QUARTERLY MONETARY POLICY REPORT

October - December 2009
Volume 10 No. 3

Bank of Jamaica

Quarterly Monetary

Policy Report

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PREFACE

The Bank of Jamaica's Quarterly Monetary Policy Report reviews the conduct of monetary policy and the main factors that influenced inflation during the quarter. It also presents the Bank's perspective on emerging economic trends and the path of monetary policy over the short to medium term. This issue features discussions on the Bank's liquidity support to the Government, the dynamics of Jamaica's interest rate and Jamaica's medium-term economic and financial programme.

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 Jamaican economy remained relatively stable during the December 2009 quarter, mainly reflected in a decline in inflation and a marginal movement in the exchange rate. This stability was achieved despite the heightened uncertainty in the financial markets about the terms and timing of an agreement with the International Monetary Fund (IMF). Against this background, the Bank continued to ease monetary policy.

Headline inflation fell to 2.8 per cent in the review quarter from 3.1 per cent for the preceding three months. This outturn, which was in line with the Bank's projection, was below the five year average of 3.1 per cent for a December quarter. The annual rate of increase in the general price level fell sharply to 10.2 per cent in 2009 from 16.8 per cent in 2008 and 2007. Similarly, the fiscal year-to-date inflation declined to 8.8 per cent from 11.0 per cent and 14.0 per cent for the corresponding periods of FY2008/09 and FY2007/08, respectively.

The moderation in inflation in the December 2009 quarter was largely attributed to the impact of improved supply of tubers on the prices of starchy foods, weak domestic demand and the stability in the exchange rate. These factors tempered the impact of increases in: (i) energy related costs; (ii) the price of short-term agriculture commodities; (iii) and the cost of some household services.

The weighted average selling rate of the US dollar *vis-á-vis* the Jamaica Dollar depreciated marginally by 0.58 per cent in the review period, largely reflecting a 0.39 per cent depreciation in November. The movement in the exchange rate was significantly lower than the average depreciation of 2.8 per cent for the previous five December quarters. There was heightened demand for foreign currency during the quarter arising from the impact of higher oil prices on the cost of fuel imports, seasonal spending on imported goods and services as well as net capital outflows. The net capital outflows were related to margin calls on certain financial institutions by overseas creditors in November, following the downgrade of Jamaica's sovereign credit ratings by international rating agencies. The increased demand occurred in a context of a marginal increase in foreign currency inflows. The Bank of Jamaica responded to the excess demand pressures by augmenting the supply to the market through direct sales of approximately US$115 million (net), in addition to maintaining the foreign exchange facility for public sector entities. These initiatives supported the continued restraint exercised by dealers and cambios in the bidding process.

In the context of the above noted developments, the net international reserves (NIR) declined by approximately US$204.0 million to US$1729.3 million at end-December 2009. Nonetheless, the stock of gross reserves at end-December covered 13.4 weeks goods and services imports, continuing to exceed the international benchmark of 12 weeks.

Given the favourable trends in key economic indicators, particularly inflation and the exchange rate, the Bank reduced interest rates across the menu of open market operations (OMO) securities by 200 basis points (bps). Accordingly, the signal 180-day OMO rate declined to 15.0 per cent, which partly influenced a 55 bp fall in the benchmark nominal 180-day Treasury Bill rate to 16.8 per cent. Domestic real interest rates, however, remain relatively high. Box No. 2, later in this Report, advances an explanation for the behaviour of real interest rates.

Notwithstanding the positive macroeconomic indicators, the demand for GOJ debt instruments was low during the quarter. The reduced investor appetite coincided with the seasonal demand for currency as well as heightened uncertainty in the domestic market surrounding the terms of the IMF agreement and the associated debt management initiatives (see **Box No. 3**). In this context, the Bank provided temporary liquidity support to the Government amounting to $23.1 billion during the December quarter (see **Box No. 1**). The impact of this advance was tempered by the repayment of $2.5 billion as well as the decline in the NIR. As such, the monetary base expanded by 12.5 per cent during the review quarter, within the Bank's projection of 14.6 per cent.

The stable macroeconomic conditions and the reduction in interest rates facilitated moderate gains in the stock market. This appreciation in the value of equities occurred despite the fact that economic activity remained weak, reflecting the prolonged impact of the global financial crisis on external and domestic demand.

Real GDP was estimated to have contracted in the range of 2.0 per cent to 3.0 per cent during the December 2009 quarter, following a decline of 2.3 per cent in the previous quarter. The reduction in the review quarter continued to emanate primarily from the tradable industries, in particular ***Mining & Quarrying, Transport, Storage & Communication*** and ***Manufacture***. Robust growth was, however, estimated for agriculture in addition to moderate improvements in ***Electricity & Water*** and ***Finance & Insurance***. The decline in GDP was reflected in a fall in consumption spending (private and public) and gross fixed capital formation.

Outlook

Weak global demand will continue to have an adverse impact on the Jamaican economy in the March 2010 quarter. This is in addition to the contractionary impact of the Government's fiscal measures announced in December 2009. The domestic economy is projected to contract in the range of 1.0 per cent to 2.0 per cent, slower than the estimated rate of decline for the December 2009 quarter. Continued contraction is projected for ***Mining & Quarrying*** and ***Construction.*** However, robust growth is expected for ***Agriculture, Forestry & Fishing,*** while moderate growth is anticipated for electricity.

Headline inflation is expected to accelerate in the March 2010 quarter, albeit temporarily. The Bank projects that the rate of increase in consumer prices will be in the range of 3.5 per cent to 4.5 per cent. This forecast largely reflects the impact of the Government's revenue measures and a continued rise in imported inflation due to higher oil prices. The revenue measures could also affect inflation expectations, which would influence the rate at which input costs increases and are passed on to consumers. However, the weak domestic demand, continued stability in the exchange rate and lower agriculture prices are expected to temper the overall rate of consumer price inflation.

Inflation for the fiscal year is targeted within the 11.5 per cent to 13.5 per cent range. An analysis of the risks to the outlook for the March quarter suggests that inflation for the fiscal year is likely to be biased towards the upper end of this range. The upside risks emanate mainly from the second round effects of the recent tax measures. Other upside risks include stronger than anticipated increases in oil prices and adverse weather conditions.

Monetary policy will continue to be guided by the medium-term objective of single digit inflation. The fiscal measures and structural reforms under the 27-month Stand-By Agreement with the IMF are expected to reduce fiscal dominance, thereby enhancing the ability of the Bank to meet its inflation objective.

The BOJ has temporarily removed tenors over 30 days from its open market operations. This is in a context where the debt exchange programme will facilitate the establishment of a new market yield curve. Further adjustments in interest rates will ensue as the prospects for inflation improve.

Jamaica should receive approximately US$1.1 billion in official inflows from the IMF, World Bank, Inter-American Development Bank (IDB) and Caribbean Development Bank (CDB) in the March 2010 quarter arising from the agreement with the IMF. This will significantly enhance the capacity of the BOJ to maintain stability in the foreign exchange market and financial system.

1. International Developments

Table 1.1

Selected GDP Growth Rates

	Jun-09	Sep-09	Dec-09
USA	-0.7	2.2	5.7
Canada	-3.1	-1.3	1.3*
Japan	2.7	1.3	8.2*
China	7.9	8.9	10.7
UK	-5.5	-5.2	-3.2
Euro	-4.8	-4.1	-1.7*

*Estimates

Recovery in the global economy continued in the December 2009 quarter. Relative to the previous quarter, most advanced economies exited the recession and others continued the expansion that began in the September 2009 quarter. In particular, the US economy grew by 5.7 per cent in the December quarter, the second consecutive quarter of growth. Notwithstanding the recovery in the global economy, unemployment continued to rise and certain commodity prices remained depressed, indicating a slow recovery process.

Despite dampened commodity prices (excluding oil prices) there was a decline in Jamaica's terms of trade (TOT) index. This decline in the index largely reflected the impact of increases in crude oil prices which outweighed the improvement in export prices.

Central banks of most advanced economies maintained a loose monetary policy in support of the recovery process during the quarter. Consequently, bond yields in the international money market declined. However, there was a marginal increase in the yields on emerging market bonds, which reflected concerns regarding emerging market economies' debt sustainability.

Global Economic Recovery

Real GDP growth in the US was 5.7 per cent on an annualised basis for the December 2009 quarter, significantly higher than the 2.2 per cent expansion in the September 2009 quarter. The acceleration in growth primarily reflected faster growth in investment and net exports. Canada and major developing economies, such as Brazil, China and India also recorded expansion. In contrast, economic activity in the Euro area and the UK contracted in the review period, albeit, at a slower rate relative to the previous quarter

Globally, unemployment continued to repress economic growth. In the US, the unemployment rate rose to 10.0 per cent at December 2009 from 9.8 per cent in September. Labour

Table 1.2

Selected Import/Export Prices (period averages) (Per cent changes relative to previous period)	Jun-09	Sep-09	Dec-09
Crude Oil	38.39	14.56	10.73
Soybeans	16.84	-3.99	-5.44
Corn	5.42	-15.25	13.72
Rice	-5.93	-1.36	-0.20
Wheat	6.48	-18.29	-0.97
TIPI*	0.50	-12.70	3.90
Aluminium	9.21	23.98	9.04

*** Tourism Implicit Price Index**

market data for the UK showed that the unemployment rate for November 2009 was 8.0 per cent, compared with 7.9 per cent at September. In Canada, the unemployment rate rose to 8.6 per cent in November, from 8.4 per cent in September.

There were increases in consumer prices in major developed economies during the December 2009 quarter. This primarily reflected the effects of lagged increases of the price of crude oil on transportation and energy costs during the previous quarter as well as food costs. In the US and Canada inflation rose by 0.9 and 0.1 percentage points, respectively, while in the UK inflation rose by 1.1 percentage points, relative to the September quarter.

During the quarter, the major international stock market indices sustained the strong growth registered in the previous quarter. In the US, the Dow Jones Industrial Average and S&P 500 indices increased for the quarter by 8.7 per cent and 6.7 per cent, respectively, relative to the previous quarter. In the UK, the FTSE 100 Index rose by 5.9 per cent.

Jamaica's terms of trade worsened in the December 2009 quarter

Terms of Trade

Jamaica's TOT index declined by an estimated 0.3 and 12.7 per cent during the December 2009 quarter, relative to the September quarter and December 2008, respectively.[1] The movement in the TOT during the review quarter reflected an increase of 4.6 per cent in the Import Price Index (IPI) which offset a 4.3 per cent increase in the Export Price Index (EPI).

The performance of the IPI was mainly influence by a 10.7 per cent in increase of the price of crude oil (see **Table 1.2**).[2] The increase in export prices reflected a rise of 3.9 per cent in the Tourism Implicit Price Index (TIPI).

For crude oil, general optimism about global economic recovery as well as the impact of below average winter

[1] Uses the Bank's index 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.

[2] Crude oil prices as measured by the West Texas Intermediate at Cushing in US dollars per barrel.

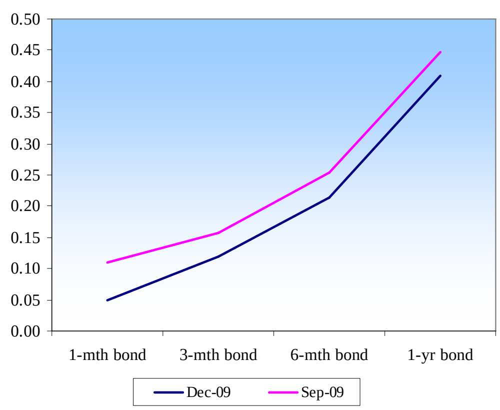
Table 1.3

Selecetd Key Interest Rates Sep 09 - Dec 09					
	USA[a]	UK[b]	Euro Area[b]	Japan[c]	Canada[d]
Sep	0.25	0.50	1.00	0.10	0.25
Oct	0.25	0.50	1.00	0.10	0.25
Nov	0.25	0.50	1.00	0.10	0.25
Dec	0.25	0.50	1.00	0.10	0.25

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

Figure 1.1

US Treasury Yield Curve



temperatures in the US prompted an increase in demand. As a result, crude oil inventories in the US declined by 3.7 per cent during the quarter. The increased demand raised prices for crude oil.

There was a general decline in the prices of some agricultural products during the quarter. Soybean, rice and wheat prices fell by 5.4 per cent, 0.2 per cent and 1.0 per cent, respectively, relative to the September quarter. However, the price of corn increased by 13.7 per cent (see **Table 1.2**). The fall in soybean prices was a result of excess supply due to increased planting in South America. Rice prices declined on rising supplies by Vietnam, while wheat prices were depressed by low demand. Conversely, the rise in corn prices reflected increased demand for biofuels in light of rising oil prices.

Monetary Policy

The central banks of major economies maintained a loose monetary policy stance during the December 2009 quarter given the fragile financial conditions as well as low levels of inflation (see **Table 1.3**) In addition, the monetary authorities maintained measures aimed at improving liquidity in the banking system. For example, the Bank of England continued its asset purchase programme totaling £193.0 billion since its announcement in March 2009, while the US maintained its Toxic Asset Relief Programme (TARP).

Selected Interest Rates

Short-term market interest rates trended down during the quarter in keeping with loose monetary policy. The average yield in the secondary market for short-term US Treasury Bills declined by 5 basis points (bps) to 0.15 per cent relative to the preceding quarter (see **Figure 1.1**). The average US dollar LIBOR across the 3-month to 1-year tenors also declined by 25 bps, reflecting easing credit conditions among financial institutions. Consequently, the spread between the 3-month US LIBOR and the 3-month US Treasury Bill, an indicator of the state of credit risk in the US market, declined by 4 bps relative to the previous quarter, to average 21 bps. However, average

Figure 1.2
Global Bond Yields
Dec 07 to Dec 09

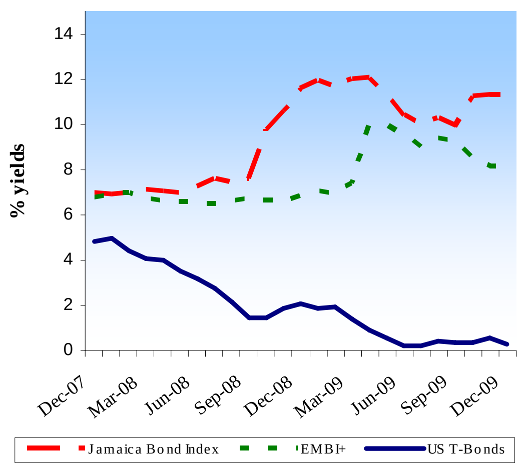
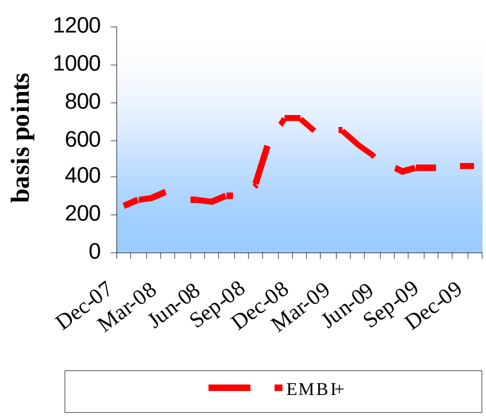


Figure 1.3
Bond Spreads
(Yields - US 10-year T-bonds)



yields on longer tenors increased by 6 bps, reflecting concerns about the growing US debt.

Emerging Market Bonds

Despite easing credit conditions in major developed financial markets, average yields on emerging market bonds, as measured by the JP Morgan Emerging Market Bond Index Plus (EMBI+), rose by 6 bps to 6.62 per cent during the review period (see **Figure 1.2**). The increase in these yields reflected concerns about the debt sustainability of emerging market economies and their ability to access credit in international capital markets. Consequently, several developing countries, for example Mexico, were downgraded by rating agencies.

The spread between Government of Jamaica's sovereign global bonds (GOJ global bonds) and the EMBI+ rose by 2.06 percentage points to 5.06 per cent relative to the end of the previous quarter. The spread between the US dollar denominated GOJ global bonds and the US Treasury bonds also increased by 1.30 percentage points to 7.55 per cent. The increase in the spread was primarily due to the ratings downgrades for Jamaican sovereign bonds by Standard & Poor's, Moody's Investors Service and Fitch Ratings rating agencies as well as concerns surrounding the signing of an IMF agreement.

Foreign Exchange Market

The major currencies strengthened against the US dollar during the review period. Relative to the average exchange rates in September 2009 quarter, the Euro, UK Pound, Canadian dollar and the Japanese Yen appreciated against the US dollar by 3.2 per cent, 2.0 per cent, 2.6 per cent and 4.8 per cent, respectively. The strengthening of these currencies in the December 2009 quarter largely reflected the impact of concerns about the growing US debt, relatively low US interest rates and expectations of relatively slow economic recovery in the US.

Summary

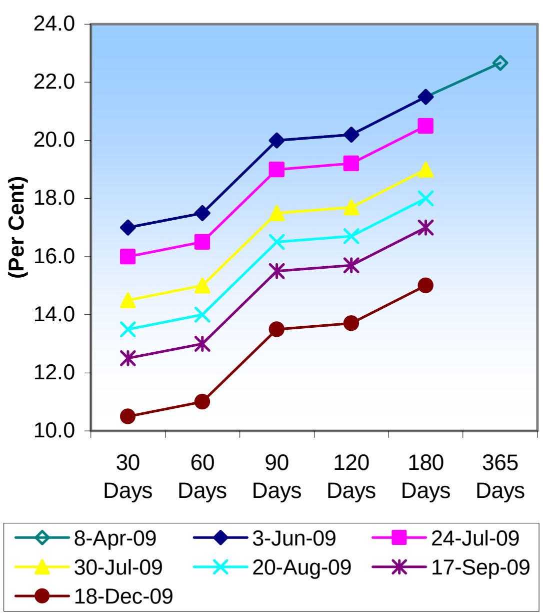
Some amount of buoyancy returned to the global economy which helped our exports, mainly tourism. The increased demand also drove increases in commodity prices including crude oil which had a worsening effect on Jamaica's TOT index. Improvements in global economy may be subdued by the high levels of unemployment in the advanced economies.

2. Monetary Policy and Financial Markets

Table 2.1

Selected Economic Indicators	Outturn for Dec '09 Quarter	Projection for Dec '09 Quarter	Original Targets for FY09/10
Inflation (%change)	*2.4*	*1.5-3.5*	*10.0-12.0*
Base Money (%change)	*12.5*	*14.6*	*4.9*
Gross Foreign Assets (eop) (US$ mn)	*1 751.85*	*1 692.5*	*1320.2*

Figure 2.1
BOJ Certificate of Deposits Yield Curve[3]



[3] The 365-day instrument was removed on 03 June 2009.

Money & Credit

Monetary Policy and Base Money Management

The Bank eased its monetary policy stance during the December 2009 quarter in a context of positive trends in inflation as well as stability in the foreign exchange market. The Bank's action was also influenced by the near-term prospect of the signing of a stand-by arrangement with the International Monetary Fund (IMF). In this regard, the Bank reduced interest rates payable across the menu of open market operations (OMO) securities by 200 basis points.

However, there was heightened uncertainty in the market regarding the terms and timing of the IMF agreement which presented challenges for the Government's debt-raising activities. In this regard, the Bank provided liquidity support to the Government by way of temporary advances as well as the purchase of securities.

Given the seasonal increase in currency demand associated with the Christmas holiday period, the monetary base expanded by 12.5 per cent during the review quarter. However, despite the easing of the Bank's monetary policy stance and liquidity support provided to the Government, base money expansion was within projection during the review quarter.

On 18 December 2009, the Bank reduced the interest rates payable across the spectrum of its OMO securities by 200 basis points (see **Figure 2.1**). Accordingly, OMO rates ranged from 10.5 per cent in the 30-day security to 15.0 per cent in the 180-day security (see **Appendix Table 7**). This less restrictive monetary policy stance was adopted in the context of favourable trends in some economic indicators, namely, inflation, balance of payments and the foreign exchange rate. This decision was also supported by the near-term prospect of the signing of a stand-by arrangement with the IMF for balance of payments support.

Given the seasonal increase in demand for foreign currency as well as lower supply, the Bank sold US$136.9 million directly to the market. This included foreign currency sold to a few financial

Figure 2.2
Base Money
(Quarterly Change)

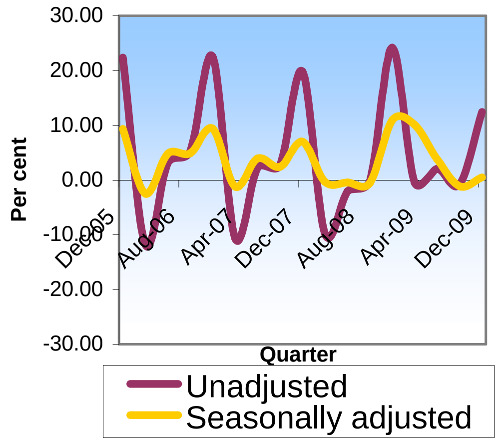
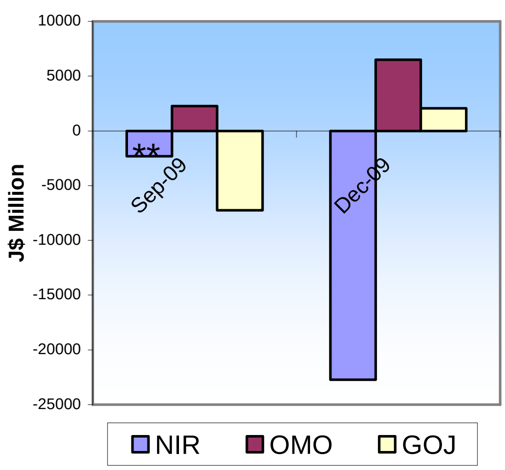


Figure 2.3
*Effects of the NIR, GOJ & OMO on Liquidity**



* Absorption – negative; Injection - positive

** excludes SDR inflows which did not have a Jamaica Dollar liquidity impact

institutions in an effort to avert pressures emanating from an increase in margin calls on their foreign liabilities. These margin calls arose from the ratings downgrades of the Government's sovereign debt by three prominent rating agencies (see **Bond Market**). The Bank also continued to encourage the Authorized Dealers and Cambios to exercise restraint in bid and offer trading rates and maintained the public sector entities (PSE) facility introduced a year earlier to mitigate destabilizing impulses in the foreign exchange market.

During the review quarter, the Bank extended credit to the Government amounting to $20.6 billion (net). This was in a context of reduced investor appetite for Government of Jamaica (GOJ) debt resulting from the heightened uncertainty in the domestic market surrounding the terms of the IMF agreement and the associated debt management initiatives. The low demand for GOJ debt instruments also coincided with the financing of currency payments to meet the higher demand for holiday spending. The liquidity support included temporary advances of $5.1 billion in November, of which $2.5 billion was repaid in December and the remaining $2.6 billion was converted to securities. In addition, the Bank purchased a total of $18.0 billion of securities on 15 December 2009.

Against the background of increased currency demand associated with the Christmas holiday period, the monetary base expanded by $9.0 billion or 12.5 per cent during the December 2009 quarter (see **Figure 2.2**). This compares to an expansion of 24.2 per cent in the December 2008 quarter and the Bank's projection for growth of 14.6 per cent. The expansion was predominantly reflected in growth in currency issue of $8.4 billion or 19.4 per cent but was lower than the programmed increase in currency issue of $9.8 billion or 22.5 per cent. The main sources of the expansion in the base were the Bank's purchase of Government securities and the net unwinding of OMO securities.

For the first nine months of FY 2009/10, the monetary base expanded by 13.9 per cent, which was lower than the programmed expansion of 16.1 per cent. The deviation was predominantly reflected in a lower than projected increase in currency issue. The expansion in base money largely reflected an increase in the Bank's holdings of Government securities as well net unwinding of OMO securities.

Figure 2.4
Money Supply
(Quarterly Growth Rates)
December 2005 to December 2009

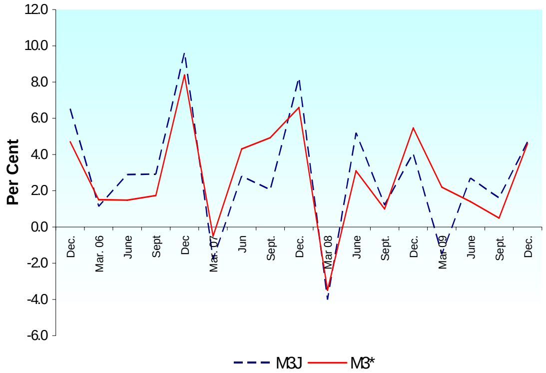


Table 2.2

Money Supply (12-month growth rates)		
MJ	**Dec-08**	**Dec-09**
M1J	2.1	7.4
M2J	4.3	2.8
M3J	6.4	7.8
M*		
M1*	-4.9	7.9
M2*	4.4	6.1
M3*	5.9	9.1

Table 2.3

INTEREST RATES IN THE DOMESTIC MARKET			
	Nov-08	**Sep-09**	**Nov-09**
COMMERCIAL BANK WEIGHTED AVERAGE DEPOSIT RATES			
Overall	**5.16**	**4.81**	**4.64**
Demand	2.51	2.21	2.30
Savings	4.48	4.31	4.15
Time	7.25	6.99	6.39
Foreign Currency	**2.95**	**2.86**	**2.77**
Demand	1.62	1.31	1.33
Savings	2.02	1.99	1.94
Time	4.90	4.66	1.40
6-MONTH TREASURY BILL RATE	**19.26**	**17.35**	**16.94**
BOJ 180-DAY REPURCHASE AGREEMENT RATE	**15.35**	**17.00**	**17.00**
PRIVATE MONEY MARKET RATE (30-day)	**19.00**	**14.50**	**16.00**
memo:			
6-MONTH U.S. TREASURY RATE	**0.74**	**0.21**	**0.15**

Money Supply

During the December 2009 quarter, broad Jamaica Dollar money supply (M3J) increased by 4.7 per cent, relative to the Bank's projection and the outturn for the December 2008 quarter of 4.2 per cent and 4.1 per cent, respectively. The faster growth in money supply was primarily influenced by an expansion in banking system credit to the public sector. On the demand side, the deviation was reflected in a larger than projected build-up in local currency deposits.

The measure of money supply that includes foreign currency deposits (M3) increased by 4.8 per cent. This was a slower rate of growth relative to the outturn of 5.5 per cent in the corresponding quarter of 2008. The slowdown in the review period reflected a deceleration in the rate of growth of foreign currency deposits to 4.5 per cent relative to an expansion of 9.5 per cent in the December 2008 quarter. At end-December 2009, the ratio of foreign currency deposits to total private sector deposits was 31.0 per cent relative to 30.5 per cent at end-September 2009 and the 30.1 per cent at end- December 2008.*

For the December 2009 quarter, broad Jamaica Dollar money supply (M3J) increased by 4.7 per cent. This increase was above the Bank's projection and the outturn for the December 2008 quarter of 4.2 per cent and 4.1 per cent, respectively (see **Figure 2.4**). The growth in M3J for the first nine months of the fiscal year was 9.4 per cent, relative to 10.8 per cent for the corresponding period of FY2008/09**.**

The main source of growth in M3J for the December 2009 quarter was an expansion in banking system credit to the public sector. This liquidity was complemented by the net unwinding of BOJ open market securities. The impact of these sources was partially offset by reductions in the NIR and banking system credit to the private sector (see **Appendix, Table 5**).

The growth in money supply during the review quarter was mainly reflected in an increase of 19.2 per cent in currency in circulation. This growth in currency was below the average of 23.1 per cent for the last five December quarters. The expansion in currency in circulation for the first nine months of FY2009/10 was 21.1 per cent relative to 26.5 per cent for the comparable period of FY2008/09. Currency in circulation grew by 6.2 per cent in 2009 relative to 3.2 per cent in 2008. In real

Figure 2.5
Deposits in Commercial Banks
(Quarterly Growth Rates)
December 2006 to December 2009

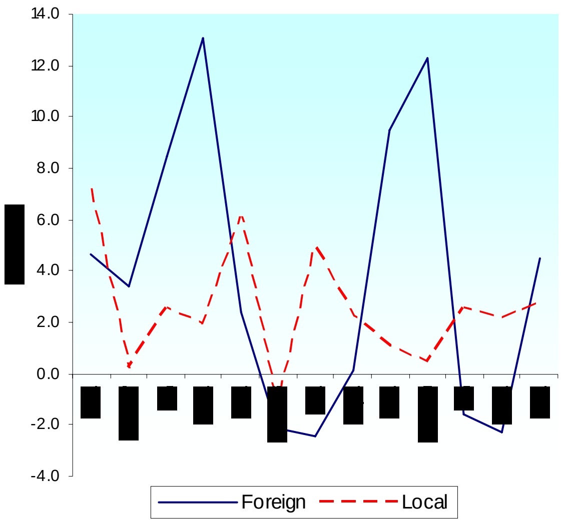


Figure 2.6
Foreign Currency Deposits to Total Deposits
March 2006 to March 2009

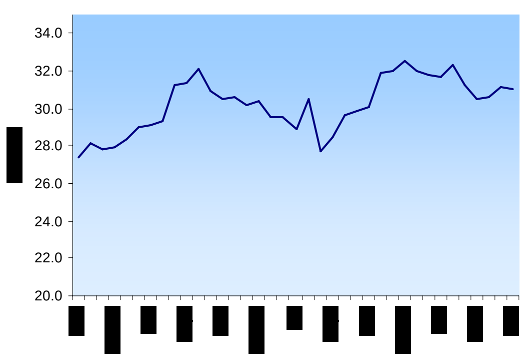


Table 2.4

COMPONENTS OF THE MONEY MULTIPLIER	Dec-08	Sep-09	Dec-09
		%	
Currency to Deposits	17.69	14.96	17.39
Reserves to Deposits	12.43	13.87	14.23
Money Multiplier	**3.91**	**3.99**	**3.71**

terms, there was a reduction of 3.6 per cent in currency in circulation in 2009. The real decline in currency may be attributed to the reduction in overall real economic activity, the decline in real wages, as well as increased unemployment over the last eight quarters.

Local currency deposits grew by 2.6 per cent during the review quarter. The increase in the quarter was well below the average of 4.8 per cent in the last five December quarters. The expansion in the quarter mainly reflected growth in *other deposits* and *demand deposits* which increased by 4.4 per cent and 5.2 per cent, respectively. *Savings deposits* grew marginally by 0.7 per cent while *time deposits* declined by 1.8 per cent.

During the review quarter, M3* increased by 4.8 per cent, relative to growth of 5.5 per cent for the December 2008 quarter (see **Figure 2.4**). Within M3*, foreign currency deposits grew by 4.9 per cent, which was significantly lower than the increase of 9.5 per cent recorded in the December 2008 quarter. The expansion in foreign currency deposits during the quarter followed a reduction in the previous quarter and reflected increases in all components, particularly the savings deposits of *Business firms*. The build-up in foreign currency deposits was consistent with the uncertainty surrounding the terms of the IMF agreement. The expansion in these deposits influenced an increase in the ratio of foreign currency deposits to total deposits to 31.0 per cent at end-December 2009, relative to 30.5 per cent at end-September 2009 and the 30.1 per cent recorded at end-December 2008 (see **Figure 2.6**).

At end-December 2009, the money multiplier was 3.71, relative to 3.99 at the end of the previous quarter and 3.91 at end-December 2008. The decline in the money multiplier relative to the previous quarter reflected increases in both the currency to deposit and reserve to deposit ratios (see **Table 2.4**). Growth in the currency to deposit ratio was as a consequence of the seasonal increase in demand for cash balances. The increase in the reserves to deposit ratio was in the context of higher vault cash holdings maintained by commercial banks compared to the outturn for the previous quarter.

Figure 2.7

Quarterly Growth Rates of Private Sector Credit Denominated in Jamaica Dollars
December 2005 to December 2009

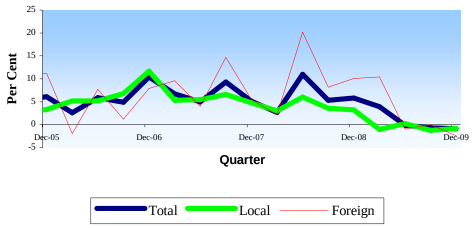


Table 2.5

Commercial Bank Distribution of Total Credit to the Private Sector J$ Million (Quarterly Flows)				
		Dec-08	Sep-09	Prov. Dec-09
	Total Private Sector Credit	**11569.6**	**-1455.7**	**-2037.6**
	Loans and Advances	12 715.8	-1441.7	-1999.9
less	Overseas Residents	1093.1	-10.7	13.0
Add	Corporate Securities	-53.1	-24.7	-24.8

Table 2.6

Commercial Bank Distribution of Total Loans & Advances to the Private Sector (Flows J$M)			
	Dec-08	Sep-09	Dec-09
Agriculture & Fishing	1 130.1	-432.7	1 284.6
Mining & Quarrying	92.0	267.4	-403.4
Manufacturing	90.9	-711.7	702.8
Construction & Land Dev.	815.8	4 042.8	539.9
Transport, Storage & Comm.	215.9	-149.6	-4 272.8
Tourism	4 641.9	-2 928.4	-1 069.6
Distribution	668.0	-1 672.6	1 763.4
Professional & Other Services	1 849.9	-232.8	-366.7
Personal	2 126.9	-190.6	-1 049.7
Electricity, Gas & Water	-40.6	563.3	832.5
Entertainment	32.0	14.0	26.2
Overseas Residents	1 093.1	-10.7	13.0
TOTAL	**12 715.8**	**-1 441.7**	**-1 999.9**

Private Sector Credit

The stock of private sector credit in commercial banks declined by 0.9 per cent in the December 2009 quarter. This represented the third consecutive quarter of contraction and was influenced by the continued fall in private consumption and investment spending. The expectation that there will be a further decline in income as a result of impending job cuts may have also influenced the contraction. The reduction in the stock of credit was reflected in a decline in both local currency and foreign currency loans. In particular, there were significant declines in the stock of loans to ***Tourism, Mining & Quarrying*** *and* ***Transport, Storage & Communication*** *for the quarter.* *The stock of* ***Personal Loans*** *also declined during the quarter. Private sector loan quality measured by the ratio of past due loans to total private sector loans deteriorated for the December quarter.*

At end-December 2009, the stock of private sector credit was $216 764.8 million, representing a decline of 0.9 per cent for the review quarter **(**see **Figure 2.7**). This outturn compares to a projected growth of 2.3 per cent for the quarter. The decline in private sector credit in the review quarter follows a contraction of 0.7 per cent in the previous quarter and is consistent with the continued contraction in economic activity (see **Real Sector**). There were reductions in both local currency and foreign currency loans, with foreign currency loans recording a sharper decline.

Loans and advances declined by $1 999.9 million or 0.9 per cent during the review quarter relative to a decline of 0.6 per cent in the September 2009 quarter (see **Table 2.5**). The outturn for the review quarter was largely reflected in reductions in loans to ***Tourism, Mining & Quarrying*** and ***Transport, Storage & Communication***. However, the decline in loans to ***Tourism*** represented a smaller contraction than that which obtained in the previous quarter. Notwithstanding, this was the first time in six years that there was a reduction in loans to ***Tourism*** in a December quarter. This reversal in trend for a December quarter is in a context where the tourism sector continues to be affected by a decline in the global economy. ***Mining & Quarrying*** declined by 48.8 per cent for the December quarter reflecting a reduction in activities in the construction sector.

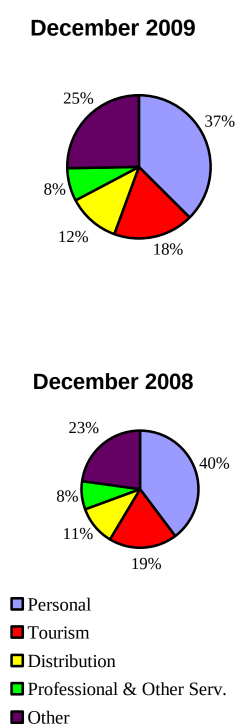
Table 2.7

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

	Dec-08	Sep-09	Dec-09
Agriculture & Fishing	942.69	-638.3	-313.19
Mining & Quarrying	60.32	-22.7	-597.09
Manufacturing	-69.28	162.9	150.41
Construction & Land Dev.	185.7	-28.6	306.62
Transport, Storage & Comm.	-243.0	-108.2	-1 103.8
Tourism	-17.5	171.4	388.77
Distribution	-516.9	-236.2	-106.85
Professional & Other Services	1 244.1	-779.12	-189.92
Personal	1 416.0	-44.66	489.48
Electricity, Gas & Water	566.53	31.20	15.82
Entertainment	25.78	14.38	18.29
Overseas Residents	3.78	-10.28	-14.61
TOTAL	**3 598.3**	**-1 488.2**	**-956.0**

Figure 2.8

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



There was a 35.4 per cent reduction in the stock of loans to ***Transport Storage & Communication***. This was the first time in 5 years that there was a decline in credit to the sector in a December quarter. The outturn reflected the repayment of loans by two large companies which provide communication services.

The stock of ***Personal Loans*** declined by 1.3 per cent during the review quarter, following a marginal decline of 0.2 per cent in the previous quarter. The outturn for the review quarter is in contrast to average growth of 6.1 per cent for the last five December quarters and reflects the slowdown in consumption expenditure. Within ***Personal Loans***, credit for the purchase of motor cars declined by 2.4 per cent, following a decline of 1.6 per cent in the previous quarter. The increase in the rate of decline was influenced by a reduction in household income, as well as a reduction in spending which may be influenced by the Government's announcement of public sector rationalization.

The stock of foreign currency-denominated loans at end-December 2009 declined by 2.4 per cent relative to the September 2009 quarter. With the exception of ***Distribution***, ***Electricity***, ***Gas*** & ***Water*** and ***Construction & Land Development***, loans to all sectors declined during the December 2009 quarter. Loans to ***Construction & Land Development*** increased by 3.3 per cent, encompassing a loan granted to a developer to undertake construction in the ***Tourism*** sector.

Interest Rates

The overall weighted average lending rate declined by 11 basis points (bps) for the review quarter, following a reduction of 19 bps in the previous quarter. This reduction in the overall weighted average lending rate was influenced by a decline of 18 bps in the rates charged for private sector loans, as there was an increase of 33 bps in the rate charged on public sector loans (see **Table 2.9**). The decline in the interest rate on private sector loans was reflected in a fall in the value as well as the interest rates on loans to the sector. The lower rate charged on private sector loans reflected a reduction in the lending rates for all categories, with the exception of mortgage loans and instalment credit, which increased by 72 bps and 14 bps, respectively.

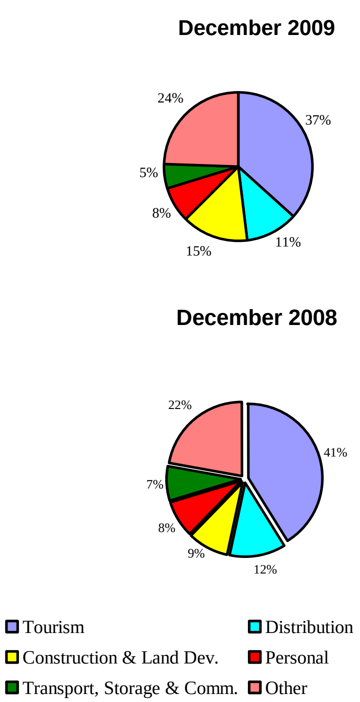
Table 2.8

Commercial Bank Distribution of Foreign Currency Loans & Advances to the Private Sector (Flows US $M)	Dec-08	Sep-09	Dec-09
Agriculture & Fishing	0.1	2.3	-2.7
Mining & Quarrying	0.2	3.3	-3.7
Manufacturing	-4.3	-9.9	-1.4
Construction & Land Development	-2.4	45.8	5.3
Transport, Storage & Comm.	-2.9	-0.5	-22.3
Electricity, Gas & Water	-11.2	6.0	13.3
Distribution	1.3	-16.2	8.0
Tourism	13.6	-35.1	-20.1
Entertainment	0.0	0.0	0.0
Professional & Other Services	0.7	6.1	-3.4
Personal	-0.2	-1.7	-1.1
Overseas Residents	7.2	0.0	-0.1
TOTAL	**2.3**	**0.1**	**-28.2**

Figure 2.9

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

December 2008 & December 2009



Performance Indicators

Lending to the private sector accounted for 38.3 per cent of the commercial banks' total assets at end-December 2009. This was slightly lower than the ratio of 38.6 per cent at end-September 2009.

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 4.9 per cent at end-December 2009, representing an increase when compared to the ratio of 4.2 per cent for the previous quarter. There was also an increase in the ratio of past due loans to total loans to 4.2 per cent at end-December 2009 from 3.7 per cent at end-September 2009.

Table 2.9

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

	Nov-08	Sep-09	Prov. Nov-09
Overall	**16.39**	**16.30**	**16.25**
Public Sector	**11.69**	**11.43**	**11.77**
Local Govt. & Other Public Ent.	10.67	10.10	10.70
Central Government	15.99	13.61	13.58
Private Sector	**17.09**	**17.08**	**16.97**
Instalment	20.46	21.33	21.43
Mortgage	7.58	6.23	6.92
Personal	24.68	24.44	24.28
Commercial	12.89	12.69	12.57

Figure 2.10
Commercial Banks' Past due Loans
(Three Months and over) to Total Loans
December 2007 to December 2009

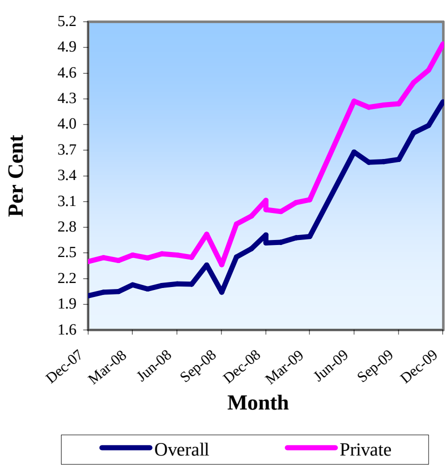


Table 2.10

Treasury Bill Auctions and Maturities
October - December 2009

Issue Date	Tenor (days)	Avg. yield (%)	Amount Allotted (J$M)	Amount Maturing (J$M)
9-Oct-09	364	17.49	400.0	400.0
23-Oct-09	91	16.21	366.9	400.0
23-Oct-09	182	17.04	400.0	400.0
27-Nov-09	91	15.99	400.0	
27-Nov-09	182	16.94	400.0	649.4
18-Dec-09	91	15.95	345.9	
18-Dec-09	182	16.80	400.0	738.5
TOTAL			**2 712.8**	**2 587.8**

Average yields on GOJ Treasury Bills decline

Table 2.11

GOJ Public Domestic Debt Raising
October - December 2009

	Amount Allotted (J$MN.)	Amount Maturing (J$MN.)	Net Issues (J$MN.)
Treasury Bills	2 712.8	2 587.8	124.9
Variable Rate LRS		1 475.0	-1475.0
Fixed Rate LRS		1 300.0	-1 300.0
Fixed Rate Inv. Deb.	25 167.7	4 561.3	20 606.4
Var. Rate Inv. Bd.	9 177.5	10 333.0	-1 155.5
Fixed Rate Reg. Bd.	13 285.3		13 285.3
Fixed Rate US-denom. Bd. (US$)	*50.4*	*19.3*	*31.1*
Fixed Rate Ind. Bd. (US$)	*47.7*	*47.4*	*0.3*
J$ equivalent	8 703.9	6 678.2	2025.69
Total (J$)	**59 047.1**	**26 935.3**	**32 111.8**

GOJ predominantly offered short term debt at fixed rates

Bond Market

During the December 2009 quarter, there was a general reduction in interest rates in the bond market. In this regard, there was a decline in Treasury Bill yields as well as a reduction in the rate on the entire spectrum of OMO instruments. The lower rates in the market were reflective of the positive trends in key economic indicators such as inflation, balance of payments and the exchange rate.
There were net placements on GOJ debt instruments, the majority of which were at fixed rates. This development was consistent with expectations of a continued decline in interest rates.
There was a general deterioration in the performance of GOJ global bonds during the review quarter relative to the September 2009 quarter. This was in a context where bond prices and yields reacted to a delay in the signing of the IMF agreement and a downgrade by ratings agencies Standard & Poor's, Moody's and Fitch.

During the December 2009 quarter, there was a decline in the average yields on GOJ Treasury Bills, which represented the fourth consecutive quarter of decline. The average yields on the 90-day and 180-day Treasury Bills declined by 44 basis points (bps) and 55 bps, respectively, relative to the September 2009 quarter. Consequently, at the end of the December 2009 quarter, the yields on the 90-day and 180-day Treasury Bills were 245 bps and 180 bps, respectively, above the rates on the Bank's corresponding OMO instruments. The decline in yields was largely influenced by continued moderation in inflation and relative stability in the foreign exchange market. These factors were also major influences in the Bank's decision to further ease the stance of policy during the quarter. The rates on the entire spectrum of OMO instruments were reduced by 200 basis points on 18 December 2009 (see **Monetary Policy and Base Money Management**).

The GOJ maintained a significant presence in the bond market during the quarter. Overall, there was a net issue of GOJ debt instruments of $32.1 billion during the review quarter, relative to a net issue of $49.6 billion in the September 2009 quarter. Total allotments during the review quarter amounted to $59.0 billion, of which fixed rate (FR) instruments raised $47.2 billion (see **Table 2.11**). Of the 14 debt instruments offered to the market, 13 were at fixed rates. This was similar to the September 2009 quarter where most of the government

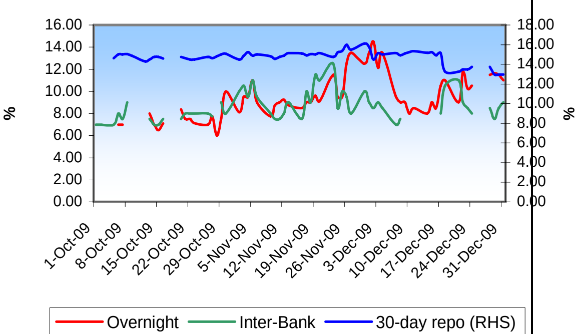
Table 2.12

Placements and Maturities* in BOJ OMO Instruments:	July - September 2009		October - December 2009	
	Maturities (J$MN.)	Placements (J$MN.)	Maturities	Placements
30-day	26 515.41	22 077.46	17 676.80	19 583.01
60-day	2 288.93	2 827.97	3 119.84	2 182.05
90-day	8 393.47	11 563.80	12 002.32	11 222.75
120-day	1 245.89	1 581.65	1 528.52	1 650.51
180-day	5 639.14	18 486.84	8 285.06	15 158.51
270-day	0.0	0.0	500.0	0.0
365-day	9 487.78	0.0	8 876.52	0.0
Variable Rate CD	9 960.77	0.0	0.0	0.0
TOTAL	**63 531.4**	**56 537.7**	**51 989.1**	**49 796.8**

Figure 2.11

Average Private Money Market Rates

October - December 2009



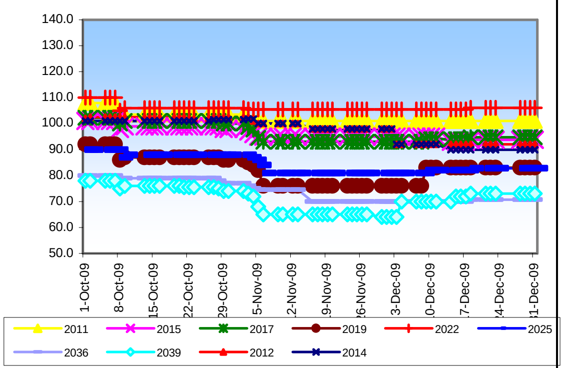
instruments were offered at fixed rates. The majority of issues were scheduled to mature in 1 to 4 years. The FR Jamaican Dollar denominated instruments offered coupons in the range of 17.13 per cent to 18.75 per cent relative to a range of 17.38 per cent to 21.63 per cent in the previous quarter (see **Appendix Table 8B**). The demand for FR instruments was reflective of investors' expectation of lower inflation and continued decline in interest rates. This demand waned however, towards the end of the quarter, as reflected in relatively low subscriptions (see **Money and Credit**).

The GOJ offered two US dollar linked instruments during the quarter. On 06 October 2009, the GOJ issued a FR US$ denominated local bond at a rate of 8.75 per cent and on 30 November 2009, a FR US$ indexed bond at a rate of 9.75 per cent (see **Appendix Tables 8A and 8B**). These were issued to replace similar maturing instruments. The coupon on the earlier instrument was relatively more attractive than comparable GOJ US$ denominated global bonds. At the time of the offer of the indexed bond, yields on the GOJ US$ denominated global bonds had risen subsequent to the downgrades of Jamaica's foreign debt by international rating agencies. The sole variable rate (VR) instrument issued during the quarter offered a repricing margin of 1.50 percentage points (pps) above the 90-day Treasury Bill yield compared to a repricing margin of 1.575 pps in the September quarter.

There was an overall net maturity of $2.2 billion in BOJ securities during the review quarter, compared to a net maturity of $7.0 billion in the previous quarter (see **Table 2.12**). The 30-day tenor recorded the majority of placements in keeping with the strong trend demand for short-term securities. There were also strong placements on the 180-day instruments during the quarter.

Private money market rates showed mixed results during the review quarter. There was an increase in the average overnight (O/N) and inter-bank rates while the 30-day repo rate declined. The O/N rate averaged 9.41 per cent up from 7.91 per cent in the previous quarter (see **Figure 2.11**). In the review quarter, the inter-bank rate averaged 8.63 per cent up from 7.87 per cent in the September 2009 quarter. The increase in rates may have been due to tight liquidity conditions in the private repo market, against the background where liquidity

Figure 2.12
GOJ Global Bonds Prices
October - December 2009



was concentrated among a few institutions. In the December 2009 quarter, the 30-day repo rate averaged 14.73 per cent, representing a decline of 192 bps, relative to the previous quarter. This reduction in the rate on the 30-day instrument followed the reduction in the Bank's rates (see **Figure 2.11**).

Data on GOJ global bonds suggest a general deterioration in performance during the December 2009 quarter (see **Figure 2.12**). This was mainly influenced by a further downgrade of Jamaica's foreign debt by international rating agency, Standard & Poor's (S&P) and subsequent downgrades by Moody's and Fitch. On 02 November 2009, S&P further lowered its long-term foreign and domestic sovereign credit rating on Jamaica to 'CCC' from 'CCC+' and maintained a negative outlook. The prices of globals fell immediately following this downgrade. On 18 and 24 November 2009, respectively, ratings agencies Moody's and Fitch also downgraded Jamaica's local and foreign currency government bond ratings. Moody's downgraded Jamaica's local and foreign currency government bond ratings by two notches to Caa1 from B2. Fitch downgraded Jamaica's local and foreign currency government bond ratings by three notches to 'CCC' from 'B'. The outlook also remained negative for both agencies. Average yields on GOJ global bonds closed the quarter within the range of 10.54 per cent to 14.90 per cent, relative to the range 6.43 per cent to 10.80 per cent at the end of the previous quarter.

In addition to its downgrade of Jamaica's long-term foreign and domestic sovereign credit rating, S&P also lowered its long-term corporate credit ratings for the National Commercial Bank of Jamaica (NCB) and national carrier Air Jamaica on 02 and 03 November 2009, respectively. The outlook remained negative. Ratings agency Fitch on 02 December 2009, also downgraded NCB's long-term foreign and local currency Issuer Debt Default Rating (IDR). The rating watch remained negative, consistent with Fitch's view of the sovereign's creditworthiness.

Stock Market

During the December 2009 quarter, the local equities market recorded moderate gains as reflected in a 4.2 per cent increase in the Main Jamaica Stock Exchange (JSE) Index . This increase was influenced by declining domestic interest rates, relative stability in the foreign exchange market and improved earnings results for some listed companies coupled with increased dividend pay-outs.

For the quarter ended December 2009, all major JSE indices recorded increases with the exception of the Cross Listed Index.[4] The Main JSE, All Jamaica Composite and Select indices grew by 4.2 per cent, 9.2 per cent and 6.4 per cent, respectively, relative to the September 2009 quarter. The modest gains in the Main JSE Index compares favourably to a steep decline of 21.4 per cent recorded in the December 2008 quarter (see **Figure 2.13**).[5]

The improvement in market activity was also reflected in the increase in the number and value of units traded. Relative to the prior quarter, the values and volumes of shares traded grew by 117.5 per cent and 48.0 per cent, respectively. (see **Figure 2.14**). Correspondingly, the advance-to-decline ratio, which is an indicator of market momentum, improved to 19:16 relative to 12:19 at the end of the previous quarter. Notably, advancing stocks were mainly from the manufacturing and financial categories and accounted for six of the top ten advancing stocks (see **Table 2.13**).

The outturn for the review quarter can be attributed to sustained stability in the foreign exchange market coupled with the continued downward adjustments in domestic interest rates.[6] This contributed to increased investor interest in the local stock market as exhibited by gains in the main JSE index and increased trading volumes. For the quarter, returns on equity investments, as reflected by movement in the JSE Index, averaged 1.4 per cent per month relative to average monthly returns of 1.2 per cent and 0.2 per cent from fixed income and foreign currency investments, respectively (see **Figure 2.15**).

Figure 2.13
Quarterly Growth of the JSE Indices
December 2008 – December 2009

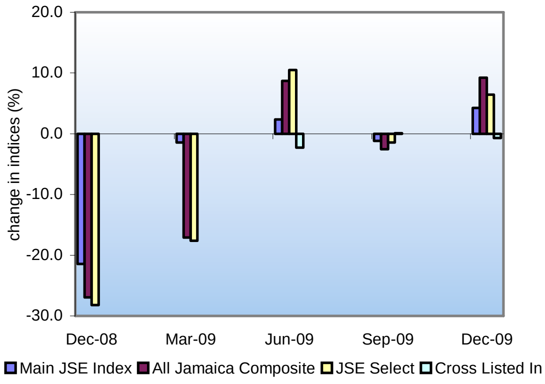


Figure 2.14
Quarterly Movements in Volumes & Values Traded December 2008 - December 2009

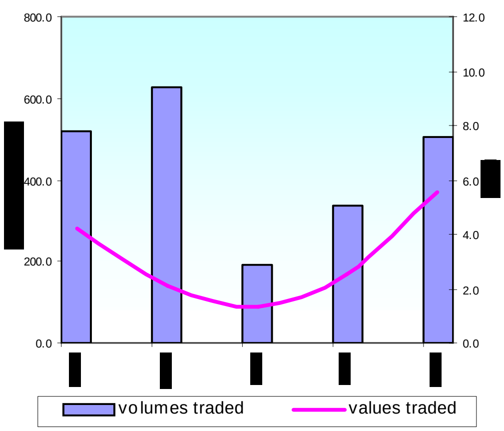
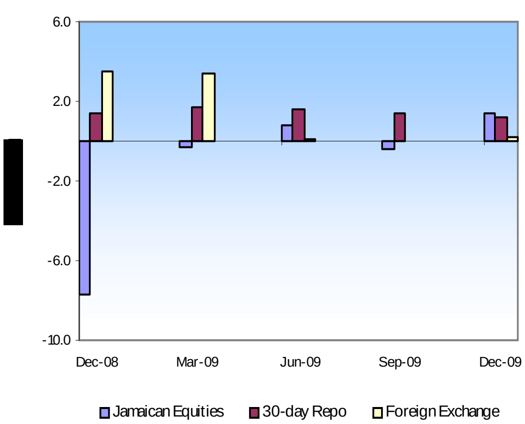


Figure 2.15
Average Monthly Returns from Equities, Foreign Currency and Fixed Income Investments



[4] The Cross Listed Index declined by 0.7 per cent, mainly due to a fall-off in the stock price of Guardian Holding Limited to $299.50 from $320.0 at the end of the quarter.

[5] The steep decline recorded last year was as a result of significant changes in the macroeconomic environment which resulted in weak earning results, instability in the foreign exchange market and subsequent upward adjustments in domestic interest rates.

[6] See Money & Credit

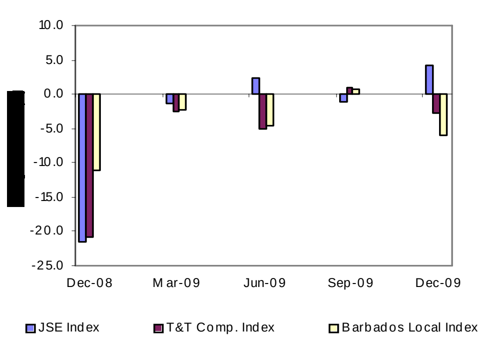
Table 2.13

Companies	Price as at Dec-09 $	Qtr. Change %
Advancing Stocks		
Manufacturing		
Salada Foods	15.5	106.4
Kingston Wharves	3.1	33.9
Trinidad Cement	72.0	26.3
Finance		
Capital & Credit	4.4	51.0
Pan Caribbean	18.1	37.2
NCB	16.0	23.1
Tourism		
Ciboney	0.1	150.0
Pegasus	20.0	59.8
Conglomerate		
Jamaica Producers	25.9	84.8
Insurance		
Sagicor Life	7.0	35.0

Table 2.14

Companies	Price as at Dec-09 $	Qtr. Change %
Declining Stocks		
Manufacturing		
Berger Paints	1.2	-20.0
Desnoes & Geddes	3.4	-5.3
Conglomerate		
Lascelles	250.0	-10.7
Gracekennedy	40.5	-4.6
Retail		
Hardware & Lumber	3.5	-28.7
Carreras	35.0	-21.2
Communications		
Gleaner	1.2	-20.0
Radio Jamaica	2.0	-19.6
Insurance		
Guardian	299.5	-6.4
Other		
Supreme Ventures	2.0	-4.3

Figure 2.16
Quarterly Growth of Regional Indices
December 2008 – December 2009



Additionally, several listed companies posted favourable results and this, along with increased dividend pay-outs, supported investors' interest in the equities market.

In terms of specific developments during the quarter, Barita Investments Limited issued its initial public offering (IPO) which was opened for subscription 07 December 2009. The offer was, however, undersubscribed by 60.0 per cent as investors evidently considered it to be overpriced.[7] With regards to the Junior Stock Exchange, during the quarter, Access Financial Services Limited became the first company to list on this exchange.[8]

The two other major stock market indices in the Caribbean region declined during the quarter. The Trinidad & Tobago Composite Index declined by 2.8 per cent compared to an increase of 1.0 per cent the previous quarter. This decline occurred as investors responded to some unfavourable earnings results. The Local Index for Barbados fell by 6.1 per cent following the 0.7 per cent growth recorded during the September 2009 quarter (see **Figure 2.16**).

[7] Ordinary and preference shares of Barita Investments Limited were officially listed on the Main Jamaica Stock Exchange on 14 January 2010. Ordinary shares and preference shares were listed at $2.50 and $3.50 per share, respectively.

[8] Access Financial Services' IPO was launched on the 14 October 2009.Aproximately 5.4 million ordinary shares were offered to the market at a stock price of $18.34 each.

Figure 2.17
Percentage Change in Weighted Average Selling Exchange Rate (e.o.p.)
(J$1.00= US$)

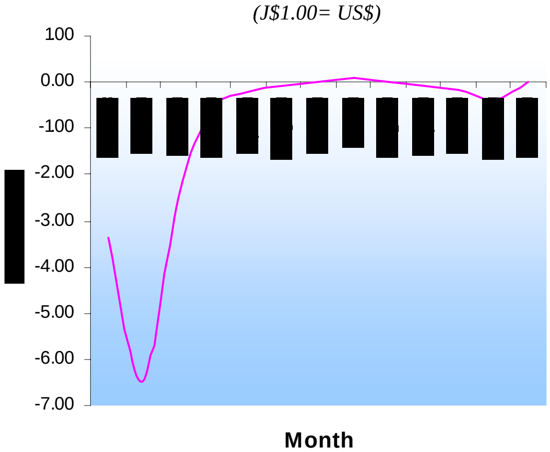


Figure 2.18
Weekly Exchange Rate Trading Range

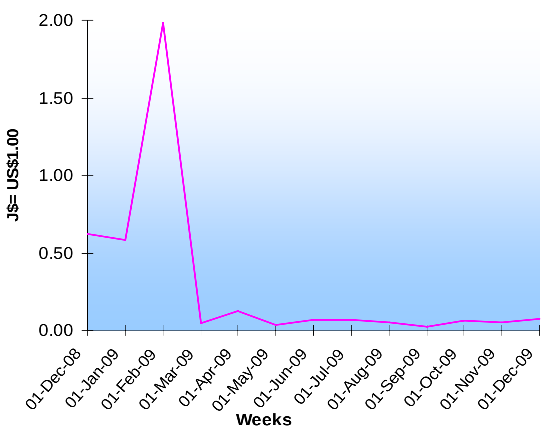
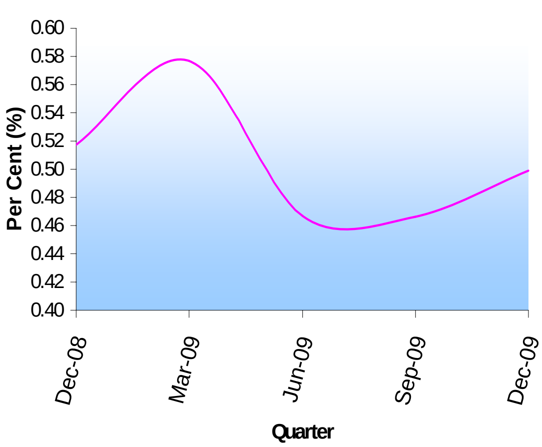


Figure 2.19
Foreign Exchange Spread as a Percentage of the Buying Rate



Foreign Exchange Market

Against the background of a seasonal increase in demand pressures in the foreign exchange market during the December quarter, the Bank maintained the foreign exchange surrender facility for public sector entities and sold foreign currency to the market to temper movements in the exchange rate. Intervention sales were highest in November, as a result of the heightened demand which was exacerbated by margin calls resulting from the downgrade of Jamaica's sovereign credit ratings by international rating agencies. In this context there was a marginal increase in the pace of depreciation of the Jamaica Dollar vis-à-vis the US Dollar to 0.58 per cent for the review quarter.

The weighted average selling rate (WASR) increased to US$1.00 = J$89.60 at end-December 2009 from US$1.00 = J$89.08 at end-September 2009, representing a marginal depreciation of 0.58 per cent. This compares favourably with the average depreciation of 2.76 per cent in the preceding five December quarters, but was above the depreciation of 0.01 per cent in the September 2009 quarter (see **Figure 2.17**). Most of the depreciation observed during the quarter occurred in the month of November. The exchange rate depreciated by 0.18 per cent, 0.39 per cent and 0.01 per cent in October, November and December, respectively. For the calendar year 2009, the value of the Jamaica Dollar vis-à-vis the US Dollar declined by 10.19 per cent relative to the 12.24 per cent depreciation recorded in 2008.

Reflecting the higher rate of depreciation during the quarter, the average weekly trading range for the selling rate increased to J$0.08 from J$0.05 in the September 2009 quarter (see **Figure 2.18**)[9]. Similarly, the average bid-ask spread, expressed as a percentage of the buying rate, marginally increased to 0.50 per cent from 0.48 per cent recorded in the previous quarter (see **Figure 2.19**).

The pressures that emerged during the review quarter partially reflected the increased demand for foreign currency to satisfy current account transactions. Relative to the September 2009 quarter, the Bank estimates that net foreign currency demand to facilitate current account transactions increased by US$169.4 million. Higher outflows during the December

9 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 2.15

*Foreign Exchange Cash Flows**					
	US$MN			Change Relative To Previous	
	2008 Oct. – Dec.	2009 Jul-Sept.	2009 Oct. – Dec.	Qtr	yr
Net Current Inflows	-988.3	-312.0	-481.4	-169.4	506.9
Current Inflows	1208.4	1098.9	1133.4	34.5	-75.0
Current Outflows	2196.7	1410.9	1614.8	203.9	-581.9
Net Private Capital Inflows	766.0	391.2	401.3	10.1	-364.7
Balance	-222.3	79.2	-80.1	-159.3	142.2

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

Table 2.16

Net International Reserves (US$MN)		
Month	**Stock**	**One Month Change**
Jul-09	1648.9	29.5
Aug-09	1934.2	285.3
Sept-09	1933.2	-1.1
Oct - 09	1909.3	-23.8
Nov – 09	1805.2	-104.1
Dec - 09	1729.3	-75.9

2009 quarter resulted from increased spending on merchandise imports of US$199.2 million primarily driven by higher payments for fuel and a seasonal increase in the demand for consumer goods. Increased spending on fuel imports reflected an 11.5 per cent increase in oil prices during the quarter. Notwithstanding, foreign currency outflows were significantly lower than the December 2008 quarter reflecting the overall weakness in domestic demand conditions **(**see **Table 2.15)**. The Bank estimates that foreign currency inflows related to current account transactions increased by US$34.5 million, influenced by a 5.0 per cent growth in gross private transfers, when compared to the previous quarter.

Net private capital inflows were insufficient to offset the net demand for current account transactions in the December quarter, resulting in a net foreign currency outflow of US$80.1 million. Most of this net outflow occurred in November due primarily to the impact of margin calls following the downgrade in Jamaica's sovereign credit ratings by international rating agencies in the month (see **Bond Market**). Consistent with the increased demand during the quarter, average daily sales by the system (authorised dealers and cambios) increased to US$28.7 million from US$26.4 million in the previous quarter. Average daily foreign currency supplies to the system remained unchanged at US$24.0 million.

During the quarter, the Bank augmented the supply of foreign currency to the market while maintaining the foreign exchange surrender facility for public sector entities (PSE facility). This served to temper demand pressures, particularly in the latter part of the quarter. With regard to the level of intervention in the market, the Bank sold approximately US$114.9 million (net) relative to purchases of US$61.9 million (net) in the previous quarter. Approximately US$188.9 million was surrendered by authorized dealers and cambios through the PSE facility relative to US$197.3 million in the previous quarter.

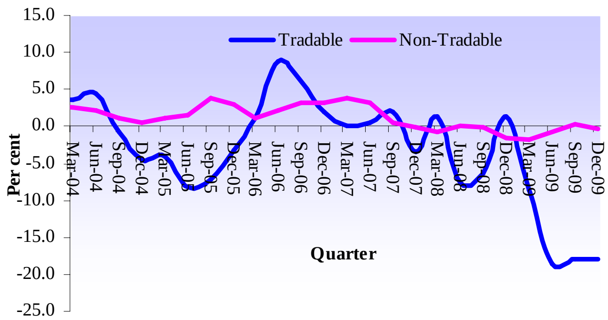
In the context of capital and current account transactions, the NIR stock at end-December 2009 was US$1 729.3 million, US$203.9 million lower than the stock at end-September 2009 (see **Table 2.16**). The Bank's gross reserves at end-December 2009 amounted to US$1 751.8 million, representing 13.4 weeks of projected goods and services imports which compares favourably with the international benchmark of 12.0 weeks.

3. Real Sector Developments

*Economic activity continued to weaken in the December 2009 quarter, with an estimated decline in Gross Domestic Product (GDP) in the range of 2.0 per cent to 3.0 per cent. This follows a contraction of 2.3 per cent in the September 2009 quarter. The outturn in the review quarter continued to emanate primarily from the tradable industries, in particular **Mining & Quarrying, Manufacture** and **Transport, Storage & Communication**. Robust growth was, however, estimated in **Agriculture** as well as a moderate improvement in **Electricity & Water**. The decline in GDP was reflected in private and public consumption spending and gross fixed capital formation, which outweighed an improvement in net external demand.*

Figure 3.1

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



Aggregate Supply

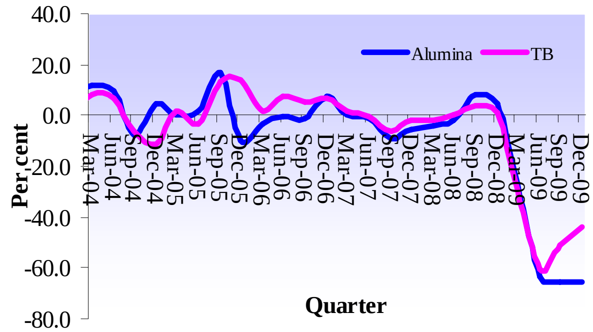
The Jamaican economy continued to contract as external demand for its exports remained weak. As such, the tradable industries continued to record significant declines in the review period (see **Figure 3.1**). Against this background, the Jamaican GDP is estimated to have contracted in the range of 2.0 per cent to 3.0 per cent, representing the ninth consecutive quarter of decline. This reduction translated to a decline in output for 2009 in the range of 2.0 per cent to 3.0 per cent.

The main industries that contracted in the review quarter were ***Mining & Quarrying***, ***Transport, Storage & Communication***, ***Manufacture***, ***Construction*** and ***Wholesale & Retail Trade, Repairs & Installation of Machinery***. In contrast, robust growth was estimated for ***Agriculture, Forestry & Fishing***, while there was a moderate increase in ***Electricity & Water***.

GDP is estimated to have contracted in the range of 2.0 to 3.0 per cent during 2009.

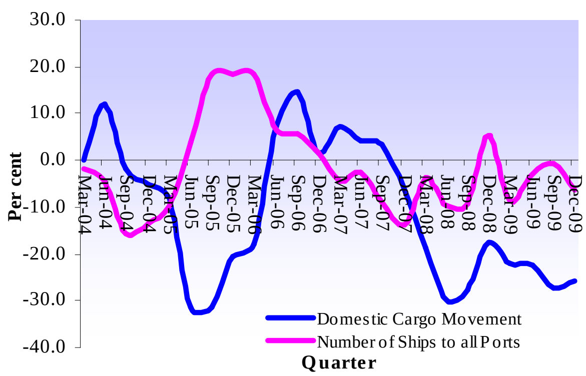
Given the weak global demand for aluminium, ***Mining & Quarrying*** contracted for the fourth consecutive quarter. The industry's performance reflected the impact of the closure of two alumina companies as well as reduced activity at the sole bauxite plant. Accordingly, capacity utilization in the alumina and bauxite industries was 31.0 per cent and 91.0 per cent, respectively. Consequently, alumina and total bauxite production contracted by 65.0 per cent and 45.7 per cent, respectively, in the review quarter (see **Figure 3.2**).

Figure 3.2
Trends in Alumina &Total Bauxite Production
(12-Month Change)



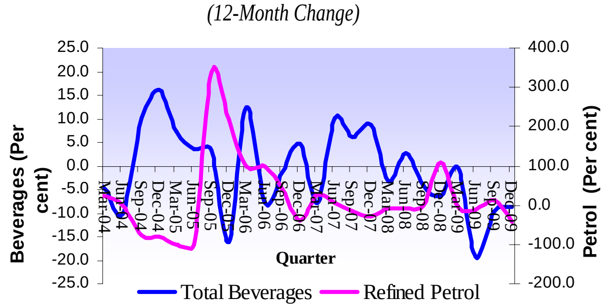
Source: Jamaica Bauxite Institute

Figure 3.3
Total Domestic Cargo Movements
(12-Month change)



Source: Port Authority of Jamaica

Figure 3.4
Total Beverages & Refined Petroleum Production
(12-Month Change)



Source: BOJ, PIOJ

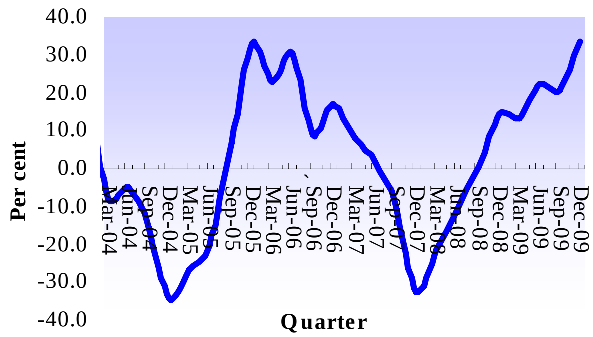
During the review period, the contraction in ***Transport, Storage & Communication*** is estimated to have slowed, relative to the average decline of 5.1 per cent for the first three quarters of 2009. This outturn was influenced by a slower rate of contraction in water transport relative to the preceding three quarters. The reduction in water transportation was inferred from fallouts of 23.7 per cent and 8.0 per cent, respectively, in domestic cargo movements and the number of ships calling on Jamaica's ports relative to the December 2008 quarter (see **Figure 3.3**). The decline in domestic cargo movement compares favourably to an average decline of 29.3 per cent over the previous three quarters. The slowing could be related to the nascent recovery in the global economy. Air transport was negatively affected by reduced operations by the national airline carrier as well as a reduction in visitor arrivals during the quarter of 3.6 per cent. The decline in visitor arrivals is attributed partly to reduced cruise passenger arrivals due to weak demand for Jamaica as a cruise destination.

Manufacture continued to be impacted by weak external demand associated with the global economic depression as well as lower domestic demand due to reduced disposable income. Consequently, the industry is estimated to have contracted for the eighth consecutive quarter, albeit at a slower pace than the average decline of 5.9 per cent recorded for the preceding quarters of 2009. This estimate was influenced by declines in *Food & Beverages* and *Other Manufacturing.* Contraction in *Food & Beverages* emanated primarily from lower production of alcoholic and non-alcoholic beverages, while the fallout in *Other Manufacturing* mainly reflected the decline in crude oil refining due to the closure of the sole oil refinery in the quarter for maintenance (see **Figure 3.4**).[10] Also contributing to the fallout in *Other Manufacturing* is a reduction in chemical products and detergent. The reduction of chemical products partly reflected lower production of aluminium sulphate stemming from reduced demand from the alumina companies while lower output for detergent was due to the closure of a plant.

For the fifth consecutive quarter, ***Agriculture, Forestry and Fishing*** is estimated to have recorded robust growth attributed mainly to the

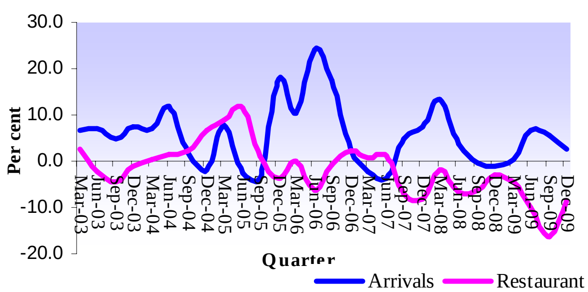
[10] The plant was closed for six weeks and was reopened in mid-November. In 2008, the plant was closed for maintenance in the September quarter.

Figure 3.5
Domestic Crops
(12-Month Change)



Sources: BOJ, Ministry of Agriculture

Figure 3.6
Total Stopover Visitor Arrivals & Imputed Restaurant Output
(12-Month Change)



Source: BOJ, Jamaica Tourist Board

continued improvements from the Production and Productivity Programme of the Ministry of Agriculture[11]. Growth emanated primarily from domestic agriculture. Domestic agriculture output is estimated to have grown by 33.4 per cent in the review period, following average growth of 18.7 per cent over the preceding quarters of 2009 (see **Figure 3.5**). With regard to export agriculture, citrus and coffee are estimated to have declined by 34.2 per cent and 49.8 per cent, respectively. The decline in citrus production reflects the impact of the ''huanglongbing'' disease on the crop, while coffee production was impacted by drought conditions during the quarter.

For the review period, *Electricity & Water* is estimated to have grown above the average growth of 2.0 per cent recorded since March 2009. The improvement primarily reflects the re-commissioning of 10 megawatts of generating capacity at the Bogue Power Station in October 2009. In this context, electricity generation increased by 3.6 per cent, relative to the similar period in 2008. Additionally, water production increased marginally by 0.1 per cent against a decline of 2.4 per cent in the December 2008 quarter, reflecting rehabilitation and development activities by the National Water Commission.

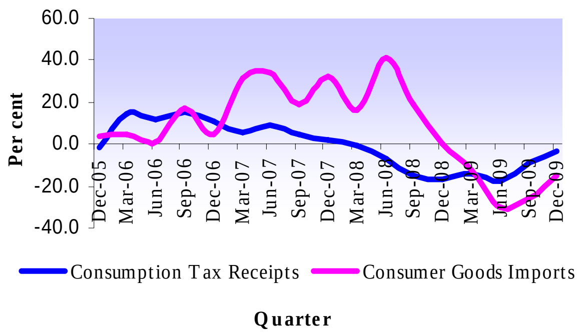
The value-added of *Hotels & Restaurants* for the review quarter is estimated to have remained similar to the corresponding period in 2008. Stop-over visitor arrivals increased marginally by 2.5 per cent during the period, reflecting inter-alia significant discounting by hotels (see **Figure 3.6**). Arising from lower real income, activities within the restaurant segment is estimated to have declined by 8.4 per cent.

Aggregate Demand

Estimates of the expenditure-based measure of real GDP for the review quarter suggest further declines in ***Private*** and ***Public Consumption*** as well as ***Investment.*** This is in contrast to an estimated improvement in the ***Net External Demand***, relative to the comparable period of 2008.

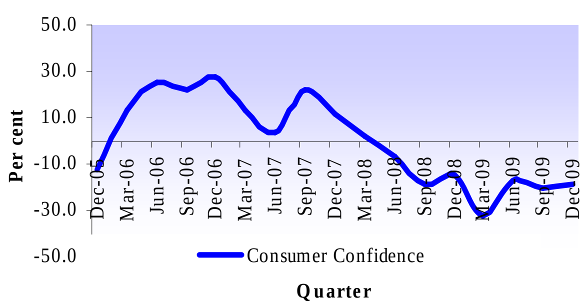
11 The Production and Productivity Programme was established in October 2008 and include, inter alia, the development of greenhouse farms and the provision of machinery and lower cost fertilizer to assist farmers in land cultivation and crop development. The programme aims to transform the current value chain through: (1) the restructuring of research & development, investment and marketing (2) advancing technical competencies and practices.

Figure 3.7
Private Consumption Spending Indicator
(12-Month Change)



Source: BOJ, Ministry of Finance

Figure 3.8
Consumer Confidence Index
(12 Month Change)



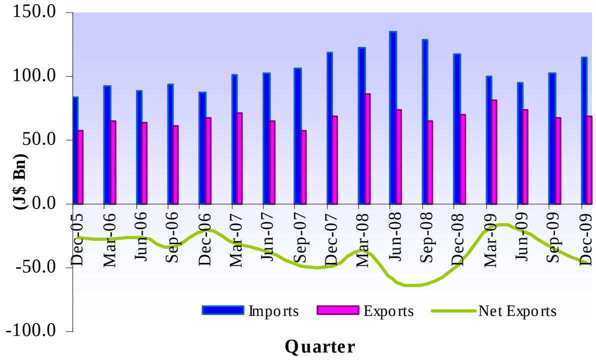
Source: Jamaica Conference Board

The prolonged contraction in aggregate demand continued to predominantly reflect a reduction in ***Private Consumption***. However, during the review period the contraction was lower than the average decline over the previous three quarters. The reduction in private spending was inferred from estimated declines of 13.8 per cent and 3.7 per cent in consumer goods imports and consumption tax receipts, respectively (see **Figure 3.7**). Private consumption was adversely impacted by the continued erosion in household incomes attributed to increased unemployment, lower real remittance inflows and the overall general uncertainty emanating from a weak domestic economy. The decline in consumer spending was corroborated by the deterioration in consumer confidence as reflected in the decline of 18.8 per cent in the Jamaica Conference Board's consumer confidence index, relative to the similar period in 2008 (see **Figure 3.8**). This contraction represented the seventh consecutive quarter of reduction and reflected consumers' expectations of future decline in real incomes as job creation prospects remain bleak.

Against the background of a relatively tight fiscal stance, ***Public Consumption*** declined during the review quarter, relative to the corresponding quarter of 2008. The contraction in public spending was inferred from a real decline of 6.2 per cent in Government spending on wages. This decline is attributed mainly to the freeze on wage increases within the public sector.

In the context of sustained tight credit conditions in both the domestic and international credit markets, the declining trend observed in ***Gross Fixed Capital Formation*** since 2008 continued into the review quarter, albeit at a slower rate. Indicators of private investment spending, including foreign direct investment and capital goods imports, showed declines of 28.4 per cent and 10.0 per cent, respectively, during the review quarter. The decline in capital goods imports compares to an average decline of 25.4 per cent in the previous three quarters of 2009. The decline in private investment was partly offset by an improvement in public investment, which was deduced from an expansion of 26.3 per cent in government capital expenditure. Further, investment by other public entities also improved in the quarter, notably the construction of the Falmouth Cruise Terminal by the Port Authority of Jamaica.

Figure 3.9
Net Exports
(Constant 2003 Prices)

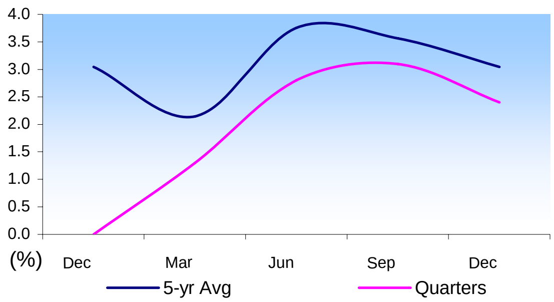


Source: BOJ, STATIN

Given the general slowdown in the Jamaican economy, domestic demand for goods and services remained weak. In this context, there was an estimated improvement in Net External Demand when compared to the similar period of 2008 (see **Figure 3.9**). This improvement is facilitate by the decline in both the imports and exports of both goods and services, with the latter declining at a slower rate relative to the previous. Given the above the improvement in the net external demand is reflected in an estimated real decline of 2.0 per cent in the imports of goods and services and a reduction of 1.6 per cent in the exports of goods and services. The decline in imports is inferred from contractions of 37.7 per cent and 13.8 per cent in raw materials and consumer goods imports, respectively. In relation to exports, the slower rate of decline is influenced by an expansion of 27.7 per cent in non-traditional exports, influenced mainly by growth in the exports of ethanol and mineral fuel.

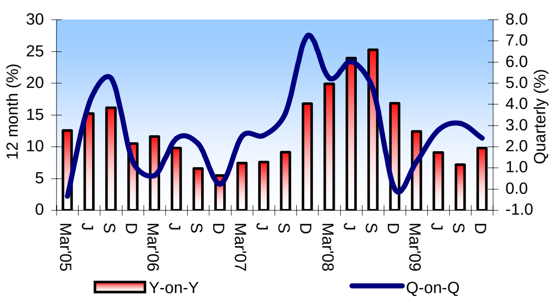
4. Inflation

Figure 4.1
Quarterly Inflation Rate



Source: Statin & BOJ

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



Source: Statin & BOJ

Headline inflation for the December 2009 quarter was 2.8 per cent. This outturn compares favourably to the 3.1 per cent outturn for the September 2009 quarter and was inline with the Bank's projections. The inflation for the December 2009 quarter was below the five year average of 3.1 per cent.[12] Inflation in the review quarter was largely attributed to increases in electricity and rental rates, drought conditions that affected yields on short-term crops and to a notable extent the direct impact of rising international fuel prices on transportation cost. There were some offsetting impact from declining prices in starchy foods that reflected improved supplies following seasonal lows, and deterioration in consumer spending during the review quarter.

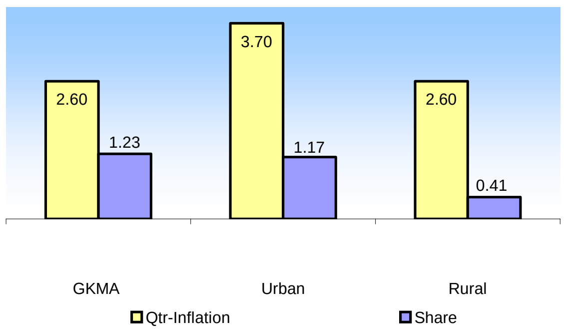
Trends in Price Indices

During the December 2009 quarter the All Jamaica CPI increased by 2.8 per cent. This compares favourably to the 3.1 per cent in the September 2009 quarter, but was less than the 0.0 per cent in the December 2008 quarter. The 0.0 per cent inflation recorded for the December 2008 quarter was unusually low, due to the countervailing impact of declining oil prices during that period. The outturn for the December 2009 quarter was within the projected 1.5 per cent to 3.5 per cent inflation range announced in the September 2009 Quarterly Monetary Policy Review (QMPR). Inflation for both October and November was 0.8 per cent and slightly higher at 1.1 per cent in December. The 2009 calendar year inflation was 10.2 per cent which was considerably below the 16.8 per cent outturn for 2008. Inflation for the first nine months of the fiscal year 2009/10 was 8.8 per cent which was notably below the 11.0 per cent for the corresponding period of fiscal year 2008/09.

The main factors contributing to inflation in the December 2009 quarter included electricity rate adjustments, increased price of short-term agriculture crops, upward trends in rental rates, and higher fuel prices. These changes were mainly reflected in *Housing Water Electricity Gas and Other Fuels, Food and Non-Alcoholic Beverages*, and *Miscellaneous Goods and Services* which together contributed in excess of 80 per cent of the December 2009 quarter inflation. All regions experienced higher inflation during the December 2009 quarter. The largest price increases

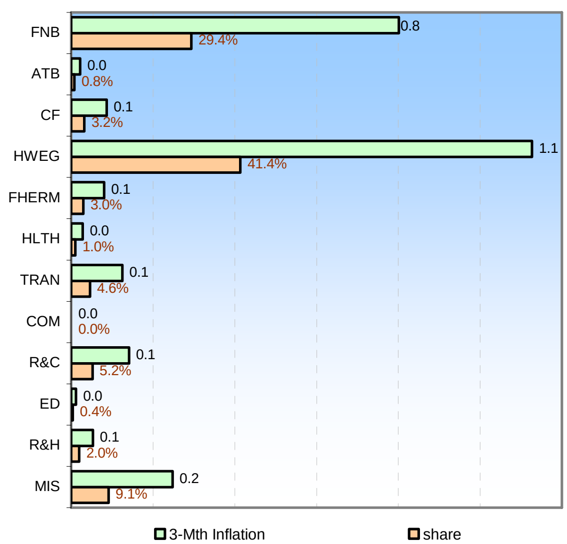
[12] The five year average for a quarter is calculated as a simple average of the corresponding quarter in the previous five years.

Figure 4.3
Geographical Distribution of Inflation and Share



Source: STATIN & BOJ

Figure 4.4
Inflation by Division



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

Source: STATIN & BOJ

were observed in the Other Urban Centres (OUC) followed by Rural Areas (RA) and Greater Kingston Metropolitan Area (GKMA), which grew by 3.7 per cent, 2.6 per cent and 2.6 per cent, respectively (see **Figure 4.3)**. Rising electricity and rental rates were significant drivers to inflation across all regions.

Underlying Inflation

All measures of core inflation in the December 2009 quarter were lower than the outturns in the September 2009 quarter. In December 2009, the quarterly trim-mean (CPI-TRIM) was 1.33 per cent while the CPI without Agriculture and Fuel (CPI-AF) was 2.36 per cent, and the CPI without Food and Fuel (CPI-FF) was 2.28 per cent. The calendar year to date (CYTD) measures of core inflation were also notably below the 2008 results. For the calendar year, the trim mean decelerated to 5.34 per cent in 2009 from 10.27 per cent in 2008. The CPI-AF decelerated to 10.2 per cent from 16.6 per cent, while the CPI-FF decelerated to 9.62 per cent from 12.64 per cent. For the first nine months of fiscal year 2009/10, all measures of core inflation decelerated with the exception of CPI-FF which remained unchanged.

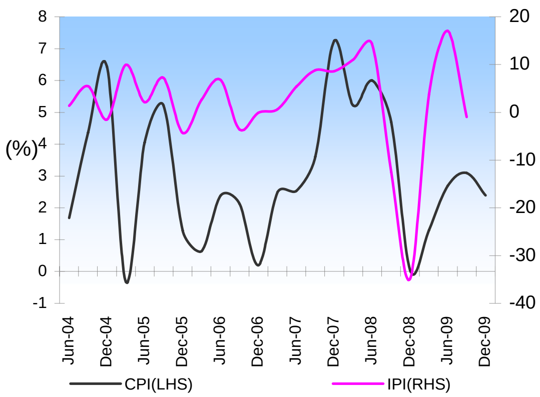
Main Inflationary Factors

The main impulses to inflation emanated from price of energy related commodities and food prices. These factors led to increases in *Housing, Water, Electricity, Gas & Other Fuels*, which contributed the largest share of 41.4 per cent to the December quarter inflation. The second largest contribution of 29.4 per cent came from *Foods and Non-Alcoholic Beverages*, followed by 9.0 per cent from *Miscellaneous Goods and Services* (see **Figure 4.4**).

Household Energy Prices

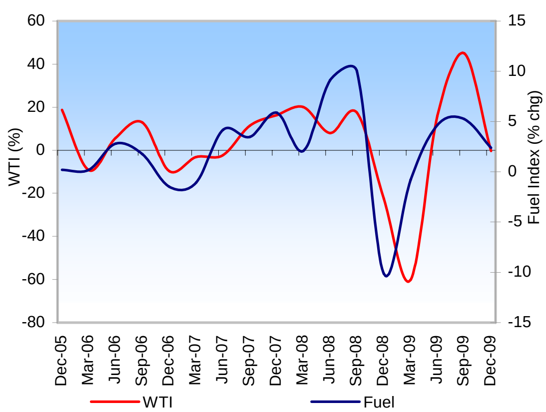
In the December 2009 quarter energy-related inflation, as measured by changes in the Bank's Fuel Index, expanded by 4.0 per cent following a 5.3 per cent increase in the September 2009 quarter (see **Figure 4.6**). Energy related inflation pressures reflected an increase in electricity rates and a gradual increase in fuel costs. The increase in electricity rates ranged from 1.1 per cent to 5.4 per cent for residential customers depending on the level of consumption. The increase in fuel cost was due to increases in kerosene and liquid petroleum gas (LPG), which increased by 11.6 per cent and 6.6 per cent respectively for the review quarter.

Figure 4.5
Lagged Import Price Index and Inflation



Source: STATIN & BOJ

Figure 4.6
Quarterly Change in Fuel Index and Lagged WTI



Source: STATIN & BOJ

The increases in the prices of energy related commodities were also due to the rising price of crude oil. Transportation costs increased as a result of the direct pass-through of higher automotive fuel prices (see **Figure 4.4**). The West Texas Intermediate (WTI) Crude Oil Price Index increased by 7.0 per cent during the December 2009 quarter. This was attributed to below normal temperatures in the US and continued deterioration in the US dollar vis-à-vis other major trading partners[13] (see **Figure 4.7**).

Food Prices

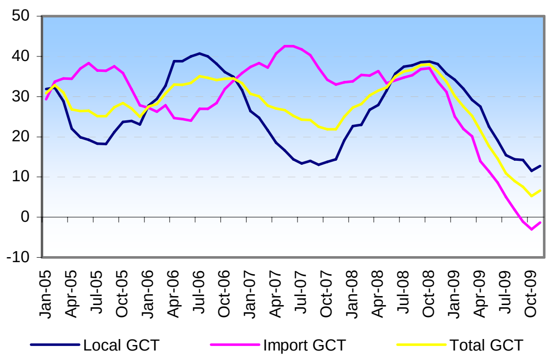
Food and Non-Alcoholic Beverages increased by 2.1 per cent in the December 2009 quarter. Inflationary pressures emerged from the impact of drought conditions on the supply of short-term crops such as tomatoes, cabbages, and carrots. Increased prices for fish and meat items also contributed to the December 2009 quarter inflation. This was primarily due to price increases for highly weighted items in the division such as chicken and salt-fish (see **Figure 4.4**). Notably, the price of sugar rose by 28.8 per cent announced towards the end of the September 2009 quarter. The increase in sugar price was in response to the continued increase in prices on the global market for sugar from weather related shocks that affected India and Brazil[14].

Among the range of food items, starchy foods was the only category that recorded a decline in prices during the review quarter. Supply of ground provisions reached seasonal highs toward the end of the September 2009 quarter and the very early part of the December 2009 quarter. These increased supplies resulted in lowered prices. However, the reduction in starchy food prices was insufficient to offset the inflationary impulses from other food related items.

[13] When the value of the US dollar falls, traders tend to bid up price to compensate for exchange losses.
[14] India's sugar supply was insufficient to meet domestic demand requiring the territory to become a net importer which placed significant upward pressures on the price for sugar on the global commodities market.

Figure 4.7

Real 12-Month Moving Average Per cent Changes in GCT



Source: MOF&P & BOJ

Miscellaneous Service Costs

The costs of several miscellaneous services increased during the quarter. An 80 per cent increase in the price of passports, coupled with a general upward movement in the prices of personal care items led to an expansion in *Miscellaneous Goods and Services*, which accounted for 9.1 per cent of inflation in the December 2009 quarter. Higher rental rates indicated bythe 11.2 per cent increase in the housing rental index contributed significantly to the inflation rate recorded in *Housing Water Electricity Gas and Other Fuels*.

Other Demand and Supply Factors

Demand side indicators such as credit card receivables, GCT collections, and consumer confidence surveys reflected countervailing demand side pressures on inflation. Additionally, a number of Government initiatives directed at supporting supply conditions lessened inflationary pressures resulting from deteriorating supply conditions domestically (see **Real Sector**).

Demand side indicators reflected downward pressures on inflation during the review quarter as consumer's willingness and ability to spend declined when compared to the December 2008 quarter. Seasonally adjusted nominal and real GCT collections suggested falling consumption since September 2008 when there was an intensification of the global financial crisis (see **Figure 4.7**). Remittances declined by 11.4 per cent for the 2009 calendar year when compared to the 2008 calendar year resulting in significant pressure on Jamaican consumers to spend less. Since February 2009, quarterly total credit card receivables in real terms have been on a downward trend, following a decade of sustained increase. Real credit card receivables declined by 2.7 per cent in the December 2009 quarter relative to the December 2008 quarter. These trends reflect a general slowdown in consumer spending (see **Real Sector** chapter).

5. Economic Outlook and Monetary Policy Perspectives

Macroeconomic developments in the March 2010 quarter will be influenced by recent Government of Jamaica (GOJ) fiscal policies, which will be critical to the achievement of targets under a new International Monetary Fund (IMF) supported programme. These measures will have a contractionary impact on disposable incomes and exert some upward impulses to prices in the short run.

Domestic output could decline by 1.0 per cent to 2.0 per cent in the March 2010 quarter. The contraction in output in the March quarter will mainly result from the performance of Mining & Quarrying, Construction and Transport, Storage & Communication..

Headline inflation is projected in the range 3.5 per cent to 4.5 per cent. This forecast is underpinned by the aforementioned new fiscal measures as well as expectations of marginal increases in imported inflation and stable domestic capacity conditions.

The Central Bank's monetary policy will continue to be guided by the medium term objective of single digit inflation. The implementation of a Stand-By Arrangement with the IMF will enhance the ability of the BOJ to maintain stability, through its impact on confidence and the significant multilateral inflows which accompany the programme.

Table 5.1

Jamaica: Selected Economic Indicators

	Projections for Mar'10 Quarter	Target for FY09/10
Inflation (% change)	3.5 – 4.5	11.5– 13.5
Base Money (% change)	-8.8	3.9
Gross Reserves (End Period)	2084.6	2051.0
Weeks of Imports of Goods & Services (US$MN)	15.0	14.8
GDP (12-mth % chg.)	-ve	-4.0 – 3.0

Outlook - March 2010 Quarter

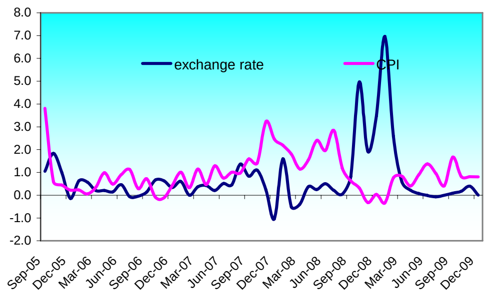
Inflation

Headline inflation in the March 2010 quarter should be in the range 3.5 per cent to 4.5 per cent. This would represent an increase over the rate recorded in the December 2009 quarter and exceed the seasonal average of 1.7 per cent.[15]

Inflation in the March 20010 quarter should be higher than the outturn in the December 2009 quarter.

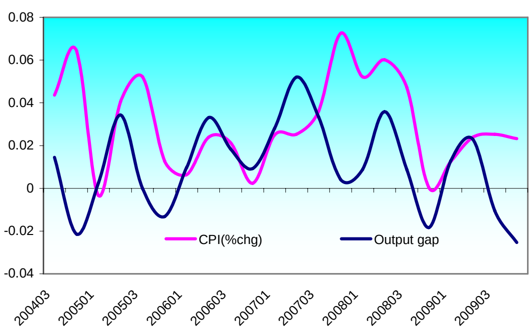
[15] The seasonal average is calculated from 2002 to 2009.

Figure 5.1
Trends in Changes in Exchange Rate and Headline Inflation



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

Figure 5.2
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)

Inflation during the quarter will be influenced by the income and price effects of the announced fiscal measures. The main price impact will result from the increase in the rate of the General Consumption Tax (GCT) and new taxes on fuel as well as electricity. The inflation forecast is underpinned by expectations of marginal increases in imported inflation and stable domestic capacity conditions.

Imported Inflation

Average import prices, as measured by the Bank's import price index, are projected to rise by 4.0 per cent during the March 2010 quarter. The general increasing trend in international commodity prices reflects continued growth projected for US real GDP in the March 2010 quarter. This growth is attributed to the fiscal incentives which include the extensions and expansion of the tax credit scheme for home buyers as well as several infrastructural projects.

The anticipated rise in import prices in the March 2010 quarter is primarily driven by a projected increase in crude oil prices in the range of 8.0 per cent to 9.0 per cent, relative to the December 2009 quarter. Fuel prices should reflect the impact of increased demand associated with below-average winter temperatures in North America and Europe as well as infrastructural projects in the US during the quarter.

Other international commodity prices are also expected to rise during the March 2010 quarter. In particular, wheat and corn prices are projected to rise by 7.0 per cent to 8.0 per cent and 6.0 per cent to 7.0 per cent, respectively. The anticipated movement in the prices of wheat and corn primarily reflects rising demand for grains used in animal feed as a result of lower temperatures in the US. Adverse weather conditions in several major rice-producing countries in Asia are expected to contribute to lower supplies, resulting in a 15.5 per cent to16.5 per cent increase in price.

The domestic market for foreign currency during the March quarter should be characterised by a seasonal increase in foreign currency inflows from major earners, particularly tourism. Foreign exchange demand, however, is expected to increase during the quarter largely

Figure 5.3
Index of Inflation Expectations

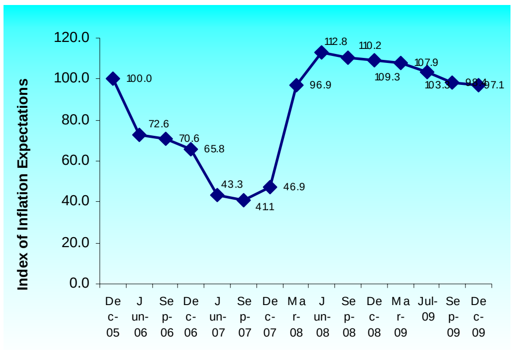
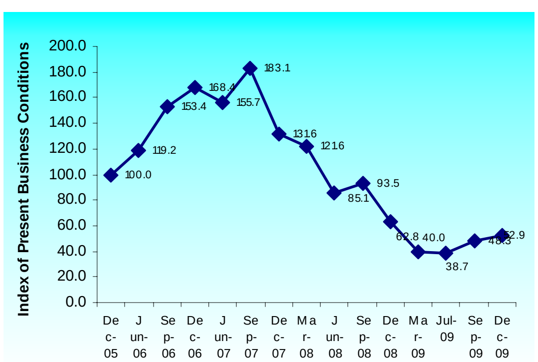


Figure 5.4
Index of Present Business Conditions



due to the anticipated rise in crude oil prices. The foreign exchange market may also be influenced by a reduction in net private capital inflows due to the uncertainty during the transition period of the proposed debt operations. Net private capital inflows are, however, expected to improve in the second half of the quarter as confidence returns to the economy.

Domestic Capacity Conditions

Excess domestic capacity conditions as indicated by the output gap and labour market indicators should temper the impact of higher imported inflation and the fiscal measures on domestic inflation.

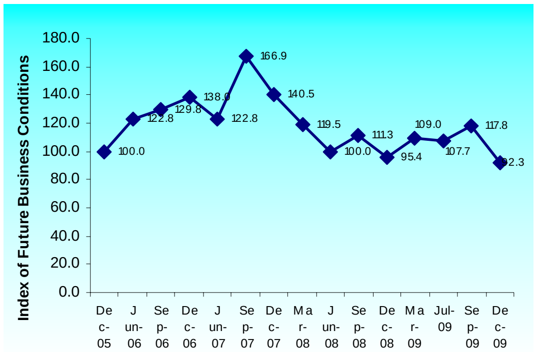
The Bank estimates that the domestic output gap became negative in the September 2009 quarter and this negative gap continued into the December quarter. With the global demand showing some signs of improvement and the rate of decline in domestic output slowing, it is forecasted that the output gap should remain negative, but smaller than the gap recorded in December 2009 (see **Figure 5.2**). This excess capacity condition should reduce any upward price impulses to capital and labour and therefore temper headline inflation

The Statistical Institute of Jamaica's (Statin's) labour market survey, conducted in September 2009, indicated that real wages increased by 4.0 per cent relative to September 2008. This follows a 2.7 per cent increase for the 12-month period ended June 2009 and mainly reflects continued declines in headline inflation rates. Real wages should record marginal growth in the December 2009 quarter and a decline in March 2010 quarter, as a result of the projected uptick in inflation in the March 2010 quarter, as well as continued weak labour market conditions.

Inflation Expectations

The Bank's Inflation Expectations Survey for the December 2009 quarter indicated that inflation expectations remain relatively high. The pace of decline slowed markedly, possibly reflecting the impact of fiscal measures on price expectations (see **Figure 5.3**). Business' perceptions of economic present conditions continue to improve marginally. However, the perceptions of future economic conditions are not as optimistic.

Figure 5.5
Index of Future Business Conditions



Agriculture should continue to record strong growth in the March 2010 quarter.

Output

Output is forecasted to contract by 1.0 per cent to 2.0 per cent in the March 2010 quarter, slower than the rate of contraction estimated for the December 2009 quarter. The main industries that should contribute to this decline are *Mining & Quarrying*, *Manufacture*, *Construction* and *Transport*, *Storage & Communication*. *Agriculture* is projected to continue to record robust growth, while moderate growth is forecasted for *Electricity & Water Supply*.

The outlook for *Mining & Quarrying* reflects an anticipated 38.2 per cent decline forecasted for the mining industry. This decline, which is slower than the pace recorded over the three previous quarters, continues to reflect the closure of two of three alumina companies.[16]

In the context of continued declines in private sector investment projects, residential construction and public sector capital projects, *Construction* is forecasted to continue its contraction in the March 2010 quarter. Private sector investment continues to be adversely affected by the global financial crisis and weak domestic demand. Similarly, *Manufacture* will continue to be impacted by weak external and domestic demand associated with the global economic depression. *Transport*, *Communication & Storage* should continue to reflect a fallout in air transport as reflected in the operations of the national carrier as well as a slower rate of decline in water transport.

The expected continuation of the strong growth in *Agriculture* reflects the impact of the Production & Productivity programme of the Ministry of Agriculture as well as relatively favourable weather conditions. The projection for moderate growth in *Electricity & Water Supply* reflects the re-commissioning of 10 megawatts in generating capacity in the December 2009 quarter.

The risks to the forecasts for domestic output are biased to the downside as there is uncertainty about future domestic income and hence spending prospects. Any positive shock to output would most likely be externally driven.

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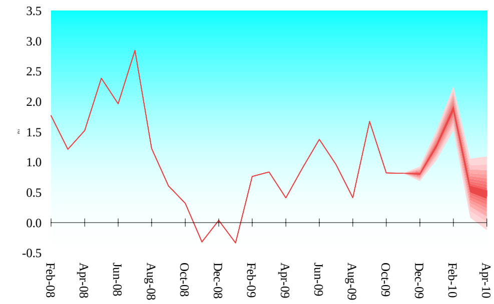
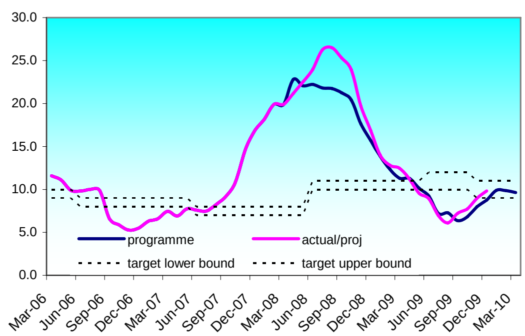
[16] Of note, the closed companies were operating at approximately 40.0 per cent of their capacity in the corresponding quarter of 2009.

Figure 5.6
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.

Figure 5.7
Consumer Price Index
(Annual point to point change)



Outlook - FY2009/10

Since the September 2009 quarter, the global economy has been displaying signs of improvement following a prolonged period of significant contraction. In this context, there could be marginal increases in international demand and international commodity prices in the March 2010 quarter. However, for the first time in the fiscal year, the fortunes of the domestic economy will be predominantly determined by domestic fiscal and monetary policies.

In December 2009, the GOJ announced additional fiscal measures, which will take effect in the March 2010 quarter. These measures will have a contractionary impact on disposable income as well as result in some upward impulses to prices.

In this context, output for the fiscal year is now projected to contract by 2.5 per cent to 3.5 per cent. Annual point to point inflation should end the year in the range 11.5 per cent to 13.5 per cent.

Risks

The risks to the inflation forecast are skewed to the upside (see **Figure 5.6**). The upside risks include a greater than projected movement in international commodity prices due to adverse weather conditions as well as possible second round increases as a result of the new fiscal measures. Downside risks to the inflation forecast include a greater than anticipated contraction in demand due to the significant reductions in real incomes.

Monetary Policy

The Central Bank's policy strategy has been successful in maintaining price changes in line with programme (see **Figure 5.7**). Monetary policy will continue to be guided by the medium term objective of single digit inflation and financial market stability. The fiscal measures and reforms under the two-year IMF supported programme, specifically the debt exchange programme, fiscal responsibility framework and the central treasury management system, will enhance the ability of the Bank to achieve its objective.

Further adjustments in interest rates will ensue as the prospects for inflation improve. The debt exchange programme will result in a significantly different yield curve when trading resumes. As such the Bank has temporarily removed tenors over 30 days from its daily menu of open market instruments. The Bank expects to receive US$650.0 million from the IMF during the March 2010 quarter, which in addition to multilateral inflows approximating US$433.0 million, will significantly enhance the capacity of the BOJ to maintain stability in the foreign exchange market and financial system.

Box 1: Bank of Jamaica Liquidity Support to Government November 2009 – January 2010

An intensification of the global financial crisis during the period September–October 2008 and the subsequent sharp downturn of the world economy led to unprecedented responses by central banks. These have included the granting of liquidity support to governments, mainly through the purchase of securities in primary offers in light of the dysfunctional state of the financial system. The Bank of Jamaica was no exception. This has, however, led to heightened public debate given concerns about the potential impact on inflation. In this regard, this Box seeks to outline the context in which the BOJ granted advances to the Government during the period November 2009 – January 2010 and the steps the Bank intends to take to safeguard its single digit inflation objective. The Box also briefly highlights the international convention on granting liquidity support to Government.

It is often argued that central bank advances, where necessary, should be limited and issued at market rates to avoid adverse monetary implications. In a survey conducted by the Bank of International Settlement in 1999, there were some central banks, for example the Bank of Canada, that were allowed to lend a limited amount and purchase a limited amount of securities at market rates. However, the majority of central banks surveyed were precluded from lending to their governments, either by legislation or by written agreement. This view was particularly strong in countries such as Brazil, Chile, Peru and Poland, where lending to the government is precluded by their constitutions (See **Table 1**). Developments since the intensification of the global recession however, have caused a number of central banks globally to make exceptions in order to prevent a collapse of financial markets.

The BOJ, by law, is allowed to grant loans to or purchase securities from the Government. Under Section 37 of the Bank of Jamaica Act, the Bank is permitted in any financial year to purchase or otherwise acquire, on a primary issue, securities issued or guaranteed by the Government of a nominal value of up to 40.0 per cent of the estimated expenditure of the Government in that financial year. Temporary advances are also permitted up to 30.0 per cent of aggregated revenue with the provision that these must be repaid within three months of the end of the fiscal year in which such funds are advanced.

The Bank, only under extenuating circumstances, has exercised its power under the Act to grant liquidity support to the Government.[17] This support increased during FY2009/10 relative to recent periods, consequent on the impact of the global recession on the Government's revenue inflows.[18] In addition, the demand for increased BOJ support coincided with a period of heightened uncertainty among domestic investors surrounding the terms of and deadline for an IMF agreement as well as the potential impact of the Jamaica Debt Exchange (JDX) being undertaken by the Government. During this period of uncertainty, the demand for Government instruments fell sharply as

[17] This relationship with the Government has existed since the Bank began operations in 1961.

[18] By end December 2009, revenues were estimated at $26.2 billion below budget mainly reflecting a shortfall of $21.9 billion in tax revenues. The Government attempted to contain the deficit by reducing expenditures by $5.0 billion during the period.

institutions opted to hold funds in overnight balances at the BOJ, rather than invest in Government securities. The liquidity support also occurred in a context where the external capital market was closed to Jamaica.

During November and December 2009, the Bank extended credit to the Government by way of a temporary advance as well as through participation in two primary issues of securities. The amount advanced in November was $5.1 billion of which $2.5 billion was repaid in early December. An agreement was made in December to convert the remaining $2.6 billion to securities. The Bank also purchased a total of $18 billion from the Government public offers on 15 December.

On 12 January 2010, the GOJ issued a 60-day Treasury bond[19] and the Bank purchased $13.0 billion of these securities on 14 January. This was the only GOJ offer during January as there was a virtual freeze of the local GOJ bond market. This freeze was in a context of the uncertainty surrounding the announcement of the JDX programme launched on 14 January. It is possible that the Bank will make further purchases in the March 2010 quarter to ensure the smooth functioning of the Government until the bond market normalises.

The Bank realizes the potential impact of this deficit financing on inflation. However, it is expected that the liquidity injected from these activities will be temporary. The BOJ expects that as the outlook for the securities market becomes clear subsequent to the JDX, institutions and investors will have a strong incentive to place their funds in GOJ longer term instruments. The Bank of Jamaica will use the opportunity to sell some of its holdings of Government securities to satisfy this demand. The Bank does not foresee a challenge in disposing of these securities as the instruments acquired from the purchases will be exchanged under the JDX for new securities more suitable for its monetary policy operations.[20]

The BOJ is committed to achieving an inflation outcome in the range of 6.0 per cent – 7.0 per cent in the medium term (see **Box 3**). The structural reforms that form an integral part of the Programme will provide the necessary support for the achievement of this objective. The collective impact of the reforms will lead to consolidation of public finances which will set the stage for lower deficits and progressively lower financing needs. The financing needs over the next two years will rely heavily on funding from the multilateral financial institutions. In this context, it is expected that any advances that may be necessary during the period of the debt exchange will be repaid by the Government from funds raised in the market.

[19] On 12 January, the BOJ removed all tenors of Open Market instruments above 30-days.

[20] BOJ has exchanged 100.0 per cent of its securities in the JDX.

Table 1

Government Funding by Central Banks

	Overdraft	Loan	Purchase of bonds in primary market	Purchase of bonds in secondary market
China	Prohibited by law	Prohibited by law	Prohibited by law	Allowed
India	Limited, bank rate +2%	Short-term	Allowed	Allowed
Indonesia	Prohibited by law	Prohibited by law	Prohibited	Allowed
Korea	Allowed	Limited amounts at rates set by central bank	Allowed	Allowed
Malaysia	Allowed	Limited amounts for short term	Allowed	Allowed
Brazil	Prohibited by constitution	Prohibited by constitution	Prohibited	Allowed
Chile	Prohibited by constitution	Prohibited by constitution	Prohibited by constitution	Prohibited by constitution
Mexico	Mandatory, limited at market rate	Prohibited by law	Prohibited by law	Allowed
Peru	Prohibited by constitution	Prohibited by constitution	Prohibited by constitution	Limited
Czech Republic	Limited by law	Limited by law	Limited amount	Only short-term
Hungary	Prohibited by law	Prohibited by law	Limited amount	Limited amount
Turkey	Prohibited by law	Prohibited by law	Prohibited by law	Allowed
Canada	Limited amount	Limited amount at market rates	Allowed	Allowed
Euro area	Prohibited by law	Prohibited by law	Prohibited by law	Allowed
Japan	Prohibited by law	Limited amount	Allowed	Allowed
United Kingdom	Limited	Prohibited by Maastricht Treaty	Prohibited by Maastricht Treaty	Allowed
United States	Prohibited by law	Prohibited by law	Prohibited by law	Allowed

Sources: Van ‘t dack (1999); central banks.

Box 2: The Dynamics of Jamaica's Interest Rate

Introduction

Interest rates in Jamaica are considered to be relatively high. The long-run average benchmark 180-day Treasury Bill nominal interest rate is 16.8 per cent (see **Figure 1**).[21]

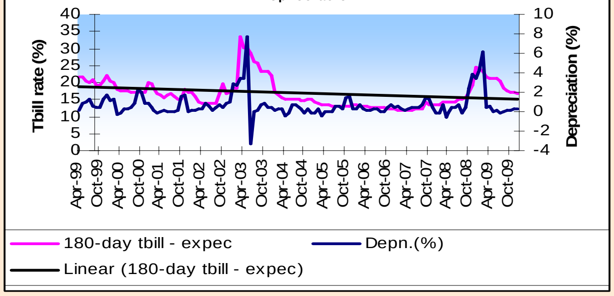


Figure 1. 180-day Tbill Interest Rate and Exchange Rate Depreciation

Prior to the instability in the financial markets in early 2003, the expected real interest rate averaged 9.0 per cent[22]. Subsequent to this episode, expected real rates declined to an average of 3.2 per cent (see **Figure 2**). However, since the onset of the 2008 global financial crisis real interest rates inched up to an average of 9.9 per cent. More specifically, for the December 2009 quarter, real rates were 6.4 per cent on average. The spike in real interest rates from its long-run average has raised some concerns among investors, policy makers and researchers. Against this background, this box seeks to explain the underlying rationale for relatively high interest rates in Jamaica.

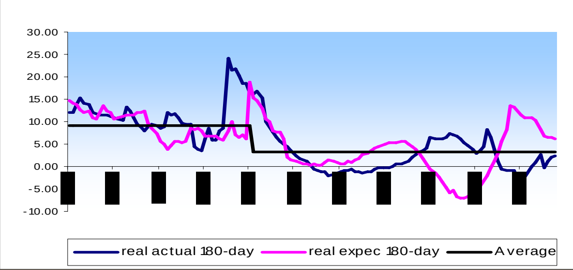


Figure 2. Real Interest Rates: 180-day Tbill

Determinants of Interest Rates

Interest rates are an important determinant of economic behaviour because they affect incentives to spend, save and invest. Moreover, the real interest rate – an interest rate adjusted for either realised or expected inflation – is the relative price of consuming now rather than later.[23] There are three main approaches to or schools of thought on the determination of interest rates. Fisher's theory indicates that the nominal interest rate consists of a real interest rate and an expected inflation component.[24] The Expectations Hypothesis suggests that uncertainty about the future will manifest itself in the level of interest rates and the slope of the yield curve.[25] For example, if investors expect interest rates to increase in the future, this expectation will show in an upward sloping yield curve. Also, if investors are generally uncertain about the future, they will require a higher risk premium via higher interest rates. Additionally, Fama's (1984) Uncovered Interest Parity (UIP) hypothesis postulates that the interest differential between two countries should equal the expected exchange rate change.[26] These theories therefore suggest that interest rates should reflect inflation expectation, other cost of capital and a risk premium, all of which are predicated primarily on the general macroeconomic climate.

There has been a close mapping of the trend movements in the inflation, interest and exchange rates in Jamaica (see **Figure 3**). Inflation expectation has been found to be an important determinant of interest rates. Actual inflation affects how economic agents form their expectations about

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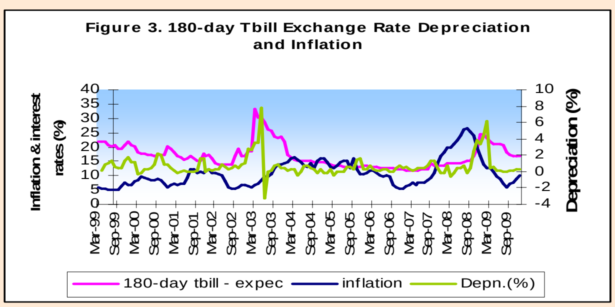
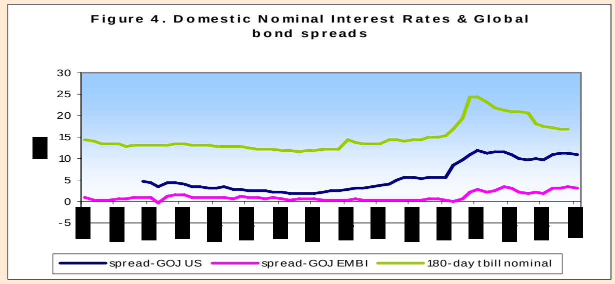
[21] Average between 1999 and 2009.
22 Average between 1999 and 2002.

[23] Actual real interest rate = $r_t - \pi_{t+i}$, where r_t is current interest rate, and π_t is current annualised inflation. Expected real interest rate = $r_t - \pi_t$, where r_t and π_t is a proxy for expected inflation in period i.
24 Fisher (1930), "The Theory of Interest", New York: Macmillan.
25 Sargent (1972), "Rational Expectations and the Term Structure of Interest Rates", Journal of Monetary Economics 2, 169-183.
26 Fama (1984), "Forward and Spot Exchange Rates", Journal of Monetary Economics 14, 319-338.

inflation. The rise and fall of nominal interest rates in the latter part of the sample, for example, were preceded by a gradual rise in the annual inflation rate between March 2007 and September 2008 and a subsequent decline. The increase in inflation in 2007 and 2008 primarily reflected the impact of a sharp rise in international commodity prices, particularly oil. A similar correlation is also observed with exchange rate and interest rate movements. Of note, the depreciation in the exchange rate also informs inflation expectations. Additionally, as the UIP suggests, in 2003 and 2008 investors demanded higher nominal domestic interest rates to compensate for the exchange rate movements given the return on competing foreign currency denominated investments. The sharp depreciation in the latter part of 2002 into early 2003 was precipitated by concerns about the sustainability of the fiscal and current account deficits, while the depreciation in the latter half of 2008 and early 2009 reflected the impact of the global financial crisis.



The strong correlation between an indicator of the risk premium on Jamaican bonds (i.e. spreads on GOJ global bonds and US Treasury Bill and EMBI) and domestic interest rates is confirmed by a graphical representation (see **Figure 4**). The uptick at the end of the period corresponds to the onset of the 2008 global financial crisis and reflects investors' concerns about the impact on the domestic economy, particularly growth, foreign currency earnings as well as the Government's fiscal accounts and debt profile. As the Expectations Hypothesis posits, investors will tend to demand a higher risk premium during times of uncertainty, hence higher nominal interest rates.



Prospects for Interest Rates

The current macroeconomic indicators point to weak economic activity (see **Real Sector**), reduction in inflation[27] (see **Inflation**), stable exchange rate but large budget deficit and adverse debt dynamics (see **Appendix A. Fiscal Developments**). Low inflation and a stable exchange rate would create the appropriate environment for continued reductions in interest rates. However, continued large government budget deficits and a high debt stock pose a significant threat to the sustainability of the decline in interest rates. Against this background, the current policy strategy of the Government is geared towards reducing the budget deficit and reversing the adverse debt dynamics (see **Box 1**). The strategy is expected to reduce the crowding-out effect of government borrowing and the sovereign risk premium. Supporting this strategy is a conservative monetary policy committed to achieving relatively low inflation and inflation expectations.

Summary

The indicators suggest that investors attach a high risk premium to investing their funds in GOJ assets, leading to relatively high levels of nominal and real interest rates. However, the fiscal policy strategy that is being implemented and the stable medium-term outlook for most macroeconomic indicators augur well for further reductions in nominal and real interest rates.

[27] The recent tax measures are expected to have a negative impact on inflation.

Box 3: Jamaica's Medium-Term Economic & Financial Programme FY 2009/10 – FY2013/14

Introduction

On 15 January 2010, the Government of Jamaica (GOJ) in its Letter of Intent to the International Monetary Fund (IMF) formally requested a 27-month Stand-By Arrangement with the IMF for SDR820.5 million (US$1.25 billion), the equivalent of 300 per cent of quota.[28] The Letter indicates that the request was occasioned by the impact of the global economic and financial crisis on the domestic economy.[29] This impact has been severe given low economic growth for several years and high public debt. The Government's Memorandum of Economic and Financial Policies (MEFP) which accompanies the Letter, outlines the policies and measures that it has agreed to implement to address economic issues. Jamaica's financial programme, as outlined in the MEFP, provides the broad framework for the conduct of these policies. In addition, it allows for an assessment of the performance of the economy and provides information on the available financing to the public and private sectors[30].

Objective

Jamaica's medium-term economic and financial programme is designed to cover a five-year period. The overarching objectives of this programme are to put the public debt/GDP ratio on a downward trajectory, entrench fiscal discipline & accountability and significantly raise real GDP growth rates. The programme rests on three central and interrelated pillars: (i) a fiscal consolidation strategy focused on streamlining expenditure and reforming the public sector, including the divestment of non-core public bodies; (ii) a comprehensive debt management strategy and (iii) reforms to further strengthen the financial system. Monetary policy will aim at bringing inflation down to mid-single digit levels and maintaining it at those levels, within the context of exchange rate flexibility.

Targets

The macroeconomic targets which the Government plans to pursue are highlighted in the table below:

Jamaica: Selected Medium-Term Macro-Economic Targets

	2009/10	2010/11	2011/12	2012/13	2013/14
GDP (real) - % Chg.	-3.5	0.6	1.9	1.9	2.0
Inflation (Annual Pt to Pt)	12.2	7.3	7.0	6.5	6.0
Public Sector Deficit	-12.7	-7.5	-4.9	-2.5	-0.5
Fiscal Balance	-10.0	-6.5	-4.3	-2.6	-0.7
Current Account / GDP	-9.4	-8.8	-6.6	-5.9	-5.0
Gross Reserves in weeks of imports	14.8	14.6	17.0	16.7	15.8

[28] See Glossary.

[29] See QMPR, April to June 2009, Box 1 for a discussion on Jamaica's experience with the IMF and an overview of recent developments in the Jamaican economy.

[30] See QMPR, January to March 2007 for a general discussion on the financial programme framework.

1. The outlook for real GDP growth over the programme period reflects both a gradual pick-up in activity in the mining sector, as global demand recovers as well as continued investment and growth in Jamaica's highly competitive tourism sector.
2. Monetary policy will continue to focus on quickly bringing inflation to 6 per cent during the medium term.
3. This improvement in the public sector deficit is consistent with a significant reduction in the interest bill consequent on the debt exchange programme and increases in the primary surplus of the Central Government. Consequently, the debt-to-GDP ratio will decline steadily from 140.0 per cent in FY2009/10 to below 120.0 per cent over the next four years.
4. A narrowing of the current account deficit coupled with a projected recovery in foreign direct investment will result in overall balance of payments surpluses beginning in FY2011/12.
5. Gross international reserves are projected to remain at around 3½ - 4 months of imports of goods and services during the programme period and stay around 3¾ months over the medium term.

Programme Conditionality

The disbursement of IMF financing is linked to the implementation of measures which are geared towards achieving the stated targets. The GOJ has been asked to implement measures addressing its finances and public debt management before approval of the Agreement is given by the Executive Board.

Prior Actions

Government Finances

1. The adoption of a tax policy package, by December 2009, which should yield approximately 2.0 per cent of GDP.[31]

Public debt management

2. The implementation of a debt exchange offer in January 2010, with the aim of achieving: (i) interest saving of over 3.0 per cent of GDP in FY2010/11 and (ii) a reduction in the amount of domestic debt maturing during FY2010/11 to FY2011/12 by at least two thirds.[32]
3. During January 2010, reach agreement on the divestment of Air Jamaica or initiate plans to liquidate the airline.

Additional Measures – Structural Benchmarks

Structural Fiscal Reform

4. The design of public employment and compensation policy reform by December 2010.
5. Complete a time-bound plan by June 2010 to establish a central treasury management system by end-2010.
6. The enactment of a Fiscal Responsibility Framework (FRF) and accompanying legislative amendments by March 2010.

Financial Sector Reform

7. Revise the BOJ's concept paper for an omnibus banking law and the related legislative and regulatory framework to strengthen oversight of the financial sector. The revision is to be completed by March 2010.
8. Draft a concept paper on all major elements to be included in the legislation and other measures to address unregulated financial organizations. This is to be accomplished by June 2010.
9. Introduce a temporary freeze on issuing new licenses for securities dealers whose business model is based on repos and other short-term liabilities. This temporary freeze is to be imposed by February 2010.

Financing

The programme assumes financing from multilateral sources of US$2.4 billion over the next two years. Of this, about half would be required upfront to address immediate budget financing and balance of payments needs as well as the establishment of a Financial Sector Support Fund **(FSSF).** At

[31] On 23 December, the GOJ announced a tax package which became effective on 01 January 2010.

[32] The debt exchange offer was launched on 14 January 2010.

least SDR400.0 million of the total funding from the IMF will be provided when the Agreement is approved by the Executive Board. Loan commitments over the next two years from the IDB, World Bank, and the Caribbean Development Bank amount to US$1.1 billion. In addition, foreign financing will be garnered from the PetroCaribe facility as well as the external commercial markets, which are expected to re-open before the end of the next fiscal year. The remaining financing needs will be filled through borrowing in the domestic market.

The funding from external sources coupled with the general improvement in the macroeconomic fundamentals should serve to bolster confidence and allow for a substantial reduction in interest rates.

Programme Monitoring

The programme will be monitored on a quarterly basis, through quantitative performance criteria, indicative targets, and structural benchmarks. Quarterly targets are established for key variables such as the fiscal balance, the NIR and the net domestic assets of the Bank of Jamaica. Beyond this, monthly, weekly, and even daily targets are established for the Bank's balance sheet. Programme reviews will assess the achievement of the quantitative targets and focus on progress in key structural reforms. Deviations from these targets will necessitate the implementation of additional fiscal and or monetary measures in order to secure further financing.

The first programme review will focus on the FY2010/11 budget as well as the implementation of the FRF. The review will also examine the health and stability of the financial sector. The second review will focus on fiscal reforms, specifically in relation to debt management, tax reform and public financial management. It will also review progress in the various initiatives aimed at strengthening the financial system regulatory and supervisory framework. The third review will focus on public bodies and employment reforms as well as progress in financial sector reforms.

Appendices

A. Fiscal Developments: Preliminary October to December 2009

Based on provisional data for the December 2009 quarter, Central Government operations resulted in a deficit of $34.0 billion or 3.2 per cent of GDP relative to an original budgeted deficit of $20.3 billion or 1.7 per cent of GDP. The higher than budgeted deficit was significantly influenced by a shortfall in *Revenue & Grants*, as well as higher than budgeted *Expenditure*. Concurrently, the primary balance and current deficit were 1.3 per cent and 2.6 per cent of GDP relative to targets of 1.7 per cent and 1.0 per cent of GDP, respectively (see **Table**).

For the December 2009 quarter, *Revenue & Grants* were $70.0 billion, which was 12.8 per cent below budget. The deviation from budget was reflected in lower inflows for all categories with the exception of *Bauxite Levy*. The shortfall in *Revenue* was largely influenced by weaker than projected economic activity, with Tax Revenue being $9.2 billion below budget, reflecting significantly lower than anticipated GCT and SCT receipts.

Expenditure for the December quarter was $104.0 billion, which was 3.4 per cent above budget. The deviation largely reflected above budgeted recurrent expenditure, in particular, domestic interest payments which exceeded budget in a context of a higher than anticipated interest rate path. The negative impact was partly offset by the curtailment in *Capital* spending.

For April to December 2009, the fiscal deficit was $99.2 billion or 9.3 per cent of GDP, relative to a budgeted deficit of $78.2 billion or 6.6 per cent of GDP. The outturn reflected in particular, the persistent underperformance of *Tax Revenue*, partly offset by curtailment in *Expenditure*. Notably, *Tax Revenue* for the 9-month period was $22.0 billion below budget, largely reflecting lower than budgeted GCT & SCT receipts and stamp & custom duties. The primary balance and current deficit were 3.1 per cent and 7.6 per cent of GDP relative to targets of 3.8 per cent and 5.1 per cent of GDP, respectively.

For the April to December period, financing was principally sourced from the domestic market. In that regard, 45 instruments excluding Treasury Bills were issued, garnering a total of $175.5 billion. Of these instruments, 31 were issued at fixed interest rates accounting for 71.8 per cent of total take up. The weighted average age of new debt issued was 4.0 years relative to 4.8 years for the corresponding period in FY2008/09. Concurrently, there was net amortization of foreign debt during the review period.

CENTRAL GOVERNMENT SUMMARY ACCOUNTS
FY 2009/10

(J$MN)

	FY 2009/10 Q3	Budget Q3	Variance	%	FY 2009/10 Q1- Q3	Budget Q1- Q3	Variance	%
Revenue & Grants	70011.5	80290.4	-10278.8	-12.8	205524.8	231003.5	-25478.8	-11.0
Revenue	69509.8	78807.8	-9298.1	-11.8	199753.2	222242.6	-22489.4	-10.1
Tax Revenue	64696.4	73850.2	-9153.8	-12.4	185909.6	207948.2	-22038.6	-10.6
Non-Tax Revenue	3237.4	4454.6	-1217.2	-27.3	11237.0	12218.0	-981.0	-8.0
Bauxite Levy	1424.3	34.8	1389.4	3987.6	1498.0	104.5	1393.5	1333.1
Capital Revenue	151.7	468.1	-316.4	-67.6	1108.7	1971.9	-863.2	-43.8
Grants	501.8	1482.6	-980.8	-66.2	5771.5	8760.9	-2989.4	-34.1
Expenditure	103968.3	100564.8	3403.4	3.4	304747.1	309222.8	-4475.7	-1.4
Recurrent Expenditure	96692.5	90004.3	6688.2	7.4	280136.8	280730.1	-593.3	-0.2
Programmes	18780.9	18807.1	-26.3	-0.1	53183.9	61590.6	-8406.8	-13.6
Wages & Salaries	30316.1	30486.8	-170.7	-0.6	94192.6	95307.3	-1114.8	-1.2
Interest	47595.5	40710.3	6885.1	16.9	132760.3	123832.1	8928.2	7.2
Domestic	34553.3	27455.6	7097.7	25.9	96991.7	89148.4	7843.3	8.8
Foreign	13042.2	13254.8	-212.5	-1.6	35768.6	34683.7	1084.9	3.1
Capital Expenditure	7275.8	10560.6	-3284.8	-31.1	24610.4	28492.8	-3882.4	-13.6
Fiscal Balance	-33956.7	-20274.5	-13682.2	67.5	-99222.4	-78219.3	-21003.1	26.9
Current Balance	-27334.4	-11664.6	-15669.8	134.3	-81492.2	-60459.3	-21032.9	34.8
Primary balance	13638.8	20435.9	-6797.1	-33.3	33538.0	45612.8	-12074.9	-26.5

		In Percent of GDP		
BR	3.2	1.7	9.3	6.6
CB	-2.6	-1.0	-7.6	-5.1
PB	1.3	1.7	3.1	3.8
IP	4.4	3.4	12.4	10.4
FSR	-1.5	-1.3	-1.5	-1.3
NIE	5.3	5.0	16.1	15.6

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.*

B. MONETARY POLICY DEVELOPMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16//01/2008 Bank of Jamaica offered a 365-day Certificate of Deposit in addition to its regular suite of instruments. This offer attracted a rate of 13.50 per cent per annum, which was consistent with the Bank's then existing interest rate structure. The rates on 30-day to 180-day instruments remain unchanged.

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

The rates applicable to all other BOJ instruments remained unchanged.

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

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

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

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

Tenor	30 days	60 days	90 days	120 days	180 days	365 days
New rates (%)	**14.00**	**14.20**	**14.40**	**14.50**	**14.70**	**15.50**
Previous rates	13.50	13.70	13.90	14.00	14.20	15.00

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

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

The rates applicable to all other BOJ instruments remained unchanged.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

03/02/2009 The Bank of Jamaica established the Foreign Exchange Surrender Facility for public sector entities (PSE Facility). The aim of the facility is to centralize foreign currency demand of the public sector, especially Port Authority of Jamaica (PAJ), National Water Commission (NWC) and Petrojam. Under this facility Commercial Banks agreed to surrender fifteen percent (15%) of foreign currency purchases daily. The pre-existing requirement where Authorized Dealers and Cambios surrender within a range of five percent (5%) to ten percent (10%) of their gross foreign currency purchases from commercial clients remains in effect. Therefore commercial banks are to surrender, in total between twenty percent (20%) to twenty-five percent (25%) of foreign currency purchases daily.

06/02/2009 The CRR and the LAR in respect of Jamaica Dollar liabilities of deposit-taking institutions were increased by 1 percentage point to 14% and 28% respectively. The respective ratios relating to foreign currency liabilities remained unchanged at 11% and 25%.

The CRR and LAR are differentially applied to Building Societies. Domestic currency reserve requirements are based on meeting the 40% threshold of domestic currency denominated qualifying assets in relation to domestic currency deposits and withdrawable shares. Foreign currency requirements are determined by meeting the 40% threshold of all (domestic and foreign currency) qualifying assets against all deposits and withdrawable shares. Accordingly, cash reserve ratios of one percent and fourteen percent (1% and 14%) and the liquid assets ratios of five percent and 28 percent (5.0% and 28%) apply to Building Societies, depending on whether they meet the aforementioned 40 percent (40%) threshold in respect of the above-mentioned prescribed domestic currency liabilities.

Similarly, in the case of liabilities payable in foreign currency, cash reserve ratios of one percent and eleven percent (1% and 11%) and the liquid assets ratios of five percent and 25 percent (5.0% and 25%) apply, depending on whether the Societies meet the 40 percent (40%) threshold. Societies that meet the prescribed 'qualifying assets' threshold attract the lower cash reserve and liquid assets requirements. The higher requirements apply to those Societies which fail to meet the prescribed thresholds.

08/04/2009 The rate payable on a 1-year Certificate of Deposit issued by Bank of Jamaica was reduced to 22.67 per cent. Rates on other tenors remained unchanged.

Tenor	30 days	60 days	90 days	120 days	180 days	365 days
New rates (%)	**17.00**	**17.50**	**20.00**	**20.20**	**21.50**	**22.67**
Previous rates	17.00%	17.50%	20.00%	20.20	21.50%	24.00%

The previous rate of 24 per cent included a premium that the Bank had offered to encourage longer term placements by investors. The adjustment on the one-year CD removed that premium and brought the yield on a 1-year placement in line with that earned on a 180 – day BOJ instrument.. It was noted that while rates had been falling in recent auctions of Treasury Bills, the then current yield on a 6-month Bill remained above the comparable BOJ rate.

03/06/2009 The Bank of Jamaica temporarily ceased offering its 1-year OMO instrument to Primary Dealers and Commercial Banks.

24/07/2009 Interest rates applicable to Bank of Jamaica's open market instruments were reduced by 100 basis points. The revised schedule of rates is as follows:

Tenor	30 days	60 days	90 days	120 days	180 days
New rates (%)	**16.00**	**16.50**	**19.00**	**19.20**	**20.50**
Previous rates	**17.00**	**17.50**	**20.00**	**20.20**	**21.50**

This action came against the background of positive trends in key monetary policy indicators. Notably, the twelve month point-to point rate of inflation as at June 2009 fell to 9.0 per cent, from 12.4 per cent at the end of fiscal year 2008/09 and 24.0 per cent as at June 2008. This outturn was underpinned by continued stability in the foreign exchange market. Additionally, the BOJ's gross foreign reserves had stabilized at US$1.6 billion.

The prospects for continued stability in money and foreign exchange markets were strengthened by the Government's decision to secure a Stand-by Arrangement with the International Monetary Fund. Finalization of an agreement would pave the way for additional inflows from other multilateral institutions and a reduction in the Government's reliance on domestic financing.

30/07/2009 Effective Thursday, 30 July 2009, the interest rates applicable to Bank of Jamaica's open market instruments will be reduced by 150 basis points across all tenors. The revised schedule of rates is as follows:

Tenor	30 days	60 days	90 days	120 days	180 days
New rates (%)	**14.50**	**15.00**	**17.50**	**17.70**	**19.00**
Previous rates	**16.00**	**16.50**	**19.00**	**19.20**	**20.50**

This further rate reduction occurred against the background of continued improvements in the money markets, reflected in the continued reduction in the yields on GOJ Treasury Bills. In addition, this action reflected the Bank's assessment that in the context of an extended period of stability in the foreign exchange market, inflation was likely to be lower than the 11 - 14 per cent range originally targeted for fiscal year 2009/2010. Further, the demand for foreign exchange to meet current payments and for portfolio purposes had slowed. In this context, the Bank's holdings of foreign exchange reserves remained adequate.

20/08/2009 Interest rates applicable to Bank of Jamaica's open market instruments were reduced by 100 basis points. The revised schedule of rates is as follows:

Tenor	30 days	60 days	90 days	120 days	180 days
New rates (%)	**13.50**	**14.00**	**16.50**	**16.70**	**18.00**
Previous rates	**14.50**	**15.00**	**17.50**	**17.70**	**19.00**

This rate adjustment came against the background of a notable decline in inflation and continued stability in the foreign currency market. The twelve month point-to point rate of inflation as at July 2009 declined further to 7.0 per cent, from 8.9 per cent in June 2009.

Inflation expectations, measured by regular surveys of the business sector, continued to fall as input costs had also stabilized over the past six months. This trend was expected to continue and, in conjunction with weak aggregate demand, should temper underlying inflation impulses.

17/09/2009 The rates offered on Certificates of Deposit issued by Bank of Jamaica were reduced by 100 basis points. The six-month benchmark rate therefore moved from 18.00 per cent per annum to 17.00 per cent. The full schedule of BOJ rates is set out below.

Tenor	30 days	60 days	90 days	120 days	180 days
New rates (%)	**12.50**	**13.00**	**15.50**	**15.70**	**17.00**
Previous rates	**13.50**	**14.00**	**16.50**	**16.70**	**18.00**

The adjustment to policy rates followed the better than expected inflation outturn for August 2009, which showed a further drop in the 12-month point-to-point inflation to 6.1 per cent from the 7.0 per cent reported for July. The stability of the exchange rate, the improvement in domestic agricultural supplies, and the moderate growth in domestic money supply, all point to the likelihood of single-digit inflation for fiscal year 2009/2010. The improved prospects for inflation and macroeconomic stability were reflected in market rates, with the downward trend in Treasury Bill yields and other short term rates. The easing of monetary policy was supported by the relatively strong position of the net international reserves of the Bank of Jamaica which stood at US$1.95 billion.

18/12/2009 Interest rates applicable to Bank of Jamaica's open market instruments were reduced by 200 basis points. The benchmark six-month rate will therefore move from 17 per cent per annum to 15 per cent. The full schedule of BOJ rates is set out below.

	30-days	**60-days**	**90-days**	**120-days**	**180-days**
New Rates (%)	**10.50**	**11.00**	**13.50**	**13.70**	**15.00**
Previous Rates (%)	**12.50**	**13.00**	**15.50**	**15.70**	**17.00**

The adjustment in interest rates occurred against the background of the positive trends in key economic indicators (inflation, the balance of payments and the exchange rate) which were expected to be sustained over the medium term. This outlook was underscored in the economic programme agreed with the Staff of the International Monetary Fund. The programme was underpinned by a package of policy measures geared towards fiscal and debt sustainability which was expected to lay the foundation for a stable macroeconomic environment and sustained growth.

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C. Summary Tables

1

INFLATION RATES (%)	CPI Index (e.o.p)	Head-line (Quarter)	Core (Quarter)
2001/2002			
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
March	138.2	1.3	1.1
2009/2010			
June	142.0	2.7	1.3
September	146.3	3.1	1.5
December	150.4	2.8	1.3

2A

COMPONENT CONTRIBUTION TO INFLATION
All Jamaica
October – December 2009

Divisions, Classes and Groups	Weight in CPI	Inflation (%)	Weighted Inflation	Contribution (%)
FOOD & NON-ALCOHOLIC BEVERAGES	0.3746	2.14	0.80	29.4
Food	0.3512	2.12	0.74	27.3
- Bread and Cereals	0.0610	1.52	0.09	3.4
- Meat	0.0766	1.41	0.11	4.0
- Fish and Seafood	0.0533	2.49	0.13	4.9
- Milk, Cheese and Eggs	0.0311	1.77	0.05	2.0
- Oils and Fats	0.0164	1.41	0.02	0.8
- Fruit	0.0114	2.53	0.03	1.1
- Vegetables and Starchy Foods	0.0686	2.19	0.15	5.5
- Sugar, Jam, Honey, Chocolate and Confectionery	0.0172	5.39	0.12	4.4
- Food Products n.e.c.	0.0155	-4.28	-0.20	-7.3
Non-Alcoholic Beverages	0.0235	6.98	0.12	4.4
- Coffee, Tea and Cocoa	0.0066	3.06	0.05	1.7
- Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	0.0169	2.57	0.06	2.2
ALCOHOLIC BEVERAGES AND TOBACCO	0.0138	4.02	0.03	1.0
CLOTHING AND FOOTWEAR	0.0333	2.10	0.04	1.3
Clothing	0.0212	1.57	0.02	0.8
Footwear	0.0122	2.60	0.09	3.2
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	0.1276	2.66	0.06	2.1
Rentals for Housing	0.0352	2.49	0.03	1.1
Maintenance and Repair of Dwelling	0.0080	8.83	1.13	41.4
Water Supply and Miscellaneous Services Related to the Dwelling	0.0132	11.16	0.34	12.3
Electricity, Gas and Other Fuels	0.0712	0.56	0.00	0.2
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	0.0493	4.04	0.05	2.0
Furniture and Furnishings	0.0069	9.60	0.68	25.1
Household Textiles	0.0032	1.63	0.08	3.0
Household Appliances	0.0056	2.42	0.02	0.6
Glassware, Tableware and Household Utensils	0.0005	1.64	0.01	0.2
Tools and Equipment for House and Garden	0.0015	1.31	0.01	0.3
Goods and Services for Routine Household Maintenance	0.0316	1.93	0.00	0.0
HEALTH	0.0329	1.07	0.00	0.1
Medical Products, Appliances and Equipment	0.0122	1.62	0.05	1.9
Health Services	0.0207	0.86	0.03	1.0
TRANSPORT	0.1282	1.08	0.01	0.5
COMMUNICATION	0.0399	0.70	0.01	0.5
RECREATION AND CULTURE	0.0336	0.97	0.12	4.6
EDUCATION	0.0214	0.00	0.00	0.0
RESTAURANTS & ACCOMMODATION SERVICES	0.0619	4.22	0.14	5.2
MISCELLANEOUS GOODS AND SERVICES	0.0837	0.53	0.01	0.4
ALL DIVISIONS	1.0000	2.8	2.8	100.0

2B

REGIONAL INFLATION
October – December 2009

Divisions, Classes and Groups	GKMA	Other Urban Centres	Rural Areas
FOOD & NON-ALCOHOLIC BEVERAGES	2.2	2.7	1.9
Food	2.1	2.8	1.8
- Bread and Cereals	1.5	1.4	1.5
- Meat	1.2	1.8	1.5
- Fish and Seafood	1.9	3.4	2.5
- Milk, Cheese and Eggs	1.9	1.9	1.6
- Oils and Fats	1.3	2.4	1.0
- Fruit	3.0	4.2	0.5
- Vegetables and Starchy Foods	3.4	4.0	0.5
- Sugar, Jam, Honey, Chocolate and Confectionery	9.0	5.9	2.3
- Food Products n.e.c.	-6.8	-0.1	-4.1
Non-Alcoholic Beverages	5.5	5.0	8.6
- Coffee, Tea and Cocoa	1.6	3.8	3.7
- Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	3.7	1.6	2.4
ALCOHOLIC BEVERAGES AND TOBACCO	6.7	3.4	2.7
CLOTHING AND FOOTWEAR	2.8	1.0	2.3
Clothing	1.6	1.2	1.7
Footwear	1.7	2.1	3.3
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	1.5	2.7	3.3
Rentals for Housing	2.0	1.0	3.3
Maintenance and Repair of Dwelling	6.3	11.8	9.8
Water Supply and Miscellaneous Services Related to the Dwelling	4.3	21.4	21.8
Electricity, Gas and Other Fuels	0.3	0.4	0.9
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	2.8	5.1	5.1
Furniture and Furnishings	9.8	10.1	9.3
Household Textiles	1.6	2.2	1.4
Household Appliances	2.9	1.8	2.2
Glassware, Tableware and Household Utensils	2.1	3.5	0.4
Tools and Equipment for House and Garden	1.7	1.1	1.0
Goods and Services for Routine Household Maintenance	2.0	2.5	1.6
HEALTH	1.2	2.0	0.9
Medical Products, Appliances and Equipment	1.3	2.3	1.4
Health Services	0.4	0.9	1.2
TRANSPORT	0.5	1.2	1.4
COMMUNICATION	0.4	0.9	1.0
RECREATION AND CULTURE	1.0	1.3	0.9
EDUCATION	0.1	0.0	0.0
RESTAURANTS & ACCOMMODATION SERVICES	4.1	3.4	4.7
MISCELLANEOUS GOODS AND SERVICES	0.4	0.4	0.8
ALL DIVISIONS	2.6	3.7	2.6

3

BANK OF JAMAICA OPERATING TARGETS

	June-08	Sep-08	Dec-08	Mar-09	Jun-09^p	Sep-09	Dec-09^p
Net International Reserves (US$MN)	2 228.8	2 251.1	1 772.94	1 628.6	1 619.4	1 933.2	1 729.4
Net International Reserves ($JMN)	161 565.7	163 180.8	128 520.4	132 224.4	144 110.8	172 039.0	154 517.4
- Assets	179 545.4	165 314.9	130151.4	135 054.7	147 777.2	178 627.8	156 527.8
- Liabilities	-17 979.7	-2 134.1	-1631.0	-2 830.3	-3 666.4	-6 588.8	-2 010.4
Net Domestic Assets	-103 922.7	-105 610.2	-57 021.8	-61 021.9	-71 411.9	-99 910.0	-73 401.3
-Net Claims on the Public Sector	98 324.8	93 497.6	123 972.4	128 337.6	139 561.4	109 213.8	128 947.4
- Net Credit to Banks	-13 488.6	-14 259.9	- 14 270.5	-17 461.4	-17 679.8	-17 783.0	-16 886.6
- Open Market Operations	-150 835.7	-146 219.8	-1 31 928.8	- 119 337.6	-120 774.3	-118 502.6	-112 011.3
- Other	-37 923.2	-38 628.1	-34 794.9	-52 560.5	-72 519.2	-72 838.3	-73 450.7
Monetary Base	57 643.0	57 570.6	71 498.6	71 202.5	72 698.9	72 129.0	81 116.2
- Currency Issue *	39 383.8	38 940.9	49 025.6	42 128.7	43 207.7	43 427.6	51 856.2
- Cash Reserve	18 066.9	18 400.9	21 983.4	28 927.0	29 429.4	28 551.6	29 204.9
- Current Account	192.3	228.8	489.6	146.8	61.8	149.8	55.1
% change Monetary Base (F-Y-T-D)	-2.0	-2.2	21.5	21.0	2.1	1.3	13.9

** 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	88 283.8	189 209.4	284 765.0	251 993.7	347 634.7
2008/2009						
June	82 507.0	89 946.4	197 782.9	291 010.2	265 442.6	358 669.8
September	83 536.5	90 900.8	199 542.5	292 918.7	268 505.6	361 881.8
December	91 008.5	100 097.1	210 9954.7	313 194.9	279 368.0	381 608.2
March	85 515.2	96 779.2	202 838.0	317 676.1	275 187.2	390 025.3
2009/2010						
June	88 256.7	98 380.5	206 295.9	319 337.5	282 473.0	395 514.7
September	87 911.6	97 379.0	206 828.6	316 834.7	287 586.8	397 593.0
December	97 733.4	107 958.9	216 803.4	332 151.2	301 153.1	416 500.9

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

5

COMPONENTS OF CHANGE IN LOCAL CURRENCY MONEY SUPPLY (Quarterly Flows - J$MN)	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09[r]	Dec-09[p]
M2J	**-13 139.5**	**8 573.5**	**1 759.6**	**11 412.2**	**-8 116.8**	**3 457.9**	**532.7**	**9 974.9**
Currency	-7 472.1	2 287.4	-1 887.5	8 393.0	-5 148.0	**1 285.8**	**-700.5**	**7 181.9**
Demand Deposits	-4 363.0	2 937.2	2 917.0	-921.0	-345.3	**1 455.8**	**355.4**	**2 639.9**
Savings Deposits	-332.7	2 457.9	-1 977.3	2 034.2	-164.5	1 667.3	133.1	637.1
Time Deposits	-971.7	891.0	2 707.4	1 906.0	-2 459.0	-951.0	744.7	-484.0
OTHER DEPOSITS	**2 576.3**	**4 875.4**	**1 303.4**	**-549.8**	**3 936.0**	**3 827.9**	**4 581.1**	**3 591.4**
TOTAL (M3J)	**-10 563.2**	**13 448.9**	**3 063.0**	**10 862.4**	**-4 180.8**	**7 285.8**	**5 113.8**	**13 566.3**
SOURCES OF CHANGE IN LOCAL CURRENCY MONEY SUPPLY								
N.I.R. of B.O.J.	**14 793.9**	**10 458.6**	**2 863.2**	**-34 660.4**	**-11 720.6**	**-816.6**	**27 928.3**	**-18 144.1**
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	**- 4 228.8**	**14 820.9**	**-5 157.6**	**39 128.0**	**2 572.9**	**18 502.8**	**5 766.5**	**20 790.4**
Public Sector	**-7 463.5**	**7 722.9**	**-9 000.4**	**35 483.6**	**3 232.6**	**16 913.0**	**6 492.4**	**21 707.8**
Private Sector	**3 234.7**	**7 098.0**	**3 842.8**	**3 644.4**	**-659.7**	**1 589.8**	**-725.9**	**-917.4**
Open Market Operations	**-23 437.9**	**-12 656.5**	**4 615.9**	**14 291.0**	**12 591.2**	**-1 436.8**	**2 271.9**	**6 491.2**
Other	**2 309.6**	**825.9**	**741.5**	**-7 896.2**	**-7 624.3**	**-8 963.6**	**-30 852.9**	**4 428.8**
TOTAL	**-10 563.2**	**13 448.9**	**3 063.0**	**10 862.4**	**-4 180.8**	**7 285.8**	**5 113.8**	**13 566.3**
Memo:								
Foreign Currency Deposits (Private Sector)	**-2 065.9**	**-2 328.3**	**148.9**	**3 684.0**	**3 620.4**	**- 1 796.4**	**-3 035.5**	**5 341.6**
Foreign Currency Loans (Private Sector)	**1 329.8**	**12 196.5**	**5 987.2**	**3 510.2**	**321.5**	**-1 909.6**	**-729.8**	**-1 120.2**

p- p-preliminary

r -revised

6A

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

	Fixed Deposits * 3-6 months	Fixed Deposits * 6-12 months	Savings Deposits (Average) r	Lending Rate (Average)	Fixed Deposits Rate (Weighted Average)	Loan Rate (Weighted Average)	Inter-bank Lending Rate (Average)
2002/2003							
June	7.75–13.25	7.75–13.25	9.00	25.92	9.28	18.15	14.68
September	7.75–13.25	7.75–13.25	8.86	26.25	8.98	18.08	13.88
December	7.75–13.25	7.75–13.25	8.96	25.04	8.92	18.26	11.50
March	8.50-13.15	8.50-13.15	8.22	24.73	8.87	17.23	21.90
2003/2004							
June	8.50–13.15	8.50-13.15	8.22	25.18	8.98	19.23	38.40
September	8.50-13.25	8.50-13.50	8.43	25.60	9.02	19.87	17.01
December	8.50-13.25	8.50-13.50	7.24	25.60	8.68.	19.32	24.08
March	8.50–13.25	8.50-13.50	6.78	25.40	8.47	19.01	17.16
2004/2005							
June	8.50 – 13.25	8.50-13.50	6.61	25.02	8.15	17.75	15.75
September	8.50 - 13.25	8.50-13.50	6.61	24.95	7.99	17.76	8.38
December	3.00 – 14.10	3.50–14.30	6.48	24.89	7.78	17.72	12.95
March	3.00 – 14.10	3.50–14.30	6.36	24.89	7.54	17.35	12.58
2005/2006							
June	3.00–14.10	3.50-14.30	5.52	24.70	7.34	16.43	10.00
September	2.50- 14.10	3.00–14.30	5.48	22.00	7.11	17.41	11.13
December	2.50- 14.10	3.00–14.30	5.48	22.00	7.00	17.32	12.42
March	2.50- 14.10	3.00–14.30	5.30	21.84	7.17	17.54	10.00
2006/2007							
June	2.50- 14.10	3.00–14.30	5.39	22.50	7.17	17.60	9.00
September	2.50- 14.10	3.00–14.30	5.36	21.80	6.88	17.83	9.13
December	2.50- 14.10	3.00–14.30	5.20	21.90	6.60	17.59	8.10
March	2.50- 14.10	3.00–14.30	5.15	22.49	6.94	17.28	7.75
2007/2008							
June	6.80 - 10.95	6.50 - 11.60	5.17	22.49	6.96	17.23.	9.67
September	6.80 - 11.85	6.50 – 12.35	4.88	21.08	6.85.	17.06	10.50
December	6.80 - 11.85	6.50 – 12.35	4.88	20.82	6.99	17.11	7.58
March	6.80 – 12..85	6.50 – 13.35	4.88	22.47	6.82	17.33	8.29
2008/2009							
June	6.80 – 12..85	6.50 – 13.35	5.05	21.46	6.94.	16.97	11.67
September	7.30 - 12.85	7.00 – 13.35	5.54	23.18	7.03	16.46	8.67
December	7.30 - 12.85	7.00 – 13.35	5.33	23.17	7.37	16.78	24.50
March	7.30 – 16.33	7.00 - 18.11	5.89	22.34	6.99	16.58	8.29
2009/2010							
June	7.30 – 18.20	7.00 – 19.00	5.87	23.32	7.08	16.49	8.07
September	7.30 – 15.49	7.00 – 15.75	5.86	22.26	6.70	16.30	7.39
December	6.75 – 12.86	7.55 – 13.52	5.35	21.62	6.40	16.19	8.64

*Relate to deposits of $100 000 and over.

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GOJ TREASURY BILL YIELDS
(End of Period)

	3-month	6-month	9-month	12-month
2000/2001				
September	16.62	17.13	16.91	16.94
December		20.16	19.67	20.98
March		16.88		17.86
2001/2002				
June	23.48	16.20		
September	22.23	15.10	15.50	
December	22.12	17.03		
March	21.49	14.30		14.96
2002/2003				
June		13.81		14.77
September		16.69	16.98	
December		17.01		
March		33.47		
2003/04				
June		28.46		
September		23.42	23.87	
December		22.05		
March	15.23	15.57		
2004/05				
June	15.04	14.98	15.18	
September	14.41	14.80		16.36
December	14.41	14.94		
March	13.21	13.46	14.00	
2005/2006				
June	12.85	12.88		
September	12.96	13.15		
December	13.34	13.55		
March	13.16	13.18		
2006/2007				
June	12.64	12.82		
September	12.44	12.49		
December	12.26	12.31		
March	11.55	11.65		
2007/2008				
June	11.98	12.13		
September	14.34	14.29		
December	12.89	13.34		
March	13.97	14.22		
2008/2009				
June	14.19	14.43		
September	14.81	15.35		
December	22.01	24.45		
March	20.51	21.77		
2009/2010				
June	19.58	21.05		
September	16.39	17.35		
December	15.95	16.80		

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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							
September	14.25	14.35	14.45	14.55	14.75	15.35	15.90
December	14.25	14.35	14.45	14.55	15.00	18.40	18.90
March	13.25	13.35	13.45	13.55	13.80	14.20	15.00
2002/2003							
June	13.25	13.35	13.45	13.55	13.80	14.20	15.00
September	12.95	13.05	17.25	17.05	13.45	13.85	14.50
December	12.95	13.05	18.25	18.40	13.45	13.85	14.50
March	15.00	15.30	20.00	24.00	33.15	34.50	35.95
2003/2004							
June	15.00	15.30	20.00	24.00	26.50	29.50	30.00
September	15.00	15.30	18.00	21.00	23.50	23.75	24.00
December	15.00	15.30	17.00	20.00	21.00	22.00	23.00
March	14.85	15.00	15.10	15.50	16.00	16.95	17.95
2004/2005							
June	14.20	14.30	14.40	14.55	15.05	15.65	16.40
September	14.00	14.10	14.20	14.35	14.80	15.35	16.00
December	13.80	13.95	14.05	14.15	14.30	15.00	15.50
March	12.95	13.10	13.20	13.30	13.45	14.00	14.50
2005/2006							
June	12.60	12.70	12.75	12.85	13.00	13.25	13.60
September	12.60	12.70	12.75	12.85	13.00	13.25	13.60
December	12.60	12.70	12.75	12.85	13.00	13.25	13.60
March	12.60	12.70	12.75	12.85	13.00	13.25	13.60
2006/2007							
June*	12.45	12.50	12.60	12.65	12.80	...	...
September	11.95	12.00	12.10	12.15	12.30	...	...
December	11.65	11.70	11.80	11.85	12.00	...	...
March	11.65	11.70	11.80	11.85	12.00	...	...
2007/2008							
June	11.65	11.70	11.80	11.85	12.00	...	...
September	11.65	11.70	11.80	11.85	12.00	...	14.00
December	11.65	11.70	11.80	11.85	12.00	...	13.46
March	13.50	13.70	13.90	14.00	14.20	...	15.00
2008/2009							
June	14.00	14.20	14.40	14.50	14.70	...	15.50
September	14.00	14.20	14.40	14.50	14.70	...	15.50
December	17.00	17.50	20.00	20.20	21.50	...	24.00
March	17.00	17.50	20.00	20.20	21.50	...	24.00
2009/2010							
June	17.00	17.50	20.00	20.20	21.50	...	22.67
September	12.50	13.00	15.50	15.70	17.00	...	...
December	10.50	11.00	13.50	13.70	15.00	...	...

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

8A

JAMAICA: GOVERNMENT BOND MARKET
GOJ Maturities
October - December 2009

Maturity Date		Amount J$M	Applicable Interest Rate [b/]
01 Oct	*VR 2009/2010G*	*10 000.0*	*22.55*
02 Oct	*VR 2009/2010 Inv. Bd Ser. Aq*	*7 866.6*	*21.08*
06 Oct	*FR GOJ Local US$10.0 Bond*	*892.2*	*10.5*
19 Oct	*VR 2009/2010 Tr A-B*	*300.0*	*22.55*
20 Oct	*VR 2009/2010 F*	*300.0*	*22.55*
30 Oct	*FR GOJ Local US$1.85m Bond*	*165.1*	*10.5*
30 Oct	*FR GOJ Local US$7.0m Bond*	*624.5*	*10.5*
18 Nov	*VR NCB/SCJ Tranche B (US$8.6m)*	*38.5*	*9.75*
19 Nov	*FR 2009 AK*	*400.0*	*14.75*
30 Nov	*FR US$ Index. Bd 2009*	*4 243.9*	*10.125*
02 Dec	*VR 2003/2009 H-K*	*400.0*	*22.83*
04 Dec	*FR 2009 Inv.Deb. Ser. Bf*	*4 561.3*	*15.875*
09 Dec	*VR 2009/2010 Inv. Bd Ser. Bh*	*2 466.4*	*19.46*
16 Dec	*VR 2008-2016 Tr. B*	*2 473.8*	*22.08*
19 Dec	*VR 2009/2010*	*175.0*	*24.95*
20 Dec	*VR 2009*	*500.0*	*16.50*

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 & The Public Service

JAMAICA: GOVERNMENT BOND MARKET
GOJ Domestic Market Issues
October - December 2009

Issue Date	Stock Name	Features	Amount raised J$M
01 Oct	FR Inv. Deb. 2011 Ser. By	Tenor of 15 months. Interest rate fixed at 17.5%.First interest payment will become due and payable after 6 months. The second payment will be made after one year and the final payment will be made at maturity.	7 232.66
06 Oct	FR US$ Denominated Local Bd 2012	Tenor of 3 years. Interest rate fixed at 8.75%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity.	4 485.5
16 Oct	FR Inv. Deb. 2012 Ser. Bz	Tenor of 30months. Interest rate fixed at 17.50% and payable after 6 months. Thereafter, semi-annual payments will be made until maturity.	4 349.12
28 Oct	FR Reg. Bd. 2013 Ser. Af	Tenor of 42 months. Interest rate fixed at 17.50%. First interest payment will become due and payable after 6 months. Thereafter, semi-annual payments will be made until maturity.	2 797.21
30 Oct	FR Reg. Bd 2029 Ser. Ag	Tenor of 20 years. Interest rate fixed at 18.75%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity.	3 418.10
11 Nov	FR Inv. Deb. 2011 Ser. Ca	Tenor of 21 months. Interest rate fixed at 17.125%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity.	1 376.25
18 Nov	FR Reg. Bd 2015 Ser. Ah	Tenor of 6 years. Interest rate fixed at 17.625%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity.	1 026.05
25 Nov	FR Inv. Deb. 2011 Ser. Cb	Tenor of 2 years. Interest rate fixed at 17.25%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity.	1 074.25
30 Nov	FR US$ Ind. Bd 2012	Tenor of 36 months. Interest rate fixed at 9.75%. First interest payment will become due and payable after 6 months. Thereafter, payments will be made semi-annually up to maturity.	4 218.39
02 Dec	FR Reg. Bd 2014 Ser. Aj	Tenor of 5 years. Interest rate fixed at 17.625%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity.	4 965.21
02 Dec	FR Inv. Deb. 2011 Ser. Cc	Tenor of 18 months. Interest rate fixed at 17.25%. First interest payment will become due and payable after 3 months. Thereafter, interest will be paid quarterly until maturity.	1 219.98
09 Dec	FR Reg. Bd 2013 Ser. Ak	Tenor of 4 years. Interest rate fixed at 17.575%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity.	1 078.70
15 Dec	VR Inv. Bd 2010/2011 Ser. Cc	Tenor of 15 months. Interest rate fixed at 16.94%, per annum, for first 6 months. Thereafter, interest will be calculated and paid quarterly at a per annum variable rate of 1.50 percentage points above the weighted average yield rate applicable to the Government of Jamaica 3 month Treasury Bill Tender, held immediately prior to the commencement of each quarterly interest period, until maturity.	9 117.52
15 Dec	FR Inv. Deb. 2012 Ser. Cd	Tenor of 30 months. Interest rate fixed at 17.125% First interest payment will become due and payable after 3 months. The second interest payment will be paid quarterly until maturity.	9 915.44

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 & The Public Service

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

	Bauxite	Alumina	Sugar	Bananas	Other Traditional	Non-Traditional	Other	Total Goods Exports
2004/2005	**82.1**	**825.0**	**87.0**	**8.2**	**74.2**	**272.6**	**216.3**	**1 565.4**
June	25.4	202.8	47.9	4.3	19.2	77.3	55.8	432.7
September	22.3	173.8	7.7	3.9	20.3	59.9	66.7	354.6
December	8.6	237.8	0.0	0.0	19.6	74.1	58.2	398.3
March	25.8	210.6	31.4	0.0	15.1	61.3	37.0	381.2
2005/2006	**100.6**	**957.5**	**89.4**	**7.7**	**65.3**	**418.1**	**170.0**	**1 808.6**
June	22.6	245.2	41.5	2.1	17.2	61.9	48.6	439.1
September	24.8	233.3	3.8	1.3	18.2	106.8	38.9	427.1
December	25.7	231.1	0.0	1.3	9.0	111.6	38.2	416.9
March r	27.5	247.9	44.1	3.0	20.9	137.8	48.4	529.6
2006/2007 [r]	115.2	1 083.7	90.4	13.3	79.1	631.5	188.5	2 201.7
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	19.2	159.3	51.1	597.7
2007/2008 [r]	**112.7**	**1 213.7**	**104.9**	**6.4**	**83.8**	**797.1**	**225.3**	**2 543.9**
June	28.5	315.3	42.4	4.5	21.8	173.3	47.6	633.4
September	28.3	267.7	13.1	1.9	22.6	155.7	54.5	543.8
December	26.7	320.0	0.0	0.0	21.2	162.3	57.6	587.8
March [r]	29.2	310.7	49.4	0.0	18.2	305.8	65.6	778.9
2008/2009 [r]	**105.5**	**1 039.2**	**92.8**	**0.0**	**82.6**	**727.3**	**266.8**	**2 314.2**
June	29.6	366.9	43.0	0.0	24.9	251.6	80.4	796.4
September	28.8	304.1	11.8	0.0	25.6	253.4	77.8	701.5
December	26.9	248.8	0.0	0.0	11.9	128.8	50.8	467.2
March	20.2	119.4	38.0	0.0	20.2	93.5	57.8	349.1
2008/2009								
June [P]	14.4	80.5	26.7	0.0	26.7	146.9	61.9	357.1
September [p]	23.9	83.8	0.0	0.0	26.0	144.6	59.9	338.2

r-revised; p-preliminary

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

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

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

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BALANCE OF PAYMENTS QUARTERLY SUMMARY
(US$MN)

	Mar-08 r	Jun-08r	Sep-08 r	Dec-08r	Mar-09r	Jun-09r	Sep-09p
1. Current Account	**-512.2**	**-860.9**	**-936.0**	**-484.7**	**-156.4**	**-92.0**	**-325.4**
A. Goods Balance	**-1 072.3**	**-1 373.8**	**-1 417.6**	**-939.1**	**-749.1**	**-671.7**	**-850.7**
Exports (f.o.b.)	778.9	796.4	701.5	467.2	**349.1**	357.1	338.2
Imports (f.o.b.)	1 851.2	2 170.2	2 119.1	1 406.3	1 098.2	1 028.8	1 188.9
B. Services Balance	**216.9**	**73.9**	**35.0**	**101.8**	**259.9**	**214.6**	**138.6**
Transportation	-133.7	-183.4	-189.3	-138.6	-82.9	-79.4	-102.6
Travel	521.9	423.1	376.6	385.8	500.8	441.2	387.5
Other Services	-171.4	-165.8	-152.3	-145.4	-158.0	-147.2	-146.3
Goods & Services Balance	**-855.5**	**-1 299.9**	**- 1382.6**	**-837.3**	**-489.2**	**-457.1**	**-712.1**
C. Income	**-173.8**	**-122.5**	**-108.4**	**-163.5**	**-141.2**	**-135.9**	**-158.1**
Compensation of Employees	5.9	13.6	28.2	36.0	1.6	6.8	20.5
Investment Income	-179.7	-136.2	-136.6	-199.5	-142.8	-142.7	-178.6
D. Current Transfers	**517.0**	**561.5**	**555.0**	**516.1**	**474.0**	**501.0**	**544.8**
General Government	26.3	25.0	24.9	24.4	31.9	25.7	66.8
Other Sectors	490.7	536.5	530.1	491.7	442.1	475.3	478.0
2. Capital & Financial Account	**512.2**	**860.9**	**936.0**	**484.7**	**156.4**	**92.0**	**325.4**
A. Capital Account	**20.7**	**-6.0**	**11.3**	**-7.9**	**32.1**	**-9.0**	**-4.7**
Capital Transfers	20.7	-6.0	11.2	-7.9	32.1	-9.0	-4.7
General Government	29.5	0.0	19.1	0.0	41.9	0.0	3.4
Other Sectors	-8.8	-6.0	-7.8	-7.9	-9.8	-9.0	-8.1
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	**491.5**	**866.9**	**924.7**	**492.6**	**124.3**	**101.0**	**330.1**
Official Investment	**4.7**	**220.3**	**333.0**	**-39.4**	**-149.7**	**-3.4**	**321.4**
Private Investment (including net errors & omissions)	692.5	792.0	613.9	53.9	**129.6**	**95.2**	**322.6**
Reserves	-205.7	-145.4	-22.3	478.1	**144.4**	**9.2**	**-313.9**

r: revised
p: provisional

12

PRIVATE SECTOR QUARTERLY CURRENT GROSS TRANSFERS (INCLUDING REMITTANCE INFLOWS) (US$MN)

	Remittance Companies	Other Remittances	Total Remittance Inflows	Other Current Transfers	Total
2008/2009	**1 524.5**	**427.3**	**1 951.8**	**279.6**	**2 231.4**
June	397.7	133.6	531.3	69.9	601.2
September	395.5	131.9	527.4	69.9	597.3
December	380.8	97.8	478.6	69.9	548.5
March	350.5	64.0	414.5	69.9	484.4
2009//2010					
June	384.3	61.0	445.3	**69.9**	515.2
September	386.7	71.7	458.4	n.a.	...
December	411.2	68.3	479.5	n.a.	...

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

	US$	Can$	GB£
2004/2005			
September	61.89	49.05	111.62
December	61.63	50.66	117.92
March	61.54	50.61	115.35
2005/2006			
June	61.84	50.52	110.52
September	62.89	53.61	110.02
December	64.58	54.95	110.40
March	65.50	56.14	112.94
2006/2007			
June	66.03	59.50	120.19
September	66.06	59.10	123.48
December	67.15	57.53	131.53
March	67.80	58.75	132.40
2007/2008			
June	68.58	64.81	136.60
September	70.41	70.38	142.28
December	70.62	71.39	140.32
March	71.09	69.75	141.15
2008/2009			
June	71.89	71.49	142.55
September	72.68	69.49	130.35
December	80.47	65.54	116.84
March	88.82	71.97	129.02
2009/2010			
June	89.07	76.84	148.08
September	89.08	82.76	142.16
December	89.60	84.57	143.55

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	
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	21.2	15.6
September	2 280.5	29.4	2 251.1	18.0	13.3
December	1 795.4	22.5	1 772.9	14.8	10.9
March	1 663.4	34.8	1 628.6	12.2	9.2
2009/2010					
June	1 660.6	41.2	1 619.4	18.5	13.1
September	2 007.2	74.0	1 933.2	22.1	15.6
December	1 758.9	22.5	1 736.4	19.2	13.5

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STOCK MARKET ACTIVITIES

Jamaica Stock Exchange

	JSE Index	Volume Traded (MN.)	Value of Stocks Traded (J$MN.)
2004/2005			
September	99 819.8	391.1	4 920.4
December	112 655.5	532.0	7 144.9
March	111 931.2	920.4	18 029.3
2005/2006			
June	110 621.9	866 .8	14 136.8
September	103 332.6	387.8	4 189.6
December	104 510.4	323.1	4 391.0
March	86 896.1	366.5	4 513.8
2006/2007			
June	85 108.2	1 882.6	10 627.1
September	86 196.0	610.4	3 441.1
December	100 678.0	2 823.9	18 459.0
March	90 595.1	556.1	7 662.6
2007/2008			
June	90 069.9	352.4	2 762.0
September	96 299.8	884.7	5 013.4
December	107 968.0	640.3	13 609.5
March	107 439.3	678.2	9 817.1
2008/2009			
June	109 754.0	1 117 .5	13 665.7
September	102 018.9	637.8	39 352.8
December	80 152.0	519.6	4 191.3
March	79 022.6	657.7	2 248.7
2009/2010			
June	80 866.1	191.8	1 396.5
September	79 928.0	339.0	2 960.3
December	83 322.0	517.6	5 584.5

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

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PUBLIC SECTOR DOMESTIC SECURITIES
Outstanding Stocks

(J$MN)

End Period	Local Registered Stocks	Treasury Bills	Bonds	BOJ Open Market Operations Securities
2003/2004				
September	232 914.5	2 400.0	160 594.3	83 700.3
December	228 509.3	4 400.0	178 308.3	81 969.4
March	220 819.2	3 750.0	184 219.0	108 281.7
March	240 923.0	2 950.0	114 524.1	86 203.8
2004/2005				
June	222 372.2	3 950.0	187 932.0	123 222.1
September	222 522.4	3 750.0	197 847.6.	127 629.3
December	220 290.5	3 750.0	210 300.0.	130 692.1
March	218 412.6	4 050.0	214 565.6	143 854.8
2005/2006				
June	220 529.2	4 050.0	231 749.8	167 485.1
September	220 059.0	3 800.0	244 195.7	168 108.2
December	225 762.8	3 500.0	240 934.0	149 806.5
March	235 632.7	3 800.0	233 643.7	157 357.6
2006/2007				
June	236 668.6	4 200.0	249 662.1	159 438.0
September	231 237.9	4 600.0	285 901.2	166 018.9
December	229 978.3	4 700.0	294 773.2	154 757.0
March	226 631.1	4 200.0	276 155.1	165 704.0
20007/2008				
June	232 363.8	4 200.0	297 276.0	150 758.3
September	226 746.9	4 200.0	315 256.5	129 771.5
December	224 228.4	4700.0	324 929.2	114 741.3
March	223 581.6	4 200.0	330 008.5	138 179.1
2008/2009				
June	218 100.0	4 200.0	344 170.3	150 835.7
September	213 495.2	4 300.0	357 755.7	146 219.8
December	205 120.1	4 194.5	392 220.6	131 928.8
March	201 936.1	4 094.5	438 381.6	119 337.6
2009/2010				
June	196 457.9	3 955.7	469 957.3	120 774.3
September	185 922.4	4 066.9	525 540.7	118 502.6
December	n.a.	3 813.4	n.a.	112 011.3

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

	Crude Bauxite*	Alumina	Total Bauxite**	Sugar	Bananas***
2004/2005	**3 451.4**	**4 028.5**	**13 411.9**	**142.0**	**18.1**
June	1 071.2	1 046.4	3 636.5	60.0	9.9
September	907.1	866.7	3 125.3	3.7	8.2
December	398.5	1 062.6	3 030.0	3.6	0.0
March	1 074.6	1 052.8	3 620.1	74.7	0.0
2005/2006	**4 099.7**	**4 048.7**	**14 167.4**	**151.0**	**18.8**
June	916.0	1 061.8	3 508.3	51.6	4.5
September	1 022.3	1 013.7	3 544.5	0.0	3.6
December	1 035.9	957.4	3 442.6	5.4	3.5
March	1 125.5	1 015.8	3 672.0	94.0	7.2
2006/2007	**4 594.3**	**4 105.2**	**14 905.5**	**144.0**	**30.5**
June	1 136.3	1 053.4	3 779.2	46.3	6.9
September	1 186.5	1 003.9	3 724.6	0.0	9.4
December	1 099.7	1 026.5	3 675.2	2.3	8.4
March	1 171.8	1 021.4	3 726.5	95.4	5.8
2007/2008	**4 386.2**	**3 897.8**	**14 523.0**	**156.9**	**11.7**
June	1 089.7	1 044.3	3 775.3	59.7	8.1
September	1 123.1	908.9	3 489.6	6.9	3.6
December	1 033.3	966.4	3 597.2	9.4	0.0
March	1 140.1	978.2	3 660.9	80.9	0.0
2008/2009	**3 916.7**	**3 856.3**	**13 614.4**	**139.4**	**0.0**
June	1 020.4	1 153..9	3 794.4	54.8	0.0
September	1 115.0	980.5	3 6 18.7	4.2	0.0
December	1 043.0	1 011.8	3 622.5	0.2	0.0
March	738.3	710.1	2 578.8	80.2	0.0
2009/2010					
June	546.2	471.0	**1 698.6**	**42.9**	**0.0**
September	883.6	337.8	**1 765.4**	**2.4**	**0.0**
December	1 032.2	353.9	**1 968.0**	**4.9**	**0.0**

** Crude Bauxite = Bauxite mined for export*
***Total Bauxite Exports = Crude bauxite + bauxite converted to alumina*
****Banana Exports*

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GROSS DOMESTIC PRODUCT: VALUE ADDED BY INDUSTRY
CONSTANT (2003) PRICES
Mar 2007 - Mar 2009 (Seasonally Unadjusted)

	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09
Total Value Added at Basic Prices	**0.7**	**-0.7**	**-0.4**	**-1.2**	**-1.0**	**-1.2**	**-2.9**	**-3.5**	**-2.3**
Agriculture, Forestry & Fishing	-7.1	-28.7	-17.1	-9.8	-0.5	13.8	8.3	10.7	12.0
Mining & Quarrying	-7.4	-5.3	-5.9	-5.1	1.5	0.2	-26.8	-59.6	-57.9
Manufacture	-1.6	1.1	-1.3	-0.5	-0.9	-3.0	-6.1	-8.0	-3.5
Food, Beverages & Tobacco	1.7	2.0	-2.0	-0.6	-1.7	-1.6	-3.0	-6.5	-3.3
Other Manufacturing	-5.2	0.3	-0.4	-0.4	-0.1	-4.4	-10.2	-10.2	-3.6
Electricity & Water Supply	-4.5	-1.4	-1.3	-1.8	5.7	1.3	-1.4	1.8	5.6
Construction	2.5	8.7	2.1	-3.7	-9.8	-14.1	-5.3	-6.3	-3.1
Wholesale & Retail Trade; Repair and Installation of Machinery	1.6	-0.1	0.3	0.4	-0.7	-0.7	-1.4	-1.4	-0.9
Hotels and Restaurants	2.5	3.9	9.6	1.6	-1.5	-1.5	-0.8	3.7	1.9
Transport, Storage & Communication	1.0	0.2	-1.2	-2.2	-2.9	-2.8	-7.9	-5.4	-2.1
Finance & Insurance Services	2.7	0.1	2.7	0.9	0.7	-1.0	1.0	1.0	1.9
Real Estate, Renting & Business Activities	3.6	3.3	1.4	1.7	1.2	0.7	0.3	0.3	0.5
Producers of Government Services	4.0	-1.7	-0.1	-1.3	-0.6	1.8	-0.2	-0.3	-1.1
Other Services	2.4	1.2	2.1	-0.3	-0.2	0.3	-0.8	1.6	0.1
Less Financial Intermediation Services Indirectly Measured (FISIM)	7.0	1.4	2.5	0.9	-2.8	-3.1	0.9	1.0	2.6

D. BANK OF JAMAICA BALANCE SHEET

ASSETS AND LIABILITIES
(End of Period)
J$MN

	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Assets	**233 640.7**	**247 757.6**	**278 045.0**	**267 838.0**	**273 994.4**	**278 865.6**	**280 853.0**	**310 361.6**	**310 179.3**
Foreign	134 243.8	149 671.7	177 518.2	164 990.4	143 530.2	146 851.9	147 590.6	178 316.0	157 054.2
Current Account & Foreign Currency Balances	32 665.7	16 279.0	36 274.4	22 474.3	30 350.9	25 289.6	19 281.7	21 147.7	16 734.5
Time Deposits & Securities	92 715.1	124 208.5	132 102.3	133 223.7	100 738.6	102 477.6	106 616.5	104 701.3	87 786.8
Holdings of Special Drawing Rights	20.5	5.5	13.4	4.2	7.7	7.4	6.1	29 387.2	29 383.5
Other	8 842.5	9 178.7	9 128.1	9 288.2	12 433.0	19 077.3	21 686.3	23 079.8	23 149.4
Local	99 396.9	98 085.9	100 526.8	102 847.6	130 464.2	132 013.7	133 262.4	132 045.6	153 125.1
Public Sector Securities	73 756.7	73 697.2	73 717.4	79 687.4	90 327.4	93 420.1	95 474.5	95 405.5	116 887.0
Discounts & Advances					16 777.2	19 654.1	18 666.6	16 553.1	15 737.8
Other Assets	25 640.2	24 388.7	26 809.4	23 160.2	23 359.6	18 939.5	19 121.3	20 087.0	20 500.3
Liabilities	**233 640.7**	**247 757.6**	**278 045.0**	**267 838.0**	**273 994.4**	**278 865.6**	**280 853.0**	**310 361.6**	**310 179.3**
Foreign	283.0	254.7	268.6	237.9	183.8	245.5	247.3	257.3	206.8
Local	186 102.6	247 502.9	277 776.4	267 600.1	273 810.6	278 620.1	280 605.6	310 104.3	309 972.5
Currency in Circulation									
Deposits	170 289.8	194 151.5	224 425.0	214 859.7	198 224.7	206 875.9	209 072.4	207 911.8	198 333.9
Bankers	32 677.2	33 897.2	33 105.9	34 281.2	53 951.0	72 751.5	80,951.3	81 758.8	76 175.6
Government	18 217.8	10 476.0	6 589.0	8 286.9	4 503.6	5 208.3	1,515. 6	5 853.3	6 083.0
Open Market Operations	114 741.3	138 179.1	150 835.7	146 219.8	131 928.8	119 337.6	120,774.3	119 833.2	112 011.3
Other	4 653.5	11 599.2	33 894.4	26 071.8	7 841.3	9 578.5	5,831.2	466.5	4 064.0
Allocation of Special Drawing Rights	3 914.0	3 914.0	4 185.3	5 020.6	5 020.6	5 020.6	5,399.5	34 786.0	34 786.0
Capital & Reserves	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Other Reserves	5 104.0	5 590.0	5 660.8	5 458.0	5 685.0	5 520.9	5,077.6	5 911.6	6 581.7
	6 770.8	3 529.6	4 040.0	3 260.8	15 787.3	19 000.4	17,796.1	17 953.9	18 313.9
Other Liabilities									

E. COMMERCIAL BANKS' BALANCE SHEET

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

	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09 P
Assets	**496 030.6**	**519 204.9**	**533 049.2**	**548 341.6**	**572 720.3**	**573 621.9**	**571 869.4**	**572 180.7**
Cash	7 042.5	3 893.6	5 338.2	7 029.9	5 280.9	5 074.2	5 994.6	7 241.4
Balances with BOJ	75 753.2	76 629.6	86 077.6	81 762.9	92 513.2	92 378.6	88 995.0	84 640.0
Foreign Assets	112 802.9	110 430.8	100 289.2	104 184.8	108 218.2	112 238.0	104 174.3	114 421.4
Loans & Advances	194 847.0	215 973.6	233 120.9	246 167.5	259 146.7	259 340.6	257 227.4	256 389.7
Private Sector	167 792.6	187 366.6	202 280.2	215 392.1	224 852.5	224 361.5	222 893.5	222 491.5
Public Sector	27 054.4	28 607.0	30 840.7	30 775.4	34 294.2	34 979.1	34 333.9	33 898.2
Public Sector Securities	60 352.7	62 265.7	58 867.3	57 691.2	55 571.9	57 421.5	67 770.7	63 701.0
Cheques in the Process of Collection	4 005.5	6 013.2	4 936.6	2 425.2	5 863.5	3 466.2	5 347.4	2 664.1
Other Assets	41 226.8	43 998.4	44 419.4	49 080.1	46 125.9	43 702.8	42 360.0	43 123.1
Liabilities	**496 030.6**	**519 204.9**	**533 049.2**	**548 341.6**	**572 720.3**	**573 621.9**	**571 869.4**	**572 180.7**
Deposits	**321 588.7**	322 095.9	327 776.0	333 960.0	353 880.5	352 625.7	351 676.2	357 096.6
Local Currency	**196 044.3**	199 675.1	205 462.6	205 487.7	210 182.7	206 226.6	209 891.2	
Foreign Currency	**125 544.4**	122 420.8	122 313.4	128 472.3	143 697.8	146 399.1	141 785.0	
Foreign Liabilities	**66 811.5**	79 532.3	79 180.9	88 460.5	91 717.1	91 027.4	82 475.3	80 593.4
Discounts & Advances from BOJ	**430.8**	203.2	53.3	197.1	93.6	99.8	411.6	450.4
Loans/Advances from Other Institutions	**5 594.6**	5 051.8	5 164.8	5 456.1	9 032.4	10 642.6	12 217.8	12 076.9
Cheques in the Process of Payment	**6 329.3**	4 574.3	4 583.3	7 900.8	4 388.8	4 200.7	5 431.2	3 892.0
Other Liabilities	**95 275.7**	107 747.4	116 290.9	112 367.1	113 607.9	115 025.7	119 657.3	118 071.4

P - preliminary ; r - revised

F. INTERNATIONAL INDICATORS
1

LONDON INTERBANK OFFER RATE–LIBOR (End- of-Period)	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
2003/2004				
June	1.1620	1.1225	1.0815	1.0944
September	1.1200	1.4246	1.1856	1.3525
December	1.1326	1.1670	1.2274	1.4688
March	1.0923	1.1122	1.1585	1.3251
2004/2005				
June	1.3687	1.6100	1.9400	2.4625
September	1.8400	2.0200	2.1963	2.4825
December	2.3890	2.4959	2.7069	3.0109
March	2.6464	2.8335	3.0700	3.4237
2005/2006				
June	3.2498	3.4263	3.6131	3.8135
September	3.7779	3.8981	4.0363	4.1951
December	4.3622	4.4910	4.6662	4.8357
March	4.7604	4.9203	5.0527	5.1867
2006/2007				
June	5.2301	5.3673	5.4759	5.5772
September	5.3300	5.3898	5.4249	5.4101
December	5.3219	5.3600	5.3700	5.3294
March	5.3199	5.3462	5.3132	5.1969
2007/2008				
June	5.3200	5.3600	5.3863	5.4256
September	5.5572	5.5424	5.3916	5.0865
December	4.6000	4.7025	4.5963	4.2238
March	2.7031	2.6881	2.6143	2.4862
2008/2009				
June	2.4625	2.7831	3.1088	2.4862
September	3.9263	4.0525	3.9813	3.9625
December	0.4360	1.4250	1.7500	2.0040
March	0.5320	1.2670	1.8270	2.1170
2008/2009				
June	0.3090	0.5950	1.1110	1.6060
September	0.2456	0.2869	0.6288	1.2638
December	0.2309	0.2506	0.4297	0.9844

2

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

	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
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
2007/2009				
June	5 40/100- 5 51/100	5 86/100 - 5 95/100	6 5/100 – 6 17/100	6 36/100 – 6 45/100
September	5 90/100- 6	6 18/100- 6 28/100	6 25/100 – 6 35/100	6 35/100 – 6 45/100
December	2 5/100-2 5/100	2 68/100- 2 78/100	2 85/100 – 2 85/100	3 00/100 - 3 10/100
March	95/100 -1 05/100	1 60/100 – 1 70/100	1 85/100 - 1 95/100	2 06/100 – 2 16/100
2009/2010				
June	34/100 - 64/100	1 14/100 - 1 14/100	1 38/100 - 1 48/100	1 69/100 - 1 79/100
September	35/100 – 50/100	35/100 – 55/100	50/100 – 77/100	85/100 - 1 25/100
December	40/100 – 50/100	47/100 – 57/100	76/100 – 86/100	1 20/100 – 1 30/100

3

PRIME LENDING RATES
(End- of-Period)

	EURO-ZONE	UNITED STATES			UNITED KINGDOM
	Repo rate	Fed Funds Rate	Discount Rate	Prime Rate	Repo rate
2004/2005					
September	2.00	1.75	2.58	4.75	4.75
December	2.00	2.25	3.15	5.25	4.75
March	2.00	2.75	3.58	5.50	4.75
2005/2006					
June	2.00	3.25	4.01	6.00	4.75
September	2.00	3.75	4.59	6.75	4.50
December	2.25	4.25	5.15	7.25	4.50
March	2.50	4.75	5.53	7.75	4.50
2006/2007					
June	2.75	5.25	6.02	8.25	4.50
September	3.00	5.25	6.25	8.25	4.75
December	3.50	5.25	6.25	8.25	5.00
March	3.75	5.25	6.25	8.25	5.25
2007/2008					
June	4.00	5.25	6.25	8.25	5.50
September	4.00	4.75	5.25	8.25	5.75
December	4.00	4.25	4.75	7.25	5.50
March	4.00	2.25	2.50	5.25	5.25
2008/2009					
June	4.00	2.00	2.25	5.00	5.00
September	4.25	2.00	225	5.00	5.00
December	2.50	0 – 0.25	0.50	3.61	2.00
March	1.50	0.25	0.50	3.25	0.50
2009/2010					
June	1.00	0.25	0.50	3.25	0.50
September	1.00	0.25	0.50	3.25	0.50
December	1.00	0.25	0.50	3.25	0.50

4A

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

	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep -09	Dec -09
US$ vs. Sterling	0.5037	0.5024	0.5618	0.6843	0.6993	0.6079	0.6249	0.6186
US$ vs. Canadian $	1.0279	1.0186	1.0599	1.2246	1.2602	1.1625	1.0722	1.0466
US$ vs. Yen	99.893	106.18	105.99	90.778	99.150	96.393	89.499	93.114
US$ vs. Euro	0.6328	0.6350	0.7103	0.7184	0.7542	0.7133	0.6835	0.6977

4B

INTERNATIONAL EXCHANGE RATES
EXCHANGE CROSS RATES
(Dec. 2009)

	GBP	CAN$	US$	Yen	Euro
GBP	1.0000	1.6918	1.6165	150.520	1.1279
CAN$	0.5911	1.0000	0.9555	88.9680	0.6667
US$	0.6186	1.0466	1.0000	93.1140	0.6977
Yen	0.0066	0.0112	0.0107	1.00000	0.0075
Euro	0.8866	1.5000	1.4332	133.450	1.0000

4C

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

	Sep-08	Dec-08	Mar-09	June-09	Sep-09	Dec -09
Sterling vs. US$	1.7971	1.4859	1.4168	1.6449	1.6003	1.6165
Sterling vs. Canadian $	1.9015	1.8342	1.791	1.9122	1.7158	1.6918
Sterling vs. Yen	191.53	135.67	138.65	158.56	143.22	150.52
Sterling vs. Euro 1/	1.2535	1.1040	1.0862	1.1733	1.0938	1.1279

5A

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

	Jun -08	Sep-08	Dec-08	Mar-09	June-09	Sep -09	Dec -09
North Sea Brent	133.05	99.06	41.58	46.84	68.62	67.69	74.67
West Texas Intermediate	133.93	103.94	41.44	48.06	69.70	69.47	74.56

5B

WORLD COMMODITY PRICES
FOOD
(Period Averages)

	Jun-08	Sep-08	Dec-08	Mar-09	June-09	Sep -09	Dec -09
Wheat **(**US$/mt**,** Hard Red Winter**)**	348.55	294.46	220.14	230.95	256.64	191.10	206.25
Coffee (USc/kg Arabica brand)	322.21	315.86	262.13	283.34	330..23	327.45	348.68

6

MAJOR STOCK MARKET INDICES
(End- of-Period)

	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
TOKYO									
Nikkei Index	15307.78	12525.54	13481.38	11259.86	8859.56	8109.53	9958.44	10133.23	10546.44
NEW YORK									
Dow Jones Industrials	13264.82	12295.29	11350.01	10850.66	8776.39	7608.92	8447.00	9712.28	10428.05
S & P Composite	1468.36	1325.52	1280.00	1166.36	903.25	797.87	919.32	1057.08	1115.10
LONDON									
Financial Times SE 100	6806.11	5702.10	5625.90	4902.45	4434.17	3926.14	4249.21	5133.90	5412.88
FRANKFURT									
Dax Index	6534.97	6418.32	5831.02	6145.00	4810.20	4084.76	4808.64	5675.16	5957.43

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

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

Tourism Implicit Price Index: a measure of prices in the Tourism industry as reflected in Tourist spending.

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

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

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