



CONFIDENTIAL ECONOMIC BULLETIN



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OVERVIEW

PSOJ/Citi -Economic Forum

On June 5th 2008, the PSOJ held their Annual Economic Forum at the Bank Of Jamaica Auditorium. Speaking at the event were: President of the Inter-American Development Bank (IDB), Mr. Luis Alberto Moreno as the keynote speaker; the Minister of Finance and the Public Service, Hon. Audley Shaw; and the Opposition Spokesman, Dr. Omar Davies. All three speakers sought to address the main theme of the forum "Managing Realistic Expectations for the Jamaican Economy—Going for Growth".

Mr. Luis Alberto Moreno: Mr. Moreno made mention of the immediate attention that must be given to the

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★ No change since previous issue

issues affecting Jamaica as was explored in the speeches of both the Minister and Opposition Spokesman. He however, used the opportunity to affirm the willingness of the Inter-American Development bank to maintain a strong partnership with Jamaica.

In light of food security concerns resulting from unfavorable international trends in oil and grains commodity prices, Mr. Moreno drew attention to the damaging impact such conditions could have on the poor and underprivileged in Jamaica; but also pointed to the benefits to be gained as rising commodity prices also signals higher levels of demand for such items in various parts of the world. Jamaica should strategically position itself to meet international demand at these, relatively more favorable prices.

(continue on page 9)

In this report: In the month of May 2008 the local currency depreciated by 18 cents Jamaican (or 0.25%) against the US dollar.

Inflation for April 2008 was 1.55%. This was attributed mainly to the higher prices of 'breads and cereal', meats and some dairy items within the 'Food & Non-Alcoholic Beverages' division of the consumer basket. Electricity Gas and other fuels was the single largest price appreciating item during the month.

The third and fourth largest contributors to inflation during April 2008 were Miscellaneous goods and services and Transportation costs.

In March 2008, total tourist arrivals increased by 4.6% when compared to March 2007. This reflected a 12.0% increase in stopover arrivals alongside a 3.7% decline in cruise arrivals

when compared to the corresponding month of 2007.

In January 2008, the Current Account deficit (within the Balance of Payment Account), deteriorated by an additional US\$99.4 million or 62% when compared to the corresponding period in 2007. US\$92 million of this resulted from increase in imports from the merchandise account.

In the first month of the fiscal year 2008/09 (April) the deficit amounted to J\$1.5B and was \$3.4 billion (69.3%) lower than the period's budgeted deficit. The lower than planned deficit was attributed to the increased levels of revenues generated during the month. (see Fiscal Account Section, pg.7)

Average lending rates declined by 8 basis points (bps) during April 2008. Average savings rate was also adjusted down to 4.5% representing a 38 bps reduction. The six month Treasury Bill yield increased by 8 bps during May to close at 14.28%. During the month of May Net International Reserves increased by

Net International Reserves (NIR)

US\$96.3 million to exceed levels achieved in the corresponding month of 2007. The improved position wholly reflects the build-up in foreign assets over the period.

In May 2008 the NIR stood at US\$2,259.2 million representing approximately 17 weeks of goods import down from almost 25 weeks in the corresponding month of 2007 (see Table 1).

During the month of March 2008 total foreign currency deposits



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Foreign Currency

amounted to US\$2,450.52 million, an increase of US\$14 million (or 0.68%) over the balance in the previous month (see Table 2). This was attributed to increased levels of foreign currency holdings by Commercial Banks (US\$7.3M), Building Societies (US\$5.6M) and Merchant Banks (US\$1.5M).

Commercial Banks accounted for approximately 78% of the total addition to foreign currency holding over the twelve (12) months preceding March 2008. Building Society was the next main contributor accounting for as much as 18% of the 12 month increase. The institution contributing least (4%) to the 12-month increase in foreign currency deposits was Merchant banks (see Table 2).

US DOLLAR: The local currency depreciated by 18 cents Jamaican

Foreign Exchange Rate

(0.25%) against the US dollar counterpart during the month of May 2008. On the last trading day of the month the Jamaican dollar sold for an average rate of J\$71.53 per US\$1 (see table 3). Since the start of 2008 the local currency depreciated by 91 cents Jamaican (or 1.3%) against the US-dollar. This compares favourably to the 1.6% depreciation over the corresponding five months of 2007.

POUND: The domestic currency appreciated by 22 cent Jamaican against the pound sterling in May (see table 3). Since the start of 2008, however, the local tender lost approximately 41 cents Jamaican (or 0.3%) to the British pound sterling.

CANADIAN: In May 2008 the Jamaican dollar depreciated by J\$1.41 (or 2%) against the Canadian dollar (see Table 3). During the first five months, however, the local tender depreciated by 53 cents Jamaican (or 0.7%) against the Canadian dollar. As at May 28 2008 the six-month T-bill cleared the market at an average

Interest Rates

yield of 14.28%. This is 8 basis point above the April end 14.20% (see table 4 & Figure 2). The Bank of Jamaica

Table 1: Changes in the NIR

	US\$M NIR	Change US\$M			Imports (Weeks)
		Mthly	12 Mth	YTD	
May-08	2,259.2	96.3	7.0	381.5	16.8
May-07	2,252.2	-40.1	89.5	-65.3	24.8

Source: Compiled from the BOJ (Preliminary)

Table 2: Foreign Currency Deposits

	US\$000 Mar '08	Change (US\$000)		% 12 mth
		mtly	12 mth	
Commercial Banks	1,768,765	7,310	256,632	16.97%
Building Societies	484,748	5,581	58,999	13.86%
Merchant Banks	197,006	1,496	14,544	7.97%
Total Deposits	2,450,519	14,387	330,175	15.57%

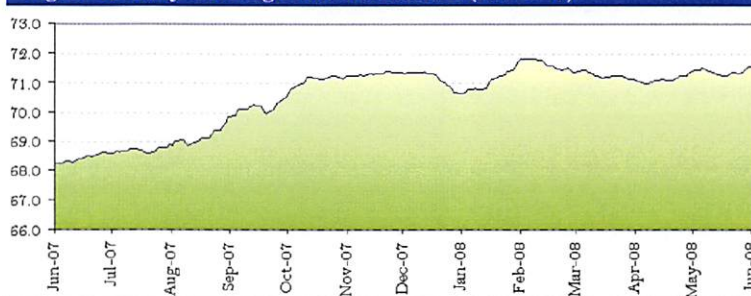
Source: Compiled from the BOJ (Preliminary)

Table 3: Foreign Exchange Trends (May-2008)

	YTD Currency Rate Change (Jan—May 2008) *					
	J\$ / US\$	%	J\$ / UK£	%	J\$ / Can\$	%
2008	0.91	1.3	0.41	0.3	0.53	0.7
2007	1.07	1.6	3.19	2.4	5.94	10.3
2006	1.15	1.8	11.81	10.7	4.39	8.0
	May 2008					
Actual Rate	71.53	0.25	140.73	-0.15	71.92	1.99
Mth Change	0.18	0.25	-0.22	-0.15	1.41	1.99

*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

	Apr-08	Change (%age pts)		
		Monthly	12-Mth	YTD
Avg Savings Deposit	4.50%	-0.38%	-0.65%	-0.38%
Avg Loan Rate	22.39%	-0.08%	-0.68%	1.57%
6 Month T-Bill (May-08)	14.28%	0.08%	2.32%	0.94%
12 Month T-Bill	n/a	n/a	n/a	n/a

Source: Bank of Jamaica (BOJ Preliminary)

made no adjustments to Open Market Operations (OMO) interest rates since February 2008.

In April 2008, the Average Lending Rate declined by 8-bps to close the month at 22.39%. The Average Sav-

ings Rate adjusted downward by 38 bps to close the month at 4.50%. This is the first monthly adjustment since July 2007.

The monetary base declined by 0.63% during the month of May 2008. For

Base Money & Money Supply

the month of March 2008, all monetary aggregates declined except for Quasi Money that increased by a marginal 0.37%. This offset only a 3% of the net decline in M1 and M2 combined. M1 Money declined by (8.6%) while M2 declined by (12.2%) (see table 5).

Inflation for the month of April 2008 was 1.55%. This was more than 3

Inflation

times the inflation experienced in April 2007 (see Table 7 and figure 3). In just the first 4 months of 2008, inflation has reached a significant 6.85% breaching the 2006 annual low of 5.65%. The BOJ in its most recent quarterly Monetary Policy review estimated an annual inflation rate within the range of 11.5% and 14.5%.

Inflation for the 12 months ending April 2008 has reached 21.18% in contrast to the 7.3% experienced for the corresponding period before..

Approximately 67% of the month's increase in the CPI was attributed to the "Food & Non-Alcoholic Beverages" division. The main impetus to this change was the resulting 3.52% average increase in the price of Bread and Cereals. Meats also contributed significantly to the rising prices experienced within the foods division (see INFLATION chart in Appendix, p.10).

Figure 2: Interest Rate Movements



Source: Bank of Jamaica Database (BOJ preliminary)

Table 5: Base Money and Money Supply

	J\$M	Percentage Change (%)	
		Mthly	12 Mth
M1	87,491.11	-11.08	8.57
Quasi Money	196,481.22	0.37	13.91
M2	283,972.33	-3.46	12.21
	May-08	Mthly	12 Mth
Base Money	57,200.40	-0.63	9.33

Source: BOJ Economic Statistics

Table 6: Inflation Trends

	% Percent Changes			
	April	12-Mth	YTD	Fiscal
2008	1.55	21.18	6.85	1.55
2007	0.47	7.30	2.98	0.47

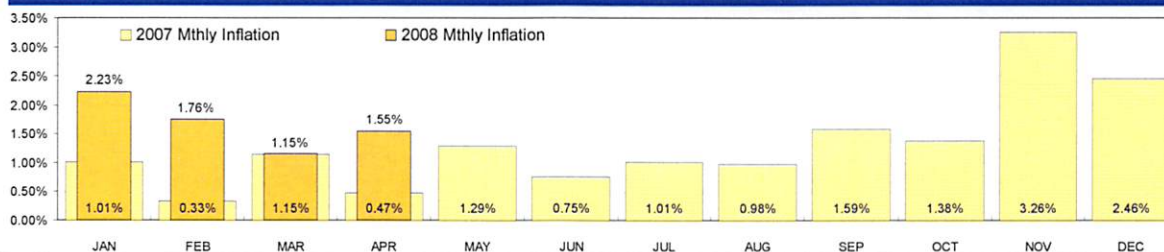
Source: STATIN & BOJ Statistical Digest - Fiscal: represents fiscal year to date

'Electricity, Gas and Other Fuels' was the single largest contributing item to domestic inflation during April representing an average 4% increase. This resulted in the division 'Housing, Water, Electricity,

Gas etc' contributing to 21% points to the months' 1.55% making it the second largest contributor to the month's inflation turnout.

The third and fourth largest contributors to inflation for the month

Figure 3: Monthly Inflation Changes



Source: STATIN and PSQJ compilation



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were Miscellaneous goods & services and Transport costs respectively.

Stopovers: Stopover arrivals for March 2008, when compared March

Tourism

of last year, increased by 19,720 (or 12.0%) (see Table 7 & Figure 5A). This was attributed to both a 15,340 (9.8%) increase in 'Foreign Nationals' and a 4,380 (60%) increase in Non-Resident Jamaicans visiting the country.

In the first quarter of 2008 approximately 62% of all stopover arrivals emanated from the United States region. This was slightly below the 63% share reported for the corresponding period of 2007. Canada's share grew from 16.6% in the first quarter of 2007 to 19.1% in the corresponding quarter of 2008. Jamaica depended on the UK for 9.1% of stopover arrivals during the quarter. This proportion is slightly lower than the 10.3% recorded for the corresponding period last year.

During the review period, the remainder of stopover arrivals visiting Jamaica emanated from Europe 5.1%, Caribbean 3.1% and Other territories (1.5%).

Cruise Passengers: Cruise arrivals for March 2008 declined by 5,417 visitors (or 3.7%) when compared to the corresponding month of 2007 (see Table 7 & Figure 5B).

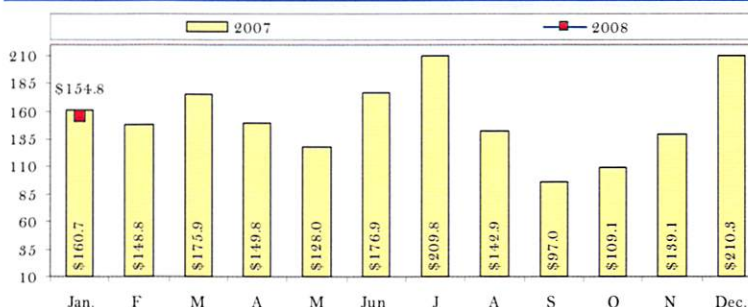
Total Visitors to the island for March 2008 was 14,303 (or 4.6%) more than that of the corresponding month in 2007. Refer to table 8 for year to date (YTD) trends in tourist arrivals. There was a trade surplus for the first two months of 2008 as it was in 2007.

Table 7: Tourist Arrivals

	2007	2008	% Change	
	YTD (Jan-Mar)		YOY	Mar (08/07)
Stopover	427252	483959	13.3%	12.0%
Foreign Natls	408933	454128	11.1%	9.8%
Non-Resident Natls	18319	29831	62.8%	59.6%
Cruise	411622	417421	1.4%	-3.7%
Total Arrivals	838874	901380	7.5%	4.6%

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

Figure 4: Estimated Tourism Expenditure



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

External Trade

In 2008, this balance was US\$258.8M and exceeded the balance in 2007 by 3.9%. Exports for the two month period grew by 18.8% when compared to the corresponding period before while total Imports grew by 22.7%.

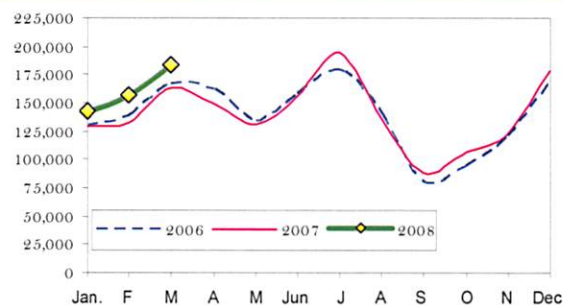
During the review period, Mining and Quarrying captured 89% of traditional export value. This segment grew by a notable 11.8% to reflect mostly expansion of Alumina exports.

Agriculture also contributed positively to the growth in traditional exports. This was US\$41 thousand (or 7.6%) more than the levels at-

tained in the corresponding period before. The growth in agriculture exports was attributed to a 111% increase in coffee exports and to a lesser extent a 33.5% growth in the export of citrus. These improvements were however, significantly offset by the 100% reduction in banana exports in the first two months of 2008 when compared to the corresponding period of last year.

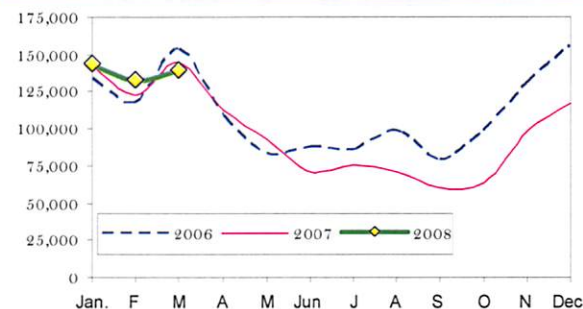
Exports related to manufactured items was the main deterrent to exports during the two month period. Manufacturing exports declined by a substantial 44.5% or US\$17.3M. This was significantly attributed the US\$14.6M cut back in sugar exports. Sugar exports alone accounted for

Figure 5A: Stopover Arrivals to Jamaica



Source: Jamaica Tourist Board (preliminary data)

Figure 5B: Cruise Arrivals to Jamaica



Source: Jamaica Tourist Board (preliminary data)

75% of the value of Manufactured exports during the period.

The remaining 25% was largely represented by Rum (23%) and Coffee products (1%). Both contributed to the reduction in overall manufactured exports with the impact of declining coffee exports slightly exceeding that of declining rum exports.

During the first two months of 2008 Non-traditional exports increased by a noticeable 6.2% or US\$7.2M when compared to the corresponding period of last year.

Exports of Mineral Fuels and related items was the single largest contributor to increased export value during the two month period. Mineral exports grew by approximately 76% representing a US\$34.25M increase. This expanded level of exports however, was significantly offset by an observed US\$19 million setback in the export of ethanol, alongside a US\$18.0 million cutback in the export of waste and scrap metals, when matched against the corresponding two months of last year.

Imports during January and February grew by US\$222.2M or 22.7% when compared to the corresponding period of last year. This reflected increases in all categories except for 'miscellaneous manufactured articles' that declined by a mere US\$4.9M or (-4.3%).

The largest growth categories by import-value during the review period when compared to the corresponding period of last year are: Mineral fuels and similar products (up US\$116M or 44%), Manufactured Goods (up US\$36.3M or 32%), Chemicals (up US\$20.4 or 16%), Machinery and Transport Equipment (up US\$20.2 or 10%), and Food (up US\$19.4M or 16.2%) (see table 8).

At the end of May 2008, the West Texas Intermediate (WTI) Crude Oil Price was US\$127.36 per 42 gallon barrel. During the month, the price grew to as much as \$US132.78/barrel up from US\$113.46/barrel (See Figure 6). There was a current account deficit in the first month of 2008 as it was in the corresponding period last



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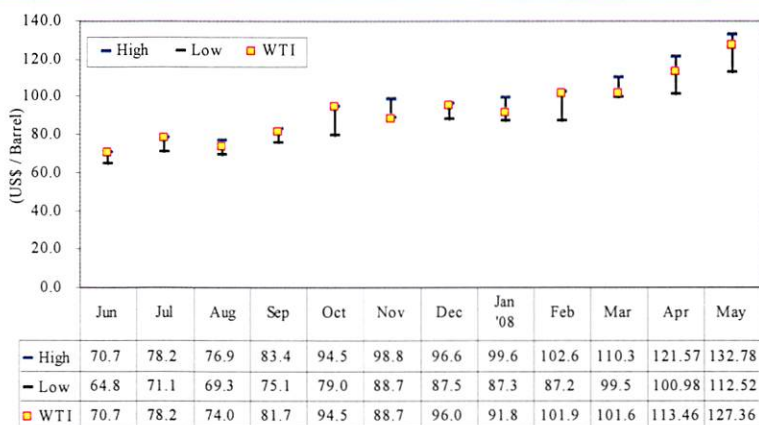
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Table 8: External Trade (US\$M)

	Jan-Feb '07	Jan-Feb '08	Change	% Change
TOTAL EXPORTS (fob)	374.71	392.07	17.36	4.6%
Major Traditional Exports	252.23	259.88	7.65	3.0%
by Sector:-				
Agriculture	5.43	5.84	0.41	7.6%
Mining & Quarrying	208.01	232.51	24.50	11.8%
Manufacturing	38.78	21.52	-17.26	-44.5%
by Industry:-				
Bauxite	18.61	20.97	2.36	12.7%
Alumina	189.41	211.45	22.05	11.6%
Sugar	30.76	16.14	-14.62	
Rum	6.26	5.02	-1.24	-19.9%
Bananas	1.58	0.00	-1.58	-100.0%
Coffee	2.29	4.84	2.55	111.7%
Other	3.33	1.46	-1.87	-56.1%
Non-Traditional Exports	115.93	123.12	7.20	6.2%
Re-exports	6.55	9.07	2.51	38.3%
TOTAL IMPORTS	979.17	1,201.34	222.17	22.7%
Food	120.24	139.67	19.43	16.2%
Beverages & Tobacco	13.98	16.53	2.55	18.3%
Crude Materials (excl. Fuels)	10.67	14.17	3.50	32.8%
Mineral Fuels, etcetera	265.54	382.14	116.60	43.9%
Animal & Vegetable Oils & Fats	4.52	10.26	5.74	127.0%
Chemicals	127.01	147.43	20.43	16.1%
Manufactured Goods	115.19	151.50	36.30	31.5%
Machinery and Transport Equip.	195.88	216.12	20.24	10.3%
Misc. Manufactured Articles	112.88	107.99	-4.89	-4.3%
Other	13.27	15.54	2.26	17.1%
TRADE BALANCE	(604.47)	(809.28)	-204.81	33.9%

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

Figure 6: West Texas Intermediate Crude Oil Prices (WTI) US\$ / Barrel



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

Balance of Payments

year. The deficit, however, worsened by US\$99.4 million (or 62%). This was attributed almost wholly to the US\$92 million net outflow from the Merchandise/Goods Account. The services account also recorded a significant US\$15.5 million deterioration in the surplus balance. This, however, was significantly offset by the additional US\$12.2 million inflow from remittances.

In January 2008 the deficit on the **Goods Account** expanded by US\$92 million (or 32%) when compared to January of 2007. This was largely attributed to expanded levels of imports in areas such as mineral fuels, machinery and transport equipment, chemicals, and manufactured goods. Oil prices rose in excess of 70% since January 2007 leading to the higher cost of imported fuel. The expanded level of merchandise exports was responsible for offsetting only 14% of the increase in import cost.

The surplus on the **Services account** in January 2008 was cut back by US\$15.5 million or 32% when compared to January of 2007. This was contributed to by a US\$9.1 million worsening of the net outflow from the Transportation sub-account. This was due to the increased level of imports when compared to January of 2007. There was a US\$6.5 million reduction of the net surplus on the Travel sub-account attributed to lower earnings from tourism.

There was a deficit on the **Income Account** reflecting higher levels of 'Investment Income' outflows. This is attributed to the higher interest costs associated with external debt generated for official use.

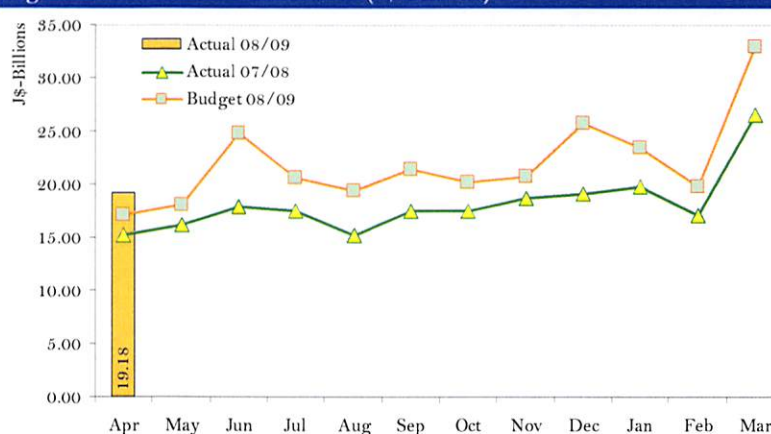
The surplus on the **Current Transfers** account in January 2008 exceeded that of January 2007 by US\$12.2 million (or 8%). This was attributed to the higher level of remittance inflows observed among both remittance companies and commercial banks. Net private remittances grew by approximately 9% when compared to January of 2007. Currency flows to the **Financial account** during January 2008 was US\$58.7 million less than the

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

	Jan'07	Jan'08	Change	% Change
Current Account	-160.5	-259.9	-99.4	-62%
Goods Balance	-290.2	-382.2	-92.0	-32%
Exports	179.8	195.4	15.6	9%
Imports	470.0	577.6	107.6	23%
Services Balance	49.0	33.5	-15.5	-32%
Transportation	-43.5	-52.5	-9.1	-21%
Travel	137.8	131.3	-6.5	-5%
Other Services	-45.4	-45.3	0.0	0%
Income	-63.4	-67.5	-4.1	-6%
Compensation of emplys	1.2	2.5	1.3	108%
Investment Income	-64.7	-70.0	-5.4	-8%
Current Transfers	144.2	156.3	12.2	8%
Official	11.5	11.6	0.1	1%
Private	132.6	144.7	12.1	9%
Capital & Financial Account	160.5	259.9	99.4	62%
Capital Account	-0.5	-0.3	0.3	60%
Capital Transfers	-0.5	-0.3	0.3	60%
Official	0.1	0.1	0.0	0%
Private	-0.6	-0.4	0.2	33%
Acq/dis. p.	0.0	0.0	0.0	-
Financial Account	161.0	260.1	99.1	62%
Other Official Invst	38.9	43.8	4.9	13%
Other Private Invst	93.0	157.7	64.7	70%
Reserves	29.2	58.7		

Source: BOJ & Statistical Update:

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



Source: Ministry Of Finance and Planning (Jamaica)

amount needed to fund the Current and Capital account deficits. This resulted in a net drawdown of the NIR account by the same amount.

In the first month of the fiscal year 2008/09 the Government Of Jamaica (GOJ) accumulated a fiscal deficit \$1.51

Fiscal Accounts

billion. This was 3.42 billion less than the budgeted deficit for the month.

REVENUE: Total Revenues exceeded budget by \$2.49 billion (or 13.2%) in April 2008. Tax revenue and Non-Tax revenue were the only segments with surpluses. The greater than planned revenue collection (by order of significance) is attributed to the higher than expected inflows from Tax on Interest, Non-Tax revenue, Local GCT, PAYE, SCT on Imports, and Custom Duty (see table 11).

Tax Revenue — Within the Tax reve-

Table 10: Fiscal Accounts (J\$ Million)

	April (Fiscal—2008/09)				Apr (YOY)	
	J\$ million		Deviation		07/08 - 08/09	
	Provisional	Budget	J\$M	(%)	J\$M	(%)
Revenue & Grants	21,402.6	18,915.2	2,487.4	13.15	4,814.8	29.0
Tax Revenue	19,179.4	17,182.2	1,997.2	11.62	3,903.5	25.6
Non-Tax Revenue	1,530.4	931.8	598.6	64.24	859.2	128.0
Bauxite Levy	378.2	462.2	-84.0	-18.17	-74.3	-16.4
Capital Revenue	117.2	131.1	-14.0	-10.68	7.6	6.9
Grants	197.5	207.9	-10.4	-5.00	118.9	151.3
Expenditure	25,078.6	25,646.3	-567.7	-2.21	6,054.2	31.8
Recurrent Expenditure	23,116.9	23,502.9	-385.9	-1.64	4,996.3	27.6
Programmes	5,748.3	5,793.2	-44.9	-0.78	1,066.2	22.8
Wages & Salaries	7,868.7	7,928.8	-60.1	-0.76	661.4	9.2
Interest	9,500.0	9,780.9	-280.9	-2.87	3,268.8	52.5
Domestic	8,254.5	8,313.3	-58.7	-0.71	2,621.0	46.5
External	1,245.4	1,467.6	-222.2	-15.14	647.7	108.4
Capital Expenditure	1,961.7	2,143.4	-181.7	-8.48	1,057.9	117.1
Capital Programmes	1,961.7	2,143.4	-181.7	-8.48	1,057.9	117.1
IMF #1 Account	0.0	0.0	0.0	0.00	0.0	
Fiscal Balance (Surplus [+ve])	-3,676.0	-6,731.1	3,055.1	45.39	-1,239.4	-50.9
Loan Receipts	8,158.3	7,796.8	361.6	4.64	-14,740.8	-64.4
Domestic	7,771.0	7,200.0	571.0	7.93	-14,517.6	-65.1
External	387.4	596.8	-209.4	-35.09	-223.1	-36.5
Divestment Proceeds	0.0	0.0	0.0	0.00	0.0	
Amortization	5,991.0	5,991.5	-0.5	-0.01	-903.0	-13.1
Domestic	4,968.8	4,930.2	38.6	0.78	-1,035.5	-17.2
External	1,022.2	1,061.3	-39.1	-3.68	132.5	14.9
Overall Balance (Surplus [+ve])	-1,508.6	-4,925.8	3,417.2	69.37	-15,077.0	-111.1
Primary Balance (Surplus [+ve])	5,824.0	3,049.8	2,774.2	90.96	2,029.4	53.5

Source: Ministry of Finance and Planning

nue category the largest five (5) tax income generating components for the first month in fiscal 2008/09 included Custom Duty, PAYE, Local GCT, GCT on Imports, and Tax on Interest (see *Fiscal Account chart in Appendix*). When combined, these items represented approximately 75% of all tax revenue income generated.

Revenue items that were less than budgeted for the period includes revenue from 'Other companies', 'Other Individuals', Stamp Duty collections, Bauxite Levy, and Tax on Dividends (see table 11 for breakdown).

EXPENDITURE: In April 2008 fiscal expenditure fell short of budget by \$567 million (or 2.2%). This was largely influenced by the lower \$222 million (or 15%) reduction in external interest payments. The next major contributor was Capital expenditure that was curtailed by \$181 million (or 8.5%) during April. Together, External Interest Payments

Table 11: Major Deviations in Fiscal Revenue and Expenditure

J\$-Millions		Apr-Feb 07/08
Revenue (Revenue Surpluses)		
Tax on interest		756.20
Non-Tax Revenue		598.60
GCT (Local)		449.30
PAYE		404.20
SCT (Imports)		324.40
Custom Duty		242.80
Revenue (Revenue Shortfalls)		
Other companies		-145.60
Other individuals		-108.90
Stamp Duty (Local)		-105.10
Bauxite Levy		-84.00
Tax on dividend		-55.50
Expenditure (Changes)		
External - Interest	(Below Budget)	-222.20
Capital Programmes	(Below Budget)	-181.70
Wages & Salaries	(Below Budget)	-60.10
Domestic - Interest	(Below Budget)	-58.70
Programmes	(Below Budget)	-44.90

Source: Ministry Of Finance and Planning (Jamaica)

and Capital programmes expenditure were responsible for 71% of the months' expenditure cutback. All expenditure items were less than projected for the month (see table 10).

During April 2008 the Governments' Loan Receipts exceeded budget by 4.6%. This was wholly attributed to the additional \$571 million (7.9% more) loans from the domestic market despite a \$209.4 million (or 3.5%) reduction in externally generated loans (see table 10).

Debt Amortization was kept in close proximity to the budgeted amounts. Domestic debt accounts for 83% of value contributed to debt amortization during April. Total payments fell short of budget by 1/10th of a percentage point.

While the Primary Surplus was approximately \$2.8 billion (or 91%) more than planned for the month, the overall balance, after taking account of interest payments, reported a balance deficit of \$1.5 billion.

PUBLIC DEBT: Total public debt as at April 2008 stood at \$1.0 trillion. This represents an additional 2.07 billion in debt since April of 2007. All observed expansion in debt was attributed to domestic issued debt, having grown by 49% over the 12 month period ending in April 2008. Over the corresponding period, external debt stock declined by 13% (\$550.24 million).

The Main Jamaica Stock Market Index increased by 2,774.02 points or 2.54% during May 2008 to close at 112,127.89 points on its last trading day (see figure

Stock Market

8). In the first five months of 2008, the main JSE index grew by 4,159.83 points (or 3.85%).

Market capitalization increased by \$24.87 billion or 2.80% over the month of May 2008. At the end of the month Market Capitalization value was approximately \$913.83 billion.

For the first five months of 2008, Salada Foods recorded the largest price appreciation. This represents a \$90.00 (or 204%) increase per share to end May at a price of \$134.00.

Ciboney Group was the second largest price appreciator for the five month

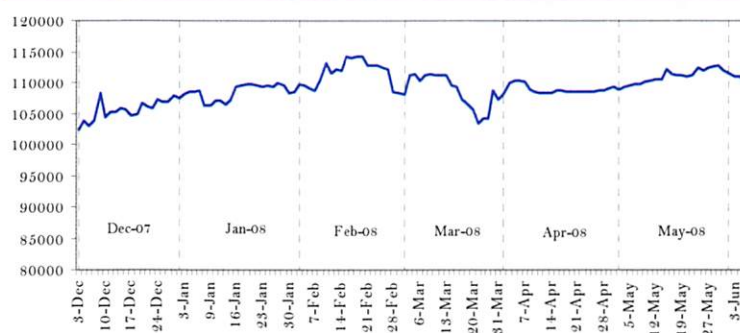
Table 12: Returns for Listed Companies on the JSE

Year-to-Date Performers on the Jamaica Stock Exchange

	31-Dec-07	30-May-08	\$ change	% change
Salada Foods	44.00	134.00	90.00	204.55%
Ciboney Group	0.01	0.03	0.02	200.00%
Pulse Investments	2.60	7.00	4.40	169.23%
Pegasus Hotel	10.65	19.60	8.95	84.04%
Palace Amusement	31.45	50.00	18.55	58.98%
Bottom Five (unadjusted for dividends or transact. Costs)				
Gleaner Company	4.30	3.00	(1.30)	-30.2%
First Caribbean Intl	27.00	23.21	(3.79)	-14.0%
Lascelles, de Mercado	565.00	495.00	(70.00)	-12.4%
Radio Jamaica	3.60	3.20	(0.40)	-11.1%
First Carib. Intl. Bank	152.00	139.00	(13.00)	-8.6%

Source: Compiled from the JSE

Figure 8: Main JSE Index, Dec-07 - May-08



Source: Jamaica Stock Exchange (Online Database) and PSQJ

period. The stock price increased by 200% over the five months to close at 3 cents per share up from a price of 1 cent at December end 2007. The other major price appreciators were Pulse Investments climbing by \$4.40 (or 169.2%), Pegasus Hotel price is up by \$8.95 (or 84.0%), and Palace Amusement climbed by 18.55 cents (or 58.98%).

The Gleaner Company recorded the largest price decline over the first five months of 2008. The Company ended April with a price per share of \$3.00 representing a \$1.30 (or 30.2%) decline.

First Caribbean International Bank Jamaica was next inline with a closing price of \$23.21 representing a \$3.79 (or 14.0%) capital loss over the five months. Other companies reflecting a significant price decline were Lascelles, de Mercado (-12.4%), Radio Jamaica (-11.1%), and First Caribbean

International Bank (down 8.5%) (see Table 12).

Continued from Overview (pg.1)

Developments & Outlook

Mr. Moreno in his address to the private sector, expressed the great need to protect the poor and rural sectors in general. Drawing attention to the significant portion of the poor's disposable income that goes into consuming food items, he made it clear that the nations' policies should be realigned to both protect the poor and promote innovative investment initiatives by both local and international investors. These, he indicated, could take the form of reducing tax on inputs as well as reducing tariffs on essential traded items.

Mr. Moreno gave affirmation of the support that the IDB would be able to give to Jamaica to solve national problems. These he indicated, could take the form of testing new ideas, developing designs, and funding projects in general. He also made mention of the funding facilities that are available to small and medium size enterprises that should not be overlooked, especially by the private sector.

In light of these opportunities however, Mr. Moreno, implored the Private sector to play its role effectively. He cited the need for such entities to pay taxes to assist in the effective administration of the country. "To whom much is given, much is expected" he noted as a biblical principle.

The main speaker outlined a number of social issues that are in need of attention. Among these is the issue of crime and security. There needs to be greater cooperation with the security forces, he outlined, in light of the need that people have to feel secure and to boost their optimism and confidence in the future of the country. This level of optimism is an essential prerequisite for internally generated growth.

Everyone in Jamaica, in some way or another has experienced the impact of climate change, Mr. Moreno noted. In addressing the energy problem facing citizens today, he outlined the need to implement more efficient ways of using energy and implementing conservation measures. The IDB is willing to assist in projects of this



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Director, Corporate & Public Affairs

nature such as the financing of solar energy projects which normally require significant outlay.

Mr. Moreno encourage both the government and private sector to play their role in the advancement of Jamaica and affirmed the willingness of the IDB in supporting that cause of bringing a better day for Jamaica/ns.

Hon. Audley Shaw: In outlining his perspectives on "Going for Growth", to the private sector participants at the PSOJ / Citi Annual Economic Forum, Minister the Hon. Audley Shaw outlined five (5) key essential pillars required for achieving this goal in Jamaica. Among these are:

- Debt management
- Tax reform
- Reducing bureaucracy & corruption
- Promote Investment
- Addressing National problems such as Energy crisis.

On the matter of Debt management, Mr. Shaw noted that it is important to get this right. Fiscal responsibility will send the right message to the nation's stakeholders both locally and internationally generating positive responses. Making reference to Jamaica's high level of indebtedness and its crowding-out effect on investment (a debt partly financed by loss making entities such as Air Jamaica), Minister Shaw made it clear that the only way out is for Jamaica to grow at reasonably higher rates than it currently does.

Minister Shaw indicated his ambitions to curtail interest rates to facilitate greater levels of local investments. He said, multilaterals have resources which he plans to tap into finance projects to solve the problems that Jamaica currently faces. Currently, the two main problems that face Jamaica are food security and rising energy costs and dependency. He also encouraged the private sector to utilize the favorably priced funding opportunities made available through multilateral lending agencies.

Additionally, the Minister intends to enhance tax administration and stamp

out corruption which he indicated, has close relations especially within the private sector. He calls for Private Sector cooperation and tax compliance while citing the need for a Partnership for Progress.

The government wants to get out of running too many things, Mr. Shaw stated. He would rather the government focus on facilitating business activities. The building of new enterprises he noted, will be achieved using IDB funded Public Private Partnerships, funds made accessible through the PetroCaribe and via funding agencies such as EXIM bank.

Minister Shaw in addressing the problem of the high cost of energy, outlined his approach to enhancing energy efficiency. This, he outlined, will start within government to set the right example, the public sector will lead the way in energy conservation. Additionally, he proposes the introduction of LNG along with measures to rationalize energy cost areas.

Dr. Omar Davies: In a brief overview of the essential elements to achieve growth in Jamaica at this time, Dr. Davies also outlined five (5) key areas that are urgently in need of attention.

These include:

- Fiscal Accounts—Small tax base, huge debt burden, low wages associated with high taxes further limiting economic activity.
- Energy Costs—Total dependence of Jamaica on foreign energy and limited benefits from PetroCaribe
- US Dependence—A need to diversify trade relations due to deteriorating US economy and exchange rate risks.
- Natural Disaster— A need for contingency fund; and crop insurance to prevent social consequences
- Poverty Alleviation— Utilize PATH programme, enhance education, reduce crime, increase investments.

APPENDIX

INFLATION (MARCH 2008 CPI)

INFLATION - APRIL 2008	%Change	Weighted Δ	Rnk	Infl. Contribution
All GROUPS	1.55%	1.546		
FOOD AND NON-ALCOHOLIC BEVERAGES	1.80%	0.673	1	
Food	1.86%			
Bread and Cereals	3.52%			
Meat	1.25%			
Fish and Seafood	0.73%			
Milk, Cheese and eggs	2.12%			
Oils and Fats	3.97%			
Fruit	0.89%			
Vegetables and Starchy Foods	1.49%			
Vegetables	1.38%			
Starchy Foods	1.57%			
Sugar, Jam, Honey, Chocolate and Confectionery	1.53%			
Food Products n.e.c.	2.08%			
Non-Alcoholic Beverages	0.89%			
Coffee, tea and Cocoa	0.43%			
Mineral waters, Soft Drinks, Fruit and Veg Juices	1.04%			
ALCOHOLIC BEVERAGES AND TOBACCO	0.41%	0.006	11	
CLOTHING AND FOOTWEAR	0.73%	0.024	8	
Clothing	0.68%			
Footwear	0.91%			
HOUSING, WATER, ELECT., GAS AND OTHER FUELS	2.55%	0.325	2	
Rentals for Housing	0.00%			
Maint and Repair of Dwelling	1.54%			
Water Supply and Misc. Serv Related to the Dwelling	1.08%			
Electricity, Gas and Other Fuels and Routine	4.00%			
FURNISH. HSHOLD EQUIP & HSHOLD MAINT.	0.80%	0.040	7	
Furniture and Furnishings (including Floor Coverings)	1.57%			
Household Textiles	1.44%			
Household Appliances	1.27%			
Glassware, Tableware and Household Utensils	1.03%			
Tools and Equipment for House and Garden	0.56%			
Goods and Serv. for Routine Household Maint	0.32%			
HEALTH	1.31%	0.043	6	
Medical Products, Appliances and Equipment	0.18%			
Health Services	1.90%			
TRANSPORT	0.53%	0.106	4	
COMMUNICATION	0.00%	0.000	12	
RECREATION AND CULTURE	0.44%	0.015	10	
EDUCATION	0.89%	0.019	9	
RESTAURANTS AND ACCOMMODATION SERVICES	1.00%	0.062	5	
MISCELLANEOUS GOODS AND SERVICES	2.05%	0.171	3	

FISCAL ACCOUNT (Apr— 2008/09)

REV & EXPN (APR'08)	J\$m	PROVISIONAL Results	J\$m	BUDGET DEVIATION	J\$m	YOY - CHANGE
Revenue & Grants	21,402.6		2,487.4		4,814.80	
Tax Revenue	19,179.4		1,997.2		3,903.50	
Non-Tax Revenue	1,530.4		598.6		859.20	
Bauxite Levy	378.2		-84.0		-74.30	
Capital Revenue	117.2		-14.0		7.60	
Grants	197.5		-10.4		118.90	
Expenditure	25,078.6		-567.7		6,054.20	
Recurrent Expenditure	23,116.9		-385.9		4,996.30	
Programmes	5,748.3		-44.9		1,066.20	
Wages & Salaries	7,868.7		-60.1		661.40	
Interest	9,500.0		-280.9		3,268.80	
Domestic	8,254.5		-58.7		2,621.00	
External	1,245.4		-222.2		647.70	
Capital Expenditure	1,961.7		-181.7		1,057.90	
Capital Programmes	1,961.7		-181.7		1,057.90	
IMF #1 Account	0.0		0.0		0.00	
Fiscal Balance (Surplus [+ve])	-3,676.0		3,055.1		-1,239.40	
Loan Receipts	8,158.3		361.6		-14,740.80	
Domestic	7,771.0		571.0		-14,517.60	
External	387.4		-209.4		-223.10	
Divestment Proceeds	0.0		0.0		0.00	
Amortization	5,991.0		-0.5		-903.00	
Domestic	4,968.8		38.6		-1,035.50	
External	1,022.2		-39.1		132.50	
Overall Balance (Surplus [+ve])	-1,508.6		3,417.2		-15,077.00	
Primary Balance (Surplus [+ve])	5,824.0		2,774.2		2,029.40	

REV. Only (APR'08)	J\$m	PROVISIONAL Results	J\$m	BUDGET DEVIATION	J\$m	YOY - CHANGE
Revenue & Grants	21,402.6		2,487.4		4,814.8	
Tax Revenue	19,179.4		1,997.2		3,903.5	
Income and profits	6,919.3		805.0		831.9	
Bauxite/alumina	6.3		-45.4		6.3	
Other companies	322.0		-145.6		-458	
PAYE	4,041.2		404.2		279.7	
Tax on dividend	4.0		-55.5		3	
Other individuals	146.5		-108.9		20.1	
Tax on interest	2,399.4		756.2		980.9	
Environmental Levy	194.8		21.4		194.8	
Production and consumption	5,841.5		471.2		484.5	
SCT	248.0		-26.0		34.6	
Motor vehicle licenses	262.4		96.8		185.5	
Other licenses	109.1		63.4		22	
Betting, gaming and lottery	96.0		-24.0		-7.6	
Education Tax	885.3		28.8		70.6	
Contractors levy	62.9		-12.1		-15.8	
GCT (Local)	3,485.8		449.3		258.8	
Stamp Duty (Local)	692.1		-105.1		-63.2	
International Trade	6,223.7		699.7		2392.2	
Custom Duty	1,769.1		242.8		516.4	
Stamp Duty	99.7		6.4		17.4	
Travel Tax	222.7		-10.4		69.5	
GCT (Imports)	2,753.6		136.5		633.6	
SCT (Imports)	1,378.6		324.4		1155.4	
Non-Tax Revenue	1,530.4		598.6		859.2	
Bauxite Levy	378.2		-84.0		-74.3	
Capital Revenue	117.2		-14.0		7.6	
Grants	197.5		-10.4		118.9	

Statistical Index Major Macro-Economic Indicators

	BM		M2		NIR	Fgn Cur- Dep	Inflation		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	-11.5	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	-8.0	70.62	13.34	20.82	4.88	558,426.33	6,122.76
Jan '08	-11.73	12.95	n/a	14.01	1,819.08	2,454.38	2.23	18.21	5.1	71.74	13.33	21.64	4.88	n/a	n/a
Feb	0.34	11.22	1.61	16.77	1,956.20	2,436.13	1.76	19.90	13.3	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	1.15	19.90	n/a	71.09	14.23	22.47	4.88	n/a	n/a
Apr	-2.17	11.27	n/a	n/a	2,162.86	n/a	n/a	n/a	n/a	71.35	14.20	22.39	4.50	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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