



The Private Sector Organisation of Jamaica

39 Hope Road, Kingston 6

Tel: 927-6238/6958 Fax: 927-5137 Email: psojinfo@psoj.org Web site: <http://www.psoj.org>

PSOJ CONFIDENTIAL ECONOMIC BULLETIN

A Monthly Analysis of the Jamaican Economy

Overview

March signified the end of an eventful and challenging fiscal year which saw the Government missing a number of its targets, largely due to the impact of Hurricane Ivan. The deficit for 2004-05 has been reported at 4.8% of GDP, somewhat higher than the revised target of 4.5% and reflected significant revenue slippages and programme overruns in the wake of the storm. The single-digit inflation target was also overshoot as a result of price escalations in October and November in areas such as food & drink, household supplies and housing. In addition, the extensive losses in agriculture and other sectors dealt a major blow to economic growth, with the result that real GDP grew by a tame 1% for the fiscal year, much lower than the projected rate of 2.5%. On the positive side, the country surpassed its NIR target by an impressive US\$230 million, which bodes well for the nation's external liquidity and currency stability going into the new fiscal year.

The stable trend in prices was interrupted in March as inflation hit the 1% mark for the first time in four months. This was partially due to increases in the Food & Drink sub-index, which began to show the effects of the persistent drought and rampant bush fires affecting the island in recent months.

The dollar ended the fiscal year on a triumphant note, posting 17 consecutive days of appreciation during March to gain a total of \$0.37 against its US counterpart. The near-term indicators favour a continuation of this trend, with receipts from tourism and remittances providing strong anchorage to the currency.

At the end of March the Net Internal Reserve (NIR) stood at US\$1,901.6 million, exceeding the previous month's value of US\$1,831.07 million and handsomely beating the revised target of US\$1,670 million for the fiscal year-end. The authorities expect continued strength in the reserves over the medium term, underpinned by sustained improvements in the current account as well as strong investment inflows.

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Tourism figures showed a 2.4% growth in stopovers for February relative to the comparable period last year. This served to offset a 2.7% falloff in cruise passengers, bringing the total visitor count roughly in line with that of last February.

Total bauxite production inched up 0.9% in March thanks to improved output in Alumina but more so Crude bauxite. In exports, however, it was the reverse as there was a reduction in export volumes largely reflecting a fall-off in Crude.

The BOJ made another round of interest rate cuts in March against a background of steady appreciation in the exchange rate. Adjustments ranged from 55 basis points on the shorter instruments to 50 basis points at the longer end. The six-month T-bill cleared the market at an average yield of 13.46%, a reduction of nearly 50 basis points from the previous month.

For the year 2004 the nation's trade deficit widened by US\$32.6 million or roughly 1.3% relative to that of 2003 (see External Trade – page 5).

Net International Reserves

The NIR ended the fiscal year at a solid US\$1,901.6 million, US\$70.5 million higher than the previous month's value of US\$1,831.07 million. The outturn was also US\$231 million better than the revised fiscal year-end target of US\$1,670 million. This was the result of favourable conditions pervading the currency market during the year, characterized by marked improvements in the current account as well as strong inflows from investments and GOJ Eurobonds. March's balance amounted to roughly 27.5 weeks of Goods imports (see Table 1). The authorities are projecting continued strength in the country's external liquidity, which should sustain a healthy level of reserves during this fiscal year.

Table 1: Changes in the NIR

	NIR	Change			Imports (Weeks)
		Mthly	12 Mth	YTD	
Mar-2005	1,901.61	70.54	332.95	43.09	27.46
Mar-2004	1,568.66	94.70	228.99	403.68	24.99

Source: Compiled from the BOJ (Preliminary)

Foreign Currency Deposits

In December of 2004 total foreign currency deposits amounted to US\$1,925.98 million, US\$70.2 million higher than the previous month's figure (Table 2). This reflected increased balances in all the main categories of institutions, particularly commercial banks and merchant banks whose deposits grew by US\$40.5 million and US\$27 million, respectively. In the Spot market, US dollar purchases amounted to US\$555 million in February 2005, slightly lower than the spot sales for that period.

Table 2: Foreign Currency Deposits

	Dec-04	Change (US\$M)		%
		Mthly	12 Mth	
Total Deposits	1,925.98	70.19	272.79	16.50
	Feb-05			
Spot Purchases*	554.99	-74.72	67.52	13.85
Spot Sales*	596.39	-79.15	65.35	12.31

*US dollar market only

Source: Compiled from the BOJ (Preliminary)

Foreign Exchange Rates

Favourable conditions prevailed on the currency market in March, with the Jamaican dollar appreciating by a total of \$0.37 against its US counterpart during the month. The dollar ended the month at an average of

\$61.54 (daily JS/US\$ weighted average selling rate, see Table 3). The average selling rate never broke the \$62.00 mark at any point in the month, thanks to steady inflows on the supply side of the market as well as calm confidence on the demand side.

The dollar met with mixed fortunes against its other major counterparts, gaining \$2.76 against the sterling but losing \$0.56 against the Canadian dollar.

Figure 1: Daily JS/US\$ Movements

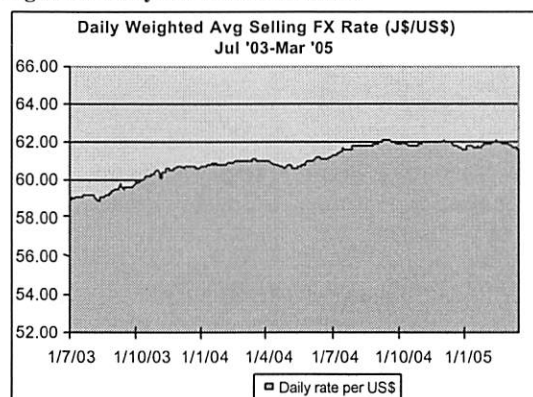


Table 3: Foreign Exchange Trends*

	Year-to-Date: Mar 31, '05 (report date: Apr. 25)					
	us\$	%?	can\$	%?	UK£	%?
2005	-0.08	-0.13	-0.05	-0.11	-2.57	-2.18
2004	0.39	0.64	-0.13	-0.29	3.89	3.62
2003	5.27	10.33	5.39	16.80	6.43	7.95
	Monthly					
Mar-05	-0.37	-0.59	0.56	1.12	-2.76	-2.34

* minus = appreciation.

Source: BOJ, PSQJ Economic Research

Short Term Forecast

The exchange rate should remain stable through the first quarter of the new fiscal year, given the positive prospects for the country's major foreign exchange earners alumina and tourism. The rebound in export agriculture is also in full swing as the country is now making its first shipment of bananas since Ivan. In addition, buoyant remittance inflows are expected to smooth out any troughs in the performance of the export sectors. Meanwhile, the robust NIR will continue to send a clear signal concerning the BOJ's capacity for market intervention as the need arises. The dollar can therefore be expected to find rest around the \$62.00 mark in the next six to eight weeks, dipping below that level on the more favourable trading days. Some upward adjustment may be possible as we exit the winter tourist season, but this is not expected to be significant.

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

	Forecast	Actual	Diff.
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	61.91	-0.15
Mar	61.95-62.00	61.54	-0.41

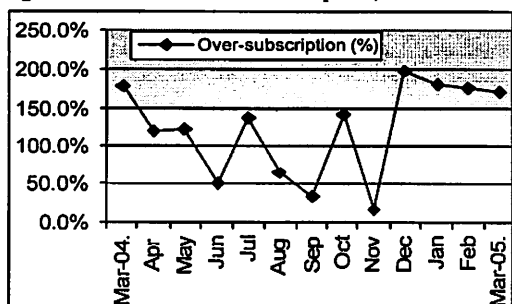
Source: PSQJ Economic Research

Interest Rates

A generally favourable economic climate allowed for further reductions in BOJ repo yields during March. Reductions ranged from 55 basis points on the shorter instruments to 50 basis points on the two longest tenors. The adjustments were made against a background of steady appreciations on the currency market since the start of the month. The Bank's positive outlook turned out to be more than justified as the dollar experienced another twelve straight days of appreciation after the rate cuts of March 7.

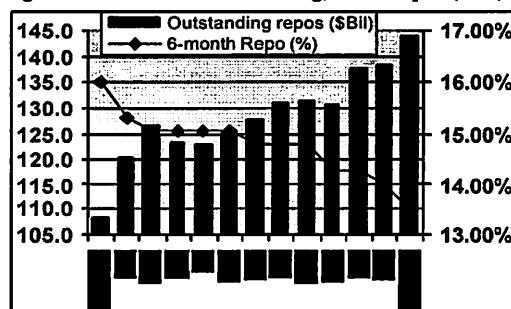
The six-month T-bill cleared the market at an average yield of 13.46%, some 49 basis points lower than the previous month's value. Investors continue to show a healthy appetite for money market instruments despite the falling yields. The six-month T-bill has been consistently oversubscribed for the past twelve months (see Figure 2A). In fact, applications have exceeded allotments by more than 170% since December.

Figure 2A: Rate of Over-Subscription, 6-month T-bill



In addition, holdings of BOJ repos continue to grow sharply even as those rates continue to tumble (see Figure 2B). This strong uptake in the face of the steady slippage in yields indicates that there may well be room for continued rate reductions in the short term, which would augur well for the Government's debt servicing costs.

Figure 2B: Amount Outstanding, BOJ Repos (\$Bil)



The average bank savings rate was 6.36%, lower than the previous month's rate of 6.48%. This represents an increase of 12 basis points in the average interest rate spread as there was no change in the average lending rate of 24.89%. Loan rates continue to show minimal correlation with benchmark yields (see Figure 2C).

Figure 2C: Interest Rate Movements

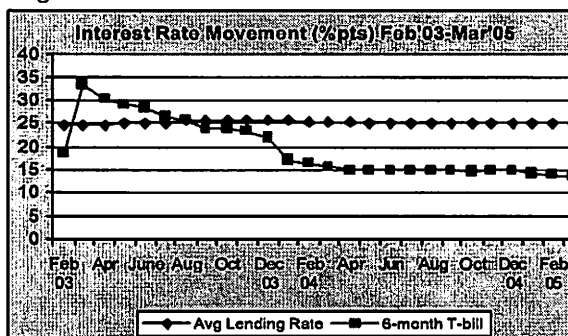


Table 5: Interest Rate Movements

	Mar-05	Change (%age pts)		
		Mthly	12 Mth	YTD
30 Day Repo	12.95	-0.55	-1.90	-0.85
365 Day Repo	14.50	-0.50	-3.45	-1.00
Avg Savings Deposit	6.36	-0.12	-0.42	-0.12
Avg Loan Rate	24.89	0.00	-0.51	0.00
6 Month T-Bill	13.46	-0.49	-2.11	-1.48
12 Month T-Bill	none	n/a	n/a	n/a

Source: BOJ (Preliminary)

*n/a = not applicable

Inflation

The Consumer Price Index spiked by 1% in March as agricultural prices started to show the impact of the recent drought and bush fires. The *Food & Drink* sub-index rose by 1.2% spurred by increases in most food types, particularly Starchy Foods (up 3.1%), Meat, Poultry & Fish (1.3%), and Baked Products (1.2%). There was, however, a 0.8% reduction in Vegetables & Fruit. There was a 1.3% increase in *Housing & Other Housing Expenses* as rental charges jumped 4.2% while other housing costs inched up 0.5%. *Fuels & Other Household Supplies* showed a 1% increase, driven by a 2.9% rise in the cost of domestic fuels. March's inflation outturn meant that the revised fiscal-year target of 11.5% has been missed. However, it is believed that the normalization of crop production will pave the way for a return to single-digit inflation, assuming relative stability in oil and other import prices.

Table 7: Inflation Trends

	Percent Changes			
	March	12 Mth	YTD	Fiscal
2005	1.0	13.2	1.4	13.2
2004	0.5	16.8	1.9	16.8

Source: STATIN

Bauxite & Alumina Production

Total bauxite production for March was 1.27 million metric tonnes, some 0.9% higher than the 1.26 million metric tonnes produced in March of last year (see Table 8). The sector recorded higher output in both Alumina and Crude bauxite, which grew by 1.37% and 5.28%, respectively. Alumina production was 373,336 metric tonnes for the month, while that of Crude was 367,367 metric tonnes. Total bauxite exports showed a decline more than 4%, reflecting a 7.6% falloff in Crude exports. Alumina exports, however, were marginally better than in last March.

Table 8: Mining Production

	Y-T-D				
	Mar-04	Mar-05	%	Mar-05	05/04%
Production					
Alumina	368,300	373,336	1.37	1,052,763	0.55
C. Bauxite	348,954	367,367	5.28	1,074,597	12.23
Tot. Bauxite	1,256,730	1,268,491	0.94	3,620,338	1.78
Export					
Alumina	322,970	325,313	0.73	958,057	-5.81
C. Bauxite	380,995	351,972	-7.62	1,058,173	7.22
Tot. Bauxite	1,175,401	1,125,601	-4.24	3,369,777	-4.02

Units=tonnes

Source: Compiled from Jamaica Bauxite Institute

Tourism

Stopovers: Stopover arrivals grew by 2.4% in February relative to the corresponding period last year. This reflected higher numbers of Foreign Nationals as well as Non-resident Jamaicans, which grew by 2.3% and 5%, respectively. Although the United States remains Jamaica's major source of stopovers, there continues to be a decline in the share of US visitors as a percentage of the total (see Figure 9A). US visitors represented 69.2% of stopovers in February, down in recent years from a high of 71.2% in February of 2002. This is despite a growth in numbers from 71,238 US visitors in February 2002 to 85,124 this February. Although arrivals have increased, the rate of growth has generally lagged behind other categories such as Europe and Canada, thus resulting in a smaller US percentage.

Cruise Passengers: The number of cruise visitors fell by 2.7% reflecting lower numbers at both Montego Bay and Ocho Rios. The industry shows tremendous growth potential but is constrained by a limited number of berths to receive ships.

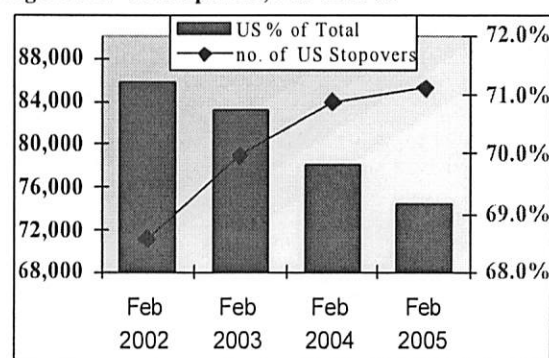
Total Arrivals: The total visitor count was almost on par with that of last February, slipping by only 0.1%

Table 9: Tourist Arrivals

	2004	2005	% Change	
	Jan - Feb	YTD	YTD	Feb
Stopover	229,479	239,866	4.5%	2.4
Foreign	219,608	229,861	4.7%	2.3
National	9,871	10,005	1.4%	5.0
Cruise	240,001	224,102	-6.6%	-2.7
Total	469,480	463,968	-1.2%	-0.1

Source: Jamaica Tourist Board (Preliminary)

Figure 9A: US Stopovers, Feb 02 to 05



External Trade

For the calendar year 2004 the trade deficit widened by US\$32.6M relative to that of 2003. This was caused by a US\$248M growth in imports which outweighed export growth for the year.

The country earned US\$1,411.2M from exports, some US\$215.7M more than 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 a solid US\$124M due to an almost 20% growth in Alumina. The US\$134M rise in Alumina exports was more than enough to compensate for an US\$11M fall in its sister product Bauxite, which had a poor fourth quarter due to technical problems at Kaiser. Manufacturing increased by US\$32.9M thanks to a 48% jump in Sugar exports which grew by US\$31.8M. Rum exports grew by a much smaller US\$1.1M or 4%. Agriculture grew by a modest US\$0.7M as a 34% improvement in

Coffee earnings was enough to outweigh declines in other commodities. In the Non-Traditional sector, exports grew by 20.4% or roughly US\$48M reflecting higher earnings in Crude Materials (up US\$21.4M), Beverages & Tobacco (up US\$7M), and Other Non-Traditionals (up US\$23.5M). Non-traditional Foods fell by US\$4M due to lower earnings from products such as ackees (down US\$2.6M), seafood (down US\$0.6M), and papayas (down US\$0.6M).

Imports grew by some US\$248M or 6.7% for the review period, reflecting increases in most of the main categories. Mineral Fuels increased by US\$80.4M, while Manufactured Goods grew by some US\$76.7M. There were also increases in Miscellaneous Manufactured Articles (up US\$42.3M), Food (up US\$39.9M), and Crude Materials (US\$16M). However, expenditure on Chemicals was US\$40.9M lower than in the prior year.

Table 10: External Trade (US\$M)

	Jan-Dec '04	Jan-Dec '03	Change	% Change
TOTAL EXPORTS (fob)	1,411.23	1,195.54	215.70	18.0
Major Traditional Exports	1,088.73	931.16	157.57	16.9
by Sector:-				
Agriculture	56.63	55.93	0.70	1.2
Mining & Quarrying	903.50	779.52	123.99	15.9
Manufacturing	128.60	95.71	32.89	34.4
by Industry:-				
Bauxite	79.21	90.08	-10.87	-12.1
Alumina	822.53	688.44	134.09	19.5
Sugar	98.14	66.31	31.83	48.0
Rum	28.52	27.40	1.12	4.1
Bananas	12.81	18.84	-6.03	-32.0
Coffee	38.68	28.92	9.76	33.8
Other	8.84	11.17	-2.33	-20.9
Non-Traditional Exports	283.28	235.31	47.97	20.4
Re-exports	39.22	29.07	10.16	34.9
TOTAL IMPORTS	3,927.18	3,678.88	248.30	6.7
Food	527.30	487.37	39.93	8.2
Beverages & Tobacco	46.21	33.46	12.75	38.1
Crude Materials (excl. Fuels)	68.00	52.01	15.99	30.7
Mineral Fuels, etcetera	910.49	830.09	80.40	9.7
Animal & Vegetable Oils & Fats	32.39	24.05	8.34	34.7
Chemicals	403.19	444.06	-40.87	-9.2
Manufactured Goods	563.09	486.35	76.74	15.8
Machinery and Transport Equip.	880.75	878.91	1.84	0.2
Misc. Manufactured Articles	426.37	384.02	42.35	11.0
Other	69.38	58.55	10.84	18.5
TRADE BALANCE	-2,515.95	-2,483.34	-32.61	1.3

Source: STATIN

Balance of Payments – January to December 2004 (preliminary)

Net Movements: There was a notable improvement in the balance of payments for the year 2004 when compared to the previous year. The deficit on the current account amounted to US\$699.5 million, some 8.4% smaller than in 2003 when a shortfall of US\$763.8 million was recorded (see Table 11 overleaf). The change mainly resulted from a US\$142-million growth in net inflows on the Current Transfers account. This was modestly supported by a US\$2.8-million contraction in the deficit on the Goods account. However, these improvements were partially countered by slippages in the Income account, whose deficit widened by nearly US\$80 million, and the Services account, whose net inflows were marginally smaller than in the previous year.

The growth in Current Transfers was the result of a US\$142-million net increase in Private Transfers or remittances, as Official Transfers showed no major movement for the period.

The Goods balance showed an impressive US\$200-million growth in exports which was enough to negate a US\$198-million increase in imports, resulting in the observed improvement in the trade balance. Export growth was particularly strong in December, registering 32.3% for that month as the post-Ivan recovery continued. For the year, alumina and sugar posted solid performances growing by 19.5% and 48%, respectively. Both these sectors achieved growth in volume while also benefiting from higher prices on the world market. On the import side, the bill was higher for nearly all categories of items, particularly mineral fuels, manufactured goods, and food items.

The balance on the Services account remained unchanged at US\$561 million, as an improvement in the Travel balance was neutralized by slippages in Transportation and Other Services.

Within the Income account, a US\$25.8-million net growth in Compensation of employees was insufficient to offset the US\$106-million worsening of the shortfall in Investment Income. This resulted in an US\$80-million increase in net outflows on the Income account.

The Capital and Financial account mainly reflected changes in the Financial account, where Other Official

Investments improved from a net outflow of US\$363.8 million to a net inflow of US\$479.3 million. This represented a turnaround of some US\$843 million and was largely influenced by the Government's successful forays into the European bond markets in April and October of 2004. In Other Private Investments, net inflows grew by some US\$215 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 more than US\$693 million in the reserves.

Inflows & Outflows: During the year Current Transfers represented some 30% of total inflows to the current account but only 7% of outflows, resulting in its strong contribution to the improvement in the deficit (see Figures 11A and 11B). Similarly, Services represented over 39% of inflows but less than 30% of outflows. The Goods account, however, contributed 28% to inflows but comprised nearly 63% of outflows, underscoring the need to close the country's sizeable trade gap.

Figure 11A: % of Inflows – Current Account

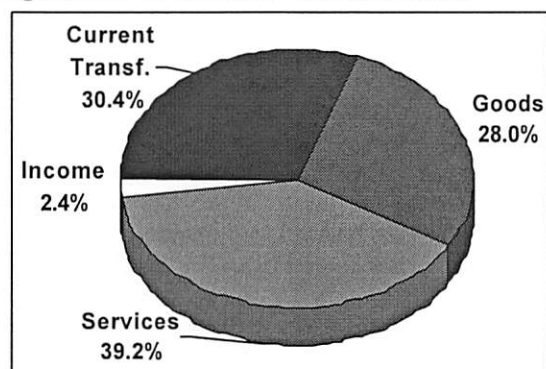


Figure 11B: % of Outflows – Current Account

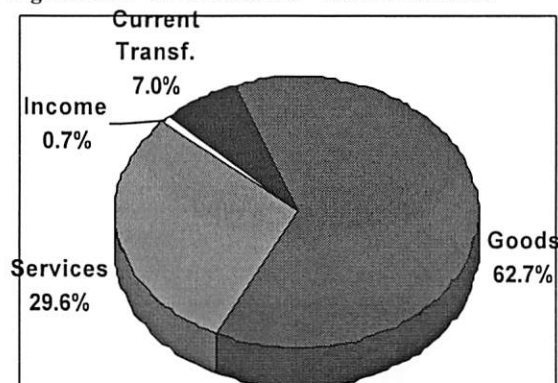


Table 11: Balance Of Payments (US\$M)

	Jan-Dec '03	Jan-Dec '04	Change	% Change
CURRENT ACCOUNT	-763.8	-699.5	64.3	-8.4
Goods Balance	-1,942.6	-1,939.8	2.8	-0.1
Exports (fob)	1,385.6	1,586.1	200.5	14.5
Imports (fob)	3,328.2	3,525.9	197.7	5.9
Services Balance	561.1	560.8	-0.4	-0.1
Transportation	-143.6	-163.2	-19.6	13.6
Travel	1,102.7	1,150.1	47.4	4.3
Other Services	-397.9	-426.1	-28.2	7.1
Income	-571.4	-651.2	-79.8	14.0
Compensation of Employees	70.7	96.5	25.8	36.5
Investment Income	-642.1	-747.7	-105.6	16.4
Current Transfers	1,189.1	1,330.7	141.6	11.9
Official	105.2	104.7	-0.5	-0.5
Private	1,083.9	1,226.0	142.1	13.1
CAPITAL & FINANCIAL A/C	763.8	699.5	-64.3	-8.4
Net Capital Movement	0.1	2.9	2.8	2800.0
Official	0.1	0.1	0.0	0.0
Private	-0.4	2.8	3.2	-800.0
Financial Account	763.7	696.6	-67.1	-8.8
Other Official Investment	-363.8	479.3	843.1	-231.7
Other Private Investment (incl. errors & omiss)	695.4	910.9	215.6	31.0
Reserves (minus=increase)	432.1	-693.6		

Source: Bank of Jamaica (Preliminary)

Note to the Balance of Payments:-

The external trade data in the Balance of Payments may not necessarily correspond with that of STATIN. This is due to the fact that STATIN reports the f.o.b. cost of imports while the Bank Of Jamaica reports imports at c.i.f.

Fiscal Accounts

For the 2004-05 fiscal year the deficit was \$28.1 billion, some \$6 billion larger than budgeted due to a shortfall in Revenues & Grants. Tax receipts in particular fell some 3.3% below expectations. On the expenditure side, overruns in non-debt spending led to an unfavourable outturn relative to budget.

Revenue and Grants collected for the period amounted to \$171,340.5 million or \$171.3 billion, some \$2.6 billion less than projected. The shortfall largely reflected a \$5-billion falloff in Tax revenues which were heavily affected by the passage of Hurricane Ivan. However, PAYE netted some \$2.3 billion more than expected thanks to steady gains made prior to September as well as a strong rebound in October. GCT fell some \$0.6 billion below budget, although this amounted to a slippage of only 2.6%. Company Taxes were way off the mark, falling some \$2 billion below projections. Most of the other revenue categories showed favourable variances, particularly Capital Revenues which were some \$2.7 billion more than projected. The Bauxite Levy earned \$124 million more than expected, while Non-tax Revenues were basically on par with budget.

The accounts recorded an expenditure of \$199,487.8 million, nearly \$3.5 billion more than was budgeted for the period. There was a \$3.8-billion hike in the Programmes budget, while Capital Spending increased by \$2.64 billion. However, the Government achieved

savings in its interest costs as Domestic and External interest payments were down \$1.05 billion and \$2.47 billion, respectively relative to budget.

Loan receipts were approximately \$2.9 billion below budget as Government borrowed \$10.7 billion less than planned on the domestic market. External receipts jumped some 25% or \$7.8 billion above projections as favourable external market conditions 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 March stood at \$759.7 billion, \$31.7 billion higher than that of the previous month. Domestic Debt fell by \$2,647.78 million to \$449,247.6 million. External Debt dipped by a marginal 1% or US\$585.26 million to end the month at US\$5,044.4 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 2004 – March 2005				Change from 03/04	
	Provisional	Budget	Deviation		J\$	(%)
			J\$	(%)	J\$	(%)
Revenue & Grants	171,340.5	173,966.7	-2,626.2	-1.5	21,438.9	14.3
Tax Revenue	150,481.6	155,634.7	-5,153.1	-3.3	19,412.0	14.8
Non-Tax Revenue	9,824.5	9,788.6	35.9	0.4	780.5	8.6
Bauxite Levy	2,479.1	2,354.7	124.4	5.3	341.2	16.0
Capital Revenue	4,534.2	1,862.6	2,671.6	143.4	-2,529.7	-35.8
Grants	4,021.2	4,326.1	-304.9	-7.0	3,435.0	586.0
Expenditure	199,487.8	196,012.6	3,475.2	1.8	20,755.7	11.6
Recurrent	188,382.0	187,551.3	830.7	0.4	15,134.2	8.7
Programmes	32,081.0	28,229.7	3,851.3	13.6	7,465.8	30.3
Wages & Salaries	63,516.8	63,020.7	496.1	0.8	3,053.7	5.1
Interest	92,784.2	96,300.9	-3,516.7	-3.7	4,614.7	5.2
Domestic	72,642.9	73,691.7	-1,048.8	-1.4	1,182.2	1.7
External	20,141.3	22,609.2	-2,467.9	-10.9	3,432.5	20.5
Capital Expenditure	11,105.9	8,461.3	2,644.6	31.3	5,621.6	102.5
Fiscal Balance	-28,147.3	-22,045.9	-6,101.4	27.7	683.2	-2.4
Loan Receipts	149,551.5	152,429.9	-2,878.4	-1.9	16,685.6	12.6
Domestic	111,011.6	121,699.4	-10,687.8	-8.8	2,862.7	2.6
External	38,539.9	30,730.5	7,809.4	25.4	13,822.9	55.9
Divestments	1,259.0	1,757.0	-498.0	-28.3	-273.8	-17.9
Amortization	129,753.7	132,141.1	-2,387.4	-1.8	32,132.0	32.9
Domestic	99,575.0	102,135.4	-2,560.4	-2.5	18,957.3	23.5
External	30,178.7	30,005.7	173.0	0.6	13,174.7	77.5
Overall Balance	-7,090.5	-0.1	-7,090.4	7090431.9	-15,037.0	-189.2
Primary Balance	64,636.8	74,255.0	-9,618.2	-13.0%	5,297.8	8.9

Source: Ministry of Finance & Planning

Note 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 from the divestment of Government assets should be recorded as an extraordinary item and should therefore not appear in the Revenues & Grants category of the accounts. The resulting fiscal deficit is therefore larger than would have been the case if 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 2004-05 accounts, if presented in this format, would show a deficit of \$26,888.3 million (or 4.8% of GDP) rather than the \$28,147.3 million shown above.

Stock Market

The market remained bearish during March as investors adopted a wait-and-see approach to the upcoming Budget in April. The pending Mayberry IPO also continued to influence trading as investors liquidated some of their other holdings in anticipation of the new offering. The main JSE Index declined by some 2,290.47 points or 2.01% during the month to close at 111,931.18 points on March 31. Market capitalization fell by \$18 billion or 2.02% to end the month at approximately \$874.7 billion.

The top performing stock for March was Lascelles de Mercado, which advanced by more than 57% to end the month at \$318.00 (see Table 13). The worst performer in price terms was First Caribbean International Bank Jamaica, which lost 34% of its value to end the month at \$14.50.

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	31/03/05	\$	%
Lascelles de Mercado	202.05	318.00	115.95	57.39
Jamaica Broilers	4.20	5.40	1.20	28.57
Pan Jam Investments	53.00	67.40	14.40	27.17
Seprod	12.15	15.25	3.10	25.51
First Life Insurance	45.50	52.50	7.00	15.38

Bottom Five (unadjusted for dividends or transact. costs)

First Caribbean	22.00	14.50	-7.50	-34.09
Int'l Bank Jamaica				
Capital & Credit Merchant Bank	32.00	27.10	-4.90	-15.31
Dyoll Group	16.60	14.50	-2.10	-12.65
National Commercial Bank	22.00	19.25	-2.75	-12.50
Palace Amusement	60.00	52.70	-7.30	-12.17

Source: Compiled from the JSE

Developments and Outlook

GOJ Budget 04-05: The Government has unveiled an expenditure budget of \$347.15 billion for this fiscal year, some 5 percent higher than last year's outturn. This is to be financed by an estimated \$204.5 billion in revenues as well as \$142.7 billion in new borrowing. The Government is projecting a balanced budget for the year, not only in terms of the recurrent budget but also in terms of financing as new debt proceeds will be exactly equal to amortization needs. The projected figures represent a \$6.8-billion reduction in new borrowing and a near \$13-billion increase in repayments compared to last year's outcome. This sends a strong signal of the Administration's resolve to arrest the growth of the debt stock this year and begin reducing it in the medium term. The achievement of a balanced budget would have a tremendous positive impact on the country's credit rating going forward, thus reducing the cost of new debt as well as that of debt servicing. The target does appear feasible at this point, given the improvements in some of the key fiscal indicators as well as the Government's demonstrated commitment to fiscal stringency. In the last year, the deficit as a percentage of GDP has improved from 5.5 percent in 2003-04 to 4.8 percent in 2004-05. The debt-to-GDP ratio has also been reduced from 140 percent last year to an estimated 136.6 percent at the end of March 2005. These improvements could have been even greater had it not been for the effects of Hurricane Ivan, which knocked the deficit-to-GDP ratio off-target by some 0.3 percentage points and the debt ratio by 1.6 percentage points.

For this fiscal year, the Government is projecting a 19% growth in tax revenues relative to last year's intake. This is based on expectations of a continued recovery of the economy from the impact of Hurricane Ivan. The projection also includes a \$9.3-billion revenue package which will involve a number of measures, including an increase in the rate of GCT and a reclassification of a number of items from zero-rated to exempt. The Government expects that GCT will grow by some 46 percent to become the leading contributor to tax revenues, with a projected intake of \$36.7 billion. PAYE, which was last year's biggest tax earner, is expected to be a

close second this year with a projected outturn of \$36.39 billion. The GOJ also anticipates higher revenues from international trade, with GCT on imports expected to grow by 38 percent and Customs Duties by an estimated 12.5 percent. These two trade taxes combined are expected to bring some \$38.85 billion into the Government's coffers. The Administration is also aiming for a 30 percent growth in Company Taxes which it intends to achieve through an aggressive collection programme.

In the area of GCT there is some concern regarding the reclassification of items from zero-rated to exempt, as it is felt that this measure could lead to inflation. This is because a number of firms will no longer be able to reclaim the GCT which they paid on their productive inputs and will seek to pass on the increase to consumers. This constitutes a possible threat to the zero-deficit target as an inflationary surge would place upward pressure on interest rates and by extension the GOJ's interest expenses. In addition, the measures may not fully achieve the intended growth in revenues if there is a fall-off in consumption in some of the more price-elastic items.

In terms of other tax areas, the PAYE target should be attainable as favourable economic conditions are expected to support a stable employment level. Taxes from international trade should comfortably meet their targets given the robust level of imports which should be spurred by increased economic activity. Company Taxes show considerable growth potential, but this will depend on the success of the Administration's efforts to improve compliance.

The Government's expenditure targets can be met if the projected cost savings in wages and domestic interest payments are realized and programme spending is kept within budgeted levels. The wage bill should continue to be moderated by the MoU, and could fall by as much as \$2.13 billion relative to last year. Domestic Interest charges are projected to fall by a whopping \$8.24 billion assuming a continuation of the favourable interest rate climate. These gains should help to militate against the projected \$6-billion increase in Programme spending which will be partially due to arrears.

Statistical Index
Major Macro-Economic Indicators

	BM		M2		NIR	Fx Dep	CPI		Tourism	JS/US\$	Tbill	Loan	Sav	Dom Debt	Fx Debt
	M	P	M	P	US\$M	US\$M	M	P	P		%	%	%	J\$M	US\$M
Aug-01	-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	4,098.60
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	1,855.79	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	1,925.98	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	449,259.38	5,068.79
Feb	n/a	n/a	n/a	n/a	1,831.07	n/a	0.4	12.7	n/a	61.91	13.95	24.89	6.48	451,895.38	4,459.14
Mar	n/a	n/a	n/a	n/a	1,901.60	n/a	1.0	13.2	n/a	61.54	13.46	24.89	6.36	449,247.60	5,044.40

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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The Private Sector Organisation of Jamaica, 39 Hope Road, Kingston 6
Tel: 927-6238/6958 Fax: 927-5137 Email: Web site: <http://www.psoj.org>