

# New Confidential Economic Bulletin

## *Private Sector Organisation of Jamaica*

### **Monthly Analysis of the Jamaican Economy**

**Vol. 6 No.11, November 2000**

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## **Overview**

On November 24<sup>th</sup>, the BOJ again raised their 270 and 365 day repo rates by over 4 percentage points to 20% and 22% respectively. This action was done as the Jamaican dollar again came under pressure due to an increase in demand for the US dollar. The BOJ has been selling hard currency into the market on a fairly consistent basis for some months now and it appears that

these interventions were no longer having the desired effect and hence the resort to higher interest rates. The latest increase in rates has again thrown the money market into disarray, as short-term rates are now much higher than rates on the longer-term instruments that are held by many financial institutions. The increase has also created serious problems for the government as it attempts to raise Jamaican dollar loans to finance its operations.

The government has very cleverly avoided offering any 6 month T-Bills while the BOJ 22% repos were in the market as this would have resulted in the re-pricing upwards of many of its floating rate Local Registered Stock. However they have not been able to escape the effect completely as the latest T-Bill offers cleared at 19.7% and 21% for 270 and 365-day issues respectively. These rates are 3 to 4% higher than the last T-Bill issues and the government has substantial financing needs, which it must fill within the next month or two. The BOJ has indicated that these higher rates may be around for a while longer than was the case in October, so that there is a strong likelihood that their effect will feed through into the cost of government borrowing and into the cost of bank financing. In

other words both the private sector and the government are likely to face higher interest rates on their borrowed funds in the very near future. If this were to happen, there's no telling when interest rates would start trending down again and there is no guarantee that the BOJ may not raise them even higher, should the pressure on the exchange rate persist.

This would be a very worrying prospect to contemplate for a number of reasons. First of all, interest rates of 20 to 22% would cause a huge increase in the government's domestic debt servicing cost in the 2001/02 fiscal year. These rates would be 6 to 8 points higher than the 14% IMF target and would result in additional interest costs of J\$18 to 24 billion. Such a burden would put the fiscal accounts back into a deep deficit and jeopardise the entire economic policy programme that has been set out in the SMP. The fiscal accounts for 2001/02 were going to be a challenge even without this extra burden as the FINSAC debt would add J\$9 to 10 billion to the domestic debt servicing cost even if the interest rate target were achieved. It has been widely anticipated that a large package of additional or increased taxes might form a part of next year's budget even if everything had gone according to plan, but if interest rates remain at their current level for long, this will become almost a certainty.

The BOJ's over-riding concern about the exchange rate has put them into direct conflict with the ministry of finance who are finding it very difficult to raise loans as the BOJ have removed a lot of liquidity from the financial system with their 270 and 365 day repos. ~~The BOJ claims to be taking this action in pursuance of their inflation target, but there is absolutely no evidence or theory which suggests that there is any connection between exchange rate movement and inflation.~~ In any event, with the NIR at record level, an increase in the volume of sales into the FE market would seem to be the least cost way of stabilising the exchange rate. There is also the danger that by pushing the fiscal accounts into

deeper deficit and by issuing repos that are not backed by central government LRS, the BOJ is creating the conditions that might well lead to higher inflation and even greater instability in the exchange rate, in the not too distant future.

### Net International Reserves

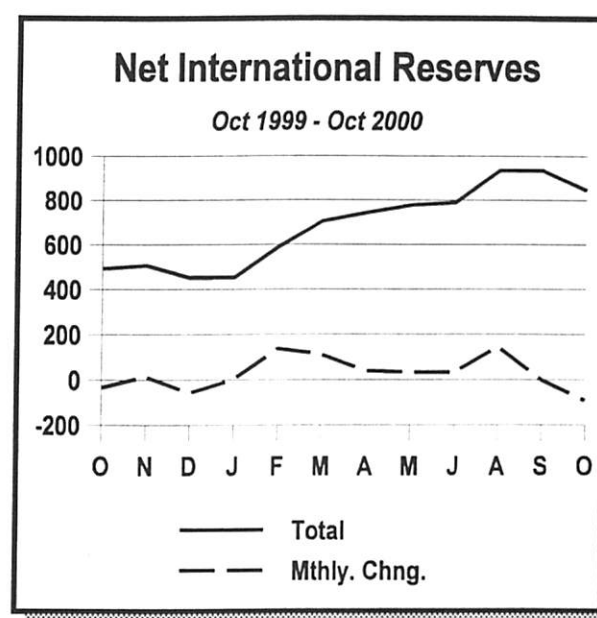


Figure 1: Net International Reserves

The total stock of net international reserves (NIR) of the central bank stood at US\$845.71M for October 2000, a decline of US\$89.78M, when compared to the US\$935.49 reported for September 2000. This is the largest negative monthly decline since the US\$103.6M decline reported for July 1999, and reflects the high levels of intervention by the BOJ in defense of the Jamaican dollar. The current level of the NIR is US\$7.7M above the December 2000 target of US\$838M, as outlined in the SMP.

*\* omitted from final version*



In the twelve months to the end of October 2000, the NIR increased by US\$352.9M. This contrasts with a US\$112.8M decline for the same period ending October 1999. The out-turn at the end of October 2000 translates into 15.90 weeks of imports, compared to a record 18 weeks of imports at the end of September 2000.

The NIR's fall was not surprising given the high level of foreign exchange market intervention by the BOJ during October, which continued into November. However, the Government received the first tranche of loans - US\$75M from the IDB in November, and is expecting a further US\$12.5M from the CDB during the first half of December. A World Bank loan of US\$75M was approved in the first week of December and drawdown is expected in January 2001. These inflows should boost the NIR accounts somewhat and help the authorities to continue defending the domestic currency.

### Foreign Currency Deposits

Preliminary BOJ statistics indicate that the total stock of foreign currency deposits fell by US\$10.11M to US\$1,072.39M at the end of September 2000. This was from its record high of US\$1,082.5M at the end of August 2000. This translates into a net increase of US\$82.29M for the January - September 2000 period, relative to a US\$37.5M increase for the corresponding period in 1999. In the twelve months to September 2000, the stock of foreign currency deposits increased by US\$57.7M compared to a US\$126.7M increase for the same period in 1999.

### Exchange Rates

The Jamaican dollar continues to lose ground against its US counterpart, despite widespread intervention by the central bank, and an open commitment by the Government to protect the rate. The dollar lost ground in November against the US\$ by J\$0.60, the British pound by J\$0.43 and gained on the CDN\$ by J\$0.22. The weighted average selling rate of the Jamaican dollar to the US dollar for the month of November was \$45.08, \$0.37 more than the average for October.

The recent weakening of the domestic currency may be as a result of strong demand for US currency, rather than speculative market forces. The BOJ has continued its strong intervention in the market, selling over \$50M into the market and purchasing about \$30M, while adjusting its selling rate from \$44.30 to \$45.15 - this in an attempt to stabilize the dollar, which was racing towards \$46.00. The one year and 270 days reverse repurchase rates were also hiked by 4 percentage

### Foreign Currency Deposits

Sep 1999 - Sep 2000

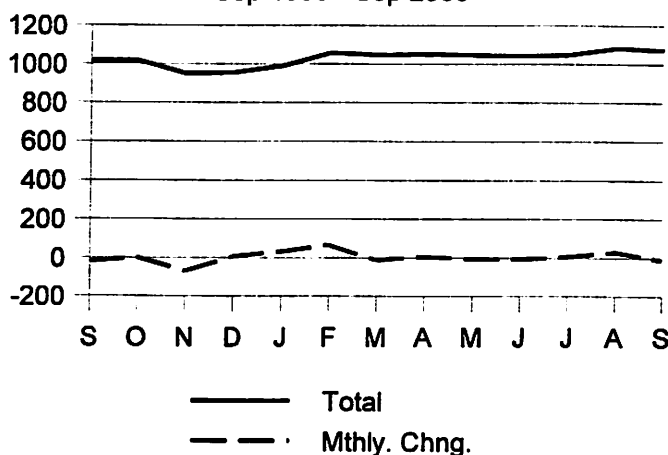
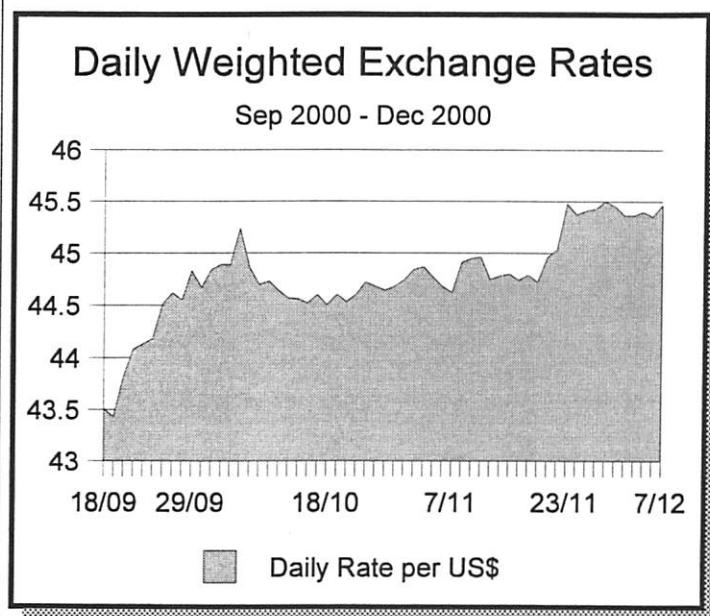


Figure 2: Foreign Currency Deposits



**Figure 3: Daily Weighted Average Selling Exchange Rates (US\$ / J\$)**

points for the second time in six weeks, in an effort to defend the domestic currency. The Government also raised the Jamaican equivalent of US\$46.26 million from its tax free fixed rate US dollar indexed bond it offered at 11.25 per cent in mid November. The offer of this bond was mainly to keep pressure off the local currency, which was successful for the most part until the rate jumped by \$0.45 (average weighted selling rate) on November 23<sup>rd</sup>, from \$45.03 to \$45.48. The Government has offered a similar instrument early in December, probably as a result of the volatility in Jamaican dollar interest rates.

### **Summary of Exchange Rates**

From the opening of trading on January 03, 2000 to December 07, 2000 the Jamaican dollar has slipped, in nominal terms, against the US and Canadian dollars, while gaining on the British pound, by J\$3.98, J\$1.51 and J\$0.88 respectively. The weighted average selling rates of the local currency vis-a-vis its major trading partners as at December 07th were:

J\$45.47 to 1 US\$

J\$29.16 to 1CDN\$

J\$64.54 to 1 pound sterling

### **Exchange Rate Forecast**

**Table 1: Short Term Exchange Rate Forecasts for the end of the Months of December, January and February (J\$/US\$).**

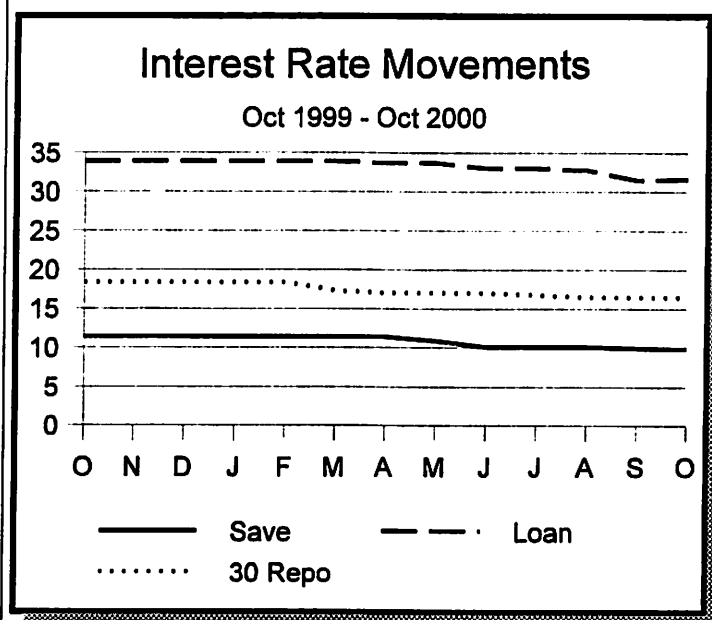
	Current	Prev.	Actual	Diff
Nov	----	44.96 - 45.02	45.45	0.43
Dec	45.60 - 45.75	45.24 - 45.33	----	----
Jan	46.16 - 46.31	----	----	----
Feb	46.69 - 46.84	----	----	----

The exchange rate at the end of November was \$45.45, \$0.43 above our "forecasts" for the end of the month. This was due in large part to two major sudden upward movements in the rates - a \$0.29 increase on November 08<sup>th</sup> from \$44.62 to \$44.91 and a \$0.45 increase on November 23<sup>rd</sup>, from \$45.03 to \$45.48. Any movement in rates of more than twenty to twenty five cents may throw off the forecasts. Current projections for December have been revised, given current market conditions, and the projections for January and February are given in Table 1 above. Current market conditions tend to indicate that the rates are trending towards the high end of the forecasts, given a highest selling rate of \$46.50.

The dollar has depreciated since the beginning of the calendar year by 9.6% to December 07, 2000 1.1% more than the 7.5% as at Nov 07, 2000. This

is two to three percentage points above the inflation differential between Jamaica and the US. Assuming this trend continues for the rest of the fiscal year, the dollar could possibly depreciate to \$47.20 - \$47.50 at the beginning of the 2001/02 fiscal year. It should be duly noted that these forecasts are based upon current market trends and cannot account for unexpected changes in the market. Forecasting exchange rates with 100% accuracy are nigh impossible, but not a useless exercise, as it may provide a guide as to the direction of market in the near term.

### Interest Rates



**Figure 4: Interest Rate Changes**

The interest rate target of 14% at the end of the financial year has continued to seem unlikely to be achieved. The Government has missed the November target of 15% by 1.45 percentage points, with current rates over 17%. Further, in late November, in a move to defend the exchange rate, the 365 day repo rate was hiked by four

percentage points from 18 to 22 percent, for the second time in two months (the first increase was a temporary one). The 270 day repo rate went from 17.60 to 20 percent. The key 6 month T-bill rate also inched up by 0.15 percentage points in October. The average yield on the 273-day Treasury bill rate jumped from 17.6% to 19.67%, while the average yield on the one year instrument rose from 18.10% to 20.97% during the first week of December. These increases run counter to the Government's stated intention of reducing rates to stimulate economic growth and stem the growth of its debt burden.

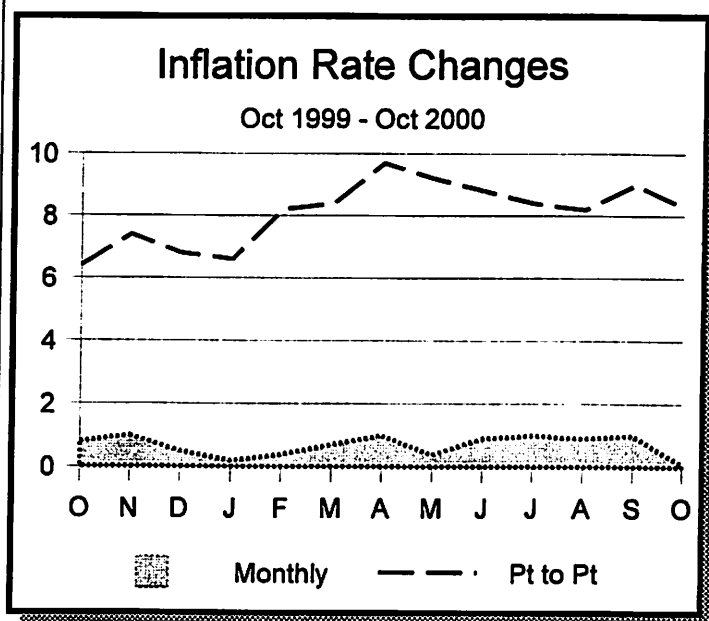
**Table 2:**

Selected Interest Rates (%)		
	2000	
	Sep	Oct
30 Day Repo	16.45	16.45
365 Day Repo	18.00	22.00*
Savings Deposits (avg)	9.96	9.86
Loan (avg)	31.50	31.67
<b>T-BILL YIELDS</b> (avg weighted )		
3 month	16.62	--
6 month	17.13	17.28
9 month	16.91	19.67*
12 month	16.94	20.97*

\* - latest rates as at first week in December.

It now seems clear that whenever there is any instability in the exchange rate, the Government will hike interest rates to protect the dollar. Not attaining the 14% interest rate target will have serious consequences for the Government's fiscal

policy as it relates to reducing the debt burden. The need for lower rates becomes even more important heading into fiscal year 2001/02, when interest costs associated with FINSAC debt will be added to the budget. Every 1% rise above the 14% interest rate target will cost the Government an additional J\$730M approximately, in the cost of servicing the FINSAC debt. The corresponding cost of servicing the overall debt is approximately 1% of GDP or close to J\$3Bn.



**Figure 5: Inflation Rate Changes**

The Ministry of Finance decided not to roll over any maturing treasury bills for the month of November. Further no new treasury bills were issued as past of the planned reduction in short term maturities by the Ministry of finance, to ease its debt burden. The Ministry of Finance followed its November issue of a 3 year US\$ indexed linked bond with a 2 year US\$ indexed linked bond in early December. This bond offered the option of the repayment of principal in US dollars at maturity.

### Inflation Rate

Inflation for the month of October was 0.1 percent, down from the high of 1.0 percent recorded in September. The calendar year to date inflation rate is 6.7% , compared to the 5.2% achieved for the same period last calendar year. The rate of inflation for October 1999 to October 2000, is 8.3%, compared to 6.4% recorded for the previous period. The fiscal year to date rate of inflation is 5.4%, compared to the 5.3% recorded for the previous year.

Unexpected record oil prices and a lengthy drought have accounted for the higher than expected calendar year to date inflation. However, the Government has so far been successful in bringing inflation a little closer to the targeted 4 to 6 percent range. The recent decline in world oil prices from record highs, if sustained, may contribute even further to keeping inflation under control. The year end inflation projections are now likely to fall within the 7 to 9 percent region, down from the previous 8 to 10 percent forecasts.

### Base Money

Provisional figures from the BOJ showed that the monetary base increased marginally by 1.36% to J\$30,764.92M at the end of October 2000, from the J\$30,353.31M reported at the end of September 2000. The 12 month point to point movement was a 3.42% reduction, compared to the same period for 1999 which reported a 9.2% reduction. The last time that a positive point to point movement was reported for base money was a 5.1% increase in December of 1998. Over the

January to October period, the monetary base has declined by 1.5%, compared to an 11.8% decline for the corresponding period in 1999.

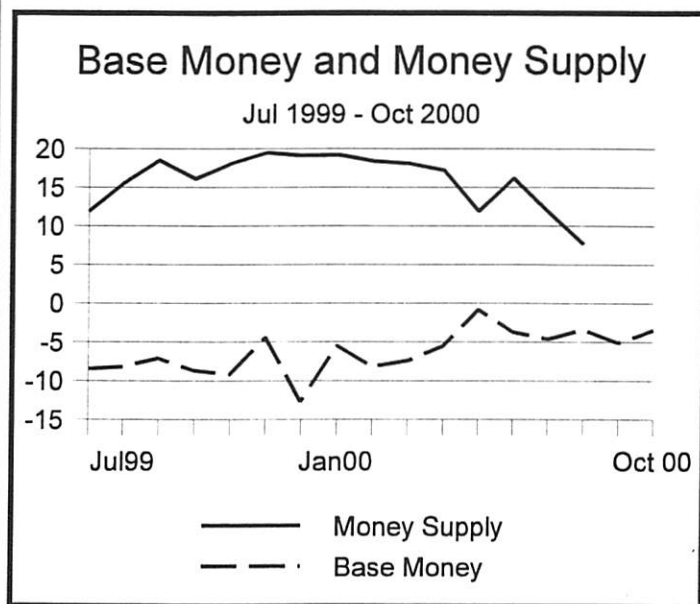


Figure 6: 12 Month Monetary Movements (%)

### Money Supply

The provisional figure recorded for the nominal money supply stock, as measured by the M2 (local and foreign currency) monetary aggregate, stood at J\$126,012.7M at the end of August 200. This is 0.87% more than the revised total of J\$124,929.5M at the end of July. The point-to-point or 12 month nominal money supply grew by 7.68% from August 1999 to August 2000, which is less than the 18.5% growth recorded for the previous period.

The monthly marginal growth in M2 was primarily due to increases in the time and savings component of the money supply, which were just sufficient to offset declines in the currency and demand deposit

components, when compared to July 2000. The net growth rate of M2 for the January to August period was 4.8%, compared to 13.4% for the corresponding period in 1999, implying that monetary policy has continued to tighter.

There might be a slight increase in the money supply out-turn for September, given the scheduled one percent reduction in cash reserve ratio of commercial banks, from 14% to 13%, as at 1<sup>st</sup> September 2000, and the fall of 1.25 percentage points in the average lending rate of commercial banks, from 32.75. to 31.50%, for the August to September Period.

### Production of Selected Commodities

**Mining:** Total alumina production for the month of October 2000 was 291,522 metric tons. This represents 4.18% below production in 1999 and 2.68% below 1998's production figures.

The year to date production is 2,980,195 metric tonnes and only 0.67% and 4.15% above the year to date outcomes of 1999 and 1998 respectively.

Total Crude Bauxite production was 166,191 metric tons, 2.26% more and 53.59% less than production in October 1999 and 1998, respectively.

The year to date production of Crude Bauxite is 1,641,131 metric tons and is 35.33% and 51.73% below 1999 and 1998's production figures respectively.

Alumina exports were 319,356 metric tons for the review period, which represents a 13.20% and

0.10% increase over the export figures for October 1999, and 1998 respectively. The year to date alumina exports amounted to 2,981,986 metric tons, rising by a mere 1.80% and 2.35% over 1999 and 1998, respectively.

Exports of crude bauxite for October 2000 were 164,364 metric tons and represented an increase of 1.89% and a decrease of 48.55% from the recorded exports in 1999 and 1998, respectively. Total year to date exports were 1,710,616 metric tons, 32.92% and 49.15% below the corresponding period in 1999 and 1998, respectively.

**Banana:** Total banana production for the month of September 2000 was 3,760 tonnes, 170 tonnes less than the 3,830 tonnes reported for August 2000. This also represents a 27.41% decrease in production in comparison to the 5,180 tonnes produced for the same period in 1999. The industry appears to be still smarting from unfavorable weather conditions.

Both sectors continue to be weak, with the mining sector not quite recovered from the Gramercy incident, and Banana from extended drought.

### Tourism

Stopover tourist arrivals continue to maintain a healthy outlook, posting a 5.2 % increase for October 2000, when compared to the same period in 1999 (*Table 3*). The January to October period also recorded a 5.9% increase over the similar period in 1999. There was a slight setback in stopover arrivals of foreign nationals, which decreased by 9.4 %, but this had little impact on long run performance, as the January to October period recorded a net gain of 7.5% over the corresponding period in 1999.

Cruise passenger arrivals also continue to maintain its

positive growth, recording the highest percentage increase in arrivals of 22.3% for October and 20.4% for the year to date, over the corresponding periods in 1999. The healthy cruise arrival figures have been bolstered by the year to date 401 cruise ships that have called on Jamaican ports, in comparison to 389 reported for the 1999 period. These trends have combined to report continued growth in the total number of tourist arrivals, which has shown an 11.2% increase for the year to date.

**Table 3:**  
**Tourist Arrivals October 2000**

	Jan-Oct 99	Jan-Oct 00	(%)	Oct (%)
<b>Stopover</b>	1,046,772	1,108,540	5.9	5.2
<i>Foreign</i>	969,100	1,026,013	5.9	6.5
<i>National</i>	77,672	83,527	7.5	-9.4
<b>Cruise</b>	601,370	724,014	20.4	22.3
<b>Total</b>	1,648,142	1,832,554	11.2	11.5

Provisional figures provided by the BOJ for the January - September 2000 period showed total cumulative tourist expenditure at US\$1,013.7Mn or 3.31% above the performance for the corresponding period in 1999. This trend is expected to continue over the next year, but there are concerns that the late allocation for overseas advertising may affect arrivals during the coming winter season. It should be duly noted, that the increase in expenditure by tourists is not matching the corresponding increase in arrivals. The average length of stay of stopovers is slightly down on last years' figure. The reported figure for the January to September period was 9.8 nights



compared to 10.2 nights in 1999.

### External Trade

The deficit on the external trade account widened by a further US\$101.30M over the January-June 2000 period, in comparison to the corresponding 1999 period. Total goods imports (cif) jumped by US\$151.54M (10.2%), offsetting the US\$50.24 (6.3%) increase in goods (fob)exports. *See Table 4.*

**Exports:** Total goods exports (f.o.b.) for the January-June 2000 period were valued at US\$801.15M

The growth of US\$44.42M in merchandise exports was largely responsible for this value, and was influenced by respective increases of US\$27.05M, US\$8.7M and US\$9.6M in major, other and non-traditional exports respectively.

Increased earnings of US\$61.98M from alumina exports was solely responsible for the expansion in the major traditional group, as earnings from bauxite, sugar and bananas declined by US\$16.72M, US\$12.7M and US\$5.44M respectively. Alumina earnings benefitted from a 19.2% increase in prices and a 2.5% expansion in volume. Bauxite, Sugar and Bananas were down by 0.0%, -7.4% and -9.7% in price and -41.6%, -7.4% and -26.8% in volume respectively.

Continued strong growth in respective earnings from citrus, coffee and gypsum were largely responsible for the positive out-turn in other traditional exports. The increase in non-traditional exports was largely driven by increases in crude materials, chemicals, and manufactured goods exports.

**Table 4:**

<b>External Trade</b>		
<b>January - June 2000</b>		
	<b>Jan-Jun 1999 (US\$Mn)</b>	<b>Jan-Jun 2000 (US\$Mn)</b>
<b>Total Exports (FOB)</b>	<b>750.91</b>	<b>801.15</b>
<b>Major Traditional</b>	<b>424.76</b>	<b>451.81</b>
<b>Other Traditional</b>	<b>29.06</b>	<b>37.72</b>
<b>Non-Traditional</b>	<b>160.81</b>	<b>170.44</b>
<b>Re-Exports</b>	<b>21.43</b>	<b>20.51</b>
<b>Freezone Exports</b>	<b>100.35</b>	<b>105.27</b>
<b>Goods procured in ports</b>	<b>14.50</b>	<b>15.40</b>
<b>Total Imports(CIF)</b>	<b>1,481.91</b>	<b>1,557.65</b>
<b>Consumer Goods</b>	<b>439.28</b>	<b>447.64</b>
<b>Raw Materials</b>	<b>717.12</b>	<b>840.97</b>
<b>Capital Goods</b>	<b>235.09</b>	<b>269.04</b>
<b>Free-zone Imports</b>	<b>79.42</b>	<b>64.10</b>
<b>Goods Procured in Port</b>	<b>11.00</b>	<b>11.70</b>
<b>Trade Balance</b>	<b>-731.00</b>	<b>-832.30</b>

Source: BOJ November 2000

**Imports:** Total imports (C.I.F.), for the review period January- June 2000, were valued at US\$1,633.45M, an increase of US\$151.54M. An increase of US\$166.16 in merchandise purchases was largely responsible for this increase, which was partially offset by a US\$15.32M decline in freezone imports.

Within the general merchandise category, the

C.I.F. value of raw materials increased by US\$123.85M or 17.3%. The increase in raw material imports was reflective of a whopping 80% rise in the value of oil imports due to high oil prices. This increase which was intended to have been passed on to the consumer in the form of higher electricity rates, has been stalled by negotiations over the divestment of JPSCo.

### Balance of Payments

The current account balance recorded a deficit of US\$81.5M for the first six months of the calendar year, in contrast to the deficit of US\$27.1M recorded in 1999. However, the balance improved by US\$9.8M, to a deficit of US\$47.8M, for the April to June quarter in 2000. This is in comparison to the US\$57.6M deficit recorded for the corresponding 1999 period.

The merchandise trade deficit widened by US\$93.8M for the first six months of the calendar year. This out-turn resulted from a US\$144.3M increase in imports(fob) which offset the US\$50.5M increase in exports for the review period (*Table 5*). Of major significance is the fact that exports actually declined by US\$0.4M for the April to June quarter, in comparison to 1999.

The surplus recorded for the services account balance was mainly influenced by a US\$7.5M increase in net travel receipts. For the income account, a negative US\$56.8M change in investment income contributed to the US\$61.8M deficit. Improvement in net current transfers were mainly influenced by an expansion in net official transfer flows. For the quarter ending June 2000, net official private transfers only improved by US\$1.9M in comparison to the 1999 figure.

### Developments and Outlook

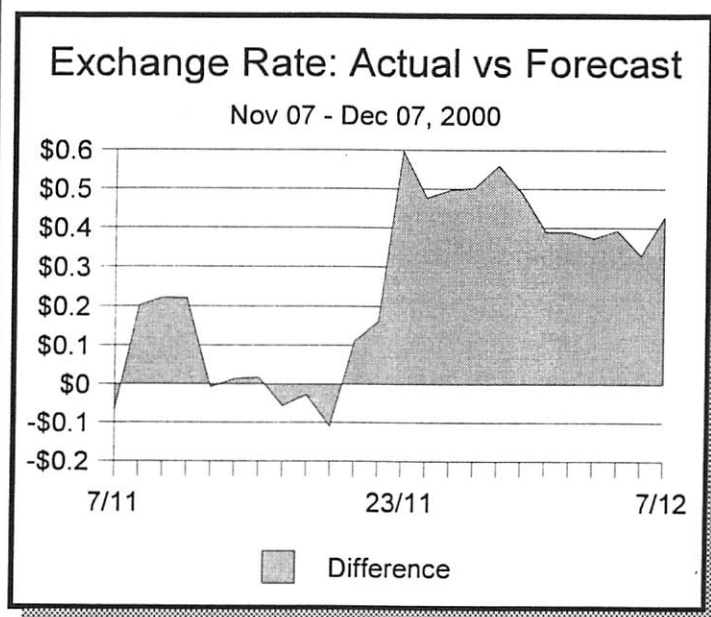
The Prime Minister recently reported "signs of growth" in the economy for the past nine months of the Calendar year citing a favorable outlook from the soon to be released PIOJ quarterly review. The growth target for the current fiscal year is 1.5%, and was based on a

thriving services sector, full recovery in bauxite, agriculture and the financial services sectors. The worst case scenario growth rate was 0.5%, which would be precipitated by a slower than expected decline in interest rates, as we are now witnessing. Given the slower than expected recovery of bauxite, agriculture and the financial sector, coupled with a much slower than expected decline in interest rates, both private and public interests are eagerly awaiting the publishing of these figures from the PIOJ's quarterly review.

Interest rates have been declining very slowly, missing most of the targets set for this year, and may also miss the more crucial target of 14% for the fiscal year, given the current increasing of rates to defend the local currency. Current interest rate trends may have derailed our growth prospects, and it appears as if we are currently on the "high risk" growth path of 0.5% for the fiscal year.

The local currency itself, though stabilized for most of November by BOJ intervention, jumped by \$0.45 on November 23<sup>rd</sup>. The BOJ is expected to continue defending the dollar through year end, as it comes under pressure from strong market demand. This defense is being facilitated by strong foreign exchange reserves, which are to be strengthened even further by the disbursement of loans from the multinational lending agencies. Of critical importance to investors and the Government alike, is what will happen to the exchange rate and consequently interest rates, the next time the Government goes to the international capital market. The BOJ may have to offer an attractive yield to attract short term money, say 13% or more, which local investors are going to find lucrative, as witnessed by the last bond issue. This may lead to the unending spiral

of added pressure on the exchange rate, and the subsequent motoring of the defense mechanism - a hike in interest rates, with implications for fiscal policy and growth.



**Figure 7: Exchange Rate Forecast vs Actual Values**

The low inflation out-turn for October is a welcome relief, following months of prolonged drought and high oil prices. The Government has been able to contain inflation reasonably well under the circumstances, and the recent decline in crude oil on the international market, if sustained, augurs well for containing inflation well within the 8 - 10 percent range, albeit missing the 4 - 6 percent target.

The trade deficit has continued to widen, with implications for the wider economy. A growing trade deficit implies increasing demand for hard currency in the economy that must be met by service sectors such as tourism, inflows of foreign investment, remittances and external borrowing. As seen in recent times, the exchange rate has continued to depreciate, despite heavy central bank intervention.

Growth in the tourism sector continues to be good albeit mixed reviews for the upcoming tourist season. The industry continues to face obstacles, given the late start to its winter advertising campaign and the peril it faces from the eroding Negril beaches. On the bright side, the success of the Jamaican Film Festival and the NASCAR Beach bash are helping to promote the sector even more, cementing our position as the number one travel destination.

Jamaica and its ACP counterparts, have continued to express concern over the "Everything But Arms" duty free access to the European market, being granted by the EU to the 48 less developed nations. The agreement is proposed to take effect in 2001, and will affect sugar, rice, bananas and beef, the exportation of which many Caribbean nations depend for economic growth. Already, banana prices have plummeted in Europe due to the recent flood of cheap bananas entering the market from Latin America. Jamaica now has to take seriously the threat to its sugar and banana industry and the implications for economic growth.

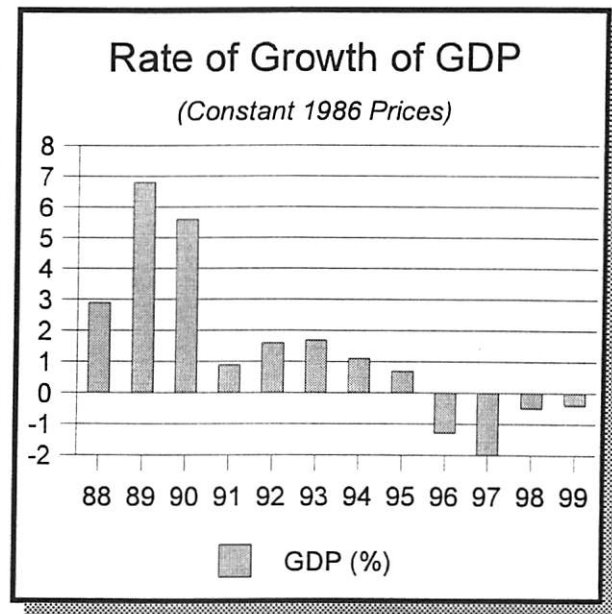
#### **Information Technology:**

The IT sector continues to press forward in its quest to be one of the new engines of growth for the Jamaican economy. Jamaica's Information Technology project (INTECH), is the first in the world to be endorsed by the IDB. J\$5.06Bn is being provided by the bank for establishing the framework for a knowledge based society and to foster and sustain long term development - the ingredients so vital for us to reap the benefits from the "new global economy." The project will incorporate the much talked about 40,000 job target, as well as the \$500M venture capital fund for the IT sector.

The Government has also planned to contract overseas IT experts to help guide and document legislation Governing E-Commerce. The tremendous growth potential of E-Commerce and its implications for our ability to participate in the global marketplace cannot be overstated. Jamaican banks and businesses are ready to embrace the idea of E-Commerce and are preparing themselves for the new global marketplace. Many have already launched websites as the first step toward this goal. The recent launch of an online shopping mall by IMEX technologies is the biggest step towards making E-Commerce viable in Jamaica, and indeed the Caribbean. Added to that is the digital Domain, which is expected to be the off-line meeting and market place for the Caribbean Internet and high-tech industry.

The IT revolution is not without its hiccups, as the trip to India to secure the services of 50 IT professors to train Jamaicans in IT was postponed. However, the trip is expected to take place early next year. 6,000 new IT jobs are expected to be realized by March 2001, but this comes even as the Islands teachers gird themselves for an expected 300 staff cut, adding to the already high number of redundancies over the past two months.

The realization of these IT developments are crucial to attaining future economic growth. The attainment of growth is delicately balanced on achieving economic stability and coherence in all the major sectors of the economy. Thus while the outlook for IT and the services sector are very good, and the productive and financial sectors are recovering, there needs to be an enabling macro-economic policy environment - reasonable interest rates, exchange rate stability, fiscal discipline - to promote investor confidence and drive investment leading inevitably to more growth.



**Figure 8: Growth Rate at Constant 1986 Prices**



Table 5: Balance of Payments (US\$M) January to June 2000

	<i>Jan-Jun 99</i>	<i>Jan-Jun 00</i>	<i>Change</i>
<b>Current Account</b>	<b>-27.1</b>	<b>-81.5</b>	<b>-54.4</b>
<b>Goods Balance</b>	<b>-510.3</b>	<b>-604.1</b>	<b>-93.8</b>
Exports (fob)	750.6	801.1	50.5
Imports (fob)	1260.9	1405.2	144.3
<b>Service Balance</b>	<b>315.6</b>	<b>323.3</b>	<b>7.7</b>
Transportation	-104.5	-101.8	2.7
Travel	548.2	555.7	7.5
Other Services	-128.1	-130.6	-2.5
<b>Income</b>	<b>-154.9</b>	<b>-216.7</b>	<b>-61.8</b>
Compensation	14.9	9.9	-5.0
Investment	-169.8	-226.6	-56.8
<b>Current Transfers</b>	<b>322.5</b>	<b>416.0</b>	<b>93.5</b>
Official	21.7	91.6	69.9
Private	300.8	324.4	23.6
<b>Capital and Fin. A/C</b>	<b>27.1</b>	<b>81.5</b>	<b>54.4</b>
<b>Net Capital Movements</b>	<b>6.5</b>	<b>14.1</b>	<b>7.6</b>
Official	2.6	10.5	7.9
Private	3.9	3.6	-0.3
<b>Financial A/C</b>	<b>20.6</b>	<b>67.4</b>	<b>46.8</b>
Other Official Invest.	-98.8	104.1	202.9
Other Private Invest.	128.0	269.6	141.6
<b>Reserves</b>	<b>-8.6</b>	<b>-306.3</b>	<b>--</b>

Source: BOJ, November 2000

**MACRO-ECONOMIC INDICATORS**  
(Aug 1998 - Oct 2000)

MTH	BASE MONEY		NIR	FOREX ACCTS.	INFLATION		TOURIST ARRIVALS			CHANGES IN M2	
	Mthly chng	Point to Point	Total NIR	Total Balances	Mthly Chng	Point to Point	Total Visitors	Stop-overs	Cruise	Mthly chng	Point to Point
Aug.98	-1.96	5.02	619.21	973.89	1	9.84	154934	109927	45007	2.1	9.8
Sept.	0.2	5.7	616.94	888	0.1	8.42	114556	75531	39025	1.4	10.6
Oct.	0.14	5.6	605.61	928.82	-0.3	7.14	119388	82254	37134	0.45	8.5
Nov	-4.38	-0.62	576.27	912.52	0.1	6.6	146462	94469	51993	-1.35	7.29
Dec.	7.06	-0.8	581.96	905.07	1.05	7.86	201256	118098	83158	3.44	7.35
Jan. 99	-3.69	0	578	921.11	0.4	7.5	183049	96959	86090	-0.68	8.21
Feb.	-5.18	-6.19	578.53	929.03	-1.1	6.3	179193	102545	76648	0.79	9.85
Mar.	-3.66	-2.8	581.53	960.31	0.5	5.4	220295	131503	88792	1.2	11.96
Apr	0.8	-3.04	587.41	979.26	-0.1	5.49	175389	106611	68778	2	11
May	-4.2	-7.8	590.5	965.84	0.9	5.61	139367	100066	39301	3.93	14.21
June	-0.1	-8.5	590.57	956.82	1.3	5.04	158466	110425	48041	2.14	11.75
July	1.73	8.24	486.98	1032.64	1.2	5.09	172289	125343	46946	3.56	15.54
Aug	-0.7	-7.07	490.76	1033.34	1.1	5.09	158800	113695	45105	4.71	18.5
Sept	-1.6	-8.74	526.24	1014.73	0.3	5.3	124446	75987	48459	-0.68	15.55
Oct	0.37	-9.2	492.82	1016.24	0.8	6.43	136848	83638	53210	2.57	18.48
Nov	0.6	-4.46	506.73	949.27	1	7.4	168992	95278	73714	-0.53	19.52
Dec	16.46	3.96	450.17	956.52	0.5	6.8	195604	106347	89257	3.04	19.06
Jan 00	-12.5	-5.51	453.09	990.11	0.2	6.57	180356	96100	84256	-0.5	19.18
Feb	-2.3	-8.24	590.61	1057.59	0.4	8.18	201436	108723	92713	0.17	18.45
Mar	-2.77	-7.41	703.51	1047.12	0.7	8.42	247225	137408	109817	0.9	18.1
Apr	2.88	-5.49	743.98	1052.9	1	9.57	197760	119419	78341	1.2	17.2
May	0.58	0.76	776.25	1047.26	0.4	9.2	163592	103266	60326	-0.7	11.9
Jun	3.59	3.73	756.48	1042.08	0.9	8.8	175744	120091	55653	1.6	16.2
Jul	0.8	4.61	788.68	1050.27	1	8.5	188329	137771	50558	-0.3	11.83
Aug	0.6	-3.34	935.5	1082.5	0.9	8.2	196159	118339	77820	0.87	7.68
Sep	-3.4	-5.07	935.49	1072.39	1	9	134685	79422	55263	n/a	n/a
Oct 00	1.36	-3.42	845.71	N/a	0.1	8.3	147268	88001	59267	n/a	n/a

n/a - Not Available

Source: Compiled from National Statistics as Supplied by Bank of Jamaica, Planning Institute of Jamaica and Jamaica Tourist Board.

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