

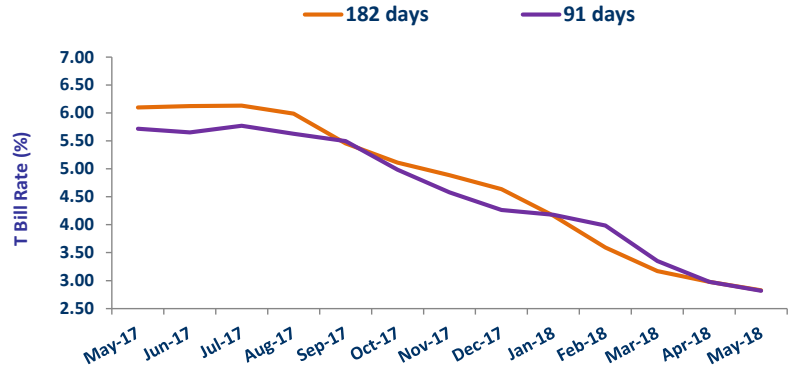


**LOCAL ECONOMY**

**TREASURY BILL OUTFURN & PRODUCER PRICE INDEX**

**Treasury Bills:**

For the month of May, applications for treasury bills exceeded demand, as the Bank of Jamaica (BOJ) issued a total of J\$2.1 billion in treasury bills, while applications totaled J\$2.37 billion and J\$2.03 billion for the 90-day and 180-day treasury bills respectively. The 91-day treasury bill auction resulted in the average yield of 2.712%, down 11 basis points compared to April, whilst the 182-day treasury bill auction resulted in the average yield of 2.826%, down 15 basis points relative to April's outturn. Notably, the average yields on the 91-day decreased by 294 basis points compared to the auctions in 2017 for the comparable period. The 182-day treasury bills also declined by 328 basis points relative to the corresponding auctions in 2017. (Refer to the graph on the right).

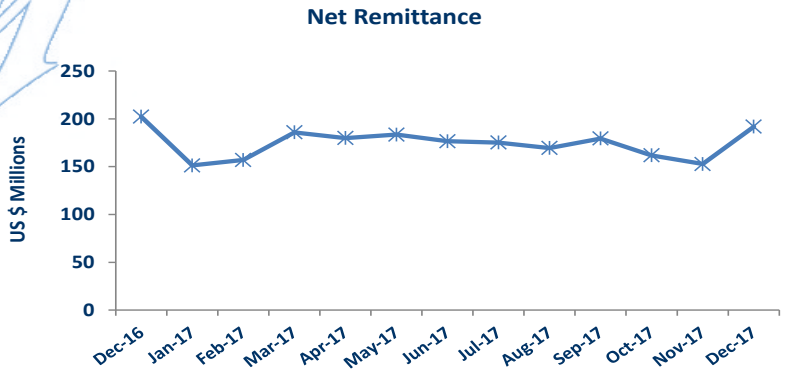


**Producer Price Index:**

The Producer Price Index (PPI) for the Mining and Quarrying industry increased by 0.6% for the month of April 2018 according to the Statistical Institute of Jamaica (STATIN). This upward movement resulted mainly from an increase in the major groups 'Bauxite Mining and Alumina Processing' and 'Other Mining and Quarrying' by 0.6% and 0.2% respectively. The Manufacturing industry registered an increase of 0.7% for the period under review. The main contributor to this movement was the 'Refined Petroleum Products' major group which increased by 3.1%. There was also a 0.3% upward movement in the 'Food, Beverages & Tobacco' major group.

Stopover Arrivals by Market Region					
Country	April 2018	Share %	April 2017	Share %	Change %
U.S.A.	130,210	63.6%	132,638	64.4%	-1.8%
Canada	39,473	19.3%	38,469	18.7%	2.6%
Europe	25,483	12.4%	24,741	12.0%	3.0%
Latin America	2,729	1.3%	2,675	1.3%	2.0%
Caribbean	5,672	2.8%	6,013	2.9%	-5.7%
Asia	616	0.3%	776	0.4%	-20.6%
Others	551	0.3%	510	0.2%	8.0%
Total	204,734	100.0%	205,822	100.0%	-0.5%

According to STATIN "The point-to-point movement for April 2017 to April 2018 recorded a decline of 7.5 per cent in the index for the Mining & Quarrying industry, this movement was influenced mainly by the 'Bauxite Mining and Alumina Processing' major group which fell by 8.0 per cent. The Manufacturing industry recorded an increase of 5.0 per cent. This movement was due mainly to increases in the major groups, 'Refined Petroleum Products' of (19.1 %), and 'Food, Beverages & Tobacco' (1.8 %)."



"For the fiscal year-to-date April 2017 to March 2018, the index for the Mining & Quarrying industry recorded a decline of 9.3 per cent, while the Manufacturing industry index advance by 4.6 per cent."

**TOURISM**

According to the latest data from the Jamaica Tourist Board, stopover arrivals in April 2018 amounted to 204,734 a decline of 0.5% when compared to 205,822 recorded April 2017.

Stopover arrivals from the U.S. market declined by 1.8% in April 2018 with a total of 130,210 arrivals compared to 132,638 arrivals in April 2017.

The Canadian market recorded an increase in arrivals of 18.7% with arrivals amounting to 39,473 relative to 38,469 in April of last year.

The European market region recorded an increase in arrivals by 12.0% to total 25,483 stopover arrivals in April 2018, relative to 24,741 recorded for April 2017.

Arrivals from Latin America recorded a growth of 1.3% with a total of 2,729 stopovers relative to 2,675 recorded in April 2017.(see Tourist Arrivals table above)

**REMITTANCE**

Latest data from the Bank of Jamaica (BOJ), for March 2018, showed, net remittances were US\$195.8 million, an increase of US\$9.9 million relative to \$185.9 million reported for the corresponding month of 2017.

For the period April 2017 to March 2018, net transfers totalled US\$2,062.1 million, relative to US\$2,074.2 million for the corresponding period in 2016/17.

For March 2018, total inflows amounted to US\$219.0 million, while outflows totalled US\$23.2 million.

The largest source market of remittances to the island in March was USA with a share of 65.8%. The remaining remittances during the above mentioned month came from UK (12.8%) followed by Canada (8.9%) and Cayman Islands (6.5%).



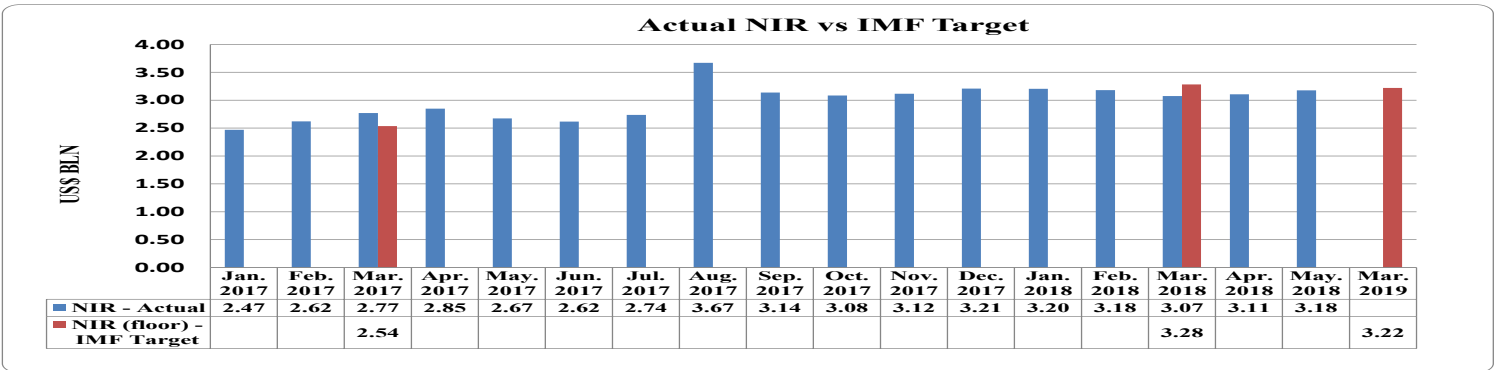
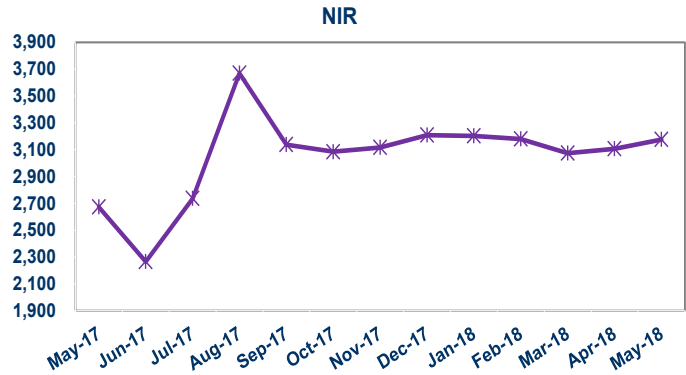
## NET INTERNATIONAL RESERVES

Jamaica's Net International Reserves (NIR) totaled US\$3,175.88 million as at May 2018, reflecting an increase of US\$69.31 million relative to the US\$3,106.57 million reported as at the end of April 2018 (see figure 1).

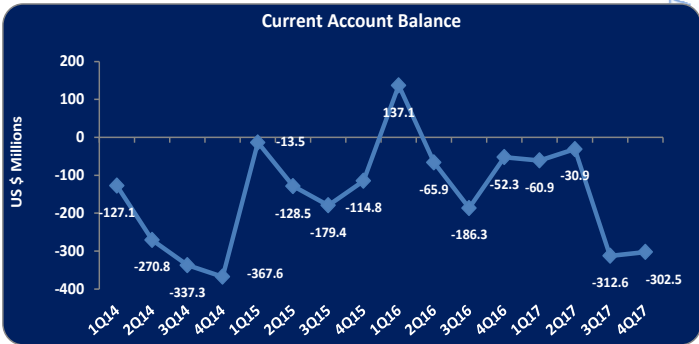
Changes in the NIR resulted from an increase in Foreign Assets of US\$51.44 million to total US\$3,734.10 million compared to the US\$3,682.66 million reported for April 2018. 'Currency & Deposits' contributed the most to the increase in Foreign Assets. 'Currency & Deposits' as at May 2018 totaled US\$3,159.04 million reflecting an increase of US\$70.83 million compared to US\$3,088.21 million booked as at April 2018.

'Securities' amounted to US\$311.94 million; US\$11.63 million less than the US\$323.57 million reported in April 2018. Foreign Liabilities for May 2018 amounted to US\$558.22 million compared to the US\$576.09 million reported for April 2018. Liabilities to the IMF accounted for 100% of total foreign liabilities, reflecting a US\$17.87 million decline month over month from April 2018.

At its current value, the NIR is US\$503.11 million more than its total of US\$2,672.77 million as at the end of May 2017. The current reserve is able to support approximately 32.90 weeks of goods imports or 20.05 weeks of goods and services imports.



## CURRENT ACCOUNT BALANCE



The latest data from the Bank of Jamaica shows the Current Account deficit for the December 2017 quarter amounted to US\$312.6 million. This is compared to the US\$305.6 million deficit booked for the third quarter of 2017.

## CONSUMER PRICE INDEX

The consumer price index for the month of May 2018 recorded a negligible movement, following the downward movement of 0.4% in April 2018, according to The Statistical Institute of Jamaica (STATIN). The Consumer Price Index for the month amounted to 247.0, similar to that reported for April 2018. This movement was attributed to the 0.2% downward movement in the index for the division 'Food and Non-Alcoholic Beverages' which was counterbalanced by the 0.2% upward movement in the index for the 'Housing, Water, Electricity, Gas and Other Fuels' division. Inflation within the Greater Kingston Metropolitan Area and Other Urban Centres declined 0.1% while Rural Areas increased by 0.1%.

The index for the 'Food and Non-Alcoholic Beverages' division recorded a 0.2% decline in its index for May 2018, following a negligible movement for April 2018. This resulted from the movements within the 'Food' and 'Non-Alcoholic Beverages' group. Within the 'Food' group, the class 'Vegetables and Starchy Foods' fell 1.4% while within the 'Non-Alcoholic Beverages' group the class 'Mineral Waters, Soft Drinks, Fruit and Vegetable Juices' recorded an increase of 0.2% while the 'Coffee, Tea, and Cocoa' class increased by 0.1%. Housing, Water, Electricity, Gas and Other Fuels' division recorded an increase of 0.2% in its index which was a result of the group 'Electricity, Gas and Other Fuels' increasing 1.4%

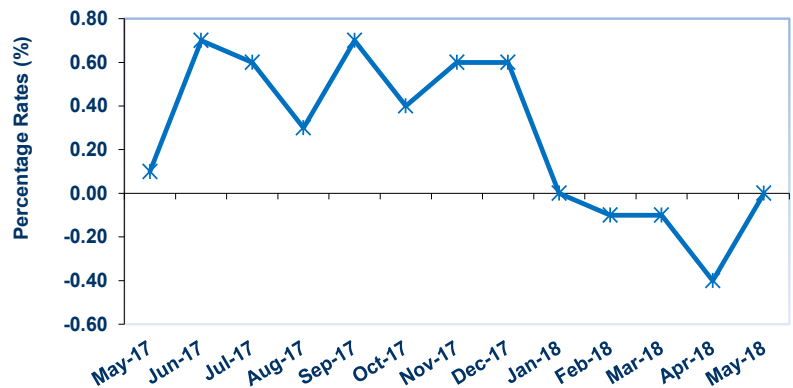
The Inflation rate year to date is -0.7%, while the point-to-point rate (May 2017 – May 2018) and fiscal year 2018/ 2019 was 3.1% and -0.4% respectively

## MONEY SUPPLY

Components of Money Supply (M2)			
Percentage Change (%)	Feb-17	Dec-17	Feb-18
Total Money Supply (M2*)	25.6	22.9	11.5
Money Supply (M2J)	23.6	29.1	18.5
Money Supply (M1J)	12.6	12.6	18.7
Currency with the public	11	9.2	10.3
Demand Deposits	13.8	15.7	16.6
Quasi Money	9.6	46.6	18.4
Savings Deposits	29.4	40.1	18.7
Time Deposits	53.1	75	17.2
Foreign Currency Deposits	28.6	13.3	1.5

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 February 2018 of 11.5%, a moderation relative to 25.6% in the previous year. The primary source of this deceleration was a decline in the rate of increase in foreign currency deposits to 1.5% from 25.6% a year earlier. 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 downwards to 42.2% as at February 2018 from 46.4% as at February 2017."

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



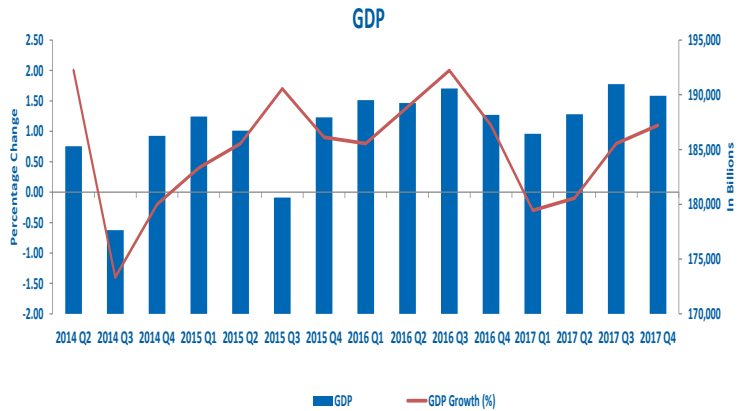


# GROSS DOMESTIC PRODUCT

The latest data from the Statistical Institute of Jamaica indicates, “The Jamaican economy grew by 1.1% in the fourth quarter of 2017 when compared to the similar quarter of 2016”. This was due mainly to the improved performances in both the Services industries (1.1 %) and the Goods Producing industries (1.2%). All Services Industries recorded increased levels of output whilst the increase in the Goods Producing Industries was largely due to a 14.7% increase in Mining & Quarrying, 0.3% in Manufacturing and a 0.7% increase in Construction.

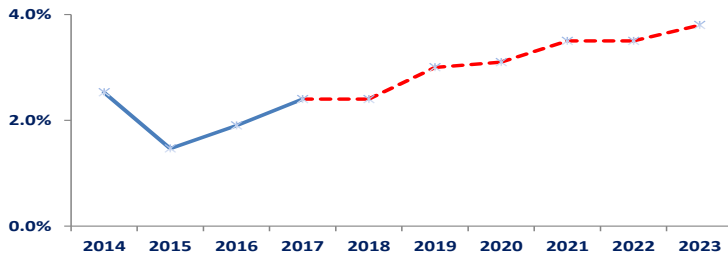
STATIN reports, “Value Added for the Agriculture, Forestry & Fishing industry declined by 1.1% in the review period when compared to the fourth quarter of the previous year. This was influenced mainly by unfavourable weather conditions as a result of heavy rainfall. Other Agricultural Crops which, includes Animal Farming, Forestry and Fishing declined by 3.1%. However, Traditional Export Crops grew by 10.7%.”

“The Electricity & Water Supply industry recorded an increase of 0.4% in real value added. Electricity consumption increased by 0.2%, moving to 802,235 MWh in 2017 from 800,652 MWh in 2016. Water production increased by 1.4% moving to 17,992.1 million gallons in 2017 from 17,748.0 million gallons in 2016. The increase in water production was due mainly to higher levels in rainfall during the quarter.”



# CAPITAL EXPENDITURE TO GDP

Capital Expenditure to GDP (%)



Total Expenditure for the period April 2018 amounted to \$47.11 billion, \$866.60 million 1.8% less than the budgeted \$47.98 billion. Recurrent expenditure which totalled \$44.50 billion, accounted for 94.45% of overall expenditures. Relative to projections, recurrent expenditure was \$860.70 million (1.9%) less than budgeted. Of the recurrent expenditure categories over the review period, all categories with the exception of ‘Compensation of Employees’ and ‘Wages & Salaries’ came in below budget. ‘Programmes’ which amounted to \$13.71 billion was \$489.70 million or 3.4% less than projected while ‘Employee Contribution’ which amounted to \$1.14 billion for the period was under budget by 1.9% relative to the budgeted \$1.14 billion. ‘Compensation of Employees’ which amounted to \$17.35 billion was \$78.10 million or 0.5% more than projected, while ‘Wages & Salaries’ amounted to \$16.21 billion and was \$80.00 million or 0.5% more than projected.

As a result of the increase in Revenue & Grants for the period April 2018, the ‘Fiscal Deficit’ was \$5.71 billion, relative to a projected deficit of \$7.13 billion. Additionally, the primary balance for the period amounted to \$7.74 billion, 14% 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			

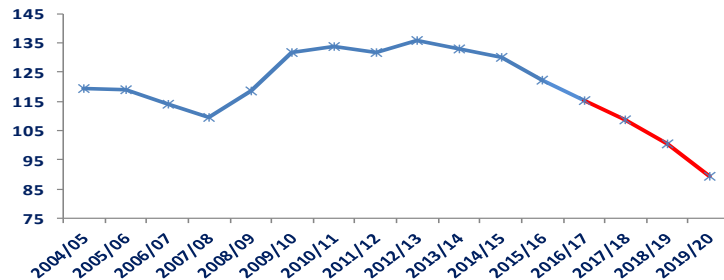
  

Labour force	January Q1	April Q2	July Q3	October Q4
2015	1,320,800	1,300,400	1,320,500	1,325,200
2016	1,342,000	1,353,500	1,363,300	1,355,500
2017	1,358,300	1,371,600	1,371,200	1,347,600
2018	1,335,100			

The Labour Force at January 2018, was 1,335,100 representing a decrease of 23,200 (1.71%) compared to 1,358,300 in January 2017. The male labour force decreased by 9,600 (1.3%) from 727,600 in January 2017 to 718,000 in January 2018. A larger decline however occurred in the female labour force by 11,600 (1.9%) from 628,700 in January 2017 to 617,100 in January 2018. The number of persons employed in January 2018 was 1,206,600 which was 22,600 (1.9%) more than the 1,184,000 recorded in January 2017. For males, employment increased by 1,900 (0.3%) over the twelve month period to 664,200 in January 2018 while female employment increased by 20,700 (4.0%) to 542,400. In January 2018, unemployment rate was 9.6%. The unemployment rate for youth continued to decline during the review period. The unemployment rate for youth 14-24 years was 23.8% in January 2018, representing a decrease of 7.4 percentage points, when compared to the rate of 31.2% in January 2017.

# DEBT TO GDP

Total Debt to GDP (%)

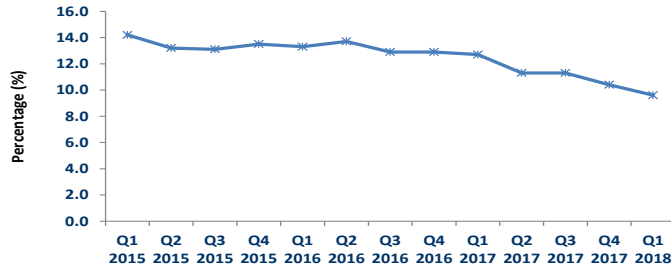


Public Debt to GDP is expected to close the fiscal year 2017/18 with a ratio of 105%, below the targeted debt levels of 111% of GDP, stated Minister Shaw in his Opening Budget Debate Presentation. Debt to GDP at the end of the FY2016/17 was 115.2%. Jamaica’s total public debt closed the fiscal year, March 2018, at \$1.94 trillion, a decrease from the \$1.96 trillion as at February 2018. For the FY2018/19 and FY2019/20, 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

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 June quarter, a primary balance of \$18.0 billion is estimated. As at the end of April 2018, this amounted to \$7.74 billion. Tax Revenue is expected to total an estimated \$110.0 billion by the end of the June quarter. The reported tax revenue for the end of April 2018 was \$37.39 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 \$141.1 billion, still in line with the 7.0% of GDP programme target and includes no new revenue measures.

Unemployment Rate



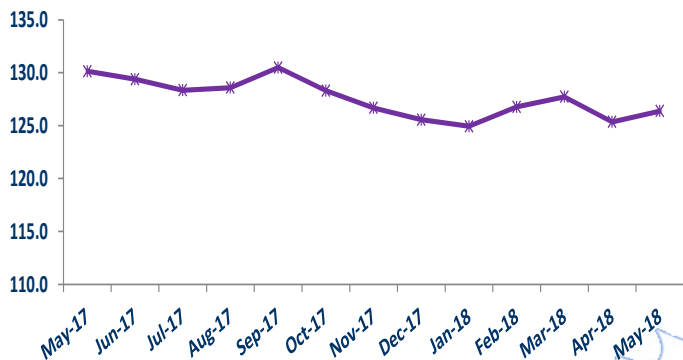




LOCAL FOREX

The Jamaican dollar depreciated against the USD for the month of May 2018. The JMD depreciated by \$1.03 in May, to close the month at an average of \$126.38 relative to the \$125.35 recorded in April 2018. Year over year, the JMD has appreciated by approximately \$3.75 or 2.88% relative to the \$130.13 reported as at May 2017.

Exchange Rate Movements



OPEN MARKET OPERATION

Issue Date	Tenor	Initial Coupon %	Reset Margin %	Benchmark	Interest/Maturity Date
11-May-18	28 Days	3.50%	N/A	Fixed	08-Jun-18
18-May-18	28 Days	3.50%	N/A	Fixed	15-Jun-18

INTERNATIONAL FOREX

**GBP/USD:** The pair closed at \$1.3298. For the month of May, According to FX Empire, “The pair has been moving lower towards the 1.33 region. We had mentioned in our forecast last week that the pound had begun to buckle under the pressure from the dollar and had managed to hold out to dollar for some time but the bulls were slowly losing hope. We saw a follow up of that in the last week as the pound ended the week near the 1.33 region which is likely to point to some more weakness in the coming days. Looking ahead to the coming week, we do not have much by way of data from the UK. But we are going to see the end of the month in the coming week which is likely to see some currency flows that are likely to impact the GBPUSD pair in the short term. Also, we are going to see some data from the US towards the end of the week by way of NFP data. Also, the pair is now approaching a region of support between the 1.31 and 1.33 regions and this is likely to see some solid buying in the short and medium term and considering the fact that it is the same case with the euro as well, we could see some dollar weakening and a rebound in the pair in the coming days.”

**EUR/USD:** The pair closed the month at \$1.1693. According to FX Empire, “The EURUSD pair has been on a steep bearish decline across the month of May 2018. This downtrend was inspired by multiple geo-political triggers as well as strong economic performance in US markets. The EURUSD pair hit 2018 high at the month of February reaching 1.25554 post which it traded range bound from 1.22 to 1.24 price range till mid-April. However the pair started decline in later half of April as US treasury bonds yields crossed multi-year highs reaching above 3% and US GDP for Q1 turned out better than expected the pair started to lose momentum to US Greenback. “The first week of June 2018 is expected to see positive macro-economic data in European markets. All these factors support possibility of further uptrend movement in common currencies favor. However some major impact news in US markets are also expected to have positive outcome which limits possibility of Euro’s upward momentum in 1.20 price handle.”

Int'l Currency Prices: May 1-31				
Currency Pair	Open	High	Low	Close
GBP/USD	1.3614	1.3614	1.3249	1.3298
USD/CAD	1.2849	1.3018	1.2767	1.2958
EUR/USD	1.1993	1.1993	1.1540	1.1693
USD/JPY	109.86	111.05	108.77	108.82

**USD/CAD:** The CAD appreciated against the USD during the month of May by 0.8% to close at

The Bank of Jamaica issued two Certificates of Deposits during the month of May 2018.

CARICOM:

**Trinidad and Tobago-** According to The Central Bank of Trinidad and Tobago, “Global economic activity gained momentum in 2017 aided by a rebound in investment and trade, rising consumer and business confidence, favourable financing conditions and strengthened commodity prices. Prospects for local economy in 2018 appear positive, as energy projects which came on stream in 2017 will bolster activity in the energy sector. The resultant increase in energy production, coupled with a relatively firm pricing environment, should support energy export revenues as well as the government’s tax take from the industry. Labour market conditions will continue to be challenged in the short-term, but could improve in the medium-term as gains in the energy sector spread to the wider economy. While imported inflation may have some effect on local prices in the short to medium term, inflationary pressures should remain on the weaker side in 2018. The gradual improvement in the economy, led by the energy sector, could provide a valuable opportunity for Trinidad and Tobago to advance longer-term structural reforms to improve national productivity and competitiveness.

**Belize-** According to The Central Bank of Belize, “Following a 0.5% contraction in 2016, the Belizean economy is poised for a recovery in 2017, with the Statistical Institute of Belize already reporting a preliminary 0.5% expansion up to September. Looking ahead, the Central Bank of Belize estimates that real GDP should grow between 1.5% and 2.0% in 2018. This expansion hinges on expectations that agricultural output will increase, the three-year decline in “Fishing” will be reversed, and tourism will continue to support broad-based growth in the tertiary sector. Downside risks to this forecast emanate from the negative effects of adverse weather on agricultural and tourism activities, difficulties in managing the EMS and citrus greening, as well as loss of traction in the economic growth of the country’s major trading partners. The International Monetary Fund projected that economic activities in Belize’s largest trading partner, the United States (US), will expand from 2.3% in 2017 to 2.7% and growth will pick-up by 0.8 percentage points to 1.9% in Latin America and the Caribbean. Output in the primary sector is projected to increase by 3.8%, supported by modest growth in “Agriculture” and “Fishing”.

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 percent in May on a seasonally adjusted basis after rising 0.2% in April, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index rose 2.8% before seasonal adjustment. The indexes for gasoline and shelter were the largest factors in the seasonally adjusted increase in the all items index, as they were in April. The gasoline index increased 1.7%, more than offsetting declines in some of the other energy component indexes and led to a 0.9 % rise in the energy index. The medical care index rose 0.2%. The food index was unchanged over the month. The index for all items less food and energy rose 0.2% in May. The shelter index rose 0.3% in May. The indexes for new vehicles, education and communication, and tobacco increased in May, while the indexes for household furnishing and operations, and used cars and trucks fell. The indexes for apparel, recreation, and personal care were unchanged. The all items index rose 2.8% for the 12 months ending May, continuing its upward trend since the beginning of the year. The index for all items less food and energy rose 2.2% for the 12 months ending May. The food index increased 1.2%, and the energy index rose 11.7%.”

**EURO Zone:** According to the European Union's statistics office, “Employment up by 0.4% in both the euro area and the EU28 +1.4% in both areas compared with the first quarter of 2017 The number of persons employed increased by 0.4% in both the euro area (EA19) and the EU28 in the first quarter of 2018 compared with the previous quarter, according to national accounts estimates published by Eurostat, the statistical office of the European Union. In the fourth quarter of 2017, employment increased by 0.3% in the euro area and by 0.2% in the EU28. These figures are seasonally adjusted. Compared with the same quarter of the previous year, employment increased by 1.4% in both the euro area and the EU28 in the first quarter of 2018 (after +1.6% and +1.5% respectively in the fourth quarter of 2017). Eurostat estimates that, in the first quarter of 2018, 237.9 million men and women were employed in the EU28, of which 157.2 million were in the euro area. These are the highest levels ever recorded in both areas. These figures are seasonally adjusted.”

**Commodity:** According to the World Bank, “Commodity prices were mostly higher in May, led by energy, which surged 7.4%. Non-energy commodities rose 0.1%. Grains rose 0.8%, metals and mineral 0.4%, and beverages 1.4%. Precious metals fell 2.1%, while fertilizers fell 1.1%.”