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PSOJ CONFIDENTIAL ECONOMIC BULLETIN

A Monthly Analysis of the Jamaican Economy

Overview

The month of October brought mixed fortunes for the economy characterized by stability in some key areas and negative developments in others. In the retail sector, inflation began to show the full impact of Hurricane Ivan and price movements may have been compounded by instances of alleged price gouging. In the export sector, bauxite activity was affected by shipping problems at one of the ports. In the petroleum industry, gasoline and diesel supplies were disrupted by an explosion at the Petrojam refinery on October 27th which resulted in a panic-driven surge in demand at service stations. Public concern was then heightened by a temporary delay in a shipment from Trinidad which was intended to help alleviate the shortage caused by the explosion. In more favourable developments, the strong position of the NIR sent a positive signal which reinforced the sense of calm prevailing in the currency market during the month. In addition, preliminary numbers suggest a healthy inflow of remittances over the period.

Inflation jumped by a sharp 3.3% in October as the downturn in local agricultural output began to be reflected in higher prices in the heavily weighted Food & Drink category. There were also escalations in other areas such as fuels and household supplies in the aftermath of Ivan.

The dollar again held its ground against its US counterpart in foreign exchange trading, gaining a modest $0.01 in October with no significant interventions by the Central Bank. Over the past year improvements in merchandise exports, the current account balance and other macroeconomic variables have helped to significantly moderate movements in the currency.

The Net International Reserve posted a strong 13% growth during October to end the month at US$1,826.66 million, some US$210.1 million higher than September's figure of US$1,616.52 million. The authorities had projected to end this fiscal year with a lower NIR than at the beginning of the year. However, half-way through the fiscal year the reserve is now well above both the beginning figure of US$1,568.66 million and the year-end target of US$1,300 million.

In This Issue

Tourism figures for October were not available at the time of publication. However, September's data shows that the hurricane dealt a hard blow to visitor arrivals as evidenced by a sizeable 15% drop in stopovers relative to September 2003.

Total bauxite production fell by 19% due to a breakdown in ship-loading facilities which forced Kaiser Bauxite to cut back its output. This led to a slowdown in year-to-date output growth and a decline in year-to-date exports.

Central Bank yields remained subdued during the month in the context of a stable exchange rate. However, the Bank has temporarily paused its rate cuts as it remains watchful for any inflationary after-effects of Ivan.

For the seven-month period January to July 2004 the nation's trade deficit improved by a whopping US$260.5 million or 17% relative to that of the same period last year (see External Trade – page 5).

Net International Reserves

The Net International Reserve posted strong growth during October to close the month at US$1,826.66 million, some US$210.1 million higher than the previous month's value of US$1,616.52 million. This was entirely due to a US$210-million increase in foreign assets as there was no material change in foreign liabilities over the period. The gross reserve amounted to 26.58 weeks or roughly six months of goods imports *(see Table 1)*.

Table 1: Changes in the NIR

		Change			Imports
	NIR	*Mthly*	*12 Mth*	*YTD*	(Weeks)
Oct-2004	1,826.66	210.14	695.53	661.68	26.58
Oct-2003	1,131.13	-51.50	-524.03	-465.85	17.83

Source: Compiled from the BOJ (Preliminary)

Foreign Currency Deposits

For the month of September total foreign currency deposits amounted to US$1,867.23 million, US$55.7 million lower than the previous month's figure *(Table 2)*. This reflected a US$63-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)		%
	Sep-04	*Mthly*	*12 Mth*	12 Mth
Total Deposits	1,867.23	-55.70	239.63	14.72
	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 gained another $0.01 against its US counterpart during October to close the month at an average of $61.88 (daily J$/US$ weighted average selling rate, see ***Table 3***). Sustained investor confidence continued to moderate movements in US dollar demand while the supply side was bolstered by strong remittance flows. As at October 29 year-to-date depreciation was 2.08%, a much more favourable outturn than the 18.6% recorded for the same period last year. The Canadian dollar and pound sterling also showed dramatic year-to-date improvements over their double-digit depreciations of last year.

Figure 1: Daily J$/US$ Movements

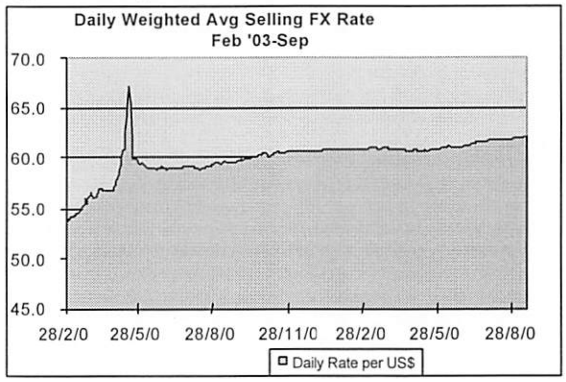

Table 3: Foreign Exchange Trends*

	Year-to-Date: Oct 29, '04 (report date: Nov. 17)					
	us$	%?	can$	%?	uk£	%?
2004	1.26	2.08	3.89	8.35	5.18	4.82
2003	9.47	18.58	13.81	43.03	21.04	25.98
2002	2.04	4.30	1.95	6.63	8.77	12.90
	Monthly					
Oct-04	0.00	-0.01	1.43	2.91	1.02	0.91

* *minus = appreciation.*
Source: BOJ, PSOJ Economic Research

Short Term Forecast

The healthy level of the NIR continues to generate positive signals to the marketplace concerning foreign exchange supplies over the short to medium term. In addition, remittance inflows remain buoyant as does global demand for the country's major exports. Tourism revenues should be bolstered by the Thanksgiving holiday as well as the approaching winter tourist season. In terms of October's inflation and its effect on US dollar demand, no sustained effect is anticipated as inflation is expected to subside in the coming months. Given these factors the dollar should continue to exhibit stability through December with possible appreciations. There may however be some upward pressure due to outbound travel in December and the consequent demand for US dollars. Nevertheless, the BOJ remains ready to intervene in the market if the need arises.

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

	Forecast	Actual	Diff.
July '03	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	61.89	-0.21
October	61.90-61.94	61.88	-0.02
November	61.87-61.92		

Source: PSOJ Economic Research

Interest Rates

BOJ money market yields remained subdued during October against the background of a stable foreign exchange market. However, the Bank temporarily halted its rate reductions as it continued to monitor the goods-producing sector for any inflationary impulses that might surface as a result of Hurricane Ivan. The GOJ's six-month T-bill cleared the market at an average yield of 14.78%, 2 basis points lower than in the previous month. T-bill prices were not affected by October's inflation spike as that information was released after the auctions took place. However, the outturn is likely to influence the results of auctions held in November.

The average bank savings rate inched down to 7.84% while the average lending rate crept up to 25%, leading to a slight increase in the interest rate spread.

Figure 2: Interest Rate Movements

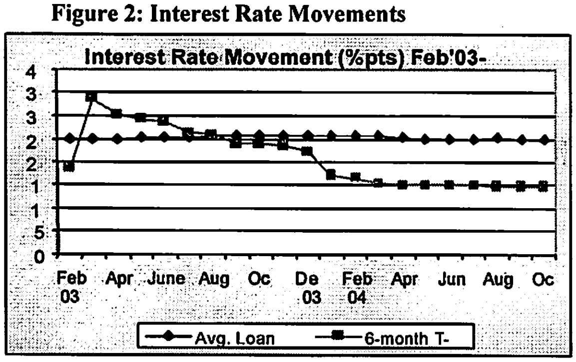

Table 5: Interest Rate Movements

		Change (%age pts)		
	Oct-04	*Mthly*	*12 Mth*	*YTD*
30 Day Repo	14.00	0.00	-1.00	-1.00
365 Day Repo	16.00	0.00	-8.00	-7.00
Avg Savings Deposit	7.84	-0.22	-0.59	-0.59
Avg Loan Rate	25.00	0.05	-0.60	-0.60
6 Month T-Bill	14.78	-0.02	-8.29	-7.27
12 Month T-Bill	none	n/a	n/a	n/a

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

Base Money and Money Supply

The monetary base grew by a minimal 1% in September 2004 compared to the previous month. For the month of July, M2 showed a 1% increase over the June figure reflecting increases in both M1 and the Quasi-money stock.

Table 6: Base Money and Money Supply

	J$M	Change (%)	
	Jul-04	*Mthly*	*12 Mth*
M1	58,098.4	1.64	22.59
Quasi Money	137,475.8	0.72	15.10
M2	195,574.2	0.99	17.23
	Sep-04	*Mthly %*	
Base Money	38,390.93	0.97	

Source: Compiled from the BOJ (Preliminary)

Inflation

There was a sharp 3.3% spike in the Consumer Price Index in October as the inflation figures began to fully reflect the effects of Hurricane Ivan. This resulted in a year-to-date inflation of 10.4%, which means that inflation has now overshot the single-digit full-year target with two months remaining in the year. A major contributor to October's outturn was the *Food & Drink* category, which jumped by 4.8% in the context of double-digit increases in Starchy Foods (up 12.2%), and Vegetables & Fruit (up 20.2%). There was a 6.5% hike in *Fuels & Other Household Supplies* in an environment of shortages in kerosene, water and other supplies following Hurricane Ivan. *Housing & Other Housing Expenses* rose by 1.9% in a context of widespread housing damage and dislocation of persons as a result of severe flooding. *Household Furnishings & Furniture* increased by 1.6% overall, while *Healthcare & Personal Expenses* were generally 1.2% higher (see Table 7 overleaf).

Table 7: Inflation Trends

	Percent Changes			
	October	*12 Mth*	*YTD*	Fiscal
2004	3.3	12.3	10.4	8.3
2003	1.6	14.1	12.2	12.6

Source: STATIN

Production of Selected Commodities

Mining: There was a 19% falloff in total bauxite production in October relative to the corresponding period last year. Total production for the month was 956,201 metric tones, notably less than last October's figure in the context of a huge 81% drop in Crude Bauxite (see Table 8). This decline was largely due to loading problems at Kaiser's port facility which forced the company to cut back its output. Alumina output fared somewhat better than crude as it increased by some 3.3% to 350,030 metric tonnes. Total exports fell by nearly 20% to 829,251 metric tonnes. Year-to-date production showed no significant growth, while year-to-date exports fell 2.35% below last year's figure.

Table 8: Mining Production

				Y-T-D	
	Oct-03	Oct-04	%	Oct-04	04/03%
Production					
Alumina	338,838	350,030	3.30	3,310,139	4.43
C. Bauxite	341,944	64,571	-81.12	3,000,283	-8.38
Tot. Bauxite	1,181,710	956,201	-19.08	11,225,943	0.22
Export					
Alumina	281,164	309,631	10.12	3,188,631	0.06
C. Bauxite	338,156	35,996	-89.36	3,012,855	-7.48
Tot. Bauxite	1,033,889	829,251	-19.79	10,958,212	-2.35

Units=tonnes

Source: Compiled from Jamaica Bauxite Institute

Sugar & Bananas: There was no new sugar production in October 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

For the month of September total Stopovers amounted to 64,940, a significant 15% reduction when compared to last September. This resulted from direct property damage arising from the passage of Hurricane Ivan, as well as the resulting travel concerns which further dampened visitor numbers. The sector lost ground in all its key markets including the US, whose government issued a travel advisory against Jamaica in the days following the storm. US arrivals fell by nearly 14% relative to last September, while Canada, the UK and the rest of Europe posted double-digit declines of 14.7%, 21% and 13.1%, respectively. Despite its reduced numbers the USA continued to be the leading provider of Stopover visitors, accounting for 67.4% of stopovers in September. This figure is slightly higher than the 66.5% recorded for the same period last year. Though it remains high, however, the US contribution has been declining in recent months as the latest 67% outturn represents a reduction from the 69.1% recorded in August and 73.5% in July. In contrast, arrivals from the UK have steadily grown in percentage terms to 14.5% of Stopovers in September, up from 12.4% in August and 11% in July. Canadian visitors have averaged 5.4% of stopovers for the past three months.

The number of Cruise passengers plummeted by 29% relative to September of 2003. This largely reflected a 49.4% drop in arrivals at Ocho Rios, which outweighed an improvement in Montego Bay arrivals for the period.

Update: Although final figures for October are not yet available, preliminary numbers indicate a 2.6% falloff in airport arrivals for that month relative to the corresponding period last year.

Table 9: Tourist Arrivals

	2003	*2004*	*% Change*	
	Jan - Sep		Jan-Sep	Sep
Stopover	**1,027,108**	**1,097,035**	**6.8**	**-15.1**
Foreign	965,377	1,034,526	7.2	-16.3
National	61,731	62,509	1.3	1.0
Cruise	**816,547**	**805,595**	**-1.3**	**-29.0**
Total	**1,843,655**	**1,902,630**	**3.2**	
US$m*				

Source: Jamaica Tourist Board (Preliminary)

External Trade

For the first seven months of the year the trade deficit improved by a remarkable US$260.5M or 17.6% relative to the corresponding period in 2003. This resulted from an impressive 23.5% growth in export revenues which occurred in tandem with a 4.4% reduction in the import bill.

Exports amounted to US$861.9M, some US$164.1M higher than for the same period in 2003 due to higher earnings in both the Traditional and Non-traditional sectors. In the Traditional category, Mining & Quarrying was the leading growth sector increasing by US$86.1M in an environment of buoyant global demand which allowed for an US$82M growth in Alumina and US$3.9M growth in Bauxite. Manufacturing increased by nearly US$26M thanks to a 38.7% jump in Sugar exports which grew by US$25.2M. Rum exports grew by a comparatively small US$0.89M. Growth in Agriculture was held to a minimal 1% or US$0.35M due to declines in most product categories with the exception of Coffee, which grew by US$2.1M. In the Non-Traditional sector, exports grew by a strong 29% or US$37.3M reflecting higher earnings in Crude Materials (up US$17.4M), Beverages & Tobacco (up US$1.7M), and Other Non-Traditionals (up US$18.8M). Non-traditional Foods experienced flat growth due to revenue reductions in products such as sweet potatoes, papayas and seafood.

Imports fell by US$96.3M in the context of significant reductions in Mineral Fuels (down US$67M), Machinery & Transport Equipment (down US$47M) and Chemicals (down US$44M). However, the majority of categories showed increases, particularly Misc. Manufactured Articles (up US$26.3M) and Food (up US$US13.8M).

Table 10: External Trade (US$M)

	Jan-Jul '04	Jan-Jul '03	Change	% Change
TOTAL EXPORTS (fob)	**861.95**	**697.82**	**164.13**	**23.5**
Major Traditional Exports	668.71	556.31	112.41	20.2
by Sector:-				
Agriculture	36.90	36.55	0.35	1.0
Mining & Quarrying	523.63	437.53	86.10	19.7
Manufacturing	108.19	82.23	25.96	31.6
by Industry:-				
Bauxite	57.91	53.99	3.92	7.3
Alumina	464.81	382.97	81.84	21.4
Sugar	90.43	65.20	25.23	38.7
Rum	16.63	15.74	0.90	5.7
Bananas	10.80	11.14	-0.34	-3.1
Coffee	23.06	20.93	2.13	10.2
Other	5.08	6.34	-1.26	-19.9
Non-Traditional Exports	164.78	127.47	37.31	29.3
Re-exports	28.46	14.04	14.41	102.6
TOTAL IMPORTS	**2,081.54**	**2,177.90**	**-96.36**	**-4.4**
Food	294.67	280.87	13.81	4.9
Beverages & Tobacco	24.60	19.79	4.81	24.3
Crude Materials (excl. Fuels)	35.01	30.86	4.15	13.4
Mineral Fuels, etcetera	419.07	486.14	-67.07	-13.8
Animal & Vegetable Oils & Fats	18.16	14.66	3.50	23.9
Chemicals	238.42	282.43	-44.01	-15.6
Manufactured Goods	294.73	292.30	2.43	0.8
Machinery and Transport Equip.	483.46	530.42	-46.96	-8.9
Misc. Manufactured Articles	232.92	206.63	26.29	12.7
Other	40.51	33.81	6.70	19.8
TRADE BALANCE	**-1,219.60**	**-1,480.09**	**260.49**	**-17.6**

Source: STATIN

Balance of Payments – January to July 2004

For the seven-month period January to July 2004 the balance of payments recorded a deficit of US$114.4 million (see Table 11 overleaf). This outturn represents a considerable US$355-million improvement over that of the corresponding period in 2003 when a deficit of US$469.4 million was recorded. The change resulted from a whopping US$264.3-million improvement in the Goods balance as well as creditable growth in both Services and Current Transfers, whose net inflows grew by US$41 million and US$108.4 million, respectively. However, these positive changes were partially countered by a US$58.7 million widening of the deficit on the Income account.

The improvement in the Goods balance resulted from a US$154-million growth in export revenues which was complemented by a US$110-million reduction in the country's import bill. Buoyant global demand contributed to significant gains in both volume and price in a number of major traditional exports, namely bauxite, alumina and sugar. On the import side, the bill was significantly reduced in the areas of mineral fuels, chemicals, machinery and transport equipment.

On the Services account, the US$41-million growth in net inflows was partially due to a US$40-million increase in net receipts from Travel services as the tourism sector experienced an 8% growth in visitor expenditures. The Services balance was further bolstered by a US$24.4-million reduction in the deficit on the Transportation sub-account. However, these improvements were partially countered by a US$23-million slippage in Other Services.

Within the Income account, a US$19-million net growth in Compensation of employees was insufficient to offset the almost US$78-million worsening of the shortfall in Investment Income. This resulted in a US$58.7-million increase in net outflows on the Income account.

Current Transfers netted an impressive US$108.4 million more thanks to a US$106.6-million increase in Private Transfers or remittances. This was modestly complemented by a US$1.8-million net inflow in Official Transfers for the period.

The Capital and Financial account mainly reflected changes in the Financial account, where Other Official Investments improved from a net outflow of US$322 million to a net inflow of US$311.7 million. This represented a turnaround of nearly US$634 million and was largely influenced by the Government's successful forays into the European bond markets in January and June of 2004. In Other Private Investments, net inflows decreased by some US$85.5 million. Overall, inflows to the Capital & Financial account were more than sufficient to finance the shortfall on the Current account, allowing for a US$429.7-million buildup of the reserves.

Table 11: Balance Of Payments (US$M)				
	Jan-Jul '03	Jan-Jul '04	Change	% Change
CURRENT ACCOUNT	**-469.4**	**-114.4**	**355.0**	**-75.6**
Goods Balance	**-1,172.9**	**-908.6**	**264.3**	**-22.5**
Exports (fob)	803.5	957.8	154.3	19.2
Imports (fob)	1,976.4	1,866.4	-110.0	-5.6
Services Balance	**364.0**	**405.0**	**41.0**	**11.3**
Transportation	-82.1	-57.7	24.4	-29.7
Travel	678.3	718.2	39.9	5.9
Other Services	-232.2	-255.5	-23.3	10.0
Income	**-315.7**	**-374.4**	**-58.7**	**18.6**
Compensation of Employees	18.2	37.3	19.1	104.9
Investment Income	-333.9	-411.7	-77.8	23.3
Current Transfers	**655.2**	**763.6**	**108.4**	**16.5**
Official	62.0	63.8	1.8	2.9
Private	593.2	699.8	106.6	18.0
CAPITAL & FINANCIAL A/C	**469.4**	**114.4**	**-355.0**	**-75.6**
Net Capital Movement	**-0.9**	**-2.2**	**-1.3**	**144.4**
Official	0.1	0.1	0.0	0.0
Private	-1.4	-2.3	-0.9	64.3
Financial Account	**470.3**	**116.6**	**-353.7**	**-75.2**
Other Official Investment	-322.0	311.7	633.7	-196.8
Other Private Investment (incl. errors & omiss)	320.2	234.7	-85.5	-26.7
Reserves (minus=increase)	472.1	-429.8		

Source: Bank of Jamaica (Preliminary)

Fiscal Accounts

For the first six months of the fiscal year the Government missed its deficit target by $365 million or 1.7% due to slippages in most of the major revenue categories of the summary accounts. Tax receipts in particular fell some 2.7% below expectations. However, on the expenditure side most of the major items were kept within budget for the period, particularly External interest payments which were some 8.5% better than anticipated.

Revenue and Grants collected for the period amounted to $78,408.4 million, some $1.58 billion less than projected. The shortfall largely reflected a $2-billion falloff in Tax revenues as both tax administration and economic activity were affected by Hurricane Ivan in September. However, gains made in the previous months allowed for favourable year-to-date outturns in PAYE and GCT, the two biggest tax earners, which bettered their projections by $1.34 billion and $327.7 million, respectively. Corporate tax continues to be affected by slow compliance as evidenced by a $1.9-billion shortfall in the Other Companies category. The Special Consumption Tax (SCT) missed its target by more than $1 billion due to a slippage in petrol tax receipts as the Petrojam refinery was out of operation during the July-August period. Outside of taxes the other revenue categories met with mixed fortunes, as Capital Revenues and the Bauxite Levy both outperformed their budget estimates by $414.2 million and $157 million, respectively, but Grants and Non-tax Revenues both fell below expectations.

The Expenditure outturn of $100,728.0 million represents a cost saving of some $1.22 billion or 1.2% relative to projections. External interest payments in particular were $925.5 million less than planned, due to lower-than-projected interest rates on multilateral debt as well as a slower-than-expected depreciation of the dollar. The improvement in External interest costs outweighed the $577-million overrun in Domestic interest costs for the period, leading to a net saving in total interest expenses relative to expectations.

Capital Expenditures fell $135 million shy of projections as the demands of the recurrent budget continue to limit the resources available for infrastructural improvements.

Loan receipts were approximately $23.46 billion below budget as Government borrowed $27 billion less than planned on the domestic market. External receipts jumped some 16.5% or $3.58 billion above projections as favourable external market conditions allowed the Government to enter those markets much earlier in the year than was originally planned. In general, rising investor confidence on the external markets has enabled the Administration to reduce its reliance on high-yielding domestic debt.

Total public debt at the end of September stood at $738.76 billion, roughly $2.13 billion higher than that of the previous month. Domestic Debt grew by $981.86 million to $438,123.75 million. External Debt also increased by US$18.84 million to US$4,856.86 million.

Fiscal Outlook – Year-end Targets: The Government had originally projected a deficit target of some 3 to 4% of GDP for this year. However, the events of Hurricane Ivan have created some amount of uncertainty concerning what the exact deficit outturn will be and whether the targets can still be met. In our analysis of the fiscal prospects and the likelihood of a 4% deficit target, we find it encouraging that the Government achieved a deficit outturn of some 3.2% of GDP in 1988/89 despite the damage done by Hurricane Gilbert in that year. This outturn was followed by surpluses for the next seven consecutive years (see more on the Fiscal outlook in Developments & Outlook section).

Table 12: Fiscal Accounts (J$ million)

	April – September 2004				Change from 03/04	
			Deviation			
	Provisional	Budget	J$m	(%)	J$m	(%)
Revenue & Grants	**78,408.4**	**79,996.3**	**-1,587.8**	**-2.0**	**14,428.5**	**22.6**
Tax Revenue	70,722.6	72,721.8	-1,999.2	-2.7	12,639.1	21.8
Non-Tax Revenue	4,441.5	4,486.7	-45.1	-1.0	778.2	21.2
Bauxite Levy	1,330.2	1,173.2	157.0	13.4	253.1	23.5
Capital Revenue	674.1	259.9	414.2	159.4	-163.5	-19.5
Grants	1,240.0	1,354.7	-114.7	-8.5	921.6	289.4
Expenditure	**100,727.9**	**101,950.8**	**-1,222.9**	**-1.2**	**14,359.4**	**16.6**
Recurrent	96,344.9	97,432.5	-1,087.6	-1.1	12,641.0	15.1
Programmes	15,867.5	15,863.4	4.1	0.0	1,799.1	12.8
Wages & Salaries	31,229.8	31,972.6	-742.8	-2.3	2,858.9	10.1
Interest	49,247.6	49,596.5	-348.9	-0.7	7,983.0	19.3
Domestic	39,224.1	38,647.5	576.6	1.5	6,504.5	19.9
External	10,023.5	10,949.0	-925.5	-8.5	1,478.5	17.3
Capital Expenditure	4,383.0	4,518.3	-135.3	-3.0	1,718.4	64.5
Fiscal Balance	**-22,319.5**	**-21,954.5**	**-364.9**	**1.7**	**69.1**	**-0.3**
Loan Receipts	88,860.2	112,320.5	-23,460.3	-20.9	27,841.9	45.6
Domestic	63,643.6	90,681.9	-27,038.3	-29.8	4,248.0	7.2
External	25,216.6	21,638.6	3,578.0	16.5	23,593.9	1454.0
Divestments	652.5	1,652.3	-999.8	-60.5		
Amortization	83,098.8	89,149.2	-6,050.4	-6.8	40,151.6	93.5
Domestic	61,400.0	67,589.6	-6,189.6	-9.2	25,930.7	73.1
External	21,698.8	21,559.6	139.2	0.6	14,220.9	190.2
Overall Balance	**-15,905.6**	**2,869.1**	**-18,774.6**	**-654.4**	**-11,588.1**	**268.4**
Primary Balance	**26,928.1**	**27,642.0**	**-713.8**	**-2.6**	**8,052.1**	**42.7**
Source: Ministry of Finance & Planning						

<u>Notes to the Accounts</u>:-

The above accounts are presented in accordance with the Global Data Dissemination Standard (GDSS), as required by the IMF. The GDSS format requires that any proceeds earned from the divestment of Government assets should be recorded as an extraordinary item and therefore should not appear in the Revenues & Grants category of the accounts. The resulting fiscal deficit is therefore larger than would have been the case if the divestment proceeds had been included. However, from time to time the Ministry of Finance may present the accounts in an alternative format which treats this revenue source as a recurrent item included under Capital Revenues, thus reflecting a smaller deficit. The April to September accounts, if presented in this format, would show a deficit of $21.67 billion rather than the $22.32 billion reflected above. Both methods may be used by analysts, depending on the purpose of the analysis and the budgetary areas being focused on.

Stock Market

During October the main JSE Index advanced by 4.19% or 4,181.04 points to close at 104,000.86 points on October 29. Market capitalization increased by $34.19 billion or 4.38% to end the month at approximately $814.84 billion.

The main JSE Index has now advanced by some 58.9% since the start of the year. The top performing stock for year- to-date to October 29 was Capital & Credit Merchant Bank, which appreciated by over 367.45% from $5.99 to $28.00 (see Table 13). The worst loser in price terms was the Ciboney Group, which lost more than 33% of its value over the period closing at $0.08 on October 29.

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	29/10/04	$	%
Capital & Credit Merchant Bank	5.99	28.00	22.01	367.45
Pan Caribbean Financial Services	6.60	27.50	20.90	316.67
Hardware & Lumber	9.50	30.00	20.50	215.79
Kingston Wharves	1.30	3.99	2.69	206.92
Carib Cement	3.50	10.61	7.11	203.14

Bottom Three (unadjusted for dividends or transact. costs)

Ciboney Group	0.12	0.08	-0.04	-33.33
Montego Freeport	2.43	2.00	-0.43	-17.70
CMP Industries	2.99	2.50	-0.49	-16.39

Source: Compiled from the JSE

Developments and Outlook

Fiscal prospects: For the first half of the fiscal year the deficit was slightly more than projected due to revenue slippages associated with the passage of Hurricane Ivan. However, a number of factors served to mitigate Ivan's impact on the accounts for the period. Among these were the favourable outturns in PAYE and GCT as well as tight cost control by the Government since the start of the fiscal year. Despite the fact that the deficit outcome was due to external circumstances rather than issues of fiscal management, the capital markets continue to closely monitor the trajectory of the fiscal performance for any significant deviation from the original targets. Any such variance will likely result in higher debt costs for Jamaica – both domestically and externally – going into 2005/06, thus compromising the balanced-budget target for that year. However, assuming the Government meets its remaining targets for the rest of this fiscal year, the current scenario suggests that the full-year outturn will not veer significantly from initial projections. In the final analysis, the outcome will depend on sustained stability in the macroeconomy through March as well as effective tax administration and expenditure control by the Government.

Inflation: Recent news from the BOJ reveals that core inflation was held to an estimated 1.1 percent for the September quarter, consistent with the results of the previous two quarters. The Bank also reports a consistent decline in the 12-month, point-to-point core inflation since January of this year. Unlike headline inflation, core inflation excludes movements in volatile commodities such as food products and so gives a better indication of the long-term trend in prices. Given the steady improvements in core inflation in recent quarters as well as the fact that this year's major inflationary impulse has come from food prices, we expect that an improvement in agricultural output can result in some deflation in the first quarter of next year.

Pricing Gouging issue: Since the passage of Hurricane Ivan, there has been considerable public concern surrounding allegations of price gouging by merchants in the retail sector. There have been reports that duty reductions which were applied to vegetable products in the aftermath of the storm are not being passed on to consumers in the form of lower prices. In a joint media release on November 19th the PSOJ and the Jamaica Chamber of Commerce (JCC) sought to clarify our collective position on the issue. Both associations are strongly against the practice of price gouging and our members have agreed since early October to maintain their margins at pre-Ivan levels for the duration of the duty-reduction regime. However our members, and retailers in general, are largely price takers with respect to the importers who supply them. In this vein, the degree to which the duty reductions will impact the prices paid by retailers for these products is to an extent outside of the retailers' control. Nonetheless, our members continue to cooperate fully with the Ministry of Commerce, Science & Technology and other authorities to ensure that consumers' interests are protected and that prices accurately reflect supply conditions in the marketplace.

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
Apr-01	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	1,799.65	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	1,757.84	0.8	12.2	n/a	61.22	14.98	25.02	8.06	429,251.39	4,773.46
July	n/a	n/a	0.99	17.23	1,594.69	1,721.50	1.0	11.6	n/a	61.80	14.96	25.02	8.06	440,539.38	5,029.49
Aug	n/a	n/a	n/a	n/a	1,643.46	1,922.93	1.3	11.5	n/a	61.90	14.95	25.10	8.06	440,433.32	4,838.02
Sep	0.97	17.68	n/a	n/a	1,616.52	1,867.23	0.6	10.5	n/a	61.89	14.80	24.95	8.06	438,123.75	4,856.86
Oct	n/a	n/a	n/a	n/a	1,826.66	n/a	3.3	12.3	n/a	61.88	14.78	25.00	7.84	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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