



CONFIDENTIAL ECONOMIC BULLETIN



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OVERVIEW

New Income Tax Threshold: On July 1, 2008 the government increased the income tax threshold from \$193,440 to \$200,304. While income earners who fall within this classification will not be required to pay income tax, it should be clear that they are still required to pay other statutory deductions. For those who qualify, the 2008 portion being exempted will be prorated to include only income earned for the 6-month period of June to December.

Business Confidence: In July 2008 the Jamaica Chamber of Commerce (JCC) - Conference Board - in its 2nd-Quarter review of business and consumer confidence in Jamaica, reported businesses as being less optimistic due to uncertainties about the local economic and investment climate. Businesses are concerned about future trends in infla-

tion, tourism, stability of the financial market and how the economy will be impacted by trends in the global economy. Businesses are also concerned about the perceived "slow" pace of government policies and how effective such policies will be at improving economic conditions.

The report highlights that businesses will tend to be more cautious having the potential to slow the pace of economic growth in periods to come.

In this report: In the month of June 2008 the local currency depreciated by 36 cents Jamaican (or 0.50%) against the US dollar.

Inflation for May 2008 was 2.40%. This was largely attributed to the 7.98% higher prices for 'breads and cereals', and a general upward trend in prices for all items within the 'Food & Non-Alcoholic Beverages' division of the consumer basket.

The other significant contributor to inflation was the average 6.8% rise in the price associated with 'Electricity Gas and other fuels'. The third and fourth largest contributors to inflation during May 2008 were 'Alcoholic Beverages & Tobacco' and 'Transportation costs'.

In April 2008, total tourist arrivals declined by 0.4% when compared to April of 2007. This reflected a 1.0% increase in stopover arrivals that was wholly offset by a 2.4% decline in cruise passenger arrivals when comparing April in 2008 and 2007.

In the first quarter of 2008, the Current Account deficit (within the Balance of Payment Account), deteriorated by US\$239.4 million or 80% when compared to the corresponding period in 2007. The Merchandise account alone accounted for a deterioration in the nations' terms-of-

trade in excess of this amount. This was largely attributed to the rising levels of imports emanating from mineral fuels. These negative trends were, however, partially offset by the greater surplus shown on the Current Transfers account due to higher inflows from private remittances.

In the first two months of the fiscal year 2008/09 (April-May) the deficit amounted to J\$9.26 billion and was \$364.5 million (or 3.9%) lower than the budgeted level for that period. The improved budget situation was attributed to the increased levels of revenues generated during the period complimented by the reduced reduction in Capital expenditure. Both were sufficient to marginally offset the rising expenditure costs largely associated with higher external Interest Payments and Programmes Expenditure.

On June 26th the Central bank increased rates on all tenors of Certificate of Deposits by 50 basis points. Average lending rates declined by 93 basis points (bps) during May 2008. Average savings rate was also adjusted down by 9-bps (see table 4). The six month Treasury Bill yield increased by 15 bps during June to close the month at 14.43%.

Net International Reserves (NIR)

During the month of June, Net International Reserves (NIR) decreased by US\$30.4 million. The deterioration of the balance during the month largely reflects the expansion of foreign liability balances that was partially offset by an expansion in foreign asset balances. At June end, the NIR balance was US\$2,228.8 million representing approximately 17.9 weeks of goods

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★ No change since previous issue



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import. Reserves in June of last year represented 19.5 weeks of goods import (see Table 1).

Foreign Currency

During the month of May 2008 total foreign currency deposits amounted to US\$2,462.11 million, an increase of US\$10.95 million (or 0.65%) over the balance in the previous month (see Table 2). This was attributed to increased levels of foreign currency holdings by Merchant Banks (US\$11.3M) and Building Societies (US\$5.4M) which was partially offset by a US\$7.3M reduction in Commercial Bank balances during the month.

Commercial Banks accounted for 60% of the total addition to foreign currency holding over the twelve (12) months leading up to May 2008. Building Society was the next main contributor accounting for approximately 24% of the amount, while Merchant Banks accounted for the remaining 16% addition over the 12-month period (see Table 2).

Foreign Exchange Rate

US DOLLAR: The local currency depreciated by 36 cents Jamaican (0.50%) against the US dollar counterpart during the month of June 2008. On the last trading day of the month the Jamaican dollar sold for an average rate of J\$71.89 per US\$1 (see table 3). Since the start of 2008 the local currency depreciated by \$1.27 Jamaican (or 1.8%) against the US-dollar. This compares favourably to the J\$1.43 (or 2.1%) depreciation over the corresponding six months of 2007.

POUND: The domestic currency depreciated by \$1.82 Jamaican against the pound sterling in June (see table 3). Since the start of 2008, the local tender lost approximately J\$2.23 (or 1.6%) to the British pound sterling.

CANADIAN: In June 2008 the Jamaican dollar appreciated by 43 cents Jamaican (or 0.59%) against the Canadian dollar (see Table 3). Over the first 6-months of 2008 the local tender depreciated by 10 cents Jamaican (or 0.1%) against the Canadian dollar.

Table 1: Changes in the NIR

	US\$M NIR	Change US\$M			Imports (Weeks)
		Mthly	12 Mth	YTD	
Jun-08	2,228.8	-30.4	-10.1	351.1	17.9
Jun-07	2,238.9	-13.3	128.8	-78.7	23.7

Source: Compiled from the BOJ (Preliminary)

Table 2: Foreign Currency Deposits

	US\$000 May '08	Change (US\$000)		%
		mtly	12 mth	
Commercial Banks	1,750,647	(5,764)	147,269	9.18%
Building Societies	491,744	5,381	59,507	13.77%
Merchant Banks	219,721	11,336	39,944	22.22%
Total Deposits	2,462,112	10,953	246,720	11.14%

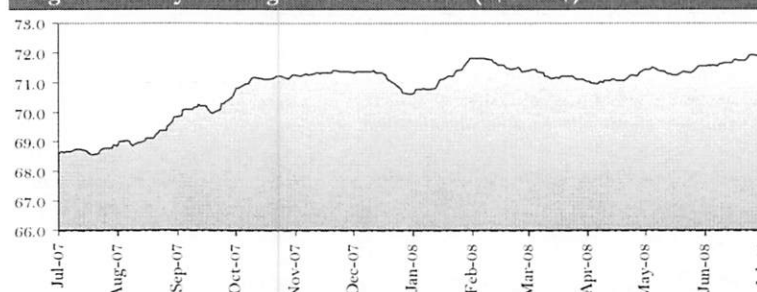
Source: Compiled from the BOJ (Preliminary)

Table 3: Foreign Exchange Trends (Jun-2008)

	YTD Currency Rate Change (Jan—Jun 2008) *					
	J\$ / US\$	%	J\$ / UK£	%	J\$ / Can\$	%
2008	1.27	1.8	2.23	1.6	0.10	0.1
2007	1.43	2.1	5.07	3.9	7.28	12.7
2006	1.45	2.2	9.79	8.9	4.55	8.3
Jun 2008						
Actual Rate	71.89	0.50	142.55	1.29	71.49	-0.59
Mth Change	0.36	0.50	1.82	1.29	-0.43	-0.59

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

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



Source: Bank of Jamaica Database (BOJ)

Table 4: Interest Rate Movements

	May-08	Change (%age pts)		
		Monthly	12-Mth	YTD
Avg Savings Deposit	4.59%	0.09%	-0.54%	-0.29%
Avg Loan Rate	21.46%	-0.93%	-1.58%	0.64%
6 Month T-Bill (Jun-08)	14.43%	0.15%	2.30%	1.09%
12 Month T-Bill	n/a	n/a	n/a	n/a

Source: Bank of Jamaica (BOJ Preliminary)

Interest Rates

As at June 30, 2008 the six-month T-bill cleared the market at an average yield of 14.43%. This is 15 basis points above the May end 14.28% (see table 4 & Figure 2).

On June 26, 2008 the Central Bank of Jamaica announced a 50 basis point increase on all Certificates of Deposits (See Table 5).

The policy change was intended to counter the effects that higher international food and petroleum prices are having on domestic inflation. The

Bank revealed that, due to the current conditions, demand side pressures are building up and are putting pressure on interest rates and wages to rise. Additionally, it was noted that if these conditions prevail then such expectations could become strong factors in determining future inflation trends, even if international conditions become more favorable. In order to mitigate this risk, the Central Bank believes it necessary to make such a change at the time it did.

Insight - With higher interest rates, savings will increase while reducing the appetite for consumption and borrowing. This will pull circulating cash out of the system, hence, reducing the inflationary pressure that results from more money chasing fewer goods and services.

In May 2008, the Average Lending Rate declined by 93-bps to close the month at 21.46%. The Average Savings Rate adjusted upward by 9 bps to close the month at 4.59%.

Base Money & Money Supply

The base money of the Central Bank increased by 0.77% during the month of June 2008. For the month of April 2008, all monetary aggregates increased.

M2 increased by 2.81% while Quasi Money increased by 2% alongside a 4.6% increase in M1 money supply. All money supply aggregates grew in excess of 13% over the 12-month period to June'08 (see table 6).

Inflation

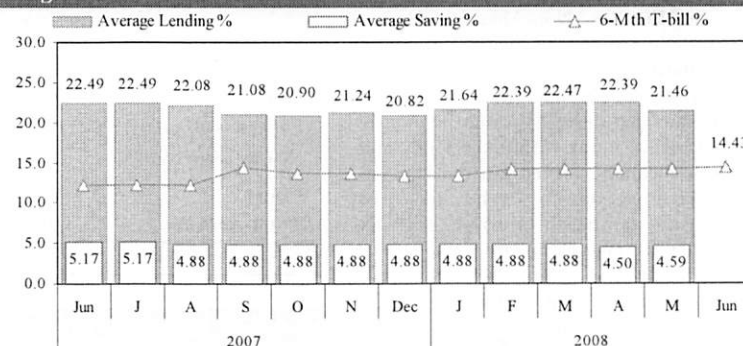
Inflation for the month of May 2008 was 2.40% representing a significant jump from the 1.29% level experienced in May of last year (see Table 7 and figure 3). For the five (5) months of 2008, inflation accumulated to a significant 9.42% coming in close range of breaching the single digit level, targeted within medium term

Table 5—Interest Rate Adjustments

Tenor	Previous Rates	Current Rates
30 Day	13.50	14.00
60 Day	13.70	14.20
90 Day	13.90	14.40
120 Day	14.00	14.50
180 Day	14.20	14.70
365 Day	15.00	15.50

Source: BOJ Economic Statistics

Figure 2: Interest Rate Movements



Source: Bank of Jamaica Database (BOJ preliminary)

Table 6: Base Money and Money Supply

	J\$M	% Percent Change (%)	
		Mthly	12 Mth
M1	92,427.89	4.60	13.63
Quasi Money	200,409.12	2.00	13.86
M2	292,837.01	2.81	13.79
<hr/>			
	Jun-08	Mthly	12 Mth
Base Money	57,642.97	0.77	8.79

Source: BOJ Economic Statistics

Table 7: Inflation Trends

	% Percent Changes			
	May	12-Mth	YTD	Fiscal
2008	2.40	22.51	9.42	3.99
2007	1.29	8.27	4.31	1.77

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

parameters.

Inflation for the 12 months ending May 2008 has reached 22.51% ex-

ceeding the 8.27% rate recorded in the corresponding period before by a factor of 2.7 times. Approximately 40% of the month's



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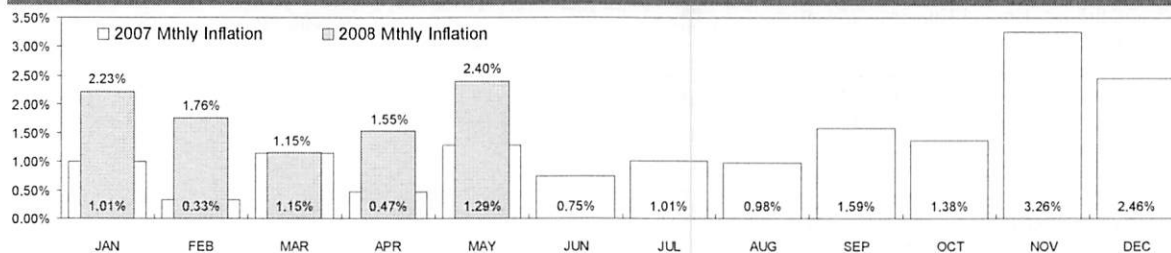


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Figure 3: Monthly Inflation Changes



Source: ST.INTIN and PSQJ compilation

increase in the CPI was attributed to the "Food & Non-Alcoholic Beverages" division. The main factor contributing to this change was the resulting 7.98% hike in the price of Breads and Cereals during the month. All other items within the foods and non-alcoholic beverages basket reflected an upward trend in prices during the month (see INFLATION chart in Appendix, p.10).

Electricity Gas and Other Fuels accounted for another 20% of the months' inflation. This is attributed to the continued upward trend in the price of these items on the international commodities markets. During May, the average price increase within the electricity, gas and other fuels category was 6.8%.

The third and fourth largest contributors to inflation for the month were 'Alcoholic Beverages & Tobacco' and 'Transport costs' respectively (See Inflation Chart in Appendix, p.10).

Tourism

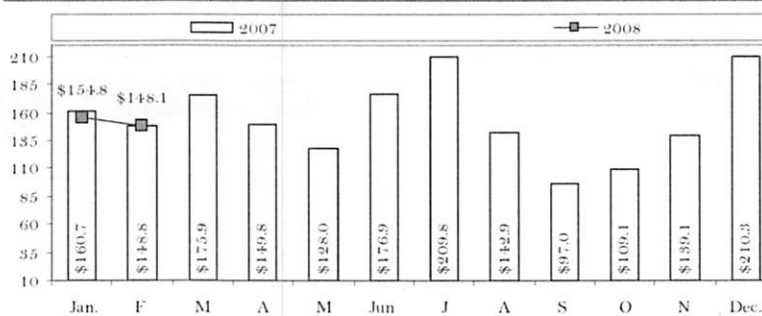
Stopovers: Stopover arrivals in April 2008 was 1,638 (1.1%) higher than April last year. For the period January to April 2008, when compared to the corresponding period before Stop-

Table 8: Tourist Arrivals

	2007	2008	% Change	
	YTD (Jan-Apr)		YOY	Apr (08/07)
Stopover	577813	636158	10.1%	1.1%
Foreign Natls	551453	595468	8.0%	-0.8%
Non-Resident Natls	26360	40690	54.4%	35.0%
Cruise	525146	528259	0.6%	-2.4%
Total Arrivals	1102959	1164417	5.6%	-0.4%

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

Figure 4: Estimated Tourism Expenditure



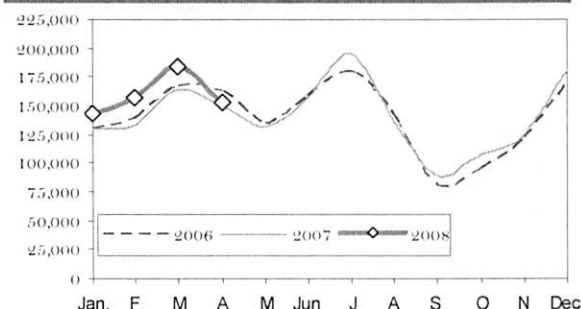
Source: Jamaica Tourist Board (preliminary data) & BOJ Statistical Update (Revised values)

over arrivals increased by 58,345 (or 10.1%) more (see Table 8 & Figure 5A). This was attributed to both a 44,015 (8.0%) increase in 'Foreign Nationals' and a 14,330 (54.4%) increase in Non-Resident Jamaicans visiting the country.

During the first four (4) months of 2008 approximately 63.5% of all stopover arrivals emanated from the United States region.

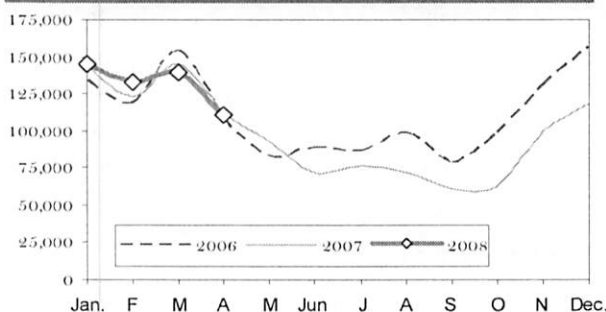
Canada's contribution to stopover arrivals for the four months to April

Figure 5A: Stopover Arrivals to Jamaica



Source: Jamaica Tourist Board (preliminary data)

Figure 5B: Cruise Arrivals to Jamaica



Source: Jamaica Tourist Board (preliminary data)

2008 was 17.8%. In April, stopover arrivals from Canada increased by 11.9%. Jamaica relied on the UK for 9.3% of stopover arrivals during the review period.

The remainder of stopover arrivals visiting Jamaica came from Europe 4.8%, Caribbean 3.1% and Other territories (1.5%).

Cruise Passengers: Cruise passenger arrivals for April 2008 declined by 2,686 visitors (or 2.4%) when compared to the corresponding month of 2007. For the first four (4) months of 2008, however, Cruise arrivals increased by 3,113 (or 0.6%) more visitors (see Table 8 & Fig.5B).

Total Visitors to the island for April 2008 was 1,048 (or 0.40%) less than that of the corresponding month in 2007. For the 4-month period, however, total visitors increased by 5.6%. See table 8 for year to date (YTD) trends in tourist arrivals.

External Trade

There was a trade deficit for the first quarter of 2008 amounting to US\$1.2 billion. In 2007 the deficit was US\$0.925 billion. This represents a 32% or US\$296 million worsening of the trade balance when compared to the corresponding first quarter of 2007. Exports for the three month period grew by 2.9% when compared to the comparable period before. Total Imports, however, grew by a whopping 20.9%.

Traditional Exports largely represents activities within the Mining & Quarrying sector which contributed in excess of 82% of its value within the review period. Mining and quarrying grew by a notable 5.2% to reflect mostly expansions observed within the Alumina export industry (see table 9).

Agriculture represented approximately 2.5% of total traditional exports during the quarter. It also grew by 19.8%, contributing an additional US\$1.58 million to total traditional exports when compared to the corresponding first quarter of 2007. The growth in agriculture exports was attributed almost wholly to the 160% increase in coffee exports and to a very small ex-



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Table 9: External Trade (US\$M)

	Jan-Mar '07	Jan-Mar '08	Change	% Change
TOTAL EXPORTS (fob)	571.66	588.19	16.53	2.9%
Major Traditional Exports	387.26	388.87	1.61	0.4%
by Sector:-				
Agriculture	7.99	9.57	1.58	19.8%
Mining & Quarrying	320.56	337.27	16.71	5.2%
Manufacturing	58.71	42.03	-16.67	-28.4%
by Industry:-				
Bauxite	29.42	29.41	-0.01	0.0%
Alumina	291.00	307.60	16.60	5.7%
Sugar	44.77	34.28	-10.49	-23.4%
Rum	10.91	7.22	-3.70	-33.9%
Bananas	2.87	0.00	-2.87	-100.0%
Coffee	3.10	8.06	4.96	160.2%
Other	5.19	2.30	-2.89	-55.6%
Non-Traditional Exports	171.23	186.18	14.94	8.7%
Re-exports	13.17	13.14	-0.03	-0.2%
TOTAL IMPORTS	1,497.02	1,809.63	312.61	20.9%
Food	182.17	205.70	23.54	12.9%
Beverages & Tobacco	21.22	23.95	2.73	12.9%
Crude Materials (excl. Fuels)	16.58	20.55	3.97	24.0%
Mineral Fuels, etcetera	407.08	644.51	237.43	58.3%
Animal & Vegetable Oils & Fats	7.93	12.22	4.29	54.1%
Chemicals	184.58	214.07	29.49	16.0%
Manufactured Goods	171.76	210.65	38.89	22.6%
Machinery and Transport Equip.	326.08	306.94	-19.14	-5.9%
Misc. Manufactured Articles	159.77	147.48	-12.30	-7.7%
Other	19.86	23.57	3.71	18.7%
TRADE BALANCE	(925.36)	(1,221.44)	-296.08	32.0%

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

tent citrus and pimento exports. These improvements were however, significantly offset by the 100% reduction in banana exports and the 81% reduction in Cocoa export during the first quarter of 2008 when compared to the corresponding period of last year.

Exports related to manufactured items declined significantly to offset close to 100% of the additional exports emanating from the mining and quarrying sector (particularly alumina). Manufacturing exports declined by a substantial 28.4% or US\$16.7M. This was due largely to the US\$10.5M cut back in sugar exports in the first quarter of 2008 when compared to the corresponding period of 2007.

The remainder of the decline was largely explained by the US\$3.7M cutback in rum exports and; US\$2.5M cutback in the export of coffee products. The majority of Manufacturing is composed of sugar exports which represented approximately 82% of the sectors' export value during the first quarter of 2008.

Within the same period Non-traditional exports increased by a noticeable 8.7% or US\$14.9M when compared to the corresponding first quarter of last year.

Exports of Mineral Fuels and related items was the single largest contributor to increased export value during the first quarter of 2008 when com-

pared to the corresponding quarter last year. Mineral fuel exports grew by a whopping 70% representing a US\$18.53M increase over the corresponding period of last year. This expanded level of exports however, was partially offset by an observed US\$27.3 million reduction in the export of "Waste and Scrap Materials" and; a US\$18.9 million reduction in the export of ethanol when compared to the corresponding 3 months of 2007.

Imports during the quarter (Q1) increased by a significant US\$312.6 million or 20.9% when compared to the corresponding period of last year. This reflected increases in all categories except for 'Machinery & Transport Equipment' and; 'Miscellaneous Manufactured Articles' that declined by US\$19.1M (-5.9%) and; US\$12.3 million (-7.7%) respectively (see Total Imports section of Table 9).

The largest growth categories by import-value during the review period (Q1) when compared to the corresponding period of last year are: Mineral fuels and similar products (up US\$237M or 58%), Manufactured Goods (up US\$38.9M or 23%), Chemicals (up US\$29.5 or 16%) and, Food (up US\$23.5M or 13%) (see table 9).

At the end of June 2008, the West Texas Intermediate (WTI) Crude Oil Price was US\$140.00 per 42 gallon barrel. During the month, the price varied from US\$122.00 up to a max of \$US140.20/barrel (See Figure 6).

Balance of Payments

Jamaica's current account deficit in the first quarter of 2008 was US\$538.6 million. This balance deteriorated by 80% (approximately US\$240 million) when compared to the corresponding three months of 2007 (see table 10).

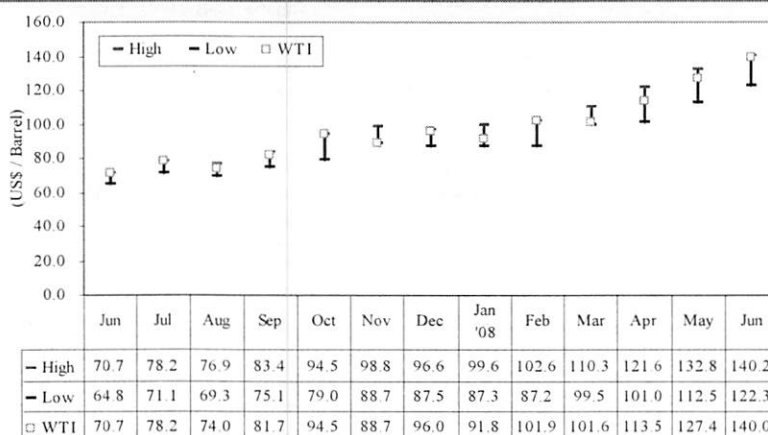
The observed Current Account deficit can be wholly attributed to the significant net-outflow from the Merchandise account. The services account also recorded a significant reduction despite its surplus balance for the review quarter. On the positive side, current transfers recorded growth in its surplus balance due to

Table 10: Balance Of Payments (US\$M)

	Jan-Mar 2007	Jan-Mar 2008	\$ Change	% Change
Current Account	-299.2	-538.6	-239.4	-80%
Goods Balance	-729.8	-983.7	-253.9	-35%
Exports	606.9	642.2	35.3	6%
Imports	1336.6	1625.9	289.3	22%
Services Balance	184.8	181.6	-3.2	-2%
Transportation	-116.1	-132.0	-15.9	-14%
Travel	446.2	459.1	12.9	3%
Other Services	-145.3	-145.4	-0.1	0%
Income	-207.4	-230.6	-23.2	-11%
Compensation of emplys	2.1	5.1	3.0	143%
Investment Income	-209.5	-235.6	-26.1	-12%
Current Transfers	453.2	494.0	40.8	9%
Official	35.1	36.8	1.7	5%
Private	418.1	457.2	39.1	9%
Capital & Financial Account	299.2	538.6	239.4	80%
Capital Account	-1.8	27.6	29.4	1633%
Capital Transfers	-1.8	27.6	29.4	1633%
Official	0.2	29.5	29.3	14650%
Private	-1.9	-1.9	0.0	0%
Acq/dis.	0.0	0.0	0.0	-
Financial Account	300.9	511.0	210.1	70%
Other Official Invest	174.8	-26.7	-201.5	-115%
Other Private Invest	137.9	743.3	605.4	439%
Reserves	-11.8	-205.7		

Source: BOJ & Statistical Update:

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



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

expanded levels of private remittances during the period.

During the quarter, the deficit on the **Goods Account** expanded by approximately US\$254 million (or 35%) when compared to the corresponding period of 2007. This was largely attributed to expanded levels of imports in areas such as mineral fuels, manufactured goods, chemicals and, food items. For the 12-month period ending March 2008, oil prices climbed by approxi-

mately 51% resulting in the higher cost of imported fuel products. Exports increased, but was able to offset only 12.2% of the deterioration caused by rising import cost.

The surplus on the **Services account** in the January to March period of 2008 was reduced by US\$3.2 million or 2% when compared to the corresponding period of 2007. This cut-back was attributed to the US\$15.9

Table 11: Fiscal Accounts (J\$ Million)

	May (Fiscal—2008/09)				Apr-May (YOY)	
	J\$ million		Deviation		07/08 - 08/09	
	Provisional	Budget	J\$M	(%)	J\$M	(%)
Revenue & Grants	40,966.5	39,435.6	1,530.9	3.88	5,578.8	15.8
Tax Revenue	36,682.8	35,267.4	1,415.3	4.01	5,175.9	16.4
Non-Tax Revenue	3,108.1	2,182.9	925.2	42.38	1,241.4	66.5
Bauxite Levy	844.1	1,148.0	-334.0	-29.09	19.2	2.4
Capital Revenue	161.0	301.7	-140.7	-46.64	-882.5	-84.6
Grants	200.5	535.5	-335.0	-62.56	24.8	14.1
Expenditure	50,048.1	48,881.7	1,166.4	2.39	9,330.4	22.9
Recurrent Expenditure	46,205.0	43,938.3	2,266.7	5.16	9,119.0	24.6
Programmes	11,020.1	10,496.6	523.5	4.99	1,331.1	13.7
Wages & Salaries	15,744.3	15,831.6	-87.3	-0.55	1,776.6	12.7
Interest	19,140.6	17,610.1	1,830.6	10.40	6,011.4	44.8
Domestic	14,073.1	13,828.0	245.1	1.77	3,228.6	29.8
External	5,367.5	3,782.1	1,585.4	41.92	2,782.8	107.7
Capital Expenditure	3,843.1	4,943.4	-1,100.3	-22.26	211.4	5.8
Capital Programmes	3,843.1	4,943.4	-1,100.3	-22.26	211.4	5.8
IMF #1 Account	0.0	0.0	0.0	0.00	0.0	-
Fiscal Balance (Surplus [+ve])	-9,081.6	-9,446.0	364.5	3.86	-3,751.6	-70.4
Loan Receipts	14,676.9	16,893.5	-2,216.6	-13.12	-11,266.5	-43.4
Domestic	13,621.3	15,700.0	-2,078.7	-13.24	-11,558.4	-45.9
External	1,055.6	1,193.5	-138.0	-11.56	292.0	38.2
Divestment Proceeds	0.0	0.0	0.0	0.00	0.0	-
Amortization	14,856.2	12,856.3	1,999.9	15.56	3,184.2	27.3
Domestic	10,954.9	10,060.1	894.8	8.89	1,803.8	19.7
External	3,901.2	2,796.2	1,105.1	39.52	1,380.5	54.8
Overall Balance (Surplus [+ve])	-9,260.8	-5,408.8	-3,852.1	-71.22	-18,202.2	-203.6
Primary Balance (Surplus [+ve])	10,359.1	8,164.0	2,195.0	26.89	2,259.8	27.9

Source: Ministry of Finance and Planning

million increase in net outflow from the Transportation sub-account. This was substantially offset by the US\$12.9 million expansion on the Travel sub-Account. The deterioration of the Transportation sub-account was due to increase in transaction costs associated with higher levels of imports. The travel sub-account, on the contrary, benefited from the increase in flows due to growing stopover and cruise arrivals to the country.

There was a deficit on the *Income Account* of US\$230 million. This is 23% higher than the level attained in the corresponding quarter of last year due to greater levels of 'Investment Income' outflows. This deterioration is attributed to the higher interest payments made out by the government of Jamaica (GOJ).

The surplus on the '*Current Transfers*' account in the quarter exceeded that of the corresponding quarter of

2007 by US\$40.8 million (or 9%). This was attributed largely to the higher levels of private remittance inflows observed during the period (see table 10).

Currency flows to the *Financial account* during the first quarter of 2008 was US\$205.7 million more than the amount needed to fund the Current and Capital account deficits. This resulted in an improvement of the NIR account by the same amount.

Fiscal Accounts

For the first two (2) months of the fiscal year 2008/09 (Apr-May) the Government Of Jamaica (GOJ) accumulated a fiscal deficit of \$9.08 billion. This was \$364.5 million (or 3.9%) less than the budgeted deficit for the period.

REVENUE: Total Revenues ex-

ceeded budget by \$1.53 billion (or 3.9%) in the April to May period under review. Tax revenue and Non-Tax revenue were the only segments with surpluses. The higher than planned revenue was largely attributed to the increased level of inflows from Non-Tax revenue, Tax on Interest, PAYE, Local GCT, Custom Duty and, GCT on Imports (see table 12 for break-down).

Tax Revenue — Within the Tax revenue category the largest five (5) tax income generating components for the first two months of the fiscal year were PAYE, Local GCT, GCT on Imports, Tax on Interest and, Custom Duty (see *Fiscal Account chart in Appendix, pg.11*). When combined, these items represented approximately \$27.6 billion or 75% of all tax revenue generated.

Revenue items that were less than

budget for the period includes 'Special Consumption Tax (SCT) on Imports', 'Grants', Bauxite Levy, 'Local Stamp Duty', and revenue from 'Other Individuals' (see table 12 for break-down).

EXPENDITURE: During the months April-May 2008 fiscal expenditure exceeded budget by approximately \$1.17 billion (or 2.4%). This was largely influenced by external interest payments that exceeded budget by \$1.83 billion (or 4.1%) and was further compounded by an increase in both Programmes expenditure (up \$523.5 million) and domestic interest payments (up \$245.1 million). The greater than planned expenditure in these areas were partially offset by the \$1.1 billion (22.3%) cut-back in Capital expenditures during the period (see table 11).

During the review period Official Loan Receipts failed to meet budgeted requirements by 13.2%. This was mainly attributed to the \$2.08 billion (13.2%) portion of domestic loans that was not taken up by the government during the period (see table 11).

Debt Amortization exceeded budgeted amounts by approximately \$2 billion during the first two months of the fiscal year. Approximately 55% of this amount went to repaying external debt.

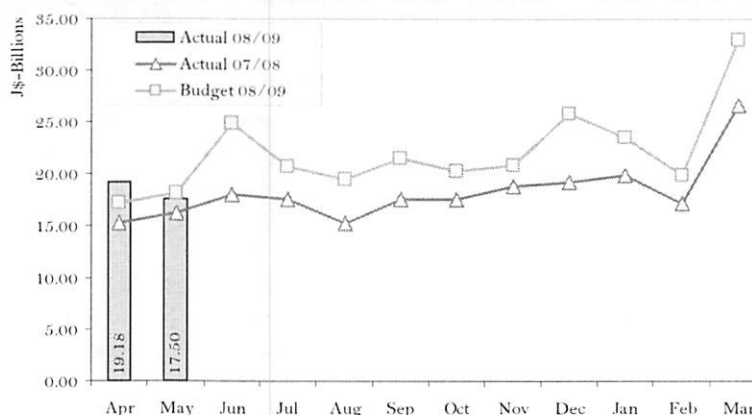
While the Primary Surplus was approximately \$10.4 billion (or 27%) more than planned for the two month period, the overall balance after taking account of interest payments, reported a deficit of \$9.3 billion (or 71%) more than budgeted.

PUBLIC DEBT: Total public debt as at April 2008 stood at \$1.0 trillion. This represents an additional 53.38 billion in debt since April of 2007. Domestic debt accounts for approximately 56% of total debt stock as at April end 2008. The increase in debt stock during the month of April was almost wholly attributed to the \$2.62 billion increase in domestic debt. External debt stock declined by \$550.24 million.

Stock Market

The Main Jamaica Stock Market Index declined by 2,373.88 points or 2.12% during June 2008 to close the month at 109,754.01 points on its last trading day (see figure 8). In the first

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



Source: Ministry Of Finance and Planning (Jamaica)

Table 12: Major Deviations in Fiscal Revenue and Expenditure

J\$-Millions	Apr-May 07/08
Revenue (Revenue Surpluses)	
Non-Tax Revenue	925.20
Tax on interest	704.50
PAYE	587.30
GCT (Local)	413.90
Custom Duty	381.60
GCT (Imports)	204.90
Revenue (Revenue Shortfalls)	
SCT (Imports)	-435.40
Grants	-335.00
Bauxite Levy	-334.00
Stamp Duty (Local)	-189.20
Other individuals	-177.50
Expenditure (Changes)	
Capital Programmes (Below Budget)	-1,100.30
Wages & Salaries (Below Budget)	-87.30
Domestic - Interest (Above Budget)	245.10
Programmes (Above Budget)	523.50
External - Interest (Above Budget)	1,585.40

Source: Ministry Of Finance and Planning (Jamaica)

half of 2008, the main JSE index grew by 1,785.95 points (or 1.65%).

Market capitalization declined by \$95.76 billion or 10.48% over the month of June 2008. For the first half of 2008, Market Capital declined by \$53.24 billion or 6.11%. On the last trading day of June 2008 Market Capitalization value was approximately \$818.07 billion.

In the first half of 2008, Ciboney Group was the largest price appreciator. The stock price increased by 200% over the 6-month period to close at 3 cents per share up from a

price of 1 cent traded at December end 2007.

Salada Foods recorded the second largest price appreciation during the half-year period. Its share price climbed by \$66.00 (or 150%) to close June 2008 at a price of \$110.00.

The other major price appreciators were Pulse Investments appreciating by \$3.80 (or 146.2%), Pegasus Hotel up by \$11.84 (or 111.17%), and Palace Amusement appreciating by 18.55 cents (or 58.98%) (see Table 13).

The Gleaner Company recorded the largest price decline over the first six months of 2008. The Company ended June with a price per share of \$2.80 representing a \$1.50 (or 34.9%) decline.

Goodyear Jamaica was next in line with a closing price of \$4.10 while recording a 82 cents (or 16.7%) price decline. Other companies reflecting a significant capital loss / (price decline) over the half year period were: Radio Jamaica (down 16.1%), First Caribbean International Bank Jamaica (down 14.8%) and First Caribbean International Bank (down 11.8%) (see Table 13).

Developments & Outlook

Jamaica: 2008 Article IV Consultation, IMF Staff Report

In June 2008, the IMF published its staff report on Jamaica giving an overview of the key issues being confronted by the Nation and strategies going forward. The report, first, reviewed issues surrounding the stagnant economic growth, high debt, observed vulnerability to external shocks, impacts on and benefits from regional integration, the recent political transformation and policy initiatives to effectively deal with current challenges facing the nation.

The policy discussions in the report focused on the following themes:

- Economic Growth
- Debt Dynamics & Fiscal Policy
- Monetary and Exchange Rate Policy
- Financial Sector

Economic Growth — Dismal economic growth can be attributed to the misallocation of resources caused by high debt accumulation and servicing. Notwithstanding, economic growth is acknowledged as the essential component that will be required to solve the debt issue for Jamaica. The authorities are seeking to simplify business activities and provide a facilitative business climate as a medium-term strategy to expand economic activity within Jamaica.

Debt Dynamics — Acknowledging that the GOJ stands committed to honoring its debt obligations, it is noted that significant fiscal adjust-



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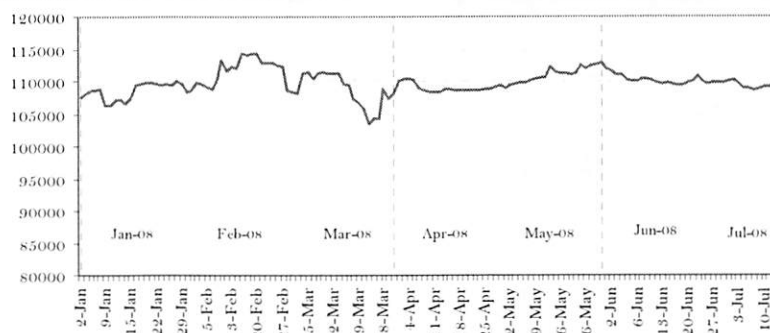
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Miss Marcia Ormsby
Director, Corporate & Public Affairs

Table 13: Top & Bottom Five (5) performers on JSE

	31- Dec-07	30- June-08	\$ change	% change
Top Five (unadjusted for dividends or transact. Costs)				
Ciboney Group	0.01	0.03	0.02	200.00%
Salada Foods	44.00	110.00	66.00	150.00%
Pulse Investments	2.60	6.40	3.80	146.15%
Pegasus Hotel	10.65	22.49	11.84	111.17%
Palace Amusement	31.45	50.00	18.55	58.98%
Bottom Five (unadjusted for dividends or transact. Costs)				
Gleaner Company	4.30	2.80	(1.50)	-34.9%
Goodyear (Jamaica)	4.92	4.10	(0.82)	-16.7%
Radio Jamaica	3.60	3.02	(0.58)	-16.1%
First Carib Intl Bank Ja.	27.00	23.00	(4.00)	-14.8%
First Carib Intl Bank	152.00	134.00	(18.00)	-11.8%

Source: Compiled from the JSE.

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



Source: Jamaica Stock Exchange (Online Database) and PSQJ

ment is needed to curtail the current deficit and debt position. While it is true that the nations' fiscal position is largely affected by external-financial and other exogenous shocks, it is still true that solid fiscal reform has been lacking

Among the recommendations made by the local government for fiscal reform are privatization of loss making public entities, reforming taxation for simplicity and improved tax administration. It is recommended that efforts be made to codify and enforce fiscal responsibility within legislation.

Amid rising international commodity prices and external shocks that disrupt

economic activity from time to time, wage bills are remain variable necessitating a reform to public sector employment. The administration intends to make a more significant step in the next fiscal period 2009/10. It is envisaged that the budget will be balanced over a 3 year period, thereby reducing public debt to a 100% of GDP (currently the public debt stands at 128% of GDP).

Details pertaining to the discussion on Monetary & Exchange Policy and, the Financial Sector can be found in the IMF report at the following [link](http://www.imf.org/external/pubs/ft/scr/2008/cr08199.pdf):

<http://www.imf.org/external/pubs/ft/scr/2008/cr08199.pdf>

APPENDIX

INFLATION (MAY 2008 CPI)

INFLATION - May 2008	%Change	Weighted Δ	Rank	Infl. Contribution
ALL GROUPS	2.40%	2.404		
FOOD AND NON-ALCOHOLIC BEVERAGES	2.57%	0.964	1	
Food	2.70%			
Bread and Cereals	7.98%			
Meat	0.85%			
Fish and Seafood	0.88%			
Milk, Cheese and eggs	1.65%			
Oils and Fats	4.25%			
Fruit	1.10%			
Vegetables and Starchy Foods	1.60%			
Vegetables	1.16%			
Starchy Foods	2.57%			
Sugar, Jam, Honey, Chocolate and Confectionery	1.82%			
Food Products n.e.c.	1.80%			
Non-Alcoholic Beverages	1.05%			
Coffee, tea and Cocoa	1.19%			
Mineral waters, Soft Drinks, Fruit and Veg Juices	1.03%			
ALCOHOLIC BEVERAGES AND TOBACCO	13.08%	0.180	3	
CLOTHING AND FOOTWEAR	0.97%	0.032	8	
Clothing	0.76%			
Footwear	1.12%			
HOUSING, WATER, ELECT., GAS AND OTHER FUELS	4.58%	0.585	2	
Rentals for Housing	2.14%			
Maint and Repair of Dwelling	0.88%			
Water Supply and Misc. Serv Related to the Dwelling	-0.29%			
Electricity, Gas and Other Fuels and Routine	6.80%			
FURNISH, HSHOLD EQUIP & HSHOLD MAINT.	0.40%	0.020	10	
Furniture and Furnishings (including Floor Coverings)	0.54%			
Household Textiles	1.25%			
Household Appliances	0.08%			
Glassware, Tableware and Household Utensils	0.78%			
Tools and Equipment for House and Garden	1.44%			
Goods and Serv. for Routine Household Maint	0.40%			
HEALTH	1.47%	0.048	7	
Medical Products, Appliances and Equipment	0.36%			
Health Services	2.24%			
TRANSPORT	1.37%	0.175	4	
COMMUNICATION	0.00%	0.000	11	
RECREATION AND CULTURE	0.88%	0.030	9	
EDUCATION	0.00%	0.000	11	
RESTAURANTS AND ACCOMMODATION SERVICES	2.73%	0.169	5	
MISCELLANEOUS GOODS AND SERVICES	1.50%	0.126	6	

FISCAL ACCOUNT (MAY - 2008/09)

REV & EXPN (MAY'08)	J\$m	PROVISIONAL Results	J\$m	BUDGET DEVIATION	J\$m	YOY - CHANGE
Revenue & Grants	40,966.5		1,530.9		5,578.80	
Tax Revenue	36,682.8		1,415.3		5,175.90	
Non-Tax Revenue	3,108.1		925.2		1,241.40	
Bauxite Levy	814.1		-334.0		19.20	
Capital Revenue	161.0		-140.7		-882.50	
Grants	200.5		-335.0		24.80	
Expenditure	50,048.1		1,166.4		9,330.40	
Recurrent Expenditure	46,205.0		2,266.7		9,119.00	
Programmes	11,020.1		523.5		1,331.10	
Wages & Salaries	15,744.3		-87.3		1,776.60	
Interest	19,440.6		1,830.6		6,011.40	
Domestic	14,073.1		245.1		3,228.60	
External	5,367.5		1,585.4		2,782.80	
Capital Expenditure	3,843.1		-1,100.3		211.40	
Capital Programmes	3,843.1		-1,100.3		211.40	
IMF #1 Account	0.0		0.0		0.00	
Fiscal Balance (Surplus [+ve])	-9,081.6		364.5		-3,751.60	
Loan Receipts	14,676.9		-2,216.6		-11,266.50	
Domestic	13,621.3		-2,078.7		-11,558.40	
External	1,055.6		-138.0		292.00	
Divestment Proceeds	0.0		0.0		0.00	
Amortization	14,856.2		1,999.9		3,184.20	
Domestic	10,954.9		894.8		1,803.80	
External	3,901.2		1,105.1		1,380.50	
Overall Balance (Surplus [+ve])	-9,260.8		-3,852.1		-18,202.20	
Primary Balance (Surplus [+ve])	10,359.1		2,195.0		2,259.80	

REV. Only (MAY'08)	J\$m	PROVISIONAL Results	J\$m	BUDGET DEVIATION	J\$m	YOY - CHANGE
Revenue & Grants	40,966.5		1,530.9		5,578.8	
Tax Revenue	36,682.8		1,415.3		5,175.9	
Income and profits	13,426.3		1,019.6		1,481.5	
Bauxite/alumina	11.8		-71.9		11.8	
Other companies	1,046.0		94.9		-32.5	
PAYE	8,220.0		587.3		810.5	
Tax on dividend	4.0		-117.7		3	
Other individuals	342.2		-177.5		28.7	
Tax on interest	3,802.3		704.5		660.2	
Environmental Levy	370.1		17.5		370	
Production and consumption	11,533.8		359.8		1,265.7	
SCT	579.5		37.8		173.1	
Motor vehicle licenses	390.3		49.5		227.8	
Other licenses	152.9		64.7		26	
Betting, gaming and lottery	217.4		-27.0		20.6	
Education Tax	1,775.7		-7.8		119.3	
Contractors levy	162.1		17.9		8.9	
GCT (Local)	6,856.8		413.9		858.2	
Stamp Duty (Local)	1,399.2		-189.2		-168	
International Trade	11,352.7		18.4		2,058.5	
Custom Duty	3,500.2		381.6		646.5	
Stamp Duty	199.0		12.5		27.5	
Travel Tax	357.3		-145.2		-68.9	
GCT (Imports)	5,226.5		204.9		569.3	
SCT (Imports)	2,069.7		-435.4		884.3	
Non-Tax Revenue	3,108.1		925.2		1,241.4	
Bauxite Levy	814.1		-334.0		19.2	
Capital Revenue	161.0		-140.7		-882.5	
Grants	200.5		-335.0		24.8	

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	560,278.86	6,123.21
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	562,555.18	6,159.34
Mar	1.81	13.54	-3.46	12.21	2,083.40	2,450.52	1.15	19.90	4.6	71.09	14.23	22.47	4.88	562,108.09	6,169.29
Apr	-2.17	11.27	2.81	13.79	2,162.86	2,451.16	1.55	21.18	-0.4	71.35	14.20	22.39	4.50	564,723.82	6,138.83
May	-6.3	9.33	n/a	n/a	2,259.21	2,462.11	2.40	22.51	n/a	71.53	14.28	24.46	4.59	n/a	n/a
Jun	0.77	8.79	n/a	n/a	2,228.80	n/a	n/a	n/a	n/a	71.89	14.43	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.

<u>Key:</u>	
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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The Economic Bulletin is a monthly synopsis of the major developments impacting the Jamaican economy. It covers a wide range of areas including inflation, the financial markets, fiscal accounts, tourism, the productive sectors and external trade. In addition to tracking changes in the main indicators, it also goes behind the numbers to examine the underlying factors driving those changes. The Bulletin also provides insight into how current trends may shape developments going forward in order to help inform your business decisions.

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