

**CONFIDENTIAL ECONOMIC****B  
ULLETIN***A Monthly Analysis of the Jamaican Economy*

Vol. 8 No. 07, July 2002

**Overview**

The Net International Reserves (NIR) of the central bank remained buoyant at US\$1.78 billion despite declining for the third consecutive month in June, while total foreign exchange deposits declined slightly to US\$1.28 billion. The foreign exchange market has continued to show some amount of resiliency, down 2.31% to mid July. Interest rates continued their downward trend as the Government reduced its reverse repurchase rates across the board during July, and the six-month Treasury Bill hovered around 13.80%. The inflation outturn over the first half of 2002 (2.3%) continued to be half what it was in for the similar period in 2001. Tourism arrivals continued to remain weak in May (-6.71%), albeit being the best monthly outturn since July 2001. Private transfers continued to be the mainstay of the balance of payments account, predicated on weaker export levels. The fiscal outturn for the first two months of 2002/03 recorded a deficit of JS\$8.1 billion predicated on lower than budgeted expenditures and lower than budgeted revenues. Meanwhile, the stock market continued to remain sluggish, as the issuance of local registered stock and bonds by the Government competed with the stock market.

While the economy still faces many challenges in its attempt to uplift the social well being of its citizens, there seems to be one unifying force that has the ability to create harmony among Jamaicans: Sports. The recently concluded World Junior Games, which transformed the National Stadium into a sea of color, jubilant fans and just a downright good time for everyone, showed the world a side of Jamaica that is not often propelled by the international media. The staging of the games was a tremendous success, not only from the perspective of the record medal haul that we got, or the fact that there were stellar individual and team performances from our athletes, or that as one of the smallest countries hosting the games, there were record crowd attendance's for the final three days. The parading of Jamaica's flag along with their own in victory laps and celebrations by the international junior athletes on the last two days, must have left an indelible impression on the minds of those watching thousands of miles away. In fact, those tens of times when the Jamaican flag was hoisted along with their own by the international athletes, must count as some of the most memorable moments during the games.

Those moments have painted the beautiful side of Jamaica to the world, which should do a lot to repair some of the damage done to our image in the past. The World Junior games could be thought of as the beginning of our advertisement campaign for the new tourism season. However, the games are finished and we need to continue tackling the crime problem until we break its back, because despite all the other economic challenges, crime still remains the major impediment to achieving our potential.

**In This Issue**

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

## Net International Reserves

The Net International Reserves (NIR) of the central bank declined by US\$28.39 million to US\$1,782.25 million, (*Table 1*) following its record high of US\$1,941.67 at the end of March 2002. Despite declining for the third consecutive month, the current level of reserves remained buoyant, representing 31.21 weeks of goods imports, when compared with 27.33 weeks of goods imports over the similar period in 2001. In terms of weeks of goods and services imports, gross reserves represented 21.26 weeks. An US\$32.96 million decline in gross foreign assets combined with a US\$4.65 million decline in gross foreign liabilities, were reflected in the lower monthly NIR level.

Table 1: NIR (US\$ million)

		Change			Imports
	NIR	Mthly	12 Mth	YTD	(Weeks)
Jun-02	1,782.25	-28.39	241.74	-58.49	31.21
Jun-01	1,540.51	59.90	784.03	570.99	27.33

*Source: Compiled from the BOJ (Preliminary)*

Source: Compiled from the BOJ (Preliminary)

## Foreign Currency Deposits

Total foreign currency deposits decreased by US\$4.03 million in May 2002, to a record US\$1,276.87 million (*Table 2*). This was the first monthly decline since January 2002. The current outturn was mainly influenced by a US\$12.28 million decline in the balances of "other" Commercial Banks accounts. Total deposits were 10.78% above those recorded at the end of May 2001.

	May-02	Change (US\$M)		%
		Mthly	12 Mth	
Total Deposits	1,276.87	-4.03	124.23	10.78
	Jun-02			
Spot Purchases	849.01	34.19	214.37	33.76
Spot Sales	836.89	27.21	180.34	27.47

Source: Compiled from the Bank of Jamaica

Deposits (US\$ million)

NIR down  
by US\$29M  
to  
US\$1.78B

FX rate  
depreciate  
by \$0.18 to  
\$48.51

The year-to-date performance of the foreign exchange market has continued to be worse than that of the corresponding 2001 period (2.31% decline vs. 0.52% decline), albeit slightly better than that of 2000 (2.78% decline). The year-to-date performance has continued to reflect a weaker tourism and alumina industry - the two major foreign exchange earners - which declined by 6.71% and 17.20% in May and June, respectively.

The weighted average monthly J\$/US\$ for June 2002 was \$48.43, \$0.29 above the previous month, and \$2.66 above June 2001. The monthly increase was the second highest since a \$0.78 increase in November 2001. However, the 12-month point-to-point movement in the rate at \$2.66 (5.80%), remained below that of the previous period at \$3.26 (7.67%).

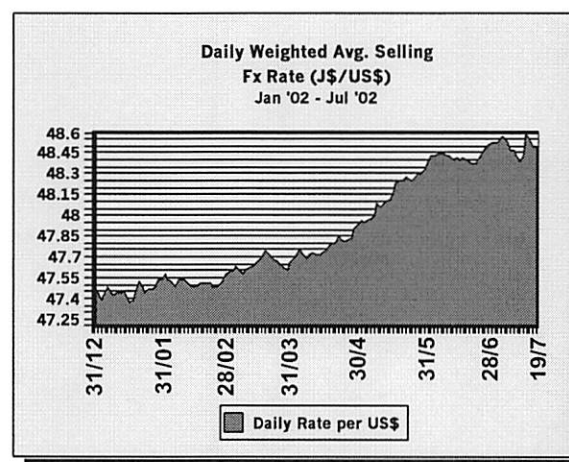


Figure 1: Daily JS/US\$ Movements

	Year-to-Date: July 19, '02						Table 3: Foreign Exchange Trends
	us\$	%	can\$	%	uk£	%	
2002	1.09	2.31	2.21	7.52	8.26	12.15	
2001	0.24	0.52	0.10	0.34	-2.55	-3.81	
2000	1.15	2.78	0.30	1.07	-1.26	-1.91	
	Monthly						
Jun-02	0.18	0.36	0.59	1.87	2.55	3.62	

Source: BOJ, PSQJ 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 orderly upward adjustment in the exchange rate in the near term. The revised forecasts are presented in *Table 4*.

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

	Forecast	Actual	Diff.
May '01	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	48.51	0.10
Jul	48.50 - 48.52		
Aug	48.54 - 48.57		
Sep	48.60 - 48.63		
Oct	48.69 - 48.71		

Source: PSOJ Economic Research

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

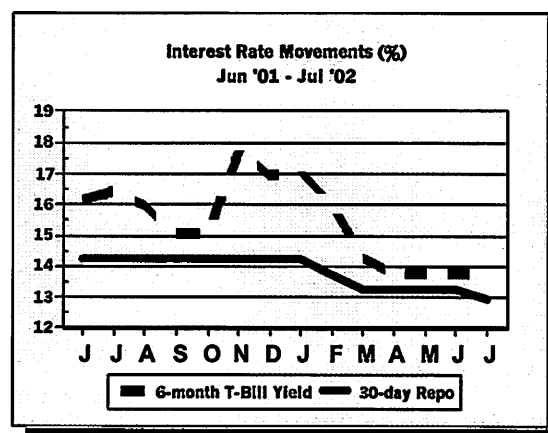
Average  
bank loan  
rate down  
33 basis  
points to  
25.92%

**Table 5: Interest Rate Movements**

	Jun-02	Change		
		Mthly	12 Mth	YTD
30 Day Repo	12.95*	-0.30	-1.30	-1.30
365 Day Repo	14.90*	-0.10	-1.00	-4.00
Avg Savings Deposit	9.00	-0.34	-0.45	-0.08
Avg Loan Rate	25.92	-0.33	-4.75	-0.87
6 Month T-bill	13.79*	-0.02	-2.86	-3.24
12 Month T-bill	14.77	-0.19	-2.16	-1.51

Source: Compiled from the Bank of Jamaica

\* - July 2002

**Figure 2: Interest Rate Movements****Interest Rates**

The market has continued to express confidence in the lower Government repo rates, which were reduced across the board in early July 2002. The 30-day reverse repurchase (repo) rate was reduced by 30 basis points to 12.95%, while the 365-day rate was reduced by 10 basis points to 14.90%. Following the reduction of repo rates, the market benchmark six-month Treasury Bill (T-Bill) yield fell 2 basis points to 13.79% (*Table 5*). The six month T-Bill has hovered around 13.80% for the past three months, after having broken the 14% barrier for the first time in April 2002.

Average commercial bank lending rates continued their downward trend during June 2002, as the average loan rate and average savings deposit rates declined by 33 and 34 basis points respectively. The average loan rate has now declined by 475 basis points over the past twelve months, with an accompanying 430 basis points reduction in the spread

Base  
money up  
0.70%  
for June

**Base Money and Money Supply**

The central bank continued in its fight to contain inflation, as the monetary base increased by 0.70% in June 2002, while broad money (M2) increased by 2.04% in April 2002 (*Table 6*). The increase in M2 was attributed to an increase in all its components (demand deposits, savings, and time components) with the exception of the currency with the public component. The twelve month movement of base money, now at -0.6%, reflected Government's tighter control on this variable in order to contain inflation. This more stringent monetary policy has continued to be reflected in reflected in the 12 month movement of M2, which has averaged 10.0% over the past 12 months, compared with 11.1% over the previous twelve month period.



Table 6: Base Money and Money Supply

	JSM	Change (%)	
	Apr-02	Mthly	12 Mth
M1	44,463.87	1.18	20.07
Quasi Money	106,047.95	2.41	9.50
M2	150,511.82	2.04	12.42
	Jun-02		
Base Money	30,893.20	0.70	-0.60

Source: Bank of Jamaica, Preliminary

Table 8: Mining Production

	Mthly Change			Y-T-D	
	Jun-01	Jun-02	%	Jan-Jun '02	%
<b>Production</b>					
Alumina	316,632	300,538	-5.1	1,753,307	-5.6
C. Bauxite	326,887	327,799	0.3	1,994,662	9.5
<b>Export</b>					
Alumina	373,573	309,201	-17.2	1,731,940	-7.0
C. Bauxite	343,397	302,985	-11.8	1,950,265	6.4

Source: Compiled from Jamaica Bauxite Institute

## Inflation

The June 2002 Consumer Price Index (CPI) increased by 0.9% over the previous month, resulting in fiscal and year-to-date inflation rates of 1.7% and 2.3% respectively (Table 7). The year-to-date outturn continued to be half what it was in 2001, which was attributable to a first quarter outturn of 0.6%. The 12 month outturn has now fallen 80 basis points below the similar period last year. (The similar period in 2001 was affected by a 1.7% hike in bus fares).

YTD  
inflation  
rate  
2.3%,  
half the  
2001  
outturn

	Percent Changes				Table Inflation Trends
	Jun	12 Mth	YTD	Fiscal	
2002	0.9	6.3	2.3	1.7	
2001	1.7	7.1	4.6	2.9	

Source: STATIN

## Tourism

Total tourist arrivals declined by 6.71% in May 2002 (year-on-year), as all categories continued to register declines (Table 9). However this was the best monthly outturn since July 2001 and may be attributed to improved stopover arrivals from South USA (second largest market in the USA) and other areas of Europe (excluding U.K and Germany). Stopovers from these regions were up 2.6% and 75% respectively, and were the only regions showing positive growth.

Total  
tourist  
arrivals  
down  
6.71% in  
May, best  
monthly  
outturn  
since July  
2001.

	2001	2002	Change	
		Jan-May	May	
<b>Stopover</b>	588,930	520,310	-11.65%	-5.20%
Foreign	556,013	490,948	-11.70%	-5.52%
National	32,917	29,362	-10.80%	-0.65%
<b>Cruise</b>	434,712	377,640	-13.13%	-9.35%
<b>Total</b>	1,023,642	897,950	-12.28%	-6.71%
<b>US\$*</b>	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 June 2002 declined for the eighth consecutive month, down 5.08% (Table 8) over the corresponding 2001 period. Alumina production has declined by 5.64% over the first half of 2002. This performance has continued to reflect the effects of heavy flood rains and industrial action during the last quarter of 2001. However, crude bauxite has continued its positive performance, albeit increasing by a mere 0.28%. Production of crude bauxite was up 9.50% over the first half of 2002. The export of alumina continued to remain sluggish over the first half of 2002 - down 6.95% - while crude bauxite was up 6.36%.

**Sugar and Banana:** Production of Sugar and Bananas continued to remain weak, as they both declined by 14.74%

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

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 by products. All categories of capital goods declined, with the exception of 'other capital', which increased by 25.5%.

January  
to

February

### Balance of Payments

The deficit on the current account improved by US\$31.7 million, to US\$147.5 million over the first quarter of 2002. (Table 11). This was primarily driven by an improvement in current transfers, combined with a reduction in the income account.

The deficit on the goods balance improved by US\$33.5 million as exports declined by US\$33.5 million but was offset by a US\$76.3 million decline in imports.

The services account balance continued to register a negative outturn, declining by US\$38.7 million to US\$114.6 million.

M for  
first

	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
Bauxite	15.63	18.69	3.06	19.56
Alumina	111.44	94.97	-16.47	-14.78
Sugar	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
Durables	55.73	67.39	11.66	20.92
Raw Materials	315.86	259.23	-56.63	-17.93
Fuels	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

Table 10:  
External Trade (US\$ million)

This was mainly driven by a US\$51.7 million reduction in net travel receipts and a US\$3.9 million increase in transportation costs. These more than offset a US\$16.9 million improvement in costs for 'other services'. The income account improved by US\$6.8 million, primarily due to a US\$8.4 million reduction in the outflow of investment income.

The current transfers account was reflective of an increase in private transfer flows of US\$31.7 million, which offset a US\$10.9 million reduction in official transfers. Private transfer flows continued to reflect strong remittance inflows averaging an increase of 25%.

The outturn on the capital and financial accounts mainly reflected activity on the financial account, which declined by US\$31.6 million. The surplus on the "other official investment" (US\$52.1 million) account, combined with the surplus on the "other private investment" (US\$201.5 million) account, together with the deficit offset the deficit on the US\$100.9 million increase

	January - March		Change	
	2001	2002	US\$m	%
<b>Current A/C</b>	-179.2	-147.5	31.7	-17.7
<b>Goods Balance</b>	-417.4	-374.6	42.8	-10.3
Exports (fob)	359.3	325.8	-33.5	-9.3
Imports (fob)	776.7	700.4	-76.3	-9.8
<b>Service Balance</b>	153.3	114.6	-38.7	-25.2
Transportation	-51.3	-55.2	-3.9	7.6
Travel	318.6	266.9	-51.7	-16.2
Other Services	-114.0	-97.1	16.9	-14.8
<b>Income</b>	-126.5	-119.7	6.8	-5.4
Compensation	4.2	2.6	-1.6	-38.1
Investment	-130.7	-122.3	8.4	-6.4
<b>Current Transfers</b>	211.4	232.2	20.8	9.8
Official	21.6	10.7	-10.9	-50.5
Private	189.8	221.5	31.7	16.7
<b>Capital &amp; Fin. A/C</b>	179.2	147.5	-31.7	-17.7
<b>Net Capital Movement</b>	-5.1	-5.2	-0.1	2.0
Official	1.8	1.9	0.1	5.6
Private	-6.9	-7.1	-0.2	2.9
<b>Financial A/C</b>	184.3	152.7	-31.6	-17.1
Other Official Investment	115.0	52.1	-62.9	-54.7
Other Private Investment	386.1	201.5	-184.6	-47.8
Reserves	-316.8	-100.9		

Source: Bank of Jamaica (Preliminary)

## Fiscal Accounts

During the April to May period of financial year 2002/03, central government's fiscal operations generated a deficit of \$8,106.17 million, \$470.1 million better than budgeted (Table 12). This outturn resulted from lower than budgeted expenditure (\$1,207.8 million), which offset lower than budgeted revenue receipts (\$737.8 million). Revenue receipts were 4.5% below budget, while expenditures were 4.9% below budget.

Fiscal  
deficit  
now  
\$8.1B  
Apr-May  
'02/'03

The major sources of revenue fallout were registered by declines in tax revenue (down 279.5 million), and nontax revenue, (down 378.3 million) respectively.

The poor performance in tax revenue mainly resulted from a \$532.7 million outturn below budget from Income and Profits, and a \$291.1 outturn below budget from International trade".

was affected by a \$569.8 million outturn "Tax on Interest" due to falling interest rates. was affected by a \$415 million (47.4%), and 6.2%) outturn below budget from GCT and respectively.

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

Within the production and consumption category, special consumption tax (SCT) and general consumption tax (GCT) both registered outturns of \$419.4 million (49.1%) and \$81.4 million (15.7%) above budget.

Recurrent expenditure of \$1,094.8 million (4.8%) below budget, was the main contributor to the lower expenditure outturn. This was reflected in lower than budgeted spending in all areas of recurrent expenditure, as programmes, wages and salaries and interest payments were below budget. However, the domestic portion of interest payments was 3.3% above budget.

Loan receipts continued to be above budget, with domestic receipts 31.9% above budget, and 178.3% above the similar period in 2001/2002. External loan were made up entirely of project loans amounting to \$403.9 million. The amortization of domestic and external debt was at a slower than budgeted pace, with domestic amortization now 4.9% below budget, while external amortization was 10.2% below budget.

Preliminary figures from the Ministry of Finance and Planning indicated that the total del 133% of GDP. Of this, t approximately J\$300 billion (81% GDP) of wh FINSAC to the books. 67% to service debt.

**Table 12: Fiscal Accounts (J\$ million)**

	April '02- May '02				01/'02	
	Provisional	Budget	J\$m	(%)	J\$m	(%)
<b>Revenue &amp; Grants</b>	<b>15,582.4</b>	<b>16,320.2</b>	<b>-737.8</b>	<b>-4.5</b>	<b>54.5</b>	<b>0.4</b>
Tax Revenue	14,641.4	14,920.8	-279.5	-1.9	712.1	5.1
Non-Tax Revenue	440.5	818.8	-378.3	-46.2	25.6	6.2
Bauxite Levy	301.9	396.1	-94.3	-23.8	-41.1	-12.0
Capital Revenue	157.2	156.7	0.5	0.3	-640.3	-60.3
<b>Expenditure</b>	<b>23,688.4</b>	<b>24,896.3</b>	<b>-1,207.8</b>	<b>-4.9</b>	<b>1,030.9</b>	<b>4.5</b>
Recurrent	21,907.5	23,002.3	-1,094.8	-4.8	2,433.4	12.5
Programmes	4,388.2	5,167.0	-778.8	-15.1	-1,094.3	-20.0
Wages and Salaries	7,369.5	7,418.1	-48.7	-0.7	1,125.1	18.0
Interest	10,149.8	10,417.2	-267.4	-2.6	2,402.6	31.0
Domestic	8,044.8	7,784.6	260.2	3.3	1,172.3	17.1
Capital Expenditure	1,781.0	1,894.0	-113.0	-6.0	-1,402.5	-44.1
<b>Fiscal Balance</b>	<b>-8,106.1</b>	<b>-8,576.1</b>	<b>470.1</b>	<b>-5.5</b>	<b>-976.4</b>	<b>13.7</b>
Loan Receipts	8,227.1	6,237.0	1,990.1	31.9	5,271.2	178.3
Domestic	7,823.1	5,961.0	1,862.1	31.2	5,057.1	182.8
Amortization	7,921.5	8,481.2	-559.7	-6.6	-16,137.0	-67.1
Domestic	5,496.1	5,779.2	-283.1	-4.9	-16,435.1	-74.9
<b>Overall Balance</b>	<b>-7,800.5</b>	<b>-10,820.4</b>	<b>3,019.9</b>	<b>-27.9</b>	<b>20,431.7</b>	<b>-72.4</b>
<b>Primary Balance</b>	<b>2,043.8</b>	<b>1841.1</b>	<b>202.7</b>	<b>11.0</b>	<b>1,426.1</b>	<b>230.9</b>

Source: Ministry of Finance and Planning

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 the first six months of 2002, the Stock Market outdid its performance over the similar period of 2001. Most notably, the index attained a record level of 41,280.2 points on May 15th, 2002. However the index only increased by 14.1% compared to 23.64% in 2001. The average number of daily transactions was 115 in 2002, compared with 93 the previous year. Average daily volume was almost twice that of 2001, being 6.24 million shares versus 3.14 million shares. The average daily value of traded shares was \$25.47 million versus \$16.15 million.

However, 2001 has so far outdone 2002 in terms of average price appreciation. For the first half of 2002, average price appreciation was 1.07% for 2001. This is due to the large price appreciation in the first half of 2001, which was not sustainable.





## Developments and Outlook

The Net International Reserves declined for the third consecutive month, reflecting continued upward orderly adjustment in the foreign exchange market. The daily J\$/US\$ rate has depreciated at a rate four times (2.31%) that of 2001 (0.52%) year-to-date, albeit less than 2000 (2.78%). The continued slow restart to the alumina (exports was down 7.0% to June) and tourism industries (total arrivals down 12.28% to May) - the two major foreign exchange earners - may continue to result in further slight upward adjustments.

The Government's reduction of repo rates across the board in July, with the 30-day repo at its lowest level, indicates the government's continued commitment to reducing interest rates, as outlined in its new 2002 Staff Monitored Program (SMP). An orderly foreign exchange market has allowed the lowering of rates, but even more importantly year-to-date inflation is half what it was over the first six months of 2001. Government's continued tighter monetary stance has contributed to a 0.6% decline in the monetary base over the past twelve months, which augurs well for maintaining the current inflation trend and achieving the 6% inflation target. However, starchy food prices may be increased later during the year, as the agriculture sector may struggle to recover from the recent flood rains.

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 fiscal accounts for April to May 2002 has demonstrated that government is trying to match the shortfall in revenues by cutting back on expenditures. In fact all sectors of recurrent expenditures were lower than budgeted. However, total expenditures may fall in the red later in the year, as the damage caused by the recent floods are reflected on the books. The Government's effort to be more stringent at tax collecting should improve the revenue side as the year progresses, but may be offset somewhat by a large reduction in tax on interest, due to falling interest rates.

Tourism arrivals continued to remain sluggish, down 6.7% in May. However, Jamaica's second largest in the US (South) along with the nontraditional European markets are showing positive outturns, which may be good news for tourism. In fact those are the only two markets registering positive arrivals for May. The launch of the regional tourism advertisement campaign in August should reap benefits for the sector.

The forthcoming 10-year regional tourism plan by the Caribbean Tourism Organization will be important in identifying strategies that will enable the Caribbean overcome the events of September for the longer term.

### Stock Market

The stock market has been sluggish since its record breaking performance in May, when the index surpassed the 40,000 point barrier for the first time. While the initial retraction in the market may have been attributed to profit taking, the current passive state of the market may be attributed in large part to the fixed income market, as investors swap equities for safety of government debentures and global bonds, despite falling interest rates. This lends credence to the position that the stock market is still in need of more participants to maintain a reasonable level of liquidity.

Nevertheless, the performance of the listed companies, which have continued to register higher levels of profitability, may see another surge in the market before year end, although the timing of elections, if held this year, may impact on the market somewhat.

Year-to-date Performers on the Jamaica Stock Exchange Top Five (unadjusted for dividends or transaction costs)				
	31/12/01	19/07/02	\$	%
Jamaica Producers	\$4.50	\$9.50	5.00	111.1%
Pegasus	\$1.10	\$2.30	1.20	109.1%
Radio Jamaica	\$1.45	\$3.00	1.55	106.9%
Courts	\$1.55	\$3.03	1.48	95.5%
Seprod	\$3.80	\$7.20	3.40	89.5%
Bottom Five (unadjusted for dividends or transaction costs)				
Life of Jamaica	\$2.97	\$2.49	(0.48)	-16.2%
Carreras	\$29.99	\$24.99	(5.00)	-16.7%
Island Life	\$14.00	\$10.65	(3.35)	-23.9%
GoodYear	\$9.20	\$5.85	(3.35)	-36.4%
Ciboney Group	\$0.10	\$0.06	(0.04)	-40.0%

Source: JSE and PSOJ Economic Research

r listed companies on the JSE

**Statistical Index**  
**Major Macro-Economic Indicators**

	BM		M2		NIR	Fx Dep	CPI		Tourism	JS/US\$	Tbill	Loan	Sav	Dom Debt	Fx Debt
	M	P	M	P	US\$M	US\$M	M	P	P		%	%	%	J\$M	US\$M
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	297,661.94	3,881.80
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	299,496.33	3,840.40
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	295,165.93	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	297,181.62	4,107.50
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	298,316.27	4,098.60
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	300,201.53	4,135.30
Apr	-2.3	-4.2	2.04	12.24	1,899.6	1,280.9	0.5	7.7	-14.56	47.76	13.84	26.29	9.34	n/a	4,144.90
May	1.6	-2.2	n/a	n/a	1,810.6	1,276.7	0.3	7.2	-12.28	48.14	13.79	26.25	9.34	n/a	n/a
Jun	0.7	-0.6	n/a	n/a	1,782.3	n/a	0.9	7.1	n/a	48.43	13.81	25.92	9.00	n/a	n/a
Jul											13.79				

April  
1999 -  
July 2002

**Key:**

BM - Base Money

NIR - Net International Reserves

CPI - Consumer Price Index

Tbill - 6-month Treasury Bill Yield

Save - 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.

The contents of this bulletin are only for use by the addressee. The information is provided on a strictly confidential basis to subscribers.  
Copyright Reserved (c) 2002.

All opinions and estimates constitute the PSOJ's judgment as of the date of the bulletin and are subject to change without notice.