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PSOJ CONFIDENTIAL ECONOMIC BULLETIN

A Monthly Analysis of the Jamaican Economy

Overview

The Net International Reserves (NIR) of the Central Bank decreased by US\$32.12 million to US\$1,655.16 million at the end of October 2002. The foreign exchange market (daily J\$/US\$ weighted average selling rate) continued to show some upward movement during October 2002. The J\$ lost \$0.17 to \$49.44 at the end of the month, following a \$0.26 loss in the previous month. On October 28, 2002, the central bank reduced the 90-day and 120-day repo rates by 100 basis points each to 18.25% and 18.40% respectively as activities in the foreign exchange market returned to normalcy.

Although tourist arrivals remained weak over the first eight months when compared to the similar review period in 2001, stopover visitors increased by 4.42% in August. This may be attributed to improved stopover arrivals from our major tourist market - USA. Over the first five months of 2002, private transfers, which increased by 19.80%, continued to reflect strong remittance inflows notwithstanding the deficit on the current account deteriorating by US\$56.20 million to US\$330.0 million. The trade deficit also deteriorated by US\$18.07 (2.05%) over the similar period. Sugar exports have continued to be dismal for the January to May period, declining by 7.30% to US\$52.46 million when compared to the similar period in 2001.

Currently, the viability of the industry is at risk due to a recent challenge to the legitimacy of the preferential access by ACP countries (which includes Jamaica) to the European market by Brazil and Australia at the World Trade Organization. In addition, our preferential access to EU markets under the Cotonou Agreement may be eroded as a result of the 2001 Everything But Arms (EBA) Agreement where the 48 Lesser Developed Countries (LDCs) should be afforded preferential treatment by the EU by 2006.

The fiscal outturn to July generated a deficit of \$17,057.50 million, predicated on lower than budgeted revenues and grants (\$3,305 million) coupled with greater than budgeted expenditure (\$12.70 million). Preliminary figures from the Ministry of Finance and Planning indicated that the total domestic debt increased by 1.84% to \$310.74 billion in June. Recently, the World Bank approved a US\$75 million Second Bank Restructuring and Debt Management Programme Adjustment Loan (BRDP II) to help Jamaica complete the resolution of the financial sector crisis of the mid-1990's. The loan supports the divestment of the government's equity stakes in National Commercial Bank and Life of Jamaica – the country's largest domestic bank and largest insurance company, respectively. In addition, this arrangement supports the completion of the new legal, regulatory and supervisory framework for the financial sector. Also, under this loan, the government has converted all remaining liabilities at the Financial Services Adjustment Company (FINSAC), the crisis management agency created in the mid-1990's, into tradable government bonds and FINSAC's operations have been closed since the end of October 2002.

On the international scene, biological and chemical weapons inspectors have been allowed to assess the Iraq nuclear arsenal. This has to some extent reduced the possibility of the United States declaring war on Iraq and the accompanying expectation of increases in the price of oil.

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Net International Reserves

The Net International Reserves (NIR) of the Central Bank decreased by US\$32.12 million to US\$1,655.16 million, (*Table 1*). The current level of reserves represented 28.55 weeks of goods imports, when compared with 26.69 weeks of goods imports over the similar period in 2001. In terms of weeks of goods and services imports, gross reserves represented 19.03 weeks. The lower NIR level for October was the result of a combined decline of US\$32.15 million in gross foreign assets and US\$0.03 million in gross foreign liabilities.

Table 1: NIR (US\$ million)

| | NIR | Change | | | Imports (Weeks) |
|--------|----------|--------|--------|--------|--------------------|
| | | Mthly | 12 Mth | YTD | |
| Oct-02 | 1,655.16 | 32.12 | 177.70 | 193.52 | 19.03 |
| Oct-01 | 1,477.46 | -59.24 | 631.75 | 546.22 | 26.69 |

Source: Compiled from the BOJ (Preliminary)

Foreign Currency Deposits

Total foreign currency deposits increased in September 2002 to US\$1,335.23 million (*Table 2*). The current outturn was mainly influenced by a US\$12.38 million increase in the balances of 'other' Commercial Banks' accounts. Total deposits were 12.01% above those recorded at the end of September 2001.

Table 2: FX Deposits (US\$ million)

| | Sep-02 | Change (US\$M) | | % 12 Mth |
|----------------|----------|----------------|--------|-------------|
| | | Mthly | 12 Mth | |
| Total Deposits | 1,335.23 | 19.22 | 143.18 | 12.01 |
| Spot Purchases | 861.42 | 16.68 | 245.31 | 39.82 |
| Spot Sales | 859.82 | 49.19 | 254.28 | 41.99 |

Source: Compiled from the BOJ (Preliminary)

Foreign Exchange Rates

The foreign exchange market (daily J\$/US\$ weighted average selling rate) continued to show some upward movement during October 2002. The J\$ lost \$0.17 (*Table 3*) to \$49.44 at the end of the month, following a \$0.26 loss for the previous month. In addition, the central bank intervened and reduced the 90-day and 120-day repo rates by 100 basis points each to 18.25% and 18.40% respectively effective October 28, 2002 as activities in the foreign exchange market returned to normalcy.

The year-to-date performance of the foreign exchange market has continued to deteriorate when compared with the corresponding 2001 period (4.94% decline vs. 4.31% decline), albeit better than that of 2000 (8.16% decline). The year-to-date performance has continued to reflect a weaker tourism and alumina industry – the two major foreign exchange earners – which have declined due to the September 11, 2001 terrorist attacks in the US and a slow restart to alumina production.

The weighted average monthly J\$/US\$ for October 2002 was \$49.30, \$0.22 above the previous month, and \$2.72 above October 2001. The current 12-month point-to-point movement in the rate at \$2.72 (5.84%), was below that of the previous period at \$4.59 (10.27%).

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



Table 3: Foreign Exchange Trends

| | Year-to-Date: Nov 15, '02 | | | | | |
|--------|---------------------------|------|-------|------|-------|-------|
| | us\$ | % | can\$ | % | uk£ | % |
| 2002 | 2.34 | 4.94 | 1.99 | 6.76 | 10.45 | 15.38 |
| 2001 | 1.96 | 4.31 | 0.21 | 0.71 | 1.11 | 0.16 |
| 2000 | 3.38 | 8.16 | 1.85 | 6.66 | -3.77 | -5.73 |
| | Monthly | | | | | |
| Oct-02 | 0.17 | 0.35 | 0.42 | 1.45 | 0.15 | 0.22 |

Source: BOJ, PSJO Economic Research

Short Term Forecasts

The upcoming period of seasonal demand pressures (September to November) may be expected to test the resiliency of the domestic currency. Given the continued weaker balance of payments position, compounded by a fallout in tourism receipts and a slow start by the alumina industry, we may continue to see a slight orderly upward adjustment in the exchange rate in the near term. The revised forecasts are presented in *Table 4*.

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

| | Forecast | Actual | Diff. |
|----------|---------------|--------|-------|
| May | 45.72 - 45.74 | 45.83 | 0.09 |
| June | 45.73 - 45.75 | 45.82 | 0.07 |
| July | 45.81 - 45.83 | 45.77 | -0.04 |
| Aug. | 45.79 - 45.81 | 45.80 | 0.00 |
| Sept. | 45.82 - 45.84 | 45.94 | 0.10 |
| Oct. | 46.01 - 46.05 | 47.57 | 1.52 |
| Nov. | 47.41 - 47.45 | 47.25 | -0.16 |
| Dec. | 47.32 - 47.36 | 47.40 | 0.04 |
| Jan. '02 | 47.41 - 47.45 | 47.53 | 0.08 |
| Feb. | 47.46 - 47.51 | 47.53 | 0.02 |
| 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 | | |
| Dec. | 50.16-50.20 | | |

Source: PSOJ Economic Research

Interest Rates

The Government reduced the interest rates by 1% on the 90-day and 120-day repo rates to 18.25% and 18.40% respectively, effective October 28, 2002 as activities in the foreign exchange market began to normalize. This follows attempts in recent times by the central bank to curb the depreciation in the foreign exchange market by increasing interest rates. There were no changes in the other repo rates. However, the market benchmark 6-month Treasury Bill (T-Bill) yield increased by 285 basis points to 19.54% in October.

The average commercial bank lending rates declined 12 basis points to 26.13% while the average savings rate increased by 10 basis points to 8.96%. These movements reduced the spread between both rates to 17.17%.

Figure 2: Interest Rate Movements

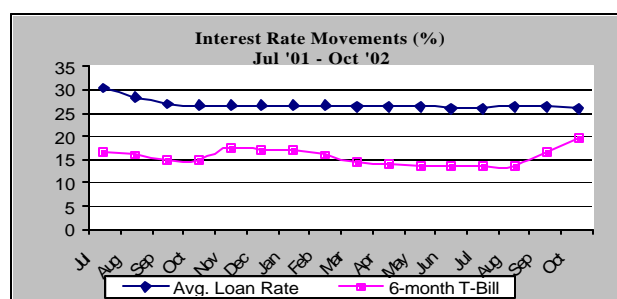


Table 5: Interest Rate Movements

| | Oct-02 | Change | | |
|---------------------|--------|--------|--------|-------|
| | | Mthly | 12 Mth | YTD |
| 30 Day Repo | 12.95 | 0.00 | -1.30 | -1.30 |
| 365 Day Repo | 14.50 | 0.00 | -5.40 | -3.40 |
| Avg Savings Deposit | 8.96 | 0.10 | -0.12 | -0.12 |
| Avg Loan Rate | 26.13 | -0.12 | -0.66 | -0.50 |
| 6 Month T-Bill | 19.54 | 2.85 | 4.43 | 2.46 |
| 12 Month T-Bill | 14.77 | 0.00 | -1.51 | -1.51 |

Source: Compiled from the BOJ (Preliminary)

Base Money and Money Supply

The central bank continued in its fight to contain inflation as the monetary base declined by 0.28% in September 2002, while broad money (M2) increased by 0.41% in August 2002 (*Table 6*). The increase in M2 was attributed to increases in currency deposits, demand deposits, time deposits and savings deposits. Despite the movement of base money over September 2001 of 2.97%, the 0.34% decline over September 2002 continued to reflect Government's tighter control on this variable in order to contain inflation. The 12-month movement to July 2002 of M2 has averaged 9.15% compared with 10.7% over the previous 12-month period.

Table 6: Base Money and Money Supply

| | J\$M | | Change (%) | |
|---------------|------------|-------|------------|--|
| | Aug-02 | Mthly | 12 Mth | |
| M1 | 43,021.11 | -1.08 | 7.24 | |
| Quasi Money | 108,638.07 | 1.01 | 8.98 | |
| M2 | 151,659.18 | 0.41 | 8.48 | |
| Sep-02 | | | | |
| Base Money | 31,339.09 | -0.28 | 2.97 | |

Source: Compiled from the BOJ (Preliminary)

Inflation

The October 2002 Consumer Price Index (CPI) increased by 0.7% over the previous month, resulting in fiscal and year-to-date inflation rates of 4.8% and 5.4% respectively (*Table 7*). The year-to-date outturn was less than what it was in 2001. The 12-month and fiscal outturns were also below 2001 levels. The inflation rate for October was attributed to higher prices for all categories including 'food and drink', except 'transportation'.

Table 7: Inflation Trends

| | Percent Changes | | | |
|------|-----------------|--------|-----|--------|
| | Oct-02 | 12 Mth | YTD | Fiscal |
| 2002 | 0.7 | 5.8 | 5.4 | 4.8 |
| 2001 | 0.8 | 7.7 | 8.4 | 6.6 |

Source: STATIN

Production of Selected Commodities

Mining: Total alumina and crude bauxite production for October 2002 increased by 28.32% and 17.48% respectively over the corresponding 2001 period, (*Table 8*). However, the year-to-date alumina production declined by 1.58%. This performance has continued to reflect the effects of heavy flood rains, a weaker global economy and industrial action. The year-to-date production of crude bauxite was up 5.99%. Despite a 55.30% increase in alumina exports in October, year-to-date exports for the first ten months of 2002 was 2.28% below the similar review period in 2001. October production appears high when compared to October 2001 due to the fact that there was a strike at the Jamalco plant last year. Crude bauxite exports also increased by 27.06% in October 2002.

Sugar & Banana: There was a decline in banana production for September 2002 to 3,060 tonnes (down 15.93%) when compared to September 2001. Due to the production cycle, there was no sugar production in September. However, production is expected to resume by early December. The industry has performed dismally in recent times the 2002 crop period yielded 170,300 tonnes (down 15.32%) over the similar period in 2001. The viability of the industry is also threatened as our preferential treatment may be eroded under the 2001 Everything But Arms (EBA) Agreement where the 48 Lesser Developed Countries (LDCs) should be afforded preferential treatment by the EU by 2006. In addition, a

recent challenge to the legitimacy of the preferential access by ACP countries to the European market by Brazil and Australia at the World Trade Organization potentially jeopardizes the feasibility of small sugar production. Brazil produces 11 million tonnes of sugar on the world market.

Table 8: Mining Production

| | Mthly Change | | | Y-T-D | |
|-------------------|--------------|---------|-------|------------|-------|
| | Oct-01 | Oct-02 | % | Jan-Oct 02 | % |
| Production | | | | | |
| Alumina | 250,370 | 321,275 | 28.32 | 3,006,624 | -1.58 |
| C. Bauxite | 277,559 | 326,077 | 17.48 | 3,281,914 | 5.99 |
| Export | | | | | |
| Alumina | 262,310 | 407,359 | 55.30 | 3,029,092 | -2.28 |
| C. Bauxite | 267,660 | 340,077 | 27.06 | 3,267,321 | 5.85 |

Units=tonnes

Source: Compiled from Jamaica Bauxite Institute

Tourism

Tourist arrivals declined by 2.04% in August. This resulted from a 13.05% decline in cruise visitors, which offset the 4.42% increase in stopover visitors. Foreign stopover visitors increased by 4.89%. This may be attributed to improved stopover arrivals from our major tourist market – the USA (up 7.8%). On the other hand, national stopover visitors declined by 0.94% and cruise arrivals declined by 13.05%.

Table 9: Tourist Arrivals

| | 2001 | 2002 | % Change | |
|-----------------|---------------|---------------|-------------|--------|
| | | | Jan-Aug | Aug |
| Stopover | 953,852 | 890,401 | -6.65 | 4.42 |
| Foreign | 893,122 | 833,219 | -6.71 | 4.89 |
| National | 60,730 | 57,182 | -5.84 | -0.94 |
| Cruise | 605,323 | 554,215 | -8.44 | -13.05 |
| Total | 1,559,175 | 1,444,616 | -7.35 | -2.04 |
| US\$m* | 805.40 | 826.30 | 2.59 | - |

* Data available for Jan-July '02 only
Source: Jamaica Tourist Board (Preliminary)

External Trade

The deficit on the external trade account increased over the first four months of 2002, declining by US\$18.07 million (*Table 10*). This mainly resulted from a US\$71.46 million decline in the value of exports.

Exports: The value of total goods exports (fob) fell by 11.66% given declines in the major categories of exports, vis-à-vis 'major traditional' (10.40%) and 'non-traditional' (15.50%) exports. The 'other traditional' category improved by 1.82%. In the major traditional group, a strong performance from bauxite (10.69%) was not enough to offset declines in the value of alumina (14.13%), sugar (7.30%) and bananas (4.96%).

During the review period, Bauxite exports benefited from higher volumes, up 10.53%, while alumina exports declined by 4.36%. The industry also suffered from declines in bauxite and alumina prices. Rum and Pimento are the only other categories within the traditional group to register increases in exports. Earnings from rum and pimento increased by US\$3.33 million (28.90%) and US\$0.43 million (43.20%) respectively while coffee exports declined by US\$1.50 million (10.27%).

Within the 'non-traditional exports' category, the beverage category improved by US\$2.40 million (36.36%). However, earnings from wearing apparel continue to be eroded, declining by 67.95% to US\$11.70 million, during the review period. Chemicals registered a

11.11% increase in exports to US\$20 million. In addition, yam and papaya exports increased to US\$5.70 million (up 7.35%) and US\$1.90 million (up 11.77%) respectively.

Imports: The value of total goods imports (cif) declined by 3.57% for the review period. This was mainly due to a US\$92.09 million (11.68%) decline in 'raw material' imports. This mitigated the increase in both consumer and capital goods imports, which grew by 8.73% and 9.39% respectively.

A US\$73.61 million (26.28%) decline in fuel imports and a US\$18.47 million (3.60%) decline in 'other raw materials' influenced the outturn within the raw materials category. The decline in the fuel import bill reflected lower world fuel prices. Durables and food continued to be the major contributors to increased consumer imports. These categories increased by 20.30% and 10.40% respectively.

The increase in capital goods imports resulted from increases in imports of 'other machinery and equipment' and 'other capital goods' of 34.1% and 62.6% respectively.

Table 10: External Trade (US\$ million)

| | Jan-May '01 | Jan-May '02 | Change | % Change |
|----------------------------|-----------------|-----------------|---------------|---------------|
| TOTAL EXPORTS (fob) | 612.88 | 541.42 | -71.46 | -11.66 |
| Major Traditional Exports | 380.32 | 340.78 | -39.54 | -10.40 |
| <i>Bauxite</i> | 38.63 | 42.76 | 4.13 | 10.69 |
| <i>Alumina</i> | 277.04 | 237.90 | -39.14 | -14.13 |
| <i>Sugar</i> | 56.59 | 52.46 | -4.13 | -7.30 |
| Other Traditional Exports | 31.88 | 32.46 | 0.58 | 1.82 |
| Non-Traditional Exports | 108.01 | 91.27 | -16.74 | -15.50 |
| Re-Exports | 12.57 | 7.17 | -5.40 | -42.96 |
| Freezone Exports | 65.10 | 56.74 | -8.36 | -12.84 |
| Goods Procured in Ports | 15.00 | 13.00 | -2.00 | -13.33 |
| TOTAL IMPORTS (cif) | 1,495.42 | 1,442.03 | -53.39 | -3.57 |
| Consumer Goods | 385.51 | 419.17 | 33.66 | 8.73 |
| <i>Durables</i> | 153.87 | 185.04 | 31.17 | 20.26 |
| Raw Materials | 788.35 | 696.26 | -92.09 | -11.68 |
| <i>Fuels</i> | 280.05 | 206.44 | -73.61 | -26.28 |
| Capital Goods | 251.98 | 275.64 | 23.66 | 9.39 |
| Freezone Imports | 53.28 | 35.96 | -17.32 | -32.51 |
| Goods Procured in Ports | 16.30 | 15.00 | -1.30 | -7.98 |
| Trade Balance | -882.54 | -900.61 | -18.07 | -2.05 |

Source: Compiled from STATIN and BOJ

Balance of Payments

The deficit on the current account deteriorated by US\$56.2 million to US\$330.0 million over the first five months of 2002 (*Table 11*). This was primarily driven by a 34.1% decline in the services balance.

The deficit on the goods balance deteriorated by US\$16.2 million as exports declined by US\$71.5 million which was offset by a US\$55.3 million decline in imports.

The services balance continued to register a negative outturn, declining by US\$77.4 million to US\$149.8 million. Although there was a US\$32.0 million improvement in the costs for 'other services', there was a US\$94.3 million decline in net travel receipts combined with a US\$15.1 million increase in transportation costs. The income account declined by US\$13.3 million,

primarily due to a US\$14.4 million increase in the outflow of investment income.

The current transfers reflected an increase in private transfers of US\$62.4 million, which offset a US\$11.7 million decline in official transfers. Private transfers, which increased by 19.8%, continued to reflect strong remittance inflows.

The outturn on the capital and financial accounts mainly reflected activity on the financial account, which improved by US\$56.2 million. The surplus on the 'other official investment' account (US\$11.4 million), combined with the surplus on the 'other private investment' (US\$299.4 million), together with the deficit on the capital account (US\$10.9 million) offset the deficit on the current account. This resulted in a US\$30.1 million increase in reserves.

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

| | January - May | | Change | |
|---|---------------|---------------|--------------|--------------|
| | 2001 | 2002 | US\$m | % |
| CURRENT A/C | -273.8 | -330.0 | -56.2 | 20.5 |
| Goods Balance | -675.1 | -691.3 | -16.2 | 2.4 |
| Exports (fob) | 612.8 | 541.3 | -71.5 | -11.7 |
| Imports (fob) | 1,287.9 | 1,232.6 | -55.3 | -4.3 |
| Services Balance | 227.2 | 149.8 | -77.4 | -34.1 |
| Transportation | -91.2 | -106.3 | -15.1 | 16.6 |
| Travel | 498.8 | 404.5 | -94.3 | -18.9 |
| Other Services | -180.4 | -148.4 | 32.0 | -17.7 |
| Income | -170.0 | -183.3 | -13.3 | 7.8 |
| Compensation of employees | 8.5 | 9.6 | 1.1 | 12.9 |
| Investment Income | -178.5 | -192.9 | -14.4 | 8.1 |
| Current Transfers | 344.1 | 394.8 | 50.7 | 14.7 |
| Official | 29.0 | 17.3 | -11.7 | -40.3 |
| Private | 315.1 | 377.5 | 62.4 | 19.8 |
| CAPITAL & FINANCIAL A/C | 273.8 | 330.0 | 56.2 | 20.5 |
| Net Capital Movement | -9.8 | -10.9 | -1.1 | 11.2 |
| Official | 2.0 | 0.2 | -1.8 | -90.0 |
| Private | -11.8 | -11.1 | 0.7 | -5.9 |
| Financial A/c | 283.6 | 340.9 | 57.3 | 20.2 |
| Other Official Investment | 479.4 | 11.4 | -468.0 | -97.6 |
| Other Private Investment (incl. errs & omiss) | 440.3 | 299.4 | -140.9 | -32.0 |
| Reserves | -511.1 | -30.1 | | |

Source: Bank of Jamaica (Preliminary)

Fiscal Accounts

During the April to July period of the financial year 2002/03, the central Government's fiscal operations generated a deficit of \$17,057.50 million, \$3,317.70 greater than budgeted (*Table 12*). This outturn resulted from lower than budgeted revenues and grants (\$3,305.0 million) coupled with greater than budgeted expenditure (\$12.7 million). Revenue receipts were 9.2% below budget, while expenditures were 0.03% above budget.

The major sources of revenue fallout were registered by declines in tax revenue, down \$2,143.7 million, and non-tax revenue, down \$594.2 million.

The poor performance in tax revenue mainly resulted from a \$2,118.10 million outturn below budget from Income and Profits, and a \$616.8 million outturn below budget from International Trade. Income and Profits were affected by a \$1,974.2 million (48.1%) outturn below budget on 'Tax on Interest' due to falling interest rates. Revenues from International Trade was affected by a \$613.7 million (36.5%) outturn below budget from Special Consumption Taxes (SCT) on imports.

Within the production and consumption category, General Consumption Tax (GCT) and SCT generated revenues 8.1% (\$405.4 million) and 13.1% (\$255.8 million) respectively above budget.

Recurrent expenditure of \$478.3 million above budget was the main contributor to the higher expenditure outturn. This was due to expenditure on Programmes and Wages and Salaries of 6.1% and 7.9% respectively above budget. Interest payments which were down \$1,257.1 (5.60%) reflected the below budget outturn of domestic and international interest payments down \$431.7 million (2.6%) and \$825.4 million (14.7%) respectively.

Loan receipts continued to be below budget, with registered domestic and external receipts 8.1% and 0.01% below budget. The amortization of both domestic and external debt was slower than budgeted – 20.2% and 0.7% below budget.

Preliminary figures from the Ministry of Finance and Planning indicate that the total domestic debt increased by 1.84% to \$310.74 billion in June.

Table 12: Fiscal Accounts (J\$ million)

| | April - July 2002 | | | | 01/'02 | |
|-----------------------------|-------------------|-------------------|------------------|---------------|------------------|-----------------|
| | Provisional | Budget | J\$m | (%) | J\$m | (%) |
| Revenue & Grants | 32,780.70 | 36,085.70 | -3,305.00 | -9.20 | 220.2 | 0.70 |
| Tax Revenue | 30,905.80 | 33,049.50 | -2,143.70 | -6.50 | 1,890.30 | 6.50 |
| Non-Tax Revenue | 1,007.50 | 1,601.70 | -594.2 | -37.10 | 78.7 | 8.50 |
| Bauxite Levy | 555.7 | 834.6 | -278.9 | -33.40 | -157.9 | -22.10 |
| Capital Revenue | 230.6 | 257.9 | -27.2 | -10.60 | -1,552.90 | -87.10 |
| Grants | 81.1 | 342 | -260.9 | -76.30 | -38 | -31.90 |
| Expenditure | 49,838.20 | 49,825.50 | 12.7 | 0.03 | 5,956.90 | 13.60 |
| Recurrent | 46,660.70 | 46,182.30 | 478.3 | 1.00 | 8,481.80 | 22.20 |
| Programmes | 8,854.70 | 8,343.60 | 511 | 6.10 | 69.4 | 0.80 |
| Wages & Salaries | 16,661.00 | 15,436.70 | 1,224.40 | 7.90 | 3,867.00 | 30.20 |
| Interest | 21,145.00 | 22,402.00 | -1,257.10 | -5.60 | 4,545.50 | 27.40 |
| <i>Domestic</i> | 16,367.40 | 16,799.10 | -431.7 | -2.60 | 2,628.10 | 19.10 |
| Capital Expenditure | 3,177.50 | 3,643.20 | -465.7 | -12.80 | -1,683.40 | -34.60 |
| Fiscal Balance | -17,057.50 | -13,739.80 | -3,317.70 | 24.10 | -5,736.70 | 50.70 |
| Loan Receipts | 34,727.50 | 36,472.00 | -1,744.50 | -4.80 | 1,890.80 | 5.80 |
| Domestic | 19,717.20 | 21,461.00 | -1,743.80 | -8.10 | 5,709.20 | 40.80 |
| Amortization | 32,401.80 | 36,687.40 | -4,285.60 | -11.70 | -6,450.40 | -16.60 |
| Domestic | 16,464.50 | 20,633.30 | -4,168.80 | -20.20 | -17,098.90 | -50.90 |
| Overall Balance | -14,731.80 | -13,955.30 | -776.5 | 5.60 | 2,604.60 | -15.00 |
| Primary Balance | 4,087.40 | 8,662.20 | -4,574.80 | -52.80 | -1,191.20 | 6,469.80 |

Source: Ministry of Finance and Planning

Stock Market

Table 13: Returns for listed companies on the JSE

| Year-to-Date Performers on the Jamaica Stock Exchange | | | | |
|---|----------|----------|-------|--------|
| Top Five (unadjusted for dividends or transaction costs) | | | | |
| | 31/12/01 | 18/11/02 | \$ | % |
| Ja. Prod. Group | 4.50 | 13.80 | 9.30 | 206.67 |
| Pegasus | 1.10 | 3.30 | 2.20 | 200.00 |
| Mobay Ice | 3.40 | 10.00 | 6.60 | 194.12 |
| Radio Jamaica | 1.45 | 3.90 | 2.45 | 168.97 |
| Seprod | 3.80 | 9.60 | 5.80 | 152.63 |
| Bottom Five (unadjusted for dividends or transaction costs) | | | | |
| Cable & Wireless | 1.50 | 1.30 | -0.20 | -13.33 |
| Island Life | 14.00 | 11.88 | -2.12 | -15.14 |
| LOJ | 2.97 | 2.40 | -0.57 | -19.19 |
| Ciboney Group | 0.10 | 0.06 | -0.04 | -40.00 |
| Goodyear | 9.20 | 5.01 | -4.19 | -45.54 |

Source: Compiled from the JSE

Developments and Outlook

In line with the US\$1,600 million target for the fiscal year 2002-2003, the Net International Reserves (NIR) of the central bank remained buoyant at US\$1,655.16 million at the end of October 2002. However, the target limits the extent of intervention the central bank has in the foreign exchange market. The year-to-date depreciation of the daily J\$/US\$ rate continued to deteriorate when compared to the similar period in 2001, albeit less than that of 2000. As activities within the foreign exchange market returned to normalcy, the central bank reduced the yields on the 90-day and 120-day instruments by 1% each to 18.25% and 18.40% respectively, effective October 28, 2002.

The 6-month T-Bill rate increased by 285 basis points to 19.54% in October while the average lending rate declined by 12 basis points to 26.13%. In addition, the 90 day and 120 day repo rates were reduced by 100 basis points. This may imply a return to the levels of interest rates before the hikes in September by the central bank to stave off depreciation in the foreign exchange market.

The deficit on the current account deteriorated by US\$56.2 million to US\$330.0 million over the first five months of 2002. This was primarily driven by a 34.1% decline in the services balance. Tourism arrivals continued to remain sluggish (down 2.04%) in August 2002. However, the US, our major market showed a positive outturn (up 7.8%), which may be good news for tourism. Recently, individuals with varying degrees of experience in the industry were appointed to the Board of the Jamaica Tourist Board. This may imply the development of innovative strategies that will enable the industry to overcome the negative shocks that have impacted Jamaica's major foreign exchange earner.

Under the World Bank loan, the government has converted all remaining liabilities at the Financial Services Adjustment Company (FINSAC) into tradable government bonds. The divestment of the government's equity stakes in NCB and LOJ may lead to a reduction in the debt burden attributed to FINSAC liabilities. This points to the government's effort in greater prudence in fiscal management. The expeditious

implementation of revenue enhancing measures, including efforts to improve tax compliance, and rigorous restraint in expenditures, particularly on wages should also continue to be the focus of the recently elected Government.

Crime and violence continues to be a significant deterrent to economic growth. However, the recent drug hauls by the narcotics police was commendable and demonstrate the efforts of law enforcers to rein in the scourge of crime. In addition, the recommendation that the police and the military will soon have to report to Parliament regularly on crime prevention measures indicates the priority that the Government is placing on this issue

Stock Market

The stock market has been buoyant due to significant earnings reports and dividend announcements by listed companies.

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 |
| Sep | -1.6 | -8.7 | -0.7 | 15.6 | 526.2 | 1,014.7 | 0.3 | 5.3 | 9.28 | 39.88 | 19.21 | 35.92 | 11.50 | 161,571.93 | 3,035.00 |
| Oct | 0.4 | -9.2 | 2.6 | 18.5 | 492.8 | 1,016.2 | 0.8 | 6.4 | 14.64 | 40.05 | 19.19 | 33.92 | 11.38 | 163,443.11 | 3,076.00 |
| Nov | 0.6 | -4.5 | -0.5 | 19.5 | 506.7 | 949.3 | 1.0 | 7.4 | 15.45 | 40.57 | 19.19 | 33.92 | 11.38 | 168,730.78 | 3,049.30 |
| Dec | 16.5 | 4.0 | 3.0 | 19.1 | 450.2 | 956.5 | 0.5 | 6.8 | -2.66 | 41.27 | 22.03 | 33.92 | 11.38 | 176,717.47 | 3,024.10 |
| Jan-00 | -12.5 | -5.5 | -0.5 | 19.2 | 453.1 | 990.1 | 0.2 | 7.8 | -1.47 | 41.75 | 20.54 | 33.92 | 11.38 | 178,340.93 | 2,971.00 |
| Feb | -2.3 | -8.2 | 0.2 | 18.5 | 590.6 | 1,057.6 | 0.4 | 8.2 | 12.10 | 42.25 | 20.05 | 33.92 | 11.38 | 175,492.98 | 3,133.10 |
| Mar | -2.8 | -7.4 | 0.9 | 18.1 | 703.5 | 1,047.1 | 0.7 | 8.4 | 12.05 | 42.15 | 17.96 | 33.92 | 11.38 | 175,322.74 | 3,164.80 |
| 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 | 4,144.90 |
| 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 | n/a |
| 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 | n/a |
| Jul | 3.0 | -1.3 | 0.34 | 9.15 | 1,743.9 | n/a | 1.5 | 6.8 | -8.05 | 48.5 | 13.79 | 25.92 | 8.97 | n/a | n/a |
| Aug | -1.27 | -1.45 | 0.41 | 8.48 | 1,685.6 | 1,316.1 | 0.4 | 6.3 | n/a | 49.01 | 13.78 | 26.25 | 8.97 | n/a | n/a |
| Sep | -0.28 | 2.97 | n/a | n/a | 1,687.3 | n/a | n/a | n/a | n/a | 49.27 | 16.69 | 26.25 | 8.86 | n/a | n/a |
| Oct | n/a | n/a | n/a | n/a | 1,655.16 | n/a | n/a | n/a | n/a | 49.44 | 19.54 | 26.13 | 8.96 | 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.

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

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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