



MAYBERRY

INVESTMENTS LIMITED

VOLUME 2

OCTOBER 22, 2019

MONTHLY ECONOMIC SUMMARY

LOCAL ECONOMY

The month of September in review

In the month of September, the main market continued to show a decline, where the main index fell 0.84%, year to date the market is still up 35.88%. The Junior Market index is also down 1.47% for the month of September but up 8.82% YTD. September saw the listing for JAMT's subsidiary QWI Investments. In addition, GOJ Operations are back in full swing after the summer recess and good things are expected.

Monthly Highlights

BOJ Policy Interest Rates remained unchanged at 0.50%; The decision to hold the policy rate unchanged is based on the Bank's current assessment that monetary conditions are generally appropriate to support the achievement of the inflation target of 4.0% to 6.0% over the ensuing four to eight quarters. Projected inflation is expected to average 3.7% over the next eight quarters slightly below the inflation target of 4.0% to 6.0%.

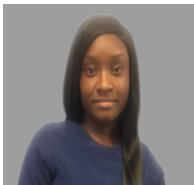
September inflation rose by 0.4% mainly due to upward movements from Communication 6.9%, Recreation and Culture 1.7% and Education 4.7%. Consumer spending increases due to seasonal back to school expenditure as a function of rising exchange rates.

Exchange rates in September rose on average to \$136.69, the monthly high was 138.34 with a corresponding low of \$135.12. The exchange rates continue to exhibit a two-way movement, both depreciating closer to the beginning of the month and mainly appreciating closer to the end of the month.

Both Business and Consumer Confidence were down for the Q3 reporting period. Business Confidence index decreased to 141.2 points, down from 150.7 points in Q2. Although profits are better than expected, concerns still linger about the future economic outlook, financial position and ultimately future profits which resulted in a decline in the firm's optimism about their business conditions in the near future. The consumer index was 179.9 points for the 3rd quarter of 2019 relative to that of 183.4 points for the 2nd quarter of 2019, reflecting a decline in consumers' perception of business conditions presently and expectations for jobs in the future.

Analyst Summary

The Jamaican economy continues to show signs stagnation, September prices reflect seasonal spending changes with increases in prices for Education, Recreation and surprisingly Communication, the effects of depreciating dollar could also be felt in prices. Annual point to point inflation is 3.4%, below the inflation target. BOJ has left policy rates to unchanged, Stock market growth, particularly the main market is starting to slow, while, the Junior market starts to follow the trend but has reversed the bearish trends from the start of the year. Business and Consumer confidence are down reflecting the negative views on the current state of the economy.



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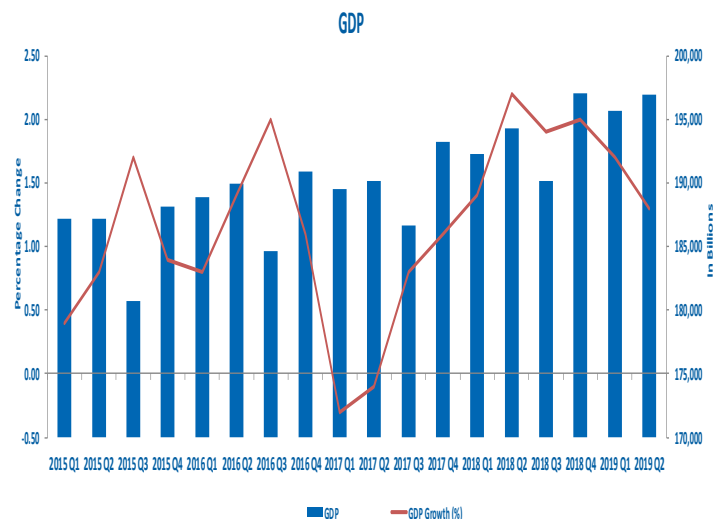


GROSS DOMESTIC PRODUCT

The latest data from the Statistical Institute of Jamaica indicated, “Total value added at constant prices for the Jamaican economy grew by 1.3% in the second quarter of 2019 when compared to the similar quarter of 2018.” This resulted from improved performances in both the Goods Producing Industries (0.6%) and the Services Industries (1.6%)”

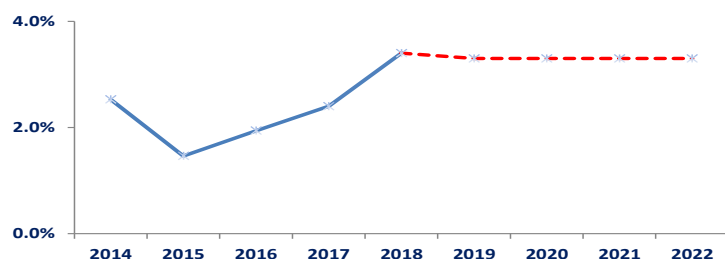
The positive performance of the Goods Producing Industries was due to higher levels of output in Manufacturing (3.3%) and Mining & Quarrying (4.6%). However, Agriculture, Forestry & Fishing declined by 1.7 per cent and Construction by 1.4 per cent. Growth in the Mining & Quarrying industry was mainly due to the rise in alumina production resulting from improvement in operations at the Alpart refinery.

STATIN reports, “there were improved performances in the Services Industries, with the exception of Electricity & Water Supply which declined by 0.1 per cent. Growth was recorded in: Wholesale & Retail Trade; Repairs; Installation of Machinery & Equipment (1.0 %); Hotels & Restaurants (5.8 %), Transport, Storage & Communication (0.8 %), Finance & Insurance Services (4.4 %), Real Estate, Renting & Business Activities 0.8 %), Producers of Government Services (0.3%) and Other Services (1.8 %).”



CAPITAL EXPENDITURE TO GDP

Capital Expenditure to GDP (%)



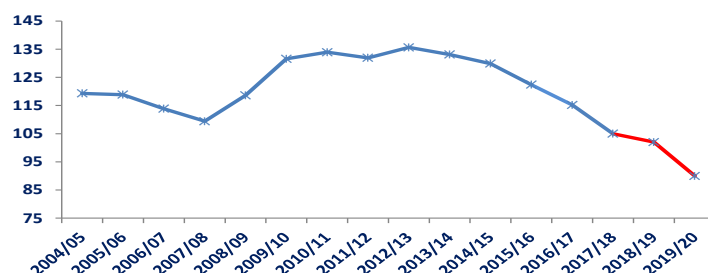
Total Expenditure for the period April to August 2019 amounted to \$252.79 billion, \$3.65 billion or 1.4% less than the budgeted \$256.43 billion. Recurrent expenditure which totalled \$229.61 billion, accounted for 90.83% of overall expenditures. Relative to projections, recurrent expenditure was \$1.03 billion (0.4%) less than budgeted. Of the recurrent expenditure categories for the review period, all categories with the exception of ‘Wages & Salaries’ and ‘Programmes’ were below the budgeted amount. ‘Programmes’ which amounted to \$84.32 billion, was \$2.77 billion or 3.4% more than projected. Wages & Salaries’ amounted to \$82.04 billion and was \$660.30 million or 0.8% more than projected. Whereas, ‘Compensation of Employees’ which amounted to \$88.87 billion was \$62.60 million or 0.1% less than projected. In addition, ‘Employee Contribution’ totalled \$6.84 billion, 9.6% less than the budgeted amount of \$7.56 billion.

As a result of the decrease in Expenditures for the period April to August 2019, the ‘Fiscal Deficit’ was \$2.16 billion, relative to a projected deficit of \$10.49 billion. Additionally, the primary balance for the period amounted to \$54.26 billion, 9.3% 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%.

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.

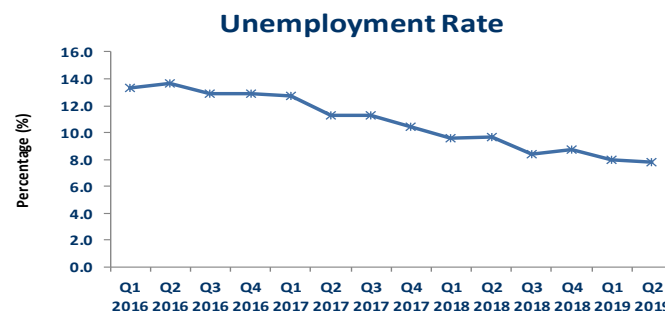
As part of the Memorandum of Economic and Financial Policies (MEFP), the GOJ estimates that the primary balance, as a performance criterion, should amount to \$150.93 billion by the end of the 2019/2020 fiscal year. Up to the September quarter, a primary balance of \$35.70 billion is estimated. As at the end of August 2019, this amounted to \$54.26 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 August 2019 was \$222.85 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.

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.

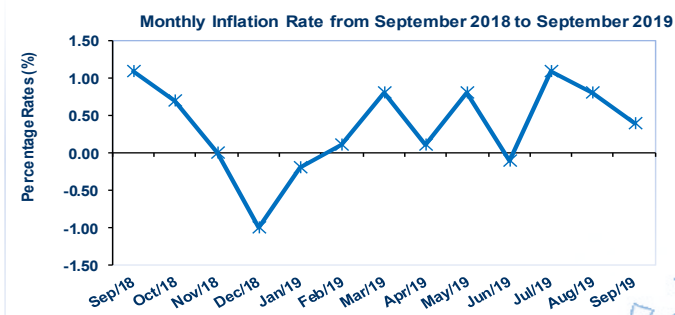
PRODUCER PRICE INDEX & CONSUMER PRICE INDEX

Producer Price Index:

“The Producer Price Index (PPI) for the ‘Mining and Quarrying’ industry increased by 3.5 per cent in August 2019,” according to the Statistical Institute of Jamaica (STATIN). This increase in the index resulted from an upward movement of 3.7 per cent in the index for the major group, ‘Bauxite Mining & Alumina Processing’.

The index for the ‘Manufacturing’ industry registered a decrease of 1.0 per cent. The main contributors to this movement were the major groups ‘Refined Petroleum Products’ which declined by 4.8 per cent and ‘Food, Beverages & Tobacco’, down by 0.3 per cent.

According to STATIN, “For the 2019/2020 fiscal year-to-date, the index for the Mining & Quarrying industry fell by 2.5 per cent while, the index for the Manufacturing industry recorded a decline of 0.2 per cent.”



Consumer Price Index:

The consumer price index for the month of September 2019 increased by 0.4%, following a 0.8% increase in its index for August 2019, according to The Statistical Institute of Jamaica (STATIN). The Consumer Price Index for the month of September rose to 264.2 relative to the 263.1 reported for August 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 0.3%. The ‘Communication’ and ‘Education’ divisions also contributed to September’s inflation rate with a 6.9% and 4.7% increase respectively in its index for the month of September. Inflation within the Greater Kingston Metropolitan Area, Rural Areas and Other Urban Centres each increased by 0.5%, 0.3% and 0.5% respectively.

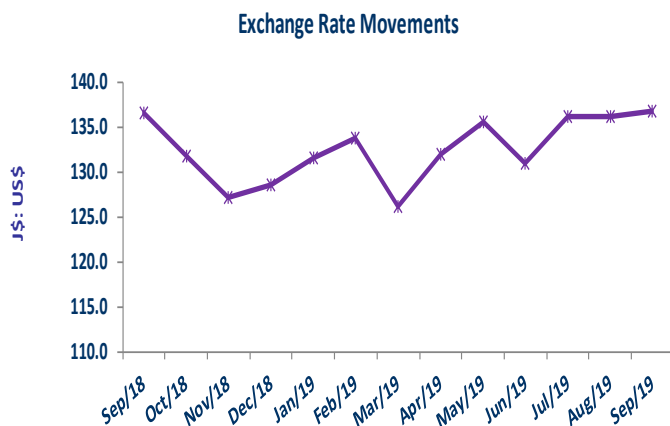
The index for the ‘Food and Non-Alcoholic Beverages’ division recorded a 0.5% increase in its index for September 2019, following a 0.9% increase for August 2019. This resulted from the upward movements within the groups ‘Food’ and ‘Non-Alcoholic Beverages’ by 0.6% and 0.3% respectively. Within the ‘Food’ group, the upward movement was mainly attributable to the 1.3% increase in the class ‘Vegetables and Starch Foods’ due to higher prices for agricultural produce. Other increases were recorded in the classes ‘Sugar, Jam, Honey, Chocolate and Confectionery’ by 0.4%. 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 0.2% and 0.3% respectively.

The movement in the index for the fiscal year-to-date was 3.0%. The calendar year-to-date inflation rate was 3.7%.

FOREIGN EXCHANGE MARKET

LOCAL FOREX

The Jamaican dollar depreciated against the USD for the month of September 2019. The JMD depreciated by \$0.55 in September, to close the month at an average of \$136.69 relative to the \$136.14 recorded in August 2019. Year over year, the JMD has depreciated by approximately \$0.18 or 0.13% relative to the \$136.51 reported as at September 2018.



INTERNATIONAL FOREX

GBP/USD: The pair closed at **\$1.2289** for the month of September. According to FX Empire, “Brexit headlines stand to drive volatility to GBP/USD in the week ahead as Prime Minister Johnson and his team work towards an exit deal. The major hold up in getting a deal done is the disagreement between the UK and EU on the Irish backstop. Johnson has been criticized several times for not bringing forth suggestions or ideas to get around the issue. But the PM intends to do exactly that. Johnson said that he has ideas to get around the issue and plans to present a proposal to EU officials for an amended Brexit agreement. Johnson was not clear about when such an agreement will be put forth to EU officials but said that he wanted to secure an agreement at the EU summit which takes places between October 17 and 18.”

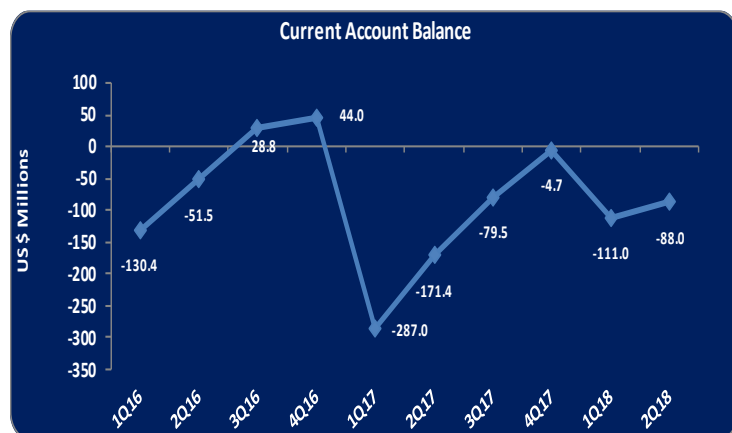
EUR/USD: The pair closed the month at **\$1.0899**. According to FX Empire, “In addition to the weak Manufacturing data, Eurostat reported a decline in the Consumer Price Index to 0.9%, marking the lowest reading in nearly three years. Inflation data plays a major role in central bank decisions and the already low CPI was part of the reason why the European Central Bank eased policy last month. Despite the overall poor data, EUR/USD appears to be catching a bid shortly after the data releases with a notable technical support area influencing the exchange rate.”

September 1-30				
Currency Pair	Open	High	Low	Close
GBP/USD	1.2081	1.2526	1.2081	1.2289
USD/CAD	1.3337	1.3337	1.3152	1.3241
EUR/USD	1.0974	1.1073	1.0899	1.0899
USD/JPY	105.94	108.45	105.94	108.08

USD/CAD: The CAD appreciated against the USD during the month of September by 0.7% to close at \$1.3241.



CURRENT ACCOUNT BALANCE



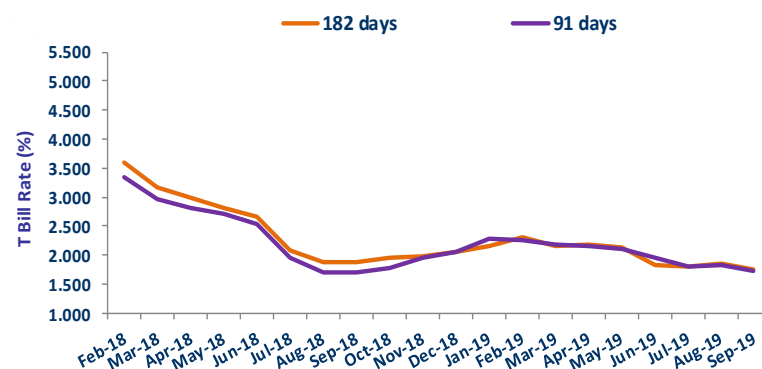
The latest data from the Bank of Jamaica shows the Current Account deficit for the March 2019 quarter amounted to US\$88 million. This is compared to the US\$111 million deficit booked for the December quarter of 2018.

Treasury Bills:

For the month of September applications for treasury bills exceeded demand, as the Bank of Jamaica (BOJ) issued a total of J\$1.40 billion in treasury bills, while applications totaled J\$2.10 billion and J\$2.55 billion for the 90-day and 180-day treasury bills respectively. The 91-day treasury bill auction resulted in the average yield of 1.74%, down 10 basis points compared to August, whilst the 182-day treasury bill auction resulted in the average yield of 1.75%, down 12 basis points relative to August's outturn. Notably, the average yields on the 91-day increased by 3 basis points compared to the auctions in 2018 for the comparable period. The 182-day treasury bills declined by 12 basis points relative to the corresponding auctions in 2018. (Refer to the graph on the right).

Components of Money Supply (M2*)			
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

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."



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 no Certificate of Deposits during the month of September 2019 relative to two issued in August 2019.



TOURISM

According to the latest data from the Jamaica Tourist Board, stopover arrivals in August 2019 amounted to 214,780 an increase of 4.2% when compared to 206,034 recorded August 2018.

Stopover arrivals from the U.S. market increased by 10% in August 2019 with a total of 152,458 arrivals compared to 138,591 arrivals in August 2018.

The Canadian market recorded declined in arrivals by 6.8% with arrivals amounting to 24,287 relative to 26,050 in August of last year.

The European market region recorded a decrease in arrivals by 11.2% to total 27,024 stopover arrivals in August 2019, relative to 30,447 recorded for August 2018.

Arrivals from Latin America recorded a decline of 6.6% with a total of 2,648 stopovers relative to 2,835 recorded in August 2018 (see Tourist Arrivals table to the right).

Stopover Arrivals by Market Region					
Country	August 2019	Share %	August 2018	Share %	Change %
U.S.A.	152,458	71.0%	138,591	67.3%	10.0%
Canada	24,287	11.3%	26,050	12.6%	-6.8%
Europe	27,024	12.6%	30,447	14.8%	-11.2%
Latin America	2,648	1.2%	2,835	1.4%	-6.6%
Caribbean	7,042	3.3%	6,851	3.3%	2.8%
Asia	745	0.3%	623	0.3%	19.6%
Others	576	0.3%	637	0.3%	-9.6%
Total	214,780	100.0%	206,034	100.0%	4.2%

REMITTANCE

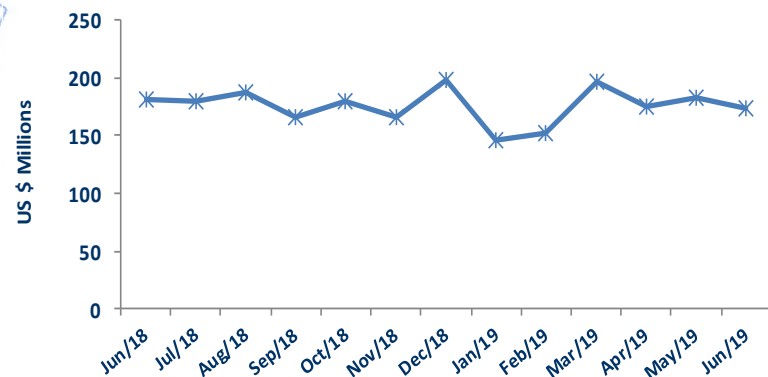
Latest data from the Bank of Jamaica (BOJ), for June 2019, showed net remittances were US\$173.3 million, a decrease of US\$8.4 million relative to US\$181.8 million reported for the corresponding month of 2018.

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



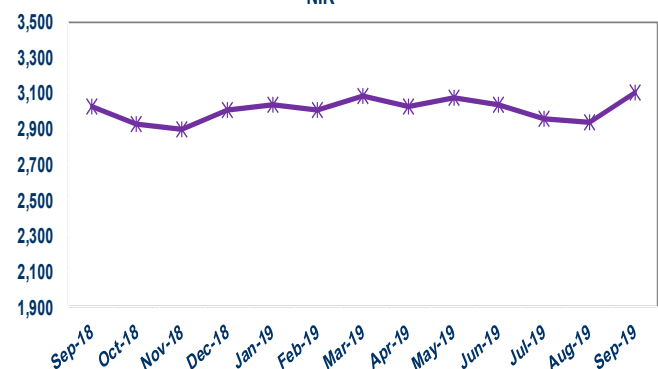
NET INTERNATIONAL RESERVES

Jamaica's Net International Reserves (NIR) totaled US\$3,098.05 million as at September 2019, reflecting an increase of US\$161.60 million relative to the US\$2,936.45 million reported as at the end of August 2019 (see figure 1).

Changes in the NIR resulted from an increase in Foreign Assets of US\$151.35 million to total US\$3,581.92 million compared to the US\$3,430.57 million reported for August 2019. 'Currency & Deposits' contributed the most to the increase in Foreign Assets. 'Currency & Deposits' as at September 2019 totaled US\$3,041.30 million reflecting an increase of US\$162.51 million compared to US\$2,878.79 million booked as at August 2019.

'Securities' amounted to US\$311.06 million; US\$10.31 million less the US\$321.38 million reported in August 2019. Foreign Liabilities for September 2019 amounted to US\$483.86 million compared to the US\$494.12 million reported for August 2019. Liabilities to the IMF accounted for 100% of total foreign liabilities, reflecting a US\$10.25 million decrease month over month from August 2019.

NIR



Actual NIR vs IMF Target

