



The Private Sector Organisation of Jamaica

39 Hope Road, Kingston 6

Tel: 927-6238/6958 Fax: 927-5137 Email: psojinfo@psoj.org Web site: <http://www.psoj.org>

PSOJ CONFIDENTIAL ECONOMIC BULLETIN

A Monthly Analysis of the Jamaican Economy

Overview

March signified the end of another fiscal year and recent data from the Ministry of Finance suggests that Government closed the year with a fiscal deficit of 5.8% of GDP, considerably better than the 6.9% projected by the Ministry in February. The 5.8% outturn also meant that Government met its original target of 5-6% of GDP projected at the start of the fiscal year. The key macroeconomic variables remained stable during the month as relative calm in both currency and prices allowed the Central Bank to continue its downward pull on interest rates. The Government's budget for the new fiscal year shows that total debt servicing will cost the nation some \$228 billion in interest payments and maturing principal amounts. This cost, as well as Government's other recurrent expenditures, is expected to be financed by a total package of \$328 billion in revenues and new loans.

The inflation rate continued to hold strain registering 0.5% for the month of March, down slightly from February's figure of 0.6% in an environment of modest movement in the heavily-weighted Food & Drink index. The fiscal year inflation rate was 16.8%, reflecting the effects of the 2003 foreign exchange crisis.

The dollar slipped modestly by \$0.05 against its US counterpart during March, ending the month at \$61.01. Year-to-date depreciation was \$0.39, an improvement on the \$5.27 recorded for the same period last year.

The Net International Reserve (NIR) increased for the fourth consecutive month, with March's outturn showing a US\$94-million growth over that of the previous month. This has been facilitated by the stable conditions in the foreign exchange market as well as positive developments for Jamaica in the international capital markets.

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Tourism continued to show positive growth with improved visitor arrivals relative to March 2003. In particular, the number of European visitors jumped by 23% over last March.

The bauxite sector performed creditably during March, producing over 15% more than in the corresponding month of 2003. However, export growth was limited to a modest 1.1% over last March.

The Central Bank reduced the yields on two of its instruments during the month, cutting its 270 and 360-day rates by 30 and 55 basis points, respectively. The market-clearing Treasury bill yield was also 74 basis points lower than in February, which bodes well for Government's cost containment efforts.

For the nine-month period January to September 2003 the nation incurred a US\$1.4-billion deficit on its merchandise trade account. This shortfall was 4% worse than that of the corresponding period in the previous year and reflects a disturbing trend.

Net International Reserves

The Net International Reserves (NIR) for March 2004 increased to US\$1,568.66 million, \$94.7 million more than the reserves for February (*please see Table 1*). March's reserve represents approximately 25 weeks of goods imports. The growth in reserves is the result of a US\$91.6-million increase in foreign assets which occurred in tandem with a US\$3.1-million decrease in foreign liabilities during the month.

Table 1: Changes in the NIR

	NIR	Change			Imports (Weeks)
		Mthly	12 Mth	YTD	
Mar-2004	1,568.66	94.70	228.99	403.68	24.99
Mar-2003	1,339.67	86.73	-602.00	-257.31	22.36

Source: Compiled from the BOJ (Preliminary)

Foreign Currency Deposits

For the month of February, total foreign currency deposits amounted to US\$1,727.51 million, US\$35.8 million higher than January's figure (*Table 2*). This reflected increased deposits in all three categories of institutions (commercial banks, building societies and merchant banks).

Table 2: Foreign Currency Deposits

	Feb-04	Change (US\$M)		% 12 Mth
		Mthly	12 Mth	
Total Deposits	1,727.51	35.83	249.09	16.85
	Feb-04			
Spot Purchases	487.47	-58.12	-271.77	-35.79
Spot Sales	531.04	-70.99	-231.58	-30.37

Source: Compiled from the BOJ (Preliminary)

Foreign Exchange Rates

The Jamaican dollar lost \$0.05 against its US counterpart during the month of March, trading at \$61.01 (daily J\$/US\$ weighted average selling rate) against the US dollar on March 31 (see *Table 3*). This represents a year-to-date depreciation of 0.64% for the month, an improvement on the 10.33% observed in March of last year.

Figure 1: Daily J\$/US\$ Movements

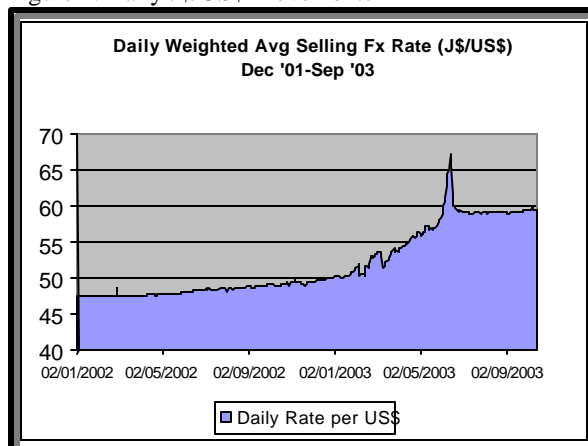


Table 3: Foreign Exchange Trends

	Year-to-Date: Mar 31, '04 (report date: Apr. 14)					
	us\$	%?	can\$	%?	uk£	%?
2004	0.39	0.64	-0.13	-0.29	3.89	3.62
2003	5.27	10.33	5.39	16.80	6.43	7.95
2002	0.21	0.45	0.43	1.47	-0.80	-1.18
	Monthly					
Mar -04	0.05	0.08	1.10	2.43	-1.05	-0.94

Source: BOJ, PSOJ Economic Research

Short Term Forecasts

April should see continued stability in the currency as the tourism industry continues to provide steady inflows to the foreign exchange market. The month of May is also expected to be stable although modest adjustments are possible with the normal tapering off of the winter tourist season.

Table 4: Short Term FX Forecasts (J\$/US\$)

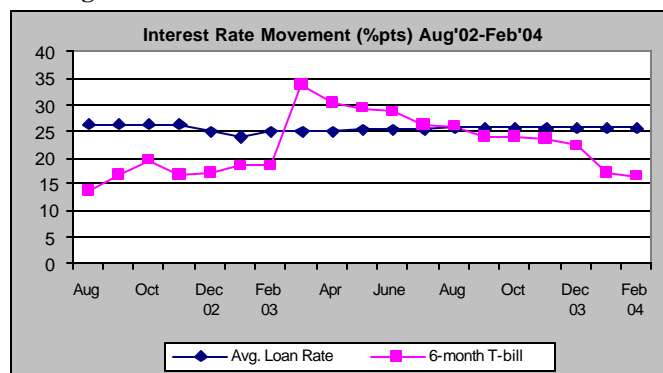
	Forecast	Actual	Diff.
Sept.	49.16 – 49.20	49.27	0.07
Oct.	49.72 – 49.76	49.44	0.28
Nov.	49.86 – 49.90	49.91	-0.01
Dec.	50.12 – 50.16	50.97	-0.81
Jan. '03	50.69 – 50.73	52.98	-2.25
Feb.	52.32 – 52.36	53.74	-1.38
Mar.	54.51 – 54.55	56.24	-1.69
April	57.11 – 57.15	57.31	-0.16
May	N/a	59.42	
June	N/a	59.01	
July	59.42 – 59.46	59.16	0.30
August	60.23 – 60.27	59.40	-0.87
September	59.60-59.65	59.71	0.06
October	60.25 -60.50	60.44	-0.06
November	60.55-60.60	60.65	0.05
December	60.64-60.68	60.62	-0.02
Jan. '04	60.59-60.64	60.73	0.09
Feb.	60.68-60.75	60.95	0.20
Mar.	60.65-60.70	61.01	0.31
Apr	60.75-60.80		

Source: PSOJ Economic Research

Interest Rates

The Bank of Jamaica lowered interest rates on two of its open market instruments during March in an environment of healthy foreign exchange inflows. The 270 and 360-day repo rates were cut by 30 and 55 basis points, respectively.

The average commercial bank savings rate remained unchanged at 8.30%. The average lending rate fell marginally to 25.40% as rates continue to gradually respond to a more relaxed monetary policy (**Table 5**).

Figure 2: Interest Rate Movements**Table 5: Interest Rate Movements**

	Mar-04	Change (%age pts)		
		Mthly	12 Mth	YTD
30 Day Repo	14.85	0.00	-0.15	-0.15
365 Day Repo	17.95	-0.55	-18.00	-5.05
Avg Savings Deposit	8.30	0.00	0.08	-0.13
Avg Loan Rate	25.40	-0.16	0.67	-0.20
6 Month T-Bill	15.57	-0.74	-17.90	-6.48
12 Month T-Bill	n/a*	n/a	n/a	n/a

Source: Compiled from the BOJ (Preliminary)
*no instrument offered

Base Money and Money Supply

The monetary base grew by 1.10% in March 2004 compared to the previous month. M2 for February showed a 1.4% increase over the January figure reflecting increases in both M1 and the Quasi-money stock.

Table 6: Base Money and Money Supply

	J\$M	Change (%)	
	Feb-04	Mthly	12 Mth
M1	55,715.0	3.10	30.86
Quasi Money	130,472.7	0.65	15.98
M2	186,187.7	1.37	20.07
	March-04	Mthly %	
Base Money	36,186.4	1.10	36,186.4

Source: Compiled from the BOJ (Preliminary)

Inflation

The inflation rate for March was 0.5% reflecting a modest movement in the Consumer Price Index from 1,811.9 to 1,820.8. This resulted in an overall inflation rate of 16.8% for the fiscal year (**Table 7**). There was a 1.7% increase in the sub-index for *Housing & Other Housing Expenses* in an environment where rental rates generally remained flat but other housing expenses rose by over 2%. The *Household Furniture & Furnishings* category also rose by 1.7% fuelled by a 3.4% increase in furniture prices. The heavily-weighted *Food & Drink* category was held to a modest 0.3% increase in an environment of deflation in the prices of Starchy Foods. *Transportation* expenses were generally 0.4% higher than in the previous month.

Table 7: Inflation Trends

	Percent Changes			
	Mar-04	12 Mth	YTD	Fiscal
2004	0.5	16.8	1.9	16.8
2003	0.5	6.2	-0.4	6.2

Source: STATIN

Production of Selected Commodities

Mining: Total Bauxite production in March amounted to 1.256 million metric tonnes, a 15% growth over that of March the previous year. The sector achieved a 9.7% increase in Crude Bauxite production (to 348,954 metric tonnes), as well as a 15% growth in Alumina production (to 368,300 metric tonnes – see Table 8). Export growth was held to a marginal 1.1% in the context of a 5.3% decline in Alumina exports to 322,970 metric tonnes. However, Crude exports were over 11% higher than in March of the previous year.

Table 8: Mining Production

	Y-T-D				
	Mar-03	Mar-04	%	Mar-04	04/03%
Production					
Alumina	320,707	368,300	14.84	1,047,011	12.08
C. Bauxite	318,131	348,954	9.69	957,468	-0.72
Tot. Bauxite	1,088,542	1,256,730	15.45	3,557,039	8.17
Export					
Alumina	341,230	322,970	-5.35	1,017,275	8.92
C. Bauxite	342,548	380,995	11.22	986,947	7.57
Tot. Bauxite	1,162,588	1,175,401	1.10	3,511,008	8.44
<i>Units=tonnes</i>					
<i>Source: Compiled from Jamaica Bauxite Institute</i>					

Sugar & Bananas: Total sugar production for the month of March was 41,921 metric tonnes, 4.3% higher than that of the same period last year. There was no significant change in the TC/TS ratio, an efficiency measure of the number of tons of cane used to produce each ton of sugar. The TC/TS ratio remained at roughly 10.6, the same as that of last March.

Tourism

Total Stopover arrivals for the month of March were 136,606, over 5% higher than in March of 2003. Within the Stopover category there was a 12% growth in visits from Non-Resident Jamaicans, supported by a 5.2% increase in visits by Foreign Nationals (Table 9). There was no notable growth in Cruise Passenger arrivals as an 8% increase in Montego Bay arrivals was offset by a 3.4% decline in visitors at Ocho Rios. The European customer base continues to grow as evidenced by a 23% increase in arrivals from European destinations compared to March of 2003.

Table 9: Tourist Arrivals

	2003	2004	% Change	
	Y-T-D		Y-T-D	March
Stopover	342,249	366,085	7.0	5.5
Foreign	326,458	350,244	7.3	5.2
National	15,791	15,841	0.3	11.8
Cruise	364,043	369,267	1.4	0.4
Total	706,292	735,352	4.1	
US\$m*				

Source: Jamaica Tourist Board (Preliminary)

External Trade

For the period January to September 2003 the nation incurred a trade deficit of US\$1,821.6 million, 1.6% worse than the corresponding period in 2002 (**Table 10**). This resulted from a US\$93-million growth in imports which outweighed export growth for the period.

Exports: Total Export Earnings (fob) for January to September 2003 stood at US\$902.22 million, an improvement of nearly US\$64 million over the corresponding period in 2002. Major Traditional Exports increased by US\$54.7 million to US\$708.3 million (up by 8.4%), due to a US\$60.8-million growth in Mining & Quarrying. However, revenues from Agriculture declined by a marginal 0.5% or US\$231 million. The Manufacturing sector declined by nearly US\$6 million in comparison to the previous period as the sector continued to be affected by a falloff in rum earnings from Mexico. Growth in Mining & Quarrying was the result of a US\$71.1-million (16.3%) growth in Alumina earnings, but this was partially offset by a US\$10-million fall in Bauxite revenues. The negative outturn in traditional Agriculture was mainly the result of a US\$2.2-million (8%) fall in earnings from Coffee. Aside from Pimento, which earned US\$524,000 less than in the previous period, all other sub-categories registered growth, particularly the Citrus industry whose revenues grew by nearly 60%. Declines were also experienced in all the other areas in the traditional Manufacturing category.

Receipts from Non-Traditional exports grew by 3.5% or nearly US\$6 million, largely attributable to a US\$6.8-million (10.7%) growth in Foods which was complemented by a US\$3-million increase in Beverages & Tobacco. The Other Non-Traditionals category declined by US\$3.8 million due largely to a sharp 35% drop in Mineral Fuels whose earnings fell by over US\$8 million. Earnings from Wearing Apparel also plummeted by over 46% or US\$7.35 million. However, Chemical earnings improved by US\$11 million or over 31%. The

sub-category of Other Domestic Exports also earned US\$1.3 million more than in the previous period. In Non-Traditional Foods, revenue growth was mainly attributable to the Other Exports category where earnings increased by roughly US\$5.2 million compared to January-September 2002. Exporters of Fish, Crustaceans & Molluscs also earned US\$2.3 million more than in the 2002 period. Income from Ackees and Mangoes rose by US\$331,000 and US\$304,000, respectively, but Papayas fell by US\$1.47 million (42.3%). Revenues from Beverages & Tobacco grew by US\$3 million (over 18%) as a 19% growth in Beverages was tempered by a 33% falloff in Tobacco.

Imports: Total imports (cif) increased by 3.5% to US\$2,723.8 million, resulting from a US\$170.3-million increase in Raw Materials/Intermediate Goods. This was particularly pronounced in the sub-category 'Other Fuels & Lubricants', which grew by more than US\$162

million (50.6%) compared to the previous period due to higher fuel prices on the world market. The nation also spent nearly US\$58 million more on Industrial Supplies and US\$5.5 million more on Food (incl. Beverages) than in the same period in 2002.

Consumer goods imports slipped by 2.6% as the import bill was lower in every sub-category except Non-Durables, which rose by US\$5.3 million.

Capital goods fell by more than US\$57 million (nearly 12%) as the maturing cellular phone market contributed to a US\$59.4 million fall in Machinery & Equipment imports. The bill was also US\$21.8 million lower in the category of Other Industrial Transport Equipment. However, the nation spent US\$27.5 million more on Construction Materials (an increase of just under 28%) partially due to strong demand for lumber and ceramic tiles.

Table 10: External Trade (US\$ million)

	Jan-Sep '02	Jan-Sep '03	Change	% Change
TOTAL EXPORTS (fob)	838.51	902.22	63.72	7.6
Major Traditional Exports	653.62	708.28	54.67	8.4
Bauxite	76.40	66.11	-10.29	-13.5
Alumina	436.79	507.89	71.10	16.3
Sugar	66.15	65.20	-0.95	-1.4
Other Traditional Exports	74.27	69.08	-5.19	-7.0
Non-Traditional Exports	169.37	175.31	5.94	3.5
Re-exports	15.52	18.63	3.11	20.0
Freezone Exports	128.56	100.94	-27.61	-21.5
Goods Procured In Ports	21.60	22.50	0.90	4.2
TOTAL IMPORTS (cif)	2,630.80	2,723.83	93.03	3.5
Consumer Goods	777.89	757.92	-19.98	-2.6
Durables	264.04	246.41	-17.63	-6.7
Raw Materials	1,362.43	1,532.77	170.34	12.5
Fuels - crude	150.61	108.80	-41.81	-27.8
Other Fuels & Lubrics.	321.45	484.06	162.61	50.6
Capital Goods	490.48	433.15	-57.33	-11.7
Freezone Imports	77.61	77.55	-0.06	-0.1
Goods Procured In Ports	28.60	29.50	0.90	3.1
Trade Balance	-1,792.29	-1,821.61	-29.32	1.6

Source: Compiled from BOJ and STATIN data

Balance of Payments –Jan to Sep

The current account deficit for the period January to September 2003 showed a US\$57-million improvement over that of the corresponding period in 2002. This can be credited to continued growth in the Services balance which increased by a marked 62.7% or US\$131 million. However, the Goods balance worsened by nearly US\$55 million as a US\$37-million growth in exports was outweighed by a US\$92-million growth in imports for the period.

The continued improvement in the Services balance was largely due to higher net inflows from Travel services, which grew by US\$100 million in the context of a 9% increase in tourism revenues. It was further improved by a US\$29.6-million narrowing of the deficit in Transportation services.

The Income account deficit was over US\$12 million worse than in the previous period as a widening of

the deficit in Investment Income was compounded by a fall in the surplus in Compensation of Employees.

Net receipts from Current Transfers fell by over US\$6 million as a US\$13-million growth in Private Transfers was countered by a US\$19.5-million fall in Official Transfers.

The Capital and Financial account mainly reflected changes in the Financial account, where net proceeds grew by just under US\$43 million in the area of Other Private Investments. Other Official Investments plunged from a net inflow of US\$20.2 million in the previous period to a net outflow of US\$341 million in the latter. Overall, inflows on the Capital & Financial account were insufficient to fund the deficit on the Current account, necessitating a US\$414-million injection from the reserves.

Table 11: Balance Of Payments (US\$M)

	<u>Jan-Sep '02</u>	<u>Jan-Sep '03</u>	<u>Change</u>	<u>% Change</u>
CURRENT ACCOUNT	-774.7	-717.1	57.6	-7.4
Goods Balance	-1,363.0	-1,417.8	-54.8	4.0
Exports (fob)	988.6	1,025.7	37.1	3.8
Imports (fob)	2,351.6	2,443.5	91.9	3.9
Services Balance	208.8	339.8	131.0	62.7
Transportation	-181.8	-152.2	29.6	-16.3
Travel	712.4	812.4	100.0	14.0
Other Services	-321.8	-320.4	1.4	-0.4
Income	-442.0	-454.4	-12.4	2.8
Compensation of Employees	49.3	40.8	-8.5	-17.2
Investment Income	-491.3	-495.2	-3.9	0.8
Current Transfers	821.5	815.3	-6.2	-0.8
Official	83.7	64.2	-19.5	-23.3
Private	737.8	751.1	13.3	1.8
CAPITAL & FINANCIAL A/C	774.7	717.1	-57.6	-7.4
Net Capital Movement	-13.9	-14.1	-0.2	1.4
Official	0.2	0.1	-0.1	-50.0
Private	-14.1	-14.2	-0.1	0.7
Financial Account	788.6	731.2	-57.4	-7.3
Other Official Investment	20.2	-340.8	-361.0	-1787.1
Other Private Investment (incl. errors & omis s)	615.0	657.6	42.6	6.9
Reserves (minus=increase)	153.4	414.4		

Source: Bank of Jamaica (Preliminary)

Fiscal Accounts

During the 2003-04 Fiscal Year Government's operations generated a deficit of \$28.20 billion, roughly 16% worse than budget. Although the Revenue outturn was \$4.3 billion better than anticipated, Expenditures exceeded budget by \$8.2 billion. However, the Government achieved its deficit target of 5.6% of GDP, thus making a positive step

towards regaining its credibility in the domestic and overseas credit markets.

Revenue and Grants collected for the year amounted to \$151,405.8 million, 3% higher than projected. This was largely due to a favourable variance in Capital Revenue which was three times higher than the

planned amount. Capital revenues were boosted by some \$1.5 billion in divestment proceeds as well as \$2.3 billion from the sale of AIC receivables in March. Non-tax Revenues also exceeded estimates by some \$1.24 billion or 16%. There were 20% shortfalls in both GCT and SCT receipts, with the GCT outturn being affected by the roll-back on some consumer items and delayed implementation of the tax on lottery winnings.

The \$8,211-million overrun in Total Expenditures is a reflection of higher than budgeted Interest payments and Wages and Salaries. Last year's interest rate hikes in response to the foreign exchange crisis drove Domestic interest payments \$11 billion above budget. In addition, the targeted Wages & Salaries bill was overshot by some \$6.3 billion. Programmes continue to be within budget and were \$3.7 billion lower than projected, albeit with adverse consequences for the

operations of a number of Ministries. Government fell \$3.3 billion short of its investment target in Capital Expenditures as debt servicing costs continued to command the bulk of available funds.

Loan receipts exceeded budget by \$15.8 billion or 13.6%. External receipts were a marked 52% higher than projected, bolstered in February by the receipt of proceeds from the €250-million Eurobond issue. Domestic receipts also exceeded budget as the year's higher-than-planned debt costs necessitated greater new borrowing to meet recurrent expenditures.

Total public debt at the end of March stood at \$693.89 billion, an increase of \$2.3 billion over February's figure. Domestic Debt fell by \$2.2 billion to \$417,571.3 million while External Debt grew by roughly US\$70 million to US\$4,529.0 million.

Table 12: Fiscal Accounts (J\$ million)

	April 2003 - March 2004				Change from 02/03	
	Provisional	Budget	Deviation		J\$m	(%)
			J\$m	(%)		
Revenue & Grants	151,405.8	147,062.9	4,342.8	3.0	32,876.9	27.7
Tax Revenue	131,087.5	133,692.8	-2,605.3	-1.9	28,158.4	27.4
Non-Tax Revenue	9,044.0	7,804.0	1,240.1	15.9	4,161.1	85.2
Bauxite Levy	2,137.9	1,767.5	370.4	21.0	375.2	21.3
Capital Revenue	8,596.7	2,877.0	5,719.7	198.8	556.9	6.9
Grants	539.6	921.6	-382.0	-41.4	-374.7	-41.0
Expenditure	179,607.3	171,396.1	8,211.2	4.8	30,578.3	20.5
Recurrent	173,917.1	162,350.0	11,567.1	7.1	32,836.7	23.3
Programmes	25,269.5	28,975.4	-3,705.9	-12.8	-2,193.6	-8.0
Wages & Salaries	60,463.1	54,163.0	6,300.1	11.6	8,966.4	17.4
Interest	88,184.5	79,211.6	8,972.9	11.3	26,064.0	42.0
<i>Domestic</i>	71,460.7	60,460.6	11,000.1	18.2	24,525.9	52.3
<i>External</i>	16,723.8	18,751.0	-2,027.2	-10.8	1,538.1	10.1
Capital Expenditure	5,690.2	9,046.1	-3,355.9	-37.1	-2,258.4	-28.4
Fiscal Balance	-28,201.5	-24,333.2	-3,868.4	15.9	2,298.6	-7.5
Loan Receipts	132,280.7	116,436.3	15,844.4	13.6	25,082.6	23.4
<i>Domestic</i>	108,148.9	100,539.2	7,609.7	7.6	23,990.3	28.5
<i>External</i>	24,131.8	15,897.1	8,234.7	51.8	1,092.3	4.7
Amortization	99,197.5	90,308.8	8,888.7	9.8	9,280.2	10.3
<i>Domestic</i>	81,857.5	76,728.3	5,129.2	6.7	27,900.1	51.7
<i>External</i>	17,340.0	13,580.5	3,759.5	27.7	-18,619.9	-51.8
Overall Balance	4,881.7	1,794.3	3,087.3	172.1	18,101.0	-136.9
Primary Balance	59,983.0	54,878.4	5,104.5	9.3	28,362.5	89.7

Source: Ministry of Finance & Planning

Stock Market

During March the main JSE Index advanced by a whopping 19,621.23 points (24.52%) to close at 99,630.22 points. Market capitalization grew by a massive 25% over February's figure to reach \$771.84 billion as at March 31. This represented an increase of \$154.34 billion over February 2004.

For the first quarter of the year the JSE Index experienced remarkable gains, so much so that only two stocks declined during the period. The top performing stock for year- to-date to March 31 was the Pegasus Hotel, which appreciated by 164.71% from \$3.40 to \$9.00 (see Table 13). The worst loser in price terms was the Ciboney Group, which lost almost 42% of its value over the period closing at \$0.07 on March 31.

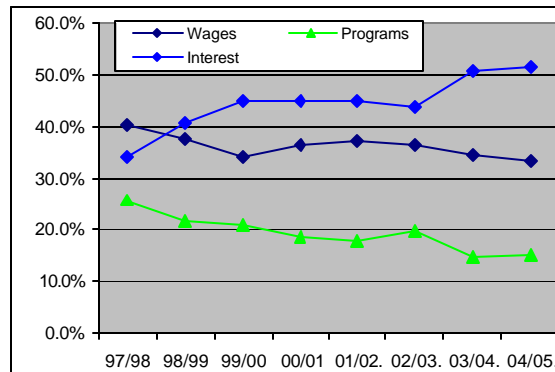
Table 13: Returns for Listed Companies on the JSE

Year-to-Date Performers on the Jamaica Stock Exchange				
Top Five (unadjusted for dividends or transaction costs)				
	31/12/03	31/03/04	\$	%
Pegasus Hotel	3.40	9.00	5.60	164.71
Caribbean Cement	3.50	9.00	5.50	157.14
First Life Insurance Company	13.81	29.50	15.69	113.61
Bank of Nova Scotia (Ja.)	22.84	46.51	23.67	103.63
Pan Jam Investments	18.71	38.00	19.29	103.10
Bottom Two* (unadjusted for dividends or transact. costs)				
Ciboney Group	0.12	0.07	-0.05	-41.67
Trinidad Cement Ltd.	61.00	60.00	-1.00	-1.64
*in ascending order, from worst to best performer				
<i>Source: Compiled from the JSE</i>				

Developments and Outlook

The Government's 2004/05 budget shows that for this fiscal year total recurrent expenditures will amount to \$187.5 billion, 51% of which will go towards interest payments. Wages and salaries will consume some 33.6% of the recurrent budget, down from 34.8% in 2003/04. Since the 2001/02 fiscal year Government has made steady efforts to reduce the percentage of its recurrent budget consumed by wages and salaries (*see Panel A below*). This figure has been reduced from 37.5% in 2001/02 to 34.8% in 2003/04. Programmes will receive 15.1% of this year's recurrent budget, a marginal improvement on last year's figure of 14.5%.

Panel A: %age of Recurrent Expenditures



The Ministry of Finance and Planning received the largest allocation of all the ministries (\$110.8 billion) in keeping with the present emphasis on debt management. Interest payments once again dominate the Ministry's expenditures, accounting for \$96.3 billion or roughly 87% of its recurrent budget. The Ministry of Education, Youth & Culture has received the second-highest allocation for this year, with a total budget of \$29.56 billion (*see table A*). This represents a \$365-million increase over last year's allocation. The Ministry of National Security has received total funding of \$14.9 billion, some \$584 million less than last year. This reflected decreased allocations in all the Ministry's divisions including the Police department as well as Correctional Services. The reduced allocation may affect the maintenance of law and social order in an environment where crime remains high.

Ministry	Estimates, 04/05	Provisional, 03/04
Finance & Planning	110,809,820	103,397,266
Education	29,560,000	29,194,942
Health	14,694,230	11,823,551
National Security	14,700,381	15,284,504
Local Government	4,314,927	3,885,944
Industry & Tourism	1,851,280	1,809,269
Commerce, Sci. & Tech.	1,736,121.0	1,684,688.0
Other	9,884,509	9,685,819
TOTAL	187,551,268	176,765,983

The main JSE Index exceeded the historic 100,000 mark on April 1st to close the day at 100,375 points. It is anticipated that the stock market will continue to perform well during 2004/05 given the growth trend in the real economy and its resulting impact on companies' net income and operating performance. Last year's impressive returns realized by equity investors have sent a positive signal concerning the gains to be had from the equities market. In addition, the downward trend in interest rates should help to divert some investor capital away from the fixed income market and into equities, providing greater financing opportunities for firms in the real economy.

A number of interest groups in the United States are becoming increasingly disenchanted with the notion of free trade and in particular the FTAA given its impact on that country's labour market. A growing number of US firms are outsourcing jobs to Caribbean, Central American and other countries with cheaper labour costs, leading to divided views within the US concerning the value of free trade to the economic interests of that nation.

The implementation of the Caribbean Single Market and Economy (CSME) is also facing challenges from a number of recent developments within the region. A marine jurisdiction dispute between Barbados and Trinidad has resulted in Barbados imposing sanctions on Trinidadian manufactured goods. Barbados has also declared that it will not cede any part of its territorial waters to Trinidad for oil drilling contracts. In a separate development, commercial banks in Trinidad & Tobago have been warned against lending to CARICOM states, presumably because of these countries' susceptibility to default. This goes against the spirit of regional cooperation and also contravenes the objective of free movement of capital, a key underpinning of the proposed CSME. The Jamaican Government has over the last nine months borrowed some US\$120M from the Trinidadian banking system.

Statistical Index
Major Macro-Economic Indicators

	BM		M2		NIR	Fx Dep	CPI		Tourism	J\$/US\$	Tbill	Loan	Sav	Dom Debt	Fx Debt
	M	P	M	P	US\$M	US\$M	M	P	P		%	%	%	J\$M	US\$M
Aug	0.6	-3.3	0.9	7.7	935.5	1,082.5	0.9	8.2	23.29	42.89	17.04	32.75	10.11	189,666.78	3,003.80
Sep	-3.4	-5.1	1.8	9.1	935.5	1,072.4	1.0	9.0	7.58	43.85	17.13	31.50	9.96	184,337.90	3,208.60
Oct	1.4	-3.4	0.3	6.6	845.7	1,065.0	0.1	8.3	7.60	44.71	17.13	31.67	9.86	181,507.81	3,208.81
Nov	0.9	-3.2	1.1	9.6	831.7	1,077.1	0.1	7.3	9.88	45.08	17.28	31.67	9.86	184,795.00	3,265.20
Dec	12.7	-6.4	2.4	10.6	969.3	1,111.3	-0.7	6.1	8.20	45.48	20.16	31.67	9.86	187,520.03	3,375.30
Jan-01	-9.5	-3.2	-0.3	8.7	931.2	1,115.7	0.0	5.9	10.07	45.67	19.41	32.18	9.86	193,616.74	3,492.06
Feb	1.9	1.0	-0.5	8.0	1,106.6	1,128.5	1.1r	6.7r	2.82	45.76	18.27	32.18	9.86	190,384.80	3,636.78
Mar	-3.8	-0.1	1.4	8.9	1,286.3	1,117.3	0.5r	6.4	-0.08	45.70	16.88	31.33	9.84	215,084.05	3,624.30
Apr	1.6	-1.4	0.1	7.7	1,281.8	1,130.5	0.4	5.8	4.24	45.68	16.50	31.21r	9.84	n/a	3,625.70
May	-0.5	-2.4	2	10.6	1,480.6	1,152.6	0.8	6.2	3.36	45.77	15.46	30.88	9.50	n/a	3,971.40
Jun	-0.9	-1.8	-0.7	8.2	1,540.5	1,154.2	1.7	7.1	-2.22	45.77	16.2	30.67	9.45	285,660.00	3,944.15
Jul	3.7	3.3	2.0	10.7	1,526.3	1,153.3	1	7.1	-2.62	45.78	16.45	30.33	9.18	n/a	n/a
Aug	-1.1	1.5	1.0	11.2	1,599.0	1,158.7	0.9	7.1	-8.08	45.77	16.04	28.21	9.08	n/a	n/a
Sep	-4.6	0.3	1.3	10.6	1,537.7	1,192.1r	0.8	6.9	-21.73	45.94	15.10	26.96	9.08	292,262.82	3,882.21
Oct	-2.1	-1.0	0.84	11.2	1,477.5	1,222.9	0.8	7.7	-18.39	46.57	15.11	26.79	9.08	n/a	n/a
Nov	3.5	0.4	n/a	n/a	1,477.0	1,214.0	0.1	7.7	-14.86	47.35	17.82	26.79	9.08	n/a	n/a
Dec	12.4	0.2	n/a	n/a	1,840.7	n/a	n/a	n/a	n/a	47.36	17.03	26.79	9.08	309,358.11	4,146.10
Jan-02	-10.3	-0.78	-1.34	8.63	1,848.7	1,174.9	0.6	9.4	-11.6s	47.46	17.08	26.79r	9.08	297,181.62	4,107.50
Feb	3.5	0.8	1.21	10.52	1,820.9	1,197.9	-0.1	8.1	-11.76	47.51	15.93	26.63	9.02	298,316.27	4,098.6
Mar	-4.9	-0.4	1.1	2.2	1,941.47	1,293.4	0.0	7.6	-12.96	47.64	14.3	26.29	9.36	300,201.53	4,135.30
Apr	-2.3	-4.2	2.04	12.24	1,899.6	1,280.9	0.5	7.7	-14.56	47.76	13.84	26.29	9.34	302,293.04	4,144.93
May	1.6	-2.2	-0.8	9.3	1,810.6	1,273.3r	0.3	7.2	-12.28	48.14	13.79	26.25	9.34	305,116.45	4,156.13
Jun	0.7	-0.6	0.82	10.92	1,782.3	1,270.6	0.9	6.3	-2.33	48.43	13.81	25.92	9.00	310,741.77	4,463.94
Jul	3.0	-1.3	0.34	9.15	1,743.9	1,288.17	1.5	6.8	14.80	48.5	13.79	25.92	8.97	313,667.59	4,253.01
Aug	-1.27	-1.45	0.41	8.48	1,685.6	1,316.1	0.4	6.3	-2.04	49.01	13.78	26.25	8.97	329,216.58	4,221.19
Sep	-0.28	2.97	5.89	13.42	1,687.3	1,335.23	0.4	5.9	21.51	49.27	16.69	26.25	8.86	331,618.89	4,230.84
Oct	2.02	6.19	-5.10	7.4	1,655.16	1,328.78	0.7	5.8	15.56	49.44	19.54	26.13	8.96	342,248.95	4,224.40
Nov	2.18	4.86	3.36	11.58	1,614.40	1,397.17	1.2	7.1	16.85	49.91	16.89	26.13	8.96	340,245.86	4,292.91
Dec	11.44	3.99	4.76	12.98	1,596.98	1,423.21	0.5	7.3	34.77	50.97	17.01	25.04	8.96	351,106.70	4,347.46
Jan-03	-10.91	3.72	-3.04	11.03	1,510.25	1,428.27	-0.3	7.0	21.29	52.98	18.45	23.9	8.88	357,519.32	4,389.10
Feb	2.01	0.04	-1.82	6.32	1,252.94	1,421.05	-0.6	5.7	28.90	53.74	18.45	24.73	8.59	363,846.41	4,152.56
Mar	-0.14	7.54	2.35	7.47	1,339.67	1,499.96	0.5	6.2	23.12	56.24	33.47	24.73	8.22	366,158.13	4,180.00
April	-0.48	9.61	5.90	11.68	1,362.10	1,501.76	1.6	7.3	24.90	57.31	30.34	24.73	8.22	376,664.71	4,178.82
May	1.22	9.20	-0.019	12.55	1,233.33	1,530.56	1.9	9.0	21.68	59.42	29.29	25.18	8.22	384,739.26	4,198.03
June	-1.02	7.36	-0.73	10.83	1,127.39	1,514.18	2.5	10.7	20.05	59.01	28.46	25.18	8.22	388,125.86	4,165.30
July	1.20	5.31	0.0	10.46	1,124.92	1,468.85	1.5	10.7	18.90	59.16	26.31	25.18	8.22	393,970.29	4,133
August	0.84	7.63	n/a	n/a	1,080.10	1,586.08	1.4	11.9	17.61	59.39	25.74	25.60	8.22	396,498.28	4,096.65
Sept	-1.32	4.09	n/a	n/a	1,182.63	1,627.60	1.6	13.1	17.20	59.71	23.42	25.60	8.94	402,317.57	4,129.12
Oct	2.90	n/a	n/a	n/a	1,131.13	1,655.11	1.6	14.1	7.7	60.44	none	25.60	8.43	404,949.94	4,164.23
Nov	3.17	n/a	n/a	n/a	1,103.25	1,637.24	0.9	13.8	6.1	60.65	23.46	25.60	8.43	410,984.43	4,185.10
Dec	n/a	n/a	n/a	n/a	1,164.98	1,670.59	0.8	14.1	n/a	60.62	22.05	25.60	8.43	417,834.25	4,192.06
Jan '04	n/a	n/a	n/a	n/a	1,251.01	1,691.67	0.6	15.2	6.3	60.73	17.15	25.60	8.43	427,363.66	4,169.33
Feb	n/a	n/a	n/a	n/a	1,473.96	1,727.51	0.6	16.5	n/a	60.95	16.31	25.56	8.30	419,763.43	4,459.14
Mar	n/a	n/a	n/a	n/a	1,568.66		0.5	16.8	n/a	61.01	15.57	25.40	8.30	417,571.30	4,529.00

Source: Bank of Jamaica, Statistical Institute of Jamaica, Ministry of Finance and Planning, Jamaica Tourist Board and the Planning Institute of Jamaica.

Revised periodically when necessary.

Key:

BM – Base Money

NIR – Net International Reserves

CPI – Consumer Price Index

Tbill – 6-month Treasury Bill Yield

Save – Average Savings Deposit Rate

P – Point-to-Point Percentage Change

N/a – Not Available

WATBY- weighted average Treasury bill yield

M2 – Money Supply

FX Dep – Foreign Exchange Deposit

Tourism – Total Tourist Arrivals

Loan – Average Loan Rate

M – Monthly Percentage Change

R – Revised

S – Stopover

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The Private Sector Organisation of Jamaica, 39 Hope Road, Kingston 6
Tel: 927-6238/6958 Fax: 927-5137 Email: Web site: <http://www.psoj.org>