58912.5**	**-6445.4**	**-10.9**	**97928.4**	**107545.8**	**-9617.3**	**-8.9**
Fiscal Balance	**-16530.4**	**-16032.4**	**-497.9**	**3.1**	**-25470.9**	**-28787.1**	**3316.2**	**-11.5**
Current Balance	**-9377.0**	**-6019.8**	**-3357.2**	**55.8**	**-13027.1**	**-12142.1**	**-885.0**	**7.3**
Primary balance	**12192.7**	**11134.5**	**1058.3**	**9.5**	**33706.3**	**29300.2**	**4406.2**	**15.0**
		In Percent of GDP						
BR	**1.5**	**1.4**			**2.2**	**2.5**		
CB	**-0.8**	**-0.5**			**-1.1**	**-1.1**		
PB	**1.1**	**1.0**			**3.0**	**2.6**		
IP	**2.5**	**2.4**			**5.2**	**5.1**		
FSR	**-1.3**	**-1.2**			**-1.2**	**-1.2**		
NIE	**4.6**	**5.2**			**8.6**	**9.5**		

Key

BR = Borrowing Requirement = Fisacl 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.*

B. MONETARY POLICY DEVELOPMENTS

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

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

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

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

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

18/04/06	The Bank suspended the acceptance of placements on its open market operations (OMO) instruments with tenors of 270 days and 365 days, until further advised. The OMO instruments, along with corresponding interest rates, that remained on offer were 30-days: 12.6 per cent; 60-days: 12.70 per cent; 90-days: 12.75 per cent; 120-days: 12.85 per cent; and 180-days: 13.00 per cent.
01/05/06	The Bank removed the requirement that deposit-taking institutions must hold some portion of their assets as a Special Deposit with the Central Bank. This requirement was introduced in January 2003 to stabilize the financial markets. The initial deposit requirement was set at 5 per cent of prescribed liabilities and this was reduced to 1 per cent in two steps between February and May 2005. The significant improvement in macroeconomic conditions and the positive outlook for fiscal year 2006/07 allowed for the return of the remaining deposits. The sum due to financial institutions as at 28 April 2006 was J$1 564.1 million.
12/05/06	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 12.45 per cent, 12.50 per cent, 12.60 per cent, 12.65 per cent and 12.80 per cent, respectively.
01/09/06	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 12.15 per cent, 12.2 per cent, 12.30 per cent, 12.35 per cent and 12.50 per cent, respectively.
22/09/06	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 11.95 per cent, 12.00 per cent, 12.10 per cent, 12.15 per cent and 12.30 per cent, respectively.
22/12/06	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 11.65 per cent, 11.70 per cent, 11.80 per cent, 11.85 per cent and 12.00 per cent, respectively. This policy action comes against the background of continued robust economic performance and favourable medium term economic outlook.
18/01/07	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.
19/06/07	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.
04/07/07	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
06/09/07	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.
18/09/07	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.

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

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

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

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

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

Tenor	**30-day**	**60-day**	**9**
Previous Rates (%)	11.65	11.70	1
New Rate	**12.65**	**12.70**	**1**

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

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

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

The rates applicable to all other BOJ instruments remained unchanged.

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

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

26/06/08 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.

01/09/08 Bank of Jamaica offered a special 18-month, variable rate certificate of deposit (CD) to banks and primary dealers. The CD attracted a rate of 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.

LIST OF SUMMARY TABLES

C. Summary Tables

1

INFLATION RATES (%)	CPI Index (e.o.p)	Head-line (Quarter)	Core (Quarter)
2001/2002			
June	58.3	3.0	0.1
September	59.9	2.7	1.5
December	60.6	1.1	0.5
March	61.0	0.6	0.4
2002/2003			
June	62.0	1.6	0.7
September	63.4	2.3	0.7
December	65.0	2.5	0.9
March	64.7	-0.4	1.0
2003/2004			
June	68.5	5.9	2.5
September	71.5	4.4	2.0
December	73.9	3.4	1.4
March	75.4	2.0	1.6
2004/2005			
June	76.8	1.9	1.1
September	79.0	2.9	2.3
December	84.1	6.4	2.6
March	85.3	1.5	0.7
2005/2006			
June	90.0	5.5	2.1
September	93.8	4.2	1.2
December	94.6	0.9	0.6
March	94.9	0.2	0.9
2006/2007			
June	97.6	2.9	1.3
September	99.9	2.4	1.4
December	100.0	0.1	0.2
March	102.5	2.5	1.9
2007/2008			
June	105.1	2.5	1.3
September	108.9	3.6	1.9
December	116.8	7.3	4.0
March	122.9	5.2	3.5
2008/2009			
June	130.3	6.0	3.4
September	136.5	4.7	2.0

2A

COMPONENT CONTRIBUTION TO INFLATION
All Jamaica
July – September 2008

Divisions, Classes and Groups	Weight in CPI	Inflation (%)	Contribution
FOOD & NON-ALCOHOLIC BEVERAGES	0.3746	4.2	32.9
Food	0.3512	4.3	31.5
- Bread and Cereals	0.0610	4.2	5.4
- Meat	0.0766	4.6	7.3
HEALTH	0.0329	0.8	0.6
Medical Products, Appliances and Equipment	0.0122	1.0	0.3
Health Services	0.0207	0.7	0.3
TRANSPORT	0.1282	9.8	26.3
COMMUNICATION	0.0399	0.0	0.0
RECREATION AND CULTURE	0.0336	3.2	2.2
EDUCATION	0.0214	9.2	4.1
RESTAURANTS & ACCOMMODATION SERVICES	0.0619	3.0	3.9
MISCELLANEOUS GOODS AND SERVICES	0.0837	2.4	4.3
ALL DIVISIONS	1.0000	4.7	100.0
Clothing	0.0212	2.1	1.0
Footwear	0.0122	3.0	0.8
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	0.1276	7.1	19.0
Rentals for Housing	0.0301	0.2	0.2
Maintenance and Repair of Dwelling	0.0080	2.4	0.4
Water Supply and Miscellaneous Services Related to the Dwelling	0.0132	8.8	2.4
Electricity, Gas and Other Fuels	0.0712	10.3	15.4
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	0.0493	3.9	4.0
Furniture and Furnishings	0.0069	6.9	1.0
Household Textiles	0.0032	3.4	0.2
Household Appliances	0.0056	3.2	0.4
Glassware, Tableware and Household Utensils	0.0005	4.1	0.0
Tools and Equipment for House and Garden	0.0015	2.9	0.1
Goods and Services for Routine Household Maintenance	0.0316	3.4	2.3

2B

REGIONAL INFLATION
July – September 2008

Divisions, Classes and Groups	GKMA	Other Urban Centres	Rural Areas
FOOD & NON-ALCOHOLIC BEVERAGES	**5.1**	**5.1**	**3.2**
Food	**5.2**	**5.3**	3.3
- Bread and Cereals	5.9	4.4	3.3
- Meat	6.1	4.3	3.6
- Fish and Seafood	7.2	3.4	2.0
- Milk, Cheese and Eggs	3.1	3.1	2.7
- Oils and Fats	8.2	8.8	9.7
- Fruit	2.6	6.3	-0.7
- Vegetables and Starchy Foods	3.8	8.1	3.0
- Sugar, Jam, Honey, Chocolate and Confectionery	4.3	5.0	2.3
- Food Products n.e.c.	3.9	5.7	3.3
Non-Alcoholic Beverages	**3.6**	**2.7**	**1.8**
- Coffee, Tea and Cocoa	1.4	2.4	1.0
- Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	4.3	2.8	2.2
ALCOHOLIC BEVERAGES AND TOBACCO	**4.8**	**1.5**	**2.5**
CLOTHING AND FOOTWEAR	**4.1**	**3.0**	**1.4**
Clothing	**2.7**	**1.7**	**2.0**
Footwear	**5.7**	**5.0**	**0.4**
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	**6.0**	**7.4**	**8.2**
Rentals for Housing	**0.3**	**0.1**	**0.1**
Maintenance and Repair of Dwelling	**3.3**	**1.9**	**2.1**
Water Supply and Miscellaneous Services Related to the Dwelling	**8.9**	**8.8**	**8.8**
Electricity, Gas and Other Fuels	**10.3**	**11.1**	**9.9**
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	5.8	3.3	2.7
Furniture and Furnishings	**10.8**	**4.7**	**4.7**
Household Textiles	3.3	3.7	3.2
Household Appliances	0.6	4.7	4.8
Glassware, Tableware and Household Utensils	**6.1**	**2.8**	**3.2**
Tools and Equipment for House and Garden	**2.9**	**2.4**	**3.0**
Goods and Services for Routine Household Maintenance	**5.8**	**3.0**	**1.7**
HEALTH	**0.5**	**0.9**	**0.9**
Medical Products, Appliances and Equipment	0.9	0.9	1.1
Health Services	0.4	0.8	0.8
TRANSPORT	**1.0**	**12.5**	**14.4**
COMMUNICATION	**0.0**	**0.0**	**0.0**
RECREATION AND CULTURE	**1.7**	**2.4**	**4.6**
EDUCATION	**6.2**	**11.8**	**11.5**
RESTAURANTS & ACCOMMODATION SERVICES	**3.0**	**6.1**	**1.4**
MISCELLANEOUS GOODS AND SERVICES	**2.5**	**2.7**	**2.2**
ALL DIVISIONS	**4.1**	**5.7**	**4.8**

3

BANK OF JAMAICA OPERATING TARGETS

	Mar-07	June-07	Sep-07	Dec-07	Mar-08	June-08	Sep-08[p]
Net International Reserves (US$MN)	2 329.4	2 238.9	1 916.2	1 877.7	2 083.4	2 228.8	2 251.1
Net International Reserves ($JMN)	157 743.9	152 579.0	133 807.5	135 065.1	149 859.0	161 565.7	163 180.8
- Assets	176 994.1	168 485.2	135 690.2	137 087.1	151 477.4	179 545.4	165 314.9
- Liabilities	-19 250.2	-15 906.2	-1882.7	-2 022.0	-1 618.4	-17 979.7	-2 134.1
Net Domestic Assets	-105 20.6	-99 591.6	-79 335.9	-69 808.0	-91 016.6	-103 922.7	-105 610.2
-Net Claims on the Public Sector	96 326.9	91 824.7	95 955.4	95 010.4	97 776.9	98 324.8	93 497.6
- Net Credit to Banks	-10 58.6	-10 860.9	-11 858.7	-12 419.5	-13 019.4	-13 488.6	-14 259.9
- Open Market Operations	-165 04.0	-150 758.3	-129 771.5	-114 741.3	-138 179.1	-150 835.7	-146 219.8
- Other	-25 84.9	-29 797.1	-33 661.1	-37 657.6	-37 595.0	-37 923.2	-38 628.1
Monetary Base	51 823.2	52 987.4	54 771.7	65 257.1	58 842.4	57 643.0	57 570.6
- Currency Issue *	35 956.2	36 348.3	37 446.0	47 220.7	40 245.3	39 383.8	38 940.9
- Cash Reserve	15 734.2	16 177.6	16 893.4	17 259.8	17 650.0	18 066.9	18 400.9
- Current Account	132.8	461.5	132.3	776.6	947.1	192.3	228.8
% change Monetary Base (F-Y-T-D)	18.8	2.2	5.1	25.9	13.5	-2.0	-2.2

** 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	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[P]	83 539.4	90 900.7	199 539.0	292 918.6	268 487.6	361 867.2

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

5

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

	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08[p]
M2J	**19 326.1**	**-6 423.0**	**6 882.8**	**3 271.2**	**16 973.3**	**-13 139.5**	**8 575.8**	**1 758.2**
Currency	7 333.8	-4 631.3	1 506.1	839.2	7 180.0	-7 472.1	2 287.4	-1 887.5
Demand Deposits	6 177.6	-2 609.9	2 310.5	121.3	6 372.7	-4 363.0	2 938.7	2 919.4
Savings Deposits	4 413.7	917.8	1 826.7	2 798.0	2 038.3	-332.7	2 458.3	-1 978.0
Time Deposits	1 401.0	-99.1	1 239.5	-487.3	1 382.3	-971.7	891.4	2 704.3
OTHER DEPOSITS	**1 406.0**	**2 184.8**	**-302.8**	**1 606.4**	**3 056.9**	**2 576.3**	**4 571.4**	**1 507.7**
TOTAL (M3J)	**20 732.2**	**4 238.2**	**6 580.0**	**4 877.6**	**20 030.2**	**-10 563.2**	**13 147.2**	**3 265.9**
SOURCES OF CHANGE IN LOCAL CURRENCY MONEY SUPPLY								
N.I.R. of B.O.J.	**-1 624.0**	**799.4**	**-6 166.4**	**-22 532.7**	**- 2 685.7**	**14 793.9**	**10 458.6**	**2 863.2**
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	**6 620.4**	**18 440.5**	**12 587.8**	**315.9**	**4 847.7**	**- 4 228.8**	**14 405.7**	**-4 799.0**
Public Sector	-2 471.5	**13 835.9**	**6 955.0**	**-6 050.0**	**-114.6**	**-7 463.5**	**7 722.9**	**-9 000.0**
Private Sector	9 091.9	**4 604.6**	**5 632.8**	**6 365.9**	**4 962.3**	**3 234.7**	**6 682.8**	**4 201.4**
Open Market Operations	**11 261.9**	**-10 947.0**	**14 945.8**	**20 986.7**	**15 030.2**	**-23 437.9**	**-12 656.5**	**4 615.9**
Other	**4 473.8**	**-12 531.1**	**-14 787.2**	**6 107.7**	**2 838.0**	**2 309.6**	**939.4**	**585.8**
TOTAL	**20 732.2**	**4 238.2**	**6 580.0**	**4 877.6**	**20 030.2**	**-10 563.2**	**13 147.2**	**3 265.9**
Memo:								
Foreign Currency Deposits (Private Sector)	**3 318.4**	**2 576.8**	**6 570.8**	**10 998.3**	**2 299.0**	**-2 065.9**	**-2 331.0**	
Foreign Currency Loans (Private Sector)	**3 124.4**	**4 124.8**	**1 874.8**	**7 173.2**	**3 078.1**	**1 329.8**	**12 378.3**	

p-preliminary

n.a: not available

6A

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

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

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

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		

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

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

8A

JAMAICA: GOVERNMENT BOND MARKET
GOJ Maturities
July - September 2008

Maturity Date		Amount J$M	Applicable Interest Rate [b/]
18 Jul	FR Inv. Deb. 2008 AU	4 511.1	13.75
19 Jul	FR LRS 2008 AH	700.0	14.50
21 Jul	FR Inv. Deb. 2008 Ser. AY	567.0	12.875
28 Jul	VR LRS 2008/2009 B	300.0	15.70
01 Aug	VR LRS 2008	372.5	17.075
15 Aug	FR LRS 2008	200.0	15.00
16 Aug	VR LRS 2008/2009 D	500.0	15.70
16 Aug	FR US$ Indexed Bd. Ser. AZ	4 426.9	12.875
24 Aug	FR Inv. Deb. 2008 Ser. AZ	2 563.3	12.875
31 Aug	VR LRS 2001/2008 Tr. D	369.3	12.21
02 Sep	VR LRS 2008/2009 C	200.0	15.78
09 Sep	VR Inv. Bd. 2008 Ser. BC	2 774.7	15.42
15 Sep	VR LRS 2008/2009 G	1 000.0	15.42
18 Sep	FR LRS 2008 AJ	400.0	14.50
27 Sep	FR Inv. Deb 2008 Ser. BC	7 106.9	14.00
30 Sep	FR LRS 2008 AK	400.0	14.125

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
July – September 2008

Issue Date	Stock Name	Features	Amount raised J$M
11 July	*FR Reg. Bd. 2023 Ser. V*	*Tenor of 15 years. Interest rate fixed at 17.00%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity.*	*3 801.8*
21 July	*FR Inv. Deb 2009 Ser. Be*	*Tenor of 12 months. Interest rate fixed at 15.50%. First interest payment will become due and payable after 3 months. Thereafter, interest will be paid quarterly until maturity.*	*2 879.9*
29 July	*VR. Inv. Bd. 2013/2014 Ser. Ba*	*Tenor of 5 years. Interest rate fixed at 14.46% for first 3 months. Thereafter, quarterly payments of 1.125 percentage points above 3-month WATBY.*	*1 910.7*
08 August	*VR Inv. Bd. 2010/2011 Ser. Bb*	*Tenor of 2 years. Interest rate fixed at 15.585% for first 3 months. Thereafter, quarterly payments of 1.125 percentage points above 3-month WATBY.*	*4 320.2*
18 August	*FR US $ Indexed Bd. 2011.*	*Tenor of 3 years. Interest rate fixed at 7.25%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity.*	*2 297.0*
26 August	*VR Inv. Bd. 2010/2011 Ser. Bc*	*Tenor of 2 years. Interest rate fixed at 14.90% for first 3 months. Thereafter, quarterly payments of 1.125 percentage points above3-months WATBY.*	*3 652.0*
29 August	*FR Reg. Bd. 2028 Ser. W*	*Tenor of 3 years. Interest rate fixed at 17.65%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity.*	*3 762.8*
11 September	*VR Inv. Bd. 2010/2011 Ser. Bd.*	*Tenor of 30 months. Interest rate fixed at 14.58% for first 3 months. Thereafter, quarterly payments of 1.125 percentage points above3-months WATBY*	*1 584.1*
19 September	*FR Inv. Deb. 2009 Ser. Bf*	*Tenor of 15 months. Interest rate fixed at 15.875%. First interest payment will become due and payable after 3 months. Thereafter, interest will be paid quarterly until maturity.*	*4561.3*
29 September	*VR Inv. Bd. 2010/2011 Ser. Be*	*Tenor of 17 months. Interest rate fixed at 14.81% for first 3 months. Thereafter, quarterly payments of 1.125 percentage points above3-months WATBY*	*5 237.2*
29 September	*FR. Reg. Bd. 2023 Ser. X*	*Tenor of 15 years. Interest rate fixed at 17.00%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid quarterly until maturity.*	*1 048.7*

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

9

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	**112.9**	**1 209.7**	**89.8**	**6.4**	**82.3**	**522.9**	**227.6**	**2 251.6**
June [r]	28.5	314.4	42.4	4.5	21.4	139.8	47.5	598.5
September [r]	28.3	267.7	13.1	1.9	22.3	112.2	54.3	499.8
December [r]	26.7	320.0	0.0	0.0	21.0	117.4	57.5	542.6
March [p]	29.4	307.6	34.3	0.0	17.6	153.5	68.3	610.7
2008/2009								
June [p]	29.6	370.9	43.0	0.0	24.9	181.8	83.2	733.4

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)

	Dec-06	Mar-07r	Jun-07r	Sep-07r	Dec-07r	Mar-08r	Jun-08p
1. Current Account	**-283.7**	**-265.4**	**-332.5**	**-523.8**	**-618.0**	**-652.7**	**738.3**
A. Goods Balance	**-713.3**	**-753.4**	**-799.2**	**-963.8**	**- 1 050.2**	**-1 128.0**	**-1188.5**
Exports (f.o.b.)	519.0	585.5	598.5	499.8	542.6	610.7	733.4
Imports (f.o.b.)	1 232.3	1 338.9	1 397.7	1 463.6	1 592.8	1 738.7	1 921.9
B. Services Balance	**133.1**	**167.1**	**121.0**	**85.8**	**74.6**	**160.5**	**60.1**
Transportation	-108.7	-113.5	-124.5	-137.7	-145.3	-134.8	-177.5
Travel	377.5	446.6	402.1	383.4	379.8	463.7	406.2
Other Services	-135.7	-166.0	-156.6	-159.9	-159.9	-168.4	-168.6
Goods & Services Balance	**-580.2**	**-586.3**	**-678.2**	**-878.0**	**-975.6**	**-967.5**	**1 128.4**
C. Income	**-163.7**	**-150.0**	**-161.4**	**-164.1**	**-186.2**	**-195.8**	**156.4**
Compensation of Employees	41.0	-3.7	4.1	26.5	37.8	-0.7	7.0
Investment Income	-204.7	-146.3	-165.5	-190.6	-224.0	-195.1	-163.4
D. Current Transfers	**460.2**	**470.9**	**507.1**	**518.2**	**543.7**	**510.6**	**546.4**
General Government	37.4	32.5	34.6	33.6	32.3	33.1	31.9
Other Sectors	422.8	438.4	472.5	484.6	511.4	477.5	514.5
2. Capital & Financial Account	**283.7**	**265.4**	**332.5**	**523.8**	**618.0**	**652.7**	**738.3**
A. Capital Account	**0.4**	**-9.5**	**-9.0**	**-9.0**	**-8.1**	**20.7**	**-6.0**
Capital Transfers	0.4	-9.5	-9.0	-9.0	-8.1	20.7	-6.0
General Government	0.3	0.2	0.2	0.3	0.0	29.5	0.0
Other Sectors	0.1	-9.7	-9.2	-9.3	-8.1	-8.8	-6.0
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	**283.3**	**274.9**	**341.5**	**532.8**	**626.1**	**632.0**	**744.3**
Official Investment	280.8	176.7	176.3	44.8	250.8	-46.8	174.6
Private Investment (including net errors & omissions)	-22.0	110.0	74.7	165.3	336.8	884.5	715.2
Reserves	24.5	-11.8	90.5	322.7	38.5	-205.7	-145.5

p-provisional

r-revised

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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]	421.9	1 194.3	0.0	400.4	2 016.6	280.0	2 296.6
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	103.7	292.5	0.0	102.0	498.2	70.0	568.2
2008//2009							
June	109.7	317.4	0.0	103.9	531.0	70.0	601.0
September	106.9	316.8	0.0	103.1	526.8	70.0	596.8

r: revised

13

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

	US$	Can$	GB£
2004/2005			
June	61.22	45.65	102.39
September	61.89	49.05	111.62
December	61.63	50.66	117.92
March	61.54	50.61	115.35
2005/2006			
June	61.84	50.52	110.52
September	62.89	53.61	110.02
December	64.58	54.95	110.40
March	65.50	56.14	112.94
2006/2007			
June	66.03	59.50	120.19
September	66.06	59.10	123.48
December	67.15	57.53	131.53
March	67.80	58.75	132.40
2007/2008			
June	68.58	64.81	136.60
September	70.41	70.38	142.28
December	70.62	71.39	140.32
March	71.09	69.75	141.15
2008/2009			
June	71.89	71.49	142.55
September	72.68	69.49	130.35

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PUBLIC SECTOR DOMESTIC SECURITIES
Outstanding Stocks

(J$MN)

End Period	Local Registered Stocks	Treasury Bills	Bonds	BOJ Open Market Operations Securities
2003/2004				
September	232 914.5	2 400.0	160 594.3	83 700.3
December	228 509.3	4 400.0	178 308.3	81 969.4
March	220 819.2	3 750.0	184 219.0	108 281.7
March	240 923.0	2 950.0	114 524.1	86 203.8
2004/2005				
June	222 372.2	3 950.0	187 932.0	123 222.1
September	222 522.4	3 750.0	197 847.6.	127 629.3
December	220 290.5	3 750.0	210 300.0.	130 692.1
March	218 412.6	4 050.0	214 565.6	143 854.8
2005/2006				
June	220 529.2	4 050.0	231 749.8	167 485.1
September	220 059.0	3 800.0	244 195.7	168 108.2
December	225 762.8	3 500.0	240 934.0	149 806.5
March	235 632.7	3 800.0	233 643.7	157 357.6
2006/2007				
June	236 668.6	4 200.0	249 662.1	159 438.0
September	231 237.9	4 600.0	285 901.2	166 018.9
December	229 978.3	4 700.0	294 773.2	154 757.0
March	226 631.1	4 200.0	276 155.1	165 704.0
20007/2008				
June	232 363.8	4 200.0	297 276.0	150 758.3
September	226 746.9	4 200.0	315 256.5	129 771.5
December	224 228.4	4700.0	324 929.2	114 741.3
March	223 581.6	4 200.0	330 008.5	138 179.1
2008/2009				
June	218 100.0	4 200.0	344 170.3	150 835.7
September	213 495.2	4 300.0	357 755.71	146 219.8

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STOCK MARKET ACTIVITIES
Jamaica Stock Exchange

	JSE Index	*Volume Traded* (M.)	*Value of Stocks Traded (J$M.)*
2004/2005			
June	94 718.4	665.7	9 395.7
September	99 819.8	391.1	4 920.4
December	112 655.5	532.0	7 144.9
March	111 931.2	920.4	18 029.3
2005/2006			
June	110 621.9	866 .8	14 136.8
September	103 332.6	387.8	4 189.6
December	104 510.4	323.1	4 391.0
March	86 896.1	366.5	4 513.8
2006/2007			
June	**85 108.2**	**1 882.6**	**10 627.1**
September	**86 196.0**	**610.4**	**3 441.1**
December	**100 678.0**	**2 823.9**	**18 459.0**
March	**90 595.1**	**556.1**	**7 662.6**
2007/2008			
June	**90 069.9**	**352.4**	**2 762.0**
September	**96 299.8**	**884.7**	**5 013.4**
December	**107 968.0**	**640.3**	**13 609.5**
March	**107 439.3**	**678.2**	**9 817.1**
2008/2009			
June	**109 754.0**	**1 117 .5**	**13 665.7**
September	**102 018.9**	**637.8**	**39 352.8**

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

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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					
June	1 165.2	37.8	1 127.4	18.3	12.0
September	1216.6	34.0	1182.6	19.0	12.8
December	1 196.3	31.4	1 164.9	18.3	12.5
March	1 596.9	28.2	1 568.7	25.0	16.6
2004/2005					
June	1630.3	26.2	1604.1	22.5	15.3
September	1 640.7	24.2	1 616.5	23.5	16.0
December	1 881.9	23.4	1 858.5	27.5	18.7
March	1 924.1	22.5	1901.6	27.5	18.8
2005/2006					
June	2 179.3	22.5	2 156.8	28.1	19.5
September	2 243.0	124.0	2 119.0	27.0	19.1
December	2 169.0	81.6	2 087.4	27.0	19.0
March	2 372.9	294.8	2 078.1	28.3	20.1
2006/2007					
June	2 293.2	183.2	2 110.0	22.9	16.7
September	2 474.7	132.7	2 342.0	26.1	18.8
December	2 399.1	81.6	2 317.5	25.2	18.2
March	2 613.6	284.3	2 329.3	27.1	19.5
2007/2008					
June	2 472.3	233.4	2 238.9	24.5	17.7
September	1 943.2	27.0	1 916.2	18.2	13.2
December	1 905.8	28.1	1 877.7	16.8	12.3
March	2 105.90	22.50	2 083.40	18.0	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

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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					
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

** Exports*

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VALUE ADDED BY INDUSTRY
AT CONSTANT (2003) PRICES
Jun 2006 - Jun 2008 (Seasonally Unadjusted)

	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08
Total Value Added at Basic Prices	3.00	3.45	3.01	3.15	2.56	0.41	-0.40	0.08	-0.91
Agriculture, Forestry & Fishing	14.18	12.82	12.29	6.05	7.05	-7.24	-28.98	-14.11	-10.51
Mining & Quarrying	0.85	0.16	6.55	1.06	-0.05	-7.51	-4.26	-3.19	-1.26
Manufacturing	-5.52	0.68	-2.12	-0.14	2.42	-1.99	0.49	-0.63	-0.95
Food, Beverages & Tobacco	-9.27	-1.03	-4.20	0.76	5.68	1.99	2.47	-0.77	-0.12
Other Manufacturing	-0.04	2.57	0.04	-1.36	-1.90	-6.25	-1.47	-0.44	-2.14
Electricity & Water	1.86	3.06	4.25	4.42	3.91	-4.48	-1.38	-1.26	-1.85
Construction & Installation	-0.94	-3.41	0.27	4.44	1.81	2.48	8.88	2.38	-2.55
Wholesale & Retail Trade; Repair and Installation of Machinery	1.64	2.53	2.82	2.82	3.03	1.83	0.27	0.47	0.78
Hotels and Restaurants	16.66	13.45	2.74	-1.23	-2.40	3.01	4.50	9.81	2.21
Transport, Storage & Communication	4.63	7.70	5.06	8.65	3.33	1.04	0.35	-1.22	-3.05
Finance & Insurance Services	3.87	2.29	3.55	4.55	5.60	2.79	1.04	2.18	1.59
Real Estate & Business Services	1.77	1.57	2.31	2.78	3.15	3.63	3.28	1.53	1.12
Government Services	1.17	1.79	2.39	1.53	1.09	1.28	-0.81	0.72	-0.92
Other Services	4.90	4.68	3.63	2.38	2.08	2.07	0.92	1.61	0.03
Less Financial Intermediation Services Indirectly Measured (FISIM)	-0.56	-0.68	5.47	5.99	6.04	7.09	1.74	1.70	0.44

D. BANK OF JAMAICA BALANCE SHEET

ASSETS AND LIABILITIES
(End of Period)
J$MN

	Sep-06	Dec-06'	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
Assets	**270 564.3**	**269 763.7**	**269 863.3**	**266 006.6**	**234 449.4**	**233 640.7**	**247 757.6**	**278 045.0**	**267 838.0**
Foreign	163 156.8	160 616.1	176 699.3	169 301.9	136 180.7	134 243.8	149 671.7	177 518.2	164 990.4
Current Account & Foreign Currency Balances	11 987.9	8 670.1	19 617.9	6 382.1	9 199.7	32 665.7	16 279.0	36 274.4	22 474.3
Time Deposits & Securities	143 498.5	144 055.8	149 013.7	154 673.4	118 397.0	92 715.1	124 208.5	132 102.3	133 223.7
Holdings of Special Drawing Rights	17.0	17.9	16.4	14.6	11.4	20.5	5.5	13.4	4.2
Other	7 653.4	7 872.3	8 051.3	8 231.8	8 572.6	8 842.5	9 178.7	9 128.1	9 288.2
Local	107 407.5	109 147.6	93 164.0	96 704.7	98 268.7	99 396.9	98 085.9	100 526.8	102 847.6
Public Sector Securities	86 784.5	86 791.0	68 877.1	68 615.5	73 834.6	73 756.7	73 697.2	73 717.4	79 687.4
Other Assets	22 400.1	22 356.6	24 286.9	28 089.2	24 434.1	25 640.2	24 388.7	26 809.4	23 160.2
Liabilities	**270 564.3**	**269 763.7**	**269 863.3**	**266 006.6**	**234 449.4**	**233 640.7**	**247 757.6**	**278 045.0**	**267 838.0**
Foreign	236.0	295.5	244.8	263.4	259.5	283.0	254.7	268.6	237.9
Local	270 328.3	269 468.2	269 618.4	265 743.2	234 189.9	186 102.6	247 502.9	277 776.4	267 600.1
Currency in Circulation	32 187.6	42 347.3	35 994.1	36 397.1	37 509.0	47 255.1	40 293.8	39 441.3	38 977.0
Deposits	224 521.8	212 883.2	219 603.0	215 715.8	180 700.9	170 289.8	194 151.5	224 425.0	214 859.7
Bankers	26 843.9	27 912.0	28 750.2	29 596.9	31 101.9	32 677.2	33 897.2	33 105.9	34 281.2
Government	20 097.7	19 678.5	5 634.1	17 575.9	14 499.1	18 217.8	10 476.0	6 589.0	8 286.9
Open Market Operations	166 018.9	154 757.0	165 704.0	150 758.3	129 771.5	114 741.3	138 179.1	150 835.7	146 219.8
Other	11 561.3	10 535.7	19 514.7	17 784.7	5 328.4	4 653.5	11 599.2	33 894.4	26 071.8
Allocation of Special Drawing Rights	3 792.7	3 914.0	3 914.0	3 914.0	3 914.0	3 914.0	3 914.0	4 185.3	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	3 112.0	3 378.8	3 175.6	4 274.0	4 382.3	5 104.0	5 590.0	5 660.8	5 458.0
Other Liabilities	6 690.2	6 920.9	6 907.8	5 418.3	7 659.7	6 770.8	3 529.6	4 040.0	3 260.8

E. COMMERCIAL BANKS' BALANCE SHEET

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

	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08 r	Sep-08 p
Assets	411 403.4	429 969.2	439 454.8	452 281.0	471 604.9	490 987.8	496 030.6	519 204.9	533 049.2
Cash	3 696.4	6 536.5	4 806.7	3 692.7	3 951.2	6 545.7	7 042.5	3 893.6	5 338.2
Balances with BOJ	75 384.0	72 120.9	68 390.5	60 056.9	60 014.3	69 208.5	75 753.2	76 629.6	86 077.6
Foreign Assets	90 298.1	96 277.1	93 327.2	105 317.4	111 578.5	109 103.8	112 802.9	110 430.8	100 289.2
Loans & Advances	143 400.2	153 449.2	164 106.1	172 769.7	183 898.4	195 075.1	194 847.0	215 973.6	233 120.9
Private Sector	114 369.4	125 512.2	133 626.6	141 770.6	155 376.6	163 411.9	167 792.6	187 366.6	202 280.2
Public Sector	29 030.8	27 937.0	30 479.5	30 999.1	28 521.8	31 663.2	27 054.4	28 607.0	30 840.7
Public Sector Securities	55 984.4	58 191.2	61 284.1	66 639.3	64 883.9	63 495.2	60 352.7	62 265.7	58 867.3
Cheques in the Process of Collection	4 292.2	4 133.5	7 924.7	4 628.2	5 177.6	6 146.8	4 005.5	6 013.2	4 936.6
Other Assets	38 348.1	39 260.8	39 615.5	39 176.8	42 101.0	41 412.7	41 226.8	43 998.4	44 419.4
Liabilities	411 403.4	429 969.2	439 454.8	452 281.0	471 604.9	490 987.8	496 030.6	519 204.9	533 049.2
Deposits	268 345.9	282 925.5	281 934.5	292 735.3	308 182.3	321 158.7	321 588.7	322 095.9	327 776.0
Local Currency	165 253.8	175 855.2	179 631.3	182 259.7	188 681.1	198 395.7	196 044.3	199 675.1	205 462.6
Foreign Currency	103 092.1	107 070.3	102 303.2	110 475.6	119 501.2	122 763.0	125 544.4	122 420.8	122 313.4
Foreign Liabilities	55 210.6	56 800.0	59 656.7	56 315.8	61 469.2	61 298.0	66 811.5	79 532.3	79 180.9
Discounts & Advances from BOJ	226.1	182.6	168.1	192.3	178.3	33.4	430.8	203.2	53.3
Loans/Advances from Other Institutions	4 777.0	5 451.4	5 295.1	5 126.0	6 082.5	5 137.5	5 594.6	5 051.8	5 164.8
Cheques in the Process of Payment	3 305.9	3 900.8	4 528.8	4 745.0	4 024.0	5 5234.0	6 329.3	4 574.3	4 583.3
Other Liabilities	79 537.9	80 708.9	87 871.6	93 166.6	91 668.6	97 836.2	95 275.7	107 747.4	116 290.9

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

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

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

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

4A

INTERNATIONAL EXCHANGE RATES US$ vs. OTHER MAJOR CURRENCIES (Currency/US$) (End- of-Period)								
	Dec-06	**Mar-07**	**Jun-07**	**Sep-07**	**Dec-07**	**Mar-08**	**Jun-08**	**Sep-08**
US$ vs. Sterling	**0.51056**	**0.5132**	**0.4985**	**0.4905**	**0.4955**	**0.5037**	**0.5023**	**0.5564**
US$ vs. Canadian $	**1.1653**	**1.1682**	**1.0634**	**0.9963**	**1.0024**	**1.0279**	**1.0186**	**1.0581**
US$ vs. Yen	**119.03**	**117.26**	**123.39**	**114.98**	**112.36**	**99.893**	**106.180**	**106.572**
US$ vs. Euro	**0.75782**	**0.7550**	**0.7397**	**0.7033**	**0.6865**	**0.6328**	**0.6350**	**0.6975**

4B

INTERNATIONAL EXCHANGE RATES STERLING vs. OTHER MAJOR CURRENCIES (End of Period)						
	Jun-07	**Sep-07**	**Dec-07**	**Mar-08**	**Jun-08**	**Sep-08**
Sterling vs. US$	1.9473	2.0061	2.0388	2.0176	1.9906	1.7802
Sterling vs. Canadian $	2.2748	2.1333	2.0313	2.0242	2.0276	1.8868
Sterling vs. Yen	228.36	247.54	234.43	226.70	211.36	188.68
Sterling vs. Euro 1/	1.4702	1.4839	1.4339	1.3857	1.264	1.2644

5A

INTERNATIONAL EXCHANGE RATES EXCHANGE CROSS RATES (Sep 2008)					
	GBP	**CAN$**	**US$**	**Yen**	**Euro**
GBP	1.000	1.902	1.797	191.530	1.254
CAN$	0.526	1.000	0.945	100.732	0.659
US$	0.557	1.058	1.000	106.584	0.698
Yen	0.005	0.010	0.009	1.000	0.007
Euro	0.798	1.517	1.434	152.810	1.000

5B

WORLD COMMODITY PRICES FOOD (End- of-Period)	Mar - 07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
Wheat **(US$/m t)**	199.10	197.03	357.68	356.96	440.17	348.55	294.46
Coffee (USc/kg arabica brand)	258.12	252.90	282.28	304.33	328.97	322.21	315.86

5C

WORLD COMMODITY PRICES KEY CRUDE OIL PRICES (US$/barrel – f.o.b.) (End- of-Period)	Mar - 07	Jun -07	Sep-07	Dec-07	Mar-08	Jun -08	Sep-08
North Sea Brent	62.09	71.92	80.65	91.45	103.28	133.05	99.06
West Texas Intermediate	60.61	70.69	81.67	91.36	105.48	133.93	103.94

6

MAJOR STOCK MARKET INDICES (End- of-Period)	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
TOKYO							
Nikkei Index	17287.65	18138.36	16785.69	15307.78	12525.54	13481.38	11259.86
NEW YORK							
Dow Jones Industrials	12354.35	13408.62	13912.94	13264.82	12295.29	11350.01	10371.42
S & P Composite	1420.86	1503.35	1531.38	1468.36	1325.52	1280.0	1166.36
LONDON							
Financial Times SE 100	6308.00	6607.90	6486.40	6806.11	5702.1	5625.9	4902.45
FRANKFURT							
Dax Index	8007.32	8005.90	7861.42	8067.32	6534.97	6418.32	5831.02

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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