2016

BANK OF JAMAICA

Quarterly Monetary Policy Report

January to March 2016 • Volume 16 • Number 4

Overview

There was continued improvement in key macroeconomic indicators in the March 2016 quarter. In particular, inflation decelerated to the lowest level since 1967, unemployment fell, the reserves increased and there was further growth in the equities market and private sector credit. Gross domestic product is estimated to have grown, but at a slower pace than anticipated and also relative to the previous quarter. Notably, fiscal performance remained strong and the country was assessed to have met all the quantitative targets under the EFF Supported Programme.

During the quarter, the Bank of Jamaica (BOJ) maintained the signal interest rate, the rate on the 30-day Certificate of Deposit, at 5.25 per cent. This policy stance continued to reflect the Bank's outlook for relatively low and stable domestic inflation over the near- to medium-term, notwithstanding the projection for moderately higher oil prices.

Jamaica recorded deflation in all months of the quarter largely due to a faster than anticipated reversal in agricultural commodity prices and lower than expected energy costs. This resulted in headline inflation of 3.0 per cent at end-March 2016 compared to 3.7 per cent at end-2015 and 4.0 per cent at end-March 2015. Core inflation, as measured by the CPI excluding food and fuel and the CPI excluding agriculture and fuel was also low. The outturn at end-March 2016 was below the target range of 5.5 per cent to 7.5 per cent for FY2015/16. The Bank has lowered its inflation target for FY2016/17, to a range of 4.5 per cent to 6.5 per cent in keeping with its objective to gradually lower inflation to that of Jamaica's trading partners. T his outlook is partly predicated on international commodity prices remaining at low but gradually increasing levels as well as continued improvement in domestic demand.

Real GDP is estimated to have recorded a fifth consecutive quarter of expansion, emanating primarily from the services industries. Given the estimate for the March 2016 quarter, real GDP growth for FY2015/16 remains within the range of 0.5 per cent to 1.5 per cent, largely driven by growth in Manufacture, Electricity & Water Supply, Hotels & Restaurants, Construction and Transport, Storage & Communication. For FY2016/17, real GDP growth is expected to be within the range of 1.0 per cent to 2.0 per cent, consequent on the gradual recovery in global demand. Recovery in the domestic economy is also expected in Agriculture, Forestry & Fishing and Electricity & Water Supply.

Over the next four quarters and the medium-term, the Bank policy stance will be geared toward maintaining relatively low inflation and creating the conditions for higher GDP growth. The economy should continue to benefit from gains in external competitiveness and structural reforms attained under the Programme, a strong banking system as well as continued interest in equity financing. There are however emerging risks to the economic outlook based on uncertainties in the global economy, in particular developments in China and the spill over to other economies. Given the potential risks, the Bank will continue to build its reserves and implement other supporting policies to anchor inflation expectations.

Brian Wynter
Governor

CONTENTS

ABBREVIATIONS

ARMI	Agricultural Raw Materials Index
BOC	Bank of Canada
BOJ	Bank of Jamaica
BoJ	Bank of Japan
BPO	Business Process Outsourcing
BRO	Bi-monthly repurchase operations
bps	Basis points
CDs	Certificate of Deposits
CDI	Credit Demand Index
CIS	Collective Investment Scheme
CPI	Consumer Price Index
CPI-F	Consumer Price Index without Fuel
CPI-FF	Consumer Price Index without Food and Fuel
CSI	Credit Supply Index
CY	Calendar Year
DIJA	The Dow Jones Industrial Average
ECB	European Central Bank
EFF	Extended Fund Facility
EFR	Excess funds rate
EMBI+	JP Morgan Emerging Market Bond Index
EPI	Export Price Index
ETF	Exchange-trading funds
EU	European Union
Fed	Federal Reserve Bank
FOMC	Federal Open Market Committee
FY	Fiscal Year
GDP	Gross Domestic Product
GOJ	Government of Jamaica
GOJGBs	Government of Jamaica Global Bonds
IES	Inflation Expeactations Survey
IMF	International Monetary Fund
IPI	Import Price Index
ITES	Information Technology Enabled Services
JCC	Jamaica Chamber of Commerce
JSE	Jamaica Stock Exchange
LME	London Metal Exchange
MonMod	BOJ's Macroeconomic Model

NAIRU	Non-Accerlerating Inflation Rate of Unemployment
NDA	Net Domestic Assets
NIR	Net International Reserve
OBR	Office for Budget Responsibilty
OMO	Open Market Operations
PBOC	People's Bank of China
PMI	Purchasing Managers Index
QCCS	Quarterly Credit Condition Survey
QPC	Quantitative Performance Criteria
QQE	Quantitative and Qualitative Easing
REITS	Real Estate Investment Trusts
SCT	Special Consumption Tax
SDRs	Special Drawing Rights
SEZ	Special economic zones
SLF	Standing Liquidity Facility
SMEs	Small and Medium-sized Enterprises
TAJ	Tax Administration of Jamaica
T-Bill	Treasury Bill
TOT	Terms of Trade
USA	United States of America
USDA	United States Department of Agriculture
USTBs	US Treasury bonds
VR-CDs	Variable Rate Certificate of Deposits
WTI	West Texas Intermediate

1.0 Inflation

For the March 2016 quarter inflation decelerated relative to the December 2015 quarter. This outturn mainly reflects lower prices among energy and transport-related services. Additionally, a moderation in domestic agricultural prices underpinned the deceleration in inflation for the quarter. For FY2015/16, inflation was 3.0 per cent, significantly below the lower end of the 5.5 per cent – 7.5 per cent target range and the lowest fiscal year outturn since 1967. The Bank is projecting inflation to be within the range of 4.5 per cent to 6.5 per cent for the FY2016/17. This forecast is largely dependent on international commodity prices gradually increasing, as well as continued improvement in domestic demand conditions.

Inflation Developments

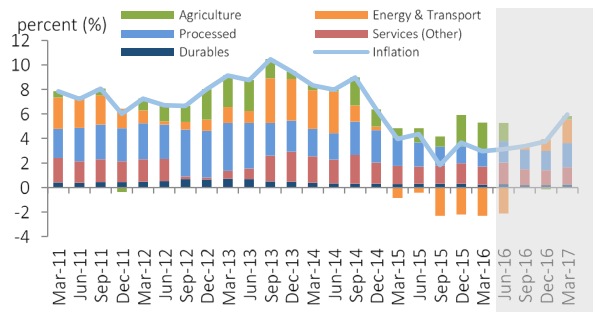
At end-March 2016 headline inflation decelerated to 3.0 per cent relative to 3.7 per cent at the end of the preceding quarter. The outturn was below the target range of 5.5 per cent to 7.5 per cent for FY2015/16 (see **Table 1** and **Box 1**). The deceleration relative to the previous quarter largely reflected declines in the cost of energy and transport-related services, which recorded deflation for the fifth successive quarter. Notably, there was a decline in agricultural prices relative to the previous quarter. Prices of agricultural commodities were however higher when compared to the March 2015 quarter (see **Figure 1**). With regard to core inflation, the outturn of 3.0 per cent was particularly evident amongst processed foods. Notably, the other core measures CPI without Food and Fuel (CPI-FF) and CPI without Fuel (CPI-F) both decelerated to 3.1 per cent and 4.8 per cent, respectively from 4.2 per cent and 6.1 per cent, respectively in March 2015.

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

	Headline	Core*	FNB**	HWEG**
15-Mar	4.0	4.0	*7.9*	*-9.5*
15-Jun	4.4	3.1	*7.8*	-7.5
15-Sep	1.8	2.8	*5.5*	*-10.9*
15-Dec	3.7	3.5	*8.7*	*-8.3*
16-Mar	3.0	3.0	*7.4*	*-6.9*
Target FY15/16: 5.5-7.5				
Target FY16/17: 4.5-6.5				

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)

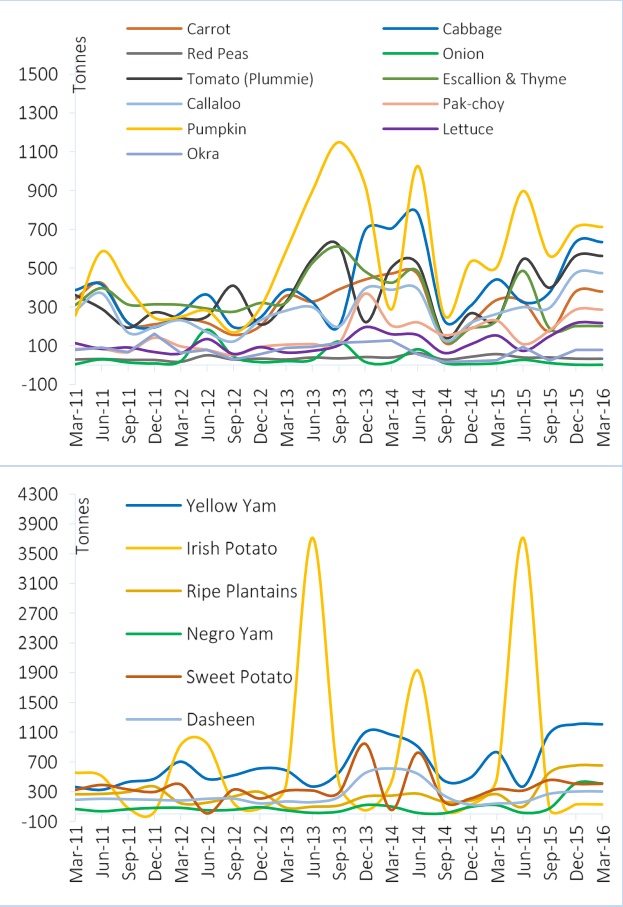


Source: STATIN & BOJ

Domestic agriculture inflation decelerated relative to the December 2015 quarter, primarily reflecting the impact of an improvement in agricultural supplies over the past two quarters (see **Figure 2**). This improvement reflected a recovery from drought conditions as a result of increased rainfall.

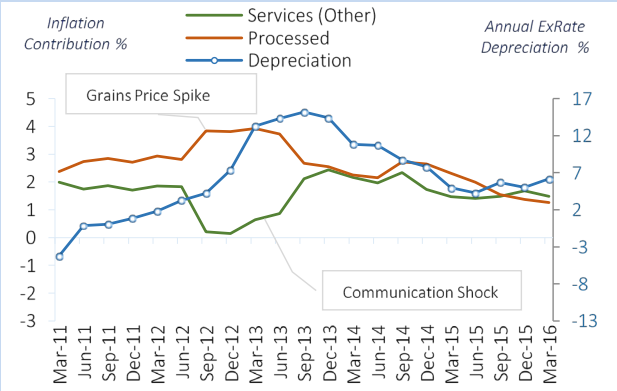
Inflation among processed food items decelerated for the sixth consecutive quarter. This outturn was largely due to the continued decline in energy costs as a result of continued robust global oil supply. The Bank's index of international grains prices increased moderately over the period reflecting marginal increases in the prices of all commodities.The tempered increase in the prices of these grains was underpinned by continued weakness in global demand for grains given the slowdown in economic expansion in a number of economies, particularly China, a major consumer of grains (see **Figure 4**).

Figure 2 Estimated Vegetable & Starchy Foods Supplies (Tonnes)



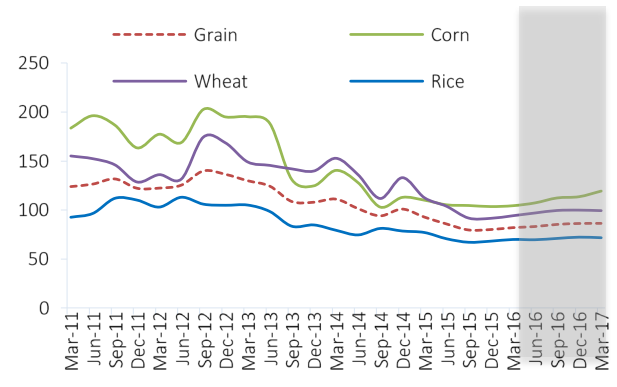
Source: RADA

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 quarters. When matched against inflation from processed foods, exchange rate depreciation reflects its largest correlation of 0.56 which occurred within three 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.

There was a moderation in inflation arising from other services. This outturn, reflected the lagged impact of the moderate pass-through of the exchange rate depreciation (see Figure 3).

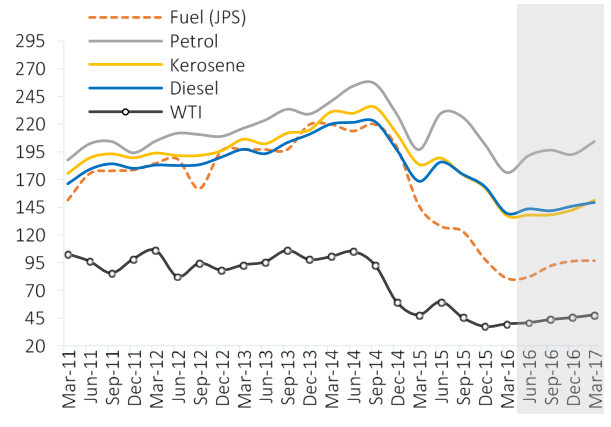
For the March 2016 quarter there was deflation related to energy and transport, underpinned by continued declines in electricity and fuel rates (see Figure 5). This was mainly owing to the impact of the continued reduction in international crude oil prices which have been in decline since the June 2014 quarter (See International Economy).

There were no inflationary pressures from factor prices arising from capacity utilization and the labour market during the March 2016 quarter (see Figure 6). In particular the output gap remained negative during the quarter. In addition, the unemployment rate continued to exceed the Non-Accelerating Inflation Rate of Unemployment (NAIRU), indicating no inflationary pressures from the labour market.

Inflation Outlook & Forecasts

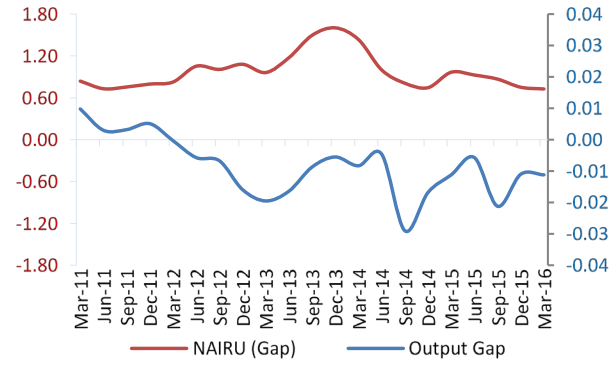
Inflation is expected to end FY2016/17 within the target range of 4.5 per cent to 6.5 per cent which

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



Source: Bank of Jamaica

Figure 6 Output Gap and Gap between Unemployment and NAIRU



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.
Source: Bank of Jamaica

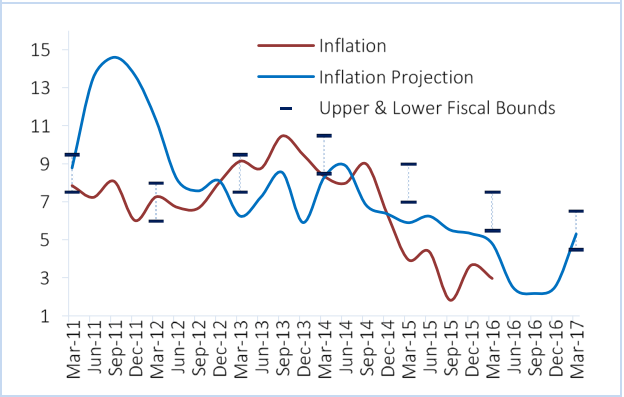
reflects a lowering of the target range relative to FY2015/16. Over the next three quarters, the forecast is for inflation to decline moderately, remaining below the forecast range for that period. Thereafter, it is anticipated that inflation will increase in the final quarter of FY 2016/17, to be within the target range as there is not expected to be a reoccurance of the deflation which was recorded in the March 2015 quarter (see **Figure 7**). The forecast is also consistent with the outlook for a trend increase in international commodity prices, particularly crude oil, albeit at a moderate pace. This forecast is also predicated on the anticipated impact of measures being put in place by advanced economies to improve moderate levels of global growth. A strengthening in domestic economic growth will also serve to buoy prices. However, continued efforts at fiscal consolidation and low inflation expectations should serve to assuage the pace of price increases.

The output gap is expected to continue narrowing over the near-term, eventually closing in the March 2017 quarter. In light of this, some inflationary pressures could stem from stronger domestic demand conditions. Likewise, growth in the monetary aggregates suggests upward risks to inflation over FY2016/17 (see **Monetary Policy, Money and Financial Markets**). Continued low inflation expectations, as reflected in the Bank's most recent Inflation Expectations Survey (IES) of businesses should, however, assist in moderating price increases over the next four quarters (see **Box 1.1: BOJ's Inflation Expectations Survey**).

Inflation Risks

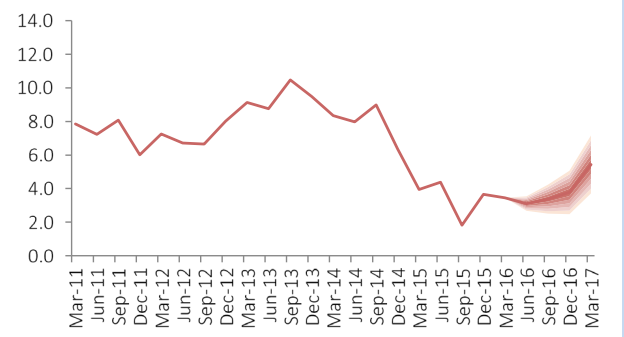
The upside risks to inflation over the subsequent four quarters include the impact of adverse weather conditions, stronger than expected domestic demand and higher than anticipated international grains and oil prices. The downside risks largely relate to higher than anticipated domestic agricultural supplies associated with the continued recovery from drought conditions and better than anticipated impact of the developments in the agro parks on domestic agriculture supply. Lower than anticipated international commodity prices and domestic economic activity are also downside risks. In light of these factors, the near-term risks to this forecast are considered to be balanced (see **Figure 8**).

Figure 7 Inflation Forecast Performance
(Annual point-to-point 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.

Figure 8 Inflation Fan
(Annual point-to-point forecast)



Source: Bank of Jamaica

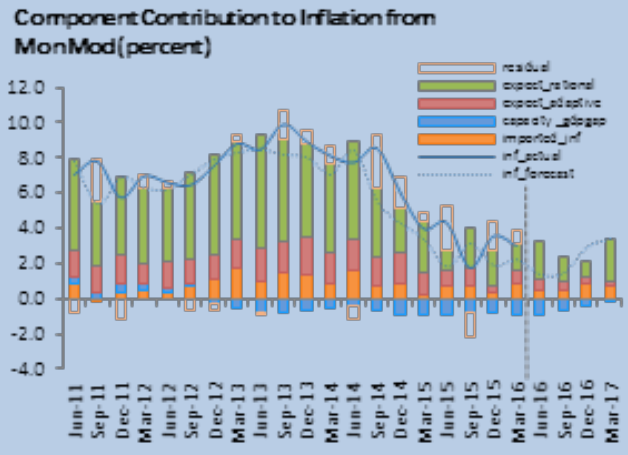
Box 1.0: BOJ's Macroeconomic Model (MonMod) Component contribution to Inflation implied by the Phillips Curve

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. Of note, 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 re-estimated in April 2016 taking into account the inflation outturn of 3.0 per cent for FY2015/16 (see Figure below). The results from the model suggest that inflation decelerated in the March 2016 quarter primarily due to weak domestic demand conditions indicated by the continued negative output gap. This was partly offset by higher imported inflation.



Inflation for the June 2016 quarter is projected to decelerate further due to a moderation in imported inflation. In addition domestic capacity conditions are expected to remain supportive of reduced price pressures evidenced by the continued negative output gap.

Box 1.1: BOJ's Inflation Expectations Survey (IES)

Overview

In February 2016, the expectation of inflation 12 months ahead held by businesses declined relative to the December 2015 survey. Consistent with this view, their perception of inflation control increased. With regard to the exchange rate, respondents expected a slower pace of depreciation over all three time horizons relative to the December 2015 survey. The majority of businesses surveyed believed that the Bank's OMO rate will remain the same over the next three months. Relative to December 2015, there was a notable improvement in the perception of both present and future business conditions.

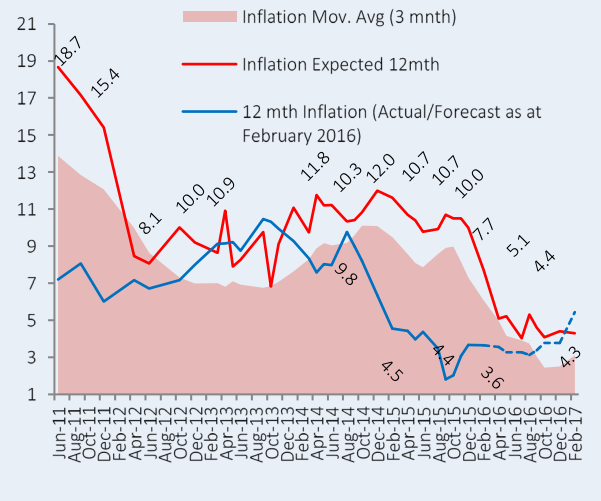
Inflation Expectations

In the February 2016 survey, the expected inflation for CY2016 was 4.1 per cent. This outturn was below the 6.9 per cent expected for CY2015 in the December 2015 survey. The expectation for the calendar year was above the annual inflation of 3.6 per cent at February 2016. Respondents' expectation of inflation 12 months ahead declined to 4.3 per cent in the February 2016 survey from the 4.4 per cent indicated in December 2015 (see Figure 1).

Perception of Inflation Control

The index of inflation control increased to 263.6 from 257.1 in the December 2015 survey (see Figure 2). This outturn mainly reflected a decline in the number of respondents who were 'very dissatisfied' with the authorities' control of inflation, while there was an increase in the number of respondents who were 'very satisfied' as well as those who were 'satisfied'.

Figure 1: Expected 12-Month Ahead Inflation



Source: Bank of Jamaica's Inflation Expectations Survey

Exchange Rate Expectations

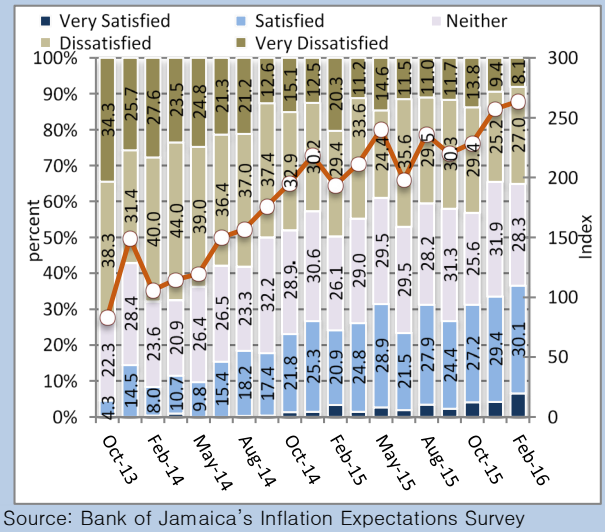
Relative to the December 2015 survey, respondents expected a slower pace of depreciation in the domestic currency for the 3-month 6-month and 12-month time horizons (see Table 1). Specifically, in the February 2016 survey, the exchange rate was expected to depreciate by 0.7 per cent, 1.7 per cent and 3.2 per cent for the 3-month, 6-month and 12-month horizons, respectively. The survey in December 2015 had indicated expected depreciation of 1.4 per cent, 2.5 per cent and 3.5 per cent over the respective horizons.

Interest Rate Expectations

In the February 2016 survey, the majority of respondents expected the Bank's OMO rate to remain unchanged. The expected 180-day Treasury Bill (T-Bill) rate, three months hence was 5.8 per cent relative to the 6.3 per cent anticipated in the December 2015 survey. This expected rate was above the actual 180-day T-Bill rate for February 2016.

Figure 2: 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

Table 1: Exchange Rate Expectations

Question: In January 2016 the exchange rate was J$121.37=US$1.00. What do you think the rate will be for the following time periods ahead, 3 months, 6 months and 12 months?

Periods Ahead	Expected Depreciation			
	Dec-14	Feb-15	Dec-15	Feb-16
3 Months	1.4	1.7	1.4	0.7
6 Months	2.1	3.0	2.5	1.7
12 Months	3.0	3.8	3.5	3.2

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

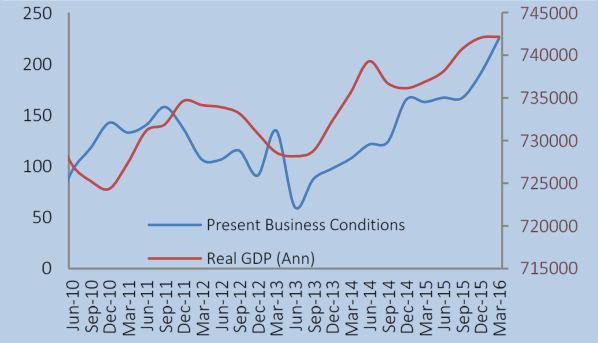
Perception of Present and Future Business Conditions

The perceptions of both present and future business conditions conditions improved to record levels relative to the December 2015 survey. Since the June 2013 quarter, perceptions of both present and future business conditions have generally trended upwards (see **Figures 3** and **4**).

Expected Increase in Operating Expenses

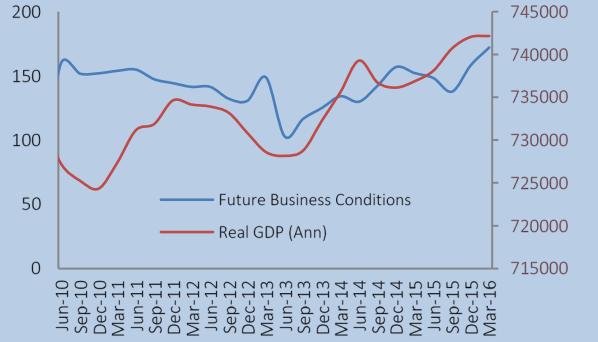
Respondents indicated that they expect the largest increase in production costs over the next 12 months to emanate from the cost of stock replacement. Higher costs for utilities was expected to be the second largest contributor to production costs over the next 12 months. The cost of fuel/transport in the production process was the input cost least expected to increase over the next 12 months. Notwithstanding, more respondents anticipated an increase in fuel/transport relative to the previous survey.

Figure 3: Present Business Conditions and Real GDP (Index– LHS and GDP – RHS)



Source: Bank of Jamaica's Inflation Expectations

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



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

2.0 International Economy

Global economic growth for the March 2016 quarter is estimated to have weakened relative to the Bank's previous forecast, but accelerated when compared to the outturn for the December 2015 quarter. Notably growth in the USA, Japan, India, Brazil and Australia is estimated to have been weaker than anticipated consequent on the slowdown in China. There was increased demand for less risky assets that led to capital flight from equity investments to a number of sovereign bond investments, with strong preference shown for the longer term US Treasuries. Additionally, commodity prices remained suppressed during the quarter in the context of oversupplied markets which have magnified the downside risks to commodity-exporting economies such as Russia and Brazil that are in recession. Consequent on signs of weaker than expected economic growth and heightened risk aversion, central banks and governments across a number of economies have either maintained accommodative monetary policy positions or provided additional monetary and/or fiscal stimulus measures, respectively.

Trends in the Global Economy

The growth momentum across the global economy remained weak during the March 2016 quarter, as the inertia which characterized economic expansion in 2015 persisted into the new year. Specifically, the global economy is estimated to have grown by 1.7 per cent for the March 2016 quarter, a significant downward revision from the previous projection of 2.5 per cent. Notably, the economic slowdown in China resulted in heightened volatility in global financial markets and tempered economic expansion in a number of advanced and emerging market economies. Additionally, the continued decline in commodity prices helped to suppress economic activity in major commodity-exporting countries. On the expectation of persistent weakness over the ensuing quarters of 2016, the Bank estimates that the global economy will grow at 3.0 per cent for 2016, a downward revision from the 3.2 per cent previously estimated (see Table 2). The Bank attributes its revised outlook for 2016 to the weaker than anticipated growth expected mainly for the USA, Japan, India, Brazil and Australia (see Figure 9).

Table 1: Overview of Selected Variables (Per Cent)

	2015	2016	
GDP	Actual	Current Forecast	Previous Forecast as at 28 Jan.16*
World	3.1	3.0	3.2
USA	2.4	2.1	2.4
Canada*	1.2	1.6	1.8
Japan*	0.5	0.5	1.0
UK	2.3	1.9	2.2
Euro*	1.5	1.5	1.6
China	6.9	6.5	6.5
Inflation			
USA	0.7	1.6	1.1
Canada	1.6	1.7	2.6
Japan	0.2	0.8	1.4
UK	0.2	0.9	1.0
Euro	0.2	0.9	0.9
China	1.6	2.4	1.8

Source: Bank of Jamaica (BOJ) and Bloomberg
* BOJ's estimates for 2015

Notwithstanding, the more tempered pace of global economic growth, the 12-month point-to-point inflation for most of Jamaica's major trading partners were higher than anticipated during the quarter, albeit below the respective countries' inflation targets. Higher inflation rates were primarily influenced by increased demand

which was supported by continued improvement in labour markets and was reflected in higher prices for food, shelter, clothing and medical care (see Table 3).

Figure 9: Global Economic Growth

Source: Bank of Jamaica

In recognition of the increasing challenges to economic growth and inflation, a number of countries expanded their monetary policy and/or fiscal stimulus measures during the review quarter. On 29 January 2016, the Bank of Japan (BoJ) announced the introduction of its "Quantitative and Qualitative Monetary Easing (QQE) with a "Negative Interest Rate" programme. This programme has three dimensions, whereby policy decisions will consist of a mix of "quantity, quality, and interest rate" changes. It is against this background that the BoJ cut the interest rate paid on financial institutions' monies held in current accounts to minus 0.1 per cent.

Effective 01 March 2016, the People's Bank of China (PBOC) reduced the reserve requirement ratio by 50 basis points (bps) to 17.0 per cent. This action represented the intensification of efforts to stem the country's economic slowdown amid significant declines in stock prices and a weakening currency.

With regard to the Euro area, the European Central Bank (ECB) also increased efforts to spur economic growth. On 10 March 2016, the ECB announced a set of policy measures which included reductions of the interest rates on its main refinancing operations of the Eurosystem, marginal lending and deposit facilities by 5 bps, 5 bps and 10 bps, respectively, to the corresponding rate of zero per cent, 0.25 per cent and −0.40 per cent. The reduction of the interest rates was effected on 16 March 2016 (see Figure 10).

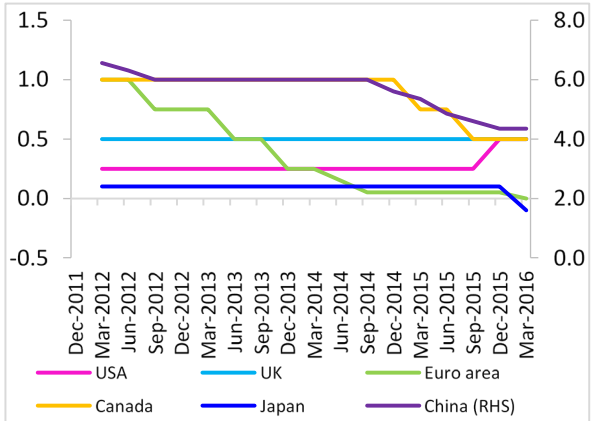
In the USA, the Federal Open Market Committee reduced its growth outlook for 2016 and maintained its accommodative monetary policy stance. In March 2016, the UK's Office for Budget Responsibility (OBR) revised downwards its growth projection for the UK economy to 2.0 per cent from 2.2 per cent. In the context of the lower growth outlook, the OBR announced the Government's plans to cut its main tax rate levied on companies. In addition, the corporate tax will gradually be reduced to 17.0 per cent from 20.0 per cent by 2020.

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

	USA	Canada	Euro
Mar-2015	5.5	6.8	11.2
Jun-2015	5.3	6.8	11.0
Sep-2015	5.1	7.1	10.7
Dec-2015	5.0	7.1	10.4
Mar-2016	5.0	7.1	10.3*

Source: Official statistics offices, * Bloomberg forecast

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



Source: Bloomberg

Advanced Economies

United States of America (USA)

For the March 2016 quarter, real growth in the USA progressed at a much slower than forecast pace. According to the advanced estimate published by the Bureau of Economic Analysis, US real GDP increased at an annualized rate of 0.5 per cent for the review quarter. This outturn was below the Bank's projection of 1.1 per cent. Growth in the quarter was attributed to an increase in personal consumption expenditure, residential fixed investment as well as state and government spending. The impact of which was partially offset by a decline in non-residential fixed investment, private inventory investment, net exports and federal government spending.

The Bank projects that over the next four quarters, annualized quarterly growth will fall within the range of 1.8 per cent to 3.0 per cent relative to the previous forecast range of 2.4 per cent to 2.9 per cent. For 2016 the forecast is for the US economy to grow by 2.1 per cent down, from the previous projection of 2.4 per cent. This outlook is consistent with the US Federal Reserve's revised median growth projection of 2.2 per cent from 2.4 per cent previously forecast.

With regard to the US consumer price index, the 12-month change as at March 2016 was 0.9 per cent relative to the 0.7 per cent at December 2015. This outturn reflected higher prices for medical care, apparel and recreation, the impact of which was partly offset by continued declines in energy costs. The Bank forecasts that prices in the USA over the next four quarters will increase within the range of 0.8 per cent to 1.4 per cent, supported by a gradual increase in commodity prices. This compares to the FOMC's projected range of 1.0 per cent to 1.6 per cent.

China

Economic growth in China for the March 2016 quarter is forecast to be 6.7 per cent, following growth of 6.8 per cent for the December 2015 quarter. This growth outlook is informed by data depicting weakness in consumption, exports and slower industrial production and investments. It is against this background that in March 2016 the PBOC reduced its reserve requirement ratio while the Premier Li Keqiang unveiled a record fiscal deficit programme and reiterated his commitment to accelerating the restructuring of state-owned industries. The authorities forecast weaker growth for 2016, within a target range of 6.5 per cent to 7.0 per cent, down from its previous point target of 7.0 per cent.

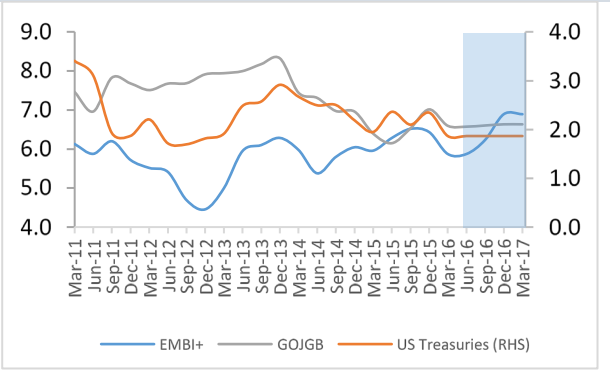
In light of the foregoing, the Bank projects that economic growth in China for the next four quarters will be towards the lower end of the PBOC's forecast range. Inflation is forecast to be within the range of 2.0 per cent to 2.4 per cent, which is below the inflation target of 3.0 per cent for the year.

International Financial Markets

Trading across financial markets during the review quarter, reflected heightened risk aversion, fuelled by a weaker than anticipated global growth outlook for 2016 and concerns about rising geopolitical tension in Europe. Against this background, investor appetite for select sovereign bonds increased during the review quarter when compared to the December 2015 quarter. In this regard, the average yield on US Treasuries and the JP Morgan Emerging Market Bond Index (EMBI+) declined by 26 bps and 56 bps, respectively, to end the quarter at 1.18 per cent and 5.87 per cent. The extent of the heightened risk aversion across financial markets was also reflected in the concentration of investments in the longer tenors of the safe haven US Treasuries. For the March 2016 quarter, the average yield on the longer tenors fell by 43 bps to 1.71 per cent when compared to the average yield on the shorter tenors which was unchanged at 0.39 per cent. Of note, yields on Government of Jamaica Global Bonds (GOJGBs) declined by 42 bps to 6.60 per cent in spite of the uncertainty

concerning the general elections, a large NDX bond maturity and the aforementioned global uncertainty during the quarter (see Figure 11). On an annual basis the spread between GOJGBs and USTBs narrowed by 16 bps to 5.42 per cent. However, the spread between the GOJGBs and EMBI+ widened by 14 bps to 0.73 per cent.

Figure 11: Selected Average Sovereign Bond Yields
(Per Cent)

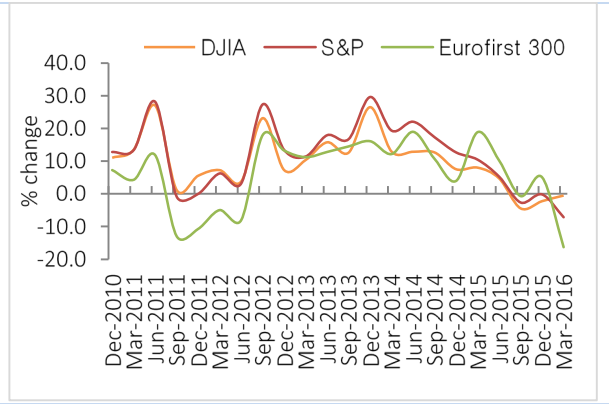


Source: Bloomberg

Against the background of the foregoing, all selected stock market indices fell in the March 2016 quarter when compared to the corresponding period of 2015. The Dow Jones Industrial Average (DJIA), S&P 500, and Eurofirst 300 fell by 0.5 per cent, 7.2 per cent and 16.3 per cent, respectively. The decline in the Eurofirst 300 was largely attributed to the 18 March 2016 terrorist attack on Belgium (see Figure 12). From a quarterly perspective, all equity indices except the DJIA also fell, largely attributed to the same factors that underpinned the annual performance. The increase in the DJIA was largely impacted by the upward revision to US GDP growth estimate for the December 2015 quarter, to 1.4 per cent from 1.0 per cent.

With respect to currency trading, the majority of Jamaica's main trading partners' exchange rates depreciated against the US dollar for the March 2016 quarter when compared to the December 2015 and March 2015 quarters. Notably from an annual perspective, the pound sterling and the Renminbi depreciated, largely reflecting the impact of uncertainty surrounding a "Brexit" and investor

Figure 12: Selected Stock Market Indices
(Year-over-Year Per Cent)



Source: Bloomberg

concerns that the policy mix in China was inadequate to stimulate stronger economic growth, respectively. In addition, the currencies of Canada and Trinidad & Tobago also depreciated further in the context of relatively low crude oil prices. However, there was a notable appreciation of the euro and yen over the same period, which was reflective of investors' positive response to the fiscal and monetary policy stimuli that were implemented in Japan and the Euro area during the March 2016 quarter.[1]

Commodity Prices

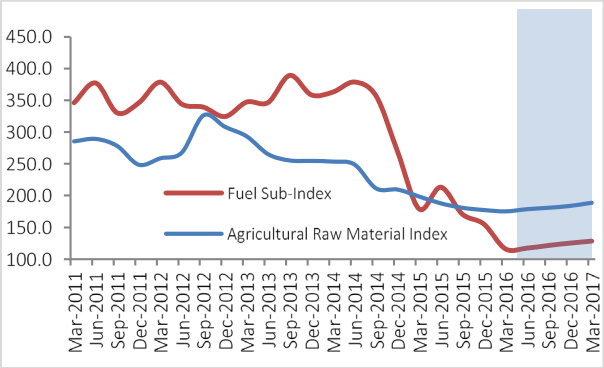
During the March 2016 quarter, the prices of select commodities declined relative to the corresponding period in 2015 and the December 2015 quarter. This decrease in prices was mainly influenced by the persistence of oversupplied markets as well as the impact of expectations of lower than previously anticipated global demand. In addition, the continued appreciation of the US dollar made

1 Notwithstanding the general preference for the US dollar during the review quarter, the Canadian dollar, yen and euro appreciated when compared to the December 2015 quarter. The strong appreciation of the yen reflected the market's increased demand for safe haven investments, largely in light of the IMF's downward revision to global growth as well as the US Federal reserve's downward revision for US growth for 2016. The appreciation of the Canadian dollar and the euro reflected the positive investor sentiment in the context of continued improvement in the respective economies in the December 2015 quarter and the expectation that the addition monetary and fiscal stimuli will spur stronger economic growth.

investments in these commodities less attractive which served to drive prices down even further.

Against this background, the Bank's index of imported agricultural raw material fell by 11.8 per cent for the March 2016 quarter relative to March 2015 and by 1.2 per cent in comparison to the previous quarter. This lower index reflected declines for all grains during the review quarter. When compared to March 2015, the price of wheat, corn and soybean fell by 15.3 per cent, 7.0 per cent and 8.7 per cent, respectively (see Figure 13). Notably, the United States Department of Agriculture (USDA) reported that wheat production remained at a record high during the quarter, underpinned by higher production from the European Union (EU) and a decline in consumption mainly in India, Egypt, Iraq and the Philippines.

Figure 13: The Bank's Price Indices for Imported Commodities



Sources: Bloomberg, World Bank and BOJ

The Bank's fuel sub-index as measured by the price of the West Texas Intermediate (WTI) crude oil, declined during the March 2016 quarter by 31.2 per cent on an annual basis and by 20.7 per cent relative to the previous quarter, to average US$33.45 per barrel. The continued oversupplied conditions were exacerbated by the resumption of crude oil exports from Iran. Additionally, the upward revision to the excess supply of oil by the International Energy Agency and the Energy Information Administration to a range of 1.6 to 1.7 million barrels per day by June 2016, also added downward pressure on oil prices.

With regard to the price of aluminium on the London Metal Exchange (LME) there was a decline of 17.9 per cent relative to March 2015 and 1.7 per cent on a quarterly basis. Of note, an overall growth of 50.5 per cent in Brazil's exports of aluminium for the month of March 2016 added to an already oversupplied market.

The outlook for commodity prices for the next four quarters is for prices to increase, albeit at a much slower than previously projected pace. With respect to grains prices, the risks to the Bank's forecast are skewed towards the downside largely due to the possibility of higher than anticipated supplies coupled with lower than anticipated demand. The materialization of these risks could lead to a fall in the commodity price index. For the 2016/17 crop year, the USDA, forecast a moderate increase in corn prices stemming from growth in feed use, exports and demand by ethanol producers. It is projected that soybean prices will also show a slight increase amid an expected decline in the planting of the crop and increased demand for soybeans and soybean products. The USDA has projected that wheat prices will decline through 2016/17 as a result of higher wheat inventory and declining corn prices.

The Bank views the risks to its crude oil price projection as being skewed to the downside over the next four quarters in light of the possibility of weaker than forecast global growth and stronger than forecast oversupplied market. Against this background, the price of crude oil is expected to rise slowly over the ensuing quarters. Similarly, aluminium prices are forecast to increase over the next four quarters, albeit at a lackluster pace. This outlook is largely underpinned by the relative weak market fundamentals which are expected to persist over the near term.

The Implications for the Jamaican Economy

Jamaica's terms of trade (TOT) index is estimated to have increased by an annual rate of 21.9 per cent for the March 2016 quarter compared to 24.0

per cent for the December 2015 quarter. This estimated improvement for the March 2016 quarter was attributed to the 16.1 per cent annual decline in the Import Price Index (IPI), supported by a 2.3 per cent annual increase in the Export Price Index (EPI).

The decline in the IPI was mainly due to lower prices for consumer goods (non-durable and durable), capital goods, fuel and other raw materials. Concomitantly, the increase in the EPI mainly stemmed from a higher tourism price index.

Over the next four quarters, the improvement in the TOT is expected to be tempered by the trajectory of commodity prices. In addition the earnings from tourism is expected to grow at a slower pace consistent with a slowdown in global growth.

Against the background of the downside risk to the global economy and commodity prices, the risks to domestic inflation and GDP are skewed to the downside.

3.0 Jamaican Economy

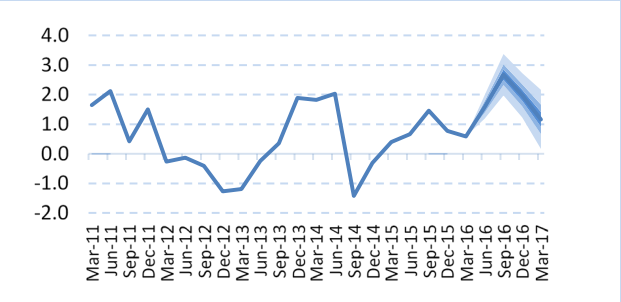
For the March 2016 quarter, real GDP registered a fifth consecutive quarter of expansion, albeit at a slower pace relative to the preceding quarter. The growth in the review quarter emanated primarily from the services industries. Given the estimate for the March 2016 quarter, real GDP growth for FY2015/16 is estimated to be within the range of 0.5 per cent to 1.5 per cent, largely driven by growth in Electricity & Water Supply, Hotels & Restaurants, Construction and Transport, Storage & Communication. Growth was buoyed by improvement in net external demand and to a lesser extent an increase in private spending. Over the next four quarters, real GDP growth is expected to be within the range 1.0 per cent to 2.0 per cent, consequent on global demand as well as anticipated recovery in Agriculture, Forestry & Fishing and Electricity & Water Supply.

Real Sector Developments

Aggregate Supply

The Jamaican economy is estimated to have grown for the March 2016 quarter within the range of 0.0 per cent to 1.0 per cent. This performance was underpinned by growth within all industries, except Agriculture, Forestry & Fishing, Mining & Quarrying and Producers of Government Services. This estimate reflects a slowdown relative to the outturn of 0.7 per cent in the December 2015 quarter (see **Figure 14** and **Table 5**).

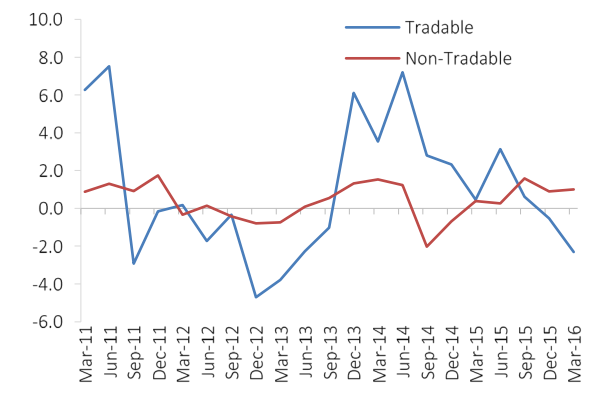
Figure 14: Real GDP Growth
(12-Month Per cent Change)



Source: STATIN and Bank of Jamaica

The growth in economic activity during the review period was reflective of expansions in the non-tradable industries as there were declines in the tradable industries . It is noteworthy that for the March 2016 quarter, the non-tradable industries is estimated to have grown at a relatively faster pace when compared to the December 2015 quarter (see **Figure 15**). The upward trajectory in the non-tradable industries was chiefly reflective

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



Source: Bank of Jamaica

of expansions in *Electricity & Water Supply*, *Construction* and *Finance & Insurance Services*. On the other hand, tradable industries is estimated to have registered its second consecutive quarter of decline, with a faster rate of contraction when compared to the preceding quarter. This negative performance was indicative of contractions in the production of traditional export crops (*Agriculture Forestry & Fishing*), bauxite and alumina (*Mining & Quarrying*) as well as sugar & molasses (*Manufacture*).

Following four consecutive quarters of growth averaging 3.2 per cent, Manufacture is adjudged to have declined for the review quarter. This

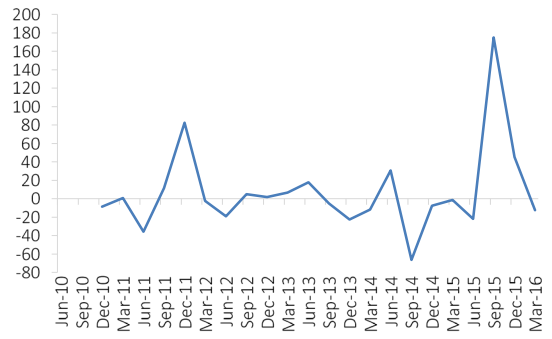
Table 4: Industry Contribution to Growth (March 2016 Quarter)

	Contribution	Estimated Growth
GOODS	−53.9	−0.5 to 0.5
Agriculture, Forestry & Fishing	−96.4	−5.5 to −4.5
Mining & Quarrying	−14.6	−2.5 to −1.5
Manufacture	39.2	1.5 to 2.5
Construction	17.9	0.5 to 1.5
SERVICES	155.7	0.0 to 0.5
Electricity & Water Supply	21.0	2.5 to 3.5
Wholesale & Retail Trade, Repairs & Installation of Machinery & Equipment	23.9	0.0 to 0.5
Hotels & Restaurants	35.4	1.5 to 2.5
Transport Storage & Communication	27.0	0.5 to 1.5
Financing & Insurance Services	18.1	0.0 to 0.5
Real Estate, Renting & Business Activities	20.2	0.0 to 0.5
Producers of Government Services	−2.8	−0.0 to 0.5
Other Services	12.9	0.0 to 0.5
Financial Intermediation Services Indirectly Measured	1.8	0.0 to 0.5
TOTAL GDP	100.0	0.0 to 1.0

Source: Bank of Jamaica

contraction was underpinned by the fall in output within Other Manufacturing as well as Food & Beverages relative to the preceding quarter of 2015. More specifically, the contraction in value added in Other Manufacturing was mainly attributed to the maintenance shutdown in petroleum refining operations in the month of March 2016 (see **Figure 16**). The fall in Food & Beverages, was mainly attributed to the significant contraction in sugar production, which contracted at a rapid rate when compared to the March 2015 quarter. The performance in sugar production was reflective of the late start of the crop season as well as uncertainty surrounding the operations of several sugar factories. The impact was however partly offset by the sustained rise in the output of beverages as well as in the manufacture of meat and meat products and dairy products. Furthermore, this sub-industry continues to benefit from ongoing domestic investment by major manufacturing companies in relation to increased efficiency in the production of beverage and food

Figure 16: Petroleum refining (12-Month Per cent Change)

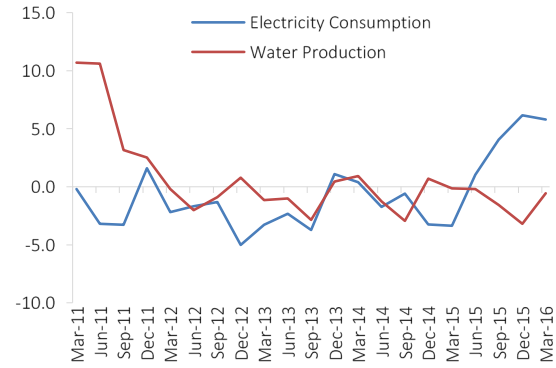


Source: Petrojam Ltd.

items.

Buoyed by the continued improvement in weather conditions as well as sustained low crude oil prices, *Electricity & Water Supply* was assessed to have grown for the March 2016 quarter (see **Figure 17**). The continued rise in electricity consumption chiefly reflected further expansion in electricity sales as there was an increase in the number of businesses and households using the service. These developments were augmented by the significant recovery in water production for the review quarter, the sub-industry is estimated to have grown following four consecutive quarters of contraction due to the drought conditions which

Figure 17: Electricity Consumption & Water Production (12-Month Per cent Change)



Source: Jamaica Public Service and National Water Commission

persisted throughout 2015.

Economic activity within *Hotels & Restaurants* continued to show its resilience by registering a twelfth consecutive quarter of growth. Moreover, the estimated expansion during the quarter was at a faster pace than the average growth of 1.9 per cent for the previous four quarters. Furthermore, stronger performance in the industry was primarily impacted by continued expansion in stop-over visitor arrivals and visitor expenditure (see **Figure 18**). Higher stop-over arrivals and visitor expenditure were chiefly influenced by the earlier occurrence of the Easter holidays and related events in the March 2016 quarter relative to corresponding quarter of 2015. Additionally, in the context of a rise in real disposable income due to increased employment and declines in the general price level for the March 2016 quarter, the Restaurant sub-industry was assessed to have improved.

Transport, Storage & Communication was estimated to have expanded for the eleventh consecutive period in the March 2016 quarter. The industry's performance mainly reflected growth in the Transport and Communication sub-industries. The sustained rise in output within Communication was consistent with the increased competition and product innovation between the duopoly firms within the telecommunications market. The projected increase in Transport was mainly driven by an estimated rise in visitor arrivals, the impact of which was partially offset by a contraction in the volume of domestic cargo movement. This performance stemmed from a projected decline in trade at the Island's ports when compared to the corresponding period of 2015 (see **Figure 19**). Further, land transport is adjudged to have continued to expand, primarily associated with the sustained reduction in JUTC fees in July 2015, which has fostered increased transportation usage by the public.

Bolstered by increases in both commercial and residential construction projects, *Construction* is estimated to have expanded for the review period. The industry's expansion was predicated on ongoing hotel infrastructural developments, energy-related projects as well as continued construction activities by both the Government and private investors. These include the Jamaica Water Supply Improvement Project, Government's Major Infrastructural Development Programme (MDIP) as well as energy sector projects. Expansion in the Information Technology Enabled Services (ITES) such as Business Process Outsourcing (BPO) has also spurred growth within Construction. The need for businesses within the BPO (ITES) sector to acquire space has resulted in several renovations and infrastructural developments during the past year which has contributed positively to the overall value added in the construction industry.

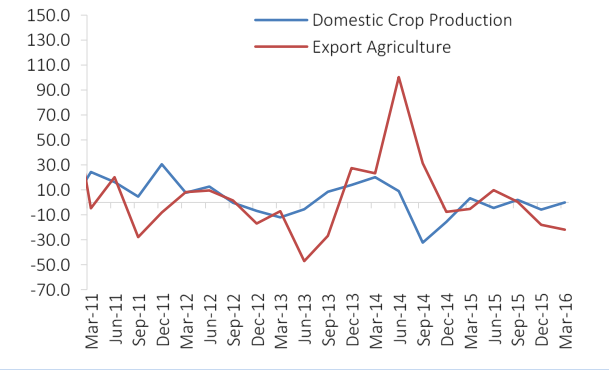
Figure 18: Total Stop-over Visitor Arrivals & Visitor Expenditure (12-Month Per cent Change)

Source: Jamaica Tourist Board

Figure 19: Total Stop-over Visitor Arrivals & Visitor Expenditure. (12-Month Per cent Change)

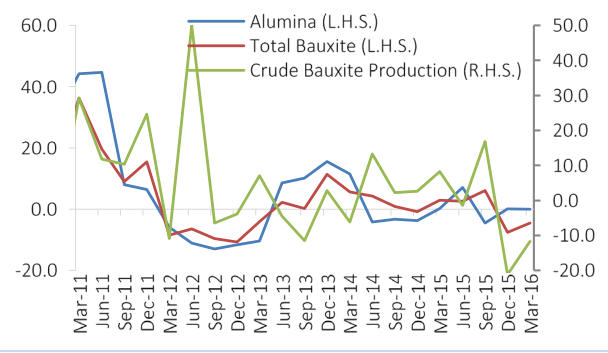
Source: Jamaica Tourist Board

Figure 20: Domestic & Export Crop Production (12-Month Per cent Change)



Source: Bank of Jamaica & Ministry of Agriculture

Figure 21: Trends in Crude Bauxite, Alumina & Total Bauxite Production (12-Month Per cent Change)



Source: Jamaica Bauxite Institute

Additionally, this positive performance was augmented by an expansion in housing starts by the National Housing Trust.

Notwithstanding the continued improvement in crop production owing to the more favourable weather conditions, the value added in *Agriculture, Forestry & Fishing* is assessed to have contracted for the review period. This outturn was predicated on the reduction in traditional export crops which mainly stemmed from a decline in sugar cane milled as well as lower production of citrus and coffee, the impact of which was partly offset by the slight recovery in domestic production (see **Figure 20**). Growth in domestic production was relatively flat when compared to record levels of output in the corresponding quarter of 2015. This pace of growth was attributed to the expansions in output of vegetables, pumpkins and plantains, the impact of which was offset by the fall in output of root crops, fruits and condiments

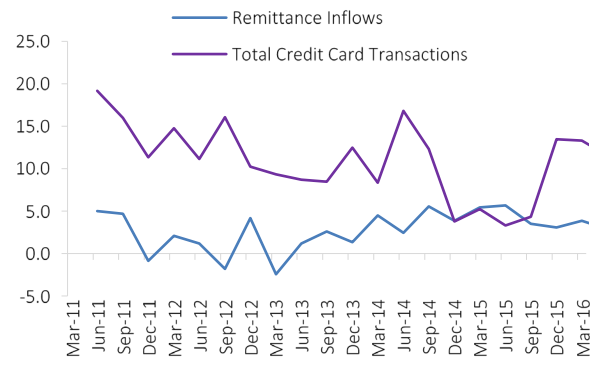
Against the backdrop of the continued fall in aluminum prices to multiyear lows and modest demand, the value added in *Mining & Quarrying* is adjudged to have contracted for the March 2016 quarter. The adverse performance was primarily influenced by the estimated decline in crude bauxite while alumina production reflected stable growth (see **Figure 21**).The contraction in mining operations reflected the negative impact of developments in the global commodity markets. Consequently, the decline in crude bauxite production was reflected in a contraction in capacity utilization within the industry.

Aggregate Demand

*F*or the first quarter of 2016, aggregate spending in the economy is estimated to have grown at a sluggish pace. The moderate pace of expansion was reflected in all components of aggregate demand with the exception of Net External Demand which grew at a faster pace.

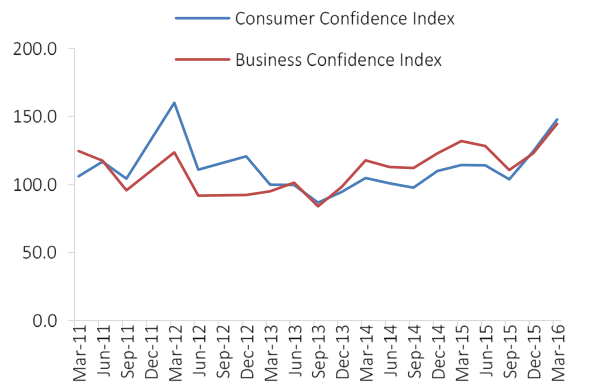
The assessed rise in household spending was consistent with growth in remittances and total credit card transactions (see **Figure 22**). In addition, spending was positively influenced by an increase in household real disposable income given a reduction in the general price level. The results from the JCC Survey for the March 2016 quarter also corroborated this adjudged expansion in household spending. The survey indicated that investor and consumer confidence in the economy improved significantly over the review period as consumers' and firm's anticipated an improvement in employment and business opportunities for the review period (see **Figure 23**). With respect to *Public Consumption*, the expansion was assessed

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



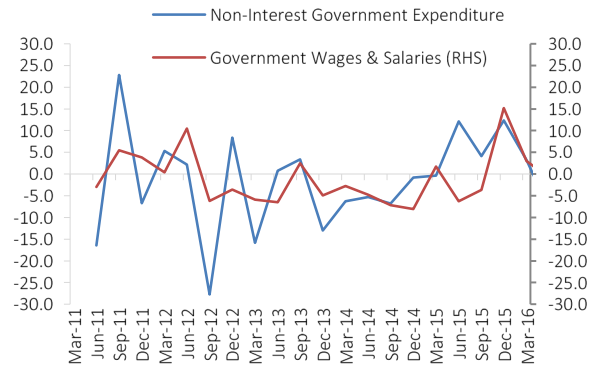
Source: Bank of Jamaica and STATIN

Figure 23: Business and Consumer Confidence Index. (Indices)



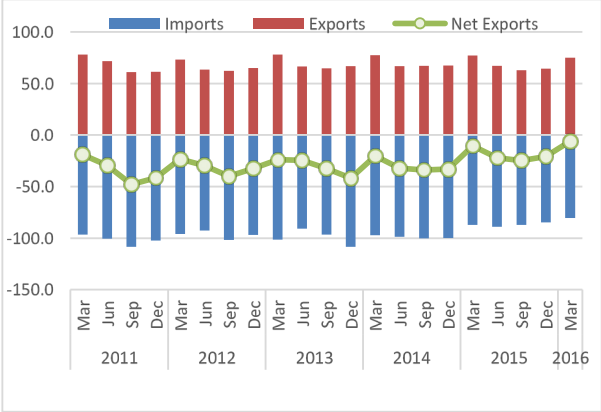
Source: Bank of Jamaica and Jamaica Chamber of Commerce

Figure 24: Non-interest Government Expenditure and Wages and Salaries (Real Values) (12-Month Per cent Change)



Source: Bank of Jamaica and MOF

Figure 25: Trends in Exports & Imports of Goods and Services (US$ Millions)



Source: Bank of Jamaica and STATIN

to be marginal, primarily influenced by the rise in non-interest government spending of 3.2 per cent, primarily reflecting a marginal rise in expenditures on programmes and wages & salaries of 3.0 per cent (see **Figure 24**).

Net External Demand was assessed to have improved for the review period. The faster pace of improvement was influenced by the rapid rate of decline in imports of goods and services, partly offset by a marginal contraction in the export goods and services (see **Figure 25**). In particular, the estimated decline in imported goods and services was indicative of contraction in the volumes of consumer goods imports, the impact of which was tempered by a rise in the volume of non-fuel raw materials and capital goods imports. The steady decline in total export volumes was mainly attributed to a fall in bauxite, alumina, and citrus, the impact of which was partly offset by the rise in travel services inflows as well as the increase in the volume of coffee and cocoa exports.

Growth in *Gross Capital Formation* was indicative of the expansions in capital goods and raw materials as well as the continued improvement in foreign direct investment. Despite the lower expenditure on major infrastructural projects such as the Caymanas to Linstead and the Moneague to Ocho Rios legs of the North-South Highway, there were ongoing investment expenditure relating to energy projects, MDIP and hotel infrastructure developments for the review period. Notwithstanding these positive developments, growth in investment spending was tempered by a decline in central government capital spending.

Real Sector Outlook

For FY2016/17, the expansion in Jamaica's real output is projected to be within the range of 1.0 per cent to 2.0 per cent and is expected to continue to expand over the medium-term. Real GDP growth for FY2016/17 is predicated on the continued growth in the economies of Jamaica's major international business partners and recovery in agriculture following the adverse impact of drought conditions in the prior year. The Jamaican economy over the near to medium-term will also benefit from continued investment in infrastructure and manufacturing as well as the benefits to be derived from the spin-off industries arising from these projects. Furthermore, the sustained improvement in business conditions will augur well for increased productivity and competitiveness which will serve to bolster the prospects for growth over near to medium-term.

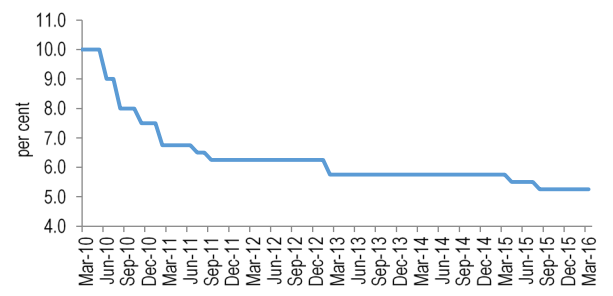
The assessment of the prospects for economic growth remains cautiously optimistic as the outlook for the near future is characterized by uncertainties which loom over global trade and financial developments arising from potential contagion between persistent low commodity prices and heightened financial market volatility. Additionally, concerns about the continued competitiveness of Jamaica's tourism product could materialize against the backdrop of increased access to Cuba's tourist market. Furthermore, the risks to growth from adverse weather conditions over the near-term remain non-negligible.

Monetary Policy, Money and Financial Markets

Monetary Policy

During the March 2016 quarter, the Bank of Jamaica (BOJ) maintained its policy interest rate, the rate on the 30-day Certificate of Deposit (CD) for the third consecutive quarter at 5.25 per cent (see **Figure 26**).[5] This policy stance continued to reflect the Bank's outlook for relatively low and stable domestic inflation over the near- to medium-term. In addition, the Bank has assessed that the policy adjustments for the fiscal year to date has had the desired impact of stimulating domestic demand, in particular credit demand, with little upside inflationary impulses. Of note, monetary aggregates, including private sector credit, continued to record robust growth while the current account position of the balance of payments continued to improve and the level of international reserves remained strong.

Figure 26: Interest rate on BOJ's 30-day Certificate of Deposit



Source: Bank of Jamaica

In addition to the unchanged policy stance, the Bank maintained the width of its interest rate corridor, i.e. the spread between its signal rate and lending facility. Specifically, the rate on the standing liquidity facility (SLF) remained at 7.50 per cent. The excess funds rate (EFR) was also

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

unchanged at 9.55 per cent.

The Bank's main policy challenge for the review quarter was to manage the spike in liquidity that resulted from the significant NDX bond pay-out of $62.0 billion in February 2016. The liquidity management strategy, which commenced in the previous quarter, was aimed at distributing the impact over two quarters and resulted in a tightening of liquidity conditions in the March 2016 quarter relative to the December 2015 quarter. Specifically, the overall Jamaica Dollar liquidity impact of the Bank's operations for the review quarter was a net absorption of $5.3 billion relative to a net injection of $25.3 billion in the December 2015 quarter.

Table 5: BOJ Liquidity Operations

	Dec.15 QTR				Mar.16 QTR			
	Inject (J$BN)	Absorb (J$BN)	Net	Avg Rate (%)	Inject (J$BN)	Absorb (J$BN)	Net	Avg Rate (%)
ON CD	157.03	153.69	3.34	0.25	237.96	240.69	-2.73	0.25
30-day	24.70	29.01	-4.31	5.25	54.84	56.91	-2.07	5.25
365-day VR CD	12.83	1.12	11.71	6.69	3.33	0.40	2.93	6.00
365-day FR CD	0.00	2.00	-2.00	6.30	0.03	6.00	-5.97	5.94
548-day VR CD	0.61	0.00	0.61		0.26	0.00	0.26	
729-day VR CD	0.34	1.47	-1.13	6.65	0.33	0.00	0.33	
365-day FR USD IB	0.11	0.00	0.11		6.91	15.40	-8.49	1.98
Repos	142.77	141.12	1.65		109.17	112.33	-3.16	
FX (Trade &PSE)	60.22	40.69	19.53		59.71	47.90	11.81	
Other BOJ			16.37				-8.86	
BOJ Net Injection			45.87				-15.96	
GOJ operations			-16.48				16.25	
Net Injection (All Operations)			29.39				0.30	

Source: Bank of Jamaica
* Revisions were made to the December 2015 quarter results.
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.

During the review quarter, there was net absorption of domestic liquidity via the Bank's OMO instruments and maturities of the BOJ's repurchase operations (see Table 5). There was further absorption of liquidity via the Bank's sale of foreign currency to meet heightened demand consequent on the NDX bond maturity. However, the impact of these operations was partially offset by net foreign currency purchases via the surrender facility. Despite the GOJ's large bond pay-out during the quarter, government operations only net injected $1.7 billion in the context of successful bond offers and the seasonal tax receipts. Overall, the joint operations of the BOJ and GOJ resulted in relatively stable domestic financial market conditions during the review quarter.

In addition to its Jamaica Dollar operations, the Bank continued to issue US dollar CDs during the March 2016 quarter. Notably, the Bank reduced the coupon rates on the three to seven year instruments. In particular, the rates on the 3-, 4- and 7-year instruments were lowered by 5 bps, 20 bps and 25 bps, respectively. In the context of these adjustments, there were significantly lower placements on these instruments relative to the previous quarter (see Table 6).

Table 6: Placements & Maturities of BOJ USD Instruments

	October - December 2015			January – March 2016		
	Placements (US$MN)	Maturities (US$MN)	Average Yield (%)	Placements (US$MN)	Maturities (US$MN)	Average Yield (%)
1-year	0	10.25	-	0	0	-
2-year	85.00	0	2.38	0	25.58	-
3-year	10.62	0	2.40	0.04	0	2.35
4-year	0	0	-	0	0	-
4.5-year	0	0	-	0	0	-
5-year	0.03	0	3.40	0.04	0	3.20
7-year	0.79	0	4.10	0.08	0	3.85
TOTAL	96.44	10.25		0.16	25.58	

Source: Bank of Jamaica

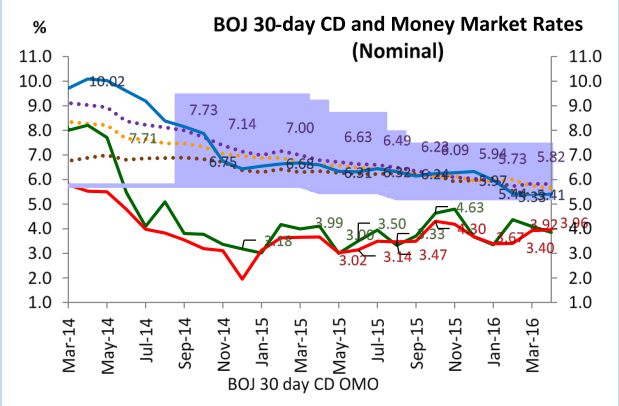
Financial Markets

There was a general flattening of the market determined yield curve for selected money market interest rates. Specifically, the 30-day private money market interest rate declined while the shorter-term O/N and I/B rates increased. The decline in the 30-day rate was most evident in February, in the context of increased Jamaica Dollar liquidity following the NDX bond maturity. Against this background, for the quarter, the 30-day private money market rate fell by 99 bps to

5.33 per cent at end-March 2016. In contrast, the average inter-bank and overnight private money market rates rose by 42 bps and 25 bps, to 4.10 per cent and 3.92 per cent, respectively (see Figure 27).

For the March 2016 quarter, rates on all tenors of Treasury Bills declined and generally converged towards the BOJ's signal rate. Specifically, the 30-day fell by 59bps to 5.38 per cent while both the 90- and 180-day Treasury bill rates fell by 21 bps to 5.75 per cent and 5.83 per cent, respectively (see Figure 27). The performance of these instruments mainly reflected the impact of the significant NDX maturity as well as the continued positive outlook for inflation and reduced volatility in the foreign exchange market during the quarter.

Figure 27: Average Selected Market Interest Rates



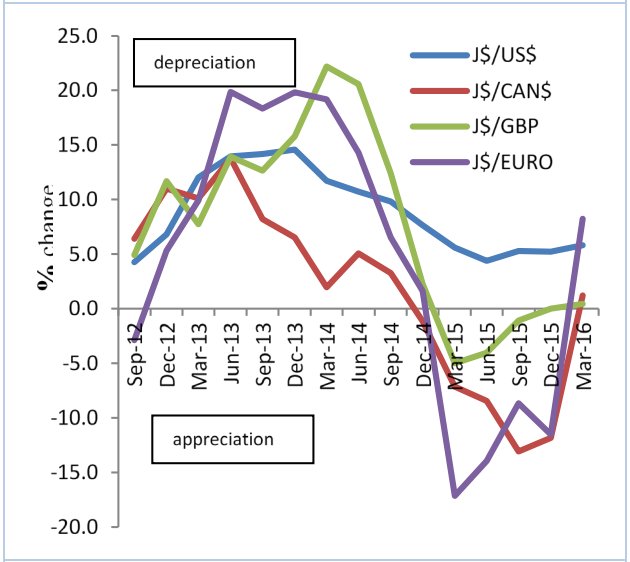
Source: Bank of Jamaica
Notes: (i) PMMR is the private money market rate (ii) O/N is the overnight rate in the market accessible by all financial institutions while the interbank rate (I/B) is the overnight rate accessible only by banks.

Foreign Exchange Market

The weighted average selling rate of the Jamaica Dollar vis-á-vis the US dollar closed the March 2016 quarter at J$122.04 = US$1.00 reflecting annual depreciation of 6.08 per cent relative to annual depreciation of 5.02 per cent at the end of the previous quarter (see Figures 28 and 29).

The faster pace of depreciation against the US dollar for the March 2016 quarter occurred in the context of a net outflow from the foreign exchange market, notwithstanding a decline in the net demand to satisfy balance of payments current account transactions (see Figure 29).[6] The net outflow for the quarter was underpinned by private capital outflows, possibly related to increased investor uncertainty associated with the General Elections and the anticipated impact of liquidity which would emanate from the pay-out of the NDX bonds in February 2016. However, demand pressures in the foreign exchange market were assuaged by BOJ sales of US$298.2 million. The decline in net demand for current account transactions reflected lower payments and higher receipts. Lower payments were underpinned by declines in all categories of imports while higher receipts reflected the impact of improved inflows from tourism and remittances.

Figure 28: WASR of Select Major Currencies (e.o.p.) (twelve-month point-to-point)



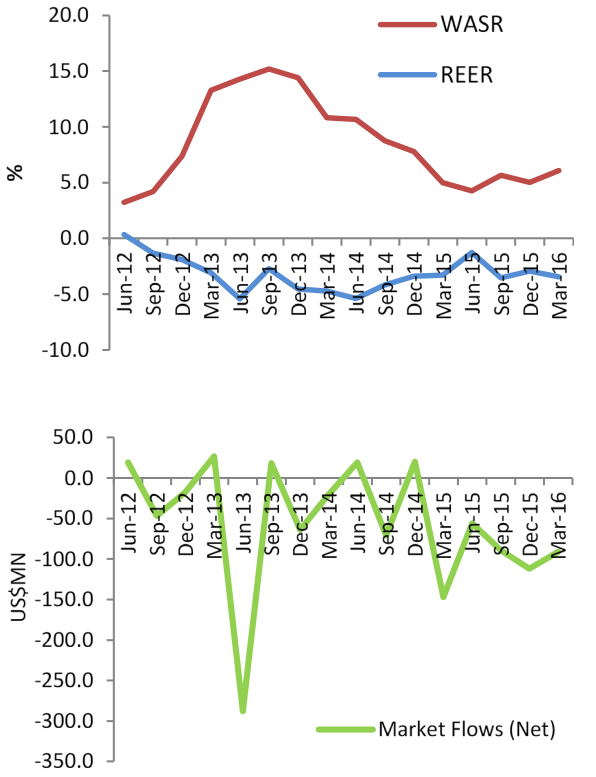
Source: Bank of Jamaica
Notes: + = depreciation and – = appreciation

There was an estimated gain of 3.5 per cent in Jamaica's external price competitiveness, as measured by the real effective exchange rate (REER) at end-March 2016, compared to the estimated gain of 2.9 per cent at the end of

6 Net flows to the foreign exchange market are measured by market purchases by dealers and cambios (inflows) versus market sales by dealers and cambios (outflows). These flows exclude the inter-dealer market as well as transactions with the Central Bank.

the previous quarter (see **Figure 29**).[7] The gain in competitiveness reflected the faster pace of depreciation of the domestic currency and lower inflation relative to Jamaica's major trading partners.

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

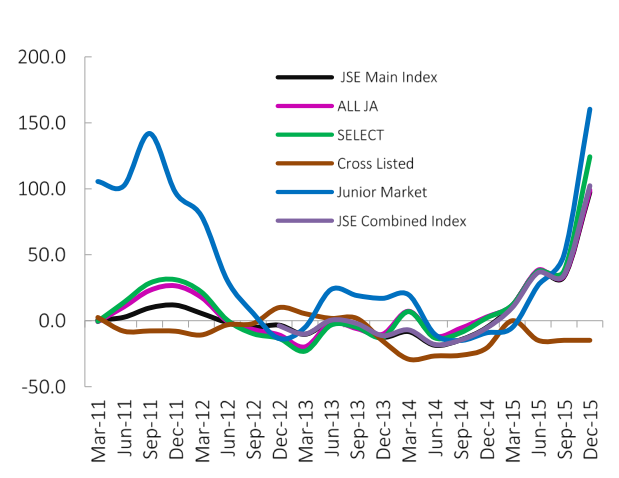


Source: Bank of Jamaica
Notes: (i) A decline in the level of the REER (a negative change) implies an improvement in Jamaica's external price competitiveness.

Equities Market

The equities market continued to demonstrate strong growth for the year ended March 2016, albeit at a moderately lower pace than the outturn for the previous reporting period. All the Jamaica Stock Exchange (JSE) indices, with the exception of the Cross Listed Index recorded growth ranging between 83.7 per cent and 179.5 per cent. Notably, the JSE Main Index grew by 83.7 per cent in comparison to increases of 97.4 per cent and 16.4 per cent for the prior review period and the five year annual average, respectively (see **Figure 30**).

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



Source: Jamaica Stock Exchange

The performance of the equities market reflected increased demand in the context of positive macroeconomic developments including continued growth in GDP, low inflation, low interest rates and improved liquidity conditions.[8] Additionally, corporate sector developments including generally higher company profits, six new junior market listings as well as the continued restructuring of the securities dealers' business model would have bolstered the demand for equities during the review period.[9]

7 The Jamaica dollar depreciated vis-à-vis the Euro and the Canadian dollar relative to appreciation since March 2015 and December 2014, respectively. The Pound Sterling depreciated marginally for the quarter. The trade weighted exchange rate index registered depreciation of 2.5 per cent against the Jamaica Dollar while the trade weighted CPI index fell by 0.9 per cent.

8 Notably, there were four consecutive quarters of GDP growth. Additionally, liquidity during the quarter was bolstered by the Heineken payout of US$194.0 million as well as the maturity of GOJ and BOJ bonds totaling approximately J$69.0 billion.

9 In particular, the minimum transaction size for retail repo contracts increased to J$1 000 000 and US$10 000, respectively, at end-2015 from J$750 000 and US$7 500 at end-October 2015. The new junior market listings included: IronRock Insurance Co. Ltd, CAC 2000 Ltd, tTech Ltd, Jetcon Corporation Ltd, ISP Finance Services

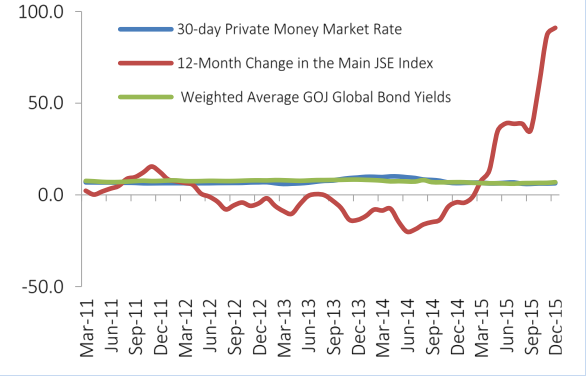
Investments in equities continued to provide greater return relative to foreign currency and domestic money market investments.[10] More specifically, equities offered a return of 86.2 per cent while GOJ global bonds offered an average return of 6.8 per cent. In addition, the average interest rate in the 30-day private money market was 5.3 per cent for the year ended March 2016 (see Figure 30).

Investments in equities continued to provide greater return relative to foreign currency and domestic money market investments for the review period.[11] More specifically, equities offered an average return of 91.1 per cent while the Jamaica Dollar vis-a-vis the US dollar depreciated on average by 5.3 per cent on an annualized basis. In addition, the average interest rate in the 30-day private money market was 6.3 per cent at end-2015 (see **Figure 31**).

Market activity indicators increased for the year ended March 2016. In particular, the value of transactions, volume of stocks traded and number of transactions for the Main JSE Index recorded respective growth rates of 10.3 per cent, 6.8 per cent and 21.3 per cent. This compares to moderately higher growth of 18.8 per cent, 13.6 per cent and 27.1 per cent, respectively, for the prior review period (see **Figure 32**).

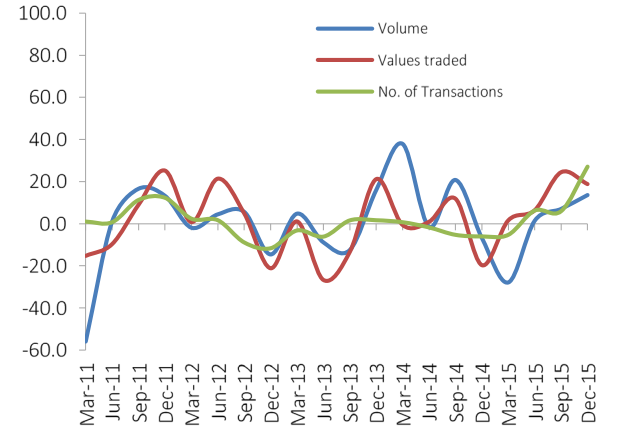
The improved outturn in the equities market was broad-based as reflected in the advance to decline ratio which increased to 27:5 for the year ended March 2016 from 16:11 for the year ended March 2015. Notably, the top ten performing stocks for the review period were reflected in six of the seven sectors (see Table 7). Manufacturing and Financial sectors accounted for five of the top ten advancing stocks which recorded average price appreciations of 204.3 per cent and 185.4 per cent, respectively.

Figure 31: Returns from Private Money Market, GOJ Global Bonds and Capital Gains/ (Losses) from JSE Main Index (Per cent)



Source: Jamaica Stock Exchange and Bloomberg

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



Source: Jamaica Stock Exchange

Ltd and Key Insurance Co Ltd. Of note, several of these IPOs were oversubscribed and closed within one minute of being open to the public.

10 Returns per asset class are calculated as the 12-month point-to-point change. The return on equities is computed based on the JSE Main Index. The returns on foreign currency investment are calculated based on the weighted average bond yields of all GOJ Global Bonds.

11 Returns per asset class are calculated as the 12-month point-to-point change. The return on equities is computed based on the JSE Main Index..

Table 7: Stock Price Appreciation

Advancing	Per cent
Financial	**185.4**
Jamaica Stock Exchange Ltd.	1025.0
Mayberry Investment Limited	94.3
Manufacturing	**204.3**
Caribbean Cement Company	1090.2
Desnoes & Geddes	344.4
Jamaica Broilers Group	217.6
Communication	**97.7**
LIME	152.0
Gleaner	135.3
Tourism	**157.1**
Ciboney Group	157.1
Other	**170.0**
Pulse Investments	822.9
Retail	**89.8**
Hardware & Lumber	114.2

Source: Jamaica Stock Exchange and Bank of Jamaica

Table 8: Stock Price Depreciation

Declining	Per cent
Financial	
Sterling Investments Limited	-4.6
Other	
Kingston Properties Limited	-1.6
Manufacturing	
Salada Foods	-17.0
Mobay Ice Company	-17.0
Trinidad Cement Limited	-14.8

Source: Jamaica Stock Exchange and Bank of Jamaica

Private Sector Credit and Lending Rates

Overall demand for credit continued to grow at a robust rate. Specifically, at end-March 2016, the annual growth in the stock of commercial bank loans to the private sector was 10.0 per cent, marginally higher than the annual expansion of 9.6 per cent at end-2015 and more than doubled the rate of expansion recorded at end-March 2015 (see Table 9). The stronger growth in credit for the review quarter was buoyed by the Bank's accommodative policy actions since the start of FY2015/16 as well as improved real incomes resulting from the low inflation environment and increases in public sector wages. In addition, the outturn at end-March 2016 was consistent with lenders' expectations for an increase in both the demand and supply of credit as indicated by the Bank's survey of credit conditions for the December 2015 quarter (see Box: BOJ's Quarterly Credit Conditions Survey).

Table 9: Credit to the Private Sector by Commercial Banks

Annual Flows (J$ mn)	Mar-15	Dec-15	Mar-16
Private Sector Credit	13 198.1	32 697.8	36 483.9
Percentage Change (%)	4.0	9.6	10.7
Loans & Advances	15 214.0	34 489.5	37 701.1
Less Overseas Residents	1 554.2	989.4	802.1
Add Corporate Securities	(461.7)	(802.3)	(415.1)

Source: Bank of Jamaica

The increase in private sector credit growth for the review period reflected an expansion in loans and advances for both local and foreign currency denominated loans (see Figure 33). Notably, foreign currency denominated loans continued to reflect moderate growth in investment-related activities in Tourism, Professional & Other Services and Construction. Furthermore, growth in loans and advances reflected significant expansions in credit extended to both businesses and households, with business loans reflecting a sharper pace of increase (see Table 10).

Table 10: Distribution of Total Loans & Advances to the Private Sector by Commercial Banks (J$ MN)

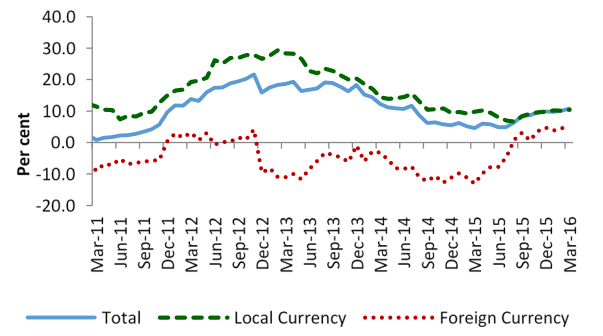
Annual Flows	Dec-14	Mar-15	Dec-15	Mar-16
Business Lending	7 321.5	4 004.6	16 847.7	21 715.1
Agriculture & Fishing	1 127.4	1 089.6	183.2	1 533.5
Mining & Quarrying	(18.6)	170.0	57.9	(110.8)
Manufacturing	70.1	798.1	3 144.1	2 309.3
Construction & Land Development	1 153.2	1 442.3	1 785.9	(735.0)
Transport, Storage & Communication	(801.5)	(2 218.2)	(1 526.3)	(1 187.6)
Tourism	2 183.1	1 943.9	4 076.7	5 502.7
Distribution	5 134.3	3 262.9	1 714.6	5 463.8
Electricity, Gas & Water	(3 369.5)	(2 331.5)	2 701.3	2 532.4
Entertainment	85.1	(599.5)	(521.6)	35.1
Professional & Other Services	1 757.9	447.0	5 231.8	6 371.7
Household & Other Lending	10 752.9	11 209.3	17 641.9	15 985.9
Personal	8 570.1	9 655.2	16 652.5	15 183.9
Demand loans	1 882.2	3 672.1	4 412.9	3 889.1
Term loans	2 250.9	701.5	1 616.4	2 970.2
Mortgage	1 968.9	2 217.7	3 261.5	3 808.5
Instalment	5 379.7	5 739.3	7 325.6	6 998.2
Overdraft loans	14.8	120.0	48.4	(21.7)
Insurance premiums	(26.4)	(13.2)	(0.0)	0.2
Overseas Residents	2 182.8	1 554.2	989.4	802.1
Net Lending	18 074.5	15 214.0	34 489.5	37 701.1
Annual Growth	5.5%	4.6%	9.9%	10.8%

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

For the March 2016 quarter, growth in business lending was impacted by increased demand mainly from Professional & Other Services, Tourism and Manufacturing. However, growth in business lending was moderated by net repayments in Construction and Transport. Regarding household lending, there was an increase in credit extended across all loan categories, with the exception of overdraft loans.

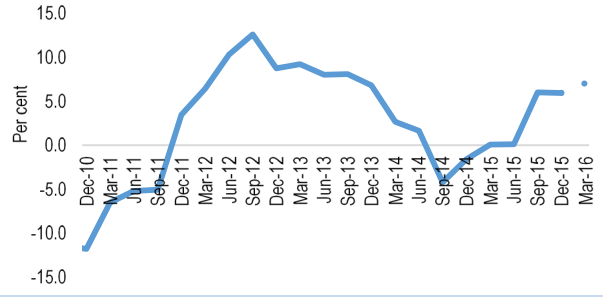
Real growth in private sector credit at end-March 2016 continued the trend improvement evident since the March 2015 quarter (see Figure 33). Specifically, real annual growth in private sector credit at end-March 2016 accelerated to 7.0 per cent relative to 5.9 per cent at end-2015 and 0.1 per cent at end-March 2016. This sharp growth in real credit reflected the faster pace of increase in nominal private sector credit relative to the slight uptick in annual inflation (see **Inflation**).

Figure 33: Growth in Private Sector Loans and Advances (12-month percentage changes)



Source: Bank of Jamaica

Figure 34: Real Growth in Private Sector Credit (12-month percentage changes)



Source: Bank of Jamaica

The overall weighted average lending rate of commercial banks declined by 25 bps and 43 bps relative to end-2015 and end-March 2015, respectively. Notably, the year-on-year improvement was reflected in both public and private sector loans (see **Table 11**). Lending rates to the private sector declined by 42 bps, with rates applicable to instalment credit recording the sharpest decline. The overall decline in commercial banks' lending rates was consistent with the Bank's easing in policy stance since FY2015/16.

Against this background, the quality of the commercial bank loan portfolio continued to improve during the March 2016 quarter. In particular, the ratios of non-performing loans (NPL) to private sector loans and total loans at end-March 2016 declined by 102 bps and 94 bps to 4.36 per cent and 3.98 per cent, respectively,

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

	Dec-14	Mar-15	Dec-15	Mar-16
OVERALL	17.18	17.10	16.92	16.67
Public Sector	9.83	13.85	9.71	13.31
Local Govt. & O.P.E	10.16	10.44	11.35	10.81
Central Government	9.76	14.25	8.85	13.95
Private Sector	17.32	17.19	17.08	16.77
Instalment	16.11	15.96	15.21	14.87
Mortgage	9.73	9.72	9.61	9.60
Personal	25.56	25.51	26.23	26.02
Commercial	12.93	12.79	12.90	4.74

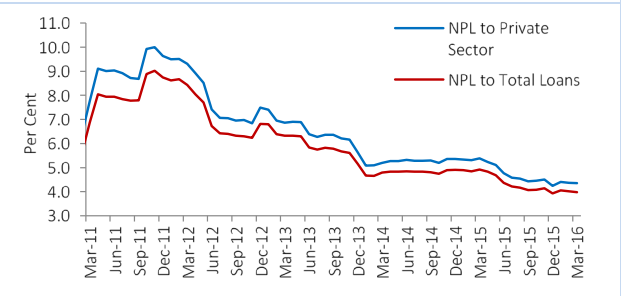
Annual Change (Basis Points)

	Dec-14	Mar-15	Dec-15	Mar-16
OVERALL	-31	-47	-26	-43
Public Sector	-26	284	-12	-55
Local Govt. & O.P.E	-83	-155	119	37
Central Government	-20	336	-91	-30
Private Sector	-30	-51	-24	-42
Instalment	-70	-58	-90	-109
Mortgage	-15	-12	-12	-12
Personal	79	33	67	52
Commercial	17	-15	-2	-22

Source: Bank of Jamaica

relative to end-March 2015 (see Figure 35). The declines in the NPL ratios mainly reflected a sharper reduction in total past due loans relative to the contraction in net loan charge offs.

Figure 35: Commercial Bank Loan Quality (percentages)



Source: Bank of Jamaica

Money

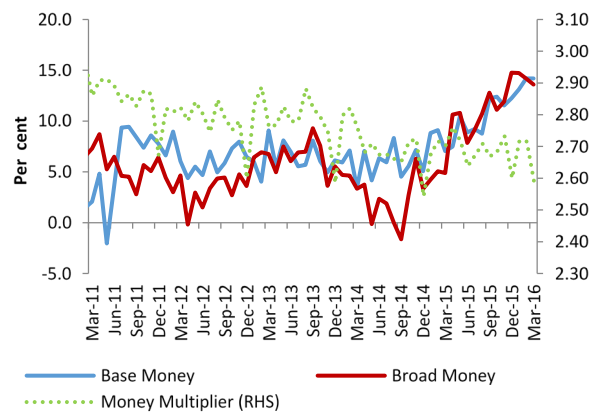
The monetary base recorded 12-month point-to-point growth of $18.9 billion (18.7 per cent) as at end-March 2016 relative to $6.7 billion (7.0 per cent) as at end-March 2015. However, relative to the December 2015 quarter, there was a contraction of $2.2 billion (1.8 per cent) in the monetary base, largely owing to the currency reflows that follows the seasonally high demand in the December period. The annual growth for the review period mainly reflected an expansion of $13.6 billion (20.5 per cent) in the currency stock, which was higher than the 8.6 per cent recorded at end-March 2015 (see Table 12 and Figure 36). In addition, there was an increase of $5.1 billion in commercial bank's cash reserves.

Table 12: Bank of Jamaica Operating Targets

	Stock			Flow	
	Mar-15	Dec-15	Mar-16	Qtr –o- Qtr	Y-o-Y
NIR (US$MN)	2 293.7	2 437.3	2 415.5	- 21.7	121.9
NIR(J$MN)	262 993.3	279 456.9	276 965.2	-2 491.7	13 971.9
- Assets	308 405.6	334 129.3	331 861.5	-2 267.8	23 455.9
- Liabilities	-45 412.2	-54 672.4	-54 896.3	- 223.9	-9 484.0
Net Domestic Assets	-161 912.0	-157 245.2	-156 953.3	291.8	4 958.7
- Net Claims on Public Sector	95 157.1	108 796.2	121 122.4	12 326.2	25 965.3
- Net Credit to Banks	-23 886.3	-26 163.1	-28 461.5	-2 298.4	-4 575.2
- Open Market Operations	-38 871.7	-39 459.0	-57 966.6	-18 507.6	-19 094.9
- Other	-194 311.1	-200 419.2	-191 647.6	8 771.6	2 663.5
-o/w USD FR CDs	-91 794.4	-95 716.8	-87 993.6	7 723.2	3 800.8
Monetary Base	101 081.3	122 211.7	120 011.9	-2 199.8	18 930.6
- Currency Issue	66 356.3	84 294.7	79 988.9	-4 305.9	13 632.5
- Cash Reserve	34 566.9	37 597.9	39 619.8	2 021.9	5 052.8
- Current Account	158.0	319.1	403.3	84.1	245.2

Source: Bank of Jamaica

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

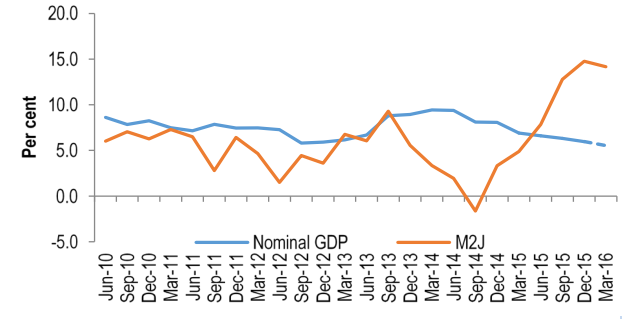


Source: Bank of Jamaica

Regarding the sources of change in the monetary base for the March 2016 quarter, there was a contraction of $2.5 billion (US$21.7 million) in the NIR stock, the impact of which was minimally offset by an increase of $291.8 million in the net domestic assets (NDA) (see Table 13). The fall in the NIR predominantly reflected the Bank's sale of foreign currency to meet the heightened demand consequent on improved domestic liquidity during as well as to satisfy Government and other public sector debt obligations during the quarter. The increase in the NDA was mainly underpinned by the net drawdown of Government deposits at the Bank, largely associated with the NDX disbursement. This impact was partially offset by an increase in OMO liabilities. Notwithstanding the fall in the NIR for the review quarter, there was a year-on-year increase in both the NIR and NDA, which influenced the annual expansion in base money.

At end-March 2016, the money multiplier, as measured by the ratio of broad money (M2J) to base money, was 2.68 relative to 2.59 at end-2015. The relative stability in the money multiplier resulted from annual growth of 17.6 per cent in broad money relative to the expansion of a similar magnitude in the monetary base. Notwithstanding, an expansion of 1.1 per cent in broad money for the March 2016 quarter reflected a marked deceleration relative to the average quarterly growth of 5.4 per cent for the last five March quarters. Overall, the growth in broad money reflected significantly faster expansion in currency in circulation and all categories of deposits, particularly savings and time deposits, relative to a year earlier. Against this background, growth in broad money outpaced the estimated expansion in nominal Gross Domestic Product (GDP), which is indicative of possible emerging upside risk to inflation in the medium term (see Figure 37). Nonetheless, the moderation in the annual pace of expansion in M2J during the March 2016 quarter may facilitate a tempering of these emerging risks.

Figure 37: Broad Money and Nominal GDP Growth
(12-month 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 annual growth of 21.1 per cent as at end-March 2016. This compares with annual growth of 16.0 per cent and 5.7 per cent at end-2015 and end-March 2015, respectively. The growth in M2* at end-March 2016 was mainly influenced by a notable increase of 26.7 per cent in the US dollar stock of private sector deposits as well as depreciation of 6.08 per cent in the WASR of the Jamaica Dollar vis-à-vis the US dollar. In the context where growth in foreign currency deposits outpaced the increase in local currency deposits, there was a slight uptick in the dollarization ratio. Notably, at end-March 2016, the dollarization ratio increase to 47.5 per cent relative to 45.0 per cent at end- 2015.

Box 3.2: Quarterly Credit Conditions Survey (QCCS)

Overview

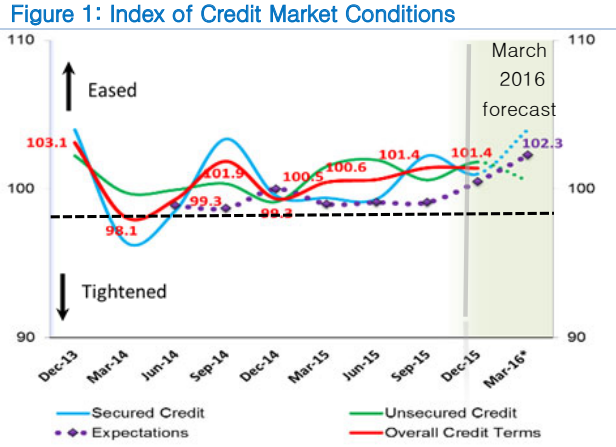
The results of the BOJ's QCCS for the December 2015 quarter, the latest report available, suggest that changes in lending policies continue to support a recovery in credit expansion (see Figure 1).

The respondents reported that the continued easing in credit market conditions was driven primarily by an easing in lending policies for unsecured loans. In particular, lenders cited that increased competition, owing to the announcement of a new entrant in the commercial banking sub-

sector and favourable macroeconomic conditions encouraged them to increase their risk appetite in order to maintain their market share. As a result, lenders reduced interest rates on non-credit card loans and extended the maximum size of credit lines for unsecured loans during the review quarter.

For the March 2016 quarter, lenders anticipate further easing in credit market conditions, particularly for secured loans. Policies associated with unsecured loans were also expected to ease, albeit at a slower pace than in the December 2015

Figure 1: Index of Credit Market Conditions



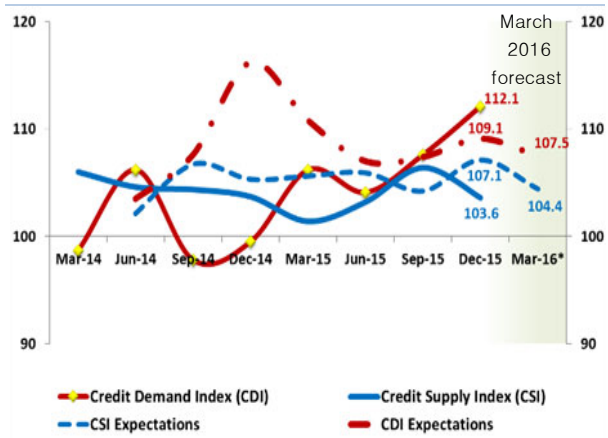
Source: Bank of Jamaica's Quarterly Credit Conditions Survey
Notes: (i) The asterisk (*) represents forward looking expectations provided by the respondents for the June quarter. (ii) The index is the average response for changes in eight credit terms reported in the Credit Conditions Survey. (iii) An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

quarter. It is anticipated that this easing would be reflected in declines in the minimum proportion of balances repaid and fees applicable to unsecured loans. Notwithstanding this, lenders noted that the uncertainty created by the prospects for an early general election and possible associated changes in Government policies may temper the overall buoyancy in lending conditions for the March 2016 quarter.

Credit Supply

Lenders reported continued expansion in the availability of credit during the fourth quarter of 2015, albeit at a slower pace than expected in the previous survey (see Figure 2). The outturn for the review quarter reflected increases for both local and foreign currency lending facilities, which were made accessible to both businesses and households (see Figure 3). Of note, there was a decline in the proportion of credit made available to businesses, with a notable redistribution from large corporations primarily to medium enterprises. Respondents indicated that given a saturation of the market for lending to large corporates, there was an increase in loan promotional activities geared towards medium-sized firms during the quarter.

Figure 2: Credit Supply and Demand Indices



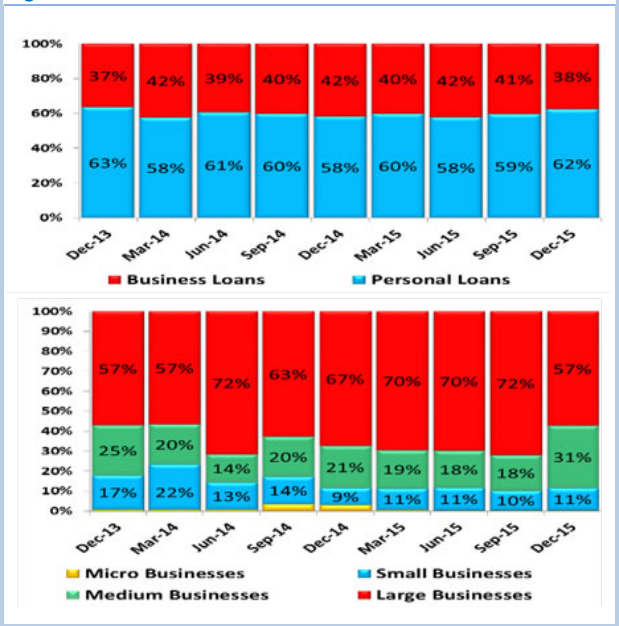
Source: Bank of Jamaica's Credit Conditions Survey
Notes: (i) *-Expectations for the upcoming quarter indicated by respondents in the previous survey and (ii) Indices greater than 100 indicate an increase in the variable while an index less than 100 indicates a decline.

Some creditors highlighted that the continued improvement in the macroeconomic indicators had positively impacted their risk tolerance. Consequently, the improved economic outlook and increased risk tolerance were cited as the main factors influencing the expansion in credit supply for the review quarter.

For the March 2016 quarter, lenders anticipated a further increase in overall credit availability, reflecting expansions in all loan categories (see Figure 2). This expansion should be influenced by continued improvements in the economic outlook and positive changes in lenders' risk appetite. In addition, some banks indicated that the anticipated improvements in liquidity in the March 2016 quarter

could result in a higher than anticipated expansion in credit supply.

Figure 3: Distribution of Private Sector Loans



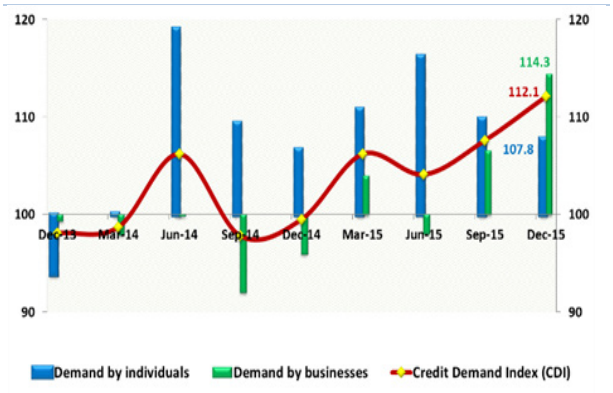
Source: Bank of Jamaica's Quarterly Credit Conditions Survey
Notes: (i) Figure 2 shows the distribution of credit between households and businesses. Credit to businesses was further disaggregated to show to total business loans distributed firms of various sizes.

Credit Demand

Demand for credit in the December 2015 quarter rose to its highest level since the survey's inception in the December 2013 quarter (see **Figure 4**). The uptick in credit demand, as reflected in the Credit Demand Index (CDI) of 112.1, mainly reflected significant requests for business loans, reversing the historic trend of the demand for personal loans outpacing that for commercial credit (see **Figure 4**). Notably, the increase in business loan demand was underpinned by robust growth in the demand for local and foreign currency denominated loans. Regarding local currency loans, the survey results showed that demand emanated across all business segments, particularly from medium- and micro-sized firms in the Distribution, Professional & Other Services and Electricity, Gas & Water economic sectors. It was reported that the uptick in demand from these sectors evidenced by increased requests for unsecured loans and loans for inventory & other working capital financing. In addition, a few respondents suggested that they opted to take advantage of the improved economic outlook by undertaking minor investments and designing new loan products to target clients with riskier profiles.

The increased demand for foreign currency business loans was only reflected in large and medium enterprises, particularly those in the Manufacturing and Distribution sectors. Lenders attributed this increased demand to perceived improvements in macroeconomic conditions.

Figure 4: Credit Supply and Demand Indices



Source: Bank of Jamaica's Credit Conditions Survey
Notes: (i) Indices greater than 100 indicate an increase in the variable while an index less than 100 indicates a decline.

For the December 2015 quarter, it is anticipated that the demand for credit will further intensify as reflected in the CDI of 109.1 (see **Figure 2**). This will emanate from households' demand for local currency credit as well as businesses' demand for both local and foreign currency credit, similar to the September 2015 quarter.

Price of Credit

According to the survey, average interest rates on local currency loans declined for the December 2015 quarter while rates on foreign currency loans increased (see **Table 1**). The reduction in lending rates on local currency loans emanated from a decline in the interest margin on business loans, which may have partially influenced the upsurge in the demand for these loans. Overall, the fall in lending rates may have been facilitated by more buoyant Jamaica Dollar liquidity flows during the December 2015 quarter. However, some lenders

specified that establishing the perception of financial strength by providing loans at competitive interest rates helps to stimulate credit demand and maintain lenders' market share in a context of changing market dynamics.

Table 1: Interest Rates on Local and Foreign Currency Loans

	December 2014 Survey		September 2015 Survey		December 2015 Survey	
	Dec-14	Mar-15*	Sep-15	Dec-15*	Dec-15	Mar-16*
Local Currency (LC) Loans						
Business loans	14.78	14.58	15.86	15.22	14.68	14.39
Personal loans	19.59	19.67	18.23	18.07	18.51	16.97
Reference rate	13.20	13.67	14.63	15.71	11.64	13.66
Average LC rates	**17.19**	**17.13**	**17.05**	**16.65**	**16.60**	**15.68**
Foreign Currency (FC) Loans						
Business loans	8.53	9.29	8.69	8.41	9.62	7.85
Reference rate	9.34	9.13	8.19	8.66	9.54	8.27

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

With regard to the rise in interest rates on foreign currency loans, some creditors cited the depreciation in the exchange rate as the most significant factor that has impacted the cost and availability of funds.

For the March 2016 quarter, lenders anticipated notable declines in lending rates across all loan categories, largely owing to the expected improvement in the liquidity (see Table 1). Notably, average rates on local and foreign currency loans were expected to decline by 0.92 percentage point (pp) and 1.27 pps, respectively.

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

Fiscal Developments

During the March 2016 quarter, the Government repaid $60.9 billion (3.7% of GDP) in maturing instruments as well as successfully re-entered the domestic capital market raising a total of $15.0 billion. Preliminary information for the review quarter indicates that the Central Government recorded a fiscal surplus of $20.0 billion, $5.9 billion below the budgeted surplus (see Table 13). The outturn primarily reflected lower Revenue & Grants as well as higher than budgeted spending. Given this, there was an overall deficit of $28.5 billion for the quarter, $9.3 billion lower than the budgeted deficit. In this context, the primary balance for FY2015/16 was $95.9 million above the revised target outlined under the EFF programme. Similarly, tax revenue for the fiscal period was $18.9 billion above the IMF indicative target.

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

	March 2016 Quarter			FY15/16		
	Prov.	Budget	Diff	Prov.	Budget	Diff
Revenue & Grants	**137.1**	**141.9**	**-4.8**	**455.8**	**458.1**	**-2.3**
o/w Tax Revenue	120.2	126.8	-6.6	411.9	411.9	0.0
Non- Tax Revenue	14.8	10.9	3.9	35.7	31.0	4.8
Grants	1.5	2.4	-0.9	5.5	9.5	-4.1
Expenditure	**117.1**	**116.0**	**1.1**	**460.7**	**463.0**	**-2.3**
Programmes	33.4	35.1	-1.7	133.5	135.7	-2.2
Wages & Salaries	42.2	40.9	1.2	168.8	165.2	3.6
Interest Payment	34.8	35.8	-1.0	125.7	131.6	-5.9
Capital Investment	6.7	4.1	2.6	32.7	30.4	2.3
Fiscal Surplus/Deficit	**20.0**	**25.9**	**-5.9**	**-4.9**	**-4.9**	**0.0**
Primary Balance	**54.8**	**61.7**	**-6.9**	**120.8**	**126.7**	**-5.9**
Current Balance	25.1	27.4	-2.3	24.6	15.0	9.6
Total Financing	21.7	25.1	-3.4	298.6	128.9	169.7
Foreign Loans	3.2	10.3	-7.1	269.6	72.6	197.0
Domestic Loans	18.5	14.8	3.7	29.0	56.3	-27.3
Amortisation	76.3	88.8	-12.5	342.7	178.6	164.1
Foreign	11.7	21.6	-9.9	11.7	178.6	-166.9
Domestic	64.6	67.1	-2.6	331.0	95.1	235.9
Other Income	6.1	0.0	6.1	6.1	0.0	6.1
Overall Balance	**-28.5**	**-37.7**	**9.3**	**-42.9**	**-54.5**	**11.6**

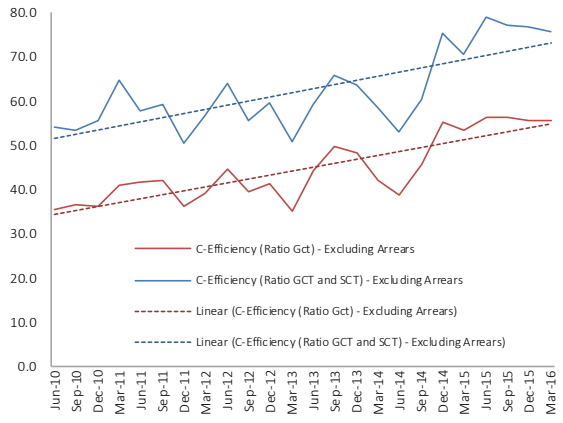
Source: Ministry of Finance and the Public Service

Revenue & Grants for the review quarter was $4.8 billion below budget reflecting lower tax receipts and grants as non-tax revenue over-performed. Lower than budgeted grants largely reflected the non-receipt of funding from some donors due to administrative delays. The shortfall in tax receipts

was largely attributable to the under-performances of International Trade and Income & Profits as Production & Consumption was above budget. In this regard, there were lower than budgeted receipts from 'tax on interest', GCT (Imports) and SCT (Imports). 'Tax on interest' reflected higher than anticipated payment of refunds given the lower payments for the period April to December 2015. For GCT (Imports) and SCT (Imports) the outturns were largely attributable to lower than expected imports as well as higher domestic production of refined petroleum products by Petrojam.

For the March 2016 quarter, the efficiency of tax collection was lower than expected as reflected in a C-Efficiency (GCT & SCT) ratio of 72.4 per cent, relative to an implicit budget target of 73.2 per cent. Notwithstanding, the efficiency measure was 12.4 percentage points above the average ratio for the previous three March quarters driven largely by increased compliance and administrative efforts by the Tax Administration of Jamaica (see Figure 37).

Figure 37: C-Efficiency Ratio
(Per cent)



Source: Ministry of Finance and the Public Service

Expenditure for the quarter was $1.1 billion above budget reflecting higher than planned capital spending and wages & salaries (see Table 13). Higher capital spending was facilitated by the relaxation of the EFF primary surplus target to 7.25 per cent of GDP from 7.5 per cent of GDP, which allowed the Government to spend more on growth-inducing projects. Notably, the deviation in wages & salaries reflected the implementation of the new wage rate in October 2015, which was higher than the budgeted rate.

During the March 2016 quarter, the Government's gross financing requirement amounted to $56.3 billion as amortization of $76.3 billion exceeded the fiscal surplus of $20.0 billion. Amortization comprised domestic and foreign payments of $64.6 billion and $11.7 billion, respectively. The significant domestic amortization primarily reflected the maturity of three domestic bonds totaling $60.9 billion in February 2016 (see Table x). In regard to financing, the Government sourced $21.7 billion in financing, of which $15.0 billion was raised from the sucessful re-entry into the domestic capital market. Project loans and Treasury Bills issues accounted for $3.2 billion and $3.5 billion in financing, respectively. Another source of financing during the quarter was loan repayment of $6.1 billion from the PetroCaribe Development Fund. Against this background, the remaining net financing requirement of $28.5 billion was met from a draw down of bank balances.

Table 14: Domestic and Global Bonds Maturities ($J billions)

	March 2016 Quarter	
	Instrument	**Nominal J$**
24-Feb-16	FR 12.625% Benchmark Investment Notes Due 2016	0.1
10-Feb-16	FR 7.25% Benchmark Investment Notes Due 2016	60
24-Feb-16	FR 7.25% USD Benchmark Notes - Due 2016	0.5
Total Maturities		**60.9**

Source: Ministry of Finance and the Public Service

Box 3.3: 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.[5] [6] This programme is aimed at creating the conditions for sustained growth through a significant improvement in the 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 December 2015, the Executive Board of the IMF concluded the tenth review of the programme and confirmed the country's successful performance. This enabled the disbursement of SDR 28.32 million (approximately US$39.3 million). Total disbursements under the EFF to end-December 2015 amounted to SDR477.76 million (approximately US$663.0 million).[7]

At end-2015, Jamaica completed the eleventh quarter of its macroeconomic programme. All structural benchmarks were met. With regards to the fiscal and monetary performance, it is anticipated that Jamaica would have met all the QPCs for the quarter (See **Table 2**).

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

6 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

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

Table 1: Structural Benchmarks

	Benchmark	Deadline	Status
1	SEZ legislation will be tabled by end-October 2015.	Oct-15	Met
2	Full implementation of the key performance indicators (as outlined in TAJs National Compliance Plan) that measure the effectiveness and the efficiency of the tax system, building on TA provided by the IMF	Nov-15	Met
3	The BOJ will, commencing Nov. 1, 2015 (structural benchmark) have overall responsibility for financial stability.	Nov-15	Met
4	Pension Reform – the changes in legislation are expected to be tabled by end-November 2015 (structural benchmark)	Nov-15	Met
5	Implement Phase 2 of the RAiS (GENTAX) integrated tax software package, for all major tax types by end-December 2015 (structural benchmark).	Dec-15	Met

Source: Bank of Jamaica

Table 1: Quantitative Performance Targets (In billions of Jamaica dollars)

		Dec-14		Mar-15		Jun-15		Sep-15		Dec-15		Mar-16
	Fiscal targets	Criteria	Actual	Criteria	Actual	Criteria	Actual	Criteria	Actual	Criteria	Actual	Criteria
1.	Primary balance of the central government (floor)	66.0	66.8	121.0	117.2	17.0	20.4	40.0	50.8	60.8		120.7
2.	Tax Revenues (floor)	260.0	258.6	384.0	370.9	88.0	95.4	185.0	195.1	280.0		393.0
3.	Overall balance of the public sector (floor)	-37.0	-17.0	-11.6	1.7	-33.0	7.9	-34.0	9.2	-40.3		-14.3
4.	Central government direct debt (ceiling)	92.4	67.9	90.6	77.8	4.5	-37.9	40.0	-11.0	47.0		77.0
5.	Central government guaranteed debt (ceiling)	0.1	0.1	-1.8	-1.8	2.0	n.a	2.0	0.0	0.0		0.0
6.	Central government accumulation of domestic expenditure arrears (ceiling)	0.0	-0.1	0.0		0.0	n.a	0.0	-1.3	0.0		0.0
7.	Central government accumulation of tax refund arrears (ceiling)	0.0	-2.9	0.0	-1.4	0.0	-2.4	0.0	n.a	0.0		0.0
8.	Consolidated government accumulation of external arrears (ceiling)	0.0	0.0	0.0		0.0	0.0	0.0	-4.3	0.0		0.0
9.	Social spending (floor)	14.8	18.2	21.7		4.5	n.a	9.2	14.1	15.6		23.2
	Monetary targets											
10.	Cumulative change in NIR (floor)	217.2	970.4	-582.6	312.7	-652.5	125.7	-555.3	468.1	-356.9		-414.7
11.	NIR stock floor	1262.2	1997.7	1415.1	2310.4	1345.2	2123.4	1442.4	2465.8	1640.8		1583.0
12.	Cumulative change in NDA (ceiling)	-12.7	-120.2	-18.0	-156.3	73.9	-22.2	67.3	-54.6	64.0		47.8

Source: Bank of Jamaica

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

4.0 Implications for Monetary Policy

The Bank projects that headline inflation will decline for the June 2016 quarter before increasing to end FY2016/17 within a target range of 4.5 per cent to 6.5 per cent. This forecast primarily reflects the outlook for international commodity prices, particularly crude oil, which is forecasted to record moderate increases over the year. For FY2016/17, real output is forecasted to strengthen for a second consecutive year, and is expected to end within the range of 1.0 per cent to 2.0 per cent. This expansion in Jamaica's output primarily reflects the impact of improvements in net external demand and domestic competitiveness. Given this outlook, which is assessed to have limited upside price pressures, the Bank will continue to make policy adjustments to meet the objective of concretizing low and stable inflation to levels consistent with its main trading partners.

Main Policy Considerations

Prices and Output

Headline inflation ended FY2015/16 at 3.0 per cent, well below the target range of 5.5 per cent to 7.5 per cent. The primary reason for the lower than anticipated outturn was the sharper than forecasted fall in crude oil prices over the year. For FY2016/17, the Bank projects that inflation will record further declines during the first half of the year before increasing marginally to end within the target range of 4.5 per cent to 6.5 per cent. This forecasted path for inflation is consistent with the outlook for international commodity prices, particularly crude oil, which should record moderate increases for the year. There may also be some upward price impulses, albeit moderate, resulting from the anticipated improvements in domestic demand.

Real GDP is forecasted to expand within the range of 1.0 per cent to 2.0 per cent for FY2016/17. That performance would translate into a second consecutive year that Jamaica's output would have strengthened. The projected improvement in growth reflects an improved outlook for expansion in the economies of Jamaica's trading partners, recovery in agriculture following the severe drought conditions of the previous year and some improvements in the domestic business environment. In addition, Jamaica's growth prospects should continue to be bolstered by the trend improvements in external competitiveness as a result of the structural and macroeconomic reforms undertaken under the IMF supported Extended Fund Facility (EFF) programme.

As the growth in Jamaica's economy is forecasted to strengthen, the Bank's assessment suggests that there could be some narrowing of the output gap. However, the gap should remain negative given estimated excess capacity conditions for factors of production. In that regard, there should be limited upward price impulses from these sources over the near term.[9]

Expectations

Private sector expectations for inflation 12 months ahead, continued to decline and remained below the Bank's projection for that period.[10] [11] Survey respondents also indicated a moderation in their expectations for exchange rate depreciation over the near term. This augurs well for domestic inflation in the context of the continued evidence of reduced exchange rate pass-through to inflation since the beginning of the economic programme.[12] With regard to interest rates, respondents

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

10 See Box 1.1 BOJ's Inflation Expectations Survey (IES)

11 See the Bank's Inflation Expectations Survey (IES) conducted in the March 2016 quarter.

12 The exchange rate pass-through refers to the proportion of changes to the exchange rate that result in changes in domestic prices. Studies by the BOJ have shown this to be close to 100 per cent in one year, prior to 1995. However, this level declined to approximately 49 per cent by 2001. See McFarlane, L., (2002), "Consumer Price Inflation and Exchange Rate Pass-Through in Jamaica". BOJ's recent calculation suggests the pass-through has fallen below 30 per cent.

indicated expectations for rates to remain stable or decline further. These expectations for interest rates, coupled with the adjustments in inflation expectations should continue to support a stable and attractive environment for Jamaica Dollar-denominated assets over the near- to medium-term (see **Box 4: Monetary Policy Transmission Mechanism**).

Financial Markets

Private money market rates generally declined during the review quarter, primarily reflecting the excess liquidity conditions that emanated as a result of the large NDX bond maturity in February 2016 (see Monetary Policy and Financial Markets). The performance of market rates was also consistent with the objectives of the Bank's policy stance and liquidity management strategies implemented over the December 2015 and March 2016 quarters. Despite the fall in nominal interest rates in the review quarter, real private money market interest rates increased marginally in the context of a sharp fall in inflation during the quarter. Over the near- to medium-term, nominal interest rates are expected to remain relatively low in the context of the low inflation expectation and the outlook for a generally stable macroeconomic environment.[13] In that context interest rates over the near- to medium-term should continue to support the prospects for investments and overall output expansion.

Monetary Targets

The Bank's assessment suggests that the NIR and NDA targets under the EFF Supported Programme were again comfortably met in the December 2015 and March 2016 quarters.[14] The assessment also suggests that the NIR and NDA targets for end-June 2016 will be exceeded. The consistent attainment of these targets continues to be supported by the projected improvements in the current account balance, net private capital inflows and the Bank's monetary policy actions.

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.

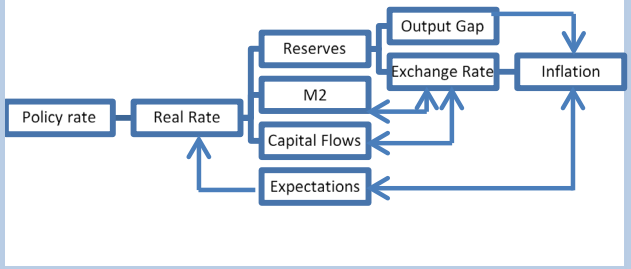
Studies on the transmission mechanism in Jamaica have shown that the credit and the exchange rate channels are the main conduits through which policy affects inflation (see **Figure 1**). The credit channel impacts inflation through aggregate demand and the output gap. With respect to the exchange rate, 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 three to four 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.

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

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

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 maintained its policy stance in the March 2016 quarter, following two downward adjustments in the first half of the fiscal year. This policy stance reflects the Bank's assessment of the transmission of the aforementioned monetary policy adjustments and the continuation of a relatively benign domestic inflation outlook over the near- to medium-term (see **Box 4: Monetary Policy Transmission Mechanism**). The Bank's policy stance for the June 2016 quarter will continue to remain generally accommodative but measured to mitigate any upside risks in order to concretize low and stable inflation expectations over the near- to medium-term.

Additional Tables

1: INFLATION RATES

		CPI (End of Point)	Headline Inflation	Core Inflation*
FY05/06	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
FY06/07	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
FY07/08	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
FY08/09	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	122.94	12.43	12.98
FY09/10	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
FY10/11	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
FY11/12	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	168.92	7.26	6.97
FY12/13	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
FY13/14	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
FY14/15	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	214.21	3.96	5.51
FY15/16	Jun-15	225.30	4.37	4.81
	Sep-15	229.97	1.82	4.00
	Dec-15	232.30	3.66	3.51
	Mar-16	229.29	2.96	3.04

* 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 (March 2016)

Divisions, Classes and Groups	Weight (%)	Inflation (%)	Weighted Inflation	Contribution
FOOD & NON-ALCOHOLIC BEVERAGES	37.45	-0.49	-0.18	-208.31
Food	35.10	-0.53	-0.18	-209.03
Bread and Cereals	6.10	0.49	0.03	33.84
Meat	7.66	0.17	0.01	14.48
Fish and Seafood	5.33	0.26	0.01	15.60
Milk, Cheese and Eggs	3.11	0.12	0.00	4.23
Oils and Fats	1.64	0.09	0.00	1.72
Fruit	1.14	0.54	0.01	6.96
Vegetables and Starchy Foods	6.85	-2.89	-0.20	-224.05
Sugar, Jam, Honey, Chocolate and Confectionery	1.72	0.32	0.01	6.19
Food Products n.e.c.	1.55	0.42	0.01	7.36
Non-Alcoholic Beverages	2.35	0.14	0.00	3.79
Coffee, Tea and Cocoa	0.66	0.19	0.00	1.44
Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	1.69	0.12	0.00	2.30
ALCOHOLIC BEVERAGES AND TOBACCO	1.38	0.32	0.01	5.00
CLOTHING AND FOOTWEAR	3.33	0.09	0.00	3.45
Clothing	2.12	0.09	0.00	2.05
Footwear	1.22	0.10	0.00	1.40
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	12.76	-0.06	-0.01	-8.59
Rentals for Housing	3.52	0.02	0.00	0.95
Maintenance and Repair of Dwelling	0.8	0.03	0.00	0.26
Water Supply and Miscellaneous Services Related to the Dwelling	1.32	-0.97	-0.01	-14.49
Electricity, Gas and Other Fuels	7.12	0.13	-0.01	10.55
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	4.93	2.97	0.12	130.07
Furniture and Furnishings	0.69	0.14	0.00	1.09
Household Textiles	0.32	0.01	0.00	0.03
Household Appliances	0.56	0.12	0.00	0.73
Glassware, Tableware and Household Utensils	0.05	0.41	0.00	0.23
Tools and Equipment for House and Garden	0.15	0.30	0.00	0.50
Goods and Services for Routine Household Maintenance	3.16	3.58	0.11	127.92
HEALTH	3.29	0.10	0.00	3.87
Medical Products, Appliances and Equipment	1.22	0.22	0.00	3.06
Health Services	2.07	0.03	0.00	0.64
TRANSPORT	12.82	-0.39	-0.05	-56.85
COMMUNICATION	3.99	0.00	0.00	0.04
RECREATION AND CULTURE	3.36	0.06	0.00	2.36
EDUCATION	2.14	0.00	0.00	0.00
RESTAURANTS & ACCOMMODATION SERVICES	6.19	0.09	0.01	6.10
MISCELLANEOUS GOODS AND SERVICES	8.37	0.24	0.02	22.88
ALL DIVISIONS	100.00	-0.14	-0.09	100.00

3: BANK OF JAMAICA OPERATING TARGETS

	Actual Mar-14	Actual Jun-14	Actual Sept-14	Actual Dec-14	Actual Mar-15	Actual Jun-15	Actual Sept-15	Actual Dec-15	Actual Mar-16
Net International Reserves (US$)	1,303.6	1,376.1	2,200.6	2,002.0	2,293.7	2,116.5	2,441.9	2,437.3	2,415.5
NET INT'L RESERVES (J$)	138,679.5	146,393.0	234,096.3	212,969.6	244,001.7	225,154.3	279,986.1	279,456.9	276,965.2
Assets	217,929.9	214,518.3	288,848.3	263,172.4	286,134.5	269,914.9	331,967.0	334,129.3	331,861.5
Liabilities	-79,250.3	-68,125.3	-54,752.0	-50,202.8	-42,132.9	-44,760.6	-51,433.1	-54,672.4	-54,896.3
NET DOMESTIC ASSETS	-44,251.5	-50,448.6	-137,846.8	-104,087.0	-142,920.4	-120,678.7	-171,987.5	-157,245.2	-156,953.3
-Net Claims on Public Sector	158,974.9	192,366.7	110,474.8	142,209.3	95,157.1	140,317.0	101,215.6	108,893.4	138,210.2
-Net Credit to Banks	-21,390.8	-22,702.7	-22,606.0	-23,210.1	-23,886.3	-24,229.3	-24,897.5	-26,163.1	28,461.5
-Open Market Operations	-30,533.2	-40,570.1	-35,206.8	-25,480.8	-38,871.7	-51,609.4	-48,743.7	-39,459.0	57,966.6
-Other	-151,302.5	-179,542.5	-190,508.7	-197,605.5	-194,311.1	-202,681.7	-199,561.8	-200,516.4	208,735.4
MONETARY BASE	94,428.0	95,944.4	96,249.6	108,882.5	101,081.3	104,475.6	107,998.6	122,211.7	120,011.9
- Currency Issue	61,110.2	62,025.3	61,573.4	74,937.1	66,356.3	67,916.9	70,635.1	84,294.7	79,988.9
- Cash Reserve	32,275.6	32,914.5	34,271.2	33,385.0	34,566.9	35,852.7	36,680.4	37,597.9	39,619.8
- Current Account	1,042.2	1,004.6	405.0	260.5	158.0	706.1	683.2	319.1	403.3
GROWTH IN MONETARY BASE [F-Y-T-D]	3.4	1.6	1.9	15.3	7.0	3.4	6.8	20.9	18.7

4: MONETARY AGGREGATES

		BASE	M1J	M1*	M2J	M2*	M3J	M3*
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	104475.63	142761.90	142761.90	292242.71	471576.37	422968.84	602302.50
	Sept-15	107998.61	137336.80	137336.80	288215.89	475790.09	421278.58	608852.79
	Dec-15	122211.75	160268.64	160268.64	317745.81	517788.53	453436.26	653478.99
	Mar-16	101081.30	152210.47	152210.47	310449.38	527260.59	457735.34	674546.55

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)
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	3.9
FY15/16	Mar-15	1.00 –6.88	1.25 – 7.00	1.44	14.99	3.80	17.10	3.94
	Jun-15	1.00 –6.88	1.25 – 7.00	1.44	14.99	3.80	17.10	3.94
	Dec-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	...	...
FY15/16	Mar-15	6.30	6.73	7.00	...	...
	Jun-15	6.23	6.48	6.63	...	...
	Sep-15	6.23	6.20	6.35	...	...
	Dec-15	5.97	5.96	6.04	...	...
	Mar-16	5.38	5.75	5.83	...	...

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	...	...	...	...	...	...
	Sep-15	5.25	...	...	...	...	...	...
	Dec-15	5.25	...	...	...	...	...	...
	Mar-16	5.25	...	...	...	...	...	...

8: Placements and Maturities* in BOJ OMO Instruments

	October – December 2015			January – March 2016		
	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)
30-day	24.7	29.0	5.25	54.8	56.9	5.25
365-day VR CD	12.8	1.1	6.69	3.3	0.4	6.0
548-day VR CD	0.6	0.0		0.3	0.0	
729-day VR CD	0.3	1.5	6.65	0.3	0.0	
365-day FR USD CD	0.0	0.0		0.0	2.0	6.30
365-day FR USD IB	0.1	0.0		6.9	15.4	1.98
Repos	142.8	141.1		109.2	112.3	
FX (Trading Room)	60.2	40.7		59.7	47.9	
	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)
1-year FR USD CD	0.0	10.3	-	0.0	0.0	-
2-year FR USD CD	85.0	0.0	2.38	0.0	25.6	-
3-year FR USD CD	10.6	0.0	2.40	0.04	0.0	2.35
5-year FR USD CD	0.03	0.0	3.40	0.04	0.0	3.20
7-year FR USD CD	0.79	0.0	4.10	0.08	0.0	3.85
TOTAL	96.4	10.3		0.16	25.6	

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

(Flows – US$MN)

	Bauxite	Alumina	Sugar	Bananas	Other Traditional	Non-Traditional	Other	Total Goods Exports
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	0.0	21.0	96.1	67.9	355.7
Sep-14+	33.4	151.6	11.9	0.0	16.4	99.3	70.8	385.1
Dec-14+	33.4	130.4	0.0	0.0	12.3	106.8	58.7	343.8
Mar-15+	35.3	132.3	17.1	0.1	6.8	93.6	45.1	338.1
FY15/16								
Jun-15+	33.8	139.5	23.6	0.1	4.8	80.4	44.5	317.4
Sep-15+	35.6	126.6	13.0	0.1	19.2	62.1	30.5	287.5
Dec-15+	25.1	143.9	0.1	0.1	10.9	75.6	41.8	297.5

+ Revision

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

	Dec-13+	Mar-14+	Jun-14+	Sep-14+	Dec-14+	Mar-15+	Jun-15+	Sep-15+	Dec-15
1. Current Account	-484.6	-119.4	-303.8	-337.4	-367.6	25.8	-117.0	-162.0	-72.9
A. Goods Balance	-1,106.6	-884.5	-939.8	-946.0	-988.7	-772.3	-822.2	-797.6	-761.1
Exports (f.o.b)	363.5	384.3	355.9	375.0	333.5	336.5	344.4	286.7	293.6
Imports (f.o.b)	-1,470.0	-1,268.7	-1,295.7	-1,321.0	-1,322.2	-1,108.7	-1,166.6	-1,084.3	-1,054.7
B. Services Balance	98.9	226.8	154.8	111.3	133.3	299.0	221.3	142.2	143.6
Transportation	-185.1	-200.6	-163.6	-168.5	-163.3	-139.7	-146.0	-141.3	-143.8
Travel	435.4	595.0	504.4	458.0	499.9	634.4	524.4	484.9	500.9
Other Services	-151.4	-167.6	-186.0	-178.2	-203.4	-195.6	-157.0	-201.4	-213.4
Goods & Services Balance									
C. Income	-91.0	-17.5	-80.0	-86.6	-102.3	-45.1	-117.7	-97.6	-52.0
Compensation of employees	23.0	6.2	4.3	18.9	34.5	10.4	5.6	14.6	50.1
Investment Income	-114.0	-23.7	-84.3	-105.5	-136.8	-55.5	-123.3	-112.1	-102.0
D. Current Transfers	614.2	555.9	561.3	584.0	590.1	544.1	601.5	591.0	596.6
General Government	98.1	63.3	45.5	59.4	52.8	42.8	54.2	54.6	43.7
Other Sectors	516.1	492.6	515.8	524.5	537.3	501.3	547.4	536.4	552.9
2. Capital & Financial Account	330.7	373.2	66.3	-27.8	321.7	-6.4	26.5	434.1	575.8
A. Capital Account	-5.6	-7.9	-6.9	-6.1	-6.7	0.8	-5.5	1,442.0	-7.2
Capital Transfers	-5.6	-7.9	-6.9	-6.1	-6.7	0.8	-5.5	1,442.0	0.0
General Government	1.7	0.6	1.4	1.5	0.6	9.3	2.8	1,449.7	-7.2
Other Sectors	-7.2	-8.5	-8.3	-7.6	-7.2	-8.5	-8.3	-7.6	0.0
Acq/disp of non-produced non- fin assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Financial Account	336.3	381.1	73.3	-21.7	328.4	-7.2	32.0	-1,007.9	583.1
Direct Investment	138.5	112.7	155.1	119.2	124.8	189.9	161.5	234.2	174.6
Portfolio Investment	32.2	20.7	-297.0	22.0	75.3	-294.6	-129.8	-156.5	235.0
Other official investment	208.4	147.9	170.9	787.5	-284.5	3.7	-279.0	-913.7	-13.1
Other private Investment	94.9	355.6	116.8	-125.9	213.4	386.4	102.1	153.6	181.7
Reserves	-137.7	-255.8	-72.5	-824.4	199.5	-292.6	177.2	-325.4	4.9
Errors & Omissions	153.9	-253.8	237.4	365.1	45.9	32.6	90.5	-272.1	-503.0

+ Revised

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

		US$	Can$	GBP £
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
	Sep-15	119.0553	88.6177	180.1478
	Dec-15	120.4150	84.9062	177.1179
	Mar-16	122.0421	92.5223	173.4625

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
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
	Sep-15	2,890.45	448.57	2,441.88	32.34	22.39
	Dec-15	2,890.45	479.82	2,437.01	34.61	23.45
	Mar-16	2,894.31	478.77	2,415.53	34.38	23.30

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

December 2013 – December 2015 (Seasonally Unadjusted)

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

	Dec-13+	Mar-14+	Jun-14+	Sep-14+	Dec-14+	Mar-15	Jun-15	Sep-15	Dec-15
Total Value Added at Basic Prices	1.9	1.8	2.0	-1.4	-0.3	0.4	0.7	1.5	0.7
Agriculture, Forestry & Fishing	13.1	18.1	16.9	-23.3	-13.3	-0.6	0.3	1.3	-3.3
Mining & Quarrying	11.5	8.4	-0.3	-2.0	-1.9	0.7	5.3	-1.2	-2.2
Manufacturing	-0.9	0.0	5.0	-6.5	-1.4	-2.0	0.4	8.0	6.2
Food, Beverages & Tobacco	2.9	0.6	4.7	2.1	-0.2	-2.1	1.7	3.4	3.5
Other Manufacturing	-4.5	-1.0	5.5	-17.0	-2.7	-1.7	-1.7	14.9	9.1
Construction & Installation	2.9	1.3	1.7	2.2	1.5	1.4	1.0	0.7	0.6
Electricity & Water	1.0	0.5	-1.6	-1.1	2.4	-2.8	0.7	3.1	4.5
Wholesale & Retail Trade; Repairs; Installation Of Machinery	0.1	0.3	0.2	0.5	0.4	0.3	0.5	0.6	0.3
Hotels and Restaurants	5.9	0.3	2.4	4.2	5.6	4.1	1.4	1.3	1.0
Transport, Storage & Communication	1.0	0.4	0.6	0.8	1.3	1.1	1.3	1.5	0.4
Finance & Insurance Services	1.0	0.4	0.6	0.2	0.8	0.2	0.3	0.3	0.6
Real Estate & Business Services	0.3	0.5	0.5	0.3	0.4	0.4	0.5	0.5	0.4
Government Services	-0.1	-0.1	-0.2	-0.2	-0.1	-0.1	-0.2	-0.1	-0.1
Other Services	1.4	0.8	1.2	1.9	1.6	1.5	0.4	0.5	0.7
Less Financial Intermediation Services Indirectly Measured (FISIM)	0.1	-0.5	-1.4	-1.2	0.0	-0.5	0.1	0.3	0.4

14: 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
	Sep-15	0.05	0 - 0.25	0.75	3.25	0.50
	Dec-15	0.05	0 - 0.50	1.00	3.50	0.50

15: 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
	Sep-15	0.1930	0.325	0.534	0.8511
	Dec-15	0.4300	0.613	0.846	1.1780

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
	Sep-15	0.6609	1.3394	119.6745	0.8943
	Dec-15	0.6786	1.3837	120.2501	0.9206
	Mar-16	0.6964	1.3004	112.5746	0.8787

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
	Sep-15	47.24	51.52	189.86	336.22
	Dec-15	43.41	42.18	187.51	330.62

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.

Brexit: This is an abbreviation of British exit. This describes the possiibility that Britain may withdraw from the European Union.

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.

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.

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

	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 Policy Transmission Mechanism (recurrent)
Jul – 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 2014	103	An Examination of Current Account Financing from the BPM6 Perspective
Jul – Sept 2015	104	Inflation Differential
Jul – Sept 2015	105	Trends in selected measures of Labour Productivity
Oct – Dec 2015	106	: Impact of Increases in the Federal Funds Rate on the Jamaican Economy
Oct – Dec 2015	107	A technical examination of the recent stock market appreciation