

LOCAL ECONOMY

The month of August in review

In the month of August, the main market showed signs of decline, where the main index fell 0.64%, while year to date the market is up 37.03%. On the other hand, the Junior Market index is up 3.56% for the month of August, whereas year to date is up 10.45%, reversing the major bear trend for the year. August saw the listing of Eppley Caribbean Property Fund and the release of QWI Investments (JAMT subsidiary) IPO Prospectus.

GOJ Operations return in full swing as the summer recess is over. Late in August, the Government signed contract undertakings for The South Coast Highway Improvement Project (SCHIP) which has an expected spend of US\$195 million (J\$2.8 billion). The works are expected to start in phase the 1st phase is Harbour view to Cedar Valley, subsequent phase to be announced later. The road will link Kingston and Port Antonio.

Monthly Highlights

BOJ reduced the Policy Interest Rates of 0.75% by 25 basis points to 0.50%; this decision as with previous rate reduction measure is intended to stimulate a faster expansion in private sector credit. Projected inflation is expected to average 4.3% over the next eight quarters within the inflation target of 4.0% to 6.0%.

August inflation rose by 0.8% mainly due to upward movements from Housing, Water, Electricity, Gas and Other Fuels which rose by 1.7% and Food and Non-Alcoholic Beverages which rose by 0.9%. Consumer spending increases were mainly due to drought, high temperatures, and rising exchange rates.

Exchange rates in August reduced steadily to a low of \$135.29 in the middle the month and prices crested at \$137.86 near the end of the month. The exchange rates continue to exhibit a two-way movement, both appreciating and depreciating within the month. Exchange rates during the month averaged \$136.22.

Analyst Summary

The Jamaican economy continues to shows signs of strain in August, as prices have started to reflect the drought conditions from earlier in the year. The increase in Housing, Water, Electricity, Gas and Other Fuels line item is primarily responsible for the rise in inflation, indicating upward pressure from external sources. Annual point to point inflation is 4.1%, just about in line with the inflation target. BOJ has lowered policy rates to unprecedented levels, in the hopes that private sector credit will grow the Stock market. The main market is particularly starting to slow, however, the Junior market is showing signs of recovery and has reversed the bearish trends from the start of the year.



Researcher
Kimberly James
Research Analyst
kimberly.james@mayberryinv.com



Contributor
Mikol Mortley
Sr. Financial Projects Analyst
mikol.mortley@mayberryinv.com



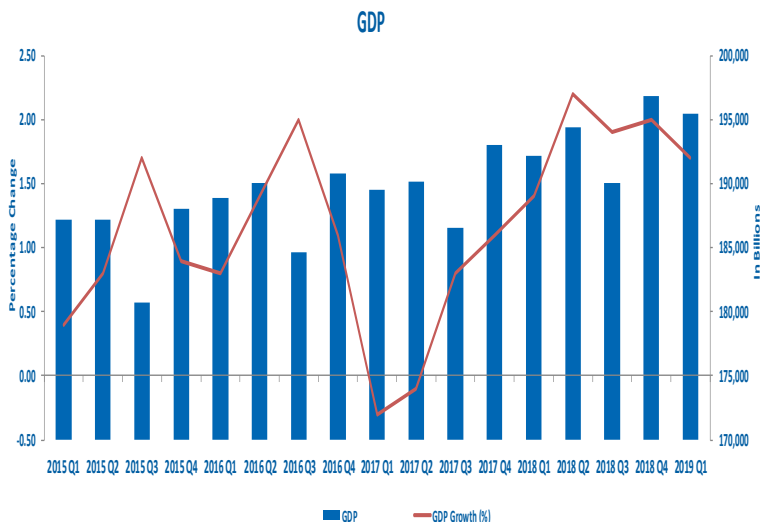


GROSS DOMESTIC PRODUCT

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%)”

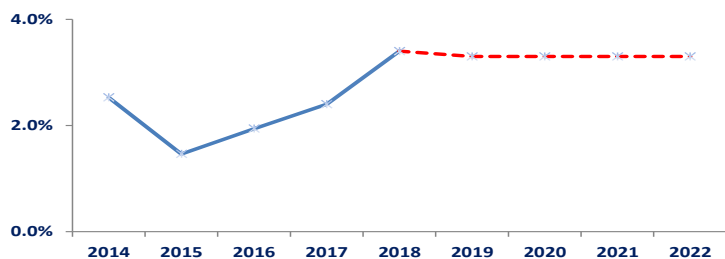
All industries within the Goods Producing industries recorded higher levels of output with the exception of the Manufacturing industry which decreased by 1.4 per cent. Increased outputs were recorded for Agriculture, Forestry & Fishing (0.3%), Mining & Quarrying (11.1%) and Construction (3.4 %). Growth 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 July 2019 amounted to \$194.75 billion, \$5.07 billion or 2.5% less than the budgeted \$199.83 billion. Recurrent expenditure which totalled \$179.15 billion, accounted for 91.99% of overall expenditures. Relative to projections, recurrent expenditure was \$822.5 million (0.5%) less than budgeted. Of the recurrent expenditure categories for the review period, all categories with the exception of ‘Employee Contribution’ were above the budgeted amount. ‘Programmes’ which amounted to \$65.21 billion, was \$2.25 billion or 3.6% more than projected. ‘Compensation of Employees’ which amounted to \$71.93 billion was \$326.2 million or 0.5% more than projected. In addition, ‘Wages & Salaries’ amounted to \$66.16 billion and was \$839.1 million or 1.3% more than projected. Whereas, ‘Employee Contribution’ totalled \$5.77 billion, 8.2% less than the budgeted amount of \$6.28 billion.

As a result of the decrease in Expenditures for the period April to July 2019, the ‘Fiscal Surplus’ was \$7.31 billion, relative to a projected deficit of \$1.71 billion. Additionally, the primary balance for the period amounted to \$49.32 billion, 12.9% 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

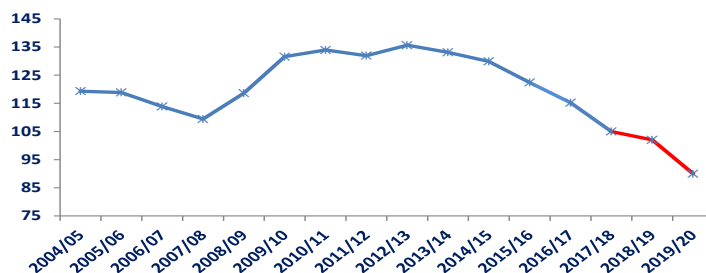
Unemployment Rate (%)	January Q1	April Q2	July Q3	October Q4
2015	14.2	13.2	13.1	13.5
2016	13.3	13.7	12.9	12.9
2017	12.7	11.3	11.3	10.4
2018	9.6	9.8	8.4	8.7
2019	8.0	7.8		

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 (%)

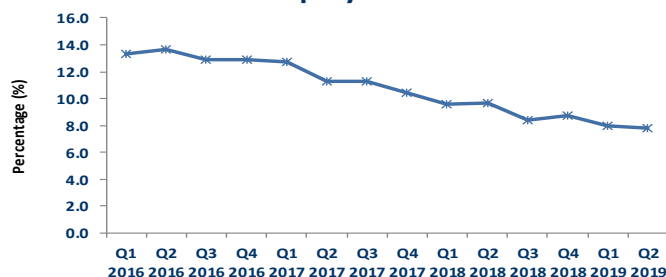


Public Debt to GDP was projected to fall to 96.4% by the end of the 2018/2019 fiscal year., According to the 2019 Fiscal Policy Paper, “this expected outcome is however slightly higher than the initially-projected 94.3% which informed the FY 2018/19 budget”. For the FY2019/20, Debt-to GDP is forecasted at 93%. Notably, the Government aims to bring the public debt to GDP down to 60% by FY 2025/26. As at July 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. Up to the September quarter, a primary balance of \$35.7 billion is estimated. As at the end of July 2019, this amounted to \$49.32 billion. Tax Revenue is expected to total an estimated \$242 billion by the end of the September quarter. The reported tax revenue for the end of July 2019 was \$179.81 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



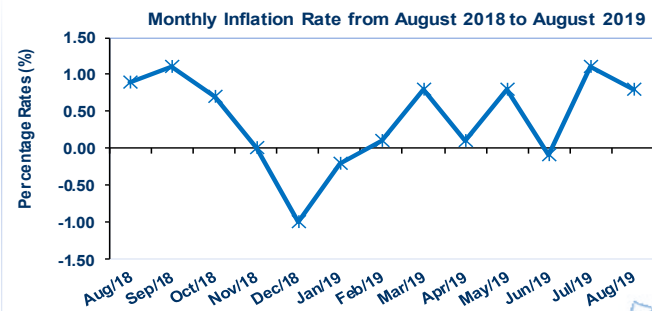
PRODUCER PRICE INDEX & CONSUMER PRICE INDEX

Producer Price Index:

“The Producer Price Index (PPI) for the ‘Mining and Quarrying’ industry fell by 0.1 per cent in July 2019,” according to the Statistical Institute of Jamaica (STATIN). This was as a result of a 0.2 per cent decline in the index for the major group ‘Bauxite Mining & Alumina Processing’.

The index for the Manufacturing industry recorded an increase of 1.5 per cent for July 2019. This was attributable mainly to the 6.0 per cent increase in the index for the major group ‘Refined Petroleum Products’, and an increase of 0.8 per cent in the major group ‘Food, Beverages & Tobacco’.

According to STATIN, “For the 2019/2020 fiscal year-to-date, the index for the ‘Mining & Quarrying’ industry registered an increase of 3.7 per cent, while the index for the Manufacturing industry moved up by 0.8 per cent..”



Consumer Price Index:

The consumer price index for the month of August 2019 increased by 0.8%, following a 1.1% increase in its index for July 2019, according to The Statistical Institute of Jamaica (STATIN). The Consumer Price Index for the month of August rose to 263.1 relative to the 261.2 reported for August 2019. This movement was largely attributed to the upward movements in the divisions, ‘Food and Non-Alcoholic Beverages’ by 0.9% and ‘Housing, Water, Electricity, Gas and Other Fuels’ by 1.7%. The ‘Transport’ division also contributed to August’s inflation rate with a 0.3% increase in its index for the month of August. Inflation within the Greater Kingston Metropolitan Area, Rural Areas and Other Urban Centres each increased by 1.1%, 0.5% and 0.7% respectively.

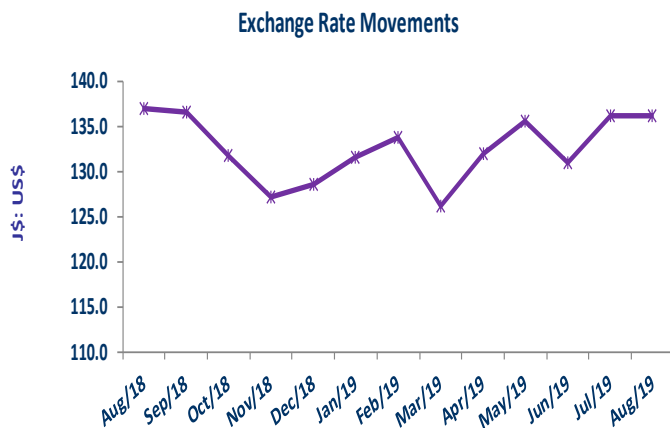
The index for the ‘Food and Non-Alcoholic Beverages’ division recorded a 0.9% increase in its index for August 2019, following a 2.4% increase for July 2019. This resulted from the upward movements within the groups ‘Food’ and ‘Non-Alcoholic Beverages’ by 0.3% each. Within the ‘Food’ group, the upward movement was mainly attributable to the 2.5% increase in the class ‘Vegetables and Starch Foods’ due to “higher prices for agricultural produce especially vegetables, due to drought conditions affecting the island”. Other increases were recorded in the classes ‘Sugar, Jam, Honey, Chocolate and Confectionery’ by 0.9% while the class ‘Food Products n.e.c.’ advanced 1.3% and was due “to higher prices for ginger and pepper”. The ‘Non-Alcoholic Beverages’ group registered a 0.3% growth in its index, as the classes ‘Coffee, Tea and Cocoa’ and ‘Mineral Water, Soft drinks, Fruits and Vegetable Juices’ both recorded increases of 0.3% each.

The movement in the index for the fiscal year-to-date was 2.6%. The calendar year-to-date inflation rate was 3.3%.

FOREIGN EXCHANGE MARKET

LOCAL FOREX

The Jamaican dollar depreciated against the USD for the month of August 2019. The JMD depreciated by \$0.06 in July, to close the month at an average of \$136.14 relative to the \$136.08 recorded in July 2019. Year over year, the JMD has appreciated by approximately \$0.76 or 0.56% relative to the \$136.90 reported as at August 2018.



INTERNATIONAL FOREX

GBP/USD: The pair closed at **\$1.2156** for the month of August. According to FX Empire, “GBP/USD was recovering higher from a low posted on August 11th, but recent price action suggests that the upward move has finished. The exchange rate has made a clear break below a rising trendline that had supported the recovery. In addition to that there is strong downside momentum and several technical areas have failed to offer support. Adding to a weaker pound over the past few sessions is a strengthening dollar. The trade-weighted US Dollar index (DXY) has broken to fresh highs and trades at levels not seen in over two years. Between a stronger dollar and rising Brexit fears, it seems likely that recovery rallies in GBP/USD will tend to be short-lived. Resistance at 1.2150 is likely to cap recovery attempts.”

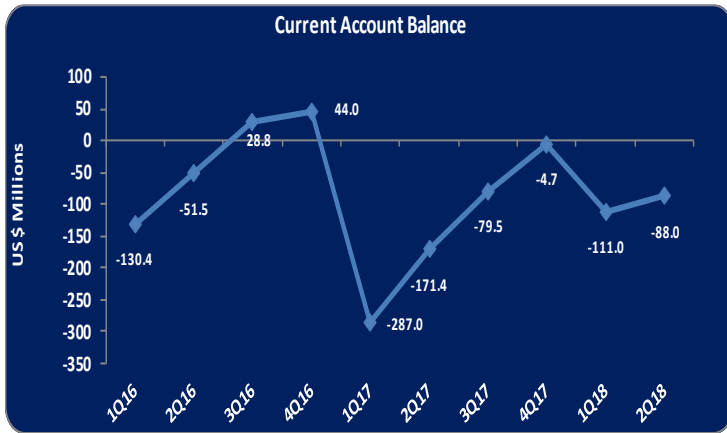
EUR/USD: The pair closed the month at **\$1.0982**. According to FX Empire, “Further developments on the trade war between the worlds two largest economies will also be important for the exchange rate. Last week, a message from Trump that the two parties will continue discussions triggered a shift in the markets. This caused a tumble in EUR/USD to not only erase losses from the prior week but also for a decline to lows not seen in over two years. Friday’s drop in EUR/USD was significant as it drove the exchange year to a more than two year low.”

August 1-31				
Currency Pair	Open	High	Low	Close
GBP/USD	1.2128	1.2290	1.2033	1.2156
USD/CAD	1.3212	1.3324	1.3204	1.3311
EUR/USD	1.1085	1.1214	1.0982	1.0982
USD/JPY	107.34	107.34	105.30	106.28

USD/CAD: The CAD depreciated against the USD during the month of August by 0.7% to close at \$1.3311.



CURRENT ACCOUNT BALANCE



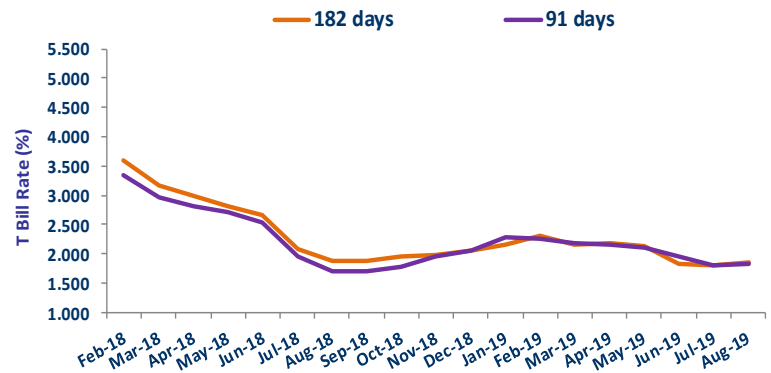
The latest data from the Bank of Jamaica shows the Current Account deficit for the March 2019 quarter amounted to US\$88 million. This is compared to the US\$111 million deficit booked for the December quarter of 2018.

Treasury Bills:

For the month of August 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\$1.13 billion and J\$931.41 million for the 90-day and 180-day treasury bills respectively. The 91-day treasury bill auction resulted in the average yield of 1.84%, up 4 basis points compared to July, whilst the 182-day treasury bill auction resulted in the average yield of 1.87%, up 5 basis points relative to July's outcome. Notably, the average yields on the 91-day increased by 15 basis points compared to the auctions in 2018 for the comparable period. The 182-day treasury bills declined by 1 basis points relative to the corresponding auctions in 2018. (Refer to the graph on the right).

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 June 2019 of 10.6%, an acceleration relative to 7.0% in the previous comparable year. This acceleration primarily reflected increase in foreign currency deposits of 8.7 relative to -2.6 in the previous year. The private sector deposit dollarization for commercial banks trended downwards to 40.7% as at June 2019 from 42.4% as at June 2018."

Percentage Change (%)	Jun-18	Mar-19	Jun-19
Total Money Supply (M2*)	7.0	11.6	10.6
Total Money Supply (m2*) without new entrant			
Money Supply (M2J)	13.7	12.6	15.5
Money Supply (M2J) without new entrant			
Money Supply (M1J)	22.3	13.3	18.5
Currency with the public	11.5	9.5	13.0
Demand Deposits	31.3	15.9	22.5
Quasi Money	8.0	12.9	6.6
Savings Deposits	8.6	9.1	8.9
Time Deposits	6.1	25.9	-0.4
Foreign Currency Deposits	-2.6	9.1	8.7



OPEN MARKET OPERATION

Issue Date	Tenor	Initial Coupon %	Reset Margin %	Benchmark	Interest/Maturity Date
02-Aug-19	28 Days	1.25%	N/A	Fixed	30-Aug-19
16-Aug-19	28 Days	1.25%	N/A	Fixed	13-Sep-19

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



TOURISM

According to the latest data from the Jamaica Tourist Board, stopover arrivals in July 2019 amounted to 270,462 an increase of 5.2% when compared to 257,050 recorded July 2018.

Stopover arrivals from the U.S. market increased by 8.1% in July 2019 with a total of 201,721 arrivals compared to 186,582 arrivals in July 2018.

The Canadian market recorded declined in arrivals by 4.2% with arrivals amounting to 25,124 relative to 26,225 in July of last year.

The European market region recorded a decrease in arrivals by 5.3% to total 29,855 stopover arrivals in July 2019, relative to 31,511 recorded for July 2018.

Arrivals from Latin America recorded a increase of 5.7% with a total of 3,528 stopovers relative to 3,339 recorded in July 2018 (see Tourist Arrivals table to the right).

Stopover Arrivals by Market Region					
Country	July 2019	Share %	July 2018	Share %	Change %
U.S.A.	201,721	74.6%	186,582	72.6%	8.1%
Canada	25,124	9.3%	26,225	10.2%	-4.2%
Europe	29,855	11.0%	31,511	12.3%	-5.3%
Latin America	3,528	1.3%	3,339	1.3%	5.7%
Caribbean	8,579	3.2%	7,728	3.0%	11.0%
Asia	879	0.3%	794	0.3%	10.7%
Others	776	0.3%	871	0.3%	-10.9%
Total	270,462	100.0%	257,050	100.0%	5.2%

REMITTANCE

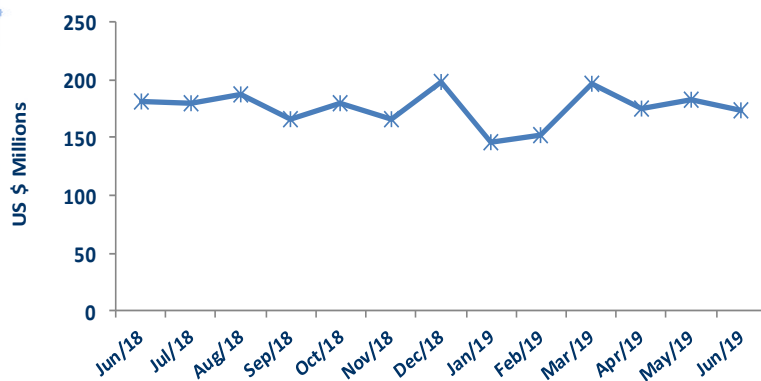
Latest data from the Bank of Jamaica (BOJ), for June 2019, showed net remittances were US\$173.3 million, a decrease of US\$8.4 million relative to US\$181.8 million reported for the corresponding month of 2018.

For the period January 2019 to June 2019, net remittance inflows totalled US\$1.16 billion, relative to US\$1.14 billion for the corresponding period in 2018.

For June 2019, total inflows amounted to US\$194.3 million, while outflows totalled US\$21 million.

The largest source market of remittances to the island in June was USA with a share of 65.6%. The remaining remittances during the above mentioned month came from Canada (10.7%) followed by UK (11.3%) and Cayman Islands (6.6%).

Net Remittance



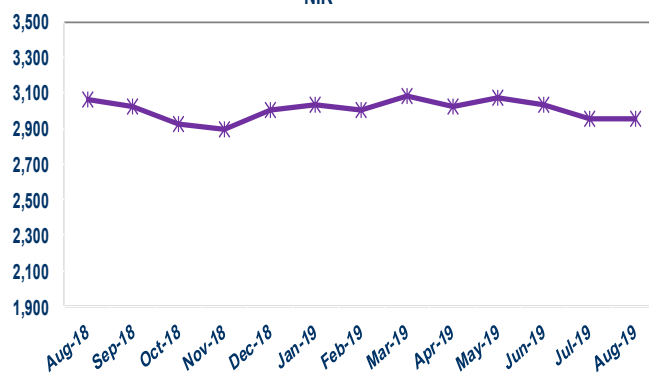
NET INTERNATIONAL RESERVES

Jamaica's Net International Reserves (NIR) totaled US\$2,936.45 million as at August 2019, reflecting a decline of US\$14.90 million relative to the US\$2,951.35 million reported as at the end of July 2019 (see figure 1).

Changes in the NIR resulted from a decrease in Foreign Assets of US\$17.45 million to total US\$3,430.57 million compared to the US\$3,448.02 million reported for July 2019. 'Currency & Deposits' contributed the most to the decline in Foreign Assets. 'Currency & Deposits' as at August 2019 totalled US\$2,878.79 million reflecting a decline of US\$7.81 million compared to US\$2,886.60 million booked as at July 2019.

'Securities' amounted to US\$321.38 million; US\$4.58 million less the US\$325.96 million reported in July 2019. Foreign Liabilities for August 2019 amounted to US\$494.12 million compared to the US\$496.67 million reported for July 2019. Liabilities to the IMF accounted for 100% of total foreign liabilities, reflecting a US\$2.56 million decrease month over month from July 2019.

NIR



Actual NIR vs IMF Target

