THE PRIVATE SECTOR ORGANISATION OF JAMAICA

PSOJ

Monthly Economic Bulletin

Inside This Issue

August 2015

The CEO'S Remarks

There is no doubt that the economic programme is bearing fruit, after approximately two years of application. The signs include improved fiscal balances, relatively stable exchange rate, record low inflation levels, reduction in the benchmark interest rates, and very importantly a current account surplus recorded.

This performance has created some amount of stability in the economic landscape and has resulted in relatively high levels of business and consumer confidence.

It is therefore clear that we MUST ensure that we continue to strictly apply the actions to guarantee that we see the benefits to the economy and social sector.

We are, however, once again at a cross roads, as any mismanagement can result in a derailment of the programme and reverse the benefits and make the situation much worse than it was before. The recent PetroCaribe debt buyback is also an immediate positive injection for the very important debt to GDP ratio, and it also demonstrates the increased confidence of the international markets. This is important as it means that we will not only have access to lower interest rates but also renewed investor interest and also better credit and trade terms for businesses can be negotiated.

Going forward we will, however, need strong and decisive leadership to ensure that we achieve the development goals. More than anything else, this is going to require a change of the way we think.

This means that in setting policies we must move away from our traditional ways of developing policy, which is a culture of us against them. So that policy should not be geared towards just raising taxes and implementing systems and charges, which assumes that everyone is guilty. We cannot continue to set policies which threaten predictability, such as the way we have been recently introducing tax measures almost every month, without proper consultation up front.

It means that public sector delivery methods must have customer service and productivity at the core, and public sector compensation must be also based on performance in relation to facilitating productivity. For example, the success of Customs cannot be measured by the amount of money collected but rather the efficiency of trade facilitation and the amount of transactions processed.

We must also ensure that there is greater accountability, as a part of the public sector transformation. The way we have handled our water supply infrastructure comes to mind. It cannot be acceptable that for two years running, we are impacted by a drought that has cost us approximately 1 percent of GDP growth while there is a 60 percent loss of water production.

The other concern (although assured by the Finance Minister) is that leading up to election there is no irresponsible fiscal spending.

These are all risks to the growth agenda, and are usually the issues that derail any economic recovery programme in the past. It also means that we are still very susceptible to cultural and political practices and for me remains one of the most vulnerable areas to be addressed in order to achieve economic and social development.

Monitoring these risks, in order to bring about an improved business environment, is one of the main things that organizations like the PSOJ must be involved in. The involvement of private sector organizations and civil society is going to be critical to guarantee a positive outcome.

The other challenge we have to address is how do we bring relevance to our institutional framework, such as bringing organizations like HEART to the fore of retraining the labour force to be more productive. This of course also involved institutions such as HEART working together with others like PIOJ, to bring greater planning effort to our economic future.

The lesson is that, although we have recognized much success in the economic programme, this has been as a result of public-private partnerships and much sacrifice, which we cannot let be in vain. In order to ensure this does not happen we must change the way we think and finally, we must effectively address the matter of real public sector transformation.

July 2015 Issue

Economic Highlights: July 2015

The International Monetary Fund reports that Jamaica is expected to pass the 9th review of the Extended Fund Facility and will be able to draw down on **US$40** million. The IMF noted that Jamaica has met all and surpassed some of the quantitative targets set, these include a primary surplus balance of $17 billion, which was surpassed by $3.4 billion, the NIR target of US$1.4 billion which was exceeded by US$1 billion as at end –July, others include a favourable current account surplus and low inflation rates. The growth target however continues to pose major concerns as the economy recorded a weak first quarter growth, second quarter performance improved to **0.8%.**

This news is expected to be met with higher levels of business confidence and higher levels of investment. This good news will however be muted some what given that the economy still is underperforming in the most important area, which is economic growth. It is within this context that the IMF has cut the growth forecast from **1.75%** to **1.4%** which confirms the PSOJ position forwarded last month that growth should be in the range of **0.84%** to **1.56%**. The markets should take confidence given the climate in the international commodity markets and growth in the US economy, at least in the very short term. This climate will be very conducive to growth in Jamaica as a number of fundamental are pointed in the right direction. In the longer term policy makers should tread cautiously as the current commodity sell off could turn into a global economic slowdown or worse a meltdown.

⇒ Investors seems to believe that the economy is moving in the right direction, this is manifested in the gradual recovery of the local stock markets which saw a positive but thin growth in market capitalization of $4.6 billion1(.2%.) in July 2015.

⇒ Falling oil prices is creating a very enabling growth environment for many Jamaican firms. Data shows that **55%** of the commodities monitored by the PSOJ fell in July 2015. These include a **10.4%** and **14.5%** reduction in the Brent and WTI oil indices respectively. With the general consensus that prices should remain super low for the next 24 to 48 months, a number of macro indicators will be positively impacted.

⇒ Chief among these is the expected reduction in the price level in Jamaica although the current drought will reverse some of these gains. In this regard domestic inflation, measured by the All Jamaica "All Divisions" Consumer Price Index (CPI) increased by **0.9%** for July 2015. vision, resulting from the impact of the drought. For CY-July 2015, inflation rate was **1.4%** compared to **3.9%** for CY-July 2014. These lover inflation rates will impact positively other variables such as the interest rates and the exchange rates.

⇒ Yields on all tenors of GOJ Treasury Bills declined in the July 2015 auction. Yields on the 30-day, 90-day and 180-day tenors declined by **1 bps, 4 bps and 3 bps,** respectively, relative to the June 2015 auction.

⇒ At end-June 2015, the overall weighted average lending rate on local currency loans increased by **9 bps**

Economic Highlights: July 2015

to **17.17%** from **17.08%** for May 2015. This resulted in an increase in the spread from **15.28%** to **15.46%.** Interest rates on foreign currency loans declined by **5 bps** to **7.31%** for June 2015 relative to May 2015. In addition, the Bank of Jamaica has lowered its benchmark interest rates to **5%**, this is expected to lower rates in the short to medium term.

⇒ At end July 2015, the stock of Net International Reserves (NIR) at the Bank of Jamaica was **J$251.45 billion** (**US$2,363.74 million)** reflecting an increase of **J$36.30 billion** (**US$238.37 million**) relative to the previous month. At end-July 2015, the gross reserves at the Central Bank were sufficient to finance **31.72** weeks of goods imports which represents **19.72** weeks over the international benchmark of **12** weeks of goods imports.

⇒ At end-July 2015, the Jamaica Dollar depreciated against the US dollar and the Great British Pound , while appreciating against the Canadian dollar. The movement in the currency brought the Fiscal Year to July depreciation relative to the US dollar to 2.1% (J$2.4), and 7.1% (J$13.1) relative to the Great Britain Pound. The appreciation against the Canadian dollar brought the fiscal year appreciation to **0.3% (J$0.2).**

⇒ The improving economic space is also manifested in the monetary environment . For July 2015, there was an expansion of **J$1.96 billion (1.9%)** in the monetary base relative to the previous month. This expansion resulted in an end-month stock of **J$106.44 billion**. On an annual basis, the multiplier increased from **2.71** at May 2014 to **2.79** at May 2015.

⇒ Tourist stopover arrivals amounted to **182,364** for June 2015, reflecting a decline of **17.5%** relative to the June 2014. For January to June 2015, stopover arrivals increased to **1,107,174** reflecting growth of **3.1%** or **32,818** relative to the corresponding period of 2014.

⇒ For March 2015, gross remittance inflows amounted to **US$194 million**, reflecting an increase of **US$5.7 million (3.1%)** relative to March of 2014. Net remittance inflows for March 2015 was **US$174.4** million, an increase of **US$2.5** million or **(1.5%**) relative to March 2014. For the FY2014/15, total remittance inflows rose by **US$85.8 million (4.1%)** to **US$2,173.0 million** relative to **US$2,087.2 million** for FY2013/14.

⇒ For July 2015, the production of alumina was **123,150 tonnes**, representing a reduction of **17,205 (12.3%) tonnes**, relative to July 2014. YTD alumina sales increased by **126,000 tonnes (12%)** in comparison to July 2014. The production of total bauxite fell in May 2015 relative to May 2014 by **144.000 tonnes (18%).** On the other hand, YTD total bauxite production fell by **296,000 tonnes (5%)**. Annually, sales of total bauxite have increased by **29,000 (3.5%).** YTD sales of total bauxite increased by **54,000 tonnes (1%).**


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An Economic Performance Indicator for Jamaica

Randell Berry
Research Analyst & Consultant

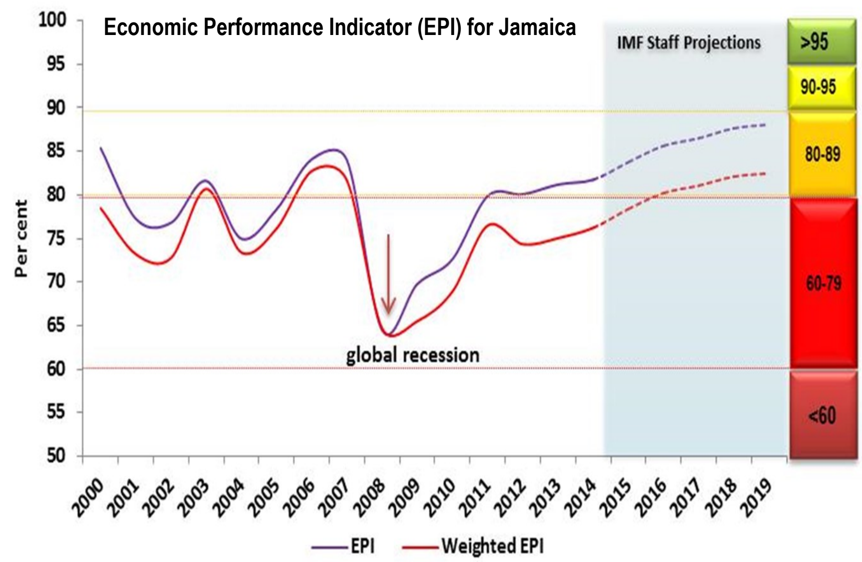
Using the methodology developed by Khramov and Lee (2013), the PSOJ has computed an index of economic performance for Jamaica for the period 2000 to 2019.

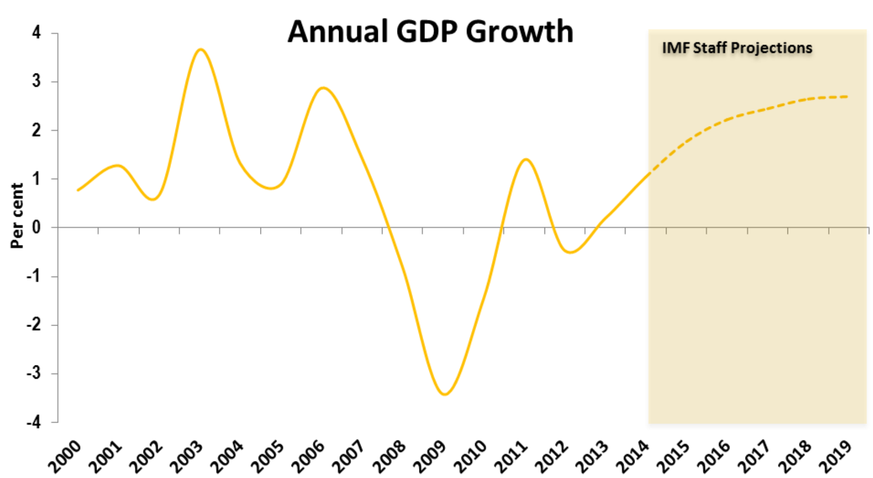
The indicator is a volatility weighted composite of inflation, economic growth, unemployment and fiscal deficit. The EPI is an informative and intuitive metric that shows the performance of the economy at a point in time relative to past and future performance. The index was constructed to show the degree to which the economy is expanding or contracting and the anticipated movements in the future.

The PSOJ's forecasted EPI for 2015 indicates an increase of **2.2 percentage points** in the index relative to the computed index of **75.85 per cent** for 2014. This movement suggests a likely increase in economic performance for the calendar year. The projected EPI is led by the IMF's forecast for Jamaica's economic growth (the most highly weighted indicator in the composite) of 1.8 per cent for 2015. In addition to higher growth for the period, and the forecast for lower annual inflation are other contributors to the expected improvement in economic performance for the year.

Conditions for Growth in 2015

For the first quarter of 2015, growth was reported at **0.4 percent**.





Source : IMF Data and Projections

- *EPI= 100% - (inflation-Inflation*) - (unemployment—unemployment*) - (Gov. deficit - Gov. deficit*) + (GDP growth—GDP growth*)*
- *Weighted EPI= 100% - W_{i*}(inflation-Inflation*) - W_{u*}(unemployment—unemployment*) - W_{d*}(Gov. deficit - Gov. deficit*) + W_{g*}(GDP growth—GDP growth*)*
- *$W_1 = 1/STD_1 * STD_{avg}$*

While second quarter growth is reported to be **0.8%** The growth of **1.8 per cent** is predicated on some adjustments in the economy**.**

Lower oil prices continues to have a positive impact on domestic energy prices and inflation (see inflation section). Global oil prices have fallen significantly since June 2015. This reduction is expected to bode well for global growth for the year, which by extension will have a positive impact on Jamaica's growth prospects especially in areas with high energy intensity.

The benefits of lower oil and commodity prices are expected to be evident in the Manufacturing , Mining and Tourism Sectors. In July 2015, Carib. Cement Limited has reported net profit of $621.3 million for the second quarter, reversing losses made in the June quarter of 2014. The improvement in the manufacturing sector has been largely due to savings from the lower oil prices. In the mining sector—Alpart Bauxite Mining company restarted operations. The lower oil prices would have provided a temporary energy cost relief for the bauxite company.

While the outlook for Jamaica is positive, the magnitude of the benefits are taking longer than usual to manifest. This is due to the fact that there has been other negative shocks along the way, that have had an adverse impact on the economy.

The main adverse shock since 2015 has been the drought facing the economy. This has resulted in lower agriculture food production and to a large extent higher inflation rates. These adverse shocks have prompted the Central Bank to reduce its policy rate by 25 pps to 5.50 per cent. This cut is a signal to the commercial banks to reduce their lending rates to stimulate credit and further boost economic activity.

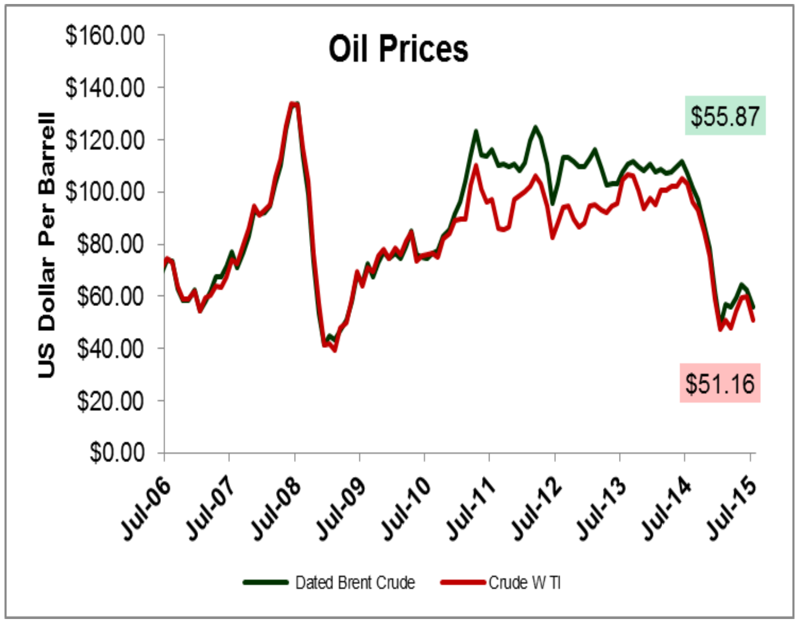
For the medium term (2016—2019), the EPI is expected to increase by **4.1 points** from **78.02** in 2015 to **82.11** in 2019. This improvement in the economic performance for Jamaica is predicated on IMF's growth projection of **2.7 per cent** in 2019 from **1.8 per cent** in 2015. Additionally, Jamaica is expected to benefit from lower inflation rates into the medium term. Jamaica is also expected to benefit from the fiscal space achieved from the IMF programme—a fiscal surplus of **1.9 per cent** is anticipated for 2019.

International Commodity Prices

Oil Prices

The month of July saw a decrease in both the West Texas Intermediate (WTI) crude oil price as well as the Brent. The Brent decreased by **11.6%** to **US$55.87 per bbl.** The West Texas Intermediate (WTI) decreased by a larger **16.89%** from **US$59.80 per bbl.** in June to **US$51.16** at the end of July. An analysis of annual variances reveals that the Brent is **47.78% lower** than the price for last year whereas the WTI is **50.32%** below its level last year. The Brent and WTI are **48% and 51%** respectively below their prices two years ago. This month's price is also **43%** below the 5-year average for the Brent and **42%** for the WTI.

Analyst reports that current U.S. crude oil inventories are close to an 80-year high, they rising crude oil rigs and record inventories will continue to impact crude oil prices. Record production from Saudi Arabia, the US, and Russia is flooding the crude oil market with excess oil. Iraq's record exports and Iran's nuclear accord and massive inventories are adding downward pressure to the crude oil market. Slowing Japanese imports are also influencing crude oil prices. Japan's crude oil imports fell by **2.50%** in June 2015—compared to last year. The speculation of slowing Chinese demand for crude oil is also adding pressure to oil prices.



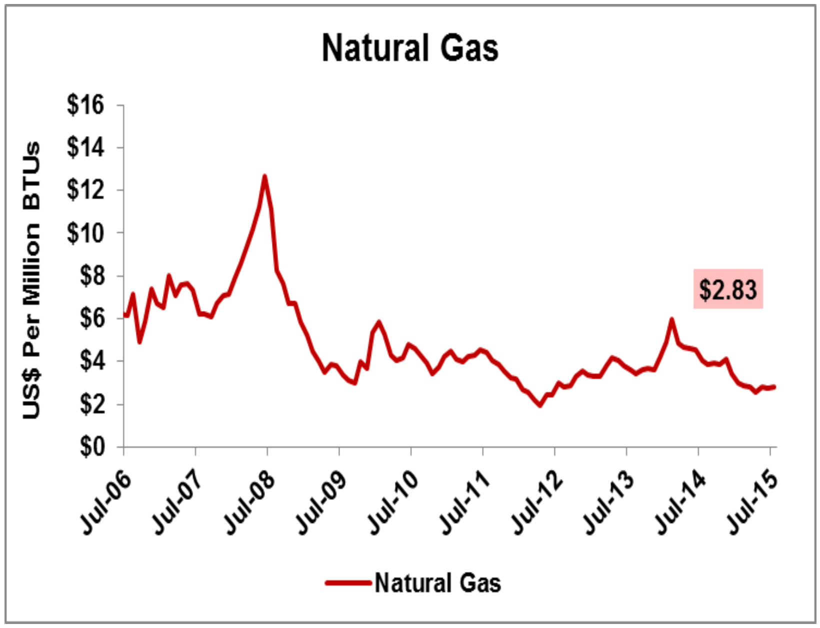
July also saw the International Rig Count falling again. Rig count is a way to measure increases and decreases in near term oil supply; the more rigs the more crude oil that will be drilled. The drilling activity reflects oil producers' confidence. According to Baker-Hughes data, the international rig count in Latin America, Europe, Africa, Middle East and Asia Pacific for July 2015 was 1,118 which is 28 lower than the June count and lower by 264 from the count in July 2014. In the US, the count increased by five rigs to 866 but this is still far away from the 1024 rigs in July last year. The worldwide rig count for July 2015 was up 31 from last month. Whereas some companies are cutting production because of the low prices, other may be scaling up production in order to benefit from economies of scale to offset lower prices. The end result of these actions thus results in an increasing level of oversupply in the oil market.

International Commodity Prices

July 2015 Issue

Natural Gas

July saw the Natural gas commodity fluctuating, this ended in a **2.15%** increase in the fuel for the month. The increase was by a marginal movement, from **US$2.77** in June to **US$2.83** at the end of July. The increase place prices **29.91%** lower than July prices last year and **22%** lower than prices two years ago in 2013. The moving 5-year average is **US$3.58,** which means that July prices are **20.9%** (**US$0.75)** below the average.



The Energy Information Administration in its last weekly release for July on natural gas storage reports that the natural gas stockpile rose again. The EIA reports that the weather will play a vital role in driving natural gas demand in the short term. Understandably, the majority of speculators believe that rising inventories will continue to impact natural gas prices. The rising natural gas inventory implies that either supply is rising or demand is falling. The latter is debatable given the summer heat that is being experienced in many territories. Warmer weather and demand from power plants could boost natural gas prices. In contrast, the rising inventory consensus could put downward pressure on natural gas prices.

In the week ended August 7, the US rig count increased by four natural gas rigs. In the 12 months ended August 7, the total US natural gas rig count fell by 103, or approximately **33%**, over this period. The US rig count experienced an uptrend throughout most of 2014. However, that trend reversed with 28 consecutive weeks of falling rig counts up until the week ended June 19. Despite recent increases, the US rig count is still at its lowest level since June 2009. A rising rig count typically indicates increased exploration and development activities among upstream companies. This could lead to greater energy production. More production however, could push energy prices even lower, and could eventually push rig counts lower.

Sugar

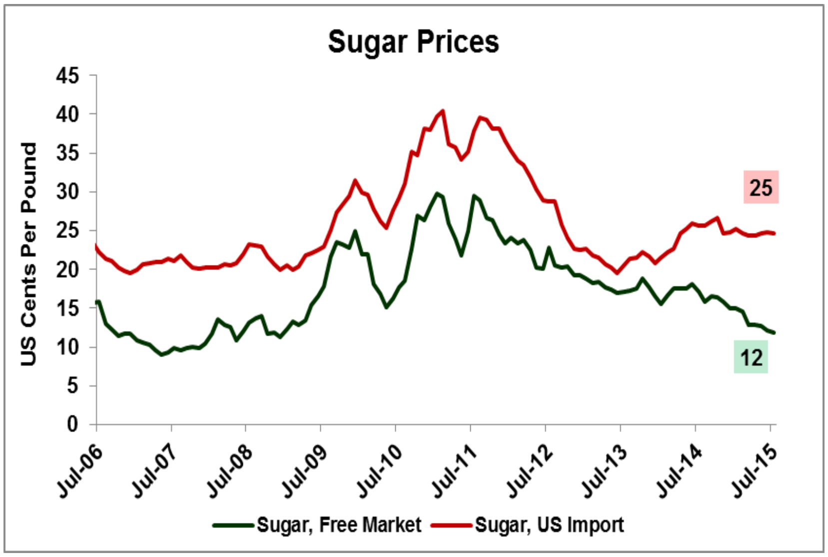
July prices for the Free Market sugar commodity ended at approximately **US$0.12** per pound, down **1.98**% from its June price of **US$0.12 cents** per pound. For the US Sugar imports, the commodity ended July at **US$0.25 cents up 0.16% from US$0.25** per pound in June. The annual comparison to 2014 prices for July reveals that the price of Free Market sugar is **30.87%** lower, while US import prices is **3.55%** lower than last year. The two year comparison reveals that the Free Market sugar is **31%** lower than prices in 2013 and **21%** higher for the U.S Imports. Our calculations put both commodities below their respective 5-year averages: **39.6%** for the Free Market sugar and **10.2%** for U.S. Imports.

One of the biggest market news around the final week of July is that of raw sugar prices falling to a six year low. Analysts cite “fiscal turmoil in Brazil” in addition to a worldwide sugar surplus as the source

of the slump. The devaluation of the Brazilian currency (the Real) against the US dollar had added to the debacle. Being the world's largest producer, when the Real weakens against the dollar, the more favourable exchange rate (for suppliers), make the sale of the dollar denominated commodity more valuable in real terms. The Wall Street Journal points out that the value of the Real has dropped **10%** in the past month.

One Green Pool commodity analyst notes that "We are coming from a situation where we have had five years of surplus in the market". The Brazilian currency has fallen in value significantly over the past 12 months as the country's government battles rising debt and increasing political unrest. "Inflation is high, interest rates are being pushed higher and the currency is falling as a result," said the analyst. Given Brazil's weight in the market, it is difficult to see when an end in this situation of falling prices will occur. Furthermore, adding to the oversupply, is the supply of Thailand, arguably the second largest producer of the commodity, which is reportedly sitting on up to five million tonnes of unsold sugar.

The only relief down the track will be if the world moves back into a deficit cycle noted Green pool commodity analysts. Other analysts though point to the El Nino weather changes as a potential source of stemming the decline in prices. An El Nino



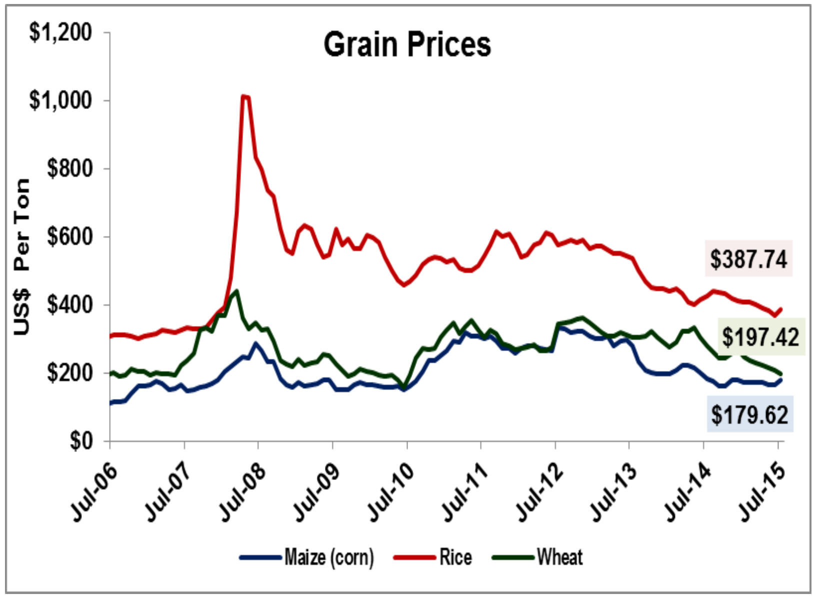
weather pattern damaging sugar crops may mean global demand will outstrip production to a greater extent than expected in the upcoming season, hastening a rebound in prices. Drought has already begun to threaten production in number two exporter Thailand and top consumer India. The current drought (in Thailand) is more severe than last year's and some reports indicate cane has been lost in badly affected areas in the north-east. As such Thailand's 2015/16 cane crop is likely to be less, with the extent of the downgrade dependent on how long the dry conditions continue. “El Nino leads to supply changes, which leads to stock drawdown," said the head of sugar brokerage at ABN AMRO in London. "We need to lose some of the stock and then we'll start seeing a price response".

Maize/Corn

The change in the monthly price of corn for July 2015 is a larger increase compared to that of June 2015. The price increased by **US$12.88** per metric tonne **(7.17%)**. The price of **US$179.60** is a decrease of **US$2.63 (1.44%)** from July 2014 to July 2015. The two year comparison reveals that the commodity price is **36%** lower than prices in 2013. The five year monthly price average for corn is now **US$254.9**, indicating that the July price is **29.5%** (**US$75.3)** below the long term average.

In the U.S. corn futures prices increased about **$0.90** per bushel from mid-June to mid-July. The increase was driven by a combination of a smaller-than-expected USDA estimate of June 1 stocks and production concerns stemming from record June rainfall in much of the eastern Corn Belt. Back in late June, US corn futures hit their highest level in two months on concerns about excessive rains in the U.S. Midwest curbing yield prospects. Over the last two weeks in July, corn futures prices have declined to nearly **$0.65** per bushel as production concerns have subsided. Expectations are for corn supplies to remain in surplus during the 2015-16 marketing year. Analyst project that prices, then, will remain at the current low level unless there is some evidence that the supply and demand balance is potentially much tighter than currently expected.

The USDA currently projects 2015-16 marketing year exports at 25 million more than projected for the current year. However, interest in U.S. corn is currently limited by abundant supplies of low-priced South American corn. Additionally, Corn used for ethanol production is projected to increase by 25 million bushels during the upcoming marketing year. The expected increase in ethanol production and corn consumption reflects expectations for growth in domestic gasoline consumption. Growth beyond that, however, will be limited by the 10 percent ethanol blend wall and the very slow pace of



growth in the consumption of higher ethanol blends. Furthermore, ethanol exports are already large so that growth potential is likely limited. Analyst believes that recent corn price declines indicate that the market is removing the production risk premium from the price structure in anticipation of another year of surplus.

Rice

For the first time since mid 2014, the month of July saw an increase in the price of rice. An increase of **US$17.19 (4.43%)** per metric tonne. Having said that, the price of **US$387.74 still represents** a reduction of **US$40.26 (9.41%)** from July 2014 to July 2015. The two year comparison reveals that the commodity price is **28%** lower than prices in 2013. The five year monthly price average for rice is now **US$495.71**, indicating that the July price **US$387.74** is **21.8%** below the long term average.

According to one AG Professional analyst, global rice prices are likely to surge by 10 percent to 20 percent in the next few months as an El Niño weather pattern grips top producers in Asia, baking the region's croplands and whittling down stocks of the grain to multi-year lows. Although higher prices of a key staple would be detrimental for impoverished countries in Asia and Africa, lower output would help second

largest exporter Thailand offload its extended stockpiles that have weighed on the rice market and pushed benchmark prices down. Below-average rainfall linked to El Niño has already disrupted rice transplantation in India, led to a drought in seven out of 67 Thai provinces during what should be the wet season and cut Vietnam's output expectations.

Exports from the three countries, which account for 68 percent of the world rice trade, are seen at **27.2** million tonnes this year, down 6.2 percent from a year ago, according to the U.N. Food and Agriculture Organization (FAO). Prices could rise even more, given that weather bureaus from across the world are predicting a strong El Niño, which typically leads to crop-damaging scorching weather across Asia and east Africa but heavy rains and floods in South America.

Industry sources internationally, say the impact of Thailand's inventory, built up under the previous government's rice-buying program, are also waning as only 60 percent of it, is fit for human consumption after prolonged storage. World demand, however, is expected to pick up as buyers rush in to stock up on the grain on fears El Niño will eat into supply. "Importers haven't built inventory since prices were continuously falling. Once prices start rising, they will increase purchases" to avoid having to buy at even higher rates later, said a Bangkok-based rice exporter.

Wheat

In July, global wheat prices fell once again for the seventh straight month, this time by **US$12.45 (6.31%)** when compared to June, to close at **US$ 197.42 per tonne**. The percentage decline for July is larger than the decline in June which was approximately **2.5%.** When compared to July 2014, prices have fallen by **US$82.94** per tonne **(29.58%)**. This month's prices are also below the prices 2-years ago by **$107 (35%)** and below the 5-year average which is **$286.41** by **31.1%**.

According to market analysts, the Bloomberg Commodity Index dropped roughly **10%** for the month of July amid rising supplies and Chinese demand concerns -- the worst monthly performance since September 2011. Wheat futures also finished July under pressure on concerns about the competitiveness of U.S. supplies on the global market. The Wall Street Journal Dollar Index, a measure of the strength of the U.S. dollar against a basket of major currencies, rose, making U.S. supplies less affordable for foreign buyers and requiring U.S. prices to decrease to regain competitiveness. In addition to ample wheat stocks around the world, an improving outlook for the U.S. wheat crop is weighing on prices. Concerns that heavy rains early in the summer could have damaged the U.S. wheat crop are easing with recent favorable weather, analysts said, brightening the outlook for output. One analyst even posits that Canada, Australia, Russia and France are currently taking market share away from the U.S.

Russian wheat prices declined further in the final week of July as the harvest picked up pace after delays caused by heavy rain, analysts said. As of July 30, Russian farmers had harvested 37 million tonnes of grain from 24 percent of the total area, with yields at 3.38 tonnes per hectare. Russia's delay by rains, together with export duties introduced by the government on July 1, have cut exports from one of the world's key wheat producers. The country's August grain exports are expected to return to normal levels of early marketing season, and to exceed July's export levels.

Soybean

At the end of July, the price per metric tonne for soybean oil stood at **US$695.79** which is this is **6.07%** lower than the June price of **US$738.04.** This month's price is also is **14.51%** lower than last year. It is moreover **30%** and **29.4%** below its price 2 years ago and the 5-year average price respectively. The 5-year moving average of soybean oil is now **US$985.57.** The Soybean Meal on the other hand has increased for yet another month in July, since it ended its 6-month of declines with an increase in June**.** The July price was **US$394.64 per metric ton**, an increase of **10.32%.** The July price is **US$56.38 (12.5%)** lower than the price level last year. It is also 25% lower than prices two years ago and **14.8% (US$68.52)** below the 5-year average.

Some speculate wet conditions and planting struggles in the U.S. eastern Corn Belt could hurt soybean yields. Soybean Meal has been on a consistent downtrend since last November as robust harvests in both the U.S. and Brazil bulked up global supply. That trend was not helped by the U.S.'s ambitious planting agenda in 2015. U.S. soybean planted area for 2015 is estimated at a record high 85.1 million acres, up **2%** from last year. Prices continued to decline as a wet planting season finished up in June which ended with a small increase to end six months of declines.

The soaking weather pattern covered most of the key growing regions in the U.S. Illinois, the country's top-producing soybean state. One analyst notes though that dryness and/or heat are typically much bigger enemies to a soybean crop than rain and a period of heavy rainfall, while concerning, can often be recovered from prior to harvest. The eventual soybean production will depend on the weather during August. The first half of August is when soybeans in the US cycle enter their critical "podding" phase, it is not uncommon for soybean prices to begin to weaken after podding until reaching harvest lows sometime in the fall, says one analyst. Furthermore, soybeans may remain in a globally bearish supply situation which should continue to keep pressure on prices.

The big news in second largest producer Brazil for July was the devaluation of the Brazilian currency against the U.S. dollar. For a week, the Brazilian currency devalued 4.79%. At one point, the exchange rate hit the lowest rate it has been in 12 years. There is a general overall pessimism in Brazil that the government is unable to stem the economic decline in the face of increasing inflation and unemployment. For farmers in Brazil, these recent devaluations are beneficial since corn and soybeans are priced in dollars, but paid in the local currency, so any devaluation of the local currency is the same as a price increase for Brazilian farmers.

The Brazilian Association of Vegetable Oil Industries (Abiove) increased their estimate for Brazilian soybean exports in 2015 to a new record of 50.5 million tons, which was significantly higher than their June estimate of 48.7 million tons. In 2014, Brazil exported 45.7 million tons of soybeans. Abiove also

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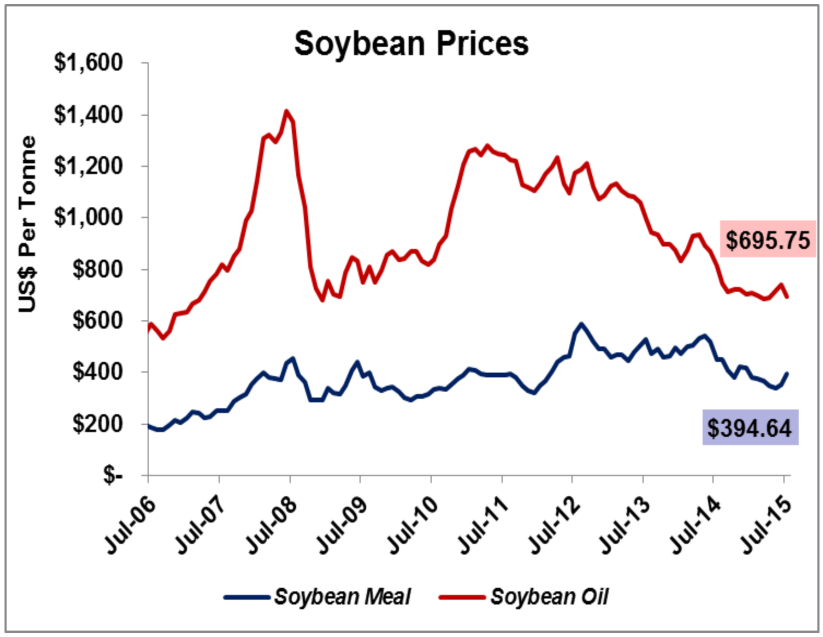
increased their estimate for the amount of soybeans that will be crushed in 2015 to 40.1 million tons. This is up 1.0 million tons from their previous estimate and 37.6 million tons that were crushed in 2014.

Coffee

At the end of July, the price per pound for coffee of the 'Other Mild Arabica's' category stood at a decreased **US$1.5 cents per pound.** This is **4.23%** less than the June price of **US$1.6.** This month's price is also **$0.45 (22.81%)** lower than last year. It is moreover **11%** above its price 2 years ago and **19.3%** below the 5-year average. The 5-year moving average of the 'Other Mild Arabica's' category is **US$1.9s per pound.** The Robusta coffee variety also decreased in July to **US$0.93 (by 4.51%).** The July price is **US$0.152 (13.54%)** lower than the price level last year. It is also **9%** below the price level in 2013. The 5-year average stands at **US$1.06**.

The Dow Jones News at the end of July reported that Coffee prices rose on fears that dry weather in some coffee-growing regions could lead to shortages. Vietnam and Indonesia, the world's first- and third-largest growers of Robusta coffee, a bitter bean variety typically found in coffee blends and instant coffee, warned that dry conditions caused by the El Nino weather event are intensifying, threatening crops there. Some investors are anticipating higher prices and are making the switch to the more mild-flavored Arabica bean.



The extent of the erosion of coffee inventories in major producing countries may have left the market "highly susceptible" to a price spike, the International Coffee Organisation said - as Arabica futures hit a six-week high is early August (Agrimoney). The ICO said: "The coffee market registered further decreases in July with prices reacting to the depreciation in the Brazilian exchange rate," which dropped to a 12-year low against the dollar. The price of the Brazilian natural Arabica beans fell by as much as 5.3% according to some estimates. Overall, futures in Arabica beans, of which Brazil is the top producer, underperformed Robusta coffee last month.

Cocoa

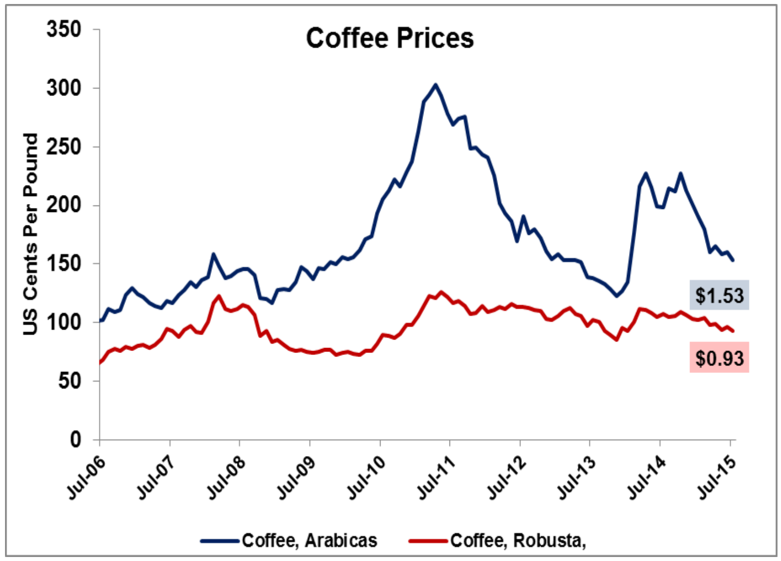
July saw prices increasing by **US$86.08** per metric tonne **(2.59%)** to end the month at **US$3325.96 per** metric tonne. The two year comparison reveals that the commodity's price is **44%** higher than prices in 2013. The five year monthly price average for cocoa is now **US$2869.51**, indicating that the July price is **15.9%** (**US$456.45)** above the long term average.

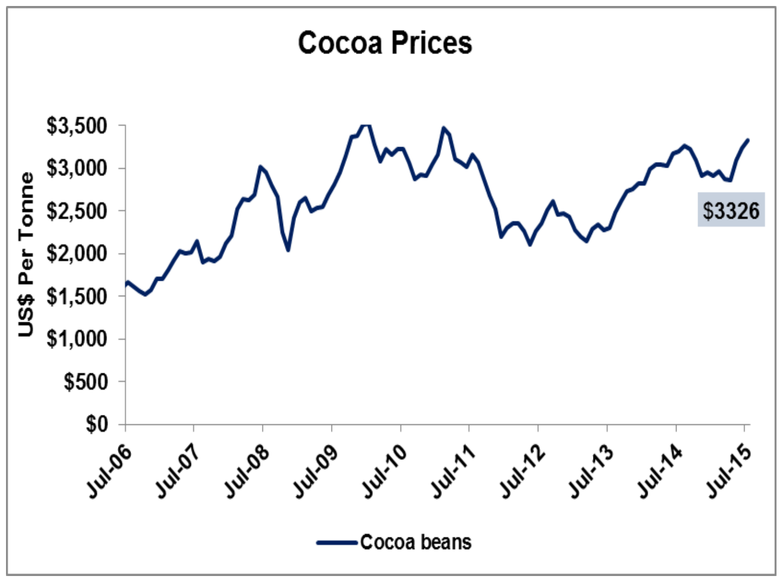
One Robobank analyst believes that cocoa prices will stay high due to the pending October election in Ivory Coast, the leading producer.

International Commodity Prices

According to the International Cocoa Organization (ICCO), June had the highest monthly price average since the post-election violence in the African state in 2010-2011. The political uncertainty, for the upcoming elections, will increase the volatility of the commodity. Compared to last month's approximations, the bank has increased its estimates for the next three quarters. Although they predict ICE futures for the commodity to remain above **US$3000** per metric tonne until October, prices are expected to fall after elections. The multinational reports that strong pod counts in the country, which account for approximately **40%** of world production, should lead to a good crop for the state.

In an Agimoney report, Ecobank has expressed views that cocoa prices are set to rise, as farmers in the Ivory Coast hoard beans ahead of an expected hike in the price offered by the country's cocoa board. On the demand side, the rising prices have not only hurt profit margins, but have also hurt demand in the second quarter. Bloomberg news reports that processing in North America was down 8.6 percent, the National Confectioners Association said on July 16. Malaysian grinds slumped 30 percent, the country's cocoa board said on July 13. Grinding in Europe climbed 0.6 percent in the second quarter, the European Cocoa Association said July 14. One Citigroup Inc. analyst is of the opinion that a deeper global slowdown in cocoa grindings growth is unfolding.





Banana

The end of July had prices at **US$938.33** per metric tonne, **a 0.97% increase** over last month. The current price is **0.81%** higher than July 2014 prices. The two year comparison reveals that the commodity's price is 1% higher than prices in 2013. The five year monthly price average for banana is now **US$945.13**, indicating that the July price is 0.7% below the long term average.

Banana growers in a region of the Philippines, one of the world top producers, reported a **68%** drop in exports in the first quarter following a weak harvest due to the prevailing El Niño. Executive director of the Pilipino Banana Growers and Exporters Association (PBGEA) said the organization does not expect a significant improvement for the rest of the year as the dry spell continues and is predicted to extend until 2016. Tariffs imposed on banana prod-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ucts shipped to Japan, the major export market of the commodity, are also another set of factors affecting banana exports.

Concerning the Panama Disease Tropical Race 4 (TR4) fungus, the fear exists that the fungus will have similar consequences for the banana production as Panama Disease Race 1, which left its mark in Latin America halfway through the last century, decimating the banana production according to one analyst. According to the FAO, more than 80 percent of the global banana and plantain production is threatened by Panama Disease. The threat of the fungus, says one banana expert, isn't sufficiently recognized by the sector. The main export markets for bananas worldwide are the US and Europe. FAO figures show that North America and the EU import 31 and 28 percent of bananas respectively.

Oranges

Orange prices in July have risen to **US$640.11** per metric tonne from **US$629.90; t**his is a **1.59%** increase. The price however represents an **18.25%** decrease over last year's July price of **US$783.04.** The two year comparison reveals that the commodity's price is **43%** lower than prices in 2013. The five year monthly price average for orange is now **US$906.22**, indicating that the July price is **23%** (**US$266.11)** below the long term average.

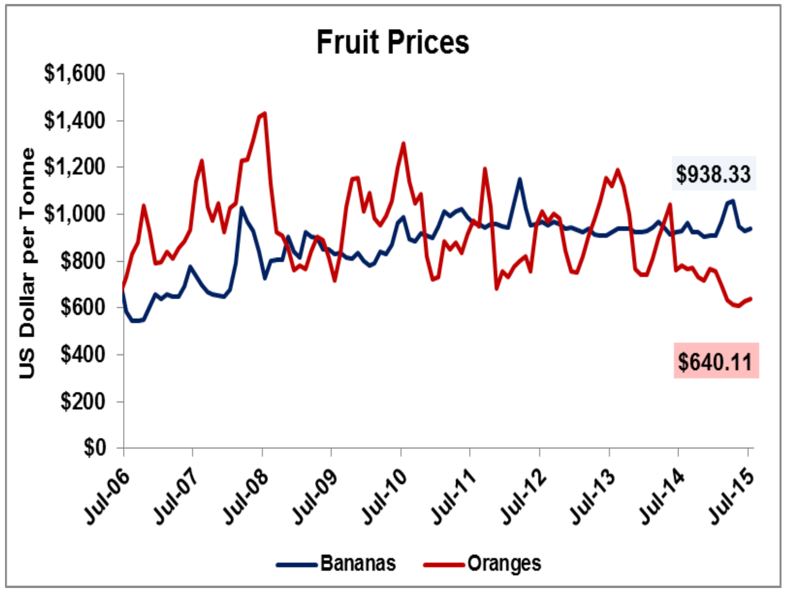
In a NASDAQ report on the U.S. market, the latest sign of waning market demand for orange juice has been demonstrated by the U.S. Department of Agriculture's purchasing of $20 million of surplus orange juice to prop up prices. The transaction was intended to remove 2.5% of frozen concentrated orange juice supply from the market, about 6 million pounds, or about one week's worth of juice. The purchases fall under a law that allows the government to step in to remove price-depressing surplus foods from the market. Florida orange growers will harvest 93.5 million boxes of oranges in the 2015-16 season beginning in October, a marginal decline from the 2014-15 orange harvest of 96.7 million boxes.. Global orange production for 2014/15 is estimated to be done 7% from the previous year, according to the latest USDA report. Lower yields are expected for Brazil, China, the EU and the US. As a result of the reduced availability, fruit for processing is forecasted to drop 14% with consumption and exports down slightly. Brazilian authorities have set a revised estimate of 13.64 million tonnes of harvested fruit in 2025, a drop of 0.7% from 2015; this is the second major downward revision in as many years.

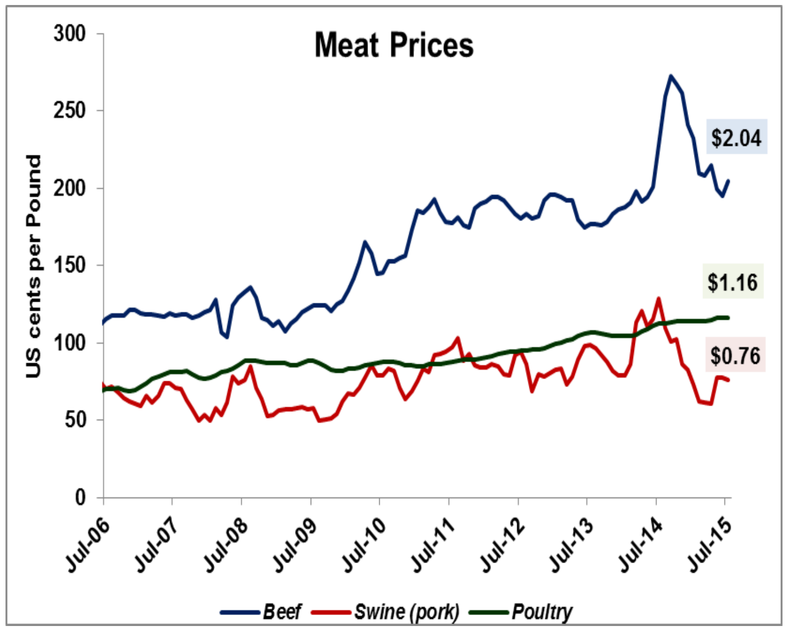
Beef

In July, beef prices rose by **US$0.09 (4.58%)** when compared to June, to close at **US$2.04 per pound**. When compared to July 2014, prices have fallen by **(10.15%)**. Prices are however above the price level 2-years ago by (16%) and above the 5-year average of **$1.9** by **5.7%**.

The USDA is projecting U.S. beef production to be down in 2015, according to its most recent World Agricultural Supply and Demand Estimates report. Feedlots are also predicted to raise cattle to heavier weights for the rest of the year and in 2016. Furthermore, prices are projected to rise on average, due to increases in consumer demand. The report further added that U.S. beef export forecasts for 2015 and 2016 are lowered from last month on the relative strength of the dollar and expectations of weak demand. Beef imports forecasts were increased due to strength in demand for processing-grade beef. Cattle prices for 2015 and 2016 are reduced from last month on weaker demand.

Reports in early August also express that the strong dollar and high US beef prices are having a negative impact on US international beef trade. During the first half of 2015, beef imports were up 36.9% and beef exports were down 9.4 per cent, writes Ron Plain and Scott Brown. Additionally, China's move to devalue the yen now casts doubts on the strength of international beef demand into question. According to the Cattle-Site, China's devaluation of 4.4% is the largest in more than 20 years. The USDA Foreign Agricultural Service (FAS) reported that China is projected to account for 6.4 per cent of global beef imports this year. A weaker Yen may therefore have an effect on actual global demand by year end.





Poultry

The IMF commodity tracker reveals that there was a small decrease in the price of poultry for July 2015 relative to June. Prices decreased from **US$1.16** to **US$1.15 per lb., a 0.08% decrease**. The price in July is **3.3%** higher than that in the same period of 2014 and **9%** higher than two years ago. It is also **12.1%** above the 5-year average which is **US$1.03**.

The US' broiler flock is still growing, and the turkey flock appears to be recovering from the effects of highly pathogenic avian influenza, write experts Steve Meyer and Len Steiner. The Livestock, Dairy and Poultry Outlook report showed that the disease impact in the US outbreak of Highly Pathogenic Avian Influenza (HPAI), strongly affected turkey and egg production. Also as expected, trade in all poultry products has declined significantly because of HPAI-induced bans on imports of US poultry imposed by other countries. Higher production and lower exports have exerted downward price pressure on almost all broiler products.

The Livestock, Dairy and Poultry Outlook in July reports that broiler production continues to expand, and the forecasts for the second through fourth quarter of 2015 and the 2016 forecast were all revised upward. The higher production is expected to push cold storage higher through the end of 2015 and into 2016. This has pressured broiler wholesale prices lower. Even with lower production, falling exports are expected to place downward pressure on turkey prices. Lower table egg production has pressured prices higher.

Swine (Pork)

There was a small increase in the price of pork for July 2015 relative to the June of 2015. Having ended a six month decline streak in April, pork prices that increased in May and June, are back on the decline. The increase was from **US$0.77 cents to US$0.78 per lb., a 1.85%** increase. The price in July is **41%** lower than prices in 2014 and **23%** lower than prices two years ago. It is also **23.2%** lower the 5-year average which is **US$0.99**.

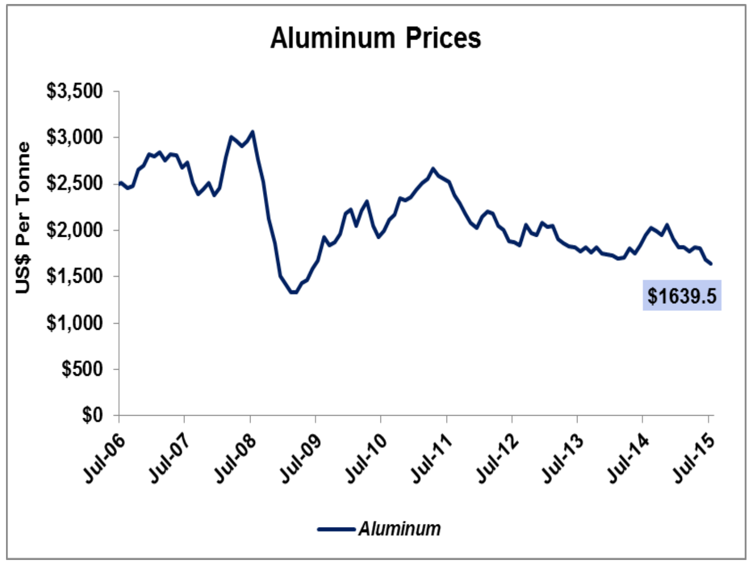
The Livestock, Dairy, and Poultry Outlook for July reports that hog and pork prices for the remainder of 2015 are expected to reflect larger hog inventories and expanding pork production levels. In China however, the largest producer of the meat, the price of pork, a staple in China, is rapidly rising. For China, July saw rising pork prices continuing to push up a key measure of inflation; some local analysts believe this will likely continue throughout the second half of the year. The price of the meat in China is going up apparently because it is in short supply, analysts say. Local farmers and companies have cut the number of pigs since 2012 because they were suffering losses related to oversupply. One analyst reports that farmers need at least eight months to increase the supply of pork, meaning prices of the meat will keep rising this year.

In the U.S. market, the aggressive ramp-up in hog production after the Porcine Epidemic Diarrhea virus (PEDv) outbreak in 2013, which brought record profits for those whose pigs survived, has now created somewhat of a price collapse due to apparent overproduction, in the eyes of some analysts. Exactly one year ago, according to IMF data, the price of swine (the 51-52% lean Hogs) was **US$1.29**, and has since dropped 41% to its level for July. Benchmark lean hog futures prices on the Chicago Mercantile Exchange have dropped 42 percent from their July 2014 record high as well. Additionally, as herds continue to grow, the strengthening of the dollar and competition from Europe and Canada blunts export demand, hog farmers are probably facing even lower prices in the months ahead, with December-delivery futures trading about 20 percent below current prices. The hog glut spells more trouble for a U.S. farm economy already struggling with some of the lowest grain prices in five years. Although the cheaper commodity is stealing market share from other protein groups, U.S. farmers may have to wait till 2016 before they begin to see high profits again.

Aluminum

Continuing its declining trend, the current price of **US$1,639.50** is **2.94%** below June's closing price and **15%** below July 2014 prices. The two year comparison reveals that the commodity's price is **1%** above prices in 2013. The five year monthly price average for aluminum is now **US$1,951.82**, indicating that the price in July is **16%** below the long term average.

The Business Line agrees with analysts who are of the view that from early in 2015, the price fall of metals has been intensifying. Among the metals hit hard by the commodity price correction is aluminium. The price of the metal at the London Metal Exchange (LME), which hovered be-



low **$1,700** a tonne in early 2014, crossed **$2,000** a tonne last August. But it could not hold these levels for long. Since the start of 2015, LME prices have fallen by **12%** from **$1,800** to below **$1,600** a tonne. Analyst at the Hindi Business Line believe that one reason for this is slackening of demand and higher supply, particularly from China, the leading global producer. Manufacturers in China and West Asia are able to produce at lower prices, thanks to cheaper power; power accounts for nearly 40 per cent of the metal's production.

Andy Home a market analysts is describing current conditions as an "ongoing collapse in industrial metal prices". After touching a new six-year low of $1,549.50 per tonne on the London Metal Exchange (LME) in mid-August. Aluminium's prospects look particularly bleak given a backdrop of high legacy stocks and structural over capacity in China, which is pumping out ever more surplus metal into the international market in the form of semi-fabricated products. Aluminium is a market with a long track record of over production and slow responsiveness to falling prices.

Summary—International Commodity Prices

July 2015 Issue

Commodities	Unit	Price	Price	Monthly Change
		Jul-15	Jun-14	Per cent
Aluminum	Metric ton	1639.50	1687.73	-2.86%
Bananas	Metric ton	938.33	929.18	0.98%
Beef	Pound	204.41	195.05	4.80%
Cocoa beans	Metric ton	3325.96	3239.88	2.66%
Coffee- Arabicas	Pound	153.29	159.77	-4.05%
Coffee- Robusta	Pound	92.71	96.89	-4.31%
Maize (corn)	Metric ton	179.60	166.72	7.73%
Natural Gas	MMBTU	2.83	2.77	2.20%
Dated Brent Crude	Barrel	55.87	62.35	-10.39%
Crude WTI	Barrel	51.16	59.80	-14.45%
Oranges	Metric ton	640.11	629.90	1.62%
Swine (pork)	Pound	75.95	77.35	-1.82%
Poultry	Pound	115.90	116.00	-0.08%
Rice	Metric ton	387.74	370.55	4.64%
Soybean Meal	Metric ton	394.64	353.90	11.51%
Soybean Oil	Metric ton	695.79	738.04	-5.72%
Sugar- Free Market	Pound	11.88	12.11	-1.94%
Sugar- US Import	Pound	24.67	24.76	-0.35%
Wheat	Metric ton	197.42	209.87	-5.93%

There were prices reductions observed in **55%** of the commodities monitored by the Monthly Economic Bulletin for July 2015. The price of both crude oil indices fell in July 2015 - the Brent fell by **10.39%** while the WTI fell by **14.5%**. On the other hand, natural gas increased by **2.2%.** The IMF's Fuel Energy index fell by **10.8%,** while the Food and Beverage Index increased by **1.63%.** The unsettled market for fuel energy, will show periods of small spikes in prices, the price of the WTI is expected to hover around the projected **US$40.00 - US$55.00** per bbl. over the next two to three months.

Given all the changes in the fundamentals, fuel prices are expected to remain very low for the remainder of 2015 - some analyst even expect that prices could move to **US$30.00 per bbl**. The projections for food prices show that they should decline towards the end of 2015 (see commodity price table - page 27). To this end, the domestic inflation should continue to be negatively impacted by the current drought impacting local food production. BOP and exchange rates should continue to be positively impacted.

The downward movements in the international price indices for July 2015 should be observed in Jamaica around end-September 2015. In addition, inflation of **0.9%** for July 2015 would have been influenced by the price movements in May-June 2015 along with spikes in local prices due to the drought (see inflation section – page 30).

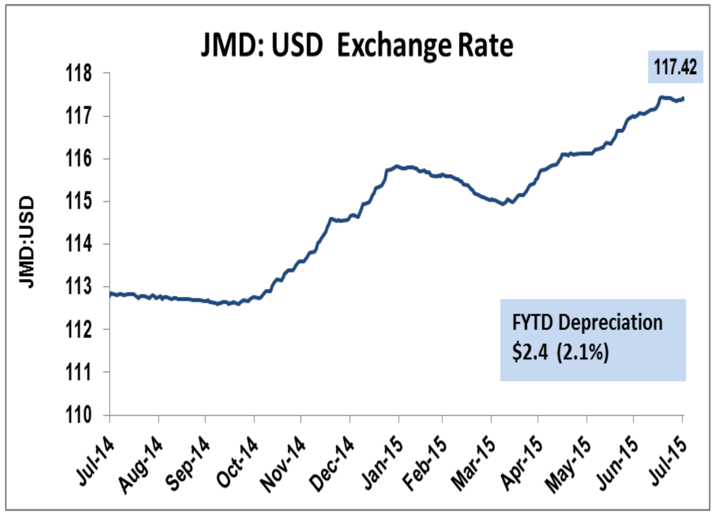
INTERNATIONAL COMMODITY PRICES (IMF)

		Actual				Projections						Percentage Change	
Commodities	**Units**	**2014Q3**	**2014Q4**	**2015Q1**	**2015Q2**	**2015Q3**	**2015Q4**	**2016Q1**	**2016Q2**	**2016Q3**	**2016Q4**	**Q3-15/Q314**	**Q4-15/Q1-15**
Food													
Cereals													
Wheat	$/MT	262.5	257.9	238.8	216.1	214.6	215.3	218.3	219.5	219.7	223.5	-18%	-10%
Maize	$/MT	173.9	173.5	174.2	168.4	177.8	172.8	176.8	178.7	175.5	173.0	2%	-1%
Rice	$/MT	435.0	420.8	406.6	381.8	371.3	369.3	329.8	331.3	322.2	320.5	-15%	-9%
Barley	$/MT	132.8	122.0	132.2	128.1	129.5	114.5	139.1	141.9	143.4	126.9	-2%	-13%
Vegetable oils and protein meals													
Soybeans	$/MT	421.7	370.9	363.9	354.6	377.1	373.2	374.5	370.6	366.2	356.5	-11%	3%
Soybean meal	$/MT	436.0	406.7	372.7	348.0	392.3	382.8	378.9	372.3	369.3	360.8	-10%	3%
Soybean oil	$/MT	757.1	716.1	696.4	715.4	714.0	720.1	727.4	726.4	725.8	722.5	-6%	3%
Palm oil	$/MT	695.9	653.3	627.9	599.9	579.0	582.8	597.3	607.3	605.4	604.4	-17%	-7%
Fish meal	$/MT	1973.6	2192.7	2031.9	1744.2	1528.5	1483.2	1477.4	1389.9	1218.0	1181.9	-23%	-27%
Sunflower Oil	$/MT	1012.5	1054.2	974.0	1062.3	1052.8	1044.2	1063.5	1054.1	1044.7	1036.2	4%	7%
Olive oil	$/MT	4122.1	4262.5	4568.3	4865.3	4921.5	4970.0	5030.5	5042.0	5100.0	5150.3	19%	9%
Groundnuts	$/MT	2046.8	1940.1	2016.8	2023.4	1972.8	1922.1	2045.4	1995.7	1945.9	1895.9	-4%	-5%
Rapeseed oil	$/MT	849.6	824.4	755.1	772.6	767.2	761.8	728.7	704.9	700.0	695.1	-10%	1%
Meat	cts/lb												
Beef	cts/lb	252.9	256.0	216.6	202.9	200.6	198.4	202.6	190.1	184.2	190.7	-21%	-8%
Lamb	cts/lb	132.8	130.2	122.5	112.4	113.5	115.0	115.7	115.7	116.7	118.2	-15%	-6%
Swine Meat	cts/lb	112.8	90.3	65.5	71.9	71.9	71.9	69.9	68.8	68.4	65.2	-36%	10%
Poultry	cts/lb	113.0	113.9	114.0	115.6	118.3	116.5	118.6	123.3	126.1	124.2	5%	2%
Seafood													
Salmon	$/kg	5.9	5.8	5.6	5.1	5.1	4.9	4.9	4.6	4.6	4.3	-14%	-13%
Shrimp	$/lb	17.0	14.3	15.7	15.7	15.6	16.6	16.1	14.9	14.8	15.5	-8%	6%
Sugar													
Free market	cts/lb	17.7	15.8	14.1	12.6	12.2	11.9	13.2	13.3	13.3	13.6	-31%	-16%
United States	cts/lb	26.5	25.3	24.8	24.6	24.8	24.8	24.9	25.0	25.1	25.1	-6%	0%
EU	cts/lb	27.8	26.3	25.2	25.5	25.5	25.5	25.7	25.7	25.7	25.7	-8%	1%
Bananas	$/MT	939.3	911.9	974.8	978.4	956.3	946.3	953.4	942.1	921.0	911.2	2%	-3%
Oranges	$/MT	774.1	739.8	698.5	616.9	613.3	611.1	620.6	616.8	613.2	611.0	-21%	-13%
Beverages													
Coffee													
Other milds	cts/lb	208.4	213.5	177.0	161.0	139.1	128.8	132.3	134.4	137.5	141.6	-33%	-27%
Robusta	cts/lb	106.0	106.6	101.4	96.7	81.2	79.0	80.2	81.6	82.8	84.2	-23%	-22%
Cocoa Beans	$/MT	3229.2	2985.6	2918.5	3068.1	3348.7	3319.3	3298.9	3290.8	3274.9	3247.5	4%	14%
Tea	cts/kg	233.7	247.6	291.2	320.1	331.0	340.1	322.4	322.4	333.3	342.4	42%	17%
Agricultural raw materials													
Timber													
Hardwood													
Sawnwood	$/M3	910.0	862.6	826.2	834.8	843.1	874.8	845.6	837.8	846.4	883.2	-7%	6%
Softwood													
Sawnwood	$/M3	308.3	302.1	306.8	305.2	296.2	291.1	306.0	299.0	290.2	285.3	-4%	-5%
Cotton	cts/lb	77.1	68.7	68.8	72.3	66.4	65.8	65.8	65.8	66.0	65.5	-14%	-4%
Wool													
Fine	cts/kg	1068.1	1029.4	947.8	1079.7	1079.7	1079.7	1079.7	1079.7	1079.7	1079.7	1%	14%
Coarse	cts/kg	1025.0	954.3	887.7	962.7	917.4	1021.0	958.9	936.8	905.3	853.1	-11%	15%
Rubber	cts/lb	83.4	73.5	78.6	81.2	87.5	85.5	95.0	94.1	93.8	93.5	5%	9%
Metals													
Copper	$/MT	6995.8	6632.3	5833.2	6056.6	5624.1	5636.3	5649.8	5661.8	5673.7	5685.0	-20%	-3%
Aluminum	$/MT	1989.7	1970.4	1802.1	1770.3	1676.5	1709.8	1722.0	1729.5	1744.2	1754.9	-16%	-5%
Energy- Spot Crude	$/bbl	100.4	74.5	51.7	60.4	56.0	56.8	58.0	59.1	60.1	61.1	-44%	10%
Gas- US, domestic market	$/MMBTU	3.9	3.8	2.9	2.7	2.7	2.9	3.2	3.0	3.1	3.2	-31%	2%
Coal-Australian, export markets	$/MT	72.7	67.4	65.6	63.2	56.2	59.0	68.6	64.2	57.2	59.8	-23%	-10%

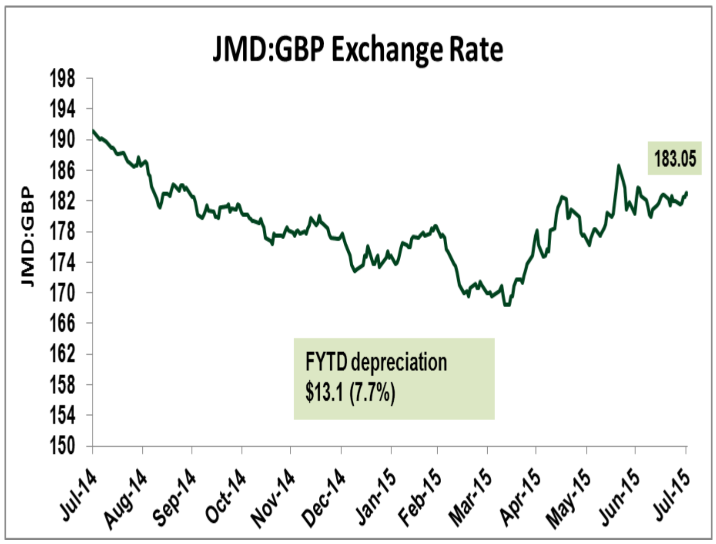
Monthly Exchange Rates Update

July 2015 Issue

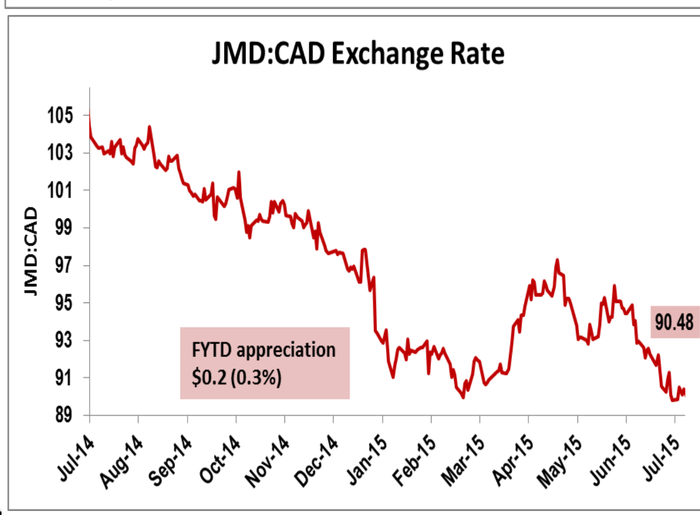
At end-July 2015, the Jamaica Dollar depreciated against the US dollar and the Great British Pound , while appreciating against the Canadian dollar. The movement in the currency brought the Fiscal year to July depreciation relative to the US dollar to 2.1% (J$2.4), 7.1% (J$13.1) relative to the Great British Pound. The appreciation against the Canadian dollar brought the fiscal year appreciation to 0.3% (J$0.2).



For the month of July, the Jamaica Dollar depreciated by **$0.44 (0.37%)** vis-à-vis the US dollar and **J$0.80 (0.44%)** vis-à-vis the Great British pound relative to June 2015. In contrast, the Dollar appreciated by **J$3.46 (3.69%)** relative to the Canadian dollar. At end-July 2015, the Dollar traded at **J$117.42=US$1.00.** Meanwhile the Jamaica Dollar traded at **J$183.05=GBP£1.00** and **J$90.38=CAD1.00**.



On an annual basis, the Jamaica Dollar depreciated by **J$4.57 (4.05%)** vis-à-vis the US dollar reflecting a significant slowdown relative to annual pace of depreciation of **J$11.00 (10.80%)** at July 2014. The slowdown in the pace of depreciation continued impact of falling oil prices on the current account balance. These improvements in the current account balance has reduced the demand for foreign exchange. In addition, the reduction in the oil prices has resulted in a significant decline in inflation which has a pass-through effect on the exchange rate.



FX-Trends CY Changes

	J$/USD	%	J$/GBP	%	J$/CAD	%
CYT-July 2015	2.76	2.4%	5.37	3.0%	-7.31	-4.6%
CY-2014	8.28	7.8%	1.98	1.1%	-2.03	-2.0%
CY-2013	13.40	14.4%	27.03	18.0%	2.71	2.9%

FX-Trends FY Changes

	J$/USD	%	J$/GBP	%	J$/CAD	%
FY-July 2015	2.38	2.1%	13.07	7.7%	-0.24	-0.3%
FY2014/2015	5.47	5.0%	-11.80	-6.5%	-8.31	-8.4%
FY2013/14	10.69	10.8%	32.72	21.9%	1.95	2.0%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Monthly Inflation and Treasury Bill Rates

July 2015 Issue

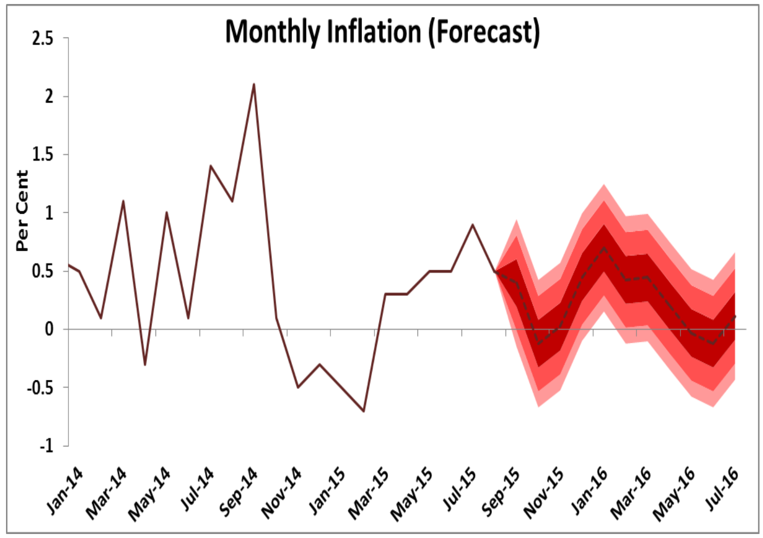
Domestic Inflation Rate

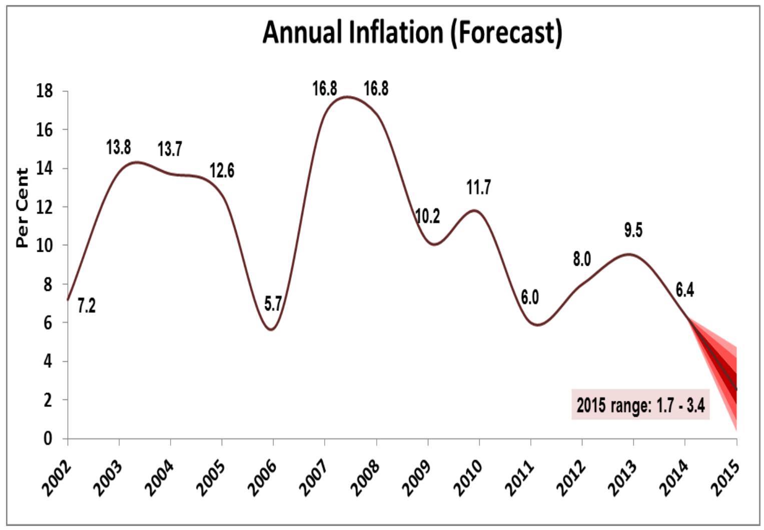
Domestic inflation, measured by the All Jamaica "All Divisions" Consumer Price Index (CPI) increased by **0.9%** for July 2015. According to the Statistical Institute of Jamaica, the outturn for the month was largely influenced by an increase of 2.2 per cent in the *Food & Non-Alcoholic Beverages* di.

vision, resulting from the impact of the drought. *Housing, Electricity, Gas, and other Fuels* also increased by 1.0 per cent due to higher electricity rates. However, inflation for the month was tempered by a reduction in *Transport,* which resulted from a decline in passenger fares charged by the Jamaica Urban Transit Company.

For CY-July 2015, inflation rate was **1.4%** compared to **3.9%** for CY-July 2014. *The PSOJ is projecting inflation for August and September to be approximately* ***0.5%*** *and* ***0.6%,*** *respectively.* ***Inflation for the September quarter is projected to be within the range of 1.6% to 2.0% with a point estimate of 1.8%.*** This estimate is largely underpinned by increased back-to-school related expenses as well lagged impact of the current drought on food production. However, inflation for the quarter is likely to be tempered by a reduction in electricity and transport rates resulting from the impact of falling oil prices.

For the calendar year 2015, inflation is projected to be within the range of 1.7% to 3.4% with a point estimate of 2.6%. The relatively low estimate for the CY is due to the expectation of continued falling oil prices and a recovery in agriculture production as the impact of the drought dissipates.





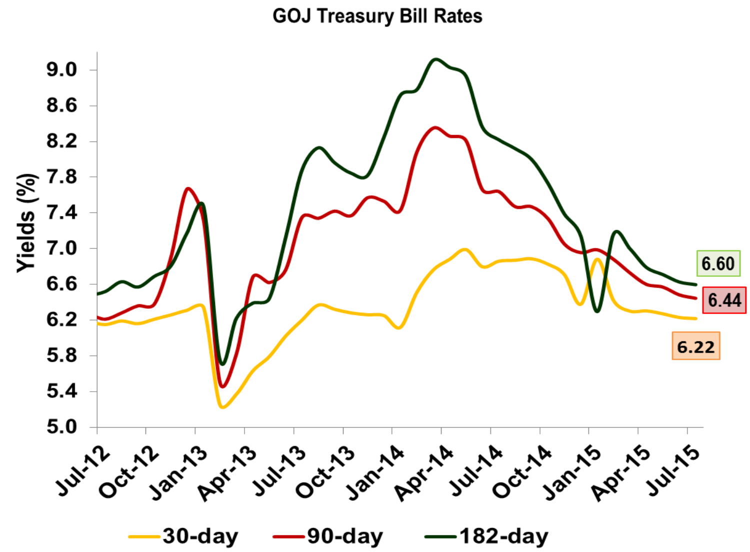
For the Fiscal year 2015/16, inflation is projected to be within the range of 2.9% to 6.9% with a point estimate of 5.0%. While the projection for the calendar year is low, inflation is expected to increase between January and March 2016.

The main risks to these forecasts are more persistent impact of the drought, higher than expected currency depreciation and a recovery in fuel prices.

GOJ Treasury Bill Rates

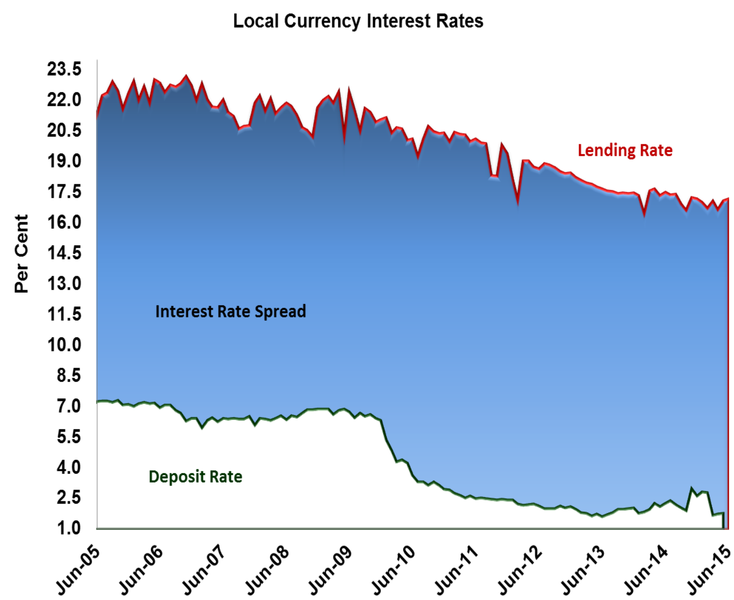
Yields on all tenors of GOJ Treasury Bills declined in the July 2015 auction. Yields on the 30-day, 90-day and 180-day tenors declined by **1 bps, 4 bps and 3 bps,** respectively, relative to the June 2015 auction. For the corresponding period of

2014, yields on the 30-day, 90-day and 182-day tenors fell by **64 bps, 120 bps** and **162 bps,** respectively. The continued decline in the yields has been an indication of improved confidence in the outlook for general macroeconomic economic performance over the medium to long term. Additionally, lower yields on the instruments may also reflect the improved outlook for the inflation environment as inflation continues to trend downward.

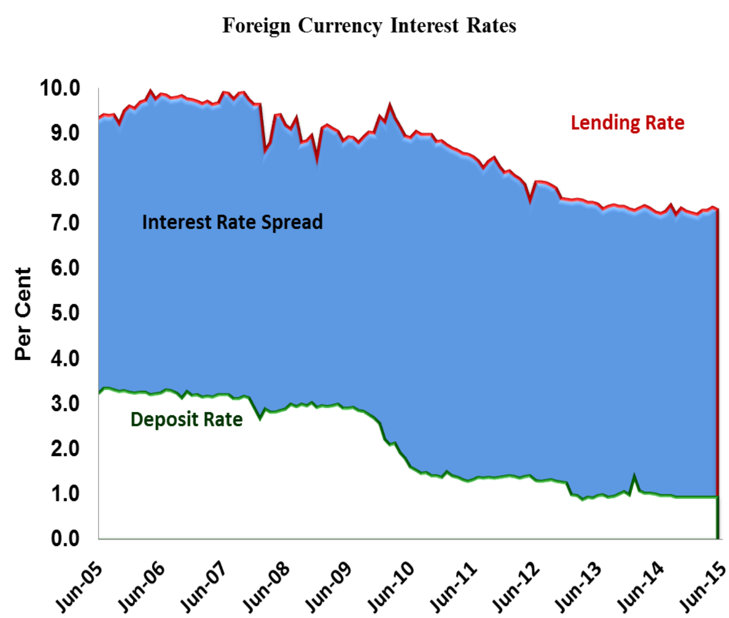


Commercial Bank Interest Rates

At end-June 2015, the overall weighted average lending rate on local currency loans increased by **9 bps** to **17.17%** from **17.08%** for May 2015. The increase largely occurred in the context of an increase of **189 bps** in Local Government loan rates and **59 bps** increase in the rates charged for personal credit. The impact of these increases was partially offset by declines in rates charged on all other loan categories. For the same period, the local currency domestic deposit **rate** declined from **1.80%** to **1.71%.** This resulted in an increase in the spread to increase from **15.28%** to **15.46%.**



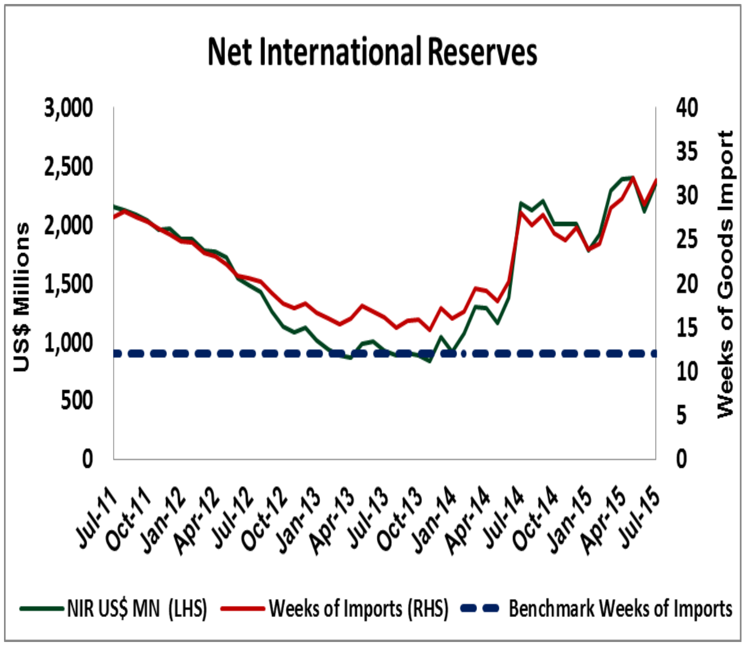
Given the relatively low inflation environment and the expected low oil prices, the upward movement in lending seems counterintuitive. The announced reduction in bench mark rates by the BOJ should reverse these market forces. Interest rates on foreign currency loans declined by **5 bps** to **7.31%** for June 2015 relative to May 2015. This change largely resulted from a decline in the rates charged on all loan categories. The change in the loan rate brought the interest rate spread on foreign currency loans in commercial banks to **6.37%** for June 2015 from **6.42%** for May 2015.

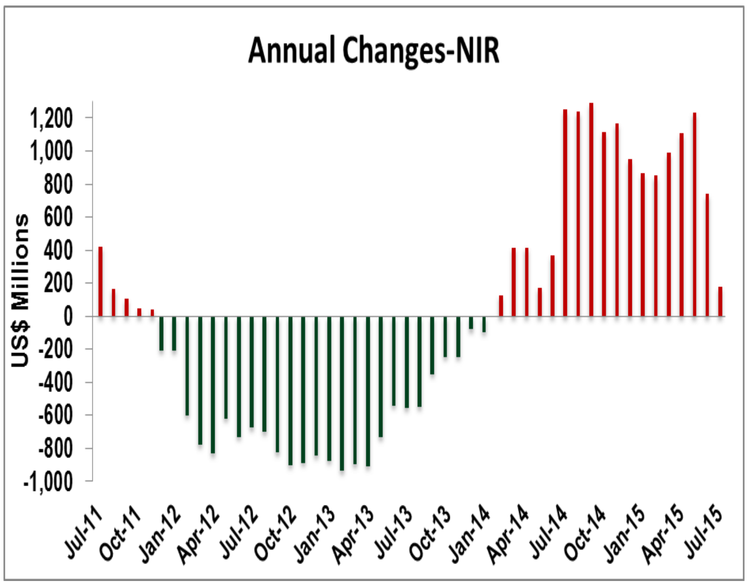


Net International Reserves & Money Supply

Net International Reserves

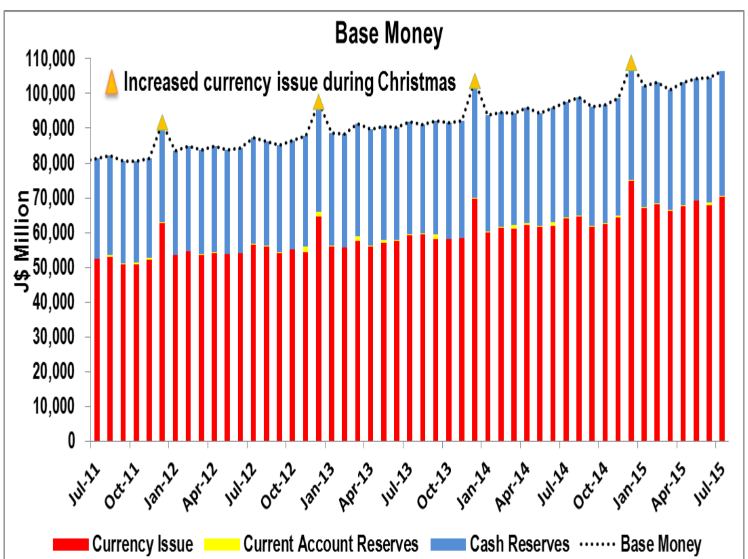
At end July 2015, the stock of Net International Reserves (NIR) at the Bank of Jamaica was **J$251.45 billion** (**US$2,363.74 million)** reflecting an increase of **J$36.30 billion** (**US$238.37 million**) relative to the previous month. For the month, the change in the NIR was largely due to an increase of **US$246.53 million** in the external holdings of foreign assets from the proceeds of the US$2.0 billion global bond issue. This was supported by a decline of **US$8.9 million** in liabilities to the IMF. At end-July 2015, the gross reserves at the Central Bank were sufficient to finance **31.72** weeks of goods imports which represents **19.72** weeks over the international benchmark of **12** weeks of goods imports.



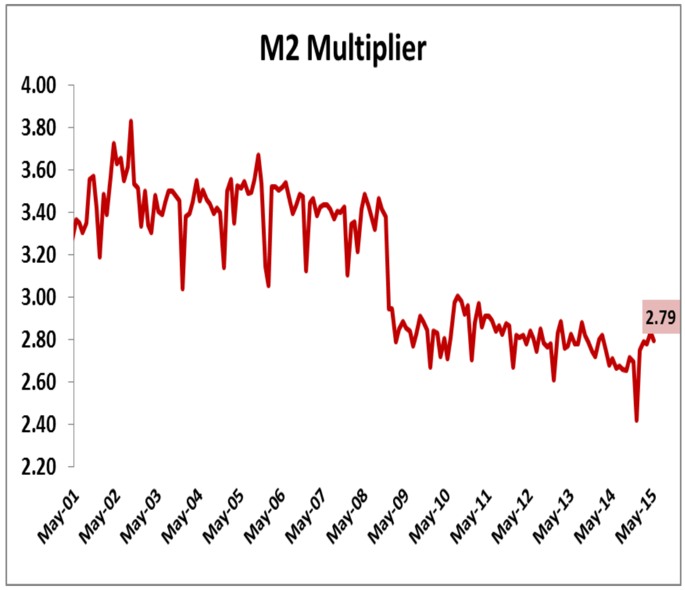


Base Money

For July 2015, there was an expansion of **J$1.96 billion (1.9%)** in the monetary base relative to the previous month. This expansion resulted in an end-month stock of **J$106.44 billion**. The movement in the base mainly reflected net currency issue of **J$2.46 billion** and an increase of **J$89.7 million** in commercial banks' statutory cash reserves. The impact of these was partially offset by a decline of **J$$586.3 million** in commercial banks' current account balances. The expansion in the base resulted from an increase of **J$26.30 billion** *in the Net international Reserves (NIR) which was partially offset by a decline of* ***J$324.34 billion*** *in the Net Domestic Assets (NDA).*

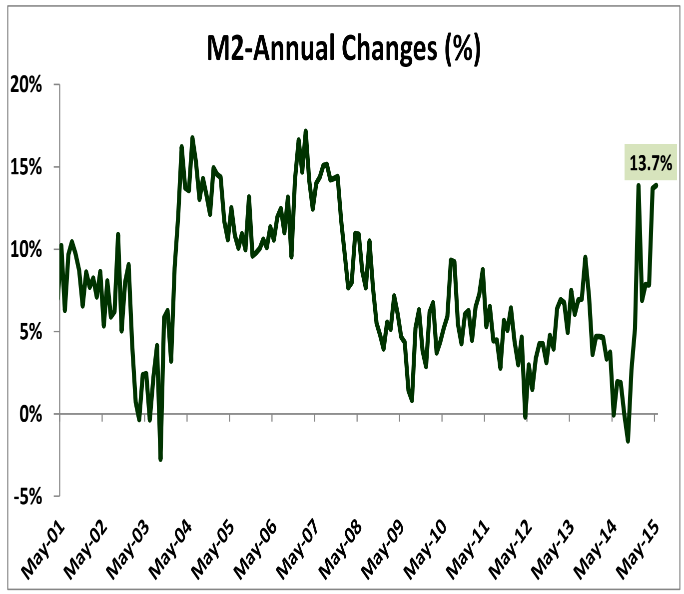


On an annual basis, the multiplier increased from **2.71** at May 2014 to **2.79** at May 2015. For the same period, the monetary base increased by **J$9.89 billion (10.5%).** Consistent with the movements in the base and the multiplier, money supply increased by **J$35.48 billion (13.87%)** for May 2015 relative to 2014. The increase in the supply of broad money would have contributed to the observed increase in private sector credit for the period.

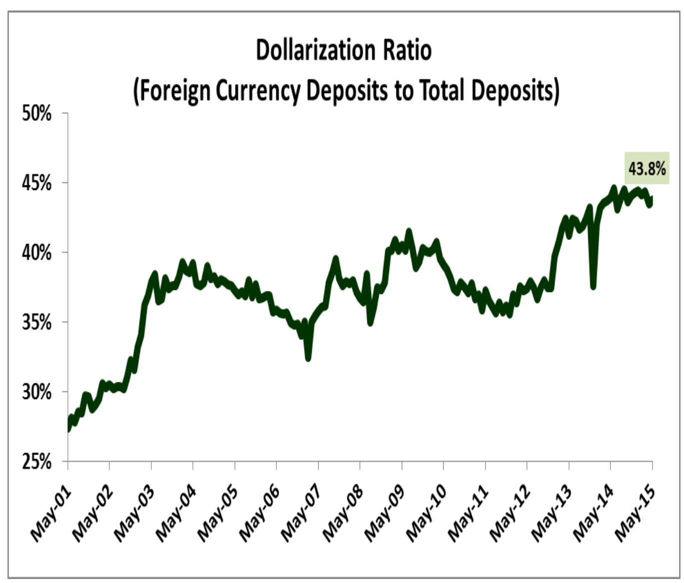


Dollarization Ratio

Revised data indicates that the dollarization ratio declined marginally from **43.9%** at May 2014 to **43.8%** at May 2015. This reflects a marginal increase in foreign currency deposits in the commercial banking system relative to local currency deposits.

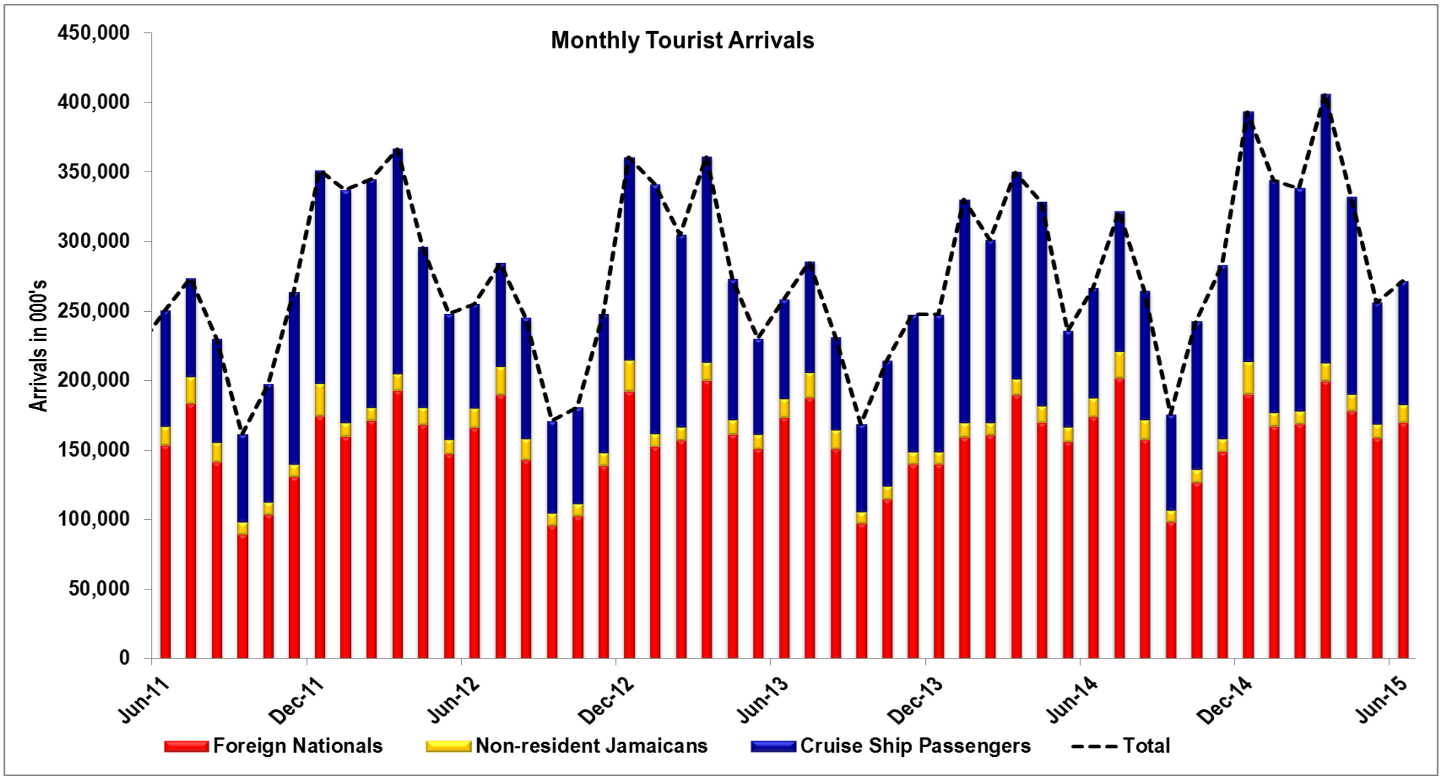


The dollarization ratio is the proportion of foreign currency deposits relative to total deposits in domestic financial institutions, in this case, the domestic financial institutions include only commercial banks. The dollarization ratio measures the extent to which citizens of Jamaica officially or 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.



Tourist Arrivals

July 2015 Issue



Tourist stopover arrivals amounted to **182,364** for June 2015, reflecting a decline of **17.5%** relative to the June 2014. The decline in the stopover arrivals largely resulted from a decrease of **3,696** in stopover by foreign nationals and **1,043** in stopover by non-resident Jamaicans. Information from the Jamaica Tourist Board suggests that the decline reflects the temporary losing of some accommodation to facilitate renovations.

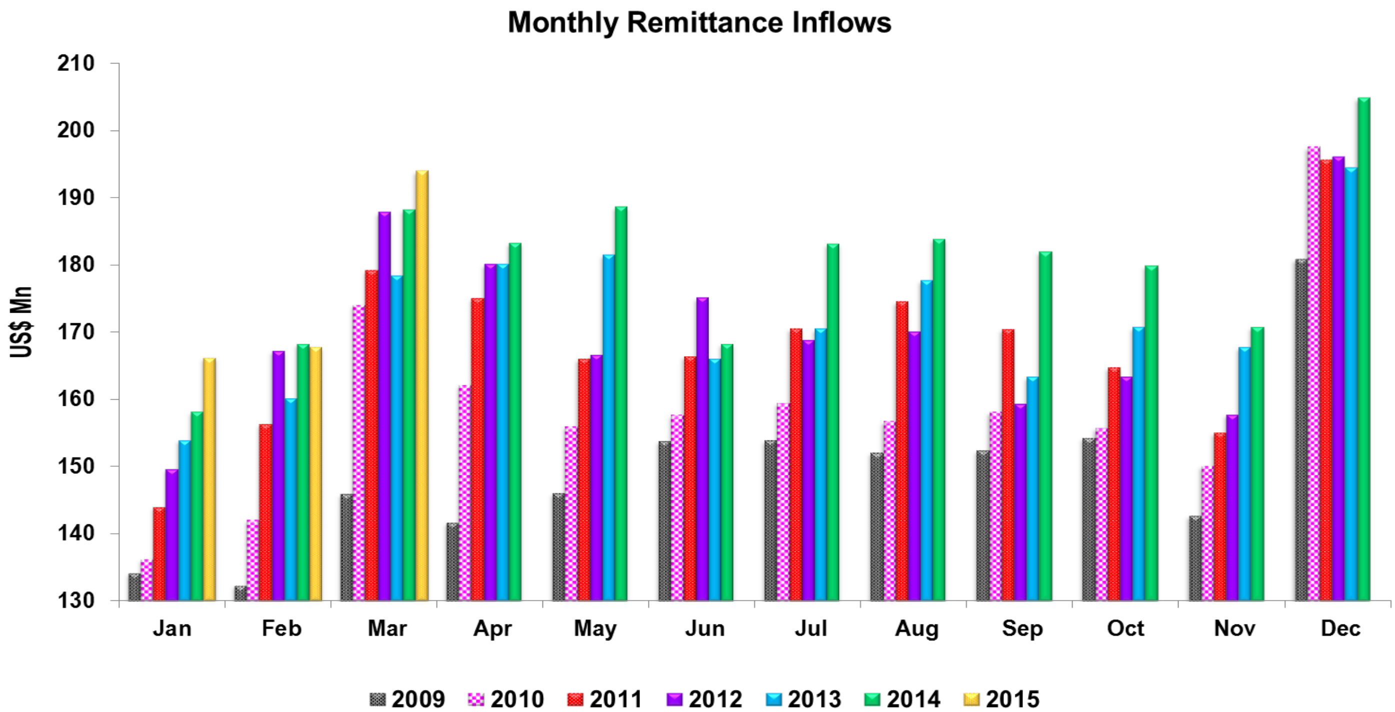
For January to June 2015, stopover arrivals increased to **1,107,174** reflecting growth of **3.1%** or **32,818** relative to the corresponding period of 2014. Data from the Jamaica Tourist Board indicates that approximately **63%** of all stopover arrivals for the period originate from the USA market . The remaining **39.7%** of the arrivals originated from Canada, UK and other regions including the Latin America, the Caribbean and Asia.

During this period, approximately **73%** of all visitor arrivals came to the island for vacation/leisure while the remaining **37%** visited for the purposes of business and other purposes.

The PSOJ continues to expect a relatively healthy 2015/16 tourist season for Jamaica. This forecast is due in part to the relatively strong growth in the major determinants of tourist arrivals to Jamaica. These include the overall growth in the US economy and improvement in rates of employment. The US economy is expected to grow by **2.8%** in 2015, while real consumer spending is expected to grow by **3.3%** over the **2.8%** recorded in 2014. These determinants should have a very positive impact on the arrivals from the US. With the Stronger US economy, disposable incomes of Americans should increase, hence expenditure per visitor should also increase.

Remittance Inflows Update

July 2015 Issue



For March 2015, gross remittance inflows amounted to **US$194 million**, reflecting an increase of **US$5.7 million (3.1%)** relative to March of 2014. The outturn for the month was above the average inflows of **US$181.6** for the previous five corresponding periods. The marginal increase in total remittance inflows largely reflected an increase of **US$5.4 million** in flows through remittance companies and **US$0.3 million** in inflows via other remittances.

Net remittance inflows for March 2015 was **US$174.4** million, an increase of **US$2.5** million or **(1.5%)** relative to March 2014. Data from the BOJ shows that net remittance amounted to **US$1,926.5 million** for the calendar year 2014.

For the FY2014/15, total remittance inflows rose by **US$85.8 million (4.1%)** to **US$2,173.0 million** relative to **US$2,087.2 million** for FY2013/14. The increase in total remittances for the period contributed to an increase of **US$85.2 million (4.6%)** in net remittance inflows for FY2014/15 relative to FY2013/14.

According to the BOJ Monthly remittance report, remittance inflows to Jamaica show some congruence with trends in key sectors in which Jamaican workers are employed. The report stated that the trend in the growth of earnings in the Leisure and Hospitality sector typically moves in line with the pattern of growth in gross remittance inflows from US to Jamaica prior to 2013. However, for the third quarter of 2014, the downward trend in average weekly earnings in the Leisure and Hospitality sector shows a reversal of the strong co-movements with gross remittance inflows from US observed in previous quarters. This was attributable to an increase in employment of the Jamaican diaspora in other sectors of the US economy.

Similar to the projections for growth in tourism, the PSOJ is projecting robust growth in remittance flows to Jamaica for the 2015 calendar year. This position is supported by the projection for growth in real GDP, employment and real consumer spending in the United States. Major indicators and trends suggest that remittance flows could grow as much as **6 %** over 2015.

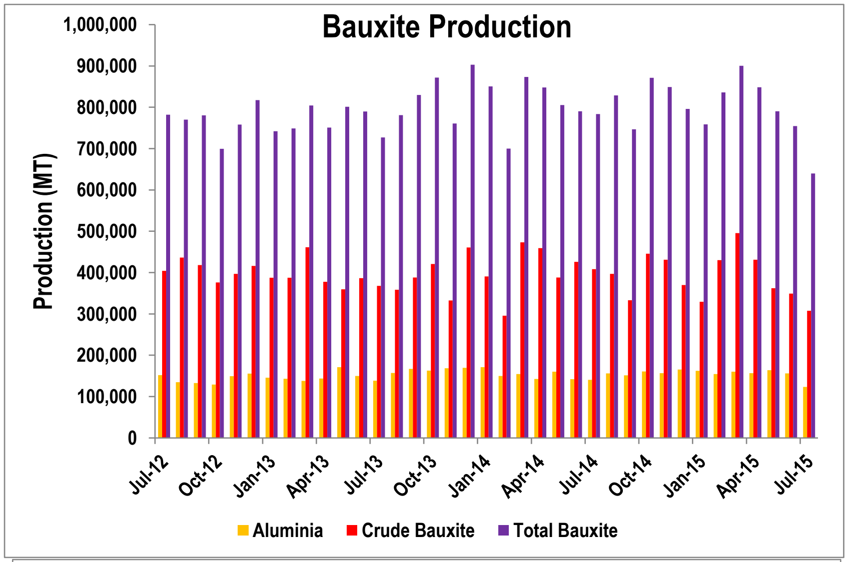
Domestic Bauxite and Alumina Production

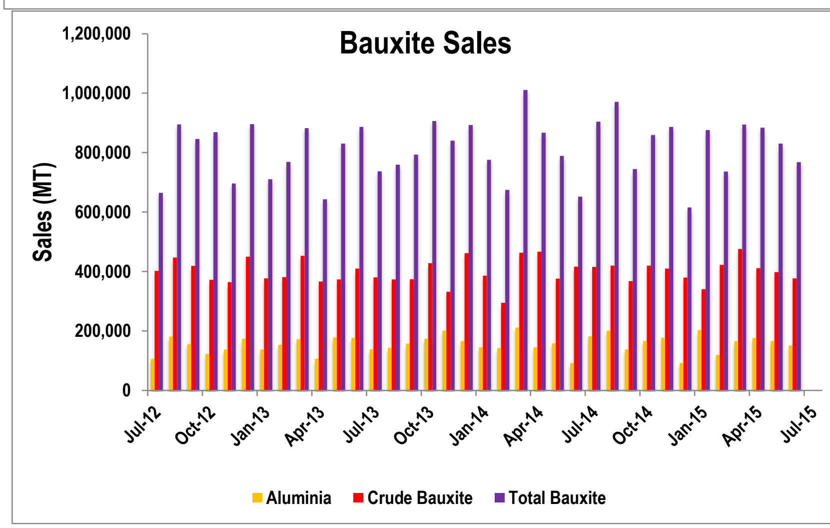
In early 2015 analysts at Reuters projects that the market for aluminum is expected to move from an oversupply of **235,500 tons** in 2014 to a deficit of **4,444 tons** in 2015**.** This situation was expected to bring greater demand for local alumina given the fall in crude oil prices, this may not hold as the global demand seems to be softening. The impact on Jamaica is yet to be determined. IMF price projections show an increase in price by **6%** in first quarter relative to 2014 and a downgrade to **5%** by the end of 2015.

For July 2015, the production of alumina was **123,150 tonnes**, representing an reduction of **17,205 (12.3%) tonnes**, relative to July 2014. This brought YTD production level to **1, 0643 tonnes (1.5%)** increase over the corresponding period last year. The sale of alumina increased by **40,414 tonnes (26%)** relative to July of 2014. On the other hand, YTD alumina sales increased by **126,000 tonnes (12%)** in comparison to July 2014.

The production of crude bauxite fell in July 2015 relative to July 2014 by **101,000 tonnes (25%).** The YTD production of crude bauxite fell by **137,000** tonnes **(1.5%).** The sale of crude also fell in July by **81,887** tonnes (9.5**%)** relative to July 2014**.** Year-to-date crude bauxite exports also fell by **22,500 tonnes (2%)** over the corresponding period of 2014.

The production of total bauxite fell in May 2015 relative to May 2014 by **144.000 tonnes (18%).** On the other hand, YTD total bauxite production fell by **296,000 tonnes (5%)**. Annually, sales of total bauxite have increased by **29,000 (3.5%).** YTD sales of total bauxite increased by **54,000 tonnes (1%),**





PERIOD	PRODUCTION			SALES		
	ALUMINA	CRUDE BAUXITE	BAUXITE	ALUMINA	CRUDE BAUXITE	BAUXITE
MONTH						
2015	123,154	307,682	639,685	197,273	333,065	865,541
2014	140,359	408,327	783,710	156,859	414,952	836,117
% Chg 2015/14	-12.26	-24.65	-18.38	25.76	-19.73	3.52
2013	138,674	367,853	727,180	137,720	380,108	736,867
% Chg 2014/13	1.22	11.00	7.77	13.90	9.17	13.47
Y-T-D						
2015	1,076,643	2,704,635	5,315,995	1,176,958	2,757,026	5,614,017
2014	1,060,969	2,841,581	5,611,817	1,050,955	2,816,589	5,560,074
% Chg 2015/14	1.48	-4.82	-5.27	11.99	-2.11	0.97
2013	1,029,935	2,727,722	5,383,961	1,062,612	2,738,626	5,479,997
% Chg 2014/13	3.01	4.17	4.23	-1.10	2.85	1.46

Stock Market Update

On the last trading day in July 2015 the main JSE index advanced by 267 points **(0.3%)** to **98,470** points. The JSE Select Index advanced by 30 points **(1%)** and closed at 2,980 points. JSE Cross Listed Index closed at 499 points while the all Jamaica composite advanced by 298 points (0.3) to close at 98,470 points.

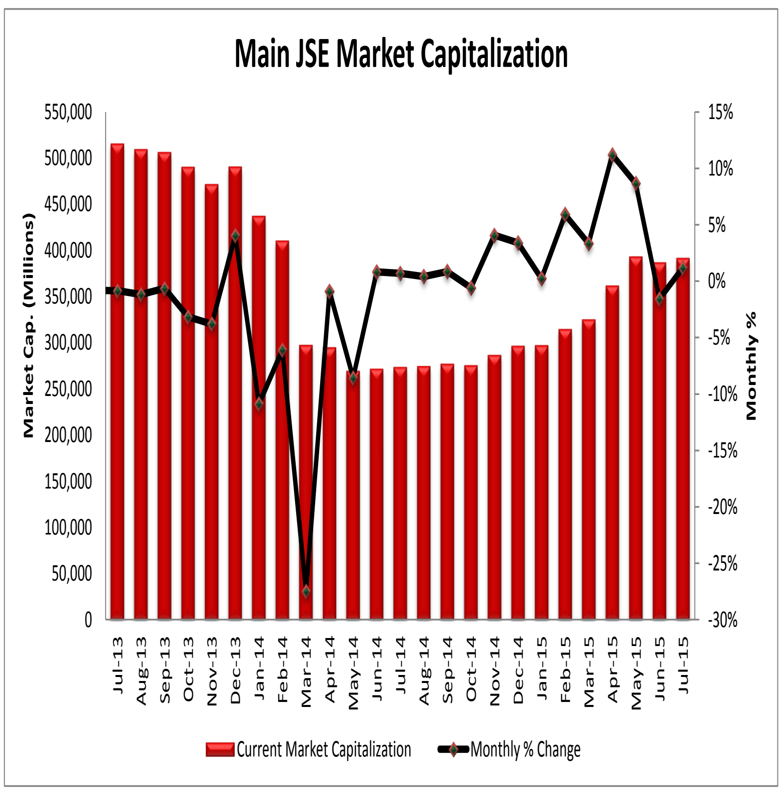
The overall market activity for the last trading day of July 2015 resulted from the trading of twenty **(20)** stocks, of which **10** advanced, **7** declined and **3** traded firm. Resulting from these trades, a total of **1,844,125** units of stock were traded at a total value of **$20,342.968**. Consequently, at end-July 2015, market capitalization was **$392** billion relative to the capitalization value of **$387.2** billion at end-June 2015. This reflects a monthly increase of **$4.6** billion (**1.2%).**

The volume leaders on the last trading day of June 2015 were the national commercial Bank **456,187 (25%),** Mayberry **347,817 (18.9%)** and LIME **266,138 (14.43%)**. The companies with the highest growth in stock price for the month of July 2015 were Pulse Investments **(33.3%),** Caribbean Cement Company Limited **(25%),** Mayberry Investment Ltd **(17.5%)** and Mobay Ice **(16.7%).** The top four companies with the biggest prices loss for the month were hardware and Lumber (**14.3%),** Radio Jamaica **(14%),** Scotia Investment LTD **(10.2%)** and Barita Investment **(10.2%).**

On an annual basis, the top four advancing stocks were the Jamaica Stock Exchange **(277%)**, Caribbean Cement Company (193%), Pulse investment **(146%),** Radio Jamaica Limited (**144%).** Meanwhile, Palace Amusement (**37%),** Mobay Ice **(2.5%)** and Trinidad Cement (**15%) incurred** the most significant price losses for the period under review**.**

The Main JSE advanced in July thus breaking the single month of decline in June. The advance in market capitalization in July could be due to the expectation of further growth in real output for the remainder of 2015. Economic growth should continue to improve throughout the rest of the year so the stock prices should continue to see improvements. Apart from the normal cyclical movements and movements due to fundamentals, the markets will be impacted positively by low fuel prices as oil prices dip once more. Companies with high energy consumption should therefore experience high revenue growth.

These positive developments the JSE continue to signal the slow but progressive recovery of economic conditions. This gradual recovery in the stock markets is expected to strengthen throughout the remainder of 2015 in which greater economic growth is expected. These improvements also suggest a return of confidence to the markets generally in line with the expectation that economy is moving in the right direction albeit slowly.



Previous Highlights: June 2015 Summary

Economic growth for the second quarter of 2015 is currently one of the most topical issues. Economic growth is the most significant challenge that is currently facing the government. While the data is not out and will not be ready for another month or two, there are a number of indicators which may tell what is happening. One of these is the flow of credit to the private sector.

For the first five months of 2015, growth in nominal credit flows have been weak or negative. When compared with the corresponding period of 2014, the nominal growth is 3.9%. Inflation for the period using the CPI was 4%, hence real growth for both current and past periods are indeed weak. Not withstanding these credit statistics, there are positive developments happening in the real economy which should create growth in 2015, albeit lower than expected.

⇒ Investors seems to share a similar sentiment as the main JSE declined marginally in June 2015. Consequently, at end-June 2015, market capitalization was $387.2 billion relative to the capitalization value of $393.4 billion at end-May 2015. This reflects a monthly reduction of $6.22 billion (1.6%).

⇒ The cost of energy has been a significant factor impacting competitiveness and growth. In this regard, there were price increases in 60% of the commodities on the international markets monitored for June 2015. The price of both crude oil indices had mixed results in June 2015. The Brent fell by 3.4% while the WTI increased by 0.9%. Natural gas also fell by 2.4%. The IMF's Fuel Energy index fell by 2.5%, while the Food and Beverage Index increased by 0.4%. Low price environment should persist for the remainder of 2015, thus a stimulus for domestic growth.

⇒ The low price environment is also expected to impact the tourism industry positively. Tourist stopover arrivals rose to 168,347 for May 2015, reflecting an increase of 1.3% relative to the May 2014. The uptick in the monthly arrivals largely resulted from an increase of 2,800 in stopover by foreign nationals. For January to May 2015, stopover arrivals increased to 924,810 reflecting growth of 4.2% or 37,276 relative to the corresponding period of 2014.

⇒ The bauxite industry should also be positively impacted by the low price for crude oil even as the price for aluminum falls. The production of total bauxite fell in May 2015 relative to May 2014 by 35,646 tonnes (4.5%). On the other hand, YTD total bauxite production fell by 67,276 (1.4%). Annually, sales of total bauxite has increased by 116,000 (17.8%). YTD sales of total bauxite increased by 134,574 tonnes (2.81%),

⇒ Remittance flows are expected to continue its robust growth for 2015, this should therefore assist in bolstering

Previous Highlights: June 2015 Summary

aggregate demand in the economy. For March 2015, gross remittance inflows were US$194 million, reflecting an increase of US$5.7 million (3.1%) relative to March 2014. Similarly, for March 2015, net remittance inflows were US$174.4 million, an increase of US$2.5 million or (1.5%) relative to the March 2014.

⇒ With regards to the price environment facing the real economy, domestic inflation, measured by the All Jamaica "All Divisions" Consumer Price Index (CPI) increased by 0.5% for June 2015. For the calendar year to June 2015, inflation rate is 0.5% compared to 2.5% for the calendar year to June 2014. Inflation for the last half of 2015 is expected to be moderated by two opposing forces, these are the falling oil prices and the impact of the current drought. This low price environment is expected to impact interest rates and help to stabilize the local currency.

⇒ The low inflation environment is impacting government treasuries positively. Yields on all tenors of GOJ Treasury Bills declined in the June 2015 auction. In this context, there were reductions of 4 bps, 8 bps and 8 bps in the yields on the 30-day, 90-day and 180-day tenors of GOJ Treasury Bills.

⇒ In contrast to other prices, at end-May 2015, the overall weighted average lending rate on local currency loans increased by 0.42% to 17.08% from 16.66% for April 2015. This increase in loan rates are not expected to continue given the low price environment and the expected stabilization in the local currency.

⇒ At end-June 2015, the Jamaica Dollar depreciated against all three major currencies. The movement in the currency brought the Fiscal year to June depreciation relative to the US dollar to 1.69% (J$1.94), 7.22% (J$12.28) relative to the Great British Pound and 3.55% (J$3.22) relative to the Canadian dollar.

⇒ At end June 2015, the stock of Net International Reserves (NIR) at the Bank of Jamaica was J$255.14 billion (US$2,116.51 million) reflecting a decline of J$30.29 billion (US$284.73 million) relative to the previous month.

⇒ For June 2015, there was a contraction of J$309.63 million (0.04%) in the monetary base relative to the previous month. This expansion resulted in an end-month stock of J$104.48 billion.

⇒ Revised data indicates that the dollarization ratio declined marginally from 43.9% at May 2014 to 43.8% at May 2015. This indicates a marginally stronger accumulation of foreign currency deposits in the commercial banking system relative to local currency deposits.

	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	Total (000s)	US$ Per barrel	US$ Per barrel
Jan-12	0.40	2.45	18.13	86.78	1.8826	149.70	337,100	119.70	102.26
Feb-12	0.80	2.25	17.13	86.91	1.8747	167.24	345,007	124.93	106.15
Mar-12	0.50	2.19	19.03	87.25	1.7771	187.87	366,518	120.59	103.28
Apr-12	0.40	2.19	19.04	87.33	1.7718	180.11	295,858	120.59	103.28
May-12	0.50	2.24	18.76	87.75	1.7188	166.65	247,937	110.52	94.51
Jun-12	0.60	2.14	18.65	88.48	1.5404	175.16	255,121	95.59	82.36
Jul-12	-0.30	2.02	18.92	89.24	1.4838	168.89	284,514	103.14	87.89
Aug-12	0.50	2.00	18.84	89.73	1.4286	170.13	245,204	113.34	94.11
Sep-12	1.90	2.02	18.70	89.90	1.2578	159.37	171,229	113.38	94.61
Oct-12	0.90	2.14	18.53	90.64	1.1328	163.37	180,835	111.97	89.52
Nov-12	0.60	2.05	18.42	91.46	1.0782	157.79	248,141	109.71	86.69
Dec-12	1.00	2.10	18.44	92.65	1.1257	196.18	360,493	109.64	88.19
Jan-13	0.70	1.98	18.23	93.45	1.0091	153.98	341,365	112.93	94.65
Feb-13	0.60	1.82	18.09	95.66	0.9395	160.11	304,889	116.46	95.30
Mar-13	1.40	1.80	17.97	97.76	0.8843	178.42	361,131	109.24	93.12
Apr-13	0.40	1.67	17.92	99.55	0.8662	180.15	272,891	102.88	92.02
May-13	0.50	1.74	17.77	99.12	0.9889	181.54	230,392	103.03	94.72
Jun-13	0.20	1.61	17.66	100.82	1.0032	166.03	258,535	103.11	95.79
Jul-13	0.50	1.71	17.58	101.76	0.9297	170.54	285,601	107.72	104.55
Aug-13	0.40	1.81	17.53	101.94	0.8817	177.77	231,205	110.96	106.55
Sep-13	2.80	1.97	17.45	102.64	0.9102	163.37	168,650	111.62	106.31
Oct-13	0.80	1.97	17.48	104.65	0.8904	170.75	214,430	109.48	100.50
Nov-13	0.50	2.03	17.44	105.60	0.8357	167.79	247,512	108.08	93.81
Dec-13	0.60	2.04	17.49	106.15	1.0478	194.50	247,512	110.63	97.90
Jan-14	0.50	1.77	17.33	106.90	0.9178	158.20	330,201	107.57	95.00
Feb-14	0.10	1.85	16.45	107.93	1.0694	168.30	301,276	108.81	100.70
Mar-14	1.10	1.98	17.57	109.21	1.3036	187.80	349,890	107.41	100.57
Apr-14	-0.30	2.26	17.66	110.16	1.2851	183.30	328,304	107.88	102.18
May-14	1.00	2.12	17.35	111.26	1.1650	188.70	235,856	109.68	102.00
Jun-14	0.10	2.29	17.50	112.20	1.3761	168.30	266,550	111.87	105.24
Jul-14	1.4	2.41	17.38	112.85	2.1800	183.2	321,765	106.98	102.99
Aug-14	1.1	2.21	17.42	112.74	2.1200	183.9	264,592	101.92	96.38
Sep-14	2.10	2.05	16.91	112.67	2.2000	182	175,758	97.34	93.35
Oct-14	0.10	1.93	16.62	112.76	2.0000	179.7	242,543	87.27	84.40
Nov-14	-0.5	3.01	na	113.59	2.0000	170.8	283,246	78.44	75.70
Dec-14	-0.3	2.64	17.24	114.66	2.0000	182.0	393371	62.16	59.10
Jan-15	-0.5	2.84	17.01	115.81	1.7800	179.9	344,212	48.42	47.60
Feb-15	-0.7	2.8	16.74	115.64	2.3020	167.8	338,451	56.93	50.72
Mar-15	0.5	1.69	17.1	115.04	2.4401	194.0	406,165	55.79	47.78
Apr-15	0.2	1.75	16.66	115.65	2.3920	na	384,000	59.5	54.2
May-15	0.5	1.8	17.08	116.12	2.401	na	256,029	64.56	59.26
Jun-15	0.5	1.71	17.2	116.98	2.12	na	271526	62.35	59.8
Jul-15	0.9	na	na	117.42	2.36	na	na	55.87	51.2

KEY

ACP— Africa Caribbean Pacific States

BM – Base Money

BP — Basis Points

CaPRI— Caribbean Policy and Research Institute

CARICOM— Caribbean Community & Common Market

CARIFORUM— CARICOM and Dominican Republic

CPI – Consumer Price Index

CSME— Caribbean Single Market & Economy

EC— European Commission

EPA—Economic Partnership Agreement

EU—European Union

FX Dep – Foreign Exchange Deposit

JCB – Jamaica Conference Board

JCC – Jamaica Chamber of Commerce

KMA — Kingston and Metropolitan Area

KSA—Kingston and St. Andrew

WTI — West Texas Intermediate (Spot Oil Price)

Loan – Average Loan Rate

M – Monthly Percentage Change

M2 – Money Supply

MT – Million tonnes

N/A – Not Available

NIR – Net International Reserves

OMO – Open Market Operation

P – Point-to-Point Percentage Change

R – Revised

S – Stopover

Save – Average Savings Deposit Rate

T-bill – 6-month Treasury Bill Yield

Tourism – Total Tourist Arrivals

WATBY- weighted average Treasury bill yield

WTO—World Trade Organization

OECD—Organisation for Economic Co-operating and Development (membership of 30 major countries)

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