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PSOJ CONFIDENTIAL ECONOMIC BULLETIN

A Monthly Analysis of the Jamaican Economy

Overview

Preliminary data for the April-to-June quarter points to continued improvements in the fiscal performance relative to projections. During the three-month period Government exceeded its revenue target by an estimated $1.52 billion and also kept expenditures some $1.57 billion below budget. This performance, as well as the better-than-expected deficit outturn for last year, has not gone unnoticed by international creditors and rating agencies. In its June report, the US-based rating agency Moody's maintained a stable rating on Jamaica's debt based on the recent fiscal results, improvements in the macroeconomy, and the country's demonstrated commitment to reducing its debt burden. In addition, the Government on July 13 successfully raised €200 million on the European bond market (see details in Developments & Outlook).

Inflation for June registered 0.8%, partially driven by increases in Food & Drink as well as domestic fuels. The inflation rate was slightly higher than May's figure of 0.6%.

The Jamaican dollar lost $0.28 against its US counterpart during June. This represented a monthly depreciation of less than half a percent. Stable conditions continue to influence the US dollar market as total adjustments have amounted to only one percent for the first half of 2004.

The Net International Reserve (NIR) stood at US$1,604.1 million at the end of June. This was US$111.56 million lower than the previous month's figure of US$1,715.66 million. However, the NIR is expected to receive a major boost in July from the proceeds of the Government's latest Euro-denominated bond issue.

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Tourism figures for June were not available at the time of publication. However, preliminary numbers show a 9.3% increase in airport arrivals relative to last June. In addition, data for May reveals a 9.5% rise in Stopover arrivals, the highlight of which was an impressive 30% jump in Canadian visitors relative to the same period last year.

Growth in bauxite production was held to a modest 2% in June as there was no significant increase in Crude bauxite production. Exports were affected by temporary retooling exercises at one of the major alumina plants.

Central Bank repos remained unchanged during June in the context of relative calm in the US dollar market. Six-month T-bills also showed no major movement as the average market-clearing rate was a mere 2 basis points above that of the previous month.

For the period April 2003 to February 2004 the current account deficit showed a remarkable US$435-million improvement over that of the same period the previous year (see Balance of Payments update – page 7).

Net International Reserves

The Net International Reserve (NIR) at the end of June stood at US$1,604.10 million. This stock was US$111.56 million lower than that of the previous month and represented roughly 22.5 weeks of goods imports *(see Table 1)*. The fall in reserves is the result of a US$113-million decrease in foreign assets which far outweighed a US$2-million decrease in foreign liabilities during the month.

Table 1: Changes in the NIR

	NIR	Change *Mthly*	*12 Mth*	*YTD*	Imports (Weeks)
June-2004	1,604.10	-111.56	476.71	439.12	25.11
June-2003	1,127.39	-105.94	-654.86	-469.59	20.65

Source: Compiled from the BOJ (Preliminary)

Foreign Currency Deposits

For the month of April total foreign currency deposits amounted to US$1,769.12 million, US$1.07 million lower than March's figure ***(Table 2)***. This reflected a US$20.7-million decrease in commercial bank deposits, which outweighed increases in deposits at building societies and merchant banks. In May, Spot Sales exceeded Purchases for the fifth consecutive month.

Table 2: Foreign Currency Deposits

		Change (US$M)		%
	Apr-04	*Mthly*	*12 Mth*	**12 Mth**
Total Deposits	1,769.12	-1.07	213.45	13.72
	May-04			
Spot Purchases	661.31	33.43	-20.60	-3.02
Spot Sales	674.51	-13.39	-17.52	-2.53

Source: Compiled from the BOJ (Preliminary)

Foreign Exchange Rates

The Jamaican dollar lost $0.28 against its US counterpart during June to close the month at an average of $61.22 (daily J$/US$ weighted average selling rate, see ***Table 3***). Stable conditions continue to prevail in the US dollar market as currency adjustments have amounted to only 1% since the start of the year. This represents a significant improvement over the same period last year when depreciation amounted to nearly 16%.

Figure 1: Daily J$/US$ Movements

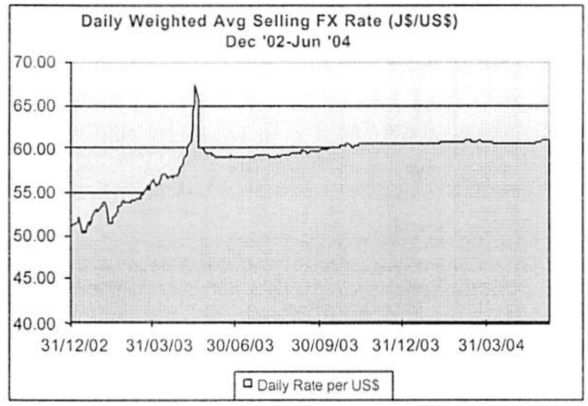

Table 3: Foreign Exchange Trends*

	Year-to-Date: June 30, '04 (report date: July 16)					
	us$	**%?**	**can$**	**%?**	**uk£**	**%?**
2004	0.60	0.99	-0.93	-2.00	-5.07	-4.71
2003	8.04	15.77	11.60	36.14	15.82	19.53
2002	1.12	2.35	2.50	8.49	5.04	7.41
	Monthly					
Jun -04	0.28	0.46	1.86	4.26	-7.81	-7.09

* *minus = appreciation.*

Source: BOJ, PSOJ Economic Research

Short Term Forecast

The market will continue to exhibit relative stability in the coming weeks given the sustained buoyancy in the tourism and alumina sectors. Recent successes by the Government on the external debt market should also help to heighten confidence levels concerning the availability of reserves for market intervention by the BOJ if required.

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

	Forecast	Actual	Diff.
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	61.01	0.31
Apr	60.75-60.80	60.65	-0.10
May	60.65–60.74	60.93	0.19
June	60.90–60.96	61.22	0.26
July	61.56-61.62		

Source: PSOJ Economic Research

Interest Rates

BOJ repo yields remained unchanged during June in a context of relative calm in the US dollar market. Six-month T-bills also showed no major movement as the average market-clearing rate was a mere 2 basis points above that of the previous month.

The average bank savings and lending rates remained unchanged at 8.06% and 25.02%, respectively **(Table 5).**

Figure 2: Interest Rate Movements

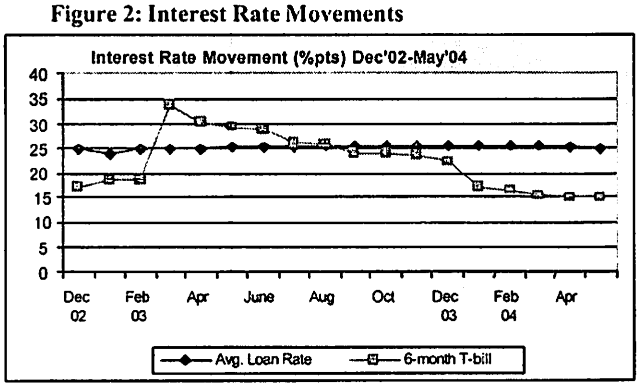

Table 5: Interest Rate Movements

		Change (%age pts)		
	Jun-04	***Mthly***	***12 Mth***	***YTD***
30 Day Repo	14.20	0.00	-0.80	-0.80
365 Day Repo	16.40	0.00	-13.60	-6.60
Avg Savings Deposit	8.06	0.00	-0.16	-0.37
Avg Loan Rate	25.02	0.00	-0.16	-0.58
6 Month T-Bill	14.98	0.02	-13.48	-7.07
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 grew by 1.65% in May 2004 compared to the previous month. M2 for April showed a 2.11% increase over the March figure reflecting increases in both M1 and the Quasi-money stock.

Table 6: Base Money and Money Supply

	J$M	Change (%)	
	Apr-04	***Mthly***	***12 Mth***
M1	59,260.5	3.74	27.71
Quasi Money	135,546.5	1.41	11.52
M2	194,807.0	2.11	15.99
	May-04	***Mthly %***	
Base Money	36,651.9	1.65	11.95

Source: Compiled from the BOJ (Preliminary)

Inflation

In June the inflation rate inched upwards to 0.8% as the Consumer Price Index rose slightly from 1,839.9 to 1,854.8. This resulted in a year-to-date inflation rate of 3.8% *(Table 7).* There was a 1.3% increase in the category *Fuels & Other Household Supplies* in the context of a 1.7% rise in the cost of domestic fuels. The *Food & Drink* sub-index rose by 1.0% due to increases in nearly all food types, particularly Starchy Foods which jumped by 7%. The category *Healthcare & Personal Expenses* registered a 0.6% increase, as did the *Transportation* category. *Housing & Other Housing Expenses* were generally 0.4% more expensive partially due to a 0.7% rise in rental rates.

Table 7: Inflation Trends

	Percent Changes			
	June	***12 Mth***	***YTD***	**Fiscal**
2004	0.8	12.2	3.8	1.9
2003	2.5	10.7	5.6	6.0

Source: STATIN

Production of Selected Commodities

Mining: Total Bauxite production in June amounted to 1.111 million metric tones, roughly 2% higher than that of last June (see Table 8). The main area of growth was in Alumina, where production rose by more than 7% to 339,504 metric tonnes in a context of increased capacity utilization. There was no significant growth in Crude Bauxite production, which was only 0.2% higher than that of last June. Total exports declined by 8% during the month, due to temporary production bottlenecks and retooling exercises at one of the major alumina plants. However, year-to-date exports grew by a creditable 7.4% relative to the same period last year to reach 7.111 million tonnes this period.

Table 8: Mining Production

				Y-T-D	
	June-03	**June-04**	**%**	**June-04**	**04/03%**
Production					
Alumina	317,146	339,504	7.05	2,093,448	10.69
C. Bauxite	300,290	300,959	0.22	2,028,628	3.64
Tot. Bauxite	1,091,110	1,111,976	1.91	7,192,604	7.59
Export					
Alumina	339,455	316,378	-6.80	2,050,963	9.41
C. Bauxite	302,965	304,406	0.48	2,055,052	5.92
Tot. Bauxite	1,147,011	1,054,568	-8.06	7,111,570	7.38

Units=tonnes

Source: Compiled from Jamaica Bauxite Institute

Sugar & Bananas: In June the sugar industry produced an output of 4,290 tonnes, roughly 33% less than the 6,387 tonnes produced in the same period last year. However, there were gains in efficiency as the industry was able to produce roughly 12% more sugar from each tonne of cane ground.

Tourism

Total Stopovers for the month of May were 111,759, 9.5% higher than in May of 2003. Growth resulted from a 10.5% increase in visits from Foreign Nationals which outweighed a 4.7% decline in visits by Non-resident Jamaicans (Table 9). Canadian visitors increased by a whopping 30% with healthy double-digit growth in a number of provinces. European visitors grew by a robust 17% with strong growth in arrivals from Italy, Spain and the UK.

There was no notable growth in Cruise Passengers as a mild increase in Ocho Rios arrivals was offset by a fall in visitors at Montego Bay.

Table 9: Tourist Arrivals

	2003	*2004*	*% Change*	
	January - May		Jan-May	May
Stopover	**556,244**	**608,945**	**9.5**	**9.5**
Foreign	526,864	579,927	10.1	10.5
National	29,380	29,018	-1.2	-4.7
Cruise	**536,402**	**543,435**	**1.3**	**0.1**
Total	1,092,646	1,152,380	5.5	
*US$m**				

Source: Jamaica Tourist Board (Preliminary)

External Trade

For the period January to November 2003 the nation incurred a trade deficit of US$2,276.8 million, 2.3% worse than the corresponding period in 2002 ***(Table 10).*** Imports grew by nearly US$110 million, outweighing export growth for the period.

Exports: Total Export Earnings (fob) for January to November 2003 stood at US$1,093.3 million, an improvement of more than US$59 million over the corresponding period in 2002. Major Traditional Exports increased by US$42.2 million to US$844.3 million, due to a US$50-million growth in Mining & Quarrying. There was no material change in Agriculture, which earned approximately US$52.7 million in both periods. Manufacturing fell by more than US$8 million or 8% as the sector continued to be affected by a falloff in rum earnings from Mexico. Growth in Mining & Quarrying was the result of a US$65.5-million growth in Alumina earnings, but this was tempered by a US$15-million fall in Bauxite revenues. The lack of growth in traditional Agriculture was the result of a US$3.3-million fall in Coffee earnings. However, all other sub-categories registered growth, particularly the Cocoa industry whose revenues grew by a huge 113.8%.

Non-Traditional exports earned US$9.6 million more than in the previous period, largely attributable to a US$10-million growth in Foods which was complemented by a US$4.5-million increase in Beverages & Tobacco. The Other Non-Traditionals category declined by over US$5.7 million due largely to a sharp 42% drop in Wearing Apparel whose earnings fell by US$7.5 million. Manufactured Goods also fell by over 22% or US$1.1 million. However, the Chemicals industry earned over US$2.6 million more than in the prior period while the sub-category of Other Domestic Exports also improved by US$1.3 million. In Non-Traditional Foods, revenue growth was mainly attributable to a US$6-million increase in the Other Exports category. Exporters of Fish, Crustaceans & Molluscs also earned US$2.8

million more than in the 2002 period. All other sub-categories registered growth with the exception of Papayas, whose revenues fell by nearly 40% or US$1.6 million. Beverages & Tobacco improved by nearly 23% as a US$4.7 million increase in Beverages was more than enough to compensate for a US$0.12-million falloff in Tobacco.

Imports: Total imports (cif) increased by 3.4% to US$3,370.17 million, resulting from a US$230-million increase in Raw Materials/Intermediate Goods. This was particularly pronounced in the sub-category 'Other Fuels & Lubricants', which grew by nearly 51% (US$204 million) due to higher fuel prices on the world market. The nation also spent nearly US$56 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 2.4% as the import bill was lower in every sub-category except Non-Durables and Other Consumer Goods, which rose by US$8.2 million and US$2.4 million, respectively.

Capital goods fell by US$96.3 million or nearly 16% as the maturing cellular phone market contributed to a US$82.4-million fall in Machinery & Equipment imports. The bill was also US$32 million lower in the category of Other Industrial Transport Equipment. However, the nation spent nearly US$22 million more on Construction Materials partially due to strong demand for lumber and ceramic tiles.

Table 10: External Trade (US$ million)

	Jan-Nov "02	Jan- '03	Change	% Change
TOTAL EXPORTS (fob)	**1,033.96**	**1,093.34**	**59.37**	**5.7**
Major Traditional Exports	802.17	844.34	42.18	5.3
Bauxite	95.05	79.70	-15.35	-16.2
Alumina	552.60	618.10	65.49	11.9
Sugar	66.15	65.20	-0.95	-1.4
Other Traditional Exports	88.36	81.34	-7.02	-7.9
Non-Traditional Exports	213.43	223.06	9.63	4.5
Re-exports	18.37	25.94	7.57	41.2
Freezone Exports				
Goods Procured In Ports				
TOTAL IMPORTS (cif)	**3,260.53**	**3,370.18**	**109.65**	**3.4**
Consumer Goods	981.70	957.70	-24.01	-2.4
Durables	337.86	319.35	-18.51	-5.5
Raw Materials	1,668.58	1,898.53	229.95	13.8
Fuels - crude	186.67	168.32	-18.35	-9.8
Other Fuels & Lubrics.	402.25	606.26	204.00	50.7
Capital Goods	610.24	513.95	-96.30	-15.8
Freezone Imports				
Goods Procured In Ports				
Trade Balance	**-2,226.56**	**-2,276.84**	**-50.28**	**2.3**

Source: Compiled from BOJ and STATIN data

Balance of Payments –2003 (prov.)

The current account deficit for the calendar year 2003 showed a US$115-million improvement over that of 2002. This can be credited to continued growth in the Services balance which increased by a marked 64.3% or US$174 million. However, the Goods balance worsened by roughly US$79 million as a US$47-million growth in exports was outweighed by a US$126-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$125 million in the context of a 9% increase in tourism revenues. It was further improved by a US$41-million narrowing of the deficit in Transportation services.

The shortfall on the Income account was US$28 million worse than in the previous period as higher net outflows in Investment Income were compounded by lower net inflows in Compensation of Employees.

Current Transfers netted over US$48 million more as the US$71-million increase in Private Transfers was more than sufficient to compensate for the fall in Official Transfers.

The Capital and Financial account mainly reflected changes in the Financial account, where net proceeds grew by more than US$141 million in the area of Other Private Investments. Other Official Investments plunged from a net inflow of US$77.1 million in the previous period to a net outflow of US$368 million in the latter. Overall, inflows on the Capital & Financial account were insufficient to fund the deficit on the Current account, necessitating a US$414-million drawdown on the reserves.

Table 11: Balance Of Payments (US$M)

	Jan-Dec '02	Jan-Dec '03	Change	% Change
CURRENT ACCOUNT	**-1,118.7**	**-1,003.4**	**115.3**	**-10.3**
Goods Balance	**-1,870.5**	**-1,949.4**	**-78.9**	**4.2**
Exports (fob)	1,309.1	1,356.5	47.4	3.6
Imports (fob)	3,179.6	3,305.9	126.3	4.0
Services Balance	**270.4**	**444.3**	**173.9**	**64.3**
Transportation	-245.6	-204.6	41.0	-16.7
Travel	950.3	1,075.3	125.0	13.2
Other Services	-434.3	-426.4	7.9	-1.8
Income	**-605.5**	**-633.3**	**-27.8**	**4.6**
Compensation of Employees	82.1	75.5	-6.6	-8.0
Investment Income	-687.6	-708.8	-21.2	3.1
Current Transfers	1,086.9	1,135.0	48.1	4.4
Official	107.6	84.7	-22.9	-21.3
Private	979.3	1,050.3	71.0	7.3
CAPITAL & FINANCIAL A/C	**1,118.7**	**1,003.4**	**-115.3**	**-10.3**
Net Capital Movement	**-16.9**	**-17.1**	**-0.2**	**1.2**
Official	0.2	0.1	-0.1	-50.0
Private	-17.1	-17.2	-0.1	0.6
Financial Account	**1,135.6**	**1,020.5**	**-115.1**	**-10.1**
Other Official Investment	77.1	-367.8	-444.9	-577.0
Other Private Investment (incl. errors & omiss)	814.8	956.2	141.4	17.4
Reserves (minus=increase)	243.7	432.1		

Source: Bank of Jamaica (Preliminary)

Balance of Payments update– Apr 2003 to Feb 2004

For the period April 2003 to February 2004 the nation's current account deficit improved by a remarkable US$435.4-M over that of the corresponding period in the previous year. The improvement reflected favourable outturns in all four major categories of the Current Account, particularly the Goods balance whose deficit improved by US$213.5 M and the Services balance whose surplus grew by US$149.9M.

The improvement in the Goods account resulted from a US$117.6-M reduction in imports which occurred in tandem with a US$95.9-M growth in exports. Export growth was largely credited to a US$92.4-M rise in alumina exports as the sector experienced increases in both volume and prices. The fall in imports was mainly in the areas of consumer goods and capital goods. Overall, the change in the Goods balance contributed some 49% to the improvement in the Current Account.

The growth in the Services balance was partially due to a US$98.4-M growth in net receipts from Travel services in the context of an US$89.7-M increase in tourism expenditures. In the Transportation account, the deficit narrowed by more than US$44M as inflows were bolstered by increased visitor arrivals while lower import volumes facilitated a decrease in outflows.

Current Transfers benefited from a US$63.4-M growth buttressed by a 12% increase in remittance inflows. The deficit on the Income account narrowed by US$8.6 million as a US$6.8-M fall in Compensation of Employees was outweighed by a US$15.4-M improvement in the Investment Income sub-account.

Within the Capital & Financial Account, the Financial account benefited from an almost US$324-M growth in net inflows in the area of Other Official Investments, boosted by proceeds from the US$253-M Eurobond issue in February. The surplus in Other Private Investments also grew by US$64.5M. Total net receipts in Other Official and Private Investments were more than enough to finance the deficits on the Current and Capital accounts, allowing for a US$134.3-M build-up of the Net International Reserve.

Table 11A: Balance Of Payments (US$M)

	Apr '02-Feb '03	Apr '03-Feb '04	Change	% Change
CURRENT ACCOUNT	-1,222.2	-786.8	435.4	-35.6
Goods Balance	**-1,891.4**	**-1,677.9**	**213.5**	**-11.3**
Exports (fob)	1,185.0	1,280.9	95.9	8.1
Imports (fob)	3,076.4	2,958.8	-117.6	-3.8
Services Balance	**250.9**	**400.8**	**149.9**	**59.7**
Transportation	-234.0	-189.8	44.2	-18.9
Travel	885.6	984.0	98.4	11.1
Other Services	-400.7	-393.4	7.3	-1.8
Income	**-586.7**	**-578.1**	**8.6**	**-1.5**
Compensation of Employees	83.7	76.9	-6.8	-8.1
Investment Income	-670.4	-655.0	15.4	-2.3
Current Transfers	**1,005.0**	**1,068.4**	**63.4**	**6.3**
Official	96.8	77.4	-19.4	-20.0
Private	908.2	991.0	82.8	9.1
CAPITAL & FINANCIAL A/C	1,222.2	786.8	-435.4	-35.6
Net Capital Movement	**-14.5**	**-15.3**	**-0.8**	**5.5**
Official	0.2	0.1	-0.1	-50.0
Private	-14.7	-15.4	-0.7	4.8
Financial Account	**1,236.7**	**802.1**	**-434.6**	**-35.1**
Other Official Investment	-214.8	109.0	323.8	-150.7
Other Private Investment *	762.9	827.4	64.5	8.5
Reserves (minus=increase)	688.6	-134.3		

* (incl. errors & omissions) Source: Bank of Jamaica (Preliminary)

Fiscal Accounts

During the April-May period central Government improved on its deficit target by some $1.72 billion or more than 18% as expenditures were kept well within budget (see Table 12 overleaf). Government also exceeded its Revenue target due to favourable outturns in the areas of Tax revenues and the Bauxite levy.

Revenue and Grants collected for the two-month period amounted to $24,549.5 million, some $179 million higher than projected. Tax revenues exceeded budget by some $336.4 million thanks to higher-than-expected receipts from income tax, GCT, stamp duties and taxes on interest. Non-tax Revenues fell $181 million below projections due largely to a shortfall in receipts from the customs user fee.

Total Expenditures for the period amounted to $32,367.9 million, some 4.6% below budget as Government maintained tight controls over all its recurrent costs. Wages & Salaries were nearly $640 million below budget as the Government entered the first year of its MoU wage agreement with the JCTU. Interest costs were $285 million below projections as a $105-million overrun in Domestic interest expenses was offset by a $390-million cost saving in External interest payments. Programmes continue to be within budget and were $686 million lower than projected, albeit with adverse consequences for the operations of a number of Ministries. Capital spending received a boost as Government invested $66.2 million more in this area than was originally planned.

Loan receipts were roughly $3.2 billion below expectations as last year's lower-than-planned deficit resulted in reduced borrowing needs going into the new year. In the Domestic market, Amortization exceeded Receipts by roughly $6.03 billion. In contrast, the External market saw new loans exceeding repayments by some $5.6 billion, indicating a shift in reliance towards the overseas debt markets to finance Government's operations.

Total public debt at the end of May stood at $709.66 billion, an increase of $8.83 billion over April's figure. Domestic Debt grew by $3,144.77 million to reach $420,503.45 million. This was the first monthly growth in the domestic debt stock since the start of the year. External Debt grew by roughly US$79.85 million to US$4,745.42 million.

Fiscal Outturn – April to June

Preliminary data for the April to June period suggests that Government surpassed its revenue target by some 3.8% while also keeping expenditures 2.8% below budget. This sends a positive signal to both the domestic and overseas capital markets regarding the Administration's commitment to its 2004/05 fiscal targets.

Table 12: Fiscal Accounts (J$ million)

	April – May 2004				Change from 03/04	
			Deviation			
	Provisional	Budget	J$m	(%)	J$m	(%)
Revenue & Grants	**24,549.5**	**24,370.5**	**179.0**	**0.7**	**5,205.6**	**26.9**
Tax Revenue	22,131.8	21,795.4	336.4	1.5	4,110.2	22.8
Non-Tax Revenue	1,104.3	1,285.2	-180.9	-14.1	398.7	56.5
Bauxite Levy	469.1	424.6	44.4	10.5	71.2	17.9
Capital Revenue	661.1	682.0	-20.9	-3.1	479.7	264.5
Grants	183.3	183.3	0.0	0.0	145.7	387.5
Expenditure	**32,367.9**	**33,913.0**	**-1,545.1**	**-4.6**	**5,660.9**	**21.2**
Recurrent	30,730.1	32,341.4	-1,611.3	-5.0	4,897.2	19.0
Programmes	5,482.4	6,168.9	-686.5	-11.1	467.5	9.3
Wages & Salaries	10,388.9	11,028.6	-639.7	-5.8	892.9	9.4
Interest	14,858.8	15,143.9	-285.1	-1.9	3,536.8	31.2
Domestic	12,504.5	12,399.7	104.8	0.8	3,496.9	38.8
External	2,354.3	2,744.2	-389.9	-14.2	39.8	1.7
Capital Expenditure	1,637.8	1,571.6	66.2	4.2	763.7	87.4
Fiscal Balance	**-7,818.4**	**-9,542.5**	**1,724.1**	**-18.1**	**-455.3**	**6.2**
Loan Receipts	22,510.4	25,695.7	-3,185.3	-12.4	3,367.5	17.6
Domestic	14,567.5	17,371.9	-2,804.4	-16.1	-4,195.0	-22.4
External	7,942.9	8,323.8	-380.9	-4.6	7,562.5	1988.2
Amortization	22,934.3	25,264.2	-2,329.9	-9.2	10,863.5	90.0
Domestic	20,602.0	23,037.3	-2,435.3	-10.6	10,928.3	113.0
External	2,332.3	2,226.9	105.4	4.7	-64.8	-2.7
Overall Balance	**-8,242.3**	**-9,111.0**	**868.7**	**-9.5**	**-7,951.4**	**2733.3**
Primary Balance	**7,040.4**	**5,601.4**	**1,439.0**	**25.7**	**3,081.4**	**77.8**

Source: Ministry of Finance & Planning

Stock Market

During June the main JSE Index advanced by 0.8% or 750.78 points to close at 94,718.42 points on June 30. Although modest, the increase represented an improvement on the previous month's performance when the index declined by 13%. Market capitalization grew in June by $7.48 billion or 1.03% to end the month at approximately $734.64 billion.

In the first six months of the year the main JSE Index advanced by more than 40%. The top performing stock for year- to-date to June 30 was the Pegasus Hotel, which appreciated by over 223% from $3.40 to $11.00 (see Table 13). The worst loser in price terms was the Ciboney Group, which lost just under 42% of its value over the period closing at $0.07 on June 30.

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	30/06/04	$	%
Pegasus Hotel	3.40	11.00	7.60	223.53
Capital & Credit Merchant Bank	5.99	18.21	12.22	204.01
First Caribbean International Bank	9.00	26.00	17.00	188.89
Pan Caribbean Financial Services	6.60	19.00	12.40	187.88
Dyoll Group	10.40	29.00	18.60	178.85

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

Ciboney Group	0.12	0.07	-0.05	-41.67
Guardian Holdings Limited	323.00	300.00	-23.00	-7.12

*in ascending order, from worst to best performer

Source: Compiled from the JSE

Developments and Outlook

The international rating agency Moody's has maintained its stable outlook on Jamaica's sovereign debt. In its June 2004 analysis the agency maintains a B-rating of the country based on a number of positive fiscal and macroeconomic developments, such as the 5.8% deficit-to-GDP outturn for 2003/04 which was within the Government's 5-6% target. Other developments which factored into Moody's assessment were:

- Government's commitment to a budget surplus by 2006/07;
- Recent growth in tax revenues in 2003/04 as well as a high revenue-to-GDP ratio;
- A high primary balance relative to other B-rated countries;
- Low debt service ratio relative to a number of other B-rated countries;
- Sustained improvements in the current account due to strong performances in tourism and alumina;
- Growth in real GDP of 2.2% in 2003.

The country's current level of debt remains a high risk factor, however, exceeding 140% of GDP as at March 2004. The Minister of Finance has indicated his Administration's commitment to reducing the debt-to-GDP ratio to 135% by the end of March 2005. The Government is also projecting a 2.5 percent growth in GDP for this fiscal year, barring adverse developments in the country's fuel bill and other external shocks.

On July 13, 2004 the Government successfully launched and priced a €200 million Euro-denominated bond issue with an 11% coupon and an 8-year maturity. This is the longest-dated Euro-denominated issue ever placed by the Administration. Due to an overwhelming response from European investors the issue was greatly oversubscribed and was priced within five hours of being launched. The response allowed the Government to increase the size of the issue from €100 million to €200 million. The recent improvements in the macroeconomy as well as the better-than-expected fiscal outturn for last year have been creating a groundswell of investor confidence in Europe concerning instruments issued by the GOJ. In terms of its impact on the fiscal accounts, the current issue will not affect Government's interest costs for this fiscal year as the first coupon payment will not be due until July of 2005. The issue follows closely on the heels of a US$100 million issue raised on the domestic market in June. The proceeds from the current instrument are expected to boost July's end-of-month NIR, thus sending a positive signal to the foreign exchange market regarding the ability of the Central Bank to defend the value of the dollar.

CARICOM territories may soon be receiving a reprieve from the high oil prices now prevailing on the world market. The oil-producing nation of Trinidad & Tobago is considering placing a ceiling of US$30 per barrel on its own oil price to its Caribbean neighbours, with any excess being converted to a long-term loan at low interest rates. This move could have a significant impact on the fuel bill in a number of Caribbean territories, depending on the extent of their fuel purchases from the twin-island republic. Oil prices have hovered in the range of US$40 per barrel in recent months and reached a record high of US$42.45 per barrel on June 2. A number of analysts, including those from the credit rating agency Standard & Poor's, have cited high fuel prices as a key threat to economic growth in Caribbean countries this year. In the long term, Trinidad & Tobago intends to build a natural gas pipeline through some of the Caribbean islands to provide the necessary infrastructure that will attract overseas investors to these territories.

On July 14th, 2004 the PSOJ's Trade Policy Committee, in conjunction with the Mona School of Business, hosted a Seminar entitled "Trade Connections: Your Link to the World". The event was aimed at sensitizing members of the public and the business community on issues relating to trade and the repercussions for businesses in the era of globalization. Presenters spoke on a number of issues such as the recent developments in the WTO and FTAA negotiations and their implications for Caribbean businesses. Other topics included entry and penetration of overseas markets and how barriers to market entry can be overcome. Another key area of discussion was that of export competitiveness in the context of the reduction in preferential trade arrangements. One presentation highlighted the merits of product differentiation as an alternative to the traditional cost leadership approach in the drive toward greater competitiveness.

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
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	1,691.67	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	1,727.51	0.6	16.5	n/a	60.95	16.31	25.56	8.30	419,763.43	4,459.14
Mar	n/a	n/a	n/a	n/a	1,568.66	1,770.19	0.5	16.8	n/a	61.01	15.57	25.40	8.30	417,571.30	4,529.00
Apr	n/a	n/a	n/a	n/a	1,741.62	1,769.12	0.4	15.4	n/a	60.65	15.09	25.23	8.12	417,358.68	4,665.57
May	n/a	n/a	n/a	n/a	1,715.66	n/a	0.6	14.0	n/a	60.93	14.96	25.02	8.06	420,503.45	4,745.42
June	n/a	n/a	n/a	n/a	1,604.1	n/a	0.8	12.2	n/a	61.22	14.98	25.02	8.06	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.

Revised periodically when necessary.

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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