



LOCAL ECONOMY

The month of July in review

The JSE Main Market continued its bull run in July; where it increased by 11.94%, up 3.85% from the prior month. Year to date the Main Market has increased 37.90%. The Junior Market, on the other hand, finally reverted its losses year to date by increasing 6.64%, while doing marginally the same as the Main Market in July when it rose 11.57%. July had two new listings on the exchange The Limners and Bards Limited “The LAB” and Sagicor Select Funds Financial Index “SelectF.” Both have performed well after listing.

In July, the predominant feature for GOJ was the parliamentary sectoral debate. Here ministers and spokespersons were allowed to highlight various plans and happenings in the different ministries as well as the problems and counter solutions as offered by the Opposition. The Opposition is currently locked in a leadership battle between the Peter Philips (the incumbent), and Peter Bunting, the date set for the election is in early September.

Monthly Highlights

BOJ Maintained the Policy interest rates of 0.75% during the month based on the Central Bank’s current assessment of appropriate monetary conditions to support the medium-term inflation target of 4.0% to 6.0%.

July inflation rose to 1.1% mainly due to upward movements within Food and Non-Alcoholic Beverages which rose by 2.5%.

Exchange rates in July started with a low of \$131.72, and prices crested at \$138.10 near the middle of the month and closed the month with slight appreciation at \$136.63. The exchange rates continue to exhibit a two-way movement. Exchange rates during the month averaged \$136.08.

Analyst Summary

The Jamaican economy continues to shows signs of strain in July as prices have started to reflect the drought conditions from earlier in the year. The increase in food prices is primarily responsible for the rise in inflation. Annual point to point inflation is 4.3%, which remains in line with the inflation target. Stock market growth, however, remains strong, where both markets grew more than 11.5% for the month of July and show signs of continuing to trend upwards. The Junior market, in particular, may experience a bull run.



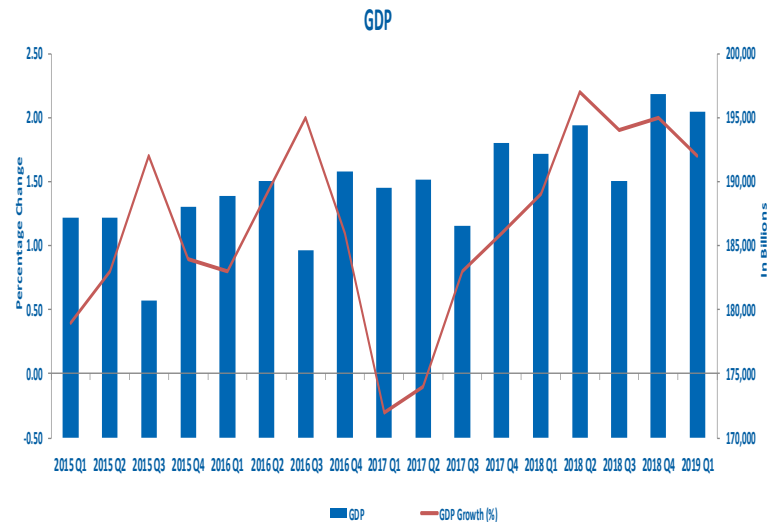


GROSS DOMESTIC PRODUCT

The latest data from the Statistical Institute of Jamaica indicated, “Total value added at constant prices for the Jamaican economy grew by 1.7% in the first quarter of 2019 when compared to the similar quarter of 2018.” This resulted from improved performances in both the Goods Producing Industries (1.7%) and the Services Industries (1.8%)”

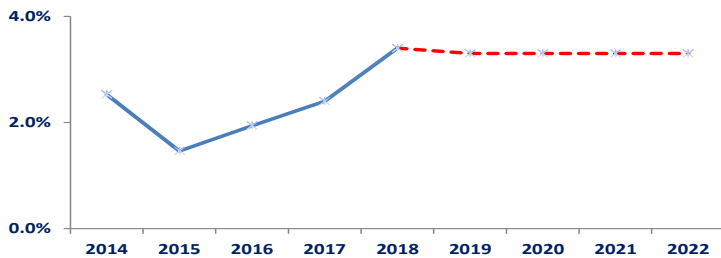
All industries within the Goods Producing industries recorded higher levels of output with the exception of the Manufacturing industry which decreased by 1.4 per cent. Increased outputs were recorded for Agriculture, Forestry & Fishing (0.3%), Mining & Quarrying (11.1%) and Construction (3.4 %). Growth in the Agriculture, Forestry & Fishing industry was largely due to higher output levels recorded in the Other Agricultural Crops sub-industry, which includes Animal Farming, Forestry & Fishing of 2.1%.

STATIN reports, “the positive performance of the Services Industries was due to increased output in Electricity & Water Supply (1.9 %) Wholesale & Retail Trade; Repairs; Installation of Machinery & Equipment (1.3 %); Hotels & Restaurants (7.3 %), Transport, Storage & Communication (1.2 %), Finance & Insurance Services (2.5 %), Real Estate, Renting & Business Activities 1.0 %), Producers of Government Services (0.2%) and Other Services (1.8 %).”



CAPITAL EXPENDITURE TO GDP

Capital Expenditure to GDP (%)



Total Expenditure for the period April to June 2019 amounted to \$141.03 billion, \$2.68 billion or 1.9% less than the budgeted \$143.71 billion. Recurrent expenditure which totalled \$125.95 billion, accounted for 89.31% of overall expenditures. Relative to projections, recurrent expenditure was \$2.85 billion (2.2%) less than budgeted. Of the recurrent expenditure categories for the review period, all categories with the exception of ‘Compensation of Employees’ and ‘Wages & Salaries’ were below the budgeted amount. ‘Programmes’ which amounted to \$45.97 billion, was \$402.20 million or 0.9% less than projected. ‘Employee Contribution’ which amounted to \$4.69 billion was \$321.50 million or 6.4% less than projected. In addition, ‘Wages & Salaries’ amounted to \$50.19 billion and was \$981.20 million or 2.0% more than projected. Whereas, ‘Compensation of Employees’ totalled \$54.88 billion, 1.2% more than the budgeted amount of \$54.22 billion.

As a result of the decrease in Expenditures for the period April to June 2019, the ‘Fiscal Surplus’ was \$12.82 billion, relative to a projected surplus of \$7.25 billion. Additionally, the primary balance for the period amounted to \$37.93 billion, 6.9% 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

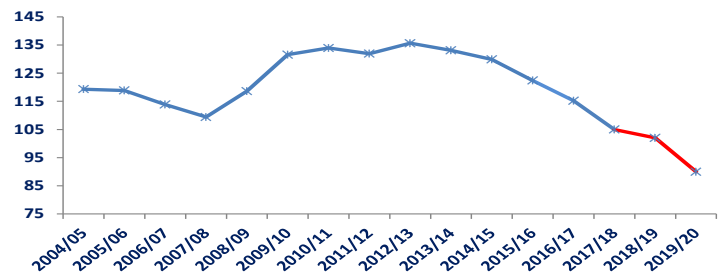
Unemployment Rate (%)	January Q1	April Q2	July Q3	October Q4
2015	14.2	13.2	13.1	13.5
2016	13.3	13.7	12.9	12.9
2017	12.7	11.3	11.3	10.4
2018	9.6	9.8	8.4	8.7
2019	8.0	7.8		

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	1,349,900		

The Labour Force at April 2019, was 1,349,900 persons, an increase of 0.30% compared to April 2018. The male labour force increased by 5,200 to 731,400 persons in April 2019 while the female labour force decreased by 1,200 persons to 618,500 in April 2019. The Employed Labour Force for April 2019 was 1,244,500 which was 29,900 (2.5%) higher than in April 2018. The number of employed males increased by 18,200 to 691,500 and employed females by 11,700 to 553,000. The unemployment rate for youth aged 14-24 years, was 19.5% in April 2019 compared to 25.9% in April 2018.

DEBT TO GDP

Total Debt to GDP (%)

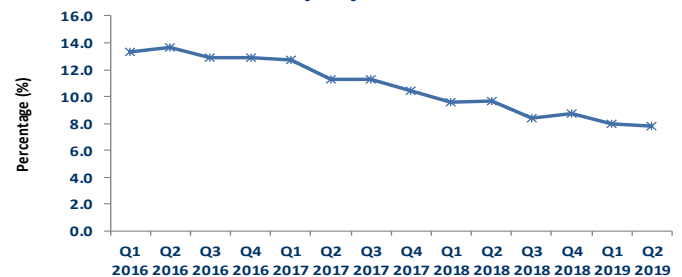


Public Debt to GDP was projected to fall to 96.4% by the end of the 2018/2019 fiscal year. According to the 2019 Fiscal Policy Paper, “this expected outcome is however slightly higher than the initially-projected 94.3% which informed the FY 2018/19 budget”. For the FY2019/20, Debt-to GDP is forecasted at 93%. Notably, the Government aims to bring the public debt to GDP down to 60% by FY 2025/26. As at May 2019, Jamaica’s total debt stands at \$1.99 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 June 2019, this amounted to \$37.93 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 June 2019 was \$137.43 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



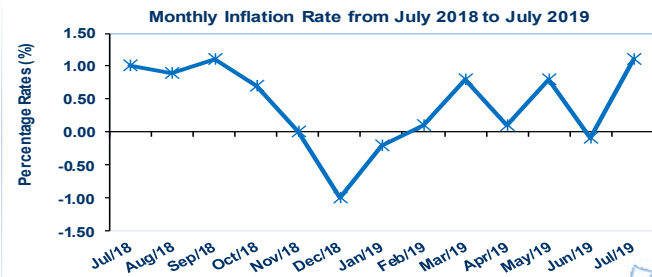
PRODUCER PRICE INDEX & CONSUMER PRICE INDEX

Producer Price Index:

The Producer Price Index (PPI) for the Mining and Quarrying industry decreased by 0.5% for June 2019 according to the Producer Price Index Bulletin - June 2019 released by the Statistical Institute of Jamaica (STATIN). The fall in the index resulted mainly from a 0.5% decline in the index for the major group, 'Bauxite Mining & Alumina Processing'.

The index for the Manufacturing industry registered a decrease of 1.5%. The main attributor to this movement was the 9.9% decrease in the index for the major group 'Refined Petroleum Products'. This decrease was however, tempered by increases in the index for the major groups 'Rubber & Plastic Products', up by 11.2 per cent and 'Food, Beverages & Tobacco' up by 0.2%.

According to STATIN, "For the 2019/2020 fiscal year-to-date, the index for the 'Mining & Quarrying' industry recorded an increase of 3.9% while the index for the 'Manufacturing' industry fell by 0.8%."



Consumer Price Index:

The consumer price index for the month of June 2019 increased by 1.1%, following a 0.1% decline in its index for June 2019, according to The Statistical Institute of Jamaica (STATIN). The Consumer Price Index for the month of July rose to 261.2, relative to the 258.4 reported for June 2019. This movement was largely attributed to the upward movements in the divisions, 'Food and Non-Alcoholic Beverages' by 2.4% and 'Transport' by 0.7%. The 'Housing, Water, Electricity, Gas and Other Fuels' division however tempered this downward movement as their indexed declined 1.4% for the month of July. Inflation within the Greater Kingston Metropolitan Area, Rural Areas and Other Urban Centres each increased by 1.6%, 1.0% and 0.7%, respectively.

The index for the 'Food and Non-Alcoholic Beverages' division recorded a 2.4% increase in its index for July 2019, following a 0.2% increase for June 2019. This resulted from the upward movements within the groups 'Food' and 'Non-Alcoholic Beverages' by 2.5% and 0.2% respectively. Within the 'Food' group, the upward movement was mainly attributable to the 7.9% increase in the class 'Vegetables and Starch Foods' "due to higher prices for agriculture produce such as cabbage, lettuce, carrot, yam and potato". Other increases were recorded in the classes 'Sugar, Jam, Honey, Chocolate and Confectionery' 1.2% while the class 'Food Products n.e.c.' advanced 0.8%. The 'Non-Alcoholic Beverages' group registered a 0.2% growth in its index, as the classes 'Coffee, Tea and Cocoa' and 'Mineral Water, Soft drinks, Fruits and Vegetable Juices' both recorded increases of 0.2% each.

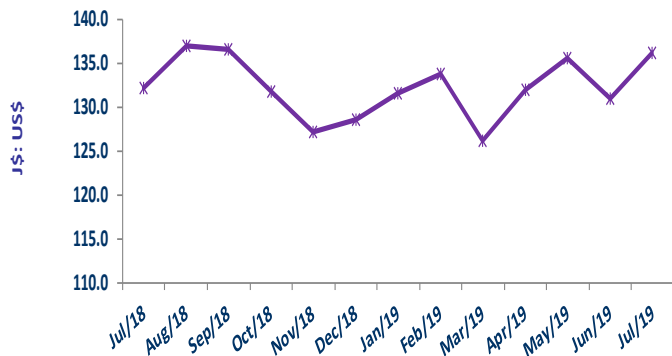
The movement in the index for the fiscal year-to-date was 1.8%. The calendar year-to-date inflation rate was 2.5%.

FOREIGN EXCHANGE MARKET

LOCAL FOREX

The Jamaican dollar depreciated against the USD for the month of July 2019. The JMD depreciated by \$5.14 in June, to close the month at an average of \$136.08 relative to the \$130.94 recorded in June 2019. Year over year, the JMD has depreciated by approximately \$3.83 or 2.90% relative to the \$132.25 reported as at July 2018.

Exchange Rate Movements



INTERNATIONAL FOREX

GBP/USD: The pair closed at **\$1.2159** for the month of July. According to FX Empire, "the markets were looking for a more dovish take from the Federal Reserve at their monetary policy meeting yesterday. This is evident by the recent rally to record highs in US equity indices and the price action in bonds and money markets. Fed Chair Powell didn't offer much in terms of forward guidance and opted to decide on the path of monetary policy at a later date, after reassessing further developments. This caused the markets to pare back expectations. and in the currency markets. that meant a rally in the greenback. The US dollar index (DXY) rallied to fresh two-year highs, dragging GBP/USD lower with it. The currency pair had attempted to recover ahead of the meeting, but promptly erased losses as a result of the stronger dollar."

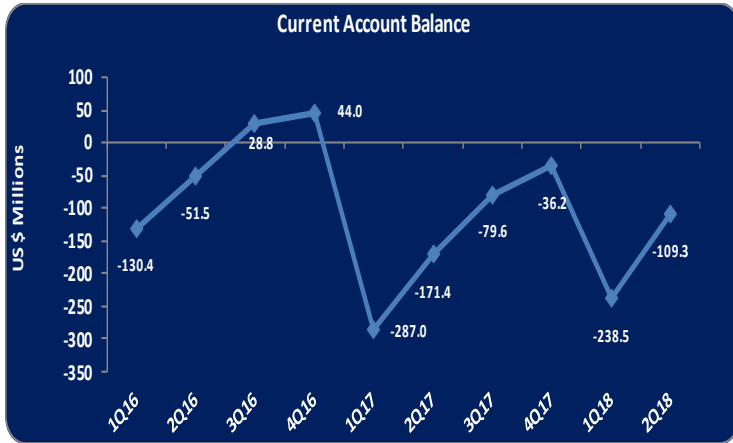
EUR/USD: The pair closed the month at **\$1.1076**. According to FX Empire, "EUR/USD dipped to fresh two-year lows last week on the back of broad-based dollar strength and a more dovish than expected Fed meeting. The pair has since recovered losses from the prior week and has climbed above an important level. A horizontal level at 1.1118 had held EUR/USD higher in April and in May. Last week, the pair broke below it to signal a breakdown. However, the exchange rate saw some strong buying late in the week, and after extending gains in early trading today, it has rallied back above the level."

July 1-31				
Currency Pair	Open	High	Low	Close
GBP/USD	1.2641	1.2641	1.2152	1.2159
USD/CAD	1.3135	1.3191	1.3027	1.3191
EUR/USD	1.1286	1.1286	1.1076	1.1076
USD/JPY	108.45	108.85	107.30	108.78

USD/CAD: The CAD depreciated against the USD during the month of July by 0.4% to close at \$1.3191.



CURRENT ACCOUNT BALANCE



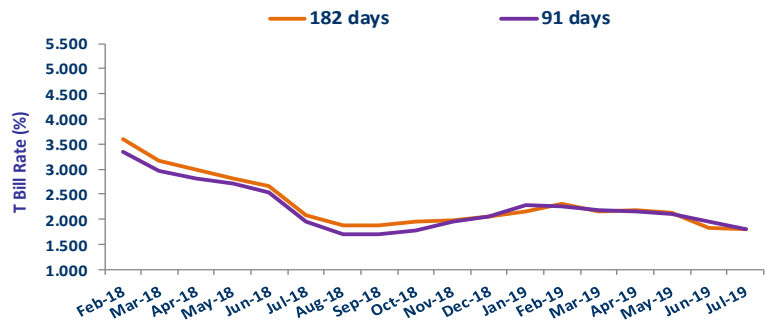
The latest data from the Bank of Jamaica shows the Current Account deficit for the December 2018 quarter amounted to US\$109.3 million. This is compared to the US\$1238.5 million deficit booked for the September quarter of 2018.

Treasury Bills:

For the month of July 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\$2.15 billion and J\$1.76 billion for the 90-day and 180-day treasury bills respectively. The 91-day treasury bill auction resulted in the average yield of 1.80%, down 15 basis points compared to June, whilst the 182-day treasury bill auction resulted in the average yield of 1.82, down 2 basis points relative to June's outturn. Notably, the average yields on the 91-day decreased by 15 basis points compared to the auctions in 2018 for the comparable period. The 182-day treasury bills also declined by 26 basis points relative to the corresponding auctions in 2018. (Refer to the graph on the right).

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."



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 no Certificate of Deposits during the month of June and July 2019 relative to two issued in May 2019.





TOURISM

According to the latest data from the Jamaica Tourist Board, stopover arrivals in June 2019 amounted to 238,888 an increase of 4.2% when compared to 229,261 recorded June 2018.

Stopover arrivals from the U.S. market increased by 7.9% in June 2019 with a total of 186,707 arrivals compared to 173,109 arrivals in June 2018.

The Canadian market recorded declined in arrivals by 12.9% with arrivals amounting to 19,490 relative to 22,364 in June of last year.

The European market region recorded a decrease in arrivals by 5.4% to total 22,762 stopover arrivals in June 2019, relative to 24,073 recorded for June 2018.

Arrivals from Latin America also recorded a decrease of 4.1% with a total of 2,602 stopovers relative to 2,712 recorded in June 2018 (see Tourist Arrivals table to the right).

Country	June 2019	Share %	June 2018	Share %	Change %
U.S.A.	186,707	78.2%	173,109	75.5%	7.9%
Canada	19,490	8.2%	22,364	9.8%	-12.9%
Europe	22,762	9.5%	24,073	10.5%	-5.4%
Latin America	2,602	1.1%	2,712	1.2%	-4.1%
Caribbean	6,150	2.6%	5,793	2.5%	6.2%
Asia	607	0.3%	669	0.3%	-9.3%
Others	570	0.2%	541	0.2%	5.4%
Total	238,888	100.0%	229,261	100.0%	4.2%

REMITTANCE

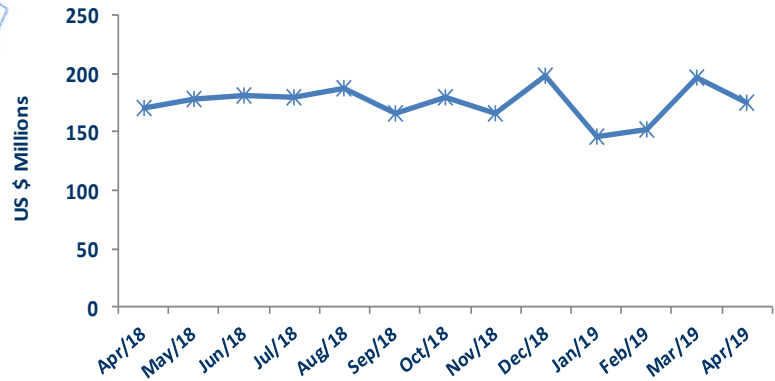
Latest data from the Bank of Jamaica (BOJ), for April 2019, showed net remittances were US\$175.1 million, an increase of US\$5 million relative to \$170.1 million reported for the corresponding month of 2018.

For the period January 2019 to April 2019, net remittance inflows totalled US\$756.9 million, relative to US\$737.6 million for the corresponding period in 2018.

For April 2019, total inflows amounted to US\$201.7 million, while outflows totalled US\$26.6 million.

The largest source market of remittances to the island in April was USA with a share of 65.8%. The remaining remittances during the above mentioned month came from Canada (9.3%) followed by UK (11.8%) and Cayman Islands (7.2%).

Net Remittance



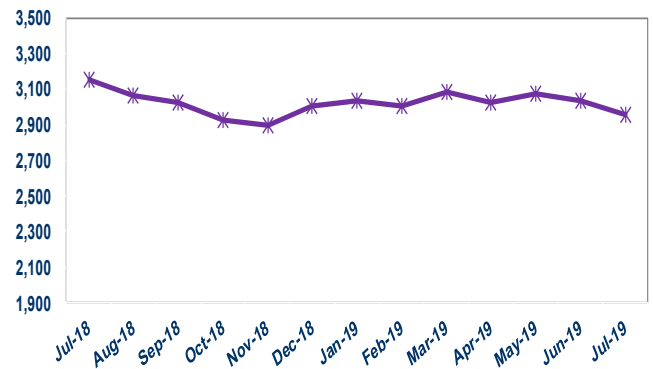
NET INTERNATIONAL RESERVES

Jamaica's Net International Reserves (NIR) totaled US\$2,951.35 million as at July 2019, reflecting a decline of US\$83.96 million relative to the US\$3,035.31 million reported as at the end of June 2019 (see figure 1).

Changes in the NIR resulted from a decrease in Foreign Assets of US\$89.30 million to total US\$3,448.02 million compared to the US\$3,537.33 million reported for June 2019. 'Currency & Deposits' contributed the most to the decline in Foreign Assets. 'Currency & Deposits' as at July 2019 totaled US\$2,886.60 million reflecting a decline of US\$83.33 million compared to US\$2,969.94 million booked as at June 2019.

'Securities' amounted to US\$325.96 million; US\$3.45 million less the US\$329.40 million reported in June 2019. Foreign Liabilities for July 2019 amounted to US\$496.67 million compared to the US\$502.02 million reported for June 2019. Liabilities to the IMF accounted for 100% of total foreign liabilities, reflecting a US\$5.34 million decrease month over month from June 2019.

NIR



Actual NIR vs IMF Target

