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## PSOJ CONFIDENTIAL ECONOMIC BULLETIN

### A Monthly Analysis of the Jamaican Economy

#### Overview

The Net International Reserves (NIR) of the Central Bank declined in August for the fifth consecutive month. However, the current level of reserves remained encouraging, representing 28.80 weeks of goods imported. On the other hand, total foreign currency deposits increased in August 2002 to US\$1,316.1 million over July. This 13.57% increase is above that recorded at the end of August 2001.

The foreign exchange market (daily J\$/US\$ weighted average selling rate) continued to show some upward movement during August 2002. The J\$ lost \$0.36 to \$49.01 at the end of the month, following a \$0.14 loss for the previous month.

During the first week of September, the central bank intervened and hiked the 90-day and 120-day repo rates by 4.1% and 3.8% respectively to curtail further slippage in the exchange rate. This movement contrasted with the downward trend in interest rates since the beginning of the year. The market benchmark 6-month Treasury Bill (T-Bill) yield was also increased by 291 basis point to 16.69% in September. These increased rates impacted negatively on the activities of the stock market as investors focused their attention on these instruments.

The deficit on the external trade account improved over the first four months of 2002, declining by US\$7.79 million. This resulted from a US\$69.55 decline in the value of imports. Exports also fell by 12.44%, which implies a worsening balance of trade position.

The deficit on the current account deteriorated by US\$30.9 million to US\$206.9 million over the first four months of 2002. This was primarily driven by a 32.09% decline in the services balance. Private transfers, which increased by 16.89%, continued to reflect strong remittance inflows.

During the April to July period of the financial year 2002/03, the central Government's fiscal operations generated a deficit of \$17,057.50 million, \$3,317.70 greater than budgeted. This outturn resulted from lower than budgeted revenues and grants (\$3,305.0 million) coupled with greater than budgeted expenditure (\$12.7 million). Recurrent expenditure of \$478.3 million above budget was the main contributor to the higher expenditure outturn. With the recent damage done to the island as a result of tropical storm Lili and Isadore, government expenditure is likely to remain above budget. The extent of the expected increased expenditure on relief depends on how successfully the Government can garner aid from overseas.

The International Monetary Fund (IMF) recently noted in its Article IV Consultation report, the Government's success in maintaining low inflation, and buoyant international reserves. However, the Fund pointed to the high level of debt, and the recent slippage in the fiscal deficit as areas of economic management that required urgent attention. In light of all the achievements, it is hoped that the imminent general elections will be held fairly and peacefully in order to minimize any disruptions to economic activity.

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## Net International Reserves

The Net International Reserves (NIR) of the Central Bank declined by US\$58.33 million to US\$1,685.6 million, (*Table 1*). Despite declining for the fifth consecutive month, the current level of reserves remained encouraging, representing 28.80 weeks of goods imports, when compared with 28.19 weeks of goods imports over the similar period in 2001. In terms of weeks of goods and services imports, gross reserves represented 19.28 weeks. The lower NIR level for August was the result of a combined decline of US\$58.2 million in gross foreign assets and an increase of US\$0.12 million in gross foreign liabilities.

**Table 1: NIR (US\$ million)**

	NIR	Change			Imports (Weeks)
		Mthly	12 Mth	YTD	
Aug-02	1,685.6	-3.34	83.63	-163	28.80
Aug-01	1598.97	4.77	663.62	667.73	28.19

*Source: Compiled from the BOJ (Preliminary)*

## Foreign Currency Deposits

Total foreign currency deposits increased in August 2002 to US\$1,316.1 million (*Table 2*). The current outturn was mainly influenced by a US\$21.11 million increase in the balances of 'other' Commercial Banks' accounts. Total deposits were 13.57% above those recorded at the end of August 2001.

**Table 2: FX Deposits (US\$ million)**

	Aug-02	Change (US\$M)		%
		Mthly	12 Mth	
Total Deposits	1,316.1	27.84	157.29	13.57
	Jul-02			
Spot Purchases	1,036.12	187.11	372.13	53.04
Spot Sales	1,048.25	211.36	392.1	59.76

*Source: Compiled from the BOJ (Preliminary)*

## Foreign Exchange Rates

The foreign exchange market (daily J\$/US\$ weighted average selling rate) continued to show some upward movement during August 2002. The J\$ lost \$0.36 (*Table 3*) to \$49.01 at the end of the month, following a \$0.14 loss for the previous month. In addition, the central bank successfully intervened and hiked the 90-day and 120-day repo rates by 4.1% in the first week of September to curtail further slippage in the exchange rate.

The year-to-date performance of the foreign exchange market has continued to deteriorate when compared with the corresponding 2001 period (3.74% decline vs. 0.79% decline), albeit better than that of 2000 (7.61% 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 due to the September 11, 2001 terrorist attacks in the US and a slow restart to alumina production.

The weighted average monthly J\$/US\$ for August 2002 was \$49.01, \$0.51 above the previous month, and \$3.21 above August 2001. The current 12-month point-to-point movement in the rate at \$3.21 (7.01%), remained above that of the previous period at \$2.58 (6%).

**Table 3: Foreign Exchange Trends**

	Year-to-Date: Sept 26, '02					
	us\$	%	can\$	%	uk£	%
2002	1.77	3.74	1.77	6.02	8.51	12.53
2001	0.36	0.79	-0.20	-0.69	0.19	0.29
2000	3.15	7.61	1.25	4.47	-2.16	-3.27
	Monthly					
Aug-02	0.36	0.74	0.33	1.06	0.34	0.46

*Source: BOJ, PSQJ 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
June	45.73 - 45.75	45.82	0.07
July	45.81 - 45.83	45.77	-0.04
Aug.	45.79 - 45.81	45.80	0.00
Sept.	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	49.01	0.21
Sept.	48.83 - 48.85		
Oct.	48.88 - 48.90		
Nov.	48.92 - 48.94		

Source: PSJO Economic Research

### Interest Rates

The Government increased the interest rates on the 90-day and 120-day repo rates in early September to stave off further depreciation in the exchange rate. They increased to 17.25% (up 4.1%) and 17.05% (up 3.8%) respectively. This contrasted the downward trend of interest rates since the beginning of the year. There was no change in the repo rates in August, except that the 270-day and 365-day repo rates declined to 13.85% (down 15 basis points) and to 14.50% (down 40 basis points) respectively. The 30-day repo rate remained at 12.95%. However, the market benchmark 6-month Treasury Bill (T-Bill) yield increased by 291 basis point to 16.69% in September.

Average commercial bank savings deposits remained flat at 8.97%, while average lending rate increased by 33 basis points to 26.25%. The spread between both rates is 17.28%.

Table 5: Interest Rate Movements

	Aug-02	Change		
		Mthly	12 Mth	YTD
30 Day Repo	12.95	0.0	-1.30	-1.30
365 Day Repo	14.50	-0.40	-1.40	-3.40
Avg Savings Deposit	8.97	0.00	-0.11	-0.11
Avg Loan Rate	26.25	0.33	-1.96	-0.54
6 Month T-Bill	16.69*	2.91	-2.26	-3.25
12 Month T-Bill	14.77	14.77	-1.51	-1.51

\*6-month T-Bill for September

Source: Compiled from the BOJ (Preliminary)

### Base Money and Money Supply

The central bank continued in its fight to contain inflation as the monetary base declined by 1.27% in August 2002, while broad money (M2) increased by 0.82% in June 2002 (Table 6). The increase in M2 was attributed to increases in currency deposits, demand deposits and savings deposits. The movement of base money over August 2001 of -1.45% continued to reflect Government's tighter control on this variable in order to contain inflation. The 12-month movement to June 2002 of M2 has averaged 10.35% compared with 10.31% over the previous 12-month period.

Table 6: Base Money and Money Supply

	JSM	Change (%)	
	Jun-02	Mthly	12 Mth
M1	43,248.66	1.18	13.77
Quasi Money	107,283.36	0.67	9.82
M2	150,532.02	0.82	10.92
Aug-02			
Base Money	31,428.30	-1.27	-1.45

Source: Compiled from the BOJ (Preliminary)

### Inflation

The August 2002 Consumer Price Index (CPI) increased by 0.4% over the previous month, resulting in fiscal and year-to-date inflation rates of 3.6% and 4.2% respectively (Table 7). In addition to the low monthly outturn, the year-to-date outturn was significantly less than what it was in 2001. The 12-month and fiscal outturns were also below 2001 levels. The inflation rate for August was attributed to higher prices for vegetables, fruits and starchy foods in the heavily weighted 'Food and Drink' category.

Table 7: Inflation Trends

	Percent Changes			
	Aug-02	12 Mth	YTD	Fiscal
2002	0.4	6.3	4.2	3.6
2001	0.9	7.8	6.4	4.8

Source: STATIN

### Production of Selected Commodities

**Mining:** Total alumina production for August 2002 increased by 3.4% over the corresponding 2001 period, interrupting a nine-month consecutive decline (*Table 8*). However, for the first eight months, alumina production declined by 4.4%. This performance has continued to reflect the effects of heavy flood rains, a weaker global economy and industrial action. The year-to-date production of crude bauxite was up 8.6%. The export of alumina remained sluggish over the first eight months of 2002 – down by 1.9% – while crude bauxite was up 7.8%.

Recently, Kaiser Aluminum Corporation announced the planned expansion of its 65-per cent-owned Alpart alumina refinery in Jamaica. The plant's production capacity is expected to increase by 200,000 tonnes, by the end of 2003, at a cost of US\$13.7 million.

**Sugar & Banana:** There was increased production in the traditional exports of sugar and banana for July 2002 when compared to July 2001. Sugar exports increased by 125.44% to 11,610 tonnes, while banana exports increased by 3.10% to 2,990 tonnes.

Table 8: Mining Production

	Mthly Change			Y-T-D	
	Aug-01	Aug-02	%	Jan-Aug 02	%
<b>Production</b>					
Alumina	316,080	326,733	3.4	2,394,233	-4.4
C. Bauxite	340,713	405,865	19.1	2,713,402	8.6
<b>Export</b>					
Alumina	324,993	314,452	-3.2	2,421,798	-1.9
C. Bauxite	304,213	373,926	22.9	2,664,652	7.8
Units=tonnes					

Source: Compiled from Jamaica Bauxite Institute

### Tourism

The information on tourist arrivals for July 2002 is currently not available. However, given the negative

effects of the terrorist attacks last September, on our major market – North America and the recent floods, tourist arrivals may continue to be sluggish. However, the Port Antonio Marina, which was officially opened in September 2002, represents a new opportunity for Jamaica to boost tourist arrivals.

### External Trade

The deficit on the external trade account improved over the first four months of 2002, declining by US\$7.79 million (*Table 9*). This resulted from a US\$69.55 decline in the value of imports.

**Exports:** The value of total goods exports (fob) fell by 12.44% given declines in all categories of exports, vis-à-vis 'major traditional' (11.96%), 'other traditional' (0.31%) and 'non-traditional' (17.01%) exports. In the major traditional group, a strong performance from bauxite (12.4%) was not enough to offset declines in the value of alumina (8.59%), sugar (43.53%) and bananas (0.61%).

Bauxite and alumina exports benefited from higher volumes, up 59% and 1.5% respectively during the period under review. Although export volumes increased, the industry suffered from declines in bauxite and alumina prices of 0.5% and 10.85% respectively. Rum is the only other category within the traditional group to register an increase in exports. Earnings from rum increased by US\$3 million (33.7%), while coffee fell by 17.7%.

The food category in 'other traditional exports' declined largely resulted from declines in fish exports (down 26.1%). Earnings by wearing apparel continue to be eroded, declining by 65.6% to US\$10.4 million, during the review period. Within the 'non-traditional exports' category, minerals registered a 150% increase in exports to US\$6 million. In addition, yam exports increased by 14% to US\$4.9 million while ackee exports fell by 14.7% to US\$2.9 million.

**Imports:** The value of total goods imports (cif) declined by 5.89% for the review period. This was mainly due to a US\$90.58 million (14.28%) decline in 'raw material' imports. This mitigated the increase in both consumer and capital goods imports, which grew by 8.21% and 1.5% respectively.

A US\$76 million (33.4%) decline in fuel imports and a US\$14.6 million (3.6%) decline in 'other raw materials' influenced the outturn within the raw materials category. The decline in the fuel import bill

reflected lower world fuel prices. Durables and food continued to be the major contributors to increased consumer imports. These categories increased by 20.8% and 8.2% respectively.

The marginal increase in capital goods imports resulted from increases in imports of 'other machinery and equipment' and 'other capital goods' of 29.1% and 35.6% respectively.

Table 9: External Trade (US\$ million)

	Jan-Apr '01	Jan-Apr '02	Change	% Change
<b>TOTAL EXPORTS (fob)</b>	496.57	434.81	-61.76	-12.44
Major Traditional Exports	310.58	273.44	-37.14	-11.96
<i>Bauxite</i>	31.77	35.71	3.94	12.40
<i>Alumina</i>	223.43	204.24	-19.19	-8.59
<i>Sugar</i>	48.89	27.61	-21.28	-43.53
Other Traditional Exports	25.58	25.5	-0.08	-0.31
Non-Traditional Exports	90.32	74.96	-15.36	-17.01
Re-Exports	9.9	5.9	-4	-40.40
Freezone Exports	48.19	44.61	-3.58	-7.43
Goods Procured in Ports	12	10.4	-1.6	-13.33
<b>TOTAL IMPORTS (cif)</b>	<b>1180.83</b>	<b>1111.28</b>	<b>-69.55</b>	<b>-5.89</b>
Consumer Goods	301.64	326.4	24.76	8.21
<i>Durables</i>	118.7	143.5	24.8	20.8
Raw Materials	634.36	543.78	-90.58	-14.28
<i>Fuels</i>	227.7	151.7	-76	33.4
Capital Goods	201.56	204.59	3.03	1.50
Freezone Imports	30.17	24.51	-5.66	-18.76
Goods Procured in Ports	13.1	12	-1.1	-8.40
<b>Trade Balance</b>	<b>-684.26</b>	<b>-676.47</b>	<b>-7.79</b>	<b>1.14</b>

Source: Compiled from STATIN and BOJ

### Balance of Payments

The deficit on the current account deteriorated by US\$30.9 million to US\$206.9 million over the first four months of 2002 (*Table 10*). This was primarily driven by a 32.09% decline in the services balance.

The deficit on the goods balance improved by US\$4.8 million as exports declined by US\$61.8 million which was offset by a US\$66.6 million decline in imports.

The services balance continued to register a negative outturn, declining by US\$69.8 million to US\$147.7 million. Although there was a US\$23.4 million improvement in the costs for 'other services', there was a US\$83 million decline in net travel receipts combined with a US\$10.2 million increase in transportation costs. The income account improved by US\$2.8

million, primarily due to a US\$3.3 million reduction in the outflow of investment income.

The current transfers reflected an increase in private transfers of US\$42.4 million, which offset a US\$11.1 million decline in official transfers. Private transfers, which increased by 16.89%, continued to reflect strong remittance inflows.

The outturn on the capital and financial accounts mainly reflected activity on the financial account, which declined by US\$32.2 million. The surplus on the 'other official investment' account (US\$31.1 million), combined with the surplus on the 'other private investment' (US\$243.6 million), together with the deficit on the capital account (US\$8.8 million) offset the deficit on the current account. This resulted in a US\$59.0 million increase in reserves.



Table 10: Balance of Payments (US\$ million)

	January - April		Change	
	2001	2002	US\$m	%
<b>CURRENT A/C</b>	<b>-176.0</b>	<b>-206.9</b>	<b>-30.90</b>	<b>17.56</b>
<b>Goods Balance</b>	<b>-520.8</b>	<b>-516.0</b>	<b>4.80</b>	<b>-0.92</b>
Exports (fob)	496.5	434.7	-61.80	-12.45
Imports (fob)	1,017.3	950.7	-66.60	-6.55
<b>Services Balance</b>	<b>217.5</b>	<b>147.7</b>	<b>-69.80</b>	<b>-32.09</b>
Transportation	-66.3	-76.5	-10.20	15.38
Travel	430.9	347.9	-83.00	-19.26
Other Services	-147.1	-123.7	23.40	-15.91
<b>Income</b>	<b>-149.2</b>	<b>-146.4</b>	<b>2.80</b>	<b>-1.88</b>
Compensation of employees	5.4	4.9	-0.50	-9.26
Investment Income	-154.6	-151.3	3.30	-2.13
<b>Current Transfers</b>	<b>276.5</b>	<b>307.8</b>	<b>31.30</b>	<b>11.32</b>
Official	25.4	14.3	-11.10	-43.70
Private	251.1	293.5	42.40	16.89
<b>CAPITAL &amp; FINANCIAL A/C</b>	<b>176.0</b>	<b>206.9</b>	<b>30.90</b>	<b>17.56</b>
<b>Net Capital Movement</b>	<b>-7.5</b>	<b>-8.8</b>	<b>-1.30</b>	<b>17.33</b>
Official	2.0	0.2	-1.80	-90.00
Private	-9.5	-9.0	0.50	-5.26
<b>Financial A/c</b>	<b>183.5</b>	<b>215.7</b>	<b>32.20</b>	<b>17.55</b>
Other Official Investment	105.2	31.1	-74.10	-70.44
Other Private Investment (incl. errors & omissions)	390.6	243.6	-147.00	-37.63
<b>Reserves</b>	<b>-312.3</b>	<b>-59.0</b>	<b>253.30</b>	<b>-81.11</b>

Source: Bank of Jamaica (Preliminary)

### Fiscal Accounts

During the April to July period of the financial year 2002/03, the central Government's fiscal operations generated a deficit of \$17,057.50 million, \$3,317.70 greater than budgeted (*Table 11*). This outturn resulted from lower than budgeted revenues and grants (\$3,305.0 million) coupled with greater than budgeted expenditure (\$12.7 million). Revenue receipts were 9.2% below budget, while expenditures were 0.03% above budget.

The major sources of revenue fallout were registered by declines in tax revenue, down \$2,143.7 million, and non-tax revenue, down \$594.2 million.

The poor performance in tax revenue mainly resulted from a \$2,118.10 million outturn below budget from Income and Profits, and a \$616.8 million outturn below budget from International Trade. Income and Profits were affected by a \$1,974.2 million (48.1%)

outturn below budget on 'Tax on Interest' due to falling interest rates. Revenues from International Trade was affected by a \$613.7 million (36.5%) outturn below budget from Special Consumption Taxes (SCT) on imports.

Within the production and consumption category, General Consumption Tax (GCT) and SCT generated revenues 8.1% (\$405.4 million) and 13.1% (\$255.8 million) respectively above budget.

Recurrent expenditure of \$478.3 million above budget was the main contributor to the higher expenditure outturn. This was due to expenditure on Programmes and Wages and Salaries of 6.1% and 7.9% respectively above budget. Interest payments which were down \$1,257.1 (5.60%) reflected the below budget outturn of domestic and international interest payments down \$431.7 million (2.6%) and \$825.4 million (14.7%) respectively.

Loan receipts continued to be below budget, with registered domestic and external receipts 8.1% and 0.01% below budget. The amortization of both

domestic and external debt was slower than budgeted – 20.2% and 0.7% below budget.

**Table 11: Fiscal Accounts (J\$ million)**

	April - July 2002				01/02	
	Provisional	Budget	Change		J\$ million	%
			J\$ million	%		
<b>Revenue &amp; Grants</b>	<b>32,780.70</b>	<b>36,085.70</b>	<b>-3,305.00</b>	<b>-9.20</b>	<b>220.2</b>	<b>0.70</b>
Tax Revenue	30,905.80	33,049.50	-2,143.70	-6.50	1,890.30	6.50
Non-Tax Revenue	1,007.50	1,601.70	-594.2	-37.10	78.7	8.50
Bauxite Levy	555.7	834.6	-278.9	-33.40	-157.9	-22.10
Capital Revenue	230.6	257.9	-27.2	-10.60	-1,552.90	-87.10
Grants	81.1	342	-260.9	-76.30	-38	-31.90
<b>Expenditure</b>	<b>49,838.20</b>	<b>49,825.50</b>	<b>12.7</b>	<b>0.03</b>	<b>5,956.90</b>	<b>13.60</b>
Recurrent	46,660.70	46,182.30	478.3	1.00	8,481.80	22.20
Programmes	8,854.70	8,343.60	511	6.10	69.4	0.80
Wages & Salaries	16,661.00	15,436.70	1,224.40	7.90	3,867.00	30.20
Interest	21,145.00	22,402.00	-1,257.10	-5.60	4,545.50	27.40
Domestic	16,367.40	16,799.10	-431.7	-2.60	2,628.10	19.10
Capital Expenditure	3,177.50	3,643.20	-465.7	-12.80	-1,683.40	-34.60
<b>Fiscal Balance</b>	<b>-17,057.50</b>	<b>-13,739.80</b>	<b>-3,317.70</b>	<b>24.10</b>	<b>-5,736.70</b>	<b>50.70</b>
Loan Receipts	34,727.50	36,472.00	-1,744.50	-4.80	1,890.80	5.80
Domestic	19,717.20	21,461.00	-1,743.80	-8.10	5,709.20	40.80
Amortization	32,401.80	36,687.40	-4,285.60	-11.70	-6,450.40	-16.60
Domestic	16,464.50	20,633.30	-4,168.80	-20.20	-17,098.90	-50.90
<b>Overall Balance</b>	<b>-14,731.80</b>	<b>-13,955.30</b>	<b>-776.5</b>	<b>5.60</b>	<b>2,604.60</b>	<b>-15.00</b>
<b>Primary Balance</b>	<b>4,087.40</b>	<b>8,662.20</b>	<b>-4,574.80</b>	<b>-52.80</b>	<b>-1,191.20</b>	<b>6,469.80</b>

Source: Ministry of Finance and Planning

## Stock Market

**Table 12: 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	30/09/02	\$	%
Mobay Ice	3.40	10.00	6.60	194.12
Pegasus	1.10	3.03	1.93	175.45
Kingston Wharves	0.86	2.10	1.24	144.19
Radio Jamaica	1.45	3.25	1.80	124.14
Grace	19.40	40.00	20.60	106.19
Bottom Five (unadjusted for dividends or transaction costs)				
LOJ	2.97	2.50	-0.47	-15.82
Island Life	14.00	11.60	-2.40	-17.14
Cable & Wireless	1.50	1.15	-0.35	-23.33
Ciboney Group	0.10	0.05	-0.05	-50.00
Goodyear	9.20	4.50	-4.70	-51.09

Source: Compiled from the JSE

### **Developments and Outlook**

The Net International Reserves declined for the fifth consecutive month, reflecting continued upward adjustments in the foreign exchange market. The daily J\$/US\$ rate has maintained its rate of depreciation of four times that of the 2001 year-to-date rate, albeit less than that of 2000. The central bank intervened in the foreign exchange market to prevent further depreciation. However, this will only be sustained if there are improvements in the balance of payments position.

The 6-month T-Bill rate increased in September by 291 basis points and the average lending rate for August 2002 increased by 33 basis points. This is not in line with the downward trend in interest rates since January of this year. In addition, the IMF recently recommended in its Article IV Consultation report that the BOJ consider acting on very short-term interest rates as the mechanism for liquidity control, pointing to the overarching longer-term objective of interest rates reduction to stimulate economic activities. The central bank continued in its fight to contain inflation as the monetary base declined by 1.27% in August 2002, and by 1.45% over August 2001. This strategy should help the Government achieve its 6% inflation target.

The current improvement in the external balance of trade was mainly driven by a reduction in imports, although exports declined. However, both the external trade and the current account balances may be expected to deteriorate further in the near term. This is in view of the fact that any recovery in the export of major crops may be mitigated by the extensive damage caused by tropical storm Lili and Isadore. Further, a higher level of imports may be required to fill the expected shortfall in food supplies.

The Government may need to seek additional funds to repair the damage to the island caused by tropical storm Lili and Isadore. This implies that the Government may experience difficulties

in keeping within budgeted expenditure. However, the extent of the impact on the budget hinges on the amount of overseas assistance that Jamaica receives. In addition, greater efforts to ensure efficient tax collection may offset these likely increases in expenditure.

Greater prudence in fiscal management was one major area highlighted by the IMF's Article IV report. They emphasized that this will require expeditious implementation of revenue-enhancing measures, including efforts to improve tax compliance, and rigorous restraint in expenditures, particularly on wages. Noting the budgetary impact of the central bank's losses, they also urged early implementation of the recapitalization plan being worked out with the World Bank. Therefore, the authorities would need to maintain a sufficiently high primary surplus over the medium term to ensure the sustainability of public debt, and to facilitate a further reduction in real interest rates.

### **Stock Market**

The volume of trade in September was 10.04% greater than in August. However, this was largely due to the high volumes traded of three stocks – Cable & Wireless, Grace and Kingston Wharves, which accounted for more than half of the volume traded. Taking out the effects of these stocks traded, it appears that the stock market remained sluggish. This may be attributed to the fact that investors focused their attention on money market instruments such as the 6-month T-Bill and the 90-day and 120-day repos. The yields on these instruments were hiked in early September by 291 basis points, 4.1% and 3.8% respectively.

Further, any disruptions to 'business as usual' may negatively impact the level of activity on the stock market and the general economy. Therefore, it is hoped that the impending general elections will take place fairly and with a minimum level of violent interference violence.



**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
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	31.21r	9.84	n/a	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	n/a	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	285,660.00	3,944.15
Jul	3.7	3.3	2.0	10.7	1,526.3	1,153.3	1	7.1	-2.62	45.78	16.45	30.33	9.18	n/a	n/a
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	n/a	n/a
Sep	-4.6	0.3	1.3	10.6	1,537.7	1,192.1r	0.8	6.9	-21.73	45.94	15.10	26.96	9.08	292,262.82	3,882.21
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	n/a	n/a	1,477.0	1,214.0	0.1	7.7	-14.86	47.35	17.82	26.79	9.08	n/a	n/a
Dec	12.4	0.2	n/a	n/a	1,840.7	n/a	n/a	n/a	n/a	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	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	4,098.6
Mar	-4.9	-0.4	1.1	2.2	1,941.47	1,293.4	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	0.82	10.92	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			1,743.9	n/a	1.5	6.8	n/a	48.5	13.79	25.92	8.97	n/a	n/a
Aug	-1.27	-1.45			1,685.6	1,316.1	0.4	6.3		49.01	13.78	26.25	8.97	n/a	n/a
Sep											16.69				

Source: Bank of Jamaica, Statistical Institute of Jamaica, Ministry of Finance and Planning, Jamaica Tourist Board and the Planning Institute of Jamaica.

**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

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