



LOCAL ECONOMY

TREASURY BILL OUTTURN & PRODUCER PRICE INDEX

Treasury Bills:

For the month of December, applications for treasury bills exceeded demand, as the Bank of Jamaica (BOJ) issued a total of J\$1.4 billion in treasury bills, while applications totaled J\$455.19 million and J\$1.25 billion for the 90-day and 180-day treasury bills respectively. The 91-day treasury bill auction resulted in the average yield of 2.05%, up 10 basis points compared to November, whilst the 182-day treasury bill auction resulted in the average yield of 2.07%, up 8 basis points relative to November's outturn. Notably, the average yields on the 91-day decreased by 213 basis points compared to the auctions in 2017 for the comparable period. The 182-day treasury bills also declined by 257 basis points relative to the corresponding auctions in 2017. (Refer to the graph on the right).

Producer Price Index:

The Producer Price Index (PPI) for the Mining and Quarrying industry decreased by 3.2% for the month of November 2018 according to the Statistical Institute of Jamaica (STATIN). This downward movement was primarily due to the appreciation of the Jamaican dollar against the United States dollar. However, the Manufacturing industry also registered a decrease of 1.1%. The main contributor to this movement was the downward movement in the index for the major group 'Refined Petroleum Products' by 7.7% but however tempered by the 0.3% increase in the major groups 'Food, Beverages & Tobacco' (7.7%) and 'Other Non-Metallic Products' (5.0%).

According to STATIN, "For the point-to-point period, November 2017 - November 2018, the index for the Mining and Quarrying industry declined by 5.1% due mainly to a decrease of 5.6% in the major group, 'Bauxite Mining & Alumina Processing'. The index for the Manufacturing industry increased by 7.2% due mainly to a 20.8% increase in the major group 'Refined Petroleum Products' and a 4.4% increase in the major group, 'Food, Beverages & Tobacco'.

TOURISM

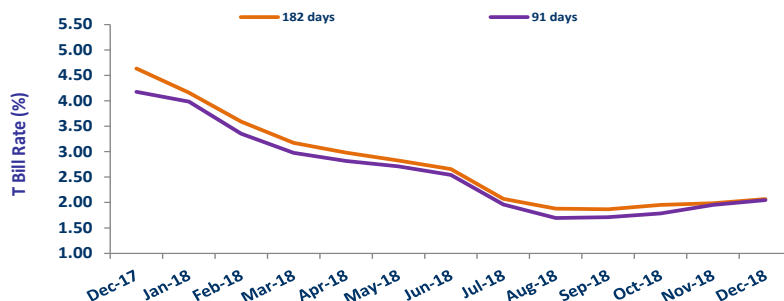
According to the latest data from the Jamaica Tourist Board, stopover arrivals in November 2018 amounted to 196,546 an increase of 5.1% when compared to 187,062 recorded November 2017.

Stopover arrivals from the U.S. market increased by 9.0% in November 2018 with a total of 124,886 arrivals compared to 114,618 arrivals in November 2017.

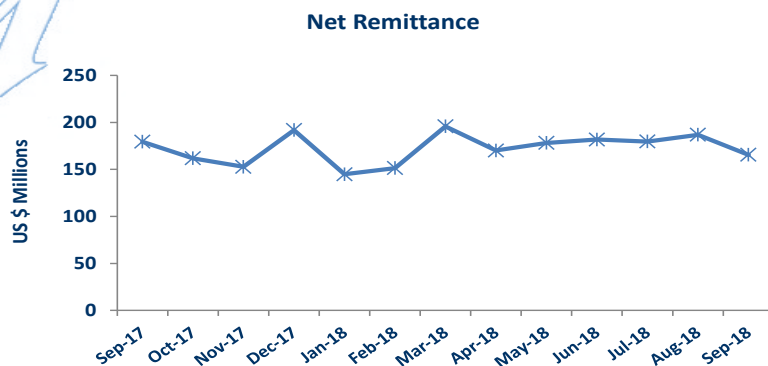
The Canadian market recorded a decline in arrivals of 6.5% with arrivals amounting to 33,719 relative to 36,064 in November of last year.

The European market region recorded an increase in arrivals by 4.6% to total 29,151 stopover arrivals in November 2018, relative to 27,881 recorded for November 2017.

Arrivals from Latin America recorded an increase of 12.2% with a total of 2,604 stopovers relative to 2,320 recorded in November 2017 (see Tourist Arrivals table above)



Stopover Arrivals by Market Region					
Country	November 2018	Share %	November 2017	Share %	Change %
U.S.A.	124,886	63.5%	114,618	61.3%	9.0%
Canada	33,719	17.2%	36,064	19.3%	-6.5%
Europe	29,151	14.8%	27,881	14.9%	4.6%
Latin America	2,604	1.3%	2,320	1.2%	12.2%
Caribbean	5,037	2.6%	4,847	2.6%	3.9%
Asia	621	0.3%	799	0.4%	-22.3%
Others	528	0.3%	533	0.3%	-0.9%
Total	196,546	100.0%	187,062	100.0%	5.1%



REMITTANCE

Latest data from the Bank of Jamaica (BOJ), for September 2018, showed net remittances were US\$165.5 million, an decrease of US\$13.7 million relative to \$179.3 million reported for the corresponding month of 2017.

For the period January 2018 to September 2018, net remittance inflows totalled US\$1,736.8 million, relative to US\$1,738.3 million for the corresponding period in 2017.

For September 2018, total inflows amounted to US\$187.0 million, while outflows totalled US\$21.5 million.

The largest source market of remittances to the island in May was USA with a share of 63.1%. The remaining remittances during the above mentioned month came from Canada (12.5%) followed by UK (11.9%) and Cayman Islands (6.8%).

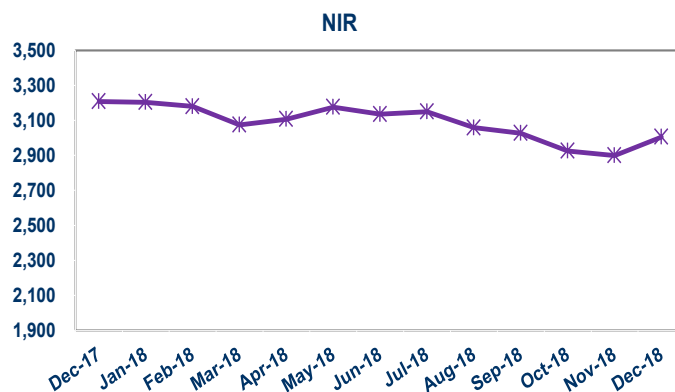


NET INTERNATIONAL RESERVES

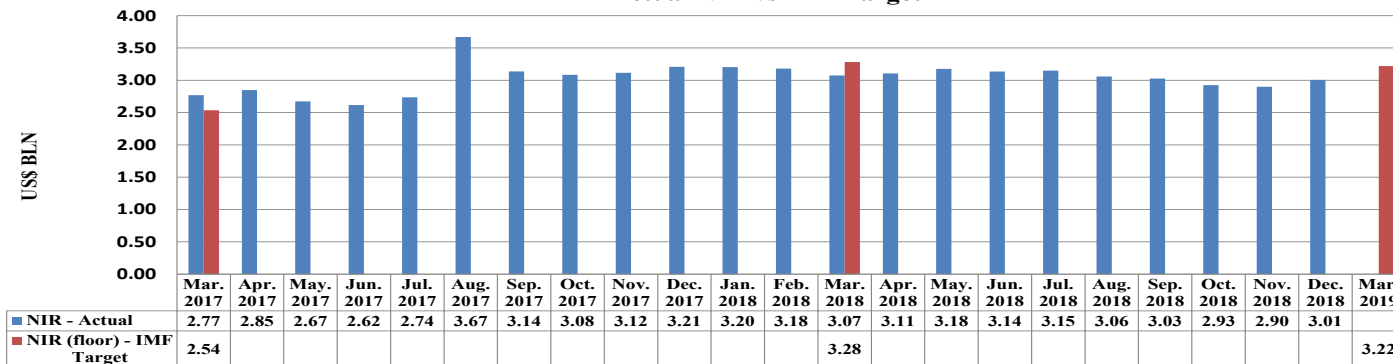
Jamaica's Net International Reserves (NIR) totaled US\$3,005.41 million as at December 2018, reflecting an increase of US\$106.35 million relative to the US\$2,899.06 million reported as at the end of November 2018 (see figure 1).

Changes in the NIR resulted from an increase in Foreign Assets of US\$106.91 million to total US\$3,532.04 million compared to the US\$3,425.13 million reported for November 2018. 'Currency & Deposits' contributed the most to the increase in Foreign Assets. 'Currency & Deposits' as at December 2018 totaled US\$2,960.02 million reflecting an increase of US\$100.29 million compared to US\$2,859.73 million booked as at November 2018.

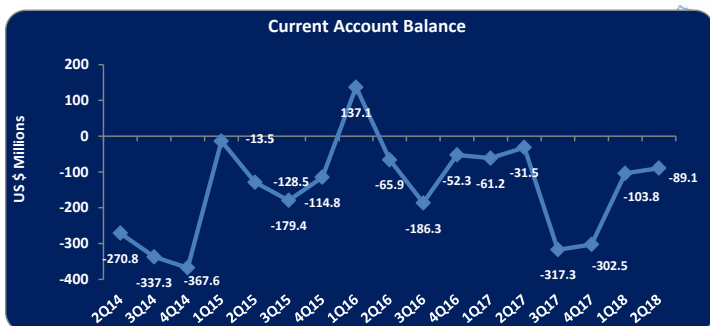
'Securities' amounted to US\$325.72 million; US\$5.28 million more than the US\$320.44 million reported in November 2018. Foreign Liabilities for December 2018 amounted to US\$526.63 million compared to the US\$526.07 million reported for November 2018. Liabilities to the IMF accounted for 100% of total foreign liabilities, reflecting a US\$0.56 million increase month over month from November 2018.



Actual NIR vs IMF Target



CURRENT ACCOUNT BALANCE



The latest data from the Bank of Jamaica shows the Current Account deficit for the June 2018 quarter amounted to US\$89.1 million. This is compared to the US\$103.8 million deficit booked for the first quarter of 2018.

CONSUMER PRICE INDEX

The consumer price index for the month of December 2018 recorded a negative inflation rate of 1.0%, following the negligible movement in November 2018, according to The Statistical Institute of Jamaica (STATIN). The Consumer Price Index for the month of December fell to 254.7, relative to the 257.4 reported for November 2018. This movement was largely attributed to the downward movements in the division, 'Food and Non-Alcoholic Beverages' by 1.5%, 'Housing, Water, Electricity, Gas and Other Fuels' by 1.3% and 'Transport' by 1.5%. Inflation within the Greater Kingston Metropolitan Area, Other Urban Centres and Rural Areas all registered negative movements of 1.5%, 0.7% and 0.8% in each of the three index.

The index for the 'Food and Non-Alcoholic Beverages' division recorded a 1.5% decrease in its index for November 2018, following a 0.3% upward movement for November 2018. This resulted from the downward movements within the 'Food' group but however tempered by the 0.2% increase in the group 'Non-Alcoholic Beverages'. Within the 'Food' group, the class 'Vegetables and Starchy Foods' declined 6.2% while the class 'Fruits' increased by 0.9%. Within the 'Non-Alcoholic Beverages' group the classes 'Mineral Waters, Soft Drinks, Fruit and Vegetable Juices' and 'Coffee, Tea, and Cocoa' recorded increases of 0.1% and 0.2% respectively.

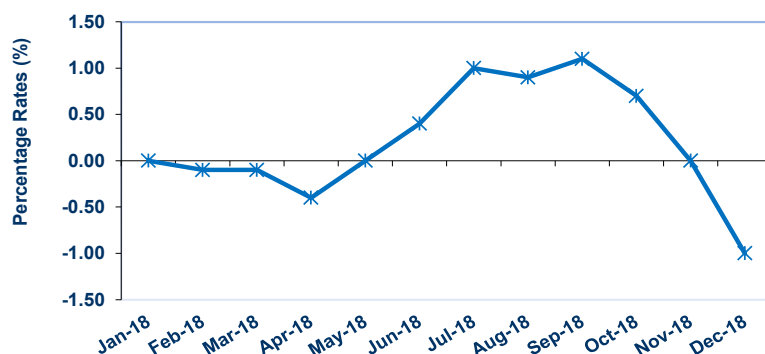
The movement in the index for the fiscal year-to-date was 2.7% and the point-to-point movement was 2.4%.

MONEY SUPPLY

Components of Money Supply (M2)			
Percentage Change (%)	Sep-17	Jun-18	Sep-18
Total Money Supply (M2*)	26.5	16.3	14.9
Total Money Supply (m2*) without new entrant			
Money Supply (M2J)	30.6	23.0	16.7
Money Supply (M1J)	14.5	22.3	25.5
Currency with the public	9.9	11.5	15.2
Demand Deposits	18.4	31.3	33.6
Quasi Money	46.2	23.5	9.9
Savings Deposits	41.6	17.1	8.6
Time Deposits	65.8	52.5	14.8
Foreign Currency Deposits	20.5	6.6	12.2

According to the latest data available from the Bank of Jamaica's quarterly report, "The measure of broad money supply that includes foreign currency deposits (M2*) recorded annual growth at September 2018 of 14.9%, a moderation relative to 16.3% as at June 2018. The primary source of this deceleration was a decline in foreign currency time deposits of 4.1% from growth of 0.2% in June 2018. Resulting from the slower growth in foreign currency deposits, coupled with a faster pace of growth in total deposits, the deposit dollarization ratio for commercial banks trended slightly downwards to 43.3% as at September 2018 from 44.3% as at September 2017. "

Monthly Inflation Rate from December 2017 to December 2018



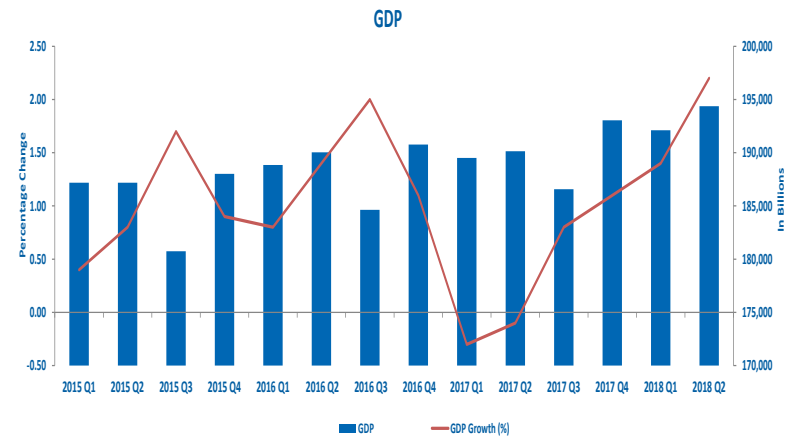


GROSS DOMESTIC PRODUCT

The latest data from the Statistical Institute of Jamaica indicates, “Total value added at constant prices for the Jamaican economy grew by 1.8 per cent in the third quarter of 2018 when compared to the similar quarter of 2017. This resulted from improved performances in both the Goods Producing Industries (5.1%) and the Services Industries (0.7%)”

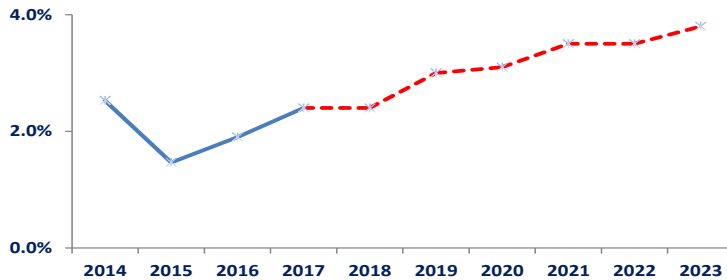
All industries within the Services Industries recorded higher levels of output with the exception of Electricity & Water Supply which declined by 0.1% and the Producers of Government Services which remained unchanged for the review period. Increases in value added were recorded for: Wholesale & Retail Trade; Repairs; Installation of Machinery & Equipment (0.8%), Hotels & Restaurants (2.1 %), Transport, Storage & Communication (1.4 %), Finance & Insurance Services (0.7 %), Real Estate, Renting & Business Activities (0.5%) and Other Services (1.2%).

STATIN reports, “The positive performance of the Goods Producing Industries was due to increased output in Mining & Quarrying (51.0%) and Construction (3.7%). However, Manufacturing declined by 0.3 per cent, while Agriculture, Forestry & Fishing remained unchanged. Growth in the Mining & Quarrying industry was due mainly to the reopening of JISCO Alpart refinery.”



CAPITAL EXPENDITURE TO GDP

Capital Expenditure to GDP (%)



Total Expenditure for the period April 2018 to November 2018 amounted to \$380.20 billion, \$5.75 billion or 1.5% less than the budgeted \$385.95 billion. Recurrent expenditure which totalled \$339.56 billion, accounted for 89.31% of overall expenditures. Relative to projections, recurrent expenditure was \$6.33 billion (1.8%) less than budgeted. ‘Programmes’ which amounted to \$127.07 billion was \$3.53 billion or 2.7% less than projected, while ‘Employee Contribution’ which amounted to \$9.91 billion for the period was under budget by 8.2% relative to the budgeted \$10.79 billion. ‘Compensation of Employees’ amounted to \$130.58 billion, \$994.5 million or 0.8% less than projected. While, ‘Wages & Salaries’ amounted to \$120.67 billion and was \$111 million or 0.1% less than projected.

As a result of the increase in Expenditures for the period April 2018- November 2018, the ‘Fiscal Surplus’ was \$1.28 billion, relative to a projected deficit of \$12.57 billion. Additionally, the primary balance for the period amounted to \$83.19 billion, 16.9% 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

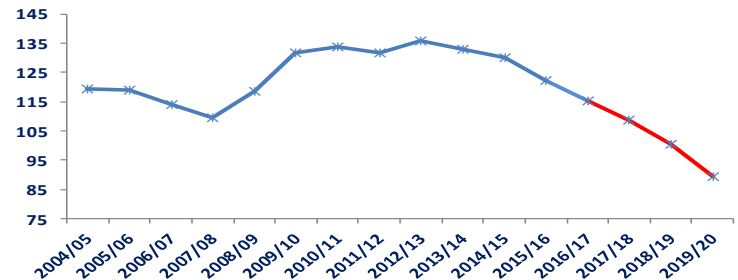
Unemployment Rate (%)	January Q1	April Q2	July Q3	October Q4
2015	14.2	13.2	13.1	13.5
2016	13.3	13.7	12.9	12.9
2017	12.7	11.3	11.3	10.4
2018	9.6	9.7	8.4	8.7

Labour force	January Q1	April Q2	July Q3	October Q4
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
2018	1,333,200	1,346,200	1,335,600	1,335,300

The Labour Force at October 2018, was 1,335,300 persons, a decrease of 0.91% compared to October 2017. The male labour force decreased by 2,000 to 718,700 persons in October 2018 while the female labour force decreased by 8,700 persons to 616,600 in October 2018. The Employed Labour Force for October 2018 was 1,219,700, which was 14,400 (1.2%) higher than in October 2017. The increase in employment for females was more than twice that of males. The number of employed males increased by 4,300 to 672,400 and employed females by 10,100 to 547,300. The unemployment rate for youth aged 14-24 years, was 24.9 per cent in October 2018 compared to 25.4 per cent in October 2017.

DEBT TO GDP

Total Debt to GDP (%)

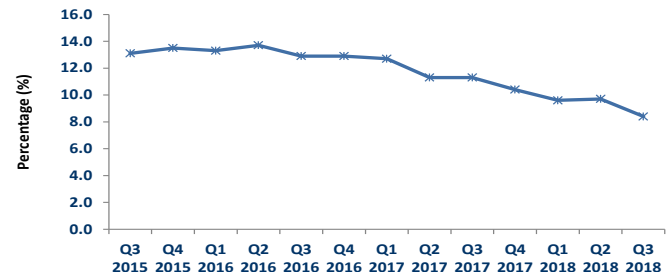


Public Debt to GDP is expected to close the fiscal year 2017/18 with a ratio of 105%, below the targeted debt levels of 111% of GDP, stated Minister Shaw in his Opening Budget Debate Presentation. Debt to GDP at the end of the FY2016/17 was 115.2%. Jamaica’s total public debt closed the fiscal year, March 2018, at \$1.952 trillion, and currently stands at \$1.945 trillion as at November 2018. For the FY2018/19 and FY2019/20, Debt-to GDP is forecasted at fall below 100%, as the Government aims to bring the public debt to GDP down to 60% by FY 2025/26.

As part of the Memorandum of Economic and Financial Policies (MEFP), the GOJ estimates that the primary balance, as a performance criterion, should amount to \$141.1 billion by the end of the 2018/2019 fiscal year. For the December quarter, a primary balance of \$68.0 billion was estimated. As at the end of November 2018, this amounted to \$83.19 billion. Tax Revenue is expected to total an estimated \$360.0 billion by the end of the December quarter. The reported tax revenue for the end of November 2018 was \$340.72 billion.

As Jamaica aims to maintain fiscal discipline and macroeconomic stability, the Government forecast a real GDP growth of 2.4% for FY2018/19 (slightly above IMF’s target of 1.7%) where the budget is estimated to generate a primary surplus of \$141.2 billion, still in line with the 7.0% of GDP programme target and includes no new revenue measures.

Unemployment Rate

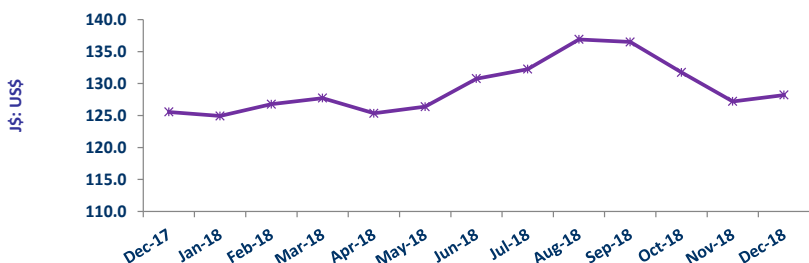




LOCAL FOREX

The Jamaican dollar depreciated against the USD for the month of December 2018. The JMD depreciated by \$1.32 in December, to close the month at an average of \$128.53 relative to the \$127.21 recorded in November 2018. Year over year, the JMD has depreciated by approximately \$2.98 or 2.37% relative to the \$125.55 reported as at December 2017.

Exchange Rate Movements



OPEN MARKET OPERATION

The Bank of Jamaica issued no Certificates of Deposits during the month of December 2018 relative to four issued in November 2018.

INTERNATIONAL ECONOMY

United States: According to the *U.S. Bureau of Labour Statistics*, "The Consumer Price Index for All Urban Consumers (CPI-U) declined 0.1% in December on a seasonally adjusted basis after being unchanged in November, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index increased 1.9% before seasonal adjustment. The seasonally adjusted decline in the all items index was caused by a sharp decrease in the gasoline index, which fell 7.5% in December. This decline more than offset increases in several indexes including shelter, food, and other energy components. The energy index fell 3.5%, as the gasoline and fuel oil indexes fell, but the indexes for natural gas and for electricity increased. The food index increased 0.4% in December. The index for all items less food and energy increased 0.2% in December, the same increase as in October and November. Along with the index for shelter, the indexes for recreation, medical care, and household furnishings and operations all increased in December, while the indexes for airline fares, used cars and trucks, and motor vehicle insurance all declined."

EURO Zone: According to the *European Union's statistics office*, "The euro area annual inflation rate was 1.6% in December 2018, down from 1.9% in November. A year earlier, the rate was 1.4%. European Union annual inflation was 1.7% in December 2018, down from 2.0% in November. A year earlier, the rate was 1.7%. These figures are published by Eurostat, the statistical office of the European Union. The lowest annual rates were registered in Greece and Portugal (both 0.6%) and Denmark (0.7%). The highest annual rates were recorded in Estonia (3.3%), Romania (3.0%) and Hungary (2.8%). Compared with November 2018, annual inflation fell in twenty-two Member States, remained stable in three and rose in three. In December 2018, the highest contribution to the annual euro area inflation rate came from services (+0.58 percentage points, pp), followed by energy (+0.53 pp), food, alcohol & tobacco (+0.34 pp) and non-energy industrial goods (+0.12 pp)".

Commodity: According to the *World Bank*, "Commodity prices fell in December, with energy commodities plunging 11.3% following steep declines in November. Non-energy commodities fell 0.4%. The agriculture index rose 0.5%, while metals and mineral dropped 1.8%."

INTERNATIONAL FOREX

GBP/USD: The pair closed at **\$1.2754** for the month of December. According to FX Empire, "The Sterling was among the best performers against the greenback in the last trading day of the year, surging to 1.2814, to finally settle in its comfort zone around 1.2750. The Pound surged on comments by Foreign Minister Hunt, who said that May's deal could pass the Parliament if the EU provides clarification that the Irish backstop will be temporal. However, EU's Juncker said Monday that the UK needs to "get its act together," as is not up to the EU to resolve British problems. This suggests that Brexit will continue to remain a thorny issue limiting any solid upside move in favor of GBP. Meanwhile No-Confidence vote on PM May & Parliamentary approval of Brexit deal schedule to occur later this month also add bearish pressure on GBP. GBP/USD is building a near-term base close to 1.2750 after the pair managed to stage a halting recovery from this week's lows near 1.2600, but the upside continues to look limited as January comes in with plenty of Brexit action to keep Pound bull's off-balance."

EUR/USD: The pair closed the month at **\$1.1467**. According to FX Empire, "The month of December saw European Central Bank follow through on its Quantitative Easing plan which was terminated as per prior announcement. The first week of December saw EURO bulls gain positive headwinds over news of successful G20 Leaders' Summit which saw US President Donald Trump and China's Xi Jinping agree to postpone further tariff hikes for an extra 90 days as the two sides returned to the negotiating table. Ahead of December rate hikes concerns of slowdown in US economy resulted in US T.Yield curve inversion which also hampered progress of US Greenback against EURO and other major global currencies. News of positive proceedings in EU-Italy budget negotiations following comments from Italy's Deputy Prime Minister Luigi Di Maio also supported EURO. But upside was capped owing to increased demand for safe haven asset on renewed Sino-U.S trade tensions on arrest of top executive of Chinese telecommunications firm Huawei Technologies in Canada on request from USA."

December 1-31				
Currency Pair	Open	High	Low	Close
GBP/USD	1.2725	1.2781	1.2487	1.2754
USD/CAD	1.3197	1.3637	1.3197	1.3637
EUR/USD	1.1354	1.1306	1.1467	1.1467
USD/JPY	113.66	113.66	109.69	109.69

USD/CAD: The CAD depreciated against the USD during the month of December by 3.3% to close at \$1.3637.

CARICOM:

Belize According to *Central Bank of Guyana*, "The Guyanese economy continued to record positive growth at the end of third quarter of 2018. Growth was buoyed by agricultural output and service activities. The agriculture industry registered increases in the output of rice, forestry and poultry meat, attributed to the introduction of a new and higher yielding variety of rice (GRDB 15), favourable market conditions and enhanced production practices. Sugar production decreased due to adverse weather conditions and poor quality canes. Service activities were largely in the wholesale & retail trade and other services industries while construction activities had moderate levels of private and public investments. The manufacturing sector experienced increased production of nitrogen gas, liquid pharmaceuticals, paints and alcoholic beverages, due to stable demand. The mining sector recorded lower output of gold while bauxite production increased."

Trinidad and Tobago— According to *The International Monetary Fund*, "Trinidad and Tobago is slowly recovering from a deep recession. The economy continued to contract but at a slower pace, underpinned by the strong recovery in gas production, while weak activity in construction, financial services, and trade, continued foreign exchange (FX) shortages, and slow pace of public investment dampened non-energy sector growth. Positive growth should return from 2018 as the recovery takes hold in both sectors. Good progress has been made in fiscal consolidation through spending cuts, but public debt continued to rise, approaching the government's soft target of 65 percent of GDP. The external position is weaker than the level consistent with medium-term fundamentals and desirable policies, but gross international reserves provide significant financial buffers, along with the Heritage and Stabilization Fund (HSF), although reserves are projected to fall gradually given the current FX regime. The financial sector remains stable, with profitable, well-capitalized banks, while