



LOCAL ECONOMY

The month of October in review

In October, the Main Market continued to show a decline, where the JSE Main index fell 4.04%, year to date the market is still up 30.38%. The Junior Market index is also down 3.01% and, however, remaining up 5.04% YTD. October had no new listings; however, the market anticipated earnings season in early November.

There was significant rainfall in October, enough so to return water storage facilities in the corporate area either to capacity or near capacity. However, frequent rain does cause significant gridlock, which, over time, leads to a reduction in employee productivity.

Monthly Highlights

BOJ Policy Interest Rates remained unchanged at 0.50 percent in November; the next Monetary Policy announcement date is on December 20, 2019. Inflation is expected to stay below the current inflation target.

October inflation rose by 0.6 percent, mainly due to upward movements from the division 'Food and Non-Alcoholic Beverages 0.9% and Housing Water, Electricity, Gas and Other Fuels' at 0.9%.

Exchange rates in October rose on average to \$137.47; the monthly high was 140.12, which is a record high at the time, and a corresponding low of \$134.80. The exchange rates continue to exhibit a two-way movement; however, exchange rate expectation remains unchanged even after three consecutive years of the two-way flows.

Analyst Summary

The Jamaican economy, while continuing to grow has not been growing at the expected pace. October prices have begun to reflect the economic slowdown with price movements, mainly reflecting adverse conditions from earlier in the year. Annual point to point inflation is 3.3%, below the inflation target.

Stock market growth, particularly the Main market, has slowed, while the Junior Market starts to follow the trend but still has a net increase for the year. Business and Consumer confidence are down, reflecting the negative views on the current state of the economy, also matched with negative expectations on exchange rates.



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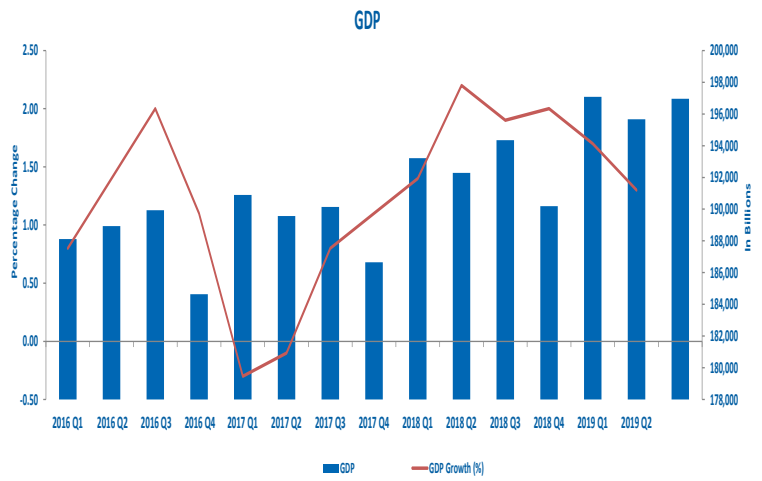


GROSS DOMESTIC PRODUCT

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%)”

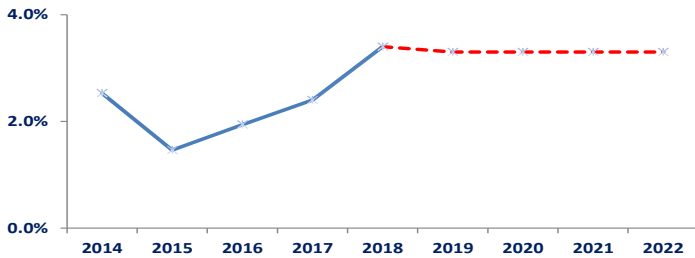
The positive performance of the Goods Producing Industries was due to higher levels of output in Manufacturing (3.3%) and Mining & Quarrying (4.6%). However, Agriculture, Forestry & Fishing declined by 1.7% and Construction by 1.4%. Growth in the Mining & Quarrying industry was mainly due to the rise 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 (%)



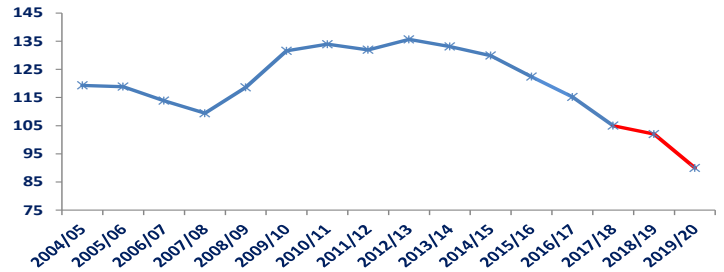
Total Expenditure for the period April to September 2019 amounted to \$299.55 billion, \$4.68 billion or 1.5% less than the budgeted \$304.23 billion. Recurrent expenditure which totalled \$272.99 billion, accounted for 91.13% of overall expenditures. Relative to projections, recurrent expenditure was \$4.19 billion (1.5%) less than budgeted. Of the recurrent expenditure categories for the review period, all categories were below the budgeted amount. ‘Programmes’ which amounted to \$101.01 billion, was \$1.15 billion or 1.1% less than projected. Wages & Salaries’ amounted to \$97.76 billion and was \$221.60 million or 0.2% less than projected. Whereas, ‘Compensation of Employees’ which amounted to \$105.71 billion was \$409.80 million or 0.4% less than projected. In addition, ‘Employee Contribution’ totalled \$7.95 billion, 2.3% less than the budgeted amount of \$8.14 billion.

As a result of the decrease in Expenditures for the period April to September 2019, the ‘Fiscal Surplus’ was \$14.40 billion, relative to a projected surplus of \$6.14 billion. Additionally, the primary balance for the period amounted to \$80.67 billion, 7.5% 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%.

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 \$2 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 \$140.01 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 September 2019, this amounted to \$80.67 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 September 2019 was \$276.42 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.

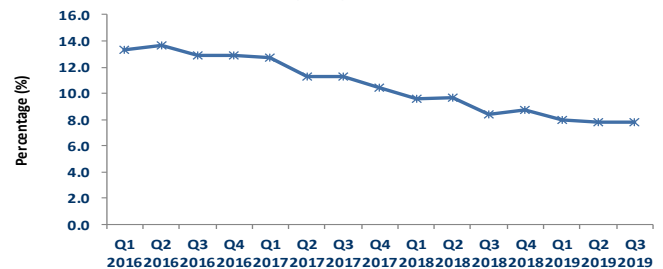
LABOUR FORCE

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	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	1,360,800	

The Labour Force at July 2019, was 1,360,800 persons, an increase of 2.0% compared to July 2018. The male labour force increased by 13,900 to 735,900 persons in July 2019 while the female labour force increased by 12,200 persons to 624,900 in July 2019. The Employed Labour Force for July 2019 was 1,254,100 which was 31,500 (2.6%) higher than in July 2018. Males accounted for 55.3 per cent of the employed labour force. For males, employment increased by 12,900 (1.9%) to 693,200 in July 2019. The number of employed females increased by 18,600 (3.4%) to 560,900 in July 2019. The unemployment rate for youth aged 14-24 years, was 20.2% in July 2019 compared to 22.2% in July 2018.

Unemployment Rate

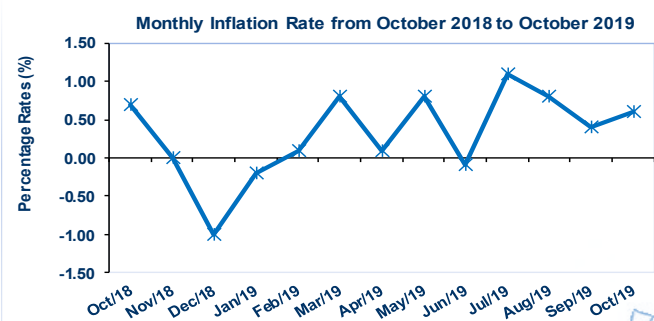


PRODUCER PRICE INDEX & CONSUMER PRICE INDEX**Producer Price Index:**

“The Producer Price Index for the ‘Mining and Quarrying’ industry increased by 0.1%,” according to the Statistical Institute of Jamaica (STATIN). This increase in the index resulted from a similar upward movement of 0.1% in the index for the major group, ‘Bauxite Mining & Alumina Processing’.

The index for the ‘Manufacturing’ industry registered an increase of 1.0%. The main contributors to this movement were the major groups, ‘Food, Beverages & Tobacco’ which increased by 0.9% and ‘Refined Petroleum Products’, up by 2.5%.

The 2019/2020 fiscal year-to-date, the index for the Mining & Quarrying industry fell by 2.4% while, the index for the Manufacturing industry recorded an increase by 0.9%.”

**Consumer Price Index:**

The consumer price index for the month of October 2019 increased by 0.6%, following a 0.4% increase in its index for September 2019, according to the Statistical Institute of Jamaica (STATIN).

The index for the ‘Food and Non-Alcoholic Beverages’ division recorded a 0.9% increase in its index for October 2019. The ‘Food’ group recorded a 1.0% rise in its index. Within the ‘Food’ group, the upward movement was mainly attributable to the 2.7% increase in the class ‘Vegetables and Starch Foods’ due to “higher prices for produce such as tomato, carrot, lettuce and irish potato”. Other increases were recorded in the classes ‘Meat’ (0.2%), ‘Fish and Seafood’ (0.2%) and ‘Food Products’ (0.6%).

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% and 0.1% respectively.

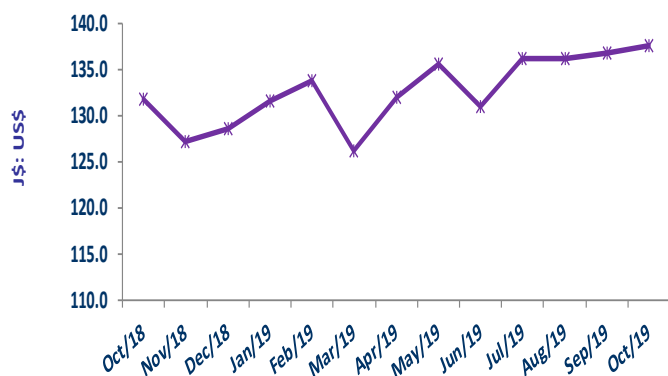
The ‘Housing Water, Electricity, Gas and Other Fuels’ division also contributed to October’s inflation rate with a 0.9% increase in its index mainly due to higher rates for electricity, water and sewage. Consequently, this led to the 1.4% rise in the index for the group ‘Electricity, Gas and other Fuels’ and 0.8% for ‘Water Supply and Miscellaneous Services Related to Dwelling’ for the month of October.

The division of ‘Transport’ recorded a decrease in its index by 0.1% which was attributed to lower petrol prices. Inflation within the Greater Kingston Metropolitan Area, Rural Areas and Other Urban Centres each increased by 0.9%, 0.4% and 0.5% respectively.

FOREIGN EXCHANGE MARKET**LOCAL FOREX**

The Jamaican dollar depreciated against the USD for the month of October 2019. The JMD depreciated by \$0.82 in October, to close the month at an average of \$137.51 relative to the \$136.69 recorded in September 2019. Year over year, the JMD has depreciated by approximately \$5.76 or 4.37% relative to the 131.75 reported as at October 2018.

Exchange Rate Movements

**INTERNATIONAL FOREX**

GBP/USD: The pair closed at **\$1.2942** for the month of October. According to FX Empire, “The British pound gained against all of its counterparts in the early part of October, driven by the prospects of Brexit deal. While an EU exit has been pushed back, the pound to dollar exchange rate continues to see a strong bid. A weaker dollar has been a big part of the reason why GBP/USD remains firm. There is also optimism that UK PM Johnson will push through a deal in January. The trade-weighted dollar index (DXY) posted a high at the start of October and has pretty much declined ever since. DXY posted a monthly loss just over 2% in October which was its largest single-month decline since January 2018. EUR/USD, which carries a strong inverse correlation with the dollar index, is hovering near a nine-week high. So a theme of dollar weakness is certainly prevalent.”

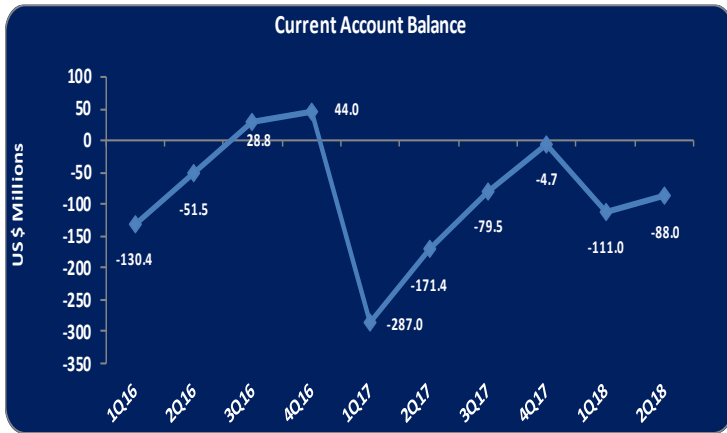
EUR/USD: The pair closed the month at **\$1.1152**. According to FX Empire, “After seeing a strong bid on the back of the Fed meeting, EUR/USD seems to have settled, just below a nine-week high. The pair is likely to see some volatility later in the day as there are several economic releases scheduled for release. Analysts are expecting the NFP US jobs report to show fewer jobs were created in October compared to the prior month. The expectation for the NFP report is for 90 thousand new jobs in October. Analysts are also looking for the average hourly earnings component to rebound to 0.3% after it fell short of expectations and came in flat last month. The unemployment rate is expected to tick higher to 3.6%.”

October 1-31				
Currency Pair	Open	High	Low	Close
GBP/USD	1.2302	1.2984	1.2206	1.2942
USD/CAD	1.3221	1.3337	1.3055	1.3164
EUR/USD	1.0933	1.1167	1.0933	1.1152
USD/JPY	107.75	108.95	106.92	108.03

USD/CAD: The CAD appreciated against the USD during the month of October by 0.4% to close at \$1.3164.



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.

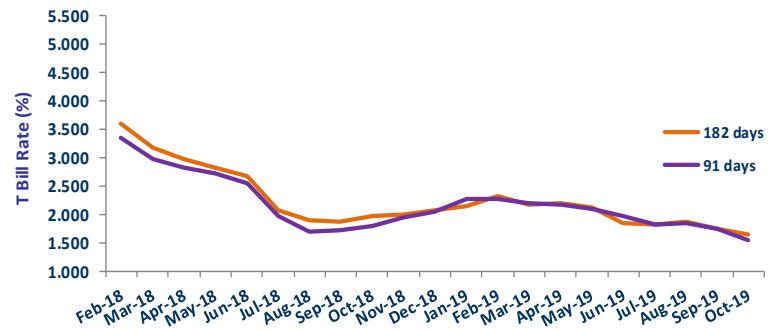
Treasury Bills:

For the month of October applications for treasury bills exceeded demand, as the Bank of Jamaica (BOJ) issued a total of J\$2.20 billion in treasury bills, while applications totaled J\$2.33 billion and J\$1.74 billion for the 90-day and 180-day treasury bills respectively. The 91-day treasury bill auction resulted in the average yield of 1.55%, down 19 basis points compared to September 2019, whilst the 182-day treasury bill auction resulted in the average yield of 1.65%, down 10 basis points relative to September's outturn. Notably, the average yields on the 91-day decreased by 24 basis points compared to the auctions in 2018 for the comparable period. The 182-day treasury bills declined by 31 basis points relative to the corresponding auctions in 2018. (Refer to the graph on the right).

MONEY SUPPLY

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-Oct-19	28 Days	1.00%	N/A	Fixed	30-Oct-19
09-Oct-19	28 Days	1.00%	N/A	Fixed	06-Nov-19
23-Oct-19	28 Days	1.00%	N/A	Fixed	20-Nov-19
25-Oct-19	15 Years	5.80%	N/A	Fixed	29-Oct-34

The Bank of Jamaica issued three Certificate of Deposits and a Fixed 5.80% Benchmark Investment Note during the month of October 2019





TOURISM

According to the latest data from the Jamaica Tourist Board, stopover arrivals in September 2019 amounted to 144,583 an increase of 7.2% when compared to 134,901 recorded September 2018.

Stopover arrivals from the U.S. market increased by 11.1% in September 2019 with a total of 95,650 arrivals compared to 86,062 arrivals in September 2018.

The Canadian market recorded declined in arrivals by 4.0% with arrivals amounting to 17,819 relative to 18,559 in September of last year.

The European market region recorded a decrease in arrivals by 3.0% to total 21,483 stopover arrivals in September 2019, relative to 22,156 recorded for September 2018.

Arrivals from Latin America recorded an increase of 28.6% with a total of 3,051 stopovers relative to 2,372 recorded in September 2018 (see Tourist Arrivals table to the right).

Stopover Arrivals by Market Region					
Country	September 2019	Share %	September 2018	Share %	Change %
U.S.A.	95,650	66.2%	86,062	63.8%	11.1%
Canada	17,819	12.3%	18,559	13.8%	-4.0%
Europe	21,483	14.9%	22,156	16.4%	-3.0%
Latin America	3,051	2.1%	2,372	1.8%	28.6%
Caribbean	5,486	3.8%	4,809	3.6%	14.1%
Asia	595	0.4%	589	0.4%	1.0%
Others	499	0.3%	363	0.3%	37.5%
Total	144,583	100.0%	134,910	100.0%	7.2%

REMITTANCE

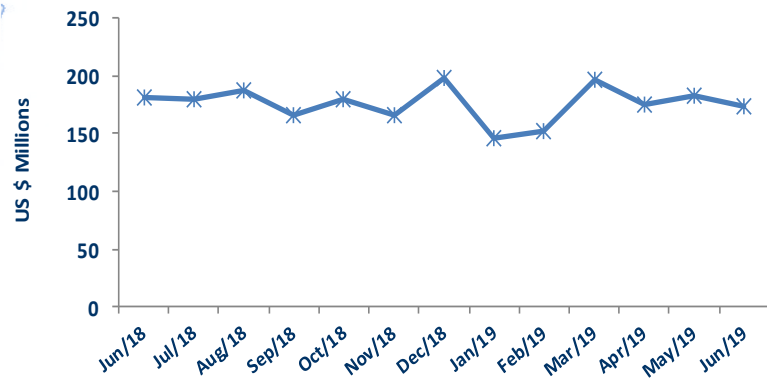
Latest data from the Bank of Jamaica (BOJ), for June 2019, showed net remittances were US\$173.3 million, a decrease of US\$8.4 million relative to US\$181.8 million reported for the corresponding month of 2018.

For the period January 2019 to June 2019, net remittance inflows totalled US\$1.03 billion, relative to US\$1.02 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



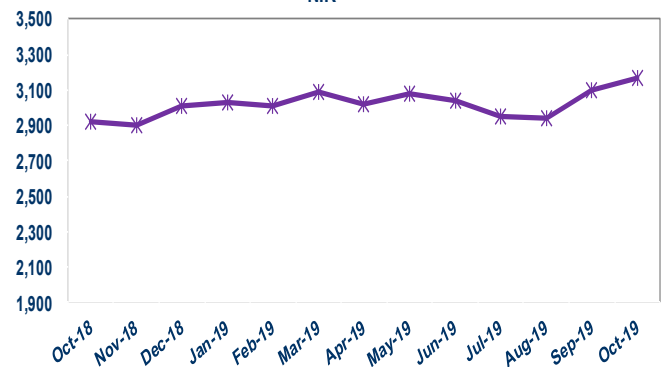
NET INTERNATIONAL RESERVES

Jamaica's Net International Reserves (NIR) totaled US\$3,169.57 million as at October 2019, reflecting an increase of US\$71.52 million relative to the US\$3,098.05 million reported as at the end of September 2019 (see figure 1).

Changes in the NIR resulted from an increase in Foreign Assets of US\$74.93 million to total US\$3,656.85 million compared to the US\$3,581.92 million reported for September 2019. 'Currency & Deposits' contributed the most to the increase in Foreign Assets. 'Currency & Deposits' as at October 2019 totaled US\$3,109.41 million reflecting an increase of US\$68.11 million compared to US\$3,041.30 million booked as at September 2019.

'Securities' amounted to US\$315.18 million; US\$4.11 million less the US\$311.06 million reported in September 2019. Foreign Liabilities for October 2019 amounted to US\$487.27 million compared to the US\$483.86 million reported for September 2019. Liabilities to the IMF accounted for 100% of total foreign liabilities, reflecting a US\$3.41 million increase month over month from September 2019.

NIR



Actual NIR vs IMF Target

