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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 for the next three years. This inflation rate, measured as the annual point-to-point 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 April 2021.

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 Monetary Policy Committee's most recent policy decision 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 March 2021 quarter continued to be impacted by the ongoing coronavirus (COVID-19) crisis in Jamaica and the world. Despite signs of improvement in economic activity and increased optimism given the deployment of the COVID-19 vaccines, the prospects for the Jamaican economy continues 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 was 5.2 per cent at March 2021, in line with the 5.2 per cent at December 2020 but an acceleration relative to 4.8 per cent at March 2020. This outturn mainly reflected the impact of lower agricultural food price inflation which was offset by higher energy costs. Over the next eight quarters, inflation is projected to average 4.8 per cent (lower than the average rate of 5.0 per cent previously projected). The Bank anticipates that inflation will decelerate in the range of 3.5 per cent to 4.5 per cent at June 2021, accelerate in the range 4.5 per cent to 5.5 per cent at September 2021 and then decelerate within the range of 3.5 per cent to 4.5 per cent at December 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 5.0 per cent to 7.0 per cent for the March 2021 quarter, an improvement relative to the contraction of 8.3 per cent recorded for the December 2020 quarter. From the perspective of aggregate supply, 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 fiscal year. The risks to the growth forecast are balanced.

Jamaica's current account of the balance of payments is anticipated to deteriorate over the next eight quarters relative to the previous forecast. This worsening is largely underpinned by a deterioration of the Goods and Income sub-accounts which was partly offset by improvements on the Current Transfers and Services sub-accounts. The Bank is anticipating that the current account deficit (CAD) of the balance of payments will average 3.4 per cent of GDP for FY2020/21 to FY2022/23, higher (worse) than the previous forecast of 2.8 per cent of GDP. 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-March 2021 was 8.3 per cent, which, although above the average depreciation of 7.1 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 has amounted to US$411.0 million to date. The risks to the projections for the CAD are skewed to the upside.

Jamaica's international reserves remain buoyant, with gross reserves at end-March amounting to approximately US$4.2 billion, representing 126.6% of the Assessing Reserve Adequacy metric for FY2020/21. The financial system has remained generally resilient throughout the pandemic.

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 approximately 16.8 per cent at February 2021, an acceleration relative to the growth at December 2020. The expansion in broad money at February 2021 reflected growth of 15.2 per cent in local currency deposits which stemmed mainly from growth of 17.8 per cent and 5.8 per cent in savings and demand deposits, respectively. Private sector credit provided by DTI's, however, continued to grow at a slower pace. The continued slowdown in credit growth continued to reflect contractions in income and demand conditions due to the effects of the COVID-19 pandemic. The Bank has continued with its 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 13.8 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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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 4.8 per cent over the next eight quarters (June 2021 to March 2023), within the target range of 4.0 per cent to 6.0 per cent but lower relative to the previous projection. Agricultural price reversals were stronger than expected during the March 2021 quarter. At the same time, favourable planting conditions are expected to support higher supplies relative to the previous forecast and slower and more gradual price increases over the next few months. This revised inflation projection is consequently driven by a lower trajectory for domestic agricultural food inflation. External energy prices are expected to have a positive impact on energy-related inflation as crude oil and LNG prices are both projected to increase.

An upward adjustment in housing rentals rates resulted in an increase in core inflation. Abstracting from this shock, core inflation is projected to rise at a gradual pace, supported by accommodative monetary policy and some impulse in processed food prices stemming from higher international grains prices.

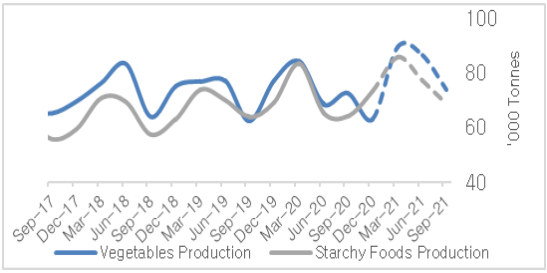
Recent Developments and Near-term Outlook

The annual point-to-point inflation rate at March 2021 was 5.2 per cent, in line with the 5.2 per cent recorded at December 2020 but an acceleration relative to the 4.8 per cent recorded at March 2020. The annual headline inflation rate at March 2021 was within the Bank's target of 4.0 per cent to 6.0 per cent but below the Bank's February 2021 projection of 5.7 per cent.

Inflation for the March 2021 quarter mainly reflected the impact of lower agricultural food price inflation, relative to the preceding quarter, which was offset by higher energy and housing rental price inflation. There was an annual reduction in the Vegetables, Tubers, Plantains, Cooking Bananas and Pulses (VTPC&P) class of 2.3 per cent at March 2021, compared to a 19.5 per cent increase at December 2020. This largely reflected the impact of declines in the prices of vegetables. This was offset by higher electricity rates and petrol prices due, primarily to higher LNG and crude oil prices. Furthermore, there was a significant increase in housing rental prices which resulted in an annual rise of 10.6 per cent compared to an annual decline of 2.2 per cent as at December 2020.

Relative to the previous forecast, inflation for the March 2021 quarter was lower than anticipated, mainly reflecting the impact of lower agricultural food price inflation, notwithstanding higher energy and transport prices.[1] The stronger than expected decline in the VTPC&P class over the quarter was due to a significant improvement in supplies.

Figure 1: Vegetables and Starchy Foods Supply (Tonnes)



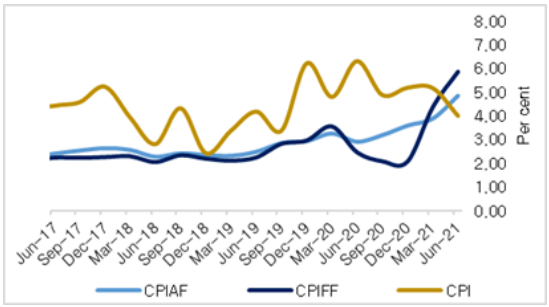
Source: MICAF & BOJ Calculations
The graph represents quarterly supply (in tonnes) for vegetables and selected starches provided by Ministry of Agriculture.

The Bank's main measure of core inflation (inflation that excludes the immediate influence of agriculture

[1] For the January to March 2021 quarter, annual point-to-point inflation averaged 4.6 per cent compared to a forecast of 5.7 per cent

and energy prices – referred to as CPIAF) at March 2021 was 5.3 per cent, higher than the 3.6 per cent at December 2020 and 3.3 per cent at March 2020 (see **Figure 2**). Core inflation was influenced by the significant adjustment in rentals prices.

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



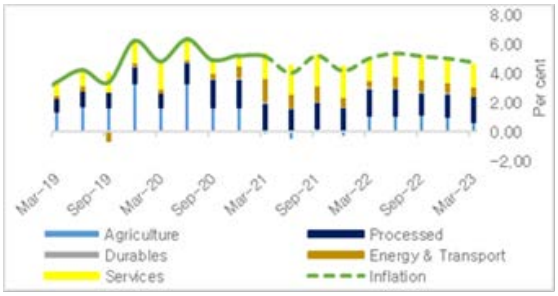
Source: STATIN & BOJ

Inflation Outlook & Forecasts

For the June 2021 quarter, a deceleration in inflation in the range of 3.5 per cent to 4.5 per cent is projected, chiefly reflecting a slow pace of increase in domestic agricultural food price inflation as well as energy costs related to the previous quarter. Agriculture inflation is expected to increase at a slower than usual pace, due to favourable weather conditions. External energy prices are expected to have a positive impact on energy–related inflation for the June 2021 quarter. However, the impact is partly offset by a sharp decline in electricity rates in April 2021 which will contribute to energy–related prices being contained for the quarter.

Headline inflation is projected to meander around the midpoint of the target range in the September 2021 quarter but to fall below the lower end of the range at December 2021. Inflation is projected to accelerate in the range of 4.5 per cent to 5.5 per cent at September 2021 and then decelerate within the range of 3.5 per cent to 4.5 per cent at December 2021 (see **Figure 3**). For the September 2021 quarter, the expected acceleration in headline inflation relative to the previous quarter is largely due to food price inflation driven by increases in both processed food and agriculture price inflation. For the December 2021 quarter, international commodity prices are expected to be marginally lower relative to the previous quarter. Notwithstanding, inflation for the quarter is expected to be largely driven by lagged effects of processed food price inflation as well as energy and transport prices. Beyond December 2021, inflation is expected to hover around the 5.0 per cent midpoint of target range.

Figure 3: Component Contribution to Inflation



Source: STATIN & BOJ

Box 1: Businesses' Inflation Expectations Survey – March 2021

Overview

The Bank's Survey of Businesses' Inflation Expectations (IES) at March 2021 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 December 2020 survey. On the other hand, the costs of raw materials and fuel & transport were expected to be the lowest input costs over the next twelve months with 13 per cent and 11 per cent, respectively. Perceptions about the present business conditions improved slightly while the future business conditions declined on a yearly basis in the latest survey. Perception of inflation control worsened relative to the previous survey.

Inflation Expectations

In the March 2021 survey, respondents' expectation of inflation 12 months ahead decreased to 6.5 per cent, relative to 7.2 per cent in the December 2020 survey. Furthermore, businesses expected an annual point to point inflation rate at December 2021 of 6.0 per cent, which is above the annual point to point outturn of 5.2 per cent at March 2021 (see **Figure 1**).

Perception of Inflation Control

The index of inflation control decreased when compared to the December 2020 survey (see **Figure 2**). This outturn reflected a decline in the share of respondents who were "satisfied" with how inflation was being controlled. Additionally, there was an increase in the share of respondents who were "dissatisfied" with how inflation is being controlled.

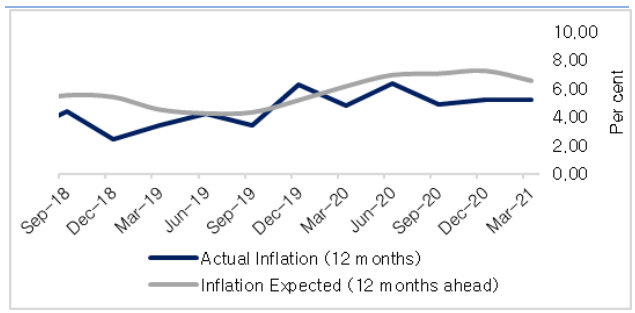
Exchange Rate Expectations

In the March 2021 survey, respondents expected the exchange rate to depreciate at a faster rate over all three time horizons relative to the previous survey (see **Table 1**).

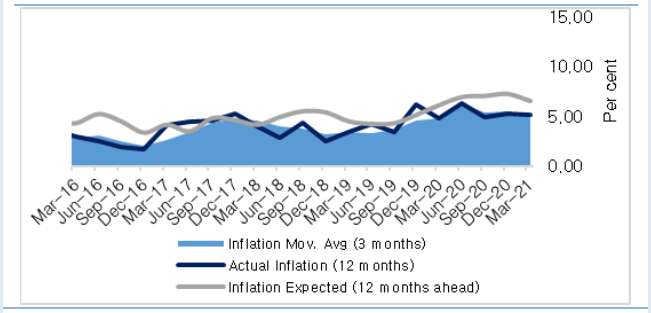
Figure 1: Expected 12-Month Ahead Inflation

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.

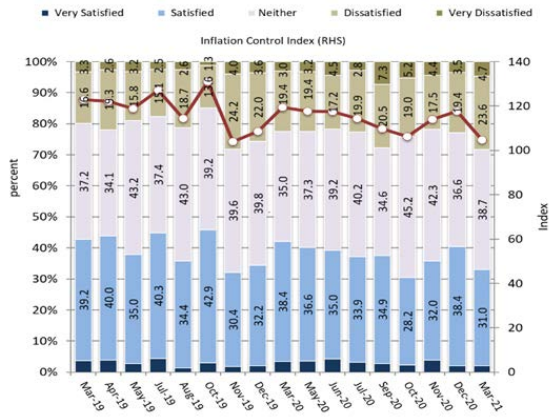


b.



Source: Businesses' Inflation Expectations Survey

Table 1: Exchange Rate Expectations



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

Table 1: Exchange Rate Expectations

Question: In January 2021 the exchange rate for the Jamaican Dollar (JA$) in respect of the United States Dollar (US$) was $145.39. What do you think the rate will be for the following periods?

Periods Ahead	Expected Exchange Rate Depreciation/Appreciation (%)			
	Oct-20	Nov-20	Dec-20	Mar-21
3-Months	-0.9	1.7	0.1	3.4
6-Months	0.2	2.5	0.7	4.0
12- Months	0.3	3.0	0.8	4.5

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 decreased 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 increase to 1.6 per cent when compared to the December 2020 survey.

Perception of Present and Future Business Conditions

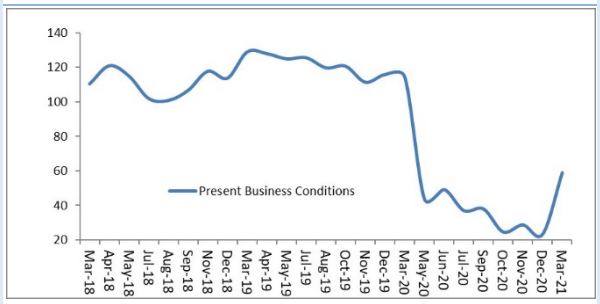
Respondents views on present business conditions improved in the March 2021 survey relative to the previous survey. This was due to a decline in the proportion of respondents of the view that things are "worse." However, in contrast to the December 2020 survey, businesses were more pessimistic about the future as the proportion of respondents who believe that conditions will be "better" declined.

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 expected 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 (per cent contribution)

Question: Which input do you think will have the highest price increase over the following time periods?[2]

	Nov-20	Dec-20	Mar-21
Utilities	28.4	26.8	20.2
Stock Replacement	42.6	42.3	39.7
Raw Materials	9.5	8.8	12.5
Fuel & Transport	5.9	12.3	11.1
Wages & Salary	12.4	7.4	14.8
Not Stated	1.2	2.5	1.7

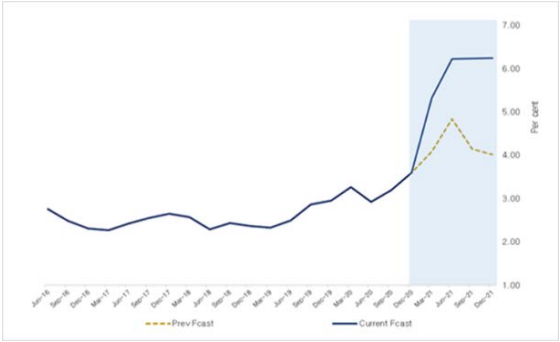
Source: Survey of Businesses' Inflation Expectations (IES)

[2] For the 12-month horizon

Figure 4: Comparative Headline Inflation Forecasts

Source: Bank of Jamaica

Figure 5: Comparative Core Inflation Forecasts



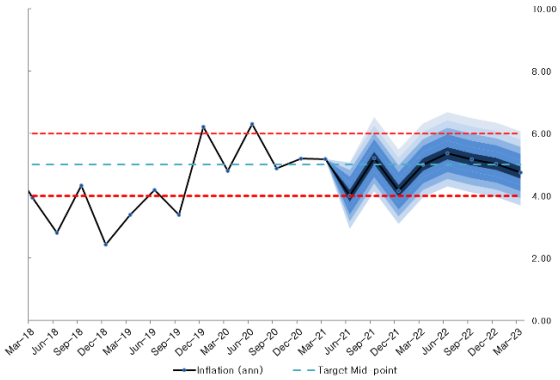
Source: Bank of Jamaica

Inflation Risks

The risks to the inflation forecast are skewed to the upside. Upside risks include a stronger than anticipated impact of international commodity price increases on domestic prices and inflation expectations. The risks to the commodity price forecast are however balanced. In contrast, there is a risk that agricultural inflation in the June 2021 and September 2021 quarters could be lower than anticipated.

Domestic demand is projected to continue to weigh negatively (albeit receding) on inflation over the near term.

Figure 6: Inflation Fan Chart



Source: Bank of Jamaica

2.0 International Economy

Global growth is projected to be stronger over the next eight quarters (June 2021 to March 2023), relative to the previous forecast. Global growth is projected to average 5.1 per cent over the period, above the previous projection of 4.7 per cent. Positive developments with the COVID-19 vaccine as well as expectations for further fiscal stimulus are expected to fuel the global economic recovery. However, global growth prospects remain highly uncertain as virus mutations emerge, even as vaccine coverage grows.

Preliminary indications are that GDP in the US expanded by 6.4 per cent for the March 2021 quarter, above expectations, following an expansion of 4.3 per cent for the December 2020 quarter. It is projected that, following the contraction of 3.5 per cent in 2020, US GDP for 2021 will grow by 6.0 per cent and moderate to 3.3 per cent in 2022. This represents an upward revision relative to the expansion of 3.9 per cent and 2.7 per cent previously projected for 2021 and 2022, respectively. The output gap for the US is consequently projected to be positive relative to the previous forecast of a negative but gradually improving output gap.

Bank of Jamaica anticipates that the Fed will maintain interest rates at current levels over the next eight quarters. Over the medium term, the US Fed Funds rate is anticipated to increase at a gradual pace, which will support an upward drift in money market interest rates. In this context, yields on Jamaica's sovereign bond are projected to be relatively stable over the next eight quarters but rise over the medium term.

The projection for commodity prices over the next eight quarters has been revised upwards, relative to the previous forecast. The risks to the forecast for commodity prices are assessed as balanced.

Trends in the Global Economy

The global economy is estimated by the Bank to have expanded by 2.2 per cent for the March 2021 quarter, an improvement compared with the contraction of 0.8 per cent in the December 2020 quarter as well as the previous projection for an expansion of 1.6 per cent.[1,2] The estimated increase for the March 2021 quarter reflects an increase in economic activity in most major economies amid an easing of lockdown restrictions and the continued acceleration in the deployment of COVID-19 vaccines.

For the US in particular, the Bureau of Economic Analysis' (BEA's) advance estimate indicates that GDP for the March 2021 quarter increased on an annualized basis by 6.4 per cent, following an expansion of 4.3 per cent in the December 2020 quarter.[3] The stronger growth in US GDP for the

[1] Of note, the Bank's previous forecast included a contraction of 2.1 per cent for the global economy for the December 2020 quarter, which compares with the current outturn of a contraction of 0.8 per cent. Therefore, the increase for the March 2021 quarter also reflects higher GDP in levels.

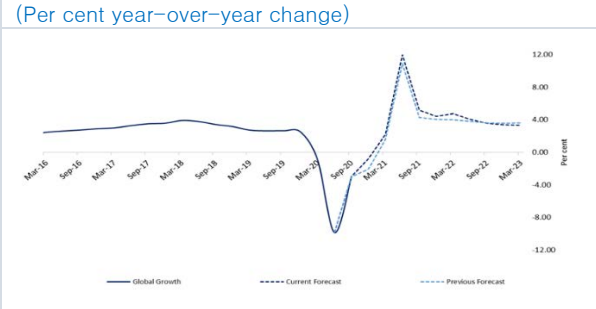
[2] A report presenting the J.P. Morgan Global Composite PMI, an index which measures changes in total output across both manufacturing and service sectors, highlighted that the global economy continued its path for recovery in March 2021, as growth improved in manufacturing and services. The index increased to 54.8 in March 2021 from 53.2 in February 2021, and has now signaled expansion for nine consecutive months. Of note, a reading above 50 signifies an expansion in economic activity.

[3] At the February 2021 MPA, the Bank projected that the US economy would record an expansion of 2.2 per cent for the March 2021 quarter. Of note, the Bank's current estimate anticipated an expansion of 4.7 per cent for the March 2021 quarter. The faster

March 2021 quarter relative to the December 2020 quarter was mainly due to an uptick in consumption and an ease in lockdown restrictions in some states amid lower virus numbers and the deployment of vaccines.[4]

Global growth is projected to average 5.1 per cent over the next eight quarters (June 2021 to March 2023), above the previous projection of 4.7 per cent (see **Figure 7**). [5] Progress regarding coronavirus inoculations will allow a broader lifting of containment measures in the second half of 2021 and onwards, and positively impact the sectors currently most affected by COVID-19. [6] As such, a surge in activity in the travel, arts and entertainment, and food and accommodation sectors is likely, reflecting the release of pent-up demand.[7] The global economic recovery is likely to be uneven across countries, however, amid stark differences in the pace of vaccine deployment and the extent of economic policy support.

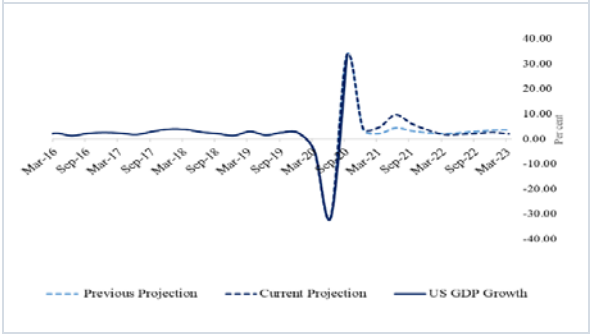
Figure 7: Global Growth Projection*
(Per cent year-over-year change)



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

The Bank projects real output growth in the US to average 3.7 per cent for the June 2021 to the March 2023 quarters, above the previous forecast of 3.1 per cent and a faster pace than potential GDP (see **Figure 8**). Economic activity will continue to improve in 2021 as the roll out of the US$1.9 trillion American Rescue Plan Act (ARPA) affects the economy.[8] Growth in the near term will also be supported by accommodative monetary conditions and the continued deployment of vaccines which will slow down COVID-19 infections. As such, the release of pent up demand will boost spending and support the further recovery of the labour market.

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



Source: BOJ, CBO

The US output gap is projected be positive over the September 2021 to the June 2025 quarters, relative to the previous forecast of a negative but gradually improving output gap.

expansion in the March 2021 quarter was predominantly supported by easing lockdown restrictions in some states amid the decline in COVID-19 infections and the deployment of vaccines. Further, the latest fiscal package approved in March 2021 will support a renewed surge in personal incomes in the first half of 2021. Even as incomes fall in the second half of 2021 spending will remain strong as households drawdown their savings

[4] Personal consumption, the biggest part of the US economy, surged an annualized 10.7 per cent in the March 2021 quarter, the second-fastest pace since the 1960s.

[5] Even as growing vaccine coverage lifts sentiment, new virus mutations still threatens the outlook going forward. The outlook also hinges on how effectively economic policies deployed can limit lasting damage from this unprecedented crisis.

[6] Broad vaccine availability is expected for most countries in the second half of 2022. As a result, it is assumed that effective protection will reduce global COVID-19 cases to low levels by end-2022.

[7] The IMF in the April 2021 WEO update indicated that, after an estimated contraction of 3.3 per cent in 2020, the global economy is projected to expand by 6.0 per cent for 2021, 0.5 percentage points (pps) above the January 2021 WEO forecast. The upward revision reflects additional fiscal support in a few large economies, the anticipated vaccine-powered recovery in the second half of 2021, and continued adaptation of economic activity to subdued mobility. The global economy is projected to grow 4.4 per cent in 2022, 0.2 pps higher than the previous forecast, and moderate to 3.3 per cent over the medium term, reflecting projected damage to supply potential and forces that predate the pandemic, including aging of the population and slower labor force growth in Advanced Economies and some Emerging Market Economies.

[8] In March 2021 the US approved a US$1.9 trillion fiscal package, the third stimulus approved in response to COVID-19 crisis since 2020. The package included a large number of various policies, including direct transfers for households, state and local funding, unemployment benefits and healthcare funding. The most significant impact from the package will be in 2021 as the largest part of the package (cheques and benefits) is concentrated on an immediate help to US households. However, there will be some impact in 2022 as well, as the package includes funding which takes time to distribute and effectively spend.

Risks

The risks to global growth are assessed as balanced. Worse outcomes could arise if the COVID-19 outbreak persists longer. However, further progress with vaccine production and distribution and further strong fiscal responses can generate a stronger recovery in economic growth. The possibility of a further spread of the virus, more severe and longer-lasting effects of the pandemic and delays in vaccine procurement and distribution could cause economic activity to be lower than projected. The faster deployment of vaccines could encourage a stronger increase in confidence and subsequently contribute to a stronger rise in domestic demand. Many countries have also provided large-scale macroeconomic support to mitigate the negative economic impact of the pandemic and the effects could be larger than currently projected.

The risks to the US economic outlook are assessed as balanced. The key downside risk is that recurring waves of coronavirus infections prompt more economy-damaging 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 further easing of social distancing, could allow for more individuals to re-enter the labor force and boost spending. There is also the possibility that the impact of fiscal policy could be larger than expected.

The unemployment rate in the US at March 2021 was 6.0 per cent, a decline of 0.2 percentage points relative to February 2020 (see **Table 1**). [9] This rate was below the Bank's projection of 6.4 per cent and above the US Federal Reserve's estimate of the natural rate of 4.0 per cent. The US unemployment rate is projected to decline over the next eight quarters. [10, 11]

Table 1: Unemployment/ Job Seeking Rate for Selected Economies

(e.o.p Per Cent)

	USA*	Canada*	Euro
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	7.1
Jun-20	11.1	12.3	8.0
Sep-20	7.9	9.0	8.7
Dec-20	6.7	8.8	8.2
Mar-21	6.0	7.5	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 5.8 per cent as at January 2021.

[9] Total nonfarm payroll employment in the US increased by 916,000 in March 2021. Job growth in March was widespread, with the largest gains occurring in leisure and hospitality employment of 280,000 as pandemic related restrictions eased in many parts of the US. The resumption of in-person learning translated into a combined 190,000 increase in state, local government and private education employment. Further, job gains also reflected the unwinding of the earlier hit from the severe winter weather in February 2021, with construction employment rebounding by 110,000 in March 2021. The rate of permanent job losers was little changed in March 2021, but remains much lower than in 2008/09, suggesting there will be less severe long term negative economic impact this time around. This is supported by the decline in temporary layoffs to 2 million, which is down considerably from the high of 18 million in April 2020.

[10] The unemployment rate is projected to end FY2021/22 at 4.5 per cent, 1.5 percentage point below end-FY2020/21, and end FY2022/23 at 3.8 per cent.

[11] Continuing jobless claims in the US was approximately 3.73 million in the week ended 03 April 2021 an increase of 0.1 percentage point from the previous week's rate. The four-week moving average of continuing claims declined to its lowest level since the week ended 28 March 2020 when it was 3.61 million. Employment will rebound strongly over the coming months as the remaining virus-related restrictions are lifted, with state & local government hiring set to receive additional support from the US$350 billion of fiscal aid in the American Rescue Plan. Rebounding employment growth should keep downward pressure on the unemployment rate.

Box 2: Economic Growth in Selected Economies

China

The Chinese economy recorded an expansion of 18.3 per cent for the March 2021 quarter compared to a year ago.[12] This pace was quicker than the growth of 6.5 per cent in the December 2020 quarter. The continued expansion in the March 2021 quarter was supported by a further increase in the industrial and retail sales sectors, which remained the two fastest growing sectors. However, growth continued to be negatively impacted by an increase in unemployment, confirming an uneven economic recovery.

GDP growth in China is projected to average 5.9 per cent, over the next eight quarters, and range between 5.3 per cent to 7.9 per cent.[13]

Japan

The Japanese economy is estimated to have recorded a contraction of 4.2 per cent for the March 2021 quarter, on a quarterly annualised basis, following an expansion of 11.7 per cent in the December 2020 quarter.

For the next eight quarters, GDP growth in Japan is projected in the range of 1.5 per cent to 5.7 per cent, averaging approximately 2.5 per cent.

Canada

The Canadian economy is estimated to have expanded by 4.0 per cent for the March 2021 quarter on a quarterly annualised basis, compared to an expansion of 9.6 per cent for the December 2020 quarter.

For the next eight quarters, GDP growth in Canada is projected in the range of 2.5 per cent to 5.9 per cent, averaging approximately 3.8 per cent.

Of note, the continued increase in oil and gas prices, signals a potential recovery in the Canadian economy in the near term.

Euro Area

The Euro Area is estimated to have contracted by 3.6 per cent in the March 2021 quarter, on a quarterly annualised basis, compared to a contraction of 2.6 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 8.2 per cent, averaging approximately 4.2 per cent.

United Kingdom (UK)

The UK economy is estimated to have contracted 13.3 per cent in the March 2021 quarter, on a quarterly annualised basis following an expansion of 5.2 per cent in the previous quarter.

Growth in the UK economy over the next eight quarters is projected in the range of 2.4 per cent to 20.6 per cent, averaging approximately 6.6 per cent.

[12] Of note, as at the December 2020 quarter, GDP exceeded the level at the December 2019 quarter, before the coronavirus impacted activity.

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

Monetary Policy

In April 2021, the Federal Open Market Committee (FOMC) maintained its target range for the US Fed Funds rate at 0 per cent – 0.25 per cent, in line with the Bank's projections. Further, the Fed reiterated its commitment to using its full range of tools to support the US economy for as long as it takes.[14] As the Fed remains focused on achieving its broad-based and inclusive full employment goal, the US central bank is expected to maintain rates at the current level for the ensuing three years. The Bank consequently anticipates that the Fed will gradually raise interest rates by 75 basis points in 2024 and 50 basis points in 2025.[15, 16]

Trading Partners' Inflation

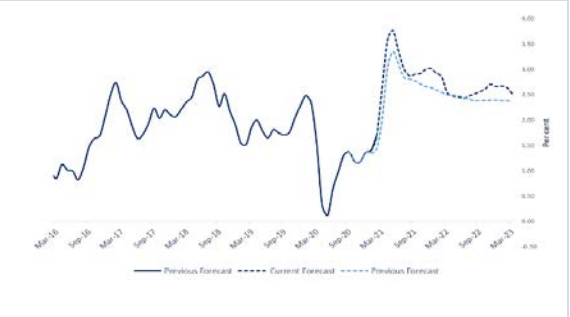
The weighted average of 12-month inflation rates for Jamaica's trading partners' (TPs) at March 2021 is estimated at 2.3 per cent. This estimate is above the Bank's previous forecast of 1.7 per cent. For the US, annual CPI inflation at March 2021 was 2.6 per cent, higher than the previous forecast of 2.0 per cent.[17] The personal consumption expenditures (PCE) price index increased by 2.3 per cent on a year-on-year basis at March 2021.

Over the next eight quarters, the Bank projects the inflation rate of Jamaica's main trading partners (TP) to average 2.4 per cent, above the previous forecast of 2.2 per cent (see **Figure 9**).[18] The projection for TP inflation largely reflects upward pressures on prices linked to the gradual reopening of economies, the release of pent up demand and base effects. With US output set to rise well above potential and the US Federal Reserve likely to accommodate higher inflation, inflation in US inflation is projected to average 2.7 per cent, over the ensuing eight quarters, above the previous forecast of 2.6 per cent (see **Figure 10**).[19]

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

[14] 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.

[15] This is consistent with the GPMN forecast which assumes that the Fed will maintain rates until 2023 and increase rates thereafter.

[16] In the wake of the recently enacted fiscal stimulus, expectations are growing that the Federal Reserve could begin raising interest rates in 2022, with more hikes likely in 2023. That shift in expectations has driven a marked increase in long-term US Treasury yields this year, although yields at the short end of the curve remain low. However, the Fed's recent adoption of a flexible average inflation target, and the greater weight it will now put on its full employment goal, will allow the Fed to characterize rising inflation as transitory, and to maintain interest rates at near-zero levels until end-2023.

[17] On a monthly basis, the 0.7 per cent rise in consumer prices in March 2021, driven in part by a 0.4 per cent rise in core CPI, indicates that the signs of mounting inflation evident in business surveys and producer prices are feeding through to stronger consumer prices. The 0.3 percentage point increase in core inflation was the biggest monthly gain since August 2020. The increase in core prices mostly reflected stronger services prices, as the prices of the components worst-affected by the pandemic began to rebound. On a monthly basis hotel prices rose by 4.4 per cent, auto insurance prices were up by 3.3 per cent and recreational services prices increased by 0.8 per cent, although airfares increased by only 0.4 per cent. The collapse in prices this time a year ago means that the big monthly gains in both headline and core CPI translated into even bigger increases in annual terms, with headline CPI inflation rising to 2.6 per cent, from 1.7 per cent, and core CPI inflation increasing to 1.6 per cent, from 1.3 per cent.

[18] The inflation rate of Jamaica's main trading partners (TP inflation) for FY2021/22 is projected at 2.3 per cent, marginally higher relative to the previous forecast of 2.2 per cent.

[19] This is consistent with the Fed's goals to achieve maximum employment and inflation at the rate of 2.0 per cent over the longer run, thereby aiming to achieve inflation moderately above 2.0 per cent for some time so that inflation averages 2.0 per cent over time. Of note, the Fed's preferred PCE measure averages 0.2 per cent less than CPI over the five year period February 2016 to February 2021.

Trends in Trading Partners' Exchange Rates

During the March 2021 quarter, TP currencies generally appreciated against the US dollar relative to the December 2020 quarter.[20, 21] 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 and the improved economic outlook.[22] 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. However, notwithstanding the weakening for the US dollar for the March 2021 quarter, towards the end of the quarter, on a monthly basis, there were signs of reversal.

Bank of Jamaica projects that, over the next eight quarters (June 2021 to March 2023), the currencies of Jamaica's major trading partners will appreciate, on average, against the US dollar (see **Figure 11**). This projection reflects the assumption that relatively less attractive US interest rates versus other large economies will prompt further moves away from the US dollar. [23]

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 0.5 per cent at March 2021, following an improvement of 42.9 per cent at December 2020. The increase in the index reflected an increase of 35.6 per cent in the export price index (EPI), the impact of which was partly offset by an increase of 35.0 per cent in the import price index (IPI). The increase in the EPI emanated mainly from higher prices for alumina and tourism services relative to a year ago, while the increase in the IPI was primarily driven by an increase in the price for fuel.

The outturn for the March 2021 quarter reflected an improvement compared to the previous projection of a deterioration and was largely attributable to a higher pace of increase in export prices.

Bank of Jamaica projects that Jamaica's TOT will deteriorate over the next eight quarters (June 2021 quarter to the March 2023 quarter), primarily due to

[20] There was an average appreciation of 0.6 per cent in the exchange rate of Jamaica's trading partners vis-à-vis the USD for the March 2021 quarter, following an average appreciation of 0.9 per cent in the December 2020 quarter. This compares to the previous forecast for an appreciation of 0.9 per cent for the review quarter. The exchange rates of Jamaica's trading partners vis-à-vis the USD appreciated, on average, by 1.1 per cent in the March 2021 quarter relative to a year prior. This reflected an appreciation relative to the Bank's previous forecast for an appreciation of 1.4 per cent.

[21] On a monthly basis, the currencies of Jamaica's major trading partners, on average, appreciated by 0.1 per cent in January 2021 and depreciated by 0.05 and 0.3 per cent in February and March 2021, respectively, relative to the USD. The US dollar outturn in January 2021 occurred in the context of investors' reduced appetite for relatively safer assets amid positive announcements about COVID-19 vaccines. However, in February 2021, the reversal occurred amid concerns about higher inflation in the US as well as the improvement in economic momentum in the US compared to its trading partners.

[22] The US is a major economy and further increase in growth in the US has positive spillovers to the rest of the world.

[23] The US dollar has spent the early part of 2021 consolidating the losses accumulated against its major trading partners through late 2020. Rising US yields have provided support for the dollar as the rollout of vaccines and declining COVID-19 case counts in the US supported recovery hopes. The prospect of more stimulus has further bolstered growth optimism. However, improving global growth prospects and rising US fiscal burdens are supportive for increased risk sentiment and diversification from the USD.

a larger increase expected in import prices, driven by fuel and raw materials, relative to that for export prices.[24]

Commodity Prices

The daily average of West Texas Intermediate crude oil prices for the March 2021 quarter increased by 35.6 per cent relative to the December 2020 quarter. 25 However, relative to the March 2020 quarter crude oil prices increased by 25.3 per cent. The increase in crude oil prices, relative to the previous quarter, mainly emanated from (i) sharp declines in US crude oil production following the severe winter weather in the southern region of the country, (ii) investors' increasing optimism regarding the deployment of numerous successful COVID-19 vaccines, (iii) optimism regarding the global economic recovery amid the approval of the ARPA fiscal stimulus, (iv) OPEC and its allies' decision to maintain production through April 2021,26 (v) rising tension in the Middle East, following a drone attack on an oil plant in Saudi Arabia and (vi) concerns regarding crude shipments following the blockage of Egypt's Suez Canal by a container ship. However, the impact of the increase in prices was partly offset by investors' continued concern about the global economic recovery and demand conditions. In particular, recurring waves of COVID-19 cases slowed the recovery in transportation demand, particularly in Europe and spurred renewed lockdown measures.

The projected path for crude oil prices over the near term (June 2021 to March 2023) has increased, relative to the last forecast. Oil prices are projected to average US$59.97 per barrel for the next eight quarters compared to an average of US$54.18 per barrel in the previous projection.[27] This forecast trajectory implies that the average of the quarter-over-quarter increase in crude oil prices for the period has been revised to 0.1 per cent, compared with the 1.3 per cent previously anticipated (see Figure 12).[28]

For the June 2021 and September 2021 quarters, crude oil prices are projected to average US$63.05 per barrel (8.8 per cent increase for the quarter) and US$61.38 per barrel (2.6 per cent decline for the quarter), respectively, which compares to quarterly averages of US$51.89 and US$52.87 in the previous projection. The projected increase in crude oil prices for the June 2021 quarter is underpinned by expectations for a recovery in the global economy and a further increase in consumer sentiment amid positive vaccine reports. Further, the sustained production curtailment by OPEC and its allies to April 2021 suggests that supply will remain constrained in the near term even as demand continues to increase. However, downward crude oil price pressures may emerge subsequently as the oil market becomes more balanced. Rising US production along with higher production from OPEC and their allies support a moderation in price pressures over the period.29 LNG prices are also projected to rise. A continued growth in external demand for US LNG, with only slight expected increases in production, will contribute to the average Henry Hub spot price rising to an average of US$3.11 per million British thermal units (MMBtu) in 2022 from an estimated average of US$3.04/MMBtu in 2021.

[24] In particular, the TOT is projected to deteriorate at an annual rate of 28.4 per cent and 20.5 per cent in the June 2021 and September 2021 quarters, respectively.

[25] In the previous projection, the Bank projected the daily average of West Texas Intermediate crude oil prices for the March 2021 quarter to increase by 19.5 per cent relative to the December 2020 quarter.

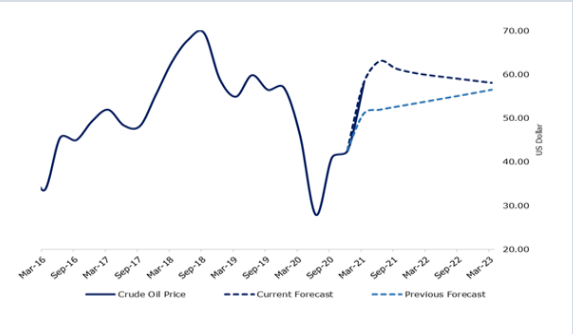
[26] On 04 March 2021, OPEC and its oil-producing allies indicated that the group would keep production largely steady through April 2021. Saudi Arabia also concluded that it would extend its one million barrels per day voluntary production cut into April.

[27] The Bank is of the view that oil prices are not sustainable in excess of US$60 per barrel since this exceeds the breakeven price for most shale producers.

[28] Notwithstanding the forecast for higher crude oil prices, prices are projected to gradually decline beginning in the September 2020 quarter, which compares with the previous forecast for a gradual increase.

[29] On 01 April 2021, OPEC and its partners announced it would ease existing limits on production beginning in May 2021. Saudi Arabia also announced they would gradually relax its voluntary 1.0 million barrel per day (b/d) cut over the May-July period.

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 balanced. Upward pressures may emerge if the US Congress agrees on the infrastructure plan proposed by the US government, more vaccine trials are successful and the rate at which vaccines are deployed increase. Further, upward pressures may emerge if OPEC and its allies reduce output in the second half of 2021 and geopolitical tensions continue in the Middle East. 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. Additionally, delays to vaccination procurement and deployment (due to logistical difficulties, storage issues and limited production capacity), difficulties controlling new virus outbreaks and failure to learn lessons from the reoccurring waves would weaken the outlook for crude oil demand. Higher US yields and a strong US dollar will also foster a low risk appetite, thereby putting downward pressure on oil prices. Demand will continue to be the key uncertainty for the global oil market. Further, 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.[30]

Average grains prices for the March 2021 quarter increased by 17.2 per cent, relative to the December 2020 quarter (an increase of 37.0 per cent on an annual basis).[31] This increase was associated with higher prices for soybean (18.9 per cent increase for the quarter, 53.5 per cent increase on an annual basis), corn (25.9 per cent increase for the quarter, 44.1 per cent decline on an annual basis) and wheat (6.1 per cent increase for the quarter, 4.2 per cent increase on an annual basis). The increase in grains prices for the quarter reflected rising demand amid subdued supply.[32] 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 0.04 per cent over the next eight quarters (June 2021 to March 2023), a rate that is lower than the Bank's previous forecast.[33] This slower pace of increase in prices relative to the previous forecast mainly reflects expectations for a rebound in supply over the next eight quarters, partly offset by a continued increase in demand.[34, 35] Grain prices are projected

[30] 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. The US entered indirect talks with Iran in April 2021 aimed at reviving the Iran nuclear deal, which would pave the way for the lifting of US oil-related sanctions and weigh on oil prices. The US has an aim to reach an agreement within two months (just ahead of the next Iranian Presidential election). However, even if a deal isn't completed soon, we still expect Iranian oil production to increase in the coming months as the 25-year China-Iran co-operation agreement, signed end March 2021, guarantees Iran a market for its oil.

[31] The Bank projected an increase of 15.1 per cent for the March 2021 quarter relative to the December 2020 quarter.

[32] Lower than expected estimates of US soy and corn planting, coupled with delays to soybean harvesting and corn planting in Brazil due to dry weather conditions, have kept prices high. Further, increases in crude oil futures pressured prices for corn, which is used for ethanol fuel. Wheat prices increased following dry winter wheat conditions across the US Great Plains, a small 2020 crop in the EU, and strong stockpiling demand. However, wheat prices subsequently declined in March 2021 as production prospects improved, resulting from improved weather across US Plains and Russia (increased rainfall in winter wheat regions).

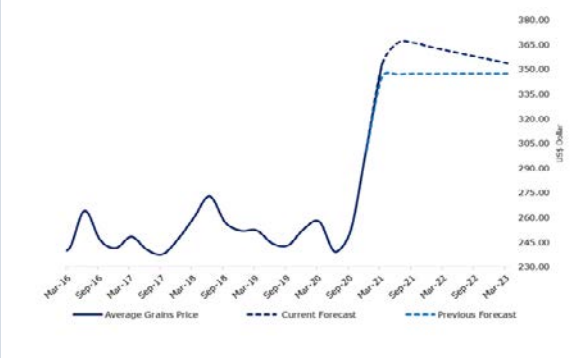
[33] The previous forecast assumed an average quarter over quarter increase of 0.1 per cent over the June 2021 to March 2023 quarter.

[34] Notwithstanding the forecast for higher grains prices, prices are projected to gradually decline beginning in the September 2020 quarter, which compares with the previous forecast for a gradual increase. This revised trajectory reflects assumes that rising production will support a moderation in price pressures beginning in the September 2021 quarter.

[35] The rapid growth in China's hog herd (which has boosted demand for animal feed), together with heightened concerns over food security in part due to the pandemic, explains much of the recent spike in imports. In 2021, it is expected that current high

to remain at higher levels reflecting tight global supplies and strong international demand. Of note, the average price of grains over the June and September 2021 quarters is projected to increase at an average quarter over quarter rate of 1.9 per cent due to the continued gradual reopening of the global economy and rising demand, the impact of which is partly offset by expectations of rising supplies (see **Figure 13**).

Figure 13: Trend in Average Grains Prices

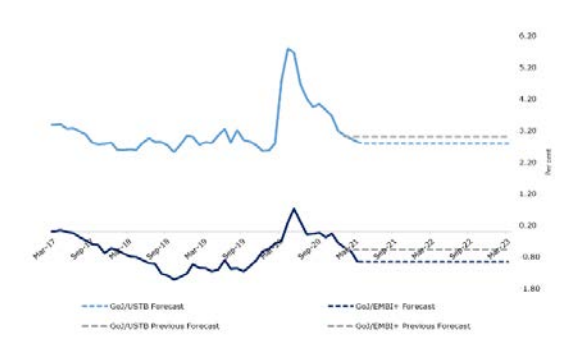


Sources: Bloomberg, BOJ

External Financial Markets

The performance of GOJ's sovereign bonds spreads on the international market over the March 2021 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 62 basis points (bps) and 49 bps, respectively, when compared to the same measure for the December 2020 quarter.[36] These spreads were projected to decline by 55 bps and 36 bps, respectively (see **Figure 14**). [37]

Figure 14: Average International Bond Spreads
(Per cent)



Sources: Bloomberg,

In the context of the performance of the GOJ yield spreads over the quarter, there were respective increases of 25 bps and 38 bps in the average yields on EMBI+ and US Treasuries, while there was a decline of 24 bps on GOJGBs (see **Figure 15**).

Figure 15: Average International Bond Yields
(Per cent)

Sources: Bloomberg,

prices and plateauing hog numbers will mean the pace of China's grain and soybean buying slows, which should put downward pressure on prices. The US Department of Agriculture in its latest monthly report is forecasting a rebound in US soybean acres corn acres in 2021–22 (September 2021–August 2022). Therefore, expectations of higher planting intentions should support a downward trajectory in prices for grains.

[36] For the quarter, relative to US Treasury Bill yields and EMBI+, these spreads were 294 bps and negative 69 bps, respectively.

[37] The spread for the March 2021 quarter, relative to US Treasury Bill yields and the EMBI+, were projected to be 301 bps and negative 56 bps, respectively. During the March 2021 quarter there was a general improvement in global risk appetite driven by optimism regarding the deployment of several effective coronavirus vaccines, expected to mitigate global headwinds driven by the pandemic, as well as large scale US government stimulus, thereby increasing investors' desire to hold risky assets. However, in March 2021 GOJGBs were positively impacted by reports that International Credit Agency Fitch Ratings affirmed the Government of Jamaica's Long–Term Foreign and Local Currency Issuer Default Rating (IDR) at 'B+'.

Jamaica's sovereign bond yields are projected to be relatively stable to the March 2023 quarter.[38] However, over the medium-term bond yields are expected to increase due to projected increases in the US Federal Funds rate.

Global Stock Market

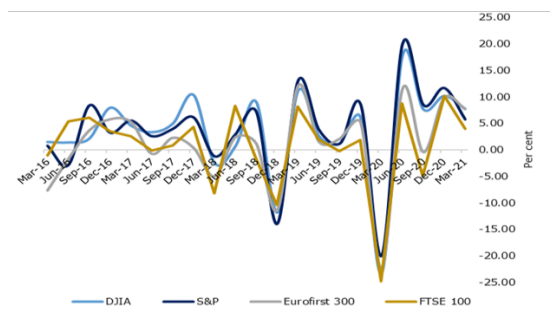
The performances of selected global stock market indices during the March 2021 quarter were strong. Relative to the December 2020 quarter, the Dow Jones Industrial Average (DJIA), the S&P 500, the Eurofirst 300 and the FTSE 100 advanced by 7.8 per cent, 5.8 per cent, 7.7 per cent and 3.9 per cent, respectively (see **Figure 16**). These strong performances were mainly supported by continued monetary policy support, further signs of economic recovery, the approval of further large US fiscal stimulus, and the swift rollout of COVID-19 vaccinations, particularly in the US and UK. These developments mitigated global headwinds driven by the pandemic, thereby increasing investors' desire to hold risky assets. Further, the agreement of a post-Brexit financial agreement between the European Union and United Kingdom played a crucial role in increasing investors' confidence. Generally, improving market sentiment regarding the global economic recovery outweighed the impact of further lockdowns in Europe. However, investors' concerns that rising inflation and higher bond yields might prompt central banks to begin tightening monetary policy sooner than expected curbed the gains.

US equities gained in the March 2021 quarter, notwithstanding a decline in January 2021. Equity indices gained in February 2021 as investors were encouraged by the US$1.9 trillion American Rescue Plan Act (ARPA) stimulus proposal, accelerated vaccine distribution, and better-than-expected December 2020 quarter corporate earnings.

Most of the gains for the quarter were recorded in March 2021 with the signing of the ARPA into law, which was followed up with an additional promise of US$2.0 trillion in spending geared largely toward improving transportation, communication, and power infrastructure. However, downward pressures arose from investors' concern that the size of the US stimulus, combined with pent-up savings, could lead to a pickup in inflation, potentially leading the Federal Reserve to tighten policy to an extent that could be damaging for equity markets. However, at the March 2021 meeting, the Federal Reserve maintained that it does not believe inflation will go sustainably above target and reinforced its support of an accommodative monetary policy, stating it will maintain the fed funds rate at near zero levels for the next few years.

Eurozone and UK equities advanced in the March 2021 quarter reflecting investor optimism of global economic recovery, propelled in part by coronavirus vaccination programmes and the prospect of large US fiscal stimulus. However, the impact was partly offset by negative near-term economic realities which became evident as another wave of COVID-19 infections forced governments to re-introduce stricter restrictions across Europe. Further, a lack of adequate vaccination supply saw tensions between the EU and the UK rise as AstraZeneca delivery continued in the UK. Of note, equities were positively impacted by easing concerns around a financial agreement post-Brexit.

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



Source: Bloomberg

[38] 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.

3.0 Real Sector

In the context of the impact of the coronavirus on the Jamaican economy, domestic economic activity is projected to decline for the March 2021 quarter then rebound over the rest of the forecast horizon. Consequently, for FY2020/21, real GDP is projected to contract in the range of 10.0 per cent to 12.0 per cent and recover partially in the range of 5.0 per cent to 8.0 per cent in FY2021/22. Real GDP for FY2022/23 is anticipated to increase by 3.0 per cent to 4.0 per cent and reflect a return to its pre-COVID level in the March 2023 quarter. This growth largely reflects the expected rebound in Tourism and related industries as well as higher value added in Mining. Over the medium term (the next three years), GDP growth is projected to average in the range 2.0 per cent to 4.0 per cent per year, which is relatively in line with the previous projections.

The current forecast is higher than the previous projection over the near-term (June 2021 to March 2023). This upward revision to real GDP mainly reflects slightly higher projections for Hotels & Restaurants, Other Services, Transport, Agriculture, and Construction , partly offset by lower Electricity & Water and Mining.

GDP Growth

Following three quarters of successively smaller contractions, the Jamaican economy is estimated to have contracted in the range of 5.0 per cent to 7.0 per cent for the March 2021 quarter. This is also a slower pace of contraction compared to the 8.3 per cent decline recorded for the December 2020 quarter and broadly in line the previous projection for a reduction of 5.9 per cent.[1] 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.[2] In this context, reductions were chiefly reflected in Hotels & Restaurants, Other Services, Electricity & Water, Transport Storage & Communication, Wholesale & Retail and Manufacture.[3] Only Mining & Quarrying, Construction, Agriculture, Forestry & Fishing and Government Services are estimated to have grown.

The estimated fall in output for *Tourism, Other Services, Distribution, Electricity & Water and Manufacture* largely reflected the impact of the COVID-19 pandemic and measures to contain the spread of the coronavirus. These industries were also affected by lower demand for goods and services arising from the fallout in external demand and the other domestic industries. In particular, the decline in *Manufacture* was predicated on lower demand from hotels, restaurants and the entertainment industry. Other manufacturing was adversely impacted by lower output primarily in refined petroleum based on lower demand from Transport.

Better than previously projected performances for the March 2021 quarter were estimated for *Finance & Insurance, Hotels & Restaurants and Manufacture*. On the other hand, lower value added was estimated for *Electricity & Water, Mining &*

[1] The decline in the December 2020 quarter is relative to the Bank's estimate for a contraction of 8.4 per cent and a flat outturn of 0.0 per cent in the December 2019 quarter. For the December 2020 quarter, all industries except Mining & Quarrying, Construction and Producer of Government Services recorded declines. Deviations were mainly in Wholesale & Retail, Agriculture, Forestry & Fishing which were worse than expected, while Manufacture, Finance & Services and Real Estate, Renting & Business Activity performed better than anticipated.

[2] During the March 2021 quarter, measures implemented to contain the spread of the coronavirus included nightly curfews, weekend lockdowns, stay at home orders for all non-essential public sector workers and persons 70 years and older, as well as restrictions on gatherings

[3] Other Services include recreation, entertainment and sporting activities.

Quarrying, Agriculture, Forestry & Fishing and *Transport.* With regard to the assessed slower pace of decline, the estimate for Finance was based on trends in the recent outturn. For Hotels & Restaurants, the performance was based on an estimated smaller decline in foreign national arrivals. With regard to Manufacture, the slower contraction relative to the previous projection reflected an estimated increase in sugar & molasses, food production and a smaller contraction in petroleum refining.[4] On the other hand, a worse performance was estimated for Electricity & Water based on the available data.[5] Mining performance was due to lower than anticipated capacity utilization.[6] Value added in Agriculture was lower due to declines in domestic crop production, while a downward revision to Transport was predicated on reduction in public transportation and the volume of cargo moving through the ports.

Aggregate Supply

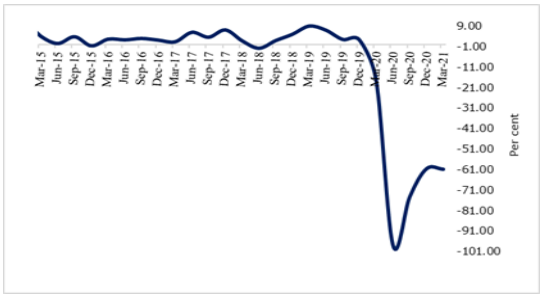
The estimated growth in Construction reflected increases in all sub-industries, while increased value added in mining emanated from higher production at the bauxite and alumina plants relative to the corresponding period. The growth in Producers of Government Services primarily reflected greater services offered to curb the spread of the coronavirus. Similarly, the growth in agriculture was as a result of higher levels of traditional exports, primarily sugar cane production.

Value added for *Hotels & Restaurants* is estimated to have declined in the March 2021 quarter (see Figure 17). The reduction for the quarter was premised on lower visitor days, primarily driven by declines in 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 the coronavirus cases continue to be a challenge 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, have resulted in lower bookings as well as a scale-down in operations by many hotels.

Transport, Storage & Communication is estimated to have declined for the March 2021 quarter due to reduction in air passenger arrivals. Declines were also seen in road transportation due to work from home orders, remote learning as well as in the movement of cargo at the outports. For telecommunications, the fall was due to a reduction in subscriber television.

Electricity & Water Supply is estimated to have contracted in the review quarter relative to the corresponding quarter of 2020. 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 was largely influenced by the closure of schools and commercial entities as a result of COVID-19 control measures implemented by the government.

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



Source: The Jamiaca Tourist Board

[4] The growth in food production reflected higher output in meat and meat production, animal feeds and edible oils. An estimated growth of 20.0 per cent is projected for sugar & molasses. In addition, refined petroleum declined by 6.7 per cent.

[5] Electricity consumption declined on average by 8.2 per cent for the March 2021 quarter relative to the anticipated increase of 0.7 per cent. This was due to lower electricity and water consumption as a result of declines in business activities and closure of schools.

[6] For the March 2021 quarter, the Jamalco alumina plant experienced operational issues that resulted in lower capacity utilization at the plant. This challenge resulted in production levels below normal capacity of 90.0 per cent.

Table 2: Industry Contribution to Growth (March 2021 Quarter)

	Contribution	Estimated Impact on Growth
GOODS	8.7	1.5 to 2.5
Agriculture, Forestry & Fishing	0.6	0.0 to 1.0
Mining & Quarrying	1.7	4.5 to 5.5
Manufacture	−4.1	−3.5 to −2.5
Construction	10.5	7.5 to 8.5
SERVICES	−108.7	−8.5 to −7.5
Electricity & Water Supply	−3.6	−7.0 to −6.0
Wholesale & Retail Trade, Repairs & Installation	−12.0	−4.5 to −3.5
Hotels & Restaurants	−54.4	−53.5 to −52.5
Transport Storage & Communication	−8.2	−5.0 to −4.0
Financing & Insurance Services	−3.9	−2.5 to −1.5
Real Estate, Renting & Business Activities	−2.2	−1.5 to −0.5
Producers of Government Services	0.3	−0.5 to 0.5
Other Services	−22.1	−18.5 to −17.5
Financial Intermediation Services Indirectly Measured	2.6	3.0 to 4.0

Source: Bank of Jamaica

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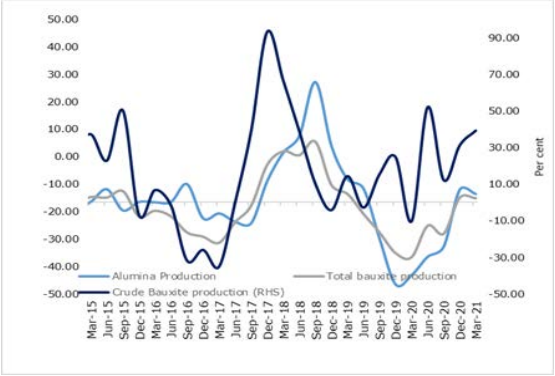
The decline in *Manufacturing* for the review quarter largely reflected a fall in both Other Manufacturing and Food, Beverages & Tobacco. The reduction in Other Manufacturing is associated mainly with decreased production in refined petroleum during the quarter. Food, Beverages & Tobacco is estimated to have declined consequent on a decrease in the food excluding sugar category, partly offset by increases in sugar & molasses production.

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 manufacturing industry as well as a decrease in imports of goods. The decline in imports is predicated on lower consumption in the domestic economy.

Value added for *Agriculture, Forestry & Fishing* is estimated to have grown in the quarter. This increase largely reflected growth in Traditional Export Agriculture which was partly offset by a decline in domestic crop production. The growth in Traditional Exports was primarily driven by the high levels recorded for sugar cane production.[7] With regard to domestic crop production, the decline largely reflected lower production in root crops.

Value added for *Mining & Quarrying* for the March 2021 quarter is estimated to have grown relative to the corresponding quarter of 2020 (see **Figure 18**). This growth largely reflected growth in both alumina and crude bauxite production.

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



Source: Jamaica Bauxite Institute

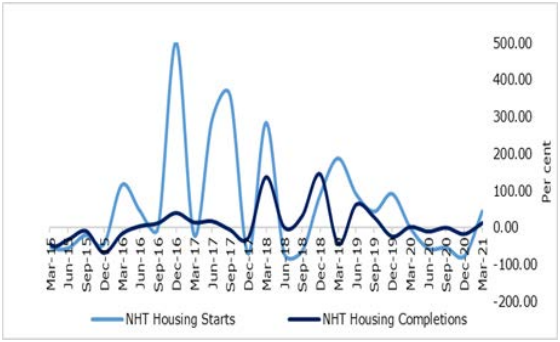
Construction is estimated to have grown for the review quarter. This performance was largely driven by increases within civil engineering and building installation. Activities related to civil engineering were higher due to increased levels of expenditure on road rehabilitation works. With regards to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

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*

[7] For the March 2021 quarter, sugar cane production grew by 19.5 per cent.

and *Transport, Storage & Communication* while for the non-tradable sector the decline was chiefly associated with *Other Services* and *Electricity & Water*.

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



Source: The National Housing Trust

Aggregate Demand

From the perspective of aggregate demand, there are also indications of a decline for the March 2021 quarter. This estimated decline in spending reflected reductions in net exports, investment, and private consumption. The estimated decline in net exports for the quarter was worse than the previous projection (see **Balance of Payments**). The contraction in investment which emanated from lower than projected FDI inflows, was greater than anticipated, reflecting a slower pace of normalization in investors' sentiments over the near term and marginally lower than expected GOJ capital expenditure.[8] Private consumption is also estimated to have declined in the quarter and was generally in line with prior expectations.[9]

Labour Market Developments

Moderate inflationary pressures from labour market conditions are anticipated. Jamaica's unemployment rate (UR) at January 2021 was 8.9 per cent, 1.5 percentage points (pps) higher relative to the rate at January 2020. The increase in the UR reflected an increase of 15.6 per cent (15,700) in the numbers of unemployed, supported by a 4.3 per cent (58,600) reduction in the labour force as the labour force participation rate fell by 2.8 pps to 62.8 per cent.

Bank of Jamaica projects that labour market conditions will further improve over the next eight quarters. In this regard, the average unemployment rate over the June 2021 to March 2023 quarters is projected to decline to 8.2 per cent, relative to the 10.6 per cent over the past year. On average the employed labour force is projected to grow by 3.4 per cent, which is an increase of 0.6 percentage points relative to previous projection over the near term. Also, the labour force is projected to have a slower growth on average of 1.0 per cent relative to the previous forecast of 1.4 per cent.

The anticipated decline in unemployment, particularly over the next four quarters is higher 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 trends in the Tourism, Manufacturing, Wholesale & Retail Trade, and Electricity Gas & Water Supply industries.

Outlook

Real GDP is projected to trend upwards at an average rate in the range of 5.0 per cent to 6.0 per

[8] The current estimate for investment spending for the March 2021 quarter reflects a decline in real FDI, GOJ's capital expenditure, and private domestic investment. GOJ's capital expenditure is estimated to decline by 44.2 per cent for the quarter; generally in line with projections, while an increase of 1.4 per cent is estimated for the preceding quarter. Notably, there were loan inflows of US$18.4 million from China EXIM Bank related to the South Coast Highway Improvement Project (SCHIP) in the quarter. Private domestic investment, which reflects the level of spending on investment goods after the influence of FDI and government capital expenditure has been taken into account, is estimated to have declined by 9.2 per cent, in line with projections, given the slower pace of execution and introduction of existing and new projects, respectively. Real FDI is estimated to have increased by 20.5 per cent, which was lower than the projected growth of 32.0 per cent for the quarter. This follows a reduction of 29.6 per cent in the previous quarter and an average decline of 41.7 per cent over the last four quarters. The lower anticipated growth in FDI for the review quarter largely reflected lower spending on infrastructure activities and tourism-related projects due to a slower pace of normalization in investors' sentiments.

[9] The decline in real private consumption is inferred from the lagged decrease in GCT on imports in the September 2020 quarter.

cent over the June 2021 to March 2023 quarters but remain below potential output. In this context, GDP growth in the range of 5.0 per cent to 8.0 per cent is projected for FY2021/22, followed by 3.5 per cent to 4.5 per cent for FY2022/23. The projected growth in the economy is largely reflective of a resumption of economic activities, supported by higher external demand (see International Economy) and continued accommodative monetary conditions.

From the perspective of aggregate supply, growth is anticipated in *Hotels & Restaurants, Other Services, Transport, Storage & Communication, Manufacture, Agriculture, Forestry & Fishing*, *Electricity & Water* and *Mining & Quarrying*. The anticipated rebound in Hotels & Restaurants and Other Services reflects the continued recovery of the travel sector as the external economy improves, supported by the deployment of vaccines for the virus. The projected recovery in Transport, Storage & Communication is predicated on a recovery in water- and air-based domestic and international travelling. In addition, the growth of Manufacture is largely predicated on increased food and beverage production in the context of the anticipated improvement in other sectors such as tourism and education (schools). With regards to Agriculture, Forestry & Fishing, an improvement is anticipated given the expected demand from a rebound in tourism, investments in traditional crop production, and various initiatives by the Government to assist the sector. The rebound in Electricity & Water is predicated on increased electricity and water consumption given the projected normalization in business activities, particularly in the tourism and education sectors. The rebound in Mining activity reflects the normalization of production from the closure of Alpart in October 2019 and operational challenges experienced by the other alumina and bauxite plants.

There has been an upward revision to GDP growth over the near term (June 2021 to March 2023 quarters) relative to the previous forecast.[10] This revision is largely related to Hotels & Restaurants, Other Services, Transport, Storage & Communication, Agriculture, Forestry & Fishing, and Construction. In contrast, lower growth is now projected for Mining & Quarrying due to slower than anticipated upgrades at the Alpart alumina plant which has delayed the reopening of the plant. Projected growth for Hotels & Restaurants and Other Services is reflective of the improved outlook for the US GDP growth. The higher growth for Transport, Storage and Communication is predicated on greater airport arrivals and cruise passengers as well as higher activity at the ports. Value added in Agriculture, Forestry & Fishing is anticipated to improve, due to investments in traditional crop production and various initiatives by the Government to assist the industry. Additionally, anticipated higher demand by the tourism sector is expected to further drive the demand for agricultural produce. For Construction, growth is based on a projected increase in spending on residential and commercial construction as well as base effects.

Beyond March 2023, the projected growth for GDP is generally in line with the previous forecast. The growth reflects the continued rebound in economic activity, particularly in tourism and related industries such as recreational and entertainment services. This growth impetus is expected to be supported by higher investments in agriculture and manufacture. In addition, the rebound in mining from the resumption of the Alpart plant, albeit delayed, is expected to positively contribute to economic growth.

[10] The previous 8 quarter forecast, which included the March 2021 quarter, was 4.1 per cent. However, the current projection of 5.6 per cent is below the previous 8 quarter forecast of 5.4 per cent for the June 2021 to March 2023 period.

4.0 Fiscal Accounts

For the March 2021 quarter, Central Government's operations recorded a fiscal surplus of $9.7 billion (0.5 per cent of GDP), relative to the deficit of $4.7 billion (0.2 per cent of GDP) for the similar period of 2020. The fiscal outturn for the review period reflected higher revenues & grants, partly offset by higher expenditure relative to the corresponding period of 2020. The greater expenditure reflected the GOJ's response to the Covid-19 pandemic.

Recent Developments

The performance of Revenues & Grants for the March 2021 quarter, was mainly attributable to higher tax & non-tax revenue receipts as well as greater grants inflows relative to the corresponding period of 2020. The faster pace of growth in tax revenues emanated mainly from the income & profit category partly offset by lower receipts from the production & consumption and international trade categories.'

With the exception of capital expenditure, higher spending was evident in all categories of expenditure for the review quarter. The greater programme spending was due to allocations for COVID-19 Allocation of Resources for Employees packages. Higher compensation of employees reflects increased employment of health professionals to assist in curbing the virus as well as additional recruitment of JDF personnel.

The financing requirement for Central Government for the March 2021 quarter was $12.5 billion (0.6 per cent of GDP) reflecting the fiscal surplus noted above and amortization of $19.4 billion (1.0 per cent of GDP). In addition, Central Government made payments of $5.1 billion (0.3 per cent of GDP) to the Development Bank of Jamaica and National Water Commission.

The above noted expenses were financed by external and domestic loan receipts of $29.3 billion (1.5 per cent of GDP) and $26.9 billion (1.4 per cent of GDP), respectively. For domestic loans, three benchmark investment notes (BINs) amounting to $18.0 billion (0.9 per cent of GDP) were issued to the domestic capital market during the period. In addition, Treasury bills issuances amounted to $5.8 billion (0.3 per cent of GDP). External loan receipts amounted to US$209.0 million (1.5 per cent of GDP) from multilateral agencies for investment projects.

Domestic amortization for the March 2021 quarter amounted to $5.8 billion (0.3 per cent of GDP) mainly reflecting Treasury bills maturity for the quarter. External amortization included payments of US$61.9 million (0.4 per cent of GDP) and US$47.9 million (0.3 per cent of GDP) to bilateral and multilateral lending agencies, respectively. Against this background, there was a build-up of $42.3 billion (2.2 per cent of GDP) in Central Government bank balances.

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

Table 12: Summary of Fiscal Operations (per cent of GDP)			
	Quarter		
	Mar-21	Mar-20	Diff
Revenue & Grants	**9.1**	**8.5**	**0.6**
o/w Tax Revenue	8.2	7.8	0.5
Non- Tax Revenue	0.8	0.7	0.1
Grants	0.1	0.0	0.1
Expenditure	**8.8**	**8.7**	**0.1**
Programmes	3.0	2.8	0.2
Compensation of Employees	3.0	2.5	0.5
Interest Payment	2.1	2.0	0.1
Capital Expenditure	0.7	1.4	(0.8)
Fiscal Surplus/Deficit	**0.4**	**(0.2)**	**0.6**
Primary Balance	**2.5**	**1.8**	**0.7**
Current Balance	**0.8**	**1.1**	(0.3)
Total Financing	**2.9**	**1.6**	1.2
External Loans	1.5	0.6	0.9
Domestic Loans	1.4	1.1	0.3
Other Inflows	**0.2**	**1.0**	(0.8)
Other Outflows	**0.3**	**1.0**	(0.8)
Amortisation	**1.0**	**0.9**	0.1
External	0.7	0.7	0.0
Domestic	0.3	0.2	0.1
Overall Balance	**2.2**	**0.5**	**1.7**
Source: Ministry of Finance & the Public Service			

Near Term Outlook

The Fiscal policy stance is not expected to pose any unanticipated risks to inflation over the near term.

5.0 Balance of Payments

The current account deficit (CAD) of the balance of payments (BOP) is projected to average 4.3 per cent of GDP over the next two FY's (FY2021/22 to 2022/23) relative to the projected outturn of 1.7 per cent of GDP for FY2020/21. This reflects a deterioration over the next eight quarters (June 2021 – March 2023), relative to the previous forecast, by an average of US$43.3 million per quarter. This worsening is largely underpinned by deterioration on the Goods and Income sub-accounts, partly offset by improvements on the Current Transfers and Services sub-accounts. In this context, the CAD as a percentage of GDP is projected to average 3.4 per cent of GDP over the period FY2020/21 to FY2022/23, higher (worse) than the previous projection of 2.8 per cent of GDP. Over the medium-term (FY2020/21 to FY2025/26) the CAD is expected to average 2.8 per cent of GDP, relative to the previous projection of 2.4 per cent of GDP. Reserves are generally in line with the ARA 100% benchmarkover the medium-term.

The risks to the projections for the CAD are skewed to the downside due to the possibility of higher visitor arrivals related to a faster than expected vaccination deployment in source market countries. The risks to reserves are skewed to the upside in the context of a proposed SDR allocation by the IMF.

Recent Developments

The current account (CA) of Jamaica's balance of payments for the December 2020 quarter amounted to an estimated surplus of US$54.9 million (0.4 per cent of GDP), US$85.6 million higher (better) than the outturn recorded for the December 2019 quarter. This improvement was reflected in all sub-accounts, with the exception of services. The deterioration of the services sub-account was underpinned primarily by the fall-out in the tourism sector as the corresponding period of the previous year reflected a pre-pandemic high.[1]

Relative to the Bank's projection, the current account surplus for the December 2020 quarter was also higher (better) by US$79.3 million. The variance in the CA was largely underpinned by a higher than projected improvement in all sub-accounts, with the exception of the Income sub-account. For the merchandise trade balance, exports (f.o.b) were US$17.7 million above projection while imports were lower by US$45.8 million. The surplus on the current transfers sub-account was above projection by US$16.7 million, mainly due to higher remittance inflows. The services sub-account was US$4.3 million above projection due largely to higher than expected earnings from tourism. The income sub-account was US$5.1 million below projection.[2]

[1] The outturn for December 020 quarter also relected noticeable changes in previous years. For FY2018/19, Jamaica's current account of the Balance of Payments (BOP) recorded a deficit of 1.6 per cent of GDP, 0.3 percentage points lower relative to the previous estimate. The revised estimate was primarily underpinned by an upward adjustment (lower deficit) to the merchandise trade balance account reflecting higher Re-exports. For FY2019/20, Jamaica's current account of the Balance of Payments (BOP) recorded a deficit of 2.0 per cent of GDP, 0.4 percentage points higher relative to the previous estimate. The revised estimate was primarily underpinned by a downward adjustment (higher deficit) to the merchandise trade balance account reflecting higher fuel imports.For the September 2020 quarter, Jamaica's current account of the Balance of Payments (BOP) recorded a surplus of 0.3 per cent of GDP. This was 0.2 percentage points lower than the previous estimate in February 2021. The revised estimate was primarily underpinned by higher than previously projected investment income outflows of US$59.9 million, partially offset by higher other services inflows of US$38.2 million.

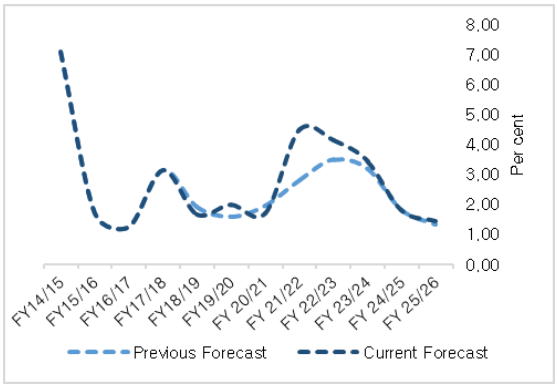
[2] Imports were below projection primarily due to lower fuel, capital goods, transport equipment, consumer goods of US$55.6 million, US$15.5 million, US$15.3 million, US$11.5 million respectively, partially offset by higher imports of raw materials of US$43.5

For the March 2021 quarter, a current account deficit of US$222.1 million (1.6 per cent of GDP) is estimated, US$15.1 million lower (better) than the previous projection and US$182.7 million higher (worse) than the outturn for the March 2020 quarter. This deterioration, relative to the previous year, is reflected primarily in the services sub-account and merchandise trade balance which was partially offset by improvements in the current transfers and the income sub-accounts. The deterioration on the services balance reflects the ongoing fall in stop-over arrivals while the merchandise trade balance is estimated to have deteriorated due to a decline in exports related to a normalization in non-traditional exports relative to the previous year.[3] The estimated improvement in current transfers is related to remittances and likely 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 estimated to have improved to 1.7 per cent of GDP, 0.3 percentage points lower (better) than the previous projection of 2.0 per cent of GDP but 0.3 percentage points above (worse than) the estimate of 1.4 per cent of GDP for FY2019/20.

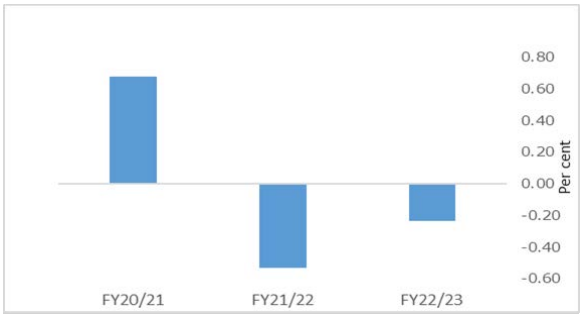
The CAD (as a per cent of GDP) is projected to deteriorate over the medium-term, relative to the previous forecast. The CAD is projected to average 2.9 per cent of GDP between FY2020/21 and FY2025/26, relative to the previous forecast of 2.4 per cent of GDP (see **Figure 20**). The expected deterioration is due mainly to higher imports. The current account balance, after accounting for FDI-related imports, reflects an average deficit of 0.03 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

million. Exports were higher than previously projected, primarily due to higher than expected non-traditional exports of US$18.0 million. The Services account was higher than previously projected due to higher travel inflows in the context of higher than previously expected average daily expenditure.

[3] Mineral fuel exports reflected an exceptional increase in the March 2020 quarter, which normalized in the subsequent three quarters.

6.0 Monetary Policy & Market Operations

BOJ maintained its signal rate during the March 2021 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.

In order to ensure the orderly functioning of the foreign exchange market during the March 2021 quarter, BOJ provided liquidity amounting to US$101.2 million via the B-FXITT facility and other market sales, and US$16.0 million via swap arrangements.

In light of the Bank's FX sales to the market, Jamaican dollar liquidity tightened during the March 2021 quarter, relative to the preceding quarter.

BOJ maintained its signal rate at 0.5 per cent, effective 29 March 2021.1 However, money market rates reflected mixed movements, while GOJ treasuries increased for the March 2021 quarter. Liquidity remained buoyant, but conditions tightened slightly relative to the previous quarter.

Liquidity Conditions

During the March 2021 quarter, liquidity conditions remained buoyant, but tightened slightly relative to the December 2020 quarter. This was indicated by the maintenance of average current account balances at Bank of Jamaica of $64.6 billion by deposit-taking institutions (DTIs) and primary dealers, below the average of $67.2 billion for the preceding quarter, but above the average level (of $59.6 billion) considered adequate for the system.

Liquidity conditions over the March 2021 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 $16.4 billion. The higher than anticipated balances primarily reflected net injection from BOJ operations of $24.1 billion into the system during the quarter, which was $20.4 billion above projection. Higher net injection from BOJ operations largely reflected net injection from BOJ FX operations of $39.1 billion, which was $8.9 billion above projection. This injection was partly offset by absorptions of $12.0 billion and $3.0 billion from OMOs and other BOJ operations, respectively, which were $4.9 billion and $6.6 billion weaker than expected. Weaker absorption from OMOs was largely due to net unwinding of 30-day CDs. On the other hand, net absorption of $26.6 billion through GOJ operations during the March 2021 quarter was $4.0 billion higher than projected.

Bank of Jamaica conducted 10 auctions of 30-day CDs during the review quarter. The average offer size during the March 2021 quarter was $10.0 billion, above the average of $6.8 billion for the December 2020 quarter. The increase reflected the actions of the central bank to sterilize excess liquidity levels in the financial system. Notwithstanding, given the Bank's designation of the BOJ 2.80% FR CD-2023 and BOJ FR 3.00% US-Indexed Note-2024 as liquid assets, there was a decline in demand for the 30-day CD instrument. As a result, the average yield on the 30-day CDs for the review quarter was 1.28 per cent, 74 bps above the average for the December 2020 quarter.

BOJ continued to offer its weekly 14-day repos via competitive auctions during the March 2021 quarter. Liquidity accessed via 14-day repos during the

[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.

quarter averaged $7.9 billion, relative to $5.9 billion in the December 2020 quarter. A total of 14 auctions were held during the review period, relative to 13 in the previous quarter. All offers received subscriptions which reflected an average yield of 1.26 per cent, 1 bp below the average yield in the preceding quarter.[2]

Table 4: BOJ Liquidity Facility (J$ Billions)

BOJ Liquidity Flow (J$ Billions)	Actual Sep-20	Actual Dec-20	Projected Mar-21	Actual Mar-21	Variance Mar-21
Net BOJ Operations (Inject/Absorb)	-3.9	9.6	3.6	24.1	20.4
Open Market Operations	-21.9	-30.0	-16.9	-12.0	4.9
BOJ Repo - (incl. OTROs)	-3.2	1.9	5.2	3.5	-1.7
FR CDs - (incl. 30d cds)	-3.5	-4.2	-30.5	-23.9	6.6
VR CDs	0.0	0.0	0.0	0.0	0.0
USD Indexed Notes	-15.2	-27.7	8.4	8.4	0.0
BOJ FX (incl. PSE)	25.7	41.1	30.2	39.1	8.9
BOJ Other	-7.8	-1.4	-9.6	-3.0	6.6
o.w. Currency Issue	-20.4	-5.4	-8.4	-7.0	1.3
o.w. Cash Reserve (Com Banks)	6.8	-2.5	-1.2	-1.3	-0.1
o.w. other	5.5	6.5	0.0	5.3	5.4
GOJ Operations	-2.9	8.9	-22.6	-26.6	-4.0
Current A/C (+) = Loosen; (-) = Tighten	-6.9	18.5	-19.0	-2.6	16.4
Current A/C Balance (AvgStock)	48.7	67.2	48.2	64.6	16.4

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

Strong foreign currency demand during the March 2021 quarter and the associated fluctuations in market conditions necessitated BOJ's foreign currency sale of US$101.2 million via the B-FXITT facility and other market sales, and the provision of US$16.0 million via swap arrangements, respectively. The swap arrangement replaced the US$6.0 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

Tenor	October - December 2020			January - March 2021		
	Placements (US$MN)	Maturities (US$MN)	Average Rate (%)	Placements (US$MN)	Maturities (US$MN)	Average Rate (%)
5-year	-	0.03	-	-	0.04	-
TOTAL	-	0.03	-	-	0.04	-

Note: Total outstanding stock of USD CDs as at March 2021 was US$286.5 million
Source: Bank of Jamaica

[2] Despite buoyant liquidity conditions in the system, the increase in funds accessed via the 14-day repo facility was in a context where some institutions remained constrained.

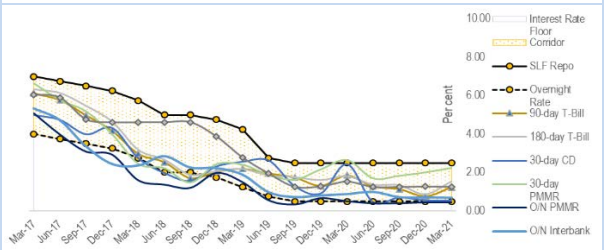
7.0 Financial Markets

Changes in money market rates were mixed during the March 2021 quarter, despite the Bank of Jamaica's unchanged monetary policy and loose liquidity conditions. The estimated yield curve on GOJ JMD bonds at end-March 2021 steepened, relative to the yield curve at end-December 2020. Sovereign risk increased while exchange rate risk declined.

Market Interest Rates

Notwithstanding generally buoyant liquidity conditions, movements in money market rates were mixed during the March 2021 quarter, relative to the preceding quarter. When compared to the rates at end-December 2020, the overnight (O/N) private money market rate (PMMR) was unchanged, while the 30-day PMMR was higher by 23 bps. The O/N interbank rate was lower by 2 bp. However, the yields on GOJ 90-day, 180-day and 270-day Treasury bills at end-March 2021 were higher by 46 bps, 66 bps and 137 bps, respectively (see **Figure 22**). The yields for Treasury bills increased in a context were the appetite for short-tenor liquid instruments fell. This coincided with the designation of two longer-term instruments as liquid assets by the BOJ.

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



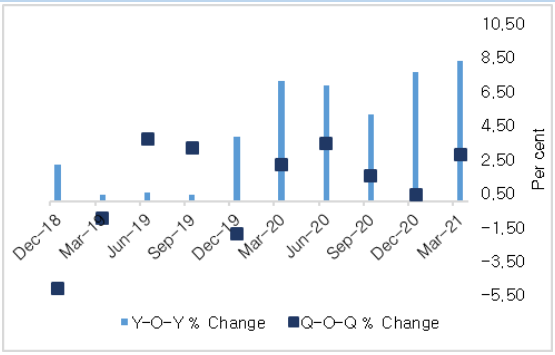
	BOJ SLF Rate	BOJ 30-day CD	BOJ O/N Deposit	O/N PMMR +	O/N Int. Bank +	30-day PMMR +	90-day T-Bill	180-day T-Bill	270-day T-Bill
Sep-19	2.50	1.30	0.50	0.33	0.73	1.63	1.74	1.75	2.01
Dec-19	2.50	0.93	0.50	0.66	0.82	2.16	1.32	1.60	1.73
Mar-20	2.50	2.45	0.50	0.50	0.89	2.64	1.85	1.80	1.67
Jun-20	2.50	0.47	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
Mar-21	2.50	0.55	0.50	0.44	0.70	2.23	1.23	1.52	2.41

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 March 2021 quarter at J$146.58 = US$1.00, reflecting depreciation of 2.8 per cent, relative to the previous quarter and depreciation of 8.3 per cent relative to end-March 2020.[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 March 2021 quarter was particularly noticeable in January 2021. This was underpinned by increased portfolio-related demand by financial institutions. These demand pressures were attenuated by total BOJ sales of US$117.3 million for the quarter, of which B-FXITT sales accounted for US$88.7 million

[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

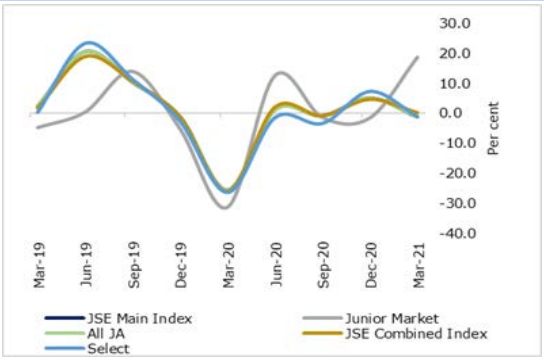
[2] The WASR (avg) closed the quarter at J$147.98 = US$1.00, reflecting depreciation of 1.3 per cent, relative to the previous quarter and depreciation of 7.1 per cent relative to end-March 2020.

in the January to February 2021 period.[3] Subsequently, an appreciation cycle in March 2021 was influenced by an increase in USD supply due to institutions positioning to meet Jamaica dollar tax obligations.

Equities Market

For the March 2021 quarter, two Jamaica Stock Exchange (JSE) indices recorded growth relative to December 2020. (see Figure 24). [4] The Junior Market Index recorded growth of 18.6 per cent for the quarter, in contrast to a decline of 1.6 per cent for the previous quarter. The JSE Combined Index recorded growth of 0.1 percent, compared to growth in the previous quarter of 4.6 per cent. However, the JSE Main Index declined by 1.2 per cent relative to the 5.0 per cent growth reported in the previous quarter ending December 2020.

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



Source: Jamaica Stock Exchange

The performance for the review quarter, may be attributed to uncertainties about domestic economy in the context of the COVID-19 pandemic. Notwithstanding this performance, the outlook is expected to improve in the near-term given the incremental improvement in economic activity. In addition, in the context of the vaccination efforts, businesses as well as international borders have continued re-opening.

Foreign currency investments yielded stronger gains in comparison to returns from equities investments. More specifically, returns on GOJ global bonds yielded quarterly returns of 7.3 per cent for the review quarter, compared to a quarterly yield of -1.2 per cent on equities.[5]

Moreover, the average yield on 30-day private money market instruments was 0.6 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 marginal decline in the JSE Main Index, there was a general decrease in the indicators of stock market activity for the review quarter. Of note, there was a decline of 65.3 per cent and 25.1 per cent in the value and volume of transactions respectively. Meanwhile, the number of transactions increased by 14.3 per cent for the quarter, relative to an increase of 5.1 per cent in the December 2020 quarter (see Figure 26).

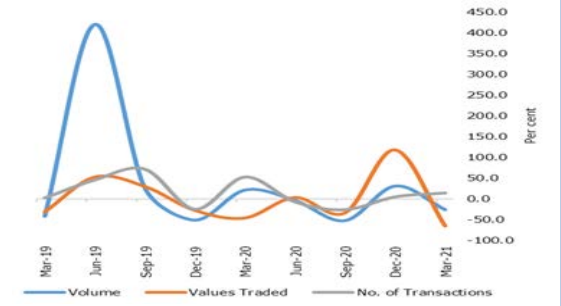
[3] Total market sales include BFXITT sales of US$88.7 million, FX swap sales of US$16.0 million and Other Direct sales of US$12.50 million for the March 2020 quarter.

4 Of note, there was one stock split over the March 2021 quarter which was undertaken by Salada Foods Jamaica limited.

[5] The return on equities is computed as the change in the JSE Main Index for the review quarter relative to the previous period.

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 11:28 for the March 2021 quarter. Of note, stock price appreciation continued to be largely concentrated among the *Financial* sector. Meanwhile, most of the declining stocks were concentrated in the *Other* category for the March 2021 quarter (see Tables 6 and 7).

Table6: Stock Price Appreciation

Advancing	Percent
Financial	
QWI Investments Limited	18.4
Eppley Limited	23.3
1834 Investments Limited	12.2
Barita Investments Limited	3.6
Tourism	
Ciboney Group	136.4
Other	
138 Student Living Jamaica Limited	12.0
Manufacturing	
Caribbean Cement Company	10.1
Seprod Limited	7.4
Conglomerates	
GraceKennedy Limited	39.8
Retail	
Carreras Limited	20.2

Table 7: Stock Price Depreciation

Other	
Palace Amusement	−50.4
Margaritaville (Turks) Limited	−26.3
Wigton Windfarm Limited	−16.0
Supreme Ventures	−15.5
MPC Caribbean Clean Energy Limited	−9.1
Financial	
Sygnus Credit Investments Limited	−10.4
Jamaica Stock Exchange	−10.3
Manufacturing	
Salada Foods Jamaica	−78.2
Wisynco Group Ltd	−9.2
Communication	
Radio Jamaica	−15.2

8.0 Monetary Aggregates

Growth in the monetary aggregates and credit to the private sector as at March 2021 were faster than previously projected.

Over the ensuing eight quarters, the average annual growth rate in broad money is expected to be broadly in line with the previous projection. However, the annual growth rate in private sector credit is expected to be above the previous projection.

Money

The annual growth in broad money (M2J) as at March 2021 was 16.7 per cent, above the projection of 10.8 per cent and the growth of 13.3 per cent at December 2020. The expansion in broad money at March 2021 reflected growth of 14.8 per cent in local currency deposits which stemmed mainly from growth of 14.6 per cent and 19.0 per cent in savings and demand deposits, respectively. The growth in local currency deposits was faster than the projected growth of 7.8 per cent.[1] There was also a 24.8 per cent growth in currency in circulation in March 2021 relative to a projection of 23.7 per cent.

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

	Stock (J$MN)			Flow (%)	
	Mar-20	Dec-20	Mar-21	Qtr. -o- Qtr.	Y-o-Y
NIR (US$MN)	3,237.67	3,126.13	3,319.33	6.2	2.5
NIR(J$MN)	438,159.56	445,328.15	483,604.97	8.6	10.4
- Assets	499,163.85	581,364.44	618,254.95	6.3	23.9
- Liabilities	-61,004.28	-136,036.29	-134,649.98	-1.0	120.7
Net Domestic Assets	-196,154.87	-162,755.16	-188,241.55	-15.7	4.0
- Net Claims on Public Sector	93,307.05	225,989.89	182,183.45	-19.4	95.3
- Net Credit to Banks	-73,493.81	-69,050.62	-70,829.70	2.6	-3.6
- Open Market Operations	-41,981.82	-124,035.72	-100,714.84	-18.8	139.9
- Other	-173,986.28	-195,658.71	-198,880.46	1.6	14.3
-o/w USD FR CDs	-21,596.08	-19,612.57	-19,606.65	0.0	-9.2
Monetary Base	242,004.70	282,573.00	295,363.42	4.5	22.0
- Currency Issue	145,735.21	190,488.13	181,790.14	-4.6	24.7
- Cash Reserve	48,878.30	39,116.50	39,901.13	2.0	-18.4
- Current Account	47,391.19	52,968.37	73,672.16	39.1	55.5

Source: Bank of Jamaica

Regarding the sources of the annual change in the monetary base at March 2021, there was an increase of 10.4 per cent in Bank of Jamaica's net international reserves (NIR), the impact of which was supported by an increase of 4.0 per cent in the net domestic assets (NDA) (see Table 8). The growth in the Jamaica dollar equivalent of the NIR was mainly associated with a depreciation in the exchange rate and, to a lesser extent, an increase in the USD value of the NIR stock. The increase in the USD NIR stock was influenced by surrenders through the PSE Facility and Authorized Dealers and Cambios, over the year. These inflows were partly offset by outflows from Government of Jamaica as well as net B-FXITT

[1] Since the beginning of the COVID-19 pandemic in March 2020, growth in local currency deposits has outperformed expectations. This is believed to be influenced by the associated increased flow of remittances through companies, a portion of which is deposited into the accounts of individuals.

sales of US$381.0 million. The net claims on public sector contributed to the increase in the NDA.[2]

The expansion in M2J at February 2021 was largely underpinned by growth of 15.2 per cent in local currency deposits, an acceleration relative to the 11.1 per cent recorded at end-December 2020. The acceleration in the growth in deposits was reflected in savings and demand deposits, which grew by 17.8 per cent and 15.3 per cent, respectively, relative to growth of 17.8 per cent and 15.8 per cent in December 2020. Growth in M2J was also influenced by growth of 23.5 per cent in currency with the public, relative to growth of 22.1 per cent in December 2020.

Table 9: Components of Money Supply (M2*)

	Percentage Change (%)		
	Feb-20	Dec-20	Feb-21
Total Money Supply (M2*)	15.1	16.1	16.8
Money Supply (M2J)	16.1	13.3	16.8
Money Supply (M1J)	19.1	18.4	18.5
Currency with the public	15.5	22.1	23.5
Demand Deposits	21.5	15.8	15.3
Quasi Money	13.5	8.8	15.2
Savings Deposits	14.7	17.8	17.8
Time Deposits	9.3	-17.1	5.8
Foreign Currency Deposits	13.4	21.4	16.8

Source: Bank of Jamaica

Private Sector Credit

Growth in private sector loans and advances decelerated 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 9.5 per cent at February 2021. This was below the growth of 10.1 per cent as at December 2020. Relative to GDP, the stock of private sector loans at February 2021 was 47.3 per cent compared with 40.4 per cent a year earlier. Given the deceleration in the expansion of loans and advances, the improvement in the ratio was attributed to a slower growth in GDP.

The growth in total loans and advances was underpinned by expansions in loans of 12.0 per cent and 7.6 per cent 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, Distribution, and Electricity* industries.

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

Stock	Feb-20	Dec-20	Feb-21
Total DTI	16.5	10.1	9.5
o.w. to Businesses	18.2	12.0	12.0
o.w. to Consumers	15.3	8.7	7.6
Stock as a % of Annual GDP			
Total DTI	40.4	46.4	47.3
o.w. to Businesses	17.0	19.9	20.4
o.w. to Consumers	23.4	26.5	26.9

Source: Bank of Jamaica

[2] 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 $13.3 billion of outright purchases of GOJ VR BINs and GOJ FR BINs, respectively, on the secondary market, and purchases of $40.5 billion in GOJ FR BINs directly from the GOJ, while $20.5 billion in VR BINs matured.

Box 3: Quarterly Non-Cash Means of Payment (MOP)[3] Assessment

For the March 2021 quarter, the total value of transactions using non-cash MOP was approximately $2.5 trillion (see **Figure 1**).[4] This represents a decline of 0.9 per cent relative to the previous quarter as well as a decline of 4.0 per cent relative to the corresponding period of the previous year. The decline for the quarter was reflected across all payment types except for beneficiary payments[5] (see **Table 1**). The increase in beneficiary payments partly reflects the impact of a waiving of user fees by BOJ as well as financial institutions updating their online platform to facilitate RTGS transactions to limit in-branch transactions.

Figure 1

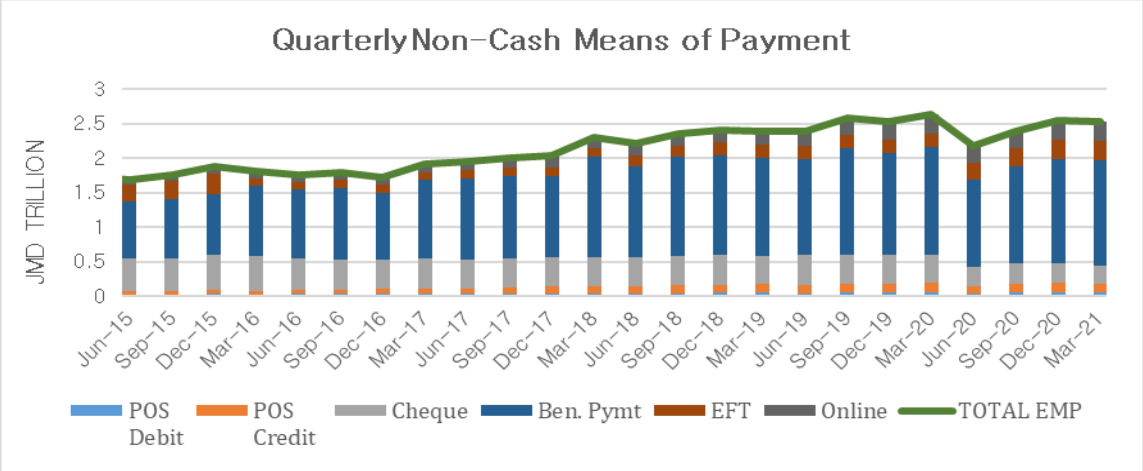


Table 1

Quarterly Growth Rates in Non-Cash MOP

Month	POS Debit	POS Credit	Cheques	Online Transaction	BEN PYMT	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	4.8	6.8	-0.4	12.2	6.7	8.6	6.6
Mar-21	-13.8	-0.8	-8.2	-0.4	1.2	-4.1	-0.9

[3] The Non-Cash 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 Beneficiary Payment(Ben Pymt). Electronic Funds Transfer (EFT) is predominantly a standing order payment 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.

4 The data for the March 2021 quarter is provisional and is subject to change.

5 Beneficiary Payments are RTGS transactions that banks make on behalf of their customers.

Share of Total Transaction

For Q1 2021, beneficiary payments continue 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 continues to decline. The increase in EFT transactions for the period resulted from an increase in direct credit transactions as banks increasingly require their customers to use salary deductions for payments in an effort to reduce their customers risk of default. The reduction in cheques partly resulted from lower spending following the Christmas season as well as consumers 'preference for using electronic means of payment and cash during the pandemic (see Table 2).

Table 2

Share of Total Transaction

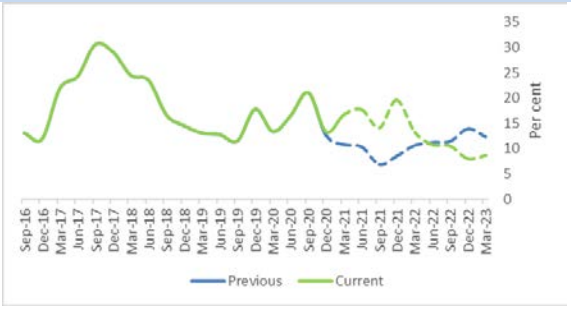
Month	POS Debit	POS Credit	Cheques	Online Transaction	BEN PYMT	EFT
Jun-18	2%	5%	19%	7%	59%	7%
Sep-18	2%	5%	18%	7%	61%	7%
Dec-18	2%	5%	18%	7%	59%	8%
Mar-19	2%	5%	17%	8%	59%	8%
Jun-19	2%	5%	18%	8%	58%	8%
Sep-19	2%	5%	16%	9%	59%	7%
Dec-19	2%	5%	17%	9%	58%	8%
Mar-20	2%	5%	15%	10%	59%	8%
Jun-20	2%	5%	12%	11%	58%	11%
Sep-20	2%	5%	12%	10%	59%	11%
Dec-20	2%	5%	11%	10%	59%	11%
Mar-21	2%	5%	11%	10%	60%	11%

Monetary Projections

M2J is projected to expand at an average annual rate of 12.8 per cent over the next eight quarters, above the previous projection of 10.6 per cent.

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 12.5 per cent up to March 2023, compared to the previous expansion forecast of 7.7 per cent. 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. Better than previously projected demand conditions are expected to also influence an acceleration in credit expansion over the next eight quarters.

Figure 27: Annual Growth in M2J



Source: Bank of Jamaica

Figure 28: Private Sector Credit

Source: Bank of Jamaica

9.0 Conclusion

Globally, there has been increased optimism about the deployment of COVID-19 vaccines and further fiscal stimuli, particularly in the USA. This has outweighed the impact of increased lockdowns and other measures in some countries due to the resurgence of new cases and new variants of the virus. Consequently, global growth will normalize at a faster than earlier anticipated pace over the next eight quarters. Consistent with higher global growth, the projections for international commodity prices over the next eight quarters have been revised upwards, relative to the previous forecast. The Bank anticipates that external monetary conditions will remain accommodative. The duration of the global pandemic remains highly uncertain and there is much risk of further resurgence of new cases and new variants of the virus as governments attempt to restart their economies.

Inflation is projected to average 4.8 per cent over the next eight quarters (June 2021 to March 2023), within the target range of 4.0 per cent to 6.0 per cent but lower relative to the previous projection. This revised projection is primarily driven by a lower annual trajectory for domestic agricultural food inflation. However, external energy prices are expected to have a stronger impact on energy-related inflation as crude oil and LNG prices are projected to increase.

Domestic economic activity is estimated to have declined for the March 2021 quarter then rebound over the rest of the forecast horizon. Consequently, for FY2020/21, real GDP is projected to fall in the range 10.0 per cent to 12.0 per cent and recover partially in the range 5.0 per cent to 8.0 per cent 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 per cent to 4.0 per cent per year, which is relatively in line with previous projections. The risks to the forecast for real GDP growth are balanced.

The current account deficit (CAD) of the balance of payments (BOP) is projected to deteriorate over the next eight quarters (June 2021 – March 2023), relative to the previous forecast, by an average of US$43.3 million per quarter. This deterioration is largely underpinned by a worsening of the merchandise trade balance and the income sub-account. The short term outlook for the gross reserves has improved relative to previous projection due largely to a favourable outturn as at March 2021. However, this improvement diminishes over the forecast horizon. The reserves are generally in line with the adequacy benchmark over the medium term. The risks to the projections for the CAD are skewed to the downside due to the possibility of better travel services while the risks to reserves are skewed to the upside in the context of a proposed SDR allocation by the IMF.

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 per cent 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.

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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	2.48
	Dec-16	90.50	1.72	2.31
	Mar-17	91.41	4.09	2.27
FY17/18	Jun-17	92.38	4.43	2.42
	Sep-17	93.82	4.58	2.55
	Dec-17	95.24	5.24	2.65
	Mar-18	95.00	3.94	2.58
FY18/19	Jun-18	94.99	2.82	2.29
	Sep-18	97.89	4.33	2.44
	Dec-18	97.56	2.44	2.36
	Mar-19	98.23	3.39	2.33
FY19/20	Jun-19	98.97	4.19	2.50
	Sep-19	101.20	3.39	2.87
	Dec-19	103.63	6.22	2.95
	Mar-20	102.95	5.44	3.27
FY20/21	Jun-20	105.20	6.31	2.92
	Sep-20	106.14	4.88	3.20
	Dec-20	109.01	5.19	3.60
	Mar-21	108.27	5.18	5.33

* 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 (March 2021) *

Divisions, Classes and Groups	Weight (%)	Inflation (%)	Weighted Inflation	Contribution
FOOD & NON-ALCOHOLIC BEVERAGES	35.79	4.81	1.72	42.25
Food	33.76	4.78	1.61	39.62
Cereals and cereal products (ND)	6.68	7.08	0.47	11.63
Live animals, meat and other parts of slaughtered land animals (ND)	6.60	8.81	0.58	14.28
Fish and other seafood (ND)	3.59	6.76	0.24	5.96
Milk, other dairy products and eggs (ND)	2.86	5.76	0.16	4.04
Oils and Fats (ND)	0.91	6.52	0.06	1.45
Fruits and nuts (ND)	2.60	2.95	0.08	1.88
Vegetables, tubers, plantains, cooking bananas and pulses (ND)	7.02	-2.26	-0.16	-3.90
Tubers, plantains, cooking bananas and pulses (ND)	2.04	-4.94	-0.10	-2.47
Vegetables	4.98	-0.14	-0.01	-0.17
Sugar, confectionery and desserts (ND)	1.31	6.49	0.08	2.08
Ready-made food and other food products n.e.c. (ND)	2.19	5.63	0.12	3.03
Non-Alcoholic Beverages	2.03	5.24	0.11	2.62
Fruit and Vegetable Juices (ND)	-	-	-	-
Coffee, Tea and Cocoa	0.46	5.11	0.02	0.58
Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	0.91	5.19	0.05	1.16
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	1.45	2.68	0.04	0.96
CLOTHING AND FOOTWEAR	2.48	4.85	0.12	2.96
Clothing	1.66	5.33	0.09	2.17
Footwear	0.82	3.88	0.03	0.78
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	17.85	6.60	1.18	28.91
Rentals for Housing	9.09	10.64	0.97	23.74
Maintenance, Repair and Security of the Dwelling	0.67	3.73	0.03	0.62
Water Supply and Miscellaneous Services Related to the Dwelling	2.27	-14.54	-0.33	-8.10
Electricity, Gas and Other Fuels	5.82	26.92	1.57	38.46
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	3.77	5.33	0.20	4.93
Furniture, Furnishings, and Loose Carpets	0.36	8.12	0.03	0.71
Household Textiles	0.22	6.19	0.01	0.33
Household Appliances	0.35	3.68	0.01	0.32
Tools and Equipment for House and Garden	0.15	4.14	0.01	0.15
Goods and Services for Routine Household Maintenance	2.70	5.32	0.14	3.52
HEALTH	2.63	4.41	0.12	2.84
Medicines and Health Products	2.16	5.00	0.11	2.65
Outpatient Care Services	0.30	4.29	0.01	0.32
Other Health Services	-	-	-	-
TRANSPORT	11.23	-0.23	-0.03	-0.63
INFORMATION AND COMMUNICATION	4.57	-1.35	-0.06	-1.52
RECREATION, SPORT AND CULTURE	5.02	4.84	0.24	5.96
EDUCATION SERVICES	2.43	-2.71	-0.07	-1.62
RESTAURANTS & ACCOMMODATION SERVICES	6.65	4.11	0.27	6.71
INSURANCE AND FINANCIAL SERVICES	-	-	-	-
PERSONAL CARE, SOCIAL PROTECTION AND MISCELLANEOUS GOODS AND SERVICES	4.99	5.77	0.29	7.06
ALL DIVISIONS	100.00	5.18	4.07	100.00

*BOJ Estimates

3: BANK OF JAMAICA OPERATING TARGETS

	Actual Mar-19	Actual Jun-19	Actual Sep-19	Actual Dec-19	Actual Mar-20	Actual Jun-20	Actual Sep-20	Actual Dec-20	Actual Mar-21
Net International Reserves (US$)	3,084.83	3,035.31	3,098.05	3,162.53	3,237.67	2,949.26	2,747.49	3,126.13	3,319.32
NET INT'L RESERVES (J$)	393,530.9	387,214.6	395,218.9	403,445.0	413,029.7	412,462.0	389,093.8	445,328.1	483,499.7
Assets	459,912.5	451,256.7	456,945.4	463,218.4	470,535.2	546,127.6	526,087.2	581,364.4	618,120.4
Liabilities	66,381.6	64,042.1	61,726.5	59,773.4	57,505.5	133,665.6	136,839.3	136,036.3	134,620.7
NET DOMESTIC ASSETS	-179,515.8	-182,895.9	-175,085.5	-182,491.4	-171,025.0	-173,194.9	-123,393.84	-162,755.2	-188,136.32
-Net Claims on Public Sector	122,087.2	119,278.3	120,036.17	92,866.8	106,366.5	159,189.0	211,632.0	222,068.3	181,996.1
-Net Credit to Banks	-65,541.9	-67,623.5	-68,898.9	-67,433.6	-73,493.8	-65,274.7	-66,981.9	-69,050.6	-70,829.7
-Open Market Operations	-58,532.9	-56,504.49	-56,565.5	-45,884.5	-41,981.8	-74,311.1	-76,564.7	-124,035.7	-100,734.3
-Other	-177,528.3	-178,046.3	-169,657.3	-162,040.1	-161,915.9	-192,798.1	-191,479.3	-191,737.1	-198,568.4
MONETARY BASE	214,015.1	204,318.6	220,133.4	220,953.6	242,004.7	239,267.1	265,854.1	282,573.0	295,363.4
- Currency Issue	116,399.2	120,388.4	127,107.1	148,989.0	145,735.2	151,704.8	170,033.0	190,622.7	181,924.1
- Cash Reserve	54,101.0	44,023.5	45,140.9	45,884.5	48,878.3	35,280.94	37,093.8	39,116.5	39,901.1
- Current Account	43,514.88	39,906.8	48,032.3	26,113.9	47,391.2	52,281.4	58,727.3	52,968.4	73,672.2
GROWTH IN MONETARY BASE [F-Y-T-D]	-	-4.5	2.9	3.2	-	-1.1	9.8	16.8	-

4: MONETARY AGGREGATES

		BASE	M1J	M1*	M2J	M2*	M3J	M3*
	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
	Dec-20	282,573.00	341,946.01	382,054.10	699,607.17	1,092,427.28	926,877.37	1,319,697.49
	Mar-21	295,363.42	348,520.04	390,210.97	717,228.90	1,118,874.17	949,719.11	1,351,364.37

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	...	...
	Mar-21	...	1.23	1.52	...	...

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	...	...	...	...	...	...
	Mar-21	1.00	...	...	...	...	...	...

7: Placements and Maturities* in BOJ OMO Instruments

	July - September 2020			October - December 2020			January - March 2021		
	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	65.0	76.0	0.62	74.5	88.5	0.54	122.0	99.9	1.281
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	0		0	0		0	15	3.01
365-day FR USD IB	0	0		0	0		25.4	0	
540-day FR USD IB	0	0		0	0		0	0	
730-day FR USD IB	15.0	29.7		0	0		0	0	
1095-day FR USD IB				0	23.9		0	0	
Repos	49.6	65.8		86.5	76.9		0.0	13.5	
	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	2.91	0		0	0		0	0	
4-year FR USD CD	0	0		0	0		0	0	
5-year FR USD CD	0.13	0		0.03	0		0.04	0	
7-year FR USD CD	0	0		0	0		0	0	
TOTAL	3.04	0		0.03	0		0.04	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
Dec-20	22.2	119.4	0.0	0.2	13.8	133.9	12.7	302.3

+ Revision

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

	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
1. Current Account	51.6	-153.4	-99.5	-98.6	-61.2	-138.2	-20.6	-4.3	-73.0	7.2
A. Goods Balance	-804.5	-898.5	-945.0	-1011.2	-1017.8	-971.2	-1035.9	-799.5	-594.8	-656.0
Exports (f.o.b)	507.5	537.4	482.3	445.9	436.6	386.0	319.4	372.6	260.5	286.7
Imports (f.o.b)	1312.0	1435.9	1427.4	1457.1	1454.5	1357.2	1355.3	1172.1	855.3	942.7
B. Services Balance	360.9	273.7	313.3	516.1	417.2	347.1	426.3	419.2	-72.7	-5.0
Transportation	-158.5	-183.4	-183.0	-178.4	-180.9	-171.1	-172.5	-153.7	-119.9	-129.9
Travel	666.7	642.3	709.5	921.3	793.0	746.0	854.8	732.7	5.3	200.9
Other Services	-147.3	-185.3	-213.2	-226.8	-194.8	-227.8	-256.0	-159.9	42.0	-76.1
Goods & Services Balance	-443.6	-624.8	-631.8	-495.0	-600.6	-624.1	-609.6	-380.4	-667.6	-661.0
C. Income	-111.7	-174.4	-99.2	-174.5	-45.0	-161.4	-24.7	-201.7	-96.5	-196.1
Compensation of employees	9.0	21.1	50.6	6.0	14.2	23.7	50.9	7.5	8.9	20.0
Investment Income	-120.6	-195.5	-149.8	-180.5	-59.2	-185.1	-75.6	-209.2	-105.4	-216.1
D. Current Transfers	606.9	645.8	631.5	571.0	584.4	647.3	613.7	577.8	691.0	864.4
General Government	44.0	74.3	43.6	46.5	26.1	51.6	15.9	43.4	21.7	46.5
Other Sectors	562.9	571.5	587.9	524.5	558.4	595.8	597.8	534.3	669.3	817.8
2. Capital & Financial Account	67.9	569.5	836.3	-57.1	-31.8	-69.0	560.2	101.8	88.5	-523.3
A. Capital Account	-3.7	-4.8	-6.5	-7.1	-8.5	-6.1	-5.0	-9.5	-9.2	-5.8
Capital Transfers	-3.7	-4.8	-6.5	-7.1	-8.5	-6.1	-5.0	-9.5	-9.2	-5.8
General Government	4.7	2.8	0.7	1.4	1.4	1.5	2.4	0.5	0.8	1.9
Other Sectors	-8.5	-7.6	-7.2	-8.5	-9.8	-7.6	-7.3	-10.0	-9.9	-7.7
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	71.6	574.4	842.8	-50.1	-23.3	-62.9	565.2	111.3	97.7	-517.5
Direct Investment	166.7	169.0	183.1	196.5	-76.7	161.0	-104.4	96.7	-145.2	22.1
Portfolio Investment	-328.7	199.6	129.8	26.7	-98.5	-311.8	260.8	-37.3	-49.9	-311.8
Other official investment	-22.8	15.2	-120.4	-112.4	-156.0	-173.6	1.4	-236.4	-150.0	-102.0
Other private Investment	317.3	81.8	629.0	-81.5	258.3	324.3	471.8	263.9	154.3	96.1
Reserves	-60.9	108.8	21.3	-79.4	49.5	-62.7	-64.5	24.4	288.4	-222.0
Errors & Omissions	-119.4	-416.2	-736.8	155.7	93.0	207.1	-539.6	-97.6	-15.5	516.1

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
	Mar-21	146.5813	120.1525	202.8338

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
	Mar-21	4,243.53	-924.20	3,319.32	53.65	38.71

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

Mar 2019 – Dec 2020– + (Seasonally Unadjusted)

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

	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Total Value Added at Basic Prices	1.7	1.3	0.6	-0.0	-2.3	-18.3	-10.7	-8.3
Agriculture, Forestry & Fishing	0.1	-1.7	-0.0	3.9	7.8	7.9	2.5	-7.2
Mining & Quarrying	11.1	4.7	-17.5	-40.4	-35.8	-25.2	-20.7	6.3
Manufacturing	-1.3	3.2	4.9	0.4	2.2	-11.8	-10.9	-0.4
Food, Beverages & Tobacco	0.2	0.1	2.3	1.8	0.1	-8.6	-8.2	-0.7
Other Manufacturing	-3.4	8.0	8.8	-1.2	5.3	-16.5	-14.6	-0.0
Construction	3.4	-1.4	-2.1	-1.9	-3.3	-14.5	7.0	6.3
Electricity & Water	1.9	-0.1	0.8	2.8	2.1	-8.7	-7.0	-9.3
Wholesale & Retail Trade; Repairs; Installation Of Machinery	1.3	1.0	0.6	0.7	-1.3	-15.6	-8.13	-8.8
Hotels and Restaurants	7.3	5.8	2.5	3.7	-14.1	-85.6	-65.2	-53.8
Transport, Storage & Communication	1.2	0.8	1.2	0.5	-2.7	-20.8	-14.8	-10.4
Finance & Insurance Services	2.4	4.4	3.1	3.3	-1.2	-5.5	-5.6	-2.8
Real Estate & Business Services	0.8	0.8	0.9	0.7	0.2	-5.5	-2.8	-1.3
Government Services	0.2	0.3	0.4	0.2	0.2	0.2	0.1	0.2
Other Services	2.0	1.8	1.9	1.4	-3.7	-44.3	-27.0	-21.6
Less Financial Intermediation Services Indirectly Measured (FISIM)	2.6	3.9	3.7	3.5	3.1	3.9	3.7	3.9

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
	Mar-21	0.1111	0.1943	0.2053	0.2831

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
	Mar-21	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
	Mar-21	0.7255	1.2561	110.7174	0.8525

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
	Mar-21	60.57	57.85	236.82	358.41

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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