

**Overview**

The Net International Reserves (NIR) of the central bank remained buoyant at US\$1.74 billion despite declining for the fourth consecutive month in July, while total foreign exchange deposits declined slightly to US\$1.27 billion in June. The foreign exchange market has continued to show some amount of resiliency, down 2.95% to mid August. 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 13.78%. The inflation outturn over the first seven months of 2002 (3.8%) continued to be less than it was for the similar period in 2001. Tourism arrivals continued to remain weak in June (-10.85%), 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 to July was J\$12.33 billion predicated on lower than budgeted expenditures which offset lower than budgeted revenues. Meanwhile, the stock market continued to remain sluggish, most likely a result of the issuance of local registered stocks and bonds by the government of Jamaica.

In celebrating forty years of independence Jamaica has faced many obstacles and overcome many challenges. The current economic environment also presents challenges that the next political party that forms the Government will be faced with. However, the economy has showed some amount of resiliency over the past twelve months, given the severity of international and domestic shocks. In fact the IMF's Article IV Consultation report has reflected on the fact that Jamaica has performed better than most of its Caribbean neighbors whose economies are also heavily dependent on tourism. However, given an economy that has only eked out a less than one percent average growth rate over the past forty years, a large debt burden, and the problem of crime and violence, there is a considerable way to go.

The recent record drug haul by the narcotics police is worthy commendation as the police continue their crackdown on drugs, which remains a significant contributor to the incidence of crime and violence.

Further afield, the proposed establishment of a Regional Stabilization Fund (RSF), by Caricom heads of Governments, will serve an important role in keeping faltering Caricom economies afloat. While the details of the rules Governing the fund are being carefully worked out, the fund will certainly serve to improve regional integration.

On the international scene, the potential crises in the Middle East and the possibility of a US invasion of Iraq sometime in the future may impact on the Jamaican economy, given our direct link to the US. The record US\$30 billion IMF loan to Brazil has mitigated a potentially volatile situation in emerging market bonds, with special emphasis on Latin America. However, that country still has to deal with the uncertainty of a presidential election in October.

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### Net International Reserves

The Net International Reserves (NIR) of the central bank declined by US\$38.32 million to US\$1,743.93 million, (Table 1). Despite declining for the fourth consecutive month, the current level of reserves remained buoyant, representing 30.56 weeks of goods imports, when compared with 27.08 weeks of goods imports over the similar period in 2001. In terms of weeks of goods and services imports, gross reserves represented 20.67 weeks. A US\$38.52 million decline in gross foreign assets combined with a US\$0.20 million decline in gross foreign liabilities, were reflected in the lower monthly NIR level.

NIR down  
by US\$38M  
to US\$1.74B

FX rate  
down by  
2.92%  
year-to-date

The year-to-date performance of the foreign exchange market has continued to be worse than that of the corresponding 2001 period (2.95% decline vs. 0.53% decline), albeit slightly better than that of 2000 (3.42% decline). The year-to-date performance has continued to reflect a weaker tourism and alumina industry - the two major foreign exchange earners - which have declined by 12.28% and 7.0% year-to-date to May and June, respectively.

The weighted average monthly JS/US\$ for July 2002 was \$48.50, \$0.07 above the previous month, and \$2.72 above July 2001. The current 12-month point-to-point movement in the rate at \$2.72 (5.94%), remained below that of the previous period at \$3.08 (7.21%).

Table 1: NIR (US\$ million)

|        | NIR      | Change |        | Imports |
|--------|----------|--------|--------|---------|
|        |          | Mthly  | 12 Mth |         |
| Jul-02 | 1,743.93 | -38.32 | 217.77 | -96.81  |
| Jul-01 | 1,526.16 | -14.35 | 737.48 | 556.64  |
|        |          |        |        | 27.08   |

Source: Compiled from the BOJ (Preliminary)

### Foreign Currency Deposits

Total foreign currency deposits decreased marginally by US\$2.64 million in June 2002, to US\$1,270.62 million (Table 2), following its record performance the previous month. The current outturn was mainly influenced by an US\$8.43 million decline in the balances of "other" Commercial Banks accounts. Total deposits were 11.40% above those recorded at the end of June 2001.

Table 2: FX Deposits (US\$ million)

|                | Jun-02   | Change (US\$M) |        | % 12 Mth |
|----------------|----------|----------------|--------|----------|
|                |          | Mthly          | 12 Mth |          |
| Total Deposits | 1,270.62 | -2.64          | 116.46 | 11.40    |
| 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

### Foreign Exchange Rates

The foreign exchange market (daily JS/ US\$ weighted average selling rate) continued to show some amount of upward movement during July 2002. The JS lost \$0.14 (Table 3) to \$48.78 at the end of the month, following its \$0.18 loss the previous month.

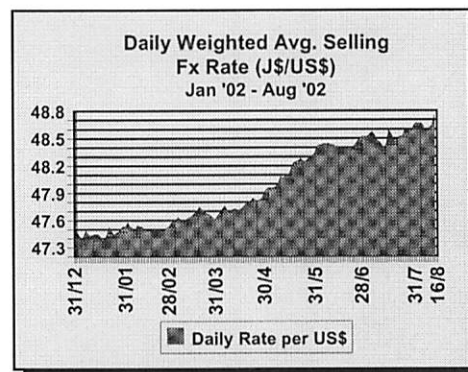


Figure 1: Daily JS/US\$ Movements

FX Deposits  
down to  
US\$1.27B

Table 3: Foreign Exchange Trends

|        | Year-to-Date: Aug 16, '02 |      |       |       |       |       |
|--------|---------------------------|------|-------|-------|-------|-------|
|        | us\$                      | %    | can\$ | %     | uk£   | %     |
| 2002   | 1.40                      | 2.95 | 1.71  | 5.82  | 6.77  | 9.97  |
| 2001   | 0.24                      | 0.53 | 0.33  | 1.13  | -2.08 | -3.11 |
| 2000   | 1.42                      | 3.42 | 0.95  | 3.40  | -2.74 | -4.15 |
|        | Monthly                   |      |       |       |       |       |
| Jun-02 | 0.14                      | 0.28 | -0.31 | -0.99 | 4.83  | 6.86  |

Source: BOJ, PSJO Economic Research

**Short Term Forecasts**

The upcoming period of seasonal demand pressures (September to November) may be expected to test the resiliency of the domestic currency. Given the continued weaker balance of payments position, compounded by a fallout in tourism receipts and a slow start by the alumina industry, we 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     | 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 | 48.65  | 0.13  |
| Aug     | 48.78 - 48.80 |        |       |
| Sep     | 48.83 - 48.85 |        |       |
| Oct     | 48.88 - 48.90 |        |       |
| Nov     | 48.92 - 48.94 |        |       |

Source: PSQJ Economic Research

**Interest Rates**

The Government has continued to reinforce its intention to reduce interest rates, as outlined in its Staff Monitored Program. Reverse repurchase (repo) rates were reduced across the board in July 2002. The 30-day repo rate was reduced by 30 basis points to 12.95%, while the 365-day rate was reduced twice - by 10 basis points to 14.90% and then by 40 basis points to 14.50%. The market benchmark six-month Treasury Bill (T-Bill) yield fell 1 basis point to 13.78% in July (*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 remained flat at 25.92% but average savings deposit rates declined marginally by 3 basis points to 8.97% - the lowest in a decade. The spread between both rates is now 16.95%.

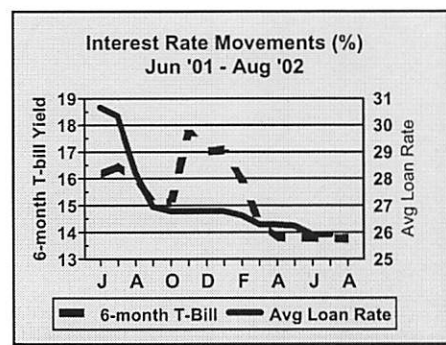
**Table 5: Interest Rate Movements**

|                     | Jul-02 | Change |        |       |
|---------------------|--------|--------|--------|-------|
|                     |        | Mthly  | 12 Mth | YTD   |
| 6 month T-Bill rate | 12.95  | -0.30  | -1.30  | -1.30 |
| 30 Day Repo         | 14.50  | -0.50  | -1.40  | -1.40 |
| Avg Savings Deposit | 8.97   | -0.03  | -0.21  | -0.11 |
| Avg Loan Rate       | 25.92  | 0.00   | -4.41  | -0.87 |
| 6 Month T-bill      | 13.78* | -0.01  | -2.26  | -3.25 |
| 12 Month T-bill     | 14.77  | 0.00   | -2.16  | -1.51 |

Source: Compiled from the Bank of Jamaica

\* Six-month T-Bill for August

6 month  
T-Bill rate  
down 2  
basis  
points to  
record low  
13.79%  
  
Average  
bank loan  
flat at  
25.92%

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

The central bank continued in its fight to contain inflation, as the monetary base increased by 3.0% in July 2002, while broad money (M2) declined by 0.80% in May 2002 (*Table 6*). The decline in M2 was attributed to declines in the demand deposits and time components of M2. Despite the monthly 3.0% increase in base money, the twelve month movement now at negative 1.30%, continued to reflect Government's tighter control on this variable in order to contain inflation. The 12 month movement of M2 has averaged 10.2% over the past 12 months, compared with 9.8% over the previous twelve month period.

Base  
money up  
3.0% for  
July

Table 6: Base Money and Money Supply

|             | JSM        | Change (%) |        |
|-------------|------------|------------|--------|
|             | May-02     | Mthly      | 12 Mth |
| M1          | 42,745.14  | -3.87      | 11.73  |
| Quasi Money | 106,564.54 | 0.49       | 8.36   |
| M2          | 149,309.68 | -0.80      | 9.30   |
|             | Jul-02     |            |        |
| Base Money  | 31,831.67  | 3.00       | -1.30  |

Source: Bank of Jamaica, Preliminary

Table 8: Mining Production

|                   | Mthly Change |         |      | Y-T-D       |      |
|-------------------|--------------|---------|------|-------------|------|
|                   | Jul-01       | Jul-02  | %    | Jan-Jul '02 | %    |
| <b>Production</b> |              |         |      |             |      |
| Alumina           | 329,805      | 314,193 | -4.7 | 2,067,500   | -5.5 |
| C. Bauxite        | 336,841      | 312,875 | -7.1 | 2,307,537   | 6.9  |
| <b>Export</b>     |              |         |      |             |      |
| Alumina           | 281,399      | 375,406 | 33.4 | 2,107,346   | -1.7 |
| C. Bauxite        | 335,005      | 340,461 | 1.6  | 2,290,726   | 5.6  |

Source: Compiled from Jamaica Bauxite Institute

### Inflation

The July 2002 Consumer Price Index (CPI) increased by 1.5% over the previous month, resulting in fiscal and year-to-date inflation rates of 3.2% and 4.0% respectively (Table 7). Despite the high monthly outturn, the year-to-date outturn continued to be significantly less than what it was in 2001. The 12 month outturn and fiscal outturns are also below 2001 levels. The current monthly outturn was affected by higher prices for vegetables and starchy foods, which impacted the heavily weighted food and drink category.

YTD inflation rate 3.8%, 190 basis points below 2001 outturn

Table 7: Inflation Trends

|      | Percent Changes |        |     |        |
|------|-----------------|--------|-----|--------|
|      | Jul             | 12 Mth | YTD | Fiscal |
| 2002 | 1.5             | 6.8    | 3.8 | 3.2    |
| 2001 | 1.0             | 7.1    | 5.7 | 4.0    |

Source: STATIN

### Tourism

Total tourist arrivals declined by 2.33% in June 2002 (year-on-year), as all categories except cruise arrivals register declines (Table 9). This was the best monthly outturn since June 2001 and may be attributed to improved stopover arrivals from South USA and other areas of Europe (excluding U.K. and Germany).

Table 9: Tourist Arrivals

|                 | 2001      | 2002      | Change  |         |
|-----------------|-----------|-----------|---------|---------|
|                 |           | Jan-Jun   | Jan-Jun | Jun     |
| <b>Stopover</b> | 709,042   | 634,015   | -10.58% | -5.33%  |
| Foreign         | 667,049   | 596,985   | -10.50% | -4.50%  |
| National        | 41,993    | 37,030    | -11.82% | -15.51% |
| <b>Cruise</b>   | 486,441   | 431,765   | -11.24% | 4.63%   |
| <b>Total</b>    | 1,195,483 | 1,065,780 | -10.85% | -2.33%  |
| US\$*           | 574.00    | 497.30    | -13.36% | -       |

Source: Jamaica Tourist Board

\* - Data available for May '02 only

Total tourist arrivals down 2.33% in June, best monthly outturn since July 2001.

### Production of Selected Commodities

**Mining:** Total alumina production for July 2002 declined for the ninth consecutive month, down 4.7% (Table 8) over the corresponding 2001 period. Alumina production has declined by 5.5% over the first seven months of 2002. This performance has continued to reflect the effects of heavy flood rains, a weaker global economy and industrial action. Production of crude bauxite was up 6.9% over the first seven months of 2002. The export of alumina continued to remain sluggish over the seven months of 2002 - down 1.7% - while crude bauxite was up 5.63%.

**Sugar and Banana:** Production of Sugar and Bananas continued to remain weak, as they both declined by 14.74% and 10.67% to 26,080 tonnes and 3,850 tonnes respectively, during May 2002.

### External Trade

The deficit on the external trade account improved over the January to March 2002 period, declining by US\$49.67 million (Table 10), led by a US\$83.11 million decline in the value of imports.

#### Exports:

The value of total goods exports (f.o.b.) was down 9.3% given declines in all categories of exports, viz-a-viz major traditional (9.4%), non-traditional (13.6%), and other-traditional (0.4%) exports. In the major traditional group, a strong performance from bauxite (15.4%) was not enough to offset declines in the value of alumina (8.0%), sugar (-58.1%) and bananas (-6.6%) exports. Alumina was affected by a 12% decline in prices.

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.

Earnings from rum continued to be the mainstay of the 'other traditional group', increasing by US\$1.75 million (26.7%) while coffee fell by 12.5%. Coffee, which accounted for 42% of the earnings from this group, declined by 12.5% due to weaker prices. Non traditional exports continued to decline as two of the major contributors to the group - Fish and Yams, declined.

Earnings from garment exports continued to be eroded, declining by 62.1% (US\$15.4 million) over the review period to US\$9.4 million, compared with US\$24.8 million in 2001.

#### Imports:

The value of total goods imports (c.i.f.) declined by 9.2% for the review period, which mirrored a US\$80.88 million (9.2%) decline in the value of merchandise imports. The performance of merchandise imports mainly reflected declines in the value of raw materials (17.5%) and capital goods (6.9%) respectively, while growth in consumer goods increased (7.0%).

The outturn within the raw materials category was influenced by a US\$66.20 million (38.2%) decline in fuel imports and a

External  
trade  
deficit  
improve  
by  
9.1%

January to  
March

US\$19.6 million (6.2%) 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 (21.1%) and food (4.8%). This reflects improved credit conditions within the domestic market, leading to increased demand for these products. The decline in capital goods mainly reflected a US\$148.71 million (47.5%) in transport and equipment.

#### 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.

Current  
account  
improve  
by  
US\$31.7M

for first  
quarter of  
2002

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.

Table 10: External Trade (US\$ million)

|                            | Jan-Mar '01    | Jan-Mar '02    | Change        | % Change     |
|----------------------------|----------------|----------------|---------------|--------------|
| <b>Total Exports (fob)</b> | <b>359.31</b>  | <b>325.87</b>  | <b>-33.44</b> | <b>-9.31</b> |
| Major Traditional          | 222.25         | 201.27         | -20.98        | -9.44        |
| Bauxite                    | 23.98          | 27.66          | 3.68          | 15.36        |
| Alumina                    | 163.85         | 150.79         | -13.06        | -7.97        |
| Sugar                      | 29.57          | 18.31          | -11.27        | -38.10       |
| Other Traditional          | 19.00          | 18.93          | -0.08         | -0.41        |
| Non-Traditional            | 67.28          | 58.14          | -9.14         | -13.58       |
| Re-Exports                 | 7.52           | 3.76           | -3.77         | -50.07       |
| Freezone Exports           | 35.48          | 35.98          | 0.50          | 1.41         |
| Goods Procured in Ports    | 7.80           | 7.80           | 0.00          | 0.00         |
| <b>Total Imports (cif)</b> | <b>902.56</b>  | <b>819.45</b>  | <b>-83.11</b> | <b>-9.21</b> |
| Consumer Goods             | 225.15         | 240.90         | 15.75         | 6.99         |
| Durables                   | 86.78          | 105.07         | 18.29         | 21.08        |
| Raw Materials              | 491.69         | 405.88         | -85.81        | -17.45       |
| Fuels                      | 173.20         | 106.99         | -66.21        | -38.23       |
| Capital Goods              | 157.92         | 147.10         | -10.82        | -6.85        |
| Free-zone Imports          | 19.69          | 16.57          | -3.12         | -15.87       |
| Goods Procured in Ports    | 8.10           | 9.00           | 0.90          | 11.11        |
| <b>Trade Balance</b>       | <b>-543.25</b> | <b>-493.58</b> | <b>49.67</b>  | <b>-9.14</b> |

Source: Compiled from STATIN and BOJ

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 which increased by 23.6%.

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 on the capital account (US\$5.2 million) offset the deficit on the current account. This resulted in a US\$100.9 million increase in reserves.

### Fiscal Accounts

During the April to June period of financial year 2002/03, central government's fiscal operations generated a deficit of \$12,333.2 million, \$755.5 million better than budgeted (Table 12). This outturn resulted from lower than budgeted expenditure (\$2,946.7 million), which offset lower than budgeted revenue receipts (\$2,191.2 million). Revenue receipts were 8.2% below budget, while expenditures were 7.4% below budget.

Fiscal  
deficit  
now  
\$12.3B  
Apr-Jun  
'02/'03

The major sources of revenue fallout were registered by declines in tax revenue (down \$1,344.4 million), and nontax revenue, (down \$342.0 million) respectively.

The poor performance in tax revenue mainly resulted from a \$1,326.0 million outturn below budget from Income and Profits, and a \$595.8 million outturn below budget from International trade". Income and Profits was affected by a \$1,249.9 million (40.4%) outturn below budget on "Tax on Interest" due to falling interest rates. International trade was affected by a \$484 million (38.2%), outturn below budget from SCT on imports, respectively.

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

|                               | 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)

Within the production and consumption category, special consumption tax (SCT) and general consumption tax (GCT) both registered outturns of \$333.1 million (25.5%) and \$182.4 million (4.8%) above budget.

Recurrent expenditure of \$2,582.9 million (7.0%) 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 except wages and salaries, which was up 2.5%. Interest payments which were down \$2,240.3 (12.6%) reflected that the domestic portion of interest payments were \$1,833.1 million (13.5%) below budget.

Loan receipts continued to be below budget, with domestic receipts 16.7% below budget while external receipts were 0.4% below budget. The amortization of domestic debt was at a slower than budgeted pace, but external amortization was 142.9% 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 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 \$400 million on the international capital markets in May 2001 and loan inflows of \$343 million in December were significant factors to the increased total debt stock.

### Stock Market

Table 13: Returns for listed companies on the JSE

| Year-to-date Performers on the Jamaica Stock Exchange<br>Top Five (unadjusted for dividends or transaction costs) |          |          |        |        |
|---|----------|----------|--------|--------|
|   | 31/12/01 | 16/08/02 | \$     | %      |
| Mobay Ice   | \$3.40   | \$9.00   | 5.60   | 164.7% |
| Pegasus   | \$1.10   | \$2.50   | 1.40   | 127.3% |
| Seprod  | \$3.80   | \$8.50   | 4.70   | 123.7% |
| Courts  | \$1.55   | \$3.41   | 1.86   | 120.0% |
| Jamaica Producers   | \$4.50   | \$9.50   | 5.00   | 111.1% |
| Bottom Five (unadjusted for dividends or transaction costs)   |          |          |        |        |
| Life of Jamaica   | \$2.97   | \$2.60   | (0.37) | -12.5% |
| Carreras  | \$29.99  | \$26.00  | (3.99) | -13.3% |
| Island Life   | \$14.00  | \$10.65  | (3.35) | -23.9% |
| Ciboney Group   | \$0.10   | \$0.06   | (0.04) | -40.0% |
| Goodyear  | \$9.20   | \$5.40   | (3.80) | -41.3% |

Source: Compiled from the JSE

Table 12: Fiscal Accounts (J\$ million)

|                             | April '02-Jun '02 |                  | 01/'02          |               |                 |              |
|-----------------------------|-------------------|------------------|-----------------|---------------|-----------------|--------------|
|                             | Provisional       | Budget           | Change          |               | Change          |              |
|                             |                   |                  | J\$m            | (%)           | J\$m            | (%)          |
| <b>Revenue &amp; Grants</b> | <b>24,479.3</b>   | <b>26,670.5</b>  | <b>-2,191.2</b> | <b>-8.2</b>   | <b>-125.7</b>   | <b>-0.5</b>  |
| Tax Revenue                 | 23,106.3          | 24,106.3         | -1,344.4        | -5.5          | 1,461.3         | 6.8          |
| Non-Tax Revenue             | 751.6             | 1,093.6          | -342.0          | -31.3         | 104.7           | 16.2         |
| Bauxite Levy                | 395.6             | 616.0            | -220.5          | -35.8         | -112.3          | -22.1        |
| Capital Revenue             | 162.6             | 186.0            | -23.4           | -12.6         | -1,554.8        | -90.5        |
| <b>Expenditure</b>          | <b>36,812.4</b>   | <b>39,759.1</b>  | <b>-2,946.7</b> | <b>-7.4</b>   | <b>1,248.5</b>  | <b>3.5</b>   |
| Recurrent                   | 34,183.1          | 36,765.9         | -2,582.9        | -7.0          | 4,639.7         | 15.7         |
| Programmes                  | 6,249.5           | 6,890.2          | -640.8          | -9.3          | -843.8          | -11.9        |
| Wages and Salaries          | 12,331.9          | 12,033.6         | 298.2           | 2.5           | 2,962.9         | 31.6         |
| Interest                    | 15,601.8          | 17,842.1         | -2,240.3        | -12.6         | 2,520.6         | 19.3         |
| Domestic                    | 11,779.9          | 13,613.0         | -1,833.1        | -13.5         | 1,110.4         | 10.4         |
| Capital Expenditure         | 2,364.8           | 2,741.0          | -376.2          | -13.7         | -1,730.9        | -42.3        |
| <b>Fiscal Balance</b>       | <b>-12,333.2</b>  | <b>-13,088.6</b> | <b>755.5</b>    | <b>-5.8</b>   | <b>-1,374.2</b> | <b>12.5</b>  |
| Loan Receipts               | 28,478.4          | 31,275.0         | -2,796.6        | -8.9          | -1,696.3        | -5.6         |
| Domestic                    | 13,704.9          | 16,461.0         | -2,756.1        | -16.7         | 2,302.3         | 20.2         |
| Amortization                | 22,187.3          | 15,970.3         | 6,217.0         | 38.9          | -5,994.9        | -21.3        |
| Domestic                    | 8,090.2           | 10,167.2         | -2,077.0        | -20.4         | -16,133.1       | -66.6        |
| <b>Overall Balance</b>      | <b>-6,042.1</b>   | <b>2,216.1</b>   | <b>-8,258.2</b> | <b>-372.6</b> | <b>2,924.4</b>  | <b>-32.6</b> |
| <b>Primary Balance</b>      | <b>3,268.6</b>    | <b>4,753.4</b>   | <b>-1,484.9</b> | <b>-31.2</b>  | <b>1,146.4</b>  | <b>54.0</b>  |

Source: Ministry of Finance and Planning

### *Developments and Outlook*

The Net International Reserves declined for the fourth consecutive month, reflecting continued upward orderly adjustment in the foreign exchange market. The daily J\$/US\$ rate has maintained its rate of depreciated of four times that of 2001 year-to-date, albeit less than that of 2000. The continued slow restart to alumina (down 1.65% to July) and tourism arrivals (down 2.33% to June) - the two major foreign exchange earners - may result in further upward adjustments. However, both tourism and export alumina have shown an upturn during the last month.

The continued reduction of interest rates by the Government reinforces their commitment to reducing the cost of capital for borrowers. An orderly foreign exchange market has allowed the lowering of rates, but even more importantly year-to-date inflation was significantly less than over the first seven months of 2001. Government's continued tighter monetary stance has contributed to a 1.3% 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, the damage done to the agriculture sector by heavy rains may affect food prices in the near term.

The current improvement in the external trade balance was mainly driven by a reduction in imports, as exports also declined. However, both the external trade and current account balances 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. Further, 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 June 2002 has demonstrated that government is trying to match the shortfall in revenues by cutting back on expenditures. However, total expenditures may fall outside the budget 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 in tax collection may 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 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 continued to remain sluggish since its record breaking performance in May, when the index surpassed the 40,000 point barrier for the first time. Some listed companies have continued to report good results and their share prices have appreciated. However, the market is still underdeveloped and requires the participation of more small investors to improve liquidity conditions, as the issue of Government debentures and global bonds have impacted the market in the past.



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

|        | 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-99 | -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  | -11.68  | 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 | 8.1  | -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  | -0.8  | 9.3   | 1,810.6 | 1,273.3r | 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 | 1,270.6  | 0.9  | 6.3  | -2.33   | 48.43   | 13.81 | 25.92  | 9.00  | n/a        | n/a      |
| Jul    | 3.0   | -1.3  | n/a   | n/a   | 1,743.9 | n/a      | 1.5  | 6.8  | n/a     | 48.50   | 13.79 | 25.92  | 8.97  | n/a        | n/a      |
| Aug    | n/a   | n/a   | n/a   | n/a   | n/a     | n/a      | n/a  | n/a  | n/a     | n/a     | 13.78 | n/a    | n/a   | 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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