QUARTERLY MONETARY POLICY REPORT

January - March 2010
Volume 10 No. 4

Bank of Jamaica

Quarterly Monetary

Policy Report

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ISSN 0799 1037

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PREFACE

The Bank of Jamaica's Quarterly Monetary Policy Report reviews the conduct of monetary policy and the main factors that influenced inflation during the quarter. It also presents the Bank's perspective on emerging economic trends and the path of monetary policy over the short to medium term. This issue features a discussion on a target rate for inflation and a review of the recently concluded Jamaica Debt Exchange (JDX).

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

OVERVIEW

Recent Developments

During the review quarter Jamaica signed an SDR820.5 million (US$1.3 billion) 27-month Stand-By Arrangement with the International Monetary Fund (IMF). This followed the successful implementation of the Jamaica Debt Exchange (JDX) (see **Box 2**), as well as a major tax package. These developments led to significant official capital inflows as well as rating upgrades of GOJ debt, which had a positive impact on investors' perception about the macroeconomic prospects of the Jamaican economy. This improved outlook was manifested in an appreciation in the exchange rate and declines in market interest rates in the review quarter.

The weighted average selling rate appreciated by 0.1 per cent during the March 2010 quarter to J$89.51 = US$1.00, following a marginal depreciation of 0.6 per cent in the previous quarter. Most of this appreciation occurred in March and largely reflected improvement in net private capital inflows and receipts from tourism. In addition, the demand for foreign currency to pay for imports declined.

The decline in market interest rates was indicated by a 631 basis point (bp) fall in the benchmark 180-day Treasury Bill rate during the quarter to 10.49 per cent at end March. Also reflecting the improved confidence and investors' appetite for GOJ debt instruments, was a decline in average yields on GOJ global and newly issued domestic bonds during the quarter. Similarly, private domestic money market rates fell during the quarter. The 30-day private repo rate, for example, averaged 10.47 per cent in the review period, compared to an average of 14.73 per cent in the previous quarter. These positive trends in interest rates occurred despite the increase in inflation and continued weakness in the domestic economy.

Headline inflation accelerated to 4.1 per cent during the March 2010 quarter, close to the median of the 3.5 per cent to 4.5 per cent forecast range (see **December 2009 QMPR**). The annual rate of increase in consumer prices of 13.3 per cent was slightly higher than the 12.4 per cent recorded in the previous fiscal year. The acceleration in inflation in the review quarter was mainly due to the impact of tax measures implemented in January and the increase in the cost of public transportation in some regions in February. It is estimated that these factors accounted for 1.5 and 1.3 percentage points, respectively, of the inflation during the quarter. Additional impulses emanated from housing expenses and food prices. The latter, mainly meat, fish, seafood and dairy product prices, reflected the impact of seasonal demand and the increased cost of energy and transportation. The inflationary impact of these factors was, however, constrained by the weak purchasing power of consumers, given the decline in real incomes and economic activity.

Real GDP in the March 2010 quarter is estimated to have declined by 1.0 per cent to 2.0 per cent, which was slower than the rate of contraction of the previous four quarters. Given this estimate, the economy declined by 2.0 per cent to

3.0 per cent in fiscal year 2009/10. *Mining & Quarrying, Manufacturing, Construction* and *Transport, Storage & Communication* were the main industries that contracted in the review quarter. In contrast, agriculture and tourism continued to record positive growth, driven by improved marketing and the productivity enhancing initiatives of the Government.

The contraction in economic activity mainly reflected continued declines in consumption. This was mirrored in the trends in currency in circulation, which declined in real terms by 2.9 per cent for the 12-month period ending March 2010, relative to 1.3 per cent for the corresponding period ending March 2009.

In light of the JDX, positive trends in the financial markets and the Bank's expectation that the rise in inflation in the first half of 2010 will be temporary, the BOJ reduced its 30-day OMO rate by 50 basis points in early February. This followed the withdrawal of the 60-day to 180-day open market instruments in January. The removal of OMO instruments with tenors above thirty days was done to facilitate the development of a market yield curve post JDX. The magnitude of the reduction in the Bank's interest rates during the quarter was tempered by the possible impact of the various fiscal measures on households' and firms' expectations of inflation.

Further, given the risk posed to the monetary targets and inflation, the Bank began to sterilize the liquidity support extended to the Government in the December 2009 quarter by selling $7.8 billion of GOJ securities from its portfolio on the secondary market. The bridging loans extended to Central Government during March 2010 quarter were repaid, while the government securities purchased by the Bank were redeemed.

Against this background, the monetary base contracted by 4.7 per cent during the March 2010 quarter. This mainly comprised a 9.4 per cent contraction in net currency issue. The main counterparts to the contraction in the monetary base were a build-up in Government balances at the BOJ and net placements on open market instruments, marginally offset by a moderate increase in net international reserves (NIR).

The NIR at end-March was US$1751.9 million, US$22.5 million above the stock at end-December. Consequently, the NIR was US$695.2 million above the programme target, reflecting the higher than anticipated net private capital flows. Concurrently the Bank's Net Domestic Assets (NDA) was well within the IMF target.

Outlook

Global economic conditions are expected to continue to improve gradually during the June 2010 quarter. This should have positive spill-over effects on the Jamaican economy despite the fact that the upward pressure on oil prices will continue during the quarter. However, the domestic economy should continue to be characterized by weak demand, particularly in the context of the fiscal measures. Against this background, headline inflation for the June 2010 quarter is projected to be in the range of 2.5 per cent to 3.5

per cent, slightly lower than the 4.1 per cent for the March 2010 quarter. The main drivers to overall inflation are expected to be the movement in transportation costs and food prices.

Inflation for the fiscal year is projected to decline to a range of 7.5 per cent to 9.5 per cent in the context of low demand. This outlook is consistent with the medium term objective of the economic programme to reduce inflation to single digits (see **Box 1**). The risks to this forecast are balanced. A significant upside risk is the second round effects of the newly introduced taxes on electricity and fuel. This is counter-balanced by the possibility of weaker than expected economic activity, which would further restrain consumer spending.

Real economic activity is projected to contract at a slower pace in the June 2010 quarter, in the range of 0.0 per cent to 1.0 per cent. This anticipated improved performance reflects continued expansion in tourism and agriculture as well as a resumption of growth in mining. A very moderate improvement in economic activity is projected for FY2010/11, with GDP growth expected to be in the range 0.0 per cent to 1.0 per cent. This outlook largely reflects some recovery in the growth rate of mining as capacity utilization expands and the impact of the plant closure in FY 2009/10 on the rate of change dissipates. Additionally, tourism and agriculture are expected to continue to record growth throughout the year, although the expansion in agriculture is expected to moderate. The risks to the growth forecast are skewed to the downside.

The expectation of a reduction in inflation for the fiscal year, implementation of fiscal reforms, continuation of the positive trends in the financial markets and progress towards the achievement of the IMF targets provide the basis for further monetary policy adjustments. The Bank will continue its sterilization of the advances to Government through the sale of GOJ securities from its portfolio. Accordingly, the BOJ has sold approximately $6.0 billion on the secondary market since the beginning of April, bringing the total sales to $13.8 billion for the calendar year-to-date. With regard to the programme targets, the Bank expects that the benchmarks for the NIR and NDA for the June 2010 quarter will be comfortably met.

1. International Developments

Developments in the international economy continued to have a positive impact on the Jamaican economy during the March 2010 quarter. Most developed countries, with the exception of those in the Euro area, maintained a positive growth path, driven by recovery in consumption and increased private and government investment. Concurrently, there were improvements in the labour markets of most advanced economies. These factors contributed to an increase in crude oil prices. However, for certain agricultural commodities, record high inventory levels engendered a decline in these prices during the quarter.

Despite global economic recovery, fragile financial conditions and the nascent nature of recovery the labour market led central banks of most advanced economies to keep target interest rates unchanged during the quarter. However, concerns about debt levels in several European countries prompted an increase in international bond yields.

The improvements in the real economy of advanced economies contributed to a significant increase in tourist arrivals to Jamaica. Consequently, Jamaica's external competitiveness, as measured by the BOJ's terms of trade (TOT) index, improved. However, the impact of the increase in tourism was partly offset by the effect of the rise in crude oil prices. Contrary to movements in international bond markets, Government of Jamaica global bond yields declined as a result of an increase in investor confidence in Jamaica's economic programme.

Table 1.1

Selected GDP Growth Rates			
	Sep-09	**Dec-09**	**Mar-10**
USA	2.2	5.6	3.2
Canada	-1.3	5.0	3.9*
Japan	1.3	3.8	1.6*
China	8.9	10.7	10.0*
UK	-5.2	-3.3	-0.8*
Euro	-4.1	-2.1	-0.2*

*Sources: Central Statistics Offices *BOJ Estimates*

Global economic conditions continued to improve in the March 2010 quarter.

Global Economic Recovery

Real GDP growth in the US was 3.2 per cent on an annualised basis for the March 2010 quarter, lower than the 5.6 per cent expansion in the December 2009 quarter (see **Table 1.1**). The slowdown in growth primarily reflected a decline in net exports due to the appreciation of the US dollar since December. In addition, there was a slowdown in residential investment, as home buyers delayed purchases to take advantage of the extension of the housing tax credit. However, growth in personal consumption expenditure contributed to an overall increase in economic activity. Rising crude oil prices contributed to growth

Table 1.2

Annual Inflation for Selected Economies (twelve month point-to-point) Dec 09 - Mar 10					
	USA	**Canada**	**UK**	**Japan**	**Euro Area**
Dec	2.8	1.3	2.8	-1.7	0.9
Jan	2.7	1.9	3.4	-1.3	1.0
Feb	2.2	1.6	3.0	-1.1	0.9
Mar	2.4	2.0	3.2	-1.3	0.9

Source: Central Statistics Offices

in major oil-exporting countries such as Canada and Mexico, while growth in other developing countries such as China was attributed to continued fiscal stimuli. In contrast, economic activity in the Euro area contracted in the review period, due to low consumer spending and fragile financial sector conditions.

In the context of economic stabilization, unemployment declined marginally for several developed economies. In the US, the unemployment rate fell to 9.7 per cent at March 2010 from 10.0 per cent in December 2009. In Canada, the unemployment rate fell to 8.2 per cent for March, from 8.5 per cent at December. However, labour market data for the Euro area showed that the unemployment rate for March was 10.0 per cent, compared with 9.9 per cent at December 2009.

Inflation accelerated for most of the major developed economies during the March 2010 quarter (see **Table 1.2)**. Twelve-month inflation in Canada, the UK and the Euro area for March rose by 0.7 percentage point, 0.5 percentage point and 0.5 percentage point, respectively, relative to December. Deflation in Japan also slowed by 0.6 percentage point during the quarter. The upward trend in inflation in these countries was primarily associated with an increase in transportation costs. However, in the US, annual inflation fell by 0.4 percentage point, reflecting declines in the rate of growth of housing and food prices.

The major international stock market indices continued to rise, albeit at a slower rate than in the previous quarter. In the US, the Dow Jones Industrial Average and S&P 500 indices increased for the quarter by 4.1 per cent and 4.8 per cent, respectively, relative to the previous quarter. In the UK, the FTSE 100 Index rose by 4.9 per cent. The upward trend in stock prices reflected the effects of positive macroeconomic reports as well as good earnings reports for several major companies.

Jamaica's terms of trade improved in the March 2010 quarter.

Table 1.3

Selected Import/Export Prices (period averages) (Per cent changes relative to previous period)	Sep-09	Dec-09	Mar-10
Crude Oil	14.6	11.5	3.4
Soybeans	-1.4	-3.3	-5.1
Corn	-14.0	10.9	-3.0
Rice	-2.4	0.6	-1.1
Wheat	-16.2	7.2	-3.0
TIPI*	-11.6	-0.9	13.9
Aluminium	21.2	10.5	7.7

Source: IMF Pink Sheet
** Tourism Implicit Price Index*

Table 1.4

Selected Key Interest Rates Dec 09 - Mar 10	USA[a]	UK[b]	Euro Area[b]	Japan[c]	Canada[d]
Dec	0.25	0.50	1.00	0.10	0.25
Jan	0.25	0.50	1.00	0.10	0.25
Feb	0.25	0.50	1.00	0.10	0.25
Mar	0.25	0.50	1.00	0.10	0.25

Source: Central Banks

[a] Fed fund rate
[b] Repo rate
[c] Discount rate
[d] Benchmark lending rate

Terms of Trade

Jamaica's terms of trade, as measured by the Bank's TOT index, rose by an estimated 15.1 per cent during the March 2010 quarter, relative to the December 2009 quarter. On an annual basis, however, the TOT fell by 15.4 per cent. The movement in the TOT during the review quarter reflected an increase of 17.7 per cent in the Export Price Index (EPI), which was partly offset by a 2.3 per cent increase in the Import Price Index (IPI).

The increase in export prices reflected a rise of 13.9 per cent in the Bank's Tourism Implicit Price Index (TIPI) associated with increased tourist arrivals. The performance of the IPI was mainly influenced by a 3.4 per cent increase in the price of crude oil (see **Table 1.3**).[1]

For crude oil, general optimism about economic recovery following several positive macroeconomic reports for the US prompted an increase in speculative demand. However, the increase in prices was not supported by fundamentals as crude oil inventories in the US rose by 8.6 per cent during the quarter.

There was a general decline in the prices of some agricultural products during the review quarter. Soybean, rice and wheat prices fell by 5.1 per cent, 1.1 per cent and 3.0 per cent, respectively, relative to the December 2009 quarter (see **Table 1.3**). The price of corn also fell by 3.0 per cent. The fall in grains prices reflected excess inventories which were augmented by increased production as a result of favourable weather in the US Midwest. Rice prices declined on easing global supply concerns as the Thai government sold rice from its stocks following a two-year export ban.

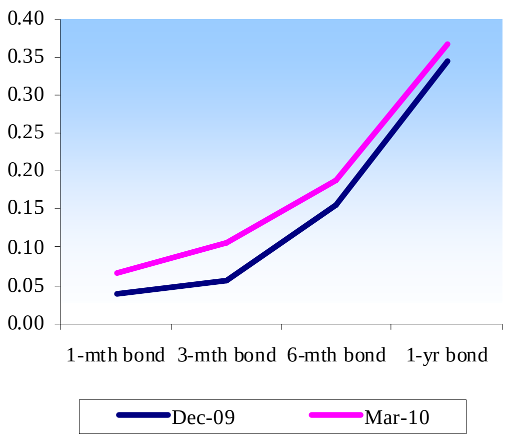
Monetary Policy

The central banks of major economies kept target interest rates unchanged during the March 2010 quarter given the fragile global financial conditions as well as low levels of inflation (see **Table 1.3**). However, in light of improved functioning of financial markets, monetary authorities closed several

[1] Crude oil prices as measured by the West Texas Intermediate at Cushing in US dollars per barrel.

Figure 1.1

US Treasury Yield Curve



special liquidity facilities that were created to support markets during the crisis. In that regard, the US Federal Reserve raised the discount rate by 25 basis points (bps) and closed most liquidity facilities, while the Bank of England ceased its purchase of assets which totalled £200.0 billion since March 2009.

Selected Interest Rates

Consistent with the removal of liquidity programmes and concerns about US debt, short-term and long-term market interest rates trended up during the quarter. The average yield in the secondary market for short-term US Treasury Bills rose by 3 bps to 0.15 per cent relative to the preceding quarter (see **Figure 1.1**). The average US dollar LIBOR across the 3-month tenor to the 1-year tenor rose by 20 bps. However, the spread between the 3-month US LIBOR and the 3-month US Treasury bill, an indicator of credit risk in the US market, declined by 5 bps relative to the previous quarter, to average 15 bps.

Emerging Market Bonds

Average yields on emerging market bonds fell reflecting optimism about prospects for growth in developing countries. Consequently, the average yield on the JP Morgan Emerging Market Bond Index Plus (EMBI+) declined by 1 bp to 6.53 per cent during the quarter. However, average yields rose by 15 bps in February amidst concerns about the sustainability of emerging market debt, in light of the crisis faced by Greece and other European countries.

Foreign Exchange Market

The US dollar strengthened against all the major currencies, with the exception of the Canadian dollar during the review period. Relative to the averages in December 2009 quarter, the Euro, the Great British Pound and the Japanese Yen depreciated against the United States Dollar by 6.4 per cent, 4.5 per cent, and 0.9 per cent, respectively. This largely reflected the optimism about improved growth prospects for the US following several positive macroeconomic reports. In particular, the Euro weakened against the US dollar in light of the fiscal crisis in Greece. However, the Canadian dollar appreciated in light of rising oil prices.

Summary

Trends in the global economy continued to benefit Jamaica's export products, particularly tourism. However, the increase in economic activity led to a rise in the price of crude oil which adversely affected the import component of Jamaica's TOT index. Improvements in the labour markets of developed countries are expected to contribute to recovery in remittance flows. Additionally, the decline in yields on GOJ global bonds is expected to augur well for the domestic financial sector and consequently, the Jamaican exchange rate.

2. Monetary Policy and Financial Markets

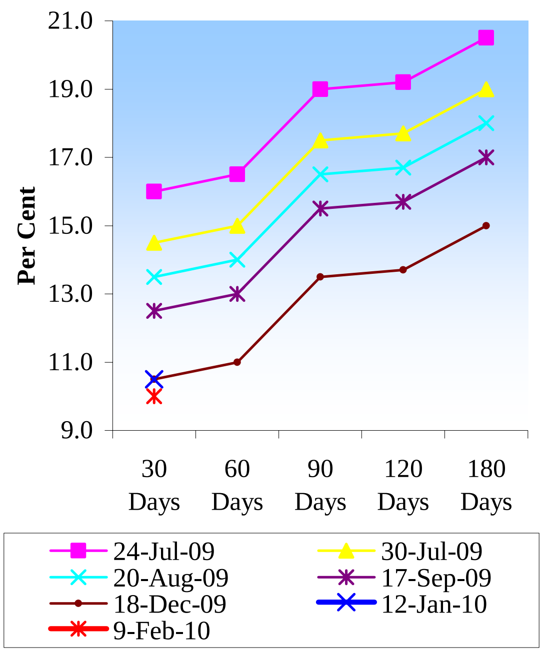
Table 2.1

Monetary Programme Targets (March 2010 Quarter)			
	Original Target	Adjusted Target	Outturn
Net International Reserves (US$ MN.)	1 378.4	1 056.7	1 751.9
Net Domestic Assets (J$MN.)	-49 155.6	-20416.1*	-79 208.0

* This represents a ceiling.

Figure 2.1

BOJ Certificates of Deposits Yield Curve[2]



Money & Credit

Monetary Policy and Base Money Management

Against the background of the implementation of the Jamaica Debt Exchange (JDX) and the consequent approval of the International Monetary Fund (IMF) Stand-By Arrangement (SBA), the Bank continued to ease its monetary policy stance during the March 2010 quarter. In this regard, the Bank ceased its offer of the 60- to 180-day open market operations (OMO) securities and reduced the interest rate applicable to the 30-day tenor by 50 basis points. The cash reserve requirement with respect to foreign currency liabilities was also lowered by 2.0 percentage points.

The performance targets under the IMF-SBA, relating to the net international reserves (NIR) and net domestic assets (NDA), were comfortably met. Accordingly, the monetary base contracted by 4.7 per cent during the review quarter, relative to a contraction of 0.4 per cent in the March 2009 quarter. For FY 2009/10, the monetary base expanded by 8.6 per cent, relative to an expansion of 21.0 per cent for FY 2008/09.

The Bank eased its monetary policy stance in the March 2010 quarter in the context of favourable domestic financial market conditions, which were largely influenced by the success of the JDX and the consequent approval of the IMF-SBA. On 06 January, the Bank reduced the interest rate applicable to the overnight tenor by 50 basis points (bps) to 0.5 per cent, in a context of buoyant domestic liquidity conditions. Subsequently, on 12 January, the Bank withdrew its offer of the 60- to 180-day OMO securities, a move which was aimed at allowing a market-determined yield curve to develop. On 09 February, the Bank effected a reduction in the interest rate applicable to the 30-day OMO security by 50 bps to 10.0 per cent, in a context of improved market confidence (see **Appendix Table 7**).

Buoyed by the receipt of the first tranche of US$640.0 million associated with the IMF-SBA as well as the purchase of multilateral loan inflows from the Central Government, the gross foreign reserves

[2] The 60-day to 180-day OMO instruments were removed on 12 January 2010.

Figure 2.2
Base Money
(Quarterly Change)

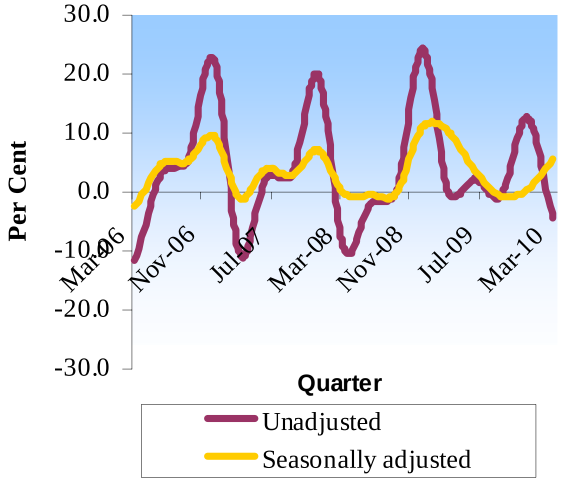
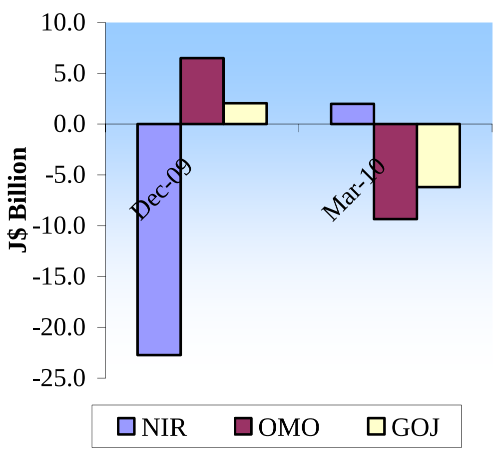


Figure 2.3
*Effects of the NIR, GOJ & OMO on Liquidity**



* Absorption – negative; Injection - positive

increased to over of US$2.4 billion during the review quarter.[3] These increased foreign exchange inflows enhanced the Bank's ability to maintain stability in the foreign exchange rate and enabled a lowering of the cash reserve requirement (CRR) with respect to foreign currency liabilities. Accordingly, on 01 March, the CRR was reduced by 2.0 percentage points to 9.0 per cent. The liquid asset requirement on foreign currency liabilities was concurrently reduced to 23.0 per cent.

During the period of the JDX when the domestic financial market was closed for primary debt issues, the Bank provided bridging financing to the Government amounting to $29.7 billion. These bridging loans were hypothecated against deposits of a similar amount at the Bank (in a context where the Government was awaiting parliamentary approval of the supplementary estimates) and were repaid during the quarter. In addition, the Bank purchased Government of Jamaica (GOJ) securities amounting to $13.0 billion during the quarter, which matured in the latter half of the March 2010 quarter. In an effort to manage the excess Jamaica Dollar liquidity, the Bank commenced the permanent sterilization of the liquidity impact arising from the Bank's purchase of GOJ securities in the December 2009 quarter (see **QMPR: December 2009 quarter**). The secondary sale of GOJ securities absorbed $7.7 billion from the financial market during the review quarter.

Consequent on these developments, the monetary performance targets under the IMF-SBA Programme were attained as the stock of the NIR at end-March 2010 quarter was US$1 751.88 million, relative to the adjusted IMF target of US$1 056.7 million[4] (see **Table 2.1)**. The variance predominantly reflected the absence of calls on margin arrangements for which provision had been made as well as lower than expected intervention sales. This outturn influenced the over-performance of the NDA relative to the adjusted IMF target. Within the NDA, there was a net build-up in Central Government deposits, as well as a net decline in the Bank's holdings of GOJ securities, given

[3] The Central Government received loans of US$200.0 million from the Inter-American Development Bank and US$200.0 million from the International Bank for Reconstruction and Development. These funds were subsequently sold to the Bank.

[4] The programme allows for an adjustment in targets if specified flows do not materialize according to schedule. In this regard, the adjusted target reflected US$285.5 million in multilateral inflows which were not received as well as the reduction in the CRR with respect to foreign currency liabilities.

the secondary sale of securities. In addition, there were net placements on OMO securities, which predominantly reflected a net take-up on the 30-day tenor. The contractionary impact of the NDA on base money was partially offset by a net increase in the NIR of US$22.5 million (J$2.0 billion) or 1.3 per cent.

The monetary base contracted by $3.8 billion or 4.7 per cent during the March 2010 quarter (see **Figure 2.2**). This compared to a contraction of 0.4 per cent in the March 2009 quarter. The contraction predominantly comprised net currency redemption of $4.9 billion or 9.4 per cent. However, the net currency redemption was lower than net currency redemption of 14.1 per cent and 14.8 per cent in the March 2009 and March 2008 quarters, respectively. This impact was partially offset by increases in the local currency cash reserve as well as the commercial banks' current account balances.

For FY 2009/10, the monetary base expanded by 8.6 per cent, relative to an expansion of 21.0 per cent for FY 2008/09. The expansion in base money largely reflected an increase in the Bank's holdings of Government securities as well as a net increase in the NIR. These impulses were partially offset by net placements on OMO securities and a net build-up in GOJ current account balances.

Figure 2.4
Money Supply
(Quarterly Growth Rates)
March 2006 to March 2010

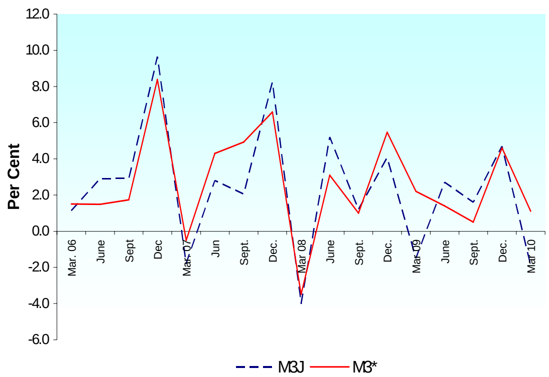


Table 2.2

Money Supply (12-month growth rates)		
MJ	**Mar-09**	**Mar-10**
M1J	10.7	5.1
M2J	7.2	3.8
M3J	9.2	7.3
M*		
M1*	9.6	4.8
M2*	11.6	3.0
M3*	12.2	5.7

Table 2.3

INTEREST RATES IN THE DOMESTIC MARKET			
	Feb-09	**Dec-09**	**Feb-10**
COMMERCIAL BANK WEIGHTED AVERAGE DEPOSIT RATES			
Overall	**5.03**	**4.59**	**3.61**
Demand	2.38	2.22	2.21
Savings	4.35	4.09	2.84
Time	7.24	6.40	5.81
Foreign Currency	**2.97**	**2.70**	**2.22**
Demand	1.55	1.22	1.34
Savings	1.90	1.94	1.36
Time	5.11	4.35	3.94
6-MONTH TREASURY BILL RATE	**23.13**	**16.80**	**11.01**
BOJ 180-DAY REPURCHASE AGREEMENT RATE	**21.50**	**15.00**	**N/A**
PRIVATE MONEY MARKET RATE (30-day)	**20.50**	**12.75**	**10.15**
memo:			
6-MONTH U.S. TREASURY RATE	**0.30**	**0.16**	**0.18**

Money Supply

During the March 2010 quarter, broad Jamaica Dollar money supply (M3J) decreased by 1.9 per cent, a slightly sharper reduction than the decline of 1.4 per cent recorded in the March 2009 quarter. The reduction in the review quarter constrained growth in M3J for the fiscal year to 7.3 per cent, below the expansion of 9.2 per cent recorded in FY 2008/09 and the average of 11.4 per cent for the last five fiscal years. The continued deceleration in the growth of M3J is consistent with the general weakness in the economy.

The measure of money supply that includes foreign currency deposits (M3) decreased by 1.1 per cent relative to an expansion of 2.3 per cent in the corresponding quarter of 2009. Within M3*, foreign currency deposits grew by 1.2 per cent, which was significantly lower than the increase of 12.3 per cent recorded in the March 2009 quarter. As at end-March 2010, the ratio of foreign currency deposits to total deposits was 31.4 per cent which was lower than the 32.5 per cent recorded at end-March 2009.*

For the March 2010 quarter, broad Jamaica Dollar money supply (M3J) decreased by 1.9 per cent. This decline was sharper than the outturn for the March 2009 quarter and the average decline of the last five March quarters of 1.4 per cent, respectively (see **Figure 2.4**). The reduction in the review quarter constrained growth in M3J for the fiscal year to 7.3 per cent, well below the expansion of 9.2 per cent recorded in FY 2008/09 and the average of 11.4 per cent for the last five fiscal years**.** The main source of reduction in M3J for the March 2010 quarter was a decline in banking system credit to the public sector. This was complemented by a net-build up in open market securities. The impact of these sources was partially offset by an increase in the NIR (see **Appendix, Table 5**).

The reduction in money supply during the review quarter was mainly reflected in a decline of 9.0 per cent in currency in circulation, reflecting net currency redemptions following the Christmas season. This redemption was below the average of 13.4 per cent for the last five March quarters. The smaller contraction was influenced by an increased demand for currency for the Easter holidays which came earlier than in the previous year. Growth in currency in circulation for FY2009/10 was 10.1 per cent relative to an expansion of 11.0 per cent

Figure 2.5
Deposits in Commercial Banks
(Quarterly Growth Rates)
March 2007 to March 2010

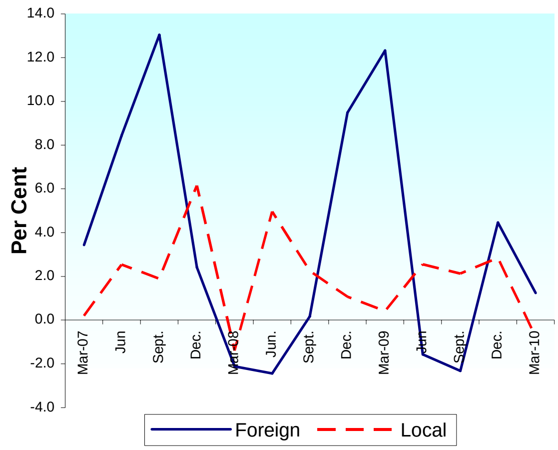


Figure 2.6
Foreign Currency Deposits to Total Deposits
March 2007 to March 2010

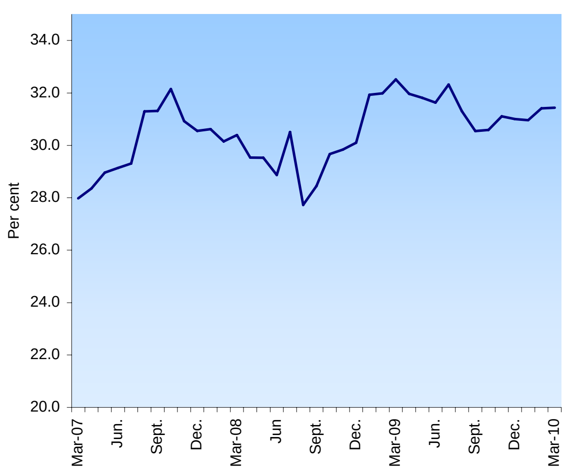


Table 2.4

COMPONENTS OF THE MONEY MULTIPLIER			
	Mar-09	Dec-09	Mar-10
		%	
Currency to Deposits	15.46	17.38	15.93
Reserves to Deposits	14.41	14.22	14.42
Money Multiplier	**3.86**	**3.71**	**3.82**

in FY 2008/09. In real terms, there was a reduction of 2.9 per cent in currency in circulation for the 12-month period ended March 2010 relative to a decline in real terms of 1.3 per cent for the corresponding period ended March 2009. The continued real decline in currency may be attributed to the reduction in overall real economic activity, the decline in real wages, as well as increased unemployment over the last nine quarters (see **Real Sector**).

Local currency deposits, the other component of M3J, declined by 0.7 per cent during the review quarter. This decrease was relative to the average growth of 0.7 per cent in the last five March quarters. The reduction in local currency deposits in the quarter mainly reflected declines in *demand deposits* and *time deposits* which fell by 7.1 per cent and 0.2 per cent, respectively. The reductions in demand and time deposits occurred in a context where these funds may be attributed to an increased reliance on these sources to supplement income and to honour tax obligations. *Savings deposits* and *other deposits* grew by 1.6 per cent and 0.6 per cent, respectively.

During the review quarter, M3* decreased by 1.1 per cent, relative to growth of 2.3 per cent for the March 2009 quarter (**Figure 2.4**). Within M3*, foreign currency deposits grew by 1.2 per cent, which was significantly lower than the increase of 12.3 per cent recorded in the March 2009 quarter.[5] The growth in foreign currency deposits during the quarter also represented a deceleration relative to the expansion of 4.9 per cent in the previous quarter and reflected increases in all categories of deposits held by business firms, particularly demand deposits. The smaller build-up in foreign currency deposits relative to the previous quarter was reflective of an improvement in investor confidence given the success of the Jamaica Debt Exchange, the approval of the IMF Stand-By Arrangement and the subsequent upgrade of the country's sovereign ratings by international rating agencies (see **Box 2**). As at end-March 2010, the ratio of foreign currency deposits to total deposits was 31.4 per cent which was higher than the 31.0 per cent recorded at end-December 2009. The ratio was; however, lower than the 32.5 per cent recorded at end- March 2009 (see **Figure 2.6**).

[5] Growth in foreign currency deposits in the March 2009 quarter was largely as a consequence of an expansion in the book value of these deposits which primarily reflected the heightened pace of depreciation in the Jamaica Dollar.

At end-March 2010, the money multiplier (M3J) was 3.82, relative to 3.71 at the end of the previous quarter and 3.86 at end-March 2009. The increase in the money multiplier relative to the previous quarter mainly reflected a reduction in the currency to deposit ratio (see **Table 2.4**). The decline in the currency to deposit ratio was as a consequence of the currency reflows during the period.

Figure 2.7
Quarterly Growth Rates of Private Sector Credit Denominated in Jamaica Dollars March 2006 to March 2010

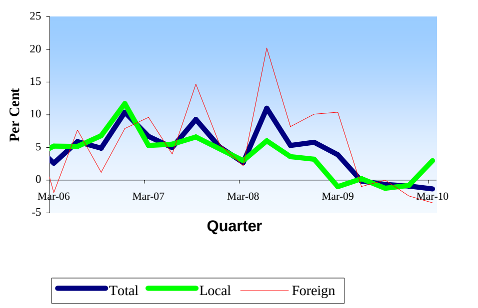


Table 2.5

Commercial Bank Distribution of Total Credit to the Private Sector J$ Million (Quarterly Flows)				
		Mar-09	Dec-09	Prov. Mar-10
	Total Private Sector Credit	**8 467.2**	**-350.3**	**-2 780.2**
	Loans and Advances	9 309.1	-312.6	-2 975.8
less	Overseas Residents	1 059.4	13.0	-24.3
Add	Corporate Securities	217.4	-24.8	-171.3

Table 2.6

Commercial Bank Distribution of Total Loans & Advances to the Private Sector (Flows J$M)			
	Mar-09	**Dec-09**	**Mar-10**
Agriculture & Fishing	-58.4	1 650.6	423.8
Mining & Quarrying	-66.8	-394.0	-10.7
Manufacturing	-95.5	705.8	-304.4
Construction & Land Dev.	2 213.7	533.6	-2 946.6
Transport, Storage & Comm.	908.7	-4 269.8	1 771.8
Tourism	3 745.9	-1 068.0	-1 345.1
Distribution	1 674.4	1 814.9	-202.7
Professional & Other Service	379.4	-426.0	971.5
Personal	-421.1	268.5	-996.7
Electricity, Gas & Water	-107.4	832.5	-287.2
Entertainment	76.8	26.3	-25.2
Overseas Residents	1 059.4	13.0	-24.3
TOTAL	**9 309.1**	**-312.6**	**-2 975.8**

Private Sector Credit

The stock of private sector credit extended by commercial banks declined by 1.3 per cent in the March 2010 quarter. This represented the fourth consecutive quarter of contraction and was influenced by the decline in aggregate demand as well as the reclassification of a private sector company as a public sector entity. The reclassification influenced a significant decline in the stock of loans to ***Construction & Land Development****. In addition, there was a notable decline in the stock of loans to* ***Tourism*** *as well as* ***Personal Loans****. Private sector loan quality, as measured by the ratio of past due loans, to total private sector loans deteriorated for the March quarter.*

At end-March 2010, the stock of private sector credit was $218 488.1 million, representing a decline of 1.3 per cent for the review quarter **(**see **Figure 2.7**). This outturn was mainly influenced by the reclassification of Central Waste Water Management Limited (CWWML) as a public sector entity, effective January 2010, resulting in a downward adjustment of the stock of private sector loans. Abstracting from the adjustment, credit to the private sector grew by 0.2 per cent, relative to a decline of 0.9 per cent in the previous quarter.

The decline in the stock of private sector credit for the quarter implied a reduction of 2.2 per cent for the fiscal year, relative to an expansion of 33.7 per cent in FY 2008/09 and a programmed increase of 4.1 per cent. Abstracting from the adjustment for CWWML, credit to the private sector for FY 2009/10 declined by 0.8 per cent. This contraction in credit was reflected in foreign currency loans as there was a marginal increase in local currency loans. The reduced demand for foreign currency loans could have contributed to the relative stability in the foreign exchange market (see **Foreign Exchange Market**).

Loans and advances declined by $2 975.8 million or 1.3 per cent during the review quarter relative to a decline of 0.9 per cent in the December 2009 quarter (see **Table 2.5**). The outturn for the review quarter was largely reflected in reductions in ***Construction & Land Development*** and ***Tourism*** (see **Table 2.6**).

Table 2.7

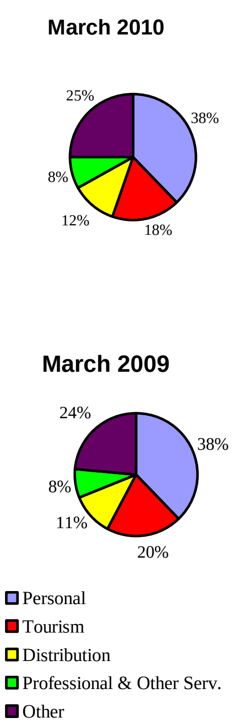
Commercial Bank Distribution of Local Currency Loans & Advances to the Private Sector (Flows J$M)

	Mar-09	Dec-09	Mar-10
Agriculture & Fishing	203.8	-313.2	372.2
Mining & Quarrying	-120.4	-597.1	-64.1
Manufacturing	291.6	150.4	-98.9
Construction & Land Dev.	1 549.8	306.6	171.8
Transport, Storage & Comm.	1 120.4	-1 103.8	1 769.1
Tourism	4 871.1	388.8	-472.0
Distribution	1 458.0	-106.8	154.6
Professional & Other Service	34.1	-189.9	-167.7
Personal	83.6	489.5	-28.7
Electricity, Gas & Water	558.4	15.8	863.0
Entertainment	293.6	18.3	-561.2
Overseas Residents	1 200.2	-14.6	-34.6
TOTAL	**11 544.1**	**-956.0**	**1 903.3**

Figure 2.8

Sectoral Distribution of Commercial Bank Loans & Advances to the Private Sector (Per Cent of Outstanding Stock)

March 2009 & March 2010



The decline in ***Construction & Land Development*** represents the first time in six years that there was a reduction to this category of loans during a March quarter. This reversal in trend was consequent upon the reclassification of CWWML.

There was a 3.4 per cent reduction in ***Tourism*** representing the fourth consecutive quarter of decline. This is consistent with the postponement of projects within the industry due to a fall-off in tourist expenditure.

Personal Loans declined by 1.2 per cent during the review quarter, following a marginal increase of 0.3 per cent in the previous quarter. The outturn for the review quarter is in contrast to average growth of 4.6 per cent for the last five March quarters and reflects the slowdown in consumption expenditure (see **Real Sector**). Within ***Personal Loans***, the stock of credit for the purchase of motor cars declined by 0.6 per cent, following a decline of 2.4 per cent in the previous quarter. The slower rate of decline was influenced by the reduction in the special consumption tax (sct) on cars by 20.0 per cent, which was discontinued at the end of the March quarter.

The stock of foreign currency-denominated loans at end-March 2010 declined by 4.9 per cent for the review quarter, continuing the decline observed in the previous quarter. The reduction in foreign currency loans was reflected in declines in ***Construction & Land Development***[6], ***Tourism, Manufacturing, Electricity Gas & Water, Distribution, Professional & Other services and Personal Loans.***

Interest Rates

The overall weighted average lending rate increased by 8 basis points (bps) during the first two months of the March quarter, following a reduction of 11 bps in the previous quarter. This increase in the overall weighted average lending rate was reflected in increases of 17 bps and 11 bps in the weighted average rates charged for private sector loans and public sector loans, respectively (see **Table 2.9**). The higher rate charged on private sector loans reflected an increase in the weighted average lending rates for instalment credit and commercial loans, which increased by 3 bps and 25 bps, respectively. There was an increase of 115 bps in the interest rates for Central Government.

[6] The decline in ***Construction & Land Development*** was consequent upon the reclassification of CWWML.

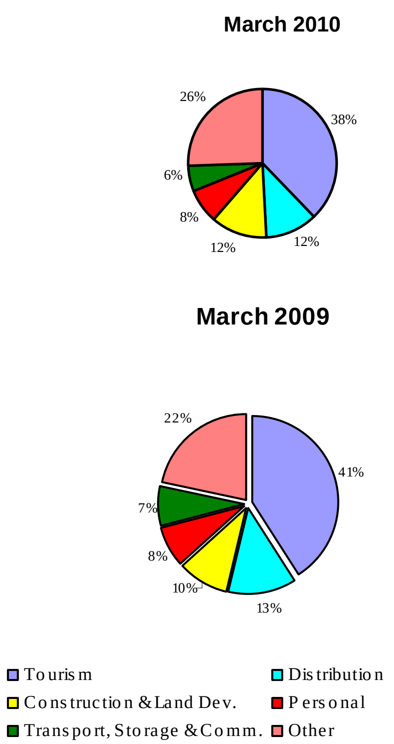
Table 2.8

Commercial Bank Distribution of Foreign Currency Loans & Advances to the Private Sector (Flows US $M)	Mar-09	Dec-09	Mar-10
Agriculture & Fishing	-2.5	-2.7	0.6
Mining & Quarrying	0.7	-3.7	0.6
Manufacturing	-3.0	-1.4	-2.3
Construction & Land Deve	9.8	5.3	-35.1
Transport, Storage & Com	-0.5	-22.3	0.0
Electricity, Gas & Water	-1.0	13.3	-1.4
Distribution	5.6	8.0	-4.1
Tourism	-2.3	-20.1	-10.0
Entertainment	-0.1	0.0	0.0
Professional & Other Servi	-0.5	-3.4	1.2
Personal	-6.0	-1.1	-4.9
Overseas Residents	0.0	-0.1	0.1
TOTAL	**0.2**	**-28.1**	**-55.4**

Figure 2.9

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

March 2009 & March 2010



Performance Indicators

Lending to the private sector accounted for 37.1 per cent of the commercial banks' total assets at end-March 2010. This was slightly lower than the ratio of 38.3 per cent at end-December 2009.

The quality of the private sector loan portfolio, measured by the ratio of past due loans (three months and over) to total private sector loans was 6.0 per cent at end-March 2010, representing an increase when compared to the ratio of 4.9 per cent for the previous quarter (see **Figure 2.9**). There was also an increase in the ratio of past due loans (three months and over) to total loans to 5.1 per cent at end-March 2010 from 4.2 per cent at end-December 2009.

Table 2.9

Commercial Bank Domestic Currency Average Weighted Lending Rates by Loan Type Per Cent	Feb-09	Dec-09	Prov. Feb-10
Overall	**16.93**	**16.19**	**16.28**
Public Sector	**12.67**	**11.75**	**11.86**
Local Gov. & O/Pub. Ent.	10.69	10.69	10.29
Central Government	16.53	13.55	14.69
Private Sector	**17.57**	**16.89**	**17.06**
Instalment	20.39	21.47	21.50
Mortgage	7.98	6.95	6.65
Personal	24.83	23.99	23.71
Commercial	13.66	12.67	12.93

Figure 2.10
Commercial Banks' Past due Loans (Three Months and over) to Total Loans March 2008 to March 2010

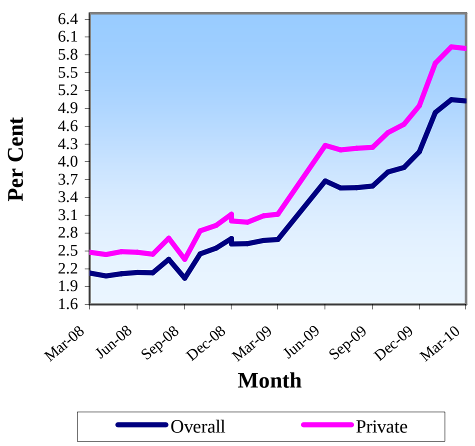


Table 2.10

GOJ Public Domestic Debt Raising January - March 2010			
	Amount Allotted (J$MN)	Amount Maturing (J$MN)	Net Issues (J$MN)
Treasury Bills	2 400.0	2 213.5	186.5
Fixed Rate Inv. Deb.		11 460.5	-11 460.5
Var. Rate Inv. Bd.		1 821.8	-1 821.8
Fixed Rate Treasury Bd.	63 701.9	40 336.4	23 365.5
Fixed Rate Ind. Bd.*		4 954.4	-4 954.4
TOTAL	**66 101.9**	**60 786.6**	**5 315.3**

**Total nominal value was US$55.3 million*

GOJ predominantly offered short-term Treasury Bonds at fixed rates

Table 2.11

Treasury Bill Auctions and Maturities January - March 2010				
Issue Date	Tenor (days)	Avg. yield (%)	Amount Allotted (J$MN)	Amount Maturing (J$MN)
29-Jan-10	91	11.68	400.0	366.9
29-Jan-10	182	12.50	400.0	400.0
26-Feb-10	91	10.63	400.0	400.0
26-Feb-10	182	11.01	400.0	300.7
26-Mar-10	91	10.18	400.0	345.9
26-Mar-10	182	10.49	400.0	400.0
TOTAL			**2 400.0**	**2 213.5**

Average yields on GOJ Treasury Bills decline

Bond Market

During the March 2010 quarter, the most significant development in the bond market was the Jamaica Debt Exchange (JDX) which was launched on the 14 January 2010. This new debt management initiative facilitated the continuation of the general reduction in interest rates in the bond market. In this regard, there was a decline in Treasury Bill yields as well as a reduction in the rate on the 30-day open market operation (OMO) instrument. On 12 January 2010, the longer term tenors of open market instruments were withdrawn from the market in order to allow a market-determined yield curve to evolve. Consistent with this objective, the Government of Jamaica (GOJ) issued instruments with tenors not exceeding 180-days.

There was an overall improvement in the performance of GOJ global bonds during the review quarter relative to the December 2009 quarter. This reflected improved confidence in Jamaica's fiscal sustainability given the success of the JDX, as well as the signing of the IMF Stand-By Arrangement (IMF-SBA). At the launch of the JDX, Jamaica's local and foreign currency sovereign credit ratings were downgraded to selective and restrictive default by international rating agencies Standard & Poor's and Fitch Ratings, respectively. According to Moody's Investor Service, Jamaica was deemed at "highest risk". These ratings were later upgraded a notch higher than what existed prior to the settlement of the JDX.

In an effort to curtail fiscal expenditure and improve debt dynamics, the GOJ proposed a new debt management initiative in the March 2010 quarter, the JDX (see **Box 2**). This initiative involved the voluntary exchange of existing locally issued bonds (excluding Treasury Bills) for new notes of longer maturities and lower interest rates. The successful completion of the debt exchange was also a fundamental prior action for the Stand-By Arrangement with the International Monetary Fund (IMF).

During the March quarter, the GOJ issued only short-term fixed rate (FR) Treasury Bonds with tenors ranging from 30-days to 180-days. This was done to allow a market-determined yield curve to develop, subsequent to the JDX. Overall, there was a net issue of GOJ debt instruments of $5.3 billion during the review quarter, relative to a net issue of $32.1 billion in the December 2009 quarter (see **Table 2.10**).

Table 2.12

Placements and Maturities* in BOJ OMO Instruments:				
	Oct. - Dec. 2009		Jan. - Mar. 2010	
	Maturities (J$MN)	**Placements** (J$MN)	**Maturities** (J$MN)	**Placements** (J$MN)
30-day	17 676.80	19 583.01	39 205.42	100 017.96
60-day	3 119.84	2 182.05	1 223.17	247.53
90-day	12 002.32	11 222.75	10 714.11	1 338.29
120-day	1 528.52	1 650.51	815.32	249.31
180-day	8 285.06	15 158.51	17 945.34	5 399.21
270-day	500.0	0.0	0.0	0.0
365-day	8 876.52	0.0	23 906.21	0.0
Variable Rate CD	0.0	0.0	3 155.81	0.0
TOTAL	**51 989.1**	**49 796.8**	**96 965.4**	**107 252.3**

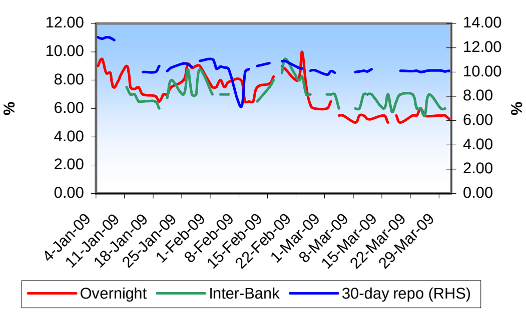
The longer term tenors of OMOs were withdrawn from the market on 12 January 2010

These instruments offered coupons in a range of 10.25 per cent to 12.00 per cent relative to a range of 17.13 per cent to 18.75 per cent in the previous quarter (see **Appendix, Tables 8A and 8B**). In order to meet its financing requirements, given the temporary disruptions in the bond market, the GOJ also utilized financing from the BOJ. This was however repaid during the quarter (see **Monetary Policy and Base Money Management**).

During the March 2010 quarter, there was a decline in the average yields on GOJ Treasury Bills, which represented the fifth consecutive quarter of decline. In March, the average yields on the 90-day and 180-day Treasury Bills declined by 577 basis points (bps) and 631 bps, respectively, relative to December 2009 (see **Table 2.11**). Consequently, at the end of the March 2010 quarter, the respective yields of 10.18 per cent and 10.49 per cent on the 90-day and 180-day Treasury Bills were 10 bps and 28 bps above the equivalent yields on the Bank's corresponding OMO instruments. The decline in yields was largely influenced by the easing of monetary policy, the implementation of the JDX and relative stability in the foreign exchange market.[7]

The rate on the Bank's 30-day instrument was reduced by 50 bps on 09 February 2010. The longer term tenors were withdrawn on 12 January 2010 in order to allow a market-determined yield curve to evolve following the settlement of the JDX. There was an overall net placement of $10.3 billion in BOJ securities during the review quarter, compared to a net maturity of $2.2 billion in the previous quarter (see **Table 2.12**).[8] These placements were mainly funded from net currency redemption of approximately $5.0 billion following the Christmas season as well as the liquidity emanating from the Government's sale of multilateral loan proceeds to the Bank. The 30-day tenor recorded the majority of placements as the other tenors were temporarily withdrawn from the market.

Figure 2.11
Average Private Money Market Rates
January - March 2010



An overall decline in private money market rates was observed during the review quarter. During the March 2010 quarter, the overnight rate averaged 7.01 per cent down from 9.41 per cent in the previous quarter (see **Figure 2.11**). The inter-bank and 30-day repo rates averaged 6.99 per cent and 10.47 per cent, respectively, down from 8.63 per cent and 14.73 per cent in the December 2009 quarter. The decline in rates was influenced by a reduction

[7] Prior to the JDX, the interest rate on GOJ Jamaica Dollar instruments averaged approximately 19.00 per cent and 9.00 per cent on US dollar instruments. The rates declined to an average of 12.00 per cent on Jamaica Dollar instruments and 7.00 per cent on US dollar instruments post-JDX.
[8] This excludes the overnight instrument.

Figure 2.12
Selected GOJ Global Bond Prices
January - March 2010

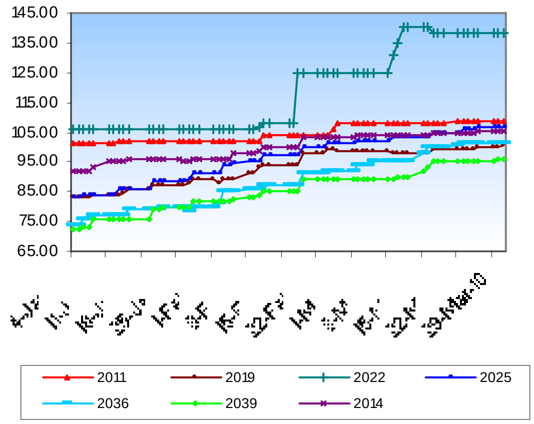


Table 2.13

GOJ Long-term Local Currency Sovereign Credit Ratings*			
	Standard & Poor's	Moody's Investors Service	Fitch Ratings
as at 13 January 2010	C	Caa1	CCC
as at 03 February 2010	SD	Caa2	RD CCC
as at 31 March 2010	B-	B3	B-

*See appendix for details.

in BOJ OMO rates, lower rates on GOJ securities due to the JDX as well as the maintenance of fairly liquid conditions in the domestic private repo market. This was despite continued liquidity concentration in the two largest commercial banks.

There was an overall improvement in the performance of GOJ global bonds during the March quarter (see **Figure 2.12**). Average yields on GOJ global bonds closed the quarter within the range of 3.83 per cent to 8.95 per cent, relative to the range 10.54 per cent to 14.90 per cent at the end of the previous quarter. Consequently, the spread between GOJ global bonds and the EMBI+ fell by 1.66 percentage points to 2.92 per cent relative to the end of the previous quarter (see **Box 2**). The spread between GOJ global bonds and US Treasury bonds also fell by 1.88 percentage points to 5.87 per cent. The decline in the spreads was primarily due to the decline in the yields, in light of improved investor sentiment following the success of the JDX and the signing of the IMF-SBA. Following the announcement of the JDX initiative, Jamaica's local and foreign currency sovereign credit ratings were downgraded to selective and restrictive default by international rating agencies Standard & Poor's and Fitch Ratings, respectively (see **Table 2.13**). Jamaica was deemed at "highest risk" by Moody's Investors Service. These downgrades did not have a negative impact on the performance of GOJ global bonds however. In conjunction with the approval of the IMF-SBA, the improved fiscal profile emanating from the JDX later resulted in upgrades of Jamaica's local and foreign currency sovereign credit ratings by these rating agencies a notch higher than what existed prior to the JDX.

Figure 2.13
Quarterly Growth of the JSE Indices
March 2009– March 2010

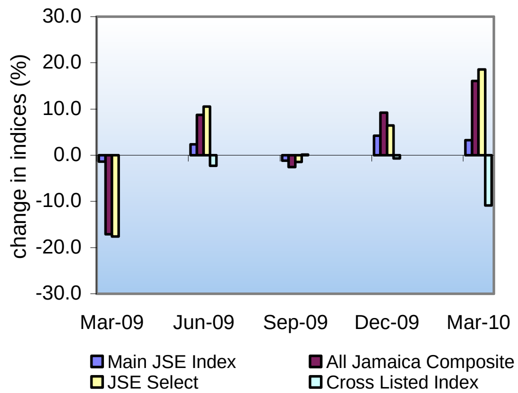


Figure 2.14
Quarterly Movements in Volumes & Values Traded March 2009 – March 2010

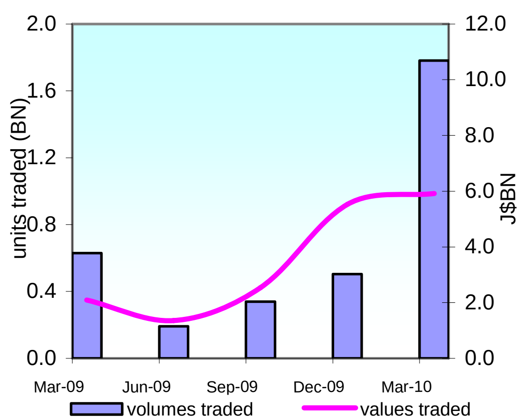
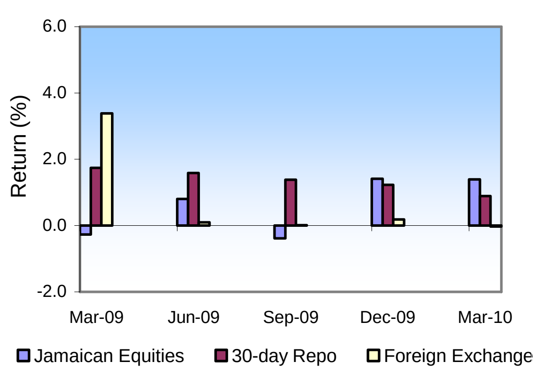


Figure 2.15
Average Monthly Returns from Equities, Foreign Currency and Fixed Income



Stock Market

The Main Jamaica Stock Exchange (JSE) Index advanced by 3.2 per cent to 86 010.6 points at the end of the March 2010 quarter. This increase occurred against the background of continued stability in the foreign exchange market, declining domestic interest rates and the recently concluded International Monetary Fund (IMF) agreement with Jamaica. Additionally, the successful completion of the Jamaica Debt Exchange (JDX) and the upgrade of Jamaica sovereign bond rating by major international rating agencies also engendered increased confidence in the local capital market.

During the March 2010 quarter, the Main JSE Index advanced by 3.2 per cent to close at 86 010.6 points, reflecting growth in the last two months of the quarter.[9] Growth in the Index for the March 2010 quarter was positive relative to a decline of 1.4 per cent for the corresponding period last year, albeit 1.0 percentage point lower than the growth recorded for the December 2009 quarter.[10] All the other major JSE indices recorded increases with the exception of the Cross Listed Index.[11] The All Jamaica Composite and Select indices grew by 16.0 per cent and 18.6 per cent, respectively, relative to the December 2009 quarter (see **Figure 2.13**).

Market activity, as reflected by the number of trades and the volume and value of units traded, also increased during the quarter, indicative of improved market sentiment (see **Figure 2.14). T**he number of trades as well as the value and volumes of shares traded grew by 11.1 per cent, 7.1 per cent and 254.3 per cent, respectively. Correspondingly, twice as many stocks advanced relative to stocks that declined within the quarter. Accordingly, the advance-to-decline ratio, an indicator of market momentum, improved to 22:11 at end-March 2010 relative to 19:16 at the end of the previous quarter. Notably, advancing stocks were broad-based and mainly reflected stocks in the financial, communications and retail categories (see **Table 2.14**).

The performance in the local equities market during the quarter reflected investor optimism surrounding the recently concluded IMF agreement and the successful completion of the JDX.

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9 February and March recorded growth rates of 5.2 per cent and 8.7 per cent, respectively, while January recorded a decline of 9.8 per cent amidst increased investor uncertainty.
10 The 1.4 per cent decline in the JSE Index during the March 2009 quarter was due to the spill-off effects of the global financial crisis.
11 The Cross Listed Index declined by 10.9 per cent, during the March 2010 quarter. The decline was due to a fall-off in the stock prices of all the stocks that comprise the Index as a consequence of poor earnings performance.

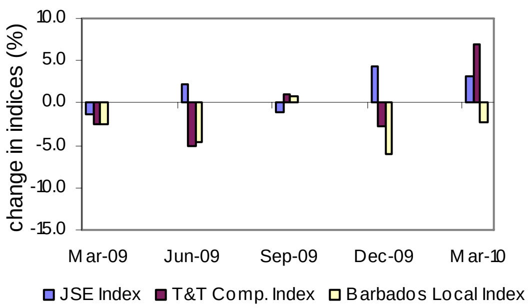
Table 2.14

Advancing Stocks	Price $ as at March-10	Qtr. Change %
Finance		
Mayberry Investments	2.8	40.7
ScotiaDBG	22.5	35.4
Manufacturing		
Berger Paints	2.7	123.3
Seprod	26.0	44.4
Communications		
Radio Jamaica	3.2	56.7
Gleaner	1.6	37.9
Retail		
Hardware & Lumber	5.0	41.4
Carreras Limited	48.5	38.5
Conglomerate		
Gracekennedy Limited	65.9	62.6
Other		

Table 2.15

Declining Stocks Companies	Price $ as at March-10	Qtr. Change %
Tourism		
Ciboney	0.1	-50.0
Pegasus	15.0	-25.0
Montego Freeport	1.7	-10.0
Insurance		
Guardian Holdings	175.0	-41.6
Sagicor Life	6.5	-7.3
Manufacturing		
Salada Foods	11.5	-25.8
Trinidad Cement	62.0	-13.9
Finance		
Capital & Credit	4.0	-9.3
Conglomerate		
Jamaica Producers	25.8	-0.5
Other		

Figure 2.16
Quarterly Growth of Regional Indices
March 2009 – March 2010



Subsequent, to the signing of the IMF agreement and the successful completion of the JDX programme, international rating agencies Fitch Ratings and Standard & Poor's upgraded Jamaica's soveign credit rating (see **Bond Market**).[12] This engendered improved confidence in the local capital market as well as increased the attractiveness of equity investment relative to fixed income securities and foreign currency investment. During the quarter, monthly returns on equity investments, as reflected by growth in the Main JSE Index, averaged 1.4 per cent. This compares favourably to average monthly returns of 0.9 per cent from money market securities and a capital depreciation of 0.03 per cent from holding foreign currency investments (see **Figure 2.15**).[13]

New developments within the quarter included the initial public offerings by Blue Power Group Limited and Tetley Tea Limited. The two manufacturing companies plan to list on the Juniour Stock Exchange in the second quarter of 2010. In addition, the JSE eliminated the requirement for newspaper publication of a prospectus as a precursor to listing shares. The JSE indicated that this will reduce the cost of launching an initial public offering and consequently, make listing on the exchange more attractive.

At the regional level, the two other major stock market indices in the Caribbean region recorded mixed results during the quarter. The Trinidad & Tobago Composite Index grew by 6.9 per cent compared to a decline of 2.8 per cent the previous quarter. This increase occurred against the background of continued declines in repo rates.[14] For Barbados the Local Index fell by 2.3 per cent. However, the decline in the index was slower when compared to the 6.0 per cent fall recorded during the December 2009 quarter (see **Figure 2.16**).

[12] The JDX was launched on the 14 January 2010 and holders of Government of Jamaica domestic currency bonds were invited to exchange these securities for new bonds with lower yields and extended maturity. Additionally, following the settlement of the JDX in February and payment of accrued interest, stock market activity increased as a result of this increased liquidity.
[13] Changes in the foreign exchange rate are used as a proxy for determining loss or gain from holding foreign currency.
[14] During the March 2010 quarter, the Central Bank of Trinidad & Tobago lowered its repo rates by 25.0 basis points to 5.0 per cent.

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

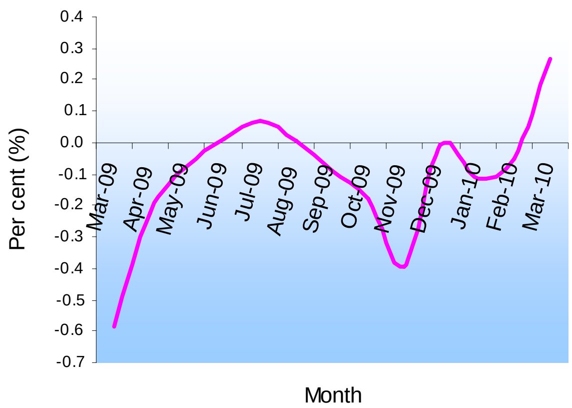


Figure 2.18
Exchange Rate Trading Range

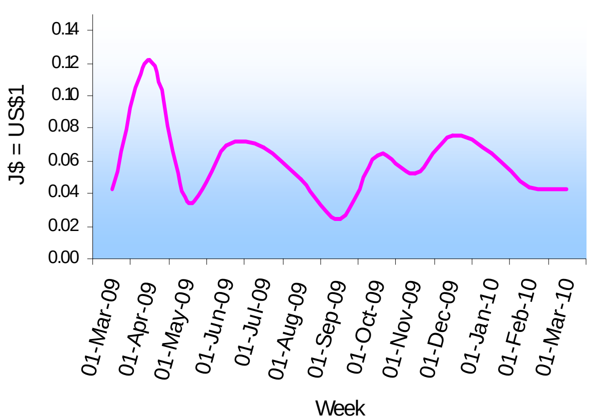
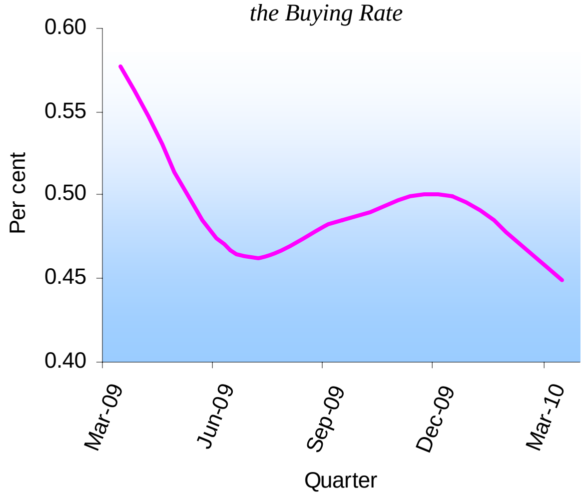


Figure 2.19
Foreign Exchange Spread as a Percentage of the Buying Rate



Foreign Exchange Market

The exchange rate appreciated marginally against the US dollar when compared to the previous quarter notwithstanding demand pressures in the first half of the March 2010 quarter (see ***Figure 2.17.)*** *This reflected the continued impact of BOJ's operations as well as increased investor confidence particularly in the second half of the quarter. Improved confidence came against the background of the success of the Jamaica Debt Exchange (JDX), the approval of the Stand-By Arrangement (SBA) by the IMF and the subsequent upgrade of the country's sovereign ratings by international rating agencies. Improved market conditions reflected reduced demand for foreign currency due to relatively weak domestic demand conditions. In this context, the NIR stock as at end-March 2010 was US$1 751.9 million, US$22.5 million higher than the outturn for end-December 2009.*

The weighted average selling rate (WASR) decreased to J$89.51 = US$1.00 at end-March 2010 from J$89.60 = US$1.00 at end-December 2009 representing a marginal appreciation of 0.10 per cent. This compares with the depreciation of 0.58 per cent in the December 2009 quarter and represented the first quarter of appreciation since the March 2005 quarter. The outturn for the quarter was largely influenced by the appreciation in March. The exchange rate depreciated by 0.11 per cent (J$0.10) and 0.05 per cent (J$0.04) in January and February, respectively, but appreciated by 0.26 per cent (J$0.24) in March (see **Figure 2.17**). For the FY 2009/10, the value of the Jamaica Dollar declined by 0.77 per cent vis-à-vis the US Dollar and was therefore relatively stable when compared to the 20.0 per cent recorded for FY 2008/09.

In the context of more stable conditions in the second half of the quarter, the average weekly trading range for the selling rate narrowed marginally to J$0.06 from J$0.08 in the December 2009 quarter (see **Figure 2.18**).[15] Similarly, the average bid-ask spread, expressed as a percentage of the buying rate, narrowed to 0.45 per cent from 0.50 per cent recorded in the previous quarter (see **Figure 2.19**).

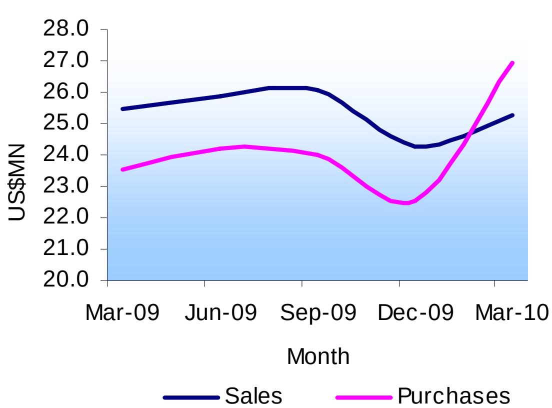
[15] The trading range for the exchange rate is the difference between the high and low quotes for the sale of US dollars over a particular period. It is an indicator of market risk or uncertainty. A narrowing of the spread suggests a reduction in uncertainty and by extension more stable conditions in the foreign exchange market.

Table 2.16

Foreign Exchange Cash Flows*

	US$MN			Change Relative to Previous	
	2009		2010		
	Jan. - Mar.	Oct. – Dec.	Jan. - Mar.	Quarter	Year
Net Current Inflows	-293.9	-567.2	-441.6	125.6	-147.7
Current Inflows	1105.8	1128.7	1109.9	-18.8	4.1
Current Outflows	1399.7	1695.9	1551.6	-144.3	151.9
Net Private Capital Inflows	320.8	499.6	368.4	-131.2	47.6
Balance	26.9	-67.6	-73.2	-5.6	-100.1

Figure 2.20
Average Per Diem Foreign Currency Traded



Demand pressures in the first half of the quarter reflected a reduction in net private capital flows. This decline was influenced by increased investor uncertainty regarding the approval of the IMF SBA and concerns regarding the likely success of the JDX. Market conditions, however, improved in the second half of the quarter following the success of the JDX and the approval of the SDR820.5 (US$1.3 billion) SBA with the IMF on 04 February 2010. This was supported by an upgrade in the long-term foreign and local currency sovereign ratings for Jamaica (see **Bond Market**). The resulting improved confidence was reflected in a 4.2 percentage point decline in the yields (e.o.p) on GOJ global bonds, relative to end-December 2009. The appreciation in the rate in March also resulted from a seasonal increase in foreign currency inflows to satisfy Jamaica Dollar-denominated tax obligations. Given the overall improvement in market conditions throughout the quarter, the Bank reduced the foreign currency cash reserve requirement of deposit taking institutions by 2.0 percentage points on 01 March 2010 which released approximately US$30.0 million into the system. In addition, US$121.0 million (net) in foreign currency deposits held by financial institutions at the Bank matured during the quarter. This resulted in increased foreign currency flows to the market which further served to augment supply.

Stability in the foreign exchange market was also underpinned by weak demand for foreign currency to satisfy current account transactions. The Bank estimates that the net foreign currency demand to facilitate current account transactions decreased by US$125.6 million relative to the December 2009 quarter (see **Table 2.16**). The overall contraction in net demand for the quarter was associated with an estimated decline in outflows of US$144.3 million, particularly for fuel and consumer goods imports of US$84.0 million and US$54.5 million, respectively. Foreign currency supplies to the market, also declined by US$18.8 million reflecting lower inflows from seasonal workers abroad and remittances, as well as lower earnings from non-traditional exports relative to the December 2009 quarter.

Reflecting the stability in the foreign exchange market was an excess of US$1.6 million of average per diem purchases relative to sales. Average per diem purchases by the system (authorized dealers and cambios) amounted to US$26.9 million during the review quarter relative to purchases of US$22.6 million in the December 2009 quarter (see **Figure 2.20**). Average

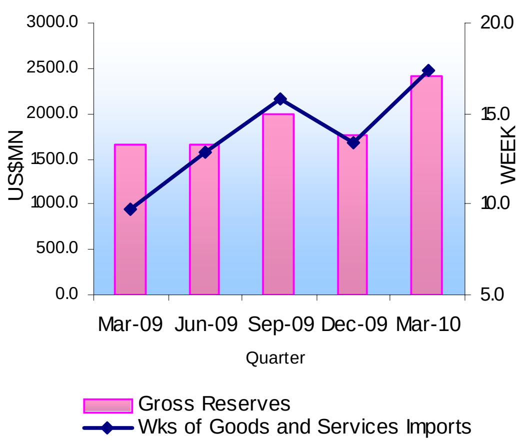
Table 2.17

Net International Reserves (US$MN)

Month	Stock	One Month Change
Oct – 09	1909.3	-23.9
Nov - 09	1805.2	-104.2
Dec - 09	1729.3	-75.8
Jan – 10	1566.0	-163.3
Feb – 10	1559.7	-6.3
Mar – 10	1751.9	192.2

Figure 2.21

Gross Reserves and Weeks of Goods and Services Imports



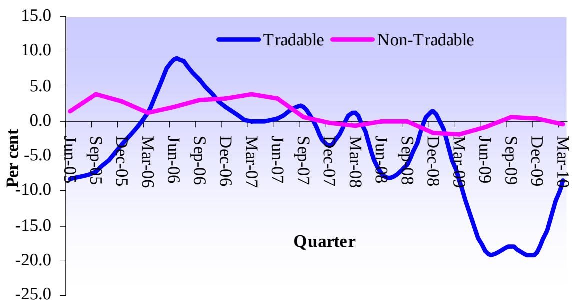
per diem sales marginally increased by US$1.0 million to US$25.3 million for the review period.

During the first half of the quarter, the Bank augmented the supply of foreign currency to the market and maintained the foreign exchange surrender facility for public sector entities (PSE) throughout. This served to temper demand pressures particularly in the first half of the quarter. With regard to the level of intervention, the Bank sold US$175.2 million (net) to the system in January and February, relative to sales of US$114.9 million (net) in the previous quarter. There were no intervention sales in March. Approximately US$19.8 million (net) was surrendered by authorised dealers and cambios through the PSE facility compared to sales of US$30.0 million (net) in the previous quarter. In this regard, the NIR stock as at end-March 2010 was US$1 751.9 million (see **Table 2.17**). This was US$22.5 million higher than the outturn for the previous quarter and compared favourably with the IMF target of a US$351.0 million decline. The Bank's gross reserves at end-March 2010 amounted to US$2 414.4 million representing 17.4 weeks of projected goods and services imports. This compares favourably with the international benchmark of 12.0 weeks (see **Figure 2.21**). Gross reserves were buoyed by the disbursement of SDR 414.3 million equivalent to US$640.0 million from the IMF under the SBA on 04 February 2010. Additional loan inflows of US$200.0 million and US$199.5 million were also received from the Inter-American Development Bank (IDB) and the World Bank, respectively.

3. Real Sector Developments

Economic output in the March 2010 quarter is estimated to have declined within the range of 1.3 per cent to 2.3 per cent, which compared favourably with the average decline of 2.7 per cent over the previous four quarters. This slower pace of contraction emanated from the tradable industries, in particular, Mining and Transport, Storage & Communication. The decline in Gross Domestic Product (GDP) was reflected in consumption spending, gross fixed capital formation and deterioration in net external demand. Overall economic activity for FY2009/10 was estimated to have contracted within the range of 2.0 per cent to 3.0 per cent in comparison to an average growth of 0.9 per cent over the previous five fiscal years.

Figure 3.1
GDP Growth : Tradables vs. Non-Tradables Industries
(12-Month Change)



Slower pace of contraction in output in the March quarter.

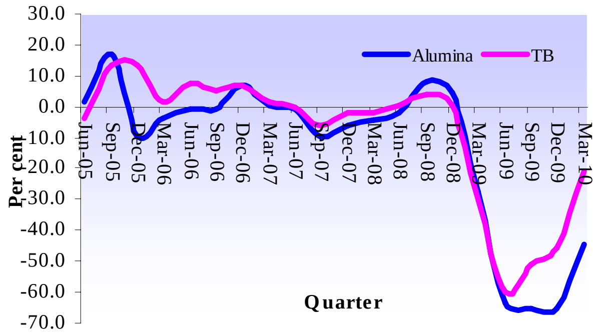
Aggregate Supply

Jamaica's GDP is estimated to have declined in the March 2010 quarter within the range of 1.3 per cent to 2.3 per cent reflected in a contraction of both the tradable and non-tradable industries (see **Figure 3.1**). External demand remained fragile amidst modest recovery in the global economy, while domestic demand continued to be subdued given falling real income and job uncertainty. Given the estimated contraction for the March 2010 quarter, a decline in the range of 2.0 per cent to 3.0 per cent is estimated for FY2009/10.

Mining & Quarrying, Manufacture, Construction and ***Transport, Storage & Communication*** were the main industries that contracted in the review quarter. ***Agriculture, Forestry & Fishing*** continued to record strong increases, while moderate growth was estimated for ***Hotels & Restaurants*** and ***Electricity & Water Supply***.

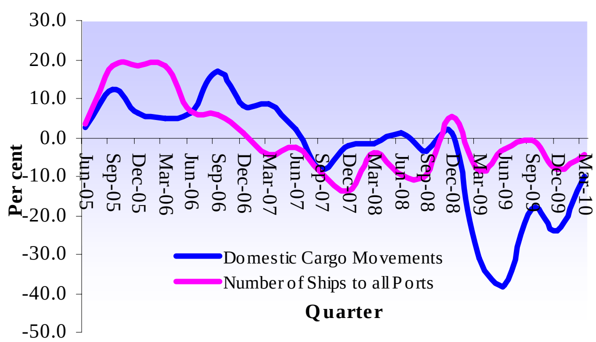
Mining & Quarrying is estimated to have contracted at a slower pace in the review period, relative to the average decline of 50.2 per cent recorded over the previous four quarters. The industry's better performance primarily reflected increased crude bauxite production of 35.9 per cent, relative to the decline of 35.2 per cent in the similar period of 2009.

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



Source: Jamaica Bauxite Institute

Figure 3.3
Total Domestic Cargo Movements and Number of Ships to all Ports
(12-Month change)



Source: Port Authority of Jamaica

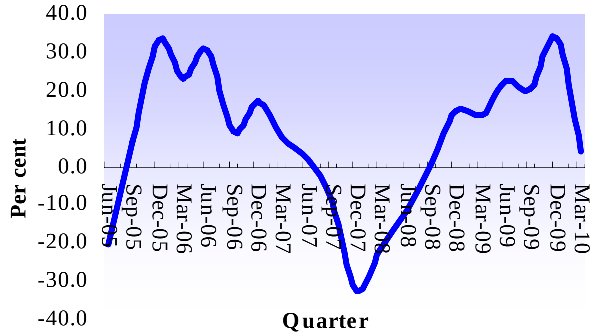
Accordingly, average capacity utilization within the bauxite industry increased to 90.4 per cent, relative to 66.7 per cent in the corresponding period of 2009. Within the alumina industry, capacity utilization remained low at 30.6 per cent due to the closure of three plants. In this context, total bauxite production and alumina production declined by 25.7 per cent and 50.6 per cent, respectively (see **Figure 3.2**).

Manufacture continued to be affected by weak external and domestic demand**.** The industry is estimated to have declined for the ninth consecutive quarter, albeit by less than the average quarterly contraction of 4.9 per cent for 2009. *Food & Beverages* and *Other Manufacturing* both fell in the review quarter. Within *Food & Beverages*, lower output was estimated for alcoholic and food products excluding sugar, while the reduction in *Other Manufacturing* reflected lower production of chemical products due to the downturn in the construction and mining industries.

Against the background of continued declines in private sector investment projects (residential and commercial) and public sector capital projects, ***Construction*** is estimated to have contracted further in the review quarter. Private sector investment continued to be adversely affected by the global financial crisis and weak domestic demand, while public sector capital projects have been significantly reduced due to the Government's fiscal constraints. The continued contraction in residential construction is inferred from declines of 55.4 per cent and 54.7 per cent in the National Housing Trust housing starts and completions throughout the review quarter. Further, the industry's performance was adversely impacted by an increase of 7.5 per cent in the price of cement during the review quarter.

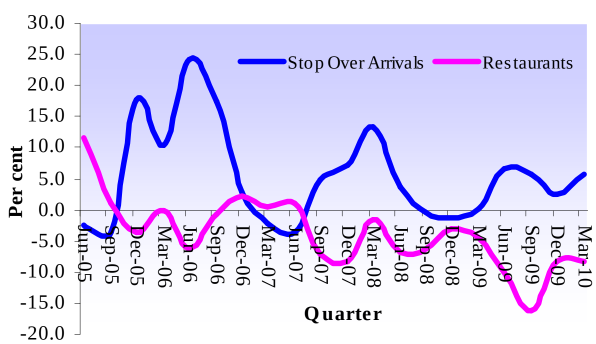
Although ***Transport, Storage & Communication*** is estimated to have contracted for the ninth consecutive quarter, the rate of decline is significantly less than the average quarterly contraction of 4.3 per cent since the March 2009 quarter. The industry's performance was primarily driven by *Transport*, which reflected lower rates of declines in both water and air transportation. The reduction in water transportation was inferred from fallouts of 2.3 per cent and 10.6 per cent in the number of ships calling on Jamaica's ports and cruise passenger arrivals, respectively, relative to declines of 8.6 per cent and 25.6 per cent in the March 2009 quarter (see **Figure 3.3**). Additionally, domestic

Figure 3.4
Domestic Crops
(12-Month Change)



Sources: Bank of Jamaica, MOA

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



Source: Jamaica Tourist Board

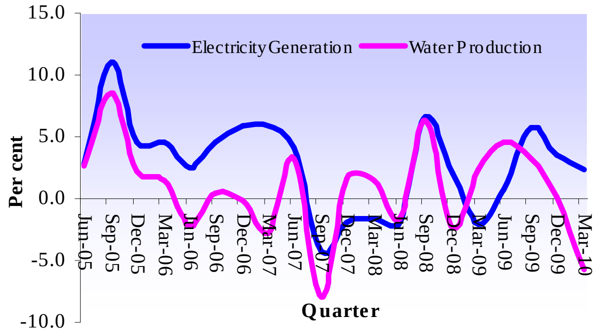
cargo movement grew by 1.7 per cent compared to the decline of 31.2 per cent in the similar period of 2009. The marginal growth in cargo was primarily attributed to improved world trade consequent on more favourable global economic conditions. Air transportation continues to be negatively affected by the reduction in routes by the national airline.

Agriculture, Forestry & Fishing continued to record growth, albeit at a relatively slower pace than the 12.2 per cent average increase since March 2009. The slower pace of expansion was mainly attributed to drought conditions throughout the quarter, which hampered crop establishments and yields. The resilience of domestic output was facilitated by the Production and Productivity Programme of the Ministry of Agriculture, which through best practices, helped farmers to mitigate the effects of the drought conditions. In this context, domestic production grew by approximately 3.9 per cent, following average growth of 22.4 per cent over the preceding quarters of 2009 (see **Figure 3.4**). With regard to export, the recovery in sugar outweighed the declines recorded for coffee, citrus and cocoa. The growth in sugar stemmed from increased sugar cane milled during the quarter attributed to the earlier start of reaping activities at the Government-owned sugar factories, relative to the corresponding period in 2009. The 'huanglongbing' disease and drought conditions continued to negatively impact the output of citrus and coffee, respectively.

Consistent with the forecasted recovery in world travel for 2010[16], ***Hotels & Restaurants*** is estimated to have performed better in the review period, relative to the average quarterly growth of 1.5 per cent in 2009. The industry's performance was deduced from an improvement in *Hotel*, which outweighed the estimated decline in *Restaurants* (see **Figure 3.5**). Growth in *Hotel* was inferred from an increase of 6.0 per cent and 3.2 per cent in stop-over visitor arrivals and visitor expenditure, respectively. Growth in visitor arrivals reflected increased airlifts to the island, major discounting by hotels as well as aggressive promotions by the Government and industry players.

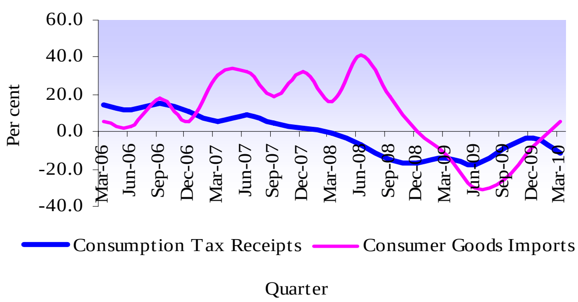
[16] The United Nation World Tourism Organization forecasted that world travel should grow between 3 – 4 per cent in 2010, relative to the decline of 4.0 per cent in 2009.

Figure 3.6
Electricity Generation & Sales
(12-Month change)



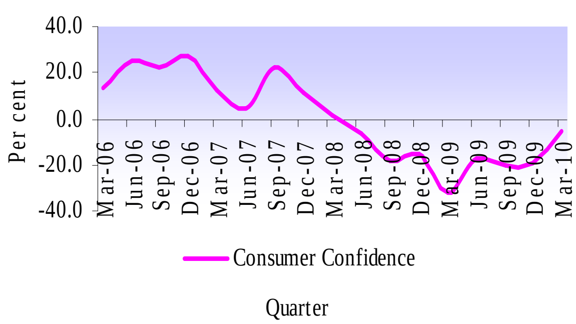
Source: JPS & NWC

Figure 3.7
Real Private Consumption Spending Indicator
(12-Month Change)



Source: Bank of Jamaica, MOF

Figure 3.8
Consumer Confidence Index
(12 Month Change)



Source: Jamaica Conference Board

Arrivals were also positively impacted by the timing of the Easter Holidays, which was celebrated in March 2010 as opposed to April in 2009. The fallout in *Restaurants* continued to reflect lower real income and job uncertainty.

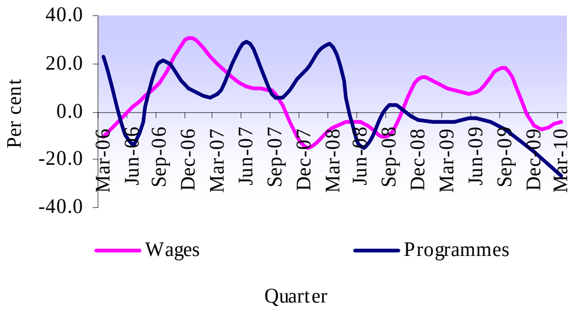
Electricity & Water was estimated to have grown marginally in the review period, relative to an average trend growth of 2.1 per cent since the March 2009 quarter. Growth in the industry was deduced from a 3.5 per cent rise in electricity generation attributed to an increase of 2.2 per cent in capacity utilization, relative to the corresponding period of 2009 (see **Figure 3.6**). Electricity sales, categorized as 'industrial' and 'other' grew by 2.5 per cent and 2.8 per cent, respectively. The performance of the industry was, however, curtailed by a decline of 5.7 per cent in water production, which was affected by the drought conditions during the quarter.

Aggregate Demand

Indicators of expenditure spending suggest that the contraction in the economy in the March 2010 quarter was driven by the deterioration in all categories of aggregate demand.

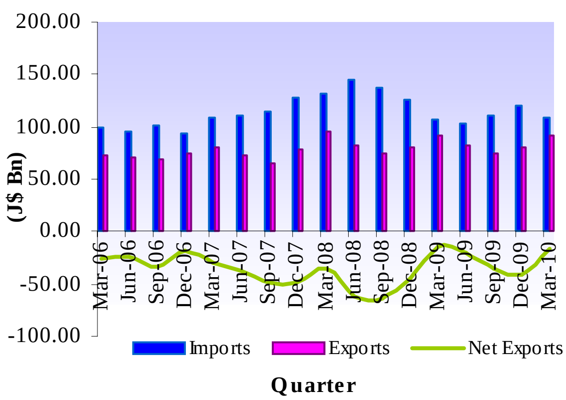
After five consecutive quarters of decline, estimates for consumption spending suggest signs of a slower rate of decline in ***Private Consumption***. The performance in private consumption was inferred from the trends in consumption tax receipts and consumer goods imports. Consumption tax receipts declined by 11.7 per cent, albeit at a slower rate than in the comparable period of 2009. On the other hand, consumer goods imports increased by 4.7 per cent, relative to a decline of 12.5 per cent in the similar period of 2009 **(**see **Figure 3.7)**. The slower rate of decline in real private consumption could be attributed to the sustained improvement in remittance inflows since November 2009 and the significant reduction in the rate of decline in consumer confidence as indicated by the Jamaica Conference Board Survey of Consumer Confidence. Consumer confidence decline by 5.4 per cent in the March 2010quarter, relative to a contraction of 32.6 per cent in the comparable period of 2009 (see **Figure 3.8**).

Figure 3.9
Real Private Consumption Spending Indicator
(12-Month Change)



Source: Bank of Jamaica, MOF

Figure 3.10
Net Exports



Source: BOJ & STATIN

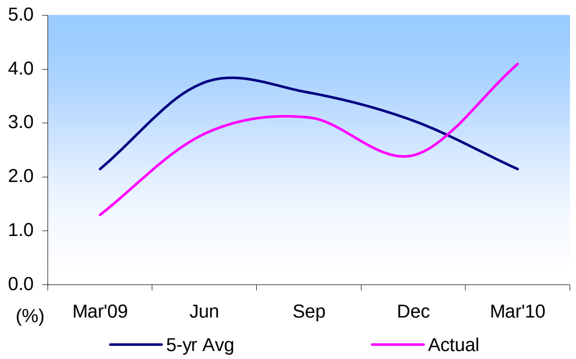
The performance of ***Public Consumption*** was influenced by reductions of 26.5 per cent and 4.0 per cent in Government spending on wages and programmes, respectively, during the period (see **Figure 3.9**). The contraction in public spending came against a background of a relatively tight fiscal stance in light of the financial challenges faced by the Government.

The rate of decline in ***Gross Fixed Capital Formation*** strengthened in the review period when compared to the previous four quarters. The acceleration in the rate of decline was attributed primarily to the significant fallout in public investment as indicated by a contraction of 62.8 per cent in Government capital spending. Government's ability to invest in capital projects was significantly curtailed by a shortfall in revenues due to the fallout in the economy during the review period. Private investment continued to decline as indicated by estimated contractions of 43.0 per cent and 5.4 per cent in foreign direct investment and capital goods imports, respectively. The fallout in private spending continued to reflect the relatively tight credit conditions in both the domestic and global credit markets.

Estimates of ***Net External Demand*** suggest deterioration in external trade when compared to the similar period of 2009 (see **Figure 3.10**). This performance represented a reversal of the trend improvement over the previous five quarters. There was an estimated 0.1 per cent increase in the imports of goods and services and a 2.8 per cent fall in the exports of goods and services. The marginal growth in imports was partly attributed to expansions of 35.5 per cent, 19.1 per cent and 4.7 per cent in fuel, raw material and consumer goods, respectively, which may indicate some future improvement in the domestic business environment. The contraction in exports was partly attributed to declines in alumina and sugar of 45.03 per cent and 29.0 per cent, respectively.

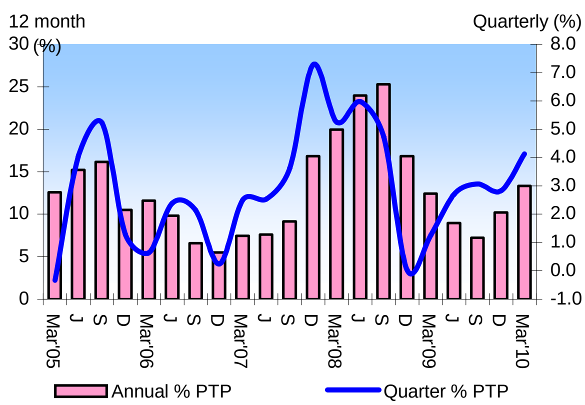
4. Inflation

Figure 4.1
Quarterly Inflation Rate



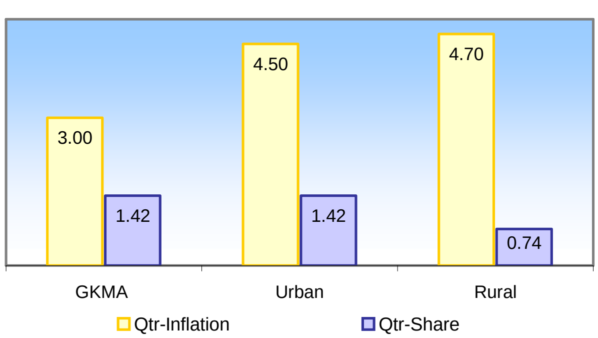
Source: Statin & BOJ

Figure 4.2
Inflation (Annual & Quarterly Point to Point Rates)



Source: Statin & BOJ

Figure 4.3
Geographical Per cent Distribution of Inflation and Share



Source: STATIN & BOJ

Headline inflation for the March 2010 quarter was 4.1 per cent. This compares with the 2.8 per cent outturn for the December 2009 quarter. Inflation in the review quarter was largely influenced by administrative price adjustments such as increased taxes on fuel as well as higher bus and taxi fares for rural areas and other urban centres. Higher prices were also attributed to the impact of drought conditions on short-term crop yields, which were partly offset by declining prices of some tubers triggered by a boost in supplies. Of the 4.1 per cent inflation for the review quarter, 2.8 percentage points were attributed to the combined direct effects of the tax measures and increase in bus and taxi fares. Abstracting the impact of these administrative price adjustments, the outturn for the quarter was just below the five year March quarter average. In general, price increases were constrained by weak consumer spending in light of lowered real incomes.

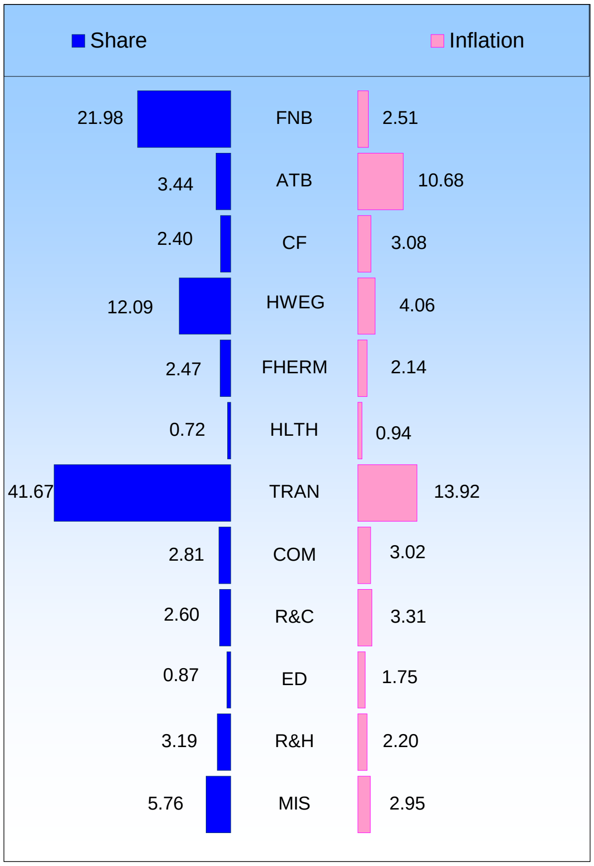
Trends in Price Indices

During the March 2010 quarter the All Jamaica Consumer Price Index (CPI) increased by 4.1 per cent, which was higher than the 2.8 per cent in the December 2009 quarter and also the 1.3 per cent in the corresponding March 2009 quarter (see **Figure 4.1** and **Figure 4.2**). The outturn for the March 2010 quarter was close to the midpoint of the 3.5 per cent to 4.5 per cent forecast range announced in the December 2009 Quarterly Monetary Policy Report (QMPR). Inflation for January, February, and March was 1.4 per cent, 2.2 percent and 0.5 per cent, respectively.

The FY 2009/10 inflation was 13.3 per cent which was just below the upper bound of the Bank's forecast range (11.5 per cent to 13.5 per cent). The fiscal year outturn was, however, slightly above the 12.4 per cent inflation recorded in the previous fiscal year.

All three regions recorded higher inflation during the March 2010 quarter when compared to the previous quarter and the corresponding quarter of FY 2008/09 (see **Figure 4.3**). The largest price increases of 4.7 per cent occurred in the Rural Area (RA), followed by 4.5 per cent in Other Urban Centres (OUC), and 3.0 per cent in the Greater Kingston Metropolitan Area (GKMA).

Figure 4.4
Inflation by Division



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

Source: STATIN & BOJ

Underlying Inflation

All measures of core inflation in the March 2010 quarter were higher when compared to December 2009 quarter, largely reflecting the impact of the administered price adjustments. In the March 2010 quarter, the trimmed-mean (CPI-TRIM) was 1.8 per cent, while the CPI without Agriculture and Fuel (CPI-AF) was 3.5 per cent, and the CPI without Food and Fuel (CPI-FF) was 3.6 per cent. Notwithstanding the higher levels in the March quarter, the fiscal year measures of core inflation, with the exception of CPI-FF, were all below the levels for FY 2008/09. In FY 2009/10, the trim mean decelerated to 6.1 per cent from 7.7 per cent in FY 2008/09. The CPI-AF decelerated to 11.6 per cent from 13.0 per cent, while the CPI-FF accelerated to 11.6 per cent from 10.0 per cent.

Main Microeconomic Factors

The main impulse to inflation emanated from *Transportation*, which reflected higher costs for fuel, bus fares, and tax impact. The second largest impulse emerged from *Housing, Water, Electricity, Gas & Other Fuels*, and was attributed to higher cost for accommodation. The third largest stimulus to inflation in the March 2009/10 quarter came from *Food and Non-Alcoholic Beverages.* When combined, these divisions accounted for 76 per cent of the inflation for the March 2010 quarter (see **Figure 4.4**).

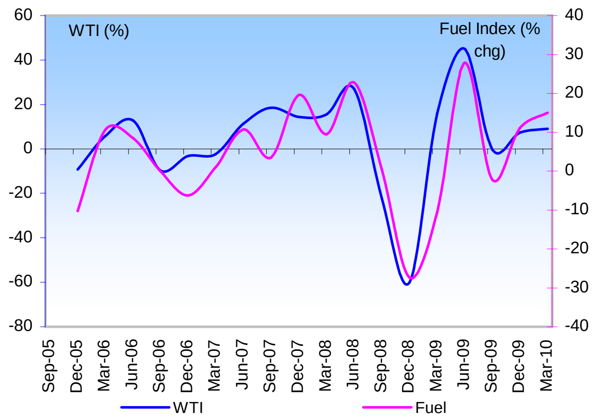
Administrative Costs

The main contributor to inflation during the review quarter was administrative price adjustments. Key among these were the 15.0 per cent SCT imposed on fuel, an increase in GCT to 17.5 per cent from 16.5 per cent, along with other revenue enhancing measures.[17] Additionally, in February 2010 bus and taxi fares in OUC and RA increased by 20.0 per cent. Of the 4.1 per cent for the quarter, 1.5 percentage points were due to the impact of the tax package, while higher bus and taxi fares accounted for approximately 1.3 percentage points. These estimates represent the direct or first round impact. Abstracting from the impact of taxes and bus & taxi fares, the quarterly inflation was 1.3 per cent, below the five-year March quarter average of 1.5 per cent.

[17] The range of tax measures imposed by the GOJ in January 2010 includes the SCT on Fuel, higher GCT rate, application of GCT to 200 kw electricity users, progressive adjustment of Income tax, removal of some tax exempt items, higher CET, higher SCT on cigarettes, higher license fee for high-end vehicles, and prepayment of GCT at customs.

Figure 4.5

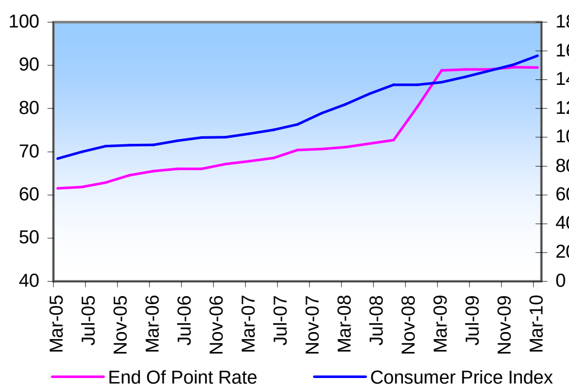
Quarterly Change in Fuel Index and Lagged WTI



Source: STATIN & BOJ

Figure 4.6

Quarterly Average and End of Point US Exchange Rate



Source: STATIN & BOJ

Energy Costs

Energy related inflation, as measured by changes in the Bank's Fuel Index, increased by 15.0 per cent in the March 2010 quarter, which was notably above the 11.1 per cent increase in the December 2009 quarter (see **Figure 4.5**).[18] This was due primarily to a 9.0 per cent increase in the West Texas Intermediate (WTI) crude oil price in the March 2010 quarter, reflecting optimism following the release of encouraging labour statistics and leading economic indicators for the US, as well as plans to resolve the debt crisis in Greece (see **International Developments**). Energy related inflation in the domestic market, is also attributed to the impact of new tax measures in January.

Higher cost of fuel and transportation resulted in increased operational costs for manufacturers. This has been evidenced in higher prices for common baked products, meats, fish, seafood, dairy, and other food products.

Exchange Rates

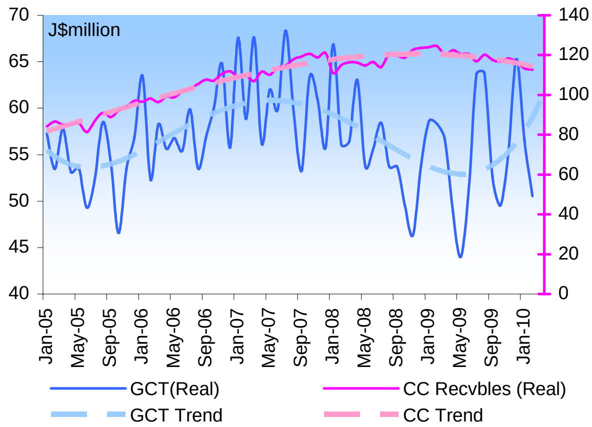
The exchange rate between Jamaica and the US has remained relatively stable since the significant depreciation in months following the September 2008 deterioration of global financial conditions (see **Figure 4.6**). The March 2010 quarter has, notably, reflected some appreciation of the domestic currency vis-à-vis its US dollar counterpart (see **Foreign Exchange Markets**). The stable exchange rate had a countervailing effect on the impact of imported prices, including energy. In this regard, electricity rates declined in March.

Weather Shocks

The impact of adverse weather was manifested within *Food & Non-Alcoholic Beverages*. Since June 2009 however, climatic conditions across the globe have been severely disrupted by what is termed the "El Niño" effect.[19] The El Niño phenomenon has led to an extended period of drought in Jamaica.[20] This significantly affected the supply of vegetable

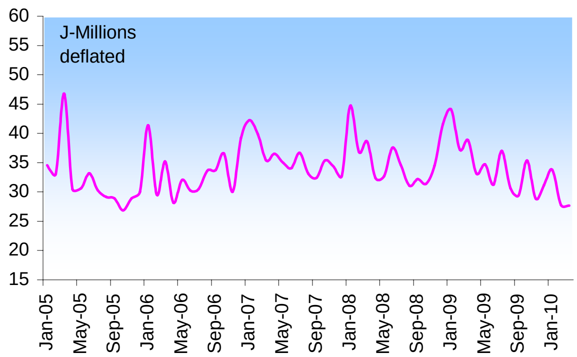
[18] The BOJ Fuel Index reflects the simple average of prices for E10-87, E10-90 and Diesel that has been rebased to December 2009.
[19] The El Niño develops from warm surface water temperatures in excess of 0.5 Degree Celsius and is extended over the central and eastern Pacific Ocean. The climate changing effects are felt from the western seaboard of Latin America to East Africa.
[20] The World Meteorological Organization (WMO) reports that this system may have peaked between November 2009 and December 2009 and is likely to persist into the second quarter of 2010.

Figure 4.7
Trends in Real GCT and Credit Card Receivables in J$ millions



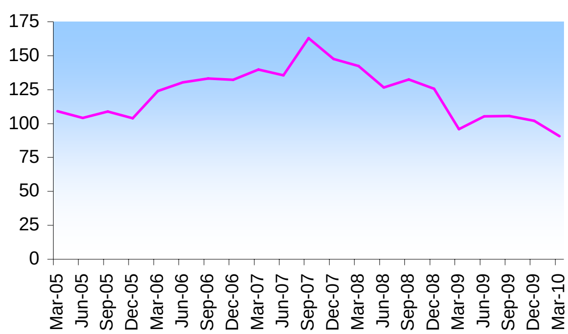
Source: MOF&P & BOJ

Figure 4.8
Real and Nominal Jamaican PAYE Contribution



Source: MOF&P & BOJ

Figure 4.9
Jamaica's Quarterly Consumer Confidence Index



Source: JCC data

items and consequently their price in contrast to seasonal norms of declining prices in March.

Main Macroeconomic Factors

Leading indicators suggest the balance of demand and supply conditions continued to constrain price increases. Demand indicators suggest that consumer spending continues to decline but at a slower pace. Supply conditions among various economic activities have reflected an improvement in inventories.

Aggregate Demand Indicators

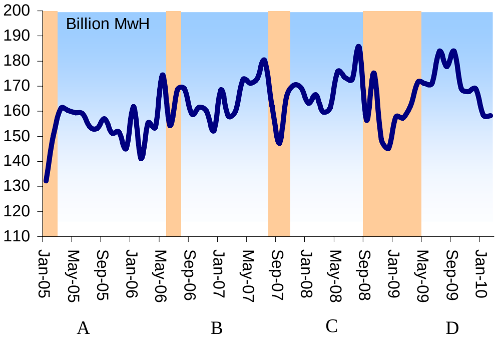
Seasonally adjusted real GCT collections, a main indicator of demand, suggested declining consumption since 2008, which coincided with the fallout of unregulated financial organizations and an intensification of the global financial crisis. However, there has been a reversal in the trend since October 2009, largely attributable to the enhanced revenue generating measures (see **Figure 4.7**). Total credit card receivables in real terms have been declining since February 2009. In the March 2010 quarter real credit card receivables declined by 0.6 per cent following a 2.8 per cent decline in the December 2009 quarter (see **Figure 4.7**).

Since February 2009, there has been a declining trend in PAYE, a proxy for wages (see **Figure 4.8**). This indicates a decline in the spending power of salaried workers. Another demand side indicator is the Consumer Confidence Index that declined by 11.1 per cent in the March 2010 quarter, on account of deteriorating income prospects and low expectations of job availability (see **Figure 4.9**), supporting the notion that anti-inflationary demand pressures still persists.

Aggregate Supply Indicators

Industrial Electricity Sales, an indicator for activity among manufacturers reflect some normalization following the 2008 global financial crisis and economic recession (see **Figure 4.10**, area **D**). Some producers and retailers have reported higher than normal inventories in the face of declining demand.

Figure 4.10
Total Electricity Sales – Productivity Indicator



A → Industrial Dispute in Sugar Industry

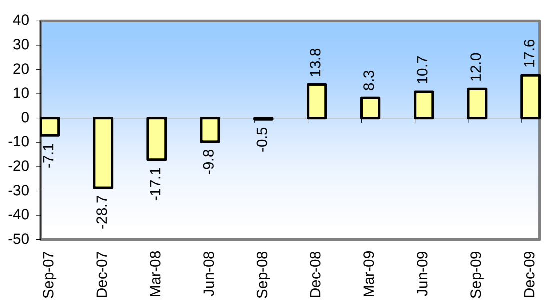
B → Recall of Defective Cement

C → Hurricane Dean Sep 2007

D → Hurricane Gustav & Economic Crisis despite declining crude oil prices

Source: JPSCo. & BOJ

Figure 4.11
Agriculture Growth Rates (STATIN data)



Source: STATIN & BOJ compilation

Key agriculture supplies (such as tubers and some vegetable items) exceeded seasonal norms in the March 2010 quarter. Though impaired by extended drought conditions, production levels remain strong reflecting the impact of various government productivity enhancing initiatives (see **Figure 4.11** and **Real Sector**).

While overall aggregate supply has declined on account of the recessionary impact on manufacturing, mining and quarrying activity, the supply of agricultural produce and inventories among distributors remain strong. This, in conjunction with low demand conditions, continues to restrain the rate of prices increases.

Box 1: Jamaica's Inflation: How much is enough?

Introduction

Jamaica expects to end FY2010/11 with an inflation rate of between 7.5 per cent and 9.5 per cent. This would represent a marked improvement over the outturn of the past few years and a departure from the trend established over the past twenty years. There is no consensus, however, as to what the desirable target of policymakers should be – now or in the medium term. How low should they go and what should the consideration be? Traditionally, it is assumed that there is a negative relationship between inflation and output growth. However, if this relationship is linear, then why don't countries simply target zero inflation or lower? In this regard, the box seeks to explore the reasons for inflation and lay the groundwork for a discussion on how much inflation is enough for Jamaica and conversely, how much is too much.

Factors determining Jamaica's inflation rate

Every country has inherent characteristics that affect price changes. However, policy choices and a country's macroeconomic structure can magnify or dampen the impact of shocks on prices and output.

The location and topography of Jamaica make it vulnerable to numerous adverse weather shocks like droughts, floods and hurricanes. These shocks have had a significant impact on the production and prices of major commodities such as agriculture and energy.

Jamaica has an open trade regime and operates a flexible exchange rate system. This makes the economy vulnerable to changes in international prices. Additionally, McFarlane (2002) estimated that the exchange rate pass-through (ERPT) to retail prices is approximately 48.8 per cent in one year.[21] Ca'zorzi *et al* (2007) showed a positive correlation between the degree of ERPT and inflation rates for emerging economies. Countries with high ERPT of approximately 40.0 per cent per annum had annual inflation rates of between 10.0 per cent and 20.0 per cent.

Additionally, Jamaica's history of high and volatile inflation has a psychological impact on businesses and consumers. In an effort to preserve wealth, all pricing contract negotiations will include a premium based on expected price changes. This generally magnifies ERPT and delays any possible downward price adjustments.

Costs and benefits of inflation

The traditional view among economists was that there is a negative relationship between output growth and inflation. Barro (1995) confirmed this in his seminal empirical cross-country study. However, later research showed that this relationship was ambiguous for countries with low inflation rates. This led to theories that posit that the inflation-growth relationship is non-linear, implying that there exists a threshold inflation rate, above which the negative

[21] ERPT refers to the percentage by which domestic inflation is changed, in a given time period, as a result of a change in the exchange rate.

relationships hold, but below which the relationship may be reversed.[22]

Brook *et al* (2002) in examining the literature on this theory found that the negative relationship was consistent among countries with long-run inflation rates above 10.0 per cent. The threshold inflation rate, however, varied between 1.0 per cent and 8.0 per cent. Also, the relationship between growth and inflation below the threshold could be positive or negative or in some cases, inflation had no impact on growth. The reason for this ambiguity stems from the positive and negative role inflation plays in a country.

Tobin (1972) posited that in every country, some positive inflation rate is necessary. Using the example of the labour market, he showed that in a zero inflation environment, macroeconomic shocks would have an immediate impact on employment. Positive inflation rates allowed for a smoother economic adjustment with less dislocation of the factors of production. This study led to what is now known as inflation's role as the "grease" for the smooth functioning of an economy.

The more documented impact of inflation is described as "sand" in the macroeconomic mechanism. These include: (i) the additional cost to business to frequently adjust prices referred to as menu costs; (ii) the long term planning uncertainty for businesses and consumers seeking to protect purchasing power and (iii) the social and economic costs of the declining welfare of fixed income earners.

[22] See Andres and Hernando (1997) for a discussion on the impact of removing high inflation economies from Barro's study.

Therefore, whether there is a positive or negative relationship between inflation and output growth below the threshold inflation rate will be dependent on whether the sand or the grease function of inflation dominates. It also implies that this threshold inflation rate will vary by country and for each country it will vary over time.

Problem of zero inflation

Apart from Tobin's (1972) rationale for "some positive level of inflation", there is also the fear that targeting zero inflation could lead to deflation. At zero inflation, there is a higher probability that negative demand or positive supply shocks could lead to a sustained reduction in prices. This sustained fall in prices could have a similar negative impact on growth to that of high inflation.

Falling prices would increase the menu costs of price adjustments for businesses whilst lowering the potential revenue per unit sold. Also, if consumers expect prices to fall, they could delay consumption in order to take advantage of the future increase in purchasing power. This combination of factors can lead to a major output contraction.

With inflation at zero, nominal interest rates would typically be in the range of 0.0 per cent to 3.0 per cent. As there is a zero bound on nominal interest rates, the ability of the government to stimulate the economy through monetary policy would be severely limited. If interest rates were zero and inflation negative, real rates would be positive and therefore could have a further contractionary impact on output. Though this confluence of factors is rare, it did occur in Japan between February 1999 and June

2006. Sugo *et al* (2008) reviewed some of the difficult policy challenges faced by Japan as it tried to get out of a recession, while locked in a deflationary spiral.

Costs and benefits of lowering a country's long run inflation trend

A country with a long run inflation trend higher than the desirable level faces significant challenges in making the adjustment. The experiences of the Reserve Bank of New Zealand, the Bank of Canada and the Central Bank of Chile have been well documented as they adopted inflation targeting regimes in an effort to lower their long run inflation trends. Using a key interest rate as their operating target, these central banks were able to dramatically reduce their long-run inflation rates at the cost of lower output and higher unemployment. The period of adjustment, however, was very short, less than three years.

All of these economies now benefit from a more positive macroeconomic environment with low nominal interest rates as well as low and stable inflation rates. Although they all now benefit from positive stable output growth, only Chile has recorded significantly higher long run growth rates after reducing its inflation rates.

Although inflation targeting is the only clearly documented policy method used to lower a country's long-run inflation rate, it is theoretically possible to minimize the costs and maximize the benefit of the transition if the monetary policy action is supported by simultaneously removing real rigidities in factor markets.

Why do most countries target inflation rates between 0.0 per cent and 5.0 per cent?

Currently, most countries experiencing low and stable inflation rates have a target between 0.0 per cent and 5.0 per cent, with the popular target range being 1.0 per cent to 3.0 per cent.

The rationale for choosing these targets has been centred around: (i) reducing and stabilizing domestic price expectations; (ii) maintaining some level of purchasing parity between major trading partners and (iii) normalizing nominal asset prices between trading partners. In most cases, the chosen inflation target has led to lower inflation and nominal interest rates than their trading partners, leading to currency appreciations. However, most supporters of the inflation targeting framework argue that the improved domestic investment environment more than compensates for any loss of price competitiveness.

Conclusion

The foregoing discussion suggests that every country has a threshold rate of inflation above which increases in the rate of inflation will have a negative impact on output. This threshold rate, in theory, can range from 1.0 per cent to 8.0 per cent. In practice, however, many countries target a rate between 0.0 per cent and 5.0 per cent. In the context of the possibility of a sustained reduction in prices which can accompany a zero inflation rate, most of these countries target a range of 1.0 per cent to 3.0 per cent. Although it may be difficult to determine, the analysis suggests that Jamaica's target rate could lie between 1.0 per cent and 8.0 per cent. However, the choice of a precise inflation target should be a function of the state of Jamaica's factor markets, for example the structure of the energy and labour markets, as well as the long run inflation and interest rates trends of the country's main trading partners. Having made this choice, the question about the most effective and least costly policy approach to achieve the transition still remains.

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5. Economic Outlook and Monetary Policy Perspectives

Table 5.1

Jamaica: Selected Economic Indicators	Projections for Jun' 10 Quarter	Target for FY10/11
Inflation (% change)	2.5 to 3.5	7.5 to 9.5
Base Money (% change)	-3.0 to -2.0	12.5 to 13.5
Gross Reserves US$MN (End Period)	2416.4	2151.0
Weeks of Imports of Goods & Services	17.3	14.6
GDP (12-mnth % Change)	-ve	0.0 to 1.0

Inflation in the June 2010 quarter should be slightly lower than the outturn in the March 2010 quarter.

The macroeconomic outlook is influenced by the Government's programme of fiscal consolidation supported by multilateral lending institutions under the International Monetary Fund's (IMF's) 27-month Stand-By Arrangement. This is expected to engender improved investor confidence and facilitate a reduction in the cost of capital. The measures will result in some temporary upward movements in prices as well as lower demand for goods and services in this fiscal year.

In the context of these factors and given the improvements in the global economy, Jamaica's output is forecasted to decline within a range of 0.0 per cent to 1.0 per cent in June 2010 quarter, a slower rate of contraction than the 1.0 per cent to 2.0 per cent range estimated for the March 2010 quarter. This improved performance in the June 2010 quarter should emanate mainly from growth in Mining, Hotel & Restaurants and Agriculture.

Headline inflation is projected to be in the range of 2.5 per cent to 3.5 per cent, slightly lower than the 3.5 per cent to 4.5 per cent range estimated for the March 2010 quarter. The main driver of inflation in the June quarter should be the increase in the urban bus fares and the second round impact of the tax measures announced in the March 2010 quarter.

Despite the spike in inflation in the March and June 2010 quarters, the rate of inflation is expected to decline to a single digit over the fiscal year. This, in conjunction with the fiscal reforms and the expected continuation of financial market stability should allow the Central Bank further opportunities to relax its policy stance..

Outlook - June 2010 Quarter

Inflation

Headline inflation is forecasted to be in the range of 2.5 per cent to 3.5 per cent in the June 2010 quarter, somewhat lower than the 3.5 per cent to 4.5 per cent range estimated for March 2010 quarter. The June 2010 quarter's inflation could be only slightly higher than the seasonal average of 3.1 per cent.[23]

The main driver of inflation in the June 2010 quarter should be the aforementioned adjustments to some administered prices. Also, the prolonged drought that has resulted from the El Niño weather phenomena could cause some upward adjustments in agricultural prices. Meat prices are also expected to increase in the June 2010 quarter as a result of higher factor prices. These impulses are expected in a context where inflation expectations and imported inflation could increase, while domestic capacity conditions should remain stable.

Administered price changes could account for approximately 40.0 per cent of the inflation in the June 2010 quarter.

Administered Price Changes

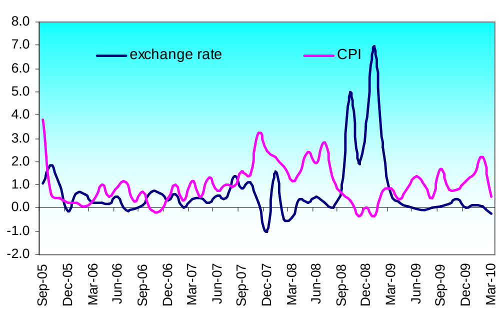
Bus fares in the Greater Kingston Metropolitan Area (GKMA) were increased in April 2010. The increase, which ranged between 20.0 per cent and 60.0 per cent, will have a direct impact on the Transport division of the CPI basket and should account for approximately 40.0 per cent of the inflation for the June 2010 quarter.

Additionally, there could be second round effects of the tax measures imposed in the March 2010 quarter. In particular, the taxes on electricity and fuel pose some upside risk to the forecast.

Imported Inflation

Average import prices are projected to increase by 1.1 per cent in the June 2010 quarter. This outlook is primarily driven by a forecasted rise in crude oil prices of 13.0 per cent, relative to the March 2010 quarter. Oil prices in the quarter should reflect the impact of improved economic conditions in the US as well as increased demand stemming from infrastructural programmes.

Figure 5.1
Trends in Changes in Exchange Rate and Headline Inflation



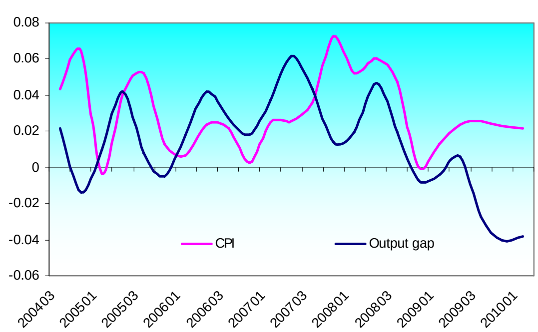
The prices of agricultural raw materials, however, are expected to decline during the June 2010 quarter. In particular, wheat, corn and soybean prices are projected to decline, on average by 6.0 per cent, 3.3 per cent and 4.0 per cent, respectively. This anticipated decline reflects the impact of excess supply in these markets due to

[23] The period average is calculated using June quarters between 2000 and 2009.

increased acreage under cultivation as well as significant inventories accumulated during the previous crop year. Rice prices in Guyana are expected to increase as a result of drought conditions in that country. However, this increase could be tempered by international price trends as the benchmark Thai rice price is projected to decline by 10.4 per cent during the quarter due to increased production as well as the release of stocks held by that government.

During FY2009/10, the Jamaica Dollar depreciated by 0.3 per cent, 0.0 per cent, 0.6 per cent in the June 2009, September 2009, December 2009 quarters, respectively, but appreciated by 0.1 per cent in the March 2010 quarter (see **Figure 5.1**). This stability is expected to continue in the June 2010 quarter and should therefore dampen the impact of the forecasted increase in imported prices. The stability should continue in the context of the improved market psychology due to the prolonged period of stability, the signing of the IMF agreement and the more attractive returns on domestic currency investments as compared to foreign currency investments. There should also be improved net foreign currency inflows to the market.

Figure 5.2
Trends in Domestic Headline Inflation and the Output Gap (percent change)



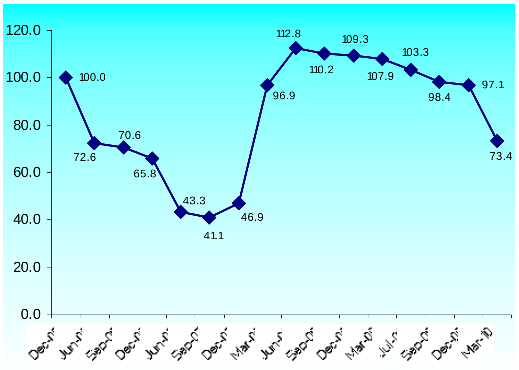
Domestic Capacity Conditions

Excess domestic capacity conditions as indicated by the output gap and labour market indicators should temper upward price pressures in the economy (see **Figure 5.2**). The output gap remains negative but with a smaller magnitude.[24] This reflects a reduction in the rate of contraction in the economy.

The December 2009 wage survey released by STATIN indicates that real wages increased by 2.2 per cent relative to the December 2008 quarter. This would mark the third consecutive quarter of increase. However, the rate of increase has declined relative to September 2009. The increase in real wages mainly reflected the fall in the annual inflation rate to December 2009. However, with the uptick in inflation in March 2010 and nominal wages expected to remain flat, real wages should decline in the March and June 2010 quarters.

[24] The output gap is calculated as actual output minus potential.

Figure 5.3
Index of Inflation Expectations



Inflation Expectations

The Bank's Inflation Expectations Survey conducted in March and April indicated that the private sector expects that inflation for the 2010 calendar year will moderate relative to what was expected for 2009. The survey responses, however, revealed that a temporary up-tick in inflation is expected in the short-term (3 to 6 months), most likely reflecting the anticipated impact of the tax measures and higher oil prices on fuel related costs[25]. This inflationary impulse is not expected to persist given weak consumer demand, hence the moderation in calendar-year expectations.

Output

Output is projected to decline in the range of 0.0 per cent to 1.0 per cent, relative to the 1.0 per cent to 2.0 per cent decline estimated for the March 2010 quarter. However, the risk to this outlook is on the downside.

The slower pace of decline in June is primarily attributed to an improvement in the mining industry and continued growth in *Hotel & Restaurants* and *Agriculture*.

Mining & Quarrying is expected to expand by 9.0 per cent to 10.0 per cent increasing capacity utilization in the bauxite industry. For bauxite, utilization is estimated at 88.8 per cent, similar to the March 2010 quarter but significantly above the 48.6 per cent in the June quarter of 2009. In addition, the negative impact of the closures in FY2009/10 on the rate of change is beginning to dissipate.

Hotel & Restaurants will continue to be buoyed by hotels, due to a projected increase of 5.5 per cent to 6.5 per cent and 8.0 per cent to 9.0 per cent in stopover visitor arrivals and expenditure, respectively.

Despite the prolonged drought, *Agriculture* will continue to reflect a year-on-year growth due to significant improvements in productivity and capacity utilization. However, the growth will be

[25] Most respondents cited anticipated utilities and transportation costs as the highest input costs over the next 3 to 6 months, followed by stock replacement costs.

Figure 5.4
Monthly Inflation Forecasts (per cent)

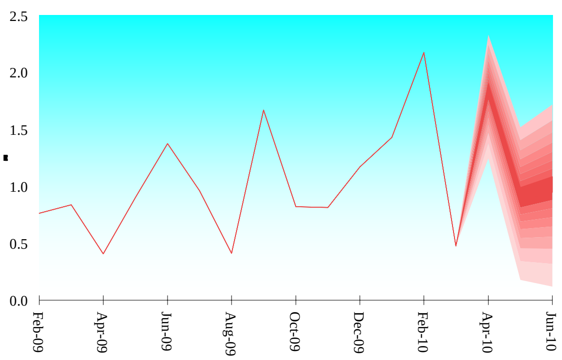
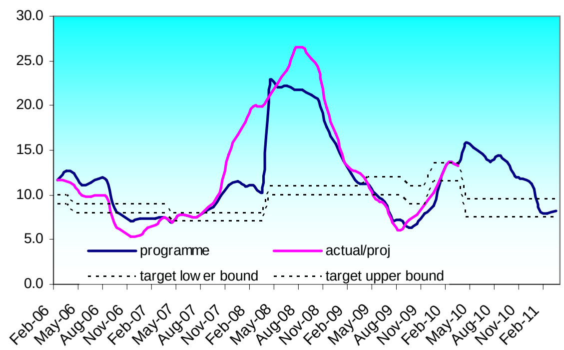


Figure 5.5
Consumer Price Index
(Annual point to point change (percentage points))



significantly reduced when compared to the previous six quarters, due to the impact of the prolonged drought conditions.

The rate of decline in *Manufacture* will be lower than the previous quarter as sugar production should record some growth. However, all other industries should remain depressed given the slowdown in domestic and international demand. The production of alcoholic and non-alcoholic beverages and chemical products in particular, has been significantly affected by lower consumer demand.

Given relatively tight credit conditions, lower real incomes and reduced Government expenditure, construction activities are expected to remain below their normal levels, while increased visitor arrivals and some up-tick in trade should temper the decline in *Transport, Storage & Communication*.

Outlook - FY2009/10

Following the deepest global downturn in recent history, forecasts of the recovery in the global economy have been revised upward for 2010 and 2011. In 2010 the IMF expects world output to grow by 4.0 per cent, which represents an upward revision of ¾ percentage point from the October 2009 World Economic Outlook (WEO).[26] The global rebound has been driven by significant policy stimulus from both fiscal and monetary authorities, particularly those in developed countries. This outlook has had a positive impact on international financial conditions and placed some pressure on international commodity prices. However, due to the above-average inventory levels and substantial spare capacity in many commodity sectors, international commodity price pressures should moderate.

In this context, domestic inflation for the fiscal year is projected to be in the range 7.5 per cent to 9.5 per cent, with more than 40.0 per cent of the price increases occurring in the first quarter (see **Figure 5.5**). Output should expand by 0.0 per cent to 1.0 per cent, with moderate but positive growth occurring in the second half of the fiscal year.

[26] See April 2010 WEO release.

Risks

The risks to the inflation forecast are balanced (see **Figure 5.4**). The upside risks include a greater than projected movement in international commodity prices, possible second round impact of the tax measures and adverse weather shocks affecting domestic production. Preseason forecasts by the Colorado State University are for an above average Atlantic Hurricane season (15 named storms, 8 hurricanes and 4 major hurricanes of Category 3 or higher) as the El Niño weather phenomena should dissipate before the start of the season.[27] Downside risks to the inflation forecast include a greater than anticipated contraction in demand due to the significant reductions in real incomes.

Monetary Policy

The Central Bank's policy strategy continued to successfully maintain price changes in line with its targets (see **Figure 5.5**). Following the tax measures announced in March 2010, the inflation outturn was at the upper end of the Bank's forecast range.

With the successful implementation of the Jamaica Debt Exchange Programme, market interest rate trends and the stability in the markets for foreign currency suggest that investor confidence has improved. The BOJ expects that the programme targets for the Bank's Net International Reserves and Net Domestic Assets of US$1.2 billion and negative J$30.4 billion, respectively, will be comfortably met in the June 2010 quarter. A continuation of these positive market trends complemented by progress towards the achievement of the IMF targets will provide the basis for further adjustments in the Bank's monetary policy.

[27] The CSU team's forecast issued on April 7. An average season constitutes 9.6 named storms, 5.9 hurricanes and 2.3 major hurricanes.

Box 2: The Jamaica Debt Exchange

Introduction

During the March 2010 quarter, the Government of Jamaica (GOJ) in an effort to enhance fiscal sustainability and improve its debt dynamics implemented a new debt management initiative, the Jamaica Debt Exchange (JDX). The JDX allowed investors to voluntarily submit existing bonds for new notes of longer maturities and lower interest rates. This initiative was developed after extensive consultation with major stakeholders.

The JDX had three primary objectives:

i. To improve the maturity profile of domestic debt;
ii. To reduce interest expense and
iii. To lower the variable rate proportion of the debt in the portfolio.

The Government also anticipated that the JDX would:

i. bolster the feasibility of its medium-term economic programme by reducing borrowing requirements and refinancing risks;

ii. garner support from multilateral financial institutions (MFIs); *The JDX was a precondition for the 27-month International Monetary Fund Stand-By Arrangement (IMF-SBA), which in turn was a precondition for support from other multilaterals.*

iii. Allow for more frequent repricing of variable rate (VR) instruments. *This would allow the Government to take advantage of falling interest rates that were likely to materialize from the signing of the IMF-SBA.*

The benefits that were expected to accrue to the market from participating in the JDX included:

i. enhanced liquidity of new benchmark bonds;
ii. access to the Financial System Support Fund (FSSF) to provide temporary assistance to institutions in the event of liquidity and capital needs resulting from the JDX. [28]

The Transaction

The JDX was launched on 14 January 2010 and closed on 29 January 2010. During this period bond holders were given the opportunity to formally participate by surrendering old bonds and choosing new bonds, according to specified rules. The final settlement date was 24 February 2010. On this date, the surrendered bonds were cancelled, new bonds issued and accrued interest paid.

The transaction included all domestically issued bonds (excluding Treasury Bills) scheduled to mature on or after 16 February 2010 and issued on or prior to 31 December 2009. The total value of the offer was approximately $700.0 billion or 65.0 per cent of Gross Domestic Product.

The transaction was executed as a par-for-par exchange in keeping with the constitutional obligation of the GOJ to honour its debt. In addition, to ensure that all creditors were treated fairly and equitably, the Government later

[28] The FSSF was established by the GOJ with the support of the IMF to assist financial institutions which had 100.0 per cent participation in the JDX. The Fund is administered by the Bank of Jamaica.

announced its intention to call all remaining bonds in May 2010.[29]

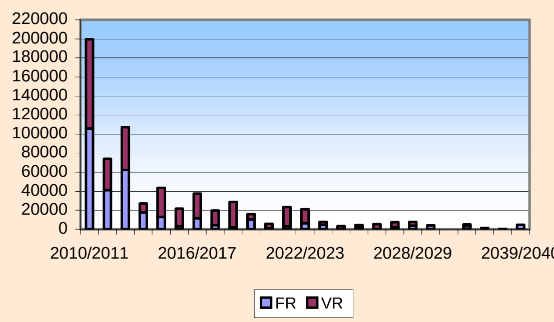
The debt exchange involved 345 old instruments, which were replaced with 25 new instruments. The transaction was structured to allow for the dematerialization of new bonds through the Central Securities Depository (CSD) in order to deepen and strengthen the development of the domestic capital market.[30]

In an effort to elongate the maturity profile, all exchanges were from shorter dated bonds to longer dated bonds. Fixed rate (FR) instruments were reissued as FR instruments, US dollar and US$-linked instruments were reissued in US dollar instruments and VR instruments were reissued as VR, FR, or consumer price index (CPI)-linked bonds.[31] The wide choice offered to holders of VR instruments was consistent with the objective of reducing the VR proportion of debt. In an effort to maintain adequate liquidity in the domestic market, the GOJ also offered several short-term FR instruments ranging from 3 months to 1 year.

Outcome

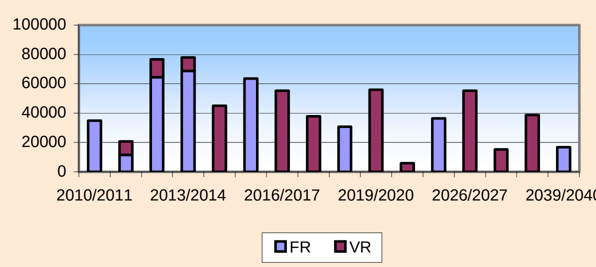
The JDX was very successful, recording a participation rate of 99.2 per cent. Accordingly, there was a notable change in the maturity profile of the domestic debt (see **Figure 1 and 2**). Prior to the JDX, a significant amount of domestic instruments was scheduled to mature over the short-term, creating refinancing risks for the Government. For example, approximately 28.0 per cent of the domestic debt was due to mature in FY 2010/11.[32] This was substantially reduced to approximately 5.0 per cent of domestic debt. Consequently, domestic amortization for FY2010/11 is projected to fall by 51.8 per cent in comparison to respective increases of 46.1 per cent and 43.7 per cent in FY2009/10 and FY2008/2009. The expected reduction in amortization will reduce the GOJ's financing requirement for FY2010/11, thus lowering pressures on interest rates.

Figure 1
Stock of Domestic Debt
Before JDX



Source: Ministry of Finance

Figure 2
Stock of Domestic Debt
After JDX



Source: Ministry of Finance

[29] The indenture permitted the Government to call all domestic bonds issued by the GOJ at par, with 2 months notice.
[30] Dematerialization involves the electronic issue and trading of securities.
[31] There were no CPI-linked bonds prior to the JDX.

[32] This includes 21 FR instruments, 35 VR instruments and 8 US dollar denominated instruments amounting to approximately $200.0 billion. This was reduced to less than $40.0 billion post JDX.

Reflecting the improvement in the maturity profile, the average age of domestic debt was increased to 8.9 years from 4.5 years prior to the JDX. The more balanced and extended maturity profile that resulted from the JDX enhanced the Government's ability to withstand adverse shocks.

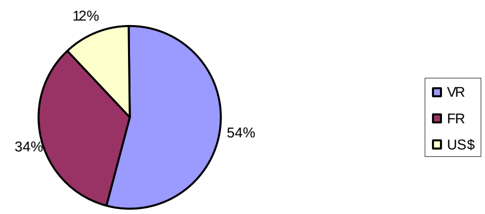
There was a sharp reduction in the interest costs of approximately $40.0 billion. Interest rates on instruments participating in the JDX declined to an average of 12.00 per cent and 7.00 per cent on Jamaica Dollar and US dollar instruments, respectively. The respective rates on these instruments averaged approximately 19.00 per cent and 9.00 per cent prior to the JDX.

Consequent on the reduction in average rates, domestic interest payments for FY2010/11 will decline by 34.4 per cent. This follows an increase of 27.8 per cent in FY2008/09 and 68.1[33] per cent in FY2009/10. The JDX therefore broke the trend of spiralling interest costs, which was likely to continue. The reduction in interest costs contributed to the sharp fall in the budgeted fiscal deficit to 6.5 per cent of GDP for FY2010/11 from 10.9 per cent and 7.3 per cent, in FY2009/10 and FY2008/09, respectively.

The JDX was also successful in lowering the VR portion of the domestic debt by 6.0 percentage points while the FR portion was increased by 4.0 percentage points (see **Figure 3 and 4**). This enhanced the predictability of the Government's interest bill.

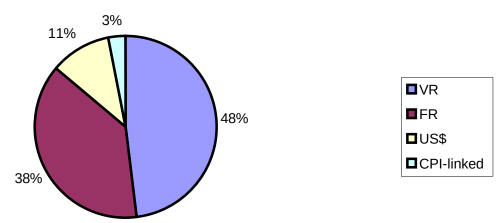
[33] This was partly due to the impact of the JDX.

Figure 3
Debt Profile Pre-JDX



Source: Bank of Jamaica

Figure 4
Debt Profile Post-JDX



Source: Ministry of Finance

The success of the JDX facilitated the approval of the 27-month IMF-SBA on 04 February 2010, in the amount of SDR820.5 million (approximately US$1.27 billion). In response, other multilateral agencies such as the International Bank for Reconstruction and Development (IBRD/World Bank), the Inter-American Development Bank (IDB) and the Caribbean Development Bank publicly endorsed the Government's economic programme. Together, committed financing from the multilaterals will amount to US$2.4 billion over the programme period.[34] The support from the

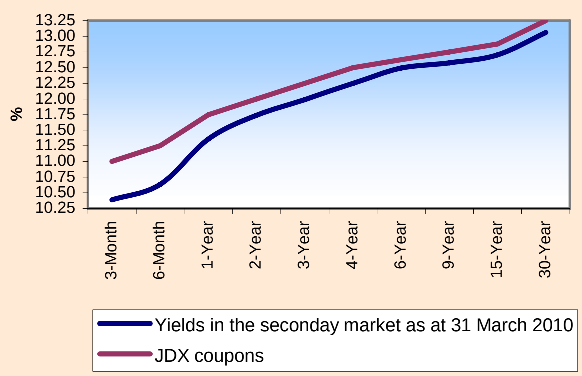
[34] A total of US$400.0 million was received in the March 2010 quarter from IBRD and the IDB.

multilaterals has significantly boosted confidence in Jamaica's medium-term economic programme.

The lower rates in the JDX and the support from the multilaterals also influenced the continuation of the downward trend in market-determined interest rates. When compared to JDX coupons, yields in the secondary market recorded a decline (see **Figure 5**).[35] For example, at end-March, the weighted average yield on the FR 3-month instrument was 10.39 per cent in the secondary market, relative to 11.00 per cent in the JDX. The weighted average yield on the FR 30-year instrument was 13.06 per cent at end-March, relative to 13.25 per cent in the JDX. Yields at the shorter end of the curve have also declined at a faster pace given stronger demand at that end and suggest the likelihood for short-term rates to fall further.

Figure 5

Yield Curve for GOJ (Domestic) Bonds



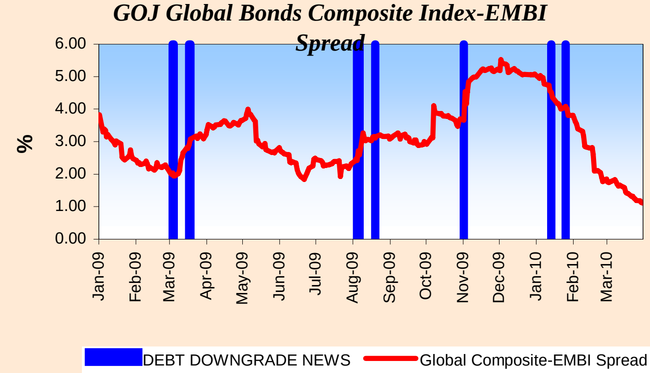
Source: Bloomberg and Ministry of Finance

Following the announcement of the JDX, Jamaica's local and foreign currency sovereign credit ratings were downgraded to selective and restrictive default by international rating agencies Standard & Poor's and Fitch Ratings, respectively. Moody's Investors Service, placed Jamaica's bonds at "highest risk". These downgrades did not have a negative impact on the performance of GOJ global bonds however, as GOJ global bond prices rose steadily throughout the quarter. This was in a context where rating agencies had indicated that they would upgrade Jamaica's sovereign debt if the JDX was successful.

Following the successful implementation of the JDX and the approval of the IMF-SBA, Jamaica's local and foreign currency sovereign credit ratings were upgraded. The ratings were a notch higher than what existed prior to the JDX (see **Appendix**). This reflected improved confidence in Jamaica's fiscal sustainability, leading to declines in GOJ global yields and a decline in spreads. For example, the spread between the GOJ Global Bonds Composite Index and the Emerging Market Bond Index declined to 1.11 per cent as at 31 March 2010 from 5.08 per cent at end-December 2009 (see **Figure 6**).

Figure 6

GOJ Global Bonds Composite Index-EMBI Spread



Source: Bloomberg

The success of the JDX has resulted in improvement in Jamaica's debt dynamics and consequently a reduction in the Government's

[35] A weighted average of the actual rates as computed by Bloomberg.

credit risk, improving Jamaica’s macro-economic prospects.

Appendices

A. Fiscal Developments: Preliminary March 2010 Quarter

Preliminary data for the March 2010 quarter indicate that Central Government incurred a deficit of $24.9 billion or 2.2 per cent of GDP, relative to a deficit of $20.5 billion or 1.9 per cent of GDP for the corresponding quarter in FY2008/09. The outturn for the 2010 quarter reflected a higher level of *Expenditure*, which was partly offset by higher *Revenue & Grants* when compared to the March 2009 quarter. The primary balance and current deficit were 2.8 per cent and 1.7 per cent of GDP, relative to 0.9 per cent and 0.4 per cent of GDP for the comparable quarter in FY2008/09 (see **Table I**).

Expenditure for the March 2010 quarter exceeded that recorded for the corresponding period in FY2008/09 by 15.3 per cent. Significant domestic interest payments related to the Jamaica Debt Exchange (JDX) undertaken by the Government in February 2010 was largely responsible for the higher level of expenditure relative to the March 2009 quarter (see **Box 2**). On the other hand, Capital expenditure was lower in the review quarter, reflecting delays in project implementation.

For the review quarter, *Revenue & Grants* exceeded receipts for the comparable period of 2009 by 13.7 per cent, reflecting higher flows from all categories with the exception of bauxite levy and grants. Of note, Tax Revenue grew by 12.8 per cent, largely influenced by tax withheld on interest payments made to investors under the JDX as well as increased Special Consumption Tax (SCT) receipts based on new measures implemented in January. Non-Tax Revenue increased by $4.1 billion relative to the corresponding period of FY2008/09 primarily reflecting transfers from public bodies as well as higher receipts from custom user fees.

For FY2009/10, Central Government incurred a deficit of $121.3 billion or 10.9 per cent of GDP, compared to the IMF-Stand-by Agreement (SBA) target of $106.7 billion or 10.0 per cent of GDP (see **Table I**). This deviation reflected higher than programmed *Expenditur*e due mainly to larger than projected domestic interest payments given a greater than anticipated participation in JDX. The primary balance, which is a critical performance target for the IMF-SBA was $68.1 billion, surpassing the programme target of $66.9 billion. The current deficit was 8.9 per cent of GDP, relative to a current deficit of 8.4 per cent implied by the programme.

Revenue & Grants were 0.8 per cent below programme for the fiscal year, largely reflecting a shortfall in grant receipts from the European Union. Non-Tax Revenue and Bauxite Levy receipts were the only areas of revenue that performed above programme. The postponement of planned divestment negatively impacted capital revenue. Of note, *Revenue* grew by 9.4 per cent in FY2009/10, largely reflecting an 8.0 per cent growth in Tax Revenue, primarily due to higher withholding tax and SCT receipts during the March quarter. The growth in Tax Revenue was, however, well below the 3-year average growth of 14.9 per cent, reflective of the general economic downturn. Notwithstanding this outturn, Tax Revenue as a per cent of GDP was 24.0 per cent in FY2009/10 relative to 22.6 per cent in the previous fiscal year. This improvement was reflected in both the C-Efficiency (GCT) and C-Efficiency (GCT&SCT) ratios which improved to 45.2 per cent and 64.6 per cent, relative to the 3-year averages of 43.6 per cent and 53.6 per cent, respectively.[36] The performance of the C-Efficiency (GCT&SCT) ratio reflected the implementation of the ad valorem component of the SCT on petrol and highlights to the limited capacity for evading this type of tax (see **Table II**).

For FY 2009//10, domestic financing net of amortisation was $104.3 billion while net foreign financing was $26.2 billion. In this regard, 49 instruments, excluding Treasury Bills were issued domestically. Of these instruments, 35 were issued at fixed interest rates accounting for 79.3 per cent of new debt. The weighted average age of new domestic debt issued was 3.0 years relative to 4.1 years for FY2008/09. Notably, whereas the weighted average age of the domestic debt stock was 4.5 years prior to the implementation of the JDX, this increased to 8.9 years post-JDX. With respect to foreign financing, the Government received US$400.0 million in multilateral financing flows from the Inter-American Development Bank and International Bank for Reconstruction & Development (World Bank) in the March 2010 quarter.

[36] The C-Efficiency ratio is the share of value-added tax (VAT) revenue in consumption.

Table I

CENTRAL GOVERNMENT SUMMARY ACCOUNTS
FY 2009/10

(J$MN)

	FY2009/10 Q4	FY2008/09 Q4	Variance	%	FY 2009/10 Outturn	FY2009/10 Prog.	Variance	%
Revenue & Grants	92636.1	81448.8	11187.3	13.7	300193.4	302753.4	-2560.0	-0.8
Revenue	92100.5	76018.8	16081.7	21.2	293896.7	290861.8	3034.9	1.0
Tax Revenue	79984.2	70888.1	9096.1	12.8	265860.3	266457.1	-596.8	-0.2
Non-Tax Revenue	8183.7	4097.4	4086.4	99.7	21245.5	17344.3	3901.2	22.5
Bauxite Levy	84.1	292.0	-207.9	-71.2	1582.1	166.5	1415.6	850.0
Capital Revenue	3848.4	741.3	3107.1	419.1	5208.8	6893.8	-1685.0	-24.4
Grants	535.6	5430.0	-4894.4	-90.1	6296.7	11891.6	-5594.9	-47.0
Expenditure	117604.4	101979.9	15624.5	15.3	421458.5	409451.2	12007.3	2.9
Recurrent Expenditure	106910.0	79683.9	27226.1	34.2	387044.2	374202.0	12842.2	3.4
Programmes	19578.9	21445.4	-1866.5	-8.7	72124.8	74264.5	-2139.7	-2.9
Wages & Salaries	31373.3	27798.5	3574.8	12.9	126203.7	126363.1	-159.4	-0.1
Interest	55957.8	30440.0	25517.8	83.8	188715.6	173574.4	15141.2	8.7
Domestic	47877.5	21495.6	26381.9	122.7	144869.1	132515.1	12354.0	9.3
Foreign	8080.4	8944.4	-864.0	-9.7	43846.5	41059.3	2787.2	6.8
Capital Expenditure	10694.5	22296.0	-11601.6	-52.0	34414.3	35249.2	-834.9	-2.4
Fiscal Balance	-24968.3	-20531.1	-4437.2	21.6	-121265.1	-106697.8	-14567.3	13.7
Current Balance	--18657.9	-4406.4	-14251.5	323.4	-90234.0	-90234.0	-8122.3	9.0
Primary balance	30989.5	9908.9	21080.6	212.7	67450.5	66876.6	574.0	0.9

In Percent of GDP

	FY2009/10 Q4	FY2008/09 Q4	FY 2009/10 Outturn	FY2009/10 Prog.
BR	2.2	1.9	10.9	10.0
CB	-1.7	-0.4	-8.9	-8.4
PB	2.8	0.9	6.1	6.2
IP	5.0	2.8	17.0	16.2
NIE	5.6	6.5	21.0	22.0
FSR (%)	-1.3	-1.3	-1.4	-0.4

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

International Benchmarks

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

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

Table II

C-Efficiency Ratio						
	FY 0506	FY 0607	FY 0708	FY 0809	3 yr Avg.	FY 0910*
Consumption ($Million)	661 198.9	741 390.3	945 848.0	1 032 983.5	906 740.6	924 519.5
Standard rate (%)	16.5	16.5	16.5	16.5	16.5	16.8
GCT						
GCT ($Million)	48 560.5	57 639	66 696.9	69 768.5	64 701.5	70 257.0
GCT/Consumption	7.3	7.8	7.1	6.8	7.2	7.6
C-Efficiency Ratio	44.5	47.1	42.7	40.9	43.6	45.2
GCT&SCT						
GCT&SCT ($Million)	59 028.2	70 894	79 249.6	88 635.7	79 593.1	100 412.8
(GCT&SCT)/Consumption	8.9	9.6	8.4	8.6	8.8	10.9
C-Efficiency Ratio	54.1	58.0	50.8	52.0	53.6	64.6

*For FY2009/10, consumption figures used are BOJ estimates.

*The IMF Benchmark for value added taxes is 83.0 per cent

B. MONETARY POLICY DEVELOPMENTS

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

12/03/2001 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 18.50 per cent, 17.75 per cent, 16.70 percent, 16.40 per cent, 16.25 per cent, 16.15 per cent and 16.00 per cent respectively.

22/03/2001 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 17.75 per cent, 17.00 per cent, 16.15 per cent, 15.80 per cent, 15.70 per cent, 15.60 per cent and 15.50 per cent respectively.

11/04/2001 Interest rates on the 365-day and 270-day instruments were reduced to 17.50 per cent and 16.75 per cent respectively.

21/05/2001 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 16.50 per cent, 15.70 per cent, 15.30 per cent, 15.05 per cent, 14.95 per cent, 14.85 per cent and 14.75 per cent respectively.

01/06/2001 Liquid assets ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from thirty per cent (30%) to twenty nine per cent (29%).

Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from twelve per cent (12%) to eleven per cent (11%).

The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and twenty nine per cent (5% and 29%) for Building Societies.

The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and eleven per cent (1% and 11%) in respect of local and foreign currency deposits.

08/06/2001 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 15.90 per cent, 15.35 per cent, 15.00 percent, 14.80 per cent, 14.70 per cent, 14.60 per cent and 14.50 per cent respectively.

25/06/2001 Interest rates on the 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 14.75 percent, 14.55 per cent, 14.45 per cent, 14.35 per cent and 14.25 per cent respectively.

29/06/2001 The Bank of Jamaica introduced Certificates of Deposits to the range of instruments used in open market operations. All the terms and conditions applicable to Reverse Repurchase transactions apply to Certificates of Deposits, with the exception that the latter are covered by the central bank's assets as against Government securities. Central Bank deposits which are maintained in statement form (i.e. no physical certificate is issued) will continue to be used for placements of seven (7) days or less.

01/09/2001 Liquid assets ratio of commercial banks and FIA institutions in respect of local and foreign currency liabilities reduced from twenty nine per cent (29%) to twenty eight per cent (28%).

Cash reserve ratio of commercial banks' and FIA institutions in respect of local and foreign currency liabilities reduced from eleven per cent (11%) to ten per cent (10%).

The maximum liquid asset ratio for Building societies was reduced by one percentage point resulting in the dual liquid asset ratios of five per cent and twenty eight per cent (5% and 28%) for Building Societies.

The maximum cash reserve ratio for Building Societies was reduced by one percentage point resulting in dual cash reserve ratios of one per cent and ten per cent (1% and 10%) in respect of local and foreign currency deposits.

30/10/2001 Interest rates on the 365-day, 270-day, 180-day, 90-day and 60-day instruments were increased to 19.90 per cent, 19.45 per cent, 15.50 per cent, and 15.00 per cent, 14.75 per cent and 14.55 per cent, respectively

28/12/2001 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day and 60-day instruments were reduced to 18.90 per cent, 18.40 per cent, 15.00 per cent, and 14.55 per cent, 14.45 per cent and 14.35 per cent, respectively.

09/01/2002 Interest rates on the 365-day and 270-day instruments were reduced to 17.90 per cent and 17.00per cent, respectively.

06/02/2002 Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 16.70 per cent, 15.90 per cent, 14.70 per cent, 14.30 per cent, 14.20 per cent, 14.10 per cent and 14.00 per cent, respectively.

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

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

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

18/04/2006	The Bank suspended the acceptance of placements on its open market operations (OMO) instruments with tenors of 270 days and 365 days, until further advised. The OMO instruments, along with corresponding interest rates, that remained on offer were 30-days: 12.6 per cent; 60-days: 12.70 per cent; 90-days: 12.75 per cent; 120-days: 12.85 per cent; and 180-days: 13.00 per cent.
01/05/2006	The Bank removed the requirement that deposit-taking institutions must hold some portion of their assets as a Special Deposit with the Central Bank. This requirement was introduced in January 2003 to stabilize the financial markets. The initial deposit requirement was set at 5 per cent of prescribed liabilities and this was reduced to 1 per cent in two steps between February and May 2005. The significant improvement in macroeconomic conditions and the positive outlook for fiscal year 2006/07 allowed for the return of the remaining deposits. The sum due to financial institutions as at 28 April 2006 was J$1 564.1 million.
12/05/2006	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 12.45 per cent, 12.50 per cent, 12.60 per cent, 12.65 per cent and 12.80 per cent, respectively.
01/09/2006	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 12.15 per cent, 12.2 per cent, 12.30 per cent, 12.35 per cent and 12.50 per cent, respectively.
22/09/2006	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 11.95 per cent, 12.00 per cent, 12.10 per cent, 12.15 per cent and 12.30 per cent, respectively.
22/12/2006	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day and 180-day open market instruments were reduced to 11.65 per cent, 11.70 per cent, 11.80 per cent, 11.85 per cent and 12.00 per cent, respectively. This policy action comes against the background of continued robust economic performance and favourable medium term economic outlook.
18/01/2007	The Bank of Jamaica offered a Special One-Year Variable rate Instrument to Primary Dealers and Commercial Banks. Interest payments on this instrument will be made quarterly. The initial coupon is 11.80 per cent per annum, the rate being paid on a Bank of Jamaica 90-day Certificate of Deposit. Subsequent interest payments will be calculated at 1.00 percentage point above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period. The offer was made in the context of the redemption of Government of Jamaica domestic debt instruments on 18 January 2007 which would increase the level of liquidity in the financial system beyond normal requirements. The Bank continues to offer its regular issues of Certificates of Deposits ranging from 30 days to 180 days.
19/06/2007	The Bank of Jamaica offered a Special Two-Year Variable rate Instrument to Primary Dealers and Commercial Banks during the period 19-22 June 2007. The instrument will be amortized in two equal tranches on 19 June 2008 and 19 June 2009 with quarterly interest payments. The initial coupon is 11.80 per cent per annum, the rate being paid on a Bank of Jamaica 90-day Certificate of Deposit. Subsequent interest payments will be calculated at 1.25 percentage point above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period. The offer was made in the context of the exceptionally high level of liquidity of Jamaica Dollar liquidity anticipated during the offer period. The Bank continues to offer its regular issues of Certificates of Deposits ranging from 30 days to 180 days.
04/07/2007	As part of its liquidity management strategy, the Bank of Jamaica offered a Special Two-Year Variable Rate Instrument to Primary Dealers and Commercial Banks from 04 July 2007 to 09 July 2007. The instrument, with an initial coupon of 11.98 percent, will be amortized in two equal tranches on 02 January 2009 and 03 July 2009 with quarterly interest payments. Subsequent interest payments will be calculated at 2.00 percentage points above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period. The Bank of Jamaica will continue to offer its regular issues of Certificates of Deposit ranging from 30 days to 180 days
06/09/2007	As part of its liquidity management strategy, the Bank of Jamaica offered a Special Two-Year Variable Rate Instrument to Primary Dealers and Commercial Banks commencing from 06 September 2007 to 12 September 2007. The instrument, with an initial coupon of 12.21 percent per annum, will be amortized in two equal tranches on 05 September 2008 and 04 September 2009 with quarterly interest payments. Subsequent interest payments will be calculated at 2.00 percentage points above the Bank of Jamaica 90-day rate applicable at the beginning of each quarterly interest period. The Bank of Jamaica will continue to offer its regular issues of Certificates of Deposit ranging from 30 days to 180 days.
18/09/2007	The Bank of Jamaica accepted subscriptions on a Special One-Year Certificate of Deposit from 18 September 2007 to 26 September 2007. As is customary, this instrument was offered to Primary Dealers and Commercial Banks. Interest on this

instrument will be payable semi-annually at a fixed rate of 14.00 per cent per annum. The offer was designed to effectively manage the level of Jamaica Dollar liquidity anticipated in the financial system.

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

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

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

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

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

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

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

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

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

The rates applicable to all other BOJ instruments remained unchanged.

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

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

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

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

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

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

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

The rates applicable to all other BOJ instruments remained unchanged.

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

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

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

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

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

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

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

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

12/11/2008 The Bank of Jamaica established "Intermediation Facilities" in foreign and domestic currencies, with a view to enhance the flow of credit to the financial market. The domestic currency section of the facility became operational on 24 November.

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

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

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

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

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

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

03/02/2009 The Bank of Jamaica established the Foreign Exchange Surrender Facility for public sector entities (PSE Facility). The aim of the facility is to centralize foreign currency demand of the public sector, especially Port Authority of Jamaica (PAJ), National Water Commission (NWC) and Petrojam. Under this facility Commercial Banks agreed to surrender fifteen percent (15%) of foreign currency purchases daily. The pre-existing requirement where Authorized Dealers and Cambios surrender within a range of five percent (5%) to ten percent (10%) of their gross foreign currency purchases from commercial clients remains in effect. Therefore commercial banks are to surrender, in total between twenty percent (20%) to twenty-five percent (25%) of foreign currency purchases daily.

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

The CRR and LAR are differentially applied to Building Societies. Domestic currency reserve requirements are based on meeting the 40% threshold of domestic currency denominated qualifying assets in relation to domestic currency deposits and withdrawable shares. Foreign currency requirements are determined by meeting the 40% threshold of all (domestic and foreign currency) qualifying assets against all deposits and withdrawable shares. Accordingly, cash reserve ratios of one percent and fourteen percent (1% and 14%) and the liquid assets ratios of five percent and 28 percent (5.0% and 28%) apply to Building Societies, depending on whether they meet the aforementioned 40 percent (40%) threshold in respect of the above-mentioned prescribed domestic currency liabilities.

Similarly, in the case of liabilities payable in foreign currency, cash reserve ratios of one percent and eleven percent (1% and 11%) and the liquid assets ratios of five percent and 25 percent (5.0% and 25%) apply, depending on whether the Societies meet the 40 percent (40%) threshold. Societies that meet the prescribed 'qualifying assets' threshold attract the lower cash reserve and liquid assets requirements. The higher requirements apply to those Societies which fail to meet the prescribed thresholds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18/12/2009 Interest rates applicable to Bank of Jamaica's open market instruments were reduced by 200 basis points. The benchmark six-month rate will therefore move from 17 per cent per annum to 15 per cent. The full schedule of BOJ rates is set out below.

	30 days	**60 days**	**90 days**	**120 days**	**180 days**
New Rates (%)	**10.50**	**11.00**	**13.50**	**13.70**	**15.00**
Previous Rates (%)	**12.50**	**13.00**	**15.50**	**15.70**	**17.00**

The adjustment in interest rates occurred against the background of the positive trends in key economic indicators (inflation, the balance of payments and the exchange rate) which were expected to be sustained over the medium term. This outlook was underscored in the economic programme agreed with the Staff of the International Monetary Fund. The programme was underpinned by a package of policy measures geared towards fiscal and debt sustainability which was expected to lay the foundation for a stable macroeconomic environment and sustained growth.

06/01/2010 The Bank of Jamaica reduced the rate applicable to its open market overnight tenor by 50 basis points to 0.5 per cent.

12/01/2010 The Bank of Jamaica withdrew its offer of the 60-day to 180-day open market instruments.

15/01/2010 The Bank of Jamaica ceased accepting deposits under the special foreign currency deposit facility related to the 'Intermediation Facilities' established on 12 November 2008.

09/02/2010 The rate payable on 30-day open market instruments offered by the Bank of Jamaica was reduced by 50 basis points: from 10.50 per cent per annum to 10.0 percent per annum. The rates on the other tenor s remained unchanged.

The adjustment to the 30-day rate reflected the added boost to confidence that the IMF Board endorsement of a 27-month Stand-by Arrangement with Jamaica brought. On Monday, 8 February 2010, the Bank of Jamaica received half of the financial support approved by the Fund. As a result, the gross international reserves were approximately US$2.2 billion, representing approximately 16.9 weeks coverage of imports of goods and services. Additional foreign exchange inflows from other multilaterals were expected later in February. The receipt of these financial inflows was expected to provide the wherewithal for the Bank to underwrite continued stability in the foreign exchange market and would serve to reinforce the Bank's expectation of reduced inflation in 2010.

01/03/2010 The cash reserve requirement (CRR) in respect of foreign currency prescribed liabilities of deposit-taking institutions was reduced by two (2) percentage points to 9.0 per cent. As a consequence, the liquid asset requirement was also reduced by two (2) percentage points to 23.0 per cent. The cash reserve and liquid asset requirements applicable to Jamaica Dollar liabilities remained unchanged.

The reduction in the CRR followed the receipt of loan flows from multilateral financial institutions in February. These inflows put the BOJ in an enhanced position to maintain stability in the foreign exchange market.

The adjustment to the CRR, which returns the reserve requirements for foreign currency to the level that prevailed prior to December 2008, will allow deposit-taking institutions more latitude in the allocation of their foreign currency portfolios, including expanding credit to the business sector.

LIST OF SUMMARY TABLES

C. Summary Tables

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INFLATION RATES
(%)

	CPI Index (e.o.p)	Head-line (Quarter)	Core (Trimmed-Mean) (Quarter)
2002/2003			
June	62.0	1.6	0.7
September	63.4	2.3	0.7
December	65.0	2.5	0.9
March	64.7	-0.4	1.0
2003/2004			
June	68.5	5.9	2.5
September	71.5	4.4	2.0
December	73.9	3.4	1.4
March	75.4	2.0	1.6
2004/2005			
June	76.8	1.9	1.1
September	79.0	2.9	2.3
December	84.1	6.4	2.6
March	85.3	1.5	0.7
2005/2006			
June	90.0	5.5	2.1
September	93.8	4.2	1.2
December	94.6	0.9	0.6
March	94.9	0.2	0.9
2006/2007			
June	97.6	2.9	1.3
September	99.9	2.4	1.4
December	100.0	0.1	0.2
March	102.5	2.5	1.9
2007/2008			
June	105.1	2.5	1.3
September	108.9	3.6	1.9
December	116.8	7.3	4.0
March	122.9	5.2	3.5
2008/2009			
June	130.3	6.0	3.4
September	136.5	4.7	2.0
December	136.5	0.0	1.1
March	138.2	1.3	1.1
2009/2010			
June	142.0	2.7	1.3
September	146.3	3.1	1.5
December	150.4	2.8	1.4
March	156.6	4.1	1.8

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COMPONENT CONTRIBUTION TO INFLATION
All Jamaica
January – March 2010

Divisions, Classes and Groups	Weight in CPI	Inflation (%)	Weighted Inflation	Contribution (%)
FOOD & NON-ALCOHOLIC BEVERAGES	0.3746	2.51	0.94	22.0
Food	0.3512	2.49	0.88	20.4
- Bread and Cereals	0.0610	1.18	0.07	1.7
- Meat	0.0766	3.99	0.31	7.1
- Fish and Seafood	0.0533	3.39	0.18	4.2
- Milk, Cheese and Eggs	0.0311	3.85	0.12	2.8
- Oils and Fats	0.0164	3.15	0.05	1.2
- Fruit	0.0114	-0.80	-0.01	-0.2
- Vegetables and Starchy Foods	0.0686	0.34	0.02	0.5
- Sugar, Jam, Honey, Chocolate and Confectionery	0.0172	2.56	0.06	1.3
- Food Products n.e.c.	0.0155	-4.97	-0.23	-5.4
Non-Alcoholic Beverages	0.0235	5.50	0.09	2.2
- Coffee, Tea and Cocoa	0.0066	4.18	0.06	1.5
- Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	0.0169	3.12	0.07	1.7
ALCOHOLIC BEVERAGES AND TOBACCO	0.0138	10.68	0.03	0.7
CLOTHING AND FOOTWEAR	0.0333	3.08	0.04	1.0
Clothing	0.0212	3.26	0.15	3.4
Footwear	0.0122	2.79	0.10	2.4
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	0.1276	4.06	0.07	1.6
Rentals for Housing	0.0352	10.10	0.03	0.8
Maintenance and Repair of Dwelling	0.0080	6.73	0.52	12.1
Water Supply and Miscellaneous Services Related to the Dwelling	0.0132	6.39	0.30	7.1
Electricity, Gas and Other Fuels	0.0712	0.48	0.05	1.3
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	0.0493	2.14	0.08	2.0
Furniture and Furnishings	0.0069	3.65	0.03	0.8
Household Textiles	0.0032	2.20	0.11	2.5
Household Appliances	0.0056	4.98	0.03	0.6
Glassware, Tableware and Household Utensils	0.0005	1.82	0.01	0.2
Tools and Equipment for House and Garden	0.0015	2.54	0.03	0.7
Goods and Services for Routine Household Maintenance	0.0316	1.27	0.00	0.0
HEALTH	0.0329	0.94	0.00	0.1
Medical Products, Appliances and Equipment	0.0122	0.58	0.04	0.9
Health Services	0.0207	1.22	0.03	0.7
TRANSPORT	0.1282	13.92	0.01	0.2
COMMUNICATION	0.0399	3.02	0.03	0.6
RECREATION AND CULTURE	0.0336	3.31	1.78	41.7
EDUCATION	0.0214	1.75	0.12	2.8
RESTAURANTS & ACCOMMODATION SERVICES	0.0619	2.20	0.11	2.6
MISCELLANEOUS GOODS AND SERVICES	0.0837	2.95	0.04	0.9
ALL DIVISIONS	1.0000	4.1	4.1	100.0

2B

REGIONAL INFLATION
January – March 2009

Divisions, Classes and Groups	GKMA	Other Urban Centres	Rural Areas
FOOD & NON-ALCOHOLIC BEVERAGES	1.5	2.9	2.0
Food	1.3	3.0	16.0
- Bread and Cereals	1.3	1.5	1.6
- Meat	2.6	1.8	2.9
- Fish and Seafood	2.4	3.5	3.3
- Milk, Cheese and Eggs	2.1	2.6	3.4
- Oils and Fats	1.9	2.8	3.3
- Fruit	0.9	4.8	-3.6
- Vegetables and Starchy Foods	-2.1	3.9	-1.4
- Sugar, Jam, Honey, Chocolate and Confectionery	0.4	4.6	0.1
- Food Products n.e.c.	-7.0	2.8	-5.5
Non-Alcoholic Beverages	4.2	5.6	4.9
- Coffee, Tea and Cocoa	5.1	4.5	4.4
- Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	4.2	2.7	2.3
ALCOHOLIC BEVERAGES AND TOBACCO	5.4	6.0	3.0
CLOTHING AND FOOTWEAR	3.8	1.8	2.0
Clothing	5.8	7.9	8.3
Footwear	1.6	4.5	2.0
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	1.5	5.6	2.8
Rentals for Housing	1.8	2.7	0.9
Maintenance and Repair of Dwelling	7.3	11.1	9.3
Water Supply and Miscellaneous Services Related to the Dwelling	5.7	18.3	17.7
Electricity, Gas and Other Fuels	0.7	0.6	0.5
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	6.4	6.4	6.4
Furniture and Furnishings	9.8	9.9	9.1
Household Textiles	1.9	2.4	1.3
Household Appliances	2.9	2.6	2.7
Glassware, Tableware and Household Utensils	2.1	4.6	0.4
Tools and Equipment for House and Garden	2.5	1.4	1.2
Goods and Services for Routine Household Maintenance	1.8	2.6	1.3
HEALTH	0.7	1.9	2.2
Medical Products, Appliances and Equipment	1.7	2.3	1.0
Health Services	0.4	1.1	1.3
TRANSPORT	0.6	0.7	1.0
COMMUNICATION	0.4	1.3	1.4
RECREATION AND CULTURE	4.2	5.3	3.5
EDUCATION	2.5	2.9	3.3
RESTAURANTS & ACCOMMODATION SERVICES	5.6	4.0	3.0
MISCELLANEOUS GOODS AND SERVICES	4.1	0.7	1.1
ALL DIVISIONS	3.1	4.6	3.2

3

BANK OF JAMAICA OPERATING TARGETS

	Sep-08	Dec-08	Mar-09	Jun-09[p]	Sep-09	Dec-09[p]	Mar-10[p]
Net International Reserves (US$MN)	2 251.1	1 772.94	1 628.6	1 619.4	1 933.2	1 729.4	1 751.9
Net International Reserves ($JMN)	163 180.8	128 520.4	132 224.4	144 110.8	172 039.0	154 517.4	156 530.5
- Assets	165 314.9	130151.4	135 054.7	147 777.2	178 627.8	156 527.8	215 728.4
- Liabilities	-2 134.1	-1631.0	-2 830.3	-3 666.4	-6 588.8	-2 010.4	-59 197.9
Net Domestic Assets	-105 610.2	-57 021.8	-61 021.9	-71 411.9	-99 910.0	-73 401.3	-79208.0
-Net Claims on the Public Sector	93 497.6	123 972.4	128 337.6	139 561.4	109 213.8	128 947.4	119 618.2
- Net Credit to Banks	-14 259.9	- 14 270.5	-17 461.4	-17 679.8	-17 783.0	-16 886.6	-14 539.0
- Open Market Operations	-146 219.8	-1 31 928.8	- 119 337.6	-120 774.3	-118 502.6	-112 011.3	-121 349.2
- Other	-38 628.1	-34 794.9	-52 560.5	-72 519.2	-72 838.3	-73 450.7	-62 938.0
Monetary Base	57 570.6	71 498.6	71 202.5	72 698.9	72 129.0	81 116.2	77 322.4
- Currency Issue *	38 940.9	49 025.6	42 128.7	43 207.7	43 427.6	51 856.2	46965.1
- Cash Reserve	18 400.9	21 983.4	28 927.0	29 429.4	28 551.6	29 204.9	29 734.5
- Current Account	228.8	489.6	146.8	61.8	149.8	55.1	622.8
% change Monetary Base (F-Y-T-D)	-2.2	21.5	21.0	2.1	1.3	13.9	8.6

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

4

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

	M1J	M1*	M2J	M2*	M3J	M3*
2005/2006						
June[r]	52 942.5	62 310.9	142 111.3	212 032.6	185 090.2	255 011.5
September	53 089.8	63 212.3	143 430.0	216 480.9	188 253.9	261 304.7
December	62 572.8	72 736.2	155 248.0	228 320.7	200 537.3	273 609.9
March	58 617.7	69 800.3	153 618.0	228 524.9	202 804.6	277 711.5
2006/2007						
June	61 908.1	71 897.4	159 153.6	232 227.4	208 718.0	281 791.8
September	64 668.9	73 233.3	162 466.8	234 331.2	214 812.8	286 677.2
December	78 180.3	87 446.4	181 792.9	256 975.7	235 544.9	310 727.7
March	70 936.5	80 588.3	175 367.2	253 125.3	231 304.0	309 062.2
2007/2008						
June	74 603.1	85 666.8	182 099.9	266 428.9	237 729.8	322 058.8
September	75 563.7	90 053.6	185 371.1	280 698.4	242 607.4	337 934.7
December	89 116.4	105 258.4	202 344.5	299 970.7	262 637.7	360 263.9
March	77 282.4	88 283.8	189 209.4	284 765.0	251 993.7	347 549.2
2008/2009						
June	82 507.0	89 946.4	197 782.9	291 010.2	265 442.6	358 669.8
September	83 536.5	90 900.7	199 542.5	292 918.6	268 505.6	361 867.2
December	91 017.9	100 097.1	210 962.0	313 194.9	279 396.0	381 628.9
March	85 515.2	96 779.2	202 838.0	317 676.1	275 187.2	390 025.3
2009/2010						
June	88 256.7	98 380.5	206 295.9	319 337.5	282 473.0	395 514.7
September	87 911.6	97 379.0	206 828.6	316 834.7	287 586.8	397 593.0
December	97 733.4	107 958.9	216 803.4	332 151.2	301 336.5	416 684.3
March	89 918.9	101 450.8	210 444.8	327 227.5	295 316.8	412 099.6

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

5

COMPONENTS OF CHANGE IN LOCAL CURRENCY MONEY SUPPLY (Quarterly Flows - J$MN)	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09[r]	Dec-09[p]	Mar-10[p]
M2J	**8 573.5**	**1 759.6**	**11 412.2**	**-8 116.8**	**3 457.9**	**532.7**	**9 974.9**	**-6 358.7**
Currency	2 287.4	-1 887.5	8 393.0	-5 148.0	**1 285.8**	**-700.5**	**7 181.9**	**-4 029.4**
Demand Deposits	2 937.2	2 917.0	-921.0	-345.3	**1 455.8**	**355.4**	**2 639.9**	**-3 785.1**
Savings Deposits	2 457.9	-1 977.3	2 034.2	-164.5	1 667.3	133.1	637.1	1 514.5
Time Deposits	891.0	2 707.4	1 906.0	-2 459.0	-951.0	744.7	-484.0	-58.7
OTHER DEPOSITS	**4 875.4**	**1 303.4**	**-549.8**	**3 936.0**	**3 827.9**	**4 581.1**	**3 591.4**	**339.0**
TOTAL (M3J)	**13 448.9**	**3 063.0**	**10 862.4**	**-4 180.8**	**7 285.8**	**5 113.8**	**13 566.3**	**-6 019.7**
SOURCES OF CHANGE IN LOCAL CURRENCY MONEY SUPPLY								
N.I.R. of B.O.J.	**10 458.6**	**2 863.2**	**-34 660.4**	**-11 720.6**	**-816.6**	**27 928.3**	**-18 144.1**	**2 013.1**
M&LTFL of B.O.J	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Banking System Credit	**14 820.9**	**-5 157.6**	**39 128.0**	**2 572.9**	**18 502.8**	**5 766.5**	**20 790.4**	**-24 742.5**
Public Sector	**7 722.9**	**-9 000.4**	**35 483.6**	**3 232.6**	**16 913.0**	**6 492.4**	**21 707.8**	**-28 775.0**
Private Sector	**7 098.0**	**3 842.8**	**3 644.4**	**-659.7**	**1 589.8**	**-725.9**	**-917.4**	**4 032.5**
Open Market Operations	**-12 656.5**	**4 615.9**	**14 291.0**	**12 591.2**	**-1 436.8**	**2 271.9**	**6 491.2**	**-9 337.9**
Other	**825.9**	**741.5**	**-7 896.2**	**-7 624.3**	**-8 963.6**	**-30 852.9**	**4 428.8**	**26 047.6**
TOTAL	**13 448.9**	**3 063.0**	**10 862.4**	**-4 180.8**	**7 285.8**	**5 113.8**	**13 566.3**	**-6 019.7**
Memo:								
Foreign Currency Deposits (Private Sector)	**-2 328.3**	**148.9**	**3 625.8**	**3 620.4**	**- 1 796.4**	**-3 035.5**	**5 341.6**	**1 435.0**
Foreign Currency Loans (Private Sector)	**12 196.5**	**5 987.2**	**7 925.2**	**321.5**	**-1 909.6**	**-729.8**	**-1 120.2**	**-6 812.7**

p- p-preliminary

r -revised

6A

COMMERCIAL BANKS' SELECTED INTEREST RATES (%) (End-of-Period)	Fixed Deposits *		Savings Deposits (Average) r	Lending Rate (Average)	Fixed Deposits Rate (Weighted Average)	Loan Rate (Weighted Average)	Inter-bank Lending Rate (Average)
	3-6 months	6-12 months					
2002/2003							
June	7.75–13.25	7.75–13.25	9.00	25.92	9.28	18.15	14.68
September	7.75–13.25	7.75–13.25	8.86	26.25	8.98	18.08	13.88
December	7.75–13.25	7.75–13.25	8.96	25.04	8.92	18.26	11.50
March	8.50-13.15	8.50-13.15	8.22	24.73	8.87	17.23	21.90
2003/2004							
June	8.50–13.15	8.50-13.15	8.22	25.18	8.98	19.23	38.40
September	8.50-13.25	8.50-13.50	8.43	25.60	9.02	19.87	17.01
December	8.50-13.25	8.50-13.50	7.24	25.60	8.68.	19.32	24.08
March	8.50–13.25	8.50-13.50	6.78	25.40	8.47	19.01	17.16
2004/2005							
June	8.50 – 13.25	8.50-13.50	6.61	25.02	8.15	17.75	15.75
September	8.50 - 13.25	8.50-13.50	6.61	24.95	7.99	17.76	8.38
December	3.00 – 14.10	3.50–14.30	6.48	24.89	7.78	17.72	12.95
March	3.00 – 14.10	3.50–14.30	6.36	24.89	7.54	17.35	12.58
2005/2006							
June	3.00–14.10	3.50-14.30	5.52	24.70	7.34	16.43	10.00
September	2.50- 14.10	3.00–14.30	5.48	22.00	7.11	17.41	11.13
December	2.50- 14.10	3.00–14.30	5.48	22.00	7.00	17.32	12.42
March	2.50- 14.10	3.00–14.30	5.30	21.84	7.17	17.54	10.00
2006/2007							
June	2.50- 14.10	3.00–14.30	5.39	22.50	7.17	17.60	9.00
September	2.50- 14.10	3.00–14.30	5.36	21.80	6.88	17.83	9.13
December	2.50- 14.10	3.00–14.30	5.20	21.90	6.60	17.59	8.10
March	2.50- 14.10	3.00–14.30	5.15	22.49	6.94	17.28	7.75
2007/2008							
June	6.80 - 10.95	6.50 - 11.60	5.17	22.49	6.96	17.23.	9.67
September	6.80 - 11.85	6.50 – 12.35	4.88	21.08	6.85.	17.06	10.50
December	6.80 - 11.85	6.50 – 12.35	4.88	20.82	6.99	17.11	7.58
March	6.80 – 12..85	6.50 – 13.35	4.88	22.47	6.82	17.33	8.29
2008/2009							
June	6.80 – 12..85	6.50 – 13.35	5.05	21.46	6.94.	16.97	11.67
September	7.30 - 12.85	7.00 – 13.35	5.54	23.18	7.03	16.46	8.67
December	7.30 - 12.85	7.00 – 13.35	5.33	23.17	7.37	16.78	24.50
March	7.30 – 16.33	7.00 - 18.11	5.89	22.34	6.99	16.58	8.29
2009/2010							
June	7.30 – 18.20	7.00 – 19.00	5.87	23.32	7.08	16.49	8.07
September	7.30 – 15.49	7.00 – 15.75	5.86	22.26	6.70	16.30	7.39
December	6.75 – 12.86	7.55 – 13.52	5.35	21.62	6.40	16.19	8.64
March	5.35 – 9.82	5.00 – 9.98	4.09	21.51	n.a	n.a,	6.57

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

6B

GOJ TREASURY BILL YIELDS
(End of Period)

	3-month	6-month	9-month	12-month
2000/2001				
March		16.88		17.86
2001/2002				
June	23.48	16.20		
September	22.23	15.10	15.50	
December	22.12	17.03		
March	21.49	14.30		14.96
2002/2003				
June		13.81		14.77
September		16.69	16.98	
December		17.01		
March		33.47		
2003/04				
June		28.46		
September		23.42	23.87	
December		22.05		
March	15.23	15.57		
2004/05				
June	15.04	14.98	15.18	
September	14.41	14.80		16.36
December	14.41	14.94		
March	13.21	13.46	14.00	
2005/2006				
June	12.85	12.88		
September	12.96	13.15		
December	13.34	13.55		
March	13.16	13.18		
2006/2007				
June	12.64	12.82		
September	12.44	12.49		
December	12.26	12.31		
March	11.55	11.65		
2007/2008				
June	11.98	12.13		
September	14.34	14.29		
December	12.89	13.34		
March	13.97	14.22		
2008/2009				
June	14.19	14.43		
September	14.81	15.35		
December	22.01	24.45		
March	20.51	21.77		
2009/2010				
June	19.58	21.05		
September	16.39	17.35		
December	15.95	16.80		
March	10.18	10.49		

7

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

Tenor of Instruments

End Period	30 days	60 days	90 days	120 days	180 days	270 days	365 days
2001/2002							
March	13.25	13.35	13.45	13.55	13.80	14.20	15.00
2002/2003							
June	13.25	13.35	13.45	13.55	13.80	14.20	15.00
September	12.95	13.05	17.25	17.05	13.45	13.85	14.50
December	12.95	13.05	18.25	18.40	13.45	13.85	14.50
March	15.00	15.30	20.00	24.00	33.15	34.50	35.95
2003/2004							
June	15.00	15.30	20.00	24.00	26.50	29.50	30.00
September	15.00	15.30	18.00	21.00	23.50	23.75	24.00
December	15.00	15.30	17.00	20.00	21.00	22.00	23.00
March	14.85	15.00	15.10	15.50	16.00	16.95	17.95
2004/2005							
June	14.20	14.30	14.40	14.55	15.05	15.65	16.40
September	14.00	14.10	14.20	14.35	14.80	15.35	16.00
December	13.80	13.95	14.05	14.15	14.30	15.00	15.50
March	12.95	13.10	13.20	13.30	13.45	14.00	14.50
2005/2006							
June	12.60	12.70	12.75	12.85	13.00	13.25	13.60
September	12.60	12.70	12.75	12.85	13.00	13.25	13.60
December	12.60	12.70	12.75	12.85	13.00	13.25	13.60
March	12.60	12.70	12.75	12.85	13.00	13.25	13.60
2006/2007							
June*	12.45	12.50	12.60	12.65	12.80	...	...
September	11.95	12.00	12.10	12.15	12.30	...	...
December	11.65	11.70	11.80	11.85	12.00	...	...
March	11.65	11.70	11.80	11.85	12.00	...	...
2007/2008							
June	11.65	11.70	11.80	11.85	12.00	...	...
September	11.65	11.70	11.80	11.85	12.00	...	14.00
December	11.65	11.70	11.80	11.85	12.00	...	13.46
March	13.50	13.70	13.90	14.00	14.20	...	15.00
2008/2009							
June	14.00	14.20	14.40	14.50	14.70	...	15.50
September	14.00	14.20	14.40	14.50	14.70	...	15.50
December	17.00	17.50	20.00	20.20	21.50	...	24.00
March	17.00	17.50	20.00	20.20	21.50	...	24.00
2009/2010							
June	17.00	17.50	20.00	20.20	21.50	...	22.67
September	12.50	13.00	15.50	15.70	17.00	...	...
December	10.50	11.00	13.50	13.70	15.00	...	...
March	10.00	11.00	13.50	13.70	15.00	...	...

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

8A

JAMAICA: GOVERNMENT BOND MARKET
GOJ Maturities
January - March 2010

Maturity Date		Amount J$M	Applicable Interest Rate b/
15 Jan	10.125% US$ Ind Bd. 2010	4 954.4	10.125
15 Jan	FR Inv. Deb. 2010 Ser. Bg	2 510.4	16.7
15 Jan	FR Inv. Deb. 2010 Ser. Bh	8 950.1	25.0
29 Jan	VR Inv. Bd. 2009/2010 Ser. Bg	1 821.8	17.335
10 Mar	FR 10.5% Treasury Bond 2010	3 499.8	10.5
12 Mar	FR 12.0% Treasury Bond 2010	36 836.6	12.0

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

8B

JAMAICA: GOVERNMENT BOND MARKET
GOJ Domestic Market Issues
January - March 2010

Issue Date	Stock Name	Features	Amount raised J$M
12 Jan - 22 Jan	FR 12.0% Treasury Bond 2010	Tenor of 60 days. Interest rate fixed at 12.0%. Principal repaid at maturity on March 12, 2010.	36 836.6
10 Feb - 19 Feb	FR 10.5% Treasury Bond 2010	Tenor of 30 days. Interest rate fixed at 10.50%. Principal repaid at maturity on March 10, 2010.	3 499.8
10 Feb - 19 Feb	FR 11.25% Treasury Bond 2010	Tenor of 180 days. Interest rate fixed at 11.25%. Principal will be paid at maturity on August 10, 2010.	8 189.1
24 Feb - 02 Mar	FR 10.25% Treasury Bond 2010	Tenor of 60 days. Interest rate fixed at 10.25%. Principal will be paid at maturity on April 23, 2010.	15 176.4

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

8C

GOJ Long-term Local Currency Sovereign Credit Ratings		
Date	**Rating Agency**	**RATING**
14-Jan-10	Standard & Poor's	'SD' from 'CCC/C' foreign and local currency sovereign credit ratings. 'D' ratings on exchanged bonds.
22-Jan-10	Moody's Investors Service	'Caa2 from 'Caa1'local currency government bond rating. Foreign currency government bond ratings affirmed at Caa1. Outlook is 'STABLE' for local and foreign currency bond ratings.
3-Feb-10	Fitch Ratings	'RD' from 'C' long-term local currency IDRs. 'RD' from 'CCC' long-term foreign currency IDRs. 'D' from 'C' short-term foreign currency ratings.
3-Feb-10	Fitch Ratings	'CCC' from 'RD' long-term foreign and local currency IDRs. 'C' from 'D' short-term foreign currency ratings.
16-Feb-10	Fitch Ratings	'B-' from 'CCC' long-term foreign and local currency ratings. 'B' from 'C' short-term foreign currency ratings. Outlook is 'STABLE'.
24-Feb-10	Standard & Poor's	'B-' from 'SD' long-term foreign and local currency sovereign credit ratings. Outlook 'STABLE' 'C' from 'SD' short-term foreign and local currency sovereign credit ratings.
3-Mar-10	Moody's Investors Service	'B3' from 'Caa1' foreign currency bond ratings. 'B3' from 'Caa2' local currency bond ratings. Outlook 'STABLE'

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

	Bauxite	Alumina	Sugar	Bananas	Other Traditional	Non-Traditional	Other	Total Goods Exports
2004/2005	**82.1**	**825.0**	**87.0**	**8.2**	**74.2**	**272.6**	**216.3**	**1 565.4**
June	25.4	202.8	47.9	4.3	19.2	77.3	55.8	432.7
September	22.3	173.8	7.7	3.9	20.3	59.9	66.7	354.6
December	8.6	237.8	0.0	0.0	19.6	74.1	58.2	398.3
March	25.8	210.6	31.4	0.0	15.1	61.3	37.0	381.2
2005/2006	**100.6**	**957.5**	**89.4**	**7.7**	**65.3**	**418.1**	**170.0**	**1 808.6**
June	22.6	245.2	41.5	2.1	17.2	61.9	48.6	439.1
September	24.8	233.3	3.8	1.3	18.2	106.8	38.9	427.1
December	25.7	231.1	0.0	1.3	9.0	111.6	38.2	416.9
March [r]	27.5	247.9	44.1	3.0	20.9	137.8	48.4	529.6
2006/2007 [r]	115.2	1 083.7	90.4	13.3	79.1	631.5	188.5	2 201.7
June	29.4	258.8	43.0	3.2	25.0	144.8	46.0	550.2
September	29.4	268.7	2.6	3.8	20.1	166.0	44.2	534.8
December	27.0	265.2	0.0	3.4	14.8	161.4	47.2	519.0
March	29.4	291.0	44.8	2.9	19.2	159.3	51.1	597.7
2007/2008 [r]	**112.7**	**1 213.7**	**104.9**	**6.4**	**83.8**	**797.1**	**225.3**	**2 543.9**
				4.544.				
June	28.5	315.3	42.4	4.5	21.8	173.3	47.6	633.4
September	28.3	267.7	13.1	1.9	22.6	155.7	54.5	543.8
December	26.7	320.0	0.0	0.0	21.2	162.3	57.6	587.8
March [r]	29.2	310.7	49.4	0.0	18.2	305.8	65.6	778.9
2008/2009 [r]	**105.5**	**1 039.2**	**92.8**	**0.0**	**82.6**	**727.3**	**266.8**	**2 314.2**
June	29.6	366.9	43.0	0.0	24.9	251.6	80.4	796.4
September	28.8	304.1	11.8	0.0	25.6	253.4	77.8	701.5
December	26.9	248.8	0.0	0.0	11.9	128.8	50.8	467.2
March [r]	20.2	119.5	38.0	0.0	20.2	93.5	57.8	349.1
2009/2010								
June [P]	14.4	81.6	26.7	0.0	26.7	146.9	61.9	358.2
September [r]	23.9	84.5	0.0	0.0	26.0	144.6	91.9	370.9
December [p]	26.9	82.4	0.0	0.0	17.5	114.7	66.3	307.8

r-revised; p-preliminary

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BALANCE OF PAYMENTS QUARTERLY SUMMARY
(US$MN)

	Jun-08[r]	Sep-08[r]	Dec-08[r]	Mar-09[r]	Jun-09[r]	Sep-09[r]	Dec-09[p]
1. Current Account	**-860.9**	**-936.0**	**-484.2**	**-165.2**	**-94.7**	**-270.2**	**-382.2**
A. Goods Balance	**-1 373.8**	**-1 417.6**	**-939.1**	**-749.0**	**-671.0**	**-804.4**	**-899.0**
Exports (f.o.b.)	796.4	701.5	467.2	**349.2**	358.2	370.9	**307.8**
Imports (f.o.b.)	2 170.2	2 119.1	1 406.3	1 098.2	1 029.2	1 175.3	1 206.8
B. Services Balance	**73.9**	**35.0**	**102.3**	**260.6**	**216.7**	**144.0**	**130.7**
Transportation	-183.4	-189.3	-138.3	-82.9	-79.0	-99.4	-112.1
Travel	423.1	376.6	386.1	501.6	443.2	390.0	386.9
Other Services	-165.8	-152.3	-145.5	-158.1	-147.5	-146.6	-144.1
Goods & Services Balance	**-1 299.9**	**- 1382.6**	**-836.8**	**-488.4**	**-454.3**	**-660.4**	**-768.3**
C. Income	**-122.5**	**-108.4**	**-163.6**	**-150.5**	**-141.4**	**-154.6**	**-139.8**
Compensation of Employees	13.6	28.2	36.0	1.6	6.8	20.5	29.7
Investment Income	-136.2	-136.6	-199.6	-152.1	-148.2	-175.1	-169.5
D. Current Transfers	**561.5**	**555.0**	**516.2**	**473.7**	**501.0**	**544.8**	**525.9**
General Government	25.0	24.9	24.4	31.9	25.7	66.8	24.3
Other Sectors	536.5	530.1	491.8	441.8	475.3	478.0	501.6
2. Capital & Financial Account	**860.9**	**936.0**	**484.2**	**165.2**	**94.7**	**270.2**	**382.2**
A. Capital Account	**-6.0**	**11.3**	**-7.9**	**32.1**	**-9.0**	**-4.7**	**-8.0**
Capital Transfers	-6.0	11.2	-7.9	32.1	-9.0	-4.7	-8.0
General Government	0.0	19.1	0.0	41.9	0.0	3.4	0.0
Other Sectors	-6.0	-7.8	-7.9	-9.8	-9.0	-8.1	-8.0
Acq./disp. Of non-produced non-fin. Assets	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**	**0.0**
B. Financial Account	**866.9**	**924.7**	**492.1**	**133.1**	**103.7**	**274.9**	**390.2**
				-	-		
Official Investment	220.3	333.0	-39.4	**179.7**	**33.4**	**291.4**	**171.0**
Private Investment (including net errors & omissions)	792.0	613.9	53.4	**168.4**	**127.9**	**297.4**	**15.3**
Reserves	-145.4	-22.3	478.1	144.4	9.2	-313.9	203.9

r: revised
p: provisional

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FOREIGN EXCHANGE SELLING RATES

(J$ per unit of foreign currency-end of period)

	US$	Can$	GB£
2004/2005			
September	61.89	49.05	111.62
December	61.63	50.66	117.92
March	61.54	50.61	115.35
2005/2006			
June	61.84	50.52	110.52
September	62.89	53.61	110.02
December	64.58	54.95	110.40
March	65.50	56.14	112.94
2006/2007			
June	66.03	59.50	120.19
September	66.06	59.10	123.48
December	67.15	57.53	131.53
March	67.80	58.75	132.40
2007/2008			
June	68.58	64.81	136.60
September	70.41	70.38	142.28
December	70.62	71.39	140.32
March	71.09	69.75	141.15
2008/2009			
June	71.89	71.49	142.55
September	72.68	69.49	130.35
December	80.47	65.54	116.84
March	88.82	71.97	129.02
2009/2010			
June	89.07	76.84	148.08
September	89.08	82.76	142.16
December	89.60	84.57	143.55
March	89.51	88.06	135.07

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

	Gross Foreign Assets (US$MN)	Gross Foreign Liabilities (US$MN)	International Reserves (Net) (US$MN)	*Weeks of Imports*	
				Goods	Goods & Services
2003/2004					
September	1216.6	34.0	1182.6	19.0	12.8
December	1 196.3	31.4	1 164.9	18.3	12.5
March	1 596.9	28.2	1 568.7	25.0	16.6
2004/2005					
June	1630.3	26.2	1604.1	22.5	
September	1 640.7	24.2	1 616.5	23.5	16.0
December	1 881.9	23.4	1 858.5	27.5	18.7
March	1 924.1	22.5	1901.6	27.5	18.8
2005/2006					
June	2 179.3	22.5	2 156.8	28.1	19.5
September	2 243.0	124.0	2 119.0	27.0	19.1
December	2 169.0	81.6	2 087.4	27.0	19.0
March	2 372.9	294.8	2 078.1	28.3	20.1
2006/2007					
June	2 293.2	183.2	2 110.0	22.9	16.7
September	2 474.7	132.7	2 342.0	26.1	18.8
December	2 399.1	81.6	2 317.5	25.2	18.2
March	2 613.6	284.3	2 329.3	27.1	19.5
2007/2008					
June	2 472.3	233.4	2 238.9	24.5	17.7
September	1 943.2	27.0	1 916.2	18.2	13.2
December	1 905.8	28.1	1 877.7	16.8	12.3
March	2 105.90	22.50	2 083.40	18.0	13.3
2008/2009					
June	2 476.8	248.0	2 228.8	21.2	15.6
September	2 280.5	29.4	2 251.1	18.0	13.3
December	1 795.4	22.5	1 772.9	14.8	10.9
March	1 663.4	34.8	1 628.6	12.2	9.2
2009/2010					
June	1 660.6	41.2	1 619.4	18.5	13.1
September	2 007.2	74.0	1 933.2	22.1	15.6
December	1 758.9	22.5	1 736.4	19.2	13.5
March	2 414.4	662.5	1 751.9	26.5	18.6

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STOCK MARKET ACTIVITIES
Jamaica Stock Exchange

	JSE Index	Volume Traded (MN.)	Value of Stocks Traded (J$MN.)
2004/2005			
September	99 819.8	391.1	4 920.4
December	112 655.5	532.0	7 144.9
March	111 931.2	920.4	18 029.3
2005/2006			
June	110 621.9	866 .8	14 136.8
September	103 332.6	387.8	4 189.6
December	104 510.4	323.1	4 391.0
March	86 896.1	366.5	4 513.8
2006/2007			
June	85 108.2	1 882.6	10 627.1
September	86 196.0	610.4	3 441.1
December	100 678.0	2 823.9	18 459.0
March	90 595.1	556.1	7 662.6
2007/2008			
June	90 069.9	352.4	2 762.0
September	96 299.8	884.7	5 013.4
December	107 968.0	640.3	13 609.5
March	107 439.3	678.2	9 817.1
2008/2009			
June	109 754.0	1 117 .5	13 665.7
September	102 018.9	637.8	39 352.8
December	80 152.0	519.6	4 191.3
March	79 022.6	657.7	2 248.7
2009/2010			
June	80 866.1	191.8	1 396.5
September	79 928.0	339.0	2 960.3
December	83 322.0	517.6	5 584.5
March	86 010.6	1 782.1	5 918.2

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

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PUBLIC SECTOR DOMESTIC SECURITIES
Outstanding Stocks

(J$MN)

End Period	Local Registered Stocks	Treasury Bills	Bonds	BOJ Open Market Operations Securities
2003/2004				
September	232 914.5	2 400.0	160 594.3	83 700.3
December	228 509.3	4 400.0	178 308.3	81 969.4
March	220 819.2	3 750.0	184 219.0	108 281.7
March	240 923.0	2 950.0	114 524.1	86 203.8
2004/2005				
June	222 372.2	3 950.0	187 932.0	123 222.1
September	222 522.4	3 750.0	197 847.6.	127 629.3
December	220 290.5	3 750.0	210 300.0.	130 692.1
March	218 412.6	4 050.0	214 565.6	143 854.8
2005/2006				
June	220 529.2	4 050.0	231 749.8	167 485.1
September	220 059.0	3 800.0	244 195.7	168 108.2
December	225 762.8	3 500.0	240 934.0	149 806.5
March	235 632.7	3 800.0	233 643.7	157 357.6
2006/2007				
June	236 668.6	4 200.0	249 662.1	159 438.0
September	231 237.9	4 600.0	285 901.2	166 018.9
December	229 978.3	4 700.0	294 773.2	154 757.0
March	226 631.1	4 200.0	276 155.1	165 704.0
20007/2008				
June	232 363.8	4 200.0	297 276.0	150 758.3
September	226 746.9	4 200.0	315 256.5	129 771.5
December	224 228.4	4700.0	324 929.2	114 741.3
March	223 581.6	4 200.0	330 008.5	138 179.1
2008/2009				
June	218 100.0	4 200.0	344 170.3	150 835.7
September	213 495.2	4 300.0	357 755.7	146 219.8
December	205 120.1	4 194.5	392 220.6	131 928.8
March	201 936.1	4 094.5	438 381.6	119 337.6
2009/2010				
June	196 457.9	3 955.7	469 957.3	120 774.3
September	185 922.4	4 066.9	525 540.7	118 502.6
December	180 573.5	3 813.4	564 076.7	112 011.3
March	n.a.	4 000.0	n.a.	121 349.2

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

	Crude Bauxite*	Alumina	Total Bauxite**	Sugar	Bananas***
2004/2005	**3 451.4**	**4 028.5**	**13 411.9**	**142.0**	**18.1**
June	1 071.2	1 046.4	3 636.5	60.0	9.9
September	907.1	866.7	3 125.3	3.7	8.2
December	398.5	1 062.6	3 030.0	3.6	0.0
March	1 074.6	1 052.8	3 620.1	74.7	0.0
2005/2006	**4 099.7**	**4 048.7**	**14 167.4**	**151.0**	**18.8**
June	916.0	1 061.8	3 508.3	51.6	4.5
September	1 022.3	1 013.7	3 544.5	0.0	3.6
December	1 035.9	957.4	3 442.6	5.4	3.5
March	1 125.5	1 015.8	3 672.0	94.0	7.2
2006/2007	**4 594.3**	**4 105.2**	**14 905.5**	**144.0**	**30.5**
June	1 136.3	1 053.4	3 779.2	46.3	6.9
September	1 186.5	1 003.9	3 724.6	0.0	9.4
December	1 099.7	1 026.5	3 675.2	2.3	8.4
March	1 171.8	1 021.4	3 726.5	95.4	5.8
2007/2008	**4 386.2**	**3 897.8**	**14 523.0**	**156.9**	**11.7**
June	1 089.7	1 044.3	3 775.3	59.7	8.1
September	1 123.1	908.9	3 489.6	6.9	3.6
December	1 033.3	966.4	3 597.2	9.4	0.0
March	1 140.1	978.2	3 660.9	80.9	0.0
2008/2009	**3 916.7**	**3 856.3**	**13 614.4**	**139.4**	**0.0**
June	1 020.4	1 153..9	3 794.4	54.8	0.0
September	1 115.0	980.5	3 6 18.7	4.2	0.0
December	1 043.0	1 011.8	3 622.5	0.2	0.0
March	738.3	710.1	2 575.2	80.2	0.0
2009/2010	**3 465.3**	**1 513.5**	**7 347.5**	**133.9**	**0.0**
June	546.2	471.0	**1 698.6**	**42.9**	**0.0**
September	883.6	337.8	**1 765.4**	**2.4**	**0.0**
December	1 032.2	353.9	**1 968.0**	**4.9**	**0.0**
March	1 003.3	350.8	**1 915.5**	**83.7**	**0.0**

** Crude Bauxite = Bauxite mined for export*
***Total Bauxite Exports = Crude bauxite + bauxite converted to alumina*
****Banana Exports*

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QUARTERLY GROSS DOMESTIC PRODUCT: VALUE ADDED BY INDUSTRY
REAL GROWTH RATES (2003 PRICES)
December 2007 – December 2009 (Seasonally Unadjusted)

	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Total Value Added at Basic Prices	**-0.7**	**-0.4**	**-1.2**	**-1.0**	**-1.2**	**-2.9**	**-3.5**	**-2.1**	**-2.2**
Agriculture, Forestry & Fishing	-28.7	-17.1	-9.8	-0.5	13.8	8.3	10.7	12.1	17.6
Mining & Quarrying	-5.3	-5.9	-5.1	1.5	0.2	-26.8	-59.6	-57.9	-56.5
Manufacture	1.1	-1.3	-0.5	-0.9	-3.0	-6.1	-8.1	-3.2	-2.1
Food, Beverages & Tobacco	2.0	-2.0	-0.6	-1.7	-1.6	-3.0	-6.5	-2.4	-3.3
Other Manufacturing	0.3	-0.4	-0.4	-0.1	-4.4	-10.2	-10.3	-4.1	-0.9
Electricity & Water Supply	-1.4	-1.3	-1.8	5.7	1.3	-1.4	1.8	5.6	2.5
Construction	8.7	2.1	-3.7	-9.8	-14.1	-5.3	-6.3	-2.8	-4.0
Wholesale & Retail Trade; Repair and Installation of Machinery	-0.1	0.3	0.4	-0.7	-0.7	-1.4	-1.4	-0.8	-1.2
Hotels and Restaurants	3.9	9.6	1.6	-1.5	-1.5	-0.8	3.7	1.9	1.2
Transport, Storage & Communication	0.2	-1.2	-2.2	-2.9	-2.8	-7.9	-5.6	-2.3	-1.4
Finance & Insurance Services	0.1	2.7	0.9	0.7	-1.0	1.0	1.0	1.9	-0.7
Real Estate, Renting & Business Activities	3.3	1.4	1.7	1.2	0.7	0.3	0.3	0.7	0.4
Producers of Government Services	-1.7	-0.1	-1.3	-0.6	1.8	-0.2	-0.3	-0.5	0.0
Other Services	1.2	2.1	-0.3	-0.2	0.3	-0.8	1.6	0.5	-0.1
Less Financial Intermediation Services Indirectly Measured (FISIM)	1.4	2.5	0.9	-2.8	-3.1	0.9	1.0	2.6	0.6

Source: Statistical Institute of Jamaica

D. BANK OF JAMAICA BALANCE SHEET

ASSETS AND LIABILITIES (End of Period) J$MN	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10
Assets	**247 757.6**	**278 045.0**	**267 838.0**	**273 994.4**	**278 865.6**	**280 853.0**	**310 361.6**	**310 179.3**	**355 729.1**
Foreign	149 671.7	177 518.2	164 990.4	143 530.2	146 851.9	147 590.6	178 316.0	157 054.2	215 986.1
Current Account & Foreign Currency Balances	16 279.0	36 274.4	22 474.3	30 350.9	25 289.6	19 281.7	21 147.7	16 734.5	25 615.4
Time Deposits & Securities	124 208.5	132 102.3	133 223.7	100 738.6	102 477.6	106 616.5	104 701.3	87 786.8	144 661.9
Holdings of Special Drawing Rights	5.5	13.4	4.2	7.7	7.4	6.1	29 387.2	29 383.5	29 079.4
Other	9 178.7	9 128.1	9 288.2	12 433.0	19 077.3	21 686.3	23 079.8	23 149.4	16 629.4
Local	98 085.9	100 526.8	102 847.6	130 464.2	132 013.7	133 262.4	132 045.6	153 125.1	**139 743.0**
Public Sector Securities	73 697.2	73 717.4	79 687.4	90 327.4	93 420.1	95 474.5	95 405.5	116 887.0	101 537.2
Discounts & Advances				16 777.2	19 654.1	18 666.6	16 553.1	15 737.8	14 520.1
Other Assets	24 388.7	26 809.4	23 160.2	23 359.6	18 939.5	19 121.3	20 087.0	20 500.3	23 685.7
Liabilities	**247 757.6**	**278 045.0**	**267 838.0**	**273 994.4**	**278 865.6**	**280 853.0**	**310 361.6**	**310 179.3**	**355 729.1**
Foreign	254.7	268.6	237.9	183.8	245.5	247.3	257.3	206.8	55 353.3
Local	247 502.9	277 776.4	267 600.1	273 810.6	278 620.1	280 605.6	310 104.3	309 972.5	300 375.7
Currency in Circulation	40 293.8	39 441.3	38 977.0	49 069.0	42 178.3	43 236.1	43 517.0	51 933.0	47,058.7
Deposits	194 151.5	224 425.0	214 859.7	198 224.7	206 875.9	209 072.4	207 911.8	198 333.9	199 649.0
Bankers	33 897.2	33 105.9	34 281.2	53 951.0	72 751.5	80 951.3	81 758.8	76 175.6	61 722.6
Government	10 476.0	6 589.0	8 286.9	4 503.6	5 208.3	1 515. 6	5 853.3	6 083.0	11 728.1
Open Market Operations	138 179.1	150 835.7	146 219.8	131 928.8	119 337.6	120 774.3	119 833.2	112 011.3	121 349.2
Other	11 599.2	33 894.4	26 071.8	7 841.3	9 578.5	5,831.2	466.5	4 064.0	4 849.1
Allocation of Special Drawing Rights	3 914.0	4 185.3	5 020.6	5 020.6	5 020.6	5 399.5	34 786.0	34 786.0	34 786.0
Capital & Reserves	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Other Reserves	5 590.0	5 660.8	5 458.0	5 685.0	5 520.9	5 077.6	5 911.6	6 581.7	7 759.5
Other Liabilities	3 529.6	4 040.0	3 260.8	15 787.3	19 000.4	17 796.1	17 953.9	18 313.9	11 098.6

E. COMMERCIAL BANKS' BALANCE SHEET

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

	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09 [p]	Mar10 [p]
Assets	519 204.9	533 049.2	548 341.6	572 720.3	573 621.9	571 869.4	572 180.7	591 766.5
Cash	3 893.6	5 338.2	7 029.9	5 280.9	5 074.2	5 994.6	7 241.4	6 447.5
Balances with BOJ	76 629.6	86 077.6	81 762.9	92 513.2	92 378.6	88 995.0	84 640.0	90 568.3
Foreign Assets	110 430.8	100 289.2	104 184.8	108 218.2	112 238.0	104 174.3	114 421.4	129 647.7
Loans & Advances	215 973.6	233 120.9	246 167.5	259 146.7	259 340.6	257 227.4	256 389.7	256 993.7
Private Sector	187 366.6	202 280.2	215 392.1	224 852.5	224 361.5	222 893.5	222 491.5	219 459.4
Public Sector	28 607.0	30 840.7	30 775.4	34 294.2	34 979.1	34 333.9	33 898.2	37 534.3
Public Sector Securities	62 265.7	58 867.3	57 691.2	55 571.9	57 421.5	67 770.7	63 701.0	62 028.3
Cheques in the Process of Collection	6 013.2	4 936.6	2 425.2	5 863.5	3 466.2	5 347.4	2 664.1	4 671.2
Other Assets	43 998.4	44 419.4	49 080.1	46 125.9	43 702.8	42 360.0	43 123.1	41 409.8
Liabilities	519 204.9	533 049.2	548 341.6	572 720.3	573 621.9	571 869.4	572 180.7	591 766.5
Deposits	322 095.9	327 776.0	333 960.0	353 880.5	352 625.7	351 676.2	357 096.6	378 413.5
Local Currency	199 675.1	205 462.6	205 487.7	210 182.7	206 226.6	209 891.2	208 434.7	219 801.2
Foreign Currency	122 420.8	122 313.4	128 472.3	143 697.8	146 399.1	141 785.0	148 661.9	158 612.3
Foreign Liabilities	79 532.3	79 180.9	88 460.5	91 717.1	91 027.4	82 475.3	80 593.4	77 845.8
Discounts & Advances from BOJ	203.2	53.3	197.1	93.6	99.8	411.6	450.4	506.6
Loans/Advances from Other Institutions	5 051.8	5 164.8	5 456.1	9 032.4	10 642.6	12 217.8	12 076.9	11 425.0
Cheques in the Process of Payment	4 574.3	4 583.3	7 900.8	4 388.8	4 200.7	5 431.2	3 892.0	5 292.7
Other Liabilities	107 747.4	116 290.9	112 367.1	113 607.9	115 025.7	119 657.3	118 071.4	118 282.9

P - preliminary ; r - revised

F. INTERNATIONAL INDICATORS
1

LONDON INTERBANK OFFER RATE–LIBOR (End- of-Period)	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
2003/2004				
June	1.1620	1.1225	1.0815	1.0944
September	1.1200	1.4246	1.1856	1.3525
December	1.1326	1.1670	1.2274	1.4688
March	1.0923	1.1122	1.1585	1.3251
2004/2005				
June	1.3687	1.6100	1.9400	2.4625
September	1.8400	2.0200	2.1963	2.4825
December	2.3890	2.4959	2.7069	3.0109
March	2.6464	2.8335	3.0700	3.4237
2005/2006				
June	3.2498	3.4263	3.6131	3.8135
September	3.7779	3.8981	4.0363	4.1951
December	4.3622	4.4910	4.6662	4.8357
March	4.7604	4.9203	5.0527	5.1867
2006/2007				
June	5.2301	5.3673	5.4759	5.5772
September	5.3300	5.3898	5.4249	5.4101
December	5.3219	5.3600	5.3700	5.3294
March	5.3199	5.3462	5.3132	5.1969
2007/2008				
June	5.3200	5.3600	5.3863	5.4256
September	5.5572	5.5424	5.3916	5.0865
December	4.6000	4.7025	4.5963	4.2238
March	2.7031	2.6881	2.6143	2.4862
2008/2009				
June	2.4625	2.7831	3.1088	2.4862
September	3.9263	4.0525	3.9813	3.9625
December	0.4360	1.4250	1.7500	2.0040
March	0.5320	1.2670	1.8270	2.1170
2009/2010				
June	0.3090	0.5950	1.1110	1.6060
September	0.2456	0.2869	0.6288	1.2638
December	0.2309	0.2506	0.4297	0.9844
March	0.2486	0.2915	0.4444	0.9200

2

LONDON MONEY RATES – INTERBANK STERLING
(End- of-Period)

	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
2005/2006				
June	4 27/32 – 4 11/16	4 25/32 – 4 5/8	4 23/32 – 4 9/16	4 19/32 – 4 13/32
September	4 19/32 – 4 15/32	4 19/32 – 4 15/32	4 9/16-4 7/16	4 7/16 – 4 13/32
December	4 21/32 – 4 17/32	4 5/8 – 4 17/32	4 19/32-4 15/32	4 9/16 – 4 15/32
March	4 19/32 – 4 ½	4 5/8 – 4 17/32	4 11/16 – 4 9/16	4 25/32 – 4 11/16
2006/2007				
June	4 11/16 – 4 19/32	4 ¾ – 4 21/32	4 13/16 – 4 23/32	5 – 4 29/32
September	4 15/16 – 4 7/8	5 1/16 – 5	5 3/16 – 5 3/32	5 9/32 – 5 7/32
December	5 1/32 – 5 ¼	5 5/16 – 5 7/32	5 13/32 – 5 5/16	5 17/32 – 5 7/16
March	5 15/32 -5 13/32	5 5/8-5 17/32	5 ¾-5 21/32	5 7/8-5 25/32
2007/2008				
June	5 92/100- 5 95/100	6 1/100 - 5 93/100	6 14/100 – 6 6/100	6 33/100 – 6 23/100
September	6 8/100 – 6 18/100	6 25/100 – 6 8/100	6 25/100 – 6 15/100	6 18/100 – 6 8/100
December	6 4/100 – 5 24/25	6 2/100 – 5 47/50	5 97/100 – 5 91/100	5 ¾ – 5 67/100
March	5 70/100- 5 79/100	5 94/100 - 6	5 90/100 – 5 98/100	5 74/100 – 5 84/100
2008/2009				
June	5 40/100- 5 51/100	5 86/100 - 5 95/100	6 5/100 – 6 17/100	6 36/100 – 6 45/100
September	5 90/100- 6	6 18/100- 6 28/100	6 25/100 – 6 35/100	6 35/100 – 6 45/100
December	2 5/100-2 5/100	2 68/100- 2 78/100	2 85/100 – 2 85/100	3 00/100 - 3 10/100
March	95/100 -1 05/100	1 60/100 – 1 70/100	1 85/100 - 1 95/100	2 06/100 – 2 16/100
2009/2010				
June	34/100 - 64/100	1 14/100 - 1 14/100	1 38/100 - 1 48/100	1 69/100 - 1 79/100
September	35/100 – 50/100	35/100 – 55/100	50/100 – 77/100	85/100 - 1 25/100
December	40/100 – 50/100	47/100 – 57/100	76/100 – 86/100	1 20/100 – 1 30/100
March	37/100 – 54/100	45/100 – 64/100	70/100 – 87/100	1 10/100 – 1 31/100

3

PRIME LENDING RATES
(End- of-Period)

	EURO-ZONE	UNITED STATES			UNITED KINGDOM
	Repo rate	Fed Funds Rate	Discount Rate	Prime Rate	Repo rate
2004/2005					
September	2.00	1.75	2.58	4.75	4.75
December	2.00	2.25	3.15	5.25	4.75
March	2.00	2.75	3.58	5.50	4.75
2005/2006					
June	2.00	3.25	4.01	6.00	4.75
September	2.00	3.75	4.59	6.75	4.50
December	2.25	4.25	5.15	7.25	4.50
March	2.50	4.75	5.53	7.75	4.50
2006/2007					
June	2.75	5.25	6.02	8.25	4.50
September	3.00	5.25	6.25	8.25	4.75
December	3.50	5.25	6.25	8.25	5.00
March	3.75	5.25	6.25	8.25	5.25
2007/2008					
June	4.00	5.25	6.25	8.25	5.50
September	4.00	4.75	5.25	8.25	5.75
December	4.00	4.25	4.75	7.25	5.50
March	4.00	2.25	2.50	5.25	5.25
2008/2009					
June	4.00	2.00	2.25	5.00	5.00
September	4.25	2.00	225	5.00	5.00
December	2.50	0 – 0.25	0.50	3.61	2.00
March	1.50	0.25	0.50	3.25	0.50
2009/2010					
June	1.00	0.25	0.50	3.25	0.50
September	1.00	0.25	0.50	3.25	0.50
December	1.00	0.25	0.50	3.25	0.50
March	1.00	0.25	0.70	3.25	0.50

4A

INTERNATIONAL EXCHANGE RATES US$ vs. OTHER MAJOR CURRENCIES (Currency/US$) (End- of-Period)	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep -09	Dec -09	Mar -10
US$ vs. Sterling	0.5024	0.5618	0.6843	0.6993	0.6079	0.6249	0.6186	0.6585
US$ vs. Canadian $	1.0186	1.0599	1.2246	1.2602	1.1625	1.0722	1.0466	1.0156
US$ vs. Yen	106.18	105.99	90.778	99.150	96.393	89.499	93.114	93.431
US$ vs. Euro	0.6350	0.7103	0.7184	0.7542	0.7133	0.6835	0.6977	0.7393

4B

INTERNATIONAL EXCHANGE RATES EXCHANGE CROSS RATES (Mar. 2010)	GBP	CAN$	US$	Yen	Euro
GBP	1.0000	1.5422	1.5185	141.880	1.1227
CAN$	0.6484	1.0000	0.9846	91.9660	0.7280
US$	0.6585	1.0156	1.0000	93.4310	0.7393
Yen	0.0070	0.0109	0.0107	1.00000	0.0079
Euro	0.8907	1.3737	1.3526	126.380	1.0000

4C

INTERNATIONAL EXCHANGE RATES STERLING vs. OTHER MAJOR CURRENCIES (End of Period)	Dec-08	Mar-09	June-09	Sep-09	Dec -09	Mar -10
Sterling vs. US$	1.4859	1.4168	1.6449	1.6003	1.6165	1.5185
Sterling vs. Canadian $	1.8342	1.791	1.9122	1.7158	1.6918	1.5422
Sterling vs. Yen	135.67	138.65	158.56	143.22	150.52	141.88
Sterling vs. Euro 1/	1.1040	1.0862	1.1733	1.0938	1.1279	1.1277

5A

WORLD COMMODITY PRICES KEY CRUDE OIL PRICES (US$/barrel – f.o.b.) (Period Averages)	Sep-08	Dec-08	Mar-09	June-09	Sep -09	Dec -09	Mar -10
North Sea Brent	99.06	41.58	46.84	68.62	67.69	74.67	79.27
West Texas Intermediate	103.94	41.44	48.06	69.70	69.47	74.56	81.29

5B

WORLD COMMODITY PRICES FOOD (Period Averages)	Sep-08	Dec-08	Mar-09	June-09	Sep -09	Dec -09	Mar -10
Wheat **(**US$/mt**,** Hard Red Winter**)**	294.46	220.14	230.95	256.64	191.10	206.25	191.08
Coffee (USc/kg Arabica brand)	315.86	262.13	283.34	330..23	327.45	348.68	362.66

6

MAJOR STOCK MARKET INDICES (End- of-Period)	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10
TOKYO									
Nikkei Index	12525.54	13481.38	11259.86	8859.56	8109.53	9958.44	10133.23	10546.44	11089.94
NEW YORK									
Dow Jones Industrials	12295.29	11350.01	10850.66	8776.39	7608.92	8447.00	9712.28	10428.05	10856.63
S & P Composite	1325.52	1280.00	1166.36	903.25	797.87	919.32	1057.08	1115.10	1169.43
LONDON									
Financial Times SE 100	5702.10	5625.90	4902.45	4434.17	3926.14	4249.21	5133.90	5412.88	5679.64
FRANKFURT									
Dax Index	6418.32	5831.02	6145.00	4810.20	4084.76	4808.64	5675.16	5957.43	6153.55

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).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Monetary Base*: See *Base Money

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

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

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 (see **Monetary Developments**).

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

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

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

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

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

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

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

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

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: A 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.

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

Quasi-money*:* Savings Deposits plus Time Deposits.

List of Boxes in the Quarterly Monetary Policy Report