

MAYBERRY

VOLUME 2

JUNE 27, 2019

INVESTMENTS LIMITED MONTHLY ECONOMIC SUMMARY

LOCAL ECONOMY

The month of May in review

May saw the Jamaica Stock Exchange (JSE) Main Market continuing its growth trajectory with an increase of 7.71%, while the Junior Market reversed the negative trend for the year and grew by 4.61% although not totally reverting average index losses year to date.

In May, the Government of Jamaica finalized the divestment of Wigton Windfarm by listing the company on the JSE Main Market; the offer attracted 31,200 applicants, representing the largest IPO in Jamaica's history.

The dry spell from April was somewhat alleviated by some heavy rainfall across the island later on in the month of May, however, the government allocated \$100 million to truck water to citizens to alleviate the water shortages primarily in the corporate area.

During the month, the Bank of Jamaica reduced the Policy Interest Rate by 50 basis points from 1.25% to 0.75%. The central bank also reduced the cash reserve requirement by two percentage points to 7%. This reduction in the cash reserve requirement will increase liquidity in the financial system by \$12.3 billion. Both measures are intended to stimulate an even faster expansion in private sector credit at lower rates and on better terms which should lead to higher eco-

Monthly Highlights

The economy grew by an estimated 1.5% during the January to March 2019 quarter, with projections for up to 2% growth for April to June. The performance for the January to March 2019 quarter indicates that the economy continues to strengthen, recording the 17th consecutive quarter of growth.

Inflation for May was 0.8%, up from 0.1% in April, increased inflation for the month was directly linked to a latent effect of the drought conditions, which caused prices to rise mainly in Housing, Water, Electricity, gas and Other Fuels.

Exchange rates during May fluctuated between \$135 and \$137 for the first half of the month, falling off closer to the end of the month at averages around \$133. Rates continue to show cyclical. Higher rates are largely due to the perceived shortage. BOJ had one flash sale during the month offloading US\$30 million on the 8th of May coinciding with the monthly high.

At this point, growth remains within the target range of 1% to 2% and is expected to fall within the 1.5% to 2.5% range for the second quarter. This is supported by the reduction in cash reserve requirements freeing up liquidity in the market, heightened activity in the real estate market increasing loan disbursements among other credit-related transactions. We also expect further growth in equity market from Wigton injection as well as other companies quarter end earnings reports.

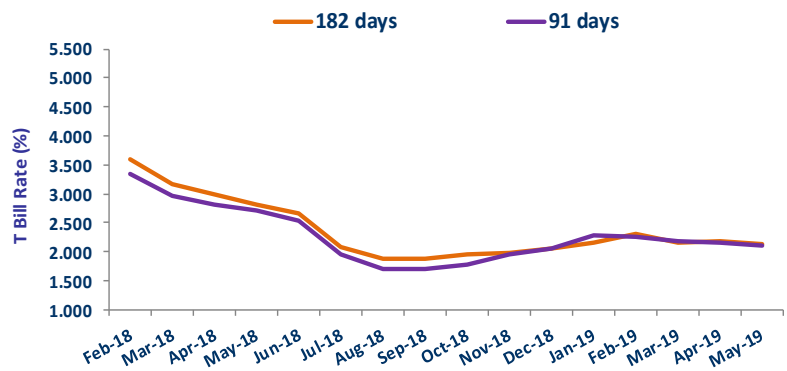
Analyst Summary

The Jamaican economy remained quite stable during the month of May however, the economy has yet to experience the full economic impact of the drought conditions as we approach summer. Business and consumer confidence remain strong and we expect Q2 results at the end of June, however, they are expected to fall slightly. Inflation expectations, based on the survey of inflation expectations, have increased and are expected to total 4.5% for the rest of the calendar year. The current trend with policy interest rates suggests the potential for further lowering but it is not likely to fall below 0.5%.



TREASURY BILL OUTTURN & PRODUCER PRICE INDEX**Treasury Bills:**

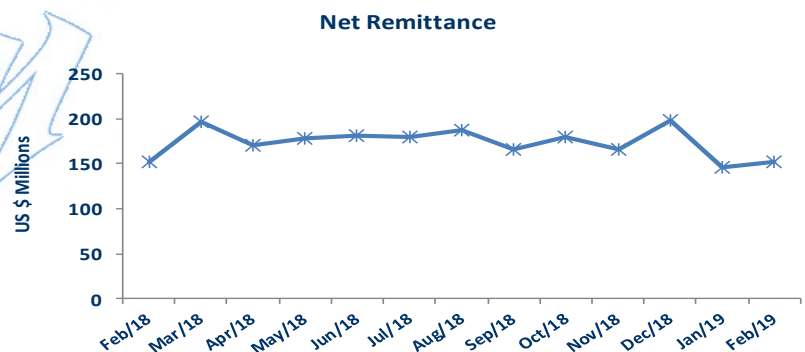
For the month of May applications for treasury bills exceeded demand, as the Bank of Jamaica (BOJ) issued a total of J\$2.2 billion in treasury bills, while applications totaled J\$2.08 billion and J\$1.51 million for the 90-day and 180-day treasury bills respectively. The 91-day treasury bill auction resulted in the average yield of 2.10%, down 6 basis points compared to April, whilst the 182-day treasury bill auction resulted in the average yield of 2.13%, down 6 basis points relative to March's outturn. Notably, the average yields on the 91-day decreased by 61 basis points compared to the auctions in 2018 for the comparable period. The 182-day treasury bills also declined by 70 basis points relative to the corresponding auctions in 2018. (Refer to the graph on the right).

**Producer Price Index:**

The Producer Price Index (PPI) for the Mining and Quarrying industry decreased by 10% for the month of April 2019 according to the Statistical Institute of Jamaica (STATIN). This downward movement was primarily due as a result of the lower price for alumina and the appreciation of the Jamaican dollar against the United States dollar. The Manufacturing industry also registered an increase of 0.5% for the month of April. The main contributors to this movement was the upward movement in the index for the major groups 'Refined Petroleum Products' by 4.2%. The increase was tempered by a downward movement in the index for major groups 'Food, Beverages & Tobacco' by 0.4% and 'Chemicals and Chemicals products' down by 0.2%.

According to STATIN, "For the fiscal year-to-date, April 2018 to March 2019, the index for the Mining & Quarrying and the Manufacturing industry recorded increases of 10.2% and 5.5% respectively". There was an increase of 19.2% in

Stopover Arrivals by Market Region					
Country	April	Share	April	Share	Change
	2019	%	2018	%	
U.S.A.	153,790	66.1%	130,210	63.6%	18.1%
Canada	39,133	16.8%	39,473	19.3%	-0.9%
Europe	28,967	12.4%	25,483	12.4%	13.7%
Latin America	3,059	1.3%	2,729	1.3%	12.1%
Caribbean	6,461	2.8%	5,672	2.8%	13.9%
Asia	875	0.4%	616	0.3%	42.0%
Others	549	0.2%	551	0.3%	-0.4%
Total	232,834	100.0%	204,734	100.0%	13.7%

**TOURISM**

According to the latest data from the Jamaica Tourist Board, stopover arrivals in April 2019 amounted to 232,834 an increase of 13.7% when compared to 204,734 recorded April 2018.

Stopover arrivals from the U.S. market increased by 18.1% in April 2019 with a total of 153,790 arrivals compared to 130,210 arrivals in April 2018.

The Canadian market recorded a slight decline in arrivals of 0.9% with arrivals amounting to 39,133 relative to 39,473 in April of last year.

The European market region recorded an increase in arrivals by 13.7% to total 28,967 stopover arrivals in April 2019, relative to 25,483 recorded for April 2018.

Arrivals from Latin America also recorded an increase of 12.1% with a total of 3,059 stopovers relative to 2,729 recorded in April 2018 (see Tourist Arrivals table above).

REMITTANCE

Latest data from the Bank of Jamaica (BOJ), for February 2019, showed net remittances were US\$151.9 million, an increase of US\$0.5 million relative to \$151.4 million reported for the corresponding month of 2018.

For the period April 2018 to February 2019, net remittance inflows totalled US\$2,130.8 million, relative to US\$2,106.2 million for the corresponding period in 2018.

For February 2019, total inflows amounted to US\$172 million, while outflows totalled US\$20.1 million.

The largest source market of remittances to the island in February was USA with a share of 65.4%. The remaining remittances during the above mentioned month came from Canada (8.4%) followed by UK (12.3%) and Cayman Islands (7.5%).

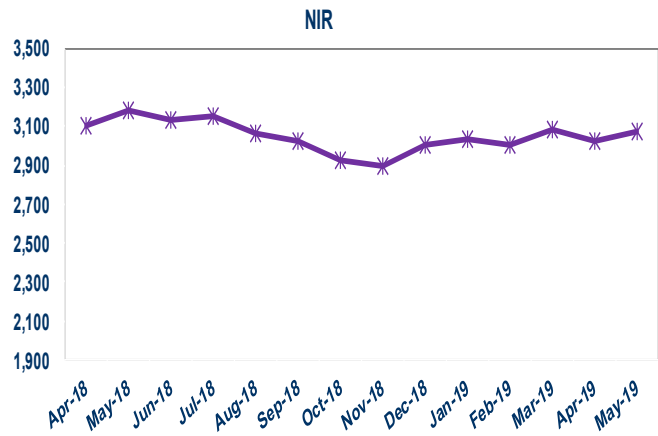


NET INTERNATIONAL RESERVES

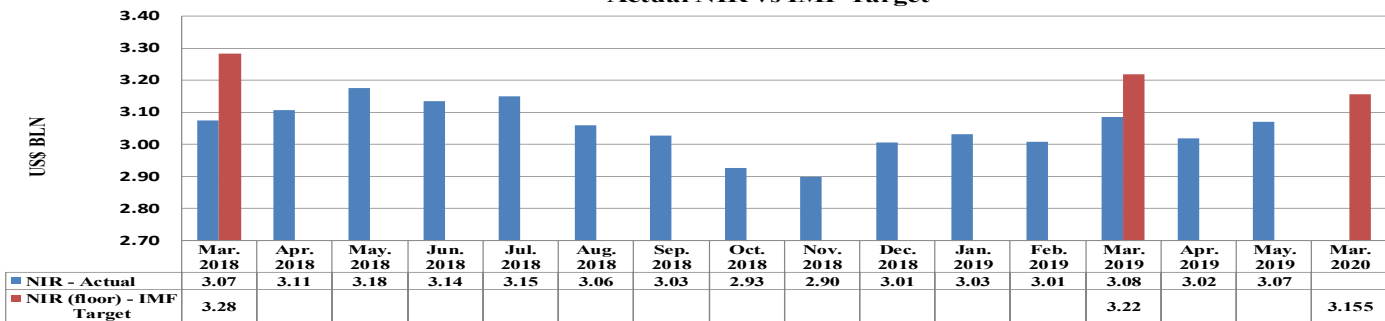
Jamaica's Net International Reserves (NIR) totaled US\$3,074.33 million as at May 2019, reflecting an increase of US\$55.25 million relative to the US\$3,019.08 million reported as at the end of April 2019 (see figure).

Changes in the NIR resulted from an increase in Foreign Assets of US\$43.17 million to total US\$3,579.37 million compared to the US\$3,536.20 million reported for April 2019. 'Currency & Deposits' contributed the most to the rise in Foreign Assets. 'Currency & Deposits' as at May 2019 totaled US\$3,021.37 million reflecting an increase of US\$86.89 million compared to US\$2,934.26 million booked as at April 2019.

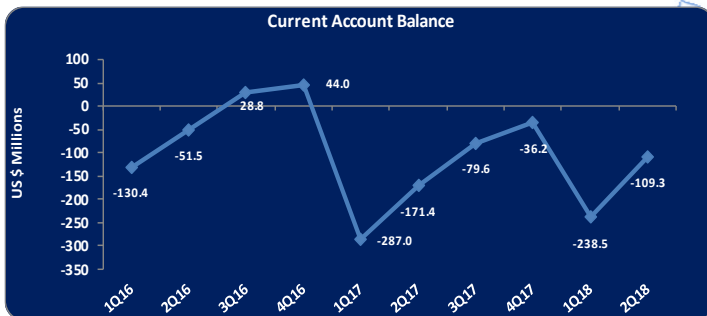
'Securities' amounted to US\$322.16 million; US\$21.10 million less than the US\$343.26 million reported in April 2019. Foreign Liabilities for May 2019 amounted to US\$505.04 million compared to the US\$517.11 million reported for April 2019. Liabilities to the IMF accounted for 100% of total foreign liabilities, reflecting a US\$12.08 million decrease month over month from April 2019.



Actual NIR vs IMF Target



CURRENT ACCOUNT BALANCE



The latest data from the Bank of Jamaica shows the Current Account deficit for the December 2018 quarter amounted to US\$109.3 million. This is compared to the US\$1238.5 million deficit booked for the September quarter of 2018.

CONSUMER PRICE INDEX

The consumer price index for the month of May 2019 recorded an inflation rate of 0.8%, following a 0.1% increase in its index for April 2019, according to The Statistical Institute of Jamaica (STATIN). The Consumer Price Index for the month of May rose to 258.8, relative to the 256.8 reported for April 2019. This movement was largely attributed to the upward movements in the divisions, 'Food and Non-Alcoholic Beverages' by 0.5% and 'Housing, Water, Electricity, Gas and Other Fuels' by 3.7%. The 'Transport' division also contributed to the upward movement as their indexed also advanced 0.5% for the month of May. Inflation within the Greater Kingston Metropolitan Area, Rural Areas and Other Urban Centres each increased by 0.6%, 0.9% and 0.8% respectively.

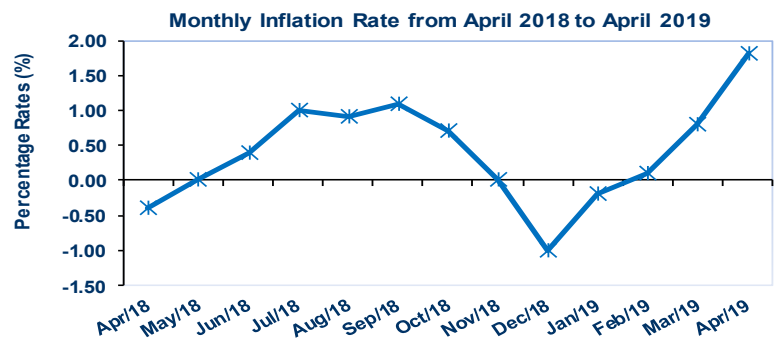
The index for the 'Food and Non-Alcoholic Beverages' division recorded a 0.5% increase in its index for May 2019, following a 0.5% increase for April 2019. This resulted from the upward movements within the groups 'Food' and 'Non-Alcoholic Beverages' by 0.5% and 0.2% respectively. Within the 'Food' group, the class 'Vegetables and Starch Foods' increased 1.1% as a result of "higher prices for agricultural items such as cabbage, onion, lettuce and yam". In addition, the class 'Bread and Cereals', 'Meat' and 'Fish and Seafood' also each increased by 0.2%. The 'Non-Alcoholic Beverages' group registered a 0.2% growth in its index, as the groups 'Coffee, Tea and Cocoa' and 'Mineral Water, Soft drinks, Fruits and Vegetable Juices' both recorded increases of 0.3% and 0.2% respectively.

The movement in the index for the fiscal year-to-date was 0.9%. The calendar year-to-date inflation rate was 1.6%.

MONEY SUPPLY

Components of Money Supply (M2)			
Percentage Change (%)	Mar-18	Dec-18	Mar-19
Total Money Supply (M2*)	18.9	13.9	11.6
Total Money Supply (m2*) without new entrant			
Money Supply (M2J)	24.5	14.5	13.1
Money Supply (M2J) without new entrant			
Money Supply (M1J)	24	22.1	13.3
Currency with the public	16.6	13.9	9.5
Demand Deposits	29.8	29	15.9
Quasi Money	24.9	8.3	12.9
Savings Deposits	16.5	7.8	9.1
Time Deposits	66.3	10.1	25.9
Foreign Currency Deposits	10.2	13	9.1

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 March 2019 of 11.6%, a moderation relative to 13.9% in the previous year. This deceleration primarily reflected the aforementioned decline in the rate of increase in local currency deposits as foreign currency moderated to 9.1% from 10.2% a year earlier. Resulting from the slower growth in foreign currency deposits, coupled with a faster pace of deceleration in total deposits, the private sector deposit dollarization ratio for commercial banks trended slightly downwards to 40.6% as at March 2019 from 41.6% as at March 2018."



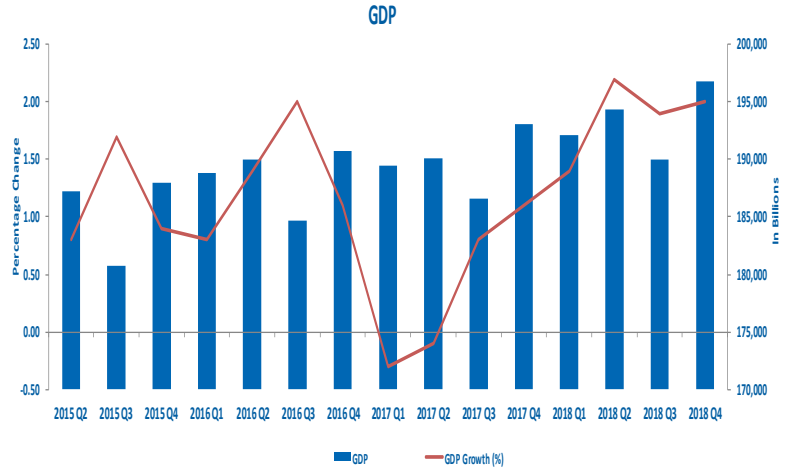


GROSS DOMESTIC PRODUCT

The latest data from the Statistical Institute of Jamaica indicated, “Total value added at constant prices for the Jamaican economy grew by 2.0% in the fourth quarter of 2018 when compared to the similar quarter of 2017.” This resulted from improved performances in both the Goods Producing Industries (4.9%) and the Services Industries (1.0%)”

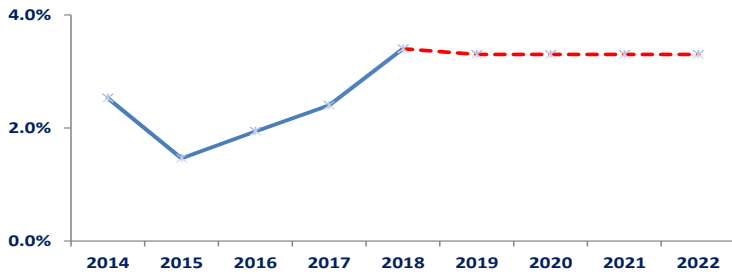
All industries within the Services Industries recorded higher levels of output with the exception of Electricity & Water Supply which declined by 0.3% for the review period. Increases in value added were recorded for: Wholesale & Retail Trade; Repairs; Installation of Machinery & Equipment (1.6%), Hotels & Restaurants (2.8%), Transport, Storage & Communication (1.9%), Finance & Insurance Services (0.8%), Real Estate, Renting & Business Activities (0.7%) and Other Services (0.8%).

STATIN reports, The positive performance of the Goods Producing Industries was due to increased output in Mining & Quarrying (25.0%), Agriculture, Forestry & Fishing (3.1%), Manufacturing (2.0%) and Construction (3.7%). “The Agriculture, Forestry & Fishing industry was impacted by favourable weather conditions which resulted in higher crop yields. The reopening of Jiuquan Iron and Steel Company (JISCO) Alpart refinery was the main contributor to the growth in the Mining & Quarrying industry.”



CAPITAL EXPENDITURE TO GDP

Capital Expenditure to GDP (%)



Total Expenditure for the period April 2019 amounted to \$52.12 billion, \$250.8 million 0.5% more than the budgeted \$51.87 billion. Recurrent expenditure which totalled \$46.03 billion, accounted for 88.31% of overall expenditures. Relative to projections, recurrent expenditure was \$1.05 billion (2.2%) less than budgeted. Of the recurrent expenditure categories for the review period, all categories with the exception of ‘Compensation of Employees’, ‘Employee Contribution’ and ‘Wages & Salaries’ were below the budgeted amount. ‘Programmes’ which amounted to \$14.46 billion, was \$146.6 million or 1% less than projected. ‘Compensation of Employees’ which amounted to \$18.39 billion was \$219.2 million or 1.2% more than projected, ‘Employee Contribution’ totalled \$1.09 billion, 2.7% more than the budgeted amount of \$1.06 billion. While ‘Wages & Salaries’ amounted to \$17.30 billion and was \$17.11 billion or 1.1% more than projected.

As a result of the increase in Revenue & Grants for the period April 2019, the ‘Fiscal Deficit’ was \$6.02 billion, relative to a projected deficit of \$7.31 billion. Additionally, the primary balance for the period amounted to \$7.16 billion, 2.5% more than budgeted.

The FY2018/19 Budget tabled in Parliament included a significant increase in capital expenditure by central government from 2.4% of GDP in FY2017/18 to 3.4% of GDP in FY2018/19. For FY2019/20, the new budget tabulated targets a capital expenditure to GDP of 1%.

LABOUR FORCE

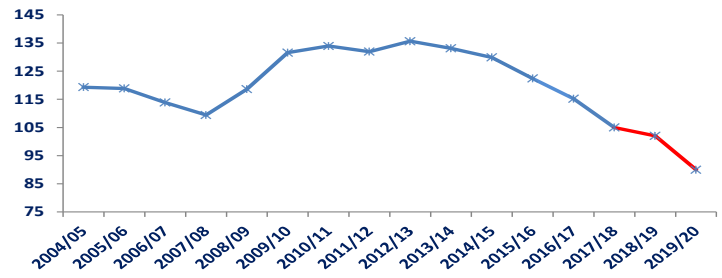
Unemployment Rate (%)	January Q1	April Q2	July Q3	October Q4
2015	14.2	13.2	13.1	13.5
2016	13.3	13.7	12.9	12.9
2017	12.7	11.3	11.3	10.4
2018	9.6	9.8	8.4	8.7
2019	8.0			

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	1,346,800
2018	1,331,800	1,345,900	1,334,700	1,334,900
2019	1,340,200			

The Labour Force at January 2019, was 1,340,200 persons, an increase of 0.63% compared to January 2018. The male labour force decreased by 1,500 to 717,000 persons in January 2019 while the female labour force increased by 6,800 persons to 623,200 in January 2019. The Employed Labour Force for January 2019 was 1,232,700, which was 28,600 (2.4%) higher than in January 2018. The increase in employment for females was more than twice that of males. The number of employed males increased by 9,500 to 673,500 and employed females by 19,100 to 559,200. The unemployment rate for youth aged 14-24 years, was 21.8 per cent in January 2019 compared to 23.7 per cent in January 2018.

DEBT TO GDP

Total Debt to GDP (%)

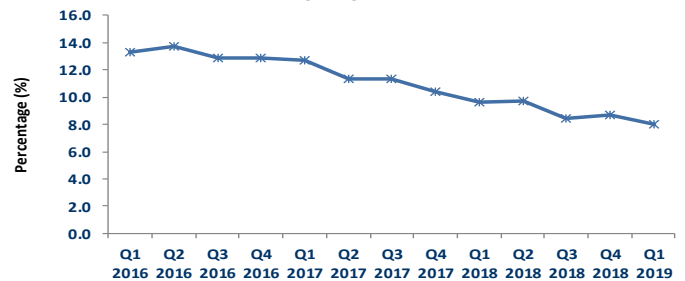


Public Debt to GDP is projected to fall to 96.4% by the end of the 2018/2019 fiscal year. According to the 2019 Fiscal Policy Paper, “this expected outcome is however slightly higher than the initially-projected 94.3% which informed the FY 2018/19 budget”. For the FY2019/20, Debt-to GDP is forecasted at 93%. Notably, the Government aims to bring the public debt to GDP down to 60% by FY 2025/26. As at February 2019, Jamaica’s total debt stands at \$1.95 trillion.

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 \$150.93 billion by the end of the 2019/2020 fiscal year. For the June quarter, a primary balance of \$19 billion is estimated. As at the end of April 2019, this amounted to \$7.16 billion. Tax Revenue is expected to total an estimated \$115 billion by the end of the June quarter. The reported tax revenue for the end of April 2019 was \$41.35 billion.

As Jamaica aims to maintain fiscal discipline and macroeconomic stability, the Government forecasts a real GDP growth of 1.8% for FY2018/19 (above IMF’s target of 1.4%) where the budget is estimated to generate a primary surplus of \$142.14 billion, which is equivalent to 7.0% of GDP. For FY 2019/20, the Government expects that the economy will grow by 6.0% in nominal terms, and 1.5% in real terms. IMF projects a real GDP of 1.7% for FY2019/20.

Unemployment Rate

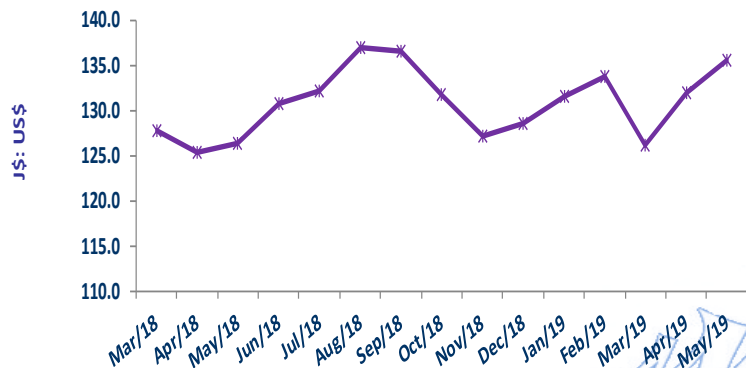




LOCAL FOREX

The Jamaican dollar depreciated against the USD for the month of May 2019. The JMD depreciated by \$3.67 in April, to close the month at an average of \$135.61 relative to the \$131.94 recorded in April 2019. Year over year, the JMD has depreciated by approximately \$9.23 or 7.30% relative to the \$126.38 reported as at May 2018.

Exchange Rate Movements



INTERNATIONAL FOREX

GBP/USD: The pair closed at **\$1.2629** for the month of May. According to FX Empire, “BP/USD was lifted higher after finding some support on Friday. The pair shows upward momentum on the smaller time frames after a sharp earlier fall. I think there may be some potential for further upside over the near-term, at least in the early week. Friday’s price action across the majors was mostly as a result of a broadly weaker dollar. The US dollar index (DX) gained for four consecutive days last week until Friday’s turn wiped out most of the weekly gain. On a daily chart, this has led to a bearish engulfing candle for DX. I consider it quite significant considering how much of the prior rally it wiped out. GBP/USD stands to recover some earlier losses, but bear in mind, Sterling was the weakest among the majors in May. Perhaps there may be some better pairs to trade in order to take advantage of the current down momentum in the greenback.”

EUR/USD: The pair closed the month at **\$1.1169**. According to FX Empire, “There is also the 100-day moving average which was tested today and is holding the pair lower thus far. In addition to the above, there is a horizontal level at 1.1259. This level held EUR/USD lower on two attempts last month. It was also a major support level in February. On a 4-hour chart, reversal signs are starting to appear. There are some candlestick patterns that show exhaustion near resistance. The last candle printed is a doji, suggestive of selling pressure considering its proximity to resistance. The hourly chart shows a reversal pattern as the last three candles form an evening star pattern. I think there is a strong case for a technical reversal here, or rather a pullback after an impressive gain.”

May 1-31				
Currency Pair	Open	High	Low	Close
GBP/USD	1.3050	1.3173	1.2608	1.2629
USD/CAD	1.3446	1.3519	1.3406	1.3516
EUR/USD	1.1196	1.1233	1.1129	1.1169
USD/JPY	111.38	111.51	108.29	108.29

USD/CAD: The CAD depreciated against the USD during the month of March by 0.5% to close at \$1.3516.

OPEN MARKET OPERATION

Issue Date	Tenor	Initial Coupon %	Reset Margin %	Benchmark	Interest/Maturity Date
24-May-19	28 Days	1.25%	N/A	Fixed	21-Jun-19
31-May-19	28 Days	1.25%	N/A	Fixed	28-Jun-19

The Bank of Jamaica issued two Certificate of Deposits during the month of May 2019.

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 percent in May on a seasonally adjusted basis after rising 0.3 percent in April, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index increased 1.8 percent before seasonal adjustment. The food index rose 0.3 percent in May after declining in April, with the food index accounting for nearly half of the May seasonally adjusted all items monthly increase. The energy index fell 0.6 percent in May, with the gasoline index falling 0.5 percent and the indexes for electricity and natural gas also declining in May. The index for all items less food and energy increased 0.1 percent for the fourth consecutive month. The indexes for shelter, medical care, airline fares, education, household furnishings and operations, and new vehicles all rose in May. The indexes for used cars and trucks, recreation, and motor vehicle insurance were among those that declined over the month. The all items index increased 1.8 percent for the 12 months ending May. The index for all items less food and energy rose 2.0 percent over the last 12 months, and the food index also rose 2.0 percent. The energy index decreased 0.5 percent over the past year.”

EURO Zone: According to the European Union’s statistics office, “The euro area annual inflation rate was 1.2% in May 2019, down from 1.7% in April 2019. A year earlier, the rate was 2.0%. European Union annual inflation was 1.6% in May 2019, down from 1.9% in April 2019. A year earlier, the rate was 2.0%. These figures are published by Eurostat, the statistical office of the European Union. The lowest annual rates were registered in Cyprus (0.2%), Portugal (0.3%) and Greece (0.6%). The highest annual rates were recorded in Romania (4.4%), Hungary (4.0%) and Latvia (3.5%). Compared with April 2019, annual inflation fell in sixteen Member States, remained stable in five and rose in six. In May 2019, the highest contribution to the annual euro area inflation rate came from services (+0.47 percentage points, pp), followed by energy (+0.38 pp), food, alcohol & tobacco (+0.29 pp) and non-energy industrial goods (+0.08 pp).”

Commodity: According to the World Bank, “Commodity prices fell in May, almost all major commodity groups fell, led by base metals down 5.4% and non-energy commodities dropped 1.8%. Only grains registered gains in May, rising 2.5%.”

CARICOM:

Trinidad & Tobago- According to The Central Bank of Trinidad and Tobago, “In Trinidad and Tobago, the energy-based recovery continued into the third quarter of 2018, but at a slower pace than the first half of the year. The observed decline in crude oil production was consistent with the maturation of the oil fields. While natural gas output rose, the recorded (year-on-year) growth rate in the third quarter was small relative to the previous two quarters; this reflected the impact of the third quarter 2017 start of bpTT’s Juniper project on natural gas production. On the other hand, the unemployment rate increased to 4.4 per cent in the fourth quarter of 2017. This reflected a reduction of 12 thousand in the number of persons employed, accompanied by a decrease in the labour force of approximately 7.6 thousand persons. There is likely to be further softening of employment conditions in 2018, given job losses following the closure of the Petrotrin refinery and reported job losses in the communications sector.”

Belize- According to The Central Bank of Belize, “Money supply rose by \$84.9mn during the first quarter of 2019, owing to expansions in net foreign assets (\$23.9mn) and net domestic credit (\$52.1mn) of the banking system. The net domestic credit expansion was attributable to increases in net credit to Central Government (\$30.7mn) and to the private sector (\$26.3mn), as lending to other public sector entities declined by \$4.9mn. Meanwhile, lending by the five largest credit unions contracted by \$13.6mn. On the other hand, the Consumer Price Index (CPI) rose by 0.1% during March relative to the previous month and by 0.1% on average over the first quarter of 2019 compared to the same period of 2018. The weak inflationary pressure during the three-month period was partly due to higher prices for liquefied petroleum gas, medical services, and cultural activities.”