



CONFIDENTIAL ECONOMIC BULLETIN



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OVERVIEW

Minister Of Finance Budget Speech:

The Minister of Finance, Honourable Audley Shaw on April 10th 2008 made his budget presentation address to the members of parliament and the wider public. The theme was "Development with Equity—The People at the Centre of Our Concern". The minister used the opportunity to outline the challenges facing Jamaica and to give a more than adequate review of the prevailing economic conditions. He presented a framework for economic development with a strong focus on achieving a vibrant and competitive Jamaican economy.

In order to achieve this goal, he presented five (5) key pillars that the JLP

administration will stand on. These include [extract from speech]:

- The need to apply a strong, disciplined approach to fiscal and debt management,
- The need to reform the tax system to improve efficiency and to create a business friendly environment,
- The need to reduce bureaucracy, corruption, waste and impediments to investment,
- The need to aggressively drive local and foreign direct investment above the levels achieved over the last five to 10 years; and,
- The need to aggressively move on the issue of energy conservation and the development of alternative energy.

(See Developments and Outlook for main policy initiatives for FY-08/09).

In this report: In the month of March 2008 the local currency appreciated by 28 cents Jamaican (or 0.4%) against the US dollar.

Inflation for February 2008 was 1.76%. This was largely attributed to the higher prices of bread and cereal items within the 'Food & Non-Alcoholic Beverages' division. The second largest stimulus to inflation was classified under the 'Housing, Water, Electricity, Gas & Other Fuels' divisions. Approximately 70% of this was attributed to electricity, gas and other fuels. Inflation for the first two months of 2008 is 4.02% which more than doubles the 1.34% recorded for the corresponding period in 2007.

In January 2008, total tourist arrivals increased by 5.1% when compared to January 2007. This reflected a 10.1% increase in stopover arrivals that was further complemented by a 0.7%

increase in cruise arrivals in the period of observation.

Over the first eleven (11) months of the Fiscal Year 2007/08 the fiscal deficit amounted to J\$50.4B and was \$2.6 million (5.5%) greater than the period's budgeted deficit. The deficit emerged from the additional \$12.0 billion spent on programmes during the period. This was largely offset by the 4.5 billion cutback in capital expenditure and the additional \$3.3 billion revenue emanating largely from tax revenue collections.

Average lending rates climbed by 75 basis points (bps) during February 2008. Average savings rate remained at the 7-month stable rate of 4.88% while the Treasury Bill rate inched up by 1 bp over March.

Net International Reserves (NIR)

The country's Net International Reserve (NIR) regained value in the last few months to levels comparable to August 2007. This represents a 15.2% climb above the 2007 month-end low of US\$1,801.45M experienced in November of that year.

During the month of March 2008, Net International Reserves increased by US\$127.2M to offset more than half (1/2) the net decline over the previous 12 months. At the end of the month the reserve balance stood at US\$2,083.4M. This represents a 10.6% reduction since March of last year.

In March 2008 the gross reserves represented 18.0 weeks of Goods import falling from 27.0 weeks in the corresponding month of 2007. (see Table 1).

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★ No change since previous issue



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Foreign Currency

Over the month of February 2008 total foreign currency deposits amounted to US\$2,436.13 million, approximately US\$18 million less than the previous month's figure (see Table 2). This was attributed to substantially less foreign currency holdings by Commercial Banks (US\$14.9M). Commercial banks account for just above 72% of total foreign currency holdings as at the end of February.

Merchant banks also experienced a decline in foreign currency holdings of the amount US\$4.7M or 11.1%. Building Societies were the only group to reflect a net increase in foreign currency holdings during the month. This growth, however, accounts for approximately 7.3% of the total currency reduction among the other institutions (see Table 2).

Foreign Exchange Rate

US DOLLAR: The local currency appreciated by 28 cents Jamaican (0.4%) against the US dollar counterpart during the month of March 2008. On the last trading day of the month the Jamaican dollar sold for an average rate of J\$71.09 per US\$1 (see table 3). Since the start of 2008 the local currency depreciated by 47 cents Jamaican (or 0.7%) against the US-dollar. This compares favourably to the 1.0% depreciation over the corresponding first quarter of 2007.

POUND: The domestic currency depreciated by a mere 1 cent Jamaican against the pound sterling in March (see table 3). Since the start of 2008 the local tender lost approximately 83 cents Jamaican (or 0.6%) to the British pound sterling.

CANADIAN: In March 2008 the Jamaican dollar appreciated by J\$3.24 against the Canadian dollar (see Table 3). During the first quarter of 2008 the Jamaican dollar appreciated by J\$1.65 (or 2.3%) against the Canadian dollar.

Interest Rates

There were no adjustments to the Bank of Jamaica Open Market Opera-

Table 1: Changes in the NIR

	US\$M	Change US\$M			Imports
	NIR	Mthly	12 Mth	YTD	(Weeks)
Mar-08	2,083.4	127.2	-246.0	205.7	18.0
Mar-07	2,329.4	143.8	251.3	11.8	27.1

Source: Compiled from the BOJ (Preliminary)

Table 2: Foreign Currency Deposits

	US\$000	Change (US\$000)		%
	Feb '08	mthly	12 mth	12 mth
Commercial Banks	1,761,455	(14,943)	210,782	13.59%
Building Societies	479,167	1,439	59,256	14.11%
Merchant Banks	195,510	(4,740)	19,538	11.10%
Total Deposits	2,436,132	(18,244)	289,576	13.49%

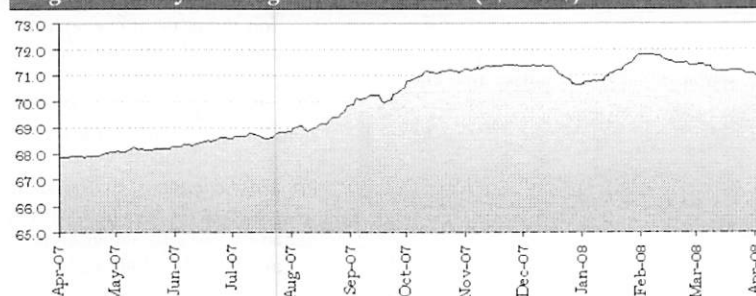
Source: Compiled from the BOJ (Preliminary)

Table 3: Foreign Exchange Trends (Mar-2008)

	Year to Date Currency Rate Change*					
	J\$ / US\$	%	J\$ / UK£	%	J\$ / Can\$	%
2008	0.47	0.7	0.83	0.6	-1.65	-2.3
2007	0.65	1.0	0.87	0.7	1.23	2.1
2006	0.91	1.4	2.54	2.3	1.19	2.2
March 2008						
Actual Rate	71.09	-0.40	141.15	0.00	69.75	-1.44
Mth Change	-0.28	-0.40	0.01	0.00	-3.24	-1.44

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

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



Source: Bank of Jamaica Database (BOJ)

Table 4: Interest Rate Movements

	Feb-08	Change (%age pts)		
		Monthly	12-Mth	YTD
Avg Savings Deposit	4.88%	0.00%	-0.32%	0.00%
Avg Loan Rate	22.39%	0.75%	0.49%	1.57%
6 Month T-Bill (Mar-08)	14.23%	0.01%	2.58%	0.89%
12 Month T-Bill	n/a	n/a	n/a	n/a

Source: Bank of Jamaica (BOJ Preliminary)

tions (OMO) rates following the upward adjustments in both January and February 2008.

As at March 28 2008 the six-month T-bill cleared the market at an average yield of 14.23%. This is a mere 1

basis point above the 14.22% at February end (see table 4 & Figure 2).

In February 2008, the Average Lending Rate increased by 75-bps to close the month at 22.39%. There was no change to the Average Savings Rate

that remained at 4.88% for the seventh consecutive month.

Base Money & Money Supply

The monetary base increased by 1.81% during the month of March 2008. For the month of December 2007, all monetary aggregates grew. Approximately 96% of this change was attributed to increased holding of both the M1 and M2 aggregates. Quasi Money grew only marginally (0.38%) during the period (see table 5).

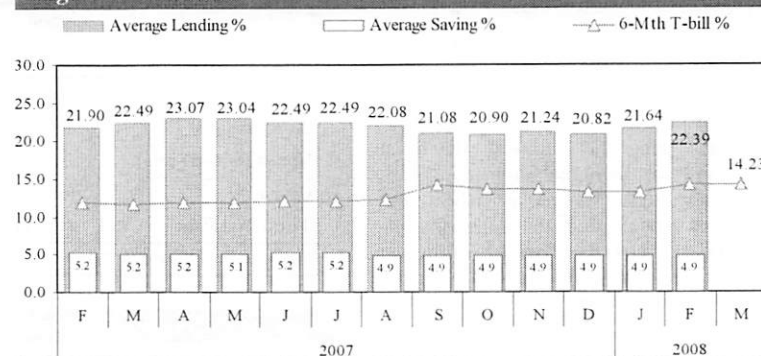
Inflation

Inflation for the month of February 2008 was 1.76%. In the corresponding month of 2007 the inflation was 0.33% (see Table 7 and figure 3).

Over the period approximately 40% of the CPI increase was attributed to the "Food & Non-Alcoholic Beverages" division. All items registered price increases. Within this division Bread and Cereals was the single largest contributing component to inflation during the month. Food prices in February were less volatile than observed in January 2008. The price of non-alcoholic beverages showed some moderation with an average 1.6% increase for February. This was approximately half the increase experienced in the preceding month (see INFLATION chart in Appendix, p.11).

The second largest price inflator for

Figure 2: Interest Rate Movements



Source: Bank of Jamaica Database (BOJ preliminary)

Table 5: Base Money and Money Supply

	J\$M Dec-07	Percentage Change (%)	
		Mthly	12 Mth
M1	105,214.62	10.04	21.10
Quasi Money	194,712.29	0.38	14.86
M2	299,926.91	3.57	16.97
<hr/>			
	Mar-08	Mthly	12 Mth
Base Money	58,842.37	1.81	13.54

Source: BOJ Economic Statistics

Table 6: Inflation Trends

	% Percent Changes			
	February	12-Mth	YTD	Fiscal
2008	1.76	19.90	4.02	18.54
2007	0.33	6.94	1.34	6.81

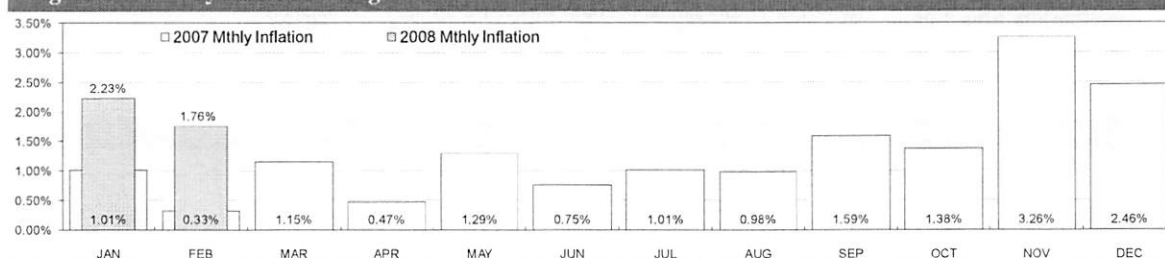
Source: STATTIN & BOJ Statistical Digest - Fiscal: represents fiscal year to date

the month was the division "Housing, Water, Electricity, Gas and Other Fuels". It contributed just below 20% of the month's inflation. This was fuelled largely by the higher prices associated with "electricity, gas and fuels etc" which

contributed to over 70% of the inflationary stimulus in this division.

Additionally, wage increases for industry workers such as masons, electricians, plumbers, painters and carpenters contributed to the upward

Figure 3: Monthly Inflation Changes



Source: STATTIN and PSOI compilation



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pressure on prices within the division.

Over the 11 (eleven) months of the fiscal year 2007/08, inflation stood at 18.54%. Among the factors contributing to the accelerated growth in inflation during the course of the fiscal year were the higher international oil prices; higher prices for wheat and other grains; and the damaging effects of Hurricane Dean resulting in food shortages; and instability in the FX market. (See Developments and Outlook -pg.9- for a calendar year review of inflation).

Tourism

Stopovers: Stopover arrivals for January 2008, when compared to the same period last year, increased by 10.1% (see Table 9 & Figure 5B). This was attributed to both a 10,049 (8.1%) increase in 'Foreign Nationals' and a 3,056 (55%) increase in Non-Resident Jamaicans visiting the country.

In January 2008 approximately 59% of all stopover arrivals emanated from the North American region. In 2007 the proportion was 61%. Canada's share grew from 17.6% in January 2007 to 20.3% in January 2008. The UK maintained approximately the same proportion of 10% for the first month of the calendar year.

While the US remains the strongest tourism market to Jamaica, initiatives are currently being made by the Ministry of Tourism to expand Jamaica's reach into the European markets.

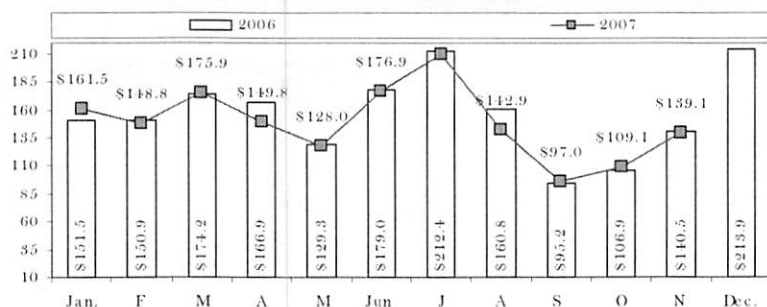
Minister Bartlett has, in the media, indicated the initiatives taken to increase airlifts from Europe especially from the two fastest growing areas in recent times, Spain and Portugal. The

Table 7: Tourist Arrivals

	2006	2007	% Change	
	YTD (Jan)	YOY (Jan)	YOY (Jan)	Jan (08/06)
Stopover	129756	142861	10.1%	10.1%
Foreign Natls	124199	134248	8.1%	8.1%
Non-Resident Natls	5557	8613	55.0%	55.0%
Cruise	143728	144671	0.7%	0.7%
Total Arrivals	273484	287532	5.1%	5.1%

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

Figure 4: Currency and Tourism Trends



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

region is noted for having strong economies, a strong currency, and long holidays. The main hindrance, however, is limited air lift from that region. Alongside these initiatives, efforts are also being made to increase airlift from the US for regions such as Dallas and Fort Lauderdale (Source: Gleaner and JIS websites).

Cruise Passengers: Cruise arrivals for January 2008 increased by 943 (0.7%) when compared to the corresponding month of 2007 (see Table 9 & Figure 5C).

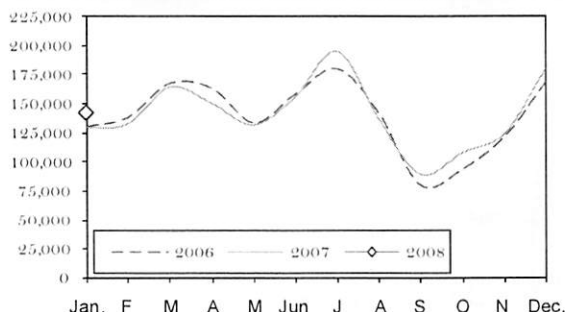
Total Visitors: Total visitor arrivals for January 2008 was 5.1% greater than that of the corresponding month of 2007.

External Trade

The trade deficit worsened by 17% in 2007 when compared with that of 2006. The trade account reveals a growth in import value that more than quadrupled the growth in export value (see table 10).

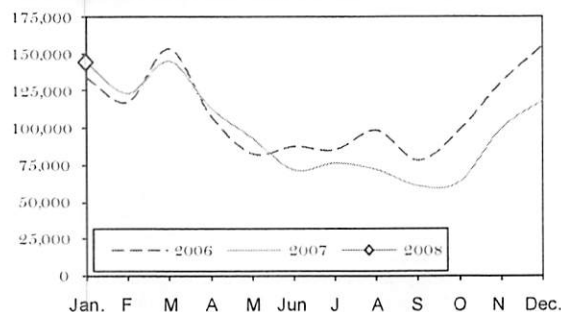
The ratio of Imports to Exports is currently (3.0 : 1). This means that for every US\$1 earned, approximately US\$3 are spent on consumption of foreign goods. (Figure-6) depicts the relationship between total Exports and the accumulated trade balance. A representation of total imports is achieved by combining the two bars (export and trade balance).

Figure 5A: Stopover Arrivals to Jamaica



Source: Jamaica Tourist Board (preliminary data)

Figure 5B: Cruise Arrivals to Jamaica



Source: Jamaica Tourist Board (preliminary data)

The growth in export was proportionately less than the growth in export leading to an expansion of the total trade deficit (see figure 6). The trade balance continues to grow at an exponential rate. The period 2004 to 2007 reflects the fastest rate of deteriorating terms of trade over the previous ten (10) years.

Mineral fuels captures a substantial 31% of import value to the country. Over the calendar period 2006/07 this segment increased by 14.5% contributing 31% of the growth in import value. This outcome was largely impacted by the rising price of oil on the international commodities market. During the 12-month period to March 2008, the West Texas Intermediary Crude Oil price climbed by 54% to close the month at US\$101.59 per barrel. Variations during the month resulted in an average price of US\$105.56 per barrel peaking at US\$110.33 per barrel (see fig 7).

During 2007, the major import segments were: Mineral Fuels (31.2%), Machinery & Transport Equipment (19.3%), Chemicals (12.9%), Manufactured Goods (11.7%), Food (11.3%) and Misc. Manufactured Articles (9.2%),

All import segments grew except for "Crude materials excluding fuels". The offsetting impact on import value was a mere 1.8%.

Exports: Both Traditional and Non-Traditional exports grew during 2007. Traditional Exports increased by an approximately 12.1%. "Mining & Quarrying" remains the largest contributor to this category, boasting in excess of 87% of total traditional exports. The segment grew by 13.2% to account for approximately 94% traditional export growth.

Alumina exports continue to drive in excess of 91% of the Mining and Quarrying sector exports.

The "Manufacturing" sector grew by 10.4% during 2007. This improvement was due largely to the 11.8% expansion in Sugar and to a lesser extent, a near doubling of exported coffee products (see Table 10).

"Agriculture" was the only declin-



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Table 8: External Trade (US\$M)

	Jan-Dec 06	Jan-Dec 07	Change	% Change
TOTAL EXPORTS (fob)	1,983.90	2,169.05	185.15	9.3%
Major Traditional Exports	1,336.58	1,498.88	162.30	12.1%
by Sector:-				
Agriculture	46.46	42.29	-4.17	-9.0%
Mining & Quarrying	1,154.16	1,306.49	152.33	13.2%
Manufacturing	135.96	150.10	14.14	10.4%
by Industry:-				
Bauxite	113.28	112.94	-0.34	-0.3%
Alumina	1,040.54	1,193.13	152.58	14.7%
Sugar	89.69	100.28	10.59	11.8%
Rum	40.98	44.21	3.24	7.9%
Bananas	13.41	9.22	-4.19	-31.2%
Coffee	29.65	27.16	-2.49	-8.4%
Other	9.03	11.95	2.92	32.3%
Non-Traditional Exports	611.59	619.35	7.76	1.3%
Re-exports	35.73	50.82	15.09	42.2%
TOTAL IMPORTS	5,650.43	6,459.27	808.84	14.3%
Food	616.80	730.66	113.86	18.5%
Beverages & Tobacco	68.38	93.16	24.78	36.2%
Crude Materials (excl. Fuels)	82.45	67.56	-14.88	-18.1%
Mineral Fuels, etcetera	1,758.46	2,013.03	254.57	14.5%
Animal & Vegetable Oils & Fats	25.20	31.63	6.43	25.5%
Chemicals	680.42	831.20	150.78	22.2%
Manufactured Goods	696.07	753.36	57.29	8.2%
Machinery and Transport Equip.	1,130.06	1,252.37	122.31	10.8%
Misc. Manufactured Articles	510.82	591.21	80.38	15.7%
Other	81.77	95.08	13.31	16.3%
TRADE BALANCE	(3,666.53)	(4,290.22)	-623.69	17.0%

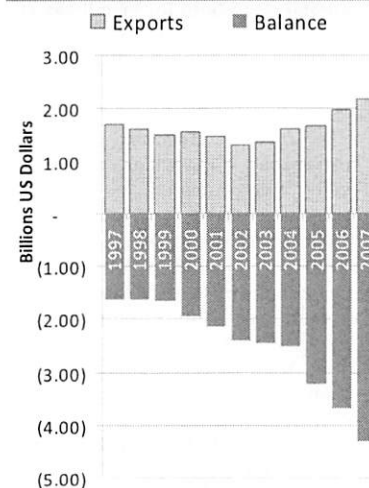
Source: STATIN Jamaica and Bank of Jamaica (BOJ Monthly Statistical Update)

ing segment within the traditional sector over the period 2006/07. This was attributed to declining exports of both banana (31.2%) and coffee (-8.4%).

In the Non-Traditional sector, exports increased by a marginal 1.3%. This was influenced largely by a rise in Mineral Fuels exports that recorded a 6.5% increase when matched against 2006. Waste and Scrap Metals and Chemicals represented the most significant contracting segments within the non-traditional category. Exports of both alcoholic and non-alcoholic beverages grew during the period.

Export of food however declined with dairy products, fish, animal feed and

Figure 6: Trade Balance



Source: BOJ (Import = Export + Balance)

other vegetables reflecting a net decline in exports.

Balance of Payments

In the eleven months January—November 2007, the current account deficit worsened by a substantial 47% when matched against the corresponding period of 2006 (see Table 9). This was greatly impacted by the spiralling import bill that has outpaced the growth in export value by a ratio of (4 : 1) for the period. When matched against the corresponding period of 2006, the Services balance also declined and was attributed to declining levels of inflows compounded by higher levels of outflows.

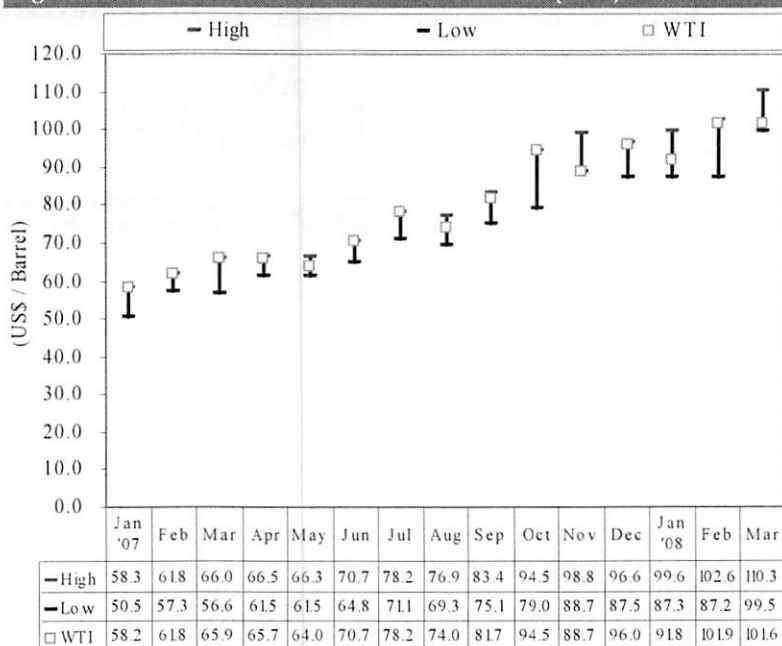
The 'Current Transfers' segment of the Current Account grew by 13% when the Jan-Nov in 2007 was compared to the corresponding period of 2006 (see table 11). Private remittances accounts for approximately 93% of this segment total net inflows. Remittances increased by 14% over the review period.

The deficit on the *Goods Account* expanded by 16% over the periods being compared. This was due to the greater level of imports that substantially outweighed the additional revenue gained from exported goods (see table 9—sub "Goods Balance").

There was a surplus on the *Services account* for the review period. This amount, however, was 29% less than the surplus reported for the corresponding period of 2006. This was attributed to both lower inflows and higher outflows from both the Transportation and Travel sub-accounts (see table 11).

The *Income Account* deficit expanded by 35% when Jan-Nov of 2007 was compared to the corresponding period of 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, noticeably less than the surplus recorded for the corresponding period in 2006 and was also attributed to higher levels of outflows.

Figure 7: West Texas Intermediate Crude Oil Prices (WTI) US\$ / Barrel



Source: PSOJ Compilation from Union Pacific (<http://www.uprr.com/customers/surcharge/wti.shtml>)

Table 9: Balance Of Payments (US\$M)

	Jan-Oct'06	Jan-Oct'07	Change	% Change
Current Account	-1215.5	1787.7	572.3	-47%
Goods Balance	-2760.6	3190.6	430.0	-16%
Exports	1947.5	2086.7	139.2	7%
Imports	4708.1	5277.3	569.2	12%
Services Balance	521.5	372.7	148.7	29%
Transportation	-401.2	-494.3	-93.1	-23%
Travel	1411.9	1360.4	-51.4	4%
Other Services	-189.2	-493.4	-4.2	-1%
Income	-546.3	-738.7	192.4	-35%
Compensation of emplys	87.2	78.5	-8.7	10%
Investment Income	-633.5	-817.2	-183.7	-29%
Current Transfers	1569.9	1768.9	198.9	13%
Official	130.7	131.1	0.4	0%
Private	1439.2	1637.7	198.5	14%
Capital & Financial Account	1215.5	1787.7	572.3	47%
Capital Account	-0.4	-5.0	-4.6	-1150%
Capital Transfers	-0.4	-5.0	-4.6	-1150%
Official	3.9	0.7	-3.2	82%
Private	-4.3	-5.7	-1.4	-33%
Acq/dis. p.	0.0	0.0	0.0	0%
Financial Account	1215.9	1792.7	576.8	47%
Other Official Invst	599.6	631.6	32.0	5%
Other Private Invst	881.8	652.0	-229.8	26%
Reserves	-265.6	509.1		

Currency flows to the Financial account during the 11 month period was US\$509 Million less than the amount needed to fund the Current and Capital account deficits. This balance was funded from the NIR during the period.

Table 10: Fiscal Accounts (J\$ Million)

	April-February (Fiscal—2007/08)				Apr-Feb (YOY)	
	J\$ million		Deviation		06/07 - 07/08	
	Provisional	Budget	J\$M	(%)	J\$M	(%)
Revenue & Grants	215,506.4	212,214.3	3,292.1	1.55	30,314.8	16.4
Tax Revenue	192,480.3	190,100.6	2,379.7	1.25	27,293.1	16.5
Non-Tax Revenue	12,988.7	12,384.1	604.6	4.88	735.5	6.0
Bauxite Levy	4,678.3	3,801.9	876.4	23.05	1,023.7	28.0
Capital Revenue	3,688.2	2,921.8	766.4	26.23	1,145.2	45.0
Grants	1,671.0	3,005.9	-1,334.9	-44.41	117.4	7.6
Expenditure	265,936.6	260,014.4	5,922.2	2.28	37,021.4	16.2
Recurrent Expenditure	232,770.5	222,312.5	10,458.0	4.70	23,874.0	11.4
Programmes	57,887.3	45,905.3	11,981.9	26.10	13,191.7	29.5
Wages & Salaries	79,444.3	80,954.6	-1,510.3	-1.87	7,654.4	10.7
Interest	95,439.0	95,452.6	-13.6	-0.01	3,027.7	3.3
Domestic	65,559.4	66,339.6	-780.2	-1.18	-1,074.4	-1.6
External	29,879.6	29,113.0	766.7	2.63	4,102.1	15.9
Capital Expenditure	33,166.1	37,701.9	-4,535.8	-12.03	13,147.4	65.7
Capital Programmes	33,166.1	37,701.9	-4,535.8	-12.03	13,147.4	65.7
IMF #1 Account	0.0	0.0	0.0		0.0	
Fiscal Balance (Surplus [+ve])	-50,430.2	-47,800.1	-2,630.1	-5.50	-6,706.6	-15.3
Loan Receipts	129,236.7	112,953.2	16,283.5	14.42	-7,956.6	-5.8
Domestic	113,368.1	96,114.4	17,253.7	17.95	-14,773.8	-11.5
External	15,868.6	16,838.9	-970.2	-5.76	6,817.1	78.4
Divestment Proceeds	4,541.8	0.0	4,541.8		4,541.8	
Amortization	93,670.1	93,567.8	102.3	0.11	-17,698.8	-15.9
Domestic	62,544.2	62,368.0	176.1	0.28	-34,034.4	-35.2
External	31,125.9	31,199.8	-73.9	-0.24	16,335.7	110.4
Overall Balance (Surplus [+ve])	-10,321.8	-28,414.7	18,092.9	63.67	7,577.3	42.7
Primary Balance (Surplus [+ve])	45,008.8	47,652.4	-2,643.7	-5.55	-3,678.8	-7.6

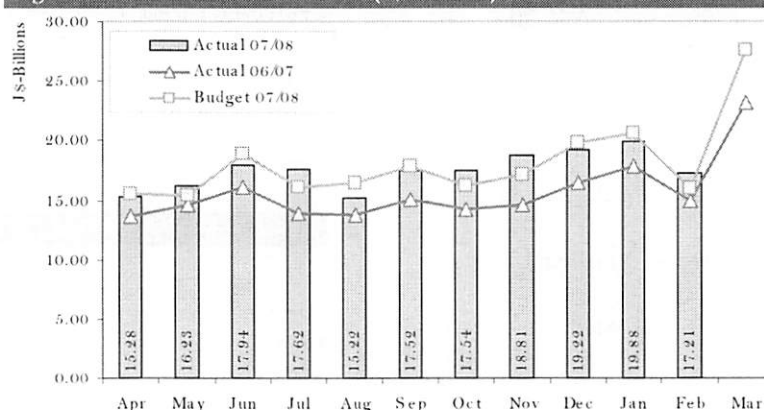
Source: Ministry of Finance and Planning

Fiscal Accounts

For the first eleven (11) months of FY 2007/08 the Government's fiscal deficit amounted to \$50.43 billion which was \$2.63B (5.5%) below the period's budgeted deficit. Revenues & Grants exceeded budget by \$1.55B. This was fully offset by a \$2.28B increase in Expenditure above budget (see table 10).

REVENUE: All categories within the Revenue and Grants segment reflected budget surpluses except for Grants that fell short of budget by \$1.33-B (44%). Tax Revenue exceeded budget by \$2.38-B (1.25%). This was mainly attributed to the higher than planned collections from PAYE, Companies, 'Tax on Dividends' and 'GCT Imports' (see table 11). Other positively contributing categories include Bauxite Levy and

Figure 8: Tax Revenue Collections (J\$-Billions)



Source: Ministry of Finance and Planning (Jamaica)

Capital Revenue.

Tax Revenue — Within the Tax revenue category the five (5) largest tax income generating components for the eleven (11) month period were

PAYE, Local GCT, GCT on Imports, Custom Duty and Tax on Interest (see Fiscal Account chart in Appendix). When combined, these items represented approximately 72% of all tax income revenue.

Revenue items that were less than budgeted for the period includes Tax on Interest Special Consumption Tax (SCT) on Imports, Tax on Interest, Grants, SCT and Bauxite / Alumina (see table 11).

EXPENDITURE: Expenditure for the 11 months to February 2008, exceeded budget by 2.3%. Programmes Expenditure exceeded budget by 26% resulting in an additional \$11.98 billion expended within the Recurrent Expenditure segment. All other expenditure items were kept below budgeted levels except for external interest payments that grew by 2.6%. Up to \$4.5 billion (12%) in Capital Expenditure was contained during the period, offsetting approximately half the overspending reported for recurrent programmes.

During the review period Loan Receipts exceeded budget by 14.4%. This reflected an increase in domestic borrowing of \$17.3 billion (18%) above the budgeted level. External borrowing was cut short by approximately 6% but had little offsetting power on the substantial increase in domestic market borrowing (see table 10).

Debt Amortization was 0.11% off target for the 11 month period. The Primary Balance (overall balance excluding interest payments) was approximately \$4.5 billion which fell short of budget by \$2.6 billion or 5.6%.

PUBLIC DEBT: Total public debt at the end of December 2007 stood at \$990.80 billion, some \$68 billion over the first nine (9) months of the fiscal year. Between April 2007 and December 2007 the 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 declined by 1,024.63 points or 0.94% during March 2008 to close at 107,439.34 points on its last trading day (see figure 9).

Market capitalization declined by \$8.29 billion or 0.94% over the month of March 2008. At the end of the month Market Capitalization value was approximately \$873.51 billion.

For the first three months of 2008, Ciboney

Table 11: Major Deviations in Fiscal Revenue and Expenditure

J\$-Millions		Apr-Feb 07/08
Revenue (Revenue Surpluses)		
PAYE		2,814.30
Other Companies		1,780.60
Tax on Dividend		1,702.70
GCT (Imports)		1,216.60
Bauxite Levy		876.40
Capital Revenue		766.40
Revenue (Revenue Shortfalls)		
Tax on Interest		-2,215.60
SCT (imports)		-1,971.50
Grants		-1,334.90
SCT		-1,109.60
Bauxite / Alumina		-441.80
Expenditure (Changes)		
Programmes	(Over-run)	11,981.90
External - Interest	(Over-run)	766.70
Domestic - Interest	(Savings)	-780.2
Wages & Salaries	(Savings)	-1,510.30
Capital Programmes	(Savings)	-4,535.80

Source: Ministry Of Finance and Planning (Jamaica)

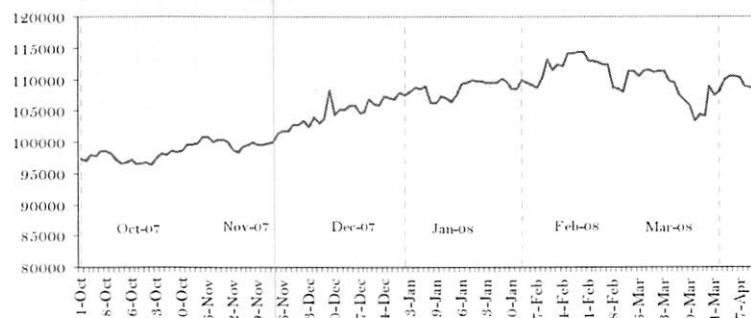
Table 12: Returns for Listed Companies on the JSE

Year-to-Date Performers on the Jamaica Stock Exchange

	31-Dec-07	29-Mar-08	\$ change	% change
Ciboney Group	0.01	0.05	0.04	400.0%
Pulse Investments	2.60	7.00	4.40	169.2%
Salada Foods	44.00	92.00	48.00	109.1%
Mobay Ice Company	13.20	20.20	7.00	53.0%
Pegasus Hotel	10.65	16.00	5.35	50.2%
Bottom Five (unadjusted for dividends or transact. Costs)				
Gleaner Company	4.30	2.90	(1.40)	-32.6%
First Carib. Intl Bnk. Ja	27.00	23.00	(4.00)	-14.8%
Lascelles, de Mercado	565.00	485.00	(80.00)	-14.2%
Radio Jamaica	3.60	3.15	(0.45)	-12.5%
Mayberry Invest. Ltd	4.90	4.40	(0.50)	-10.2%

Source: Compiled from the JSE

Figure 9: Main JSE Index, Oct-07 - Mar-08



Source: Jamaica Stock Exchange (Online Database) and PSOM

Group recorded the largest price appreciation. This represents a 4 cent increase per share representing a 400% increase over the period.

Pulse Investments emerged as having the second largest price appreciation for the review period. The stock price increased by 169.2% over the quarter. The other major price appreciators were Salada Foods climbing by \$48 or (109.1%), Mobay Ice Company (53.0%) and Pegasus Hotel achieving a 50.2% price appreciation during the quarter.

The Gleaner company experienced the largest price decline (down by 62.6%) over the quarter. The company released its December 2007 audited financial statements in March 2008. The results showed a 61% decline in profits after taxation. While revenue and expenses increased somewhat proportionally during the year, a substantial cost was imposed as impairment losses associated with the discounted value of the company's intangible assets (patents etc.) following the liquidation of Voice Group Limited.

First Caribbean International Bank recorded a noticeable 14.8% (\$23) decline over the first quarter period. Other companies reflecting a significant price decline were Lascelles, de Mercado (-14.2%), Radio Jamaica (-12%), and Mayberry Investments Limited (down 10.2%) (see Table 13).

Developments & Outlook

Fiscal Policies for term 2008/09

1. Consolidation of statutory deductions within the fiscal period 08/09.
2. Upgrade Revenue Collection Centres through capital investment and implementation of electronic payment and tax filing facilities.
3. Implement electronic export system
4. Introduce third party collection agreements for enhanced efficiency of revenue collections.
5. Implement stricter penalties for tax evasion and fraud.
6. Use Amnesty to collect back taxes with incentive to bypass penalties and interest by: Jun(100%), July(80%), August (50%), September(40%) and October (20%)
7. Reduce Transfer tax from 7.5% to 6%.
8. Cut stamp duty from 5.5% to 4.5% (effective 1st May 2008)
9. Eliminate double taxation of dividends to shareholders of non-listed companies in Jamaica (effective January 1, 2009)
10. Increase threshold for tax exemption to 220,272 to become effective January 1, 2009.
11. Allow manufacturing sector to use

custom user fees on qualified capital goods that are imported as an income tax credit.

12. Remove ad-valorem SCT, stamp duty and excise tax on cigarette and raise the specific tax by 160% to \$6,000 / 1,000 sticks. Remit 20% of this revenue to the National Health Fund (NHF) (effective April 14, 2008).
13. Increase motor vehicle licenses fee by 50% across the board (effective May 1, 2008).
14. Increase in Motor vehicle examination fees and related fees (May 1, 2008).
15. Simplify SCT and GCT rates on imported motor vehicles. Permit a 10% reduction on luxury vehicles that use diesel oil.
16. Ban the importation of damaged vehicles and limit the age of those imported to 3 years or less. For Vans and light trucks will be allowed a limit of 4 year old vehicles (effective May 1, 2008)
17. Increase gun license fees from \$3,000 to \$6,000.

Fiscal 2008/09 Expenditure Estimates

On March 27, 2008 the Government Of Jamaica (GOJ) 2008/09 Estimates of Expenditure was released. Approximately J\$489 Billion is budgeted for Recurrent and Capital expenditure for the fiscal year. This is \$86.5 Billion (21.5%) more than the revised estimates for the fiscal year before (2007/08).

Recurrent Expenditure:

Recurrent Expenditures accounts for 62% of the periods' budgeted expenditure which has approximately the same proportion as the approved budget for the corresponding period before. The new allocation, however, represents a 27% increase over the approved budget for the previous fiscal period.

Finance: The Ministry of Finance and the Public Service (formerly Ministry of Finance and Planning) and departments accounts for approximately \$164.3 billion or 54% of total recurrent expenditure. Over 75% of this is reserved for interest payments on public debt. This debt servicing portion was increased by 23% over the previous fiscal term.

Excluding other departments, the Ministry of Finance and Public Service (MOF&PS) was allocated an additional \$14.4 billion above the \$7.6Billion approved for the fiscal period before. This is directly linked to an additional \$14.58 billion that was set aside for contingencies. Within the other departments

classified with the MOF&PS, pensions was the next largest allocation representing \$13.2 billion or approximately 8% of the total contribution to the division.

Education: Funds budgeted for the Ministry of Education accounts for close to 18% of total expenditure for the period. This is approximately \$11.8 billion or 28% more than the approved budget for the period before. This represents additional grants made available for instruction at the primary (\$1.5 billion), secondary (\$4.5 billion) and, tertiary (\$3.1 billion) education levels.

Health: Ministry of Health was allotted an additional \$5.95 billion for the fiscal period 2008/09 when compared to the approved budget for the period before. This is directly linked to the additional \$5.89 billion allotted for improved health service delivery. This will be distributed as a grant to the western, southern, south east and north east regional health authorities across the island. Health delivery service has been decentralized across these divisions to improve the level of efficiency. Funds allotted to this programme will be directed at improving disease surveillance and control, environmental health, mental health and substance abuse, public health, family health, health promotional activities and other focuses.

Security: An additional \$2 Billion was allotted to the Police department under the Ministry of National Security. This is directly linked to additional funding set aside for standardization and administration of the department, for criminal investigation in areas such as forensics, general police functions, improved mobile reserves and other areas.

Capital Expenditure:

Total capital expenditure for the new fiscal year amounts to \$185.08 billion representing approximately 38% of the total budgeted expenditure for the year. Of this amount, 88% represents government funded projects, and the remainder resulting from multilateral and bilateral projects. Of the total capital expenditure planned for government spending, \$143.90 billion (88%) is allotted to the Ministry of Finance and Public Service. This is directly linked to the \$140.3 billion earmarked for both internal and external debt repayments as authorised by law.

The GOJ has set aside an additional \$3.6 billion to the Ministry of Energy, Mining and Telecommunications. This largely reflects the \$2 billion set aside for Energy Conservation and Management which will be allocated to upgrading the refinery at Petrojam Ltd. Also, an additional \$1.5 billion is set aside for the Universal Access Fund Company and will go towards facilitating the e-learning project.

APPENDIX

INFLATION (FEBRUARY 2008 CPI)

INFLATION - FEBRUARY 2008	%Change	Weighted Δ	Rnk	Infl. Contribution
ALL GROUPS	1.76%	1.759		
FOOD AND NON-ALCOHOLIC BEVERAGES	1.87%	0.700	1	
Food	1.86%			
Bread and Cereals	2.07%			
Meat	1.12%			
Fish and Seafood	1.36%			
Milk, Cheese and eggs	2.68%			
Oils and Fats	5.48%			
Fruit	2.51%			
Vegetables and Starchy Foods	1.99%			
Vegetables	1.52%			
Starchy Foods	3.01%			
Sugar, Jam, Honey, Chocolate and Confectionery	2.43%			
Food Products n.e.c.	2.68%			
Non-Alcoholic Beverages	1.58%			
Coffee, tea and Cocoa	0.60%			
Mineral waters, Soft Drinks, Fruit and Veg Juices	1.89%			
ALCOHOLIC BEVERAGES AND TOBACCO	1.52%	0.021	8	
CLOTHING AND FOOTWEAR	3.04%	0.101	5	
Clothing	2.01%			
Footwear	4.71%			
HOUSING, WATER, ELECT., GAS AND OTHER FUELS	2.68%	0.542	2	
Rentals for Housing	0.75%			
Maint and Repair of Dwelling	6.26%			
Water Supply and Misc. Serv Related to the Dwelling	1.87%			
Electricity, Gas and Other Fuels and Routine	5.39%			
FURNISH, HSHOLD EQUIP & HSHOLD MAINT.	3.95%	0.195	3	
Furniture and Furnishings (including Floor Coverings)	0.56%			
Household Textiles	1.12%			
Household Appliances	0.49%			
Glassware, Tableware and Household Utensils	2.82%			
Tools and Equipment for House and Garden	1.81%			
Goods and Serv. for Routine Household Maint	5.80%			
HEALTH	0.47%	0.015	9	
Medical Products, Appliances and Equipment	1.01%			
Health Services	0.10%			
TRANSPORT	0.65%	0.053	7	
COMMUNICATION	0.00%	0.000	11	
RECREATION AND CULTURE	0.36%	0.012	10	
EDUCATION	-0.09%	-0.002	12	
RESTAURANTS AND ACCOMMODATION SERVICES	1.62%	0.100	6	
MISCELLANEOUS GOODS AND SERVICES	1.62%	0.135	4	

FISCAL ACCOUNT (Apr-Feb — 2007/08)

REV & EXPN (APR'07 - FEB'08)	J\$m	PROVISIONAL Results	J\$m	BUDGET DEVIATION	J\$m	YOY - CHANGE
Revenue & Grants	215,506.4		3,292.1		30,314.80	
Tax Revenue	192,480.3		2,379.7		27,293.10	
Non-Tax Revenue	12,988.7		604.6		735.50	
Bauxite Levy	4,678.3		876.4		1,023.70	
Capital Revenue	3,688.2		766.4		1,145.20	
Grants	1,671.0		-1,334.9		117.40	
Expenditure	265,936.6		5,922.2		37,021.40	
Recurrent Expenditure	232,770.5		10,458.0		23,874.00	
Programmes	57,887.3		11,981.9		13,191.70	
Wages & Salaries	79,444.3		-1,510.3		7,654.40	
Interest	95,439.0		-13.6		3,027.70	
Domestic	65,559.4		-780.2		-1,074.40	
External	29,879.6		766.7		4,102.10	
Capital Expenditure	33,166.1		-4,535.8		13,147.40	
Capital Programmes	33,166.1		-4,535.8		13,147.40	
IMF #1 Account	0.0		0.0		0.00	
Fiscal Balance (Surplus [+ve])	-50,430.2		-2,630.1		-6,706.60	
Loan Receipts	129,236.7		16,283.5		-7,956.60	
Domestic	113,368.1		17,253.7		-14,773.80	
External	15,868.6		-970.2		6,817.10	
Divestment Proceeds	4,541.8		4,541.8		4,541.80	
Amortization	93,670.1		102.3		-17,698.80	
Domestic	62,544.2		176.1		-34,034.40	
External	31,125.9		-73.9		16,335.70	
Overall Balance (Surplus [+ve])	-10,321.8		18,092.9		7,577.30	
Primary Balance (Surplus [+ve])	45,008.8		-2,643.7		-3,678.80	

REV. Only (APR'07 - FEB'08)	J\$m	PROVISIONAL Results	J\$m	BUDGET DEVIATION	J\$m	YOY - CHANGE
Revenue & Grants	215,506.4		3,292.1		30,868.6	
Tax Revenue	192,480.3		2,379.7		27,293.1	
Income and profits	77,108.9		3,869.8		12,924.3	
Bauxite/alumina	731.5		-441.8		135.6	
Other companies	12,120.7		1,780.6		1,757.6	
PAYE	43,414.2		2,814.3		6,075.5	
Tax on dividend	1,926.9		1,702.7		1,730.1	
Other individuals	1,730.7		229.6		349.1	
Tax on interest	17,184.9		-2,215.6		2,876.4	
Environmental Levy	1,475.6		410.4		1,475.7	
Production and consumption	58,636.4		-864.2		5,603.2	
SCT	3,319.5		-1,109.6		-181.9	
Motor vehicle licenses	936.5		-23.8		58.8	
Other licenses	289.0		40.1		35.1	
Betting, gaming and lottery	1,136.7		35.2		143.4	
Education Tax	9,201.1		175.8		845.5	
Contractors levy	769.7		-42.5		-4.6	
GCT (Local)	34,060.5		-284.9		3,445.5	
Stamp Duty (Local)	8,923.4		345.6		1,260.6	
International Trade	55,259.4		-1,036.4		7,290.4	
Custom Duty	17,232.5		-196.8		2,001.6	
Stamp Duty	1,086.2		-80.3		51	
Travel Tax	2,004.6		-4.4		149	
GCT (Imports)	26,974.9		1,216.6		4,765.4	
SCT (Imports)	7,961.3		-1,971.5		323.8	
Non-Tax Revenue	12,988.7		604.6		735.5	
Bauxite Levy	4,678.3		876.4		1,023.7	
Capital Revenue	3,688.2		766.4		1,145.2	
Grants	1,671.0		-1,334.9		117.4	

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 '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	544,839.92	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	0.24	19.36	1,808.45	2,419.64	3.26	14.43	-4.5	71.36	13.57	21.24	4.88	560,400.21	6,134.51
Dec	16.41	12.56	3.57	16.97	1,877.73	2,424.20	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	2,454.38	2.23	18.21	n/a	71.74	13.33	21.64	4.88	n/a	n/a
Feb	0.34	11.22	n/a	n/a	1,956.20	2,436.13	1.76	19.90	n/a	71.37	14.22	22.39	4.88	n/a	n/a
Mar	1.81	13.54	n/a	n/a	2,083.40	n/a	n/a	n/a	n/a	71.09	14.23	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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