2015

BANK OF JAMAICA

Quarterly Monetary Policy Report

April to June 2015 • Volume 16 • Number 1

Overview

During the June 2015 quarter, the Bank of Jamaica (BOJ) reduced the rate on the 30-day Certificate of Deposit (CD) to 5.5 per cent from 5.75 per cent. This more accommodative monetary policy stance was primarily informed by the significant lowering of inflation expectations as well as the moderation in price increases that resulted from international oil prices, fiscal consolidation and other economic reforms. The reduction in the policy rate which occurred on 17 April 2015 was then followed on 26 May 2015 by a 50 basis points (bps) reduction in the spread on the BOJ lending facilities relative to the 30-day CD rate.

Inflation at end-June 2015 was 4.4 per cent, which was in contrast to the trend decline observed since the September 2013 quarter. This outturn reflected stronger price increases for domestic agricultural commodities as well as a slower pace of decline in the costs associated with energy and transport. Notably, however, core inflation decelerated for the third consecutive quarter. Headline inflation is forecasted to decline at end September 2015 then gradually increase over the second half of the fiscal year to end within the target range of 5.5 per cent to 7.5 per cent, relative to the outturn of 4.0 per cent for FY2014/15.

Real GDP is assessed to have expanded within the range of 0.5 per cent to 1.5 per cent for the June 2015 quarter, the second consecutive quarter of growth. The estimated outturn for the review quarter mainly reflects continued expansion in Mining & Quarrying, Hotels & Restaurants, Transport, Storage & Communication, Construction and Wholesale & Retail Trade. There were, however, estimated declines in Agriculture, Forestry & Fishing reflecting the impact of the intensification of dry conditions which started in the March 2015 quarter. Given the anticipated impact of drought conditions, for FY2015/16 real GDP is forecasted to expand within the range of 1.0 per cent to 2.0 per cent. This projection is contingent on recovery in the mining and manufacturing sectors, assuming there is no recurrence of the production disruptions which occurred in the previous fiscal year. In addition, the economy is projected to continue to benefit from improvements in the business environment, consumer and business confidence as well as continued gains in external competitiveness.

There are nascent indications that inflation expectations are becoming anchored in single digit territory, as businesses, consumers and the Government adjust to the new paradigm of low and stable inflation in the context of low international commodity prices and reduced exchange rate pass-through. The co-existence of a relatively low nominal interest rate environment and positive real rates offers prospects that will support new investments and overall output expansion over the near to medium-term while auguring well for increased private capital inflows. These prospects will be reinforced by the improvements in the sustainability of the current account deficit and the continued decline in the country's risk premium bolstered by the PetroCaribe debt buy-back. This buy-back was facilitated by the Government's recent financing activities on the international capital market. In this regard, the Bank will continue to implement policy actions to support the anchoring of inflation expectations to levels consistent with its near- to medium-term objectives.

Brian Wynter
Governor

CONTENTS

1.0 Inflation 8

Inflation Developments 8
Inflation Outlook & Forecasts 10
Inflation Risks 11

2.0 International Economy 15

Trends in the Global Economy 15

Advanced Economies 16
Commodity Prices 17
International Financial Markets 19
The Implications for the Jamaican Economy 20

3.0 Jamaican Economy 21

Real Sector Developments 21
Aggregate Supply 21
Aggregate Demand 24
Real Sector Outlook 25

Monetary Policy, Money and Financial Markets 26

Monetary Policy 26
Financial Markets 27
Exchange Rate 27
Equities 28
Private Sector Credit and Lending Rates 30
Money 32

Box: Credit Conditions Survey 33
Fiscal Developments 36
Box: Jamaica's Macroeconomic Programme under the EFF 39

4.0 Implications for Monetary Policy 40

Main Policy Considerations 40
Prices and Output 40
Expectations 40
Financial Markets 40
Monetary Targets 41
Box: Monetary Policy Transmission 41
Monetary Policy 42

Additional Tables 43
Glossary 58
List of Boxes 60

1.0 Inflation

Inflation increased marginally for the June 2015 quarter relative to the March 2015 quarter. This increase mainly reflected higher prices among agricultural food items as well as a moderation in the pace of decline in energy prices.Lower price increases among processed food items and services tempered the impact of these changes. Over the next four quarters, the Bank is projecting inflation to remain relatively low and within the range of 5.5 per cent to 7.5 per cent. This forecast is largely predicated on the continued lagged impact of declines in international commodity prices, which is anticipated to dissipate over the second half of the fiscal year. There is also expected to be a gradual improvement in domestic demand over this period. Adverse weather conditions remain the main upside risk to inflation over the next four quarters. The downside risks largely relate to lower than anticipated international commodity prices and weaker than expected domestic demand conditions. Given these factors, the near term risks to the forecast are considered to be balanced.

Inflation Developments

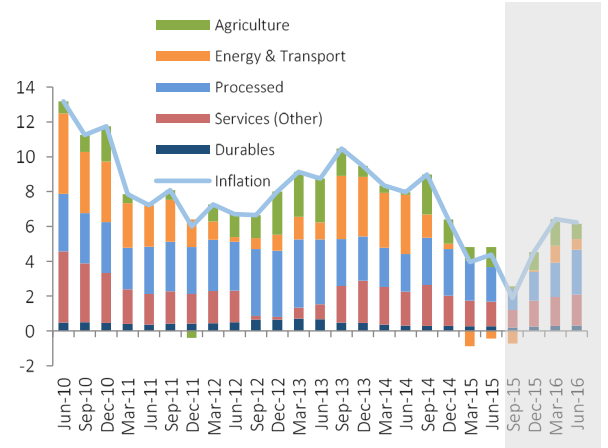
At end-June 2015 headline inflation was 4.4 per cent relative to 4.0 per cent at the end of the preceding quarter. The outturn was below the target range of 5.5 per cent to 7.5 per cent for the current fiscal year (see **Table 1** and **Box 1**). The slight uptick in inflation in the review quarter was in contrast to the trend decline since the September 2013 quarter. Headline Inflation at end-June reflected stronger price increases for domestic agriculture commodities, largely due to dry conditions which started in the March 2015 quarter. There was also a slower rate of decline in costs associated with energy and transport. Notably, the cost for processed foods and services increased at a slower pace relative to the previous quarter (see **Figure 1**). With respect to core inflation, the outturn was 4.8 per cent, decelerating for the third consective quarter.

Table 1 Inflation and Major Components (Annual point-to-point per cent change)

	Headline	Core*	FNB**	HWEG**
Jun-14	8.0	*6.1*	*5.9*	*9.3*
Sep-14	9.0	*6.7*	*12.5*	*6.2*
Dec-14	6.4	*6.0*	*10.1*	*-2.0*
Mar-15	4.0	*5.5*	*7.9*	*-9.5*
Jun-15	4.4	*4.8*	*7.8*	*-7.5*
FY15/16	*5.5-7.5*			

Source: STATIN & BOJ
Notes: [*] Core inflation represents that portion of headline inflation that excludes the influence of agriculture and energy related services such as electricity and transport. [**] FNB (*Food & Non-Alcoholic Beverages)* and HWEG *(Housing, Water, Electricity Gas & Other Fuels)* are major components of the Consumer Price Index (CPI) basket.

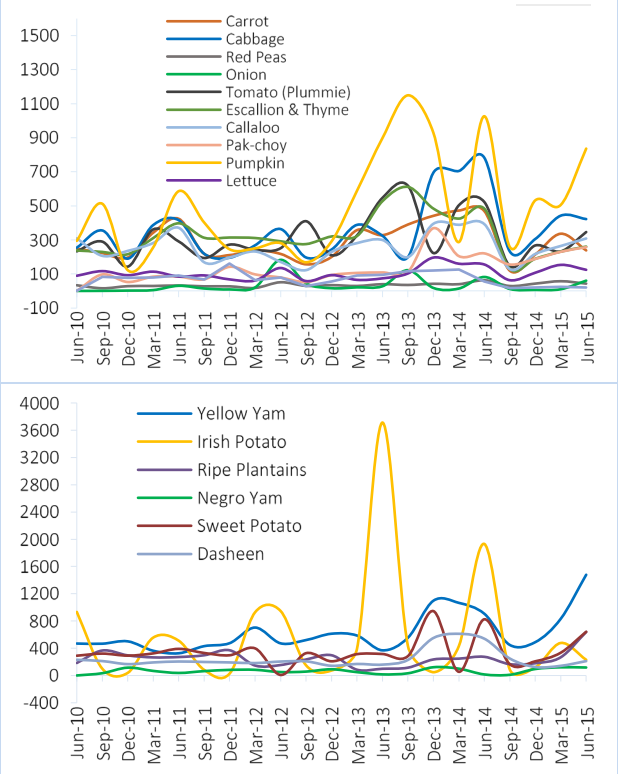
Figure 1 Component Contributions to Inflation (Annual point-to-point per cent change)



Source: STATIN & BOJ

In the context of the prevailing dry conditions, there were contractions in the supplies of some domestic agriculture commodities (see **Figure 2**). Consequent on the decline in supplies, the CPI reflected noticeable increases in the prices of vegetables and starchy foods over the review quarter.

Figure 2 Estimated Vegetable & Starchy Foods Supplies (Tonnes)

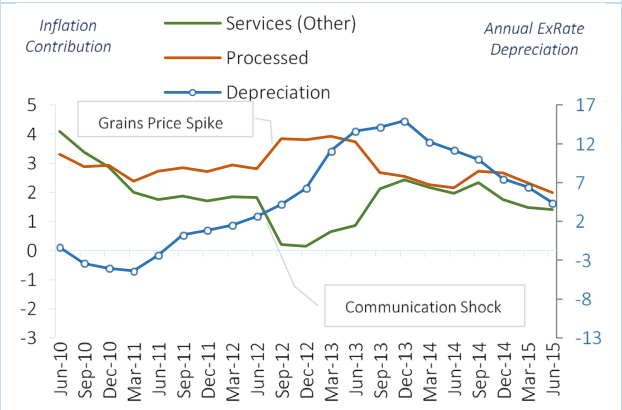


Source: RADA

Inflation among processed foods moderated for the third consecutive quarter, largely reflecting the slower pace of exchange rate depreciation as well as declines in international grains prices. These factors contributed to a reduction in chicken prices by the two major distributors. Notwithstanding the moderation in processed foods inflation, this category was the largest contributor to inflation for the review quarter (see **Figures 1** and **4**).

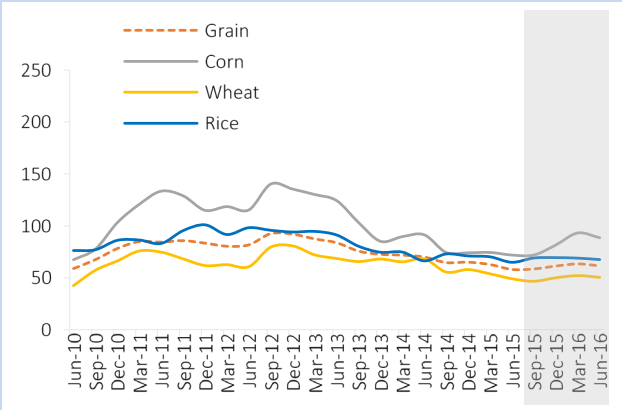
There was a deceleration in the cost of other services for June 2015 quarter, continuing the trend observed since the December 2013 quarter. This slowdown reflected the impact of continued weak domestic demand as well as the moderation in annual depreciation of the domestic exchange rate (see **Figure 3**).

Figure 3 Inflation from Processed Foods and Non-Energy Services relative to annual depreciation (per cent)



Source: Bank of Jamaica
Exchange rate depreciation up to one year (4-quarters) in the past has displayed a positive correlation with processed food inflation and other services inflation (non-energy related). With respect to non-energy related services there was a correlation of 0.72 at a lag of four (4) quarters. When matched against inflation from processed foods, exchange rate depreication reflects its largest correlation of 0.56 which occurred within three (3) months.

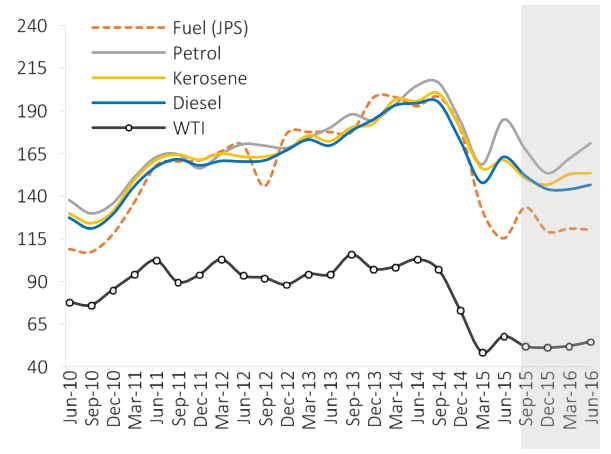
Figure 4 Imported Agriculture Price Indices (Base year = March 2008)



Source: Bloomberg & BOJ Calculations
Grain prices represent a weighted average of wheat, corn and rice.

Declines in the prices of electricity and fuel resulted in deflation related to energy and transport for the June 2015 quarter. These declines largely reflected the continuing impact of the sharp reduction in crude oil prices. Of note, was a moderation in the pace of decline in energy prices as there was a slight increase in crude oil price during the quarter (see **Figure 5** and **International Economy**).

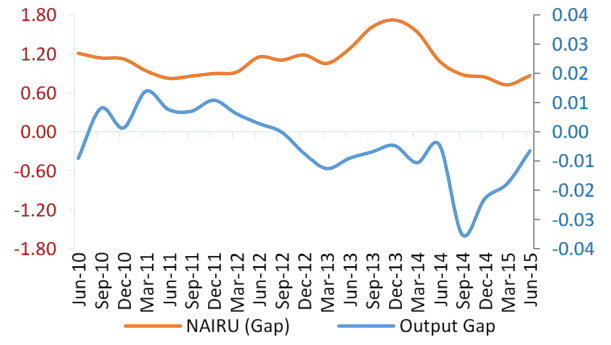
Figure 5 Energy Price Indices
(Base year = March 2008)



Source: Bank of Jamaica

Similar to the previous eleven quarters, there were no pressures on inflation from capacity utilization and the labour market during the June 2015 quarter (see **Figure 6**). Specifically, the output gap remained negative for the June 2015 quarter. Additionally, the gap between the unemployment rate and the Non-Accelerating Inflation Rate of Unemployment (NAIRU) implied no inflationary pressures from the labour market. Against this background, there were no inflationary pressures from factor prices, in particular wages during the quarter.

Figure 6 Output Gap and Gap between Unemployment and NAIRU



Source: Bank of Jamaica
The above chart presents the output gap, the gap between actual output and potential, and the NAIRU gap, the gap between Unemployment and the Non-Accelerating Inflation Rate of Unemployment (NAIRU). When output is below potential (negative output gap) inflationary pressures are negative due to economic slack. When unemployment exceeds the NAIRU (positive NAIRU gap), there is also slack in the labour market contributing to low wages and by extension, low inflationary pressures.

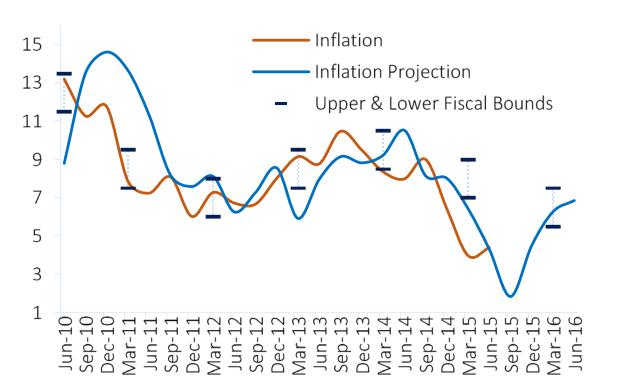
Inflation Outlook & Forecasts

For FY2015/16 inflation is projected to be within the target range of 5.5 per cent to 7.5 per cent. Notwithstanding, the forecast for the fiscal year inflation is projected to decline for the September 2015 quarter. This projected decline is mainly predicated on the non-reccurrence of a hike in transportation cost in the quarter. Additionally, the continued lagged impact of declines in the prices of crude oil and international grains should contribute to a moderation in inflation. In addition, inflation from domestic agricultural commodities is projected to have a weaker impact on headline inflation relative to the September 2014 quarter. This is in the context where the current drought conditions are not expected to have as severe an impact as in the September 2014 quarter. Seasonal increases in demand associated with back-to-school preparations are expected to contribute to inflation in the quarter.

The prices of international commodities, particularly crude oil, are expected to show some reversals starting in the March 2016 quarter, contributing to an increase in inflation over the short term. The forecast for inflation over the next four quarters also incorporates adjustments to the National Minimum Wage and the cost of some services such as insurance premiums.

With regard to the output gap, there is projected to be continued narrowing over the near term albeit remaining negative. In this regard, limited inflationary pressures are expected from demand conditions. Similarly, growth in the monetary aggregates continue to pose no significant threat to inflation over the short term (see **Monetary Developments**). Additionally, continued low inflation expectations, as revealed in the Bank's most recent Inflation Expectations Survey (IES) of businesses, should assist in tempering price

Figure 7 Inflation Forecast Performance
(Annual Inflation forecast for each fiscal year)



Source: Bank of Jamaica
The graph reflects how well the Bank's forecasts of inflation compare to the actual inflation outturn for each quarter ahead. Fiscal year targets are also provided to indicate what the targets were at any given point in time.

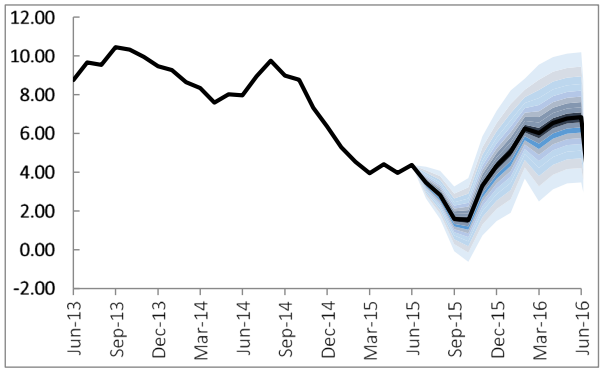
increases (see **Box 1.1**).

Inflation over the medium-term is projected, on average, to be within the target range of 4.5 per cent to 6.5 per cent. This projection is predicated on the forecast for relatively stable international commodity prices, a strengthening in domestic economic growth and the impact of continued fiscal discipline and a supportive monetary policy stance.

Inflation Risks

The upside risks to inflation over the next four quarters include adverse weather conditions and a reversal in inflation expectations in a context of higher than expected wage settlements. In addition, higher than projected international commodity prices is an upside risk. The downside risks relate to lower than anticipated international commodity prices and weaker domestic demand conditions. In light of these factors, the near-term risks to this forecast are considered to be balanced (see **Figure 8**).

Figure 8 Inflation Fan
(Annual Inflation forecast)



Source: Bank of Jamaica

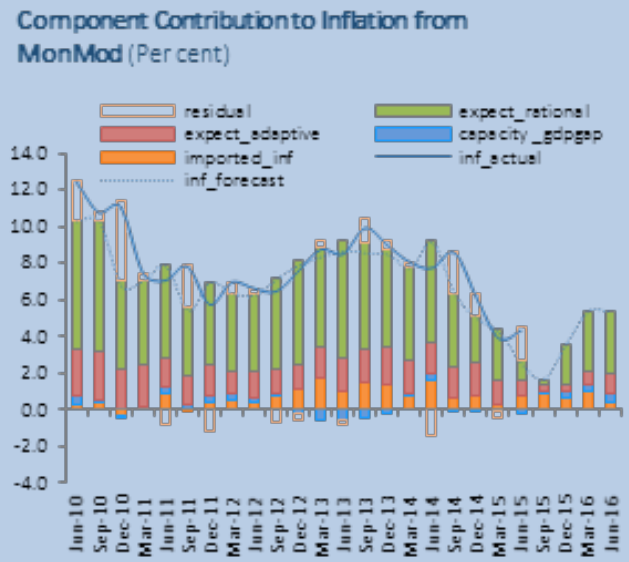
Box 1.0: BOJ's Macroeconomic Model (MonMod) Component contribution to Inflation implied by the Phillips Curve

The Bank's Macroeconomic Model (MonMod) evaluates the determination of inflation in the economy using the theoretical underpinnings of a forward looking open economy Phillips Curve. In that regard, the key determinants include (1) the surplus or shortage of aggregate supply (output GAP); (2) the impact of imported inflation and (3) expectations among consumers and businesses. Notably, expectations are modeled as both adaptive (backward looking) and rational (forward looking) (see **Phillips Curve equation** below).

$$\pi_t = \alpha\pi_{t-1} + (1-\alpha)\pi_{t+1} + \beta_1 GAP_t + \beta_2 S_t + \epsilon_t$$

Where π_t is the Inflation rate at a given point in time, GAP_t is the corresponding output gap and S_t is a composite of the exchange rate change and US inflation. Unexplained inflation is captured in ϵ_t.

The Bank's MonMod was reestimated in July 2015 taking into account the inflation outturn of 4.4 per cent for the June 2015 quarter (see **Figure below**). The results from the model suggest inflation would have decelerated further due to continued weak demand conditions evidenced by the negative output gap as well as a moderation in inflation expectations. Imported inflation was, however,



slightly higher during the quarter. In addition, the results showed a substantial increase in the residual for the June 2015 quarter. This result could be primarily attributed to the adverse impact of the dry weather which commenced in the March 2015 quarter.

In the September 2015 quarter, inflation is projected to decelerate, primarily reflecting the impact of reduced inflation expectations. However, inflation over the remaining quarters of FY2015/16 is projected to rebound due to an uptick in inflation expectations and a narrowing in the output gap.

Box 1.1: BOJ's Survey of Businesses' Inflation Expectations

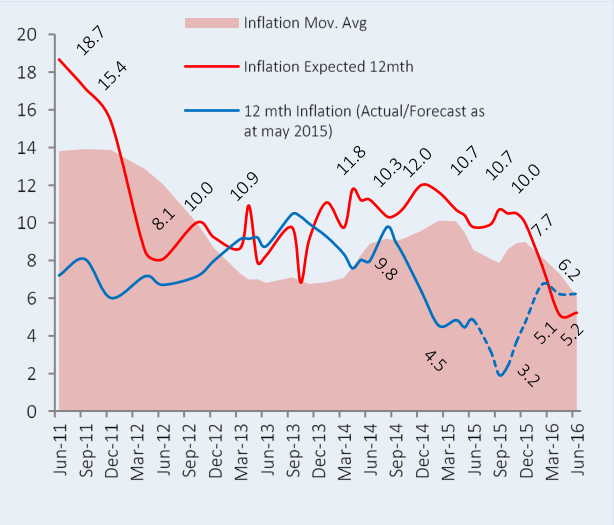
Overview

In the June 2015 quarter, the results from the survey of businesses' inflation expectations showed a slight increase in expected inflation 12 months ahead relative to the survey in the March 2015 quarter. However, the perception of inflation control improved relative to the previous quarter, continuing the upward trend observed since the March 2014 quarter. With regard to the exchange rate, respondents expected marginally slower depreciation over the 3-month and 6-month horizons, but a faster pace of depreciation over the 12-month horizon. Nonetheless, the majority of businesses surveyed believed that the Bank's OMO rate will remain the same over the next three months. Relative to the March 2015 quarter, the perception of present business conditions improved, while there was a marginal deterioration in the perception of future business conditions. Notwithstanding, since the June 2013 quarter, perceptions of both present and future business conditions have generally trended upwards.

Inflation Expectations

In the June 2015 quarter survey, there was a marginal increase in the expected inflation for CY2015 to 7.2 per cent from the 7.1 per cent that was recorded in the March 2015 survey. Expected inflation for the calendar year remained above the BOJ's forecast. Respondents' expectation of inflation 12 months ahead also increased marginally to 5.2 per cent in the survey for the June 2015 quarter from 5.1 per cent recorded in the previous quarter (see **Figure 1**). Notably, respondents expectation of inflation for the June 2016 quarter remained below the Bank's forecast for that period

Figure 1: Expected 12-Month Ahead Inflation

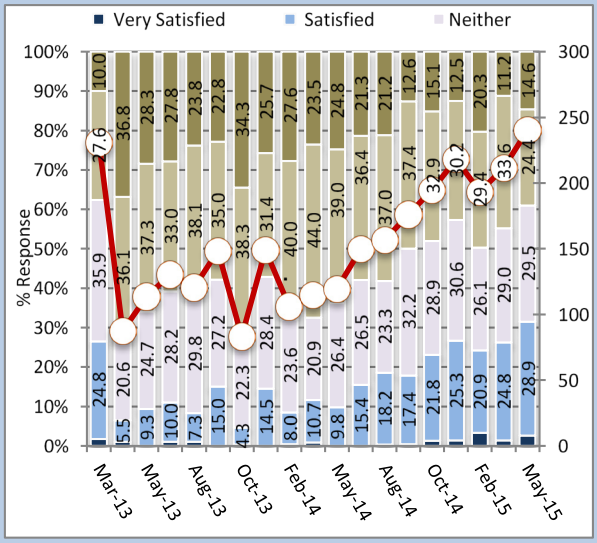


Perception of Inflation Control

The index of inflation control increased to 240.3 from 193.5 in the March 2015 quarter (see **Figure 2**). This result mainly reflected an increase in the number of respondents who were 'satisfied' with

Figure 1: Perception of Inflation Control

Question: How satisfied are you with the way inflation is being controlled by the Government?



Source: Bank of Jamaica's Inflation Expectations Survey
Notes: The Index of inflation control is calculated as the number of satisfied respondents minus the number of dissatisfied respondents plus 100

the authorities' control of inflation. Additionally, there was a decline in the number of respondents who were 'dissatisfied'.

Table 1: Exchange Rate Expectations

Question: In January 2015 the exchange rate was J$115.81=US$1.00. What do you think the rate will be for the following time periods ahead, 3 months, 6 months and 12 months?

	Sep-14	Dec-14	Mar-15	Jun-15
3 Months	1.3	1.4	1.7	1.0
6 Months	2.2	2.1	3.0	1.5
12 Months	3.2	3.0	3.8	4.3

Source: Bank of Jamaica's Inflation Expectations Survey.
Note: the survey responses to question have been converted to per cent change.

Exchange Rate Expectations

Relative to the survey in the March 2015 quarter, respondents expected a moderation in the pace of depreciation over the 3-month and 6-month time horizon, but a faster pace of depreciation over the next 12 months (see **Table 1**).

Interest Rate Expectations: OMO Rate

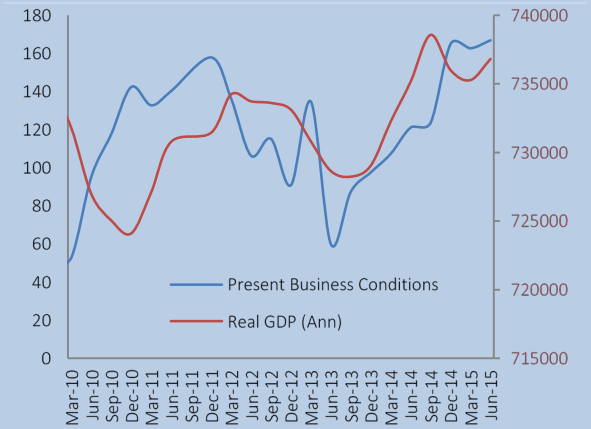
The expected 180-day Treasury Bill (T-Bill) rate, three months hence, declined to 6.6 per cent from 7.3 per cent reported in the March 2015 survey. This expectation was slightly below the actual 180-day T-Bill rate of 6.7 per cent for May 2015.

Perception of Present and Future Business Conditions

In the most recent survey, the perception of present business conditions improved, while there was a marginal deterioration in the perception of future business conditions when compared to the March 2015 survey. Notwithstanding, since the June 2013 quarter, perceptions of both present and future business conditions have generally trended upwards (see **Figures 3** and **4**).

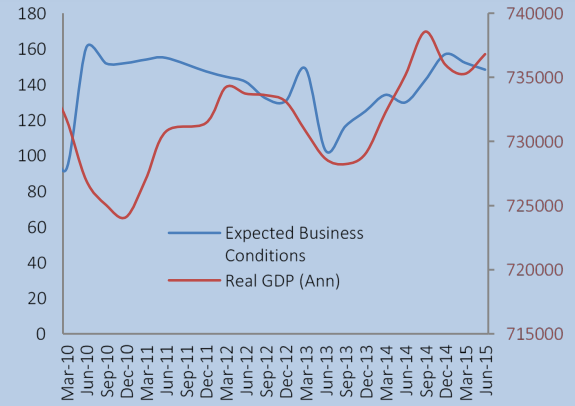
Figure 3: Present Business Conditions and Real GDP growth

(Index- LHS and Per cent – RHS)



Source: Bank of Jamaica's Inflation Expectations

Figure 4: Future Business Conditions and Real GDP growth (Index)



Source: Bank of Jamaica's Inflation Expectations Survey
Note: Rates on foreign currency personal loans were not collected.

Expected Increase in Operating Expenses

Respondents continued to indicate that they expect the largest increase in production costs over the next 12 months to emanate from higher costs for utilities. The cost of stock replacement was expected to be the second largest contributor to higher production costs over the next 12 months. Also, the cost of raw materials was expected to contribute to higher production costs for the year ahead. Wages & salaries continued to be the input cost least expected to increase over the next 12 months.

2.0 International Economy

For the June 2015 quarter, growth in the world economy is estimated to have strengthened relative to the March 2015 quarter. This stronger growth mainly reflected a normalization of production in the USA following the adverse transitory factors in the previous quarter. In addition, there was an improvement in the Euro area due to the impact of the implementation of expansionary measures by the central bank in the previous quarter. With respect to commodity prices, continued over-supply of grains contributed to lower agricultural prices while a decline in US fuel inventories led to a reversal in the downward trend in crude oil prices. In the financial markets, reduced demand for safe haven assets, such as US Treasury bonds, led to higher yields. In contrast, the yield on GOJ global bonds continued the downward trend observed since December 2013. The re-emergence of adverse developments in Greece towards the end of the quarter had a minimal impact on financial markets for the quarter.

Trends in the Global Economy

The forecast for global economic output for 2015 was revised downwards in the context of the less than favourable performance of the economies of the USA and Canada in the first quarter, the impact of which was partially offset by stronger growth in the Euro area and Japan (see **Table 2**). World growth is estimated to have accelerated in the June quarter, largely reflecting an uptick in real GDP growth in the USA and the Euro area. Stronger growth in these economies was partly reflective of the normalization in production following the negative impact of transitory factors in the previous quarter. This acceleration in growth led to improved labour market conditions, which was evidenced in a general decline in the unemployment rate for the quarter (see **Table 3**). With respect to inflation, increased consumer spending, coupled with higher global crude oil prices during the quarter, resulted in an acceleration in the twelve-month point-to-point rate for several of Jamaica's major trading partners.

In terms of monetary policy measures, the central banks of most major economies maintained an accommodative stance to facilitate growth in the near-term. In particular, the People's Bank of China (PBOC) implemented various expansionary policy measures to stem the slowdown in economic growth. In this regard, the BOJ anticipates that growth in the global economy will gradually accelerate over the forthcoming quarters of 2015 and 2016 (see **Figure 9** and **10**).

Table 2: Overview of Selected Variables (Per Cent)

	2014	2015	
GDP	**Actual**	**Current Forecast**	**Previous Forecast**
World	**3.4**	**3.3**	**3.4**
USA	2.4	2.3	2.8
Canada	2.4	1.3	2.0
Japan	-0.1	1.0	0.8
UK	3.0	2.6	2.6
Euro	0.9	1.5	1.3
China	7.4	7.0	7.0
Inflation			
USA	0.8	0.9	1.0
Canada	1.5	1.4	1.7
Japan	2.4	0.8	1.8
UK	0.5	0.9	1.4
Euro	-0.2	0.8	0.8
China	1.5	2.5	2.6

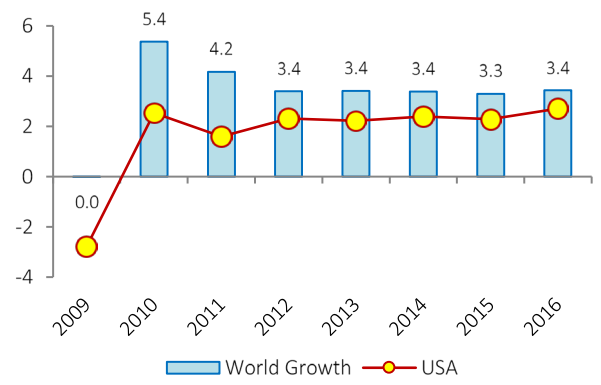
Source: Bank of Jamaica and Bloomberg
Previous Forecast as at 22 Apr 2015

Table 3: Unemployment Rate for Selected Economies
(Quarterly Average Per Cent)

	USA	Canada	Euro
Jun-2014	6.2	7.0	11.6
Sep-2014	6.1	6.9	11.5
Dec-2014	5.7	6.6	11.5
Mar-2015	5.5	6.7	11.2
Jun-2015	5.3	6.8	11.1

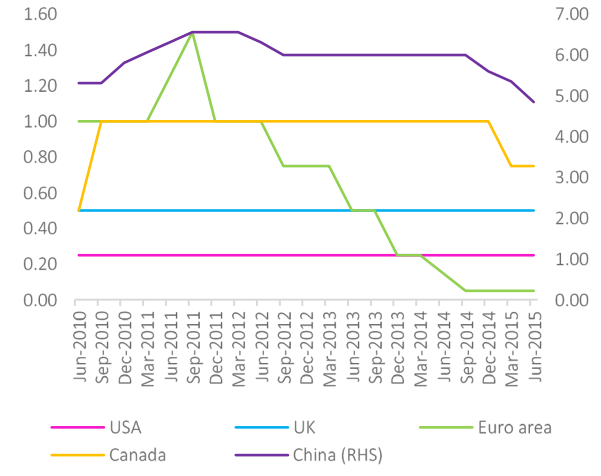
Source: Official statistics offices

Figure 9: Global Economic Growth



Source: Bank of Jamaica

Figure 10: Policy Interest Rates, monthly data (Per Cent)



Source: Bloomberg

Advanced Economies

United States of America

For the USA, the first flash estimate of GDP suggests that real output expanded by 2.3 per cent in the June 2015 quarter on an annualized basis, following growth of 0.6 per cent in the previous quarter. The outturn for the review quarter reflected expansions in consumption, net exports and government spending. Specifically, there was an increase in consumer spending stemming from a dissipation of adverse weather conditions in the first quarter and an improvement in the trade balance in the context of a weaker US dollar.

Improvements in the US economy were also evident in labour market conditions, as reflected in a decline of 0.2 percentage point in the unemployment rate to 5.3 per cent relative to the outturn for the March 2015 quarter. The Bank anticipates an increase in employment over the next four quarters which should translate to higher private domestic demand in the USA. Residential construction is also expected to expand as the housing market strengthens amid relatively low mortgage rates. Overall, the Bank is projecting quarterly annualized growth to be within the range of 2.5 per cent to 3.0 per cent over the next four quarters. This should translate to GDP growth of 2.3 per cent and 2.7 per cent for 2015 and 2016, respectively.

In terms of inflation, at end-June 2015, the twelve month change in the consumer price index was 0.3 per cent, in contrast to the deflation of 0.1 per cent at end-March 2015. Nonetheless, the outturn at end-June 2015 remained significantly below the Fed's target rate of 2.0 per cent. The outturn reflected higher prices for food & beverages, medical care and housing relative to a year earlier. In the context of the continued low inflation, the Federal Open Market Committee's (FOMC) monetary policy stance remained accommodative during the June quarter. The Bank is forecasting that inflation in the USA for the next four quarters will be within the range of 0.1 per cent and 0.9 per

cent. This is consistent with the latest projection by the FOMC for inflation to remain below its target.

Euro Area

Real output in the Euro area expanded by 1.42 per cent on an annualized basis, in the review period, following growth of 1.0 per cent in the March 2015 quarter. The estimated outturn for the June quarter reflected the impact of expansionary monetary policy measures implemented by the European Central Bank (ECB) in March 2015 aimed at improving demand conditions in the region.

The Bank anticipates that economic activity in the region will gradually accelerate for the remainder of 2015 as external and domestic demand conditions continue to improve. In light of this, the Euro area is expected to record growth of 1.5 per cent and 1.7 per cent in 2015 and 2016, respectively.

Headline CPI inflation in the Euro area was 0.3 per cent at end-June 2015 in contrast to deflation of 0.1 per cent as at March 2015. This outturn largely reflected the impact of improved demand conditions in the context of the ECB's expansionary monetary policy as well as higher energy costs. The Bank expects inflation to continue to trend below the target rate of 2.0 per cent for the next four quarters.

Japan

Real GDP in Japan contracted by 1.6 per cent on an annualized basis, in the second quarter of 2015, following growth of 4.5 per cent in the March 2015 quarter. The contraction mainly reflected the impact of weak exports to China and the USA as well as poor consumer spending as a result of adverse weather. The slowdown in economic activity resulted in a deceleration in Japan's inflation to 0.4 per cent from 2.3 per cent in the preceding quarter. For the next four quarters, the Japanese economy is projected to grow within the range of 1.3 per cent and 2.0 per cent while CPI inflation is expected to remain subdued.

China

For China, the expansion in real output for the June 2015 quarter remained at 7.0 per cent on an annualized basis, relative to the March 2015 quarter. Growth in the June 2015 quarter, relative to a year earlier, was largely underpinned by increases in retail sales, industrial output, fixed asset investment, services and agriculture.

During the review quarter, the Chinese government implemented measures to support the property sector and initiated a series of reductions in interest rates and bank reserve requirements to boost lending and promote economic activity. Specifically, the PBOC cut its one-year lending rate and one-year deposit rate by 50 basis points (bps) each to 4.85 per cent and 2.0 per cent, respectively, and lowered its reserve requirement ratio by 150 bps in the quarter.[1]

Against this background, the Bank projects that economic growth in China for the next four quarters will be within the range of 6.7 per cent and 7.0 per cent. Inflation is forecast to trend within the range of 1.3 per cent to 3.4 per cent.

Commodity Prices

The average price of West Texas Intermediate (WTI) crude oil deviated from the downward trend that was observed over the previous three quarters, while the price of agricultural raw materials maintained the trend decline (see **Figure 11**). However, on an annualized basis, the prices of both crude oil and agricultural raw materials remained below the levels of the corresponding quarter for 2014.[2]

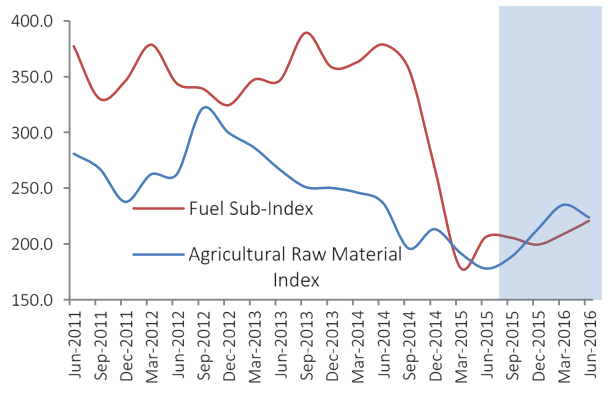
For crude oil, prices increased by 19.2 per cent on a quarterly basis to average US$57.97 per barrel, reflecting the impact of expenditure cuts by crude

1 These measures have facilitated significant investments in China's stock markets.

2 On an annual basis, average WTI crude oil prices declined by 43.7 per cent while agricultural raw material prices fell by 20.9 per cent.

oil producers, which led to a decline in the stock of US crude oil inventories. Further, the impact of a weaker US dollar during the quarter resulted in increased demand for oil and thus higher prices. In spite of the decline in inventories, the market remained oversupplied due to the relatively high levels of production by US producers and selected members of the Organization of the Petroleum Exporting Countries (OPEC).

Figure 11: The Bank's Commodity Price Indices



Sources: Bloomberg, World Bank and BOJ

In terms of agricultural commodity prices, the Bank's agricultural raw material index continued the declining trend observed since the start of 2015. Lower agricultural raw material prices reflected the impact of an over-supplied grains market as favourable weather conditions in the major producing countries continued to contribute to record harvests. With respect to corn, the United States Department of Agriculture (USDA) reported that over the period, late-April 2015 to early-May 2015, the planting of corn occurred at a record pace which raised speculation that supplies could further increase, thus contributing to lower corn prices. Wheat prices remained suppressed during the quarter, impacted by the higher stocks at the beginning of the 2015/16 crop year for the USA, Argentina, the European Union (EU) and a number of Asian producers. Similarly, soybean prices declined reflecting increased planting in Russia as well as the anticipation of higher stocks from the EU and Argentina.

Aluminium prices on the London Metal Exchange (LME) fell by 1.3 per cent for the June 2015 quarter when compared to the March 2015 quarter and by 2.4 per cent when compared to the corresponding period of the previous year.[3] The lower prices were underpinned by excess supplies of the metal in the market, which has been exacerbated by increased production from China. Notably, aluminium production in China, increased by 61.0 per cent for the first four months of the calendar year, given the introduction of low-cost smelters in January 2015.

In terms of the outlook for commodity prices for the next four quarters, crude oil prices are forecast to remain below US$60.00 per barrel, on average. This outlook is influenced by the anticipation of additional supplies stemming from Iran's plans to ramp up exports once sanctions have been removed. In addition, the possible return of a number of oil rigs to drilling activities by crude oil producers in the USA could constrain prices in the near term. While demand for crude oil is expected to increase for the remainder of FY2015/16, consistent with the outlook for stronger growth in some advanced economies, this demand is not expected to outweigh the effect of the projected increase in supplies.

With respect to agricultural commodities, prices over the next four quarters are forecast to increase at a slower pace than previously projected. This is in the context of a general over-supply of grains in the market stemming from plans for increased acreage as well as the impact of favouarble weather conditions in major producing countries.

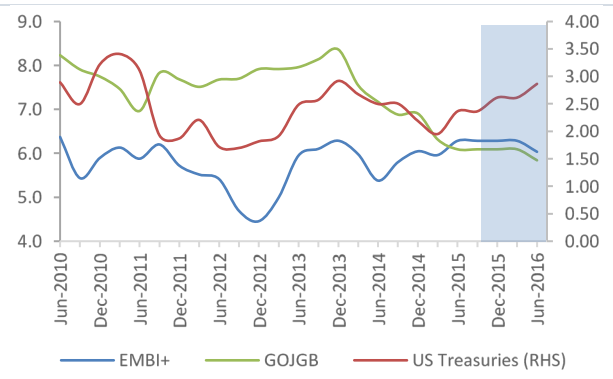
Over the next four quarters, aluminium prices are projected to trend upwards but at a slower pace than previously foreast. This outlook primarily due to the anticipation of increased supplies from China.

3 The price of aluminum is used as a proxy for alumina prices.

International Financial Markets

For the June 2015 quarter, financial markets reflected reduced investor preference for fixed income assets and increased appetite for European equities. Notably, additional stimulus measures by the ECB lured investors to acquire European assets rather than US Treasury bonds (USTBs) and some emerging market instruments, particularly during the first half of the quarter. Demand waned for safe haven assets such as USTBs as economic indicators in the USA pointed to an improvement in the US economy and increased the probability of an upward adjustment to the Fed's target rate in 2015. In this context, the average yield on USTBs rose by 13 basis points (bps) to 1.12 per cent, on a quarterly basis; mainly reflecting higher yields on long-term bonds (see **Figure 12**). Notwithstanding this quarterly increase, the average yield on USTBs was unchanged on an annual basis. In the context of the foregoing, the quarterly spread between the 3-month USD LIBOR and the 3-month USTB (TED spread) increased by 2.8 bps to average 26.1 bps (see **Table 4**).

Figure 12: Selected Average Sovereign Bond Yields
(Per Cent)



Source: Bloomberg

Table 4: Average spread between the 3-month USD LIBOR and the 3-month USTB (TED spread)

Jun - 14	19.1
Sep - 14	21.5
Dec - 14	21.6
Mar - 15	23.3
Jun - 15	26.1

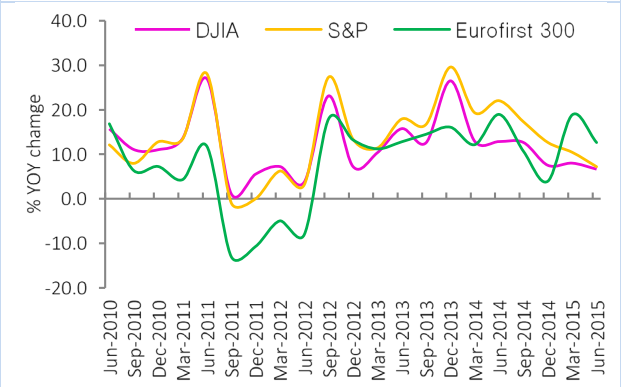
Source: Bloomberg

With respect to emerging market bonds, the upward trend continued on the JP Morgan emerging market bond index (EMBI+) for the quarter as evidenced by an increase of 91 bps to 6.28 per cent in the average yield when compared to the June 2014 quarter. The reduced demand for emerging market bonds was partly influenced by investor preference for energy stocks against the background of the upward movement in oil prices during the quarter as well as increased attractiveness for Euro-denominated assets. On a quarterly basis, the average yield on the EMBI+ rose by 32 bps.

In contrast, the average yield on Government of Jamaica global bonds (GOJGBs) maintained the downward trend observed since December 2013. Notably, the yield on the index declined by 105 bps on an annual basis and by 21 bps on a quarterly basis, to 6.09 per cent. This outturn continued to reflect the positive investor sentiment towards Jamaica in the context of the Government's successful performance under the IMF EFF programme. Against this background, the spread between GOJGBs and USTBs narrowed by 105 bps to 4.98 per cent while the spread between the EMBI+ and USTBs widened by 98 bps to 4.28 per cent when compared to the June 2014 quarter. Notably, the average yield on the GOJGBs trended below that of the EMBI+ resulting in a negative spread during the quarter. As such, the spread between GOJGBs and the EMBI+ narrowed by 196 bps on an annual basis.

Selected stock market indices increased, albeit at a slower pace for the June 2015 quarter when compared to the comparable quarter of 2014. In the USA, the Dow Jones Industrial Average and the S&P 500 rose by 4.7 per cent and 5.2 per cent, respectively (see **Figure 13**). The increase in both indices was underpinned by the favourable labour market and economic indicators in the quarter.

Figure 13: Selected Stock Market Indices (per cent)



Source: Bloomberg

Similarly in Europe, the Eurofirst 300 index increased by 10.2 per cent on an annual basis, supported by optimism surrounding the spin–offs from the ECB's implementation of additional expansionary monetary policy measures. In particular, the Euro area recorded two months of inflation during the quarter following four months of deflation, while growth was slightly stronger than expected. Notwithstanding the increase in the index for the year, the Eurofirst 300 declined by 4.7 per cent for the quarter. The decline was influenced by adverse economic developments in Greece regarding the government's delay in debt payments to its creditors as well as speculation regarding a possible exit from the European Union.

Financial markets were also adversely affected by developments in China's stock market during the quarter. Notably, the Shanghai Composite Index declined by 11.4 per cent in June following the implementation of restrictions on margin trading for individual investors by the PBOC. These restrictions resulted in reduced liquidity which led investors who traded on margin to liquidate stocks to meet payments.

With respect to the performance of selected currencies, there was a general depreciation of most of the major currencies against the US dollar for the year. However, for the quarter, the currencies of the Euro area, UK, Canada and Brazil appreciated reflecting an improvement in economic conditions. In contrast, the Japanese Yen weakened as indicators pointed to slower growth for the June quarter in that country.

The Implications for the Jamaican Economy

The developments in the international economy had a favourable impact on Jamaica's terms of trade (TOT) index. In this regard the index increased by 33.0 per cent for the June 2015 quarter relative to the comparable period in 2014. This increase reflected a decline of 26.1 per cent in the Import Price Index (IPI), the impact of which was partially offset by a fall of 1.7 per cent in the Export Price Index (EPI).

The estimated annual decline in the IPI mainly reflected the fall in commodity prices, particularly crude oil and to a lesser extent agricultural commodity prices. For the EPI, lower prices for cocoa and sugar as well as a decline in tourist expenditure, contributed to the outturn for the quarter.

For the next four quarters, Jamaica's TOT is expected to continue to record improvements. This outlook is largely underpinned by a smaller decline in export prices than previously forecasted, consistent with continued growth in the tourism sector. The TOT is also expected to benefit from a projected decline in import prices.

International commodity prices, particularly crude oil, should continue to have a moderating impact on domestic inflation over the next four quarters. Further, growth in the Jamaican economy is expected to strengthen against the background of continued improvement in the US labour market, which should auger well for increased foreign currency inflows from tourism and remittances.

3.0 Jamaican Economy

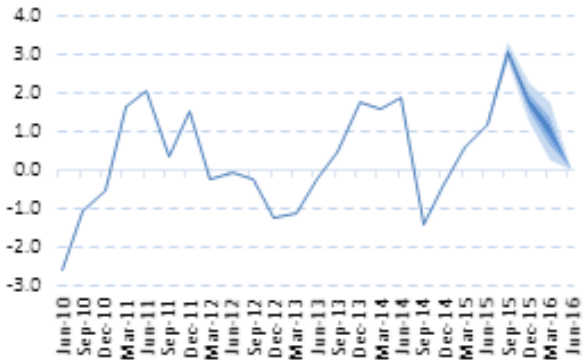
For the June 2015 quarter, the economy is assessed to have expanded reflecting the second consecutive quarter of growth. The estimated expansion mainly driven by continued growth in the global economy and was primarily mirrored in the performance of Hotels & Restaurants, Mining & Quarrying as well as Transport, Storage & Communication. With regard to domestic demand, both Private and Public Consumption are estimated to have expanded while Net External demand continued to improve. The impact of these factors was, however, partially offset by an estimated contraction in Gross Capital Formation. Real growth in the economy is projected to strengthen in FY2015/16 as well as over the medium-term. This forecast is against the background of growth-inducement projects, recovery in Agriculture and Manufacturing, continued improvements in business confidence and the impact of Government's structural reforms to improve the business environment.

Real Sector Developments

Aggregate Supply

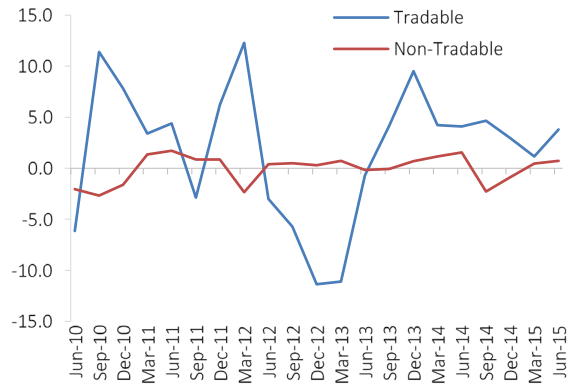
Real Gross Domestic Product (GDP) is assessed to have expanded within the range of 0.5 per cent to 1.5 per cent for the June 2015 quarter, reflecting the second consecutive quarter of growth (see **Figure 14** and **Table 5**). All industries, with the exception of Agriculture, Forestry & Fishing, Manufacturing and Producers of Government Services are estimated to have recorded growth.

Figure 14: Real GDP Growth
(12-Month Per cent Change)



For the June 2015 quarter, both the tradable and non-tradable industries are estimated to have expanded (see **Figure 15**). The growth in tradables is assessed to have been faster than the average expansion for the previous four quarters. This performance primarily reflected expansions in Mining & Quarrying, Hotels & Restaurants and

Figure 15: GDP Growth: Tradable vs. Non-Tradable Industries. (12-Month Per cent Change)



Source: Bank of Jamaica

Transport, Storage & Communication. For the non-tradable industries, the main drivers of growth are estimated to be Construction and Wholesale & Retail Trade, Repairs, Installation of Machinery & Equipment industries. The estimates suggest that the growth in the non-tradable industries surpassed the expansion in the preceding quarter.

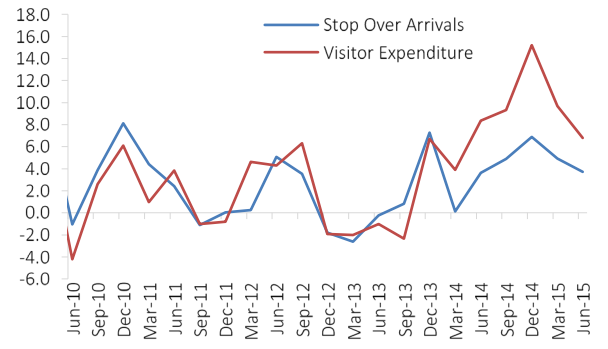
The assessed expansion of Hotels & Restaurants for the June 2015 quarter was the ninth consecutive quarter of growth. Nonetheless, the performance is judged to have been slower than the average growth of 4.1 per cent for the previous four quarters. The estimated outturn for the review quarter was inferred from increased hotel & other short-stay accommodation activities. Hotels & other short-stay accommodations were positively impacted

Table 5: Industry Contribution to Growth (June 2015 Quarter)

	Contribution	Estimated Impact on Growth
GOODS	*35.6*	0.5 to 1.5
Agriculture, Forestry & Fishing	*11.7*	-0.5 to -1.5
Mining & Quarrying	*9.0*	3.5 to 4.5
Manufacture	*9.0*	0.5 to 1.5
Construction	*5.8*	0.5 to 1.5
SERVICES	*64.8*	-0.5 to 0.5
Electricity & Water Supply	*-0.1*	-0.5 to 0.5
Wholesale & Retail Trade, Repairs & Installation of Machinery & Equipment	*6.1*	-0.5 to 0.5
Hotels & Restaurants	*14.1*	1.5 to 2.5
Transport Storage & Communication	*13.7*	0.5 to 1.5
Financing & Insurance Services	*7.2*	-0.5 to 0.5
Real Estate, Renting & Business Activities	*14.1*	0.5 to 1.5
Producers of Government Services	*-1.1*	-0.5 to 0.5
Other Services	*10.7*	0.5 to 1.5
Financial Intermediation Services Indirectly Measured	*0.4*	-0.5 to 0.5
TOTAL GDP	*100.0*	0.5 to 1.5

Source: Bank of Jamaica

Figure 16: Total Stop-over Visitor Arrivals & Visitor Expenditure. (12-Month Per cent Change)

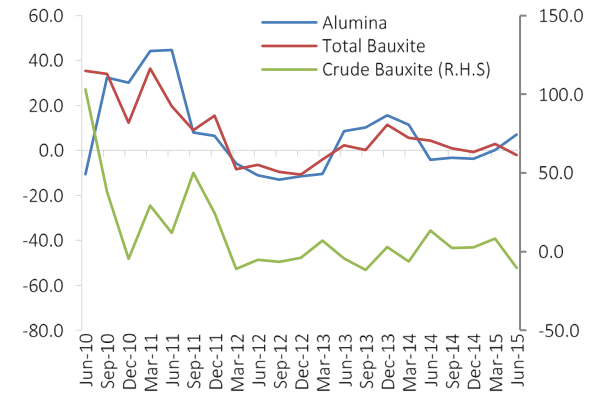


Source: Jamaica Tourist Board

by a marginal expansion in visitor expenditure and stop-over arrivals, which are estimated to have grown at a slower pace relative to the previous quarter (see **Figure 16**). Growth for the Restaurants sub-industry was assessed to be relatively flat in the June 2015 quarter.

For the June 2015 quarter, *Mining & Quarrying* is adjudged to have recorded a second consecutive quarter of growth. The performance of the industry primarily reflected recovery in alumina production as crude bauxite production was estimated to have contracted (see **Figure 17**). The growth in alumina reflected increase in capacity utilization at both alumina plants. Regarding crude bauxite, the contraction in output for the June 2015 quarter reflected a reduction in capacity utilization at the bauxite plant.

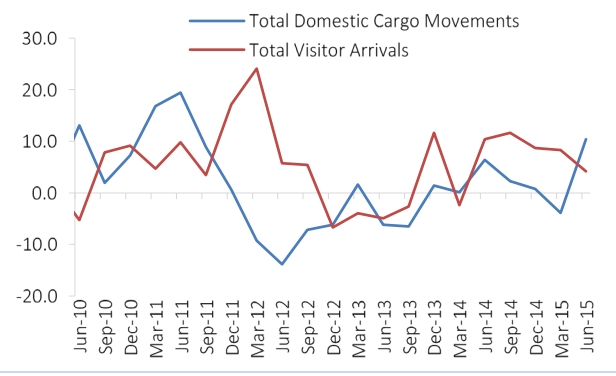
Figure 17: Trends in Crude Bauxite, Alumina & Total Bauxite Production. (12-Month Per cent Change)



Source: Jamaica Bauxite Institute

Value added for the *Transport, Storage & Communication* industry is assessed to have recorded an eighth consecutive quarter of growth in the June 2015 quarter. Both the Transport and Communication sub-industries are adjudged to have expanded. The growth in Transport was mainly attributed to an increase in domestic cargo movements as visitor arrivals grew at a slower pace for the review period (see **Figure 18**). For Communication, the improved performance reflected expansion in telecommunications

Figure 18: Visitor Arrivals & Domestic Cargo Movement. (12-Month Per cent change)



Source: The Port Authority of Jamaica & Jamaica Tourist Board

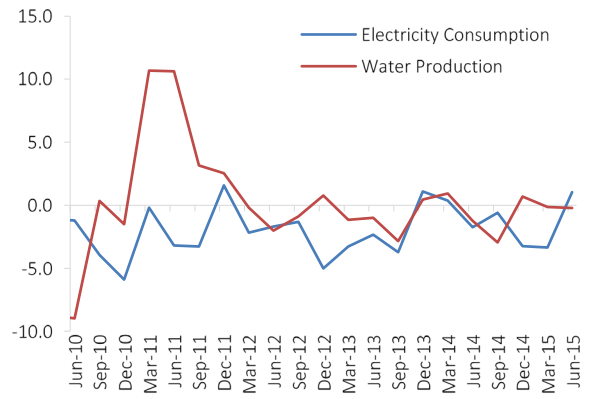
services, in particular mobile data subscriptions.

The estimated growth of Wholesale & Retail Trade, Repairs, Installation of Machinery & Equipment for the June 2015 quarter, is largely inferred from an increase in construction activities. In addition, growth in the industry would have been supported by an estimated expansion in consumer goods imports.

For *Construction*, the adjudged expansion during the review period maintained the trend observed since the March 2013 quarter. The continued positive performance of the industry has occurred in a context of ongoing infrastructural projects under the Government's Major Infrastructural Development Programme as well as other infrastructural and hotel projects. Nonetheless, growth in the industry was slower than in the previous quarter due to lower expenditure on some major infrastructure projects, particularly Highway 2000 as well as a contraction in housing starts by the National Housing Trust.

Electricity & Water Supply is assessed to have expanded for the review period, the first since the March 2014 quarter. The performance was driven by estimated expansions in electricity consumption and water production (see **Figure 19**). Growth in electricity consumption occurred in the context

Figure 19: Electricity Consumption & Water Production. (12-Month Per cent Change)

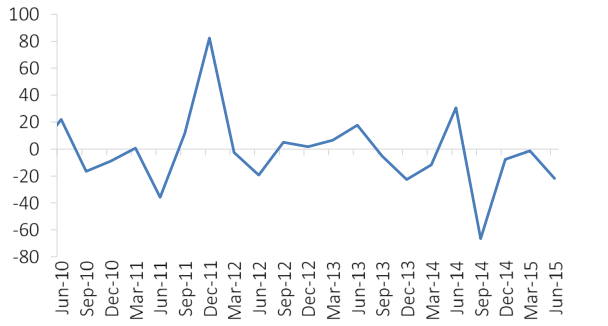


Source: Jamaica Public Service and National Water Commission

of increased residential electricity sales reflecting greater usage by householders. Water production is assessed to have expanded due to more rainfall across the island relative to the corresponding quarter in 2014. However, several parishes continued to experience severe dry conditions.

Manufacture is estimated to have declined for the June 2015 quarter. The performance of the industry primarily reflected a decline in the Other Manufacturing sub-industry. The reduction in Other Manufacturing was primarily influenced by a decline in petroleum refining mainly reflecting the impact of extended maintenance operations from

Figure 20: Petroleum refining. (12-Month Per cent change)

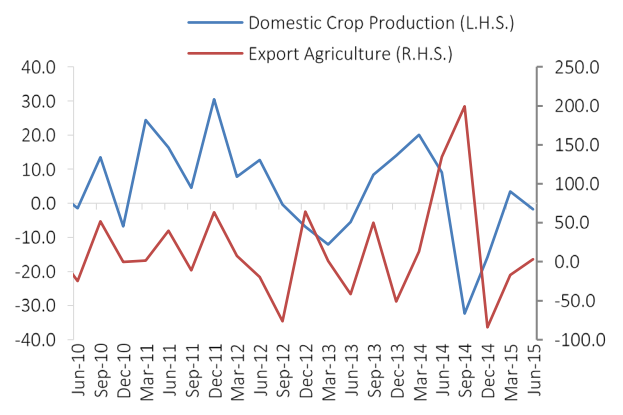


Source: Petrojam Ltd.

the preceding quarter (see **Figure 20**). The impact of this decline was partially offset by an expansion in Food & Beverages. Within Food & Beverages, Sugar & Molasses and Alcoholic Beverages were the main sub-industries which recorded growth. For Sugar & Molasses, there was an increase in sugar production in the review quarter, in comparison to the lower production in the previous quarter due to a delay in the crop year.

Agriculture, Forestry & Fishing is estimated to have contracted during the June 2015 quarter, the fourth consecutive quarter of decline. The continued contraction in the review period was due to the intensification of dry conditions which have been affecting most parishes since the March 2015 quarter. These dry conditions have resulted in estimated contractions in both domestic crop and export crop production (see **Figure 21**). With respect to export agriculture, the estimated contraction for the review quarter primarily reflected declines in cocoa, banana and plantains, the impact of which was partly offset by an increase in sugar cane milled.

Figure 21: Domestic & Export Crop Production (12-Month Per cent Change)

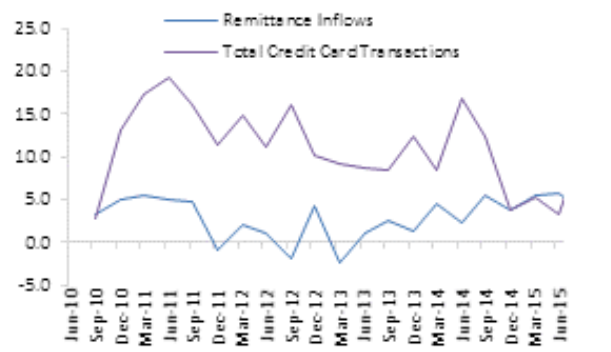


Source: Bank of Jamaica & Ministry of Agriculture

Aggregate Demand

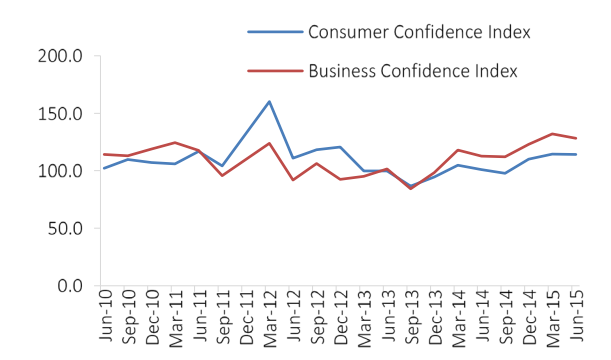
The estimate of *Aggregate demand* suggest that there was an expansion in the June 2015 quarter. Estimated growth in Private and Public Consumption as well as an improvement in *Net External Demand* were the drivers of the expansion in aggregate demand. The impact of these expansions was partially offset by an assessed reduction in *Gross Fixed Capital Formation*. For Private Consumption, the expansion was inferred from continued growth in total credit card transactions, import volumes (excluding capital goods) and remittance inflows (see **Figure 22**). These positive developments were supported by generally stable consumer confidence, relative to the previous quarter, as indicated by the JCC Survey of Consumer Confidence (see **Figure 23**). The estimate of growth in Public Consumption was informed by an increase in non-interest government spending. In particular, expenditure on programmes expanded during the June 2015 quarter.

Figure 22 Total Credit Card Transactions, Remittances Inflows: Effects on Domestic Demand (12-Month Per cent Change)



Source: Bank of Jamaica and STATIN

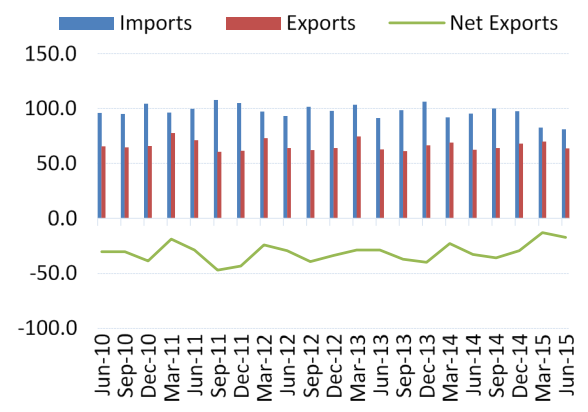
Figure 23: Business and Consumer Confidence Index



Source: Bank of Jamaica and Jamaica Chamber of Commerce

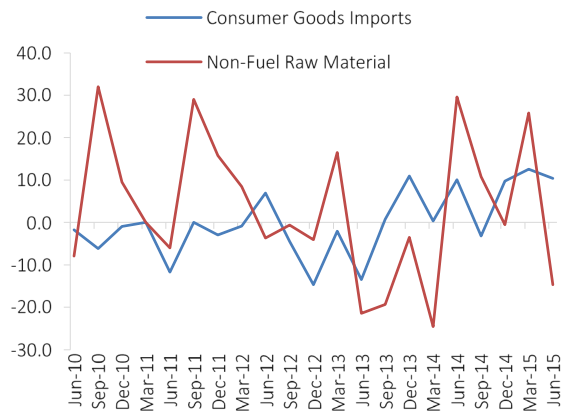
With regard to the improvement in Net External Demand, this continued the trend observed since the June 2014 quarter, albeit at a slower pace. The outturn mainly reflected sustained growth in export of goods & services as well as a decline in imports of goods & services (see **Figure 24**). The performance of exports was primarily driven by expansions in travel services, rum and alumina. For imports, the decline was mainly inferred from the reduction in the volume of non-fuel raw materials, the impact of which was partly offset by marginal expansion in the volume of consumer goods (see **Figure 25**).

Figure 24: Trends in Exports & Imports of Goods and Services (US$ Millions)



Source: Bank of Jamaica and STATIN

Figure 25: Trends in Consumer Goods and Non-Fuel Raw Materials Imports (12-Month Per cent Change)



Source: Bank of Jamaica and STATIN

The assessed reduction in Gross Capital Formation was mainly inferred from contractions in Foreign Direct Investment (FDI) as well as imports of capital goods and raw materials. This reduction in FDI was mainly related to lower inflows for mining activities and infrastructural development. Notably, there was partial offsetting impact from an increase in central government's capital expenditure during the quarter, albeit marginal.

Real Sector Outlook

Expansion in real GDP is forecasted to strengthen in FY2015/16 within the range of 1.0 to 2.0 per cent. For the medium-term, average growth is projected to be within the range of 1.5 per cent to 2.5 per cent. The projected growth in the economy is mainly predicated on the recovery from production disruptions in the mining and manufacturing sectors which prevailed in the FY2014/15.

Furthermore, domestic final demand is projected to strengthen based on continued improvement in consumer and business confidence. Additionally, the domestic economy is expected to benefit from Government's growth-inducing projects as well as ongoing reforms to improve the business environment. However, the current dry conditions is a threat to the forecasted recovery in *Agriculture, Forestry & Fishing* and *Electricity & Water Supply*.

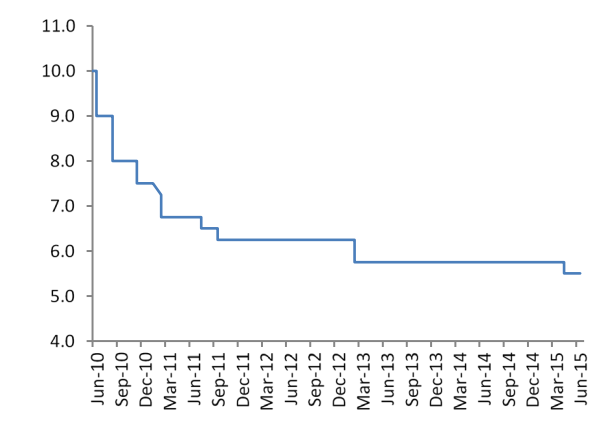
The downside risks to the forecast for growth in real GDP have intensified for FY2015/16. These downside risks include adverse weather, postponement of major projects and slower growth in the economies of Jamaica's major trading partners

Monetary Policy, Money and Financial Markets

Monetary Policy

During the June 2015 quarter, the Bank of Jamaica (BOJ) reduced the signal rate, the rate on the 30-day Certificate of Deposit (CD), to 5.50 per cent from 5.75 per cent (see **Figure 26**).[5] This adjustment, the first since March 2013, reflected the Bank's expectation that inflation will remain low over the next four quarters. Notably, the results of the Bank's survey of businesses' inflation expectations, one year ahead, conducted in the March and June 2015 quarters, were below the Bank's forecasts.

Figure 26: Interest rate on BOJ's 30-day Certificate of Deposit (Per cent)



Source: Bank of Jamaica

In addition to reducing the policy rate, the Bank reduced the spread on its lending facilities relative to the 30-day CD rate by 50 basis points (bps), during the review quarter. Specifically, the rates on the standing liquidity facility (SLF), bi-monthly repurchase operations (BRO) and excess funds rate (EFR) were reduced to 8.75 per cent, 8.25 per cent and 10.80 per cent, respectively.

Despite the policy action, Jamaica Dollar liquidity conditions remained tight in the context of maturities of repurchase agreements issued by the Bank as well as net absorption by GOJ operations (see **Table 6**). The overall Jamaica Dollar liquidity impact of the Bank's operations for the quarter was a net injection of $13.1 billion relative to the net injection of $32.1 billion in the previous quarter. In this regard, institutions continued to utilize the SLF and BRO to satisfy some of their liquidity needs. Domestic liquidity was also bolstered by maturities of the Bank's fixed rate (FR) and variable rate (VR) CDs. Further, the Bank's net purchase of foreign currency during the quarter injected liquidity into the system. The injection of liquidity from the Bank's operations was offset by the absorption of $19.8 billion through the Government's operations, which primarily reflected tax receipts.

Table 6: BOJ Liquidity Operations

	January -March 2015				April -June 2015			
	Injection (J$BN)	Absorption (J$BN)	Net	Avg Rate (%)	Injection (J$BN)	Absorption (J$BN)	Net	Avg Rate (%)
30-day	63.0	58.9	4.0	5.75	48.3	47.3	1.0	5.63
365-day VR CD	7.0	3.2	3.8	7.11	6.0	3.0	3.0	6.82
548-day VR CD	0.5	0.0	0.5		0.0	0.0	0.0	
729-day VR CD	0.0	8.7	-8.7	7.53	0.0	3.8	-3.8	7.25
365-day FR USD IB	10.7	6.6	4.1		0.0	0.0	0.0	
Repos (net)	0	16.0	-16.0		0.0	19.2	-19.2	
FX (Trading Room & PSE)	74.1	29.6	44.5		66.8	34.7	32.1	
Net Injection (BOJ)			**32.1**				**13.1**	
GOJ Operations	89.0	128.6	-39.6		88.0	107.9	19.8	
Net Injection (All Operations)			**-7.5**				**-6.76**	

Source: Bank of Jamaica
Notes: (i) FR USD IB denotes Fixed Rate US dollar Indexed Bond (ii) Injections reflect maturities of instruments while absorptions reflect new issues of these instruments in each time period, and (iii) Average rates on VR CDs reflect average initial coupons.

In addition to its Jamaica Dollar operations, the Bank continued to issue US dollar CDs during the June 2015 quarter (see **Table 7**). Notably, the Bank reduced the coupons on the 3- to 7- year instruments by an average of 32 to 54 bps. Despite the reduction in coupons, these instruments remained attractive to investors as reflected in the level of subscriptions.

5 The Bank maintained the domestic currency cash reserve and liquid assets requirements at 12.0 per cent and 26.0 per cent, respectively.

Table 7: Placements & Maturities of BOJ USD Instruments

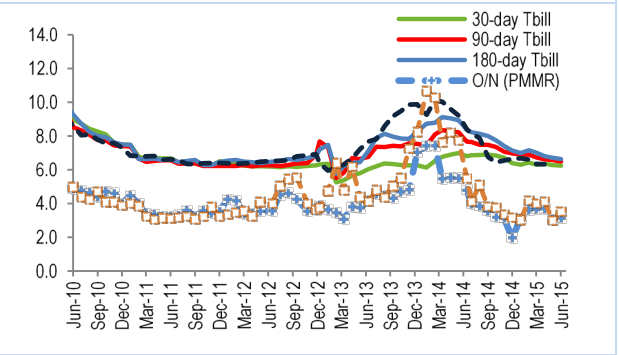
	Jan - March 2015			April - June 2015		
	Placements (US$MN)	Maturities (US$MN)	Average Coupon (%)	Placements (US$MN)	Maturities (US$MN)	Average Coupon (%)
2-year	0.0	164.9	-	0.0	0.0	-
3-year	2.8	0.0	3.40	21.6	0.0	3.08
4-year	2.1	0.0	4.25	0.0	0.0	-
5-year	20.7	0.0	4.68	10.6	0.0	4.14
7-year	92.2	0.0	5.10	22.6	0.0	4.67
TOTAL	117.9	164.9		54.8	0.0	

Source: Bank of Jamaica

Financial Markets

Short-term private money market interest rates declined during the June 2015 quarter consistent with the reduction in the Bank's policy rate (see **Figure 27**). In particular, the average overnight rate decreased by 51 basis points to 3.14 per cent at end-June 2015. Similarly, the average overnight rate in the interbank market fell by 49 basis points to 3.50 per cent and the average 30-day private money market rate decreased by 37 basis points to 6.31 per cent.

Figure 27: Average Selected Market Interest Rates (Per cent)



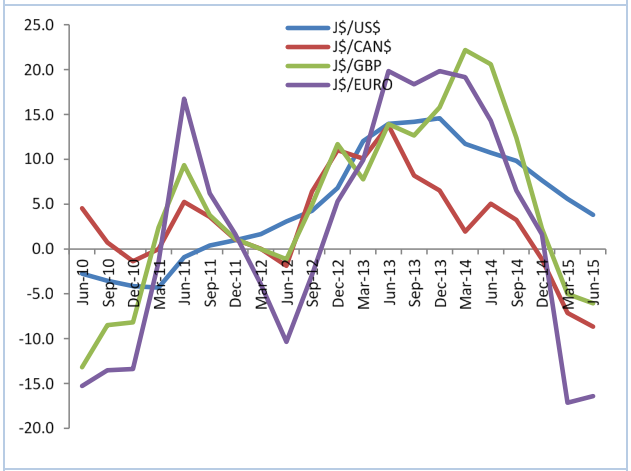
Source: Bank of Jamaica
Notes: (i) PMMR is the private money market rate (ii) O/N is the overnight rate in the market accessible by all financial institutions while the interbank rate (I/B) is the overnight rate accessible only by banks.

Similarly, yields on GOJ Treasury Bills declined for the quarter reflecting the impact of the continued moderation of inflation as well as the slower pace of depreciation. There were no other issues of GOJ instruments in the domestic market during the quarter.

Exchange Rate

The slower pace of depreciation observed since the September 2013 quarter continued into the June 2015 quarter. At end-June 2015, the weighted average selling rate of the Jamaica Dollar vis-à-vis the US dollar was J$116.98 = $1.00, reflecting annual depreciation of 4.26 per cent. This outturn compares to annual depreciation of 4.99 per cent at the end of the previous quarter and 10.7 per cent at end-June 2014 (see **Figures 28** and **29**).

Figure 28: WASR of Select Major Currencies (e.o.p.)
(12-month point-to-point per cent change)



Source: Bank of Jamaica

Notes: + = depreciation and – = appreciation

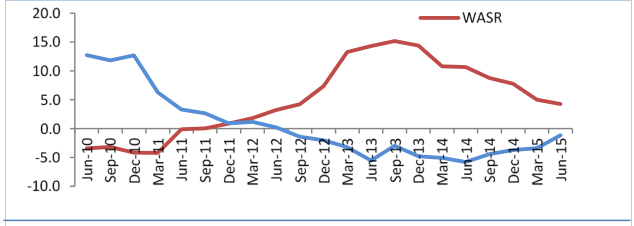
The progressively slower pace of depreciation during the review quarter was underpinned by tight Jamaica Dollar liquidity in the context of the lagged impact of Jamaica Dollar tax obligations from the previous quarter. Demand pressures in the foreign exchange market were also tempered by BOJ net sales of US$84.9 million, particularly towards the latter part of the quarter.

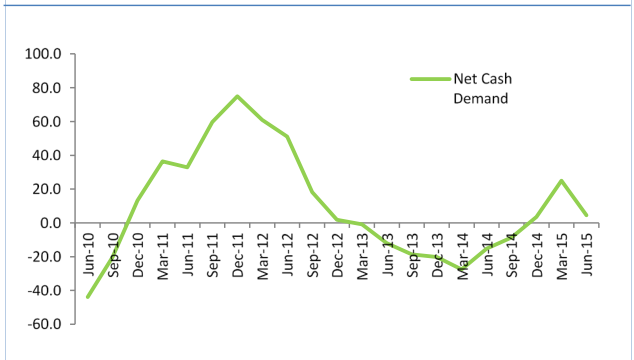
In spite of the deceleration in the pace of depreciation, net demand for foreign currency to satisfy Balance of Payments current account transactions is estimated to have increased for the year (see **Figure 29**). The estimate of net demand for foreign currency for the period July 2014 to June 2015 is based on inflows to the PSE facility as well as higher payments for non-fuel

imports and lower earnings from non-traditional exports, in particular, mineral fuel. The impact of these factors was partly offset by higher receipts from tourism and remittances. Net Private Capital (NPC) inflows are assessed to have been more than sufficient to finance the demand for current account transactions.

There was an estimated gain of 1.1 per cent in Jamaica's external competitiveness, as measured by the real effective exchange rate (REER) at end-June 2015, compared to a gain of 3.4 per cent at the end of the previous quarter (see **Figure 29**). The gain in competitiveness was related to a faster pace of depreciation of the Jamaica Dollar relative to the depreciation of the currencies of Jamaica's major trading partners.

Figure 29: The Real Effective Exchange Rate (REER), WASR and Net Demand* (12-point-to-point percentage change)





Source: Bank of Jamaica

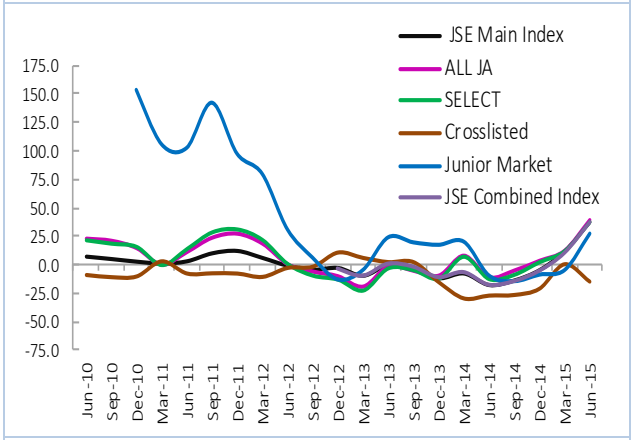
Notes: (i) Decline in the REER implies improvement in external price competitiveness.

*Net demand is referred to as the overall cash demand for balance of payments current account transactions and is calculated as the difference between estimated current account cash inflows and outflows.

Equities

All the Jamaica Stock Exchange (JSE) indices rose for the year ended June 2015, relative to the annual changes as at end-March 2015, with the exception of the Cross Listed Index. Specifically, the JSE Main Index grew by 37.5 per cent for the year ended June 2015, in contrast to a decline of 18.6 per cent for the prior review period. This increase was significantly better than the average growth of 3.9 per cent for the last five years (see **Figure 30**).

Figure 30: Annual Growth of the JSE Indices (12-Month Per cent Change)

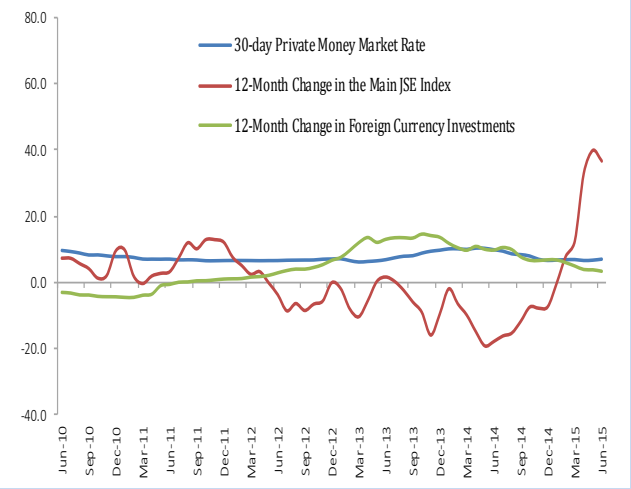


Source: Jamaica Stock Exchange and Bank of Jamaica

The performance of the equities market for the review period reflected improved investor sentiments. This improvement was due to positive macroeconomic developments including estimates of two consecutive quarters of GDP growth, relatively low inflation and reduction in the Bank's policy rate. These positive developments were complemented by Jamaica's continued strong performance under the EFF. Furthermore, investments in equities provided a more attractive option relative to foreign currency and domestic money market investments. More specifically, equites offered a return of 36.4 per cent for the review period, while capital gains on foreign currency investments were 3.4 per cent and interest rates in the 30-day money market declined by 2.8 percentage points (see **Figure 31**).

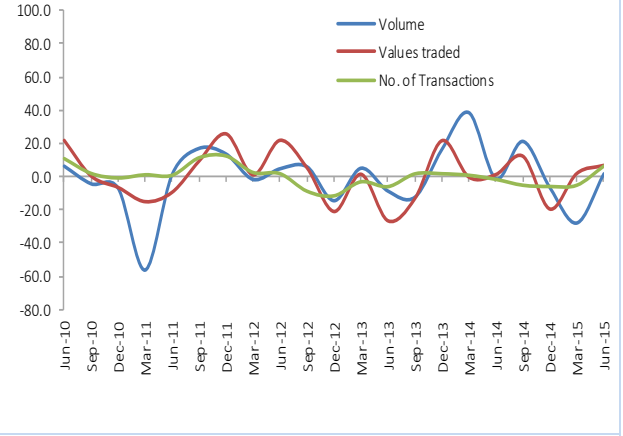
There was a general increase in market indicators for the year ended June 2015. In particular, the value of transactions, volume of stocks traded and number of transactions for the main JSE Index recorded respective growth rates of 6.4 per cent, 1.4 per cent and 6.2 per cent (see **Figure 32**).

Figure 31: Returns from Fixed Income Investments and Gains from JSE Main Index and Foreign Currency Investments
(Per cent)



Source: Jamaica Stock Exchange and Bank of Jamaica

Figure 32: Annual Movement in Volumes, Values Traded & Number of Transactions (Main JSE Index)
(12-Month Per cent Change)



Source: Jamaica Stock Exchange and Bank of Jamaica

The advance to decline ratio was 28:3 for the year ended June 2015 relative to 16:11 for the year ended March 2015. Price appreciation was broad-based and reflected the performances of stocks within all seven sectors. Financial and Other accounted for six of the top ten advancing stocks, and recorded average price appreciation of 123.1 per cent and 90.0 per cent, respectively (see **Table 7**). Notably, only three stocks declined for the review period (see **Table 8**).

Table 7: Stock Price Appreciation

Advancing	Per cent
Financial	
Jamaica Stock Exchange Ltd.	234.9
Mayberry Investments Ltd.	72.6
National Commercial Bank	61.9
Communication	
Radio Jamaica	170.5
Manufacturing	
Caribbean Cement Company	138.0
Desnoes & Geddes	67.4
Other	
Pulse Investments	100.0
Kingston Properties Ltd.	100.0
Supreme Ventures	70.0
Retail	
Hardware & Lumber	84.2

Source: Jamaica Stock Exchange and Bank of Jamaica

Table 8: Stock Price Depreciation

Declining	Per cent
Other	
Palace Amusement	-36.8
Manufacturing	
Mobay Ice Company	-16.4
Trinidad Cement Limited	-14.8

Source: Jamaica Stock Exchange and Bank of Jamaica

Private Sector Credit and Lending Rate

At end-June 2015, the annual growth in commercial banks' credit to the private sector was 4.5 per cent, relative to 4.0 per cent at the end of the March 2015 quarter (see **Table 9**). The expansion in credit for the review quarter was consistent with lenders' expectations for an increase in both the demand and supply of credit as indicated in the Bank's Quarterly Credit Conditions Survey for the March 2015 quarter (see Box: **BOJ's Quarterly Credit Conditions Survey**).

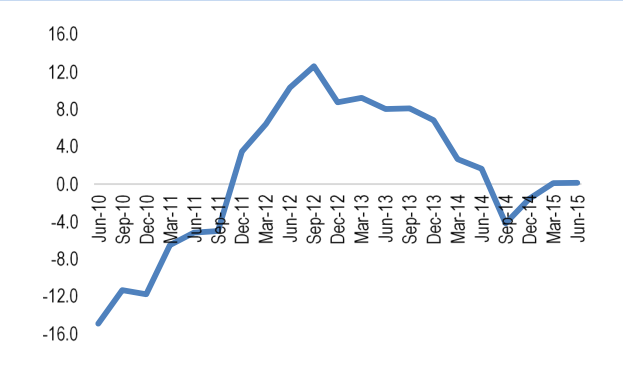
Table 9: Credit to the Private Sector by Commercial Banks

Annual Flows (J$ mn)	Jun-14	Mar-15	Jun-15
Private Sector Credit	**29 007.7**	**13 198.1**	**14 783.9**
Percentage Change (%)	**9.6**	**4.0**	**4.5**
Loans & Advances	32 531.9	15 214.0	16 328.2
Less Overseas Residents	2 638.5	1 582.3	1 040.4
Add Corporate Securities	(885.7)	(461.7)	(503.9)

Source: Bank of Jamaica

However, the outturn for the review quarter reflected a deceleration when compared with the 9.6 per cent expansion recorded at end-June 2014 and the average growth of 8.7 per cent for the last five years ending June. Similarly, real growth in credit to the private sector slowed to 0.1 per cent as at end-June 2015 relative to expansion of 1.6 per cent as at end-June 2014 (see **Figure 33**).

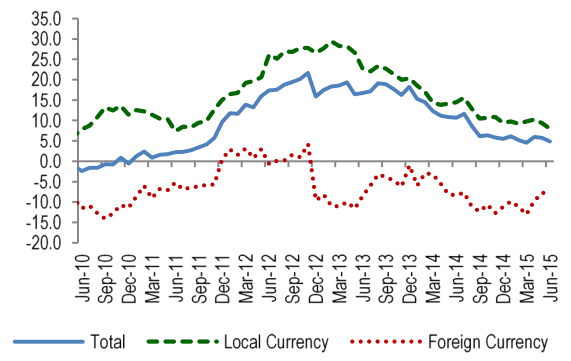
Figure 33: Real Growth in Private Sector Credit (12-month percentage changes)



Source: Bank of Jamaica

The relatively weak expansion in credit in nominal terms for the review period was influenced by a deceleration in growth of loans and advances. This deceleration reflected a decline in foreign currency loans, continuing the trend observed since the December 2012 quarter, as well as a much slower pace of expansion in domestic currency loans (see **Figure 34**).

Figure 34: Growth in Private Sector Loans and Advances (12-month percentage changes)



Source: Bank of Jamaica

The slowdown in growth of loans and advances was reflected in lending to both businesses and households, particularly households (see **Table 10**). Growth in business lending was moderated by net repayments in the Electricity, Gas & Water, Transport, Storage & Communication, Agriculture & Fishing and the Entertainment sectors. With respect to households, there were slower growth rates in mortgage and instalment loans. In addition, there were net repayments of loans for insurance premiums and overdraft accounts. In contrast, there was an increase in demand loans.

Table 10: Distribution of Total Loans & Advances to the Private Sector by Commercial Banks

Annual Flows	Jun-14	Mar-15	Jun-15
Business Lending	**9 445.8**	**4 004.6**	**4 499.6**
Agriculture & Fishing	3 455.5	1 089.6	(1 107.2)
Mining & Quarrying	115.6	170.0	250.5
Manufacturing	1 533.9	798.1	1 671.8
Construction & Land Development	1 458.5	1 442.3	434.6
Transport, Storage & Communication	799.3	(2 218.2)	(1 867.9)
Tourism	304.9	1 943.9	2 535.2
Distribution	3 299.9	3 262.9	1 879.5
Electricity, Gas & Water	(1 685.3)	(2 331.5)	(1 976.6)
Entertainment	491.5	(599.5)	(898.4)
Professional & Other Services	(327.9)	447.0	3 578.3
Personal & Other Lending	**23 086.1**	**11 209.3**	**11 828.6**
Personal	20 447.6	9 655.2	10 788.2
Overseas Residents	2 638.5	1 554.2	1 040.4
Net Lending	**32 531.9**	**15 214.0**	**16 328.2**
Annual Growth	**10.7%**	**4.6%**	**4.8%**

Source: Bank of Jamaica
Notes: (i) Loans & Advances include local and foreign currency loans extended to businesses and individuals.

There was a decline in the overall loan rate at end-June 2015 relative to end-June 2014 (see **Table 11**). This fall was reflected in all loan categories, with the exception of personal and local government loans. However, in spite of a notable decline in rates on loans to the Central Government, the overall rate was comparable to that at end March 2015. The general reduction in interest rates for the review period occurred against the background of deposit-taking institutions being more confident about the availability of Jamaica Dollar liquidity. In addition, the lower rates may have reflected the impact of the reduction in the Bank's signal rate and the rates on its lending facilities (see **Monetary Policy**).

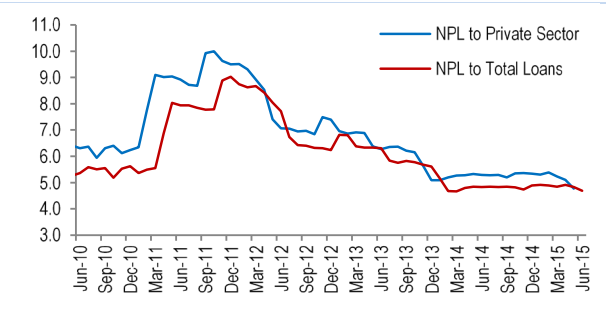
With respect to the quality of the loan portfolio, the ratio of non-performing loans (NPL) to private sector loans and total loans declined by 56 percentage points and 48 percentage points to 4.76 per cent and 4.37 per cent, respectively, at end-June 2015 relative to end-June 2014 (see **Figure 35**). The declines in the NPL ratios reflected a sharper reduction in total past due loans relative to the growth in private sector loans and total loans.

Table 11: Commercial Bank: Domestic Currency Lending Rates by Loan Type

	Mar-14	Jun-14	Mar-15	Jun-15
OVERALL	**17.57**	**17.50**	**17.10**	**17.17**
Public Sector	**11.01**	**16.10**	**13.85**	**10.30**
Local Govt. & O.P.E	11.99	11.47	10.44	12.65
Central Government	10.89	16.61	14.25	9.74
Private Sector	**17.70**	**17.53**	**17.19**	**17.30**
Instalment	16.54	16.29	15.96	15.79
Mortgage	9.84	9.79	9.72	9.69
Personal	25.18	25.53	25.51	26.26
Commercial	12.94	12.98	12.79	12.75
	Annual Change (Basis Points)			
	Mar-14	**Jun-14**	**Mar-15**	**Jun-15**
OVERALL	**-40**	**22**	**-47**	**-33**
Public Sector	**181**	**7**	**284**	**-581**
Local Govt. & O.P.E	155	45	-155	118
Central Government	197	10	336	-687
Private Sector	**-44**	**18**	**-51**	**-23**
Instalment	-120	-121	-58	-50
Mortgage	2	-51	-12	-10
Personal	57	258	32	73
Commercial	38	-130	-15	-23

Source: Bank of Jamaica

Figure 35: Commercial Bank Loan Quality (percentages)

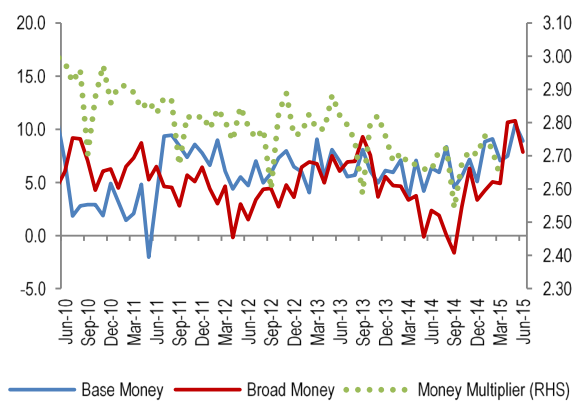


Source: Bank of Jamaica

Money

The monetary base grew by 8.9 per cent at end-June 2015 relative to 7.0 per cent and 6.3 per cent as end-March 2015 and end-June 2014, respectively. The outturn for the review period mainly reflected annual growth of 9.5 per cent in the currency stock, which was higher than the 8.6 per cent recorded at end-March 2014. In addition, there was an increase of 8.9 per cent in the commercial banks' cash reserve (see **Table 12** and **Figure 36**).

Figure 36: Money Multiplier vs Growth in Base and Broad Money
(Annual percentage changes)



Source: Bank of Jamaica

With regard to the sources of the change in the monetary base, there was an expansion of $22.2 billion in the net domestic assets (NDA), the impact of which was partially offset by a decline in the NIR stock of US$177.2 million relative to end-March 2015 (see **Table 12**). The fall in the NIR mainly reflected the payment for a maturing GOJ Eurobond, the impact of which was partly offset by placements on BOJ's USD CDs and direct market purchases. The increase in the NDA mainly reflected the drawdown of Government deposits at the Bank the impact of which was partially offset by an increase in OMO liabilities.

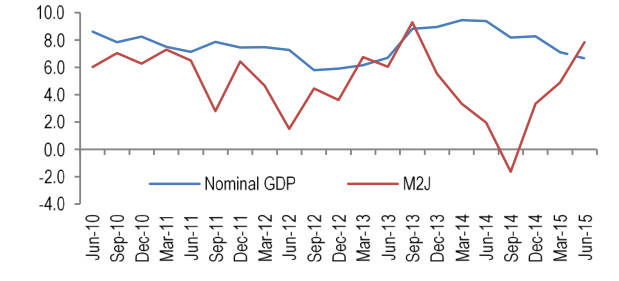
Table 12: Bank of Jamaica Operating Targets

	Stock			Flow	
	Jun-14	Mar-15	Jun-15	Qtr -o- Qtr	Y-o-Y
NIR (US$MN)	**1 376.1**	**2 293.7**	**2 116.5**	**-177.2**	**740.4**
NIR(J$MN)	146 393.0	244 001.7	225 154.3	-18 847.4	78 761.3
- Assets	214 518.3	286 134.5	269 914.9	-16 219.6	55 396.6
- Liabilities	-68 125.3	-42 132.9	-44 760.6	-2 627.7	23 364.7
Net Domestic Assets	**-50 448.6**	**-142 920.4**	**-120 678.7**	**22 241.7**	**-70 230.1**
- Net Claims on Public Sector	192 366.8	110 405.2	154 098.2	-38 268.6	-38 268.6
- Net Credit to Banks	-22 702.7	-23 886.3	-24 229.3	-343.0	-1 526.6
- Open Market Operations	-40 570.1	-38 871.7	-51 609.4	-12 737.7	-11 039.3
- Other	-179 542.5	-190 567.5	-198 938.1	-8 370.6	-19 395.6
-o/w USD FR CDs	-79 257.8	-91 794.4	-99 089.1	-7 294.7	-19 831.3
Monetary Base	**95 944.5**	**101 081.3**	**104 475.6**	**3 394.3**	**8 531.1**
- Currency Issue	62 025.3	66 356.3	67 916.9	1 560.6	5 891.6
- Cash Reserve	32 914.5	34 566.9	35 852.7	1 285.8	2 938.2
- Current Account	1 004.6	158.0	706.1	548.1	-298.5

Source: Bank of Jamaica

At end-June 2015, the money multiplier, as measured by the ratio of broad money (M2J) to base money, was 2.64 per cent relative to 2.70 per cent at end-March 2015 and 2.67 per cent a year earlier. The slight decline in the money multiplier resulted from the slower annual growth of 7.8 per cent in broad money relative to the expansion in the monetary base. However, for the review quarter, the growth in M2J was faster than the 4.9 per cent and 2.3 per cent recorded at end-March 2015 and end-June 2014, respectively. Notably, the expansion in broad money for the June 2015 quarter was also faster than the average annual growth of 4.5 per cent for the last five June quarters. The growth in broad money reflected increases in all categories of deposits relative to a year earlier. Against this background, for the first time since the September 2013 quarter, growth in broad money outpaced the estimated expansion in nominal Gross Domestic Product (GDP) (see **Figure 37**).

Figure 37: Broad Money and Nominal GDP Growth
(percentage changes)



Source: Bank of Jamaica

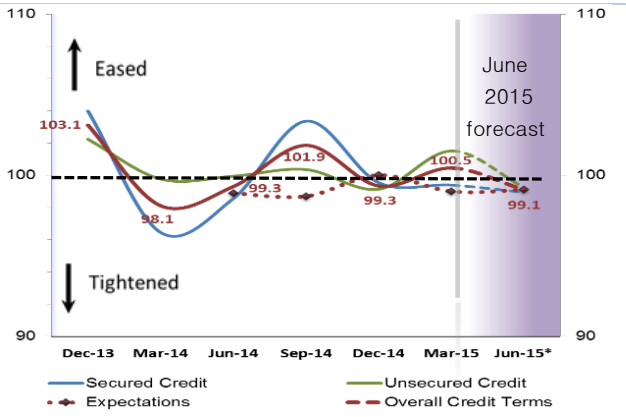
With respect to the measure of broad money supply that includes the Jamaica Dollar value of foreign currency deposits, M2*, there was estimated growth of 9.2 per cent at end-June 2015. This compares with annual growth of 5.7 per cent and 5.0 per cent at end-March 2015 and end-June 2014, respectively. The growth in M2* for the review quarter reflected the influence of depreciation of 1.68 per cent in the WASR of the Jamaica Dollar vis-à-vis the US dollar, as well as an increase of 0.3 per cent in the US dollar stock of private sector deposits. In the context of the growth in the Jamaica Dollar value of foreign currency deposits relative to total deposits, the dollarization ratio rose to 45.4 per cent from 44.4 per cent at end-March 2015.

Box 2: Credit Conditions Survey

Overview

The results of the BOJ's Quarterly Credit Conditions Survey for the March 2015 quarter indicated that credit conditions improved marginally relative to the December 2014 quarter (see **Figure 1** and **Table 1**). This improvement was primarily due to less restrictive lending policies applied to unsecured loans. More specifically, interest rates on non-credit card and credit card lending fell sharply. Lenders reported that in order to meet market share objectives, credit card loans was a targeted growth area for the March 2015 quarter. However, for the June 2015 quarter, lenders anticipated a tightening in credit market conditions, which would reflect more stringent policies for secured and unsecured loans.

Figure 1: Index of Credit Market Conditions



Source: Bank of Jamaica's Quarterly Credit Conditions Survey
Notes: (i) The asterisk (*) represents forward looking expectations provided by the respondents for the June quarter. (ii) The index is the average response for changes in eight credit terms reported in the Credit Conditions Survey. (iii) An index greater than 100 indicates an easing of credit market conditions while an index below 100 indicates a tightening of market conditions.

Credit Supply

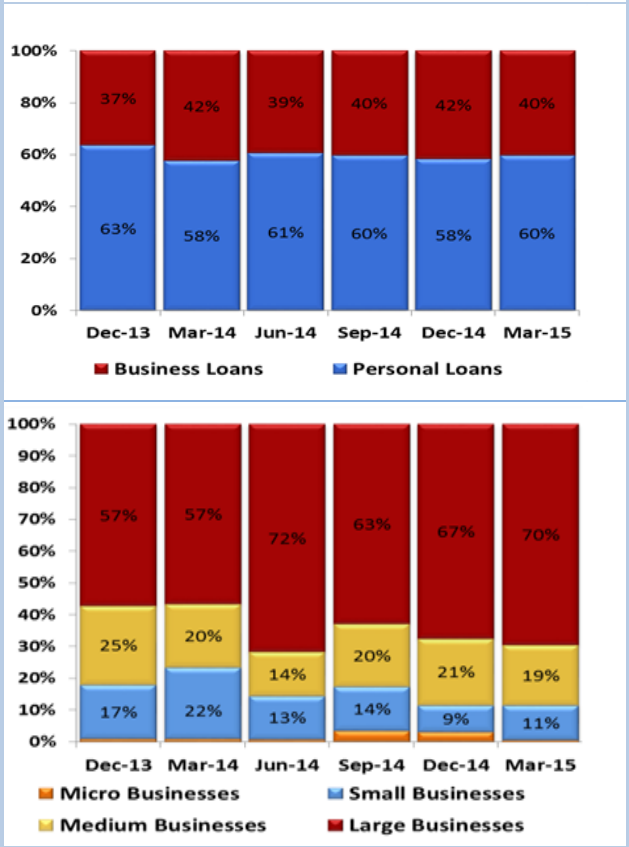
For the March 2015 quarter, the supply of credit remained robust as reflected in the Credit Supply Index (CSI) of 101.4. However, the increase in the CSI was lower than the 105.6 anticipated in the previous survey. The outturn for the review quarter reflected increases for both local and foreign currency lending facilities, which was made accessible to both businesses and households

Table 1: Credit Conditions Indices

	March 2014 Survey		December 2014 Survey		March 2015 Survey	
	Mar-14	Jun-14*	Dec-14	Mar-15*	Mar-15	Jun-15*
Overall credit conditions Index						
Credit Conditions Index (CCI)	**98.1**	**98.9**	**99.3**	**99.0**	**100.5**	**99.1**
Credit Supply Indices						
Credit Supply Index (CSI)	**106.0**	**102.1**	**103.7**	**105.6**	**101.4**	**105.9**
Credit to businesses	104.6	102.1	102.5	105.7	101.9	107.3
Personal credit	108.8	112.3	106.1	102.6	100.4	103.3
Credit in Jamaica Dollar	108.9	103.4	103.2	106.1	101.8	111.1
Credit in U.S Dollar	100.3	100.7	101.9	105.3	104.9	103.5
Credit Demand Indices						
Credit Demand Index (CDI)	**98.7**	**103.5**	**99.5**	**110.8**	**106.2**	**107.0**
Demand by businesses	97.9	98.9	95.9	111.9	103.9	109.3
Demand by individuals	100.1	112.7	106.7	108.6	110.8	102.5
Credit in Jamaica Dollar	107.0	104	94.5	125.9	111.9	117.4
Credit in U.S dollar	88.9	93.9	97.4	97.9	95.9	101.2

Source: Bank of Jamaica's Credit Conditions Survey
Notes: (i) *-Expectations for the upcoming quarter indicated by respondents in the previous survey and (ii) Indices greater than 100 indicate an increase in the variable while an index less than 100 indicates a decline.

Figure 1: Distribution of Private Sector Loans



Source: Bank of Jamaica's Quarterly Credit Conditions Survey
Notes: (i) Figure 2 shows the distribution of credit between households and businesses. Credit to businesses was further disaggregated to show to total business loans distributed firms of various sizes.

(see **Table 1**). Personal loans continued to account for the greater proportion of the credit supplied, although its share has declined since the June 2014 survey (see **Figure 2**). Of the credit allocated to businesses, there was a redistribution of credit, mainly from medium businesses to large and small firms. Concurrently, the allocation of credit to micro firms declined to 1.0%, in contrast to the increase recorded in the last two surveys. Lenders reported that while they have continued to explore initiatives to improve lending to micro-business markets, the inability of the business owners to provide credible financial information and satisfactory collateral continues to stymie lending to this segment.

Some lenders highlighted that the expansion in credit supply for the review quarter was largely influenced by aggressive competition among creditors. In addition, lenders noted that the activation of the credit bureau has had a positive impact on their risk appetite in the context of more reliable information being made available on prospective borrowers. Notwithstanding, lenders continue to report that the economic environment and the pace of depreciation of the exchange rate have affected their ability to respond to credit requests.

For the June 2015 quarter, lenders anticipated a stronger increase in overall credit availability, reflecting expansions in all loan categories (see **Table 1**). This expansion should be underpinned by an improvement in economic outlook as well as positive changes in lenders' risk appetite.

Credit Demand

The Credit Demand Index (CDI) indicated that there was an increase in the demand for loans for the March 2015 quarter. The CDI of 106.2 reflected the first reported increase in demand since the

June 2014 survey (see **Table 1**). The upsurge in the overall demand for credit for the review quarter predominantly reflected strong requests for local currency loans, which was dominated by personal loans. Notably, the increase in personal loans was reflected in all categories covered by the survey. In particular, there was a strong demand for credit cards and loans collateralized by real estate. The reduction in interest rates on credit cards may have contributed to the uptick in demand for this loan type.

With regard to local currency business loans, the survey results indicated that the increase in demand was mainly driven by the *Distribution* and *Transport, Storage & Communication* sectors. Lenders stated that an improvement in businesses' outlook for the economy and reduced interest rates on business loans had a positive impact on demand for business loans. In this context, lenders noted that more businesses are opting to borrow instead of funding from cash flows. However, the demand for foreign currency business loans declined during the review quarter. Lenders indicated that the volatility in the exchange rates during the review quarter was the primary factor behind the decline in this facility. The decline in demand for foreign currency business loans was reflected in all sectors, with the exception of *Manufacturing* and *Distribution*.

For the June 2015 quarter, the demand for credit is anticipated to increase further as reflected in the CDI of 107.0 (see **Table 1**). The demand for local currency business loans is expected to emanate from all sectors. For personal loans, creditors anticipate an increase in all loan categories covered by the survey. In particular, strong demand is expected for *personal motor vehicle loans* as a result of improved lending terms associated with the approval of motor vehicle loans.

Price of Credit

Interest rates on local currency loans increased for the March 2015 quarter relative to the December 2014 quarter (see **Table 2**). The higher interest rates are consistent with the overall increase in demand for local currency loans.

With respect to interest rates on foreign currency loans, the survey results indicate an overall increase, despite the decline in demand for these loans. The higher interest rates was due an increase in the prime rate, which could reflect the impact of a faster pace of exchange rate depreciation on the cost of these funds.

Table 1: Interest Rates on Local and Foreign Currency Loans

	March 2014 Survey		December 2014 Survey		March 2015 Survey	
	Mar-14	Jun-14*	Dec-14	Mar-15*	Mar-15	Jun-15*
Local Currency (LC) Loans						
Business loans	15.39	17.13	14.78	14.58	14.61	15.63
Personal loans	20.69	20.78	19.59	19.67	20.02	20.30
Prime rate	16.90	16.93	13.20	13.67	16.47	16.31
Average LC rates	**17.66**	**18.28**	**15.86**	**15.97**	**17.03**	**17.41**
Foreign Currency (FC) Loans						
Business loans	7.94	9.57	8.53	9.29	8.31	8.81
Prime Rate	9.06	9.16	9.34	9.13	10.60	8.96
Average FC rates	**8.50**	**9.37**	**8.94**	**9.21**	**9.46**	**8.89**

Source: Bank of Jamaica's Credit Conditions Survey
Notes: * Expectations for interest rates indicated by respondents of the survey.

Against this background, average rates on local currency loans rose by 1.18 percentage points (pps) for the March 2015 quarter (see **Table 2**). Of note, rates on local currency personal loans rose by 0.43 pps to 20.02% while rates on local currency business loans declined to 14.61% from 14.78% during the review quarter. Despite the overall increase in interest rates on foreign currency denominated loans, lenders reported that interest rates on foreign currency business loans fell by 0.22 pps.

Lenders' expect a general increase in interest rates in the June 2015 quarter. More specifically, interest rates on local currency personal and business loans are expected to increase (see Table 2). Lenders indicated that they expect interest rates to increase for Jamaica Dollar facilities as Jamaica Dollar liquidity challenges persist. Despite the

anticipated uptick in demand for foreign currency loans, interest rates on these loans are broadly expected to fall in the June 2015 quarter.

For more detailed analysis of the survey see *BOJ Credit Conditions Survey Report*.

Fiscal Developments

Central Government's operation in the June 2015 quarter resulted in a fiscal deficit of $9.9 billion, relative to the budgeted deficit of $15.4 billion (see **Table 13**). This outturn reflected containment in Expenditure complemented by higher than budgeted *Revenue & Grants*. Against this background, the current deficit was $2.4 billion, $4.2 billion lower than the implicit targeted deficit. Similarly, the primary surplus was $3.4 billion above the EFF target of $17.0 billion.

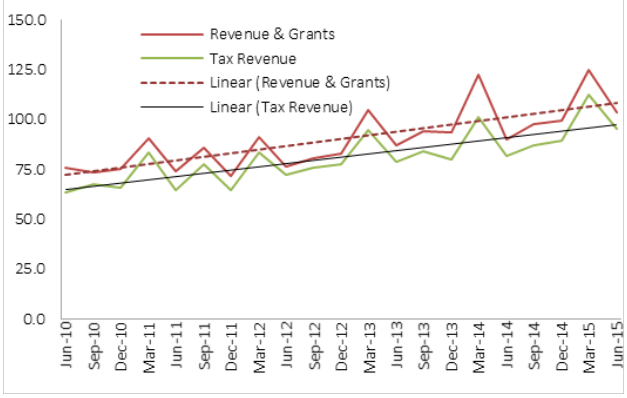
Table 13: Summary of Fiscal Operations
($J billions)

	June 2015 Quarter			FY15/16
	Prov.	Budget	Diff	Budget
Revenue & Grants	103.2	102.2	1.0	458.1
o/w Tax Revenues	95.4	92.0	3.4	411.9
Non- Tax Revenue	5.3	6.5	-1.2	31.0
Grants	1.6	2.8	-1.2	9.5
Expenditure	113.1	117.6	-4.5	463.0
Programmes	33.6	33.3	0.3	135.7
Wages & Salaries	40.0	40.2	-0.2	165.2
Interest Payment	30.3	32.4	-2.1	131.6
Capital Investment	9.2	11.7	-2.5	30.4
Budget Surplus/Deficit	-9.9	-15.4	5.5	-4.9
Primary Balance	20.4	17.0	3.4	126.7

For the June 2015 quarter, Revenue & Grants was $1.0 billion above budget, reflecting higher than anticipated Tax Revenues as there was a shortfall of $1.2 billion for both Non-Tax Revenues and Grants, respectively. Notably, all categories of Tax Revenue were above budget particularly International Trade and *Production & Consumption*. International Trade reflected higher than anticipated receipts from SCT (Imports) and GCT (Imports), while the over performance of *Production & Consumption* was largely attributable to GCT (Local). There was also above budget performance from Income & Profits mainly stemming from flows from PAYE. The lower Grant flows were largely attributable to delays arising from administrative issues.

Notably, Tax Revenue in the review period was significantly above the outturn for the June 2014 quarter mainly reflecting the impact of the newly implemented tax measures. Further, Tax Revenues have performed creditably relative to the trend since the March 2011 quarter (see **Figure 37**).

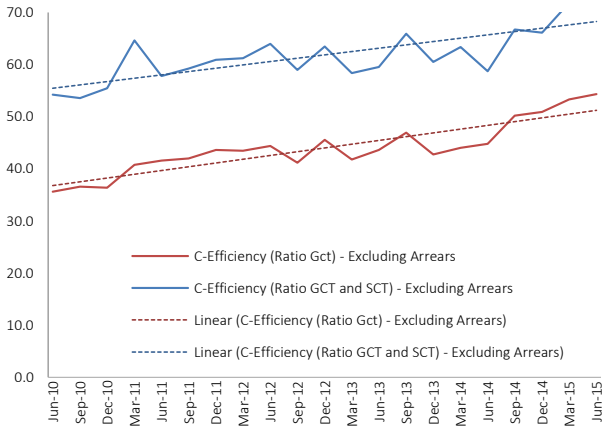
Figure 37: Revenue & Grants and Tax Revenue
(J$ billions)



Expenditure was $4.5 billion below budget for the June 2015 quarter, primarily reflecting lower than planned capital spending and interest payments. The former was due to delays in project implementation while the latter was related to the non-issuance of planned debt instruments on the domestic market (see **Table 13**).

The C-Efficiency (GCT&SCT) ratio, which captures the efficiency of Government tax collection was 77.7 per cent for the June 2015 quarter relative to an implicit budget target of 74.26 per cent.[5] This outturn was also 16.74 percentage points above the average for the previous three June quarters. This improvement largely reflected the impact of the newly implemented tax reform measures on compliance (see **Figure 38**).

Figure 38: C-Efficiency Ratio
(Per cent)



With regard to financing for the June 2015 quarter, there were loan inflows of $6.4, of which $2.8 billion represented project loans while the remaining amount was from the monthly issue of Treasury Bills. The Government also utilized a portion of its bank balances, totalling $48.2 billion for the quarter. Amortization for the review period amounted to $44.7 billion comprising $39.5 billion and $5.2 billion in foreign and domestic payments, respectively. There were significant maturities emanating from a GOJ 9.0 per cent Global bond the equivalent of $30.4 billion (US$262.2 million) which matured on 02 June, 2015 and a small FR domestic bond of $715.2 million (see **Table 14**).

5 The C-Efficiency ratio captures the efficiency of Government's tax collection and is defined as the ratio of the share of value-added tax (VAT) revenues to consumption divided by the standard VAT rate. The generally accepted benchmark for the C-efficiency ratio for small countries is 83.0 per cent. Factors linked to a high C-efficiency ratio are a relatively high ratio of trade to GDP (presumably because it is relatively easier to collect the VAT at the point of import); high literacy rates and the age of the VAT.

Table 14: GOJ DOMESTIC AND GLOBAL BONDS MATURING IN FY2015/16 J$

Quarter	Instrument	Nominal Amt $
Q1		
May		
22-May-15	FR 7.25% Benchmark Investment Notes Due 2015	715,229,900
June		
1-Jun-15	9% GOJ Globals Bond USD 262.2 mn	30,447,267,060
	Total	31,162,496,960
Q2		
July		
8-Jul-15	9.38% Air Jamaica Globals Bond USD 19.2 mn	2,247,744,000
22-Jul-15	8.5% Air Jamaica Globals Bond USD 125.0 mn	14,633,750,000
September		
15-Sep-15	FR 10.0% Benchmark Investment Notes Due 2015	3,800,000
	Total	16,885,294,000
Q4		
February		
24-Feb-16	FR 12.625% Benchmark Investment Notes Due 2016	67,458,700
10-Feb-16	FR 7.25% Benchmark Investment Notes Due 2016	61,862,599,904
24-Feb-16	FR 7.25% USD Benchmark Notes - Due 2016	450,829,856
	Total	62,380,888,460
	Total Maturities in FY2015/16	110,428,679,420

Source: Ministry of Finance and Planning

*No GOJ maturities in Q3

Box 3: Jamaica's Macroeconomic Programme under the EFF

Overview

Jamaica's medium-term macroeconomic programme is supported by a four-year Extended Fund Facility (EFF) from the International Monetary Fund (IMF). The performance criteria are based on quarterly quantitative targets (QPCs) and structural benchmarks over the period of the EFF. The achievement of these targets unlocks financing from multilateral financial institutions including the IMF.[6] [7] This programme is aimed at creating the conditions for sustained growth through a significant improvement in fiscal sustainability as well as price and non-price competitiveness.

Since the start of the programme, both the fiscal and monetary authorities have met the agreed benchmarks and targets. In this regard, on 16 June 2015, the Executive Board of the IMF concluded the eighth review of the programme and confirmed the country's successful performance. This enabled the disbursement of SDR 28.32 million (approximately US$39.8 million). Total disbursements under the EFF to end-June 2015 amounted to SDR417.13 million (approximately US$625.37 million).[8]

At end-June 2015, Jamaica completed the eighth quarter of its macroeconomic programme. All structural benchmarks were met. With regards to the fiscal and monetary performance, it is assessed that Jamaica met all the QPCs for the quarter (see **Table 1**).

Table 1: Structural Benchmarks

	Benchmark	Deadline	Status
1	Complete pilot testing of the imports and exports modules of ASYCUDA at the Kingston port	May-15	Met
2	A Bill to amend the Customs Act will be tabled in Parliament	Jun-15	Met

Source: Bank of Jamaica

6 The Executive Board of the IMF approved the four-year EFF arrangement for Jamaica on 01 May 2013.

7 The EFF was established to provide assistance to countries: (i) experiencing serious payments imbalances because of structural impediments; or (ii) characterized by slow growth and an inherently weak balance of payments position. This facility has a longer engagement and repayment period compared to the previous Stand-by Arrangement (SBA) with the IMF. https://www.imf.org/external/np/exr/facts/eff.htm

This review coincided with the regular Article IV Consultation conducted every two years.

8 Total disbursement agreed under the EFF is SDR 615.38 million (225 percent of quota).

2: Quantitative Performance Targets (In billions of Jamaica dollars)

	Dec-13	Sep-14		Dec-14		Mar-15		Jun-15		Sep-15
Fiscal targets	Stock	Criteria	Actual	Criteria	Actual	Criteria	Actual	Criteria	Actual	Criteria
Primary balance of the central government (floor)	….	38.4	43.6	66.0	66.8	121.0	117.2	17.0	20.7	40.0
Tax Revenues (floor)	….	166.0	169.0	260.0	258.6	384.0	370.9	88.0	95.8	185.0
Overall balance of the public sector (floor)	….	-30.2	-23.1	-37.0	-17.0	-11.6	1.7	-33.0	-7.9	-34.0
Central government direct debt (ceiling)	1672.0	23.2	99.9	92.4	67.9	90.6	77.8	4.5	-37.9	40.0
Central government guaranteed debt (ceiling)	….	2.7	1.1	0.1	0.1	-1.8	-1.8	2.0	n.a.	2.0
Central government accumulation of domestic expenditure arrears (ceiling)	21.6	0.0	n.a	0.0	-0.1	0.0	0.0	0.0	n.a.	0.0
Central government accumulation of tax refund arrears (ceiling)	24.6	0.0	-0.9	0.0	-2.9	0.0	-1.4	0.0	-2.4	0.0
Consolidated government accumulation of external arrears (ceiling)	….	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social spending (floor)	….	8.9	n.a	14.8	18.2	21.7	n.a	4.5	n.a.	9.2
Monetary targets										
Cumulative change in NIR (floor)	….	187.3	1159.3	217.2	970.4	391.0	1290.0	380.2	125.7	-591.1
NIR stock floor	1045.1	1232.3	2204.4	1262.2	2015.5	1436.0	2335.0	1425.2	2123.4	1406.6
Cumulative change in NDA (ceiling)	-7.6	-17.1	-130.7	-12.7	-98.0	-40.4	-139.8	-36.1	-22.2	69.0

e: Bank of Jamaica

The NIR/NDA criteria reflect adjusted targets to account for any surplus or shortfall in programme loan disbursements from multilateral institution BRD, IDB, and CDB) relative to the baseline projection.

4.0 Implications for Monetary Policy

The Bank is forecasting that inflation for FY2015/16 will be within the target range of 5.5 per cent to 7.5 per cent. This forecast is underpinned primarily by the continued lagged impact of declines in international commodity prices. Output growth is projected to strengthen for FY2015/16, reflecting recovery in some sectors, the impact of growth-inducement projects, continued improvements in business confidence and the impact of the Government's structural reforms to improve the business environment. In the context of the aforementioned, the Bank's policy stance will remain generally accommodative over the next four quarters.

Main Policy Considerations

Prices and Output

Headline inflation is projected to end FY2015/16 within the target range of 5.5 per cent to 7.5 per cent, relative to the outturn of 4.0 per cent for FY2014/15. Inflation is projected to continue to decline over the first half of the fiscal year and then to gradually increase in the last two quarters. This path for inflation primarily reflects the non-recurrence of some administrative price changes implemented in the first half of the previous fiscal year, the impact of which is expected to be offset by an increase in international commodity prices in the second half of the fiscal year. Notably, inflation is projected to decline in the first half of the fiscal year in spite of the impact of the current drought conditions on the prices of domestic agriculture commodities. This is in the context where the increase in transportation cost, combined with higher prices for domestic agriculture commodities in 2014 had a stronger impact on the overall consumer basket. In addition, the path for inflation reflects the expected impact of the dry conditions which started in the March 2015 quarter, which should cause some upward impulses to prices in the September quarter before being reversed by the end of the fiscal year.

Output is forecasted to expand within the range of 1.0 per cent to 2.0 per cent for the fiscal year. This improved growth relative to FY2014/15 primarily reflects the impact of projected recovery from production disruptions in the mining and manufacturing sectors, which prevailed in the previous fiscal year. In addition, the economy should continue to benefit from improvements in the business environment and continued gains in external competiveness. However, drought conditions will have a dampening impact on the growth prospects for some sectors.

Notwithstanding this forecast for stronger growth, the Bank's assessment suggests little upside risk to the inflation outlook. This is in the context where the additional output should be facilitated by improved productive processes and use of additional capacity.[6]

Expectations

Inflation expectations remained relatively stable in the June 2015 quarter, following the sharp downward adjustment in the March 2015 quarter. The expectations for inflation 12 months ahead remained below the Bank's projection for that period and are showing signs of becoming well anchored in single digit territory. It is anticipated that expectations will continue to trend downwards as businesses and consumers adjust to the new paradigm of low and stable inflation in the context of reduced exchange rate pass-through. The lower inflation expectations will contribute to further improvements in the expected real return on Jamaica Dollar-denominated assets over the near- to medium-term, auguring well for private capital inflows (see **Box 4: Monetary Policy Transmission Mechanism**).

Financial Markets

Real rates declined in the June 2015 quarter reflecting primarily the fall in private money market

6 See **Inflation Section** and **Figures 1** and **6** for a more detailed discussion on capacity conditions and inflation.

interest rates following on the Bank's policy action. Despite this decline, real rates remained generally positive. Given the relative stability of inflation expectations and the lower nominal interest rate environment, real interest rates are expected to remain relatively low but positive over the near-term. This trajectory for interest rates should bolster the prospects for new investments and overall output expansion over the near- to medium-term.[7]

Monetary Targets

The Bank was able to comfortably meet the NIR and NDA targets for the first eight reviews of the Programme.[8] It is the Bank's assessment that these targets were again comfortably met for the June 2015 quarter. Further, the projections suggest that growth in the monetary base will remain consistent with the achievement of the EFF NIR and NDA targets over the next four quarters, while posing little upside risk to the inflation target. The continued attainment of the EFF NIR targets is supported by the projected reduction in the current account deficit, improvements in net private capital inflows and the Government's recent financing activities on the international capital markets.

7 Near-term refers to the next four quarters while medium-term refers to the next one to five years.

8 The NDA is calculated as the difference between the stock of base money and the NIR.

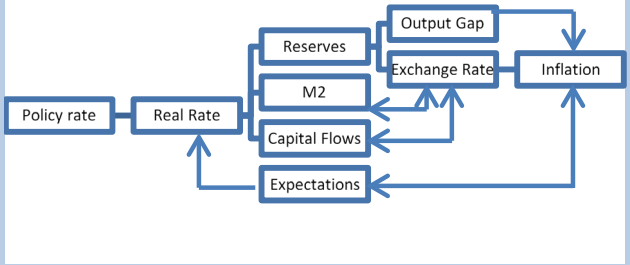
Box 4: Monetary Policy Transmission Mechanism

The monetary policy transmission mechanism is the process through which adjustments in the central bank's policy rate induces changes in the price and allocation of goods and services. For most central banks the ultimate goal of the transmission process is a desired level of inflation.

Studies on the transmission mechanism in Jamaica have shown that the credit and exchange rate channels are the main conduits through which policy affects inflation (see **Figure 1**). The credit channel impacts inflation through aggregate demand and the output gap. With respect to the exchange rate, the impact has been through imported inflation and changes in expectations given the country's openness.

Consistent with the findings for other countries, the transmission process in Jamaica is long lived. Allen and Robinson (2005) suggested that changes in the policy rate have the largest impact approximately two to three quarters after a rate adjustment and that it could take three to four years before the full impact dissipates. Given the inherent lag in the transmission process, monetary policy must be forward-looking to influence short-term interest rates to deliver a desirable long-term inflation outcome.

Figure 1: Monetary Transmission Process



Source: Allen, C and W. Robinson, 2005, *"Monetary Policy Rules and the Transmission Mechanism in Jamaica"*, Money Affairs, Volume XVIII

Monetary Policy Outlook

The Bank reduced its policy rate by 25 bps in April 2015. This adjustment was consistent with the forecasted path for inflation over the near-term as well as the downward trend in inflation expectations. In addition, the Bank reduced the spread above the policy rate charged on its lending facilities by 50 bps in May 2015. These interest rate actions should contribute to greater private sector lending in the near-term. As the general transformation of the economy under the Programme continues to lower the risks to meeting the monetary targets, the Bank will continue to implement policy actions to reduce and anchor inflation expectations to levels consistent with its near- to medium-term objectives.

Additional Tables

1: INFLATION RATES 44
2: ALL JAMAICA INFLATION – Point-to-Point (March 2015) 45
3: BANK OF JAMAICA OPERATING TARGETS 46
4: MONETARY AGGREGATES 46
5: COMMERCIAL BANKS' SELECTED INTEREST RATES (%) 47
6: GOJ TREASURY BILL YIELDS 47
7: BANK OF JAMAICA OPEN MARKET INTEREST RATES 48
8: Placements and Maturities* in BOJ OMO Instruments 49
9: EXTERNAL TRADE – GOODS EXPORTS (f.o.b) 50
10: BALANCE OF PAYMENTS QUARTERLY SUMMARY 51
11: FOREIGN EXCHANGE SELLING RATES 52
12: BANK OF JAMAICA: NET INTERNATIONAL RESERVES 52
13: VALUE ADDED BY INDUSTRY AT CONSTANT (2007) PRICES (% CHANGE) 53
14: USD LONDON INTERBANK OFFER RATE-LIBOR (End- of-Period) 53
15: PRIME LENDING RATES (End-of-Period) 54
16: INTERNATIONAL EXCHANGE RATES 55
17: WORLD COMMODITY PRICES (Period Averages) 56

1: INFLATION RATES

		CPI (End of Point)	Headline Inflation	Core Inflation*
FY03/04	Jun-04	77.21	13.38	10.97
	Sep-04	80.58	12.59	10.58
	Dec-04	85.77	15.82	13.11
	Mar-05	85.49	12.58	11.70
FY04/05	Jun-05	88.95	15.20	12.90
	Sep-05	93.60	16.15	12.30
	Dec-05	94.79	10.52	9.68
	Mar-06	95.40	11.59	10.95
FY05/06	Jun-06	97.68	9.81	10.42
	Sep-06	99.76	6.59	9.71
	Dec-06	100.00	5.49	8.13
	Mar-07	102.50	7.44	9.49
FY06/07	Jun-07	105.10	7.60	9.65
	Sep-07	108.90	9.16	10.39
	Dec-07	116.82	16.82	15.62
	Mar-08	122.94	19.94	17.32
FY07/08	Jun-08	130.29	23.97	20.27
	Sep-08	136.45	25.30	20.99
	Dec-08	136.50	16.84	16.61
	Mar-09	138.22	12.43	12.98
FY08/09	Jun-09	141.95	8.95	10.29
	Sep-09	146.30	7.22	9.77
	Dec-09	150.44	10.21	10.28
	Mar-10	156.64	13.33	11.60
FY09/10	Jun-10	160.70	13.21	10.99
	Sep-10	162.77	11.26	9.40
	Dec-10	168.10	11.74	8.65
	Mar-11	168.92	7.84	6.57
FY10/11	Jun-11	172.28	7.20	6.67
	Sep-11	175.91	8.07	6.99
	Dec-11	178.21	6.01	6.86
	Mar-12	181.17	7.26	6.97
FY11/12	Jun-12	183.83	6.71	6.91
	Sep-12	187.61	6.65	5.59
	Dec-12	192.47	8.00	5.44
	Mar-13	197.72	9.13	6.30
FY12/13	Jun-13	199.93	8.76	6.26
	Sep-13	207.24	10.46	6.95
	Dec-13	210.70	9.47	7.38
	Mar-14	214.21	8.34	6.54
FY13/14	Jun-14	215.86	7.97	6.10
	Sep-14	225.86	8.99	6.72
	Dec-14	224.09	6.36	5.97
	Mar-15	222.69	3.96	5.51
FY14/15	Jun-15	225.30	4.37	4.81

* Core inflation is measured as headline inflation excluding agriculture and fuel related components of the CPI Basket (CPI-AF)

2: ALL JAMAICA INFLATION – Point-to-Point (June 2015)

Divisions, Classes and Groups	Weight (%)	Inflation (%)	Weighted Inflation	Contribution
FOOD & NON-ALCOHOLIC BEVERAGES	37.45	7.80	2.92	66.76
Food	35.10	7.86	2.76	63.07
Bread and Cereals	6.10	4.43	0.27	6.18
Meat	7.66	5.04	0.39	8.83
Fish and Seafood	5.33	7.87	0.42	9.59
Milk, Cheese and Eggs	3.11	7.75	0.24	5.51
Oils and Fats	1.64	5.43	0.09	2.04
Fruit	1.14	16.47	0.19	4.29
Vegetables and Starchy Foods	6.85	13.08	0.90	20.48
Sugar, Jam, Honey, Chocolate and Confectionery	1.72	4.99	0.09	1.96
Food Products n.e.c.	1.55	8.67	0.13	3.07
Non-Alcoholic Beverages	2.35	6.73	0.16	3.62
Coffee, Tea and Cocoa	0.66	6.95	0.05	1.05
Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	1.69	6.64	0.11	2.56
ALCOHOLIC BEVERAGES AND TOBACCO	1.38	7.70	0.11	2.43
CLOTHING AND FOOTWEAR	3.33	5.25	0.17	4.00
Clothing	2.12	5.39	0.11	2.61
Footwear	1.22	5.03	0.06	1.40
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	12.76	-7.48	-0.95	-21.82
Rentals for Housing	3.52	1.33	0.05	1.07
Maintenance and Repair of Dwelling	0.80	11.33	0.09	2.07
Water Supply and Miscellaneous Services Related to the Dwelling	1.32	-9.21	-0.12	-2.78
Electricity, Gas and Other Fuels	7.12	-12.94	-0.92	-21.07
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	4.93	4.98	0.25	5.61
Furniture and Furnishings	0.69	3.83	0.03	0.60
Household Textiles	0.32	3.46	0.01	0.25
Household Appliances	0.56	6.82	0.04	0.87
Glassware, Tableware and Household Utensils	0.05	3.99	0.00	0.05
Tools and Equipment for House and Garden	0.15	4.45	0.01	0.15
Goods and Services for Routine Household Maintenance	3.16	5.10	0.16	3.68
HEALTH	3.29	2.92	0.10	2.20
Medical Products, Appliances and Equipment	1.22	3.40	0.04	0.95
Health Services	2.07	2.61	0.05	1.24
TRANSPORT	12.82	3.94	0.51	11.55
COMMUNICATION	3.99	0.03	0.00	0.03
RECREATION AND CULTURE	3.36	4.34	0.15	3.33
EDUCATION	2.14	3.93	0.08	1.92
RESTAURANTS & ACCOMMODATION SERVICES	6.19	4.42	0.27	6.26
MISCELLANEOUS GOODS AND SERVICES	8.37	6.63	0.55	12.68
ALL DIVISIONS	100.00	4.37	4.37	100.00

3: BANK OF JAMAICA OPERATING TARGETS

	Actual Sep-13	Actual Dec-13	Actual Mar-14	Actual Jun-14	Actual Sept-14	Actual Dec-14	Actual Mar-15	Actual Jun-15
Net International Reserves (US$)	**910.1**	**1,047.8**	**1,303.6**	**1,376.1**	**2,200.6**	**2,002.0**	**2,293.7**	**2,116.5**
NET INT'L RESERVES (J$)	**85,681.0**	**111,468.2**	**138,679.5**	**146,393.0**	**234,096.3**	**212,969.6**	**244,001.7**	**225,154.3**
Assets	161,309.8	193,351.8	217,929.9	214,518.3	288,848.3	263,172.4	286,134.5	**269,914.9**
Liabilities	-75,628.9	-81,883.6	-79,250.3	-68,125.3	-54,752.0	-50,202.8	-42,132.9	**-44,760.6**
NET DOMESTIC ASSETS	**6,402.3**	**-7,834.8**	**-44,251.5**	**-50,448.6**	**-137,846.8**	**-104,087.0**	**-142,920.4**	**-120,678.7**
-Net Claims on Public Sector	162,943.8	157,750.3	158,974.9	192,366.7	110,474.8	142,209.3	110,405.2	**154,098.2**
-Net Credit to Banks	-21,124.3	-21,500.4	-21,390.8	-22,702.7	-22,606.0	-23,210.1	-23,886.3	**-24,229.3**
-Open Market Operations	-53,306.5	-49,948.2	-30,533.2	-40,570.1	-35,206.8	-25,480.8	-38,871.7	**-51,609.4**
-Other	-82,110.6	-94,136.5	-151,302.5	-179,542.5	-190,508.7	-197,605.5	-190,567.5	**-198,938.1**
MONETARY BASE	**92,083.3**	**103,633.4**	**94,428.0**	**95,944.4**	**96,249.6**	**108,882.5**	**101,081.3**	**104,475.6**
- Currency Issue	58,183.1	69,801.7	61,110.2	62,025.3	61,573.4	74,937.1	66,356.3	67,916.9
- Cash Reserve	32,689.2	33,593.3	32,275.6	32,914.5	34,271.2	33,385.0	34,566.9	35,852.7
- Current Account	1,211.0	238.4	1,042.2	1,004.6	405.0	260.5	158.0	706.1
GROWTH IN MONETARY BASE [F-Y-T-D]	**0.9**	**13.5**	**3.4**	**1.6**	**1.9**	**15.3**	**7.0**	**3.4**

4: MONETARY AGGREGATES

		BASE	M1J	M1*	M2J	M2*	M3J	M3*
FY10/11	Jun-10	77757.80	93074.23	93074.23	218702.11	332339.11	306741.21	420378.21
	Sep-10	74230.90	95444.97	95444.97	221386.83	328598.33	311288.97	418500.47
	Dec-10	85093.00	103252.10	103252.10	230232.17	337664.44	321728.87	429161.14
	Mar-11	78919.19	97448.70	97448.70	225681.98	332828.17	319837.08	426983.27
FY11/12	Jun-11	80560.55	102219.91	102219.91	232910.73	341652.12	329909.45	438650.84
	Sep-11	80479.50	97967.02	97967.02	227561.92	332330.13	325013.24	429781.45
	Dec-11	91710.12	112757.18	112757.18	245020.02	351418.54	355367.82	461766.34
	Mar-12	83696.70	103826.70	103826.70	236177.27	349882.92	348301.96	462007.61
FY12/13	Jun-12	84337.37	104266.47	104266.47	236397.42	351510.21	338191.88	453304.66
	Sep-12	85193.86	105164.94	105164.94	237685.09	351396.29	340031.63	453742.83
	Dec-12	97648.46	117908.77	117908.77	253848.71	383195.99	357503.67	486850.96
	Mar-13	91294.45	113240.38	113240.38	252128.71	396423.90	355217.29	499512.48
FY13/14	Jun-13	90221.88	110381.42	110381.42	250702.54	397899.09	354684.76	501881.32
	Sep-13	92083.29	113684.42	113684.42	259771.42	409003.99	369324.33	518556.90
	Dec-13	103633.38	122884.67	122884.67	267936.36	418628.15	374695.17	525386.96
	Mar-14*	94428.02	119019.10	119019.10	262328.5	422293.20	373800.60	533765.30
FY14/15	Jun-14*	95944.45	114410.60	114410.60	256212.30	418589.90	369666.90	532044.50
	Sept-14	96249.59	114321.90	114321.90	255533.40	417063.70	371626.90	533157.20
	Dec-14	108882.53	132667.25	132667.25	276864.33	446540.66	396051.52	565727.85
	Mar-15	101081.30	127331.43	127331.43	273286.91	444356.87	398263.53	569333.49
FY15/16	Jun-15	104475.6	142761.90	142761.90	292242.71	471576.37	422968.84	602302.50

5: COMMERCIAL BANKS' SELECTED INTEREST RATES (%)

		Fixed Deposits *		Savings Deposits	Lending Rate	Fixed Deposits Rate	Loan Rate	Inter-bank Lending Rate
		3-6 months	6-12 months	(Average)	(Average)	(Wgt. Average)	(Wgt. Average)	(Average)
FY09/10	Jun-09	7.30 – 18.20	7.00 – 19.00	5.87	23.32	10.22	24.35	8.07
	Sep-09	7.30 – 15.49	7.00 – 15.75	5.86	22.26	9.13	24.19	7.39
	Dec-09	6.75 – 12.86	7.55 – 13.52	5.35	21.62	9.03	23.45	8.64
	Mar-10	5.35 – 9.82	5.00 – 9.98	4.09	21.51	7.31	22.66	6.57
FY10/11	Jun-10	4.75 – 8.50	4.75 – 10.00	3.90	20.72	6.29	22.11	5.20
	Sep-10	2.25 – 7.90	2.25 - 8.15	3.12	19.24	5.40	21.52	5.25
	Dec-10	2.25 – 7.90	2.25 – 7.70	2.47	18.95	4.89	20.43	4.14
	Mar-11	2.25 – 6.00	2.25- 6.75	2.34	18.52	4.52	20.33	3.70
FY11/12	Jun-11	2.25 – 6.00	2.25 – 6.50	2.24	17.98	4.20	20.10	3.43
	Sep-11	2.25 – 5.72	2.25 – 6.25	2.27	18.54	4.12	18.34	3.29
	Dec-11	2.25 – 5.72	2.25 – 6.00	2.13	18.30	4.16	18.03	3.34
	Mar-12	2.25 – 6.40	2.00 – 6.75	2.10	18.12	3.70	17.70	3.73
FY12/13	Jun-12	2.00 – 5.25	2.00 – 6.00	2.10	17.46	3.59	17.36	4.95
	Sep-12	2.25 – 5.25	2.00 – 6.00	2.07	17.55	3.82	17.40	6.71
	Dec-12	2.25 – 6.10	2.25 – 6.40	2.07	17.23	3.92	18.44	4.02
	Mar-13	0.90 – 5.00	0.90 – 5.25	1.94	17.23	3.55	17.97	4.77
FY13/14	Jun-13	0.90 – 5.30	0.90 - 6.10	1.51	16.72	3.21	17.66	3.89
	Sep-13	0.90 – 5.70	0.90 – 5.90	1.62	16.47	3.88	17.45	5.23
	Dec-13	1.00 – 7.10	1.25 – 7.20	1.23	14.56	4.26	17.49	7.59
	Mar-14	1.00 – 7.10	1.25 – 7.20	1.40	14.74	4.50	17.57	9.42
FY14/15	Jun-14	1.00 – 7.10	1.25 – 7.20	1.40	14.76	5.03	17.50	8.08
	Sep-14	1.00 – 6.88	1.25 – 7.00	1.18	14.99	4.47	16.91	4.19
	Dec-14	1.00 – 6.88	1.25 – 7.00	1.44	14.99	3.98	17.18	3.94
	Mar-15	1.00 –6.88	1.25 – 7.00	1.44	14.99	3.80	17.10	3.94

6: GOJ TREASURY BILL YIELDS
(End of Period)

		1-month	3-month	6-month	9-month	12-month
FY11/12	Jun-11	6.67	6.56	6.61	…	…
	Sep-11	6.47	6.37	6.56	…	…
	Dec-11	6.49	6.21	6.46	…	…
	Mar-12	6.24	6.27	6.47	…	…
FY12/13	Jun-12	6.18	6.26	6.47	…	…
	Sep-12	6.16	6.36	6.57	…	…
	Dec-12	6.31	7.67	7.18	…	…
	Mar-13	5.37	5.82	6.22	…	…
FY13/14	Jun-13	6.02	6.76	7.12	…	…
	Sep-13	6.32	7.42	7.95	…	…
	Dec-13	6.25	7.53	8.25	…	…
	Mar-14	6.76	8.35	9.11	…	…
FY14/15	Jun-14	6.80	7.66	8.37	…	…
	Sep-14	6.89	7.47	8.00	…	…
	Dec-14	6.38	6.96	7.14	…	…
	Mar-15	6.30	6.73	7.00	…	…
FY15/16	Jun-15	6.23	6.48	6.63	…	…

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

		30 days	60 days	90 days	120 days	180 days	270 days	365 days
FY09/10	Jun-09	17.00	17.50	20.00	20.20	21.50	...	22.67
	Sep-09	12.50	13.00	15.50	15.70	17.00	...	...
	Dec-09	10.50	11.00	13.50	13.70	15.00	...	...
	Mar-10	10.00	...	...	...	...	...	...
FY10/11	Jun-10	9.00	...	...	...	...	...	...
	Sep-10	8.00	...	...	...	...	...	...
	Dec-10	7.50	...	...	...	...	...	...
	Mar-11	6.75	...	...	...	...	...	...
FY11/12	Jun-11	6.75	...	...	...	...	...	...
	Sep-11	6.25	...	...	...	...	...	...
	Dec-11	6.25	...	...	...	...	...	...
	Mar-12	6.25	...	...	...	...	...	...
FY12/13	Jun-12	6.25	...	...	...	...	...	...
	Sep-12	6.25	...	...	...	...	...	...
	Dec-12	6.25	...	...	...	...	...	...
	Mar-13	5.75	...	...	...	...	...	...
FY13/14	Jun-13	5.75	...	...	...	...	...	...
	Sep-13	5.75	...	...	...	...	...	...
	Dec-13	5.75	...	...	...	...	...	...
	Mar-14	5.75	...	...	...	...	...	...
FY14/15	Jun-14	5.75	...	...	...	...	...	...
	Sep-14	5.75						
	Dec-14	5.75	...	...	...	...	...	...
	Mar-15	5.75						
FY15/16	Jun-15	5.50	...	...	...	...	...	...

8: Placements and Maturities* in BOJ OMO Instruments

	January – March 2015			April – June 2015		
	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)
19-day	0.0	0.0	0.0	0.0	0.0	0.0
30-day	63.0	58.9	5.75	48.3	47.3	5.63
182-day VR CD	0.0	0.0	0.0	0.0	0.0	0.0
275-day VR CD	0.0	0.0	0.0	0.0	0.0	0.0
365-day VR CD	7.0	3.2	7.11	6.0	3.0	6.82
548-day VR CD	0.5	0.0		0.0	0.0	
729-day VR CD	0.0	8.7	7.53	0.0	3.8	7.25
182-day FR USD	0.0	0.0		0.0	0.0	
Indexed Bond	0.0	0.0		0.0	0.0	
365-day FR USD	10.7	6.6	3.13	0.0	0.0	
Indexed Bond	0.0	0.0		0.0	0.0	
Repos	0.0	16.0		0.0	19.2	
FX (Trading Room)	74.1	29.6		66.8	34.7	
Other	0.0	0.0		0.0	0.0	
Net Injection (ALL Operations)	89.0	128.6		88.0	107.9	

	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)
2-year FR USD CD	0.0	164.9	-	0.0	0.0	-
3-year FR USD CD	2.8	0.0	3.40	21.6	0.0	3.08
4-year FR USD CD	2.1	0.0	4.25	0.0	0.0	-
4.5-year FR USD CD	0.00	0.00	0.00	0.00	0.00	0.00
5-year FR USD CD	20.7	0.0	4.68	10.6	0.0	4.14
7-year FR USD CD	92.2	0.0	5.10	22.6	0.0	4.67
3-year FR CD#	0.00	0.00	-	0.00	0.00	-
TOTAL	117.9	164.9		54.8	0.0	

*Excludes overnight transactions

9: EXTERNAL TRADE – GOODS EXPORTS (f.o.b)

(Flows – US$MN)

	Bauxite	Alumina	Sugar	Bananas	Other Traditional	Non-Traditional	Other	Total Goods Exports
FY09/10	95.7	334.5	57.8	0.0	90.9	578.8	238.7	1396.5
Jun-09	14.4	81.6	26.7	0.0	26.7	153.3	55.8	358.6
Sep-09	23.9	84.5	7.8	0.0	26.0	168.8	60.3	371.3
Dec-09	26.9	82.4	0.0	0.0	17.5	114.7	66.7	308.2
Mar-10	30.5	86.0	23.3	0.0	20.6	142.0	55.9	358.3
FY10/11	133.2	446.7	47.9	0.0	76.6	448.2	227.5	1380.1
Jun-10	31.6	83.6	13.3	0.0	22.4	109.5	49.1	309.4
Sep-10	37.0	87.1	7.7	0.0	22.4	110.7	54.7	319.7
Dec-10	29.6	146.0	0.0	0.0	13.5	101.0	53.3	343.4
Mar-11	34.9	130.0	26.9	0.0	18.3	127.0	70.4	407.6
FY11/12	138.3	578.8	91.5	0.1	76.5	509.3	275.3	1669.7
Jun-11	33.5	163.2	28.9	0.0	22.7	134.2	66.9	449.4
Sep-11	38.7	141.8	6.4	0.0	19.9	117.1	73.9	397.8
Dec-11	34.8	145.8	0.0	0.0	14.7	111.0	62.7	368.9
Mar-12	31.3	128.0	56.2	0.0	19.2	147.0	71.8	453.6
FY12/13	131.8	516.7	54.7	0.1	80.8	707.1	252.9	1744.1
Jun-12	31.8	132.4	37.5	0.0	22.3	126.8	66.7	417.5
Sep-12	34.7	130.7	0.5	0.0	20.4	162.3	58.6	407.1
Dec-12	32.4	117.2	0.0	0.0	19.3	223.5	57.9	450.3
Mar-13	33.0	136.4	16.8	0.0	18.8	194.5	69.7	469.2
FY13/14	125.0	526.1	53.7	0.1	70.9	455.8	260.3	1491.9
Jun-13	31.6	127.0	36.3	0.0	23.5	104.0	62.4	384.8
Sep-13	30.6	117.6	0.0	0.0	18.5	120.3	75.8	362.8
Dec-13	32.8	142.7	0.0	0.0	13.8	118.7	55.4	363.4
Mar-14	30.0	138.7	17.4	0.0	15.1	112.9	66.8	381.0
FY14/15								
Jun-14	34.4	108.6	26.5	0.00	21.0	98.9	67.9	355.7
Sep-14	33.4	151.6	11.9	0.00	16.4	100.9	60.5	374.9
Dec-14	33.4	130.4	0.0	0.00	12.3	106.7	48.6	331.4
Mar-15	35.3	132.3	17.1	0.00	6.6	99.4	45.1	335.8

10: BALANCE OF PAYMENTS QUARTERLY SUMMARY
(US$MN)

	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
1. Current Account	**- 379.20**	**- 258.71**	**- 236.08**	**- 328.88**	**- 495.93**	**- 113.02**	**- 314.00**	**- 342.13**	**- 381.10**	**39.40**
A. Goods Balance	**- 933.31**	**- 983.47**	**- 867.29**	**- 921.92**	**- 1108.79**	**- 881.33**	**- 956.37**	**- 939.46**	**- 969.73**	**- 770.14**
Exports (f.o.b)	450.27	469.42	384.80	362.80	363.45	389.39	357.29	374.91	331.43	335.78
Imports (f.o.b)	1 383.58	1 452.89	1 252.09	1 284.73	1 472.24	1270.73	1 313.66	1 314.37	1 301.16	1 105.92
B. Services Balance	**66.51**	**256.11**	**172.27**	**93.11**	**96.77**	**267.40**	**166.42**	**111.91**	**142.64**	**316.02**
Transportation	- 189.01	- 187.07	- 149.31	- 167.64	- 185.46	- 158.62	- 165.14	- 168.89	- 163.96	- 139.35
Travel	406.09	576.90	468.41	419.24	438.16	595.78	505.60	461.68	503.73	643.77
Other Services	- 150.56	- 133.71	- 148.83	- 158.49	- 155.93	- 171.76	- 174.04	- 180.88	- 197.13	- 188.37
Goods & Services Balance	**- 866.79**	**- 727.36**	**- 695.02**	**- 828.82**	**- 1012.02**	**- 613.93**	**- 789.95**	**- 827.56**	**- 827.09**	**- 454.11**
C. Income	**- 60.27**	**- 49.65**	**- 85.79**	**- 43.41**	**- 98.07**	**- 55.01**	**- 91.62**	**- 94.72**	**- 112.08**	**- 50.58**
Compensation of employees	21.09	- 1.88	0.49	15.35	15.92	1.46	-0.80	9.54	24.49	6.69
Investment Income	- 81.36	- 47.77	- 86.28	- 58.76	- 113.99	- 56.47	- 90.82	- 104.26	- 136.57	- 57.26
D. Current Transfers	**547.86**	**518.29**	**544.72**	**543.35**	**614.16**	**555.92**	**567.58**	**580.14**	**590.07**	**544.09**
General Government	50.56	57.59	45.72	57.92	98.08	63.92	46.58	59.42	52.80	42.76
Other Sectors	497.30	460.70	499.00	485.43	516.08	492.00	520.99	520.72	537.27	501.32
2. Capital & Financial Account	**466.96**	**566.61**	**557.04**	**364.67**	**353.03**	**457.40**	**391.00**	**-4.08**	**326.51**	**296.23**
A. Capital Account	**- 7.18**	**5.18**	**- 5.26**	**- 7.16**	**- 5.56**	**- 7.89**	**- 6.92**	**- 6.10**	**- 6.68**	**0.76**
Capital Transfers	- 7.18	5.18	- 5.26	- 7.16	- 5.56	- 7.89	- 6.92	- 6.10	- 6.68	0.76
General Government	0.16	13.68	3.08	0.47	1.68	0.61	1.42	1.53	0.56	9.26
Other Sectors	- 7.34	- 8.51	- 8.34	- 7.63	- 7.24	- 8.51	- 8.34	- 7.63	- 7.24	- 8.51
Acq/disp of non-produced non-fin assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B. Financial Account	**474.14**	**561.43**	**562.30**	**371.83**	**358.59**	**465.29**	**397.93**	**2.02**	**338.12**	**295.48**
Direct Investment	46.07	97.38	168.92	162.22	153.49	149.91	164.74	161.69	129.39	132.41
Portfolio Investment	250.36	- 8.62	12.73	50.10	32.18	51.63	12.14	15.28	15.66	51.63
Other official investment	52.82	22.68	180.78	77.43	215.71	163.23	107.01	803.82	-222.74	22.4
Other private Investment	- 7.87	208.65	318.83	- 11.00	94.89	356.31	120.55	-154.33	213.40	381.58
Reserves	132.23	241.33	- 118.97	93.07	- 137.68	- 255.79	- 72.51	- 824.43	199.48	-292.59
Errors & Omissions	-87.76	- 307.89	- 320.95	-35.79	142.90	- 344.38	-77.00	346.22	22.59	-335.63

11: FOREIGN EXCHANGE SELLING RATES
(J$ per unit of foreign currency – end of period)

		US$	Can$	GB £
FY10/11	Jun-10	89.5100	88.0600	135.0700
	Sep-10	86.0200	82.2600	128.5800
	Dec-10	86.2500	83.8400	135.8700
	Mar-11	85.8600	85.3400	133.7400
FY11/12	Jun-11	85.9100	88.6100	137.7700
	Sep-11	86.3000	83.3100	134.6900
	Dec-11	86.6000	84.2000	134.4400
	Mar-12	87.3000	87.6500	139.2800
FY12/13	Jun-12	88.7000	86.7100	138.6600
	Sep-12	89.9300	91.4200	145.3900
	Dec-12	92.9800	93.3100	152.6400
	Mar-13	98.8900	97.9900	151.9000
FY13/14	Jun-13	101.3800	96.7000	154.4800
	Sep-13	103.6000	100.7100	167.1600
	Dec-13	106.3800	99.7200	175.8400
	Mar-14	109.5700	98.9300	181.7700
FY14/15	Jun-14	112.2022	103.1802	191.8988
	Sep-14	112.6662	101.0142	180.2393
	Dec-14	114.6607	97.6896	177.6759
	Mar-15	115.0435	90.6202	169.9738
FY15/16	Jun-15	116.9832	93.8399	183.7774

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

		(US$MN) Gross Foreign Assets	(US$MN) Gross Foreign Liabilities	(US$MN) International Reserves (Net)	Weeks of Imports	
					Goods	Goods & Services
FY10/11	Jun-10	2,526.70	730.90	1,795.80	25.40	18.60
	Sep-10	2,789.70	816.00	1,973.70	29.60	21.50
	Dec-10	2,979.20	807.80	2,171.40	31.90	23.20
	Mar-11	3,434.70	881.50	2,553.20	37.20	26.70
FY11/12	Jun-11	3,156.70	889.60	2,267.10	28.50	21.40
	Sep-11	2,949.20	868.60	2,080.60	27.80	20.70
	Dec-11	2,820.40	854.30	1,966.10	25.50	19.20
	Mar-12	2,638.90	861.80	1,777.10	23.20	17.50
FY12/13	Jun-12	2,385.10	844.70	1,540.40	21.10	15.90
	Sep-12	2,115.90	858.10	1,257.80	18.90	14.10
	Dec-12	1,980.80	855.20	1,125.60	17.70	13.20
	Mar-13	1,718.40	834.10	884.30	15.40	11.50
FY13/14	Jun-13	1,881.10	877.90	1,003.20	16.70	12.60
	Sep-13	1,713.50	803.40	910.10	15.80	11.90
	Dec-13	1,817.60	769.70	1,047.90	17.30	12.80
	Mar-14	2,048.60	745.00	1,303.60	19.10	14.40
FY14/15	Jun-14	2,016.53	640.40	1,376.13	20.19	14.57
	Sep-14	2,715.25	514.68	2,200.57	27.79	19.66
	Dec-14	2,473.01	471.92	2,001.09	26.31	18.41
	Mar-15	2,689.74	396.06	2,293.68	28.61	20.02
FY15/16	Jun-15	2,537.27	420.76	2,116.51	29.00	19.83

13: VALUE ADDED BY INDUSTRY AT CONSTANT (2007) PRICES (% CHANGE)

December 2012 – December 2014 (Seasonally Unadjusted)

(Percentage Change (%) Over the Corresponding Quarter of Previous Year)

	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Total Value Added at Basic Prices	-1.2	-1.2	-0.2	0.4	1.8	1.6	1.9	-1.4	-0.4
Agriculture, Forestry & Fishing	-8.4	-11.7	-6.5	5.4	13.2	17.3	17.1	-22.9	-12.8
Mining & Quarrying	-10.3	-9.6	5.2	5.0	11.5	8.5	-0.3	-2.0	-2.1
Manufacturing	-1.8	-0.9	0.4	-0.6	-1.1	-1.1	4.2	-5.9	-1.7
Food, Beverages & Tobacco	-0.8	0.2	-0.3	-0.7	2.6	-1.0	3.4	1.1	-0.7
Other Manufacturing	-2.7	-2.4	1.5	-0.6	-4.5	-1.3	5.4	-14.5	-2.8
Construction & Installation	-3.3	0.4	2.2	2.2	2.8	1.1	1.2	1.7	1.3
Electricity & Water	-3.8	-3.0	-2.0	-3.6	1.0	0.5	-1.6	-1.1	-2.4
Wholesale & Retail Trade; Repairs; Installation Of Machinery	-1.9	0.1	-0.5	-0.1	0.1	0.1	0.1	0.4	0.3
Hotels and Restaurants	-1.3	-2.0	0.7	0.9	5.9	0.2	2.3	4.1	5.6
Transport, Storage & Communication	2.0	0.9	-0.7	0.4	1.1	0.7	1.0	1.1	1.6
Finance & Insurance Services	0.7	0.3	0.5	0.2	0.4	0.1	0.2	0.2	0.4
Real Estate & Business Services	0.3	0.3	0.3	0.3	0.4	0.6	0.6	0.4	0.5
Government Services	0.1	-0.1	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2
Other Services	0.3	-0.3	1.0	-0.8	0.8	0.6	1.1	1.6	1.5
Less Financial Intermediation Services Indirectly Measured (FISIM)	-3.4	-2.2	-0.1	0.2	0.5	-0.2	-0.8	-0.6	0.5

14: USD LONDON INTERBANK OFFER RATE–LIBOR (End– of–Period)

		1-month	3-month	6-month	12-month
FY10/11	Jun-10	0.3484	0.5339	0.7525	1.1731
	Sep-10	0.2563	0.2900	0.4625	0.7778
	Dec-10	0.2606	0.3028	0.4559	0.7809
	Mar-11	0.2435	0.3030	0.4595	0.7825
FY11/12	Jun-11	0.1856	0.2458	0.3978	0.7335
	Sep-11	0.2394	0.3743	0.5578	0.8649
	Dec-11	0.2953	4.9075	0.8085	1.1281
	Mar-12	0.2413	0.4682	0.7334	1.0485
FY12/13	Jun-12	0.2458	0.4606	0.7344	1.0680
	Sep-12	0.2143	0.3585	0.6359	0.9730
	Dec-12	0.2087	0.3060	0.5083	0.8435
	Mar-13	0.2037	0.2826	0.4449	0.7315
FY13/14	Jun-13	0.1958	0.2731	0.4144	0.6902
	Sep-13	0.1789	0.2489	0.3685	0.6294
	Dec-13	0.1677	0.2461	0.3480	0.5831
	Mar-14	0.1520	0.2306	0.3289	0.5581
FY14/15	Jun-14	0.1552	0.2307	0.3268	0.5451
	Sep-14	0.1565	0.2351	0.3304	0.5786
	Dec-14	0.1713	0.2556	0.3628	0.6288
	Mar-15	0.1763	0.2708	0.4007	0.6942
FY15/16	Jun-15	0.1865	0.2832	0.4449	0.7715

15: PRIME LENDING RATES (End-of-Period)

		EURO-ZONE	UNITED STATES			UNITED KINGDOM
		Repo rate	Fed Funds Rate	Discount Rate	Prime Rate	Repo rate
FY10/11	Jun-10	1.00	0 – 0.25	0.75	3.25	0.50
	Sep-10	1.00	0 – 0.25	0.75	3.25	0.50
	Dec-10	1.00	0 – 0.25	0.75	3.25	0.50
	Mar-11	1.00	0 - 0.25	0.75	3.25	0.50
FY11/12	Jun-11	1.25	0 – 0.25	0.75	3.25	0.50
	Sep-11	1.50	0 – 0.25	0.75	3.25	0.50
	Dec-11	1.00	0 – 0.25	0.75	3.25	0.50
	Mar-12	1.00	0 - 0.25	0.75	3.25	0.50
FY12/13	Jun-12	1.00	0 - 0.25	0.75	3.25	0.50
	Sep-12	0.75	0 - 0.25	0.75	3.25	0.50
	Dec-12	0.75	0 - 0.25	0.75	3.25	0.50
	Mar-13	0.75	0 - 0.25	0.75	3.25	0.50
FY13/14	Jun-13	0.50	0 - 0.25	0.75	3.25	0.50
	Sep-13	0.50	0 - 0.25	0.75	3.25	0.50
	Dec-13	0.25	0 - 0.25	0.75	3.25	0.50
	Mar-14	0.25	0 - 0.25	0.75	3.25	0.50
FY14/15	Jun-14	0.15	0 - 0.25	0.75	3.25	0.50
	Sep-14	0.05	0 - 0.25	0.75	3.25	0.50
	Dec-14	0.05	0 - 0.25	0.75	3.25	0.50
	Mar-15	0.05	0 - 0.25	0.75	3.25	0.50
FY15/16	Jun-15	0.05	0 - 0.25	0.75	3.25	0.50

16: INTERNATIONAL EXCHANGE RATES

		Sterling vs. US$	Canadian $ vs. US$	Yen vs. US$	Euro vs. US$
FY10/11	Jun-10	0.6691	1.0606	88.5310	0.8137
	Sep-10	0.6358	1.0298	83.5200	0.7353
	Dec-10	0.6411	0.9946	81.1260	0.7468
	Mar-11	0.6232	0.9718	82.7770	0.7051
FY11/12	Jun-11	0.6230	0.9634	80.5600	0.6896
	Sep-11	0.6417	1.0503	77.0600	0.7468
	Dec-11	0.6435	1.0213	76.9100	0.7714
	Mar-12	0.6256	0.9991	82.4340	0.7500
FY12/13	Jun-12	0.6376	1.0191	79.8040	0.7894
	Sep-12	0.6199	0.9837	77.9480	0.7779
	Dec-12	0.6150	0.9949	86.6630	0.7584
	Mar-13	0.6588	1.0156	94.0370	0.7787
FY13/14	Jun-13	0.6575	1.0512	99.1700	0.7687
	Sep-13	0.6181	1.0285	98.3270	0.7389
	Dec-13	0.6034	1.0636	105.2030	0.7258
	Mar-14	0.6012	1.1053	103.0100	0.7259
FY14/15	Jun-14	0.5846	1.0676	101.2900	0.7305
	Sep-14	0.6168	1.1196	109.6491	0.7917
	Dec-14	0.6418	1.1614	119.8035	0.8264
	Mar-15	0.6737	1.2679	119.9472	0.9321
FY15/16	Jun-15	0.6737	1.2483	122.1001	0.8966

17: WORLD COMMODITY PRICES (Period Averages)

		CRUDE OIL PRICES		FOOD	
		North Sea Brent (US$/barrel – f.o.b.)	West Texas Intermediate (US$/barrel – f.o.b.)	Wheat (US$/mt, Average Winter)	Coffee (USc/kg, Arabica brand)
FY10/11	Jun-10	78.69	78.03	182.14	392.00
	Sep-10	76.41	76.20	245.66	468.49
	Dec-10	86.80	85.17	284.25	513.85
	Mar-11	104.90	94.10	325.63	620.03
FY11/12	Jun-11	117.10	102.56	320.60	636.54
	Sep-11	112.48	89.76	293.06	597.37
	Dec-11	109.29	94.06	265.07	536.18
	Mar-12	118.60	102.94	268.88	486.95
FY12/13	Jun-12	108.86	93.50	260.39	400.35
	Sep-12	109.95	92.22	341.46	399.96
	Dec-12	110.45	88.19	346.48	357.12
	Mar-13	112.91	94.40	309.51	335.49
FY13/14	Jun-13	103.01	94.23	294.50	319.86
	Sep-13	110.10	105.83	281.76	298.23
	Dec-13	109.41	97.48	292.20	276.82
	Mar-14	107.88	98.67	280.67	382.67
FY14/15	Jun-14	109.78	102.98	292.86	467.06
	Sep-14	102.08	97.07	238.17	455.92
	Dec-14	76.01	73.16	248.61	464.59
	Mar-15	53.93	48.63	231.09	389.21
FY15/16	Jun-15	62.10	57.97	210.64	354.39

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. Changes in the monetary base emanate from sources within the net domestic assets (NDA) as well as the net international reserves (NIR).

Basis Point (bp): This is a unit of percentage measure which is equal to one hundredth of one percent (0.01% = 1bp). Basis points is commonly used when discussing interest rates and fixed income securities.

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.

Currency Issue: refers to Jamaican notes and coins in the hands of the public (currency in circulation) in addition to notes and coins held by financial institutions in their vaults (vault cash). Bank of Jamaica redeems (buys) or issues (sells) notes and coins to financial institutions when institutions have a demand for cash. The difference between currency issued and that which is redeemed during a period of time is referred to as net currency issue.

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.

Export Price Index: The export price index (EPI) is a weighted index of the prices of goods and services sold by residents of a country to foreign buyers.

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.

Import Price Index: The import price index (IPI) is a weighted index of the prices of goods and services purchased by residents of a country from foreign sellers.

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.

JSE Indices: The JSE Index comprises all Ordinary Companies on the Main Market. The JSE Combined Index comprises all Ordinary Companies on the Main Market and Junior Market. The JSE All Jamaican Composite Index comprises of only Jamaican Companies on the Main Market. The JSE Select Index comprises the JSE's 15 most liquid Securities on the Main Market. The JSE Cross Listed Index is comprised of only foreign companies on the Main Market. The Junior Index comprises all Ordinary Companies on the Junior Stock Market.

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.

Medium-term: refers to the next one to five years

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 Multiplier: This defines the relationship between the monetary base (M0) and the money supply and is usually calculated as the ratio of M3 to M0. It measures the maximum amount of money that can be created by the banking system given the provision of an additional dollar to the system by the central bank. The money multiplier implies that when the central bank conducts monetary policy in such a way as to increase the monetary base, the overall expansion in the money supply is a multiple of this initial increase. This is also true if the central bank reduces the monetary base.

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.

Near-term: refers to the next four quarters.

Net Domestic Assets: The difference between the monetary base and the NIR. It is comprised of the Bank's net claims on the public sector, mainly Central Government, open market operations liabilities and net claims on commercial banks and other financial institutions.

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.

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

Quasi-money: Savings Deposits plus Time Deposit.

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.

Special Drawing Right: The SDR is an interest-bearing international reserve asset created by the IMF to supplement the official reserves of member countries.

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.

Terms of Trade: An index of the ratio 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.

Tourism Implicit Price Index: a measure of prices in the tourism industry as reflected by average daily expenditure per tourist.

LIST OF BOXES

Oct – Dec 2000	1	Sovereign Credit Ratings & Outlook
	2	E-Gate & The Foreign Exchange Market
	3	The International Oil Market: Recent Developments and Outlook
	4	Jamaica's IMF Staff Monitored Programme (SMP)
Jan – Mar 2001	5	Core Inflation in Jamaica – Concept & Measurement
	6	Highlights of the IMF 2001 Article IV Consultation
Apr – Jun 2001	7	Jamaica's Banking Sector Recovery – An Overview
	8	Jamaica's Sovereign Credit Ratings – An Update
	9	Highlights of the IMF's May 2001 Article IV Consultation
Jul – Sep 2001	10	Innovations in Jamaica's Payment System
	11	Expanding the Role of Equity Finance in Jamaica: Some Perspectives
	12	The US Economy: Recent Trends and Prospects
Oct – Dec 2001	13	The Performance of Remittances in the Jamaican Economy: 1997 – 2001
	14	Tourism and the Jamaican Economy: Pre & Post 11 September 2001
	15	World Trade Organization (WTO): Outcome of the Fourth Ministerial Conference in Doha. Qatar and the Possible Implications for Jamaica
Jan – Mar 2002	16	Commercial Bank Probability: January to December 2001
	17	Regional Disparities in Jamaica's Inflation – 1997/98 to 2001/02
	18	The Argentina Debt Crisis & Implications for Jamaica
	19	General Data Dissemination Standards
Apr – Jun 2002	20	The Automated Clearing House: Implications for the Payment System
	21	Macroeconomic Implications of Cross Border Capital Flows: Some Scenarios
	22	Performance of Remittances in the Latin American and Caribbean Region – 1997 to 2001
Jul – Sep 2002	23	Building Societies' New Mortgage Loans: July 2001 – June 2002

	24	An Overview of the CARICOM Single Market and Economy (CSME)
Oct – Dec 2002	25	The Profitability of the Banking System: 1991 – 2002
	26	Interest Rates Spreads in Jamaica: 1995 – 2002
	27	Implications of the International Accounting Standards (IAS) for Financial Systems and Financial Stability
Jan – Mar 2003	28	Opportunities for Savings and Investments in Jamaica: Financial Intermediaries and Financial Instruments
	29	The CPI and the GDP Deflator: Concepts and Applications
Apr – Jun 2003	30	The Concept and Measurement of External Competitiveness
	31	Exchange Rate Pass-Through in the Jamaican Economy
Jul – Sep 2003	32	The International Investment Position
	33	The Fifth WTO Ministerial Conference: Implications for Future Trading Negotiations
Oct – Dec 2003	34	The Monetary Policy Committees: International Precedents and Macroeconomic Context
	35	Macroeconomic Determinants of Nominal Interest Rate
Jan – Mar 2004	36	Recent Trends and Prospects in the Balance of Payments
	37	The Exchange Rate Regime and Monetary Policy
Apr – Jun 2004	38	Preserving Financial Stability
	39	Financial Sector Assessment Programme
	40	Jamaica's Current Relationship with the IMF
Jul – Sep 2004	41	Recent Developments in Crude Oil Prices
	42	Implications of Higher Crude Oil Prices for the Balance of Payments and Inflation
Oct – Dec 2004	43	Recent Trends in Foreign Direct Investment
	44	Exploring the Jamaican Foreign Exchange Market Dynamics: 2001 – 2004 (Special Feature)
Jan – Mar 2005	45	The BOJ Macroeconomic Stress Testing Programme and Financial Stability
	46	Issues of Foreign Reserve Adequacy

Apr – Jun 2005	47	Credit Bureaux and Financial Market Efficiency
	48	Trends in Labour Productivity
Jul – Sep 2005	49	Inflation in Selected Caribbean Countries
	50	International Developments (Special Feature)
Oct – Dec 2005	51	Payment Systems Reform
Jan – Mar 2006	52	The IMF's Code of Good Practices on Transparency on Monetary policy: A Summary of the IMF's Assessment Report on Jamaica
Apr – Jun 2006	53	Trends in Private Sector Credit: FY2001/02 to FY2005/06
	54	Exploring the Interest Rate Differential between Jamaica Dollar and US Dollar Denominated Assets: Jan 2001 – June 2006
	55	Jamaica Labour Market: Trends and Key Indicators – 1996 to 2005
Jul – Sep 2006	56	Labour Market Update – June 2006
	57	The Special (Upper Income) Consumer Price Index
	58	Jamaica Interim Staff Report Under Intensified Surveillance: Executive Summary
Oct – Dec 2006	59	Factors Influencing the Demand for Currency Issued by the BOJ & the Impact of Currency Demand on the Balance Sheet of Financial Institutions
Jan – Mar 2007	60	Jamaica's Financial Programme
	61	Inflation Expectation Survey
	62	The Producer's Price Index
Apr – Jun 2007	63	Measuring Core Inflation: Emerging Issues
Jul – Sep 2007	64	The Turbulence in the US Subprime Mortgage Market
	65	The Revised Consumer Price Index
Oct – Dec 2007	66	Trends in Jamaica's Fuel Demand
	67	Trends in Inflation
	68	The EU–CARIFORUM Economic Partnership Agreement
Jan – Mar 2008	69	Impact of a Potential US Recession on the Jamaican Economy

	70	Recent Trends in International Commodity Prices
Apr – Jun 2008	71	Global Monetary Policy Response to Spiralling Commodity Prices
Jan – Mar 2009	72	BOJ's Monetary Policy Response to the Global Financial Crisis
	73	The Transmission of Monetary Policy in Jamaica
	74	Monetary Policy, Economic Growth and Inflation
Apr – Jun 2009	75	The International Monetary Fund (IMF) and Jamaica's Experience with the IMF
Jul – Sep 2009	76	Fiscal Responsibility Frameworks/Fiscal Rules
Oct – Dec 2009	77	Bank of Jamaica Liquidity Support to the Government: November 2009 – January 2010
	78	The Dynamics of Jamaica's Interest Rate
	79	Jamaica's Medium-Term Economic & Financial Programme: FY2009/10 – FY2013/14
Jan – Mar 2010	80	Jamaica's Inflation: How Much is Enough?
	81	The Jamaica Debt Exchange
Apr – Jun 2010	82	Exchange Rates and External Price Competitiveness
	83	Adequacy of the BOJ's Gross International Reserves
Jul – Sep 2010	84	Preserving Financial Stability (revisited)
	85	Credit Bureaux and the Efficiency of Credit Markets (updated)
Oct – Dec 2010	86	An Inflation Targeting Framework for Jamaica
Jan – Mar 2011	87	The Middle East and North Africa (MENA) Crisis and its Implication for the Jamaican Economy
Apr – Jun 2011	88	Evolution of the European Debt Crisis & its Impact on Jamaica
Jul – Sep 2011	89	Electronic Small-Value Retail Payments: Recent Trends and the Relationship with Economic Growth
Oct – Dec 2011	90	Productivity and Growth
Jan – Mar 2012	91	External Competitiveness in Jamaica
Apr – Jun 2012	92	The Importance of Managing Inflation Expectations

Jul – Sep 2012	93	A Preliminary Assessment of the Impact of Hurricane Sandy on Prices – Results from a Field Survey
Oct – Dec 2012	94	Fiscal Expenditure Multipliers and Economic Growth
Jan – Mar 2013	95	Jamaica's Medium-Term Economic & Financial Programme: FY2013/14 – FY2017/18
Apr – Jun 2013	96	The Evolution of the Jamaica Dollar Liquidity and its Impact on Money Market Rates: January to June 2013
	97	Recent Trends and Developments in Remittances
Jan – Mar 2014	98	The Bank of Jamaica's Quarterly Credit Conditions Survey (recurrent)
Apr – Jun 2014	99	Jamaica's Macroeconomic Programme under the EFF (recurrent)
	100	Monetary Transmission Mechanism (recurrent)
July – Sept 2014	101	Changes to the Liquidity Management Framework for Deposit-taking Institutions
Oct – Dec 2014	102	Recent Developments in Crude Oil Prices
Jan – Mar 2015	103	An Examination of Current Account Financing from the BPM6 Perspective