



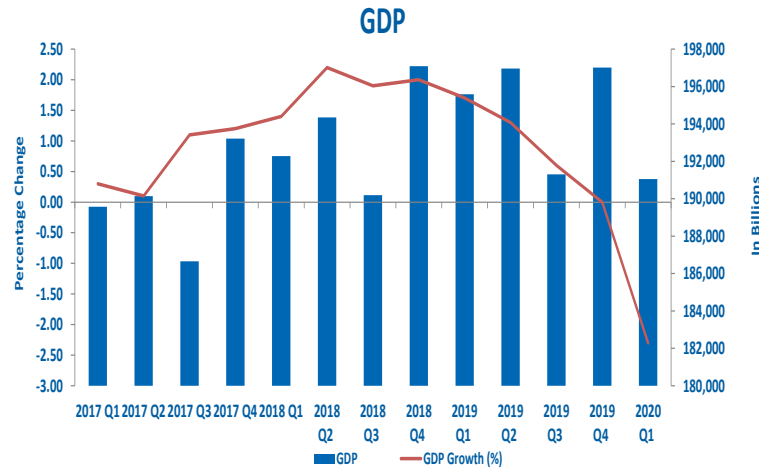
**LOCAL ECONOMY**

**GROSS DOMESTIC PRODUCT**

The latest data from the Statistical Institute of Jamaica indicated, total value added at constant prices for the Jamaican economy was \$197,053 million for the first quarter of 2020. This reflects a 2.3% decline when compared to 197,591 million for the similar quarter of 2019. This resulted from underperformances in both Services and Goods Industries which declined by 2.5% and 1.9%, respectively.

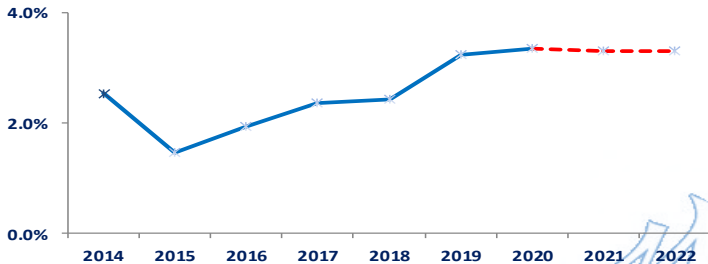
The decline in the Services Industries was due to reduced activities in, “Wholesale & Retail Trade; Repairs; Installation of Machinery & Equipment (1.3%), Hotels & Restaurants (14.1%), Transport, Storage & Communication (2.5%), Finance & Insurance Services (1.2%), and Other Services (3.2%),” STATIN indicated. However, “Electricity & Water Supply, Real Estate, Renting & Business Activities and the Producers of Government Services achieved growth of 2.1%, 0.2% and 0.2% respectively.” STATIN further stated.

STATIN reports, “Within the Goods Producing Industries, lower levels of output were recorded in, Mining & Quarrying by 35.8%, Construction by 3.3%, while Agriculture, Forestry & Fishing and Manufacturing recorded increased output by 7.8% and 2.2%, respectively.”



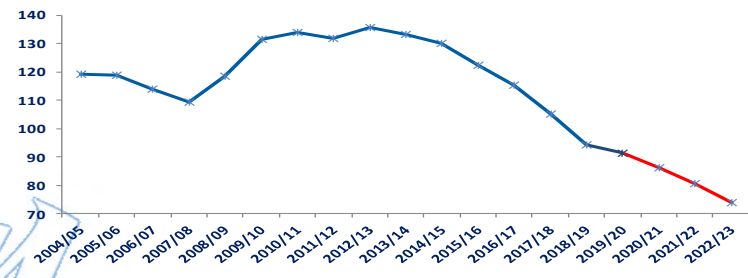
**CAPITAL EXPENDITURE TO GDP**

**Capital Expenditure to GDP (%)**



**DEBT TO GDP**

**Total Debt to GDP (%)**



Total Expenditure for the period April to July 2020 amounted to \$212.65 billion, 923.30 million or 0.4% more than the budgeted amount of \$211.73 billion. Recurrent expenditure which totalled \$197.13 billion, accounted for 92.7% of overall expenditures. Relative to projections, recurrent expenditure was \$742.60 million (0.4%) less than budgeted. Of the recurrent expenditure categories for the review period, the categories above the budgeted amount were ‘Programmes’ and ‘Wages and Salaries’. ‘Programmes’ amounted to \$83.32 billion and was \$917.10 million or 1.1% more than budgeted while ‘Wages and Salaries’ totalled \$69.01 billion, 0.1% above the budgeted amount of \$68.91 billion. ‘Compensation of Employees’ amounted to \$73.68 billion which was \$78.90 million or 0.1% less than budgeted. Additionally, ‘Employee Contribution’ totalled \$4.67 billion, 3.7% less than the budgeted amount of \$4.85 billion.

As a result of the increase in Expenditures for the period April to July 2020, the ‘Fiscal Deficit’ was \$50.91 billion, relative to a ‘Projected Deficit’ of \$59.59 billion. Additionally, the primary deficit balance for the period amounted to \$10.77 billion, 39.7% less than budgeted.

Public Debt to GDP fell to about 94.4% at the end of the 2018/2019 fiscal year. For the FY2019/20, Debt-to GDP is estimated at 91.5%. Notably, a debt-to-GDP ratio of 87.2% is projected for the end FY 2020/21, and is forecasted to decline to 67.8% by end-FY 2023/24. As at June 2020, Jamaica’s total debt stands at \$ 1.99 trillion.

As Jamaica aims to maintain fiscal discipline and macroeconomic stability, the Government forecasts a real GDP growth of 1.9% over the fiscal years 2020/21 to 2023/24. Notably, growth in both the goods and services industries is expected to drive the expansion. Mining & Quarrying is expected to contribute to the expansion in the goods industry, particularly in the latter years, due to the expected increase in production capacity following the resumption of operations at the JISCO (ALPART) refinery. Within the services industry, the largest impact is expected from Hotels & Restaurants, boosted by increasing visitor arrivals.

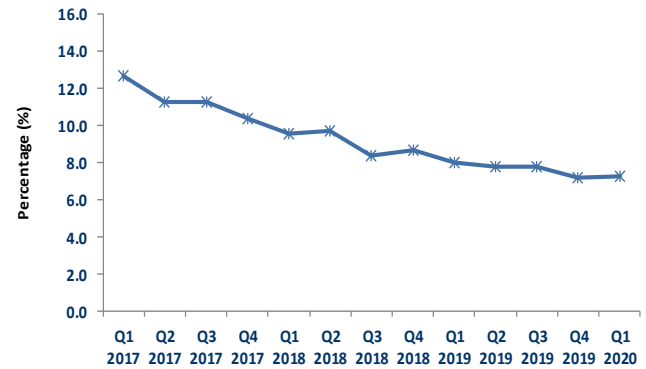


## LABOUR FORCE

| Unemployment Rate (%) | January Q1 | April Q2 | July Q3 | October Q4 |
|-----------------------|------------|----------|---------|------------|
| 2014                  | 13.4       | 13.6     | 13.8    | 14.2       |
| 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     | 7.2        |
| 2020                  | 7.3        |          |         |            |

| Labour force | January Q1 | April Q2  | July Q3   | October Q4 |
|--------------|------------|-----------|-----------|------------|
| 2014         | 1,305,500  | 1,311,100 | 1,303,700 | 1,310,200  |
| 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 | 1,345,100  |
| 2020         | 1,369,500  |           |           |            |

Unemployment Rate



The Labour Force at January 2020, was 1,369,500 persons, an increase of 29,300 persons or 2.2% when compared to January 2019. The male labour force increased by 16,700 to 733,700 persons in January 2020 while the female labour force increased by 12,600 persons to 635,800 in January 2020. The Employed Labour Force for January 2020 was 1,269,100 which was 36,400 (3.0%) higher than in January 2019. The increase in employment for females was nearly twice that of males. For males, employment increased by 16,800 (2.5%) to 690,300 in January 2020. The number of employed females increased by 19,600 (3.5%) to 578,800 in January 2020. The unemployment rate for youth aged 14-24 years, was 19.0% in January 2020 compared to 21.8% in January 2019.

## PRODUCER PRICE INDEX & CONSUMER PRICE INDEX

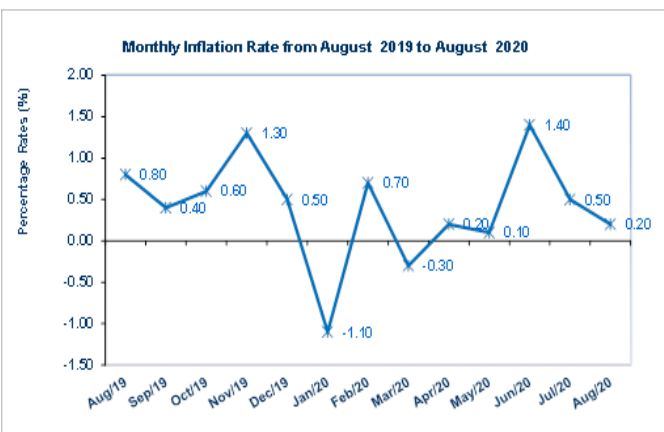
### Producer Price Index:

“The Producer Price Index for the ‘Mining and Quarrying’ industry increased by 0.4%,” according to the Statistical Institute of Jamaica (STATIN). This increase in the index resulted from an upward movement of 0.5% in the index for the major group, ‘Bauxite Mining & Alumina Processing’. Also, the index for ‘other Mining & Quarry’ went down by 0.7%

The index for the Manufacturing industry increased by 0.7%. This was mainly attributed to increases in the index for the major groups ‘Food, Beverages, Tobacco,’ which went up by 0.1% , and ‘Paper and Paper Products’ went by 1.0%. Most importantly, ‘Refined Petroleum Products’ went up by 4.1% .

For the point-to-point period July 2019 – July 2020, the index for the ‘Mining & Quarrying’ industry decreased by 3.9%, due to major group ‘Bauxite & Alumina Processing’ which fell by 4.0%. While the ‘Manufacturing’ industry index decreased by 0.2%.

Furthermore, STATIN noted, “For the 2020/2021 fiscal year, April 2020 - July 2020, the index for the Mining & Quarrying industry increased by 7.3 per cent, while the index for the Manufacturing industry recorded an upward movement of 1.8 per cent.”



### Consumer Price Index:

The consumer price index for August 2020 was 105.9 resulting in an inflation rate of 0.2% increase when compared to previous month’s 105.7 price index, according to the Statistical Institute of Jamaica (STATIN). This increase was as result of, ‘Housing, Water, Electricity, Gas and Other Fuels’, which booked a 1.2% increase in its index. Notably, STATIN stated, “Transport and ‘Recreation, Sport and Culture’ also recorded increases of 0.3% and 1.2% respectively.”

The heaviest weighted division of ‘Food and Non-Alcoholic Beverages’, recorded a 0.5% decrease. Additionally, STATIN highlighted increases in other divisions such as ‘Personal Care, Social Protection and Miscellaneous Goods’ and ‘Furnishings, Household Equipment and Routine Household Maintenance’, which increased by 0.6% and 0.3% respectively. Also, the ‘Alcoholic Beverages, Tobacco and Narcotics’ division index rose 0.1%, while, ‘Clothing and Footwear’ division increased by 0.4% and ‘Health’ division climbed 0.4%. Inflation within the Greater Kingston Metropolitan Area, Rural Areas and Other Urban Centres each recorded an inflation rate of 0.1%, 0.2% and 0.3%, respectively for August 2020.

The index for the ‘Food and Non-Alcoholic Beverages’ division went down 0.5% for August 2020. The ‘Food’ group index decreased 0.6% and the ‘Non-Alcoholic Beverages’ group went up by 0.5%.

The ‘Alcoholic Beverages, Tobacco and Narcotics’ division increased by 0.1% for August 2020, due to a 0.1% increase in ‘Alcoholic Beverages’. While, the division for ‘Clothing and Footwear’ observed an increase of 0.4% in its index for August 2020. In the index the group ‘Clothing’ registered growth of 0.5% and ‘Footwear’ climbed by 0.2% for August 2020.

The index for the ‘Housing, Water, Electricity, Gas and Other Fuels’ division recorded a 1.2% increase in its index for August 2020. This is as a result of a 1.5% rise in the index for the group ‘Electricity, Gas and Other Fuels’ and 5.6% increase in the index for the group ‘Water Supply and Miscellaneous Services Related to the Dwelling.’

The ‘Recreation, Sport and Culture’ division registered a 1.2% rise for August 2020 due to an increase in the price for books, stationery and drawing materials. Lastly, the division for ‘Personal Care, Social Protection and Miscellaneous Goods and Services’ produced an increase of 0.6% for August 2020, which was a result of the upward movement in the index for the group ‘Personal Care’ of 0.5%. Also, ‘Other Services’ went up 1.7%.



# FOREIGN EXCHANGE MARKET

## LOCAL FOREX

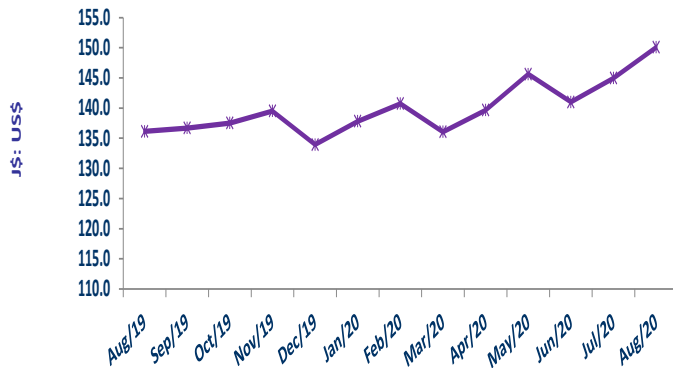
## INTERNATIONAL FOREX

The Jamaica dollar depreciated against the USD for the month of August 2020. The JMD depreciated by \$5.12 in August, to close the month at an average of \$150.08 relative to the \$144.96 recorded in July 2020. Year over year, the JMD has depreciated by approximately \$13.94 or 10.24% relative to the \$136.14 reported as at August 2019.

**GBP/USD:** The pair closed at **\$1.3369** for the month of August. According to FX Empire, “The British pound has gone back and forth during the trading session on Monday, trying to regain its footing to continue the move that we had seen on Friday. Quite frankly, the US dollar looks as if it is on its back foot, so it would make quite a bit of sense that the British pound remains somewhat buoyant in this atmosphere.” Also, “At this point, it looks as if the 1.33 level is going to be a potential support level. The Federal Reserve now has started to target “an average level of inflation” rather than a hard number of 2%. In other words, Jerome Powell has stated that the Federal Reserve is willing to let inflation run a little hotter at times, thereby raising the bar for higher interest rates.”

**EUR/USD:** The pair closed the month at **\$1.1936**. According to FX Empire, “EUR/USD investors adjusting to a speech by Federal Reserve Chair Jerome Powell which outlined an accommodative policy change which is believed could result in inflation moving slightly higher and interest rates staying lower for longer.” FX empire mentioned that higher inflation erodes the domestic purchasing power of the dollar more quickly and thus “it is difficult to assume that it will maintain its purchasing power on the FX market in the long run.”

Exchange Rate Movements

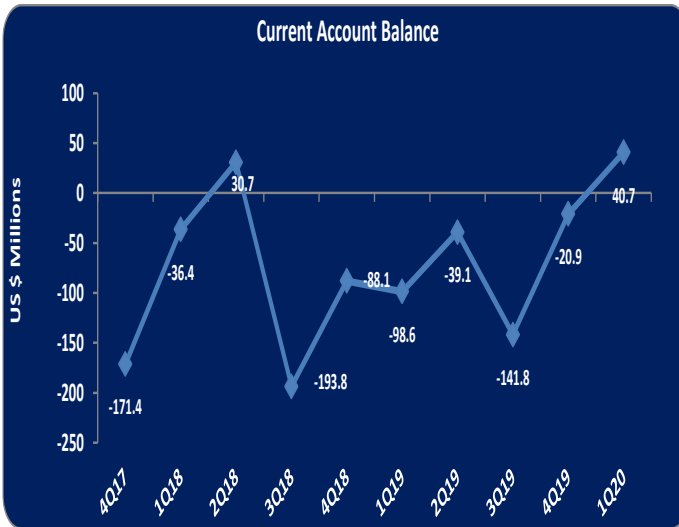


| August 1-31   |        |        |        |        |
|---------------|--------|--------|--------|--------|
| Currency Pair | Open   | High   | Low    | Close  |
| GBP/USD       | 1.3075 | 1.3369 | 1.3032 | 1.3369 |
| USD/CAD       | 1.3391 | 1.3384 | 1.3102 | 1.3045 |
| EUR/USD       | 1.1763 | 1.1936 | 1.1736 | 1.1936 |
| USD/JPY       | 105.96 | 106.92 | 105.34 | 105.89 |

**USD/CAD:** The CAD appreciated against the USD during the month of August by 2.58% to close at \$0.03.

## CURRENT ACCOUNT BALANCE

## MONEY SUPPLY



| Components of Money Supply (M2*) |        |        |        |
|----------------------------------|--------|--------|--------|
| Percentage Change (%)            | Jul-19 | Mar-20 | Jun-20 |
| Total Money Supply (M2*)         | 11.3   | 15.0   | 16.3   |
| Money Supply (M2J)               | 12.8   | 13.4   | 16.5   |
| Money Supply (M1J)               | 18.5   | 15.1   | 18.7   |
| Currency with the public         | 13.0   | 16.2   | 24.7   |
| Demand Deposits                  | 22.5   | 14.3   | 14.8   |
| Quasi Money                      | 8.1    | 11.9   | 14.6   |
| Savings Deposits                 | 9.9    | 17.6   | 16.3   |
| Time Deposits                    | 1.8    | -5.0   | 8.1    |
| Foreign Currency Deposits        | 9.0    | 18.0   | 15.9   |

The latest data from the Bank of Jamaica shows the Current Account surplus for the March 2020 quarter is estimated at US\$40.7 million (0.3% of GDP). This is US\$214 million better than the previous projected and US\$139 million better when compared to the current account deficit for the March 2019 quarter.

According to the latest data available from the Bank of Jamaica’s quarterly report, “The expansion in M2J at June 2020 was underpinned by growth of 14.6 per cent in local currency deposits, an acceleration relative to the 12.7 per cent recorded at end-March 2020. The acceleration in the growth in deposits was reflected in savings and demand deposits, which grew by 16.3 per cent and 14.8 per cent, respectively, relative to growth of 17.6 per cent and 14.3 per cent in March 2020.”

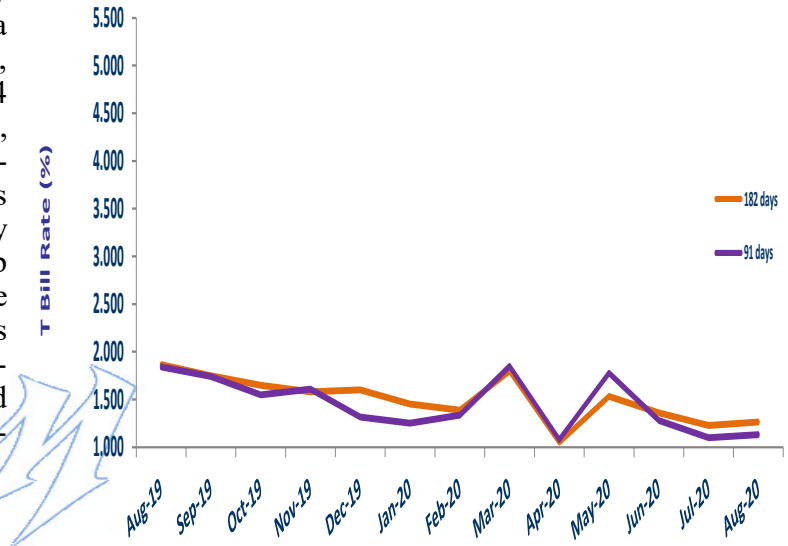




### Treasury Bills:

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\$2.30 billion and J\$2.44 billion for the 90-day and 180 –day treasury bills, respectively. The 91-day treasury bill auction resulted in the average yield of 1.13%, down 3 basis points compared to July 2020, whilst the 182-day treasury bill auction resulted in the average yield of 1.26%, up 3 basis points relative to July’s outturn. Notably, the average yields on the 91-day decreased by 71 basis points compared to the auctions in 2019 for the comparable period. The 182-day treasury bills declined by 1 basis points relative to the corresponding auctions in 2019.(Refer to the graph on the right).

Treasury Bill Rates



### OPEN MARKET OPERATION

| Issue Date | Tenor   | Initial Coupon % | Reset Margin % | Benchmark | Interest/<br>Maturity Date |
|------------|---------|------------------|----------------|-----------|----------------------------|
| 18-Aug-20  | 14 Days | N/A              | N/A            | Fixed     | 1-Sep-20                   |

The Bank of Jamaica issued a 14-day Repurchase Operation during August 2020 relative to a 30 Days Treasury Bill during the month of July 2020.

### TOURISM

According to the latest data from the Jamaica Tourist Board, stop-over arrivals in August 2020 amounted to 43,813 a significant decrease of 80% when compared to 214,780 recorded August 2019. Notably this is due to travel restrictions implemented in April, as a result of the pandemic. Also, Jamaica borders were re-opened on June 15, 2020, however, cruise ship piers remain closed.

Stopover arrivals from the U.S. market decreased by 76% in August 2020 with a total of 36,719 arrivals compared to 152,458 arrivals in August 2019.

The Canadian market recorded an decrease in arrivals by 86% with arrivals amounting to 3,386 relative to 24,287 in August of last year.

The European market region recorded a decrease in arrivals by 90% to total 2,850 stopover arrivals in August 2020, relative to 27,024 recorded for August 2019.

Arrivals from Caribbean recorded an decrease of 90% with a total of 703 stopovers relative to 7,042 recorded in August 2019 (see Tourist Arrivals table to the right).

| Country       | Stopover Arrivals by Market Region |               |                |               |               |
|---------------|------------------------------------|---------------|----------------|---------------|---------------|
|               | August 2020                        | Share %       | August 2019    | Share %       | Change %      |
| U.S.A.        | 36,719                             | 83.8%         | 152,458        | 71.0%         | -75.9%        |
| Canada        | 3,386                              | 7.7%          | 24,287         | 11.3%         | -86.1%        |
| Europe        | 2,850                              | 6.5%          | 27,024         | 12.6%         | -89.5%        |
| Latin America | 60                                 | 0.1%          | 2,648          | 1.2%          | -97.7%        |
| Caribbean     | 703                                | 1.6%          | 7,042          | 3.3%          | -90.0%        |
| Asia          | 51                                 | 0.1%          | 745            | 0.3%          | -93.2%        |
| Others        | 44                                 | 0.1%          | 576            | 0.3%          | -92.4%        |
| <b>Total</b>  | <b>43,813</b>                      | <b>100.0%</b> | <b>214,780</b> | <b>100.0%</b> | <b>-79.6%</b> |







## REMITTANCE

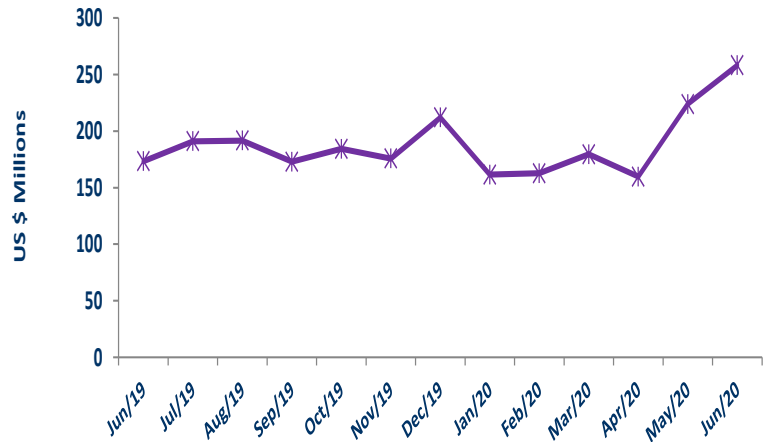
Latest data from the Bank of Jamaica (BOJ), for June 2020, showed net remittances were US\$258.3 million, an increase of US\$85 million (49%) relative to US\$173.3 million reported for the corresponding month of 2019.

For the period April 2020 to June 2020, net remittance inflows totalled US\$641.9 million, relative to US\$531 million for the corresponding period in 2019.

For June 2020, total inflows amounted to US\$275.1 million (2019: US\$194.3 million), while outflows totalled US\$16.8 million (2019: 21 million).

The largest source market of remittances to the island in June was USA with a share of 69.3% (2019: 65.6%). The remaining remittances during the above mentioned month came from Canada (10.9%) followed by UK (5.4%) and others (3.9%).

Net Remittance



## NET INTERNATIONAL RESERVES

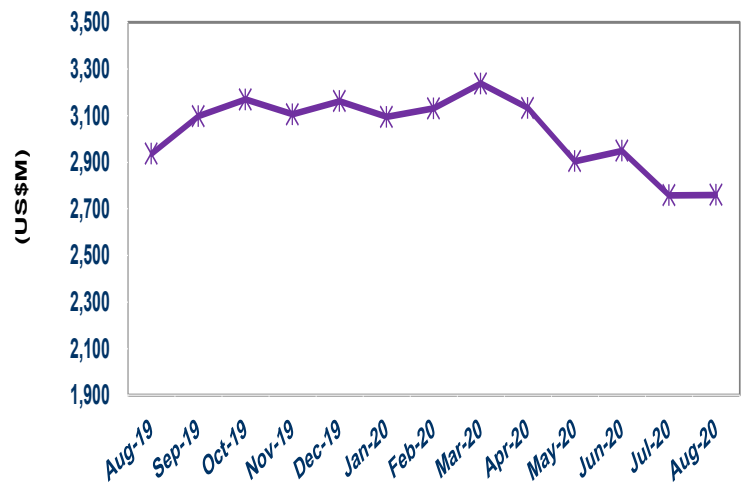
Jamaica's Net International Reserves (NIR) totaled US\$2,759.39 million as at August 2020, reflecting a decrease of US\$1.03 million relative to the US\$2,758.36 million reported at the end of July 2020 (see figure 1).

Changes in the NIR resulted from an increase in Foreign Assets of US\$5.09 million to total US\$3,745.18 million compared to the US\$3,740.09 million reported for July 2020. 'Currency & Deposits' contributed the most to the increase in Foreign Assets. 'Currency & Deposits' as at August 2020 totalled US\$3,202.66 million reflecting an increase of US\$10.75 million compared to US\$3,191.91 million booked as at July 2020.

'Securities' amounted to US\$317.77 million; US\$1.13 million less than the US\$318.90 million reported in July 2020. While, 'SDR & IMF Reserve Position' amounted to US\$224.75 million; US\$4.53 million less than the US\$229.28 million reported in July 2020. Foreign Liabilities for August 2020 amounted to US\$985.79 million compared to the US\$981.73 million reported for July 2020. Liabilities to the IMF accounted for 100% of total foreign liabilities, reflecting a US\$4.06 million increase month over month from July 2020.

At its current value, the NIR is US\$177.06 million less than its total of US\$2,936.45 million as at the end of August 2019. The current reserve is able to support approximately 54.02 weeks of goods imports and 36.59 weeks of goods and services imports.

NIR



Actual NIR vs IMF Target

