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PSOJ CONFIDENTIAL ECONOMIC BULLETIN

A Monthly Analysis of the Jamaican Economy

Overview

In early August Jamaica was spared the full impact of Hurricane Charley, which passed south of the island between the 11th and 12th of the month. However a month later the island was battered by the fury of Hurricane Ivan, which ravaged several parts of the country resulting in fatalities as well as widespread damage to property. In addition to specific industries the country's utilities infrastructure was severely affected, resulting in the loss of numerous man-hours of output in most sectors of the economy. The recovery effort will absorb a large portion of the nation's resources both in the private and public sectors, and a return of the economy to its pre-hurricane growth path will require a broad-based national effort in rebuilding the infrastructure that was lost. However, Jamaica will not be alone in its reconstruction efforts as a number of countries have pledged their assistance (see more in Developments & Outlook section).

Monthly inflation broke the one percent mark for the first time this year, registering 1.3% for the month of August. There were notable increases in domestic fuels, baked products/cereals, and other household items which normally see increased consumption levels in the summer period.

The Jamaican dollar lost $0.10 against its US counterpart during August as monthly depreciation amounted to a marginal 0.16%, one of the lowest adjustments so far this year. Strong inflows from remittances and tourism are expected to lend stability to the supply side of the market over the next four months.

The Net International Reserve (NIR) ended the month at US$1,643.46 million, roughly US$48.8 million higher than its July value of US$1,594.69 million. This broke the previous trend of three consecutive declines in the reserve. The NIR has now grown by some US$478.5 million since the start of the year.

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Tourism figures for August were not available at the time of publication, however, data for June reveals a 9% improvement in total Stopovers relative to June of 2003. Jamaica welcomed 21% more visitors from the very promising Canadian market and the island continues to enjoy impressive growth in its European customer base, particularly the UK, Italy and Spain.

Alumina production grew by 7% in a context of higher capacity utilization relative to last August. However, crude bauxite production was affected by restructuring activities at Kaiser.

BOJ repos again remained unchanged in August as exchange rate conditions did not warrant adjustments to these policy tools. There was no Six-month T-bill issue during the month, however the Government floated a 12-month T-bill, the first such instrument since November of last year.

For the six-month period January to June 2004 the nation's trade deficit improved by a remarkable US$263.6 million relative to that of the same period last year (see External Trade – page 5).

Net International Reserves

At the end of August the Net International Reserve (NIR) stood at US$1,643.46 million, some US$48.8 million higher than the previous month's value of US$1,594.69 million. This served to break a recent trend of decline in the reserve, which had fallen for three consecutive months prior to August. The August outturn resulted from a US$233.3-million reduction in foreign liabilities which outweighed a US$184.5-million falloff in foreign assets for the period. The gross reserve amounted to roughly 24 weeks of goods imports *(see Table 1)*.

Table 1: Changes in the NIR

		Change			Imports
	NIR	*Mthly*	*12 Mth*	*YTD*	(Weeks)
Aug-2004	1,643.46	48.77	563.36	478.48	23.97
Aug-2003	1,080.10	-44.82	-605.51	-516.88	17.52

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 $0.10 against its US counterpart during August to close the month at an average of $61.90 (daily J$/US$ weighted average selling rate, see ***Table 3***). In percentage terms July's movement amounted to a mild 0.16%, a much more favourable outturn than the 0.96% recorded in the previous month. July's adjustments were the lowest since the winter tourist season of March-April when robust visitor expenditures kept depreciation at minimal levels. Year-to-date movements for July amounted to 2.12%, compared to a huge 16.5% for the corresponding period last year.

Figure 1: Daily J$/US$ Movements

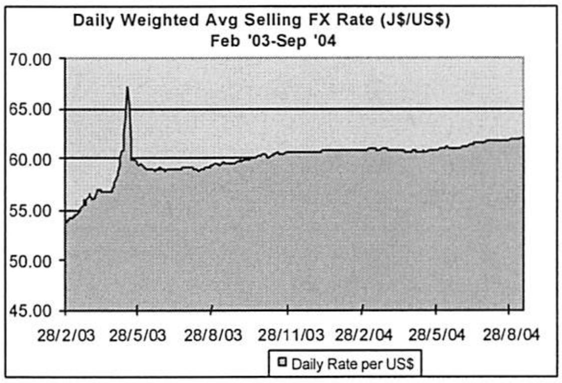

Table 3: Foreign Exchange Trends*

	Year-to-Date: Aug 31, '04 (report date: Sept. 17)					
	us$	%?	can$	%?	uk£	%?
2004	1.28	2.12	0.27	0.58	3.11	2.89
2003	8.42	16.53	10.23	31.86	12.28	15.17
2002	1.61	3.41	1.93	6.57	7.66	11.28
				Monthly		
Aug -04	0.10	0.16	0.36	0.78	-1.84	-1.64

* *minus = appreciation.*

Source: BOJ, PSOJ Economic Research

Short Term Forecast

Upward adjustments are possible in the next six to eight weeks as the country's major export sectors take time to recover from the effects of Hurricane Ivan. However, some degree of stability should be provided by inflows from the tourism sector as that industry was not extensively damaged. On the demand side, increased imports of construction materials and other rebuilding supplies in the wake of Ivan may place upward pressure on US-dollar demand. However, this is not expected to be a permanent imbalance and the BOJ will intervene to correct it if the need arises.

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

	Forecast	Actual	Diff.
Mar. '03	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	61.80	0.18
August	62.08-62.14	61.90	-0.18
September	62.10-62.15		

Source: PSOJ Economic Research

Interest Rates

BOJ repos were again unchanged in August as exchange rate conditions did not warrant adjustments to these policy tools. There was no 6-month T-bill issue in the month. However the Government floated a 12-month T-bill, the first such instrument since November of last year and this cleared the market at an average of 16.36%. The instrument was fairly well received as it was oversubscribed by some 92%.

The average bank savings and lending rates were not available at the time of publication. However they are not expected to vary significantly from their July values of 8.06% and 25.02%, respectively.

Figure 2: Interest Rate Movements

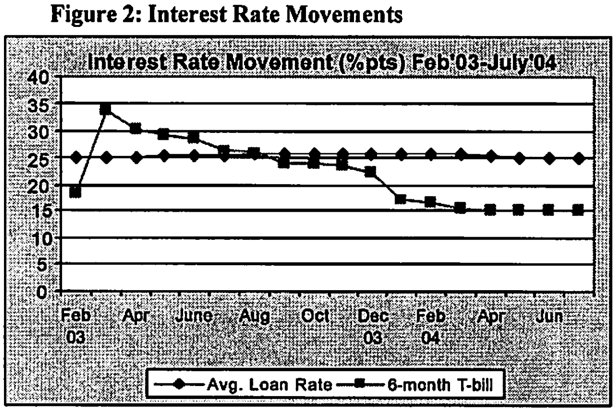

Table 5: Interest Rate Movements

		Change (%age pts)		
	Aug-04	*Mthly*	*12 Mth*	*YTD*
30 Day Repo	14.20	0.00	-0.80	-0.80
365 Day Repo	16.40	0.00	-9.60	-6.60
Avg Savings Deposit	n/a*	n/a	n/a	n/a
Avg Loan Rate	n/a	n/a	n/a	n/a
6 Month T-Bill	none	n/a	n/a	n/a
12 Month T-Bill	16.36	none	none	none

Source: Compiled from the BOJ (Preliminary)
*not applicable or not available

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 August the inflation rate registered 1.3% as the Consumer Price Index rose from 1,872.8 to 1,897.3. This resulted in a year-to-date inflation rate of 6.2% (***Table 7 overleaf***). There were significant movements in a number of indices such as *Housing & Other Housing Expenses*, which rose 2.3% in an environment where rental prices were relatively stable but Other Housing Expenses jumped by 2.8%. *Fuels & Other Household Supplies* went up 1.5% strongly influenced by a 2.2% increase in the cost of domestic fuels. *Food & Drink* prices were generally 0.8% higher due to increases in nearly all food categories, particularly Baked Products (up 1.2%), Vegetables & Fruit (1.1%), and Meals Away from Home (1.0%). *Household Furnishings & Furniture* showed a 1.2% increase, while *Healthcare & Personal Expenses* went up 1.1%. There was no change in the Transportation index relative to the previous month. However, this index is still a whopping 25.5% higher than it was a year ago due to the surge in oil prices over the past few months.

Table 7: Inflation Trends

	Percent Changes			
	August	*12 Mth*	*YTD*	Fiscal
2004	1.3	11.5	6.2	4.2
2003	1.4	11.9	8.7	9.1

Source: STATIN

Production of Selected Commodities

Mining: For the month of August total Bauxite production amounted to 1.176 million metric tones, an increase of 2.76% over that of last August (see Table 8). Alumina output grew by approximately 7% to 327,394 metric tonnes against a background of increased capacity utilization. However, Crude Bauxite production was roughly 11% lower as output has been affected by restructuring activities at Kaiser in the wake of financial problems at its parent company. Total exports amounted to 1.159 million metric tonnes, some 4% lower than in the same period last year. Alumina and Crude exports fell by 6.3% each, although their year-to-date exports continue to show improvements over the corresponding period last year.

Table 8: Mining Production

				Y-T-D	
	Aug-03	Aug-04	%	Aug-04	04/03%
Production					
Alumina	306,087	327,394	6.96	2,770,783	9.94
C. Bauxite	374,683	334,077	-10.84	2,670,327	0.38
Tot. Bauxite	1,144,635	1,176,226	2.76	9,559,789	6.59
Export					
Alumina	349,691	327,531	-6.34	2,656,843	4.99
C. Bauxite	335,392	314,337	-6.28	2,673,283	2.18
Tot. Bauxite	1,207,129	1,159,153	-3.97	8,874,693	-0.79

Units=tonnes

Source: Compiled from Jamaica Bauxite Institute

Sugar & Bananas: There was no new sugar production in August due to the ending of the sugar season. According to recent figures from the Sugar Industry Authority (SIA), total production for the crop year amounted to 183,672 metric tonnes, more than 20% higher than last year's output of 152,536 metric tonnes. The industry operated more efficiently this year as it used roughly 7% less cane to produce each tonne of sugar.

Tourism

Total Stopovers for the month of June were 133,393, a 9.3% improvement over that of June 2003. This was the result of a 9.7% increase in visits from Foreign Nationals which was complemented by a 3.1% growth in visits by Non-resident Jamaicans (Table 9). Canadian visitors increased by an impressive 21% with healthy double-digit growth in a number of provinces. European visitors grew by a robust 18% with strong growth in arrivals from the UK, Italy and Spain. Spanish arrivals in particular showed triple-digit growth, jumping by 129% relative to last June. This market shows considerable promise and further growth should be facilitated by the completion of the RIU hotel group as well as other hotel investments in the medium term.

Cruise Passengers grew by a strong 18% reflecting increased arrivals at both Ocho Rios and Montego Bay, particularly the latter which received a whopping 72% more visitors than last June.

Table 9: Tourist Arrivals

	2003	*2004*	*% Change*	
	January - June		Jan-Jun	Jun
Stopover	678,315	742,338	9.4	9.3
Foreign	640,945	705,080	10.0	9.7
National	37,370	37,258	-0.3	3.1
Cruise	601,214	619,862	3.1	17.9
Total	1,279,529	1,362,200	6.5	12.3
*US$m**				

Source: Jamaica Tourist Board (Preliminary)

External Trade

For the six-month period January to June 2004 the trade deficit improved by a remarkable US$263.65 million or 21% relative to the corresponding period in 2003. This resulted from an impressive 26.5% growth in export revenues which occurred in tandem with a 5.7% reduction in the import bill.

Exports amounted to US$753.6 million, some US$157.75 million higher than for the same period in 2003 due to higher earnings in Traditional Exports, specifically Mining & Quarrying which grew by US$68.4 million and Manufacturing which grew by US$36.13 million. Agriculture fell by US$1.8 million relative to last period. The growth in Manufacturing was mainly attributable to a huge 65% jump in Sugar exports which grew by US$35.7 million. Rum exports grew by a less pronounced US$0.6 million. In Mining & Quarrying, buoyant international demand allowed for a 19% growth in Alumina and almost 10% growth in Bauxite, each of which rose by US$63.7 million and US$4.5 million, respectively. The falloff in Agriculture reflected a US$0.8 million drop in Bananas as well as slippages in Citrus (down US$0.6 million) and Cocoa (down (US$0.5 million). In the Non-Traditionals sector, exports grew by US$40.04 million or a whopping 36.6% reflecting higher earnings in Crude Materials (up US$17.3 million), Beverages & Tobacco (up US$1.9 million), Foods (up US$1.1 million), and Other Non-Traditionals (up US$19.7 million).

Imports fell by US$105.9 million in the context of a US$63.1-million reduction in Mineral Fuels and a US$52.3-million fall in Chemicals. However, the majority of categories showed increases, particularly Misc. Manufactured Articles (up US$23.4 million) and Food (up US$US11.7 million).

Table 10: External Trade (US$M)

	Jan-Jun '04	Jan-Jun '03	Change	% Change
TOTAL EXPORTS (fob)	**753.63**	**595.89**	**157.75**	**26.5**
Major Traditional Exports	578.24	475.43	102.81	21.6
Bauxite	50.45	45.93	4.52	9.8
Alumina	392.24	328.58	63.66	19.4
Sugar	90.43	54.76	35.67	65.2
Rum	13.04	12.46	0.58	4.6
Bananas	8.94	9.76	-0.82	-8.4
Coffee	18.55	18.48	0.07	0.4
Other Traditional Exports	4.60	5.48	-0.88	-16.0
Non-Traditional Exports	149.35	109.30	40.04	36.6
Re-exports	26.04	11.15	14.89	133.6
TOTAL IMPORTS	**1,746.68**	**1,852.58**	**-105.90**	**-5.7**
Food	253.55	241.89	11.66	4.8
Beverages & Tobacco	21.26	17.21	4.06	23.6
Crude Materials (excl. Fuels)	32.14	25.49	6.64	26.0
Mineral Fuels, etcetera	351.36	414.48	-63.13	-15.2
Animal & Vegetable Oils & Fats	16.87	12.23	4.64	37.9
Chemicals	197.02	249.34	-52.33	-21.0
Manufactured Goods	247.06	247.00	0.05	0.0
Machinery and Transport Equip.	405.07	448.19	-43.11	-9.6
Misc. Manufactured Articles	191.73	168.30	23.43	13.9
Other	30.64	28.45	2.19	7.7
TRADE BALANCE	**-993.05**	**-1,256.69**	**263.65**	**-21.0**

Source: STATIN

Balance of Payments –2003 (final)

The current account deficit for the calendar year 2003 showed a US$184.4-million improvement over that of 2002. This can be credited to a US$200.6-million growth in the Services balance as well as a US$49-million increase in Current Transfers. However, the Goods balance worsened by roughly US$54.5 million as a US$58.5-million growth in exports was outweighed by a US$113-million growth in imports for the period.

The strong 74% growth in the Services balance was largely due to higher net inflows from Travel services, which grew by US$152.4 million in the context of a 12% increase in tourism revenues. It was further improved by a US$45-million narrowing of the deficit in Transportation services.

The shortfall on the Income account was US$11 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 US$49.3 million more thanks to a US$72-million increase in Private Transfers or remittances. This was more than sufficient to compensate for the US$23-million fall in Official Transfers for the period.

The Capital and Financial account mainly reflected changes in the Financial account, where Other Official Investments plunged from a net inflow of US$77.1 million to a net outflow of US$364 million. However, Other Private Investments showed a US$68.3-million growth in net inflows. Overall, inflows on the Capital & Financial account were insufficient to fund the deficit on the Current account, necessitating a US$432-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**	**-934.3**	**184.4**	**-16.5**
Goods Balance	**-1,870.5**	**-1,925.0**	**-54.5**	**2.9**
Exports (fob)	1,309.1	1,367.6	58.5	4.5
Imports (fob)	3,179.6	3,292.6	113.0	3.6
Services Balance	**270.4**	**471.0**	**200.6**	**74.2**
Transportation	-245.6	-200.7	44.9	-18.3
Travel	950.3	1,102.7	152.4	16.0
Other Services	-434.3	-431.0	3.3	-0.8
Income	**-605.5**	**-616.5**	**-11.0**	**1.8**
Compensation of Employees	82.1	75.5	-6.6	-8.0
Investment Income	-687.6	-692.0	-4.4	0.6
Current Transfers	**1,086.9**	**1,136.2**	**49.3**	**4.5**
Official	107.6	84.7	-22.9	-21.3
Private	979.3	1,051.5	72.2	7.4
CAPITAL & FINANCIAL A/C	**1,118.7**	**934.3**	**-184.4**	**-16.5**
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**	**951.4**	**-184.2**	**-16.2**
Other Official Investment	77.1	-363.8	-440.9	-571.9
Other Private Investment (incl. errors & omiss)	814.8	883.1	68.3	8.4
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 Account, 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

For the four-month period April to July 2004 the fiscal deficit was $1.81 billion better than projected, largely due to Government's tight control of its recurrent expenditures (see Table 12). Cost savings were mainly in the area of Programmes and to a lesser extent External interest payments. Government also creditably surpassed its revenue target for the period.

Revenue and Grants collected for the four-month period amounted to $53,944.7 million, some $498.5 million better than projected. Tax revenues exceeded budget by some $1,136.9 million boosted by a 23% jump in PAYE relative to expectations. This category continues to benefit from improved tax compliance. In addition, Taxes on Interest were 21% higher than budget due to the maturity in May and June of high-yielding BOJ instruments issued last year. Higher-than-expected revenues in GCT and stamp duties also contributed to the favourable tax outturn. There was a $213-million falloff in Grants due to a temporary delay in funding from the European Union (EU). Capital Revenues fell $719 million shy of budget due to a delay in receipt of funds by Financial Institutions Services for a portfolio of non-performing loans.

Total Expenditures for the period amounted to $70,232.4 million, some $1,313 million below budget as general cost-containment measures led to a sizeable $1,297-million improvement in the Programmes budget relative to expectations. Wages & Salaries narrowly missed the targeted amount, exceeding projections by 0.6%. Domestic interest costs exceeded budget by some $752.6 million due to early payments in July of interest due in August. However this was more than offset by a $943-million cost saving in External interest payments resulting from lower-than-budgeted interest rates on multilateral debt. Capital spending received a boost as Government invested $46 million more in this area than was originally planned.

Loan receipts exceeded projections by some $4.27 billion due to the early receipt of the July Eurobond proceeds which boosted External receipts by some 166% relative to budget. As a result, the Government was able to reduce its borrowing on the Domestic market by more than $10 billion relative to projections.

Total public debt at the end of July stood at $751.37 billion, an increase of $29.9 billion over the June figure. Domestic Debt grew by $11,287.99 million to reach $440,539.38 million. External Debt grew by roughly US$256.03 million to US$5,029.49 million.

Although the fiscal accounts appear to be on track, further information is needed concerning the amount of arrears on withholding tax and other refunds as well as other arrears to Government ministries.

Fiscal Outlook – Impact of 'Ivan'

In the wake of Hurricane Ivan the national rebuilding process will place additional demands on the already limited fiscal resources, especially in the areas of capital expenditures and wages. However the burden on the accounts should be made somewhat lighter by the assistance of a number of agencies and countries which have pledged their assistance to the recovery process. Trinidad & Tobago for instance will be providing a grant of $100 million. Funding is also expected from multilaterals such as the IDB. Total external aid is expected to push grant receipts above budget for the September and December quarters. Inflows are also expected from upcoming divestment proceeds. In addition, various private sector initiatives and recovery funds are expected to lend support to the Government's rebuilding efforts.

The Government estimates that it may narrowly miss its 2004/05 deficit target as well as the single-digit inflation target for the calendar year. It remains to be seen exactly what impact this will have on GOJ bond prices on the external markets in the coming weeks. However, it is expected that overseas investors and rating agencies will respond with some degree of understanding, given that the outturns are due to acts of nature rather than any country-specific issues affecting the economy. It is imperative that the Administration preserve investor confidence at this time as already Bear Stearns is expressing concern about the Government's ability to meet its balanced-budget target for 2005/06.

Domestic investors will probably not overreact to the effects of Ivan as they reside in Jamaica and have a first-hand picture of the economic damage as well as the recovery prospects.

Table 12: Fiscal Accounts (J$ million)

	April – July 2004				Change from 03/04	
			Deviation			
	Provisional	**Budget**	**J$m**	**(%)**	**J$m**	**(%)**
Revenue & Grants	**53,944.7**	**53,446.2**	**498.5**	**0.9%**	**11,418.0**	**26.8**
Tax Revenue	48,400.7	47,263.8	1,136.9	2.4%	9,376.7	24.0
Non-Tax Revenue	3,109.1	2,873.6	235.4	8.2%	1,045.1	50.6
Bauxite Levy	828.4	770.4	58.0	7.5%	121.2	17.1
Capital Revenue	1,040.6	1,759.5	-718.9	-40.9%	564.3	118.5
Grants	566.0	778.9	-212.9	-27.3%	310.8	121.8
Expenditure	**70,232.4**	**71,545.4**	**-1,313.0**	**-1.8%**	**10,273.4**	**17.1**
Recurrent	67,059.0	68,418.2	-1,359.2	-2.0%	9,153.8	15.8
Programmes	10,008.6	11,305.8	-1,297.2	-11.5%	233.9	2.4
Wages & Salaries	21,676.8	21,547.8	129.0	0.6%	1,731.1	8.7
Interest	35,373.6	35,564.6	-191.0	-0.5%	7,188.8	25.5
Domestic	29,160.7	28,408.1	752.6	2.6%	6,761.6	30.2
External	6,212.9	7,156.5	-943.6	-13.2%	427.1	7.4
Capital Expenditure	3,173.4	3,127.2	46.2	1.5%	1,119.7	54.5
Fiscal Balance	**-16,287.7**	**-18,099.2**	**1,811.5**	**-10.0%**	**1,144.6**	**-6.6**
Loan Receipts	72,249.9	67,976.3	4,273.6	6.3%	30,955.9	75.0
Domestic	49,144.6	59,295.9	-10,151.3	-17.1%	9,025.1	22.5
External	23,105.3	8,680.4	14,424.9	166.2%	21,930.8	1867.2
Amortization	51,337.7	58,042.3	-6,704.6	-11.6%	23,767.7	86.2
Domestic	45,316.0	52,393.0	-7,077.0	-13.5%	23,580.8	108.5
External	6,021.7	5,649.3	372.4	6.6%	186.9	3.2
Overall Balance	**4,624.5**	**-8,165.2**	**12,789.7**	**-156.6%**	**8,332.8**	**-224.7**
Primary Balance	**19,085.9**	**17,465.4**	**1,620.5**	**9.3%**	**8,333.4**	**77.5**

Source: Ministry of Finance & Planning

Stock Market

During August the main JSE Index declined by 0.89% or 878.18 points to close at 97,267.57 points on August 31. Market capitalization fell by $3.91 billion or 0.51% to end the month at approximately $760.07 billion.

Although its monthly performance showed a decline, the main JSE Index has advanced by almost 44% since the start of the year. The top performing stock for year- to-date to August 31 was Capital & Credit Merchant Bank, which appreciated by over 317% from $5.99 to $25.00 (see Table 13). The worst loser in price terms was the Ciboney Group, which lost 25% of its value over the period closing at $0.09 on August 31.

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	31/08/04	$	%
Capital & Credit Merchant Bank	5.99	25.00	19.01	317.36
Pegasus Hotel	3.40	12.00	8.60	252.94
Pan Caribbean Financial Services	6.60	22.00	15.40	233.33
Kingston Wharves	1.30	3.75	2.45	188.46
Caribbean Cement	3.50	9.99	6.49	185.43
Bottom Four (unadjusted for dividends or transact. costs)				
Ciboney Group	0.12	0.09	-0.03	-25.00
Montego Freeport	2.43	2.16	-0.27	-11.11
CMP Industries	2.99	2.85	-0.14	-4.68
Carreras Group	35.00	34.00	-1.00	-2.86

Source: Compiled from the JSE

Developments and Outlook

Jamaica is now in the process of recovering from the ravages of Hurricane Ivan, which battered the island on September 10th to 11th affecting nearly every aspect of the country's social and economic infrastructure. The storm's impact is already being felt in the goods-producing sector as evidenced by major shipping delays in alumina, the country's largest export earner. Local alumina suppliers have notified customers in the critically important Chinese market that shipments due to leave the island in late September and early October will now be delayed as a result of damage to production facilities as well as ports. Companies which suffered damage include the Swiss-based Glencore International AG, Jamaica's largest alumina producer and majority shareholder in the West Indies Alumina Company (WINDALCO). The company estimates that shipment disruptions may extend up to two months mainly in light of damage to its refineries. The hardest-hit alumina plant was Jamalco, which received severe damage to its loading facilities at the Rocky Point port. Repairs are not expected to be completed for a number of weeks. In the interim, Jamalco is making arrangements with WINDALCO for the temporary use of Port Esquivel for alumina exports until Jamalco's facilities are back in operation. Overall, the industry lost an average of four and a half production days amounting to a significant loss in output since shutting down its operations on Sept. 9.

Elsewhere in the productive sector agriculture also took a pounding from Hurricane Ivan, with bananas and vegetables being among the hardest-hit industries. The authorities expect shortages as well as higher prices in the vegetable market in the coming weeks due to extensive crop damage in South-East St. Elizabeth, one of the country's most crucial vegetable-producing regions. Damage to the banana industry was particularly pronounced in the parish of St. Mary, where one major estate is reported to have been completely devastated. Experts estimate that the country will be unable to export any bananas for the next seven to eight months. This would represent a significant loss in revenues for the sector, which earned an estimated US$8.9 million in export receipts in the first six months of 2004. There is also expected to be a rise in banana prices on the domestic market, which will likely drive up prices of associated ground provisions such as yams and potatoes.

In the tourism sector, hotels and attractions in the West End Negril area were severely affected as hurricane-driven waters caused massive structural damage, flooding hotel rooms and destroying furnishings and fixtures. Some of the affected properties include SuperClubs' Grand Lido, Sandals Negril, Margaritaville and the internationally popular Rick's Café. There was also some amount of damage in other resort areas such as Treasure Beach and Montego Bay. However, the country's overall tourism product was not severely impacted as property damage was largely concentrated in the Negril area. Hoteliers in that and other areas around the island are already rebounding, with some properties reporting room bookings of 80 percent and higher ahead of the very lucrative Thanksgiving holiday. In addition, the US travel advisory against Jamaica does not appear to have significantly impacted the sector as Jamaica continues to receive a steady stream of arrivals.

The devastation inflicted by Hurricane Ivan will have major after-effects on the economy in the coming months. Agriculture is expected to experience a downturn for at least the next six to nine months in light of the widespread damage to the sector. This is likely to cause an increase in the inflation rate due to the heavy weighting of Food & Drink items in the Consumer Price Index. There may also be an increase in food imports in the near term to satisfy demand while domestic production recovers. This, coupled with the fall in exports of major products such as bananas and coffee, may lead to a slippage in the country's merchandise trade balance in the short term. The trade balance will also come under pressure from increased imports of construction supplies such as steel, lumber, roofing materials, and other items necessary for the rebuilding of the nation's infrastructure. These developments could ultimately contribute to a deterioration in the balance of payments over the next few months. However, this might be averted if there is a significant growth in remittance inflows from overseas to aid the local recovery efforts. In fact, initial estimates point to a doubling of the number of remittance transfers since the onslaught of the hurricane. In addition, the major foreign exchange earners tourism and bauxite are expected to recover reasonably quickly and should thus help to curtail any sustained slippage in the current account.

In terms of the fiscal accounts, island-wide reconstruction efforts will place considerable pressure on Government's resources particularly in the area of capital expenditures, which will likely exceed budget for the rest of the fiscal year. However, the strain on the fiscal resources should be somewhat eased by financial assistance which will shortly be received from a number of countries such as Trinidad & Tobago and Canada.

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
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	1,604.10	n/a	0.8	12.2	n/a	61.22	14.98	25.02	8.06	n/a	n/a
July	n/a	n/a	n/a	n/a	1,594.69	n/a	1.0	11.6	n/a	61.80	14.96	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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