



## LOCAL ECONOMY

### TREASURY BILL OUTTURN & PRODUCER PRICE INDEX

#### Treasury Bills:

For the month of February, applications for treasury bills exceeded demand, as the Bank of Jamaica (BOJ) issued a total of J\$1.8 billion in treasury bills, while applications totaled J\$3.51 billion and J\$3.19 billion for the 90-day and 180-day treasury bills respectively. The 91-day treasury bill auction resulted in the average yield of 3.352%, down 63 basis points compared to January, whilst the 182-day treasury bill auction resulted in the average yield of 3.593%, down 57 basis points relative to January's outturn. Notably, the average yields on the 91-day decreased by 257 basis points compared to the auctions in 2016 for the comparable period. The 182-day treasury bills also declined by 253 basis points relative to the corresponding auctions in 2016. (Refer to the graph on the right).

#### Producer Price Index:

The Producer Price Index (PPI) for the Mining and Quarrying industry decreased by 1.0% for the month of January 2018 according to the Statistical Institute of Jamaica (STATIN). This decline resulted mainly from a decline in the major group 'Bauxite Mining and Alumina Processing'. The Manufacturing industry registered an increase of 0.9% for the period under review. The main contributors to this movement were the 'Refined Petroleum Products' major group which increased by 3.4%, the 'Food, Beverages & Tobacco' major group, up by 0.4% and the 'Chemicals and Chemical Products' major group, up by 0.5%.

According to STATIN "The point-to-point movement January 2017 to January 2018 recorded a 2.8% increase in the index for the Mining & Quarrying industry. The Manufacturing industry recorded an increase of 7.5% for the same period. This movement was due mainly to increases in the major groups, 'Food, Beverages & Tobacco' and 'Refined Petroleum Products', which rose by 3.6% and 28.7% respectively."

"For the fiscal year-to-date April 2017 to January 2018, the index for the Mining & Quarrying industry recorded an upward movement of 0.2% in its index. The Manufacturing industry showed an increase of 4.7% in its index for the same period under review."

## TOURISM

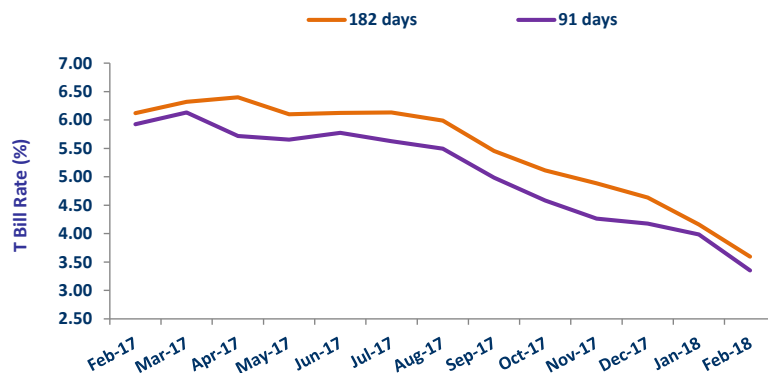
According to the latest data from the Jamaica Tourist Board, stopover arrivals in January 2018 amounted to 194,609 an increase of 4.7% when compared to 185,873 recorded in January 2017.

Stopover arrivals from the U.S. market increased by 7.2% in January 2018 with a total of 110,396 arrivals compared to 103,026 arrivals in January 2017.

The Canadian market recorded an increase in arrivals of 2.0% with arrivals amounting to 46,815 relative to 45,905 in January of last year.

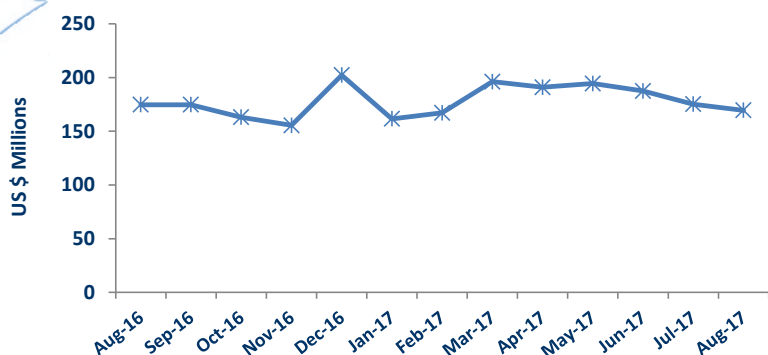
The European market region recorded an increase in arrivals by 0.7% to total 28,928 stopover arrivals in January 2018, relative to 28,729 recorded for January 2017.

Arrivals from Latin America recorded a growth of 15.1% with a total of 3,229 stopovers relative to 2,805 recorded in January 2017. (see Tourist Arrivals table above)



Stopover Arrivals by Market Region					
Country	January 2018	Share %	January 2017	Share %	Change %
U.S.A.	110,396	56.7%	103,026	55.4%	7.2%
Canada	46,815	24.1%	45,905	24.7%	2.0%
Europe	28,928	14.9%	28,729	15.5%	0.7%
Latin America	3,229	1.7%	2,805	1.5%	15.1%
Caribbean	4,075	2.1%	4,147	2.2%	-1.7%
Asia	629	0.3%	728	0.4%	-13.6%
Others	537	0.3%	533	0.3%	0.8%
Total	194,609	100.0%	185,873	100.0%	4.7%

#### Net Remittance



## REMITTANCE

Latest data from the Bank of Jamaica (BOJ), for August 2017, showed, net remittances were US\$169.5 million, a decrease of US\$5.2 million relative to the corresponding month of 2016.

For the period January 2017 to August 2017, net transfers totalled US\$1,378.9 million, relative to US\$1,360.7 million for the corresponding period in 2016.

For August 2017, total inflows amounted to US\$191.6 million, while outflows totalled US\$22.1 million.

The largest source market of remittances to the island in August was USA with a share of 62.9%. The remaining remittances during the abovementioned month

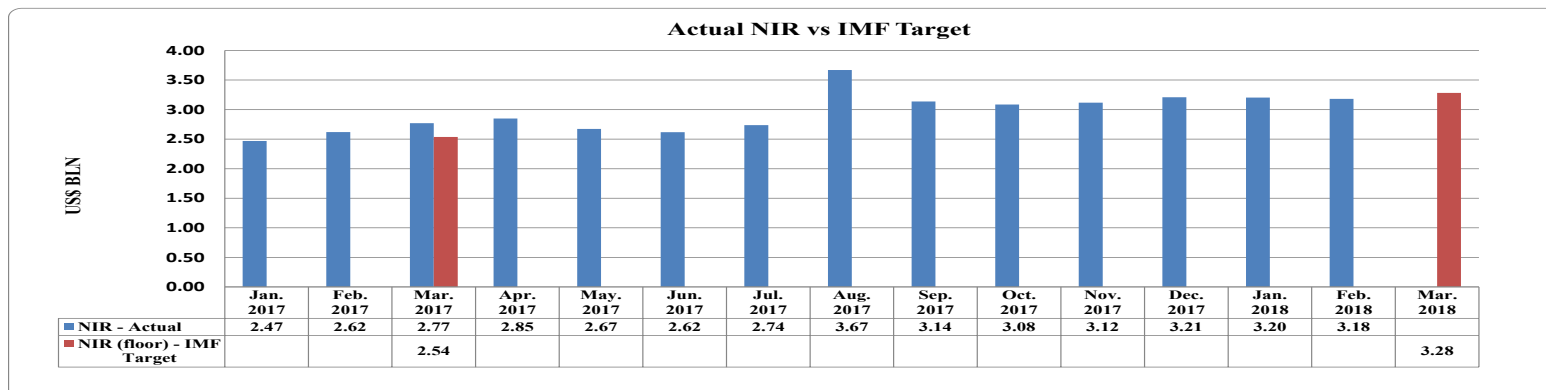
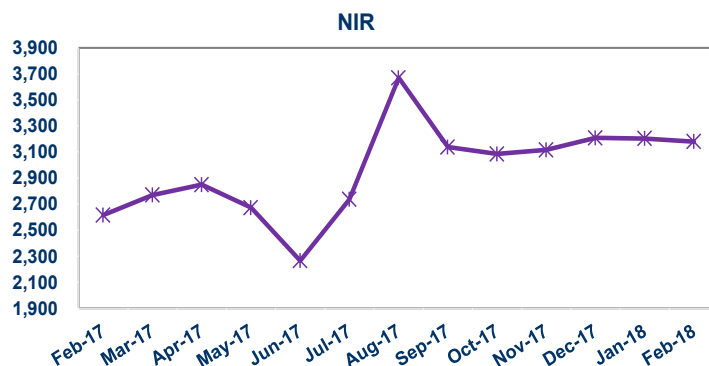


## NET INTERNATIONAL RESERVES

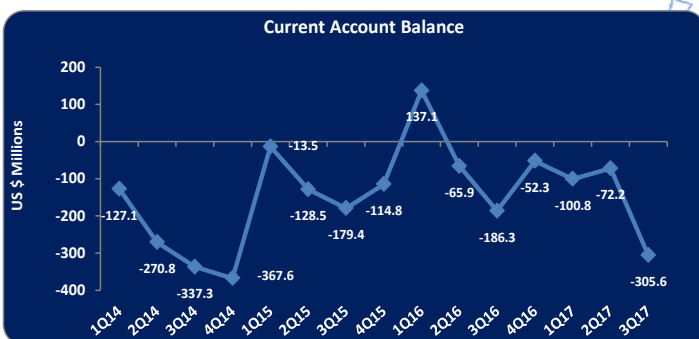
Jamaica's Net International Reserves (NIR) totaled US\$3,179.50 million as at February 2018, reflecting a decrease of US\$23.86 million relative to the US\$3,203.36 million reported as at the end of January 2018.

Changes in the NIR resulted from a decrease in Foreign Assets of US\$28.38 million to total US\$3,761.14 million compared to the US\$3,789.51 million reported for January 2018. 'Currency & Deposits' contributed the most to the decline in Foreign Assets. 'Currency & Deposits' as at February 2018 totaled US\$3,163.19 million reflecting a decline of US\$21.88 million compared to US\$3,185.07 million booked as at January 2018. 'Securities' amounted to US\$325.60 million; US\$0.64 million less than the US\$326.24 million reported in January 2018. Foreign Liabilities for February 2018 amounted to US\$581.63 million compared to the US\$586.15 million reported for January 2018. Liabilities to the IMF accounted for 100% of total foreign liabilities, reflecting a US\$4.52 million decline month over month from January 2018.

At its current value, the NIR is US\$564.24 million more than its total of US\$2,615.26 million as at the end of February 2017. The current reserve is able to support approxi-



## CURRENT ACCOUNT BALANCE



The latest data from the Bank of Jamaica shows the Current Account deficit for the period July 2017 to September 2017 amounted to a deficit of US\$305.6 million. This compared to the US\$72.2 million deficit booked for the second quarter of 2016.

## CONSUMER PRICE INDEX

The inflation for the month of February 2018 decreased 0.1% following a negligible movement in January 2018, according to The Statistical Institute of Jamaica (STATIN). The Consumer Price Index for the month moved to 248.3 relative to the 248.6 reported for January 2018. This decline was largely attributed to the movement in two divisions, 'Food and Non-Alcoholic Beverages' down by 0.5% and 'Housing Water, Electricity, Gas and Other Fuels' down by 0.2%. Inflation within the Greater Kingston Metropolitan Area, Other Urban Centres and Rural Areas all registered a decline in their index of 0.1%, 0.2% and 0.1% respectively.

The movement in the division 'Food and Non-Alcoholic Beverages' was as a result of the 0.5% decline in the group 'Food' (primarily due to the 3% decline in the class 'Vegetables and Starchy Foods') and a 0.4% increase in the group 'Non-Alcoholic Beverages'. 'Housing, Water, Electricity, Gas and Other Fuels' division declined by 0.2% as a result of the 0.8% fall in the group 'Electricity, Gas and Other Fuels'.

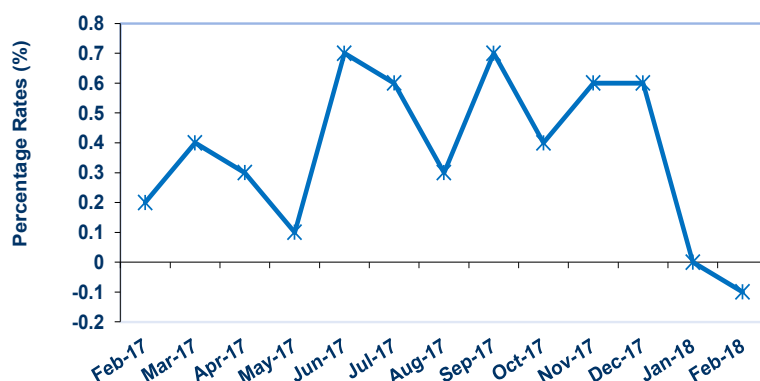
The Inflation rate year to date is 0.2%, while the point-to-point rate (February 2017 – February 2018) and fiscal year 2018/ 2019 was 4.4% and 4.0% respectively.

## MONEY SUPPLY

Components of Money Supply (M2)			
Percentage Change (%)	Oct-16	Sep-17	Oct-17
Total Money Supply (M2*)	17.2	26.5	23.3
Total Money Supply (m2*) without new entrant		11.1	9.8
Money Supply (M2J)	12.9	30.7	30.7
Money Supply (M2J) without new entrant		12.5	7.7
Money Supply (M1J)	16.4	14.7	13.8
Currency with the public	15.7	9.9	10.3
Demand Deposits	16.9	18.7	16.6
Quasi Money	9.6	46.5	47.5
Savings Deposits	12.6	41.6	40.9
Time Deposits	-1.5	65.8	75.8
Foreign Currency Deposits	23.8	20.5	12.9

According to the latest data available from the Bank of Jamaica, total Money Supply (M3) as at October 2017 amounted to J\$874.20 billion, a decline of 1.60% compared to the \$888.43 billion in September 2017. M2, comprises M1 plus short-term savings and time deposits, certificates of deposit, foreign currency transferable deposits, repurchase agreements and other deposits.

### Monthly Inflation Rate from February 2017 to February 2018





## GROSS DOMESTIC PRODUCT

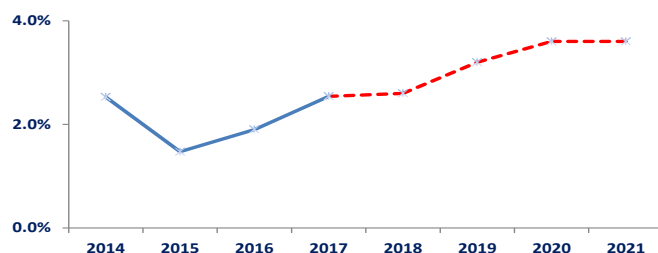
The latest data from the Statistical Institute of Jamaica indicates, “The Jamaican economy grew by 0.8% in the third quarter of 2017 when compared to the similar quarter of 2016”. This was due mainly to the improved performances in both the Services industries (1.0 %) and the Goods Producing industries (0.3%). All Services Industries recorded increased levels of output whilst the increase in the Goods Producing Industries was largely due to 2.3% increase in Manufacturing and a 1.2% increase in Construction.

STATIN reports, “Value Added for the Agriculture, Forestry & Fishing industry declined by 0.8% in the review period when compared to the third quarter of the previous year. This was influenced mainly by unfavourable weather conditions as a result of heavy rainfall. Other Agricultural Crops which, includes Animal Farming, Forestry and Fishing declined by 2.3%. However, Traditional Export Crops grew by 8.6%.”

“The Electricity & Water Supply industry recorded an increase of 2.4% in real value added. Electricity consumption increased by 2.6%, moving to 853,869 MWh in 2017 from 832,006 MWh in 2016. Water production increased by 3.9% moving to 17,982.4 million gallons in 2017 from 17,311.0 million gallons in 2016. The increase in water production was due mainly to higher levels in rainfall in eastern parishes as well as the implementation of projects geared towards reducing leakages across the island.”

## CAPITAL EXPENDITURE TO GDP

Capital Expenditure to GDP (%)



Total Expenditure for the period April to January 2018 amounted to \$438.51 billion, \$10.58 billion or 2.4% less than the budgeted \$449.09 billion. Recurrent expenditure which totalled \$404.67 billion, accounted for 92.28% of overall expenditures. Relative to projections, recurrent expenditure was \$9.85 billion (2.4%) less than budgeted. Of the recurrent expenditure categories over the review period, all categories with the exception of ‘Employee Contribution’ came in below budget. ‘Programmes’ which amounted to \$137.03 billion was \$2.22 billion or 1.6% less than projected, ‘Compensation of Employees’ which amounted to \$155.73 billion was \$4.25 billion or 2.7% less than projected and ‘Wages & Salaries’ amounted to \$143.61 billion and was \$5.39 billion or 3.6% less than projected. ‘Employee Contribution’ which amounted to \$12.12 billion for the period was over budget by 10.4% relative to the budgeted \$10.98 billion. As a result of the decreases in expenditures for the period April to January 2018, the ‘Fiscal Deficit’ was \$3.62 billion, relative to a projected deficit of \$29.86 billion. Additionally, the primary balance for the period amounted to \$108.28 billion, 26.8% more than budgeted.

Notably, The FY2018/19 Budget tabled in Parliament includes a significant increase in capital expenditure by central government from 2.4% of GDP in FY2017/18 to 3.0% of GDP in FY2018/19, in keeping with the growth and national security objectives of GOJ.

## LABOUR FORCE

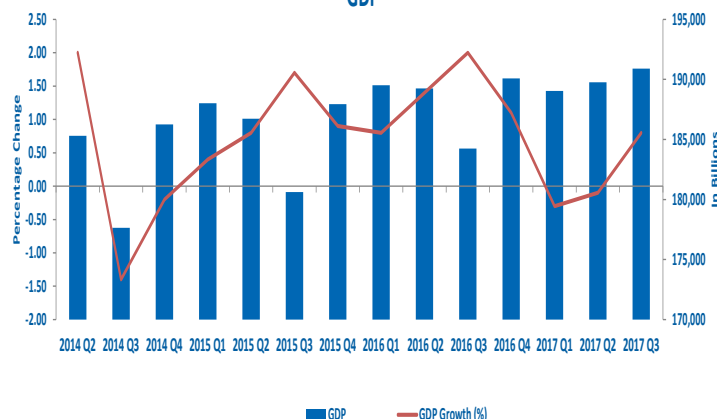
Unemployment Rate (%)	January Q1	April Q2	July Q3	October Q4
2014	13.4	13.6	13.8	14.2
2015	14.2	13.2	13.1	13.5
2016	13.3	13.7	12.9	12.9
2017	12.7	11.3	11.3	10.4

Labour force	January Q1	April Q2	July Q3	October Q4
2014	1,305,500	1,311,100	1,303,700	1,310,200
2015	1,320,800	1,300,400	1,320,500	1,325,200
2016	1,342,000	1,353,500	1,363,300	1,355,500
2017	1,358,300	1,371,600	1,371,200	1,347,600

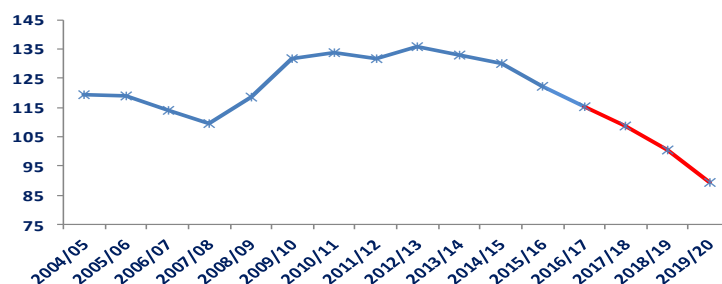
The Labour Force at October 2017, was 1,347,600 representing a decrease of 6,500 (0.5%) compared to 1,354,100 in October 2016. The male labour force decreased by 7,100 (1.0%) from 728,600 in October 2016 to 721,500 in October 2017. The female labour force was 625,500 in October 2016 compared to 626,100 in October 2017. The number of persons employed in October 2017 was 1,206,800 which was 27,300 (2.3%) more than the 1,179,500, recorded in October 2016. For males, employment increased by 5,300 (0.8%) between October 2016 (663,600) and October 2017 (668,900). Female employment increased by 22,000 (4.3%) from 515,900 to 537,900 over the same period. The unemployment rate has been trending downwards over the last decade. In October 2017, unemployment rate was 10.4%, the lowest since October 2008. The youth unemployment rate of 25.4% was also the lowest since January 2008. Female employment continue to increase.

GDP



## DEBT TO GDP

Total Debt to GDP (%)

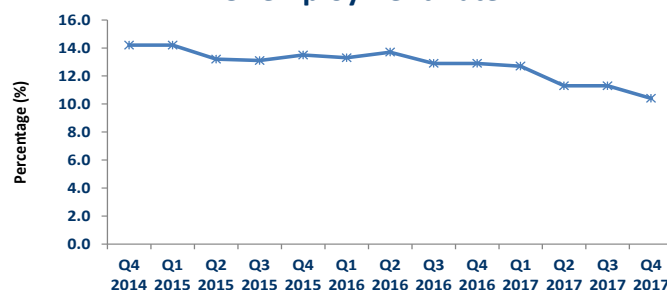


Public Debt to GDP is expected to close the fiscal year 2017/18 with a ratio of 105%, below the targeted debt levels of 111% of GDP, stated Minister Shaw in his Opening Budget Debate Presentation. Debt to GDP at the end of the FY2016/17 was 115.2%. Jamaica's total public debt as at December 2017 amounted to \$1.95 trillion, a decrease from the \$1.96 trillion as at November 2017. For the (FY) 2018/19 and (FY)2019/20, Debt-to GDP is forecasted at 102% and 90% respectively, as the Government aims to bring the public debt to GDP down to 60% by FY 2025/26, Minister Shaw remarks after IMF 3rd Review

For FY 2017/18, the GOJ estimates that the primary balance should amount to \$132 billion. As at the end of January 2018, this amounted to \$108.28 billion. Tax Revenue was expected to total an estimated \$473 billion by the end of the March quarter. The reported tax revenue for the end of January 2018 was \$391.45 billion.

Due to the improved GDP outlook for FY 2018/19, Minister Shaw highlighted a real GDP growth of 2.4% is forecasted and the budget is estimated to generate a primary surplus of \$141.1 billion in line with the 7.0% of GDP programme target and includes no new revenue measures.

Unemployment Rate



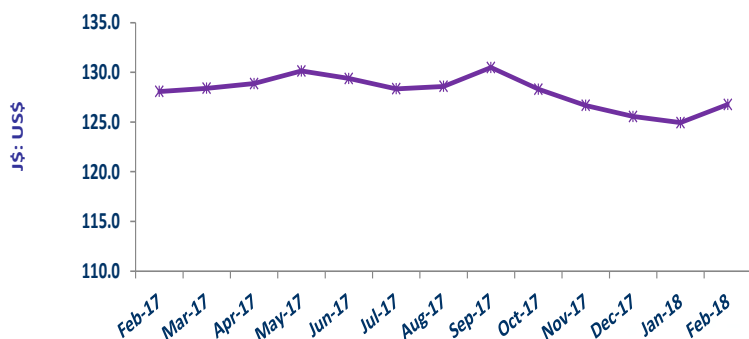




## LOCAL FOREX

The Jamaican dollar depreciated against the USD for the month of February 2018. The JMD declined by \$1.84 in February, to close the month at an average of \$126.77 relative to the \$124.93 recorded in January 2018. Year over year, the JMD has appreciated by approximately \$1.30 or 1.02% relative to the \$128.07 reported as at February 2017.

Exchange Rate Movements



## OPEN MARKET OPERATION

Issue Date	Tenor	Initial Coupon %	Reset Margin %	Benchmark	Interest/Maturity Date
09-Feb-18	28 Days	3.50%	N/A	Fixed	09-Mar-18
16-Feb-18	28 Days	3.50%	N/A	Fixed	16-Mar-18
23-Feb-17	28 Days	3.50%	N/A	Fixed	23-Mar-18

## INTERNATIONAL ECONOMY

**United States:** According to the *U.S. Bureau of Labour Statistics*, "The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2% in February on a seasonally adjusted basis after rising 0.5% in January. Over the last 12 months, the all items index rose 2.2% before seasonal adjustment. The indexes for shelter, apparel, and motor vehicle insurance all rose and contributed to the 1-month seasonally adjusted increase in the all items index. The food index was unchanged in February, as a decline in the index for food at home offset an increase in the food away from home index. The energy index increased slightly, with its component indexes mixed. The index for all items less food and energy increased 0.2% in February following a 0.3% increase in January. Along with shelter, apparel, and motor vehicle insurance, the indexes for household furnishings and operations, education, personal care, and airline fares also increased in February. In contrast, the indexes for communication, new vehicles, medical care, and used cars and trucks declined over the month. The all items index rose 2.2% for the 12 months ending February, a slightly larger increase than the 2.1% rise for the 12 months ending January. The index for all items less food and energy rose 1.8% over the past year, while the energy index increased 7.7% and the food index advanced 1.4 %."

**EURO Zone:** According to the *European Union's statistics office*, "The euro area seasonally-adjusted unemployment rate was 8.6 % in January 2018, stable compared to December 2017 and down from 9.6 % in January 2017. The EU-28 unemployment rate was 7.3 % in January 2018, stable compared to December 2017 and down from 8.1 % in January 2017. Among the Member States, the lowest unemployment rates in January 2018 were recorded in the Czech Republic (2.4 %), Malta (3.5 %) and Germany (3.6 %). The highest unemployment rates were observed in Greece (20.9 % in November 2017) and Spain (16.3 %). Compared with a year ago, the unemployment rate fell in all Member States. The largest decreases were registered in Cyprus (from 12.6 % to 9.8 %), Greece (from 23.3 % to 20.9 % between November 2016 and November 2017), Croatia (from 12.2 % to 9.8 %), Portugal (from 10.1 % to 7.9 %) and Spain (from 18.4 % to 16.3 %)."

**Commodity:** According to the *World Bank*, "Commodity prices were mixed in February, with energy prices falling 5.4% and non-energy prices rising 1.2%. Raw materials, food, and beverages rose 0.6%, 2.2%, and 1.2%, respectively, Base metals fell 0.1% and precious metals 0.5%"

## INTERNATIONAL FOREX

**GBP/USD:** The pair closed at **\$1.3962** According to FX Empire, "The pound finally had some dose of reality during the month of February after having risen over the previous couple of months on the back of some dollar weakness and also due to the inherent strength in the pound which had been brought about by a hawkish BOE. Even during the month of February, the BOE continued to be hawkish but this did not seem to have much of an impact on the pound as doubts were beginning to be raised over the effectiveness of the rate hikes and whether the BOE would indeed be able to deliver. In the coming month of March, the broken support around the 0.8000 region is likely to act as the resistance and should hold any kind of bounce that may happen. The tariff on the import of metals in the US is likely to affect the Aussie in the medium term and this, along with the strength of the dollar, which is expected to pick up in the coming month due to the impending rate hike, is likely to keep the AUDUSD pair under pressure over the coming month. We might see some strength in the pair in the first half of the month but this should be sold into and lead to a weakening in the second half of the month."

**EUR/USD:** The pair closed the month at **\$1.2368**. According to FX Empire, "The euro had a bearish month during February which has basically reversed most of the gains that it had managed to make since the beginning of the year. The EURUSD had been consolidating since the end of January and we had mentioned in our daily forecasts that the consolidation and the ranging at the top indicated that there would be a fall in the following days and this began slowly and steadily and the pair ended the month in a weak manner near the 1.22 region and this points to further weakness in the months ahead. In the coming month of March, we are likely to see the incoming data from the US continue to show the strength in the US economy and we also expect the Fed to hike rates during the month and also lay out a path on when the next rate hikes are likely to be. The market is slowly beginning to price in 4 rate hikes for the year and with no signal yet of anything to the contrary, we can expect that to continue in the coming month of March, unless the Trump administration rakes up something that would bring in geo-

Int'l Currency Prices: February 1-28				
Currency Pair	Open	High	Low	Close
GBP/USD	1.4264	1.4264	1.3760	1.3760
USD/CAD	1.2268	1.2831	1.2268	1.2831
EUR/USD	1.2510	1.2510	1.2194	1.2194
USD/JPY	109.40	110.17	106.13	106.68

**USD/CAD:** The CAD appreciated against the USD during the month of February by 4.59% to close at \$1.2831

The Bank of Jamaica issued three Certificates of Deposits during the month of February 2018.

## CARICOM:

**Trinidad and Tobago -** According to the *Central Bank in Trinidad and Tobago*, "The fiscal accounts improved in the first quarter of FY 2017/18 compared to the similar period a year earlier due mainly to higher petroleum prices and natural gas output. A deficit of \$228.3 million was recorded compared with one of \$2,468.0 million in the first quarter of FY 2016/17. Government once more accessed the domestic capital market in the fourth quarter of 2017 to manage timing mismatches between the receipt of revenues and payments coming due. Thus, net public sector debt outstanding (that is excluding open market operations) at the end of December 2017 (\$94.5 billion) was slightly higher than in September (\$93.4 billion) as new borrowing was partly offset by capital repayments."

**Bahamas-** According to the *Central Bank in Bahamas*, "Hon. Peter Turnquest said in line with the brighter economic outlook globally and especially in the U.S., the International Monetary Fund has marked up its forecast for economic growth in The Bahamas. "Real growth in 2018 is now forecast at 2.5 per cent, up from 2.2 per cent at the time of the last Budget. For 2019, the forecast calls for growth on the order of 2.2 per cent," the DPM said during his Contribution to the 2017/18 Mid-Year Budget Debate in the House of Assembly, Wednesday, March 7, 2018. He said this outlook reflects projected modest growth in tourism sector output, due in part to the sustained improvement in key source markets and in light of the multi-billion Baha Mar resort becoming fully operational. In addition, DPM Turnquest said construction activity should be supported by a number of varied-scale foreign investment projects in both the capital and the Family Islands. "In addition, "He said as for monetary sector developments, the Central Bank expects continued high levels of bank liquidity to be a dominant feature."