



LOCAL ECONOMY

TREASURY BILL OUTTURN & PRODUCER PRICE INDEX

Treasury Bills:

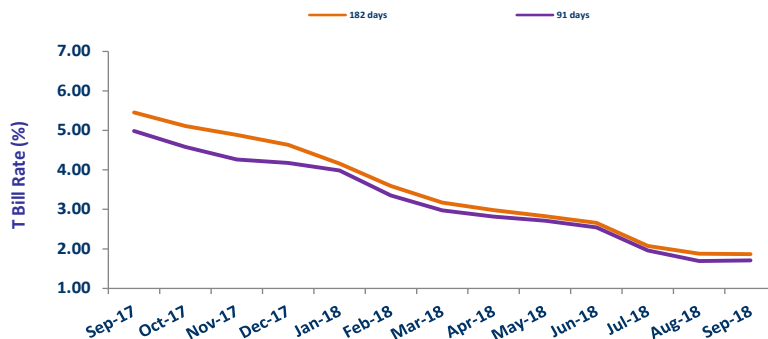
For the month of September, applications for treasury bills exceeded demand, as the Bank of Jamaica (BOJ) issued a total of J\$700 million in treasury bills, while applications totaled J\$932.03 million and J\$700 million for the 90-day and 180-day treasury bills respectively. The 91-day treasury bill auction resulted in the average yield of 1.71%, up 2 basis points compared to August, whilst the 182-day treasury bill auction resulted in the average yield of 1.87%, down 1 basis points relative to August's outturn. Notably, the average yields on the 91-day decreased by 328 basis points compared to the auctions in 2017 for the comparable period. The 182-day treasury bills also declined by 359 basis points relative to the corresponding auctions in 2017. (Refer to the graph on the right).

Producer Price Index:

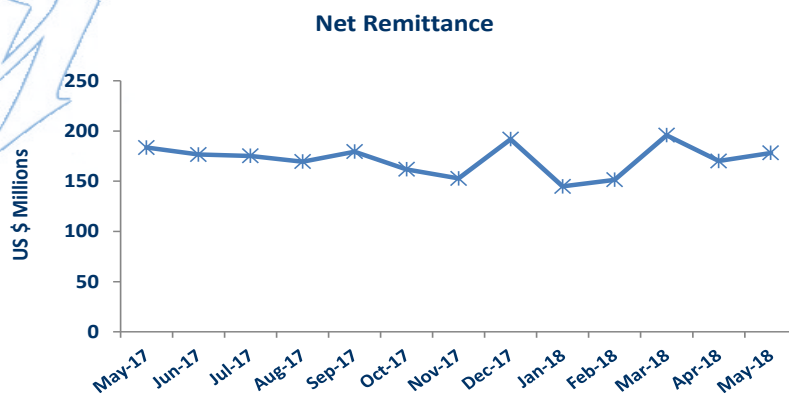
The Producer Price Index (PPI) for the Mining and Quarrying industry increased by 1.2% for the month of August 2018 according to the Statistical Institute of Jamaica (STATIN). This upward movement resulted mainly from an increase in the major group 'Bauxite Mining and Alumina Processing' by 1.2%. The Manufacturing industry also registered an increase of 0.5% for the period under review. The main contributor to this movement was the upward movements in the indexes for the major groups 'Refined Petroleum Products' and 'Food, Beverages & Tobacco' by 1.8% and 0.3% respectively.

According to STATIN, "There was a 5.1% decline in the point-to-point movement in the index for the Mining & Quarrying industry for August 2017 to August 2018. The Manufacturing industry advanced by 8.0% in its index for the review period. This movement was due mainly to increases in the major groups; 'Refined Petroleum Products' (36.1%) and 'Food, Beverages & Tobacco' (2.5%)"

"For the fiscal year-to-date, April 2018 to August 2018, the index for the Mining & Quarrying industry and the Manufacturing industry recorded increases of 4.5%, and 4.2% respectively."



Stopover Arrivals by Market Region					
Country	August 2018	Share %	August 2017	Share %	Change %
U.S.A.	138,591	67.3%	130,421	67.6%	6.3%
Canada	26,050	12.6%	24,099	12.5%	8.1%
Europe	30,447	14.8%	29,177	15.1%	4.4%
Latin America	2,835	1.4%	2,619	1.4%	8.2%
Caribbean	6,851	3.3%	5,577	2.9%	22.8%
Asia	623	0.3%	460	0.2%	35.4%
Others	637	0.3%	525	0.3%	21.3%
Total	206,034	100.0%	192,878	100.0%	6.8%



TOURISM

According to the latest data from the Jamaica Tourist Board, stopover arrivals in August 2018 amounted to 206,034 an increase of 6.8% when compared to 192,878 recorded July 2017.

Stopover arrivals from the U.S. market increased by 6.3% in August 2018 with a total of 138,591 arrivals compared to 130,421 arrivals in August 2017.

The Canadian market recorded an increase in arrivals of 8.1% with arrivals amounting to 26,050 relative to 24,099 in August of last year.

The European market region recorded an increase in arrivals by 4.4% to total 30,447 stopover arrivals in August 2018, relative to 29,177 recorded for August 2017.

Arrivals from Latin America recorded a growth of 8.2% with a total of 2,835 stopovers relative to 2,619 recorded in August 2017. (see Tourist Arrivals table above)

REMITTANCE

Latest data from the Bank of Jamaica (BOJ), for May 2018, showed net remittances were US\$178.2 million, a decline of US\$5.2 million relative to \$183.5 million reported for the corresponding month of 2017.

For the period January 2018 to May 2018, net transfers totalled US\$840.3 million, relative to US\$857.5 million for the corresponding period in 2016/17.

For May 2018, total inflows amounted to US\$200.4 million, while outflows totalled US\$22.1 million.

The largest source market of remittances to the island in May was USA with a share of 64.8%. The remaining remittances during the above mentioned month came from UK (12.3%) followed by Canada (10.4%) and Cayman Islands (6.4%).



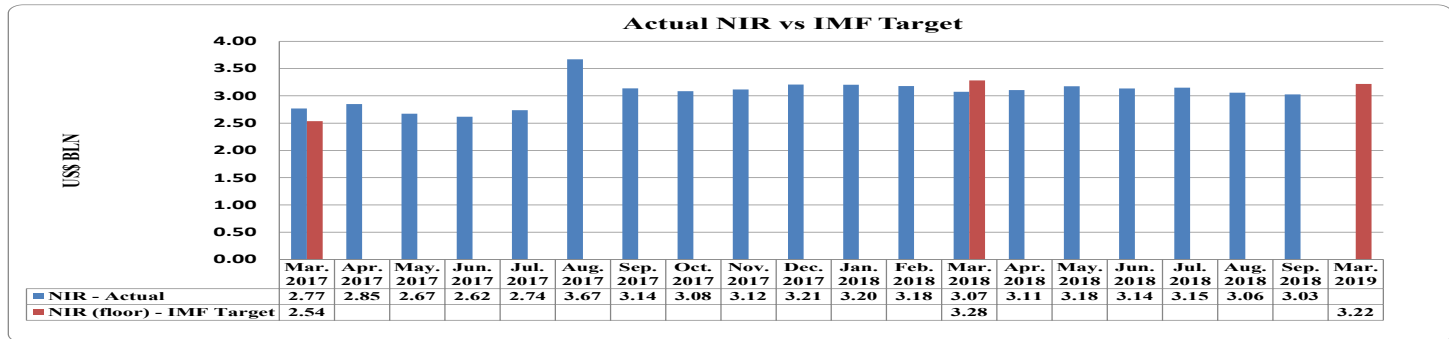
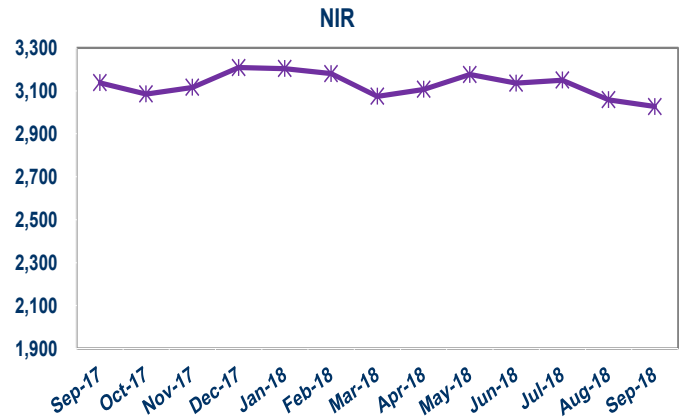
NET INTERNATIONAL RESERVES

Jamaica's Net International Reserves (NIR) totaled US\$3,026.72 million as at September 2018, reflecting a decrease of US\$31.70 million relative to the US\$3,058.42 million reported as at the end of August 2018 (see figure 1).

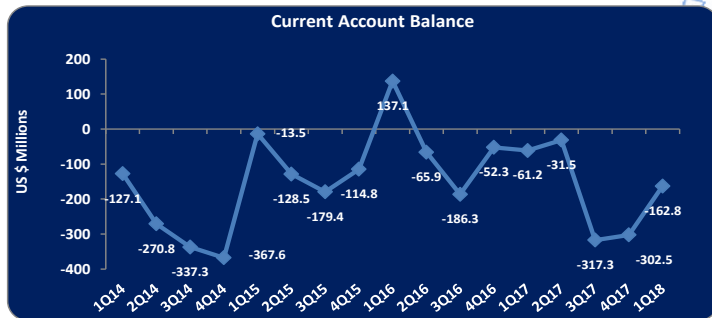
Changes in the NIR resulted from a decrease in Foreign Assets of US\$39.45 million to total US\$3,568.84 million compared to the US\$3,608.30 million reported for August 2018. 'Currency & Deposits' contributed the most to the decrease in Foreign Assets. 'Currency & Deposits' as at September 2018 totaled US\$2,991.98 million reflecting a decrease of US\$47.81 million compared to US\$3,039.80 million booked as at August 2018.

'Securities' amounted to US\$321.68 million; US\$9.48 million more than the US\$312.19 million reported in August 2018. Foreign Liabilities for September 2018 amounted to US\$542.12 million compared to the US\$549.87 million reported for August 2018. Liabilities to the IMF accounted for 100% of total foreign liabilities, reflecting a US\$7.75 million decline month over month from August 2018.

At its current value, the NIR is US\$110.42 million less than its total of US\$3,137.14 million as at the end of September 2017. The current reserve is able to support approximately 32.18 weeks of goods imports or 19.45 weeks of goods and services imports.



CURRENT ACCOUNT BALANCE



The latest data from the Bank of Jamaica shows the Current Account deficit for the March 2018 quarter amounted to US\$162.8 million. This is compared to the US\$302.5 million deficit booked for the fourth quarter of 2017.

CONSUMER PRICE INDEX

The consumer price index for the month of September 2018 increased 1.1%, following the 0.9% increase in August 2018, according to The Statistical Institute of Jamaica (STATIN). The Consumer Price Index for the month of September advanced to 255.6, relative to the 252.8 reported for August 2018. This increase was largely attributed to the movement in two divisions, 'Food and Non-Alcoholic Beverages' up by 0.9% and 'Housing, Water, Electricity, Gas and Other Fuels' up by 4.6%. Inflation within the Greater Kingston Metropolitan Area and Other Urban Centres each registered increase in their respective index of 1.2% and 1.1% respectively, while the index for Rural Areas increased by 1.0%.

The index for the 'Housing, Water, Electricity, Gas and Other Fuels' division recorded a 4.6% increase in its index for September 2018, following a 0.1% upward movement for August 2018. This was a result of the groups 'Electricity, Gas and Other Fuels' registering an increase of 7.6%. According to STATIN, this movement was "due to higher electricity rates." In addition, the group 'Water Supply and Miscellaneous Services Related to the Dwelling' increased 3.1% due to increased water and sewage rates. The index for the 'Food and Non-Alcoholic Beverages' division also recorded a 0.9% increase in its index for September 2018, following a 1.6% upward movement for August 2018. This resulted from the upward movements within the 'Food' and 'Non-Alcoholic Beverages' groups by 0.9% and 0.4% respectively.

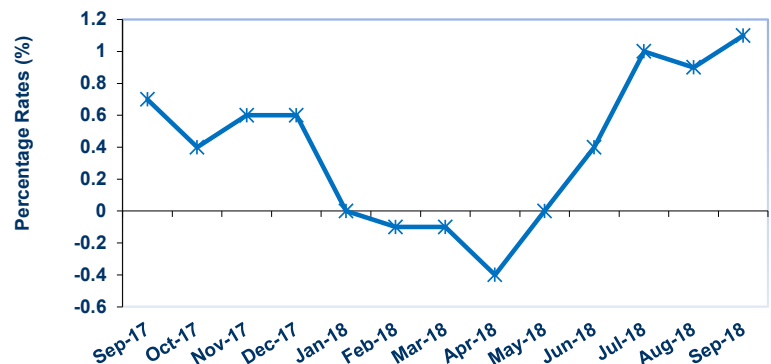
The Inflation rate year to date is 2.8%, while the point-to-point rate (September 2017 – September 2018) and fiscal year 2018/2019 was 4.3% and 3.0% respectively.

MONEY SUPPLY

Components of Money Supply (M2)			
Percentage Change (%)	May-17	Mar-18	May-18
Total Money Supply (M2*)	21.4	18.9	17.7
Total Money Supply (m2*) without new entrant			
Money Supply (M2J)	23.2	24.5	22.6
Money Supply (M1J)	15.5	24	22.3
Currency with the public	14.5	16.6	9.1
Demand Deposits	16.4	29.8	32.8
Quasi Money	30.6	24.9	22.8
Savings Deposits	34.9	16.5	15.9
Time Deposits	14.5	66.3	53.8
Foreign Currency Deposits	18.8	10.2	10.4

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 May 2018 of 17.7%, a moderation relative to 21.4% in the previous year. The primary source of this deceleration was a decline in the rate of increase in foreign currency deposits to 10.4% from 18.8% 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 42.8% as at May 2018 from 46.2% as at May 2017. ."

Monthly Inflation Rate from September 2017 to September 2018



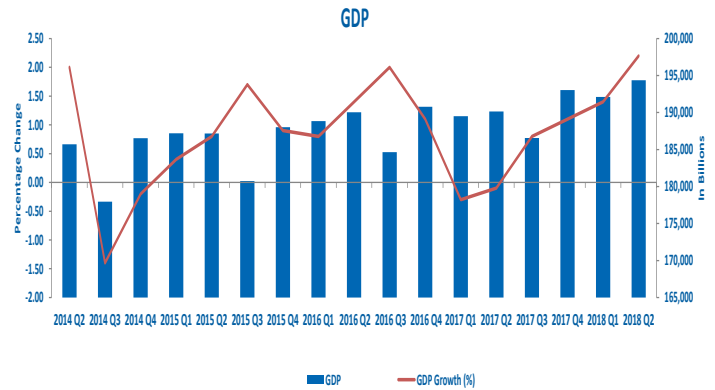


GROSS DOMESTIC PRODUCT

The latest data from the Statistical Institute of Jamaica indicates, “Jamaican economy grew by 2.2% during the period April to June 2018, when compared to the similar quarter of 2017”. This was due mainly to the improved performances in both the Services industries (0.6 %) and the Goods Producing industries (7.2%). The increase in the Goods Producing Industries was largely due to a 12.5% increase in Agriculture, Forestry & Fishing, 31.6% increase in Mining & Quarrying, 0.2% in Manufacturing and a 2.9% increase in Construction.

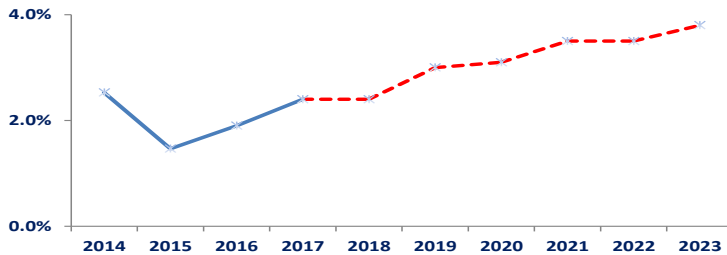
All industries within the Services industries recorded growth: Electricity & Water (1.0 %); Wholesale & Retail Trade; Repairs; Installation of Machinery & Equipment (0.6%); Hotels & Restaurants (0.4 %); Transport, Storage & Communication (1.6%); Finance & Insurance Services (1.1%); Real Estate, Renting & Business Activities (0.6 %) and Other Services (0.3 %).

STATIN reports, “The Construction industry’s performance reflected increased activities in the building construction, civil engineering and building installation groups. “The Agriculture, Forestry & Fishing industry’s performance was attributed to favourable weather conditions and assistance to farmers by the Ministry of Agriculture. Growth in the Mining & Quarrying industry was due mainly to the resumption of production at the Jiuquan Iron and Steel Company (JISCO) Alpart refinery and demand for crude bauxite from overseas refineries.”



CAPITAL EXPENDITURE TO GDP

Capital Expenditure to GDP (%)



Total Expenditure for the period April 2018 to August 2018 amounted to \$243.28 billion, \$5.94 billion or 2.4% less than the budgeted \$249.22 billion. Recurrent expenditure which totalled \$218.85 billion, accounted for 89.96% of overall expenditures. Relative to projections, recurrent expenditure was \$8.78 billion (3.9%) less than budgeted. Of the recurrent expenditure categories over the review period, all categories came in below budget. ‘Programmes’ which amounted to \$80.30 billion was \$2.88 billion or 3.5% less than projected, while ‘Employee Contribution’ which amounted to \$7.03 billion for the period was under budget by 11% relative to the budgeted \$7.90 billion. ‘Compensation of Employees’ which amounted to \$83.16 billion was \$1.58 billion or 1.9% less than projected, while ‘Wages & Salaries’ amounted to \$76.13 billion and was \$708.6 million or 0.9% less than projected.

As a result of the decrease in Expenditures for the period April 2018- August 2018, the ‘Fiscal Deficit’ was \$13.31 billion, relative to a projected deficit of \$25.42 billion. Additionally, the primary balance for the period amounted to \$42.09 billion, 22.7% 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

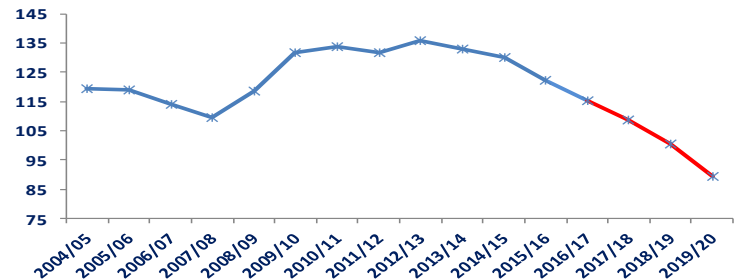
Unemployment Rate (%)	January Q1	April Q2	July Q3	October Q4
2015	14.2	13.2	13.1	13.5
2016	13.3	13.7	12.9	12.9
2017	12.7	11.3	11.3	10.4
2018	9.6	9.7		

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	1,348,400		

The Labour Force at April 2018, was 1,348,400 representing a decrease of 23,200 (1.69%) compared to 1,371,600 in April 2017. The male labour force decreased by 12,300 (1.7%) from 739,700 in April 2017 to 727,400 in April 2018. A similar decline occurred in the female labour force by 8,400 (1.3%) from 629,400 in April 2017 to 621,000 in April 2018. The number of persons employed in April 2018 was 1,217,300 which was 14,700 (1.2%) more than the 1,202,600 recorded in April 2017. For males, employment increased by 4,900 (0.7%) over the twelve month period to 674,100 in April 2018 while female employment increased by 9,800 (1.8%) to 543,200. In April 2018, unemployment rate was 9.7%. The unemployment rate for youth 14-24 years was 25.8% in April 2018, representing a decrease of 3.2 percentage points, when compared to the rate of 29.0% in April 2017.

DEBT TO GDP

Total Debt to GDP (%)

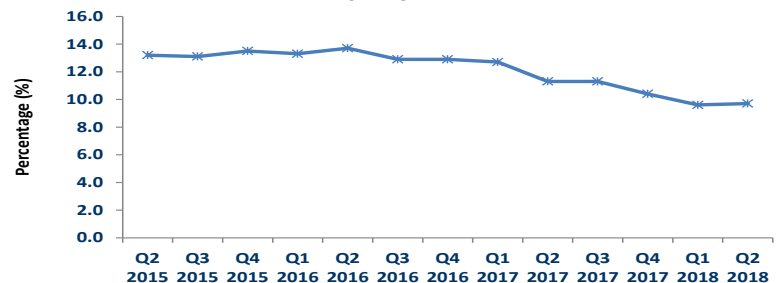


Public Debt to GDP is expected to close the fiscal year 2017/18 with a ratio of 105%, below the targeted debt levels of 111% of GDP, stated Minister Shaw in his Opening Budget Debate Presentation. Debt to GDP at the end of the FY2016/17 was 115.2%. Jamaica’s total public debt closed the fiscal year, March 2018, at \$1.95 trillion, and currently stands at \$2.02 trillion as at August 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, 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 September quarter, a primary balance of \$44.0 billion is estimated. As at the end of August 2018, this amounted to \$42.09 billion. Tax Revenue is expected to total an estimated \$234.0 billion by the end of the September quarter. The reported tax revenue for the end of August 2018 was \$207.86 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

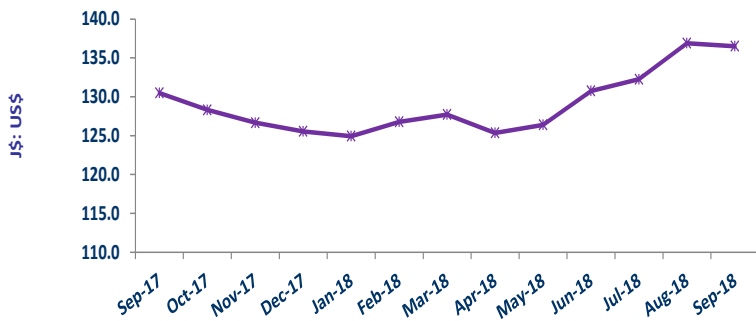




LOCAL FOREX

The Jamaican dollar appreciated against the USD for the month of September 2018. The JMD appreciated by \$0.39 in September, to close the month at an average of \$136.51 relative to the \$136.90 recorded in August 2018. Year over year, the JMD has depreciated by approximately \$6.02 or 4.61% relative to the \$130.49 reported as at September 2017.

Exchange Rate Movements



OPEN MARKET OPERATION

Issue Date	Tenor	Initial Coupon %	Reset Margin %	Benchmark	Interest/Maturity Date
14-Sep-18	28 Days	3.00%	N/A	Fixed	12-Oct-18
28-Sep-18	28 Days	3.00%	N/A	Fixed	26-Oct-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 0.1% in September on a seasonally adjusted basis after rising 0.2% in August, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index rose 2.3% before seasonal adjustment. The shelter index continued to rise and accounted for over half of the seasonally adjusted monthly increase in the all items index. The energy index declined 0.5% in September after rising in August. The food index was unchanged in September, as an increase in the index for food away from home offset a decline in the food at home index. The index for all items less food and energy rose 0.1 % in September, the same increase as in August. The shelter index increased 0.2 %, and the indexes for apparel, motor vehicle insurance, recreation, and airline fares also rose. The medical care index increased as well, though its components were mixed. The index for used cars and trucks, which fell sharply, and the new vehicles index were among the indexes that declined in September. The all items index rose 2.3 % for the 12 months ending September, a smaller increase than the 2.7% increase for the 12 months ending August. The energy index rose 4.8% over the last year, a notably smaller increase than the 10.2% increase for the 12 month period ending August. The index for all items less food and energy rose 2.2% for the 12 months ending September and the food index increased 1.4 %; these were both the same rate of increase as for the 12 months ending August."

EURO Zone: According to the European Union's statistics office, "The Euro area annual inflation rate was 2.1% in September 2018, up from 2.0% in August. A year earlier, the rate was 1.5%. European Union annual inflation was 2.2% in September 2018, stable compared to August. A year earlier, the rate was 1.8%. These figures are published by Eurostat, the statistical office of the European Union. The lowest annual rates were registered in Denmark (0.5%), Greece (1.1%) and Ireland (1.2%). The highest annual rates were recorded in Romania (4.7%), Hungary (3.7%) and Bulgaria (3.6%). Compared with August 2018, annual inflation fell in nine Member States, remained stable in four and rose in fourteen. In September 2018, the highest contribution to the annual euro area inflation rate came from energy (+0.90 percentage points, pp), followed by services (+0.57 pp), food, alcohol & tobacco (+0.51 pp) and non-energy industrial goods (+0.08 pp)."

Commodity: According to the World Bank, "Commodity prices were mixed in September, with energy commodities rising 0.5% and non-energy commodities falling 1.9%. Agriculture prices remained weak (down 2.7%), led by a 5.3% drop in grains. Precious and base metals fell around 1%."

INTERNATIONAL FOREX

GBP/USD: The pair closed at **\$1.3031** for the month of September. According to FX Empire, "The GBP/USD pair has been having a tough time keeping the bears at bay as we have been seeing the pair down in the dumps over the past few days. This has got more to do with the fact that the dollar has been strengthening across the board over this period rather than the weakness in the pound. We believe that the pound weakness is still fully yet to settle in as the traders are not yet able to make up their mind on whether which of the 2 options, Brexit or not, is good for the UK economy and the pound. There is indeed a huge difference that a few weeks can make in the political and the economic circles. Just a few weeks back, the Brexit process had been proceeding in a slow and steady manner and we had also seen that the UK PM May was firmly in control and was calling the shots. But over the next few weeks, we have seen that the calls for the Brexit process to be put on hold and calls for the UK to remain in the Eurozone has grown within the UK region and now we are seeing the UK PM May under pressure and the Brexit process becoming uncertain during this point of time."

EUR/USD: The pair closed the month at **\$1.1604**. According to FX Empire, "The EUR/USD finished lower on Friday, capping a very bearish week. Early in the week, the Forex pair rallied on hawkish comments about inflation from European Central Bank President Mario Draghi. However, this rally stalled when Draghi said this news wouldn't change the ECB's plan to begin raising rates after the summer of 2019. The main trend is up according to the daily swing chart. However, momentum has been trending lower since the formation of a closing price reversal top at 1.1816 on September 24. A trade through this top will negate the chart pattern and signal a resumption of the uptrend. The main trend will change to down on a trade through 1.1526. The minor trend is down. This confirms the shift in momentum to down. The main range is 1.1301 to 1.1816. Its retracement zone at 1.1559 is the primary downside target. The main bottom is also inside this zone. Since the main trend is up, watch for buyers to show up on a test of this zone."

September 1-30				
Currency Pair	Open	High	Low	Close
GBP/USD	1.2870	1.3265	1.2855	1.3031
USD/CAD	1.3095	1.3189	1.2903	1.2908
EUR/USD	1.1619	1.1777	1.1553	1.1604
USD/JPY	111.07	113.70	110.75	113.70

USD/CAD: The CAD appreciated against the USD during the month of September by 1.4% to close at \$1.2908

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

CARICOM:

Barbados- According to The International Monetary Fund, "The IMF supported program aims to help Barbados: restore debt sustainability, strengthen the external position, and improve growth prospects. Approval of the program allows for the immediate disbursement of about US\$49 million immediately. A comprehensive debt restructuring will complement the fiscal consolidation. The authorities have identified parameters that would provide debt relief without jeopardizing financial stability. On October 1, 2018, the Executive Board of the International Monetary Fund (IMF) approved a four-year Extended Arrangement under the Extended Fund Facility (EFF) for Barbados for an amount equivalent to SDR 208 million (about US\$290 million, or 220 percent of Barbados's quota in the IMF). The Board's decision enables the authorities to purchase the equivalent of SDR 35 million (or about US\$49 million) immediately. The remainder will be available upon successful completion of seven semi-annual reviews."

Trinidad and Tobago- According to The Central Bank of Trinidad and Tobago, "Domestically, activity in the energy sector continued to pick up in the second quarter of 2018. Natural gas production benefitted from the implementation of the Juniper project with positive spill overs to methanol output. Recent data show a reversal of the trend of falling cement sales, but it is too early to tell whether this represents the start of a recovery in construction and in the non-energy sector as a whole. Meanwhile, price pressures stayed well contained, with headline inflation registering 1.1 per cent in August 2018. Lending to the private sector continued to grow in 2018, reaching 7.1 per cent in July (year-on-year). However, this reflected mainly loans for refinancing and debt consolidation, with credit to businesses rising by a more modest 2.7 per cent. Over the first half of the year there was a 1.2 per cent decline in the interest spread of commercial banks, the result of a simultaneous decrease in the average lending rate alongside a rise in the average deposit rate. In the third quarter, following the increase in the Central Bank's repo rate in June, there is initial evidence of transmission to other rates—with announcements by some banks of increases in their prime lending rates as well as higher term deposit rates."