BANK OF JAMAICA

QUARTERLY MONETARY POLICY REPORT

July - September 2009
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Bank of Jamaica Quarterly Monetary Policy Report

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PREFACE

The Bank of Jamaica's Quarterly Monetary Policy Report reviews the conduct of monetary policy and the main factors that influenced inflation during the quarter. It also presents the Bank's perspective on emerging economic trends and the path of monetary policy over the short to medium term. This issue features a review of fiscal responsibility frameworks as well as some of the fiscal rules they engender. Highlighted is the importance of such rules in managing fiscal pressures as well as countries which have maintained fiscal discipline with success.

The developments in the review quarter are set against policy targets for the fiscal year, which runs from April to March. In some instances the data used in the preparation of the report are provisional and are therefore subject to change.

OVERVIEW

The Bank continued to ease its monetary policy stance during the September 2009 quarter, reducing rates by 450 basis points (bps) across the full spectrum of its open market instruments. Accordingly, the signal 180-day rate was reduced to 17.0 per cent by end-September 2009. Market determined rates also declined. The benchmark 180-day Treasury Bill rate, for example, fell by 370 bps during the quarter to 17.35 per cent. The monetary policy decision by the BOJ was influenced by an extended period of stability in the exchange rate, relatively strong net international reserves (NIR) and the positive trend in inflation as well as the outlook for inflation.

The exchange rate remained relatively unchanged during the review period, depreciating by a marginal 0.01 per cent, following the 0.3 per cent depreciation in the previous quarter. This stability was underpinned by the initiatives implemented by the Bank, continued commitment by market players to maintain orderly trading and a decline in the demand for foreign currency. With regard to the latter, the Bank estimated that the net demand for foreign currency to facilitate current account transactions declined by US$935 million during the quarter. This decline was influenced, in part, by weak domestic demand and was largely reflected in a US$540 million (169.6 per cent) reduction in spending on fuel imports. Inflows from major sources such as tourism and remittance remained weak but were better than anticipated. Although private capital flows were lower, they were sufficient to finance the net demand for current account transactions.

Against this background, the Bank net purchased approximately US$61.9 million from the system, US$30.0 million more than in the previous quarter.

This purchase, in addition to the receipt of an allocation of SDRs, equivalent to US$330.8 million, resulted in a relatively strong NIR of US$1.9 billion by the end of the quarter.

The increase in the NIR did not have a significant expansionary impact on domestic liquidity, however, as the receipt of SDRs was a transfer from the International Monetary Fund. Moreover, the higher than anticipated build up in Government deposits at the Bank of Jamaica influenced a sharper than programmed contraction in the Bank's operating target. The monetary base contracted by 0.8 per cent for the review period, in contrast to a 0.4 per cent programmed expansion. This follows a slower than programmed expansion in the June 2009 quarter.

The containment of domestic Jamaica dollar liquidity within programme and the stable exchange rate supported the year-on-year decline in headline and core inflation. Headline inflation for the twelve months to September 2009 fell to 7.2 per cent from 26.5 per cent in September 2008. Similarly, the 12-month point-to-point trimmed mean measure of underlying inflation declined to 5.1 per cent at end-September 2009.

Notwithstanding, the decline in the 12-month rates, headline inflation for the review quarter of 3.1 per cent, was slightly higher than the rate for the preceding three months. The inflation outturn, however, was within the Bank's forecast range of 2.0 per cent to 3.5 per cent. Inflation during the quarter primarily reflected the impact of seasonally higher agriculture prices and the pass-through of international commodity price increases, notably oil and sugar. The impact of these impulses, however, was moderated by the stable exchange rate and weak domestic demand. Real GDP is estimated to have contracted in the range of 3.0 per cent to 4.0 per cent for the review period. Economic conditions in the review quarter mirrored that of the preceding quarter, with considerable decline in the tradable industries along with moderate contraction in the non-tradable industries. Accordingly, the largest declines were in ***Mining & Quarrying***, ***Construction***, ***Transport, Storage & Communication, Wholesale & Retail Trade*** and ***Manufacture***. ***Agriculture***, ***Forestry & Fishing*** is estimated to have recorded robust growth, while more moderate growth was estimated for ***Hotels & Restaurants***. The decline in GDP was reflected in a fall in private and public consumption and investment spending.

The outlook for the world economy is cautiously optimistic. There are signs that the adverse global economic conditions that have dominated the Jamaican economy are abating. Several of the world's largest economies are expected to exit the recession by year-end. However, the labour and housing markets remain weak, suggesting that the pace of economic recovery could be slow. The demand for Jamaica's goods and services are therefore likely to remain sluggish over the next quarter.

Against this background the Jamaican economy is projected to contract in the December 2009 quarter at a rate similar to that for the preceding quarter. Notable declines are forecasted for mining, transportation and manufacturing, due to the continued impact of weak domestic and external demand. The value added of the hospitality sector is also expected to decline, driven by a fall in stop-over visitor arrivals. Agriculture, however, should continue to grow in the December 2009 quarter. Both domestic and export agriculture are expected to expand at a notable pace, driven by the stimulus from the various productivity enhancing initiatives of the Government. The rate of decline in the economy is expected to moderate slightly in the March 2010 quarter and as such real Gross Domestic Product (GDP) is forecasted to contract in the range of 3.0 per cent to 4.0 per cent for FY2009/10. The risks to the forecast are predominantly downside.

Headline inflation is projected in the range of 1.5 per cent to 3.5 per cent for the December 2009 quarter. This outlook is informed by expectations of a relatively stable exchange rate as well as continued excess domestic capacity conditions. The foreign exchange market could be affected by an increase in spending on imports in a context where inflows from major sources such as remittance and tourism could be lower than normal. However, the increase in demand is expected to be below seasonal norms and in the context of a continued commitment to market stability by Authorised Dealers and Cambios, the exchange rate should remain relatively stable. Impulses to inflation are, however, expected from agriculture prices due to seasonally lower supply conditions extending into the first part of the quarter. In addition the recent increases in international oil prices, as well as the tariff adjustment on electricity rates, while translate into higher energy and transportation costs. The continued decline in economic activity will, however, dampen inflationary impulses.

Inflation for FY2009/10 is projected to be below the 12.0 per cent upper limit of the Bank’s original target band. The revised forecast, envisages an inflation rate within the 9.0 per cent to 11.5 per cent range for the fiscal year. The risks to the forecast are balanced. The main downside risk is weaker than anticipated recovery in the global economy, which would restrain major commodity prices, while the main upside risk relate to adverse weather and potential shocks to oil prices.

Overall macroeconomic policy will remain focused on the balancing of aggregate demand with the available resources in the economy. The Bank's monetary policy will be conditioned by the developments in the foreign exchange market and the outlook for inflation.

1. International Developments

The global economy demonstrated signs of recovery during the September 2009 quarter, relative to the June 2009 quarter. Several of the world's largest economies have exited the recession and even more are projected to exit by the end of the September quarter. The world's largest economy, the United States, grew by 3.5 per cent in the September quarter. This is the first quarter of growth since the June 2008 quarter. Despite the expected recovery in the global economy, unemployment remained high and certain commodity prices continued to be depressed, both indicating a slow recovery process.

In the context of recovering global demand, there was a rise in the price of crude oil. However, Jamaica's terms of trade (TOT) index rose during the review period largely as a result of increases in export prices such as aluminium and tourism services, as well as declines in the prices of other imported commodities.

Central banks of advanced economies maintained a loose monetary policy in support of the recovery process during the quarter. Consequently, bond yields in the international money market declined. In light of easing credit conditions, there was a general decline in the yields on emerging market bonds, including Government of Jamaica (GOJ) sovereign bonds. This decline partly reflected a general movement by investors toward higher yielding emerging market debt and other speculative instruments.

Table 1.1

Selected GDP Growth Rates			
	Mar-09	Jun-09	Sep-09
USA	-6.4	-1.0	3.5
Canada	-6.1	-3.4	1.5*
Japan	-12.4	2.3	5.2*
China	6.1	7.9	8.3*
UK	-4.9	-5.5	-5.2*
Euro	-4.9	-4.7	-4.1*

* Estimates

Figure 1.1
Selected Stock Market Indices
September 07 to September 09
(quarterly averages)

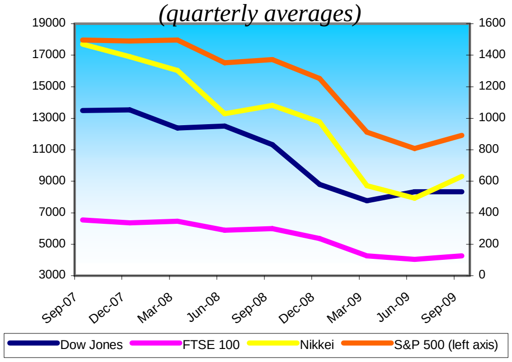
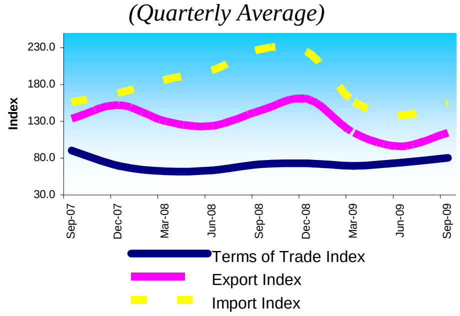


Figure 1.2
Jamaica Terms of Trade Index
September 07 to September 09
(Quarterly Average)



Global Economic Recovery

Real GDP in the US grew on an annualised basis by 3.5 per cent during the September 2009 quarter, a significant turnaround relative to the 0.7 per cent revised contraction in the June 2009 quarter. This acceleration reflected the impact of stimulus packages, in particular, the Car Allowance Rebate System. Economic activity also improved in Canada and the Euro Area. Major developing economies, such as Brazil, China and India continued to experience growth.

Table 1.2

Selected Import/Export Prices (period averages) (Per cent changes relative to previous period)	Dec-08	Mar-09	Jun-09	Sep-09
Crude Oil	-50.45	-26.29	38.39	14.56
Soybeans	-33.99	4.30	16.84	-3.99
Corn	-31.21	-0.86	5.42	-15.25
Rice	-19.72	3.90	-5.93	-1.36
Wheat	-26.48	1.98	6.48	-18.29
TIPI*	-23.22	-19.79	22.07	1.25
Aluminium	-34.65	-25.35	9.21	23.98

*** Tourism Implicit Price Index**

Inflation in the major developed countries declined during the September 2009 quarter. This primarily reflected the lagged effects of significant declines in the price of crude oil on transportation and energy costs during the previous quarter. The quarterly headline inflation in the US and the UK declined by 0.2 and 0.6 percentage points, to 0.6 per cent and 0.5 per cent, respectively, while inflation in Canada declined by 1.3 percentage points to -0.3 per cent, relative to the June quarter.

In the context of emerging recovery in the major developed economies, there were only marginal increases in unemployment in the quarter. In the US, the unemployment rate rose to 9.8 per cent at September 2009 from 9.5 per cent in June 2009. Labour market data for the UK showed that the unemployment rate for July 2009 was 7.9 per cent, compared with 7.8 per cent at June 2009. In Canada, the unemployment rate fell to 8.4 per cent in September 2009, from 8.6 per cent in June.

There were also overall improvements in the major international stock market indices during the quarter. This largely reflected increases in each month of the quarter, providing further evidence of an expected recovery. In the US, the Dow Jones Industrial Average and S&P 500 Indices increased for the quarter by 13.6 per cent and 13.5 per cent, respectively, relative to the previous quarter. In the UK, the FTSE 100 Index rose by 20.0 per cent (see **Figure 1.1**).

Terms of Trade

Jamaica's terms of trade improved in the September 2009 quarter

Jamaica's TOT index increased by an estimated 4.6 per cent during the September 2009 quarter, relative to the previous quarter.[1] The TOT index for the review quarter was also 6.1 per cent higher than the index at September 2008 (see **Figure 1.2**).

The movement in the TOT index during the review period reflected a 4.6 per cent increase in the Export Price Index (EPI) while the Import Price Index (IPI) remained unchanged. The increase in export prices reflected an rise in aluminium prices and the Tourism Implicit Price Index (see **Glossary**). Primarily influencing the performance of the IPI was an

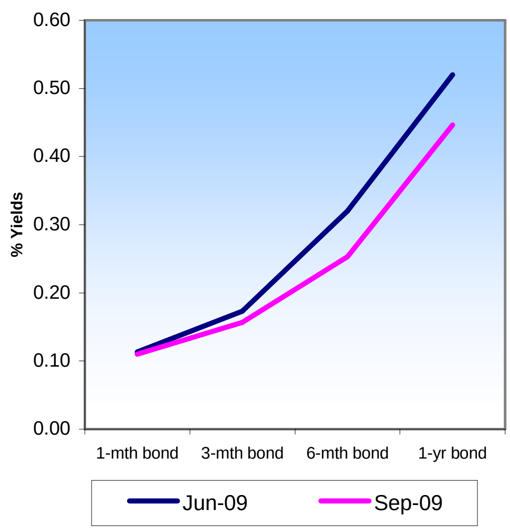
1The Bank estimates a measure of Jamaica's terms of trade which is a ratio of the index of export prices to the index of import prices. An improvement in the terms of trade follows if export prices rise more quickly than import prices.

Table 1.3

Selected Key Interest Rates June 09 - Sep 09					
	USA[a]	UK[b]	Euro Area[b]	Japan[c]	Canada[d]
Jun	0.25	0.50	1.00	0.10	0.25
Jul	0.25	0.50	1.00	0.10	0.25
Aug	0.25	0.50	1.00	0.10	0.25
Sep	0.25	0.50	1.00	0.10	0.25

[a] *Fed fund rate*
[b] *Repo rate*
[c] *Discount rate*

Figure 1.3
US Treasury Yield Curve



increase of 14.6 per cent in the price of crude oil;[2] offsetting this increase was a decline in the price of some agricultural commodities (see **Table 1.2)**.

The movement in crude oil prices reflected the general optimism about global economic recovery. Oil prices also rose as investors hedged against the depreciation of the US dollar. There was a general decline in the prices of agricultural products during the quarter. Corn and wheat prices fell by 15.3 per cent and 9.3 per cent, respectively, relative to the June quarter. The decline in corn prices reflected improved supply conditions in light of favourable weather in the US Midwest region as well as the impact of declining demand for bio-fuels. However, the average price of rice increased by 0.3 per cent (see **Table 1.2**). The movement in the price of rice was influenced by the unexpected non-removal of export bans in major rice producing countries.

Monetary Policy

The monetary policy stance of most major central banks remained loose during the September 2009 quarter in the context of the weak macroeconomic conditions as well as the general decline in inflation (see **Table 1.3**). All central banks kept rates unchanged for the quarter. In addition, the monetary authorities maintained measures aimed at improving liquidity in the banking system. For example, the Bank of England continued its quantitative easing programme so as to inject additional liquidity into the system.

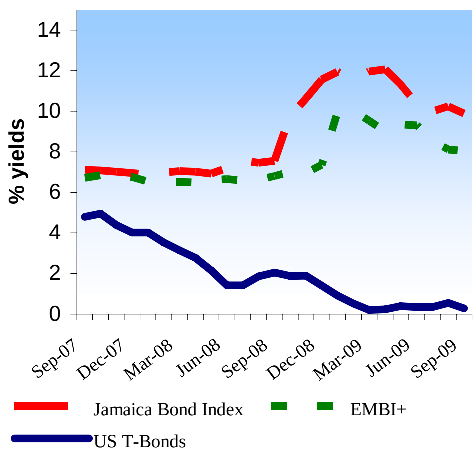
Selected Interest Rates

Influenced by loose monetary policy and easing credit conditions, short-term market interest rates trended down over the quarter. The average yield in the secondary market for short-term US Treasury Bills declined by 3 basis points (bps) relative to the preceding quarter to 0.24 per cent (see **Figure 1.3**). Conversely, average yields on longer tenors increased by 16 bps reflecting concerns about the growing US debt. The average US dollar LIBOR across the 3-month to 1-year tenors also declined by 5 bps, reflecting easing credit conditions among financial institutions. Consequently, the spread between the 3-month US LIBOR and the 3-

[2] Crude oil prices are measured by the West Texas Intermediate Index at Cushing in US dollars per Barrel.

month US Treasury bill, an indicator of the state of credit risk in the market, declined by 42 bps relative to the previous quarter, to average 25 bps.

Figure 1.4
Global Bond Yields
June 07 to June 09



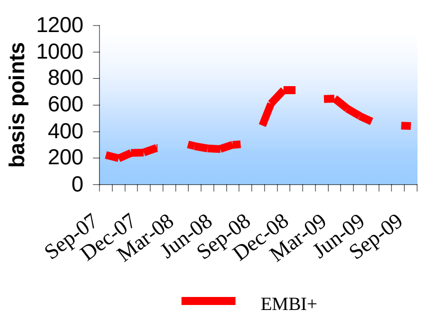
Emerging Market Bonds

In light of the moderation in interest rates and the overall easing of monetary conditions in the major developed financial markets, the average yields on emerging market bonds, as measured by the JP Morgan Emerging Market Bond Index Plus (EMBI+), fell by 1.19 percentage points to 6.57 per cent during the review period (see **Figure 1.4**). The declines in these yields also reflected the easing of concerns about the export earnings of the major emerging market economies and their ability to access credit in international capital markets.

Foreign Exchange Market

With the exception of the Great Britain Pound (GBP), selected currencies strengthened against the US dollar during the review period. Relative to the average exchange rates in the June 2009 quarter, the Euro, Canadian dollar and the Japanese Yen appreciated against the US dollar by 4.4 per cent, 8.4 per cent and 7.7 per cent, respectively. The strengthening of these currencies in the September 2009 quarter largely reflected the impact of concerns about the growing US debt and an expectation of slow economic recovery. The GBP however, depreciated by 2.7 per cent. The depreciation of the GBP reflected concerns about low interest rates, prospects of a slow recovery, a persistent current account deficit and a large government debt.

Figure 1.5
Bond Spreads
(Bond yields minus U.S. 10-year T-bonds)



Summary

International economic developments have had both positive and negative influences on the Jamaican economy in the September 2009 quarter. The increase in the price of the main exports coupled with a decrease in the prices of some imported commodities resulted in an improvement in Jamaica's terms of trade. The economic recovery in the US, Jamaica's main trading partner, bodes well for an improvement in the demand for exports. However, continuing concerns regarding the high levels of unemployment in the advanced economies resulted in subdued demand for Jamaica's alumina and tourism.

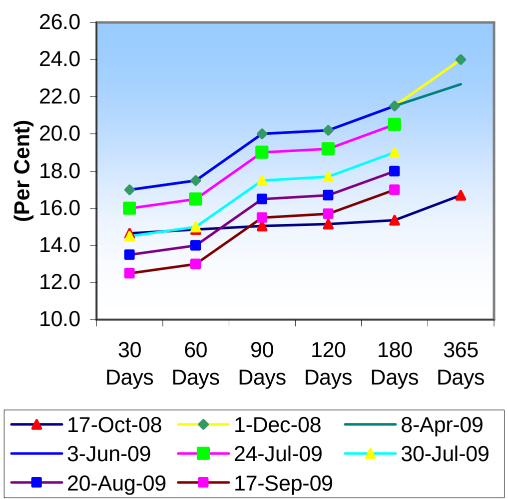
2. Monetary Policy and Financial Markets

Table 2.1

Selected Economic Indicators	Outturn for Sep'09 Quarter	Projection for Sep'09 Quarter	Original Targets for FY09/10
Inflation (% change)	*2.3**	*2.0 - 3.5*	*10.0 - 12.0*
Base Money (% change)	*-0.8*	*0.4*	*4.9*
Gross Foreign (US$ mn)	*2 007.3*	*1660.0*	*1320.2*

Figure 2.1

BOJ Certificate of Deposits Yield Curve[3]



[3] The 365-day instrument was removed on 03 June 2009.

Money & Credit

Monetary Policy and Base Money Management

The Bank eased its monetary policy stance during the September 2009 quarter as interest rates payable across the full spectrum of open market operations (OMO) securities were reduced by 450 bps. This action was informed by continued improvements in the inflation outturn and outlook as well as favourable trends in the exchange rate. In addition, the net international reserves (NIR) were strengthened by an allocation of Special Drawing Rights (SDR) from the International Monetary Fund (IMF).

In the context of the stable macroeconomy, the monetary base contracted by 0.8 per cent, relative to the Bank's projection for an expansion of 0.4 per cent. The deviation was influenced by a higher than anticipated build-up in GOJ deposits at the Bank.

Against the background of improved prospects for inflation and general macroeconomic stability, the Bank adopted a less restrictive monetary policy stance during the September 2009 quarter. The improved macroeconomic environment was underpinned by a stable foreign exchange rate. The stability of the exchange rate was influenced by the initiatives introduced in the last two quarters of the previous fiscal year as well as improved market confidence arising from the prospects of entering an agreement with the International Monetary Fund (IMF). The initiatives included the public sector entities (PSE) foreign exchange facility (see **Glossary**) and the commitment by Authorized Dealers and Cambios to exercise restraint in bid and offer rates within the foreign exchange market (see **Foreign Exchange Market**). Given this stability, the Bank did not sell foreign currency to the market during the review quarter.

In this context, the Bank lowered the interest rates payable across the full spectrum of open market operations (OMO) securities on four occasions. On 24 July and 30 July, the Bank reduced interest rates by 100 basis points (bps) and 150 bps, respectively, across the spectrum of 30-day to 180-day securities. This was followed by two additional reductions of 100 bps on 20 August and 17 September, respectively (see **Figure 2.1**).

Figure21.2
Base Money
(Quarterly Change)

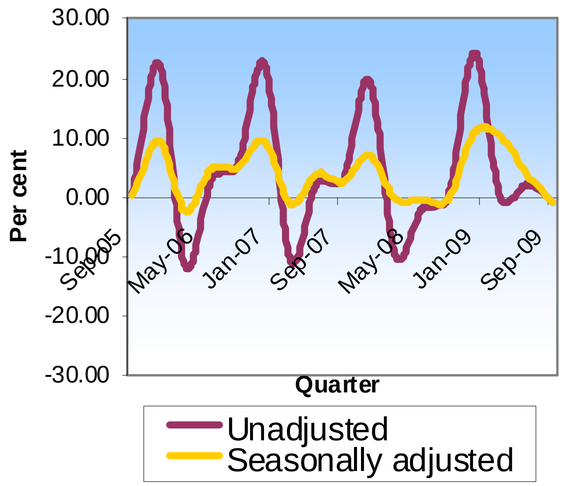
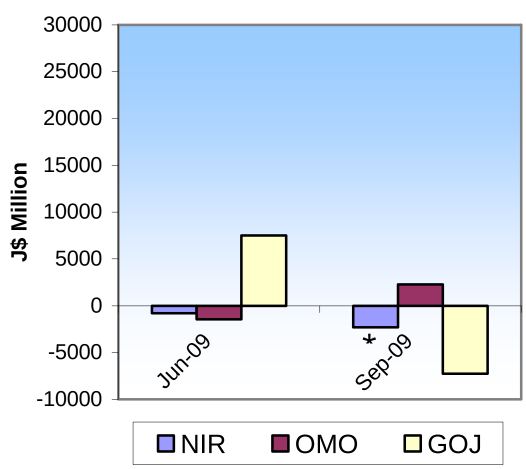


Figure 2.3
*Effects of the NIR, GOJ & OMO on Liquidity**



* Absorption – negative; Injection - positive

** excludes SDR inflows which would not have a Jamaica Dollar liquidity impact

The easing of the Bank's monetary policy stance was also supported by the relatively strong position of the net international reserves (NIR), which increased by US$313.8 million to US$1 933.2 million at the end of the review quarter. This increase in the NIR predominantly reflected the receipt of SDR 221.0 million from the IMF, which equated to inflows of US$330.77 million.[4] Although these inflows increased the gross foreign assets, there was a corresponding increase of the Central Bank's domestic long-term liabilities. Consequently, these inflows had no impact on domestic liquidity conditions.

The improved macro-conditions facilitated the issue of GOJ debt instruments during the review quarter and a higher than anticipated build up in the GOJ deposits at the Bank (see **Bond Market** and **Figure 2.3**). Consequently, the monetary base contracted by $569.9 million or 0.8 per cent during the September 2009 quarter. This compared to the Bank's projection for growth of 0.4 per cent. The deviation largely reflected a decline in the statutory cash reserves (see **Glossary**) in contrast to projected growth for the quarter. The cash reserves declined as a result of a reduction in prescribed liabilities of the commercial banks, in particular, private sector deposits, during the period used for computing the reserves. The decline in the cash reserve was partially offset by net currency issue of $219.9 million or 0.5 per cent during the review quarter, which was generally in line with the historical trend.

For the first half of FY2009/10, the monetary base expanded by 1.3 per cent, which was lower than the projected increase of 2.5 per cent. The deviation predominantly reflected a lower than projected increase in the cash reserves of the commercial banks. In contrast, there was net currency issue of 3.1 per cent for the fiscal year to September 2009, which was above the anticipated increase for this period. The main source of the deviation was a lower than projected net drawdown on Government deposits held at the Bank for the fiscal year to September 2009.

4 A general allocation of SDRs equivalent to US$250.0 billion became effective on 28 August 2009. The allocation was designed to provide liquidity to the global economic system by supplementing the Fund's member countries' foreign exchange reserves. Separately, a one-time SDR allocation equivalent to a total of US$34.0 billion was made to IMF members on 09 September 2009.

Figure 2.4
Money Supply
(Quarterly Growth Rates)
September 2005 to September 2009

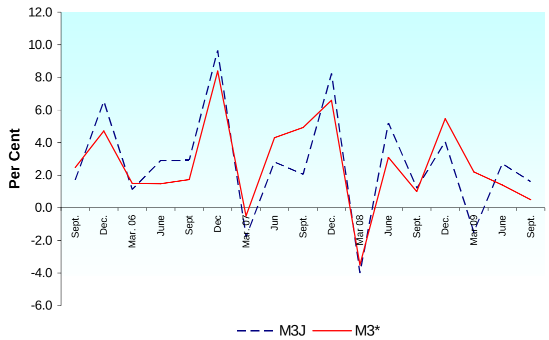


Table 2.2

Money Supply (12-month growth rates)		
MJ	**Sep-08**	**Sep-09**
M1J	10.6	4.7
M2J	7.6	3.4
M3J	10.7	6.9
M*		
M1*	0.9	7.1
M2*	4.4	8.1
M3*	7.1	9.8

Table 2.3

Interest Rates in the Domestic Market			
	Sep-08	**Jun-09**	**Sep-09**
COMMERCIAL BANK WEIGHTED AVERAGE DEPOSIT RATES			
Overall	**5.02**	**4.96**	**4.81**
Demand	2.59	2.1	2.21
Savings	4.48	4.31	4.31
Time	7.03	7.08	6.99
Foreign Currency	**2.94**	**2.9**	**2.86**
Demand	1.64	1.2	1.31
Savings	2.03	1.99	1.99
Time	4.83	4.8	4.66
6-MONTH TREASURY BILL RATE	**15.35**	**21.05**	**17.35**
BOJ 180-DAY REPURCHASE AGREEMENT RATE	**14.7**	**21.5**	**17**
PRIVATE MONEY MARKET RATE	**14.85**	**19.8**	**14.5**
MEMO:			
6-MONTH U.S. TREASURY RATE	**1.64**	**0.31**	**0.21**

Money Supply

During the September 2009 quarter, broad Jamaica Dollar money supply (M3J) increased by 1.6 per cent, relative to both the Bank's projection and the outturn for the September 2008 quarter of 1.2 per cent On the demand side, the faster than projected growth in money was reflected in a smaller than projected decline in currency in circulation. Money supply was primarily influenced by a higher than anticipated use of banking system credit by the public sector.

The measure of money supply that includes foreign currency deposits (M3) increased by 0.5 per cent. This was a slower rate of growth relative to the outturn of 1.0 per cent in the corresponding quarter of 2008. The slowdown in the review period reflected a decline of 2.3 per cent in foreign currency deposits. At end-September 2009, the ratio of foreign currency deposits to total private sector deposits was 30.7 per cent relative to 31.6 per cent at end-June 2009. This ratio was however, higher than the 28.4 per cent at end- September 2008.*

For the September 2009 quarter, broad Jamaica Dollar money supply (M3J) increased by 1.6 per cent. This increase was above both the Bank's projection and the outturn for the September 2008 quarter of 1.2 per cent (see **Figure 2.4**). Notwithstanding this higher than projected growth in M3J for the review quarter the outturn for the first half of the fiscal year was 4.3 per cent, the lowest rate of growth for the comparable period of the last five fiscal years. The deceleration in the growth of M3J could be attributed to the slowdown in economic activity.

The main source of expansion in M3J for the September 2009 quarter was an increase in banking system credit to the public sector. This liquidity was augmented by net maturity of BOJ open market operations securities, primarily the maturity of two variable rate certificates of deposit. The impact of the expansion in banking system credit to the public sector and the net maturity of BOJ securities was partially offset by a reduction in banking system credit to the private sector (see **Private Sector Credit**).

Figure 2.5
Deposits in Commercial Banks
(Quarterly Growth Rates)
September 2006 to September 2009

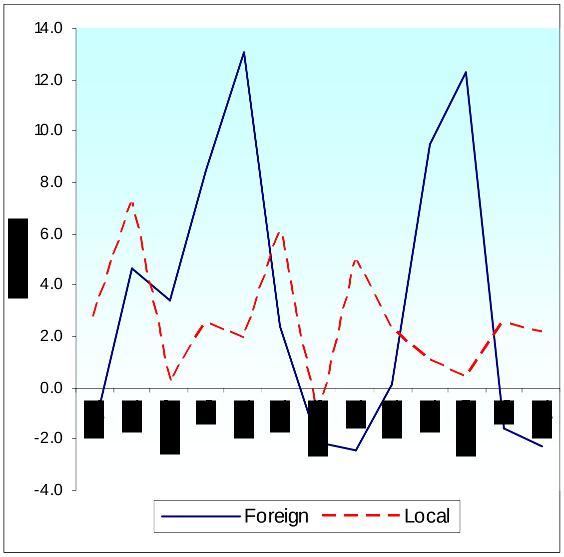


Figure 2.6
Foreign Currency Deposits to Total Deposits
September 2006 to September 2009

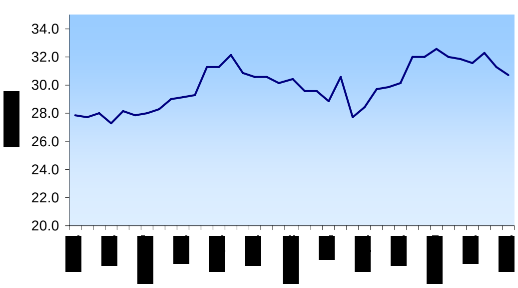


Table 2.4

COMPONENTS OF THE MONEY MULTIPLIER	Sep-08	Jun-09	Sep-09
		%	
Currency to Deposits	14.30	15.61	15.00
Reserves to Deposits	10.20	14.15	13.90
Money Multiplier	**4.66**	**3.89**	**3.98**

The expansion in money supply during the review quarter mainly reflected an increase in local currency deposits of $5.3 billion or 2.2 per cent. In this regard, local currency deposits grew marginally above the Bank's projection of 2.0 per cent with the increase reflected mainly in *other deposits* and *time deposits* which rose by 5.9 per cent and 2.8 per cent, respectively.

Currency in circulation, the other component of M3J, decreased by $694.1 million or 1.8 per cent. The decline in the quarter represented a smaller rate of decrease relative to the reduction of 5.3 per cent in the September 2008 quarter. Historically, there has been a rise in currency in August and September associated with back-to-school expenses. However, this trend was reversed in the September 2008 quarter and the decline in currency recurred in the review quarter. For the 12-month period ended September 2009, currency in circulation grew by 11.4 per cent relative to an increase of 0.3 per cent for the comparable period ended September 2008**.** In real terms, currency in circulation grew by 3.9 per cent, relative to a decline of 19.9 per cent for the comparable period of 2008**.**

During the review quarter, M3* increased by 0.5 per cent, relative to growth of 1.0 per cent for the September 2008 quarter (see **Figure 2.4**). Within M3*, foreign currency deposits fell by 2.3 per cent, relative to the marginal increase of 0.2 per cent recorded in the September 2008 quarter. The reduction in foreign currency deposits during the quarter was sharper than that which occurred in the previous quarter and reflected reductions in *demand, savings* and *time deposits*. The stability which characterized the foreign exchange market would have induced investors to draw on their foreign currency holdings to meet their Jamaica Dollar obligations. Accordingly, the ratio of foreign currency deposits to total private sector deposits fell to 30.7 per cent at end-September 2009, relative to 31.6 per cent at end-June 2009.This ratio was however, higher than the 28.4 per cent recorded at end-September 2008 (see **Figure 2.6**).

At end-September 2009, the money multiplier was 3.98, relative to 3.89 at the end of the previous quarter and 4.66 at end-September 2008. The increase in the money multiplier relative to the previous quarter largely reflected declines in both the currency to deposit ratio and the reserve to deposit ratio (see **Table 2.4**). The decline in the currency to deposit ratio was in the context of the continued reduction in the demand for currency in the last two months of the quarter.

Figure 2.7

Quarterly Growth Rates of Private Sector Credit Denominated in Jamaica Dollars September 2005 to September 2009

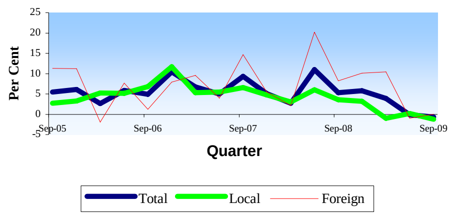


Table 2.5

Commercial Bank Distribution of Total Credit to the Private Sector J$ Million (Quarterly Flows)				
				Prov.
		Sep-08	Jun-09	Sep-09
	Total Private Sector Credit	**9830.0**	**-319.8**	**-1455.7**
	Loans and Advances	14 898.8	-322.7	-1441.7
less	Overseas Residents	4562.4	-2.9	-10.7
Add	Corporate Securities	-506.4	0.0	-24.7

Table 2.6

Commercial Bank Distribution of Total Loans & Advances to the Private Sector (Flows J$M)			
	Sep-08	Jun-09	Sep-09
Agriculture & Fishing	316.8	122.5	-432.7
Mining & Quarrying	-6.5	-75.2	267.4
Manufacturing	160.5	191.7	-711.7
Construction & Land Dev.	993.6	217.2	4 042.8
Transport, Storage & Comm.	758.5	-146.5	-149.6
Tourism	3 106.3	-869.1	-2 928.4
Distribution	1 663.7	632.4	-1 672.6
Professional & Other Services	1 053.2	185.1	-232.8
Personal	2 788.8	-817.5	-190.6
Electricity, Gas & Water	-463.2	240.5	563.3
Entertainment	-35.1	-0.9	14.0
Overseas Residents	4 562.4	-2.9	-10.7
TOTAL	**14 898.8**	**-322.7**	**-1 441.7**

Private Sector Credit

The stock of private sector credit in commercial banks declined by 0.7 per cent in the second quarter of FY 2009/10. This reduction followed a smaller contraction in the previous quarter and reflects the continued decline in private consumption and investment spending. The reduction in the stock of credit was reflected in a decline in local currency loans, while the stock of foreign currency loans remained relatively unchanged. The decline in loans was largely evident in Tourism, Distribution and Manufacturing. Personal Loans remained relatively unchanged. Private sector loan quality as measured by the ratio of past due loans to total private sector loans remained unchanged for the September quarter.

At end-September 2009, the stock of private sector credit was $218 802.4 million, representing a decline of 0.7 per cent for the review quarter. The decline is in contrast to marginal growth of 0.8 per cent that was projected for the quarter **(**see **Figure 2.7**). The reduction in the review quarter follows a contraction of 0.1 per cent in the previous quarter and is consistent with the continued contraction in economic activity (see **Real Sector**). The outturn reflected a reduction in local currency loans.

Loans and advances declined by $1 441.7 million or 0.6 per cent during the review quarter relative to a decline of 0.1 per cent in the June 2009 quarter (see **Table 2.5**). The outturn for the review quarter was largely reflected in reductions in loans to *Tourism*, *Distribution* and *Manufacturing*. The decline in loans to *Tourism* represented a sharper contraction than that which obtained in the previous quarter. This was the first time in six years that there was a reduction in loans to ***Tourism*** in a September quarter. This development coincides with expectations for a decline in stopover visitor arrivals in the December 2009 quarter. There was a 6.6 per cent reduction in the stock of loans to *Distribution*, the first time in 5 years that credit to the sector has fallen in a September quarter. The outturn is consistent with the slow down in economic activity and possibly reflects the expectation that there will be further declines in private consumption and investment spending.

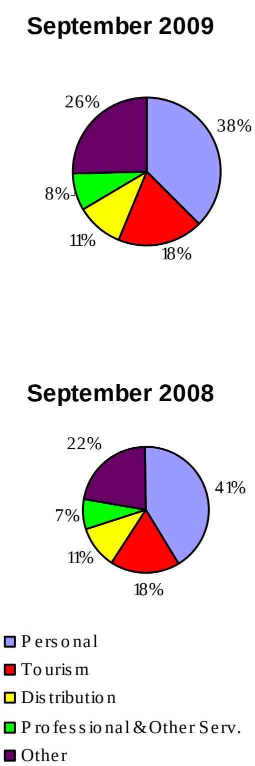
Table 2.7

Commercial Bank Distribution of Local Currency Loans & Advances to the Private Sector (Flows J$M)	Sep-08	Jun-09	Sep-09
Agriculture & Fishing	81.4	-336.5	-638.3
Mining & Quarrying	13.1	109.8	-22.7
Manufacturing	296.6	-142.7	162.9
Construction & Land Dev.	212.4	270.8	-28.6
Transport, Storage & Comm.	255.3	76.1	-108.2
Tourism	534.3	-428.9	171.4
Distribution	-0 190.7	1 654.7	-0 236.2
Professional & Other Services	1360.05	236.5	-779.12
Personal	2 196.0	-878.9	-44.66
Electricity, Gas & Water	295.8	-225.5	31.20
Entertainment	4.4	-46.8	14.38
Overseas Residents	16.88	-26.8	-10.28
TOTAL	**5 075.6**	**261.7**	**-1488.2**

Figure 2.8

Sectoral Distribution of Commercial Bank Loans & advances to the Private Sector Per Cent of Outstanding Stock

September 2008 & September 2009



The stock of ***Personal Loans*** remained relatively unchanged during the review quarter following a reduction of 1.0 per cent in the previous quarter. The outturn for the review quarter also compares to average growth of 5.4 per cent for the last 5 September quarters and reflects the slowdown in consumption expenditure. Within ***Personal Loans***, new loans for the purchase of motor cars increased by 9.5 per cent, relative to an increase of 18.6 per cent in the previous quarter. The outturn for the review quarter was perhaps influenced by a reduction of 20.0 per cent in the special consumption tax (SCT) charged on imported motor vehicles.

The stock of foreign currency-denominated loans remained relatively unchanged during the review quarter (see **Table 2.8**). During the September 2008 quarter there was an expansion of 12.0 per cent in foreign currency loans. Although the stock of these loans remained relatively unchanged for the review quarter, there was a sharp increase in loans to ***Construction & Land Development.*** These loans were granted mainly by one institution to two developers which embarked on projects in the ***Tourism*** sector.

Interest Rates

The overall weighted average lending rate for the review quarter declined by 19 basis points (bps) reflective of a reduction in rates charged to both the public sector and private sector (see **Table 2.9**). These declines reflected a fall in both the value and the interest rate on loans to both sectors and followed the reduction in the Central Bank's policy rates as well as a general decline in market determined rates. The lending rates charged on public sector and private sector loans decreased by 131 and 11 bps, respectively, for the September 2009 quarter. The lower rate charged on the private sector loans reflected a reduction in the lending rates for all categories, with the exception of personal loans and instalment credit which increased by 20 bps and 17 bps, respectively.

Table 2.8

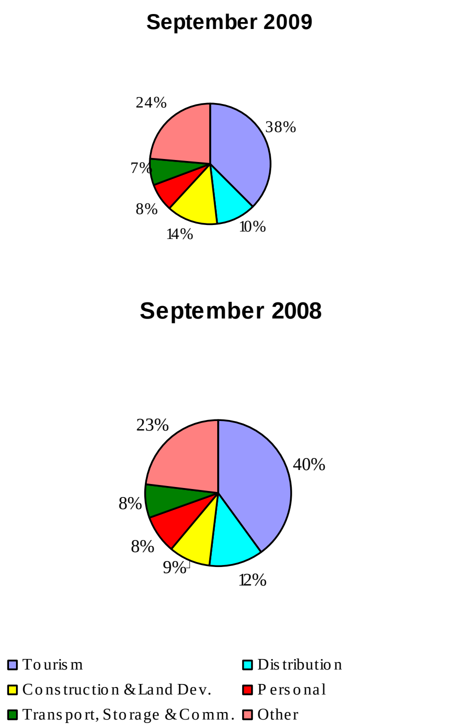
Commercial Bank Distribution of Foreign Currency Loans & Advances to the Private Sector (Flows US $M)

	Sep-08	Jun-09	Sep-09
Agriculture & Fishing	3.0	5.1	2.3
Mining & Quarrying	-0.3	-2.1	3.3
Manufacturing	-2.6	3.5	-9.9
Construction & Land Develop	9.8	-1.1	45.8
Transport, Storage & Comm.	6.1	-2.9	-0.5
Electricity, Gas & Water	-11.0	5.1	6.0
Distribution	24.4	-12.1	-16.2
Tourism	31.0	-6.9	-35.1
Entertainment	-0.6	0.5	0.0
Professional & Other Services	-5.0	-0.9	6.1
Personal	7.3	0.3	-1.7
Overseas Residents	62.7	0.0	0.0
TOTAL	**124.9**	**-11.3**	**0.1**

Figure 2.9

Sectoral Distribution of Foreign Currency Loans & Advances to the Private Sector Per Cent of Outstanding Stock

September 2008 & September 2009



Performance Indicators

Lending to the private sector accounted for 38.6 per cent of the banks' total assets at the end of September 2009, remaining relatively unchanged compared to the outturn of 38.7 per cent as at end-June 2008.

The quality of the private sector loan portfolio, measured by the ratio of past due loans (over three months) to total private sector loans was 4.2 per cent at end-September 2009, remaining unchanged relative to the end of the previous quarter. However, the ratio of past due loans to total loans for the overall loan portfolio increased to 3.7 per cent at end-September 2009 from 3.6 per cent at end-June 2009.

Table 2.9

Commercial Bank Domestic Currency Average Weighted Lending Rates by Loan Type Per Cent			
	Sep-08	Jun-09	Prov. Sep-09
Overall	**16.46**	**16.49**	**16.30**
Public Sector	**13.41**	**12.74**	**11.43**
Local Govt. & Other Pub	13.26	10.80	10.10
Central Government	15.09	14.55	13.61
Private Sector	**16.94**	**17.19**	**17.08**
Instalment	20.49	21.17	21.33
Mortgage	7.51	7.72	6.23
Personal	24.40	24.24	24.44
Commercial	12.69	13.06	12.69

Figure 2.10
Commercial Banks' Past due Loans
(Three Months and over) to Total Loans
September 2007 to September 2009

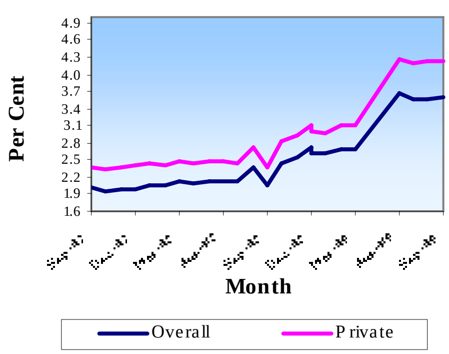


Table 2.10

Treasury Bill Auctions and Maturities July - September 2009			
Issue Date	Tenor (days)	Avg. yield (%)	Amount Allotted (J$M)
24-Jul-09	182	20.60	400.0
31-Jul-09	91	18.46	400.0
28-Aug-09	182	18.21	300.7
28-Aug-09	91	16.72	249.4
18-Sep-09	91	16.39	361.3
25-Sep-09	182	17.35	400.0
TOTAL			**2 111.3**

Average yields on GOJ Treasury Bills decline

Table 2.11

GOJ Public Domestic Debt Raising July - September 2009			
	Amount Allotted (J$MN.)	Amount Maturing (J$MN.)	Net Issues (J$MN.)
Treasury Bills	2 111.3	2 378.5	-267.2
Variable Rate LRS		6 144.7	-6144.7
Fixed Rate LRS		4 144.0	-4 144.0
Fixed Rate Inv. Deb.	33 002.7	2 879.9	30 122.8
Var. Rate Inv. Bd.	10 933.3	6 061.6	4 871.7
Fixed Rate Reg. Bd.	24 997.9	1 719.3	23 278.6
Fixed Rate US-denom. Bd.	0 136.3	0 115.2	0 021.1
J$ equivalent	12 143.7	10 277.1	1 866.6
Total (J$)	**83 188.9**	**33 605.1**	**49 583.8**

GOJ predominantly offered short term debt at fixed rates

Bond Market

During the review quarter, interest rates continued to trend downwards in the context of a continued deceleration in the rate of inflation, declining OMO rates and general stability in the foreign exchange market. The benchmark GOJ Treasury Bill yield, in particular, declined by 370 basis points during the quarter.

There were net placements on GOJ debt instruments, the majority of which were at fixed rates. This development was consistent with expectations of a continued decline in interest rates. Net placements were also recorded across the spectrum of the Bank's OMO Certificate of Deposits (CDs), with the exception of the 30-day instrument.

The prices of GOJ global bonds rose during the review quarter, despite a downgrade of Jamaica's foreign debt by rating agency Standard and Poor's. This reflected improved confidence in emerging market debt and continued optimism that the GOJ would be entering into an IMF borrowing agreement.

During the September 2009 quarter, average yields on GOJ Treasury Bills declined noticeably, continuing the trend in the previous quarter. The average yields on the 90-day and 180-day Treasury Bills declined by 319 basis points (bps) and 370 bps respectively, relative to the June 2009 quarter (see **Table 2.10**). Continued moderation in inflation, a decline in the cost of funds in some segments of the private repo market and relative stability in the foreign exchange market, all contributed to this decline.

A major influence on Treasury Bill yields during the September quarter, was the Bank's easing of Monetary Policy (see **Monetary Policy and Base Money Management**). The rates on the entire spectrum of OMO instruments were reduced by 450 basis points. However, at the end of the review quarter, the yields on the 90-day and 180-day Treasury Bills were 89 bps and 35 bps respectively, above the rates on the Bank's corresponding OMO instruments.

Table 2.12

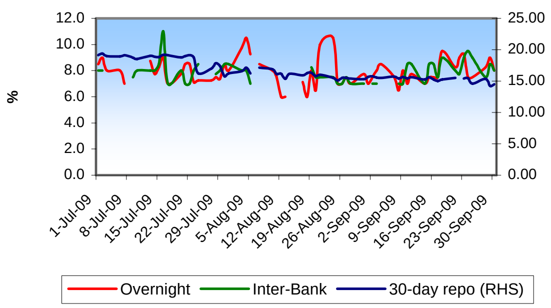
Placements and Maturities* in BOJ OMO Instruments:

	April - June 2009		July - September 2009	
	Maturities (J$MN.)	**Placements (J$MN.)**	**Maturities**	**Placements**
30-day	37 583.0	37 642.9	26 515.41	22 077.46
60-day	2 640.5	2 776.4	2 288.93	2 827.97
90-day	7 873.4	8 323.4	8 393.47	11 563.80
120-day	794.6	1 133.3	1 245.89	1 581.65
180-day	2 619.8	7 641.9	5 639.14	18 486.84
270-day	0.0	0.0	0.0	0.0
365-day	21 656.1	26 640.9	9 487.78	0.0
Variable Rate CD	6 926.6	0.0	9 960.77	0.0
Fixed Rate CD	0.0	0.0	0.0	0.0
TOTAL	**80 094.1**	**84 158.7**	**63 531.4**	**56 537.7**

Figure 2.11

Average Private Money Market Rates

July - September 2009



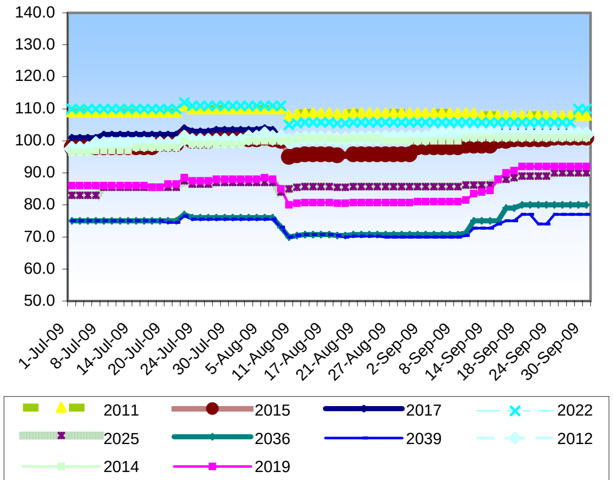
In addition to the issue of Treasury Bills, the GOJ increased its offer of fixed rate (FR) instruments with lower coupons and longer tenors. The GOJ offered 16 debt instruments to the market, 12 of which were at fixed rates. This was relative to the 15 instruments offered in the June 2009 quarter, 8 of which were at fixed rates. With regard to the FR instruments, the number of tenors which exceeded 4 years increased relative to the last quarter. However, the majority of issues remained within the range of 1 to 3 years. The FR Jamaican Dollar denominated instruments offered coupons in the range of 17.38 per cent to 21.63 per cent relative to a range of 21.75 per cent to 23.75 per cent offered in the previous quarter (see **Appendix Table 8B**). Total allotments during the review quarter amounted to $83.2 billion, of which FR instruments raised $70.1 billion (see **Table 2.11**). The demand for FR instruments was reflective of investors' expectation of lower inflation and a continued decline in interest rates.

On 03 July, the GOJ issued a FR US$ denominated local bond at a rate of 9.0 per cent. This was issued to replace a similar maturing instrument which was offered at a rate of 10.5 per cent and was relatively attractive given that the US global bond maturing in two years was trading at a rate of 6.5 per cent at the time of the offer (see **Appendix Tables 8A and 8B**). There was a net issue of $1 866.6 million on the FR US$ denominated local bond.

The favourable conditions enabled the Government to offer variable rate (VR) instruments at margins that were generally lower than those which obtained in the June quarter. The re-pricing margin was 1.575 percentage points (pps) above the 90-day Treasury Bill yield, for the 15-month and 3-year VR instruments. A re-pricing margin of 1.625 pps above the 180-day Treasury Bill yield was set for the 12-month VR instrument. The VR instruments issued during the review quarter will mature within 1 to 3 years. Overall, there was a net issue of GOJ debt instruments of $49.6 billion during the review quarter, relative to a net issue of $23.1 billion in the June 2009 quarter. This was the highest net issue recorded within the last five years.

There was an overall net maturity of $6 993.7 million in BOJ securities during the review quarter, compared to a net issue of $4 064.6 million in the previous quarter. The increase in the net maturity of BOJ securities, primarily included the maturity of two VR CDs amounting to $9 960.8 million. Excluding these special instruments, there were net placements of $2 967.1 million across all BOJ OMO instruments during the review quarter. With the exception of the 30-day instrument, there were net issues on all tenors (see **Table 2.12**). The 30-day tenor, however, recorded the majority of placements. This represents the normal pattern of demand for short-term securities. There were also strong net placements on the 180-day instruments during the quarter.

Figure 2.12
GOJ Global Bond Prices
July - September 2009



Private money market rates declined during the review quarter, continuing the trend from the previous quarter. The average rate on the overnight instrument fell to 7.91 per cent in the September 2009 quarter, relative to 8.23 per cent in the previous quarter. The average interbank and 30-day repo rates decreased to 7.87 per cent and 16.68 per cent, respectively, representing declines of 39 and 232 basis points relative to the June 2009 quarter. Spikes in private money market rates generally coincided with the offer periods of GOJ instruments in the market (see **Figure 2.11**).

There was an overall improvement in the performance of GOJ global bonds during the September quarter. This reflected improved confidence in emerging market debt given the enhanced prospects for recovery in the global market, as well as continued optimism that the GOJ would be entering into an IMF borrowing agreement. The prices on the sovereign bonds continued to increase relative to the previous quarter (see **Figure 2.12**).

Consequently, the average yields on GOJ bonds closed the quarter within the range of 6.43 per cent to 10.80 per cent, relative to the range 6.55 per cent to 12.01 per cent at the end of the previous quarter. This was in spite of a downgrade of Jamaica's foreign debt by international rating agency, Standard and Poor's (S&P). On 05 August, S&P further lowered its long-term foreign and domestic sovereign credit rating on Jamaica to 'CCC+' from 'B-'. The outlook remained negative. Immediately following the downgrade, the prices of the globals fell but rebounded subsequent to the Prime Minister's assurance that the Government would not embark on a liability management programme. Fitch and Moody's reaffirmed their rating of Jamaica's sovereigns during the quarter at "B' and 'B2', respectively.

Figure 2.13
Quarterly Growth of the JSE Indices
September 2008 – September 2009

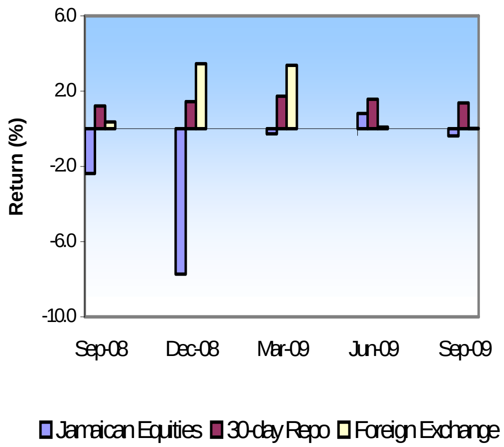


Figure 2.14
Quarterly Movements in Volumes & Values
Traded September 2008- September 2009

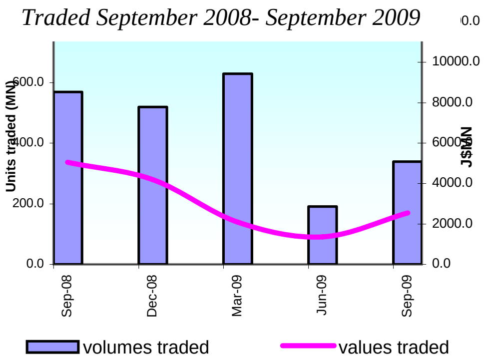
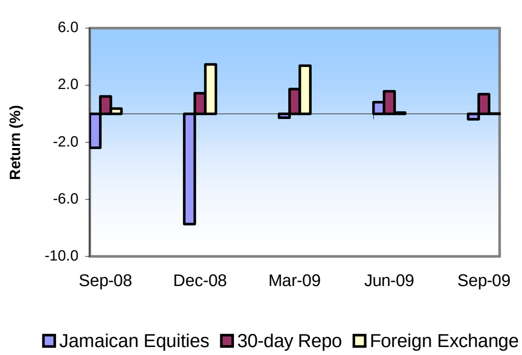


Figure 2.15
Average Monthly Returns from Equities, Foreign Currency and Fixed Income Investments



Stock Market

All three major stock market indices declined during the September 2009 quarter. The declines were primarily influenced by weak investor confidence amidst the downturn in real economic activity. Additionally, higher returns on fixed income securities compared with equity investments and poor earnings performance of several listed companies were contributing factors.

Despite reductions in domestic interest rates and stability in the foreign exchange market, all three major stock indices declined during the September 2009 quarter. The Main Jamaica Stock Exchange (JSE) Index, the All Jamaica Composite Index and the Select Index recorded respective declines of 1.2 per cent, 2.5 per cent and 1.4 per cent, relative to respective growth of 2.3 per cent, 8.7 per cent and 10.5 per cent for the June 2009 quarter (see **Figure 2.13**).[5, 6]

The advance-to-decline ratio deteriorated to 12:19 from 16:17 at the end of the previous quarter. Notably, the decline in the indices was mainly concentrated in the manufacturing and financial categories, which accounted for seven of the top ten declining stocks (see **Table 2.4**). Notwithstanding of the declines in the main indices, there was an improvement in overall volumes and values traded for the September 2009 quarter. The values and volumes of shares traded during the quarter increased by 87.2 per cent and 77.5 per cent, respectively, due mainly to connected party trading (see **Figure 2.14**). However, this increase was marginal when compared to the corresponding period in 2008.

The performance in the quarter was influenced by poor earnings performance of listed companies, consequent on the weak domestic environment as well as higher returns on fixed income investments. Equity investments, as reflected by movement in the JSE Index,

[5] However, the JSE Cross Listed Index during the quarter grew marginally by 0.1 per cent to close the September 2009 quarter at 969.8 points.

[6] Relative to the corresponding period last year the indices improved. During the September 2008 quarter, the JSE index recorded a decline of 7.0 per cent, while the All Jamaica Composite and Select indices declined by 8.1 per cent and 8.9 per cent respectively.

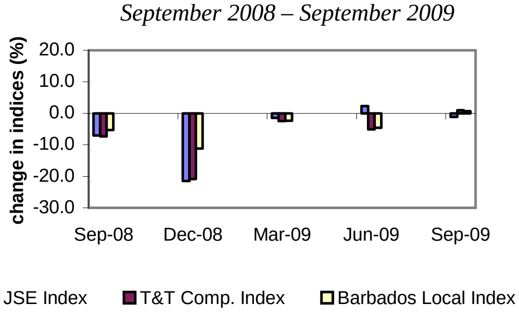
Table 2.13

Advancing Stocks September 2009 Quarter		
Companies	Price as at Sep-09 $	Qtr. Change %
Advancing Stocks		
Manufacturing		
Jamaica Broilers Group	4.24	24.34
Trinidad Cement	57.00	3.17
Seprod Limited	15.50	2.65
Insurance		
Sagicor Life Jamaica	5.20	8.79
Retail		
Carreras	44.45	8.39
Financial		
First Jamaica Investments	26.00	1.96
Scotia Group Jamaica	17.48	1.51
Communications		
Radio Jamaica	2.50	44.51
Gleaner Company	1.45	7.41

Table 2.4

Declining Stocks September 2009 Quarter		
Companies	Price as at Sep-09 $	Qtr. Change %
Declining Stocks		
Manufacturing		
Kingston Wharves	2.30	-17.86
Salada Foods	7.51	-15.62
Caribbean Cement	3.99	-13.32
Hardware & Lumber	4.91	-10.73
Finance		
Capital & Credit	2.92	-33.03
First Caribbean Bank Ja.	12.75	-15.00
Pan Caribbean	13.19	-14.85
Communications		
Cable & Wireless	0.36	-18.18
Conglomerate		
Gracekennedy	42.46	-11.60
Tourism		
Montego Freeport	1.91	-16.23

Figure 2.16
Quarterly Growth of Regional Indices
September 2008 – September 2009



yielded an average monthly loss of 0.4 per cent relative to an average monthly return of 1.4 per cent from fixed income investments (see **Figure 2.15**). In terms of specific developments during the quarter, Sagicor Financial Corporation (SFC) announced its decision to delist from the Jamaica Stock Exchange, effective 16 September 2009. The company noted that the delisting was due to insignificant trading in the company's shares. Regarding the Junior Stock Exchange, Access Financial Services Limited, a company that extends personal and commercial loans to micro, small and medium sized clients, initiated the process to list on this exchange.

The performance of the JSE contrasts with that of the other major stock markets of the region. The Trinidad & Tobago Composite Index and the Barbados Local Index increased during the September 2009 quarter, representing a reversal of the trend declines observed since June 2008. In Trinidad & Tobago, the Composite Index grew by 1.0 per cent, relative to an average decline of 9.0 per cent over the previous four quarters. This increase was facilitated by a 50.0 basis point decline in the central bank's repurchase rate to 6.3 per cent during the quarter. The Local Index in Barbados increased marginally by 0.7 per cent, compared to an average decline of 5.9 per cent over the past four quarters (see **Figure 2.16**).

During the review period, the General Manager of the JSE announced that the Caribbean Exchange Network (CXN), which is a co-ordinated electronic trading platform between the stock exchanges of Jamaica, Trinidad & Tobago and Barbados, is expected to be fully implemented and functional by the end of 2009. The integration of the region's top three exchanges is aimed at increasing trading volumes and liquidity and attracting external investors such as large pension funds. The integrated exchange will seek to facilitate easier trade among the major economies of the region and encourage more investors to the equities market.

Figure 2.17
Percentage Change in Weighted Average Selling Exchange Rate (e.o.p.) (J$1.00= US$)

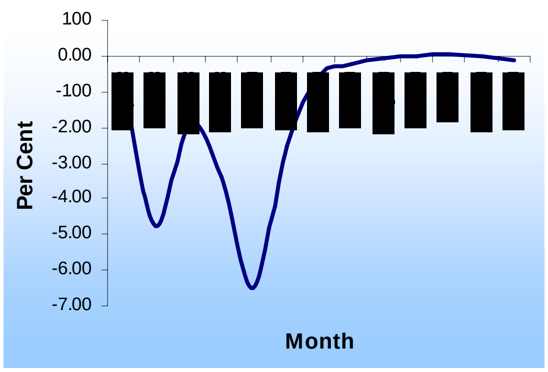


Figure 2.18
Exchange Rate Market Volatility (*)

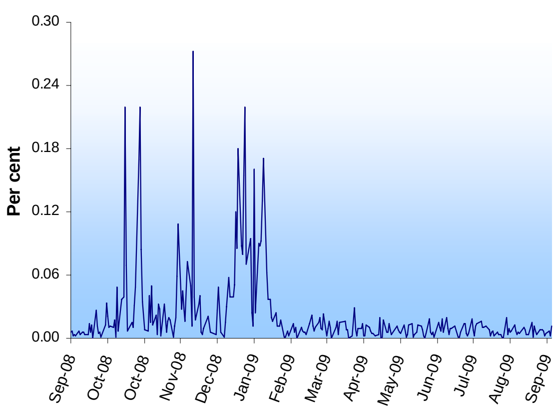
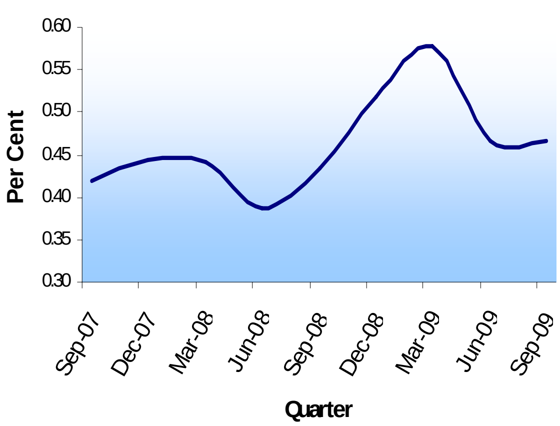


Figure 2.19
Foreign Exchange Spread as a Percentage of the Buying Rate



Foreign Exchange Market

The foreign exchange market remained relatively stable during the September quarter, largely due to the continued impact of BOJ's initiatives, which included moral suasion, the establishment of a foreign exchange facility for public sector entities and the intermediation of foreign exchange flows. Stability was also underpinned by relatively weak domestic demand conditions. Reflecting the receipt of an allocation of Special Drawing Rights equivalent to US$330.8 million during the quarter, the NIR stock as at end-September 2009 was US$1 933.1 million, US$313.7 million higher than the outturn at end-June 2009.

The weighted average selling rate (WASR) increased to J$89.08 = US$1.00 at end-September 2009 from J$89.07 = US$1.00 at end-June 2009, representing a marginal depreciation of 0.01 per cent. This was the smallest quarterly movement in the exchange rate since the March 2005 quarter and compared favourably to the 0.3 per cent depreciation recorded in the June 2009 quarter (see **Figures 2.17 and 2.18**). The outturn was also lower than the average depreciation of 1.3 per cent for the previous five September quarters.

Stability in the foreign exchange market during the September quarter was also indicated by a marginal narrowing of the average weekly trading range for the selling rate, to 0.05 from 0.06 in the June 2009 quarter (see **Figure 2.20**).[7] The average bid-ask spread, expressed as a percentage of the buying rate, remained relatively unchanged at 0.48 per cent (see **Figure 2.19)**.

The main source of market stability, which occurred despite the downgrade of Jamaica's sovereign ratings by Standard and Poor's in August, was the continued impact of measures implemented by the BOJ in the first half of the year. These included moral suasion and the establishment of a foreign exchange facility for public sector entities (see **Appendix B**). With respect to the latter, US$197.3 million was surrendered by authorized dealers and cambios relative to the surrender of US$186.7 million in the previous quarter. Against this background, authorized dealers and cambios continued to moderate their over-the-counter and contract bids and offer rates during the quarter.

7 The trading range for the exchange rate is an indicator of risk or uncertainty. It is the difference between the high and low quotes for the sale of US dollars over a particular period

Figure 2.20

Weekly Exchange Rate Trading Range

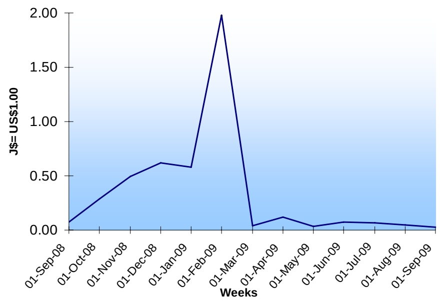


Table 2.14

Foreign Exchange Cash Flows*					
	US$MN			Change Relative To Previous	
	2008 Jul-Sept.	2009 Apr-Jun	2009 Jul-Sept.	Qtr	yr
Net Current Inflows	-1028.2	-241.4	-314.2	-72.8	714.0
Current Inflows	1421.7	1133.5	1117.6	-15.9	-304.1
Current Outflows	2449.9	1374.9	1431.8	56.9	-1018.0
Net Private Capital Inflows	964.2	349.0	393.5	44.5	-570.7
Balance	-64.0	107.6	79.2	-28.4	143.2

** BOJ Estimates of cash flow within the private domestic economy.*

Table 2.15

Net International Reserves (US$MN)		
Month	**Stock**	**One Month Change**
Apr-09	1663.6	35.0
May-09	1671.7	8.2
Jun-09	1619.4	-52.3
Jul-09	1648.9	29.5
Aug-09	1934.2	285.3
Sept-09	1933.1	-1.1

The Bank estimates that net private capital inflows continued to be sufficient to offset the net demand from current account transactions in the September quarter (see **Table 2.14**). Relative to the September 2008 quarter, net foreign currency demand to facilitate current account transactions is estimated to have declined by US$714.0 million. This reflected weak domestic demand conditions and a decline in international commodity prices. In this regard, the Bank estimates that foreign exchange outflows declined by US$1 018.0 million primarily reflecting a US$540.0 million (169.6 per cent) reduction in spending on fuel imports. In the context of the economic slowdown, gross inflows from tourism declined by an estimated 3.3 per cent while remittances remained unchanged during the quarter, when compared to the comparable period in 2008.

Against this background, average per diem sales by the system (authorised dealers and cambios) for the September quarter was US$26.4 million relative to the US$33.9 million in the comparable period in 2008. Average per diem purchases also declined to US$24.0 million, from US$30.4 million for the September 2008 quarter. Relative to the previous quarter, however, average per diem sales and purchases by the system remained relatively unchanged.

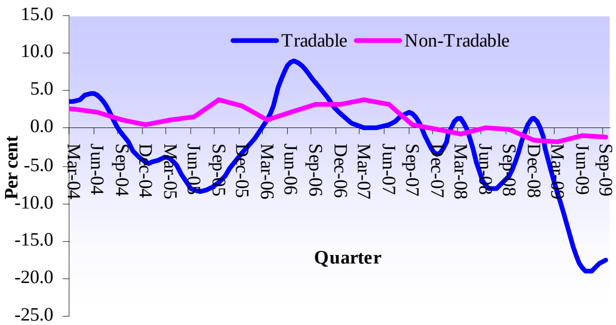
Given the overall improvement in market conditions during the quarter, the Bank purchased approximately US$61.9 million (net) from the system, relative to purchases of US$30.0 million (net) in the previous quarter. In addition, buoyed by the receipt of an allocation of Special Drawing Rights (SDRs) equivalent to US$330.8 million from the International Monetary Fund (IMF), the NIR at end-September 2009 was US$1 933.1 million, US$313.7 million higher than the stock at end-June 2009 (see **Table 2.15**). The Bank's gross reserves at end-September 2009 amounted to US$2 007.2 million, representing 15.8 weeks of projected goods and services imports which compares favourably with the international benchmark of 12 weeks.

3. Real Sector Developments

*The Jamaican economy continued to contract in the September 2009 quarter, the eighth consecutive quarter of decline. The pace of contraction was similar to the previous quarter, with the decline being more pronounced in tradable industries. Major contractions were recorded in Mining, Construction, Manufacturing and Transport, Storage & Communication. Robust growth was, however, estimated in Agriculture as well as moderate increases in **Electricity and Hotel & Restaurants**. In this context, the decline in Gross Domestic Product (GDP) is estimated to be in the range of 3.0 to 4.0 per cent. Preliminary estimates suggest that the decline in GDP was driven by a general softening in domestic spending.*

Figure 3.1

GDP Growth : Tradables vs. Non-Tradables Industries (12-Month Change)



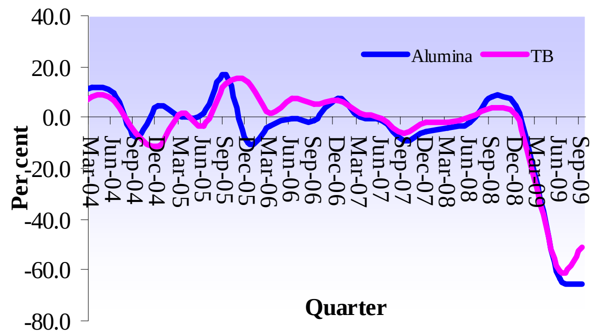
Continued contraction in output at a pace similar to that of the June 2009 quarter.

Aggregate Supply

In the context of the weak global economy, domestic economic conditions remained depressed in the September 2009 quarter. For the review period, the economy is estimated to have contracted in the range of 3.0 per cent to 4.0 per cent, attributed mainly to the tradable industries. This follows an average quarterly decline in GDP of 1.6 per cent since December 2007. Despite measures to stimulate global economic activity external demand for Jamaican exports continued to be weak. Further, domestic demand continued to be constrained by increased domestic unemployment, lower remittance inflows and general uncertainty about the economic outlook.

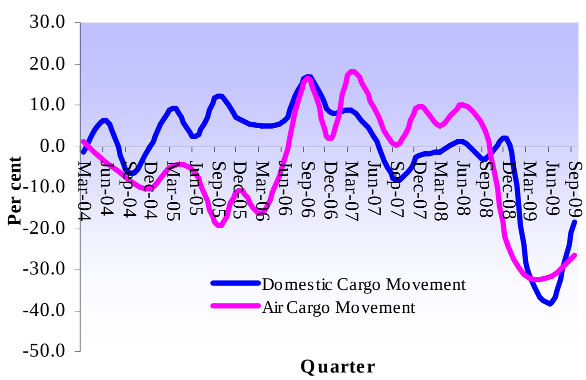
Economic conditions in the review quarter mirrored that of the preceding quarter, with considerable contractions in tradable industries along with moderate declines in non-tradable industries (see **Figure 3.1**). The main industries that contracted in the review quarter were *Mining & Quarrying*, *Construction*, *Transport, Storage & Communication*, *Wholesale & Retail Trade Repairs & Installation Machinery* and *Manufacture*. In contrast, *Agriculture, Forestry & Fishing* is estimated to record robust growth. More moderate increases were estimated for *Electricity & Water*, *Hotels & Restaurants* and *Other Services*.

Figure 3.2
Trends in Alumina &Total Bauxite Production
(12-Month Change)



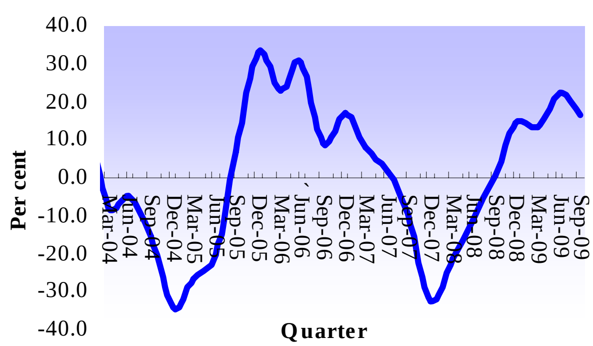
Source: Jamaica Bauxite Institute

Figure 3.3
Total Domestic Cargo Movements
(12-Month change)



Source: Port Authority of Jamaica, Norman Manley International Airport and Montego Bay Jamaica

Figure 3.4
Domestic Crops
(12-Month Change)



Sources: BOJ, Ministry of Agriculture

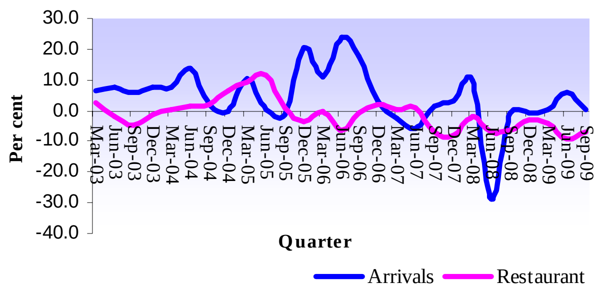
Since the start of 2009, the *Mining & Quarrying* industry has registered declines in excess of 40.0 per cent. The industry's performance in the review period continued to reflect the impact of the closure of two alumina companies and reduced activity at the sole bauxite plant. This is due to the fallout in global demand for aluminium. World primary aluminium consumption declined by 7.6 per cent relative to the corresponding period in 2008. As a consequence, capacity utilization in the alumina and bauxite industries declined to 29.8 per cent and 83.9 per cent, respectively, from 85.5 per cent and 88.6 per cent in the September 2008 quarter. Accordingly, alumina and bauxite production contracted by 65.5 per cent and 51.2 per cent, respectively, in the review quarter (see **Figure 3.2**).

The contraction in *Transport, Storage & Communication* is estimated to be in line with the average decline of 5.0 per cent recorded over the previous four quarters. The industry's performance was influenced by a continuation of the trend decline in shipping activity as well as reduced services by the national airline. The decline in shipping activity is associated with trend decline in world trade since the December 2008 quarter. The reduction in water transportation was inferred from a decline of 18.6 per cent in domestic cargo movements (see **Figure 3.3**). Preliminary data from the two international airports indicate a fall out of 24.7 per cent in air cargo movement relative to the September 2008 quarter.

In the context of relatively favourable weather conditions and the productivity enhancing initiatives by the Ministry of Agriculture, ***Agriculture, Forestry and Fishing*** is estimated to have grown for the fourth consecutive quarter following average quarterly growth of 9.5 per cent in the first half of 2009. The Ministry's Production and Productivity Programme[8], in addition to the development of greenhouse farms and the rental of machinery to farmers has rejuvenated activity within the industry. Of note, there were increases in both domestic and export crop production. Domestic crop production grew by 16.7 per cent and has fully recovered from the many shocks to the industry over the last 5 years (see **Figure 3.4**).[9] With regard to export crops production, full recovery is estimated in citrus production with growth of 248.9 per

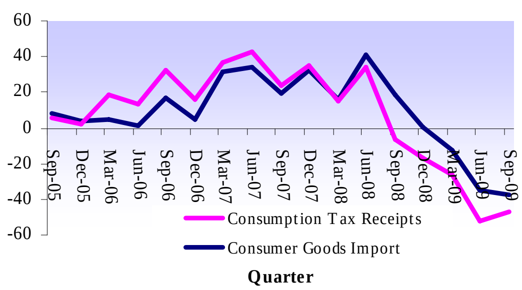
8 The Production and Productivity Program was established in October 2008.
9 Shocks to agricultural output include Hurricanes Ivan, Dennis, Dean and Tropical Storm Gustav in 2004, 2005, 2007 and 2008 respectively.

Figure 3.5
Total Stopover Visitor Arrivals & Imputed Restaurant Output
(12-Month Change)



Source: BOJ, Jamaica Tourist Board

Figure 3.6
Private Consumption Spending Indicator
(12-Month Change)



Source: BOJ, Ministry of Finance

cent while coffee production is estimated to have grown by 17.1 per cent, relative to the corresponding period in 2008.

Although world travel continued to weaken in 2009 due primarily to reduced income, *Hotels & Restaurants* is estimated to have grown for the second consecutive quarter. The industry's performance is inferred from an increase of 5.4 per cent in stop-over arrivals, which offset the impact of an estimated decline of 6.9 per cent in activities within the restaurant industry (see **Figure 3.5**). Growth in stop-over arrivals reflected normalization following disruption caused by Tropical Storm Gustav in the final week of August 2008 as well as the continued diversions of tourists to Jamaica from Mexico. The resilience of the hotel sub-industry is reflective of expanded capacity and strategic advertising by the Jamaica Tourist Board and industry players. The decline in restaurant activities is attributed to lower real income.

For the review quarter, *Electricity & Wate***r** is estimated to have grown above the trend growth of 2.2 per cent recorded since March 2000. The improvement in the industry predominantly reflected normalisation over the similar period of 2008 when electricity generation was disrupted by the passage of Tropical Storm Gustav.[10] In this context, electricity generation increased by 3.6 per cent in the September 2009 quarter, relative to the similar period in 2008. Additionally, water production increased by 3.6 per cent also reflecting the return to normality in production.

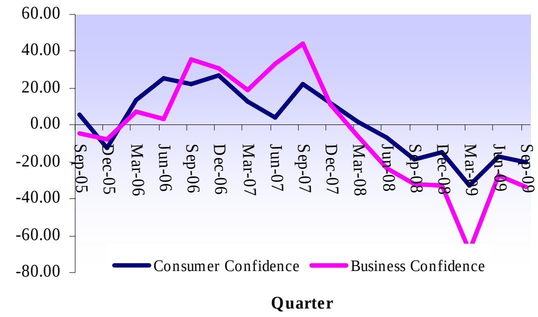
Aggregate Demand

Indicators of expenditure suggest that the weak economic activity in the September 2009 quarter was mainly driven by declines in *Consumption* and *Investment* spending**.** This is in contrast to an estimated improvement in *Net External Demand*, relative to the comparable period of 2008.

The reduction in *Private Consumption* was inferred from real declines of 37.0 per cent and 9.1 per cent in consumer goods imports and consumption tax receipts on imports, respectively **(**see **Figure 3.6)**. The

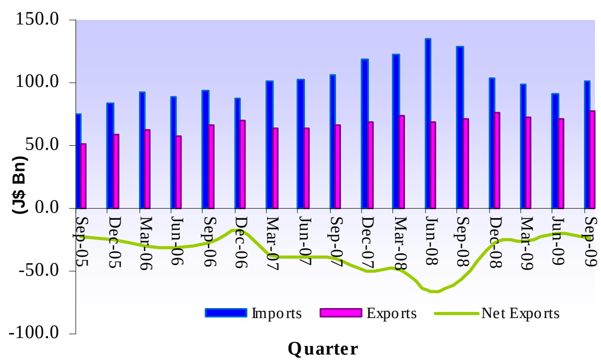
10 Full normality in the supply of electricity was restored approximately two weeks after the passage of the storm.

Figure 3.7
Consumer and Business Confidence Index
(12-Month Change)



Source: Jamaica Conference Board

Figure 3.8
Net Exports



Source: BOJ & STATIN

contraction in *Consumption* is attributed to the continued erosion of households' incomes emanating from rising unemployment and a fall in

remittance inflows. The estimated decline in consumer spending was corroborated by the deterioration of 20.5 per cent in the consumer confidence index, relative to the similar period in 2008, as reflected in the Jamaica Conference Board survey of consumer confidence. The contraction represented the sixth consecutive quarter of decline and continued to reflect consumers' expectations of future decline in real incomes **(**see **Figure 3.7)**.

Gross Fixed Capital Formation continued its declining trend in the September 2009 quarter albeit at an accelerated pace. Both private and public investment spending deteriorated during the review period. The fall in private spending is deduced from declines of 51.4 per cent and 36.9 per cent in capital goods imports and foreign direct investment, respectively. The contractions were primarily influenced by the prevailing tightened credit conditions in both the domestic and global credit markets. Additionally, private investment was affected by the weakened business confidence which declined by 12.9 per cent in the review period, relative to the comparable period in 2008 and is indicated by the Jamaica Conference Board Survey of business confidence **(**see **Figure 3.7)**. The fall in confidence was influenced by the continued uncertainty about the economic prospects of Jamaica's major trading partners, tight credit conditions, a fall in company profits and weak domestic sales.

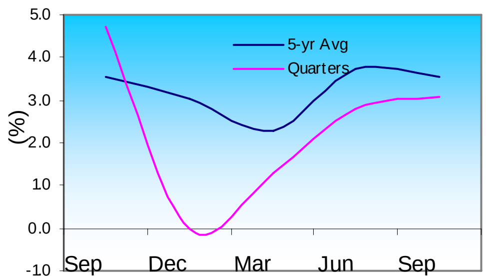
The fall in public investment reflects a contraction of 15.9 per cent in expenditure on Government capital projects.

Estimates of ***Net External Demand*** improved compared to the similar period of 2008 **(**see **Figure 3.8)**. The improvement was influenced by an estimated decline of 21.4 per cent in the import of goods and services, which was partially offset by an increase of 3.0 per cent in the exports of goods and services. The contraction in imports is reflective of the general slow down in the domestic economy attributed to a decline in spending and moderation in international commodity prices. In this context, oil, raw material and consumer goods imports fell by 53.7 per cent, 45.5 per cent and 37.0 per cent, respectively. In regard to the increase in exports, sugar recorded an estimated growth of 45.3 per cent.

Net services improved by 260.0 per cent attributed mainly to a fall in net transportation payments.

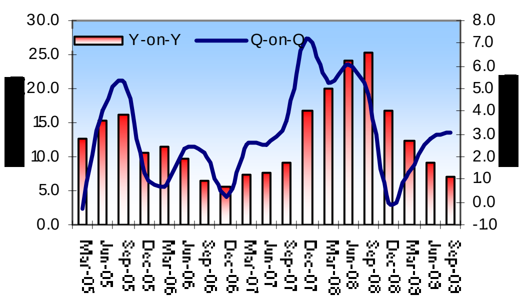
4. Inflation

Figure 4.1
Quarterly Inflation Rate



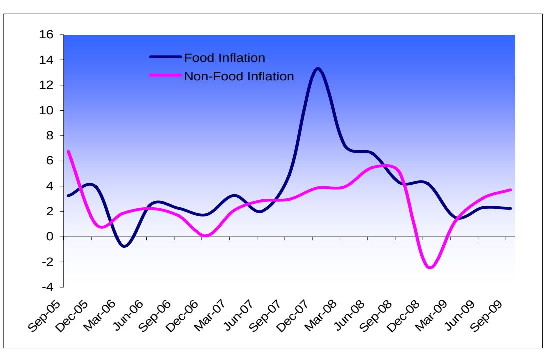
Source: STATIN

Figure 4.2
Inflation
(12 Month Pt-to-Pt & Quarterly Rates)



Source: STATIN

Figure 4.3
Food & Non-Food Inflation (Quarterly)



Headline inflation was 3.1 per cent for the September 2009 quarter relative to 2.7 per cent in the preceding quarter and 4.7 per cent for the corresponding quarter of 2008. The marginal increase in inflation was primarily influenced by increased cost of sugar on the international market. Additional impulses emanated from fuel costs, shortages in the supply of some agriculture commodities and administered price adjustments. Despite some seasonal increases, aggregate demand remained weak, which moderated the rate of price increases. Also, the pass-through of exchange rate impulses to inflation for the review quarter was negligible given the stability in the market since February.

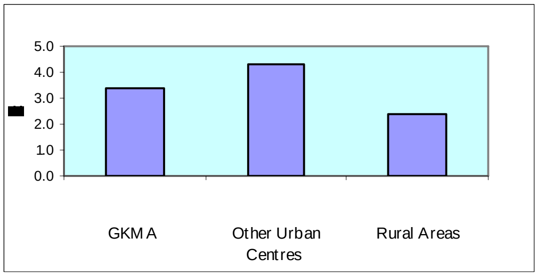
Trends in Price Indices

The All Jamaica Consumer Price Index (CPI) increased by 3.1 per cent at the end of the September 2009 quarter relative to the value of the index at the end of the June 2009 quarter. This outturn was within the Bank's forecast range of 2.0 per cent to 3.5 per cent. Prices rose on average by 1.0 per cent, 0.4 per cent and 1.7 per cent in July, August and September, respectively. The outturn for the quarter, however, was below the average of 4.0 per cent for the previous five September quarters but higher than the 2.7 per cent recorded in the previous quarter (see **Figure 4.1**). Annual point-to-point inflation at September 2009 was 7.2 per cent compared to 25.3 per cent recorded at September 2008 (see **Figure 4.2**). Non-Food inflation in the quarter was 3.7 per cent relative to Food inflation of 2.2 per cent (see **Figure 4.3**).

The indices for Greater Kingston Metropolitan Area (GKMA), Other Urban Centres (OUC) and Rural Areas increased by 3.4 per cent, 4.3 per cent and 2.4 per cent, respectively, (see **Figure 4.4**). This pattern primarily reflected the increases in *Housing, Water, Electricity, Gas & Other Fuels* division across all regions. Over the quarter, *Housing, Water, Electricity, Gas & Other Fuels* increased by 4.8 per cent, 5.7 per cent and 5.4 per cent in GKMA, OUC and Rural Areas, respectively.

All indicators of core inflation reflected a marginal increase in the September 2009 quarter. The trimmed mean measure of inflation was 1.5 per cent relative to 1.3 per cent in the June quarter. CPI excluding agriculture and the direct impact of fuel (CPI-AF) was 2.7 per cent compared to 2.4 per cent in the previous quarter. The CPI excluding fuel

Figure 4.4
Geographical Distribution of Inflation



Source: STATIN

Figure 4.5
Selected Measures of Underlying Inflation

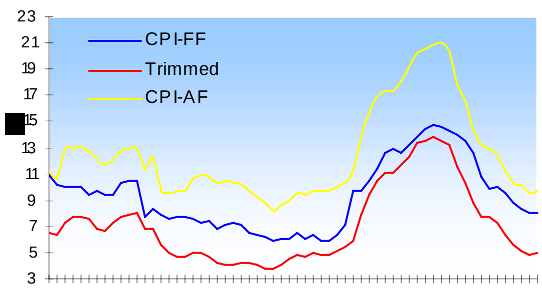
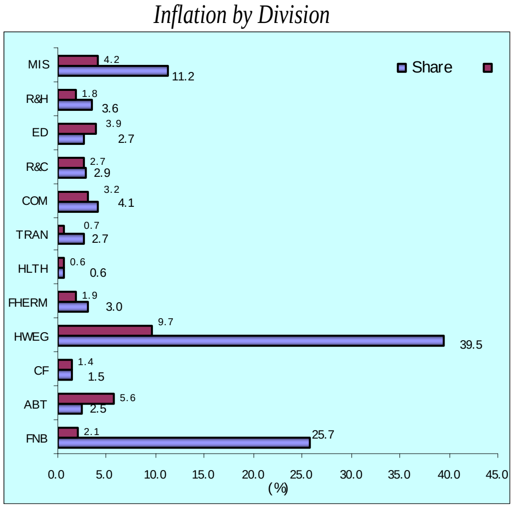


Figure 4.6
Inflation by Division



MIS= Miscellaneous Goods & Services, R&H=Restaurants & Hotels, ED=Education, R&C=Recreation & Culture, COM=Communication, TRAN= Transporttion, HLTH=Health, FHERM=Furniture, Household Equipment & Routine Household Maintenance, HWEG=Housing, Water, Electricity, Gas & Other Fuels, C&F=Clothing & Footwear, ABT=Alcohol, Beverages & Tobacco, FNB=Food & Non-Alcoholic Beverages

Source: STATIN & BOJ's Calculations

and food (CPI-FF) was 3.0 per cent slightly above the 1.9 per cent in the previous quarter. However, annual measures of core inflation continued to reflect moderation relative to the previous quarter (see **Figure 4.5**). Trimmed mean, CPI-AF and CPI-FF annual measures were 5.1 per cent, 10.7 per cent and 8.6 per cent at September 2009.

Main Inflationary Factors

The higher inflation for the review quarter relative to the previous quarter was due mainly to impulses emanating from food inflation as a result of increases in the price of sugar and to a lesser extent oil prices on the international market. The stable weighted average selling rate of the Jamaica Dollar tempered the contribution of imported prices. Seasonal price adjustments associated with agriculture supply and demand for back-to-school supplies were also important to the outturn. In addition, there were administrative price adjustments from Government's revenue enhancement measures. Generally weak demand conditions moderated the rate of price movements during the quarter.

International Commodity Prices and the Exchange Rate

Inflation in the September quarter principally reflected the impact of higher import prices during the June quarter (see **Figure 4.7**). Import prices increased on average by 17.1 per cent as reflected in the Import Price Index (IPI) (see **International Economic Developments**). In the June quarter, the movement in the IPI was driven primarily by a 45.0 per cent increase in the price of the benchmark West Texas Intermediate crude oil (Fuel) and a 12.8 per cent rise in Raw Materials/Food. The IPI declined by 4.1 per cent in the month of July and increased by 4.6 per cent in August. As a result of these factors, there were significant increases in energy prices and food prices, which were mainly reflected in *Housing, Water, Electricity, Gas & Other Fuels* and *Food & Non-Alcoholic Beverages (see **Figure 4.6**)*. These groups accounted for 65.2 per cent of the inflation for the quarter. The stability of the exchange rate provided a partial countervailing influence on the impact of imported commodity prices as the pass-through of exchange rate movements was minimal.

Figure 4.7

Lagged Import Price Index (IPI) and Inflation

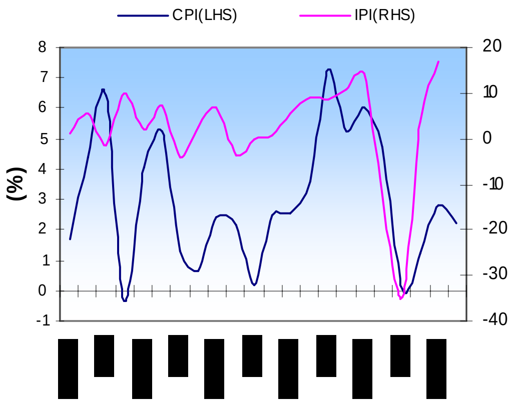
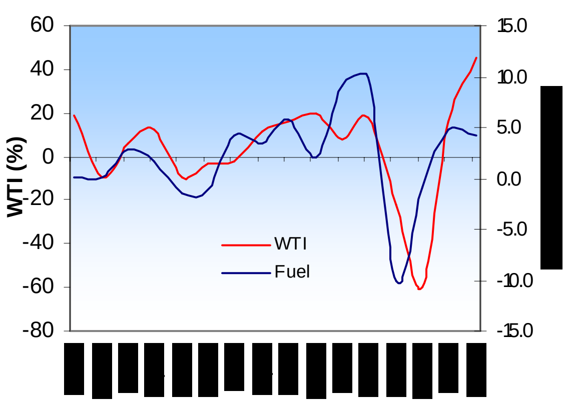


Figure 4.8

Quarterly Chg. in Fuel Index & Lagged WTI



Household Energy Prices

Energy-related inflation, as measured by changes in the Bank's Fuel Index, expanded by 4.3 per cent for the review quarter following a 4.6 per cent increase in the previous quarter (see **Figure 4.8**). This was mainly reflected in *Housing, Water, Electricity, Gas & Other Fuels*, which increased by 9.7 per cent for the quarter, contributing 39.5 per cent of the quarter's inflation (see **Figure 4.6**). This increase was primarily associated with upward movements in rentals for housing, electricity rates and the prices of household fuels, such as liquid petroleum gas and kerosene. Residential electricity rates rose by 18.4 per cent during the review quarter. This was as a result of a 35.2 per cent expansion in fuel charges, stemming from the lagged impact of increases in crude oil prices, which was mitigated by an appreciation of 0.1 per cent in the billing exchange rate.

Food Prices

Food-related price impulses were significant in the review quarter. This was largely due to a higher import cost for mutton and chevron meat, as well as a fall off in the supply of locally produced beef in the September quarter. Additionally, sugar prices increased by 34.0 per cent during the quarter. As a result of these factors, upward impulses were evident in the prices of meat, fish and seafood as well as sugar, jam, honey, chocolate and confectionery. Consequently, *Sugar, Jam, Honey, Chocolate & Confectionery*, *Meat* and *Fish & Seafood* increased by 7.2 per cent, 3.1 per cent and 2.2 per cent respectively. Food & Non-Alcoholic Beverages increased by 2.1 per cent and accounted for 25.7 per cent of the inflation outturn for the quarter (see **Figure 4.6**).

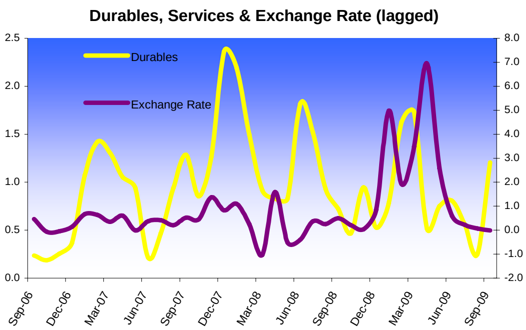
Administered Prices

The special consumption tax (SCT) on tobacco increased by 41.7 per cent in the quarter. There were also adjustments to the SCT on alcoholic beverages. As a direct consequence, *Alcoholic Beverages & Tobacco* increased by 4.6 per cent over the quarter contributing 2.8 per cent of the outturn for the quarter (see **Figure 4.6**).

Domestic Agricultural Market Conditions

Several initiatives undertaken by the Ministry of Agriculture and its agencies to boost output and increase productivity have improved crop yields. This resulted in increased production of key agricultural commodities, mainly vegetables, above seasonal levels for the September quarter. However, the supply of tubers reflected the seasonal lows. As a result, while *Vegetables recorded a decline of 1.8 per cent, Starchy Foods Starchy Foods* increased by a notable 6.5 per cent.

Figure 4.9



Domestic Demand Conditions

Indicators of spending suggest some improvement in demand, though the overall level remains weak. Real general consumption tax (GCT) receipts, an indicator of domestic demand, increased by approximately 16.6 per cent for the quarter and 8.3 per cent for the 12-month period. This increase mainly reflects the new revenue measures implemented by the Government in FY2009/10. Real credit card receivables declined by 2.4 per cent for the quarter and 1.8 per cent for the 12-month period indicating a lower use of credit to fund consumption, and lower overall spending. Despite this weak demand there was a marginal increase in durable goods inflation of 1.2 per cent for the review quarter, relative to 0.8 per cent in the previous quarter (see **Figure 4.9**).

5. Economic Outlook and Monetary Policy Perspectives

There are signs that the adverse global economic conditions that have affected the Jamaican economy since 2008 should improve in the second half of the fiscal year. However, external and domestic demand are expected to remain weak over the near term.

Against this background, domestic output could decline by 3.0 per cent to 4.0 per cent in the December 2009 quarter, similar to the estimated rate of decline for the September 2009 quarter. The main drivers of the decline are expected to be Mining & Quarrying, Construction, Transport, Communication & Storage, Manufacture and Hotel & Restaurants. Agriculture, however, is expected to grow during the December 2009 quarter.

In the context of weak foreign and domestic economic conditions, headline inflation is forecasted to be in the range of 1.5 per cent to 3.5 per cent for the December 2009 quarter. This forecast is underpinned by marginal changes in excess domestic production capacity conditions, weak consumer demand as well as stable inflation expectations. However, some upward price impulses are expected from seasonal reductions in agricultural output and rising energy costs.

The Central Bank will continue its monetary policy strategy aimed at maintaining stability in the financial markets and reducing inflation. As such, monetary policy will be conditioned by developments in the foreign exchange market and the outlook for inflation.

Table 5.1

Jamaica: Selected Economic Indicators

	Projections for Dec'09 Quarter	Target for FY09/10
Inflation (% change)	1.5 – 2.8	10.0 – 12.0
Base Money (% change)	10.7	6.1
Gross Reserves (End Period)	1660.0	1640.0
Weeks of Imports of Goods & Services (US$MN)	12	12
GDP (12-mth % chg.)	-ve	-4.0 - 3.0

Inflation in the December 2009 quarter could be lower than the outturn in the September 2009 quarter.

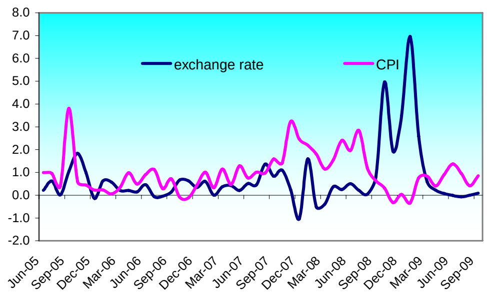
Outlook - December 2009 Quarter

Inflation

Headline inflation is projected to be between 1.5 per cent and 3.5 per cent for the December 2009 quarter. Price movements could reflect a slight reduction from the rate recorded in the September 2009 quarter and should be below the seasonal average of 3.1 per cent.[11]

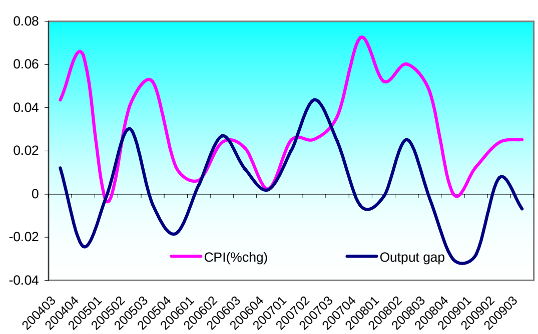
11 The seasonal average is calculated between 2004 and 2008.

Figure 5.1
Trends in Changes in Exchange Rate and Headline Inflation



The diagram depicts changes in the monthly end of period exchange rate and monthly headline inflation.

Figure 5.2
Trends in Domestic Headline Inflation and the Output Gap



The diagram is a plot of quarterly headline inflation and the output gap (calculated as the difference between the log of real GDP and its time trend)

The inflation forecast for the December 2009 quarter is underpinned by marginal changes in domestic capacity conditions and stable inflation expectations. However, there could be some upward price impulses from seasonal reductions in agricultural output and higher energy costs.

Imported Inflation

Continued recovery in US output is expected in the December 2009 quarter, driven by the monetary and fiscal stimuli. However, a slower rate of growth relative to the previous quarter is projected due to the expiration of major programmes such as the tax credit for first time home buyers and the Car Allowance Rebate System (popularly referred to as Cash for Clunkers). Against this background, the Bank projects that average import prices will rise by 4.6 per cent during the December 2009 quarter.

The rise in import prices will be primarily driven by a projected increase in the cost of fuel and the prices of agricultural raw materials, relative to the September quarter. Crude oil prices (WTI) are expected to rise by approximately 15.6 per cent during the quarter as positive macroeconomic reports are expected to increase fuel demand. Wheat and corn prices are also expected to rise, on average by 1.3 per cent and 5.6 per cent, during the quarter. The upward trend in the prices of wheat and corn is largely due to recent poor weather in the US Midwest which is expected to adversely affect supplies.

The foreign exchange market in the December 2009 quarter could be influenced by the seasonal increase in spending on imports, albeit constrained by weak domestic demand. This is against the background of reduced foreign currency inflows from major earners and remittances. Net private capital inflows are, however, expected to improve. The relatively stable exchange rate since February 2009, should temper the impact of rising international oil prices on domestic energy and fuel costs (see **Figure 5.1**).

Figure 5.3
Index of Inflation Expectations

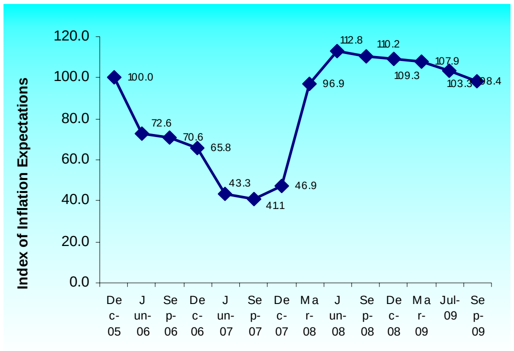
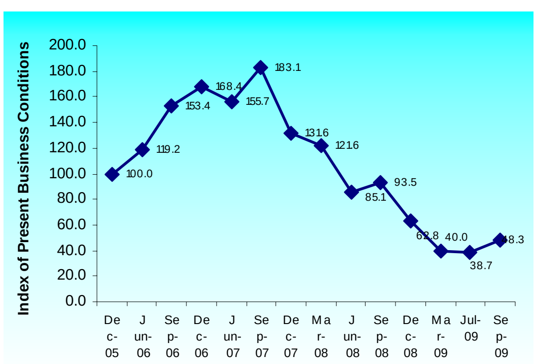


Figure 5.4
Index of Present Business Conditions



The net impact of the anticipated changes in import prices and the exchange rate will be a minimal upward impetus on domestic prices in the December quarter.

Domestic Capacity Conditions

Domestic capacity conditions as indicated by the output gap and weak labour market conditions should reinforce the lower inflation rates that have been evident over the first half of the fiscal year.

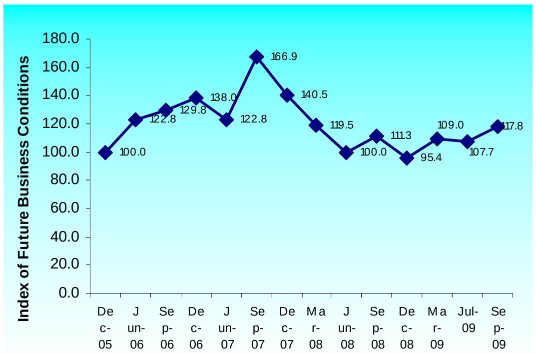
The domestic output gap became negative in the September 2009 quarter and the outlook is for this condition to continue into the December quarter. As the initial global shock has dissipated, it is forecasted that potential output should return to growth rates similar to the Bank's estimate of 1.6 per cent per annum and therefore domestic excess capacity conditions should stay close to zero with the possibility of a marginal increase (see **Figure 5.2**).

The June 2009 labour market survey conducted by the Statistical Institute of Jamaica indicated that real wages increased by 1.8 per cent in June 2009 relative to June 2008. This increase follows a 0.9 per cent decline in the March 2009 quarter and mainly reflects the continued reduction in consumer price inflation rates, as the increase in nominal wages have slowed. Real wages could decline or remain stable in the September 2009 and December 2009 quarters, as very little change in nominal wages is anticipated, given the weakness in the labour market and the wage freeze in the public sector.

Inflation Expectations

The Bank's Inflation Expectations Survey for the June 2009 quarter indicated that inflation expectations continue to moderate albeit very slowly (see **Figure 5.3**). This declining trend in inflation expectations should provide a countervailing impact to any potential price increases in the December 2009 quarter. Business' perceptions of present and future economic conditions have begun to improve relative to the previous survey, albeit marginally.

Figure 5.5
Index of Future Business Conditions



Weak global output and demand should continue to adversely affect the Jamaican economy during FY2009/10.

Output

Domestic output is forecasted to contract by 3.0 per cent to 4.0 per cent in the December 2009 quarter. This anticipated decline represents a continuation of the trend contraction in output since the deepening of the global financial crisis in the second half of 2008. The main drivers of the contraction are *Mining & Quarrying*, *Construction*, *Transport*, *Communication & Storage*, *Manufacture* and *Hotel & Restaurants*. Only *Agriculture* is expected to provide any countervailing impulse.

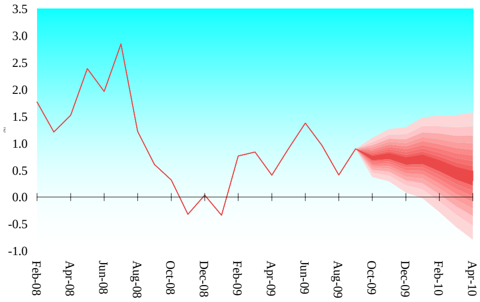
Mining & Quarrying could contract by 58.0 per cent to 60.0 per cent. This forecast is underpinned by the assumption that the average capacity utilization in the bauxite and alumina sectors will be 95.5 per cent and 31.2 per cent respectively. Construction could decline by 4.0 per cent to 6.0 per cent due to the effects of the economic downturn on income and confidence. *Transport*, *Communication & Storage* is projected to decline by 4.0 per cent to 6.0 per cent per cent based on the assumption of further declines in Air Jamaica passenger miles. Additionally, total domestic cargo related to the winter season should fall below seasonal levels as weak domestic aggregate demand is expected to continue in the quarter. The value added for *Hotel & Restaurants* is projected to decline in the range 1.5 per cent to 0.5 per cent, predicated on an anticipated reduction in stopover arrivals.

Agriculture should continue to record positive growth in the December quarter, expanding by approximately 7.0 per cent to 8.0 per cent. This forecast is based on the assumption that the Ministry of Agriculture's initiatives will continue to have a positive impact on output. Domestic agriculture is projected to grow in the range 14.0 per cent to 16.0 per cent. Non traditional exports are expected to expand by 17.0 per cent to 19.0 per cent, mainly reflecting continued recovery in citrus exports.

The risks to the forecasts for domestic output are biased to the downside. There still remains the probability of adverse weather, with the hurricane season slated to end on November 30. The forecast for the number of storms this season has been revised downwards from preseason projections.[12]

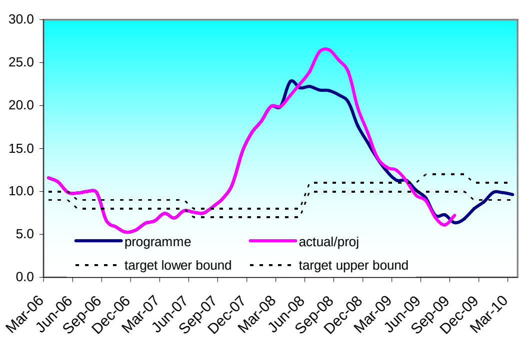
12 On 21 May 2009 the National Oceanic and Atmospheric Administration (NOAA) predicted 9-14 named storms. This was revised to 7-11 storms on 06 August 2009. There were 8 named storms as at 30 September 2009

Figure 5.6
Monthly Inflation Forecasts



The fan chart depicts the probability distribution for the inflation forecast and reflects the Bank's assessment of the risks. The darkest band represents the central (single most likely) projection and covers 10 per cent of the probability. The bands widen as the time horizon is extended, indicating increasing uncertainty about the inflation outcome.

Figure 5.7
Consumer Price Index
(Annual point to point change)



Outlook - FY2009/10

There are signs that the adverse global economic conditions that have dominated the Jamaican economy since 2008 should improve in the second half of the fiscal year. However, only a slight moderation in the rate of contraction in the Jamaican economy is expected in the March 2010 quarter, as demand is anticipated to remain weak. Against this background, domestic output is projected to contract in the range 3.0 per cent to 4.0 per cent for FY2009/10.

Annual point-to-point inflation rate is expected to fall in the range 9.0 per cent to 11.5 per cent at the end of the fiscal year relative to the 12.4 per cent outturn for FY2008/09. This forecast is underpinned by stable import prices, inflation expectations and domestic capacity conditions over the second half of the fiscal year.

Risks

The risks to the inflation forecast are somewhat balanced (see **Figure 5.6**). Downside risks to the inflation forecast includes the impact of a greater than anticipated reduction in global and domestic demand. This could cause international commodity prices to be significantly lower than current projections. The upside risks include possible adverse weather, and shocks to some international commodity prices like oil.

Monetary Policy

The Central Bank's monetary policy stance coupled with the conditions in the foreign and domestic economies have resulted in a decline in the rate of inflation in line with programme (see **Figure 5.7**). The Central Bank will continue its monetary policy strategy aimed at reducing inflation and maintaining stability in the financial markets. Against this background, the monetary policy stance in the December quarter will be conditioned by the developments in the foreign exchange market and the outlook for inflation.

Box 1: Fiscal Responsibility Frameworks/Fiscal Rules

Overview

The maintenance of prudent deficit and debt levels is necessary for ensuring fiscal sustainability (i.e. the ability to service the public debt without impairing the provision of goods & services and broad macroeconomic objectives). Many governments however, have found it difficult to correct a bias towards a deficit. In addition, if little emphasis is placed on fiscal transparency or in the provision of fiscal indicators, the public might not know the true value of government debt, which can lead to fiscal illusion.

In order to address these weaknesses and enhance credibility, a number of countries have implemented fiscal rules. Broadly defined, fiscal rules represent "a binding constraint or commitment to a medium to long-term target for fiscal sustainability". This sustainability can be achieved by enhancing the legal framework for fiscal management as well as the mechanisms for public financial management and procurement.

The main arguments for fiscal rules have been inter alia:

(i) *They are a means of correcting impediments to and ensuring fiscal discipline;*

(ii) *They correct the bias towards fiscal deficits;*

A country that exercises strong fiscal discipline is not only better able to manage emerging fiscal pressures but in an increasingly competitive global environment, is better positioned to access international capital. Apart from limiting aggregate demand and attendant inflationary pressures, fiscal discipline is critical to the effectiveness of monetary policy.

There are, however, counter-arguments to fiscal rules. These include the view that:

(i) *fiscal rules increase volatility as they inhibit the functioning of automatic stabilisers that permit the smoothing of tax rates and /or expenditures.*

(ii) *policy rules (whether fiscal or monetary) are too mechanical as they prohibit the use of discretion or judgement.*

Fiscal rules typically include:

(a) Deficit limits (e.g. the European Community;

(b) Rules against lending from domestic sources in general (e.g. Indonesia) and the central bank (US, Canada);

(c) Debt/GDP limit (e.g. the European Community) and

(d) Requirements for fiscal transparency.

Fiscal rules generally operate within a framework. Common elements of such frameworks are:

(a) An explicit legal basis;

(b) A combination of guiding principles for fiscal policy, with a requirement that the objectives must be clearly stated;

(c) An emphasis on the need for a longer-term focus to fiscal policy;

(d) The setting of demanding requirements for fiscal transparency;

(e) A requirement that information be made available to verify and monitor developments against the established rules;

(f) Adoption of a "Code of Good Practices" for fiscal transparency. The Code, establishes four general principles for fiscal transparency:

(i) Clarity of functions and obligations

(ii) Availability of information to the public

(iii) Open communication of the preparation and execution of the budget and related activities

(iv) Integrity of data

It is important that fiscal rules have the full support of the legislature and all institutions within government in order for these to be effective or to survive. However, this is not sufficient, as their effectiveness is dependent on implementation of complementary policies. These can include comprehensive income tax reform (Australia), as well as improvement of the fiscal position of public enterprises to improve efficiency gains (Brazil). Additionally, escape clauses allowing for deviations from a fiscal target can be included to provide flexibility in a context of negative external shocks. However, these should only be applied under exceptional circumstances. For example, New Zealand enjoyed an improved fiscal position after implementing fiscal rules. However, a subsequent series of unfavourable shocks, which combined with high interest rates and a strong currency, pushed the country into economic recession. The recession was, however, short-lived consequent on a significant easing in monetary conditions, tariffs and income tax cuts supported by strong fiscal management.

The IMF Code of Good Practices on Fiscal Transparency

The International Monetary Fund (IMF), in an effort to promote fiscal transparency, developed a Code of Good Practices on Fiscal Transparency in 1998[13]. The Code, which provides a benchmark for assessing fiscal transparency, suggests a standard of fiscal management to which all countries should aspire as a means to strengthening the international financial system, reducing vulnerabilities and providing for effective crisis prevention and management. The IMF accordingly, publishes assessments against various standards and codes in Reports on the Observance of Standards and Codes (ROCs)[14]. These cover:

(a) transparency standards (for data, fiscal, monetary and financial policies),

(b) financial sector standards (for banking supervision, securities, insurance, payment systems etc)

(c) market based standards (corporate governance, accounting, auditing insolvency and creditor rights). Participation in the ROCs is voluntary.

Countries with Fiscal Responsibility Frameworks/ Rules

Many developed countries as well as some emerging market economies have implemented Fiscal Responsibility Frameworks (see Table). Implementation of such frameworks in many cases came against a background of not only adverse economic circumstances such as high fiscal deficits and debt, but also from the need to address underlying 'political economy problems' which have engendered and sustained fiscal deficits. The adoption of fiscal responsibility frameworks/rules has in almost all cases been based on a combination of "need and imitation".

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[13] A revised version was published in 2001

[14] These cover (a) transparency standards (for data and fiscal, monetary and financial policies) (b) financial sector standards (for banking supervision, securities, insurance, payment systems etc) and (c) market based standards (corporate governance, accounting, auditing insolvency and creditor rights).

FISCAL RESPONSIBILITY FRAMEWORKS

Selected Countries	Framework	Year Implemented	Key Features
New Zealand	**Fscal Responsibillity Act**	**1994**	No explicit fiscal targets; balanced budget objectives specified in annual budgets; emphasis on fiscal transparency; medium /long-term focus on government expenditure provided context to operation of government budget and management cycles under existing management system. Rules have escape clauses. [1/]
Australia	**Charter for Budget Honesty** **Charter of Social & Fiscal Responsibility**	**1998** **2001**	No Explicit fiscal targets, balanced budget objective specified in annual budget, emphasis on fiscal transparency and accountability in development, implementation/reporting of social and fiscal fiscal objectives;efficient and effective allocation/ use of resources; equity in raising revenue; prudent risk management. [2/]
United Kingdom	**Code For Fiscal Stability**	**1998**	Emphasis on fiscal transparency by: specifying principles for formulation /implementation of fiscal policy; strengthening government's reporting requirements; complements UK's framework for monetary policy. Government operates the '*golden rule*'.[3/]
EU countries	**Maastricht Treaty (Treaty on European Union, TEU)** **Stability Growth Pact (SCG)**	**1992** **1997**	Required caps for fiscal deficit (3% of GDP) and government debt (60% of GDP) as conditions for joining the moentary union. Required maintanance of fiscal positions close to balance or in surplus. Ceilings on borrowing amounts and overall public balance.[4/]
Brazil	**Fiscal Responsibility Law**	**2000**	Stringent fiscal transparency requirements; forbids debt re-negotiations; ceilings on government expenditure;restriction on total debt; requires primary surplus for 3 years. [5/]
India	**Fiscal Responsibility Budget Management Bill**	**2000**	Combines fiscal rules and transparency requirements to address problem of weak government finances which crowds out private investment or stymies growth.

Footnotes

[1/] Other countries with explicit escape clauses include Austria, Italy, Poland,Canada (some provinces).

[2/]Modeled of New Zealand's laws.

[3/] Germany, and Switzerland also have '*golden rules*' -i.e. government can only borrow for investment. Mexico goes further by prohibiting states and municipalities, including decentralised agencies and public bodies from borrowing abroad. Domestic borrowing can only be for financing investments to a maximum stipulated value.

[4/] Austria, Belgium, Finland, Spain have similar ceilings.

[5/] Agentina, Colombia, Peru adopted similar approach to fiscal responsibility.

The most prevalent fiscal rules are those related to administrative controls. These are also commonly known as ‘the golden rule’ which states that government is only allowed to borrow to finance investments. Germany and Switzerland are among countries having golden rules. Mexico has very restrictive rules, which prohibit borrowing from abroad by states and municipalities, including decentralized agencies and public bodies. There are also restrictions on domestic borrowing. Brazil’s law forbids debt renegotiations among other requirements.

Conclusion

Fiscal rules have been widely adopted as a means of ensuring fiscal discipline and sustainability. It must be stressed however that implementation of fiscal rules and legislation is not a universal panacea. Institutional frameworks are not easily transplanted from one setting to another and still function effectively. Further, experience has shown that fiscal responsibility frameworks must be supported by other reforms and success cannot be possible without broad political support and commitment Fiscal rules must be accompanied by realistic, explicit and quantifiable targets and reflect policy priorities (i.e. annual budgets must be credible).

Recent financial crises in emerging economies have underscored the need for fiscal discipline, highlighting the pay off to countries that exercise strong fiscal management. However, the fact that institutional, informational and capacity requirements are onerous is likely to limit the ability of developing countries to emulate the developed countries in the implementation of these frameworks. It is therefore important that implementation of such frameworks synchronise capacity-building with an appropriate sequencing of reforms. A system of continuous evaluation is therefore essential.

References

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IMF Code of Good Practices on Transparency in Monetary and Financial Policies, 2007

IMF Public Information Notices; Nos. 02/22; 04/14; 97/34; 99/89; 03/57; 98/1; 03/129; 98/85; 98/18;

Tanner, E, (2003), Fiscal Rules and Counter cyclical Policy: IMF Working paper 03/220

Appendices

A. Fiscal Developments: Preliminary July to September 2009

Provisional data for the September 2009 quarter suggest that Central Government operations resulted in a deficit of $30.5 billion or 2.8 per cent of GDP relative to an original budgeted deficit of $26.2 billion or 2.2 per cent of GDP. The higher than budgeted deficit was influenced by a significant shortfall in revenues as expenditure was contained below budget. The resulting primary balance and current deficit were 1.1 per cent and 2.5 per cent of GDP relative to respective targets of 1.2 per cent and 1.9 per cent of GDP (see **Table**).

For the September 2009 quarter, Revenue & Grants totalled $72.5 billion, 9.9 per cent below budget, reflecting lower flows from all categories with the exception of bauxite levy. The shortfall in revenues was indicative of the slowing in economic activity. Tax revenues were $6.8 billion below budget reflecting lower than expected receipts from *Production & Consumption*, *Income & Profit* and *International Trade*. *Production & Consumption* reflected shortfalls in GCT and SCT, while flows from tax on interest and PAYE primarily accounted for the shortfall in *Income & Profits*. Lower than budgeted GCT and Customs duty on imports contributed to the underperformance of *International Trade*.

Total expenditure for the September quarter was $102.9 billion, 3.5 per cent below the budgeted amount. All areas of expenditure were below budget with the exception of domestic and foreign interest payments. In a context of lower than anticipated revenue receipts, Central Government curtailed programmed expenditure. In addition, wages and salaries were lower than budget due to delays in wage settlements for some public sector groups. Domestic interest payment reflected the slower than anticipated fall in interest rate while higher external interest payments reflected the Government's assumption of a f $1.5 billion liability on behalf of NROCC.

For the period April-September, the fiscal deficit was $65.8 billion or 6.0 per cent of GDP, relative to a budgeted deficit of $57.9 billion or 7.8 per cent. This outturn reflected the weaker than expected performance of all categories of revenue with the exception of Bauxite Levy. Expenditure reflected containment in all areas with the exception of interest payments. In that context, the primary balance to GDP and current deficit to GDP were 1.8 per cent and 5.0 per cent, respectively, compared to respective budgeted ratios of 2.12 per cent and 4.10 per cent.

For April to September, financing was principally garnered from domestic sources. As such, 31 instruments were issued locally: 20 fixed rate (FR); 10 variable rate (VR); and a US dollar-denominated bond. Relative toFY2008/09, 13 more instruments were issued, all of which were FR. The weighted average age of debt was 4.1 years compared to 3.7 years, influenced by the issuance of a 30-year FR rate instrument in June 2009. There was net amortization of foreign debt during the review period amounting to $11.4 billion.

CENTRAL GOVERNMENT SUMMARY ACCOUNTS
FY 2009/10

(J$MN)

	FY 2009/10 Q2	Budget Q2	Variance	%	FY 2009/10 Q1- Q2	Budget Q1- Q2	Variance	%
Revenue & Grants	72495.0	80487.6	-7992.6	-9.9	134972.2	150713.2	-15741.0	-10.4
Revenue	67609.5	74547.0	-6937.6	-9.3	129702.5	143434.8	-13732.3	-9.6
Tax Revenue	63067.0	69861.2	-6794.2	-9.7	121213.1	134098.0	-12884.9	-9.6
Non-Tax Revenue	4445.7	4178.8	266.9	6.4	7451.9	7763.3	-311.5	-4.0
Bauxite Levy	38.0	34.8	3.1	9.0	80.5	69.7	10.9	15.6
Capital Revenue	58.8	472.2	-413.3	-87.5	956.9	1503.8	-546.8	-36.4
Grants	4885.5	5940.5	-1055.1	-17.8	5269.7	7278.3	-2008.6	-27.6
Expenditure	102971.0	106668.3	-3697.3	-3.5	200778.9	208658.0	-7879.1	-3.8
Recurrent Expenditure	94444.8	96453.2	-2008.4	-2.1	183444.3	190725.8	-7281.5	-3.8
Programmes	18933.9	23224.7	-4290.8	-18.5	34403.0	42783.5	-8380.5	-19.6
Wages & Salaries	32751.3	33151.6	-400.3	-1.2	63876.5	64820.5	-944.1	-1.5
Interest	42759.6	40076.9	2682.7	6.7	85164.8	83121.8	2043.1	2.5
Domestic	31229.9	29641.4	1588.6	5.4	62438.4	61692.8	745.6	1.2
Foreign	11529.7	10435.5	1094.2	10.5	22726.4	21429.0	1297.4	6.1
Capital Expenditure	8526.2	10215.1	-1688.9	-16.5	17334.6	17932.2	-597.6	-3.3
Non-interest expenditure	60211.4	66591.4	-6380.0	100.0	115614.0	125536.2	-9922.2	-7.9
Fiscal Balance	-30476.1	-26180.7	-4295.4	16.4	-65806.7	-57944.8	-7861.9	13.6
Current Balance	-26894.2	-22378.4	-4515.8	20.2	-54698.8	-48794.7	-5904.1	12.1
Primary balance	12283.5	13896.2	-1612.7	-11.6	19358.2	25177.0	-5818.8	-23.1
		In Percent of GDP						
BR	2.8	2.2			6.0	4.9		
CB	-2.5	-1.9			-5.0	-4.1		
PB	1.1	1.2			1.8	2.1		
IP	3.9	3.4			7.8	7.0		
FSR	-1.4	-1.3			-1.5	-1.4		
NIE	5.5	5.6			10.6	10.6		
	0.0	0.0						

Key
BR = Borrowing Requirement = Fiscal Balance as a percent of GDP
CB= Current Balance = Current Revenue-Current Expenditure as a percent of GDP
PB= Primary Balance = Total Revenues-Total Expenditures less Interest Payments (IP) as a percent of GDP
IP= Interest Payments as a percent of GDP
FSR=Fiscal Stability Ratio = (Overall Balance/ Total Revenue) - 1

International Benchmarks

BR greater than 3% of GDP often indicates serious fiscal imbalance
FSR closer to zero indicates more stable government finances
Negative CB ratio of less than 1% indicates dissaving or a need for fiscal adjustment as the public sector is borrowing for consumption
PB ratio above zero indicates major fiscal adjustment to cover interest on past obligations

** Recurrent Expenditure includes programmes, wages and salaries and interest payments.*

B. MONETARY POLICY DEVELOPMENTS

27/04/2000	30-day Reverse Repurchase Rate was reduced from 17.30 per cent to 17.00 per cent.
01/06/2000	Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty-three per cent (33%) to thirty-two per cent (32%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from fifteen per cent (15%) to fourteen per cent (14%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and thirty-two per cent (5% and 32%) for Building Societies.
	The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and fourteen per cent (1% and 14%) in respect of local and foreign currency deposits.
28/07/2000	30-day Reverse Repurchase Rate was reduced from 17.00 per cent to 16.75 per cent.
11/08/2000	30-day Reverse Repurchase Rate was reduced from 16.75 per cent to 16.45 per cent.
01/09/2000	Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty-two per cent (32%) to thirty-one per cent (31%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from fourteen per cent (14%) to thirteen per cent (13%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and thirty-one per cent (5% and 31%) for Building Societies.
	The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and thirteen per cent (1% and 13%) in respect of local and foreign currency deposits.
18/09/20000	Bank of Jamaica introduces 270-day and 365-day reverse repurchase instruments at 17.6 and 18.0 per cent respectively.
04/10/20000	Interest rates on the 270-day and 365-day instruments were increased to 20.0 and 22.0 per cent respectively.
23/10/2000	Interest rates on the 270-day and 365-day instruments were reduced to 17.6 and 18.0 per cent respectively.
24/11/2000	Interest rates on the 270-day and 365-day instruments were increased to 20.0 and 22.0 per cent respectively.
28/12/2000	Interest rate on the 365-day instrument was reduced to 21 per cent.
14/02/2001	Interest rates on the 365-day and 270-day instruments were reduced to 20.00 per cent and 19.25 per cent respectively.
20/02/2001	Interest rates on the 365-day and 270-day instruments were reduced to 19.50 per cent, and 18.75 per cent respectively.
01/03/2001	Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty-one per cent (31%) to thirty per cent (30%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirteen per cent (13%) to twelve per cent (12%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and thirty per cent (5% and 30%) for Building Societies.
	The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and twelve per cent (1% and 12%) in respect of local and foreign currency deposits.
08/03/2001	Interest rates on the 365-day, 270-day instruments were reduced to 19.00 per cent, 18.25 per cent per cent respectively.

12/03/2001	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 18.50 per cent, 17.75 per cent, 16.70 percent, 16.40 per cent, 16.25 per cent, 16.15 per cent and 16.00 per cent respectively.
22/03/2001	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 17.75 per cent, 17.00 per cent, 16.15 per cent, 15.80 per cent, 15.70 per cent, 15.60 per cent and 15.50 per cent respectively.
11/04/2001	Interest rates on the 365-day and 270-day instruments were reduced to 17.50 per cent and 16.75 per cent respectively.
21/05/2001	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 16.50 per cent, 15.70 per cent, 15.30 per cent, 15.05 per cent, 14.95 per cent, 14.85 per cent and 14.75 per cent respectively.
01/06/2001	Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty per cent (30%) to twenty nine per cent (29%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from twelve per cent (12%) to eleven per cent (11%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and twenty nine per cent (5% and 29%) for Building Societies.
	The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and eleven per cent (1% and 11%) in respect of local and foreign currency deposits.
08/06/2001	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 15.90 per cent, 15.35 per cent, 15.00 percent, 14.80 per cent, 14.70 per cent, 14.60 per cent and 14.50 per cent respectively.
25/06/2001	Interest rates on the 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 14.75 percent, 14.55 per cent, 14.45 per cent, 14.35 per cent and 14.25 per cent respectively.
29/06/2001	The Bank of Jamaica introduced Certificates of Deposits to the range of instruments used in open market operations. All the terms and conditions applicable to Reverse Repurchase transactions apply to Certificates of Deposits, with the exception that the latter are covered by the central bank's assets as against Government securities. Central Bank deposits which are maintained in statement form (i.e. no physical certificate is issued) will continue to be used for placements of seven (7) days or less.
01/09/2001	Liquid assets ratio of commercial banks and FIA institutions in respect of local and foreign currency liabilities reduced from twenty nine per cent (29%) to twenty eight per cent (28%).
	Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from eleven per cent (11%) to ten per cent (10%).
	The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and twenty eight per cent (5% and 28%) for Building Societies.
	The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and ten per cent (1% and 10%) in respect of local and foreign currency deposits.
30/10/2001	Interest rates on the 365-day, 270-day, 180-day, 90-day and 60-day instruments were increased to 19.90 per cent, 19.45 per cent, 15.50 per cent, and 15.00 per cent, 14.75 per cent and 14.55 per cent, respectively
28/12/2001	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day and 60-day instruments were reduced to 18.90 per cent, 18.40 per cent, 15.00 per cent, and 14.55 per cent, 14.45 per cent and 14.35 per cent, respectively.
09/01/2002	Interest rates on the 365-day and 270-day instruments were reduced to 17.90 per cent and 17.00per cent, respectively.
06/02/2002	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 16.70 per cent, 15.90 per cent, 14.70 per cent, 14.30 per cent, 14.20 per cent, 14.10 per cent and 14.00 per cent, respectively.

14/02/2002	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 15.80 per cent, 15.00 per cent, 14.40 per cent, 14.05 per cent, 13.95 per cent, 13.85 per cent and 13.95 per cent, respectively.
01/03/2002	Liquid assets ratio of commercial banks and FIA institutions in respect of local and foreign currency liabilities were reduced from twenty eight per cent (28%) to twenty seven per cent (27%). Cash reserve ratio of commercial banks and FIA institutions in respect of local and foreign currency liabilities reduced from ten per cent (10%) to nine per cent (9%).
11/03/2002	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced from 13.75 per cent, 13.85 per cent, 13.95 per cent, 14.05 per cent, 14.40 per cent, 15.00 per cent and 15.80 per cent to 13.25 per cent, 13.35 per cent, 13.45 per cent, 13.55 per cent, 13.80 per cent, 14.20 per cent, and 15.00 per cent, respectively.
11/07/2002	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day, and 365-day open market instruments were reduced from 13.25 per cent, 13.35 per cent, 13.45 per cent, 13.55 per cent, 13.80 per cent, 14.20 per cent, and 15.00 per cent to 12.95 per cent, 13.05 per cent, 13.15 per cent, 13.25 per cent, 13.45 per cent, 14.00 per cent, and 14.90 per cent, respectively.
01/09/2002	Liquid Assets ratio of commercial banks, FIA institutions and of building societies, in respect of local and foreign currency liabilities was reduced from twenty seven percent (27%) to twenty three percent (23%).
07/08/2002	Interest rates on Bank of Jamaica 270-day and 365-day open market instruments were reduced from 14.00 per cent to 13.85 per cent and from 14.90 per cent to 14.50 per cent, respectively.
09/09/2002	Interest rates on Bank of Jamaica 90-day and 120-day open market instruments were increased from 13.15 per cent to 17.25 per cent and from 13.25 per cent to 17.05 per cent, respectively.
09/10/2002	Interest rates on Bank of Jamaica 90-day and 120-day open market instruments were increased from 17.25 per cent to 19.25 per cent and from 17.05 per cent to 19.40 per cent, respectively.
28/10/2002	Interest rates on Bank of Jamaica 90-day and 120-day open market instruments were reduced from 19.25 per cent to 18.25 per cent and from 19.40 per cent to 18.40 per cent, respectively.
01/11/2002	The interest rate chargeable in respect of breaches by commercial banks, of the cash reserve and liquid assets ratios in respect of Jamaica Dollar liabilities, was reduced from 69 per cent per annum to 45 per cent per annum. The interest rate chargeable in respect of breaches by building societies and institutions licensed under the Financial Institutions Act, of the cash reserve and liquid assets ratios in respect of Jamaica Dollar liabilities, was adjusted from one-sixth of one per centum per day to 45 per cent per annum.
10/01/03	The Bank of Jamaica instituted a "Special Deposit" requirement for Commercial Banks and institutions licensed under the Financial Institutions Act. Each institution will be required to place cash deposits with the Central Bank equivalent to 5% of its Jamaican Dollar prescribed liabilities.
10/02/2003	The Bank of Jamaica introduced a special five-month open market instrument which earned interest at 30% per annum. This instrument was introduced in a context of significant Jamaica dollar liquidity and protracted instability in the foreign exchange market.
14/02/2003	The Bank of Jamaica withdrew the special five- month open market instrument which was introduced on 10 February 2003. The decision to remove this instrument came against the background of tight Jamaica dollar liquidity and the appreciation in the exchange rate over the previous four days. The removal was also in response to representations made to the Bank of Jamaica by financial institutions and understandings reached with respect to the development of foreign exchange market protocols.

19/03/2003	Interest rates on Bank of Jamaica's 180-day, 270-day and 365-day open market instruments were increased to 19.65 per cent, 21.50 per cent and 24.0 per cent, respectively.
26/03/2003	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were increased to 15.00 per cent, 15.30 per cent, 20.00 per cent, 24.00 per cent, 33.15 per cent, 34.50 per cent and 35.95 per cent, respectively.
25/04/2003	Interest rates on Bank of Jamaica 180-day, 270-day and 365-day open market instruments were reduced to 28.00 per cent, 32.50 per cent and 33.00 per cent, respectively.
19/05/2003	The interest rate applicable to overdrafts on accounts held with the Bank of Jamaica was increased to 65.0 per cent per annum.
24/06/2003	Interest rates on Bank of Jamaica 180-day, 270-day and 365-day open market instruments were reduced to 26.50 per cent, 29.50 per cent and 30.00 per cent, respectively.
08/07/2003	Interest rates on Bank of Jamaica 270-day and 365-day open market instruments were reduced to 27.50 per cent and 28.00 per cent, respectively.
04/08/2003	Interest rates on Bank of Jamaica 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 18.00 per cent, 22.00 per cent, 25.00 per cent, 25.75 per cent and 26.00 per cent, respectively.
09/09/2003	Interest rates on Bank of Jamaica 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 21.00 per cent, 23.50 per cent, 23.75 per cent and 24.00 per cent, respectively.
17/10/2003	Bank of Jamaica withdrew its 270-day and 365-day instruments from open market trading.
29/10/2003	Bank of Jamaica returned its 270-day and 365-day instruments to open market trading at 23.75 per cent and 24.00 per cent respectively.
10/12/2003	Interest rates on Bank of Jamaica 90-day 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 17.00 per cent, 20.00 per cent, 21.00 per cent, 22.00 per cent and 23.00 per cent, respectively.
09/01/2004	Interest rates on Bank of Jamaica 90-day 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 16.00 per cent, 18.00 per cent, 19.50 per cent, 21.00 per cent and 22.00 per cent, respectively.
21/01/2004	Interest rates on Bank of Jamaica 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 15.20 per cent, 15.50 per cent, 17.00 per cent, 18.25 per cent, 20.00 per cent and 21.00 per cent respectively.
26/01/2004	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.85 per cent, 15.00 per cent, 15.10 per cent, 16.00 per cent, 17.25 per cent, 18.75 per cent and 20.00 per cent, respectively.
16/02/2004	Interest rates on Bank of Jamaica 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 15.50 per cent, 16.25 per cent, 17.75 per cent and 19.00 per cent, respectively.
27/02/2004	Interest rates on Bank of Jamaica 180-day, 270-day and 365-day open market instruments were reduced to 16.00 per cent, 17.25 per cent and 18.50 per cent, respectively.
10/03/2004	Interest rates on Bank of Jamaica 270-day and 365-day open market instruments were reduced to 16.95 per cent and 17.95 per cent, respectively.
10/03/2004	Pursuant to Section 15 (2) (h) of the Banking Act and the Financial Institutions Act, and Regulation 38 (h) of the Bank of Jamaica (Building Societies) Regulation, the Minister of Finance determined that all debt securities or instruments issued by the Government of Jamaica, whether denominated in Jamaican dollars or in a foreign currency and irrespective of their original maturity terms, shall, within nine months of their maturity date be designated Liquid Assets.

02/04/2004	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.60 per cent, 14.70 per cent, 14.80 per cent, 15.10 per cent, 15.60 per cent, 16.50 per cent and 17.40 per cent, respectively.
19/04/2004	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.40 per cent, 14.50 per cent, 14.60 per cent, 14.85 per cent, 15.30 per cent, 16.00 per cent and 16.90 per cent, respectively.
05/05/2004	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.20 per cent, 14.30 per cent, 14.40 per cent, 14.55 per cent, 15.05 per cent, 15.65 per cent and 16.40 per cent, respectively.
03/09/2004	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 14.00 per cent, 14.10 per cent, 14.20 per cent, 14.35 per cent, 14.80 per cent, 15.35 per cent and 16.00 per cent, respectively.
28/12/2004	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 13.80 per cent, 13.95 per cent, 14.05 per cent, 14.15 per cent, 14.30 per cent, 15.00 per cent and 15.50 per cent, respectively.
07/02/05	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 13.50 per cent, 13.65 per cent, 13.75 per cent, 13.85 per cent, 14.00 per cent, 14.50 per cent and 15.00 per cent, respectively.
07/02/05	The Bank of Jamaica reduced the Special Deposit holdings for commercial banks and FIA licensees by two (2) percentage points. Accordingly, these institutions, until further notified, are required to maintain with the Bank of Jamaica as a Special Deposit, an amount wholly in the form of cash, representing three (3) percent of their prescribed liabilities.
07/03/05	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 12.95 per cent, 13.10 per cent, 13.20 per cent, 13.30 per cent, 13.45 per cent, 14.00 per cent and 14.50 per cent, respectively.
	These rate adjustments were underpinned by continued stability in the exchange rate, reflecting buoyant foreign exchange inflows from tourism and remittances. Also, the Bank's net international reserves remained around US$1.8 billion, a level that was more than adequate to underwrite near term stability. In addition, inflation in the first quarter of 2005 was expected to continue on a downward trend engendering a return to single digit inflation in the forthcoming fiscal year.
16/05/2005	The Bank of Jamaica reduced the Special Deposit holdings for commercial banks and FIA licensees by two (2) percentage points. Accordingly, these institutions, until further notified, are required to maintain with the Bank of Jamaica as a Special Deposit, an amount wholly in the form of cash, representing one (1) percent of their prescribed liabilities.
26/05/2005	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced to 12.60 per cent, 12.70 per cent, 12.75 per cent, 12.85 per cent, 13.00 per cent, 13.25 per cent and 13.60 per cent, respectively.
	The adjustments were consistent with the steady improvement in Jamaica's economic environment as reflected in buoyant foreign exchange inflows, stability in the money and foreign exchange markets and a strong international reserve position. Furthermore, the near-term prospects for production and prices continued to be very favourable with strong recovery expected in domestic agriculture as well as ongoing expansion in tourism and mining activities. In addition, it was expected that the normalization of food supplies and continued stability in the foreign exchange market would help to contain inflation during the 2005/2006 fiscal year.
27/05/2005	The Bank phased out its reverse repurchase agreements. This facilitated consistency in the accounting treatment (under International Financial Reporting Standards) of open market instruments by holders.

18/04/2006 The Bank suspended the acceptance of placements on its open market operations (OMO) instruments with tenors of 270 days and 365 days, until further advised. The OMO instruments, along with corresponding interest rates, that remained on offer were 30-days: 12.6 per cent; 60-days: 12.70 per cent; 90-days: 12.75 per cent; 120-days: 12.85 per cent; and 180-days: 13.00 per cent.

01/05/2006 The Bank removed the requirement that deposit-taking institutions must hold some portion of their assets as a Special Deposit with the Central Bank. This requirement was introduced in January 2003 to stabilize the financial markets. The initial deposit requirement was set at 5 per cent of prescribed liabilities and this was reduced to 1 per cent in two steps between February and May 2005. The significant improvement in macroeconomic conditions and the positive outlook for fiscal year 2006/07 allowed for the return of the remaining deposits. The sum due to financial institutions as at 28 April 2006 was J$1 564.1 million.

12/05/2006 Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 12.45 per cent, 12.50 per cent, 12.60 per cent, 12.65 per cent and 12.80 per cent, respectively.

01/09/2006 Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 12.15 per cent, 12.2 per cent, 12.30 per cent, 12.35 per cent and 12.50 per cent, respectively.

22/09/2006 Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 11.95 per cent, 12.00 per cent, 12.10 per cent, 12.15 per cent and 12.30 per cent, respectively.

22/12/2006 Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 11.65 per cent, 11.70 per cent, 11.80 per cent, 11.85 per cent and 12.00 per cent, respectively. This policy action comes against the background of continued robust economic performance and favourable medium term economic outlook.

18/01/2007 The Bank of Jamaica offered a Special One-Year Variable rate Instrument to Primary Dealers and Commercial Banks. Interest payments on this instrument will be made quarterly. The initial coupon is 11.80 per cent per annum, the rate being paid on a Bank of Jamaica 90-day Certificate of Deposit. Subsequent interest payments will be calculated at 1.00 percentage point above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period.

The offer was made in the context of the redemption of Government of Jamaica domestic debt instruments on 18 January 2007 which would increase the level of liquidity in the financial system beyond normal requirements. The Bank continues to offer its regular issues of Certificates of Deposits ranging from 30 days to 180 days.

19/06/2007 The Bank of Jamaica offered a Special Two-Year Variable rate Instrument to Primary Dealers and Commercial Banks during the period 19-22 June 2007. The instrument will be amortized in two equal tranches on 19 June 2008 and 19 June 2009 with quarterly interest payments. The initial coupon is 11.80 per cent per annum, the rate being paid on a Bank of Jamaica 90-day Certificate of Deposit. Subsequent interest payments will be calculated at 1.25 percentage point above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period.

The offer was made in the context of the exceptionally high level of liquidity of Jamaica Dollar liquidity anticipated during the offer period. The Bank continues to offer its regular issues of Certificates of Deposits ranging from 30 days to 180 days.

04/07/2007 As part of its liquidity management strategy, the Bank of Jamaica offered a Special Two-Year Variable Rate Instrument to Primary Dealers and Commercial Banks from 04 July 2007 to 09 July 2007. The instrument, with an initial coupon of 11.98 percent, will be amortized in two equal tranches on 02 January 2009 and 03 July 2009 with quarterly interest payments. Subsequent interest payments will be calculated at 2.00 percentage points above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period.

The Bank of Jamaica will continue to offer its regular issues of Certificates of Deposit ranging from 30 days to 180 days

06/09/2007 As part of its liquidity management strategy, the Bank of Jamaica offered a Special Two-Year Variable Rate Instrument to Primary Dealers and Commercial Banks commencing from 06 September 2007 to 12 September 2007. The instrument, with an initial coupon of 12.21 percent per annum, will be amortized in two equal tranches on 05 September 2008 and 04 September 2009 with quarterly interest payments. Subsequent interest payments will be calculated at 2.00 percentage points above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period.

The Bank of Jamaica will continue to offer its regular issues of Certificates of Deposit ranging from 30 days to 180 days.

18/09/2007 The Bank of Jamaica accepted subscriptions on a Special One-Year Certificate of Deposit from 18 September 2007 to 26 September 2007. As is customary, this instrument was offered to Primary Dealers and Commercial Banks. Interest on this instrument will be payable semi-annually at a fixed rate of 14.00 per cent per annum. The offer was designed to effectively manage the level of Jamaica Dollar liquidity anticipated in the financial system.

12/10/2007 The Bank of Jamaica, as part of its liquidity management strategy, offered a `Special Eighteen-Month Variable Rate Instrument to Primary Dealers and Commercial Banks. The instrument will be amortized in two equal tranches on 11 July 2008 and 14 April 2009 with quarterly interest payments. The initial coupon is 14.34 percent per annum. Subsequent interest payments will be calculated at 1.625 percentage points above the Government of Jamaica 90-day weighted average Treasury Bill yield applicable at the beginning of each quarterly interest period.

The Bank of Jamaica will continue to offer its regular issues of Certificates of Deposit ranging from 30 days to 180 days.

16/11/2007 The Bank of Jamaica, as part of its liquidity management strategy, offered a Special Twelve-Month Variable Rate Instrument to Primary Dealers and Commercial Banks. The instrument will be amortized on 14 November 2008 with quarterly interest payments. The initial coupon is 13.46 percent per annum. Subsequent interest payments will be calculated at 1.5 percentage points above the Government of Jamaica 90-day weighted average Treasury Bill yield applicable at the beginning of each quarterly interest period.

The Bank of Jamaica will continue to offer its regular issues of Certificates of Deposit ranging from 30 days to 180 days.

09/01/2008 The Bank of Jamaica implemented the following changes to interest rates payable on open-market instruments:

Tenor	**30 days**	**60 days**	**90 days**	**120 days**	**180 days**
Previous Rates (%)	11.65	11.70	11.80	11.85	12.00
New Rate	**12.65**	**12.70**	**12.80**	**12.85**	**13.00**

The realignment of rates placed the Bank in a better position to manage the Jamaica Dollar liquidity that emanated from the maturity of both of both Bank of Jamaica and Government of Jamaica instruments as well as the reflow of currency issued for the Christmas season. The revised rate structure offered investors a range of options that more closely reflected the then existing money market rates.

16//01/2008 Bank of Jamaica offered a 365-day Certificate of Deposit in addition to its regular suite of instruments. This offer attracted a rate of 13.50 per cent per annum, which was consistent with the Bank's then existing interest rate structure. The rates on 30-day to 180-day instruments remain unchanged.

18/01/2008 Bank of Jamaica offered a special 18-month, variable rate certificate of deposit (CD) to banks and primary dealers. The CD attracted a rate of 12.80 per cent for the first 3 months. Thereafter, quarterly interest payments at the 90-day weighted average Treasury Bill rate applicable at the beginning of each interest period plus a margin of 1.5 percentage points apply.

The rates applicable to all other BOJ instruments remained unchanged.

04/02/2008 Interest rates paid on open market instruments issued by the Bank of Jamaica were revised as follows:

Tenor	**30 days**	**60 days**	**90 days**	**120 days**	**180 days**	**365 days**
Previous Rates (%)	12.65	12.70	12.70	12.85	13.00	13.50
New rate	**13.50**	**13.70**	**13.90**	**14.00**	**14.20**	**15.00**
Difference	85 bps	100 bps	120 bps	115 bps	120 bps	150 bps

The revisions reflected concerns about the rising trend in inflation and its impact on the attractiveness of Jamaica Dollar investments.

26/06/2008 Interest rates paid on Bank of Jamaica open market operations instruments were adjusted as follows:

Tenor	30 days	60 days	90 days	120 days	180 days	365 days
New rates (%)	**14.00**	**14.20**	**14.40**	**14.50**	**14.70**	**15.50**
Previous rates	13.50	13.70	13.90	14.00	14.20	15.00

The adjustment in rates was aimed at guiding domestic inflation towards a range of 12 – 15 per cent by March 2009, based on current projections for commodity prices.

01/09/2008 Bank of Jamaica offered a special 18-month, variable rate certificate of deposit (CD) to banks and primary dealers. The CD attracted a rate of 14.58 per cent for the first 3 months. Thereafter, quarterly interest payments at the 90-day weighted average Treasury Bill rate applicable at the beginning of each interest period plus a margin of 1.25 percentage points apply.

The rates applicable to all other BOJ instruments remained unchanged.

17/10/2008 Interest rates payable on Bank of Jamaica Certificates of Deposit were adjusted as follows:

Tenor	30 days	60 days	90 days	120 days	180 days	365 days
New rates	**14.65**	**14.85**	**15.05**	**15.15**	**15.35**	**16.70**
Previous rates	**14.00**	**14.20**	**14.40**	**14.50**	**14.70**	**15.50**

The adjustment will bring rates offered by the Central Bank in line with yields applicable to Government of Jamaica Treasury Bills and other short-dated market instruments.

18/11/2008 In an effort to remove liquidity overhang arising from the maturity of both BOJ and GOJ securities, and preserve order in financial markets, the Bank of Jamaica implemented the following measures:

- The Bank offered a Special Certificate of Deposit to Primary Dealers and Commercial Banks, which matured on 3 December 2008. Interest payable on this instrument was 20.50% per annum. This instrument was offered from Tuesday, 18 November to Wednesday, 19 November 2008.

  BOJ's regular menu of CDs ranging from 30 days to 365 days remain

- Effective 3 December, 2008, on the expiration of a 15 day notice period, the cash reserve requirement of commercial banks, merchant banks and building societies was increased by 2 percentage points to 11 per cent of Jamaica Dollar liabilities. As a consequence, the liquid asset requirement rose to 25 per cent from 23 per cent. It was intended to increase these requirements by a further 3 percentage points.

These monetary policy actions are intended to support the achievement of the inflation objective and the maintenance of macro-economic stability.

01/12/2008 Interest rates payable on Bank of Jamaica Certificates of Deposit were adjusted as follows:

Tenor	30 days	60-days	90 days	120 days	180 days	365 days
New rates (%)	**17.00**	**17.50**	**20.00**	**20.20**	**21.50**	**24.00**
Previous rates	**14.65**	**14.85**	**15.05**	**15.15**	**15.35**	**16.70**

The increase in interest rates occurred in the context of instability in the foreign exchange market, which was related to the sharp rise in the yields on Government of Jamaica (GOJ) Global Bonds and USD Bonds issued by Jamaican companies. The resulting spike in demand for foreign exchange by securities dealers to meet margin calls from overseas creditors, together with incremental demand for foreign exchange by a wider cross-section of persons triggered a disorderly depreciation in the exchange rate. If this condition persisted, it would precipitate higher inflation and greater macroeconomic instability.

In context of the foregoing, the Jamaica Dollar liquidity resulting from the maturity of significant sums in BOJ securities over the next three weeks makes it necessary for BOJ to take this action. Accordingly, the rise in interest rates is expected to dampen the extraordinary demand related to portfolio decisions and thereby restore predictability and order to local financial markets.

03/12/2008 The cash reserve ratio (CRR) and the liquid assets ratio (LAR) in respect of only domestic currency liabilities of commercial banks, building societies and institutions licensed under the Financial Institutions Act were increased by 2 percentage points to 11% and 25% respectively.

02/01/2009 The CRR and the LAR for both domestic and foreign currency liabilities of commercial banks, institutions licensed under the Financial Institutions Act and building societies were increased by 2 percentage points to 13% and 27% respectively in the case of domestic currency liabilities and 11% and 25%, respectively in the case of foreign currency liabilities.

03/02/09 The Bank of Jamaica established the Foreign Exchange Surrender Facility for public sector entities (PSE Facility). The aim of the facility is to centralize foreign currency demand of the public sector, especially Port Authority of Jamaica (PAJ), National Water Commission (NWC) and Petrojam. Under this facility Commercial Banks agreed to surrender fifteen percent (15%) of foreign currency purchases daily. The pre-existing requirement where Authorized Dealers and Cambios surrender within a range of five percent (5%) to ten percent (10%) of their gross foreign currency purchases from commercial clients remains in effect. Therefore commercial banks are to surrender, in total between twenty percent (20%) to twenty-five percent (25%) of foreign currency purchases daily.

06/02/2009 The CRR and the LAR in respect of Jamaica Dollar liabilities of deposit-taking institutions were increased by 1 percentage point to 14% and 28% respectively. The respective ratios relating to foreign currency liabilities remained unchanged at 11% and 25%.

08/04/2009 The rate payable on a 1-year Certificate of Deposit issued by Bank of Jamaica was reduced to 22.67 per cent. Rates on other tenors remained unchanged.

Tenor	30 days	60 days	90 days	120 days	180 days	365 days
New rates (%)	**17.00**	**17.50**	**20.00**	**20.20**	**21.50**	**22.67**
Previous rates	17.00%	17.50%	20.00%	20.20	21.50%	24.00%

The previous rate of 24 per cent included a premium that the Bank had offered to encourage longer term placements by investors. The adjustment on the one-year CD removed that premium and brought the yield on a 1-year placement in line with that earned on a 180 – day BOJ instrument.. It was noted that while rates had been falling in recent auctions of Treasury Bills, the then current yield on a 6-month Bill remained above the comparable BOJ rate.

03/06/2009 The Bank of Jamaica temporarily ceased offering its 1-year OMO instrument to Primary Dealers and Commercial Banks.

24/07/2009 Interest rates applicable to Bank of Jamaica's open market instruments were reduced by 100 basis points. The revised schedule of rates is as follows:

Tenor	30 days	60 days	90 days	120 days	180 days
New rates (%)	**16.00**	**16.50**	**19.00**	**19.20**	**20.50**
Previous rates	**17.00**	**17.50**	**20.00**	**20.20**	**21.50**

This action came against the background of positive trends in key monetary policy indicators. Notably, the twelve month point-to point rate of inflation as at June 2009 fell to 9.0 per cent, from 12.4 per cent at the end of fiscal year 2008/09 and 24.0 per cent as at June 2008. This outturn was underpinned by continued stability in the foreign exchange market. Additionally, the BOJ's gross foreign reserves had stabilized at US$1.6 billion.

The prospects for continued stability in money and foreign exchange markets were strengthened by the Government's decision to secure a Stand-by Arrangement with the International Monetary Fund. Finalization of an agreement would pave the way for additional inflows from other multilateral institutions and a reduction in the Government's reliance on domestic financing.

30/07/2009 Effective Thursday, 30 July 2009, the interest rates applicable to Bank of Jamaica's open market instruments will be reduced by 150 basis points across all tenors. The revised schedule of rates is as follows:

Tenor	30 days	60 days	90 days	120 days	180 days
New rates (%)	**14.50**	**15.00**	**17.50**	**17.70**	**19.00**
Previous rates	**16.00**	**16.50**	**19.00**	**19.20**	**20.50**

This further rate reduction occurred against the background of continued improvements in the money markets, reflected in the continued reduction in the yields on GOJ Treasury Bills. In addition, this action reflected the Bank's assessment that in the context of an extended period of stability in the foreign exchange market, inflation was likely to be lower than the 11 - 14 per cent range originally targeted for fiscal year 2009/2010. Further, the demand for foreign exchange to meet current payments and for portfolio purposes had slowed. In this context, the Bank's holdings of foreign exchange reserves remained adequate.

20/08/2009 Interest rates applicable to Bank of Jamaica's open market instruments were reduced by 100 basis points. The revised schedule of rates is as follows:

Tenor	30 days	60 days	90 days	120 days	180 days
New rates (%)	**13.50**	**14.00**	**16.50**	**16.70**	**18.00**
Previous rates	**14.50**	**15.00**	**17.50**	**17.70**	**19.00**

This rate adjustment came against the background of a notable decline in inflation and continued stability in the foreign currency market. The twelve month point-to point rate of inflation as at July 2009 declined further to 7.0 per cent, from 8.9 per cent in June 2009.

Inflation expectations, measured by regular surveys of the business sector, continued to fall as input costs had also stabilized over the past six months. This trend was expected to continue and, in conjunction with weak aggregate demand, should temper underlying inflation impulses.

17/09/2009 The rates offered on Certificates of Deposit issued by Bank of Jamaica were reduced by 100 basis points. The six-month benchmark rate therefore moved from 18.00 per cent per annum to 17.00 per cent. The full schedule of BOJ rates is set out below.

Tenor	30 days	60 days	90 days	120 days	180 days
New rates (%)	**12.50**	**13.00**	**15.50**	**15.70**	**17.00**
Previous rates	**13.50**	**14.00**	**16.50**	**16.70**	**18.00**

The adjustment to policy rates followed the better than expected inflation outturn for August 2009, which showed a further drop in the 12-month point-to-point inflation to 6.1 per cent from the 7.0 per cent reported for July. The stability of the exchange rate, the improvement in domestic agricultural supplies, and the moderate growth in domestic money supply, all point to the likelihood of single-digit inflation for fiscal year 2009/2010. The improved prospects for inflation and macroeconomic stability were reflected in market rates, with the downward trend in Treasury Bill yields and other short term rates. The easing of monetary policy was supported by the relatively strong position of the net international reserves of the Bank of Jamaica which stood at US$1.95 billion.

LIST OF SUMMARY TABLES

C. Summary Tables

1

INFLATION RATES (%)	CPI Index (e.o.p)	Head-line (Quarter)	Core (Quarter)
2001/2002			
December	60.6	1.1	0.5
March	61.0	0.6	0.4
2002/2003			
June	62.0	1.6	0.7
September	63.4	2.3	0.7
December	65.0	2.5	0.9
March	64.7	-0.4	1.0
2003/2004			
June	68.5	5.9	2.5
September	71.5	4.4	2.0
December	73.9	3.4	1.4
March	75.4	2.0	1.6
2004/2005			
June	76.8	1.9	1.1
September	79.0	2.9	2.3
December	84.1	6.4	2.6
March	85.3	1.5	0.7
2005/2006			
June	90.0	5.5	2.1
September	93.8	4.2	1.2
December	94.6	0.9	0.6
March	94.9	0.2	0.9
2006/2007			
June	97.6	2.9	1.3
September	99.9	2.4	1.4
December	100.0	0.1	0.2
March	102.5	2.5	1.9
2007/2008			
June	105.1	2.5	1.3
September	108.9	3.6	1.9
December	116.8	7.3	4.0
March	122.9	5.2	3.5
2008/2009			
June	130.3	6.0	3.4
September	136.5	4.7	2.0
December	136.5	0.0	1.1
March	138.2	1.3	1.1
2009/2010			
June	142.0	2.7	1.3
September	146.3	3.1	1.5

2A

COMPONENT CONTRIBUTION TO INFLATION
All Jamaica
July – September 2009

Divisions, Classes and Groups	Weight in CPI	Inflation (%)	Weighted Inflation	Contribution (%)
FOOD & NON-ALCOHOLIC BEVERAGES	**0.3746**	2.1	0.80	25.7
Food	**0.3512**	2.1	0.73	23.3
- Bread and Cereals	0.0610	1.2	0.07	2.4
- Meat	0.0766	3.1	0.23	7.5
- Fish and Seafood	0.0533	2.2	0.12	3.7
- Milk, Cheese and Eggs	0.0311	1.3	0.04	1.3
- Oils and Fats	0.0164	1.9	0.03	1.0
- Fruit	0.0114	3.4	0.04	1.2
- Vegetables and Starchy Foods	0.0686	0.5	0.03	1.1
- Sugar, Jam, Honey, Chocolate and Confectionery	0.0172	-1.8	-0.04	-1.3
- Food Products n.e.c.	0.0155	6.4	0.29	9.5
Non-Alcoholic Beverages	**0.0235**	7.2	0.12	4.0
- Coffee, Tea and Cocoa	0.0066	3.9	0.06	2.0
- Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	0.0169	3.1	0.07	2.3
ALCOHOLIC BEVERAGES AND TOBACCO	**0.0138**	2.2	0.01	0.5
CLOTHING AND FOOTWEAR	**0.0333**	3.4	0.06	1.9
Clothing	**0.0212**	5.6	0.08	2.5
Footwear	**0.0122**	1.4	0.05	1.5
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	**0.1276**	1.0	0.02	0.7
Rentals for Housing	**0.0352**	2.0	0.02	0.8
Maintenance and Repair of Dwelling	**0.0080**	9.7	1.23	39.5
Water Supply and Miscellaneous Services Related to the Dwelling	**0.0132**	6.1	0.18	5.9
Electricity, Gas and Other Fuels	**0.0712**	0.3	0.00	0.1
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	0.0493	6.5	0.09	2.8
Furniture and Furnishings	**0.0069**	13.2	0.94	30.2
Household Textiles	0.0032	1.9	0.09	3.0
Household Appliances	0.0056	1.4	0.01	0.3
Glassware, Tableware and Household Utensils	**0.0005**	0.9	0.00	0.1
Tools and Equipment for House and Garden	**0.0015**	3.4	0.02	0.6
Goods and Services for Routine Household Maintenance	**0.0316**	1.7	0.00	0.0
HEALTH	**0.0329**	1.8	0.00	0.1
Medical Products, Appliances and Equipment	0.0122	1.8	0.06	1.9
Health Services	0.0207	0.6	0.02	0.6
TRANSPORT	**0.1282**	1.1	0.01	0.4
COMMUNICATION	**0.0399**	0.3	0.01	0.2
RECREATION AND CULTURE	**0.0336**	0.7	0.08	2.7
EDUCATION	**0.0214**	3.2	0.13	4.1
RESTAURANTS & ACCOMMODATION SERVICES	**0.0619**	2.7	0.09	2.9
MISCELLANEOUS GOODS AND SERVICES	**0.0837**	3.9	0.08	2.7
ALL DIVISIONS	**1.0000**	3.1	3.1	100.0

2B

REGIONAL INFLATION
July – September 2009

Divisions, Classes and Groups	GKMA	Other Urban Centres	Rural Areas
FOOD & NON-ALCOHOLIC BEVERAGES	1.9	1.7	0.8
Food	1.8	1.7	0.7
- Bread and Cereals	0.8	0.4	0.2
- Meat	0.4	1.0	0.2
- Fish and Seafood	1.7	0.6	0.4
- Milk, Cheese and Eggs	1.0	0.2	0.5
- Oils and Fats	1.2	0.3	0.7
- Fruit	3.1	0.1	1.6
- Vegetables and Starchy Foods	3.3	4.2	1.3
- Sugar, Jam, Honey, Chocolate and Confectionery	4.7	6.2	1.1
- Food Products n.e.c.	1.0	0.2	1.7
Non-Alcoholic Beverages	9.0	7.5	3.8
- Coffee, Tea and Cocoa	1.5	3.7	1.9
- Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	1.9	1.2	0.9
ALCOHOLIC BEVERAGES AND TOBACCO	2.1	1.1	0.8
CLOTHING AND FOOTWEAR	0.4	0.5	2.6
Clothing	0.8	0.2	0.4
Footwear	0.6	0.2	0.2
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	1.0	0.4	0.5
Rentals for Housing	4.8	5.7	5.4
Maintenance and Repair of Dwelling	5.0	8.0	7.5
Water Supply and Miscellaneous Services Related to the Dwelling	0.3	0.1	0.1
Electricity, Gas and Other Fuels	-1.9	-2.0	-2.0
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	7.4	7.2	6.8
Furniture and Furnishings	1.2	0.3	0.6
Household Textiles	-0.2	0.6	0.7
Household Appliances	0.4	0.0	0.4
Glassware, Tableware and Household Utensils	5.4	0.4	0.4
Tools and Equipment for House and Garden	2.1	0.7	0.3
Goods and Services for Routine Household Maintenance	1.9	0.7	0.6
HEALTH	0.8	0.3	0.6
Medical Products, Appliances and Equipment	0.3	0.3	0.1
Health Services	0.4	0.8	0.2
TRANSPORT	0.1	0.0	0.1
COMMUNICATION	0.2	0.2	0.0
RECREATION AND CULTURE	0.0	0.0	0.0
EDUCATION	0.4	2.8	2.9
RESTAURANTS & ACCOMMODATION SERVICES	7.5	1.1	1.2
MISCELLANEOUS GOODS AND SERVICES	1.0	0.2	0.4
ALL DIVISIONS	2.1	3.2	2.6

3

BANK OF JAMAICA OPERATING TARGETS

	Mar-08	June-08	Sep-08	Dec-08	Mar-09	Jun-09[p]	Sep-09[p]
Net International Reserves (US$MN)	2 083.4	2 228.8	2 251.1	1 772.94	1 628.6	1 619.4	1 933.2
Net International Reserves ($JMN)	149 859.0	161 565.7	163 180.8	128 520.4	132 224.4	144 110.8	172 039.0
- Assets	151 477.4	179 545.4	165 314.9	130151.4	135 054.7	147 777.2	178 627.8
- Liabilities	-1 618.4	-17 979.7	-2 134.1	-1631.0	-2 830.3	-3 666.4	-6 588.8
Net Domestic Assets	-91 016.6	-103 922.7	-105 610.2	-57 021.8	-61 021.9	-71 411.9	-99 910.0
-Net Claims on the Public Sector	97 776.9	98 324.8	93 497.6	123 972.4	128 337.6	139 561.4	109 213.8
- Net Credit to Banks	-13 019.4	-13 488.6	-14 259.9	- 14 270.5	-17 461.4	-17 679.8	-17 783.0
- Open Market Operations	-138 179.1	-150 835.7	-146 219.8	-1 31 928.8	- 119 337.6	-120 774.3	-118 502.6
- Other	-37 595.0	-37 923.2	-38 628.1	-34 794.9	-52 560.5	-72 519.2	-72 838.3
Monetary Base	58 842.4	57 643.0	57 570.6	71 498.6	71 202.5	72 698.9	72 129.0
- Currency Issue *	40 245.3	39 383.8	38 940.9	49 025.6	42 128.7	43 207.7	43 427.6
- Cash Reserve	17 650.0	18 066.9	18 400.9	21 983.4	28 927.0	29 429.4	28 551.6
- Current Account	947.1	192.3	228.8	489.6	146.8	61.8	149.9
% change Monetary Base (F-Y-T-D)	13.5	-2.0	-2.2	21.5	21.0	2.1	1.3

** Excludes BOJ's teller cash; p: preliminary*

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MONETARY AGGREGATES
(End-of-Period)
(J$MN)

	M1J	M1*	M2J	M2*	M3J	M3*
2005/2006						
June [r]	52 942.5	62 310.9	142 111.3	212 032.6	185 090.2	255 011.5
September	53 089.8	63 212.3	143 430.0	216 480.9	188 253.9	261 304.7
December	62 572.8	72 736.2	155 248.0	228 320.7	200 537.3	273 609.9
March	58 617.7	69 800.3	153 618.0	228 524.9	202 804.6	277 711.5
2006/2007						
June	61 908.1	71 897.4	159 153.6	232 227.4	208 718.0	281 791.8
September	64 668.9	73 233.3	162 466.8	234 331.2	214 812.8	286 677.2
December	78 180.3	87 446.4	181 792.9	256 975.7	235 544.9	310 727.7
March	70 936.5	80 588.3	175 367.2	253 125.3	231 304.0	309 062.2
2007/2008						
June	74 603.1	85 666.8	182 099.9	266 428.9	237 729.8	322 058.8
September	75 563.7	90 053.6	185 371.1	280 698.4	242 607.4	337 934.7
December	89 116.4	105 258.4	202 344.5	299 970.7	262 637.7	360 263.9
March	77 281.4	88 284.0	189 205.0	284 765.3	252 074.4	347 634.7
2008/2009						
June	82 507.0	89 946.4	197 782.9	291 010.2	265 442.6	358 669.8
September	83 539.4	90 900.7	199 539.0	292 918.6	268 487.6	361 867.2
December	91 017.9	100 097.1	210 962.0	313 194.9	279 396.0	381 628.9
March	85 515.2	96 779.2	202 838.0	317 676.1	275 187.2	390 025.3
2009/2010						
June [r]	88 256.7	98 380.5	206 295.9	319 337.5	282 473.0	395 514.7
September [P]	87 438.6	97 320.1	206 355.5	316 775.8	287 052.7	397 472.9

J- Includes local currency liabilities only
** -Includes local and foreign currency liabilities;*
p – preliminary; r - revised

5

COMPONENTS OF CHANGE IN LOCAL CURRENCY MONEY SUPPLY (Quarterly Flows - J$MN)	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09^{p}
M2J	**16 973.3**	**-13 139.5**	**8 573.5**	**1 759.6**	**11 412.2**	**-8 116.8**	**3 457.9**	**59.7**
Currency	7 180.0	-7 472.1	2 287.4	-1 887.5	8 393.0	-5 148.0	**1 285.8**	**-700.5**
Demand Deposits	6 372.7	-4 363.0	2 937.2	2 917.0	-921.0	-345.3	**1 455.8**	**-117.6**
Savings Deposits	2 038.3	-332.7	2 457.9	-1 977.3	2 034.2	-164.5	1 667.3	133.1
Time Deposits	1 382.3	-971.7	891.0	2 707.4	1 906.0	-2 459.0	-951.0	744.7
OTHER DEPOSITS	**3 056.9**	**2 576.3**	**4 875.4**	**1 303.4**	**-549.8**	**3 936.0**	**3 827.9**	**4 520.0**
TOTAL (M3J)	**20 030.2**	**-10 563.2**	**13 448.9**	**3 063.0**	**10 862.4**	**-4 180.8**	**7 285.8**	**4 579.7**
SOURCES OF CHANGE IN LOCAL CURRENCY MONEY SUPPLY								
N.I.R. of B.O.J.	**- 2 685.7**	**14 793.9**	**10 458.6**	**2 863.2**	**-34 660.4**	**-11 720.6**	**-816.6**	**27 928.3**
M&LTFL of B.O.J	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Banking System Credit	**4 847.7**	**- 4 228.8**	**14 820.9**	**-5 157.6**	**39 128.0**	**2 572.9**	**18 529.5**	**5 765.7**
Public Sector	**-114.6**	**-7 463.5**	**7 722.9**	**-9 000.4**	**35 483.6**	**3 232.6**	**16 939.7**	**6 491.6**
Private Sector	**4 962.3**	**3 234.7**	**7 098.0**	**3 842.8**	**3 644.4**	**-659.7**	**1 589.8**	**-725.9**
Open Market Operations	**15 030.2**	**-23 437.9**	**-12 656.5**	**4 615.9**	**14 291.0**	**12 591.2**	**-1 436.8**	**2 271.9**
Other	**2 838.0**	**2 309.6**	**825.9**	**741.5**	**-7 896.2**	**-7 624.3**	**-8 990.3**	**-31 386.2**
TOTAL	**20 030.2**	**-10 563.2**	**13 448.9**	**3 063.0**	**10 862.4**	**-4 180.8**	**7 285.8**	**4 579.7**
Memo:								
Foreign Currency Deposits (Private Sector)	**2 299.0**	**-2 065.9**	**-2 193.5**	**1 896.6**	**3 684.0**	**3 620.4**		**14 643.7**
Foreign Currency Loans (Private Sector)	**3 078.1**	**1 329.8**	**7 044.0**	**- 2632.6**	**3 510.2**	**321.5**		**7 487.3**

p- p-preliminary

6A

COMMERCIAL BANKS' SELECTED INTEREST RATES (%) (End-of-Period)							
	Fixed Deposits *		Savings Deposits (Average) r	Lending Rate (Average)	Fixed Deposits Rate (Weighted Average)	Loan Rate (Weighted Average)	Inter-bank Lending Rate (Average)
	3-6 months	6-12 months					
2002/2003							
June	7.75–13.25	7.75–13.25	9.00	25.92	9.28	18.15	14.68
September	7.75–13.25	7.75–13.25	8.86	26.25	8.98	18.08	13.88
December	7.75–13.25	7.75–13.25	8.96	25.04	8.92	18.26	11.50
March	8.50-13.15	8.50-13.15	8.22	24.73	8.87	17.23	21.90
2003/2004							
June	8.50–13.15	8.50-13.15	8.22	25.18	8.98	19.23	38.40
September	8.50-13.25	8.50-13.50	8.43	25.60	9.02	19.87	17.01
December	8.50-13.25	8.50-13.50	7.24	25.60	8.68.	19.32	24.08
March	8.50–13.25	8.50-13.50	6.78	25.40	8.47	19.01	17.16
2004/2005							
June	8.50 – 13.25	8.50-13.50	6.61	25.02	8.15	17.75	15.75
September	8.50 - 13.25	8.50-13.50	6.61	24.95	7.99	17.76	8.38
December	3.00 – 14.10	3.50–14.30	6.48	24.89	7.78	17.72	12.95
March	3.00 – 14.10	3.50–14.30	6.36	24.89	7.54	17.35	12.58
2005/2006							
June	3.00–14.10	3.50-14.30	5.52	24.70	7.34	16.43	10.00
September	2.50- 14.10	3.00–14.30	5.48	22.00	7.11	17.41	11.13
December	2.50- 14.10	3.00–14.30	5.48	22.00	7.00	17.32	12.42
March	2.50- 14.10	3.00–14.30	5.30	21.84	7.17	17.54	10.00
2006/2007							
June	2.50- 14.10	3.00–14.30	5.39	22.50	7.17	17.60	9.00
September	2.50- 14.10	3.00–14.30	5.36	21.80	6.88	17.83	9.13
December	2.50- 14.10	3.00–14.30	5.20	21.90	6.60	17.59	8.10
March	2.50- 14.10	3.00–14.30	5.15	22.49	6.94	17.28	7.75
2007/2008							
June	6.80 - 10.95	6.50 - 11.60	5.17	22.49	6.96	17.23.	9.67
September	6.80 - 11.85	6.50 – 12.35	4.88	21.08	6.85.	17.06	10.50
December	6.80 - 11.85	6.50 – 12.35	4.88	20.82	6.99	17.11	7.58
March	6.80 – 12..85	6.50 – 13.35	4.88	22.47	6.82	17.33	8.29
2008/2009							
June	6.80 – 12..85	6.50 – 13.35	5.05	21.46	6.94.	16.97	11.67
September	7.30 - 12.85	7.00 – 13.35	5.54	23.18	7.03	16.46	8.67
December	7.30 - 12.85	7.00 – 13.35	5.33	23.17	7.37	16.78	24.50
March	7.30 – 16.33	7.00 - 18.11	5.89	22.34	6.99	16.58	8.29
2009/2010							
June	7.30 – 18.20	7.00 – 19.00	5.87	23.32	7.08	16.49	8.07
September	7.30 – 15.49	7.00 – 15.75	5.86	22.26	6.69	16.30	7.39

**Relate to deposits of $100 000 and over.*

6B

GOJ TREASURY BILL YIELDS
(End of Period)

	3-month	*6-month*	*9-month*	*12-month*
2000/2001				
September	16.62	17.13	16.91	16.94
December		20.16	19.67	20.98
March		16.88		17.86
2001/2002				
June	23.48	16.20		
September	22.23	15.10	15.50	
December	22.12	17.03		
March	21.49	14.30		14.96
2002/2003				
June		13.81		14.77
September		16.69	16.98	
December		17.01		
March		33.47		
2003/04				
June		28.46		
September		23.42	23.87	
December		22.05		
March	15.23	15.57		
2004/05				
June	15.04	14.98	15.18	
September	14.41	14.80		16.36
December	14.41	14.94		
March	13.21	13.46	14.00	
2005/2006				
June	12.85	12.88		
September	12.96	13.15		
December	13.34	13.55		
March	13.16	13.18		
2006/2007				
June	12.64	12.82		
September	12.44	12.49		
December	12.26	12.31		
March	11.55	11.65		
2007/2008				
June	11.98	12.13		
September	14.34	14.29		
December	12.89	13.34		
March	13.97	14.22		
2008/2009				
June	14.19	14.43		
September	14.81	15.35		
December	22.01	24.45		
March	20.51	21.77		
2009/2010				
June	19.58	21.05		
September	16.39	17.35		

Note: Bank of Jamaica ceased accepting placements for 270-day tenors on 18 April 2006.

7

BANK OF JAMAICA OPEN MARKET INTEREST RATES
(End of Period)

Tenor of Instruments

End Period	30 days	60 days	90 days	120 days	180 days	270 days	365 days
2001/2002							
September	14.25	14.35	14.45	14.55	14.75	15.35	15.90
December	14.25	14.35	14.45	14.55	15.00	18.40	18.90
March	13.25	13.35	13.45	13.55	13.80	14.20	15.00
2002/2003							
June	13.25	13.35	13.45	13.55	13.80	14.20	15.00
September	12.95	13.05	17.25	17.05	13.45	13.85	14.50
December	12.95	13.05	18.25	18.40	13.45	13.85	14.50
March	15.00	15.30	20.00	24.00	33.15	34.50	35.95
2003/2004							
June	15.00	15.30	20.00	24.00	26.50	29.50	30.00
September	15.00	15.30	18.00	21.00	23.50	23.75	24.00
December	15.00	15.30	17.00	20.00	21.00	22.00	23.00
March	14.85	15.00	15.10	15.50	16.00	16.95	17.95
2004/2005							
June	14.20	14.30	14.40	14.55	15.05	15.65	16.40
September	14.00	14.10	14.20	14.35	14.80	15.35	16.00
December	13.80	13.95	14.05	14.15	14.30	15.00	15.50
March	12.95	13.10	13.20	13.30	13.45	14.00	14.50
2005/2006							
June	12.60	12.70	12.75	12.85	13.00	13.25	13.60
September	12.60	12.70	12.75	12.85	13.00	13.25	13.60
December	12.60	12.70	12.75	12.85	13.00	13.25	13.60
March	12.60	12.70	12.75	12.85	13.00	13.25	13.60
2006/2007							
June*	12.45	12.50	12.60	12.65	12.80	...	...
September	11.95	12.00	12.10	12.15	12.30	...	...
December	11.65	11.70	11.80	11.85	12.00	...	...
March	11.65	11.70	11.80	11.85	12.00	...	...
2007/2008							
June	11.65	11.70	11.80	11.85	12.00	...	...
September	11.65	11.70	11.80	11.85	12.00	...	14.00
December	11.65	11.70	11.80	11.85	12.00	...	13.46
March	13.50	13.70	13.90	14.00	14.20	...	15.00
2008/2009							
June	14.00	14.20	14.40	14.50	14.70	...	15.50
September	14.00	14.20	14.40	14.50	14.70	...	15.50
December	17.00	17.50	20.00	20.20	21.50	...	24.00
March	17.00	17.50	20.00	20.20	21.50	...	24.00
2009/2010							
June	17.00	17.50	20.00	20.20	21.50	...	22.67
September	12.50	13.00	15.50	15.70	17.00	...	...

8A

JAMAICA: GOVERNMENT BOND MARKET
GOJ Maturities
July - September 2009

Maturity Date		*Amount J$M*	Applicable Interest Rate [b/]
05 Jul	GOJ Local US$115.23m Bond	10 277.1	10.5
09 Jul	VR 2009/2010B	400.0	29.27
15 Jul	VR 2009	2 500.0	17.00
15 Jul	VR 2009A	114.1	17.00
21 Jul	FR Inv. Debenture 2009 Series “Be”	2 879.9	15.5
28 Jul	VR 2009/2010D	300.0	22.67
01 Aug	VR 2009B	2 100.0	24.045
02 Aug	FR 2009AF	1 980.7	14.25
10 Aug	VR 2009/2010 Invest. Bond Series “R”	4 064.6	25.76
20 Aug	VR 2009/2010C	200.0	25.76
26 Aug	VR 2009/2010E	300.0	23.63
30 Aug	FR 2009AG	500.0	14.25
01 Sep	VR 2009C	230.6	25.63
13 Sep	FR 2009AH	1 063.3	14.25
16 Sep	FR 2009AM	600.0	13.75
17 Sep	VR 2008/2009 Invest. Bond Series “Ap”	1 997.0	20.71
23 Sep	FR Registered Bond 2009 Series “E”	1 719.3	14.875

Notes:
a/ Rate above Treasury is the relevant Treasury bill rate in effect at the beginning of the interest period.
b/ The withholding tax of 25% on interest income has been in effect since May 1, 2000.
c/ FR – Fixed Rate
d VR-Variable Rate
N.I.B. Non interest bearing
Source: Debt Management Unit, Ministry of Finance & The Public Service

8B

JAMAICA: GOVERNMENT BOND MARKET
GOJ Domestic Market Issues
July - September 2009

Issue Date	*Stock Name*	*Features*	Amount raised J$M
03 Jul	*FR US$ Denominated Local Bd 2012*	Tenor of 3 years. Interest rate fixed at 9.0%.Ffirst interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually, until maturity.	12 143.74
06 Jul	*FR Reg. Bd 2011 Ser. Z*	Tenor of 2 years. Interest rate fixed at 21.625%. First interest payment will become due and payable after 3 months. Thereafter, final interest payment will be paid quarterly until maturity.	5 293.67
14 Jul	*FR Reg. Bd 2019 Ser. Aa*	Tenor of 10 years. Interest rate fixed at 21.50% and payable after 6 months. Thereafter, semi-annual payments will be made until maturity.	9 590.86
14 Jul	*FR Inv. Deb. 2010 Ser. Bs*	Tenor of 15 months. Interest rate fixed at 19.875%. First interest payment will become due and payable after 3 months. Thereafter, quarterly payments will be made until maturity.	946.60
21 Jul	*FR Reg. Bd 2012 Ser. AB*	Tenor of 2 1/2 years. Interest rate fixed at 20.875%. First interest payment will become due and payable after 3 months. Thereafter, interest will be paid quarterly until maturity.	7 146.56
29 Jul	*FR Inv. Deb. 2011 Ser. Bt*	Tenor of 18 months. Interest rate fixed at 18.25%. First interest payment will become due and payable after 3 months. Thereafter, interest will be paid quarterly until maturity.	11 659.82
29 Jul	*FR Reg. Bd 2016 Ser. AC*	Tenor of 7 years. Interest rate fixed at 19.875%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity.	2 367.81
04 Aug	*FR Reg. Bd 2012 Ser. AD*	Tenor of 3 years. Interest rate fixed at 17.375%. First interest payment will become due and payable after 3 months. Thereafter, interest will be paid quarterly until maturity.	418.29
04 Aug	*FR Reg. Bd 2014 Ser. AE*	Tenor of 5 years. Interest rate fixed at 18.0%. First interest payment will become due and payable after 6 months. Thereafter, payments will be made semi-annually up to maturity.	180.72
19 Aug	*FR Inv. Deb. 2013 Ser. Bu*	Tenor of 4 years. Interest rate fixed at 17.875%. First interest payment will become due and payable after 3 months. Thereafter, interest will be paid quarterly until maturity.	6 408.51
19 Aug	*VR Inv. Bd. 2010/2011 Ser. Bz*	Tenor of 12 months. Interest rate fixed at 20.60% for first 6 months. Thereafter, payments of 1.625 percentage points above 6-month WATBY will be paid semi-annually until maturity.	4 043.02
26 Aug	*FR Inv. Deb. 2012 Ser. Bv*	Tenor of 30months. Interest rate fixed at 17.50%. First interest payment will become due and payable after 6 months. Thereafter, interest will be paid semi-annually until maturity.	2 462.51
02 Sep	*VR Inv. Bd 2010/2011 Ser. Ca*	Tenor of 15 months. Interest rate fixed at 18.21% for 6 months. Thereafter, interest will be calculated semi-annually at 1.575 percentage points above6months WATBY, until maturity.	2 355.84
09 Sep	*FR Inv. Deb. 2010 Ser. Bw*	Tenor of 15months. Interest rate fixed at 18.00% First interest payment will become due and payable after 6 months. The second interest payment will be paid after 12months. The final interest payment will be paid at maturity.	6 990.82
15 Sep	*FR Inv. Deb. 2011 Ser. Bx*	Tenor 18 months. Interest rate fixed at 18.125%. First interest payment will become due and payable after 7 months. Thereafter, interest will be paid semi-annually, until maturity.	4 534.40
23 Sep	*VR Inv. Bd 2012/2013 Ser. Cb*	Tenor 3 years. Interest rate fixed at 16.39% for 3 months. Thereafter payments of 1.575 percentage points above 3 month WATBY will be paid quarterly until maturity.	

Notes: a/ Rate above Treasury is the relevant Treasury bill rate in effect at the beginning of the interest period.
b/ The withholding tax of 25% on interest income has been in effect since May 1, 2000.
c/ FR – Fixed Rate
d VR-Variable Rate
N.I.B. Non interest bearing
Source: Debt Management Unit, Ministry of Finance & The Public Service

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EXTERNAL TRADE – GOODS EXPORTS (f.o.b)
(Flows - US$MN)

	Bauxite	Alumina	Sugar	Bananas	Other Traditional	Non-Traditional	Other	Total Goods Exports
2004/2005	**82.1**	**825.0**	**87.0**	**8.2**	**74.2**	**272.6**	**216.3**	**1 565.4**
June	25.4	202.8	47.9	4.3	19.2	77.3	55.8	432.7
September	22.3	173.8	7.7	3.9	20.3	59.9	66.7	354.6
December	8.6	237.8	0.0	0.0	19.6	74.1	58.2	398.3
March	25.8	210.6	31.4	0.0	15.1	61.3	37.0	381.2
2005/2006	**100.6**	**957.5**	**89.4**	**7.7**	**65.3**	**418.1**	**170.0**	**1 808.6**
June	22.6	245.2	41.5	2.1	17.2	61.9	48.6	439.1
September	24.8	233.3	3.8	1.3	18.2	106.8	38.9	427.1
December	25.7	231.1	0.0	1.3	9.0	111.6	38.2	416.9
March r	27.5	247.9	44.1	3.0	20.9	137.8	48.4	529.6
2006/2007 [r]	115.2	1 083.7	90.4	13.3	79.1	631.5	188.5	2 201.7
June	29.4	258.8	43.0	3.2	25.0	144.8	46.0	550.2
September	29.4	268.7	2.6	3.8	20.1	166.0	44.2	534.8
December	27.0	265.2	0.0	3.4	14.8	161.4	47.2	519.0
March	29.4	291.0	44.8	2.9	19.2	159.3	51.1	597.7
2007/2008 [r]	**112.7**	**1 213.7**	**104.9**	**6.4**	**83.8**	**797.1**	**225.3**	**2 543.9**
June	28.5	315.3	42.4	4.5	21.8	173.3	47.6	633.4
September	28.3	267.7	13.1	1.9	22.6	155.7	54.5	543.8
December	26.7	320.0	0.0	0.0	21.2	162.3	57.6	587.8
March [r]	29.2	310.7	49.4	0.0	18.2	305.8	65.6	778.9
2008/2009 [r]	**105.5**	**1 039.2**	**92.8**	**0.0**	**82.6**	**727.3**	**266.8**	**2 314.2**
June	29.6	366.9	43.0	0.0	24.9	251.6	80.4	796.4
September	28.8	304.1	11.8	0.0	25.6	253.4	77.8	701.5
December	26.9	248.8	0.0	0.0	11.9	128.8	50.8	467.2
March	20.2	119.4	38.0	0.0	20.2	93.5	57.8	349.1
2008/2009								
June [P]	14.4	80.5	26.7	0.0	26.7	146.9	58.0	353.2

r-revised; p-preliminary

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EXTERNAL TRADE – GOODS IMPORTS (c.i.f) (Flows - US$MN)	Consumer Goods	*Raw* Materials	Capital Goods	Other	Total Imports
2001/2002	**1 000.2**	**1 762.6**	**565.4**	**170.3**	**3 498.5**
June	241.0	444.1	127.7	61.3	874.1
September	238.4	431.1	156.7	47.4	873.6
December	279.9	475.2	133.9	35.4	924.4
March *r*	240.9	412.2	147.1	26.2	826.4
2002/2003	**1 113.9**	**1 951.9**	**674.2**	**128.3**	**3 868.3**
June	265.4	410.9	176.2	40.9	893.4
September	271.6	539.3	167.2	39.1	1 017.2
December	316.5	442.6	180.5	25.6	965.2
March r	260.4	559.1	150.3	22.7	992.5
2003/2004	**1 054.5**	**1 963.8**	**545.6**	**140.5**	**3 704.4**
June	244.7	499.6	138.5	50.9	933.7
September	252.8	490.4	144.3	33.5	921.0
December	310.4	503.3	125.1	26.6	965.4
March	246.6	470.5	137.7	29.5	884.3

Note: No data available from STATIN for period after March 2004

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BALANCE OF PAYMENTS QUARTERLY SUMMARY (US$MN)	Dec-07 r	Mar-08 r	Jun-08r	Sep-08 r	Dec-08r	Mar-09r	Jun-09p
1. Current Account	**-774.6**	**-512.2**	**-860.9**	**-936.0**	**-484.7**	**-154.0**	**-44.0**
A. Goods Balance	**-1 194.9**	**-1 072.3**	**-1 373.8**	**-1 417.6**	**-939.1**	**-746.8**	**-629.7**
Exports (f.o.b.)	587.8	778.9	796.4	701.5	467.2	349.1	353.2
Imports (f.o.b.)	1 782.7	1 851.2	2 170.2	2 119.1	1 406.3	1 095.9	982.9
B. Services Balance	**62.8**	**216.9**	**73.9**	**35.0**	**101.8**	**260.0**	**220.5**
Transportation	-1 55.0	-133.7	-183.4	-189.3	-138.6	-82.8	-74.1
Travel	379.8	521.9	423.1	376.6	385.8	500.8	441.2
Other Services	-162.0	-171.4	-165.8	-152.3	-145.4	-158.0	-146.7
Goods & Services Balance	**-1 132.1**	**-855.5**	**-1 299.9**	**- 1382.6**	**-837.3**	**-486.8**	**-409.2**
C. Income	**-186.2**	**-173.8**	**-122.5**	**-108.4**	**-163.5**	**-141.2**	**-135.9**
Compensation of Employees	37.8	5.9	13.6	28.2	36.0	1.6	6.8
Investment Income	-224.0	-179.7	-136.2	-136.6	-199.5	-142.8	-142.7
D. Current Transfers	**543.7**	**517.0**	**561.5**	**555.0**	**516.1**	**473.9**	**501.1**
General Government	32.3	26.3	25.0	24.9	24.4	31.9	25.7
Other Sectors	511.4	490.7	536.5	530.1	491.7	442.0	475.4
2. Capital & Financial Account	**774.6**	**512.2**	**860.9**	**936.0**	**484.7**	**154.0**	**44.0**
A. Capital Account	**-8.1**	**20.7**	**-6.0**	**11.3**	**-7.9**	**32.2**	**-6.5**
Capital Transfers	0.0	20.7	-6.0	11.2	-7.9	32.2	-6.5
General Government	-8.1	29.5	0.0	19.1	0.0	41.9	0.0
Other Sectors	-8.1	-8.8	-6.0	-7.8	-7.9	-9.7	-6.5
Acq./disp. Of non-produced non-fin. Assets	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**
B. Financial Account	**782.7**	**491.5**	**866.9**	**924.7**	**492.6**	**121.8**	**50.5**
Official Investment	219.9	4.7	220.3	333.0	-39.4	**-149.7**	**-5.9**
Private Investment (including net errors & omissions)	524.3	692.5	792.0	613.9	53.9	**127.1**	**47.2**
Reserves	38.5	-205.7	-145.4	-22.3	478.1	**144.4**	**9.2**

r: revised
p: provisional

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PRIVATE SECTOR QUARTERLY CURRENT GROSS TRANSFERS (INCLUDING REMITTANCE INFLOWS) (US$MN)

	Remittance Companies	Other Remittances	Total Remittance Inflows	Other Current Transfers	Total
2008/2009	**1 524.5**	**427.3**	**1 951.8**	**279.6**	**2 231.4**
June	397.7	133.6	531.3	69.9	601.2
September	395.5	131.9	527.4	69.9	597.3
December	380.8	97.8	478.6	69.9	548.5
March	350.5	64.0	414.5	69.9	484.4
2009//2010					
June	384.3	61.0	445.3	**69.9**	515.2
September	386.7	71.7	458.4	n.a.	...

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FOREIGN EXCHANGE SELLING RATES (J$ per unit of foreign currency-end of period)

	US$	Can$	GB£
2004/2005			
September	61.89	49.05	111.62
December	61.63	50.66	117.92
March	61.54	50.61	115.35
2005/2006			
June	61.84	50.52	110.52
September	62.89	53.61	110.02
December	64.58	54.95	110.40
March	65.50	56.14	112.94
2006/2007			
June	66.03	59.50	120.19
September	66.06	59.10	123.48
December	67.15	57.53	131.53
March	67.80	58.75	132.40
2007/2008			
June	68.58	64.81	136.60
September	70.41	70.38	142.28
December	70.62	71.39	140.32
March	71.09	69.75	141.15
2008/2009			
June	71.89	71.49	142.55
September	72.68	69.49	130.35
December	80.47	65.54	116.84
March	88.82	71.97	129.02
2009/2010			
June	89.07	76.84	148.08
September	89.08	82.76	142.16

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BANK OF JAMAICA: NET INTERNATIONAL RESERVES
(End-of-Period)

	Gross Foreign Assets (US$MN)	Gross Foreign Liabilities (US$MN)	International Reserves (Net) (US$MN)	*Weeks of Imports* Goods	Goods & Services
2003/2004					
September	1216.6	34.0	1182.6	19.0	12.8
December	1 196.3	31.4	1 164.9	18.3	12.5
March	1 596.9	28.2	1 568.7	25.0	16.6
2004/2005					
June	1630.3	26.2	1604.1	22.5	
September	1 640.7	24.2	1 616.5	23.5	16.0
December	1 881.9	23.4	1 858.5	27.5	18.7
March	1 924.1	22.5	1901.6	27.5	18.8
2005/2006					
June	2 179.3	22.5	2 156.8	28.1	19.5
September	2 243.0	124.0	2 119.0	27.0	19.1
December	2 169.0	81.6	2 087.4	27.0	19.0
March	2 372.9	294.8	2 078.1	28.3	20.1
2006/2007					
June	2 293.2	183.2	2 110.0	22.9	16.7
September	2 474.7	132.7	2 342.0	26.1	18.8
December	2 399.1	81.6	2 317.5	25.2	18.2
March	2 613.6	284.3	2 329.3	27.1	19.5
2007/2008					
June	2 472.3	233.4	2 238.9	24.5	17.7
September	1 943.2	27.0	1 916.2	18.2	13.2
December	1 905.8	28.1	1 877.7	16.8	12.3
March	2 105.90	22.50	2 083.40	18.0	13.3
2008/2009					
June	2 476.8	248.0	2 228.8	21.2	15.6
September	2 280.5	29.4	2 251.1	18.0	13.3
December	1 795.4	22.5	1 772.9	14.8	10.9
March	1 663.4	34.8	1 628.6	12.2	9.2
2009/2010					
June	1 660.6	41.2	1 619.4	18.53	13.07
September	2 007.2	74.0	1 933.2	22.1	15.6

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STOCK MARKET ACTIVITIES
Jamaica Stock Exchange

	JSE Index	Volume Traded (MN.)	Value of Stocks Traded (J$MN.)
2004/2005			
September	99 819.8	391.1	4 920.4
December	112 655.5	532.0	7 144.9
March	111 931.2	920.4	18 029.3
2005/2006			
June	110 621.9	866 .8	14 136.8
September	103 332.6	387.8	4 189.6
December	104 510.4	323.1	4 391.0
March	86 896.1	366.5	4 513.8
2006/2007			
June	85 108.2	1 882.6	10 627.1
September	86 196.0	610.4	3 441.1
December	100 678.0	2 823.9	18 459.0
March	90 595.1	556.1	7 662.6
2007/2008			
June	90 069.9	352.4	2 762.0
September	96 299.8	884.7	5 013.4
December	107 968.0	640.3	13 609.5
March	107 439.3	678.2	9 817.1
2008/2009			
June	109 754.0	1 117 .5	13 665.7
September	102 018.9	637.8	39 352.8
December	80 152.0	519.6	4 191.3
March	79 022.6	657.7	2 248.7
2009/2010			
June	80 866.1	191.8	1 396.5
September	79 928.0	339.0	2 960.3

Note: Both volume and value reflect ordinary and block quarterly transactions

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PUBLIC SECTOR DOMESTIC SECURITIES
Outstanding Stocks

(J$MN)

End Period	Local Registered Stocks	Treasury Bills	Bonds	BOJ Open Market Operations Securities
2003/2004				
September	232 914.5	2 400.0	160 594.3	83 700.3
December	228 509.3	4 400.0	178 308.3	81 969.4
March	220 819.2	3 750.0	184 219.0	108 281.7
March	240 923.0	2 950.0	114 524.1	86 203.8
2004/2005				
June	222 372.2	3 950.0	187 932.0	123 222.1
September	222 522.4	3 750.0	197 847.6.	127 629.3
December	220 290.5	3 750.0	210 300.0.	130 692.1
March	218 412.6	4 050.0	214 565.6	143 854.8
2005/2006				
June	220 529.2	4 050.0	231 749.8	167 485.1
September	220 059.0	3 800.0	244 195.7	168 108.2
December	225 762.8	3 500.0	240 934.0	149 806.5
March	235 632.7	3 800.0	233 643.7	157 357.6
2006/2007				
June	236 668.6	4 200.0	249 662.1	159 438.0
September	231 237.9	4 600.0	285 901.2	166 018.9
December	229 978.3	4 700.0	294 773.2	154 757.0
March	226 631.1	4 200.0	276 155.1	165 704.0
20007/2008				
June	232 363.8	4 200.0	297 276.0	150 758.3
September	226 746.9	4 200.0	315 256.5	129 771.5
December	224 228.4	4700.0	324 929.2	114 741.3
March	223 581.6	4 200.0	330 008.5	138 179.1
2008/2009				
June	218 100.0	4 200.0	344 170.3	150 835.7
September	213 495.2	4 300.0	357 755.7	146 219.8
December	205 120.1	4 194.5	392 220.6	131 928.8
March	201 936.1	4 094.5	438 381.6	119 337.6
2009/2010				
June	196 457.9	3 955.7	469 957.3	120 774.3
September	185 922.4	4 066.9	525 540.7	118 502.6

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PRODUCTION OF SELECTED COMMODITIES
(Quarterly Flows- '000 tonnes)

	Crude Bauxite	Alumina	Total Bauxite	Sugar	Bananas*
2004/2005	**3 451.4**	**4 028.5**	**13 411.9**	**142.0**	**18.1**
June	1 071.2	1 046.4	3 636.5	60.0	9.9
September	907.1	866.7	3 125.3	3.7	8.2
December	398.5	1 062.6	3 030.0	3.6	0.0
March	1 074.6	1 052.8	3 620.1	74.7	0.0
2005/2006	**4 099.7**	**4 048.7**	**14 167.4**	**151.0**	**18.8**
June	916.0	1 061.8	3 508.3	51.6	4.5
September	1 022.3	1 013.7	3 544.5	0.0	3.6
December	1 035.9	957.4	3 442.6	5.4	3.5
March	1 125.5	1 015.8	3 672.0	94.0	7.2
2006/2007	**4 594.3**	**4 105.2**	**14 905.5**	**144.0**	**30.5**
June	1 136.3	1 053.4	3 779.2	46.3	6.9
September	1 186.5	1 003.9	3 724.6	0.0	9.4
December	1 099.7	1 026.5	3 675.2	2.3	8.4
March	1 171.8	1 021.4	3 726.5	95.4	5.8
2007/2008	**4 386.2**	**3 897.8**	**14 523.0**	**156.9**	**11.7**
June	1 089.7	1 044.3	3 775.3	59.7	8.1
September	1 123.1	908.9	3 489.6	6.9	3.6
December	1 033.3	966.4	3 597.2	9.4	0.0
March	1 140.1	978.2	3 660.9	80.9	0.0
2008/2009	**3 916.7**	**3 856.3**	**13 614.4**	**139.4**	**0.0**
June	1 020.4	1 153..9	3 794.4	54.8	0.0
September	1 115.0	980.5	3 6 18.7	4.2	0.0
December	1 043.0	1 011.8	3 622.5	0.2	0.0
March	738.3	710.1	2 578.8	80.2	0.0
2009/2010					
June	546.2	471.0	**1 698.6**	**42.9**	**0.0**
September	883.6	337.8	**1 765.4**	**2.4**	**0.0**

** Exports*

18

GROSS DOMESTIC PRODUCT: VALUE ADDED BY INDUSTRY
CONSTANT (2003) PRICES
Mar 2007 - Mar 2009 (Seasonally Unadjusted)

	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09
Total Value Added at Basic Prices	3.19	2.76	0.72	-0.67	-0.38	-1.20	-1.00	-1.22	-3.11
Agriculture, Forestry & Fishing	6.22	7.08	-7.05	-28.66	-17.11	-9.77	-0.53	13.82	8.34
Mining & Quarrying	1.63	0.62	-7.44	-5.34	-5.95	-5.06	1.48	0.18	-26.76
Manufacturing	0.35	3.16	-1.64	1.12	-1.33	-0.51	-0.94	-3.01	-6.78
Food, Beverages & Tobacco	0.72	5.52	1.68	1.96	-2.04	-0.60	-1.65	-1.61	-3.46
Other Manufacturing	-0.15	-0.02	-5.18	0.29	-0.36	-0.38	-0.13	-4.42	-11.27
Electricity & Water	4.42	3.91	-4.48	-1.38	-1.26	-1.84	5.70	1.28	-1.39
Construction & Installation	4.52	1.94	2.51	8.68	2.10	-3.67	-9.78	-14.10	-5.27
Wholesale & Retail Trade; Repair and Installation of Machinery	2.67	2.82	1.56	-0.08	0.30	0.37	-0.69	-0.69	-1.76
Hotels and Restaurants	-1.48	-2.71	2.49	3.90	9.59	1.63	-1.47	-1.49	-1.17
Transport, Storage & Communication	8.72	3.38	1.04	0.24	-1.16	-2.21	-2.88	-2.85	-8.28
Finance & Insurance Services	5.41	5.67	2.69	0.09	2.69	0.88	0.70	-0.96	1.00
Real Estate & Business Services	2.67	3.06	3.60	3.33	1.36	1.71	1.23	0.67	-0.13
Government Services	0.59	2.43	4.01	-1.73	-0.14	-1.28	-0.64	1.84	-0.17
Other Services	2.45	2.32	2.40	1.19	2.06	-0.34	-0.22	0.35	-0.80
Less Financial Intermediation Services Indirectly Measured (FISIM)	6.27	6.29	7.04	1.40	2.49	0.95	-2.83	-3.08	-0.10

D. BANK OF JAMAICA BALANCE SHEET

ASSETS AND LIABILITIES
(End of Period)
J$MN

	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09
Assets	**234 449.4**	**233 640.7**	**247 757.6**	**278 045.0**	**267 838.0**	**273 994.4**	**278 865.6**	**280 853.0**	**310 361.6**
Foreign	136 180.7	134 243.8	149 671.7	177 518.2	164 990.4	143 530.2	146 851.9	147 590.6	178 316.0
Current Account & Foreign Currency Balances	9 199.7	32 665.7	16 279.0	36 274.4	22 474.3	30 350.9	25 289.6	19 281.7	21 147.7
Time Deposits & Securities	118 397.0	92 715.1	124 208.5	132 102.3	133 223.7	100 738.6	102 477.6	106 616.5	104 701.3
Holdings of Special Drawing Rights	11.4	20.5	5.5	13.4	4.2	7.7	7.4	6.1	29 387.2
Other	8 572.6	8 842.5	9 178.7	9 128.1	9 288.2	12 433.0	19 077.3	21 686.3	23 079.8
Local	98 268.7	99 396.9	98 085.9	100 526.8	102 847.6	130 464.2	132 013.7	133 262.4	132 045.6
Public Sector Securities	73 834.6	73 756.7	73 697.2	73 717.4	79 687.4	90 327.4	93 420.1	95 474.5	95 405.5
Discounts & Advances						16 777.2	19 654.1	18 666.6	16 553.1
Other Assets	24 434.1	25 640.2	24 388.7	26 809.4	23 160.2	23 359.6	18 939.5	19 121.3	20 087.0
Liabilities	**234 449.4**	**233 640.7**	**247 757.6**	**278 045.0**	**267 838.0**	**273 994.4**	**278 865.6**	**280 853.0**	**310 361.6**
Foreign	259.5	283.0	254.7	268.6	237.9	183.8	245.5	247.3	257.3
Local	234 189.9	186 102.6	247 502.9	277 776.4	267 600.1	273 810.6	278 620.1	280 605.6	310 104.3
Currency in Circulation	37 509.0	47 255.1	40 293.8	39 441.3	38 977.0	49 069.0	42 178.3	43 236.1	43 517.0
Deposits	180 700.9	170 289.8	194 151.5	224 425.0	214 859.7	198 224.7	206 875.9	209 072.4	207 911.8
Bankers	31 101.9	32 677.2	33 897.2	33 105.9	34 281.2	53 951.0	72 751.5	80,951.3	81 758.8
Government	14 499.1	18 217.8	10 476.0	6 589.0	8 286.9	4 503.6	5 208.3	1,515. 6	5 853.3
Open Market Operations	129 771.5	114 741.3	138 179.1	150 835.7	146 219.8	131 928.8	119 337.6	120,774.3	119 833.2
Other	5 328.4	4 653.5	11 599.2	33 894.4	26 071.8	7 841.3	9 578.5	5,831.2	466.5
Allocation of Special Drawing Rights	3 914.0	3 914.0	3 914.0	4 185.3	5 020.6	5 020.6	5 020.6	5,399.5	34 786.0
Capital & Reserves	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Other Reserves	4 382.3	5 104.0	5 590.0	5 660.8	5 458.0	5 685.0	5 520.9	5,077.6	5 911.6
Other Liabilities	7 659.7	6 770.8	3 529.6	4 040.0	3 260.8	15 787.3	19 000.4	17,796.1	17 953.9

r: revised

E. COMMERCIAL BANKS' BALANCE SHEET

ASSETS AND LIABILITIES
(End-of -period)
J$MN

	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09 [p]
Assets	**471 604.9**	**490 987.8**	**496 030.6**	**519 204.9**	**533 049.2**	**548 341.6**	**572 720.3**	**573 621.9**	**571 869.4**
Cash	3 951.2	6 545.7	7 042.5	3 893.6	5 338.2	7 029.9	5 280.9	5 074.2	5 994.6
Balances with BOJ	60 014.3	69 208.5	75 753.2	76 629.6	86 077.6	81 762.9	92 513.2	92 378.6	88 995.0
Foreign Assets	111 578.5	109 103.8	112 802.9	110 430.8	100 289.2	104 184.8	108 218.2	112 238.0	104 174.3
Loans & Advances	183 898.4	195 075.1	194 847.0	215 973.6	233 120.9	246 167.5	259 146.7	259 340.6	257 227.4
Private Sector	155 376.6	163 411.9	167 792.6	187 366.6	202 280.2	215 392.1	224 852.5	224 361.5	222 893.5
Public Sector	28 521.8	31 663.2	27 054.4	28 607.0	30 840.7	30 775.4	34 294.2	34 979.1	34 333.9
Public Sector Securities	64 883.9	63 495.2	60 352.7	62 265.7	58 867.3	57 691.2	55 571.9	57 421.5	67 770.7
Cheques in the Process of Collection	5 177.6	6 146.8	4 005.5	6 013.2	4 936.6	2 425.2	5 863.5	3 466.2	5 347.4
Other Assets	42 101.0	41 412.7	41 226.8	43 998.4	44 419.4	49 080.1	46 125.9	43 702.8	42 360.0
Liabilities	**471 604.9**	490 987.8	**496 030.6**	**519 204.9**	**533 049.2**	**548 341.6**	**572 720.3**	**573 621.9**	**571 869.5**
Deposits	308 182.3	321 158.7	**321 588.7**	322 095.9	327 776.0	333 960.0	353 880.5	352 625.7	351 676.2
Local Currency	188 681.1	198 395.7	**196 044.3**	199 675.1	205 462.6	205 487.7	210 182.7	206 226.6	209 891.2
Foreign Currency	119 501.2	122 763.0	**125 544.4**	122 420.8	122 313.4	128 472.3	143 697.8	146 399.1	141 785.0
Foreign Liabilities	61 469.2	61 298.0	**66 811.5**	79 532.3	79 180.9	88 460.5	91 717.1	91 027.4	82 475.3
Discounts & Advances from BOJ	178.3	33.4	**430.8**	203.2	53.3	197.1	93.6	99.8	411.6
Loans/Advances from Other Institutions	6 082.5	5 137.5	**5 594.6**	5 051.8	5 164.8	5 456.1	9 032.4	10 642.6	12 217.8
Cheques in the Process of Payment	4 024.0	5 5234.0	**6 329.3**	4 574.3	4 583.3	7 900.8	4 388.8	4 200.7	5 431.2
Other Liabilities	91 668.6	97 836.2	**95 275.7**	107 747.4	116 290.9	112 367.1	113 607.9	115 025.7	119 657.3

P - preliminary ; r - revised

F. INTERNATIONAL INDICATORS

1

LONDON INTERBANK OFFER RATE–LIBOR
(End- of-Period)

	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
2003/2004				
June	1.1620	1.1225	1.0815	1.0944
September	1.1200	1.4246	1.1856	1.3525
December	1.1326	1.1670	1.2274	1.4688
March	1.0923	1.1122	1.1585	1.3251
2004/2005				
June	1.3687	1.6100	1.9400	2.4625
September	1.8400	2.0200	2.1963	2.4825
December	2.3890	2.4959	2.7069	3.0109
March	2.6464	2.8335	3.0700	3.4237
2005/2006				
June	3.2498	3.4263	3.6131	3.8135
September	3.7779	3.8981	4.0363	4.1951
December	4.3622	4.4910	4.6662	4.8357
March	4.7604	4.9203	5.0527	5.1867
2006/2007				
June	5.2301	5.3673	5.4759	5.5772
September	5.3300	5.3898	5.4249	5.4101
December	5.3219	5.3600	5.3700	5.3294
March	5.3199	5.3462	5.3132	5.1969
2007/2008				
June	5.3200	5.3600	5.3863	5.4256
September	5.5572	5.5424	5.3916	5.0865
December	4.6000	4.7025	4.5963	4.2238
March	2.7031	2.6881	2.6143	2.4862
2008/2009				
June	2.4625	2.7831	3.1088	2.4862
September	3.9263	4.0525	3.9813	3.9625
December	0.4360	1.4250	1.7500	2.0040
March	0.5320	1.2670	1.8270	2.1170
2008/2009				
June	0.3090	0.5950	1.1110	1.6060
September	0.2456	0.2869	0.6288	1.2638

2

LONDON MONEY RATES – INTERBANK STERLING (End- of-Period)	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
2005/2006				
June	4 27/32 – 4 11/16	4 25/32 – 4 5/8	4 23/32 – 4 9/16	4 19/32 – 4 13/32
September	4 19/32 – 4 15/32	4 19/32 – 4 15/32	4 9/16-4 7/16	4 7/16 – 4 13/32
December	4 21/32 – 4 17/32	4 5/8 – 4 17/32	4 19/32-4 15/32	4 9/16 – 4 15/32
March	4 19/32 – 4 ½	4 5/8 – 4 17/32	4 11/16 – 4 9/16	4 25/32 – 4 11/16
2006/2007				
June	4 11/16 – 4 19/32	4 ¾ – 4 21/32	4 13/16 – 4 23/32	5 – 4 29/32
September	4 15/16 – 4 7/8	5 1/16 – 5	5 3/16 – 5 3/32	5 9/32 – 5 7/32
December	5 1/32 – 5 ¼	5 5/16 – 5 7/32	5 13/32 – 5 5/16	5 17/32 – 5 7/16
March	5 15/32 -5 13/32	5 5/8-5 17/32	5 ¾-5 21/32	5 7/8-5 25/32
2007/2008				
June	5 92/100- 5 95/100	6 1/100 - 5 93/100	6 14/100 – 6 6/100	6 33/100 – 6 23/100
September	6 8/100 – 6 18/100	6 25/100 – 6 8/100	6 25/100 – 6 15/100	6 18/100 – 6 8/100
December	6 4/100 – 5 24/25	6 2/100 – 5 47/50	5 97/100 – 5 91/100	5 ¾ – 5 67/100
March	5 70/100- 5 79/100	5 94/100 - 6	5 90/100 – 5 98/100	5 74/100 – 5 84/100
2007/2009				
June	5 40/100- 5 51/100	5 86/100 - 5 95/100	6 5/100 – 6 17/100	6 36/100 – 6 45/100
September	5 90/100- 6	6 18/100- 6 28/100	6 25/100 – 6 35/100	6 35/100 – 6 45/100
December	2 5/100-2 5/100	2 68/100- 2 78/100	2 85/100 – 2 85/100	3 00/100 - 3 10/100
March	95/100 -1 05/100	1 60/100 – 1 70/100	1 85/100 - 1 95/100	2 06/100 – 2 16/100
2009/2010				
June	34/100 - 64/100	1 14/100 - 1 14/100	1 38/100 - 1 48/100	1 69/100 - 1 79/100
September	35/100 – 50/100	35/100 – 55/100	50/100 – 77/100	85/100 - 1 25/100

3

PRIME LENDING RATES (End- of-Period)	EURO-ZONE	UNITED STATES			UNITED KINGDOM
	Repo rate	Fed Funds Rate	Discount Rate	Prime Rate	Repo rate
2004/2005					
September	2.00	1.75	2.58	4.75	4.75
December	2.00	2.25	3.15	5.25	4.75
March	2.00	2.75	3.58	5.50	4.75
2005/2006					
June	2.00	3.25	4.01	6.00	4.75
September	2.00	3.75	4.59	6.75	4.50
December	2.25	4.25	5.15	7.25	4.50
March	2.50	4.75	5.53	7.75	4.50
2006/2007					
June	2.75	5.25	6.02	8.25	4.50
September	3.00	5.25	6.25	8.25	4.75
December	3.50	5.25	6.25	8.25	5.00
March	3.75	5.25	6.25	8.25	5.25
2007/2008					
June	4.00	5.25	6.25	8.25	5.50
September	4.00	4.75	5.25	8.25	5.75
December	4.00	4.25	4.75	7.25	5.50
March	4.00	2.25	2.50	5.25	5.25
2008/2009					
June	4.00	2.00	2.25	5.00	5.00
September	4.25	2.00	225	5.00	5.00
December	2.50	0 – 0.25	0.50	3.61	2.00
March	1.50	0.25	0.50	3.25	0.50
2009/2010					
June	1.00	0.25	0.50	3.25	0.50
September	1.00	0.25	0.50	3.25	0.50

4A

INTERNATIONAL EXCHANGE RATES
US$ vs. OTHER MAJOR CURRENCIES
(Currency/US$)
(End- of-Period)

	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep -09
US$ vs. Sterling	0.5041	0.5037	0.5024	0.5618	0.6843	0.6993	0.6079	0.6249
US$ vs. Canadian $	0.9881	1.0279	1.0186	1.0599	1.2246	1.2602	1.1625	1.0722
US$ vs. Yen	111.73	99.893	106.18	105.99	90.778	99.150	96.393	89.499
US$ vs. Euro	0.6849	0.6328	0.6350	0.7103	0.7184	0.7542	0.7133	0.6835

4B

INTERNATIONAL EXCHANGE RATES
EXCHANGE CROSS RATES
(Sept. 2009)

	GBP	CAN$	US$	Yen	Euro
GBP	1.0000	1.7158	1.6003	143.220	1.0938
CAN$	0.5828	1.0000	0.9327	83.4720	0.6375
US$	0.6249	1.0722	1.0000	89.4990	0.6835
Yen	0.0070	0.0120	0.0112	1.0000	0.0076
Euro	0.9142	1.5686	1.4630	130.930	1.0000

4C

INTERNATIONAL EXCHANGE RATES
STERLING vs. OTHER MAJOR CURRENCIES
(End of Period)

	Jun-08	Sep-08	Dec-08	Mar-09	June-09	Sep-09
Sterling vs. US$	1.9906	1.7971	1.4859	1.4168	1.6449	1.6003
Sterling vs. Canadian $	2.0276	1.9015	1.8342	1.791	1.9122	1.7158
Sterling vs. Yen	211.36	191.53	135.67	138.65	158.56	143.22
Sterling vs. Euro 1/	1.2640	1.2535	1.1040	1.0862	1.1733	1.0938

5A

WORLD COMMODITY PRICES KEY CRUDE OIL PRICES (US$/barrel – f.o.b.) (Period Averages)							
	Mar-08	**Jun -08**	**Sep-08**	**Dec-08**	**Mar-09**	**June-09**	**Sep -09**
North Sea Brent	103.28	133.05	99.06	41.58	46.84	68.62	67.69
West Texas Intermediate	105.48	133.93	103.94	41.44	48.06	69.70	69.47

5B

WORLD COMMODITY PRICES FOOD (Period Averages)							
	Mar-08	**Jun-08**	**Sep-08**	**Dec-08**	**Mar-09**	**June-09**	**Sep -09**
Wheat **(**US$/mt**,** Hard Red Winter**)**	440.17	348.55	294.46	220.14	230.95	255.07	190.45
Coffee (USc/kg Arabica brand)	328.97	322.21	315.86	262.13	283.34	330..23	327.45

6

MAJOR STOCK MARKET INDICES (End- of-Period)							
	Mar-08	**Jun-08**	**Sep-08**	**Dec-08**	**Mar-09**	**June-09**	**Sep -09**
TOKYO							
Nikkei Index	12525.54	13481.38	11259.86	8859.56	8109.53	9958.44	10133.23
NEW YORK							
Dow Jones Industrials	12295.29	11350.01	10850.66	8776.39	7608.92	8447.00	9712.28
S & P Composite	1325.52	1280.0	1166.36	903.25	797.87	919.32	1057.08
LONDON							
Financial Times SE 100	5702.1	5625.9	4902.45	4434.17	3926.14	4249.21	5133.90
FRANKFURT							
Dax Index	6418.32	5831.02	6145.00	4810.20	4084.76	4808.64	5675.16

Glossary

***Amortization**:* The repayment of a loan in installments over an agreed period of time.

Base Money: The sum of notes and coins held by the public and the cash reserves of commercial banks (including both their holding of cash and their deposits at the central bank). The monetary base is the operating target used in the BOJ monetary policy framework and can be controlled through open market operations.

Bond Market: The domestic bond market primarily captures debt instruments offered by the Central Government to fund its budgetary needs.

Cash Reserve Requirement: The requirement by law that a percentage of deposit liabilities of deposit-taking institutions must be held as interest free deposits at the Central Bank.

Core Inflation: Also called ***Underlying Inflation***. It is that part of overall inflation that can be attributed to changes in base money. Central Banks typically try to control core inflation because there are some parts of inflation that are outside of their control. One example of this is the effect of changes in oil prices.

Credit: Loans extended by banks, building societies and other financial institutions.

Exchange rate (nominal): The number of units of one currency offered in exchange for another. For example a Jamaica dollar/United States dollar exchange rate of 'forty two dollars to one' indicates that forty-two Jamaican dollars are needed to obtain one United States dollar.

Exchange rate pass-through: The effect of exchange rate changes on one or more of the following: import and export prices, consumer prices, investments and trade volumes.

Foreign exchange cash demand/supply: The amount of foreign exchange purchased by market participants from the authorized dealers and cambios, while ***cash supply/inflows*** is the amount sold to the Bank of Jamaica, authorized dealers and cambios by market participants, private institutions and multilateral agencies.

Financial Programme: An integrated system of macroeconomic accounts and behavioural relationships defining the set of monetary, fiscal and exchange rate policy measures designed to achieve specified macroeconomic targets.

***Financial Asset**:* An instrument issued by an institution (e.g. BOJ) that provides economic benefits, by (1) generating interest income or net profits and (2) acting as a store of value. These benefits are created through a formal/informal borrowing/lending relationship. Most common types of financial assets are money and credit.

Fiscal deficit: The excess of the Government's expenditure over its revenue for a given period of time.

Fiscal Year: The twelve months beginning in April. Thus fiscal year 2000/2001 refers to the period April 2000 to March 2001.

Government Securities: Debt instruments issued by the Ministry of Finance either to bridge timing gaps between revenue and expenditure or to cover any excess of expenditure over revenue. These securities include short-term instruments such as Treasury Bills and more long term ones like Local Registered Stock, or Debentures.

Gross Domestic Product (GDP)*:* This is the total value of all goods and services produced within an economy over a particular time period –either a year or three month.

Inflation: refers to the change in the general price level. In Jamaica, this is derived as the change in the Consumer Price Index (CPI) calculated and published by the Statistical Institute of Jamaica.

Intermediate Target: An intermediate target of policy. e.g. the money supply or the exchange rate, has three main characteristics.
It is not directly determined by the Central Bank,
It responds, however, to a stimulus that the Central Bank can vary, and
Its behaviour should to be closely related to the ultimate target-inflation.

Jamaica Central Securities Depository (JCSD): The Principal function of the JCSD is to provide for relatively risk-free settlement of share transactions. It accomplishes this by employing an electronic, book-entry system for registering changes of ownership of securities which eliminates the need for physical certificates. The JCSD also provides vaulting facilities for the safekeeping of certificates.

Liquid Asset*:* An asset is considered liquid if it can be easily and with little or no loss converted to cash. The liquid assets of commercial banks in Jamaica include notes and coins, short-term deposits at the Bank of Jamaica, GOJ Treasury Bills, Local Registered Stock maturing within 270 days and any GOJ security designated by the Ministry of Finance.

Money: Anything that is generally accepted in exchange for goods and services and for the payment of debt. (e.g. example, notes and coins.). Hence money is said to be a medium of exchange. Money also serves as a means of storing wealth as well as a standard of and unit of accounting for financial values and flows.

Money Supply**:** This is the stock of instruments or assets formally designated as money in a particular economy. There are alternative measures of money supply both within and between countries. In Jamaica, the measurements of money that are calculated and published are:
M1: Notes and coins in circulation + Demand Deposits
M2: M1+ Time and savings deposits
M3: M2 + Other Deposits.
A 'J' indicates that the components are Jamaican dollar liabilities only and an '*' indicates that the components also include foreign currency liabilities of the banking system.

Monetary Base**: See *Base Money***

Monetary policy framework: This defines the transmission process through which policy actions taken by the Central Bank make an impact on the final target - inflation. The components of a monetary policy framework are policy instruments, operating targets, intermediate targets, and the ultimate goal/objective.

Monetary Policy Instruments: These are instruments used by the Central Bank to influence the money supply and credit. They include open market operations and the reserve requirement ratio.

Open Market Operations (OMO): Money market trading between the Bank of Jamaica and authorized dealers with the intention of influencing money and credit in the financial system. OMO involves outright sale or purchase of GOJ securities from the stock of securities held by BOJ, and/or repurchase and reverse repurchase transactions.

Operating Rate*:* The percentage of total production capacity of some entity, such as a country or a company that is being utilized at a given time.

Operating Target: An operating target of policy e.g. the monetary base and interest rates, is influenced directly by the Central Bank and is adjusted by the Bank in order to bring about the desired impact on its policy target.

***Primary Dealer (PD*)**:** The set of intermediaries through which BOJ conducts open market operations. In developed country markets, PD’s underwrite government issues as well as participate in block transactions with the central bank.

Public Sector Entities (PSE) Foreign Exchange Facility: A foreign exchange surrender facility for public sector entities which seeks to centralize foreign currency demand. Under this facility Commercial Banks, Authorized Dealers and Cambios agreed to surrender amounts in addition to the pre-existing requirements (see **Monetary Developments**).

Real Appreciation: An increase in the volume of foreign goods that can be bought with a unit of domestic currency; alternatively it is a decrease in the volume of domestic goods that can be purchased with a unit of foreign currency. Thus, a real appreciation makes exports less attractive and imports relatively cheaper. This may ensue from a nominal appreciation, which is the rise in the unit price of the currency, or a greater increase in domestic prices relative to foreign prices, or both.

Real Exchange Rate**:** The price of one country's currency in terms of another, adjusted for the inflation differential between the countries.

Real interest rate: This represents the rate of return on assets after accounting for the effects of inflation on the purchasing power of the return. It is calculated by adjusting the nominal interest rate by the inflation rate.

Repurchase Agreement (repo)**:** The purchase of a security from a primary dealer who agrees to repurchase the same at a specified rate and an agreed future date.

Reserve Requirement: refers to the portion of deposit liabilities that financial institutions may not lend and have to retain either as liquid assets or on deposit at the Bank of Jamaica.

Reverse Repurchase Agreements: An agreement whereby the Central Bank sells a security that it owns and agrees to buy back same at a specified rate at an agreed future date.

Securities**:** Legal documents giving title to property, or claim on income e.g. bonds and stocks.

Signal Rate: Interest rate on Bank of Jamaica's thirty-day reverse repurchase agreements. This rate provides a benchmark for the pricing of all open market instruments negotiated between the BOJ and Primary Dealers.

Statutory Cash Reserves**:** That portion of deposit liabilities of deposit-taking institution, which by a statutorily based stipulation, must be held as interest free deposits at the Central Bank.

Sterilization*:* The use of open market operations to prevent intervention in the foreign exchange market from changing the monetary base. With sterilization, any purchase of foreign exchange is accompanied by an equal-value sale of domestic bonds and vice versa.

Time deposit**:** A bank account based on a contractual arrangement between the deposit taking institution and the depositor where both parties agree to a pre-determined interest rate and maturity date, on which deposits earn interest and premature withdrawals from which require advance notice.

Tourism Implicit Price Index: a measure of prices in the Tourism industry as reflected in Tourist spending.

Quasi-Fiscal Costs: The cost to the central bank of sterilizing the liquidity effects of capital inflows.

Quasi-money: Savings Deposits plus Time Deposits.

List of Boxes in the Quarterly Monetary Policy Report