



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

The month of November brought encouraging developments for the economy in the areas of tourism, exchange rate stability and inflation containment. November's inflation rate fell to 0.9%, an improvement on that of the previous month. A key contributor to the inflation rate was the Food & Drink category, in which the sub-groups Starchy Foods and Vegetables & Fruit increased by 1.6% and 3.2%, respectively.

The dollar lost \$0.21 or a marginal 0.34% of its value during the month of November, resulting in a total depreciation of 18.99% since the start of the year. The year-to-date rate of depreciation for November was three and a half times faster than that for the same period in 2002 and five times faster than that of the 2001 period. However, the relative stability which prevailed during the month itself is expected to continue through the first quarter of next year as tourism inflows continue to buttress the supply side of the foreign exchange market. The country's declining NIR remains a point of concern, however, falling by nearly US\$27.9million (2.5%) during the month of November, although the recent BNS loan of \$US100million will help to bolster reserves.

In This Issue

Overview.....	1
Net International Reserves.....	2
Foreign Currency Deposits.....	2
Foreign Exchange Rates.....	2
Interest Rates.....	3
Base Money & Money Supply.....	3
Inflation.....	3
Production.....	4
Tourism.....	4
External Trade.....	4
Balance of Payments.....	6
Fiscal Accounts.....	7
Stock Market.....	8

November's year-to-date tourism numbers showed impressive growth with Total Stopover arrivals for the period increasing by more than 6% compared to the same period in 2002. In fact, the 1.21 million visitors received between this January and November has even surpassed the number received for the same period in 2000 which was a record year in Jamaica's tourism. In addition, December's preliminary figures show that airport arrivals for the month grew by over 11% compared to last December, a whopping 35.2% over 2001 and almost 19% over 2000.

Bauxite did not record the positive growth seen in tourism as November's bauxite production and exports fell by 2% and 3%, respectively, when compared to November 2002.

In keeping with the BOJ's movement towards interest rate reduction, there were no increases in the Bank's repo rates in

November. As at November 30, the 120-365 day repos held steady at 21%, 23.5%, 23.75% and 24%, respectively. In fact, the Bank even cut its 90-365 day repos in December, slashing its 180-day rate by as much as two and a half percentage points.

For the period January to May 2003 the current account deficit on the Balance of Payments account narrowed considerably by US\$45.0 million to US\$327.2 million, compared to the similar 2002 period. The improvement resulted mainly from strong growth in the Services balance which grew by over 114% or \$134.7million in comparison to the previous review period. For the two-month period April-May of this year, the current account deficit showed a dramatic improvement over that of the same period last year, shrinking by nearly 69% or US\$140.2million due to a number of positive movements in both the Goods and Services balances.

Net International Reserves

The Net International Reserves (NIR) for November 2003 decreased to US\$1,103.25million, nearly \$27.9million less than the reserves for October 2003 and represents 17.74 weeks of goods imports. The decrease in reserves mirrors a decrease in foreign assets of US\$27.81million (*please see Table 1*).

Table 1: Changes in the NIR

	NIR	Change			Imports (Weeks)
		Mthly	12 Mth	YTD	
Nov-2003	1,103.25	-27.88	-511.15	-493.73	17.74
Nov-2002	1,614.4	-40.76	137.4	-226.3	18.58

Source: Compiled from the BOJ (Preliminary)

Foreign Currency Deposits

Total foreign currency deposits increased in September by US\$41.51million to US\$1,627.60 million compared to August's figures (*Table 2*). September's outturn reflects increased deposits in all three financial groups and was 16.41% greater than the similar 2002 period.

Table 2: Foreign Currency Deposit

	Change (US\$M)				% 12 Mth
	Sep-03	Mthly	12 Mth	12 Mth	
Total Deposits	1,627.60	41.51	229.44	16.41	
Nov-03					
Spot Purchases	639.00	-23.20	-244.83	-27.70	
Spot Sales	617.47	-48.44	-214.14	-25.75	

Source: Compiled from the BOJ (Preliminary)

Foreign Exchange Rates

The Jamaican dollar lost \$0.21 to its US counterpart during the month of November, trading at \$60.65 (daily J\$/US\$ weighted average selling rate) against the US dollar on November 28 (see *Table 3*). The year-to-date depreciation is 18.99% for November and continues to be worse than the corresponding period for 2002 and 2001.

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

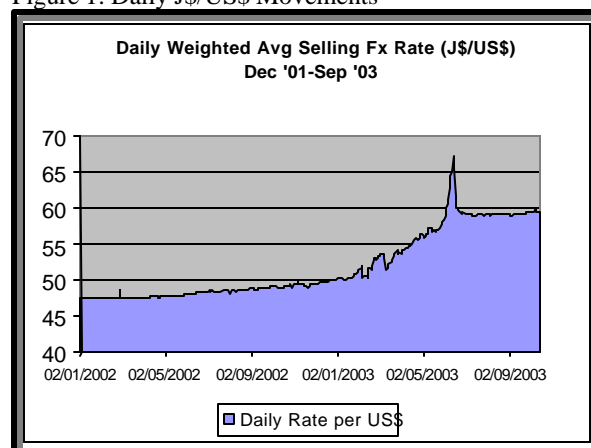


Table 3: Foreign Exchange Trends

	Year-to-Date: Nov 30, '03 (report date: Dec 18)					
	us\$	%?	can\$	%?	uk£	%?
2003	9.68	18.99	14.01	43.67	22.13	27.33
2002	2.51	5.30	2.44	8.29	9.52	14.01
2001	1.73	3.79	0.07	0.25	0.09	0.13
Monthly						
Nov -03	0.21	0.34	0.20	0.45	1.09	1.07

Source: BOJ, PSJO Economic Research

Short Term Forecasts

With the strength of tourism inflows and remittances, the dollar is expected to be stable for at least the first three months of the winter tourist season. Depreciation if any should be minimal, and some small degree of appreciation may even be possible at the height of the winter season. *Table 4*.

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

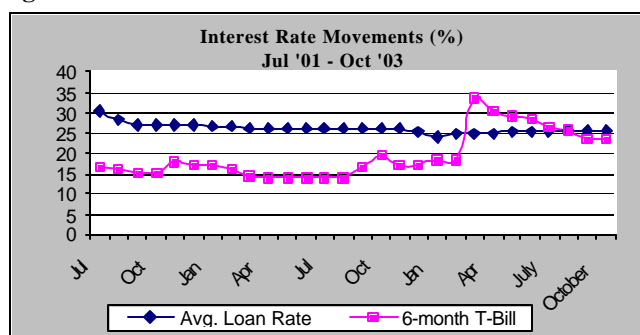
	Forecast	Actual	Diff.
Jan. '02	47.41 – 47.45	47.53	0.08
Mar.	47.50 – 47.54	47.61	0.07
Apr.	47.68 – 47.72	47.91	0.29
May.	48.06 – 48.09	48.34	0.25
Jun.	48.37 – 48.41	48.51	0.10
Jul.	48.50 – 48.52	48.65	0.13
Aug.	48.78 – 48.80	49.01	0.21
Sept.	49.16 – 49.20	49.27	0.07
Oct.	49.72 – 49.76	49.44	0.28
Nov.	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

Source: PSOJ Economic Research

Interest Rates

As at November 30, interest rates for the 120-365 day repo stood firm at their October rates of 21%, 23.50%, 23.75% and 24%. The Government issued 6, 9 and 12-month Treasury Bills during November with yields of 23.46%, 23.80% and 23.93%, respectively. The 9-month T-bill was oversubscribed by nearly 119%

The average commercial bank savings and lending rates remained unchanged at 8.43% and 25.6%, respectively (**Table 5**).

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

	Nov-03	Change		
		Mthly	12 Mth	YTD
30 Day Repo	15.00	0.00	2.05	2.05
365 Day Repo	24.00	0.00	9.50	9.50
Avg Savings Deposit	8.43	0.00	-0.02	-0.02
Avg Loan Rate	25.60	0.00	-0.53	0.56
6 Month T-Bill	23.46	n/a	6.57	5.01
12 Month T-Bill	23.93	n/a	n/a	n/a

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

Base Money and Money Supply

The monetary base increased by 3.17% in November 2003 compared to the previous month. M2 for September showed a marginal 0.92% increase over the August figure as a 0.67% decrease in M1 was offset by growth in the Quasi-Money stock.

Table 6: Base Money and Money Supply

	J\$M	Change (%)	
	Sep-03	Mthly	12 Mth
M1	49,028.9	-0.67	-0.85
Quasi Money	123,731.4	1.57	11.33
M2	172,760.3	0.92	0.92
	November-03	Mthly %	
Base Money	34,629.80	3.17	

Source: Compiled from the BOJ (Preliminary)

Inflation

The inflation rate for November 2003 was 0.9% as the Consumer Price Index inched upwards from 1,756.7 to 1,773.0. This resulted in a fiscal and year-to-date inflation rate of 13.7% and 13.2% respectively (*Table 7*). A key contributor to the inflation rate was the Food & Drink category, which registered a 1.2% increase due to higher prices in the sub-groups Baked Products (up 1.3%), Starchy Foods (1.6%), Vegetables & Fruit (3.2%), and Other Food & Beverages (almost 2%). There was a 0.9% increase in the index for the group Fuels & Other Household Supplies, due primarily to a 1.7% increase in the sub-group Household Supplies. There were no price increases in the areas of Transportation, Clothing Materials or Housing Rentals during November.

Table 7: Inflation Trends

	Percent Changes			
	Nov-03	12 Mth	YTD	Fiscal
2003	0.9	13.8	13.2	13.7
2002	1.2	7.0	6.7	6.1

Source: STATIN

Production of Selected Commodities

Mining: Total Bauxite production in November decreased by just over 2% to 1.108 million metric tonnes when compared to November 2002. This was primarily due to a 28.6% fall in Crude Bauxite production (to 276,700 metric tonnes), which completely negated a 9.96% growth in Alumina production (to 334,484 metric tonnes – see *Table 8*). Exports also declined in comparison to last November, falling by almost 3% from 1.099million metric tonnes in November 2002 to 1.067million metric tonnes this year. This mainly reflected a 126,000 tonne reduction in Crude exports, whose percentage decrease (33.6%) was three times the 11.2% growth in Alumina exports.

Table 8: Mining Production

			%	Y-T-D	
	Nov-02	Nov-03		Nov-03	03/02%
Production					
Alumina	304,186	334,484	9.96	3,504,310	5.84
C. Bauxite	387,514	276,700	-28.60	3,551,280	-3.22
Export					
Alumina	295,713	328,916	11.23	3,515,745	5.74
C. Bauxite	374,515	248,511	-33.64	3,504,782	-3.76

Units=tonnes

Source: Compiled from Jamaica Bauxite Institute

Sugar & Bananas: There has been no new Sugar production as of August 2003 due to the seasonal ending of the sugar crop in July.

Tourism

Total Stopover arrivals for the month of November were 98,048, an increase of 2% compared to November 2002. For the cumulative period January to November 2003 total stopover arrivals grew by 6.1% to 1.211 million visitors relative to the corresponding 2002 period. All categories except arrivals by non-resident Jamaicans experienced an increase (*Table 9*). Cruise arrivals for November increased by 22.2% over November 2002. Arrivals from the European region continue to grow as evidenced by a 22.2% growth in arrivals from European destinations for the period January to November 2003.

Table 9: Tourist Arrivals

	2002	2003	% Change	
		Jan-Nov		November
Stopover	1,142,546	1,211,795	6.1	2.0
Foreign	1,068,601	1,139,129	6.6	3.2
National	73,698	72,666	-1.4	-15.3
Cruise	747,369	1,012,979	35.54	22.2
Total	1,889,915	2,224,774	17.72	11.35

US\$m*

Source: Jamaica Tourist Board (Preliminary)

External Trade

The external trade deficit for January to April 2003 expanded by US\$158.4 million to US\$847.7 million compared to the corresponding 2002 period (*Table 10*). The widening of the trade deficit is attributable to imports which increased by 14% (US\$157.5million).

Exports: Total Export Earnings (fob) for January to April 2003 stood at US\$432.7 million, US\$0.8million, less than the similar 2002 figures. The Major Traditional Export category increased by US\$10.9million (up by 3.9%). This reflected growth in all categories except Bauxite which declined by US\$6.7million (down by 18.6%). The decline in earnings from Bauxite was as a result of a per unit price decrease of US\$3.40dollars to US\$22.7dollars (down12.9%) plus a 6.4% reduction in the volume exported. Earnings from Alumina increased by US\$13.8 million while the value of sugar exports increased by US\$3.2million (8.7%). Foreign Exchange from Other Traditional exports declined by US\$1.3 million. The decline continues to be attributable to Rum,

Pimento and Gypsum. The negative outturn registered in the three items totaled US\$4.5million and offset the increases recorded in Citrus of US\$0.8million (up by 69.9%), Cocoa of US\$0.2million (up by 23.4%) and Coffee of US\$2.2 million (up by 21.9%).

Non-Traditional exports declined by US\$5.2million. to US\$69.86million. This reflected declines in Other Non-traditional exports of US\$8.8 million (down 23.9%) which was partially offset by increases in Food of US\$3.2 million, Crude material of US\$0.2 million, Beverages and Tobacco sub-sectors of US\$0.22million. Within the Food sub-sector increases in Fish, Ackee, Sweet Potatoes and other food exports offset contraction in cucumbers yams pumpkin, papayas and mangoes. The decline registered in the Other Non Traditional exports mirrored significant declines in Furniture of 66.9%, wearing Apparel of 63.0%, and Manufactured Goods of 45.8%.

Imports: Total imports (cif) increased by 14.0% to US\$1,280.4million reflecting increases in all categories except Capital Goods.

Consumer goods increased by 6.5% to US\$347.7 million and were influenced by growth in all the items primarily from a 19.2% growth in other Non Durables. Durables grew by 0.8% to US\$144.5million and motor cars, which accounts for approximately 40% of total durables, increased by 13% to US\$54.4million.

Raw materials imported increased considerably by US\$145.2million to US\$699.6 million. The increase in Raw materials was influenced by an increase in the Fuel import bill and other raw material imports of US\$99.2mn (up 62.4%) and US\$46.1mn (up 11.7%) respectively.

Capital goods decreased by 3% to US\$198.5million and reflected decrease in imports of Other Machinery and other Capital goods which offset increases in Transport Equipment and Construction material. Other Capital decreased by 12.9% (US\$0.4million) and Other Machinery decreased by 20.6% (US\$29.23million).

Table 10: External Trade (US\$ million)

	Jan-Apr '02	Jan-Apr '03	Change	% Change
TOTAL EXPORTS (fob)	433.5	432.7	-0.8	-0.2
Major Traditional Exports	280.9	291.8	10.9	-3.9
<i>Bauxite</i>	36.2	29.4	-6.7	-18.6
<i>Alumina</i>	201.9	215.8	13.8	6.9
<i>Sugar</i>	36.8	40.1	3.2	8.7
Other Traditional Exports	25.5	24.2	-1.3	-5.2
Non-Traditional Exports	75.0	69.9	-5.2	-6.9
Re-Exports	5.9	7.6	1.7	28.7
Freezone Exports	36.7	29.3	-7.4	-20.1
Goods Procured in Ports	9.6	10.0	0.4	4.2
TOTAL IMPORTS (cif)	1,122.8	1280.4	157.5	14.0
Consumer Goods	326.4	347.7	21.3	6.5
<i>Durables</i>	143.5	144.5	1.1	0.8
Raw Materials	554.4	699.7	145.3	26.2
<i>Fuels</i>	158.8	258.0	99.2	62.4
Capital Goods	204.6	198.5	-6.1	-3.0
Freezone Imports	24.9	21.6	-3.3	-13.1
Goods Procured in Ports	12.6	13.0	0.4	3.2
Trade Balance	-689.3	-847.7	-158.4	-23.0

Source: Compiled from STATIN and BOJ

Balance of Payments –Jan to May

The current account balance improved dramatically for the period January to May 2003 compared to the corresponding 2002 period. The deficit shrank by 12.1% or US\$45.0 million to US\$327.2million, a significant fall from the US\$372.2mn in the corresponding period last year. The narrowing of the deficit resulted from a strong improvement in the Services Balance, which more than doubled from US\$117.9million in the 2002 period to US\$252.6mn in 2003, a growth of over 114%. (*Table 11*)

The Trade deficit (exports less imports) fared less favourably, growing by US\$86.0 million to US\$786.5million. This resulted from a US\$100.4million growth in imports to US\$1,338.3million, an increase of 8.1% over last period's figure. However, this was partially offset by a US\$14.4million increase in exports from US\$537.4million in the earlier review period to US\$551.8million in the latter period.

The 114% growth in net receipts from Services was primarily influenced by a US\$120.3million growth in net inflows in travel services. It was further improved by an almost 20% fall in the deficit in the

Transportation sub-category. The combined improvement in both sub sectors far outweighed the marginal deterioration of US\$4.0 million in the deficit on the Other Services sub-sector.

The Income account deficit worsened by US\$5.5 million, largely due to a 29% fall in net Compensation of Employees from US\$10.3 million in the 2002 review period to US\$7.3 million in the 2003 period. In addition, the Investment Income deficit worsened marginally by 1% to US\$246.0million.

Net Inflows from Current Transfers increased only marginally by 0.4% (or US\$1.8million) to US\$445.4million, as a US\$7.8million growth in net inflows from Private Transfers was partially offset by a US\$6million growth in net outflows from Official Transfers.

The capital and financial account mainly reflected activity in the financial account which fell by US\$45.3million. Within the financial account inflows from Other Private Investment of US\$256.3million were insufficient to offset the net official investment outflows of US\$284.6mn, as well as the deficit on the current account of US\$327.2mn, resulting in a 363.7mn fall in reserves.

Table 11: Balance of Payments (US\$ M)	January- May		Change	
	2002	2003	US\$m	%
CURRENT A/C	-372.2	-327.2	45.0	-12.1
Goods Balance	-700.5	-786.5	-86.0	12.3
Exports (fob)	537.4	551.8	14.4	2.7
Imports (fob)	1,237.9	1,338.3	100.4	8.1
Services Balance	117.9	252.6	134.7	114.25
Transportation	-93.9	-75.5	18.4	-19.6
Travel	383.0	503.3	120.3	31.4
Other Services	-171.2	-175.2	-4.0	2.3
Income	-233.2	-238.7	-5.5	2.3
Compensation of employees	10.3	7.3	-3.0	-29.1
Investment Income	-243.5	-246.0	-2.5	1.0
Current Transfers	443.6	445.4	1.8	0.4
Official	41.5	35.5	-6.0	-14.5
Private	402.1	409.9	7.8	1.9
CAPITAL & FINANCIAL A/C	372.2	327.2	-45.0	12.1
Net Capital Movement	-8.5	-8.2	0.3	-3.5
Official	0.2	0.1	-0.1	-50
Private	-8.7	-8.3	0.4	-4.6
Financial A/c	380.7	335.4	-45.3	-11.9
Other Official Investment	11.4	-284.6	-296.0	-2,596.5
Other Private Investment (incl. errs & omiss)	339.2	256.3	-82.9	-24.4
Reserves (minus=increase)	30.1	363.7		

Source: Bank of Jamaica (Preliminary)

Balance of Payments – April-May

The current account balance improved dramatically for the two months ending May 2003 compared to the corresponding period last year. The deficit shrank by almost 69% or US\$140.2 million to US\$63.6million, a significant fall from the US\$203.8mn in April-May 2002. The narrower deficit resulted from various favourable movements occurring simultaneously in the current account. The Services Balance for example grew by over 264% or US\$63.5million, from US\$24million in last year's April-to-May period to US\$87.5million in the latter period (*Table 12*).

At the same time, the deficit in the Goods Balance plunged by US\$70.5million from US\$323.2million in last year's period to US\$252.7million in this period, representing an almost 22% improvement. This resulted from a favourable 9.9% (US\$20.7million) increase in exports, in tandem with a similar 9.4% (US\$49.8million) fall in imports.

The robust Services balance was driven by strong growth of more than 35% (US\$47.5million) in Net inflows in Travel services, together with a similar 35% *reduction* in the deficit in the Transportation sub-

sector. There was also a marginal improvement of US\$0.2mn in the deficit on the Other Services sub-sector.

The deficit on the Income account shrank by 15.53% or US\$13.5 million, largely due to an almost 20% improvement in the balance on the Investment Income sub-sector whose deficit fell by US\$18.4million. However, net Compensation of Employees declined by 67.1% from US\$7.3million in last year's period to US\$2.4million for the similar period this year.

Net Inflows from Current Transfers fell by 4% (or US\$7.3million) to US\$175.0million, as a US\$4.8million contraction in net inflows from Private Transfers was compounded by a US\$2.5million fall in inflows from Official Transfers.

There was no significant change on the Capital account but the Financial account fell by US\$139.9million, mostly as a result of a reduction in Other Private Investments of \$122.9mn. In Other Official Investments the net outflow fell by US\$7.6mn this review period when compared to last period. The fall in the Financial account resulted in a US\$106mn drawdown on reserves to finance the deficit.

Table 12: Balance of Payments (US\$m)	April - May		Change	
	2002/03	2003/04	US\$m	%
CURRENT A/C	-203.8	-63.6	140.2	-68.8
Goods Balance	-323.2	-252.7	70.5	-21.8
Exports (fob)	207.7	228.4	20.7	9.9
Imports (fob)	530.9	481.1	-49.8	-9.4
Services Balance	24.0	87.5	63.5	264.6
Transportation	-45.1	-29.3	15.8	-35.0
Travel	135.0	182.5	47.5	35.2
Other Services	-65.9	-65.7	0.2	-0.3
Income	-86.9	-73.4	13.5	-15.53
Compensation of employees	7.3	2.4	-4.9	-67.1
Investment Income	-94.2	-75.8	18.4	-19.5
Current Transfers	182.3	175.0	-7.3	-4.0
Official	16.3	13.8	-2.5	-15.3
Private	166.0	161.2	-4.8	-2.9
CAPITAL & FINANCIAL A/C	203.8	63.6	-140.2	-68.8
Net Capital Movement	-2.9	-3.2	-0.3	10.3
Official	0.1	0.0	-0.1	-100
Private	-3.0	-3.2	-0.2	6.7
Financial A/c	206.7	66.8	-139.9	-67.7
Other Official Investment	-40.7	-33.1	7.6	-18.7
Other Private Investment (incl. errs & omiss)	116.4	-6.5	-122.9	-105.6
Reserves (minus=increase)	131.0	106.4		

Fiscal Accounts

Over the period April to October 2003 Central Government's fiscal operations generated a deficit of \$23,627.6million, \$2,079.8million (9.6%) worse than budget. The variance was primarily attributed to a shortfall in Revenues and Grants which were \$1,933.0million less than the budgeted amount. Total Expenditure was worse than budgeted by a marginal \$146.8million.

Revenue and Grants collected for the seven-month period was \$75,261.7million, 2.5% below projected figures. This outturn reflected a \$3.2billion shortfall in Tax revenues, which were 4.6% less than the budgeted figure and continue to be influenced by a substantial shortfall in GCT and SCT receipts. All other revenue items were better than budgeted, particularly Capital Revenue which was bolstered by a \$555million inflow from divestment proceeds. Lower than budgeted GCT receipts may be attributable to GCT roll-back on some consumer items and the delayed implementation of the 15% GCT on lottery winnings.

Recurrent Expenditure exceeded budget by \$2,629.2million or almost 3%, reflecting higher than budgeted Interest payments and Wages and Salaries. Interest payments exceeded the budgeted amount by 6.8% or \$2970.6million, due largely to a 14% cost overrun in Domestic interest payments. At \$32.8billion, Wages and Salaries were 4.7% worse than projected. Programmes continue to be within budget and were 10% or \$1,823.7million better than budgeted. Capital expenditure was also within budget, amounting to 44% less than the planned amount.

Loan receipts were below budget by \$2.73billion as higher than projected receipts on the External debt market were outweighed by much lower than expected receipts from Domestic lenders.

Total public debt at the end of October increased by J\$7.79 billion to J\$ 656.64 billion, compared to September 2003. Domestic Debt increased by \$2.6 billion to \$404,949.94 million while External Debt increased by US\$35.11 mn to US\$4,164.23 mn.

Table 13: Fiscal Accounts (J\$ million)

	April-October 2003				Change from	
	Provisional	Budget	Deviation		02/03	
			J\$m	(%)	J\$m	(%)
Revenue & Grants	75,261.7	77,194.7	-1,933.0	-2.5	15,777.0	26.5
Tax Revenue	68,011.8	71,277.4	-3,265.6	-4.6	12,370.7	22.2
Non-Tax Revenue	4,590.1	3,999.3	590.8	14.8	2,602.5	130.9
Bauxite Levy	1,200.8	1,126.8	74	6.6	264.2	28.2
Capital Revenue	1,130.9	518.4	612.5	118.1	753.1	199.3
Grants	328.2	272.8	55.4	20.3	-213.5	-39.4
Expenditure	98,889.2	98,742.4	146.8	0.1	13,978.2	16.5
Recurrent	95,779.3	93,150.1	2,629.2	2.8	15,696.1	19.6
Programmes	16,168.9	17,992.6	-1,823.7	-10.1	151.3	0.9
Wages & Salaries	32,897.8	31,415.4	1,482.4	4.7	3,158.9	10.6
Interest	46,712.7	43,742.1	2,970.6	6.8	12,385.9	36.1
<i>Domestic</i>	37,438.7	32,876.5	4,562.2	13.9	10,751.4	40.3
<i>External</i>	9,274.0	10,865.6	-1,591.6	-14.6	1,634.5	21.4
Capital Expenditure	3,109.9	5,592.4	-2,482.5	-44.4	-1,717.8	-35.6
Fiscal Balance	-23,627.6	-21,547.8	-2,079.8	-9.6	1,798.8	-7.1
Loan Receipts	75,131.7	77,861.8	-2,730.1	-3.5	10,953.7	17.1
Domestic	70,417.8	76,700	-6,282.2	-8.2	22,501.8	47.0
External	4,713.9	1,161.8	3,552.1	305.7	-11,548.1	-71.0
Amortization	55,582.4	61,150.7	-5,568.3	-9.1	9,782.4	21.4
Domestic	46,296.6	53,346.8	-70,050.2	-131.3	19,195.1	70.8
External	9,285.8	7,803.9	1,481.9	19.0	-9,412.7	-50.3
Overall Balance	-4,078.1	-4,836.7	-758.6	-15.7	2,970.1	-42.1
Primary Balance	23,085.1	22,194.3	890.8	4.0	14,184.7	159.4

Source: Ministry of Finance and Planning

Stock Market

At the end of November the JSE Index advanced by 3,207.32 points (5.32%) to close at 63,511.53 points. Market capitalization was \$481.91billion, which represented an increase of \$23.96billion over October 2003.

The top performing stock for year- to date to November 28 was RBTT, which increased by 110.33% from \$150.00 to \$315.50 (see Table 13). The worst performing stock was Kingston Wharves, which lost over 46% of its value over the period closing at \$1.40 on November 28.

Table 14: Returns for Listed Companies on the JSE

Year-to-Date Performers on the Jamaica Stock Exchange				
Top Five (unadjusted for dividends or transaction costs)				
	31/12/02	28/11/03	\$	%
RBTT Financial Holdings Limited	150.00	315.50	165.5	110.33
JMMB Limited	4.15	8.50	4.35	104.82
Pegasus Hotel	1.90	3.55	1.65	86.84
NCB Jamaica Ltd	8.89	15.00	6.11	68.73
Guardian Holdings Ltd	170.00	280.00	110.00	64.71
Bottom Five * (unadjusted for dividends or transact. costs)				
Cable & Wireless Ja.	1.06	0.76	-0.30	-28.30
Palace Amusement	70.00	50.00	-20.00	-28.57
Jamaica Broilers Group	1.71	1.15	-0.56	-32.75
Ciboney Group	0.17	0.10	-0.07	-41.17
Kingston Wharves	2.60	1.40	-1.20	-46.15

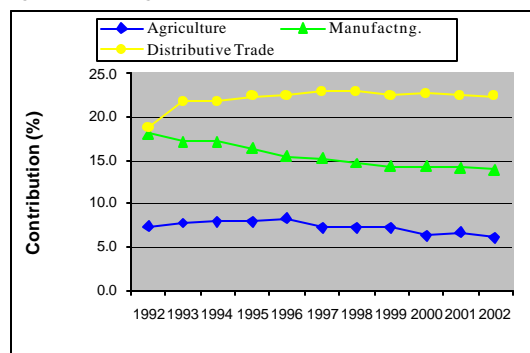
*in descending order, from best to worst performer
Source: Compiled from the JSE

Developments and Outlook

The tourism sector continues to perform well, and should be further bolstered by the momentum of the winter tourist season which officially began on December 15. However, one group of industry players, the in-bond merchants, report being adversely affected by the two-percent increase in the Stamp Duty recently imposed by the Government. According to the merchants, the increase has impacted profits and will impact employment and investment within the in-bond trade. The industry contributes an estimated 12% to Jamaica's annual tourism earnings.

The decline in manufacturing continues as Jamaican producers continue to grapple with high interest rates, currency devaluation, and lower-priced imports from overseas competitors. The latest quarterly GDP report from the Statistical Institute (STATIN) shows that the sector's GDP contracted by 2.1% and 0.8% in the first and second quarters of this year. Historical data reveals that the sector has experienced at least two quarters of decline every year for the past 8 years. The sector's contribution to total GDP has also been falling over the last 10 years, from over 18% of GDP in 1992 to just 13.9% in 2002 (see Figure D1).

Figure D1: %age Contribution to GDP, 1992-2002



In the cement industry, Cabinet has now approved a 40% tariff to protect Caribbean Cement Co. (CCCL) from unfair foreign competition. This provides the company with an opportunity to invest in the promised improvements in its efficiency and productive capacity. However, it is the Government's responsibility to ensure that the company meets its commitment of ensuring price stability (in US dollar terms) and an eventual reduction in prices to internationally competitive levels. A number of industries such as construction and housing rely on a stable cement market both in terms of price and reliability of supply.

Agriculture has been experiencing a decline in terms of its contribution to GDP in recent years, similar to that happening in manufacturing (see Figure D1). In addition, the recent hike in the cost of imported grain due to shortages on the world market is resulting in higher production costs for the nation's livestock farmers, for whom grain is a crucial productive input. An encouraging sign, however, is the recent news of the sector's healthy recovery from last year's floods due to improved weather conditions and higher food consumption by the tourism industry.

The distributive trade continues to remain buoyant, despite seasonal fluctuations in sales. The sector accounted for over 22.3% of the country's GDP in 2002, averaging more than 22% over the last 10 years (see Figure D1). This trend is expected to continue into next year. The sector is also expected to benefit from the usual Christmas upswing in spending.

The stock market continues to do well, advancing by 5.3% in November and almost 4.4% the previous month. Market capitalization on the JSE has grown almost every month this year, soaring as much as 19% in February. The growth in the market is a positive sign not only for the investing public but also for firms seeking to raise investment capital. However, the stock market is still hard-pressed to compete with the high-yield debt instruments offered by the Government. Continued impressive growth is expected in the market in the coming months as a result of improving corporate profits and lower interest rates.

On the international scene, U.S. stocks surged to 18-month highs in December as news of the fastest pickup in United States (U.S.) factory activity in 20 years reinforced prospects for a sustained economic rebound in that country. The Dow and the Standard & Poor's 500 posted their highest closes since the end of May 2002, while the Nasdaq finished at its highest mark since January 2002. The Institute for Supply Management said its barometer of manufacturing activity surged to 62.8 in November from 57.0 in October, far exceeding economists' forecasts and putting to rest doubts that a manufacturing recovery will be sustained. American businesses are becoming increasingly convinced that the recovery will continue, both in manufacturing and the overall economy.

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
Apr	2.9	-5.5	1.2	17.2	744.0	1,052.9	1.0	9.6	12.76	42.07	17.58	33.67	11.38	176,599.44	3,098.20
May	0.6	0.8	-0.7	11.9	776.3	1,047.3	0.4	9.2	16.93	42.29	17.64	33.67	10.90	177,180.13	3,054.70
Jun	3.6	3.7	1.6	16.2	756.5	1,042.1	0.9	8.8	10.89	42.51	17.47	33.00	10.11	181,578.09	3,053.70
Jul	0.8	4.6	-0.3	11.8	788.7	1,050.3	1.0	8.5	9.20	42.70	17.32	33.00	10.11	189,222.03	3,018.60
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	n/a	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	n/a	0.9	13.8	6.1	60.65	23.46	25.60	8.43	410,984.43	4,185.10

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

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

The contents of this bulletin are only for use by the addressee. The information is provided on a strictly confidential basis to subscribers.

All **opinions and estimates** constitute the PSOJ's judgement as of the date of the bulletin and are subject to change without notice.

Copyright Reserved © 2003.

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>