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PSOJ CONFIDENTIAL ECONOMIC BULLETIN

A Monthly Analysis of the Jamaican Economy

Overview

In December there was considerable attention on the country's pressing fiscal problem and in particular the critical debt situation. The Government continued to grapple with the issue of its high interest costs and the resulting drain on the fiscal resources. Despite the budgetary challenges, however, there were positive movements in a number of macroeconomic variables such as inflation, the exchange rate and the NIR, all of which registered slight improvements during the month. The inflation rate has trended downwards for the second consecutive month as December's rate was 0.8%, down marginally from the previous month's figure of 0.9%. December's inflation was partially due to a 1.6% increase in the overall price level for Housing & Other Housing Expenses.

The dollar gained \$0.03 on its U.S. counterpart during December in an environment of buoyant foreign exchange inflows. The dollar has moved from \$50.97 in December 2002 to \$60.62 at the end of last year, resulting in a total year-to-date depreciation of 18.93%. However, December itself was a relatively stable time for the foreign exchange market and this is expected to continue through the winter tourist season.

December saw a 5.6% growth in the NIR, which rose by US\$61.73million over the previous month's figure due to an increase in the country's foreign assets. The stock of foreign assets was boosted in December by the recent US\$100 million loan raised by the Government from the Bank of Nova Scotia (BNS).

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The latest tourism data shows that total cruise passenger arrivals for the year ended December 2003 were a massive 31% higher than in the previous year. In addition, stopover arrivals for the month of December grew by 12% compared to December 2002 and a robust 30% over 2001.

Bauxite production and exports again fell during December, slipping by 4% and 7% respectively when compared to December of 2002. However, the sector is still expected to register strong earnings for the month given the sustained rise in Alumina prices.

The BOJ continued to deliver on its commitment to lower interest rates in December. The Bank shaved the yields on five of its repo instruments during the month, cutting its 180-day yield by as much as 250 basis points indicating the Bank's confidence in the stability of December's foreign exchange

market.

There was no significant change in the current account deficit for the six-month period January to June 2003 in comparison to the corresponding period in 2002. This was due to the fact that a US\$154million growth in the deficit on the Goods balance was countered by a US\$158million improvement in the surplus on the Services balance.

Net International Reserves

The Net International Reserves (NIR) for December 2003 increased to US\$1,164.98million, nearly \$61.73million more than the reserves for November and represents 18.29 weeks of goods imports. The growth in reserves is the result of an increase in foreign assets of almost US\$59million (please see Table 1).

Table 1: Changes in the NIR

	NIR	Change			Imports (Weeks)
		Mthly	12 Mth	YTD	
Dec-2003	1,164.98	61.73	-432.00	-432.00	18.29
Dec-2002	1,596.98	-17.42	-243.76	-243.76	27.91

Source: Compiled from the BOJ (Preliminary)

Foreign Currency Deposits

Total foreign currency deposits fell in November by US\$17.87million to US\$1,637.20 million compared to October's figures (Table 2). November's outturn reflects a decrease in deposits in commercial and merchant banks between October and November.

Table 2: Foreign Currency Deposit

	Nov-03	Change (US\$M)		% 12 Mth
		Mthly	12 Mth	
Total Deposits	1,637.20	-17.87	179.63	12.32
Nov-03				
Spot Purchases	639.00	-23.20	-244.83	-27.70
Spot Sales	617.47	-48.44	-214.14	-25.75

Source: Compiled from the BOJ (Preliminary)

Foreign Exchange Rates

The Jamaican dollar gained \$0.03 against its US counterpart during the month of December, trading at \$60.62 (daily J\$/US\$ weighted average selling rate) against the US dollar on December 31 (see Table 3). The year-to-date depreciation is 18.93% for December and continues to be worse than the corresponding period for 2002 and 2001.

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

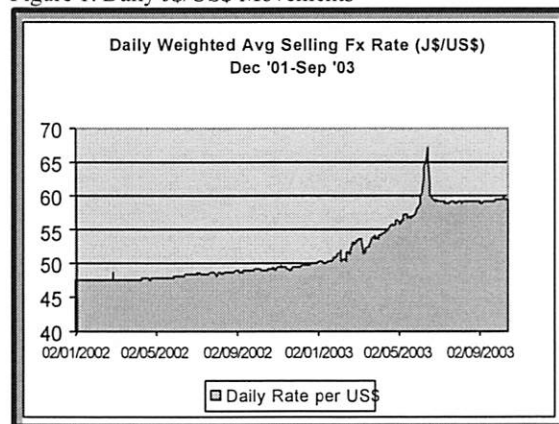


Table 3: Foreign Exchange Trends

	Year-to-Date: Dec 31, '03 (report date: Jan. 15)					
	us\$	%?	can\$	%?	uk£	%?
2003	9.65	18.93	14.50	45.18	26.48	32.70
2002	3.57	7.54	2.65	8.98	13.03	19.18
2001	1.87	4.10	-0.06	-0.22	1.16	1.73
Monthly						
Dec -03	-0.029	-0.05	0.485	1.05	4.349	4.22

Source: BOJ, PSOJ Economic Research

Short Term Forecasts

Inflows from tourism and remittances are expected to bring continued stability to the dollar through the next six to eight weeks of the winter tourist season. In addition, the improving levels of confidence augurs well for currency stability.

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

	Forecast	Actual	Diff.
Jul.	48.50 – 48.52	48.65	0.13
Aug.	48.78 – 48.80	49.01	0.21
Sept.	49.16 – 49.20	49.27	0.07
Oct.	49.72 – 49.76	49.44	0.28
Nov.	49.86 – 49.90	49.91	-0.01
Dec.	50.12 – 50.16	50.97	-0.81
Jan. '03	50.69 – 50.73	52.98	-2.25
Feb.	52.32 – 52.36	53.74	-1.38
Mar.	54.51 – 54.55	56.24	-1.69
April	57.11 – 57.15	57.31	-0.16
May	N/a	59.42	
June	N/a	59.01	
July	59.42 – 59.46	59.16	0.30
August	60.23 – 60.27	59.40	-0.87
September	59.60-59.65	59.71	0.06
October	60.25 – 60.50	60.44	-0.06
November	60.55-60.60	60.65	0.05
December	60.64-60.68	60.62	-0.02
Jan. '04	60.59-60.64		

Source: PSOJ Economic Research

Interest Rates

In keeping with its stated commitment to interest rate reduction, the BOJ cut the rates on its 90, 120, 180, 270 and 360-day repos during December. The 180-day rate in particular was slashed by as much as 250 basis points from 23.50% to 21.00%. The market rate on the Government's 180-day T-bill also declined by 141 basis points to 22.05%. The GOJ also offered a 60-day instrument which cleared the market at 20.99%.

The average commercial bank savings and lending rates remained unchanged at 8.43% and 25.6%, respectively (Table 5).

Figure 2: Interest Rate Movements

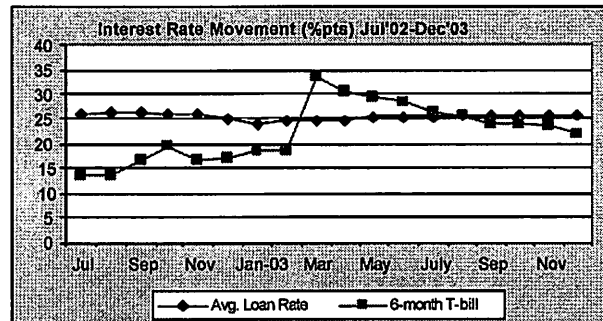


Table 5: Interest Rate Movements

	Dec-03	Change		
		Mthly	12 Mth	YTD
30 Day Repo	15.00	0.00	2.05	2.05
365 Day Repo	23.00	-1.00	8.50	8.50
Avg Savings Deposit	8.43	0.00	-0.53	-0.53
Avg Loan Rate	25.60	0.00	0.56	0.56
6 Month T-Bill	22.05	-1.41	5.04	5.04
12 Month T-Bill	n/a*	n/a	n/a	n/a

Source: Compiled from the BOJ (Preliminary)

*no instrument offered

Base Money and Money Supply

The monetary base increased by 3.17% in November 2003 compared to the previous month. M2 for September showed a marginal 0.92% increase over the August figure as a 0.67% decrease in M1 was offset by growth in the Quasi-Money stock.

Table 6: Base Money and Money Supply

	JSM		Change (%)	
	Sep-03	Mthly	12 Mth	
M1	49,028.9	-0.67	-0.85	
Quasi Money	123,731.4	1.57	11.33	
M2	172,760.3	0.92	0.92	
		November-03	Mthly %	
Base Money	34,629.80	3.17		

Source: Compiled from the BOJ (Preliminary)

Inflation

The inflation rate for December 2003 was 0.8% as the Consumer Price Index crept upwards from 1,773.0 to 1,786.8. This resulted in a fiscal and year-to-date inflation rate of 14.6% and 14.1% respectively (Table 7). The rise in the CPI was strongly driven by higher prices in Housing & Other Housing Expenses, whose index rose by 1.6%. Transportation costs rose by 1.1% while

the Food & Drink Category increased by 0.8% partially due to higher costs for Vegetables & Fruit (2.1%) and Starchy Foods (1.5%). Healthcare & Personal Expenses were generally 0.6% more expensive in December than in the previous month.

Table 7: Inflation Trends

	Percent Changes			
	Dec-03	12 Mth	YTD	Fiscal
2003	0.8	14.1	14.1	14.6
2002	0.5	7.3	7.3	6.6

Source: STATIN

Production of Selected Commodities

Mining: Total Bauxite production in December decreased by just under 4% to 1133 million metric tonnes when compared to December 2002. This was primarily due to a 25% fall in Crude Bauxite production (to 298,017 metric tonnes), which counterbalanced a 6.1% growth in Alumina production (to 339,300 metric tonnes – see Table 8). Exports also declined in comparison to last December, falling by approximately 7% from 1.184million metric tonnes in December 2002 to 1.103million metric tonnes this year. This mainly reflected an over 131,000 tonne reduction in Crude exports, which fell by more than 30% when compared to December 2002.

Table 8: Mining Production

	Y-T-D				
	Dec-02	Dec-03	%	Dec-03	03/02%
Production					
Alumina	319,777	339,300	6.11	3,843,610	5.87
C. Bauxite	397,174	298,017	-24.97	3,849,297	-5.34
Tot. Bauxite	1,176,876	1,132,813	-3.74	13,444,529	2.48
Export					
Alumina	311,054	324,155	4.21	3,839,900	5.61
C. Bauxite	432,265	301,000	-30.37	3,805,782	-6.59
Tot. Bauxite	1,184,876	1,103,174	-6.90	13,386,878	1.86

Units=tonnes

Source: Compiled from Jamaica Bauxite Institute

Sugar & Bananas: There has been no new Sugar production as of August 2003 due to the seasonal ending of the sugar crop in July.

Tourism

Total Stopover arrivals for the month of December were 138,490, nearly 12% higher than in December of 2002.

For the year 2003 total stopovers grew to 1.35 million visitors, a 6.6% improvement over the previous year resulting from increased arrivals by both foreign nationals and non-resident Jamaicans (Table 9). Although December's cruise arrivals were only a modest 1.3% higher than in December 2002, cruise arrivals for the year rose by an impressive 31% over the previous year. Arrivals from Europe continue to grow as evidenced by a 22% growth in arrivals from European destinations for the period January to December 2003.

Table 9: Tourist Arrivals

	2002	2003	% Change	
		Jan-Dec	December	
Stopover	1,266,366	1,350,285	6.6	11.8
Foreign	1,179,083	1,262,108	7.0	11.6
National	87,283	88,177	1.0	14.2
Cruise	865,419	1,132,596	30.9	1.3
Total	2,131,785	2,482,881	16.5	6.7

US\$m*

Source: Jamaica Tourist Board (Preliminary)

External Trade

The external trade deficit for January to June 2003 expanded by US\$142.7 million to US\$1.23 billion compared to the corresponding 2002 period. (Table 10). The deficit widened because of a US\$168.7 million growth in imports.

Exports: Total Export Earnings (fob) for January to June 2003 stood at US\$591.4 million, an improvement of US\$26 million over the corresponding period in 2002. The Major Traditional Export category increased by nearly US\$23.3 million to US\$470.9 million (up by 5.2%), largely due to an almost US\$29-million growth in Mining & Quarrying. In addition, revenues from Agriculture grew by over 13% to US\$32.6 million. Growth in Mining & Quarrying was strongly driven by increased earnings from Alumina, which grew by over 12% to US\$325.6 million as alumina prices continued their upward trend. There was also a 15% growth in Gypsum, whose revenues increased to US\$550 million. However, there was an almost 14% fall in Bauxite proceeds, which fell by US\$6.9 million when compared to the corresponding period in 2002. In the Agricultural sector, growth was chiefly attributable to Coffee & Bananas, each of which grew by 13.3% with Banana earnings rising by US\$1.2 million and Coffee by US\$2.1 million. Coffee exports continue to be positively affected by the recent restructuring of the industry. The only decline in the Traditional Agriculture category was in Pimento, whose revenues fell by over 64% when compared to the prior

period. There was a 12% decline in earnings from Manufacturing, which fell by US\$9.5 million due to a US\$6 million fall in Rum proceeds and a US\$3.4 million fall in Sugar.

There was no significant movement in Non-Traditional exports as a combined US\$7.07 million increase in the Food and Beverages & Tobacco categories was offset by a US\$7.25 million decline in Other Non-Traditional Exports. Crude Materials also slipped marginally by US\$0.08 million. The decline in Other Non-Traditional Exports was primarily in the area of Wearing Apparel, whose revenues fell by 54% or US\$6.8 million when compared to the corresponding 2002 period. Chemical exports grew by just over US\$1.9 million, but this was offset by a similar US\$1.9 million falloff in Mineral Fuels, etc. In Non-Traditional Foods, revenues grew by almost US\$5 million largely due to higher earnings in the category of Other Exports, which increased by over US\$4.9 million compared to January-June 2002. Exporters of Fish, Crustaceans & Molluscs also earned US\$1.58 million more than in the 2002 period. Mango earnings rose by a notable 73% or US\$0.22 million, but Papayas and Ackee both fell by over US\$0.9 million each. Revenues from Beverages & Tobacco grew by nearly 20% or US\$2.09 million due to a US\$2.2 million growth in Beverages.

Imports: Total imports (cif) increased by over 10% to US\$1,821.5 million, mainly reflecting a 25% (US\$207 million) increase in Raw Materials/Intermediate Goods. This was particularly pronounced in the sub-category 'Other Fuels & Lubricants', which almost doubled when compared to the previous period due to higher fuel prices on the world market. The nation also spent US\$60.5 million more on Industrial Supplies and nearly US\$6 million more on Food (incl. Beverages) than in the same period in 2002.

Consumer goods imports slipped marginally by less than 1% for the period, as increases of US\$10.7 million and US\$0.3 million in Non-Durables and Motor Cars respectively were offset by a US\$15 million reduction in the category of Other Consumer Durables.

Capital goods fell by nearly 11% or US\$34.5 million as the country spent US\$45.6 million less on Machinery & Equipment such as cellular phones and other telecoms technology. The bill was also US\$13 million lower in the category of Other Industrial Transport Equipment. However, the nation spent almost US\$26 million more on Construction Materials (an increase of almost 44%) partially due to strong demand for lumber and ceramic tiles.

Table 10: External Trade (US\$ million)

	Jan-Jun '02	Jan-Jun '03	Change	% Change
TOTAL EXPORTS (fob)	565.36	591.38	26.02	4.6
Major Traditional Exports	447.66	470.93	23.27	5.2
Bauxite	50.90	43.94	-6.96	-13.7
Alumina	289.70	325.57	35.87	12.4
Sugar	58.18	54.76	-3.43	-5.9
Other Traditional Exports	48.87	46.67	-2.21	-4.5
Non-Traditional Exports	109.56	109.30	-0.26	-0.2
Re-Exports	8.14	11.15	3.01	37.0
Freezone Exports	75,261.0	56,004.0	-19,257.0	-25.6
Goods Procured In Ports	14,400.0	15,000.0	600.0	4.2
TOTAL IMPORTS (cif)	1,652.75	1,821.49	168.74	10.2
Consumer Goods	506.30	502.36	-3.94	-0.8
Durables	74.89	75.24	0.34	0.5
Raw Materials	823.13	1,030.3	207.17	25.2
Fuels	166.07	329.85	163.79	98.6
Capital Goods	323.32	288.83	-34.49	-10.7
Freezone Imports	48,060.0	52,044.0	3,984.0	8.3
Goods Procured in Ports	19,000.0	19,600.0	600.0	3.1
Trade Balance	-1,087.39	-1,230.10	-142.72	13.1

Source: Compiled from Statin & BOJ data.

Balance of Payments –Jan to June

There was no material change in the current account deficit for the period January to June 2003 when compared to the same period in 2002. The deficit grew by only a fraction of a percent to US\$432.5million as a US\$154million growth in the deficit on the Goods balance was countered by a US\$158.1million improvement in the surplus on the Services balance.

The growth in the Trade deficit was the result of a US\$160.7million rise in Imports which outweighed the growth in exports for the period. The impressive 109% growth in net receipts from Services was mainly driven by a 31% (US\$145million) growth in net inflows from Travel services. It was further improved by a 12% fall in the deficit in the Transportation sub-category. The combined improvement in both sub sectors far outweighed the marginal US\$0.7 mn deterioration in the deficit on the Other Services sub-sector.

The Income account deficit worsened by US\$3.6 million due to a 22.5% fall in net Compensation of Employees from US\$16.9million in the 2002 review period to US\$13.1million in 2003. There was no notable change in the Investment Income deficit.

Net Inflows from Current Transfers slipped only marginally by US\$1.6million (less than a percent) as a US\$6million growth in net inflows from Private Transfers was offset by a US\$7.5million growth in net outflows from Official Transfers.

There was no major overall change in the Capital and Financial account for the 2003 review period compared to the prior period. Within the financial account inflows from Other Private Investment of US\$275.2million were insufficient to offset the net Official investment outflows of US\$302.6mn, as well as the US\$432.5mn deficit on the current account, resulting in a US\$469.6mn fall in reserves.

Table 11: Balance of Payments (US\$ M)	January- May		Change	
	2002	2003	US\$m	%
CURRENT A/C	-431.6	-432.5	-0.9	-0.21
Goods Balance	-818.0	-971.8	-153.8	-18.8
Exports (fob)	655.0	661.9	6.5	1.0
Imports (fob)	1,473.0	1,633.7	160.7	10.91
Services Balance	144.8	302.9	158.1	109.18
Transportation	-111.5	-97.7	13.8	12.38
Travel	468.1	613.1	145.0	30.98
Other Services	-211.8	-212.5	-0.7	-0.33
Income	-297.0	-300.6	-3.6	-1.21
Compensation of employees	16.9	13.1	-3.8	-22.48
Investment Income	-313.9	-313.7	0.2	0.06
Current Transfers	538.6	537.0	-1.6	-0.3
Official	50.1	42.6	-7.5	-14.97
Private	488.5	494.4	5.9	1.21
CAPITAL & FINANCIAL A/C	431.6	432.5	0.9	0.21
Net Capital Movement	-10.3	-9.7	0.6	5.82
Official	0.2	0.1	-0.1	-50.0
Private	-10.5	-9.8	0.7	6.67
Financial A/c	441.9	442.2	0.3	0.07
Other Official Investment	73.1	-302.5	-375.7	-513.95
Other Private Investment (incl. errs & omiss)	310.3	275.2	-35.1	-11.31
Reserves (minus=increase)	58.5	469.6	411.1	702.73

Source: Bank of Jamaica (Preliminary)

Fiscal Accounts

Over the period April to November 2003 Central Government's fiscal operations generated a deficit of

\$29.69billion, \$1.14billion (21%) worse than budget. The variance was primarily attributed to a shortfall in Revenues and Grants which were \$3.65billion less

than the budgeted amount. Total Expenditure exceeded budget by nearly \$1.49billion.

Revenue and Grants collected for the eight-month period was \$86,220.0million, 3.5% below projected figures. This outturn reflected a \$5-billion shortfall in Tax revenues, which were 6.1% less than the budgeted figure and continue to be influenced by a substantial shortfall in GCT and SCT receipts. All other revenue items were better than budgeted, particularly Non-Tax Revenues which were \$933million higher than projected. Also, Capital Revenue was bolstered by a \$555million inflow from divestment proceeds. Lower than budgeted GCT receipts may be attributable to GCT roll-back on some consumer items and the delayed implementation of the 15% GCT on lottery winnings.

Recurrent Expenditure exceeded budget by \$4,431.5million or just over 4%, reflecting higher than budgeted Interest payments and Wages and Salaries. Interest payments exceeded the budgeted amount by

8.3% or \$4,160.3million, due to a 15% cost overrun in Domestic interest payments. At \$40.7billion, Wages and Salaries were over 9% worse than projected. Programmes continue to be within budget and were almost 16% or \$3.2 billion better than budgeted as the Government continues its tight control over its non-wage-related housekeeping expenses. Capital expenditure was also within budget, amounting to 47% less than planned.

Loan receipts were below budget by \$1.8billion as higher than projected receipts on the External debt market were outweighed by much lower than expected receipts from Domestic lenders.

Total public debt at the end of November increased by J\$8.16 billion to J\$ 664.8 billion, compared to October. Domestic Debt increased by \$6.03 billion to \$410,984.43 million while External Debt increased by almost US\$21 mn to US\$4,185.13 mn.

Table 13: Fiscal Accounts (J\$ million)

	April-November 2003		Change from			
	Provisional	Budget	Deviation		02/03	
			J\$m	(%)	J\$m	(%)
Revenue & Grants	86,220.0	89,322.1	-3,102.1	-3.5%	17,769.6	26.0%
Tax Revenue	77,498.2	82,489.7	-4,991.5	-6.1%	13,580.7	21.2%
Non-Tax Revenue	5,599.7	4,666.4	933.3	20.0%	3,218.6	135.2%
Bauxite Levy	1,357.6	1,304.4	53.2	4.1%	189.4	16.2%
Capital Revenue	1,430.9	583.2	847.7	145.4%	995.7	228.8%
Grants	333.6	278.4	55.2	19.8%	-214.8	-39.2%
Expenditure	115,358.2	113,871.9	1,486.3	1.3%	17,709.0	18.1%
Recurrent	112,022.6	107,591.1	4,431.5	4.1%	19,737.3	21.4%
Programmes	16,939.2	20,129.2	-3,190.0	-15.8%	-1,851.6	-9.9%
Wages & Salaries	40,672.4	37,211.3	3,461.1	9.3%	6,378.0	18.6%
Interest	54,410.9	50,250.6	4,160.3	8.3%	15,210.8	38.8%
Domestic	42,978.1	37,262.7	5,715.4	15.3%	13,092.9	43.8%
External	11,432.8	12,987.9	-1,555.1	-12.0%	2,117.9	22.7%
Capital Expenditure	3,335.6	6,280.8	-2,945.2	-46.9%	-2,028.3	-37.8%
Fiscal Balance	-29,138.2	-24,549.8	-4,588.4	18.7%	60.6	-0.2%
Loan Receipts	85,625.7	87,478.0	-1,852.3	-2.1%	15,313.2	21.8%
Domestic	80,795.5	86,200.0	-5,404.5	-6.3%	31,075.9	62.5%
External	4,830.2	1,278.0	3,552.2	277.9%	-15,762.7	-76.5%
Amortization	62,986.4	67,725.9	-4,739.5	-7.0%	10,952.3	21.0%
Domestic	51,715.6	58,499.0	-6,783.4	-11.6%	19,628.4	61.2%
External	11,270.8	9,226.9	2,043.9	22.2%	-8,676.1	-43.5%
Overall Balance	-6,498.9	-4,797.7	-1,701.2	35.5%	4,421.5	-40.5%
Primary Balance	25,272.7	25,700.8	-428.1	-1.7%	15,271.4	152.7%

Source: Ministry of Finance and Planning

Fiscal Accounts – a Ten-Year Review

The fiscal accounts have generally deteriorated over the last ten fiscal years, although modest surpluses were achieved in four of the years under review (see Panel A). Expenditures have exceeded Revenues almost every year for the past seven years. The deficit persisted between fiscal years 1996/97 and 1999/00 as Government bore the cost of its intervention in the financial sector crisis. Overall, the fiscal balance has moved from a small surplus of \$3.62billion in fiscal year 1993/94 to a deficit of over \$30.5billion in 2002/03 when expenditures exceeded revenues by more than 25%.

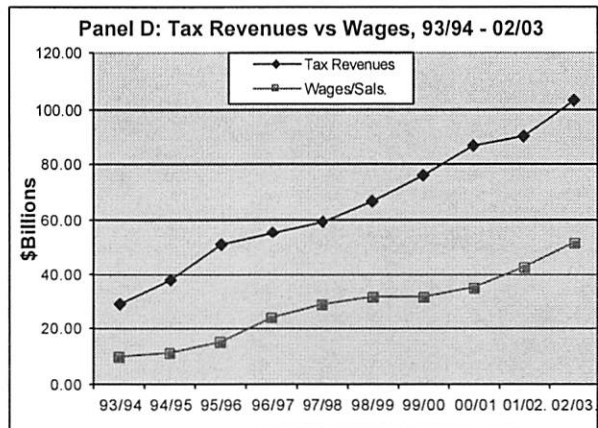
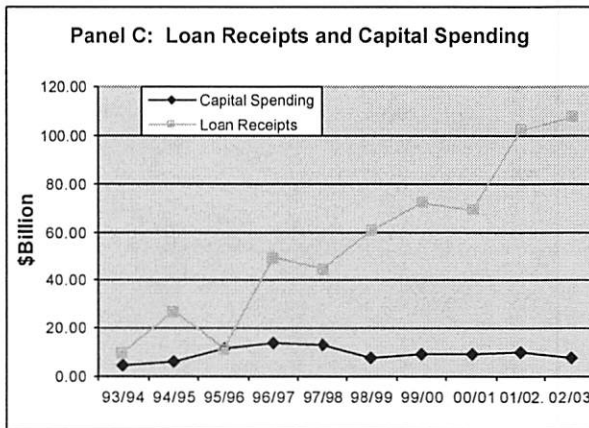
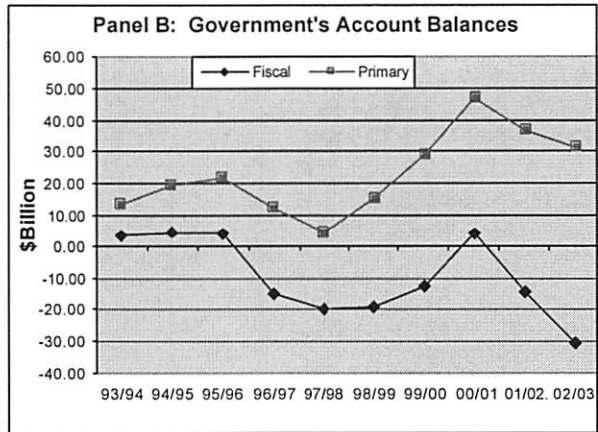
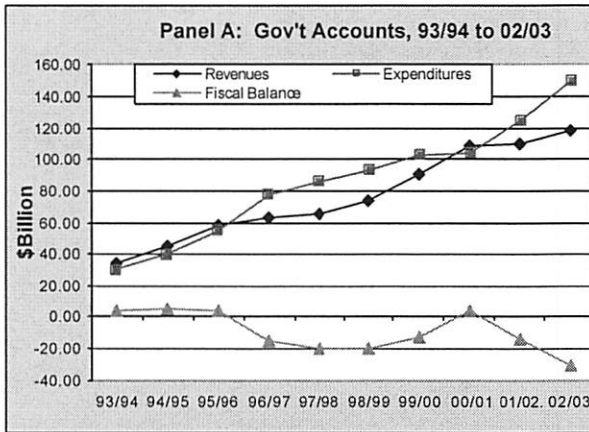
The Primary Balance gives a picture of what the accounts would look like without the debt burden (see Panel B). The Primary Balance for FY 2002/03 was \$31.5billion. The Government has maintained a positive Primary Balance over the review period with the figure reaching as high as \$47.17bn in FY 2000/01.

Although the Government has borrowed more than \$550billion over the last ten fiscal years, most of this amount has been used to finance recurrent expenditures

and debt repayments with relatively little going towards long-term Capital investments. In FY 2002/03, for instance, the Government received \$107.42billion in loans but Capital spending amounted to only \$7.95billion (see Panel C). In the previous year (FY 2001/02), Loan Receipts amounted to \$102.18bn but Capital spending was only one-tenth of that amount.

Looking at Loan Receipts vs. Amortization over the period, Government has borrowed more than it has repaid in almost every year for the last ten years resulting in a net increase in debt every year except FY 1995/96.

On the positive side, the gap between Tax Revenues and public sector Wages has generally been expanding over the past ten years (Panel D). In fiscal year 1993/94, for instance, Tax Revenues outstripped Wages & Salaries by \$18.65billion. By the 2002/03 fiscal year, Tax Revenues amounted to twice the Wage bill. This situation could be further improved if the Government can find effective ways of enhancing tax compliance in the coming year.



Stock Market

At the end of December the JSE Index advanced by 4,075.19 points (6.42%) to close at 67,586.72 points. Market capitalization was \$512.88billion, which represented an increase of almost \$31billion over November 2003.

The top performing stock for year- to date to December 31 was Montego Freeport, which appreciated by nearly 274% from \$0.65 to \$2.43 (see Table 13). The worst performing stock was Kingston Wharves, which lost 50% of its value over the period closing at \$1.30 on December 31, 2003.

Table 14: Returns for Listed Companies on the JSE

Year-to-Date Performers on the Jamaica Stock Exchange Top Five (unadjusted for dividends or transaction costs)

	31/12/02	28/11/03	\$	%
Montego Freeport	0.65	2.43	1.78	273.85%
RBTT Financial Holdings	150.00	345.00	195.00	130.00%
JMMB Limited	4.15	8.75	4.60	110.84%
Guardian Holdings Ltd	170.00	323.00	153.00	90.00%
Pegasus Hotel	1.90	3.40	1.50	78.95%

Bottom Five* (unadjusted for dividends or transact. costs)

Kingston Wharves	2.60	1.30	-1.30	-50.00%
Ciboney Group	0.17	0.12	-0.05	-29.41%
Palace Amusement	70.00	50.00	-20.00	-28.57%
Desnoes & Geddes	7.30	5.45	-1.85	-25.34%
Cable & Wireless	1.06	0.81	-0.25	-23.58%

*in ascending order, from worst to best performer

Source: Compiled from the JSE

Developments and Outlook

A number of analysts are expressing optimism concerning the health of the economy in 2004. It is felt that the debt crisis is manageable and that there should be an increase in the rate of economic growth driven by heavy investments in the tourism, construction and bauxite sectors, all of which are poised for strong growth this year. Increases in tourist arrivals and room rates are expected to contribute significantly to the Government's tax revenues. The foreign exchange market should also be boosted by inflows from tourism, remittances and bauxite/alumina earnings, allowing for a more relaxed interest rate policy by the Central Bank. The composition of the debt is also believed to be another plus for the country as it is mostly denominated in Jamaican dollars and so will be less impacted by currency depreciation than at other times in Jamaica's history.

The Government's cash crunch should be somewhat eased by the recent €200 million Eurobond issue successfully launched on January 21 of this year. The issue carries a 10.5% coupon and matures in five years, making it the longest-dated EUR issue ever placed by the Government. In addition to emerging market debt, the pending wage restraint mechanism should also help to alleviate the strain on the fiscal resources this year. The exact terms of the wage restraint are currently being ironed out by the Government in partnership with the trade unions.

In the financial sector, the trend of consolidation continues with the recent merger between Pan Caribbean Financial Services (PCFS) and Manufacturers Investments Limited, the parent company of Manufacturers Sigma Merchant Bank. The new entity, to be known as Pan Caribbean Financial Services (PCFS), will be Jamaica's fifth largest financial institution with total assets of \$40 billion. PCFS is expected to leverage its sizeable asset base and management expertise to be a strong competitor in the security dealing, merchant banking and unit trust markets in 2004.

The global beef industry continues to be plagued by anxiety arising from the recent case of Mad Cow disease discovered in the United States. In December, Jamaica joined the growing list of countries banning beef imports from the U.S. This has created uncertainty surrounding the supply of the product in the short term as Jamaica has thus far been

unsuccessful in finding adequate alternative sources. Unless averted, the impending shortage is expected to affect the tourism sector as well as the wider domestic beef market in the coming weeks. The United States normally supplies an estimated two-thirds of Jamaica's 7.5 million kilos of annual beef imports.

A recent surge in steel prices on the international market is expected to lead to a rise in the cost of major construction projects locally during the course of this year. The global price increase is mainly attributed to strong demand in the Far East, particularly China, as well as a shortage of raw materials critical to the steel-making process. The problem is also said to be compounded by a 60 percent rise in dry bulk freight rates during 2003. The price hike is expected to impact building costs in a number of areas such as Highway 2000 and the NHT's Inner City Housing Project, both of which require major steel supplies for completion. Tourism may also be affected given the upcoming construction of the largest hotel development in Jamaica's history later this year.

The Franco-Belgian oil company, TotalFinaElf, has reportedly been in discussions with the Jamaican government about the possible acquisition of the state-owned petroleum marketing company, Petcom. Such a sale, were it to materialize, would see the Franco-Belgian firm taking over Petcom's 30 service stations across Jamaica which currently generate annual sales of over \$3 billion. Petcom has an estimated 12 per cent market share for petroleum products, placing it fourth behind the three major multinational firms - Esso, Shell and Texaco.

Statistical Index
Major Macro-Economic Indicators

	BM		M2		NIR	Fx Dep	CPI		Tourism	JS/USS	Tbill	Loan	Sav	Dom Debt	Fx Debt
	M	P	M	P	USSM	USSM	M	P	P		%	%	%	JSM	USSM
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	302,293.04	4,144.93
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	305,116.45	4,156.13
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	310,741.77	4,463.94
Jul	3.0	-1.3	0.34	9.15	1,743.9	1,288.17	1.5	6.8	14.80	48.5	13.79	25.92	8.97	313,667.59	4,253.01
Aug	-1.27	-1.45	0.41	8.48	1,685.6	1,316.1	0.4	6.3	-2.04	49.01	13.78	26.25	8.97	329,216.58	4,221.19
Sep	-0.28	2.97	5.89	13.42	1,687.3	1,335.23	0.4	5.9	21.51	49.27	16.69	26.25	8.86	331,618.89	4,230.84
Oct	2.02	6.19	-5.10	7.4	1,655.16	1,328.78	0.7	5.8	15.56	49.44	19.54	26.13	8.96	342,248.95	4,224.40
Nov	2.18	4.86	3.36	11.58	1,614.40	1,397.17	1.2	7.1	16.85	49.91	16.89	26.13	8.96	340,245.86	4,292.91
Dec	11.44	3.99	4.76	12.98	1,596.98	1,423.21	0.5	7.3	34.77	50.97	17.01	25.04	8.96	351,106.70	4,347.46
Jan-03	-10.91	3.72	-3.04	11.03	1,510.25	1,428.27	-0.3	7.0	21.29	52.98	18.45	23.9	8.88	357,519.32	4,389.10
Feb	2.01	0.04	-1.82	6.32	1,252.94	1,421.05	-0.6	5.7	28.90	53.74	18.45	24.73	8.59	363,846.41	4,152.56
Mar	-0.14	7.54	2.35	7.47	1,339.67	1,499.96	0.5	6.2	23.12	56.24	33.47	24.73	8.22	366,158.13	4,180.00
April	-0.48	9.61	5.90	11.68	1,362.10	1,501.76	1.6	7.3	24.90	57.31	30.34	24.73	8.22	376,664.71	4,178.82
May	1.22	9.20	-0.019	12.55	1,233.33	1,530.56	1.9	9.0	21.68	59.42	29.29	25.18	8.22	384,739.26	4,198.03
June	-1.02	7.36	-0.73	10.83	1,127.39	1,514.18	2.5	10.7	20.05	59.01	28.46	25.18	8.22	388,125.86	4165.30
July	1.20	5.31	0.0	10.46	1,124.92	1,468.85	1.5	10.7	18.90	59.16	26.31	25.18	8.22	393,970.29	4,133
August	0.84	7.63	n/a	n/a	1,080.10	1,586.08	1.4	11.9	17.61	59.39	25.74	25.60	8.22	396,498.28	4,096.65
Sept	-1.32	4.09	n/a	n/a	1,182.63	1,627.60	1.6	13.1	17.20	59.71	23.42	25.60	8.94	402,317.57	4,129.12
Oct	2.90	n/a	n/a	n/a	1,131.13	n/a	1.6	14.1	7.7	60.44	none	25.60	8.43	404,949.94	4,164.23
Nov	3.17	n/a	n/a	n/a	1,103.25	n/a	0.9	13.8	6.1	60.65	23.46	25.60	8.43	410,984.43	4,185.10
Dec	n/a	n/a	n/a	n/a	1,164.98	n/a	0.8	14.1	n/a	60.62	22.05	25.60	8.43	n/a	n/a

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

WATBY- weighted average Treasury bill yield

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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