



MONTHLY ECONOMIC BULLETIN

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September 25, 2014

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The CEO'S Remarks

The economic indicators support our position at the PSOJ over the past few months that the economic recovery is underway, and more importantly that the economic programme has been bearing fruit.

This is supported by the following indicators:

- ⇒ FX rate has been stable over the last two months, and in fact appreciated slightly in August. The PSOJ had performed technical analysis in July, which showed that the FX rate was approaching stability and both the President and EPC chairman, were on record in July predicting a significant slow down in the depreciation
- ⇒ NIR stands at over US\$2.1 billion, representing over 26 weeks of goods import
- ⇒ Private sector credit has expanded, and included in that is that personal credit as a percentage of overall credit reduced slightly
- ⇒ Tourism arrivals increased by over 2.6% year over year
- ⇒ Bauxite and alumina production increased slightly in August
- ⇒ Trade deficit has been improving year over year, albeit as a result of decline in imports outpacing a slight decline in exports. Information is that the increased agricultural production and manufacturing is finding its way into local consumption. In fact the Tourism Linkages Council, which I sit on, has in the past year seen success in matching local farmers and manufacturers with hotels

All these indicators is supported by the international view of the country, where we have seen recently an oversubscribed bond issue, and an improvement in our Global

Competitiveness ranking, where we marginally improved from 94 of 148 to 86 of 144 countries surveyed. This has found its way into investor confidence, where our analysis shows that FDI inflows increased in 2012 and 2013.

The question then is when will the local economy start seeing the benefits from the improving numbers. The fact is that it was always going to take longer to get down to the level of the man on the street, in terms of greater employment and higher income levels, which is what drives the local economy. And while this will happen eventually (my own assessment is within 12 months), there still will be a minimal effect unless we are able to address certain structural challenges the economy faces.

The fact is that public sector bureaucracy and high energy cost still remains stumbling blocks, and also law and order, although to a lesser extent than before. Unless we can address these challenges, which are entirely within the control of the authorities, then at best we will only see marginal benefits to the local economy and international competitiveness as reflected in our balance of payments.

The other significant challenge we face is that of labour productivity, which does not mean only low literacy, but also preparedness of many of our tertiary graduates for the work environment. Businesses will always seek the more productive factor of production, and if labour productivity does not improve significantly in Jamaica, then naturally labour will not be the preferred factor of production, and this will result in processes and mechanization outside of labour, as businesses aim to be internationally competitive in a more competitive economy.

This is unsatisfactory position however, and places such as HEART etc will certainly have to look at ways to address this problem, to substantially grow our economy.

Economic Highlights: August 2014

- ⇒ During September 2014, the executive board of the IMF concluded the fifth review of Jamaica's performance under the EFF. This review enables the disbursement of SDR 45.95, or US\$68.80, million. It should be noted that the board made this decision to disburse the funds without the usual formal meeting. The board continues to support the view that Jamaica's economic performance remains strong under the program.
- ⇒ Following the successful Eurobond issue in July 2014, the Standard and Poor Ratings agency revised Jamaica's long term sovereign outlook from stable to positive. The agency reportedly upgraded the outlook against the background of improvements to the country's external liquidity position, four consecutive quarters of GDP growth, and the successful achievement of the fiscal targets under the EFF.
- ⇒ In the context of the successful bond issue, in the previous month, the NIR remains elevated above US\$2.0 billion. However, for August, the NIR declined by US\$60.04 million (J\$6.39 billion) to US\$2,121.49 (J\$232.07 billion). This decline in the NIR, which was fully offset by the expansion of J\$7.72 billion in the NDA, resulted in an expansion of J\$1.34 billion (1.4%) in the monetary base.
- ⇒ The consistent build-up in the NIR has been stimulated by investor confidence in the ability of the BOJ to intervene in the FX market. This, along with the slowdown in demand for foreign currency and the high concentration of foreign currency liquidity in the domestic market contributed to a modest appreciation of the Jamaica Dollar relative to the three main trading currencies.
- ⇒ In the context of the expansion in the monetary base for July and August, interest rates on GOJ Treasury bills and commercial bank loans broadly declined for August 2014. Specifically, tenors of GOJ 90-day and 182-day Treasury Bills declined by 17 bps and 10 bps, respectively, relative to the July auction. Similarly, the weighted average interest rates on commercial bank loans declined by 12 bps to 17.38%, mainly reflecting the impact of lower rates on central government and personal loans. However, given the increase in the deposit rates, the spread narrowed to 14.97%.
- ⇒ The decline in local currency loan rates for the month, contributed to an increase of J\$6.26 billion (1.68%) in total private sector loans and advances. At the end of June 2014 relative to end-July. The expansion in total private sector loans for the month may have also been reflective of the slowdown in the pace for July 2014 relative to previous months, which would have resulted in an increase in foreign currency loans.
- ⇒ Domestic inflation increased by 1.1% at end August 2014 relative to 1.4% at end July. The elevated monthly rate of inflation reflects the impact of the drought conditions on domestic Agriculture production. The effect of this was reflected in an increase in the local index of Food and Non-Alcoholic Beverages, the highest weighted division.
- ⇒ The increase in domestic prices is expected to be tempered in upcoming months as the impact of the drought dissipates. Additionally, domestic prices is also expected to be tempered by the impact of the reduction's in international commodity prices. Specifically, both indices of crude oil showed significant declines for August. There were also declines in the price of The IMF's Fuel Energy Index, which fell by 3.81%, while the Food and Beverage Index fell by 3.24%.

Feature Article: Jamaica's Competitiveness

The 2014-15 Global Competitiveness Report is rates of economic growth.

out and it shows that Jamaica has moved up slightly At the top of the 144 country index are the world's most in the rankings from 94 of 148 countries to 86 of advanced economies and some of the Asian Tigers, these 144 countries. Even though it is a slight improve- include Switzerland, Singapore, the United States, Fin- ment, it does mean that we are seeing the dividends land and Germany rounding off the top five. Countries of the reform programme, and the expectation is in the middle of the rankings include India, Morocco, Sri Lanka and Botswana. At the very bottom of the ranking that we will continue to improve.

This index of global competitiveness is an important countries include Angola, Chad, Yemen and Guinea. indicator of the level of economic and institutional This then puts Jamaica at the outer band of the middle development and capacity that resides in a country. of the rankings.

The index is compiled from twelve factors that de- The question is, what does this ranking mean, and is termine whether a country is a factor driven, effi- there real economic significance and lessons that coun- ciency driven, or innovation driven economy. Ja- tries can learn? By construct, the GCI does not purport maica along with China, Egypt, El Salvador and to measure causation, so the results shows merely corre- Panama are situated in the stage two or efficiency- lation. It tells us the factors that are present and in what driven category, which has 30 other countries. abundance. So what are the important ingredients to a

The philosophical underpinning of the index is that country's economic success? The Private Sector Orga- nization of Jamaica has being advocating for law and or- der, bureaucracy, tax reform, and energy.

The Report shows that Jamaica at the end of 2013 had a the development and growth ladder while the more Gross Domestic Product of US\$15,000 and per capita developed countries are those that are innovators. (PPP) of approximately US\$9,000, which is on average some 25% below that of other countries in Latin Ameri- ca and the Caribbean that show GDP per capita of over For the purpose of the index, competitiveness is de- US\$12,000 as at the end of 2013. According to the re- port, Jamaica's low level of productivity can be ex- plained by the ranking in the various dimensions of com- petitiveness.

The parallel insight is that countries with high productivity will in turn be those which are able to reap economic success. Similarly, the level of productivity will also determine the level of returns

of capital which in turns drives investment and efficiency Enhancers and Innovation and sophistications

Feature Article: Jamaica's Competitiveness

factors Jamaica ranked 99, 77, and 71 of 144 countries respectively.

The category of Basic Requirements has a weight in this section of 40 percent. It is further divided into four categories of which Jamaica is ranked 136 of the 144 countries in the category of Macroeconomic Environment. In the same category it is also ranked 80 for institutions and 80 in Infrastructure. It secured its highest ranking of 72 in the category of Health and Primary Education.

In the highest weighted category of 50 percent, Efficiency Enhancers Jamaica ranked 48 in the category of Financial Market Innovations and 58 in the area of Labour Market Efficiency. Jamaica's worst ranking was in the area of Market Size. In the category of Innovation and Sophistication, a weight of 10 percent, Jamaica ranked 67 in Business Sophistication and 74 for Innovation.

The report highlighted the areas of weaknesses for Jamaica and is scored out of 100 percent. These include the number one factor in Jamaica's perennial problem, crime and theft (16.9%) followed by inefficient government bureaucracy (15.0%), corruption (12.0%), tax rate (11.5%), poor work ethic (8.9 %) access to financing (7.6%) and inflation (6.7%).

These inhibitors to Jamaica's growth and development represent some of the core problems that the Private Sector Organization of Jamaica has been advocating for many years. It is clear that these problematic areas that account for 80 percent of the low ranking in the competitiveness ranking are primarily a function of government policy and inaction over the years, hence action is needed now.



MORE THAN JUST CEMENT

Jamaica's recent gains in the Global Competitiveness Index marks a small step in the right direction. Jamaica will have to double its efforts at reducing crime and applying effective policing, which should reduce crime in general resulting in reduced cost of doing business. In addition, real strategic reform of the public services is a must, given the interconnections between government services and the level of efficiency in the rest of the economy. This is probably the number one area of challenge for all businesses today.

The PSOJ believes that real reform that looks at the development model, the application of business process reengineering, the merger of some public agencies and labour market reform will help significantly in making the economy become more internationally competitive and grow and develop at an acceptable rate.

International Commodity Prices

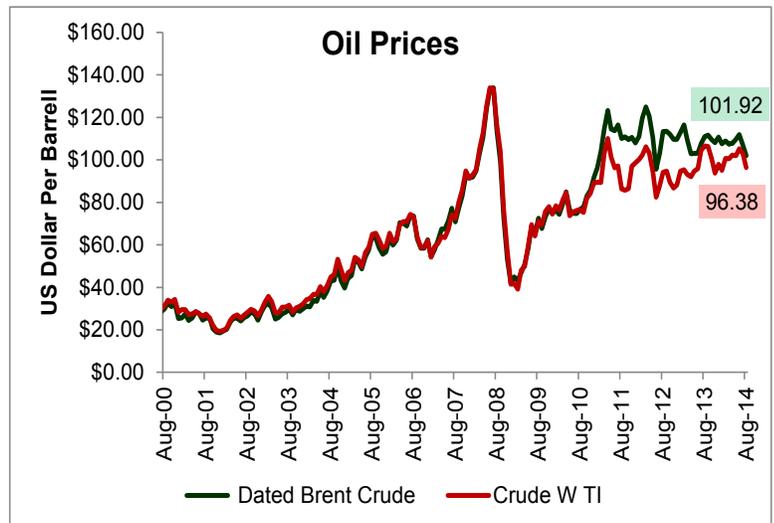
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Crude Oil Prices

Selected benchmark crude oil indices both decreased significantly in August 2014 in comparison to the previous month. The European Brent started the month at **US\$106.98** per barrel and ended at **US\$101.92** per barrel. This reflected a price reduction of **US\$5.06 (4.7%)** for the month. In August 2013 the sale price for the European Brent was **US\$110.96**, reflecting a price reduction of **US\$9.04 (8.2%)** when compared to August of 2014. Notably, over the last two years, price for this commodity has decreased by **US\$11.4 (10.1%)**.

The price per barrel of West Texas Intermediate (WTI) fell from **US\$102.99** at end July 2014 to **US\$96.38** at end of August 2014, a reduction of **US\$6.61 (6.4%)**. In comparison to August 2013, the price per barrel of the WTI has fallen by **US\$10.20 (9.54%)**. For August 2014 relative to August 2012, prices increased by **US\$2.27 (2.4%)** per barrel. The five year average monthly price for both crude oil indices are **US\$102.60** and **US\$91.99** per barrel, the Brent is currently **US\$0.68 (0.7%) below** and the WTI is **US\$4.39 (4.8%) above** the five year average price.

In the oil price highlights for April 2014, Organization of Petroleum Exporting Countries (OPEC) stated that the global demand for oil in 2014 will average **91.2 million barrels per day (mb/d)**, which is an increase of **1.14 mb/d (1.3%)** relative to 2013. The Non-OPEC oil supply forecast for 2014 is approximately **1.37 mb/d**. OPEC declared that the growth in supply for 2014 will emanate from the United States, Canada and Brazil.



Data Source: IMF Monthly Commodity Prices

On the other hand, reductions in supply are expected from Norway, United Kingdom and Mexico. OPEC stated that global oil prices are being impacted by slower economic growth in China, lower demand for refined oil products and ample supply which the organization believed has outweighed the supply disruptions and geopolitical tensions.

The price movements for July 2014 continued to be driven by geo-political developments in Ukraine and the Middle East, a reduction in supply along the Gulf Coast, a reversal of global economic growth. Analysts believe that the impact of the political unrest in the East will be moderated by the fact that the US is more energy reliant.

The forecast for 2014 is for prices to decline in the last two quarters of the year and to continue falling into 2015. The United States Energy Information Administration's forecast was for prices to remain below **US\$120 per barrel** and average **US\$100** for 2014. For this forecast to obtain, oil price would have to fall below the **US\$100.00 per barrel** mark in some months of 2014. The latest numbers coming from the EIA projects the price of the WTI to be **US\$100.45** per barrel for 2014 and **US\$108.6** for the Brent. In 2015 the prices are expected to be **US\$96.05** and **US\$105.00** per barrel, respectively. This re-

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duction in prices will have a positive impact on the price of other derived commodities and local inflation.

Natural Gas

At end-August 2014, the price for natural gas fell from **US\$4.04** to **US\$3.88**, a reduction of **US\$0.16 (3.9%)** per thousand cubic meters. This decline marks the sixth monthly decline since the beginning of 2014. For August 2013 relative to August 2014, natural gas prices increased by **US\$0.45 (13.3%)**. Similarly, natural gas prices have increased by **US\$1.04 (36.7%)** per thousand cubic meters when prices of August 2014 are compared to August 2012. The five year average monthly price for natural gas is **US\$3.70**, which indicates that current prices are **US\$0.18 (4.8%)** higher. These price movements are indicative of a higher demand for general fuels and alternative fuels in-

cluding natural gas.

The United States Energy Administration (EIA) reports that natural gas stock builds continue to outpace historical norms. Natural gas working inventories on August 1 reached **2.39** trillion cubic feet (Tcf), that is **0.54 (Tcf) or 18%** below the level at the same time in 2013. Gas prices are currently **20%** below the previous five year average of 2009-2013 levels. The EIA expects that the Henry Hub natural gas spot price which averaged **US\$3.73** per MMB-TU in 2013, will average **US\$4.46** in 2014 and **US\$4.00** in 2015.

Douglas Westwood, energy business advisor stated that the liquefied natural gas market is on a rebound after the global meltdown. He also stated that global capital investment in this area will increase by approximately **US\$228.0**

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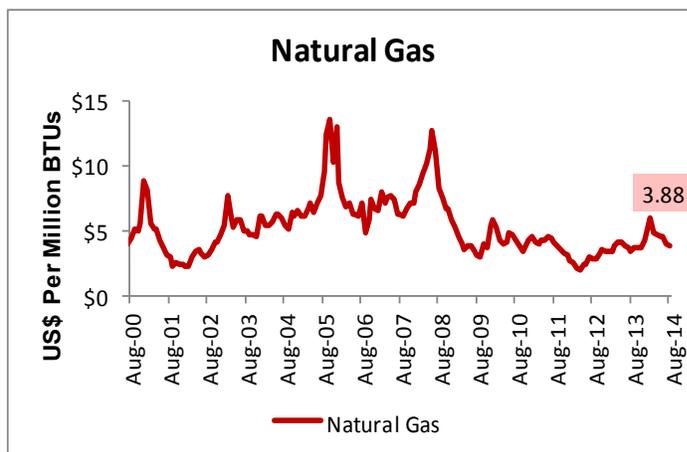
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billion (109%) between 2013 and 2017. According to Westwood, the LNG market is evolving and is being impacted by a number of macroeconomic fundamentals and technological developments. The forecasts for higher LNG demand were supported by large financial commitments which will result in greater supply from both North America and Australia. If this forecast obtains, more industries would have to use power fuelled by LNG, which would then result in decline in global demand for crude oil. This would likely cause a fall in global crude oil prices and production indices would be positively impacted. Nevertheless, this pronouncement is conditional on other factors such as the pace of global economic growth.

The positive development of the global economic recovery is good news for Jamaica and other Caribbean countries that are heavily dependent on developed economies such as the US, UK, China and Brazil for export opportunities, remittances and capital. However, there are also disadvantages, the most perilous of which is the impact of global demand for fuels on international energy prices. Even with the new sources of alternative energy, if the global demand continues to increase both LNG and crude oil prices could rise to record levels in the next two to four years. The EIA's projection is for LNG prices to rise by **20%** in 2014 but will fall by **10%** in 2015. The developments in these fuel sources should be of considerable importance to businesses in Jamaica and the Caribbean.

Wheat

In August 2014, wheat prices fell by **US\$16.95 (6%)** when compared to July 2014 to close at **US\$263.41 per tonne**. Relative to August 2013, prices have fallen by **US\$42.08 (13.8%)** per tonne. A two year comparison of



Data Source: IMF Monthly Commodity Prices

wheat prices shows a reduction in prices of **US\$85.99 (24.6%)**. The average five year monthly price for July is **US\$298.32**, this represents a reduction of **US\$34.91 (11.7%)** when compared to current prices.

Oil price movements and weather conditions will continue to play a significant role in wheat prices over the next 12 months. The expected tighter supply of wheat for 2014 will not materialize as output in 2014 has soared much more than analysts had anticipated. This significant spike in yields should continue to impact prices negatively through the remainder of 2014 into 2015. The IMF projects that wheat prices will decline by approximately **18%** in 2014.

However, developments in Ukraine and Russia are expected to continue to temper prices for the US market. In addition, rainfall experienced in March may have significantly improved yields of other competing commodities which continues to impact current wheat futures in the United States (AgWeb: 2014).

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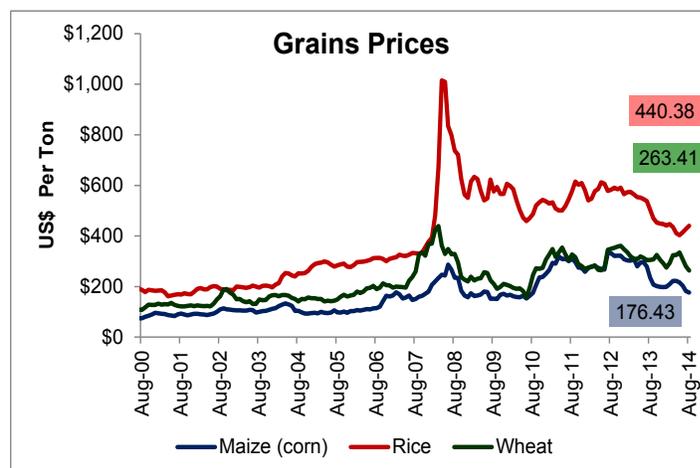
Rice

Relative to July 2014, rice prices for August 2014 increased by **US\$12.38 (2.9%)** per metric tonne. Similarly, prices fell from **US\$503.82** to **US\$440.38 (12.59%)** per tonne between August 2013 and August 2014. Experts believe that international rice prices will continue to remain low this year. There are a number of supply side and political factors that continue to influence prices. Higher than normal inventory levels, import duties in many of the major importing countries and over production in 2013 are just some of these factors. The Food and Agricultural Organization (FAO) forecasted that rice utilization, rice stock and rice production will increase for 2014 into 2015. As such, prices are expected to decline over the same period. The IMF projects that rice prices will decline by **15%** in 2014.

Corn Prices

Corn prices fell in August 2014 when compared to July of 2014 by **US\$5.80 (3.2%)** and closed the month at **US\$176.43** per tonne. Between August 2013 and August 2014 prices fell by **US\$58.46 (25%)**. A two year price comparison from August 2012 to August 2014 shows a total price decline of **US\$155.74 (47%)**. The five year monthly average for corn is **US\$245.87**, this means that current prices are **US\$69.44 (28%)** lower. The stability of corn prices in coming months will be conditional on good weather conditions, oil price movements and the political environment in Ukraine that accounts for **16%** of the global export market.

Already, cold weather conditions have been impacting planting acres in the US and hence corn futures have been increasing. Fertilizer prices are expected to decline, which should temper prices over the course of the year. The most significant driver of corn prices is the price of crude oil which is expected to increase for the first half of 2014,



Data Source: IMF Monthly Commodity Prices

then decline for the latter half. Experts predict that supplies will continue to increase given inventory levels and the size of acres under cultivation. The IMF projects that prices will fall by **14%** in 2014 relative to 2013.

Soybean Prices

The prices of both soybean meal and soybean oil showed similar results for August 2014. At the end of August 2014 the price per metric tonne for soybean oil material stood at **US\$745.84**. The price for Soybean oil material fell for August 2014 in comparison to July 2014 by **US\$68 (8.4%)** per metric tonne. The price per metric tonne of soybean oil materials decreased by **US\$186.98 (18.7%)** for the period August 2013 to August 2014. The five year average monthly price for Soybean oil is **US\$999.83**, which is **US\$253.99 (25.4%)** higher than current prices.

Similarly, the price of soybean meal fell by **US\$3.20 (0.7%)** per metric tonne when August 2014 is compared to July 2014. For the period August 2014 relative to August 2013, the price of Soybean meal decreased by **US\$23.17 (4.9%)**.

A two year comparison for August 2012 to August 2014, shows that the price of Soybean meal fell by **US\$137.93 (23.55%)** per metric tonne. The five year average monthly price for Soybean Material is **US\$447.5**, **US\$0.32 (0.1%)**

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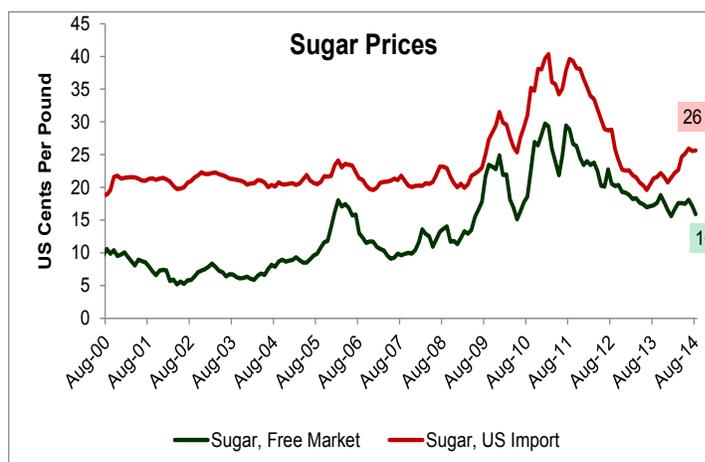
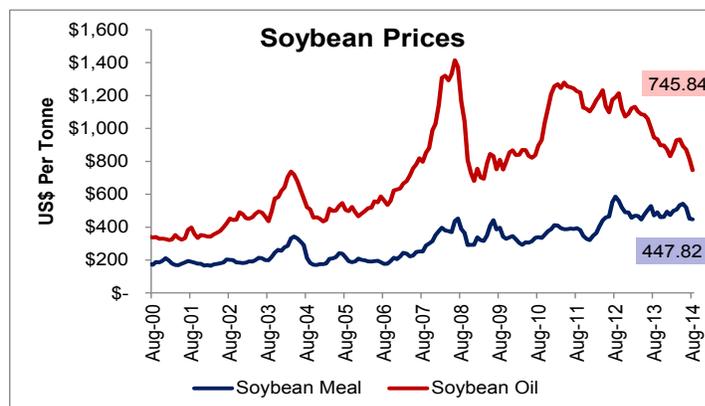
lower than current prices. Crude oil price movements are expected to impact both soybean meal and soybean oil prices in the medium term. The IMF projects that by the end of 2014 the price of both Soybean meal and oil will decline by 9% and 3% respectively.

Sugar Prices

Both the Free Market Index and the US Import Index had similar price changes for August 2014. The Free market Index fell by one US cent (7.5%). On the other hand, the US Import increased by less than one US cent (2.2%). Prices closed in August 2014 at approximately **US\$0.16** and **US\$0.28** per pound, respectively. For the period August 2013 relative to August 2014, the price of Free Market sugar decreased by 7.9%, while US import prices increased by 7.8%. The five year average monthly price for both sugar indices are **US\$0.20** and **US\$0.27**, respectively. This suggests that price for the Free Market is 21% below while the US Import is 4% above their respective averages. The IMF projects that the price for the Free market and the US Import will increase by 8% and 15% respectively in 2014.

Coffee Prices

The price of the Arabica and the Robusta coffee had mixed results in August 2014. The Arabica increased by **US\$0.16 (8%)** while the Robusta decreased by **US\$0.02 (2%)**. In April 2011, coffee prices reached record levels of **US\$3.30** and **US\$1.21 per pound**, respectively. Since then, prices have fallen by 29% and 13% to **US\$0.88** and **US\$0.16** respectively. The five year average monthly price for both types of coffee are **US\$2.02** and **US\$1.05** respectively. This implies that the current price of the



Data Source: IMF Monthly Commodity Prices

Arabica is 5.9% higher while the current price of the Robusta is 0.3% lower.

Experts believe that lower production in Brazil, Africa and Central America has been fuelling the upward price movements. This surge could be negated by production increases in Asia and other eastern countries. The IMF projects that the Arabica will increase by 4% while the Robusta will decline by 12% in 2014.

Cocoa Prices

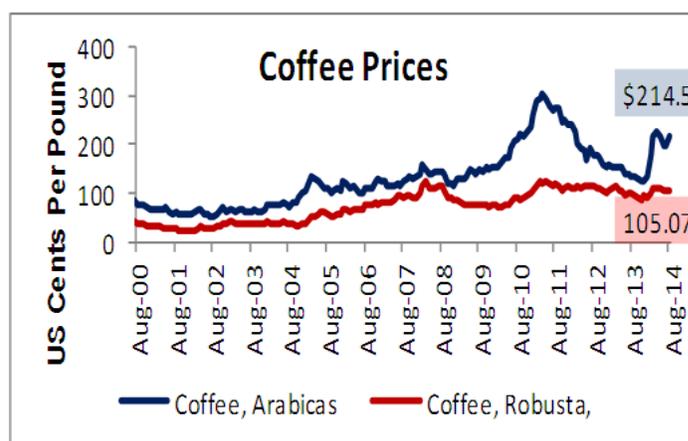
In August 2014, Cocoa prices increased by **US\$74.23** per tonne (2.3%) to close at **US\$3,270.27** per tonne. Relative to August 2013, prices increased by **US\$786.66 (31.67%)**. The two year price comparison shows that prices are higher by **US\$758 (30%)** when June 2014 is compared with June 2012. The five year average monthly price for cocoa

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is **US\$2,880.43**, this means that current prices are **US\$389.84 (13.5%)** higher.

Experts at Rabobank believe that a third consecutive cocoa deficit will send prices skyrocketing. The analysts estimate a deficit of over **100,000 tonnes** which will send prices rising by over **12%** relative to 2013 prices. The IMF projects that prices will increase by **9%** in 2014 relative to 2013.



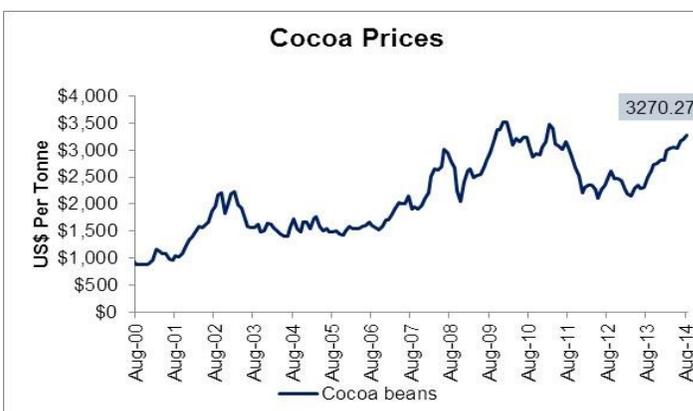
Data Source: IMF Monthly Commodity Prices

Orange Prices

Orange prices fell significantly in August 2014 by **US\$14.87 (1.9%)** to **US\$768.17** per metric tonne, relative to July 2014. Relative to August 2013, prices fell by **US\$422.64 (35.5%)**. The five year average monthly price is **US\$1,03.51**, which indicates that current prices are **US\$235.34 (23.5%)** lower. Experts had predicted that prices would increase throughout much of 2014. These forecasts were mainly due to drought conditions in the world's largest producer, Brazil. Additionally, the impact of citrus greening disease in the state of Florida, which produces approximately **70%** of the oranges in the United States, is also expected to boost prices. Prices are expected to decline by **2%** in 2014 based on the IMF.

Banana Prices

Banana prices moved in August 2014 to **US\$961.59** per tonne. In this regard, prices increased by **US\$30.77 (3.3%)**. For August 2013 relative August 2014, banana prices increased by **US\$23.99 (2.6%)** per metric tonne. A two year price comparison for June 2012 and June 2014 revealed that banana prices fell by **US\$6.75 (0.71%)** per metric tonne. The five year average monthly price is **US\$941.16**, this means that current prices are **US\$19.43 (2.1%)** higher.



The Food and Agricultural Organization of the United Nations (FAO) reported in the April issue that the global market for banana and its byproducts has undergone significant changes and will continue to evolve from an industry dominated by large players to one controlled by many players. The FAO reported that this will create many opportunities for further growth and development of the industry, but it will also create many new challenges for both old and new players. Most importantly, these new developments will impact the quality of the competition.

An analysis of the global banana industry shows that the combined market share of the world's three largest players Chiquita, Dole and Del Monte has fallen from **65%** in the 1980's to approximately **37%** in 2013. The FAO report showed that the combined market share of the top

International Commodity Prices

five players in the banana industry has fallen from approximately **70%** in 2002 to **44.4%** in 2013. The FAO also reported on the merger of Chiquita, the largest banana trading company in the world and Fyffes one of the main suppliers to the European market. The combined market share of the two companies is **18%**. However, the FAO stated that this should not be sufficient for the company ChiquitaFyffes to be able to influence the market price of bananas.

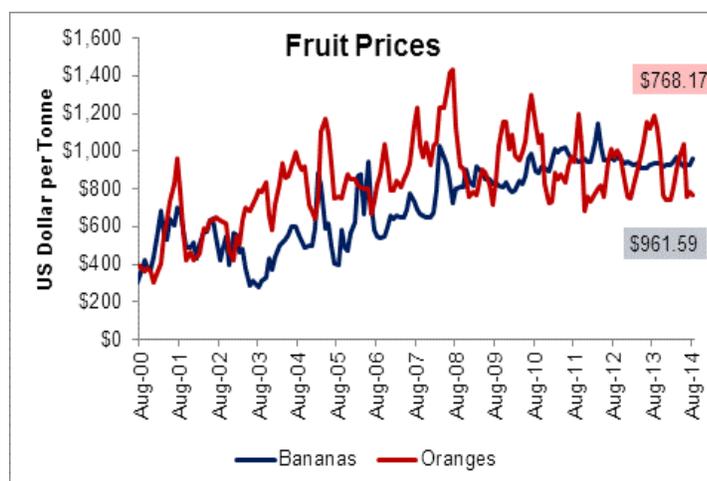
The FAO reported that the banana industry sees a movement away from the traditional plantation ownership and production to the new post-production logistics. The IMF is projecting prices to fall by **4%** in 2014.

Beef Prices

In August 2014, beef prices increased to **US\$2.59** per pound, an increase of **US\$0.31 (13.8%)** relative to July 2014. Relative to August of 2013, current prices are **US\$0.82** or **46.7%** higher than they were. The five year average monthly price is **US\$1.90**, which tells us that current prices are **US\$0.68 (36%)** higher.

Reports for March 2014, suggest that in the United States, inventories were down by **21%** when compared to last year. The decline in inventory levels was responsible for the higher than expected price increases. Two important developments that should be monitored in the next six months are the drought in Australia and greater demand in China and Asia. Experts at ABSA Agricultural trends believe that an end in the current drought situation will leave a supply gap in the beef market which will result in an increase in prices.

In the long term, it is expected that international prices will move in line with those of New Zealand and Australia. The second set of developments are those in Asia



Data Source: IMF Monthly Commodity Prices

where the markets in both China and Indonesia are heating up for beef and by-products. The IMF is projecting that beef price will fall by **2%** in 2014 relative to 2013.

Swine (Pork) Prices

In August 2014 the prices for pork decreased by **US\$0.19 (15.1%)** to close at **US\$1.09 per pound**. The price of pork was **US\$0.96 per pound** in August of 2013, which reflects a **US\$0.13 (13.6%)** price increase relative to August 2014. A two year analysis of pork prices shows that current prices are **US\$0.23 (26.42%)** higher than they were in 2012.

The five year monthly average price per pound for pork is **US\$0.96**, this means that current prices are **US\$0.13 (14%)** higher. In March, experts reported that pork inventories in the US were down by **11%** and was responsible for the increase in 2014 prices. Experts at the United States Department of Agriculture (USDA) reported that global pork production has increased by **1.8 million tonnes** to **110.7 million tonnes for 2014** over the forecast given in November of 2013. This development was as a result of

growth in China and Russia offsetting the reductions in the United States and the European Union.

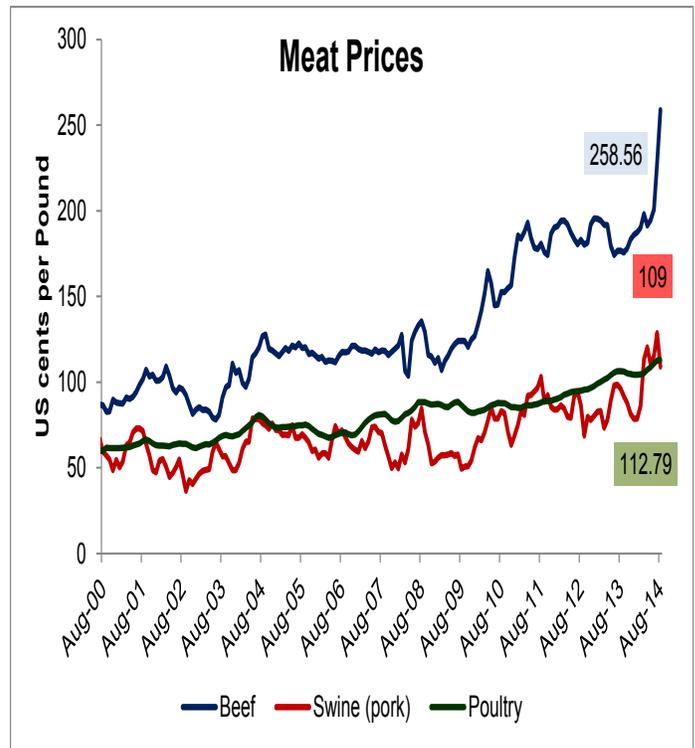
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Projections by the IMF shows that pork prices will increase by **11%** in 2014 relative to 2013.

Poultry Prices

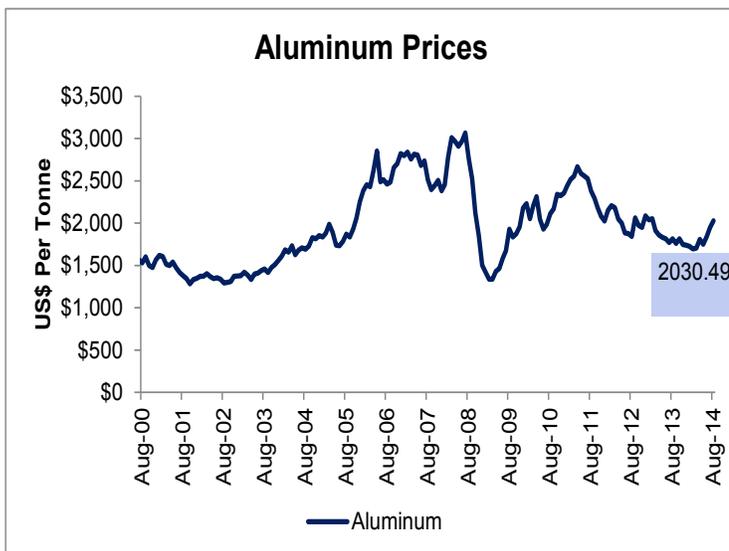
The price of chicken increased in August by less than a cent (**0.2%**) and ended at **US\$1.13 per lbs**. Prices in August 2014 were approximately **US\$0.06 (5.9%)** higher than they were in August 2013. In August 2012, the price for poultry was **US\$0.96**, indicating that prices are **US\$0.18 (18.7%)** higher than they were two years ago. The five year average monthly price per pound is **US\$0.98**, this means that current prices are **US\$0.15 cents (15%)** higher. The IMF projects that prices will rise by **3%** in 2014.



Data Source: IMF Monthly Commodity Prices

Aluminum Prices

Aluminum prices increased by **US\$82 (4.2%)** per tonne to close August 2014 at **US\$2030.49** per tonne. Relative to August 2013 prices increased by **US\$214.25 (11.8%)** per tonne. The five year average monthly price for aluminum is **US\$2,036.29** per tonne, this means that current prices are **US\$5.8 (0.3%)** lower.



Data Source: IMF Monthly Commodity Prices

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International Commodity Prices

August 2014 Issue

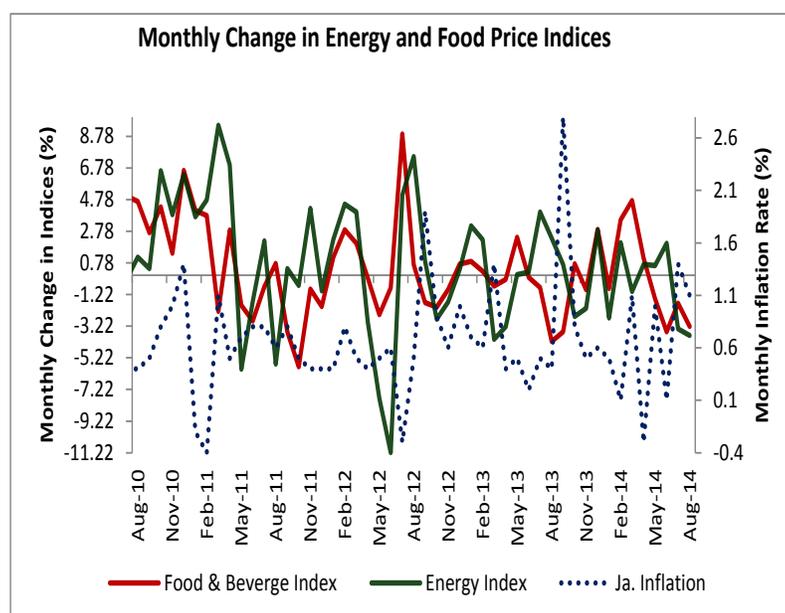
Impact of global prices on Jamaica

There were price reductions in **11 (55%)** of the commodities monitored for August 2014. The price of both crude oil indices fell in consecutive months. The Brent and the WTI fell by **4.7%** and **6.4%** respectively; natural gas had price reduction of **3.9%**. The IMF's Fuel Energy Index fell by **3.81%**, while the Food and Beverage Index fell by **3.24%**. The materialising decline in both fuel and food prices for the latter part of 2014 into 2015 implies a moderation in import costs and hence pressure on the Jamaica Dollar should continue to lessen in the last two quarters of 2014.

The graph shows the relationship between movements in commodity prices and movements in domestic inflation. An examination suggests that domestic inflation lags commodity prices by two months. This means that downward movements in the international price indices in August will be observed in Jamaica around the end of October 2014. In addition, inflation of **1.1%** for August would have been influenced by movements in commodity prices between June and July of 2014.

Experts forecasted a reduction in the price of fuels for the latter part of 2014. This is materialising. If this continues, inflation in Jamaica for 2014 could be lower than 2013. With the current low inflation of **5.0%** for the first eight months of the 2014 calendar year, the expected low inflation for 2014 should be realized. However the drought experienced will continue to put pressure on the prices of local agricultural produce. This will therefore continue to push the domestic price level upward.

Commodities	Unit	Price	Price	Monthly Change
		Jul-14	Jul-14	%
Aluminum	Metric ton	2030.49	1948.30	4.2%
Bananas	Metric ton	961.59	930.82	3.3%
Beef	Pound	258.86	227.50	13.8%
Cocoa beans	Metric ton	3270.27	3196.04	2.3%
Coffee- Arabicas	Pound	214.50	198.59	8.0%
Coffee- Robusta	Pound	105.07	107.23	-2.0%
Maize (corn)	Metric ton	176.43	182.23	-3.2%
Natural Gas	MMBTU	3.88	4.04	-3.9%
Dated Brent Crude	Barrel	101.92	106.98	-4.7%
Crude WTI	Barrel	96.38	102.99	-6.4%
Oranges	Metric ton	768.17	763.03	0.7%
Swine (pork)	Pound	109.20	128.67	-15.1%
Poultry	Pound	112.79	112.60	0.2%
Rice	Metric ton	440.38	428.00	2.9%
Soybean Meal	Metric ton	447.82	451.02	-0.7%
Soybean Oil	Metric ton	745.84	813.86	-8.4%
Sugar	Pound	27.77	28.39	-2.2%
Sugar- Free Market	Pound	15.89	17.18	-7.5%
Sugar- US Import	Pound	25.64	25.58	0.2%
Wheat	Metric ton	263.41	280.36	-6.0%



Data source: IMF Monthly Commodity Prices

International Commodity Prices

August 2014 Issue

Global Commodity Prices and Projections 2013-2015												
Commodities	Units	Actual				Projections				Q3/Q2	Q4/Q2	Annual Change
		2013Q1	2013Q4	2014Q1	2014Q2	2014Q3	2014Q4	2015Q1	2015Q4			
Food												
Cereals												
Wheat	S/MT	321.4	307.8	297.1	296.2	232.8	242.7	248.9	259.7	-21%	-18%	-18%
Maize	S/MT	305.1	199.5	210.1	207.2	181.8	180.1	183.7	182.4	-12%	-13%	-14%
Rice	S/MT	570.7	449.9	440.7	350.8	374.8	376.3	323.0	337.0	7%	7%	-15%
Barley	S/MT	239.4	157.3	162.7	226.8	239.5	241.5	226.2	240.9	6%	6%	48%
Vegetable oils and protein meals												
Soybeans	S/MT	532.8	479.4	498.3	547.7	514.8	453.3	456.1	440.3	-6%	-17%	-9%
Soybean meal	S/MT	464.6	472.5	493.3	543.2	518.2	446.8	443.2	421.2	-5%	-18%	-9%
Soybean oil	S/MT	1119.2	889.2	877.9	891.4	850.9	855.5	863.6	875.6	-5%	-4%	-3%
Palm oil	S/MT	780.3	789.4	813.7	761.9	748.0	748.6	760.7	770.7	-2%	-2%	-8%
Fish meal	S/MT	1918.4	1542.2	1657.9	1763.8	1707.3	1680.4	1671.3	1337.1	-3%	-5%	1%
Olive oil	S/MT	4004.9	3656.6	3599.0	3602.3	3643.9	3679.6	3679.1	3766.7	1%	2%	2%
Groundnuts	S/MT	2091.8	2312.7	2380.6	2386.6	2327.0	2268.0	2198.0	2038.0	-2%	-5%	-5%
Rapeseed oil	S/MT	1196.0	1012.8	980.3	1008.3	1000.8	994.6	927.0	885.0	-1%	-1%	1%
Meat												
Beef	cts/lb	193.8	182.4	191.8	191.4	189.3	187.3	184.2	178.0	-1%	-2%	-2%
Lamb	cts/lb	97.1	116.4	124.1	132.3	133.6	135.1	131.8	134.6	1%	2%	9%
Swine Meat	cts/lb	79.7	82.6	92.8	103.2	103.2	103.2	105.8	104.5	0%	0%	11%
Poultry	cts/lb	100.2	104.7	104.7	107.3	109.7	108.2	112.2	117.4	2%	1%	3%
Seafood												
Salmon	S/kg	6.5	6.9	7.8	7.6	7.6	7.2	6.7	6.0	0%	-5%	-7%
Shrimp	S/lb	11.3	16.6	17.1	18.1	18.0	19.0	18.3	17.8	-1%	5%	11%
Sugar												
Free market	cts/lb	18.5	17.7	16.8	17.3	17.4	18.2	19.1	19.1	1%	5%	8%
United States	cts/lb	22.0	21.5	22.4	24.9	25.6	25.8	26.2	26.5	3%	4%	15%
EU	cts/lb	25.8	26.9	27.5	27.8	27.8	27.8	27.8	27.8	0%	0%	1%
Bananas	S/MT	932.6	928.1	947.1	945.5	915.1	905.4	911.1	871.0	-3%	-4%	-4%
Oranges	S/MT	825.9	834.4	816.7	885.9	807.2	804.2	817.8	805.1	-9%	-9%	-2%
Beverages												
Coffee												
Other milds	cts/lb	154.8	126.1	175.8	206.5	178.7	183.2	185.9	185.8	-13%	-11%	4%
Robusta	cts/lb	109.4	90.4	102.0	92.4	88.3	89.3	90.0	91.5	-4%	-3%	-12%
Cocoa Beans	S/MT	2208.8	2770.1	2951.3	3164.7	3254.9	3211.3	3196.2	3144.2	3%	1%	9%
Tea 3/	cts/kg	319.1	234.2	247.9	223.4	209.0	206.0	212.0	225.0	-6%	-8%	-17%
Agri. raw materials												
Timber												
Hardwood												
Logs	S/M3	157.6	174.0	182.0	190.0	191.9	188.1	190.0	191.9	1%	-1%	3%
Sawnwood	S/M3	278.4	304.3	297.0	295.6	287.0	283.0	297.0	277.0	-3%	-4%	-5%
Softwood												
Logs	S/M3	157.6	174.0	182.0	190.0	191.9	188.1	190.0	191.9	1%	-1%	3%
Sawnwood	S/M3	278.4	304.3	297.0	295.6	287.0	283.0	297.0	277.0	-3%	-4%	-5%
Cotton	cts/lb	89.9	87.2	94.0	89.1	86.3	77.3	77.8	77.9	-3%	-13%	-18%
Rubber	cts/lb	143.1	114.6	102.1	102.2	101.9	103.1	113.5	112.0	0%	1%	1%
Hides	cts/lb	86.0	103.1	107.6	112.3	106.9	105.9	113.4	105.9	-5%	-6%	-2%
Metals												
Aluminum	S/MT	2000.8	1767.5	1709.3	1798.3	1836.9	1866.4	1886.8	1947.7	2%	4%	9%
Energy												
Spot Crude 1/	S/bbl	105.1	104.5	103.7	103.5	105.8	103.6	101.8	97.7	2%	0%	0%
Natural Gas												
US, domestic market	S/MMBTU	3.5	3.8	5.2	4.6	4.6	4.6	4.7	4.2	0%	0%	-12%

Monthly Inflation and Treasury Bill Rates

August 2014 Issue

Domestic Inflation Rate

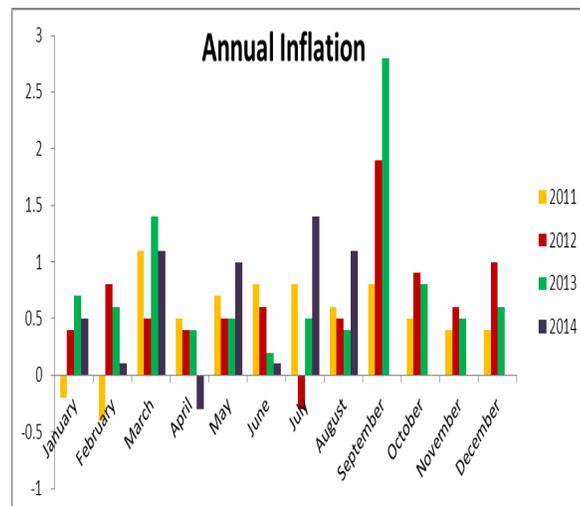
For August 2014, the monthly inflation rate, measured by the All Jamaica “All Divisions” Consumer Price Index (CPI), was **1.1%**, a decline of **0.3%** relative to July 2014. The monthly change in inflation brought the calendar-year-to-date change to **5.0%** and the fiscal year-to-August change to **3.3%**. The 12-month point to point rate at the end-August was **9.8%**.

Inflation for the month primarily resulted from a **2.7%** increase in the highest weighted division, “Food and Non-Alcoholic Beverages”. Within this category, prices of Vegetables and Starchy Foods increased by **9.8%** and Fruit by **2.8%**, resulting from the decline in agricultural production in the context of the existing drought conditions. However, the impact of these inflationary impulses was moderated by a **1.3%** decline in the “Housing, Water, Electricity, Gas and Other Fuels” division. This resulted from a fall in the cost of electricity and a **0.2%** fall in the cost of Transport, due to the reduction in petrol and Independent Power Producer (IPP) charges.

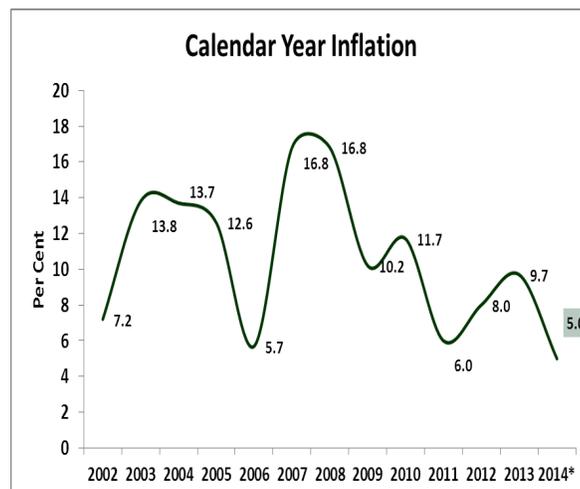
Inflation in all the three regional areas increased for the Month of August relative to the previous month. Inflation for the Greater Kingston Metropolitan area (GKMA), Other Urban Centers (OUC) and Rural Areas rose by **1.3%**, **1.1%** and **0.9%**, respectively.

GOJ Treasury Bill Rates

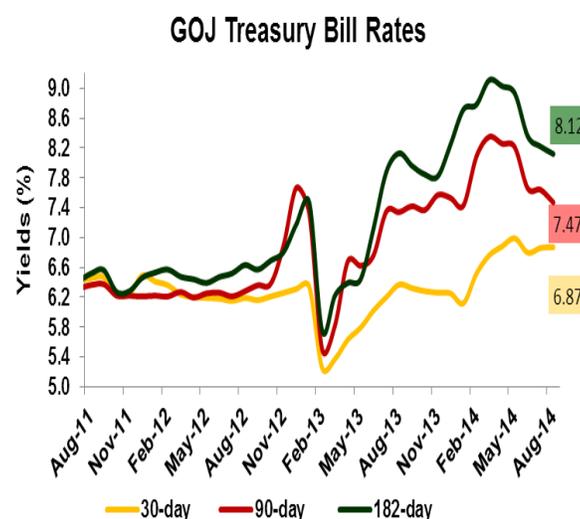
Yields on GOJ Treasury Bills largely declined for August relative to the July. Specifically, the yields on GOJ 90- and 182-day T-Bills declined by **17 bps** and **10 bps**, respectively. On the other hand, yields on the 30-day T-Bills increased by **1 bp**. The broad decline in rates for the month may be reflective of the appreciation of the Dollar relative to the US dollar compared to the depreciation observed in the previous month. This may also be an indication of improved investor confidence and outlook for economic performance over the medium to long term. Lower yields indicate that investors expect lower risk and lower inflation in the short to medium term.



Data Source: Statistical Institute of Jamaica (STATIN)



*-inflation for the Calendar year to August 2014



Data source: Bank of Jamaica

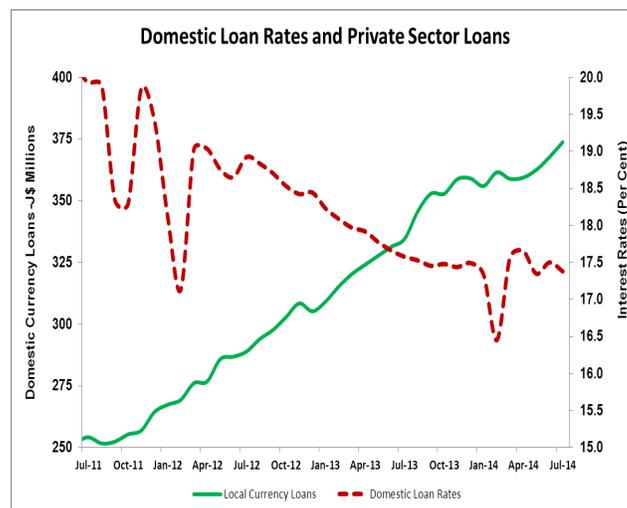
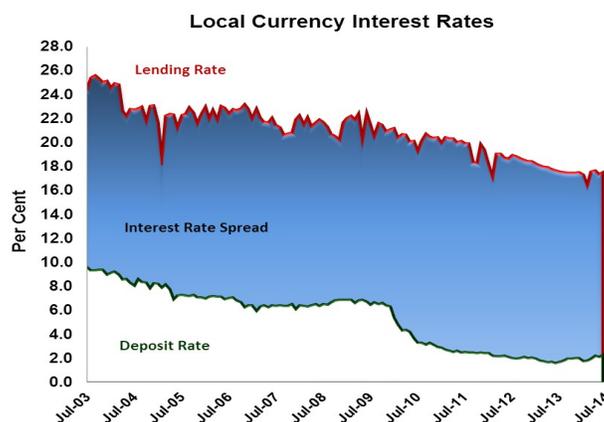
Monthly Interest Rates Update

August 2014 Issue

For July 2014, the monthly overall weighted average lending rate on domestic currency loans declined by **12 bps** to **17.38%**. This occurred in the context of a reduction in Central Government, and personal loan rates. However, these declines were tempered by a **14 bps** increase on installment credit loans. Meanwhile, for the corresponding month, the weighted average domestic interest rates on deposits increased by **13 bps** to **2.41%**. Consequently, the spread on domestic currency loans fell to **14.97%** at end July 2014 relative to **15.21%** at end June 2014.

Similarly, interest rates on foreign currency loans for June 2014 fell by **9bps** to **7.26%** relative to May 2014. This change largely resulted from reductions in the rates on installment and commercial credit as well as rates on local Government and other public entities. However, this was partially offset by a slight reduction in the rate of personal foreign currency loans. Likewise, foreign currency deposit rates declined by **3bps** to **2.43%** in June 2014. As a result, the interest rate spread on foreign currency loans in commercial banks at the end of June 2014 fell by **5 bps** to **4.83%**.

Against the background of a decline in local currency loan rates for the month, there was an increase of **J\$6.26 million (1.68%)** relative to end-June 2014 in total private sector loans and advances. This increase is largely attributed to net lending to firms within the Distribution, Tourism and Professional Services Sectors. The expansion in total private sector loans for the month may have also been reflective of the slowdown in the pace of depreciation relative to previous months. This may have resulted in an increase in foreign currency loans.



Domestic Currency Weighted Loan Interest Rates (%) July 2014

	Instalment Credit	Mortgage Credit	Personal Credit	Commercial Credit	LGOPE	Central Govt.	Overall A/W Rate
Monthly Change	0.14	-0.01	-0.31	0.04	-0.11	-6.25	-0.12
Annual Change	-0.49	0.03	0.38	0.31	0.99	0.76	-0.20
End of Month	16.42	9.78	25.21	13.02	11.36	10.36	17.38

Foreign Currency Weighted Loan Interest Rates (%) June 2014

Monthly Change	-0.14	0.00	0.02	-0.09	-0.05	n.a	-0.09
Annual Change	-0.16	-2.28	1.43	-0.19	-0.37	n.a	-0.21
End of Month	8.45	6.74	17.00	6.86	6.21	n.a	7.26

Monthly Exchange Rates Update

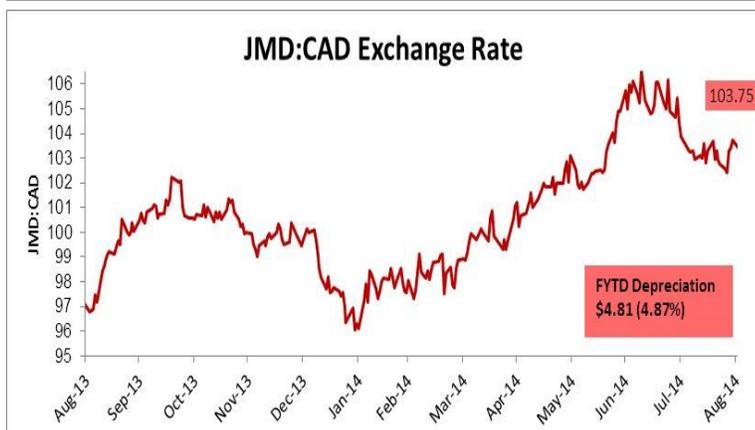
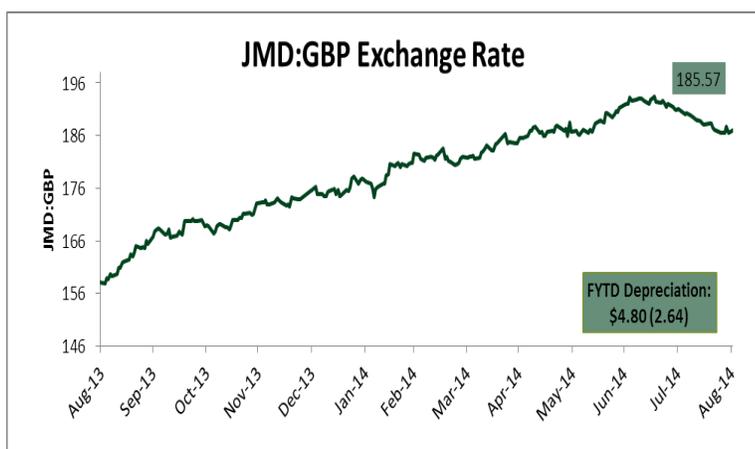
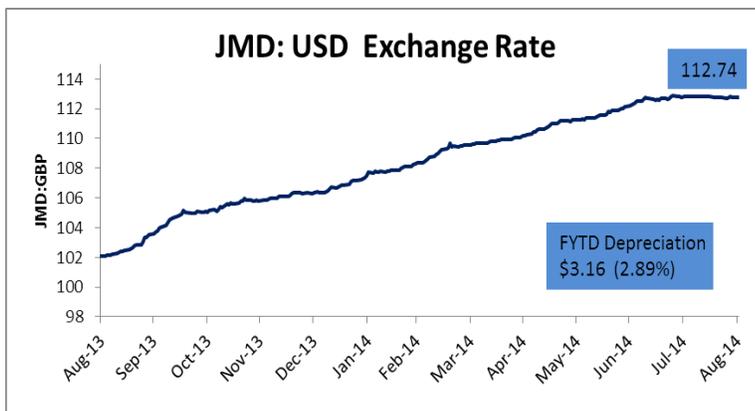
August 2014 Issue

At end-August 2014, the value of the Jamaica Dollar appreciated against all three major trading currencies relative to end-July 2014.

This outturn reflected the impact of the continued successful performance of Jamaica under the EFF; a build-up in confidence in domestic market since the visit from the IMF's Executive Director-Christine Lagarde in June 2014; as well as the successful offer of the US\$800 million Eurobond in July 2014. This offer resulted in a build-up in the stock of NIR at the Central Bank which has improved investor confidence in the ability of the bank to defend the dollar against excessive foreign currency demand which could cause disorderly movements.

Against this background, at end-August 2014, the value of the Jamaica Dollar appreciated by **J\$0.11 (0.10%)**, **J\$4.54 (2.37%)** and **J\$0.12 (0.11%)** against the US Dollar, Great Britain pound and the Canadian dollar, respectively. Consequently, these currencies ended trading at **J\$112.74=US\$1.00**, **J\$186.57=GBP£1.00** and **J\$103.74=CAD1.00**, respectively.

As a result of the progress of the economy under the EFF; the relative improvements in the macroeconomic fundamentals; and the recent improvement in the GOJ sovereign ratings, it is expected the relative stabilization of the Dollar should persist in the short term. This stabilization will also be supported by the relatively low expected inflation that will persist throughout the rest of 2014.



Data source: Bank of Jamaica

FX-Trends CYTD Changes							
	J\$/US\$	%	J\$/GBP	%	J\$/CAD	%	
2014		6.36	6.0%	10.87	6.2%	4.03	4.0%
2013		9.10	9.8%	7.92	5.3%	3.70	4.0%
FX-Trends CY Changes							
2013		13.40	14.4%	27.03	18.0%	2.71	2.9%

Net International Reserves & Money Supply

August 2014 Issue

Net International Reserves

The stock of Net International Reserves (NIR) at the Bank of Jamaica was **J\$232.07 billion (US\$2,121.49 million)** at end-August 2014. This reflected a decline of **J\$6.39 billion (US\$60.04 million)** relative to the previous month. The change in the NIR for the month was due to a decline in foreign assets of **J\$15.30 billion (US\$143.79 million)**, which was partially offset by a decline in liabilities of **J\$8.91 billion (US\$83.75 million)** resulting from the payments to the IMF.

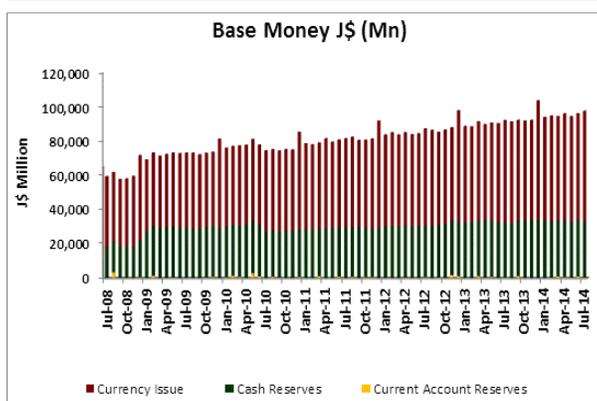
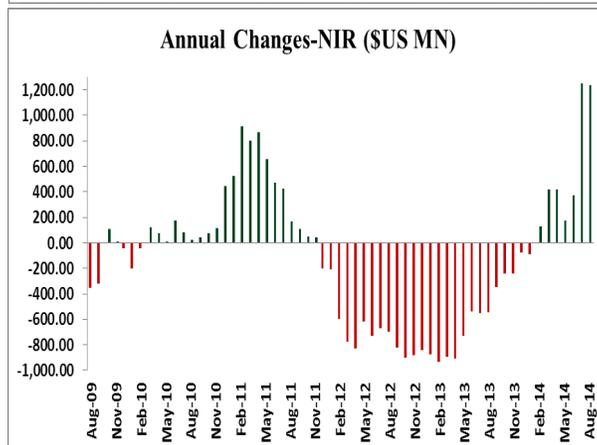
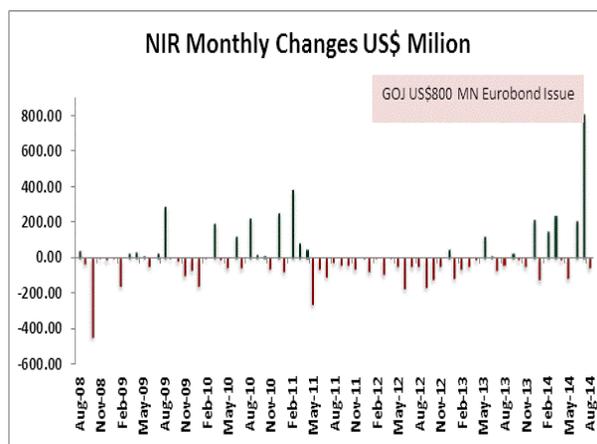
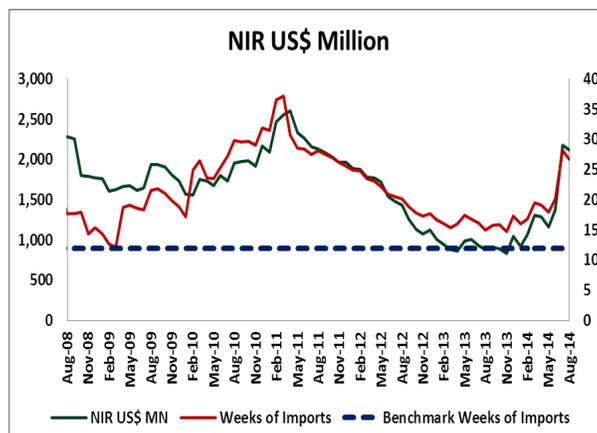
At the end of August, the gross reserves were sufficient to finance **26.68** weeks of goods imports which represents **14.68** weeks over the international benchmark of **12** weeks of goods imports.

Money Supply

For August 2014, there was an expansion of **J\$1.34 billion (1.4%)** to **J\$98.79 billion** relative to July. The expansion in the base mainly reflected net currency issue of **J\$923.0 million** in commercial bank's statutory reserves at the BOJ and net currency issue of **J\$572.1 million**. The impact of these transactions were partially offset by a decline of **J\$157.7 million** in commercial banks' current account balances. The expansion in the base resulted from the increase of **J\$7.72 billion** in the Net Domestic Assets (NDA) which was partially offset by a decline of **J\$6.39 billion** in the NIR.

On an annual basis, the multiplier declined from **2.78** at end July 2013 to **2.67** at end July 2014. The reduction in the multiplier resulted from an increase in the currency-to-deposits ratio for the corresponding period. This may have been brought about by lower deposits as consumers reduce savings and increase their preference for cash in the context of declining real disposable income.

For the same period, the monetary base increased by **J\$5.5 billion (6.0%)**. Given the reduction in the multiplier and the increase in the base, the M2 measure of money supply increased by **J\$4.84**



Net International Reserves & Money Supply

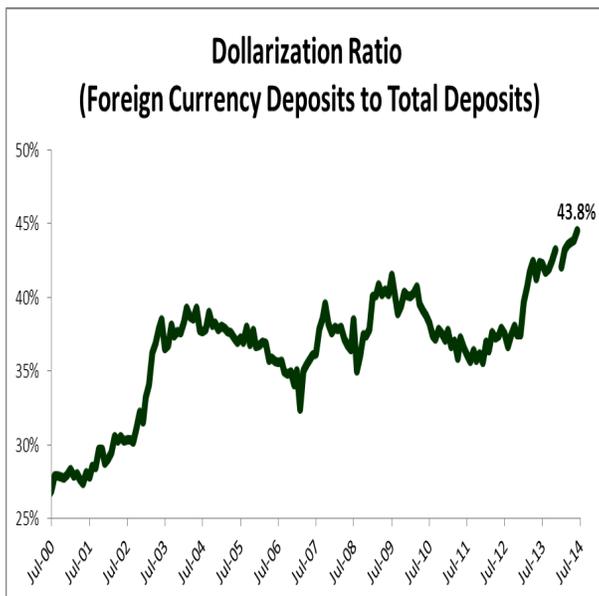
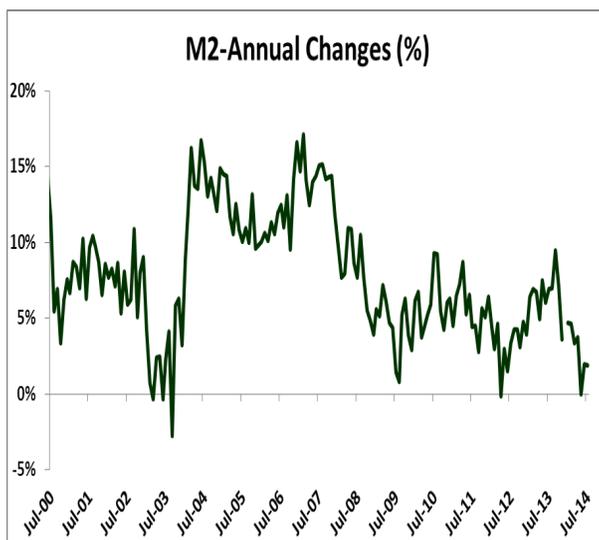
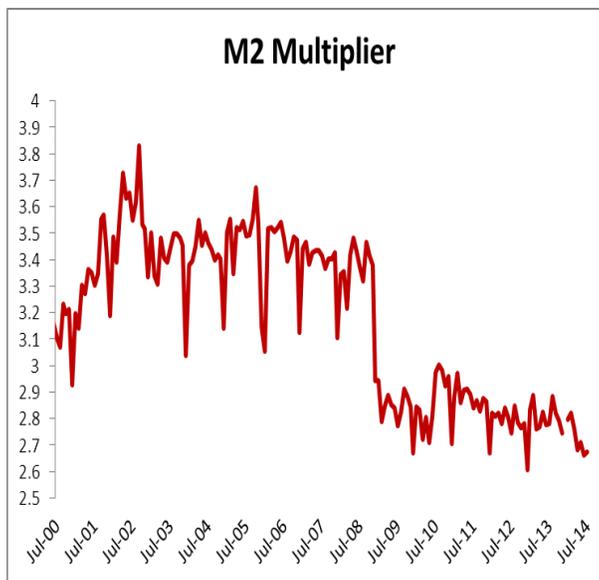
August 2014 Issue

billion (1.90%) at end July 2014 relative to 2013. The increase in the supply of broad money would have contributed to the observed increase in private sector credit for the period, which is an important consideration for growth.

Dollarization Ratio

The dollarization ratio is the proportion of foreign currency deposits relative to total deposits in domestic financial institutions. In this case, the domestic financial institutions include only commercial banks. The dollarization ratio measures the extent to which citizens of Jamaica officially or unofficially use foreign currency as a legal tender for transacting businesses. Dollarization is an important indicator of currency substitution. Its presence is generally an indication that there is greater stability in the value of the foreign currency relative to the domestic currency. While dollarization is not unique to Jamaica as a developing country, the adverse effect is that it may increase the volatility of money demand and impinge on the capacity of the Central Bank to conduct monetary policy. In addition, it contributes to the depreciation of the local currency. Finally, dollarization, is regarded as an obstacle to the conduct of monetary policy, given that in the presence of dollarization, domestic monetary policy is also impacted by foreign economic variables, therefore the Central Bank's autonomy is limited.

Against this background, dollarization ratio declined marginally to **43.3%** at end July 2014 relative to **44.6%** at end-June 2014. This decline reflected a slowdown in the accumulation of foreign currency deposits in the commercial banking system. This may have resulted from the slowdown in the pace of depreciation of the exchange rate in the context of the build-up in the NIR. Additionally, the decline in total deposits may have also been reflective of consumers' reducing saving habits in the context of declining disposable income.



Tourist Arrivals

August 2014 Issue

Stopover tourist arrivals climbed to **1,466,828** for the period January 2014 to August 2014, representing a **2.6%** or **37,367** increase relative to the **1,429,461** recorded for the same period in 2013. Additionally, when compared to 2012, in which the total number of stopover visitors amounted to **1,439,916**, current arrivals are greater by **26,912** or **1.9%**. For the current period January 2014 to August 2014, both categories foreign nationals and non-resident Jamaicans grew by **(2.7%)** and **(1.7%)** respectively.

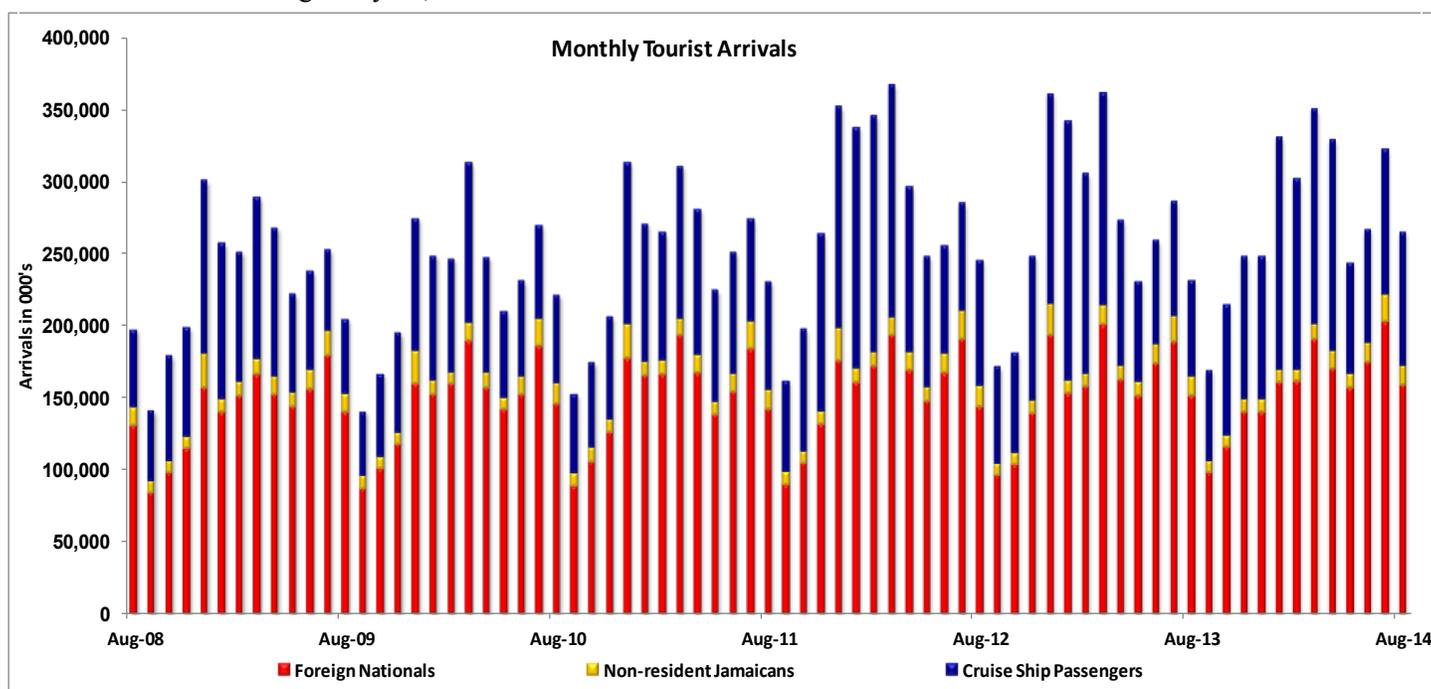
Total stopover arrivals in August 2014 were **171,486**. This represents an increase of **7,150 (4.4%)** over the **164,336** recorded in August of 2013. When compared to the same period in 2012, which recorded **157,863** visitors, current arrivals are higher by **13,623** or **8.6%**.

Total stopover arrivals in July 2014 were **221,006**. This represents an increase of **15,311 (0.3%)** over the **205,655** which was recorded in July of 2013. When compared to the same period in 2012, which recorded **209,824** visitors, current arrivals were higher by **11,142** or **5.3%**.

The increase in stopover arrivals to Jamaica for August 2014 is also reflected in a marked increase from most destinations. With the exception of arrivals from Asia, which declined by **18.9%**, all other market increased. Visitor arrivals from the United States, Canada, Europe, the UK, the Latin America, Caribbean and “Others” increased by **1.9%, 18.7%, 3.5%, 3.5, 4%, and 9.5%** respectively.

Cruise passenger arrivals increased significantly in August 2014 when compared to both arrivals for 2013 and 2012. Total arrivals in August 2014 stood at **93,106**. This represents an increase of **26,237** or **39%** when compared to 2013. In 2012, the total arrivals stood at **87,341**, this means that arrivals for August 2014 were greater by **5,765** or **7%**.

Total Cruise passenger arrivals for January 2014 to August 2014 stood at **938,844**, at the same time in 2013 the figure was **853,072**. This means that total arrival for 2014 was **85,772** or **10.1%** greater than last year.



Remittance Inflows

August 2014 Issue

Remittance flows hit record levels in August; gross flows for August 2014 were **US\$8.2 million** or **5%** greater than the record level reached in the pre-crisis of August 2008. In addition, the calendar year to May 2014 flows are also higher than the pre-crisis flows of 2008 by **US\$42.7 million** or **5.1%**. In 2009, remittance flows fell by 11% and since then has been growing at a steady pace. With the continued growth in the US economy and the fall in unemployment, remittance flows will continue to grow in Jamaica.

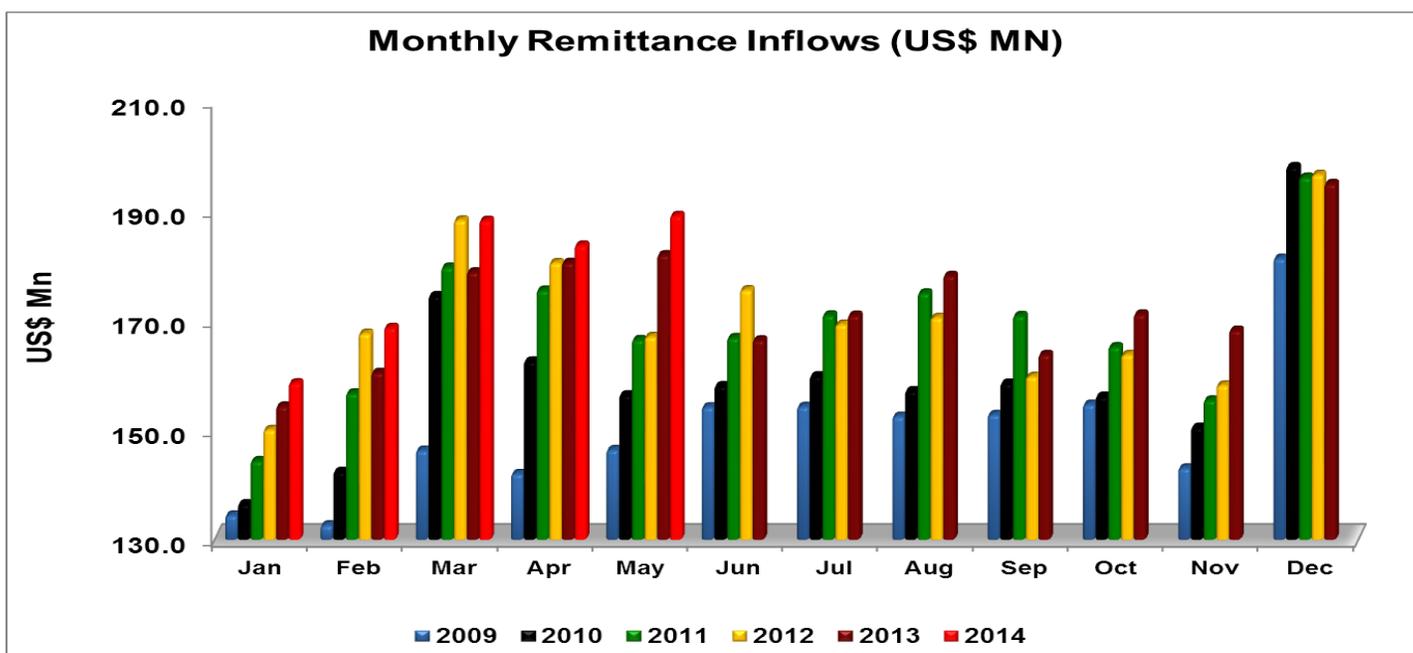
Gross remittance inflows for the month of May 2014 stood at **US\$188.7 million**. This represents an increase of **US\$7.2 million (3.9%)** relative to May of 2013. The monthly average inflow for May over the last five years stands at **US\$163.2 million**, hence current remittance inflows are **US\$25.5 million (16%)** higher on average.

The observed higher remittance inflow is as a result of increases in inflows of **US\$12.7 million** from remittance companies but which was moderated by reductions of **US\$5.5 million** from other remittance sources. For the fiscal year April to May 2014/15 gross remittance inflows

were **US\$372 million**, representing an increase of **US\$10.3 million** or **2.9%** over the same period in the 2013/14 fiscal year. Gross remittance flows for the calendar year to May 2014 stood at **US\$886.8 million**, an increase of **US\$32.6** or **3.8%** over the same period in 2013.

Gross remittance inflows for the first quarter of 2014 were **US\$514.3 million**, this represent an increase of **US\$21.8 million** or **4.4%** higher over the same period last year. This first quarter remittance inflow was also higher than the five year monthly average for the month of March which stands at **US\$468.3 million**.

Net remittances for May 2014 were **US\$171.6 million**, representing an increase of **US\$9.7 million** or **6%** when compared to May of 2013. The Bank of Jamaica reports that the growth in net remittance inflows for May 2014 is due to an increase in gross inflows and a contraction in remittance outflows. Net remittance inflows for the period January 2014 to May 2014 were **US\$795.3 million**, this represents an increase of **US\$42.1 million** or **5.6%** when compared to the corresponding period of 2013.



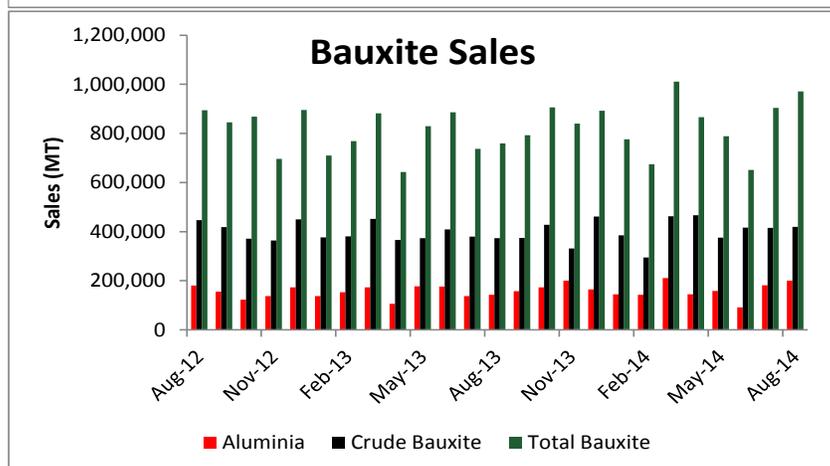
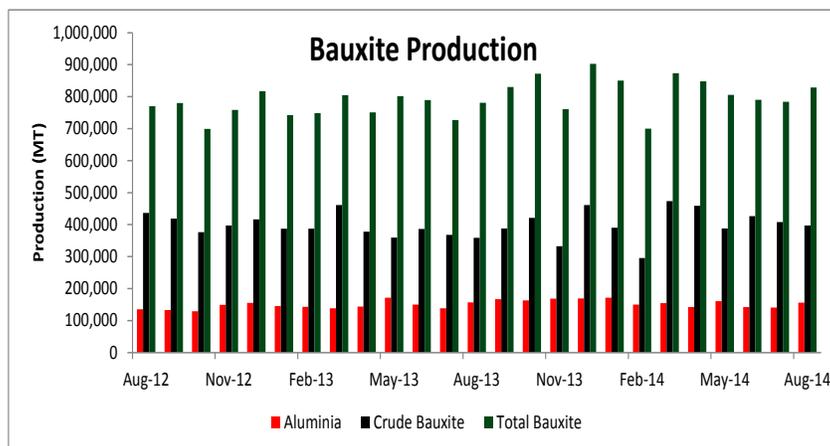
Domestic Bauxite and Alumina Production

August 2014 Issue

For August 2014, the production of Alumina was **156,185 tonnes**, representing an increase of **15,826 tonnes**, relative to July 2014. This outturn brought an annual change in Alumina production to a reduction of **848 tonnes (0.54%)**. For the month, the sale of alumina increased by **18,641 tonnes (10%)** relative to July 2014. Similarly, alumina sales increased by **57,307 tonnes (40%)** in comparison to August 2013. For the year-to-date, alumina exports increased by **30,796 tonnes (5.9%)**.

The production of crude bauxite, which is bauxite mined for exports as well as total bauxite, the sum of bauxite mined for exports and bauxite converted to alumina, fell in August 2014 relative to July 2014 by **11,325 tonnes (2.8%)**. Similarly, total bauxite for August increased by **47,824 (6%)**. The sale of crude bauxite also increased by **46,040 tonnes (12.33%)** relative to 2013. In addition, the sale of total bauxite increased by **211,828 tonnes (28%)** for the month of August 2014 relative to August 2013.

For the calendar year to date, the production of crude bauxite increased by **152,556 tonnes (4.94%)**. Crude bauxite sales increased by **14,003 tonnes (3.98%)**. Similarly, the production of total bauxite increased by **302,940 tonnes (4.92%)**, while total bauxite sales for the calendar year to date increased by **381,208 tonnes (6.12%)**. Gross bauxite revenues have fallen by **US\$711.5 million (52%)** since the recession of 2008 when compared to revenues of **US\$6573 M** in 2013.



PERIOD	PRODUCTION			SALES		
	ALUMINA	CRUDE BAUXITE	TOTAL BAUXITE	ALUMINA	CRUDE BAUXITE	TOTAL BAUXITE
MONTH						
2014	156,185	397,002	828,667	200,500	419,333	970,754
2013	157,033	358,305	780,832	143,193	373,293	758,926
% Chg 2014/13	-0.54	10.80	6.13	40.02	12.33	27.91
2012	134,983	436,628	770,161	180,826	447,064	894,341
% Chg 2013/12	16.34	-17.94	1.39	-20.81	-16.50	-15.14
Y-T-D						
2014	1,217,154	3,238,583	6,457,549	1,276,455	3,235,922	6,609,737
2013	1,186,968	3,086,027	6,154,609	1,205,805	3,111,919	6,228,529
% Chg 2014/13	2.54	4.94	4.92	5.86	3.98	6.12
2012	1,191,153	3,171,528	6,252,525	1,186,528	3,156,057	6,223,423
% Chg 2013/12	-0.35	-2.70	-1.57	1.62	-1.40	0.08

Source: Jamaica Bauxite Institute (JBI)

Stock Market Update

August 2014 Issue

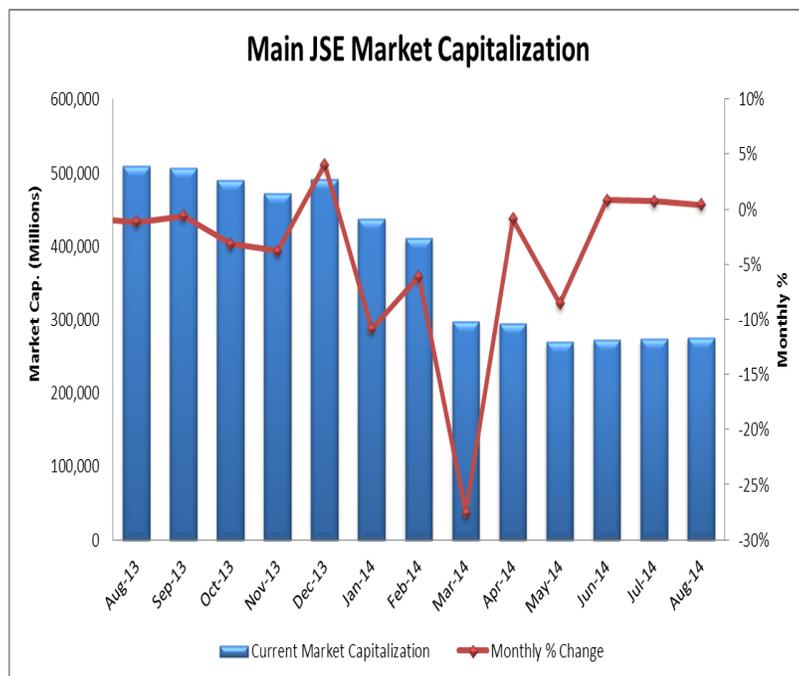
The main JSE indices advanced marginally in August 2014. In this regard, the main JSE market index declined on the last trading day in August 2014 by **140.35 points (0.2%)** and closed at **71,602**. In addition, the JSE Combined Index declined by **168.89 (0.23%)** and closed at **73,338.14 points**, the JSE select declined **6.43 (0.3%)** by and closed at **2,115.14 points**, The JSE All Jamaica composite declined by **156.95 points (0.2%)** and closed at **78,772.29 points**, and the Junior Market Index declined by **3.97 points (0.61%)** and closed at **643.12 points**. In contrast, the JSE Cross Listed Index traded firm and closed at **585 points** while the JSE Equities Index advanced by **1.63 points** closed the month at **125.53 points** respectively.

Overall, the market activity for August resulted from trading in seventeen (**17**) stocks of which **6** advanced, **6** declined and **5** traded firm. In total, **24,556,647 units** of stock were traded which had a total value of **\$14,153,289.61**.

LIME was the volume leader for with **23,460,586 units (95.54%)** traded. LIME was followed by Desnoes and Geddes Ltd. With **342,700 units (1.4%)**, Radio Jamaica Ltd. was next with **319,350 units (1.3%)**.

At the end of August 2014, there was market capitalization of **\$275.09 billion** when compared with the **\$273.97 billion** at end July 2014, an increase of **J\$1.12 billion** or **0.41%**.

The top three advancing stocks for the month of August were Pulse Investment (**16.67%**), Desnoes and Geddes (**14.68%**), and Mayberry In-



Data Source: Jamaica Stock Exchange

vestment Limited (**6.45%**) The stocks with the largest decline in prices were Caribbean Cement Company (**20.08%**), Radio Jamaica (**18.03%**) and Ciboney Group (**12.5%**).

For the calendar-year-to-date, the top four advancing stocks were, LIME (**87.5%**), Ciboney Group (**40%**), Sagicor Real Estate X Fund (**12.85%**), and National Commercial Bank Jamaica (**9.89%**). Meanwhile, Pulse Investments (**59.77%**), Caribbean Cement Company (**42%**) Supreme Ventures (**34%**) and Radio Jamaica Limited (**23.08%**) were the top declining stocks for the calendar year to August 2014.

The continued marginal improvement in the main stock markets for August 2014 is indicative of an economy trying hard to recover under difficult circumstances. This positive development is a sign that the general economic recovery is progressing slowly but positively. This gradual marginal recovery in the stock markets may continue into the early part of 2015, when the economy is expected to stabilize much more. It suggests that confidence is finally returning to the markets and this confidence is in line with confidence that the economy is moving in the right direction.

Merchandise Trade: May 2014

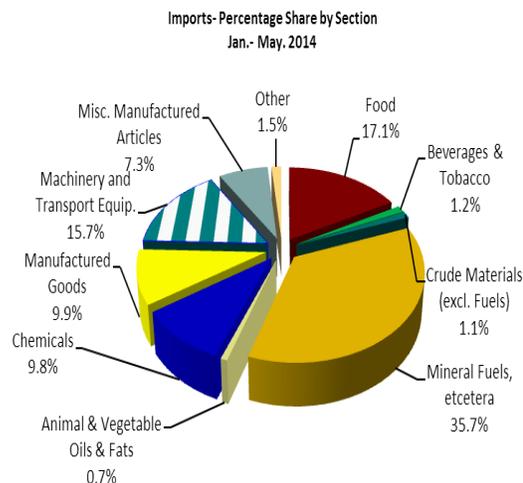
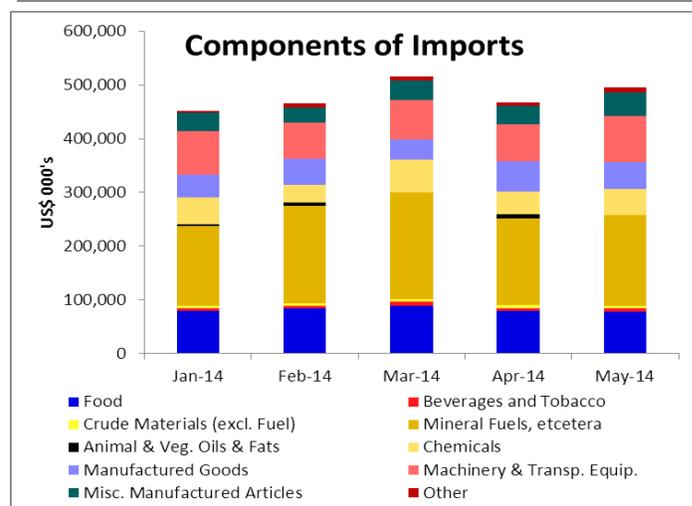
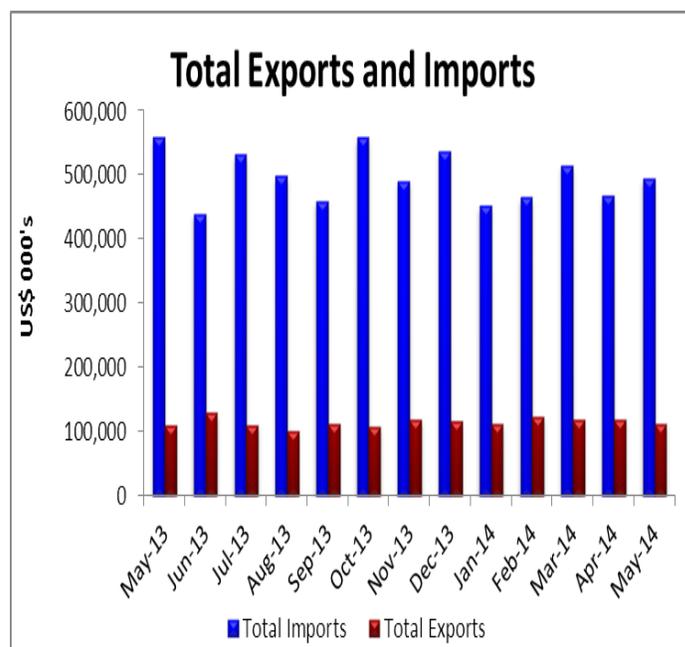
August 2014 Issue

An important part of the EFF agreement that Jamaica has with the International Monetary Fund (IMF) speaks to addressing the trade deficit in the current account. In this context, it is suggested that one method of addressing this issue is to revalue the currency or allow the currency to depreciate to an exchange rate at which the economy can enjoy greater price and non-price competitiveness.

International competitiveness includes both the cost of capital and the productivity of labour, both of which are critical ingredients in the production of goods and services. Therefore, the current EFF agreement is meant to facilitate higher production of goods and services and ultimately greater levels of exports and an increase in export revenue.

Against this background, data from the Statistical Institute of Jamaica reveals that the country's merchandise trade deficit improved by **US\$196.4 million to US\$1,780.50** for the period January to May 2014 relative to the corresponding period in 2013.

This improvement resulted from a decline of **US\$223.7 million** in imports for the calendar year to date. However, this was partially offset by a decline of **US\$99.3 million** in exports. The observed trend reduction in imports has been reflective of a decline in mineral fuels, which has the largest percentage share of total imports.



Adapted from STATIN's monthly bulletin

Previous Highlights: July 2014 Summary

August 2014 Issue

- ◆ **D**uring 13-22 August 2014, an IMF mission team visited Jamaica to assess the progress of the country under the 4-year EFF. At the end of the mission, the fund's mission chief concluded that the program is on track and that overall policy implementation under the program remains strong. All quantitative performance targets, indicative targets, and structural benchmarks for end-June were met. The mission chief highlighted that the preliminary assessments are subject to approval by the IMF's Management and Executive Board. In this regard, consideration of the fifth review of Jamaica's IMF-supported program under the EFF could take place by the IMF's Executive Board in September. Upon approval, SDR 45.95 million (about US\$71 million) will be made available to Jamaica.
- ◆ On July 1, Jamaica offered a 10-year Eurobond on the international capital markets. Total placements on the bond amounted to US\$800-million at a coupon rate of 7.625%. The bond is expected to mature in 2025, however, the principal will be repaid in three tranches, beginning 2023.
- ◆ In the context of the successful bond issue, the NIR increased by US\$805.40 million (J\$85.68 billion) to US\$2,181. 53 (J\$232.07 billion). This increase in the NIR coupled with a reduction in the NDA of J\$82.48 billion resulted in an expansion of J\$1.51 billion in the monetary base.
- ◆ The increase in the NIR stimulated investor confidence in the ability of the BOJ to intervene in the FX market. In this context, there was a slowdown in the pace of depreciation of the Jamaica Dollar relative to the US Dollar and an appreciation of the Jamaica dollar relative to the Canadian Dollar and Great Britain Pound.
- ◆ Interest rates on GOJ Treasury bills broadly declined for the July 2014 auction relative to the June auction. However, the rate on the 30-day tenor increased.
- ◆ The weighted average lending rate on domestic currency loans increased by 15 bps to 17.50% in June relative to July 2014. However, given the 17 bps increase in the deposit rates, the spread narrowed to 15.23%. On the other hand, rates on commercial banks' foreign currency loans declined by 9bps for June relative to May 2014. This decline along with the increase in the deposit rates resulted in a decline in the spread to 4.88%.
- ◆ Domestic inflation increased by 1.4% at end July 2014 relative to 0.1% at end June . The increase in the inflation rate for the month largely reflected the pass-through impact of drought which resulted in increased prices.
- ◆ The increase in domestic prices is expected to be tempered in upcoming months by the impact of the reduction's in international commodity prices. Specifically, both indices of crude oil showed significant declines for July. There were also declines in the price of all grains monitored with the exception of rice . However, the impact of these reductions is expected to be partially offset by the general increases in the price of meat, cocoa and coffee recorded for the month.

Statistical Index: Major Macro-Economic Indicators

August 2014 Issue

	Monthly Inflation	Saving Rate	Lending Rate	Exchange Rate	NIR	Gross Remittance Inflows	Tourist Arrivals	Oil Price-Brent	Oil Price-WTI
Month	%	%	%	J\$/US\$	US\$B	US\$M	000s	US\$ Per barrel	US\$ Per barrel
Jan-12	0.40	2.45	18.13	86.78	1.88	149.70	337,100	119.70	102.26
Feb-12	0.80	2.25	17.13	86.91	1.87	167.24	345,007	124.93	106.15
Mar-12	0.50	2.19	19.03	87.25	1.78	187.87	366,518	120.59	103.28
Apr-12	0.40	2.19	19.04	87.33	1.77	180.11	295,858	120.59	103.28
May-12	0.50	2.24	18.76	87.75	1.72	166.65	247,937	110.52	94.51
Jun-12	0.60	2.14	18.65	88.48	1.54	175.16	255,121	95.59	82.36
Jul-12	-0.30	2.02	18.92	89.24	1.48	168.89	284,514	103.14	87.89
Aug-12	0.50	2.00	18.84	89.73	1.43	170.13	245,204	113.34	94.11
Sep-12	1.90	2.02	18.70	89.90	1.26	159.37	171,229	113.38	94.61
Oct-12	0.90	2.14	18.53	90.64	1.13	163.37	180,835	111.97	89.52
Nov-12	0.60	2.05	18.42	91.46	1.08	157.79	248,141	109.71	86.69
Dec-12	1.00	2.10	18.44	92.65	1.13	196.18	360,494	109.64	88.19
Jan-13	0.70	1.98	18.23	93.45	1.01	153.98	341,365	112.93	94.65
Feb-13	0.60	1.82	18.09	95.66	0.94	160.11	304,889	116.46	95.30
Mar-13	1.40	1.80	17.97	97.76	0.88	178.42	361,131	109.24	93.12
Apr-13	0.40	1.67	17.92	99.55	0.87	180.15	272,891	102.88	92.02
May-13	0.50	1.74	17.77	99.12	0.99	181.54	230,392	103.03	94.72
Jun-13	0.20	1.61	17.66	100.82	1.00	166.03	258,535	103.11	95.79
Jul-13	0.50	1.71	17.58	101.76	0.93	170.54	285,601	107.72	104.55
Aug-13	0.40	1.81	17.53	101.94	0.88	177.77	231,205	110.96	106.55
Sep-13	2.80	1.97	17.45	102.64	0.91	163.37	168,650	111.62	106.31
Oct-13	0.80	1.97	17.48	104.65	0.89	170.75	214,430	109.48	100.50
Nov-13	0.50	2.03	17.44	105.60	0.84	167.79	247,512	108.08	93.81
Dec-13	0.60	2.04	17.49	106.15	1.05	194.50	247,512	110.63	97.90
Jan-14	0.50	1.77	17.33	106.90	0.92	158.20	330,201	107.57	95.00
Feb-14	0.10	1.85	16.45	107.93	1.07	168.30	301,276	108.81	100.70
Mar-14	1.10	1.98	17.57	109.21	1.30	187.80	349,890	107.41	100.57
Apr-14	-0.30	2.26	17.66	110.16	1.29	183.30	328,304	107.88	102.18
May-14	1.00	2.12	17.35	111.26	1.17	188.70	243,114	109.68	102.00
Jun-14	0.10	2.29	17.50	112.20	1.38	n.a	266,550	111.87	105.24
Jul-14	1.4	2.41	17.38	112.85	2.18	n.a	321,723	106.98	102.99
Aug-14	1.1	n.a	n.a	112.74	2.12	n.a	264,592	101.92	96.38

ACP— Africa Caribbean Pacific States	Loan – Average Loan Rate
BM – Base Money	M – Monthly Percentage Change
BP — Basis Points	M2 – Money Supply
CaPRI— Caribbean Policy and Research Institute	MT – Million tonnes
CARICOM— Caribbean Community & Common Market	N/A – Not Available
CARIFORUM— CARICOM and Dominican Republic	NIR – Net International Reserves
CPI – Consumer Price Index	OMO – Open Market Operation
CSME— Caribbean Single Market & Economy	P – Point-to-Point Percentage Change
EC— European Commission	R – Revised
EPA—Economic Partnership Agreement	S – Stopover
EU—European Union	Save – Average Savings Deposit Rate
FX Dep – Foreign Exchange Deposit	T-bill – 6-month Treasury Bill Yield
JCB – Jamaica Conference Board	Tourism – Total Tourist Arrivals
JCC – Jamaica Chamber of Commerce	WATBY- weighted average Treasury bill yield
KMA — Kingston and Metropolitan Area	WTO—World Trade Organization
KSA—Kingston and St. Andrew	OECD—Organisation for Economic Co-operating and Development (membership of 30 major countries)
WTI — West Texas Intermediate (Spot Oil Price)	

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