



MONTHLY ECONOMIC BULLETIN

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June 25, 2014

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The CEO'S Remarks

Recently news came from the IMF that Jamaica has passed the fourth quarter test for fiscal year 2013/14. This was a formal announcement as it was well known before that Jamaica had passed the test.

In fact, before the IMF announcement we were made aware that Jamaica for the first time in many years achieved a fiscal surplus on the 2013/14 accounts. This is very significant, as it means that we seem to be on the path of fiscal sustainability and long term debt reduction.

If so, many ask, why then do we continue to feel economic malaise, and also see the continued slide of the Jamaican dollar, particularly against the US currency. This is of course a legitimate question from a business point of view, as one hears that the fiscal and monetary environment is going in the right direction but it is not filtering down to the primary business environment.

One could also argue, as many have done, that the depreciation of the currency has not had a positive effect on the external accounts, as while the trade deficit has improved over last year, we are seeing a greater percentage reduction in exports than we are seeing in imports. A deeper analysis shows that the real cause of our trade deficit improvement is as a result of reduction in imports of oil and chemicals, and we have not yet seen the impact on food imports in any significant way.

This is a valid argument, which comes from many exporters and manufacturers. Put another way should we have allowed the dollar to remain at under J\$100=US\$1. The truth is that this would not have been possible given the fact that we have restricted our borrowing programme, and tightened our fiscal spending.

What is positive this time around is that we see the depreciation of the currency being supported by strong fiscal and legislative initiatives, which means that (as one CEO said recently) prices cannot be adjusted as a direct reaction to the currency depreciation, as competition now forces businesses to fight for the reduced local aggregate demand.

It is therefore clear that the path of least resistance may

be for companies to seek out external markets. However, for this to have any meaningful impact, and for us to benefit from the depreciated dollar, it is going to be essential for this shift to external markets to happen fairly quickly.

This shift to external markets is being prevented, however, by other structural issues that work against any benefit from the currency depreciation. This is particularly true at the SME level, where size and lack of economies of scale means that the structural impediments are more costly and prevent SME investment.

We can argue therefore that unless we are able to effectively tackle the structural impediments, at an even faster pace than the currency depreciation then the exporters and manufacturers may not see the expected long term benefits.

This is compounded by the fact that approximately 70 per cent of our exports is from imported inputs. And so the aim must be to increase the percentage of inputs from local sources, and in particular inputs outside of wages.

This of course means creating an environment where the supply of local inputs are consistent and can be done at a more competitive rate. So that when imported inputs get more expensive as a result of devaluation that we substitute with available and less costly local inputs. If, however, we are unable to (1) meet the demand, which is a problem with demand for agricultural inputs; and (2) have cheaper local goods, e.g., by reducing the cost of security, energy, and transport; then businesses may find it difficult to substitute the local goods and hence reduce production rather than switch inputs.

There are several initiatives to address this problem but they must be dealt with even more expeditiously, as businesses have cycles on which they make going concern decisions.

If we can address these structural impediments then the value of brand Jamaica will be realized even further and we should be able to see a sustainable positive effect on the trade deficit.

Economic Highlights May 2014

International Monetary Fund chief Christine Lagarde announced the lowering of the growth forecast for the United States down from **2.8%** to **2%**. Growth reduction not likely to cause significant impact on emerging market economies as the shock is temporary.

The growth in real GDP of **1.6%** for the March quarter should continue to influence macroeconomic indicators over the next quarter. It is expected that in the short term growth in the economy is expected to continue due to improvements in Agriculture, Mining, Construction and Hotels and restaurants. The downside risks however are the beginning of the hurricane season and the effects of fiscal consolidation on the implementation of major projects. For the June quarter, GDP is projected to fall within the range of **0.5%** to **1.5%**.

For the month of May 2014, the Jamaica Dollar depreciated by **J\$1.10 (1.0%)**, **J\$1.90 (1.8%)** and **J\$1.20 (0.6%)** relative to the US dollar, the Canadian dollar and the Great Britain Pound. The slower pace of depreciation in the Jamaica Dollar relative to the Canadian dollar and the Pound reflected the continuing improvement in the current account deficit that has resulted in reduced pressure on the value of the currency. The depreciation of the Jamaican dollar relative to the US dollar largely reflected higher seasonal demand and reduced inflows.

The monthly inflation rate increased by **1.0%** for the month of May 2014. This represents a rise of **1.3%** relative to the inflation rate of **-0.3%** recorded for April 2014. Inflation for May 2014 brought inflation for the calendar-year-to-date to **2.4%** and the 12-month point to point rate at end April 2014 to **8.0%**. For the fiscal year 2014/15 to date the inflation rate is **0.7%**.

There were price reductions in **13** or **65%** of the **20** commodities monitored for May 2014. Notably, the crude oil indices had mixed price movements. For the month, the Brent crude oil index rose by **US\$1.8 (1.8%)** to settle at **US\$109.68** per barrel. The price per barrel for the WTI fell by **US\$0.18 (0.2%)** to end May at **US\$102.00** per barrel. However, beef, oranges, poultry and sugar had prices increases for the month.

The IMF's Fuel Energy Index increased by **0.6%**, while the Food and Beverage Index fell by **1.5%**. The tempered movement in food prices should impact Jamaica on or before end-July 2014. These price movements coincide with depreciation of the Jamaica Dollar of **1.0%**, **0.6%** and **1.8%** relative to the US Dollar, Great Britain Pound and the Canadian Dollar, respectively for the month of April.

The decline of Treasury Bills yields of the 90-day and 182-day tenors by **5 bps** and **10bps**, respectively for the second consecutive month has significant pieces of good news about the economy.

It implies that investors believe that risks has declined and that inflation will be curtailed in the medium to longer term. In addition both loan rates and deposit rates on both Jamaican and US funds rose marginally during the month, this is reflective of a tight environment.

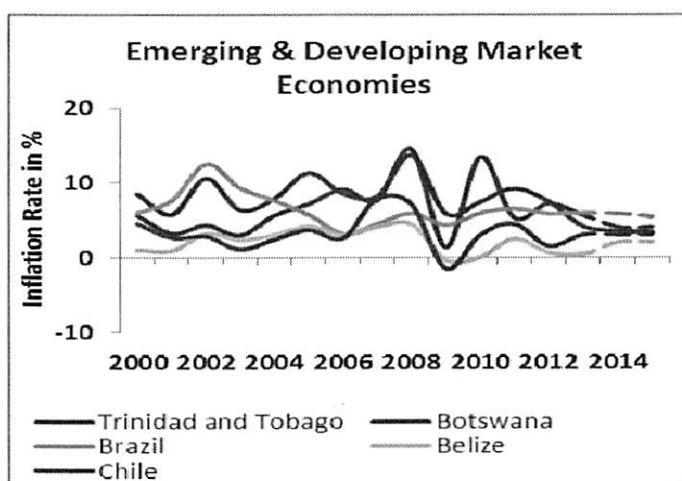
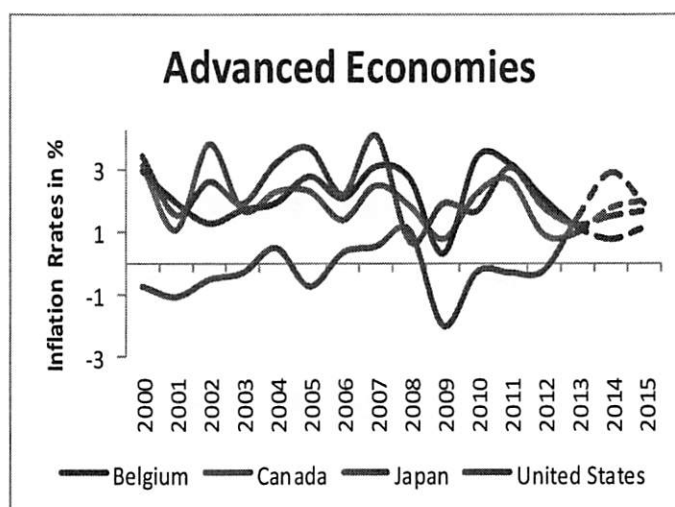
The relative tight monetary environment was also reflected in the stock of Net International Reserves (NIR) at the Bank of Jamaica which declined by **US\$120.32 million (9.3%)** to close the month at **J\$123.91 billion (US\$1,164.77 million)** relative to April 2014. At the end of May, the reserves were sufficient to finance 17.21 weeks of goods imports which represents 5.21 weeks over the international benchmark of 12 weeks of goods imports. (**Contd. page 7**)

Economic Outlook: Western Hemisphere

On Monday June 16th 2014, the IMF chief Christine Lagarde announced the lowering of the growth forecast for the United States from **2.8% to 2%**. This announcement came as the IMF met with the US Senate in an article four consultation. The IMF's report on the US was centred on projections for long term growth trend and structural reform. The growth reduction was due to weak actualized growth in the first quarter of 2014 due to weather related conditions. The chief stressed that this growth reduction was unlikely to cause significant impact on emerging market economies as the shock is temporary. However, the economic implications of this news for the Caribbean cannot be overemphasized because the United States is seen as the engine of the world economy and most Caribbean countries including, Jamaica are heavily dependent on it for economic growth.

The significant point to note in her presentation is her prognosis of the real root causes of the reduction, which includes an aging population and the failure of the US to improve on its overall levels of productivity. The chief also pointed out that the US is expected to post better growth in 2015. She also stated that full employment levels will not be attained in the US until 2017. The three main policy recommendations given by her were job growth and poverty reductions, changes in macroeconomic infrastructure and financial market stability. Interestingly, she noted that a key concern of players in the financial industry was the growing uncertainty as to the direction in which interest rates are trending. Keen attention should also be placed to her statement concerning financial stability, she noted that while stability has returned somewhat in the US there still exist many financial stability associated risks.

This address by the IMF chief comes just a month after IMF published the economic outlook for the Western Hemisphere in April of 2014. The report highlighted the point that economic activities in Latin America and the Caribbean is expected to stay in low gear for 2014, it was said that the faster recovery in



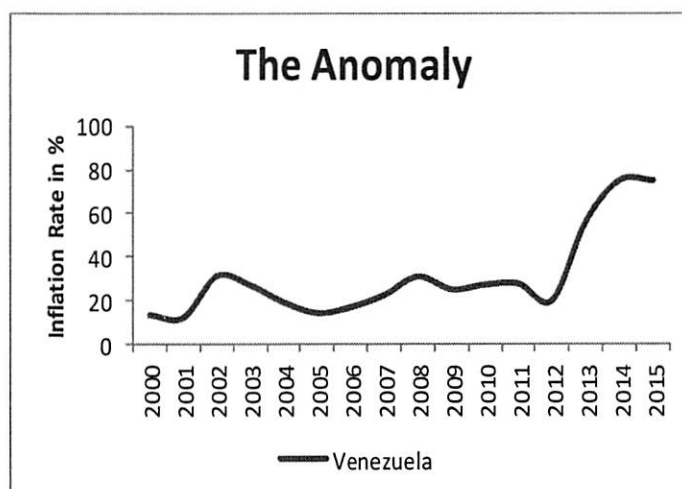
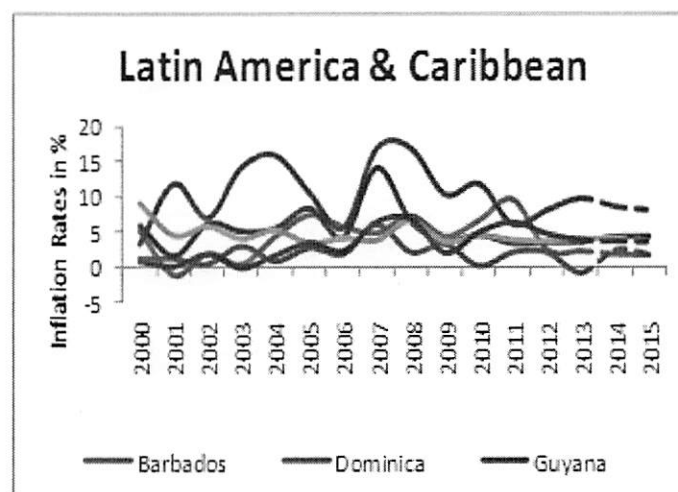
the United States and other advanced economies would bolster export growth, but flat or lower world commodity prices and rising global funding costs would weigh on domestic demand. The regional economic outlook also noted that supply-side bottle necks in several economies are likely to persist amidst a continued slowdown in investments. In this regional economic outlook, the IMF's forecast for growth for Latin America and the Caribbean was **2.5%** for 2014 and **3%** for 2015. However, the outlook for the region remains clouded by downside risks, including renewed bouts of financial market volatility and a sharper-than-expected decline in commodity prices. In Jamaica's case the down side risk surrounds the inflation rates, currency depreciation and the observed fall in many of the export commodities.

Economic Outlook: Western Hemisphere

These risks exist even as the country posted three consecutive quarters of real economic growth September 2013 to March 2014.

Another fundamental downside risk that has become evident in Jamaica is one that is wired in the very engineering of the macroeconomy. This concerns the twin problem of facilitating economic growth by providing businesses with adequate levels of liquidity and credit at an attractive rate on one hand. On the other hand, the central bank tries to build reserves and safeguard the country's balance of payment position by keeping liquidity tight and away from those who may want to use it to convert it into hard foreign currencies for speculative purposes. This twin problem is even exacerbated by the low real aggregate demand in the economy and the persistently low levels of general productivity. The clear anomaly is the opposing directing of the key variable, which is interest rate on one hand requires a normalization to facilitate growth, but on the other hand seems to be increasing in a drive to safeguard the currency. An important point to note here is that this currency problem looks familiar, doesn't it? We have been down this slippery slope before.

So on the face of it, there still exist many areas of vulnerability in many Caribbean countries and this was the theme coming from the chair of the CARICOM Foreign Ministers at a forum held in London. The chair noted that the Caribbean was still in global economic crisis mode and that these states are reeling from its continuing impact on their economies. Additionally, he noted that there is little to be optimistic about in the short



and medium term.

As noted earlier, inflation and exchange rate movement threats remain a serious problem for Jamaica and for Jamaican businesses in particular. A report in the Daily Gleaner of Wednesday June 18, 2014, featuring Digicel's CEO Barry O'Brian. Mr. O'Brian made note of the negative impact

Average Inflation in Regional Economies 2000 to 2013

Advanced	%	Emerging & Dev.	%	Latin Am. & Carib.	%
Belgium	2.19	Belize	2.09	Barbados	4.30
Canada	1.97	Botswana	8.19	Dominica	1.79
Japan	-0.16	Brazil	6.48	Guyana	5.36
United States	2.36	Chile	3.22	Jamaica	10.51
		Trin. & Tobago	6.63	Mexico	4.66
		Venezuela	24.56	Panama	3.15
Group Averages	1.59		8.53		4.96
Avg. Less JPN, VEN & JAM	2.18		5.32		3.85

Economic Outlook: Western Hemisphere

of both inflation and the exchange rate movements on his company's operations. These sentiments are shared by many of the country's real "movers and shakers" who are in industry and who seem to be questioning the trajectory of the currency and interest rates. The question is, what are the factors driving these fundamental macroeconomic variables, especially inflation? A survey for the period 2000 to 2013 of inflation in fifteen countries from three economic groupings paints a picture which is worth noticing.

For the fourteen years under review, the average inflation in the advanced economic group was **2.2%**, in the Emerging markets the average inflation was **5.32%** while in the Caribbean it was **3.9%**, this is after the outliers Japan, Venezuela and Jamaica were removed from the respective groups. In this comparison an account was made of the stylized fact on the expected differences in inflation, economic growth across these three economic groups. Jamaica's inflation of **10.5%** is alarmingly high when compared to other countries in the region. It is two to three times that of regional inflation and six times the inflation in Dominica.

The high inflation outturn observed in Jamaica may be attributed to debt repayments financed by taxes, currency movements which creates a vicious cycle on production cost, the volatility in global commodity prices which creates both BOP and currency issues. Finally, general expectations on the trajectory of the overall price level in the economy is a major driver of inflation. In Jamaica

Empirical evidence on the impact of currency movements on inflation in developing countries, points to the fact that there is an unambiguously positive relationship between floating exchange rate regimes and persistently high rates of inflation. Movements in the currency accounts for a **10%** average annual inflation. Recommendations for the BOJ would necessitate the urgent need to address the movements in the currency or at minimum communicate more objectively and openly about when and where the dollar will settle

and not leaving it to expectations and speculations.

Economic Highlights May 2014 (Contd. From page 4)

The monetary base contracted by **J\$1.7 billion (1.7%)** to **J\$94.29 billion** for May 2014 relative to April 2014. The reduction in the base reflected respective declines of **J\$987.8 million** in commercial bank's statutory cash reserves and **J\$188.3 million** in commercial banks' current account balances.

For the month of April 2014, money supply measured by the sum of Jamaica Dollar deposits and currency in circulation declined by **1.24% (J\$3.2 billion)** relative to March 2014. This movement brought the expansion in money supply for the fiscal year 2014/2015 to April 2014 to **1.24% (J\$3.2 billion)** relative to **1.62% (J\$4.1 billion)** for the corresponding period of FY2013/2014.

Data from the Statistical Institute of Jamaica reveals that the country's trade deficit with the rest of the world fell by **US\$263.7 million (6.2%)** as at the end of February 2014. As at the end of February 2014 the total value of Jamaica's imports for the fiscal year 2013/14 stood at **US\$5,303.1 million** while total exports stood at **US\$1,294.8 million**, resulting in a trade deficit of **US\$4,008.3 million**. For the similar period last year the value of total imports stood at **US\$5,857.1** while total Exports stood at **US\$1,585.1**, resulting in a trade deficit of **US\$4,272 million**.

Finally, the stock markets continued on its declining path during the month of May 2014. main JSE market index and the JSE Combined Index fell by **4,339.9 points (6.2%)** and **4,290 points (5.9%)**. In contrast, the JSE Cross Listed Index remained firm and closed the month at **585.90 points** while the US Equities Index advanced by **13.75 (10.49%)**.

International Commodity Prices

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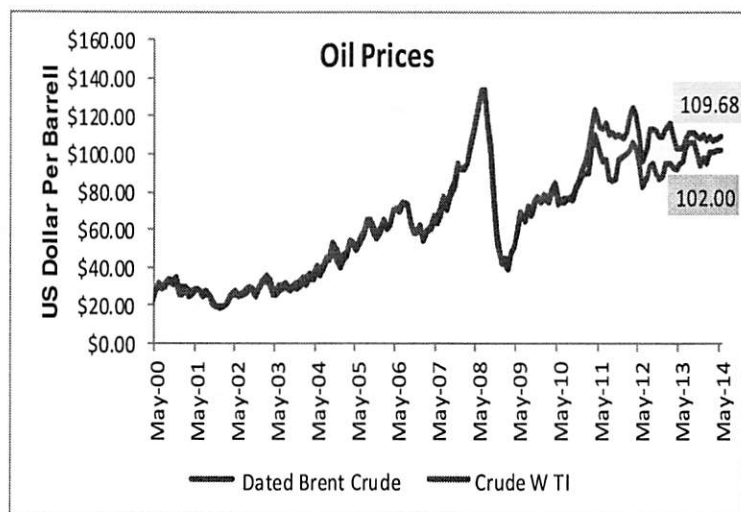
Crude Oil Prices

Oil prices increased significantly in May 2014 when compared to April of 2014. The selected benchmark crude oil indices recorded mixed results for the month. The European Brent started the month at **US\$107.88 per barrel** and ended at **US\$109.68**. This represents a price increase of **US\$1.80 (1.7%)** for the month. In May 2013 the sale price for the European Brent was **US\$103.03**, this is a price increase of **US\$6.65 (6.46%)** when compared to May 2014. In May of 2012 the price of the European Brent was **US\$110.52 per barrel**. This is significant because over the last two years price for this commodity has fallen by **US\$.84 or 0.76%**.

The price per barrel of West Texas intermediate fell from **US\$102.18** at end April 2014 to **US\$102.00** at end May 2014, a reduction of **US\$0.18 (0.2%)**. In comparison to May 2013, the price per barrel of the WTI has increased by **US\$7.28 (7.69%)**. In contrast, prices for May 2014 and May 2012 were relatively different, with major increase of **US\$7.48 (7.93%) per barrel**. The five year average monthly price for both crude oil are **US\$102.7** and **US\$93.24** per barrel, an increase of **US\$6.89 (6.7%)** and **US\$8.76 (9.4%)**.

In the oil price highlights for April 2014, Organization of Petroleum Exporting Countries (OPEC) stated that the global demand for oil in 2014 will average **91.2 million barrels per day (mb/d)**, which is an increase of **1.14 mb/d (1.3%)** relative to 2013. The Non-OPEC oil supply forecast for 2014 is approximately **1.37 mb/d**. OPEC declared that the growth in supply for 2014 will emanate from the United States, Canada and Brazil.

On the other hand, reductions in supply are expected from Norway, United Kingdom and Mexico. OPEC stated that global oil prices are being impacted by slower economic growth in China, lower demand for refined oil products and ample supply which the organization believed has outweighed the supply disruptions and geopolitical tensions.



The price movements for May 2014 continues to reflect were driven mainly by the geo-political developments in Libya and Ukraine, a reduction in supply along the Gulf Coast, a reversal of global economic growth and weather conditions in the United States.

The forecast for 2014 is for prices to decline in the last two quarters of the year and to continue falling into 2015. The United States Energy Information Administration's forecast was for prices to remain below **US\$120 per barrel** and average **US\$100** for 2014. For this forecast to obtain, oil price would have to fall below the **US\$100.00 per barrel** mark in some months of 2014.

Natural Gas

At end May 2014, the price for natural gas fell from **US\$4.68** to **US\$4.59**, a reduction of **US\$0.09 (1.9%) per thousand cubic meters**. This decline marks the third monthly decline since the beginning of 2014. For May 2013 relative to May 2014, Natural gas prices increased by **US\$0.55 (13.6%)**. Similarly, natural gas prices have increased by **US\$2.16 (89%) per thousand cubic meters** when prices of May 2014 are compared to May 2012. These price movements are indicative of a higher demand for general fuels as well as alternative fuels such as natural gas.

Douglas Westwood, energy business advisor stated that the liquefied natural gas market is on a rebound after the global

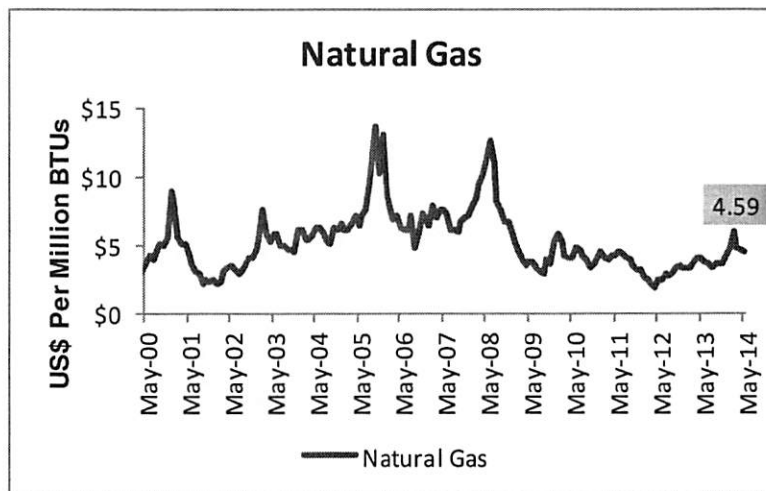
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meltdown. He also stated that global capital investment in this area will increase by approximately **US\$228.0 billion (109%)** between 2013 and 2017. According to Westwood, the LNG market is evolving and is being impacted by a number of macroeconomic fundamentals and technological developments. The forecasts for higher LNG demand were supported by large financial commitments which will result in greater supply from both North America and Australia. If this forecast was to obtain, more industries would have to use power fuelled by LNG, which would then result in decline in global demand for crude oil. This would likely cause a fall in global crude oil prices and production indices would be positively impacted. Nevertheless, this pronouncement is conditional on other factors such as the pace of global economic growth.

Forecast from the American Energy Association is for prices to increase in 2014 relative to 2013 and maintain this trajectory over the short term. This increase is expected to be driven by a faster pace of growth in consumption in the industrial and electric power sectors and by growing demand for export at LNG facilities. This especially, as more persons move away from fossil fuels and seeks cleaner energy alternatives.

The positive development of the global economic recovery is good news for Jamaica and other Caribbean counties that are heavily dependent on Developed economies such as the US, UK, China and Brazil for export opportunities, remittances and capital. However, there are also disadvantages, the most perilous of which is the impact of global demand for fuels on international energy prices. Even with the new sources of alternative energy, if the global demand continues to increase both LNG and crude oil prices could rise to record levels in the next two to four years. The developments in these fuel sources should be of considerable importance to businesses in Jamaica and the Caribbean.



Wheat

In May 2014, wheat prices fell by **US\$0.18 (0.1%)** when compared to April 2014 to close at **US\$324.75 per tonne**. Relative to May 2013, prices have increased by **US\$5.64 (1.77%) per tonne**. A two year comparison of wheat prices shows that an uptick in prices of **US\$60.39 (22.84%)**. The average five year monthly price for May is **US\$288.92**, this represents an increase of **US\$35.83 (12.4%)** when compared to current prices. These movements are indicative of a higher demand for wheat. Oil price movement and weather conditions will continue to play a significant role in wheat prices over the next 12 months. Experts forecast a tighter supply of wheat for 2014, which is expected to result in higher prices. However, developments in Ukraine are expected to temper prices for the US market. In addition, rainfall experienced in March may have significantly improved yields of other competing commodities which continues to impact current wheat futures in the United States.

Rice

Relative to April 2014, rice prices for May fell by **US\$6.98 (1.7%)**. Similarly, prices declined from **US\$552.09** to **US\$403.59 (26.9%) per tonne** between May 2013 and May 2014. This reduction follows twelve (13) months of decline. Prices increased in only one month of the review period, February 2014. Experts believe that international rice prices will con-

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continue to remain low this year. There are a number of supply side and political factors that continue to influence prices. Higher than normal inventory levels, import duties in many of the major importing countries and over production in 2013 are just some of these factors. The Food and Agricultural Organization (FAO) forecasts that rice utilization, rice stock and rice production will increase for 2014 into 2015. As such, prices are expected to decline over the same period.

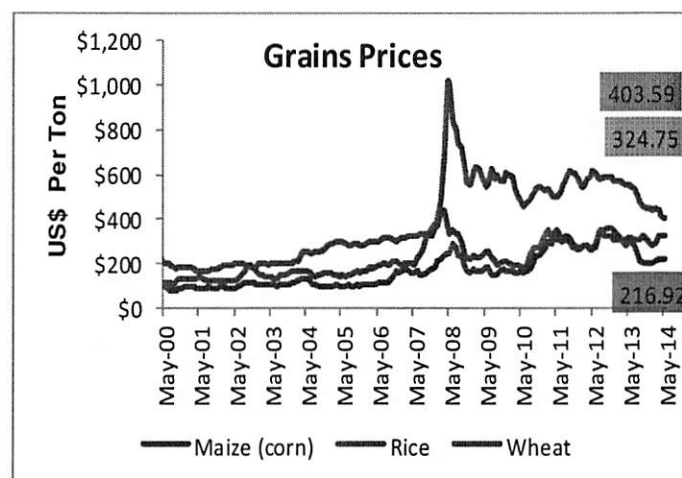
Corn

At the end of May 2014, corn prices fell to put a stop to four consecutive months of price increases. Despite this, prices have been volatile since November 2006 and are expected to remain on this path in the upcoming months. Corn prices fell in May 2014 when compared to April of 2014 by **US\$5.44 (2.4%)** and closed the month at **US\$216.92 per tonne**. Between May 2013 and May 2014 prices fell by **US\$78.37 (26.54%)**. However, between May 2012 and May 2013 prices increased by **US\$26.51 (10%)**. A two year price comparison from May 2012 to May 2014 shows a total price decline of **19.3%**. The five year monthly average for corn is **US\$250.65**, this implies a reduction of **US\$33.73 (13.5%)** when compared to current prices. The stability of corn prices will be conditional on good weather conditions, oil price movements and the political environment in Ukraine that accounts for **16%** of the global export market.

Already, cold weather conditions have been impacting planting acres in the US and hence corn futures have been increasing. Fertilizer prices are expected to decline, which should temper prices over the course of the year. The most significant driver of corn prices is the price of crude oil which is expected to increase for the first half of 2014, then decline for the latter half. Experts predict that supplies will continue to increase given inventory levels and the size of acres under cultivation.

Soybean

The price for both soybean meal and soybean oil had contrasting results for May 2014. The price for Soybean



oil material fell for May 2014 in comparison to April 2014 by **US\$40.57 (4.3%) per metric tonne**. The price per metric tonne of soybean oil materials decreased by **US\$189.25 (17.48%)** for the period May 2013 to May 2014. On the other hand, the price for soybean meal increased by **US\$9.15 (1.7%) per metric tonne** when May 2014 is compared to April 2014. For the period May 2014 relative to May 2013, the price of Soybean meal increased by **US\$66.04 (13.85%)**. A two year comparison for May 2012 to May 2014, shows that the price of Soybean meal increased by **US\$83.36 (18.15%) per metric tonne**. The five year average monthly price for Soybean Material is **US\$434.59**, current prices are **US\$108.19 (24.9%)** higher. Crude oil price movements are expected to impact both soybean meal and soybean oil prices in the medium term. In addition, the supply and demand for other substitutes especially in China, will continue to influence prices.

Sugar Prices

Both the Free Market Index and the US Import index had mixed price changes for May 2014. The Free market Index fell less than a cent (**0.6%**) while the US Import increased by **US\$0.05 (2.1%)**. Prices closed May 2014 at approximately **US\$0.18** and **US\$0.25 per pound**, respectively. For the period May 2013 to May 2014, the price of Free Market sugar increased by **0.42%**, while US import prices have increased by **24.0%**. For the period May 2013

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relative to May 2012, both indices fell by **14.0%** and **33%**, respectively. The Food and Agriculture Organization (FAO) reported that sugar price indices averaged approximately **253.5 points** in March 2014. The observed increases in prices arose in light of concerns of declining exports from Brazil and Thailand due to drought.

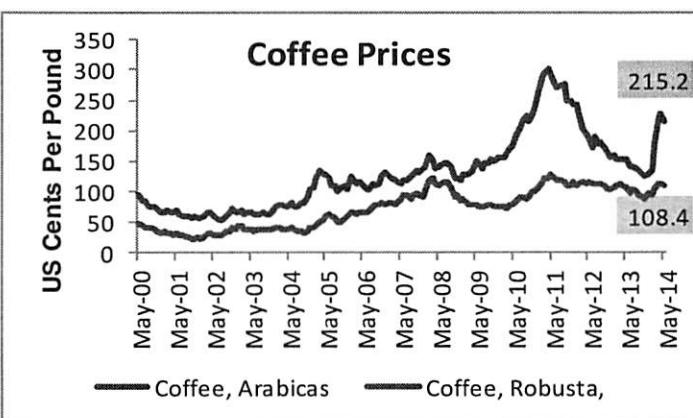
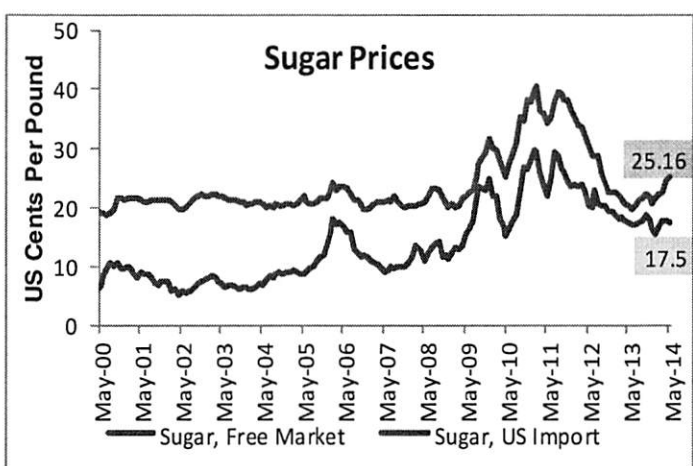
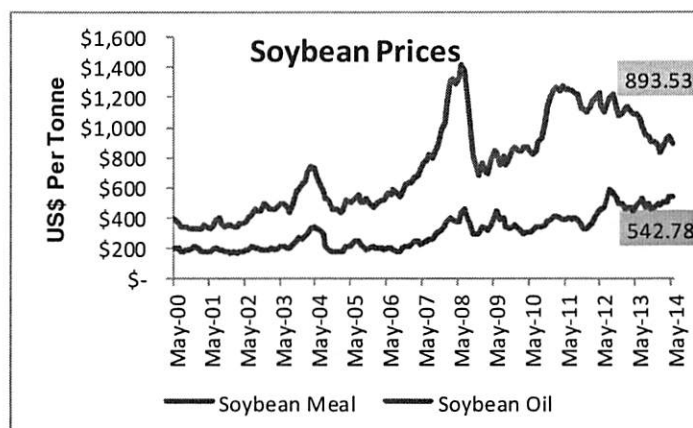
Coffee Prices

The price of both the Arabica and the Robusta suffered declines in May 2014 by **US\$0.12 (5.2%)** and **US\$0.02 (2.1%)** respectively. In April 2011, coffee prices reached record levels of **US\$3.30** and **US\$1.21 per pound**, respectively. Since then, prices have fallen by **29%** and **11%** to **US\$2.15** and **US\$1.08** respectively, at the end of May 2014. The five year average monthly price for both types of coffee are **US\$2.04** and **US\$1.07** respectively. This implies that current prices are **5.5%** and **1.7%** higher. Experts believe that lower production in Brazil, Africa and Central America has been fuelling the upward price movements. This surge could be negated by production increases in Asia and other eastern countries.

Cocoa Prices

In May 2014, Cocoa prices fell by **US\$20.58 per tonne (0.7%)** to close at **US\$3,030.03 per tonne**. Relative to May 2013, prices increased by **US\$684.3 (29.17%)**. The two year price comparison shows that prices are higher by **US\$916.34 (43.4%)** when May 2014 is compared with May 2012. The five year average monthly price for cocoa is **US\$2,745.07**, this means that current prices are **US\$285 (10.4%)** higher. (Experts at Rabobank believe that a third consecutive cocoa deficit will send prices skyrocketing. The analysts estimate a deficit of over **100,000 tonnes** which will send prices rising by over **12%** relative to 2013 prices.

Orange Prices



Orange prices increased in May 2014 to **US\$1,040** an increase of **US\$70.00 (7.2%)** per metric tonne, relative to April 2014. This uptick in price movement was preceded by an **7.8%** increase in April 2014. Relative to May 2013, prices fell by **US\$17.01 (1.61%)**. However, there was an increase in prices by **39.8%** for May 2013 relative to May 2012. The five year average monthly price is

International Commodity Prices

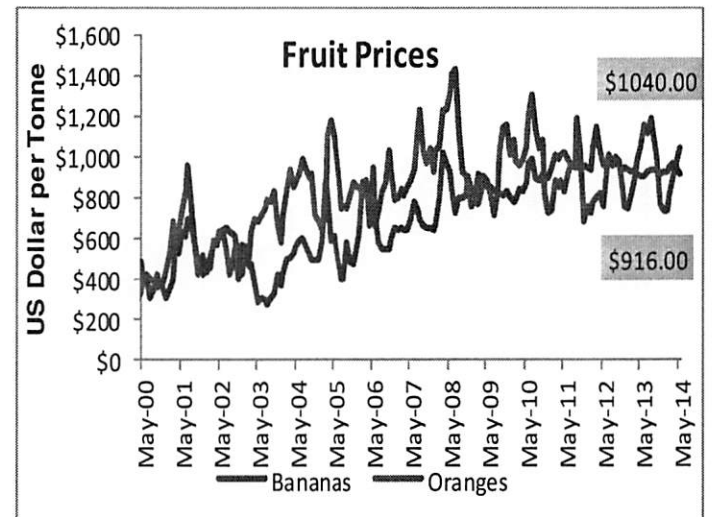
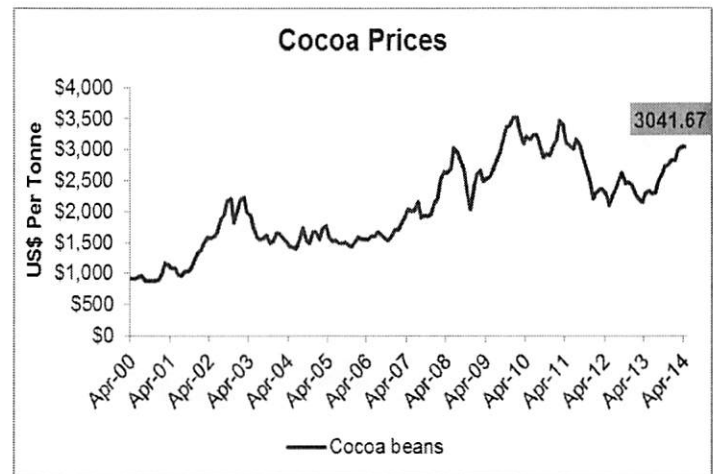
US\$948.79, this means that current prices are **US\$91.21 (9.6%)** higher. Experts predict that prices could continue to increase throughout much of 2014. These forecasts are due mainly to drought conditions in the world's largest producer, Brazil. Additionally, the impact of citrus greening disease in the state of Florida, which produces approximately **70%** of the Oranges in the United States, is also expected to boost prices.

Banana Prices

Banana prices fell in May 2014 to start two consecutive months of price reductions. In this regard, prices declined by **US\$29.50 (3.1%)** to close May at **US\$916 per tonne**. In April 2014 and March 2014 banana prices changed by **-2.21%** and **2.19%**, respectively. For May 2013 to May 2014, banana prices increased by **US\$8.00 (0.9%) per metric tonne**. A two year price comparison for May 2012 and May 2014 revealed that banana prices fell by **US\$39.44 (4.2%) per metric tonne**. The five year average monthly price is **US\$934.8**, this means that prices are **US\$18.8 (2%)** lower.

The Food and Agricultural Organization of the United Nations (FAO) reported in the April issue that the global market for banana and its byproducts has undergone significant changes and will continue to evolve from an industry dominated by large players to one controlled by many players. The FAO reported that this will create many opportunities for further growth and development of the industry, but it will also create many new challenges for both old and new players. Most importantly, these new developments will impact the quality of the competition.

An analysis of the global banana industry shows that the combined market share of the world's three largest players Chiquita, Dole and Del Monte has fallen from **65%** in the 1980's to approximately **37%** in 2013. The FAO report showed that the combined market share of the top five players in the banana industry has fallen from approximately **70%** in 2002 to **44.4%** in 2013. The FAO



also reported on the merger of Chiquita, the largest banana trading company in the world and Fyffes one of the main suppliers to the European market. The combined

market share of the two companies is **18%**. However, the FAO stated that this should not be sufficient for the company ChiquitaFyffes to be able to influence the market price of bananas.

The FAO reported that the banana industry sees a movement away from the traditional plantation ownership and production to the new post-production logistics. This includes purchasing from producers, transportation, facilities to ripen fruits and marketing.

Beef Prices

In May 2014, beef prices increased to **US\$1.95** per pound, an increase of **US\$0.31 cents (1.6%)** relative to

International Commodity Prices

May 2014 Issue

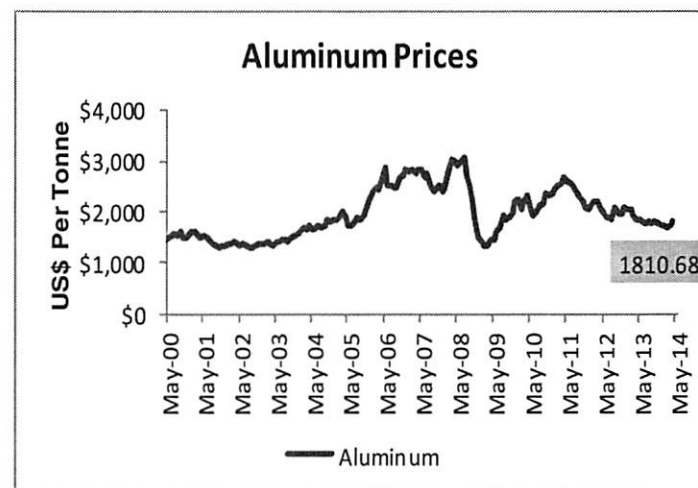
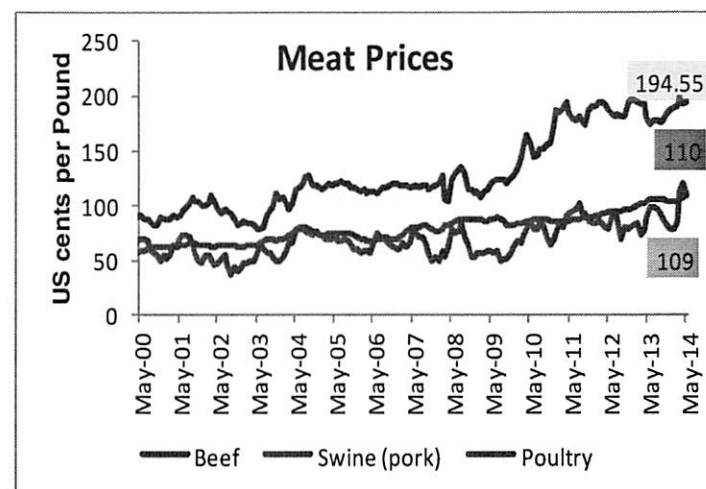
April 2014. Relative to May of 2013, current prices are **US\$ 0.15** or **8.3%** higher than they were. The five year average monthly price is **US\$1.81** or **7.7%** higher.

Reports for March 2014, suggest that in the United States, inventories were down by **21%** when compared to last year. The decline in inventory levels was responsible for the higher than expected price increases. Two important developments that should be monitored in the next six months are the drought in Australia and greater demand in China and Asia. Experts at ABSA Agricultural Trends believe that an end in the current drought situation will leave a supply gap in the beef market which will result in an increase in prices. They expect that in the short term, the movement in international beef prices will be relatively flat. However, prices are expected to fall in the medium term. In addition, experts forecast are for higher prices coming out of both Australia and New Zealand over the medium term. In the long term, it is expected that international prices will move in line with those of New Zealand and Australia. The second set of developments are those in Asia where the markets in both China and Indonesia are heating up for Beef and Byproducts.

Swine (Pork) Prices

In May 2014 the prices for pork fell by **US\$0.10 (8.2%)** to close at **US\$1.10 per pound**. The price of pork was **US\$0.89 per pound** in May 2013, which reflects a **US\$0.42 (54%)** price increase relative to April 2014. A two year analysis of pork prices shows that current prices are **US\$0.31 (40%)** higher than they were in 2012. The

Five year monthly average price per pound for pork is **US0.91**, this means that current prices are **19 cents (21%)** higher. In March, experts reported that pork inventories in the US were down by **11%** and was responsible for the increase in 2014 prices. Experts at the United States Department of Agriculture (USDA) reported that global pork production has increased by **1.8 million tonnes** to **110.7 million tonnes for 2014** over the forecast given in November of 2013. This development was as a result of



growth in china and Russia offsetting the reductions in the United States and the European Union.

The forecast for global trade has been reduced by **400,000 tonnes** to **6.9 million tonnes**. This was due to Russia's restrictions on imports from the EU as well as tight supplies from the United States. A major factor impacting the market for pork has been the Porcine Epidemic diarrhea (PED) which has significantly impacted pork estimates in a number of countries including both North and South America and Asia. Additionally, the African Swine Fever (ASF) was responsible for the trade restriction by Russia on imports from Europe.

Poultry Prices

The price of chicken increased in May by **US\$0.015 (1.42%)** and ended at **US\$1.09 per lbs**. Prices in May

International Commodity Prices

May 2014 Issue

2014 were approximately **4.5%** higher than they were in May 2013. In May 2012, the price per pound for poultry was **US\$0.94**, indicating that prices are **US\$0.15 (16%)** higher than they were two years ago. The five year average monthly price per pound is US\$0.96, this means that current prices are **13 cents (13.3%)** higher. Experts at the USDA reveal that the global production of poultry is still at record high but has declined from November of 2013 by **1.7 million tons** to a stock value of **85.3 million**. This was partially due to declines in China, Brazil, Russia and the United States. The report suggested that global trade in 2014 is virtually unchanged when compared to 2013 and that exports are set at **10.9 million tonnes**.

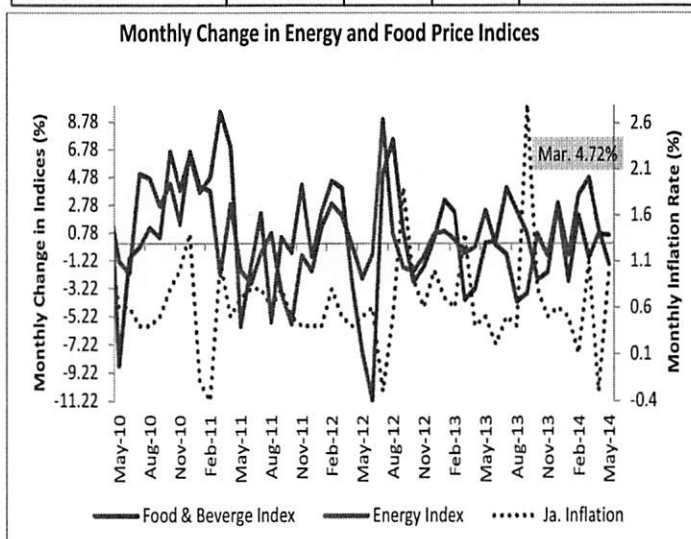
Aluminum Prices

Aluminum prices fell by **US\$59.63 (3.3%) per tonne** to close May 2014 at **US\$1,751.05 per tonne**. Relative to May 2013 prices decreased by **US\$81.52 (4.5%) per tonne**. The five year average monthly price for aluminum is **US\$2,043.62 per tonne**, this means that current prices are **US\$292.57 (14.3%)** lower. The aluminum markets seem to be heating up somewhat because of increased demand in the auto-mobile industry. However, market experts still believe that prices will continue to fall throughout the year. This is due primarily to the level of global inventories and production plans for 2014. The growth in the scrap metal industry recycles significant amount of aluminum back into the supply chain.

Impact of global prices on Jamaica

There were price reductions in **13 (65%)** of the commodities monitored for May 2014. Crude oil indices had mixed price movements, the Brent rose while the WTI fell, natural gas also saw price reductions. The IMF's Fuel Energy Index increased by **0.6%**, while the Food and Beverage Index fell by **1.5%**. This coincides with depreciation of the Jamaica Dollar of **1%, 0.6%** and **1.8%** relative to the US Dollar, Great Britain Pound and the Canadian Dollar, respectively for the month of April. Given the expected decline in both fuel and food prices for later part of 2014 into

Commodities	Unit	Price		Monthly Change
		May-14	Apr-14	
Aluminum	Metric ton	1751.05	1810.68	-3.3%
Bananas	Metric ton	916.00	945.50	-3.1%
Beef	Pound	194.55	191.42	1.6%
Cocoa beans	Metric ton	3030.03	3050.61	-0.7%
Coffee- Arabicas	Pound	215.2	226.99	-5.2%
Coffee- Robusta	Pound	108.4	110.68	-2.1%
Maize (corn)	Metric ton	216.92	222.36	-2.4%
Natural Gas	MMBTU	4.59	4.68	-1.9%
Dated Brent Crude	Barrel	109.68	107.88	1.7%
Crude WTI	Barrel	102.00	102.18	-0.2%
Oranges	Metric ton	1040.00	970.00	7.2%
Swine (pork)	Pound	110.47	120.33	-8.2%
Poultry	Pound	109	107	1.4%
Rice	Metric ton	403.59	410.57	-1.7%
Soybean Meal	Metric ton	542.78	533.63	1.7%
Soybean Oil	Metric ton	893.53	934.10	-4.3%
Sugar	Pound	28.02	27.83	0.7%
Sugar- Free Market	Pound	17.5	18	-0.6%
Sugar- US Import	Pound	25.16	25	2.1%
Wheat	Metric ton	324.75	324.93	-0.1%



2015, import costs should be tempered and hence pressure on the Jamaica dollar should be reduced. The graph shows the relationship between movements in commodity prices and movements in domestic inflation. An examination suggests that domestic inflation lags commodity prices by approximately two months. This means that movements in the international price indices in May will be observed in Jamaica around the end of July 2014. In addition, inflation of **1%** for May would have been influ-

Monthly Inflation and Treasury Bill Rates

May 2014 Issue

Domestic Inflation Rate

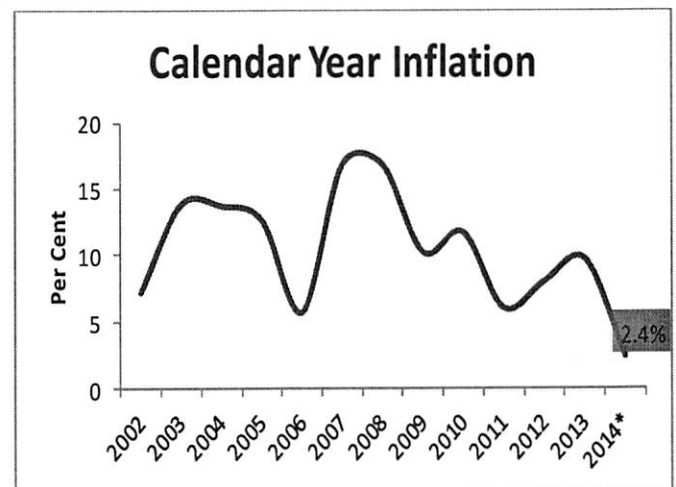
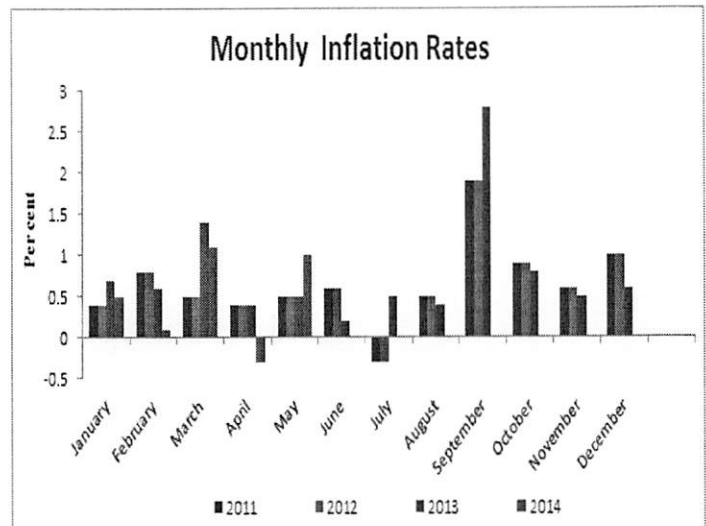
The monthly inflation rate, measured by the All Jamaica "All Divisions" Consumer Price Index (CPI) increased by **1%** for May 2014. This represents a rise of **1.3%** relative to the inflation rate of **-0.3%** recorded for April 2014. The increase in the rate for May brought inflation for the calendar-year-to-date to **2.4%**. The 12-month point to point rate at the end of May 2014 was **8.0%**. For the fiscal year 2014/15 the inflation rate is **0.7%**.

The upward movement in inflation for the month of May resulted from a significant increase of 0.7% in the index for Food and Non-Alcoholic Beverages. Which is the heaviest weighted division. The upward movement in this division was due mainly to the increase in the sub groups of Bread and Cereals, and Milk, Cheese & Eggs by **1.9%** and **1.6%** respectively. The second component that resulted in the inflation for May was a **3.6%** rise in the division Housing, Water, Electricity, Gas and Other Fuels. The sub components of Electricity, Gas and other fuels rose significantly by **7.3%**, however this was moderated by a decline in the sub category of Water Supply and Miscellaneous services.

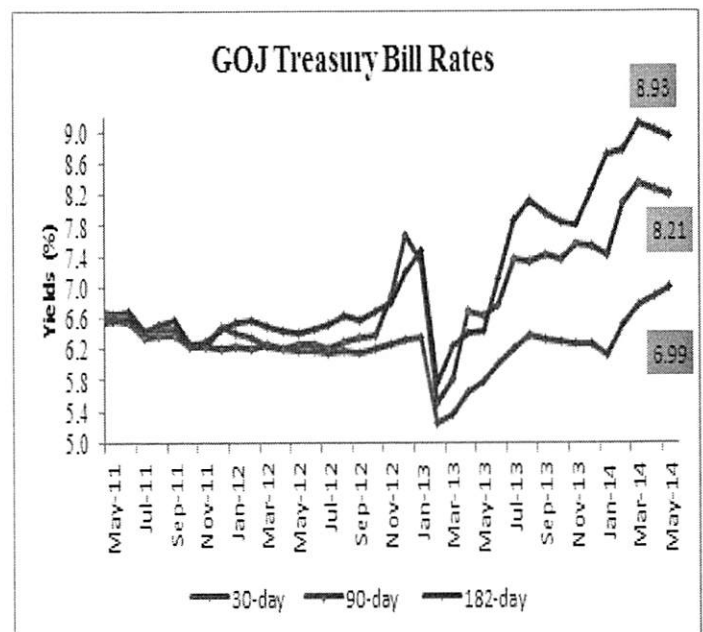
Inflation in all the three regional areas increased for the Month of May 2014 relative to April 2014. Inflation for the Greater Kingston Metropolitan area (GKMA), Other Urban Centers (OUC) and Rural Areas increased by **0.9%**, **0.9%** and **1.0%**, respectively.

GOJ Treasury Bill Rates

For May 2014 relative to April 2014, yields on GOJ 30-Day Treasury Bills increased by **11 bps** while the yields on the 90-day and 182-day tenors declined by **5 bps** and **10bps**, respectively. Yields on GOJ Treasury Bills have increased by **125 bps**, **159 bps** and **249 bps** for the 30-day, 90-day and 182-day tranches respectively for the period May 2014 relative to May 2013. The declining rates on the 90-day and 182-day for the month of May could be reflecting an improvement in investors' confidence and an improvement in the outlook for general economic perfor-



*-inflation for the Calendar year to May 2014



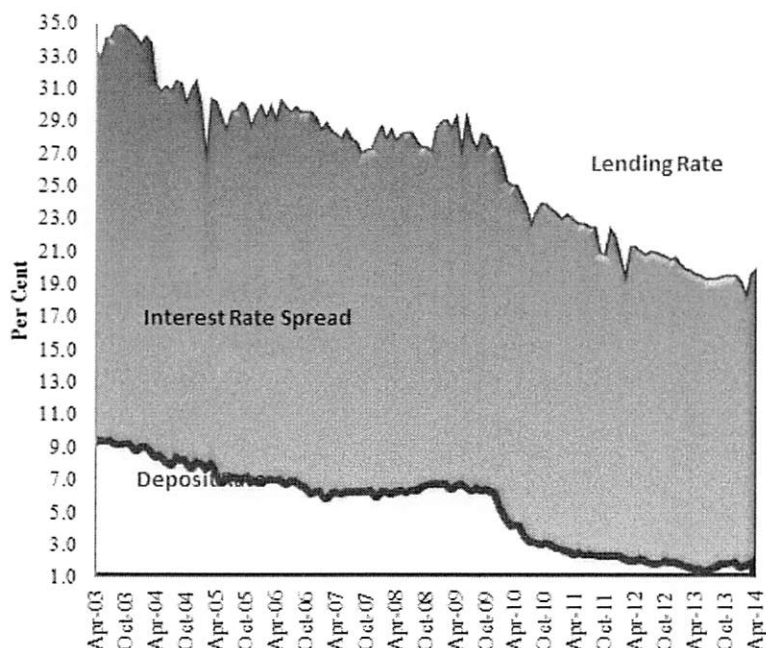
Monthly Interest Rates Update

May 2014 Issue

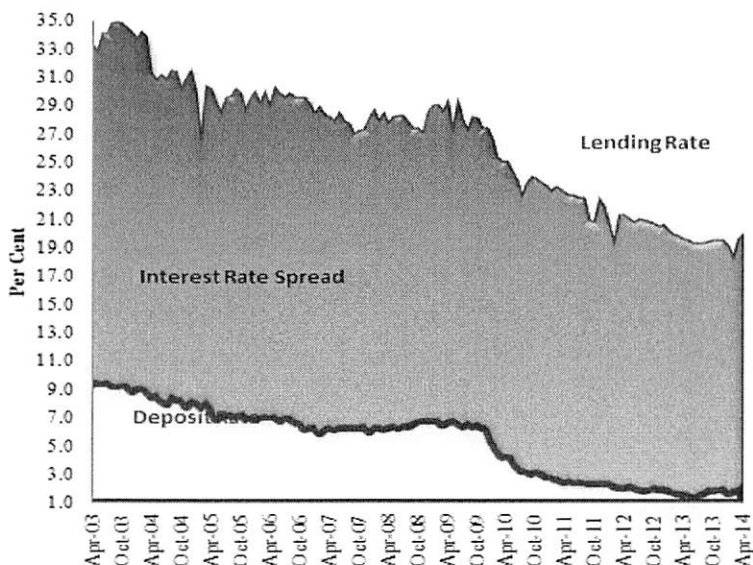
The overall weighted average lending rate on domestic currency loans increased by **9bps** to **17.66%** at end April 2014 relative to **17.57%** at end March 2014. This movement in the domestic currency loan rate occurred in the context of reductions in rates in five of the six loan types. Personal credit and Local Government and Public Entities had the largest declines of **61bps** and **31bps**, respectively. The weighted average domestic interest rates on deposits increase by **28 bps** to **2.26%** at the end of April 2014 relative to the end of March 2014. In this regard, the spread on domestic currency loans decreased to **15.40%** at end April 2014 relative to **15.59%** that existed at end March 2014.

Similar to local currency loan rates, there was an increase in the weighted average interest rate on foreign currency loans for April 2014 relative to March 2014. In this regard, the foreign currency loan rate increased by **5 bps** to **7.40%** from **7.35%** relative to the end of March 2014. This resulted from an increase of **118 bps** in the interest rates on loans on the personal credit and **11bps** on rates on commercial credit. These increases were partially offset by a decline of **10bps** in interest rates on loans to Local Government and other Public Entities. In contrast, interest rates on foreign currency deposits declined by **9bps** to **2.51%** from **2.60%** in March 2014. The interest rate spread on foreign currency loans in commercial banks at the end of April 2014 was **4.89%**, a decrease of **14bps** relative to the spread of **4.75%** at the end of March. 2014

Local Currency Interest Rates



Local Currency Interest Rates



Domestic Currency Weighted Loan Interest Rates (%) April 2014							
	Instalment Credit	Mortgage Credit	Personal Credit	Commercial Credit	LGOPE	Central Govt.	Overall A/W Rate
Monthly Change	-0.10	-0.02	0.61	-0.09	-0.32	-0.11	0.09
Annual Change	-1.17	0.02	1.21	0.35	1.32	2.18	-0.26
End of Month	16.45	9.81	25.79	12.85	11.67	10.78	17.66
Foreign Currency Weighted Loan Interest Rates (%) April 2014							
Monthly Change	-0.01	-0.06	1.18	0.11	-0.10	n/a	0.05
Annual Change	0.91	-2.73	1.41	-0.13	-0.35	n/a	-0.12
End of Month	8.58	6.69	16.91	7.01	6.36	7.00	7.40

Monthly Exchange Rates Update

JMD:USD

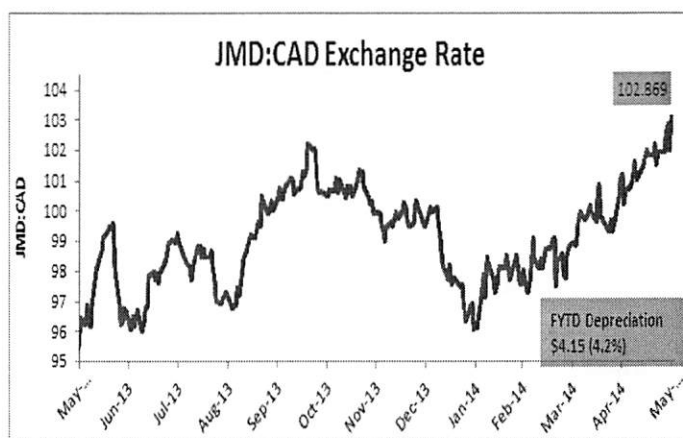
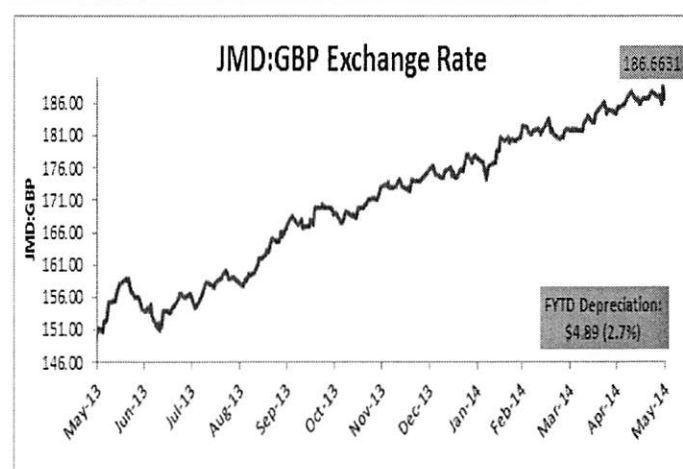
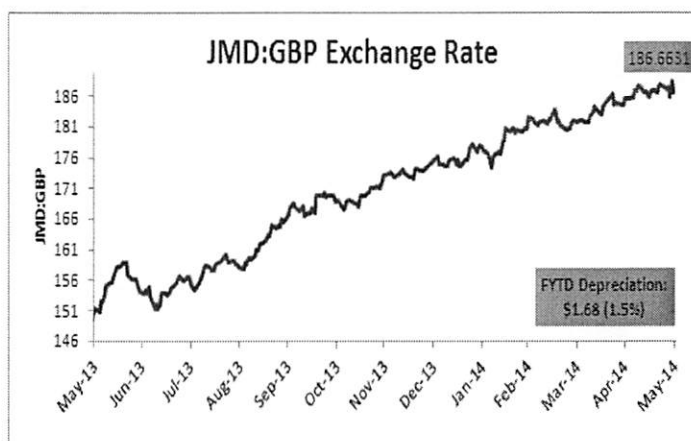
At the end of May 2014, the value of the Jamaica dollar was **J\$111.26=US\$1.00**, reflecting a depreciation of **J\$1.10 (1%)** relative to end April 2014. For the month of April the Jamaica dollar depreciated by **J\$0.58 (0.53%)**. The relatively faster pace of depreciation recorded for the month of May occurred even with the continuing improvement in the current account deficit which should have resulted in reduced pressure on the value of the currency. In addition, there has been a strong build up the net international reserves, resulting in improved confidence in the ability of the Bank of Jamaica to intervene in the market in the event of disorderly exchange rate movements. For the Fiscal year to May 31, the dollar depreciated by **J\$1.68 (1.5%)**.

JMD:CAD

For the month of May, the Jamaica Dollar depreciated by **J\$1.9 (1.8%)** relative to the Canadian dollar to end at **J\$103.1=CAD1.00**. The pace of depreciation for the month of May was much weaker than the depreciation of **J\$2.29 (2.32%)** for April. The slower pace of depreciation was due to relatively weaker demand for the Canadian dollar. Between May 2013 and May 2014, the Jamaica Dollar depreciated by **J\$7.6 (7.9%)**, moving from **J\$95.5=CAD1.00** to **J\$103.1=CAD1.00**.

JMD:GBP

The Jamaica dollar depreciated by **J\$1.20 (0.6%)** relative to the Great Britain Pound during May 2014 to end trading at **J\$186.66=GBP£1.00**. In contrast, the Dollar appreciated by **J\$3.69 (2.0%)** relative to the pound in April. Between May 2013 and May 2014, the Jamaica Dollar depreciated by **J\$36.57 (24.4%)**. This continued depreciation of the Jamaica dollar relative to the pound was also reflective of excess demand. Given the improvements in balance of payments and the build-up in the NIR, the pace of the depreciation in the three major trading currencies should temper in the short to medium term.



FX-Trends CYTD Changes						
	J\$/US\$	%	J\$/GBP	%	J\$/CAD	%
2014	4.88	4.6%	10.96	6.2%	3.36	3.4%
2013	6.47	7.0%	0.90	0.6%	3.04	3.3%
FX-Trends CY Changes						
2013	13.40	14.4%	27.03	18.0%	2.71	2.9%

Net International Reserves & Money Supply

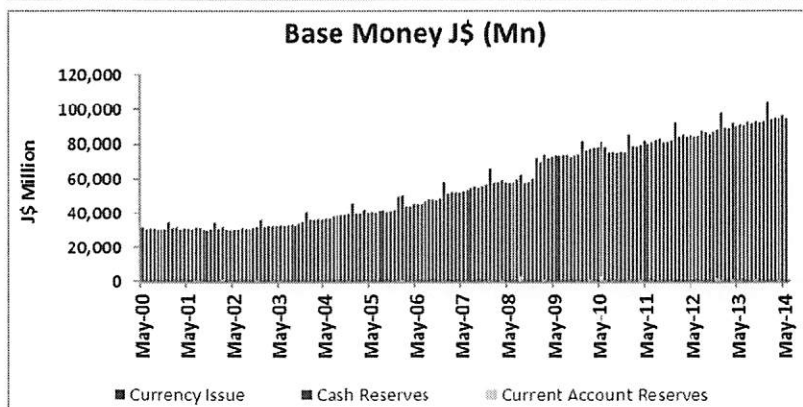
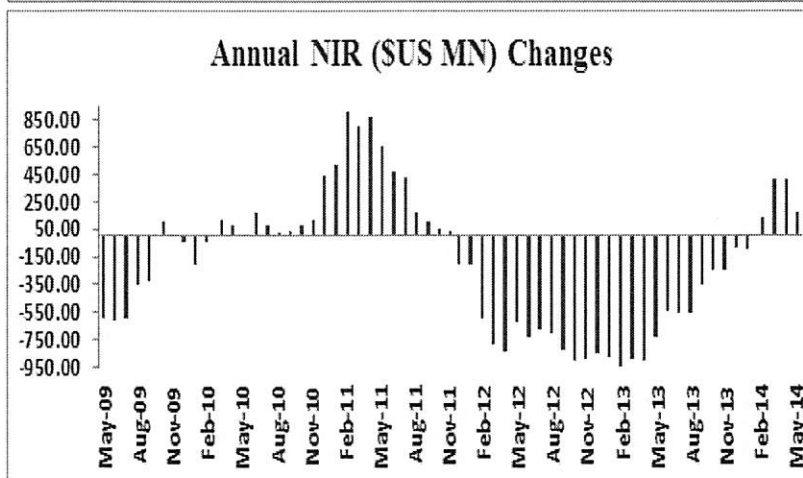
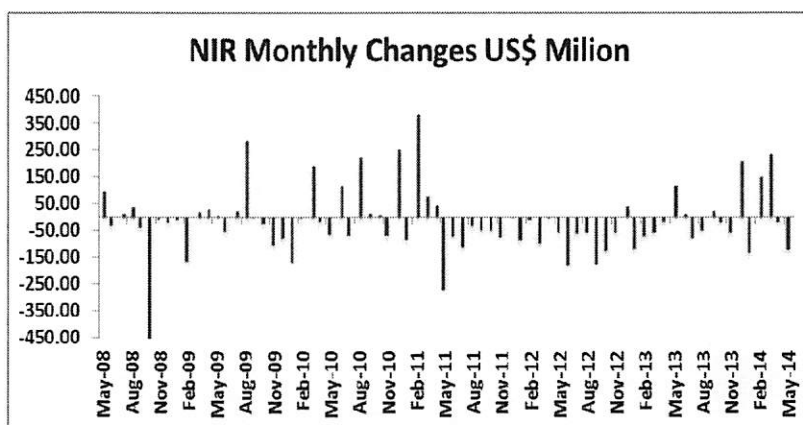
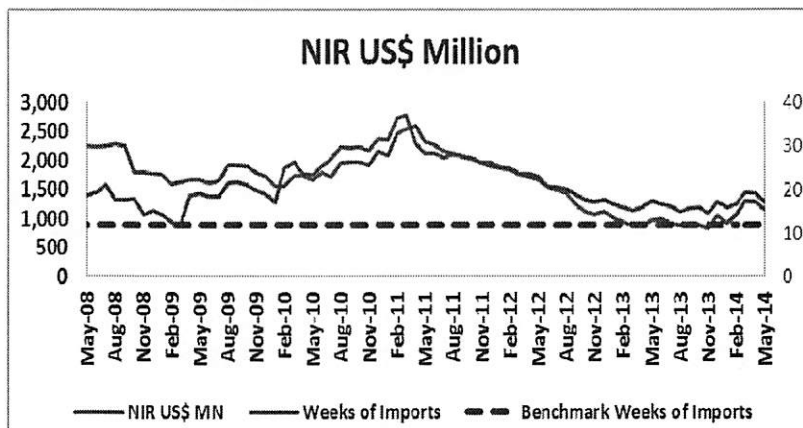
May 2014 Issue

Net International Reserves

At the end of May 2014, the stock of Net International Reserves (NIR) at the Bank of Jamaica was **J\$123.91 billion (US\$1,164.77 million)**, a decline of **J\$1.7 billion (US\$120.32 million)** relative to April 2014. The fall in NIR for the month was due to a fall in foreign assets of **J\$21.74 billion (US\$204.37 million)** which was partially offset by a reduction in foreign liabilities of **J\$8.94 billion (US\$84.05 million)**. At the end of May, the reserves were sufficient to finance 17.21 weeks of goods imports which represents 5.21 weeks over the international benchmark of 12 weeks of goods imports.

Monetary Base

The monetary base contracted by **J\$1.7 billion (1.7%)** to **J\$94.29 billion** for May 2014 relative to April 2014. The reduction in the base reflected respective declines of **J\$987.8 million** in commercial bank's statutory cash reserves and **J\$188.3 million** in commercial banks' current account balances. Additionally, there was net currency redemption of **J\$483.3 million**. The contraction in the base resulted from a reduction of **J\$12.80 billion** in the Net International Reserves (NIR) which was partially offset by an increase of **J\$11.14 billion** in the Net Domestic Assets (NDA).



Net International Reserves & Money Supply

May 2014 Issue

Dollarization Ratio

The dollarization ratio is defined as the proportion of foreign currency deposits relative to total deposits in domestic financial institutions, in this case, the domestic financial institutions include only commercial banks. The dollarization ratio measures the extent to which citizens of Jamaica officially or unofficially use foreign currency (primarily the U.S. Dollar) as a legal tender for transacting businesses. Dollarization is an important indicator of currency substitution. Its presence is generally an indication that there is greater stability in the value of the foreign currency relative to the domestic currency.

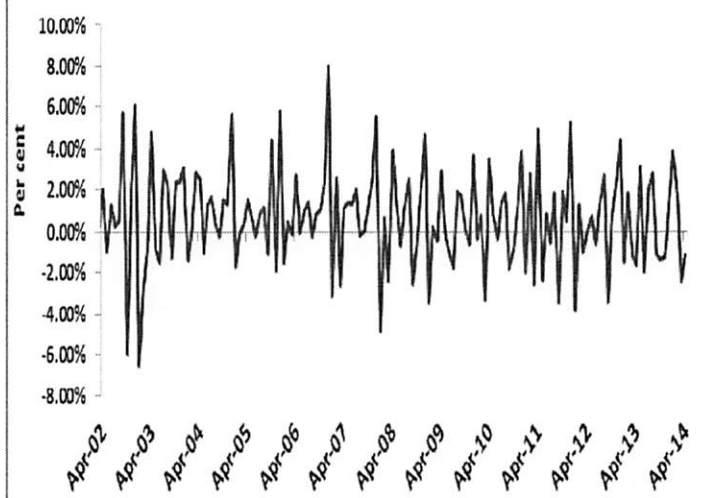
The dollarization ratio has increased marginally from **43.6%** to **43.8%** in April 2014 relative to March of 2014. At the same time last year the dollarization ratio was at **42.5%**. Financial dollarization has been on an upward trend since January 1999 when the ratio was **25%** to **43.8%** in April 2014.

While dollarization is not unique to Jamaica as a developing country, the adverse effect is that it may increase the volatility of money demand and impinge on the capacity of the Central Bank to conduct monetary policy. In addition, it contributes to the depreciation of the local currency. Finally, dollarization, is regarded as an obstacle to the conduct of monetary policy, given that in the presence of dollarization, domestic monetary policy is also impacted by foreign economic variables, therefore the Central Bank's autonomy is limited.

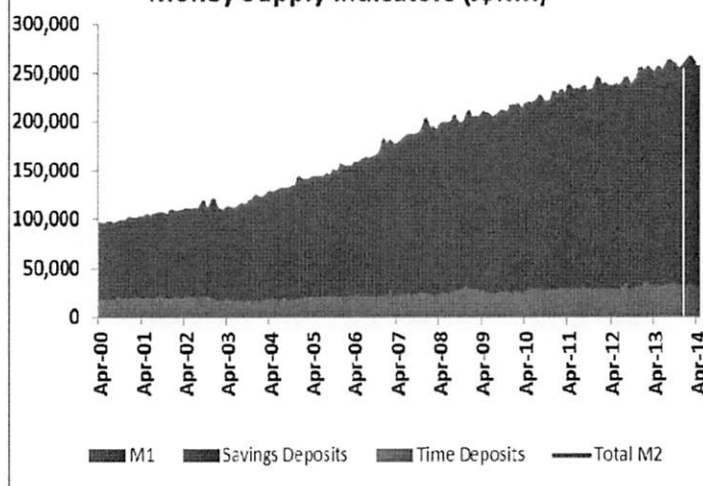
Money Supply

For the month of April 2014, money supply measured by the sum of Jamaica Dollar deposits and currency in circulation declined by **1.24%** (J\$3.2 billion) relative to March 2014. This movement brought the expansion in money supply for the fiscal year 2014/2015 to April 2014 to **1.24%** (J\$3.2 billion) relative to **1.62%** (J\$4.1 billion) for the corresponding period of FY2013/2014.

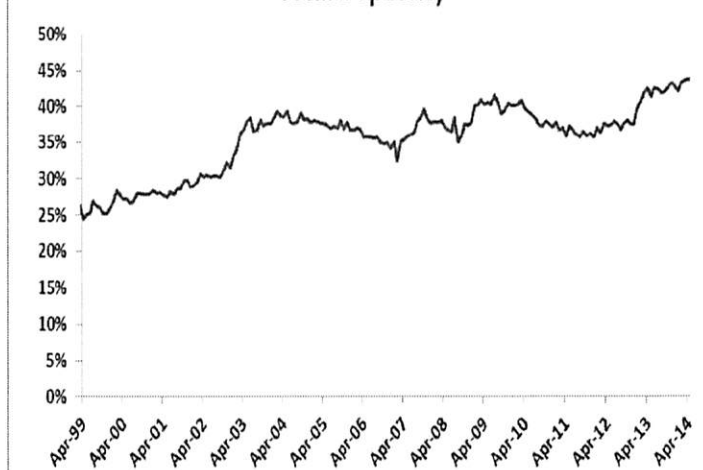
Monthly (%) Change M2



Money Supply Indicators (J\$Mn)



Dollarization Ratio (Foreign Currency Deposits to Total Deposits)



Domestic Bauxite And Alumina Production

May 2014 Issue

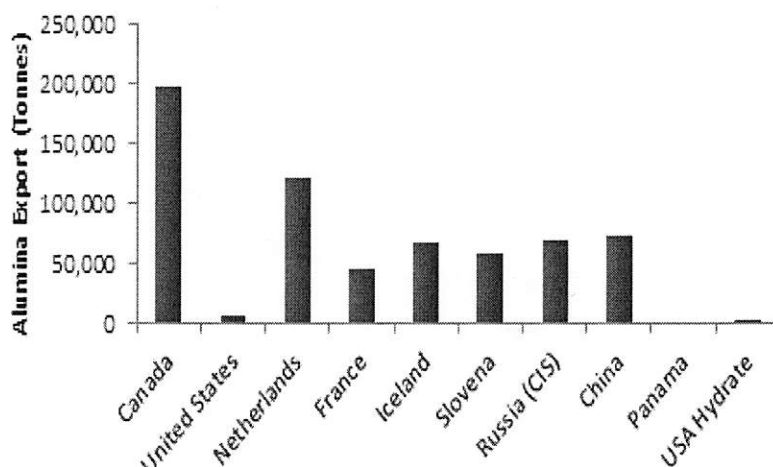
Domestic Bauxite & Aluminum Production

For the month of May 2014, the production of Alumina was **160,379 tonnes**, representing an increase of **18,028 tonnes**, relative to April 2014. This outturn brought an annual change in Alumina production to a reduction of **10,894 tonnes (6.4%)**. For the month, the sale of alumina increased by **13,347 tonnes (9%)** relative to April. Contrastingly, alumina sales declined by **19,162 tonnes (10.8%)** in comparison to May 2013. The reduction in production and the sale of alumina was reflected in lower shipments to destinations in Europe, Africa and a few Latin American countries. The impact of this was however countered by an increase in alumina exports to Canada. For the year-to-date, alumina exports increased by **36,873 tonnes (5%)**.

The production of crude bauxite, which is bauxite mined for exports as well as total bauxite, the sum of bauxite mined for exports and bauxite converted to alumina increased in May relative to April. The production of crude bauxite increased by **28,788 (8%) tonnes** while total bauxite increased by **4,051 tonnes (0.22%)**. Meanwhile, the sale of crude bauxite fell by **90,868 tonnes (19%)**, in addition, the sale of total bauxite fell by **41,309 tonnes (5%)** for the month of May 2014.

For the calendar year to date, the production of crude bauxite increased by **388,144 tonnes (1.71%)**. Crude bauxite sales increased by **36,642 tonnes (1.88%)**. Similarly, the production of total bauxite increased by **226,834 tonnes (5.9%)** for the fiscal year, while total bauxite sales for the calendar year to date increased by **273,566 tonnes (7%)**.

CYTD ALUMINA SHIPMENT BY DESTINATION -
2014



Excluding Alumina Hydrates

Source: Jamaica Bauxite Institute (JBI)

Bauxite & Alumina Production and Export (Tonnes.)					
	Monthly			Annual	
	May-14	Apr-14	% Change	May-13	% Change
Production					
Alumina	160,379	142,351	13%	171,273	-6.4%
crude Bauxite	388,144	459,099	-15%	359,356	8.0%
Export					
Alumina	158,539	145,192	9%	177,701	-10.8%
Crude Bauxite	375,705	466,573	-19%	373,152	0.68%
CYTD					
	May-14	Apr-14		May-13	
Production					
Alumina	778,401	618,022	26%	741,528	4.97%
Crude Bauxite	2,007,034	1,618,890	24%	1,973,258	1.71%
Export					
Alumina	802,467	643,928	25%	748,177	7.26%
Crude Bauxite	1,985,692	1,609,987	23%	1,949,050	1.88%

International Merchandise Trade

May 2014 Issue

The current IMF programme has made projections on the value of the local currency relative to the US\$, at this value Jamaican economy should enjoy greater price and competitiveness in the global environment. The IMF has also made it clear that the country must become internationally competitive in respect to both the cost of capital and the productivity of labour; both of which are critical ingredients in the production of goods and services. The type of agreement that Jamaica has with the IMF is meant to facilitate higher production of goods and services and ultimately greater levels of exports and an increase in export revenue.

Since the agreement started, we have seen the depreciation of the Jamaican currency relative to the US dollar, Canadian Dollar, and the Great Britain Pound by **14.4%**, **2.9%** and **18.0%** in 2013 and **7%**, **3.4%** and **7%** for the calendar year 2014 to date respectively. The Statistical Institute of Jamaica projects that the observed currency depreciation and inflation movements will bring the current account balance on the BOP accounts to a deficit of about **8%** in 2014/15 down from **10%** in financial year 2013/14.

Data from the Statistical Institute of Jamaica reveals that the country's trade deficit with the rest of the world fell by **US\$263.7 million (6.2%)** as at the end of February 2014. As at the end of February 2014 the total value of Jamaica's imports for the fiscal year 13/14 stood at **US\$5,303.1 million** while total exports stood at **US\$1,294.8 million**, resulting in a trade deficit of **US\$4,008.3 million**. For the similar period last year the value of total imports stood at **US\$5,857.1** while

total Exports stood at **US\$1,585.1**, resulting in a trade deficit of **US\$4,272 million**.

On the face of this analysis, this trade data is positive news for Jamaica, it would also be just what the IMF programme requires. A deeper analysis of the results shows a more sinister implication for the country as the total value of the country's exports has fallen considerably by **US\$290.3 million (18.3%)** when the data for calendar year to date 2013/14 are compared to 2012/13. In the same breadth, total imports have fallen by **US\$ 554 million (9.5%)**.

The impact of the current depreciation of the local currency on the balance of trade is impacting exports more severely than it is impacting the value of imports in percentage terms; the impact is approximately two times. This was clearly not the intended impact that the government of Jamaica or the IMF would have intended as this will eventually destroy the country's ability to earn the most needed foreign currency.

Sound policy would require that the country narrow its trade deficit by increasing the value of exports while reducing or keeping the value of its imports constant. The net effect of this movement in the trade data tells us that the country has saved in the short term approximately **US\$263.7 million**. Furthermore, questions about the long term consequence of these

International Merchandise Trade

May 2014 Issue

policy actions surrounds the degree to which exports will be impacted and the adjustments of the local economic actors to restructure and strengthen their export mix.

In continuation of the analysis, the data reveals that total expenditure on imports during the first two months of 2014 was valued at **US\$884.1** million; this represents a decrease of US\$233.3 million (**20.9%**) when compared to the same period in 2013. On the other hand total exports during the same period were valued at **US\$212.4** million with a decline of **US\$107.9** million or 33.7%. These movements in the trade data resulted in a narrowing of the calendar year to date trade deficit of **US\$671.8 (20%)** when compared to the trade deficit **US\$835.1** million in the same period of 2013.

If this velocity was to persist throughout the year, this

would have negative impact on local economic activities, as it would mean lower income levels in the local economy. Finally a further break down of the data reveals that for the first two months of 2014 domestic exports fell by **US\$103** million (**34%**), a further decomposition tells us that traditional domestic exports fell by **US\$34.4** million (**26%**) while non-traditional domestic exports fell by US\$69.4 million (**40%**).

Clearly the narrowing of the trade deficit is welcomed, but the implication is that the cause of the narrowing is not sustainable. Therefore the strategy must be to implement policies that will encourage greater exports to take advantage of the weaker dollar.

IMPORTS BY END-USE CLASSIFICATION IN US\$'000 (Selected Items)

END-USE CATEGORIES	14-Feb	14-Jan	Monthly Change (%)	JAN-FEB14	JAN-FEB13	Year-to-Date Change
TOTAL IMPORTS*	432,039	452,066	-4%	884,105	1,117,446	-20.9%
Consumer Goods(excl. Motor Cars)	119,950	124,464	-4%	244,413	248,051	-1.5%
Semi-Durable Goods	8,757	13,296	-34%	22,053	17,951	22.9%
Other Durable Goods (excl. Motor Cars)	24,077	31,220	-23%	55,297	43,175	28.1%
Raw Materials/Intermediate Goods	264,562	265,758	0%	530,320	758,620	-30.1%
Food (incl. Beverages)	27,165	28,410	-4%	55,575	51,343	8.2%
Crude Oil	93,774	52,739	78%	146,513	179,883	-18.6%
Other Fuel and Lubricants	53,695	94,944	-43%	148,639	192,984	-23.0%
Capital Goods (excl. Motor Cars)	35,752	45,887	-22%	81,640	74,610	9.4%
Passenger Motor Cars+	11,775	15,957	-26%	27,732	36,165	-23.3%

International Merchandise Trade

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MAJOR TRADITIONAL DOMESTIC EXPORTS						
IN US\$'000 (Selected Items)						
COMMODITIES	Feb-14	Jan-14	Monthly Change	JAN-FEB. 2014	JAN-FEB2013	Year-to-Date Change
TOTAL TRADITIONAL EXPORTS	46,651	52,874	-11.8%	99,525	133,863	-26%
AGRICULTURE	2,164	926	133.7%	3,089	3,427	-10%
Banana	9	10	-10.0%	19	0	
Citrus	258	358	-27.9%	616	685	-10%
Coffee	1,707	363	370.2%	2,070	2,588	-20%
Cocoa	31	91	-65.9%	122	0	
Pimento	159	104	52.9%	263	154	71%
MINING AND QUARRYING	24,223	49,315	-50.9%	73,538	105,926	-31%
Bauxite	7,741	10,119	-23.5%	17,860	20,640	-13%
Aluminum	16,482	39,196	-57.9%	55,678	85,285	-35%
MANUFACTURE	20,264	2,634	669.3%	22,898	24,511	-7%
Sugar	17,374	0		17,374	16,727	4%
Rum	2,585	2,310	11.9%	4,896	7,200	-32%
Citrus Products	1	4	-75.0%	4	10	-60%
Coffee Products	231	177	30.5%	408	494	-17%
Cocoa Products	74	143	-48.3%	216	79	173%

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Stock Market Update

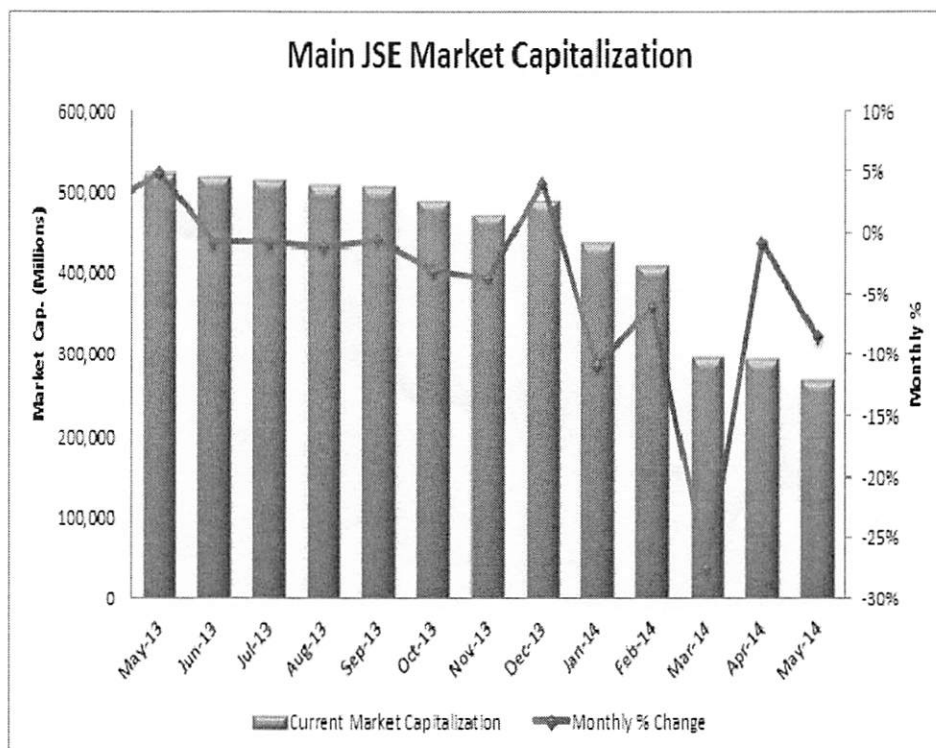
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The main JSE indices predominantly declined in May 2014. In this regard, the main JSE market index and the JSE Combined Index fell by **4,339.9 points (6.2%)** and **4,290 points (5.9%)**. In contrast, the JSE Cross Listed Index remained firm and closed the month at **585.90 points** while the **US Equities Index advanced by 13.75 (10.49%)**.

Overall, the market activity for May resulted from trading in thirty two (32) stocks of which 3 advanced, 24 declined and 5 traded firm. In total, **120,511,543 units** of stock were traded during the month, which had a total value of **\$769,015,297.15**. This resulted in market capitalization of **\$269.85 billion** as at end May 2014, a decline of **J25.29 billion 8.57%**, relative to the market capitalization value of **\$295.14 billion** as at end April 2014.

Sagicor Group Jamaica Limited was the volume leader for the month with **28,556,007 units (23.7%)** traded. Sagicor was followed by LIME, which traded **17,168,612 units (14.25%)**. Next in line was Barita Investments Ltd. which traded a total of **15,091,280 units (12.52%)** for the month.

The top three advancing stocks for the month of May were Sagicor Group Ltd. (**3.08%**), Radio Jamaica (**0.78%**), and Scotia Investments Ltd (**0.38%**). The stocks with the largest decline in prices were Pulse Invest-



JSE Market Results at End May 2014

Index	Points Change	% Change	Closing Position
JSE Market Index	-4,339.9	-6.2	70,257.9
JSE Cross Listed Ind.	0.0	0.0	585.9
JSE Com. Index	-4,290.4	-5.9	72,800.57
JSE US Equities	13.8	10.5	131.1

ments (**50%**), Caribbean Cement Company (**34.47%**), LIME (**31.71%**) and Kingston Properties Ltd. (**14.63%**).

For the calendar-year-to-date, the top four advancing stocks were, Ciboney (**100%**), LIME (**75%**), Hardware & Lumber (**63.93%**), and Sagicor Real Estate X-Fund (**10.38%**). Meanwhile, Pulse Investments (**65.52%**), Caribbean Cement Company (**28.86%**), Supreme Ventures (**28.06%**), and Kingston Properties Limited (**22.22%**) and Desnoes and Geddes Ltd. (**16.67%**) were the top declining stocks for the calendar year to April 2014.

On the Junior Stock Market, a total of **77,121,591 units** of stock were traded during the month of May. This had a total value of **\$79,662,221 million** and resulted in market capitalization of **\$27,028.15 million**, a decline of **3 percent**, relative to the market capitalization value of **\$27,854.94 million** as at end April 2014.

Stock Market Update

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JAMAICA STOCK EXCHANGE TOP TEN WINNERS & LOSERS (MAY 30, 2014)

TOP ADVANCING	%	OPEN	CLOSE	TOP DECLINING	%	OPEN	CLOSE
		PRICE	PRICE			PRICE	PRICE
		\$	\$			\$	\$
1 MONTH							
Sagicor Real Estate X Fund	3.08%	6.50	6.70	Pulse Investments	(50.00%)	0.60	0.30
Radio Jamaica	0.78%	1.28	1.29	Caribbean Cement Company	(34.47%)	3.80	2.49
Scotia Investments Jamaica	0.39%	23.01	23.10	LIME	(31.71%)	0.41	0.28
				Kingston Properties Limited	(14.63%)	4.10	3.50
				Hardware & Lumber	(14.53%)	11.70	10.00
				Sagicor Group Jamaica	(10.83%)	9.97	8.89
				Ciboney Group	(9.09%)	0.11	0.10
				Kingston Wharves	(8.53%)	5.51	5.04
				Desnoes & Geddes	(7.61%)	4.60	4.25
				National Commercial Bank Jamaica	-0.06	18.11	17.04
YEAR-TO-DATE							
		\$	\$			\$	\$
Ciboney Group	100.00%	0.05	0.10	Pulse Investments	(65.52%)	0.87	0.30
LIME	75.00%	0.16	0.28	Caribbean Cement Company	(28.86%)	3.50	2.49
Hardware & Lumber	63.93%	6.10	10.00	Supreme Ventures	(28.06%)	2.78	2.00
Sagicor Real Estate X Fund	10.38%	6.07	6.70	Kingston Properties Limited	(22.22%)	4.50	3.50
Jamaica Stock Exchange	6.67%	1.80	1.92	Kingston Wharves	(16.83%)	6.06	5.04
National Commercial Bank Jamaica	4.03%	16.38	17.04	Desnoes & Geddes	(16.67%)	5.10	4.25
Jamaica Broilers Group	3.97%	4.53	4.71	Mayberry Investments Limited	(15.00%)	2.00	1.70
Seprod Limited	0.38%	10.50	10.54	Sagicor Group Jamaica	(12.59%)	10.17	8.89
				Barita Investments Limited	(10.00%)	2.50	2.25
				Pan Jamaican Investment Trust	(9.06%)	53.00	48.20
1 YEAR							
Caribbean Cement Company	250.70%	0.71	2.49	Pulse Investments	(81.25%)	1.60	0.30
Ciboney Group	233.33%	0.03	0.10	Carreras Limited	(43.92%)	60.91	34.16
Hardware & Lumber	153.16%	3.95	10.00	Kingston Wharves	(35.05%)	7.76	5.04
LIME	75.00%	0.16	0.28	Supreme Ventures	(31.03%)	2.90	2.00
Trinidad Cement Limited	12.88%	15.60	17.61	Berger Paints (Jamaica)	(30.25%)	2.38	1.66
Jamaica Producers Group	6.73%	17.10	18.25	Mayberry Investments Limited	(27.97%)	2.36	1.70
Radio Jamaica	4.88%	1.23	1.29	Seprod Limited	(27.31%)	14.50	10.54
				Barita Investments Limited	(25.00%)	3.00	2.25
				Jamaica Money Market Brokers	(22.39%)	9.02	7.00
				Kingston Properties Limited	(22.22%)	4.50	3.50

Legend:

1 month compares current month with previous month

Year-to-Date compares current month with December 2013

1 Year compares current month end with the corresponding month end last year

Adapted from the Jamaica Stock Exchange monthly analysis

Previous Highlights: April 2014 Summary

May 2014 Issue

Global economic activity continues to strengthen in 2014, following the improvements observed in the latter half of 2013 and the first quarter of 2014. Economic activity continues to be supported by expansions in advanced economies. In the April issue of the World Economic Outlook, the IMF reported a moderation in growth in the first half of 2014. In this context, the forecast for growth of **3.6%** and **3.9%** for 2014 and 2015 remain. Strong growth impulses are expected to emanate from the United States and the Euro Area. However, growth in Japan is expected to moderate as a result of modest fiscal drag. Growth is expected to remain robust in emerging and developing Asia and to recover somewhat in Latin America and the Caribbean. The IMF reported that the balance of risks to the growth forecast have largely improved relative to March due to improvements in Advanced Economies. However, important downside risks remain especially for Emerging Market Economies.

During 5-16 May 2014 the IMF's mission teams conducted a review of Jamaica's performance under the Extended Fund Facility. Upon conclusion, the mission chief reported that economic outlook is improving and the economic conditions have been recovering relative to the start of the programme. The important macroeconomic indicators such as GDP growth, inflation, the current account balance and the NIR have been moving in the right direction. The IMF mission chief reported that the monetary policy stance of the BOJ has been appropriate. He however, stated that greater emphasis be placed on the interest rate channel of monetary policy. Mr. Martijn suggested that going forward, the BOJ should exercise caution to contain inflation in the face of the depreciation and to restore adequate levels of reserves.

The Planning Institute of Jamaica reported a **1.6%** growth rate in GDP for the March 2014 quarter. The report showed that the goods producing sector increased by **5.6%**, while the services sector expanded by **0.3%**. Growth in the goods sector for the quarter, largely reflected increases in Agriculture and Mining and Quarrying. The increase in the services industry predominantly reflected growth in Transport, Storage & Communication and Electricity, Gas & Water industries. Communications expanded due to competition which

resulted in lower call rates. Transport increased greater air travel and increased activities at the Kingston port.

It is expected that in the short term growth in the economy is expected to continue due to improvements in Agriculture, Mining, Construction and Hotels and restaurants. The downside risks however are the beginning of the hurricane season and the effects of fiscal consolidation on the implementation of major projects. For the June quarter, GDP is projected to fall within the range of **0.5%** to **1.5%**.

For the month of April, the Jamaica dollar depreciated by **J\$0.58 (0.53%)**, **J\$2.29 (2.32%)** and **J\$3.69 (2.03%)** relative to the US dollar, the Canadian dollar and the Great Britain Pound. The slower pace of depreciation in the Jamaica Dollar relative to the US reflected the continuing improvement in the current account deficit that has resulted in reduced pressure on the value of the currency. Depreciation relative to the Canadian dollar and the pound largely reflected higher season demand given the Easter Holidays.

The monthly inflation rate declined by **0.3%** for April 2014. This represents a fall of **1.4%** relative to the inflation rate of **1.1%** recorded for March. Inflation for April brought inflation for the calendar-year-to-date to **1.4%**, and the 12-month point to point rate at end April 2014 to **7.6%**.

There were price increases in **15** of the **20** commodities monitored for April. Notably, both crude oil indices had upward price movements. However, natural gas, rice, bananas, beef and the Arabica coffee recorded price reductions for the month. The IMF's Fuel Energy Index increased by **0.73%**, while the Food and Beverage Index increased by **1.18%**. This coincides with depreciation of the Jamaica Dollar of **0.53%**, **2.03%** and **2.32%** relative to the US Dollar, Great Britain Pound and the Canadian Dollar, respectively for the month of April.

Statistical Index: Major Macro-Economic Indicators

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	Monthly Inflation	Saving Rate	Lending Rate	Exchange Rate	NR	Remittance	Tourist Arrival	Oil Price Brent	Oil Price WTI
Month	%	%	%	J\$/US\$	US\$/B	US\$/M	000	US\$ Per barrel	US\$ Per barrel
Jan-12	0.4	2.45	18.13	86.78	1.883	149.7	337,100	119.70	102.26
Feb-12	0.8	2.25	17.13	86.91	1.875	167.2	345,007	124.93	106.15
Mar-12	0.5	2.19	19.03	87.25	1.777	187.9	366,518	120.59	103.28
Apr-12	0.4	2.19	19.04	87.33	1.772	180.1	295,858	120.59	103.28
May-12	0.5	2.24	18.76	87.75	1.719	166.7	247,937	110.52	94.51
Jun-12	0.6	2.14	18.65	88.48	1.540	175.2	255,121	95.59	82.36
Jul-12	-0.3	2.02	18.92	89.24	1.484	168.9	284,514	103.14	87.89
Aug-12	0.5	2.00	18.84	89.73	1.429	170.1	245,204	113.34	94.11
Sep-12	1.9	2.02	18.70	89.90	1.258	159.4	171,229	113.38	94.61
Oct-12	0.9	2.14	18.53	90.64	1.133	163.4	180,835	111.97	89.52
Nov-12	0.6	2.05	18.42	91.46	1.078	157.8	248,141	109.71	86.69
Dec-12	1	2.10	18.44	92.65	1.126	196.2	360,494	109.64	88.19
Jan-13	0.7	1.98	18.23	93.45	1.009	154.0	341,365	112.93	94.65
Feb-13	0.6	1.82	18.09	95.66	0.940	160.1	304,889	116.46	95.30
Mar-13	1.4	1.80	17.97	97.76	0.884	178.4	361,131	109.24	93.12
Apr-13	0.4	1.67	17.92	99.55	0.866	180.1	272,891	102.88	92.02
May-13	0.5	1.74	17.77	99.12	0.989	181.5	230,392	103.03	94.72
Jun-13	0.2	1.61	17.66	100.82	1.003	166.0	258,535	103.11	95.79
Jul-13	0.5	1.71	17.58	101.76	0.930	170.5	285,601	107.72	104.55
Aug-13	0.4	1.81	17.53	101.94	0.882	177.8	231,205	110.96	106.55
Sep-13	2.8	1.97	17.45	102.64	0.910	163.4	168,650	111.62	106.31
Oct-13	0.8	1.97	17.48	104.65	0.890	170.7	214,430	109.48	100.50
Nov-13	0.5	2.03	17.44	105.60	0.836	167.8	247,512	108.08	93.81
Dec-13	0.6	2.04	17.49	106.15	1.048	194.5	247,512	110.63	97.90
Jan-14	0.5	1.77	17.33	106.9	0.918	158.2	361,424	107.57	95.00
Feb-14	0.1	1.85	16.45	107.93	1.069	168.3	330,201	108.81	100.70
Mar-14	1.1	1.98	17.57	109.21	1.304	NA	200,732	107.41	100.57
Apr-14	-0.3	2.26	17.66	110.16	1.285	NA	NA	107.88	102.18
May-14	1	NA	NA	111.26	1.165	NA	NA	109.68	102.00

KEY

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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	T-bill – 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
KSA—Kingston and St. Andrew	OECD—Organisation for Economic Co-operating and Development (membership of 30 major countries)
WTI — West Texas Intermediate (Spot Oil Price)	

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