QUARTERLY MONETARY POLICY REPORT

October - December 2008
Volume 9 No. 3

Bank of Jamaica
Quarterly Monetary
Policy Report

October -December 2008

Volume 9 No. 3

Nethersole Place
Kingston
Jamaica

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

ISSN 0799 1037

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

CONTENTS

PREFACE

The Bank of Jamaica's Quarterly Monetary Policy Report reviews the conduct of monetary policy and the main factors that influenced inflation during the quarter. It also presents the Bank's perspective on emerging economic trends and the path of monetary policy over the short to medium term.

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

OVERVIEW

The Central Bank was faced with unprecedented challenges in the December 2008 quarter due to an intensification of the problems in global financial markets. These challenges were manifested in instability in the foreign exchange market which, in turn, threatened the likelihood of continued moderation in inflation.

Increased uncertainty and the tightening of credit conditions in the global financial markets led investors to further reduce their appetite for risk, primarily on emerging market debt, in the review quarter. The impact on Jamaica was exacerbated by unfavourable reports on Jamaica's credit worthiness from rating agencies. This resulted in sharp declines in the prices of the country's global bonds, triggering calls for increased collateral against loans that were backed by these securities and the non-renewal of repurchase agreements. The calls led to extraordinary demand for foreign currency by those financial institutions that were exposed to such arrangements. There was also a sharp reduction in lines of credit to financial institutions and firms, further heightening the demand for foreign currency to repay liabilities. The increased demand for foreign currency was also exacerbated by the seasonally higher demand related to commercial imports. Additionally, a fall-out in foreign currency supplies, primarily from tourism and remittances, had an adverse impact on the market.

Challenges in the domestic market emanated primarily from the decision by some financial institutions to reduce their exposure to each other given increased uncertainty and the tightening of global credit conditions. A concentration of liquidity in these institutions led to a sharp increase in interest rates in the private money market and consequently higher financing costs. These factors, coupled with the higher yields on Government of Jamaica (GOJ) global bonds, contributed to increased rates on GOJ domestic debt.

The Bank of Jamaica responded to the various challenges with a suite of monetary policy actions, similar to those taken by other central banks. These were all aimed at augmenting the supply of foreign currency, facilitating the flow of credit and minimizing pressures in the foreign exchange market. The measures included the:

i. *Establishment of a Special Loan Facility in foreign currency on 15 October 2008 for securities dealers and deposit- taking institutions needing to repay margin arrangements to overseas brokers. These arrangements were backed by GOJ global bonds.*
ii. *Establishment of an Intermediation Facility in foreign currency on 12 November 2008 to facilitate the flow of credit in the system.*
iii. *Extension of the Intermediation Facility to include deposits and loans in local currency.*
iv. *Increasing interest rates across the spectrum of open market operations instruments on 17 October and 01 December.*
v. *Offering of a special 15-day CD to primary dealers and commercial banks on 18 -19 November.*
vi. *Inincrease in the statutory cash reserves requirement from **9.0 per cent** to **11.0 per cent** effective 1 December with further increases announced to be effective 2 January and 3 February 2009.*
vii. *Intervention sales of **US$432.1 million** in the foreign exchange market for the quarter.*

These policy actions assisted in containing the pace of depreciation in the exchange rate to **9.69 per cent** for the December quarter and **12.24 per cent** for 2008. At the international level, many developed and developing countries with floating exchange rates were also faced with sharp exchange rate depreciation for the quarter. For example, the Pound Sterling, Canadian dollar, Euro and the Mexican peso depreciated against the US dollar by **17.0 per cent**, **14.0 per cent**, **12.3 per cent**, and **20.0 per cent**, respectively, in the quarter. The authorities in these countries were, however, able to loosen monetary policy and implement large fiscal stimulus packages due mainly to low debt ratios and current account deficits as well as falling inflation.

For the quarter, domestic inflation was **0.0 per cent** relative to **4.7 per cent** in the previous quarter. This was influenced by continued fall in international commodity prices, moderation in the prices of some domestic agricultural commodities as well as the conservative monetary policy stance in previous quarters. The price of oil, for example, fell by **69.1 per cent** below its peak in July 2008 due to the weakening in the global economy.

Economic growth in Jamaica continued to be adversely affected by the repercussions from the weakness in the global economy. The main areas affected were mining, tourism, manufacturing, transportation and construction. World demand for bauxite, for example, is estimated to have declined by **1.6 per cent** in 2008, resulting in weak growth in the mining sector for the quarter. Stop-over visitor arrivals to Jamaica are estimated to have declined for the second consecutive quarter given a decline in spending power following massive job losses as well as a decline in wealth from stocks and equities in the major source market. Remittance inflows also fell for each month in the quarter. Consequently, real GDP is estimated to have declined for the third consecutive quarter.

The net international reserves (NIR) of the Bank was also adversely affected by the global environment. For the quarter, the NIR declined by **US$478.2 million** consequent on the Bank's sale and loan of foreign currency to the market. This decline was the major source of absorption for the monetary base in the quarter.

Notwithstanding the contractionary impact of the NIR, the monetary base expanded by **24.1 per cent** in the quarter. This was higher than trend as well as the target outlined in the previous quarter, mainly due to the increase in the cash reserves requirement. Currency issued by the Bank, the major component of base money, however, expanded by less than the seasonal increase over the last five December quarters. This continued the decelerating trend observed since late 2007. On an annual basis, currency expanded by **3.8 per cent** relative to **18.7 per cent** in 2007.

Consistent with the deceleration in the growth of currency, the rate of increase in other measures of money slowed in the quarter. Local currency deposits, for example, slowed to growth of **0.4 per cent** from an average of **5.4 per cent** for the past five December quarters. Further, foreign currency deposits recorded a decline of 0.6 per cent for the quarter. The performance of these aggregates was reflective of the continued weakness in the economy and the attendant increase in unemployment as well as a decline in private capital inflows. In addition, business firms drew down foreign currency deposits to meet obligations in a context of the reduction in credit lines during the quarter.

In the context of the global recession and the attendant weakness in the Jamaican economy, some commercial banks tightened credit criteria for the quarter. Notwithstanding this, growth in private sector credit accelerated to **6.3 per cent** from **5.2 per cent** in the December 2007 quarter, some of which was due to the impact of exchange rate depreciation. All sectors, except Electricity, benefited from an expansion in credit. There was continued moderation in personal loans, primarily for the purchase of motor cars and home improvement.

Outlook

Global economic growth is expected to deteriorate in the March quarter. This is in a context where the extraordinary measures taken in 2008 to stimulate growth will take time to feed through the world economy. Global growth is now projected at **0.5 per cent** for 2009, down from the previous projection of **2.5 per cent**. Global unemployment should therefore continue to grow, putting further downward pressure on demand. In this context, no sharp reversal in the decline in commodity prices is expected. Accordingly, global inflation is expected to continue its moderating trend, enabling further easing of monetary policy by major central banks.

Domestic inflation, however, is expected to increase to a range of **1.5 per cent to 2.5 per cent** for the March 2009 quarter. The main impulses will emanate from depreciation in the exchange rate in the previous two quarters and the renewal of annual contracts such as rent and insurance. Countervailing influences should emanate from continued reduction in aggregate demand, the lagged effect of the decline in international commodity prices and moderation in domestic agricultural prices. In this context, the forecast of inflation for the fiscal year has been revised downward to a range of **12.5 per cent – 14.0 per cent** from the previous forecast of **14.0 per cent – 16.0 per cent**. The risks to the forecast are balanced.

The Bank has revised its forecast for GDP growth for the fiscal year downwards to a range of **negative 2.0 per cent to 0.0 per cent**. This is based on continued negative performance for the March quarter driven by contractions in *Hotels and Restaurants*, *Transport Storage & Communication* as well as *Construction* and *Mining*. The impact of this will be partly countered by continued recovery in *Agriculture* and moderate growth in *Finance & Insurance* and *Electricity & Water*.

Downside risks to growth relate to a faster than anticipated deceleration in global economic output and adverse weather conditions.

The major challenge for the Central Bank in the March quarter will continue to be the maintenance of stability in the domestic financial markets, in particular the foreign exchange market. Against this background, facilities to ease the flow of credit, particularly foreign currency, are likely to remain in operation. These activities are expected to be supported by loan inflows from the multilateral financial institutions.

1. Monetary Policy and Financial Markets

Money & Credit

Monetary Policy and Base Money Management

During the December 2008 quarter, the Bank faced significant challenges from instability in the financial system due largely to adverse developments in external financial markets. There were bouts of instability in the foreign exchange market mainly caused by extraordinary foreign exchange needs of financial institutions and firms, as well as the seasonally high end-user demand for foreign currency. Further, while there was excess domestic liquidity, these balances were largely concentrated within a few institutions that were reluctant to lend. In response to these challenges, the Bank pursued several courses of action in order to facilitate orderly conditions within the domestic financial system. These included increasing interest rates across the entire spectrum of open market instruments on two occasions during the quarter and the establishment of lending facilities for institutions in need of US or Jamaica Dollar liquidity. The Bank also issued a 15-day special certificate of deposit (CD) and raised the cash reserves ratio on prescribed Jamaica Dollar liabilities from 9.0 per cent to 11.0 per cent.

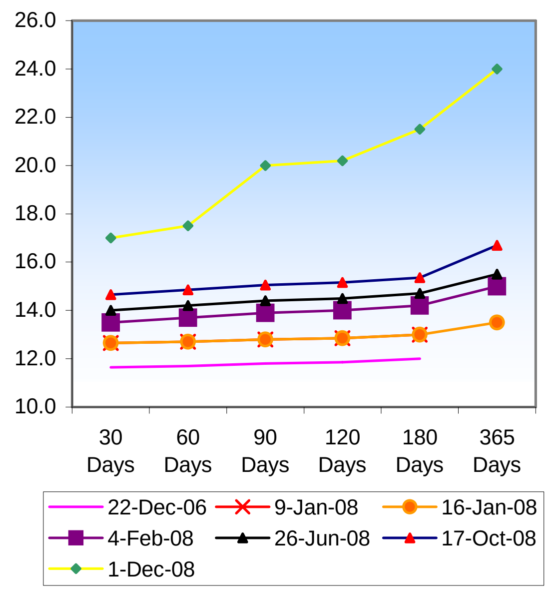
Against the background of the increase in the cash reserves and the seasonal demand for currency, the monetary base expanded by 24.2 per cent for the quarter in comparison to the projected expansion of 18.0 per cent to 19.0 per cent. Despite the increase in currency issue, currency growth for the quarter was lower than projected, consistent with the contraction in economic growth.

The Bank increased interest rates on 17 October and 01 December.

During the December quarter, the Bank was faced with the challenge of combating the adverse impact of the global financial turmoil on domestic markets. Consequent on the global financial turmoil, US dollar liquidity available to financial institutions and firms in Jamaica was significantly reduced due to a disruption in lines of credit. There was also need to repay foreign liabilities due to the significant increase in margin calls and maturing repurchase agreements. This was exacerbated by the usual strong seasonal demand for foreign currency for commercial transactions. There was also a reduction in

Figure 1.1

BOJ Certificate of Deposits Yield Curve[1]

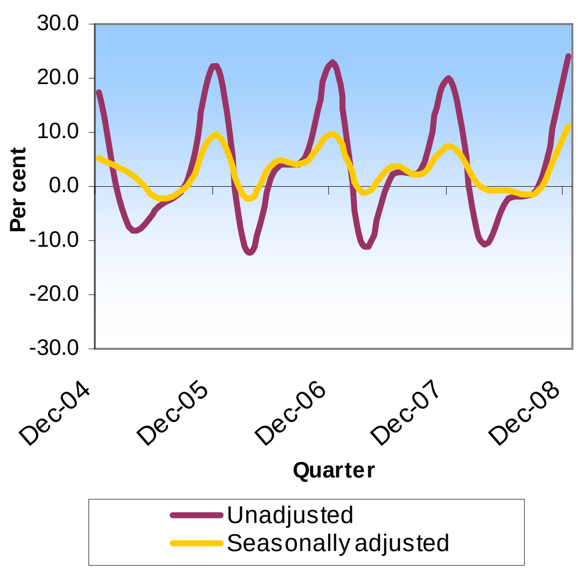


The Bank offered a special 15-day CD on 18 November and raised the Cash Reserves Ratio from 9 per cent to 11 per cent on 03 December

Figure 1.2

Base Money

(Quarterly Change)



inflows to the foreign exchange market given lower supplies from export earnings and remittances (see **Foreign Exchange Market**).

In light of the significant increase in calls on the foreign liabilities of financial institutions, the Bank established a lending facility on 15 October for securities dealers and deposit-taking institutions with US dollar liquidity needs. The Bank also introduced a foreign currency intermediation facility on 12 November to enhance the flow of credit in the system. This was further extended to include Jamaica Dollar deposits and disbursements. The latter action was necessitated by the reluctance of some institutions to extend inter-bank loans during this volatile period. These facilities aided in minimizing pressures and maintaining stability in the domestic financial markets (see **Foreign Exchange Market & Bond Market**).

The Bank also tightened monetary policy, increasing interest rates across the entire spectrum of OMO securities on 17 October and 01 December (see **Figure 1.1**). The key objective motivating these adjustments was the promotion of stability in the foreign exchange market by mitigating the demand related to portfolio decisions.

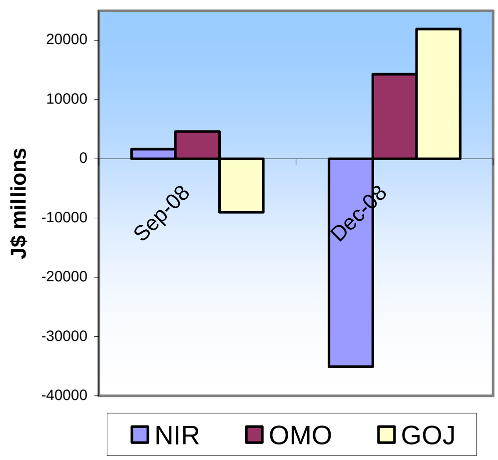
The overhang of Jamaica Dollar liquidity was further addressed through other initiatives.

- Given significant maturities of BOJ and GOJ securities in November, during the period 18-19 November the Bank offered a special 15-day CD to primary dealers and commercial banks with interest payable of 20.50 per cent per annum. This instrument absorbed $8.1 billion from the system.
- The cash reserve requirement of commercial banks, merchant banks and building societies was increased on 03 December from 9.0 per cent to 11.0 per cent. This adjustment absorbed $4.2 billion from the system.
- The Bank also signalled that the cash reserve requirement would be further increased in the ensuing months if circumstances required it. [2]

[2] The 11.0 per cent will apply to Building Societies that fail to meet the 40.0 per cent qualifying ratio, otherwise the ratio remains at 1%.

Figure 1.3

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



*Absorption-negative, Injection-positive

Table 1.1

Economic Indicators			
	Outturn for Dec'08 Quarter	*Projection for Dec'08 Quarter*	*Original Targets for FY08/09*
Inflation (% change)	***0.0***	***1.3 - 2.3***	***11.5 - 14.5***
Base Money (% change)	***24.2***	***18.0 -19.0***	***13.6***
NIR (eop) (US$ mn)	***1772.94***	***1700***	***1 750.0***

In a context of strong end-user demand for foreign currency, the Bank augmented the supply of foreign currency to the market with gross sales of US$432.1 million during the quarter. This contributed to a decline in the NIR of US$478.2 million which absorbed $34.7 billion from the system during the quarter.

Notwithstanding the contractionary effect of the decline in the NIR on Jamaica Dollar liquidity, the monetary base expanded by $13.9 billion or 24.2 per cent during the quarter (see **Figure 1.2**). The main sources of liquidity during the quarter were the drawdown on Government deposits at the Bank of $21.9 billion as well as a net unwinding in OMOs of $14.3 billion (see **Figure 1.3**). The net unwinding in OMO securities mainly reflected the financing of the seasonal demand for currency during the Christmas holiday period and the financing of the cash reserve increase.

The expansion in the monetary base was reflected in net currency issue of $10.1 billion or 25.9 per cent and a net increase in the cash reserves of $3.5 billion. Currency issue for the review quarter was lower than trend, as the average growth over the last five years was 29.6 per cent. Currency growth for the quarter contributed to an annual growth rate, as at end December 2008, of 3.8 per cent relative to annual growth of 11.6 per cent and 18.7 per cent in 2007 and 2006, respectively. The lower growth in currency represented the continuation of the reduced demand observed in the previous three quarters which could be attributed to a slowdown in economic activity.

The expansion in the monetary base was higher than the projected expansion of 18.0 - 19.0 per cent for the quarter. This deviation was reflected in higher cash reserves given the increase in the cash reserve requirement. The main source of the deviation was the smaller than projected decline in the NIR (see **Table 1.1**).

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

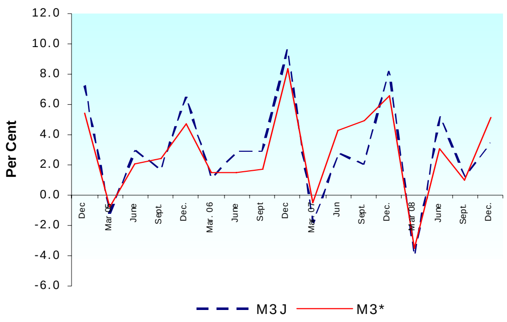


Table 1.3

Money Supply (12-month growth rates)		
MJ	**Dec-07**	**Dec-08**
M1J	14.0	2.2
M2J	11.3	4.1
M3J	11.5	5.8
M*		
M1*	16.7	-4.8
M2*	20.4	4.4
M3*	15.9	5.6

Table 1.4

INTEREST RATES IN THE DOMESTIC MARKET			
	Dec-07	**Sep-08**	**Dec-08**
COMMERCIAL BANK WEIGHTED AVERAGE DEPOSIT RATES			
Overall	**4.92**	**5.02**	**5.16**
Demand	2.79	2.59	2.45
Savings	4.47	4.48	4.48
Time	6.99	7.03	7.37
Foreign Currency	**3.13**	**2.94**	**3.02**
Demand	2.35	1.64	1.72
Savings	2.31	2.03	2.00
Time	5.09	4.83	5.11
6-MONTH TREASURY BILL RATE	**13.34**	**15.35**	**24.45**
BOJ 180-DAY REPURCHASE AGREEMENT RATE	**12.00**	**14.70**	**21.50**
PRIVATE MONEY MARKET RATE	**12.60**	**14.85**	**25.00**
memo:			
6-MONTH U.S. TREASURY RATE	**3.34**	**1.64**	**0.26**

Money Supply

During the December 2008 quarter, broad Jamaica Dollar money supply (M3J) increased by 3.5 per cent, relative to 8.2 per cent for the December 2007 quarter. The growth in the review quarter was also below the targeted increase of 10.3 per cent outlined in the monetary programme. The deviation from programme largely reflected a lower than projected build up in local currency deposits in the context of a slowdown in economic activity.

The measure of money supply that includes foreign currency deposits (M3) increased by 5.1 per cent, relative to an expansion of 6.6 per cent in the corresponding quarter of 2007. The expansion in the review quarter reflected growth of 9.9 per cent in private sector foreign currency deposits consequent on the valuation effect of a depreciation in the exchange rate. This growth was relative to an increase of 2.4 per cent in the December 2007 quarter. At end-December2008, the ratio of foreign currency deposits to total private sector deposits was 30.3 per cent relative to 30.5 per cent at end December 2007.*

For the December 2008 quarter, broad Jamaica Dollar money supply (M3J) increased by 3.5 per cent, relative to the expansion of 8.2 per cent recorded in the December 2007 quarter (see **Figure 1.4**). The increase during the review quarter was also below the 10.3 per cent growth anticipated in the monetary programme. Growth in M3J for the review quarter brought the annual growth to 5.8 per cent, relative to 11.5 per cent, in 2007 (see **Table 1.3).**

The main source of growth in M3J for the December 2008 quarter was an expansion of $36 930.1 million in banking system credit to the public sector. This was complemented by the net maturity of BOJ open market securities equivalent to $14 291.0 million. The impact of the expansion in banking system credit and the unwinding of open market securities was partially offset by a reduction in the NIR of $34 660.4 million (US$478.2 million).

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

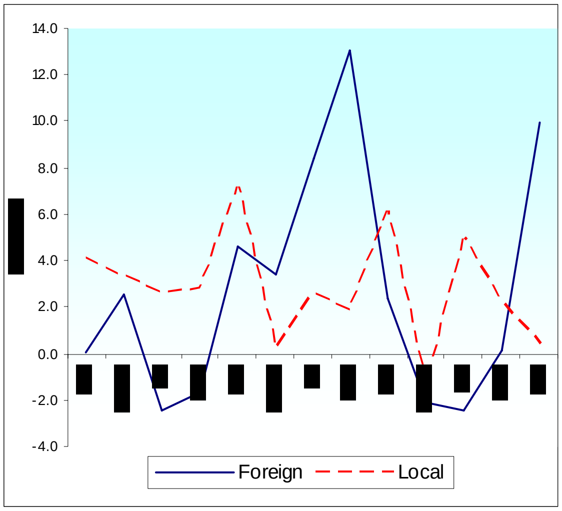


Figure 1.6

Foreign Currency Deposits to Total Deposits

December 2005 to December 2008

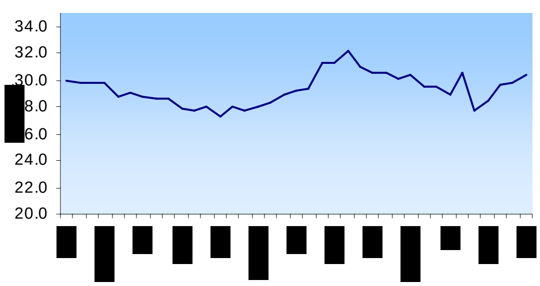


Table 1.5

COMPONENTS OF THE MONEY MULTIPLIER	Dec-07	Sep-08	Dec-08
		%	
Currency to Deposits	18.33	14.31	17.81
Reserves to Deposits	11.07	10.20	12.51
Money Multiplier	**4.02**	**4.66**	**3.89**

The growth in money supply during the review quarter mainly reflected an increase in currency in circulation which grew by $ 8 393.0 million or 25.0 per cent. This growth was above the average of 22.6 per cent in the last five December quarters. Despite the increase in currency in circulation during the quarter, growth for the 12-month period ended December 2008 was 3.2 per cent, significantly below the increase of 13.7 per cent for the comparable period ended December 2007. This annual growth at December 2008 was the lowest since December 2000 when currency in circulation declined by 1.3 per cent.[3] In real terms, there was a reduction of 11.6 per cent in currency in circulation, relative to a reduction of 2.7 per cent for the comparable period of 2007. The real decline in currency for 2008 reflected three quarters of decline and may be attributed to a slowdown in overall real economic activity.

Local currency deposits, the other component of M3J, grew marginally by $944.7 million or 0.4 per cent. The increase in the quarter was well below the average of 5.4 per cent in the last five December quarters. At end-December 2008, annual growth in local currency deposits was 6.3 per cent, relative to 11.1 per cent for the corresponding period of 2007. The expansion in the quarter mainly reflected weak growth in savings and time deposits which increased by 2.3 per cent and 5.5 per cent, respectively. However, the impact of this was offset by reductions of 2.6 per cent and 4.3 per cent, respectively in other and demand deposits.

During the review quarter, M3* increased by 5.1 per cent, relative to growth of 6.6 per cent for the December 2007 quarter (see **Figure 1.4**). Within M3*, foreign currency deposits grew by 9.9 per cent, which was significantly higher than the increase of 2.4 per cent recorded in the December 2007 quarter. The expansion in the book value of foreign currency deposits during the quarter largely reflected the heightened pace of depreciation in the Jamaica Dollar given that the U.S dollar value of these deposits decreased by 0.6 per cent[4]. The expansion in the Jamaica Dollar equivalent of these deposits influenced an increase in the ratio of foreign currency

[3] Annual growth in currency in circulation was 32.0 per cent in December 1999 given concerns that computer systems would stop working. Hence, the decline in December 2000 represented a normalization given the abnormally high demand for currency for precautionary purposes in December 1999.

[4] The declines occurred in a context where US dollar liquidity to firms in Jamaica was significantly reduced due to a disruption in lines of credit.

deposits to total private sector deposits to 30.3 per cent at end-December 2008, relative to 28.4 per cent at end-September 2008 and 30.5 per cent at end December 2007 (see **Figure 1.6**).

At end-December 2008, the money multiplier was 3.89, relative to 4.66 at the end of the previous quarter and 4.02 at end-December 2007. The outturn for the review quarter largely reflected increases in both the currency to deposit and reserves to deposit ratios. Growth in the currency to deposit ratio was as a consequence of the increased demand for cash balances during the period (see **Table 1.5**). The increase in the reserves to deposit ratio was in the context of the increase in the cash reserve ratio on prescribed Jamaica Dollar liabilities to 11.0 per cent from 9.0 per cent on 03 December as well as higher vault cash holdings maintained by commercial banks compared to the outturn for the previous quarter.

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

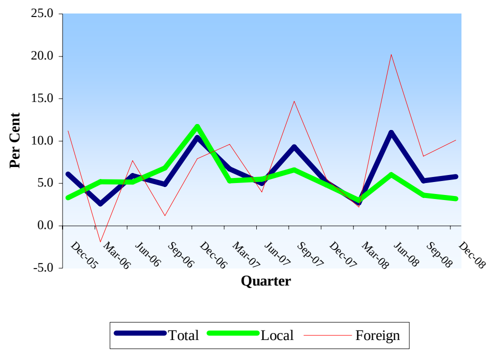


Table 1.6

Commercial Bank Distribution of Total Credit to the Private Sector J$ Million (Quarterly Flows)				
		Dec-07	Sep-08	Prov. Dec-08
	Total Private Sector Credit	**8 040.4**	**9 830.0**	**11 569.6**
	Loans and Advances	8 076.7	14 898.8	12 715.8
less	Overseas Residents	0.7	4 562.4	1 093.1
Add	Corporate Securities	-35.6	-506.4	-53.1

Table 1.7

Commercial Bank Distribution of Loans & Advances to the Private Sector (Flows J$M)			
	Dec-07	Sep-08	Dec-08
Agriculture & Fishing	-15.2	316.8	1130.1
Mining & Quarrying	-54.1	-6.5	92.0
Manufacturing	-140.9	0 160.5	90.9
Construction & Land Dev.	-351.9	0 993.6	815.8
Transport, Storage & Comm.	446.4	0 758.5	215.9
Tourism	863.8	3 106.3	4 641.9
Distribution	340.2	1 663.7	0 668.0
Professional & Other Services	263.4	1 053.2	1 849.9
Personal	3 697.7	2 788.8	2 126.9
Electricity, Gas & Water	710.9	-0 463.2	-40.6
Entertainment	-18.5	-35.1	32.0
Overseas Residents	-0.7	4562.4	1 093.1
TOTAL	**5 741.1**	**14 898.8**	**12 715.8**

Private Sector Credit

Private sector credit increased by 5.8 per cent during the December 2008 quarter, following an expansion of 5.3 per cent in the previous quarter. The outturn for the review quarter was, however, well below the target of 8.8 per cent outlined in the monetary programme. The expansion during the review quarter principally reflected growth in foreign currency denominated loans to ***Tourism.***

At end-December 2008, the stock of private sector credit was $212 246.4 million, representing an expansion of 5.8 per cent for the review quarter. This followed an increase of 5.3 per cent in the September 2008 quarter (see **Figure 1.7**). The growth rate for the review quarter was below the 8.8 per cent outlined in the monetary programme. The expansion contributed to annual growth in private sector credit of 27.1 per cent as at December 2008, which represented a slowdown relative to the increase of 28.6 per cent for the 12-month period ended December 2007.

Loans and advances expanded by $12 715.8 million or 6.3 per cent during the review quarter (see **Tables 1.6 and 1.7**). This was largely concentrated in *Tourism*, *Personal* and *Professional & Other Services*. The expansion in *Tourism* was consistent with seasonal refurbishment activities. *Personal loans*, increased by 2.6 per cent during the December 2008 quarter, below the average of 7.6 per cent for the last five December quarters.

Credit card receivables increased by 3.2 per cent during the review quarter, relative to growth of 8.9 per cent in the corresponding period of 2007. The outturn for the review quarter was the lowest increase for a December quarter since December 2004.

Foreign currency loans increased by US$2.3 million or 0.2 per cent in the review quarter, the lowest growth rate for a December quarter since December 2000(see **Table 1.8**). The deceleration in foreign currency loans relative to the previous quarter reflected significant net repayment in *Electricity, Gas & Water*, *Manufacturing*, *Construction & Land Development*, *Transportation* as well as in *Personal* loans. There were slower rates of increase in *Tourism*, *Distribution* and *Overseas Residents*. *Tourism* increased by 2.9 per cent during the December 2008

Table 1.8

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

	Dec-07	Sep-08	Dec-08
Agriculture & Fishing	0.4	3.0	0.1
Mining & Quarrying	-0.9	-0.3	0.2
Manufacturing	-2.6	-2.6	-4.3
Construction & Land Development	4.9	9.8	-2.4
Transport, Storage & Comm	14.7	6.1	-2.9
Electricity, Gas & Water	10.2	-11.0	-11.2
Distribution	-4.2	24.4	1.3
Tourism	13.6	31.0	13.6
Entertainment	-0.1	-0.6	0.0
Professional & Other Services	-1.0	-5.0	0.7
Personal	5.4	7.3	-0.2
Overseas Residents	0.0	62.7	7.2
TOTAL	**40.5**	**124.9**	**2.3**

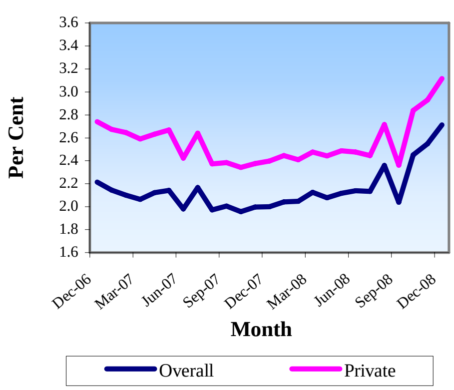
Table 1.9

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

	Dec-07	Sep-08	Prov. Dec-08
Overall	**17.11**	**16.46**	**16.78**
Public Sector	**11.42**	**13.42**	**14.72**
Local Govt. & Other Publi	10.52	13.26	13.33
Central Government	15.23	15.09	22.33
Private Sector	**18.25**	**16.94**	**17.14**
Instalment	20.94	20.49	20.39
Mortgage	7.40	7.50	7.57
Personal	25.42	24.40	24.93
Commercial	13.87	12.69	13.01

Figure 1.10
Commercial Banks' Past due Loans (Three Months and Over) to Total Loans

Dec 2006 to Dec 2008



quarter, well below the average of 10.0 per cent for the last five December quarters. The deceleration in *Tourism* was attributable to concerns about the impact of the global recession on earnings by the sector. In the context of the sharp depreciation in the exchange rate, the proportion of foreign currency loans to total loans increased to 40.8 per cent at end-December 2008 from 39.2 per cent at end-September 2008. The ratio was 35.4 per cent at end-December 2007.

Interest Rates

In the context of the tightening in credit conditions, the overall weighted average lending rate increased by 32.0 basis points (bps) during the review quarter (see **Table 1.9**). The upward movement in the rates reflected increases of 130.0 bps and 20.0 bps in the lending rate on public sector and private sector loans, respectively. With the exception of instalment credit, the lending rates on all types of loans increased during the quarter, consistent with the increase in market determined rates.

Performance Indicators

Consistent with the trend over the past ten quarters, the ratio of private sector credit to total assets increased to 39.1 per cent at end-December 2008 from 37.9 per cent at end September 2008 and 30.8 per cent at end-December 2007. At end-December 2008, the quality of the private sector loan portfolio measured by the ratio of past due loans (over three months) to total private sector loans was 3.1 per cent, relative to the 2.4 per cent at both end-September 2008 and at end-December 2007 (see **Figure 1.10**) .

Table 1.10

Treasury Bill Auctions and Maturities October - December 2008				
Issue Date	Tenor (days)	Avg. yield (%)	Allotment (J$M)	Amount Maturing (J$M)
10-Oct-08	364	16.69	400.0	
				500.0
24-Oct-08	182	16.96	500.0	
	91	15.21	300.0	
				700.0
28-Nov-08	182	19.26	400.0	
	91	16.92	400.0	
				900.0
19-Dec-08	182	24.45	400.0	
	91	22.01	400.0	
				800.0
Total			**2 800.0**	**2 900.0**

Average yields on GOJ Treasury Bills increase

Table 1.11

GOJ Public Domestic Debt Raising October - December 2008			
	Amount Allotted (J$MN.)	Amount Maturing (J$MN.)	Net Maturities (J$MN.)
Treasury Bills	2 800.0	2 900.0	100.0
Variable Rate LRS		8 291.2	8 291.2
Fixed Rate Inv. Deb.	2 510.4	6 361.2	3 850.8
Var. Rate Inv. Bd.	14 211.7		-14 211.7
Sub-total	19 522.1	17 552.4	-1 969.7
Fixed Rate US-denom. Bd./	57.7	*172.9*	*115.2*
Fixed Rate Ind. Bd.	*116.46*		*-116.46*
J$ equivalent	12 763.2	9 321.2	-3 442.0
Total (J$)	**32 285.3**	**26 873.6**	**-5 411.7**

GOJ predominantly issued variable rate debt

Bond Market

Conditions in the Jamaican bond market worsened in the December 2008 quarter influenced by the accelerated deterioration in the international financial market. The prices on all GOJ global bonds declined during the review quarter. This resulted in a marked increase in calls on margin arrangements and repurchase agreements backed by GOJ global bonds, the impact of which was exacerbated by waning inflows of foreign currency. As a result, affected institutions sold Jamaica Dollar assets and purchased foreign currency to fund the margin payments. There were also calls on the domestic liabilities of some institutions which led to tightness in domestic liquidity conditions. Activities in the bond market were also influenced by monetary policy actions during the quarter. These developments, coupled with increased levels of uncertainty in the domestic market influenced increases in the average yields on GOJ securities.

Given the adverse market conditions and general uncertainty, the Government was led to issue more short-term and variable rate domestic debt relative to the previous quarter. The preference for short- term instruments was also evident in the placements on the Bank's OMO instruments during the quarter despite the significant increase in the premiums offered on the longer end of the spectrum.

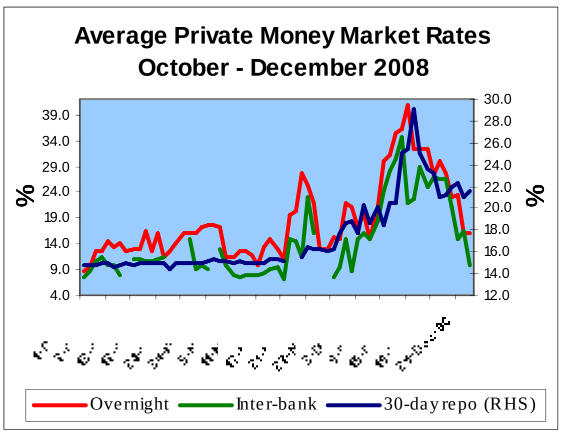
During the December 2008 quarter, the yields on Treasury Bills increased sharply. This occurred against the background of general tightness in the domestic money market given a concentration of liquidity in a few institutions as well as calls on the domestic liabilities of some institutions. In addition, the increase in yields on Treasury Bills was influenced by rising yields on GOJ global bonds as well as monetary policy actions during the review quarter. In particular, interest rate adjustments across the spectrum of OMO securities on 17 October and 01 December partly influenced increase in the yields of the Treasury Bills (see **Base Money** and **Table 1.10**). The largest movement in yields occurred at the Treasury Bill auction in December. There was also an increase in the yield on the 365-day Treasury Bill that the GOJ auctioned in October to replace a similar maturing instrument. The average yield increased by 263.0 bps relative to the yield on the instrument issued in October 2007 and was 119.0 bps above the prevailing yield on the comparable 365-day OMO instrument.

Table 1.12

Placements and Maturities* in BOJ OMO Instruments:				
	October - December 2008		July - September 2008	
	Maturities (J$MN.)	Placements (J$MN.)	Maturities (J$MN.)	Placements (J$MN.)
30-day	73 009.5	58 416.1	43 516.6	58 270.7
60-day	3 827.2	2 594.8	2 911.8	3 458.3
90-day	5 718.5	8 374.2	6 936.8	5 804.6
120-day	4 172.2	1089.0	3 052.6	3 756.8
180-day	4 096.0	2 631.7	15 893.6	2 612.1
270-day	0.0	0.0	0.0	0.0
365-day	1 693.0	7 342.3	0.0	10 622.8
Variable Rate CD	7 777.9	0.0	13 416.0	3 155.8
Fixed Rate CD	0.0	8 106.2	8 476.6	0.0

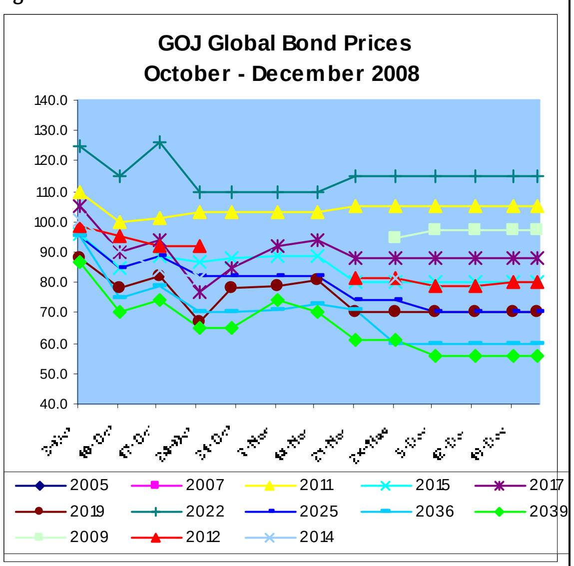
***excludes overnight transactions during the period**

Figure 1.11



Prices on GOJ Global bonds decline

Figure 1.12



There were net issues of $5 411.7 million in GOJ domestic debt during the review quarter relative to net issues of $9 163.9 million in the September 2008 quarter (see **Table 1.11**). Variable rate (VR) instruments continued to constitute the majority of the debt allotted, given the high level of uncertainty in the market. These instruments were issued at tenors ranging from 1 to 2¼ years relative to 1 to 15 years in the September quarter. In addition, the repricing margin on these instruments was increased on two occasions to 1.50 percentage points (pps) above the six-month Treasury bill yield compared to the repricing margin of 1.125 pps above the three-month Treasury bill yield in the previous quarter (see **Appendix Tables 8A and 8B**). The GOJ also issued two US dollar indexed bonds in the context of the acceleration in the rate of depreciation of the Jamaica Dollar.

In keeping with the historical trend for a December quarter, there was net unwinding of the Bank's OMO securities during the review quarter (see **Table 1.12**). This outturn was influenced by the seasonal increase in demand for domestic currency in December due to expenditure associated with the Christmas holiday. In addition, institutions also unwound instruments to finance the increase in the cash reserve requirement as well as calls on liabilities. Placements in the quarter continued to be primarily concentrated in the 30-day tenor despite the two upward adjustments in interest rates which significantly increased the premiums on the 365-day tenor of OMO instruments. With the exception of the 90-day and 365-day OMO tenors, there were net maturities on all the tenors during the review quarter. The placement profile highlighted the increased level of uncertainty within the domestic market and the need for investors to remain liquid.

During the review quarter, there was increased volatility in private money market rates, particularly in December. The average rate on the 30-day instrument increased by 2.53 pps to 17.18 per cent. Similarly, the overnight rate averaged 18.50 per cent, up from 10.00 per cent in the previous quarter while the average inter-bank rate also jumped to 14.60 per cent from 8.30 per cent in the previous quarter (see **Figure 1.11**). The general increase in these rates was mainly attributed to the concentration of liquidity within a few institutions, calls on the liabilities of some institutions as well as payments for currency issued by the Bank. Rates also responded to an increase in yields on OMOs as well as the increase in the cash reserve requirement.

The continued turmoil in international financial markets prompted general risk aversion towards emerging market bonds. This precipitated declines in the prices of most GOJ global bonds during the review quarter which influenced a marked increase in margin calls and repayment of repurchase agreements (see **Figure 1.12**). The reduced demand for GOJ global bonds was exacerbated by news from FITCH Ratings Agency of a downgrade of Jamaica's foreign currency debt. In addition, Standard & Poor's Rating Services (S&P) revised its outlook on Jamaica to negative from stable and Moody's Investor Services placed Jamaica's rating on review for downgrade (see **International Developments**).

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

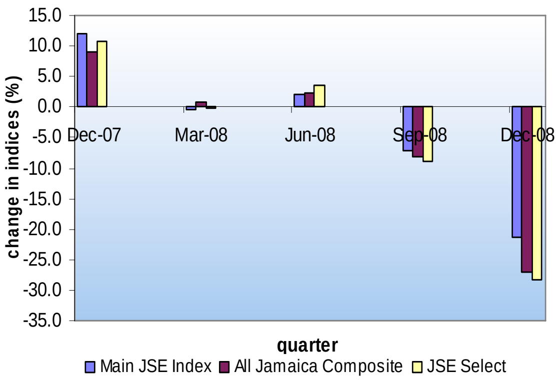


Figure 1.14
Quarterly Movements in Volumes & Values Traded
December 2007- December 2008

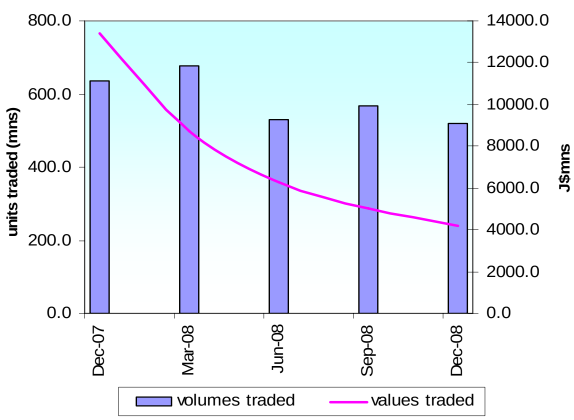
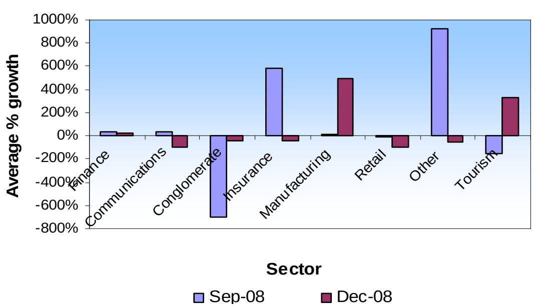


Figure 1.15
Average Growth in Quarterly Earnings by Categories September 2008 - December 2008



Stock Market

The Main JSE Index fell by 21.4 per cent for the December 2008 quarter. This was against the background of the global financial turmoil which contributed to a slowdown in domestic economic activity, weak investor confidence and instability in the foreign exchange market. The stock market was further affected by higher rates on fixed income securities.

The JSE index declined by 21.4 per cent during the December 2008 quarter, its second consecutive quarterly decline and the steepest since the March 2006 quarter.[5] This contributed to a calendar year decline of 25.8 per cent to close the year at 80,152.03 points. Similarly, the All Jamaica Composite and the Select indices fell by 26.9 and 28.2 per cent, respectively, for the quarter (see **Figure 1.13**).

There was a notable fall-off in trading activity as reflected in the total volumes and values traded, which declined by 8.7 per cent and 16.9 per cent, respectively, relative to the previous quarter (see **Figure 1.14**). During the period, approximately sixteen listed stocks traded at their 52 week low, indicative of reduced market sentiments.[6] For the quarter, the advance- to-decline ratio was 1:34, compared to 8:28 for the previous quarter. The decline in the index reflected a contraction in all the various categories except tourism. The steepest decliners were mainly concentrated in the manufacturing, conglomerate and the financial sectors which accounted for seven of the top ten declining stocks (see **Table 1.16**).[7]

The stock market outturn for the review quarter occurred against the background of the instability in the international financial market. This instability led to increased uncertainty, a faster paste of depreciation in the foreign exchange rate and subsequent upward adjustments in domestic interest rates (see **Money & Credit**). Additionally, the demand for local equities weakened in a context where growth in earnings performance slowed for the second consecutive quarter of 2008. During the quarter, of the eight categories reflected on the stock exchange, only three had an increase in average earnings relative to the previous quarter (see **Figure 1.15**).[8]

---

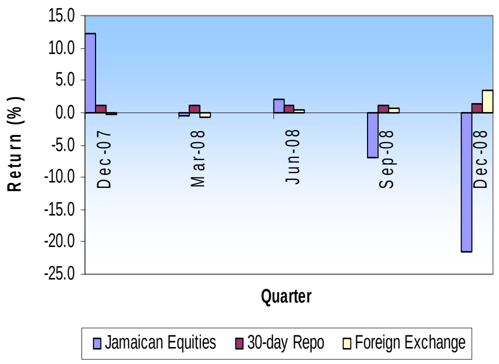
[5] During the March 2006 quarter the index fell 16.9 per cent to close at 86,896 points, reflecting investors' reaction to weak earnings results for several listed companies.
[6] 52 week lows can be used as a gauge in determining the direction or state of the stock market (bearish or bullish).
[7] The only stock that advanced was Ciboney with a three cents ($0.03) gain over the period.
[8] Notably, the tourism category on average recorded improved earnings performance relative to the prior quarter; this was due largely to a significant increase in net profit by the Pegasus.

Table 1.16
Declining Stocks
December 2008 Quarter

Companies	Price as at Dec-08 $	Qtr. Change %
Declining Stocks		
Manufacturing		
Salada Foods	17.80	-90.00
Caribbean Cement	3.95	-54.86
Jamaica Broilers Group	3.20	-44.83
Financial		
Mayberry Investments	2.00	-40.30
Scotia DBG	15.00	-37.24
Retail		
Carreras Limited	35.00	-51.69
Tourism		
Montego Freeport	1.55	-49.18
Conglomerate		
Pan Jamaican Investments	25.00	-49.99
GraceKennedy	43.50	-37.86
Communications		
Cable & Wireless Jamaica	0.50	-37.50

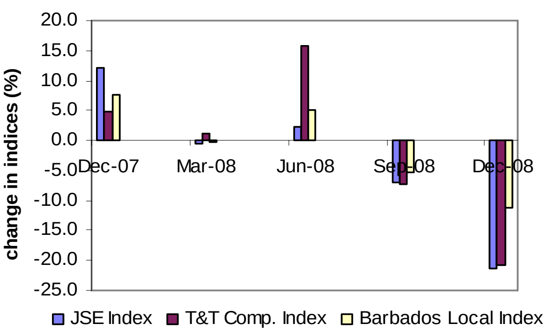
Figure 1.17

Quarterly Returns from Equities, Fixed Income &



Foreign Currency Investments

Figure 1.18
Quarterly Growth of Regional Indices
December 2007 – December 2008



These developments coupled with tight liquidity conditions in the domestic money market, served to reduce investments in equities relative to foreign currency holdings and Government securities. This was evident as investments in equities yielded a negative return of 21.4 per cent in comparison to average returns of 1.4 per cent from money market securities and 3.5 per cent on foreign currency investments (see **Figure 1.17**).

The other two major stock indices in the Caribbean also recorded declines during the quarter. In Trinidad & Tobago, the Composite Index fell sharply by 20.9 per cent compared to a decrease of 7.4 per cent in the previous quarter.[9] For Barbados, the Local Index declined by 11.2 per cent relative to a decline of 5.2 per cent in the September 2008 quarter (See **Figure 1.18**).

[9] In light of the significant decline in the stock market, the Trinidad & Tobago Stock Exchange implemented a new rule applicable for a 60-day trial period (with effect October 27, 2008), which requires that for share prices falling within a specified price band, a stipulated volume of shares must be traded for these share prices to move. The measure was aimed at preventing small trades from unduly influencing the prices of stocks.

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

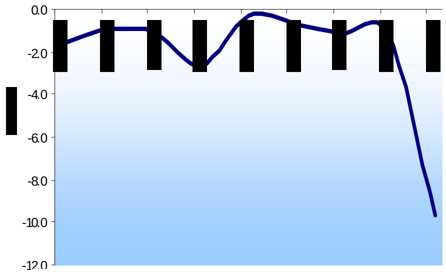


Figure 1.20
Exchange Rate Volatility (*)

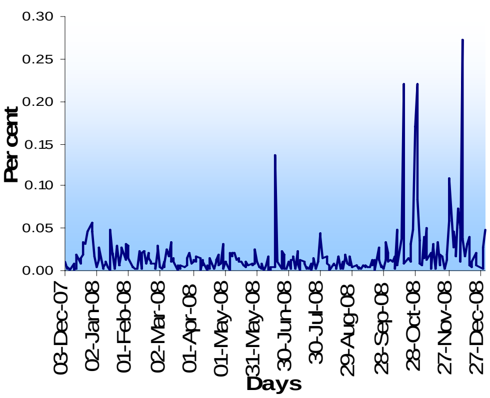


Figure 1.21
Weekly Exchange Rate Trading Range

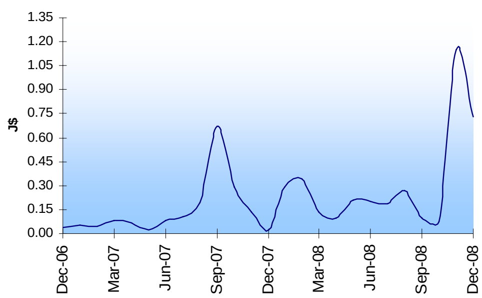
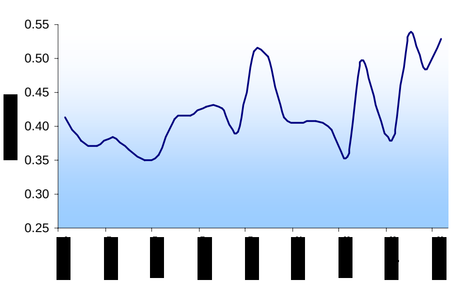


Figure 1.22
Foreign Exchange Spread as a Percentage of Buying Rate



Foreign Exchange Market

The instability that characterized the foreign exchange market in the latter part of the September 2008 quarter intensified in the December quarter (see ***Figure 1.22*** *and* ***1.23****). The weighted average selling rate depreciated by 9.69 per cent, compared with 1.08 per cent in the September 2008 quarter. The movement in the exchange rate over the review period was mainly influenced by a significant contraction in net private capital inflows. This was associated with increased margin calls on GOJ global bonds and repo payments to overseas institutions as well as a reduction in trade credit lines. Further, market confidence was negatively affected by unfavourable reports by various ratings agencies.*

To address the instability in the market, the Bank of Jamaica tightened monetary policy at different points over the review period and augmented supply to the foreign exchange market. The Bank also offered a temporary lending facility to domestic financial institutions to terminate margin arrangements on GOJ global bonds with overseas institutions. In addition, the BOJ implemented a loan intermediation facility for financial institutions. Given the instability in the market during the quarter, the NIR at end December 2008 was US$1 772.9 million, US$478.2 million lower than the outturn at end-September 2008.

The weighted average selling rate (WASR) of the US dollar increased to J$80.47 = US$1.00 at end-December 2008 from J$72.68 = US$1.00 at end-September 2008. This represented a depreciation of 9.69 per cent for the quarter, significantly above the average depreciation of 1.12 per cent in the preceding five December quarters and the 1.08 per cent depreciation in the September 2008 quarter (see **Figure 1.22**). For the calendar year, the value of the Jamaica Dollar declined vis-à-vis the US dollar by 12.24 per cent, compared to 4.91 per cent in 2007.

Consistent with the heightened pace of depreciation during the quarter, the average trading range increased to J$0.50 from an average of J$0.11 for the September 2008 quarter (see **Figure 1.24**).[10] Similarly, the average bid-ask spread, expressed as a percentage of the buying rate, increased to 0.52 per cent, relative to the 0.44 per cent in the September 2008 quarter (see **Figure 1.25)**.

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

Table 1.17
Foreign Exchange Cash Flows*

	US$MN			Change Relative To Previous	
	2007	2008			
	Oct-Dec	Jul-Sep	Oct-Dec	Qtr	yr
Net Current Inflows	-808.0	-1167.5	-743.5	424.1	64.5
Current Inflows	1089.3	1110.2	1051.1	-59.1	-38.3
Current Outflows	1897.3	2277.7	1794.5	-483.2	-102.7
Net Private Capital Inflows	723.5	1087.2	521.1	-566.0	-202.4
Balance	-84.4	-80.4	-222.3	-141.9	-137.9

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

Private capital outflows due to margin calls

The instability in the foreign exchange market during the review quarter was mainly associated with an estimated contraction of US$566.0 million in net private capital inflows, relative to the September 2008 quarter. This decline was sharpest in October and influenced a depreciation of 4.73 per cent in the exchange rate for that month. The contraction in net private capital inflows resulted from increased payments by financial institutions to satisfy calls on margin agreements as well repo payments to overseas creditors. In addition, tight liquidity in international credit markets resulted in the removal of some credit lines to the financial and productive sectors by foreign banks and suppliers. The significant fall in net private capital inflows was manifested in a marked increase in demand for foreign exchange on the domestic market, financed, in part, by the unwinding of Jamaica Dollar denominated assets (see **Monetary Policy**).

The margin calls and accelerated repo payments were triggered by a sharp rise in the yields (decline in prices) on Government of Jamaica (GOJ) global bonds and corporate bonds. This increase in yields stemmed from a downturn in confidence in external financial markets, which led to a re-pricing of risk on emerging market debt (see **International Economic Developments**). In relation to the loss of trade credit financing, financial institutions reported in a survey conducted by the Bank a need of US$266.0 million to replace these lines. They also indicated a shortfall of US$131.5 million in trade credit financing for their clients.

Notwithstanding the fall in net private capital inflows, the Bank estimates that there was a reduction of US$424.1 million in net foreign exchange demand to facilitate current account transactions, relative to the September 2008 quarter. This was attributed to a decline in foreign exchange outflows associated with lower spending on fuel imports in the context of a 50.5 per cent decline in oil prices in the review quarter, relative to the preceding quarter. This was partially offset by a decline in earnings due to reductions in non-traditional exports and remittance inflows. Receipts from tourism are also estimated to have declined by 4.7 per cent, relative to the comparable quarter in 2007.

Reflecting the fall in foreign exchange supply during the quarter, the average daily purchases by the system (authorised dealers and cambios) amounted to US$30.4 million, compared with US$31.5 million in the previous quarter and US$31.9 million in the December 2007 quarter. Demand also grew, with

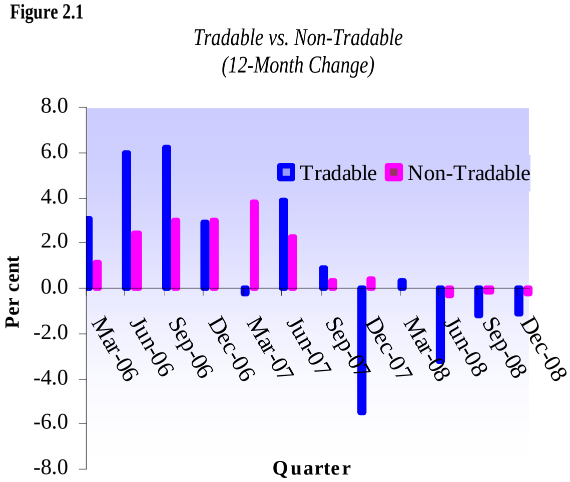
Table 1.12 Net International Reserves (US$MN)		
Month	**Stock**	**One Month Change**
Jun-08	2228.8	-30.4
July-08	2244.9	16.1
Aug-08	2287.8	42.9
Sep-08	2251.1	-36.7
Oct–08	1802.6	-448.5
Nov-08	1794.0	-8.6
Dec-08	1772.9	-21.1

average daily sales increasing to US$34.6 million compared with US$33.6 million in the previous quarter and US$33.9 million in the December 2007 quarter.

In response to the pressures in the foreign exchange market, the Bank tightened monetary policy at different points during the review period, augmented supply to the foreign exchange market and offered a temporary lending facility to domestic financial institutions to pay out margin arrangements with overseas brokerage houses (see **Monetary Policy**). Approximately US$168.8 million of collateralized credit was extended to financial institutions through the temporary lending facility during the review period. The Bank also implemented a loan intermediation facility for financial institutions. With regard to the level of intervention in the market, the Bank sold approximately US$333.4 million (net), relative to net sales of US$206.5 million in the previous quarter. Consequently, the NIR at end-December 2008 was US$1 772.9 million, US$478.2 million below the outturn for end-September 2008 (See **Table 1.12**).

2. Real Sector Developments

Figure 2.1



Jamaica's economy is estimated to have declined in the December 2008 quarter, continuing the trend since the June 2008 quarter. This was in the context of a deceleration in global economic growth which adversely impacted the key areas of mining, tourism, transportation, manufacturing and construction. Preliminary estimates of aggregate demand indicate that, in the context of waning demand and business confidence, there was a contraction in domestic spending and investment. However, there was an improvement in net external demand.

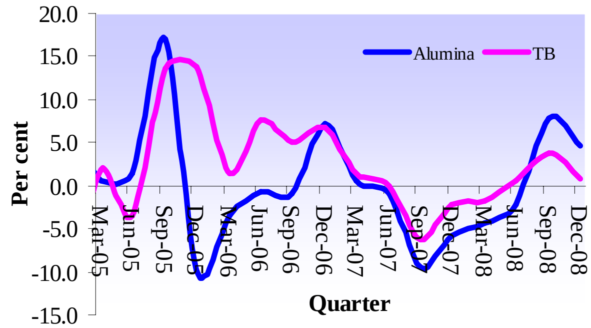
Aggregate Supply

With the intensification of the problems in the global financial markets and the attendant global recession, the Jamaican economy is estimated to have contracted in the December 2008 quarter at a rate similar to that observed in the previous quarter (**see Figure 2.1)**. This is in comparison to an average quarterly growth of 1.0 per cent since the December 2006 quarter.

Against the background of a decline in external and domestic demand, both the tradable and non-tradable sectors are estimated to have contracted. The reduction in external demand stems from a slowdown in the economies of Jamaica's major trading partners, while the weak domestic demand emanated from heightened economic uncertainty and slower remittance inflows.

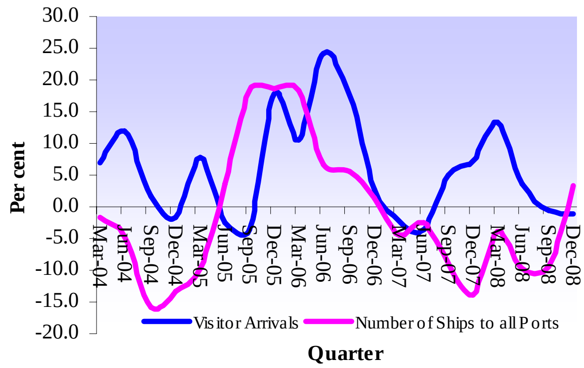
The tradable sector was estimated to have declined by 0.5 per cent relative to the average quarterly decline of 1.4 per cent for the December quarters over the last five years. This decline reflected a reduction in *Hotel & Restaurants* and smaller than historical growth in mining and transportation services. The contraction in the non-tradable sectors was in contrast to average quarterly growth of 1.2 per cent since December 2006 quarter and reflects the impact of weak domestic demand in retail trade and key sectors such as *Construction* and *Real Estate & Business Services*. There was, however, some recovery in *Electricity & Water* and *Agriculture*, when compared to the corresponding quarter of 2007.

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



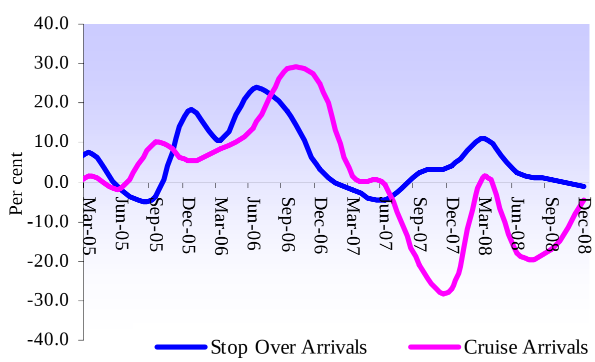
Source: Jamaica Bauxite Institute

Figure 2.3
Total Visitor Arrivals & Number of Ship Calls to Ports
(12-Month change)



Source: Jamaica Tourist Board and Port Authority of Jamaica

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



Source: Jamaica Tourist Board

The expansion estimated in *Mining & Quarrying* reflected a 4.7 per cent increase in alumina production in addition to marginal growth of 0.7 per cent in bauxite output, relative to the similar period in 2007 (see **Figure 2.2**). There was a moderate improvement in capacity utilization in alumina processing to 87.3 per cent compared to 86.2 per cent in December 2007 quarter. However, this was significantly below average capacity level of 91.5 per cent for the December 2006 quarter (prior to the global economic slow down). The weak growth in bauxite output was influenced by a decision to reduce inventory levels in a context of waning world demand[11].

Preliminary data indicate that *Transport, Storage & Communication* remained flat, relative to the December 2007 quarter. This estimate was primarily inferred from a 2.4 per cent decrease in visitor arrivals in the review period, which was partly offset by a 2.0 per cent increase in air cargo movement which was, albeit, a deceleration in growth relative to the December 2007 quarter. Further, total domestic cargo increased by 2.4 per cent relative to an average decline of 1.2 per cent since the beginning of the calendar year. In addition, the number of ship calls to all ports increased by 3.3 per cent relative to the December 2007 quarter. This increase followed seven consecutive quarters of decline (see **Figure 2.3**).

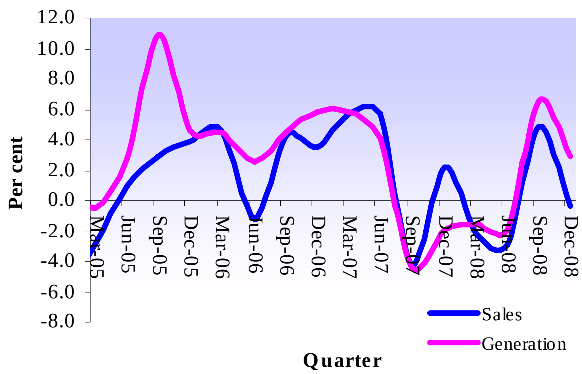
Given the decline in visitor arrivals, the value added of *Hotel & Restaurants* is estimated to have contracted for the December 2008 quarter, compared to the corresponding quarter of 2007. Total stopover arrivals declined by 1.0 per cent for the review period, which represented the second consecutive quarter of contraction (see **Figure 2.4**). Business travel declined for the quarter as indicated by the declines in arrivals to Kingston. The overall decline in visitor arrivals occurred despite the opening of three hotels. These openings resulted in an expansion in room capacity of 7.3 per cent and influenced a marginal growth in stopover arrivals in the month of December.

Preliminary estimates indicate growth in *Electricity & Water* based on a 2.9 per cent increase in electricity generation, relative to the December 2007 quarter. The sector's performance was above the average growth of 1.6 per cent

[11] World demand for bauxite is estimated to have declined by 1.6 per cent since the beginning of 2008.

Figure 2.5

Electricity Generation & Sales
(12-Month Change)



Source: JPS

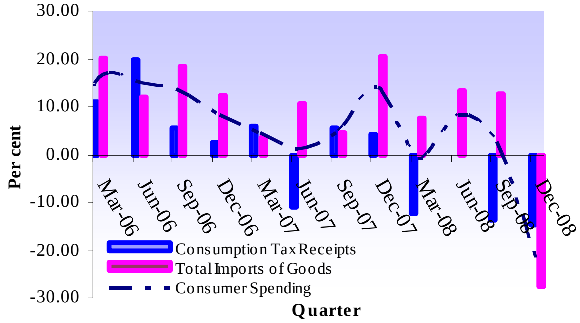
since the December 2006 quarter and reflected recovery following a 2.0 per cent decline in the December 2007 quarter due to the impact of Hurricane Dean. However, electricity sales in the review period declined by 0.4 per cent, relative to the December 2007 quarter (see **Figure 2.5**). The decline in total electricity sales for the review quarter is in contrast to the average quarterly growth of 1.6 per cent since December 2006. The lower demand is attributable to the impact of higher energy prices.

A nascent recovery is estimated in the agriculture sector for the December 2008 quarter. The performance of the sector reflected partial recovery in export agriculture, driven by strong performance of other exports. The increase in other exports was largely due to citrus and coffee which exceeded pre-Hurricane Dean export levels. The increase in citrus exports above previous production levels and a 66.8 per cent increase in coffee exports represented recovery following the impact of Hurricane Dean in September 2007 and the prolonged rains in the December 2007 quarter. The impact of citrus and coffee was partly offset by declines in banana and cocoa exports. Domestic agriculture recovered partially within the review quarter, with output of root crops expanding by an estimated 14.4 per cent compared to a decline of 32.8 per cent in the December 2007 quarter. The expansion in domestic root crops also represented an improvement over the 5.9 per cent average quarterly decline since December 2006. In addition, there was a turnaround in the production of fruits and vegetables due to more favourable weather conditions as well as various rehabilitation initiatives by the Government in the aftermath of Tropical Storm Gustav.

Manufacturing grew marginally in the review quarter relative to the corresponding period of 2007. This estimate was mainly inferred from a 1.2 per cent increase in petroleum refining, as the other industries either declined or had negligible growth. The expansion in petroleum refining reflected a shifting of the usual maintenance cycle to start in the September quarter.

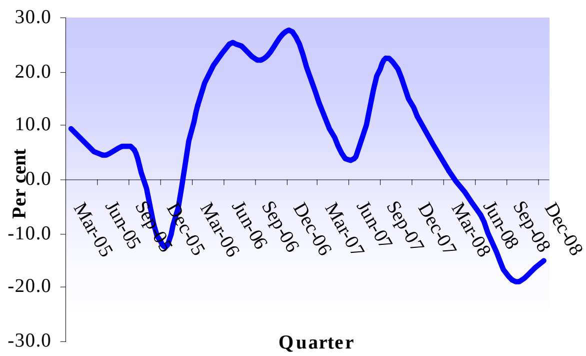
Construction is estimated to have declined significantly in the review quarter reflecting the completion of major investment projects in previous quarters as well as continued weakness in the residential housing sector. In addition, a number of Government capital projects

Figure 2.6
Private consumption Spending Indicator
(12-Month change)



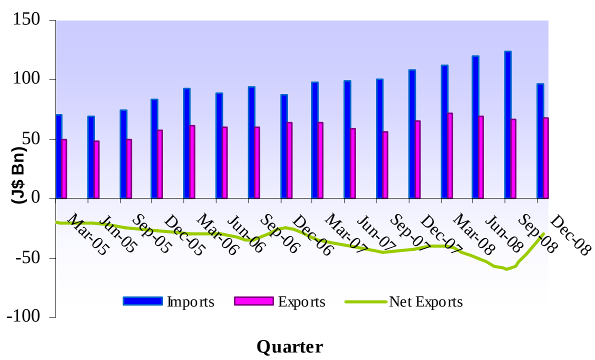
Source: Bank of Jamaica, MOF

Figure 2.7
Survey of Consumer Confidence



Source: Jamaica Chamber of Commerce

Figure 2.8
Net Exports



Source: Bank of Jamaica

were completed earlier in the year, while others were postponed. The contraction in the sector was also inferred from a 2.3 per cent decline in cement production relative to the December 2007 quarter as well as zero housing starts throughout the review quarter by the National Housing Trust relative 493 in the corresponding period a year earlier.

Wholesale, Retail Trade, Repairs & Installation Machinery grew marginally in the December 2008 quarter. This was inferred from estimated expansion in consumer goods by 6.0 per cent, which was significantly below the average quarterly growth of 24.4 per cent since December 2006. Weak growth was also supported by the real decline in consumption tax receipts during quarter.

Aggregate Demand

Indicators of aggregate expenditure suggest that the contraction in the economy in the December 2008 quarter was mainly driven by declines in *Private Consumption, Gross Fixed Capital Formation* and *Public Consumption*, which offset an improvement in the *Net External Demand.*

The reduction in personal consumption expenditure was inferred from the real declines of 14.8 per cent and 62.7 per cent in real consumption tax receipts and personal non-business loans, respectively, relative to the similar period in 2007 (see **Figure 2.6**). The estimated decline in spending was also supported by a 31.8 per cent real fall in currency in circulation relative to the similar period a year earlier. Further, there was a slowdown in remittances which would have contributed to a decline in spending. Of note, the Jamaica Conference Board Consumer Confidence Index recorded a decline of 14.9 per cent relative to the similar period last year bringing the index to its lowest level in more than two years (see **Figure 2.7**).

It is estimated that *Gross Fixed Capital Formation* declined in the December 2008 quarter, relative to the corresponding period of 2007. The major contributor to this contraction was foreign direct investment (FDI) inflows, which are estimated to have decreased by 4.8 per cent within the review period. The estimated improvement in *Net External Demand* was influenced by an estimated decrease of 15.5 per cent in real imports of goods and services which outweighed the decline of 5.5 per cent in real exports of goods and services (see **Figure 2.8**).

3. International Developments

The global financial crisis intensified during the December 2008 quarter. This resulted in a sharp contraction in real economic activity in the major advanced economies. In the context of the contraction, there were sharp declines in the prices of crude oil and most agricultural products. As a result, Jamaica's terms of trade (TOT) index rose by 31.0 per cent during the review period.

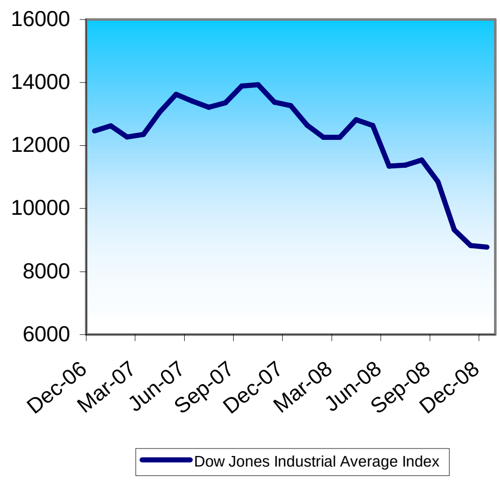
In an attempt to ease relatively tight liquidity conditions in the global financial markets, all the major central banks loosened monetary policy during the quarter. Yields in the international money markets reacted to the monetary stimulus. For example, yields on US Treasury bonds fell sharply over the quarter. However, there was a general increase in the yields on emerging market bonds, including Government of Jamaica (GOJ) sovereigns. This reflected increased risk aversion in the context of the overall uncertainty surrounding the impact of the financial crisis.

Global financial crisis intensified during the December 2008 Quarter

Evolution of the International Financial Crisis

The turmoil that characterized the global financial markets since mid-2007 intensified during the December 2008 quarter. Notably, several major financial institutions announced significant losses from sub-prime related investments. This was compounded by notable tightening in credit conditions, particularly in October.[12] These conditions triggered further declines in global stock market indices. Notably, the Dow Jones Industrial Average (DJIA) fell by 19.1 per cent for the quarter to 8776.39 points at end December 2008 (see **Figure 3.1**).

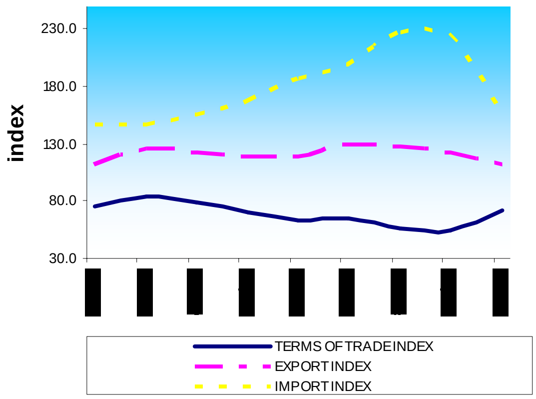
Figure 3.1
Dow Jones Industrial Average Index
Dec-06 to Dec-08



The difficulties in the financial markets extended to the real economy. For example, real GDP in the U.S. declined on an annualized basis by 3.8 per cent during the December 2008 quarter, following a 0.5 per cent contraction in the September 2008 quarter. Economic activity also contracted in the U.K. and the Euro Area. Developing economies were also affected through reductions in export demand by the major developed economies and reduced access to credit.

[12] The US three-month London Inter-bank Offered Rate (LIBOR) rose to over 4.0 per cent (4.1 per cent) in October 2008, for the first time since December 2007. Consequently, the spread between the LIBOR and the official benchmark interest rate widened by the largest margin since the start of the financial crisis.

Figure 3.2
Jamaica Terms of Trade Index
Dec 06 to Dec 08
(Quarterly average)



As a result of the falloff in economic activity, there were sharp increases in unemployment in the major developed economies. For the US, the unemployment rate at December 2008 was 7.2 per cent, an increase relative to the 6.1 per cent at September 2008. Similarly, the unemployment rates in the Euro area and the U.K. rose to 7.8 per cent and 6.1 per cent at the end of the quarter, respectively, from 7.6 per cent and 5.7 per cent at September 2008.

In an attempt to minimize the spillover of the financial crisis into real activities, governments in both developed and developing economies announced fiscal stimulus packages. In October, the U.S. Senate approved the Emergency Economic Stabilization Act of 2008, which gave the Treasury the power to buy mortgage-related assets in troubled banks up to US$700.0 billion. The Act also included a two-year extension of tax breaks for businesses and individuals. The U.K government also launched a similar rescue plan amounting to £521.0 billion, while the European Commission introduced an economic recovery plan valued at €200.0 billion. For China, a fiscal stimulus package of 4 trillion Yuan, to be spent over two years, was announced during the review quarter.

Terms of Trade

Associated with the contraction in global economic activity, Jamaica's TOT index increased by an estimated 31.0 per cent during the December 2008 quarter, relative to the previous quarter.[13] The TOT index for the review quarter was also 12.3 per cent higher than the index for the December 2007 quarter and represented the largest quarterly improvement since 1996 (see **Figure 3.2**).

Sharp decline in crude oil prices

Table 3.1

Selected Import/Export Prices (period average) (Per cent change relative to previous period)	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08
Crude Oil	20.17	7.96	26.52	-4.80	-50.45
Corn	11.52	28.28	17.54	-5.51	-31.21
Wheat	22.92	19.17	-21.56	-10.48	-26.48
Rice	5.15	39.01	80.16	-18.29	-19.84
Soybeans	22.13	16.49	4.16	-2.40	-33.99
TIPI*	1.14	9.84	-6.14	-6.55	2.80
Aluminum	-4.04	12.23	7.20	-5.20	-34.65

*Tourism Implicit Price Index

The movement in the TOT index during the review period, relative to the September 2008 quarter, reflected a fall of 29.7 per cent in the Import Price Index (IPI), the impact of which was partly offset by an 8.5 per cent decline in the Export Price Index (EPI). The contraction in the EPI was attributable to a 22.1 per cent fall in the price of alumina, the result of falling global demand. Primarily influencing the performance of the IPI were respective declines of 50.4 per cent and 18.3 per cent in the prices of crude oil and agricultural products (see **Table 3.1**).[14] The movement in the price of crude oil also reflected the slowdown in global economic growth, despite an announcement by the Organization of Petroleum Exporting Countries (OPEC) to reduce production targets during the quarter.

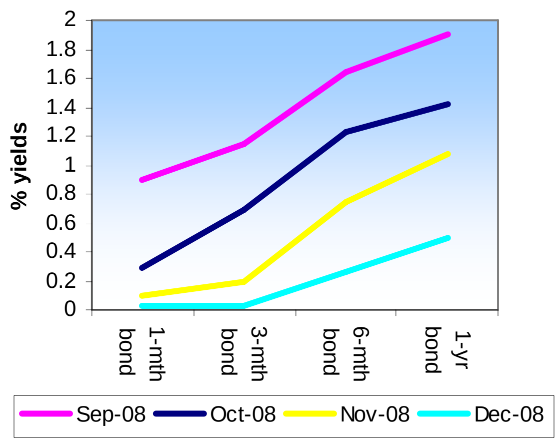
---

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

[14] Crude oil prices are measured by the West Texas Intermediate Index at Cushing in U.S. dollars per barrel.

The prices of most agricultural products declined during the quarter. In particular, the average prices of rice, corn and wheat declined by 19.8 per cent, 31.2 per cent and 26.5 per cent, respectively, relative to the September 2008 quarter (see **Table 3.1**). The movement in the price of rice was influenced by the partial removal of export bans on this commodity in India, as well as good harvests in major exporting countries. For wheat and corn, the price declines reflected increased crop yields in the U.S. due to improved weather conditions.

Figure 3.3
US Treasury Yield Curve



Monetary Policy

The monetary policy stances of all the major central banks were loosened during the December 2008 quarter and coincided with a general decline in inflation expectations (see **Table 3.2**).[15] The Federal Reserve (Fed) and other central banks also continued to inject liquidity into the system during the quarter. The central banks' decisions to lower rates were influenced by the worsening economic growth prospects.

Selected Interest Rates

Influenced by the adjustments in monetary policy by the major central banks, as well as by the flight of capital to relatively safe havens, interest rates generally trended down over the quarter. The average yield in the secondary market for short-term U.S. Treasury Bills declined by 118 basis points (bps) to 0.54 per cent, relative to the preceding quarter (see **Figure 3.3).** Similarly, average yields on longer tenors declined by 83 bps. The average US dollar LIBOR across the 3-month to 1-year tenors declined by 0.25 percentage point, reflecting a slight easing in liquidity conditions among financial institutions. Consequently, the spread between the 3-month LIBOR and the Fed's benchmark interest rate declined by 88 bps to end the quarter at 118 bps.

Table 3.2

Selected Key Interest Rates
Sep– Dec 08

	Sep	Oct	Nov	Dec
USA[a]	2.00	1.00	1.00	0.25
Euro Area[c]	4.25	3.75	3.25	2.50
Canada[b]	3.00	2.25	2.25	1.50
UK[c]	5.00	4.50	3.00	2.00
Japan[d]	0.50	0.30	0.30	0.30

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

Emerging market bonds

Notwithstanding the moderation in interest rates and the overall easing of liquidity conditions in the financial markets of the major developed economies, the average yields on emerging market bonds, as measured by the JP Morgan Emerging Market Bond Index Plus (EMBI+) rose by 2.7 percentage points to 9.8 per cent during the review period. The increase in emerging market yields reflected the increased unwillingness of investors to hold risky securities,

[15] The Fed lowered its target interest rate on three occasions to end the quarter within the range of 0.0 per cent to 0.25 per cent. In Europe, the Bank of England and European Central Bank lowered their benchmark interest rates to 2.00 per cent and 2.50 per cent, respectively. The Bank of Canada reduced its target interest rate to end the quarter at 1.5 per cent. The Bank of Japan also reduced its target rate for the first time since 2001 to 0.3 per cent.

Figure 3.4
Global Bond Yields
Dec 06 to Dec 08

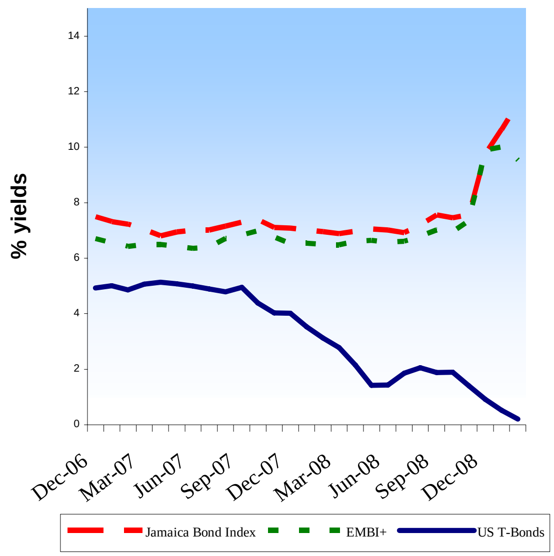
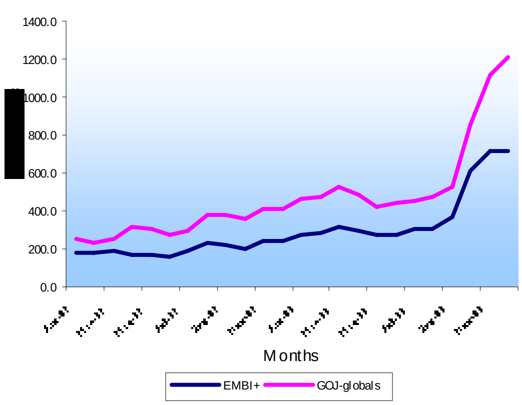


Figure 3.5
Bond Spreads
(Bond yields minus U.S. 10-year T-bonds)



particularly in the context of falling export earnings and the withdrawal of credit lines from these countries. Consistent with this trend, average yields on Government of Jamaica (GOJ) global bonds increased by 4.92 percentage points to 13.64 per cent during the quarter (see **Figure 3.4**). These movements resulted in a widening of the spread between GOJ global bonds and U.S. long-term Treasury bonds by 5.75 percentage points to 10.80 percentage points (see **Figure 3.5**).

Foreign Exchange Market

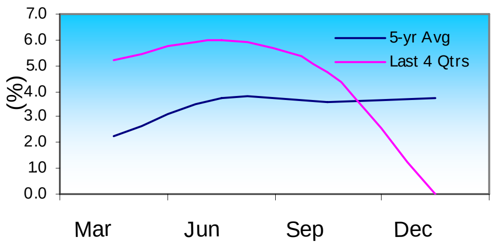
With the exception of the Japanese Yen, the U.S. dollar strengthened against selected currencies during the review period. Relative to the September 2008 quarter, the U.S. dollar recorded respective appreciations of 17.0 per cent, 14.0 per cent and 12.3 per cent against the Pound Sterling, Canadian dollar and the Euro. The strengthening of the U.S. dollar in the December 2008 quarter against these currencies largely reflected investor's views that the economic slowdown in the U.S had extended to other economies. The U.S. dollar weakened against the Japanese Yen by 12.2 per cent, reflecting the unwinding of carry trade positions.[16]

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

4. Inflation

Figure 4.1

Quarterly Inflation Rate

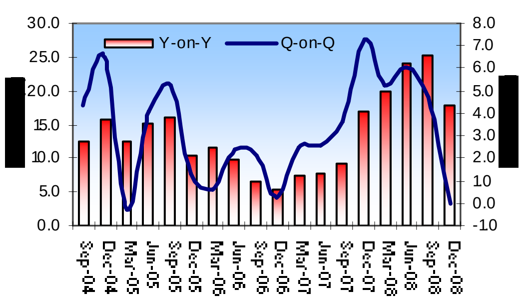


Headline inflation was 0.0 per cent in the December 2008 quarter as against 4.7 per cent in the preceding quarter. This outturn was well below the expectation of the 1.8 per cent projected at the end of the previous quarter and lower than the average of the previous five December quarters. The lower inflation rate relative to the September quarter was influenced primarily by reversals in international commodity prices and moderation in the prices of some domestic agricultural produce. These movements countered the negative impact of the pass-through of exchange rate depreciation from the preceding quarter.

Figure 4.2

Inflation

(12 Month Pt-to-Pt & Quarterly Rates)



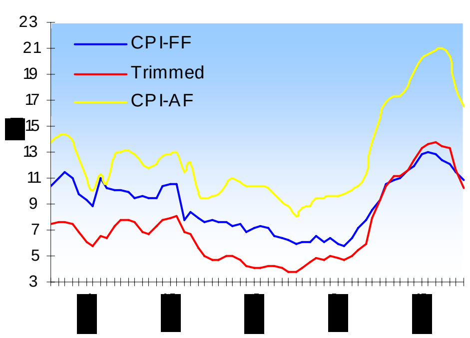
Trends in Price Indices

The All Jamaica Consumer Price Index (CPI) was unchanged at the end of the December 2008 quarter relative to the index at the end of the September quarter. Prices on average rose 0.3 per cent in October, fell by 0.3 per cent in November and then remained flat in December. The outturn for the quarter was below the average of 3.7 per cent for the previous five December quarters (see **Figure 4.1**) and 4.7 percentage points below the outturn for the previous quarter. For the fiscal year-to-December, inflation was 11.0 per cent, 2.8 percentage points below the corresponding measure in FY2007/08.

Inflation for calendar year 2008 was 16.8 per cent, similar to the outturn for 2007. *Food & Non-Alcoholic Beverages*, *Transport* and *Miscellaneous Goods & Services* recorded inflation of 24.1 per cent, 9.6 per cent and 17.7 per cent, respectively. These divisions accounted for 70.3 per cent of the annual outturn. Inflationary impulses largely reflected increases in international commodity prices early in the year and sharp exchange rate depreciation towards the end of the year.

Figure 4.3

Selected Measures of Inflation (Annual)



Underlying Inflation

Core inflation fell in the review quarter as a result of tighter monetary policy since the December 2007 quarter. Underlying or core inflation, as indicated by the trimmed mean measure, was 1.1 per cent for the quarter relative to 2.0 per cent in the September quarter. The CPI excluding food and fuel increased by 1.1 per cent relative to an increase of 2.3 per cent in the previous quarter. Similar moderation occurred with the CPI excluding agriculture and the direct impact of fuel (CPI-AF), which increased by 2.0

Figure 4.4

Food & Non-Food Inflation (Quarterly)

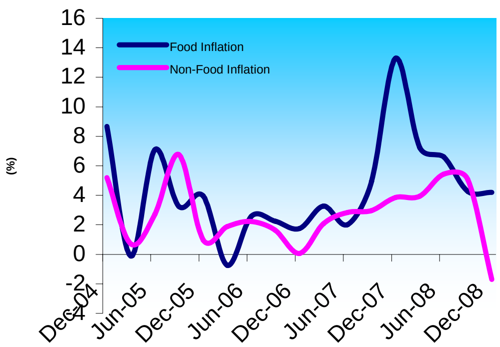
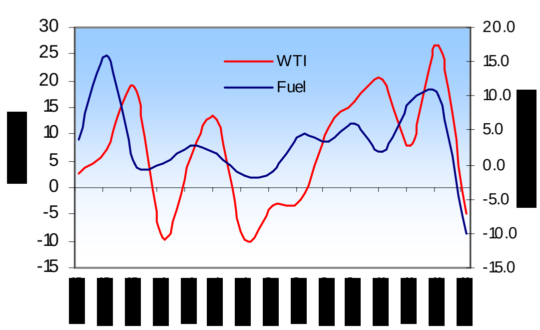


Figure 4.5

Quarterly Chg. in Fuel Index & Lagged WTI



per cent compared to an increase of 3.3 per cent in the previous quarter.

Main Inflationary Factors

The moderation in inflation in the review quarter was due mainly to lagged pass-through of reversals in international grain and energy prices and moderation in the prices of domestic tubers and starchy foods. The impact of international crude oil prices, which have tumbled from a high of US$147.0 in July to below US$40.0 per barrel in December, was highlighted in the sharp downturn in Non-Food Inflation in the quarter (**Figure 4.4**). Nonetheless, important upward inflationary impulses emanated from excess demand for vegetables such as escallion, tomato and cabbage. In addition, the impact of a 1.1 per cent depreciation in the exchange rate of the Jamaica Dollar vis-à-vis the United States dollar in the September quarter partially offset the favourable contribution of imported prices to domestic prices.

Imported Inflation

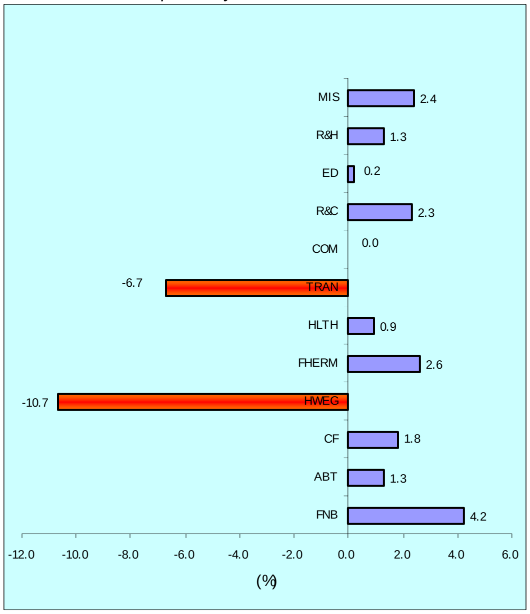
The prices of all major international commodities fell for a consecutive quarter largely as a result of a slowdown in global demand and the strengthening of the US dollar against most of the other major currencies (see **International Economic Developments**). The declines were led by international crude oil prices which fell by 69.1 per cent over the last two quarters. Over the same period, the prices of wheat, corn, soybean and rice fell by an average of 38.0 per cent. Inflation in the December quarter principally reflected the impact of the September quarter's import prices which on average decreased by 12.5 per cent as reflected in the Import Price Index (IPI). The movement in the IPI in the September quarter was driven primarily by a 22.4 per cent decrease in the price of the benchmark West Texas Intermediate crude oil and a 7.6 per cent decline in capital goods (transport and equipment).

Energy Prices

Energy-related inflation, as measured by changes in the Bank's Fuel Index, contracted by 10.1 per cent in the review quarter following a 10.0 per cent increase in the previous quarter (see **Figure 4.5**). Earlier reductions in international crude oil prices led to a decline of approximately 30.0 per cent in the price of automotive fuels and similar steep declines in household energy and fuel costs. As a consequence of the declines in the cost of petrol, *Transport* decreased by 6.7 per cent

Figure 4.6

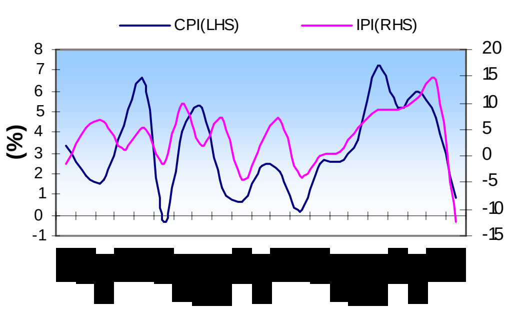
Inflation by Division



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

Figure 4.7

Lagged Import Price Index (IPI) and Inflation



offsetting a significant portion of the inflation in the other divisions (see **Figure 4.6**). Similarly, *Housing, Water, Electricity, Gas & Other Fuels* declined by 10.7 per cent for the quarter. This was primarily associated with sharp downward movements in electricity rates and the cost of household fuel. Residential electricity rates declined by 21.8 per cent during the review quarter. The decline was as a result of a 34.5 per cent contraction in fuel charges, which was partially offset by depreciation of 7.9 per cent in the billing exchange rate. The prices of household fuels such as kerosene and LPG declined by approximately 45.0 per cent during the quarter.

Other Factors

Despite prices of imported agricultural commodities falling for a second consecutive quarter, increases were reflected in the prices of by-products. This was largely due to higher operational costs of distributors and retailers as well as the adverse movement in the domestic exchange rate. As a result, upward impulses were evident in the prices of meat, fish, cereals and rice. Largely on the basis of these developments, *Meat, Bread & Cereals* and *Fish & Seafood* increased by 3.4 per cent, 1.9 per cent and 4.1 per cent, respectively, collectively contributing significant impetus to the quarter's inflation.

Domestic Agricultural Market Conditions

Production of key agricultural commodities was above seasonal levels for the December quarter but was insufficient to meet demand. This was in a context where demand by exporters strengthened, reinforced by slippage in the exchange rate, which increased Jamaica Dollar margins and profit opportunities on these exports[17]. As a result, *Vegetables & Starchy Foods* increased by 10.2 per cent. However, there was some offset from the Fruit index which declined by 1.3 per cent in the quarter. In conjunction with the upward price impulses from the by-products of international agricultural commodities, these factors were largely responsible for the 4.2 per cent increase in the *Food & Non-Alcoholic Beverages* division.

[17] Available balance of payments data to July indicate that exports of yams and sweet potatoes for the year to July increased by 87.0 per cent and 4.7 per cent, respectively, relative to the January to July 2007 period.

Figure 4.8

Durables and Services Inflation

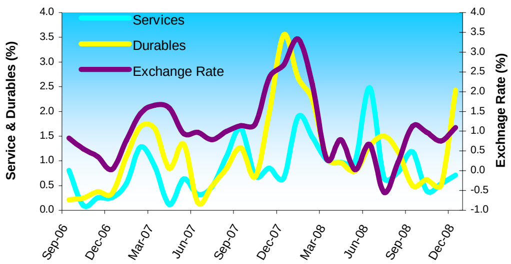
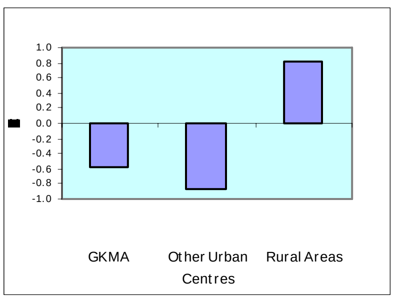


Figure 4.9

Geographical Distribution of Inflation



Exchange Rate Pass-through

In the September quarter, the weighted average selling rate of the Jamaica Dollar vis-à-vis the US dollar depreciated by 1.08 per cent following a 1.11 per cent slippage in the June quarter. The cumulative depreciation influenced expansion in durables and services inflation in the December quarter relative to the September quarter and also affected some food prices (see **Figure 4.8**). The impact of exchange rate pass-through was mainly observed in *Furnishings*, *Household Equipment & Routine Household Maintenance* and *Miscellaneous Goods & Services* (see **Figure 4.6**).

Regional Inflation

The indices of the Greater Kingston Metropolitan Area (GKMA) and Other Urban Centres (OUC) declined by 0.6 per cent and 0.9 per cent, respectively, while the index for the Rural Areas rose by 0.8 per cent (**Figure 4.9**). This incongruent outturn primarily reflected sharper increases in *Food & Non-Alcoholic Beverages* and slower declines in *Transport* in the Rural Areas. In *Food & Non-Alcoholic Beverages*, prices increased by 5.8 per cent in the Rural Areas and 3.1 per cent and 2.2 per cent in the GKMA and OUC, respectively. This primarily resulted from the sharpest increase in vegetables prices along with the only expansion in fruit prices occurring in the Rural Areas. Within *Transport*, prices fell by 9.2 per cent and 6.7 per cent in the GKMA and OUC, respectively, but fell by 5.2 per cent in the Rural Areas. This disparity mainly reflected sharper declines in automotive fuel prices in the Kingston Metropolitan and urban areas.

5. Economic Outlook and Monetary Policy Perspectives

The uncertainty in the global financial markets and the slowdown in the world economy will continue to adversely affect domestic economic activity in the March 2009 quarter. There are emerging supply conditions that could provide some upward movement in some commodity prices, particularly grains. However, given the fall in global demand, no significant price reversal in global commodity prices is anticipated, at least in the short-term.

In the context of a fall in global demand, economic activity is expected to remain weak in the March quarter with the risks being biased to the downside. An expected decline in selected tradable sectors, in particular Mining and Tourism, is underpinned by slowing demand in the world economy. While domestic agriculture is anticipated to record continued recovery, the rest of the non-tradable sector should reflect weak growth.

Domestic inflation for the March 2009 quarter is forecasted to be in the range of 1.5 per cent to 2.5 per cent, an increase over the previous quarter. This projection is underpinned by the impact of recent depreciation in the exchange rate and the renewal of annual contracts for various services. However, countervailing impulses are expected from a moderation in domestic agriculture prices, the lagged effects of declining global commodity prices and a general reduction in demand.

The instability in the domestic financial market continues to be the major concern of monetary policy. While this instability persists the Bank will maintain a conservative monetary policy stance.

Table 5.1

Jamaica: Selected Economic Indicators

	Projections for Mar'09 Quarter	*Revised Target for FY08/09*	*Revised Projections for FY08/09*
Inflation (% change)	1.5 – 2.5	11.5 – 14.5	12.5 – 14.0
Base Money (% change)	-0.3	13.6	21.1
NIR (End Period) (US$MN)	1600 - 1700	1750.0	1600 - 1700
GDP (12-mth % chg.)	-1.4 to -2.3	1.5 – 2.5	-2.0 to 0.0

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

Outlook - March 2009 Quarter

Inflation

Inflation in the March 2009 quarter to be higher than the December 2008 quarter.

Inflation is projected to be in the range 1.5 per cent to 2.5 per cent for the March 2009 quarter. The main inflationary impulses during the March 2009 quarter are expected to emanate from imported inflation and annual adjustments due to increased fees and renewal of contracts. However, countervailing impulses are expected from increased domestic agricultural output and weaker demand in both the local and foreign economies. The decline in the annual point-to-point inflation rate will continue during the quarter (see **Figure 5.1**).

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

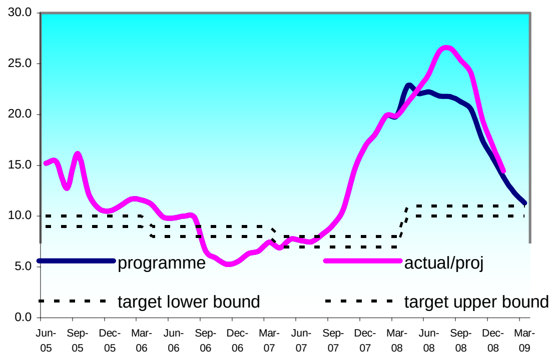
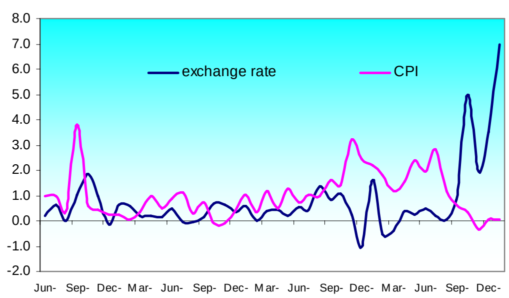


Figure 5.2
Trends in Changes in Exchange Rate and Headline Inflation



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

Imported Inflation

Imported inflation in the March 2009 quarter is expected to increase relative to the previous quarter due primarily to the sharp depreciation in the exchange rate since October 2008 (see **Foreign Exchange Market**). However, the overall decline in demand in the economy should mitigate the effect of any adjustment in prices arising from the pass-through of imported prices which may be due to the recent depreciation in the exchange rate.

While the prices of some imports, particularly grains, are expected to rise in the quarter due to adverse supply conditions, their effect on inflation should not be significant. This is due to the lagged impact of declines over the past two quarters. Despite political tensions in the Middle East and Russia, a colder than anticipated winter and plans by OPEC to cut production, average crude oil prices are expected to decline in the March 2009 quarter relative to the December quarter albeit at a much reduced pace.

Domestic Demand/Supply Conditions

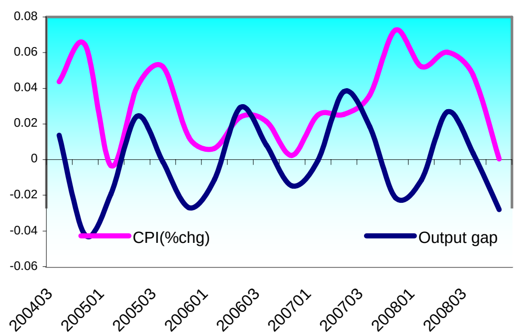
Against the background of the uncertainty pervading the global economy, domestic demand conditions are expected to remain weak. This is underpinned by tight credit conditions, expected job losses and a decline in remittance flows. Additionally, the spike in the inflation rate in 2008, though moderating, would also have lessened the purchasing power of consumers. In response, it is anticipated that retailers could offer discounts to lower their inventories given reports of less than robust sales. In this context, capacity pressures should remain benign or decline which should result in a downward impetus on prices in the quarter.

It is further anticipated that during the March 2009 quarter there will be a seasonal increase in domestic agricultural supplies over the previous quarter, particularly for vegetables. This will lead to a moderation in inflationary impulses.

Seasonal Price Adjustments

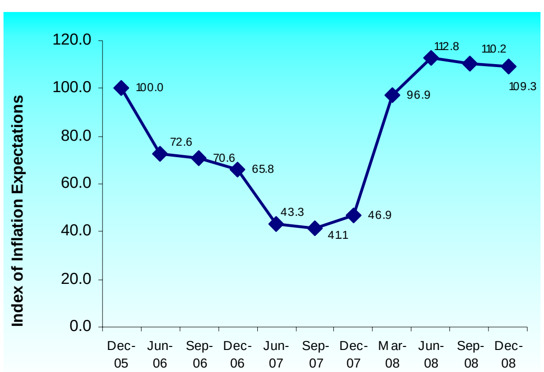
Inflation in the March 2009 quarter will be affected by seasonal upward adjustments in prices for contract services. Traditionally, the beginning of the calendar year is associated with price adjustments related to contract renewals such as rent, insurance, club fees and other costs. Additional impulses are expected to arise from adjustments to admissions to cinemas and other recreation services.

Figure 5.3
Trends in Domestic Headline Inflation and the Output Gap



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

Figure 5.4
Index of Inflation Expectations



Inflation Expectations

The Bank's Inflation Expectations Survey conducted in the December 2008 quarter indicated an improvement in the inflation outlook relative to the previous quarter (see **Figure 5.4**). This result continued the improvement in the outlook which started in the September quarter and reflects the reversal of the upward trend in international commodity prices. However, the marginal improvement in the inflation outlook suggests that the respondents may be incorporating the challenges and the uncertainty arising from the global financial crisis. The downward trend in business owners' view of present and future business conditions also supports this cautious outlook (see **Figures 5.5 and 5.6**).

Output

Economic activity in the March 2009 quarter is expected to remain weak as the slowdown in the global economy becomes more protracted. The value added for the tradable sectors is projected to decline marginally, while that for non-tradable sectors should remain flat. The projections for the tradables sector is driven by an expectation of further contractions in *Hotels & Restaurants* and *Transport, Storage & Communication*, as well as a decline in *Mining*. Within non-tradables, the recovery in domestic agriculture which began in the December 2008 quarter is expected to continue in the March 2009 quarter. Similarly, growth in the *Finance & Insurance Services* and *Electricity & Water* should continue albeit at a more moderate pace. The impact of the performance in these sectors on non-tradable output will be moderated by decline in *Construction* and a weak *Distributive Trade*.

Outlook - FY2008/09

Headline inflation is projected to be in the range 12.5 per cent to 14.0 per cent for the FY2008/09, similar to the previous projection. Growth forecasts for the fiscal year were revised downward to the range of -2.0 to 0.0 per cent from -0.1 to 0.5 per cent. The revision in the outlook is influenced by the protracted global slowdown.

Risks

The risks to the inflation forecast are balanced (see **Figure 5.7**). Downside risks to inflation include greater than expected domestic

Figure 5.5
Index of Present Business Conditions

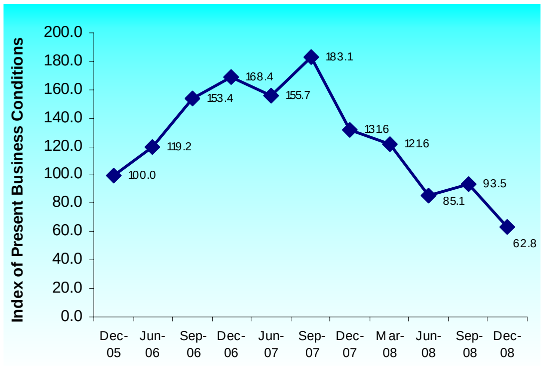


Figure 5.6
Index of Future Business Conditions

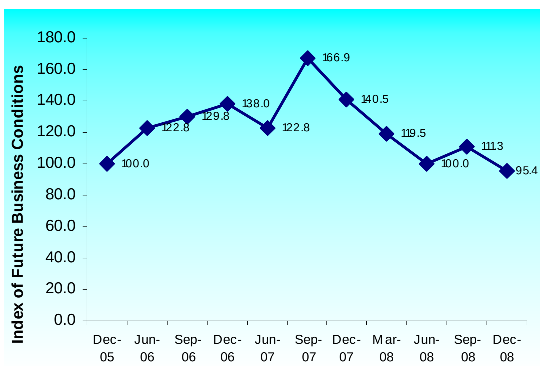
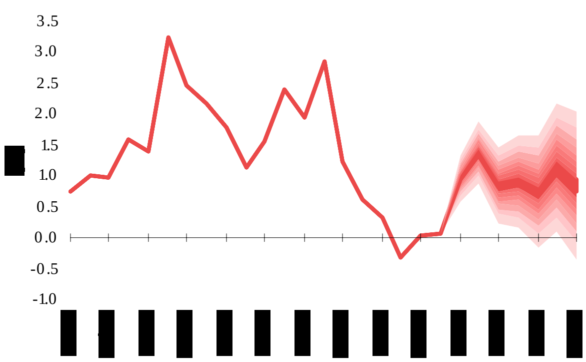


Figure 5.7
Monthly Inflation Forecasts



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

agricultural supplies and weaker consumer demand. The most significant upside risk relates to the continued excessive demand for foreign exchange. Additionally, there is the risk of a sustained reversal in the downward trajectory in oil prices and other commodity prices. The risk to economic growth is skewed to the downside given the weak global demand and the attendant uncertainty.

Monetary Policy

Against the background of a deepening global economic crisis, the maintenance of relative stability in the domestic financial markets, in particular the foreign exchange market will be the main challenge for the Central Bank in the March 2009 quarter. While the instability in the markets persists, the Bank will maintain a tight monetary policy stance so as to moderate the adjustments in the exchange rate and limit the pass-through to inflation. Against this background the Bank has targeted a decline of 0.3 per cent in the monetary base relative to the 21.5 per cent increase in the December 2008 quarter. Concurrently, the Central Bank will continue to provide support for the foreign exchange market (see **Monetary Policy**).

Appendices

A. Fiscal Developments: Provisional October to December 2008

Provisional data for the December 2008 quarter indicate that Central Government operations resulted in a deficit of $32.8 billion or 2.9 per cent of GDP, relative to a budgeted deficit of $18.9 billion or 1.7 per cent of GDP[18]. The higher than targeted deficit reflected a shortfall in *Revenue & Grants*, as well as higher than budgeted *Expenditure*. The primary surplus was 0.3 per cent of GDP, considerably lower than the target of 1.5 per cent of GDP, largely reflecting the deviation in *Revenue & Grants*. Concurrently, the current deficit was 2.5 per cent of GDP, higher than the 0.8 per cent of GDP implicit in the budget (see **Table**).

Revenue & Grants for the review period were 15.5 per cent below target, due mainly to lower than budgeted Tax Revenue inflows and a delay in Grant receipts. The deviation in Tax Revenue largely reflected shortfalls in SCT and GCT receipts of 37.9 per cent and 21.4 per cent, respectively. Additionally, revenue from Bauxite Levy was lower than budgeted, reflecting a fall in demand for bauxite, as well as lower than expected prices on the world market.

Expenditure for the December quarter was 2.3 per cent above budget. The deviation reflected higher than expected Recurrent Expenditure consequent on higher than anticipated Wages & Salaries. The higher than budgeted payment reflected the realignment of teachers' salaries closer to market rates. The deviation in Recurrent Expenditure was partly offset by a lower than budgeted Capital Expenditure, due to continued delays in the implementation of projects.

For the fiscal year to December 2008, the Government incurred a $58.3 billion deficit or 5.2 per cent of GDP, compared to the budgeted deficit of $47.7 billion or 4.3 per cent of GDP. The outturn reflected a shortfall in *Revenue & Grants*, partly offset by lower than budgeted *Expenditure*. In particular, Tax Revenue and Bauxite Levy were lower than budgeted, partly reflecting weakness in economic activities. The shortfall in *Grants* largely reflected timing delays during the third quarter. Capital Expenditure was 36.0 per cent below budget, while Recurrent Expenditure exceeded budget by 2.3 per cent reflecting greater than targeted Wages & Salaries as well as above budget Interest. Of note, the deviation in interest cost partly reflected unanticipated payments on behalf of some public sector enterprises as well as the greater than anticipated depreciation in the exchange rate.

During the April to December period, the Government utilized higher than targeted domestic financing through the issue of securities. For the period, 26 instruments were issued, of which 14 (54.3 per cent) were variable rate instruments while 4 (17.9 per cent) were US dollar-linked instruments. The weighted average age of the issues for the period was 2.9 years, relative to 4.9 years for the corresponding period in fiscal year 2007/08. Foreign financing for the period largely reflected the issue of a US$350.0 million Eurobond in June 2008.

[18] The size and composition of GDP were revised in 2008 and the base year used in its calculation was changed from1996 to 2003.

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

	FY 2008/09 Q3	Budget Q3	Variance	%	FY 2008/09 Q1- Q3	Budget Q1- Q3	Variance	%
Revenue & Grants	63957.4	75649.2	-11691.8	-15.5	195592.2	212495.2	-16903.0	-8.0
Revenue	63481.5	73925.4	-10443.9	-14.1	192750.0	208353.9	-15603.8	-7.5
Tax Revenue	58481.0	66951.8	-8470.8	-12.7	175900.9	188694.6	-12793.7	-6.8
Non-Tax Revenue	3373.3	4224.4	-851.1	-20.1	11984.5	11700.0	284.4	2.4
Bauxite Levy	1432.8	2252.3	-819.4	-36.4	4150.4	6362.9	-2212.5	-34.8
Capital Revenue	194.4	497.0	-302.6	-60.9	714.3	1596.4	-882.1	-55.3
Grants	475.8	1723.8	-1609.2	-72.4	2842.1	4141.3	-1299.2	-31.4
Expenditure	96788.9	94571.6	2217.3	2.3	253894.6	260204.6	-6310.1	-2.4
Recurrent Expenditure*	91349.7	82305.7	9044.0	11.0	233125.4	227776.9	5348.4	2.3
Programmes	20850.8	18858.3	1992.5	10.6	54563.8	56220.5	-1656.7	-2.9
Wages & Salaries	34082.9	27633.2	6449.7	23.3	82968.3	77655.0	5313.4	6.8
Interest	36416.0	35814.2	601.8	1.7	95593.2	93901.4	1691.8	1.8
Domestic	25161.9	25495.1	-333.3	-1.3	67697.7	67199.1	498.6	0.7
Foreign	11254.1	10319.1	935.0	9.1	27895.4	26702.3	1193.1	4.5
Capital Expenditure	5439.3	12265.9	-6826.7	-55.7	20769.2	32427.7	-11658.5	-36.0
Fiscal Balance	-32831.6	-18922.4	-13909.2	73.5	-58302.4	-47709.5	-10593.0	22.2
Current Balance	-28062.5	-8877.3	-19185.3	216.1	-41089.6	-21019.4	-20070.2	95.5
Primary balance	3584.4	16891.8	-13307.4	-78.8	37290.8	46192.0	-8901.2	-19.3
	In Percent of GDP**							
BR	2.9	1.7			5.2	4.3		
CB	-2.5	-0.8			-3.7	-1.9		
PB	0.3	1.5			3.3	4.1		
IP	3.3	3.2			8.5	8.4		
FSR	-1.5	-1.3			-1.3	-1.2		
NIE	5.4	5.3			14.2	14.9		

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

International Benchmarks

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

** Recurrent Expenditure includes programmes, wages and salaries and interest payments.*
***Projected Nominal GDP for fiscal year 2008/09 is $1118 622.5 million.*

B. MONETARY POLICY DEVELOPMENTS

27/04/2000	30-day Reverse Repurchase Rate was reduced from 17.30 per cent to 17.00 per cent.
01/06/2000	Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty-three per cent (33%) to thirty-two per cent (32%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from fifteen per cent (15%) to fourteen per cent (14%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and thirty-two per cent (5% and 32%) for Building Societies.
	The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and fourteen per cent (1% and 14%) in respect of local and foreign currency deposits.
28/07/2000	30-day Reverse Repurchase Rate was reduced from 17.00 per cent to 16.75 per cent.
11/08/2000	30-day Reverse Repurchase Rate was reduced from 16.75 per cent to 16.45 per cent.
01/09/2000	Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty-two per cent (32%) to thirty-one per cent (31%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from fourteen per cent (14%) to thirteen per cent (13%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and thirty-one per cent (5% and 31%) for Building Societies.
	The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and thirteen per cent (1% and 13%) in respect of local and foreign currency deposits.
18/09/00	Bank of Jamaica introduces 270-day and 365-day reverse repurchase instruments at 17.6 and 18.0 per cent respectively.
04/10/00	Interest rates on the 270-day and 365-day instruments were increased to 20.0 and 22.0 per cent respectively.
23/10/00	Interest rates on the 270-day and 365-day instruments were reduced to 17.6 and 18.0 per cent respectively.
24/11/00	Interest rates on the 270-day and 365-day instruments were increased to 20.0 and 22.0 per cent respectively.
28/12/00	Interest rate on the 365-day instrument was reduced to 21 per cent.
14/02/01	Interest rates on the 365-day and 270-day instruments were reduced to 20.00 per cent and 19.25 per cent respectively.
20/02/01	Interest rates on the 365-day and 270-day instruments were reduced to 19.50 per cent, and 18.75 per cent respectively.
01/03/01	Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty-one per cent (31%) to thirty per cent (30%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirteen per cent (13%) to twelve per cent (12%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and thirty per cent (5% and 30%) for Building Societies.
	The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and twelve per cent (1% and 12%) in respect of local and foreign currency deposits.
08/03/01	Interest rates on the 365-day, 270-day instruments were reduced to 19.00 per cent, 18.25 per cent per cent respectively.
12/03/01	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 18.50 per cent, 17.75 per cent, 16.70 percent, 16.40 per cent, 16.25 per cent, 16.15 per cent and 16.00 per cent respectively.

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

14/02/02	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 15.80 per cent, 15.00 per cent, 14.40 per cent, 14.05 per cent, 13.95 per cent, 13.85 per cent and 13.95 per cent, respectively.
01/03/02	Liquid assets ratio of commercial banks and FIA institutions in respect of local and foreign currency liabilities were reduced from twenty eight per cent (28%) to twenty seven per cent (27%).
	Cash reserve ratio of commercial banks and FIA institutions in respect of local and foreign currency liabilities reduced from ten per cent (10%) to nine per cent (9%).
11/03/02	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced from 13.75 per cent, 13.85 per cent, 13.95 per cent, 14.05 per cent, 14.40 per cent, 15.00 per cent and 15.80 per cent to 13.25 per cent, 13.35 per cent, 13.45 per cent, 13.55 per cent, 13.80 per cent, 14.20 per cent, and 15.00 per cent, respectively.
11/07/02	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day, and 365-day open market instruments were reduced from 13.25 per cent, 13.35 per cent, 13.45 per cent, 13.55 per cent, 13.80 per cent, 14.20 per cent, and 15.00 per cent to 12.95 per cent, 13.05 per cent, 13.15 per cent, 13.25 per cent, 13.45 per cent, 14.00 per cent, and 14.90 per cent, respectively.
01/09/02	Liquid Assets ratio of commercial banks, FIA institutions and of building societies, in respect of local and foreign currency liabilities was reduced from twenty seven percent (27%) to twenty three percent (23%).
07/08/02	Interest rates on Bank of Jamaica 270-day and 365-day open market instruments were reduced from 14.00 per cent to 13.85 per cent and from 14.90 per cent to 14.50 per cent, respectively.
09/09/02	Interest rates on Bank of Jamaica 90-day and 120-day open market instruments were increased from 13.15 per cent to 17.25 per cent and from 13.25 per cent to 17.05 per cent, respectively.
09/10/02	Interest rates on Bank of Jamaica 90-day and 120-day open market instruments were increased from 17.25 per cent to 19.25 per cent and from 17.05 per cent to 19.40 per cent, respectively.
28/10/02	Interest rates on Bank of Jamaica 90-day and 120-day open market instruments were reduced from 19.25 per cent to 18.25 per cent and from 19.40 per cent to 18.40 per cent, respectively.
01/11/02	The interest rate chargeable in respect of breaches by commercial banks, of the cash reserve and liquid assets ratios in respect of Jamaica Dollar liabilities, was reduced from 69 per cent per annum to 45 per cent per annum.
	The interest rate chargeable in respect of breaches by building societies and institutions licensed under the Financial Institutions Act, of the cash reserve and liquid assets ratios in respect of Jamaica Dollar liabilities, was adjusted from one-sixth of one per centum per day to 45 per cent per annum.
10/01/03	The Bank of Jamaica instituted a "Special Deposit" requirement for Commercial Banks and institutions licensed under the Financial Institutions Act. Each institution will be required to place cash deposits with the Central Bank equivalent to 5% of its Jamaican Dollar prescribed liabilities.
10/02/03	The Bank of Jamaica introduced a special five-month open market instrument which earned interest at 30% per annum. This instrument was introduced in a context of significant Jamaica dollar liquidity and protracted instability in the foreign exchange market.
14/02/03	The Bank of Jamaica withdrew the special five- month open market instrument which was introduced on 10 February 2003. The decision to remove this instrument came against the background of tight Jamaica dollar liquidity and the appreciation in the exchange rate over the previous four days. The removal was also in response to representations made to the Bank of Jamaica by financial institutions and understandings reached with respect to the development of foreign exchange market protocols.
19/03/03	Interest rates on Bank of Jamaica's 180-day, 270-day and 365-day open market instruments were increased to 19.65 per cent, 21.50 per cent and 24.0 per cent, respectively.

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

02/04/04 Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.60 per cent, 14.70 per cent, 14.80 per cent, 15.10 per cent, 15.60 per cent, 16.50 per cent and 17.40 per cent, respectively.

19/04/04 Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.40 per cent, 14.50 per cent, 14.60 per cent, 14.85 per cent, 15.30 per cent, 16.00 per cent and 16.90 per cent, respectively.

05/05/04 Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.20 per cent, 14.30 per cent, 14.40 per cent, 14.55 per cent, 15.05 per cent, 15.65 per cent and 16.40 per cent, respectively.

03/09/04 Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.00 per cent, 14.10 per cent, 14.20 per cent, 14.35 per cent, 14.80 per cent, 15.35 per cent and 16.00 per cent, respectively.

28/12/04 Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 13.80 per cent, 13.95 per cent, 14.05 per cent, 14.15 per cent, 14.30 per cent, 15.00 per cent and 15.50 per cent, respectively.

07/02/05 Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 13.50 per cent, 13.65 per cent, 13.75 per cent, 13.85 per cent, 14.00 per cent, 14.50 per cent and 15.00 per cent, respectively.

07/02/05 The Bank of Jamaica reduced the Special Deposit holdings for commercial banks and FIA licensees by two (2) percentage points. Accordingly, these institutions, until further notified, are required to maintain with the Bank of Jamaica as a Special Deposit, an amount wholly in the form of cash, representing three (3) percent of their prescribed liabilities.

07/03/05 Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 12.95 per cent, 13.10 per cent, 13.20 per cent, 13.30 per cent, 13.45 per cent, 14.00 per cent and 14.50 per cent, respectively.

These rate adjustments were underpinned by continued stability in the exchange rate, reflecting buoyant foreign exchange inflows from tourism and remittances. Also, the Bank's net international reserves remained around US$1.8 billion, a level that was more than adequate to underwrite near term stability. In addition, inflation in the first quarter of 2005 was expected to continue on a downward trend engendering a return to single digit inflation in the forthcoming fiscal year.

16/05/05 The Bank of Jamaica reduced the Special Deposit holdings for commercial banks and FIA licensees by two (2) percentage points. Accordingly, these institutions, until further notified, are required to maintain with the Bank of Jamaica as a Special Deposit, an amount wholly in the form of cash, representing one (1) percent of their prescribed liabilities.

26/05/05 Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 12.60 per cent, 12.70 per cent, 12.75 per cent, 12.85 per cent, 13.00 per cent, 13.25 per cent and 13.60 per cent, respectively.

The adjustments were consistent with the steady improvement in Jamaica's economic environment as reflected in buoyant foreign exchange inflows, stability in the money and foreign exchange markets and a strong international reserve position. Furthermore, the near-term prospects for production and prices continued to be very favourable with strong recovery expected in domestic agriculture as well as ongoing expansion in tourism and mining activities. In addition, it was expected that the normalization of food supplies and continued stability in the foreign exchange market would help to contain inflation during the 2005/2006 fiscal year.

27/05/05 The Bank phased out its reverse repurchase agreements. This facilitated consistency in the accounting treatment (under International Financial Reporting Standards) of open market instruments by holders.

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

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

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

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

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

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

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

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

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

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

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

The rates applicable to all other BOJ instruments remained unchanged.

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

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

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

26/06/08 Interest rates paid on Bank of Jamaica open market operations instruments were adjusted as follows:

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

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

01/09/08 Bank of Jamaica offered a special 18-month, variable rate certificate of deposit (CD) to banks and primary dealers. The CD attracted a rate of 14.58 per cent for the first 3 months. Thereafter, quarterly interest payments at the 90-day weighted average Treasury Bill rate applicable at the beginning of each interest period plus a margin of 1.25 percentage points apply.

The rates applicable to all other BOJ instruments remained unchanged.

17/10/08 Interest rates payable on Bank of Jamaica Certificates of Deposit were adjusted as follows:

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

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

18/11/08 In an effort to remove liquidity overhang arising from the maturity of both BOJ and GOJ securities, and preserve order in financial markets, the Bank of Jamaica implemented the following measures:

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

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

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

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

01/12/08 Interest rates payable on Bank of Jamaica Certificates of Deposit were adjusted as follows:

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

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

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

LIST OF SUMMARY TABLES

C. Summary Tables

1

INFLATION RATES (%)	CPI Index (e.o.p)	Head-line (Quarter)	Core (Quarter)
2001/2002			
June	58.3	3.0	0.1
September	59.9	2.7	1.5
December	60.6	1.1	0.5
March	61.0	0.6	0.4
2002/2003			
June	62.0	1.6	0.7
September	63.4	2.3	0.7
December	65.0	2.5	0.9
March	64.7	-0.4	1.0
2003/2004			
June	68.5	5.9	2.5
September	71.5	4.4	2.0
December	73.9	3.4	1.4
March	75.4	2.0	1.6
2004/2005			
June	76.8	1.9	1.1
September	79.0	2.9	2.3
December	84.1	6.4	2.6
March	85.3	1.5	0.7
2005/2006			
June	90.0	5.5	2.1
September	93.8	4.2	1.2
December	94.6	0.9	0.6
March	94.9	0.2	0.9
2006/2007			
June	97.6	2.9	1.3
September	99.9	2.4	1.4
December	100.0	0.1	0.2
March	102.5	2.5	1.9
2007/2008			
June	105.1	2.5	1.3
September	108.9	3.6	1.9
December	116.8	7.3	4.0
March	122.9	5.2	3.5
2008/2009			
June	130.3	6.0	3.4
September	136.5	4.7	2.0
December	136.5	0.0	1.1

2A

COMPONENT CONTRIBUTION TO INFLATION All Jamaica October – December 2008			
Divisions, Classes and Groups	Weight in CPI	Inflation (%)	Weighted Inflation
FOOD & NON-ALCOHOLIC BEVERAGES	**0.3746**	4.2	1.58
Food	**0.3512**	4.4	1.54
- Bread and Cereals	0.0610	1.9	0.12
- Meat	0.0766	3.4	0.26
- Fish and Seafood	0.0533	4.1	0.22
- Milk, Cheese and Eggs	0.0311	1.5	0.05
- Oils and Fats	0.0164	5.2	0.09
- Fruit	0.0114	-1.3	-0.02
- Vegetables and Starchy Foods	0.0686	10.2	0.70
- Sugar, Jam, Honey, Chocolate and Confectionery	0.0172	2.1	0.04
- Food Products n.e.c.	0.0155	3.7	0.06
Non-Alcoholic Beverages	**0.0235**	1.3	0.03
- Coffee, Tea and Cocoa	0.0066	1.4	0.01
- Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	0.0169	1.2	0.02
ALCOHOLIC BEVERAGES AND TOBACCO	**0.0138**	1.3	0.02
CLOTHING AND FOOTWEAR	**0.0333**	1.8	0.06
Clothing	**0.0212**	1.0	0.02
Footwear	**0.0122**	3.1	0.04
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	**0.1276**	-10.7	-1.36
Rentals for Housing	**0.0301**	0.5	0.02
Maintenance and Repair of Dwelling	**0.0080**	1.7	0.01
Water Supply and Miscellaneous Services Related to the Dwelling	**0.0132**	-5.2	-0.07
Electricity, Gas and Other Fuels	**0.0712**	-17.3	-1.23
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	0.0493	2.6	0.13
Furniture and Furnishings	**0.0069**	1.3	0.01
Household Textiles	0.0032	2.2	0.01
Household Appliances	0.0056	1.5	0.01
Glassware, Tableware and Household Utensils	**0.0005**	1.7	0.00
Tools and Equipment for House and Garden	**0.0015**	1.8	0.00
Goods and Services for Routine Household Maintenance	**0.0316**	3.2	0.10
HEALTH	**0.0329**	0.9	0.03
Medical Products, Appliances and Equipment	0.0122	1.5	0.02
Health Services	0.0207	0.6	0.01
TRANSPORT	**0.1282**	-6.7	-0.86
COMMUNICATION	**0.0399**	0.0	0.00
RECREATION AND CULTURE	**0.0336**	2.3	0.08
EDUCATION	**0.0214**	0.2	0.00
RESTAURANTS & ACCOMMODATION SERVICES	**0.0619**	1.3	0.08
MISCELLANEOUS GOODS AND SERVICES	**0.0837**	2.4	0.20
ALL DIVISIONS	**1.0000**	0.0	0.0

2B

REGIONAL INFLATION
October – December 2008

Divisions, Classes and Groups	GKMA	Other Urban Centres	Rural Areas
FOOD & NON-ALCOHOLIC BEVERAGES	3.1	2.2	5.8
Food	3.1	2.4	6.0
- Bread and Cereals	2.2	1.6	2.0
- Meat	3.0	1.6	4.3
- Fish and Seafood	2.8	2.7	5.4
- Milk, Cheese and Eggs	1.5	0.8	1.8
- Oils and Fats	5.1	2.6	6.4
- Fruit	-1.9	-2.6	0.8
- Vegetables and Starchy Foods	5.6	4.3	16.5
- Sugar, Jam, Honey, Chocolate and Confectionery	2.5	1.7	2.0
- Food Products n.e.c.	2.0	6.3	3.7
Non-Alcoholic Beverages	1.7	-0.4	1.8
- Coffee, Tea and Cocoa	0.6	1.4	1.8
- Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	2.0	-0.8	1.9
ALCOHOLIC BEVERAGES AND TOBACCO	1.0	0.2	2.0
CLOTHING AND FOOTWEAR	2.3	0.4	2.0
Clothing	1.4	0.6	1.0
Footwear	3.6	0.1	3.8
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	-8.2	-10.3	-13.5
Rentals for Housing	0.8	0.1	0.1
Maintenance and Repair of Dwelling	2.1	1.2	1.8
Water Supply and Miscellaneous Services Related to the Dwelling	-5.3	-5.2	-5.2
Electricity, Gas and Other Fuels	-17.2	-16.7	-17.7
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	2.0	4.0	2.4
Furniture and Furnishings	0.4	2.0	1.9
Household Textiles	2.7	2.7	1.7
Household Appliances	2.4	1.1	0.9
Glassware, Tableware and Household Utensils	1.3	3.0	1.6
Tools and Equipment for House and Garden	1.1	0.6	2.1
Goods and Services for Routine Household Maintenance	2.4	5.1	2.9
HEALTH	0.8	1.7	0.8
Medical Products, Appliances and Equipment	2.0	3.3	0.6
Health Services	0.2	0.8	0.9
TRANSPORT	-9.2	-6.7	-5.2
COMMUNICATION	0.0	0.0	0.0
RECREATION AND CULTURE	1.6	2.4	2.8
EDUCATION	0.1	0.1	0.2
RESTAURANTS & ACCOMMODATION SERVICES	1.1	1.8	1.3
MISCELLANEOUS GOODS AND SERVICES	2.4	2.3	2.4
ALL DIVISIONS	-0.6	-0.9	0.8

3

BANK OF JAMAICA OPERATING TARGETS

	June-07	Sep-07	Dec-07	Mar-08	June-08	Sep-08	Dec-08^p
Net International Reserves (US$MN)	2 238.9	1 916.2	1 877.7	2 083.4	2 228.8	2 251.1	1 772.94
Net International Reserves ($JMN)	152 579.0	133 807.5	135 065.1	149 859.0	161 565.7	163 180.8	128 520.4
- Assets	168 485.2	135 690.2	137 087.1	151 477.4	179 545.4	165 314.9	130151.4
- Liabilities	-15 06.2	-1882.7	-2 022.0	-1 618.4	-17 979.7	-2 134.1	-1631.0
Net Domestic Assets	-99 591.6	-79 335.9	-69 808.0	-91 016.6	-103 922.7	-105 610.2	-520 721.8
-Net Claims on the Public Sector	91 824.7	95 955.4	95 010.4	97 776.9	98 324.8	93 497.6	123 972.4
- Net Credit to Banks	-10 860.9	-11 858.7	-12 419.5	-13 019.4	-13 488.6	-14 259.9	- 14 270.5
- Open Market Operations	-150 758.3	-129 771.5	-114 741.3	-138 179.1	-150 835.7	-146 219.8	-1 31 928.8
- Other	-29 797.1	-33 661.1	-37 657.6	-37 595.0	-37 923.2	-38 628.1	-34 794.9
Monetary Base	52 987.4	54 771.7	65 257.1	58 842.4	57 643.0	57 570.6	71 498.6
- Currency Issue *	36 348.3	37 446.0	47 220.7	40 245.3	39 383.8	38 940.9	49 025.6
- Cash Reserve	16 177.6	16 893.4	17 259.8	17 650.0	18 066.9	18 400.9	21 983.4
- Current Account	461.5	132.3	776.6	947.1	192.3	228.8	489.6
% change Monetary Base (F-Y-T-D)	2.2	5.1	25.9	13.5	-2.0	-2.2	21.5

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

4

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

	M1J	M1*	M2J	M2*	M3J	M3*
2005/2006						
June^r	52 942.5	62 310.9	142 111.3	212 032.6	185 090.2	255 011.5
September	53 089.8	63 212.3	143 430.0	216 480.9	188 253.9	261 304.7
December	62 572.8	72 736.2	155 248.0	228 320.7	200 537.3	273 609.9
March	58 617.7	69 800.3	153 618.0	228 524.9	202 804.6	277 711.5
2006/2007						
June	61 908.1	71 897.4	159 153.6	232 227.4	208 718.0	281 791.8
September	64 668.9	73 233.3	162 466.8	234 331.2	214 812.8	286 677.2
December	78 180.3	87 446.4	181 792.9	256 975.7	235 544.9	310 727.7
March	70 936.5	80 588.3	175 367.2	253 125.3	231 304.0	309 062.2
2007/2008						
June	74 603.1	85 666.8	182 099.9	266 428.9	237 729.8	322 058.8
September	75 563.7	90 053.6	185 371.1	280 698.4	242 607.4	337 934.7
December	89 116.4	105 258.4	202 344.5	299 970.7	262 637.7	360 263.9
March	77 281.4	88 284.0	189 205.0	284 765.3	252 074.4	347 634.7
2008/2009						
June	82 507.5	89 946.4	197 780.8	291 010.2	265 221.7	358 451.0
September	83 539.4	90 900.7	199 539.0	292 918.6	268 487.6	361 867.2
December^P	91 076.5	100 155.7	210 641.4	313 274.3	277 825.3	380 458.2

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

5

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

	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08^p
M2J	**-6 423.0**	**6 882.8**	**3 271.2**	**16 973.3**	**-13 139.5**	**8 575.8**	**1 758.2**	**11 102.4**
Currency	-4 631.3	1 506.1	839.2	7 180.0	-7 472.1	2 287.4	-1 887.5	8 393.0
Demand Deposits	-2 609.9	2 310.5	121.3	6 372.7	-4 363.0	2 938.7	2 919.4	-855.9
Savings Deposits	917.8	1 826.7	2 798.0	2 038.3	-332.7	2 458.3	-1 978.0	2 031.7
Time Deposits	-99.1	1 239.5	-487.3	1 382.3	-971.7	891.4	2 704.3	1 533.6
OTHER DEPOSITS	**2 184.8**	**-302.8**	**1 606.4**	**3 056.9**	**2 576.3**	**4 571.4**	**1 507.7**	**-1 764.7**
TOTAL (M3J)	**4 238.2**	**6 580.0**	**4 877.6**	**20 030.2**	**-10 563.2**	**13 147.2**	**3 265.9**	**9 337.7**
SOURCES OF CHANGE IN LOCAL CURRENCY MONEY SUPPLY								
N.I.R. of B.O.J.	**799.4**	**-6 166.4**	**-22 532.7**	**- 2 685.7**	**14 793.9**	**10 458.6**	**2 863.2**	**-19 235.8**
M&LTFL of B.O.J	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Banking System Credit	**18 440.5**	**12 587.8**	**315.9**	**4 847.7**	**- 4 228.8**	**14 405.7**	**-4 799.0**	**25 149.9**
Public Sector	**13 835.9**	**6 955.0**	**-6 050.0**	**-114.6**	**-7 463.5**	**7 722.9**	**-9 000.0**	**21 505.5**
Private Sector	**4 604.6**	**5 632.8**	**6 365.9**	**4 962.3**	**3 234.7**	**6 682.8**	**4 201.4**	**3 644.4**
Open Market Operations	**-10 947.0**	**14 945.8**	**20 986.7**	**15 030.2**	**-23 437.9**	**-12 656.5**	**4 615.9**	**14 291.0**
Other	**-12 531.1**	**-14 787.2**	**6 107.7**	**2 838.0**	**2 309.6**	**939.4**	**585.8**	**-10 867.4**
TOTAL	**4 238.2**	**6 580.0**	**4 877.6**	**20 030.2**	**-10 563.2**	**13 147.2**	**3 265.9**	**9 337.7**
Memo:								
Foreign Currency Deposits (Private Sector)	**2 576.8**	**6 570.8**	**10 998.3**	**2 299.0**	**-2 065.9**	**-2 331.0**	**151.7**	
Foreign Currency Loans (Private Sector)	**4 124.8**	**1 874.8**	**7 173.2**	**3 078.1**	**1 329.8**	**12 942.2**	**10 177.3**	

p-preliminary

n.a: not available

6A

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

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

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

6B

GOJ TREASURY BILL YIELDS
(End of Period)

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

7

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

Tenor of Instruments

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

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

8A

JAMAICA: GOVERNMENT BOND MARKET
GOJ Maturities
October - December 2008

Maturity Date		Amount J$M	Applicable Interest Rate [b/]
05 Oct	FR US$176.9mn. Bond 2006 (Extendible)	9 321.2	11.75
16 Oct	VR LRS 2008/2009H	5 174.8	15.69
17 Oct	FR Inv. Deb. 2008 Ser. AV	2 709.4	13.65
03 Nov	FR Inv. Deb. Ser. BA	3 651.7	12.625
14 Nov	VR LRS 2008/2009 A	1 831.0	15.70
16 Dec	VR LRS 2008 - 2016 Tr. A	1 169.3	15.28
28 Dec	VR LRS 2004/2008 Tr. K	116.1	15.93

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

8B

JAMAICA: GOVERNMENT BOND MARKET
GOJ Domestic Market Issues
October – December 2008

Issue Date	Stock Name	Features	Amount raised J$M
03 October	*VR. Inv. Bd. 2010/2011 Ser. Bf*	*Tenor of 27 months Interest rate fixed at 14.81% for first 3 months. Thereafter, quarterly payments of 1.125 percentage points above 3-month WATBY.*	*1 872.3*
06 October	*FR US $ Denominated Bd. 2010*	*Tenor of 2 years. Interest rate fixed at 8.00%. First interest payment will become due and payable after 3 months. Thereafter, interest will be paid quarterly until maturity.*	*4 057.4*
17 October	*FR Inv. Deb. 2010 Ser. Bg*	*Tenor of 15 months. Interest rate fixed at 16.70%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity.*	*2 510.4*
04 November	*VR Inv. Bd. 2010/2011 Ser. Bg*	*Tenor of 15 months. Interest rate fixed at 15.35% for first 3 months. Thereafter, quarterly payments of 1.125 percentage points above 3-month WATBY.*	*1 821.8*
14 November	*FR US $ Indexed Bd. 2010.*	*Tenor of 18 months. Interest rate fixed at 11.50%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity.*	*6 777.9*
09 December	*VR Inv. Bd. 2009/2010 Ser. Bh*	*Tenor of 1 year. Interest rate fixed at 20.00% for first 3 months. Thereafter, quarterly payments of 1.25 percentage points above 6-months WATBY.*	*2 466.4*
17 December	*FR US $ Indexed Bd. 2010.*	*Tenor of 20 months. Interest rate fixed at 11.75%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity.*	*1 927.9*
17 December	*VR Inv. Bd. 2010/2011 Ser. Bj.*	*Tenor of 18 months. Interest rate fixed at 20.00% for first 3 months. Thereafter, quarterly payments of 1.50 percentage points above 6-months WATBY*	*8 051.2*

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

9

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

	Bauxite	Alumina	Sugar	Bananas	Other Traditional	Non-Traditional	Other	Total Goods Exports
2004/2005	**82.1**	**825.0**	**87.0**	**8.2**	**74.2**	**272.6**	**216.3**	**1 565.4**
June	25.4	202.8	47.9	4.3	19.2	77.3	55.8	432.7
September	22.3	173.8	7.7	3.9	20.3	59.9	66.7	354.6
December	8.6	237.8	0.0	0.0	19.6	74.1	58.2	398.3
March	25.8	210.6	31.4	0.0	15.1	61.3	37.0	381.2
2005/2006	**100.6**	**957.5**	**89.4**	**7.7**	**65.3**	**418.1**	**170.0**	**1 808.6**
June	22.6	245.2	41.5	2.1	17.2	61.9	48.6	439.1
September	24.8	233.3	3.8	1.3	18.2	106.8	38.9	427.1
December	25.7	231.1	0.0	1.3	9.0	111.6	38.2	416.9
March r	27.5	247.9	44.1	3.0	20.9	137.8	48.4	529.6
2006/2007 [r]	115.2	1 083.7	90.4	13.3	78.5	619.8	188.6	2 189.5
June	29.4	258.8	43.0	3.2	25.0	144.8	46.0	550.2
September	29.4	268.7	2.6	3.8	20.1	166.0	44.2	534.8
December	27.0	265.2	0.0	3.4	14.8	161.4	47.2	519.0
March	29.4	291.0	44.8	2.9	18.6	147.6	51.2	585.5
2007/2008	**112.9**	**1 209.7**	**89.8**	**6.4**	**82.3**	**522.9**	**227.6**	**2 251.6**
June [r]	28.5	314.4	42.4	4.5	21.4	139.8	47.5	598.5
September [r]	28.3	267.7	13.1	1.9	22.3	112.2	54.3	499.8
December [r]	26.7	320.0	0.0	0.0	21.0	117.4	57.5	542.6
March [p]	29.4	307.6	34.3	0.0	17.6	153.5	68.3	610.7
2008/2009								
June [p]	29.6	370.9	43.0	0.0	24.9	181.8	83.2	733.4

r-revised; p-preliminary

10

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

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

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

11

BALANCE OF PAYMENTS QUARTERLY SUMMARY
(US$MN)

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

p-provisional

r-revised

12

PRIVATE SECTOR QUARTERLY CURRENT GROSS TRANSFERS (INCLUDING REMITTANCE INFLOWS) (US$MN)							
	Commercial Banks	Remittance Companies	Post Offices	Building Societies	Total Remittance Inflows	Other Current Transfers	Total
2004/2005[r]	**360.6**	**809.5**	**1.2**	**327.4**	**1 498.7**	**272.7**	**1 771.4**
June	96.9	185.6	0.3	83.3	366.1	40.2	406.3
September	70.3	186.4	0.3	84.8	341.8	48.3	390.1
December	97.5	216.5	0.3	88.8	403.1	134.1	537.2
March	95.9	221.0	0.3	70.5	387.7	50.1	437.8
2005/2006	**364.9**	**978.6**	**1.2**	**302.5**	**1 647.2**	**162.6**	**1 809.8**
June	74.7	241.6	0.3	77.3	393.9	40.8	434.7
September	90.8	245.3	0.3	75.2	411.6	40.8	452.4
December	96.7	254.0	0.3	77.1	428.1	40.8	468.9
March	102.7	237.7	0.3	72.9	413.6	40.2	453.8
2006/2007 [r]	**376.2**	**1 069.5**	0.0	**355.9**	**1 801.6**	**195.2**	**1 996.8**
June	93.7	260.1	0.0	81.4	435.2	41.7	476.9
September	94.7	268.6	0.0	88.5	451.8	41.8	493.6
December	93.9	276.2	0.0	98.9	469.0	41.7	510.7
March	93.9	264.6	0.0	87.1	445.6	70.0	515.6
2007/2008 [r]	421.9	1 194.3	0.0	400.4	2 016.6	280.0	2 296.6
June	94.5	290.1	0.0	94.2	478.8	70.0	548.8
September	110.9	296.7	0.0	97.7	505.3	70.0	575.3
December	112.8	315.0	0.0	106.5	534.3	70.0	604.3
March	103.7	292.5	0.0	102.0	498.2	70.0	568.2
2008//2009							
June	109.7	317.4	0.0	103.9	531.0	70.0	601.0
September	106.9	316.8	0.0	103.1	526.8	70.0	596.8
December [p]	73.4	308.8	0.0	96.0	487.2	69.9	548.1

r: revised
p: provisional

13

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

	US$	Can$	GB£
2004/2005			
September	61.89	49.05	111.62
December	61.63	50.66	117.92
March	61.54	50.61	115.35
2005/2006			
June	61.84	50.52	110.52
September	62.89	53.61	110.02
December	64.58	54.95	110.40
March	65.50	56.14	112.94
2006/2007			
June	66.03	59.50	120.19
September	66.06	59.10	123.48
December	67.15	57.53	131.53
March	67.80	58.75	132.40
2007/2008			
June	68.58	64.81	136.60
September	70.41	70.38	142.28
December	70.62	71.39	140.32
March	71.09	69.75	141.15
2008/2009			
June	71.89	71.49	142.55
September	72.68	69.49	130.35
December	80.47	65.4	116.84

14

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

	Gross Foreign Assets (US$MN)	Gross Foreign Liabilities (US$MN)	International Reserves (Net) (US$MN)	*Weeks of Imports* Goods	Goods & Services
2003/2004					
September	1216.6	34.0	1182.6	19.0	12.8
December	1 196.3	31.4	1 164.9	18.3	12.5
March	1 596.9	28.2	1 568.7	25.0	16.6
2004/2005					
June	1630.3	26.2	1604.1	22.5	15.3
September	1 640.7	24.2	1 616.5	23.5	16.0
December	1 881.9	23.4	1 858.5	27.5	18.7
March	1 924.1	22.5	1901.6	27.5	18.8
2005/2006					
June	2 179.3	22.5	2 156.8	28.1	19.5
September	2 243.0	124.0	2 119.0	27.0	19.1
December	2 169.0	81.6	2 087.4	27.0	19.0
March	2 372.9	294.8	2 078.1	28.3	20.1
2006/2007					
June	2 293.2	183.2	2 110.0	22.9	16.7
September	2 474.7	132.7	2 342.0	26.1	18.8
December	2 399.1	81.6	2 317.5	25.2	18.2
March	2 613.6	284.3	2 329.3	27.1	19.5
2007/2008					
June	2 472.3	233.4	2 238.9	24.5	17.7
September	1 943.2	27.0	1 916.2	18.2	13.2
December	1 905.8	28.1	1 877.7	16.8	12.3
March	2 105.90	22.50	2 083.40	18.0	13.3
2008/2009					
June	2 476.8	248.0	2 228.8	17.9	13.6
September	2 280.5	29.4	2 251.1	17.0	12.8
December	1 795.4	22.5	1 772.9	14.4	10.6

15

STOCK MARKET ACTIVITIES
Jamaica Stock Exchange

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

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

16

PUBLIC SECTOR DOMESTIC SECURITIES
Outstanding Stocks

(J$MN)

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

17

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

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

** Exports*

18

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

	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
Total Value Added at Basic Prices	1.5	0.1	0.8	0.0	-0.5	-0.7	1.1	-0.8	0.0
Agriculture, Forestry & Fishing	6.8	7.2	-3.8	-3.0	-6.9	-17.0	12.4	2.9	3.1
Mining & Quarrying	-3.6	1.4	0.2	2.0	-10.8	5.0	1.3	4.0	-4.5
Manufacture	4.4	-5.2	3.5	-0.3	0.3	-2.4	1.5	-0.1	1.6
Food, Beverages & Tobacco	5.6	-4.4	4.3	0.7	1.4	-3.7	0.5	1.9	3.6
Other Manufacturing	3.0	-6.1	2.6	-1.6	-1.0	-0.9	2.8	-2.6	-0.9
Electricity & Water Supply	1.7	0.3	1.5	0.3	-6.2	3.2	1.3	0.1	1.1
Construction	1.1	-1.0	2.4	-0.4	1.6	5.5	-3.8	-4.9	-5.5
Wholesale & Retail Trade; Repair and Installation of Machinery	1.0	0.9	0.5	0.5	-0.2	-0.5	0.8	0.5	-1.0
Hotels and Restaurants	-2.5	0.6	-1.7	1.0	3.1	1.6	1.3	-3.6	0.2
Transport, Storage & Communication	0.9	-1.4	7.2	-3.0	-1.4	-2.0	5.5	-3.9	-0.9
Finance & Insurance Services	1.2	1.3	-0.4	2.7	-0.9	-0.3	1.1	1.4	-0.4
Real Estate, Renting & Business Services	0.3	0.6	1.3	1.0	0.7	0.3	-0.4	1.2	-0.6
Government Services	3.6	1.4	-3.8	0.0	3.8	-0.7	-2.3	-1.7	4.6
Other Services	0.6	0.7	0.0	0.7	0.6	-0.4	0.7	-1.2	0.8
Less Financial Intermediation Services Indirectly Measured (FISIM)	-0.2	4.9	0.4	0.8	0.8	-0.3	0.3	0.4	-2.3

D. BANK OF JAMAICA BALANCE SHEET

ASSETS AND LIABILITIES
(End of Period)
J$MN

	Dec-06[r]	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08
Assets	**269 763.7**	**269 863.3**	**266 006.6**	**234 449.4**	**233 640.7**	**247 757.6**	**278 045.0**	**267 838.0**	**273 994.4**
Foreign	160 616.1	176 699.3	169 301.9	136 180.7	134 243.8	149 671.7	177 518.2	164 990.4	143 530.2
Current Account & Foreign Currency Balances	8 670.1	19 617.9	6 382.1	9 199.7	32 665.7	16 279.0	36 274.4	22 474.3	30 350.9
Time Deposits & Securities	144 055.8	149 013.7	154 673.4	118 397.0	92 715.1	124 208.5	132 102.3	133 223.7	100 738.6
Holdings of Special Drawing Rights	17.9	16.4	14.6	11.4	20.5	5.5	13.4	4.2	7.7
Other	7 872.3	8 051.3	8 231.8	8 572.6	8 842.5	9 178.7	9 128.1	9 288.2	12 433.0
Local	109 147.6	93 164.0	96 704.7	98 268.7	99 396.9	98 085.9	100 526.8	102 847.6	130 464.2
Public Sector Securities	86 791.0	68 877.1	68 615.5	73 834.6	73 756.7	73 697.2	73 717.4	79 687.4	107 104.6
Other Assets	22 356.6	24 286.9	28 089.2	24 434.1	25 640.2	24 388.7	26 809.4	23 160.2	23 359.6
Liabilities	**269 763.7**	**269 863.3**	**266 006.6**	**234 449.4**	**233 640.7**	**247 757.6**	**278 045.0**	**267 838.0**	**273 994.4**
Foreign	295.5	244.8	263.4	259.5	283.0	254.7	268.6	237.9	183.8
Local	269 468.2	269 618.4	265 743.2	234 189.9	186 102.6	247 502.9	277 776.4	267 600.1	273 810.6
Currency in Circulation	42 347.3	35 994.1	36 397.1	37 509.0	47 255.1	40 293.8	39 441.3	38 977.0	49 069.0
Deposits	212 883.2	219 603.0	215 715.8	180 700.9	170 289.8	194 151.5	224 425.0	214 859.7	198 224.7
Bankers	27 912.0	28 750.2	29 596.9	31 101.9	32 677.2	33 897.2	33 105.9	34 281.2	53 951.0
Government	19 678.5	5 634.1	17 575.9	14 499.1	18 217.8	10 476.0	6 589.0	8 286.9	4 503.6
Open Market Operations	154 757.0	165 704.0	150 758.3	129 771.5	114 741.3	138 179.1	150 835.7	146 219.8	131 928.8
Other	10 535.7	19 514.7	17 784.7	5 328.4	4 653.5	11 599.2	33 894.4	26 071.8	7 841.3
Allocation of Special Drawing Rights	3 914.0	3 914.0	3 914.0	3 914.0	3 914.0	3 914.0	4 185.3	5 020.6	5 020.6
Capital & Reserves	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Other Reserves	3 378.8	3 175.6	4 274.0	4 382.3	5 104.0	5 590.0	5 660.8	5 458.0	5 685.0
Other Liabilities	6 920.9	6 907.8	5 418.3	7 659.7	6 770.8	3 529.6	4 040.0	3 260.8	15 787.3

E. COMMERCIAL BANKS' BALANCE SHEET

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

	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08 r	Sep-08	Dec-08 P
Assets	429 969.2	439 454.8	452 281.0	471 604.9	490 987.8	496 030.6	519 204.9	533 049.2	548 341.6
Cash	6 536.5	4 806.7	3 692.7	3 951.2	6 545.7	7 042.5	3 893.6	5 338.2	7 029.9
Balances with BOJ	72 120.9	68 390.5	60 056.9	60 014.3	69 208.5	75 753.2	76 629.6	86 077.6	81 762.9
Foreign Assets	96 277.1	93 327.2	105 317.4	111 578.5	109 103.8	112 802.9	110 430.8	100 289.2	104 184.8
Loans & Advances	153 449.2	164 106.1	172 769.7	183 898.4	195 075.1	194 847.0	215 973.6	233 120.9	246 167.5
Private Sector	125 512.2	133 626.6	141 770.6	155 376.6	163 411.9	167 792.6	187 366.6	202 280.2	215 392.1
Public Sector	27 937.0	30 479.5	30 999.1	28 521.8	31 663.2	27 054.4	28 607.0	30 840.7	30 775.4
Public Sector Securities	58 191.2	61 284.1	66 639.3	64 883.9	63 495.2	60 352.7	62 265.7	58 867.3	57 691.2
Cheques in the Process of Collection	4 133.5	7 924.7	4 628.2	5 177.6	6 146.8	4 005.5	6 013.2	4 936.6	2 425.2
Other Assets	39 260.8	39 615.5	39 176.8	42 101.0	41 412.7	41 226.8	43 998.4	44 419.4	49 080.1
Liabilities	429 969.2	439 454.8	452 281.0	471 604.9	490 987.8	496 030.6	519 204.9	533 049.2	548 341.6
Deposits	282 925.5	281 934.5	292 735.3	308 182.3	321 158.7	321 588.7	322 095.9	327 776.0	333 960.0
Local Currency	175 855.2	179 631.3	182 259.7	188 681.1	198 395.7	196 044.3	199 675.1	205 462.6	
Foreign Currency	107 070.3	102 303.2	110 475.6	119 501.2	122 763.0	125 544.4	122 420.8	122 313.4	
Foreign Liabilities	56 800.0	59 656.7	56 315.8	61 469.2	61 298.0	66 811.5	79 532.3	79 180.9	88 460.5
Discounts & Advances from BOJ	182.6	168.1	192.3	178.3	33.4	430.8	203.2	53.3	197.1
Loans/Advances from Other Institutions	5 451.4	5 295.1	5 126.0	6 082.5	5 137.5	5 594.6	5 051.8	5 164.8	5 456.1
Cheques in the Process of Payment	3 900.8	4 528.8	4 745.0	4 024.0	5 5234.0	6 329.3	4 574.3	4 583.3	7 900.8
Other Liabilities	80 708.9	87 871.6	93 166.6	91 668.6	97 836.2	95 275.7	107 747.4	116 290.9	112 367.1

P - preliminary ; r - revised

F. INTERNATIONAL INDICATORS

1

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

2

LONDON MONEY RATES – INTERBANK STERLING (End- of-Period)				
	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
2004/2005				
June	4 5/8 – 4 ½	4 7/8 – 4 3/14	5 1/16 – 4 15/16	5 ¼ - 5 1/8
September	4 27/32-4 23/32	4 15/16-4 13/16	5-4 7/8	5 1/8-5
December	4 7/8 – 4 ¾	4 29/32 – 4 25/32	4 15/16 – 4 13/16	4 31/32 4 27/32
March	4 27/32 – 4 ¾	4 31/32 – 4 7/8	5 1/32 – 4 15/16	5 1/8 – 5 1/32
2005/2006				
June	4 27/32 – 4 11/16	4 25/32 – 4 5/8	4 23/32 – 4 9/16	4 19/32 – 4 13/32
September	4 19/32 – 4 15/32	4 19/32 – 4 15/32	4 9/16-4 7/16	4 7/16 – 4 13/32
December	4 21/32 – 4 17/32	4 5/8 – 4 17/32	4 19/32-4 15/32	4 9/16 – 4 15/32
March	4 19/32 – 4 ½	4 5/8 – 4 17/32	4 11/16 – 4 9/16	4 25/32 – 4 11/16
2006/2007				
June	4 11/16 – 4 19/32	4 ¾ – 4 21/32	4 13/16 – 4 23/32	5 – 4 29/32
September	4 15/16 – 4 7/8	5 1/16 – 5	5 3/16 – 5 3/32	5 9/32 – 5 7/32
December	5 1/32 – 5 ¼	5 5/16 – 5 7/32	5 13/32 – 5 5/16	5 17/32 – 5 7/16
March	5 15/32 -5 13/32	5 5/8-5 17/32	5 ¾-5 21/32	5 7/8-5 25/32
2007/2008				
June	5 92/100- 5 95/100	6 1/100 - 5 93/100	6 14/100 – 6 6/100	6 33/100 – 6 23/100
September	6 8/100 – 6 18/100	6 25/100 – 6 8/100	6 25/100 – 6 15/100	6 18/100 – 6 8/100
December	6 4/100 – 5 24/25	6 2/100 – 5 47/50	5 97/100 – 5 91/100	5 ¾ – 5 67/100
March	5 70/100- 5 79/100	5 94/100 - 6	5 90/100 – 5 98/100	5 74/100 – 5 84/100
2007/2008				
June	5 40/100- 5 51/100	5 86/100 - 5 95/100	6 5/100 – 6 17/100	6 36/100 – 6 45/100
September	5 90/100- 6	6 18/100- 6 28/100	6 25/100 – 6 35/100	6 35/100 – 6 45/100
December				

3

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

4A

INTERNATIONAL EXCHANGE RATES US$ vs. OTHER MAJOR CURRENCIES (Currency/US$) (End- of-Period)	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08
US$ vs. Sterling	0.5132	0.4985	0.4905	0.4955	0.5037	0.5023	0.5564	0.6730
US$ vs. Canadian $	1.1682	1.0634	0.9963	1.0024	1.0279	1.0186	1.0581	1.2341
US$ vs. Yen	117.26	123.39	114.98	112.36	99.893	106.180	106.572	91.290
US$ vs. Euro	0.7550	0.7397	0.7033	0.6865	0.6328	0.6350	0.6975	0.7416

4B

INTERNATIONAL EXCHANGE RATES EXCHANGE CROSS RATES (Dec 2008)	GBP	CAN$	US$	Yen	Euro
GBP	1.0000	1.8340	1.4860	135.67	1.1040
CAN$	0.5452	1.0000	0.8100	73.978	0.6017
US$	0.6730	1.2340	1.0000	91.290	0.7416
Yen	0.0073	0.0130	0.0110	1.0000	0.0080
Euro	0.9076	1.6635	1.3484	123.045	1.0000

4C

INTERNATIONAL EXCHANGE RATES STERLING vs. OTHER MAJOR CURRENCIES (End of Period)	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08
Sterling vs. US$	2.0061	2.0388	2.0176	1.9906	1.7971	1.4859
Sterling vs. Canadian $	2.1333	2.0313	2.0242	2.0276	1.9015	1.8342
Sterling vs. Yen	247.54	234.43	226.70	211.36	191.53	135.67
Sterling vs. Euro 1/	1.4839	1.4339	1.3857	1.264	1.2535	1.1040

5A

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

	Jun -07	Sep-07	Dec-07	Mar-08	Jun -08	Sep-08	Dec-08
North Sea Brent	71.92	80.65	91.45	103.28	133.05	99.06	41.58
West Texas Intermediate	70.69	81.67	91.36	105.48	133.93	103.94	41.44

5B

WORLD COMMODITY PRICES
FOOD
(End- of-Period)

	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08
Wheat **(US$/m t)**	197.03	357.68	356.96	440.17	348.55	294.46	220.14
Coffee (USc/kg arabica brand)	252.90	282.28	304.33	328.97	322.21	315.86	262.13

6

MAJOR STOCK MARKET INDICES
(End- of-Period)

		Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08
TOKYO								
Nikkei Index		18138.36	16785.69	15307.78	12525.54	13481.38	11259.86	8859.56
NEW YORK								
Dow Jones Industrials		13408.62	13912.94	13264.82	12295.29	11350.01	10850.66	8776.39
S & P Composite		1503.35	1531.38	1468.36	1325.52	1280.0	1166.36	903.25
LONDON								
Financial Times SE 100		6607.90	6486.40	6806.11	5702.1	5625.9	4902.45	4434.17
FRANKFURT								
Dax Index	8005.90	7861.42	8067.32	6534.97	6418.32	5831.02	6145.00	4810.20

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Monetary Base**: See *Base Money***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

List of Boxes in the Quarterly Monetary Policy Report

QMPR ISSUE		LIST OF BOXES
Oct - Dec 2000	1	Sovereign Credit Ratings & Outlook
	2	E-gate & the Foreign Exchange Market
	3	The International Oil Market: Recent Developments and Outlook
	4	Jamaica's IMF Staff Monitored Programme (SMP)
Jan - Mar 2001	5	Core Inflation in Jamaica - Concept & Measurement
	6	Highlights of the IMF 2001 Article IV Consultation
April - June 2001	7	Jamaica's Banking Sector Recovery - An Overview
Volume 2 No. 1	8	Jamaica's Sovereign Credit Ratings - An Update
	9	Highlights of the IMF's May 2001 Article IV Consultation
July - Sept 2001	10	Innovations in Jamaica's Payment System
Volume 2 No.2	11	Expanding the Role of Equity Finance in Jamaica: Some Perspectives
	12	The US Economy: Recent Trends and Prospects
Oct - Dec 2001	13	The Performance of Remittances in the Jamaican Economy: 1997 - 2001
Volume 2 No. 3	14	Tourism and the Jamaican Economy: Pre & Post 11 September 2001
	15	World Trade Organization (WTO): Outcome of the Fourth Ministerial Conference in Doha, Qatar and the possible Implications for Jamaica
Jan - Mar 2002	16	Commercial Bank Profitability (January to December 2001)
Volume 2 No. 4	17	Regional Disparities in Jamaica's Inflation (1997/98 to 2001/02)
	18	The Argentina Debt Crisis & Implications for Jamaica
	19	General Data Dissemination Standards
April - June 2002	20	The Automated Clearing House: Implications for the Payment System
Volume 3 No. 1	21	Macroeconomic Implications of Cross Border Capital Flows: Some Scenarios
	22	Performance of Remittances in the Latin American and Caribbean Region: 1997 - 2001
July - Sept 2002	23	Building Societies' New Mortgage Loans: July 2001 - June 2002
Volume 3 No. 2	24	An Overview of the CARICOM Single Market and Economy (CSME)
Oct - Dec 2002	25	The Profitability of the Banking System: 1991 - 2002
Volume 3 No. 3	26	Interest Rate Spreads in Jamaica: 1995 - 2002
	27	Implications of the International Accounting Standards (IAS) for Financial Systems and Financial Stability
Jan - Mar 2002	28	Opportunities for Savings and Investments in Jamaica: Financial Intermediaries and Financial Instruments
Volume 3 No. 4	29	The CPI and the GDP Deflator: Concepts and Applications
Apr - Jun 2003	30	The Concept and Measurement of External Competitiveness
Volume 4 No. 1	31	Exchange Rate Pass-Through in the Jamaican Economy.
July - Sept 2003	32	The International Investment Position
Volume 4 No. 2	33	The Fifth WTO Ministerial Conference: Implications for Future Trading Negotiations
Oct - Dec 2003	34	The Monetary Policy Committees: International Precedents and Macroeconomic