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PSOJ CONFIDENTIAL ECONOMIC BULLETIN

A Monthly Analysis of the Jamaican Economy

Overview

The October quarter commenced on an encouraging note, with nearly two percent (2%) economic growth being projected by the Planning Institute of Jamaica (PIOJ) on the heels of an estimated 1.2% growth in the previous quarter. The economy now appears to be stabilizing after the surge of inflation in the second quarter resulting from the rapid devaluation of the dollar earlier this year and the \$14 billion tax package implemented by the Government in April. The October quarter is now projected to be one of growth and renewed confidence on the part of consumers and investors, provided that the fiscal and monetary authorities can maintain stability and predictability in the critical areas of exchange rates and inflation. October's inflation rate remained at 1.6%, the same as that of the previous month. Major contributors to the inflation rate were the Food & Drink and Transportation categories, the latter registering a 6.8% hike in overall prices.

The dollar lost \$0.74 or 1.23% of its value during the month of October, resulting in a total depreciation of 18.58% since the start of the year. This compares unfavourably with the 4.30% and 4.62% figures for the corresponding periods in 2002 and 2001, respectively. However, any further depreciation for the rest of the year is expected to be marginal, as remittance inflows continue to be buoyant and tourism figures are expected to improve with the approach of the winter tourist season. An area of concern, however, is the continued decline in the NIR, which has consistently fallen in almost every quarter since March of last year. A declining NIR may threaten the Central Bank's ability to provide support for the dollar.

The BOJ has announced its plans to continue the process of lowering interest rates during this quarter. Consequently, there were no increases in BOJ repo rates during October. As at October 29, interest rates for the 120-365 day repo stood firm at their September rates of 21%, 23.50%, 23.75% and 24%. The private sector welcomes interest rate reduction as it facilitates lower costs of business expansion and also makes the equities market more attractive to the investing public.

Although committed to interest rate reduction, the Central Bank will however adjust its actions according to developments in the foreign exchange market and the borrowing needs of the public sector.

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Though still affected by a seasonal downturn, October's tourism numbers registered positive growth with Total Stopover arrivals increasing by 7.7% compared to October 2002. For the cumulative period January to October 2003 total stopover arrivals grew by 6.4% relative to the corresponding 2002 period.

For the period January to April 2003 the current account deficit on the Balance of Payments account widened by US\$52.3 million to US\$297.7 million, compared to the similar 2002 period. This persistent deficit has been contributing to a lower Net International Reserve.

Net International Reserves

The Net International Reserves (NIR) for October 2003 decreased to US\$1,131.13million, US\$51.50million less than the reserves for September 2003 and represents 17.83 weeks of goods import. The decrease in reserves mirrors a decrease in foreign assets of US\$51.49 which was worsened by the US\$0.01million increase in foreign liabilities (please see Table 1).

Table 1: Changes in the NIR

| | NIR | Change | | | Imports (Weeks) |
|----------|----------|--------|---------|---------|--------------------|
| | | Mthly | 12 Mth | YTD | |
| Oct-2003 | 1,131.13 | -51.50 | -524.03 | -465.85 | 17.83 |
| Oct-2002 | 1,655.16 | 32.12 | 177.70 | 193.52 | 19.03 |

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

| | Sep-03 | Change (US\$M) | | | % |
|----------------|---------------|----------------|---------|--------|---|
| | | Mthly | 12 Mth | 12 Mth | |
| Total Deposits | 1,627.60 | 41.51 | 229.44 | 16.41 | |
| | Sep-03 | | | | |
| Spot Purchases | 612.29 | -34.36 | -232.45 | -27.51 | |
| Spot Sales | 613.78 | -8.98 | -196.85 | -24.28 | |

Source: Compiled from the BOJ (Preliminary)

Foreign Exchange Rates

Compared to September's traded value the Jamaican dollar lost \$0.73 in October, trading at \$60.44 (daily J\$/US\$ weighted average selling rate) against its US counterpart (Table 3) on October 31. The year-to-date depreciation is 18.58% for October and continues to be worse than the corresponding period for 2002 and 2001.

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

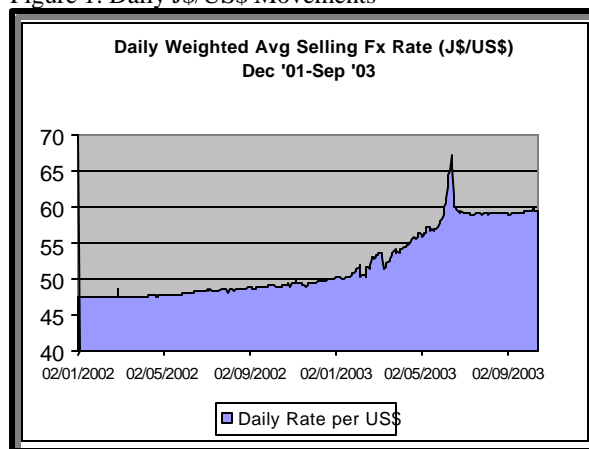


Table 3: Foreign Exchange Trends

| | Year-to-Date: Oct 31, '03 (report date: Nov 19) | | | | | |
|---------|---|-------|-------|-------|-------|-------|
| | us\$ | %? | can\$ | %? | uk£ | %? |
| 2003 | 9.47 | 18.58 | 13.81 | 43.03 | 21.04 | 25.98 |
| 2002 | 2.04 | 4.30 | 1.95 | 6.63 | 8.77 | 12.90 |
| 2001 | 2.10 | 4.62 | -0.21 | -0.72 | 3.25 | 4.95 |
| | Monthly | | | | | |
| Oct -03 | 0.74 | 1.23 | 1.98 | 4.51 | 3.47 | 3.52 |

Source: BOJ, PSOJ Economic Research

Short Term Forecasts

The foreign exchange market continues to be affected by reduced inflows resulting from the tourism off-season. This, along with increased liquidity from the maturity of a number of major Government securities, represents one of the key contributors to the upward pressure on the exchange rate at this time. The weakening of the dollar is expected to continue but at a marginal rate, as the Central Bank in its quarterly press briefing indicated its intention to proactively monitor the market to maintain stability during the quarter. Of concern, however, is the continued decline in the NIR, which has decreased by \$US465.85 million since the start of the year. Low levels of NIR may threaten the BOJ's ability to provide support for the Jamaican dollar. The revised forecasts are presented in Table 4.

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

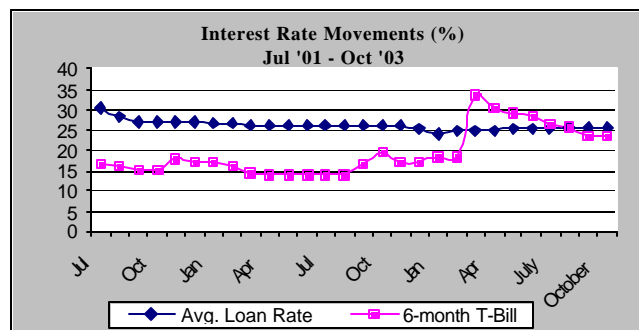
| | Forecast | Actual | Diff. |
|-----------|---------------|--------|-------|
| Jan. '02 | 47.41 – 47.45 | 47.53 | 0.08 |
| Mar. | 47.50 – 47.54 | 47.61 | 0.07 |
| Apr. | 47.68 – 47.72 | 47.91 | 0.29 |
| May. | 48.06 – 48.09 | 48.34 | 0.25 |
| Jun. | 48.37 – 48.41 | 48.51 | 0.10 |
| Jul. | 48.50 – 48.52 | 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 |

Source: PSOJ Economic Research

Interest Rates

As at October 29, interest rates for the 120-365 day repo stood firm at their September rates of 21%, 23.50%, 23.75% and 24%. The Government offered no 6, 9 or 12-month Treasury Bills during October but instead offered a 3-month Treasury Bill at 22.4%.

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**

| | Oct-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 | n/a* | n/a | n/a | n/a |
| 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 increased by 2.90% in October 2003 compared to the previous month while the 12 month movement shows an increase of 4.09%. M2 for August showed a 2.6% increase over the July figure due to increases in both the M1 and quasi-money stock.

Table 6: Base Money and Money Supply

| | J\$M | Change (%) | |
|-------------------|------------|------------|--------|
| | Aug-03 | Mthly | 12 Mth |
| M1 | 49,361.04 | 4.15 | 14.74 |
| Quasi Money | 121,814.81 | 1.99 | 12.13 |
| M2 | 171,175.85 | 2.60 | 13.05 |
| October-03 | | | |
| Base Money | 33,565.46 | 2.90 | |

Source: Compiled from the BOJ (Preliminary)

Inflation

The inflation rate for October 2003 was 1.6% as the Consumer Price Index jumped from 1,728.4 to 1,756.7. This resulted in a fiscal and year-to-date inflation rate

of 12.6% and 12.2% respectively (*Table 7*). Strong increases continued to be seen in the Food & Drink category, which registered increases of 5.8% for vegetables & fruit and 1.6% for starchy foods, a major component of the average consumer's diet. A significant 6.8% jump in the Transportation category was driven by increased bus fares in rural areas and increased taxi fares island-wide. Nearly all categories contributed to the increase in the Consumer Price Index, with the only exception being Making & Repairs which was the only category in which prices did not inch upwards during the month.

Table 7: Inflation Trends

| | Percent Changes | | | |
|------|-----------------|--------|------|--------|
| | Oct-03 | 12 Mth | YTD | Fiscal |
| 2003 | 1.6 | 14.1 | 12.2 | 12.6 |
| 2002 | 0.7 | 5.8 | 5.4 | 4.8 |

Source: STATIN

Production of Selected Commodities

Mining: Total Bauxite production in October increased by 3.98% to 1.181 million metric tonnes compared to October 2002. This outturn reflects higher production volumes of Alumina and Crude Bauxite. Alumina production increased by 5.47% to 338.8 thousand metric tonnes while Crude bauxite increased by 4.87% to 341.9 thousand metric tonnes (*Table 8*). However, while production was higher than last October's, export was lower. Alumina exports fell by a significant 30.98% to 281.16 thousand metric tonnes while Crude bauxite exports also declined marginally by 0.56%.

Table 8: Mining Production

| | Y-T-D | | | | |
|--|---------|---------|--------|-----------|--------|
| | Oct-02 | Oct-03 | % | Oct-03 | 03/02% |
| Production | | | | | |
| Alumina | 321,275 | 338,838 | 5.47 | 3,169,826 | 5.43 |
| C. Bauxite | 326,077 | 341,944 | 4.87 | 3,274,580 | -0.22 |
| Export | | | | | |
| Alumina | 407,359 | 281,164 | -30.98 | 3,186,829 | 5.21 |
| C. Bauxite | 340,077 | 338,156 | -0.56 | 3,256,271 | -0.34 |
| <i>Units=tonnes</i> | | | | | |
| <i>Source: Compiled from Jamaica Bauxite Institute</i> | | | | | |

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 off-season month of October were 86,639, an increase of 7.7% compared to October 2002. For the cumulative period January to October 2003 total stopover arrivals grew by 6.4% to 1.113 million visitors relative to the corresponding 2002 period. All categories except arrivals by non-resident Jamaicans experienced an increase (*Table 9*). Cruise arrivals for October increased by 63.3% over October 2002. Arrivals from the European region continue to grow evidenced by a 22.9% growth in arrivals from European destination for January to October 2003.

Table 9: Tourist Arrivals

| | 2002 | 2003 | % Change | |
|--|------------------|------------------|-------------|--------------|
| | | Jan-Oct | | October |
| Stopover | 1,046,754 | 1,113,747 | 6.4 | 8.1 |
| Foreign | 978,780 | 1,046,316 | 6.9 | 7.7 |
| National | 67,498 | 67,431 | -0.1 | 14.1 |
| Cruise | 665,141 | 912,457 | 37.2 | 63.3 |
| Total | 1,711,895 | 2,026,204 | 18.4 | 31.44 |
| US\$m* | | | | |
| <i>Source: Jamaica Tourist Board (Preliminary)</i> | | | | |

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

The current account deficit deteriorated further for January to April 2003 by US\$52.3million to US\$297.7mn compared to the corresponding 2002 review period. The widening deficit reflected increases in net outflows on the Goods Balance and Income accounts which offset growth in receipts from Services and Current Transfers. (Table 11)

The Trade deficit (exports less imports) grew by US\$142.9 million to US\$671.0 million and reflected growth in imports of US\$142mn to US\$1,103.7million and decrease in exports of US\$0.8mn to US\$432.7mn.

The growth in receipts from Services of US\$102.6 million was influenced by increases in travel receipts of US\$99.7mn and a reduction in the deficit on the transportation sub account of US\$8.1 million. The combined improvement in both sub sectors counterbalanced a marginal

deterioration of US\$5.2mn in the deficit on the Other Services sub-sector.

The Income account deficit worsened by US\$18.6 million and was as a result of an increase in net investment income of US\$19.7mn. This was partly countered by a US\$1.1mn increase in net inflows from compensation of employees.

Net Inflows from Current Transfers increased by US\$6.6million to US\$353.3 million, reflecting increased inflows from private transfers of US\$11.4million which offset outflows from Official transfers totaling US\$4.8 million.

The capital and financial account mainly reflected activity in the financial account which increased by US\$51.9 million. Within the financial account inflows from Other Private Investment of US\$333.6 million were insufficient to offset the net official investment outflows of US\$264.3mn, as well as the deficit on the current account of US\$297.7mn. This resulted in a draw down on Reserves of US\$234.9mn.

Table 11: Balance of Payments (US\$ million)

| | January- April | | Change | |
|---|----------------|---------------|---------------|-------------|
| | 2002 | 2003 | US\$m | % |
| CURRENT A/C | -245.4 | -297.7 | -52.3 | 2.1 |
| Goods Balance | -528.1 | -671.0 | -142.9 | 27.1 |
| Exports (fob) | 433.5 | 432.7 | -0.8 | -0.2 |
| Imports (fob) | 961.6 | 1,103.7 | 142.1 | 14.8 |
| Services Balance | 116.5 | 219.1 | 102.6 | 88.1 |
| Transportation | -68.4 | -60.3 | 8.1 | -11.8 |
| Travel | 323.4 | 423.1 | 99.7 | 30.8 |
| Other Services | -138.5 | -143.7 | -5.2 | 3.8 |
| Income | -180.5 | -199.1 | -18.6 | 10.3 |
| Compensation of employees | 4.4 | 5.5 | 1.1 | 25.0 |
| Investment Income | -184.9 | -204.6 | -19.7 | 10.6 |
| Current Transfers | 346.7 | 353.3 | 6.6 | 0.19 |
| Official | 33.6 | 28.8 | -4.8 | 14.2 |
| Private | 313.1 | 324.5 | 11.4 | 3.64 |
| CAPITAL & FINANCIAL A/C | 245.4 | 297.7 | 52.3 | 21.3 |
| Net Capital Movement | -6.9 | -6.5 | 0.4 | 5.8 |
| Official | 0.2 | 0.1 | -0.1 | -50.0 |
| Private | -7.1 | -6.6 | 0.5 | -7.0 |
| Financial A/c | 252.3 | 304.2 | 51.9 | 20.5 |
| Other Official Investment | 31.1 | -264.3 | -295.4 | -949.8 |
| Other Private Investment (incl. errs & omiss) | 280.2 | 333.6 | 53.4 | 19.1 |
| Reserves (minus=increase) | -59.0 | 234.9 | | |

Source: Bank of Jamaica (Preliminary)

Fiscal Accounts

During April to September 2003 Central Government's fiscal operations generated a deficit of \$21,305.5million, \$2,508.5 million (13.3%) worse than budget. The escalating deficit was primarily

attributed to a short fall in Revenues and Grants which was \$2,217.7million less than the budgeted amount. Total Expenditure was worse than budgeted by a marginal \$290.8million.

Revenue and Grants collected for the six month period was \$63,841.1million, 3.4% below projected figures. This outturn reflected a shortfall in Tax revenues which was \$3.1billion or 5% less than the budgeted figure and continues to be influenced by a substantial shortfall in GCT and SCT receipts. All other revenue items were better than budgeted. SCT of \$1.18billion (39.5%). 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.

Table 12: Fiscal Accounts (J\$ million)

Recurrent Expenditure exceeded the budgeted figures by \$2,530million 3.2% reflecting worse than budgeted Interest payments and wages and salaries. Interest payments were \$3,124.4mn (8.5%) higher than budgeted while wages and salaries were \$1,193.4million (4.39%) worse than projected. Programmes continue to be within budget and were \$1,787.6million (11.27%) better than budgeted. Capital expenditure was also within budget and was \$2,664.6million, 45.6% less than the planned amount.

Loan receipts were below budget by \$663million and mirrors a shortfall in the Amortization of debt of \$5.2billion.

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 for the month increased by \$2.6 billion to \$404,949.94 million while External Debt increased by US\$35.11 million to US\$4,164.23 million.

| | April-September 2003 | | | | 02/'03 | |
|-----------------------------|----------------------|-------------------|-----------------|-------------|------------------|---------------|
| | Provisional | Budget | Change | | J\$m | J\$m |
| | | | J\$m | (%) | | |
| Revenue & Grants | 63,841.1 | 66,058.8 | -2,217.7 | 3.4 | 12,535.9 | 24.4 |
| Tax Revenue | 58,062.1 | 61,168.3 | -3,106.2 | -5.1 | 10,049.0 | 20.9 |
| Non-Tax Revenue | 3,663.3 | 3,196.8 | 466.5 | 14.6 | 2,026.8 | 123.9 |
| Bauxite Levy | 1,077.1 | 975.9 | 101.1 | 10.4 | 206.6 | 23.7 |
| Capital Revenue | 751.9 | 454.7 | 297.2 | 65.3 | 496.1 | 193. |
| Grants | 286.8 | 263.0 | 23.8 | 9.0 | -242.7 | -45.8 |
| Expenditure | 85,146.6 | 84,855.8 | 290.8 | 0.3 | 12,033.1 | 16.5 |
| Recurrent | 82,482.0 | 79,951.9 | 2,530.2 | 3.2 | 13,816.5 | 20.1 |
| Programmes | 14,068.4 | 15,856.0 | -1,787.6 | -11.3 | 415.6 | 3.0 |
| Wages & Salaries | 28,370.9 | 27,177.5 | 1,193.4 | 4.4 | 3,637.5 | 14.7 |
| Interest | 40,042.7 | 36,918.3 | 3,124.4 | 8.5 | 9,763.4 | 32.2 |
| <i>Domestic</i> | 31,497.7 | 27,511.3 | 3,986.4 | 14.5 | 8,365.2 | 36.2 |
| <i>External</i> | 8,545.0 | 9,407.0 | -862.0 | -9.2 | 1,398.2 | 19.6 |
| Capital Expenditure | 2,664.6 | 4,904.0 | -2,239.4 | -45.7 | -1783.4 | -40.1 |
| Fiscal Balance | -21,305.5 | -18797.0 | -2,508.5 | 13.3 | 502.8 | -2.3 |
| Loan Receipts | 60,782.4 | 61,445.5 | -663.1 | -1.1 | -32440.8 | -34.8 |
| Domestic | 59,132.2 | 60,400.0 | -1,267.8 | -2.1 | 26,691.4 | 82.3 |
| External | 1,650.2 | 1,045.5 | 604.2 | 57.8 | -59,132.2 | -97.3 |
| Amortization | 44,045.6 | 47,463.3 | -3,417.7 | 7.2 | 4,213.3 | 10.6 |
| Domestic | 36,567.7 | 40,686.2 | -4,118.5 | -10.1 | 14,394.3 | 64.9 |
| External | 7,477.9 | 6,777.1 | 700.8 | 10.3 | -10,181.0 | -57.7 |
| Overall Balance | -4,568.8 | -4,814.9 | 246.1 | -5.1 | -36,151.3 | -114.5 |
| Primary Balance | 18,737.196 | 18,121.277 | 615.9 | 3.4 | 10,266.2 | 121.2 |

Source: Ministry of Finance and Planning

Stock Market

At the end of October the JSE Index advanced by 2,535.07 points (4.39%) to close at 60,304.20 points. Market capitalization was \$453.60 billion, which represented a change of \$21.34 billion over September 2003.

The top performing stock for year-to-date to October 30 was JMMB, which increased by 98.8% from \$4.15 to \$8.25. The worst performer was Ciboney Group Limited which declined by 58.82% to \$0.07.

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)**

| | 02/01/03 | 31/10/03 | \$ | % |
|--------------------------------|----------|----------|--------|-------|
| JMMB Limited* | 4.15 | 8.25 | 4.10 | 98.80 |
| RBTT Financial Holding Limited | 150.00 | 279.75 | 129.75 | 86.50 |
| Pegasus Hotel | 1.90 | 3.00 | 1.10 | 57.90 |
| Guardian Holding | 170.00 | 264.50 | 94.50 | 55.59 |
| Montego Freeport | 0.65 | 1.00 | 0.35 | 53.85 |

Bottom Five (unadjusted for dividends or transaction costs)

| | | | | |
|------------------|-------|-------|--------|--------|
| Cable & Wireless | 1.06 | 0.81 | -0.25 | -23.58 |
| Palace Amusement | 70.00 | 50.00 | -20.00 | -28.57 |
| Kingston Wharves | 2.60 | 1.70 | -0.90 | -34.62 |
| Jamaica Broilers | 1.71 | 1.01 | -0.70 | -40.94 |
| Ciboney Group | 0.17 | 0.07 | -0.10 | -58.82 |

*Listed on Jan. 7, 2003

Source: Compiled from the JSE

Developments and Outlook

Despite its seasonal downturn, tourism continues to fulfill its role as one of the country's leading foreign exchange earners. The continued reliability of tourism provides valuable income not only for hotels and cruise lines but also for smaller private sector players such as craft vendors and in-bond merchants. However, Jamaica should remain alert in order to respond to robust competition from other Caribbean destinations such as Barbados, whose tourism sector grew by over 6% in the first nine months of this year.

Manufacturing once again represents a major point of concern for Jamaica as we begin the October quarter, as the latest figures from the PIOJ show that the sector declined by a disturbing 5% in the previous quarter. The PIOJ partially attributes this to a fall in demand for food, beverages and tobacco due to higher prices resulting from higher taxes and devaluation. Firms supplying these products could continue to be adversely affected by this downturn during November and December, although it could be offset by the spending surge associated with the Christmas season.

In the cement industry, the Government is now deliberating the proposed increase in the Common External Tariff (CET), intended to protect Caribbean Cement Co. (CCCL) from unfair competition from cement imports. The outcome of this matter will have a direct impact on the cement industry by helping to shape competitive forces in the cement market over the next three years, which is the proposed period of the CET increase.

The trend of mergers continues in the financial sector with news of a merger between First Global Bank and George & Branday Merchant Bank, two subsidiaries of Grace, Kennedy & Company Ltd. The new entity, to be known as First Global Bank Limited, will have a combined asset base of \$25 billion and capital of \$1 billion. Grace Kennedy believes that the merger, set to come on stream by March of next year, will allow the two entities to pool their financial and human resource to better position themselves to capitalize on growth opportunities in the financial market.

Liquidity in the money market continues to be high, as the BOJ's latest treasury bill issue on November 17 was oversubscribed by 118.75%. The Bank had allotted only \$600 million for this instrument, but the public responded to the tune of over \$1.13 billion in offers. The difference of \$530 million remains in the money market as liquid funds that help to drive spending and possibly inflation,

unless put to productive use or absorbed by another debt instrument. With the advent of the holiday season, the retail & distribution sector should benefit from increased sales through greater consumer spending. However, inflationary effects could begin to show in the next quarter if prices are not readjusted downwards after demand subsides.

The stock exchange continues to do well, advancing by 4.4% in October and almost 4.9% in the previous month. A number of stocks are projected to improve their returns in the coming weeks as new investments, strong financial performance and management changes enhance these firms' growth prospects for the near future.

On the international scene, preliminary economic data from the US Commerce Department suggest that the US Economy grew by 7.2% during the third quarter as a result of increased consumer spending, business investment, housing construction and exports. This surge in the economy's growth rate is an improvement on the 3.3% recorded in the previous quarter and is the highest since the first quarter of 1984. However economists caution that the lack of jobs may hamper future economic growth. Jamaican exporters continue to monitor the state of the US economy, which accounted for over a quarter of Jamaica's exports and more than 43% of our exports last year.

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 |

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

M2 – Money Supply

FX Dep – Foreign Exchange Deposit

Tourism – Total Tourist Arrivals

Loan – Average Loan Rate

Save – Average Savings Deposit Rate
P – Point-to-Point Percentage Change
N/a – Not Available
WATBY- weighted average Treasury bill yield

M – Monthly Percentage Change
R – Revised
S – Stopover

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