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PSOJ CONFIDENTIAL ECONOMIC BULLETIN

A Monthly Analysis of the Jamaican Economy

Overview

The month of January was marked by a prevailing sense of optimism concerning the economic prospects for the New Year. The sustained reduction in inflation, together with the series of appreciations in the dollar in December, supported a confident outlook in the money market which translated to reduced yields on GOJ treasury bills. In addition, the markets received some positive signals from the GOJ's revised economic targets which included upward revisions in the NIR projections for this fiscal year and the next. The administration also reaffirmed its commitment to a deficit target of 4.4% of GDP for this year and a balanced budget next year. The reiteration of these targets so close to the end of the fiscal year enhances the level of confidence that they will be achieved.

The inflation rate slowed for the third consecutive month, dropping to 0% in January in a context of continued moderations in agricultural prices. However, the fiscal year-to-date outturn of 11.6% means that some deflation would be needed in the February-March period in order to achieve the revised fiscal-year target of 11% (more on inflation in Developments & Outlook).

The dollar remained fairly stable during January as buoyant current account inflows helped to ensure placid conditions on the currency market. The dollar lost a minimal 0.4% to its US counterpart during foreign exchange trading to close the month at $61.87. Monthly depreciation has not exceeded 1% for some fifteen months now, and supply conditions suggest that this stability should continue in the near term.

The NIR again hovered above the US$1.8B mark in January, amounting to US$1,847.58 million at the end of the month. The reserve was only US$10.94 million less than that of the previous month and continues to benefit from improvements in the country's external liquidity.

In This Issue

Stopover arrivals have declined for the third consecutive month, falling by roughly 2% in December relative to the corresponding period in 2003. However, strong pre-Ivan growth has allowed for a 5% increase in stopovers for the year relative to 2003.

The bauxite sector made a creditable start to the New Year with January's exports growing by a modest 1.1% relative to January 2004. Sustained improvements are expected in the coming months, particularly with the normalization of activities at Kaiser.

There were no reductions in the BOJ's interest rates in January as monetary policy was generally supportive of the downward trend in inflation. Yields remained at their December rates ranging from 13.80% on the 30-day, to 15.5% on the 365-day instrument.

For the first ten months of 2004 the nation's trade deficit improved by over US$177 million or 8.5% relative to that of the same period in 2003 (see External Trade – page 5).

Net International Reserves

The NIR has hovered just above the US$1.8B mark for the third straight month against a backdrop of healthy inflows to the foreign exchange market. The reserve balance was US$1,847.58 million at the end of January, a marginal 0.6% less than the previous month's value of 1,858.52 million *(see Table 1)*. January's outturn amounted to roughly 27.6 weeks of Goods imports. With the improving trends in the current account and less than two months remaining in the fiscal year, it is now almost a certainty that the revised fiscal year-end target of US$1,670 million will be comfortably exceeded.

Table 1: Changes in the NIR

		Change			Imports
	NIR	***Mthly***	***12 Mth***	***YTD***	**(Weeks)**
Jan-2005	1,847.58	-10.94	627.93	-10.94	27.62
Jan-2004	1,219.65	54.67	-290.60	54.67	19.75

Source: Compiled from the BOJ (Preliminary)

Foreign Currency Deposits

(Recent data in this area is not available. However, the BOJ should have the problem rectified shortly). For the month of October total foreign currency deposits amounted to US$1,833.56 million, US$33.7 million lower than the previous month's figure ***(Table 2)***. This resulted from a US$52.8-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)		%
	Oct-04	***Mthly***	***12 Mth***	**12 Mth**
Total Deposits	1,833.56	-33.67	196.32	11.99
	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 dollar lost $0.25 against its US counterpart in foreign exchange trading during January to end the month at $61.87 (daily J$/US$ weighted average selling rate, see ***Table 3***). However, the adjustments amounted to only 0.4% as the currency continued to be underpinned by robust earnings from the tourism and alumina sectors. In addition, market confidence continued to temper any speculative demand.

The dollar appreciated against both the pound and the Canadian dollar during the month, gaining 2% against each currency.

Figure 1: Daily J$/US$ Movements

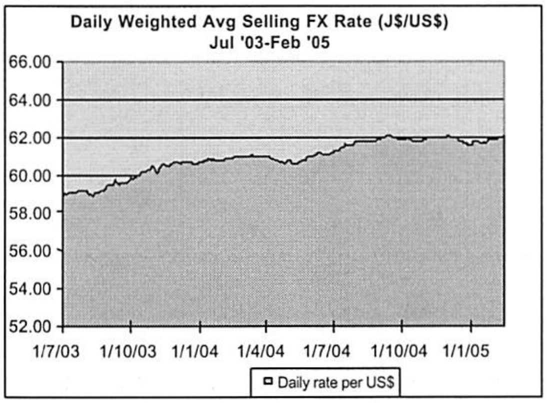


Table 3: Foreign Exchange Trends*

	Year-to-Date: Jan 31, '05 (report date: Feb. 21)					
	us$	**%?**	**can$**	**%?**	**Uk£**	**%?**
2004	0.25	0.40	-1.28	-2.53	-2.40	-2.03
2003	0.11	0.19	-1.51	-3.24	2.62	2.44
2002	2.01	3.95	2.19	6.83	6.48	8.00
	Monthly					
Jan-05	0.25	0.40	-1.28	-2.53	-2.40	-2.03

* *minus = appreciation.*

Source: BOJ, PSOJ Economic Research

<u>Short Term Forecast</u>

The winter tourist season should gather momentum as March approaches, with a continuation of the steady growth trend in visitor expenditures. This, along with the recent growth in alumina exports, should bode well for foreign exchange supplies in the coming weeks. Consequently, the dollar can be expected to float calmly in the $62.00 range and should not significantly exceed this mark over the next month. Importantly, while the major foreign exchange earners lend stability to the market in the near term, reports of upcoming foreign direct investments also provide reassurance regarding supply prospects for the medium and long term. In terms of the coming increases in US interest rates, it remains to be seen whether these will impact the market; the interest rate differential between Jamaica and the US has in the past been a key component in maintaining the stability of the local currency. However, our export sectors are arguably stronger than before and may undergird the dollar even as the interest rate differential is eroded.

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

	Forecast	Actual	Diff.
Oct '03	60.25 -60.50	60.44	-0.06
Nov	60.55-60.60	60.65	0.05
Dec	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
Aug	62.08-62.14	61.90	-0.18
Sept	62.10-62.15	61.89	-0.21
Oct	61.90-61.94	61.88	-0.02
Nov	61.87-61.92	61.98	0.06
Dec	61.90-61.94	61.63	-0.27
Jan '05	61.43-61.48	61.87	0.39
Feb	62.06-62.12		

Source: PSOJ Economic Research

Interest Rates

The Central Bank made no adjustments to its repo rates during January. Yields therefore remained at their December levels ranging from 13.80% on the 30-day, to 15.50% on the 365-day instrument.

The six-month Treasury bill cleared the market at an average yield of 14.40%, some 54 basis points lower than the December instrument as investor confidence continues to be buoyed by improvements in the fiscal and economic outlook. The T-bill continues to be strongly over-subscribed despite the declining yield.

In addition, the average discount has now dipped below the 14% mark for the first time in over two years, another sign of the confidence that has pervaded the market in recent times.

There was no change in the average bank savings and lending rates, which remained at their December levels of 6.48% and 24.89%, respectively.

Figure 2: Interest Rate Movements

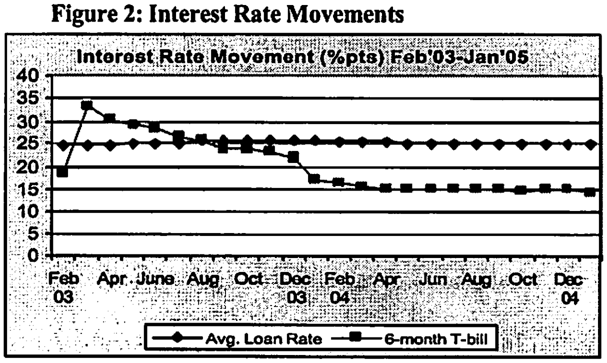


Table 5: Interest Rate Movements

		Change (%age pts)		
	Jan-05	*Mthly*	*12 Mth*	*YTD*
30 Day Repo	13.80	0.00	-1.05	0.00
365 Day Repo	15.50	0.00	-4.50	0.00
Avg Savings Deposit	6.48	0.00	-0.76	0.00
Avg Loan Rate	24.89	0.00	-0.71	0.00
6 Month T-Bill	14.40	-0.54	-2.75	-0.54
12 Month T-Bill	none	n/a*	n/a	n/a

Source: BOJ (Preliminary) *n/a = 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 no notable movement in the Consumer Price Index in January as prices continued to normalize with the steady recovery of agricultural output. Consequently, the inflation rate for the month was 0%, continuing the trend of improvement which began in November. The *Food & Drink* index was fairly stable, inching up by a modest 0.4% in a context of increases in most food categories, notably Starchy Foods (up 6.4%), Meat, Poultry & Fish (1.4%), and Meals Away from Home (1.2%). However, there was a 12.2% *reduction* in Vegetables & Fruit, influenced by a strong rebound of supply in St. Elizabeth and other regions. *Fuels & Other Household Supplies* rose by 1.3%, largely influenced by a 1.7% rise in the cost of domestic fuels. *Household Furnishings & Furniture* showed no significant change for the month.

Table 7: Inflation Trends

	Percent Changes			
	January	*12 Mth*	*YTD*	Fiscal
2005	0.0	12.8	0.0	11.6
2004	0.8	15.4	0.8	15.5

Source: STATIN

Production of Selected Commodities

Mining: Total bauxite production for January was 1.240 million metric tonnes, marginally below the 1.249 million metric tonnes produced in January of last year *(see Table 8)*. Although Alumina production grew by almost 2% to 364,053 metric tonnes, Crude bauxite slipped by just under 1% to 359,736 metric tonnes. Total bauxite exports grew modestly despite the lack of growth in production. Exports amounted to 1.263 million metric tonnes, roughly 2% better than last January. Alumina exports showed a 1.6% improvement, rising to 358,801 metric tonnes. Crude bauxite grew by more than 5% to 395,450 metric tonnes. Activities have begun to normalize at the Kaiser plant, and this should contribute to a steady improvement in crude exports in the coming weeks.

Table 8: Mining Production

				Y-T-D	
	Jan-04	**Jan-05**	**%**	**Jan-05**	**05/04%**
Production					
Alumina	357,176	364,053	1.93	364,053	1.93
C. Bauxite	362,678	359,736	-0.81	359,736	-0.81
Tot. Bauxite	1,249,698	1,240,832	-0.71	1,240,832	-0.71
Export					
Alumina	353,037	358,801	1.63	358,801	1.63
C. Bauxite	375,063	395,450	5.44	395,450	5.44
Tot. Bauxite	1,249,096	1,263,655	1.17	1,263,655	1.17

Units=tonnes

Source: Compiled from Jamaica Bauxite Institute

Tourism

Stopovers: Stopovers have now declined for the third consecutive month, slipping by 1.9% in December relative to the corresponding period in 2003. This resulted from a 15% falloff in visits from Foreign Nationals as well as a 4.7% reduction in Non-resident Jamaicans. The United States continues to be the leading provider of stopover visitors, accounting for nearly 66% of that number in December. The UK was second with 12.5%, while other European countries together provided 5.3%.

Cruise Passengers: The number of cruise visitors jumped by nearly 12% in December reflecting higher numbers at both Montego Bay and Ocho Rios. This represented an improvement over the previous three months, which all showed declines relative to 2003.

Total Arrivals: Overall, visitor numbers for 2004 were 1.3% higher than for 2003, buoyed by strong growth in stopovers prior to Ivan. Figure 9A below shows the trend in total visitors over the past six years. The general trend has been one of steady growth, with a decline in 2001 and flat growth in 2002 following the September 11 attacks. Stopovers represent the majority of visitors to the island, comprising 56% in 2004 and over 54% in 2003. Stopovers have averaged nearly 59% of visitors annually for the past six years. However, cruise arrivals remain an important contributor to the industry, posting double-digit growth in three of the past six years while stopover growth has remained in the single-digits (see Figure 9B).

Table 9: Tourist Arrivals

	2003	*2004*	*% Change*	
	Jan - Dec		Jan-Dec	Dec
Stopover	**1,350,285**	**1,414,786**	**4.8%**	**-1.9**
Foreign	1,262,108	1,326,918	5.1%	-1.5
National	88,177	87,868	-0.4%	-4.7
Cruise	**1,132,596**	**1,099,773**	**-2.9%**	**11.8**
Total	**2,482,881**	**2,514,559**	**1.3%**	
US$m*				

Source: Jamaica Tourist Board (Preliminary)

Figure 9A: Total Tourists, 1999-2004

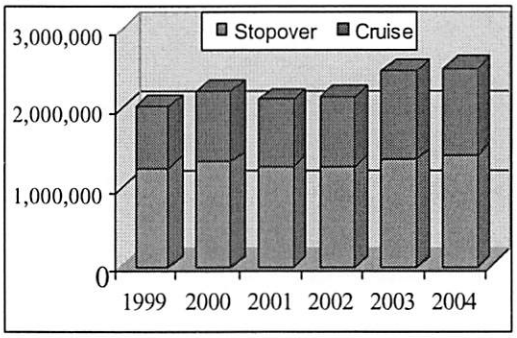
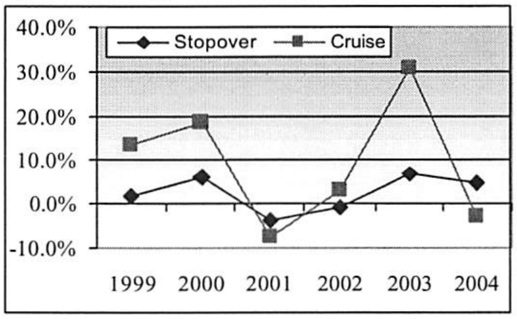


Figure 9B: %age Growth in Arrivals



External Trade

For the ten-month period January to October 2004 the trade deficit showed a significant US$177M improvement over that of the corresponding period in 2003. This resulted from an impressive 17.1% growth in export revenues combined with a relatively unchanged import bill for the period.

Exports amounted to US$1,171.7M, some US$171M 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 almost US$81M due to strong pre-Ivan growth in Alumina and to a lesser extent Bauxite. Manufacturing increased by roughly US$32M thanks to a 50% jump in Sugar exports which grew by US$32.9M. Rum exports fell by US$0.53M or 2.3%. Despite Ivan, Agriculture grew by a modest 2.2% or US$1.06M as a 24% improvement in Coffee earnings was enough to outweigh declines in other commodities. In the Non-Traditional sector, exports grew by a notable 22% or US$43.1M reflecting higher earnings in Crude Materials (up US$20.9M), Beverages & Tobacco (up US$3.1M), and Other Non-Traditionals (up US$22.8M). Non-traditional Foods fell by US$3.7M due to lower revenues in products such as ackees (down US$1.9M), seafood (down US$0.6M), and papayas (down US$0.3M).

Imports showed no growth for the review period. There were marked increases in Misc. Manufactured Articles (up US$29.5M), Manufactured Goods (up US$28.9M), and Food (up US$22.4M), but these were negated by reductions in Chemicals (down US$43.6M), Mineral Fuels (down US$26M), and Machinery & Transport Equipment (down US$45M).

Table 10: External Trade (US$M)

	Jan-Oct '04	Jan-Oct '03	Change	% Change
TOTAL EXPORTS (fob)	**1,171.69**	**1,000.69**	**171.00**	**17.1**
Major Traditional Exports	896.23	782.09	114.14	14.6
by Sector:-				
Agriculture	50.05	48.99	1.06	2.2
Mining & Quarrying	723.69	642.83	80.86	12.6
Manufacturing	122.49	90.27	32.22	35.7
by Industry:-				
Bauxite	71.43	77.08	-5.65	-7.3
Alumina	650.86	564.89	85.97	15.2
Sugar	98.14	65.20	32.94	50.5
Rum	22.82	23.35	-0.53	-2.3
Bananas	12.81	15.77	-2.96	-18.8
Coffee	33.09	26.68	6.40	24.0
Other	7.09	9.12	-2.04	-22.3
Non-Traditional Exports	240.33	197.17	43.16	21.9
Re-exports	35.13	21.43	13.70	63.9
TOTAL IMPORTS	**3,077.20**	**3,083.40**	**-6.20**	**-0.2**
Food	427.13	404.76	22.37	5.5
Beverages & Tobacco	36.51	27.78	8.74	31.5
Crude Materials (excl. Fuels)	53.61	43.59	10.03	23.0
Mineral Fuels, etcetera	689.79	715.86	-26.07	-3.6
Animal & Vegetable Oils & Fats	24.98	20.16	4.82	23.9
Chemicals	331.38	375.01	-43.63	-11.6
Manufactured Goods	438.48	409.55	28.93	7.1
Machinery and Transport Equip.	692.36	737.27	-44.91	-6.1
Misc. Manufactured Articles	329.20	299.69	29.51	9.8
Other	53.76	49.74	4.02	8.1
TRADE BALANCE	**-1,905.51**	**-2,082.71**	**177.20**	**-8.5**

Source: STATIN

Balance of Payments – January to October 2004 (preliminary)

There was a remarkable 30% improvement in the current account balance for the first ten months of 2004 when compared to the corresponding period in 2003 (see Table 11 overleaf). The deficit for the period was US$463.2 million, some US$204 million better than the US$667.4 million recorded for the comparable 2003 period. This resulted from favourable movements in the Goods balance whose deficit narrowed by US$182.2 million, as well as Current Transfers whose net inflows grew by nearly US$107 million. However, these positive changes were partially countered by a US$79-million widening of the deficit on the Income account as well as a minor slippage in the Services balance.

The improvement in the Goods balance resulted from a US$159-million growth in export revenues complemented by a US$23-million reduction in the value of imports. Exports began a strong recovery from Hurricane Ivan as earnings rebounded from their 34% drop in September to grow by some 6.2% for the month of October. For the full ten-month period, alumina and sugar posted solid performances growing by 15% and 50%, respectively. On the import side, the bill was significantly reduced in the areas of machinery, transport equipment, chemicals and mineral fuels and was impacted by a 42% plunge in imports for September.

The Services account showed a US$5.4-million reduction in net inflows, as modest gains in the Transportation and Travel balances were outweighed by a US$21.6-million growth in net outflows in Other Services.

Within the Income account, a US$21.6-million net growth in Compensation of employees was insufficient to offset the US$101-million worsening of the shortfall in Investment Income. This resulted in a US$79.3-million increase in net outflows on the Income account.

Current Transfers played a key role in bolstering the current account, growing by an impressive US$106.7 million thanks to increased net inflows of Private Transfers or remittances.

The Capital and Financial account mainly reflected changes in the Financial account, where Other Official Investments improved from a net outflow of US$310.6 million to a net inflow of US$358.8 million. This represented a turnaround of more than US$669 million and was largely influenced by the Government's successful forays into the European bond markets in January and July of 2004. In Other Private Investments, net inflows fell by some US$251.4 million. Overall, inflows to the Capital & Financial account were more than sufficient to finance the shortfall on the Current account, allowing for a buildup of US$661.7 million in the reserves.

Table 11: Balance Of Payments (US$M)

	Jan-Oct '03	Jan-Oct '04	Change	% Change
CURRENT ACCOUNT	**-667.4**	**-463.2**	**204.2**	**-30.6**
Goods Balance	**-1,638.1**	**-1,455.9**	**182.2**	**-11.1**
Exports (fob)	1,156.4	1,315.3	158.9	13.7
Imports (fob)	2,794.5	2,771.2	-23.3	-0.8
Services Balance	**443.3**	**437.9**	**-5.4**	**-1.2**
Transportation	-125.6	-118.8	6.8	-5.4
Travel	890.3	899.7	9.4	1.1
Other Services	-321.4	-343.0	-21.6	6.7
Income	**-435.2**	**-514.5**	**-79.3**	**18.2**
Compensation of Employees	51.7	73.3	21.6	41.8
Investment Income	-486.9	-587.8	-100.9	20.7
Current Transfers	**962.6**	**1,069.3**	**106.7**	**11.1**
Official	87.4	87.7	0.3	0.3
Private	875.2	981.6	106.4	12.2
CAPITAL & FINANCIAL A/C	**667.4**	**463.2**	**-204.2**	**-30.6**
Net Capital Movement	**-1.2**	**1.5**	**2.7**	**-225.0**
Official	0.1	0.1	0.0	0.0
Private	-1.7	1.4	3.1	-182.4
Financial Account	**668.6**	**461.7**	**-206.9**	**-30.9**
Other Official Investment	-310.6	358.8	669.4	-215.5
Other Private Investment (incl. errors & omiss)	513.2	764.6	251.4	49.0
Reserves (minus=increase)	466.0	-661.7		

Source: Bank of Jamaica (Preliminary)

Fiscal Accounts

For the April to December period the fiscal deficit was $30.88 billion, some $1.8 billion more than budgeted due to a shortfall in Revenues & Grants. Tax receipts in particular fell some 4.1% below expectations while there was also a 2.6% shortfall in Non-tax Revenues. On the expenditure side, large savings in interest costs were more than enough to compensate for a cost overrun in the Programs budget, leading to the favourable spending outturn relative to projections.

Revenue and Grants collected for the period amounted to $120,735.1 million, some $2.5 billion less than projected. The shortfall largely reflected a $4.5-billion falloff in Tax revenues which were heavily affected by the passage of Hurricane Ivan. However, PAYE netted some $2.5 billion more than expected thanks to steady gains made prior to September as well as a strong rebound in October. GCT achieved its target of $18 billion as gains made in the first four months of the year were enough to offset shortfalls in the four months following. Corporate tax continues to under-perform as evidenced by a $2.6-billion shortfall in the Other Companies category. The Special Consumption Tax (SCT) fell some $2.4 billion below projections due to a slippage in petrol tax receipts in the July-August period with the closure of the Petrojam refinery. Most of the other revenue categories showed favourable variances, particularly Grants which were some $1.9 billion more than projected thanks to a large inflow in December. Capital Revenues earned $152.6 million more than expected, while the Bauxite Levy exceeded projections by almost $139 million.

The expenditure outturn of $151,617.9 million represented a cost saving of $734 million relative to projections. External interest payments were $1.7 billion less than planned, due to lower-than-projected interest rates as well as a slower-than-expected depreciation of the dollar. This improvement, coupled with a $1.46-billion saving in Domestic interest payments, resulted in an overall interest burden which was $3.15 billion less than projected.

Programme spending represented a major deviation from budget as the passage of Ivan necessitated large outlays for recovery and rebuilding efforts. Programmes exceeded the budgeted amount by some $2.7 billion.

Capital Expenditures fell $362 million shy of projections as the demands of the recurrent budget continue to limit the resources available for infrastructural improvements.

Loan receipts were approximately $13.2 billion below budget as Government borrowed $28 billion less than planned on the domestic market. External receipts jumped some 66% or $14.9 billion above projections as favourable external market conditions have allowed the Government to reduce its reliance on high-yielding domestic debt. The external debt stock was significantly increased by the €150 million Eurobond issued in October.

Total public debt at the end of December stood at $762.53 billion, roughly $1 billion higher than that of the previous month. Domestic Debt grew by $2,747.38 million to $446,961.92 million. External Debt inched up by a marginal 0.03% or US$1.52 million to reach US$5,120.44 million.

We need to keep track of arrears due to suppliers in the public sector, as reducing the budgetary allocation to a ministry does not necessarily mean that costs have actually been cut. In addition, there are significant complaints that arrears of withholding tax refunds are growing. More information is needed concerning the amount of arrears and the likely impact on the accounts going forward.

Table 12: Fiscal Accounts (J$ million)

	April – December 2004				Change from 03/04	
			Deviation			
	Provisional	Budget	J$m	(%)	J$m	(%)
Revenue & Grants	**120,735.1**	**123,249.5**	**-2,514.4**	**-2.0**	**20,486.9**	**20.4**
Tax Revenue	107,228.4	111,766.1	-4,537.8	-4.1	16,835.5	18.6
Non-Tax Revenue	6,956.2	7,143.1	-187.0	-2.6	315.3	4.7
Bauxite Levy	1,901.7	1,762.9	138.7	7.9	341.3	21.9
Capital Revenue	712.6	560.0	152.6	27.3	-574.7	-44.6
Grants	3,936.2	2,017.3	1,918.9	95.1	3,569.5	973.2
Expenditure	**151,617.9**	**152,351.9**	**-734.0**	**-0.5**	**16,024.0**	**11.8**
Recurrent	145,489.8	145,861.9	-372.1	-0.3	14,060.9	10.7
Programmes	24,739.5	22,033.9	2,705.6	12.3	6,024.2	32.2
Wages & Salaries	47,572.2	47,496.6	75.6	0.2	2,168.7	4.8
Interest	73,178.1	76,331.4	-3,153.3	-4.1	5,868.0	8.7
Domestic	57,858.7	59,320.0	-1,461.3	-2.5	4,313.5	8.1
External	15,319.4	17,011.4	-1,692.0	-9.9	1,554.5	11.3
Capital Expenditure	6,128.1	6,490.0	-361.9	-5.6	1,963.2	47.1
Fiscal Balance	**-30,882.8**	**-29,102.4**	**-1,780.4**	**6.1**	**4,462.9**	**-12.6**
Loan Receipts	129,205.7	142,395.4	-13,189.7	-9.3	28,656.8	28.5
Domestic	91,985.6	120,041.9	-28,056.3	-23.4	-2,749.6	-2.9
External	37,220.1	22,353.5	14,866.6	66.5	31,406.5	540.2
Divestments	1,259.5	1,704.7	-445.2	-26.1	730.2	138.0
Amortization	109,108.2	111,517.8	-2,409.6	-2.2	36,941.0	51.2
Domestic	82,535.0	84,540.9	-2,005.9	-2.4	23,837.2	40.6
External	26,573.2	26,976.9	-403.7	-1.5	13,103.8	97.3
Overall Balance	**-9,525.8**	**3,479.9**	**-13,005.7**	**-373.7**	**-3,091.1**	**48.0**
Primary Balance	**42,295.3**	**47,229.0**	**-4,933.7**	**-10.4**	**10,330.9**	**32.3**
Source: Ministry of Finance & Planning						

Notes to the Accounts:-

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 December accounts, if presented in this format, would show a deficit of $32,142.4 million rather than the $30,882.9 million 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

The main JSE Index started the year on a bullish note, with a number of stocks posting healthy gains during January and only three stocks declining in the month. The Index advanced by a solid 5,723.91 points or 5.08% during the month to close at 118,379.43 points on January 31. Market capitalization grew by $45.45 billion or 5.17% to end the month at approximately $924.7 billion.

The top performing stock for January was Lascelles de Mercado, which appreciated by more than 63% to end the month at $330.00 (see Table 13). The worst performer in price terms was First Caribbean International Bank Jamaica, which lost almost 13% of its value to end the month at $19.20.

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)

	31/12/04	31/01/05	$	%
Lascelles de Mercado	202.05	330.00	127.95	63.33
Jamaica Broilers	4.20	6.29	2.09	49.76
Montego Freeport	2.20	3.00	0.80	36.36
Pan Jam Investments	53.00	70.00	17.00	32.08
Pegasus Hotel	10.00	13.00	3.00	30.00

Bottom Three (unadjusted for dividends or transact. costs)

First Caribbean Int'l Bank Jamaica	22.00	19.20	-2.80	-12.73
RBTT Financial Holdings Limited	434.50	392.35	-42.15	-9.70
First Caribbean International Bank	130.00	121.10	-8.90	-6.85

Source: Compiled from the JSE

Developments and Outlook

Economic Performance – December Quarter: According to recent data from the Planning Institute Of Jamaica (PIOJ), real GDP declined by some 1.8 percent for the period October to December 2004 relative to the corresponding period in 2003. This reflected a significant 4.8 percent falloff in Goods production as well as a 0.2 percent decline in Services, as both sectors were impacted by the passage of Hurricane Ivan in September. Within the Goods-producing sector, Ivan's impact was mainly felt in Agriculture, Forestry & Fishing, which plunged by some 32.8 percent, and Manufacturing, which was down 1.0 percent. Mining & Quarrying showed some growth but this was held to a modest 0.5 percent as crude bauxite production was affected by damage to a loading facility at Port Rhode. Construction & Installation grew by a strong 4.4 percent in real terms in an environment of heavy rebuilding activity in both residential and non-residential sub-sectors.

Within the Services sector, Transport, Storage & Communications fell by 1.1 percent largely resulting from a falloff in transportation and communications in the wake of the storm. Miscellaneous Services slipped by 0.4 percent partially due to a 1.7 percent falloff in Hotels, Restaurants & Clubs as some hotel properties suffered damage on the island's west coast. In addition, visitor numbers may have been dampened by the US travel advisory issued against Jamaica in September. However, not all elements within the Services sector posted declines as real GDP in Electricity & Water grew by 0.4 percent. This reflected higher levels of electricity generation (up 0.4 percent), and water production (up 0.3 percent).

The passage of Ivan resulted in significant asset damage as well as loss of revenues in a number of sectors. However, the damage sustained in Agriculture had a particularly far-reaching effect on the economy because of its impact on prices in a context where food & drink expenditures comprise roughly one-half of the Consumer Price Index. Domestic crop production plummeted by a sizeable 34.2 percent, and this was the major contributor to the 6.4 percent rate of inflation recorded for the quarter. In addition to prices, merchandise trade was also affected as export crop production fell by a whopping 76.7 percent reflecting huge losses to the country's banana stock and considerable damage to other key export crops.

Despite the outturn for the December quarter, the PIOJ estimates that the economy showed positive growth for the year 2004. However, it appears that Ivan's impact on the growth of the economy may have been greater than initially believed as the PIOJ has revised its 2004 growth estimate to one percent, down from the 2 percent projected by the institute in its post-Ivan press briefing in November. In addition, the quarterly decline of 1.8 percent differs considerably from the positive growth of 0.2-0.5 percent projected in November. This is explained by the fact that both the Goods-producing and Services sectors have underperformed relative to projections. The decline in Goods production for the quarter was 2.2 percentage points worse than anticipated, while the Services sector declined by 0.2 percent rather than growing at the expected rate of 1.4 percent.

The PIOJ's information differs slightly from that of the Bank Of Jamaica in one aspect – while the PIOJ estimates that the Services sector declined for the quarter, the BOJ reports that the sector actually recorded growth. This difference may have been due to a disparity in the area of Transport, Storage & Communication as the BOJ recorded a smaller decline in this area than the PIOJ. However, both agencies agree that the bulk of the losses were sustained in the goods-producing sector, particularly agriculture, and that the recovery prospects nevertheless remain favourable with an expected normalisation of activities in Tourism, Mining & Quarrying and other key sectors.

Inflation outlook: Price movements have abated considerably in recent months, with inflation steadily falling from 3.3 percent in October to 0 percent in January. This has been underpinned by a rebound in domestic crop production, particularly vegetables & fruit, as well as a gradual return to normality in the furniture and household supplies markets. However, January's fiscal year-to-date inflation of 11.6 percent exceeds the GOJ's fiscal-year target of 11.0 percent and is also nearly outside the Central Bank's projection of 10.8-11.8 percent. At this point, meeting the GOJ's target would require deflation of at least 0.5 percent for the cumulative February-March period. Such deflation is rare for the last two months of the fiscal year. In fact, this has only happened once in the last ten years: this was in 1999 when a deflation of 1.1 percent in February and inflation of 0.5 percent in March resulted in an overall deflation of 0.6 percent for the two-month period. While the international community is not looking to Jamaica to meet the pre-Ivan targets, achieving the revised targets would go a far way in terms of maintaining a stable macroeconomic outlook in the eyes of external creditors and rating agencies.

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
Jun-01	-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	8.43	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	7.24	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	7.24	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	6.78	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	6.78	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	6.67	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	6.61	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	6.61	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	6.61	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	6.61	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	6.61	438,123.75	4,856.86
Oct	n/a	n/a	n/a	n/a	1,826.66	1,833.56	3.3	12.3	n/a	61.88	14.78	25.00	6.48	439,614.97	5,075.17
Nov	n/a	n/a	n/a	n/a	1,816.06	n/a	2.4	13.9	n/a	61.98	14.90	24.89	6.48	444,214.54	5,118.92
Dec	n/a	n/a	n/a	n/a	1,858.52	n/a	0.6	13.7	n/a	61.63	14.94	24.89	6.48	446,961.92	5,120.44
Jan '05	n/a	n/a	n/a	n/a	1,847.58	n/a	0.0	11.6	n/a	61.87	14.40	24.89	6.48	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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