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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

The ongoing coronavirus (COVID-19) crisis continued to impact the developments in the September 2021 quarter. Notwithstanding the increased global optimism amid the deployment of the vaccines, the COVID-19 pandemic is still the greatest risk to economic growth both domestically and internationally. The prospects for the Jamaican economy continue to be characterised by uncertainty and vulnerability despite the settling of the third wave of the virus and the easing of some government-mandated restrictions. The economy is nonetheless showing signs of recovery, foreign reserves are robust and the financial system remains resilient.

Annual inflation was 8.2 per cent at September 2021, above the 4.3 per cent at June 2021 and 4.9 per cent at September 2020. Large increases in international commodity and shipping prices have been the principal contributor to domestic inflation rising above the target range. In addition, there were significant upward price impetuses from a shock to agricultural prices and one-off increases in regulated transportation and energy prices. Over the next eight quarters, inflation is projected to average within a range of 5.5 per cent to 6.5 per cent, which is above the average inflation of 5.0 per cent over the past two years.

The Jamaican economy is estimated to have grown in the range of 8.0 per cent to 9.0 per cent for the September 2021 quarter, a slower pace of growth relative to the expansion of 14.2 per cent recorded for the June 2021 quarter. From the perspective of aggregate supply, there was estimated growth in all industries for the review quarter, except *Mining & Quarrying* and *Agriculture, Forestry & Fishing.* For FY2021/22, a partial recovery of 7.0 per cent to 10.0 per cent in real GDP is projected. The risks to the growth forecast are assessed to be 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 deterioration is largely underpinned by a deterioration in the services sub-account, partially offset by an improvement in the merchandise trade balance. The Bank anticipates that the CAD will range between 1.0 per cent to 3.0 per cent of GDP for FY2021/22 to FY2022/23 and average 1.1 per cent of GDP over the medium-term. The risks to the projections for the CAD are balanced. Jamaica's international reserves remain buoyant with gross reserves at end-September 2021 of US$4.8 billion, representing 146.7% of the Assessing Reserve Adequacy metric for FY2021/22. These reserves were boosted by the receipt of a Special Drawing Rights (SDR) allocation from the International Monetary Fund (IMF) in August 2021 amounting to US$520.6 million.

The exchange rate has continued to exhibit two-way movements. The annual average rate of depreciation at end-September 2021 was 6.0 per cent, below the average depreciation of 6.6 per cent recorded last year. These demand pressures were attenuated by B-FXITT sales of US$50.0 million by the Bank to augment market supplies for foreign currency during the quarter. These sales were lower than the total of US$106.0 million sold to the market during the corresponding period of 2020.

Notwithstanding the impact of the COVID-19 pandemic, the financial system continued to be resilient. Broad money grew at an annual rate of 13.1 per cent at August 2021, a deceleration relative to the growth at June 2021. The expansion in broad money at August 2021 reflected growth of 11.9 per cent in local currency deposits which stemmed from growth of 17.4 per cent and 7.6 per cent in savings and demand deposits, respectively. Private sector credit provided by DTI's continued to grow at a slow pace. The slowdown in credit growth reflected weaknesses in income and demand conditions due to the effects of the COVID-19 pandemic. Capital and liquidity levels for the financial sector remained adequate. The risk-weighted Capital Adequacy Ratio (CAR) at end-August 2021 was 14.3 per cent, remaining well above the statutory requirement of 10 per cent. Banks also remained liquid, with all licensees reporting Liquidity Coverage Ratios (LCRs) in excess of 100 per cent at end-August 2021. The quality of the DTIs' loan portfolio remains fairly stable, aided by payment accommodations offered by the sector to its clients at the onset of the pandemic. The ratio of non-performing loans (NPLs) to gross loans at August 2021 was 2.9 per cent, slightly above the 2.7 per cent at August 2020.

In September 2021, Bank of Jamaica, through its Monetary Policy Committee, announced a suite of monetary policy measures which included the decision to increase the policy interest rate by 100 basis points to 1.50% per annum, effective 01 October 2021. The decision to reduce the level of monetary policy accommodation was based on the MPC's assessment that, following the breach in the inflation target in August 2021, the risks of continued breaches had intensified. Additionally, the recent significant increases in international commodity prices and shipping costs had a higher than expected pass through to local prices and contributed to further increases in inflation expectations. The Bank continued to be focused on fulfilling its mandate by ensuring that a growth enabling macroeconomic environment is in place, characterised by inflation returning and remaining within our inflation target range of 4 to 6 per cent.

Contents

ABBREVIATIONS & ACRONYMS

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

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

1.0 Inflation

Inflation is projected to average between 5.5 per cent and 6.5 per cent over the next eight quarters (December 2021 to September 2023), which is higher when compared to the average inflation rate of 5.0 per cent over the past two years. Inflation will continue to breach the upper limit of the Bank's target range over the next 10 to 12 months at higher rates than were envisaged in the previous forecast and is projected to peak in the range 8.0 per cent to 9.0 per cent over this period. This outlook assumes the continued transmission of higher international commodity and shipping prices, albeit lagged, to domestic processed food, food-related services and energy-price inflation. The outlook also assumes a recovery in domestic demand driven mainly by external demand and by still-accommodative monetary conditions. Additionally, past increases in agricultural food prices, regulated transportation fares for Route Taxis, Rural Stage Carriage and Hackney Carriage and utility rates will support higher inflation for 11 months (October 2021 to August 2022).

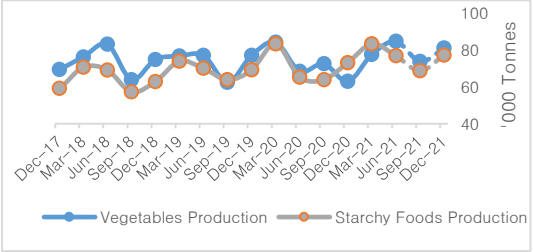
The risks to the near-term forecast for inflation are assessed to be skewed to the upside. The factors that could cause the inflation rate to be higher than forecasted include continued shocks to domestic agriculture commodity supplies, a higher than anticipated pass through to domestic inflation of the increases in international commodity prices and shipping costs. There are also upside risks to inflation from higher than expected inflation expectations which could impact price setting behaviour, further increases in regulated prices and higher than anticipated growth in the economy. On the downside, strong recovery in agricultural production will support lower food price inflation in the short-term.

Recent Developments and Near-term Outlook

The annual point-to-point inflation rate at September 2021 was 8.2 per cent, higher than the 4.9 per cent at September 2020 as well as the upper limit of the Bank's inflation target range of 4.0 per cent to 6.0 per cent. The outturn mainly reflected the impact of an adverse shock to agriculture supplies in the September 2021 quarter. Also, changes in regulated prices were implemented in the form of increases in fares for Route Taxis, Rural Stage Carriage and Hackney Carriage in August 2021.[1] Furthermore, inflation related to processed foods and services accelerated due to the lagged impact of higher international grains and freight costs. In this context, there were annual increases of 5.6 per cent, 7.7 per cent, 12.6 per cent and 11.2 per cent for services, processed food, energy-related and non-processed foods inflation, respectively. This compares to annual increases in September 2020 of 1.9 per cent, 5.4 per cent, 1.7 per cent and 13.4 per cent, respectively. Higher inflation in the Food and Non-alcoholic Beverages division (FNB) was due to increases in domestic agricultural prices stemming from adverse weather in the form of two tropical storms, which largely impacted the prices of vegetables across the island (see **Figure 1**). The Transport division increased mainly due to the implementation of changes in regulated prices by way of increases of 15.0 per cent in fares for Route Taxis, Rural Stage Carriage and Hackney Carriage on 16 August 2021.

[1] The fare increases occurred outside of STATIN's data collection period and as such was reflected in the September 2021 inflation outturn.

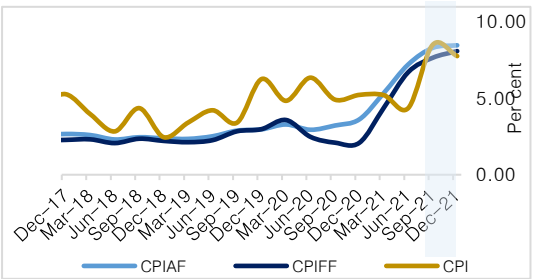
Figure 1: Vegetables and Starchy Foods Production (Tonnes)



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 and energy prices – referred to as CPIAF) at September 2021 was 7.8 per cent, higher than the 7.2 per cent at June 2021 and 3.2 per cent at September 2020 (see **Figure 2**). Core inflation was chiefly influenced by the lagged impact of higher imported inflation, an improvement in domestic demand and elevated inflation expectations.[2]

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



Source: STATIN & BOJ

Inflation Outlook & Forecasts

It is anticipated that inflation will average between 5.5 per cent and 6.5 per cent over the next eight quarters (December 2021 to September 2023), slightly above the previous projection. Inflation will continue to breach the upper limit of the Bank's target range over the next 10 to 12 months at higher rates than were envisaged in the previous forecast and is projected to peak in the range 8.0 per cent to 9.0 per cent over this period. The main assumptions underlying the near-term inflation forecast are as follows:

(i) A moderation in inflation expectations as well as continued growth in domestic GDP are anticipated. Domestic demand is forecasted to continue to recover at a pace that is broadly similar to the Bank's previous projection, reflecting the improvement in external demand and continued accommodative monetary conditions.

(ii) Crude oil prices are projected to reflect an average quarter-over-quarter decline of 1.7 per cent for the forecast period, compared with the decline of 2.7 per cent previously anticipated. Prices are projected to be slightly higher relative to previous forecast and above the past eight quarters. Prices are projected to average US$68.59 per barrel over the next eight quarters, compared with the previous forecast of US$62.49 per barrel.

(iii) Developments in the market for liquified natural gas (LNG) have resulted in an upward revision in forecasted prices for the commodity over the near-term. Prices, however, are forecasted to trend down throughout calendar year 2022 as production increases in the year. Overall, LNG prices are projected to remain above pre-pandemic levels. Over the near-term, prices are expected to average US$4.36 per million British thermal units (BTU) relative to the

[2] The Trimmed measure of core inflation (inflation that excludes the three highest and lowest price changes) was 7.8 per cent as at September 2021, higher than the 4.1 per cent at June 2021 and 3.9 per cent at September 2020. The measure was driven primarily by higher transport costs.

previous forecast of US$3.06 per million BTU.[3]

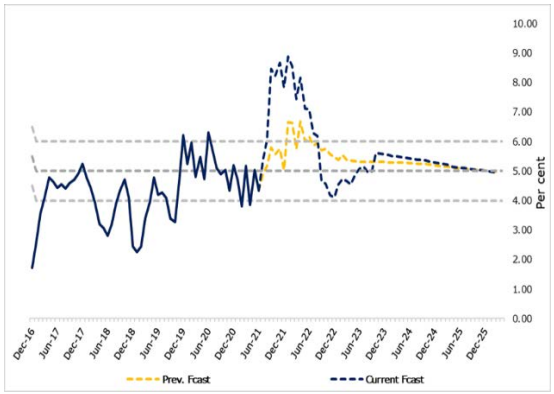
(iv) The average price of grains is projected to decline over the next eight quarters at a rate that is stronger than the Bank's previous forecast. With the reduction, prices in 2022 are forecasted to be similar to levels when compared to those in 2020.

(v) US inflation is forecasted to remain elevated in 2021 amid the continued impact of supply constraints on prices. The current projection is for US inflation to average 3.9 per cent over the next eight quarters, higher than the previous forecast of 3.4 per cent. Inflation is forecasted to gradually decelerate as supply constraints ease and monetary conditions become less accommodative.

(vi) Freight charges are forecasted to increase further before normalizing over the near-term. This in a context of continued supply constraints within the shipping industry.

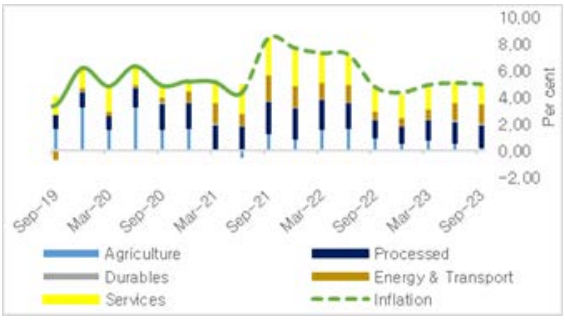
Against this background, the revised inflation projection (for the eight- quarter period December 2021 to September 2023) reflects a higher trajectory for domestic (agricultural) commodities and energy & transport services, primarily over the December 2021 to March 2022 quarters relative to the previous forecast (see **Figure 4**). Inflation is forecasted to be above target for the next four quarters. However, the reduction in monetary policy accommodation and a projected fall in international commodity prices is forecasted to guide inflation back to the Bank's inflation target range by the September 2022 quarter. Agricultural food price inflation is projected to remain below that for 2021, notwithstanding the shock to agricultural supplies caused by the adverse weather in August 2021. Some of the effect of this shock is forecasted to persist over the next 12 months (September 2021 to August 2022). The energy components of Jamaica's fuel mix, energy and transport inflation are forecasted to reflect annual increases over the forecast period.[4] The forecast also assumes further increases in regulated prices.

Figure 3: Monthly Comparative Headline Inflation Forecasts



Source: Bank of Jamaica

Figure 4: Component Contribution to Inflation



Source: STATIN & BOJ

[3] The US EIA currently provides its energy outlook out to December 2022, which represents 5 quarters ahead.

[4] An increase in the JPS bill for residential customers by an average of 1.4 per cent, will have an inflation impact of 0.09 ppts in the October 2021 inflation outturn, this compares to an anticipated increase of 2.7 per cent (0.16 ppts).

Box 1: Businesses' Inflation Expectations Survey – September 2021

Overview

The Bank's Survey of Businesses' Inflation Expectations (IES) at September 2021 indicated that 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 expected the cost of stock replacement and utilities to reflect the highest price increase among the input factors over the next twelve months. The proportion of respondents who held this view was 51.3 per cent and 21.8 per cent, relative to 42.2 per cent and 23.6 per cent, respectively, in the July 2021 survey. Notably, 7.7 per cent and 4.4 per cent of the respondents indicated that the costs of fuel & transport as well as wages & salaries, respectively, were expected to be the highest input cost increases over the next twelve months. Perceptions about the present and future business conditions declined relative to the previous survey. Perception of inflation control deteriorated relative to the previous survey. However, the majority of respondents were not aware of BOJ's inflation target as well as the most recent point-to-point inflation outturn.

Inflation Expectations

In the September 2021 survey, respondents' expectation of inflation 12 months ahead remained unchanged relative to the previous survey outturn of 7.4 per cent. Furthermore, businesses expected an annual point to point inflation rate at December 2021 of 7.1 per cent, which is lower than the annual point to point outturn of 8.2 per cent at September 2021 (see **Figure 1a** and **1b**).

Perception of Inflation Control

The index of businesses perception of inflation control fell when compared to the July 2021 survey (see **Figure 2**). This outturn reflected an increase in the share of respondents who were "dissatisfied" with how inflation was being controlled. Additionally, there was an increase in the share of respondents who were "very dissatisfied" with how inflation is being controlled.

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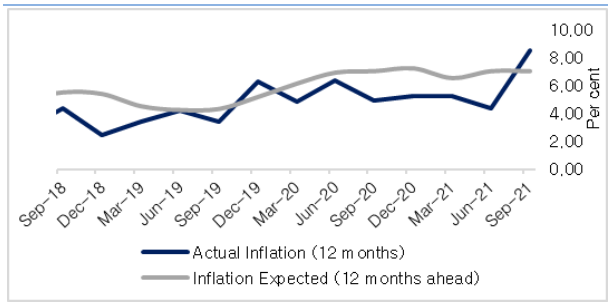
Exchange Rate Expectations

In the September 2021 survey, respondents expected the exchange rate to depreciate at a faster rate over the three, six and twelve- month time horizons relative to the previous survey (see **Table 1**).

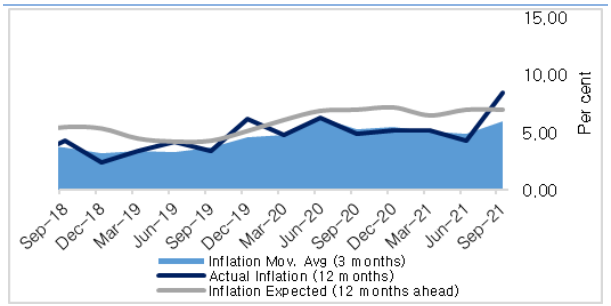
Figure 1: Expected 12-Month Ahead Inflation

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.



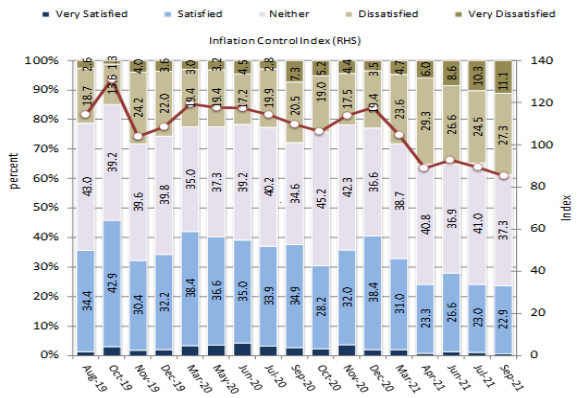
b. Inflation Moving Average



Source: Businesses' Inflation Expectations Survey

Figure 2: Perception of Inflation Control

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



Source: Businesses' Inflation Expectations Survey.

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

Table 1: Exchange Rate Expectations

Question: In June 2021 the exchange rate for the Jamaican Dollar (JA$) in respect of the United States Dollar (US$) was $150.15. What do you think the rate will be for the following periods?

	Expected Exchange Rate Depreciation/Appreciation (%)			
Periods Ahead	Apr-21	Jun-21	Jul-21	Sep-21
3-Months	3.2	0.0	1.3	2.0
6-Months	4.1	0.4	1.9	2.6
12- Months	4.4	0.8	2.1	3.0

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 declined marginally relative to the previous survey. The 90-day Treasury bill (T-Bill) yield, three months ahead, was expected to remain unchanged at 0.6 per cent relative to the July 2021 survey.

Perception of Present and Future Business Conditions

Respondent's views on present business conditions declined in the September 2021 survey relative to the previous survey. This was due to an increase in the proportion of respondents of the view that things are "worse." In the September 2021 survey, businesses view about the future also declined reflecting an increase in respondents who were of the view that conditions will be "worse".

Expected Increase in Operating Expenses

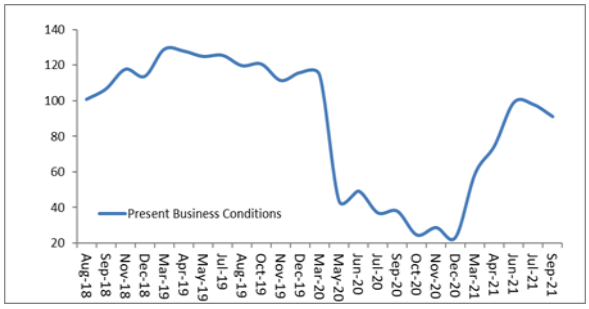
Respondents indicated that they expected the largest increase in production costs over the next 12 months to emanate from stock replacement. This was followed by expected increases in the costs for utilities. The cost for wages & salary reflected the smallest increase (see Table 2).

Inflation Target Awareness

Majority of respondents (62%) were not aware of BOJ's inflation target as well as the most recent point-to-point inflation outturn. In particular, most respondents (76.2%) indicated that they weren't aware of the point-to-point inflation rate as at June 2021.

Figure 3: Perception of Present Business Conditions

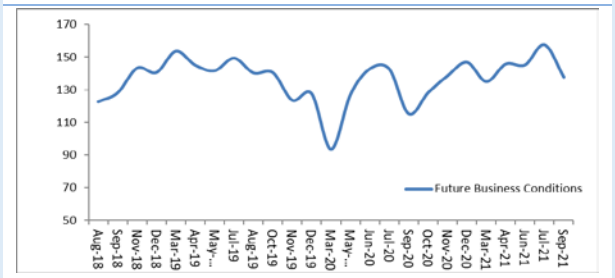
Question: In general, do you think business conditions are better, about the same or worse than they were a year ago in Jamaica?



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

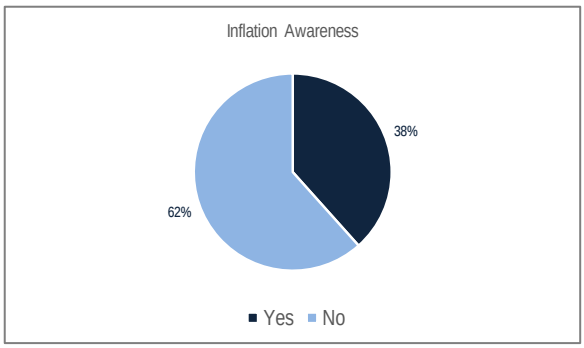
Question: Do you think that a year from now business conditions will get better, about the same as present or get worse?



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

Figure 5: Inflation Target Awareness

Question: Are you aware of the Bank of Jamaica's inflation target?



Source: Businesses' Inflation Expectations Survey.

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? [5]

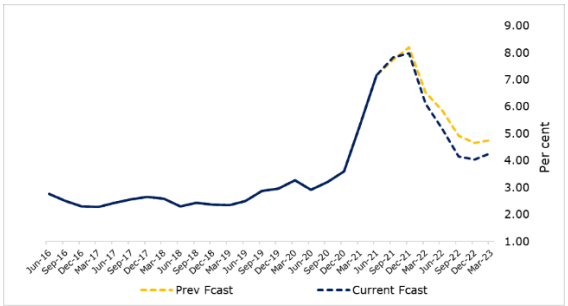
	Jun-21	Jul-21	Sep-21
Stock replacement	41.9	42.2	51.3
Utilities	22.9	23.6	21.8
Raw materials	15.9	10.9	13.3
Fuel & Transport	10.0	13.6	7.7
Wages & Salary	8.6	8.6	4.4
Not Stated	0.7	1.2	1.4
Other	0	0	0

Source: Survey of Businesses' Inflation Expectations (IES)

Inflation Risks

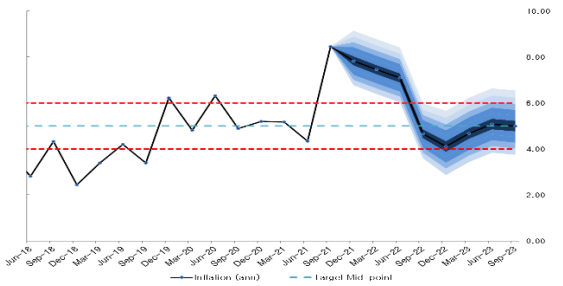
The risks to the near-term forecast for inflation are assessed to be skewed to the upside (see **Figure 6**). The factors that could cause the inflation rate to be higher than forecasted include continued shocks to domestic agriculture commodity supplies, a higher than anticipated pass through to domestic inflation of large increases in international commodity prices and shipping costs. There are also upside risks to inflation from higher than forecasted inflation expectations, which could impact price setting behaviour, further increases in regulated prices and higher than anticipated growth in the economy. On the downside, strong recovery in agricultural production will support lower food price inflation in the short-term.

Figure 5: Comparative Core Inflation Forecasts



Source: Bank of Jamaica

Figure 6: Inflation Fan Chart



Source: Bank of Jamaica

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

2.0 International Economy

Over the next eight quarters (December 2021 to September 2023), global growth is projected to average 3.7 per cent, in line with the previous projection. The global growth outlook will be constrained by supply constraints and supply chain disruptions in key sectors which is forecasted to keep upward pressure on inflation. Further, global growth prospects remain highly uncertain as virus mutations continue to emerge, even as vaccine coverage grows.

Preliminary indications are that GDP in the US expanded by 2.0 per cent for the September 2021 quarter following an expansion of 6.7 per cent for the June 2021 quarter. It is projected that US GDP for 2021 will grow by 5.7 per cent and moderate to 2.9 per cent in 2022. Growth in US GDP in 2021 represents a downward revision relative to the expansion of 6.2 per cent that was previously projected, and a slowdown in 2022, relative to the previous projection of 3.0 per cent. This is primarily due to the impact of supply constraints disruptions. Notwithstanding, over the next eight quarters, US GDP will grow by 2.2 per cent relative to the previous projection of 1.9 per cent. The output gap for the US is projected to remain positive in the near term.

Bank of Jamaica anticipates that the Fed will maintain interest rates to end-2022 and gradually increase rates thereafter, which will support an upward drift in money market interest rates. However, there are risks to the outlook for monetary conditions in the US as the Federal Reserve may begin to raise interest rates earlier than anticipated, which will make the returns on Jamaican dollar assets less attractive than anticipated.

The projection for grains prices over the next eight quarters has been revised downwards, relative to the previous forecast, while the projections for fuel prices have been revised upwards. The risks to the forecast for grains prices are skewed to the downside. However, the risks to the forecast for fuel prices are assessed as balanced.

Trends in the Global Economy

The global economy is estimated to have expanded by 4.8 per cent for the September 2021 quarter, a smaller increase compared with the expansion of 12.3 per cent in the June 2021 quarter, and below the previous projection of 5.4 per cent.[1, 2] The estimated deceleration in growth for the September 2021 quarter reflects the impact of renewed restrictions in some economies due to the spread of the Delta variant of the COVID-19 virus, the fading

[1] The Bank's previous forecast included an expansion of 11.9 per cent for the global economy for the June 2021 quarter, which compares with the current outturn of an expansion of 12.3 per cent.

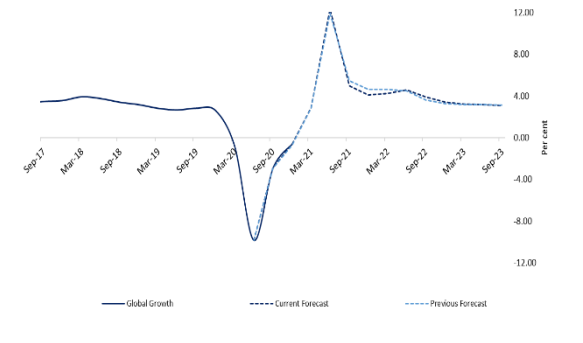
[2] A report presenting the J.P. Morgan Global Composite PMI, an index, which measures changes in total output across both manufacturing and service sectors, highlighted a marginal improvement in the rate of global economic expansion for the September 2021 quarter. The index was 53.0 in September 2021 up marginally from 52.5 in August 2021, and has remained above the neutral 50 mark. A reading above 50 signifies an expansion in economic activity. Both manufacturing and service sectors contributed to the slight improvement, although output growth for the manufacturing sector remained the second weakest since recovery commenced in July 2020. Lingering COVID-19 Delta variant issues continued to affect demand, particularly in the service sector. Meanwhile issues of supply constraints, across both input and labour, were aggravated further by the latest Delta wave. Average suppliers' delivery times continued to lengthen globally at a near-record pace while input prices inflation remained among the highest for a decade.

impact of fiscal stimuli, as well as ongoing global supply chain disruptions and supply chain bottlenecks in both the goods and labour market, aiding the depletion in inventories.

For the US in particular, the Bureau of Economic Analysis' (BEA's) advance estimate indicates that GDP for the September 2021 quarter increased on an annualized basis by 2.0 per cent, following an expansion of 6.7 per cent in the June 2021 quarter.[3, 4] The weaker growth in US GDP for the September 2021 quarter relative to the June 2021 quarter was mainly due to a slowdown in consumption growth as the initial boost from pandemic related support programmes faded.[5] The slower pace of growth was also impacted by the impact of the Delta variant on international supply chains and domestic spending behaviour.

Global growth is projected to average 3.7 per cent over the next eight quarters (December 2021 to September 2023), in line with the previous projection (see **Figure 7**). [6 7] The outlook will be impacted by global supply shortages and supply disruptions. Further, with supply continuing to lag behind the unprecedented increase in consumer demand, the global economic rebound is forecasted to slow in the near term. The outlook will also be impacted by China's energy shortage, as a number of provinces in industrial regions have implemented electricity rationing. Vaccination campaigns are proceeding at different rates around the world, and the scale of macroeconomic policy support and the ability to reopen contact-intensive service sectors differ across economies.

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 2.2 per cent for the December 2021 to September 2023 quarters, marginally above the previous forecast of 1.9 per cent and at a faster pace than the growth in potential GDP (see **Figure 8**). Economic activity will rebound in 2021 to 5.7 per cent, a slower pace than previously anticipated, as supply shortages become more acute. The Fed is also expected to begin reducing its asset purchases by end-2021. Further, a slowdown in vaccination rates, fading fiscal support including unemployment benefits to households, and the impact of the uptick in COVID-19 cases during the summer period, which reversed prior growth in those sectors that was most impacted by the pandemic, have also

[3] The increase in real GDP in the third quarter reflected increases in private inventory investment, personal consumption expenditures (PCE), state and local government spending, and non-residential fixed investment that were partly offset by decreases in residential fixed investment, federal government spending, and exports. Imports, which are a subtraction in the calculation of GDP, increased. The outturn for the September 2021 quarter was below the Bank's forecast of 4.0 per cent.

[4] The Bank anticipated an expansion of 4.0 per cent for the September 2021 quarter, a downward revision compared to an expansion of 5.8 per cent projected at the August 2021 assessment. This revision was predominantly supported by the continuing supply bottlenecks and shortages in the global economy and its impact on the US economy. The most recent uptick in the Delta variant in August 2021, which weighed on high contact service activities also negatively contributed to GDP growth. The size of the economy is now above its pre-pandemic level, however, the US economy appears to be past its growth peak and is expected to decelerate toward 2.0 per cent by 2023.

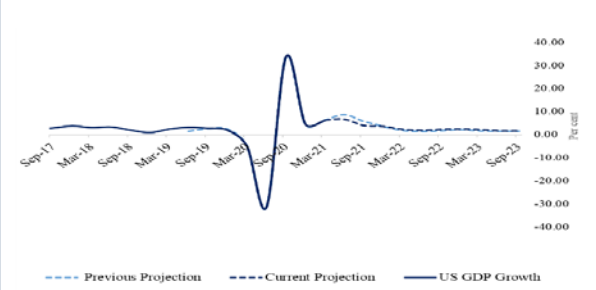
[5] Personal consumption, the biggest part of the US economy, increased at an annualized rate of 1.6 per cent in the September 2021 quarter, a significant slowdown relative to 12.0 per cent in the June 2021 quarter.

[6] The IMF in its October 2021 World Economic Outlook (WEO) reported that, compared to its July 2021 forecast, the global growth projection for 2021 has been revised down marginally to 5.9 per cent and is unchanged for 2022 at 4.9 per cent. The downward revision for 2021 reflects a downgrade for advanced economies—in part due to supply disruptions—and for low-income developing countries, largely due to worsening pandemic dynamics. This is partially offset by stronger near-term prospects among some commodity-exporting emerging market and developing economies. This compares to the Bank's forecast for the global economy to grow 5.7 per cent in 2021 and 4.5 per cent in 2022.

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

negatively weighed on growth in 2021. However, going forward, the marginally higher growth reflects the incorporation of the US Infrastructure Investment and Jobs Act (IIJA).

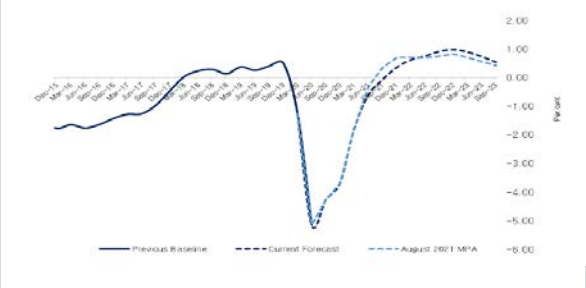
Figure 8: Comparative US GDP Growth Forecast
(Per cent change annualized)



Source: BOJ, CBO

The US output gap is projected to be positive over the next eight quarters (December 2021 to September 2023) (see **Figure 9**), similar to the previous forecast.[8] However, the output gap is projected to be lower than previously anticipated for the remainder of 2021.[9] Thereafter, the output gap will be marginally higher than previously anticipated amid expectations for the passing of the US Infrastructure Investment and Jobs Act (IIJA).[10]

Figure 9: US Output Gap
(Per cent of Potential GDP)



Source: BOJ, CBO

Risks

The risks to global growth are skewed to the downside. Longer lasting supply constraints and a further increase in transportation costs could limit economic growth. Further, an electricity shortage in China could restrict factory production. If China slows down substantially in 2022, the country's imports from the rest of the world could decelerate, leading to slower export growth in major trading countries. Additional downside risks exist from a slowdown in vaccination rates amid resistance towards the inoculation. However, progress with achieving greater vaccine production and distribution and further strong fiscal responses can generate a stronger recovery in economic growth. 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 labour force and boost spending. There is also the possibility of additional expansionary fiscal policy, in particular, the expansion of the safety net and provisions for climate change.[11]

[8] The Bank uses the historical output gap data reported by the Congressional Budget Office (CBO).

[9] The downward revision to the US output gap in 2021 is as a result of a downward revision to the growth outlook for the US in the September and December 2021 quarters.

[10] On 10 August 2021, the US Senate passed the Infrastructure Investments and Jobs Act (IIJA) in a 69-30 vote. The bipartisan infrastructure legislation would provide US$1.2 trillion over five years from FY 2022 through FY 2026, including US$550 billion in new investments for all modes of transportation, water, power and energy, environmental remediation, public lands, broadband and resilience. In addition to providing authorizations for a wide variety of programs, the IIJA would also make supplemental appropriations to several federal agencies. Though the Senate has passed the infrastructure bill, the House of Representatives has not yet voted on the IIJA. This does not include the proposed spending on expanding the social safety net and provisions for climate change.

[11] US lawmakers are discussing another multi-trillion dollar bill – a reconciliation bill – that will be covered by increases in taxes for corporations and top earners. The proposed 10-year spending plan, originally priced at US$3.5 trillion, details the projects contemplated (funds will be allocated to expand education, health care and child care support, as well as tackling the climate crisis and making further investments in infrastructure) however, the specific timing of the projections are still unclear. The current view is that the offsetting tax increases would mean that there would be no meaningful boost to the economy, particularly in the near term.

Box 2: Economic Growth in Selected Economies

China

The Chinese economy is estimated to have recorded an expansion of 4.9 per cent for the September 2021 quarter compared to a year ago. This pace was slower than the growth of 7.9 per cent in the June 2021 quarter. The slowdown in expansion in the September 2021 quarter was supported by an uptick in COVID-19 cases which led to the implementation of restrictive measures. Growth will continue to be impacted by the power rationing that was enforced in several provinces in China and as surging raw material prices increase producer prices.

GDP growth in China is projected to average 5.4 per cent, over the next eight quarters and range between 4.1 per cent to 5.9 per cent.[12]

Japan

The Japanese economy is estimated to have recorded an expansion of 1.4 per cent for the September 2021 quarter, on a quarterly annualised basis, following an expansion of 1.9 per cent in the June 2021 quarter.

For the next eight quarters, GDP growth in Japan is projected in the range of 1.3 per cent to 3.7 per cent, averaging 2.1 per cent.

Canada

The Canadian economy is estimated to have expanded by 4.5 per cent for the September 2021 quarter on a quarterly annualised basis, compared to a contraction of 1.1 per cent for the June 2021 quarter.

For the next eight quarters, GDP growth in Canada is projected in the range of 1.9 per cent to 5.8 per cent, averaging 3.2 per cent.

Of note, the continued increase in oil and gas prices, signals a potential recovery in the Canadian economy through 2021.

Euro Area

The Euro Area is estimated to have expanded by 3.8 per cent in the September 2021 quarter, on a quarterly annualised basis, compared to an expansion of 13.8 per cent in the previous quarter.

For the next eight quarters, GDP growth in the Euro Area is projected in the range of 2.1 per cent to 6.4 per cent, averaging 3.7 per cent.

United Kingdom (UK)

The UK economy is estimated to have expanded by 9.5 per cent in the September 2021 quarter, on a quarterly annualised basis following a contraction of 23.9 per cent in the previous quarter.

Growth in the UK economy over the next eight quarters is projected in the range of 1.6 per cent to 6.1 per cent, averaging 2.8 per cent.

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

Labour Market

The unemployment rate in the US at September 2021 was 4.8 per cent, a decline of 0.4 percentage points relative to August 2021 (see **Table 1**). [13, 14] This rate was below the Bank's projection of 5.0 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.[15, 16]

Table 1: Unemployment/ Job Seeking Rate for Selected Economies (e.o.p Per Cent)[17]

	USA*	Canada*	Euro
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	8.1
Jun-21	5.9	7.8	7.7
Sep-21	4.8	6.9	7.4

Source: Official statistics offices

Monetary Policy

In November 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.[18]

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 to at least June 2022. The Bank consequently anticipates that the Fed will gradually raise interest rates by at least 175 basis points over the period 2022 to 2024. The Fed also announced its decision to reduce its asset purchases effective November 2021.[19]

[13] The unemployment rate declined to 4.8 per cent, still above the levels seen prior to the pandemic, but down considerably from the high unemployment levels during the February to April 2020 period.

[14] Total nonfarm payroll employment in the US increased by 194,000 in September 2021. The increase in employment growth was driven by the leisure and hospitality sector, with continued job growth in arts, entertainment and recreation. However, employment growth in food services and drinking places changed little for the second consecutive month, indicating that the lingering impact of the Delta variant continued to weigh on activity in September 2021. Of note, leisure and hospitality increased by 74,000 and is still 1.6 million below its pre-pandemic level. Other notable job gains occurred in professional and business services, retail trade and transportation and warehousing. Notwithstanding, private education employment declined in September 2021, despite the reopening of schools for in-person teaching. Further, average hourly earnings increased by 0.6 per cent over the month, lifting the annual rate to 4.6 per cent. This indicates that labour shortages are beginning to put severe upward pressure on wages. Despite the decline in the unemployment rate, there remains continued weakness in labour participation, with the labour force declining by 183,000, 3.0 million below its February 2020 level. The rate of permanent job losers, at 2.3 million, declined by 236,000 in September 2021, but is 953,000 higher than in February 2020. The number of persons on temporary layoff, at 1.18 million, changed little in September, however, this is only 374,000 above its February 2020 level.

[15] The unemployment rate is projected to end FY2021/22 at 4.2 per cent, 1.8 percentage points below the rate at end-FY2020/21 and end FY2022/23 at 4.0 per cent.

[16] Continuing jobless claims in the US was approximately 2.71 million in the week ended 25 September 2021 a decline 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 21 March 2020 when it was 2.07 million. Employment will continue to rebound over the coming months as the economy continues to reopen and as the leisure and hospitality sector, in which job shortages were more acute continues to recover strongly in the near term. Rebounding employment growth should keep downward pressure on the unemployment rate.

18 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 at the rate of 2.0 per cent over the longer run. At its September 2021 meeting, US Fed officials revised their inflation projections up to 4.2 per cent for 2021, relative to 3.4 per cent previously predicted and is also projecting that inflation will remain slightly above 2.0 per cent in 2022 and 2023. The Fed's median projection now shows four 25 basis points rate hikes in 2023.

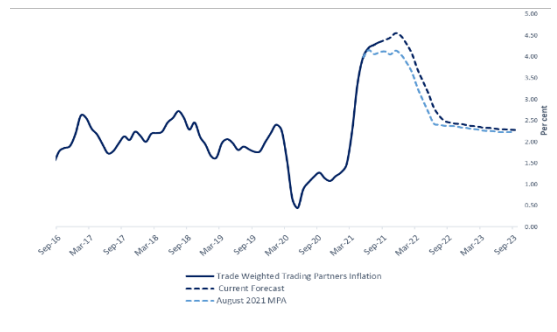
[19] In December 2020 the Committee stated its intention to continue asset purchases at a pace of at least US$120 billion per month until substantial further progress has been made toward the maximum employment and price stability goals. At its meeting on 04 November 2021, the Committee judged that the economy has met this test, and decided to begin reducing the pace of its asset purchases. Beginning in November 2021, the Fed will reduce the monthly pace of its net asset purchases by US$10 billion for Treasury securities and US$5 billion for agency mortgage-backed securities. The Fed also announced another reduction of this size in the monthly purchase pace starting in mid-December 2021. If the economy evolves broadly as expected, the Fed judges that similar reductions in the pace of net asset purchases will likely be appropriate each month, implying that increases in the securities holdings would cease by mid-2022.

Trading Partners' Inflation

The weighted average of 12-month inflation rates for Jamaica's trading partners' (TPs) at September 2021 is estimated at 4.4 per cent. This estimate is above the Bank's previous forecast of 4.1 per cent. For the US, annual CPI inflation at September 2021 was 5.4 per cent, marginally above the previous forecast of 5.3 per cent.[20] The personal consumption expenditures (PCE) price index increased by 4.3 per cent on a year-on-year basis at August 2021.

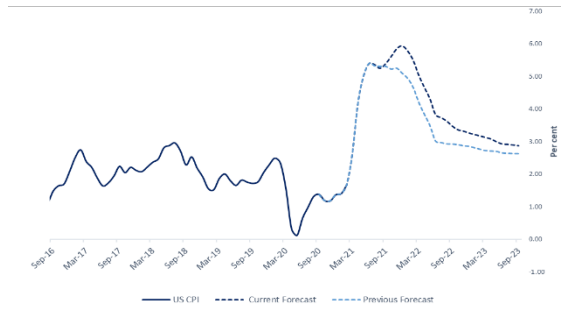
Over the next eight quarters, the Bank projects the inflation rate of Jamaica's main trading partners (TP) to average 2.9 per cent, marginally above the previous forecast of 2.7 per cent (see **Figure 10**).[21] The projection for TP inflation largely reflects upward pressures on prices linked to the reopening of economies, the release of pent up demand and base effects. Constraints in labour and product markets are likely to put sustained upward pressure on wages and prices over the remainder of 2021, resulting in inflation remaining elevated. As such, US inflation is projected to average 3.9 per cent, above the previous forecast of 3.4 per cent over the ensuing eight quarters (see **Figure 11**). [22, 23]

Figure 10: Trade Weighted Trading Partners' Inflation
(12-month Per cent change)



Source: Bloomberg

Figure 11: US Inflation
(12-month Per cent change)



Source: Bloomberg

Trends in Trading Partners' Exchange Rates

During the September 2021 quarter, TP currencies generally depreciated against the US dollar relative

[20] For September 2021, the index for all items less food and energy rose 4.0 per cent over the last 12 months, the same increase as the period ended August, 2021. The food index increased 4.6 per cent while the energy index rose 24.8 per cent over the last 12 months . All the major energy component indexes increased. Energy effects have continued to boost headline inflation and supply shortages are adding to price pressures. W ith the Delta-related wave of infections now fading, demand for high contact services should rebound along with prices.

[21] The inflation rate of Jamaica's main trading partners (TP inflation) for FY2021/22 is projected at 4.2 per cent, marginally higher relative to the previous forecast of 3.9 per cent.

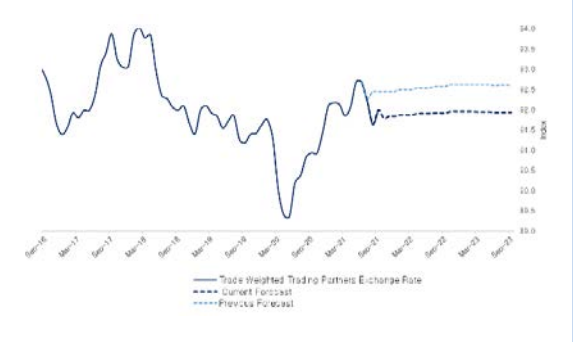
[22] This is consistent with the Fed's goals to achieve maximum employment and inflation at the rate of 2.0 per cent over the longer run, thereby aiming to achieve inflation moderately above 2.0 per cent for some time so that inflation averages 2.0 per cent over time. Of note, the Fed continues to reiterate that the surge in inflation will be largely transitory and that inflation will likely remain elevated in coming months before moderating. In light of this, the November 2021 forecast assumes inflation will remain elevated averaging 4.5 per cent in 2021 and decelerate in 2022, averaging 4.2 per cent.

[23] The surge in US CPI inflation to more than 5.0 per cent is mainly due to the resurgence in energy prices, the impact of supply shortages (mostly vehicle prices), and the rebound in the price of high contact services, as restrictions have been eased. Those effects are expected to ease in 2021, but they will be bigger and last longer than previously assumed.

to the June 2021 quarter. [24, 25] The stronger US dollar primarily reflected the impact of investors' preference for safer assets due to an acceleration in the spread of the Delta variant of the coronavirus during the summer. The US dollar found additional support from investors' expectations that the Fed is likely to taper its assets purchases by end-2021.

Bank of Jamaica projects that, over the next eight quarters (December 2021 to September 2023), the currencies of Jamaica's major trading partners will remain unchanged, on average, against the US dollar (see **Figure 12**). The outlook for the US dollar reflects expectations that the Fed will taper monetary policy soon, putting upward pressure on the dollar. However, this impact is offset by the assumption that relatively high and growing US federal debt will negatively impact the dollar in the near term.

Figure 12: Trading Partners' Trade Weighted Exchange Rate – vis-à-vis USD, May 2013 =100



Notes: An increase in the index represents a depreciation of the US dollar, while a decline represents an appreciation of the US dollar.
Source: Bloomberg

Commodity Prices

The daily average of West Texas Intermediate crude oil prices for the September 2021 quarter increased by 6.8 per cent relative to the June 2021 quarter.[26] However, relative to the September 2020 quarter crude oil prices increased by 72.4 per cent. The increase in crude oil prices, relative to the previous quarter, mainly emanated from the recovery in global oil demand in major economies and increasing investor expectations that demand will exceed supply through 2021. Global supply had been adversely impacted by hurricane-related disruptions as well as low investment, which resulted in declines in US crude inventories. Additionally, OPEC and its allies' decision on 04 October 2021 to maintain its current policy to gradually raise crude production by 400,000 barrels per day (bpd) for November 2021, despite increasing global demand, contributed to an increase in oil prices.[27] Oil prices further increased alongside a broader rally in commodities including natural gas and coal in the context of an energy crisis impacting Europe and Asia. However, the impact of the increase in prices during the quarter was partly offset by (i) an acceleration in COVID-19 cases during the summer and (ii) the appreciation of the US dollar, which reduced investors' appetite for US dollar denominated commodities.

The projected path for crude oil prices over the near term (December 2021 to September 2023) has increased relative to the last forecast. Oil prices are projected to average US$68.33 per barrel for the next eight quarters compared to an average of US$62.49 per barrel in the previous projection. This forecast trajectory implies that the average of the quarter-over-quarter decline in crude oil prices for

[24] There was an average depreciation of 0.6 per cent in the exchange rate of Jamaica's trading partners vis-à-vis the USD for the September 2021 quarter, following an average appreciation of 0.5 per cent in the June 2021 quarter. This compares to the previous forecast for an appreciation of 1.6 per cent for the review quarter. The exchange rates of Jamaica's trading partners vis-à-vis the USD appreciated, on average, by 1.4 per cent in the September 2021 quarter relative to a year prior.

[25] On a monthly basis, the currencies of Jamaica's major trading partners, on average, depreciated by 0.5 per cent and 0.6 per cent in July and August 2021, respectively, and appreciated by 0.4 per cent in September 2021, relative to the USD. The US dollar outturn in July and August 2021 occurred in the context of investors' increased appetite for relatively safer assets amid the acceleration in the spread of the delta variant of COVID-19. Investors' expectations that the Fed may soon taper its bonds purchasing also supported the US dollar.

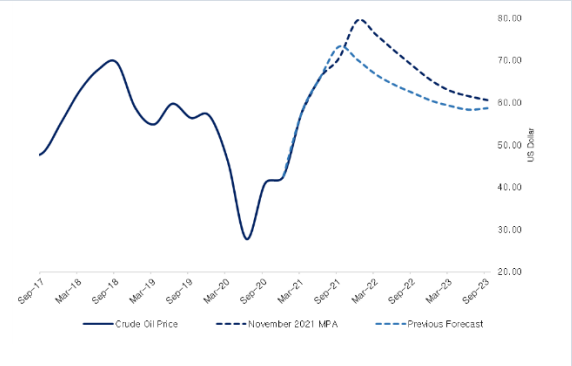
[26] In the previous projection, the Bank projected the daily average of West Texas Intermediate crude oil prices for the September 2021 quarter to increase by 10.9 per cent relative to the June 2021 quarter.

[27] The group's decision on production policy had been widely expected, although some had hoped pressure from the U.S. and India to tame soaring oil prices might have been enough to persuade the group to offer more supply.

the period has been revised to 1.7 per cent, compared with the 2.7 per cent previously anticipated (see **Figure 13**).

For the December 2021 and March 2022 quarters, crude oil prices are projected to average US$79.51 per barrel (12.7 per cent increase for the quarter) and US$76.06 per barrel (4.3 per cent decline for the quarter), respectively, which compares to quarterly averages of US$70.10 and US$66.63 in the previous projection. The projected increase in crude oil prices for the December 2021 quarter is underpinned by expectations that demand will continue to outpace supply, amid a slow return of oil supply to the market.[28] Of note, moderate downward oil price pressures are forecasted to emerge beginning in the March 2022 quarter as global oil production rises and cause a slower pace of reduction in inventory.[29] Additionally, oil demand growth is forecasted to slow as the boost associated with the lifting of virus-related restrictions begins to fade. Higher oil price levels realized in 2021 will support increases in US tight shale production.

Figure 13: Trend in Average WTI Crude Oil Prices



Sources: Bloomberg, BOJ

For the September 2021 quarter, LNG prices increased due to a rise in US natural gas demand for power generation.[30] Prices also found support from below-average inventory levels and supply disruptions in the Gulf of Mexico, following the passing of Hurricane Ida.

LNG prices will remain relatively high in 2021 amid higher residential and commercial consumption during the 2021/22 winter season and as countries utilize more LNG due to tightness in the crude market. Upward price pressures will also emerge from relatively slow growth in US natural gas production through 2021. However, prices are anticipated to decline through 2022 as production growth outpaces growth in US LNG exports. (See **Figure 14**). As such, Henry Hub spot price is forecasted to decline to an average of US$4.01 per million British thermal units (MMBtu) in 2022 from an estimated average of US$4.17/MMBtu in 2021.

Figure 14: Trend in Average LNG Prices

Sources: Bloomberg, BOJ

The risks to the forecast for oil prices over the next eight quarters are balanced. There is the possibility for a longer lasting and more intensive impact of COVID-19, which could further hurt the recovery in

[28] OPEC and its allies decision to maintain its current output policy to gradually raise crude production by 400,000 barrels per day (bpd) for November 2021, despite increasing global demand, contributes to oil prices remaining elevated in the second half of 2021.

[29] Increasing oil consumption combined with production restraint from OPEC+ and relatively flat crude oil output in the United States have continued to keep global oil consumption above global oil supply, draining inventories in 2021. Despite strength in oil prices during the first half of 2021, moderate downward oil price pressures are forecasted to emerge beginning the first quarter of 2022 as global oil production rises and cause inventories to draw at a slower pace.

[30] On the demand side, unseasonable weather and extreme weather events have led to longer periods of cooling and heating than is typical. In addition, China's rapid rebound from the pandemic has also boosted gas demand. On the supply side, US production and exports have been hit by extreme weather and the pandemic-related price collapse in 2020. There have been outages at several LNG plants and Russia seems to be limiting exports via Ukraine for political reasons. As a result, gas prices have soared. Since the start of the June 2021 quarter, the European gas price has surged by 290.0 per cent, Asia LNG spot prices are up 260.0 per cent and US natural gas (Henry Hub) has nearly doubled.

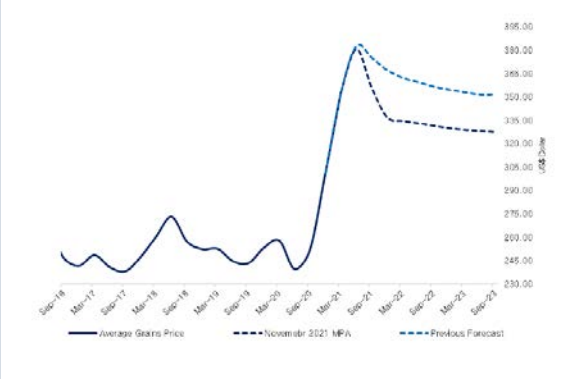
global trade, and reduce confidence and investment worldwide, resulting in downward price pressures. Additionally, China is particularly at risk for further economic slowdown in 2022, which could lead to slower imports of commodities, thereby placing downward pressure on global commodity prices. Notwithstanding, OPEC+ production restrictions could remain in force until 2022, widening the supply deficit in the global oil market. The duration of, and compliance with, the latest production targets by OPEC and its allies remains uncertain to global markets.

The risks to the forecast for LNG prices over the next eight quarters are assessed as balanced. Downward price pressures may emerge from the impact of additional supply as production increases in 2022, incentivised by higher prices. However, this is offset by expectations for rising demand and colder temperatures in the US during the upcoming winter.

Average grains prices for the September 2021 quarter declined by 6.5 per cent, relative to the June 2021 quarter (an increase of 41.3 per cent on an annual basis).[31] This decline was associated with lower prices for soybean (6.0 per cent decline for the quarter, 46.7 per cent increase on an annual basis), corn (11.6 per cent decline for the quarter, 65.6 per cent increase on an annual basis) and wheat (1.5 per cent decline for the quarter, 12.7 per cent increase on an annual basis). The decline in grains prices for the quarter reflected the impact of the appreciation of the US dollar against third party currencies, which reduced the demand for dollar denominated commodities. Favourable weather conditions in parts of the US, which boosted production, also supported the downward trend in prices.

The average price of grains is projected to decline at an average quarter over quarter rate of 1.0 per cent over the next eight quarters (December 2021 to September 2023), a rate that is broadly in line the Bank's previous forecast.[32] The pace of decline in prices mainly reflects expectations for a rebound in supply over the next eight quarters. Of note, the average price of grains over the December 2021 and March 2022 quarters is projected to decline at an average quarter over quarter rate of 3.0 per cent due to expectations of rising supplies (see **Figure 15**).

Figure 15: Trend in Average Grains Prices



Sources: Bloomberg, BOJ

External Financial Markets

GOJ's sovereign bond spreads over the September 2021 quarter deteriorated 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+ deteriorated (increased) by 23 basis points (bps) and 19 bps, respectively, when compared to the same measure for the June 2021 quarter.[33] These spreads were projected to increase by 2 bps and 1 bp, respectively (see **Figure 16**).[34]

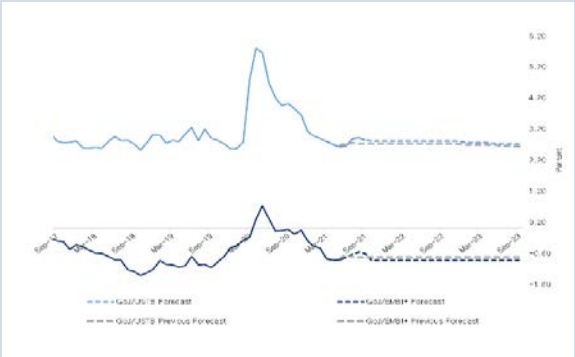
[31] The Bank projected a decline of 6.5 per cent for the September 2021 quarter relative to the June 2021 quarter.

[32] The previous forecast assumed an average quarter over quarter decline of 1.1 per cent over the December 2021 to September 2023 quarter.

[33] For the quarter, relative to US Treasury Bill yields and EMBI+, these spreads were 289 bps and negative 80 bps, respectively.

[34] The spread for the September 2021 quarter, relative to US Treasury Bill yields and the EMBI+, were projected to be 275 bps and negative 92 bps, respectively. During the September 2021 quarter there was a general deterioration in global risk appetite driven by investors' concerns regarding the uptick in the delta variant of COVID-19 cases. Additionally, concerns relating to labour and supply shortages continued to pose as downside risks to the economy. This reduced investors' desire to hold risky assets. Annualized inflation rates rising well above target to levels not seen in over a decade led investors to speculate as to whether current levels would continue or prove transitory.

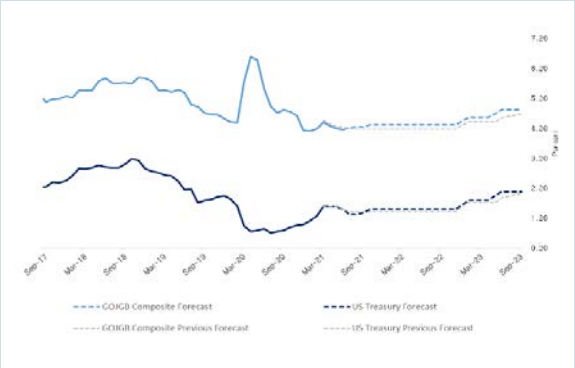
Figure 16: Average International Bond Spreads
(Per cent)



Sources: Bloomberg,

In the context of the performance of the GOJ yield spreads over the quarter, there were respective declines of 20 bps and 17 bps in the average yields on US Treasuries and EMBI+, while GOJGBs increased by 2 bps (see **Figure 17**).[35]

Figure 17: Average International Bond Yields
(Per cent)



Sources: Bloomberg,

Jamaica's sovereign bond yields are projected to be relatively stable to at least the June 2022 quarter.[36] However, from the March 2023 quarter onwards, bond yields are forecasted 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 September 2021 quarter were mixed. Relative to the June 2021 quarter, the Dow Jones Industrial Average (DJIA) declined by 1.9 per cent, while the S&P 500, Euro First and the FTSE 100 advanced by 0.2 per cent, 0.6 per cent and 0.7 per cent, respectively (see **Figure 18**). The performance for US equity indices was mainly supported by concerns that higher inflation, driven in part by supply chain issues, will prove to be longer lasting. There was also increased uncertainty regarding China's economic rebound as investors were concerned that the already slowing Chinese economy would be affected by the possible bankruptcy of a large Chinese property developer, Evergrande. Additionally, China has implemented power rationing, which is impacting factories and homes, as evidenced in their latest manufacturing PMI data that declined in September 2021. China's restrictions on electricity is forecasted to further impact the commodities markets and could exacerbate the global shortage of semiconductors, thereby having spill over effects on the global technology and automotive industries. Gridlock in US Congress over the debt ceiling and government shutdown also weighed on US equity markets. However, US equity markets were positively impacted by expectations that the Fed will taper its bond-buying programme by end-2021 as it was seen as a confirmation of continued strength and 'substantial progress' made by the economy in recovering from the pandemic. Consistent week over week improvements in the percentage of jobless claims, and strong corporate earnings reports from a number of companies also supported equity markets.

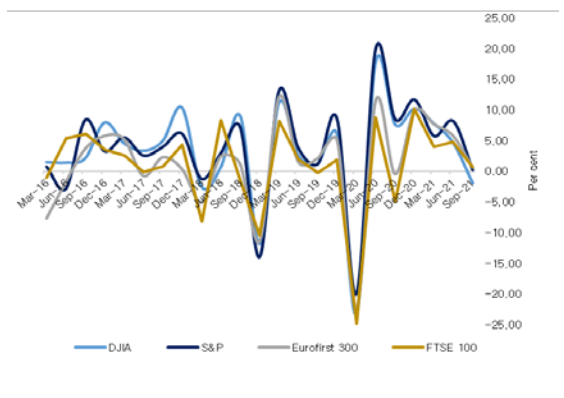
The outturn for the Eurozone and UK equity indices reflected investor optimism regarding reports of strong economic recovery. However, the impact

[35] The increase in GOJGB's mainly reflected the steady rise in yields on the 8.0 per cent 2021 bond as it approaches maturity on 16 November 2021.

[36] On 04 October 2021, Jamaica's rating outlook was revised from negative to stable by ratings agency, Standard and Poor's (S&P). The outlook revision to "stable" is based on S&P's analysis that the Government's finances will continue to improve, which will lead to the continued reduction of economic and financial risks caused by the pandemic and the expectation that Jamaica's debt will resume its pre-pandemic downward trajectory. The ratings agency also affirmed the Government of Jamaica's 'B+' long-term foreign and local currency sovereign credit ratings and 'B' short-term foreign and local currency sovereign credit ratings.

was partly offset by the release of economic data revealing that Eurozone inflation increased to a 13-year high in September 2021, amid soaring energy costs as well as shipping and production bottlenecks.

Figure 18: Selected Stock Market Indices
(Quarter-over-Quarter Per cent)



Source: Bloomberg

3.0 Real Sector

Domestic economic activity is estimated to have grown in the September 2021 quarter. For FY2021/22, a partial recovery in the range of 7.0 per cent to 10.0 per cent in real GDP is projected, while growth in the range of 2.0 per cent to 4.0 per cent is anticipated in FY2022/23. This is broadly similar to the Bank's previous projection. Higher growth in GDP is projected over the next eight quarters, largely reflecting an improvement in Manufacture, Wholesale & Retail Trade, Transport, Storage & Communication.

Over the medium term (FY2023/24 – FY2027/28), GDP growth is projected to average 1.5 per cent, which is in line with previous projections. This reflects the view that potential output growth is line with the previous assessment where long run growth is forecasted to settle at 1.0 per cent. The risks to the forecast for real GDP growth are assessed to be balanced.

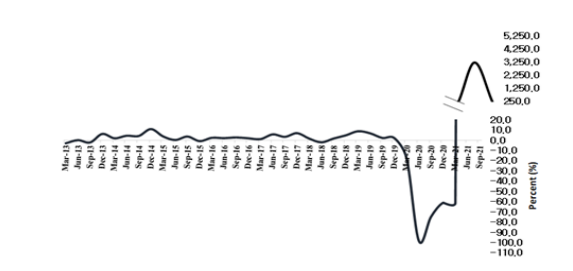
GDP Growth

For the September 2021 quarter, the Jamaican economy is estimated to have expanded between 7.0 per cent to 9.0 per cent, a slower pace of growth relative to previously projected growth and the expansion of 14.2 per cent recorded for the June 2021 quarter. The estimated growth for the quarter reflects a continued rebound in economic activity, notwithstanding the curtailment of non-essential movement for three days per week over a period during the quarter.[1] All sectors of the economy were estimated to have grown during the quarter, except for *Mining & Quarrying* and *Agriculture, Forestry & Fishing.* Growth was chiefly reflected in *Hotels & Restaurants, Other Services, Transport Storage & Communication, Wholesale & Retail Trade* and *Manufacture*.[2] With regard to Hotels & Restaurants, the performance was based on the continued increase in foreign national arrivals. For *Other Services*, the performance largely reflected growth in recreational, cultural & sporting activities associated with the increasing demand from the Tourism industry. The performance of *Transport, Storage & Communication* was predicated primarily on increases in public passenger transportation and higher air passenger arrivals. With regards to *Wholesale & Retail Trade,* the projected increase largely reflects growth in Manufacture and Construction. For *Manufacture*, growth was primarily reflected in increases in food production, petroleum refining and cement production.

Aggregate Supply

Hotels & Restaurants is estimated to have grown in the September 2021 quarter (see **Figure 19**). This growth is premised on an estimated increase in foreign national arrivals. The increase in foreign national arrivals largely reflects the addition of flights relative to a year ago as the world economic outlook improves and the low positivity rate within Jamaica's resilience corridor.

Figure 19: Trend in Visitor Days (12-Month Per cent change)



Source: BOJ and Jamaica Tourist Board

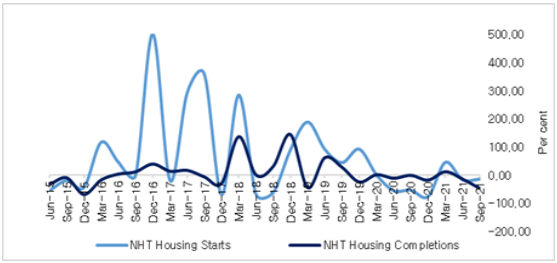
[1] No-movement days in the September quarter were: 22 – 24 August 2021, 29-31 August 2021, 5-7 September 2021 and 12-14 September 2021.

[2] Other Services include recreational, entertainment and sporting activities.

Transport, Storage & Communication is estimated to have increased for the September 2021 quarter mainly due to the expansion in the number of airport arrivals into Jamaica, as well as an increase in auxiliary transport services. The increase in the industry was mitigated by lower demand for domestic transport due to the restrictions on movement in the quarter.

Construction is estimated to have grown for the review quarter (see Figure 20). This performance was chiefly driven by increases within building installation and construction. Activities related to building construction reflected increased activity in residential construction. This growth was partly offset by an estimated decline in civil engineering due to reduced spending on road rehabilitation works.

Figure 20: National Housing Trust Housing Starts & Completion (12-Month Per cent change)



Source: The National Housing Trust

The expansion in *Manufacturing* for the review quarter mainly reflected growth in both Food, Beverages & Tobacco and Other Manufacturing. Food, Beverages & Tobacco is estimated to have grown as a result of increases in poultry meat, bakery products and beverages (alcoholic and non-alcoholic). Growth in Other Manufacturing is associated with an increase in petroleum refining, non-metallic mineral production, primarily cement as well as chemical & chemical products during the quarter.

The estimated increase in *Wholesale & Retail Trade* for the review quarter was largely driven by higher output levels in Manufacture and Construction.

Electricity & Water Supply is estimated to have grown for the review quarter, relative to the corresponding quarter of 2020. This increase reflected a rise in water consumption during the review period partly offset by a decline in electricity consumption (proxied by total electricity sales) driven mainly by the lock-down measures implemented during the quarter. Water consumption during the period was mainly driven by higher consumption by commercial entities. In contrast, the reduction in electricity consumption reflected declines in all categories, except extremely large power (rate 70) users.[3]

Value added for *Agriculture, Forestry & Fishing* is estimated to have declined in the quarter. This decrease reflected declines in both domestic crop production and traditional export agriculture.[4] With regard to domestic crop production, the decline primarily reflected lower production of vegetableswhich occurred in a context of the adverse weather experienced in the quarter. The reduction in traditional exports was primarily driven by the reduction in banana and coffee production.

Mining & Quarrying is estimated to have declined for the September 2021 quarter (see Figure 21). The estimated reduction for the review quarter reflected reduced capacity utilization at the Jamalco production plant as a result of a fire that has resulted in the cessation of production until June 2022.

[3] Largest power (rate 70) applies to customers other than residential households, with demand of 2 megavolt-amperes (MVA) or more for all power and lighting purposes.

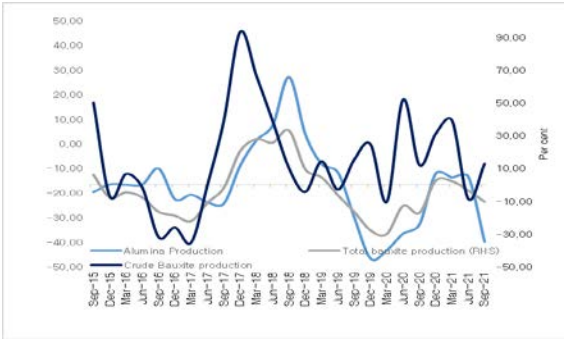
[4] The industry was impacted by Hurricane Grace and Tropical Storm Ida which adversely affected agricultural production.

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

	Contribution*	Estimated Impact on Growth
GOODS	−0.5	−2.0 to −1.0
Agriculture, Forestry & Fishing	6.1	−8.0 to −7.0
Mining & Quarrying	−1.2	−29.5 to −28.5
Manufacture	0.4	6.0 to 7.0
Construction	−5.7	2.0 to 3.0
SERVICES	100.5	11.0 to 12.0
Electricity & Water Supply	3.5	0.0 to 1.0
Wholesale & Retail Trade, Repairs & Installation	18.9	5.0 to 6.0
Hotels & Restaurants	38.7	152.0 to 153.0
Transport Storage & Communication	13.5	8.5 to 9.5
Financing & Insurance Services	4.1	2.0 to 3.0
Real Estate, Renting & Business Activities	1.7	1.0 to 2.0
Producers of Government Services	−0.3	0.0 to 1.0
Other Services	18.6	50.0 to 51.0
Financial Intermediation Services Indirectly Measured	−2.0	3.5 to 4.5

* The negative value indicates the negative contribution of the industries to the quarter.
Source: Bank of Jamaica

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



Source: Jamaica Bauxite Institute

Given the above changes, both non-tradable and tradable industries are estimated to have expanded for the review quarter. The growth in the tradable sector was mainly attributed to *Hotels & Restaurants* and *Transport, Storage & Communication,* while for the non-tradable sector, the growth was chiefly associated with *Other Services* and *Construction*.

Labour Market Developments

Jamaica's unemployment rate (UR) at July 2021 was 8.5 per cent, 4.1 percentage points (pps) lower relative to the rate at July 2020 but 0.7 pps above the rate at July 2019 in the pre-COVID period. The unemployment rate in July 2021 was also 0.5 pp lower in comparison with 9.0 per cent for the April 2021 survey. The decline in the UR at July 2021 reflected an increase of 8.3 per cent (93 400) in the number of persons employed, as well as a growth of 3.4 per cent (44 200) in the labour force as the labour force participation rate increased by 2.1 pps to 63.4 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 December 2021 to September 2023 quarters is projected to decline to 8.0 per cent, relative to the 9.3 per cent over the past year. On average, the employed labour force is projected to grow by 4.7 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 faster average growth of 3.8 per cent, relative to the previous forecast of 3.5 per cent.

The anticipated decline in unemployment, particularly over the next four quarters is higher than the previous projection.

Outlook

Real GDP is projected to trend upwards at an average rate of 4.4 per cent over the December 2021 to September 2023 quarters but remain below potential output until December 2022. In this context, GDP growth in the range of 7.0 per cent to 10.0 per cent is projected for FY2021/22, followed by growth in the range of 2.0 per cent to 4.0 per cent for FY2022/23, broadly similar to the previous projection. The projected growth in the economy is largely reflective of a normalization of economic activities supported by growth in external demand (see International Economy). It also occurs in the

context of continued accommodative monetary conditions (see 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 *Construction*. The projected growth in *Hotels & Restaurants* and *Other Services* reflects the continued improvement from the travel sector as the number of flights coming into the Island continues to increase, given the low positivity rate within the resilience corridor, as well as improvement in the external economy. Additionally, growth continues to be supported by the improvement in vaccine distribution and the increased take-up of vaccines by persons. For *Transport, Storage & Communication*, the growth is predicated on the 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, reflecting an anticipated improvement in other sectors such as tourism and education (schools). Improvement in *Agriculture, Forestry & Fishing* is anticipated given the forecasted demand from tourism, increased investments in traditional crop production, and various initiatives by the Government to assist the sector. With regards to *Electricity & Water*, growth is premised on the increased electricity and water consumption given the projected normalization in business activities, particularly in the tourism and education sectors as well as recreational and sporting activities. Also, electricity consumption is forecasted to further benefit from the increase in demand from the Jamalco alumina plant effective June 2022. For *Construction*, growth is premised on a projected increase in spending on residential and commercial construction.

The GDP growth over the December 2021 to September 2023 quarters has been revised upward relative to the previous forecast.[5] This revision reflects anticipated improvement in *Wholesale & Retail Trade*, *Manufacture* and *Transport, Storage & Communication*. In contrast, lower growth is now projected for *Mining & Quarrying* and *Construction*. For Mining, the lower growth due to the impact of a fire at the Jamalco refinery, which led to a cessation of production. With regard to Construction, the downward revision reflects anecdotal information which suggests that sales of construction materials increased at a slower pace than forecasted. The anticipated higher growth in Wholesale & Retail Trade is consistent with the assessment of higher projected growth in Manufacture, predicated on higher food production. In addition, Other Manufacturing is estimated to positively benefit from higher output, primarily in non-metallic minerals and refined petroleum due to the anticipated increase in demand from Transport. The improvement in Transport, Storage & Communication is predicated on higher airport arrivals and cruise passengers, increased demand for auxiliary services and higher activity at the ports.

Over the medium term (FY2023/24 – FY2027/28), GDP growth is projected to average 1.5 per cent, which is in line with previous projections. This reflects the view that potential output growth is line with the previous assessment where long run growth is forecasted to settle at 1.0 per cent (see Box 2: Potential Output).

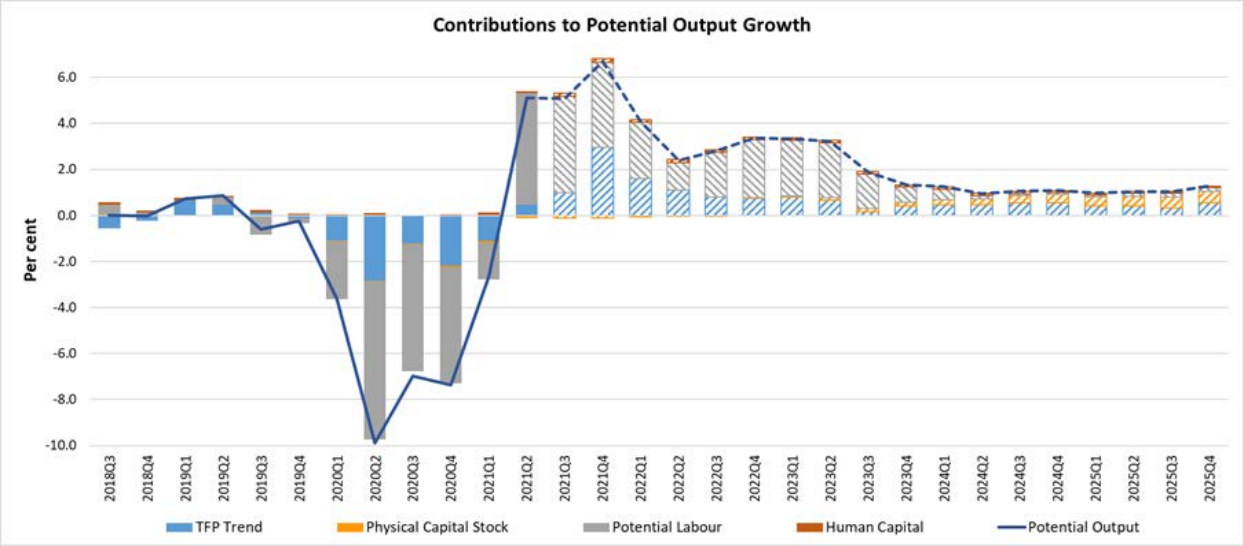
The forecasted growth over the medium term reflects the rebound of the mining sector due to the resumption of the Alpart plant and improvement in the capacity utilization at the Jamalco plant, given the upgrade of the plant's equipment. In addition, continued improvement is anticipated, particularly in tourism and its allied industries such as recreational and entertainment services. Also, higher investment in agriculture is forecasted to provide additional impetus for growth.

[5] The previous 8 quarter forecast, which included the September 2021 quarter, was 5.0 per cent. However, the current projection of 4.4 per cent is above the previous 8 quarter forecast of 4.0 per cent for the December 2021 to September 2023 period.

Box 2: Potential Output

Jamaica's potential output is estimated to have increased by 5.1 per cent for the September 2021 quarter (see **Figure 1**), in line with the growth of 5.1 per cent for the June 2021 quarter.[6]

Figure 1: Year-Over-Year Growth in Potential Output and its Components



Contributions to Potential Output Growth[7]

The estimated increase in potential output for the September 2021 quarter reflects increases in potential labour, total factor productivity and human capital, partly offset by a reduction in the physical capital stock (see **Figure 1**). Potential labour supply is estimated to have grown by 4.2 per cent for the quarter, a slower pace relative to the June 2021 quarter but above the estimated decline in the September 2020 quarter.[8] Total factor productivity is estimated to have increased by 1.0 per cent for the quarter. The potential capital stock is estimated to have declined by 0.12 per cent, which is a similar pace of contraction compared to the June 2021 but a faster pace relative to the September 2020 quarter.

Outlook for Potential Output

Potential output is forecasted to increase over the December 2021 to September 2023 quarters (near-term), (see **Figure 2**). Potential output is projected to grow at an average rate of 3.5 per cent over the period, a slower pace relative to projected quarterly average GDP growth of 4.4 per cent. This implies that the output gap is projected to be closed by the December 2022 quarter. Potential labour supply, total factor productivity and human capital are estimated to be the main driving force in potential output growth over the next eight quarters, growing at an average of 2.3 per cent, 1.1 per cent and 0.12 per cent over the December 2021 to September 2023 period, respectively. Conversely, the physical capital stock is projected to grow by 0.01 per cent over the review period.

[6] Estimated year-over-year quarter growth of potential output growth over the period 1998 to 2018 averaged 0.6 per cent, compared with the average year-over-year growth of 0.9 percent for the pre-crisis period of 1998 to 2008.

[7] The production function approach allows for the computation and examination of the contribution of the underlying factor inputs in the economy responsible for driving the potential GDP growth. The key factors of production considered in the production function approach are capital and labour, and their productivity (total factor productivity, TFP). Changes in the underlying factors gives an indication of the structural changes in Jamaica's economy over time.

[8] Labour market conditions in the economy continue to improve as evidenced by the last 2 labour market surveys as the unemployment rate declines gradually quarter to quarter. As a result, potential labour supply growth for the September 2021 quarter was driven by increases in potential average hours worked, potential labour force participation rate, and to a lesser extent potential working age population.

The anticipated improvement in potential labour supply stems from improvements in the potential average hours worked per person (weekly) and a projected increase in the potential labour force participation rate. Over the near-term, growth in potential average hours worked and potential labour force participation are projected to average 1.6 per cent and 0.7 per cent, respectively. With regards to human capital, the growth reflects an improvement in individual skillset from educational attainment or on the job training following the Covid-19 shock. For physical capital, the decline primarily reflects the assumption that the anticipated growth in investments will not be sufficient to offset the depreciation in capital stock.

Over the medium-term potential output is projected to grow at 1.0 per cent, on average. Growth in potential output is forecasted to be largely influenced by a faster pace of growth in the physical capital stock, total factor productivity and potential labour supply partly offset by a slower pace of growth in human capital.

4.0 Fiscal Accounts

For the September 2021 quarter, Central Government's operations recorded a fiscal deficit of $14.3 billion (0.6 per cent of GDP), relative to the deficit of $35.9 billion (1.8 per cent of GDP) for the September 2020 quarter. The outturn for the review period reflected higher tax revenues, partly offset by marginally lower expenditure relative to the corresponding period of 2020. The marginally lower expenditure largely reflected lower spending on capital and interest payments.

Recent Developments

The performance of Revenues & Grants for the September 2021 quarter, was mainly attributable to higher tax revenue receipts relative to the corresponding period of 2020. The faster pace of growth in tax revenues emanated from all categories, particularly international trade and production & consumption and to a lesser extent, the income & profits.[1]

With the exception of interest payments and capital expenditure, all other categories of expenditure were higher in nominal terms for the review quarter.[2] Notably, the lower capital spending was mainly attributable to delays in the execution of capital projects.

The financing requirement for Central Government for the September 2021 quarter was $36.6 billion (1.6 per cent of GDP), reflecting the fiscal deficit noted above and amortization of $22.3 billion (1.0 per cent of GDP). In addition, Central Government made payments of $9.5 billion (0.4 per cent of GDP) to the Clarendon Alumina Partners and National Water Commission.

The above noted expenses were financed by domestic and external loan receipts of $23.5 billion (1.0 per cent of GDP) and $4.6 billion (0.2 per cent of GDP), respectively. For domestic loans, four benchmark investment notes (BINs) amounting to $15.0 billion (0.7 per cent of GDP) were issued to the domestic capital market during the period as well as Treasury bills amounting to $4.9 billion (0.3 per cent of GDP). External loan receipts amounted to US$29.5 million (0.2 per cent of GDP) from multilateral agencies for investment projects.

Domestic amortization for the September 2021 quarter amounted to $5.0 billion (0.2 per cent of GDP) mainly reflecting the maturity of Treasury bills. External amortization included payments of US$48.7 million (0.3 per cent of GDP) and US$42.4 million (0.3 per cent of GDP) to bilateral and multilateral lending agencies, respectively. In addition, there were bond buy-back of approximately US$23.0 million (0.2 per cent of GDP).[3] Against this background, there was a

[1] The higher international trade receipts reflected higher inflows from GCT (imports), SCT (imports) and travel tax. The increase in GCT (imports) and SCT (imports) were primarily driven by greater imports and greater fuel imports by the refinery. In addition, the increases in visitor arrivals drove the outturn for travel tax. For production & consumption, receipts were attributable to increased inflows from GCT (local), other licenses and Education tax. The over-performance in GCT (local) was due to greater economic activity while the higher than projected inflows from other licenses was due to payment of license of $1.2 billion.

[2] Expenditure was higher in nominal terms but smaller as a percentage of GDP given that growth of 14.9 per cent is anticipated in nominal GDP for FY2021/22. In this regard, programme expenditure in the September 2021 quarter amounted to $61.9 billion relative to $61.6 billion in September 2020 quarter. Of note, compensation of employees was also higher in nominal terms for the September 2021 quarter amounted to $57.8 billion relative to $55.8 billion in September 2020 quarter.

[3] This bond buy-back represents a portion of a global bond amounting to $3.4 billion (US$23.0 million) and occurred in September 2021.

drawdown of $17.0 billion (0.7 per cent of GDP) in Central Government bank balances.

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

	Quarter		
	Sep-21	Sep-20	Diff
Revenue & Grants	**6.8**	**6.9**	**(0.1)**
o/w Tax Revenue	**6.1**	**6.0**	0.1
Non- Tax Revenue	0.6	0.8	(0.2)
Grants	0.1	0.1	0.0
Expenditure	**7.4**	**8.7**	**(1.3)**
Programmes	2.7	3.2	(0.4)
Compensation of Employees	2.5	2.9	(0.3)
Interest Payment	1.8	2.1	(0.3)
Capital Expenditure	0.3	0.6	(0.22)
Fiscal Surplus/Deficit	**(0.6)**	**(1.8)**	**1.2**
Primary Balance	**1.2**	**0.3**	**0.9**
Current Balance	**1.2**	**(1.4)**	2.6
Total Financing	**1.2**	**1.4**	(0.1)
External Loans	0.2	0.1	0.1
Domestic Loans	1.0	1.3	(0.3)
Other Inflows	**0.0**	**0.0**	0.0
Other Outflows	**0.4**	**1.2**	(0.8)
Amortisation	**1.0**	**1.0**	(0.0)
External	0.8	0.7	0.1
Domestic	0.2	0.3	(0.1)
Overall Balance	**(0.7)**	**(2.7)**	**2.0**

Source: Ministry of Finance & the Public Service

5.0 Balance of Payments

The current account (CA) of the balance of payments (BOP) for FY2021/22 is projected to improve to a surplus of 0.4 per cent of GDP from a deficit of 1.1 per cent of GDP in FY2020/21. This projection is mainly based on an increase in stop-over visitor arrivals and higher remittances inflows for the fiscal year partly offset by higher imports and investment income outflows. The CA for FY2022/23 is projected to deteriorate to a deficit of 2.9 per cent of GDP before improving over the medium-term. The current account deficit (CAD) is projected to deteriorate over the near term (December 2021 – September 2023), relative to the previous forecast, by an average of US$28.3 million per quarter. This deterioration is largely underpinned by a deterioration on the services sub-account, partly offset by an improvement on the merchandise trade balance. Over the medium term (FY2023/24 to FY2027/28) the CAD is forecasted to average 1.1 per cent of GDP, relative to the previous projection of 0.8 per cent of GDP.

Jamaica's international reserves remained healthy in the September 2021 quarter. Reserves are projected to be above the ARA 100% benchmark over the near and medium term forecast periods. The risks to the projections for the CAD are balanced. The main downside risks (lower deficit) relates to higher visitor arrivals due to the possibility of higher than anticipated pent-up demand as well as a slower than anticipated pace of normalization for remittance inflows. The main upside risks to the CAD (higher deficit) relates to higher exceptional imports, recurring waves of coronavirus infections and "staycation" offers in source markets such as Canada. The risks to reserves are skewed to the upside (higher reserves) due to the possibility of higher than forecasted private capital inflows in the context of a slower than anticipated pace of normalization for remittance inflows.

Recent Developments

The current account (CA) of Jamaica's balance of payments for the June 2021 quarter amounted to an estimated surplus of US$237.4 million (1.6 per cent of GDP), US$324.2 million higher (better) than the outturn recorded for the June 2020 quarter. This improvement was reflected in the current transfers, services and income sub-accounts partially offset by deterioration in the goods balance. The improvement in the current transfers sub-account was mainly driven by higher remittance inflows while the improvement in the services sub-account was underpinned by higher stop over arrivals.

Relative to the Bank's previous projection, the current account for the June 2021 quarter was higher (better) by US$215.0 million. The variance in the CA was largely underpinned by a higher than projected improvement in the goods, income and current transfers sub-accounts partially offset by a deterioration in the services sub-account. For the merchandise trade balance, exports were US$57.8 million above projection while imports were lower by US$140.1 million. The deficit on the income sub-account was US$90.0 million below projection.[1] The surplus on the current transfers sub-account was above projection by US$33.6 million, mainly due to higher remittance inflows. The surplus on the services sub-account was US$106.6 million below

[1] Imports were below projection primarily due to lower imports of fuel, capital goods and transport equipment of US$87.4 million, US$6.7 million and US$13.1 million, respectively, partially offset by higher raw materials and consumer goods of US$68.7 million and US$8.8 million. Exports were higher than previously projected, primarily due to higher than expected re-exports and non-traditional goods of US$17.4 million and US$29.3 million, respectively. The deficit on the income sub-account was lower than projected due to downward revision to investment income outflows associated with dividend payments.

projection due to higher transportation outflows associated with an upward revision to freight charges.[2] Of note, travel inflows were above projection by US$42.2 million due largely to higher than forecasted earnings from tourism.[3]

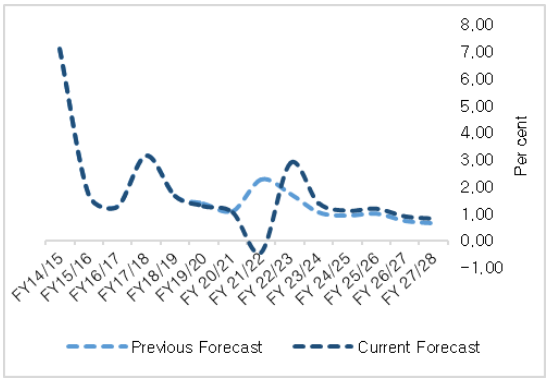
For the September 2021 quarter, a current account deficit of US$87.9 million (0.6 per cent of GDP) is estimated, US$193.3 million lower (better) than the previous projection and US$91.5 million higher (worse) than the outturn for the September 2020 quarter. This deterioration, relative to the previous year, is reflected primarily in the merchandise trade balance, income and the services sub-accounts partly offset by improvements in current transfers. The merchandise trade balance is estimated to have deteriorated due to an increase in fuel imports while the income sub-account deteriorated due to higher investment outflows associated with dividend payments. The deterioration on the services balance reflects higher transportation outflows associated with an upward revision to freight charges.

The CA for the period FY2021/22 to FY2023/24 is forecasted to be broadly sustainable. For FY2021/22, the CA is projected to improve to a surplus of 0.4 per cent of GDP, 2.6 percentage points lower (better) than the previous projection for a deficit of 2.2 per cent of GDP and 1.5 percentage points lower (better) than the estimated deficit of 1.4 per cent of GDP for FY2020/21.

The CAD (as a per cent of GDP) is projected to deteriorate over the medium-term, relative to the previous forecast. Specifically, the CAD is projected to average 1.1 per cent of GDP between FY2023/24 and FY2027/28, relative to the previous forecast of 0.8 per cent of GDP (see **Figure 22**). The forecasted deterioration is due mainly to higher investment income outflows associated with higher mining profits.

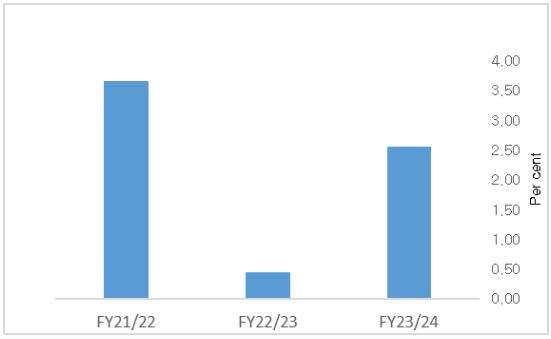
The current account balance, after accounting for FDI-related imports, reflects an average deficit of 2.2 per cent of GDP for the 3-year forecast period of FY2021/22 to FY2023/24 (see **Figure 23**).

Figure 22: Medium-Term CAD Forecast (% GDP)



Source: Bank of Jamaica

Figure 23: Current Account less FDI (% of GDP)



Source: Bank of Jamaica

[2] Imports are estimated by removing the estimated freight and insurance charges from the Imports c.i.f value. For BOP purposes, goods are valued free on board. Transactions related to freight and insurance activities are estimated in the transportation sub-account of the services account. Therefore, an increase in freight charges would increase transportation outflows while lowering imports to avoid double counting in the BOP. Freight charges for non-fuel imports and fuel imports were revised upwards from 13.5 per cent and 4.0 per cent, respectively, to 22.5 per cent and 6.7 percent for the June 2021 quarter. A continued increase in freight charges is expected for the September 2021 quarter, before normalizing at a higher rate by March 2023. This is in line with predictions from analysts including Moody's Investor Services.

[3] Average daily expenditure was higher by US$12.5 to US$167.8.

6.0 Monetary Policy & Market Operations

BOJ maintained its signal rate during the September 2021 quarter at 0.50 per cent. However, the Bank announced its decision to increase the policy interest rate (the rate offered to deposit-taking institutions on overnight placements with BOJ) by 100 bps to 1.50 per cent per annum, effective 01 October 2021. Accompanying this rate increase, the Bank announced that it would continue implementing measures to contain Jamaican dollar liquidity expansion. While not targeting any specific level of the exchange rate, Bank of Jamaica will continue to ensure that further movements in the exchange rate do not threaten the inflation target. Consistent with meeting its inflation target sustainably in the medium term, the Bank also signalled its intent, subject to inflation and other macroeconomic data evolving as projected, to continue to reduce the level of monetary accommodation at subsequent policy meetings by increasing the Bank's policy rate.

The decision to reduce the level of monetary policy accommodation was based on the MPC's assessment that, following the breach in August 2021, the risks of continued breaches of the inflation target, had intensified. At its last meeting in August 2021, the MPC had projected that inflation over the next two years would average 5 ½ per cent to 6 ½ per cent and would breach the upper limit of the Bank's target over the first year, starting in the September 2021 quarter. The recent significant increases in international commodity prices and shipping costs have had a higher than forecasted pass through to local prices Consumers will also be faced with higher prices for agricultural commodities as a result of the passage of tropical storms Grace and Ida in August 2021, which may contribute to a worsening of inflation expectations.

In order to ensure the orderly functioning of the foreign exchange market during the September 2021 quarter, BOJ provided liquidity amounting to US$50.0 million via the B-FXITT facility.[1]

In spite of the Bank's FX sales to the market, Jamaican dollar liquidity loosened during the September 2021 quarter, relative to the preceding quarter.

BOJ maintained its signal rate at 0.5 per cent, effective 19 August 2021.[2] However, during the quarter the BOJ signalled a likely increase in rates, a decision which subsequently became effective 01 October 2021. Against this background, private money market rates and GOJ treasuries generally increased for the September 2021 quarter. Liquidity remained buoyant despite slightly tightened conditions when compared to the previous quarter.

Liquidity Conditions

During the September 2021 quarter, liquidity conditions remained buoyant, but slightly tightened relative to the June 2021 quarter. This was indicated by the maintenance of average current account balances at Bank of Jamaica of $72.6 billion by deposit-taking institutions (DTIs) and primary dealers, below the average of $75.6 billion for the

[1] However, BOJ purchased maturing swaps of US$6.0 million during the quarter.
[2] Consequently, effective 01 October 2021, the SLF rate increased to 3.50 per cent during the review quarter. Effective 18 March 2020, the limit on the SLF was removed, therefore, the EFR is no longer applicable.

preceding quarter, but above the average level (of $47.2 billion) considered adequate for the system.

Liquidity conditions over the September 2021 quarter were more buoyant relative to the projections at the previous assessment. Financial institutions' (FIs') average current account balances for the quarter were higher than projected by $6.2 billion.[3] The higher than anticipated balances primarily reflected weaker than anticipated absorption from net GOJ operations.[4] Additionally, net BOJ operations injected $19.0 billion into the system during the quarter, which was $2.4 billion above projection. Net injection from BOJ operations largely reflected net injection from BOJ FX operations of $40.1 billion, which was $9.7 billion above projection. This was supported by an injection of $1.8 billion from other BOJ operations, which was $5.4 billion weaker than forecasted due to stronger than forecasted currency issue. These injections were partly offset by an absorption of $23.0 billion from OMOs, which was $1.8 billion stronger than anticipated largely due to higher net issues of 30-day CDs (see **Table 4**).

Bank of Jamaica conducted 13 auctions of 30-day CDs during the review quarter. The average offer size during the September 2021 quarter was $9.7 billion, above the average of $6.0 billion for the June 2021 quarter. The increase reflected the actions of the central bank to steer interest rates in the financial market to levels consistent with the current monetary policy stance. As a result, there was a fall in demand for the 30-day CD instrument as the average yield for the review quarter increased to 1.25 per cent, 71 bps above the average for the June 2021 quarter.

BOJ continued to offer its weekly 14-day repos via competitive auctions during the September 2021 quarter. Liquidity accessed via 14-day repos during the quarter averaged $10.0 billion, relative to $5.6 billion in the June 2021 quarter. However, only a total of 2 auctions were held during the review period, relative to 9 auctions in the previous quarter. All offers received subscriptions which reflected an average yield of 3.80 per cent, 189 bp above the average yield in the preceding quarter.[5] [6]

Moderate foreign currency demand during the September 2021 quarter and the associated fluctuations in market conditions necessitated BOJ's foreign currency sale of US$50.0 million via the B-FXITT facility, while no provision was made via swap arrangements.[7] However, US$10.0 million in swap arrangements matured during the quarter. There were also repayments of USD CDs while there were no new issues during the review period (see **Table 5**).

Table 4: BOJ Liquidity Facility (J$ Billions)

BOJ Liquidity Flow (J$ Billions)	Actual Mar-21	Actual Jun-21	Projected Sep-21	Actual Sep-21	Variance Sep-21
Net BOJ Operations (Inject/Absorb)	24.1	48.2	16.5	19.0	2.4
Open Market Operations	-12.0	6.2	-21.2	-23.0	-1.8
BOJ Repo - (incl. OTROs)	3.5	-6.8	-8.7	-6.2	2.5
FR CDs - (incl. 30d cds)	-23.9	8.5	-15.4	-20.8	-5.4
VR CDs	0.0	0.0	0.0	0.0	0.0
USD Indexed Notes	8.4	4.6	2.9	4.0	1.1
BOJ FX (incl. PSE)	39.1	45.3	30.4	40.1	9.7
BOJ Other	-3.0	-3.4	7.3	1.8	-5.4
o.w. Currency Issue	-7.0	-4.1	0.4	-6.4	-6.8
o.w. Cash Reserve (Com Banks)	-1.3	-1.3	-1.7	-1.7	0.0
o.w. other	5.3	0.4	3.9	5.4	1.5
GOJ Operations	-26.6	-37.2	-25.6	-21.9	3.7
Current A/C (+) = Loosen; (-) = Tighten	-2.6	10.9	-9.1	-2.9	6.2
Current A/C Balance (AvgStock)	64.6	75.6	66.5	72.6	6.2

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

[3] Financial institutions refer to DTIs and primary dealers.
[4] Net absorption of $21.9 billion through GOJ operations during the September 2021 quarter was $3.7 billion lower than projected.
[5] Despite generally buoyant liquidity conditions in the system, the increase in yields on the 14-day repo facility was in a context where liquidity was heavily concentrated.
[6] See Figure 8.1 for end of period rates.
[7] See footnote in the Exchange Rate Development chapter for further clarity

Table 5: Placements & Maturities of BOJ USD Instruments

Tenor	April – June 2021			July – September 2021		
	Placements (US$MN)	Maturities (US$MN)	Average Rate (%)	Placements (US$MN)	Maturities (US$MN)	Average Rate (%)
5-year	–	0.01	–	–	18.07	–
7-year	–	0.00	–	–	4.08	–
TOTAL	**–**	**0.01**	**–**	**–**	**22.15**	**–**

Note: Total outstanding stock of USD CDs as at September 2021 was US$264.3 million

Source: Bank of Jamaica

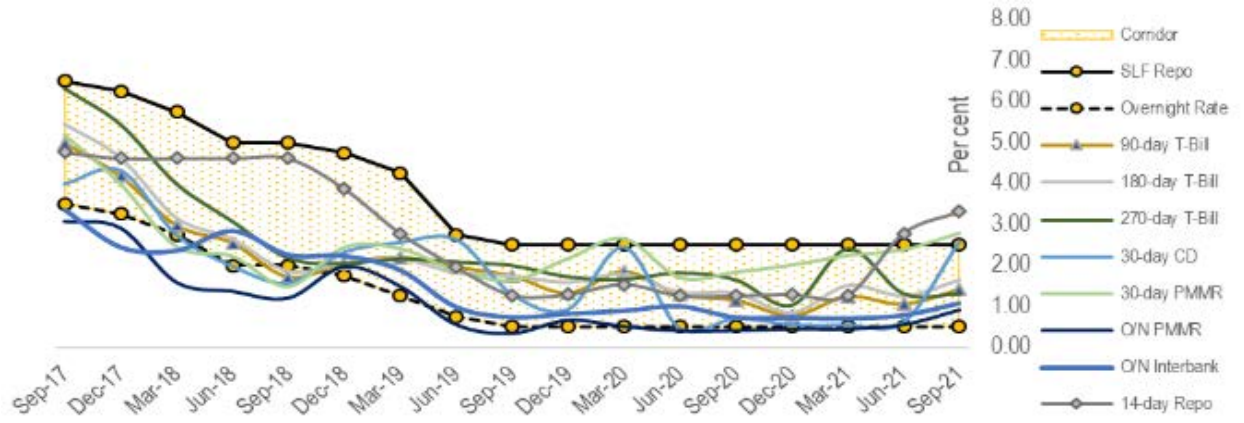
7.0 Financial Markets

Money market rates largely increased during the September 2021 quarter, influenced by early signals by the Bank of Jamaica that the policy rate would be increased. The estimated yield curve on GOJ JMD bonds at end-September 2021 shifted upwards, relative to the yield curve at end-June 2021. Sovereign risk was generally stable while exchange rate risk increased.

Market Interest Rates

Notwithstanding generally buoyant liquidity conditions, money market rates generally increased during the September 2021 quarter, relative to the preceding quarter. When compared to the rates at end-June 2021, the overnight (O/N) interbank rate, O/N private money market rate (PMMR) and the 30-day PMMR were higher by 29 bps, 37 bps and 40 bps, respectively. Additionally, the yields on GOJ 90-day and 180-day Treasury bills at end-September 2021 were higher by 36 bps and 39 bps, respectively, while the yield on the 270-day Treasury bill was lower by 1 bp (see **Figure 24**). Higher Treasury bills and PMMRs was influenced by signals ahead of the decision by the Bank of Jamaica that the policy rate would be increased. PMMRs in particular were also influenced by increased demand among some institutions for funding to meet liquidity needs, in a context where liquidity was highly concentrated.

Figure 24: Money Market Rates (Nominal)[1]



	BOJ SLF Rate	14-day Repo	BOJ 30-day CD	BOJ O/N Deposit	O/N PMMR +	O/N Int. Bank +	30-day PMMR +	90-day T-Bill	180-day T-Bill	270-day T-Bill
Jun-20	2.50	1.25	0.47	0.50	0.39	1.00	1.69	1.28	1.36	1.83
Sep-20	2.50	1.25	0.71	0.50	0.40	0.73	1.83	1.14	1.33	1.65
Dec-20	2.50	1.28	0.56	0.50	0.44	0.72	2.00	0.77	0.86	1.04
Mar-21	2.50	1.26	0.55	0.50	0.44	0.70	2.23	1.23	1.52	2.41
Jun-21	2.50	2.78	0.62	0.50	0.54	0.78	2.38	1.05	1.27	1.32
Sep-21	2.50	3.31	2.59	0.50	0.91	1.07	2.78	1.41	1.66	1.31

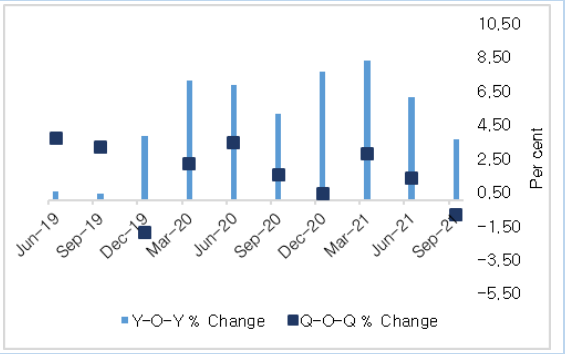
Source: Bank of Jamaica

[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.

Exchange Rate Developments

The nominal exchange rate appreciated 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 September 2021 quarter at J$147.24 = US$1.00, reflecting an appreciation of 0.9 per cent, relative to the previous quarter and depreciation of 3.6 per cent relative to end-September 2020.[2]

Figure 25: Movements in WASR

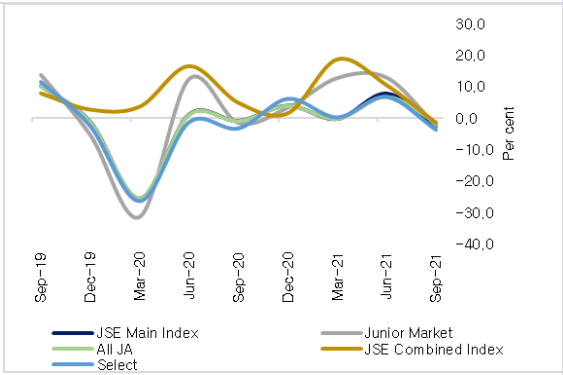


There was pressure in the foreign exchange market during the early part of the quarter. This pressure was underpinned by increased portfolio related demand by financial institutions. These demand pressures were attenuated by an increased willingness of authorized dealers to augment US dollar liquidity in the latter part of the quarter. Additional factors that provided the impulse for appreciation included B-FXITT sales of US$50.0 million; and improved confidence following the issuance of US$520.6 million SDR from the International Monetary Fund (IMF) in August 2021.[3]

Equities Market

For the September 2021 quarter, all of the five Jamaica Stock Exchange (JSE) indices declined., These declines ranged from 1.3 per cent to 3.7 per cent (see Figure 26). More specifically, the JSE Main Index declined by 2.5 per cent relative to growth of 7.8 per cent for the previous quarter. Concurrently, the Junior Market Index declined by of 2.2 per cent for the September 2021 quarter, in comparison to growth of 13.0 per cent for the previous quarter.

Figure 26: Quarterly growth rates of the JSE indices (percentage change)[4]



Source: Jamaica Stock Exchange

However, on an annual basis, all JSE indices increased, with the JSE Main Market and the Junior Market indices recording increases of 9.1 per cent, 29.0 per cent, respectively. This annual growth in the JSE Main Market and Junior market indices compares to growth of 26.3 per cent and 27.7 per cent, respectively, for the corresponding period of the previous year.

The decline in the Jamaican equities market for the review quarter, may be attributed to This a surge in COVID-19 infections during the review quarter. As such, returns on foreign currency investments were higher than returns on the stock market. Returns on foreign currency investments yielded quarterly returns of 0.2 per cent for the review quarter, while equities offered a quarterly return of -2.5 per cent.[5] The average returns in the 30-day private money market was 0.6 per cent for the review quarter (see Figure 27).

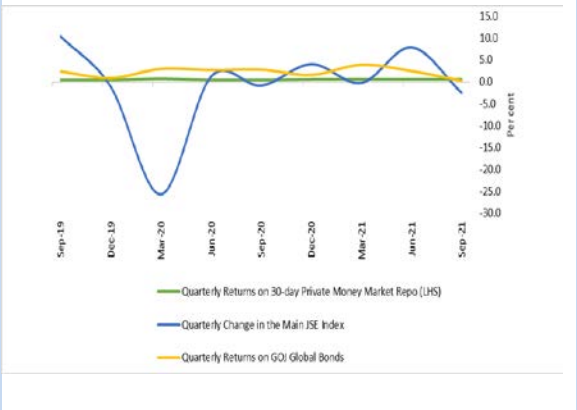
[2] The WASR (avg) closed the quarter at J$152.64 = US$1.00, reflecting depreciation of 1.2 per cent, relative to the previous quarter and depreciation of 4.3 per cent relative to September 2020.

[3] Total market sales include BFXITT sales of US$50.0 million, for the September 2021 quarter.

[4] The All JA and JSE Main Index, exhibit strong co-movement with returns.

[5] The return on equities is computed as the change in value of 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 27: Returns from Private Money Market, foreign currency investments and Capital Gains/ (Losses) from JSE Main Index
(Per cent)



Source: Jamaica Stock Exchange and Bloomberg

Notwithstanding, the overall decline in the stock market, the results for stock market activity indicators were mixed for the review quarter. In particular, the volume of and value stocks traded increased by 28.9 per cent and 215.5 per cent, relative to a decline of 8.1 per cent and an increase of 72.2 per cent, respectively, for the previous quarter. However, the number of transactions declined by 8.7 per cent, relative to an increase of 9.7 per cent for the previous quarter (see Figure 28).

Figure 28: 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 15:24 for the September 2021 quarter, with one stock trading firm. Of note, stock price appreciation was largely concentrated among the *Financial sector* and *Other* categories. Meanwhile, most of the declining stocks were also concentrated in the *Manufacturing and Other* category for the September 2021 quarter (see Tables 6 and 7).

Table 6: Stock Price Appreciation

Advancing	Percent
Financial	
Barita Investments Limited	35.0
Sygnus Credit Investments Limited	6.8
1834 Investments Limited	4.0
Other	
Pulse Investments	14.2
Kingston Properties Limited	14.0
Margaritaville (Turks) Limited	2.7
Manufacturing	
Caribbean Cement Company	15.6
Berger Paints (Jamaica)	3.0
Tourism	
Ciboney Group	18.2
Communication	
Radio Jamaica	129.7

Table 7: Stock Price Depreciation

Manufacturing	
Salada Foods Jamaica	−16.1
Seprod Limited	−15.1
Jamaica Broilers Group	−9.1
Retail	
Careeras	−10.31
Financial	
Sagicor Select Funds Limited – Financial	−16.4
Victoria Mutual Investment	−13.8
Other	
Palace Amusement	−46.1
MPC Caribbean Clean Energy Limited	−19.2
Wigton Windfarm Limited	−15.5
Supreme Ventures	−9.51

8.0 Monetary Aggregates

Growth in money supply and credit to the private sector as at September 2021 were estimated to be lower relative to the previous projection.

Over the ensuing eight quarters, the average annual growth rate in the monetary money supply is forecasted to be slightly above the previous projection while the average annual growth rate in the private sector credit is forecasted to be broadly in line relative to the previous projections.

Money

Regarding the sources of the annual change in the monetary base at September 2021, there was an increase of 44.3 per cent in the Bank of Jamaica's net international reserves (NIR), the impact of which was partly offset by a decrease of 116.6 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 an increase in the USD value of the NIR, and to a lesser extent,a depreciation in the exchange rate. The increase in the USD NIR stock was influenced by surrenders through the PSE Facility and Authorized Dealers and Cambios, over the year, as well as SDR allocation from the IMF. These inflows were partly offset by outflows from Government of Jamaica as well as net B-FXITT sales of US$365.0 million. The net claims on public sector contributed to the decrease in the NDA.[1,2]

The 13.1 per cent expansion in M2J at August 2021 was largely underpinned by growth of 11.9 per cent in local currency deposits, a deceleration relative to the 15.7 per cent recorded at end-June 2021. The acceleration in the growth in deposits was reflected in savings and demand deposits, which grew by 17.4 per cent and 7.6 per cent, respectively, relative

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

	Stock (J$MN)			Flow (%)	
	Sep-20	Jun-21	Sep-21	Qtr. -o- Qtr.	Y-o-Y
NIR (US$MN)	2,747.49	3,388.7	3,964.22	17.0	44.3
NIR(J$MN)	389,247.96	507,566.63	584,672.46	15.2	50.2
- Assets	526,087.24	641,947.12	713,099.77	11.1	35.5
- Liabilities	-136,839.28	-134,380.49	-128,427.31	-4.4	-6.1
Net Domestic Assets	-123,393.84	-208,050.82	-267,249.64	-28.5	-116.6
- Net Claims on Public Sector	213,399.72	213,235.97	143,591.30	-32.7	-32.7
- Net Credit to Banks	-66,981.90	-75,868.69	-77,171.41	1.7	15.2
- Open Market Operations	-76,564.65	-131,936.03	-134,896.63	2.2	76.2
- Other	-193,247.01	-213,482.07	-198,772.91	-6.9	2.9
-o/w USD FR CDs	-19,618.25	-19,606.65	-16,234.18	-17.2	-17.2
Monetary Base	265,854.12	299,515.81	317,422.82	6.0	19.4
- Currency Issue	170,033.01	181,058.42	197,436.07	9.0	16.1
- Cash Reserve	37,093.77	41,429.09	43,525.41	5.1	17.3
- Current Account	58,727.34	77,028.30	76,461.34	-0.7	30.2

Source: Bank of Jamaica

[1] The annual decline in net claims on public sector largely reflected the receipt of SDRs of US$520.6 million from the IMF, which was recorded both as a gross foreign asset and a domestic liability.

[2] Cash reserve balances were marginally higher, despite lower than expected local currency deposits.

to growth of 16.9 per cent and 15.5 per cent in June 2021. Growth in M2J was also influenced by growth of 18.1 per cent in currency with the public, relative to growth of 17.4 per cent in June 2021.

Table 9: Components of Money Supply (M2*)

	Percentage Change (%)		
	Aug-20	Jun-21	Aug-21
Total Money Supply (M2*)	19.3	16.5	12.6
Money Supply (M2J)	18.4	16.1	13.1
Money Supply (M1J)	21.4	16.3	11.9
Currency with the public	25.7	17.4	18.1
Demand Deposits	18.6	15.5	7.6
Quasi Money	15.6	15.9	14.3
Savings Deposits	17.2	16.9	17.4
Time Deposits	9.8	11.6	2.2
Foreign Currency Deposits	20.8	17.3	11.7

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 7.9 per cent at August 2021. This was below the growth of 9.1 per cent as at June 2021. Relative to GDP, the stock of private sector loans at August 2021 was 45.7 per cent, largely unchanged when compared with 44.9 per cent a year earlier.

The growth in total loans and advances was underpinned by expansions in loans of 9.1 per cent and 6.4 per cent to individual and the productive sector, respectively. Growth in loans to the productive sector was mainly attributed to growth in loans to the *Professional & Other Services, Distribution, Electricity, Gas & Water,* and *Transport, Storage & Communication* industries.

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

Stock	Aug-20	Jun-21	Aug-21
Total DTI	12.5	9.1	7.9
o.w. to Businesses	15.7	8.7	6.4
o.w. to Consumers	10.1	9.4	9.1
Stock as a % of Annual GDP			
Total DTI	44.9	46.4	45.7
o.w. to Businesses	19.3	19.7	19.4
o.w. to Consumers	25.6	26.7	26.4

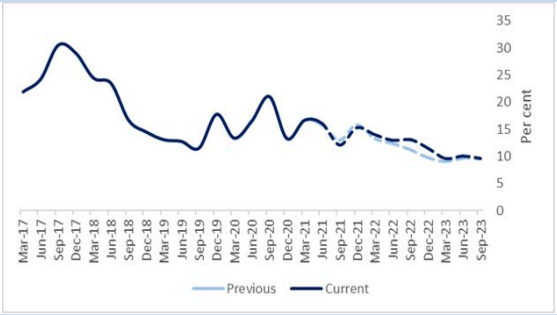
Source: Bank of Jamaica

Monetary Projections

M2J is projected to expand at an average annual rate of 12.0 per cent over the next eight quarters, above the previous projection of 11.3 per cent. The pace of broad money growth is anticipated to reflect expansions primarily in local currency deposits as well as currency in circulation over the medium term. The near-term growth projection for broad money has slightly increased in light of a more optimistic outlook for economic activity over the next eight quarters.

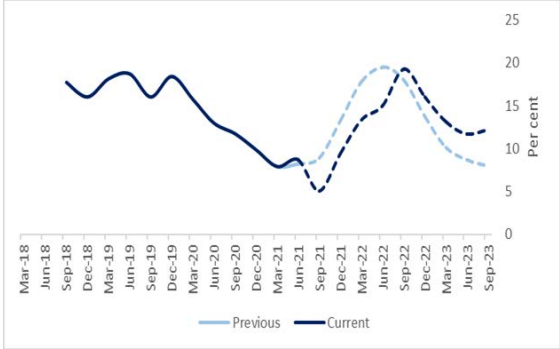
Growth in DTI private sector credit is forecasted to be broadly in line with previous projections over the next eight quarters. Private sector credit is projected to grow at an average rate of 13.8 per cent up to September 2023, compared to the previous forecast for expansion of 13.6 per cent. The projected slight acceleration in annual growth over the near term reflects a more optimistic economic outlook relative to previous expectations.

Figure 29: Annual Growth in M2J



Source: Bank of Jamaica

Figure 30: Private Sector Credit



Source: Bank of Jamaica

9.0 Conclusion

Inflation is projected to average 5.5 per cent to 6.5 per cent over the next two years, which is higher when compared to the average inflation rate of 5.0 per cent over the past two years. Inflation will continue to breach the upper limit of the Bank's target range over the next 10 to 12 months at higher rates than were envisaged in the previous forecast and is projected to peak in the range 8.0 per cent to 9.0 per cent over this period.

The inflation forecast for the next two years anticipates a gradual rise in core inflation, supported by the lagged impact of higher international commodity and shipping prices and a recovery in domestic demand. The recovery in domestic demand is forecasted to be driven mainly by external demand and by still-accommodative monetary conditions. The outlook also assumes the continued transmission of higher international commodity and shipping prices, albeit lagged, to domestic processed food, food-related services and energy price inflation. Past agricultural food price increases and increases in regulated fares for Route Taxis, Rural Stage Carriage and Hackney Carriage and the electricity tariff, will support higher inflation for 11 months (October 2021 to August 2022).

For FY2021/22, real GDP is projected to increase in the range of 7.0 per cent to 10.0 per cent and recover further in the range of 2.0 per cent to 4.0 per cent in FY2022/23, broadly similar to the Bank's previous projection. Real GDP is anticipated to return to its pre-COVID level in the December 2022 quarter. Over the medium term, GDP growth is projected to average in the range 1.0 per cent to 2.0 per cent per year, which is lower than the previous projections. The risks to the forecast for real GDP growth are balanced.

The current account (CA) of the balance of payments (BOP) for FY2021/22 is projected to improve to a surplus of 0.4 per cent of GDP from a deficit of 1.1 per cent of GDP in FY2020/21. This projection is mainly based on an increase in stop-over visitor arrivals and higher remittances inflows for the fiscal year, partly offset by higher imports and investment income outflows. The CA for FY2022/23 is projected to deteriorate to a deficit of 2.9 per cent of GDP before improving over the medium-term.

Bank of Jamaica (BOJ) announced its decision to increase the policy interest rate (the rate offered to deposit-taking institutions on overnight placements with BOJ) by 100 basis points to 1.50 per cent per annum, effective 01 October 2021. Accompanying this rate increase, the Bank decided to continue implementing measures to contain Jamaican dollar liquidity expansion. While not targeting any specific level of the exchange rate, Bank of Jamaica will continue to ensure that further movements in the exchange rate do not threaten the inflation target. Consistent with meeting its inflation target sustainably in the medium term, the Bank also signals its intent, subject to inflation and other macroeconomic data evolving as projected, to continue to reduce the level of monetary accommodation at subsequent policy meetings by increasing the Bank's policy rate.

Additional Tables

1: INFLATION RATES

		CPI (Point-to-Point) **	Headline Inflation	Core Inflation*
FY08/09	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	5.30
FY21/22	Jun-21	109.77	4.34	7.17
	Sep-21	114.88	8.23	7.74

* 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 (September 2021)

Divisions, Classes and Groups	Weight (%)	Inflation (%)	Weighted Inflation	Contribution
FOOD & NON-ALCOHOLIC BEVERAGES	35.79	10.15	3.63	44.01
Food	33.76	10.43	3.52	42.64
Cereals and cereal products (ND)	6.68	10.44	0.70	8.45
Live animals, meat and other parts of slaughtered land animals (ND)	6.60	11.06	0.73	8.84
Fish and other seafood (ND)	3.59	8.00	0.29	3.48
Milk, other dairy products and eggs (ND)	2.86	7.99	0.23	2.76
Oils and Fats (ND)	0.91	12.50	0.11	1.38
Fruits and nuts (ND)	2.60	5.87	0.15	1.85
Vegetables, tubers, plantains, cooking bananas and pulses (ND)	7.02	14.51	1.02	12.34
Tubers, plantains, cooking bananas and pulses (ND)	2.04	3.22	0.07	0.79
Vegetables	4.98	21.43	1.07	12.93
Sugar, confectionery and desserts (ND)	1.31	7.29	0.10	1.15
Ready-made food and other food products n.e.c. (ND)	2.19	7.52	0.16	1.99
Non-Alcoholic Beverages	2.03	5.41	0.11	1.33
Fruit and Vegetable Juices (ND)	0.66	5.36	0.04	0.43
Coffee, Tea and Cocoa	0.46	7.17	0.03	0.40
Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	0.91	4.53	0.04	0.50
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	1.45	3.22	0.05	0.57
CLOTHING AND FOOTWEAR	2.48	4.57	0.11	1.37
Clothing	1.66	4.65	0.08	0.94
Footwear	0.82	4.40	0.04	0.44
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	17.85	6.63	1.18	14.32
Rentals for Housing	9.09	11.81	1.07	13.00
Maintenance, Repair and Security of the Dwelling	0.67	9.71	0.07	0.79
Water Supply and Miscellaneous Services Related to the Dwelling	2.27	6.39	0.14	1.75
Electricity, Gas and Other Fuels	5.82	15.21	0.88	10.72
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	3.77	5.07	0.19	2.32
Furniture, Furnishings, and Loose Carpets	0.36	7.88	0.03	0.34
Household Textiles	0.22	5.60	0.01	0.15
Household Appliances	0.35	3.98	0.01	0.17
Tools and Equipment for House and Garden	0.15	4.55	0.01	0.08
Goods and Services for Routine Household Maintenance	2.70	4.85	0.13	1.58
HEALTH	2.63	4.35	0.11	1.38
Medicines and Health Products	2.16	4.71	0.10	1.23
Outpatient Care Services	0.30	4.09	0.01	0.15
Other Health Services	0.17	0.11	0.00	0.00
TRANSPORT	11.23	13.02	1.46	17.71
INFORMATION AND COMMUNICATION	4.57	-0.99	-0.05	-0.55
RECREATION, SPORT AND CULTURE	5.02	4.91	0.25	2.99
EDUCATION SERVICES	2.43	4.23	0.10	1.25
RESTAURANTS & ACCOMMODATION SERVICES	6.65	13.60	0.91	10.96
INSURANCE AND FINANCIAL SERVICES	1.13	4.25	0.05	0.58
PERSONAL CARE, SOCIAL PROTECTION AND MISCELLANEOUS GOODS AND SERVICES	4.99	5.12	0.26	3.09
ALL DIVISIONS	100.00	8.23	8.26	100.00

3: BANK OF JAMAICA OPERATING TARGETS

	Actual Sep-19	Actual Dec-19	Actual Mar-20	Actual Jun-20	Actual Sep-20	Actual Dec-20	Actual Mar-21	Actual Jun-21	Actual Sep-21
Net International Reserves (US$)	3,098.05	3,162.53	3,237.67	2,949.26	2,747.49	3,126.13	3,319.32	3,388.71	3,964.22
NET INT'L RESERVES (J$)	395,218.9	403,445.0	413,029.7	412,462.0	389,093.8	445,328.1	483,499.7	507,566.6	584,566.63
Assets	456,945.4	463,218.4	470,535.2	546,127.6	526,087.2	581,364.4	618,120.4	641,947.1	713,099.77
Liabilities	61,726.5	59,773.4	57,505.5	133,665.6	136,839.3	136,036.3	134,620.7	134,380.5	128,427.3
NET DOMESTIC ASSETS	-175,085.5	-182,491.4	-171,025.0	-173,194.9	-123,393.84	-162,755.2	-188,136.32	-208,050.82	-267,249.64
-Net Claims on Public Sector	120,036.17	92,866.8	106,366.5	159,189.0	211,632.0	222,068.3	181,996.1	213,236.0	143,591.3
-Net Credit to Banks	-68,898.9	-67,433.6	-73,493.8	-65,274.7	-66,981.9	-69,050.6	-70,829.7	-75,868.7	-77,171.4
-Open Market Operations	-56,565.5	-45,884.5	-41,981.8	-74,311.1	-76,564.7	-124,035.7	-100,734.3	-131,936.0	-134,896.6
-Other	-169,657.3	-162,040.1	-161,915.9	-192,798.1	-191,479.3	-191,737.1	-198,568.4	-213,482.1	-198,772.9
MONETARY BASE	220,133.4	220,953.6	242,004.7	239,267.1	265,854.1	282,573.0	295,363.4	299,515.8	317,422.8
- Currency Issue	127,107.1	148,989.0	145,735.2	151,704.8	170,033.0	190,622.7	181,924.1	181,058.4	197,436.1
- Cash Reserve	45,140.9	45,884.5	48,878.3	35,280.94	37,093.8	39,116.5	39,901.1	41,429.1	43,525.4
- Current Account	48,032.3	26,113.9	47,391.2	52,281.4	58,727.3	52,968.4	73,672.2	77,028.3	76,461.3
GROWTH IN MONETARY BASE [F-Y-T-D]	2.9	3.2	-	-1.1	9.8	16.8	-	1.4	7.5

4: MONETARY AGGREGATES

		BASE	M1J	M1	M2J	M2	M3J	M3
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
FY21/22	Jun-21	299,515.81	354,014.44	406,142.44	735,982.82	1,163,036.18	978,463.19	1,405,516.55
	Sep-21	317,422.82	364,765.50	413,386.24	753,978.91	1,182,807.26	994,201.70	1,423,030.04

5: GOJ TREASURY BILL YIELDS
(End of Period)

		1-month	3-month	6-month	9-month	12-month
FY12/13	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	...	...
FY21/22	Jun-21	...	1.05	1.27	...	...
	Sep-21	...	1.41	1.66	...	...

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	...	...	...	...	...	...
FY20/21	Jun-21	1.00	...	...	...	...	...	...
	Sep-21	2.00	...	...	...	...	...	...

7: Placements and Maturities* in BOJ OMO Instruments

	January - March 2021			April - June 2021			July - September 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	122.0	99.9	1.28	50.2	66.3	0.55	107.5	126.5	1.25
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	10.0	3.01	0	0	
911-day FR CD	0	15.0	3.01	0	0		0	0	
272-day FR USD IB	25.4	0		0	0		0	0	
365-day FR USD IB	0	0		0	0		0	0	
540-day FR USD IB	0	0		0	0		0	0	
730-day FR USD IB	0	0		7.1	0		3.8	0	
1095-day FR USD IB	0.0	13.5		0.0	0		0.0	0	
Repos	108.8	113.4		67.7	58.7		44.3	54.3	
	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)
1-year FR USD CD	0	0		0	0		0	0	
2-year FR USD CD	0	0		0	0		0	0	
3-year FR USD CD	0	0		0	0		0	0	
4-year FR USD CD	0	0		0	0		0	0	
5-year FR USD CD	0.04	0		0.01	0		18.07	0	
7-year FR USD CD	0	0		0	0		4.08	0	
TOTAL	0.04	0		0.01	0		22.15	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
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+	94.3	573.6	10.2	0.6	81.4	506.9	106.4	1373.4
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+	87.9	422.0	6.9	0.8	67.3	535.8	81.0	1201.6
Jun-20	27.3	94.0	6.0	0.2	19.3	106.4	7.0	260.2
Sep-20	20.4	108.1	0.0	0.2	23.4	125.5	14.1	291.7
Dec-20	22.2	119.4	0.0	0.2	13.8	133.9	12.7	302.3
Mar-21	18.0	100.5	0.8	0.2	16.9	163.9	51.7	352.1
Jun-21	19.1	131.3	5.4	0.2	23.8	186.8	48.8	415.3

+ Revised

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

	Dec-18	Mar-19+	Jun-19+	Sep-19+	Dec-19+	Mar-20+	Jun-20+	Sep-20+	Dec-20+	Mar-21
1. Current Account	-99.5	-53.1	-98.1	-161.7	-51.3	56.0	-86.8	3.5	-15.5	-46.1
A. Goods Balance	-945.0	-970.9	-1045.2	-982.5	-1046.0	-834.7	-618.4	-667.4	-809.5	-770.1
Exports (f.o.b)	482.3	480.1	430.3	394.6	335.0	354.9	260.6	295.5	307.8	354.6
Imports (f.o.b)	1427.4	1451.0	1475.5	1377.1	1380.9	1189.6	878.9	962.8	1117.2	1124.8
B. Services Balance	313.3	516.4	415.6	347.1	426.3	513.4	-77.4	-51.3	-4.5	65.7
Transportation	-183.0	-178.2	-182.3	-171.1	-172.5	-154.4	-119.9	-129.9	-143.9	-189.9
Travel	709.5	921.3	793.0	746.0	854.8	835.1	0.8	141.1	240.9	264.2
Other Services	-213.2	-226.8	-195.1	-227.8	-256.0	-167.3	41.7	-62.5	-101.6	-8.5
Goods & Services Balance	-631.8	-454.5	-629.6	-635.4	-619.7	-321.3	-695.8	-718.7	-814.0	-704.4
C. Income	-99.2	-169.6	-52.9	-173.6	-45.4	-200.5	-82.0	-142.1	-29.8	-158.2
Compensation of employees	50.6	6.0	14.2	23.7	50.9	7.5	8.9	20.0	45.5	15.3
Investment Income	-149.8	-175.6	-67.1	-197.3	-96.3	-208.0	-90.9	-162.1	-75.3	-173.5
D. Current Transfers	631.5	571.0	584.4	647.3	613.7	577.8	691.0	864.4	828.3	816.6
General Government	43.6	46.5	26.1	51.6	15.9	43.4	21.7	46.5	37.4	44.0
Other Sectors	587.9	524.5	558.4	595.8	597.8	534.3	669.3	817.8	790.9	772.5
2. Capital & Financial Account	836.3	-57.1	4.8	-69.0	560.2	105.0	175.2	-497.4	942.2	423.4
A. Capital Account	-6.5	-7.1	-8.5	-6.1	-5.0	-9.5	-9.2	-5.8	-6.3	-8.6
Capital Transfers	-6.5	-7.1	-8.5	-6.1	-5.0	-9.5	-9.2	-5.8	-6.3	-8.6
General Government	0.7	1.4	1.4	1.5	2.4	0.5	0.8	1.9	1.0	1.4
Other Sectors	-7.2	-8.5	-9.8	-7.6	-7.3	-10.0	-9.9	-7.7	-7.3	-10.0
Acq/disp of non-produced non- fin assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Financial Account	842.8	-50.1	13.3	-62.9	565.2	114.5	184.4	-491.6	948.5	432.0
Direct Investment	183.1	196.5	-40.1	161.0	-104.4	99.9	89.9	22.1	46.7	22.3
Portfolio Investment	129.8	26.7	-98.5	-311.8	260.8	-37.3	-198.2	-311.8	38.1	-268.8
Other official investment	-120.4	-112.4	-156.0	-173.6	1.4	-236.4	-150.0	-76.1	93.7	165.2
Other private Investment	629.0	-81.5	258.3	324.3	471.8	263.9	154.3	96.1	394.1	377.7
Reserves	21.3	-79.4	49.5	-62.7	-64.5	24.4	288.4	-222.0	375.9	135.6
Errors & Omissions	-736.8	110.3	93.3	230.7	-508.9	-161.0	-88.4	493.9	-926.7	-377.3

+ Revised

10: FOREIGN EXCHANGE SELLING RATES

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

		US$	Can$	GBP £
	Dec-11	86.6000	84.2000	134.4400
	Mar-12	87.3000	87.6500	139.2800
FY12/13	Jun-12	88.7000	86.7100	138.6600
	Sep-12	89.9300	91.4200	145.3900
	Dec-12	92.9800	93.3100	152.6400
	Mar-13	98.8900	97.9900	151.9000
FY13/14	Jun-13	101.3800	96.7000	154.4800
	Sep-13	103.6000	100.7100	167.1600
	Dec-13	106.3800	99.7200	175.8400
	Mar-14	109.5700	98.9300	181.7700
FY14/15	Jun-14	112.2022	103.1802	191.8988
	Sep-14	112.6662	101.0142	180.2393
	Dec-14	114.6607	97.6896	177.6759
	Mar-15	115.0435	90.6202	169.9738
FY15/16	Jun-15	116.9832	93.8399	183.7774
	Sep-15	119.0553	88.6177	180.1478
	Dec-15	120.4150	84.9062	177.1179
	Mar-16	122.0421	92.5223	173.4625
FY16/17	Jun-16	126.3835	97.8795	169.8517
	Sept-16	128.2704	97.3084	166.7776
	Dec-16	128.4404	95.8778	157.4208
	Mar-17	128.6672	97.1686	159.5670
FY17/18	Jun-17	128.6228	99.3865	166.5811
	Sep-17	129.9127	105.0988	173.8791
	Dec-17	125.0004	97.3947	167.0275
	Mar-18	125.9850	97.1994	178.1109
FY18/19	Jun-18	130.3918	100.0079	172.9757
	Sep-18	134.6486	103.7023	178.1844
	Dec-18	127.7162	91.5382	159.0355
	Mar-19	126.4666	95.8862	165.5342
FY19/20	Jun-19	131.0682	101.8648	168.0812
	Sep-19	135.1591	102.3052	166.1363
	Dec-19	132.5690	100.1539	171.6232
	Mar-20	135.3908	95.3267	169.1721
FY20/21	Jun-20	140.0111	105.1658	177.1609
	Sep-20	142.1048	107.7533	185.5508
	Dec-20	142.6493	111.4117	193.6657
	Mar-21	146.5813	120.1525	202.8338
FY21/22	Jun-21	148.5164	122.7285	207.0185
	Sep-21	147.2441	117.6625	202.9298

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
FY21/22	Jun-21	4,285.89	-897.18	3,388.71	42.42	30.12
	Sep-21	4,834.98	-870.77	3964.22	46.62	33.27

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

June 2019 – Mar 2021– + (Seasonally Unadjusted)

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

	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Total Value Added at Basic Prices	0.6	-0.0	-2.3	-18.3	-10.7	-8.3	-6.6	14.2
Agriculture, Forestry & Fishing	-0.0	3.9	7.8	7.9	2.5	-7.2	-1.9	15.0
Mining & Quarrying	-17.5	-40.4	-35.8	-25.2	-20.7	6.3	7.2	-9.2
Manufacturing	4.9	0.4	2.2	-11.8	-10.9	-0.4	-0.9	12.9
Food, Beverages & Tobacco	2.3	1.8	0.1	-8.6	-8.2	-0.7	-1.6	9.3
Other Manufacturing	8.8	-1.2	5.3	-16.5	-14.6	-0.0	0.1	18.6
Construction	-2.1	-1.9	-3.3	-14.5	7.0	6.3	10.5	17.4
Electricity & Water	0.8	2.8	2.1	-8.7	-7.0	-9.3	-6.9	4.0
Wholesale & Retail Trade; Repairs; Installation Of Machinery	0.6	0.7	-1.3	-15.6	-8.13	-8.8	-5.1	19.3
Hotels and Restaurants	2.5	3.7	-14.1	-85.6	-65.2	-53.8	-55.9	334.6
Transport, Storage & Communication	1.2	0.5	-2.7	-20.8	-14.8	-10.4	-7.8	13.9
Finance & Insurance Services	3.1	3.3	-1.2	-5.5	-5.6	-2.8	-1.1	2.8
Real Estate & Business Services	0.9	0.7	0.2	-5.5	-2.8	-1.3	-1.9	5.2
Government Services	0.4	0.2	0.2	0.2	0.1	0.2	0.0	0.4
Other Services	1.9	1.4	-3.7	-44.3	-27.0	-21.6	-21.9	23.2
Less Financial Intermediation Services Indirectly Measured (FISIM)	3.7	3.5	3.1	3.9	3.7	3.9	3.7	3.8

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
FY21/22	Jun-21	0.1005	0.1458	0.1595	0.2463
	Sep-21	0.0803	0.1301	0.1585	0.2366

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
FY21/22	Jun-21	0.00	0.0-0.25	0.25	3.25	0.10
	Sep-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
FY21/22	Jun-21	0.7230	1.2398	111.1111	0.8429
	Sep-21	0.7422	1.2682	111.2718	0.8636

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
FY21/22	Jun-21	68.63	66.09	23.18	401.93
	Sep-21	73.00	70.57	231.62	474.39

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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