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BANK OF JAMAICA

Quarterly Monetary Policy Report

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Monetary Policy at the Bank of Jamaica

Bank of Jamaica's monetary policy objective is to achieve an inflation target of 4 – 6 per cent per annum. This low, stable and predictable inflation rate, measured as the change in the consumer price index that is published by the Statistical Institute of Jamaica, will facilitate sustained growth and development in Jamaica.

The inflation target was established by the Minister of Finance and the Public Service in consultation with Bank of Jamaica in September 2017.

The Bank uses a variety of tools to achieve its inflation target, the main one being the interest rate on overnight balances in the current accounts of deposit-taking institutions at Bank of Jamaica. Changes in the Bank's policy rate signals the Bank's policy stance towards achieving its inflation objective, which is transmitted to prices through the financial markets and then through spending and investment decisions.

Monetary policy decisions affect inflation with a lag of between 4 to 8 quarters. For this reason, monetary policy in Jamaica is forward looking and the Bank puts much effort into establishing its view of the economy in the future, and bases its decision on this view. It is also important that the Bank clearly and transparently communicates this view of the future to the Jamaican public. The Bank undertakes an assessment of the economy eight times during each calendar year and publishes its decisions in accordance with a pre-announced schedule. On four of these occasions, when most data on the key macro-economic variables are available, the Bank prepares a comprehensive macroeconomic forecast covering the international economy, the fiscal accounts, balance of payments, money, credit, interest rates, GDP and prices.

This Monetary Policy Report describes the Bank's most recent policy decision by the Bank and outlines the Bank's projections for inflation in Jamaica and the main macroeconomic variables that affect it. The Monetary Policy Report is prepared and published once every three months at the time of four of the Bank's monetary policy announcements.

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Overview

Developments in the December 2020 quarter continued to be impacted by the ongoing coronavirus (COVID-19) crisis in Jamaica and the world. There have been some signs of improvement in economic activity, but the prospects for the Jamaican economy continue to be characterised by uncertainty, particularly in the context of a recent surge in COVID-19 cases domestically and internationally as well as more stringent measures taken by governments around the world to contain the virus spread.

Annual inflation accelerated to 5.2 per cent at December 2020 from 4.9 per cent at September 2020. This outturn mainly reflected the impact of increases in agricultural food prices and energy costs. Over the next eight quarters, inflation is projected to average 5.0 per cent (lower than the average rate of 5.3 per cent previously projected). The Bank anticipates that Inflation will rise in the range 4.0 to 6.0 per cent at March 2021, decelerate in the range of 4.0 to 5.0 per cent at June 2021 and then accelerate in the range 4.5 to 5.5 per cent at September 2021. Inflation is projected remain within the Bank's inflation target of 4.0 per cent to 6.0 per cent over the medium-term.

The Jamaican economy is estimated to have contracted in the range of 7.5 to 9.5 per cent for the December 2020 quarter, an improvement relative to the contraction of 10.7 per cent recorded for the September 2020 quarter. There were estimated declines in the majority of the industries for the review quarter. For FY2020/21, real GDP is still projected to contract between 10.0 and 12.0 per cent but recover partially in the next year. The risks to the growth forecast are skewed to the downside.

Jamaica's current account of the balance of payments is anticipated to improve over the next eight quarters relative to the previous forecast. This improvement is largely underpinned by an upward revision to the surplus on the services sub-account inflows to the country. The Bank anticipates that the current account deficit (CAD) of the balance of payments will average 2.8 per cent of GDP for FY2020/21 to FY2022/23, lower (better) than the previous forecast of 3.2 per cent of GDP. Jamaica's international reserves remain buoyant, with gross reserves at end-January amounting to approximately US$3.9 billion, representing 117.8% of the Assessing Reserve Adequacy metric for FY2020/21. The risks to the projections for the CAD are balanced. The outlook for the gross reserves has also improved relative to the previous projection due to a favourable outturn at December 2020.

The foreign exchange market has generally observed the continuation of two-way movements in the exchange rate. The annual average rate of depreciation at end-January 2021 was 5.9 per cent, which, although above the average depreciation of 3.4 per cent recorded last year is still moderate under the circumstances. Total B-FXITT flash sale operations since the onset of the crisis in March 2020 to date has amounted to US$381.0 million.

The financial system has remained generally resilient throughout the pandemic. Both the primary ratio and capital adequacy ratio, which measures the capacity of banks to absorb unexpected losses, remained comfortably above their respective statutory minima. All banks have also remained well capitalized and in compliance with prudent liquidity standards.

The COVID-19 pandemic continues to affect activity in the domestic banking sector and overall financing in Jamaica. Broad money grew at an annual rate of 14.6 per cent at November 2020, a deceleration relative to the growth at September 2020. The expansion in broad money at November 2020 reflected growth of 11.9 per cent in local currency deposits, a deceleration relative to the 19.7 per cent recorded at end-September 2020. The deceleration in the growth in deposits reflected a slowdown in the growth in demand and savings deposits, to 17.3 per cent and 17.1 per cent, respectively, relative to growth of 22.1 per cent and 17.8 per cent in September 2020. In addition, time deposits declined by 14.2 per cent for the period relative to a growth of 20.7 per cent in September 2020. Growth in deposits may have been related to increased efforts by DTIs to attract more depositors. Loan growth has remained fairly resilient although the pace of growth has moderated. It remained above what was expected given the sharp fallout in economic activity, bolstered by continued demand for loans by businesses for working capital needs. Since the start of the pandemic, the Bank has implemented a number of initiatives aimed at supporting JMD liquidity including reducing the cash reserve requirement, implementing a GOJ-BOJ bond-buying programme, reactivating the BOJ Intermediation Facility, a special Repo facility for Credit Unions and also the Occasional Term Repurchase Operation. The Bank's liquidity support in both Jamaican and US dollars has been substantial and unprecedented, equivalent to more than 12.0 per cent of GDP.

Given the heightened challenges associated with the COVID-19 outbreak, Bank of Jamaica has maintained an accommodative monetary policy stance, aimed at encouraging and supporting a speedy economic recovery. At the same time, the Bank continued to be focussed on ensuring that inflation remains low, stable and predictable within the target of 4.0 to 6.0 per cent. The Bank is also prepared to take all necessary actions to ensure that Jamaica's financial system remains sound and well capitalized.

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Contents

ABBREVIATIONS & ACRONYMS

B-FXITT	Bank of Jamaica's Foreign Exchange Intervention & Trading Tool
BOJ	Bank of Jamaica
BOP	Balance of Payments
Brexit	British Exit
bps	Basis points
CAD	Current Account Deficit
CDs	Certificates of Deposit
CDI	Credit Demand Index
CIF	Cost, Insurance and Freight
CPI	Consumer Price Index
CPI-AF	Consumer Price Index without Agriculture and Fuel
CPI-F	Consumer Price Index without Fuel
CPI-FF	Consumer Price Index without Food and Fuel
CSI	Credit Supply Index
CY	Calendar Year
DIJA	The Dow Jones Industrial Average
DTIs	Deposit-taking Institutions
EFR	Excess funds rate
EGOF	Electricity, Gas & Other Fuels
EMBI+	JP Morgan Emerging Market Bond Index
e.o.p	End of Period
EPI	Export Price Index
EFR	Excess Funds Rate
Fed	US Federal Reserve System
FNB	Food & Non-Alcoholic Beverages
FTSE	Financial Times Stock Exchange
FY	Fiscal Year
GDP	Gross Domestic Product
GOJ	Government of Jamaica
GOJGBs	Government of Jamaica Global Bonds
HWEG	Housing, Water, Electricity Gas & Other Fuels
IES	Inflation Expectations Survey
IMF	International Monetary Fund
IPI	Import Price Index
IRC	Interest Rate Corridor
JMD	Jamaica Dollar
JSE	Jamaica Stock Exchange

LHS	Left Hand Side
LME	London Metal Exchange
M2J	Broad money supply
M2+	Broad money supply that includes foreign currency deposits
MCI	Monetary Conditions Index
NDA	Net Domestic Assets
NIR	Net International Reserve
NOP	Net Opening Position
o/w	Of which
O/N	Overnight
OMO	Open Market Operations
PMMR	Private Money Market Rates
QoQ	Quarter over Quarter
QPC	Quantitative Performance Criteria
RADA	Rural Agriculture Development Agency
REER	Real Effective Exchange Rate
S&P	Standard & Poor's
SBA	Stand-by Agreement
SCT	Special Consumption Tax
SLF	Standing Liquidity Facility
T-Bill	Treasury Bill
TP	Trading Partners
UR	Unemployment Rate
US	United States
USD	US dollar
WASR	Weighted Average Selling Rate
WTI	West Texas Intermediate

1.0 Inflation

Inflation is projected to average 5.0 per cent over the next eight quarters (March 2021 to December 2022), within the target range of 4.0 per cent to 6.0 per cent. This forecast is lower relative to the previous projections for average inflation of 5.3 per cent over the next eight quarters (December 2020 to September 2022). The downward revision is primarily driven by a lower trajectory for agricultural food price inflation, partly offset by a higher trajectory for processed foods, energy and transport. Agricultural prices have moderated recently and planting conditions and supply from the sector in the March 2021 quarter are assessed to be favourable. The higher trajectory for processed foods, energy and transport is as a result of higher grains and oil prices, respectively.

Core inflation is projected to gradually increase over the next fiscal year. The higher core is due to the impact of accommodative monetary and fiscal policies as well as improvement in external demand conditions. However, this upward trend in core inflation is tempered by relatively weak domestic demand conditions, arising from the impact of the COVID-19 pandemic and associated measures to control the virus.

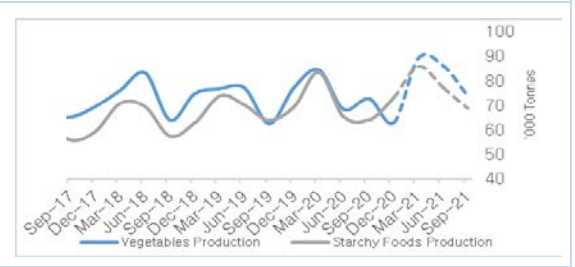
Recent Developments and Near-term Outlook

The annual point-to-point inflation rate at December 2020 was 5.2 per cent, an acceleration relative to the 4.9 per cent recorded at September 2020 but a deceleration relative to the 6.2 per cent recorded at December 2019. The annual headline inflation rate at December 2020 was within the Bank's target of 4.0 per cent to 6.0 per cent but below the Bank's November 2020 projection of 5.9 per cent.

The acceleration in inflation for the December 2020 quarter, relative to the preceding quarter, mainly reflected the impact of higher agricultural food price inflation and higher energy costs. Inflation for the Vegetables, Tubers, Plantains, Cooking Bananas and Pulses (VTPC&P) class accelerated to an annual rate of 19.5 per cent at December 2020, compared to 15.9 per cent at September 2020. This largely reflected the impact of adverse weather conditions on agricultural food supplies in the December 2020 quarter, particularly vegetables. Furthermore, energy contributed to the higher inflation for the quarter, due to higher electricity rates.[1]

Relative to the previous forecast, inflation for the December 2020 quarter was lower than anticipated, mainly reflecting the impact of lower agricultural food price inflation, supported by marginally lower energy prices. Inflation for the VTPC&P class was lower than previously forecasted due to the resilience of starchy food supplies over the period, despite rising vegetable prices. Furthermore, although energy contributed to higher inflation for the quarter relative to the September quarter, this was marginally lower than previously forecasted as tariff adjustments that were expected in the quarter did not materialize.

Figure 1: Vegetables and Starchy Foods Supply (Tonnes)

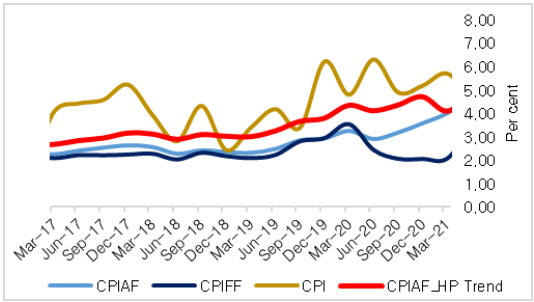


Source: MICAF & BOJ Calculations
The graph represents quarterly supply (in tonnes) for vegetables and selected starches provided by Ministry of Agriculture.

[1] Higher electricity rates were due to increases in Fuel & Independent Power Producers charges over the 2020 quarter.

The Bank's main measure of core inflation (inflation that excludes the immediate influence of agriculture and energy prices – referred to as CPIAF) at December 2020 was 3.6 per cent, higher than the 3.2 per cent at September 2020 and the 2.9 per cent at December 2019 (see **Figure 2**). Core inflation was supported by imported inflation, accommodative monetary policy and fiscal policy in the context of support given to households during the COVID pandemic. Imported inflation was driven by higher commodity prices and the exchange rate.

Figure 2: Core Inflation and CPI
(Annual per cent change)



Source: STATIN & BOJ

Inflation Outlook & Forecasts

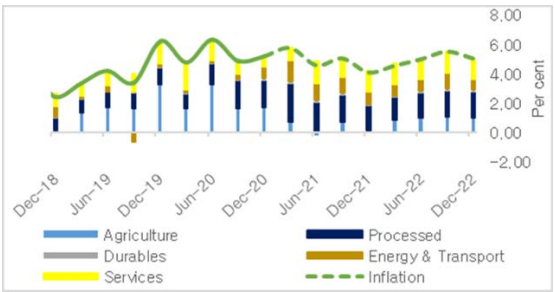
For the March 2021 quarter, an acceleration in inflation in the range of 4.0 to 6.0 per cent is projected, chiefly reflecting increases in the cost of processed food, energy and domestic and household services. These increases are expected to reflect the impact of higher grains prices on cereals and some meat prices, as well as the impact of regulated price increases (for example the JPS 5-year tariff). Also, some inflationary pressure is expected from energy-related costs as international oil prices increase. Core inflation is projected to increase gradually over the March 2021 quarter, driven by higher imported inflation, higher inflation expectations and continued accommodative monetary conditions.

The updated projection for inflation for the March 2021 quarter is lower than the previous projection as a result of lower non-processed foods and transport price inflation.

Headline inflation is projected to meander around the midpoint of the target range in the June 2021 and September 2021 quarters. Inflation is projected to decelerate to 4.6 per cent at June 2021 and then accelerate to 5.2 per cent at September 2021 (see **Figure 3**). For the June 2021 quarter, the expected deceleration in inflation is largely due to a decline in inflationary pressures from agriculture prices, despite an expected uptick in energy and transport related costs. For the September 2021 quarter, inflation will be largely driven by non-processed and processed food prices coupled with energy-related costs. Notably, inflation from agricultural prices is expected to increase in the summer months but at a lower rate compared to the previous year.[2] Beyond September 2021, inflation may fall briefly towards the lower end of the target range but return to the 5.0 per cent midpoint by the first quarter of FY2022/23. Inflation is projected to rise gradually to 5.0 per cent by the March 2026 quarter.

The Bank's survey of businesses' inflation expectations (IES) at December 2020 indicated that businesses' one-year ahead inflation expectations of 7.2 per cent was higher than both the Bank's inflation target as well as the results of the November 2020 survey. (see **Box 1: Businesses' Inflation Expectations Survey**).

Figure 3: Component Contribution to Inflation



Source: STATIN & BOJ

[2] The projection for lower price increases in agricultural prices in the summer is related to the most recent forecast by the Meteorological Office that rainfall conditions for December to February 2021 will be above normal.

Box 1: Businesses' Inflation Expectations Survey – December 2020

Overview

The Bank's Survey of Businesses' Inflation Expectations (IES) at December 2020 indicated that the one-year ahead inflation expectations was higher than the Bank's inflation target of 4.0 to 6.0 per cent. Similar to the previous survey, respondents expect the cost of stock replacement to reflect the highest increase among the input factors over the next twelve months. The proportion of respondents who held this view declined slightly relative to the November 2020 survey. On the other hand, the costs of wages & salaries and fuel & transport were expected to be the lowest input costs over the next twelve months with 73 per cent and 11 per cent, respectively. Perceptions about the future business conditions improved slightly while the present business conditions declined on a yearly basis in the latest survey. Perception of inflation control improved relative to the previous survey.

Inflation Expectations

In the December 2020 survey, respondents' expectation of inflation 12 months ahead increased to 7.2 per cent, relative to 6.4 per cent in the November 2020 survey. Furthermore, businesses expected an annual point to point inflation rate at December 2020 of 6.7 per cent, which is below the annual point to point outturn of 5.2 per cent (see Figure 1).

Perception of Inflation Control

The index of inflation control increased when compared to the November 2020 survey (see Figure 2). This outturn reflected an increase in the share of respondents who were "satisfied" with how inflation was being controlled.

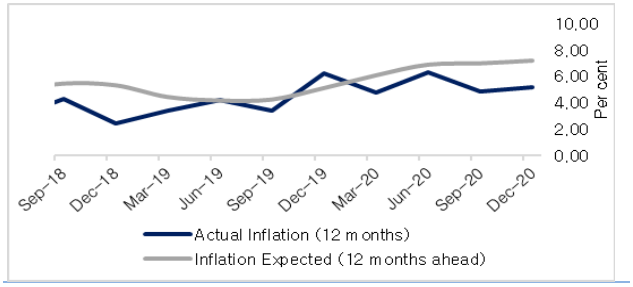
Exchange Rate Expectations

In the December 2020 survey, respondents expected the exchange rate to depreciate at a slower rate over all three horizons relative to the previous survey (see Table 1).

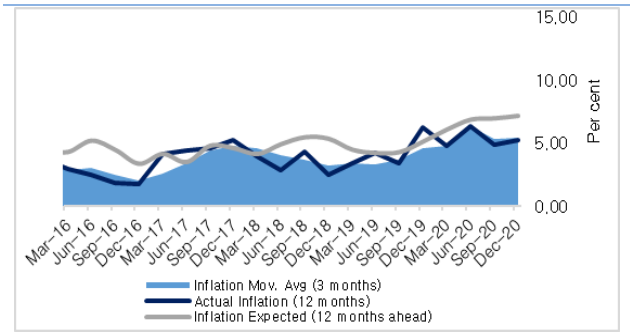
Figure 1: Expected 12-Month Ahead Inflation

Question: Based on the average monthly inflation for the last 12 months, what do you think the average monthly rate will be for the next 12 months?

a.



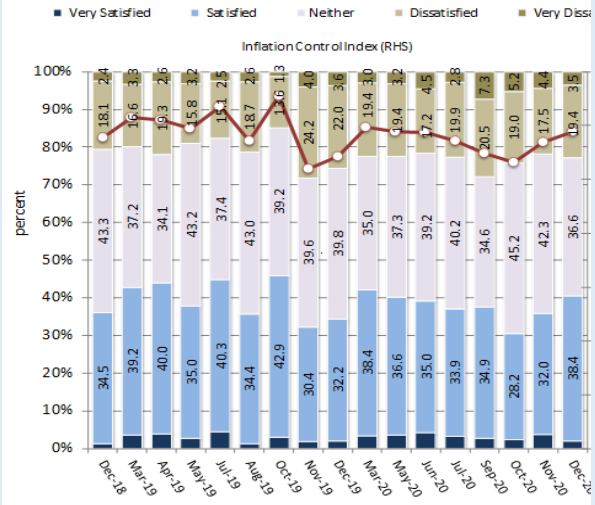
b.



Source: Businesses' Inflation Expectations Survey

Figure 2: Perception of Inflation Control

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



Source: Businesses' Inflation Expectations Survey

Notes: The Index of Inflation Control is calculated as the number of satisfied respondents minus the number of dissatisfied respondents plus 100

Table 1: Exchange Rate Expectations

Question: In November 2020 the exchange rate for the Jamaican Dollar (JA$) in respect of the United States Dollar (US$) was $147.96. What do you think the rate will be for the following periods?

Periods Ahead	Expected Exchange Rate Depreciation/Appreciation (%)			
	Sep-20	Oct-20	Novl-20	Dec-20
3-Months	3.6	-0.9	1.7	0.1
6-Months	4.6	0.2	2.5	0.7
12- Months	4.1	0.3	3.0	0.8

Source: Businesses' Inflation Expectations Survey.
Note: The responses have been converted to percentage change.
(–) indicates an appreciation of the exchange rate
(+) indicates a depreciation of the exchange rate

Interest Rate Expectations

The majority of respondents expected the Bank's policy rate, three months ahead, to remain unchanged. The proportion of respondents of this view increased relative to the previous survey while there was a decline in the proportion who believes it will be "marginally lower". The 90-day Treasury bill (T-Bill) yield, three months ahead, was expected to remain at 0.6 per cent when compared to the November 2020 survey.

Perception of Present and Future Business Conditions

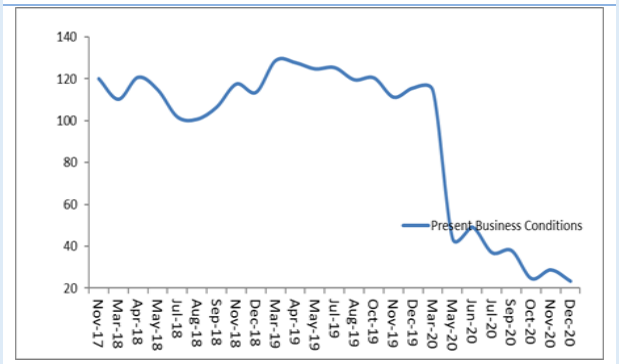
Respondents views on present business conditions declined in the December 2020 survey relative to the previous survey. This was due to an increase in the proportion of respondents of the view that things are "worse." However, similar to the November 2020 survey, businesses were more optimistic about the future as the proportion of respondents who believe that conditions will be " better" increased.

Expected Increase in Operating Expenses

Respondents indicated that they expected the largest increase in production costs over the next 12 months to emanate from stock replacement. This was followed by the costs for utilities. The cost for fuel and transport reflected the least increase (see Table 2).

Figure 3: Perception of Present Business Conditions

Question: In general, do you think business conditions are better, about the same or worse than they were a year ago in Jamaica?



Source: Businesses' Inflation Expectations Survey
Notes: The Index is calculated using the balance score method (Better – Worse +100)

Figure 4: Perception of Future Business Conditions

Question: Do you think that a year from now business conditions will get better, about the same as present or get worse?

Source: Businesses' Inflation Expectations Survey
Notes: The Index is calculated using the balance score method (Better – Worse +100)

Table 2: Expectations about Operating Expenses

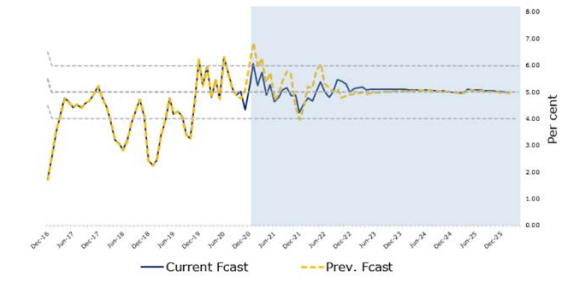
Question: Which input do you think will have the highest price increase over the following time periods?[3]

	Oct-20	Nov-20	Dec-20
Utilities	26.9	28.4	26.8
Stock Replacement	35.4	42.6	42.3
Raw Materials	10.2	9.5	8.8
Fuel & Transport	13.4	5.9	12.3
Wages & Salary	12.1	12.4	7.4
Not Stated	2.0	1.2	2.5

Source: Survey of Businesses' Inflation Expectations (IES)

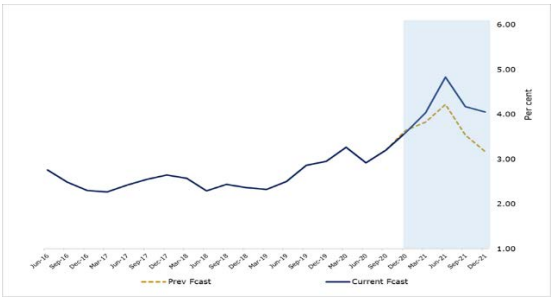
[3] The 3-month, 6-month and 12-month horizons.

Figure 4: Comparative Headline Inflation Forecasts



Source: Bank of Jamaica

Figure 5: Comparative Core Inflation Forecasts



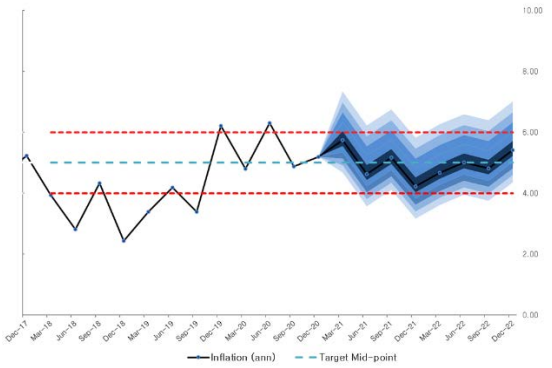
Source: Bank of Jamaica

Inflation Risks

The risks to the near-term forecast for inflation are skewed to the downside. Downside risks include a stronger than anticipated reversal in agricultural prices in the March 2021 quarter that could contribute to lower inflation. There is also a risk that weaker than anticipated demand conditions will persist. Further, the risks to commodity prices are skewed to the downside. On the upside, risks include the impact of higher exchange rate depreciation. There is also a risk that a more protracted expansionary fiscal policy which could support higher spending and inflation.

Domestic demand is projected to continue to weigh negatively on inflation over the near term, although the effect of this will be partly countered by slightly more expansionary fiscal policy. In a context where average inflation will tend towards the midpoint of the forecast range by the start of the FY2021/22 and the risks to the forecast are skewed to the downside, it is recommended that the Bank maintains its current monetary policy stance.

Figure 6: Inflation Fan Chart



Source: Bank of Jamaica

2.0 International Economy

Positive developments with the COVID-19 vaccine as well as expectations for further fiscal stimulus fuelled optimism about the global economic recovery. However, with continued increases in coronavirus infections and renewed tightening of restrictions, projected global growth is more muted in the December 2020 and the March 2021 quarters, relative to the previous projections. The global economic recovery is expected to improve from the second half of 2021 onwards as vaccines are made available, warmer weather slows virus transmission and governments gradually ease restrictions. Global growth is consequently projected to average 4.5 per cent over the next eight quarters (March 2021 to December 2022), above the previous projection of 4.2 per cent.

Preliminary indications are that GDP growth in the US expanded by 4.0 per cent for the December 2020 quarter, broadly in line with expectations, following an expansion of 33.4 per cent for the September 2020 quarter. It is projected that US GDP for 2020 will contract by 3.5 per cent, followed by a recovery of 3.9 per cent in 2021. This represents an upward revision relative to the decline of 4.1 per cent previously projected for 2020 and marginally lower growth when compared to previous expectation of 4.0 per cent for 2021. The output gap for the US is projected to be broadly in line with the previous forecast.

Bank of Jamaica anticipates that the Fed will maintain interest rates at current levels over the next eight quarters, implying the absence of external impetus for domestic interest rates to rise. Jamaica's sovereign bond yields are consequently projected to be relatively stable over the forecast horizon.

The projection for commodity prices over the next eight quarters has been revised upwards, relative to the previous forecast. However, the risks to the forecast for commodity prices are skewed to the downside.

Trends in the Global Economy

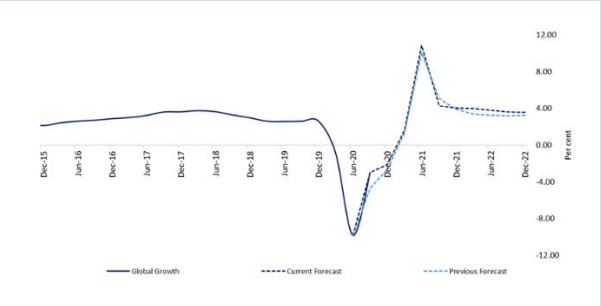
The global economy is estimated to have contracted by 2.0 per cent for the December 2020 quarter, a smaller decline relative to the contraction of 3.0 per cent in the September 2020 quarter as well as the previous projection for a reduction of 2.6 per cent.The estimated decline for the December 2020 quarter reflects a reduction in economic activity in most major economies amid an increase in virus numbers and renewed lockdown restrictions.

Global growth is projected to average 4.5 per cent over the next eight quarters (March 2021 to December 2022), above the previous projection of 4.2 per cent (see **Figure 7**). The pace of 2021's recovery will be uneven, with the expectations for stronger growth in China, as the country was able to curb the spread of the virus before the rest of the world. The global economic recovery is expected to improve from the second half of 2021 onwards as vaccines are made available to more segments of the population, warmer weather slows virus transmission and governments gradually ease restrictions. [1]

[1] The IMF in the January 2021 WEO update indicated that the global economy is projected to contract by 3.5 per cent for 2020, 0.9 percentage points (pps) above the October 2020 WEO forecast. The upward revision reflected stronger-than-expected momentum in the second half of 2020. The global economy is

The risks to global growth are skewed to the downside. Worse outcomes could arise if the COVID-19 outbreak persists longer. On the upside, however, the recession could be less severe if the deployment of vaccines encourages a stronger increase in confidence and subsequently contribute to a stronger rise in domestic demand. Many countries have also provided large-scale fiscal and monetary support to mitigate the negative economic impact of the pandemic.

Figure 7: Global Growth Projection*
(Per cent change annualised)

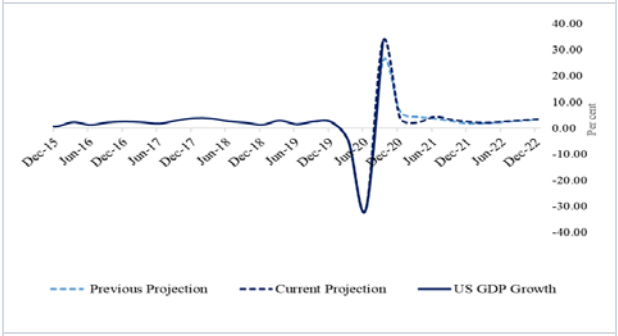


Source: Bloomberg
*Bank of Jamaica's Estimate and forecast

The Bureau of Economic Analysis' (BEA's) advance estimate indicates that US GDP for the December 2020 quarter increased on an annualized basis by 4.0 per cent, following an expansion of 33.4 per cent in the September 2020 quarter. The more modest annualised gain in US GDP for the December 2020 relative to the September 2020 quarter was mainly due to some temporary weakness in consumption, which was weighed down by the resurgence in coronavirus infections.

For the March 2021 to the December 2022 quarters, the Bank projects real output growth in the US to average 2.9 per cent, below the previous forecast of 3.0 per cent but at a faster pace than potential GDP (see **Figure 8**). Economic activity is expected to strengthen in the second half of 2021 and improve further in 2022, as improved COVID-19 management, aided by ongoing vaccination allows a strong upswing in domestic demand.

Figure 8: Comparative US GDP Growth Forecast
(Per cent change annualized)



Source: BOJ, CBO

For the period 2023 to 2025, economic growth in the US is projected to average 2.3 per cent, in line with the previous forecast.[2]

The key downside risk for growth prospects in the US is that recurring waves of coronavirus infections prompt more measures aimed at containing it. However, with regards to upside risks, there is the prospect that the release of pent-up demand, facilitated by wide-scale vaccinations and easing of social distancing, could allow for more individuals to re-enter the labor force more quickly than expected and boost spending .

The unemployment rate in the US at December 2020 was 6.7 per cent, a decline of 0.8 percentage points relative to November 2020 (see **Table 1**). This rate was below the Bank's projection of 7.5 per cent and above the US Federal Reserve's estimate of the natural rate of 4.1 per cent.[3] The US unemployment

projected to grow 5.5 per cent in 2021, 0.3 pps higher than the previous forecast, moderating to 4.2 per cent in 2022..

[2] Notwithstanding this, US GDP in levels remains above the previous forecast.

[3] Following an expansion in previous months, total nonfarm payroll employment in the US declined by 140,000 in December 2020. The decline in payroll employment mainly reflected a fall in leisure and hospitality employment of 498,000, as bars and restaurants across the country were forced to close in response to the surge in coronavirus infections. In December 2020, job losses in leisure and hospitality and in private education were partially offset by gains in professional and business services, retail trade and construction. More positively, the rate of permanent job losers declined and remains much lower than in 2008/09, suggesting there will be less severe long term negative economic impact on this time around. That was offset by a renewed rise in temporary layoffs which reflects the renewed job losses in hospitality. The shifts in the composition of employment away from the low-wage hospitality sector to higher-paying industries also explains the 0.8 per cent monthly rise in average hourly earnings in December.

Box 2: Economic Growth in Selected Economies

China

The Chinese economy recorded an expansion of 6.5 per cent for the December 2020 quarter compared to a year ago. This pace was quicker than the expansion of 4.9 per cent in the September 2020 quarter. The expansion in the December 2020 quarter was supported by growth in the industrial sector, which remained among the fastest growing sectors. However, the biggest improvement was from services activity, with all sectors recording growth on an annual basis. Conditions remain mixed, however, with virus disruptions still weighing on some sectors like hospitality while others, such as IT, continue to expand at a rapid pace.

GDP growth in China is projected to average 7.2 per cent, over the next eight quarters, and range between 5.3 per cent to 17.5 per cent.[4]

Japan

The Japanese economy is estimated to have recorded an expansion of 4.2 per cent for the December 2020 quarter, following an expansion of 22.9 per cent in the September 2020 quarter.

For the next eight quarters, GDP growth in Japan is projected in the range of 1.5 per cent to 4.6 per cent, averaging approximately 1.9 per cent.[5]

Canada

The Canadian economy is estimated to have expanded by 2.8 per cent for the December 2020 quarter on a quarterly annualised basis, compared to an expansion of 40.5 per cent for the September 2020 quarter.

For the next eight quarters, GDP growth in Canada is projected in the range of 8.7 per cent to 27.7 per cent, averaging approximately 16.7 per cent.

Euro Area

The Euro Area is estimated to have contracted by 8.9 per cent in the December 2020 quarter, compared to an expansion of 60.0 per cent in the previous quarter.

For the next eight quarters, GDP growth in the Euro Area is projected in the range of 2.0 per cent to 7.0 per cent, averaging approximately 3.6 per cent.

United Kingdom (UK)

The UK economy is estimated to have contracted 9.3 per cent in the December 2020 quarter, on a quarterly annualised basis following an expansion of 81.1 per cent in the previous quarter. Growth in the UK economy over the next eight quarters is projected in the range of 2.8 per cent to 9.1 per cent, averaging approximately 5.1 per cent.

[4] Estimates for China growth represent year-over-year per cent change.

[5] The projection assumes a contraction of 1.6 per cent in the March 2021 quarter.

rate is projected to decline over the next eight quarters.[6, 7]

Table 1: Unemployment/ Job Seeking Rate for Selected Economies

(e.o.p Per Cent)

	USA*	Canada*	Euro
Dec-18	3.9	5.7	7.9
Mar-19	3.9	5.8	7.7
Jun-19	3.6	5.5	7.5
Sep-19	3.6	5.7	7.5
Dec-19	3.5	5.6	7.4
Mar-20	4.4	7.8	7.2
Jun-20	11.1	12.3	7.8
Sep-20	7.9	9.0	8.1
Dec-20	6.7	8.6	8.3

Source: Official statistics offices

*The job seeking rate is the percentage of the labour force actively seeking work. The rates in the table for US and Canada represent job seeking rates. Jamaica's job seeking rate was 6.5 per cent as at October 2020.

In January 2021, the Federal Open Market Committee (FOMC) maintained its US Fed Funds target range at 0 per cent – 0.25 per cent, in line with the Bank's projections.[8] The Committee expects to maintain an accommodative stance of monetary policy until labour market conditions reach levels consistent with the Committee's assessments of maximum employment and inflation rises to 2.0 per cent and is on track to moderately exceed 2.0 per cent for some time. Further, the Fed reiterated its commitment to using its full range of tools to support the US economy for as long as it takes. The Bank consequently anticipates that the Fed will maintain interest rates at their current level for the foreseeable future.[9]

Trading Partners' Inflation

The weighted average of 12-month inflation rates for Jamaica's trading partners' (TPs) at December 2020 is estimated at 1.2 per cent. This estimate is just below the Bank's previous forecast of 1.3 per cent. For the US, annual CPI inflation at December 2020 was 1.4 per cent, lower than the previous forecast of 1.7 per cent.[10] The personal consumption expenditures (PCE) price index increased by 1.1 per cent on a year-on-year basis at November 2020 and has remained below the Fed's target of 2.0 per cent since October 2018.

Over the next eight quarters, the Bank projects the inflation rate of Jamaica's main trading partners (TP) to average 2.2 per cent, in line with the previous forecast (see **Figure 9**).[11]The projection for TP inflation largely reflects upward pressure on inflation from COVID-related supply constraints. US inflation is projected to average 2.5 per cent, marginally below the previous forecast of 2.6 per cent (see **Figure 10**). The increase in consumer prices has been muted due to persistent social distancing measures, which continues to affect demand for products and services most impacted by the pandemic, such as accommodation and airfare. However, these downward pressures on inflation are projected to gradually abate with the widespread distribution of vaccines spurring economic activity. In addition, the revised outlook for commodity prices and a further increase in imported inflation given the assumption for the faster depreciation of the US Dollar will have a positive impact on prices.

[6] The unemployment rate is projected to end FY2020/21 at 6.4 per cent, 2.0 percentage point above end-FY2019/20, and end FY2021/22 at 4.7 per cent.

[7] Continuing jobless claims in the US was approximately 5.3 million in the week ended 02 January 2021, an increase of 3.9 per cent and 197.0 per cent from the previous week and one year ago, respectively.

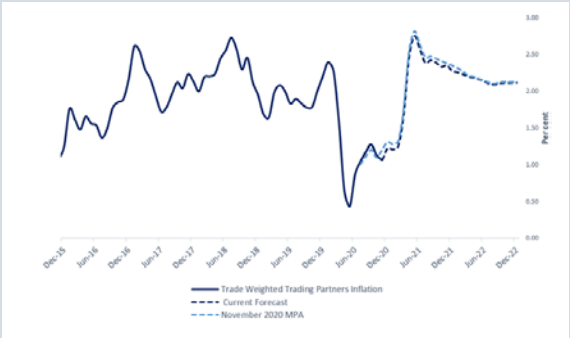
[8] The statement of the Federal Open Market Committee (FOMC) now explicitly notes that "the path of the economy will depend significantly on…progress on vaccinations", and the Fed removed the language that the coronavirus crisis posed considerable risks specifically "over the medium term". Those two changes suggest officials are more confident that the introduction of highly effective vaccines offer the possibility of a return to normalcy later this year.

[9] This is consistent with the GPMN forecast which assumes that the Fed will maintain its rates at the current level for the foreseeable future to support a recovery in demand.

[10] While the annual headline CPI inflation rate rebounded to 1.4 per cent from 1.2 per cent in the prior month, principally due to the rebound in gasoline prices, core inflation was unchanged at 1.6 per cent.

[11] The inflation rate of Jamaica's main trading partners (TP inflation) for FY2020/21 is projected at 1.7 per cent, marginally lower relative to the previous forecast of 1.8 per cent.

Figure 9: Trade Weighted Trading Partners' Inflation
(12-month Per cent change)



Source: Bloomberg

Figure 10: US Inflation
(12-month Per cent change)

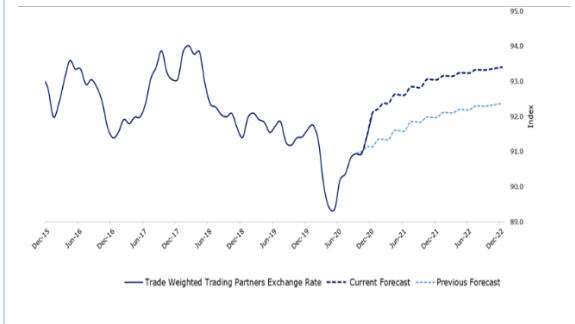
Source: Bloomberg

Trends in Trading Partners' Exchange Rates

During the December 2020 quarter, TP currencies generally appreciated against the US dollar.[12] The weaker US dollar primarily reflected the impact of a decline in investors' preference for safe-haven assets in a context of the gradual rebound in US economic activity as well as investors' optimism that global trade and geo-political tensions will abate given the outcome of the US Presidential election. Additionally, the market's expectations that the Fed's policy will remain accommodative for longer, amid a more relaxed approach to inflation and unemployment, further supported the depreciation of the US dollar.

Bank of Jamaica projects that, over the next eight quarters (March 2021 to December 2022), the currencies of Jamaica's major trading partners will appreciate, on average, against the US dollar as the outlook for the global economy improves and reduces investors' appetite for safe-haven assets such as the US dollar (see Figure 11).

Figure 11: Trading Partners' Trade Weighted Exchange Rate – vis-à-vis USD, May 2013 =100



Source: Bloomberg

Terms of Trade

Jamaica's terms of trade (TOT) index improved at an annual pace of 3.6 per cent at December 2020, following an improvement of 3.3 per cent at September 2020.[13] The increase in the index reflected a decline of 8.0 per cent in the import price index (IPI), the impact of which was partly offset by a decline of 4.7 per cent in the export price index (EPI). The reduction in the IPI was primarily driven by reductions in the price for fuel and raw materials while the decline in the EPI emanated mainly from reductions in the prices for alumina and tourism services.

[12] There was an average appreciation of 0.9 per cent in the exchange rate of Jamaica's trading partners vis-à-vis the USD for the December 2020 quarter, following an average appreciation of 1.2 per cent in the September 2020 quarter. This compares to the previous forecast for an appreciation of 0.4 per cent for the review quarter. The exchange rates of Jamaica's trading partners vis-à-vis the USD appreciated, on average, by 0.01 per cent in the December 2020 quarter relative to a year prior. This reflected an appreciation relative to the Bank's previous forecast for a depreciation of 0.4 per cent.

[13] At the November 2020 assessment, the EPI for September 2020 was estimated to have improved by 1.4 per cent relative to a year prior. However, the latest estimate for September 2020 indicates that the EPI deteriorated at an annual pace of 9.8 per cent.

The outturn for the December 2020 quarter reflected a smaller improvement relative to the previous projection and was largely attributable to a smaller pace of decline in import prices.

Bank of Jamaica projects that Jamaica's TOT will deteriorate over the next eight quarters (March 2021 quarter to the December 2022 quarter), primarily due to reductions in export prices, particularly that for tourism, as well as an increase in import prices, driven by fuel and raw materials.[14]

Commodity Prices

The daily average of West Texas Intermediate crude oil prices for the December 2020 quarter increased by 4.2 per cent relative to the September 2020 quarter. However, relative to the December 2019 quarter crude oil prices declined by 25.1 per cent.[15] The increase in crude oil prices, relative to the previous quarter, mainly emanated from (i) investors' increasing optimism regarding the development and deployment of a successful COVID-19 vaccine, (ii) optimism about a second round of US fiscal stimulus, (iii) OPEC and its allies' decision to reduce the planned increase in output in January 2021[16], and (iv) a reduction in global inventories due to gradually rising global oil demand and reduced production. However, the impact of these factors was partly offset by investors' continued concern about the global economic recovery and demand conditions. In particular, record highs in daily cases of COVID-19, which slowed the recovery in transportation demand, particularly in the US and Europe, spurred renewed lockdown measures.

The projected path for crude oil prices over the near term (March 2021 to December 2022) increased, relative to the last forecast. Oil prices are projected to average US$53.49 per barrel for the next eight quarters compared to an average of US$47.68 per barrel in the previous projection. This forecast, nonetheless, implies that the average of the quarter-over-quarter increase in crude oil prices for the period has been revised marginally to 3.6 per cent, compared with the 3.9 per cent previously anticipated.

For the March 2021 and June 2021 quarters, oil prices are projected to average US$50.95 per barrel (19.5 per cent increase for the quarter) and US$51.89 per barrel (1.8 per cent increase for the quarter), respectively, which compares to quarterly averages of US$41.98 and US$43.38 in the previous projection (see Figure 13). The projected increase in crude oil prices for the March 2021 quarter is underpinned by expectations for further production cuts, continued decline in global inventory levels and a further increase in consumer sentiment amid positive vaccine reports.[17,] Prices on average are projected to continue to increase as global demand continues to gradually return to pre-pandemic levels, outpacing supply.[18]

[14] In particular, the TOT is projected to deteriorate at an annual rate of 16.1 per cent and 11.9 per cent in the March 2021 and June 2021 quarters, respectively.

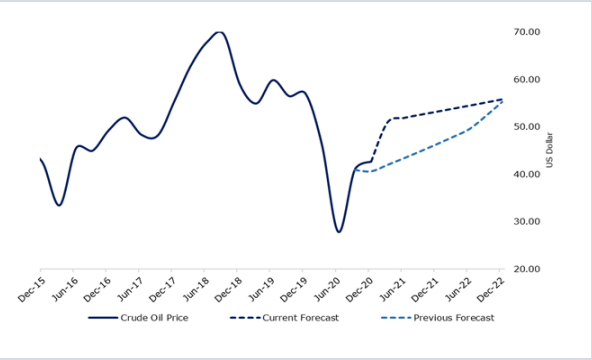
[15] In the previous projection, the Bank projected the daily average of West Texas Intermediate crude oil prices for the December 2020 quarter to decline by 0.7 per cent relative to the September 2020 quarter.

[16] On 03 December 2020, OPEC and its allies agreed to increase production by 500,000 barrels per day, which will commence in January 2021, a quarter of what would have occurred under the prior plan. The group will then hold monthly consultations to determine how to adjust production in subsequent months.

[17] On 05 January 2021, OPEC and its partners announced modest production increases from Russia and Kazakhstan in February and March (totaling 75,000 barrels per day per month). Saudi Arabia announced that it would voluntarily cut production by an additional 1.0 million barrels per day during February and March, resulting in lower overall production from OPEC and its partners in the March 2021 quarter.

[18] According to the U.S. Energy Information Administration in its January 2021 Short-Term Energy Outlook, global oil supply is expected to rise but voluntary production restraint from OPEC producers and its partners, along with the lingering effects of low oil prices on US shale oil production will limit global supply increases.

Figure 12: Trend in Average WTI Crude Oil Prices



Sources: Bloomberg, BOJ

The risks to the forecast for oil prices over the next eight quarters are skewed to the downside. There are, however, near term upside risks due to market expectations about the impact of the vaccine on global growth. Further upward pressures may emerge if OPEC and its allies reduce output further and the US administration agree on further fiscal stimulus to assist with some of the economic damages that have occurred as a result of the pandemic. Further, a weaker US dollar will foster a higher appetite and most likely stronger commodity prices. In relation to the downside risks (that is oil prices could track below the forecast), a longer lasting and more intensive impact of COVID-19 could further hurt the recovery in global trade, further reduce confidence and investment worldwide, which could result in downward price pressures. Demand will continue to be the key uncertainty for the global oil market. On the supply side, there is an expectation that diplomatic relations between the US and Iran will improve, leading to a potential lifting of US sanctions on Iran's oil sectors.[19]

Average grains prices for the December 2020 quarter increased by 19.2 per cent, relative to the September 2020 quarter (an increase of 18.7 per cent on an annual basis).[20] This increase was associated with higher prices for soybean (22.6 per cent increase for the quarter, 28.6 per cent increase on an annual basis), corn (24.5 per cent increase for the quarter, 15.1 per cent decline on an annual basis) and wheat (8.7 per cent decline for the quarter, 4.0 per cent increase on an annual basis). The average increase in grains prices for the quarter reflected positive developments of coronavirus vaccines as well as strong import demand from China, particularly for soybean and corn.[21] In addition, the depreciation of the US dollar against third party currencies, which increased the demand for dollar denominated commodities, also supported the upward trend in prices.

The average price of grains is projected to increase at an average quarter over quarter rate of 1.9 per cent over the next eight quarters (March 2021 to December 2022), a rate that is higher than the Bank's previous forecast.[22] This projected faster pace of increase in prices relative to the previous forecast mainly reflects stronger demand for commodities, particularly from China, and a further weakening of the US dollar.[23] Of note, the average price of grains over the March and June 2021 quarters is projected to increase at an average quarter over quarter rate of 6.0 per cent due to the gradual reopening of the global economy and rising demand (see Figure 13).

[19] The previous US administration had a very conservative stance on Iran, which saw the US reimplementing sanctions against the country. There is an expectation that the current US administration could lift US sanctions and rejoin the Joint Comprehensive Plan of Action. If this were to happen, some analysts predict an Iranian oil output recovery of potentially more than 1.5 million b/d returning to the market. However, the current US administration is likely to favour climate change and alternative energy initiatives. Recently, the US President unveiled a plan to spend on green initiatives and promised changes to the US energy sector that could negatively impact North America and global energy prices through both demand and supply channels.

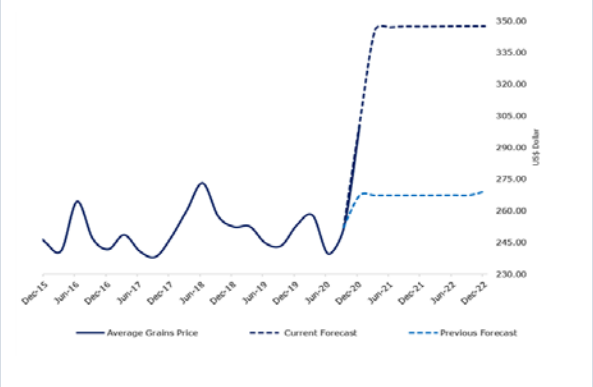
[20] The Bank projected an increase of 6.0 per cent for the December 2020 quarter relative to the September 2020 quarter.

[21] China's increased demand for grain commodities is being attributed to the rebound of the nation's pig herd as it recovers from the African swine fever outbreaks that began in 2018. Grains prices have also been impacted by persistent dry weather conditions, which raised concerns about a decrease in production in the wake of an anticipated rise in demand.

[22] The previous forecast assumed an average quarter over quarter increase of 0.1 per cent over the March 2021 to December 2022 quarter.

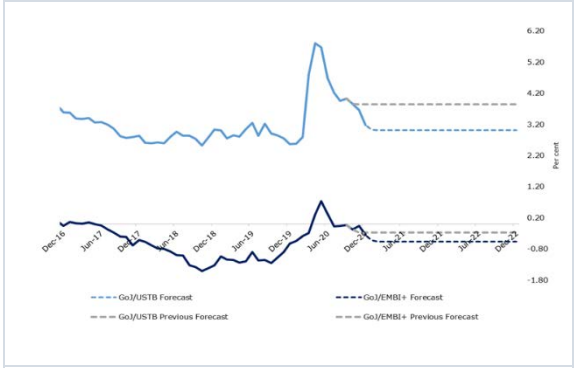
[23] China is expected to continue buying grains at a strong pace in the coming months as the country seeks to meet its internal demand and ensure stable domestic reserves in the backdrop of uncertain market factors such as food supply scare and trade tensions.

Figure 13: Trend in Average Grains Prices



Sources: Bloomberg, BOJ

Figure 14: Average International Bond Spreads
(Per cent)



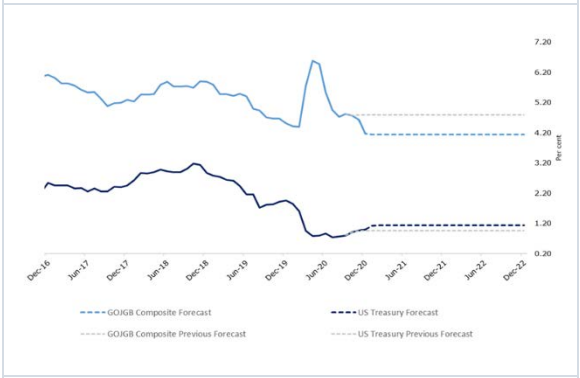
Sources: Bloomberg,

External Financial Markets

The performance of GOJ's sovereign bonds spreads on the international market over the December 2020 quarter was better relative to the previous projection. In particular, relative to the previous projection, GOJ's sovereign bonds spreads improved when compared to US Treasuries and the EMBI+. The average of the daily spreads between the indicative yield on Government of Jamaica global bonds (GOJGBs) and the yield on US Treasury Bills as well as the average of the daily spreads between the indicative yield on GOJGBs and the yield on the EMBI+ improved (declined) by 51 basis points (bps) and 14 bps, respectively, when compared to the same measure for the September 2020 quarter.[24] These spreads were projected to decline by 22 bps and 19 bps, respectively (see **Figure 14**). [25]

In the context of the performance of the GOJ yield spreads over the quarter, there were respective declines of 17 bps and 31 bps in the average yields on EMBI+ and GOJGBs, while there was an increase of 19 bps on US Treasuries (see **Figure 15**).

Figure 15: Average International Bond Yields
(Per cent)



Sources: Bloomberg,

Jamaica's sovereign bond yields are projected to be relatively stable to the December 2022 quarter.[26]

[24] For the quarter, relative to US Treasury Bill yields and EMBI+, these spreads were 357 bps and negative 19 bps, respectively.

[25] The spread for the December 2020 quarter, relative to US Treasury Bill yields and the EMBI+, were projected to be 384 bps and negative 25 bps, respectively. During the December 2020 quarter there was a general improvement in global risk appetite driven by optimism regarding the deployment of several effective coronavirus vaccines, which was expected to mitigate global headwinds driven by the pandemic, thereby increasing investors' desire to hold risky assets. Further, in December 2020 GOJGBs were also positively impacted by reports that International Credit Agency Standard and Poor's Global Ratings affirmed the Government of Jamaica's Long-Term Foreign and Local Currency Issuer Default Rating, IDR, at 'B+'. The decline in the EMBI+ was supported by the rebound in commodity prices which benefited commodity exporters.

[26] The possibility exists that Jamaica could receive a rating downgrade over the near term. However, there is an equal risk of a rating downgrade in other EMEs and AEs given the rise in debt ratios globally. Additionally, the main narrative over the next couple of years will be one of progress in containing the virus, accompanied by a further recovery in the global economy, which could provide further downward pressure for GOJGB yields.

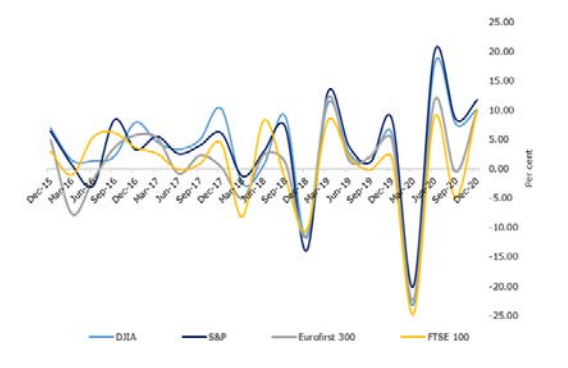
Global Stock Market

The performances of selected global stock market indices during the December 2020 quarter were strong. Relative to the September 2020 quarter, the Dow Jones Industrial Average (DJIA) and the S&P 500, the Eurofirst 300 and the FTSE 100 advanced by 10.2 per cent, 11.7 per cent, 9.8 per cent and 10.1 per cent, respectively (see Figure 16). While the strong performances were supported by continued monetary and fiscal stimulus, the major catalyst stemmed from signs of economic recovery and expectations of continued improvement based on the deployment of several effective coronavirus vaccines. This development was expected to mitigate global headwinds driven by the pandemic, thereby increasing investors' desire to hold risky assets. Further, the reduction in uncertainty regarding the US Presidential election as well as the agreement of a post-Brexit trade deal between the European Union and United Kingdom played a crucial role in increasing investors' confidence.

US equities gained in the December 2020 quarter with most of the gains recorded in November 2020 due to investors' reaction to continued news about the viability of multiple COVID-19 vaccines. There were notable market gains in December 2020 as vaccines were given emergency validation by the World Health Organization and the United States Food and Drug Administration, improving the prospects for a durable recovery. Further, the approval by Congress of a US$900 billion stimulus package announced in late December 2020 supported the expectations of continued recovery in the US economy and propelled stocks to record high levels. The Federal Reserve also reinforced its supportive message, stating it will continue with current levels of quantitative easing and investors remained confident that the central bank would maintain interest rates at near zero levels for the foreseeable future.

Eurozone and UK equities reversed the losses recorded in the September 2020 quarter, propelled by announcements of the efficacy of several COVID-19 vaccine candidates and subsequent emergency approval for distribution. Of note, a new variant of the coronavirus was discovered in the UK resulting in a new phase of lockdown measures. In response, EU leaders agreed on a €1.8 trillion (US$2.18 trillion) long-term budget and COVID-19 recovery package in December 2020. Further, equities were positively impacted by easing concerns around a disorderly Brexit as the exit trade agreement between the United Kingdom and the European Union was achieved before the 31 December 2020 deadline, which set out preferential arrangements in areas such as trade in goods and in services.

Figure 16: Selected Stock Market Indices
(Quarter-over-Quarter Per cent)



Source: Bloomberg

3.0 Real Sector

In the context of the impact of the coronavirus on the Jamaican economy, domestic economic activity is projected to decline over the December 2020 to March 2021 quarters then rebound over the rest of the forecast horizon. Consequently, for FY2020/21, real GDP is projected to fall in the range of 10.0 to 12.0 per cent and recover partially in FY2021/22. Real GDP is anticipated to return to its pre-COVID level in the March 2023 quarter. Over the medium term (the next three years), GDP growth is projected to average in the range 2.0 to 4.0 per cent per year, which is above the previous projections. This growth largely reflects the expected rebound in tourism and related industries as well as higher growth in mining.

The current forecast is higher than the previous projection over the near-term (March 2021 to December 2021). In this regard, there are slightly higher projections for construction, agriculture and electricity, partly offset by lower projections for tourism and related industries as well as manufacture. The output gap over the projection horizon is expected to remain generally in line with the estimates at the last forecast. The risks to the forecast for real GDP growth are skewed to the downside.

GDP Growth and Output Gap

The Jamaican economy is estimated to have contracted in the range 7.5 to 8.5 per cent for the December 2020 quarter, an improvement relative to to the contraction of 10.7 per cent recorded for the September 2020 quarter and relative to the previous projection. The estimated decline for the quarter occurred in the context of the continued adverse impact of the novel coronavirus on the economy and measures implemented to contain its spread.[1] Consequently, only *Construction, Mining & Quarrying* and *Government Services* are estimated to have grown. Reductions were chiefly reflected *in Hotels & Restaurants, Other Services, Transport & Communication, Electricity & Water, Manufacture* and *Agriculture, Forestry & Fishing*.[2]

Worse than previously projected declines for the review quarter are estimated for *Electricity & Water, Transport, Manufacture* and *Finance & Insurance.* In contrast, a slower pace of decline is estimated for *Hotel & Restaurants* and *Agriculture, Forestry & Fishing* while growth, rather than a decline, is now estimated for the Construction industry. Higher growth is also anticipated for *Mining & Quarrying*. The upward revision to Mining is due to higher than anticipated capacity utilization at the alumina plants in the quarter. On the basis of available data, a larger decline is estimated for Electricity.[3] Value added in Agriculture is anticipated to be higher than previously projected given the lower than expected impact of adverse weather conditions experienced in the quarter.[4] Manufacture is estimated to have declined faster due to reductions in both food production and petroleum refining.[5] The stronger decline in Transport is associated with a greater than anticipated decline in the use of public transportation and volume of cargo moving through the ports. The downward revision to Finance reflected trends in recent outturns, due to significant declines in fees and service charges.

In the context of the decline in GDP for the December 2020 quarter, Bank of Jamaica estimated a negative output gap for the quarter, in

[1] During the December 2020 quarter, measures implemented to contain the spread of the coronavirus included nightly curfews, stay at home orders for person 70 years and older as well as restrictions on gatherings.
[2] Other Services include recreation, entertainment and sporting activities.
[3] Electricity consumption declined on average by 10.7 per cent for the December 2020 quarter relative to the anticipated fall of 1.1 per cent.
[4] Data from the Ministry of Agriculture indicated that domestic crop production fell by 7.6 per cent in the December 2020 quarter. This is relative to the Bank's previous projection for a decline of 15.0 per cent.
[5] The decline in food production reflected lower output in most categories, particularly food production and bakery products. Sugar & molasses is anticipated to be flat for the period.

line with the previous projection. This estimated output gap was also smaller than the gap in the September 2020 quarter but larger than the gap for the December 2019 quarter.[6]

Aggregate Supply

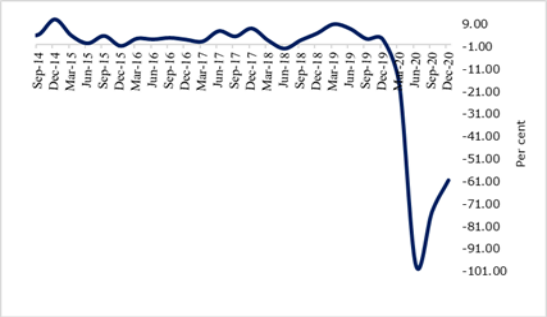
For the December 2020 quarter, value added in the majority of the industries is estimated to have declined. In contrast, Construction, Mining & Quarrying and Producers of Government Services are estimated to have grown. The estimated growth in Construction reflected increases in all sub-industries, while increased value added in mining emanated from higher production at the bauxite and alumina plants. Similarly, growth in Producers of Government Services reflected greater services offered to curb the spread of the coronavirus.

Value added for *Hotels & Restaurants* is estimated to have declined at a slower pace in the December 2020 quarter (see **Figure 17**). The reduction for the quarter was premised on lower foreign national arrivals via air transport and cruise ships. Notably, there have been no cruise arrivals since the re-opening of the ports to incoming passengers in the June 2020 quarter. Additionally, airport arrivals continue to be affected by travel advisories in major source markets as coronavirus cases surge in advanced countries. This, along with the frequent updates of curfew restrictions as well as an increase in the number of confirmed coronavirus cases in the Island, has resulted in lower bookings for many hotels.

Transport, Storage & Communication is estimated to have declined for the December 2020 quarter and was also related to the reduction in air passenger arrivals. Declines were also seen in road transportation as well as in the movement of cargo at the outports and public passenger transportation.

Electricity & Water Supply is estimated to have contracted in the review quarter. This reduction reflected a fall in electricity consumption (proxied by total electricity sales) and water consumption during the review period. The decrease in electricity and water consumption during the period may be associated with lower usage in the context of the continued closure of schools and some businesses due to the pandemic.

Figure 17: Trend in Visitor Days (12-Month Per cent change)



Source: The Jamiaca Tourist Board

Table 2: Industry Contribution to Growth (December 2020 Quarter)

	Contribution	Estimated Impact on Growth
GOODS	−1.8	−1.0 to 0.0
Agriculture, Forestry & Fishing	−2.7	−3.5 to −2.5
Mining & Quarrying	1.4	6.5 to 7.5
Manufacture	−6.5	−7.0 to −6.0
Construction	6.1	6.5 to 7.5
SERVICES	−98.2	−11.5 to −10.5
Electricity & Water Supply	−3.1	−9.0 to −8.0
Wholesale & Retail Trade, Repairs & Installation	−13.9	−7.0 to −6.0
Hotels & Restaurants	−37.7	−53.5 to −52.5
Transport Storage & Communication	−12.7	−10.5 to −9.5
Financing & Insurance Services	−7.3	−5.5 to −4.5
Real Estate, Renting & Business Activities	−3.1	−3.0 to −2.0
Producers of Government Services	0.2	−0.5 to 0.5
Other Services	−19.2	−23.0 to −22.0
Financial Intermediation Services Indirectly Measured	1.5	2.5 to 3.5

Source: Bank of Jamaica

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[6] The output gap is the difference between real GDP and the potential output. Expressed in percentage form, the output gap measures the deviation of real GDP from its potential as a fraction of potential output.

The decline in *Manufacturing* for the review quarter largely reflected a fall in both Other Manufacturing and Food, Beverages & Tobacco. The reduction in Other Manufacturing is associated mainly with decreased production of refined petroleum during the quarter. The decline in Food, Beverages & Tobacco reflects a decrease in all categories, particularly food excluding sugar.

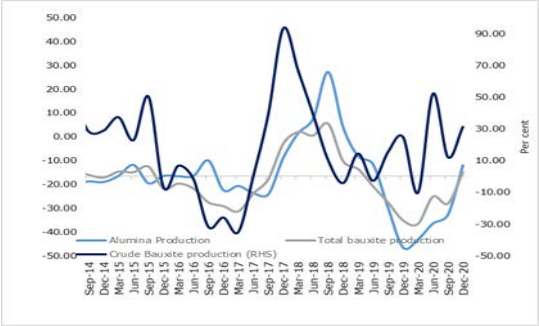
Wholesale & Retail Trade is estimated to have declined for the review quarter. This performance was largely driven by a reduction in output levels in the agriculture and manufacturing industries as well as a an estimated decrease in imports of goods.

Value added for *Agriculture, Forestry & Fishing* is estimated to have declined in the quarter. This decline largely reflected reduction in domestic crop production which was partly offset by an increase in animal farming. The decline in domestic crop production largely reflected the adverse impact of the flood rains experienced in November 2020 that resulted in many crops being damaged.[7] With regard to animal farming, the growth largely reflected increases in broiler production due to increased demand for baby chicks.

Value added for *Mining & Quarrying* for the December 2020 quarter is estimated to have grown relative to the corresponding quarter of 2019 when Alpart was closed (see Figure 18). This growth largely reflected growth in alumina production as crude bauxite production declined.

Construction is estimated to have grown for the review quarter. This performance was largely driven by increases within civil engineering and building installation. Activities related to civil engineering were higher due to increased levels of expenditure on road rehabilitation works. With regard to building construction, NHT housing starts declined in the quarter (see Figure 19).

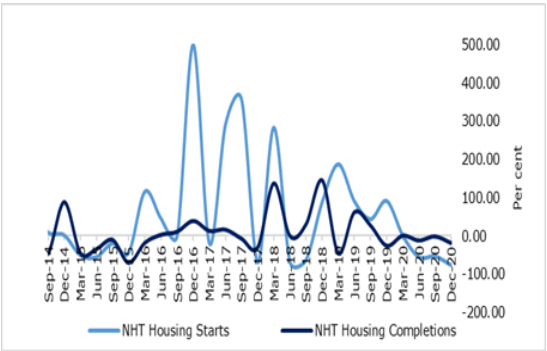
Figure 18: Trends in Crude Bauxite, Alumina & Total Bauxite Production (12-Month Per cent Change)



Source: Jamaica Bauxite Institute

Given the above changes, both non-tradable and tradable industries are estimated to have contracted for the review quarter. The decline in the tradable sector was mainly attributed to *Hotels & Restaurants, Agriculture, Forestry & Fishing* and *Transport, Storage & Communication* while, for the non-tradable sector, the decline was chiefly associated with *Other Services* and *Electricity & Water Supply*.

Figure 19: National Housing Trust Housing Starts & Completion (12-Month Per cent change)



Source: The National Housing Trust

[7] For the December 2020, domestic crop production declined by 7.6 per cent.

Aggregate Demand

From the perspective of aggregate demand, there are also indications of a decline in spending for the December 2020 quarter. This estimate reflected reductions in net exports, investment and private consumption.

Labour Market Developments

Jamaica's unemployment rate (UR) at October 2020 increased to 10.7 per cent, 3.5 percentage points (pps) relative to the rate at October 2019. The increase in the UR reflected a decline of 7.4 per cent (96,200) in the employed labour force, in the context of a reduction of 3.8 per cent (51,500) in the labour force. The number of unemployed persons increased by 42.5 per cent, while the labour force participation rate fell by 2.5 pps to 62.0 per cent.

In the context of the adverse impact of the novel coronavirus, Bank of Jamaica projects that labour market conditions will worsen over the next two quarters before improving in the latter quarters. In this regard, the average unemployment rate over the March 2021 to December 2022 quarters is projected to fall to 9.9 per cent.[8] The employed labour force is projected to grow (year over year), even while the labour force is projected to increase marginally.

The anticipated increase in unemployment, particularly over the next four quarters is lower than the previous projection, reflecting the trend in unemployment outturns evidenced in the previous two surveys. Notwithstanding, unemployment is anticipated to remain generally above pre-COVID levels.

Outlook

Real GDP is projected to grow at an average rate of 3.5 to 4.5 per cent over the March 2021 to December 2022 quarters but remain below potential output. This forecast reflects an anticipated decline in real GDP for the March 2021 quarter due to the continuing impact of the novel coronavirus on the economy and a partial recovery in subsequent quarters. The projected growth in the economy occurs in the context of continued accommodative monetary conditions (see Monetary Conditions).

From the perspective of aggregate supply, a decline is anticipated for the March 2021 quarter, which is projected to be followed by growth over the remaining quarters.[9] For the March 2021 quarter, the projected fall in real output is expected to be mainly reflected in *Hotels & Restaurants, Other Services* and *Transport, Storage & Communication.* These declines are predicated on the continued adverse impact of the novel coronavirus on travel and entertainment activities. *Hotels & Restaurants, Transport, Storage & Communication* and *Other Services* will continue to be adversely affected by the reduction in travel and lower activity at the ports, which are generally in line with previous expectations.[10]

Output in industries such as *Manufacturing*, *Electricity & Water*, *Finance & Insurance Services* and *Wholesale & Retail* is assumed to be affected by lower demand. For *Wholesale & Retail Trade,* lower value added is anticipated given the adverse impact of lower output levels in the Manufacturing and Agriculture industries as well as a decrease in imports of goods. With regard to *Electricity & Water*, electricity consumption is anticipated to be lower given the decline in business activity, particularly in the tourism and education sectors. For *Finance & Insurance,* the decline is predicated on a reduction in investments and security dealer activities as well as a fall in insurance services (life and non-life).

Over the June 2021 to September 2022 quarters, a partial rebound in real GDP is anticipated, buoyed by both the goods and service industries. Growth is

[8] This is the average unemployment rate of the three surveys conducted by STATIN in 2020.
[9] The recovery in real GDP is anticipated to begin in the June 2021 quarter.
[10] Travel advisories have been issued by Jamaica which indicate that visitors are required to quarantine for 14 days. Further, restrictions on movement due to nightly curfew regulations have resulted in the closure of entertainment activities which may discourage incoming passengers.

anticipated in *Hotels & Restaurants*, *Other Services*, *Mining & Quarrying, Construction, Manufacture* and *Agriculture, Forestry & Fishing*. The anticipated rebound in Tourism and Other Services is consistent with the improvement in the external economy. In addition, a rebound in Mining is anticipated reflecting a normalization of production from the closure of Alpart in October 2019 and operational challenges experienced by the other alumina plants. For Construction, growth is based on a projected increase in spending on the South Coast Improvement Project as well as increased residential and commercial construction. Value added in Manufacture is largely predicated on increased food production. With regards to Agriculture, Forestry & Fishing, an improvement is anticipated given expected investments in traditional crop production and various initiatives by the Government to assist the sector.

The forecast of aggregate spending supports the outlook for real GDP over the next four quarters. The projected reduction in the March 2021 quarter is offset by the anticipated improvement in all components in the latter quarters. The decline in aggregate spending in the March 2021 quarter is in the context of a deterioration in net exports as well as declines in investment and consumption. The deterioration in net exports is predicated on lower travel inflows, partly offset by lower goods imports. For investment, the reduction reflects declines in both government capital expenditure and private domestic investment. FDI inflows is anticipated to improve given the re-start of two projects.[11] The fall in consumption is anticipated given lower incomes and job losses due to the impact of the novel coronavirus. This impact is partly offset by growth in remittances while the increase in private sector credit is projected to be in line with previous projections over the forecast horizon (see Monetary Aggregates).

There has been an upward revision to GDP growth over the near term (March 2021 to December 2021 quarters) relative to the previous forecast.[12] This revision is largely related to *Construction, Agriculture, Forestry & Fishing* and *Electricity.* This is partly offset by downward revisions *to Manufacture, Transport, Storage & Communication, Mining & Quarrying* and *Finance & Insurance Services*. Consistent with the outlook for US GDP growth, the projected growth for *Hotels & Restaurants* remains broadly in line with the previous forecast. For *Construction,* the revision reflects the view that the buoyancy in the sector during the September 2020 quarter will continue over the next three quarters. Similarly, the upward revision to the growth in *Electricity* reflects higher economic activity, particularly towards the end of the year. *Finance & Insurance Services* reflect trends in the recent outturns while the lower value-added in Manufacture is due to a slower than previously anticipated pace of rebound in food production.

[11] These FDI projects are H10 phase 2 and Amatterra Hotel which are proceeding on a limited scale due to the COVID-19 pandemic.

[12] The previous 8 quarter forecast, which included the December 2020 quarter, was 2.6%. However, the current projection of 4.1 per cent is lower relative to the previous 8 quarter forecast of 4.4 per cent for the March 2021 to December 2022 period.

4.0 Fiscal Accounts

Recent Developments

For the December 2020 quarter, Central Government's operations recorded a fiscal deficit of $9.0 billion (0.5 per cent of GDP), in contrast to the surplus of $9.7 billion (0.5 per cent of GDP) for the December 2019 quarter. Similarly, the primary surplus for the December 2020 quarter was $15.0 billion (0.8 per cent of GDP), compared to the primary surplus of $32.0 billion (1.5 cent of GDP) for the similar period of 2019. The fiscal outturn for the review period reflected growth in expenditure as well as lower revenues & grants, relative to the corresponding period of 2019, both reflecting the adverse impact of the Covid-19 pandemic.

The performance of Revenues & Grants for the December 2020 quarter, was mainly attributable to lower tax revenue partly offset by higher non-tax revenue receipts. The slower pace of growth in tax revenues emanated mainly from the production & consumption and international trade categories and to a lesser extent income & profit categories.

For the review quarter, increases were evident in all categories of expenditure. Greater programme spending was due to allocations for COVID-19 Allocation of Resources for Employees packages. Higher compensation of employees may have reflected increased employment of health professionals to assist in curbing the virus as well as additional recruitment of security personnel.

The financing requirement for Central Government for the December 2020 quarter was $113.5 billion (5.8 per cent of GDP) reflecting the fiscal deficit noted above and amortization of $104.5 billion (5.3 per cent of GDP). In addition, Central Government made payments of $1.2 billion (0.1 per cent of GDP) to the National Water Commission.

The above noted expenses were financed by domestic and external loan receipts of $98.8 billion (5.1 per cent of GDP) and $20.8 billion (1.1 per cent of GDP), respectively. For domestic loans, three benchmark investment notes (BINs) amounting to $79.5 billion (4.1 per cent of GDP) were issued to the domestic capital market during the period. In addition, Treasury bills issuances amounted to $5.0 billion (0.3 per cent of GDP). External loan receipts amounted to US$143.1 million (1.1 per cent of GDP) from multilateral agencies for investment projects.

Domestic amortization for the December 2020 quarter amounted to $94.5 billion (4.8 per cent of GDP) mainly reflecting a variable rate BIN of $89.5 billion as well as Treasury bills of $ 5.1 billion for the quarter. External amortization included payments of US$65.9 million (0.5 per cent of GDP) and US$1.6 million (0.01 per cent of GDP) to multilateral and bilateral lending agencies, respectively. In addition, there was amortization of US$4.9 million (0.04 per cent of GDP) on loans borrowed from international commercial banks as well as contingency payments of US$0.2 million (0.001 per cent of GDP). Against this background, there was a build-up of $7.1 billion (0.4 per cent of GDP) in Central Government bank balances.

Table 3: Summary of Fiscal Operations
(per cent of GDP)

	4 Quarters Sum		
	Dec-20	Dec-19	Diff
Revenue & Grants	7.2	7.3	**(0.1)**
o/w Tax Revenue	6.3	6.5	(0.3)
Non- Tax Revenue	0.9	0.8	0.2
Grants	0.1	0.0	0.1
Expenditure	7.7	6.9	**0.8**
Programmes	2.9	2.7	0.2
Compensation of Employees	2.9	2.5	0.4
Interest Payment	1.2	1.1	0.2
Capital Expenditure	0.7	0.6	0.0
Fiscal Surplus/Deficit	(0.5)	0.5	**(0.9)**
Primary Balance	0.8	1.5	**(0.7)**
Current Balance	0.2	4.4	(4.2)
Total Financing	6.1	1.2	4.9
External Loans	1.1	0.5	0.6
Domestic Loans	5.0	0.7	4.4
Other Inflows	0.1	1.0	**(0.9)**
Other Outflows	0.1	0.8	**(0.7)**
Amortisation	5.3	0.8	4.5
External	0.5	0.5	(0.0)
Domestic	4.8	0.3	4.5
Overall Balance	0.4	1.1	**(0.7)**

Source: Ministry of Finance & the Public Service

Near Term Outlook

In the context of the adverse impact of COVID-19 on the economic environment, GOJ's medium-term debt target of 60.0 per cent of GDP was shifted to March 2028 in May 2020. Central Government is therefore expected to maintain its commitment to achieving the debt to GDP target as indicated under the economic programme.

5.0 Balance of Payments

The current account deficit (CAD) of the balance of payments (BOP) is projected to improve over the next eight quarters (March 2021 – December 2022), relative to the previous forecast, by an average of US$22.2 million per quarter. This improvement is largely underpinned by an upward revision to the surplus on the services sub-account. In this context, the CAD as a percentage of GDP is projected to average 2.8 per cent of GDP over the period FY2020/21 to FY2022/23, lower (better) than the previous projection of 3.2 per cent of GDP. Over the medium-term (FY2020/21 to FY2025/26) the CAD is expected to average 2.4 per cent of GDP. The outlook for the gross reserves has improved, relative to the previous projection, due to a favourable outturn as at December 2020. The adequacy of reserves has consequently improved in the near-term.

The risks to the projections for the CAD are skewed to the upside due to the possibility of lower visitor arrivals related to more stringent Covid-19 related travel requirements and lower growth in source market countries. The risks to reserves are skewed to the downside.

Recent Developments

The current account (CA) of Jamaica's balance of payments for the September 2020 quarter amounted to a surplus of US$70.4 million (0.5 per cent of GDP), US$208.6 million higher (better) than the outturn recorded for the September 2019 quarter. This improvement was reflected in all sub-accounts, with the exception of services.

Relative to the Bank's projection, the current account surplus for the September 2020 quarter was lower (worse) by US$2.6 million. The variance in the CA was largely underpinned by a lower than projected improvement on the current transfers sub-account being partially offset by better than projected improvements in the merchandise trade, services and income sub-accounts. The surplus on the current transfers sub-account was below projection by US$43.4 million, mainly due to lower remittance inflows. For the merchandise trade balance, exports (f.o.b) were US$14.9 million below projection while imports were lower by US$51.4 million. The services account was above projection by US$3.1 million. The income sub-account was above projection by US$1.1 million.[1]

For the December 2020 quarter, a current account deficit of US$24.4 million (0.2 per cent of GDP) is estimated, US$65.6 million lower (better) than the previous projection and US$3.8 million higher (worse than) the outturn for the December 2019 quarter. This deterioration , relative to the previous year, is reflected primarily in the services sub-account which was partially offset by improvements in the merchandise trade balance, current transfers and the income sub-accounts. The deterioration on the services balance reflects lower stop-over arrivals. In contrast, the merchandise trade balance is estimated to have improved due to a decline in imports in the context of a slowdown in the domestic economy and a fall in fuel prices.[2] The estimated

[1] Imports were below projection primarily due to lower fuel, consumer goods, capital goods and transport equipment of US$41.6 million, US$27.3 million, US$11.2 million, US$9.6 million, respectively, partially offset by higher imports of raw materials of US$40.2 million. Exports were higher than previously projected, primarily due to higher than expected non-traditional exports of US$18.8 million. Regarding the variance on non-traditional exports, the main component was other non-traditional goods, particularly food which grew 27.8 per cent for the September 2020 quarter relative to the corresponding period of the previous year. The Services account was higher than previously projected due to lower transportation outflows in the context of lower than previously projected imports.

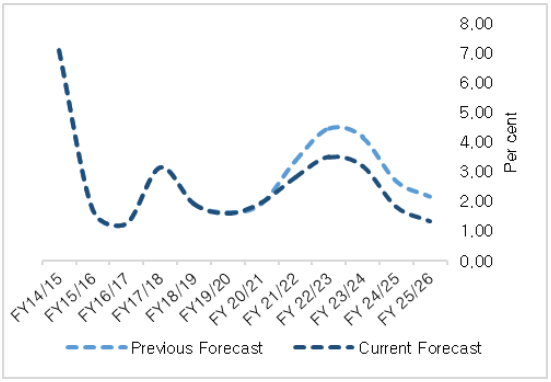
[2] Relative to the corresponding period of the previous year, transport equipment, raw materials and consumer goods declined by 25.2, 11.1 and 10.1 per cent, respectively. Fuel prices fell by 26.3 per cent.

improvement in current transfers largely reflects the increased use of the formal channel given the decline in travel.

The CAD for the period FY2020/21 to FY2022/23 is expected to be broadly sustainable. For FY2020/21, the CAD is projected to deteriorate to 2.0 per cent of GDP, 0.1 per cent higher (worse) than the previous projection of 1.9 per cent of GDP and 0.4 per cent above (worse than) the estimate of 1.6 per cent of GDP for FY2019/20.

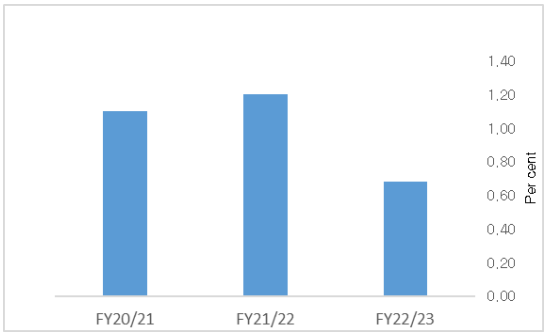
The CAD (as a per cent of GDP) is projected to improve over the medium-term, relative to the previous forecast. The CAD is projected to average 2.4 per cent of GDP between FY2020/21 and FY2025/26, relative to the previous forecast of 3.1 per cent of GDP (see **Figure 20**). The expected improvement is mainly due to higher alumina exports and tourist inflows in the context of an upward revision to alumina prices and average length of stay. The current account balance, after accounting for FDI-related imports, reflects an average surplus of 1.0 per cent of GDP for the 3-year forecast period of FY2020/21 to FY2022/23 (see **Figure 21**).

Figure 20: Medium-Term CAD Forecast (% GDP)



Source: Bank of Jamaica

Figure 21: Current Account less FDI (% of GDP)



Source: Bank of Jamaica

6.0 Monetary Policy & Market Operations

BOJ maintained its signal rate during the December 2020 quarter at 0.50 per cent. This decision was based on the Bank's assessment that inflation will generally continue to remain within the target of 4.0 per cent to 6.0 per cent over the next two years, notwithstanding the temporary impact on agricultural prices from rains in the quarter.

In order to ensure the orderly functioning of the foreign exchange market during the December 2020 quarter, BOJ provided liquidity amounting to US$116.3 million via the B-FXITT facility.

Despite the Bank's FX sales to the market, Jamaican dollar liquidity loosened, during the December 2020 quarter, relative to the preceding quarter.

BOJ maintained its signal rate at 0.5 per cent, effective 18 December 2020.[1] However, money market rates generally increased, while GOJ treasuries declined for the December 2020 quarter, reflective of the uneven distribution of liquidity for the period.

Liquidity Conditions

Liquidity conditions during the December 2020 quarter improved relative to the September 2020 quarter. This was indicated by the maintenance of average current account balances at Bank of Jamaica of $67.2 billion by deposit-taking institutions (DTIs) and primary dealers, above the average of $48.7 billion for the preceding quarter and the average level (of $57.3 billion) considered adequate for the system.

Liquidity conditions over the December 2020 quarter were more buoyant relative to the projections at the last assessment. Financial institutions' (FIs') average current account balances for the quarter were higher than projected by $16.3 billion.[2] The higher than anticipated balances primarily reflected net injection from BOJ operations of $9.6 billion into the system during the quarter, which compares to projected absorption of $8.7 billion. Higher net injection from BOJ operations largely reflected net injection from BOJ FX operations of $41.1 billion, which was $10.1 billion above projection. This injection was partly offset by absorption through other BOJ operations of $1.4 billion, which was $8.0 billion weaker than expected, partly due to lower than expected currency issues. Absorption from OMOs of $30.0 billion, was largely in line with the projection. On the other hand, net injection of $8.9 billion through GOJ operations during the December 2020 quarter was $2.0 billion lower than projected. (see Table 4).

Bank of Jamaica conducted 13 auctions of 30-day CDs during the review quarter. The average offer size during the December 2020 quarter was $6.8 billion, above the average of $5.4 billion for the September 2020 quarter. The increase reflected the actions of the central bank over the period to sterilize excess liquidity levels in the financial system following the maturity of a GOJ VR BIN of $89.5 billion on 07 October 2020. The average offer size was higher than the average maturities of $5.9 billion for the quarter. As a result of institutions' high demand for the instrument, the average yield on the 30-day CDs for the review quarter was 0.54 per cent, 8 bps below the average for the September 2020 quarter.

BOJ continued to offer its weekly 14-day repos via competitive auctions during the December 2020

[1] Consequently, the SLF rate was maintained at 2.50 per cent during the review quarter. Effective 18 March 2020, the limit on the SLF was removed, therefore, the EFR is no longer applicable.

[2] Financial institutions refer to DTIs and primary dealers.

quarter. Liquidity accessed via 14-day repos during the quarter averaged $5.9 billion, relative to $11.0 billion in the September 2020 quarter. A total of 13 auctions were held during the review period, equivalent to the previous quarter. All offers received subscriptions which reflected an average yield of 1.27 per cent, 2 bps above the average yield in the preceding quarter.[3]

Table 4: BOJ Liquidity Facility (J$ Billions)

BOJ Liquidity Flow (J$ Billions)	Actual Jun-20	Actual Sep-20	Projected Dec-20	Actual Dec-20	Variance Dec-20
Net BOJ Operations (Inject/Absorb)	46.6	-3.9	-8.7	9.6	18.3
Open Market Operations	-9.2	-21.9	-30.1	-30.0	0.1
BOJ Repo - (incl. OTROs)	1.0	-3.2	-0.6	1.9	2.4
FR CDs - (incl. 30d cds)	28.8	-3.5	-1.9	-4.2	-2.3
VR CDs	0.0	0.0	0.0	0.0	0.0
USD Indexed Notes	-39.0	-15.2	-27.7	-27.7	0.0
BOJ FX (incl. PSE)	11.0	25.7	30.9	41.1	10.1
BOJ Other	44.8	-7.8	-9.5	-1.4	8.0
o.w. Currency Issue	-11.5	-20.4	-7.1	-5.4	1.7
o.w. Cash Reserve (Com Banks)	5.0	6.8	-2.4	-2.5	0.0
o.w. other	3.4	5.5	0.0	6.5	6.4
GOJ Operations	-31.3	-2.9	10.9	8.9	-2.0
Current A/C (+) = Loosen; (-) = Tighten	15.3	-6.9	2.3	18.5	16.3
Current A/C Balance (AvgStock)	37.5	48.7	50.9	67.2	16.3

Notes: (+) = Inject; (-) = Absorb
Source: Bank of Jamaica

Strong foreign currency demand during the December 2020 quarter and the associated fluctuations in market conditions necessitated BOJ's foreign currency sale of US$116.3 million and the provision of US$6.0 million via swap arrangements, respectively. The swap arrangement partially replaced the US$44.0 million that matured during the quarter. There was also a small repayment of USD CDs. There were no new issues of USD CDs during the review period (see Table 5).

Table 5: Placements & Maturities of BOJ USD Instruments

	July - September 2020			October - December 2020		
	Placements (US$MN)	Maturities (US$MN)	Average Rate (%)	Placements (US$MN)	Maturities (US$MN)	Average Rate (%)
3-year	-	2.91	-	-	0.00	-
5-year	-	0.13	-	-	0.03	-
TOTAL	**-**	**3.04**	**-**	**-**	**0.03**	**-**

Source: Bank of Jamaica

[3] The decline in funds accessed via the 14-day repo facility was in the context of increased liquidity, which coincided with the maturity of the GOJ VR BIN.

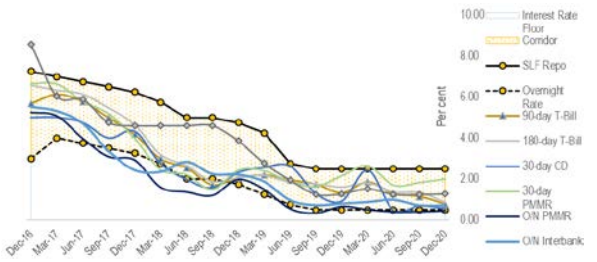
7.0 Financial Markets

Developments in money market rates were mixed during the December 2020 quarter, despite the Bank of Jamaica's unchanged monetary policy and loose monetary conditions. The estimated yield curve on GOJ JMD bonds at end-December 2020 was stable, relative to the yield curve at end-September 2020. Sovereign risk declined while exchange rate risk increased.

Market Interest Rates

Notwithstanding generally buoyant liquidity conditions, movements in money market rates were mixed during the December 2020 quarter, relative to the preceding quarter. When compared to the rates at end-September 2020, the overnight (O/N) interbank rates were lower by 1 bp, while O/N and 30-day private money market rates (PMMR) were higher by 4 bp and 17 bps, respectively. However, the yields on GOJ 90-day, 180-day and 270-day Treasury bills at end-December 2020 were lower by 37 bps, 47 bps and 61 bps, respectively (see **Figure 22**).

Figure 22: Money Market Rates (Nominal)[1]



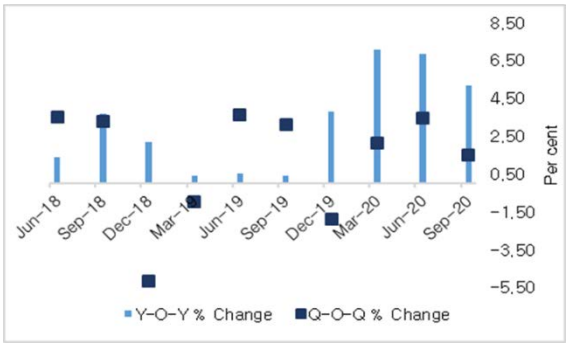
	BOJ SLF Rate	BOJ 30-day CD	BOJ O/N Deposit	O/N PMMR +	O/N Int. Bank +	30-day PMMR +	90-day T-Bill	180-day T-Bill	270-day T-Bill
Jun-19	2.75	2.64	0.75	0.55	0.98	1.87	1.95	1.84	2.09
Sep-19	2.50	1.30	0.50	0.33	0.73	1.63	1.74	1.75	2.01
Dec-19	2.50	0.93	0.50	0.66	0.82	2.16	1.32	1.60	1.73
Mar-20	2.50	2.45	0.50	0.50	0.89	2.64	1.85	1.80	1.67
Jun-20	2.50	0.47	0.50	0.39	1.00	1.69	1.28	1.36	1.83
Sep-20	2.50	0.71	0.50	0.40	0.73	1.83	1.14	1.33	1.65
Dec-20	2.50	0.56	0.50	0.44	0.72	2.00	0.77	0.86	1.04

Source: Bank of Jamaica

Exchange Rate Developments

The nominal exchange rate depreciated during the review quarter, relative to the previous quarter. The weighted average selling rate of the Jamaica Dollar vis-á-vis the US dollar (WASR) closed the December 2020 quarter at J$142.65 = US$1.00, reflecting depreciation of 0.4 per cent, relative to the previous quarter and depreciation of 7.6 per cent relative to end-December 2019.[2] This outturn compares to the Bank's assumption of 0.0 per cent (q-t-q).

Figure 23: Movements in WASR



The depreciation in the exchange rate during the December 2020 quarter was particularly noticeable in October 2020. This was underpinned by increased end-user demand related to pre-Christmas imports and portfolio-related demand by financial institutions. These demand pressures were attenuated by B-FXITT sales of US$116.3 million for the quarter, of which US$66.3 million was sold in October 2020. Subsequently, an appreciation cycle

[1] Notes: (i) PMMR is the private money market rate (ii) O/N is the overnight rate in the market accessible by all financial institutions while the interbank rate (I/B) is the overnight rate accessible only by banks.
+ Reflects average rate for the month.
* Rates represent month-to-date

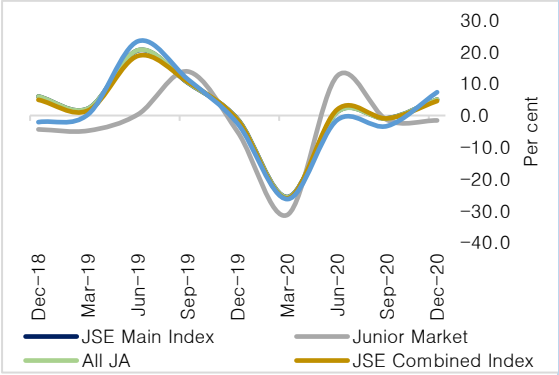
[2] The WASR (avg) closed the quarter at J$146.01 = US$1.00, reflecting depreciation of 0.3 per cent, relative to the previous quarter and depreciation of 6.1 per cent relative to end-December 2019.

in December 2020 was influenced by an increase in USD supply from the earner segment of the market, particularly remittances, as well as greater willingness of some FX intermediaries to augment US dollar liquidity.[3]

Equities Market

For the December 2020 quarter, all the Jamaica Stock Exchange (JSE) indices recorded increases, with the exception of the junior market, which declined marginally. These increases ranged between 4.6 per cent and 5.1 per cent (see **Figure 24**). Of note, the JSE Main Index increased by 5.0 per cent relative to a decline of 0.9 per cent the previous quarter. However, on an annual basis, all JSE indices decreased, with the JSE Main Market and Junior Market Indices recording declines of 21.6 per cent and 24.9 per cent, respectively.

Figure 24: Quarterly Growth of the JSE Indices
(Per cent Change)

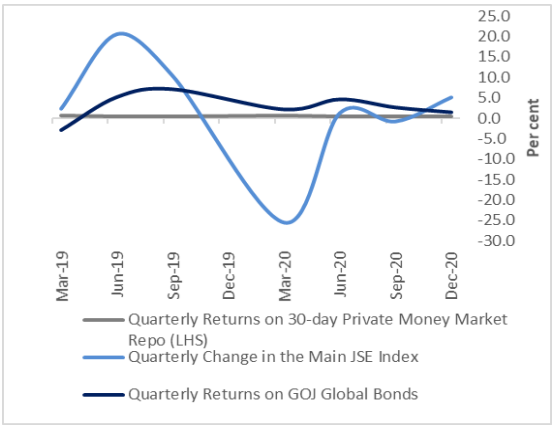


Source: Jamaica Stock Exchange

The improvement in the Jamaican equities market for the review quarter may have been influenced by increased confidence, largely due to the GOJ's efforts to limit the impact of the COVID-19 pandemic on Jamaica, along with the commencement of roll outs of new vaccines globally. During the review quarter, there was gradual re-opening of businesses as well as resumption of travel amidst positive developments in vaccine research. However, these improvements were moderate amid lingering concerns of a resurgence of COVID-19 infections.

Returns on foreign currency investments were lower than returns on the stock market. Specifically, GOJ global securities yielded quarterly returns of 1.5 per cent for the review quarter, while equities offered a quarterly return of 5.0 per cent.[4] The average returns in the 30-day private money market was 0.5 per cent for the review quarter (see **Figure 25**).

Figure 25: Returns from Private Money Market, foreign currency investments and Capital Gains/ (Losses) from JSE Main Index
(Per cent)



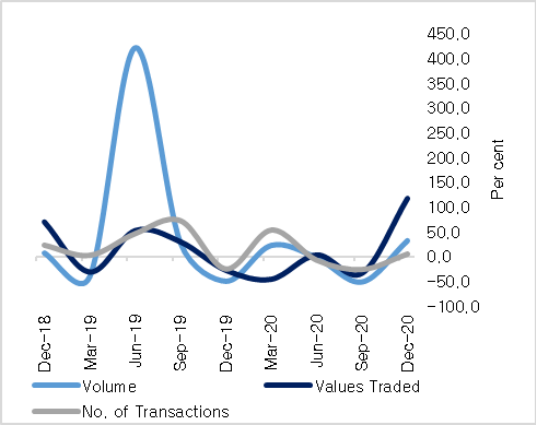
Source: Jamaica Stock Exchange and Bloomberg

Consistent with the improvement in the JSE Main Index, stock market activity indicators mostly increased. Specifically, the value and number of transactions increased by 118.0 per cent and 5.1 per cent, respectively. Meanwhile, the volume of transactions decreased by 6.0 per cent for the quarter, relative to an increase of 31.7 per cent in the December 2020 quarter (see **Figure 26**).

[3] The Bank of Jamaica's foreign exchange trading platform became operational on 23 November 2020 after the implementation of a pilot phase beginning 01 June 2020. The platform will facilitate real time electronic trading and observation between all authorized FX traders. The platform is expected to increase transparency and price discovery in the FX market .

[4] The return on foreign currency investments is computed as the sum of quarterly foreign currency gains (losses) and the average quarterly returns on GOJ global bonds.

Figure 26: Quarterly Change in the Monthly Volumes, Values Traded & Number of Transactions (Main JSE Index) (Per cent)



Source: Jamaica Stock Exchange

The price performance of the stocks on the JSE Main Index, as measured by the advance to decline ratio, was 26:14 for the December 2020 quarter.

Of note, stock price appreciation was largely concentrated among the *Financial* sector. Meanwhile, the *Manufacturing* and *Other* categories accounted for most of the declining stocks for the December 2020 quarter (see Tables 6 and 7)

Table 6: Stock Price Appreciation

Advancing	Per cent
Financial	
Sygnus Credit Investments Limited USD	380.15
Eppley Limited	33.97
JMMB Group Limited	14.49
Communication	
Radio Jamaica	41.3
Tourism	
Ciboney Group	37.50
Other	
Margaritaville (Turks) Limited	34.80
Supreme Ventures	24.89
Manufacturing	19.93
Caribbean Cement Company	32.99
Berger Paints (Jamaica)	19.83
Seprod Limited	16.20

Table 7: Stock Price Depreciation

Declining	Per cent
Other	
138 Student Living Jamaica Limited	-19.06
Pulse Investments	-3.98
Wigton Windfarm Limited	-3.85
Financial	
Barita Investments Limited	-14.60
Sygnus Credit Investments Limited	-12.02
Scotia Group Jamaica	-11.42
Proven Investments Limited	-7.88
Mayberry Investments Limited	-4.00
QWI Investments Limited	-3.80
Manufacturing	
Kingston Wharves	-5.60

8.0 Monetary Aggregates

Growth in the monetary aggregates and credit to the private sector as at December 2020 were faster than previously projected.

Over the ensuing eight quarters, the average annual growth rate in base money is expected to be lower than the previous projection, while growth in broad money remains in line. However, the annual growth rate in private sector credit is expected to be slightly above the previous projection

Money

The annual growth in the monetary base as at December 2020 was 27.9 per cent, relative to the previous projection of 23.4 per cent and above the growth of 20.8 per cent at September 2020. This stronger growth reflected higher than anticipated current account balances as well as marginally higher than expected cash reserves. This is in a context where the growth in currency was in line with projections.

Table 8: Bank of Jamaica Balance Sheet (Analytical Presentation)

	Stock (J$MN)			Flow (%)	
	Dec-19	Sep-20	Dec-20	Qtr. -o- Qtr.	Y-o-Y
NIR (US$MN)	3,162.54	2,747.49	3,126.13	13.8	-1.2
NIR(J$MN)	419,138.93	389,247.96	445,328.15	14.4	6.2
- Assets	481,237.49	526,087.24	581,364.44	10.5	20.8
- Liabilities	-62,098.56	-136,839.28	-136,036.29	-0.6	119.1
Net Domestic Assets	-198,185.33	-123,393.84	-162,755.16	-31.9	17.9
- Net Claims on Public Sector	80,983.49	211,632.04	222,068.31	4.9	174.2
- Net Credit to Banks	-67,433.60	-66,981.90	-69,050.62	3.1	2.4
- Open Market Operations	-45,884.53	-76,564.65	-124,035.72	62.0	170.3
- Other	-165,850.68	-191,479.34	-191,737.13	0.1	15.6
-o/w USD FR CDs	-27,270.38	-19,618.25	-19,612.57	0.0	-28.1
Monetary Base	220,953.60	265,854.12	282,573.00	6.3	27.9
- Currency Issue	148,863.65	170,033.01	190,488.13	12.0	28.0
- Cash Reserve	45,976.05	37,093.77	39,116.50	5.5	-14.9
- Current Account	26,113.90	58,727.34	52,968.37	-9.8	102.8

Source: Bank of Jamaica

Regarding the sources of the change in the monetary base at December 2020, there was an increase of 17.9 per cent in the net domestic assets (NDA), the impact of which was supported by an increase of 6.2 per cent in the Bank of Jamaica's net international reserves (NIR) (see Table 10). The growth in the Jamaica dollar equivalent of the NIR was associated with a depreciation in the exchange rate, while there was a decline in the USD value of the NIR stock. The decline in the USD NIR stock was influenced by outflows from Government of Jamaica, as well as net B-FXITT sales of US$419.8 million over the year. These outflows were largely offset by net purchases via the public sector entities (PSE) facility. The net claims on public sector contributed to the increase in the NDA.[1]

[1] The annual increase in net claims on public sector largely reflected increased holdings of GOJ securities, in addition to lower Central Government deposits. Increased holdings of GOJ securities reflected $49.5 billion and $1.4 billion of outright purchases of GOJ VR BINs and GOJ FR BINs, respectively, on the secondary market, and receipt of $21.7 billion in GOJ FR BINs from Central Government for past due losses. The Bank also purchased $40.5 billion in GOJ FR BINs directly from the GOJ, while $20.5 billion in VR BINs matured.

The expansion in M2J at November 2020 was underpinned by growth of 11.9 per cent in local currency deposits, a deceleration relative to the 19.7 per cent recorded at end-September 2020. The deceleration in the growth in deposits reflected a slowdown in the growth in demand and savings deposits, to 17.3 per cent and 17.1 per cent, respectively, relative to growth of 22.1 per cent and 17.8 per cent in September 2020. In addition, time deposits declined by 14.2 per cent for the period relative to a growth of 20.7 per cent in September 2020.

Table 9: Components of Money Supply (M2*)

	Percentage Change (%)		
	Nov-19	Sept-20	Nov-20
Total Money Supply (M2*)	15.6	20.6	17.8
Money Supply (M2J)	19.5	21.1	14.6
Money Supply (M1J)	18.5	24.1	21.0
Currency with the public	16.5	27.1	26.8
Demand Deposits	19.8	22.1	17.3
Quasi Money	20.5	18.4	9.1
Savings Deposits	16.4	17.8	17.1
Time Deposits	34.0	20.7	-14.2
Foreign Currency Deposits	9.0	19.8	23.8

Source: Bank of Jamaica

Private Sector Credit

Growth in private sector loans and advances moderated relative to the previous quarter. Loans and advances (including domestic and foreign currency denominated loans) to the non-financial private sector by deposit-taking institutions (DTIs) expanded by 11.5 per cent at November 2020. This was below the growth of 12.2 per cent as at September 2020. Relative to GDP, the stock of private sector loans at November 2020 was 45.4 per cent compared with 38.8 per cent a year earlier. Given the deceleration in the expansion of loans and advances, the improvement in the ratio to was largely attributed to a slower growth in GDP.

This growth in loans and advances was underpinned by expansions of 14.7 per cent and 9.2 per cent in credit to the productive sector and individuals, respectively. Growth in loans to the productive sector was mainly attributed to growth in loans to the *Tourism, Other Professional,* and *Construction and Land Development.*

Table 10: Select Private Sector Financing Indicators
(12-month Percentage Change)

Stock	Nov-19	Sep-20	Nov-20
Total DTI	16.8	12.2	11.5
o.w. to Businesses	17.2	15.7	14.7
o.w. to Consumers	16.4	9.6	9.2
Stock as a % of Annual GDP			
Total DTI	38.8	45.2	45.4
o.w. to Businesses	16.1	19.3	19.4
o.w. to Consumers	22.7	25.9	26.1

Source: Bank of Jamaica

Box 3: Quarterly Means of Payment (MOP)[2] Assessment

For the December 2020 quarter, total value of MOP was approximately $2.5 trillion (see **Figure 1**).[3] This represents an increase of 4.6 per cent relative to the previous quarter but a decline of 0.9 per cent relative to the previous year. The increase for the quarter was reflected in growth across all payment types except for cheques. (see **Table 1**).

Figure 1

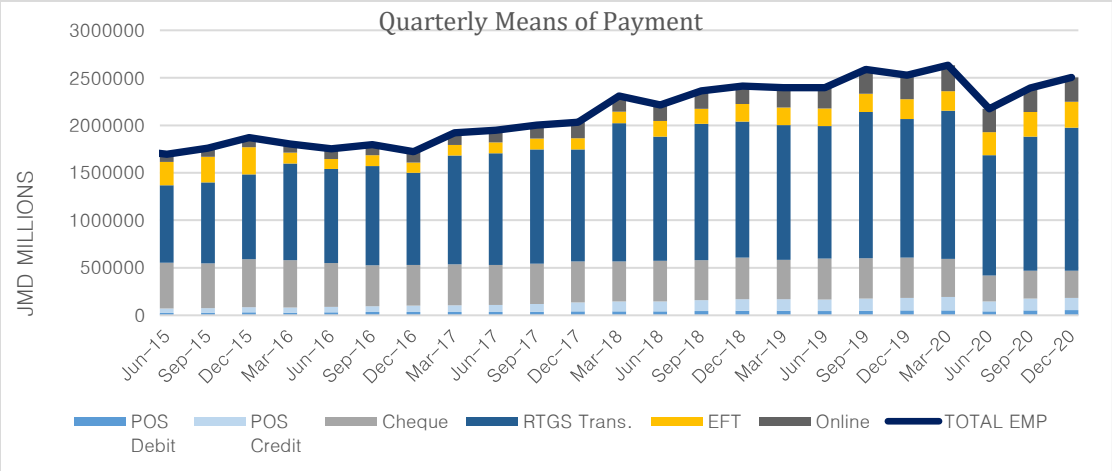


Table 1

Quarterly Growth Rates in MOP

Month	POS Debit	POS Credit	Cheques	Online Transaction	RTGS	EFT	**Total MOP**
Jun-18	3.5	-0.6	1.0	3.5	-9.9	32.9	-4.1
Sep-18	4.2	9.1	-1.0	11.3	9.8	-3.9	6.7
Dec-18	12.7	3.7	4.3	0.6	-0.5	18.6	2.2
Mar-19	-5.3	3.7	-5.5	10.3	-0.8	-1.1	-0.7
Jun-19	-3.3	-2.3	4.0	5.4	-1.7	0.8	0.0
Sep-19	5.3	7.9	-1.8	21.0	10.4	2.8	8.1
Dec-19	8.5	0.9	0.3	0.7	-5.4	9.1	-2.4
Mar-20	-2.8	7.9	-5.3	8.7	7.0	-0.8	4.1
Jun-20	-15.5	-26.0	-32.7	-7.8	-18.7	16.2	-17.4
Sep-20	24.3	19.0	8.2	1.4	11.3	7.8	10.1
Dec-20	2.4	3.8	-2.6	2.1	6.7	4.5	4.6

[2] The Means of Payments (MOP) refer to the way a buyer chooses to compensate a seller of a good or service that is also acceptable by the seller. The components of Means of Payments include: Point of Sale (POS) debit and credit card transactions, Cheque transactions, Online transactions, Electronic Funds Transfers (EFT) and Real Time Gross Settlement System (RTGS). Electronic Funds Transfer (EFT) is predominantly a standing order payments as well as small value transactions using the Automated Clearing House platform and commercial bank's propriety system. EFT is the sum of the direct debit and credit transactions. Online transactions are the sum of ecommerce and internet transactions.

[3] The data for the December 2020 quarter is provisional and is subject to change.

Share of Total Transaction

For Q4 2020, RTGS continues to account for a significant portion of the overall transactions followed by cheques, online transactions, EFTs, POS Credit and POS Debit. Notably, since the June 2020 quarter, there has been an increase in the usage of EFTs and online transactions, while cheque usage declined. The increase in EFT transactions for the period resulted from an increase in direct credit transactions as banks opted to increase the usage of salary deductions for payments in an effort to reduce their customers'' risk of default. The reduction in cheques continued to reflect efforts by the Bank to reduce settlement risk in the ACH as well as consumers' preference for using electronic means of payment during the pandemic (see Table 2).

Table 2

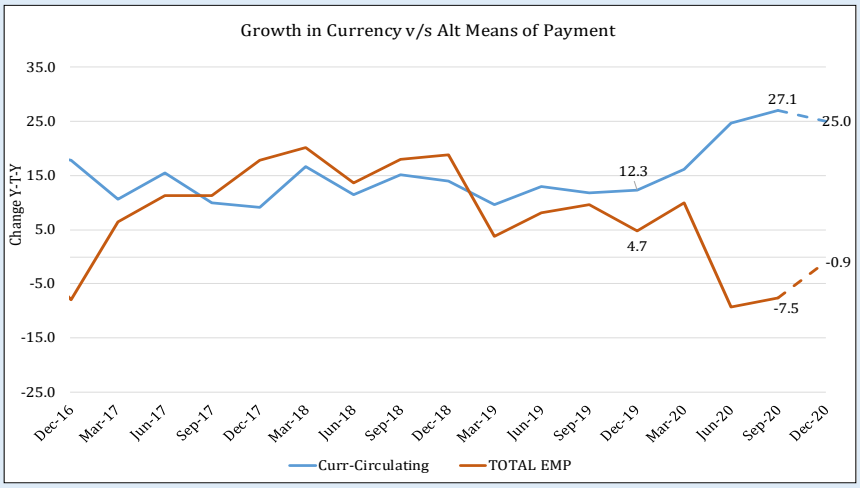
Share of Total Transaction

Month	POS Debit	POS Credit	Cheques	Online Transaction	RTGS	EFT
Jun-18	2%	5%	19%	7%	59%	7%
Sep-18	2%	5%	18%	7%	61%	7%
Dec-18	2%	5%	18%	7%	59%	8%
Mar-19	2%	5%	17%	8%	59%	8%
Jun-19	2%	5%	18%	8%	58%	8%
Sep-19	2%	5%	16%	9%	59%	7%
Dec-19	2%	5%	17%	9%	58%	8%
Mar-20	2%	5%	15%	10%	59%	8%
Jun-20	2%	5%	12%	11%	58%	11%
Sep-20	2%	5%	12%	10%	59%	11%
Dec-20	2%	5%	11%	10%	60%	11%

Currency vs Alternative Means of Payment

For the quarter ended December 2020, the stock of currency in circulation is estimated to have grown by 25 per cent on an annual basis relative to 27.1 per cent in the previous quarter and 12.3 per cent in the similar period last year. Additionally, alternative means of payment is expected to reflect an annual decline of 0.9 per cent relative to a decline of 7.5 per cent in the previous quarter and 4.7 per cent in the similar period last year (see Figure 2). This growth continues to reflect consumers' preference for using cash to make payments. In addition currency in circulation was buoyed by a significant increase in remittance inflows, which increased by 37.5 per cent for November 2020 relative to similar period in 2019.

Figure 2



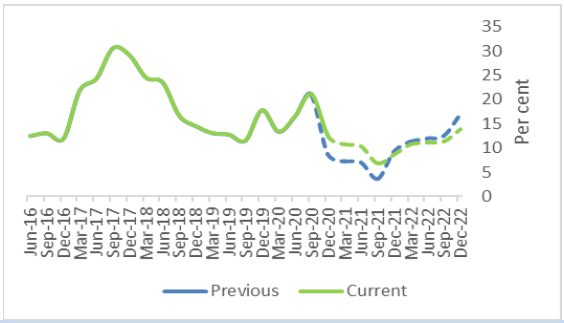
The components of Means of Payments include: Point of Sale (POS) debit and credit card transactions, cheque transactions, online transactions, Electronic Funds Transfers (EFT) a nd Real Time Gross Settlement System (RTGS). Electronic Funds Transfer (EFT) predominantly include standing order payments as well as small value transactions using the Automated Clearing House platform and commercial bank's propriety system. EFT is the sum of the direct debit and credit transactions.

There has been a continuous increase in the use of alternative means of payment since June 2015. This trend is a result of an increase in the availability of technology as well as efforts made by banks to promote cashless and online transactions. Notwithstanding, since the June 2020 quarter, there was a decline in the level of total MOP relative to the corresponding period in 2019. This reduction may reflect the impact of job losses as a result of the Covid-19 pandemic on overall spending in the economy.

Monetary Projections

Growth in the money base is expected to be lower than previously projected over the next eight quarters, while projected growth in broad money is slightly higher. The monetary base is projected to expand by an annual average rate of 7.7 per cent, below the previous projection of 18.6 per cent. M2J is projected to expand at an average annual rate of 10.4 per cent over the next eight quarters, slightly above the previous projection of 10.0 per cent

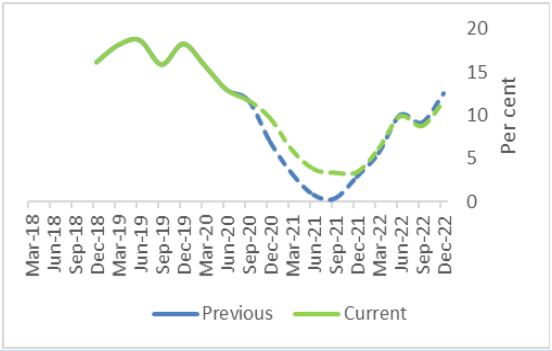
Figure 27: Annual Growth in M2J



Source: Bank of Jamaica

Growth in private sector credit is expected to be above previous projections over the next eight quarters. Private sector credit is projected to grow at an average rate of 6.6 per cent up to December 2022, compared to the previous forecasted expansion of 5.6. The upward revision was influenced by indications that institutions have continued to issue loan moratoria, while efforts have been made to maintain the demand for various types of credit. The deceleration in growth, however, continues to reflect the fallout in demand.

Figure 28: Private Sector Credit



Source: Bank of Jamaica

9.0 Conclusion

Lockdowns and other measures to slow the spread of COVID-19 were tightened in the December 2020 quarter. Consequently, global growth will normalise at a slower than earlier anticipated pace in the March 2021 quarter but rebound faster thereafter. The duration of the global pandemic remains highly uncertain and there is much risk of a stronger resurgence of new cases as governments attempt to restart their economies. The projections for international commodity prices over the next eight quarters have nonetheless been revised upwards, relative to the previous forecast. The Bank anticipates that external monetary conditions will remain accommodative.

Inflation is projected to average 5.0 per cent over the next eight quarters (March 2021 to December 2022), within the target range of 4.0 per cent to 6.0 per cent. This is lower relative to the previous projections of 5.3 per cent. This revision is primarily driven by lower agricultural food price inflation and electricity costs, despite a higher trajectory for processed foods, energy and transport inflation.

The outlook for GDP growth in the Jamaican economy has improved relative to the previous projections, primarily influenced by the revised outlook for construction. The near-term outlook is for real GDP to contract in the range 10.0 to 12.0 per cent for FY2020/21 but recover partially in the range of 4.0 to 8.0 per cent the next year. The output gap over the near term is broadly in line with previous forecast. The risks to the forecast for real GDP growth remain skewed to the downside.

Jamaica's CAD has improved relative to the previous forecast and is projected to average 3.2 per cent of GDP over the period FY2020/21 to FY2025/26. The outlook for the gross reserves has improved relative to the previous projection mainly due to the outturn for the December 2020 quarter. The risks to the projections for the CAD and the reserves are balanced.

The central bank has maintained its policy rate at 0.50 per cent over the past year. The effects of this stance are helping to maintain inflation within the target range 4.0 to 6.0 per cent as well as support economic activity in the context of the current crisis. Going forward, the central bank is committed to ensuring that inflation remains low, stable and predictable.

Additional Tables

1: INFLATION RATES

		CPI (Point-to-Point) **	Headline Inflation	Core Inflation*
FY08/09	Jun-08	49.90	23.97	20.27
	Sep-08	52.28	25.30	20.99
	Dec-08	52.28	16.84	16.61
	Mar-09	52.94	12.43	12.98
FY09/10	Jun-09	54.39	8.95	10.29
	Sep-09	56.03	7.22	9.77
	Dec-09	57.62	10.21	10.28
	Mar-10	59.99	13.33	11.60
FY10/11	Jun-10	61.53	13.21	10.99
	Sep-10	62.34	11.26	9.40
	Dec-10	64.38	11.74	8.65
	Mar-11	64.69	7.84	6.57
FY11/12	Jun-11	65.98	7.20	6.67
	Sep-11	67.37	8.07	6.99
	Dec-11	68.25	6.01	6.86
	Mar-12	69.39	7.26	6.97
FY12/13	Jun-12	70.41	6.71	6.91
	Sep-12	71.86	6.65	5.59
	Dec-12	73.71	8.00	5.44
	Mar-13	75.72	9.13	6.30
FY13/14	Jun-13	76.57	8.76	6.26
	Sep-13	79.37	10.46	6.95
	Dec-13	80.70	9.47	7.38
	Mar-14	82.04	8.34	6.54
FY14/15	Jun-14	82.68	7.97	6.10
	Sep-14	86.50	8.99	6.72
	Dec-14	85.83	6.36	5.97
	Mar-15	85.29	3.96	5.51
FY15/16	Jun-15	86.29	4.37	4.81
	Sep-15	88.08	1.82	4.00
	Dec-15	88.97	3.66	3.51
	Mar-16	87.82	2.96	3.04
FY16/17	Jun-16	88.46	2.52	2.76
	Sep-16	89.71	1.86	2.49
	Dec-16	90.50	1.72	2.31
	Mar-17	91.41	4.09	2.43
FY17/18	Jun-17	92.38	4.43	2.61
	Sep-17	93.82	4.58	2.87
	Dec-17	95.24	5.24	2.83
	Mar-18	95.00	3.94	2.68
FY18/19	Jun-18	94.99	2.82	2.43
	Sep-18	97.89	4.33	2.79
	Dec-18	97.56	2.44	2.46
	Mar-19	98.23	3.39	2.54
FY19/20	Jun-19	98.97	4.19	2.69
	Sep-19	101.20	3.39	3.64
	Dec-19	103.63	6.22	3.19
	Mar-20	102.95	5.44	3.42
FY20/21	Jun-20	105.20	6.31	3.38
	Sep-20	106.14	4.88	3.78
	Dec-20	109.01	5.19	4.06

* Core inflation is measured as headline inflation excluding agriculture and fuel related components of the CPI Basket (CPI-AF)
** STATIN revised the reference basket used to measure the CPI in March 2020

2: ALL JAMAICA INFLATION – Point–to–Point (December 2020) *

Divisions, Classes and Groups	Weight (%)	Inflation (%)	Weighted Inflation	Contribution
FOOD & NON-ALCOHOLIC BEVERAGES	35.79	8.50	3.04	65.81
Food	33.76	8.73	2.95	63.71
Cereals and cereal products (ND)	6.68	5.33	0.36	7.70
Live animals, meat and other parts of slaughtered land animals (ND)	6.60	7.86	0.52	11.21
Fish and other seafood (ND)	3.59	5.56	0.20	4.32
Milk, other dairy products and eggs (ND)	2.86	4.70	0.13	2.90
Oils and Fats (ND)	0.91	5.65	0.05	1.11
Fruits and nuts (ND)	2.60	9.14	0.24	5.14
Vegetables, tubers, plantains, cooking bananas and pulses (ND)	7.02	19.46	1.37	29.55
Tubers, plantains, cooking bananas and pulses (ND)	2.04	-2.73	-0.06	-1.20
Vegetables	4.98	40.18	2.00	43.27
Sugar, confectionery and desserts (ND)	1.31	7.25	0.09	2.05
Ready-made food and other food products n.e.c. (ND)	2.19	10.24	0.22	4.85
Non-Alcoholic Beverages	2.03	5.15	0.10	2.26
Fruit and Vegetable Juices (ND)	0.66	4.82	0.03	0.69
Coffee, Tea and Cocoa	0.46	4.95	0.02	0.49
Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	0.91	5.16	0.05	1.02
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	1.45	2.77	0.04	0.87
CLOTHING AND FOOTWEAR	2.48	4.46	0.11	2.39
Clothing	1.66	5.22	0.09	1.87
Footwear	0.82	2.98	0.02	0.53
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	17.85	4.32	0.77	16.67
Rentals for Housing	9.09	-2.20	-0.20	-4.31
Maintenance, Repair and Security of the Dwelling	0.67	4.48	0.03	0.65
Water Supply and Miscellaneous Services Related to the Dwelling	2.27	-2.01	-0.05	-0.99
Electricity, Gas and Other Fuels	5.82	17.53	1.02	22.05
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	3.77	4.48	0.17	3.65
Furniture, Furnishings, and Loose Carpets	0.36	5.95	0.02	0.46
Household Textiles	0.22	4.89	0.01	0.23
Household Appliances	0.35	4.34	0.02	0.33
Tools and Equipment for House and Garden	0.15	3.39	0.01	0.11
Goods and Services for Routine Household Maintenance	2.70	4.36	0.12	2.54
HEALTH	2.63	3.65	0.10	2.07
Medicines and Health Products	2.16	4.10	0.09	1.91
Outpatient Care Services	0.30	3.23	0.01	0.21
Other Health Services	0.17	1.18	0.00	0.04
TRANSPORT	11.23	-2.50	-0.28	-6.07
INFORMATION AND COMMUNICATION	4.57	-1.78	-0.08	-1.76
RECREATION, SPORT AND CULTURE	5.02	4.10	0.21	4.45
EDUCATION SERVICES	2.43	-3.21	-0.08	-1.69
RESTAURANTS & ACCOMMODATION SERVICES	6.65	5.76	0.38	8.28
INSURANCE AND FINANCIAL SERVICES	1.13	0.00	0.00	0.00
PERSONAL CARE, SOCIAL PROTECTION AND MISCELLANEOUS GOODS AND SERVICES	4.99	4.94	0.25	5.32
ALL DIVISIONS	100.00	5.19	4.63	100.00

*BOJ Estimates

3: BANK OF JAMAICA OPERATING TARGETS

	Actual Dec-18	Actual Mar-19	Actual Jun-19	Actual Sep-19	Actual Dec-19	Actual Mar-20	Actual Jun-20	Actual Sep-20	Actual Dec-20
Net International Reserves (US$)	3,005.41	3,084.83	3,035.31	3,098.05	3,162.53	3,237.67	2,949.26	2,747.49	3,126.13
NET INT'L RESERVES (J$)	383,190.7	393,530.9	387,214.6	395,218.9	403,445.0	413,029.7	412,462.0	389,093.8	445,328.1
Assets	450,373.2	459,912.5	451,256.7	456,945.4	463,218.4	470,535.2	546,127.6	526,087.2	581,364.4
Liabilities	67,182.5	66,381.6	64,042.1	61,726.5	59,773.4	57,505.5	133,665.6	136,839.3	136,036.3
NET DOMESTIC ASSETS	-180,643.6	-179,515.8	-182,895.9	-175,085.5	-182,491.4	-171,025.0	-173,194.9	-123,393.84	-162,755.2
-Net Claims on Public Sector	137,291.6	122,087.2	119,278.3	120,036.17	92,866.8	106,366.5	159,189.0	211,632.0	222,068.3
-Net Credit to Banks	-63,233.2	-65,541.9	-67,623.5	-68,898.9	-67,433.6	-73,493.8	-65,274.7	-66,981.9	-69,050.6
-Open Market Operations	-73,962.1	-58,532.9	-56,504.49	-56,565.5	-45,884.5	-41,981.8	-74,311.1	-76,564.7	-124,035.7
-Other	-180,740.0	-177,528.3	-178,046.3	-169,657.3	-162,040.1	-161,915.9	-192,798.1	-191,479.3	-191,737.1
MONETARY BASE	202,547.1	214,015.1	204,318.6	220,133.4	220,953.6	242,004.7	239,267.1	265,854.1	282,573.0
- Currency Issue	133,544.8	116,399.2	120,388.4	127,107.1	148,989.0	145,735.2	151,704.8	170,033.0	190,622.7
- Cash Reserve	67,484.2	54,101.0	44,023.5	45,140.9	45,884.5	48,878.3	35,280.94	37,093.8	39,116.5
- Current Account	1,518.1	43,514.88	39,906.8	48,032.3	26,113.9	47,391.2	52,281.4	58,727.3	52,968.4
GROWTH IN MONETARY BASE [F-Y-T-D]	17.1	-	-4.5	2.9	3.2	-	-1.1	9.8	16.8

4: MONETARY AGGREGATES

		BASE	M1J	M1*	M2J	M2*	M3J	M3*
	Dec-15	122211.75	160268.64	160268.64	317745.81	517788.53	453436.26	653478.99
	Mar-16	120011.93	155348.7	180719.1	313587.6	530398.8	460873.6	677684.8
FY16/17	Jun-16	120682.00	152152.3	176967.0	315129.2	542936.3	468354.8	696162.0
	Sep-16	125112.90	162012.8	183699.4	327364.0	554814.8	485596.6	713047.4
	Dec-16	140698.1	184887.8	210703.5	356709.1	586686.9	514906.4	744884.2
	Mar-17	139,460.80	177,728.24	205,405.77	385,130.22	636,350.53	545,141.71	796,362.01
FY17/18	Jun-17	147,019.31	176,880.50	206,834.55	390,658.46	661,159.67	555,312.55	825,813.77
	Sep-17	154,764.51	183,754.61	213,187.22	425,524.34	699,679.21	601,465.45	875,620.33
	Dec-17	172,290.94	205,967.44	233,487.21	457,905.02	718,529.75	633,487.37	894,112.10
	Mar-18	170,142.28	220,372.56	250,633.11	479,452.65	756,399.23	657,857.33	934,803.92
FY18/19	Jun-18	169,828.80	216,289.92	251,603.73	482,485.41	770,885.09	673,782.30	962,181.99
	Sep-18	177,365.64	230,629.81	266,659.06	496,418.25	804,064.91	693,490.11	1,001,136.77
	Dec-18	202,547.07	251,413.40	283,542.66	524,339.37	818,748.06	731,302.94	1,025,711.62
	Mar-19	214,015.10	249,673.01	285,367.63	542,149.88	844,420.19	753,609.43	1,055.879.73
FY19/20	Jun-19	204,318.65	256,383.63	294,330.41	544,085.24	858,311.49	763,563.05	1,077,789.31
	Sep-19	220,133.35	258,452.00	291,166.83	553,029.15	874,593.99	784,502.64	1,106,067.49
	Dec-19	220,953.60	288,765.41	324,896.57	617,627.36	941,252.00	843,835.41	1,167,460.05
	Mar-20	220,952.59	291,510.62	341,364.49	612,444.99	963,144.91	842,710.44	1,193,410.36
FY20/21	Jun-20	239,267.12	304,413.99	346,525.54	634,039.95	998,227.40	852,992.97	1,217,180.42
	Sep-20	265,854.12	321,603.09	366,833.99	670,333.46	1,055,569.83	889,371.33	1,274,607.69

5: GOJ TREASURY BILL YIELDS
(End of Period)

		1-month	3-month	6-month	9-month	12-month
FY12/13	Sep-12	6.16	6.36	6.57	...	...
	Dec-12	6.31	7.67	7.18	...	...
	Mar-13	5.37	5.82	6.22	...	...
	Jun-13	6.02	6.76	7.12	...	...
FY13/14	Sep-13	6.32	7.42	7.95	...	...
	Dec-13	6.25	7.53	8.25	...	...
	Mar-14	6.76	8.35	9.11	...	...
	Jun-14	6.80	7.66	8.37	...	...
FY14/15	Sep-14	6.89	7.47	8.00	...	...
	Dec-14	6.38	6.96	7.14	...	...
	Mar-15	6.30	6.73	7.00	...	...
	Jun-15	6.23	6.48	6.63	...	...
FY15/16	Sep-15	6.23	6.20	6.35	...	...
	Dec-15	5.97	5.96	6.04	...	...
	Mar-16	5.38	5.75	5.83	...	...
	Jun-16	5.47	5.86	6.01	...	...
FY16/17	Sept-16	5.84	5.86	5.81	...	...
	Dec-16	5.64	5.68	6.56	...	...
	Mar-17	6.10	6.13	6.32	...	...
	Jun-17	...	5.77	6.13	...	...
FY17/18	Sept-17	...	4.98	5.45	...	...
	Dec-17	...	4.18	4.63	...	...
	Mar-18	...	2.98	3.17	...	...
	Jun-18	...	2.54	2.66	...	...
FY18/19	Sep-18	...	1.71	1.87	...	...
	Dec-18	...	2.05	2.07	...	...
	Mar-19	...	2.19	2.17	...	...
	Jun-19	...	1.95	1.84	...	...
FY19/20	Sep-19	...	1.74	1.75	...	...
	Dec-19	...	1.32	1.60	...	...
	Mar-20	...	1.85	1.80	...	...
FY20/21	Jun-20	...	1.28	1.36	...	...
	Sep-20	...	1.14	1.33	...	...
	Dec-20	...	0.77	0.86	...	...

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

		30 days	60 days	90 days	120 days	180 days	270 days	365 days
	Mar-12	6.25	...	...	...	...	...	...
FY12/13	Jun-12	6.25	...	...	...	...	...	...
	Sep-12	6.25	...	...	...	...	...	...
	Dec-12	6.25	...	...	...	...	...	...
	Mar-13	5.75	...	...	...	...	...	...
FY13/14	Jun-13	5.75	...	...	...	...	...	...
	Sep-13	5.75	...	...	...	...	...	...
	Dec-13	5.75	...	...	...	...	...	...
	Mar-14	5.75	...	...	...	...	...	...
FY14/15	Jun-14	5.75	...	...	...	...	...	...
	Sep-14	5.75	...	...	...	...	...	...
	Dec-14	5.75	...	...	...	...	...	...
	Mar-15	5.75	...	...	...	...	...	...
FY15/16	Jun-15	5.50	...	...	...	...	...	...
	Sep-15	5.25	...	...	...	...	...	...
	Dec-15	5.25	...	...	...	...	...	...
	Mar-16	5.25	...	...	...	...	...	...
FY16/17	Jun-16	5.00	...	...	...	...	...	...
	Sep-16	5.00	...	...	...	...	...	...
	Dec-16	5.00	...	...	...	...	...	...
	Mar-17	5.00	...	...	...	...	...	...
FY17/18	Jun-17	4.75	...	...	...	...	...	...
	Sep-17	4.50	...	...	...	...	...	...
	Dec-17	4.00	...	...	...	...	...	...
	Mar-18	3.50	...	...	...	...	...	...
FY18/19	Jun-18	3.00	...	...	...	...	...	...
	Sep-18	3.00	...	...	...	...	...	...
	Dec-18	3.00	...	...	...	...	...	...
	Mar-19	3.00	...	...	...	...	...	...
FY19/20	Jun-19	1.25	...	...	...	...	...	...
	Sep-19	1.25	...	...	...	...	...	...
	Dec-19	1.00	...	...	...	...	...	...
	Mar-20	1.00	...	...	...	...	...	...
FY20/21	Jun-20	1.00	...	...	...	...	...	...
	Sep-20	1.00	...	...	...	...	...	...
	Dec-20	1.00	...	...	...	...	...	...

7: Placements and Maturities* in BOJ OMO Instruments

	April - June 2020			July - September 2020			October - December 2020		
	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)
30-day CD	65.2	51.5	0.84	65.0	76.0	0.62	74.5	88.5	0.54
272-day VR CD	0	0		0	0		0	0	
365-day VR CD	0	0		0	0		0	0	
548-day VR CD	0	0		0	0		0	0	
729-day VR CD	0	0		0	0		0	0	
272-day FR CD	0	0		0	0		0	0	
365-day FR CD	0	0		0	0		0	0	
272-day FR USD IB	0	24.0		0	0		0	0	
365-day FR USD IB	0	0		0	0		0	0	
540-day FR USD IB	0	22.7		0	0		0	0	
730-day FR USD IB	0	0		15.0	29.7		0	0	
1095-day FR USD IB							0	23.9	
Repos	40.2	32.8		49.6	65.8		86.5	76.9	
	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)
1-year FR USD CD	0	0		0	0		0	0	
2-year FR USD CD	0	0		0	0		0	0	
3-year FR USD CD	0	0		2.91	0		0	0	
4-year FR USD CD	0	0		0	0		0	0	
5-year FR USD CD	10.7	0		0.13	0		0.03	0	
7-year FR USD CD	0	0		0	0		0	0	
TOTAL	10.7	0		3.04	0		0.03	0	

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

	Bauxite	Alumina	Sugar	Bananas	Other Traditional	Non-Traditional	Other	Total Goods Exports
FY12/13	131.9	516.7	54.8	0.0	80.8	707.1	252.9	1744.1
Jun-12	31.8	132.4	37.5	0.0	22.3	126.8	66.7	417.5
Sep-12	34.7	130.7	0.5	0.0	20.4	162.3	58.6	407.1
Dec-12	32.4	117.2	0.0	0.0	19.3	223.5	57.9	450.3
Mar-13	33.0	136.4	16.8	0.0	18.8	194.5	69.7	469.2
FY13/14	125.0	526.0	53.7	0.0	70.9	455.9	260.3	1492.0
Jun-13	31.6	127.0	36.3	0.0	23.5	104.0	62.4	384.8
Sep-13	30.6	117.6	0.0	0.0	18.5	120.3	75.8	362.8
Dec-13	32.8	142.7	0.0	0.0	13.8	118.7	55.4	363.4
Mar-14	30.0	138.7	17.4	0.0	15.1	112.9	66.8	381.0
FY14/15	136.5	522.9	55.5	0.2	65.8	395.6	225.6	1402.2
Jun-14	34.4	108.6	26.5	0.0	21.0	96.1	69.2	355.9
Sep-14	33.4	151.6	11.9	0.1	16.6	99.3	62.1	375.0
Dec-14	33.4	130.4	0.0	0.1	13.6	106.8	49.2	333.5
Mar-15	35.3	132.3	17.1	0.1	14.5	93.4	45.1	337.9
FY15/16	116.4	479.8	36.9	0.3	69.9	317.8	158.3	1178.7
Jun-15	32.0	143.8	23.6	0.1	21.9	80.4	45.2	347.0
Sep-15	33.8	114.5	13.1	0.1	19.2	71.0	31.9	283.6
Dec-15	23.9	116.4	0.2	0.1	13.4	84.2	38.8	277.0
Mar-16	26.6	105.1	0.0	0.1	15.4	82.2	42.3	271.1
FY16/17	80.5	472.3	17.7	0.4	76.9	407.3	191.0	1246.1
Jun-16	26.7	126.6	9.0	0.1	26.9	90.7	55.2	335.3
Sep-16	20.6	102.7	4.8	0.1	20.6	93.0	41.0	282.7
Dec-16	17.9	109.6	0.3	0.1	13.0	108.4	49.9	299.1
Mar-17	15.3	133.4	3.6	0.1	16.5	115.2	44.9	328.9
FY17/18	94.5	641.9	11.3	0.7	65.8	436.1	205.3	1455.6
Jun-17	19.7	128.4	8.8	0.1	18.7	108.8	56.3	340.8
Sep-17	19.4	142.5	1.7	0.1	18.9	95.8	43.8	322.3
Dec-17	29.4	148.2	0.3	0.1	15.1	119.1	46.6	358.8
Mar-18	25.9	222.9	0.5	0.3	13.2	112.3	58.6	433.7
FY18/19	94.7	1136.8	15.8	0.5	68.4	424.8	232.3	1973.2
Jun-18	25.3	300.8	3.9	0.1	19.5	99.0	58.9	507.5
Sep-18	23.2	328.5	11.3	0.1	21.3	100.6	52.5	537.4
Dec-18	25.9	270.0	0.3	0.1	14.0	112.6	59.4	482.3
Mar-19	20.3	237.5	0.4	0.1	13.5	112.6	61.5	445.9
FY19/20+	88.5	601.3	10.2	0.6	81.7	542.5	189.8	1514.6
Jun-19+	26.1	214.6	6.4	0.1	20.8	117.9	50.7	436.6
Sep-19+	22.5	169.4	3.0	0.1	24.0	120.2	46.8	386.0
Dec-19+	21.1	113.0	0.4	0.1	18.2	122.0	44.5	319.4
Mar-20+	18.7	104.3	0.4	0.2	18.8	159.8	44.4	346.6
FY20/21	47.6	202.1	6.2	0.4	42.9	223.4	24.6	547.2
Jun-20	27.3	94.0	6.0	0.2	19.3	106.2	7.4	260.5
Sep-20	20.3	108.1	0.2	0.2	23.6	117.2	17.2	286.7

+ Revision

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

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19+	Mar-20+	Jun-20+
1. Current Account	-42.6	51.6	-153.4	-99.5	-98.6	-61.2	-138.2	-20.6	-4.3	-73.0
A. Goods Balance	-866.8	-804.5	-898.5	-945.0	-1011.2	-1017.8	-971.2	-1035.9	-799.5	-594.8
Exports (f.o.b)	433.7	507.5	537.4	482.3	445.9	436.6	386.0	319.4	372.6	260.5
Imports (f.o.b)	1300.5	1312.0	1435.9	1427.4	1457.1	1454.5	1357.2	1355.3	1172.1	855.3
B. Services Balance	466.9	360.9	273.7	313.3	516.1	417.2	347.1	426.3	419.2	-72.7
Transportation	-161.7	-158.5	-183.4	-183.0	-178.4	-180.9	-171.1	-172.5	-153.7	-119.9
Travel	794.4	666.7	642.3	709.5	921.3	793.0	746.0	854.8	732.7	5.3
Other Services	-165.7	-147.3	-185.3	-213.2	-226.8	-194.8	-227.8	-256.0	-159.9	42.0
Goods & Services Balance	-399.8	-443.6	-624.8	-631.8	-495.0	-600.6	-624.1	-609.6	-380.4	-667.6
C. Income	-210.7	-111.7	-174.4	-99.2	-174.5	-45.0	-161.4	-24.7	-201.7	-96.5
Compensation of employees	15.0	9.0	21.1	50.6	6.0	14.2	23.7	50.9	7.5	8.9
Investment Income	-225.7	-120.6	-195.5	-149.8	-180.5	-59.2	-185.1	-75.6	-209.2	-105.4
D. Current Transfers	568.0	606.9	645.8	631.5	571.0	584.4	647.3	613.7	577.8	691.0
General Government	45.4	44.0	74.3	43.6	46.5	26.1	51.6	15.9	43.4	21.7
Other Sectors	522.6	562.9	571.5	587.9	524.5	558.4	595.8	597.8	534.3	669.3
2. Capital & Financial Account	1720.3	67.9	569.5	836.3	-57.1	-31.8	-69.0	560.2	101.8	88.5
A. Capital Account	3.3	-3.7	-4.8	-6.5	-7.1	-8.5	-6.1	-5.0	-9.5	-9.2
Capital Transfers	3.3	-3.7	-4.8	-6.5	-7.1	-8.5	-6.1	-5.0	-9.5	-9.2
General Government	11.8	4.7	2.8	0.7	1.4	1.4	1.5	2.4	0.5	0.8
Other Sectors	-8.5	-8.5	-7.6	-7.2	-8.5	-9.8	-7.6	-7.3	-10.0	-9.9
Acq/disp of non-produced non- fin assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Financial Account	1717.1	71.6	574.4	842.8	-50.1	-23.3	-62.9	565.2	111.3	97.7
Direct Investment	243.1	166.7	169.0	183.1	196.5	-76.7	161.0	-104.4	96.7	-145.2
Portfolio Investment	1606.6	-328.7	199.6	129.8	26.7	-98.5	-311.8	260.8	-37.3	-49.9
Other official investment	-4.4	-22.8	15.2	-120.4	-112.4	-156.0	-173.6	1.4	-236.4	-150.0
Other private Investment	-261.9	317.3	81.8	629.0	-81.5	258.3	324.3	471.8	263.9	154.3
Reserves	133.7	-60.9	108.8	21.3	-79.4	49.5	-62.7	-64.5	24.4	288.4
Errors & Omissions	-1677.7	-119.4	-416.2	-736.8	155.7	93.0	207.1	-539.6	-97.6	-15.5

+ Revised

10: FOREIGN EXCHANGE SELLING RATES

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

		US$	Can$	GBP £
	Dec-11	86.6000	84.2000	134.4400
	Mar-12	87.3000	87.6500	139.2800
FY12/13	Jun-12	88.7000	86.7100	138.6600
	Sep-12	89.9300	91.4200	145.3900
	Dec-12	92.9800	93.3100	152.6400
	Mar-13	98.8900	97.9900	151.9000
FY13/14	Jun-13	101.3800	96.7000	154.4800
	Sep-13	103.6000	100.7100	167.1600
	Dec-13	106.3800	99.7200	175.8400
	Mar-14	109.5700	98.9300	181.7700
FY14/15	Jun-14	112.2022	103.1802	191.8988
	Sep-14	112.6662	101.0142	180.2393
	Dec-14	114.6607	97.6896	177.6759
	Mar-15	115.0435	90.6202	169.9738
FY15/16	Jun-15	116.9832	93.8399	183.7774
	Sep-15	119.0553	88.6177	180.1478
	Dec-15	120.4150	84.9062	177.1179
	Mar-16	122.0421	92.5223	173.4625
FY16/17	Jun-16	126.3835	97.8795	169.8517
	Sept-16	128.2704	97.3084	166.7776
	Dec-16	128.4404	95.8778	157.4208
	Mar-17	128.6672	97.1686	159.5670
FY17/18	Jun-17	128.6228	99.3865	166.5811
	Sep-17	129.9127	105.0988	173.8791
	Dec-17	125.0004	97.3947	167.0275
	Mar-18	125.9850	97.1994	178.1109
FY18/19	Jun-18	130.3918	100.0079	172.9757
	Sep-18	134.6486	103.7023	178.1844
	Dec-18	127.7162	91.5382	159.0355
	Mar-19	126.4666	95.8862	165.5342
FY19/20	Jun-19	131.0682	101.8648	168.0812
	Sep-19	135.1591	102.3052	166.1363
	Dec-19	132.5690	100.1539	171.6232
	Mar-20	135.3908	95.3267	169.1721
FY20/21	Jun-20	140.0111	105.1658	177.1609
	Sep-20	142.1048	107.7533	185.5508
	Dec-20	142.6493	111.4117	193.6657

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

		(US$MN)	(US$MN)	(US$MN)	Weeks of Imports	
		Gross Foreign Assets	Gross Foreign Liabilities	International Reserves (Net)	Goods	Goods & Services
FY12/13	Jun-13	1,881.10	877.90	1,003.20	16.70	12.60
	Sep-13	1,713.50	803.40	910.10	15.80	11.90
	Dec-13	1,817.60	769.70	1,047.90	17.30	12.80
	Mar-14	2,048.60	745.00	1,303.60	19.10	14.40
FY14/15	Jun-14	2,016.53	640.40	1,376.13	20.19	14.57
	Sep-14	2,715.25	514.68	2,200.57	27.79	19.66
	Dec-14	2,473.01	471.92	2,001.09	26.31	18.41
	Mar-15	2,689.74	396.06	2,293.68	28.61	20.02
FY15/16	Jun-15	2,537.27	420.76	2,116.51	29.00	19.83
	Sep-15	2,890.45	448.57	2,441.88	32.34	22.39
	Dec-15	2,890.45	479.82	2,437.01	34.61	23.45
	Mar-16	2,894.31	478.77	2,415.53	34.38	23.30
FY16/17	Jun-16	2,819.90	554.77	2,265.13	32.66	19.36
	Sep-16	3,056.16	593.15	2,463.01	36.30	24.60
	Dec-16	3,291.47	-572.10	2,719.37	38.40	22.27
	Mar-17	3,323.89	-554.72	2,769.17	38.78	22.49
FY17/18	Jun-17	3,185.65	-568.84	2,616.81	35.44	20.54
	Sep-17	3,714.94	-577.80	3,137.14	40.87	23.70
	Dec-17	3,781.17	-572.88	3,208.29	38.83	22.78
	Mar-18	3,656.91	-582.35	3,074.57	35.83	21.29
FY18/19	Jun-18	3,687.40	-551.91	3,135.49	32.49	19.80
	Sep-18	3,568.84	-542.12	3,026.72	33.14	19.67
	Dec-18	3,532.04	-526.63	3005.41	32.80	19.47
	Mar-19	3,605.18	-520.35	3,084.83	35.54	20.50
FY19/20	Jun-19	3,537.33	-502.02	3,035.31	32.88	22.62
	Sep-19	3,581.92	-483.86	3,098.05	33.45	22.82
	Dec-19	3,631.09	-468.55	3,152.53	33.80	22.94
	Mar-20	3,688.45	-450.78	3,237.67	34.27	23.22
FY20/21	Jun-20	3,905.02	-955.76	2,949.26	56.33	38.15
	Sep-20	3,713.37	-965.88	2,747.49	53.56	36.28
	Dec-20	4,081.09	-954.95	3,126.13	53.95	38.81

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

Dec 2018 – Sep 2020– + (Seasonally Unadjusted)

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

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Total Value Added at Basic Prices	2.0	1.7	1.3	0.6	-0.0	-2.3	-18.3	-10.7
Agriculture, Forestry & Fishing	3.2	0.1	-1.7	-0.0	3.9	7.8	7.9	2.5
Mining & Quarrying	25.3	11.1	4.7	-17.5	-40.4	-35.8	-25.2	-20.7
Manufacturing	2.4	-1.3	3.2	4.9	0.4	2.2	-11.8	-10.9
Food, Beverages & Tobacco	2.6	0.2	0.1	2.3	1.8	0.1	-8.6	-8.2
Other Manufacturing	2.2	-3.4	8.0	8.8	-1.2	5.3	-16.5	-14.6
Construction	4.2	3.4	-1.4	-2.1	-1.9	-3.3	-14.5	7.0
Electricity & Water	-0.5	1.9	-0.1	0.8	2.8	2.1	-8.7	-7.0
Wholesale & Retail Trade; Repairs; Installation Of Machinery	1.7	1.3	1.0	0.6	0.7	-1.3	-15.6	-8.13
Hotels and Restaurants	2.6	7.3	5.8	2.5	3.7	-14.1	-85.6	-65.2
Transport, Storage & Communication	1.6	1.2	0.8	1.2	0.5	-2.7	-20.8	-14.8
Finance & Insurance Services	0.5	2.4	4.4	3.1	3.3	-1.2	-5.5	-5.6
Real Estate & Business Services	0.8	0.8	0.8	0.9	0.7	0.2	-5.5	-2.8
Government Services	-0.0	0.2	0.3	0.4	0.2	0.2	0.2	0.1
Other Services	1.0	2.0	1.8	1.9	1.4	-3.7	-44.3	-27.0
Less Financial Intermediation Services Indirectly Measured (FISIM)	3.4	2.6	3.9	3.7	3.5	3.1	3.9	3.7

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

		1-month	3-month	6-month	12-month
FY11/12	Sep-11	0.2394	0.3743	0.5578	0.8649
	Dec-11	0.2953	4.9075	0.8085	1.1281
	Mar-12	0.2413	0.4682	0.7334	1.0485
FY12/13	Jun-12	0.2458	0.4606	0.7344	1.0680
	Sep-12	0.2143	0.3585	0.6359	0.9730
	Dec-12	0.2087	0.3060	0.5083	0.8435
	Mar-13	0.2037	0.2826	0.4449	0.7315
FY13/14	Jun-13	0.1958	0.2731	0.4144	0.6902
	Sep-13	0.1789	0.2489	0.3685	0.6294
	Dec-13	0.1677	0.2461	0.3480	0.5831
	Mar-14	0.1520	0.2306	0.3289	0.5581
FY14/15	Jun-14	0.1552	0.2307	0.3268	0.5451
	Sep-14	0.1565	0.2351	0.3304	0.5786
	Dec-14	0.1713	0.2556	0.3628	0.6288
	Mar-15	0.1763	0.2708	0.4007	0.6942
FY15/16	Jun-15	0.1865	0.2832	0.4449	0.7715
	Sep-15	0.1930	0.325	0.534	0.8511
	Dec-15	0.4300	0.613	0.846	1.1780
	Mar-16	0.4370	0.6290	0.900	1.2100
FY16/17	Jun-16	0.4650	0.6540	0.9240	1.2300
	Sept-16	0.5311	0.8537	1.2397	1.5518
	Dec-16	0.7717	0.9979	1.3177	1.6857
	Mar-17	0.9828	1.1496	1.4232	1.8018
FY17/18	Jun-17	1.2239	1.2992	1.4477	1.7384
	Sep-17	1.2322	1.3339	1.5060	1.7823
	Dec-17	1.5640	1.6940	1.8370	2.1070
	Mar-18	1.8831	2.3118	2.4524	2.6626
FY18/19	Jun-18	2.0903	2.3358	2.5013	2.7641
	Sep-18	2.2606	2.3984	2.6039	2.9186
	Dec-18+	2.5027	2.8076	2.8756	3.0054
	Mar-19	2.4945	2.5998	2.6595	2.7106
FY19/20	Jun-19	2.3980	2.3199	2.2005	2.1781
	Sep-19	2.0156	2.0851	2.0556	2.0321
	Dec-19	1.7625	1.9083	1.9121	1.9962
	Mar-20	0.9930	1.4510	1.1750	0.9980
FY20/21	Jun-20	0.1623	0.3020	0.3693	0.5458
	Sep-20	0.1483	0.2339	0.2598	0.3601
	Dec-20	0.1439	0.2384	0.2576	0.3419

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

		EURO-ZONE	UNITED STATES			UNITED KINGDOM
		Repo rate	Fed Funds Rate	Discount Rate	Prime Rate	Repo rate
FY11/12	Jun-11	1.25	0 – 0.25	0.75	3.25	0.50
	Sep-11	1.50	0 – 0.25	0.75	3.25	0.50
	Dec-11	1.00	0 – 0.25	0.75	3.25	0.50
	Mar-12	1.00	0 - 0.25	0.75	3.25	0.50
FY12/13	Jun-12	1.00	0 - 0.25	0.75	3.25	0.50
	Sep-12	0.75	0 - 0.25	0.75	3.25	0.50
	Dec-12	0.75	0 - 0.25	0.75	3.25	0.50
	Mar-13	0.75	0 - 0.25	0.75	3.25	0.50
FY13/14	Jun-13	0.50	0 - 0.25	0.75	3.25	0.50
	Sep-13	0.50	0 - 0.25	0.75	3.25	0.50
	Dec-13	0.25	0 - 0.25	0.75	3.25	0.50
	Mar-14	0.25	0 - 0.25	0.75	3.25	0.50
FY14/15	Jun-14	0.15	0 - 0.25	0.75	3.25	0.50
	Sep-14	0.05	0 - 0.25	0.75	3.25	0.50
	Dec-14	0.05	0 - 0.25	0.75	3.25	0.50
	Mar-15	0.05	0 - 0.25	0.75	3.25	0.50
FY15/16	Jun-15	0.05	0 - 0.25	0.75	3.25	0.50
	Sep-15	0.05	0 - 0.25	0.75	3.25	0.50
	Dec-15	0.05	0 - 0.50	1.00	3.50	0.50
	Mar-16	0.00	0 - 0.50	1.00	3.50	0.50
FY16/17	Jun-16	0.00	0 - 0.50	1.00	3.50	0.50
	Sept-16	0.00	0 – 0.50	1.00	3.50	0.25
	Dec-16	0.00	0 .50– 0.75	1.25	3.75	0.25
	Mar-17	0.00	0.75–1.00	1.50	4.00	0.25
FY17/18	Jun-17	0.00	1.00–1.25	1.75	4.25	0.25
	Sep-17	0.00	1.00–1.25	1.75	4.25	0.25
	Dec-17	0.00	1.25-1.50	2.00	4.50	0.50
	Mar-18	0.00	1.50-1.75	2.25	4.75	0.50
FY18/19	Jun-18	0.00	1.75-2.00	2.50	5.00	0.50
	Sep-18	0.00	2.00-2.25	2.75	5.25	0.75
	Dec-18	0.00	2.25–2.50	3.00	5.50	0.75
	Mar-19	0.00	2.25–2.50	3.00	5.50	0.75
FY19/20	Jun-19	0.00	2.25-2.50	3.00	5.50	0.75
	Sep-19	0.00	1.75-2.00	2.50	5.00	0.75
	Dec-19	0.00	1.5-1.75	2.25	4.75	0.75
	Mar-20	0.00	0-0.25	0.25	3.25	0.10
FY20/21	Jun-20	0.00	0.0-0.25	0.25	3.25	0.10
	Sep-20	0.00	0.0-0.25	0.25	3.25	0.10
	Dec-20	0.00	0.0-0.25	0.25	3.25	0.10

15: INTERNATIONAL EXCHANGE RATES

		Sterling vs. US$	Canadian $ vs. US$	Yen vs. US$	Euro vs. US$
	Mar-12	0.6256	0.9991	82.4340	0.7500
FY12/13	Jun-12	0.6376	1.0191	79.8040	0.7894
	Sep-12	0.6199	0.9837	77.9480	0.7779
	Dec-12	0.6150	0.9949	86.6630	0.7584
	Mar-13	0.6588	1.0156	94.0370	0.7787
FY13/14	Jun-13	0.6575	1.0512	99.1700	0.7687
	Sep-13	0.6181	1.0285	98.3270	0.7389
	Dec-13	0.6034	1.0636	105.2030	0.7258
	Mar-14	0.6012	1.1053	103.0100	0.7259
FY14/15	Jun-14	0.5846	1.0676	101.2900	0.7305
	Sep-14	0.6168	1.1196	109.6491	0.7917
	Dec-14	0.6418	1.1614	119.8035	0.8264
	Mar-15	0.6737	1.2679	119.9472	0.9321
FY15/16	Jun-15	0.6737	1.2483	122.1001	0.8966
	Sep-15	0.6609	1.3394	119.6745	0.8943
	Dec-15	0.6786	1.3837	120.2501	0.9206
	Mar-16	0.6964	1.3004	112.5746	0.8787
FY16/17	Jun-16	0.7513	1.2925	103.1779	0.9004
	Sept-16	0.7709	1.3127	101.3377	0.8901
	Dec-16	0.8104	1.3439	117.0001	0.9508
	Mar-17	0.7968	1.3317	111.3958	0.9388
FY17/18	Jun-17	0.7677	1.2963	112.3469	0.8752
	Sep-17	0.7464	1.2470	112.5239	0.8465
	Dec-17	0.7400	1.2571	112.6888	0.8330
	Mar-18	0.7135	1.2895	106.2812	0.8114
FY18/19	Jun-18+	0.7572	1.3134	110.6929	0.8559
	Sep-18	0.7601	1.3043	111.8443	0.8559
	Dec-18	0.7841	1.3639	109.6131	0.8721
	Mar-19	0.7672	1.3349	110.8525	0.8914
FY19/20	Jun-19	0.7876	1.3094	107.8865	0.8793
	Sep-19	0.8161	1.3224	106.3943	0.9062
	Dec-19	0.7543	1.2990	108.6366	0.8918
	Mar-20	0.8052	1.4067	107.5384	0.9065
FY20/21	Jun-20	0.8064	1.3576	107.9331	0.8902
	Sep-20	0.7740	1.3321	105.4519	0.8532
	Dec-20	0.7315	1.2734	103.3165	0.8186

16: WORLD COMMODITY PRICES (Period Averages)

		CRUDE OIL PRICES		FOOD	
		North Sea Brent (US$/barrel – f.o.b.)	West Texas Intermediate (US$/barrel – f.o.b.)	Wheat (US$/mt, Average Winter)	Coffee (USc/kg, Arabica brand)
FY11/12	Jun-11	117.10	102.56	320.60	636.54
	Sep-11	112.48	89.76	293.06	597.37
	Dec-11	109.29	94.06	265.07	536.18
	Mar-12	118.60	102.94	268.88	486.95
FY12/13	Jun-12	108.86	93.50	260.39	400.35
	Sep-12	109.95	92.22	341.46	399.96
	Dec-12	110.45	88.19	346.48	357.12
	Mar-13	112.91	94.40	309.51	335.49
FY13/14	Jun-13	103.01	94.23	294.50	319.86
	Sep-13	110.10	105.83	281.76	298.23
	Dec-13	109.41	97.48	292.20	276.82
	Mar-14	107.88	98.67	280.67	382.67
FY14/15	Jun-14	109.78	102.98	292.86	467.06
	Sep-14	102.08	97.07	238.17	455.92
	Dec-14	76.01	73.16	248.61	464.59
	Mar-15	53.93	48.63	231.09	389.21
FY15/16	Jun-15	62.10	57.97	210.64	354.39
	Sep-15	50.03	51.52	189.86	336.22
	Dec-15	43.41	42.18	190.10	327.74
	Mar-16	34.36	33.45	190.23	330.86
FY16/17	Jun-16	45.95	45.50	183.79	346.71
	Sept-16	45.80	44.94	156.02	378.80
	Dec-16	50.08	49.29	156.18	385.71
	Mar-17	54.12	51.91	165.66	364.09
FY17/18	Jun-17	50.25	48.28	177.79	329.68
	Sep-17	51.74	48.20	183.94	327.83
	Dec-17	61.47	55.40	177.43	307.79
	Mar-18	66.95	62.87	190.71	301.42
FY18/19	Jun-18	74.49	67.88	210.30	296.87
	Sept-18	75.48	69.50	215.61	277.04
	Dec-18	67.37	58.81	211.01	295.09
	Mar-19	63.27	54.90	212.06	279.84
FY19/20	Jun-19	68.34	59.81	204.21	272.94
	Sept-19	61.86	56.45	195.06	287.03
	Dec-19	62.65	56.96	214.61	311.92
	Mar-20	50.53	46.17	227.33	312.86
FY20/21	Jun-20	31.43	27.85	209.22	327.55
	Sep-20	42.72	40.93	205.47	350.23
	Dec-20	44.52	42.66	223.26	337.70

Glossary

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

Base Money: The sum of notes and coins held by the public and the cash reserves of commercial banks (including both their holding of cash and their deposits at the central bank). The monetary base is the operating target used in the BOJ monetary policy framework and can be controlled through open market operations. Changes in the monetary base emanate from sources within the net domestic assets (NDA) as well as the net international reserves (NIR).

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

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

Brexit: Brexit has become the abbreviated way of refering to the United Kingdon (UK) leaving the European Union (EU) it combines the words British and exit. The referndum where citizens of the UK voted to exit the EU took place on the June 23, 2016.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 defined 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 be closely related to the ultimate target–inflation.

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

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

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

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

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

Money Supply: This is the stock of instruments or assets formally designated as money in a particular economy. There are alternative measures of money supply both within and between countries. In Jamaica, the measurements of money that are calculated and published are:

M1: Notes and coins in circulation + Demand Deposits
M2: M1+ Time and savings deposits
M3: M2 + Other Deposits.

A 'J' indicates that the components are Jamaican dollar liabilities only and an '*' indicates that the components also include foreign currency liabilities of the banking system.

Monetary Base: See Base Money

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

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

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

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

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

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

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

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

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

Quasi-money: Savings Deposits plus Time Deposit.

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

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

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

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

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

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

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

Signal Rate: Effective 1 July 2017, the Bank of Jamaica policy rate is the interest rate paid on overnight deposits held by deposit-taking iinstitutions ("DTIs") at Bank of Jamaica.

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

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

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

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

Terms of Trade: An index of the ratio of export prices to the index of import prices. An improvement in the terms of trade follows if export prices rise more quickly than import prices.

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

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