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PSOJ CONFIDENTIAL ECONOMIC BULLETIN

A Monthly Analysis of the Jamaican Economy

Overview

The macroeconomic environment remained relatively stable during February, characterized by a continued downward trend in interest rates in a context of moderate price and currency movements. In addition, the approaching end of the fiscal year brought an air of predictability to the economy regarding Government's expenditures and borrowing needs through March 31. The international capital markets also received a positive signal from US investment banking firm Bear Stearns, which has maintained its 'outperform' rating on Jamaica's sovereign debt. This reinforces the positive outlook that has prevailed locally in recent months, particularly with the advent of the Partnership for Progress initiative involving the Government, trade unions and the private sector.

Inflation remained relatively subdued during February, registering 0.6% with a minimal overall movement in the heavily-weighted Food & Drink category.

Steady foreign exchange inflows from tourism and bauxite brought continued calm to the currency market. February's currency adjustments brought the year-to-date depreciation rate to 0.55%, well below the 5.44% recorded for the same period last year.

The Net International Reserve (NIR) grew by a robust 21% to US$1.47 billion and was bolstered by the receipt of the proceeds from the Government's recent €200 million Eurobond issue. February's outturn represents the third consecutive increase in the NIR and enhances the Central Bank's capacity to intervene in the foreign exchange market if required.

In This Issue

Tourism numbers continued to improve during February, as evidenced by an estimated 8% increase in Stopover arrivals when compared to February of the previous year. A consistent area of promise has been the number of European arrivals, which grew by just under 15% in comparison to last February.

February's bauxite production fell marginally by just under 2% in comparison to February of 2003. However, exports improved by over 8% and further growth is anticipated given the recent increases in capacity at Alpart and JAMALCO.

The sustained buoyancy in foreign exchange inflows gave the BOJ some leeway to continue its interest rate reductions during the month. The Bank reduced the yields on four of its repos, including the 180-day instrument which was cut by 125 basis points. Six-month T-bill yields cleared the market 84 basis points lower than in the previous month as Government continues its efforts to lower its borrowing costs.

For the eight-month period January to August 2003 the nation incurred a trade deficit of US$1.63 billion, 6% larger than that of the corresponding period in 2002. This resulted from a US$126-million growth in imports which outweighed export growth for the period.

Net International Reserves

The Net International Reserves (NIR) for February 2004 increased to US$1,473.96 million, a robust $254.31 million more than the reserves for January *(please see Table 1)*. February's reserve represents just under 24 weeks of goods imports. The growth in reserves is the result of a US$254-million increase in foreign assets which were boosted by the receipt of the proceeds from the Government's €200 million Eurobond issue. There was no material change in foreign liabilities during the month.

Table 1: Changes in the NIR

	NIR	Change *Mthly*	*12 Mth*	*YTD*	Imports (Weeks)
Feb-2004	1,473.96	254.31	221.02	308.98	23.76
Feb-2003	1,252.94	-257.31	-567.94	-344.04	22.07

Source: Compiled from the BOJ (Preliminary)

Foreign Currency Deposits

For the month of January, total foreign currency deposits amounted to US$1,659.83 million, US$10.76 million lower than December's figure ***(Table 2)***. January's outturn is largely the result of a US$44-million drop in deposits at merchant banks, which outweighed increases in deposits at commercial banks and building societies for the month.

Table 2: Foreign Currency Deposits

	Jan-04	Change (US$M) *Mthly*	*12 Mth*	% 12 Mth
Total Deposits	1,659.83	-10.76	173.51	11.67
	Feb-04			
Spot Purchases	487.47	-58.12	-271.77	-35.79
Spot Sales	531.04	-70.99	-231.58	-30.37

Source: Compiled from the BOJ (Preliminary)

Foreign Exchange Rates

The Jamaican dollar lost $0.22 against its US counterpart during the month of February, trading at $60.95 (daily J$/US$ weighted average selling rate) against the US dollar on February 27 (see ***Table 3)***. This represents a year-to-date depreciation of 0.55% for the month, an improvement on the 5.44% observed in February of last year.

Figure 1: Daily J$/US$ Movements

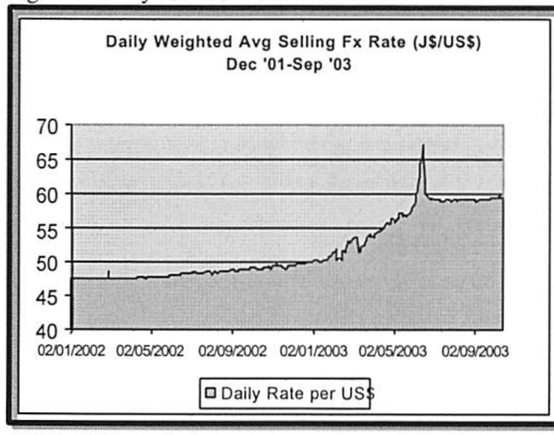

Table 3: Foreign Exchange Trends

	Year-to-Date: Feb 27, '04 (report date: Mar. 08)					
	us$	**%?**	**can$**	**%?**	**uk£**	**%?**
2004	0.34	0.55	-1.24	-2.66	4.94	4.60
2003	2.77	5.44	4.05	12.63	3.83	4.73
2002	0.13	0.27	0.25	0.84	-0.51	-0.76
	Monthly					
Feb -04	0.224	0.37	0.274	0.61	2.320	2.11

Source: BOJ, PSOJ 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 (J$/US$)

	Forecast	Actual	Diff.
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.	60.68-60.75	60.95	0.20
Mar.	60.65-60.70		

Source: PSOJ Economic Research

Interest Rates

The Central Bank lowered interest rates twice during February in the context of continued stability in the foreign exchange market. The 120-day repo rate was shaved by a total of 50 basis points during the month while the 180-day rate was cut by 125 basis points. The 270 and 360-day rates both ended the month 150 basis points lower than their January values.

The average commercial bank savings rate was 8.30%, slightly lower than in January. The average bank lending rate also fell marginally to 25.56% **(Table 5)**.

Figure 2: Interest Rate Movements

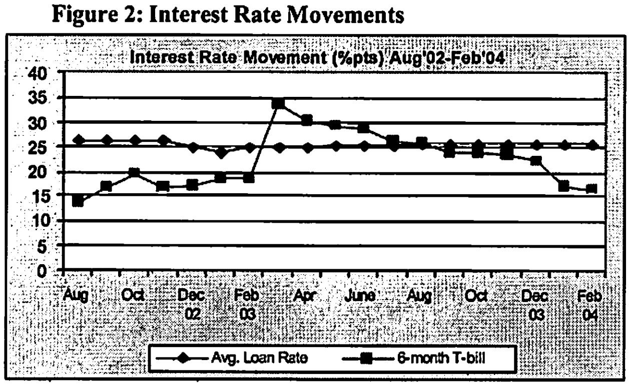

Table 5: Interest Rate Movements

		Change (%age pts)		
	Feb-04	*Mthly*	*12 Mth*	*YTD*
30 Day Repo	14.85	0.00	1.90	-0.15
365 Day Repo	18.50	-1.50	4.00	-4.50
Avg Savings Deposit	8.30	-0.13	-0.29	-0.13
Avg Loan Rate	25.56	-0.04	0.83	-0.04
6 Month T-Bill	16.31	-0.84	n/a	-5.74
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

	J$M	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 February was 0.6% as the Consumer Price Index edged upwards from 1,798.2 to 1,808.4. This resulted in a fiscal and year-to-date inflation rate of 16.0% and 1.2% respectively ***(Table 7)***. The rise in the CPI was strongly driven by higher prices in *Housing & Other Housing Expenses*, whose index rose by 3.4% in an environment where rental rates generally remained flat but other housing expenses rose by over 4%. There was a 0.5% rise in the price level for *Healthcare & Personal Expenses*, while domestic amenities generally cost 0.4% more as evidenced by 0.4% increases in the categories *Household Furnishings & Furniture* and *Fuels & Other Household Supplies*. The *Food & Drink* Category increased by only 0.2%, against a background of declining overall prices for Starchy Foods (-1.8%) and Vegetables & Fruit (-0.8%). There was no general change in Transportation prices for the month in comparison to January.

Table 7: Inflation Trends

	Percent Changes			
	Feb-04	*12 Mth*	*YTD*	Fiscal
2004	0.6	16.5	1.2	16.0
2003	-0.6	5.7	-0.9	5.7

Source: STATIN

Production of Selected Commodities

Mining: Total Bauxite production in February slipped by just under 2% to 1.05 million metric tonnes when compared to February 2003. Crude Bauxite production fell by more than 27% (to 245,836 metric tonnes), but this was somewhat countered by a 10.5% growth in Alumina production (to 321,535 metric tonnes – see Table 8). Exports increased in comparison to last February, rising from 1.002 million metric tonnes in February 2003 to 1.083 million metric tonnes this year. This mainly reflected a 22.6% growth in Alumina exports, which increased by nearly 63,000 metric tonnes when compared to February 2003. Export growth was somewhat lessened by a 25% fall in Crude exports.

Table 8: Mining Production

				Y-T-D	
	Feb-03	Feb-04	%	Feb-04	04/03%
Production					
Alumina	291,008	321,535	10.49	678,711	10.64
C. Bauxite	337,492	245,836	-27.16	608,514	-5.84
Tot. Bauxite	1,068,387	1,050,415	-1.68	2,300,135	4.55
Export					
Alumina	278,227	341,197	22.63	694,305	17.13
C. Bauxite	310,902	230,889	-25.74	605,952	5.39
Tot. Bauxite	1,002,066	1,083,835	8.16	2,336,047	12.75

Units=tonnes

Source: Compiled from Jamaica Bauxite Institute

Sugar & Bananas: Total sugar production for the 2003/04 crop year has so far shown a 29.5% increase over that of the previous year. For the first 90 days of the crop year, total production stood at 90,866 tonnes, compared to 70,180 tonnes for the same period last year. On a per-unit basis, the industry was able to produce over 6% more sugar from each tonne of cane ground.

Tourism

Total Stopover arrivals for the month of February were 120,129, nearly 8% higher than in February of 2003 and over 20% more than February 2002. Within the Stopover category there was an 8% growth in visits from Foreign Nationals, but this was tempered by a 1.4% decline in visits by Non-Resident Jamaicans (Table 9). Growth in Cruise Passenger arrivals declined by almost 1% as Montego Bay received 3.5% fewer passengers than in February of the previous year. The European customer base continues to grow as evidenced by a 14.7% increase in arrivals from European destinations compared to February of 2003.

Table 9: Tourist Arrivals

	2003	*2004*	*% Change*	
	Y-T-D (Feb)		Y-T-D	February
Stopover	**212,764**	**229,479**	7.9	7.8
Foreign	202,315	219,608	8.5	8.2
National	10,449	9,871	-5.5	-1.4
Cruise	**235,285**	**240,001**	2.0	-0.9
Total	448,049	469,480	4.8	3.3
US$m*				

Source: Jamaica Tourist Board (Preliminary)

External Trade

For the period January to August 2003 the nation incurred a trade deficit of US$1,627.1 million, 6.0% worse than the corresponding period in 2002 ***(Table 10).*** This was the result of a US$126.4 million growth in imports which outweighed the growth in exports for the period.

Exports: Total Export Earnings (fob) for January to August 2003 stood at US$794.3 million, an improvement of more than US$34 million over the corresponding period in 2002. Major Traditional Exports increased by US$22.8 million to US$628.1 million (up by 3.8%), largely due to a US$27.5 -million growth in Mining & Quarrying. In addition, revenues from Agriculture grew by a modest US$0.92 million to just under US$41.04 million. Growth in Mining & Quarrying was the result of a US$37.8-million (9.4%) growth in earnings from Alumina, which was partially offset by a US$10.3-million fall in Bauxite earnings. In traditional Agriculture, Citrus was the main growth area as earnings were an impressive 62.8% higher than for the same period in 2002. In contrast, Pimento revenues plunged by 60.8% or US$1.03 million. Income from Bananas and Cocoa grew by US$0.78 million and US$0.69 million, respectively. Traditional Manufacturing earned 6.2% less revenues than in the previous period, mainly due to a 19% falloff in Rum earnings resulting from higher taxes on rum imports in Mexico, Jamaica's largest export market for the product. Declines were also experienced in all the other areas in the traditional Manufacturing category.

Receipts from Non-Traditional exports grew by US$9.43 million, largely attributable to a US$6.65 million (11.8%) growth in Foods which was complemented by a US$3.36 million increase in Beverages & Tobacco. Growth in the Other Non-Traditionals category was minimal as an US$11.3-million growth in Chemicals was counterbalanced by declines in Wearing Apparel (-US$7.09 m) and Mineral Fuels (-US$4.6 mn). In Non-Traditional Foods, revenue growth was mainly attributable to the Other Exports category where earnings increased by roughly US$5.8 million compared to January-August 2002. Exporters of Fish, Crustaceans & Molluscs also earned over US$2 million more than in the 2002 period. Income from Mangoes and Ackee rose by US$307,000 and US$164,000, respectively, but Papayas fell by US$1.35 million (42.6%). Revenues from Beverages & Tobacco grew by US$3.37 million (nearly 24%) as a 25% growth in Beverages was tempered by a 31% falloff in Tobacco.

Imports: Total imports (cif) increased by 5.5% to US$2,421.4 million, mainly reflecting an almost 18% (US$204.7 mn) increase in Raw Materials/Intermediate Goods. This was particularly pronounced in the sub-category 'Other Fuels & Lubricants', which grew by more than US$189 million (75%) compared to the previous period due to higher fuel prices on the world market. The nation also spent US$63.9 million more on Industrial Supplies and US$7.5 million more on Food (incl. Beverages) than in the same period in 2002.

Consumer goods imports slipped by more than 3% for the period, as the import bill was lower in every sub-category except Non-Durables, which rose by US$2.5 million.

Capital goods fell by more than 12% or US$54.2 million as the maturing cellular phone market contributed to a US$58.2 million fall in Machinery & Equipment imports. The bill was also US$16.6 million lower in the category of Other Industrial Transport Equipment. However, the nation spent nearly US$24 million more on Construction Materials (an increase of over 27%) partially due to strong demand for lumber and ceramic tiles.

Table 10: External Trade (US$ million)

	Jan-Aug "02	Jan-Aug '03	Change	% Change
TOTAL EXPORTS (fob)	**760.08**	**794.30**	**34.22**	**4.5**
Major Traditional Exports	605.32	628.13	22.81	3.8
Bauxite	69.55	59.27	-10.28	-14.8
Alumina	403.76	441.58	37.83	9.4
Sugar	66.15	65.20	-0.95	-1.4
Other Traditional Exports	65.87	62.08	-3.79	-5.7
Non-Traditional Exports	140.51	149.94	9.43	6.7
Re-exports	14.25	16.22	1.98	13.9
Freezone Exports	121.46	91.88	-29.58	-24.4
Goods Procured In Ports	19.20	20.00	0.80	4.2
TOTAL IMPORTS (cif)	**2,294.99**	**2,421.38**	**126.39**	**5.5**
Consumer Goods	699.09	674.98	-24.11	-3.4
Durables	241.32	220.79	-20.54	-8.5
Raw Materials	1,155.56	1,360.31	204.74	17.7
Fuels - crude	132.02	89.66	-42.36	-32.1
Other Fuels & Lubrics.	250.04	439.28	189.25	75.7
Capital Goods	440.34	386.09	-54.24	-12.3
Freezone Imports	72.32	72.01	-0.31	-0.4
Goods Procured In Ports	25.40	26.20	0.80	3.1
Trade Balance	**-1,534.91**	**-1,627.09**	**-92.17**	**6.0**

Source: Compiled from BOJ and STATIN data

Balance of Payments –Jan to Aug

The current account deficit for the period January to August 2003 was nearly US$19 million larger than that of the corresponding period in 2002. Although there was a US$120.2 million improvement in the Services balance, this was countered by a more than US$117 million deterioration in the Goods balance as imports continued to outstrip exports. Export revenues grew by US$5.5 million, but this was insufficient to offset the US$123-million growth in imports for the period.

The continued improvement in the Services balance was largely due to higher net inflows from Travel services, which grew by US$96.2 million in the context of a 17% increase in arrivals in the tourism sector. It was further improved by an almost US$26 million drop in the deficit in Transportation services.

The Income account deficit worsened by US$3.6 million as net Compensation of employees fell by almost US$11 million, outweighing the US$7.3 million improvement in the Investment Income deficit.

Net Inflows from Current Transfers fell by US$18 million due to lower net receipts in both Official and Private transfers. This was despite a 6% growth in remittances in the 2003 review period compared to the former period.

The Capital and Financial account mainly reflected changes in the Financial account, where net inflows grew by US$19.1 million buoyed by a US$26.7 million growth in Other Private Investments. Other Official Investments plunged from a net inflow of US35.6 million in the previous period to a net outflow of US$333.8 million in the latter. Overall, inflows on the Capital & Financial account were insufficient to fund the deficit on the Current account, resulting in a US$517-million fall in the reserves.

Table 11: Balance Of Payments (US$M)

	Jan-Aug '02	Jan-Aug '03	Change	% Change
CURRENT ACCOUNT	**-615.8**	**-634.7**	**-18.9**	**3.1**
Goods Balance	**-1,151.5**	**-1,268.8**	**-117.3**	**10.2**
Exports (fob)	900.7	906.2	5.5	0.6
Imports (fob)	2,052.2	2,175.0	122.8	6.0
Services Balance	**218.4**	**338.6**	**120.2**	**55.0**
Transportation	-155.2	-129.3	25.9	-16.7
Travel	663.6	759.8	96.2	14.5
Other Services	-290.0	-291.9	-1.9	0.7
Income	**-418.4**	**-422.0**	**-3.6**	**0.9**
Compensation of Employees	41.6	30.7	-10.9	-26.2
Investment Income	-460.0	-452.7	7.3	-1.6
Current Transfers	**735.7**	**717.5**	**-18.2**	**-2.5**
Official	74.8	57.4	-17.4	-23.3
Private	660.9	660.1	-0.8	-0.1
CAPITAL & FINANCIAL A/C	**615.8**	**634.7**	**18.9**	**3.1**
Net Capital Movement	**-12.5**	**-12.7**	**-0.2**	**1.6**
Official	0.2	0.1	-0.1	-50.0
Private	-12.7	-12.8	-0.1	0.8
Financial Account	**628.3**	**647.4**	**19.1**	**3.0**
Other Official Investment	35.6	-333.8	-369.4	-1037.6
Other Private Investment (incl. errors & omis s)	437.6	464.3	26.7	6.1%
Reserves (minus=increase)	155.1	516.9		

Source: Bank of Jamaica (Preliminary)

Fiscal Accounts

Over the period April 2003 to January 2004 Central Government's fiscal operations generated a deficit of $35.9 billion, over 26% worse than budget. The variance was primarily attributed to a $6.3-billion overrun in total Expenditures, which was compounded by a $1.1-billion shortfall in Revenues and Grants.

Revenue and Grants collected for the ten-month period was $116,049.1 million, 1% below projected figures. This outturn reflected a $4.5-billion shortfall in Tax revenues, which 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 Capital Revenues which were almost $2.2 billion higher than projected bolstered by a $529-million inflow from divestment proceeds. Also, Non-tax Revenues were $1.1 billion above expectations. 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.

Total Expenditure exceeded budget by $6,355.4 million or 4.4%, reflecting higher than budgeted Interest payments and Wages and Salaries. Interest payments exceeded the budgeted amount by $7,933 million or 11.7%, due to a 20% cost overrun in Domestic interest expenses. At $51.2 billion, Wages and Salaries were over 12% higher than planned. Programmes continue to be within budget and were $3.8 billion better than projected as the Government continues its tight control over its non-wage-related housekeeping expenses. Of the budgeted $7.7 billion in investments in the Capital Expenditure category, the Government only invested $4.3 billion as debt servicing costs continued to command the bulk of available funds.

Loan receipts fell short of budget by 3.7% or over $4.2 billion. External receipts were almost 65% less than planned as the proceeds from the Eurobond issue which had been anticipated in January were not received until February. However, Domestic receipts were higher than budget as the Government relied upon a number of local instruments and private placements to partially compensate for the delayed Eurobond funds.

Total public debt at the end of January stood at $680.57 billion, an increase of $8.62 billion over December's figure. Domestic Debt increased by $9.53 billion to $427,363.66 million while External Debt decreased by US$22.73 million to US$4,169.33 million.

Table 12: Fiscal Accounts (J$ million)

	April 2003 – January 2004			
			Deviation	
	Provisional	Budget	J$m	(%)
Revenue & Grants	**116,049.1**	**117,194.2**	**-1,145.1**	**-1.0**
Tax Revenue	103,590.9	108,126.1	-4,535.2	-4.2
Non-Tax Revenue	7,401.2	6,290.6	1,110.5	17.7
Bauxite Levy	1,723.4	1,564.8	158.6	10.1
Capital Revenue	2,951.2	768.8	2,182.4	283.9
Grants	382.4	443.8	-61.3	-13.8
Expenditure	**151,987.3**	**145,631.9**	**6,355.4**	**4.4**
Recurrent	147,601.8	137,929.0	9,672.8	7.0
Programmes	20,813.4	24,635.6	-3,822.2	-15.5
Wages & Salaries	51,248.8	45,687.2	5,561.6	12.2
Interest	75,539.6	67,606.2	7,933.3	11.7
Domestic	60,638.3	50,686.2	9,952.2	19.6
External	14,901.2	16,920.1	-2,018.8	-11.9
Capital Expenditure	4,385.6	7,702.9	-3,317.4	-43.1
Fiscal Balance	**-35,938.2**	**-28,437.8**	**-7,500.5**	**26.4**
Loan Receipts	110,769.3	115,017.8	-4,248.4	-3.7
Domestic	105,307.8	99,539.2	5,768.6	5.8
External	5,461.5	15,478.6	-10,017.1	-64.7
Amortization	77,114.7	79,745.8	-2,631.0	-3.3
Domestic	62,357.4	67,958.7	-5,601.3	-8.2
External	14,757.3	11,787.1	2,970.3	25.5
Overall Balance	**-2,283.6**	**6,834.2**	**-9,117.9**	**-133.4**
Primary Balance	**39,601.4**	**39,168.5**	**432.9**	**1.1**

Source: Ministry of Finance & Planning

Stock Market

At the end of February the JSE Index advanced by 7,179.58 points (9.86%) to close at 80,008.99 points. Market capitalization was $617.50 billion, which represented an increase of $53.36 billion over January 2004.

The top performing stock for year- to date to February 27 was the MoBay Ice Company, which appreciated by roughly 66.7% from $9.00 to $15.00 (see Table 13). The worst loser in price terms was the Dyoll Group, which lost over 21% of its value over the period closing at $14.98 on February 27, 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	27/02/04	$	%
MoBay Ice Company	9.00	15.00	6.00	66.67
Pegasus Hotel	6.00	9.20	3.20	53.33
First Caribbean International Bank	9.00	13.10	4.10	45.56
JMMB Limited	9.50	12.65	3.15	33.16
CMP Industries	3.45	4.50	1.05	30.43

Bottom Four* (unadjusted for dividends or transact. costs)				
Dyoll Group	19.00	14.98	-4.02	-21.16
Cable & Wireless Jamaica Ltd	1.00	0.80	-0.20	-20.00
Life Of Jamaica	5.80	5.40	-0.40	-6.90
Palace Amusement	80.00	74.50	-5.50	-6.88
Capital & Credit Merchant Bank	6.50	6.19	-0.31	-4.77

*in ascending order, from worst to best performer

Source: Compiled from the JSE

Developments and Outlook

The recent capacity expansions in the bauxite sector are expected to yield significant growth in foreign exchange earnings from the industry. Jamalco, the partially Government-owned entity, has invested some US$115 million in a 25 percent expansion of its plant, thereby increasing its annual bauxite capacity by 250,000 tons. In addition, Alpart has boosted its annual capacity by 200,000 tons through a US$21 million investment. Alcoa has also announced a US$690-million investment, the largest single investment ever in any area of the Jamaican economy. The Government anticipates that these expansions will generate additional foreign exchange of US$80 million immediately and an additional US$300 million per annum when the major expansion is completed. The local bauxite industry earns approximately US$700 million per annum.

The American investment bank Bear Stearns has maintained its favourable assessment of Jamaica's sovereign debt vis-à-vis other countries in the same risk category. The agency is of the view that although Jamaica's debt situation remains precarious, some economic variables are moving in the right direction for the achievement of sustainable fiscal dynamics. The company cited the Partnership for Progress as the most important policy development currently taking place in the country and one of the main factors that will allow Jamaica to remain viable in the eyes of international capital markets for at least another twelve months. Bear Stearns surmises that because of the high percentage of Jamaican ownership of external debt, a financial meltdown is unlikely in the next year as the owners of the debt are also supporters of the Partnership. A number of recent developments were cited which should bode well for the economy and the fiscal accounts. These include reductions in interest rates, notable growth in tourism, and the Government's €200-million Eurobond issue, which has improved the short-term cash flow situation. Possible threats to a fiscal recovery include a failure to fully implement the Partnership, a backlash from unions, and fiscal under-performance in 2004/05.

The Jamaican telecommunications market will shortly see a new entrant with the Government's recent sale of a cellular licence to American telecoms giant AT&T Wireless for $360 million (US$6 million). However, this has sparked claims of unfair competition from local incumbent Oceanic Digital, which says that AT&T is being allowed to enter the market at a much lower price than that paid by either itself or Digicel in 1999. The US$6-million price is only a fraction of the US$45 million paid by Oceanic for its licence and is a mere 12 percent of the amount originally requested from AT&T by the Government in earlier negotiations last year. Nonetheless, the impending entry of AT&T bodes well for competition in the market and may also create employment opportunities for some of the 450 workers recently displaced in Cable & Wireless' redundancy exercise. The cellular market is currently dominated by Cable & Wireless and Digicel, which together control over 70 percent of the market.

The entry of AT&T also comes at a time when the telecoms sector is being removed from the regulatory control of four agencies, these being: the Office of Utilities Regulation (OUR), the Spectrum Management Authority, the Broadcasting Commission, and the Fair Trading Commission (FTC). The FTC and the OUR in particular, have traditionally played important roles in monitoring the industry in the areas of competition, quality of service and other areas. The four agencies will be replaced by a single institution which will have general oversight responsibility for the sector. The exact time-frame for the establishment of the new agency will depend on Cabinet's approval.

Local steel prices continue to soar as China's surging demand continues to drive up the price of the commodity on the world market. China's mammoth economy has been growing at record rates in recent months, resulting in its escalating need for steel in areas such as construction and industry. With the resulting effects on world prices, Jamaica's largest steel importer now has to pay 50 percent more for the commodity than it did just 18 months ago, and the higher price is being passed on to consumers. This situation has already begun to affect the growth of the local construction industry with recent reports of several building projects being shelved due to the high steel costs. The industry is also being affected by rising costs for lumber and plywood.

The stock market continues to show steady growth, with market capitalization on the JSE index increasing by a healthy 9.46% during the month of February. Growth over the past several months has been buoyed by strong financial performance by firms in the distributive, financial and manufacturing sectors. Companies such as JMMB Limited, the Pegasus Hotel and Montego Freeport have experienced monthly returns in the order of 100% and higher as their stock prices adjust in response to news of positive earnings growth, new product and service offerings and planned investments to enhance profitability.

Statistical Index
Major Macro-Economic Indicators

	BM		M2		NIR	Fx Dep	CPI		Tourism	J$/US$	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	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	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
Feb	n/a	n/a	n/a	n/a	1,473.96	n/a	0.6	16.5	n/a	60.95	16.31	25.56	8.30	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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