

**Overview**

The Net International Reserves (NIR) of the central bank remained buoyant despite declining by US\$89.1 million in May, while total foreign exchange deposits reached a record high of US\$1.3 billion. The foreign exchange market has continued to show some amount of volatility declining by \$0.43 in May. The six-month Treasury Bill yield continued its downward trend to a record low 13.79%. The inflation outturn over the first five months of the calendar year (1.4%) was 140 basis points below that of the similar period in 2001. Tourism arrivals continued to remain weak, declining by 14.6% over the first five months of 2002. Private transfers continued to be the mainstay of the balance of payments account, while the external trade account has continued to decline, predicated on weaker export levels. The stock market surged to a record high as the index surpassed the 40,000 barrier, before giving up 78% of its gains to profit taking.

Table A: Growth of GDP at Constant Prices  
Year on Year Quarterly growth rates, Fiscal Year 2001/2002

	Q1 <sup>r</sup>	Q2 <sup>r</sup>	Q3 <sup>r</sup>	Q4 <sup>p</sup>	Total
<b>Goods Producing</b>	5.8	3.9	-4.2	0.0	1.3
Agri, Forestry & Fishing	15.4	-0.7	-4.0	-4.5	1.2
Mining and Quarrying	6.3	14.2	-11.5	-2.2	1.8
Manufacturing	3.0	-0.1	-2.4	1.3	0.4
Const. & Instal.	1.8	3.6	0.4	4.0	2.5
<b>Service Sectors</b>	2.2	3.6	-1.5	-0.3	1.0
Electricity and Water	0.7	-0.2	1.7	3.1	1.3
Trans., Storage and Comm.	12.5	8.9	-1.9	1.3	5.1
Distribution	-1.2	3.2	-0.8	0.1	0.3
Financial Services	0.9	2.4	-1.2	0.3	0.6
Real Estate and Business Serv	0.7	3.7	0.3	-0.2	1.1
Producers of Govt. Services	-0.4	3.4	-0.5	0.7	0.8
Miscellaneous services	-1.7	-0.1	-6.5	-6.0	-3.6
Household Services	1.8	4.3	-1.1	0.2	1.3
Less: Imputed Service Charge	1.6	3.0	-1.1	-0.2	0.8
<b>Total GDP</b>	<b>3.7</b>	<b>3.8</b>	<b>-4.8</b>	<b>-0.2</b>	<b>1.1</b>

Source: Planning Institute of Jamaica Estimates

P - Preliminary, R - Revised, Q1 to Q4 - 1st to 4th fiscal quarters

The ravages of the recent flood rains, which have still not abated in some areas, could cost the country well in excess of the original \$1.3 billion Government estimate. Assistance from the multilateral lending agencies will be critical in helping the Government to address the problem as speedily as possible. The cost of the floods may also force the Government to revise some of its budget targets. It may also lead to an increase in the level of external debt, and to a lesser extent, the level of domestic debt. The 2% to 3% GDP target may also have to be revised downwards. However, the macro-economy

has remained resilient in the face of severe challenges, given the external shock of September 11th, followed by two devastating natural disasters within six months of each other. This is reflected in the fact that there have been no severe shift in any of the major macro-economic variables such as interest rates, inflation, and the foreign exchange rate.

The Planning Institute of Jamaica's quarterly preliminary GDP estimates, which was first published in 2001, indicated that there was a negative 0.2% outturn for the last quarter of fiscal year 2001/2002 (Table A). The lower quarterly GDP outturn continued to reflect the effect of heavy rainfall during November 2001, and drought conditions during the quarter, which affected Agriculture. It also reflected the slow restart of alumina processing at JAMALCO and a weaker tourism industry, captured by Mining & Quarrying and Miscellaneous services respectively.

The recent signing of the crime fighting initiative by the leaders of the major political parties was an important step in the fight against the greatest threat to the nations' development. While the signing of the pact in and of itself will not deter crime, it sends an important signal to everyone, including the international investment community, upon which our tourism industry is heavily dependent. The next step is to implement effective crime initiatives that will in time return true meaning to the phrase 'Jamaica: Island Paradise in the Sun'.

**In This Issue**

<i>Overview</i> .....	1
<i>Net International Reserves</i> .....	2
<i>Foreign Currency Deposits</i> .....	2
<i>Foreign Exchange Rates</i> .....	2
<i>Interest Rates</i> .....	3
<i>Base Money &amp; Money Supply</i> .....	3
<i>Inflation</i> .....	4
<i>Production</i> .....	4
<i>Tourism</i> .....	4
<i>External Trade</i> .....	4
<i>Balance of Payments</i> .....	5
<i>Fiscal Accounts</i> .....	6
<i>Stock Market</i> .....	7
<i>Outlook &amp; Developments</i> .....	8
<i>Statistical Index</i> .....	9

## Net International Reserves

The Net International Reserves (NIR) of the central bank declined by US\$89.11 million to US\$1,810.64 million, (*Table 1*) following its record high of US\$1,941.67 at the end of March 2002. Despite declining for the second consecutive month, the current level of reserves remained buoyant, representing 31.57 weeks of goods imports, when compared with 26.41 weeks of goods imports over the similar period in 2001. In terms of weeks of goods and services imports, gross reserves represented 21.33 weeks. An US\$88.44 million decline in gross foreign assets combined with a US\$0.67 million increase in gross foreign liabilities, were reflected in the lower monthly NIR level.

NIR down  
by US\$89M  
to US\$1.81B

FX rate  
depreciate  
by \$0.43 to  
\$48.34

between September and October 2001. The year-to-date performance of the foreign exchange market has continued to be worse than that of the corresponding 2001 period (1.98% decline vs. 0.65% decline), albeit better than that of 2000 (2.10% decline). The year-to-date performance has continued to reflect a weaker tourism and alumina industry - the two major foreign exchange earners - which both declined by 14.56% and a 7.10% in April, respectively.

The weighted average monthly J\$/US\$ for May 2002 was \$48.14, \$0.38 above the previous month, and \$2.37 above May 2001. The monthly increase was the highest since \$0.78 increase in November 2001. However, the 12-month point-to-point movement in the rate at \$2.37 (5.18%), remained below that of the previous period at \$3.48 (8.22%).

Table 1: NIR (US\$ million)

	NIR	Change			Imports (Weeks)
		Mthly	12 Mth	YTD	
May-02	1,810.64	-89.11	330.03	-30.10	31.57
May-01	1,480.61	198.82	704.36	511.09	26.41

Source: Compiled from the BOJ (Preliminary)

## Foreign Currency Deposits

Total foreign currency deposits increased by US\$41.52 million in April 2002, to a record US\$1,280.90 million (*Table 2*). This was the highest monthly increase since an increase of US\$67.5 million in February 2000. The current outturn was mainly influenced by a US\$32.57 million increase in the balances of Commercial Banks. Total deposits were 13.31% above those recorded at the end of April 2001.

Table 2: FX Deposits (US\$ million)

	Apr-02	Change (US\$M)		% 12 Mth
		Mthly	12 Mth	
Total Deposits	1,280.90	41.52	150.42	13.31
	Apr-02			
Spot Purchases	729.89	13.62	240.49	49.14
Spot Sales	721.67	-5.01	222.16	44.48

Source: Compiled from the Bank of Jamaica

FX Deposits  
at record  
US\$1.28B

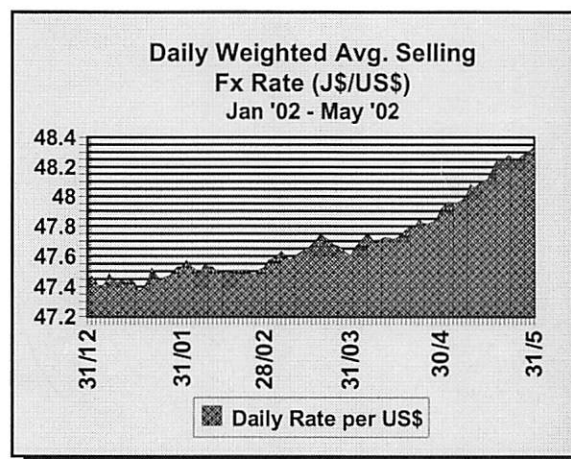


Figure 1: Daily J\$/US\$ Movements

## Foreign Exchange Rates

The foreign exchange market (daily J\$/US\$ weighted average selling rate) continued to show some amount of volatility during May 2002. The J\$ lost \$0.43 (*Table 3*) to \$48.34 at the end of the month, following its \$0.30 loss the previous month. This was the largest monthly decline since the \$1.63 recorded

Table 3: Foreign Exchange Trends

	Year-to-Date: May '02					
	us\$	%	can\$	%	uk£	%
2002	0.94	1.98	1.91	6.50	2.49	3.66
2001	0.30	0.65	0.07	0.25	-2.32	-3.48
2000	0.87	2.10	-0.07	-0.25	-4.08	-6.18
Monthly						
May-02	0.43	0.90	0.91	3.08	1.35	1.99

Source: BOJ, PSOJ Economic Research

**Short Term Forecasts**

A continued weaker balance of payments position, compounded by a fallout in tourism receipts and slow start by the alumina industry may continue to see a continued slight upward adjustment in the exchange rate in the near term. However any upward adjustment may be expected to be in an orderly fashion, given the buoyant Net International Reserves, which is in excess of 31 weeks of goods imports and the need to reduce interest rates. The resiliency of the Jamaican dollar may continue to be tested in the near term, albeit depreciating by 5.48% over the last twelve months compared to an 8.36% decline the previous twelve months. The revised forecasts are presented in Table 4.

**Table 4: Short Term FX Forecasts (J\$/US\$)**

	Forecast	Actual	Diff.
Jan '01	45.71 - 45.88	45.77	0.00
Feb	45.82 - 45.89	45.78	-0.04
Mar	45.78 - 45.82	45.68	-0.10
Apr	45.68 - 45.70	45.67	-0.01
May	45.72 - 45.74	45.83	0.09
Jun	45.73 - 45.75	45.82	0.07
Jul	45.81 - 45.83	45.77	-0.04
Aug	45.79 - 45.81	45.80	0.00
Sep	45.82 - 45.84	45.94	0.10
Oct	46.01 - 46.05	47.57	1.52
Nov	47.41 - 47.45	47.25	-0.16
Dec	47.32 - 47.36	47.40	0.04
Jan '02	47.41 - 47.45	47.53	0.08
Feb	47.46 - 47.51	47.53	0.02
Mar	47.50 - 47.54	47.61	0.07
Apr	47.68 - 47.72	47.91	0.29
May	48.06 - 48.09	48.34	0.25
Jun	48.37 - 48.41		
Jul	48.40 - 48.45		
Aug	48.44 - 48.49		

Source: PSQJ Economic Research

**Interest Rates**

The market has continued to express confidence in the lower Government repo rates (reduced across the board in March 2002), as the market determined 6-month Treasury Bill (T-Bill) yield continued to decline. The 6-month T-Bill yield fell 5 basis points to 13.79% (Table 5), after having broken the 14% barrier for the first time the previous month. The six month T-Bill yield has declined by 324 basis points since the start of 2002.

Average commercial bank lending rates simulated the decline in T-Bill yields, falling by 4 basis points to its lowest level (26.25%) in thirteen years. The average loan rate has now

6 month  
T-Bill rate  
down 5  
basis  
points to  
record low  
13.79%

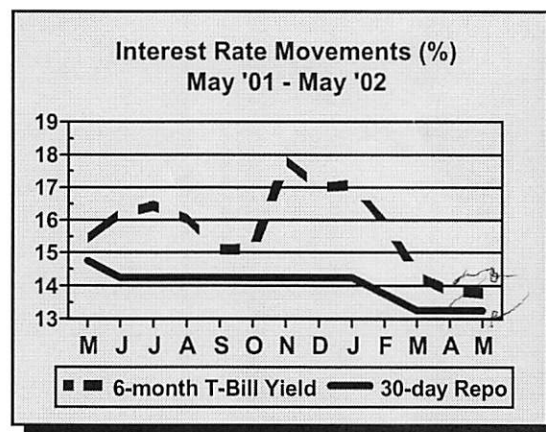
declined by 463 basis points over the past twelve months, with an accompanying 447 basis points reduction in the spread between the average loan and average savings deposit rates.

**Table 5: Interest Rate Movements**

	May-02	Change		
		Mthly	12 Mth	YTD
30 Day Repo	13.25	0.00	-1.50	-1.00
365 Day Repo	15.00	0.00	-1.50	-3.90
Avg Savings Deposit	9.34	0.00	-0.16	0.26
Avg Loan Rate	26.25	-0.04	-4.63	-0.54
6 Month T-bill	13.79	-0.05	-1.67	-3.24
12 Month T-bill*	14.77	-0.19	-2.16	-1.51

Source: Compiled from the Bank of Jamaica

\* - June 2002

**Figure 2: Interest Rate Movements****Base Money and Money Supply**

Base  
money up  
1.60% for  
May

The central bank continued in its fight to contain inflation, as the monetary base increased by 1.60% in May 2002, while broad money (M2) increased by 1.12% in March 2002 (Table 6). The increase in M2 was attributed to an increase in all its components (currency with the public, demand deposits, and savings) except the time component. The twelve month movement of base money, now at -2.20%, reflected Government's tighter control on this variable in order to contain inflation. This more stringent monetary policy is also reflected in the 12 month movement of M2, which has averaged 9.8% over the past 12 months, compared with 11.8% over the previous twelve month period.



Table 6: Base Money and Money Supply

	J\$M	Change (%)	
	Mar-02	Mthly	12 Mth
M1	43,946.79	2.34	18.87
Quasi Money	103,549.74	0.62	6.95
M2	147,496.53	1.12	10.24
	May-02		
Base Money	30,675.22	1.60	-2.20

Source: Bank of Jamaica

Table 8: Mining Production

	Production		Change
	Apr-01	Apr-02	%
Alumina	311.08	288.95	-7.1
C. Bauxite	250.80	298.75	19.1
Sugar	43.58	43.58	0.0
Banana	3.17	3.37	6.3

Source: Compiled from BOJ, JBI

## Inflation

The May 2002 Consumer Price Index (CPI) increased by 0.3% over the previous month, resulting in fiscal and year-to-date inflation rates of 0.8% and 1.4% respectively (Table 7). The year-to-date outturn was half what it was in 2001, which was attributable to a first quarter outturn of 0.6% (lowest since -0.25% in 1999). However, the 12 month outturn was significantly greater (100 basis points) than the previous period, which was due to a 1.7% outturn (highest since 3.3% in February 1996) for June 2001.

Table 7: Inflation Trends

	Percent Changes			
	May	12 Mth	YTD	Fiscal
2002	0.3	7.2	1.4	0.8
2001	0.8	6.2	2.8	1.2

Source: STATIN

YTD inflation rate 1.4%, 140 basis points below 2001 outturn

Total tourist arrivals down 14.6% in April, 13.4% in 1st four months

## Tourism

Total stopover tourist arrivals declined by 19.87% in April 2002 (year-on-year), as all categories continued to register declines (Table 9). Total arrivals were down 13.35% over the first four months of 2002, as cruise arrivals fell by 13.74%.

Table 9: Tourist Arrivals

	2001	2002	Change	
		Jan-Apr	Apr	
Stopover	484,164	420,996	-13.05%	-19.87%
Foreign	457,979	398,322	-13.03%	-19.74%
National	26,185	22,674	-13.41%	-21.72%
Cruise	374,645	323,187	-13.74%	-6.27%
Total	858,809	744,183	-13.35%	-14.56%
US\$*	351.90	320.80	-8.84%	-

Source: Jamaica Tourist Board

\* - Data available for March '02 only

## Production of Selected Commodities

**Mining:** Total alumina production for April 2002 declined for the seventh consecutive month, down 7.1% (Table 8) over the corresponding 2001 period. This performance has continued to reflect the effects of heavy flood rains which affected capacity utilization, and industrial action during the last quarter of 2001. However, crude bauxite has continued its good performance, increasing by 19.1%, albeit at a slower rate than in 2001- as its growth rate becomes normalized - when it registered a 76.3% recovery for the year.

Alumina production down for seventh straight month (-7.1%)

**Sugar and Banana:** Sugar production has continued to remain weak, registering a flat outturn of 0.0%, while banana production increased for the second consecutive month up 6.3%. Sugar production has continued to be affected by a reduced tonnage per acre due to inclement weather.

Bauxite production remains buoyant at 19.1%

## External Trade

The deficit on the external trade account worsened over the January to February 2002 period, increasing by US\$16.96M (Table 10), led by a decline in the value of exports, which offset declining imports.

### Exports:

The value of total goods exports (f.o.b.) was down 13.3% given declines in all categories of exports, viz-a-viz major traditional (15.7%), non-traditional (19.1%), and other-traditional (1.5%) exports. In the major traditional group, a strong performance from bauxite (19.6%) was not enough to offset declines in the value of alumina (-14.8%), sugar (-51.7%) and banana (-6.0%) exports.

Bauxite exports benefited from higher volume (up 20.3%) over the period, albeit suffering from a 0.6% decline in price. The value of alumina - which accounted for 46% of total exports - was adversely affected by a 12.0% decline in price,

and a 3.1% decline in volume.

Earnings from rum continued to be the mainstay of the 'other traditional group', increasing by US\$1.08 million (26.2%) while coffee fell by 15.4%. Coffee, which accounted for 41% of the earnings from this group, had declined by 26.6% in 2001, due to a depreciation of the Euro vis-a-vis the US\$. Non traditional exports continued to decline as the major contributors to the group, Ackee, Fish and Yams all declined.

Earnings from garment exports continued to be eroded, declining by 54.9% (US\$8.4 million) over the review period to US\$6.9 million, compared with 15.3 million in 2001.

#### Imports:

The value of total goods imports (c.i.f.) declined by 8.4% for the review period, which mirrored a US\$52.7 million (9.4%) decline in the value of merchandise imports. The performance of merchandise imports mainly reflected declines in the value of raw materials (17.9%) and capital goods (9.3%) respectively, while growth in consumer goods increased (9.3%).

The outturn within the raw materials category was influenced by a US\$55.5 million (47.7%) decline in the fuel import bill

External  
trade  
deficit  
increased  
by  
5.0%  
January to  
February

and a US\$1.2 million (0.6%) decline in other raw materials. The decline in the fuel import bill reflected lower world fuel prices. The increase in consumer goods imports continued to be concentrated in durables (20.9%) and food (10.4%). This continued to reflect improved credit conditions within the domestic market, leading to increased demand for these products. All categories of capital goods declined, with the exception of 'other capital', which increased by 25.5%.

### Balance of Payments

The deficit on the current account improved by US\$27.0 million, to US\$79.9 million over the review period. (Table II). This was primarily driven by an improvement in current transfers, combined with a reduction in the income account.

Current  
account  
improve  
by  
US\$27.0M  
in January  
to  
February

The deficit on the goods balance improved by US\$15.1 million as exports declined by US\$31.5 million coupled with a US\$46.6 million increase in imports.

The services account balance registered a negative outturn, declining by US\$19.0 million to US\$93.8 million.

Table 10: External Trade (US\$ million)

	Jan-Feb '01	Jan-Feb '02	Change	% Change
<b>Total Exports (fob)</b>	<b>237.20</b>	<b>205.75</b>	<b>-31.44</b>	<b>-13.26</b>
Major Traditional	148.99	125.67	-23.32	-15.65
<i>Bauxite</i>	15.63	18.69	3.06	19.56
<i>Alumina</i>	111.44	94.97	-16.47	-14.78
<i>Sugar</i>	18.78	9.07	-9.72	-51.73
Other Traditional	12.08	11.89	-0.19	-1.53
Non-Traditional	41.26	33.39	-7.87	-19.07
Re-Exports	4.81	2.54	-2.27	-47.23
Freezone Exports	24.86	27.06	2.20	8.84
Goods Procured in Ports	5.20	5.20	0.00	0.00
<b>Total Imports (cif)</b>	<b>576.35</b>	<b>527.95</b>	<b>-48.40</b>	<b>-8.40</b>
Consumer Goods	143.05	156.42	13.37	9.35
<i>Durables</i>	55.73	67.39	11.66	20.92
Raw Materials	315.86	259.23	-56.63	-17.93
<i>Fuels</i>	116.31	60.84	-55.47	-47.69
Capital Goods	102.14	92.61	-9.53	-9.33
Free-zone Imports	9.89	13.68	3.79	38.30
Goods Procured in Ports	5.40	6.00	0.60	11.11
<b>Trade Balance</b>	<b>-339.15</b>	<b>-322.19</b>	<b>16.96</b>	<b>-5.00</b>

Source: Compiled from STATIN and BOJ

This was mainly driven by a US\$19.3 million reduction in net travel receipts and a US\$4.1 million increase in transportation costs. These more than offset US\$4.4 million improvement in costs for 'other services'. The income account improved by US\$19.9 million, primarily due to a US\$21.4 million reduction in the outflow of investment income.

The current transfers account was reflective of an increase in private transfer flows of US\$21.0 million, which offset a US\$10.0 million reduction in official transfers. Private transfer flows continued to reflect strong remittance inflows which increased by US\$19.6 million (25.6%).

The outturn in the capital and financial accounts mainly reflected activity in the financial account, which declined by US\$27.2 million. The surplus on the "other official investment" (US\$11.6 million) account, combined with the surplus on the "other private investment" (US\$51.3 million) account, together with the deficit on the capital account (US\$2.9 million) were insufficient to offset the deficit on the current account. This resulted in a US\$19.9 million decline in reserves.

## Fiscal Accounts

**Note:** No new data available since March 2002

**Fiscal deficit now \$14.06B** During the April to March period of financial year 2001/02, central government's fiscal operations generated a deficit of \$14,057.7 million, \$4,559.7 million worse than budgeted (Table 12). This outturn resulted from higher than budgeted expenditure (\$5,597.3 million), which offset higher than budgeted revenue receipts (\$1,037.7 million). Revenue receipts were 1.0% above budget, after having fallen below budget from November to January of the fiscal year.

As expected following the fallout from tourism and related sectors, tax revenue was the major source of declining revenue performance, down \$5,711.8 million (5.9%) below budget. However, a J\$6,556.0 increase in capital revenue above budget more than offset the fallout from tax revenues.

Increased receipts from PAYE of \$2,653.0 million (16.3%) above budget continued to be the largest single revenue source. However, these receipts were offset by declines in receipt from tax on interest (\$1,772.3 million) and 'other companies' (\$1,191.0 million), resulting in a \$1,851.3 million outturn below budget, for receipts from income and profits.

Table 11: Balance of Payments (US\$ million)

	January - February		Change	
	2001	2002	US\$m	%
<b>Current A/C</b>	<b>-106.9</b>	<b>-79.9</b>	<b>27.0</b>	<b>-25.3</b>
<b>Goods Balance</b>	<b>-259.7</b>	<b>-244.6</b>	<b>15.1</b>	<b>-5.8</b>
Exports (fob)	237.2	205.7	-31.5	-13.3
Imports (fob)	496.9	450.3	-46.6	-9.4
<b>Service Balance</b>	<b>112.8</b>	<b>93.8</b>	<b>-19.0</b>	<b>-16.8</b>
Transportation	-34.5	-38.6	-4.1	11.9
Travel	189.7	170.4	-19.3	-10.2
Other Services	-42.4	-38.0	4.4	-10.4
<b>Income</b>	<b>-105.5</b>	<b>-85.6</b>	<b>19.9</b>	<b>-18.9</b>
Compensation	4.7	3.2	-1.5	-31.9
Investment	-110.2	-88.8	21.4	-19.4
<b>Current Transfers</b>	<b>145.5</b>	<b>156.5</b>	<b>11.0</b>	<b>7.6</b>
Official	17.0	7.0	-10.0	-58.8
Private	128.5	149.5	21.0	16.3
<b>Capital &amp; Fin. A/C</b>	<b>106.9</b>	<b>79.9</b>	<b>-27.0</b>	<b>-25.3</b>
<b>Net Capital Movement</b>	<b>-3.1</b>	<b>-2.9</b>	<b>0.2</b>	<b>-6.5</b>
Official	0.0	0.1	0.1	-
Private	-3.1	-3.0	0.1	-3.2
<b>Financial A/C</b>	<b>110.0</b>	<b>82.8</b>	<b>-27.2</b>	<b>-24.7</b>
Other Official Investment	128.9	11.6	-117.3	-91.0
Other Private Investment	118.2	51.3	-66.9	-56.6
Reserves	-137.1	19.9		

Source: Bank of Jamaica (Preliminary)

Within the production and consumption category, special consumption tax (SCT) and general consumption tax (GCT) both registered outturns of \$561.7 (9.8%) and \$2,556.3 (15.7%) below budget.

Recurrent expenditure of \$7,300.5 million (6.9%) above budget, was the main contributor to the increased expenditure. Increases above budget in domestic interest payments of J\$3,471.4 million (9.4%) and wages & salaries of \$4,795.7 million (11.4%) were mainly responsible for this outcome. There was actually a decline in expenditure on programs of \$49.2 million (0.2%).

Loan receipts continued to be above budget, with domestic receipts 47.1% above budget and 55.7% above the similar period in 2000/2001. External loan receipts have now risen 21.3% above budget and 44.8% above last year. The amortization of domestic and external debt continued to take place at faster than budgeted pace, with domestic amortization now 45.7% above budget.

Preliminary figures from the Ministry of Finance and Planning indicated that the total debt stock stood at J\$495 billion or 133% of GDP. Of this, the stock of domestic debt was approximately J\$300 billion or 81% of GDP, approximately J\$100 billion (81% GDP) of which represented the addition of FINSAC to the books. 67% of the 2001/2002 budget was used to service debt.

The government's success of raising US\$400 million on the international capital markets in May 2001 and loan inflows of US\$343 million in December were significant factors to the increased total debt stock.

### Stock Market

During May 2002, the Stock Market surged by 3,072.9 points to a record 41,280.2 points on May 15th, 2002. It subsequently corrected, giving up 78.2% of the gains made, falling to 38,878 points by month end. However, this still represented a 26.32% increase over the previous May. Market capitalization stood at \$255.14 billion at the end of May 2002, 14.9% above the \$222.0 billion at December 2001. Traded volume over the first five months of 2002 has amounted to 708 million shares valued at J\$2.53 billion, with trading in the month of May accounting for \$961.7 million or 38% of total trade.

Kingston Wharves was the most heavily traded stock with 57.29 million shares trading hands, while Grace was the value leader, with \$238.8 million trading.

The top performing stock year-to-date to June 17th, 2002 was Jamaica Producers Group which increased by 111.1% from \$4.50 to \$9.50, while the worst performer was Ciboney Group, which declined by 40% from \$0.10 to \$0.06 (*Table 13*). Returns not adjusted for transaction costs or dividends.

Table 12: Fiscal Accounts (J\$ million)

	April '01- March '02				00/'01	
	Provisional	Budget	Change		J\$m	J\$m
			J\$m	(%)		(%)
<b>Revenue &amp; Grants</b>	<b>109,733.9</b>	<b>108,696.3</b>	<b>1,037.7</b>	<b>1.0</b>	<b>1,293.7</b>	<b>1.2</b>
Tax Revenue	90,568.2	96,280.0	-5,711.8	-5.9	3,493.8	4.0
Non-Tax Revenue	4,949.3	4,588.8	360.5	7.9	-2,834.6	-36.4
Capital Revenue	9,989.5	3,433.5	6,556.0	190.9	897.4	9.9
<b>Expenditure</b>	<b>123,791.6</b>	<b>118,194.3</b>	<b>5,597.3</b>	<b>4.7</b>	<b>19,598.5</b>	<b>18.8</b>
Recurrent	113,665.2	106,364.7	7,300.5	6.9	17,884.5	18.7
Programmes	20,066.5	20,115.7	-49.2	-0.2	2,370.0	13.4
Wages and Salaries	42,588.2	37,792.6	4,795.7	12.7	7,424.5	21.1
Interest	51,010.4	48,456.4	2,554.0	5.3	8,090.1	18.8
Capital Expenditure	10,126.4	11,829.6	-1,703.2	-14.4	781.8	8.4
IMF #1 A/c	835.5	767.3	68.2	8.9	36.2	4.5
<b>Fiscal Balance</b>	<b>-14,057.7</b>	<b>-9,498.0</b>	<b>-4,559.7</b>	<b>48.0</b>	<b>-18,304.8</b>	<b>-431.0</b>
Loan Receipts	104,647.3	76,810.0	27,837.3	36.2	35,535.7	51.4
Divestment	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	90,974.2	67,242.6	23,731.6	35.3	29,216.0	47.3
<b>Overall Balance</b>	<b>-384.6</b>	<b>69.4</b>	<b>-454.0</b>	<b>-654.2</b>	<b>-11,985.0</b>	<b>-103.0</b>
<b>Primary Balance</b>	<b>36,952.7</b>	<b>38,958.4</b>	<b>-2,005.7</b>	<b>-5.1</b>	<b>-10,214.7</b>	<b>-21.7</b>

Source: Ministry of Finance and Planning



## Developments and Outlook

The Net International Reserves declined for the second consecutive month, reflecting continued volatility within the foreign exchange market. The foreign exchange market has continued to show some amount of volatility, as the daily rate has depreciated at a rate thrice (1.98%) that of 2001 (0.65%) year-to-date, albeit less than 2000 (2.10%). However, given the slow restart to the alumina industry and a weaker tourism industry (down 7.1% and 14.6% in April respectively) - the two major foreign exchange earners - some amount of volatility had to be expected. The recent US\$300 million 15 year Eurobond, with a 10.75% yield, issued by the government may have also contributed toward some of the volatility in the recent weeks. However, following the edict by the Minister of Finance that the bond was taxable for Jamaican investors, some of that demand for foreign currency may be relieved. The exchange rate may be expected to continue showing orderly upward adjustments in the near term, given the worsening balance of payments position.

Interest rates, currently at their all time low may be expected to hold firm or continue declining slightly in the near term given the expected increased level of competitiveness among the banking sector. Commercial banks' average loan rates have declined by 463 basis points over the past twelve months. However, lowering of rates may be tempered by the possibility of increased domestic Government borrowing given the severity of the damage caused by the recent flooding and heavy rains. The Government is seeking emergency relief assistance from the multilateral lending agencies, which may limit the amount of moneys that would have to be borrowed on the domestic market, but it may not be enough.

Government's tighter monetary stance on monetary policy has continued through to May, as the monetary base increased by 1.6% for the month and was down 2.2% over the past twelve months. This has contributed to a year-to-date inflation rate of 1.4%, half what it was over the same period in 2001. However, the 5% to 6% inflation target may have to be revised, given the destruction of food produce, which is the most heavily weighted factor in the Consumer Price Index.

The external trade balance, and the current account balance may be expected to worsen in the near term, given the destruction of export crops, coupled with a weak tourism industry and a slow restart in alumina production. A higher level of imports may be required to fill the expected shortfall in food, which may lead to a further deterioration of the goods balance. However, these developments may be offset by the expectation that alumina production is expected to return to maximum capacity during the second half of the year, and continued strong remittance inflows.

The total stock of debt may be expected to increase, as the Government seeks assistance to deal with disaster relief. Further, given the Government's recent success in the capital markets, they may have very little trouble in raising the first portion of the US\$500 million being sought for the fiscal program.

### Stock Market

During the month of May, the Stock market index surpassed the 40,000 point barrier for the first time, but gave up 78% of the gains made by month end. The record breaking performance of the index had been due to the improved profitability of some of the major listed companies, and the announcement of favorable dividends by some of these companies, which helped to fuel investors' bullish outlook on the market in general. The announcement by the Government at the end of April, of the imposition of a 260% tariff on some imported chicken and vegetables, also fueled the expected future profitability of Jamaica Broilers Group, a major market player in the chicken industry.

The market subsequently lost some of the gains to profit taking during the last two weeks of the month. Subsequent to that, the expectation of the Government's recently issued Eurobond may have contributed to the continued decline in the index. This as institutional and individual investors sought to position themselves to invest in the US\$ bond issue, which would have been a tax free investment, by moving some of their funds from the stock market to the bond market. The recent announcement that the bond would be taxable for Jamaican investors, have not abated the demand for the bond, which has continued to result in a declining stock market.

Table 13: Returns for listed companies on the JSE

Year-to-date Performers on the Jamaica Stock Exchange Top Five (unadjusted for dividends or transaction costs)				
	31/12/01	17/06/02	\$	%
Jamaica Producers	\$4.50	\$9.50	5.00	111.1%
Courts	\$1.55	\$3.00	1.45	93.5%
Radio Jamaica	\$1.45	\$2.75	1.30	89.7%
Jamaica Broilers	\$1.65	\$3.10	1.45	87.9%
Seprod	\$3.80	\$7.00	3.20	84.2%
Bottom Five (unadjusted for dividends or transaction costs)				
Life of Jamaica	\$2.97	\$2.80	(0.17)	-5.7%
Carreras	\$29.99	\$26.39	(3.60)	-12.0%
Island Life	\$14.00	\$10.62	(3.38)	-24.1%
GoodYear	\$9.20	\$6.40	(2.80)	-30.4%
Ciboney Group	\$0.10	\$0.06	(0.04)	-40.0%

Source: JSE and PSOJ Economic Research



**Statistical Index****Major Macro-Economic Indicators**  
**April 1999 - May 2002**

	BM		M2		NIR US\$M	Fx Dep US\$M	CPI		Tourism P	JS/US\$	Tbill %	Loan %	Sav %	Dom Debt J\$M	Fx Debt US\$M
	M	P	M	P			M	P							
Apr	0.8	-3.0	20.8	11.0	587.4	979.3	-0.1	5.5	-0.09	38.27	21.32	39.00	12.33	146,554.27	3,184.30
May	-4.2	-7.8	3.9	14.2	590.5	965.8	0.9	5.6	-0.09	38.61	21.32	39.00	12.33	147,911.39	3,167.00
Jun	-0.1	-8.5	2.1	11.8	590.6	956.8	1.3	5.0	3.43	38.96	20.16	37.89	11.96	148,688.52	3,161.80
Jul	1.7	8.2	3.6	15.5	487.0	1,032.6	1.2	5.1	-0.67	39.47	20.04	36.50	11.50	153,193.82	3,036.00
Aug	-0.7	-7.1	4.7	18.5	490.8	1,033.3	1.1	5.1	2.70	39.71	20.63	36.50	11.50	158,948.56	3,030.10
Sep	-1.6	-8.7	-0.7	15.6	526.2	1,014.7	0.3	5.3	9.28	39.88	19.21	35.92	11.50	161,571.93	3,035.00
Oct	0.4	-9.2	2.6	18.5	492.8	1,016.2	0.8	6.4	14.64	40.05	19.19	33.92	11.38	163,443.11	3,076.00
Nov	0.6	-4.5	-0.5	19.5	506.7	949.3	1.0	7.4	15.45	40.57	19.19	33.92	11.38	168,730.78	3,049.30
Dec	16.5	4.0	3.0	19.1	450.2	956.5	0.5	6.8	-2.66	41.27	22.03	33.92	11.38	176,717.47	3,024.10
Jan-00	-12.5	-5.5	-0.5	19.2	453.1	990.1	0.2	7.8	-1.47	41.75	20.54	33.92	11.38	178,340.93	2,971.00
Feb	-2.3	-8.2	0.2	18.5	590.6	1,057.6	0.4	8.2	12.10	42.25	20.05	33.92	11.38	175,492.98	3,133.10
Mar	-2.8	-7.4	0.9	18.1	703.5	1,047.1	0.7	8.4	12.05	42.15	17.96	33.92	11.38	175,322.74	3,164.80
Apr	2.9	-5.5	1.2	17.2	744.0	1,052.9	1.0	9.6	12.76	42.07	17.58	33.67	11.38	176,599.44	3,098.20
May	0.6	0.8	-0.7	11.9	776.3	1,047.3	0.4	9.2	16.93	42.29	17.64	33.67	10.90	177,180.13	3,054.70
Jun	3.6	3.7	1.6	16.2	756.5	1,042.1	0.9	8.8	10.89	42.51	17.47	33.00	10.11	181,578.09	3,053.70
Jul	0.8	4.6	-0.3	11.8	788.7	1,050.3	1.0	8.5	9.20	42.70	17.32	33.00	10.11	189,222.03	3,018.60
Aug	0.6	-3.3	0.9	7.7	935.5	1,082.5	0.9	8.2	23.29	42.89	17.04	32.75	10.11	189,666.78	3,003.80
Sep	-3.4	-5.1	1.8	9.1	935.5	1,072.4	1.0	9.0	7.58	43.85	17.13	31.50	9.96	184,337.90	3,208.60
Oct	1.4	-3.4	0.3	6.6	845.7	1,065.0	0.1	8.3	7.60	44.71	17.13	31.67	9.86	181,507.81	3,208.81
Nov	0.9	-3.2	1.1	9.6	831.7	1,077.1	0.1	7.3	9.88	45.08	17.28	31.67	9.86	184,795.00	3,265.20
Dec	12.7	-6.4	2.4	10.6	969.3	1,111.3	-0.7	6.1	8.20	45.48	20.16	31.67	9.86	187,520.03	3,375.30
Jan-01	-9.5	-3.2	-0.3	8.7	931.2	1,115.7	0.0	5.9	10.07	45.67	19.41	32.18	9.86	193,616.74	3,492.06
Feb	1.9	1.0	-0.5	8.0	1,106.6	1,128.5	1.1r	6.7r	2.82	45.76	18.27	32.18	9.86	190,384.80	3,636.78
Mar	-3.8	-0.1	1.4	8.9	1,286.3	1,117.3	0.5r	6.4	-0.08	45.70	16.88	31.33	9.84	215,084.05	3,624.30
Apr	1.6	-1.4	0.1	7.7	1,281.8	1,130.5	0.4	5.8	4.24	45.68	16.50	31.21	9.84	294,963.13	3,625.70
May	-0.5	-2.4	2	10.6	1,480.6	1,152.6	0.8	6.2	3.36	45.77	15.46	30.88	9.50	282,209.01	3,971.40
Jun	-0.9	-1.8	-0.7	8.2	1,540.5	1,154.2	1.7	7.1	-2.22	45.77	16.2	30.67	9.45	285,665.99	3,944.15
Jul	3.7	3.3	2.0	10.7	1,526.3	1,153.3	1.0	7.1	-2.62	45.78	16.45	30.33	9.18	286,340.07	3,909.50
Aug	-1.1	1.5	1.0	11.2	1,599.0	1,158.7	0.9	7.1	-8.08	45.77	16.04	28.21	9.08	292,821.99	3,923.70
Sep	-4.6	0.3	1.3	10.6	1,537.7	1,192.1	0.8	6.9	-21.73	45.94	15.10	26.96	9.08	292,262.82	3,901.60
Oct	-2.1	-1.0	0.84	11.2	1,477.5	1,222.9	0.8	7.7	-18.39	46.57	15.11	26.79	9.08	n/a	n/a
Nov	3.5	0.4	-1.12	8.72	1,477.0	1,214.0	0.1	7.7	-17.86	47.35	17.82	26.79	9.08	n/a	n/a
Dec	12.4	0.2	3.46	9.82	1,840.7	1,181.6	0.3	8.7	-15.33	47.36	17.03	26.79	9.08	309,358.11	4,146.10
Jan-02	-10.3	-0.78	-1.34	8.63	1,848.7	1,174.9	0.6	9.4	-11.6s	47.46	17.08	26.79r	9.08	n/a	n/a
Feb	3.5	0.8	1.21	10.52	1,820.9	1,197.9	-0.1	7.6	-11.76	47.51	15.93	26.63	9.02	n/a	n/a
Mar	-4.9	-0.4	1.1	2.2	1,941.7	1,239.4	0.0	7.6	-12.96	47.64	14.3	26.29	9.36	n/a	n/a
Apr	-2.3	-4.2	n/a	n/a	1,899.6	1,280.9	0.5	7.7	-14.56	47.76	13.84	26.29	9.34	n/a	n/a
May	1.6	-2.2	n/a	n/a	1,810.6	n/a	0.3	7.2	n/a	48.14	13.79	26.25	9.34	n/a	n/a

**Key:**

BM - Base Money

NIR - Net International Reserves

CPI - Consumer Price Index

Tbill - 6-month Treasury Bill Yield

Sav - Average Savings Deposit Rate

P - Point-to-Point Percentage Change

n/a - Not Available

M2 - Money Supply

FX Dep - Foreign Exchange Deposit

Tourism - Total Tourist Arrivals

Loan - Average Loan Rate

M - Monthly percentage Change

r - Revised

s - Stopover Arrivals

**Note:** Table compiled from the Bank of Jamaica, Statistical Institute of Jamaica, Ministry of Finance and Planning, Jamaica Tourist Board and the Planning Institute of Jamaica.

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