



CONFIDENTIAL ECONOMIC BULLETIN



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OVERVIEW

PIOJ Quarterly Review:

On February 15, 2008 the Planning Institute Of Jamaica published its 4th quarter review of the nations' economic performance. The quarter had an estimated GDP growth of 0%. When segmented, the Services sector experienced a 1.8% growth that was fully offset by the 3% decline experienced within the Goods producing sector.

The main decline areas within the Goods Producing sector were Agriculture, Forestry & Fishing which fell by a substantial 22.5%. This was attributed to the damaging effects of hurricane Dean and the persistently heavy rains in the month of October. Mining & Quarrying also contributed signifi-

cantly to the Goods sector decline. This was attributed to the downtimes experienced by the JAMALCO refinery during the period.

Within the Goods producing sectors, Construction was the only sector that grew, recording a 4.2%. This, however, had little offsetting impact.

Performance in the Services sector was hindered by the decline in electricity and water generation during the period.

Despite this, growth in the Financial Services (4%), Miscellaneous Services (3%) and Real Estate Business Services (3%) resulted in an overall increase in the sector's performance.

In this report: During the month of January 2007 the local currency depreciated by J\$1.13 (or 1.6%) against the US dollar.

Inflation for January 2008 was 2.23%. This was largely attributed to the higher price of items within the 'Food & Non-Alcoholic Beverages' AND 'Housing, Water, Electricity, Gas & Other Fuels' divisions. Together both categories accounted for approximately 61% of the months' overall price increase (see Table 7 & Inflation Chart on page 11). Inflation for the calendar year 2007 stands at (16.8%). Inflation for the fiscal period 2007/08 to January is 16.5%.

Within the 'Food and Non-Alcoholic Beverages' division, inflation resulted from the higher prices for milk cheese and eggs items. Bread and Cereals also contributed substantially to the months upward trend in prices. Prices on housing rentals; the maintenance and repair of dwellings and higher tuition fees during the month contributed to higher prices.

In November 2007, total tourist arrivals declined by 11.5% when compared to the corresponding month of 2006. This reflected a 24% decline in Cruise arrivals that outweighed the 2.1% increase observed for stopover arrivals. The data shows that US arrivals was the only tourist market reporting a decline in stopover arrivals for the first eleven (11) months of 2007.

Over the first nine (9) months of the Fiscal Year 2007/08 the fiscal deficit amounted to J\$40.4B and was (8.9%) less than the budgeted deficit for the period. This was attributed to a more than 20% cutback in planned "Capital Programmes" expenditure. Other areas contributing to the lower than planned budget deficit includes the 2.7% reduction in planned wages and salaries.

On the Revenue & Grants (a/c), 'Tax Revenue' had the largest increase. Grants was the only declining revenue item.

The yield on six month TBill reduced by 1-bp during January and closed the month at 13.33%. In December 2007 the Average Lending rate declined by 42-bps to close at 20.8%. The Average Savings rate remained at 4.88% for the fifth (5th) consecutive month (see Interest Rates pg.2)

Net International Reserves (NIR)

During the month of January 2007, Net International Reserves declined by US\$58.7M. At the end of the month the reserve balance stood at US\$1,819.1M. This represents a 21% reduction since January of last year.

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** No changes since last March



The first three (3) quarters experienced declining 'Net Private Capital Inflows' and high JAS liquidity. This triggered the increased demand for foreign currency resulting in portfolio switching from JA to US dollar denominated assets (BOJ Report).

Throughout 2007, amid the strong foreign exchange market demand, the BOJ utilized (among other instruments) Foreign Currency sales to ensure FX-market stability. This led to a depletion of approximately 19% of the nations NIR during 2007.

In January 2008 the gross reserves could accommodate 15.9 weeks of Goods imports which fell by over 30% from the 24.2 weeks recorded in the corresponding month of 2007. This is still above the 12 weeks international standard.

Since the beginning 2008 the NIR declined by US\$58.7M representing a 12 months change of 20.5% (see Table 1—page 2).

Foreign Currency

For the month of November 2007 total foreign currency deposits amounted to US\$2,419.64 million, approximately US\$12 million more than the previous month's figure (see Table 2). This was attributed to increased Foreign currency holdings by both Commercial Banks (US\$9.1M) and Building Societies (US\$5.2M). Merchant Banks was the only group that had a reduction in foreign currency holdings (down by US\$2.8M).

During the 12 month period to November 2007, Commercial Banks and Building Societies accumulated the largest portion of foreign currency deposits, together representing approximately 90% of the total increase. Merchant Banks captured the remaining 10% (see Table 2).

Foreign Exchange Rate

US DOLLAR: The local currency depreciated by 1.13 cents Jamaican (1.6%) against its US counterpart during the month of January 2007. On the last trading day of the month the Jamaican dollar was being sold at an average rate of J\$71.74 per US\$1 (see table 3). For the year 2007 the

Table 1: Changes in the NIR

	US\$M NIR	Change US\$M			Imports (Weeks)
		Mthly	12 Mth	YTD	
Jan-08	1,819.1	-58.7	-169.3	-58.7	15.9
Jan-07	2,288.4	-29.2	194.9	-29.2	24.2

Source: Compiled from the BOJ (Preliminary)

Table 2: Foreign Currency Deposits

	US\$000 Nov '07	Change (US\$000)		%
		mthly	12 mth	
Commercial Banks	1,753,560	9,132	81,053	4.85%
Building Societies	474,575	5,158	78,229	19.74%
Merchant Banks	191,505	(2,772)	18,512	10.70%
Total Deposits	2,419,640	11,518	177,794	7.93%

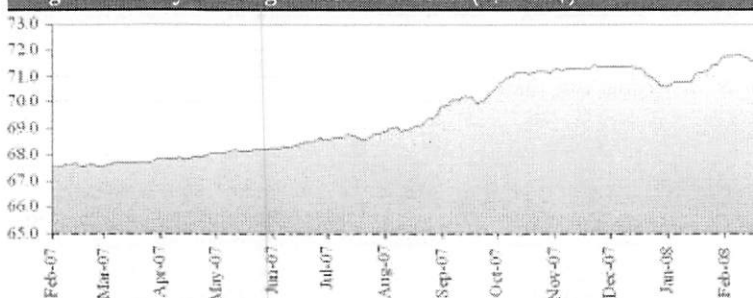
Source: Compiled from the BOJ (Preliminary)

Table 3: Foreign Exchange Trends (Jan-2008)

	Year to Date Currency Rate Change*					
	J\$ / US\$	%	J\$ / UK£	%	J\$ / Can\$	%
2008	1.13	1.6	1.63	1.2	0.23	0.3
2007	0.40	0.6	0.20	0.2	0.01	0.0
2006	0.00	0.0	0.00	0.0	0.00	0.0
January 2008						
Actual Rate	71.74	1.59	141.95	1.16	71.63	0.32
Mth Change	1.13	1.59	1.63	1.16	0.23	0.32

*minus = appreciation; Source: BOJ database & PSQJ Economic Research

Figure 1: Daily Exchange Rate Movements (J\$ / US\$)



Source: Bank of Jamaica Database (BOJ)

Table 5: Interest Rate Movements

	Dec-07	Change (%age pts)		
		Monthly	12-Mth	YTD
Avg Savings Deposit	4.88%	0.00%	-0.32%	-0.32%
Avg Loan Rate	20.82%	-0.42%	-1.08%	-1.08%
6 Month T-Bill (Jan-08)	13.33%	-0.01%	1.34%	-0.01%
12 Month T-Bill	n/a	n/a	n/a	n/a

Source: Bank of Jamaica (BOJ Preliminary)

local currency depreciated by J\$3.17 (5.2%) against the US-dollar. This compares less than favourable to the J\$2.57 (4.0%) depreciation experienced for the year 2006.

POUND: In January 2008, the local currency depreciated by J\$1.63 against the pound (see table 3). For the year 2007 the Jamaican dollar lost J\$8.79 (6.7%) to the pound sterling.

CANADIAN: In January 2008 the Jamaican dollar depreciated by 23 cents Jamaican against the Canadian dollar (see Table 3). For the year 2007 it depreciated by J\$13.87 (24.1%).

Interest Rates

At the end of January 2007 the six-month T-bill cleared the market at an average yield of 13.33%. This reflects a 1-bp reduction in the first month of the year (see table 5 & Figure 2). For the year 2007, 6-month T-Bill rates increased by 1.03% points.

In December 2007, the Average Lending rate declined by 42-bps to close the month at 20.82%. There was no change to the Average Savings rate that remained at 4.88% for the fifth consecutive month.

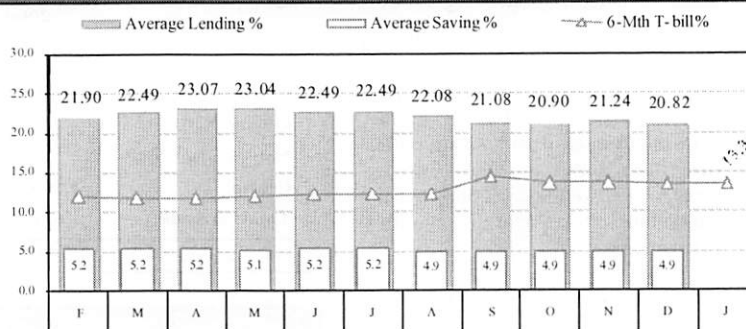
Base Money & Money Supply

The monetary base declined by 11.73% during the month of January 2008. For the month of October 2007, all monetary aggregates grew. M1 increased by 3.89%, M2 by 2.92%, and Quasi money supply by 2.46% (see table 6). All Monetary aggregates grew in excess of 20% over the 12 month period ending in October '07.

Inflation

Inflation for the month of January 2008 was 2.23%. In the corresponding month of 2007 the inflation was

Figure 2: Interest Rate Movements



Source: Bank of Jamaica Database (BOJ preliminary)

Table 6: Base Money and Money Supply

	J\$M	Percentage Change (%)	
		Mthly	12 Mth
M1	93,555.42	3.89	25.83
Quasi Money	195,343.31	2.46	20.22
M2	288,898.73	2.92	21.98
<hr/>			
	Jan-08	Mthly	12 Mth
Base Money	57,602.83	-11.73	12.96

Source: BOJ Economic Statistics

Table 7: Inflation Trends

	% Percent Changes			
	January	12-Mth	YTD	Fiscal
2008	2.23	18.21	2.23	16.49
2007	1.01	6.64	1.01	6.46

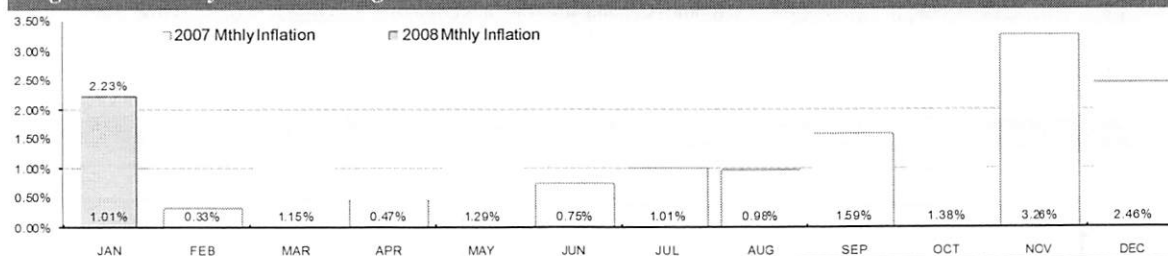
Source: STATIN & BOJ Statistical Digest - Fiscal: represents fiscal year to date

1.01% (see figure 3 below).

Over the period approximately 50% of the CPI increase was attributed to the "Food & Non-Alcoholic Beverages" division. All items registered a price increase. Within the food sec-

tion, milk, cheese and eggs along with bread and cereals had the largest impact on upward prices. Starchy food items, alongside other food products, increased in excess of 4%. The non-alcoholic beverages also had noticeable price increases (see IN-

Figure 3: Monthly Inflation Changes



Source: STATIN and PSOL compilation



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FLATION chart in Appendix, p.10).

The second largest price inflating division was "Housing, Water, Electricity, Gas and Other Fuels". This was fuelled largely by the higher prices associated with housing rentals (up 3.4%) and the maintenance & repair of dwellings. This division contributed to 11% of the month's price increase.

STATIN indicated that visa fees and other personal care items resulted in "Miscellaneous Goods & Services" being the third largest contributor to the months inflation. The next main contributor was Education which reflected an increase in tuition fees for the period.

The BOJ in review of the December 2007 quarter, highlighted that the lagged pass through of FX-depreciating was one cause for the observed trends in prices. This, it was observed, was evident among services and durable goods.

The electricity, construction and distributive trades sectors reflected higher wage payments and was one determining factor in the overall trend in consumer prices (BOJ quarterly).

Tourism

Stopovers: Stopover arrivals for November 2007, when compared to the same period last year, increased by 2.1% (see Table 9 & Figure 5B). This was due wholly to a 3,235 (53.2%) increase in 'Non-Resident Jamaicans'. Stopovers from 'Foreign Nationals', however, declined by 680 (0.6%) when compared to November of 2006.

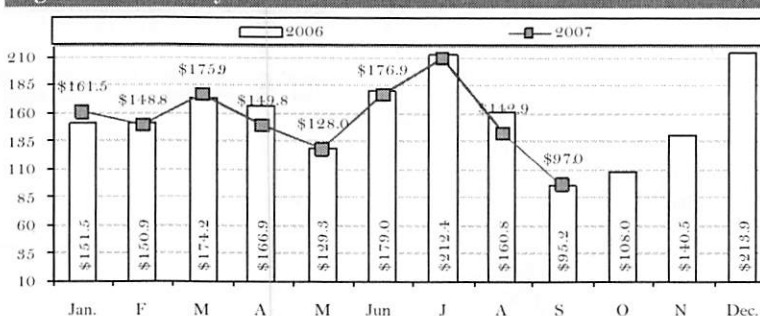
During the eleven (11) month period,

Table 9: Tourist Arrivals

	2006	2007	% Change	
	YTD (Nov)	YOY (Jan-Nov)	Nov 06/07	
Stopover	1,510,471	1,520,759	0.7%	2.1%
Foreign Natls	1,426,043	1,416,838	-0.6%	-0.6%
Non-Resident Natls	84,428	103,921	23.1%	53.2%
Cruise	1,180,568	1,061,235	-10.1%	-24.2%
Total Arrivals	2,691,039	2,581,994	-4.1%	-11.5%

Source: Jamaica Tourist Board (preliminary) & BOJ BOP Statistical Update

Figure 5A: Currency and Tourism Trends



Source: Jamaica Tourist Board (preliminary data) & BOJ Statistical Update (Revised values)

stopover arrivals increased from all regions except the USA. Arrivals from the USA declined by 5.8% when compared to the corresponding eleven months in 2006.

Nevertheless, the USA continues to represent a substantial 67% of stopover arrivals to Jamaica. Since last year, however, this share has reduced from a strong 71.6% recorded for the corresponding period of 2006. Over the period, all 4 US offices reported declines. These include the offices of New York, Chicago, Miami, & Los Angeles).

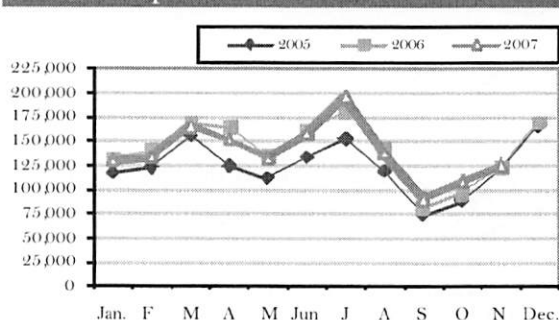
UK and Canada are the next major tourist market for Jamaica. Tourists from Canada increased by 24% YOY

for the 11 month. Canada currently represents 10.6% of the all tourist arrivals to Jamaica. The UK represented 11% of the market share and grew by approximately 6.8% over the review period compared to the same period of 2006.

Cruise Passengers: Cruise arrivals for November 2007 decreased by 31,783 (24%) when compared to the corresponding month of 2006. This represents 119,333 less visitors by cruise to Jamaica over the eleven month period to November 2007 (see Table 9 & Figure 5C).

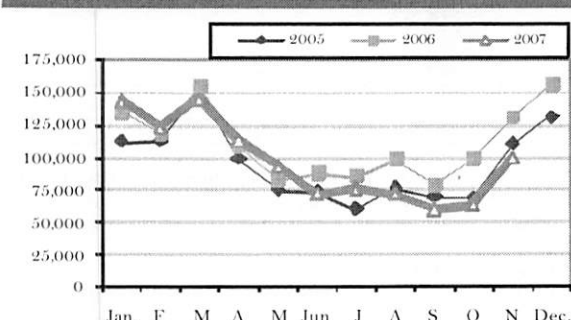
Total Visitors: Total visitor arrivals for the first eleven (11) months of 2007 declined by 4.1% when com-

Table 5B: Stopover Arrivals to Jamaica



Source: Jamaica Tourist Board (preliminary data)

Table 5C: Cruise Arrivals to Jamaica



Source: Jamaica Tourist Board (preliminary data)

pared to the corresponding period of 2006.

External Trade

The trade deficit worsened by an approximate 9% when the first three quarters of 2007 was compared with the corresponding period of 2006. Despite an upward trend in exports over the period, imports grew by approximately twice as much to offset all export gains during the period (see table 10, pg6).

The ratio of Import to Export is currently 2.7 to 1. As such, for every US\$1 earned, US\$2.70 is spent on consuming foreign goods. The ratio was approximately the same in 2006 but comparably less in magnitude.

As the gap between exports and imports widen, the Jamaican economy will rely more heavily on the services sector to fund the increasing requirement of foreign currency spending. This is reflective of a continued deterioration in the terms of trade of traditional exports.

The Rising Oil Bill : *One cause of concern has been the rising price of oil commodities in recent times. The trade data shows that mineral fuels constitute a substantial portion of the nations import bill, constituting marginally below 30% of the value during the first three quarters of 2007. The data also shows that the fuel bill grew by only 1% and constituted only 3% of the rise in import bill during the first (3) three quarters of 2007 over the corresponding period of 2006. Since September however, the price of oil has risen by approximately 15%. This could trigger a substantial increment to the import bill for the period.*

The BOJ indicates that the oil bill has risen from 12.1% of GDP in 2005 to 15.0% in 2006. Data also shows that in 2006, the WTI Spot Oil price increased by approximately 4% while in 2007 it climbed by a whopping 48%. It is imperative that alternative energy sources are sought after to deal with Jamaica's over dependence on oil to run its economy.

During the review period, the external trade segments that contributed substantially to the rise in import



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Table 10: External Trade (US\$M)

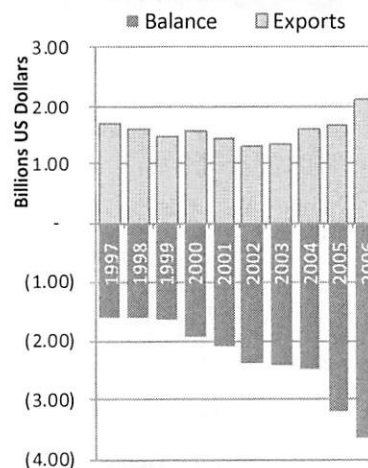
	Jan-Sep 06	Jan-Sep 07	Change	% Change
TOTAL EXPORTS (fob)	1,614.57	1,757.78	143.20	8.9%
Major Traditional Exports	1,027.33	1,137.55	110.22	10.7%
by Sector:-				
Agriculture	37.54	33.48	-4.06	-10.8%
Mining & Quarrying	862.61	966.09	103.48	12.0%
Manufacturing	127.17	137.97	10.80	8.5%
by Industry:-				
Bauxite	86.25	86.16	-0.09	-0.1%
Alumina	775.35	879.04	103.69	13.4%
Sugar	89.69	100.28	10.58	11.8%
Rum	32.88	32.84	-0.05	-0.1%
Bananas	10.03	9.22	-0.81	-8.0%
Coffee	27.34	23.78	-3.56	-13.0%
Other	5.79	6.24	0.45	7.8%
Non-Traditional Exports	448.63	472.96	24.33	5.4%
Re-exports	24.33	36.68	12.35	50.8%
Free Zone & Ports	114.29	110.59	-3.70	-3.2%
TOTAL IMPORTS	4,384.96	4,784.23	399.27	9.1%
Food	460.58	521.41	60.83	13.2%
Beverages & Tobacco	50.96	68.53	17.57	34.5%
Crude Materials (excl. Fuels)	60.15	51.65	-8.50	-14.1%
Mineral Fuels, etcetera	1,395.68	1,409.22	13.54	1.0%
Animal & Vegetable Oils & Fats	21.30	24.90	3.60	16.9%
Chemicals	509.96	606.08	96.12	18.8%
Manufactured Goods	517.92	560.68	42.77	8.3%
Machinery and Transport Equip.	835.77	951.11	115.34	13.8%
Misc. Manufactured Articles	365.25	427.36	62.11	17.0%
Other	167.40	163.28	-4.13	-2.5%
TRADE BALANCE	(2,770.39)	(3,026.45)	-256.06	9.2%

Source: STATIN Jamaica and Bank of Jamaica (BOJ Monthly Statistical Update)

bill were Machinery & Transport Equipment (29% of the increase), Chemicals (21%), Misc. Manufactured Articles (16%), Food (15%) and Manufactured Goods (11%). Crude Materials excluding fuels was responsible for a 14% reduction in the import bill over the review period.

Exports: Both Traditional and Non-Traditional exports grew during the first three quarters of 2007. Traditional Exports increased by approximately 9% during the review period. "Mining & Quarrying" remains the largest contributor to this category, fuelled almost wholly by a 13% growth in alumina exports. It is to be noted that Alumina exports accounts for approximately 91% of total traditional exports during the first (3) three quarters of 2007. The remain-

Figure 6: Trade Balance



Source: BOJ (Import = Export + Balance)

der was reflective of Bauxite and Gypsum exports.

The "Manufacturing" sector also grew (8.5%) for the period under review. This improvement was due largely to the 12% expansion in Sugar along with a 117% increase in coffee products.

"Agriculture" was the only declining segment within the traditional sector for the review period compared to the same of 2006. This was due almost wholly to the significant (38%) reduction in coffee crop yields during the period. Cocoa, despite a smaller contribution to total export, achieved levels that was approximately four (4) times the export value for the corresponding period of 2006.

In the Non-traditional sector, exports increased by approximately 5.4%. This was influenced largely by a rise in Mineral Fuels Export that recorded a 15% increase. Additionally, 'Waste and Scrap Metals' along with higher levels of export for both Alcoholic and Non-Alcoholic beverages, contributed to the higher levels of Non-Traditional Export for the period.

(See Table 10 on page 6)

Balance of Payments

During the first three quarters of 2007, the nation accumulated a current account deficit that was 36% worse than that of the corresponding period of 2006 (see Table 11). This was attributed to the greater levels of outflow from the Goods and Income accounts. The services balance also declined but was due largely to lower levels of inflows when compared to the corresponding period of 2006.

Within the Current Account, 'Current Transfers' was the only surplus category with flows exceeding that of the corresponding period in 2006 (see table 11). This is due to private remittances contributing in excess of 92% of the inflows. During the (9) nine month period, inflows from private transfers grew by 13%.

The deficit on the *Goods Account* grew by 9% over the periods being

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

	Jan-Sep'06	Jan-Sep'07	Change	% Change
Current Account	-899.2	-1220.3	-321.1	-36%
Goods Balance	-2230.1	-2430.2	-200.1	-9%
Exports	1614.6	1761.0	146.4	9%
Imports	3844.7	4191.2	346.5	9%
Services Balance	494.5	383.4	-111.2	22%
Transportation	-317.8	-382.7	-64.9	-20%
Travel	1219.1	1176.9	-42.2	3%
Other Services	-106.9	-410.9	-1.0	-1%
Income	-452.0	-617.9	-165.9	-37%
Compensation of emplys	55.0	44.3	-10.7	19%
Investment Income	-506.9	-662.1	-155.2	-31%
Current Transfers	1288.4	1444.4	156.0	12%
Official	108.0	108.7	0.7	1%
Private	1180.4	1335.7	155.3	13%
Capital & Financial Account	899.2	1220.3	321.1	36%
Capital Account	-0.5	-4.5	-4.0	-800%
Capital Transfers	-0.5	-4.5	-4.0	-800%
Official	3.7	0.7	-3.0	81%
Private	-4.2	-5.2	-0.9	-21%
Acq/dis.	0.0	0.0	0.0	0%
Financial Account	899.7	1224.7	325.0	36%
Other Official Invst	352.2	460.2	108.0	31%
Other Private Invst	802.1	363.2	-438.9	55%
Reserves	-254.6	401.4		

Source: BOJ & Statistical Update:

compared. This was due to the greater level of imports that exceeded the additional revenue from exported goods.

There was a surplus on the *Services account* for the review period. This amount, however, was 22% below the surplus reported for the corresponding period of 2006. This was attributed to lower net inflows from Travel and a greater deficit on the Transportation account. These two accounted for 96% of the decline (see table 11).

The *Income Account* deficit was 37% more than the corresponding period in 2006. This was largely attributed to increased outflows within the 'Investment Income' sub-section. The other sub-account was 'Compensation of Employees' that generated a surplus. This was, however, insufficient to offset the substantial outflows from the 'Investment Income' sub-account.

Currency flows to the Financial a/c during the first (3) quarters was less than the amount needed to fund total outflows. This resulted in a draw-down on Net International Reserves (NIR) by US\$401.4M.

Fiscal Accounts

For the first nine (9) months of FY 2007/08 the Government fiscal deficit amounted to \$10.44 billion which was \$3.96B (9%) below the periods' budgeted deficit. Revenues & Grant exceeded budget by \$2.89B while Expenditure was kept within projected bounds by \$1.06B (see table 12B).

REVENUE: All categories within the Revenue and Grants segment reflected budget surpluses except for Grants that fell short of budget by \$871.5 million or (34%). Tax Revenue captured substantial increases in PAYE, 'Tax on Dividends' and 'Other Companies' (see table 12B). Other positively contributing categories includes Capital Revenue and Bauxite levy.

Tax Revenue — Within the Tax revenue category the five (5) largest tax income generating components for the nine (9) month period were PAYE, Local GCT, GCT on Imports, Tax on Interest, and Custom Duty (see *Fiscal Account chart on page 11*). When combined, these items represented approximately 71% of all tax income revenue.

Table 12A: Fiscal Accounts (J\$ Million)

	April-December (Fiscal—2007/08)				Apr-Dec (YOY)	
	J\$ million		Deviation		06/07 - 07/08	
	Provisional	Budget	J\$M	(%)	J\$M	(%)
Revenue & Grants	174,683.0	171,788.5	2,894.6	1.68	26,329.5	17.7
Tax Revenue	155,387.3	153,493.9	1,893.3	1.23	22,998.7	17.4
Non-Tax Revenue	9,987.2	9,935.1	52.1	0.52	427.4	4.5
Bauxite Levy	3,987.0	3,144.7	842.4	26.79	948.8	31.2
Capital Revenue	3,664.4	2,686.2	978.2	36.42	1,787.5	95.2
Grants	1,657.1	2,528.6	-871.5	-34.47	167.2	11.2
Expenditure	215,120.0	216,187.1	-1,067.1	-0.49	28,407.3	15.2
Recurrent Expenditure	188,823.0	183,066.5	5,756.5	3.14	19,942.1	11.8
Programmes	46,548.6	38,382.9	8,165.7	21.27	10,197.8	28.1
Wages & Salaries	64,059.4	65,844.1	-1,784.7	-2.71	5,793.7	9.9
Interest	78,215.0	78,839.5	-624.5	-0.79	3,950.5	5.3
Domestic	53,848.5	54,593.6	-745.1	-1.36	-138.5	-0.3
External	24,366.5	24,245.9	120.6	0.50	4,089.1	20.2
Capital Expenditure	26,297.0	33,120.6	-6,823.6	-20.60	8,465.2	47.5
Capital Programmes	26,297.0	33,120.6	-6,823.6	-20.60	8,465.2	47.5
IMF #1 Account	0.0	0.0	0.0		0.0	
Fiscal Balance (Surplus [+ve])	-40,437.0	-44,398.6	3,961.6	8.92	-2,078.0	-5.4
Loan Receipts	119,646.1	107,892.0	11,754.2	10.89	-16,365.5	-12.1
Domestic	105,168.9	91,841.5	13,327.4	14.51	-22,440.8	-17.6
External	14,477.2	16,050.5	-1,573.2	-9.80	6,045.1	74.9
Divestment Proceeds	0.0	0.0	0.0		0.0	
Amortization	87,947.2	88,189.1	-241.9	-0.27	-5,818.9	-6.2
Domestic	58,817.7	59,129.8	-312.2	-0.53	-21,737.3	-27.0
External	29,129.5	29,059.2	70.2	0.24	15,918.5	120.5
Overall Balance (Surplus [+ve])	-8,738.0	-24,695.7	15,957.7	64.62	-12,624.7	-358.2
Primary Balance (Surplus [+ve])	37,778.0	34,440.9	3,337.1	9.69	1,872.7	5.2

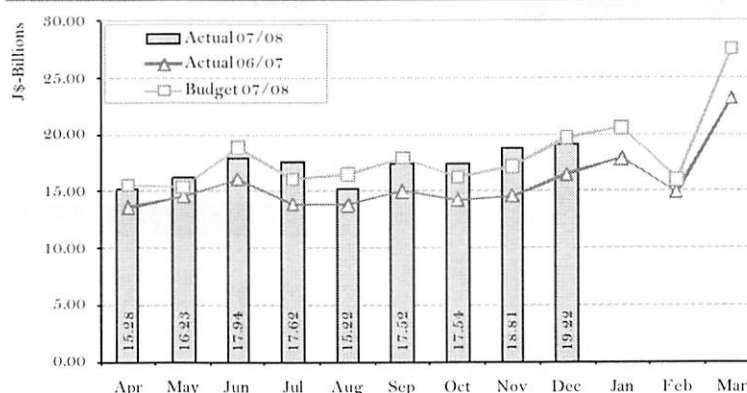
Source: Ministry of Finance and Planning

Revenue items that were less than budget for the period were Special Consumption Tax (SCT) on Imports, Tax on Interest, SCT, Bauxite / Alumina and Customs Duty (see table 12B).

EXPENDITURE: The lower than planned level of Expenditure during the 9 month period was wholly due to the curtailing of Capital Expenditure by approximately 21%. Recurrent Expenditure, when viewed independently, exceeded the budget by \$5.8 Billion or 21%. This was due to the \$8.2 Billion overspending emanating from Programmes that was partially offset by savings in Wages and Salaries and Interest payments. All other recurrent expenditure items were less than budget, but, were insufficient to offset the excess spending of the "Programmes" item.

During the review period Loan re-

Figure 7: Tax Revenue Collections (J\$-Billions)



Source: Ministry of Finance and Planning (Jamaica)

ceipts exceeded budget by 13%. This reflected domestic borrowing rising in excess of \$13 billion above the budgeted level. External borrowing was cut short by 10% but was insufficient to countervail the excess bor-

rowing in the domestic market (see table 12A).

Amortization Schedules were kept largely inline with the budget. The Primary Balance (overall balance

excluding interest payments) came in at a surplus of approximately \$38 billion exceeding the budgeted amount by \$3.3 billion.

PUBLIC DEBT: Total public debt at the end of December 2007 stood at \$990.80 billion, some \$68 billion increase over the first nine (9) months of the fiscal year. Since April Domestic Debt stock increased by \$44.5 billion (9%) to end the month at \$558.43 billion. For the same period, External Debt increased by approximately US\$87 million to close December 2007 at US\$6,122.8 M

Stock Market

The Jamaica Market Index increased by 525.66 points or 0.49% during January 2008 to close at 108,493.72 points on its last trading day.

Market capitalization increase by \$10.7 billion or 1.23 over the month of January. At the end of the month Market Capital value was approximately \$882.04 billion.

For the month of January 2008, Ciboney Group recorded a price increase from 1 cent / share to 2 cents per share. This reflects a 100% increase for the month. Towards the middle of January, the company published its 2nd quarter financial reports. Losses were made for the period that exceeded the Operating Revenue for the period. The company made substantial exchange rate gains. This, however was insufficient to fully offset the groups expenses.

Pulse Investments recorded the second largest price appreciation for the month. The stock price increased by 92.3%. At the end of the month, the company's 6 month financial reports (As at December 2007) was published revealing a 104% increase in profits attributable to members when this period was compared to the corresponding six months of 2006.

At the end of December 2007, Mr Kingsley Cooper sold 5 million of the company's shares and then another 2 million on February 2, 2008). The other major price appreciators were Pegasus Hotel (50.2%), Montego Freeport (40.6%), & Mobay Ice Company (32.6%).

The stock market continued its upward momentum prevailing since June of 2007.

Table 12B: Major Deviations in Fiscal Revenue and Expenditure

J\$-Millions		Apr-Dec 07/08
Revenue (Revenue Surpluses)		
PAYE		2,549.00
Tax on Dividend		1,740.50
Other Companies		1,519.90
Capital Revenue		978.20
Bauxite Levy		842.10
Revenue (Revenue Shortfalls)		
SCT (imports)		-2,077.70
Tax on Interest		-1,505.60
SCT		-827.00
Bauxite / Alumina		-319.00
Custom Duty		-260.90
Expenditure (Changes)		
Programmes	(Over-run)	8,165.70
External - Interest	(Over-run)	120.60
Domestic - Interest	(Savings)	-745.1
Wages & Salaries	(Savings)	-1,784.70
Capital Programmes	(Savings)	-6,823.60

Source: Ministry Of Finance and Planning (Jamaica)

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)

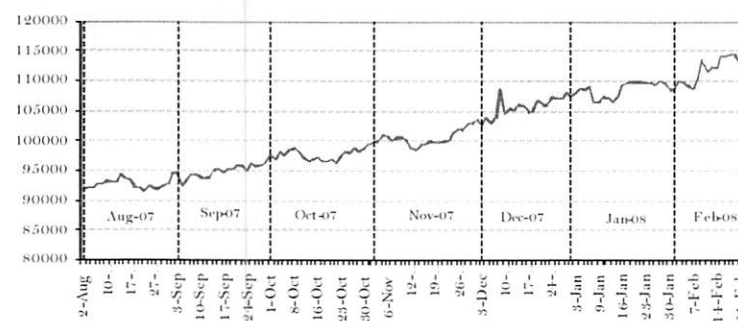
	31-Dec-07	31-Jan-08	\$ change	% change
Ciboney Group	0.01	0.02	0.01	100.00%
Pulse Investments	2.60	5.00	2.40	92.31%
Pegasus Hotel	10.65	16.00	5.35	50.23%
Montego Freeport	1.60	2.25	0.65	40.63%
Mobay Ice Company	13.20	17.50	4.30	32.58%

Bottom Five (unadjusted for dividends or transact. Costs)

Lascelles, de Mercado	565.00	440.00	(125.00)	(0.22)
Gleaner Company	4.30	3.40	(0.90)	(0.21)
First Jamaica Invest	41.00	38.45	(2.55)	(0.06)
RBTT Financial Hld	390.00	380.00	(10.00)	(0.03)
First Carib Intl Bank	152.00	149.50	(2.50)	(0.02)

Source: Compiled from the JSE

Figure 8: Main JSE Index, Aug-07 - Feb-08



Source: Jamaica Stock Exchange (Online Database) and PSQJ

Developments & Outlook

BOJ Quarterly Press Briefing:

The BOJ held its 4th fourth Monetary policy Review for 2007 on February 20th, 2008.

There report indicated that the December quarter reflected instability within the foreign exchange market. A combination of factors led to a final 0.29% depreciation of the Jamaican dollar during the three month period. This was much better than the 2.61% depreciation recorded in the September quarter before.

Among the unfavourable circumstances that pressured on the dollar to depreciate were:

- Higher levels of Jamaican dollar liquidity within the market alongside increased investor preference for foreign currency denominated assets.
- The net unwinding of BOJ Certificate of Deposits.
- Increased import bill due to high international oil prices and cost of agriculture related raw materials.

The favourable factors that lessened the pressure on the dollar to depreciate were:

- The ongoing policy actions of the BOJ implemented to maintain foreign currency stability.
- Softening of international interest rates
- Increased currency flows from tourism and remittances
- Seasonally higher demand for the local currency
- Increased foreign investors participation in local equity market

The favourable conditions indicated above resulted in an appreciation of the local currency by J\$1.05 for the month of December 2007.

Economic Partnership Agreement:

The Economic Partnership Agreement (EPA) between the Caribbean ACP Forum (CARIFORUM) and the European Commission is the new trade agreement which replaces the chapters on trade of the now expired Cotonou Agreement. The Economic Partnership Agreement seeks to regulate the



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Miss Marcia Ormsby
Director, Corporate & Public Affairs

behaviour of political aid and trade relations between the European Union and CARIFORUM, reflecting a new trade relationship. This relationship is in conformity with the rules stipulated by the World Trade Organization and will gradually bring closure to the preferential, non-reciprocal relationship the ACP nations have enjoyed for over forty years. This agreement is expected to enter into force by April 15, 2008, after the necessary procedures are completed.

By signing the Economic Partnership Agreement (EPA) between CARIFORUM and the European Union, Jamaica has gained access to approximately 750million customers, hence our penetration of the EU market should be fruitful for Jamaican producers. Also, the European Union has committed to reach an annual amount of one billion Euro's (\$1.4 billion) in trade related assistance by 2010, with a range of 50% available for African Caribbean and Pacific Countries (ACP).

The Implications of the EPA outlined in a presentation by Ambassador Lorne McDonnough are shown below:

Provisions:

- Development Cooperation
- Market Access for goods
- Customs & Trade Facilitation
- Regional Preference
- Public Procurement
- Most Favoured Nations Provision
- Competition, Countervailing, Anti-Dumping Trade Remedies
- Environment & Social Aspects
- Innovation & Intellectual Property
- Agriculture & Fisheries

Institutional Provisions:

- Joint CARIFORUM-EC Council (Ministerial Level) responsible for monitoring agreement

& review.

- CARIFORUM-EC Trade and Development Committee
- (Senior Officials) to assist Joint Council on technical issues.
- CRIFORUM-EC Parliamentary Committee
- EC Consultative Committee (non-state actors)

Challenges for Jamaica:

- Increased competition from imports
- Possible dislocation of vulnerable and uncompetitive local industries (social implications)
- Preference erosion due to EU bilateral arrangements and Doha Round-therefore the EU provides a brief window of opportunity.
- Revenue loss due to tariff reductions
- The EPA has implications for future trade agreements with USA and Canada
- Need for Alternative Sources of revenue, tax reform

Ambassador Bernal noted that the Private Sector must employ their collective machinery to ensure that they take full advantage of the opportunities this agreement will present. These include:

Opportunities for Jamaica

- Duty-free quota-free access to the large EU market
- Improved (conditional) access for Jamaican service suppliers, which includes Entertainers, Professionals, Investors and Graduate trainees.
- Development support for Tourism and Culture
- Development support for Private and Public Sector
- Emphasis on increasing the Private Sectors competitiveness

APPENDIX

INFLATION (JANUARY 2008 CPI)

INFLATION - JANUARY 2008	%Change	Weighted Δ	Rank	Infl. Contribution
All GROUPS	2.23%	2.226		
FOOD AND NON-ALCOHOLIC BEVERAGES	2.97%	1.111	1	
Food	3.04%			
Bread and Cereals	3.21%			
Meat	1.13%			
Fish and Seafood	0.77%			
Milk, Cheese and eggs	8.01%			
Oils and Fats	4.55%			
Fruit	5.94%			
Vegetables and Starchy Foods	2.70%			
Vegetables	1.70%			
Starchy Foods	4.06%			
Sugar, Jam, Honey, Chocolate and Confectionery	4.83%			
Food Products n.e.c.	4.46%			
Non-Alcoholic Beverages	2.91%			
Coffee, tea and Cocoa	2.10%			
Mineral waters, Soft Drinks, Fruit and Veg Juices	3.23%			
ALCOHOLIC BEVERAGES AND TOBACCO	2.07%	0.029	11	
CLOTHING AND FOOTWEAR	2.69%	0.089	7	
Clothing	2.41%			
Footwear	3.13%			
HOUSING, WATER, ELECT., GAS AND OTHER FUELS	1.90%	0.243	2	
Rentals for Housing	3.42%			
Maint and Repair of Dwelling	2.22%			
Water Supply and Misc. Serv Related to the Dwelling	0.28%			
Electricity, Gas and Other Fuels and Routine	1.36%			
FURNISH, HSHOLD EQUIP & HSHOLD MAINT.	1.71%	0.084	8	
Furniture and Furnishings (including Floor Coverings)	4.25%			
Household Textiles	1.75%			
Household Appliances	1.57%			
Glassware, Tableware and Household Utensils	3.17%			
Tools and Equipment for House and Garden	1.42%			
Goods and Serv. for Routine Household Maint	1.21%			
HEALTH	2.90%	0.095	6	
Medical Products, Appliances and Equipment	5.21%			
Health Services	1.55%			
TRANSPORT	0.66%	0.084	9	
COMMUNICATION	0.00%	0.000	12	
RECREATION AND CULTURE	1.46%	0.049	10	
EDUCATION	5.66%	0.121	4	
RESTAURANTS AND ACCOMMODATION SERVICES	1.73%	0.107	5	
MISCELLANEOUS GOODS AND SERVICES	1.46%	0.122	3	

FISCAL ACCOUNT (Apr-Dec — 2007/08)

REV & EXPN (APR - DEC 2007)	JSm	PROVISIONAL Results	JSm	BUDGET DEVIATION	JSm	YOY - CHANGE
Revenue & Grants	174,683.0		2,894.6		26,329.50	
Tax Revenue	155,387.3		1,893.3		22,998.70	
Non-Tax Revenue	9,987.2		52.1		427.40	
Bauxite Levy	3,987.0		842.4		948.80	
Capital Revenue	3,664.4		978.2		1,787.50	
Grants	1,657.1		-871.5		167.20	
Expenditure	215,120.0		-1,067.1		28,407.30	
Recurrent Expenditure	188,823.0		5,756.5		19,942.10	
Programmes	46,548.6		8,165.7		10,197.80	
Wages & Salaries	64,059.4		-1,784.7		5,793.70	
Interest	78,215.0		-624.5		3,950.50	
Domestic	53,848.5		-745.1		-138.50	
External	24,366.5		120.6		4,089.10	
Capital Expenditure	26,297.0		-6,823.6		8,465.20	
Capital Programmes	26,297.0		-6,823.6		8,465.20	
IMF #1 Account	0.0		0.0		0.00	
Fiscal Balance (Surplus [+ve])	-40,437.0		3,961.6		-2,078.00	
Loan Receipts	119,646.1		11,754.2		-16,365.50	
Domestic	105,168.9		13,327.4		-22,410.80	
External	14,477.2		-1,573.2		6,045.10	
Divestment Proceeds	0.0		0.0		0.00	
Amortization	87,947.2		-241.9		-5,818.90	
Domestic	58,817.7		-312.2		-21,737.30	
External	29,129.5		70.2		15,918.50	
Overall Balance (Surplus [+ve])	-8,738.0		15,957.7		-12,624.70	
Primary Balance (Surplus [+ve])	37,778.0		3,337.1		1,872.70	

REV. Only (APR - DEC 2007)	JSm	PROVISIONAL Results	JSm	BUDGET DEVIATION	JSm	YOY - CHANGE
Revenue & Grants	174,683.0		2,894.6		26,390.1	
Tax Revenue	155,387.3		1,893.3		22,998.7	
Income and profits	63,039.7		4,179.8		11,704.7	
Bauxite/alumina	722.1		-319.0		212.8	
Other companies	11,183.2		1,519.9		12,59.3	
PAYE	33,598.5		2,549.0		4,567.2	
Tax on dividend	1,865.4		1,740.5		1,714.4	
Other individuals	1,461.2		195.0		300.8	
Tax on interest	14,209.2		-1,505.6		3,650.3	
Environmental Levy	1,081.9		234.6		1,082.1	
Production and consumption	46,808.1		-507.7		5,110.2	
SCT	2,757.7		-827.0		452.9	
Motor vehicle licenses	759.6		-29.8		47.2	
Other licenses	244.9		41.1		33.3	
Betting, gaming and lottery	856.4		-6.8		69.6	
Education Tax	7,221.0		201.7		689.3	
Contractors levy	642.0		25.9		71.5	
GCT (Local)	26,996.7		-206.7		2,688.6	
Stamp Duty (Local)	7,330.0		294.0		1,057.1	
International Trade	44,457.6		-2,013.4		5,102.1	
Custom Duty	14,245.1		-260.9		1,737.7	
Stamp Duty	834.3		-87.7		19.2	
Travel Tax	1,612.7		2.1		123.9	
GCT (Imports)	21,710.2		410.9		3,620.7	
SCT (Imports)	6,055.2		-2,077.7		-419.1	
Non-Tax Revenue	9,987.2		52.1		427.4	
Bauxite Levy	3,987.0		842.4		948.8	
Capital Revenue	3,664.4		978.2		1,787.5	
Grants	1,657.1		-871.5		167.2	

Statistical Index Major Macro-Economic Indicators

	BM		M2		NIR	Fgn Cur- Dep	CPI		Tourism	J\$/US\$	T-bill	Loan	Sav	Dom Debt	Fgn Debt
	M	P	M	P	US\$M	US\$M	M	P	P		%	%	%	J\$M	US\$M
Jan '05	-11.8	10.5	-0.50	14.44	1,847.58	1,904.47	0	12	-2.27	61.87	14.4	24.9	6.5	449,259.38	5,068.79
Feb	-1.6	9.25	-0.29	12.56	1,831.07	1,918.71	0.4	13	-0.08	61.91	14	24.9	6.5	451,895.38	5,062.87
Mar	6.5	15.1	0.01	9.86	1,901.60	1,935.11	1	13	15.08	61.54	13.5	24.9	6.4	449,247.55	5,044.36
Apr	-3.52	11.4	1.40	9.10	2,010.42	1,944.10	1.9	15	-7.73	61.65	13.4	24.9	6.4	456,393.56	5,055.21
May	0.92	10.6	0.37	9.35	2,074.49	1,916.93	2.2	17	5.19	61.71	13.4	24.9	6.4	466,840.52	4,968.13
June	-1.16	9.47	-0.55	9.75	2,152.80	1,940.56	1.5	18	-1.84	61.84	12.9	24.9	5.5	467,233.58	4,952.24
July	2.5	9.12	0.89	9.44	2,149.25	1,983.67	1.6	18	-7.56	62.23	13	22	5.5	471,668.82	5,282.35
Aug	0.98	9.11	0.89	9.50	2,117.51	1,974.33	0.1	17	-2.67	62.24	13	22	5.5	472,452.67	5,327.40
Sep	-2.68	5.17	0.25	8.42	2,118.97	2,023.12	2.6	19	25.74	62.89	13.2	22	5.5	478,216.66	5,293.49
Oct.	1.06	5.39	3.04	11.68	2,078.99	2,061.63	0.6	16	6.42	64.04	13.2	22	5.5	478,118.96	5,452.00
Nov	1.84	5.44	-0.71	8.96	2,093.80	2,067.88	0.3	14	18.37	64.67	13.2	22	5.5	478,436.18	5,407.83
Dec	18.93	9.68	4.27	9.32	2,087.40	2,025.45	0.1	13	9.92	64.58	13.6	22	5.48	480,099.16	5,375.40
Jan '06	-10.28	11.57	-1.70	8.01	2,093.50	2,028.59	0.1	13	15.87	64.99	13.3	21.84	5.30	489,671.66	5,398.74
Feb	-12.84	11.71	0.71	9.10	2,024.24	2,045.44	-0.03	12.4	9.01	65.36	13.2	21.84	5.30	486,690.28	5,621.88
Mar	-0.18	4.71	-0.27	8.80	2,078.10	2,027.75	0.09	11.7	5.05	65.50	13.18	21.84	5.30	482,712.53	5,567.42
Apr	3.12	11.91	0.54	7.87	2,151.80	2,033.37	1.14	12.3	22.55	65.63	13.07	21.84	5.30	489,664.97	5,622.32
May	-0.44	10.41	0.34	7.84	2,162.80	2,044.98	0.40	8.6	17.2	65.73	12.84	21.84	5.30	490,098.32	5,639.65
Jun	0.40	12.15	0.96	9.46	2,110.10	2,056.72	1.27	8.4	19.7	66.03	12.82	22.50	5.39	502,404.45	5,611.53
Jul	3.24	12.96	1.18	9.78	2,087.90	2,049.93	1.36	8.2	25.9	65.99	12.81	22.50	5.39	510,481.97	5,617.45
Aug	2.20	12.33	-0.46	8.31	2,215.60	2,178.41	0.31	8.5	24.3	65.93	12.79	22.5	5.39	513,805.41	5,618.38
Sep	-0.23	17.20	-0.04	8.00	2,342.00	2,119.49	0.75	6.5	11.7	66.06	12.49	21.80	5.36	520,394.81	5,619.32
Oct	-0.53	15.37	1.12	5.99	2,306.40	2,104.08	-0.08	5.8	24.1	66.50	12.30	21.80	5.36	530,109.25	5,622.95
Nov	2.67	16.30	2.44	9.55	2,352.99	2,241.85	-0.18	5.3	9.5	66.92	12.31	21.80	5.36	539,864.26	5,827.13
Dec	19.97	17.32	5.69	12.30	2,317.55	2,185.37	0.51	5.8	9.4	67.15	12.31	21.90	5.20	536,673.14	5,795.64
Jan '07	-12.04	15.01	n/a	n/a	2,288.40	2,183.07	0.29	6.0	3.2	67.55	11.99	21.90	5.20	527,998.13	5,760.19
Feb	1.91	18.96	-0.78	10.18	2,185.56	2,146.56	0.18	6.2	-0.2	67.55	11.94	21.90	5.20	521,305.93	5,746.97
Mar	-0.28	18.84	0.45	10.98	2,329.40	2,120.34	0.50	6.6	-3.8	67.80	11.65	22.49	5.15	513,930.86	6,035.34
Apr	-0.17	15.05	1.69	11.77	2,292.36	2,205.28	0.68	6.1	-3.0	68.08	11.81	23.07	5.15	536,441.87	6,065.20
May	1.13	16.86	2.04	13.65	2,252.22	2,215.39	0.67	6.4	3.7	68.22	11.96	23.04	5.13	535,788.09	6,031.10
Jun	1.28	17.88	1.46	14.73	2,238.87	2,244.91	0.51	5.6	-7.5	68.58	12.16	22.49	5.17	500,100.28	6,130.82
Jul	2.58	17.12	2.13	15.81	2,146.18	2,246.79	1.01	7.3	2.14	68.81	12.21	22.49	5.17	514,839.92	6,163.47
Aug	1.24	16.02	1.92	23.37	2,067.29	2,320.14	0.98	8.1	-13.4	69.83	14.29	22.08	4.88	546,490.38	6,178.10
Sep	-1.01	15.11	1.21	20.06	1,916.19	2,359.20	1.59	9.0	-5.5	70.41	13.61	21.08	4.88	552,027.91	5,980.52
Oct	1.20	17.11	2.92	21.98	1,924.53	2,408.12	1.38	10.59	-11.3	71.18	13.61	20.90	4.88	561,489.06	6,140.70
Nov	1.70	16.00	n/a	n/a	1,808.45	2,419.64	3.26	14.43	n/a	71.36	13.57	21.24	4.88	560,400.21	6,134.51
Dec	16.41	12.56	n/a	n/a	1,877.73	n/a	2.46	16.80	n/a	70.62	13.34	20.82	4.88	558,426.33	6,122.76
Jan	-11.73	12.95	n/a	n/a	1,819.08	n/a	2.23	18.21	n/a	71.74	13.33	n/a	n/a	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:	
ACP—Africa Caribbean Pacific States	Loan – Average Loan Rate
BM – Base Money	M – Monthly Percentage Change
BP – Basis Points	M2 – Money Supply
CaPRI— Caribbean Policy and Research Institute	MT – Million tonnes
CARICOM— Caribbean Community & Common Market	N/A – Not Available
CARIFORUM— CARICOM and Dominican Republic	NIR – Net International Reserves
CPI – Consumer Price Index	OMO – Open Market Operation
CSME— Caribbean Single Market & Economy	P – Point-to-Point Percentage Change
EC— European Commission	R – Revised
EPA—Economic Partnership Agreement	S – Stopover
EU—European Union	Save – Average Savings Deposit Rate
FX Dep – Foreign Exchange Deposit	Tbill – 6-month Treasury Bill Yield
JCB – Jamaica Conference Board	Tourism – Total Tourist Arrivals
JCC – Jamaica Chamber of Commerce	WATBY - weighted average Treasury bill yield
KMA – Kingston and Metropolitan Area	WTO—World Trade Organization
WTI – West Texas Intermediate (Spot Oil Price)	

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