QUARTERLY MONETARY POLICY REPORT

October - December 2010
Volume 11 No. 3
DRAFT

Bank of Jamaica
Quarterly Monetary
Policy Report

October - December 2010

Volume 11 No. 3

Nethersole Place
Kingston
Jamaica

Telephone: (876) 922 0750-9
Fax: (876) 922 0854
E-mail: library@boj.org.jm
Website: www.boj.org.jm

ISSN 0799 1037

The report is available in PDF format at the Bank's website.
Comments on this publication are welcome and can be sent directly to the Bank or to our website.

CONTENTS

PREFACE

The Bank of Jamaica's Quarterly Monetary Policy Report reviews the conduct of monetary policy and the main factors that influence inflation. It also presents the Bank's perspective on emerging economic trends and the path of monetary policy over the short- to medium-term. In light of recent discourse in the public domain this issue features a discussion on the matter of an Inflation Targeting framework for Jamaica.

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

The Bank continued to ease monetary policy during the review quarter in a context of a favourable outlook for long-term inflation as well as the generally weak state of the domestic economy. This was reflected in a 50 basis point (bps) reduction in the 30-day open market rate to 7.5 per cent. In concert with the signals from the central bank, interest rates in the bond market continued to trend downwards supported by high domestic liquidity, improving inflation prospects, stability in the exchange rate as well as improved market sentiment consequent on the continued positive performance under the IMF Stand-By Arrangement (IMF-SBA). In this context, the benchmark 180-day Treasury Bill yield declined by 51 bps over the quarter to 7.48 per cent. This was the eighth consecutive quarter of reduction in Treasury Bill yields.

The pace of reduction in the Bank's policy interest rate was slower than previous quarters in a context of emergent short-term threats to inflation. Notwithstanding the favourable long-term outlook for the rate of price increases, transient inflationary pressures emerged during the December 2010 quarter from the impact of Tropical Storm Nicole on agriculture supply and higher international commodity prices.

Consequently, headline inflation was 3.3 per cent for the review quarter which was twice the outturn for the previous quarter and above the Bank's forecast range of 2.0 per cent to 3.0 per cent. The annual rate of inflation was 11.7 per cent and exceeded the 10.2 per cent recorded in 2009. However, all the annual measures of core inflation, with the exception of the Trimmed Mean which remained flat, recorded notable declines, when compared to the measures at end-2009.

The higher than anticipated inflation during the review quarter was due to a larger than expected impact of the adverse weather on agricultural prices, particularly the prices for short-term crops. Consequently, *Vegetables and Starchy Foods* increased by 15.4 per cent for the quarter and contributed 34.2 per cent to the overall inflation for the quarter.

Domestic inflation was also adversely affected by the pass-through of a significant rise in commodity prices on the international market. This was driven by resurgent demand and adverse weather conditions. The former was influenced by an acceleration in global economic expansion, particularly US GDP growth, which primarily reflected a rise in consumption.

Of note was a considerable rise in international agricultural commodity prices. Wheat prices rose by 15.7 per cent in the context of adverse weather in some of the major producing regions as well as the ban on exports by the third largest exporter, Russia. Corn and soybean prices rose by 32.9 per cent and 15.8 per cent, respectively, reflecting the impact of reduced yields and increased demand from China. Adverse weather also affected the price of rice which rose by 11.7 per cent.

In the context of the exogenous shocks from Tropical Storm Nicole and international agriculture commodity prices, most of the inflation for the review quarter emanated from food prices (59.7 per cent). Domestic inflation also reflected higher energy and transportation costs due to an 11.8 per cent rise in international oil prices. The main factor contributing to the rise in crude oil prices was a weakening of the US dollar against the major currencies, complemented by the impact of a positive outlook for growth in demand for oil. The impact of the aforementioned shocks on inflation was tempered by a fairly stable exchange rate and weak aggregate demand.

The foreign exchange market was relatively stable during the December 2010 quarter, despite a seasonal increase in demand in November. For the quarter, the weighted average selling rate of the US dollar declined by 0.4 per cent to J$85.86=US$1.00 at end-2010. The value of the Jamaica Dollar vis-à-vis the US dollar appreciated by 4.3 per cent for 2010, compared to the 10.2 per cent depreciation in 2009.

The stability of the foreign exchange market during the December 2010 quarter was underpinned by continued strong net private capital inflows, in the context of the favourable economic outlook by investors. The increased net capital inflows offset the impact of higher demand for foreign currency arising from an increase in net imports of goods and services during the review quarter. The latter reflected higher payments for fuel and a seasonal increase in consumer-related imports. Against the background of strong market inflows as well as the purchase of the proceeds of a US$200.0 million Inter-American Development Bank loan, the Bank's net international reserves increased by US$197.7 million during the quarter to US$2 171.4 million at end 2010. The stock at the end of the review period was US$347.8 million above the target set under the IMF-SBA.

Despite the seasonal increase in net imports relative to September, underlying aggregate demand remained weak, due mainly to continued declines in ***Consumption*** and ***Investment***. However, the rates of decline were estimated to have been slower than the pace in the preceding ten quarters. Against this background, Jamaica's real GDP was estimated to have contracted within the range of 0.0 per cent to 1.0 per cent, for the review quarter. All sectors declined, with the exception of ***Mining & Quarrying*** and ***Hotels & Restaurants***.

This weakness in economic activity was reflected in the trends in the monetary aggregates and credit. Broad Jamaica Dollar money supply (M3J) increased by 3.8 per cent in the review quarter which was slower than the expansion recorded in the corresponding quarter of 2009 (4.7 per cent) and the average growth of 6.6 per cent for the previous five December quarters. The expansion in M3J was mainly reflected in currency in circulation, which was marginally below the seasonal growth and declined in real terms for the calendar year. Credit extended to the private sector by the commercial banks also declined in the December 2010 quarter. This decline was reflected solely in overall credit to the productive sector despite notable increases in loans to ***Manufacturing, Tourism*** and ***Professional & Other Services***.

Outlook

The outlook for Jamaica's main trading partners, particularly the US, is increasingly positive. Overall global output is expected to continue to expand, with developing economies, such as China and India, recording stronger growth than developed countries. In this context, the demand for Jamaica's exports is expected to strengthen. However, domestic demand is likely to remain constrained by a continued fall in real incomes that has resulted from the extended recessionary conditions in Jamaica.

Against this background, Jamaica's output is projected to expand marginally in the March 2011 quarter driven by growth in ***Mining & Quarrying*** and ***Hotel & Restaurants.*** The expansion in these sectors is expected to offset the impact of a slower rate of decline in the other sectors on overall GDP. Notwithstanding the marginal improvement in the March quarter, domestic output is expected to contract for FY2010/11, reflecting the decline in the first three quarters of the fiscal year. The risk to this outlook is predominantly on the downside.

Headline inflation is projected to be in the range of 1.0 per cent to 2.0 per cent for the March 2011 quarter, which would be lower than the 3.3 per cent recorded in the December 2010 quarter. The projected inflation for the March 2011 quarter is underpinned by expected increases in imported inflation, continued stable domestic capacity conditions and declining inflation expectations. In addition, there is expected to be some reversal in the price increases in agriculture commodities that occurred in the December 2010 quarter, as output begins to recover. This is anticipated to have a dampening effect on the overall movement in the Consumer Price Index.

The risks to this forecast are balanced. Upside risks are mainly associated with the volatility in imported international commodity prices while a stronger than anticipated reversal in the prices of domestic agriculture commodities is the main downside risk.

Domestic price increases have remained generally within the BOJ's target range of 7.5 per cent to 9.5 per cent for the fiscal year. Additionally, the financial markets are expected to remain fairly stable. Against this background, the BOJ should be able to continue its policy easing in the March 2011 quarter.

1. International Developments

The pace of global economic growth is estimated to have accelerated in the December 2010 quarter. This acceleration was influenced primarily by continued strong growth among emerging market economies, particularly China and economic recovery in the US.

In the context of relatively high unemployment, target interest rates in most of the advanced economies were kept at low levels. The US also announced a second programme of quantitative easing (QE2) in November 2010. Market interest rates for US dollar-denominated assets trended downwards during the review quarter due to the continued absence of inflationary pressures, the US' low interest rate policy and renewed concerns about the sustainability of sovereign debt in Europe. There was also a fall in the yields on emerging market bonds, driven by strong demand. In contrast to these trends, the People's Bank of China (PBoC) tightened monetary policy during the quarter to curtail inflation.

Commodity prices rose considerably during the quarter. An increase of more than 10.0 per cent in crude oil prices primarily reflected the impact of a depreciation in the value of the US dollar vis-à-vis the Euro. Increased demand for fuel also resulted from economic recovery in the US and below-normal winter temperatures in the US and Europe. The rise in the prices of agricultural commodities was also attributable to unfavourable weather conditions and resurgent demand. Within the context of the rise in import prices, Jamaica's terms of trade (TOT) deteriorated during the December 2010 quarter. This reflected the increase in the import price index (IPI), the impact of which was partly offset by the effect of a rise in alumina prices on the export price index (EPI).

Global Economic Growth

Global economic growth is estimated to have accelerated in the December 2010 quarter, broadly reflecting growth among key emerging economies as well as economic recovery in the US. Real GDP in China, India, Chile and Brazil are estimated to have grown on an annualised basis, by 9.8 per cent, 8.5 per cent, 6.3 and 5.5 per cent, respectively, for the December 2010 quarter, relative to growth of 9.6 per cent, 8.9 per cent, 7.2 per cent and 6.7 per cent, respectively, for the September 2010 quarter. The strong growth in the emerging economies was largely due to a rise in net exports during the quarter.

Growth in the global economy is estimated to have accelerated in the December 2010 quarter due to continued strong growth in emerging economies and economic recovery in the US.

Real GDP in the US grew, on an annualised basis, by 3.2 per cent in the December 2010 quarter, relative to growth of 2.6 per cent for the September 2010 quarter (see **Table 1.1**). The acceleration in the rate of growth in the US economy was occasioned by an acceleration in consumption expenditure growth, which was partly offset by a slowdown in investment spending in the context of a sharp decline in inventories. Growth in Canada is estimated to have also accelerated in the review quarter, reflecting a rise in consumption. There was a slight acceleration in growth in the Euro area, despite the offsetting effects of weak economic performance among the debt ridden countries such as Greece and Ireland.

Table 1.1

Selected GDP Growth Rates

	Jun-10	Sept-10	Dec-10
USA	1.7	2.6	3.2
Canada	3.4	3.4	3.7*
Japan	3.0	4.5	0.4*
China	10.3	9.6	9.8
UK	1.6	2.7	1.7
Euro area	2.0	1.9	2.1*

*Sources: Central Statistics Offices *Consensus Forecasts*

Unemployment

Unemployment remained unchanged in the US and the Euro area at an average of 9.6 per cent and approximately 10.0 per cent, respectively, during the December 2010 quarter, relative to the previous quarter. In Canada, however, the unemployment rate fell to an average of 7.7 per cent from 8.0 per cent in the September quarter. The outturn in Canada was primarily attributable to increased employment in the health care and retail trade sectors.

Table 1.2

Annual Inflation for Selected Economies (twelve month point-to-point) Sept 10 – Dec 10					
	USA	**Canada**	**UK**	**China**	**Euro area**
Sept	1.1	1.9	3.0	4.3	1.8
Oct	1.2	2.4	3.1	4.4	1.9
Nov	1.1	2.0	3.3	5.1	1.9
Dec	1.4	2.4	3.7	4.6	2.2

Source: Central statistics offices

Adverse weather conditions and increased demand resulted in higher international grain prices in the December 2010 quarter.

Inflation

Inflation in the major developed economies and China accelerated during the December 2010 quarter, relative to the previous quarter (see **Table 1.2)**. Compared to the rate at September 2010, the twelve-month inflation rate in the US, Canada and the Euro area rose by 0.3 percentage point, 0.4 percentage point and 0.4 percentage point, respectively. Relative to September 2010, the twelve-month inflation rate in Canada at December 2010 rose by 1.1 percentage points. For these countries, increases in transportation and housing costs contributed to the higher inflation outturn. With respect to China, the twelve-month inflation rate rose by 0.3 percentage point, relative to September 2010 largely due to higher food prices.

Jamaica's Terms of Trade

Jamaica's terms of trade (TOT), as measured by the Bank's index, declined by an estimated 4.4 per cent, relative to the September 2010 quarter. This compares to an average decline of 1.5 per cent over the past five years. The movement in the TOT during the review quarter reflected a 7.1 per cent increase in the Import Price Index (IPI), the effect of which was partly offset by a rise of 2.4 per cent in the Export Price Index (EPI). On an annual basis, however, the TOT rose by 3.7 per cent.

The performance of the IPI was primarily influenced by increases in the prices of fuel and agricultural raw materials. Crude oil prices rose by 11.8 per cent during the December 2010 quarter, compared to a decline of 2.4 per cent in the previous quarter.[1] This compares to the five-year seasonal average decline of 7.7 per cent. The increase was driven by a depreciation of the US dollar (USD) vis-à-vis the euro and optimism about global economic recovery, particularly in light of better-than-expected US macroeconomic data. Below-average winter temperatures in the US and Europe also contributed an increase in demand for fuel. Consequently, US crude oil inventories declined by 6.3 per cent during the quarter. The agricultural raw material sub-index of the Bank's

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

Table 1.3

Selected Import/Export Prices (period averages) (Per cent changes relative to previous period)			
	Jun-10	**Sept-10**	**Dec-10**
Crude Oil	-0.9	-2.3	11.8
Soybeans	-1.9	10.3	15.8
Corn	-3.1	15.2	32.9
Rice	-15.5	1.0	11.7
Wheat	-6.3	34.9	15.7
TIPI*	-0.7	-15.6	-1.2
Aluminium	-3.1	-0.9	9.3

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

Chinese authorities utilized monetary policies to curb inflationary pressures.

Table 1.4

Selected Benchmark Interest Rates Sept 10 - Dec 10					
	USA[a]	**UK[b]**	**Euro area[b]**	**Japan[c]**	**Canada[d]**
Sept	0.25	0.50	1.00	0.10	1.00
Oct	0.25	0.50	1.00	0.10	1.00
Nov	0.25	0.50	1.00	0.10	1.00
Dec	0.25	0.50	1.00	0.10	1.00

Source: Central Banks

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

IPI rose by 14.0 per cent for the quarter (see **Table 1.3**). Wheat prices rose by 15.7 per cent in the context of supply concerns associated with dry weather in the US Great Plains as well as floods in Australia. The ban on wheat exports from Russia, the third largest wheat exporter, also influenced prices during the review quarter. Corn and soybean prices also rose by 32.9 per cent and 15.8 per cent, respectively, reflecting the impact of increased Chinese demand. A reduction in US corn yields as well as dry conditions in Argentina also negatively affected global supply. The price of rice rose by 11.7 per cent in the quarter, due to floods in Thailand and in central Vietnam, the world's two largest exporters, which led to a worsening of supply tightness.

The marginal rise in the EPI reflected an estimated rise in alumina prices which was partially offset by a decline in the tourism price index. There was an estimated increase of 9.3 per cent in alumina prices associated with higher aluminium prices (see **Table 1.3**). Consistent with the seasonal pattern, the tourism price index declined by an estimated 1.2 per cent.

Monetary Policy

The central banks of the major advanced economies kept their target interest rates unchanged during the December 2010 quarter (see **Table 1.4**). However, the Federal Reserve (Fed) announced a second round of quantitative easing (popularly referred to as QE2) in November 2010. The programme was implemented in light of high unemployment, modest income growth, falling house prices and tight credit conditions in the US. The programme anticipates the purchase of US$600.0 billion of longer-term Treasury securities between November 2010 and end-June 2011.

Figure 1.1

US Treasury Yield Curve

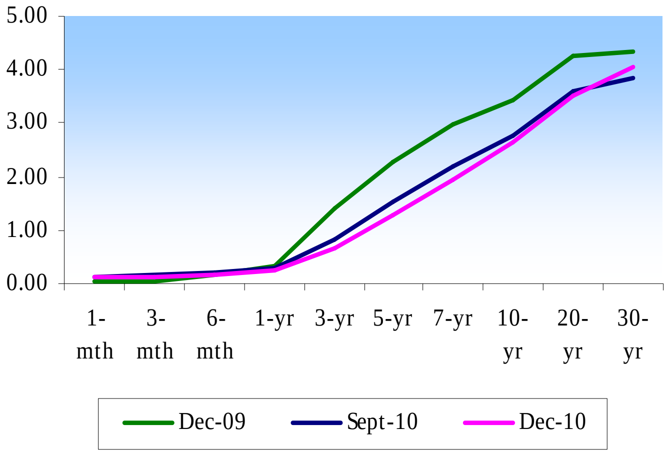


Table 1.5

Selected Market Interest Rates (period averages)				
	3-month USD LIBOR	**6-month USD LIBOR**	**1-year USD LIBOR**	**TED Spread (bps)**
Mar-10	0.26	0.40	0.88	15
Jun-10	0.43	0.63	1.09	29
Sept-10	0.39	0.59	0.95	23
Dec-10	0.29	0.45	0.77	15

Source: British Bankers' Association

In contrast with the policy stance of the major industrialised countries, the People's Bank of China (PBoC) engaged in monetary tightening to contain inflationary pressures. The PBoC raised its one-year benchmark lending rate and its one-year benchmark deposit rate by 25 basis points to 5.56 per cent and 2.50 per cent, respectively, on 20 October 2010 and to 5.81 per cent and 2.75 per cent, respectively, on 25 December 2010. China also increased its cash reserve requirement for deposit-taking financial institutions by 0.5 percentage point to 18.5 per cent on 10 December 2010.

Selected Interest Rates

Market interest rates on US dollar-denominated assets trended downwards during the review quarter. This reflected the impact of the continued absence of inflationary pressures, the Fed's pledge to keep interest rates low as well as renewed concerns about sovereign debt in Europe which prompted increased demand for US Treasuries. The average yield on secondary market trades for short-term US Treasury bills fell by 2 basis points (bps) to 0.17 per cent over the quarter, relative to the average for the preceding quarter. The average yield on long-term bonds also fell by 12 bps to 2.35 per cent, reflecting the impact of QE2 (see **Figure 1.1**).[2] The average US dollar LIBOR across the 3-month to 1-year tenors also declined by 14 bps (see **Table 1.5**).

Credit risk in US financial markets fell during the review period. The average spread between the 3-month US LIBOR and the 3-month US Treasury bill (TED spread), an indicator of this risk, fell by 8 bps, relative to the previous quarter, to average 15 bps. This decline reflected a continued return to normality in US money markets.

[2] Concerns about the US fiscal deficit in light of the extension of tax-cuts, however, served to offset some of this decline

Emerging Market Bonds

Similar to trends in the more developed markets, average yields on emerging market bonds fell during the quarter. The average yield on the JP Morgan Emerging Market Bond Index Plus (EMBI+) declined by 25 bps to 5.52 per cent during the quarter, reflecting increased demand for these assets as investors sought higher returns than those offered by US Treasuries. Yields were also affected by improved prospects for economic growth in certain commodity-exporting Latin American countries. These movements were, however, moderated by concerns about the sovereign debt situation in some European countries as well as the monetary tightening in China.

Despite concerns about European sovereign debt, emerging market bond yields fell

The spread between emerging market sovereign bonds (EMBI+) and the US Treasury bonds (USTB) declined by 36 bps during the review period. Similarly, the spread between Jamaica's sovereign global bonds (GOJGB) and the USTB fell by 37 bps to 4.78 per cent during the December 2010 quarter, relative to the September 2010 quarter.[3] The decline in these spreads primarily reflected a reduction in the yields for general emerging market as well as Government of Jamaica bonds which reflected reduced credit risk in these countries in light of the recovery of the US economy.

Equities

The major international stock market indices rose in selected advanced economies during the December 2010 quarter, relative to the September 2010 quarter. In the US, the Dow Jones Industrial Average and S&P 500 indices increased by 7.4 per cent and 10.2 per cent, respectively. In the UK, the FTSE 100 Index rose by 6.3 per cent. The increase in stock prices reflected increased optimism about global economic recovery following the announcement of additional quantitative easing by the US Federal Reserve (the Fed). However, the rate of

[3] The GOJGB composite bond index is calculated as a weighted average of the yields on currently outstanding Government of Jamaica global bonds. The weights used, are based on Basis Point Value (BPV) estimates, a derivative of duration statistics. BPV quantifies the interest rate risk in a portfolio for small changes in interest rates.

increase in stock prices was tempered by concerns that the debt crises in Ireland and Greece were worsening and that China would take steps to curb inflation which would slow growth.

Foreign Exchange Market

The US dollar weakened against all the major currencies during the review period. Relative to the averages in the September 2010 quarter, the Euro, Canadian dollar, Great British Pound and Japanese Yen appreciated against the United States dollar by 5.1 per cent, 2.6 per cent, 1.9 per cent and 3.9 per cent, respectively. This largely reflected the expectations and the eventual implementation of further quantitative easing in the US which increased US dollar supply.

2. Monetary Policy and Financial Markets

Figure 2.1

Interest rate on BOJ 30-day Certificate of Deposit[4]

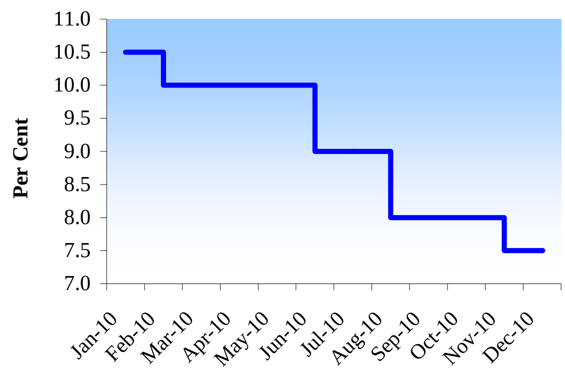


Table 2.1

Selected Economic Indicators			
	Outturn Dec'10 Quarter	Revised Projection for FY10/11	Original Target for FY 10/11
Inflation (% Change)	3.3	7.5-9.5	7.5-9.5
Gross Foreign Assets (eop) (US$MN.)	2 979.2	3 225.1	2 414.4

4 The 60-day to 180-day OMO instruments were removed on 12 January 2010.

Money & Credit

Monetary Policy and Base Money Management

The Bank continued to ease its monetary policy stance during the December 2010 quarter as reflected in a 50 basis point (bp) reduction to 7.5 per cent in the interest rate applicable to its 30-day Certificate of Deposit (CD). This action occurred in a context of a favourable outlook for long-term inflation, continued reductions in market-determined rates as well as the generally weak state of the domestic economy. In addition, all the quantitative economic targets outlined in the International Monetary Fund Stand-By Arrangement (IMF-SBA) were comfortably met.

Reflective of the seasonal increase in currency, the monetary base expanded by $10.9 billion or 14.0 per cent during the review quarter relative to an expansion of 12.5 per cent in the December 2009 quarter.

On 15 November 2010, the Bank lowered the interest rate on its 30-day CD by 50 bps to 7.5 per cent (see **Figure 2.1**). This further easing of the Bank's policy stance was undertaken in a context of improved inflation prospects, relative stability in the foreign exchange market, strong net international reserves (NIR) and improving market sentiment as reflected in continued reductions in market-determined interest rates. These positive performances were buoyed by the achievement of the targets under the IMF-SBA which facilitated loan flows of US$200.0 million from the Inter-American Development Bank (IDB) during the review quarter.

Against the background of increased currency demand during the December quarter, the monetary base expanded by $10.9 billion or 14.0 per cent and was $3.5 billion or 4.0 per cent below the indicative target outlined in the Monetary Programme (see **Figure 2.2** and **Table 2.2**). This expansion in the monetary base compares to growth of 12.5 per cent in the December 2009 quarter.

Figure 2.2
Base Money
(Quarterly Change)

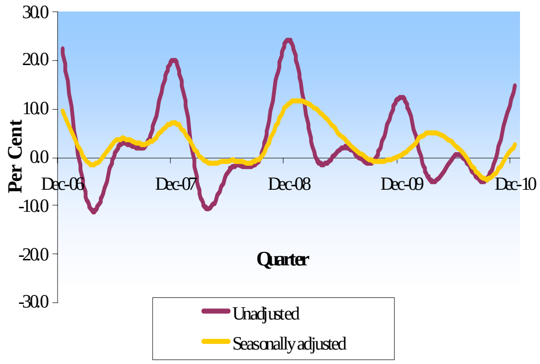
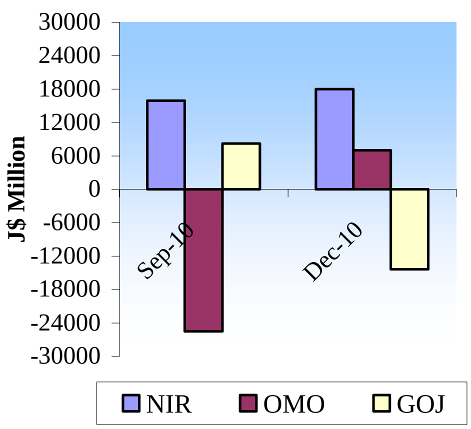


Figure 2.3
*Effects of the NIR, GOJ & OMO on Liquidity**



* Absorption – negative; Injection - positive

Table 2.2

IMF-SBA Programme Targets - December 2010 Quarter			
	IMF-SBA Target	Outturn	Variance
Net International Reserves (US$ MN.)	1 800.7	2 148.5	347.8
Net Domestic Assets (J$MN.)	-65 408.0	-106 878.1	-41 470.1
Monetary Base* (J$MN.)	88 600.0	85 093.0	-3 507.0

*The monetary base is not an explicit IMF-SBA target.

Net currency issue of $9.4 billion or 20.8 per cent underpinned the expansion in the monetary base during the review quarter. In addition, there were increases of $1.1 billion and $393.8 million in the commercial banks' local currency cash reserves and current accounts, respectively.

The expansion in the monetary base was largely influenced by an increase in the NIR as the net domestic assets (NDA) declined during the review quarter (see **Figure 2.3**). The NIR rose by US$197.7 million, the equivalent of $17.7 billion and as such, exceeded the Programme target by US$347.8 million.

The decline in the NDA predominantly reflected a net build-up of $14.3 billion in Central Government deposits held at the Bank. This was partially offset by an unwinding of OMO securities which net- injected $7.0 billion into the domestic market, the majority of which was used to fund currency orders. In this context, the NDA was $41.5 billion below the ceiling outlined in the IMF-SBA for end-December 2010.

For the first nine months of FY2010/11, the monetary base expanded by $7.8 billion or 10.0 per cent. This was largely reflected in net currency issue of $9.7 billion or 20.8 per cent the impact of which was partially offset by a decline of $2.0 billion in the commercial banks' local currency cash reserves. The main source of the expansion was an increase in the NIR of US$419.5 million, the equivalent of $37.5 billion. This impulse was partially offset by a net build-up of $14.1 billion in Central Government deposits held at the BOJ as well as net placements of $7.8 billion on OMOs.

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

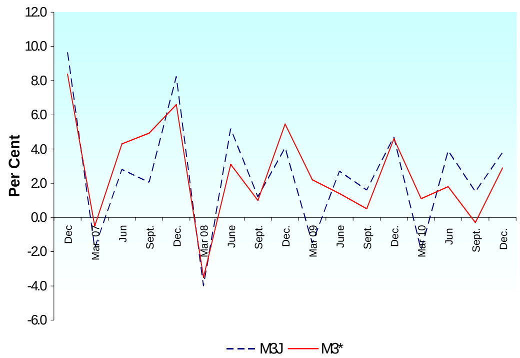


Table 2.3

Money Supply (12-month growth rates)		
MJ	**Dec-09**	**Dec-10**
M1J	7.5	7.2
M2J	2.8	6.9
M3J	7.9	7.3
M*		
M1*	7.9	5.4
M2*	6.1	2.1
M3*	9.3	3.3

Table 2.4

INTEREST RATES IN THE DOMESTIC MARKET			
	Nov-09	**Sep-10**	**Nov-10**
COMMERCIAL BANK WEIGHTED AVERAGE DEPOSIT RATES			
Overall	**4.64**	**2.40**	**2.38**
Demand	2.30	1.82	1.72
Savings	4.15	1.80	1.79
Time	6.39	3.96	3.89
Foreign Currency	**2.77**	**1.47**	**1.42**
Demand	1.33	0.78	0.68
Savings	1.94	0.85	0.80
Time	4.40	2.67	2.68
6-MONTH TREASURY BILL RATE	**16.94**	**7.99**	**7.61**
BOJ 180-DAY REPURCHASE AGREEMENT RATE	**17.00**	**N/A**	**N/A**
PRIVATE MONEY MARKET RATE (30-day)	**16.00**	**8.05**	**7.55**
memo:			
6-MONTH U.S. TREASURY RATE	**0.15**	**0.19**	**0.18**

Money Supply

Broad Jamaica Dollar money supply, (M3J), increased by 3.8 per cent for the December 2010 quarter, compared to growth of 4.7 per cent for the December 2009 quarter. The expansion in the review quarter was also at a slower rate than the average growth of 6.6 per cent for the last five December quarters. This slower growth was in the context of a relatively weak economy.

The measure of money supply that includes foreign currency deposits (M3) increased by 2.9 per cent, relative to an expansion of 4.8 per cent in the corresponding quarter of 2009.[5] Within M3*, foreign currency deposits increased by a marginal 0.2 per cent, relative to the expansion of 4.9 per cent for the December 2009 quarter. Consequently, the ratio of foreign currency deposits to total deposits was 28.1 per cent as at end-December 2010, compared to 31.0 per cent at end-December 2009.*

For the December 2010 quarter, broad Jamaica Dollar money supply (M3J) increased by 3.8 per cent, a slower rate of expansion compared to the growth of 4.7 per cent for the December 2009 quarter. The outturn for the review quarter was also below the average growth of 6.6 per cent for the last five December quarters and reflected the general weakness in the economy (see **Figure 2.4**). As at end-December 2010, the annual growth in M3J was 7.3 per cent relative to 7.9 per cent for the 12-month period ended December 2009 (see **Table 1.3)**.

The main sources of growth in M3J for the December 2010 quarter were an increase in the NIR and a net unwinding of BOJ open market securities. The impact of these sources was partially offset by reductions in banking system credit, mainly to the public sector.

The increase in money supply during the review quarter was mainly reflected in an expansion of 20.1 per cent in currency in circulation. This growth was relative to an increase of 19.2 per cent in the corresponding quarter of 2009 and the average growth of 22.9 per cent over the last five December quarters. On an annual basis, growth in currency in circulation was 8.7 per cent as at December 2010 relative to an increase of 6.2 per cent as at December 2009. In real terms, there was a reduction of 2.7 per cent in currency in circulation for the 12-month

[5] M3* includes M3J and foreign currency deposits.

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

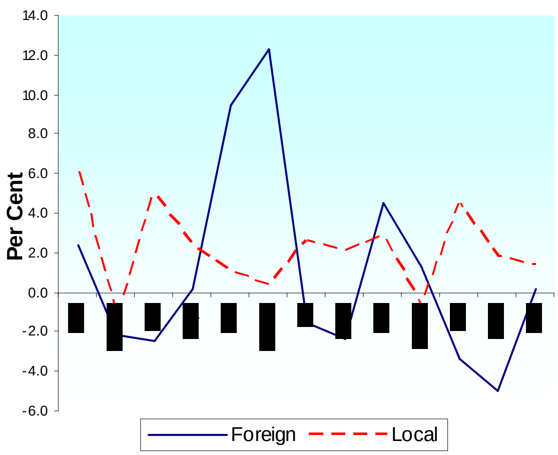


Figure 2.6
Foreign Currency Deposits to Total Deposits
December 2007 to December 2010

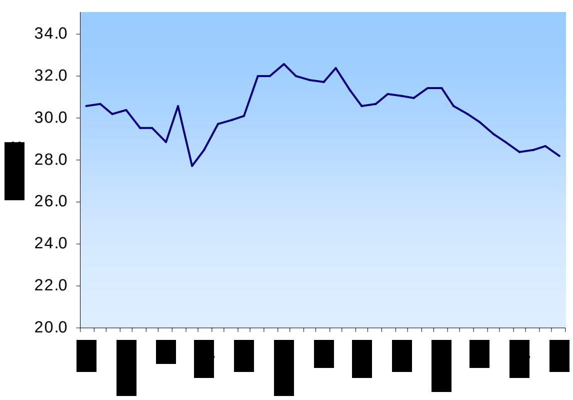


Table 2.5

COMPONENTS OF THE MONEY MULTIPLIER (M3J)	Dec-09	Sep-10	Dec-10
Currency to Deposits (%)	17.38	14.91	17.68
Reserves to Deposits (%)	14.22	12.49	13.32
Money Multiplier	**3.71**	**4.19**	**3.80**

period ended December 2010 relative to a reduction in real terms of 3.6 per cent for the corresponding period ended December 2009. The continued real decline in currency in circulation since December 2009 is consistent with the reduction in overall real economic activity over the last thirteen quarters given the uncertainty about income and job prospects (see **Real Sector**).

In the context of the overall weakness in real economic activity, local currency deposits, the other component of M3J, grew by 1.3 per cent in the December 2010 quarter in comparison to an average growth of 4.2 per cent over the last five December quarters. The growth in local currency deposits in the review quarter was reflected in all categories of deposits, in particular, *demand* and *savings deposits* which increased by 2.2 per cent and 0.9 per cent, respectively.

During the review quarter, M3* increased by 2.9 per cent relative to growth of 4.8 per cent for the December 2009 quarter (see **Figure 2.4**). Within M3*, foreign currency deposits increased marginally by 0.2 per cent relative to the expansion of 4.9 per cent recorded in the December 2009 quarter. The increase in foreign currency deposits in the review quarter followed two consecutive quarters of decline and was largely reflected in savings and time deposits held by *individuals*. In addition, there was an expansion in the savings deposits of *non-profit organizations*. The marginal increase in foreign currency deposits during the review quarter occurred in the context of continued investor preference for Jamaica Dollar denominated assets. This preference was encouraged by the continuation of the favourable inflation outlook and the achievement of the quantitative targets outlined under the IMF-SBA. At end-December 2010, the ratio of foreign currency deposits to total deposits was 28.1 per cent relative to the 28.4 per cent recorded at end-September 2010 and the 31.0 per cent at end-December 2009 (see **Figure 2.6**).

At end-December 2010, the money multiplier (M3J) was 3.80 relative to 4.19 at the end of the previous quarter and 3.71 at end-December 2009. The reduction in the money multiplier relative to the previous quarter reflected increases in both the currency-to-deposit and reserve to deposit ratios (see **Table 2.5**). Growth in the currency to deposit ratio was as a consequence of the increased demand for cash balances during the Christmas holiday period. The increase in the reserve-to-deposit ratio was in the context of the seasonal increase in the vault cash holdings of commercial banks.

Figure 2.7

Quarterly Growth Rates of Private Sector Credit Denominated in Jamaica Dollars
December 2008 to December 2010

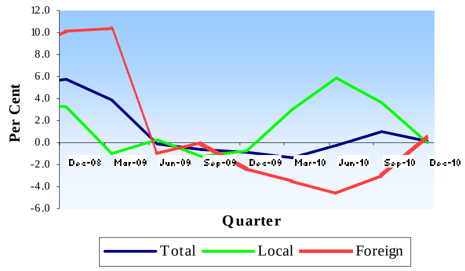


Table 2.6

Commercial Bank Distribution of Total Credit to the Private Sector J$ Million (Quarterly Flows)		Dec-09	Sep-10	Dec-10
	Total Private Sector Credit	**-350.3**	**2150.5**	**-71.5**
		-0.2%	1.0%	-0.1%
	Loans and Advances	-312.6	2256.5	190.4
less	Overseas Residents	13.0	10.4	261.8
Add	Corporate Securities	-24.8	-95.6	-0.1

Table 2.7

Commercial Bank Distribution of Total Loans & Advances to the Private Sector (Flows J$M)	Dec-09	Sep-10	Dec-10
Business Lending	**-594.0**	**214.6**	**-1 855.2**
Agriculture & Fishing	- 249.4	37.4	-253.2
Mining & Quarrying	- 394.0	- 00.7	39.4
Manufacturing	705.8	-665.8	580.3
Construction & Land Dev.	550.1	422.1	101.6
Transport, Storage & Comm.	-4 269.8	473.8	- 506.8
Tourism	-1 084.5	-73.19	566.0
Distribution	3 714.9	296.51	-1 305.7
Professional & Other Services	-426.0	-447.5	808.5
Electricity, Gas & Water	832.5	228.1	-1 917.2
Entertainment	26.3	-56.0	31.8
Personal & Other Lending	**281.4**	**2 041.8**	**2 045.6**
Personal	268.5	2 031.5	1 783.8
Overseas Residents	13.0	10.4	261.8
Net Lending/(Repayment)	**-312.6**	**2 256.5**	**190.4**
	-0.1%	**1.0%**	**0.1%**

Private Sector Credit

The stock of private sector credit extended by commercial banks declined by 0.1 per cent for the December 2010 quarter, compared with the programmed expansion of 3.1 per cent outlined in the IMF Stand-By Arrangement (IMF-SBA). For the fiscal year to December 2010, private sector credit grew by 1.0 per cent relative to the programmed 4.5 per cent. The decline in credit for the review quarter was solely reflected in the stock of loans to businesses. Notwithstanding this, there were notable increases in the stock of loans to ***Manufacturing, Tourism,*** *and* ***Professional & Other Services.*** *Private sector loan quality, as measured by the ratio of past due loans to total loans, deteriorated marginally during the review quarter.*

For the quarter ended December 2010, the stock of private sector credit declined by 0.1 per cent (see **Table 2.6**). This was similar to the decline of 0.2 per cent recorded in the December 2009 quarter and was below the projected growth of 3.1 per cent for the review quarter outlined in the economic programme. The contraction during the review quarter was associated solely with a decline of 1.5 per cent in the stock of outstanding loans and advances to the productive sector.

The stock of loans and advances increased by $190.4 million during the review quarter relative to a net repayment of $312.6 million for the December 2009 quarter (see **Table 2.7**). This expansion represented the second consecutive quarter of growth for the fiscal year. The increase in loans and advances during the December 2010 quarter was solely reflected in growth of 0.6 per cent in foreign currency loans as local currency loans declined by 0.02 per cent.

Business Lending

The net repayment of $1 855.2 million by the productive sector for the review quarter, followed a marginal increase in lending for the September 2010 quarter and four consecutive quarters of decline to end-June 2010.

The net repayment for the review quarter was primarily reflected in ***Electricity, Gas & Water, Transport, Storage & Communication*** and ***Distribution. Electricity, Gas & Water*** and ***Distribution*** reflected declines in outstanding stock of 32.2 per cent and 4.5 per cent,

Table 2.8

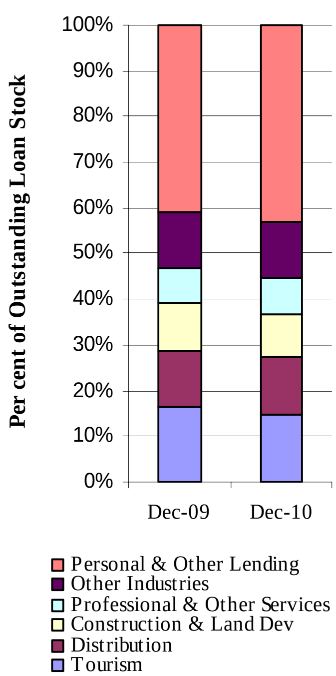
Commercial Bank Distribution of Local Currency Loans & Advances to the Private Sector (Flows J$M)

	Dec-09	Sep-10	Dec-10
Business Lending	**1 471.1**	**2 733.5**	**-2 110.9**
Agriculture & Fishing	-17.7	111.7	54.7
Mining & Quarrying	-67.1	-0.9	24.1
Manufacturing	811.6	274.1	744.8
Construction & Land Dev.	11.6	684.0	500.3
Transport, Storage & Comm.	-2 315.0	686.1	-231.5
Tourism	573.5	103.4	-219.6
Distribution	2 958.1	1 260.5	-1 586.0
Professional & Other Services	-145.0	-278.6	206.5
Electricity, Gas & Water	-365.7	-59.5	-1 662.3
Entertainment	26.6	-47.3	58.2
Personal & Other Lending	**331.4**	**1 962.3**	**2 078.2**
Personal	335.8	1 994.3	2 086.9
Overseas Residents	-4.4	-32.0	-8.8
Net Lending/(Repayment)	**1 802.5**	**4 695.9**	**-32.7**
	1.5%	**3.6%**	**-0.02%**

Figure 2.8

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

December 2009 & December 2010



respectively, the first quarter of decline for both categories since the March 2010 quarter.

Manufacturing, Tourism and ***Professional & Other Services*** reflected the largest increases in net lending (see **Table 2.7**). Net lending to ***Manufacturing,*** led to a growth of 7.5 per cent in the stock of loans and advances to this sector and followed three consecutive quarters of decline. For ***Tourism***, outstanding loans grew by 1.8 per cent for the review quarter, following six consecutive quarters of decline. For ***Professional & Other Services,*** net lending for the December 2010 quarter led to a 4.7 per cent increase in outstanding loans to the sector and followed declines of 2.5 per cent and 0.5 per cent for the September and June 2010 quarters, respectively.

The stock of foreign currency loans and advances for Business Lending increased by 0.4 per cent for the review quarter and followed four consecutive quarters of net repayment by the productive sector. The increase in the stock of foreign currency loans was largely reflected in ***Distribution, Tourism*** and ***Professional & Other Services***. There were previously two consecutive quarters of decline in each of these categories.

During the review quarter, there was net repayment of foreign currency loans in ***Agriculture & Fishing, Construction & Land Development*** as well as ***Transport, Storage & Communication*** which reduced the associated outstanding loan stock of these sectors by 16.0 per cent, 2.0 per cent and 6.0 per cent, respectively (see **Table 2.9**).

Personal and Other Lending

Personal & Other Loans expanded by 2.2 per cent for the review quarter (see **Table 2.7)**. This outturn represented a growth in net lending in all months of the quarter; the largest quarterly expansion since the December 2008 quarter and the third consecutive quarter of growth.

Within ***Personal Loans***, there was a growth of 9.2 per cent in instalment credit for the December 2010 quarter, relative to a virtually unchanged position for the previous quarter. Of note, within instalment credit, loans for motor car purchases increased by 5.8 per cent, driven by a rise of 14.0 per cent in new motor car loans. Additionally, within installment

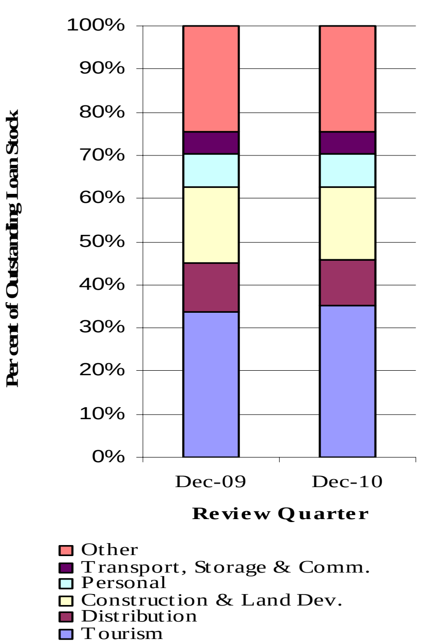
Table 2.9

Commercial Bank Distribution of Foreign Currency Loans & Advances to the Private Sector (Flows US $M)			
	Dec-09	**Sep-10**	**Dec-10**
Business Lending	**-27.0**	**-30.8**	**6.2**
Agriculture & Fishing	-2.7	-0.9	-3.5
Mining & Quarrying	-3.7	0.0	0.2
Manufacturing	-1.4	-11.0	-1.8
Construction & Land Development	5.3	-3.4	-4.0
Transport, Storage & Comm.	-22.3	-2.6	-3.0
Electricity, Gas & Water	13.3	3.3	-2.8
Distribution	8.0	-11.4	3.7
Tourism	-20.1	-2.7	10.5
Entertainment	0.0	-0.1	-0.3
Professional & Other Services	-3.4	-2.1	7.3
Persoanl & Other Lending	**-1.2**	**0.7**	**0.2**
Personal	-1.1	0.3	-3.2
Overseas Residents	-0.1	0.4	**3.4**
Total Net Lending/(Repayment) Flows	**-28.2**	**-30.2**	**6.4**
	-2.4%	**-1.3%**	**0.6%**

Figure 2.9

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

December 2009 & December 2010



credit, there was an increase of 14.4 per cent in loans for consolidation of debt and 9.8 per cent in loans for home improvement. Both categories had reflected marginal changes over the previous quarter.

The stock of ***Personal Loans*** denominated in foreign currency declined by 4.0 per cent for the review quarter (see **Table 2.9**). This follows an expansion of 0.4 per cent in the September 2010 quarter and compares to a decline of 1.2 per cent for the December 2009 quarter.

Net foreign currency lending to *overseas residents* for the review quarter reflected a 4.8 per cent expansion. This was the largest increase in foreign currency loans to overseas residents since the December 2008 quarter.

Interest Rates

The overall weighted average lending rate for commercial banks increased by 12 basis points (bps) between September and November 2010. The increase in the overall weighted average lending rate reflected an increase of 9 bps in the average lending rate to the private sector and a reduction of 12 bps in the average lending rate to the public sector. The increase in the overall weighted average lending rate followed a decline of 45 bps over the previous quarter (see **Table 2.10).**

The increase in the weighted average lending rate to the Private Sector was reflective of an increase of 401 bps in the weighted average lending rate for mortgages between September and November 2010, continuing the upward trend since December 2009.

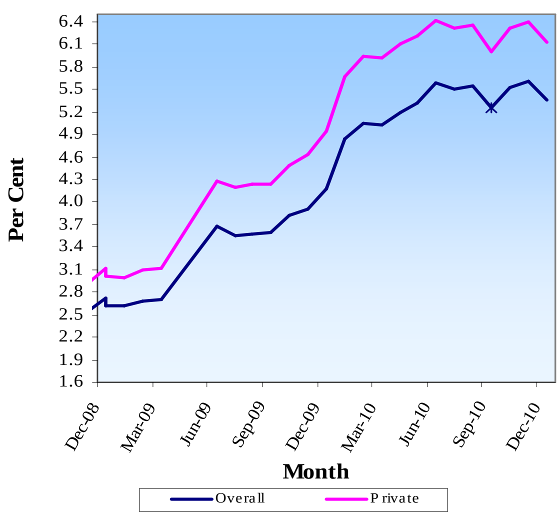
A similar trend was observed for personal loans which recorded an increase of 11 bps between September and November 2010 and 51 bps since December 2009. The weighted average lending rate for commercial loans also reflected an increase of 19 bps over the rate for September 2010 and an overall increase of 13 bps since December 2009. In contrast, there was a further reduction in the weighted average lending rate for instalment credit.

The reduction in the average lending rate to the Public Sector was reflective of a decline of 22 bps in the average lending rate to Local Government and Other Public Entities. This decline was reflected in a

Table 2.10

Commercial Bank Domestic Currency Average Weighted Lending Rates by Loan Type Per Cent				
	Dec-09	**Jun-10**	**Sep-10**	**Nov-10**
Overall	**16.19**	**16.03**	**15.85**	**15.97**
Public Sector	**11.76**	**9.52**	**10.14**	**10.02**
Local Govt. & Other				
Public Entities	10.69	9.42	8.85	8.63
Central Governme	13.55	9.68	12.33	12.33
Private Sector	**16.89**	**16.99**	**16.68**	**16.77**
Instalment	21.47	21.00	20.81	20.63
Mortgage	6.95	7.71	10.86	14.87
Personal	23.99	24.09	24.39	24.50
Commercial	12.67	12.67	12.61	12.80

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



fall in both the stock of outstanding loans and the average lending rates of some banks.

Performance Indicators

Private sector lending as a ratio of commercial banks' total assets was 37.7 per cent at end-December 2010. This was marginally lower than the ratio at end-September 2010 and marginally higher than the ratio at end-March 2010.

The quality of the private sector loan portfolio deteriorated marginally during the review quarter. The ratio of past due loans to total private sector loans increased to 6.1 per cent at end-December 2010 from 6.0 per cent at end-September 2010 (see **Figure 2.10).** The ratio of past due loans to total loans was 5.4 per cent at the end of the review quarter compared to 5.2 per cent at end-September 2010. ***Manufacturing, Construction & Land Development*** and ***Agriculture & Fishing*** were the sectors which largely accounted for the overall decline in loan quality.

Bond Market

Interest rates in the bond market continued to trend downwards in the December 2010 quarter. These lower rates occurred in a context of improved inflation prospects, relative stability in the exchange rate, as well as improved market sentiment consequent on the positive performance to date of the GOJ and the BOJ under the International Monetary Fund Stand-By Arrangement (IMF-SBA). The declines in Treasury Bills and private money market rates were reinforced by the Bank's 50 basis points (bps) reduction in the interest rate on its 30-day open market operation (OMO) instrument during the review quarter.

Consistent with improved investor sentiment, yields on the GOJ's global bonds continued to trend downwards. There was also a further narrowing of the spread between GOJ global bonds and the US Treasury bonds.

Table 2.11

Treasury Bill Auctions and Maturities
October - December 2010

Issue Date	Tenor (days)	Avg. yield (%)	Amount Allotted (J$M)	Amount Maturing (J$M)
22-Oct-10	28	8.09	400.0	400.0
29-Oct-10	91	7.73	400.0	400.0
29-Oct-10	182	7.92	400.0	400.0
19-Nov-10	28	7.58	400.0	400.0
26-Nov-10	91	7.44	400.0	400.0
26-Nov-10	182	7.61	400.0	400.0
17-Dec-10	28	7.48	400.0	400.0
24-Dec-10	91	7.40	400.0	400.0
24-Dec-10	182	7.48	400.0	400.0
TOTAL			**3 600.0**	**3 600.0**

Average yields on GOJ Treasury Bills continued to decline

During the December 2010 quarter, market-determined interest rates continued to decline, as reflected in further reductions in the average yields on GOJ Treasury Bills. This represented the eighth consecutive quarter of decline. The average yields on the 30-day, 90-day, and 180-day Treasury Bills fell by 78 basis points (bps), 35 bps and 51 bps, respectively, relative to September 2010 (see **Table 2.12**). The decline in yields was largely influenced by the Bank's continued easing of its monetary policy stance, positive developments in the foreign exchange market, an improved outlook for inflation as well as improved market confidence consequent on the country's successful performance to date under the IMF-SBA.

Table 2.11

GOJ Public Domestic Debt Raising
October - December 2010

	Amount Allotted (J$MN)	Amount Maturing (J$MN)	Net Issues (J$MN)
Treasury Bills	3 600.0	3 600.0	0.0
Fixed Rate Benchmark Inv. Note	10 034.5	0.0	10 034.5
TOTAL	**13 634.5**	**3 600.0**	**10 034.5**

Three GOJ debt instruments were re- opened during the review quarter.

The GOJ re-opened three debt instruments, which were issued under the Jamaica Debt Exchange (JDX) during the December 2010 quarter (see **Appendix, Table 8**). These were the 2014, 2024 and 2040 Fixed Rate Benchmark Investment (BMI) Notes which were re-opened in October. All three instruments were issued below coupon, consistent with the declining yields on the secondary market. In contrast to the previous quarter, subscriptions to the longer-dated 2040 BMI Note exceeded that on both shorter-dated securities as one financial group sought to rebalance its portfolio. Given that there were no maturities during the review quarter, there was a net issue of $10.0 billion, relative to a net issue of $8.8 billion in the September 2010 quarter.

There was an overall net maturity of $6.9 billion on the Bank's 30-day Certificate of Deposit (CD) during the review quarter, compared to a net placement of $27.3 billion the previous quarter. The 30-day CD remained the only security on offer by the BOJ. The interest rate applicable to this

Table 2.12

Placements and Maturities* in BOJ OMO Instruments:				
	July-September 2010		October-December 2010	
	Maturities (J$MN)	Placements (J$MN)	Maturities (J$MN)	Placements (J$MN)
30-day	304 188.5	336 848.1	374 002.8	367 144.2
60-day	0.0	0.0	0.0	0.0
90-day	0.0	0.0	0.0	0.0
120-day	0.0	0.0	0.0	0.0
180-day	5 399.2	0.0	0.0	0.0
270-day	0.0	0.0	0.0	0.0
365-day	0.0	0.0	0.0	0.0
TOTAL	**309 587.7**	**336 848.1**	**374 002.8**	**367 144.2**

**excludes overnight transactions during the period*

The interest rate on BOJ 30-day OMO was reduced once during the review quarter to 7.50 per cent

Figure 2.11
Average Private Money Market Rates
October -December 2010

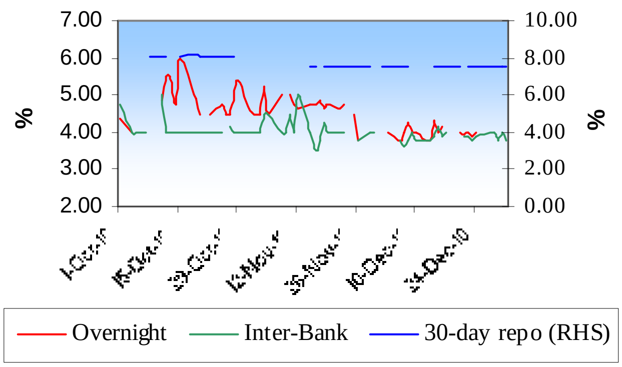
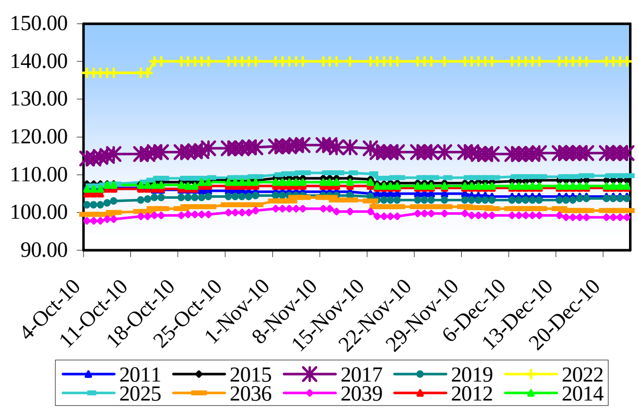


Figure 2.12
GOJ Global Bond Prices
October - December 2010



instrument was reduced by 50 bps to 7.50 per cent on 15 November 2010. However, the rate on the Bank's overnight instrument was maintained at 0.25 per cent (see **Monetary Policy and Base Money Management**).

Private money market rates continued to trend downwards during the review quarter. This decline occurred in a context of a downward trend in the rate on BOJ's 30-day CD, low to moderate activity in the repo market and generally liquid Jamaica Dollar conditions. Accordingly, the overnight rate averaged 4.50 per cent during the December 2010 quarter, down from 4.61 per cent in the previous quarter (see **Figure 2.11**). The inter-bank and 30-day repo rates averaged 4.02 per cent and 7.74 per cent, respectively, relative to respective averages of 4.49 per cent and 8.57 per cent in the September 2010 quarter.

Positive developments in the general macroeconomic environment as well as the GOJ's achievement of the IMF-SBA targets to date influenced a general improvement in the performance of GOJ global bonds during the December quarter (see **Figure 2.12**). Average yields declined to 6.90 per cent during the review quarter from 7.24 per cent during the September 2010 quarter. This includes the average yields on the GOJ global bonds maturing in 2011. Average yields on the 2011 GOJ global bonds declined to 1.05 per cent during the review quarter relative to 1.12 per cent in the previous quarter. Concurrently, the spread between the GOJ global bonds and the US Treasury bonds fell relative to the end of the previous quarter. However, the spread between GOJ global bonds and the EMBI+ remained relatively stable at 2.12 per cent. Citing an improvement in Jamaica's fiscal position since the JDX, rating agency Standard & Poor's (S&P) affirmed its 'B-' long term and 'C' short-term sovereign credit ratings on Jamaica on 22 December 2010. Their recovery rating as well as transfer and convertibility assessment remained unchanged at '3' and 'B' respectively.[6] The outlook also remained stable.

[6] S&P's Recovery Rating ranges from '1+' and '1' through to '6'. '1+' suggests 'Highest expectation, full recovery'; '3' means 'Meaningful recovery'; '6' means 'Negligible recovery'. The Transfer and convertibility assessment is ranked on a scale ranging from 'AAA' to 'D' as is the practice for Sovereign Credit ratings.

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

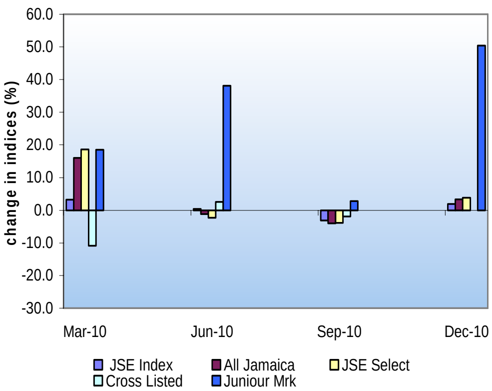


Figure 2.14
Quarterly Movements in Volumes & Values Traded
December 2009 – December2010

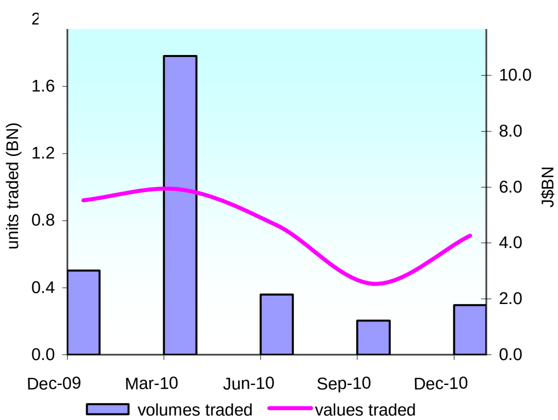
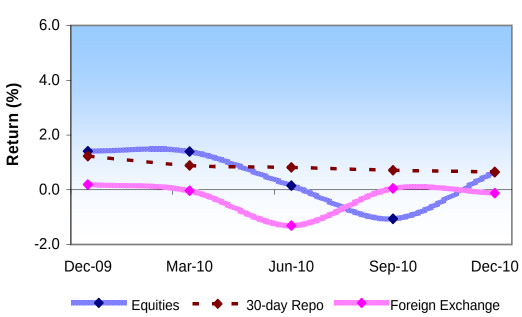


Figure 2.15
Average Monthly Returns from Equities,
Foreign Currency and Fixed Income
Investments



Stock Market

During the December 2010 quarter, the Main Jamaica Stock Exchange (JSE) Index registered a marginal increase of 1.9 per cent. The sluggish growth in the index occurred in a context of continued investor uncertainty regarding the prospects for economic growth. In contrast, the JSE Junior Market Index grew sharply by 50.4 per cent reflecting increased investor optimism towards the growth potential of new companies relative to some of the more mature companies listed on the Main Exchange.

Despite favourable conditions for stock market expansion, including high domestic liquidity levels, a low interest rate environment and a stable foreign exchange market, the Main JSE Index advanced only marginally by 1.9 per cent for the December 2010 quarter.[7] [8] This increase nonetheless compared favourably with the decline of 3.2 per cent recorded in the prior quarter but was lower by 2.3 percentage points relative to the corresponding period in 2009. Notably, excluding the performance in the December 2008 quarter, which was impacted by the global crisis, the growth in the JSE Index represented the slowest quarterly growth for a December quarter in the past five years. The All Jamaica Composite, Jamaica Select and Cross Listed indices also registered conservative gains of 3.4 per cent, 3.8 per cent and 0.01 per cent, respectively, for the quarter (see **Figure 2.13)**. All indices with the exception of the Cross Listed index were approximately lower by twice the amount relative to values recorded in the corresponding period in 2009. The sluggish growth in the indices reflected investors' continued uncertainty regarding the prospects for economic growth.

Overall market activity improved relative to the previous quarter. The volume of stocks traded and value of transactions increased by 46.0 per cent and 67.0 per cent during the review quarter relative to declines of 43.5 per cent and 45.1 per cent, respectively, for the September 2010 quarter. However, in comparison to the December 2009 quarter, the volume of stocks traded and the value of transactions declined sharply by 41.0 per cent and 22.9 per cent, respectively, indicative of subdued investor interest relative to the same period last year (see **Figure 2.14)**.

[7] See **Money and Credit** and **Foreign Exchange Market**.
8 During the quarter, monthly returns on money market securities averaged 0.6 per cent. This compared to average monthly returns of 0.7 per cent, 0.8 per cent and 0.9 per cent, for the prior three quarters of 2010, respectively (see **Figure 2.15**).

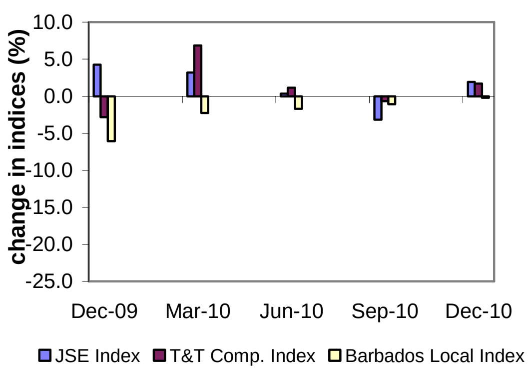
Table 2.14

Advancing Stocks	Price $ as at Dec-10	Qtr. Change %
Finance		
Pan Caribbean	19.5	21.4
Mayberry	2.5	18.8
ScotiaDBG	22.0	12.8
National Commmercial Bank	19.3	10.3
Manufacturing		
Salada Foods	13.0	29.9
Jamaica Broilers Group	6.0	6.6
Communication		
Gleaner	1.7	17.2
Insurance		
Sagicor Life Jamaica	7.2	8.7
Retail		
Carreras	53.1	5.8

Table 2.15

Declining Stocks Companies	Price $ as at Dec-10	Qtr. Change %
Manufacturing		
Caribbean Cement	3.1	-23.1
Berger Paints	2.0	-19.6
Desnoes & Geddes	3.6	-10.9
Tourism		
Ciboney	0.0	-40.0
Montego Freeport	1.4	-18.8
Other		
Pulse Investments	2.3	-25.8
Palace Amusement	46.0	-11.5
Communication		
Cable & Wireless	0.3	-8.3
Radio Jamaica	2.3	-8.4

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



The advance:decline ratio during the quarter was relatively balanced with no clear directional movement.[9]

Advancing stocks were broad-based and included stocks in ***Finance***, ***Manufacturing***, ***Communication***, ***Insurance*** and ***Retail*** (see **Table 2.14).** Of the top ten advancing stocks, those in ***Manufacturing*** and ***Finance*** recorded the highest overall average price appreciation of 18.2 per cent and 15.8 per cent, respectively. Notably, stocks from ***Tourism*** and ***Other*** accounted for the highest price depreciation among the ten top declining stocks. On average, ***Tourism*** and ***Other*** recorded price declines of 29.4 per cent and 18.7 per cent, respectively, for the quarter (see **Table 2.15**).

With regard to the Junior Stock Exchange, the JSE Junior Market Index grew by 50.4 per cent, the highest quarterly growth since its inception (see **Figure 2.13**). The growth in the Index was largely attributable to increased investor interest due to improved growth prospects for a number of the smaller listed companies amidst expected plans to expand the scope of their operations.[10] As at end-December 2010, the Exchange had eight listings, five of which were companies listed during the review quarter.[11]

The performances of the main stock market indices in Trinidad & Tobago and Barbados were mixed. In Trinidad & Tobago, the Composite Index increased by 1.7 per cent compared to a decline of 0.7 per cent in the previous quarter. This increase occurred against the background of continued declines in repo rates in that country.[12] For Barbados, the Local Index fell by 0.2 per cent compared to a decline of 1.1 per cent during the September 2010 quarter and reflected the continued effects of sluggish economic growth (see **Figure 2.16**).

[9] For the December 2010 quarter, the advance-to-decline ratio was 17:16.
10 Thus, investors exhibited strong demand for the stocks of these companies given the potential for these firms to grow faster and experience higher returns relative to some of the more mature companies listed on the Main Exchange.
11 The five companies that were listed during the review quarter include, Cargo Handlers Limited, Dolphin Coves, Lasco Distributors, Lasco Financial Services and Lasco Manufacturing.
12 During the December 2010 quarter, the Central Bank of Trinidad & Tobago lowered its repo rates by 25.0 basis points to 4.0 per cent. Notably rates were also reduced in the March and September quarters of 2010.

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

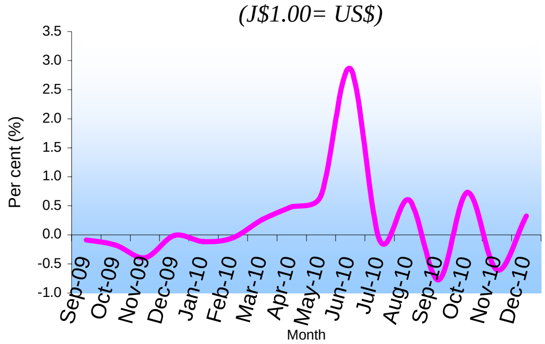


Figure 2.18
Exchange Rate Volatility

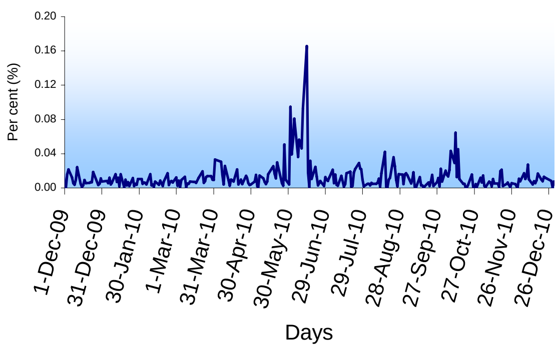


Figure 2.19
Foreign Exchange Spread as a Percentage of the Buying Rate

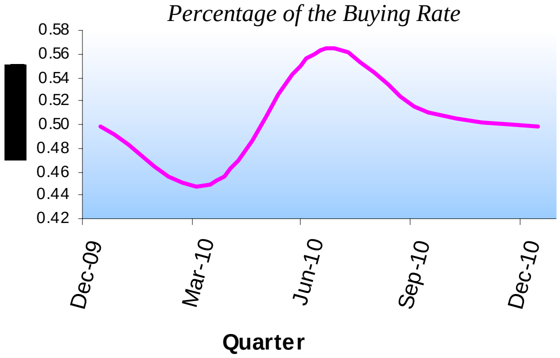
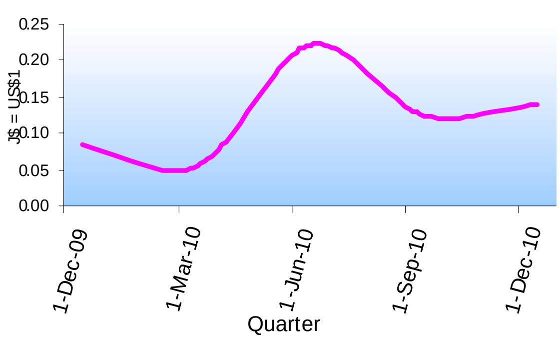


Figure 2.20
Exchange Rate Trading Spread



Foreign Exchange Market

The foreign exchange market was relatively stable during the December 2010 quarter, despite a seasonal increase in demand pressures in November. Stability was largely underpinned by continued strong net private capital inflows.

Buoyed by the receipt of a US$200.0 million loan from the IDB to the GOJ, the NIR stock at end-December 2010 was US$2 171.4 million, US$197.7 million higher than the outturn for end-September 2010. The NIR was also above the target set under the IMF Stand-By Arrangement (IMF-SBA).

The weighted average selling rate (WASR) of the US dollar decreased to J$85.86 = US$1.00 at end-December 2010 from J$86.25 = US$1.00 at end-September 2010, representing an appreciation of 0.45 per cent. This compares favourably with the 3.0 per cent average depreciation for the last five December quarters and was in contrast to the 0.30 per cent depreciation in the preceding quarter. The movement in the rate for the quarter reflected the impact of appreciations of 0.73 per cent ($0.63) and 0.33 per cent (J$0.28) in October and December, respectively. The impact of these monthly appreciations of the WASR was partly offset by a 0.60 per cent ($0.52) depreciation in November (see **Figure 2.17**). For calendar year 2010, the value of the Jamaica Dollar appreciated by 4.17 per cent vis-à-vis the US dollar, relative to the 11.34 per cent depreciation in 2009.

In the context of the stable market conditions, the average bid-ask spread, expressed as a percentage of the buying rate, narrowed marginally to 0.50 per cent from the 0.51 per cent recorded in the previous quarter (see **Figure 2.19**). Additionally, the average weekly trading range for the selling rate remained largely unchanged at J$0.14, compared with J$0.12 in the September 2010 quarter (see **Figure 2.20**).[13]

The appreciation of the exchange rate during the quarter was associated with increased net private capital flows, which was more than sufficient to offset the impact of higher net demand for foreign currency associated with current account transactions (see **Table 2.16**). Net private capital flows remained buoyant in the context of continued preference for Jamaica Dollar

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

Table 2.16

Foreign Exchange Cash Flows*

	US$MN			Change Relative to Previous	
	2009	2010			
	Oct – Dec	Jul – Sep	Oct – Dec	Quarter	Year
Net Current Inflows	-592.0	-423.4	-682.3	-258.9	-90.3
Current Inflows	1 077.9	1 088.4	1 118.8	30.3	40.9
Current Outflows	1 669.9	1 511.9	1 801.1	289.2	131.2
Net Private Capital Inflows	524.4	580.3	828.2	247.8	303.7
Balance	-67.6	156.9	145.8	-11.1	213.4

Table 2.17

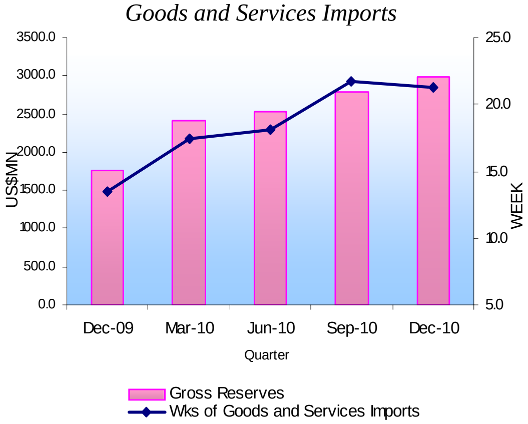
Net International Reserves (US$MN)

Month	Stock	One Month Change
Jan – 10	1 566.0	-163.4
Feb – 10	1 559.7	-6.3
Mar – 10	1 751.9	192.2
Apr – 10	1 736.2	-15.6
May – 10	1 675.6	-60.7
Jun – 10	1 795.8	120.2
Jul – 10	1 732.6	-63.2
Aug – 10	1 956.9	224.3
Sept – 10	1 973.7	16.7
Oct – 10	1 983.5	9.8
Nov – 10	1 918.5	-65.0
Dec – 10	2 171.4	252.9

* BOJ estimates of cash flows within the private domestic economy

Figure 2.21

Gross Reserves and Weeks of Goods and Services Imports



instruments by investors. Preference for Jamaica Dollar instruments reflected the sustained favourable inflation outlook and the continued achievement of the quantitative targets outlined under the IMF-SBA.

The Bank estimates that net foreign currency demand for current account transactions increased by US$258.9 million during the December 2010 quarter. This increased demand, which was largely concentrated in November and underpinned the depreciation during the month, reflected higher payments for fuel and a seasonal increase in consumer-related imports. Payments for fuel are estimated to have increased by approximately US$139.0 million during the review quarter. This was due to a temporary change in the financing arrangements for a major importer of fuel. Net demand for foreign currency, however, declined significantly in December. This decline was related to a seasonal growth in earnings from tourism and remittances. There was also a reduction in payments for fuel. In this context, the average per diem purchases by the system grew by US$2.1 million in the December quarter, relative to a decline of US$0.8 million in the September quarter. Consistent with the increased demand for foreign currency, the average per diem sales also increased by US$1.0 million relative to a decline of US$4.0 million in the September quarter. [14]

Against the background of the excess supply of US dollars in the system, the Bank purchased US$52.0 million (net) during the quarter. In particular, Bank of Jamaica purchased US$18.4 million (net) and US$72.6 million (net) in October and December, respectively, compared with sales of US$39.1 million (net) in November. These actions contributed to an increase of US$197.7 million in the NIR for the quarter. The NIR was also buoyed by the purchase of US$200.0 million IDB loan proceeds in December. There were, however, payments of US$19.4 million (net) through the foreign exchange facility for public sector entities (PSE), compared with net surrenders of US$77.8 million by authorised dealers and cambios through this facility in the previous quarter. In this context, the NIR stock at end-December 2010 amounted to US$2 171.4 million (see **Table 2.17**). This was US$347.8 million higher than the IMF target. The Bank's gross reserves at end-December 2010 amounted to US$2 979.2 million, representing 21.3 weeks of projected goods and services imports (see **Figure 2.21**). This compares favourably with the international benchmark of 12.0 weeks.

[14] The participants in the system include authorized dealers and cambios.

3. Real Sector Developments

Figure3.1
GDP Growth: Tradable vs. Non-Tradable Industries
(12-Month Change)

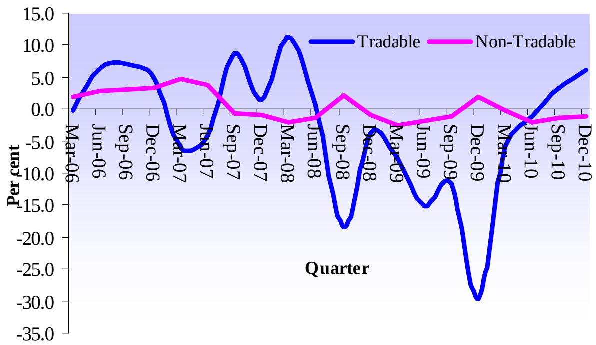


Table 3. 1

Sectoral Contribution to Growth December 2010 Quarter	**Estimated Impact on Growth**
GOODS	-ve
Agriculture, Forestry & Fishing	-ve
Mining & Quarrying	+ve
Manufacture	-ve
Construction	-ve
SERVICES	-ve
Electricity & Water Supply	-ve
Wholesale and Retail Trade, Repairs Installation	-ve
Hotels & Restaurants	+ve
Transport Storage & Communication	-ve
Financing & Insurance Services	-ve
Real Estate, Renting & Business Activities	stable
Producers of Government Services	-ve
Other Services	+ve
FISIM	-ve
TOTAL GDP	-ve

The rate of contraction in real economic activity in the December 2010 quarter slowed.

*Jamaica's Gross Domestic Product (GDP) is estimated to have contracted within the range of 0.0 per cent to 1.0 per cent for the December 2010 quarter. The rate of decline was, however, slower than the pace in the preceding ten quarters. Economic performance primarily reflected contractions in **Agriculture, Forestry & Fishing, Finance & Insurance Services** and **Electricity & Water Supply.** The impact of these contractions was tempered by expansions in **Mining & Quarrying** and **Hotels & Restaurants**.*

Aggregate demand remained weak as reflected in declines in private and public consumption spending as well as gross fixed capital formation. These declines outweighed the impact of an improvement in net external demand on overall economic activity.

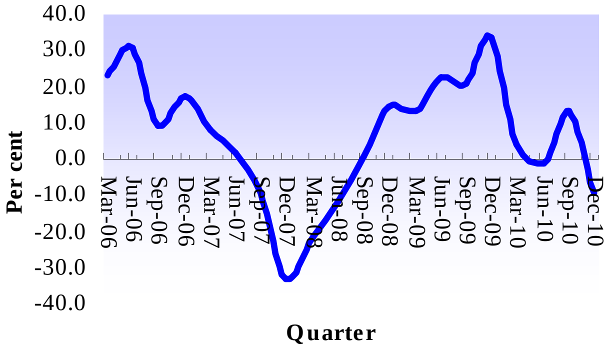
Aggregate Supply

For the December 2010 quarter, the economy is estimated to have contracted in the range of 0.0 to 1.0 per cent albeit at a decelerated pace relative to the September 2010 quarter. The decline in the review quarter follows twelve consecutive periods of contraction. Despite continued deceleration in the rate of decline of economic activity, domestic demand remained weak given the uncertainty about income and job prospects. Accordingly, as was the case in the preceding quarter, the estimated outturn primarily reflected contraction in the non-tradable industries which outweighed a moderate recovery within the tradable industries (see **Figure 3.1**). For the calendar year, the Jamaican economy is estimated to have declined in the range of 0.5 to 1.5 per cent.

During the review quarter, all industries declined with the exception of ***Mining & Quarrying*** and ***Hotels & Restaurants***. The main industries that were estimated to have contracted were ***Agriculture, Forestry & Fishing, Electricity & Water Supply, Finance & Insurance*** and ***Construction*** (see **Table 3.1**).

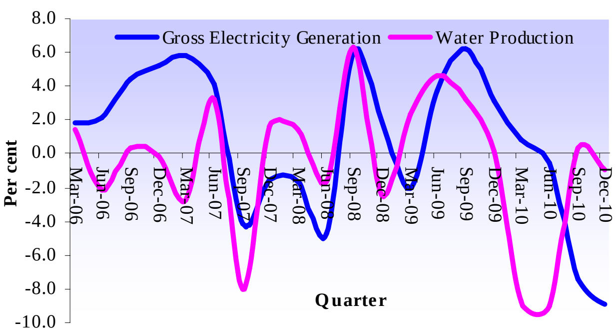
Following average quarterly growth of 7.1 per cent over the previous

Figure 3.2
Domestic Crops
(12-Month Change)



Sources: Bank of Jamaica, Ministry Of Agriculture

Figure 3.3
Total Electricity Generation & Water Production
(12-Month change)



Source: Jamaica Public Service & National Water Commission

four quarters, ***Agriculture, Forestry & Fishing*** contracted significantly during the December 2010 quarter. This primarily reflected the adverse impact of Tropical Storm Nicole,[15] on export and domestic crop production, livestock and farming infrastructure. The estimated contraction in export crop primarily reflected estimated declines of 23.6 per cent and 77.5 per cent in sugar cane milled and citrus production, respectively, relative to the corresponding period in 2009. The decrease in sugar cane output was due to reduced yields attributed to the unfavourable weather conditions. Domestic agricultural crop production is estimated to have contracted by 9.1 per cent in the review quarter mainly reflecting reductions in vegetables, condiments and plantains (see **Figure 3.2**) .

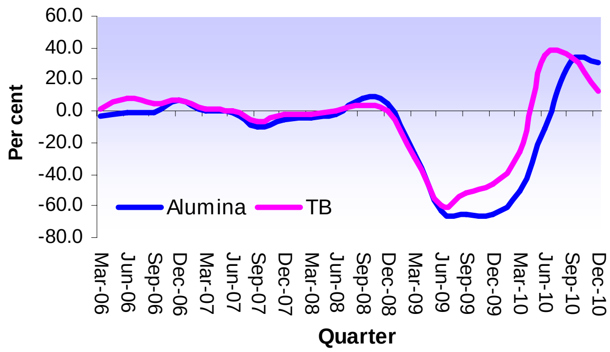
Low system demand for both industrial and residential electricity during the review quarter as well as the adverse impact of Tropical Storm Nicole on electricity generation, drove the contraction of ***Electricity & Water Supply***. This contraction, which represented the fourth consecutive quarter of decline, reflected fallouts of 8.9 per cent and 1.0 per cent in gross electricity generation and water production, respectively (see **Figure 3.3**).

In the context of a stable exchange rate and trend decline in interest rates following the Jamaica Debt Exchange programme**,** ***Finance & Insurance Services*** is estimated to have contracted for the fourth consecutive quarter. The performance of the industry primarily reflected reduced net interest income from the financial institutions' operations. The rate of decline is, however, estimated to have slowed relative to the preceding quarters due to increased income from total fees and foreign exchange gains.

Mining & Quarrying is estimated to have registered its third consecutive quarter of growth in the December 2010 quarter. Estimated growth in the industry continued to reflect the impact of the re-opening of one of the alumina plants in the September 2010 quarter. Alumina production and total bauxite production for the December 2010 quarter increased by 30.2 per cent and 12.2 per cent, respectively (see Figure 3.4). Notwithstanding, capacity utilization was 77.5 per cent and 40.0 per

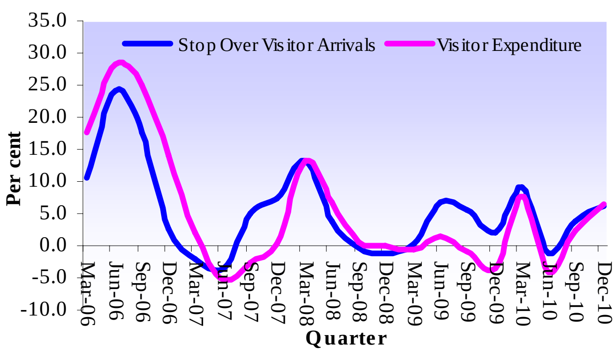
[15] Tropical Storm Nicole brought heavy rains to Jamaica between September 28 and 30.

Figure 3.4
Trends in Alumina &Total Bauxite Production
(12-Month Change)



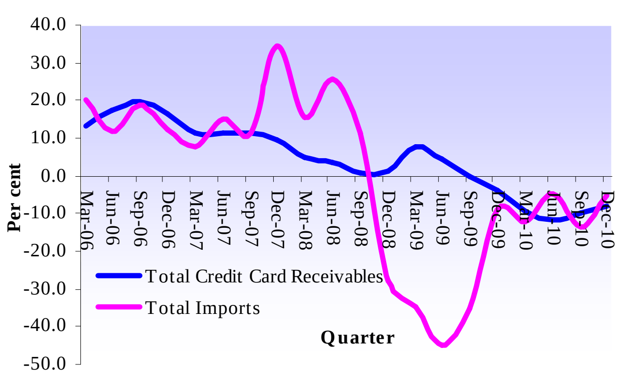
Source: Jamaica Bauxite Institute

Figure 3.5
Total Stopover Visitor Arrivals & Visitor Expenditure
(12-Month Change)



Source: Jamaica Tourist Board

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



Source: Bank of Jamaica

cent for crude bauxite and alumina, respectively. This was relative to crude bauxite and alumina capacity utilization of 91.0 per cent and 30.6 per cent, respectively in the December 2009 quarter. The decrease in capacity utilization in the bauxite industry was attributed to the adverse impact of unfavourable weather on mining operations during the review quarter.

Hotels & Restaurants is estimated to have grown during the review quarter in spite of travel disruptions to Jamaica due to the blizzard conditions experienced along the eastern coast of the US and Canada**.** Growth in the industry was inferred from increases of 6.2 per cent and 6.5 per cent in stopover visitor arrivals and visitor expenditure, respectively (see **Figure 3.5**). The growth in stopover visitor arrivals is attributable to increased marketing, expanded room capacity and below normal winter temperatures in the main markets.

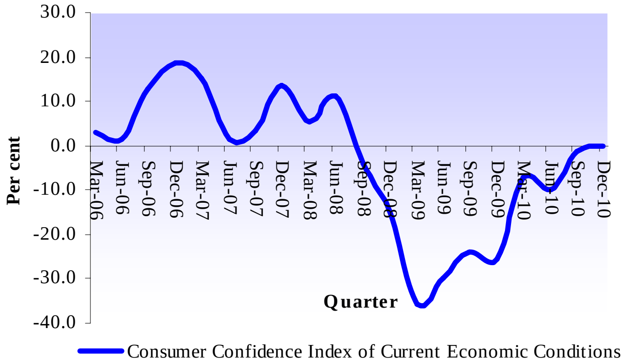
Aggregate Demand

Indicators of expenditure suggest further declines in ***Consumption*** and ***Investment*** in the December 2010 quarter. However, there was an improvement in ***Net External Demand***.

The contraction in ***Private Consumption*** was inferred from declines of 5.1 per cent and 7.9 per cent in total imports (c.i.f) and total credit card receivables, respectively (see **Figure 3.6)**. However, the rate of deceleration slowed as reflected in average declines of 10.1 per cent and 10.3 per cent in total imports and total credit card receivables, respectively, for the first three quarters of the calendar year. The estimated improvement in consumer spending, mirrored the rise in the consumer confidence index of current economic conditions, relative to the similar period in 2009, as reflected in the Jamaica Conference Board Survey of Consumer Confidence. The expansion in the index, in part, reflected an 11.1 per cent increase in consumers' perception of current job prospects (see **Figure 3.7**).

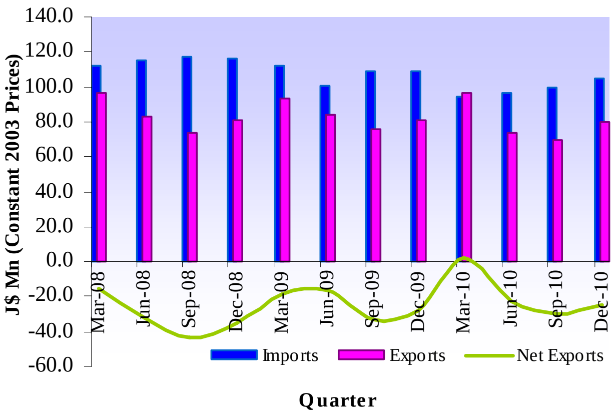
Given continued fiscal consolidation, ***Government Consumption*** for the review period is estimated to have contracted for the fifth consecutive quarter. This decline was inferred from reductions of 4.3 per cent and 3.1 per cent in wages and non-debt Government expenditure, respectively.

Figure 3.7
Consumer Confidence Index of Current Economic Conditions



Source: Jamaica Chamber of Commerce

Figure 3.8
Net Exports



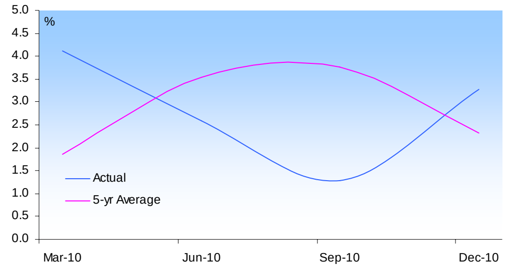
Source: BOJ & STATIN

In the context of a generally weak economic environment and credit constraints, ***Gross Fixed Capital Formation*** is estimated to have declined in the review quarter, in line with the trend since the start of the calendar year. This contraction was informed by foreign direct investment as well as imports of capital goods and raw material, which declined by an estimated 41.7 per cent and 22.7 per cent, respectively, relative to the corresponding period of 2009.

For the December 2010 quarter, ***Net External Demand*** is estimated to have improved relative to the comparable period of 2009 (**see Figure 3.8**). The improvement was inferred from estimated growth of 32.8 per cent in the exports of goods and services which outweighed the impact of an estimated expansion of 9.2 per cent in the imports of goods and services (see **Figure 3.8**). The expansion in exports mainly reflected growth of 76.6 per cent and 10.0 per cent in alumina and crude bauxite exports, respectively. Further, the growth in exports also reflected a rise in mineral fuels, which is estimated to have doubled. The performance of imports mainly reflected estimated increases of 27.4 per cent and 9.5 per cent in fuel and capital goods imports, respectively.

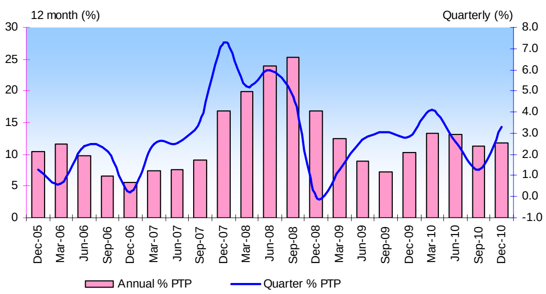
4. Inflation

Figure 4.1
Quarterly Inflation Rate



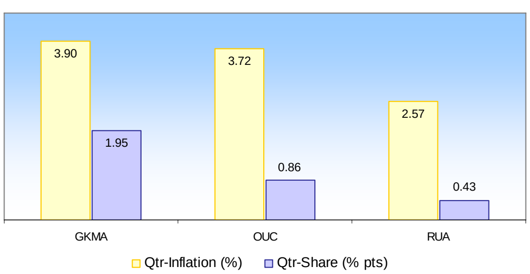
Source: STATIN

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



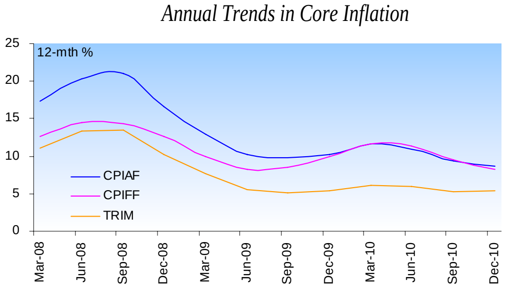
Source: STATIN

Figure 4.3
Geographical Distribution of Inflation and Share



Source: STATIN

Figure 4.4
Annual Trends in Core Inflation



Source: BOJ

Headline inflation for the December 2010 quarter was 3.3 per cent, compared to the 1.3 per cent in the September quarter. The acceleration in inflation in the review period was primarily due to the effects of Tropical Storm Nicole which led to a temporary shortage of agricultural produce. As a result of these shortages, food and non-alcoholic beverage price increases accounted for approximately 59.8 per cent of the quarter's inflation. Other inflation pressures emerged from higher international commodity prices such as crude oil, wheat and corn which resulted in price increases for meats and baked products. The impact of these factors was tempered by a relatively stable exchange rate and continued weak demand.

Trends in Price Indices

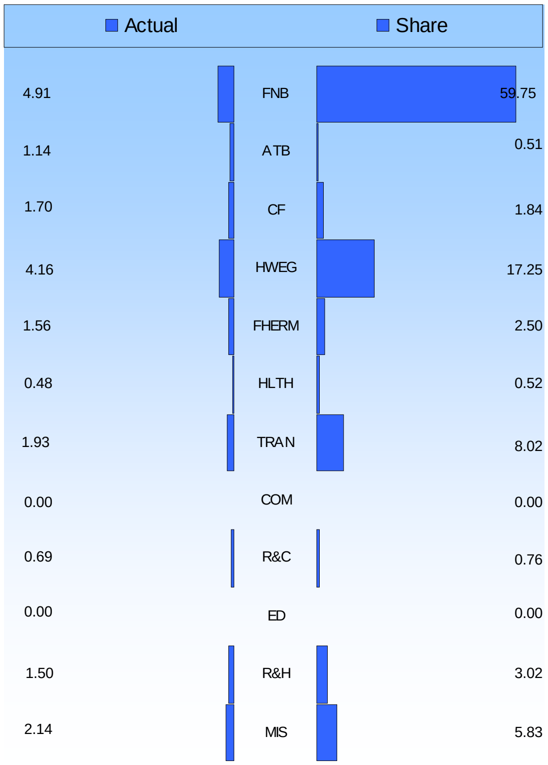
During the December 2010 quarter, the All Jamaica Consumer Price Index (CPI) increased by 3.3 per cent, which was notably above the 1.3 per cent recorded in the September 2010 quarter and the 2.7 per cent average inflation for the previous five December quarters (see **Figure 4.1** and **Figure 4.2**). Inflation for the months of October, November, and December was 0.8 per cent, 1.0 per cent and 1.4 per cent, respectively. This brought the calendar year inflation to 11.7 per cent. All regions reflected notable price increases during the December quarter (see **Figure 4.3**).

The outturn for the December 2010 quarter also exceeded the forecast range of 2.0 per cent to 3.0 per cent that was published in the September 2010 Quarterly Monetary Policy Report (QMPR). The deviation is due to a larger than anticipated impact from the passage of Tropical Storm Nicole.

Underlying Inflation

In the December quarter, the Bank's measures of core inflation, except for the CPI without Food and Fuel (CPI-FF), was higher than those recorded in the September 2010 quarter. In the review quarter CPI-AF and CPI-FF were 1.7 per cent and 1.4 per cent respectively, relative to 1.4 per cent for both in the September quarter. However, the Trimmed Mean (TRIM) was higher in the review quarter due to the rising *Meat, Restaurant &*

Figure 4.5
Inflation by Division

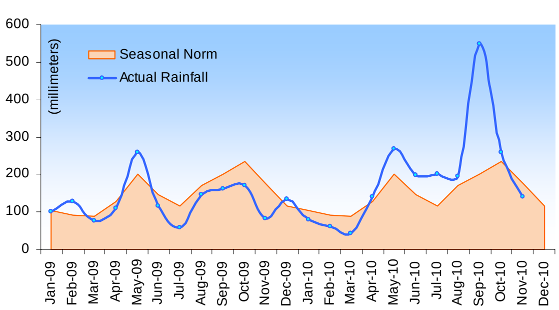


Blue bars = positive and Red bars = negative

MIS= Miscellaneous Goods & Services, R&H=Restaurants & Hotels, ED=Education, R&C=Recreation & Culture, COM=Communication, TRAN= Transport, 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

Figure 4.6
Actual vs Seasonal Rain Fall



Source: MET Office Jamaica

Accommodation Services and *Transport* costs. The TRIM was 1.6 per cent in the December quarter relative to 0.8 per cent in the September quarter. When compared to the corresponding quarter of FY2009/10, the CPI without Agriculture and Fuel (CPI-AF) and the CPI without Food and Fuel (CPI-FF) declined (see **Figure 4.4**).

Main Microeconomic Factors

The largest divisional change in prices for the review quarter was recorded in ***Food & Non-Alcoholic Beverages*** (FNB) which predominantly reflected increases in the prices of *Vegetables.* However, there were also notable increases for *Bread & Cereals*, *Meats* and *Milk Cheese & Eggs*. Approximately 61.3 per cent of *Food* inflation for the December quarter was attributed to higher prices for vegetables and starches. The other contributors to the outturn in the review quarter were ***Housing, Water, Electricity, Gas & Other Fuels*** (HWEG) and ***Transport*** (see **Figure 4.5**). The main drivers of these price changes were adverse weather conditions as well as changes in the international commodity prices of fuel and grains. The continued stability in the exchange rate had a dampening effect on imported price changes.

Domestic Weather Shocks

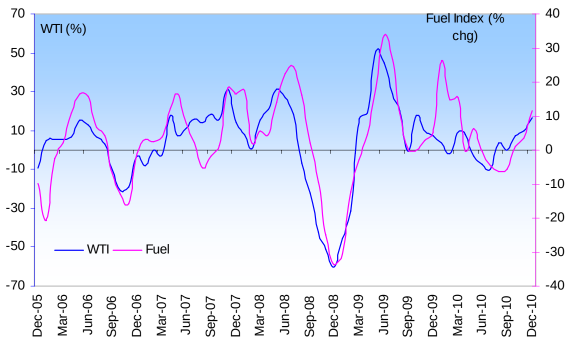
Since May 2010, Jamaica has experienced rainfall levels well above seasonal norms. In September 2010, rainfall levels exceeded typical precipitation by 270.0 per cent. This was due primarily to the intense effects of Tropical Storm Nicole (see **Figure 4.6**). The adverse weather patterns contributed to significant damage to agricultural produce especially vegetables. The resulting shortages contributed to the notable price increases observed within ***Food & Non-Alcoholic Beverages***.

International Commodity Price Changes

In the December 2010 quarter, the Bank's fuel index, an indicator for energy-related inflation, increased by 11.4 per cent relative to a decline of 5.5 per cent in the September 2010 quarter (see **Figure 4.7**).[16] The climb in energy-costs was due primarily to external factors. There was an increase in the average benchmark West Texas Intermediate (WTI) crude oil price of 16.3 per cent over the review quarter. The factors contributing to rising international oil prices included colder than usual temperatures in

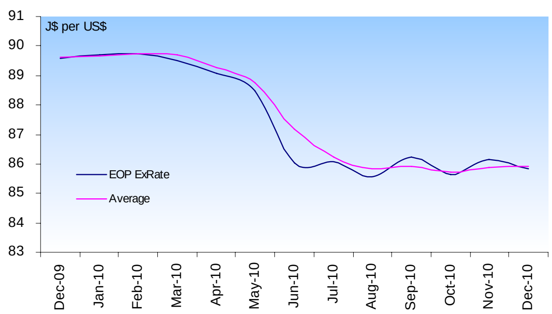
[16] The fuel index is a simple average of prices for E10-87, E10-90 and Diesel from Petrojam with December 2009 being the base year.

Figure 4.7
Quarterly Change in Fuel Index and Lagged WTI



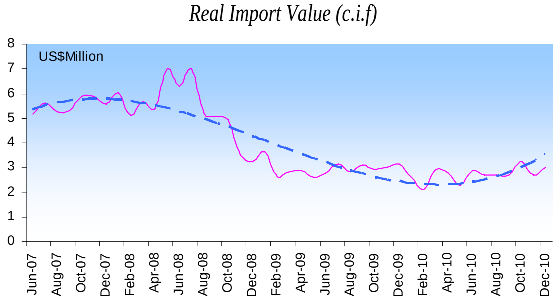
Source: Petrojam, Bloomberg

Figure 4.8
Monthly Inflation and End o f Period US Exchange Rate



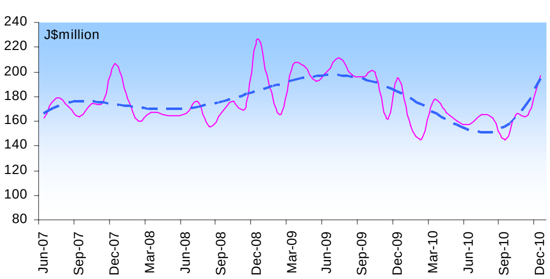
Source: STATIN & BOJ

Figure 4.9
Real Import Value (c.i.f)



Source: MOF&P

Figure 4.10
Real Debit and Credit Card Transactions Value



Source: BOJ

North America and Europe which resulted in a greater demand for heating oil and the depreciation of the US dollar against key international currencies.[17] These impacts were compounded by positive news from the US which signaled improved economic recovery. Improved manufacturing performance in China, alongside upward adjustments in forecasts for global oil demand, also placed upward pressure on oil prices during the quarter (see **International Developments**). The impact was reflected in increased prices for ***Housing, Water, Electricity, Gas& Other Fuels*** (HWEG) and ***Transport*** (TRAN) (see **Figure 4.5**).

Other commodity prices also reflected notable increases. There were notable shortages in rice due to after-effects of heavy rainfall in Pakistan and more recently Vietnam while, the price of wheat increased due to drought conditions in the US Great Plains and export bans in Russia. Corn prices rose significantly as global ethanol demand and demand for grains from China grew during the quarter. The effects of these increases were seen in upward domestic price adjustments for baked products and meats in *Food* (see **International Developments**).

Exchange Rates

The continued stability of the Jamaica Dollar vis-à-vis its US dollar counterpart lessened the impact of the increased cost of imported consumer and producer goods in the review quarter. The Jamaica Dollar appreciated by 0.5 per cent against the US dollar in the review quarter relative to a 0.3 per cent depreciation in the September 2010 quarter (see **Figure 4.8**).

Main Macroeconomic Factors

Indicators of domestic demand suggest a continued decline in consumer spending, though at a slowing pace. The industrial production indicator showed signs of reduction while shortages of agricultural produce placed upward pressures on prices (see **Real Sector**).

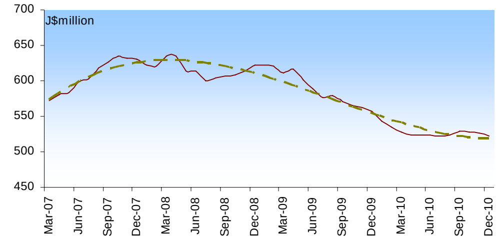
Consumer Demand Indicators

The main indicators of consumer demand are imports, credit card transactions and personal non-business lending. The value of imports in

[17] Oil is priced in USD on the global commodities market. A USD depreciation makes oil cheaper resulting in increased demand and ultimately a upward adjustment to the quoted price for the commodity.

Figure 4.11

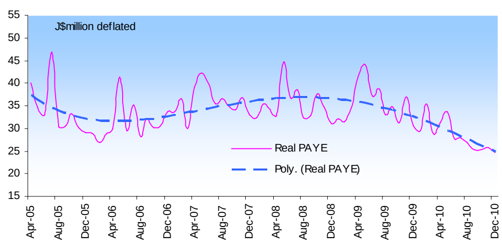
Real Personal Non-Business Loans



Source: JETS

Figure 4.12

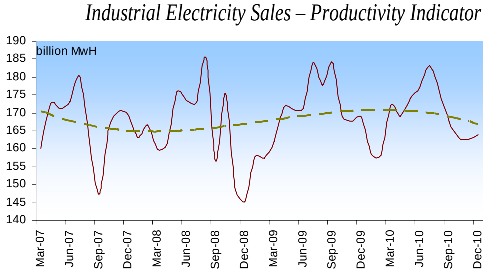
Real Jamaican PAYE Contribution



Source: BOJ

Figure 4.13

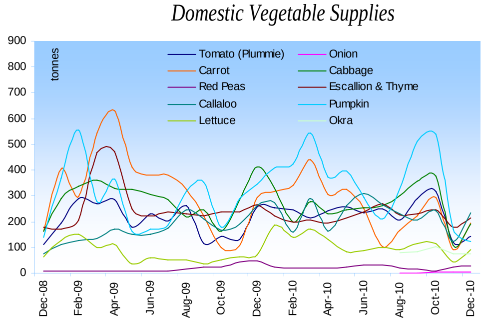
Industrial Electricity Sales – Productivity Indicator



Source: JPSCo.

Figure 4.14

Domestic Vegetable Supplies



Source: RADA

real terms increased by 9.6 per cent in the December 2010 quarter relative to the previous quarter. This compares to an increase of 0.1 per cent in the September 2010 quarter relative to the June 2010 quarter. Imports however, remain considerably below pre-crisis levels (see **Figure 4.9**). The increase in import value was corroborated by a strong upward adjustment in real combined debit and credit card transaction, over the December 2010 quarter (see **Figure 4.10**). This increase is likely due to higher spending during the holidays in December. Trends in real personal non-business loans and PAYE, however, continue to reflect a decline, though at a slowing pace over the December 2010 quarter when measured relative to the previous quarter. Both personal non-business loans and PAYE remains significantly below pre-crisis levels (see **Figure 4.11 and 4.12**). Although some improvements were seen in real import value, and real combined value of debit and credit card transactions, the indications on consumer spending from personal non-business loans and PAYE suggest continued downward pressures on consumer demand.

Aggregate Supply Indicators

Average trends in industrial electricity sales, an indicator for activity among manufacturers, hotels and distributive trade reflected an average decline during the review quarter (see **Figure 4.13**). There were significant contractions in domestic agricultural supplies following the damaging effects of Tropical Storm Nicole in September 2010. Vegetable crops experienced the largest contraction that resulted in notable price increases during the quarter (see **Figure 4.14**).

Summary

Inflation in the December 2010 quarter exceeded the Bank's forecast as the impact of Tropical Storm Nicole on agriculture prices was larger than anticipated. This was further exacerbated by heightened international commodity prices, which filtered into domestic production costs and retail prices. Consumer demand, however, remains low despite some indications of an improvement.

Box 1: An Inflation Targeting Framework for Jamaica

Introduction

Inflation targeting has emerged in recent years as an alternative monetary policy framework which has resulted in significant reduction in inflation in various countries. While there has been moderate success in reducing inflation in Jamaica, the rate of price increases in the domestic economy still remains relatively high above Jamaica's main trading partners. The attractiveness of inflation targeting in lowering inflation and expectations is appealing, particularly in the context of the current economic programme which seeks to reduce fiscal dominance, an important precondition for inflation targeting. This box introduces this relatively new framework for monetary policy.

What is inflation targeting?

Inflation targeting is characterized by an explicit commitment that low, stable inflation is monetary policy's primary long-term goal. Consequently, the central bank manipulates its policy instruments in response to any anticipated deviation of inflation from its target rate. This policy framework does not employ an intermediate target such as a monetary aggregate.

Given this commitment, the inflation target provides what is known as a nominal anchor for monetary policy and the economy as a whole. The consistent attainment of the target helps to anchor the public's expectations about future price movements including wages, thereby improving the ability to plan in the economy. With inflation targeting, there is no need for the use of other variables as intermediate targets.[18]

[18] Some inflation frameworks speak to the inflation forecast as the intermediate target.

An inflation targeting framework generally includes five main components. These are:

i) the public announcement of numerical targets for inflation over a specific time horizon;

ii) an institutional commitment to price stability as the primary goal of monetary policy;

iii) an information intensive strategy which tends to be forward looking in nature in which many variables, and not just monetary aggregates or the exchange rate, are used for deciding the setting of policy instruments;

iv) increased transparency of the monetary policy strategy through communication with the public and the markets about the plans, objectives and decisions of the monetary authorities;

v) increased accountability of the central bank for attaining its inflation objectives. This normally includes regular reports and testimonies to the legislature (in Jamaica's case the House of Parliament) by the head of the central bank. In the event that the inflation objective is not achieved, a letter explaining the reason for the deviation is required.

The principal tenet of inflation targeting is that price stability must be the primary long-run goal of monetary policy. The inflation targeter's case for stressing long-run price stability in formulating monetary policy, and in communicating policy intentions to the public, rests on three arguments. First, the increased emphasis on controlling inflation arises not because unemployment and related problems have become less urgent concerns, but because economists and policy-makers are considerably less confident today than they were thirty years ago that monetary policy can be used effectively to moderate short-run fluctuations in the economy, except perhaps fluctuations that are particularly severe or protracted. Further, most macroeconomists agree that, in the long run, the inflation rate is the only macroeconomic variable that monetary policy can affect. Second, there is by now something of a consensus that even moderate rates of inflation are harmful to economic efficiency and growth, and that the maintenance of a low and stable inflation rate is important, perhaps necessary, for achieving other macroeconomic goals. Therefore by creating a stable financial environment, monetary policy can fulfil an important precondition for the attainment of sustainable growth and development. Thirdly, the establishment of price stability as the primary long-run goal of monetary policy provides a key conceptual element in the overall framework of policy-making. That framework helps policy-makers to communicate their intentions to the public at large and improve credibility.

Why Inflation Targeting?

Inflation targeting has several advantages as a strategy for monetary policy. In contrast to an exchange rate peg, inflation targeting enables monetary policy to focus on domestic considerations and to respond to shocks to the domestic economy. Jamaica is a small open economy where movements in the exchange rate can be very important to price formation. However, what most open economies have found is that the direct pass-through of exchange rate changes on inflation has fallen significantly after instituting inflation targeting. In contrast to monetary targeting, inflation targeting has the advantage that a stable relationship between money and inflation is not critical to its success. With regards to monetary targeting, there is ample evidence that due to the imprecise relationship between monetary aggregates and inflation, monetary targeting have not been able to provide an adequate signal about the stance of monetary policy. Many countries including Jamaica have found that the relationship between money and inflation can be inconsistent over different time periods.[19] An inflation targeting framework does not depend on such a relationship, but instead uses all available information to determine monetary policy. Inflation targeting also has the key advantage that it is easily understood by the public and is thus highly transparent.

[19] See Monetary Policy Rules and the Transmission Mechanism in Jamaica, Allen and Robinson (2004) and Measuring Core Inflation: Emerging Issues (box in QMPR, June 2007 quarter)

What are the prerequisites for Inflation Targeting?

The emergence of inflation targeting as a framework for the conduct of monetary policy has been accompanied by considerable debate about preconditions that a country should satisfy before adopting inflation targeting. Some argue that several prerequisites are desirable, if not required, for a framework to be reasonably successful. There are two critical institutional preconditions for the successful implementation of an inflation targeting regime. The first relates to the relationship between the central bank and the government. The central bank must enjoy a strong degree of independence, particularly as it relates to instrument independence, at least *de facto* but preferably *de jure*. In addition, there should be an absence of or very low fiscal dominance. Secondly, institutional elements such as a thorough understanding of the monetary transmission process along with the capacity to forecast inflation are very critical. This is so as the conduct and evaluation of policy will be greatly enhanced hence increasing credibility and the ability to manage expectations.

The International Experience

Since New Zealand first adopted the framework in 1990, many countries including developed and developing, small and large, have adopted inflation targeting. These countries have subsequently recorded positive macroeconomic results including low inflation and stable economic growth. The table below summarizes the data on average inflation and growth rates before and after the adoption of inflation targeting for the 37 inflation targeters and non-targeters, based on a study by Truman (2003).[20] Average inflation rates declined for both the inflation targeters and the non-targeters for the full sample of 37 countries. The reductions were larger for the inflation targeters. Average growth rates also rose for both the inflation targeters and the non-targeters in both samples but again the expansion was greater for the targeters. These results provide some support for the view that following the adoption of inflation targeting, Phillips Curves of the targeters shift toward the origin.[21] [22] In other words,

[20] Inflation Targeting in the World Economy, Truman E., 2003. In the study, 37 countries were included in the sample, 8 inflation targeters and 29 nontargeters

[21] A Phillips curve is an inverse relationship between the rate of unemployment and the rate of inflation in an economy. Stated simply, the lower the unemployment in an economy, the higher the rate of inflation.

[22] The shift towards the origin allows the achievement of lower inflation for a given growth rate.

there is an overall improvement in macroeconomic performance and the effectiveness of monetary policy.

The adoption of inflation targeting by countries have been triggered by different developments and challenges in their respective economies. It is important to note that the relative success or the pace at which inflation targeting was adopted by different countries was affected by the existing macroeconomic conditions and the reforms made. For example, Mexico's gradual transition to inflation targeting in 2001 was in response to public criticism about the lack of transparency in the conduct of monetary policy following the devaluation of the peso and the subsequent surge in inflation. The Brazilian transition to inflation targeting began in 1999 after the balance of payments crisis in 1998 following a crisis of confidence. With the increasing pressure on foreign reserves, the Brazilian crawling peg was abandoned for a floating rate and inflation increased sharply. Against this background a new central bank board was appointed which introduced inflation targeting convinced that it was most suited to achieve economic stabilization under a flexible exchange rate regime. A gradualist approach to IT was not recommended, as the board viewed the hike in the inflation rate only as a temporary phenomenon.

Jamaica and Inflation Targeting

The ease of adoption and the success of inflation targeting in Jamaica would be greatly affected by the institutional characteristics of its economy. Over the past ten years, there have been bouts of macroeconomic instability characterized by high fiscal deficits, high interest rates and significant movements in the value of the exchange rate. This instability was also manifested in inflation rates, which have been higher than our main trading partners.[23] These adverse macroeconomic conditions have been exacerbated by the inconsistency between monetary and fiscal policy objectives, in light of the recurring fiscal deficit and its impact on the effectiveness of monetary policy.

The fiscal consolidation and the institutional reforms under the current economic programme will reduce the scope for fiscal dominance. In addition, there have been recent discussions on establishing the autonomy of the Bank of Jamaica. Such developments will be an important element in the transition to an inflation targeting regime.

Internally, the Bank of Jamaica has been developing its capacity for the possible adoption of an inflation targeting framework. There is also a substantial body of research on the monetary transmission process.[24] Additionally, the Bank constantly reviews and refines its forecasting techniques. In 2000, the Bank began issuing a quarterly economic report aimed at discussing the impact of economic factors on inflation in the previous quarter and the outlook for inflation, which incorporated the main risks threatening the fulfilment of the inflation target.[25] [26] Additionally, the Bank provides regular and timely updates as well as explanations for its actions.

Conclusion

In recent years, many central banks have adopted an inflation-targeting framework for the conduct of monetary policy in the context of supportive institutional arrangements. This has proven to be an effective means of lowering inflation and inflation expectations, without negative consequences for output. It is significant that although some countries have missed their targets at times, no country that adopted inflation targeting has abandoned it.[27]

[23] Inflation was also affected by the impact of adverse weather systems and international commodity price shocks.
24 See box on Monetary Transmission in Jamaica in Quarterly Monetary Policy Report for March 2009 quarter.
25 While the Bank has not declared the adoption of inflation targeting, it is noteworthy that a target for the fiscal year is usually announced by the Minister of Finance which the Bank attempts to achieve.
26 This is accompanied by a press briefing to further explain and accommodate questions from the public.
27 Finland and Spain practiced inflation targeting before the European System of Central Banks absorbed their central banks.

Table 1: Average inflation and growth rates pre- and post-inflation targeting

	Inflation			Growth		
Inflation Targeter	**Pre-targeting**	**Post-targeting**	**Difference between post- and pre-targeting**	**Pre-targeting**	**Post-targeting**	**Difference between post- and pre-targeting**
Australia	6.33	2.25	-4.08	3.03	4.46	1.43
Canada	4.38	2.00	-2.38	3.24	2.70	-0.54
Chile	21.33	9.58	-11.75	6.21	6.65	0.44
Finland	4.68	1.23	-3.45	1.27	3.71	2.44
New Zealand	11.32	2.25	-9.07	2.27	2.39	0.12
Spain	6.24	3.01	-3.23	2.91	3.11	0.20
Sweden	6.27	1.46	-4.81	1.33	2.40	1.07
United Kingdom	5.68	2.62	-3.06	2.38	3.01	0.63
Average						
All Countries						
Inflation Targeters	8.28	3.05	-5.23	2.89	3.56	0.67
Nontargeters[a]	7.48	4.68	-2.79***	3.81	3.83	0.02***
Industrial countries						
Inflation Targeters	6.41	2.12	-4.30	2.41	3.11	0.70
Nontargeters[a]	4.65	2.15	-2.51***	2.65	3.17	0.52

a. For non-targeters, the average between 1985 and 1994 and the average between 1995 and 2000 are compared.

Note: *** represets rejecting the null hypothesis of no significance at the level of 1 per cent.

Source: Inflation Targeting in the World Economy, Truman E. (Oct 2003)

5. Economic Outlook and Monetary Policy Perspectives

Table 5.1

Jamaica: Selected Economic Indicators

	Projections for Mar' 11 Quarter	Target for FY2010/11
Inflation (% change)	1.0 to 2.0	7.5 to 9.5
Gross Reserves (US$MN e.o.p.)	3 246.5	2 151.0
Weeks of Imports of Goods and Services	22.5	14.6
GDP (% change)	0.0 to 1.0	-1.0 to 0.0

Inflation should moderate in the March 2011 quarter.

Global output is forecasted to expand in 2011 with developing countries like China, India and Brazil recording higher growth rates than the developed countries. Among the developed economies, the US, Jamaica's main trading partner, is expected to be among the better performers.

Domestic demand has remained constrained by the fall in incomes that have resulted from a prolonged recession in Jamaica. Prices and output in the December 2010 quarter were negatively impacted by Tropical Storm Nicole. However, it is anticipated that there will be some recovery in the March and June 2011 quarters.

Given this positive foreign outlook, Jamaica's output is projected to expand marginally in the March 2011 quarter. ***Mining & Quarrying*** *and* ***Hotel & Restaurants*** *are the main sectors that should drive this expansion. Despite this projection, domestic output should still contract in the range of 0.0 per cent to 1.0 per cent for FY2010/11, due to declines in the three previous quarters.*

Headline inflation is projected to be in the range of 1.0 per cent to 2.0 per cent in the March 2011 quarter which would be lower than the 3.3 per cent recorded in the December 2010 quarter. This projection is underpinned by expected increases in imported inflation, continued stable domestic capacity conditions and declining inflation expectations.

Domestic price increases have remained generally in line with the BOJ's target for the fiscal year and the outlook for the medium term remains favourable. In addition, the financial markets are expected to remain stable. In this context the BOJ should be able to continue its policy adjustments in the March 2011 quarter.

Outlook - March 2011 Quarter

Inflation

The consumer price index (CPI) is forecasted to increase in the range of 1.0 per cent to 2.0 per cent in the March 2011 quarter. This would be a reduction in the rate of inflation relative to that recorded in the December 2010 quarter and would be in line with the 5-year average inflation of 1.2 per cent recorded prior to 2008.[28] The projected deceleration in inflation for the March 2011 quarter is underpinned by continued stable capacity conditions and declining inflation expectations. Additionally, prices in the March 2011 quarter will be favourably impacted by the recovery from Tropical Storm Nicole which affected the island at the end of the September 2010 quarter. There should be some upward impetus to domestic prices from expected increases in imported inflation. However, these increases should be tempered by the expected continuation of stability in the exchange rate.

The recovery from Tropical Storm Nicole should temper price increases in the March and June 2011 quarters.

Weather Conditions

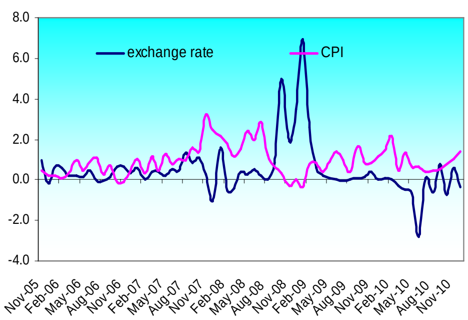
Tropical Storm Nicole affected Jamaica in the last week of September 2010 causing significant damage to food crops and the road infrastructure. This damage would have resulted in food shortages and higher transportation costs in the December 2010 quarter (see **Inflation**). It is expected that these crops will begin to recover in the March 2011 quarter and continue into the June 2011 quarter.

Imported Inflation

Average import prices are projected to increase by 3.6 per cent for the March 2011 quarter, relative to the December 2010 quarter. The increase in the March 2011 quarter is slightly higher than the average 3.2 per cent increase that was observed in the five March quarters prior to 2008. The projected rise in import prices during the quarter is associated with an expected increase in agricultural raw material prices. In particular, the prices of wheat and corn are projected to rise by 9.6 per cent and 14.4 per cent, respectively. These increases reflect supply tightness due to the impact of unfavourable weather conditions in several grain-producing countries in addition to heightened demand for grains, particularly from China. International rice prices are also expected to increase by 13.1 per cent, due to erratic weather conditions in rice producing countries.

Figure 5.1

Trends in Changes in Exchange Rate and Headline Inflation



[28] Calendar years 2008 and 2009 were excluded due to the unusual inflation and depreciation rates induced by the oil price spike in 2008 and the subsequent global financial crisis

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

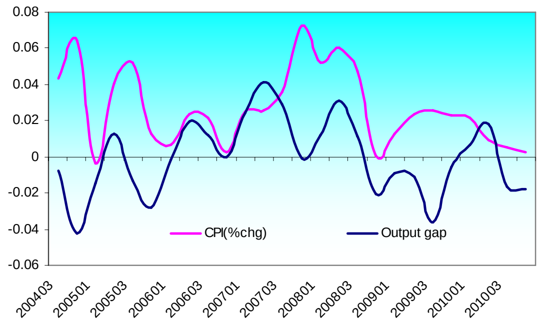
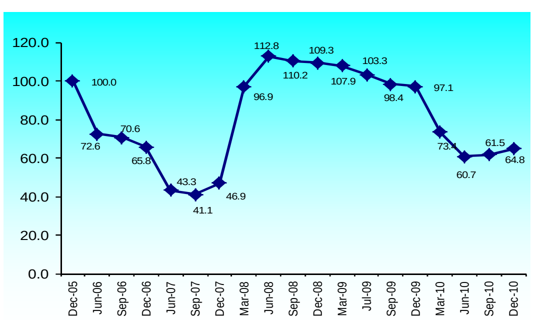


Figure 5.3
Index of Inflation Expectations of Businesses



Crude oil prices, as measured by the West Texas Intermediate (WTI) are also expected to rise by approximately 7.0 per cent, relative to the December 2010 quarter. This projected increase primarily reflects the impact of the US economic recovery and the resulting increase on fuel demand. In addition, the unusually cold weather resulting from the La Niña weather phenomenon could also lead to increased demand for heating oil and therefore place additional upward pressure on the price of crude oil. The projected increase in fuel price is above the March quarter norm of a decline of 2.6 per cent.

Following the sharp appreciation recorded in the first half of the fiscal year, the exchange rate displayed significant stability (see **Figure 5.1**). The foreign exchange market over the March 2011 quarter is expected to benefit from an improvement in inflows associated with an increase in earnings from tourism relative to the previous quarter. Consistent with seasonal patterns and given the continuation of the weak domestic demand conditions, the overall demand for foreign exchange should decline relative to the December 2010 quarter. Net private capital inflows are also expected to be more than sufficient to offset the demand for foreign currency associated with current account transactions. In this context, the market for foreign currency should remain relatively stable in the March 2011 quarter.

Domestic Capacity Conditions

Domestic excess capacity conditions should continue to contribute to the relatively stable price changes forecasted for the short- to medium-term. The Bank's estimate of the output gap remains negative, following a temporary positive uptick in the June 2010 quarter (see **Figure 5.2**).[29] The damage to infrastructure caused by Tropical Storm Nicole had a similar impact on both actual and potential output and therefore did not result in a major change in the evolution of the output gap. It is projected that as the economy improves over the medium-term, the gap should narrow but remain negative over the short to medium-term.

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

Figure 5.4
Index of Present Conditions of Businesses

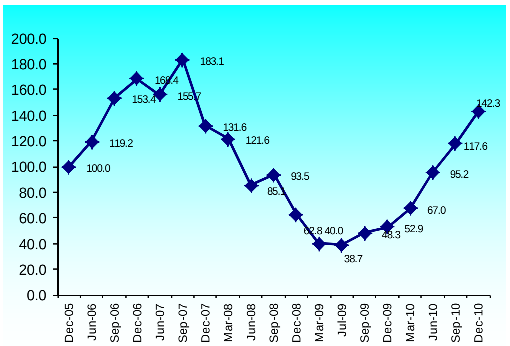
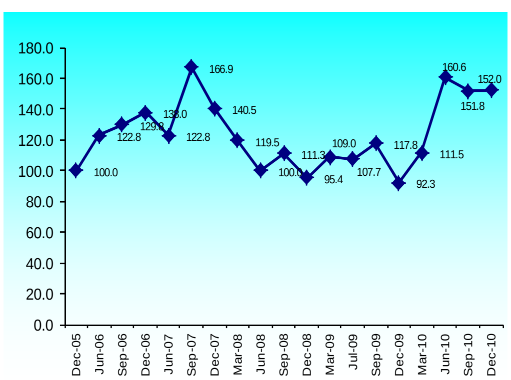


Figure 5.5
Index of Future Business Conditions



Inflation Expectations

The Bank's Survey of the inflation expectations conducted in the December quarter indicated that businesses expected a slight increase in the inflation outturn for the 2010 calendar year, relative to what they expected for 2009 (see **Figure 5.3**). This uptick could reflect the anticipated impact of Tropical Storm Nicole on food prices and transportation costs. However, businesses' long-term outlook for inflation continued to decline. The survey responses continued to reflect an improvement in the respondents' perception of present business conditions. The perception of inflation control and of future business conditions seemed to have stabilized at a relatively high level (see **Figures 5.4** and **5.5**).

Output

For the March 2011 quarter, the Jamaican economy is expected to record a marginal expansion. This performance should be driven primarily by growth in the tradable sectors, in particular, ***Mining & Quarrying*** and ***Hotels & Restaurants***. It is also anticipated that there will be an improvement in ***Transportation, Storage & Communication*** as well as in ***Agriculture, Forestry & Fishing***.

The expected improvement in the tradable sectors is based on projected increase in external demand as the economies of Jamaica's major trading partners continue to recover. Growth in total bauxite and alumina production should result in the expansion of ***Mining & Quarrying***. The forecasted expansion in ***Hotels & Restaurants*** is based on an expected increase in stop-over arrivals of 4.7 per cent.

An improvement in ***Transportation, Storage & Communication*** should occur as a result of an expected increase in trade as well as an increase in visitor arrivals. ***Agriculture, Forestry & Fishing*** should reflect some recovery following the impact of Tropical Storm Nicole on domestic crop production in the December 2010 quarter.

Figure 5.6
Consumer Price Index
(Annual point to point change)

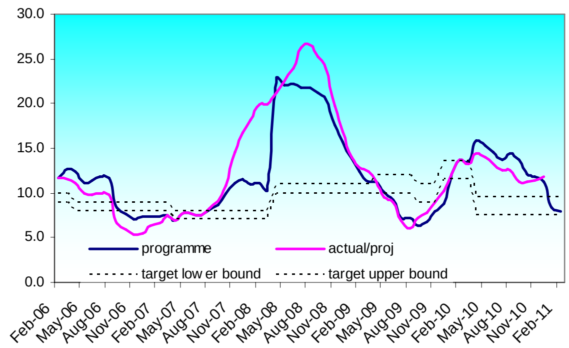
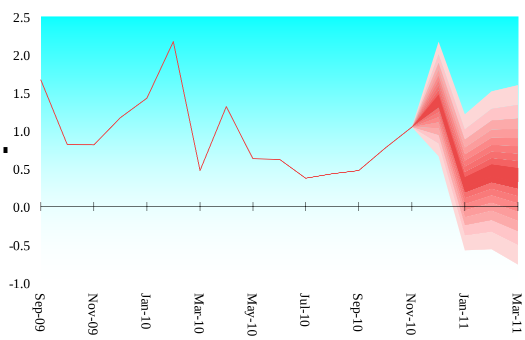


Figure 5.7
Inflation Forecast Fan chart (per cent)



Outlook - FY2010/11

The consensus view is that the global recession should end in 2011 with an increasingly positive outlook for the US and diminishing concerns about the health of the European economies. Developed countries are expected to record lacklustre growth but emerging economies like China, India and Brazil are expected to record significant growth. There has been little change in the forecasted growth rate for the global economy and the risk to the current forecast appears balanced.

Not withstanding the more positive outlook for the international economic environment and the previously highlighted domestic macroeconomic conditions, the BOJ is maintaining its forecast of a contraction in domestic output for FY2010/11 in the range of 0.0 per cent to 1.0 per cent. This outlook for domestic output largely reflects the declines in the three previous quarters as a moderate expansion is expected in the March 2011 quarter. Domestic inflation should end well within the target range of 7.5 per cent to 9.5 per cent. The patterns of price changes should continue to be broadly in line with the programmed path (see **Figure 5.6**).

Risks

The risks to the inflation forecast are balanced (see **Figure 5.7**). Upside risks include higher than anticipated increases in international commodity prices. The downside risks to the forecast remains a greater than anticipated contraction in demand due to the significant reductions in real incomes as well as a stronger than anticipated reversal in domestic agriculture prices..

The risks to output are skewed to the downside as reduced incomes continue to significantly constrain domestic demand. However, the improved outlook for the global economy could have a positive impact on demand for domestic output and therefore stimulate domestic production.

Monetary Policy

Since January 2010, the Central Bank has executed a significant easing of monetary policy as the domestic macroeconomic environment continued to improve. Following the removal of all tenors above 30 days from its menu of OMO instruments in January 2010, the Bank gradually reduced its benchmark rate by 300 basis points to 7.5 per cent by December 2010. The Bank also reduced the cash reserve ratio on domestic currency deposits to 12.0 per cent from 14.0 per cent. Despite domestic and international exogenous shocks, the inflation outturn has remained closely in line with the programmed path (see **Figure 5.6**). The current projections suggest that domestic price changes will continue to be generally in line with the BOJ's target for the fiscal year. Given the expected stability in the financial markets, the BOJ should be able to continue its policy adjustments in the March 2011 quarter.

Appendices

A. Fiscal Developments: Provisional October to December 2010

Provisional data indicate that Central Government incurred a deficit of $12.2 billion or 1.0 per cent of GDP on its operations for the December 2010 quarter relative to a budgeted deficit of $14.9 billion or 1.2 per cent of GDP. The variance largely reflected lower than budgeted Expenditure partly offset by lower than budgeted Revenue & Grants. The primary balance was approximately $11.0 billion or 0.9 per cent of GDP for the quarter compared to the $12.1 billion or 1.0 per cent of GDP in the budget. The current deficit was approximately $3.0 billion or 0.2 per cent of GDP, relative to a current deficit of $6.4 billion or 0.5 per cent of GDP implied by the budget (see Table below).

Expenditure for the review quarter was 4.0 per cent below budget reflecting containment in both recurrent and capital expenditure. Within recurrent expenditure, interest payments and programmes were below budget while wages & salaries were above budget. Revenue & Grants for the December 2010 quarter was 1.1 per cent below budget primarily reflecting a shortfall in tax revenue and grants, the latter reflecting the impact of a delay in receipts from the European Union.

For the April to December 2010 period, the fiscal deficit was 12.8 per cent below budget. The deviation largely reflected lower than budgeted Expenditure which was partly offset by lower than budgeted Revenue & Grants. Expenditure was $12.3 billion below budget with the variance reflected in capital and recurrent expenditure which were 13.6 per cent and 2.4 per cent, respectively, below budget. The lower than budgeted recurrent expenditure was primarily accounted for by interest payments which reflected the impact of lower than anticipated interest rate and exchange rate paths. With respect to Revenue & Grants, tax revenue accounted for the largest negative variance principally reflected in lower PAYE and local Special Consumption Tax (SCT) flows, which were partly offset by buoyant GCT receipts on imports. While lower economic activity continued to impact PAYE and SCT (local), indications are that the over-performance in import-related receipts was due to improved administrative efforts at customs. The primary balance for April to December was $32.3 billion or $1.6 billion above budget and was $320.1 million above the cumulative IMF Stand-By Arrangement (IMF-SBA) target.

Financing for April to December 2010 was primarily sourced from the domestic market. A total of sixteen instruments were re-opened while there were two new issues which together raised $87.9 billion. Of the instruments offered, seventeen were at fixed rates of interest and one was a variable rate (VR) instrument. The weighted average age of debt was 6.6 years at December 2010 relative to 4.3 years at December 2009. For the April to December 2010 period, the Government accessed $42.6 billion in foreign financing, predominantly reflecting policy-based loans from the Inter-American Development Bank amounting to US$400.0 million. The loans are to assist the Government of Jamaica in improving fiscal and debt sustainability via the establishment of a fiscal responsibility framework and measures to increase the efficiency of the public service and the tax system.

Preliminary data indicate that the public entities' net use of financing was below the $10.9 billion cumulative IMF-SBA target.

CENTRAL GOVERNMENT SUMMARY ACCOUNTS

FY 2010/11

(J$MN)

	FY 2010/11 Q3	Budget Q3	Variance	%	FY 2010/11 Q1- Q3	Budget Q1- Q3	Variance	%	IMF-SBA Programme Q1- Q3	Variance	%
Revenue & Grants	75214.8	76088.5	-873.8	-1.1	223941.1	227952.0	-4010.8	-1.8	224800.0	-858.9	-0.4
Revenue	71338.3	71250.0	88.4	0.1	214925.7	214994.6	-68.8	0.0	214900.0	25.7	0.0
Tax Revenue	65516.6	67419.7	-1903.1	-2.8	196355.7	197610.9	-1255.1	-0.6	197500.0	-1144.3	-0.6
Non-Tax Revenue	5560.0	3564.6	1995.4	56.0	16571.4	15068.7	1502.7	10.0	17400.0	-828.6	-4.8
Bauxite Levy	170.6	142.8	27.8		189.2	433.7	-244.5	-56.4			
Capital Revenue	91.1	122.8	-31.7		1809.4	1881.3	-71.9	-3.8			
Grants	3876.4	4838.6	-962.1	-19.9	9015.4	12957.4	-3942.0	-30.4	10000.0	-984.6	-9.8
Expenditure	87424.7	91042.2	-3617.5	-4.0	279916.7	292177.4	-12260.7	-4.2	284700.0	-4783.3	-1.7
Recurrent Expenditure	74218.5	77518.7	-3300.2	-4.3	239793.8	245762.7	-5968.8	-2.4	244600.0	-4806.2	-2.0
Programmes	18161.2	19236.5	-1075.3	-5.6	54365.6	54441.1	-75.5	-0.1	56100.0	-1734.4	-3.1
Wages & Salaries	32894.4	31269.6	1624.8	5.2	97132.5	96389.7	742.9	0.8	96600.0	532.5	0.6
Interest	23162.9	27012.6	-3849.7	-14.3	88295.7	94931.9	-6636.2	-7.0	91900.0	-3604.3	-3.9
Domestic	11154.6	13852.7	-2698.1	-19.5	56111.5	59464.6	-3353.1	-5.6	59000.0	-2888.5	-4.9
Foreign	12008.3	13159.9	-1151.7	-8.8	32184.2	35467.3	-3283.1	-9.3	32900.0	-715.8	-2.2
Capital Expenditure	13206.2	13523.5	-317.3	-2.3	40122.9	46414.7	-6291.9	-13.6	40100.0	22.9	0.1
Non-interest expenditure	64261.7	64029.5	232.2	0.4	191621.0	197245.5	-5624.5	-2.9	192800.0	-1179.0	-0.6
Fiscal Balance	-12209.9	-14953.6	2743.8	-18.3	-55975.6	-64225.4	8249.9	-12.8	-60000.0	4024.4	-6.7
Current Balance	-2971.3	-6391.5	3420.3	-53.5	-26677.5	-32649.4	5971.9	-18.3	-29700.0	3022.5	-10.2
Primary balance	10953.0	12059.0	-1106.0	-9.2	32320.1	30706.5	1613.7	5.3	32000.0	320.1	1.0
	In Percent of GDP										
BR	1.0	1.2			4.5	5.2			4.9		
CB	-0.2	-0.5			-2.2	-2.6			-2.4		
PB	0.9	1.0			2.6	2.5			2.6		
IP	1.9	2.2			7.2	7.7			7.5		
FSR	-1.2	-1.2			-1.2	-1.3			-1.3		
NIE	5.2	5.2			15.6	16.0			15.7		

Key

BR = Borrowing Requirement = Fiscal Balance as a percent of GDP

CB= Current Balance = Current Revenue-Current Expenditure as a percent of GDP

PB= Primary Balance = Total Revenues-Total Expenditures less Interest Payments (IP) as a percent of GDP

IP= Interest Payments as a percent of GDP

FSR=Fiscal Stability Ratio = (Overall Balance/ Total Revenue) - 1

International Benchmarks

BR greater than 3% of GDP often indicates serious fiscal imbalance

FSR closer to zero indicates more stable government finances

Negative CB ratio of less than 1% indicates dissaving or a need for fiscal adjustment as the public sector is borrowing for consumption

PB ratio above zero indicates major fiscal adjustment to cover interest on past obligations

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

B. MONETARY POLICY DEVELOPMENTS

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

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

14/02/2002	Interest rates on the 365-day, 270-day, 180-day, 120-day, 90-day, 60-day and 30-day instruments were reduced to 15.80 per cent, 15.00 per cent, 14.40 per cent, 14.05 per cent, 13.95 per cent, 13.85 per cent and 13.95 per cent, respectively.
01/03/2002	Liquid assets ratio of commercial banks and FIA institutions in respect of local and foreign currency liabilities were reduced from twenty eight per cent (28%) to twenty seven per cent (27%). Cash reserve ratio of commercial banks and FIA institutions in respect of local and foreign currency liabilities reduced from ten per cent (10%) to nine per cent (9%).
11/03/2002	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day and 365-day open market instruments were reduced from 13.75 per cent, 13.85 per cent, 13.95 per cent, 14.05 per cent, 14.40 per cent, 15.00 per cent and 15.80 per cent to 13.25 per cent, 13.35 per cent, 13.45 per cent, 13.55 per cent, 13.80 per cent, 14.20 per cent, and 15.00 per cent, respectively.
11/07/2002	Interest rates on Bank of Jamaica 30-day, 60-day, 90-day, 120-day, 180-day, 270-day, and 365-day open market instruments were reduced from 13.25 per cent, 13.35 per cent, 13.45 per cent, 13.55 per cent, 13.80 per cent, 14.20 per cent, and 15.00 per cent to 12.95 per cent, 13.05 per cent, 13.15 per cent, 13.25 per cent, 13.45 per cent, 14.00 per cent, and 14.90 per cent, respectively.
01/09/2002	Liquid Assets ratio of commercial banks, FIA institutions and of building societies, in respect of local and foreign currency liabilities was reduced from twenty seven percent (27%) to twenty three percent (23%).
07/08/2002	Interest rates on Bank of Jamaica 270-day and 365-day open market instruments were reduced from 14.00 per cent to 13.85 per cent and from 14.90 per cent to 14.50 per cent, respectively.
09/09/2002	Interest rates on Bank of Jamaica 90-day and 120-day open market instruments were increased from 13.15 per cent to 17.25 per cent and from 13.25 per cent to 17.05 per cent, respectively.
09/10/2002	Interest rates on Bank of Jamaica 90-day and 120-day open market instruments were increased from 17.25 per cent to 19.25 per cent and from 17.05 per cent to 19.40 per cent, respectively.
28/10/2002	Interest rates on Bank of Jamaica 90-day and 120-day open market instruments were reduced from 19.25 per cent to 18.25 per cent and from 19.40 per cent to 18.40 per cent, respectively.
01/11/2002	The interest rate chargeable in respect of breaches by commercial banks, of the cash reserve and liquid assets ratios in respect of Jamaica Dollar liabilities, was reduced from 69 per cent per annum to 45 per cent per annum. The interest rate chargeable in respect of breaches by building societies and institutions licensed under the Financial Institutions Act, of the cash reserve and liquid assets ratios in respect of Jamaica Dollar liabilities, was adjusted from one-sixth of one per centum per day to 45 per cent per annum.
10/01/2003	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.

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.

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

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

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

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

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

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

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

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

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

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

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

03/02/2009 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.

04/06/2010 The interest rate payable on Bank of Jamaica 30-day Certificate of Deposit was reduced by 50 basis points to 9.50 per cent. The adjustment occurred in the context of the abatement of inflationary impulses, particularly those related to the recent tax measures, and the moderation of the prices of key imported commodities, especially oil.

Secondary trading of securities as well as successive auctions of Treasury Bills indicated an endorsement of the new interest rate norms by the market. Additionally, the entrenchment of the lower interest rate structure was supported by the appreciation of the exchange rate and the reduction of sovereign credit risk as reflected in falling yields on internationally traded GOJ bonds.

Despite the interruption to economic activity in the Kingston Metropolitan Area during the week of 24 May, the Bank's assessment of the outlook for growth in FY2010/11 remained largely unchanged. Some fall-out in tourism-related earnings was anticipated in the short run but the prospective reopening of a major alumina processing plant in June 2010 and the maintenance of business activity throughout most of Jamaica was expected to contribute to a modest recovery in GDP growth in the current fiscal year.

The Bank believes that current reforms embedded in the Government's economic programme will lead to lasting improvements in public finances and debt management and the creation of a basis for longer term financial stability.

17/06/2010 The rate payable on Bank of Jamaica 30-day Certificate of Deposit was reduced by 50 basis points to 9.00 per cent.

The adjustment in the rate followed a better-than-expected inflation outturn for the preceding month. The fall in the general price level, together with the recent strengthening of the Jamaica Dollar, reinforced the likelihood that inflation would tend toward the lower end-point of the target range of 7.5 per cent to 9.5 per cent for fiscal year 2010/2011. Furthermore, the Bank's net international reserves which stood at US$1.75 billion were expected to outperform the benchmark set under the current IMF Stand-By Arrangement for end-June 2010. These resources constituted a strong buffer against financial or weather-related shocks that might otherwise threaten the achievement of the macroeconomic objectives.

30/06/2010 The Bank of Jamaica reduced the Jamaica Dollar cash reserve requirements of its supervised deposit-taking institutions by two percentage points (2%) to twelve per cent (12%). The cash reserve requirement applicable to foreign currency deposits which was reduced in March 2010 remains at nine per cent (9%).

The reduction in the domestic currency cash reserve requirements also resulted in a two percentage point (2%) contraction in the liquid assets requirements against Jamaica Dollar liabilities to twenty-six per cent (26%). The liquid assets requirements against foreign currency liabilities remained at twenty-three per cent (23%).

Reserve requirements were increased in 2008/09 as part of the Bank's response to the deterioration in financial market conditions triggered by the global economic downturn. The Bank observed that those global market conditions were improving and domestic financial markets were stable. The release of the cash reserves increased the pool of loanable funds by some J$4.5 billion and allowed for a further easing in credit conditions.

These adjustments formed part of a general easing of monetary policy that was consistent with the improved outlook for inflation and the relatively weak demand conditions in the economy. The projected path for inflation for fiscal year 2010/2011 continued to trend towards the lower end of the target range of 7.5 per cent to 9.5 per cent.

04/08/2010	The Bank reduced the rate of interest payable on its 30-day Certificate of Deposit to 8.50 percent from 9.00 per cent. The reduction in the Bank's policy rate occurred against the background of the benign outlook for inflation. Money supply and bank credit expanded slower than expected during the first quarter of the fiscal year and kept domestic core or underlying inflation stable. Other contributing factors to local price stability were the sluggish recovery in global demand for commodities and the appreciation in the exchange rate since the start of the fiscal year. Given the foregoing, the Bank expected that inflation outturn for FY2010/2011 would be toward the lower end of the 7.5 per cent – 9.5 per cent target range. The Bank contended that the main risk to this forecast was the disruption to supply that a hurricane or other severe weather conditions might cause.
25/08/2010	The Bank of Jamaica reduced its policy rate by a further 50 basis points to 8.0 per cent. This reduction in its 30-day Certificate of Deposit was accompanied by a 0.25 basis point contraction to 0.25 per cent, in the rate of interest payable on overnight placements of financial institutions held at the Bank. The reduction in the policy rate was supported by the inflation outturn for July and the appreciation in the Jamaica Dollar, both of which pointed to a more favourable outlook for domestic inflation for FY2010/2011. Furthermore, net international reserves which stood at US$1.9 billion would possibly outperform the benchmarks set under the current IMF Stand-By Arrangement. These resources constituted a strong buffer against financial or weather related shocks that might otherwise threaten the achievement of the macroeconomic targets.
18/11/2010	The interest rate payable on Bank of Jamaica 30-day Certificates of Deposit was reduced by 50 basis points to 7.50 per cent. This revision to the Bank's policy rate reflected the continued decline in inflation towards the programme projections for the fiscal year and beyond. Risks to a reversal in this trend were abating as the hurricane season drew to a close while domestic demand conditions were weaker than earlier anticipated. Core, or underlying, inflation was also declining steadily. The progress made in implementing fiscal and financial sector reforms led to repeated observance of performance benchmarks related to the economic programme for fiscal 201/2011. These successes continued to be reflected in financial market prices generally and in money market interest rates in particular. The change in the Bank's policy rate endorsed the positive outlook for continued stability and the relatively benign prospects for inflation over the forthcoming year.

LIST OF SUMMARY TABLES

C. Summary Tables

1

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
2010/2011			
June	160.7	2.6	1.1
September	162.8	1.3	0.8
December	168.1	3.3	1.6

2A

COMPONENT CONTRIBUTION TO INFLATION
All Jamaica
October – December 2010

Divisions, Classes and Groups	Weight in CPI	Inflation (%)	Weighted Inflation	Contribution (%)
FOOD & NON-ALCOHOLIC BEVERAGES	0.3746	4.91	1.84	59.75
Food	0.3512	5.11	1.79	58.29
- Bread and Cereals	0.0610	3.05	0.19	6.04
- Meat	0.0766	2.25	0.17	5.59
- Fish and Seafood	0.0533	1.51	0.08	2.62
- Milk, Cheese and Eggs	0.0311	2.36	0.07	2.38
- Oils and Fats	0.0164	2.08	0.03	1.11
- Fruit	0.0114	4.54	0.05	1.68
- Vegetables and Starchy Foods	0.0686	15.36	1.05	34.19
- Sugar, Jam, Honey, Chocolate and Confectionery	0.0172	1.38	0.02	0.77
- Food Products n.e.c.	0.0155	2.78	0.04	1.40
Non-Alcoholic Beverages	0.0235	2.05	0.05	1.56
- Coffee, Tea and Cocoa	0.0066	2.60	0.02	0.56
- Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	0.0169	1.86	0.03	1.02
ALCOHOLIC BEVERAGES AND TOBACCO	0.0138	1.14	0.02	0.51
CLOTHING AND FOOTWEAR	0.0333	1.70	0.06	1.84
Clothing	0.0212	2.30	0.05	1.58
Footwear	0.0122	0.76	0.01	0.30
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	0.1276	4.16	0.53	17.25
Rentals for Housing	0.0352	1.30	0.05	1.48
Maintenance and Repair of Dwelling	0.0080	0.53	0.00	0.14
Water Supply and Miscellaneous Services Related to the Dwelling	0.0132	5.65	0.07	2.42
Electricity, Gas and Other Fuels	0.0712	5.94	0.42	13.73
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	0.0493	1.56	0.08	2.50
Furniture and Furnishings	0.0069	1.48	0.01	0.33
Household Textiles	0.0032	1.88	0.01	0.20
Household Appliances	0.0056	0.63	0.00	0.11
Glassware, Tableware and Household Utensils	0.0005	1.76	0.00	0.03
Tools and Equipment for House and Garden	0.0015	1.13	0.00	0.06
Goods and Services for Routine Household Maintenance	0.0316	1.72	0.05	1.77
HEALTH	0.0329	0.48	0.02	0.52
Medical Products, Appliances and Equipment	0.0122	0.33	0.00	0.13
Health Services	0.0207	0.59	0.01	0.40
TRANSPORT	0.1282	1.93	0.25	8.02
COMMUNICATION	0.0399	0.00	0.00	0.00
RECREATION AND CULTURE	0.0336	0.69	0.02	0.76
EDUCATION	0.0214	0.00	0.00	0.00
RESTAURANTS & ACCOMMODATION SERVICES	0.0619	1.50	0.09	3.02
MISCELLANEOUS GOODS AND SERVICES	0.0837	2.14	0.18	5.83
ALL DIVISIONS	1.0000	3.3	3.3	100.0

2B

REGIONAL INFLATION
October – December 2010

Divisions, Classes and Groups	GKMA	Other Urban Centres	Rural Areas
FOOD & NON-ALCOHOLIC BEVERAGES	6.4	5.6	3.7
Food	6.6	5.8	3.8
- Bread and Cereals	3.1	1.8	3.6
- Meat	2.9	1.5	2.2
- Fish and Seafood	1.7	3.1	0.8
- Milk, Cheese and Eggs	3.4	1.3	2.1
- Oils and Fats	1.5	3.5	1.9
- Fruit	4.7	5.3	3.6
- Vegetables and Starchy Foods	20.0	18.0	10.5
- Sugar, Jam, Honey, Chocolate and Confectionery	2.0	2.1	0.8
- Food Products n.e.c.	4.4	2.2	2.0
Non-Alcoholic Beverages	2.4	2.0	1.8
- Coffee, Tea and Cocoa	3.0	3.3	2.1
- Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	2.3	1.6	1.7
ALCOHOLIC BEVERAGES AND TOBACCO	0.3	0.6	1.9
CLOTHING AND FOOTWEAR	1.9	1.9	1.5
Clothing	2.9	2.5	1.9
Footwear	0.5	0.9	0.9
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	4.3	3.8	4.3
Rentals for Housing	2.1	0.3	0.3
Maintenance and Repair of Dwelling	0.8	0.2	0.5
Water Supply and Miscellaneous Services Related to the Dwelling	5.7	5.6	5.6
Electricity, Gas and Other Fuels	6.7	6.1	5.3
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	1.2	1.2	2.0
Furniture and Furnishings	0.5	1.9	2.1
Household Textiles	2.0	1.2	2.2
Household Appliances	0.2	1.0	0.8
Glassware, Tableware and Household Utensils	2.1	2.0	1.4
Tools and Equipment for House and Garden	2.0	1.2	0.9
Goods and Services for Routine Household Maintenance	1.6	1.1	2.2
HEALTH	1.1	0.4	0.2
Medical Products, Appliances and Equipment	0.4	0.6	0.1
Health Services	1.6	0.2	0.3
TRANSPORT	2.0	3.4	1.3
COMMUNICATION	0.0	0.0	0.0
RECREATION AND CULTURE	0.9	0.5	0.5
EDUCATION	0.0	0.0	0.0
RESTAURANTS & ACCOMMODATION SERVICES	3.4	1.1	0.1
MISCELLANEOUS GOODS AND SERVICES	1.7	3.0	2.1
ALL DIVISIONS	3.9	3.7	2.6

3

BANK OF JAMAICA OPERATING TARGETS

	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Net International Reserves (US$MN)	**1 619.4**	**1 933.2**	**1 729.4**	**1 751.9**	**1 795.8**	**1 973.7**	**2 171.41**
Net International Reserves ($JMN)	**144 110.8**	**172 039.0**	**154 517.4**	**156 530.5**	**160 451.1**	**176 347.4**	**194 015.5**
- Assets	147 777.2	178 627.8	156 527.8	215 728.4	225 761.5	249 257.0	266 188.8
- Liabilities	-3 666.4	-6 588.8	-2 010.4	-59 197.9	-65 310.4	-72 909.6	-72 173.4
Net Domestic Assets	**-71 411.9**	**-99 910.0**	**-73 401.3**	**-79 208.0**	**-82 693.3**	**-102 116.5**	**108 922.5**
-Net Claims on the Public Sector	139 561.4	109 213.8	12 947.4	119 618.2	103 764.3	115 712.7	101 374.0
- Net Credit to Banks	-17 679.8	-17 783.0	-16 886.6	-14 539.0	-14 040.6	-14 289.5	-13 844.2
- Open Market Operations	-120 774.3	-118 502.6	-112 011.3	-121 349.2	-110 710.8	-136 206.2	-129 180.1
- Other	-72 519.2	-72 838.3	-73 450.7	-62 938.0	-61 706.2	-67 333.5	-67 272.2
Monetary Base	**72 698.9**	**72 129.0**	**81 116.2**	**77 322.4**	**77 757.8**	**74 230.9**	**85 093.0**
- Currency Issue *	43 207.7	43 427.6	51 856.2	46965.1	46 523.5	47 295.8	56 710.7
- Cash Reserve	29 429.4	28 551.6	29 204.9	29 734.5	30 312.1	26 660.0	27 713.5
- Current Account	61.8	149.8	55.1	622.8	922.2	275.1	668.8
% Change Monetary Base (F-Y-T-D)	**2.1**	**1.3**	**13.9**	**8.6**	**0.6**	**-4.0**	**10.0**

** 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
2010/2011						
June	93 074.2	102 810.4	218 702.2	331 549.5	306 741.3	419 588.6
September	95 445.0	104 817.7	221 386.8	328 598.3	311 289.0	418 500.5
December	104 765.1	113 747.4	231 745.1	339 177.4	323 009.3	430 441.5

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)

	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10p	Dec-10 p
M2J	**-8 116.8**	**3 457.9**	**532.7**	**9 974.9**	**-6 358.7**	**8 257.5**	**2 684.8**	**10 358.3**
Currency	-5 148.0	1 285.8	-700.5	7 181.9	-4 029.4	-106.6	-81.9	8 120.8
Demand Deposits	-345.3	1 455.8	355.4	2 639.9	-3 785.1	3 262.0	2 452.7	1 199.3
Savings Deposits	-164.5	1 667.3	133.1	637.1	1 514.5	2 509.1	716.0	887.2
Time Deposits	-2 459.0	-951.0	744.7	-484.0	-58.7	2 593.0	-402.0	151.0
OTHER DEPOSITS	**3 936.0**	**3 827.9**	**4 581.1**	**3 591.4**	**339.0**	**3 167.1**	**1 863.0**	**1 362.0**
TOTAL (M3J)	**-4 180.8**	**7 285.8**	**5 113.8**	**13 566.3**	**-6 019.7**	**11 424.6**	**4 547.8**	**11 720.3**

SOURCES OF CHANGE IN LOCAL CURRENCY MONEY SUPPLY

	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10p	Dec-10 p
N.I.R. of B.O.J.	**-11 720.6**	**-816.6**	**27 928.3**	**-18 144.1**	**2 013.1**	**3 920.6**	**15 896.3**	**17 668.0**
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	**2 572.9**	**18 502.8**	**5 766.5**	**20 790.4**	**-24 742.5**	**3.0**	**18 436.6**	**15 090.0**
Public Sector	3 232.6	16 913.0	6 492.4	21 707.8	-28 775.0	-9 223.3	13 887.9	-15 077.6
Private Sector	-659.7	1 589.8	-725.9	-917.4	4 032.5	9 226.3	4 548.7	-12.4
Open Market Operations	**12 591.2**	**-1 436.8**	**2 271.9**	**6 491.2**	**-9 337.9**	**10 638.4**	**-25 495.4**	**7 026.2**
Other	**-7 624.3**	**-8 963.6**	**-30 852.9**	**4 428.8**	**26 047.6**	**-3 137.4**	**-4 289.7**	**2 116.1**
TOTAL	**-4 180.8**	**7 285.8**	**5 113.8**	**13 566.3**	**-6 019.7**	**11 424.6**	**4 547.8**	**11 720.3**
Memo:								
Foreign Currency Deposits (Private Sector)	3 620.4	- 1 796.4	-3 035.5	5 341.6	1 435.0	- 3 935.5	-5 635.8	220.8
Foreign Currency Loans (Private Sector)	321.5	-1 909.6	-729.8	-1 120.2	-6 812.7	-8 454.7	-2 389.7	-124.9

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					
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 r	7.30 – 16.33	7.00 - 18.11	5.89	22.34	9.97	24.29	8.29
2009/2010 r							
June	7.30 – 18.20	7.00 – 19.00	5.87	23.32	9.85	24.35	8.07
September	7.30 – 15.49	7.00 – 15.75	5.86	22.26	9.44	24.19	7.39
December	6.75 – 12.86	7.55 – 13.52	5.35	21.62	9.22	23.45	8.64
March	5.35 – 9.82	5.00 – 9.98	4.09	21.51	7.37	22.66	6.57
2010/2011 r							
June	4.75 – 8.50	4.75 – 10.00	3.90	20.72	6.60	22.11	5.20
September	2.25 – 7.90	2.25 - 8.15	3.12	19.24	5.68	21.52.	5.25
December	2.25 – 7.90	2.25 – 7.70	2.47	18.95	n.a.	n.a.	4.14

**Relate to deposits of $100 000 and over.*
r: revised provisionally

6B

GOJ TREASURY BILL YIELDS (End of Period)	1-month	3-month	6-month	9-month	12-month
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		
2010/2011					
June	8.98	8.52	9.26		
September	8.26	7.75	7.99		
December	7.48	7.40	7.48		

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**
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	...	...	...	...	...	...
2009/2010							
June	9.00	...	...	...	...	...	...
September	8.00	...	...	...	...	...	...
December	7.50						

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

8

JAMAICA: GOVERNMENT BOND MARKET
GOJ Domestic Market Issues
October - December 2010

Issue Date	Stock Name	Features	Amount raised J$M
11 October	*FR 12.0% BMI Note 2014 (re-opened)*	*First issued 14 May 2010. Tenor of three years and ten months. First interest payment was paid on 12 November 2010. Thereafter, interest will become due and payable semi-annually, until maturity.*	*3886.17*
11 October	*FR 12.875% BMI Note 2024 (re-opened)*	*First issued 24 February 2010. Tenor of thirteen years and four months. First interest payment will become due and payable on 24 February 2011. Thereafter, interest will become due and payable semi-annually, until maturity.*	*1670.78*
11 October	*FR 13.25% BMI Note 2040 (re-opened)*	*First issued 24 February 2010. Tenor of twenty nine years and seven months. First interest payment will become due and payable on 24 February 2011. Thereafter, interest will become due and payable semi-annually, until maturity.*	*4477.52*

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

9

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

	Bauxite	Alumina	Sugar	Bananas	Other Traditional	Non-Traditional	Other	Total Goods Exports
2006/2007	**115.2**	**1 083.7**	**90.4**	**13.3**	**79.1**	**631.5**	**188.5**	**2 201.7**
June	29.4	258.8	43.0	3.2	25.0	144.8	46.0	550.2
September	29.4	268.7	2.6	3.8	20.1	166.0	44.2	534.8
December	27.0	265.2	0.0	3.4	14.8	161.4	47.2	519.0
March	29.4	291.0	44.8	2.9	19.2	159.3	51.1	597.7
***2007/2008* r**	**112.7**	**1 213.7**	**104.9**	**6.4**	**83.8**	**797.1**	**225.3**	**2 543.9**
June	28.5	315.3	42.4	4.5	21.8	173.3	47.6	633.4
September	28.3	267.7	13.1	1.9	22.6	155.7	54.5	543.8
December	26.7	320.0	0.0	0.0	21.2	162.3	57.6	587.8
March r	29.2	310.7	49.4	0.0	18.2	305.8	65.6	778.9
***2008/2009* r**	**105.5**	**1 039.3**	**92.6**	**0.0**	**82.6**	**727.5**	**267.2**	**2 314.7**
June	29.6	366.9	43.0	0.0	24.9	251.6	80.4	796.4
September	28.8	304.1	11.8	0.0	25.6	253.4	77.8	701.5
December	26.9	248.8	0.0	0.0	11.9	128.8	50.8	467.2
March	20.2	119.5	37.8	0.0	20.2	93.7	58.2	349.6
2009/2010	**95.7**	**333.1**	**57.8**	**0.0**	**90.8**	**576.2**	**251.8**	**1 405.4**
June p	14.4	81.6	26.7	0.0	26.7	153.3	55.9	358.6
September	23.9	84.5	7.8	0.0	26.0	168.8	60.3	371.3
December r	26.9	82.4	0.0	0.0	17.5	114.7	66.7	308.2
March p	30.5	84.6	23.3	0.0	20.6	139.4	68.9	367.3
2009/2010								
June p	31.8	83.1	13.3	0.0	22.2	117.0	51.7	319.1

r-revised; p-preliminary

10

BALANCE OF PAYMENTS QUARTERLY SUMMARY
(US$MN)

	Dec-08	Mar-09r	Jun-09r	Sep-09r	Dec-09r	Mar-10r	Jun-10p
1. Current Account	**-484.2**	**-215.7**	**-147.9**	**312.9**	**-446.5**	**-44.6**	**-246.3**
A. Goods Balance	**-939.1**	**-741.3**	**-658.7**	**-791.2**	**-896.8**	**-694.4**	**-806.9**
Exports (f.o.b.)	467.2	349.6	358.6	371.3	308.2	367.3	319.1
Imports (f.o.b.)	1 406.3	1 090.9	1 017.3	1 162.5	1 205.0	1 062.2	1 126.0
B. Services Balance	**102.3**	**265.6**	**220.5**	**149.7**	**134.2**	**321.8**	**201.0**
Transportation	-138.3	-102.6	-96.8	-113.8	-128.0	-84.3	-108.5
Travel	386.1	502.4	440.1	385.2	381.4	551.3	430.3
Other Services	-145.5	-134.2	-122.8	-121.7	-119.2	-145.2	-120.8
Goods & Services Balance	**-836.8**	**-475.7**	**-438.2**	**-641.5**	**-762.6**	**-373.1**	**-605.9**
C. Income	**-163.6**	**-167.4**	**-165.1**	**-173.7**	**-161.8**	**-138.9**	**-148.8**
Compensation of Employees	36.0	3.9	9.0	22.7	31.9	3.1	8.6
Investment Income	-199.6	-171.3	-174.1	-196.4	-193.7	-142.0	-157.4
D. Current Transfers	**516.2**	**427.6**	**455.4**	**502.3**	**477.9**	**467.4**	**508.4**
General Government	24.4	30.7	24.5	65.6	23.1	25.8	56.9
Other Sectors	**491.8**	**396.9**	430.9	436.7	454.8	441.6	451.5
2. Capital & Financial Account	**484.2**	**215.7**	**147.9**	**312.9**	**446.5**	**44.6**	**246.3**
A. Capital Account	**-7.9**	**34.8**	**-6.2**	**-1.9**	**-5.9**	**-5.7**	**-9.0**
Capital Transfers	-7.9	34.8	-6.2	-1.9	-5.9	-5.7	-9.0
General Government	0.0	41.9	0.0	3.4	0.0	4.0	0.0
Other Sectors	-7.9	-7.1	-6.2	-5.3	-5.9	-9.7	-9.0
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	**492.1**	**180.9**	**154.1**	**314.8**	**452.4**	**50.3**	**255.3**
Official Investment	-39.4	-179.7	-33.4	291.4	171.1	470.7	87.1
Private Investment (including net errors & omissions)	53.4	216.24	178.3	337.3	77.4	-397.9	212.1
Reserves	478.1	144.4	9.2	-313.9	203.9	-22.5	-43.9

r: revised
p: provisional

11

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
2010/2011			
June	86.02	82.26	128.58
September	86.25	83.84	135.87
December	85.86	85.34	133.74

12

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
2010/2011					
June	2 526.7	730.9	1 795.8	25.4	18.6
September	2 789.7	816.0	1 973.7	29.6	21.5
December	2 979.2	807.8	2 171.4	31.9	23.2

13

JAMAICA STOCK EXCHANGE ACTIVITIES
Quarterly Values

	Main Market			Junior Market		
	JSE Market Index (End of Quarter)	Volume Traded (MN.)	Value of Stocks Traded (J$MN.)	Junior Market Index (End of Quarter)	Volume Traded (MN.)	Value of Stocks Traded (J$MN.)
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	150.0	0.1	1.5
March	86 010.6	1 782.1	5 918.2	177.8	0.8	23.8
2010/2011						
June	86 333.6	360.2	4 629.5	245.6	4.1	23.9
September	83 613.1	203.9	2 540.9	252.5	4.4	19.0
December	85 220.8	1 225.0	7 740.0	379.9	36.9	125.48

Note: Both volume and value reflect ordinary and block quarterly transactions;
Trading on the Junior Market commenced in October 2009.

14

PUBLIC SECTOR DOMESTIC SECURITIES
Outstanding Stocks

(J$MN)

End Period	Local Registered Stocks	Treasury Bills	Bonds	JDX Benchmark Notes	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	168.1	4 000.0	53 869.1.	695 389.9	121 349.2
2010/2011					
June	0.0	4 400.0	33 068.2	731 602.4	110 710.8
September	0.0	4 400.0	31 547.2	750 423.9	136 206.2
December	n.a	4 000.0	n.a.	n.a.	129 180.1

n.a. – Not available

15

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**
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
2010/2011					
June	1 109.4	332.9	2 047.8	30.9	0.0
September	1 220.2	447.0	2 367.3	2.5	0.0
December	985.8	460.7	2 208.9	4.1	0.0

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

16A

QUARTERLY GROSS DOMESTIC PRODUCT: VALUE ADDED BY INDUSTRY
REAL GROWTH RATES (2003 PRICES)
September 2009 – September 2009 (Seasonally Adjusted)
(Percentage Change (%) Over the Preceding Quarter)

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Total Value Added at Basic Prices	**0.6**	**-1.0**	**-0.4**	**-1.1**	**1.8**
Agriculture, Forestry & Fishing	3.9	1.0	-3.4	-4.8	12.7
Mining & Quarrying	-0.7	6.6	-1.8	-0.2	23.8
Manufacture	2.4	-0.7	-0.9	-3.5	1.6
Construction	-0.7	-2.4	3.1	-1.7	-2.4
Electricity & Water Supply	4.5	-3.0	-3.3	-0.5	0.8
Wholesale & Retail Trade; Repair and Installation of Machinery	-0.5	-0.7	-0.5	-0.6	-0.1
Hotels and Restaurants	-6.5	3.1	8.6	-5.5	-2.9
Transport, Storage & Communication	0.5	-0.9	0.8	-3.5	-0.7
Finance & Insurance Services	-0.4	-0.9	-2.1	-2.1	1.0
Real Estate, Renting & Business Activities	1.6	-1.9	-0.3	-0.5	1.5
Producers of Government Services	3.6	-4.0	-5.4	6.2	3.7
Other Services	-0.8	-1.1	0.9	-0.1	0.8
Less Financial Intermediation Services Indirectly Measured (FISIM)	-0.2	-1.8	-3.3	-0.7	-3.5

16B

QUARTERLY GROSS DOMESTIC PRODUCT: VALUE ADDED BY INDUSTRY
REAL GROWTH RATES (2003 PRICES)
September 2009 – September 2009 (Seasonally Unadjusted)
(Percentage Change (%) Over the Corresponding Quarter of Previous Year)

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Total Value Added at Basic Prices	**-2.5**	**-2.4**	**-1.1**	**-2.0**	**-0.9**
Agriculture, Forestry & Fishing	15.3	19.7	6.6	-3.2	5.2
Mining & Quarrying	-58.0	-56.5	-40.7	3.7	29.3
Manufacture	-4.1	-3.1	-0.6	-2.6	-3.5
Construction	-4.6	-6.2	-2.1	-2.2	-3.9
Electricity & Water Supply	5.6	2.5	-1.2	-2.5	-5.8
Wholesale & Retail Trade; Repair and Installation of Machinery	-2.1	-2.1	-2.0	-2.2	-1.9
Hotels and Restaurants	2.6	2.3	6.6	-1.1	2.4
Transport, Storage & Communication	-1.9	1.0	1.2	-3.1	-4.3
Finance & Insurance Services	1.8	0.3	-3.7	-5.2	-4.2
Real Estate, Renting & Business Activities	0.4	-1.0	-0.7	-1.0	-1.2
Producers of Government Services	-0.6	-0.5	-0.2	-0.1	0.0
Other Services	0.6	-0.9	0.0	-1.1	0.6
Less Financial Intermediation Services Indirectly Measured (FISIM)	3.5	1.4	-5.7	-5.8	-9.1

Source: Statistical Institute of Jamaica

D. BANK OF JAMAICA BALANCE SHEET

ASSETS AND LIABILITIES
(End of Period)
J$MN

	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Assets	**273 994.4**	**278 865.6**	**280 853.0**	**310 361.6**	**310 179.3**	**355 729.1**	**342 264.3**	**359 058.1**	**371 277.9**
Foreign	143 530.2	146 851.9	147 590.6	178 316.0	157 054.2	215 986.1	216 097.1	239 430.3	255 506.6
Current Account & Foreign Currency Balances	30 350.9	25 289.6	19 281.7	21 147.7	16 734.5	25 615.4	31 550.9	50 097.4	19 357.2
Time Deposits & Securities	100 738.6	102 477.6	106 616.5	104 701.3	87 786.8	144 661.9	142 367.6	147 199.3	194 189.1
Holdings of Special Drawing Rights	7.7	7.4	6.1	29 387.2	29 383.5	29 079.4	29 198.1	13 143.7	28 763.0
Other	12 433.0	19 077.3	21 686.3	23 079.8	23 149.4	16 629.4	12 980.5	28 989.9	13 197.3
Local	130 464.2	132 013.7	133 262.4	132 045.6	153 125.1	139 743.0	126 167.2	119 627.8	115 771.3
Public Sector Securities	90 327.4	93 420.1	95 474.5	95 405.5	116 887.0	101 537.2	94 033.3	92 785.2	89 632.0
Discounts & Advances	16 777.2	19 654.1	18 666.6	16 553.1	15 737.8	14 520.1	9 446.9	3 578.6	2 294.7
Other Assets	23 359.6	18 939.5	19 121.3	20 087.0	20 500.3	23 685.7	22 687.0	23 264.0	23 844.6
Liabilities	**273 994.4**	**278 865.6**	**280 853.0**	**310 361.6**	**310 179.3**	**355 729.1**	**342 264.3**	**359 058.1**	**371 277.9**
Foreign	183.8	245.5	247.3	257.3	206.8	55 353.3	8 828.2	13 133.6	68 751.3
Local	273 810.6	278 620.1	280 605.6	310 104.3	309 972.5	300 375.7	339 067.2	345 924.5	302 526.8
Currency in Circulation	49 069.0	42 178.3	43 236.1	43 517.0	51 933.0	47,058.7	46 603.2	47 401.6	56 813.5
Deposits	198 224.7	206 875.9	209 072.4	207 911.8	198 333.9	199 649.0	248 953.6	260 295.8	207 032.0
Bankers	53 951.0	72 751.5	80 951.3	81 758.8	76 175.6	61 722.6	58 103.3	51 922.4	47 522.4
Government	4 503.6	5 208.3	1 515. 6	5 853.3	6 083.0	11 728.1	21 185.7	6 136.8	6 059.8
Open Market Operations	131 928.8	119 337.6	120 774.3	119 833.2	112 011.3	121 349.2	110 710.8	136 206.2	129 180.1
Other	7 841.3	9 578.5	5,831.2	466.5	4 064.0	4 849.1	58 953.8	66 030.4	24 269.7
Allocation of Special Drawing Rights	5 020.6	5 020.6	5 399.5	34 786.0	34 786.0	34 786.0	35 155.3	35 155.3	35 155.3
Capital & Reserves	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Other Reserves	5 685.0	5 520.9	5 077.6	5 911.6	6 581.7	7 759.5	8 331.1	9 073.2	9 990.6
Other Liabilities	15 787.3	19 000.4	17 796.1	17 953.9	18 313.9	11 098.6	-5 631.1	-6 025.4	-6 488.8

E. COMMERCIAL BANKS' BALANCE SHEET

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

	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10 P	Dec-10 P
Assets	572 720.3	573 621.9	571 869.4	572 180.7	591 766.5	575 364.0	579 467.2	585 820.2
Cash	5 280.9	5 074.2	5 994.6	7 241.4	6 447.5	6 044.8	6 898.9	8 234.0
Balances with BOJ	92 513.2	92 378.6	88 995.0	84 640.0	90 568.3	88 926.4	92 596.2	97 328.7
Foreign Assets	108 218.2	112 238.0	104 174.3	114 421.4	129 647.7	121 103.3	116 862.3	115 612.9
Loans & Advances	259 146.7	259 340.6	257 227.4	256 389.7	256 993.7	249 855.6	252 195.0	251 361.0
Private Sector	224 852.5	224 361.5	222 893.5	222 491.5	219 459.4	218 683.5	220 947.9	221 222.3
Public Sector	34 294.2	34 979.1	34 333.9	33 898.2	37 534.3	31 172.1	31 247.1	30 138.7
Public Sector Securities	55 571.9	57 421.5	67 770.7	63 701.0	62 028.3	65 798.5	67 581.2	69 400.0
Cheques in the Process of Collection	5 863.5	3 466.2	5 347.4	2 664.1	4 671.2	4 836.3	3 123.9	3 340.6
Other Assets	46 125.9	43 702.8	42 360.0	43 123.1	41 409.8	38 799.1	40 210.2	40 543.0
Liabilities	572 720.3	573 621.9	571 869.4	572 180.7	591 766.5	575364.0	579 467.7	585 820.2
Deposits	353 880.5	352 625.7	351 676.2	357 096.6	378 413.5	373 667.1	372 891.6	379 094.1
Local Currency	210 182.7	206 226.6	209 891.2	208 434.7	219 801.2	224 310.8	226 608.6	237 205.0
Foreign Currency	143 697.8	146 399.1	141 785.0	148 661.9	158 612.3	149 356.3	146 283.0	141 889.1
Foreign Liabilities	91 717.1	91 027.4	82 475.3	80 593.4	77 845.8	65 985.8	64 468.9	62 870.4
Discounts & Advances from BOJ	93.6	99.8	411.6	450.4	506.6	494.9	327.5	457.4
Loans/Advances from Other Institutions	9 032.4	10 642.6	12 217.8	12 076.9	11 425.0	11 250.1	10 724.5	10 727.2
Cheques in the Process of Payment	4 388.8	4 200.7	5 431.2	3 892.0	5 292.7	4 198.5	3 441.6	3 082.5
Other Liabilities	113 607.9	115 025.7	119 657.3	118 071.4	118 282.9	119 767.6	127 613.6	129 588.6

P - preliminary ; r - revised

F. INTERNATIONAL INDICATORS

1

USD LONDON INTERBANK OFFERED 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
2010/2011				
June	0.3484	0.5339	0.7525	1.1731
September	0.2563	0.2900	0.4625	1.7778
December	0.2606	0.3028	0.4559	0.7809

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 ½	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
2010/2011				
June	45/100 – 55/100	60/100 – 70/100	92/100 – 1 2/100	1 36/100 – 1 46/100
September	45/100 – 55/100	62/100 – 72/100	94/100 – 1 4/100	1 38/100 – 1 48/100
December	43/100 – 53/100	61/100 – 71/100	94/100 – 1 4/100	1 38/100 – 1 48/100

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	2.25	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	0.75	3.25	0.50
2010/2011					
June	1.00	0.25	0.75	3.25	0.50
September	1.00	0.25	0.75	3.25	0.50
December	1.00	0.25	0.75	3.25	0.50

4A

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

	Mar-09	Jun-09	Sep -09	Dec -09	Mar -10	Jun -10	Sept -10	Dec -10
US$ vs. Sterling	0.6993	0.6079	0.6249	0.6186	0.6585	0.6691	0.6358	0.6411
US$ vs. Canadian $	1.2602	1.1625	1.0722	1.0466	1.0156	1.0606	1.0298	0.9946
US$ vs. Yen	99.150	96.393	89.499	93.114	93.431	88.531	83.520	81.126
US$ vs. Euro	0.7542	0.7133	0.6835	0.6977	0.7393	0.8137	0.7353	0.7468

4B

INTERNATIONAL EXCHANGE RATES
EXCHANGE CROSS RATES
(Dec. 2010)

	GBP	CAN$	US$	Yen	Euro
GBP	1.0000	1.5513	1.5597	126.530	1.1647
CAN$	0.6446	1.0000	1.0054	81.5660	0.7508
US$	0.6411	0.9946	1.0000	81.1260	0.7468
Yen	0.0079	0.0123	0.0123	1.00000	0.0092
Euro	0.8586	1.3319	1.3391	108.640	1.0000

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

4C

	Sep-09	Dec -09	Mar -10	Jun -10	Sep -10	Dec -10
Sterling vs. US$	1.6003	1.6165	1.5185	1.4946	1.5729	1.5597
Sterling vs. Canadian $	1.7158	1.6918	1.5422	1.5852	1.6198	1.5513
Sterling vs. Yen	143.22	150.52	141.88	132.32	131.37	126.53
Sterling vs. Euro 1/	1.0938	1.1279	1.1277	1.2162	1.1565	1.1647

5A

WORLD COMMODITY PRICES KEY CRUDE OIL PRICES (US$/barrel – f.o.b.) (Period Averages)							
	June-09	**Sep -09**	**Dec -09**	**Mar -10**	**Jun -10**	**Sept -10**	**Dec -10**
North Sea Brent	68.62	67.69	74.67	79.27	74.84	77.79	91.80
West Texas Intermediate	69.70	69.47	74.56	81.29	75.40	75.55	89.23

5B

WORLD COMMODITY PRICES FOOD (Period Averages)							
	June-09	**Sep -09**	**Dec -09**	**Mar -10**	**Jun -10**	**Sept -10**	**Dec -10**
Wheat **(**US$/mt**,** Hard Red Winter**)**	256.64	191.10	206.25	191.08	157.67	271.67	306.52
Coffee (USc/kg Arabica brand)	330..23	327.45	348.68	362.66	420.86	490.99	547.00

6

MAJOR STOCK MARKET INDICES (End- of-Period)									
	Dec-08	**Mar-09**	**Jun-09**	**Sep-09**	**Dec-09**	**Mar-10**	**Jun-10**	**Sept-10**	**Dec-10**
TOKYO									
Nikkei Index	8859.56	8109.53	9958.44	10133.23	10546.44	11089.94	9382.64	9369.35	10228.92
NEW YORK									
Dow Jones Industrials	8776.39	7608.92	8447.00	9712.28	10428.05	10856.63	9774.02	10788.05	11577.51
S & P Composite	903.25	797.87	919.32	1057.08	1115.10	1169.43	1030.71	1141.20	1257.64
LONDON									
Financial Times SE 100	4434.17	3926.14	4249.21	5133.90	5412.88	5679.64	4916.87	5548.62	5899.94
FRANKFURT									
Dax Index	4810.20	4084.76	4808.64	5675.16	5957.43	6153.55	5965.52	6229.02	6914.19

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.

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

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

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

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

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

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

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

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

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

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

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

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

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.

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 Deposit.*

List of Boxes in the Quarterly Monetary Policy Report

QMPR ISSUE		LIST OF BOXES
Oct - Dec 2000	1	Sovereign Credit Ratings & Outlook
	2	E-gate & the Foreign Exchange Market
	3	The International Oil Market: Recent Developments and Outlook
	4	Jamaica's IMF Staff Monitored Programme (SMP)
Jan - Mar 2001	5	Core Inflation in Jamaica - Concept & Measurement
	6	Highlights of the IMF 2001 Article IV Consultation
April - June 2001	7	Jamaica's Banking Sector Recovery - An Overview
Volume 2 No. 1	8	Jamaica's Sovereign Credit Ratings - An Update
	9	Highlights of the IMF's May 2001 Article IV Consultation
July - Sept 2001	10	Innovations in Jamaica's Payment System
Volume 2 No.2	11	Expanding the Role of Equity Finance in Jamaica: Some Perspectives
	12	The US Economy: Recent Trends and Prospects
Oct - Dec 2001	13	The Performance of Remittances in the Jamaican Economy: 1997 - 2001
Volume 2 No. 3	14	Tourism and the Jamaican Economy: Pre & Post 11 September 2001
	15	World Trade Organization (WTO): Outcome of the Fourth Ministerial Conference in Doha, Qatar and the possible Implications for Jamaica
Jan - Mar 2002	16	Commercial Bank Profitability (January to December 2001)
Volume 2 No. 4	17	Regional Disparities in Jamaica's Inflation (1997/98 to 2001/02)
	18	The Argentina Debt Crisis & Implications for Jamaica
	19	General Data Dissemination Standards
April - June 2002	20	The Automated Clearing House: Implications for the Payment System
Volume 3 No. 1	21	Macroeconomic Implications of Cross Border Capital Flows: Some Scenarios
	22	Performance of Remittances in the Latin American and Caribbean Region: 1997 - 2001
July - Sept 2002	23	Building Societies' New Mortgage Loans: July 2001 - June 2002
Volume 3 No. 2	24	An Overview of the CARICOM Single Market and Economy (CSME)
Oct - Dec 2002	25	The Profitability of the Banking System: 1991 - 2002
Volume 3 No. 3	26	Interest Rate Spreads in Jamaica: 1995 - 2002
	27	Implications of the International Accounting Standards (IAS) for Financial Systems and Financial Stability
Jan - Mar 2002	28	Opportunities for Savings and Investments in Jamaica: Financial Intermediaries and Financial Instruments
Volume 3 No. 4	29	The CPI and the GDP Deflator: Concepts and Applications
Apr - Jun 2003	30	The Concept and Measurement of External Competitiveness
Volume 4 No. 1	31	Exchange Rate Pass-Through in the Jamaican Economy.
July - Sept 2003	32	The International Investment Position
Volume 4 No. 2	33	The Fifth WTO Ministerial Conference: Implications for Future Trading