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

A number of variables showed negative movements in September, particularly inflation and the exchange rate as these indicators posted their worst outturns since the start of the year. The financial markets responded to these conditions with an aggressive buying of US dollars and US-dollar assets to hedge against currency risk and increase real returns. However, this practice only served to compound the dollar's slide, necessitating a number of supply-side interventions by the BOJ in the currency market. Despite the Bank's efforts, the Jamaican dollar lost a sizable $0.65 to its US counterpart during September to end the month at an average of $62.89. Meanwhile, inflation was significantly impacted by Hurricane Katrina, which jolted world oil prices by temporarily crippling 10% of US refining capacity. A number of other developments also affected the economic atmosphere, not the least of which was the disappointing fiscal performance for the months of July and August.

Inflation worsened in September as the Consumer Price Index jumped by a sharp 2.6%. This was the highest monthly outturn since last October, when the Index spiked 3.3% in the aftermath of Ivan. The increase was strongly influenced by a 25% jump in Transportation costs due to higher bus fares and a post-Katrina hike in petrol prices.

The Net International Reserve grew modestly in September, despite the BOJ's operations as a net seller to the foreign exchange market in the period. At the end of the month the reserve balance stood at US$2,118.97 million, US$1.5 million more than the previous month's figure of US$2,117.51 million. The reserve was bolstered by the Government's borrowing activities, as the GOJ issued a US$150-million local bond which resulted in a surplus of US$40 million after maturing debt obligations had been met.

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The month of August marked the fifth consecutive decline in stopover visitors, as the outturn was 9% lower than that of the corresponding period last year. Cruise arrivals on the other hand, posted a 9% increase. Year-to-date figures show identical 0.1% declines in both cruise and stopover tourists, resulting in flat growth for the sector overall since the start of the year.

There was a massive 56% growth in total bauxite production in September, in the context of a 37% jump in Crude bauxite and 71% rise in Alumina. These outturns reflect a rebound from the impact of Hurricane Ivan last September which had caused a significant decline in output for that period.

Once again the BOJ held strain on its yield reductions as the Bank cautiously monitored price and currency movements. Consequently, the BOJ's open market yields remained unchanged from their July levels ranging from 12.60% at the short end, to 13.60% at the longer end of the curve.

For the first six months of the year the nation's trade deficit widened by some 34% or US$368.6 million relative to that of the corresponding period last year (see External Trade – page 5).

Net International Reserves

There was a marginal increase in the net international reserve during September, despite the BOJ's strong interventions on the supply side of the currency market. At the end of the month the reserve balance stood at US$2,118.97 million, roughly US$1.5 million higher than the previous month's value of US$2,117.51 million. The gross reserve amounted to 27 weeks of Goods imports *(see Table 1)*. The NIR was bolstered by inflows from the GOJ's US$150-million local bond issued on September 28th.

Table 1: Changes in the NIR

		Change			Imports
	NIR	*Mthly*	*12 Mth*	*YTD*	(Weeks)
Sep-2005	2,118.97	1.46	502.45	260.45	26.98
Sep-2004	1,616.52	-26.94	433.89	451.54	23.47

Source: Compiled from the BOJ (Preliminary)

Foreign Currency Deposits

For the month of August total foreign currency deposits amounted to US$1,974.3M, roughly US$9.3M lower than the previous month's figure (see Table 2). This reflected lower balances in commercial as well as merchant banks, which outweighed a US$5.1M increase in deposits held at building societies.

Table 2: Foreign Currency Deposits

		Change (US$M)		%
	Aug-05	*Mthly*	*12 Mth*	12 Mth
Total Deposits	1,974.33	-9.34	51.39	2.67

Source: Compiled from the BOJ (Preliminary)

Foreign Exchange Rates

Strong demand continued to characterize the currency market in September, as inflationary fears continued to drive investor appetites for US-dollar-denominated instruments. The local currency lost a substantial $0.65 against its US counterpart during September to end the period at $62.89 (daily J$/US$ weighted average selling rate, see ***Table 3***). The BOJ was kept quite busy during the month, making a number of sales into the market to contain the slippage in the selling rate. September's outturn, which amounted to an adjustment of over 1%, was the largest monthly movement of the exchange rate in over a year.

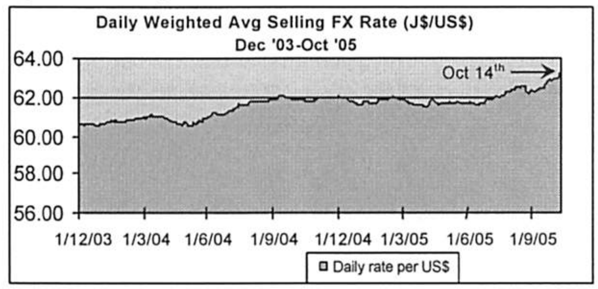
The local currency lost $1.40 to the Canadian dollar, but gained $1.29 against the sterling. The latter was influenced by the global weakening of the sterling in the last week of the month in response to disappointing GDP numbers reported in the UK.

Table 3: Foreign Exchange Trends*

	Year-to-Date: Sep 30, '05 (report date: Oct 15)					
	us$	%?	can$	%?	Uk£	%?
2005	1.26	2.05	2.94	5.81	-7.90	-6.70
2004	1.27	2.09	2.46	5.28	4.16	3.88
2003	8.74	17.14	11.83	36.86	17.57	21.70
	Monthly					
Sep-05	0.65	1.05	1.40	2.69	-1.29	-1.16

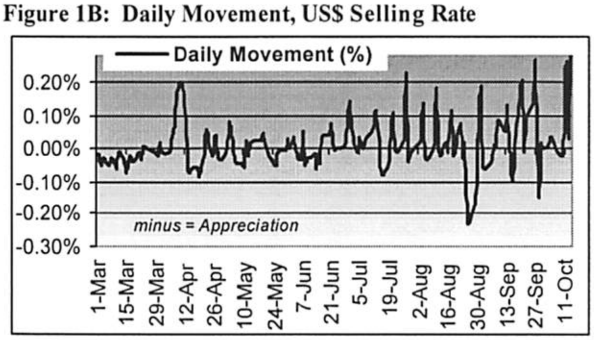
* *minus = appreciation.*
Source: BOJ, PSOJ Economic Research

Figure 1A: Daily J$/US$ Movements



The US-dollar market has shown heightened volatility in recent months, with increased movement in the daily average selling rate since July (see Figure 1B). There was a sharp spike in the selling rate on September 27th as investors clamored for US dollars to take advantage of the coming US-denominated bond issue on the 28th.

Figure 1B: Daily Movement, US$ Selling Rate



Short Term Forecast

Although preliminary data points to an improvement in tourism arrivals for September, it is still too early to pronounce a recovery of that sector. Nonetheless, the general buoyancy of the alumina sector coupled with the seasonal peak in remittances should lend some support to foreign exchange liquidity in the December quarter. These factors, combined with the sustained strength of the NIR and favourable environment for GOJ sovereigns, should enable the authorities to arrest some of the volatility seen in the market in recent weeks.

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

	Forecast	Actual	Diff.
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
Apr	61.72-61.76	61.65	-0.07
May	61.70-61.77	61.71	0.00
June	61.75-61.80	61.84	0.04
July	61.96-62.02	62.23	0.21
Aug	62.40-62.44	62.24	-0.16
Sept	62.40-62.44	62.89	0.45
Oct	63.24-63.29		

Source: PSOJ Economic Research

Interest Rates

The Central Bank made no reductions to its open market yields in September, as the sharp movements on the currency market left little room for monetary easing. Consequently, the yields on the Bank's open market instruments remained at their August levels ranging from 12.60% on the 30-day, to 13.60% on the 365-day instrument. The six-month T-bill cleared the market at an average yield of 13.15%, some 12 basis points higher than that of the previous month. Investor sentiment has been influenced by the recent outturns in inflation and the exchange rate, as well as the unimpressive fiscal results of July and August.

The average saving rate dipped 4 basis points to 5.48%, while the lending rate remained unchanged at 22%.

Figure 2B: Interest Rate Movements

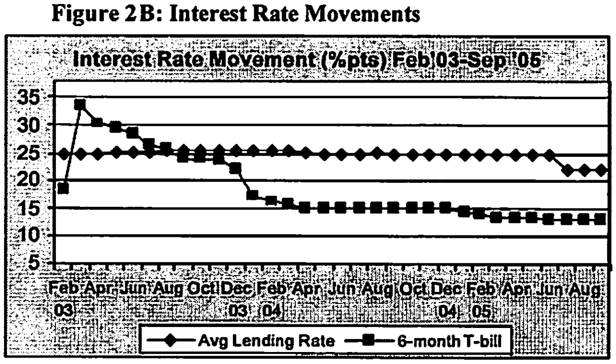


Table 5: Interest Rate Movements

		Change (%age pts)		
	Sep-05	*Mthly*	*12 Mth*	*YTD*
30 Day Repo	12.60	0.00	-1.40	-1.20
365 Day Repo	13.60	0.00	-2.40	-1.90
Avg Savings Deposit	5.48	-0.04	-1.13	-1.00
Avg Loan Rate	22.00	0.00	-2.95	-2.89
6 Month T-Bill	13.15	0.12	-1.65	-1.79
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 contracted by 2.7% in September relative to the previous month. For the month of June, M2 showed a 0.5% reduction from the previous month's figure reflecting decreases in both M1 and the Quasi-money stock.

Table 6: Base Money and Money Supply

	J$M	Change (%)	
	Jun-05	*Mthly*	*12 Mth*
M1	62,427.2	-0.44	9.21
Quasi Money	149,721.8	-0.59	9.98
M2	212,149.0	-0.55	9.75
	Sep-05	*Mthly %*	
Base Money	40,374.19	-2.68	5.17

Source: Compiled from the BOJ (Preliminary)

Inflation

The inflation rate spiked to 2.6% in September in an environment of volatile oil prices caused by the passage of Hurricane Katrina. However, the *Food & Drink* index remained broadly stable, inching up only 0.2% in the context of a 3.2% reduction in Starchy Foods which outweighed increases in most other food types. Some areas of increase were Meat, Poultry & Fish (up 2.2%), Meals Away from Home (up 1.1%) There was a 3.7% rise in *Housing & Other Housing Expenses* reflecting adjustments in electricity and water charges. *Fuels & Other Household Supplies* showed a 1.4% increase, mainly due to a rise in the cost of domestic fuels. *Transportation* was the major mover in the CPI, jumping by a massive 25.6% due to sharp upsots in gasoline and bus fares.

Table 7: Inflation Trends

	Percent Changes			
	Sept	*12 Mth*	*YTD*	Fiscal
2005	2.6	19.0	11.8	10.2
2004	1.6	10.5	6.8	4.9

Source: STATIN

Bauxite & Alumina Production

Bauxite production showed a dramatic improvement in September relative to the comparable period last year. Total production grew by nearly 56% to 1.17 million metric tonnes, a marked increase over the 0.76 million metric tonnes produced last September. We note, however, that this outturn is simply a rebound from the massive decline caused by Hurricane Ivan last year. This September, Alumina output grew by nearly 72% to 323,274 metric tonnes, while Crude bauxite increased by over 37% to 364,611 metric tonnes *(see Table 8)*. Total bauxite exports were 73% higher in this period, reflecting a doubling of Alumina exports and 16% growth in Crude.

Table 8: Mining Production

	Sep-04	Sep-05	%	Y-T-D Sep-05	Y-T-D 05/04%
Production					
Alumina	188,317	323,274	71.66	3,128,230	5.68
C. Bauxite	265,385	364,611	37.39	3,012,900	2.63
Tot. Bauxite	756,385	1,178,392	55.79	10,674,086	3.80
Export					
Alumina	154,475	346,571	124.35	3,113,101	8.13
C. Bauxite	303,576	352,629	16.16	3,004,473	0.93
Tot. Bauxite	703,095	1,215,140	72.83	10,621,772	4.82

Units=tonnes

Source: Compiled from Jamaica Bauxite Institute (JBI)

<u>Correcting for 'Ivan'</u>: Comparisons to last September may be somewhat misleading, considering the major impact of Hurricane Ivan on production in that period. Looking therefore at the relevant pre-Ivan period of September 2003 we see where this September's output still shows positive growth relative to that period, though not nearly as high as the 55% increase posted over last September *(see Table 8A)*. In fact, output grew by only 12.1% when September 2003 is used as the basis of comparison. This partially reflected a 4% growth in Alumina, much less impressive than the 71% recorded in the 2005/2004 comparison. Similarly, when 'adjusted for Ivan', total exports show a 2.2% <u>decline</u> rather than the impressive growth shown over September of last year. Notwithstanding, the industry is now ahead of last year's numbers on a year-to-date basis, both in production and exports.

Table 8A: Bauxite/Alumina Growth, Sept '03-05

% growth Sept	PRODUCTION Alumina	PRODUCTION Crude	PRODUCTION Total	EXPORT Alumina	EXPORT Crude	EXPORT Total
05/04	71.66	37.39	55.79	124.35	16.16	72.83
05/03	4.03	33.84	12.13	-7.59	16.86	-2.23

Tourism

<u>Stopovers</u>: Stopovers fell for the fifth consecutive month in August, as the outturn was 9% lower than that of the corresponding period last year. There was a 9.3% decline in visits by Foreign Nationals, while the number of Non-resident Jamaicans fell 4.6% below last year's tally.

<u>Cruise Passengers</u>: Cruise arrivals grew by an impressive 9.1% in August, reflecting higher numbers at both Montego Bay and Ocho Rios. However, the industry has not shown consistent growth since the start of the year, and has in fact posted declines in five of the eight months between January and August.

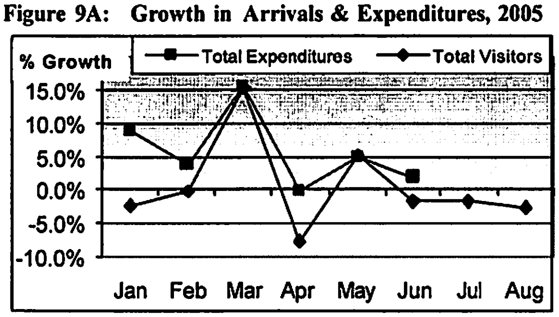
<u>Total Visitors</u>: Total arrivals fell by 2.7% for the month of August as a result of the sizable decline in stopovers. Year-to-date growth is now flat relative to last year, as there have only been two months of positive growth since the start of this year. Despite the lackluster arrival figures, total visitor spending has been on the increase. Total expenditures grew in five of the first six months of the year, largely reflecting higher per capita spending by stopover tourists (see Figure 9A). The growth in expenditures has been influenced by an increase in point-to-point inflation which has driven up the price of the Jamaican tourism product.

Table 9: Tourist Arrivals

	2004 Jan - Aug	*2005* Jan - Aug	*% Change* YTD	*% Change* Aug
Stopover	1,032,095	1,031,265	-0.1	-9.0
Foreign	974,667	974,370	0.0	-9.3
National	57,428	56,895	-0.9	-4.6
Cruise	757,294	756,814	-0.1	9.1
Total	1,789,389	1,788,079	-0.1	-2.7

Source: Jamaica Tourist Board (Preliminary)

Figure 9A: Growth in Arrivals & Expenditures, 2005



External Trade

The nation's trade deficit widened by more than 34% in the first six months of 2005 when compared to the corresponding period last year. The deficit for the January-to-June period amounted to US$1,438.2M, some US$368.6M worse than in the first six months of 2004. Both imports and exports showed adverse movements, as the import bill grew by US$329.2M while export revenues fell by US$39.4M.

Exports amounted to US$724M, down from US$763.4M for the corresponding period in 2004. There was a US$1.6M slippage in Traditional exports due to declines in Agriculture and Manufacturing, which outweighed gains int he Mining sector. Agriculture plunged by 50% or US$15.3M, as the impact of adverse weather conditions was reflected in poor outturns in bananas and coffee. In the Manufacturing sector, revenues fell by US$13.3M as a US$4M improvement in rum earnings was eclipsed by a US$17M drop in sugar. However, Mining & Quarrying grew by almost US$27M thanks to a US$27.8M growth in Alumina which more than compensated for a US$1.1M slippage in Bauxite. In the Non-traditional sector, exports plunged by some 17% or US$26.2M as improvements in Beverages & Tobacco were outweighed by declines in Crude Materials, Foods, and Other Non-traditionals. The US$5.3M decline in Foods partially reflected lower revenues in processed foods such as juices and condiments. Crude Materials fell by US$10.7M. The US$16M reduction in Other Non-traditionals was largely due to slippages in Mineral Fuels, Chemicals and Machinery.

Imports grew by US$329.2M or 18% for the review period, reflecting increases in nearly all of the main categories. In particular, Mineral Fuels jumped by a huge 25% or US$110M due to increased imports of refined petroleum during the closure of Petrojam. The country also spent more on Manufactured Goods as well as Chemicals, which increased by US$73M and US$46.7M, respectively. Other areas of increase were Food (up US$36M), and Miscellaneous Manufactured Articles (up US$33.9M).

Table 10: External Trade (US$M)

	Jan-Jun '05	Jan-Jun '04	Change	% Change
TOTAL EXPORTS (fob)	**723.98**	**763.41**	**-39.43**	**-5.2**
Major Traditional Exports	586.43	588.02	-1.59	-0.3
by Sector:-				
Agriculture	15.15	30.40	-15.26	-50.2
Mining & Quarrying	480.20	453.27	26.94	5.9
Manufacturing	91.09	104.35	-13.26	-12.7
by Industry:-				
Bauxite	48.38	49.52	-1.14	-2.3
Alumina	430.71	402.94	27.76	6.9
Sugar	72.98	90.43	-17.45	-19.3
Rum	17.03	13.04	3.99	30.6
Bananas	2.11	8.94	-6.83	-76.4
Coffee	10.62	18.55	-7.93	-42.8
Other	4.62	4.60	0.02	0.4
Non-Traditional Exports	123.19	149.35	-26.16	-17.5
Re-exports	14.36	26.04	-11.68	-44.9
TOTAL IMPORTS	**2,162.16**	**1,832.97**	**329.19**	**18.0**
Food	289.50	253.55	35.95	14.2
Beverages & Tobacco	27.47	21.26	6.21	29.2
Crude Materials (excl. Fuels)	44.15	32.14	12.02	37.4
Mineral Fuels, etcetera	547.95	437.65	110.30	25.2
Animal & Vegetable Oils & Fats	15.60	16.87	-1.27	-7.5
Chemicals	243.68	197.02	46.66	23.7
Manufactured Goods	320.07	247.06	73.01	29.6
Machinery and Transport Equip.	417.56	405.07	12.48	3.1
Misc. Manufactured Articles	225.61	191.73	33.88	17.7
Other	30.58	30.64	-0.05	-0.2
TRADE BALANCE	**-1,438.18**	**-1,069.56**	**-368.62**	**34.5**

Source: STATIN

Balance of Payments – Jan to June 2005 (preliminary)

For the first six months of 2005, the country posted a current account deficit of almost US$261M. This shortfall was US$169.5 worse than that of the corresponding period in 2004 (see Table 11 overleaf). The outturn was largely due to a steep decline in the Goods balance which outweighed improvements in Current Transfers and Services.

On the Goods account, the deficit worsened by over US$322M as a US$56M slippage in exports was exacerbated by an almost US$266M growth in the import bill. Traditional exports fell by US$1.6M reflecting lower revenues from sugar, coffee and bananas. Non-traditional exports also fell by roughly US$26M. On the import side, the bill was higher in a number of categories, notably mineral fuels, chemicals and manufactured goods.

The Services account netted US$70M more than in the comparable period last year, as a US$30M slippage in Transportation services was outweighed by improvements in Travel and Other Services. The US$91M increase in the Travel account was the result of a 9% growth in receipts to the tourism sector.

There was an US$11.7M widening of the deficit on the Income account for the period. This largely reflected a deterioration in Investment Income, as there was no major change in Compensation of Employees.

Current Transfers posted a US$94.4M growth in net inflows, mostly due to an US$81M improvement in Private Transfers or remittances. Remittances continue to be a major linchpin of the nation's current account, comprising some 30% of gross current account inflows since the start of the year.

The Capital and Financial account mainly reflected changes in the Financial account, where Other Official Investments fell from a net inflow of US$327.4M to a net outflow of US$46.3M. This represented a decline of US$373.7M and was partially due to reduced external borrowing by the GOJ. There was, however, a US$408M increase in the surplus on the Other Private Investments sub-account. Overall, inflows to the Capital & Financial account were more than sufficient to finance the shortfall in Other Official Investments and the deficit on the Current account. This allowed for a US$298M buildup of the reserves.

Table 11: Balance Of Payments (US$M)

	Jan-Jun '04	Jan-Jun '05	Change	% Change
CURRENT ACCOUNT	**-91.4**	**-260.9**	**-169.5**	**185.4**
Goods Balance	**-815.9**	**-1,138.0**	**-322.1**	**39.5**
Exports (fob)	848.7	792.4	-56.3	-6.6
Imports (fob)	1,664.6	1,930.4	265.8	16.0
Services Balance	**362.3**	**432.2**	**69.9**	**19.3**
Transportation	-43.2	-73.5	-30.3	70.1
Travel	622.9	713.9	91.0	14.6
Other Services	-217.4	-208.2	9.2	-4.2
Income	**-301.3**	**-313.0**	**-11.7**	**3.9**
Compensation of Employees	15.9	16.5	0.6	3.8
Investment Income	-317.2	-329.5	-12.3	3.9
Current Transfers	**663.5**	**757.9**	**94.4**	**14.2**
Official	54.5	68.0	13.5	24.8
Private	609.0	689.9	80.9	13.3
CAPITAL & FINANCIAL A/C	**91.4**	**260.9**	**169.5**	**185.4**
Net Capital Movement	**0.4**	**-5.8**	**-6.2**	**-1550.0**
Official	6.9	0.3	-6.6	-95.7
Private	-6.5	-6.1	0.4	-6.2
Financial Account	**91.0**	**266.7**	**175.7**	**193.1**
Other Official Investment	327.4	-46.3	-373.7	-114.1
Other Private Investment (incl. errors & omiss)	202.7	611.3	408.6	201.6
Reserves (minus=increase)	-439.1	-298.3		

Source: Bank of Jamaica (Preliminary)

Note to the Balance of Payments:-

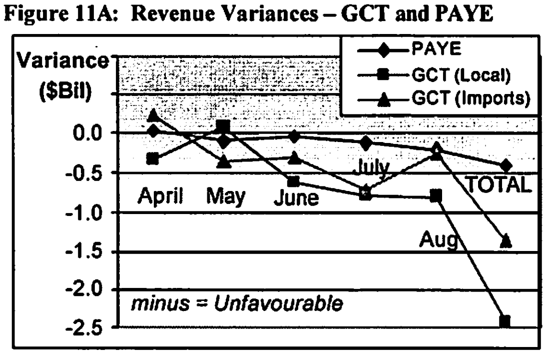
The external trade data in the Balance of Payments may not necessarily correspond with that of STATIN. This is due to the fact that STATIN reports the f.o.b. cost of imports while the Bank Of Jamaica reports imports at c.i.f.

Fiscal Accounts

The Government missed its revenue target by over $5 billion for April-to-August period. Although there were some strong savings on the expenditure side, these were insufficient to offset the variance in revenues. The result was a fiscal deficit which was $1.3 billion larger than projected for the period.

Revenues: Revenue and Grants totaled $68,251.8 million or roughly $68.2 billion, some $5.2 billion less than projected. This reflected a $5.2-billion shortfall in Tax revenue which was partially countered by favourable variances in most of the other categories, notably Non-tax Revenue which was up $0.6B relative to budget. Within the Tax revenue category, two of the Government's biggest earners fell way below projections as local GCT and GCT on imports fell by $2.4 billion and 1.4 billion, respectively. These two categories together accounted for over 70% of the slippage in tax revenues for the period. Local GCT in particular posted its worst monthly performance in August, and has mostly underperformed since May (see Figure 11A).

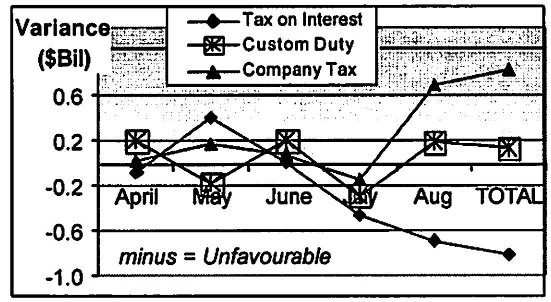
Figure 11A: Revenue Variances – GCT and PAYE



Given the one-month lag between GCT receipts and returns for most merchants, it is believed that the poor performance in August may be a delayed effect of Hurricanes Dennis and Emily which disrupted economic activity in July. However, this does not explain the outturns for June and July, and government analysts are still carrying out investigations in this area. There was also a $0.9-billion shortfall in the special consumption tax (SCT) which eclipsed a modest gain in SCT on Imports.

Company taxes exceeded projections by $0.8 billion for the period, having performed consistently well in every month except July (see Figure 11B). However, Tax on Interest fell $0.8 billion below budget due to tax refund payments as well as relatively subdued interest rates. Customs Duty was affected by some downtime at customs due to July's hurricanes, but made a fair recovery in August.

Figure 11B: Company Tax, Tax on Interest & Custom Duty



Expenditures: Total Expenditures amounted to $86,328.8 million or roughly $86.3 billion, some $3.9 billion below budget. The Government made savings in every area of the recurrent budget except Domestic interest payments, which exceeded budget by a marginal $0.25 billion. External interest payments fell by $0.43 billion as the Government retired slightly more external debt than had been planned. However, the biggest savings were realized in Programme spending which was reduced by a sizable $1.6 billion, most of which took place in August. Capital expenditures fell $1.5 billion below projections due to the delayed implementation of some projects.

Loan receipts were $4.1 billion above budget as the GOJ borrowed considerably more than planned on the external market. External receipts were $3 billion higher, reflecting proceeds from the Government's US$300M Eurobond in May. Domestic loans were also $1 billion above budget.

Total public debt at the end of August stood at $804 billion, some $3.6 billion higher than the previous month's level of $800.4 billion. Domestic Debt grew by $783.85 million to end the month at $472,452.67 million. External Debt grew by a marginal US$45.05 million or 0.9% to US$5,327.40 million.

Table 12: Fiscal Accounts (J$ million)

	April - August 2005				Change from 04/05	
			Deviation			
	Provisional	Budget	J$m	(%)	J$m	(%)
Revenue & Grants	**68,251.8**	**73,415.6**	**-5,163.9**	**-7.0**	**3,820.8**	**5.9**
Tax Revenue	61,797.7	67,022.4	-5,224.8	-7.8	2,977.3	5.1
Non-Tax Revenue	4,056.4	3,405.4	650.9	19.1	337.8	9.1
Bauxite Levy	1,219.1	1,188.1	31.1	2.6	145.1	13.5
Capital Revenue	943.9	937.2	6.7	0.7	518.5	121.9
Grants	234.7	862.5	-627.8	-72.8	-157.9	-40.2
Expenditure	**86,328.8**	**90,225.5**	**-3,896.7**	**-4.3**	**-508.7**	**-0.6**
Recurrent	79,975.7	82,394.8	-2,419.1	-2.9	-3,045.6	-3.7
Programmes	16,402.5	18,008.7	-1,606.1	-8.9	2,765.2	20.3
Wages & Salaries	25,849.0	26,483.3	-634.3	-2.4	-510.9	-1.9
Interest	37,724.2	37,902.9	-178.7	-0.5	-5,299.9	-12.3
Domestic	28,256.2	28,000.4	255.8	0.9	-5,860.5	-17.2
External	9,468.0	9,902.5	-434.5	-4.4	560.6	6.3
Capital Expenditure	6,353.1	7,830.7	-1,477.6	-18.9	2,536.9	66.5
Fiscal Balance	**-18,077.0**	**-16,809.9**	**-1,267.1**	**7.5**	**4,329.5**	**-19.3**
Loan Receipts	69,797.9	65,692.7	4,105.2	6.2	-13,083.9	-15.8
Domestic	50,264.9	49,250.0	1,014.9	2.1	-7,540.4	-13.0
External	19,533.0	16,442.7	3,090.3	18.8	-5,543.5	-22.1
Divestments	0.0	0.0	0.0	0.0	-652.6	-100.0
Amortization	58,526.9	58,907.8	-380.9	-0.6	-16,116.2	-21.6
Domestic	36,667.7	37,498.2	-830.4	-2.2	-17,935.4	-32.8
External	21,859.2	21,409.7	449.5	2.1	1,819.2	9.1
Overall Balance	**-6,806.0**	**-10,025.0**	**3,219.0**	**-32.1**	**6,709.2**	**-49.6**
Primary Balance	**19,647.1**	**21,093.0**	**-1,445.8**	**-6.9**	**-970.5**	**-4.7**
Source: Ministry of Finance & Planning						

Note to the Accounts:-

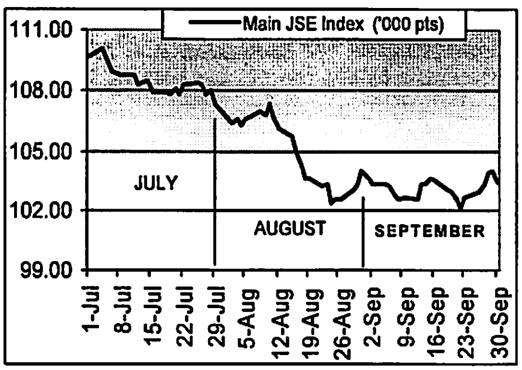
The above accounts are subject to revision by the Ministry of Finance. For example, figures relating to Loan Receipts, Amortization or Interest Payments may from time to time be revised by the Ministry's Debt Management Unit. Where this happens, the changes often tend to be in the area of External rather than Domestic debt.

Stock Market

The stock market remained generally flat in September, due to lingering concerns over instability in the foreign exchange market. In addition, the island-wide protests carried out on September 6th put a damper on trading activity in that week. The main JSE Index lost 664.91 points or a marginal 0.6% during the month, closing at 103,332.63 points on September 30. Market capitalization decreased by $4.6 billion or 0.6% to end the month at approximately $828.95 billion.

Despite the decline, September's outturn was still the best performance of the JSE Index since April. Prior to September, the Index had lost more than 3% per month for some four months.

Figure 13A: Main JSE Index, July - Sept '05



As at September 30, the top performing stock for the year to date was Montego Bay Ice Company, which advanced by more than 59% to end the month at $17.50 (see Table 13). The worst performer in price terms was the Ciboney Group, which lost more than 62% of its value to end the month at $0.03.

As at October 21, the Main JSE Index had lost 692.65 points or 1.0% relative to September's month-end value.

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	30/09/05	$	%
MoBay Ice Company	11.00	17.50	6.50	59.09
Trinidad Cement Limited	80.00	114.00	34.00	42.50
Gleaner Company	2.61	3.21	0.60	22.99
Seprod Limited	12.15	14.01	1.86	15.31
Desnoes & Geddes	8.00	9.22	1.22	15.25
Bottom Five (unadjusted for dividends or transact. costs)				
Ciboney Group	0.08	0.03	-0.05	-62.50
Capital & Credit Merchant Bank	32.00	20.50	-11.50	-35.94
Berger Paints (Jamaica)	5.67	3.80	-1.87	-32.98
Jamaica Producers Group	42.00	28.80	-13.20	-31.43
Hardware & Lumber	29.85	21.00	-8.85	-29.65

Source: Compiled from the JSE

Developments and Outlook

New GOJ Sovereign Bond: Jamaica's economic programme continues to win the support of international investors and related agencies. On October 11, 2005, the GOJ successfully placed a 20-year, US$250-million bond issue on the international capital markets. US investment bank Morgan Stanley was the lead manager for the transaction. Due to strong demand, the offer was oversubscribed which resulted in the Government increasing the initial offer size from US$200 million to US$250 million. The new bonds carry a coupon of 9.25%, only 25 basis points higher than the 10-year bond issued by the GOJ in May which carried a coupon of 9.00%. The favourable coupon and long tenor indicate a strong degree of confidence in the sustainability of the country's fiscal and economic targets. In addition, the bonds were widely distributed among investors in the USA and Europe, which bodes well for the GOJ's efforts to diversify its investor base.

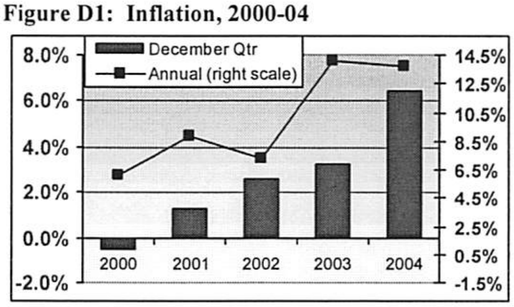
The proceeds from the new bond will allow the Government to reduce its presence in the domestic debt market. This in turn will support the BOJ's efforts to maintain favourable interest rates. In addition, the currency inflow from the bond should significantly augment the NIR, which will support efforts to restore a more orderly movement in the exchange rate than has occurred in recent months.

Fiscal & Inflation Developments: The fiscal year has been quite a challenging one so far, with tax revenues under-performing by some $5.2 billion for the April-to-August period. High inflation has placed considerable strain on consumer spending as well as businesses' operating costs, and these developments have been impacting the tax base from which the Government draws its revenues. GCT, a key indicator of the pulse of economic activity, has been on the decline in recent months, falling $2.4 billion below projections for the April-to-August period. Some analysts believe that this decline reflects a slowdown in consumer spending in response to a number of inflationary pressures, not the least of which was the adjustment to the GCT system on May 1. Ironically, therefore, what was intended to be a revenue-enhancing measure may have actually contributed to the under-performance of revenues for the period. We note, however, that some of the major drivers of inflation during the period were Hurricanes Dennis and Emily in July, as well as the lingering effects of drought conditions in the March quarter. The fall-off in consumption has, however, not yet been conclusively verified. In any case, GDP figures for the September quarter should reveal the extent to which economic activity has been impacted by the recent inflation outturns.

Inflation has been placing pressure on the Government's expenditure budget as prices rose by an average of 7.4% for the April-to-August period. In this context, the $3.9 billion savings achieved over the period represent a significant reduction in real terms. The $1.3-billion widening of the fiscal deficit lent no support to investor confidence in an environment of sharp inflation and heightened currency volatility. However, the strong cutback in real expenditures sent a positive signal regarding Government's commitment to its balanced-budget target.

After subsiding briefly in August, inflation spiked again in September due to a disruption in world oil supplies caused by the passage of Hurricane Katrina. In October, Jamaica was directly impacted by flood damage associated with the passage of Hurricane Wilma, which may affect the supply of agricultural crops for the December quarter. (The storm will also place added strain on the fiscal budget in light of the considerable damage done to the nation's road infrastructure). While it is anyone's guess what the inflation outturn will be for this quarter, what we do know is that the fourth-quarter inflation rate has been consistently worsening for the past five years. Inflation for the December quarter of 2004 was 6.4%, up sharply from 3.2% in 2003 and 2.6% in 2002 (see Figure D1). The increases in 2004 and 2002 were despite reductions in full-year inflation for those periods. The trend in fourth-quarter inflation has been largely influenced by the Food & Drink index, which has shown increased volatility over the period.

Figure D1: Inflation, 2000-04



Statistical Index
Major Macro-Economic Indicators

	BM		M2		NIR	Fx Dep	CPI		Tourism	J$/US$	Tbill	Loan	Sav	Dom Debt	Fx Debt
	M	P	M	P	US$M	US$M	M	P	P		%	%	%	J$M	US$M
Jan-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	4,133.00
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	2.89	7.46	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	8.21	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	17.03	13.33	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	-11.28	12.86	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	-0.45	10.15	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	1.10	11.34	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	-0.36	11.48	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	1.66	11.96	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	-0.11	12.98	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	2.83	14.84	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	1.00	15.01	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	0.84	15.34	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	1.79	13.80	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	14.33	11.18	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	-11.80	10.53	n/a	n/a	1,847.58	1,904.47	0.0	11.6	n/a	61.87	14.40	24.89	6.48	449,259.38	5,068.79
Feb	-1.60	9.25	n/a	n/a	1,831.07	1,918.71	0.4	12.7	n/a	61.91	13.95	24.89	6.48	451,895.38	4,459.14
Mar	6.50	15.09	n/a	n/a	1,901.60	1,935.11	1.0	13.2	n/a	61.54	13.46	24.89	6.36	449,247.60	5,044.40
Apr	-3.52	11.44	n/a	n/a	2,010.42	1,944.10	1.9	14.9	15.1	61.65	13.43	24.89	6.36	456,393.60	5,055.20
May	0.92	10.64	n/a	n/a	2,074.49	1,916.93	2.2	16.7	-7.7	61.71	13.43	24.89	6.36	466,840.52	4,968.13
June	-1.16	9.47	n/a	n/a	2,152.80	1,940.56	1.5	17.5	5.2	61.84	12.88	24.91	5.52	467,233.58	4,952.24
July	2.50	9.12	n/a	n/a	2,149.25	1,983.67	1.6	18.2	-1.8	62.23	13.03	22.00	5.52	471,668.82	5,282.35
Aug	0.98	9.11	n/a	n/a	2,117.51	1,974.33	0.1	16.7	-7.6	62.24	13.03	22.00	5.52	472,452.67	5,327.40
Sep	-2.68	5.17	n/a	n/a	2,118.97	n/a	2.6	19.0	-2.7	62.89	13.15	22.00	5.48	n/a	n/a

Sources: Bank of Jamaica, Statistical Institute of Jamaica, Ministry of Finance and Planning, Jamaica Tourist Board and the PIOJ.
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

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