



## The Private Sector Organisation of Jamaica

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# PSOJ CONFIDENTIAL ECONOMIC BULLETIN

## A Monthly Analysis of the Jamaican Economy

### Overview

The economic climate was relatively calm during May with positive movements in most key economic variables. Interest rates remained subdued during the month as sustained stability in inflation and the currency market allowed for reductions in yields on both BOJ and GOJ instruments. In addition, recent data indicates that the fiscal outturn for the April-May period was 18% better than anticipated as Government was able to meet its revenue target and also rein in expenditures, which were \$1.5 billion better than budgeted. In the export sector, the alumina industry continues to meet with favourable conditions on the international market as rising world aluminium production is creating an upward pull on demand for alumina, facilitating buoyant alumina prices.

The inflation rate crept upwards during May but was still well within the one percent mark. Inflation registered 0.6%, compared to 0.4% in April.

The Jamaican dollar lost a marginal 0.3% or \$0.18 against its US counterpart during May. However, year-to-date depreciation was \$0.31, much lower than the \$8.45 recorded for the same period last year.

At the end of May the NIR stood at US\$1,715.66 million, roughly US\$26 million lower than that of the previous month. However, the NIR has grown by some US\$550 million since the start of the year in an environment of robust foreign exchange inflows.

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Tourism figures for May were not available at the time of publication. However, preliminary figures show a 10% increase in airport arrivals relative to last May. In addition, data for April reveals a 17% rise in Stopover arrivals compared to April of last year. There was a 22% increase in arrivals from the US in tandem with the continuing recovery of that country's economy.

The bauxite sector was able to increase output by roughly 6% compared to last May with a 10% rise in alumina output. Total bauxite production since the start of the year has been over 8% higher than in the same period last year, while total exports have bettered last year's numbers by some 10.6%.

Interest rates continued to fall in May as the Central Bank trimmed the yields on all of its instruments. Total reductions ranged between 20 and 50 basis points. GOJ treasury bills also

cleared the market 13 basis points lower than in April.

For the period April 2003 to February 2004 the current account deficit showed a remarkable US\$435-million improvement over that of the same period the previous year (see Balance of Payments update – page 7).

## Net International Reserves

At the end of May 2004 the Net International Reserve (NIR) stood at US\$1,715.66 million, a decrease of roughly US\$26 million relative to the previous month (see *Table 1*). May's NIR represents just over 25 weeks of goods imports. The fall in reserves is the result of a US\$25.9-million decrease in foreign assets with no material change in foreign liabilities during the month.

**Table 1: Changes in the NIR**

	NIR	Change			Imports (Weeks)
		Mthly	12 Mth	YTD	
May-2004	1,715.66	-25.96	482.33	550.68	25.11
May-2003	1,233.33	-128.77	-577.31	-363.65	20.65

*Source: Compiled from the BOJ (Preliminary)*

## Foreign Currency Deposits

For the month of April total foreign currency deposits amounted to US\$1,769.12 million, US\$1.07 million lower than March's figure (*Table 2*). This reflected a US\$20.7-million decrease in commercial bank deposits, which outweighed increases in deposits at building societies and merchant banks. In May, Spot Sales exceeded Purchases for the fifth consecutive month.

**Table 2: Foreign Currency Deposits**

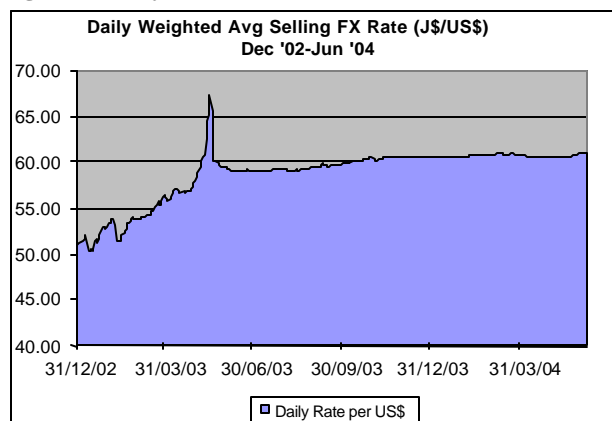
	Apr-04	Change (US\$M)		%
		Mthly	12 Mth	
Total Deposits	1,769.12	-1.07	213.45	13.72
	<b>May-04</b>			
Spot Purchases	661.31	33.43	-20.60	-3.02
Spot Sales	674.51	-13.39	-17.52	-2.53

*Source: Compiled from the BOJ (Preliminary)*

## Foreign Exchange Rates

The Jamaican dollar lost \$0.18 against its US counterpart during May to close the month at an average of \$60.93 (daily J\$/US\$ weighted average selling rate, see *Table 3*). This brought the year-to-date depreciation to \$0.31 (or 0.52%), significantly better than the \$8.45 or 16.6% observed during the same period last year at the height of the exchange rate crisis.

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



**Table 3: Foreign Exchange Trends\***

	Year-to-Date: May 31, '04 (report date: June 16)					
	us\$	%?	can\$	%?	uk£	%?
2004	0.31	0.52	-2.80	-6.01	2.74	2.55
2003	8.45	16.59	10.96	34.15	17.28	21.34
2002	0.94	1.98	1.91	6.50	2.49	3.66
	Monthly					
May -04	0.18	0.29	-0.39	-0.88	2.42	2.25

*\* minus = appreciation.*  
*Source: BOJ, PSOJ Economic Research*

### Short Term Forecast

Despite the end of the winter tourist season relative calm is expected to continue in the US dollar market through the end of June as alumina earnings remain buoyant. Monthly depreciation has been under one percent almost every month for the past twelve months and this is expected to continue given the favourable developments now affecting the alumina and tourism sectors. In addition, the dollar has not come under significant pressure in recent months despite the sustained downward trend in interest rates.

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

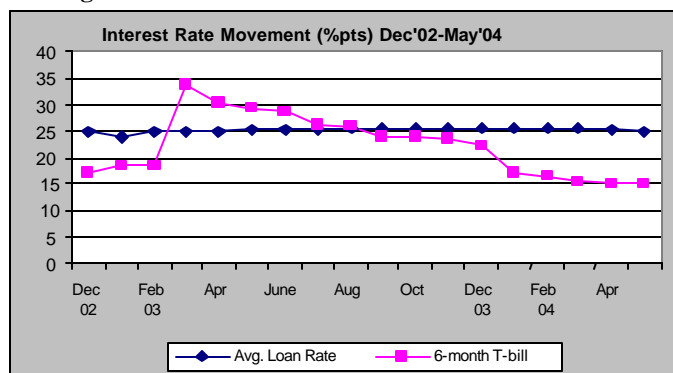
	Forecast	Actual	Diff.
Dec.	50.12 – 50.16	50.97	-0.81
Jan. '03	50.69 – 50.73	52.98	-2.25
Feb.	52.32 – 52.36	53.74	-1.38
Mar.	54.51 – 54.55	56.24	-1.69
April	57.11 – 57.15	57.31	-0.16
May	N/a	59.42	
June	N/a	59.01	
July	59.42 – 59.46	59.16	0.30
August	60.23 – 60.27	59.40	-0.87
September	59.60-59.65	59.71	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	60.65	-0.10
May	60.65–60.74	60.93	0.19
June	60.90–60.96		

Source: PSOJ Economic Research

## Interest Rates

The Bank of Jamaica again cut interest rates on all of its open market instruments during May. The 30, 60 and 90-day repos were cut by 20 basis points each, while yields on all other instruments fell by between 25 and 50 basis points.

Rates on the commercial credit market continue to gradually adjust to declining interest rates on the money market. In May the average bank savings and lending rates fell marginally to 8.06% and 25.02%, respectively (Table 5).

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

	May-04	Change (%age pts)		
		Mthly	12 Mth	YTD
30 Day Repo	14.20	-0.20	-0.80	-0.80
365 Day Repo	16.40	-0.50	-16.60	-6.60
Avg Savings Deposit	8.06	-0.06	-0.16	-0.37
Avg Loan Rate	25.02	-0.21	-0.16	-0.58
6 Month T-Bill	14.96	-0.13	n/a*	-7.09
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 1.65% in May 2004 compared to the previous month. M2 for April showed a 2.11% increase over the March figure reflecting increases in both M1 and the Quasi-money stock.

**Table 6: Base Money and Money Supply**

	J\$M	Change (%)	
	Apr-04	Mthly	12 Mth
M1	59,260.5	3.74	27.71
Quasi Money	135,546.5	1.41	11.52
M2	194,807.0	2.11	15.99
	May-04	Mthly %	
Base Money	36,651.9	1.65	11.95

Source: Compiled from the BOJ (Preliminary)

## Inflation

In May the inflation rate inched upwards to 0.6% as the Consumer Price Index rose slightly from 1,828.2 to 1,839.9. This resulted in a year-to-date inflation rate of 3.0% (Table 7). There was a 1% increase in the category *Fuels & Other Household Supplies* in the context of a 1.2% rise in the cost of domestic fuels. Prices in the *Food & Drink* category rose by 0.8% largely driven by an almost 3% increase in the cost of Starchy Foods as well as increases in Dairy Products (1.0%), Meat, Poultry & Fish (0.5%), and Other Food & Beverages (0.8%). The category *Healthcare & Personal Expenses* registered a 0.8% increase, while *Transportation* costs were generally 0.5% higher due to rising oil prices. Inflation in the *Housing* category was held to a minimal 0.2% as rental rates remained flat during the month.

**Table 7: Inflation Trends**

	Percent Changes			
	May-04	12 Mth	YTD	Fiscal
2004	0.6	14.0	3.0	1.1
2003	1.9	9.0	3.0	3.5

Source: STATIN

## Production of Selected Commodities

**Mining:** Total Bauxite production in May amounted to 1.263 million metric tonnes, roughly 6% higher than that of last May (see Table 8). The main area of growth was in Alumina, where production rose by more than 10% to 365,157 metric tonnes in a context of increased capacity utilization. Crude Bauxite production inched upwards by a modest 1.3% to reach 359,001 metric tonnes. Although total exports did not grow significantly over last May, year-to-date exports grew by a creditable 10.5% relative to the same period last year to reach 6.053 million tonnes this period.

**Table 8: Mining Production**

	Y-T-D				
	May-03	May-04	%	May-04	04/03%
<b>Production</b>					
Alumina	331,267	365,157	10.23	1,753,944	11.43
C. Bauxite	354,317	359,001	1.32	1,727,669	4.26
Tot. Bauxite	1,192,509	1,263,339	5.94	6,080,577	8.70
<b>Export</b>					
Alumina	287,700	297,709	3.48	1,734,585	12.99
C. Bauxite	339,760	337,950	-0.53	1,750,646	6.92
Tot. Bauxite	1,069,109	1,077,050	0.74	6,053,970	10.57
<i>Units=tonnes</i>					
<i>Source: Compiled from Jamaica Bauxite Institute</i>					

**Sugar & Bananas:** Total sugar production for the month of May was 18,678 metric tonnes, 5.3% lower than in the same period last year when some 19,723 metric tonnes were produced. However, there was a modest increase in productivity as the industry was able to produce roughly 4.5% more sugar from each tonne of cane ground.

## Tourism

Total Stopovers for the month of April were 131,101, over 17% higher than in April of 2003. Within the Stopover category, an 18% growth in visits from Foreign Nationals was tempered by a 1.6% decline in visits by Non-resident Jamaicans (Table 9). US visitors increased by 22% relative to last April against the background of a recovering US economy. European visitors grew by a marginal 1%, far lower than the healthy 23% growth recorded in the previous month. Growth in Cruise Passengers was held to a mild 1.6% as a 6.8% rise in Montego Bay arrivals was counterbalanced by a marginal decline in visitors at Ocho Rios. Although modest, the growth in cruise passengers occurred in spite of a 6% reduction in the

number of calls as there has been a trend towards fewer and larger ships at Montego Bay.

**Table 9: Tourist Arrivals**

	2003	2004	% Change	
	January - April		Jan-Apr	April
<b>Stopover</b>	454,223	497,186	9.5	17.1
Foreign	431,055	474,085	10.0	18.4
National	23,168	23,101	-0.3	-1.6
<b>Cruise</b>	472,052	479,011	1.5	1.6
<b>Total</b>	926,275	976,197	5.4	5.4
<b>US\$m*</b>				

*Source: Jamaica Tourist Board (Preliminary)*

## External Trade

For the period January to November 2003 the nation incurred a trade deficit of US\$2,276.8 million, 2.3% worse than the corresponding period in 2002 (**Table 10**). Imports grew by nearly US\$110 million, outweighing export growth for the period.

**Exports:** Total Export Earnings (fob) for January to November 2003 stood at US\$1,093.3 million, an improvement of more than US\$59 million over the corresponding period in 2002. Major Traditional Exports increased by US\$42.2 million to US\$844.3 million, due to a US\$50-million growth in Mining & Quarrying. There was no material change in Agriculture, which earned approximately US\$52.7 million in both periods. Manufacturing fell by more than US\$8 million or 8% 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\$65.5-million growth in Alumina earnings, but this was tempered by a US\$15-million fall in Bauxite revenues. The lack of growth in traditional Agriculture was the result of a US\$3.3-million fall in Coffee earnings. However, all other sub-categories registered growth, particularly the Cocoa industry whose revenues grew by a huge 113.8%.

Non-Traditional exports earned US\$9.6 million more than in the previous period, largely attributable to a US\$10-million growth in Foods which was complemented by a US\$4.5-million increase in Beverages & Tobacco. The Other Non-Traditionals category declined by over US\$5.7 million due largely to a sharp 42% drop in Wearing Apparel whose earnings fell by US\$7.5 million. Manufactured Goods also fell by over 22% or US\$1.1 million. However, the Chemicals industry earned over US\$2.6 million more than in the prior period while the sub-category of Other Domestic Exports also improved by US\$1.3 million. In Non-Traditional Foods, revenue

growth was mainly attributable to a US\$6-million increase in the Other Exports category. Exporters of Fish, Crustaceans & Molluscs also earned US\$2.8 million more than in the 2002 period. All other sub-categories registered growth with the exception of Papayas, whose revenues fell by nearly 40% or US\$1.6 million. Beverages & Tobacco improved by nearly 23% as a US\$4.7 million increase in Beverages was more than enough to compensate for a US\$0.12-million falloff in Tobacco.

**Imports:** Total imports (cif) increased by 3.4% to US\$3,370.17 million, resulting from a US\$230-million increase in Raw Materials/Intermediate Goods. This was particularly pronounced in the sub-category 'Other Fuels & Lubricants', which grew by nearly 51% (US\$204 million) due to higher fuel prices on the world market.

The nation also spent nearly US\$56 million more on Industrial Supplies and US\$7.5 million more on Food (incl. Beverages) than in the same period in 2002.

Consumer goods imports slipped by 2.4% as the import bill was lower in every sub-category except Non-Durables and Other Consumer Goods, which rose by US\$8.2 million and US\$2.4 million, respectively.

Capital goods fell by US\$96.3 million or nearly 16% as the maturing cellular phone market contributed to a US\$82.4-million fall in Machinery & Equipment imports. The bill was also US\$32 million lower in the category of Other Industrial Transport Equipment. However, the nation spent nearly US\$22 million more on Construction Materials partially due to strong demand for lumber and ceramic tiles.

**Table 10: External Trade (US\$ million)**

	Jan-Nov '02	Jan- '03	Change	% Change
<b>TOTAL EXPORTS (fob)</b>	<b>1,033.96</b>	<b>1,093.34</b>	<b>59.37</b>	<b>5.7</b>
Major Traditional Exports	802.17	844.34	42.18	5.3
Bauxite	95.05	79.70	-15.35	-16.2
Alumina	552.60	618.10	65.49	11.9
Sugar	66.15	65.20	-0.95	-1.4
Other Traditional Exports	88.36	81.34	-7.02	-7.9
Non-Traditional Exports	213.43	223.06	9.63	4.5
Re-exports	18.37	25.94	7.57	41.2
Freezone Exports				
Goods Procured In Ports				
<b>TOTAL IMPORTS (cif)</b>	<b>3,260.53</b>	<b>3,370.18</b>	<b>109.65</b>	<b>3.4</b>
Consumer Goods	981.70	957.70	-24.01	-2.4
Durables	337.86	319.35	-18.51	-5.5
Raw Materials	1,668.58	1,898.53	229.95	13.8
Fuels - crude	186.67	168.32	-18.35	-9.8
Other Fuels & Lubrics.	402.25	606.26	204.00	50.7
Capital Goods	610.24	513.95	-96.30	-15.8
Freezone Imports				
Goods Procured In Ports				
<b>Trade Balance</b>	<b>-2,226.56</b>	<b>-2,276.84</b>	<b>-50.28</b>	<b>2.3</b>

Source: Compiled from BOJ and STATIN data

**Balance of Payments –2003 (prov.)**

The current account deficit for the calendar year 2003 showed a US\$115-million improvement over that of 2002. This can be credited to continued growth in the Services balance which increased by a marked 64.3% or US\$174 million. However, the Goods balance worsened by roughly US\$79 million as a US\$47-million growth in exports was outweighed by a US\$126-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\$125 million in the context of a 9% increase in tourism revenues. It was further improved by a US\$41-million narrowing of the deficit in Transportation services.

The shortfall on the Income account was US\$28 million worse than in the previous period as higher

net outflows in Investment Income were compounded by lower net inflows in Compensation of Employees.

Current Transfers netted over US\$48 million more as the US\$71-million increase in Private Transfers was more than sufficient to compensate for the fall in Official Transfers.

The Capital and Financial account mainly reflected changes in the Financial account, where net proceeds grew by more than US\$141 million in the area of Other Private Investments. Other Official Investments plunged from a net inflow of US\$77.1 million in the previous period to a net outflow of US\$368 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 drawdown on the reserves.

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

	<u>Jan-Dec '02</u>	<u>Jan-Dec '03</u>	<u>Change</u>	<u>% Change</u>
<b>CURRENT ACCOUNT</b>	<b>-1,118.7</b>	<b>-1,003.4</b>	<b>115.3</b>	<b>-10.3</b>
<b>Goods Balance</b>	<b>-1,870.5</b>	<b>-1,949.4</b>	<b>-78.9</b>	<b>4.2</b>
Exports (fob)	1,309.1	1,356.5	47.4	3.6
Imports (fob)	3,179.6	3,305.9	126.3	4.0
<b>Services Balance</b>	<b>270.4</b>	<b>444.3</b>	<b>173.9</b>	<b>64.3</b>
Transportation	-245.6	-204.6	41.0	-16.7
Travel	950.3	1,075.3	125.0	13.2
Other Services	-434.3	-426.4	7.9	-1.8
<b>Income</b>	<b>-605.5</b>	<b>-633.3</b>	<b>-27.8</b>	<b>4.6</b>
Compensation of Employees	82.1	75.5	-6.6	-8.0
Investment Income	-687.6	-708.8	-21.2	3.1
<b>Current Transfers</b>	<b>1,086.9</b>	<b>1,135.0</b>	<b>48.1</b>	<b>4.4</b>
Official	107.6	84.7	-22.9	-21.3
Private	979.3	1,050.3	71.0	7.3
<b>CAPITAL &amp; FINANCIAL A/C</b>	<b>1,118.7</b>	<b>1,003.4</b>	<b>-115.3</b>	<b>-10.3</b>
<b>Net Capital Movement</b>	<b>-16.9</b>	<b>-17.1</b>	<b>-0.2</b>	<b>1.2</b>
Official	0.2	0.1	-0.1	-50.0
Private	-17.1	-17.2	-0.1	0.6
<b>Financial Account</b>	<b>1,135.6</b>	<b>1,020.5</b>	<b>-115.1</b>	<b>-10.1</b>
Other Official Investment	77.1	-367.8	-444.9	-577.0
Other Private Investment (incl. errors & omis s)	814.8	956.2	141.4	17.4
Reserves (minus=increase)	243.7	432.1		

Source: Bank of Jamaica (Preliminary)

## Balance of Payments update— Apr 2003 to Feb 2004

For the period April 2003 to February 2004 the nation's current account deficit improved by a remarkable US\$435.4-M over that of the corresponding period in the previous year. The improvement reflected favourable outturns in all four major categories of the Current Account, particularly the Goods balance whose deficit improved by US\$213.5 M and the Services balance whose surplus grew by US\$149.9M.

The improvement in the Goods account resulted from a US\$117.6-M reduction in imports which occurred in tandem with a US\$95.9-M growth in exports. Export growth was largely credited to a US\$92.4-M rise in alumina exports as the sector experienced increases in both volume and prices. The fall in imports was mainly in the areas of consumer goods and capital goods. Overall, the change in the Goods balance contributed some 49% to the improvement in the Current Account.

The growth in the Services balance was partially due to a US\$98.4-M growth in net receipts from

Travel services in the context of an US\$89.7-M increase in tourism expenditures. In the Transportation account, the deficit narrowed by more than US\$44M as inflows were bolstered by increased visitor arrivals while lower import volumes facilitated a decrease in outflows.

Current Transfers benefited from a US\$63.4-M growth buttressed by a 12% increase in remittance inflows. The deficit on the Income account narrowed by US\$8.6 million as a US\$6.8-M fall in Compensation of Employees was outweighed by a US\$15.4-M improvement in the Investment Income sub-account.

Within the Capital & Financial Account, the Financial account benefited from an almost US\$324-M growth in net inflows in the area of Other Official Investments, boosted by proceeds from the US\$253-M Eurobond issue in February. The surplus in Other Private Investments also grew by US\$64.5M. Total net receipts in Other Official and Private Investments were more than enough to finance the deficits on the Current and Capital accounts, allowing for a US\$134.3-M build-up of the Net International Reserve.

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

	<u>Apr '02-Feb '03</u>	<u>Apr '03-Feb '04</u>	<u>Change</u>	<u>% Change</u>
<b>CURRENT ACCOUNT</b>	<b>-1,222.2</b>	<b>-786.8</b>	<b>435.4</b>	<b>-35.6</b>
<b>Goods Balance</b>	<b>-1,891.4</b>	<b>-1,677.9</b>	<b>213.5</b>	<b>-11.3</b>
Exports (fob)	1,185.0	1,280.9	95.9	8.1
Imports (fob)	3,076.4	2,958.8	-117.6	-3.8
<b>Services Balance</b>	<b>250.9</b>	<b>400.8</b>	<b>149.9</b>	<b>59.7</b>
Transportation	-234.0	-189.8	44.2	-18.9
Travel	885.6	984.0	98.4	11.1
Other Services	-400.7	-393.4	7.3	-1.8
<b>Income</b>	<b>-586.7</b>	<b>-578.1</b>	<b>8.6</b>	<b>-1.5</b>
Compensation of Employees	83.7	76.9	-6.8	-8.1
Investment Income	-670.4	-655.0	15.4	-2.3
<b>Current Transfers</b>	<b>1,005.0</b>	<b>1,068.4</b>	<b>63.4</b>	<b>6.3</b>
Official	96.8	77.4	-19.4	-20.0
Private	908.2	991.0	82.8	9.1
<b>CAPITAL &amp; FINANCIAL A/C</b>	<b>1,222.2</b>	<b>786.8</b>	<b>-435.4</b>	<b>-35.6</b>
<b>Net Capital Movement</b>	<b>-14.5</b>	<b>-15.3</b>	<b>-0.8</b>	<b>5.5</b>
Official	0.2	0.1	-0.1	-50.0
Private	-14.7	-15.4	-0.7	4.8
<b>Financial Account</b>	<b>1,236.7</b>	<b>802.1</b>	<b>-434.6</b>	<b>-35.1</b>
Other Official Investment	-214.8	109.0	323.8	-150.7
Other Private Investment *	762.9	827.4	64.5	8.5
Reserves (minus=increase)	688.6	-134.3		

\* (incl. errors & omissions)

Source: Bank of Jamaica (Preliminary)

## **Fiscal Accounts**

During the April-May period central Government improved on its deficit target by some \$1.72 billion or more than 18% as expenditures were kept well within budget (see Table 12 overleaf). Government also exceeded its Revenue target due to favourable outturns in the areas of Tax revenues and the Bauxite levy.

Revenue and Grants collected for the two-month period amounted to \$24,549.5 million, some \$179 million higher than projected. Tax revenues exceeded budget by some \$336.4 million thanks to higher-than-expected receipts from income tax, GCT, stamp duties and taxes on interest. Non-tax Revenues fell \$181 million below projections due largely to a shortfall in receipts from the customs user fee.

Total Expenditures for the period amounted to \$32,367.9 million, some 4.6% below budget as Government maintained tight controls over all its recurrent costs. Wages & Salaries were nearly \$640 million below budget as the Government entered the first year of its MoU wage agreement with the JCTU. Interest costs were \$285 million below projections as a

\$105-million overrun in Domestic expenses was offset by a \$390-million cost saving in External payments. Programmes continue to be within budget and were \$686 million lower than projected, albeit with adverse consequences for the operations of a number of Ministries. Capital spending received a boost as Government invested \$66.2 million more in this area than was originally planned.

Loan receipts were roughly \$3.2 billion below expectations as last year's lower-than-planned deficit resulted in reduced borrowing needs going into the new year. In the Domestic market, Amortization exceeded Receipts by roughly \$6.03 billion. In contrast, the External market saw new loans exceeding repayments by some \$5.6 billion, indicating a shift in reliance towards the overseas debt markets to finance Government's operations.

Total public debt at the end of April stood at \$700.82 billion, an increase of \$6.95 billion over March's figure. Domestic Debt fell by \$12.63 million to \$417,358.68 million while External Debt grew by roughly US\$136.5 million to US\$4,665.57 million

Table 12: Fiscal Accounts (J\$ million)

	April – May 2004				Change from 03/04	
	Provisional	Budget	Deviation		J\$m	(%)
			J\$m	(%)		
<b>Revenue &amp; Grants</b>	<b>24,549.5</b>	<b>24,370.5</b>	<b>179.0</b>	<b>0.7</b>	<b>5,205.6</b>	<b>26.9</b>
Tax Revenue	22,131.8	21,795.4	336.4	1.5	4,110.2	22.8
Non-Tax Revenue	1,104.3	1,285.2	-180.9	-14.1	398.7	56.5
Bauxite Levy	469.1	424.6	44.4	10.5	71.2	17.9
Capital Revenue	661.1	682.0	-20.9	-3.1	479.7	264.5
Grants	183.3	183.3	0.0	0.0	145.7	387.5
<b>Expenditure</b>	<b>32,367.9</b>	<b>33,913.0</b>	<b>-1,545.1</b>	<b>-4.6</b>	<b>5,660.9</b>	<b>21.2</b>
Recurrent	30,730.1	32,341.4	-1,611.3	-5.0	4,897.2	19.0
Programmes	5,482.4	6,168.9	-686.5	-11.1	467.5	9.3
Wages & Salaries	10,388.9	11,028.6	-639.7	-5.8	892.9	9.4
Interest	14,858.8	15,143.9	-285.1	-1.9	3,536.8	31.2
<i>Domestic</i>	12,504.5	12,399.7	104.8	0.8	3,496.9	38.8
<i>External</i>	2,354.3	2,744.2	-389.9	-14.2	39.8	1.7
Capital Expenditure	1,637.8	1,571.6	66.2	4.2	763.7	87.4
<b>Fiscal Balance</b>	<b>-7,818.4</b>	<b>-9,542.5</b>	<b>1,724.1</b>	<b>-18.1</b>	<b>-455.3</b>	<b>6.2</b>
Loan Receipts	22,510.4	25,695.7	-3,185.3	-12.4	3,367.5	17.6
<i>Domestic</i>	14,567.5	17,371.9	-2,804.4	-16.1	-4,195.0	-22.4
<i>External</i>	7,942.9	8,323.8	-380.9	-4.6	7,562.5	1988.2
Amortization	22,934.3	25,264.2	-2,329.9	-9.2	10,863.5	90.0
<i>Domestic</i>	20,602.0	23,037.3	-2,435.3	-10.6	10,928.3	113.0
<i>External</i>	2,332.3	2,226.9	105.4	4.7	-64.8	-2.7
<b>Overall Balance</b>	<b>-8,242.3</b>	<b>-9,111.0</b>	<b>868.7</b>	<b>-9.5</b>	<b>-7,951.4</b>	<b>2733.3</b>
<b>Primary Balance</b>	<b>7,040.4</b>	<b>5,601.4</b>	<b>1,439.0</b>	<b>25.7</b>	<b>3,081.4</b>	<b>77.8</b>

Source: Ministry of Finance &amp; Planning

## Stock Market

During May the main JSE Index experienced its first monthly decline since the start of the year. The index fell by 14,307.32 points (13.21%) to close at 93,967.64 points on May 31. Market capitalization fell by a sizeable \$110.49 billion or 13.19% compared to April's figure to end the month at \$837.65 billion.

In the first five months of the year the main JSE Index has grown by a healthy 39%. The top performing stock for year- to-date to May 31 was Kingston Wharves, which appreciated by 230.77% from \$1.30 to \$4.30 (see Table 13). The worst loser in price terms was the Ciboney Group, which lost just under 17% of its value over the period closing at \$0.10 on May 31.

**Table 13: Returns for Listed Companies on the JSE**

<b>Year-to-Date Performers on the Jamaica Stock Exchange</b>				
<b>Top Five (unadjusted for dividends or transaction costs)</b>				
	<b>31/12/03</b>	<b>31/05/04</b>	<b>\$</b>	<b>%</b>
Kingston Wharves	1.30	4.30	3.00	230.77
Capital & Credit Merchant Bank	5.99	17.18	11.19	186.81
Pan Caribbean Financial Services	6.60	18.15	11.55	175.00
Pegasus Hotel	3.40	9.00	5.60	164.71
Dyoll Group	10.40	25.00	14.60	140.38
<b>Bottom Two* (unadjusted for dividends or transact. costs)</b>				
Ciboney Group	0.12	0.10	-0.02	-16.67
Trinidad Cement Ltd.	61.00	60.05	-0.95	-1.56
Cable & Wireless (Ja.)	0.81	0.80	-0.01	-1.23
*in ascending order, from worst to best performer				
<i>Source: Compiled from the JSE</i>				

## Developments and Outlook

The US firm Kaiser Aluminum has entered into negotiations to sell its 65 percent share in Jamaica's Alpart alumina refinery to Hydro Aluminium for an estimated US\$315 million. Hydro Aluminium is a subsidiary of the Norwegian energy firm Norsk Hydro, Kaiser's partner in the Alpart venture since 1988. Due to financial difficulties resulting from falling profits, costly health-related lawsuits and plant expansions, Kaiser defaulted on roughly US\$700 million of bond debt and had to file for bankruptcy protection in the US Bankruptcy Court in February of 2002. In order to reverse its financial situation the company decided to sell a number of assets, including its 65 percent stake in Alpart Jamaica. Kaiser had received an offer from Russian Aluminium (RusAl) for an estimated US\$295 million. However, it now appears that RusAl's bid has been stymied as Norsk Hydro has invoked its pre-emptive right to purchase Kaiser's share, a right allowed to Norsk Hydro under its initial partnership agreement with Kaiser.

Norsk Hydro has announced that upon acquiring the Kaiser stake it will resell this to the Swiss trading firm Glencore, which already owns two West Indies Alumina Company (WINDALCO) refineries. Such a move would effectively double Glencore's productive capacity which is now 1.25 million tonnes. Norsk Hydro believes that the sale to Glencore will lead to enhanced efficiency and new operating synergies through joint mining between the Alpart and WINDALCO facilities. It is anticipated that the change of ownership from Kaiser to a more financially sound firm should lend stability to the future of Alpart's operations. Alpart is one of the largest foreign exchange earners in Jamaica, grossing an estimated US\$100 million annually.

Jamaican hotel investors were recently caught in the political crossfire between the US and Cuba. In May the Bush administration notified the Issa-owned SuperClubs resort chain that its principals would be denied entry to the US because of investments made by the company in Cuba on properties previously owned by Americans. In carrying out this action the US was acting under the authority of its Helms-Burton Act, a law intended to discourage foreign companies from investing in Cuba on properties confiscated from American citizens. In June, SuperClubs withdrew from its real estate investments in the Breezes Custo Verde and the Grand Lido Varadero hotels in Cuba.

The Statistical Institute of Jamaica (STATIN) is now embarking on its latest Household Expenditure Survey, a periodic survey which collects information from households regarding their expenditure, income and household characteristics. The survey is intended to allow policy makers, social scientists and other data users to identify spending patterns of private households on a wide range of goods and services. Another important function of the exercise is that it provides a representative 'basket' of goods and services for the Consumer Price Index (CPI), the main indicator of changes in the purchasing power of the currency. This latest survey is intended to revise the weighting patterns of the CPI and to update the composition of the 'basket', by capturing major changes in consumption patterns that have occurred since the last survey. One significant new trend has been the huge increase in spending on telecommunications with the growth of the cellular market. This as well as other new expenditure trends (such as in gaming and entertainment) will definitely influence the makeup of the newly weighted CPI.

**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
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
<b>Jan-01</b>	-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	<b>1.1r</b>	<b>6.7r</b>	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	<b>0.5r</b>	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	<b>31.21r</b>	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	<b>-2.62</b>	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	<b>1,192.1r</b>	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	<b>-14.86</b>	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
<b>Jan-02</b>	-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
<b>Jan-03</b>	-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	1,770.19	0.5	16.8	n/a	61.01	15.57	25.40	8.30	417,571.30	4,529.00
Apr	n/a	n/a	n/a	n/a	1,741.62	1,769.12	0.4	15.4	n/a	60.65	15.09	25.23	8.12	417,358.68	4,665.57
May					1,715.66	n/a	0.6	14.0	n/a	60.93	14.96	25.02	8.06	n/a	n/a

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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