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PSOJ CONFIDENTIAL ECONOMIC BULLETIN

A Monthly Analysis of the Jamaican Economy

Overview

The January quarter began on a positive note following an estimated 2.5 per cent growth in real GDP in the last quarter of 2003 (as reported by the Planning Institute of Jamaica). Strong performances by key sectors such as tourism and bauxite contributed to a sustained favourable outlook for the economy during January. In addition, the inflation rate has trended downwards for the third consecutive month with January's rate of 0.6%, down from the previous month's figure of 0.8%. In the fiscal accounts, the recent €200 million Eurobond issue has helped the Government to meet its overseas borrowing targets and also signifies new financing possibilities in the emerging capital markets. The recently signed Memorandum of Understanding (MoU) between the Government and the trade unions also sends a positive signal to the private sector and international capital markets concerning efforts to curb public expenditures and achieve sustainable fiscal dynamics.

The relative stability that characterized the foreign exchange market in December was maintained. The dollar lost \$0.11 to its U.S. counterpart during January to close the month at \$60.73. The depreciation rate for the month was a marginal 0.2%, kept in check by strong inflows from the tourism sector.

The continued stability in the foreign currency market allowed for an increase in the Net International Reserve (NIR), which grew by \$54.68 million over December's figure through an increase in the stock of foreign assets.

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January's tourism results continued the trend of improvement seen in previous months. Total stopover arrivals registered a healthy 8% growth over the corresponding period last year and 21% over January of 2002.

Bauxite production and exports both showed significant improvement during January, expanding by 10.4% and 16.7% respectively when compared to January of 2003. The sector benefited from significant increases in productive capacity at both Alpart and JAMALCO.

The downward trend in interest rates continued as the BOJ lowered the yields on its repo instruments on three separate occasions during the month. The 120-day rate in particular was dropped by a total of 400 basis points. Six-month T-bill yields also continued to decline, ending the month at 17.15% as Government continued its efforts to lower its borrowing costs.

For the seven-month period January to July 2003 the nation incurred a trade deficit of US\$1.46 billion, a deterioration of more than 10% over the corresponding period in 2002. This was due to a US\$165 million rise in imports significantly higher than the US\$24.9 million growth in exports for the period.

Net International Reserves

The Net International Reserves (NIR) for January 2004 increased to US\$1,251.01 million, \$54.68 million more than the reserves for December and represents just over 19 weeks of goods imports. The growth in reserves is the result of a US\$54.67 million increase in foreign assets (*please see Table 1*).

Table 1: Changes in the NIR

	NIR	Change			Imports (Weeks)
		Mthly	12 Mth	YTD	
Jan-2004	1,251.01	54.68	-259.24	54.68	19.15
Jan-2003	1,510.25	-86.73	-338.43	-86.73	17.46

Source: Compiled from the BOJ (Preliminary)

Foreign Currency Deposits

Total foreign currency deposits increased in December by US\$33.35 million to US\$1,670.58 million compared to November's figures (*Table 2*). December's outturn is largely a reflection of higher deposits in commercial banks and building societies, which together accounted for over 98% of the increase.

Table 2: Foreign Currency Deposit

	Dec-03	Change (US\$M) %		
		Mthly	12 Mth	12 Mth
Total Deposits	1,670.58	33.35	247.38	17.38
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 lost \$0.11 against its US counterpart during the month of January, trading at \$60.73 (daily JS/US\$ weighted average selling rate) against the US dollar on January 30 (see *Table 3*). This represents a year-to-date depreciation of 0.19% for the month, an improvement on the 3.95% observed in January of last year.

Figure 1: Daily JS/US\$ Movements

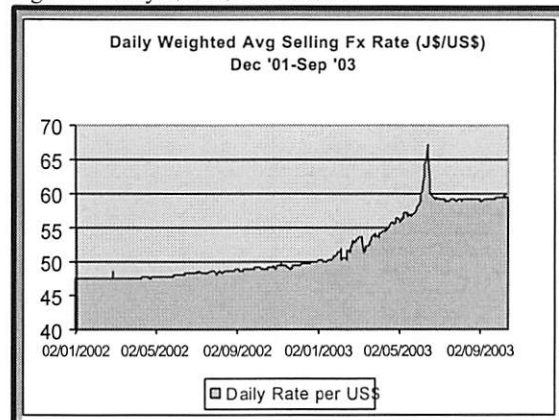


Table 3: Foreign Exchange Trends

	Year-to-Date: Jan 31, '04 (report date: Feb. 22)					
	us\$	%?	can\$	%?	uk£	%?
2003	0.11	0.19	-1.51	-3.24	2.62	2.44
2002	2.01	3.95	2.19	6.83	6.48	8.00
2001	0.15	0.32	0.23	0.80	-0.72	-1.06
Monthly						
Jan -04	0.112	0.19	-1.511	-3.24	2.621	2.44

Source: BOJ, PSQJ Economic Research

Short Term Forecasts

Stable conditions are expected to continue in the foreign exchange market through March with the continued buoyancy of inflows from tourism. The seasonal upswing in visitor arrivals during the month of March may even contribute to an appreciation in the currency in that period. Recent growth in the bauxite and alumina sector also bodes well for the supply side of the foreign exchange market.

Table 4: Short Term FX Forecasts (JS/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	60.73	0.09
Feb. '04	60.68-60.75	60.95	0.20

Source: PSOJ Economic Research

Interest Rates

The Central Bank lowered interest rates three times during January in the context of continued stability in the foreign exchange market. In the most recent rate reduction on January 26th all open market instruments were reduced, with the longer-dated instruments (120-360 day) being cut by at least 100 basis points each. During the month the 180, 270 and 360-day yields were cut by 3.75%, 3.25% and 3.00%, respectively, while the 120-day rate in particular was slashed by as much as 400 basis points.

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

Figure 2: Interest Rate Movements

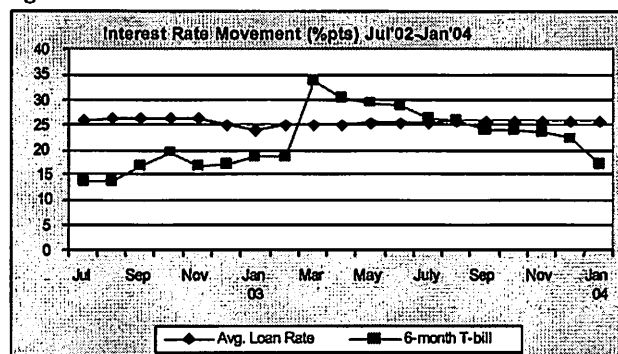


Table 5: Interest Rate Movements

		Change		
	Jan-04	Mthly	12 Mth	YTD
30 Day Repo	14.85	-0.15	1.90	-0.15
365 Day Repo	20.00	-3.00	5.50	-3.00
Avg Savings Deposit	8.43	0.00	-0.45	0.00
Avg Loan Rate	25.60	0.00	1.70	0.00
6 Month T-Bill	17.15	-4.9	-1.30	-4.9
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 January 2004 was 0.6% as the Consumer Price Index inched upwards from 1,786.8 to 1,798.2. This resulted in a fiscal and year-to-date inflation rate of 15.3% and 0.6% respectively (Table 7). The rise in the CPI was strongly driven by higher prices in *Fuels & Other Household Supplies*, whose index rose by 1.9% largely reflecting an almost 3% rise in

domestic fuel costs in rural areas. *Housing & Other Housing Expenses* rose by 1.2% largely due to a 4.5% spike in rental costs. The *Food & Drink* Category increased by a relatively modest 0.4%, tempered by a slowdown in price increases for Starchy Foods (0.1%) and an actual *deflation* in prices for Vegetables & Fruit (-2.0%).

Table 7: Inflation Trends

	Percent Changes			
	Jan-04	12 Mth	YTD	Fiscal
2004	0.6	15.2	0.6	15.3
2003	-0.3	6.3	-0.3	6.3

Source: STATIN

Production of Selected Commodities

Mining: Total Bauxite production in January increased by 10.4% to 1.249 million metric tonnes when compared to January 2003. This resulted from a 100,000 metric tonne increase in productive capacity at Alpart as well as a 250,000-tonne capacity increase at Jamalco. Crude Bauxite production rose by more than 17% (to 362,678 metric tonnes), and this was accompanied by a 10.8% growth in Alumina production (to 357,176 metric tonnes – see Table 8). Exports also increased in comparison to last January, rising by approximately 16.8% from 1.069 million metric tonnes in January 2003 to 1.249 million metric tonnes this year. This mainly reflected a 42% growth in Crude exports, which increased by nearly 111,000 metric tonnes when compared to January 2003.

Table 8: Mining Production

	Y-T-D				
	Jan-03	Jan-04	%	Jan-04	04/03%
Production					
Alumina	322,455	357,176	10.77	357,176	10.77
C. Bauxite	308,776	362,678	17.46	362,678	17.46
Tot. Bauxite	1,131,617	1,249,698	10.43	1,249,698	10.43
Export					
Alumina	314,544	353,037	12.24	353,037	12.24
C. Bauxite	264,085	375,063	42.02	375,063	42.02
Tot. Bauxite	1,069,709	1,249,096	16.77	1,249,096	16.77

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 January were 109,350, nearly 8% higher than in January of 2003 and over 21% more than January 2002. Within the Stopover category there was a 9% growth in visits from Foreign Nationals, but this was tempered by a 9.3% decline in visits by Non-Resident Jamaicans (Table 9). Growth in Cruise Passenger arrivals was held to a modest 5% as Montego Bay received roughly 22% fewer passengers than in January of the previous year. The European customer base continues to grow as evidenced by a 16.4% increase in arrivals from European destinations compared to January of 2003.

Table 9: Tourist Arrivals

	2003	2004	% Change	
	Y-T-D (Jan)	Y-T-D	Y-T-D	January
Stopover	101,306	109,350	7.9	7.9
Foreign	95,875	104,425	8.9	8.9
National	5,431	4,925	-9.3	-9.3
Cruise	118,834	124,650	11.7	11.7
Total	220,140	234,000	6.3	6.3

US\$m*

Source: Jamaica Tourist Board (Preliminary)

External Trade

The external trade deficit for the period January to July 2003 expanded by US\$140.8 million compared to the corresponding 2002 period. (Table 10). This was due to a US\$165.7 million growth in imports which outweighed the growth in exports for the period.

Exports: Total Export Earnings (fob) for January to July 2003 stood at US\$592.7 million, an improvement of nearly US\$25 million over the corresponding period in 2002. The Major Traditional Export category increased by US\$22.6 million to US\$692.7 million (up by 4.3%), largely due to an almost US\$19.8 -million growth in Mining & Quarrying. In addition, revenues from Manufacturing grew by US\$1.63 million to just under US\$82.23 million. Growth in Mining & Quarrying was the result of increased earnings from Alumina, which grew by approximately 8% to US\$379.7 million as alumina prices continued their upward trend. Bauxite and Gypsum both declined in comparison to the same period in 2002. In the Manufacturing sector, growth was chiefly attributable to Sugar, which grew by US\$7.02 million or over 12% to US\$65.2 million. Citrus and Coffee products each showed minimal growth, increasing by only US\$5,000 and US\$2,000 respectively. A 25% falloff in Rum earnings was largely the result of

higher taxes on rum imports in Mexico, Jamaica's largest export market for the product.

There was no significant movement in Non-Traditional exports as a combined US\$9.79 million increase in the Food and Beverages & Tobacco categories was counterbalanced by a US\$9.03 million decline in Other Non-Traditional Exports. The decline in Other Non-Traditional Exports was primarily in the areas of Wearing Apparel and Mineral Fuels, whose revenues fell by US\$6.54 million and US\$6.19 million, respectively when compared to the corresponding 2002 period. Earnings from Chemicals were 13.5% or US\$3.5 million higher than in the prior period, while Other Domestic Exports increased by US\$1.04 million or 31%. In Non-Traditional Foods, revenues grew by US\$6.6 million largely due to higher earnings in the category of Other Exports, which increased by roughly US\$6 million compared to January-July 2002. Exporters of Fish, Crustaceans & Molluscs also earned US\$1.8 million more than in the 2002 period. Mango earnings rose by more than 52% or US\$0.25 million, but Papayas and Ackee fell by US\$1.15 million and US\$0.24 million, respectively. Revenues from Beverages & Tobacco grew by 26% or US\$3.2 million as a US\$3.3 million growth in Beverages was tempered by a US\$0.11 million falloff in Tobacco.

Table 10: External Trade (US\$ million)

	Jan-Jun '02	Jan-Jun '03	Change	% Change
TOTAL EXPORTS (fob)	667.80	692.71	24.91	3.7
Major Traditional Exports	528.56	551.20	22.64	4.3
Bauxite	528.56	51.66	-8.13	-13.6
Alumina	59.79	379.70	27.93	7.9
Sugar	58.18	65.20	7.02	12.1
Other Traditional Exports	58.82	54.64	-4.18	-7.1
Non-Traditional Exports	126.69	127.47	0.78	0.6
Re-Exports	12.55	14.04	1.49	11.9
Freezone Exports	98.79	73.37	-25.42	-25.7
Goods Procured In Ports	16.80	17.50	0.70	4.2
TOTAL IMPORTS (cif)	1,989.87	2,155.57	165.70	8.3
Consumer Goods	608.60	596.12	-12.48	-2.1
Durables	209.77	192.73	-17.04	-8.1
Raw Materials	1,001.64	1,219.32	217.68	21.7
Fuels - Crude	113.78	69.93	-43.84	-38.5
Other Fuels & Lubrics.	211.06	399.49	188.43	89.3
Capital Goods	379.62	340.13	-39.49	-10.4
Freezone Imports	64.1	59.9	-4.20	-6.6
Goods Procured in Ports	22.2	22.9	0.70	3.2
Trade Balance	-1,322.07	-1,462.86	-140.79	10.7

Source: Compiled from Statin & BOJ data.

Imports: Total imports (cif) increased by 8.3% to US\$2,155.6 million, mainly reflecting a 21.7% (US\$217 million) increase in Raw Materials/Intermediate Goods. This was particularly pronounced in the sub-category 'Other Fuels & Lubricants', which grew by more than 89% compared to the previous period due to higher fuel prices on the world market. The nation also spent US\$69.2 million more on Industrial Supplies and over US\$4 million more on Food (incl. Beverages) than in the same period in 2002.

Consumer goods imports slipped by roughly 2% for the period, as a US\$5.8 million growth in Non-Durables was offset by lower import costs in all other categories.

Capital goods fell by more than 10% or US\$39.4 million as the country spent US\$47.3 million less on Machinery & Equipment such as cellular phones and other telecoms technology. The bill was also US\$16 million lower in the category of Other Industrial Transport Equipment. However, the nation spent over US\$25 million more on Construction Materials (an increase of almost 34%) partially due to strong demand for lumber and ceramic tiles.

Balance of Payments –Jan to July

The current account deficit for the period January to July 2003 was nearly US\$62 million larger than that of the corresponding period in 2002. Although there was a US\$106.8 million improvement in the Services balance, this was countered by a more than US\$152 million deterioration in the Goods balance as imports continued to outstrip exports. The import bill was US\$152.6 million higher than that of the same period in 2002, but export revenues grew by only US\$0.3 million.

The continued improvement in the Services balance was largely due to higher net inflows from Travel services, which grew by US\$89.5 million. It was further improved by an almost US\$19 million drop in the deficit in Transportation services.

The Income account deficit worsened by US\$3.3 million as net Compensation of employees fell by US\$9.7 million, outweighing the US\$6.4 million improvement in the Investment Income deficit.

Net Inflows from Current Transfers fell by almost US\$13 million due to lower net receipts in both Official and Private transfers.

The Capital and Financial account mainly reflected changes in the Financial account, which grew by US\$61.6 million buoyed by a US\$51.7 million growth in Other Private Investments. Other Official Investments plunged from a surplus of US\$43.1 million in the previous period to a deficit of US\$322.3 million in the latter. Overall, net inflows on the Capital & Financial account were insufficient to fund the deficit on the Current account, resulting in a US\$472-million fall in the reserves.

Table 11: Balance of Payments (US\$ M)		January- July		Change	
	2002	2003	US\$m	%	
CURRENT A/C	-514.8	-576.5	-61.7	12.0	
Goods Balance	-997.2	-1,149.5	-152.3	15.3	
Exports (fob)	783.3	783.6	0.3	0.0	
Imports (fob)	1,780.5	1,933.1	152.6	8.6	
Services Balance	192.9	299.7	106.8	55.4	
Transportation	-134.0	-115.2	18.8	-14.0	
Travel	580.0	669.5	89.5	15.4	
Other Services	-253.1	-254.6	-1.5	0.6	
Income	-347.3	-350.6	-3.3	1.0	
Compensation of employees	30.7	21.0	-9.7	-31.6	
Investment Income	-378.0	-371.6	6.4	-1.7	
Current Transfers	636.8	623.9	-12.9	-2.03	
Official	59.9	50.2	-9.7	-16.2	
Private	576.9	573.7	-3.2	-0.6	
CAPITAL & FINANCIAL A/C	514.8	576.5	61.7	12.0	
Net Capital Movement	-11.2	-11.1	0.1	-0.9	
Official	0.2	0.1	-0.1	-50.0	
Private	-11.4	-11.2	0.2	-1.8	
Financial A/c	526.0	587.6	61.6	11.7	
Other Official Investment	43.1	-322.3	-365.4	-847.8	
Other Private Investment (incl. errs & omiss)	386.1	437.8	51.7	13.4	
Reserves (minus=increase)	96.8	472.1			

Source: Bank of Jamaica (Preliminary)

Fiscal Accounts

Over the period April to December 2003 Central Government's fiscal operations generated a deficit of \$35.6 billion, almost 28% worse than budget. The variance was primarily attributed to a \$5-billion overrun in total Expenditures, which was

compounded by a \$3.3-billion shortfall in Revenues and Grants.

Revenue and Grants collected for the nine-month period was \$100,786.6 million, 2.7% below projected figures. This outturn reflected a \$5-billion shortfall in Tax revenues, which were 5.3% less than the budgeted figure and continue to be influenced by a substantial shortfall in GCT and SCT receipts. With

the exception of Grants which fell 14% shy of projections, all other revenue items were better than budgeted, particularly Non-Tax Revenues which were \$1.11 billion higher than projected. Also, Capital Revenue was bolstered by a \$529million 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 \$7,930.9million or 6.4%, reflecting higher than budgeted Interest payments and Wages and Salaries. Interest payments exceeded the budgeted amount by \$7,727 million or roughly 13%, due to a 20% cost overrun in Domestic interest expenses. At \$45.4 billion, Wages and Salaries were 9.5% higher than planned. Programmes continue to be within budget and were just under 17% or \$3.7 billion better than projected as the Government continues its tight control over its non-wage-related housekeeping expenses. Capital expenditure was also within budget, amounting to 41.3% less than planned. This means, however, that the Government was unable to implement 41% of its planned long-term investments in infrastructure, road works and other necessary areas.

Loan receipts fell short of budget by a marginal 0.5% or \$461.3 million. Receipts from the Domestic market were 4.4% less than budgeted as Government T-bill yields continue to trend downwards making them less attractive to domestic creditors. However, External receipts were a whopping 276% higher than planned, bolstered in December by the US\$100 million BNS loan negotiated by the Ministry of Finance.

Total public debt at the end of December stood at \$671.95 billion, an increase of \$7.15 billion over November's figure. Domestic Debt increased by \$6.85 billion to \$417,834.25 million while External Debt increased by US\$6.93 million to US\$4,192.06 million.

Table 12: Fiscal Accounts (J\$ million)

			April-December 2003				Change from	
				Deviation		02/03		
			Provisional	Budget	J\$m	(%)	J\$m	(%)
Revenue & Grants			100,786.6	103,571.9	-2,785.3	-2.7	21,602.3	27.3
	Tax Revenue		90,392.9	95,466.7	-5,073.8	-5.3	16,612.0	22.5
	Non-Tax Revenue		6,654.3	5,543.6	1,110.8	20.0	3,576.2	116.2
	Bauxite Levy		1,560.3	1,465.0	95.3	6.5	248.4	18.9
	Capital Revenue		1,816.6	673.2	1,143.4	169.9	1,376.0	312.3
	Grants		362.5	423.5	-60.9	-14.4	-210.2	-36.7
Expenditure			136,437.4	131,437.1	5,000.3	3.8	23,838.5	21.2
	Recurrent		132,272.5	124,341.6	7,930.9	6.4	25,842.0	24.3
	Programmes		18,715.3	22,465.7	-3,750.4	-16.7	-1,776.9	-8.7
	Wages & Salaries		45,403.5	41,449.2	3,954.3	9.5	6,917.1	18.0
	Interest		68,153.6	60,426.6	7,727.0	12.8	20,701.8	43.6
	Domestic		54,388.7	45,194.3	9,194.4	20.3	18,444.4	51.3
	External		13,764.9	15,232.3	-1,467.4	-9.6	2,257.4	19.6
	Capital Expenditure		4,164.9	7,095.5	-2,930.6	-41.3	-2,003.5	-32.5
Fiscal Balance			-35,650.8	-27,865.2	-7,785.6	27.9	-2,236.2	6.7
Loan Receipts			99,972.2	100,433.5	-461.3	-0.5	18,463.4	22.7
	Domestic		94,720.0	99,039.2	-4,319.2	-4.4	35,787.7	60.7
	External		5,252.2	1,394.3	3,857.9	276.7	-17,324.3	-76.7
Amortization			73,237.9	78,125.2	-4,887.3	-6.2	14,685.5	25.1
	Domestic		59,768.5	67,554.7	-7,786.2	-11.5	23,069.8	62.9
	External		13,469.4	10,570.5	2,898.9	27.4	-8,384.4	-38.4
Overall Balance			-8,916.5	-5,556.9	-3,359.6	60.5	1,541.8	-14.7
Primary Balance			32,502.8	32,561.4	-58.6	-0.2	18,465.6	131.5
Source: Ministry of Finance and Planning								

Source: Ministry of Finance and Planning

Stock Market

At the end of January the JSE Index advanced by 5,242.69 points (7.76%) to close at 72,829.41 points. Market capitalization was \$564.13 billion, which represented an increase of \$51.25 billion over December 2003.

The top performing stock for year- to date to January 30 was the Dyoll Group, which appreciated by roughly 82.7% from \$10.40 to \$19.00 (see Table 14). The worst loser in price terms was the Ciboney Group, which lost over 58% of its value over the period closing at \$0.05 on January 30, 2004.

Table 13: Returns for Listed Companies on the JSE

Year-to-Date Performers on the Jamaica Stock Exchange

Top Five (unadjusted for dividends or transaction costs)

	31/12/03	30/01/04	\$	%
Dyoll Group	10.40	19.00	8.60	82.69
Pegasus Hotel	3.40	6.00	2.60	76.47
Kingston Wharves	1.30	2.25	0.95	73.07
Pan Jam Investments	18.71	29.95	11.24	60.07
Palace Amusement	50.00	80.00	30.00	60.00

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

Ciboney Group	0.12	0.05	-0.07	-58.33
Salada Foods	18.50	17.25	-1.25	-6.76
First Caribbean	80.00	77.00	-3.00	-3.75
International Bank				
Montego Freeport	2.43	2.40		

*in ascending order, from worst to best performer

Source: Compiled from the JSE

Developments and Outlook

The Jamaican economy grew by an estimated 2.3 percent during 2003, according to recent projections from the Planning Institute Of Jamaica (PIOJ). This resulted from a 2.4 percent growth in real GDP in the Services sectors and a 2.1 percent growth in the Goods-producing sectors. Agriculture recorded a healthy 5.1 percent growth influenced by improved weather conditions and strong increases in domestic crops and livestock production. Mining & Quarrying expanded by nearly 5 percent due in part to increased alumina production. Real GDP from Finance & Insurance Services grew by 5.6 percent in an environment of increased commercial bank lending. Other high-growth areas were Hotels, Restaurants & Clubs (6.5%), and Electricity & Water (4.8%). Stability in the foreign exchange market and declining interest rates in the last quarter helped the economy to end the year on a positive note. The PIOJ is projecting a 2.6 percent growth in real GDP in the first quarter of 2004, underpinned by a possible slowdown in the inflation rate relative to the previous two quarters.

The Government has now signed a Memorandum of Understanding (MoU) with the Jamaica Confederation of Trade Unions (JCTU), which will see a three percent cap on increases in the public sector wage bill over the next two years. While it has been argued that an outright downsizing of the public sector would have yielded more cost savings for the Government, the MoU nonetheless represents a positive step for the Administration in its efforts to rein in its expenditures and ultimately reduce its reliance on the capital markets to fund its operations. The Ministry of Finance is projecting that Government will end this fiscal year with a deficit of 6.9 per cent of GDP and a total debt stock of approximately \$706 billion.

On February 3rd, 2004 the country's first index fund was launched by JMMB Securities Limited. The JMMB Select Index Fund allows the public to invest in a diversified pool of stocks whose return closely follows that of the overall stock market. The advent of index funds and other mutual funds in recent years has brought additional diversity to the range of investment instruments available in Jamaica's financial markets. It is anticipated that in the near future Jamaica's legislative framework will be adjusted to encourage more financial institutions to offer these and other new varieties of investments.

On the external scene, the global tourism industry received a battering last year from a number of negative factors, primarily the Iraq conflict, the SARS outbreak and a low-growth world economy. As a result worldwide tourist arrivals fell by 1.2%, the largest annual drop ever recorded. However, some regions recorded positive growth, as evidenced by the Caribbean which welcomed 8% more visitors than in the previous year. Jamaica in particular enjoyed a 6.6% increase in stopover arrivals during the year. The growth observed in Jamaica and the Caribbean in the face of a global downturn speaks to the viability of the region as a major tourism destination. The local industry is expected to see continued growth, particularly in arrivals from Europe where the recent strengthening of the euro has been increasing the purchasing power of tourists from that region.

China's economy grew by an estimated 9.1 percent in 2003, making it the fastest-growing of the top ten largest economies of the world. Growth was driven by high levels of investment and a 17 percent surge in industrial production. The booming Chinese economy helped to drive a global economic recovery last year, consuming 55 per cent of the world's cement production and 36 per cent of its steel. China is expected to continue be a major contributor to world economic growth in 2004 both in terms of its massive consumer market and its growing export sectors. The Asian giant has also been expanding its trade relations with Jamaica, which in 2003 became China's largest trading partner in the Caribbean region.

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
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	4,165.30
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	1,655.11	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	1,637.24	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	1,670.59	0.8	14.1	n/a	60.62	22.05	25.60	8.43	417,834.25	4,192.06
Jan '04	n/a	n/a	n/a	n/a	1,251.01	n/a	0.6	15.2	6.3	60.73	17.15	25.60	8.43	427,363.66	4,169.33

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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