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BANK OF JAMAICA

Quarterly Monetary Policy Report

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Overview

Bank of Jamaica (BOJ) continued to ease monetary policy during the December 2017 quarter. On 23 November 2017, the Bank reduced its policy rate by 25 basis points to 3.25 per cent. Concurrently, the standard interest rate on the Bank's overnight Standing Liquidity Facility was lowered by 25 basis points (bps) to 6.25 per cent, thereby maintaining the width of the interest rate corridor at 3.0 percentage points (pps). This monetary policy action reflected the Bank's assessment that inflation for the next four to eight quarters will remain within the target of 4.0 per cent to 6.0 per cent but the risks to the projections are slightly skewed to the downside. In addition, the forecast reflects the expectation that the Government will continue the high standard of fiscal management outlined in the fiscal rules.

Inflation for calendar year 2017 was 5.2 per cent, compared to 4.6 per cent at September 2017 and 1.7 per cent for calendar year 2016. The uptick in inflation at December 2017 relative to the previous quarter predominantly reflected the impact of an increase in agricultural food prices associated with excessive rainfall in October/November 2017. The measure of core inflation that abstracts from the influence of agriculture and energy prices was unchanged at 2.6 per cent at December 2017, relative to September 2017. Of note, core inflation has remained below 3.0 per cent since March 2016, which is a signal of continued tight domestic demand conditions. This reflected, *inter-alia,* the Government's fiscal consolidation efforts which have restrained the pass-through of exchange rate changes to domestic prices. The Bank projects that inflation will remain within the target range over the next eight quarters, despite the lagged effects of agriculture supply shocks and improved demand conditions.

Reflecting the impact of continued strong performance in tourism-related and improved mining & quarrying activities, real domestic activity is estimated to have grown within the range of 1.0 per cent to 2.0 per cent in the December 2017 quarter, in line with the outturn in the corresponding quarter of 2016. With the exception of *Producers of Government Services,* all industries are estimated to have grown for the quarter. For FY2018/19, real GDP is forecasted to expand within the range of 2.0 per cent to 3.0 per cent, primarily reflecting growth in Agriculture, Forestry & Fishing, Mining & Quarrying, Hotels & Restaurant, Electricity & Water Supply and Manufacturing. This forecast is predicated on sustained growth in the economies of Jamaica's main trading partners as well as continued improvements in domestic labour market conditions. In addition, positive trends in business and consumer confidence are conducive to increased domestic and foreign investments, which will support increased economic activity over the medium-term.

The Bank will maintain its generally accommodative policy stance in the context of the relatively stable outlook for inflation over the next four to eight quarters as well as the weak, albeit improving, state of the domestic economy. However, the Bank will act promptly to address any undesirable risk to inflation that may emerge. This policy approach will continue as the Bank seeks to maximise the benefits of low and stable inflation expectations in Jamaica.

Brian Wynter
Governor

Contents

1.0 Inflation 1
Inflation Developments 1
Inflation Outlook & Forecast 2
Box 1: Businesses' Inflation Expectations Survey 3

2.0 International Economy 6
2.1 Trends in the Global Economy 6
Global Economic Growth 6
International Financial Markets 8
Commodity Prices 9
2.2 Terms of Trade 9
Box 2: Global Economic Growth in Selected Economies 7

3.0 Jamaican Economy 11
3.1 Real Sector Developments 11
Aggregate Supply 11
Aggregate Demand 14
Real Sector Outlook 15
3.2 Monetary Policy, Money and Financial Markets 15
Monetary Policy 15
Financial Markets 16
Foreign Exchange Market 17
Equities Market 18
Private Sector Credit and Lending Rates 20
Money 22
Box 3: Quarterly Credit Conditions Survey 24
Box 4: Jamaica's Macroeconomic Programme under the new SBA 27

3.3 Fiscal Developments 29

4.0 Implications for Monetary Policy 31
Main Policy Considerations 31
Prices and Output 31
Expectations 31
Financial Markets 32
Monetary Targets 32
Monetary Policy Outlook 32
Box 5: Monetary Policy Transmission 32

Additional Tables 34
Glossary 47
List of Boxes 51

ABBREVIATIONS

ARMI	Agricultural Raw Materials Index
B-FXITT	Bank of Jamaica's Foreign Exchange Intervention & Trading Tool
BOC	Bank of Canada
BOJ	Bank of Jamaica
BoJ	Bank of Japan
BPO	Business Process Outsourcing
BRO	Bi-monthly repurchase operations
bps	Basis points
CDs	Certificates of Deposit
CDI	Credit Demand Index
CIS	Collective Investment Scheme
CPI	Consumer Price Index
CPI-F	Consumer Price Index without Fuel
CPI-FF	Consumer Price Index without Food and Fuel
CSI	Credit Supply Index
CY	Calendar Year
DIJA	The Dow Jones Industrial Average
ECB	European Central Bank
EFF	Extended Fund Facility
EFR	Excess funds rate
EMBI+	JP Morgan Emerging Market Bond Index
e.o.p	End of Period
EPI	Export Price Index
ETF	Exchange-traded funds
EU	European Union
Fed	Federal Reserve Bank
FOMC	Federal Open Market Committee
FY	Fiscal Year
GDP	Gross Domestic Product
GOJ	Government of Jamaica
GOJGBs	Government of Jamaica Global Bonds
IES	Inflation Expectations Survey
IMF	International Monetary Fund
IPI	Import Price Index
IRC	Interest Rate Corridor
ITES	Information Technology Enabled Services
JCC	Jamaica Chamber of Commerce
JMD	Jamaica Dollar

JSE	Jamaica Stock Exchange
LME	London Metal Exchange
MonMod	BOJ's Macroeconomic Model
NAIRU	Non-Accelerating Inflation Rate of Unemployment
NDA	Net Domestic Assets
NIR	Net International Reserve
o/w	Of which
OBR	Office for Budget Responsibility
OMO	Open Market Operations
PBOC	People's Bank of China
PMI	Purchasing Managers Index
QCCS	Quarterly Credit Condition Survey
QPC	Quantitative Performance Criteria
QQE	Quantitative and Qualitative Easing
REITS	Real Estate Investment Trusts
SCT	Special Consumption Tax
SDRs	Special Drawing Rights
SEZ	Special economic zones
SLF	Standing Liquidity Facility
SMEs	Small and Medium-sized Enterprises
T-Bill	Treasury Bill
TAJ	Tax Administration of Jamaica
TOT	Terms of Trade
USA	United States of America
USDA	United States Department of Agriculture
USTBs	US Treasury bonds
VR-CDs	Variable Rate Certificates of Deposit
WASR	Weighted Average Selling Rate
WTI	West Texas Intermediate

1.0 Inflation

Annual inflation was 5.2 per cent at end-December 2017, relative to the 4.6 per cent recorded at end-September 2017. This acceleration reflected increases in most of the inflation components, in particular agricultural prices, electricity costs, fuels and transportation costs.

Inflation over the next eight quarters is expected to be within the Bank's target of 4.0 per cent to 6.0 per cent. This forecast reflects a balance between the impact of continued tight fiscal management and strong and growing external demand for Jamaica's goods and services. At the same time, international commodity prices (including oil) are not expected to rise appreciably while inflation expectations are expected to remain anchored around the Bank's target. Over the near term, the Bank expects that the influence of recent excessive rainfall on agricultural food prices will dissipate. Risks are viewed to be balanced over this period.

Recent Developments

Jamaica's annual point to point inflation rate at December 2017 was 5.2 per cent, an uptick relative to the 4.6 per cent recorded at end-September 2017 and the 1.7 per cent at December 2016. The uptick in inflation relative to the preceding quarter mainly reflected the impact of an increase in agricultural food prices associated with excessive rains in October/November 2017. The acceleration was also reflected in higher energy & transport costs associated with an increase in international crude oil prices (see **Figure 1** and **Box 1**).

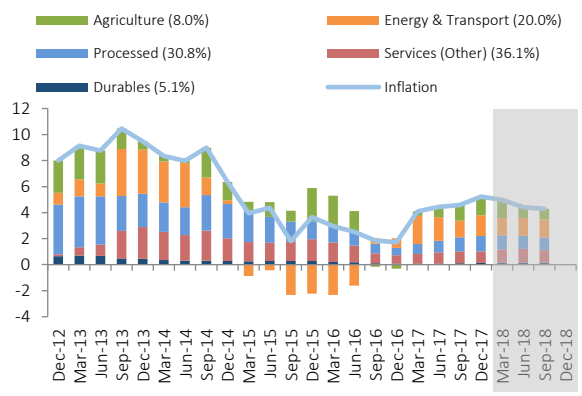
The Bank's main measure of core inflation (inflation that excludes the immediate influence of agriculture and energy prices – referred to as CPIAF) continued to trend below 4.0 per cent during the quarter. CPIAF was unchanged at 2.6 per cent at December 2017, relative to the rate at September 2017 (see **Table 1**). Relatively low underlying inflation is in keeping with continued tight demand conditions in the context of ongoing fiscal restraint, which supports a lower exchange rate pass-through to consumer prices.

Table 1: Inflation and Major Components
(Annual point-to-point per cent change)

	Headline	Core*	FNB**	HWEG**
Dec-16	1.7	2.3	*0.1*	*6.9*
Mar-17	4.1	2.3	*3.0*	*14.8*
Jun-17	4.4	2.4	*4.5*	*12.3*
Sept-17	4.6	2.6	*5.8*	*7.6*
Dec-17	5.2	2.6	*6.7*	*8.6*
Target: 4.0% to 6.0%				

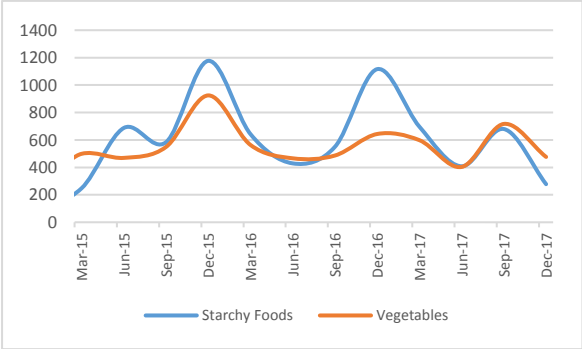
Source: STATIN & BOJ
[*] This measure of core inflation represents that portion of headline inflation that excludes the influence of agriculture and energy related services such as electricity and transport.
[**] FNB (Food & Non-Alcoholic Beverages) and HWEG (Housing, Water, Electricity Gas & Other Fuels) are major components of the Consumer Price Index (CPI) basket.

Figure 1: Component Contributions to Inflation
(Annual point-to-point per cent change)



Source: STATIN & BOJ

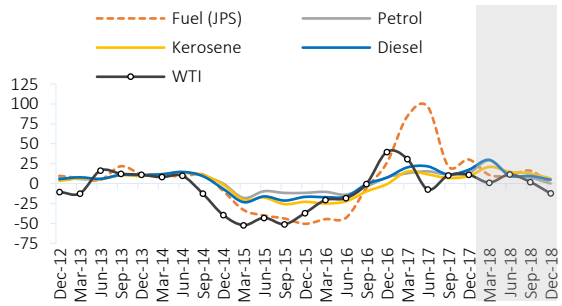
Figure 2: Vegetables and Starchy Foods Supply Index
(Base year = September 2010)



Source: RADA & BOJ Calculations
The Indices represent a seasonally adjusted quarterly average of supply (in tonnes) for selected vegetables and starches provided by RADA that have been weighted according to STATIN CPI weights and indexed to September 2010.

Domestic agricultural prices rose on an annual basis by 16.9 per cent compared with 14.2 per cent at September and reflected the lagged impact of flood rains in October/November 2017 which adversely affected most crops and farm roads (see **Figure 2**). The prices of processed food items also rose as a result of higher input costs for improved packaging by some manufacturers and the lagged impact of higher wheat prices (see **International Developments** section and **Figure 3**). Higher energy and transport prices, reflected in an annual increase of 8.6 per cent and 3.5 per cent respectively, in the Housing, Water, Electricicty & Gas and Transport divisions compared with 7.6 per cent and 2.4 per cent at September. The increases mainly emanated from a rise in international crude oil prices, which resulted in higher electricity rates and petrol prices.

Figure 3: Energy Price Indices
(Base year = March 2008)



Annual point-to-point outturn.
Source: Bank of Jamaica

The Bank's Survey of Businesses' Inflation Expectations (IES) for November 2017 indicated that inflation expectations increased slightly relative to the previous survey in October 2017. Perceptions of inflation 12 months ahead increased to 4.6 per cent from the 4.4 per cent indicated in the October 2017 survey. Most respondents anticipate that the cost of stock replacement over the next twelve months will reflect the highest increase among input factors. Wages and salaries were considered the least likely to increase by respondents. (see **Box 1: Businesses' Inflation Expectations Survey**).

Inflation Outlook & Forecasts

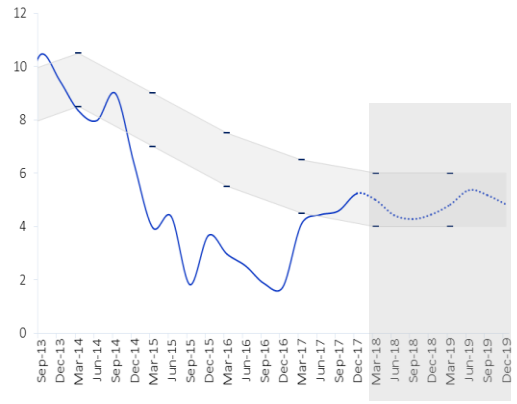
The Bank anticipates that inflation will decelerate over the next four quarters to around 4.5 per cent due to a fall in agricultural food prices, lower imported commodity prices and the some reductions in retail prices fall in the context of the recent increase in volatility in the exchange rate (see **Figure 4**).

Agricultural food prices should fall in the March and June 2018 quarter as the impact of the flood rains in late 2017 dissipates and agricultural supplies

improve. In addition, lower imported commodity prices mainly associated with an anticipated fall in energy prices should help to temper prices over the near term.

Over the medium term, the Bank expects that inflation will gradually approach 5.0 per cent by FY2019/20. This inflation outlook reflects a balance between the impact of continued tight fiscal management and strong and growing external demand for Jamaica's goods and services. The most significant downside risk to the inflation outlook relates to the projected growth of the domestic economy, which may be weaker than anticipated while adverse weather is viewed as the strongest upside risk.

Figure 4: Inflation Performance
(Annual point-to-point outturn for each fiscal year)



Source: Bank of Jamaica
The graph reflects how the actual inflation outturn for each quarter compares to the fiscal year (FY) target bands which are set at the beginning of each fiscal year.

Box 1: Businesses' Inflation Expectations Survey – November 2017

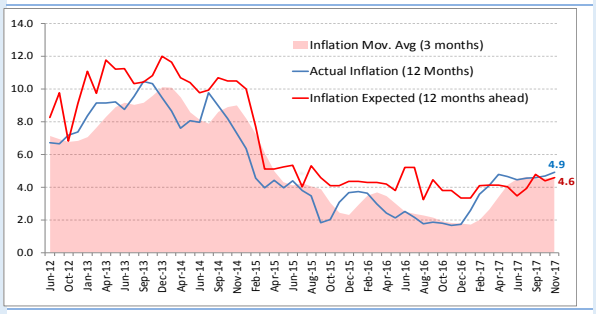
Overview

The Bank's Survey of Businesses' Inflation Expectations (IES) for November 2017 indicated that inflation expectations increased slightly. At 4.6 per cent, perceptions of inflation 12 months ahead remained comfortably within the Bank's target of 4.0 – 6.0 per cent. As was the case in the previous survey, respondents expect the cost of utilities and stock replacement to reflect the highest increases among input factors over the next twelve months. Wages & Salaries was the input cost least expected to increase over the next twelve months. There was a decrease in the proportion of respondents anticipating higher wages during the year. Approximately twenty five (25.0) per cent of the respondents anticipated an increase in wages relative to 36.0 per cent in the October 2017 survey. The expected average increase in wages fell to 5.4 per cent relative to the 5.7 per cent in the previous survey. Perceptions about present business conditions improved while those about the future remained unchanged.

Inflation Expectations

In the November 2017 survey, respondents' expectation of inflation 12 months ahead increased to 4.6 per cent, relative to 4.4 per cent in the October 2017 survey. Businesses however expected an inflation rate for CY2017 of 1.9 per cent, which was below the annual point to point inflation rate at November 2017 of 4.9 per cent and marginally lower than the 2.0 per cent estimated in the October 2017 survey. **(see Figure 1)**.

Figure 1: Expected 12-Month Ahead Inflation
Question: Based on the average monthly inflation for the last 12 months, what do you think the average monthly rate will be for the next 12 months?



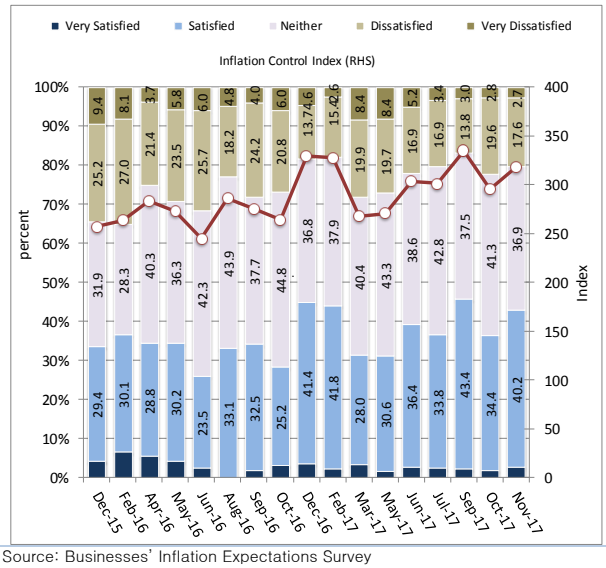
Source: Businesses' Inflation Expectations Survey

Perception of Inflation Control

The index of inflation control improved when compared to the October 2017 survey outturn **(see Figure 2)**. This outturn reflected an increase in the share of respondents who were "satisfied" with the authorities' control of inflation, along with a decrease in the share of respondents who were "dissatisfied".

Figure 2: Perception of Inflation Control

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



Source: Businesses' Inflation Expectations Survey

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

Exchange Rate Expectations

Relative to the October 2017 survey, respondents expected a slower pace of depreciation in the exchange rate over all time horizons. Furthermore, they anticipated that the currency will appreciate over the next three-month and six-month horizons **(see Table 1)**.

Table 1: Exchange Rate Expectations

Question: In October 2017 the exchange rate was J$128.31 = US$1.00. What do you think the rate will be for the following time periods ahead, 3-month, 6-month and 12- month?

	Expected Depreciation (%)			
Periods Ahead	**Jul-17**	**Sept-17**	**Oct-17**	**Nov-17**
3-Month	0.1	1.3	-0.2	-0.5
6-Month	0.5	1.9	0.1	-0.3
12- Month	1.3	2.4	1.1	0.1

Source: Businesses' Inflation Expectations Survey.

Note: The responses have been converted to percentage change.

Interest Rate Expectations[1]

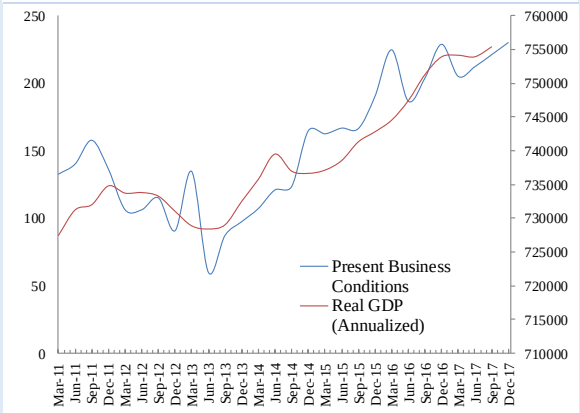
The majority of respondents expected the Bank's OMO rate to remain unchanged. Additionally, the 180-day Treasury Bill (T-Bill) yield, three months ahead, was expected to decrease marginally to 5.4 per cent from 5.5 per cent recorded in the October 2017 survey.

Perception of Present and Future Business Conditions

In the November 2017 survey, perceptions of present business conditions improved as the proportion of respondents of the view that conditions are "better" rose. The perceptions of future business conditions were virtually unchanged as the proportion of respondents who believe that conditions will be "better" fell slightly. However, for the past four years, both indicators have been on an upward trend **(see Figures 3 and 4)**.

Figure 3: Present Business Conditions and Real GDP (Index- LHS and GDP – RHS)

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

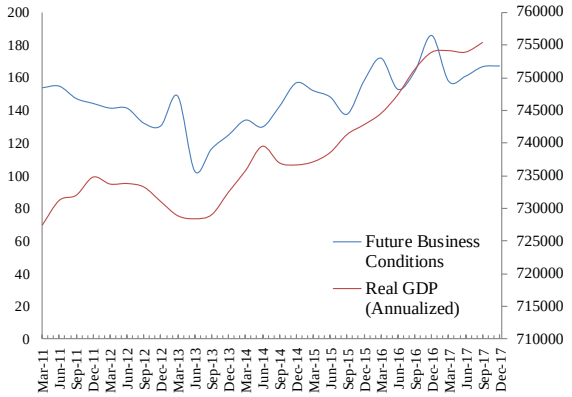


Source: Businesses' Inflation Expectations Survey

[1] Question: In October 2017 the 180-day T-bill rate was 5.5 per cent. What do you think the rate will be for the next 3 months and 6 months?

Figure 4: Future Business Conditions and Real GDP (Index– LHS and GDP – RHS)

Question: Do you think that in a year from now business conditions will get better or get worse than they are at present?



Source: Businesses' Inflation Expectations Survey
Note: Rates on foreign currency personal loans were not collected.

Expected Increase in Operating Expenses

Similar to the views expressed in the October 2017 survey, respondents indicated that they expected the largest increase in production costs over the next 12 months to emanate from stock replacement. This was followed by costs for utilities while the least was wages/salary costs (see Table 2).

Table 2: Expectations about Operating Expenses

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

	Sep-17	Oct-17	Nov-17
Utilities	28.3	26.2	27.6
Wages/Salaries	8.9	12.3	11.6
Fuel/Transport	13.2	11.7	12.6
Stock Replacement	31.3	30.6	29.9
Raw Materials	16.8	16.4	16.9
Other	1.6	2.8	1.3
Not Stated	0.0	0.0	0.0

Source: Businesses' Inflation Expectations Survey

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

2.0 International Economy

Global economic growth for the December 2017 quarter is estimated to have remained unchanged relative to the September 2017 quarter but was higher than projected. This estimated growth was underpinned by stronger expansion in a number of economies, including Canada and other commodity exporting countries, the impact of which was offset by weaker growth in the US, UK, Euro Area and Japan. Bank of Jamaica projects that the global economy will remain buoyant over the next eight quarters.

Jamaica's Terms of Trade Index (TOT) contracted at a faster annual pace for the December 2017 quarter, compared to the annual reduction registered for the September 2017 quarter, mainly reflecting the impact of higher crude oil prices. However, the Bank expects that Jamaica's TOT will improve over the ensuing eight quarters, given a decline in the rate of growth of import prices, particularly fuel prices, and a faster rate of increase in export prices. Based on the outlook for increased global demand and potential increases in global supplies, the risks to commodity prices over the next eight quarters are balanced.

Global Economic Growth

Global growth for the December 2017 quarter is estimated at 3.5 per cent, unchanged from the September 2017 quarter but higher than previously forecast. This estimate was underpinned by stronger growth in a number of economies, including Canada and other commodity exporting countries, the impact of which was offset by weaker growth in the US, UK, Euro Area and Japan. In the context of the outturn for the December 2017 quarter, the estimated global growth rate for 2017 was revised upwards by 0.1 percentage point to 3.5 per cent. Bank of Jamaica anticipates that global growth will remain buoyant over the next eight quarters.

Real output growth for the US (Jamaica's main trading partner) in the December 2017 quarter is estimated to have moderated to 2.6 per cent, following growth of 3.2 per cent in the previous quarter. This deceleration mainly reflected lower growth in consumption spending, non-residential fixed investment and exports.

Over the next eight quarters (March 2018 quarter to December 2019 quarter), Bank of Jamaica projects that GDP growth for the US will be within the range of 2.0 per cent to 2.6 per cent. This projected pace exceeds the growth in potential output for that economy, implying that the US economy will display signs of overheating. The projected growth in consumption spending and investment over this period was revised upwards, relative to the earlier projection.[1] Growth in net exports is also anticipated to improve as a consequence of the recent depreciation of the US dollar.

The unemployment rate in the US at December 2017 was 4.1 per cent, broadly in line with BOJ's forecast and represented a fall compared with the average for the September 2017 quarter (see **Table 2**). The outturn reflected job growth in health care, construction and manufacturing, the latter two sectors representing high employment sectors for Jamaicans. The US unemployment rate is projected to remain constant over the next eight quarters as that economy continues to grow strongly.

[1] Consumer spending is likely to remain supported by continued growth in real disposable personal income and consumer wealth. Wealth has increased reflecting stock market gains and higher house prices; further increases in house prices are expected. Additionally, The US tax policy changes are expected to stimulate activity, with the short-term impact in the US mostly driven by the investment response to the corporate income tax cuts.

Table 2: Unemployment Rate for Selected Economies
(Quarterly Average Per Cent)

	USA	Canada	Euro
Dec-16	4.7	6.9	9.7
Mar-17	4.7	6.7	9.4
Jun-17	4.4	6.5	9.3
Sep-17	4.3	6.2	9.1
Dec-17	4.1	5.7*	8.7*

Source: Official statistics offices, *Bloomberg Consensus forecasts

Annual CPI inflation in the US at December 2017 decelerated to 2.1 per cent from 2.2 per cent at September 2017. Of note, Personal Consumption Expenditure (PCE) inflation accelerated in November 2017 to 1.8 per cent. The Bank projects US PCE inflation to remain below the Fed's 2.0 per cent long run target in 2018 and, in the context of the strong projected growth in that economy, converge to the target by end-2019.[2]

Box 2: Global Economic Growth in Selected Economies

Global growth rebounded in 2017, mainly reflecting a recovery in trade, investment and manufacturing activity. This improvement was in the context of improving financial conditions, rising confidence as well as increasing commodity prices. Growth in advanced economies remained strong while emerging market and developing economies were positively impacted by a surge in commodity prices.

United Kingdom (UK)

The UK economy is estimated to have expanded by 1.3 per cent in the December 2017 quarter, a weaker pace of growth when compared to the expansion of 1.7 per cent in the previous quarter. Growth in the UK continued to decelerate because of subdued consumer spending.

The Bank's projection is for growth in the UK economy over the next eight quarters to slow as high inflation, weak consumer confidence and uncertainty surrounding BREXIT discourage spending and investment.

Euro Area

Economic growth for the Euro Area in the December 2017 quarter remained robust at 2.7 per cent, following the expansion of 2.8 per cent in the previous quarter. Overall in 2017, Euro Area GDP rose 2.5 per cent, the fastest growth rate since a 3.0 per cent rise in 2007.

For the next eight quarters, the GDP growth in Euro Area is projected to be in the range of 1.9 per cent to 2.3 per cent.

Canada

The Canadian economy is projected to have expanded by 2.4 per cent for the December 2017 quarter, a faster pace of growth when compared of 1.7 per cent for the September 2017 quarter.[3]

For the next eight quarters, the GDP growth in Canada is projected to be in the range of 2.0 per cent to 2.1 per cent.

China

China also contributed positively to the December 2017 quarter's robust global growth reading as the economy defied fears of a pronounced slowdown, expanding at rate of 6.8 per cent.

For the next eight quarters, the GDP growth in China is projected to be in the range of 6.5 per cent to 6.6 per cent.

[2] Consensus forecast and the Federal Reserve have projected that US PCE inflation will end 2018 at 1.8 per cent and 1.9 per cent, respectively. Additionally, the US is projected to achieve its 2.0 per cent target in 2019.

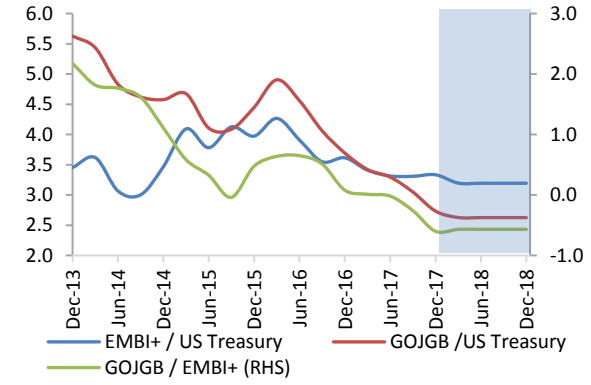
[3] The stronger growth for the Canadian economy was underpinned by the improved performance of the manufacturing sector (best performance in almost four years) as some auto assembly plants resumed production following a shutdown in September and October.

International Financial Markets

The average of yield-spreads for GOJ Global Bonds (GOJGBs) declined during the December 2017 quarter. In particular, the average spread between the indicative yields on GOJGBs and US Treasury Bills decreased by 32 basis points (bps) to 2.73 per cent when compared to September 2017 while the spread between GOJGBs and the JP Morgan Emerging Market Bond Index (EMBI+) fell by 34 bps to -0.60 per cent (see **Figure 5**).

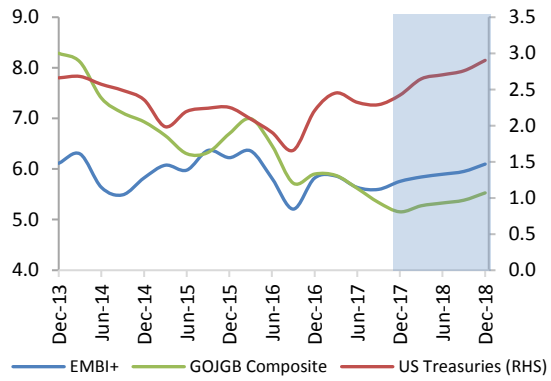
These changes reflected respective average increases of 16 bps and 13 bps in the yields on the EMBI+ and US Treasuries, repectively, over the period, while the yields on the GOJGBs declined on average by 18 bps (see **Figure 6**). The performance of Jamaica's bonds reflected continued confidence in the Jamaican economy in the context of the country's positive performance under the 3-year Stand-By Arrangement (SBA) with the International Monetary Fund (IMF).[4]

Figure 5: Selected Quarterly Average Sovereign Bond Yield-Spreads
(Per cent)



Source: Bloomberg

Figure 6: Selected Quarterly Average Sovereign Bond Yields
(Per cent)



Source: Bloomberg

The higher yields on emerging market bonds over the quarter reflected growing market speculation about a possible default on Venezuelan debt.[5] US Treasuries were impacted by the market's anticipation of another interest rate increase by the US Federal Reserve in December. The market also reacted to a flow of favourable economic data as well as views that the US Congress would approve the tax cut legislation following the passage of a bill by the Senate.

The performances of selected stock market indices were strong during the December 2017 quarter. Compared to the September 2017 quarter, the Dow Jones Industrial Average (DJIA), S&P 500, the FTSE 100 and the Eurofirst 300 advanced by 10.3 per cent, 6.1 per cent, 4.3 per cent and 0.3 per cent, respectively. On a yearly basis, the DJIA, S&P 500, FTSE 100 and the Eurofirst 300 increased by 25.1 per cent, 19.4 per cent, 7.6 per cent and 7.1 per cent, respectively (see **Figure 7**).

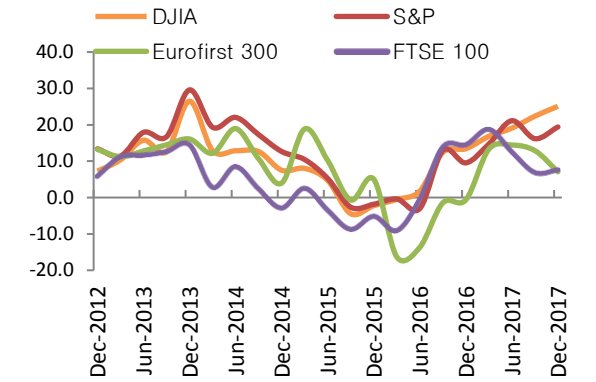
The improvement in US stocks was largely led by technology shares. Healthcare, financial and

[4] During her visit to Jamaica in November 2017, Ms. Christine Lagarde, Managing Director of the IMF, expressed that Jamaica is a leading example of policy commitment for other countries beyond the Caribbean and further emphasized that important progress on macro-economic stability has been made in Jamaica over the past four years. Additionally, an IMF staff team visited Jamaica from 4-8 December, 2017 to take stock of progress on Jamaica's financial and economic program supported by the IMF's precautionary SBA which confirmed that the program continues to deliver strong results.

[5] There was confirmation by S&P Global Ratings that Venezuela had defaulted on US$200 million in interest payments as the thirty day grace period had expired for payments that were due in October. The International Swaps and Derivatives Association (ISDA) committee, a New York-based derivatives group, also took a unanimous decision that the delays on payments by state oil firm, PDVSA, constitute a "credit event" and triggers limited payouts on credit default swaps.

energy stocks also advanced during the review quarter, refecting strong economic growth, solid corporate earnings and the anticipation of corporate tax cuts.

Figure 7: Selected Stock Market Indices
(Year-over-Year Per cent)



Source: Bloomberg

Terms of Trade

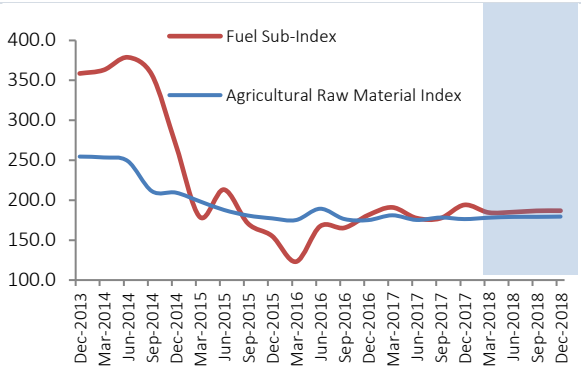
Jamaica's Terms of Trade Index (TOT) contracted at an annual pace of 1.7 per cent for the December 2017 quarter, relative to an annual reduction of 0.3 per cent for the September 2017 quarter.[6] This decline in the December quarter reflected an increase of 6.6 per cent in the Import Price Index (IPI), the impact of which was partly offset by an increase of 4.8 per cent in the Export Price Index (EPI). The increase in export prices was driven by higher aluminium and banana prices, while the expansion in import prices emanated from food-related consumer goods, durable consumer goods, fuel, capital goods and food-related raw materials.

The Bank expects that Jamaica's TOT will improve over the ensuing eight quarters. This reflects an improvement in both the IPI and EPI given a decline in the rate of growth of import prices, particularly fuel prices, and a faster rate of increase in export prices.

Commodity Prices

Commodity prices generally rose during the review quarter. The daily average of West Texas Intermediate crude oil prices for the December 2017 quarter increased by 14.9 per cent, relative to the same measure for the September 2017 quarter, and by 12.4 per cent relative to the December 2016 quarter (see **Figure 8**).[7]

Figure 8: The Bank's Price Indices for Imported Commodities



Sources: Bloomberg, World Bank and BOJ

The increase in crude oil prices for the review quarter reflected the market's reaction to the decision of the Organization of Petroleum Exporting Countries' (OPEC) and other major producers to extend output cuts through to end-2018. Additional upward pressure on prices emanated from the market's reaction to reports of supply disruptions arising from leaks in the North Sea pipeline, disruptions in Libya, as well as rising geopolitical tensions throughout the Middle East. Projected crude oil prices have been revised upwards for the ensuing eight quarters relative to the last forecast. In particular, oil prices are anticipated to average US$57.11 per barrel, compared to an average of US$51.08 per barrel in the previous projection. The projection over the next 8 quarters suggests that prices are expected to fall from end-December levels on the expectation of a rise in US shale output.

[6] The TOT measures the rate of exchange of one good or service for another when two countries trade with each other. ToT = 100 x (Average export price index / Average import price index). The terms of trade fluctuate in line with changes in export and import prices. If export prices are rising faster than import prices, the terms of trade index will rise. This means that fewer exports have to be given up in exchange for a given volume of imports. If import prices rise faster than export prices, the terms of trade have deteriorated. A greater volume of exports has to be sold to finance a given amount of imported goods and services.

[7] At end-December 2017, the price of crude oil on the international market was US$60.42 per barrel.

Average grains prices increased at an annual rate of 0.7 per cent in December 2017 but declined on a quarterly basis by 1.1 per cent. The decline in grains prices reflected lower prices for wheat and corn, the impact of which was partly offset by increases in soybean prices. The decline in wheat and corn prices for the quarter was mainly influenced by a forecast for record global stocks for the commodity. Higher soybean prices were influenced by market concerns about the impact of adverse weather conditions in Argentina. The average price of grains over the ensuing eight quarters are projected to remain relatively flat, a marginal increase relative to the previous forecast.

Average aluminium prices for the review quarter recorded increases of 23.0 per cent and 4.6 per cent, relative to the December 2016 and the September 2017 quarters, respectively. This rapid increase largely reflected the impact of China's efforts to reduce surplus production capacity and limit industrial pollution.[8]

Based on the outlook for increased global demand and potential increases in global supplies due to higher prices, the risks to commodity prices over the next eight quarters are balanced. With regards to crude oil prices, higher than expected US Shale production and weak compliance among major oil producers with respect to the deal to limit crude output could put downward pressure on prices. However, stronger than anticpated global growth and unexpected geo-polictical tensions in the Middle East as well as supply disruptions could push prices upward.

[8] Aluminium supply-side reform started at the end of 2016 .The industry also made great efforts to undertake winter capacity cuts, which officially started on 15 November, 2017 and are expected to end on 15 March 15, 2018.

3.0 Jamaican Economy

The Jamaican economy is estimated to have grown, in real terms, within the range of 1.0 per cent to 2.0 per cent for the December 2017 quarter, largely in line with the outturn recorded in the corresponding quarter of 2016. The growth was also reflected in improved labour market conditions as unemployment continued to fall. Economic growth is forecasted to be within the range, chiefly reflective of expansions in Mining & Quarrying, Hotels & Restaurants, Construction, Manufacturing and Electricity & Water Supply. For FY2018/19 and over the medium-term, economic activity is expected to expand within the ranges of 2.0 per cent to 3.0 per cent and 1.5 per cent to 2.5 per cent, respectively. Economic expansion and the favourable economic outlook was also reflective of continued buoyancy in the local equities market.

The expansion in the economy was supported by the continued accommodative monetary policy stance. During November, the Bank reduced its signal interest rate, the interest rate payable on its overnight Certificate of Deposit by 25 bps to 3.25 per cent on the assessment that inflation for the next four to eight quarters would remain within the target range of 4.0 per cent to 6.0 per cent. This accommodative monetary conditions continued to support growth in credit in the financial system with private sector financing by deposit taking institutions (DTIs) increasing by 9.1 per cent for the calendar year to October 2017.

The weighted average selling rate of the Jamaica Dollar vis-á-vis the US dollar appreciated by 3.8 per cent relative to the previous quarter to close at J$125.00 = US$1.00. This strengthening of the local currency occurred in the context of ample foreign currency liquidity in the market. Supplies to the market was mainly supported by the Bank's reduction of its surrender requirement on the PSE facility and the early redemption of the Government's domestic foreign currency instruments in the previous quarter. Additionally, the presence of attractively priced local currency instruments during the quarter supported a willingness among investors to net sell from their US dollar positions.

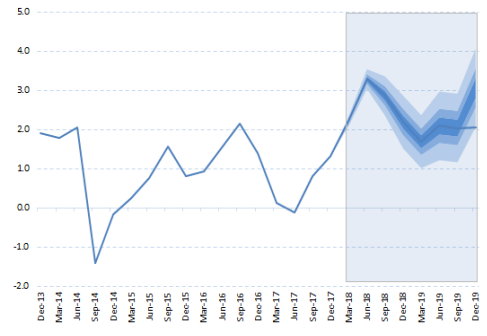
Central Government operations recorded a fiscal deficit of 0.1 per cent of GDP for the December 2017 quarter, 0.2 percentage point lower than the budgeted deficit. The outturn reflected lower than budgeted Expenditure, which was partly offset by a shortfall in Revenue & Grants. The outturn for the review quarter resulted in a primary surplus of 1.3 per cent of GDP, which was 0.1 percentage point above the budgeted surplus.

3.1 Real Sector Developments

Aggregate Supply

The pace of growth of the Jamaican economy for the December 2017 quarter is estimated to be within the range of 1.0 per cent to 2.0 per cent. This expansion was generally in line with the growth rate in the December 2016 quarter (see **Figure 9** and **Table 3**) but represented an acceleration relative to the reported growth rate for the September 2017 quarter. With the exception of *Producers of Government Services,* all sectors are estimated to have grown for the quarter.

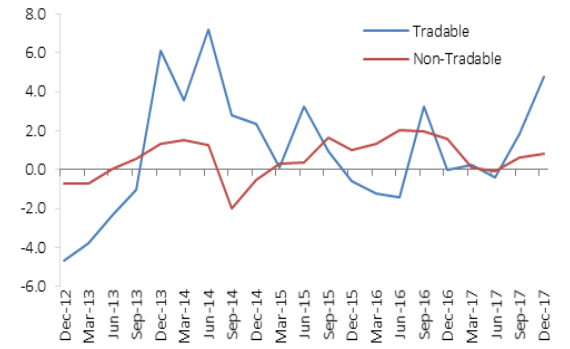
Figure 9: Real GDP Growth
(12-Month Per cent Change)



Source: STATIN and Bank of Jamaica

Both tradable and non-tradable industries are estimated to have expanded for the quarter with tradables estimated to have registered a faster pace of growth when compared to the non-tradables (see Figure 10).[1]

Figure 10: GDP Growth: Tradable vs. Non-Tradable Industries (12-Month Per cent Change)



Source: Bank of Jamaica

The growth in the tradable sector was mainly attributed to *Hotels & Restaurants* and *Mining & Quarrying* while the estimated increase in the non-tradable industries was primarily associated with *Electricity & Water Supply*, *Finance & Insurance Services* and *Real Estate, Renting & Business Activities.*

The strong growth in *Hotels & Restaurants* evidenced in the previous two quarters continued in the December 2017 quarter. This positive trend is mainly attributed to the buoyant growth in stop-over visitor arrivals which mainly reflected the impact of increased airlift into the Island (see Figure 11). However, the growth in stop-over visitor arrivals was tempered by the decline in the average length of stay in hotels & short- stay accommodation. This phenomenon has been largely attributed to the increase in visitors from North America who generally stay for shorter periods relative to visitors from Europe.

Table 3: Industry Contribution to Growth (December 2017 Quarter)

	Contribution	Estimated Impact on Growth
GOODS	38.2	1.5 to 2.5
Agriculture, Forestry & Fishing	7.0	-1.5 to -0.5
Mining & Quarrying	18.0	10.0 to 15.0
Manufacturing	6.9	0.5 to 1.5
Construction	6.3	0.5 to 1.5
SERVICES	61.8	0.5 to 1.5
Electricity & Water Supply	4.8	1.5 to 2.5
Wholesale & Retail Trade, Repairs & Installation	8.1	0.0 to 1.0
Hotels & Restaurants	20.7	4.5 to 5.5
Transport Storage & Communication	8.2	0. 5 to 1.5
Financing & Insurance Services	13.5	1.0 to 2.0
Real Estate, Renting & Business Activities	6.3	0.5 to 1.5
Producers of Government Services	-0.5	-0.5 to 0.5
Other Services	5.3	0.5 to 1.5
Financial Intermediation Services Indirectly Measured	4.6	1.0 to 2.0
TOTAL GDP	*100.0*	1.0 to 2.0

Source: Bank of Jamaica

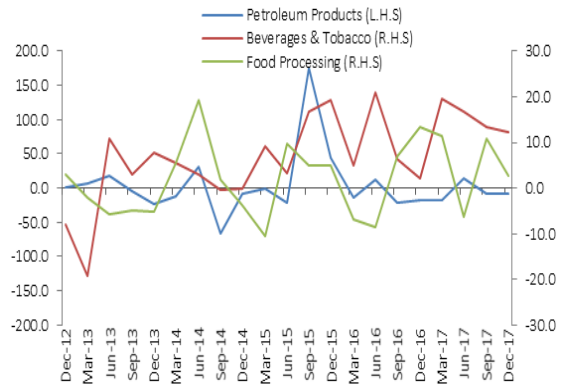
Figure 11: Total Stop-Over Visitor Arrivals & Visitor Expenditure (12-Month Per cent Change)

Source: Jamaica Tourist Board

[1] The tradable industries include Agriculture, Forestry and Fishing (traditional export crops), Mining & Quarrying, Manufacturing, Hotels & Restaurants and Transport, Storage & Communication. Non-tradable industries include Construction, Electricity, Gas & Water, Finance & Insurance Services, Real Estate, Renting & Business Activities, Producers of Government Services and Other Services. BOJ's estimates of the tradable industry is the sum of all tradable industries total value added while the non-tradable industry is the residual derived from the prior calculation and overall total value added for the quarter under review.

Value added for *Manufacturing* is estimated to have grown for the review quarter. This expansion reflected growth in Food, Beverages & Tobacco which was partly offset by an estimated marginal decline in Other Manufacturing (see **Figure 12**). In relation to Food, Beverages and Tobacco, growth was mainly associated with increased production of beverages as well as food processing, excluding sugar. For Other Manufacturing, the estimated decline largely reflected lower output levels for refined petroleum products.

Figure 12: Trends in Petroleum Products, Beverages & Tobacco and Food processing (12-Month Per cent Change)

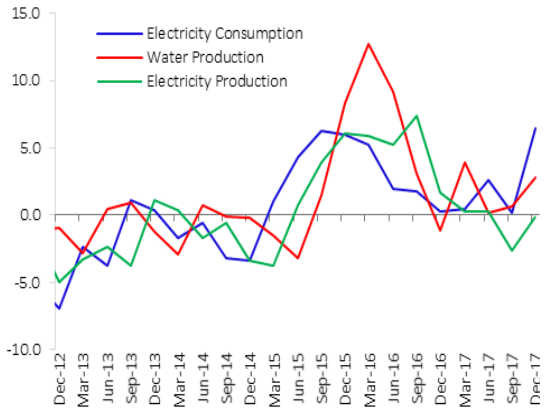


Source: Petrojam Ltd.

Electricity & Water Supply is estimated to have expanded at a faster pace compared with the growth in the previous quarter (see **Figure 13**). In particular, there was continued growth in electricity consumption, proxied by the increase in total electricity sales. Water production also expanded at a faster pace when compared to the growth in September 2017 quarter.

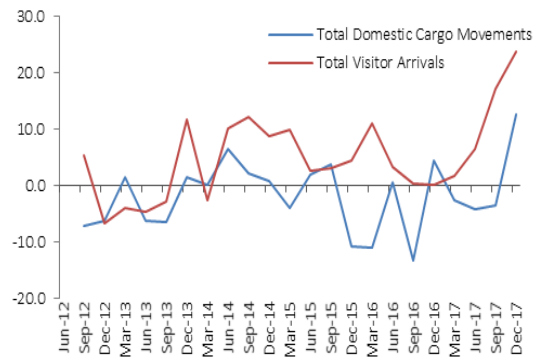
Value added in *Transport, Storage & Communication* is evaluated to have increased for the December 2017 quarter (see **Figure 14**). The estimated rise in output for Transport was attributed to an expansion in the number of cruise and air passenger arrivals into Jamaica. Additionally, there was an expansion in domestic cargo movement.

Figure 13: Electricity Consumption & Water Production (12-Month Per cent Change)



Source: Jamaica Public Service and National Water Commission

Figure 14: Visitor Arrivals & Domestic Cargo Movement (12-Month Per cent change)

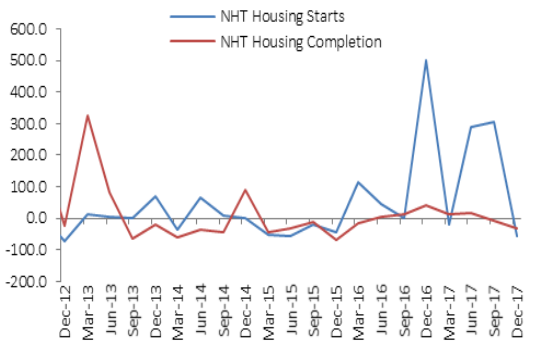


Source: The Port Authority of Jamaica & Jamaica Tourist Board

Construction is estimated to have expanded for the review quarter. This performance was largely driven by an expansion in public capital expenditure as well as other non-FDI infrastructural development.[2] The estimated growth in the sector was partly offset by a decline in residential construction which was attributed to the decline in housing starts and completion managed by the National Housing Trust (see **Figure 15**).

[2] This includes the construction and rehabilitation of roads.

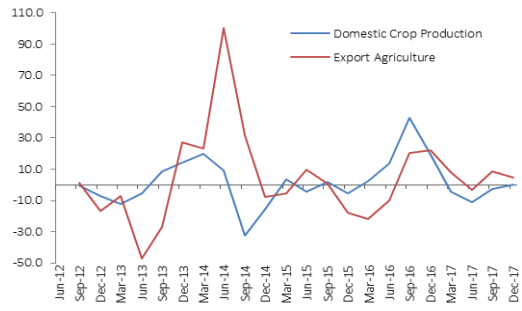
Figure 15: National Housing Trust Housing Starts & Completion (12-Month Per cent change)



Source: The National Housing Trust

Agriculture, Forestry & Fishing is assessed to have contracted at a faster pace when compared to the decline in the September 2017 quarter. The performance of the industry largely reflected a decline in domestic crop production as traditional export crops increased (see **Figure 16**). The contraction in domestic crop production reflected the continued impact of torrential rainfall experienced in May 2017 which was exacerbated by heavy rains during the quarter. In contrast, animal farming grew due to an increase in poultry meat production. The growth traditional export crops mainly reflected increased production of coffee and banana. Cocoa production was adversely affected by the lingering impact of the frosty pod disease.

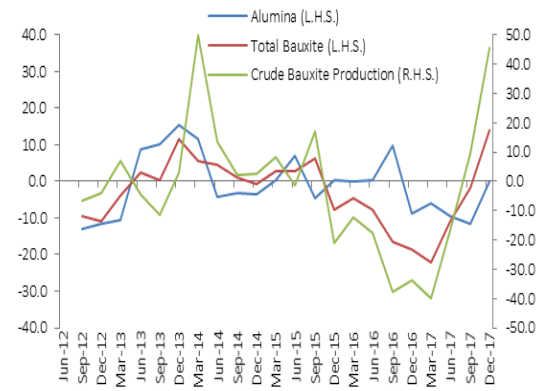
Figure 16: Domestic & Export Crop Production (12-Month Per cent Change)



Source: Bank of Jamaica & Ministry of Agriculture

Mining & Quarrying is estimated to have expanded strongly for the December 2017 quarter, reflecting expansions in both alumina and total bauxite production due to higher capacity utilization (see **Figure 17**). The increase in alumina production largely reflected the restart of the Alpart plant and a recovery from the operational challenges that was previously experienced at some of the plants.

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



Source: Jamaica Bauxite Institute

Aggregate Demand

For the December 2017 quarter, *Aggregate Spending* is estimated to have increased at a faster pace when compared to the September 2017 quarter. This assessment reflects estimated growth in *Private Consumption and Net External Demand,* the impact of which was partly offset by declines in *Public Consumption* and *Gross Capital Formation.*

Net External Demand is assessed to have increased at a similar pace when compared to the September 2017 quarter, reflecting a faster pace of growth in both exports and imports (see **Figure 19**). The increase in exports was mainly attributable to higher volumes of bauxite and alumina as well as travel inflows. Higher imports largely reflected expansions in fuel (both mining and non-mining) capital goods imports and consumer goods imports.

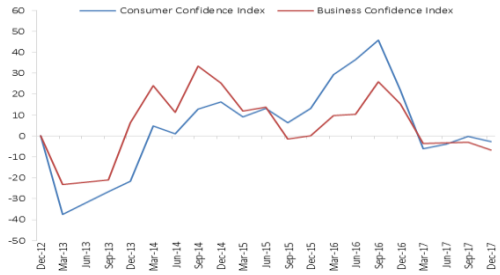
Growth in *Private Consumption* was inferred from real increases in the value of credit card

transactions, remittance inflows and personal loans.

The decline in Gross capital formation was inferred mainly from a reduction in foreign direct investment.

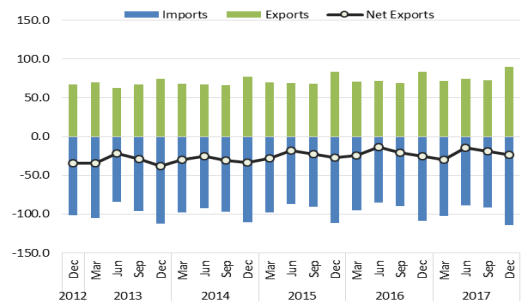
With respect to the decline in *Public Consumption,* this was deduced from the Government's continued fiscal consolidation initiatives as reflected in lower government spending on goods and services.

Figure 18: Business and Consumer Confidence Index (12-Month Per cent Change)



Source: Bank of Jamaica and Jamaica Chamber of Commerce

Figure 19: Trends in Exports & Imports of Goods and Services (US$ Millions).



Source: Bank of Jamaica and STATIN

Outlook

Real GDP is forecasted to expand within the range of 2.0 per cent to 3.0 per cent for FY2018/19 with further strengthening projected over the medium-term. The pace of expansion for FY2018/19 is largely predicated on sustained strong growth in the economies of Jamaica's major trading partners, particularly the US. In addition, positive trends in business and consumer confidence is expected be conducive to a greater level of local and foreign direct investment.

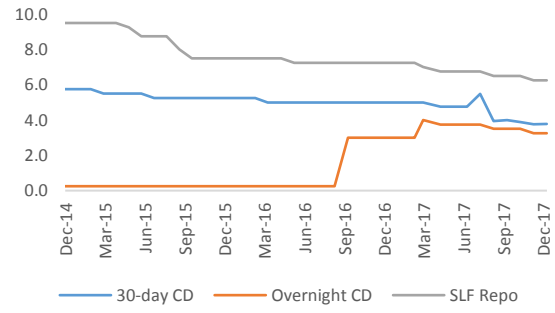
The primary risks to projected real GDP growth include the non-materialization of scheduled investment projects, unintended production disruptions, unfavourable weather conditions as well as slower than anticipated growth in the economies of Jamaica's main trade partners.

3.2 Monetary Policy, Money and Financial Markets

3.2.1 Monetary Policy

Bank of Jamaica (BOJ) reduced its signal interest rate, the interest rate payable on its overnight Certificate of Deposit by 25 bps to 3.25 per cent on 23 November 2017 (see **Figure 20**). This policy action reflected the Bank's assessment that inflation for the next eight quarters will remain within its target of 4.0 per cent to 6.0 per cent. The Government's strong commitment to fiscal consolidation under the precautionary Stand-By Arrangement with the IMF also supported the Bank's accommodative monetary policy stance.

Figure 20: Interest Rate on BOJ's Certificates of Deposit



Source: Bank of Jamaica

In keeping with the policy rate reduction, the rate on the Bank's Standing Liquidity Facility (SLF) was

reduced by 25 basis points (bps) to 6.25 per cent, thereby maintaining the width of the interest rate corridor (IRC) at 3.0 percentage points.[3] The excess funds rate (EFR) was however maintained at 9.30 per cent.

Introduction of fixed volume auctions for BOJ's 30-day CD in the preceding quarter resulted in increased demand for the O/N deposits by some institutions to meet liquidity requirements. Consequently, the average placement on O/N deposits increased to $40.3 billion for the December 2017 quarter from $35.8 billion in the previous quarter.

In light of the fairly liquid system, the weighted average interest rate on the Bank's 14-day repos declined by 15 bps for the quarter to 4.61 per cent.

During the December 2017 quarter, the BOJ net injected $15.7 billion into the system mainly reflecting net FX purchases of $41.5 billion and a net unwinding of $2.9 billion in OMO. The impact of these injections was partly offset by absorption of $28.6 billion from seasonal currency issue and increases in bank's current account balances. However, the $15.7 billion liquidity expansion from BOJ operations was wholly offset by an absorption of $23.6 billion from GOJ Operation. The strong liquidity absorption by GOJ Operations reflected flows from tax receipts.

The Bank opted not to issue new US dollar CDs during the December 2017 quarter despite maturities of US$85 from the 1-year CD (see **Table 5**). This stance contrasted with the September 2017 quarter when the Bank issued new 3-year, 5-year and 7-year US dollar CDs and re-opened corresponding issues from the March 2017 quarter.

3.2.2 Financial Markets

Buoyant liquidity conditions, the lowering of BOJ's policy rate and continued strong demand for liquid assets facilitated a general decline in market rates for the December 2017 quarter. The monthly averages of the interbank, overnight and 30-day private money market rates fell by 91 bps, 16 bps and 120 bps, respectively.

Table 4: BOJ Liquidity Facility (J$ Billions)

	Jun-17 Qtr.	Sep-17 Qtr.	Dec-17 Qtr.
BOJ Repo	**-7.9**	**-2.0**	**-0.7**
14-Day	*-0.9*	*-2.0*	*-0.7*
OTROs	*-6.9*	*0.0*	*0.0*
Other	*0.0*	*0.0*	*0.0*
OMOs (Other)	**-27.3**	**-7.3**	**3.5**
*O/N CDs **	*-8.5*	*-20.6*	*13.6*
FR CDs	*-22.1*	*12.0*	*-11.5*
VR CDs	*3.3*	*1.3*	*1.4*
USD Indexed Notes	*0.0*	*0.0*	*0.0*
BOJ FX (incl. PSE)	**27.5**	**40.8**	**41.5**
Foreign Currency Purchases	*74.3*	*76.1*	*68.2*
Foreign Currency Sales	*-46.8*	*-35.3*	*-26.7*
BOJ (Other)	**-5.5**	**-4.1**	**-28.6**
Net BOJ Operations (Inject/Absorb)	**-13.2**	**27.4**	**15.7**
GOJ Operations	**14.1**	**-25.8**	**-23.6**
Net Total Operations (Inject/Absorb)	**0.9**	**1.5**	**-7.9**

Table 5: Placements & Maturities of BOJ USD Instruments

	July – September 2017			October – December 2018		
	Placements (US$MN)	Maturities (US$MN)	Average Rate (%)	Placements (US$MN)	Maturities (US$MN)	Average Rate (%)
2-year	-	-	-	-	85	-
3-year	20.1	0.0	3.07	-	-	-
5-year	10.8	0.0	3.92	-	-	-
7-year	46.3	0.0	4.62	-	-	-
TOTAL	**77.2**	**0.0**	**-**	**-**	**85**	**-**

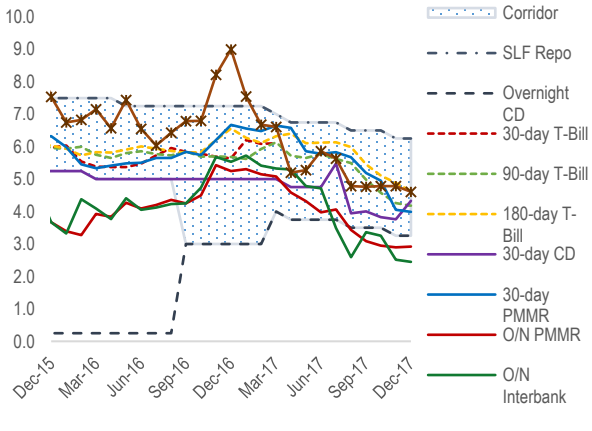
Source: Bank of Jamaica

There were also declines of 80 bps, 82 bps and 87 bps in the yields on the 90-day, 180-day and 270-day GOJ Treasury Bill (T-Bill) to 4.18 per cent, 4.63 per cent and 5.45 per cent, respectively (see **Figure 21**). In contrast, the average rate on BOJ's 30 day CD rose by 33 bps as investors bid aggressively for

3 The lower bound of the IRC is determined by the interest rate on the overnight CD, while the upper bound is determined by the rate on overnight SLF.

yields in the final auction given undersubscriptions in the penultimate auction for December 2017.

Figure 21: Selected Market Interest Rates



	BOJ SLF Rate	BOJ 30-day CD	BOJ O/N CD	O/N PMMR	O/N Int. Bank	30-day PMMR	30-day T-Bill	90-day T-Bill	180-day T-Bill	270-day T-Bill
Sep-16	7.25	5.00	3.00	4.25	4.25	5.84	5.84	5.86	5.81	6.28
Dec-16	7.25	5.00	3.00	5.25	5.53	6.67	5.64	5.68	6.56	6.74
Mar-17	7.00	5.00	4.00	5.08	5.33	6.65	6.10	6.13	6.32	6.49
Jun-17	6.75	4.75	3.75	3.97	4.72	5.78	-	5.77	6.13	6.50
Sep-17	6.50	4.00	3.50	3.08	3.14	5.19	-	4.98	5.45	6.32
Dec-17	6.25	4.33	3.25	2.92	2.45	3.99	-	4.18	4.63	5.45

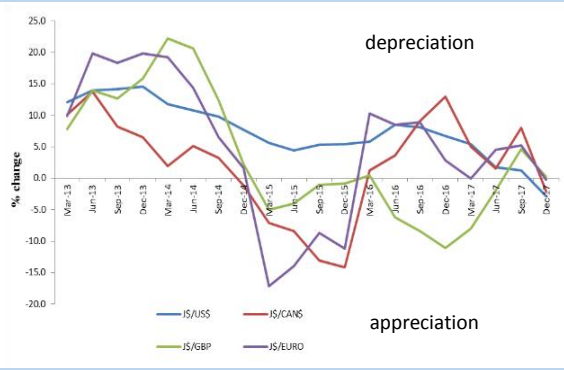
Source: Bank of Jamaica
Notes: (i) PMMR is the private money market rate (ii) O/N is the overnight rate in the market accessible by all financial institutions while the interbank rate (I/B) is the overnight rate accessible only by banks.
+ Reflects average rate for the month.

In the context of the decline in nominal interest rates, real rates at end-December 2017 were generally lower when compared to rates at the end of the previous quarter.[4] At end December 2017, real rates on BOJ and Private Money Market O/N and 30-day instruments declined by 26 bps while 90-day and 180-day GOJ T-Bill's reflected a 14 bps increase relative to September 2017.

3.2.3 Foreign Exchange Market

The weighted average selling rate (WASR) of the Jamaica Dollar vis-á-vis the US dollar closed the December 2017 quarter at J$125.00 = US$1.00. This reflected appreciations of 3.8 per cent relative to the previous quarter and 2.7 per cent relative to end-December 2016. The overall appreciation for the quarter reflected a rise of 2.0 per cent in the nominal exchange rate for October 2017 followed by increases of 0.9 per cent for both November and December 2017 (see **Figures 22** and **23**).[5] The movement for the quarter represented the fastest pace of appreciation since June 2010. While relatively strong, this appreciation was consistent with the increase in volatility in the rate in evidence since the start of 2017, which aids in the development of the market.[6]

Figure 22: Weighted Average Selling Rate of Select Major Currencies (e.o.p)
(12-month point-to-point)



Source: Bank of Jamaica
Notes: + = depreciation and – = appreciation

A number of factors contributed to the movement in the currency during the December 2017 quarter. The Bank, on 25 October 2017, reduced its surrender requirement by 5.0 percentage points to 20.0 per cent and 15.0 per cent for ADs and cambios, respectively. This reduction implied that ADs and cambios retained an additional US$30.0 million per month from their purchases from suppliers. The Bank also repaid maturing CD's amounting to US$85.0 million.

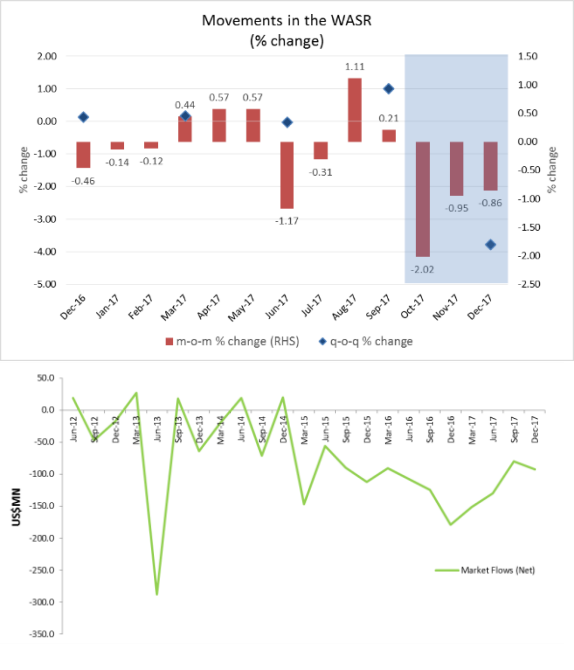
Attractively priced local currency instruments were also offered by private institutions during the quarter which supported a willingness among investors to net sell from their US dollar positions to participate in these instruments.

[4] Real interest rates are derived from the Fisher equation, represented as a function of nominal rates adjusted for expected inflation. It is assumed that the annual average inflation rate one year ahead (or less depending on the tenor of the instrument) is an appropriate gauge for investors' inflation expectation.

[5] Movements in the non-cash and midday rates, introduced the previous quarter, have been broadly in line with the USD/JMD WASR. These rates recorded respective appreciation of 3.7 per cent and 3.8 per cent, relative to the previous quarter.

[6] Since the start of 2017, the Jamaican dollar has experienced at least three cycles, or episodes, of upswings followed by downswings.

Figure 23: Movements in the WASR and Net Demand



Source: Bank of Jamaica
Notes: (i) Net demand includes purchases and sales within the market

The improvement in market conditions was also positively influenced by the GOJ's early redemption of domestic foreign currency instruments amounting to US$514.0 million in the previous quarter.

In the context of the improvement in market conditions, there was an uptick in flows for the review quarter. The Bank estimates that net outflows from the market fell by US$85.7 million relative to the December 2016 quarter but rose by US$13.4 million relative to the September 2017 quarter. The increase for the December quarter was notably smaller than seasonal norms and represented the lowest increase since the December 2014 quarter. Relative to the 5-year average, average daily inflows into the system increased by 26.7 per cent while the average of daily outflows grew by 29.3 per cent.

Given that US dollar supplies were adequate during the quarter, the Bank's intervention through B-FXITT sales fell to US$67.0 million from US$155.0 million in the previous quarter. Of note, based on market intelligence garnered from financial institutions, the Bank found no evidence of excess demand for foreign exchange in December 2017, which supported a tapering of its intervention sales via B-FXITT. This development occurred against a background where inflows to the PSE facility were higher than anticipated and where market participants sought to unwind their foreign currency positions.

At end-December 2017, there was an estimated loss of 3.7 per cent in Jamaica's external price competitiveness, as measured by BOJ's real effective exchange rate (REER)[RS1], relative to end-December 2016.[7] This real appreciation represented a reversal relative to the estimated gain of 0.7 per cent for the September 2017 quarter.[8] The loss in competitiveness reflected an uptick in domestic inflation (see **Inflation**) which outweighed the acceleration in Inflation among Jamaica's trading partners. In addition, there was a faster pace of appreciation in Jamaica's exchange rate compared to the appreciation in trading partners' exchange rates against the US dollar. Notwithstanding the deterioration in competitiveness for the quarter, there was an improvement of 2.7 per cent relative to May 2013, the start of the country's IMF-supported reform programme.

3.2.4 Equities Market

For the December 2017 quarter, all indices on the Jamaica Stock Exchange (JSE), with the exception of the Junior Market Index, recorded increases ranging between 4.8 per cent and 9.8 per cent. Specifically, the JSE Main Index increased by 9.8 per cent for the December 2017 quarter in comparison to growth of 11.8 per cent and 10.7 per cent for the previous quarter and the average

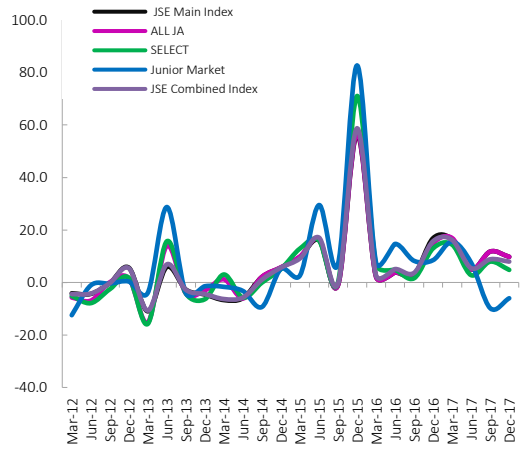
However, the Jamaica Dollar appreciated against the US dollar, relative to the previous quarter.

[7] The REER is a measure of competitiveness. It is calculated by adjusting the exchange rate for the impact of inflation. Both the exchange rate and inflation are weighted based on the proportion of trade with the country's top trading partners.

[8] On an annual basis, the Jamaica Dollar continued to depreciate vis-à-vis the Pound Sterling, the Canadian dollar and the Euro.

quarterly growth for 2017, respectively. Meanwhile, the Junior Market Index declined by 6.0 per cent for the review quarter, relative to a decline of 9.8 per cent for the previous quarter (see **Figure 24**).

Figure 24: Quarterly Growth of the JSE Indices
(Per cent Change)

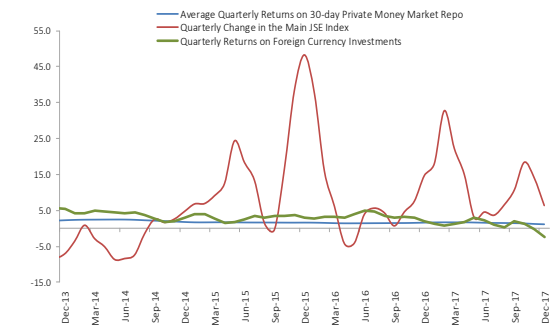


Source: Jamaica Stock Exchange

The sustained, positive performance of the equities market mainly reflected the impact of increased investor confidence resulting from continued positive macroeconomic developments, including low and stable inflation, a continued accommodative monetary policy stance and continued initial public offerings (IPOs).[9]

Investments in equities continued to provide greater returns relative to foreign currency and domestic money market investments.[10] In particular, equities offered a quarterly return of 6.5 per cent while foreign currency investments offered a quarterly average loss of 2.4 per cent. Furthermore, the average quarterly return on the 30-day private money market was 1.1 per cent for the December 2017 quarter (see **Figure 25**).

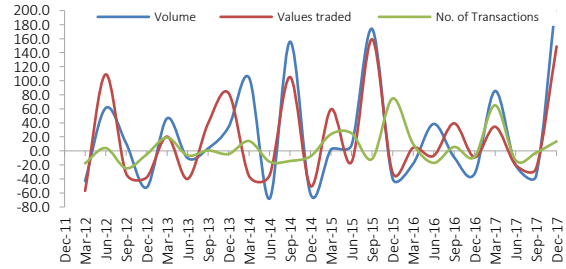
Figure 25: Returns from Private Money Market, GOJ Global Bonds and Capital Gains/ (Losses) from JSE Main Index
(Per cent)



Source: Jamaica Stock Exchange and Bloomberg

Market activity indicators for the JSE Main Index showed positive results for the quarter ended December 2017. In particular, the value and volume of stocks traded increased by 148.9 per cent and 223.1 per cent, respectively, relative to a decrease of 24.8 per cent and 35.5 per cent for the previous quarter. This increase in the volumes for the quarter principally reflected volumes traded during the month of October. Meanwhile, the number of transactions on the stock market was 11,124 for the review period, an increase of 13.5 per cent for the review quarter, relative to a decline of 2.5 per cent for the previous quarter (see **Figure 26**).

Figure 26: Quarterly Change in the Monthly Volumes, Values Traded & Number of Transactions (Main JSE Index)(Per cent)



Source: Jamaica Stock Exchange

[9] There were four IPOs over the review period. The two new listings on the main market were Wisynco Group Limited and Victoria Mutual Investments Limited, while the FosRich Company Limited and GWEST Corporation Limited were listed on the junior market.

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

The positive performance of the equities market was also demonstrated in the advance to decline ratio of 23:4 for the December 2017 quarter, relative to 16:13 for the September 2017 quarter (See Tables 6 and 7).

Stock market price appreciation continued to be broad–based and reflected the performance of stocks within six sectors. Notably, five of these sectors contributed to the top ten performing stocks for the review period (see Table 6). *Tourism*, *Manufacturing* and *Other* categories accounted for seven of the top ten advancing stocks as well as the highest appreciating sectors. More specifically, the *Tourism* category reflected the highest average price appreciation of 173.3 per cent for the December 2017 quarter, relative to the previous quarter.

Table 6: Stock Price Appreciation

Advancing	Per cent
Tourism	**173.3**
Ciboney Group	173.3
Manufacturing	**15.0**
Berger Paints (Jamaica)	34.8
Salada Foods Jamaica	32.4
Caribbean Cement Company	16.5
Kingston Wharves	4.1
Other	**9.9**
138 Student Living Jamaica Limited	26.7
Sagicor Real Estate X Fund	14.4
Conglomerate	**7.4**
Pan Jamaican Investment Trust	12.8
Jamaica Producers Group	11.3
Financial	**6.0**
Mayberry Investments Limited	23.4

Table 7: Stock Price Depreciation

Declining	Per cent
Retail	**-10.0**
Carreras Limited	-10.0
Communications	
Radio Jamaica	-6.3
Financial	
Barita Investments Limited	-3.6
Jamaica Stock Exchange	-3.2

3.2.5 Private Sector Credit

Accommodative monetary conditions continued to support credit growth in the financial system. Private sector financing (including domestic and foreign currency denominated loans) by deposit taking institutions (DTIs) increased by 11.4 per cent as at October 2017. This represented a moderation when compared to the growth of 13.8 per cent at October 2016. Relative to GDP, the stock of DTI's sector credit to the private sector at October 2017 was 32.4 per cent compared with 30.6 per cent a year earlier.[11]

Credit growth by DTIs was primarily underpinned by the performance of commercial banks' credit to the private sector which expanded by 37.3 per cent. This outturn was stronger than the expansion of 13.8 per cent recorded for the similar period of 2016 but represents a moderation relative to the September 2017 quarter when there was growth of 38.6 per cent (see Table 8). It should be noted that much of the increase in the review period reflected the impact of two new entrants to the commercial banking sector. Abstracting from the influence of these entrants, private sector credit from commercial banks expanded by 13.9 per cent relative to 15.4 per cent and 13.8 per cent for the September 2017 quarter and the similar period of 2016, respectively.

Table 8: Commercial Bank Credit to the Private Sector

Annual Flows (J$ mn)	Oct-16	Sep-17	Oct-17
Private Sector Credit	**50 612.4**	**158 614.1**	**155 338.6**
Percentage Change (%)	**13.8**	**38.6**	**37.3**
Private Sector Credit w/o New Entrants		77,141	64,933
Percentage Change w/o New Entrants (%)		15.4	13.9
Loans & Advances	**49 972.9**	**129 807.4**	**125 758.7**
Percentage Change (%)	**13.8**	**31.9**	**30.5**
Percentage Change w/o New Entrants (%)		**12.1**	**11.5**
Less Overseas Residents	4 774.0	5 434.1	6 375.0
Add Corporate Securities	639.5	3505.2	3766.1

Source: Bank of Jamaica

[11] GDP was calculated using the moving sum for the December 2017 quarter. This is the sum of the nominal value of four (4) quarters to December 2017

The expansion in private sector credit, albeit at a reduced pace, reflected the impact of BOJ's generally accommodative monetary policy stance and occurred in the context of increased competition in the market for loanable funds. Greater use of corporate bonds issued via exempt distribution would have contributed to the moderation in credit growth. The increased use of this source of financing and heightened competition in the banking sector were major factors which continue to influence an easing in credit conditions for corporates. The Bank's Quarterly Credit Conditions survey for the September 2017 quarter indicated a continued easing in credit terms, a trend which was expected to continue in the December 2017 quarter as lenders aimed to maintain or increase market shares (see **Box 4: BOJ's Quarterly Credit Conditions Survey**).

The growth in private sector credit for the review period reflected growth in commercial banks loans and advances to both businesses and households. Loans and advances increased by 30.5 per cent as at October 2017 from 13.8 per cent in October 2016 (see **Table 9**). However, without the inclusion of the new entrants, loans and advances expanded by 10.2 per cent.

Credit to businesses recorded an annual growth of 15.7 per cent as at October 2017. Without the new entrants growth of 6.7 per cent was recorded which represents a moderation relative to the previous quarter and last year of 9.6 per cent and 13.2 per cent respectively. This moderation reflected the impact of net repayments of outstanding loans to the *Agriculture & Fishing* and *Transportation, Storage & Communication sectors*. However, these net repayments were partly offset by increased credit to the *Distribution*, *Manufacturing, Construction* and *Electricity, Gas & Water* sectors. Personal lending grew by 45.7 per cent as at October 2017 relative to 14.4 per cent for similar period of 2016. However, excluding the impact of the new entrants, personal lending grew at a moderate pace of 13.8 per cent. This moderation in growth in personal credit reflected a decline in demand and instalment credit which was partially offset by increases in mortgages and term loans.

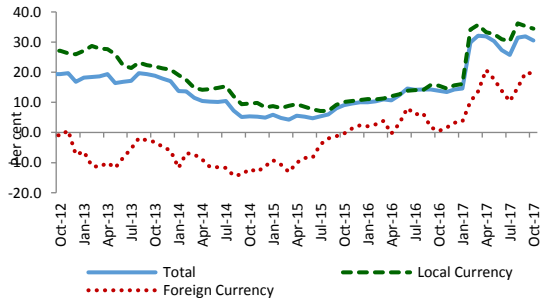
Table 9: Distribution of Total Loans & Advances to the Private Sector by Commercial Banks (J$MN)

Annual Flows	Oct-16	Sep-17	Oct-17
Business Lending	**24 369.3**	**37 722.8**	**32 798.7**
Percentage Change %	**13.2**	**18.4**	**15.7**
Agriculture & Fishing	453.4	(903.8)	(965.9)
Mining & Quarrying	(120.0)	265.0	298.3
Manufacturing	(827.2)	6 056.5	6 569.7
Construction & Land Development	(1 107.9)	3 393.1	2 543.3
Transport, Storage & Communication	109.9	(830.3)	(452.2)
Tourism	11 118.5	9 207.5	7 780.4
Distribution	5 525.5	8 530.3	5 273.8
Electricity, Gas & Water	6 035.2	2 409.2	3 027.1
Entertainment	685.8	432.0	337.8
Professional & Other Services	2 496.1	9 163.4	8 386.6
Household	**25 603.6**	**92 084.6**	**92 959.9**
Percentage Change %	**14.4**	**45.6**	**45.7**
Personal	25 603.6	92 084.6	92 959.9
o/w Demand loans	5 433.3	8 566.3	8 108.8
o/w Term loans	4 424.5	14 850.2	15 047.9
o/w Mortgage	6 642.8	52 024.7	53 291.8
o/w Installment	6 871.9	18 037.7	17 585.4
o/w Overdraft loans	(282.3)	140.3	177.6
o/w Insurance premiums	(0.6)	83.6	87.3
Net Lending	**49 972.9**	**129 807.4**	**125 758.7**
Annual Growth	**13.8**	**31.9**	**30.5**

Source: Bank of Jamaica

Loans denominated in domestic and foreign currencies grew, respectively, by 34.5 per cent and 19.6 per cent as at October 2017, relative to 15.6 per cent and 0.5 per cent for October 2016 (see **Figure 27**). The increase in foreign currency loans occurred in the context of an exchange appreciation (see **Foreign Exchange Market section**), which may have incentivized borrowers to access foreign currency loans. Of note, growth in foreign currency credit for the review quarter was mainly reflected in the *Tourism* sector, while the *Electricity Gas & Water, Distribution and Manufacturing* sectors were the main drivers of local currency credit.

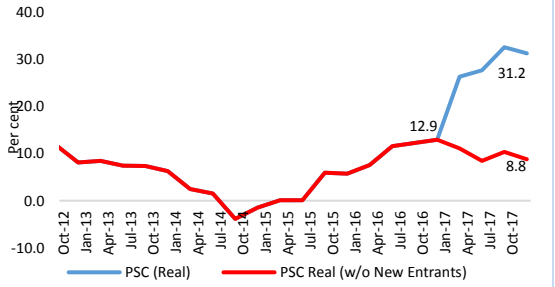
Figure 27: Growth in Commercial Banks' Private Sector Loans and Advances (12-month percentage changes)



Source: Bank of Jamaica

Abstracting for the effect of inflation on credit growth, private sector financing by DTIs grew by 7.2 per cent as at October 2017 quarter, compared with 11.2 per cent for similar period in 2016. Of note, annual growth in commercial bank loans (excluding the two new institutions) moderated to 8.8 per cent in real terms, from 12.9 per cent and 10.3 per cent recorded at October 2016 and the September 2017 quarter, respectively (see **Figure 28**). With the inclusion of the new commercial banks, real credit growth of 31.2 per cent was recorded.

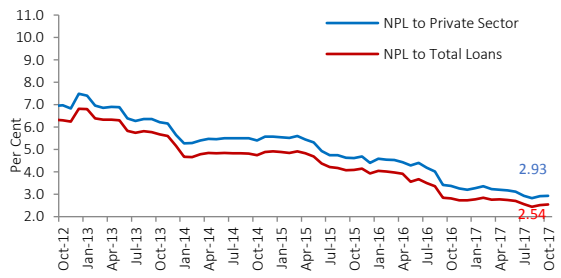
Figure 28: Real Growth in Commercial Bank Private Sector Credit (12-month percentage changes)



Source: Bank of Jamaica

In concert with the increase in loans was an improvement in the quality of commercial banks' loan portfolio. In particular, the ratio of non-performing loans (NPLs) to private sector loans as well as total loans as at October 2017 was 2.93 per cent and 2.54 per cent, respectively. This represent declines of 44 basis points and 27 basis points relative to the outturn at October 2016 (see **Figure 29**). However relative to the previous quarter, there was a slight increase of 2 basis points for both ratios. The decline in the NPL ratio relative to 2016 reflected a faster pace of growth in private sector loans of 30.5 per cent compared to growth in total past due loans of 13.4 per cent (or J$15.7 billion).

Figure 29: Commercial Bank Loan Quality (percentage)



Source: Bank of Jamaica

Money

Robust growth in the monetary aggregates was observed in the December 2017 quarter. Annual growth in the monetary base at end-December 2017 was 21.1 per cent, relative to 15.1 per cent at end- 2016 (see **Table 10**). Also, without the new entrants, the monetary base expanded by 16.0 per cent. This expansion was largely reflected in increases of 12.9 per cent and 22.5 per cent in the currency stock and commercial banks' cash reserves, respectively. The outturn for the currency stock was a slower pace of growth relative to an increase of 16.6 per cent for the December 2016 quarter in the context of increased use of electronic means of payment. Real currency growth moderated to 7.3 per cent from 14.6 per cent at end-September 2016 and 14.6 per cent at end-2016.

Regarding the sources of change in the monetary base, there were increases of 18.1 per cent and 16.1 per cent in the net international reserves (NIR) and the net domestic assets (NDA), respectively (see **Table 10**). The increase in the NIR was influenced by buoyant USD supply associated with inflows from foreign currency surrenders and net prudential reserves. The impact of this increase was partly offset by GOJ debt payments and market

sales through the Bank's B-FXITT operations as well as the repayment of the Bank's Certificates of Deposit. A build-up in the stock of OMO liabilities contributed to the contraction in the NDA.

Table 10: Bank of Jamaica Operating Targets

	Stock			Flow	
	Dec-16	Sep-17	Dec-17	Q-o-Q	Y-o-Y
NIR (US$MN)	**2,716.0**	**3,137.1**	**3,208.3**	**2.3**	**18.1**
NIR(J$MN)	346,473.8	400,204.7	409,281.1	2.3	18.1
- Assets	419,456.9	473,914.5	482,363.5	1.8	15.0
- Liabilities	(72,983.1)	(73,709.9)	(73,082.5)	(0.9)	0.1
Net Domestic Assets	**(205,775.7)**	**(247,053.8)**	**(238,888.5)**	**(3.3)**	**16.1**
- Net Claims on Public Sector	146,907.4	127,479.9	125,289.7	(1.7)	(14.7)
- Net Credit to Banks	(41,560.3)	(60,976.3)	(63,635.0)	4.4	53.1
- Open Market Operations	(56,051.7)	(96,355.9)	(93,493.0)	(3.0)	66.8
- Other	(255,071.1)	(217,201.4)	(207,050.2)	(4.7)	(18.8)
-o/w USD FR CDs	(103,492.9)	(81,769.7)	(70,616.7)	(13.6)	(31.8)
Monetary Base	**140,698.1**	**153,150.9**	**170,392.6**	**11.3**	**21.1**
- Currency Issue	98,272.0	92,167.4	110,920.3	20.3	12.9
- Cash Reserve	42,081.4	57,498.2	58,759.1	2.2	39.6
- Current Account	344.7	3,485.3	713.2	(79.5)	106.9

Source: Bank of Jamaica

Broad money supply, as measured by M2J, recorded annual growth of 30.7 per cent at October 2017, compared with an expansion of 12.9 per cent at October 2016. However, much of this increase reflected the inclusion of deposits from the two new commercial banks. Excluding this effect, M2J would have recorded a moderate expansion of 7.7 per cent (see Table 11).

Growth in M2J was largely underpinned by an increase of 36.6 per cent in local currency deposits, which primarily reflected growth of 75.8 per cent in commercial banks' time deposits. The exclusion of the two new commercial banks would have resulted in a decline in time deposits of 27.8per cent. Relative to GDP, broad money supply is estimated at 23.3 per cent, compared with 18.7 per cent at October 2016.[12]

Table 11: Components of Money Supply (M2*)

	Percentage Change (%)		
	Oct-16	Sep-17	Oct-17
Total Money Supply (M2*)	**17.2**	**26.5**	**23.3**
Total Money Supply (M2*) Without New Entrant		11.1	9.8
Money Supply (M2J)	**12.9**	**30.7**	**30.7**
Money Supply (M2J) Without New Entrant		12.5	7.7
Money Supply (M1J)	**16.4**	**14.7**	**13.8**
Currency with the public	15.7	9.9	10.3
Demand Deposits	16.9	18.7	16.6
Quasi Money	**9.6**	**46.5**	**47.5**
Savings Deposits	12.6	41.6	40.9
Time Deposits	(1.5)	65.8	75.8
Foreign Currency Deposits	**23.8**	**20.5**	**12.9**

Source: Bank of Jamaica

The measure of broad money supply that includes foreign currency deposits (M2*) also recorded stronger annual growth of 23.3 per cent. Excluding the new entrants the growth in M2* decelerated to 9.8 per cent, from 17.2 per cent at end-October 2016. The primary source of this deceleration was a moderation in the rate of increase in foreign currency deposits to 4.8 per cent (excluding the new entrants) from 23.8 per cent a year earlier.

Resulting from the slower growth in foreign currency deposits, coupled with a faster pace of growth in total deposits, the deposit dollarization ratio for commercial banks, trended downwards to 43.3 per cent as at October 2017 from 48.1 per cent as at October 2016. The exclusion of the two commercial bank entrants would have resulted in a dollarization ratio of 44.2 per cent at October 2017.

[12] Local currency deposits comprise of demand, savings and time deposits.

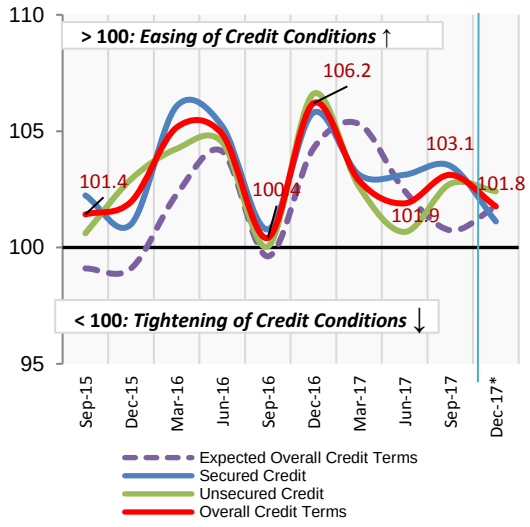
Box 3: Quarterly Credit Conditions Survey

Overview

Bank of Jamaica's survey indicated that credit conditions eased during the September 2017 quarter at a faster pace than was anticipated (see Figure 1). Lenders reported that the easing in credit conditions continued to reflect improvements in lending policies for both secured and unsecured loans. The more relaxed terms on secured loans were evident in a reduction in *interest rates* and *fees* and to a lesser extent, some institutions reported an extension in *credit lines*. For unsecured loans, the easing in lending policies was evidenced by lower interest rates on *credit card* and *non-credit card* loans as well as reduced *fees*.

For the December 2017 quarter, more institutions plan to reduce interest rates and fees on unsecured loans while a more moderate pace of easing in credit terms on secured loans is anticipated, relative to the September 2017 quarter.

Figure 1: Index of Credit Conditions

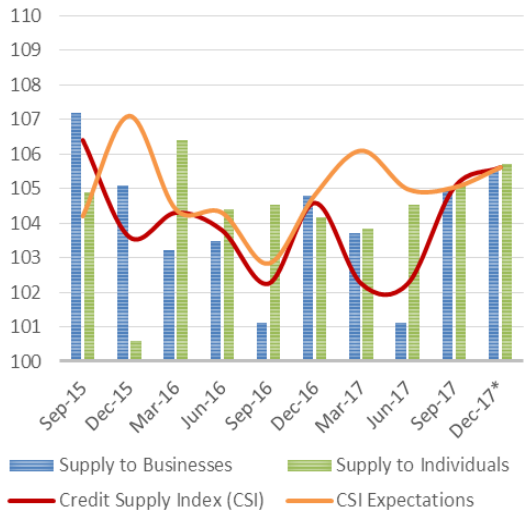


Source: Bank of Jamaica's Quarterly Credit Conditions Survey
Notes: (i) The asterisk (*) represents forward looking expectations provided by the respondents for the December 2017 quarter. (ii) The index is the average response for changes in eight credit terms reported in the Credit Conditions Survey. (iii) An index greater than 100 indicates an easing of credit conditions while an index below 100 indicates a tightening of market conditions.

Credit Supply

The overall Credit Supply Index (CSI) increased to 105.1 for the September 2017 quarter from 102.2 in the previous quarter (see Figure 2). This increase reflected increased credit supply to all firm sizes and households, with the exception of small businesses that received marginally lower funding. Institutions' willingness to provide credit during the quarter continued to be driven by their economic outlook, market share objectives and competition. In addition, some lenders indicated that factors such as *changes in risk appetite* and *economic sector-specific risks* had become important drivers of credit supply in the quarter.

Figure 2: Credit Supply Indices

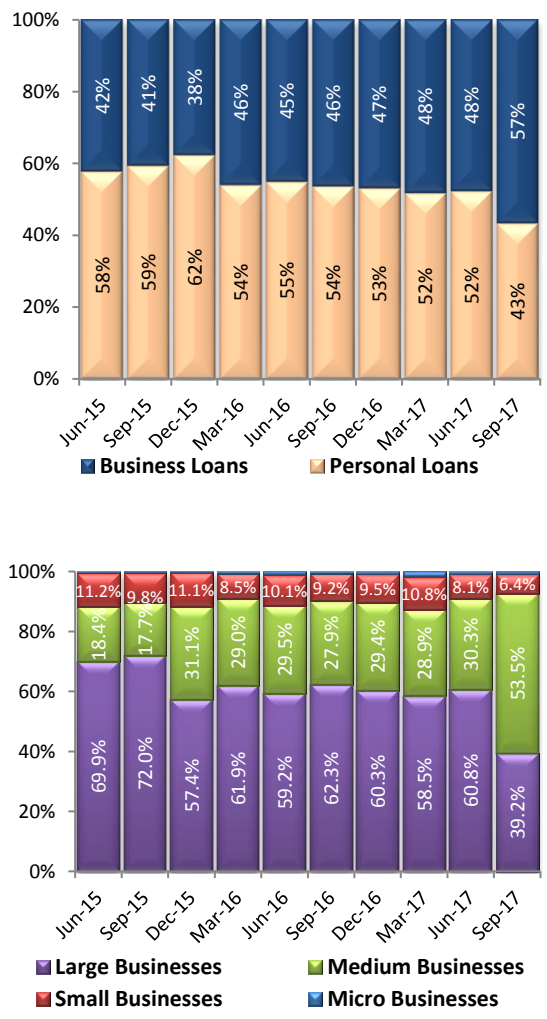


Source: Bank of Jamaica's Quarterly Credit Conditions Survey
Notes: (i) *-Expectations for the upcoming quarter indicated by respondents in the previous survey and (ii) Indices greater than 100 indicate an increase in the variable while an index less than 100 indicates a decline.

Regarding credit allocation, there was a noticeable increase in the proportion of credit offered to medium-sized firms relative to the previous quarter. Of note, this shift largely reflected the lending policies of one institution. Given the increased allocation to medium-sized businesses, the proportion of personal loans, declined to 43.0 per cent from 52.0 per cent in the previous quarter (see Figure 3).

For the December 2017 quarter, lenders planned to increase the amount of credit made available to both businesses and households. This outlook was premised on creditors' plans to maintain or increase market share in the context of new entrants in the banking sector. The increased supply is expected to be distributed across all business sizes in most economic sectors.

Figure 3: Distribution of Private Sector Loans



Source: Bank of Jamaica's Quarterly Credit Conditions Survey
Notes: Figure 3 shows the distribution of credit between households and businesses. Credit to businesses was further disaggregated to show total business loans distributed to firms of various sizes.

Credit Demand

Growth in credit demand, as measured by the Credit Demand Index (CDI) for the September 2017 quarter, increased at a slower pace relative to the June 2017 quarter (see Figure 4). This moderation in the CDI to 103.2 from 105.3 was related to reduced demand for personal loans. Lenders reported that the moderation in demand for these loans was a reflection of substantially weaker demand for credit card debt, as well as some types of secured loans during the quarter. There continued to be moderate demand from most economic sectors.

Table 1: Interest Rates on Local and Foreign Currency Loans

	June 2017 Survey		September 2017 Survey	
	Jun-17	Sep-17*	Sep-17	Dec-17*
Local Currency (LC) Loans				
Business loans	12.92	14.23	12.67	13.82
Personal loans	17.94	17.85	17.18	17.58
Reference rate	13.23	13.56	12.71	13.35
Average LC rates	**13.92**	**14.95**	**13.57**	**14.57**
Foreign Currency (FC) Loans				
Business loans	7.43	7.86	7.77	8.43
Reference rate	7.78	7.77	7.39	8.48

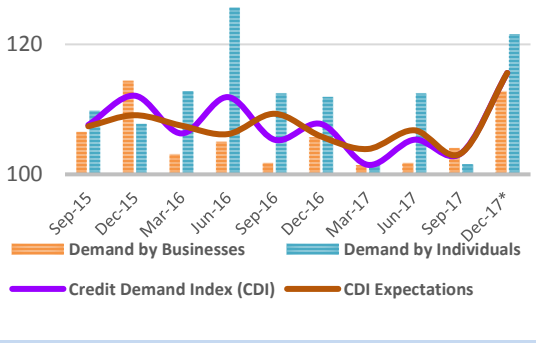
Source: Bank of Jamaica's Credit Conditions Survey
Notes: * Expectations for interest rates indicated by respondents of the survey

Credit demand continued to be driven by factors such as increased business activities, loan promotion activities, and lower interest rates. Of note, some institutions have indicated that *change in government policies* and *macroeconomic risks* are not significant drivers of demand which may be indicative of confidence in the ability of the Government and the monetary authority to maintain policies that enhance credit growth.

For the December 2017 quarter, lenders indicated that they are anticipating an uptick in the demand for credit from both individuals and businesses. Creditors cited the important role of lower interest rates and additional loan promotions in the Christmas season, in enticing borrowers to access

additional credit opportunities. The CDI is consequently projected to rise to 115.6 from 103.2.

Figure 4: Credit Demand Indices



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

Price of Credit

Based on the survey responses, average indicative interest rates on new local currency loans declined by approximately 35 bps to 13. 57 per cent during the review quarter, relative to the previous quarter. This reflected reductions of 77 bps and 25 bps in rates for personal and business loans, respectively. Lower rates were observed in a context of increased loan promotion activities as lenders tried to remain competitive given additional entrants in the commercial banking space. In addition, the buoyant liquidity conditions and the lowering of BOJ's policy rate in the September 2017 quarter contributed to lower interest rates on loans in the quarter (see Table 1).

In contrast, the indicative average interest rate on new foreign currency loans rose by 34 bps to 7.77 per cent, which largely reflected higher rates on foreign currency loans to micro businesses. The interest rates on loans to small and medium-sized firms recorded declines, while interest rates on foreign currency loans to large firms increased slightly.

For the December 2017 quarter, lenders reported that they plan to increase the interest rates on new local and foreign currency loans to businesses by 100 bps and 66 bps to 14.57 per cent and 8.43 per cent, respectively.

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

Box 4: Jamaica's Recent Economic Performance under its IMF SBA-supported Programme

Overview

During the period December 4 to 8, 2017, Jamaica was visited by an IMF staff team which conducted an interim assessment of the progress on Jamaica's economic reform programme under the precautionary Stand-By Arrangement (SBA).The Staff visit was not a formal programme review under the SBA.

The third formal review under the SBA for the September and December quarters of 2017 will be held in February 2018. This review will be held in conjunction with the 2018 Article IV Consultation. The preliminary indication is that all the indicative QPCs and structural benchmarks under the SBA at end-December 2017 were met. A successful approval of the third review will provide the Government of Jamaica with access to an additional SDR 160.8 million (approximately US$XXX million). The remaining funds under the SBA will become accessible to Jamaica in three tranches upon successful completion of the semi-annual programme reviews.

Background

Jamaica's medium-term macroeconomic programme is supported by the precautionary SBA with the IMF.[13] Formal reviews of the quantitative performance criteria (QPCs) and the structural benchmarks under the SBA are held on a semi-annual basis. Under the precautionary SBA, Jamaica has access to approximately US$1.6 billion (SDR 1,195.3 million, or 312 per cent of quota) under certain conditions.[14] In addition to the commitments to maintaining macroeconomic stability and reducing public debt, by addressing a wide range of structural issues, the SBA incorporates a renewed focus on unlocking Jamaica's growth potential through structural reforms. The key SBA conditionalities are reflected in Table 1.

Table 1: SBA Conditionalities

a) Quantitative Performance Criteria (QPC) floors on (i) the primary balance of the central government, and (ii) the overall balance of the public sector.
b) QPCs ceilings on (i) contracting of new central government-guaranteed debt, and (ii) the accrual of domestic and tax refund arrears. A continuous QPC is also on the non-accumulation of external debt payment arrears.
c) Indicative targets on spending on social programs and tax revenues (both floors), and a ceiling on the total loan value of user-funded PPPs.
d) An indicative target on the contracting of new non-guaranteed debt by public bodies. This extension of conditionality to include public bodies (not covered under the EFF definition) aligns debt conditionality with the definition of public debt in the FRL, which includes all consolidated central government and public bodies' debt, excluding the BOJ.
e) A QPC floor on non-borrowed NIR.
f) A monetary policy consultation clause linked to an inflation band.
g) The former QPC in the extended arrangement on central government direct debt is not retained for the stand-by arrangement, as the QPC on the central government primary balance adequately covers this source of debt accumulation.

Source: Memorandum of Economic and Financial Policies (MEFP) Report

Table 2: Structural Benchmarks – Jan-Dec 2017

	Benchmark	Status
1	Issue consultation paper on the resolution framework with outline of draft legislation for public comment.	Met
2	Establish a financial inclusion council to implement the Cabinet-approved umbrella financial inclusion strategy for the period 2016-20.	Met
3	Undertake measures to ensure full compliance with the provisions of the Securities (Retail Repurchase Agreement) Regulations.	Met
4	Submit to cabinet a proposal for the crisis resolution framework.	Met
5	Submit to Cabinet a proposal for revising the BoJ Act	Met

Source: Memorandum of Economic and Financial Policies (MEFP) Report

[13] The Executive Board of the IMF approved the three-year SBA arrangement for Jamaica on 11 November 2016.

[14] The Stand-By Arrangement (SBA) framework allows the Fund to respond quickly to countries' external financing needs and to support policies designed to help them emerge from crisis and restore sustainable growth. https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/20/33/Stand-By-Arrangement

Table 3: Quantitative Performance Criteria and Indicative Targets

(In J$ billions unless otherwise stated)

		2017								2018		
		Performance Criteria	Actual	Indicative Target	Actual	Performance Criteria	Actual	Performance Criteria	Actual	Indicative Target	Performance Criteria	Indicative Target
	Fiscal targets	end-Mar	end-Mar	end-Jun	end-Jun	end-Sep	end-Sep	end-Dec	end-Dec	end-Mar	end-Jun	end-Sep
1	Primary balance of the central government (floor)	123.0	135.9	15.0	30.6	37.0	62.3	59.0	86.5	132	18.0	40.0
2	Overall balance of the public sector (floor)	-17.2	32.8	-39.2	5.6	-36.9	8.0	-44.3	-8.7	-14.8	-25.0	-30.0
3	Net Increase in central government guaranteed debt (ceiling)	0.0	-8.3	0.0	-2.5	0.0	-4.5	0.0		0.0	0.0	0.0
4	Central government accumulation of domestic arrears (ceiling)	0.0	0.0	0.0	-0.9	0.0	-0.6	0.0		0.0	0.0	0.0
5	Central government accumulation of tax refund arrears (ceiling)	0.0	-7.8	0.0	-8.4	0.0	-11.4	0.0		0.0	0.0	0.0
6	Consolidated government accumulation of external debt payment arrears (ceiling)	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0
	Indicative Targets											
7	Tax Revenues (floor)	440.0	458.3	100.0	117.1	215.0	237.6	328.0	353.0	473.0	110.0	230.0
8	Change in the stock of public bodies non-guaranteed debt (ceiling)	3.3	0.6	2.5	0.1	2.0	-1.0	3.5		11.5	13.0	15.0
9	Central government spending on social programmes (floor)	24.3	27.8	6.1	8.9	11.2	16.4	18.3		26.6	6.4	11.9
10	Total loan value of all user funded PPPs (ceiling, per cent of GDP)	3.0	0.7	3.0	0.9	3.0	1.1	3.0		3.0	3.0	3.0
	Monetary targets											
11	Stock of Non-borrowed NIR (floor) 1/2/	1,475	1,936	1,521	1,820	1,637	1,641	1,777	2,533.7	1,917	1,978	2,097
12	Monetary Policy Consultation clause (in per cent)											
	Upper band	9.0		9.0		8.5		8.5		7.5	7.5	7.5
	Center inflation target	5.5	4.1	5.5	4.4	5.0	4.6	5.0	5.2	5.0	5.0	5.0
	Lower band	2.0		2.0		1.5		1.5		2.5	2.5	2.5

Source: Bank of Jamaica

Note:

1/ In millions of US dollars

2/ Stock of BOJ NIR minus all foreign currency CDs to domestic residents

3.3 Fiscal Developments

Central Government operations recorded a fiscal surplus of 0.4 per cent of GDP for the December 2017 quarter, relative to the budgeted deficit of 0.3 per cent of GDP (see Table 12). The outturn reflected lower than budgeted Expenditure while Revenue & Grants was in line with budget. The primary surplus for the period was 1.8 per cent of GDP, which was 0.6 percentage point above the budgeted surplus. For the fiscal year-to-date, the primary surplus was $96.5 billion, $27.4 billion (1.5 per cent of GDP) and $37.5 billion (2.0 per cent of GDP) above the budget and the IMF SBA target, respectively. Further, tax revenue for the fiscal year-to-date surpassed the budget and the IMF SBA indicative target by $13.4 billion (0.7 per cent of GDP) and $25.1 billion (1.3 per cent of GDP), respectively.

Table 12: Summary of Fiscal Operations
(per cent of GDP)

	December 2017 Quarter			FY17/18
	Prov.	Budget	Diff	Budget
Revenue & Grants	**6.8**	**6.8**	**0.1**	**28.5**
o/w Tax Revenue	6.1	6.1	(0.0)	25.4
Non- Tax Revenue	0.6	0.6	0.0	2.8
Grants	0.0	0.1	(0.0)	0.2
Expenditure	**6.4**	**7.0**	**(0.6)**	**28.8**
Programmes	1.9	2.0	(0.1)	8.6
Compensation of Employees	2.4	2.7	(0.3)	10.3
Interest Payment	1.4	1.5	(0.1)	7.3
Capital Expenditure	0.7	0.8	(0.2)	2.6
Fiscal Surplus/Deficit	**0.4**	**(0.3)**	**0.7**	**(0.3)**
Primary Balance	**1.8**	**1.2**	**0.6**	**7.0**
Current Balance	1.0	0.5	0.5	1.9
Total Financing	1.0	1.4	(0.4)	8.5
External Loans	0.3	0.3	(0.0)	3.7
Domestic Loans	0.8	1.1	(0.4)	4.7
Other Income	0.0	0.0	0.0	0.6
Amortisation	1.1	1.1	(0.1)	9.2
External	0.4	0.6	(0.1)	3.7
Domestic	0.6	0.6	0.1	5.4
Overall Balance	**0.4**	**0.0**	**0.4**	**-0.4**

Source: Ministry of Finance & the Public Service

All areas of Revenue & Grants, with the exception of Capital Revenue, were generally in line with budget. Notably, the performance of tax revenue largely reflected greater than expected receipts for GCT (Local), 'Other Companies' and Custom Duty, which were offset by shortfalls in Tax on Interest.

For GCT (Local), the performance was attributed, in part, to greater consumption, arising from an improvement in purchasing power associated with the reduction in personal income tax in April 2017. Other Companies benefitted from increased compliance initiatives as well as greater profitability of firms. [15] Increased imports of motor vehicles and growth in revenues from petroleum products and cigarettes had a favourable effect on Custom Duty receipts. [16] The shortfall in Tax on Interest reflected higher than anticipated tax refunds.

During the December 2017 quarter, lower than budgeted spending was recorded in all areas of expenditure. Delays in the finalization of the FY2017/18 to FY2018/19 wage agreement with the public sector workers explained the low outturn for compensation of employees. For capital expenditure, the deviation reflected the slow implementation as well as administrative delays in the execution of some projects.[17] A less depreciated exchange rate and lower than budgeted domestic interest rates contributed to the deviation in interest payments.

The Government built up $7.1 billion (0.4 per cent of GDP) in bank balances during the December 2017 quarter. The build-up stemmed from Government loan receipts amounting to $19.5 billion (1.0 per cent of GDP) and a fiscal surplus of $7.8 billion (0.4 per cent of GDP) which was more than sufficient to satisfy the Government's financing requirement of $20.2 million (1.1 per cent of GDP). The latter emanated solely from amortization.

Loan receipts included external loan inflows of US$42.1 million (0.3 per cent of GDP) from multilateral project flows. Domestic loans comprised two benchmark investment note issuances amounting to $9.0 billion (0.5 per cent of GDP) as well as

[15] These include improving voluntary compliance through public education, accepting third party information to locate delinquents and increased legal actions.

[16] Revenue from motor vehicle imports increased due to both average value and volume effects.

[17] The capital projects that were delays were the Constant Spring Road Widening, Barbican Road Improvement and the Hagley Park Road Improvement as well as the installation of water mains on the Mandela Highway.

Treasury bills issues of $3.9 billion (0.2 per cent of GDP).

Amortization during the review period included the repayment of a fixed rate domestic benchmark investment note totaling $4.0 billion (0.2 per cent of GDP), domestic contingency payments of $4.3 billion (0.2 per cent of GDP) as well as Treasury bills of $3.5 billion (0.2 per cent of GDP).[18] External amortization comprised US$24.2 million (0.2 per cent of GDP), US$12.1 million (0.1 per cent of GDP) and US$6.2 million (0.04 per cent of GDP) to the Inter-American Development Bank, bilateral and the World Bank, respectively.

Near-term Outlook

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

[18] Domestic contingency payments reflected, in part, a US$9.0 million payment to the PetroCaribe Development Fund, on behalf of the Urban Development Corporation of Jamaica.

4.0 Implications for Monetary Policy

The Bank forecasts that inflation will remain relatively stable over the next four quarters, despite improved demand conditions and the lagged effects of agriculture supply shocks. For FY2018/19, inflation is projected to remain within the Bank's target range of 4.0 per cent to 6.0 per cent. The risks to the forecast are assessed to be balanced over the next eight quarters.

Economic growth is projected in the range of 2.0 per cent to 3.0 per cent for FY2018/19 with further strengthening expected over the medium-term. The pace of expansion for FY2018/19 is predicated on sustained growth in the economies of Jamaica's major trading partners and further improvement in domestic labour market conditions. In the context of this outlook for a stable environment, the Bank expects to maintain its generally accommodative policy stance over the near-term, thereby supporting the conditions for stronger and sustainable growth.

Main Policy Considerations

i. Prices and Output

Annual Inflation at December 2017 was 5.2 per cent, representing an increase relative to 4.6 per cent recorded at September 2017. This outturn was within the Bank's target of 4.0 per cent to 6.0 per cent. The uptick in inflation largely reflected the impact of an increase in agricultural food prices associated with excessive rainfall in October/November 2017 as well as higher energy and transport costs.

The Bank forecasts that inflation will remain relatively stable over the next four quarters, despite improved demand conditions and the lagged effect of agriculture supply shocks. At the same time, international commodity prices are not expected to rise appreciably while inflation expectations remain anchored around the Bank's target. Continued fiscal restraint is expected to assist in tempering price increases.

For the December 2017 quarter, growth in the real economy is estimated to improve relative to the September 2017 quarter. Real output is estimated to have expanded within the range of 1.0 per cent to 2.0 per cent, in line with the outturn for the corresponding period of 2016. With the exception of *Producers of Government Services,* all industries are estimated to have grown.

Real GDP is forecasted to expand within the range of 2.0 per cent to 3.0 per cent for FY2018/19 and, consistent with the Bank's view of potential output growth, subside to the lower part of this range in the medium-term. The pace of expansion for FY2018/19 is predicated on sustained growth in the economies of Jamaica's major trading partners, further improvement in domestic labour market conditions as well as ongoing economic reforms. Furthermore, domestic demand is expected to be bolstered by trend improvements in consumer and business confidence which should be conducive to a greater level of investment over the near to medium-term.

ii. Expectations

Respondents to BOJ's Survey of Business' Expectations indicated a slight uptick in inflation 12 months ahead. This outlook however remained comfortably within the Bank's longer-term target range of 4.0 – 6.0 per cent.[1] With regard to the exchange rate, respondents expected a deceleration in the pace of currency depreciation over the near-term. As it relates to interest rates, respondents continued to indicate that the Bank's signal rate will remain stable. These expectations for inflation and interest rates continue to support a stable and attractive environment for Jamaica Dollar denominated assets over the near- to medium-term (see **Box 5: Monetary Policy Transmission Mechanism**).[2]

[1] See Box 2: Survey of Business' Inflation Expectations.

[2] Near-term refers to the next four quarters while medium-term refers to the next one to five years.

iii. Financial Markets

Effective 23 November 2017, the Bank reduced its signal rate to 3.25 per cent from 3.50 per cent. This policy action, coupled with buoyant liquidity conditions in the review quarter, influenced declines in the rates on all tenors of private money market instruments and the yields on GOJ Treasury bills (see **Monetary Policy and Financial Markets** section).

In a context where BOJ introduced fixed volume auctions for its 30-day CD and reduced the volume offered in the preceding quarter, there was increased demand for the Bank's O/N deposits by some institutions to meet liquidity requirements. Consequently, the average placement on O/N deposits increased to $40.3 billion for the December 2017 quarter from $35.8 billion in the previous quarter.

Over the near-term, nominal interest rates are expected to trend downward and remain relatively low in the context of subdued inflation expectations and the outlook for a generally stable macroeconomic environment. In this context, monetary conditions are supportive of the investment and output growth prospects over the medium-term.

iv. Monetary Targets

An indicative floor of US$1 917.0 million million for the non-borrowed reserves (NBR) at end-March 2018 has been established under the precautionary Stand-By Arrangement (SBA). Adjusted for multilateral loans and grants for budget support, this indicative target is US$1 922.5 million. The Bank's projection suggests that the NBR target at end-March 2018 will be surpassed.

Monetary Policy Outlook

The relatively stable outlook for inflation and the weak, albeit improving, state of the economy indicate that the Bank's monetary stance can remain accommodative over the near term. However, Bank of Jamaica remains poised to address any undesirable risks to inflation that may emerge. This policy approach will continue as the Bank seeks to maximise the benefits of low and stable inflation expectations in Jamaica.

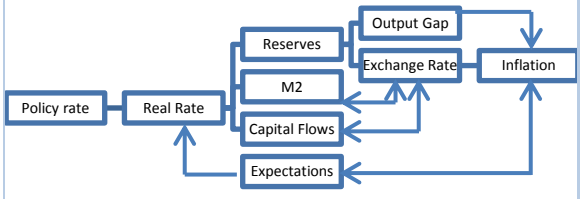
Box 5: Monetary Policy Transmission Mechanism

The monetary policy transmission mechanism is the process through which adjustments in the central bank's policy rate induces changes in the price of goods and services. With changes in the economy, the length and strength of the transmission process can change.

Recent work by Robinson and Williams (2016) still revealed that the credit and the exchange rate channels are the main conduits through which policy affects inflation (see **Figure 1**). The credit channel impacts inflation through aggregate demand and the output gap. The exchange rate channel works through changes in the price of imported goods and services, given the country's openness.

Consistent with the findings for other countries, the transmission process in Jamaica is still assessed to be long lived. However, Robinson and Williams (2016) suggested that changes in the policy rate has its largest impact on inflation five to eight quarters ahead, which is more delayed than previously thought. In addition, the impact of a policy adjustment on the exchange rate is larger and longer lasting than in the early 2000's. Given the extended lag in the transmission process, and the fact that monetary policy must be forward-looking, the Bank has extended its forecasting period to at least eight quarters.

Figure 1: Monetary Transmission Process



Source: Allen, C and W. Robinson, 2005, *"Monetary Policy Rules and the Transmission Mechanism in Jamaica"*, Money Affairs, Volume XVIII

Additional Tables

	Page
1: INFLATION RATES	34
2: ALL JAMAICA INFLATION – Point-to-Point (Sept 2016)	35
3: BANK OF JAMAICA OPERATING TARGETS	36
4: MONETARY AGGREGATES	36
5: COMMERCIAL BANKS' SELECTED INTEREST RATES (%)*	37
6: GOJ TREASURY BILL YIELDS	37
7: BANK OF JAMAICA OPEN MARKET INTEREST RATES	38
8: PLACEMENTS AND MATURITIES in BOJ OMO Instruments	39
9: EXTERNAL TRADE – GOODS EXPORTS (f.o.b)	40
10: BALANCE OF PAYMENTS QUARTERLY SUMMARY	41
11: FOREIGN EXCHANGE SELLING RATES	42
12: BANK OF JAMAICA: NET INTERNATIONAL RESERVES	42
13: VALUE ADDED BY INDUSTRY AT CONSTANT (2007) PRICES (% CHANGE)	43
14: USD LONDON INTERBANK OFFER RATE-LIBOR (End- of-Period)	43
15: PRIME LENDING RATES (End-of-Period)	44
16: INTERNATIONAL EXCHANGE RATES	44
17: WORLD COMMODITY PRICES (Period Averages)	45

** To be updated*

1: INFLATION RATES

		CPI (End of Point)	Headline Inflation	Core Inflation*
	Dec-05	94.79	10.52	9.68
	Mar-06	95.40	11.59	10.95
FY06/07	Jun-06	97.68	9.81	10.42
	Sep-06	99.76	6.59	9.71
	Dec-06	100.00	5.49	8.13
	Mar-07	102.50	7.44	9.49
FY07/08	Jun-07	105.10	7.60	9.65
	Sep-07	108.90	9.16	10.39
	Dec-07	116.82	16.82	15.62
	Mar-08	122.94	19.94	17.32
FY08/09	Jun-08	130.29	23.97	20.27
	Sep-08	136.45	25.30	20.99
	Dec-08	136.50	16.84	16.61
	Mar-09	122.94	12.43	12.98
FY09/10	Jun-09	141.95	8.95	10.29
	Sep-09	146.30	7.22	9.77
	Dec-09	150.44	10.21	10.28
	Mar-10	156.64	13.33	11.60
FY10/11	Jun-10	160.70	13.21	10.99
	Sep-10	162.77	11.26	9.40
	Dec-10	168.10	11.74	8.65
	Mar-11	168.92	7.84	6.57
FY11/12	Jun-11	172.28	7.20	6.67
	Sep-11	175.91	8.07	6.99
	Dec-11	178.21	6.01	6.86
	Mar-12	168.92	7.26	6.97
FY12/13	Jun-12	183.83	6.71	6.91
	Sep-12	187.61	6.65	5.59
	Dec-12	192.47	8.00	5.44
	Mar-13	197.72	9.13	6.30
FY13/14	Jun-13	199.93	8.76	6.26
	Sep-13	207.24	10.46	6.95
	Dec-13	210.70	9.47	7.38
	Mar-14	214.21	8.34	6.54
FY14/15	Jun-14	215.86	7.97	6.10
	Sep-14	225.86	8.99	6.72
	Dec-14	224.09	6.36	5.97
	Mar-15	214.21	3.96	5.51
FY15/16	Jun-15	225.30	4.37	4.81
	Sep-15	229.97	1.82	4.00
	Dec-15	232.30	3.66	3.51
	Mar-16	229.29	2.96	3.04
FY16/17	Jun-16	230.98	2.52	2.76
	Sep-16	234.23	1.86	2.49
	Dec-16	236.30	1.72	2.31
	Mar-17	238.66	4.09	2.27
FY17/18	Jun-17	241.22	4.43	2.43
	Sep-17	244.97	4.58	2.55
	Dec-17	248.67	5.24	2.65

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

2: ALL JAMAICA INFLATION – Point–to–Point (December 2017)

Divisions, Classes and Groups	Weight (%)	Inflation (%)	Weighted Inflation	Contribution
FOOD & NON-ALCOHOLIC BEVERAGES	37.46	6.66	2.50	47.68
Food	35.12	6.92	2.43	46.39
Bread and Cereals	6.10	2.77	0.17	3.23
Meat	7.66	3.32	0.25	4.85
Fish and Seafood	5.33	3.81	0.20	3.88
Milk, Cheese and Eggs	3.11	1.43	0.04	0.85
Oils and Fats	1.64	3.14	0.05	0.98
Fruit	1.14	7.32	0.08	1.59
Vegetables and Starchy Foods	6.85	16.93	1.16	22.15
Sugar, Jam, Honey, Chocolate and Confectionery	1.72	19.11	0.89	16.94
Food Products n.e.c.	1.55	10.57	0.23	4.46
Non-Alcoholic Beverages	2.35	5.60	0.10	1.84
Coffee, Tea and Cocoa	0.66	5.10	0.08	1.51
Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	1.69	2.08	0.05	0.94
ALCOHOLIC BEVERAGES AND TOBACCO	1.38	5.48	0.08	1.45
CLOTHING AND FOOTWEAR	3.33	2.28	0.08	1.45
Clothing	2.12	1.64	0.03	0.66
Footwear	1.22	3.30	0.04	0.77
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	12.76	8.57	1.09	20.88
Rentals for Housing	3.52	2.75	0.10	1.85
Maintenance and Repair of Dwelling	0.80	3.74	0.03	0.57
Water Supply and Miscellaneous Services Related to the Dwelling	1.32	4.48	0.06	1.13
Electricity, Gas and Other Fuels	7.12	13.28	0.95	18.06
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	4.93	1.70	0.08	1.60
Furniture and Furnishings	0.69	2.16	0.01	0.29
Household Textiles	0.32	2.83	0.01	0.17
Household Appliances	0.56	2.46	0.01	0.26
Glassware, Tableware and Household Utensils	0.05	1.42	0.00	0.01
Tools and Equipment for House and Garden	0.15	2.05	0.00	0.06
Goods and Services for Routine Household Maintenance	3.16	1.34	0.04	0.81
HEALTH	3.29	1.43	0.05	0.90
Medical Products, Appliances and Equipment	1.22	1.74	0.02	0.40
Health Services	2.07	1.23	0.03	0.49
TRANSPORT	12.82	3.48	0.45	8.51
COMMUNICATION	3.99	0.25	0.01	0.19
RECREATION AND CULTURE	3.36	2.94	0.10	1.89
EDUCATION	2.14	2.14	0.05	0.88
RESTAURANTS & ACCOMMODATION SERVICES	6.19	2.74	0.17	3.24
MISCELLANEOUS GOODS AND SERVICES	8.37	2.08	0.17	3.33
ALL DIVISIONS	100.00	5.24	5.24	100.00

3: BANK OF JAMAICA OPERATING TARGETS

	Actual Dec-15	Actual Mar-16	Actual Jun-16	Actual Sept-16	Actual Dec-16	Actual Mar-17	Actual Jun-17	Actual Sep-17	Actual Dec-17
Net International Reserves (US$)	**2,437.3**	**2,415.5**	**2,265.1**	**2,463.0**	**2,719.37**	**2,769.17**	**2,616.81**	**3,137.14**	**3,208.29**
NET INT'L RESERVES (J$)	**279,456.9**	**276,965.2**	**259,719.8**	**282,408.7**	**311,802.6**	**353,263.3**	**333,826.3**	**400,204.7**	**409,475.0**
Assets	334,129.3	331,861.5	323,329.7	350,419.2	377,399.9	424,029.0	406,393.5	473,914.5	482,557.5
Liabilities	-54,672.4	-54,896.3	-63,609.9	-68,010.5	-65,597.3	-70,765.8	72,567.2	73,709.9	73,082.5
NET DOMESTIC ASSETS	**-157,245.2**	**-156,953.3**	**-139,037.8**	**-157,295.8**	**-171,104.5**	**-221,414.2**	**-186,807.0**	**-247,053.8**	**-239,082.4**
-Net Claims on Public Sector	108,893.4	138,210.2	144,829.5	123,570.4	130,118.7	118,459.5	181,221.1	127,479.9	125,095.7
-Net Credit to Banks	-26,163.1	28,461.5	-72,477.2	-34,134.6	-52,772.0	-51,835.4	-59,333.2	-60,976.3	-63,635.0
-Open Market Operations	-39,459.0	57,966.6	-63,621.9	-44,408.5	-41,560.3	-48,385.7	-87,050.2	-96,355.9	-93,493.0
-Other	-200,516.4	208,735.4	-2,973.4	-202,323.2	-206,890.9	-239,652.6	-221,644.7	-217,053.8	-207,050.2
MONETARY BASE	**122,211.7**	**120,011.9**	**120,682.0**	**125,112.9**	**140,698.1**	**131,849.1**	**147,019.3**	**153,150.9**	**170,392.6**
- Currency Issue	84,294.7	79,988.9	79,736.4	82,948.5	98,272.0	88,071.1	91,642.8	92,167.4	110,920.3
- Cash Reserve	37,597.9	39,619.8	40,366.2	41,644.6	42,081.4	43,574.5	54,277.9	57,498.2	58,759.1
- Current Account	319.1	403.3	579.4	519.8	344.7	203.5	1,098.6	3,485.3	713.2
GROWTH IN MONETARY BASE [F-Y-T-D]	**20.9**	**-**	**0.6**	**4.3**	**17.2**	**-**	**11.5**	**16.2**	**29.2**

4: MONETARY AGGREGATES

		BASE	M1J	M1*	M2J	M2*	M3J	M3*
FY12/13	Sep-12	85193.86	105164.94	105164.94	237685.09	351396.29	340031.63	453742.83
	Dec-12	97648.46	117908.77	117908.77	253848.71	383195.99	357503.67	486850.96
	Mar-13	91294.45	113240.38	113240.38	252128.71	396423.90	355217.29	499512.48
FY13/14	Jun-13	90221.88	110381.42	110381.42	250702.54	397899.09	354684.76	501881.32
	Sep-13	92083.29	113684.42	113684.42	259771.42	409003.99	369324.33	518556.90
	Dec-13	103633.38	122884.67	122884.67	267936.36	418628.15	374695.17	525386.96
	Mar-14	94428.02	119019.10	119019.10	262328.5	422293.20	373800.60	533765.30
FY14/15	Jun-14	95944.45	114410.60	114410.60	256212.30	418589.90	369666.90	532044.50
	Sep-14	96249.59	114321.90	114321.90	255533.40	417063.70	371626.90	533157.20
	Dec-14	108882.53	132667.25	132667.25	276864.33	446540.66	396051.52	565727.85
	Mar-15	101081.30	127331.43	127331.43	273286.91	444356.87	398263.53	569333.49
FY15/16	Jun-15	104475.63	142761.90	142761.90	292242.71	471576.37	422968.84	602302.50
	Sep-15	107998.61	137336.80	137336.80	288215.89	475790.09	421278.58	608852.79
	Dec-15	122211.75	160268.64	160268.64	317745.81	517788.53	453436.26	653478.99
	Mar-16	120011.93	155348.7	180719.1	313587.6	530398.8	460873.6	677684.8
FY16/17	Jun-16	120682.00	152152.3	176967.0	315129.2	542936.3	468354.8	696162.0
	Sep-16	125112.90	162012.8	183699.4	327364.0	554814.8	485596.6	713047.4
	Dec-16	140698.1	184887.8	210703.5	356709.1	586686.9	514906.4	744884.2
	Mar-17	139460.8	176201.6	214935.3	383601.5	645878.0	570014.5	832291.0
FY17/18	Jun-17	147019.3	175776.8	205730.9	389554.8	660056.0	520759.4	791260.6
	Sep-17	153150.9	190431.4	220733.8	430197.0	711834.1	606791.9	888429.1
	Oct-17	154135.1	186163.2	215186.9	430245.0	697684.4	606765.9	874205.3

5: COMMERCIAL BANKS' SELECTED INTEREST RATES (%)

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

6: GOJ TREASURY BILL YIELDS

(End of Period)

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

	Jun-16	5.47	5.86	6.01	…	…
FY16/17	Sept-16	5.84	5.86	5.81	…	…
	Dec-16	5.64	5.68	6.56	…	…
	Mar-17	6.10	6.13	6.32	…	…
	Jun-17	6.10	6.13	6.32	…	…
FY17/18	Sept-17	4.98	5.45	…	…	…
	Dec-17	4.18	4.63	…	…	…

.. Unavailable

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

		30 days	60 days	90 days	120 days	180 days	270 days	365 days
FY09/10	Sep-10	8.00	…	…	…	…	…	…
	Dec-10	7.50	…	…	…	…	…	…
	Mar-11	6.75	…	…	…	…	…	…
FY10/11	Jun-11	6.75	…	…	…	…	…	…
	Sep-11	6.25	…	…	…	…	…	…
	Dec-11	6.25	…	…	…	…	…	…
	Mar-12	6.25	…	…	…	…	…	…
FY11/12	Jun-12	6.25	…	…	…	…	…	…
	Sep-12	6.25	…	…	…	…	…	…
	Dec-12	6.25	…	…	…	…	…	…
	Mar-13	5.75	…	…	…	…	…	…
FY12/13	Jun-13	5.75	…	…	…	…	…	…
	Sep-13	5.75	…	…	…	…	…	…
	Dec-13	5.75	…	…	…	…	…	…
	Mar-14	5.75	…	…	…	…	…	…
FY13/14	Jun-14	5.75	…	…	…	…	…	…
	Sep-14	5.75	…	…	…	…	…	…
	Dec-14	5.75	…	…	…	…	…	…
	Mar-15	5.75	…	…	…	…	…	…
FY14/15	Jun-15	5.50	…	…	…	…	…	…
	Sep-15	5.25	…	…	…	…	…	…
	Dec-15	5.25	…	…	…	…	…	…
	Mar-16	5.25	…	…	…	…	…	…
FY15/16	Jun-16	5.00	…	…	…	…	…	…
	Sept-16	5.00	…	…	…	…	…	…
	Dec-16	5.00	…	…	…	…	…	…
	Mar-17	5.00	…	…	…	…	…	…
FY16/17	Jun-17	4.75	…	…	…	…	…	…
	Sept-17	4.75	…	…	…	…	…	…

8: Placements and Maturities* in BOJ OMO Instruments

	April – June 2017			July – September 2017			October – December 2017		
	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)
30-day CD	88.35	92.08	4.77	80.13	63.3	4.45	79.0	89.2	3.92
365-day VR CD	0.0	0.0		0.0	0.0		0.0	0.0	
548-day VR CD	0.0	0.0		0.0	0.0		0.0	0.0	
729-day VR CD	2.79	0.55	5.72	1.4	0.0		1.5	0.0	
365-day FR CD	10.36	0.0		0.0	7.9	6.1	6.7	0.0	
365-day FR USD IB	0.0	0.0		0.0	0.0		0.0	0.0	
Repos	63.55	55.67		18.7	16.7		4.2	3.5	
	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)
1-year FR USD CD	0.0	0.0		0.0	0.0		0.0	0.0	
2-year FR USD CD	0.0	0.0		0.0	0.0		85	0.0	
3-year FR USD CD	26.4	0.0		0.0	20.1	3.07	0.0	0.0	
5-year FR USD CD	0.0	0.0		0.0	10.8	3.92	0.0	0.0	
7-year FR USD CD	0.0	0.0		0.0	46.3	4.62	0.0	0.0	
TOTAL	26.4	0.0		0.0	77.2		0.0	0.0	

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

(Flows – US$MN)

	Bauxite	Alumina	Sugar	Bananas	Other Traditional	Non-Traditional	Other	Total Goods Exports
Dec-10	29.6	146.0	0.0	0.0	13.5	101.0	53.3	343.4
Mar-11	34.9	130.0	26.9	0.0	18.3	127.0	70.4	407.6
FY11/12	138.3	578.8	91.5	0.1	76.5	509.3	275.3	1669.7
Jun-11	33.5	163.2	28.9	0.0	22.7	134.2	66.9	449.4
Sep-11	38.7	141.8	6.4	0.0	19.9	117.1	73.9	397.8
Dec-11	34.8	145.8	0.0	0.0	14.7	111.0	62.7	368.9
Mar-12	31.3	128.0	56.2	0.0	19.2	147.0	71.8	453.6
FY12/13	131.8	516.7	54.7	0.1	80.8	707.1	252.9	1744.1
Jun-12	31.8	132.4	37.5	0.0	22.3	126.8	66.7	417.5
Sep-12	34.7	130.7	0.5	0.0	20.4	162.3	58.6	407.1
Dec-12	32.4	117.2	0.0	0.0	19.3	223.5	57.9	450.3
Mar-13	33.0	136.4	16.8	0.0	18.8	194.5	69.7	469.2
FY13/14	125.0	526.1	53.7	0.1	70.9	455.8	260.3	1491.9
Jun-13	31.6	127.0	36.3	0.0	23.5	104.0	62.4	384.8
Sep-13	30.6	117.6	0.0	0.0	18.5	120.3	75.8	362.8
Dec-13	32.8	142.7	0.0	0.0	13.8	118.7	55.4	363.4
Mar-14	30.0	138.7	17.4	0.0	15.1	112.9	66.8	381.0
FY14/15	136.5	522.9	55.5	0.2	65.8	395.6	225.6	1402.2
Jun-14	34.4	108.6	26.5	0.0	21.0	96.1	69.2	355.9
Sep-14	33.4	151.6	11.9	0.1	16.6	99.3	62.1	375.0
Dec-14	33.4	130.4	0.0	0.1	13.6	106.8	49.2	333.5
Mar-15	35.3	132.3	17.1	0.1	14.5	93.4	45.1	337.9
FY15/16	116.4	479.8	36.9	0.3	69.9	317.8	158.3	1178.7
Jun-15	32.0	143.8	23.6	0.1	21.9	80.4	45.2	347.0

Sep-15	33.8	114.5	13.1	0.1	19.2	71.0	31.9	283.6
Dec-15	23.9	116.4	0.2	0.1	13.4	84.2	38.8	277.0
Mar-16+	26.6	105.1	0.0	0.1	15.4	82.2	42.3	271.1
FY16/17	83.6	465.6	17.7	0.4	75.7	408.4	193.9	1245.2
Jun-16+	26.7	126.6	9.0	0.1	26.9	90.7	55.2	335.3
Sep-16	20.6	102.7	4.8	0.1	20.6	93.0	41.0	282.7
Dec-16	17.9	109.6	0.3	0.1	13.0	108.4	49.9	299.1
Mar-17+	18.3	126.7	3.6	0.1	15.3	116.3	47.8	328.1
FY17/18	45.2	262.5	10.5	0.2	35.5	204.8	104.9	663.5
Jun-17+	24.7	128.4	8.8	0.1	18.0	107.6	58.7	346.3
Sep-17	20.5	134.0	1.7	0.1	17.5	97.2	46.2	317.2

+ Revision

10: BALANCE OF PAYMENTS QUARTERLY SUMMARY

(US$MN)

	Jun-15	Sep-15	Dec-15	Mar-16+	Jun-16+	Sep-16+	Dec-16+	Mar-17+	Jun-17+	Sep-17
1. Current Account	**-128.5**	**-179.4**	**-114.8**	**137.1**	**-65.9**	**-186.3**	**-52.3**	**-100.8**	**-72.2**	**-305.6**
A. Goods Balance	-823.8	-789.2	-815.2	-664.7	-717.5	-809.0	-797.3	-870.0	-905.6	-962.0
Exports (f.o.b)	344.4	298.3	277.0	271.1	335.3	285.5	302.5	316.3	342.0	316.5
Imports (f.o.b)	-1168.2	-1087.4	1092.3	935.8	1052.8	1094.4	1099.8	1186.3	1247.6	1278.5
B. Services Balance	**247.0**	**156.7**	**162.5**	**402.6**	**242.9**	**190.0**	**191.1**	**393.9**	**306.9**	**217.6**
Transportation	-146.0	-140.6	-147.9	-128.5	-142.3	-142.0	-146.2	-149.2	-158.8	-161.4
Travel	529.3	488.8	505.6	679.3	558.2	513.4	531.7	702.0	622.6	577.6
Other Services	-136.4	-191.4	-195.2	-148.2	-173.0	-181.4	-194.4	-158.9	-156.8	-198.5
Goods & Services Balance	-576.8	-632.4	-652.8	-262.1	-474.6	-618.9	-606.1	-476.2	-598.7	-744.4
C. Income	**-144.6**	**-128.9**	**-57.8**	**-158.4**	**-205.8**	**-174.3**	**-56.5**	**-189.2**	**-94.8**	**-165.7**
Compensation of employees	5.6	14.6	50.1	4.8	4.5	14.4	55.6	14.0	10.7	15.3
Investment Income	-150.1	-143.5	-107.9	-163.2	-210.3	-188.6	-112.1	-203.2	-105.5	-181.0
D. Current Transfers	**592.9**	**582.0**	595.8	**557.6**	**614.5**	**607.0**	**610.3**	**564.5**	**621.4**	**604.5**
General Government	45.5	45.5	40.1	51.0	45.7	43.3	45.3	39.8	48.6	40.3
Other Sectors	547.4	536.4	555.7	506.6	568.8	563.7	565.0	524.7	572.8	564.2
2. Capital & Financial Account	**51.7**	**600.8**	**497.9**	**149.2**	**269.7**	**212.7**	**636.2**	**299.1**	**247.6**	**174.2**
A. Capital Account	**-5.5**	**1442.0**	-7.2	**-8.4**	**-6.8**	**4.4**	**0.0**	**-6.1**	**-6.1**	**-5.3**
Capital Transfers	-5.5	1442.0	-7.2	**-8.4**	**-6.8**	**4.4**	**0.0**	**-6.1**	**-6.1**	**-5.3**
General Government	2.8	1.0	0.0	**0.1**	**1.6**	**12.0**	**7.3**	**2.4**	**2.2**	**2.3**
Other Sectors	-8.3	1441.0	-7.2	**-8.5**	**-8.3**	**-7.6**	**-7.2**	**-8.5**	**-8.3**	**-7.6**
Acq/disp of non-produced non- fin assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Financial Account	**57.3**	**-841.2**	505.1	**157.6**	**276.5**	**208.3**	**636.1**	**305.2**	**253.7**	**179.5**
Direct Investment	186.8	265.7	226.8	262.9	-20.0	239.4	175.7	189.2	165.8	233.0
Portfolio Investment	-129.8	-21.4	104.9	-154.4	-86.3	-21.5	104.9	91.9	-86.3	-311.8
Other official investment	-279.0	-913.7	-13.1	-30.1	-28.6	13.3	9.1	11.8	-210.9	730.2
Other private Investment	102.1	153.6	181.7	57.7	261.0	175.0	602.8	62.1	232.8	48.4
Reserves	177.2	-325.4	4.9	21.5	150.4	-197.9	-256.4	-49.8	152.4	-520.3
Errors & Omissions	**76.8**	**-421.5**	**-383.1**	**-286.2**	**-203.8**	**-26.4**	**-583.9**	**-198.2**	**-175.4**	**131.4**

+ Revised

11: FOREIGN EXCHANGE SELLING RATES

(J$ per unit of foreign currency – end of period)

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

12: BANK OF JAMAICA: NET INTERNATIONAL RESERVES

(End-of-Point)

		(US$MN)	(US$MN)	(US$MN)	Weeks of Imports	
		Gross Foreign Assets	Gross Foreign Liabilities	International Reserves (Net)	Goods	Goods & Services
	Dec-11	2,820.40	854.30	1,966.10	25.50	19.20
	Mar-12	2,638.90	861.80	1,777.10	23.20	17.50
FY12/13	Jun-12	2,385.10	844.70	1,540.40	21.10	15.90
	Sep-12	2,115.90	858.10	1,257.80	18.90	14.10
	Dec-12	1,980.80	855.20	1,125.60	17.70	13.20
	Mar-13	1,718.40	834.10	884.30	15.40	11.50
FY13/14	Jun-13	1,881.10	877.90	1,003.20	16.70	12.60
	Sep-13	1,713.50	803.40	910.10	15.80	11.90
	Dec-13	1,817.60	769.70	1,047.90	17.30	12.80
	Mar-14	2,048.60	745.00	1,303.60	19.10	14.40
FY14/15	Jun-14	2,016.53	640.40	1,376.13	20.19	14.57
	Sep-14	2,715.25	514.68	2,200.57	27.79	19.66
	Dec-14	2,473.01	471.92	2,001.09	26.31	18.41
	Mar-15	2,689.74	396.06	2,293.68	28.61	20.02
FY15/16	Jun-15	2,537.27	420.76	2,116.51	29.00	19.83
	Sep-15	2,890.45	448.57	2,441.88	32.34	22.39
	Dec-15	2,890.45	479.82	2,437.01	34.61	23.45

	Mar-16	2,894.31	478.77	2,415.53	34.38	23.30
FY16/17	Jun-16	2,819.90	554.77	2,265.13	32.66	19.36
	Sep-16	3,056.16	593.15	2,463.01	36.30	24.60
	Dec-16	3,291.47	-572.10	2,719.37	38.40	22.27
	Mar-17	3,323.89	-554.72	2,769.17	38.78	22.49
FY17/18	Jun-17	3,185.65	-568.84	2,616.81	35.44	20.54
	Sep-17	3,714.94	-577.80	3,137.14	40.87	23.70
	Dec-17	3,781.17	-572.88	3,208.29	40.14	23.25

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

Dec 2015 – Sep 2017 + (Seasonally Unadjusted)

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

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17+	Sep-17
Total Value Added at Basic Prices	0.8	0.9	1.5	2.1	1.4	0.1	-0.1	0.8
Agriculture, Forestry & Fishing	-3.5	3.3	8.9	28.8	16.4	-3.6	-9.5	-0.8
Mining & Quarrying	-2.3	-1.4	-1.9	1.9	-11.7	-9.9	-10.9	-7.8
Manufacturing	5.0	0.7	2.1	2.3	2.5	2.7	1.1	2.3
Food, Beverages & Tobacco	4.5	0.5	0.2	3.2	6.5	5.0	0.6	3.3
Other Manufacturing	5.6	1.1	5.1	1.0	-1.6	-0.7	1.7	0.9
Construction	1.0	0.5	2.1	-0.8	0.5	0.6	1.2	1.2.
Electricity & Water	4.5	5.3	5.0	2.5	1.9	0.5	0.1	2.4
Wholesale & Retail Trade; Repairs; Installation Of Machinery	0.6	0.6	0.5	-0.2	0.3	0.3	0.6	0.6
Hotels and Restaurants	0.9	2.4	1.3	2.2	2.5	1.1	5.1	3.9
Transport, Storage & Communication	0.7	0.6	0.9	0.7	0.6	0.4	0.4	1.1
Finance & Insurance Services	0.8	1.7	1.4	1.0	1.0	1.0	1.3	0.9
Real Estate & Business Services	0.6	0.6	0.6	0.5	0.4	0.3	0.5	0.6
Government Services	-0.1	-0.1	-0.2	-0.1	-0.2	0.0	0.1	0.1
Other Services	1.2	1.0	1.0	1.0	1.0	0.4	1.5	0.9
Less Financial Intermediation Services Indirectly Measured (FISIM)	0.6	3.7	1.6	1.6	2.1	0.4	1.3	0.5

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

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

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

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

16: INTERNATIONAL EXCHANGE RATES

		Sterling vs. US$	Canadian $ vs. US$	Yen vs. US$	Euro vs. US$
	Mar-12	0.6256	0.9991	82.4340	0.7500
FY12/13	Jun-12	0.6376	1.0191	79.8040	0.7894
	Sep-12	0.6199	0.9837	77.9480	0.7779
	Dec-12	0.6150	0.9949	86.6630	0.7584
	Mar-13	0.6588	1.0156	94.0370	0.7787
FY13/14	Jun-13	0.6575	1.0512	99.1700	0.7687
	Sep-13	0.6181	1.0285	98.3270	0.7389
	Dec-13	0.6034	1.0636	105.2030	0.7258
	Mar-14	0.6012	1.1053	103.0100	0.7259
FY14/15	Jun-14	0.5846	1.0676	101.2900	0.7305
	Sep-14	0.6168	1.1196	109.6491	0.7917
	Dec-14	0.6418	1.1614	119.8035	0.8264
	Mar-15	0.6737	1.2679	119.9472	0.9321
FY15/16	Jun-15	0.6737	1.2483	122.1001	0.8966
	Sep-15	0.6609	1.3394	119.6745	0.8943
	Dec-15	0.6786	1.3837	120.2501	0.9206
	Mar-16	0.6964	1.3004	112.5746	0.8787
FY16/17	Jun-16	0.7513	1.2925	103.1779	0.9004
	Sept-16	0.7709	1.3127	101.3377	0.8901
	Dec-16	0.8104	1.3439	117.0001	0.9508

	Mar-17	0.7968	1.3317	111.3958	0.9388
FY17/18	Jun-17	0.7677	1.2963	112.3469	0.8752
	Sep-17	0.7464	1.2470	112.5239	0.8465
	Dec-17	0.7400	1.2571	112.6888	0.8330

17: WORLD COMMODITY PRICES (Period Averages)

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

Glossary

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

Base Money: The sum of notes and coins held by the public and the cash reserves of commercial banks (including both their holding of cash and their deposits at the central bank). The monetary base is the operating target used in the BOJ monetary policy framework and can be controlled through open market operations. Changes in the monetary base emanate from sources within the net domestic assets (NDA) as well as the net international reserves (NIR).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Money Supply: This is the stock of instruments or assets formally designated as money in a particular economy. There are alternative measures of money supply both within and between countries. In Jamaica, the measurements of money that are calculated and published are:

M1: Notes and coins in circulation + Demand Deposits
M2: M1+ Time and savings deposits
M3: M2 + Other Deposits.

A 'J' indicates that the components are Jamaican dollar liabilities only and an '*' indicates that the components also include foreign currency liabilities of the banking system.

Monetary Base: See Base Money

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

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

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

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

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

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

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

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

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

Quasi-money: Savings Deposits plus Time Deposit.

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

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

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

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

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

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

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

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

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

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

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

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

Terms of Trade: An index of the ratio of export prices to the index of import prices. An improvement in the terms of trade follows if export prices rise more quickly than import prices.

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

List of Boxes

QMPR ISSUE		LIST OF BOXES
Oct – Dec 2000	1	Sovereign Credit Ratings & Outlook
	2	E-Gate & The Foreign Exchange Market
	3	The International Oil Market: Recent Developments and Outlook
	4	Jamaica's IMF Staff Monitored Programme (SMP)
Jan – Mar 2001	5	Core Inflation in Jamaica – Concept & Measurement
	6	Highlights of the IMF 2001 Article IV Consultation
Apr – Jun 2001	7	Jamaica's Banking Sector Recovery – An Overview
	8	Jamaica's Sovereign Credit Ratings – An Update
	9	Highlights of the IMF's May 2001 Article IV Consultation
Jul – Sep 2001	10	Innovations in Jamaica's Payment System
	11	Expanding the Role of Equity Finance in Jamaica: Some Perspectives
	12	The US Economy: Recent Trends and Prospects
Oct – Dec 2001	13	The Performance of Remittances in the Jamaican Economy: 1997 – 2001
	14	Tourism and the Jamaican Economy: Pre & Post 11 September 2001
	15	World Trade Organization (WTO): Outcome of the Fourth Ministerial Conference in Doha. Qatar and the Possible Implications for Jamaica
Jan – Mar 2002	16	Commercial Bank Probability: January to December 2001
	17	Regional Disparities in Jamaica's Inflation – 1997/98 to 2001/02
	18	The Argentina Debt Crisis & Implications for Jamaica
	19	General Data Dissemination Standards
Apr – Jun 2002	20	The Automated Clearing House: Implications for the Payment System
	21	Macroeconomic Implications of Cross Border Capital Flows: Some Scenarios
	22	Performance of Remittances in the Latin American and Caribbean Region – 1997 to 2001
Jul – Sep 2002	23	Building Societies' New Mortgage Loans: July 2001 – June 2002
	24	An Overview of the CARICOM Single Market and Economy (CSME)
Oct – Dec 2002	25	The Profitability of the Banking System: 1991 – 2002
	26	Interest Rates Spreads in Jamaica: 1995 – 2002
	27	Implications of the International Accounting Standards (IAS) for Financial Systems and Financial Stability
Jan – Mar 2003	28	Opportunities for Savings and Investments in Jamaica: Financial Intermediaries and Financial Instruments
	29	The CPI and the GDP Deflator: Concepts and Applications
Apr – Jun 2003	30	The Concept and Measurement of External Competitiveness
	31	Exchange Rate Pass-Through in the Jamaican Economy
Jul – Sep 2003	32	The International Investment Position
	33	The Fifth WTO Ministerial Conference: Implications for Future Trading Negotiations
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	35	Macroeconomic Determinants of Nominal Interest Rate
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	37	The Exchange Rate Regime and Monetary Policy
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	39	Financial Sector Assessment Programme
	40	Jamaica's Current Relationship with the IMF
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	42	Implications of Higher Crude Oil Prices for the Balance of Payments and Inflation
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	44	Exploring the Jamaican Foreign Exchange Market Dynamics: 2001 – 2004 (Special Feature)
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	46	Issues of Foreign Reserve Adequacy
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	48	Trends in Labour Productivity
Jul – Sep 2005	49	Inflation in Selected Caribbean Countries
	50	International Developments (Special Feature)
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	54	Exploring the Interest Rate Differential between Jamaica Dollar and US Dollar Denominated Assets: Jan 2001 – June 2006
	55	Jamaica Labour Market: Trends and Key Indicators – 1996 to 2005
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	57	The Special (Upper Income) Consumer Price Index
	58	Jamaica Interim Staff Report Under Intensified Surveillance: Executive Summary
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	61	Inflation Expectation Survey
	62	The Producer's Price Index
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	65	The Revised Consumer Price Index
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	67	Trends in Inflation
	68	The EU-CARIFORUM Economic Partnership Agreement
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	79	Jamaica's Medium-Term Economic & Financial Programme: FY2009/10 – FY2013/14
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	83	Adequacy of the BOJ's Gross International Reserves
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	85	Credit Bureaux and the Efficiency of Credit Markets (updated)
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	97	Recent Trends and Developments in Remittances
Jan – Mar 2014	98	The Bank of Jamaica's Quarterly Credit Conditions Survey (recurrent)
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	100	Monetary Policy Transmission Mechanism (recurrent)
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	105	Trends in selected measures of Labour Productivity
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	107	A technical examination of the recent stock market appreciation
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	109	Businesses' Inflation Expectations Survey (recurrent)
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	111	Corporate Securities
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	113	Developments and Trends in Credit Reporting in Jamaica
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	115	Jamaica's Macroeconomic Programme under the new SBA (recurrent)
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	117	BOJ Signals Upgrade of FX Market Operations
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	119	Analysis of the improving Trend in DTIs' Non-Performing Loans for the Five Years ended December 2016
Oct – Dec 2017	120	Global Economic Growth in Selected Economies