2018

BANK OF JAMAICA

Quarterly Monetary Policy Report

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Monetary Policy at the Bank of Jamaica

Bank of Jamaica's monetary policy objective is to achieve an inflation target of 4 – 6 per cent per annum for the next four years. This inflation rate, measured as the change in the consumer price index that is published by the Statistical Institute of Jamaica, will facilitate sustained growth and development in Jamaica. Targeting a lower level of inflation risks choking off the anticipated rise in the growth rate of Jamaica's GDP through the imposition of tighter monetary policy.

The inflation target was established by the Minister of Finance and the Public Service in consultation with Bank of Jamaica in September 2017.

The Bank uses a variety of tools to achieve its inflation target, the main one being the interest rate on the overnight deposit facility that it offers to commercial banks. Changes in the Bank's policy rate signals the Bank's policy stance towards achieving its inflation objective, which is transmitted to prices through the financial markets and then through spending and investment decisions.

Monetary policy decisions affect inflation with a lag of between 4 to 8 quarters. For this reason, monetary policy in Jamaica is forward looking and the Bank puts much effort into establishing its view of the economy in the future, and bases its decision on this view. It is also important that the Bank clearly and transparently communicates this view of the future to the Jamaican public. The Bank undertakes an assessment of the economy eight times during each calendar year and publishes its decisions in accordance with a pre-announced schedule. On four of these occasions, when most data on the key macro-economic variables are available, the Bank prepares a comprehensive macroeconomic forecast, covering the international economy, the fiscal accounts, balance of payments, money, credit, interest rates, GDP and prices.

This Monetary Policy Report describes the Bank's most recent policy decision by the Bank and outlines the Bank's projections for inflation in Jamaica and the main macroeconomic variables that affect it. The Monetary Policy Report is prepared and published once every three months at the time of four of the Bank's monetary policy announcements.

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Overview

The Bank of Jamaica held the policy interest rate (the rate offered on overnight placements with Bank of Jamaica) unchanged at 2.00 per cent on the policy decision dates 28 August and 02 October. This stance was to reinforce the positive and emerging signs of faster credit growth from the generally accommodative monetary conditions, which should lead to greater economic activity and a gradual rise in inflation to the middle of the 4.0 per cent to 6.0 per cent target range.

During the September 2018 quarter, annual inflation returned to the inflation target range and the Jamaican economy is estimated to have expanded. Growth in the monetary aggregates in the September 2018 quarter remained strong including private sector credit, which grew faster than anticipated. Net international reserves were above the level deemed adequate; real GDP growth, while modest, was accelerating; market interest rates were at record lows; and fiscal performance continued to be strong (see *3.0 Real Sector* and *4.0 Fiscal Accounts*).

Annual inflation for September was 4.3 per cent, rising from 2.8 per cent for June 2018. The acceleration in inflation, relative to the preceding quarter, mainly reflected the impact of higher non-processed food prices due to a greater-than-seasonal reduction in agricultural supplies. In addition, during the quarter there were higher energy prices. Over the medium-term, inflation is projected to trend towards the upper end of the target band the June 2019 quarter before gradually returning to the midpoint of the target range in the subsequent quarters. The risks to inflation over the next eight quarters are assessed to be balanced (see *1.0 Inflation*).

The Jamaican economy is estimated to have accelerated in the range of 1.5 per cent to 2.5 per cent in the September 2018 quarter, above the 1.0 per cent recorded for the September 2017 quarter but below the outturn of 2.2 per cent for the June 2018 quarter. This mainly reflected an improvement in net external demand, augmented by small increases in investment and private consumption. The Bank now anticipates higher than previously projected growth in Construction and Transport, Storage & Communication, reflecting the impact of road rehabilitation works and increased activity at the ports, respectively. Over the medium term, real GDP growth is projected to trend upward but remain below potential output until the March 2020 quarter, largely reflecting of strong foreign demand. However, fiscal consolidation is expected to continue to restrain domestic demand while monetary conditions will remain generally accommodative over the short term (see *8.0 Monetary Aggregates* and *9.0 Monetary Conditions*). In this context, domestic demand is projected to grow at a moderate but improving pace.

Global growth is estimated at 3.7 per cent for the September 2018 quarter, a slowdown of 0.3 percentage point relative to the June 2018 quarter. Bank of Jamaica projects that the global economy will continue to grow over the next eight quarters, albeit at a slower pace than earlier anticipated. International oil prices are expected to average US$73.65 per barrel for the December 2018 quarter and US$71.34 for the March 2019 quarter, a higher track relative to the last forecast in August 2018 (see *2.0 International Economy*).

Jamaica's current account deficit (CAD) of the balance of payments is projected to remain at broadly sustainable levels over the medium term, despite the projection for a gradual widening of the deficit into March 2020. This worsening of the CAD is largely underpinned by an upward revision to most of the sub-accounts. The outlook for gross reserves has also deteriorated relative to the previous projection (see *5.0 Balance of Payments*).

The Bank will maintain its generally accommodative policy stance in the context of the relatively stable outlook for inflation over the next four to eight quarters as well as the weak but improving domestic demand. However, the Bank will act promptly to address any undesirable risk to inflation that may emerge in the medium-term. The Bank will continue to use its policy tools to maximise the benefits of low and stable inflation expectations in Jamaica.

Brian Wynter
Governor

Contents

ABBREVIATIONS & ACRONYMS

B-FXITT	Bank of Jamaica's Foreign Exchange Intervention & Trading Tool
BOJ	Bank of Jamaica
BOP	Balance of Payments
Brexit	British Exit
bps	Basis points
CAD	Current Account Deficit
CDs	Certificates of Deposit
CDI	Credit Demand Index
CPI	Consumer Price Index
CPI-F	Consumer Price Index without Fuel
CPI-FF	Consumer Price Index without Food and Fuel
CSI	Credit Supply Index
CY	Calendar Year
DIJA	The Dow Jones Industrial Average
DTIs	Deposit-taking Institutions
EFR	Excess funds rate
EMBI+	JP Morgan Emerging Market Bond Index
e.o.p	End of Period
EFR	Excess Funds Rate
Fed	US Federal Reserve System
FNB	Food & Non-Alcoholic Beverages
FTSE	Financial Times Stock Exchange
FY	Fiscal Year
GDP	Gross Domestic Product
GOJ	Government of Jamaica
GOJGBs	Government of Jamaica Global Bonds
HWEG	Housing, Water, Electricity Gas & Other Fuels
IES	Inflation Expectations Survey
IMF	International Monetary Fund
IRC	Interest Rate Corridor
JMD	Jamaica Dollar
JSE	Jamaica Stock Exchange
LHS	Left Hand Side
LME	London Metal Exchange
M2J	Broad money supply

M2+	Broad money supply that includes foreign currency deposits
MCI	Monetary Conditions Index
NDA	Net Domestic Assets
NIR	Net International Reserve
NOP	Net Opening Position
o/w	Of which
O/N	Overnight
OMO	Open Market Operations
PMMR	Private Money Market Rates
QoQ	Quarter over Quarter
QPC	Quantitative Performance Criteria
RADA	Rural Agriculture Development Agency
REER	Real Effective Exchange Rate
S&P	Standard & Poor's
SBA	Stand-by Agreement
SCT	Special Consumption Tax
SLF	Standing Liquidity Facility
T-Bill	Treasury Bill
US	United States
USD	US dollar
WASR	Weighted Average Selling Rate
WTI	West Texas Intermediate

1.0 Inflation

Annual inflation in Jamaica at September 2018 accelerated to 4.3 per cent from 2.8 per cent at June 2018, largely reflecting higher prices for agricultural food crops and increased electricity costs.

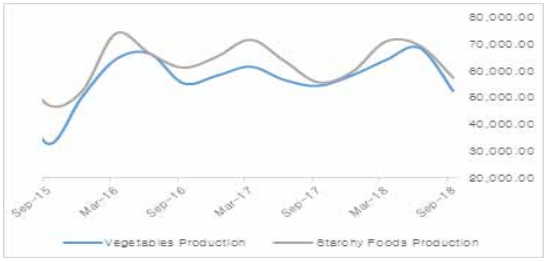
Inflation is projected to average 4.7 per cent over the next four quarters. The forecast track over this period sees inflation approaching the upper limit of the target by June 2019 before quickly moderating thereafter to the lower limit of the target. This near term forecast is mainly predicated on improving domestic demand conditions, the pass through of higher international commodity prices, particularly crude oil and an increase in water and sewerage tariffs. These factors are expected to be partly offset by a moderation in the pace of price increases for agricultural items following a negative supply shock in the September 2018 quarter. Inflation gradually approaches the Bank's 5.0 per cent target rate in the medium term.

Recent Developments and Near-term Outlook

The annual point to point inflation rate at September 2018 was 4.3 per cent, an acceleration relative to the 2.8 per cent recorded at end-June 2018 but a deceleration relative to the 4.6 per cent recorded at September 2017. The outturn for September 2018 was higher than the previous projection of 3.7 per cent.

The acceleration in inflation, relative to the preceding quarter, mainly reflected the impact of higher non-processed food prices due to a greater-than-seasonal reduction in agricultural supplies (see Figure 1). The effect of this shock on inflation was supported by higher energy prices. Food and Non-alcoholic Beverages (FNB) increased in the September quarter mainly as a result of an acceleration in the rate of increase in the vegetables and starchy foods group, which advanced by 11.4 per cent relative to a fall of 1.0 per cent over the June 2018 quarter. The most significant increase in the vegetable and starchy foods group was evident in August 2018. Agricultural supplies were affected by dry weather conditions over the March and June 2018 quarters which intensified in the first two months of the September 2018 quarter. There was also a notable increase of 8.1 per cent in the Housing, Water, and Electricity & Gas (HWEG) division. This was influenced by an increase of 13.2 per cent in Electricity, Gas and Other Fuels (EGOF) for the September quarter, relative to a reduction of 4.8 per cent for the June quarter. For the September 2018 quarter, electricity rates increased by 16.8 per cent, compared to a decline of 6.9 per cent in the June 2018 quarter.

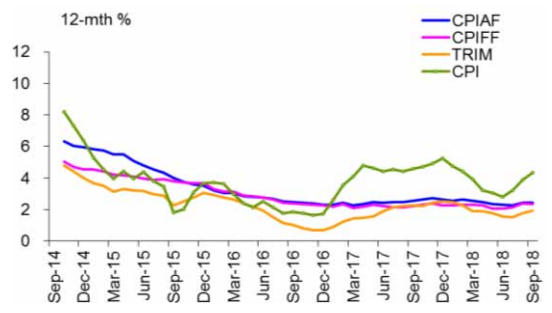
Figure 1: Vegetables and Starchy Foods Supply (Tonnes)



Source: MOA & BOJ Calculations
The graph represents quarterly supply (in tonnes) for vegetables and selected starches provided by Ministry of Agriculture.

The Bank's main measure of core inflation (inflation that excludes the immediate influence of agriculture and energy prices – referred to as CPIAF) remained low during the quarter. CPIAF at September 2018 was 2.4 per cent, a marginal acceleration relative to 2.3 per cent at June 2018 (see Figure 2). Relatively low underlying inflation is in keeping with low (but improving) aggregate demand conditions in the preceding four quarters, driven by ongoing fiscal restraint.

Figure 2: Core Inflation and CPI
(Annual per cent change)



Source: STATIN & BOJ

Inflation Outlook & Forecasts

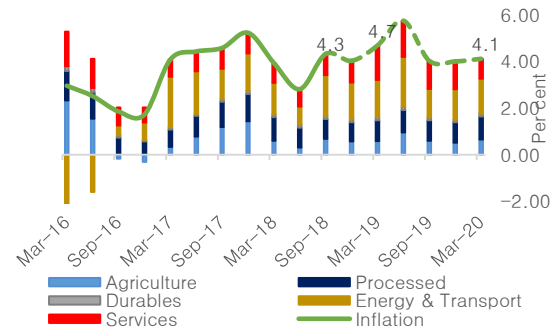
Inflation is projected to fall to 4.0 per cent at December 2018, accelerate to 4.7 per cent at March 2019, move closer to 6.0 per cent in the June 2019 quarter, after which subsiding to an average of 4.0 per cent over the next two (2) quarters. Inflation is projected to gradually returns to the midpoint of the target over the medium term (see **Figure 3**). This trajectory is higher than the previous forecast which anticipated a more gradual convergence to the midpoint of the target range.

Figure 3: Comparative Headline Inflation Forecasts

Source: Bank of Jamaica

The projected deceleration in inflation for the December 2018 quarter primarily reflects an expected fall in the rate of increase in agricultural food prices as improvements in supplies coincide with higher demand during the holiday season. For the March 2019 quarter, the projected acceleration in inflation is primarily related to higher water and electricity rates.[1] Inflationary pressures during the March 2019 quarter are projected to be contained by a decline in agricultural prices as agricultural supplies recover.

Figure 4: Component Contribution to Inflation



Source: STATIN & BOJ

The acceleration for the June 2019 quarter reflects base effects – the CPI had fallen in the June 2018 quarter due to reductions in agriculture prices and electricity rates.

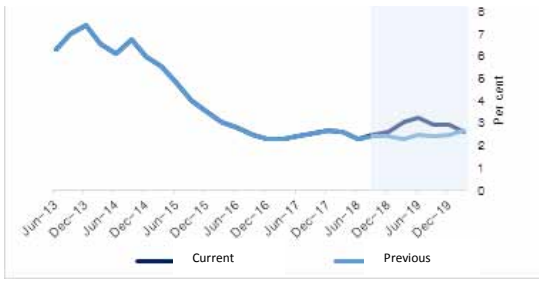
Lower inflation rates for the September and December 2019 quarters reflect the dissipation of the base effect as well as an anticipated deceleration in the rate of increase of imported prices. The forecast also assumes smaller increases in the prices of services and processed foods in the context of lower oil prices in 2019, relative to 2018.

Core inflation in the context of this forecast is projected to rise over the next four quarters (see **Figure 5**). In the context of the anticipated upturn in

[1] The forecast for water rate incorporates the expected impact of the National Water Commission's (NWC) submission to the Office of Utilities Regulation (OUR) for a tariff increase over the period January 2019 to December 2021. If approved, the tariff adjustment will result in an average increase of approximately 34.8 per cent in the bill for customers with access to water and sewerage services. This is expected to have a direct effect of 0.4 percentage points on inflation in the March 2019 quarter.

inflation over the next four quarters, there is a risk that inflation expectations could increase further.

Figure 5: Comparative Core Inflation Forecasts



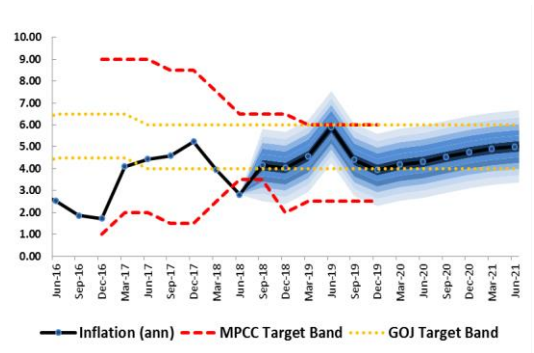
Source: Bank of Jamaica

The Bank's Survey of Businesses' Inflation Expectations (IES) at August 2018 indicated that one-year-ahead inflation expectations was above the mid-point of the Bank's inflation target of 5.0 per cent. As was the case in the previous survey, respondents expected the cost of utilities to reflect the highest increases among input factors over the next twelve months. There was an increase in the proportion of respondents anticipating higher costs for stock replacement during the year. Relative to the other input costs, raw materials was least expected to increase over the next twelve months (see **Box 1: Businesses' Inflation Expectations Survey**).

Inflation Risks

The risks to inflation over the next eight quarters are assessed to be balanced. On the downside, there is a possibility that domestic demand conditions (given an intensification of the international trade war) could weaken, providing a downward drag on price increases. In addition, the risks to international commodity prices are assessed to be skewed to the downside. On the upside, there is a risk that the present accommodative monetary conditions may spur domestic demand at a faster pace than is currently contemplated. Adverse weather conditions, second round effects of administered price adjustments and heightened inflation expectation are other upside risks.

Figure 6: Annual Inflation Fan Chart (%)



Source: STATIN & BOJ

Box 1: Businesses' Inflation Expectations Survey – August 2018

Overview

The Bank's Survey of Businesses' Inflation Expectations (IES) at August 2018 indicated that one-year-ahead inflation expectations was above the mid-point of the Bank's inflation target of 5.0 per cent. As was the case in the previous survey, respondents expected the cost of utilities to reflect the highest increases among input factors over the next twelve months. There was an increase in the proportion of respondents anticipating higher costs for stock replacement during the year. Relative to the other input costs, raw materials was least expected to increase over the next twelve months. Approximately forty seven (47) per cent of the respondents anticipated an increase in wages, a marginal decrease when compared to the July 2018 survey. The expected average increase in wages rose to 7.9 per cent, relative to the 6.9 per cent in the previous survey. Relative to the July 2018 survey, perceptions about present business conditions reflected a lower level of optimism, while future business conditions reflected a higher level of optimism.

Inflation Expectations

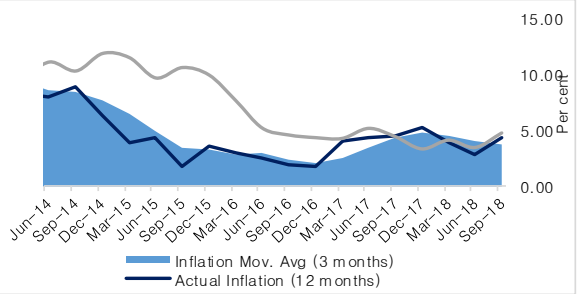
In the August 2018 survey, respondents' expectation of inflation 12 months ahead increased to 5.7 per cent, relative to 5.2 per cent in the July 2018 survey. Furthermore, businesses expected an inflation rate for CY2018 of 5.1 per cent, which is slightly lower than the CY2017 outturn of 5.2 per cent (see Figure 1).

Perception of Inflation Control

The index of inflation control worsened marginally when compared to the July 2018 survey (see Figure 2). This outturn reflected a decrease in the share of respondents who were "satisfied", along with an increase in the share of respondents who were "dissatisfied".

Figure 1: Expected 12-Month Ahead Inflation

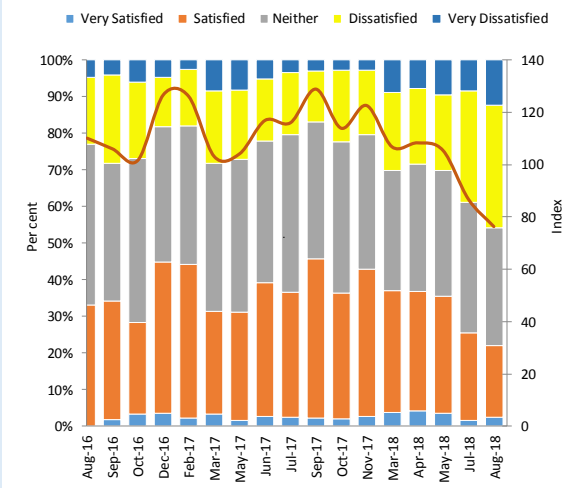
Question: Based on the average monthly inflation for the last 12 months, what do you think the average monthly rate will be for the next 12 months?



Source: Businesses' Inflation Expectations Survey

Figure 2: Perception of Inflation Control

Question: How satisfied are you with the way inflation is being controlled by the Government?



Source: Businesses' Inflation Expectations Survey

Notes: The Index of Inflation Control is calculated as the number of satisfied respondents minus the number of dissatisfied respondents plus 100

Exchange Rate Expectations

Relative to the July 2018 survey, respondents adjusted upward their outlook for the pace of currency depreciation over all three surveyed time horizons (3-month, 6-month and 12-month horizons) (see Table 1).

Table 1: Exchange Rate Expectations

Question: In July 2018, the exchange rate for the Jamaican Dollar (JA$) in respect of the United States Dollar (US$) was $132.25. What do you think the rate will be for the following periods?

	Expected Depreciation (%)			
Periods Ahead	Apr-18	May-18	Jul-18	Aug-18
3-Month	-0.6	3.3	3.4	4.1
6-Month	-0.1	3.9	4.0	5.2
12- Month	0.8	4.4	5.1	5.8

Source: Businesses' Inflation Expectations Survey.
Note: The responses have been converted to percentage change.

Interest Rate Expectations

The majority of respondents expected the Bank's OMO rate, three months ahead, to remain unchanged. However, the proportion of respondents of this view fell relative to the previous survey while there was a marginal increase in the proportion who believe it would be "marginally higher." The 90-day Treasury bill (T-Bill) yield, three months ahead, was expected to decrease to 1.9 per cent from the expected 2.6 per cent recorded in the July 2018 survey.

Perception of Present and Future Business Conditions

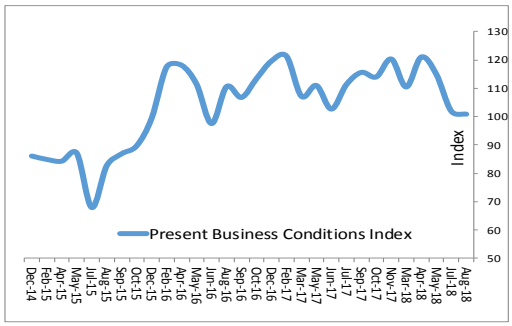
In the August 2018 survey, businesses' were less optimistic about present business conditions as the proportion of respondents of the view that conditions are "better" decreased. Relative to July, businesses were more optimistic about the future as the proportion of respondents who believe that conditions will be "better" increased.

Expected Increase in Operating Expenses

Respondents indicated that they expected the largest increase in production costs over the next 12 months to emanate from utilities. This was followed by costs for fuel/transport and stock replacement. The least was raw material costs (see Table 2).

Figure 3: Perception of Present Business Conditions

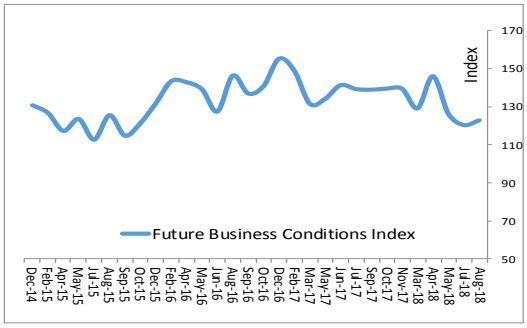
Question: In general, do you think business conditions are better, about the same or worse than they were a year ago in Jamaica?



Source: Businesses' Inflation Expectations Survey
Notes: The Index is calculated using the balance score method (Better – Worse +100)

Figure 4: Perception of Future Business Conditions

Question: Do you think that a year from now business conditions will get better, about the same as present or get worse?



Source: Businesses' Inflation Expectations Survey
Notes: The Index is calculated using the balance score method (Better – Worse +100)

Table 2: Expectations about Operating Expenses

Question: Which input do you think will have the highest price increase over the following time periods?[2]

	May-18	Jul-18	Aug-18
Utilities	29.3	35.5	36.3
Wages/Salaries	7.4	8.8	9.7
Fuel/Transport	24.2	21.0	20.5
Stock Replacement	23.8	17.9	18.7
Raw Materials	9.0	8.0	8.3
Other	6.3	8.8	6.5
Not Stated	0.0	0.0	0.0

Source: Survey of Businesses' Inflation Expectations (IES)

[2] The 3-month, 6-month and 12-month horizons.

2.0 International Economy

Global economic growth for the September 2018 quarter is estimated to have decelerated relative to the June 2018 quarter and was in line with the Bank's projection. Global growth projections for the next eight quarters have been revised downwards by 0.1 percentage point to an average of 3.5 per cent and is also projected to average 3.5 per cent over the medium-term. In particular, US output growth for the next eight quarters has been revised downwards by 0.1 percentage point to an average of 2.0 per cent and is projected to average 1.7 per cent over the medium-term.

The US Federal Reserve raised interest rates in September 2018 in the context of sustained expansion of US economic activity, strong labour market conditions and inflation being near the Committee's symmetric 2.0 per cent objective. Notwithstanding the increase in the US Federal Funds target rate, yields on GOJ global bonds declined over the quarter, reflecting a reduction in Jamaica's sovereign risk premium. BOJ projects that there will be further increases in the Fed Funds rate over the medium-term, which will support an upward drift in money market interest rates. However, the upward pressure on GOJ's sovereign bond yields is expected to be ameliorated by further reductions in Jamaica's sovereign risk premium. In this context, the yields on GOJ sovereign bonds are expected to remain fairly stable over the next eight quarters. Jamaica's Terms of Trade (TOT) Index for FY2018/19 is projected to deteriorate at a faster pace relative to the previous projection. This revision mainly reflects the impact of higher crude oil prices and lower aluminium prices.

Trends in the Global Economy

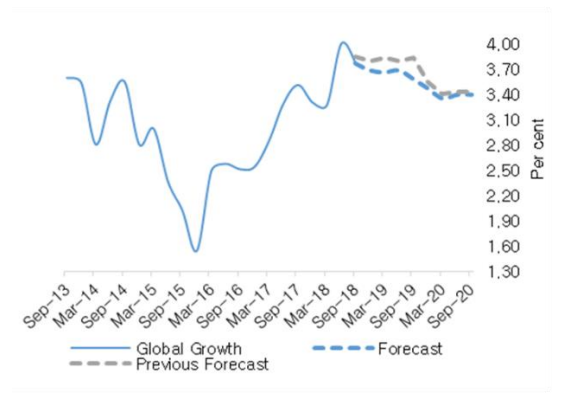
Global economic growth for the September 2018 quarter is estimated at 3.7 per cent, a decline of 0.3 percentage point relative to growth in the June 2018 quarter and in line with the Bank's projection. This estimate reflects weaker growth in a number of economies, including the US, China, Europe, Canada and Japan (see **Box 2: Global Economic Growth in Selected Economies**).

Global growth is projected to expand at an average pace of 3.5 per cent over the next eight quarters and to average 3.5 per cent over the medium-term compared to the previous projection of 3.7 per cent (see **Figure 7**).[1] The downward revision to medium-term growth mainly reflects: (i) the negative effects of the import tariffs enacted in mid-September 2018 by the US and China; (ii) slowdown of economic activity in China, reflecting weaker credit growth; and (iii) the weaker outlook for some key emerging market and developing economies arising from country-specific factors, tighter financial conditions, increased geopolitical tensions and higher oil prices.[2]

[1] The IMF in the October 2018 World Economic Outlook (WEO) update indicated that the steady expansion under way since mid-2016 continues, with global output projected to remain at its 2017 level of 3.7 per cent in 2018 and 2019, 0.2 percentage point lower than the forecast of the April 2018 WEO. At the same time, however, the expansion has become less balanced and may have peaked in some major economies. Downside risks to global growth have risen in the past six months in a context of elevated policy uncertainty and the potential for upside surprises has receded given diminished growth momentum and tighter financial conditions in emerging market and developing economies.

[2] Notably, the ongoing trade disagreements and proposed trade measures is an important source of uncertainty and risks. If a large-scale and prolonged dispute over trade policies develops, there will likely be adverse effects on business sentiment, investment spending and employment. In announcing the imposition of a 10.0 per cent tariff on US$200 billion worth of goods on 24 September 2018, the US threatened to increase the tariff to 25.0 per cent in January 2019 and to impose tariffs on the remaining US$267.0 billion worth of Chinese imports should a satisfactory trade deal not be reached between the two sides in the coming months. China retaliated by imposing tariffs on US$60 billion in US exports. The possible consequences of escalating trade actions include higher prices in China and the US, less purchasing power for consumers in these countries, higher input costs, heightened financial market volatility, and higher interest

Figure 7: Global Growth Projection
(Per cent)

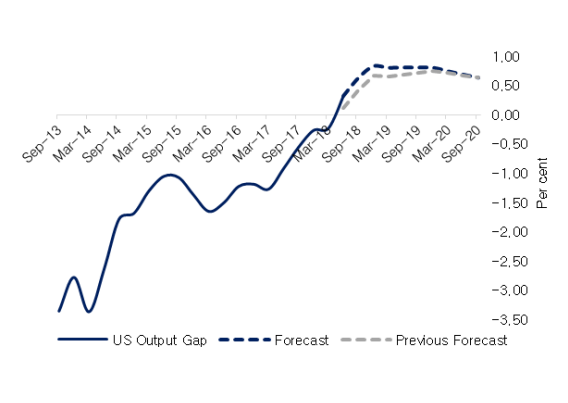


Source: Bloomberg

Output growth for the US in the September 2018 quarter is estimated to have decelerated to 3.5 per cent, following an expansion of 4.2 per cent in the previous quarter.[3] This estimate is slightly higher than the Bank's forecast. The US output gap is estimated to have been positive since the March 2018 quarter.[4]

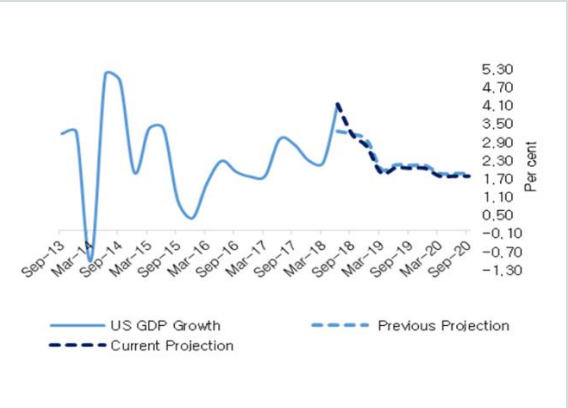
It is projected that US GDP will grow at a faster pace than potential GDP over the next eight quarters and, consequently, the US economy is projected to overheat over this period (see **Figure 8**).[5] The assumption for a more positive US output gap reflects the expansion of US output to 4.2 per cent in the June 2018 quarter, compared to the projection for expansion of 3.2 per cent. Between the December 2018 and the September 2020 quarters, real output growth in the US is projected within the range of 1.8 per cent to 2.8 per cent (see **Figure 9**).[6] This is a less optimistic forecast relative to the previous projection given the impact of the trade tensions.

Figure 8: US Output Gap
(Per cent of Potential GDP)



Source: BOJ, CBO

Figure 9: Comparative US GDP Growth Forecast
(Per cent)



Source: BOJ, CBO

The projection for overheating in the US reflects the impact of still-supportive financial conditions and strong business and consumer confidence.[7] Fiscal

rates. These effects are likely to spill over from these countries to others given that China and the US account for a significant portion of global GDP.

[3] According to the Bureau of Economic Analysis (BEA), the advanced estimate of US real economic output for the September 2018 quarter showed an annualized growth of 3.5 per cent. This increase reflected expansions in personal consumption expenditure (PCE), private inventory investment, government spending (state, local and federal) and nonresidential fixed investment, the impact of which was partly offset by negative contributions from exports, imports and residential fixed investments.

[4] The output gap equals the difference between historical or projected GDP and the US Congressional Budget Office's (CBO) estimate of potential GDP and is expressed as a percentage of potential GDP. Potential GDP is estimated as at August 2018. The US output gap is estimated at 0.1 per cent and 0.3 per cent for the June and September 2018 quarters, respectively.

5 The minutes of the September 2018 FOMC meeting indicated that over the 2018-20 period, output was projected to rise at a rate above or at the staff's estimate of potential growth and then slow to a pace below it in 2021.

[6] The Federal Reserve revised upward its projection for real GDP growth in the US to 3.1 per cent for 2018 from 2.8 per cent and 2.5 per cent in 2019 from 2.4 per cent. However, the committee's median forecast for long-run expansion was unchanged at 1.8 per cent.

[7] Consumer spending is likely to remain supported by continued strength in employment gains and growth in real disposable personal income and consumer wealth. Of note, US consumer confidence surged to an 18-year high in September 2018 as households grew more upbeat about the labour market, pointing to

policy changes are also expected to stimulate economic activity, with a short-term impact on the economy being driven by the response of investment spending to corporate income tax cuts. However, over the medium-term, spending incentives brought about by the tax cuts will expire which, along with the gradual removal of accommodative monetary conditions and a crowding out of private investments by increased fiscal deficits, will restrain GDP growth.

Consequent on the strong performance of the economy, the unemployment rate in the US at end-September 2018 was 3.7 per cent, 0.2 percentage point below the Bank's projection and also below the US Federal Reserve's estimate of natural longer-term rate of 4.5 per cent.[8] The outturn reflected higher employment in professional and business services, health care, transportation and warehousing. The US unemployment rate is projected to decline over the next eight quarters.[9]

Box 2: Global Economic Growth in Selected Economies

For the September 2018 quarter, global growth is estimated at 3.7 per cent, a slowdown of 0.3 percentage point relative to the June 2018 quarter. Bank of Jamaica projects that the global economy will continue to grow over the next eight quarters, albeit at a slower pace than earlier anticipated.

Global growth is projected to decelerate in 2018, mainly reflecting declines in trade from import tariffs enacted between the United States and China, and a weaker outlook for some key emerging market and developing economies. This deterioration is in the context of tightening financial conditions, rising trade barriers, a reversal of capital flows to emerging market economies with weaker fundamentals, and higher political risk. Growth in advanced economies is expected to soften while emerging market and developing economies will be negatively impacted by country-specific factors, tighter financial conditions, geopolitical tensions, and higher oil import bills.[10]

The near-term outlook for the global economy remains clouded by trade tensions. Over the past five months, the United States has imposed tariffs on a variety of imports from some of its trading partners, prompting retaliatory measures. At the same time, the economic arrangements between the United Kingdom and the rest of the European Union are under renegotiation. An escalation of these trade tensions could undermine business and financial market sentiment, adversely affecting investment and trade.[11]

sustained strength in the economy despite an increase in trade tensions between the US and China.

[8] The U.S. economy added 250,000 jobs in October 2018 and the unemployment rate was unchanged at 3.7 per cent. Job gains occurred in health care, in manufacturing, in construction, and in transportation and warehousing.

[9] The unemployment rate is projected to end FY2018/19 and FY2019/20 at 3.7 per cent and 3.6 per cent, respectively, 0.4 percentage points and 0.5 percentage points below end-FY2017/18.

[10] According to the the October 2018 World Economic Outlook (WEO) update, growth is also becoming more uneven among emerging market and developing economies, reflecting the combined influences of rising oil prices, higher yields in the United States, sentiment shifts following escalating trade tensions, and domestic political and policy uncertainty. While financial conditions remain generally benign, these factors have resulted in capital inflow reductions, higher financing costs, and exchange rate pressures, more acute in countries with weaker fundamentals or higher political risks.

[11] Notwithstanding these trade tension, the United States and Canada agreed to a deal replacing the North American Free Trade Agreement, The new deal has been deemed the USMCA — the United States-Mexico-Canada Agreement which sees all countries benefiting from the deal. The deal involves offering more market access to U.S. dairy, egg and poultry farmers, as well as Canada agreeing to an arrangement effectively capping

United Kingdom (UK)

The UK economy is estimated to have expanded by 1.3 per cent in the September 2018 quarter, a stronger pace of growth when compared to the expansion of 1.2 per cent in the previous quarter. Despite continued uncertainties surrounding BREXIT, growth was realized in the manufacturing sector.[12]

Growth in the UK economy over the next eight quarters is projected in the range of 1.3 per cent to 1.6 per cent.

Euro Area

Economic growth for the Euro Area in the September 2018 quarter was 1.7 per cent, following the expansion of 2.2 per cent in the previous quarter. For the next eight quarters, GDP growth in Euro Area is projected to moderate in the range of 1.6 per cent to 1.9 per cent.

Table 1: Unemployment Rate for Selected Economies
(Quarterly Average Per Cent)

	USA	Canada	Euro
Mar-17	4.5	6.7	9.4
Jun-17	4.3	6.5	9.2
Sep-17	4.3	6.2	9.0
Dec-17	4.1	6.0	8.7
Mar-18	4.1	5.8	8.5
Jun-18	3.9	5.9	8.6
Sept-18	3.8	5.9	8.1

Source: Official statistics offices

Canada

Economic growth in Canada for the September 2018 quarter is estimated to have expanded by 2.3 per cent, a decline of 1.2 percentage points compared to the June 2018 quarter.

For the next eight quarters, GDP growth in Canada is projected in the range of 1.6 per cent to 2.3 per cent.

China

The Chinese economy is estimated to have expanded by 6.5 per cent in the September 2018 quarter reflecting a weaker pace of growth relative to the June 2018 quarter. Going forward, economic growth in China is projected to decelerate as slower credit growth leads to lower infrastructure investment and a moderation in property development.

For the next eight quarters, the GDP growth in China is projected to be in the range of 6.2 per cent to 6.4 per cent.

automobile exports to the United States. In return, the United States will allow more Canadian dairy, peanuts and peanut products, and a limited amount of sugar into the USA. The new deal will require more of a vehicle's parts to be made in North America in order for the car to be free from tariffs.

[12] The UK and EU have provisionally agreed on the three "divorce" issues of how much the UK owes the EU, what happens to the Northern Ireland border and what happens to UK citizens living elsewhere in the EU and EU citizens living in the UK. Talks are now focusing on the details of those issues and on future relations – after agreement was reached on a 21-month "transition" period to smooth the way to post-Brexit relations. It refers to a period of time after 29 March, 2019, to 31 December, 2020, to get everything in place and allow businesses and others to prepare for the moment when the new post-Brexit rules between the UK and the EU begin. It also allows more time for the details of the new relationship to be fully hammered out. Free movement will continue during the transition period, as the EU wanted. The UK will be able to strike its own trade deals – although they won't be able to come into force until 1 January 2021.

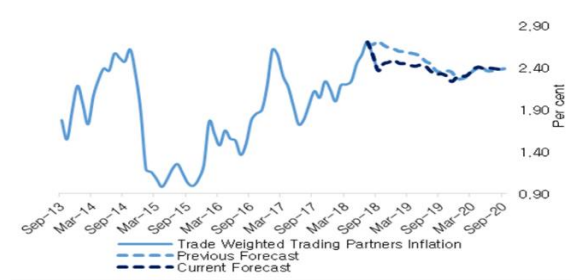
On 26 September 2018, the Federal Open Market Committee (FOMC) increased the US Fed Funds target range to 2.0 per cent – 2.25 per cent from 1.75 per cent – 2.0 per cent. This adjustment was in line with the Bank's projection. The Federal Reserve emphasized that further gradual increases in the target range for the federal funds rate will be consistent with sustained expansion of economic activity, strong labour market conditions and inflation near the Committee's symmetric 2.0 per cent objective over the medium term.[13] The "dot plot" suggests a firming of consensus around rates reaching 3.25 per cent by the end-2019. This implies that the Fed will implement four rate increases between September 2018 and December 2019.[14] In line with this forecast, on 08 November 2018 the FOMC announced its decision to maintain the US Fed Funds target range at 2.0 per cent – 2.25 per cent.

Trading Partners' Inflation

The weighted average of 12-month inflation rates for Jamaica's trading partners' (TP) at September 2018 is estimated at 2.3 per cent. This estimate is below the previous forecast and the June 2018 outturn of 2.7 per cent and 2.6 per cent, respectively, primarily due to weaker than expected demand and lower commodity prices. For the US, annual inflation at September 2018 decelerated to 2.3 per cent, the smallest year-over-year change since February 2018, from 2.7 per cent at end-August 2018, a sign of easing price pressures despite strong economic growth and a historically low unemployment rate.[15]

Over the ensuing eight quarters, the Bank projects the inflation rate of Jamaica's main trading partners (TP inflation) in the range of 2.3 per cent to 2.5 per cent, which is lower than the previous forecast (see Figure 3.4).[16] The lower TP inflation largely reflects a revised outlook for some commodity prices and weaker demand in some economies. Following the deceleration in September 2018, US CPI is projected to rebound in October 2018 given the revised forecast for crude oil prices and a scheduled rise in administered hospital fees in October 2018. Over the ensuing eight quarters, however, inflation in the US is projected to moderate in the context of an appreciation of the US dollar and tightening monetary conditions. Of note, the impact of the output gap on US inflation appears to be weaker than that which obtained in the pre-crisis period.

Figure 10: Trade Weighted Trading Partners' Inflation
(Per cent change)



Source: Bloomberg

[13] The policy statement repeated much of the upbeat language from the previous one, saying that "economic activity has been rising at a strong rate" and that both headline and core inflation "remain near" 2.0 per cent. The only significant change was that the line arguing that "policy remains accommodative" was dropped from the statement, which is simply an acknowledgement that the fed funds rate is now approaching its longer-run neutral rate. Fed Chair Jerome Powell was clear in his post-meeting press conference that this move did not signal future policy changes. The unemployment rate, currently at 3.7 per cent, is expected to fall to 3.5 per cent in 2019 and remain there through 2020 before rising slightly in 2021, still below the natural longer-term rate of 4.5 per cent. Federal Reserve Chairman Jerome Powell has indicated that there is no evidence of fundamental inflation building up in the economy. Headline inflation as measured by the Fed's preferred gauge is currently at 2.2 per cent. Relative to their June 2018 projections, the Fed expects that inflation will hold around 2.1 per cent for 2018, edge lower to 2.0 per cent in 2019 then hold at 2.1 per cent for two years before settling into 2.0 percent over the long run.

[14] The median consensus forecast for the US Fed Funds rate at end-2018 and end-2019 remained unchanged at 2.4 per cent and 3.1 per cent, respectively. The median forecast for the neutral longer-term rate increased to 3.0 per cent, relative to the previous projection of 2.9 per cent. BOJ anticipates that the Fed will raise rates in the December 2018 quarter as well as in the March, June and December 2019 quarters. From a Bloomberg poll on 23 October 2018, the probability that the Federal Reserves will announce an increase of 25 bps in interest rates on 19 December was 66.8 per cent, while the probability of an increase of 50 bps in interest rates was 4.2 per cent.

[15] The energy index, a sub-index of the US CPI, rose by 4.8 per cent over the last year, a notably smaller increase than the 10.2 per cent increase for the 12 month period ending August as well as the 10.1 per cent rise in September 2017. The index for all items less food and energy rose 2.2 per cent for the 12 months ending September and the food index increased 1.4 per cent; these were both the same rate of increase as for the 12 months ending August.

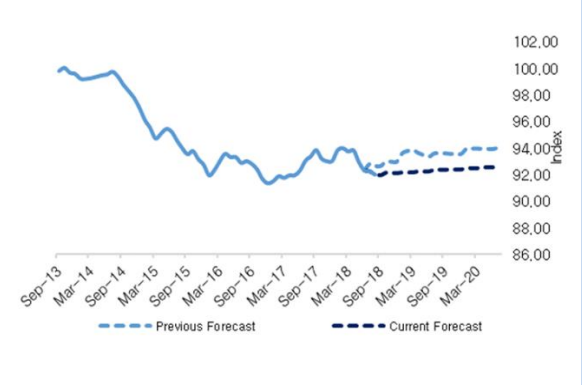
[16] The inflation rate of Jamaica's main trading partners (TP inflation) for FY2018/19 is projected at 2.4 per cent, below the previous forecast of 2.6 per cent.

Trends in Trading Partners' (TPs) Exchange Rates

During the review quarter, TP currencies generally depreciated against the US dollar.[17] The stronger US dollar primarily reflected the impact of: (i) the US Federal Reserve's policy of tightening monetary conditions and; (ii) strong US economic data for the US during the quarter, particularly for unemployment and manufacturing. The appreciation of the US Dollar was further underpinned by an increase in investors' appetite for safe-haven assets given speculations about the impact of an intensification of trade tensions between the US and China and the associated rise in policy uncertainty which could adversely impact global growth.

Bank of Jamaica projects that, over the next eight quarters, the currencies of Jamaica's major trading partners will, on average, appreciate against the US dollar (see Figure 11).

Figure 11: Trade Weighted Trading Partners' Exchange Rate – in US dollar
(12-month Per cent change)



Source: Bloomberg

Terms of Trade

Jamaica's terms of trade (TOT) index declined at an annual pace of 9.7 per cent at September 2018, following a fall of 12.9 per cent at June 2018. This decline was higher than previously projected by the Bank. The fall for the period reflected an increase of 15.3 per cent in the import price index (IPI), partly offset by an increase of 4.1 per cent in the export price index (EPI). The expansion in the IPI emanated from higher prices for most categories of imported commodities, particularly fuel, while the increase in export prices was driven by higher aluminium and cocoa prices.[18]

The Bank projects that Jamaica's TOT will, on average, deteriorate at a marginally slower pace over the next eight quarters, relative to previous forecasts. This is primarily due to higher implicit tourism prices, the impact of which is partly offset by a faster than projected rise in import prices, driven by fuel.

Commodity Prices

Movements in international commodity prices were mixed during the review quarter. The daily average of West Texas Intermediate crude oil prices for the September 2018 quarter increased by 2.4 per cent, relative to the same measure for the June 2018 quarter, and by 44.2 per cent relative to the September 2017 quarter.[19] The increase in crude oil prices for the review quarter was mainly supported by the anticipation of potentially steep declines in Iranian crude oil production and exports as a result of the reinstitution of US sanctions as well as concerns about the ability of Saudi Arabia, other OPEC members, and Russia to continue to offset expected further declines in production by Iran and

[17] There was an average depreciation of 1.0 per cent and 1.5 per cent in the exchange rate of Jamaica's trading partners' vis-à-vis the USD for the September 2018 quarter relative to average for the June 2018 quarter and September 2017 quarter, respectively, which compares to the Bank's previous forecast for a depreciation of 0.3 per cent and 0.8 per cent.

[18] Aluminium is used as a proxy for alumina. Production and export of alumina are part of a larger process involved in the production and sale of aluminium. The price for metal grade alumina is derived from demand for aluminium, and therefore metal prices (mainly the 3-month London Metal Exchange (LME) price).

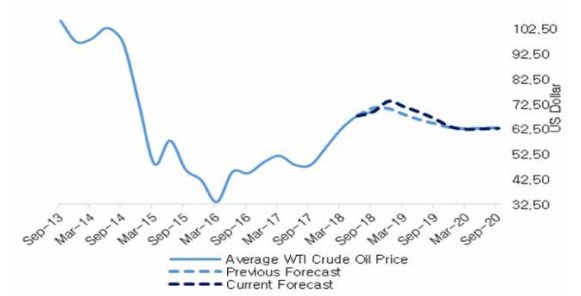
[19] At end-September 2018, the price of crude oil on the international market was US$73.25 per barrel. The monthly average of West Texas Intermediate crude oil prices for the month of September 2018 increased by 3.3 per cent to US$70.08 per barrel relative to August 2018. The price increase in September 2018 largely reflected market's response to an uptick in gasoline demand amid concerns that Hurricane Florence could threaten the flow of gasoline through a key pipeline and the decision by OPEC and non-OPEC major oil producers' not to commit to an additional increase in crude oil output at their meeting in Algiers on 23 September 2018.

Venezuela. Additional price pressures were supported by the announcement of the United States-Mexico-Canada Agreement (USMCA) which eased some concerns about a slowdown in global economic growth.[20]

Average grains prices for the review quarter declined by 5.8 per cent relative to the June 2018 quarter (an increase of 8.0 per cent on an annual basis). This decline was associated with lower prices for corn (8.9 per cent decline for the quarter, 4.5 per cent increase on an annual basis) and soybean (8.6 per cent decline for the quarter, 5.0 per cent increase on an annual basis), the impact of which was partially offset by higher prices for wheat (2.5 per cent increase for the quarter, 17.2 per cent increase on an annual basis). The general decline in grain prices for the quarter reflected the impact of abundant supplies, concerns about trade tensions which could weigh on global commerce and an appreciation of the US dollar against third currencies which reduced the demand for dollar-denominated commodities.[21]

The projected path for crude oil prices over the next eight quarters ending September 2020 has been revised upward relative to the last forecast. Oil prices are anticipated to average US$66.58 per barrel over the period, compared to an average of US$65.15 per barrel in the previous projection (see Figure 3.6).[22] This forecast incorporates the market's expectations that US sanctions on Iran will reduce global supplies.[23] Prices are projected to remain above US$70.00 per barrel until March 2019 before falling on the dissipation of geopolitical tensions and a rise in US shale output. Prices thereafter are projected to gradually trend upwards over the medium-term.[24]

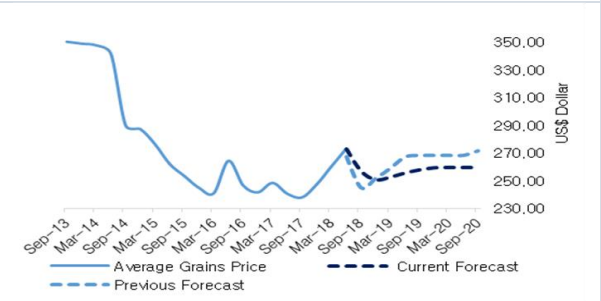
Figure 12: Trend in Average WTI Crude Oil Prices



Sources: Bloomberg

The average price of grains over the ensuing eight quarters ending September 2020 is projected to increase at an average rate of 0.1 per cent. This projection, however, implies that the path for grains prices will remain below the previous forecast over the near term as a slowdown in global growth is expected to continue to weigh on prices (see **Figure 13**).

Figure 13: Trend in Average Grains Prices



Sources: Bloomberg

[20] On 30 October 2018, the US and Canada reached a new trade agreement, merging an earlier US-Mexico agreement, to form the US-Mexico-Canada Agreement (USMCA). The USMCA is to replace the 25-year old North American Free Trade Agreement (NAFTA). The USMCA contains, inter alia, a 16-year expiration date and a provision that requires a review of the deal every six years; increased access for the US to Canadian dairy and agricultural markets; and revised terms under which Mexico can access the US auto market.

[21] The US is the world's leading producer and exporter of corn and soybeans, and a significant exporter of wheat to areas all over the world. As with corn and soybeans, the stronger dollar has made US exports less competitive in global markets which weighed on prices. While tariffs and trade issues weighed on US wheat production, drought conditions in the European Union and Russia supported the price of the grain.

[22] Oil prices are anticipated to increase by 31.5 per cent for FY2018/19 to average US$70.59 per barrel, compared to an increase of 29.4 per cent in the previous projection. On 03 October 2018, WTI crude oil closed at US$76.41 per barrel, the highest level in almost four years.

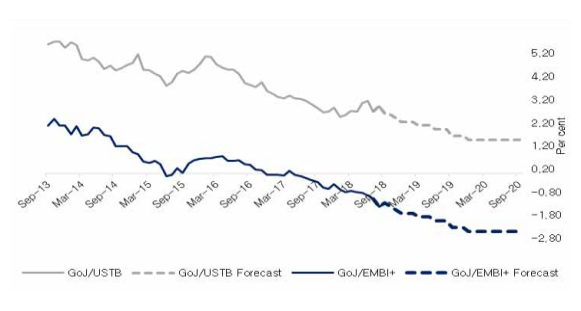
[23] Despite increases in OPEC crude oil production to offset declines in Iran and Venezuela to date, rising crude oil production in the US and Russia and weakening global demand, market participants are currently placing more emphasis on the continuing decline in crude oil production in Iran and the ability of other oil producers to offset lost volumes.

[24] This projection is consistent with the EIA's upward revision of its forecast, despite the assumption for higher global excess supplies relative to its previous projection. EIA's price increase reflects: (i) recent price movements up to 09 October 2018 incorporated into EIA's forecast; (ii) the higher starting point for the forecast, and (iii) the possibility that crude oil prices could remain elevated while market participants assess how much crude oil production in Iran will decline in the coming months and the ability of other oil producers to offset lost volumes.

External Financial Markets

The performance of GOJ sovereign bonds on the international market over the September 2018 quarter was strong. The spread between the indicative yields on GOJGBs and the yield on US Treasury Bills and the spread between the indicative yields on GOJGBs and the yield on the EMBI+ declined during the September 2018 quarter by 55 basis points (bps) and 32 bps, respectively, when compared to June 2018. At September 2018, these yield spreads were 257 basis points (bps) and negative 127 bps, respectively (see **Figure 14**). The improved yield spread relative to Treasuries reflected increased investor confidence in Jamaican risk, associated with the affirmation of the B3 rating by Moody's Investors Service ("Moody's"). In contrast, there was a general decline in investor appetite for emerging market bonds given concerns about the economies of Argentina and Turkey as well as expectations for the US Federal Reserve to continue raising interest rates and the appreciation of the US dollar.

Figure 14: Average International Bond Spreads



Sources: Bloomberg,

The lower yield spreads over the quarter were reflected in respective declines of 35 bps and 3 bps in the average yields on the GOJGBs and EMBI+ and an increase of 21 bps in the average yield on US Treasuries over the period (see **Figure 15**). The increase in the yields on US Treasuries mainly reflected the market's anticipation of the rise in the US Fed funds target rate in September 2018 and the anticipation of further gradual increases. However, the rise in US Treasuries was constrained by an increase in investors' appetite for safe-haven assets given the risk of increased trade and geopolitical tensions as well as concerns emerging market economies may not have sufficient reserves to protect them from private capital outflows. [25]

Jamaica's sovereign yield spreads are projected to continue falling over the near-term. GOJ sovereign bond yields are consequently projected to remain fairly stable, notwithstanding projected increases in the US Federal Funds target rate. There remains continued confidence in the Jamaican economy in the context of the country's positive performance under the SBA programme with IMF.

Figure 15: Average International Bond Yields
(Per cent)

Sources: Bloomberg,

Global Stock Market

The performances of selected global stock market indices were strong during the September 2018 quarter. Relative to the June 2018 quarter, the Dow Jones Industrial Average (DJIA), S&P 500 and the Eurofirst 300 increased by 9.0 per cent, 7.2 per cent and 1.1 per cent, respectively, while the FTSE 100 declined by 1.7 per cent. On a yearly basis, the DJIA, S&P 500 and FTSE increased by 18.1 per cent, 15.7 per cent and 1.9 per cent, respectively. However, Eurofirst 300 declined by 1.4 per cent (see **Figure 16**). These modest increases occurred

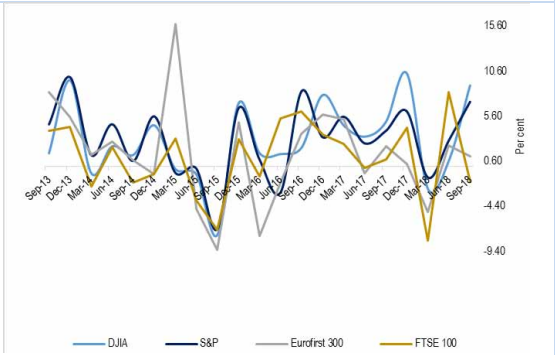
[25] The concern about emerging market economies has been fuelled by the continued appreciation of the US dollar against third party currencies and worries that many of these emerging market countries have accumulated significant amounts of US dollar-denominated debt. These concerns are being exacerbated by expectations for the Federal Reserve to continue aggressively raising interest rates. Rising interest rates typically attract investors to a currency.

despite deteriorating trade relations and rising US interest rates.

For the US, solid economic growth and strong corporate results aided by corporate tax cuts bolstered equities for the review quarter. The market also reacted positively to Canada's agreement ahead of the 30 September 2018 deadline, to join a trade agreement previously fashioned between the US and Mexico.[26] The new pact, dubbed the United States-Mexico-Canada Agreement (USMCA), is to replace the North America Free Trade Agreement (NAFTA), raising hopes for progress in talks with other countries.[27] The growth in the US stock market reflected gains in the health care, industrial and technology sectors.

European equities benefited from the depreciation of the Pound Sterling and the Euro against the US dollar, which favoured listed stocks for companies registered in the UK and Euro Area. However, European equity indices were negatively impacted by concerns about political turmoil in Italy over budget proposals. There were also concerns about the BREXIT negotiations.

Figure 16: Selected Stock Market Indices
(Quarter-over-Quarter Per cent)



Source: Bloomberg

[26] Meeting the deadline permits passage of the deal through the US Congress ahead of a change of presidential power in Mexico set for December 2018.

[27] Provisions of the agreement cover a wide range, including agricultural produce, manufactured products, labor conditions, digital trade, among others. Some of the more prominent aspects of the agreement include giving US dairy farmers greater access to the Canadian market, guidelines to have a higher proportion of automobiles manufactured amongst the three nations rather than imported from elsewhere, and a retaining of the dispute resolution system similar to what was included in NAFTA

3.0 Real Sector

Real economic activity is estimated to have expanded in the September 2018 quarter. This growth mainly reflected an improvement in net external demand, augmented by increases in investment and private consumption. With regard to aggregate supply, there was growth in all industries for the quarter, except Electricity & Water. In particular, growth was buoyed by increased production in Mining & Quarrying and expansions in Construction and Tourism.

GDP Growth and Output Gap

The Jamaican economy is estimated to have grown by 1.5 per cent to 2.5 per cent for the September 2018 quarter, above the 1.0 per cent recorded for the September 2017 quarter but broadly consistent with the outturn of 2.2 per cent for the June 2018 quarter. The estimated expansion for the quarter is in line with the Bank's previous forecast. The Bank now anticipates higher than previously projected growth in Construction and Transport, Storage & Communication, reflecting the impact of road rehabilitation works and increased activity at the ports, respectively.

In the context of the growth estimate for the September 2018 quarter, Bank of Jamaica estimates that the negative output gap was broadly unchanged relative to the gaps in the June 2018 and September 2017 quarters, respectively.[1]

Aggregate Supply

With the exception of Electricity & Water Supply, all industries are estimated to have grown for the September 2018 quarter. The growth for the quarter chiefly reflected expansions in *Mining & Quarrying*, *Agriculture, Forestry & Fishing, Construction* and *Transport, Storage & Communication* (see **Table 1**).

A significant expansion in *Mining & Quarrying* is estimated for the September 2018 quarter, reflecting increased alumina and bauxite production due to higher capacity utilization (see **Figure 17**). The expansion in alumina production largely reflected increased production at the Alpart plant and continued strong performance by Jamalco. This was partly offset by lower production at the remaining plant due to financial and operational challenges. The rise in bauxite production was due to increased demand from overseas markets.

Table 1: Industry Contribution to Growth (September 2018 Quarter)

	Contribution	Estimated Impact on Growth
GOODS	*69.3*	5.0 to 6.0
Agriculture, Forestry & Fishing	*4.3*	1.0 to 2.0
Mining & Quarrying	*51.3*	51.0 to 52.0
Manufacturing	*5.2*	1.0 to 2.0
Construction	*8.6*	2.0 to 3.0
SERVICES	*30.7*	0.5 to 1.5
Electricity & Water Supply	*−0.3*	−1.0 to 0.5
Wholesale & Retail Trade, Repairs & Installation	*5.8*	0.5 to 1.5
Hotels & Restaurants	*5.4*	1.5 to 2.5
Transport Storage & Communication	*8.2*	1.0 to 2.0
Financing & Insurance Services	*6.2*	1.0 to 2.0
Real Estate, Renting & Business Activities	*4.3*	0.5 to 1.5
Producers of Government Services	*0.7*	−0.5 to 0.5
Other Services	*3.4*	0.5 to 1.5
Financial Intermediation Services Indirectly Measured	*2.9*	0.5 to 1.5
TOTAL GDP	*100.0*	1.5 to 2.5

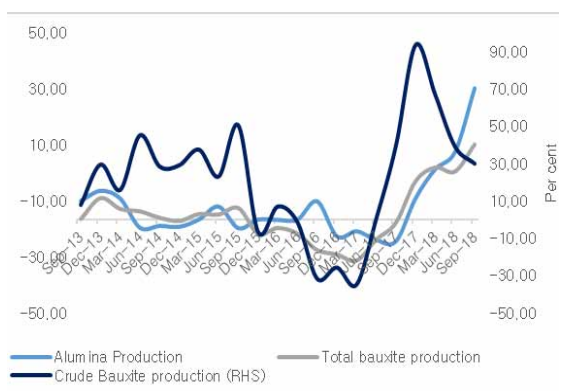
Source: Bank of Jamaica

[1] The output gap is the difference between real GDP and the potential output derived from the Kalman filter. This measure of excess demand has the strongest correlation with various measures of inflation.

The expansion in value added for *Agriculture, Forestry & Fishing* largely reflected some growth in domestic crop production, following the effects of adverse weather on output in 2017, particularly the June/September quarters. In addition, growth in animal farming is predicated on increased poultry meat production.[2] Export agriculture declined given the reduction in the production of sugar cane and the lingering effects of the coffee leaf rust and cocoa frosty pod diseases. The impact of these declines was partly offset by greater production of plantains and bananas.

Construction is estimated to have expanded for the review quarter. This performance was largely driven by the continued expansion and upgrade of road infrastructure. The estimated growth in the sector was partly offset by a decline in residential construction, attributed to a reduction in housing starts by the National Housing Trust (see **Figure 19**).[3]

Figure 17: Trends in Crude Bauxite, Alumina & Total Bauxite Production (12-Month Per cent Change)

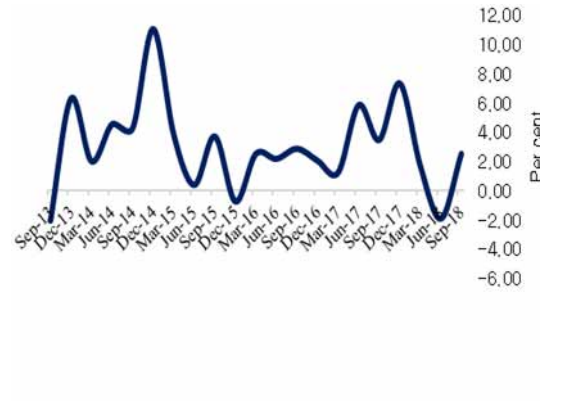


Source: Jamaica Bauxite Institute

The estimated increase in *Transport, Storage & Communication* for the September 2018 quarter is mainly attributed to an expansion in the number of cruise and air passenger arrivals into Jamaica. Additionally, there was an expansion in domestic cargo movement at the ports.

Following marginal growth in the June 2018 quarter, *Hotels & Restaurants* is estimated to have increased in the September 2018 quarter (see **Figure 18**). This growth is premised on an increase of 4.6 per cent in visitor arrivals, notwithstanding a moderate fall in the average length of foreign national visitor vacation. The decline in the length of stay of visitors, evident since June 2017, has been moderating in recent months. It has been attributed to an increasing share of visitors from North America who generally stay for shorter periods, relative to visitors from Europe.

Figure 18: Growth in Visitor Days (12-Month Per cent change)



Source: The National Housing Trust

Manufacturing is also estimated to have grown for the review quarter. This expansion largely reflected growth in Food, Beverages & Tobacco which was mainly associated with increases in food processing (excluding sugar) and the production of beverages. For Other Manufacturing, a decline is estimated consequent on the closure of the domestic oil refinery in July 2018.

The value added of Electricity & Water Supply is estimated to have declined in the review quarter.

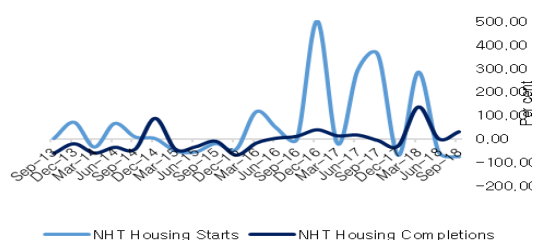
[2] For the September 2018 quarter, poultry meat production increased by 7.4 per cent as indicated by the Ministry of Industry, Commerce, Agriculture and Fisheries (MICAF).

[3] There was a significant increase in NHT housing starts in the September 2017 quarter due to the addition of 595 starts at Colbeck Castle in St. Catherine and 351 starts at Monymusk in Clarendon.

While electricity consumption, proxied by total electricity sales remained largely unchanged, water production declined during the period.

Both tradable and non-tradable industries are estimated to have expanded with the tradable sector estimated to have registered a faster pace of growth when compared with the non-tradables sector. Growth in the tradable sector was mainly attributed to Agriculture, Forestry & Fishing and Mining & Quarrying while growth in the non-tradable sector was associated with Construction, Finance & Insurance Services and Real Estate, Renting & Business Activities.

Figure 19: National Housing Trust Housing Starts & Completion (12-Month Per cent change)



Source: The National Housing Trust

Aggregate Demand

From the perspective of aggregate demand, there were indications of a deceleration in growth in the September 2018 quarter, relative to the previous quarter. This deceleration mainly reflected a slowdown in investment growth. There was also a moderation in the growth in net external demand due to both estimated slower export growth and higher import growth, relative to the previous quarter (see Balance of Payments).

Growth in overall investment spending slowed during the September 2018 quarter. Notwithstanding the continuation of the government's programme of road rehabilitation, the increase in its capital expenditure decelerated to 18.1 per cent for the quarter relative to 77.4 per cent for the preceding quarter. In addition, there was an estimated decline in real FDI, following a reduction in the previous quarter.[4] However, private domestic investment increased during the quarter given a stream of private sector projects which materialized.

Labour Market Developments

Jamaica's unemployment rate (UR) at July 2018 fell to 8.4 per cent, 2.9 percentage points (pps) below the rate at July 2017. The fall in the UR reflected growth of 1.1 per cent (12,800) in the employed labour force, combined with a decline of 2.2 per cent (30,100) in the labour force. In this context, the number of unemployed persons declined by 27.7 per cent, while the labour force participation rate fell by 1.5 pps to 64.0 per cent.

Bank of Jamaica projects that labour market conditions will improve further over the next eight quarters. In this regard, the average unemployment rate is expected to decline over the December 2018 to September 2020 quarters. The total labour force and the employed labour force are projected to increase (year over year) by averages of 0.5 per cent and 1.6 per cent per quarter. The low unemployment rate is consistent with the closing output gap mentioned earlier. The growth in employment may eventually provide a fillip for wage increases, which may lay the basis for higher inflation in the future.

The anticipated continued moderation in the unemployment rate over the medium term remains broadly in line with the previous projection. The expected improvement reflects employment growth in mining & quarrying, manufacturing, finance & insurance and business process outsourcing.

Outlook

Real GDP is projected to trend upward but remain below potential output until the March 2020 quarter.[5]

[4] For the September 2018 quarter, projected FDI flows are lower than previously anticipated due lower inflows for mining and Tourism-related projects.

[5] The output gap is the difference between real GDP and the potential output derived from the Kalman filter. This measure of

The projected growth in the economy is largely reflective of strong foreign demand (see International Economy). However, fiscal consolidation is expected to continue to restrain domestic demand while monetary conditions will remain generally accommodative over the short term (see Monetary Conditions). In this context, domestic demand is projected to grow at a moderate but improving pace.

Over the forecast horizon ending September 2020, the forecasts of aggregate expenditure suggest that GDP may be lower than that projected by aggregate supply and as such the risks are skewed to the downside. The projected growth largely reflects continued expansion in net external demand albeit at a slower pace. This is supported by moderate expansion in consumption spending. In contrast, investment is likely to decline.

The projected closure of the output gap in 2020 suggests that, although underlying inflation in Jamaica remains relatively contained in the near term, moderate inflationary pressures from demand conditions are anticipated in the medium term.

excess demand has the strongest correlation with various measures of inflation.

4.0 Fiscal Accounts

For the September 2018 quarter, Central Government's operations recorded a fiscal surplus of $2.9 billion (0.1 per cent of GDP), relative to a deficit of $8.1 billion (0.3 per cent of GDP) for the September 2017 quarter. Accordingly, for the FY-to-September 2018, Central Government's operations resulted in a surplus of $9.4 billion (0.5 per cent of GDP) which was above the $6.5 billion deficit (0.3 per cent of GDP) for the same period of the previous fiscal year. The primary surplus for the fiscal period was $73.8 billion (3.6 per cent of GDP), $11.5 billion (0.6 per cent of GDP) above the outturn for the previous fiscal year.

The GOJ continues to be committed to maintaining its primary surplus and public sector overall balance targets under the SBA. In this context, any slippages in the fiscal accounts will be offset by expenditure containment and/or improved revenues.

Recent Developments

For the September 2018 quarter, Central Government's operations recorded a fiscal surplus of $2.9 billion (0.1 per cent of GDP), relative to a deficit of $8.1 billion (0.3 per cent of GDP) for the September 2017 quarter. Similarly, for the FY-to-September 2018, Central Government's operations recorded a fiscal surplus of $9.4 billion (0.5 per cent of GDP), compared to the deficit of $6.5 billion (0.3 per cent of GDP) for the same period in the previous fiscal year. For the fiscal year to date, the primary surplus was $73.8 billion (3.6 per cent of GDP), which was $11.5 billion (0.6 per cent of GDP) above that for the previous fiscal year. The fiscal outturn for the quarter reflected the impact of revenues & grants growing at a faster pace relative to the growth in expenditure.

The performance of Revenues & Grants for the September 2018 quarter was attributed to the over-performance of tax and non-tax revenues as grants were in line with budget. Tax revenues were mainly attributable to greater than expected receipts from international trade taxes and production & consumption taxes as revenue from income & profit were marginally lower than expected. Receipts from international trade taxes were facilitated by higher than expected increase in SCT (imports) and travel tax. The former was due to higher than expected imports of tobacco products, cigarettes and beer, as well as large motor vehicles and refined fuel. Travel tax benefited from a greater than expected increase in tourist visitor arrivals. Production & consumption taxes were driven, in part, by GCT (local) and betting, gaming & lottery receipts. Improvements in their receipts were attributable to increased tax compliance and greater than expected consumption.

The lower than budgeted spending during the September 2018 quarter was attributable to programmes as all other areas of expenditure were in line with budget. The containment in programmes was driven, in part, by reduced spending on utilities and a lower than expected inflation rate.

For the review quarter, Central Government drew down $31.8 billion (1.6 per cent of GDP) from bank balances to help finance its operations. This withdrawal reflected financing requirement for the quarter of $71.7 billion (3.5 per cent of GDP), which was above the financing inflows of $35.8 billion (1.7 per cent of GDP). The financing requirement for the quarter emanated from amortization of $74.5 billion (3.6 per cent of GDP), partly offset by the fiscal surplus for the quarter. In addition, Central Government extended a loan of $0.4 billion (0.0 per cent of GDP) to the Port Authority of Jamaica and made a payment of $10.0 billion (0.5 per cent of GDP) to BOJ for past losses.

Table 2: Summary of Fiscal Operations
(Per cent of GDP)

	September 2018 Quarter		
	Prov.	Budget	Diff
Revenue & Grants	**7.5**	**7.2**	**0.4**
o/w Tax Revenue	6.4	6.2	0.1
Non- Tax Revenue	0.8	0.7	0.1
Grants	0.3	0.2	0.0
Expenditure	**7.4**	**7.6**	**(0.2)**
Programmes	2.4	2.5	(0.2)
Compensation of Employees	2.3	2.3	(0.0)
Interest Payment	1.9	1.9	0.0
Capital Expenditure	0.8	0.8	(0.1)
Fiscal Surplus/Deficit	**0.1**	**(0.4)**	**0.6**
Primary Balance	**2.1**	**1.5**	**0.6**
Current Balance	0.6	0.2	0.4
Total Financing	1.8	1.6	0.1
External Loans	0.3	0.2	0.1
Domestic Loans	1.4	1.4	(0.0)
Other Income/Payments	0.2	0.2	**(0.0)**
Amortisation	3.6	3.7	(0.0)
External	0.5	0.5	(0.0)
Domestic	3.2	3.2	(0.0)
Overall Balance	**−1.6**	**−2.3**	**0.7**

Source: Ministry of Finance & the Public Service

These payments were partly offset by a repayment of loan of $14.5 billion (0.7 per cent of GDP) to Central Government from the PetroCaribe Development Fund.

Financing inflows for the quarter reflected external and domestic loan receipts amounting to $35.8 billion (1.7 per cent of GDP). These loan receipts included US$47.3 million (0.3 per cent of GDP) from multi-lateral and bi-lateral agencies for investment projects. For domestic loans, three benchmark investment notes (BINs) amounting to $14.0 billion (0.7 per cent of GDP) were issued to the public during the quarter while $10.0 billion (0.4 per cent of GDP) was issued directly to BOJ. Treasury bills issuances amounted to $5.3 billion (0.3 per cent of GDP).

Amortization during the review period included domestic repayments of a variable rate BIN of $58.4 billion (2.9 per cent of GDP) as well as Treasury bills and commercial bank loans of $5.0 billion (0.2 per cent of GDP) and $1.8 billion (0.1 per cent of GDP), respectively. External amortization included US$31.8 million (0.2 per cent of GDP), US$20.7 million (0.1 per cent of GDP) and US$13.6 million (0.1 per cent of GDP) to bi-lateral lending agencies, the Inter-American Development Bank and the World Bank, respectively.

Near-term Outlook

The Central Government is expected to continue its policy of fiscal consolidation over the near-term as well as maintain its commitment to a primary surplus and public sector overall balance targets as indicated under the SBA.

5.0 Balance of Payments

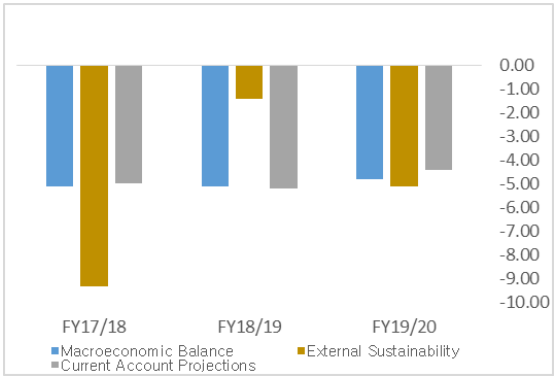
The most recent data (for the June 2018 quarter) indicate that the current account deficit (CAD) deteriorated at a slower pace than anticipated.[1] The CAD is now projected to deteriorate, relative to the previous forecast, by an average of US$10.3 million per quarter between the September 2018 and March 2020 quarters. This deterioration is underpinned by an upward revision to most of the sub-accounts. Notwithstanding the revised path for the balance of payments, the CAD is assessed to remain broadly sustainable.

Recent Developments

The current account deficit (CAD) of Jamaica's balance of payments for the June 2018 quarter amounted to US$89.2 million (0.6 per cent of GDP), US$86.0 million lower (better) than projected. The variance in the CAD was largely underpinned by a higher than projected improvement in the goods and the services balances of US$90.5 million and US$18.7 million, respectively. Imports (c.i.f.) were US$150.4 million below projections due to lower than expected consumer goods (US$104.1 million), capital goods (US$86.3 million) and raw materials (US$11.6 million). Fuel imports were, however, US$51.8 million higher than projected. Of note, fuel and raw material imports increased while capital and consumer goods imports declined relative to the corresponding period of 2017. This resulted in an overall increase of 4.0 per cent in imports (fob) for the June 2018 quarter. Tourism flows continued to improve as non-national visitor arrivals and average daily expenditure were higher than expected, partly offset by shorter average length of stay of visitors. Within the Financial Account, Foreign Direct Investment (FDI) inflows were US$40.4 million lower than expected.[2]

Notwithstanding the expected deterioration to the current account for FY2019/20, the deficit is assessed to remain broadly sustainable. The projected CAD for FY2019/20 of 4.4 per cent of GDP compares to norms of between 4.8 per cent of GDP and 5.1 per cent of GDP for the account approach and macroeconomic balance approach, respectively (see Figure 20).[3] Importantly, the CAD, after accounting for FDI-related imports, remains broadly in balance despite small deficits of 0.6 and 0.4 per cent for FY2018/19 and FY2019/20 (see Figure 21).

Figure 20: Current Account Sustainability Measures (per cent of GDP)



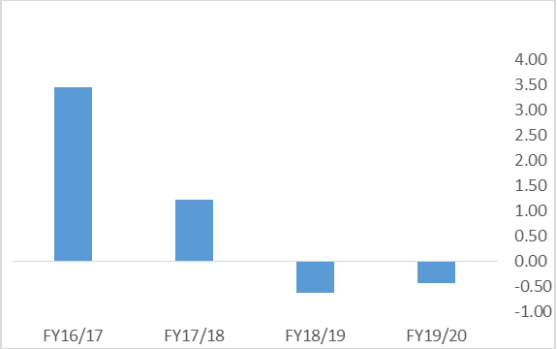
Source: Bank of Jamaica

1 For FY2017/18, Jamaica's current account of the Balance of Payments (BOP) recorded a deficit of 5.0 per cent of GDP, 0.4 percentage points lower relative to the previous estimate in July 2018. The revised estimate was primarily underpinned by an upward adjustment to the Income account reflecting the impact of lower mining profit repatriation.

2 FDI inflows declined by 10.1 per cent, in contrast to a small increase expected.

3 The external sustainability measure, which is at the top of the range, is highly volatile.

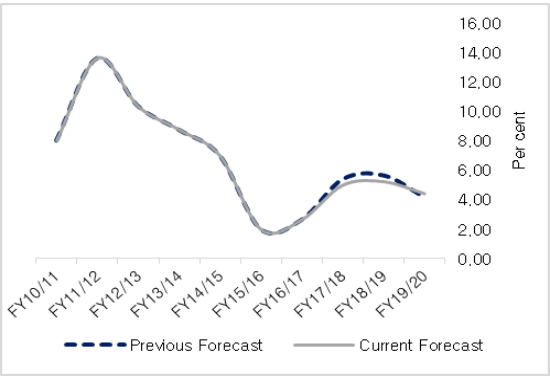
Figure 21: Current Account less FDI (per cent of GDP)



Source: Bank of Jamaica

The CAD (as a percent of GDP) is projected to improve marginally over the medium-term, relative to the previous forecast. The CAD is projected to average 4.8 per cent of GDP between FY2018/19 and FY2019/20, relative to the previous forecast of 4.9 per cent of GDP (see Figure 22) primarily due to higher visitor expenditure.

Figure 22: Medium-Term CAD Forecast (per cent of GDP)



Source: Bank of Jamaica

6.0 Monetary Policy & Market Operations

BOJ maintained its signal rate at 2.00 per cent during the September 2018 quarter. In the context of continued high demand for liquid assets, there remained strong placements on BOJ's overnight deposits. In order to ensure the orderly functioning of the foreign exchange market, BOJ sold US$130.5 million via the B-FXITT standard intervention tool (SIT) and Flash Intervention Tool (FIT) during the September 2018 quarter.

BOJ operations during the September 2018 quarter was fairly neutral against modest liquidity injection from Government Operations. Going forward, liquidity levels in the financial system will tighten, requiring net unwinding of OMO liabilities.

BOJ maintained its signal rate at 2.00 per cent on the policy decision dates of 28 August and 02 October. Notwithstanding, excess liquidity conditions prompted market-based rates to fall. In the context of continued strong demand for liquid assets, there remained strong average placement on BOJ Overnight (O/N) deposits, which amounted to $76.0 billion for the September 2018 quarter, compared with $45.8 billion for the preceding quarter.

Bank of Jamaica conducted 12 auctions of 30-day CDs during the review quarter. The average offer at each operation was $8.0 billion, in line with the average of $8.0 billion during the June 2018 quarter. On average, the auctions were oversubscribed by 189.9 per cent, relative to oversubscriptions of 147.1 per cent in the June 2018 quarter. The average yield on these CDs for the quarter was broadly stable, declining by just 1 bp to 1.74 per cent.

BOJ continued to offer its weekly 14-day repo via competitive auctions during the review quarter. Although liquidity conditions remained generally buoyant in the money market for the September 2018 quarter, select institutions utilized the Standing Liquidity Facility (SLF) to access, on average, $2.7 billion over the three days 17-19 September 2018. Additionally, as the buoyancy in liquidity conditions moderated during October 2018, the SLF and 14-day Repo facilities were used to finance a daily average need of $3.3 billion over the period 1-23 October 2018.

Increased foreign currency demand and buoyant Jamaican dollar liquidity during the September 2018 quarter necessitated BOJ's foreign currency sales of US$71.0 million via its B-FXITT standard intervention tool (SIT) and US$40.0 million via its Flash Intervention Tool (FIT) in order to maintain orderly functioning of the foreign exchange market. This occurred despite US$82.3 million in CD maturities during the period. The Bank also opted not to issue new US dollar CDs during the September 2018 quarter (see Table 4).

Table 4: Placements & Maturities of BOJ USD Instruments

	April - June 2018			July - September 2018		
	Placements (US$MN)	Maturities (US$MN)	Average Rate (%)	Placements (US$MN)	Maturities (US$MN)	Average Rate (%)
2-year	-	-	-	-	-	-
3-year	-	21.56	-	-	0.04	-
4-year	-	-	-	-	82.24	-
5-year	-	-	-	-	-	-
7-year	-	-	-	-	-	-
TOTAL	**-**	21.56	**-**	**-**	82.28	**-**

Source: Bank of Jamaica

Liquidity Conditions

There was net liquidity injection of $3.3 billion into the financial system for the September 2018 quarter, relative to the forecasted injection of $14.8 billion in the previous forecast. Liquidity from BOJ's FX operations was lower than anticipated during the September 2018 quarter as there was net FX

purchases of $10.4 billion, $17 billion lower than expected. In this context, OMO liabilities were built up by $9.4 billion, relative to the $14.8 billion that was anticipated. For the September 2018 quarter, GOJ operations net injected $3.4 billion relative to the projected absorption of $2.9 billion, mainly due to the receipt of lower than anticipated non-tax revenue.

Table 5: BOJ Liquidity Facility (J$ Billions)

	Mar-18 Qtr.	Jun-18 Qtr.	Sep-18 Qtr.
BOJ Repo	-0.4	0.0	0.0
14-Day	-0.4	0.0	0.0
OTROs	0.0	0.0	0.0
Other	0.0	0.0	0.0
OMOs (Other)	0.6	-2.6	-9.4
*O/N CDs **	-13.9	-17.6	0.1
FR CDs	8.8	15.0	4.9
VR CDs	0.4	0.0	-0.7
USD Indexed Notes	5.3	0.0	-13.7
BOJ FX (incl. PSE)	24.1	33.5	10.4
Foreign Currency Purchases	54.2	60.9	57.4
Foreign Currency Sales	-30.1	-27.4	-47.0
BOJ (Other)	5.3	-4.6	-1.1
Net BOJ Operations (Inject/Absorb)	29.6	26.3	-0.1
GOJ Operations	-25.1	-32.2	3.4
Net Total Operations (Inject/Absorb)	4.5	-5.9	3.3

Notes: (+) = Inject; (-) = Absorb
Source: Bank of Jamaica

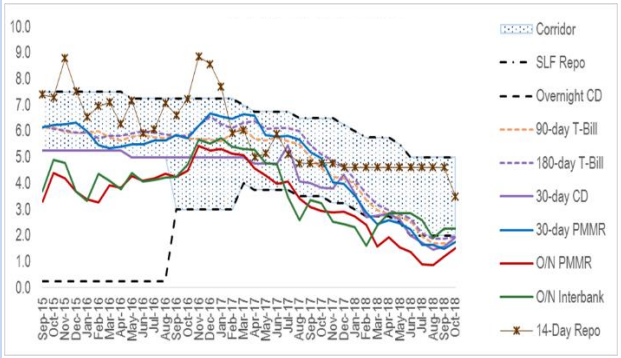
7.0 Financial Markets

The September 2018 quarter was characterized by a general decline in money market rates. This occurred in the context of continued strong demand for liquid assets and the continuation of strong fiscal performance. Since then, there has been an increase in money market rates reflecting a general convergence toward the Banks' policy rate. The estimated yield curve on GOJ domestic JMD bonds displayed greater concavity in September 2018 as yields at the shorter and longer end of the spectrum fell relative to June 2018. Both sovereign risk and exchange rate risk premiums fell over the review period.

Interest Rates

Given continued strong demand by financial institutions for liquid assets, there was a general decline in market rates during the September 2018 quarter. Overnight (O/N) interbank, O/N private money market rates (PMMR) and 30-day PMMR declined by 16 bps, 59 bps and 74 bps, respectively. Short-term private money market rates, except for the O/N interbank rate, continued to trend below the lower limit of BOJ's interest rate corridor. The yields on the 90-day, 180-day and 270-day T-Bills also declined by 83 bps, 79 bps and 89 bps, respectively, during the September 2018 quarter, relative to the preceding quarter (see Figure 8.1). In the context of a moderation in Jamaican dollar liquidity, as at October 2018, all private money market rates (PMMR) and yields on GOJ T-bills, except for the 270-day T-Bill, rose relative to end-September 2018. All rates reflected a general convergence to the policy rate except for the O/N Interbank rate which increased within the interest rate corridor (see Figure 23).

Figure 23: Money Market Rates (Nominal)



	BOJ SLF Rate	BOJ 30-day CD	BOJ O/N CD	O/N PMMR +	O/N Int. Bank +	30-day PMMR +	90-day T-Bill	180-day T-Bill	270-day T-Bill
Sep-17	6.50	4.00	3.50	3.08	3.36	5.19	4.98	5.45	6.32
Dec-17	6.25	4.33	3.25	2.92	2.45	3.99	4.18	4.64	5.45
Mar-18	5.75	2.76	2.75	1.59	2.37	2.45	2.98	3.17	4.00
Jun-18	5.00	1.99	2.00	1.36	2.85	2.22	2.54	2.66	3.08
Aug-18	5.00	1.47	2.00	0.86	1.92	1.63	1.69	1.88	2.19
Sep-18	5.00	1.58	2.00	1.20	2.26	1.48	1.71	1.87	2.19
Oct-18	5.00	1.73	2.00	1.44	2.32	1.63	1.79	1.95	2.06

Source: Bank of Jamaica

Notes: (i) PMMR is the private money market rate (ii) O/N is the overnight rate in the market accessible by all financial institutions while the interbank rate (I/B) is the overnight rate accessible only by banks.

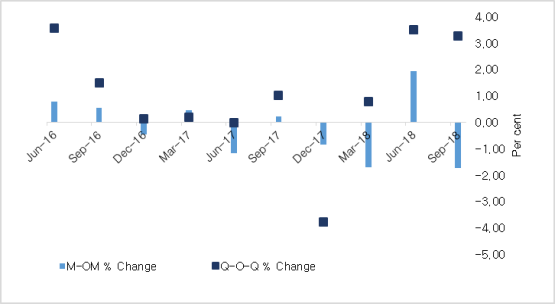
+ Reflects average rate for the month.

* Rates represent month-to-date

Exchange Rate Developments

The exchange rate depreciated at a slower pace during the review quarter, relative to the previous quarter. The weighted average selling rate of the Jamaica Dollar vis-á-vis the US dollar (WASR) closed the September 2018 quarter at J$134.65 = US$1.00, reflecting a depreciation of 3.3 per cent relative to the previous quarter and 3.6 per cent relative to end-September 2017.

Figure 24 :Movements in the WASR



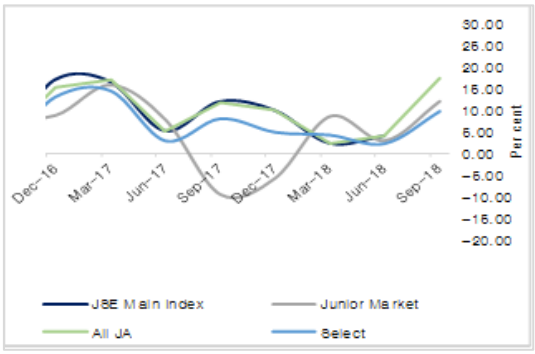
Source: Bank of Jamaica

The slowdown in the pace of depreciation during the September 2018 quarter was partly related to increased earner supply and reduced portfolio demand, particularly towards the latter part of the quarter. In addition, supplies were augmented through B-FXITT intervention which amounted to US$130.5 million for the quarter, the majority of which occurred in the latter two months. Notwithstanding the slower pace of depreciation for the quarter, demand impulses were pronounced in July 2018. These impulses were influenced by heightened demand from the energy, manufacturing and construction sectors as well as portfolio related demand, and was facilitated by buoyant Jamaica Dollar liquidity.

Equities Market

For the September 2018 quarter, all indices on the Jamaica Stock Exchange (JSE) recorded increases ranging between 3.0 per cent and 17.2 per cent. Of note, the JSE Main Index grew by 17.2 per cent for the review quarter, relative to an increase of 3.8 per cent for the previous quarter, and 11.8 per cent for the 12-months ended September 2017. Meanwhile, the Junior Market Index increased by 11.8 per cent for the review period, which was higher than growth of 2.7 per cent for the prior quarter and a decline of 9.8 per cent for the year ended-September 2017 (see Figure.25).

Figure 25: Quarterly Growth of the JSE Indices
(Per cent Change)



Source: Jamaica Stock Exchange

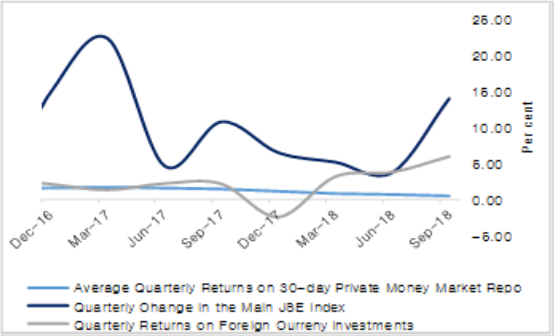
The continued positive performance of the equities market was influenced by strong domestic liquidity conditions as well as continued positive macroeconomic developments, including low and stable inflation and an accommodative monetary policy stance. The reduction in Government of Jamaica's debt has resulted in an increased demand for alternative investment products within the low interest rate environment. This search for yield has resulted in a stronger investor appetite for equity investments, which contributed to overall increases in equity prices. There is, as well, a strengthening of investor confidence in the stock market which was reflected by the oversubscription of initial public offerings (IPOs) for the quarter.[1]

Furthermore, investments in equities provided more favourable returns relative to foreign currency and domestic money market investments.[2] Equities offered a quarterly return of 13.9 per cent, while the average quarterly return on foreign currency investments and the 30-day private money market repo was 5.9 per cent and 0.4 per cent, respectively, for the September 2018 quarter (see Figure 26).

[1] There were three IPOs over the review period. Stanley Motta Limited and Mayberry Jamaican Equities Limited issued ordinary shares on the main market, while Indies Pharma listed ordinary shares on the junior market.

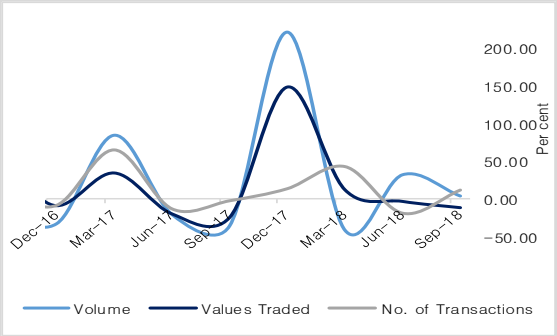
[2] The return on equities is computed as the change in value of the JSE Main Index for the review quarter relative to the prior period. The return on foreign currency investments is computed as the sum of quarterly foreign currency gains (losses) and the average quarterly returns on GOJ global bonds.

Figure 26: Returns from Private Money Market, GOJ Global Bonds and Capital Gains/ (Losses) from JSE Main Index
(Per cent)



Source: Jamaica Stock Exchange and Bloomberg

Figure 27: Quarterly Change in the Monthly Volumes, Values Traded & Number of Transactions (Main JSE Index)
(Per cent)



Source: Jamaica Stock Exchange

For the quarter ended September 2018, market activity indicators for the JSE Main Index showed mixed results. In particular, the overall volume of stocks traded for the quarter grew by 4.4 per cent, relative to growth of 32.8 per cent in the previous quarter. Concurrently, the number of transactions increased by 11.7 per cent, relative to a decrease of 19.0 per cent for the previous quarter.

The growth in the volume of stocks and number of transactions represented increased activity on the stock exchange for the quarter, which supports the notion that investors were seeking higher returns in the equity market given the low interest rate environment. However, the value of stocks traded decreased by 11.8 per cent this quarter relative to a decrease of 3.5 per cent in the previous quarter (see Figure.27). The continued decrease in the value of stocks traded implies that market activity is concentrated in lower priced equities.

The positive performance of the equities market was also reflected in the improvement in the overall price performance of stocks on the JSE Main Index. This was demonstrated in an advance to decline ratio of 20:11 for the review quarter relative to 20:10 for the June 2018 quarter. The number of equities holding firm remained unchanged at one, over the September 2018 quarter.

Stock market price appreciation was broad-based and reflected the performance of stocks within four of the seven sectors. Notably, these four sectors also contributed to the top ten performing stocks for the review period. In particular, the *Manufacturing* and *Financial* categories accounted for seven of the top ten advancing stocks. The *Financial* category reflected the highest average price appreciation of 20.8 per cent for the September 2018 quarter relative to the previous quarter (see Tables 6 and 7).

Table 6: Stock Price Appreciation

Advancing	Per cent
Financial	20.8
Barita Investments Limited	107.7
Sterling Investments Limited	69.8
Mayberry Investments Limited	28.7
National Commercial Bank Jamaica	27.1
Manufacturing	10.6
Salada Foods Jamaica	61.7
Kingston Wharves	60.8
Seprod Limited	36.1
Conglomerates	17.3
Jamaica Producers Group	53.2
Other	7.8
Pulse Investments	33.5
Supreme Ventures Limited	17.8

Table 7: Stock Price Depreciation

Declining	Per cent
Manufacturing	
Wisynco Group Ltd	−5.1
Other	
138 Student Living Jamaica Limited	−17.0
Sagicor Real Estate X Fund	−4.1
Financial	
Sygnus Credit Investments Limited	−16.8
Proven Investments Limited	−7.3
Victoria Mutual Investment	−6.0
Communication	−8.6
Radio Jamaica	−8.6
Tourism	−7.7
Ciboney Group	−7.7
Retail	−5.2
Carreras Limited	−5.2

8.0 Monetary Aggregates

Growth in the monetary aggregates in the September 2018 quarter remained strong. The monetary base, broad money supply and private sector credit grew faster than anticipated.

Over the ensuing eight quarters, the projected growth in the monetary aggregates was revised upwards, consistent with the revised forecast for nominal GDP growth. Monetary conditions are projected to remain accommodative over the next eight quarters.

Money

There was growth of 14.6 per cent in the monetary base at end-September 2018, below the 15.7 per cent and 23.7 per cent recorded at end-June 2018 and end-September 2017, respectively. The outturn for September 2018 was, however, higher than the previous projection of 10.3 per cent.[1] Broad money supply (M2J) expanded by 16.7 per cent at September 2018, below the 23.0 per cent recorded at end-June 2018 but higher than the projected, reflecting higher than anticipated growth in local currency deposits. The moderation in growth relative to the previous quarter was reflected in saving and time deposits while the higher than projected growth was driven by faster than anticipated expansion in credit. Growth in private sector credit of 16.2 per cent was below the 20.1 per cent recorded at end-June 2018 but above the projected expansion of 13.0 per cent.

Regarding the sources of change in the monetary base, there was an increase of 14.9 per cent in Bank of Jamaica's net domestic assets (NDA), the impact of which was partly offset by a decline of 3.5 per cent in the net international reserves (NIR) (see Table 10). The growth in NDA resulted from an increase in Net Claims on Public Sector, driven by a drawdown in Central Government deposits. Drawdown was mainly associated with GOJ domestic debt payments, particularly amortization of approximately $58.0 billion in GOJ VR BMI. The reduction in the NIR mainly reflected net sales via the Public Sector Enterprise Facility (PSE).

The expansion in M2J was underpinned by an increase of 17.0 per cent in local currency deposits, which was reflected primarily in demand deposits. Relative to GDP, broad money supply at September 2018 is estimated at 25.1per cent, compared with 22.9 per cent at September 2017.

The measure of broad money supply that includes foreign currency deposits (M2*) recorded annual growth at September 2018 of 14.9 per cent, a moderation relative to 16.3 per cent as at June 2018. The primary source of this deceleration was a decline in foreign currency time deposits of 4.1 per cent from growth of 0.2 per in June 2018. Resulting from the slower growth in foreign currency deposits, coupled with a faster pace of growth in total deposits, the deposit dollarization ratio for commercial banks trended slightly downwards to 43.3 per cent as at September 2018 from 44.3 per cent as at September 2017.

[1] There was real currency growth of 12.6 per cent at end-September 2018 relative to 10.0 per cent at end-June 2018. There was real currency growth of 6.2 per cent at end-September 2017.

Table 8: Bank of Jamaica Operating Targets

	Stock (J$MN)			Flow (%)	
	Sep-17	Jun-18	Sep-18	Qtr-o-Qtr	Y-o-Y
NIR (US$MN)	3,137.1	3,135.5	3,026.7	(3.5)	(3.5)
NIR(J$MN)	400,204.7	399,995.0	386,118.0	(3.5)	(3.5)
- Assets	473,914.5	470,401.6	455,276.4	(3.2)	(3.9)
- Liabilities	(73,709.9)	(70,406.6)	(69,158.4)	(1.8)	(6.2)
Net Domestic Assets	(245,440.1)	(230,166.2)	(208,752.4)	(9.3)	(14.9)
- Net Claims on Public Sector	127,599.8	132,042.6	167,156.1	26.6	31.0
- Net Credit to Banks	(60,976.3)	(63,547.9)	(65,665.8)	3.3	7.7
- Open Market Operations	(96,355.9)	(95,857.1)	(117,584.7)	22.7	22.0
- Other	(215,707.8)	(202,803.8)	(192,657.9)	(5.0)	(10.7)
-o/w USD FR CDs	(81,769.7)	(67,549.5)	(57,099.8)	(15.5)	(30.2)
Monetary Base	154,764.5	169,828.5	177,365.6	4.4	14.6
- Currency Issue	92,167.4	103,673.9	108,264.9	4.4	17.5
- Cash Reserve	59,020.9	65,944.4	68,815.3	4.4	16.6
- Current Account	3,576.3	210.5	285.5	35.6	(92.0)

Source: Bank of Jamaica

Table 9: Components of Money Supply (M2*)

	Percentage Change (%)		
	Sep-17	Jun-18	Sep-18
Total Money Supply (M2*)	26.5	16.3	14.9
Money Supply (M2J)	30.6	23.0	16.7
Money Supply (M1J)	14.5	22.3	25.5
Currency with the public	9.9	11.5	15.2
Demand Deposits	18.4	31.3	33.6
Quasi Money	46.2	23.5	9.9
Savings Deposits	41.6	17.1	8.6
Time Deposits	65.8	52.5	14.8
Foreign Currency Deposits	20.5	6.6	12.2

Source: Bank of Jamaica

Private Sector Credit

Commercial bank credit to the private sector expanded at an annual rate of 16.2 per cent for the quarter, above the previous projections (see Figure 30).

The increase in credit was reflected in loans and advances to both businesses and individuals. Business lending increased by 16.8 per cent and was primarily reflected in *Electricity, Gas & Water, Tourism*, and *Manufacturing* industries. In real terms, private sector credit issued by commercial banks grew by 11.6 per cent at September 2018, lower than the growth of 26.1 per cent at September 2017. Relative to GDP, the stock of commercial bank private sector credit at September 2018 was 31.6 per cent, compared with 32.2 per cent a year earlier.

Change in business activities and more favourable interest rates continued to support growth in overall financing in Jamaica. Financing of the non-financial private sector (including domestic and foreign currency denominated loans) by deposit taking institutions (Total DTI) expanded by 16.2 per cent as at September 2018. This expansion represented an acceleration when compared to the growth of 12.5 per cent and 15.9 per cent at September 2017 and June 2018, respectively. Relative to GDP, the total stock of DTIs' credit to the private sector at September 2018 was 35.1 per cent compared with 32.2 per cent a year earlier.

Table 10: Select Private Sector Financing Indicators
(12-month Percentage Change)

Stock	Sep-17	Jun-18	Sep-18
Total DTI	12.5	15.9	16.2
o.w. to Businesses	10.0	15.8	17.1
o.w. to Consumers	14.3	16.0	15.6
Stock as a % of Annual GDP			
Total DTI	32.2	34.1	35.1
o.w. to Businesses	13.2	14.0	14.5
o.w. to Consumers	19.0	20.1	20.6

Source: Bank of Jamaica

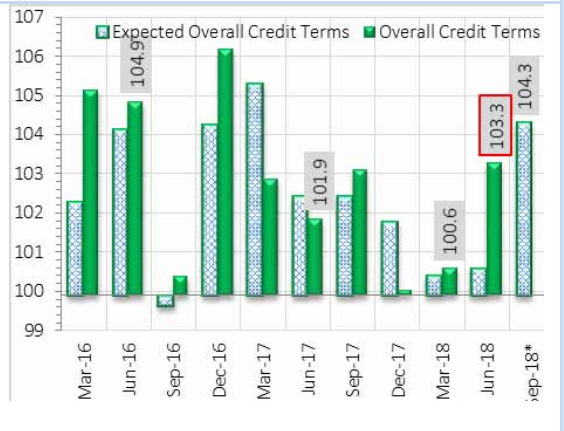
Lending to the productive sector by DTIs reflected annual growth of 17.1% at September 2018 relative to 10.0 % at September 2017.

Box 3: Quarterly Credit Conditions Survey

Overview

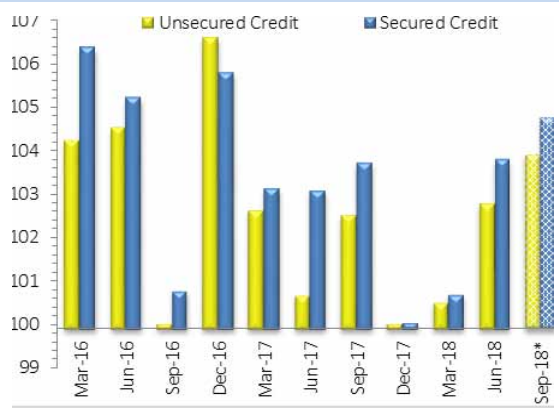
Overall credit conditions eased markedly during the June 2018 quarter, relative to the previous quarter. Easing was evident in both secured and unsecured lending (see **Figure 1a and 1b**).

Figure 1a: Index of Overall Credit Market Conditions



Source: Bank of Jamaica's Quarterly Credit Conditions Survey

Figure 1b: Index of Credit Market Conditions for Secure and Unsecured Loans



Source: Bank of Jamaica's Quarterly Credit Conditions Survey

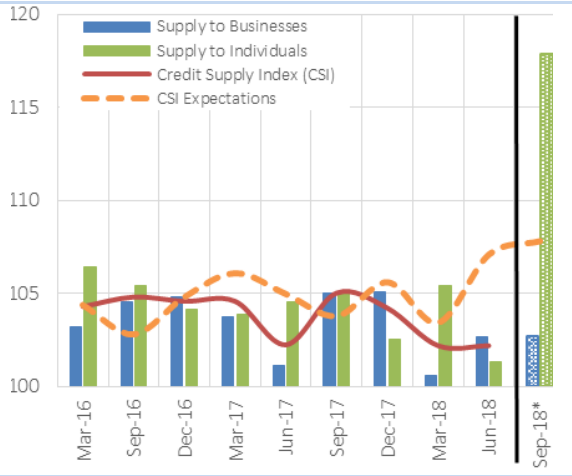
Lenders reported that they expected a continued easing in credit conditions for the September 2018 quarter. This outlook primarily reflected the expectation for easier terms for secured loans, stemming from lower interest rates.

Credit Supply

Growth in credit availability, as measured by the Credit Supply Index (CSI), remained unchanged when compared to the previous quarter (see **Figure 2**). The CSI remained at **102.2** and reflected a faster pace of growth in credit made available to large and medium size businesses, relative to the previous quarter, the effect of which was moderated by no change in the growth in credit supply to micro and small firms as well as loans for personal use.

The supply of local currency credit availability grew marginally. This growth mainly reflected a small increase in credit made available by lenders to the *Tourism* and *Distribution* sectors. In relation to foreign currency loans, growth in credit supply to the *Electricity, Gas & Water*, *and Tourism* and *Distribution* sectors accelerated.

Figure 2: Components of Credit Supply

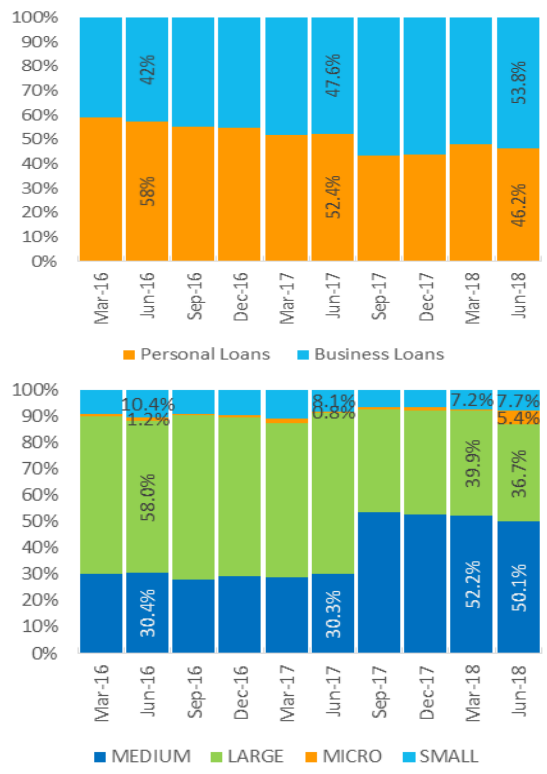


Source: Bank of Jamaica's Quarterly Credit Conditions Survey
Notes: (i) *-Expectations for the upcoming quarter indicated by respondents in the previous survey and (ii) Indices greater than 100 indicate an increase in the variable while an index less than 100 indicates a decline.

Regarding credit distribution, credit to medium-sized businesses continued to account for the lion share of lenders business portfolio, although the proportion was slightly less than that which obtained

in the previous quarter. The proportion of credit allocated to micro firms increased to **5.4 per cent** from **0.8 per cent** during the period. In this context, there was a decline in the proportion of credit made available to large firms. The proportion of credit allocated to large-sized businesses declined to **36.7 per cent** from **39.9 per cent** while credit allocated to small businesses increased to **8.0 per cent** from **7.1 per cent** in the previous quarter (see **Figure 3**). These changes for the June 2018 survey are in part due to the adoption of the national definition for business sizes.

Figure 3: Distribution of Private Sector Credit[2]



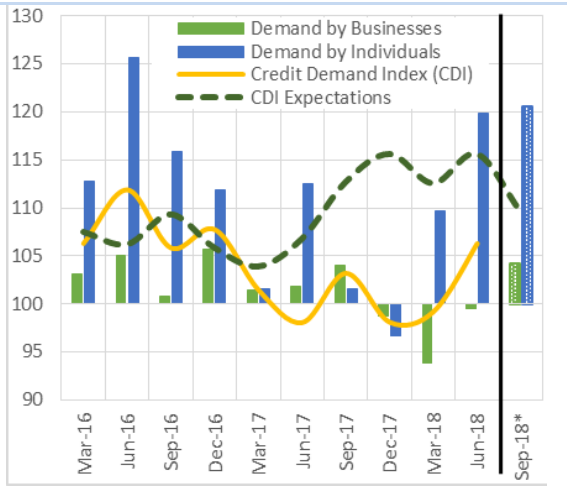
Source: Bank of Jamaica's Quarterly Credit Conditions Survey

For the September 2018 quarter, lenders reported that they plan to increase the amount of credit made available to both businesses and individuals (see **Figure 3**).

Credit Demand

Credit demand, as measured by the Credit Demand Index (CDI) for the June 2018 quarter, increased relative to the March 2018 quarter (see **Figure 4**). As such, the CDI for the quarter was 106.3 up from 99.2 in the previous quarter. This growth primarily stemmed from increased demand for personal loans. Lenders reported that the rise in the demand for personal loans was evident in all categories, particularly in the demand for credit cards, debt consolidation loans and mortgages.

Figure 4: Components of Credit Demand



Source: Bank of Jamaica's Quarterly Credit Conditions Survey
Notes: (i) *-Expectations for the upcoming quarter indicated by respondents in the previous survey and (ii) Indices greater than 100 indicate an increase in the variable while an index less than 100 indicates a decline.

The growth in demand in the review quarter was largely reflected increased in demand for foreign currency loans partly offset by a fall-off in the demand for local currency loans. The growth in foreign currency loan demand stemmed mainly from the *Distribution, Tourism, Electricity, Gas & Water* and *Construction & Land Development* sectors. In contrast, the fall in demand for local currency loans was mostly evident in the

[2] Figure 3 shows the distribution of credit between households and businesses. Credit to businesses is further disaggregated to show total business loans distributed to firms of various sizes.

Entertainment, Distribution and *Construction & Land Development* sectors. The overall fall in local currency credit demand mainly reflected a decline in the demand for credit by micro, small and medium businesses.

For the September 2018 quarter, lenders indicated that they are anticipating growth in the demand for credit from both individuals and businesses. Changes in business activities and loan promotion activities were cited as the main drivers. The CDI is consequently projected to rise to 109.6 for the September 2018 quarter, relative to 106.3 for the June 2018 quarter.

Price of Credit

Based on the survey responses, average indicative interest rates on new local currency loans declined by approximately 74 bps to 14.56 per cent during the review quarter, relative to the previous quarter. This reflected reductions of 89 bps and 70 bps in rates for personal and business loans, respectively. Lower rates on business loans primarily reflected the impact of reduced interest rates on loans to micro and small firms (see Table 1).

In contrast, the indicative average interest rate on new foreign currency loans increased by 15 bps to 6.87 per cent, which reflected higher rates on foreign currency loans to all business sizes except large entities.

For the September 2018 quarter, lenders reported that they plan to increase the interest rates on new local and foreign currency loans to businesses by 74 bps and 101 bps to 14.78 per cent and 7.89 per cent, respectively. [3]

Table 1: Overall Average Lending Rates on Local and Foreign Currency Loans

	March 2018 Survey		June 2018 Survey	
	Mar–18	Jun–18*	Jun–18	Sep–18*
Local Currency (LC) Loans				
Business loans	14.74	14.49	14.04	14.78
Personal loans	17.54	17.93	16.65	16.79
Reference rate	13.68	14.04	13.68	13.70
Average LC rates	15.30	15.18	14.56	15.18
Foreign Currency (FC) Loans				
Business loans	6.72	7.22	6.87	7.89
Reference rate	6.86	7.08	6.86	7.60

Source: Bank of Jamaica

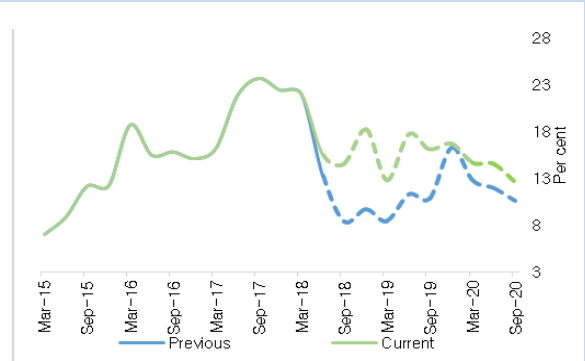
For more detailed analysis of the survey see BOJ Credit Conditions Survey Report.

[3] Note that the projected rates are usually higher than transaction rates as lenders generally resort to quoting their posted rates.

Monetary Projections & Inflation

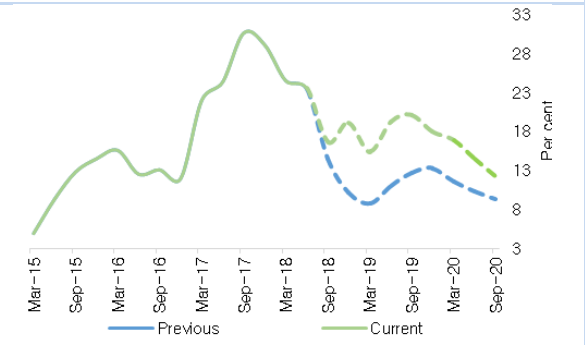
Growth in the monetary aggregates is projected to be robust over the next eight quarters, relative to the previous projections. The monetary base is projected to expand at an average annual growth rate of 14.5 per cent up to September 2020, higher than the 11.5 per cent growth previously projected. This upward revision stems from higher projected nominal GDP growth as well as a revised perspective on the demand for currency. Given these revisions, M2J is now projected to expand at an average annual rate of 16.6 per cent over the next eight quarters, relative to the previous projection of 10.9 per cent.

Figure 28: Annual Growth in Base Money



Source: Bank of Jamaica

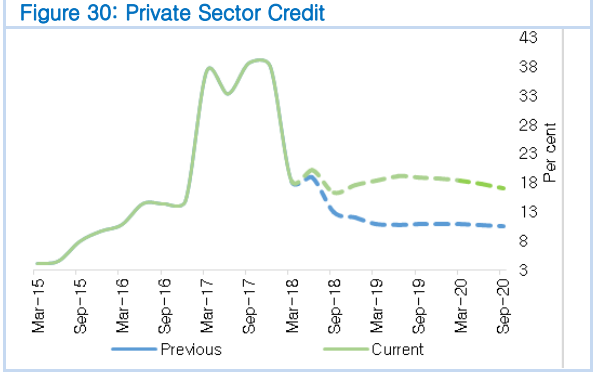
Figure 29: Annual Growth in M2J



Source: Bank of Jamaica

Growth in private sector credit over the next eight quarters is also projected to trend higher than the previous projection. Private sector credit is projected to record an annual average growth of 18.0 per cent up to September 2020, compared to a previously forecasted expansion of 10.9 per cent. This outlook reflects the upward revision to GDP growth.

Figure 30: Private Sector Credit



Source: Bank of Jamaica

9.0 Monetary Conditions

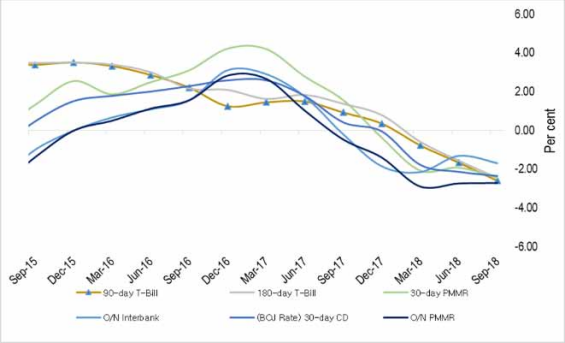
Bank of Jamaica's Monetary Conditions Index (MCI) continued to reflect accommodative monetary conditions during the September 2018 quarter.

The forecast for the MCI suggests less accommodative monetary conditions for the December 2018 quarter as real interest rates rise.

The Bank's Monetary Conditions Index (MCI) suggests that monetary conditions in the September 2018 quarter were more accommodative than earlier anticipated in the context of lower real interest rates and larger than anticipated depreciation in the real exchange rate. The MCI for the September 2018 quarter was 3.57 per cent below equilibrium compared with the projected gap for the quarter of negative 1.57 per cent. Real interest rates were estimated to be 317 bps below equilibrium, lower than the previous forecast and reflecting lower than expected nominal interest rates and higher inflation expectations.

The real exchange rate for the September 2018 quarter was estimated to be 3.25 percentages point above trend. At end-September 2018, there was an estimated gain of 0.5 per cent in Jamaica's external price competitiveness, as measured by BOJ's real exchange rate (RER), relative to end-September 2017. The increase in competitiveness reflected a depreciation in the nominal effective exchange rate, arising from a faster pace of depreciation of the Jamaican Dollar against the USD compared to the trade-weighted exchange rate of Jamaica's trading partners against the USD. This impact was partly offset by an uptick in domestic inflation, which outweighed the inflation among Jamaica's trading partners. At September 2018, there was an improvement of 8.7 per cent in the REER, relative to May 2013 (the start of the country's IMF-supported reform programme).

Figure 31: Real Money Market Rates



	BOJ O/N CD	BOJ 30-day CD	O/N PMMR	O/N Inter-Bank	30-day PMMR	90-day T-Bill	180-day T-Bill	270-day T-Bill
Sep-17	-0.06	0.42	-0.47	-0.20	1.57	0.50	0.95	1.78
Dec-17	-0.97	0.06	-1.29	-1.74	-0.26	-0.80	-0.36	0.41
Mar-18	-1.83	-1.82	-2.94	-2.20	-2.12	-1.45	-1.26	-0.47
Jun-18	-2.36	-2.37	-2.97	-1.55	-2.15	-1.30	-1.19	-0.78
Sep-18	-1.94	-2.35	-2.71	-1.69	-2.45	-2.60	-2.44	-2.14

Source: Bank of Jamaica
Notes: (i) PMMR is the private money market rate (ii) O/N is the overnight rate in the market accessible by all financial institutions while the interbank rate (I/B) is the overnight rate accessible only by banks.

10.0 Conclusion

Annual inflation in Jamaica at September 2018 accelerated to 4.3 per cent from 2.8 per cent at June 2018. Inflation is projected to average 4.7 per cent over the next four quarters. The forecast track over the next four (4) quarter sees inflation approaching the upper limit of the target by June 2019 before quickly moderating thereafter to the lower limit. This near term forecast is mainly predicated on improving domestic demand conditions, the pass through of higher international commodity prices and an increase in water and sewerage tariffs. The risks to inflation over the next eight quarters are balanced.

Global economic growth for the September 2018 quarter is estimated to have decelerated relative to the June 2018 quarter and was in line with the Bank's projection. Global growth projection for the next eight quarters has been revised downwards by 0.1 percentage point to 3.5 per cent and is projected to average 3.5 per cent over the medium-term. Movements in international commodity prices were mixed during the review quarter. The performance of GOJ sovereign bonds on the international market over the September 2018 quarter was slightly stronger than anticipated. Jamaica's sovereign yield spreads are projected to continue falling over the near-term. GOJ sovereign bond yields are consequently projected to remain fairly stable, notwithstanding projected increases in the US Federal Funds target rate.

Real economic activity in Jamaica is estimated to have expanded in the September 2018 quarter. This growth mainly reflected an improvement in net external demand, augmented by small increases in investment and private consumption. Over the near term ending September 2019, real output is projected to expand at continued moderate pace. The risks to this growth forecast remain skewed to the downside.

Central Government's operations are projected to remain restrictive over the next eight quarters. The GOJ continues to be committed to maintaining its primary surplus and public sector overall balance targets under the SBA. In this context, any slippages in the fiscal accounts over the course of the year will be offset by expenditure containment and/or improved revenues.

The most recent data (for the June 2018 quarter) indicated that the current account deficit (CAD) deteriorated at a slower-than-anticipated pace. The CAD is projected to deteriorate by an average of US$10.3 million per quarter between the September 2018 and March 2020 quarters relative to the previous projections. The outlook for gross reserves has also deteriorated relative to the previous projection.

Growth in the monetary aggregates is projected to be robust over the next eight quarters, relative to the previous projections. Monetary conditions in Jamaica was accommodative in the September 2018 quarter. This was supported by both a faster than anticipated fall in interest rates and depreciation in the nominal exchange rate. The outlook suggests the maintenance of generally accommodative monetary conditions for FY2018/19 and FY2019/20.

Additional Tables

1: INFLATION RATES

		CPI (End of Point)	Headline Inflation	Core Inflation*
FY06/07	Jun-06	97.68	9.81	10.42
	Sep-06	99.76	6.59	9.71
	Dec-06	100.00	5.49	8.13
	Mar-07	102.50	7.44	9.49
FY07/08	Jun-07	105.10	7.60	9.65
	Sep-07	108.90	9.16	10.39
	Dec-07	116.82	16.82	15.62
	Mar-08	122.94	19.94	17.32
FY08/09	Jun-08	130.29	23.97	20.27
	Sep-08	136.45	25.30	20.99
	Dec-08	136.50	16.84	16.61
	Mar-09	122.94	12.43	12.98
FY09/10	Jun-09	141.95	8.95	10.29
	Sep-09	146.30	7.22	9.77
	Dec-09	150.44	10.21	10.28
	Mar-10	156.64	13.33	11.60
FY10/11	Jun-10	160.70	13.21	10.99
	Sep-10	162.77	11.26	9.40
	Dec-10	168.10	11.74	8.65
	Mar-11	168.92	7.84	6.57
FY11/12	Jun-11	172.28	7.20	6.67
	Sep-11	175.91	8.07	6.99
	Dec-11	178.21	6.01	6.86
	Mar-12	168.92	7.26	6.97
FY12/13	Jun-12	183.83	6.71	6.91
	Sep-12	187.61	6.65	5.59
	Dec-12	192.47	8.00	5.44
	Mar-13	197.72	9.13	6.30
FY13/14	Jun-13	199.93	8.76	6.26
	Sep-13	207.24	10.46	6.95
	Dec-13	210.70	9.47	7.38
	Mar-14	214.21	8.34	6.54
FY14/15	Jun-14	215.86	7.97	6.10
	Sep-14	225.86	8.99	6.72
	Dec-14	224.09	6.36	5.97
	Mar-15	214.21	3.96	5.51
FY15/16	Jun-15	225.30	4.37	4.81
	Sep-15	229.97	1.82	4.00
	Dec-15	232.30	3.66	3.51
	Mar-16	229.29	2.96	3.04
FY16/17	Jun-16	230.98	2.52	2.76
	Sep-16	234.23	1.86	2.49
	Dec-16	236.30	1.72	2.31
	Mar-17	238.66	4.09	2.27
FY17/18	Jun-17	241.22	4.43	2.43
	Sep-17	244.97	4.58	2.55
	Dec-17	248.67	5.24	2.65
	Mar-18	248.05	3.94	2.58
FY	Jun-18	248.01	2.82	2.29
	Sep-18	255.58	4.33	2.44

* Core inflation is measured as headline inflation excluding agriculture and fuel related components of the CPI Basket (CPI-AF)

2: ALL JAMAICA INFLATION – Point-to-Point (September 2018)

Divisions, Classes and Groups	Weight (%)	Inflation (%)	Weighted Inflation	Contribution
FOOD & NON-ALCOHOLIC BEVERAGES	37.46	4.09	1.53	35.39
Food	35.12	4.17	1.46	33.82
Bread and Cereals	6.10	2.24	0.14	3.16
Meat	7.66	2.69	0.21	4.76
Fish and Seafood	5.33	2.64	0.14	3.25
Milk, Cheese and Eggs	3.11	1.66	0.05	1.19
Oils and Fats	1.64	2.11	0.03	0.80
Fruit	1.14	10.42	0.12	2.74
Vegetables and Starchy Foods	6.85	7.37	0.51	11.67
Sugar, Jam, Honey, Chocolate and Confectionery	1.72	7.31	0.34	7.84
Food Products n.e.c.	1.55	7.40	0.16	3.78
Non-Alcoholic Beverages	2.35	4.19	0.07	1.66
Coffee, Tea and Cocoa	0.66	3.67	0.06	1.32
Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	1.69	2.61	0.06	1.42
ALCOHOLIC BEVERAGES AND TOBACCO	1.38	2.40	0.02	0.37
CLOTHING AND FOOTWEAR	3.33	2.71	0.05	1.06
Clothing	2.12	2.16	0.03	0.69
Footwear	1.22	2.29	0.08	1.76
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	12.76	2.25	0.05	1.10
Rentals for Housing	3.52	2.34	0.03	0.66
Maintenance and Repair of Dwelling	0.80	10.55	1.35	31.08
Water Supply and Miscellaneous Services Related to the Dwelling	1.32	1.98	0.07	1.61
Electricity, Gas and Other Fuels	7.12	3.64	0.03	0.67
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	4.93	8.60	0.11	2.62
Furniture and Furnishings	0.69	15.94	1.14	26.22
Household Textiles	0.32	4.81	0.24	5.48
Household Appliances	0.56	1.89	0.01	0.30
Glassware, Tableware and Household Utensils	0.05	2.78	0.01	0.21
Tools and Equipment for House and Garden	0.15	3.62	0.02	0.47
Goods and Services for Routine Household Maintenance	3.16	2.13	0.00	0.02
HEALTH	3.29	2.15	0.00	0.07
Medical Products, Appliances and Equipment	1.22	6.02	0.19	4.39
Health Services	2.07	1.47	0.05	1.12
TRANSPORT	12.82	1.71	0.02	0.48
COMMUNICATION	3.99	1.31	0.03	0.63
RECREATION AND CULTURE	3.36	3.65	0.47	10.80
EDUCATION	2.14	0.06	0.00	0.05
RESTAURANTS & ACCOMMODATION SERVICES	6.19	1.86	0.06	1.45
MISCELLANEOUS GOODS AND SERVICES	8.37	3.27	0.07	1.62
ALL DIVISIONS	100.00	4.33	4.33	100.00

3: BANK OF JAMAICA OPERATING TARGETS

	Actual Sept-16	Actual Dec-16	Actual Mar-17	Actual Jun-17	Actual Sep-17	Actual Dec-17	Actual Mar-18	Actual Jun-18	Actual Sep-18
Net International Reserves (US$)	**2,463.0**	**2,719.37**	**2,769.17**	**2,616.81**	**3,137.14**	**3,208.29**	**3,074.57**	**3,135.49**	**3,026.72**
NET INT'L RESERVES (J$)	**282,408.7**	**311,802.6**	**353,263.3**	**333,826.3**	**400,204.7**	**409,475.0**	**392,223.8**	**399,995.0**	**386,118.0**
Assets	350,419.2	377,399.9	424,029.0	406,393.5	473,914.5	482,557.5	466,512.6	470,401.6	455,276.4
Liabilities	-68,010.5	-65,597.3	-70,765.8	72,567.2	73,709.9	73,082.5	74,289.8	70,406.6	69,158.4
NET DOMESTIC ASSETS	**-157,295.8**	**-171,104.5**	**-221,414.2**	**-186,807.0**	**-247,053.8**	**-239,082.4**	**-224,296.9**	**-230,166.2**	**-208,752.4**
-Net Claims on Public Sector	123,570.4	130,118.7	118,459.5	181,221.1	127,479.9	125,095.7	136,864.5	132,042.6	167,156.1
-Net Credit to Banks	-34,134.6	-52,772.0	-51,835.4	-59,333.2	-60,976.3	-63,635.0	-61,546.1	-63,547.9	-65,665.8
-Open Market Operations	-44,408.5	-41,560.3	-48,385.7	-87,050.2	-96,355.9	-93,493.0	-93,283.3	-95,857.1	-117,584.7
-Other	-202,323.2	-206,890.9	-239,652.6	-221,644.7	-217,053.8	-207,050.2	-206,332.1	-202,803.8	-192,657.9
MONETARY BASE	**125,112.9**	**140,698.1**	**131,849.1**	**147,019.3**	**153,150.9**	**170,392.6**	**167,925.9**	**169,828.8**	**177,365.6**
- Currency Issue	82,948.5	98,272.0	88,071.1	91,642.8	92,167.4	110,920.3	104,179.7	103,673.9	108,265
- Cash Reserve	41,644.6	42,081.4	43,574.5	54,277.9	57,498.2	58,759.1	61,645.7	65,944.4	68,815.3
- Current Account	519.8	344.7	203.5	1,098.6	3,485.3	713.2	2,100.5	210.5	258.5
GROWTH IN MONETARY BASE [F-Y-T-D]	**4.3**	**17.2**	**-**	**11.5**	**16.2**	**29.2**	**-**	**1.1**	**5.6**

4: MONETARY AGGREGATES

		BASE	M1J	M1*	M2J	M2*	M3J	M3*
FY13/14	Jun-13	90221.88	110381.42	110381.42	250702.54	397899.09	354684.76	501881.32
	Sep-13	92083.29	113684.42	113684.42	259771.42	409003.99	369324.33	518556.90
	Dec-13	103633.38	122884.67	122884.67	267936.36	418628.15	374695.17	525386.96
	Mar-14	94428.02	119019.10	119019.10	262328.5	422293.20	373800.60	533765.30
FY14/15	Jun-14	95944.45	114410.60	114410.60	256212.30	418589.90	369666.90	532044.50
	Sep-14	96249.59	114321.90	114321.90	255533.40	417063.70	371626.90	533157.20
	Dec-14	108882.53	132667.25	132667.25	276864.33	446540.66	396051.52	565727.85
	Mar-15	101081.30	127331.43	127331.43	273286.91	444356.87	398263.53	569333.49
FY15/16	Jun-15	104475.63	142761.90	142761.90	292242.71	471576.37	422968.84	602302.50
	Sep-15	107998.61	137336.80	137336.80	288215.89	475790.09	421278.58	608852.79
	Dec-15	122211.75	160268.64	160268.64	317745.81	517788.53	453436.26	653478.99
	Mar-16	120011.93	155348.7	180719.1	313587.6	530398.8	460873.6	677684.8
FY16/17	Jun-16	120682.00	152152.3	176967.0	315129.2	542936.3	468354.8	696162.0
	Sep-16	125112.90	162012.8	183699.4	327364.0	554814.8	485596.6	713047.4
	Dec-16	140698.1	184887.8	210703.5	356709.1	586686.9	514906.4	744884.2
	Mar-17	139460.80	177728.24	205405.77	385130.22	636350.53	545141.71	796362.01
FY17/18	Jun-17	147019.31	176880.50	206834.55	390658.46	661159.67	555312.55	825813.77
	Sep-17	154764.51	183754.61	213187.22	425524.34	699679.21	601465.45	875620.33
	Oct-17	172290.94	205967.44	233487.21	457905.02	718529.75	633487.37	894112.10
	Dec-17	170142.28	220372.56	250633.11	479452.65	756399.23	657857.33	934803.92
	Mar-18	169828.80	216289.92	251603.73	482485.41	770885.09	673782.30	962181.99
FY18/19	Jun-18	177365.64	230629.81	266659.06	496418.25	804064.91	693490.11	1001136.77
	Sep-18	139460.80	177728.24	205405.77	385130.22	636350.53	545141.71	796362.01

5: COMMERCIAL BANKS' SELECTED INTEREST RATES (%)

		Fixed Deposits *		Savings Deposits	Lending Rate	Fixed Deposits Rate	Loan Rate	Inter-bank Lending Rate
		3-6 months	6-12 months	(Average)	(Average)	(Wgt. Average)	(Wgt. Average)	(Average)
FY12/13	Jun-12	2.00 – 5.25	2.00 – 6.00	2.10	17.46	3.59	17.36	4.95
	Sep-12	2.25 – 5.25	2.00 – 6.00	2.07	17.55	3.82	17.40	6.71
	Dec-12	2.25 – 6.10	2.25 – 6.40	2.07	17.23	3.92	18.44	4.02
	Mar-13	0.90 – 5.00	0.90 – 5.25	1.94	17.23	3.55	17.97	4.77
FY13/14	Jun-13	0.90 – 5.30	0.90 - 6.10	1.51	16.72	3.21	17.66	3.89
	Sep-13	0.90 – 5.70	0.90 – 5.90	1.62	16.47	3.88	17.45	5.23
	Dec-13	1.00 – 7.10	1.25 – 7.20	1.23	14.56	4.26	17.49	7.59
	Mar-14	1.00 – 7.10	1.25 – 7.20	1.40	14.74	4.50	17.57	9.42
FY14/15	Jun-14	1.00 – 7.10	1.25 – 7.20	1.40	14.76	5.03	17.50	8.08
	Sep-14	1.00 – 6.88	1.25 – 7.00	1.18	14.99	4.47	16.91	4.19
	Dec-14	1.00 – 6.88	1.15 – 7.00	1.44	14.99	3.98	17.18	3.90
	Mar-15*	0.75 –7.00	0.95 – 7.50	0.70	18.50	3.80	17.10	3.94
FY15/16	Jun-15*	0.75 –6.75	0.95 – 7.25	0.60	18.50	4.01	17.17	..
	Sept-15*	0.75 –6.70	0.95 – 7.25	0.60	18.00	3.89	17.00	..
	Dec-15*	0.75 –6.70	0.95 – 7.25	0.60	18.00	3.76	16.47	..
	Mar-16	0.75 –6.00	0.95 – 6.60	0.57	18.00	3.54	16.67	..
FY15/16	Jun-16	0.75 –6.00	0.95 – 6.60	0.57	18.00	3.51	16.44	..

6: GOJ TREASURY BILL YIELDS
(End of Period)

		1-month	3-month	6-month	9-month	12-month
FY12/13	Sep-12	6.16	6.36	6.57	…	…
	Dec-12	6.31	7.67	7.18	…	…
	Mar-13	5.37	5.82	6.22	…	…
	Jun-13	6.02	6.76	7.12	…	…
FY13/14	Sep-13	6.32	7.42	7.95	…	…
	Dec-13	6.25	7.53	8.25	…	…
	Mar-14	6.76	8.35	9.11	…	…
	Jun-14	6.80	7.66	8.37	…	…
FY14/15	Sep-14	6.89	7.47	8.00	…	…
	Dec-14	6.38	6.96	7.14	…	…
	Mar-15	6.30	6.73	7.00	…	…
	Jun-15	6.23	6.48	6.63	…	…
FY15/16	Sep-15	6.23	6.20	6.35	…	…
	Dec-15	5.97	5.96	6.04	…	…
	Mar-16	5.38	5.75	5.83	…	…

	Jun-16	5.47	5.86	6.01	…	…
FY16/17	Sept-16	5.84	5.86	5.81	…	…
	Dec-16	5.64	5.68	6.56	…	…
	Mar-17	6.10	6.13	6.32	…	…
	Jun-17+	…	5.77	6.13	…	…
FY17/18	Sept-17+	…	4.98	5.45	…	…
	Dec-17+	…	4.18	4.63	…	…
	Mar-18+	…	2.98	3.17	…	…
	Jun-18+	…	2.54	2.66	…	…
	Sep-18+	…	1.71	1.87	…	…

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

		30 days	60 days	90 days	120 days	180 days	270 days	365 days
FY10/11	Jun-11	6.75	…	…	…	…	…	…
	Sep-11	6.25	…	…	…	…	…	…
	Dec-11	6.25	…	…	…	…	…	…
	Mar-12	6.25	…	…	…	…	…	…
FY11/12	Jun-12	6.25	…	…	…	…	…	…
	Sep-12	6.25	…	…	…	…	…	…
	Dec-12	6.25	…	…	…	…	…	…
	Mar-13	5.75	…	…	…	…	…	…
FY12/13	Jun-13	5.75	…	…	…	…	…	…
	Sep-13	5.75	…	…	…	…	…	…
	Dec-13	5.75	…	…	…	…	…	…
	Mar-14	5.75	…	…	…	…	…	…
FY13/14	Jun-14	5.75	…	…	…	…	…	…
	Sep-14	5.75	…	…	…	…	…	…
	Dec-14	5.75	…	…	…	…	…	…
	Mar-15	5.75	…	…	…	…	…	…
FY14/15	Jun-15	5.50	…	…	…	…	…	…
	Sep-15	5.25	…	…	…	…	…	…
	Dec-15	5.25	…	…	…	…	…	…
	Mar-16	5.25	…	…	…	…	…	…
FY15/16	Jun-16	5.00	…	…	…	…	…	…
	Sep-16	5.00	…	…	…	…	…	…
	Dec-16	5.00	…	…	…	…	…	…
	Mar-17	5.00	…	…	…	…	…	…
FY16/17	Jun-17	4.75	…	…	…	…	…	…
	Sep-17	4.50	…	…	…	…	…	…
	Dec-17	4.00	…	…	…	…	…	…
	Mar-18	3.50	…	…	…	…	…	…
	Jun-18	3.00	…	…	…	…	…	…
	Sep-18	3.00	…	…	…	…	…	…

8: Placements and Maturities* in BOJ OMO Instruments

	January – March 2018			April – June 2018			July – September 2018		
	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)
30-day CD	93.7	93.0	3.10	104.30	103.54	2.64	105.25	105.25	1.73
272-day VR CD	0.0	0.0		0.0	0.0		0.0	0.67	2.00
365-day VR CD	4.3	0.0		0.0	0.0		0.0	0.0	
548-day VR CD	0.0	0.0		0.0	0.0		0.0	0.0	
729-day VR CD	0.0	0.0		0.0	0.0		0.0	0.0	
365-day FR CD	6.0	0.0		18.13	0.0		1.0	0.0	
365-day FR USD IB	0.0	0.0		0.0	0.0		0.0	13.74	2.63
Repos	3.7	3.7		0.0	0.0		7.99	7.99	
	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)
1-year FR USD CD	0.0	0.0		0.0	0.0		0.0	0.0	
2-year FR USD CD	0.0	0.0		0.0	0.0		0.0	0.0	
3-year FR USD CD	0.4	0.0		21.56	0.0		0.04	0.0	
4-year FR USD CD	2.11	0.0		0.0	0.0		82.24	0.0	
5-year FR USD CD	0.0	0.0		0.0	0.0		0.0	0.0	
7-year FR USD CD	0.0	0.0		0.0	0.0		0.0	0.0	
TOTAL	2.51	0.0		21.56	0.0		82.28	0.0	

9: EXTERNAL TRADE – GOODS EXPORTS (f.o.b)

(Flows – US$MN)

	Bauxite	Alumina	Sugar	Bananas	Other Traditional	Non-Traditional	Other	Total Goods Exports
Dec-10	29.6	146.0	0.0	0.0	13.5	101.0	53.3	343.4
Mar-11	34.9	130.0	26.9	0.0	18.3	127.0	70.4	407.6
FY11/12	138.3	578.8	91.5	0.1	76.5	509.3	275.3	1669.7
Jun-11	33.5	163.2	28.9	0.0	22.7	134.2	66.9	449.4
Sep-11	38.7	141.8	6.4	0.0	19.9	117.1	73.9	397.8
Dec-11	34.8	145.8	0.0	0.0	14.7	111.0	62.7	368.9
Mar-12	31.3	128.0	56.2	0.0	19.2	147.0	71.8	453.6
FY12/13	131.8	516.7	54.7	0.1	80.8	707.1	252.9	1744.1
Jun-12	31.8	132.4	37.5	0.0	22.3	126.8	66.7	417.5
Sep-12	34.7	130.7	0.5	0.0	20.4	162.3	58.6	407.1
Dec-12	32.4	117.2	0.0	0.0	19.3	223.5	57.9	450.3
Mar-13	33.0	136.4	16.8	0.0	18.8	194.5	69.7	469.2
FY13/14	125.0	526.1	53.7	0.1	70.9	455.8	260.3	1491.9
Jun-13	31.6	127.0	36.3	0.0	23.5	104.0	62.4	384.8
Sep-13	30.6	117.6	0.0	0.0	18.5	120.3	75.8	362.8
Dec-13	32.8	142.7	0.0	0.0	13.8	118.7	55.4	363.4
Mar-14	30.0	138.7	17.4	0.0	15.1	112.9	66.8	381.0
FY14/15	136.5	522.9	55.5	0.2	65.8	395.6	225.6	1402.2
Jun-14	34.4	108.6	26.5	0.0	21.0	96.1	69.2	355.9
Sep-14	33.4	151.6	11.9	0.1	16.6	99.3	62.1	375.0
Dec-14	33.4	130.4	0.0	0.1	13.6	106.8	49.2	333.5
Mar-15	35.3	132.3	17.1	0.1	14.5	93.4	45.1	337.9
FY15/16	116.4	479.8	36.9	0.3	69.9	317.8	158.3	1178.7
Jun-15	32.0	143.8	23.6	0.1	21.9	80.4	45.2	347.0
Sep-15	33.8	114.5	13.1	0.1	19.2	71.0	31.9	283.6
Dec-15	23.9	116.4	0.2	0.1	13.4	84.2	38.8	277.0
Mar-16+	26.6	105.1	0.0	0.1	15.4	82.2	42.3	271.1
FY16/17	83.6	465.6	17.7	0.4	75.7	408.4	193.9	1245.2
Jun-16+	26.7	126.6	9.0	0.1	26.9	90.7	55.2	335.3
Sep-16	20.6	102.7	4.8	0.1	20.6	93.0	41.0	282.7
Dec-16	17.9	109.6	0.3	0.1	13.0	108.4	49.9	299.1
Mar-17+	18.3	126.7	3.6	0.1	16.5	115.1	33.3	313.5
FY17/18	97.7	587.7	11.8	0.6	66.1	433.6	187.0	1384.5
Jun-17+	24.7	128.4	8.8	0.1	18.8	106.7	51.7	339.3
Sep-17+	20.5	133.3	1.7	0.1	18.9	95.7	52.1	322.4
Dec-17+	28.9	121.1	0.3	0.1	15.1	118.8	46.2	330.5
Mar-18+	23.6	205.0	1.0	0.2	13.3	112.3	36.9	392.3
Jun-18	25.0	208.1	4.5	0.1	17.9	94.9	57.2	407.6

+ Revision

10: BALANCE OF PAYMENTS QUARTERLY SUMMARY
(US$MN)

	Mar-16+	Jun-16+	Sep-16+	Dec-16+	Mar-17+	Jun-17+	Sep-17+	Dec-17+	Mar-18+	Jun-18
1. Current Account	**137.4**	**-65.3**	**-186.3**	**-52.3**	**-61.2**	**-31.5**	**-317.3**	**-302.5**	**-103.8**	**-89.1**
A. Goods Balance	-664.7	-717.5	-809.0	-797.3	-862.0	-898.2	-993.7	-1089.8	-909.9	-879.0
Exports (f.o.b)	271.1	335.3	285.5	302.5	313.5	339.3	322.4	330.5	392.6	407.6
Imports (f.o.b)	935.8	1052.8	1094.4	1099.8	1175.5	1237.6	1316.1	1420.3	1302.5	1286.6
B. Services Balance	402.9	243.5	190.0	191.1	394.1	306.9	228.6	230.4	435.1	343.5
Transportation	-128.2	-141.7	-142.0	-146.2	-148.7	-158.4	-161.4	-183.5	-162.0	-153.4
Travel	679.3	558.2	513.4	531.7	702.0	622.6	577.6	636.2	794.4	665.5
Other Services	-148.2	-173.0	-181.4	-194.4	-159.2	-157.3	-187.5	-222.2	-197.3	-168.7
Goods & Services Balance	-261.8	-474.0	-618.9	-606.1	-467.9	-591.3	-765.1	-859.3	-474.8	-535.5
C. Income	-158.4	-205.8	-174.3	-56.5	-157.8	-61.4	-164.0	-37.8	-197.0	-160.5
Compensation of employees	4.8	4.5	14.4	55.6	14.0	10.7	15.3	48.0	15.0	11.3
Investment Income	-163.2	-210.3	-188.6	-112.1	-171.9	-72.1	-179.3	-85.9	-212.0	-171.7
D. Current Transfers	557.6	614.5	607.0	610.3	564.5	621.3	611.9	594.6	568.0	606.9
General Government	51.0	45.7	43.3	45.3	39.8	48.5	40.3	44.2	45.4	44.0
Other Sectors	506.6	568.8	563.7	565.0	524.7	572.8	571.6	550.5	522.6	562.9
2. Capital & Financial Account	**497.9**	**149.2**	**269.7**	**212.7**	**636.2**	**959.2**	**-442.6**	**2460.2**	**613.8**	**-531.3**
A. Capital Account	-7.2	-8.4	-6.8	4.4	0.0	2.4	-6.1	2.3	-3.5	15.5
Capital Transfers	-7.2	-8.4	-6.8	4.4	0.0	2.4	-6.1	2.3	-3.5	15.5
General Government	0.0	0.1	1.6	12.0	7.3	2.4	2.2	2.3	3.8	11.8
Other Sectors	-7.2	-8.5	-8.3	-7.6	-7.2	0.0	-8.3	0.0	-7.2	-8.5
Acq/disp of non-produced non- fin assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Financial Account	**505.1**	**157.6**	**276.5**	**208.3**	**636.1**	**956.9**	**-436.4**	**2457.9**	**617.3**	**-546.7**
Direct Investment	226.8	262.9	-20.0	239.4	175.7	189.7	166.6	235.3	262.1	-243.1
Portfolio Investment	104.9	-154.4	-86.3	-21.5	104.9	686.2	-623.4	725.9	169.4	-440.3
Other official investment	-13.1	-30.1	-28.6	13.3	9.1	2.1	-214.7	836.7	-83.4	-1.0
Other private Investment	181.7	57.7	261.0	175.0	602.8	128.7	82.7	139.8	340.3	261.9
Reserves	4.9	21.5	150.4	-197.9	-256.4	-49.8	152.4	520.3	-71.1	-124.3
Errors & Omissions	**-383.1**	**-286.5**	**-204.4**	**-26.4**	**-583.9**	**-898.0**	**474.1**	**-2142.9**	**-311.3**	**-458.4**

+ Revised

11: FOREIGN EXCHANGE SELLING RATES
(J$ per unit of foreign currency – end of period)

		US$	Can$	GBP £
	Dec-11	86.6000	84.2000	134.4400
	Mar-12	87.3000	87.6500	139.2800
FY12/13	Jun-12	88.7000	86.7100	138.6600
	Sep-12	89.9300	91.4200	145.3900
	Dec-12	92.9800	93.3100	152.6400
	Mar-13	98.8900	97.9900	151.9000
FY13/14	Jun-13	101.3800	96.7000	154.4800
	Sep-13	103.6000	100.7100	167.1600
	Dec-13	106.3800	99.7200	175.8400
	Mar-14	109.5700	98.9300	181.7700
FY14/15	Jun-14	112.2022	103.1802	191.8988
	Sep-14	112.6662	101.0142	180.2393
	Dec-14	114.6607	97.6896	177.6759
	Mar-15	115.0435	90.6202	169.9738
FY15/16	Jun-15	116.9832	93.8399	183.7774
	Sep-15	119.0553	88.6177	180.1478
	Dec-15	120.4150	84.9062	177.1179
	Mar-16	122.0421	92.5223	173.4625
FY16/17	Jun-16	126.3835	97.8795	169.8517
	Sept-16	128.2704	97.3084	166.7776
	Dec-16	128.4404	95.8778	157.4208
	Mar-17	128.6672	97.1686	159.5670
FY17/18	Jun-17	128.6228	99.3865	166.5811
	Sep-17	129.9127	105.0988	173.8791
	Dec-17	125.0004	97.3947	167.0275
	Mar-18	125.9850	97.1994	178.1109
	Jun-18	130.3918	100.0079	172.9757
	Sep-18	134.6486	103.7023	178.1844

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

		(US$MN)	(US$MN)	(US$MN)	Weeks of Imports	
		Gross Foreign Assets	Gross Foreign Liabilities	International Reserves (Net)	Goods	Goods & Services
	Dec-11	2,820.40	854.30	1,966.10	25.50	19.20
	Mar-12	2,638.90	861.80	1,777.10	23.20	17.50
FY12/13	Jun-12	2,385.10	844.70	1,540.40	21.10	15.90
	Sep-12	2,115.90	858.10	1,257.80	18.90	14.10
	Dec-12	1,980.80	855.20	1,125.60	17.70	13.20
	Mar-13	1,718.40	834.10	884.30	15.40	11.50
FY13/14	Jun-13	1,881.10	877.90	1,003.20	16.70	12.60
	Sep-13	1,713.50	803.40	910.10	15.80	11.90
	Dec-13	1,817.60	769.70	1,047.90	17.30	12.80
	Mar-14	2,048.60	745.00	1,303.60	19.10	14.40
FY14/15	Jun-14	2,016.53	640.40	1,376.13	20.19	14.57
	Sep-14	2,715.25	514.68	2,200.57	27.79	19.66
	Dec-14	2,473.01	471.92	2,001.09	26.31	18.41
	Mar-15	2,689.74	396.06	2,293.68	28.61	20.02

FY15/16	Jun-15	2,537.27	420.76	2,116.51	29.00	19.83
	Sep-15	2,890.45	448.57	2,441.88	32.34	22.39
	Dec-15	2,890.45	479.82	2,437.01	34.61	23.45
	Mar-16	2,894.31	478.77	2,415.53	34.38	23.30
FY16/17	Jun-16	2,819.90	554.77	2,265.13	32.66	19.36
	Sep-16	3,056.16	593.15	2,463.01	36.30	24.60
	Dec-16	3,291.47	-572.10	2,719.37	38.40	22.27
	Mar-17	3,323.89	-554.72	2,769.17	38.78	22.49
FY17/18	Jun-17	3,185.65	-568.84	2,616.81	35.44	20.54
	Sep-17	3,714.94	-577.80	3,137.14	40.87	23.70
	Dec-17	3,781.17	-572.88	3,208.29	38.83	22.78
	Mar-18	3,656.91	-582.35	3,074.57	35.83	21.29
FY18/19	Jun-18	3,687.40	-551.91	3,135.49	32.49	19.80
	Sep-18	3,568.84	-542.12	3,026.72	32.18	19.45

13: VALUE ADDED BY INDUSTRY AT CONSTANT (2007) PRICES (% CHANGE)

Sep 2016 – Jun 2018 + (Seasonally Unadjusted)

(Percentage Change (%) Over the Corresponding Quarter of Previous Year)

	Sep-16	Dec-16	Mar-17	Jun-17+	Sep-17	Dec-17	Mar-18	Jun-18
Total Value Added at Basic Prices	2.2	1.5	0.3	0.1	1.0	1.2	1.4	2.2
Agriculture, Forestry & Fishing	28.9	16.8	-3.4	-9.0	-0.2	-0.5	0.6	12.5
Mining & Quarrying	1.9	-11.8	-10.0	-10.9	-7.9	14.6	25.9	31.6
Manufacturing	2.3	2.5	3.4	1.4	2.8	0.4	0.8	0.2
Food, Beverages & Tobacco	3.2	6.4	5.6	0.6	3.6	0.4	-1.3	2.5
Other Manufacturing	1.1	-1.5	0.2	2.5	1.6	0.5	4.0	-3.2
Construction	-1.0	0.4	0.9	1.2	1.2	0.7	1.1	2.9
Electricity & Water	2.5	2.0	1.0	0.2	2.5	0.5	1.0	1.0
Wholesale & Retail Trade; Repairs; Installation Of Machinery	-0.2	0.4	0.4	0.7	0.7	0.7	0.5	0.6
Hotels and Restaurants	2.2	2.5	1.2	5.1	4.0	5.9	1.9	0.4
Transport, Storage & Communication	0.7	0.8	0.8	0.8	1.7	0.8	1.4	1.6
Finance & Insurance Services	1.1	1.1	1.4	1.5	1.2	0.8	1.2	1.1
Real Estate & Business Services	0.5	0.5	0.4	0.5	0.8	0.8	0.8	0.6
Government Services	-0.1	-0.2	0.0	0.1	0.2	0.3	0.1	0.0
Other Services	1.0	1.1	0.7	1.7	1.1	1.7	1.3	0.3
Less Financial Intermediation Services Indirectly Measured (FISIM)	1.5	2.1	0.5	1.5	0.8	0.8	1.1	2.1

14: USD LONDON INTERBANK OFFER RATE–LIBOR (End– of–Period)

		1-month	3-month	6-month	12-month
FY11/12	Sep-11	0.2394	0.3743	0.5578	0.8649
	Dec-11	0.2953	4.9075	0.8085	1.1281
	Mar-12	0.2413	0.4682	0.7334	1.0485
FY12/13	Jun-12	0.2458	0.4606	0.7344	1.0680
	Sep-12	0.2143	0.3585	0.6359	0.9730
	Dec-12	0.2087	0.3060	0.5083	0.8435
	Mar-13	0.2037	0.2826	0.4449	0.7315
FY13/14	Jun-13	0.1958	0.2731	0.4144	0.6902
	Sep-13	0.1789	0.2489	0.3685	0.6294
	Dec-13	0.1677	0.2461	0.3480	0.5831
	Mar-14	0.1520	0.2306	0.3289	0.5581
FY14/15	Jun-14	0.1552	0.2307	0.3268	0.5451
	Sep-14	0.1565	0.2351	0.3304	0.5786
	Dec-14	0.1713	0.2556	0.3628	0.6288
	Mar-15	0.1763	0.2708	0.4007	0.6942
FY15/16	Jun-15	0.1865	0.2832	0.4449	0.7715
	Sep-15	0.1930	0.325	0.534	0.8511
	Dec-15	0.4300	0.613	0.846	1.1780
	Mar-16	0.4370	0.6290	0.900	1.2100
FY16/17	Jun-16	0.4650	0.6540	0.9240	1.2300
	Sept-16	0.5311	0.8537	1.2397	1.5518
	Dec-16	0.7717	0.9979	1.3177	1.6857
	Mar-17	0.9828	1.1496	1.4232	1.8018
FY17/18	Jun-17	1.2239	1.2992	1.4477	1.7384
	Sep-17	1.2322	1.3339	1.5060	1.7823
	Dec-17	1.5640	1.6940	1.8370	2.1070
	Mar-18	1.8831	2.3118	2.4524	2.6626
FY18/19	Jun-18	2.0903	2.3358	2.5013	2.7641
	Sep-18	2.2606	2.3984	2.6039	2.9186

15: PRIME LENDING RATES (End-of-Period)

		EURO-ZONE	UNITED STATES			UNITED KINGDOM
		Repo rate	Fed Funds Rate	Discount Rate	Prime Rate	Repo rate
FY11/12	Jun-11	1.25	0 – 0.25	0.75	3.25	0.50
	Sep-11	1.50	0 – 0.25	0.75	3.25	0.50
	Dec-11	1.00	0 – 0.25	0.75	3.25	0.50
	Mar-12	1.00	0 - 0.25	0.75	3.25	0.50
FY12/13	Jun-12	1.00	0 - 0.25	0.75	3.25	0.50
	Sep-12	0.75	0 - 0.25	0.75	3.25	0.50
	Dec-12	0.75	0 - 0.25	0.75	3.25	0.50
	Mar-13	0.75	0 - 0.25	0.75	3.25	0.50
FY13/14	Jun-13	0.50	0 - 0.25	0.75	3.25	0.50
	Sep-13	0.50	0 - 0.25	0.75	3.25	0.50
	Dec-13	0.25	0 - 0.25	0.75	3.25	0.50
	Mar-14	0.25	0 - 0.25	0.75	3.25	0.50
FY14/15	Jun-14	0.15	0 - 0.25	0.75	3.25	0.50
	Sep-14	0.05	0 - 0.25	0.75	3.25	0.50
	Dec-14	0.05	0 - 0.25	0.75	3.25	0.50
	Mar-15	0.05	0 - 0.25	0.75	3.25	0.50
FY15/16	Jun-15	0.05	0 - 0.25	0.75	3.25	0.50
	Sep-15	0.05	0 - 0.25	0.75	3.25	0.50
	Dec-15	0.05	0 - 0.50	1.00	3.50	0.50
	Mar-16	0.00	0 - 0.50	1.00	3.50	0.50
FY16/17	Jun-16	0.00	0 - 0.50	1.00	3.50	0.50
	Sept-16	0.00	0 – 0.50	1.00	3.50	0.25
	Dec-16	0.00	0 .50– 0.75	1.25	3.75	0.25
	Mar-17	0.00	0.75–1.00	1.50	4.00	0.25
FY17/18	Jun-17	0.00	1.00–1.25	1.75	4.25	0.25
	Sep-17	0.00	1.00–1.25	1.75	4.25	0.25
	Dec-17	0.00	1.25-1.50	2.00	4.50	0.50
	Mar-18	0.00	1.50-1.75	2.25	4.75	0.50
FY18/19	Jun-18	0.00	1.75-2.00	2.50	5.00	0.50
	Sep-18	0.00	2.00-2.25	2.75	5.25	0.75

16: INTERNATIONAL EXCHANGE RATES

		Sterling vs. US$	Canadian $ vs. US$	Yen vs. US$	Euro vs. US$
	Mar-12	0.6256	0.9991	82.4340	0.7500
FY12/13	Jun-12	0.6376	1.0191	79.8040	0.7894
	Sep-12	0.6199	0.9837	77.9480	0.7779
	Dec-12	0.6150	0.9949	86.6630	0.7584
	Mar-13	0.6588	1.0156	94.0370	0.7787
FY13/14	Jun-13	0.6575	1.0512	99.1700	0.7687
	Sep-13	0.6181	1.0285	98.3270	0.7389
	Dec-13	0.6034	1.0636	105.2030	0.7258
	Mar-14	0.6012	1.1053	103.0100	0.7259
FY14/15	Jun-14	0.5846	1.0676	101.2900	0.7305
	Sep-14	0.6168	1.1196	109.6491	0.7917
	Dec-14	0.6418	1.1614	119.8035	0.8264
	Mar-15	0.6737	1.2679	119.9472	0.9321
FY15/16	Jun-15	0.6737	1.2483	122.1001	0.8966
	Sep-15	0.6609	1.3394	119.6745	0.8943
	Dec-15	0.6786	1.3837	120.2501	0.9206
	Mar-16	0.6964	1.3004	112.5746	0.8787

FY16/17	Jun-16	0.7513	1.2925	103.1779	0.9004
	Sept-16	0.7709	1.3127	101.3377	0.8901
	Dec-16	0.8104	1.3439	117.0001	0.9508
	Mar-17	0.7968	1.3317	111.3958	0.9388
FY17/18	Jun-17	0.7677	1.2963	112.3469	0.8752
	Sep-17	0.7464	1.2470	112.5239	0.8465
	Dec-17	0.7400	1.2571	112.6888	0.8330
	Mar-18	0.7135	1.2895	106.2812	0.8114
FY18/19	Jun-18+	0.7572	1.3134	110.6929	0.8559
	Sep-18	0.7601	1.3043	111.8443	0.8559

17: WORLD COMMODITY PRICES (Period Averages)

		CRUDE OIL PRICES		FOOD	
		North Sea Brent (US$/barrel – f.o.b.)	West Texas Intermediate (US$/barrel – f.o.b.)	Wheat (US$/mt, Average Winter)	Coffee (USc/kg, Arabica brand)
FY11/12	Jun-11	117.10	102.56	320.60	636.54
	Sep-11	112.48	89.76	293.06	597.37
	Dec-11	109.29	94.06	265.07	536.18
	Mar-12	118.60	102.94	268.88	486.95
FY12/13	Jun-12	108.86	93.50	260.39	400.35
	Sep-12	109.95	92.22	341.46	399.96
	Dec-12	110.45	88.19	346.48	357.12
	Mar-13	112.91	94.40	309.51	335.49
FY13/14	Jun-13	103.01	94.23	294.50	319.86
	Sep-13	110.10	105.83	281.76	298.23
	Dec-13	109.41	97.48	292.20	276.82
	Mar-14	107.88	98.67	280.67	382.67
FY14/15	Jun-14	109.78	102.98	292.86	467.06
	Sep-14	102.08	97.07	238.17	455.92
	Dec-14	76.01	73.16	248.61	464.59
	Mar-15	53.93	48.63	231.09	389.21
FY15/16	Jun-15	62.10	57.97	210.64	354.39
	Sep-15	50.03	51.52	189.86	336.22
	Dec-15	43.41	42.18	190.10	327.74
	Mar-16	34.36	33.45	190.23	330.86
FY16/17	Jun-16	45.95	45.50	183.79	346.71
	Sept-16	45.80	44.94	156.02	378.80
	Dec-16	50.08	49.29	156.18	385.71
	Mar-17	54.12	51.91	165.66	364.09
FY17/18	Jun-17	50.25	48.28	177.79	329.68
	Sep-17	51.74	48.20	183.94	327.83
	Dec-17	61.47	55.40	177.43	307.79
	Mar-18	66.95	62.87	190.71	301.42
FY18/19	Jun-18*	74.49	67.88	210.30	295.21
	Sep-18	75.48	69.50	215.61	301.42

*based on Bloomberg's indicative daily prices.

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. Changes in the monetary base emanate from sources within the net domestic assets (NDA) as well as the net international reserves (NIR).

Basis Point (bp): This is a unit of percentage measure which is equal to one hundredth of one percent (0.01% = 1bp). Basis points is commonly used when discussing interest rates and fixed income securities.

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

Brexit: Brexit has become the abbreviated way of refering to the United Kingdon (UK) leaving the European Union (EU) it combines the words British and exit. The referndum where citizens of the UK voted to exit the EU took place on the June 23, 2016.

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.

Currency Issue: refers to Jamaican notes and coins in the hands of the public (currency in circulation) in addition to notes and coins held by financial institutions in their vaults (vault cash). Bank of Jamaica redeems (buys) or issues (sells) notes and coins to financial institutions when institutions have a demand for cash. The difference between currency issued and that which is redeemed during a period of time is referred to as net currency issue.

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.

Export Price Index: The export price index (EPI) is a weighted index of the prices of goods and services sold by residents of a country to foreign buyers.

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 months.

Import Price Index: The import price index (IPI) is a weighted index of the prices of goods and services purchased by residents of a country from foreign sellers.

Inflation: refers to the change in the general price level. In Jamaica, this is defined 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 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.

JSE Indices: The JSE Index comprises all Ordinary Companies on the Main Market. The JSE Combined Index comprises all Ordinary Companies on the Main Market and Junior Market. The JSE All Jamaican Composite Index comprises of only Jamaican Companies on the Main Market. The JSE Select Index comprises the JSE's 15 most liquid Securities on the Main Market. The JSE Cross Listed Index is comprised of only foreign companies on the Main Market. The Junior Index comprises all Ordinary Companies on the Junior Stock Market.

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 Multiplier: This defines the relationship between the monetary base (M0) and the money supply and is usually calculated as the ratio of M3 to M0. It measures the maximum amount of money that can be created by the banking system given the provision of an additional dollar to the system by the central bank. The money multiplier implies that when the central bank conducts monetary policy in such a way as to increase the monetary base, the overall expansion in the money supply is a multiple of this initial increase. This is also true if the central bank reduces the monetary base.

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.

Net Domestic Assets: The difference between the monetary base and the NIR. It is comprised of the Bank's net claims on the public sector, mainly Central Government, open market operations liabilities and net claims on commercial banks and other financial institutions.

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.

Public Sector Entities (PSE) Foreign Exchange Facility: A foreign exchange surrender facility for public sector entities which seeks to centralize foreign currency demand. Under this facility Commercial Banks, Authorized Dealers and Cambios agreed to surrender amounts in addition to the pre-existing requirements.

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

Quasi-money: Savings Deposits plus Time Deposit.

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 entitlement to property ownership, 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.

Special Drawing Right: The SDR is an interest-bearing international reserve asset created by the IMF to supplement the official reserves of member countries.

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.

Terms of Trade: An index of the ratio 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.

Tourism Implicit Price Index: a measure of prices in the tourism industry as reflected by average daily expenditure per tourist.

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