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BANK OF JAMAICA

Quarterly Monetary Policy Report

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Nethersole Place
Kingston
Jamaica

Telephone: (876) 922 0750-9
Fax: (876) 967 4265
Email: library@boj.org.jm
Website: www.boj.org.jm

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Monetary Policy at the Bank of Jamaica

Bank of Jamaica's monetary policy objective is to achieve an inflation target of 4 – 6 per cent per annum for the next three years. This inflation rate, measured as the annual point-to-point change in the consumer price index that is published by the Statistical Institute of Jamaica, will facilitate sustained growth and development in Jamaica.

The inflation target was established by the Minister of Finance and the Public Service in consultation with Bank of Jamaica in April 2021.

The Bank uses a variety of tools to achieve its inflation target, the main one being the interest rate on overnight balances in the current accounts of deposit-taking institutions at Bank of Jamaica. Changes in the Bank's policy rate signals the Bank's policy stance towards achieving its inflation objective, which is transmitted to prices through the financial markets and then through spending and investment decisions.

Monetary policy decisions affect inflation with a lag of between 4 to 8 quarters. For this reason, monetary policy in Jamaica is forward looking and the Bank puts much effort into establishing its view of the economy in the future, and bases its decision on this view. It is also important that the Bank clearly and transparently communicates this view of the future to the Jamaican public. The Bank undertakes an assessment of the economy eight times during each calendar year and publishes its decisions in accordance with a pre-announced schedule. On four of these occasions, when most data on the key macro-economic variables are available, the Bank prepares a comprehensive macroeconomic forecast covering the international economy, the fiscal accounts, balance of payments, money, credit, interest rates, GDP and prices.

This Monetary Policy Report describes the Monetary Policy Committee's most recent policy decision and outlines the Bank's projections for inflation in Jamaica and the main macroeconomic variables that affect it. The Monetary Policy Report is prepared and published once every three months at the time of four of the Bank's monetary policy announcements.

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Overview

Developments in the June 2021 quarter continued to be impacted by the ongoing coronavirus (COVID-19) crisis in Jamaica and the world. Despite signs of improvement in economic activity and increased optimism given the deployment of the COVID-19 vaccines, the prospects for the Jamaican economy continues to be characterised by uncertainty, particularly in the context of a recent surge in COVID-19 cases domestically and internationally as well as more stringent measures taken by governments around the world to contain the virus spread.

Annual inflation was 4.3 per cent at June 2021, below the 5.2 per cent at March 2021 and 6.3 per cent at June 2020. This outturn mainly reflected the moderating impact on food price inflation from a recovery in agricultural supplies, partly offset by the impact of increased international commodity prices and improved, albeit still weak, aggregate demand. Over the next eight quarters, inflation is projected to average within a range of 5.5 per cent to 6.5 per cent (higher than the average rate of 4.8 per cent previously projected). Bank of Jamaica's current assessment is that both the first round and second round effects of the shock will be temporary and that inflation on average, will remain broadly within target following a breach at the upper bound of the Bank's inflation target from as early as the September 2021 quarter.

The Jamaican economy is estimated to have grown in the range of 10.0 per cent to 12.0 per cent for the June 2021 quarter, an improvement relative to the contraction of 6.7 per cent recorded for the March 2021 quarter. From the perspective of aggregate supply, there was estimated growth in the majority of the industries for the review quarter. For FY2021/22, a partial recovery of 7.0 per cent to 10.0 per cent in real GDP is projected. The risks to the growth forecast are balanced.

Jamaica's current account of the balance of payments is anticipated to improve over the next eight quarters relative to the previous forecast. This improvement is largely underpinned by higher surpluses on the services and current transfers sub-accounts partly offset by a deterioration on the merchandise trade balance. For FY2020/21, the current account deficit (CAD) of the balance of payments deteriorated to 1.1 per cent of GDP, 0.6 percentage points lower (better) than the previous estimate of 1.7 per cent of GDP. The Bank anticipates that the CAD will deteriorate within the range of 1.0 per cent to 2.0 per cent of GDP for FY2021/22 to FY2022/23 before improving over the medium-term to average 0.8 per cent of GDP. The risks to the projections for the CAD are skewed to the downside (lower deficit). Jamaica's international reserves remain buoyant with gross reserves at end-June 2021 of US$4.3 billion, representing 130.6% of the Assessing Reserve Adequacy metric for FY2021/22.

The exchange rate has continued to exhibit two-way movements. The annual average rate of depreciation at end-June 2021 was 6.7 per cent, below the average depreciation of 7.1 per cent recorded last year. These demand pressures were attenuated by BOJ sales of US$171.0 million for the quarter, of which B-FXITT sales accounted for US$110.0 million. This was much lower that the total of US$491.8 million provided during the June 2020 quarter in the early phase of the pandemic.

Notwithstanding the impact of the COVID-19 pandemic, the financial system continued to be resilient. Broad money grew at an annual rate of 17.9 per cent at May 2021, an acceleration relative to the growth at March 2021. The expansion in broad money at May 2021 reflected growth of 17.7 per cent in local currency deposits which stemmed from growth of 17.3 per cent and 18.9 per cent in savings and demand deposits, respectively. Private sector credit provided by DTI's, however, continued to grow at a slow pace. The slowdown in credit growth reflected weaknesses in income and demand conditions due to the effects of the COVID-19 pandemic.

Given the threats to the inflation target the Monetary Policy Committee agreed to consider commencing a tightening of monetary policy at its next meeting in September 2021. The Bank continued to be focussed on ensuring that inflation remains low, stable and predictable, within the target range of 4.0 per cent to 6.0 per cent.

Contents

ABBREVIATIONS & ACRONYMS

B-FXITT	Bank of Jamaica's Foreign Exchange Intervention & Trading Tool
BOJ	Bank of Jamaica
BOP	Balance of Payments
Brexit	British Exit
bps	Basis points
CAD	Current Account Deficit
CDs	Certificates of Deposit
CDI	Credit Demand Index
CIF	Cost, Insurance and Freight
CPI	Consumer Price Index
CPI-AF	Consumer Price Index without Agriculture and Fuel
CPI-F	Consumer Price Index without Fuel
CPI-FF	Consumer Price Index without Food and Fuel
CSI	Credit Supply Index
CY	Calendar Year
DIJA	The Dow Jones Industrial Average
DTIs	Deposit-taking Institutions
EFR	Excess funds rate
EGOF	Electricity, Gas & Other Fuels
EMBI+	JP Morgan Emerging Market Bond Index
e.o.p	End of Period
EPI	Export Price Index
EFR	Excess Funds Rate
Fed	US Federal Reserve System
FNB	Food & Non-Alcoholic Beverages
FTSE	Financial Times Stock Exchange
FY	Fiscal Year
GDP	Gross Domestic Product
GOJ	Government of Jamaica
GOJGBs	Government of Jamaica Global Bonds
HWEG	Housing, Water, Electricity Gas & Other Fuels
IES	Inflation Expectations Survey
IMF	International Monetary Fund
IPI	Import Price Index
IRC	Interest Rate Corridor
JMD	Jamaica Dollar
JSE	Jamaica Stock Exchange

LHS	Left Hand Side
LME	London Metal Exchange
M2J	Broad money supply
M2+	Broad money supply that includes foreign currency deposits
MCI	Monetary Conditions Index
NDA	Net Domestic Assets
NIR	Net International Reserve
NOP	Net Opening Position
o/w	Of which
O/N	Overnight
OMO	Open Market Operations
PMMR	Private Money Market Rates
QoQ	Quarter over Quarter
QPC	Quantitative Performance Criteria
RADA	Rural Agriculture Development Agency
REER	Real Effective Exchange Rate
S&P	Standard & Poor's
SBA	Stand-by Agreement
SCT	Special Consumption Tax
SLF	Standing Liquidity Facility
T-Bill	Treasury Bill
TP	Trading Partners
UR	Unemployment Rate
US	United States
USD	US dollar
WASR	Weighted Average Selling Rate
WTI	West Texas Intermediate

1.0 Inflation

Inflation is projected to average between 5.5 per cent and 6.5 per cent over the next two years (September 2021 to June 2023), an acceleration relative to average inflation of 5.0 per cent over the past eight quarters and above the previous projection, but within the target range of 4.0 per cent to 6.0 per cent. Inflation is, however, likely to breach the upper limit of the Bank's target range over the next year (starting from as early as the September 2021 quarter) and then gradually decelerate towards the midpoint of the target range as the transitory effects of the pandemic fade. The inflation projection is driven primarily by a gradual rise in core inflation, supported by the lagged impact of higher international grains and shipping prices, a recovery in domestic demand and a temporary jump in inflation expectations. The recovery in domestic demand conditions will be partly driven by improved external demand. The outlook for core inflation also contemplates the effects of one-off adjustments in selected regulated prices as well as further increases in house rental rates. In addition, headline inflation is projected to be affected by the lagged and second round impact of energy prices. While international commodity prices are expected to remain elevated in the short term, they are projected to fall as demand/supply imbalances in the global economy continue to improve.

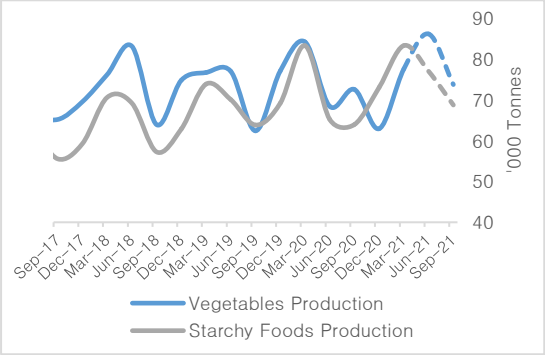
There is a high level of uncertainty surrounding the inflation forecast, especially given the emergence of new variants of the Corona virus. The risks to the near-term inflation forecast are, however, assessed to be skewed to the upside. Upside risks (which means that inflation could track above the forecast) include higher than expected inflation expectations and the impact of an adverse hurricane season on the supply of agricultural foods and prices. On the downside, demand conditions could be weaker than anticipated because of lower global growth and tighter stringency measures while there could a stronger than expected fall in commodity prices, all stemming from the emergence of the delta variant of the corona virus. The prices for a number of commodities, including grains and oil, have already fallen from their peak levels.

Recent Developments and Near-term Outlook

The annual point-to-point inflation rate at June 2021 was 4.3 per cent, lower than the 6.3 per cent at June 2020 and within the Bank's target range. The outturn mainly reflected the moderating impact on food price inflation from a recovery in agricultural supplies, partly offset by the impact of increased international commodity prices, faster depreciation in the nominal exchange rate and improved, albeit weak, aggregate demand. The moderation in agricultural prices reflected an annual decline of 9.6 per cent in the Vegetables and tubers subdivision at June 2021, relative to an increase of 34.1 per cent at June 2020, due to favourable supply conditions (see Figure 1).

The Bank's main measure of core inflation (inflation that excludes the immediate influence of agriculture and energy prices – referred to as CPIAF) at June 2021 rose to 7.2 per cent, relative to 5.3 per cent at March 2021 and 2.9 per cent at June 2020 (see Figure 2).

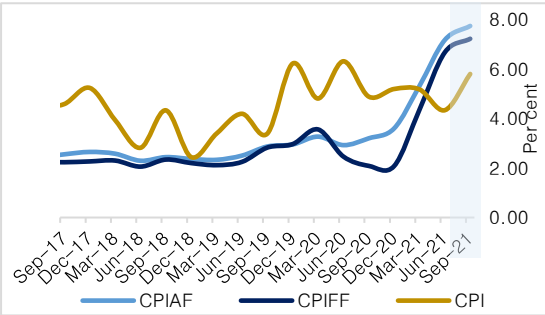
Figure 1: Vegetables and Starchy Foods Production (Tonnes)



Source: MICAF & BOJ Calculations
The graph represents quarterly supply (in tonnes) for vegetables and selected starches provided by Ministry of Agriculture.

Core inflation was primarily influenced by higher education cost and the pass-through of higher commodity prices to energy-related and processed food price inflation. Specifically, higher inflation in the Restaurant & Accommodation Services division was due to an upward price adjustment by some fast-food outlets. The lagged impact of higher international prices contributed to an uptick in the prices of items such as breads, cereals and meat. Increases in rental costs reflected an uptick in demand in the lower income housing segment.

Figure 2: Core Inflation and CPI
(Annual per cent change)



Source: STATIN & BOJ

The annual headline inflation rate at June 2021 was within the Bank's target of 4.0 per cent to 6.0 per cent but above the Bank's previous projection. The higher outturn for June when compared to previous projections mainly reflected the impact of a faster rate of increase in the cost of restaurant services and some processed food.

Inflation Outlook & Forecasts

Headline inflation is projected to average between 5.5 per cent and 6.5 per cent over the next eight quarters (September 2021 to June 2023), within the target range of 4.0 per cent to 6.0 per cent but above the average of 5.0 per cent of the past eight quarters and the previous projection of 4.8 per cent (see Figure 3). The main assumptions underlying the near-term inflation forecast are as follows:

(i) Domestic demand conditions are expected to continue to recover at a slightly faster pace than previously anticipated, mainly due to the easing impact of COVID-19 on economic activity. Consequently, the output gap is expected to close at a slightly faster rate over the near-term.

(ii) Crude oil prices are projected to reflect an average quarter-over-quarter decline of 1.4 per cent for the forecast period, compared with the decline of 1.0 per cent previously anticipated. Notwithstanding, prices are projected to be higher relative to previous forecast and the past eight quarters. Prices are projected to average US$64.31 per barrel over the next eight quarters, compared with the previous forecast of US$59.97 per barrel.

(iii) LNG prices are projected to be relatively in-line with previous forecast although remaining above pre-pandemic levels. Over the next six quarters ending December 2022, prices are projected to average US$3.06 per million British thermal units (BTU) relative to the previous forecast of US$3.05 per million BTU.

(iv) The average price of grains is projected to decline at a rate that is stronger than the Bank's previous forecast. However, despite the reduction, prices are expected to remain at elevated levels when compared to the levels at June 2020.

(v) US inflation is higher over the near term and is anticipated to remain above 2.0 per cent.

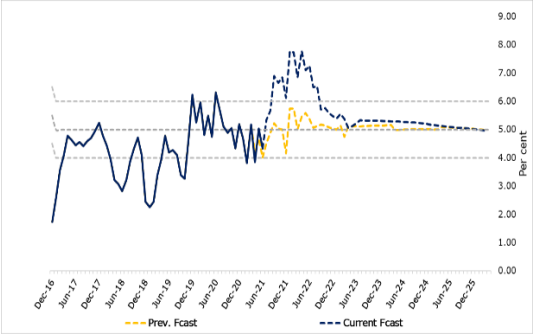
(vi) An increase in rental costs over FY2021/22. The upward revision to the trajectory for rental costs is underpinned by expectations of continued increases in rental rates given the shock to construction input prices and the resultant shift in demand towards lower income housing.

(vii) An increase in the costs related to maintenance and repair of dwelling for FY2021/22 compared to the previous forecast. This upward revision is within the context of the increase in raw materials and freight costs.

There is a possibility that inflation may temporarily breach the upper bound of the Bank's target range starting in the September 2021 quarter. An acceleration in inflation to a range of 6.0 per cent to 7.0 per cent is projected for the September 2021 to March 2022 quarters, chiefly reflecting the impact of regulated price adjustments as well as a faster pace of increase in processed food and services inflation due to higher imported inflation (see **Figure 3**). In the context of continued improvement in domestic demand, inflationary pressures are also expected to be reflected in rental costs along with maintenance and repair of dwellings.

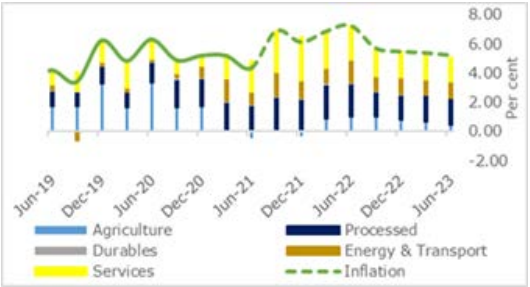
Beyond March 2022, inflation is expected to moderate towards the mid-point of the target range.

Figure 3: Monthly Comparative Headline Inflation Forecasts



Source: Bank of Jamaica

Figure 4: Component Contribution to Inflation



Source: STATIN & BOJ

Box 1: Businesses' Inflation Expectations Survey – June 2021

Overview

The Bank's Survey of Businesses' Inflation Expectations (IES) at June 2021 indicated that the one-year ahead inflation expectations of 7.0 per cent was higher than the upper limit of the Bank's inflation target. Similar to the previous survey, respondents expect the cost of stock replacement and utilities to reflect the highest price increase among the input factors over the next twelve months. The proportion of respondents who held this view was 41.9 per cent and 22.9 per cent, relative to 35.2 per cent and 29.3 per cent, respectively, in the April 2021 survey. Notably, 10.0 per cent and 8.6 per cent of the respondents indicated that fuel & transport as well as wages & salaries, respectively, were expected to be the highest input cost increases over the next twelve months. Perceptions about present business conditions improved while perceptions about future business conditions were largely unchanged, relative to the previous survey. Perception of inflation control also improved relative to the previous survey.

Inflation Expectations

In the June 2021 survey, respondents' expectation of inflation 12 months ahead increased to 7.0 per cent, relative to 6.8 per cent in the April 2021 survey. Furthermore, businesses expected an annual point to point inflation rate at December 2021 of 6.5 per cent, which is above the annual point to point outturn of 4.3 per cent at June 2021 (see Figure 1).

Perception of Inflation Control

The index of inflation control increased when compared to the April 2021 survey (see Figure 2). This outturn reflected an increase in the share of respondents who were "satisfied" with how inflation was being controlled. Additionally, there was a decline in the share of respondents who were "dissatisfied" with how inflation is being controlled.

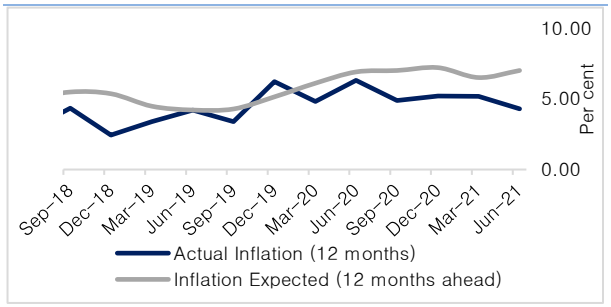
Exchange Rate Expectations

In the June 2021 survey, respondents expected the exchange rate to depreciate at a faster rate over the six- and twelve- month time horizons relative to the previous survey (see Table 1). However, respondents expected the rate to be unchanged over the three-month time horizon.

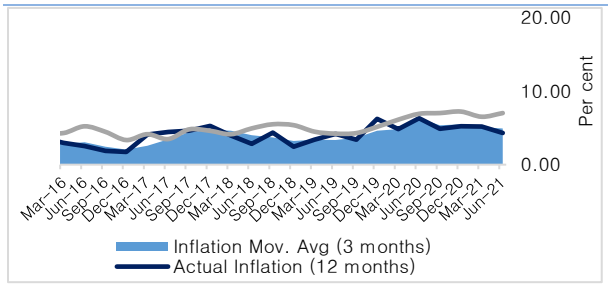
Figure 1: Expected 12-Month Ahead Inflation

Question: Based on the average monthly inflation for the last 12 months, what do you think the average monthly rate will be for the next 12 months?

a.



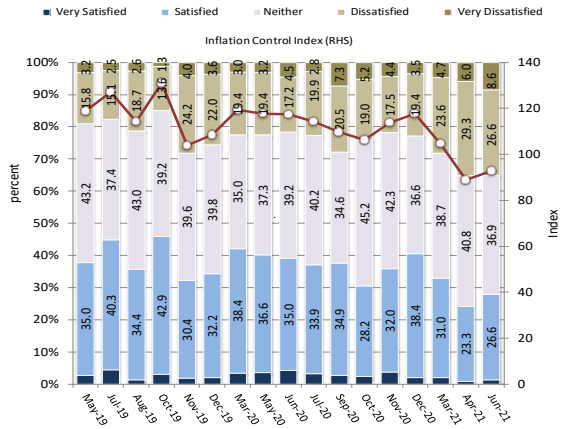
b.



Source: Businesses' Inflation Expectations Survey

Figure 2: Perception of Inflation Control

Question: How satisfied are you with the way inflation is being controlled by the Government?



Source: Businesses' Inflation Expectations Survey.
Note: The responses have been converted to percentage change.
(–) indicates an appreciation of the exchange rate
(+) indicates a depreciation of the exchange rate

Table 1: Exchange Rate Expectations

Question: In January 2021 the exchange rate for the Jamaican Dollar (JA$) in respect of the United States Dollar (US$) was $145.39. What do you think the rate will be for the following periods?

	Expected Exchange Rate Depreciation/Appreciation (%)			
Periods Ahead	Dec-20	Mar-21	Apr-21	Jun-21
3-Months	0.1	3.4	3.2	0.0
6-Months	0.7	4.0	4.1	0.4
12- Months	0.8	4.5	4.4	0.8

Source: Businesses' Inflation Expectations Survey.
Note: The responses have been converted to percentage change.
(–) indicates an appreciation of the exchange rate
(+) indicates a depreciation of the exchange rate

Interest Rate Expectations

The majority of respondents expected the Bank's policy rate, three months ahead, to remain unchanged. The proportion of respondents of this view increased relative to the previous survey while there was a decline in the proportion who believes it will be "marginally lower." The 90-day Treasury bill (T-Bill) yield, three months ahead, was expected to increase to 1.5 per cent when compared to the April 2021 survey.

Perception of Present and Future Business Conditions

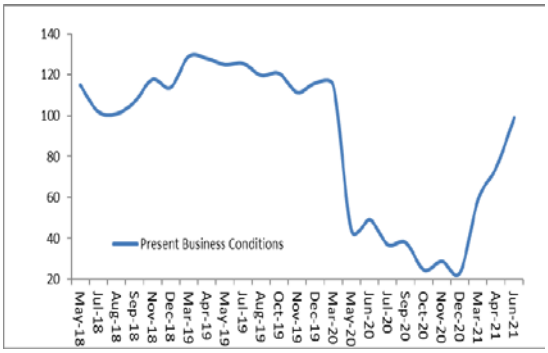
Respondent's views on present business conditions improved in the June 2021 survey relative to the previous survey. This was due to a decline in the proportion of respondents of the view that things are "worse". However, in contrast to the April 2021 survey, businesses view about the future was largely unchanged.

Expected Increase in Operating Expenses

Respondents indicated that they expected the largest increase in production costs over the next 12 months to emanate from stock replacement. This was followed by the costs for utilities. The cost for wages & salary reflected the smallest increase (see Table 2).

Figure 3: Perception of Present Business Conditions

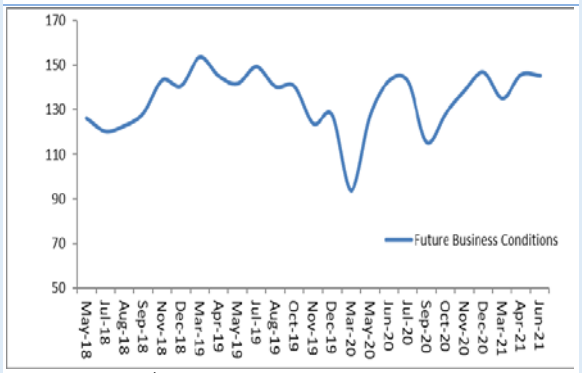
Question: In general, do you think business conditions are better, about the same or worse than they were a year ago in Jamaica?



Source: Businesses' Inflation Expectations Survey
Notes: The Index is calculated using the balance score method (Better – Worse +100)

Figure 4: Perception of Future Business Conditions

Question: Do you think that a year from now business conditions will get better, about the same as present or get worse?



Source: Businesses' Inflation Expectations Survey
Notes: The Index is calculated using the balance score method (Better – Worse +100)

Table 2: Expectations about Operating Expenses (per cent contribution)

Question: Which input do you think will have the highest price increase over the following time periods?[1]

	Mar-21	Apr-21	Jun-21
Stock replacement	39.7	35.2	41.9
Utilities	20.2	29.3	22.9
Raw materials	12.5	11.3	15.9
Fuel & Transport	11.1	13.7	10.0
Wages & Salary	14.8	8.7	8.6
Not Stated	1.7	1.8	0.7

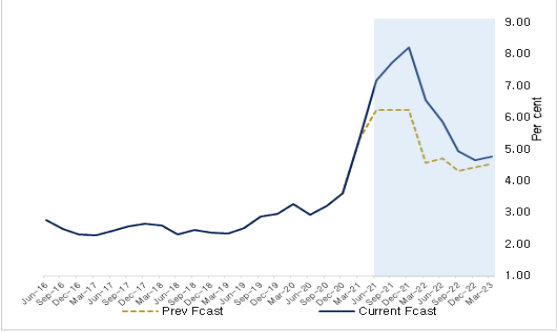
Source: Survey of Businesses' Inflation Expectations (IES)

[1] For the 12-month horizon

Inflation Risks

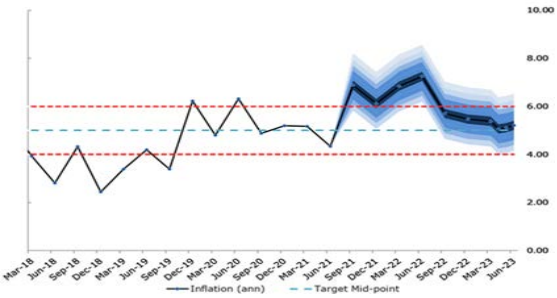
While there is a high level of uncertainty surrounding the inflation forecast, especially given the emergence of new variants of the Corona virus in some countries, the risks to the near-term inflation forecast are assessed to be skewed to the upside (see Figure 6). Upside risks (which means that inflation could track above the forecast) include higher than expected inflation expectations, which could impact price setting behaviour. There is also a risk of a more adverse hurricane season on the supply of agricultural foods and prices. On the downside, demand conditions could be weaker than anticipated. Further, global demand for commodities could be lower than anticipated because of lower global growth and tighter stringency measures, given the emergence of the delta variant of the corona virus, leading to a stronger than expected fall in commodity prices. The prices for a number of commodities, including grains, have already fallen from their peak levels in May 2021.

Figure 5: Comparative Core Inflation Forecasts



Source: Bank of Jamaica

Figure 6: Inflation Fan Chart



Source: Bank of Jamaica

2.0 International Economy

Over the next eight quarters (September 2021 to June 2023), global growth is projected to average 4.0 per cent, in line with the previous projection. Growth is expected to be aided by the progressive control of the Covid-19 pandemic in the context of vaccine rollouts as well as the impact of additional fiscal stimulus in the US. However, global growth prospects remain highly uncertain as virus mutations emerge.

Preliminary indications are that US GDP expanded by 6.5 per cent for the June 2021 quarter, following an expansion of 6.3 per cent for the March 2021 quarter. It is projected that US GDP will grow by 6.2 per cent for 2021 and moderate to 3.0 per cent in 2022. Growth in US GDP for 2021 represents an upward revision relative to the expansion of 6.0 per cent that was previously projected while the growth in 2022 represents a downward revision. The output gap for the US is consequently projected to remain positive in the near term but to gradually normalise as monetary conditions become less accommodative. Bank of Jamaica anticipates that the Fed will taper its monthly asset purchases, starting end-2021, maintain interest rates to end-2022, then gradually increase rates thereafter.

The projection for commodity prices over the next eight quarters has been revised upwards, relative to the previous forecast. The risks to the forecast for commodity prices are skewed to the downside.

Trends in the Global Economy

The global economy is estimated to have expanded by 11.9 per cent for the June 2021 quarter, an improvement when compared with the expansion of 2.8 per cent in the March 2021 quarter and in line with the previous projection.[1,2] The estimated increase for the June 2021 quarter reflects the re-opening of the service sector in a number of advanced economies as restrictions continue to ease following strong vaccine deployment and a slowdown in COVID-19 case counts.

For the US in particular, the Bureau of Economic Analysis' (BEA's) advance estimate indicates that GDP for the June 2021 quarter increased on an annualized basis by 6.5 per cent, following an expansion of 6.3 per cent in the March 2021 quarter.[3,4] The persistently strong growth was mainly due to continued uptick in consumption and

[1] The Bank's previous forecast included an expansion of 2.2 per cent for the global economy for the March 2021 quarter, which compares with the current outturn of an expansion of 2.8 per cent. Further, the increase for the June 2021 quarter also reflects higher GDP in levels.

[2] A report presenting the J.P. Morgan Global Composite PMI, an index, which measures changes in total output across both manufacturing and service sectors, highlighted that the upswing in global economic activity continued in the June 2021 quarter, as growth improved in both manufacturing and services. However, the service sector outperformed its manufacturing counterpart for the third successive month. The index was 56.6 in June 2021 down from 58.8 in May 2021, however, the index remained above the neutral 50 mark for 12 consecutive months. A reading above 50 signifies an expansion in economic activity.

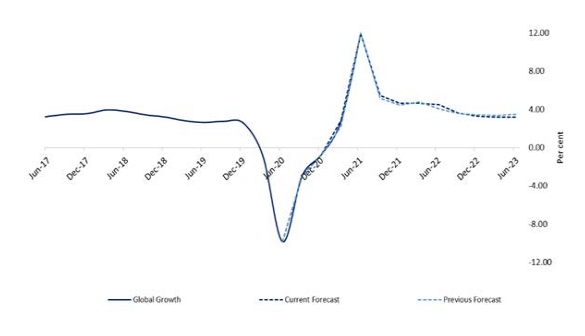
[3] For the March 2021 quarter, real GDP is estimated to have increased 6.3 per cent, 0.1 percentage point less than previously published. The revision primarily reflected downward revisions to government spending (federal, state and local), and exports that were partly offset by an upward revision to non-residential fixed investment.

[4] The Bank anticipated an expansion of 8.6 per cent for the June 2021 quarter, a downward revision compared to an expansion of 9.6 per cent projected previously. This revision was predominantly supported by the decline in retail sales in May 2021 and the continuing supply bottlenecks and shortages in US manufacturing. The outturn for the March 2021 quarter was below the Bank's forecast, however the size of the economy is now above its pre-pandemic level, a milestone that underscores the speed of the recovery that began in May 2020.

an ease in lockdown restrictions in some states, amid lower virus numbers and the deployment of vaccines.[5]

Global growth is projected to average 4.0 per cent over the next eight quarters (September 2021 to June 2023), in line with the previous projection (see **Figure 7**).[6] Progress regarding the deployment of vaccines and the subsequent easing of restrictions will allow for a broader lifting of containment measures, particularly the reopening of service sectors that were most impacted by the pandemic. As such, surges in activity in the travel, arts and entertainment, and the food and accommodation sectors are projected. The global economic rebound is expected to be uneven across countries as major economies register strong growth while many emerging economies lag behind due to the difference in the pace of vaccine deployment and the extent of economic policy support. The recovery is also threatened by signs that vaccine hesitancy among younger age groups may cause the pace of vaccination to flatten.

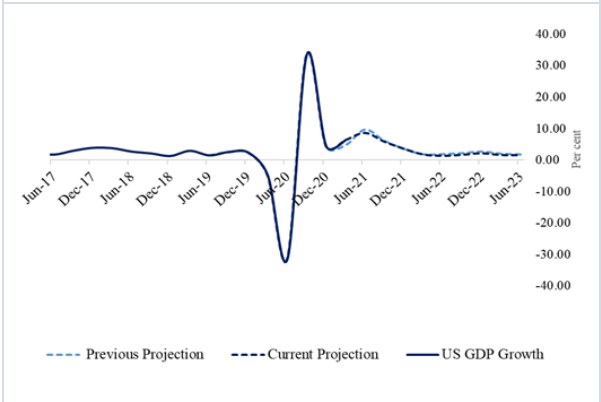
Figure 7: Global Growth Projection*
(Per cent year-over-year change)



Source: Bloomberg
*Bank of Jamaica's Estimate and forecast

The Bank projects real output growth in the US to average 2.4 per cent for the September 2021 to the June 2023 quarter, below the previous forecast of 2.8 per cent but at a faster pace than the growth in potential GDP (see **Figure 8**). Economic activity will rebound in 2021 to 6.2 per cent, a faster pace than previously anticipated as the impact of the American Rescue Plan Act (ARPA) had stronger than expected effects. Growth in 2021 will also be supported by the slowdown in COVID-19 infections and the continued deployment of vaccines, which will aid in the rebound of the hospitality and travel industries.[7] However, growth will slow thereafter as supply shortages constrain real activity and as monetary conditions become less accommodative.[8]

Figure 8: Comparative US GDP Growth Forecast
(Per cent change annualized)



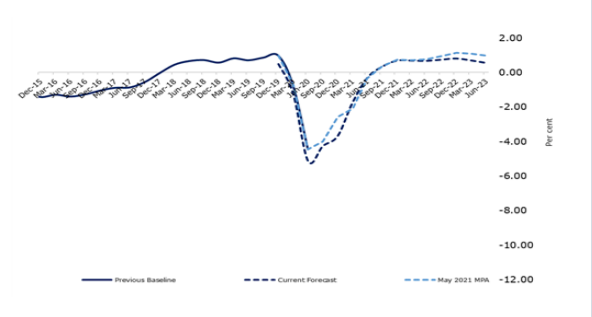
Source: BOJ, CBO

The US output gap is projected to be positive over the next eight quarters (September 2021 to June 2023) (see **Figure 9**), similar to the previous forecast.[9] However, the output gap is projected to be lower than previously anticipated by end 2022,

[5] Personal consumption, the biggest part of the US economy, surged at an annualized rate of 11.8 per cent in the June 2021 quarter relative to 11.4 per cent in the March 2021 quarter.
[6] Even as growing vaccine coverage lifts sentiment, new virus mutations still threatens the outlook going forward. The outlook also hinges on how effective economic policies deployed can limit lasting damage from this unprecedented crisis.
[7] Though the pace of vaccination has continued to slow as a significant share of those people yet to receive a first dose are reluctant or even unwilling to do so, with new virus cases remaining low, that may not be a big threat to the economy in the near term.
[8] In June 2021, the Fed opened a discussion on tapering its asset purchases. The Fed is expected to start tapering its asset purchases, which are currently at US$120 billion per month (US$80 billion of Treasury securities and US$40 billion of agency mortgage-backed securities), at end-2021. The Fed also signalled the possibility of starting to increase interest rates sooner than 2024, consequently, the first expected interest rate increase is brought forward to the March 2023 quarter, one year earlier than previously projected.
[9] The Bank uses the historical output gap data reported by the Congressional Budget Office (CBO). In its July 2021 release, the CBO revised its historical estimates for the output gap relative to its previous release in February 2021. Over the recent five-year period March 2016 to March 2021, the US output gap was revised downwards by 0.4 percentage points, on average. However, over the period March 1949 (the beginning of the series) to March 2021, the average change was 0.

as the Fed is expected to taper monetary policy sooner.[10]

Figure 9: US Output Gap
(Per cent of Potential GDP)



Source: BOJ, CBO

Risks

The risks to global growth are skewed to the downside. Worse outcomes could arise if the COVID-19 outbreak persists for longer than earlier expected, leading to tighter restrictions. The impact of the Delta variant, the possibility of a summer surge in infections and hesitancy and resistance towards vaccination underly this risk. However, strong fiscal responses can generate a stronger recovery in economic growth.

The risks to the US economic outlook are skewed to the downside. The key downside risk is that recurring waves of coronavirus infections could prompt more economy-damaging measures aimed at containing it. However, on the upside, there is the prospect that the release of pent-up demand, facilitated by wide-scale vaccinations and further easing of social distancing, could allow for more individuals to re-enter the labour force and boost spending. There is also the possibility that the impact of fiscal policy could be larger than expected.

Labour Market

The unemployment rate in the US at June 2021 was 5.9 per cent, an increase of 0.1 percentage point relative to May 2021 (see **Table 1**).[11, 12] This rate was above the Bank's projection of 5.3 per cent and above the US Federal Reserve's estimate of the natural rate of 4.0 per cent. The US unemployment rate is projected to decline over the next eight quarters.[13, 14]

Table 1: Unemployment/ Job Seeking Rate for Selected Economies
(e.o.p Per Cent)

	USA*	Canada*	Euro
Jun-19	3.6	5.5	7.5
Sep-19	3.6	5.7	7.5
Dec-19	3.5	5.6	7.4
Mar-20	4.4	7.8	7.1
Jun-20	11.1	12.3	8.0
Sep-20	7.9	9.0	8.7
Dec-20	6.7	8.8	8.2
Mar-21	6.0	7.5	8.1
Jun-21	5.9	7.8	[7.9]

Source: Official statistics offices

* The job seeking rate is the percentage of the labour force actively seeking work. The rates in the table for US and Canada represent job seeking rates. Jamaica's job seeking rate was 5.8 per cent as at January 2021.

[10] The downward revision to the US output gap is as a result of a downward revision to the growth outlook for the US in the near term.

[11] The unemployment rate increased to 5.9 per cent because more people voluntarily left their jobs and the number of job seekers rose.

[12] Total nonfarm payroll employment in the US increased by 850,000 in June 2021. The acceleration in employment growth was driven by the sectors most closely affected by the continued return to normalcy, with the largest gains occurring in leisure and hospitality employment of 343 000, public and private education employment rising by nearly 270 000 and retail employment up by 67 000. There remains continued weakness in labour participation, with the labour force rising by only 151 000, 3.4 million below its February 2020 level. The rate of permanent job losers, at 3.2 million, was also essentially unchanged in June 2021, but is 1.9 million higher than in February 2020. The number of persons on temporary layoff, at 1.8 million, was also essentially unchanged in June, but is down considerably from the high of 18.0 million in April 2020 and is 1.1 million above the February 2020 level.

[13] The unemployment rate is projected to end FY2021/22 at 4.1 per cent, 1.9 percentage point below the rate at end-FY2020/21, and end FY2022/23 at 3.6 per cent.

[14] Continuing jobless claims in the US was approximately 3.34 million in the week ended 26 June 2021 a decline of 0.1 percentage point from the previous week's rate. The four-week moving average of continuing claims declined to its lowest level since the week ended 21 March 2020 when it was 2.07 million. Employment will continue to rebound over the coming months as the economy continues to reopen and as the leisure and hospitality sector, in which job shortages were more acute continues to recover strongly in the near term. Rebounding employment growth should keep downward pressure on the unemployment rate.

Box 2: Economic Growth in Selected Economies

China

The Chinese economy is estimated to have recorded an expansion of 7.9 per cent for the June 2021 quarter compared to a year ago. This pace was slower than the growth of 18.3 per cent in the March 2021 quarter, which was supported by a low base in March 2020. The slowdown in expansion in the June 2021 quarter was supported by a gradual return to its pre COVID-19 trend and the phasing out of base effects. Growth will continue to slow as pent-up demand fades, exports weaken as foreign demand for Chinese exports eases and surging raw materials prices suppress real demand.

GDP growth in China is projected to average 5.6 per cent, over the next eight quarters, and range between 5.0 per cent to 6.0 per cent.[15]

Japan

The Japanese economy is estimated to have recorded an expansion of 0.6 per cent for the June 2021 quarter, on a quarterly annualised basis, following a contraction of 3.9 per cent in the March 2021 quarter.

For the next eight quarters, GDP growth in Japan is projected in the range of 1.1 per cent to 4.0 per cent, averaging approximately 2.1 per cent.

Canada

The Canadian economy is estimated to have expanded by 2.5 per cent for the June 2021 quarter on a quarterly annualised basis, compared to an expansion of 5.6 per cent for the March 2021 quarter.

For the next eight quarters, GDP growth in Canada is projected in the range of 2.3 per cent to 9.2 per cent, averaging approximately 3.9 per cent.

Of note, the continued increase in oil and gas prices, signals a potential recovery in the Canadian economy through 2021.

Euro Area

The Euro Area is estimated to have expanded by 5.7 per cent in the June 2021 quarter, on a quarterly annualised basis, compared to a contraction of 1.3 per cent in the previous quarter.

For the next eight quarters, GDP growth in the Euro Area is projected in the range of 2.0 per cent to 10.0 per cent, averaging approximately 3.7 per cent.

United Kingdom (UK)

The UK economy is estimated to have expanded by 21.6 per cent in the June 2021 quarter, on a quarterly annualised basis following a contraction of 5.9 per cent in the previous quarter.

Growth in the UK economy over the next eight quarters is projected in the range of 2.4 per cent to 10.0 per cent, averaging approximately 3.9 per cent.

[15] Estimates for China growth represent year-over-year per cent change.

Monetary Policy

In July 2021, the Federal Open Market Committee (FOMC) maintained its target range for the US Fed Funds rate at 0 per cent – 0.25 per cent, in line with the Bank's projections. Further, the Fed reiterated its commitment to using its full range of tools to support the US economy for as long as it takes.[16]

As the Fed remains focused on achieving its broad-based and inclusive full employment goal, the US central bank is expected to maintain rates at the current level until December 2022. The Bank consequently anticipates that the Fed will gradually raise interest rates by 50 basis points in 2023 and 75 basis points in 2024. The previous projections anticipated that the Fed would gradually raise interest rates beginning in 2024.[17, 18]

Trading Partners' Inflation

The weighted average of 12-month inflation rates for Jamaica's trading partners' (TPs) at June 2021 is estimated at 4.2 per cent. This estimate is above the Bank's previous forecast of 2.9 per cent. For the US, annual CPI inflation at June 2021 was 5.4 per cent, higher than the previous forecast of 3.4 per cent.[19] The personal consumption expenditures (PCE) price index increased by 3.9 per cent on a year-on-year basis at May 2021.

Over the next eight quarters, the Bank projects the inflation rate of Jamaica's main trading partners (TP) to average 3.0 per cent, above the previous forecast of 2.3 per cent (see **Figure 10**).[20] The projection for TP inflation largely reflects upward pressures on prices linked to the gradual reopening of economies, the release of pent up demand and base effects. Shortages in labour and product markets are likely to put sustained upward pressure on wages and prices over the remainder of 2021. As such, US inflation is projected to average 3.7 per cent over the ensuing eight quarters, above the previous forecast of 2.7 per cent over the similar period (see **Figure 11**).[21, 22]

[16] The Committee expects to maintain an accommodative stance of monetary policy until labour market conditions reach levels consistent with the Committee's assessments of maximum employment and inflation at the rate of 2.0 per cent over the longer run. At its June 2021 meeting, US Fed officials revised their inflation projections up to 3.4 per cent for 2021, relative to 2.4 per cent previously predicted and is also projecting that inflation will remain slightly above 2.0 per cent in 2022 and 2023. The Fed's median projection now shows two 25 basis points rate hikes in 2023.

[17] This is consistent with the GPMN forecast which assumes that the Fed will maintain rates until 2022 and increase rates thereafter.

[18] At its June 2021 meeting, participants generally judged that, as a matter of prudent planning, it was important to be well positioned to reduce the pace of asset purchases, if appropriate, in response to unexpected economic developments, including faster-than anticipated progress toward the Committee's goals or the emergence of risks that could impede the attainment of the Committee's goals.

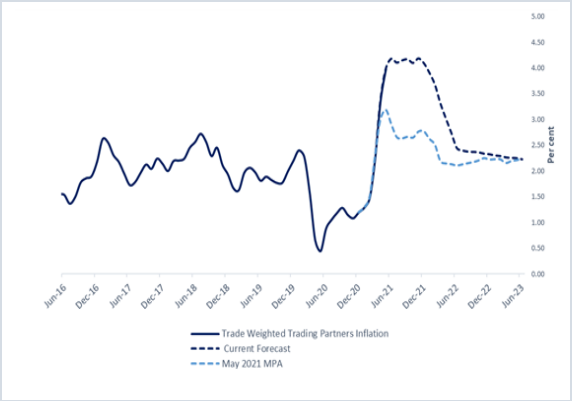
[19] On an annual basis, US CPI trended up every month since January 2021, when the 12-month change was 1.4 per cent. For June 2021, the index for all items less food and energy rose 4.5 per cent over the last 12-months, the largest 12-month increase since the period ending November 1991. The energy index rose 24.5 per cent over the last 12-months, and the food index increased 2.4 per cent. The three major factors behind the increase are all related to the pandemic: (i) gasoline prices rebounded from very low levels a year ago and are now above pre-pandemic levels, (ii) other prices that fell sharply last year with plummeting demand are now recovering to more normal levels with the reopening of the economy, and (iii) disrupted global value chains and pandemic-related supply constraints, including shipping bottlenecks and a global shortage of semi-conductors, have increased the prices for cars and some other goods.

[20] The inflation rate of Jamaica's main trading partners (TP inflation) for FY2021/22 is projected at 3.9 per cent, marginally higher relative to the previous forecast of 2.7 per cent.

[21] There are signs that inflationary pressures are becoming more widespread, with rent of shelter inflation in the early stages of a rebound and an increase in food away from home prices, which is a sign that severe labour shortages, and the resulting upward pressure on wages, are starting to feed through.

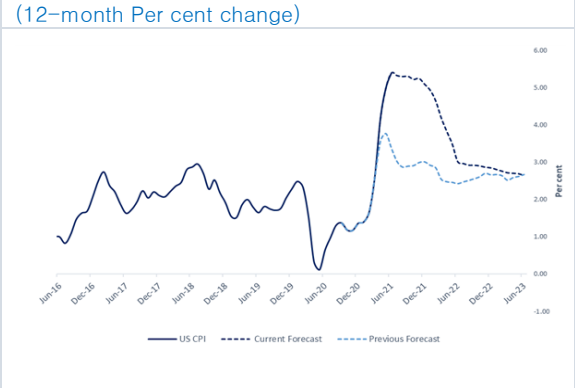
[22] This is consistent with the Fed's goals to achieve maximum employment and inflation at the rate of 2.0 per cent over the longer run, thereby aiming to achieve inflation moderately above 2.0 per cent for some time so that inflation averages 2.0 per cent over time. Of note, the Fed continues to reiterate that the surge in inflation will be largely transitory and that inflation will likely remain elevated in coming months before moderating. In light of this, the August forecast assumes inflation will remain elevated averaging 4.3% 2021 and decelerate in 2022, averaging 2.9%. The IMF in the July 2021 World Economic Outlook update revised their forecast for US inflation for 2021 and 2022 upwards by 1.7 pps and 0.9 pps, respectively, to 4.0 per cent and 3.3 per cent. This compares with the Bank's forecast of 4.3 per cent and 2.9 per cent for 2021 and 2022, respectively. The IMF has strongly recommended that Central banks should generally look through transitory inflation pressures and avoid tightening until there is more clarity on underlying price dynamics.

Figure 10: Trade Weighted Trading Partners' Inflation
(12-month Per cent change)



Source: Bloomberg

Figure 11: US Inflation
(12-month Per cent change)



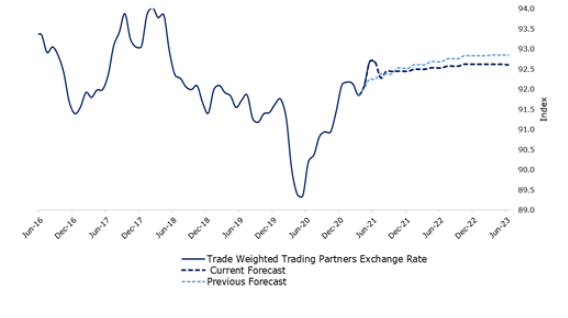
Source: Bloomberg

Trends in Trading Partners' Exchange Rates

During the June 2021 quarter, TP currencies generally appreciated against the US dollar, relative to the March 2021 quarter.[23, 24] The weaker US dollar primarily reflected the impact of a decline in investors' preference for safe-haven assets. However, notwithstanding the weakening of the US dollar for the June 2021 quarter, the market's expectation of the Fed to taper monetary policy sooner led to the dollar appreciating towards the end of the quarter.

Bank of Jamaica projects that, over the next eight quarters (September 2021 to June 2023), the currencies of Jamaica's major trading partners will appreciate, on average, against the US dollar (see Figure 12). This projection reflects the assumption that relatively high and growing US federal debt will support a depreciation in the dollar in the near-term. However, following the signal by the Fed of two interest rate increases in 2023, the outlook for US dollar has improved.

Figure 12: Trading Partners' Trade Weighted Exchange Rate – vis-à-vis USD, May 2013 =100



Notes: An increase in the index represents a depreciation of the US dollar, while a decline represents an appreciation of the US dollar.
Source: Bloomberg

Terms of Trade

Jamaica's terms of trade (TOT) index deteriorated at an annual pace of 41.0 per cent at June 2021, following an improvement of 4.1 per cent at March 2021. The decline in the index reflected an increase of 42.4 per cent in the import price index (IPI) and a decline of 16.0 per cent in the export price index (EPI). The increase in the IPI emanated mainly from higher prices for fuel relative to a year ago, while the

[23] There was an average appreciation of 0.5 per cent in the exchange rate of Jamaica's trading partners vis-à-vis the USD for the June 2021 quarter, following an average appreciation of 0.6 per cent in the March 2021 quarter. This compares to the previous forecast for an appreciation of 0.1 per cent for the review quarter. The exchange rates of Jamaica's trading partners vis-à-vis the USD appreciated, on average, by 3.1 per cent in the June 2021 quarter relative to a year prior. This appreciation compares to the Bank's previous forecast for an appreciation of 2.8 per cent.

[24] On a monthly basis, the currencies of Jamaica's major trading partners, on average, appreciated by 0.2 per cent and 0.7 per cent in April and May 2021, respectively, and remained unchanged in June 2021, relative to the USD. The US dollar outturn in April and May 2021 occurred in the context of investors' reduced appetite for relatively safer assets amid positive announcements about COVID-19 vaccines, partly offset by continued concerns about higher inflation. However, in June 2021, the US dollar was positively impacted by markets' expectation that the Fed will taper monetary policy sooner than previously anticipated.

decline in the EPI was primarily driven by a reduction in the tourism price index relative to a year ago.[25]

The outturn for the June 2021 quarter reflected a larger deterioration compared to the previous projection and was largely attributable to higher import prices.

Bank of Jamaica projects that Jamaica's TOT will deteriorate over the next eight quarters (September 2021 quarter to the June 2023 quarter), primarily due to a larger increase in import prices, driven by fuel and raw materials, relative to that for export prices.[26] This deterioration is anticipated despite some moderation in prices towards the end of the forecast period.

Commodity Prices

The daily average of West Texas Intermediate crude oil prices for the June 2021 quarter increased by 14.2 per cent relative to the March 2021 quarter.[27] However, relative to the June 2020 quarter crude oil prices increased by 137.3 per cent. The increase in crude oil prices, relative to the previous quarter, mainly emanated from (i) strong economic rebound in the US and China and (ii) the successful deployment of COVID-19 vaccines and easing of COVID-19 restrictions. Concurrently, there was a sharp decline in US crude oil inventories as supplies remained constrained. Prices also found support from OPEC and its allies' decision in their June 2021 meeting to maintain their plan to only gradually ease their supply restrictions through to July 2021, as well as the slow progress of negotiations between the US and Iran, reducing investors' expectation of a possible return of Iranian oil to international crude markets in the near term. However, the increase in prices during the quarter was tempered by (i) the impact of rising coronavirus cases in India, the world's third largest oil importer and consumer, as well as the re-imposition of lockdown restrictions in some areas and (ii) the appreciation of the US dollar, which reduced investors' appetite for US dollar denominated commodities.

For the June 2021 quarter, LNG prices increased due to a rise in demand and a decline in storage levels. Prices also found support from improving international demand.

Oil prices are projected to average US$64.31 per barrel for the next eight quarters (September 2021 to June 2023), compared to an average of US$59.35 per barrel in the previous projection. This forecast trajectory implies that the average of the quarter-over-quarter decline in crude oil prices for the period has been revised to 1.4 per cent, compared with the 1.0 per cent previously anticipated (see **Figure 13**).

For the September 2021 and December 2021 quarters, crude oil prices are projected to average US$73.27 per barrel (10.9 per cent increase for the quarter) and US$70.10 per barrel (4.3 per cent decline for the quarter), respectively. The projected increase in crude oil prices for the September 2021 quarter is underpinned by optimism regarding global economic recovery amid positive reports regarding the deployment of vaccines and the easing of travel restrictions. As such, prices will remain elevated as consumption exceeds production. Of note, moderate downward oil price pressures are expected to emerge and the end of the quarter and become more pronounced in the December 2021 quarter as global oil production rises.[28] Higher oil

[25] The lower tourism price index was largely attributable to a decline in average tourist expenditure relative to a year ago. In 2020, the length of stay for visitors was longer, possibly given the requirement for visitors to quarantine for at least 2 weeks or persons taking advantage of work from home opportunities, as a result, average tourist expenditure increased. However, as the economy continued to open and more hotels re-opened, the length of stay of visitors have begun to normalise as well as the average visitor expenditure.

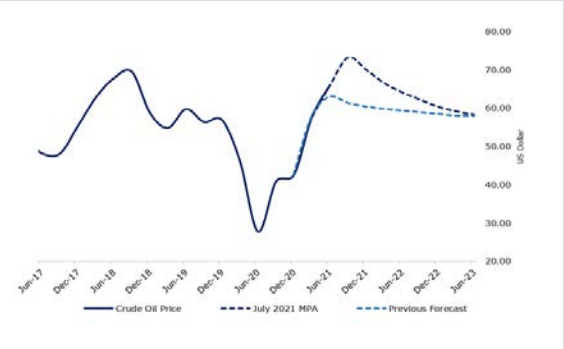
[26] In particular, the TOT is projected to deteriorate at an annual rate of 25.8 per cent and 25.0 per cent in the September 2021 and December 2021 quarters, respectively.

[27] In the previous projection, the Bank projected the daily average of West Texas Intermediate crude oil prices for the June 2021 quarter to increase by 8.8 per cent relative to the March 2021 quarter.

[28] Increasing oil consumption combined with production restraint from OPEC+ and relatively flat crude oil output in the United States have kept global oil consumption above global oil supply, draining inventories in 2021. According to the EIA's short term energy outlook, recent increases in crude oil prices along with the OPEC and their allies (OPEC+) decision to raise production will help meet the expected increase in global oil demand and lead to relatively balanced global oil markets for the remainder of the forecast period. Despite strength in oil prices during the first half of 2021, moderate downward oil price pressures are expected to emerge

price levels will also support increases in US shale production.

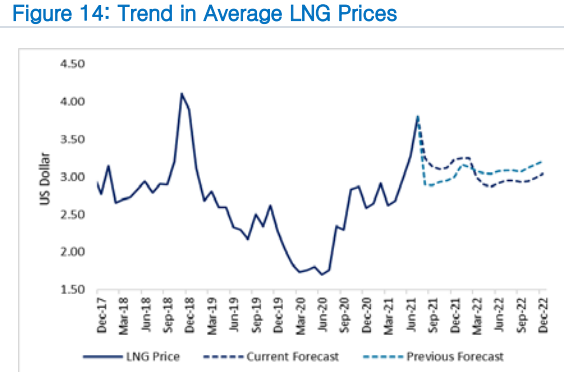
Figure 13: Trend in Average WTI Crude Oil Prices



Sources: Bloomberg, BOJ

LNG prices will remain relatively high in 2021 amid high demand, and then decline in 2022 amid expectations for higher production (see **Figure 14**). As such, Henry Hub spot price is expected to decline to an average of US$3.00 per million British thermal units (MMBtu) in 2022 from an estimated average of US$3.22/MMBtu in 2021.

Figure 14: Trend in Average LNG Prices



Sources: Bloomberg, BOJ

The risks to the forecast for oil prices over the next eight quarters are skewed to the downside. There is the possibility for a longer lasting and more intensive impact of the COVID-19 pandemic, which could hurt the recovery in global trade, further reduce confidence and weaken the outlook for crude oil demand. The duration of – and compliance with – the latest OPEC+ production targets also remains uncertain. Additionally, a clear downside risk for prices emanates from the degree to which the US shale industry responds to the recent relative strength in oil prices. Upward pressures may emerge if economic recovery is stronger than projected thereby increasing the demand for crude oil.

The risks to the forecast for LNG prices over the next eight quarters are also skewed to the downside. Prices may start to decline as additional production starts to impact the market and as temperatures normalize.

Average grains prices for the June 2021 quarter increased by 8.5 per cent, relative to the March 2021 quarter (an increase of 59.9 per cent on an annual basis).[29] This increase was associated with higher prices for soybean (1.2 per cent increase for the quarter, 61.8 per cent increase on an annual basis), corn (19.4 per cent increase for the quarter, 97.2 per cent increase on an annual basis) and wheat (0.1 per cent increase for the quarter, 13.3 per cent increase on an annual basis). The increase in grains prices for the quarter reflected rising demand amid subdued supply.[30] In addition, the depreciation of the US dollar against third party currencies, which increased the demand for dollar denominated commodities, and unfavourable weather conditions in parts of the US, also supported the upward trend in prices. However, towards the end of the quarter, the prospects for improved supply as well as the appreciation of the US dollar weighed on the prices of most grains.

The average price of grains is projected to decline at an average quarter over quarter rate of 1.1 per cent over the next eight quarters.[31] This decline in

beginning in the second half of 2021 as global oil production rises and cause inventories to draw at a slower pace.

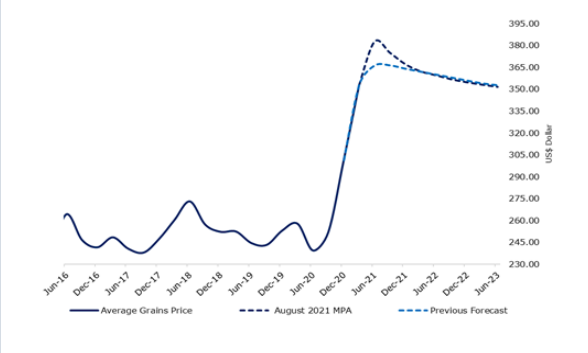
[29] The Bank projected an increase of 3.7 per cent for the June 2021 quarter relative to the March 2021 quarter.

[30] Dry weather conditions in Brazil and delays to harvesting, have kept prices high. Additionally, soybean prices found support from tightening supply of vegetable oil amid lower extraction levels. Further, increases in crude oil futures pressured prices for corn, which is used for ethanol fuel. Wheat prices increased following dry winter wheat conditions across the US Great Plains, and strong stockpiling demand.

[31] The previous forecast assumed an average quarter over quarter decline of 0.8 per cent over the September 2021 to June 2023 quarter.

prices mainly reflects expectations for a rebound in supply over the next eight quarters, incentivised by earlier high prices.[32] Of note, the average price of grains over the September and December 2021 quarters is projected to decline at an average quarter over quarter rate of 2.1 per cent due to rising global supplies, the impact of which is partly offset by adverse weather conditions in Brazil (see **Figure 15**).

Figure 15: Trend in Average Grains Prices

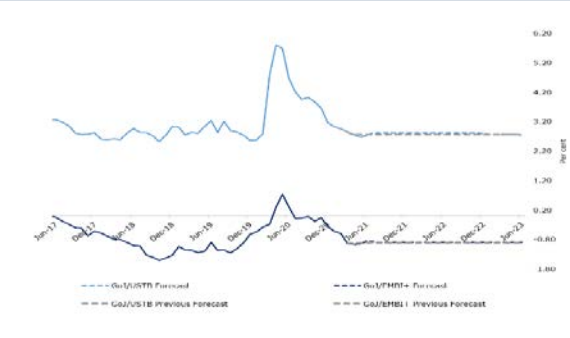


Sources: Bloomberg, BOJ

External Financial Markets

The performance of GOJ's sovereign bond spreads on the international market over the June 2021 quarter was marginally better, relative to the previous projection. The average of the daily spreads between the indicative yield on Government of Jamaica global bonds (GOJGBs) and the yield on US Treasury Bills as well as the average of the daily spreads between the indicative yield on GOJGBs and the yield on the EMBI+ improved (declined) by 22 basis points (bps) and 24 bps, respectively, when compared to the same measure for the March 2021 quarter.[33] These spreads were projected to decline by 18 bps and 23 bps, respectively (see **Figure 16**). [34]

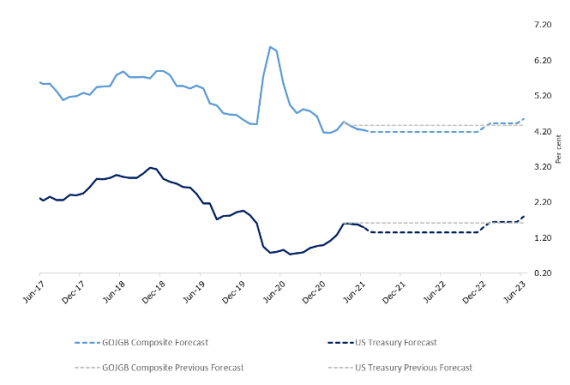
Figure 16: Average International Bond Spreads
(Per cent)



Sources: Bloomberg,

In the context of the performance of the GOJ yield spreads over the June 2021 quarter, there were respective increases of 24 bps and 22 bps in the average yields on EMBI+ and US Treasuries, while GOJGBs were unchanged, relative to the previous quarter (see **Figure 17**).

Figure 17: Average International Bond Yields
(Per cent)



Sources: Bloomberg,

[32] The rapid growth in China's pig herd (which has boosted demand for animal feed), together with heightened concerns over food security in part due to the pandemic, explains much of the recent spike in imports. In 2021, it is expected that current high prices and plateauing hog numbers will mean the pace of China's grain and soybean buying slows, which should put downward pressure on prices. The US Department of Agriculture in its latest monthly report is forecasting a rebound in US soybean acres corn acres in 2021–22 (September 2021–August 2022). Therefore, expectations of higher planting intentions should support a downward trajectory in prices for grains.

[33] For the quarter, relative to US Treasury Bill yields and EMBI+, these spreads were 267 bps and negative 93 bps, respectively.

[34] The spread for the June 2021 quarter, relative to US Treasury Bill yields and the EMBI+, were projected to be 276 bps and negative 92 bps, respectively. During the June 2021 quarter there was a general improvement in global risk appetite driven by optimism regarding a continued pronounced rebound in economic activity supported by the rollout of corona virus vaccination programs. This was expected to mitigate global headwinds driven by the pandemic, thereby increasing investors' desire to hold risky assets. However, annualized inflation rates rising well above target to levels not seen in over a decade led investors to speculate as to whether current levels would continue or prove transitory.

Jamaica's sovereign bond yields are projected to be relatively stable to the December 2022 quarter.[35] However, bond yields are expected to increase from the March 2023 quarter due to projected increases in the US Federal Funds rate.

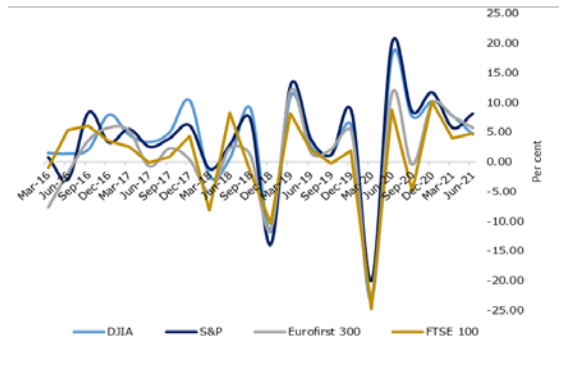
Global Stock Market

The performances of selected global stock market indices during the June 2021 quarter were strong. Relative to the March 2021 quarter, the Dow Jones Industrial Average (DJIA), the S&P 500, the Eurofirst 300 and the FTSE 100 advanced by 4.6 per cent, 8.2 per cent, 5.7 per cent and 4.8 per cent, respectively (see **Figure 18**). These performances were mainly supported by stronger than anticipated economic recovery, easing of covid-19 containment measures, favourable labour market data in the US and expectations that the recent hike in inflation could be transitory.

US equities gained in the June 2021 quarter, as the economy experienced continued recovery in economic activity. There were consistent improvements in the labour market as employment increased and jobless claims declined. In late June 2021, the US President also negotiated an infrastructure package worth about US$1 trillion to upgrade roads, bridges and broadband networks over the next eight years. The prospect of the legislation improved market sentiment given that the deal would add to the strong fiscal spending already contributing momentum to the US economy.

However, the gains in US equity were curbed in the latter part of June 2021 by the markets' expectations of a slightly less accommodative stance by the US Federal Reserve, given the Federal Reserve signal of possible interest rate hikes sooner than previously anticipated.

Figure 18: Selected Stock Market Indices
(Quarter-over-Quarter Per cent)



Source: Bloomberg

[35] The possibility exists that Jamaica could receive a rating downgrade over the near term. However, there is an equal risk of a rating downgrade in other EMEs and AEs given the rise in debt ratios globally. Additionally, the main narrative over the next couple of years will be one of progress in containing the virus, accompanied by a further recovery in the global economy, which could provide further downward pressure for GOJGB yields.

3.0 Real Sector

Domestic economic activity is estimated to have rebounded in the June 2021 quarter. For FY2021/22, a partial recovery in the range of 7.0 per cent to 10.0 per cent in real GDP is projected while growth within the range of 2.0 per cent to 4.0 per cent is anticipated for FY2022/23. The projection for FY2021/22 is higher than previously forecasted while growth for FY2022/23 is revised downwards. Consequently, a marginally higher growth in GDP is projected over the next eight quarters, largely reflecting an improvement in Hotels & Restaurants, Other Services, Transport, Agriculture, and Construction.

Over the medium term (FY2023/24 – FY2027/28), GDP growth is projected to average 1.0 per cent to 2.0 per cent.

GDP Growth

Following five consecutive quarters of declines, the Jamaican economy is estimated to have grown by in the range of10.0 per cent to 12.0 per cent for the June 2021 quarter. This growth is relative to a contraction of 6.7 per cent recorded for the March 2021 quarter and the previous projection for growth in the range of 9.0 per cent to 11.0 per cent. The estimated growth for the quarter reflected a partial rebound in economic activity in the context of the easing of restrictions relative to the onset of the virus a year prior.

Aggregate Supply

All sectors of the economy were estimated to have grown, except *Mining & Quarrying.* Growth was chiefly reflected in *Hotels & Restaurants, Other Services, Construction, Transport Storage & Communication,* and *Manufacture*.[1] For Hotels & Restaurants, the performance was based on an increase in foreign national arrivals. With regard to *Other Services*, the performance largely reflected growth in recreational, cultural & sporting activities associated with the easing of curfew restrictions and the increased demand from the Tourism industry. For *Manufacture*, the growth was chiefly reflected in increases in food production, alcoholic and non–alcoholic beverages and cement production.

Following five quarters of declines, value added for *Hotels & Restaurants* is estimated to have grown in the June 2021 quarter (see **Figure 19**).[2] This growth is premised on an estimated increase in foreign national arrivals, supported by an increase in the average length of stay of visitors to 10.6 nights relative to 7.7 nights in the June 2020 quarter. The increase in foreign national arrivals largely reflected the resumption of flights relative to a closure of international borders in June 2020. Growth in visitor arrivals was also supported by pent up demand in major source markets and increased pace of vaccine deployment.

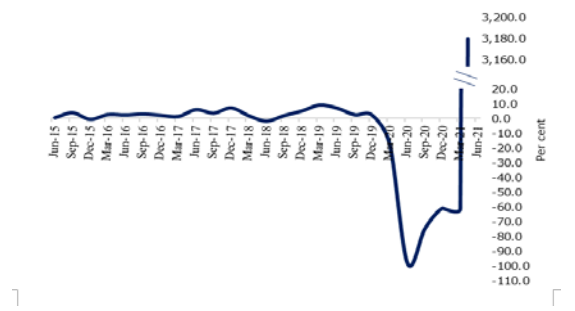
The estimated increase in *Transport, Storage & Communication* for the June 2021 quarter is mainly attributed to the expansion in the number of air passenger arrivals into Jamaica, as well as an increase in auxiliary transport services.

Construction is estimated to have grown for the review quarter (see **Figure 20**). This performance was largely driven by increases within building installation and building construction.

[1] Other Services include recreational, entertainment and sporting activities.

[2] There was a significant increase of 3188.0 per cent in average visitor nights estimated for the June 2021 quarter. This growth was relative to a decline of 98.1 per cent recorded for the June 2020 quarter. In order to reflect this large decline and significant improvement, a break was inserted into the graph. The significant improvement in the June 2021 quarter reflects a rebound relative to the closure of the ports in the June 2020 quarter given the onset of the coronavirus.

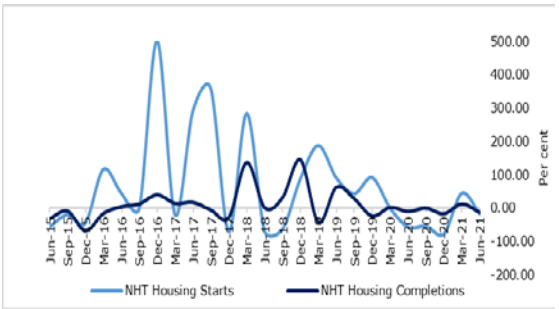
Figure 19: Trend in Visitor Days (12-Month Per cent change)



Source: BOJ and Jamaica Tourist Board

Activities related to building construction reflected increased activity in residential construction. This growth was partly offset by the declines in civil engineering due to reduced spending on road rehabilitation works.

Figure 20: National Housing Trust Housing Starts & Completion (12-Month Per cent change)



Source: The National Housing Trust

Electricity & Water Supply is estimated to have grown for the review quarter relative to the corresponding quarter of 2020. This increase reflected a rise in electricity consumption (proxied by total electricity sales) and water consumption during the review period. The improvement in electricity consumption reflected growth in most categories, except residential electricity. Similarly, water consumption during the period was largely influenced by higher consumption in all service categories, notably commercial entities.

The expansion in *Manufacturing* for the review quarter largely reflected growth in both Food, Beverages & Tobacco and Other Manufacturing. Food, Beverages & Tobacco is estimated to have grown consequent on increases in poultry meat, beverages (alcoholic and non-alcoholic), grain milling and bakery products. This was partly offset by a decline in sugar & molasses production. Growth in Other Manufacturing is associated with an increase in non-metallic mineral production, primarily cement as well as chemical & chemical products during the quarter.

Wholesale & Retail Trade is estimated to have increased for the review quarter. This performance was largely driven by higher output levels in Construction, Manufacturing and Agriculture, as well as an increase in imports of goods. The growth in imports is predicated largely on higher consumption in the domestic economy.

Value added for *Agriculture, Forestry & Fishing* is estimated to have grown in the quarter. This increase largely reflected growth in domestic crop production stimulated by the increased demand from Tourism. This was partly offset by a decline in traditional export agriculture. With regard to domestic crop production, the increase largely reflected higher production in root crops. The decline in traditional exports was primarily driven by the reduction in sugar cane production due to lower crop yields.[3]

[3] For the June 2021 quarter, sugar cane production grew by 39.0 per cent.

Table 2: Industry Contribution to Growth (June 2021 Quarter)

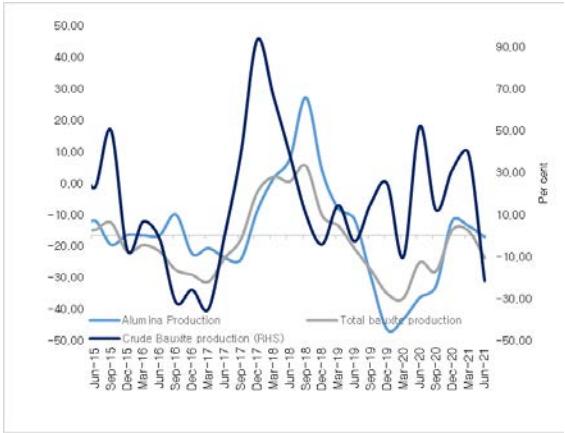
	Contribution*	Estimated Impact on Growth
GOODS	22.2	9.0 to 9.0
Agriculture, Forestry & Fishing	5.8	7.0 to 8.0
Mining & Quarrying	−2.7	−12.0 to −13.0
Manufacture	7.1	8.0 to 9.0
Construction	12.1	19.5 to 20.5
SERVICES	77.8	11.5 to 12.5
Electricity & Water Supply	1.2	3.5 to 4.5
Wholesale & Retail Trade, Repairs & Installation	12.0	7.0 to 8.0
Hotels & Restaurants	36.1	351.0 to 352.0
Transport Storage & Communication	11.9	12.0 to 13.0
Financing & Insurance Services	3.0	2.0 to 3.0
Real Estate, Renting & Business Activities	3.6	3.0 to 4.0
Producers of Government Services	0.3	−0.5 to 0.5
Other Services	11.5	27.0 to 28.0
Financial Intermediation Services Indirectly Measured	1.7	3.0 to 4.0

* The negative value indicates the negative contribution of the industries to the quarter.
Source: Bank of Jamaica

Following growth in the March 2021 quarter, value added for Mining & Quarrying is estimated to have declined for the June 2021 quarter (see **Figure 21**). The estimated reduction for the review quarter reflected reduced capacity utilization at a plant due to a fall in the quality of bauxite mined.

Given the above changes, both non-tradable and tradable industries are estimated to have expanded for the review quarter. The growth in the tradable sector was mainly attributed to *Hotels & Restaurants* and *Transport, Storage & Communication* while for the non-tradable sector, the growth was chiefly associated with *Other Services* and *Construction*.

Figure 21: Trends in Crude Bauxite, Alumina & Total Bauxite Production (12-Month Per cent Change)



Source: Jamaica Bauxite Institute

Aggregate Demand

From the perspective of aggregate demand, there are also indications of growth for the June 2021 quarter. There were estimated growth in investment and consumption, while net exports deteriorated. The estimated growth in investment was due to higher than projected growth in foreign direct investment and Government capital expenditure. Private consumption is estimated to have grown in the quarter, above prior expectations. For net exports, the deterioration was smaller than anticipated for the quarter, reflecting higher exports, partly offset by higher imports (see **Balance of Payments**).

In the context of the rebound in GDP for the June 2021 quarter, Bank of Jamaica estimated a negative output gap, which is in line with the previous projection. This estimated output gap was smaller than the negative gaps of in the March 2021 and June 2020 quarters.[4]

[4] The output gap is the difference between real GDP and the potential output. Expressed in percentage form, the output gap measures the deviation of real GDP from its potential as a fraction of potential output.

Labour Market Developments

Jamaica's unemployment rate (UR) at April 2021 was 9.0 per cent, 3.6 percentage points (pps) lower relative to the rate at July 2020.[5] Notably, the unemployment rate in April 2021 was generally in line with the rate of 8.9 per cent in the previous quarter. The decline in the UR at April 2021 reflected an increase of 7.5 per cent (84 400) in the number of persons employed, as well as a growth of 3.3 per cent (42 100) in the labour force as the labour force participation rate increased by 2.0 pps to 63.3 per cent.

Bank of Jamaica projects that labour market conditions will further improve over the next eight quarters. In this regard, the average unemployment rate over the September 2021 to June 2023 quarters is projected to decline to 8.2 per cent. On average, the employed labour force is projected to grow by 4.1 per cent, which is an increase of 0.6 percentage points relative to previous projection over the near term. Also, the labour force is projected to have a slightly faster growth on average of 1.3 per cent relative to the previous forecast of 1.0 per cent.

The anticipated decline in unemployment, particularly over the next four quarters is higher than the previous projection. Notwithstanding, unemployment is anticipated to remain generally above pre-COVID trends in the Tourism, Manufacturing, Wholesale & Retail Trade, and Electricity Gas & Water Supply industries.

Outlook

Real GDP is projected to trend upwards at an average rate of 5.0 per cent over the September 2021 to June 2023 quarters but remain below potential output. In this context, GDP growth of 7.0 per cent to 10.0 per cent is projected for FY2021/22, followed by growth of 2.0 per cent to 4.0 per cent for FY2022/23. The projected growth in the economy is largely reflective of a normalization of economic activities, supported by higher external demand (see International Economy).

From the perspective of aggregate supply, growth is anticipated in *Hotels & Restaurants, Other Services, Transport, Storage & Communication, Mining & Quarrying, Electricity & Water* and *Agriculture, Forestry & Fishing*. The anticipated growth in *Hotels & Restaurants* and *Other Services* reflects the continued improvement from the travel sector as the external economy improves and Jamaicans become vaccinated. Growth in *Transport, Storage & Communication* is predicated on the recovery in water- and air- based domestic and international travel. In addition, the growth in *Mining* reflects the normalization of production from operational challenges experienced by the alumina and bauxite plants. Improvement in *Electricity & Water* is predicated on increased electricity and water consumption given the projected normalization in business activities, particularly in the tourism, education sectors and recreational and sporting activities. With regards to *Agriculture, Forestry & Fishing*, growth is anticipated given the expected demand from tourism, increased investments in traditional crop production, and various initiatives by the Government to assist the sector.

The GDP growth over the September 2021 to June 2023 quarters has been revised upward relative to the previous forecast.[6] This revision is largely related to *Hotels & Restaurants, Other Services, Transport, Storage & Communication, Agriculture, Forestry & Fishing, Electricity & Water* and *Construction*. In contrast, lower growth is now projected for *Mining & Quarrying* due to lower than anticipated capacity utilization at the bauxite and alumina plants.

The anticipated higher growth in Tourism and Other Services is consistent with the assessment of pent up demand/improvement in the external economy. The improvement in *Transport, Storage and Communication* is predicated on greater airport arrivals and cruise passengers as well as higher

[5] STATIN did not conduct a labour market survey for April 2020. In this regard, to assess the state of the economy since the onset of the coronavirus, the July 2020 survey is utilized given that it was the first survey of the period.

[6] The previous 8 quarter forecast, which included the June 2021 quarter, was 5.6 per cent. However, the current projection of 5.0 per cent is above the previous 8 quarter forecast of 4.5 per cent for the September 2021 to June 2023 period.

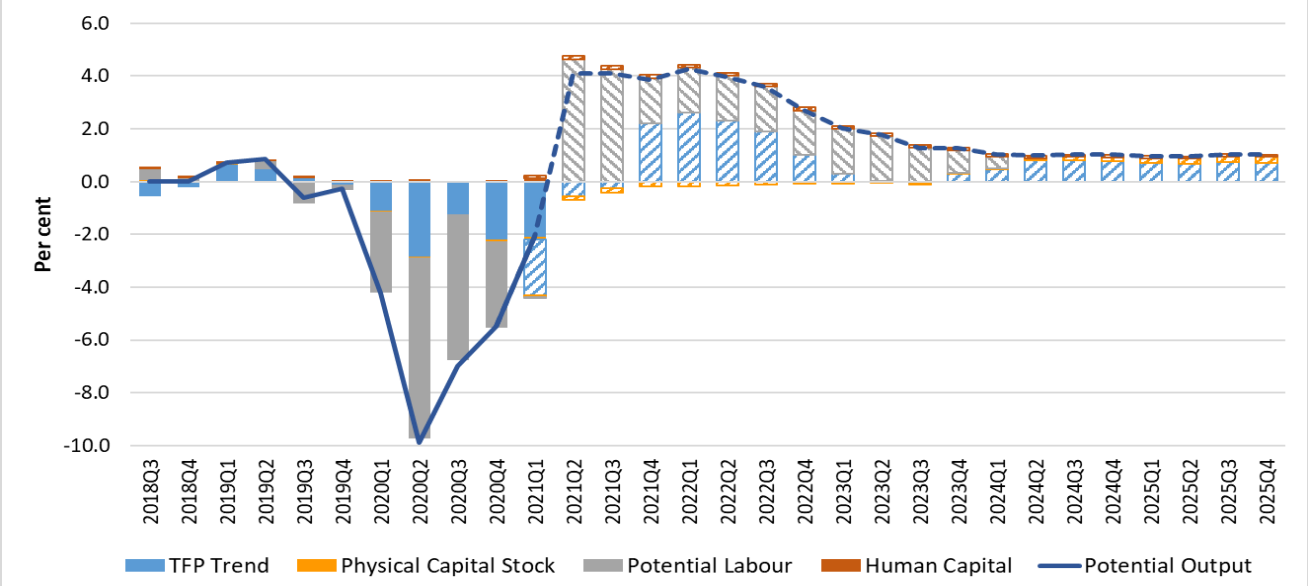
activity at the ports. With regards to *Agriculture, Forestry & Fishing*, an improvement is anticipated given expected investments in traditional crop production and various initiatives by the Government to assist the sector. Additionally, the projected increase in demand by the tourism sector is expected to further drive the demand for agricultural produce. For *Electricity & Water*, electricity consumption is expected to be higher given the increase in business activity, particularly in the tourism and education sectors. Higher growth in *Construction* is based on a projected increase in spending on residential and commercial construction.

Beyond the June 2023 quarter, the projected growth in GDP is below that previously forecasted which largely reflects a downward revision to potential output over the medium term (see Box 3: Potential Output). The downward revision to potential output is largely influenced by slower growth in potential labour and total factor productivity.

Box 3: Potential Output

Using the production function approach, Jamaica's potential output is estimated to have increased by 3.9 per cent for the June 2021 quarter (see **Figure 1**), relative to the reduction of 2.1 per cent for the March 2021 quarter as well as the 9.9 per cent contraction estimated for the June 2020 quarter.[7]

Figure 1: Year-Over-Year Growth in Potential Output and its Components



Contributions to Potential Output Growth[8]

The estimated increase in potential output for the June 2021 quarter reflected increases in potential labour and human capital, partly offset by reductions in total factor productivity and the physical capital stock (see **Figure 2**). Potential labour supply is estimated to have grown by 4.6 per cent for the quarter, relative to declines in the March 2021 and June 2020 quarters. Total factor productivity (TFP) is estimated to have declined by 0.6 per cent for the June 2021 quarter, a slower pace of reduction relative to the March 2021 and June 2020 quarters. The decline in TFP may be explained by Covid-19 containment measures, such as the work from home arrangement, which reduced the level of productivity in several sectors. For the June 2021 quarter, the potential physical capital stock is estimated to have declined by 0.15 percent, which is a faster pace of contraction compared to the March 2021 and June 2020 quarters.

Outlook for Potential Output

Potential output is expected to increase over the September 2021 to June 2023 quarters, following the adverse impact of the coronavirus on the Jamaican economy in 2020 (see **Figure 1**). Potential output is projected to grow at an average rate of 3.3 per cent over the period, a slower pace relative to projected quarterly average GDP growth of 5.0 per cent over the same period. This implies that the output gap is projected to be closed by the December 2022 quarter. It is anticipated that potential labour supply, total factor productivity and

[7] Estimated year-over-year quarter growth of potential output growth over the period 1998 to 2018 averaged 0.6 per cent, compared with the average year-over-year growth of 0.9 percent for the pre-crisis period of 1998 to 2008.

[8] The production function approach allows for the computation and examination of the contribution of the underlying factor inputs in the economy responsible for driving the potential GDP growth. The key factors of production considered in the production function approach are capital and labour, and their productivity (total factor productivity, TFP). Changes in the underlying factors gives an indication of the structural changes in Jamaica's economy over time.

human capital will be the main driving force in potential output growth over the next eight quarters, growing at an average of 2.0 per cent, 1.3 per cent and 0.12 per cent over the September 2021 to June 2023 period, respectively. Conversely, the physical capital stock is projected to decline at an average rate of 0.1 per cent.

The anticipated improvement in potential labour supply stems from a projected rise in the potential labour force participation rate and improvement in potential average hours worked per person (weekly) as restrictions ease and the labour market continues to rebound. As it relates to the total factor productivity, potential labour supply is anticipated to be the key driver behind its projected growth. With regard to human capital, the growth reflects an improvement in individual skillset from educational attainment or on the job training following the Covid-19 shock. With regard to physical capital, the decline primarily reflects the assumption that the anticipated growth in investments will not be sufficient to offset the depreciation in capital stock. Furthermore, it is assumed that investments are converted to usable capital after a two-year period.[9]

Over the medium term, growth in potential output is expected to be largely influenced by slower growth in potential labour and total factor productivity. In this regard, growth in potential labour is expected to normalize while total factor productivity is anticipated to approach its long run trend.

[9] Changes in investment at time 'T' is anticipated to impact capital stock in time 'T +2'

4.0 Fiscal Accounts

For the June 2021 quarter, Central Government's operations recorded a fiscal surplus of $8.2 billion (0.4 per cent of GDP), in contrast to the deficit of $25.4 billion (1.3 per cent of GDP) for the June 2020 quarter. The fiscal outturn for the review period reflected higher tax & non-tax revenues, partly offset by higher expenditure relative to the corresponding period of 2020. The greater expenditure largely reflected higher programme and capital spending.

Recent Developments

For the June 2021 quarter, Central Government's operations recorded a fiscal surplus of $8.2 billion (0.4 per cent of GDP), in contrast to the deficit of $25.4 billion (1.3 per cent of GDP) for the June 2020 quarter. The fiscal outturn for the review period reflected higher tax & non-tax revenues, partly offset by higher expenditure relative to the corresponding period of 2020. The performance of Revenues & Grants for the June 2021 quarter, was mainly attributable to higher tax & non-tax revenue receipts relative to the corresponding period of 2020. The faster pace of growth in tax revenues emanated mainly from the production & consumption as well as international trade categories and to a lesser extent, the income & profit category.[1]

With the exception of programme and capital expenditure, all other categories of expenditure were generally in line relative to the corresponding period of 2020.[2] Notably, the greater capital spending was mainly attributable to higher spending on capital projects.

The financing requirement for Central Government for the June 2021 quarter was $35.0 billion (1.6 per cent of GDP) reflecting the fiscal surplus noted above and amortization of $43.2 billion (1.9 per cent of GDP). In addition, Central Government made payments of $3.9 billion (0.2 per cent of GDP) to the Clarendon Alumina Partners and National Water Commission.

Domestic amortization for the June 2021 quarter amounted to $32.3 billion (1.5 per cent of GDP) mainly reflecting the maturity of a fixed rate BIN of $26.4 billion (1.2 per cent of GDP) as well as Treasury bills of $5.8 billion (0.3 per cent of GDP). External amortization included payments of US$64.2 million (0.4 per cent of GDP) and US$1.3 million (0.1 per cent of GDP) to bilateral and multilateral lending agencies, respectively. In addition, there were contingency payments of US$6.0 million (0.04 per cent of GDP).

The above noted expenses were financed by domestic and external loan receipts of $19.1 billion (0.9 per cent of GDP) and $13.0 billion (0.7 per cent of GDP), respectively. For domestic loans, three benchmark investment notes (BINs) amounting to $13.0 billion (0.6 per cent of GDP) were issued to the domestic capital market during the period as well as Treasury bills issuances amounting to $6.1 billion (0.3 per cent of GDP).

[1] The higher production & consumption receipts were attributable to increased inflows from GCT (local) and SCT (local). The over-performance in GCT (local) was due to greater economic activity while the higher than projected domestic production of refined fuel drove the outturn for SCT (local). For international trade receipts, the increase reflected higher inflows from GCT (imports), custom duty and travel tax. The increase in GCT (imports) and custom duty were primarily driven by greater imports while increased visitor arrivals drove the outturn for travel tax.

[2] Programme expenditure in the June 2021 quarter amounted to $66.2 billion relative to $59.0 billion in June 2020 quarter, notwithstanding the ratio to GDP being 3.0 per cent for both. This reflected the higher GDP projected for FY2021/22 relative to FY2020/21.

External loan receipts amounted to US$92.5 million (0.6 per cent of GDP) from multilateral agencies for investment projects. Against this background, there was a drawdown of $2.9 billion (0.1 per cent of GDP) in Central Government bank balances.

Table 3: Summary of Fiscal Operations
(per cent of GDP)

	Quarter		
	Jun-21	Jun-20	Diff
Revenue & Grants	**7.9**	**6.3**	**1.6**
o/w Tax Revenue	**5.9**	**5.5**	0.4
Non- Tax Revenue	2.0	0.7	1.2
Grants	0.0	0.0	0.0
Expenditure	**7.5**	**7.6**	**(0.1)**
Programmes	3.0	3.0	(0.1)
Compensation of Employees	2.7	2.8	(0.1)
Interest Payment	1.1	1.1	(0.0)
Capital Expenditure	0.8	0.6	0.18
Fiscal Surplus/Deficit	**0.4**	**(1.3)**	**1.7**
Primary Balance	**1.5**	**(0.2)**	**1.6**
Current Balance	**1.1**	**(0.7)**	1.8
Total Financing	**1.6**	**1.0**	0.6
External Loans	0.7	0.2	0.5
Domestic Loans	0.9	0.8	0.1
Other Inflows	**0.0**	**0.0**	0.0
Other Outflows	**0.2**	**0.3**	(0.2)
Amortisation	**1.9**	**0.8**	1.1
External	0.5	0.5	(0.0)
Domestic	1.4	0.3	1.1
Overall Balance	**(0.1)**	**(1.5)**	**1.3**

5.0 Balance of Payments

The current account deficit (CAD) of the balance of payments (BOP) for FY2021/22 is projected to deteriorate in the range of 1.0 per cent to 2.0 per cent of GDP from 1.1 per cent of GDP in FY2020/21. This projection is mainly based on growth in imports, higher investment income outflows and lower remittances inflows, partly offset by an increase in stop-over visitor arrivals for the fiscal year. The CAD for FY2022/23 is projected to deteriorate to 1.7 per cent of GDP before improving over the medium-term to average 0.8 per cent of GDP. The CAD is projected to improve over the near term (September 2021 – March 2023), relative to the previous forecast, by an average of US$87.6 million per quarter. This improvement is largely underpinned by higher surpluses on the services and current transfers sub-accounts, partly offset by a deterioration on the merchandise trade balance. Over the medium-term (FY2023/24 to FY2027/28) the CAD is expected to average 0.8 per cent of GDP, relative to the previous projection of 1.5 per cent of GDP.

The outlook for the gross reserves has improved, relative to the previous projection. This is largely influenced by the incorporation of an IMF general SDR allocation of US$520.6 million into the projected outturn in the reserves for September 2021. Reserves are projected to be above the ARA 100% benchmark as at March 2026. The risks to the projections for the CAD are skewed to the downside due to higher visitor arrivals, related to the release of pent-up demand, faster than expected vaccination deployment and reopening of the economy in source market countries. There is however a heightened upside risk (higher current account deficit) from the spread of the Delta variant. The risks to the outlook for the reserves are skewed to the upside (higher reserves) due to the possibility of a slower than anticipated pace of normalization for remittance inflows.

Recent Developments

The current account deficit (CAD) of Jamaica's balance of payments for the March 2021 quarter amounted to US$46.2 million (0.3 per cent of GDP), US$102.2 million higher (worse) than the outturn recorded for the March 2020 quarter. This deterioration was reflected in the services sub-account, partially offset by improvements to the current transfers, goods balance and the income sub-account. The deterioration of the services sub-account was underpinned primarily by the fall-out in the tourism sector due to the continued impact of the Covid-19 pandemic.[1]

Relative to the Bank's previous estimate, the current account deficit for the March 2021 quarter was lower (better) by US$175.9 million. The variance in the CA was largely underpinned by a higher than projected improvement in all sub-accounts with the exception of the services sub-account. For the merchandise trade balance, exports (f.o.b) were US$27.0 million above projection while imports were lower by US$44.5 million. The surplus on the current transfers sub-account was above projection by US$101.9 million, mainly due to higher remittance inflows. The deficit on the income sub-account was US$13.1 million below projection. The surplus on the services sub-account was US$10.6 million below projection

[1] For FY19/20, Jamaica's current account of the Balance of Payments (BOP) recorded a deficit of 1.4 per cent of GDP. This was 0.6 percentage points lower than the previous estimate in May 2021. The revised estimate was primarily underpinned by higher than previously estimated travel inflows of US$102.4 million due to an upward revision to average daily expenditure by US$6.0 to US$174.2 for the March 2020 quarter. Of note, average daily expenditure for the June 2020, September 2020 and December 2020 quarters were revised downwards while the March 2021 quarter was revised upwards.

due largely to higher than anticipated transportation outflows.[2]

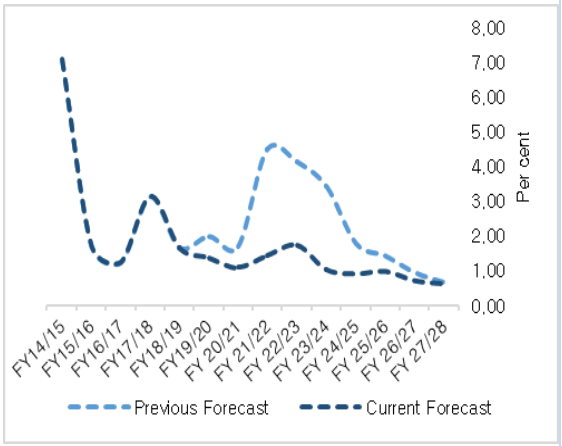
For FY2020/21, the CAD deteriorated to 1.1 per cent of GDP, 0.6 percentage points lower (better) than the previous estimate of 1.7 per cent of GDP and 0.3 percentage points lower (better) than the 1.4 per cent of GDP for FY2019/20.

For the June 2021 quarter, a current account surplus of US$22.4 million (0.2 per cent of GDP) is estimated, US$171.0 million better than the previous projection and US$109.2 million better than the outturn for the June 2020 quarter. This improvement, relative to the previous year, is reflected primarily in the services sub-account and current transfers, partially offset by deteriorations in the merchandise trade balance and the income sub-accounts. The improvement on the services balance reflects increased tourist arrivals as a result of possible pent-up demand and the faster reopening of source market countries. The estimated improvement in current transfers is related to remittances, possibly reflecting the continued use of the formal channels for transfers and a greater than expected impact of fiscal stimulus measures in source market countries. The merchandise trade balance is estimated to have deteriorated due to an increase in fuel imports while the income sub-account deteriorated due to higher investment outflows associated with dividend payments.

The current account deficit (CAD) of the balance of payments for FY2021/22 is projected to deteriorate within the range of 1.0 per cent to 2.0 per cent of GDP from 1.1 per cent of GDP in FY2020/21. This projection is mainly based on growth in imports, higher investment income outflows and lower remittances inflows, partly offset by an increase in stop-over visitor arrivals for the fiscal year. The CAD for FY2022/23 is projected to deteriorate to 1.7 per cent of GDP before improving over the medium-term to average 0.8 per cent of GDP (see **Figure 22**). The expected improvement is due mainly to higher tourism inflows.

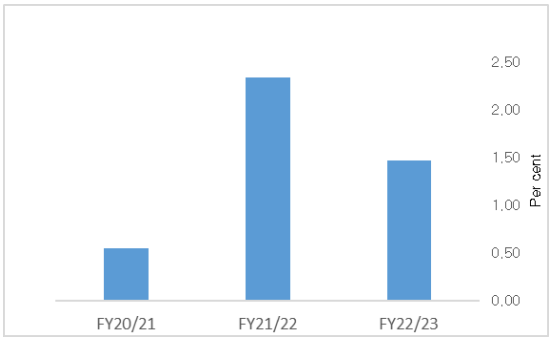
The current account balance, after accounting for FDI-related imports, reflects an average deficit of 1.4 per cent of GDP for the 3-year forecast period of FY2020/21 to FY2022/23 (see **Figure 23**).

Figure 22: Medium-Term CAD Forecast (% GDP)



Source: Bank of Jamaica

Figure 23: Current Account less FDI (% of GDP)



Source: Bank of Jamaica

[2] Imports were above projection primarily due to higher fuel, raw materials and transport equipment of US$11.1 million, US$22.0 million, and US$1.9 million respectively, partially offset by lower imports of consumer goods and capital goods of US$3.2 million and US$22.7, respectively. Exports were higher than previously projected, primarily due to higher than expected re-exports and non-traditional goods of US$32.7. million and US$27.9 million, respectively.

6.0 Monetary Policy & Market Operations

BOJ maintained its signal rate during the June 2021 quarter at 0.50 per cent. This decision was based on the MPC's assessment that, despite recent increases in international commodity prices, the existing stance of monetary policy remains appropriate to support inflation within the target range over the next two years.

In order to ensure the orderly functioning of the foreign exchange market during the June 2021 quarter, BOJ provided liquidity amounting to US$165.0 million via the B-FXITT facility and other market sales, and US$6.0 million via swap arrangements.[1]

In spite of the Bank's FX sales to the market, Jamaican dollar liquidity loosened during the June 2021 quarter, relative to the preceding quarter.

BOJ maintained its signal rate at 0.5 per cent, effective 30 June 2021.[2] Private money market rates increased, while GOJ treasuries declined for the June 2021 quarter. Liquidity remained buoyant as conditions loosened when compared to the previous quarter.

Liquidity Conditions

During the June 2021 quarter, liquidity conditions loosened relative to the March 2021 quarter. This was indicated by the maintenance of average current account balances at Bank of Jamaica of $75.6 billion by deposit-taking institutions (DTIs) and primary dealers, above the average of $64.6 billion for the preceding quarter broadly consistent with the levels considered adequate for the system.

Liquidity conditions over the June 2021 quarter were more buoyant relative to the previous projections. Financial institutions' (FIs') average current account balances for the quarter were higher than projected by $5.3 billion.[3] The higher than anticipated balances primarily reflected weaker than anticipated net absorption from GOJ operations. There was net absorption of $37.2 billion through GOJ operations during the June 2021 quarter. On the other hand, BOJ operations net injected $48.2 billion into the system during the quarter. Net injection from BOJ

operations largely reflected net injection from BOJ FX operations of $45.3 billion. This was supported by an injection of $6.2 billion from OMOs. This injection was partly offset by an absorption of $3.4 billion from other BOJ operations (see Table 4).

Bank of Jamaica conducted 11 auctions of 30-day CDs during the review quarter. The average offer size during the June 2021 quarter was $6.0 billion, below the average of $10.0 billion for the March 2021 quarter. The decline reflected the actions of the central bank to temper interest rates in the financial market to levels consistent with the monetary policy stance. As a result, there was an increase in demand for the 30-day CD instrument as the average yield for the review quarter declined to 0.55 per cent, 74 bps below the average for the March 2021 quarter.

BOJ continued to offer its weekly 14-day repos via competitive auctions during the June 2021 quarter. Liquidity accessed via 14-day repos during the quarter averaged $5.6 billion, relative to $7.9 billion

[1] Swap purchases totaled US$10.0 million for the quarter, resulting in net swap purchases (maturities) of US$4.0 million.
[2] Consequently, the SLF rate was maintained at 2.50 per cent during the review quarter. Effective 18 March 2020, the limit on the SLF was removed, therefore, the EFR is no longer applicable.
[3] Financial institutions refer to DTIs and primary dealers.

in the March 2021 quarter. A total of 9 auctions were held during the review period, relative to 14 in the previous quarter. All offers received subscriptions which reflected an average yield of 1.91 per cent, 65 bp above the average yield in the preceding quarter.[4]

Table 4: BOJ Liquidity Facility (J$ Billions)

BOJ Liquidity Flow (J$ Billions)	Actual Dec-20	Actual Mar-21	Projected Jun-21	Actual Jun-21	Variance Jun-21
Net BOJ Operations (Inject/Absorb)	9.6	24.1	49.9	48.2	-1.7
Open Market Operations	-30.0	-12.0	18.0	6.2	-11.7
BOJ Repo - (incl. OTROs)	1.9	3.5	2.9	-6.8	-9.7
FR CDs - (incl. 30d cds)	-4.2	-23.9	14.7	8.5	-6.2
VR CDs	0.0	0.0	0.0	0.0	0.0
USD Indexed Notes	-27.7	8.4	0.4	4.6	4.2
BOJ FX (incl. PSE)	41.1	39.1	36.1	45.3	9.2
BOJ Other	-1.4	-3.0	-4.2	-3.4	0.8
o.w. Currency Issue	-5.4	-7.0	-3.1	-4.1	-1.0
o.w. Cash Reserve (Com Banks)	-2.5	-1.3	-1.0	-1.3	-0.3
o.w. other	6.5	5.3	-0.3	0.4	0.2
GOJ Operations	8.9	-26.6	-44.3	-37.2	7.0
Current A/C (+) = Loosen; (-) = Tighten	18.5	-2.6	5.7	10.9	5.3
Current A/C Balance (AvgStock)	67.2	64.6	70.3	75.6	5.3

Notes: (+) = Inject; (-) = Absorb
Source: Bank of Jamaica

Strong foreign currency demand during the June 2021 quarter and the associated fluctuations in market conditions necessitated BOJ's foreign currency sale of US$165.0 million via the B-FXITT facility and other market sales, and the provision of US$6.0 million via swap arrangements, respectively. The swap arrangement replaced the US$10.0 million that matured during the quarter. There was also a small repayment of USD CD. There were no new issues of USD CDs during the review period (see Table 5).

Table 5: Placements & Maturities of BOJ USD Instruments

Tenor	January – March 2021			April – June 2021		
	Placements (US$MN)	Maturities (US$MN)	Average Rate (%)	Placements (US$MN)	Maturities (US$MN)	Average Rate (%)
5-year	–	0.04	–	–	0.01	–
TOTAL	**–**	**0.04**	**–**	**–**	**0.01**	**–**

Note: Total outstanding stock of USD CDs as at June 2021 was US$286.5 million
Source: Bank of Jamaica

[4] Despite buoyant liquidity conditions in the system, the increase in yields on the 14-day repo facility was in a context where some institutions experienced an uptick in demand for liquidity.

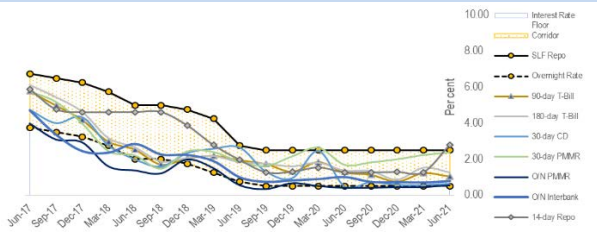
7.0 Financial Markets

Movements in money market rates were mixed during the June 2021 quarter, despite the Bank of Jamaica's unchanged monetary policy and loose liquidity conditions. The estimated yield curve on GOJ JMD bonds at end-June 2021 slightly steepened, relative to the yield curve at end-March 2021. Sovereign risk declined while exchange rate risk increased.

Market Interest Rates

Notwithstanding generally buoyant liquidity conditions, movements in money market rates were mixed during the June 2021 quarter, relative to the preceding quarter. When compared to the rates at end-March 2021, the overnight (O/N) interbank rate, O/N private money market rate (PMMR) and the 30-day PMMR were higher by 8 bps, 10 bps and 15 bps, respectively. However, the yields on GOJ 90-day, 180-day and 270-day Treasury bills at end-June 2021 were lower by 18 bps, 25 bps and 109 bps, respectively (see **Figure 24**). The yields for Treasury bills declined in a context where the appetite for short-tenor liquid instruments increased, while higher PMMRs were influenced by increased demand among some institutions for funding to meet liquidity needs.

Figure 24: Money Market Rates (Nominal)[1]



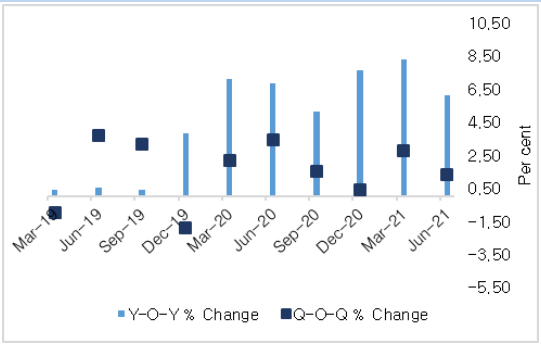
	BOJ SLF Rate	BOJ 30-day CD	BOJ O/N Deposit	O/N PMMR +	O/N Int. Bank +	30-day PMMR +	90-day T-Bill	180-day T-Bill	270-day T-Bill
Dec-19	2.50	0.93	0.50	0.66	0.82	2.16	1.32	1.60	1.73
Mar-20	2.50	2.45	0.50	0.50	0.89	2.64	1.85	1.80	1.67
Jun-20	2.50	0.47	0.50	0.39	1.00	1.69	1.28	1.36	1.83
Sep-20	2.50	0.71	0.50	0.40	0.73	1.83	1.14	1.33	1.65
Dec-20	2.50	0.56	0.50	0.44	0.72	2.00	0.77	0.86	1.04
Mar-21	2.50	0.55	0.50	0.44	0.70	2.23	1.23	1.52	2.41
Jun-21	2.50	0.62	0.50	0.54	0.78	2.38	1.05	1.27	1.32

Source: Bank of Jamaica

Exchange Rate Developments

The nominal exchange rate depreciated during the review quarter, relative to the previous quarter. The weighted average selling rate of the Jamaica Dollar vis-á-vis the US dollar (WASR) closed the June 2021 quarter at J$148.52 = US$1.00, reflecting depreciation of 1.3 per cent, relative to the previous quarter. The annual average rate of depreciation at end-June 2021 was 6.7 per cent.

Figure 25: Movements in WASR



The depreciation in the exchange rate during the June 2021 quarter was particularly noticeable in April 2021. This was underpinned by increased portfolio-related demand by financial institutions. These demand pressures were attenuated by total BOJ sales of US$171.0 million for the quarter, of which B-FXITT sales accounted for US$110.0 million.[2] Subsequently, an appreciation cycle in June 2021 was influenced by an increased willingness of some authorized dealers to net sell USD funds.

[1] Notes: (i) PMMR is the private money market rate (ii) O/N is the overnight rate in the market accessible by all financial institutions while the interbank rate (I/B) is the overnight rate accessible only by banks.
+ Reflects average rate for the month.

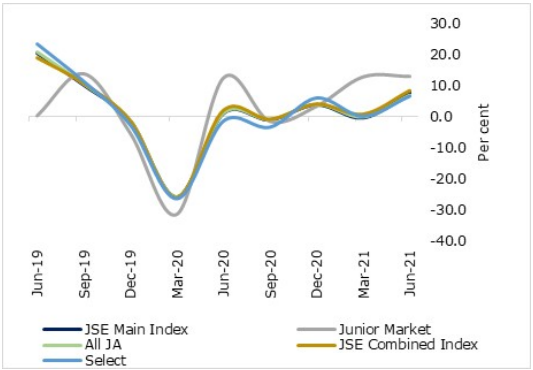
* Rates represent month-to-date

[2] Total market sales include BFXITT sales of US$110.0 million, FX swap sales of US$6.0 million and Other Direct sales of US$55.0 million for the June 2020 quarter.

Equities Market

For the June 2021 quarter, all the major Jamaica Stock Exchange (JSE) indices recorded growth, ranging from 6.6 per cent to 13.0 per cent (see Figure 26). Additionally, all indices recorded higher growth relative to the March 2021 quarter. More specifically, the JSE Main Index grew by 7.8 per cent compared to the 0.2 per cent decline reported for the previous quarter. Similarly, the Junior Market Index grew by 13.0 per cent, which represented a marginal increase in growth of 0.2 percentage point, relative to the March 2021 quarter.

Figure 26: Quarterly Growth of the JSE Indices
(Per cent Change) [3]

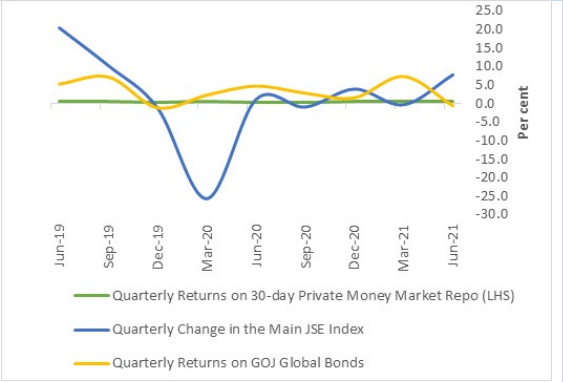


Source: Jamaica Stock Exchange

The positive performance of the Jamaican equities market for the review quarter was influenced by improved macroeconomic conditions as evidenced by continued recovery in economic activity, declines in unemployment as well as increases in foreign currency inflows. Furthermore, investors' confidence was bolstered by the increased rollout of vaccination programmes locally and globally, less restrictive curfew measures by the government as well as improved earnings results of listed companies, particularly for most companies in *Manufacturing* and *Distribution.*

Furthermore, investments in equities yielded stronger gains in comparison to returns from foreign currency investments. More precisely, equities yielded a quarterly return of 7.8 per cent, while foreign currency investments recorded a negative quarterly average return of 0.7 per cent.[4] Additionally, the average yield on 30-day private money market instruments remained at 0.6 per cent for the review quarter (see Figure 27).

Figure 27: Returns from Private Money Market, foreign currency investments and Capital Gains/ (Losses) from JSE Main Index
(Per cent)



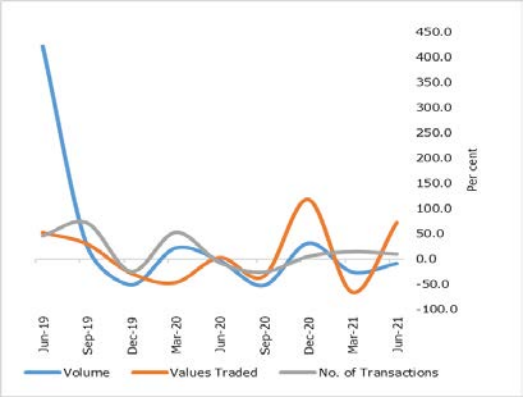
Source: Jamaica Stock Exchange and Bloomberg

Market activity indicators for the JSE Main Index showed mixed results. In particular, the volume of stocks traded decreased by 8.1 per cent for the June 2021 quarter, relative to a decline of 25.1 per cent in the previous quarter. Meanwhile, the value of stocks traded and the number of transactions increased by 72.2 per cent and 9.7 per cent, respectively, for the review quarter. This compares to a decline of 65.3 per cent in the value of stocks traded and an increase of 14.3 per cent in the number of transactions recorded the previous quarter (see Figure 28).

[3] The All JA and JSE Main Index, exhibit strong co-movement with returns.

[4] The return on equities is computed as the change in value of the JSE Main Index for the review quarter relative to the previous period. The return on foreign currency investments is computed as the sum of quarterly foreign currency gains (losses) and the average quarterly returns on GOJ global bonds.

Figure 28: Quarterly Change in the Monthly Volumes, Values Traded & Number of Transactions (Main JSE Index) (Per cent)



Source: Jamaica Stock Exchange

The price performance of the stocks on the JSE Main Index, as measured by the advance to decline ratio, was 30:9 for the June 2021 quarter, with one stock trading firm. This compares to an advance to decline ratio of 11:28 for the previous quarter. Of note, stock price appreciation was largely concentrated among the *Financial* and *Manufacturing* sectors. Most of the declining stocks were also concentrated in the *Financial sector*, as well as the *Other* category for the quarter (see Tables 6 and 7).

Table 6: Stock Price Appreciation

Advancing	Percent
Financial	
Eppley Limited	23.6
Mayberry Investments Limited	13.7
Mayberry Jamaican Equities Limited	19.4
Other	
Palace Amusement	127.0
Supreme Ventures	32.7
Manufacturing	
Caribbean Cement Company	36.5
Jamaica Broilers Group	20.3
Salada Foods Jamaica	16.7
Conglomerates	
Jamaica Producers Group	18.8
Communication	
Radio Jamaica	13.8

Table 7: Stock Price Depreciation

Other	
Margaritaville (Turks) Limited	−54.3
Wigton Windfarm Limited	−7.9
138 Student Living Jamaica Limited	−4.2
Pulse Investments	−4.2
Financial	
1834 Investments Limited	−9.1
QWI Investments Limited	−6.7
Barita Investments Limited	−5.6
Jamaica Stock Exchange	1.8
Tourism	
Ciboney Group	−36.5

8.0 Monetary Aggregates

Growth in base money was higher, relative to the previous projection, while broad money and credit to the private sector as at June 2021 were estimated to be lower.

Over the ensuing eight quarters, the average annual growth rates in the monetary aggregates are mixed, while growth in private sector credit is expected to be higher relative to the previous projections.

Money

The annual growth in the monetary base as at June 2021 was 25.2 per cent, relative to the previous projection of 13.8 per cent and above the growth of 22.0 per cent at March 2021. This stronger growth largely reflected higher than anticipated current account balances, and to a lesser extent, higher than expected currency issues and cash reserve balances.[1]

Table 8: Bank of Jamaica Balance Sheet (Analytical Presentation)

	Stock (J$MN)			Flow (%)	
	Jun-20	Mar-21	Jun-21	Qtr. -o- Qtr.	Y-o-Y
NIR (US$MN)	2,949.26	3,319.3	3,388.71	2.1	14.9
NIR(J$MN)	412,462.00	483,604.97	507,566.63	5.0	23.1
- Assets	546,127.57	618,254.95	641,947.12	3.8	17.5
- Liabilities	-133,665.57	-134,649.98	-134,380.49	-0.2	0.5
Net Domestic Assets	-173,194.88	-188,241.55	-208,050.82	-10.5	-20.1
- Net Claims on Public Sector	160,956.71	182,183.45	213,235.97	17.0	32.5
- Net Credit to Banks	-65,274.73	-70,829.70	-75,868.69	7.1	16.2
- Open Market Operations	-74,311.08	-100,714.84	-131,936.03	31.0	77.5
- Other	-194,565.77	-198,880.46	-213,482.07	7.3	9.7
-o/w USD FR CDs	-20,044.12	-19,606.65	-19,606.65	0.0	-2.2
Monetary Base	239,267.12	295,363.42	299,515.81	1.4	25.2
- Currency Issue	151,704.79	181,790.14	181,058.42	-0.4	19.3
- Cash Reserve	35,280.94	39,901.13	41,429.09	3.8	17.4
- Current Account	52,281.40	73,672.16	77,028.30	4.6	47.3

Source: Bank of Jamaica

Regarding the sources of the annual change in the monetary base at June 2021, there was an increase of 14.9 per cent in the Bank of Jamaica's net international reserves (NIR), the impact of which was partly offset by a decrease of 20.1 per cent in the net domestic assets (NDA) (see Table 8). The growth in the Jamaica dollar equivalent of the NIR was mainly associated with a depreciation in the exchange rate and, to a lesser extent an increase in the USD value of the NIR stock. The increase in the USD NIR stock was influenced by surrenders through the PSE Facility and Authorized Dealers and Cambios, over the year. These inflows were partly offset by outflows from Government of Jamaica as well as net market sales of US$381.0 million. The net claims on public sector contributed to the increase in the NDA.[2]

[1] Cash reserve balances were marginally higher, despite lower than expected local currency deposits.

[2] The annual increase in net claims on public sector largely reflected increased holdings of GOJ securities. Increased holdings of GOJ securities reflected $15.9 billion of outright purchases of GOJ VR BINs and GOJ FR BINs, respectively, on the secondary market, and purchases of $40.5 billion in GOJ FR BINs directly from the GOJ, while $25.6 billion in FR and VR BINs matured.

The expansion in M2J at May 2021 was largely underpinned by growth of 17.7 per cent in local currency deposits, an acceleration relative to the 14.8 per cent recorded at end-March 2021. The acceleration in the growth in deposits was reflected in savings and demand deposits, which grew by 17.3 per cent and 18.9 per cent, respectively, relative to growth of 14.6 per cent and 19.0 per cent in March 2021. Growth in M2J was also influenced by growth of 19.0 per cent in currency with the public, relative to growth of 24.8 per cent in March 2021.

Table 9: Components of Money Supply (M2*)

	Percentage Change (%)		
	May-20	Mar-21	May-21
Total Money Supply (M2*)	14.1	15.2	16.0
Money Supply (M2J)	12.1	16.7	17.9
Money Supply (M1J)	17.7	21.3	18.9
Currency with the public	26.6	24.8	19.0
Demand Deposits	11.9	19.0	18.9
Quasi Money	7.4	12.6	17.0
Savings Deposits	16.8	14.6	17.3
Time Deposits	-19.5	5.6	15.6
Foreign Currency Deposits	17.7	12.6	12.7

Source: Bank of Jamaica

Private Sector Credit

Growth in private sector loans and advances remained largely unchanged, relative to the previous quarter. Loans and advances (including domestic and foreign currency denominated loans) to the non-financial private sector by deposit-taking institutions (DTIs) expanded by 8.4 per cent at May 2021. This was in line with the growth of 8.8 per cent as at March 2021. Relative to GDP, the stock of private sector loans at May 2021 was 47.3 per cent, largely unchanged when compared with 47.9 per cent a year earlier.

The growth in total loans and advances was underpinned by expansions in loans of 9.3 per cent and 7.2 per cent to individual and the productive sector, respectively. Growth in loans to the productive sector was mainly attributed to growth in loans to the *Other Professional, Tourism, Distribution,* and *Transport* industries.

Table 10: Select Private Sector Financing Indicators
(12-month Percentage Change)

Stock	May-20	Mar-21	May-21
Total DTI	13.4	8.8	8.4
o.w. to Businesses	18.2	11.0	7.2
o.w. to Consumers	10.0	7.3	9.3
Stock as a % of Annual GDP			
Total DTI	43.0	47.9	47.3
o.w. to Businesses	18.5	20.5	20.1
o.w. to Consumers	24.5	27.4	27.2

Source: Bank of Jamaica

Box 4: Quarterly Non-Cash Means of Payment (MOP)[3] Assessment

For the June 2021 quarter, the total value of transactions using non-cash MOP was approximately $2.6 trillion (see **Figure 1**).[4] This represents a marginal increase of 0.2 per cent relative to the previous quarter as well as an increase of 19.4 per cent relative to the corresponding period of the previous year. The increase for the quarter was largely reflected in increases in POS credit and beneficiary payments, partly offset by declines in all other payment types (see **Table 1**).[5] The increase in beneficiary payments reflected a rebound in economic activity and was facilitated by the waiving of user fees by BOJ.[6] The volume of beneficiary payments for June 2021 increased by 95.3 per cent relative to June 2020 (see **Figure 2**).

Figure 1

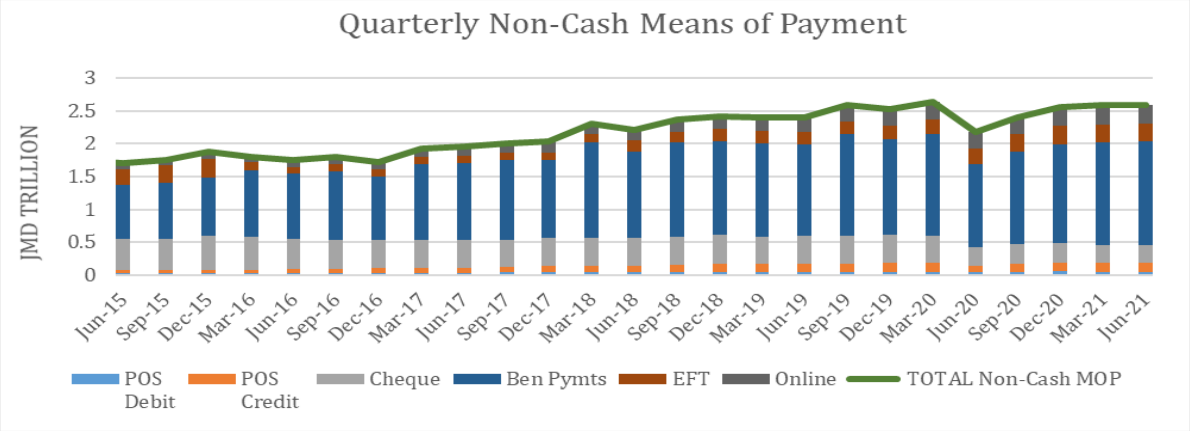


Table 1

Quarterly Growth Rates in Non-Cash MOP

Month	POS Debit	POS Credit	Cheques	Online Transaction	BEN PYMT	EFT	Total MOP
Jun-18	3.5	-0.6	1.0	3.1	-9.9	32.9	-4.1
Sep-18	4.2	9.1	-1.0	11.4	9.8	-3.9	6.7
Dec-18	12.7	3.7	4.3	0.8	-0.5	18.6	2.2
Mar-19	-5.3	3.7	-5.5	9.5	-0.8	-1.1	-0.7
Jun-19	-3.3	-2.3	4.0	4.9	-1.7	0.8	0.0
Sep-19	5.3	7.9	-1.8	18.3	10.4	2.8	8.1
Dec-19	8.5	0.9	0.3	-1.0	-5.4	9.1	-2.4
Mar-20	-2.8	7.9	-5.3	7.0	7.0	-0.8	4.1
Jun-20	-15.5	-26.0	-32.7	-9.2	-18.7	16.2	-17.4
Sep-20	24.3	19.0	8.2	2.2	11.3	7.8	10.1
Dec-20	4.8	6.8	-0.4	12.0	6.7	8.6	6.6
Mar-21	-11.3	2.9	-6.3	7.9	3.3	-5.0	1.5
Jun-21	-1.2	3.4	-5.3	-4.0	2.3	-2.7	0.2

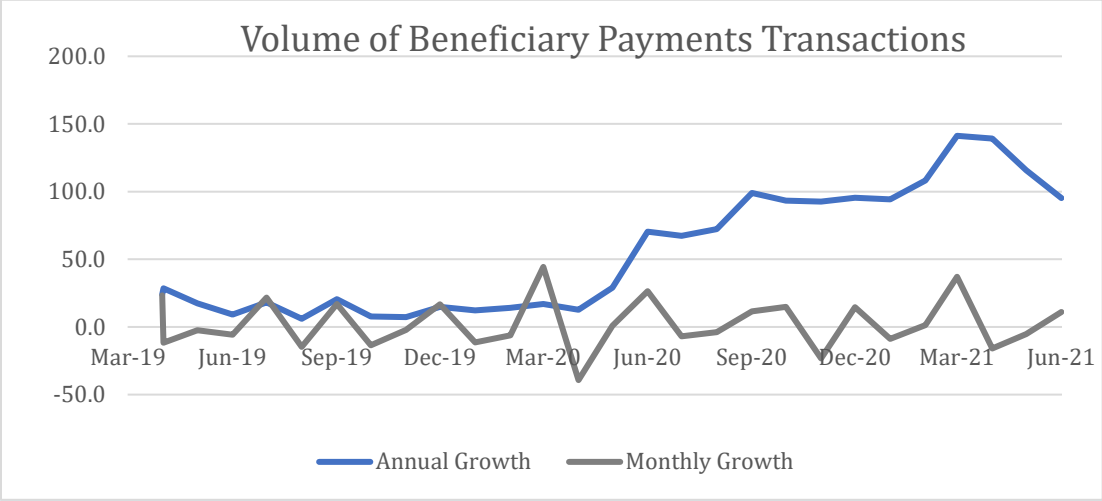
[3] The Non-Cash Means of Payments (MOP) refer to the way a buyer chooses to compensate a seller of a good or service that is also acceptable by the seller. The components of Means of Payments include: Point of Sale (POS) debit and credit card transactions, Cheque transactions, Online transactions, Electronic Funds Transfers (EFT) and Beneficiary Payment(Ben Pymt). Electronic Funds Transfer (EFT) is predominantly a standing order payment as well as small value transactions using the Automated Clearing House platform and commercial bank's propriety system. EFT is the sum of the direct debit and credit transactions. Online transactions are the sum of ecommerce and internet transactions.

4 The data for the June 2021 quarter is provisional and is subject to change.

5 Beneficiary Payments are RTGS transactions that banks make on behalf of their customers.

[6] Effective March 21, 2020 the Bank of Jamaica waived user fees for all RTGS transactions.

Figure 2



Share of Total Transaction

For Q2 2021, beneficiary payments continue to account for a significant portion of the overall transactions followed by cheques, online transactions, EFTs, POS Credit and POS Debit. Notably, since the March 2020 quarter, cheque usage has declined. The reduction in cheques partly resulted from consumers' preference for using electronic means of payment during the pandemic (see Table 2). On an annual basis, total electronic means of payment grew by 22.8 per cent for the June 2021 quarter.[7]

Table 2

Share of Total Transaction

Month	POS Debit	POS Credit	Cheques	Online Transaction	BEN PYMT	EFT
Jun-18	2%	5%	19%	7%	59%	7%
Sep-18	2%	5%	18%	7%	61%	7%
Dec-18	2%	5%	18%	7%	59%	8%
Mar-19	2%	5%	17%	8%	59%	8%
Jun-19	2%	5%	18%	8%	58%	8%
Sep-19	2%	5%	16%	9%	59%	7%
Dec-19	2%	5%	17%	9%	58%	8%
Mar-20	2%	5%	15%	10%	59%	8%
Jun-20	2%	5%	12%	11%	58%	11%
Sep-20	2%	5%	12%	10%	59%	11%
Dec-20	2%	5%	11%	10%	59%	11%
Mar-21	2%	5%	11%	11%	60%	10%
Jun-21	2%	5%	10%	10%	61%	10%

[7] Total electronic means of payment refers to total non-cash MOP less cheques.

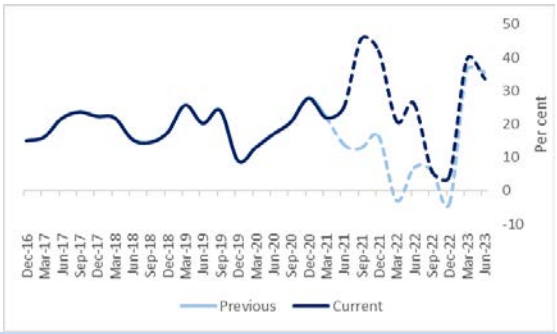
Monetary Projections

The monetary base is projected to expand by an average annual rate of 27.0 per cent over the September 2021 to June 2023 quarters, above the previous projection of 13.4 per cent. On the asset side, growth is primarily expected to emanate from expansions in the NIR. In terms of liabilities, expansion is expected to primarily reflect growth in current account balances. Higher than previously projected NIR, partly offset by lower than anticipated NDA influenced a stronger than previously expected growth in the monetary base.

M2J is projected to expand at an average annual rate of 11.8 per cent over the next eight quarters, unchanged relative to the previous projection. The pace of broad money growth is anticipated to mainly reflect fairly moderate expansion in local currency deposits over the medium term. Despite weaker than anticipated expansion in local currency deposits over the past quarter, the medium-term growth projection for broad money remains unchanged in light of an improved outlook for economic activity over the next eight quarters.

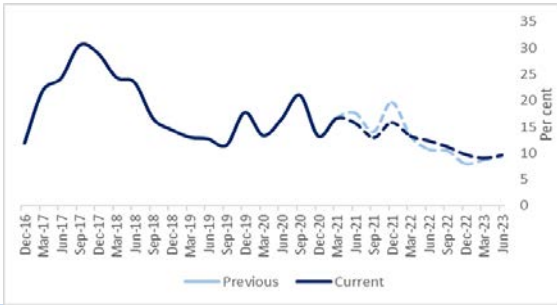
The projected growth in private sector credit over the next eight quarters is above previous projections. Private sector credit is projected to grow at an average rate of 13.7 per cent up to June 2023, compared to the previous forecast for expansion of 12.4 per cent. The projected acceleration in annual growth over the next four quarters reflects an expected recovery in demand conditions. Thereafter, the pace of growth in private sector credit is anticipated to moderate due to base effects. The stronger than previously projected forecast is in the context of an improved economic outlook relative to previous expectations.

Figure 29: Annual Growth in Monetary Base



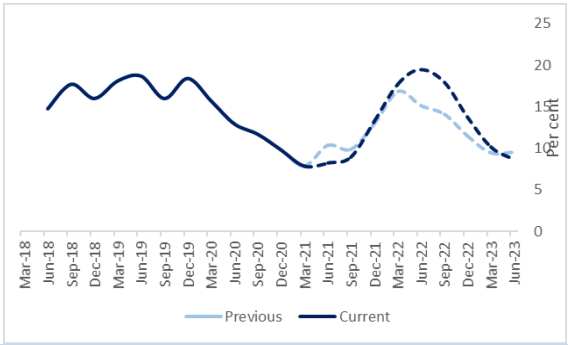
Source: Bank of Jamaica

Figure 30: Annual Growth in M2J



Source: Bank of Jamaica

Figure 31: Private Sector Credit



Source: Bank of Jamaica

9.0 Conclusion

Globally, there has been increased optimism about the deployment of COVID-19 vaccines and further fiscal stimuli, particularly in the USA. However, growth in some economies has been impacted by increased lockdowns and other measures due to the resurgence of new cases and new variants of the virus. Consequently, global growth will normalize at a similar pace to that anticipated at the previous assessment over the next eight quarters.

The projections for international commodity prices over the next eight quarters have been revised upwards, relative to the previous forecast.

The Bank anticipates that external monetary conditions will remain accommodative but the Fed will tighten conditions earlier than anticipated. The duration of the global pandemic remains highly uncertain and there is much risk of further resurgence of new cases and new variants of the virus as governments attempt to restart their economies.

Domestic inflation is projected to average between 5.5 per cent and 6.5 per cent over the next eight quarters (September 2021 to June 2023), higher relative to the previous projection. Further, it is expected that inflation will temporarily breach the upper bound of the target range from as early as the September 2021 quarter. This revised projection is primarily driven by a gradual rise in core inflation, supported by one-off increases in regulated prices, the lagged impact of higher international grains prices and a temporary jump in inflation expectations, also related to the commodity price shock. External energy prices are expected to have a stronger impact on energy-related inflation as crude oil and LNG prices are projected to remain elevated, although moderating over the near-term.

Domestic economic activity is estimated to have rebounded in the June 2021 quarter and will continue to increase over the rest of the forecast horizon. Consequently, for FY2021/22, real GDP is projected to increase in the range of 7.0 per cent to 10.0 per cent and recover further in the range of 2.0 per cent to 4.0 per cent in FY2022/23. Real GDP is anticipated to return to its pre-COVID level in the December 2022 quarter. Over the medium term, GDP growth is projected to average 1.0 per cent to 2.0 per cent per year, which is lower than the previous projections. The risks to the forecast for real GDP growth are balanced.

The current account deficit (CAD) of the balance of payments (BOP) is projected to improve over the near term (September 2021 – March 2023), relative to the previous forecast, by an average of US$87.6 million per quarter. This improvement is largely underpinned by a higher surplus on the service sub-account. The short-term outlook for the gross reserves has improved relative to previous projection due largely to the incorporation of the proposed SDR allocation by the IMF which is expected to be disbursed in August 2021. Against this background, the reserves will remain above the adequacy benchmark throughout the near and medium term. The risks to the projections for the CAD are skewed to the downside due to the possibility of better travel services while the risks to reserves are skewed to the upside.

The central bank has maintained its policy rate at 0.50 per cent over the past year. Given the threats to the inflation target the Monetary Policy Committee agreed to consider commencing a tightening of monetary policy at its next meeting in September 2021. The Bank continued to be focussed on ensuring that inflation remains low, stable and predictable, within the target range of 4.0 per cent to 6.0 per cent. Going forward, the central bank is committed to ensuring that inflation remains low, stable and predictable.

Additional Tables

1: INFLATION RATES

		CPI (Point-to-Point) **	Headline Inflation	Core Inflation*
FY08/09	Sep-08	52.28	25.30	20.99
	Dec-08	52.28	16.84	16.61
	Mar-09	52.94	12.43	12.98
FY09/10	Jun-09	54.39	8.95	10.29
	Sep-09	56.03	7.22	9.77
	Dec-09	57.62	10.21	10.28
	Mar-10	59.99	13.33	11.60
FY10/11	Jun-10	61.53	13.21	10.99
	Sep-10	62.34	11.26	9.40
	Dec-10	64.38	11.74	8.65
	Mar-11	64.69	7.84	6.57
FY11/12	Jun-11	65.98	7.20	6.67
	Sep-11	67.37	8.07	6.99
	Dec-11	68.25	6.01	6.86
	Mar-12	69.39	7.26	6.97
FY12/13	Jun-12	70.41	6.71	6.91
	Sep-12	71.86	6.65	5.59
	Dec-12	73.71	8.00	5.44
	Mar-13	75.72	9.13	6.30
FY13/14	Jun-13	76.57	8.76	6.26
	Sep-13	79.37	10.46	6.95
	Dec-13	80.70	9.47	7.38
	Mar-14	82.04	8.34	6.54
FY14/15	Jun-14	82.68	7.97	6.10
	Sep-14	86.50	8.99	6.72
	Dec-14	85.83	6.36	5.97
	Mar-15	85.29	3.96	5.51
FY15/16	Jun-15	86.29	4.37	4.81
	Sep-15	88.08	1.82	4.00
	Dec-15	88.97	3.66	3.51
	Mar-16	87.82	2.96	3.04
FY16/17	Jun-16	88.46	2.52	2.76
	Sep-16	89.71	1.86	2.48
	Dec-16	90.50	1.72	2.31
	Mar-17	91.41	4.09	2.27
FY17/18	Jun-17	92.38	4.43	2.42
	Sep-17	93.82	4.58	2.55
	Dec-17	95.24	5.24	2.65
	Mar-18	95.00	3.94	2.58
FY18/19	Jun-18	94.99	2.82	2.29
	Sep-18	97.89	4.33	2.44
	Dec-18	97.56	2.44	2.36
	Mar-19	98.23	3.39	2.33
FY19/20	Jun-19	98.97	4.19	2.50
	Sep-19	101.20	3.39	2.87
	Dec-19	103.63	6.22	2.95
	Mar-20	102.95	5.44	3.27
FY20/21	Jun-20	105.20	6.31	2.92
	Sep-20	106.14	4.88	3.20
	Dec-20	109.01	5.19	3.60
	Mar-21	108.27	5.18	5.30
FY21/22	Jun-21	109.77	4.34	7.17

* Core inflation is measured as headline inflation excluding agriculture and fuel related components of the CPI Basket (CPI-AF)
** STATIN revised the reference basket used to measure the CPI in March 2020

2: ALL JAMAICA INFLATION – Point–to–Point (June 2021)

Divisions, Classes and Groups	Weight (%)	Inflation (%)	Weighted Inflation	Contribution
FOOD & NON-ALCOHOLIC BEVERAGES	35.79	3.58	1.28	28.99
Food	33.76	3.49	1.18	26.70
Cereals and cereal products (ND)	6.68	9.68	0.65	14.66
Live animals, meat and other parts of slaughtered land animals (ND)	6.60	10.51	0.69	15.71
Fish and other seafood (ND)	3.59	7.29	0.26	5.93
Milk, other dairy products and eggs (ND)	2.86	6.52	0.19	4.22
Oils and Fats (ND)	0.91	7.65	0.07	1.58
Fruits and nuts (ND)	2.60	0.89	0.02	0.52
Vegetables, tubers, plantains, cooking bananas and pulses (ND)	7.02	-9.55	-0.67	-15.19
Tubers, plantains, cooking bananas and pulses (ND)	2.04	-2.97	-0.06	-1.37
Vegetables	4.98	-12.55	-0.62	-14.16
Sugar, confectionery and desserts (ND)	1.31	5.11	0.07	1.51
Ready-made food and other food products n.e.c. (ND)	2.19	3.83	0.08	1.90
Non-Alcoholic Beverages	2.03	5.03	0.10	2.32
Fruit and Vegetable Juices (ND)	0.66	5.47	0.04	0.82
Coffee, Tea and Cocoa	0.46	5.96	0.03	0.62
Mineral Waters, Soft Drinks, Fruit and Vegetable Juices	0.91	4.56	0.04	0.94
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	1.45	3.01	0.04	0.99
CLOTHING AND FOOTWEAR	2.48	4.73	0.12	2.66
Clothing	1.66	5.05	0.08	1.90
Footwear	0.82	4.09	0.03	0.76
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	17.85	2.53	0.45	10.23
Rentals for Housing	9.09	11.81	1.07	24.32
Maintenance, Repair and Security of the Dwelling	0.67	6.36	0.04	0.97
Water Supply and Miscellaneous Services Related to the Dwelling	2.27	-13.82	-0.31	-7.10
Electricity, Gas and Other Fuels	5.82	10.87	0.63	14.33
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	3.77	5.12	0.19	4.38
Furniture, Furnishings, and Loose Carpets	0.36	7.78	0.03	0.63
Household Textiles	0.22	5.47	0.01	0.27
Household Appliances	0.35	3.72	0.01	0.30
Tools and Equipment for House and Garden	0.15	4.26	0.01	0.14
Goods and Services for Routine Household Maintenance	2.70	4.99	0.13	3.05
HEALTH	2.63	4.37	0.11	2.60
Medicines and Health Products	2.16	4.78	0.10	2.33
Outpatient Care Services	0.30	3.45	0.01	0.24
Other Health Services	0.17	0.67	0.00	0.03
TRANSPORT	11.23	3.79	0.43	9.65
INFORMATION AND COMMUNICATION	4.57	-0.97	-0.04	-1.01
RECREATION, SPORT AND CULTURE	5.02	4.60	0.23	5.23
EDUCATION SERVICES	2.43	24.58	0.60	13.55
RESTAURANTS & ACCOMMODATION SERVICES	6.65	10.48	0.70	15.80
INSURANCE AND FINANCIAL SERVICES	1.13	4.25	0.05	1.09
PERSONAL CARE, SOCIAL PROTECTION AND MISCELLANEOUS GOODS AND SERVICES	4.99	5.17	0.26	5.84
ALL DIVISIONS	100.00	4.34	4.41	100.00

3: BANK OF JAMAICA OPERATING TARGETS

	Actual Jun-19	Actual Sep-19	Actual Dec-19	Actual Mar-20	Actual Jun-20	Actual Sep-20	Actual Dec-20	Actual Mar-21	Actual Jun-21
Net International Reserves (US$)	3,035.31	3,098.05	3,162.53	3,237.67	2,949.26	2,747.49	3,126.13	3,319.32	3,388.71
NET INT'L RESERVES (J$)	387,214.6	395,218.9	403,445.0	413,029.7	412,462.0	389,093.8	445,328.1	483,499.7	507,566.6
Assets	451,256.7	456,945.4	463,218.4	470,535.2	546,127.6	526,087.2	581,364.4	618,120.4	641,947.1
Liabilities	64,042.1	61,726.5	59,773.4	57,505.5	133,665.6	136,839.3	136,036.3	134,620.7	134,380.5
NET DOMESTIC ASSETS	-182,895.9	-175,085.5	-182,491.4	-171,025.0	-173,194.9	-123,393.84	-162,755.2	-188,136.32	-208,050.82
-Net Claims on Public Sector	119,278.3	120,036.17	92,866.8	106,366.5	159,189.0	211,632.0	222,068.3	181,996.1	213,236.0
-Net Credit to Banks	-67,623.5	-68,898.9	-67,433.6	-73,493.8	-65,274.7	-66,981.9	-69,050.6	-70,829.7	-75,868.7
-Open Market Operations	-56,504.49	-56,565.5	-45,884.5	-41,981.8	-74,311.1	-76,564.7	-124,035.7	-100,734.3	-131,936.0
-Other	-178,046.3	-169,657.3	-162,040.1	-161,915.9	-192,798.1	-191,479.3	-191,737.1	-198,568.4	-213,482.1
MONETARY BASE	204,318.6	220,133.4	220,953.6	242,004.7	239,267.1	265,854.1	282,573.0	295,363.4	299,515.8
- Currency Issue	120,388.4	127,107.1	148,989.0	145,735.2	151,704.8	170,033.0	190,622.7	181,924.1	181,058.4
- Cash Reserve	44,023.5	45,140.9	45,884.5	48,878.3	35,280.94	37,093.8	39,116.5	39,901.1	41,429.1
- Current Account	39,906.8	48,032.3	26,113.9	47,391.2	52,281.4	58,727.3	52,968.4	73,672.2	77,028.3
GROWTH IN MONETARY BASE [F-Y-T-D]	-4.5	2.9	3.2	-	-1.1	9.8	16.8	-	1.4

4: MONETARY AGGREGATES

		BASE	M1J	M1	M2J	M2	M3J	M3
	Mar-16	120011.93	155348.7	180719.1	313587.6	530398.8	460873.6	677684.8
FY16/17	Jun-16	120682.00	152152.3	176967.0	315129.2	542936.3	468354.8	696162.0
	Sep-16	125112.90	162012.8	183699.4	327364.0	554814.8	485596.6	713047.4
	Dec-16	140698.1	184887.8	210703.5	356709.1	586686.9	514906.4	744884.2
	Mar-17	139,460.80	177,728.24	205,405.77	385,130.22	636,350.53	545,141.71	796,362.01
FY17/18	Jun-17	147,019.31	176,880.50	206,834.55	390,658.46	661,159.67	555,312.55	825,813.77
	Sep-17	154,764.51	183,754.61	213,187.22	425,524.34	699,679.21	601,465.45	875,620.33
	Dec-17	172,290.94	205,967.44	233,487.21	457,905.02	718,529.75	633,487.37	894,112.10
	Mar-18	170,142.28	220,372.56	250,633.11	479,452.65	756,399.23	657,857.33	934,803.92
FY18/19	Jun-18	169,828.80	216,289.92	251,603.73	482,485.41	770,885.09	673,782.30	962,181.99
	Sep-18	177,365.64	230,629.81	266,659.06	496,418.25	804,064.91	693,490.11	1,001,136.77
	Dec-18	202,547.07	251,413.40	283,542.66	524,339.37	818,748.06	731,302.94	1,025,711.62
	Mar-19	214,015.10	249,673.01	285,367.63	542,149.88	844,420.19	753,609.43	1,055.879.73
FY19/20	Jun-19	204,318.65	256,383.63	294,330.41	544,085.24	858,311.49	763,563.05	1,077,789.31
	Sep-19	220,133.35	258,452.00	291,166.83	553,029.15	874,593.99	784,502.64	1,106,067.49
	Dec-19	220,953.60	288,765.41	324,896.57	617,627.36	941,252.00	843,835.41	1,167,460.05
	Mar-20	220,952.59	291,510.62	341,364.49	612,444.99	963,144.91	842,710.44	1,193,410.36
FY20/21	Jun-20	239,267.12	304,413.99	346,525.54	634,039.95	998,227.40	852,992.97	1,217,180.42
	Sep-20	265,854.12	321,603.09	366,833.99	670,333.46	1,055,569.83	889,371.33	1,274,607.69
	Dec-20	282,573.00	341,946.01	382,054.10	699,607.17	1,092,427.28	926,877.37	1,319,697.49
	Mar-21	295,363.42	348,520.04	390,210.97	717,228.90	1,118,874.17	949,719.11	1,351,364.37
FY21/22	Jun-21	299,515.81	354,014.44	406,142.44	735,982.82	1,163,036.18	978,463.19	1,405,516.55

5: GOJ TREASURY BILL YIELDS
(End of Period)

		1-month	3-month	6-month	9-month	12-month
FY12/13	Dec-12	6.31	7.67	7.18	...	...
	Mar-13	5.37	5.82	6.22	...	...
	Jun-13	6.02	6.76	7.12	...	...
FY13/14	Sep-13	6.32	7.42	7.95	...	...
	Dec-13	6.25	7.53	8.25	...	...
	Mar-14	6.76	8.35	9.11	...	...
	Jun-14	6.80	7.66	8.37	...	...
FY14/15	Sep-14	6.89	7.47	8.00	...	...
	Dec-14	6.38	6.96	7.14	...	...
	Mar-15	6.30	6.73	7.00	...	...
	Jun-15	6.23	6.48	6.63	...	...
FY15/16	Sep-15	6.23	6.20	6.35	...	...
	Dec-15	5.97	5.96	6.04	...	...
	Mar-16	5.38	5.75	5.83	...	...
	Jun-16	5.47	5.86	6.01	...	...
FY16/17	Sept-16	5.84	5.86	5.81	...	...
	Dec-16	5.64	5.68	6.56	...	...
	Mar-17	6.10	6.13	6.32	...	...
	Jun-17	...	5.77	6.13	...	...
FY17/18	Sept-17	...	4.98	5.45	...	...
	Dec-17	...	4.18	4.63	...	...
	Mar-18	...	2.98	3.17	...	...
	Jun-18	...	2.54	2.66	...	...
FY18/19	Sep-18	...	1.71	1.87	...	...
	Dec-18	...	2.05	2.07	...	...
	Mar-19	...	2.19	2.17	...	...
	Jun-19	...	1.95	1.84	...	...
FY19/20	Sep-19	...	1.74	1.75	...	...
	Dec-19	...	1.32	1.60	...	...
	Mar-20	...	1.85	1.80	...	...
FY20/21	Jun-20	...	1.28	1.36	...	...
	Sep-20	...	1.14	1.33	...	...
	Dec-20	...	0.77	0.86	...	...
	Mar-21	...	1.23	1.52	...	...
FY21/22	Jun-21	...	1.05	1.27	...	...

6: BANK OF JAMAICA OPEN MARKET INTEREST RATES
(End of Period)

		30 days	60 days	90 days	120 days	180 days	270 days	365 days
	Mar-12	6.25	...	...	...	...	...	...
FY12/13	Jun-12	6.25	...	...	...	...	...	...
	Sep-12	6.25	...	...	...	...	...	...
	Dec-12	6.25	...	...	...	...	...	...
	Mar-13	5.75	...	...	...	...	...	...
FY13/14	Jun-13	5.75	...	...	...	...	...	...
	Sep-13	5.75	...	...	...	...	...	...
	Dec-13	5.75	...	...	...	...	...	...
	Mar-14	5.75	...	...	...	...	...	...
FY14/15	Jun-14	5.75	...	...	...	...	...	...
	Sep-14	5.75	...	...	...	...	...	...
	Dec-14	5.75	...	...	...	...	...	...
	Mar-15	5.75	...	...	...	...	...	...
FY15/16	Jun-15	5.50	...	...	...	...	...	...
	Sep-15	5.25	...	...	...	...	...	...
	Dec-15	5.25	...	...	...	...	...	...
	Mar-16	5.25	...	...	...	...	...	...
FY16/17	Jun-16	5.00	...	...	...	...	...	...
	Sep-16	5.00	...	...	...	...	...	...
	Dec-16	5.00	...	...	...	...	...	...
	Mar-17	5.00	...	...	...	...	...	...
FY17/18	Jun-17	4.75	...	...	...	...	...	...
	Sep-17	4.50	...	...	...	...	...	...
	Dec-17	4.00	...	...	...	...	...	...
	Mar-18	3.50	...	...	...	...	...	...
FY18/19	Jun-18	3.00	...	...	...	...	...	...
	Sep-18	3.00	...	...	...	...	...	...
	Dec-18	3.00	...	...	...	...	...	...
	Mar-19	3.00	...	...	...	...	...	...
FY19/20	Jun-19	1.25	...	...	...	...	...	...
	Sep-19	1.25	...	...	...	...	...	...
	Dec-19	1.00	...	...	...	...	...	...
	Mar-20	1.00	...	...	...	...	...	...
FY20/21	Jun-20	1.00	...	...	...	...	...	...
	Sep-20	1.00	...	...	...	...	...	...
	Dec-20	1.00	...	...	...	...	...	...
	Mar-21	1.00	...	...	...	...	...	...
FY20/21	Jun-21	1.00	...	...	...	...	...	...

7: Placements and Maturities* in BOJ OMO Instruments

	October - December 2020			January - March 2021			April - June 2021		
	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)	Maturities (J$MN)	Placements (J$MN)	Average Yield (%)
30-day CD	74.5	88.5	0.54	122.0	99.9	1.28	50.2	66.3	0.55
272-day VR CD	0	0		0	0		0	0	
365-day VR CD	0	0		0	0		0	0	
548-day VR CD	0	0		0	0		0	0	
729-day VR CD	0	0		0	0		0	0	
272-day FR CD	0	0		0	0		0	0	
365-day FR CD	0	0		0	0		0	10	3.01
911-day FR CD	0	0		0	15	3.01	0	0	
272-day FR USD IB	0	0		25.4	0		0	0	
365-day FR USD IB	0	0		0	0		0	0	
540-day FR USD IB	0	0		0	0		0	0	
730-day FR USD IB	0	0		0	0		7.1	0	
1095-day FR USD IB	0	23.9		0.0	13.5		0.0	0	
Repos	86.5	76.9		108.8	113.4		67.7	58.7	
	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)	Maturities (US$MN)	Placements (US$MN)	Average Yield (%)
1-year FR USD CD	0	0		0	0		0	0	
2-year FR USD CD	0	0		0	0		0	0	
3-year FR USD CD	0	0		0	0		0	0	
4-year FR USD CD	0	0		0	0		0	0	
5-year FR USD CD	0.03	0		0.04	0		0.01	0	
7-year FR USD CD	0	0		0	0		0	0	
TOTAL	0.03	0		0.04	0		0.01	0	

8: EXTERNAL TRADE – GOODS EXPORTS (f.o.b)
(Flows – US$MN)

	Bauxite	Alumina	Sugar	Bananas	Other Traditional	Non-Traditional	Other	Total Goods Exports
FY12/13	131.9	516.7	54.8	0.0	80.8	707.1	252.9	1744.1
Sep-12	34.7	130.7	0.5	0.0	20.4	162.3	58.6	407.1
Dec-12	32.4	117.2	0.0	0.0	19.3	223.5	57.9	450.3
Mar-13	33.0	136.4	16.8	0.0	18.8	194.5	69.7	469.2
FY13/14	125.0	526.0	53.7	0.0	70.9	455.9	260.3	1492.0
Jun-13	31.6	127.0	36.3	0.0	23.5	104.0	62.4	384.8
Sep-13	30.6	117.6	0.0	0.0	18.5	120.3	75.8	362.8
Dec-13	32.8	142.7	0.0	0.0	13.8	118.7	55.4	363.4
Mar-14	30.0	138.7	17.4	0.0	15.1	112.9	66.8	381.0
FY14/15	136.5	522.9	55.5	0.2	65.8	395.6	225.6	1402.2
Jun-14	34.4	108.6	26.5	0.0	21.0	96.1	69.2	355.9
Sep-14	33.4	151.6	11.9	0.1	16.6	99.3	62.1	375.0
Dec-14	33.4	130.4	0.0	0.1	13.6	106.8	49.2	333.5
Mar-15	35.3	132.3	17.1	0.1	14.5	93.4	45.1	337.9
FY15/16	116.4	479.8	36.9	0.3	69.9	317.8	158.3	1178.7
Jun-15	32.0	143.8	23.6	0.1	21.9	80.4	45.2	347.0
Sep-15	33.8	114.5	13.1	0.1	19.2	71.0	31.9	283.6
Dec-15	23.9	116.4	0.2	0.1	13.4	84.2	38.8	277.0
Mar-16	26.6	105.1	0.0	0.1	15.4	82.2	42.3	271.1
FY16/17	80.5	472.3	17.7	0.4	76.9	407.3	191.0	1246.1
Jun-16	26.7	126.6	9.0	0.1	26.9	90.7	55.2	335.3
Sep-16	20.6	102.7	4.8	0.1	20.6	93.0	41.0	282.7
Dec-16	17.9	109.6	0.3	0.1	13.0	108.4	49.9	299.1
Mar-17	15.3	133.4	3.6	0.1	16.5	115.2	44.9	328.9
FY17/18	94.5	641.9	11.3	0.7	65.8	436.1	205.3	1455.6
Jun-17	19.7	128.4	8.8	0.1	18.7	108.8	56.3	340.8
Sep-17	19.4	142.5	1.7	0.1	18.9	95.8	43.8	322.3
Dec-17	29.4	148.2	0.3	0.1	15.1	119.1	46.6	358.8
Mar-18	25.9	222.9	0.5	0.3	13.2	112.3	58.6	433.7
FY18/19	94.7	1136.8	15.8	0.5	68.4	424.8	232.3	1973.2
Jun-18	25.3	300.8	3.9	0.1	19.5	99.0	58.9	507.5
Sep-18	23.2	328.5	11.3	0.1	21.3	100.6	52.5	537.4
Dec-18	25.9	270.0	0.3	0.1	14.0	112.6	59.4	482.3
Mar-19	20.3	237.5	0.4	0.1	13.5	112.6	61.5	445.9
FY19/20+	94.3	573.6	10.2	0.6	81.4	506.9	106.4	1373.4
Jun-19+	26.1	214.6	6.4	0.1	20.8	117.9	50.7	436.6
Sep-19+	22.5	169.4	3.0	0.1	24.0	120.2	46.8	386.0
Dec-19+	21.1	113.0	0.4	0.1	18.2	122.0	44.5	319.4
Mar-20+	18.7	104.3	0.4	0.2	18.8	159.8	44.4	346.6
FY20/21+	87.9	422.0	6.9	0.8	67.3	535.8	81.0	1201.6
Jun-20	27.3	94.0	6.0	0.2	19.3	106.4	7.0	260.2
Sep-20	20.4	108.1	0.0	0.2	23.4	125.5	14.1	291.7
Dec-20	22.2	119.4	0.0	0.2	13.8	133.9	12.7	302.3
Mar-21	18.0	100.5	0.8	0.2	10.7	170.1	47.1	347.4

+ Revised

9: BALANCE OF PAYMENTS QUARTERLY SUMMARY
(US$MN)

	Dec-18	Mar-19+	Jun-19+	Sep-19+	Dec-19+	Mar-20+	Jun-20+	Sep-20+	Dec-20+	Mar-21
1. Current Account	-99.5	-53.1	-98.1	-161.7	-51.3	56.0	-86.8	3.5	-15.5	-46.1
A. Goods Balance	-945.0	-970.9	-1045.2	-982.5	-1046.0	-834.7	-618.4	-667.4	-809.5	-770.1
Exports (f.o.b)	482.3	480.1	430.3	394.6	335.0	354.9	260.6	295.5	307.8	354.6
Imports (f.o.b)	1427.4	1451.0	1475.5	1377.1	1380.9	1189.6	878.9	962.8	1117.2	1124.8
B. Services Balance	313.3	516.4	415.6	347.1	426.3	513.4	-77.4	-51.3	-4.5	65.7
Transportation	-183.0	-178.2	-182.3	-171.1	-172.5	-154.4	-119.9	-129.9	-143.9	-189.9
Travel	709.5	921.3	793.0	746.0	854.8	835.1	0.8	141.1	240.9	264.2
Other Services	-213.2	-226.8	-195.1	-227.8	-256.0	-167.3	41.7	-62.5	-101.6	-8.5
Goods & Services Balance	-631.8	-454.5	-629.6	-635.4	-619.7	-321.3	-695.8	-718.7	-814.0	-704.4
C. Income	-99.2	-169.6	-52.9	-173.6	-45.4	-200.5	-82.0	-142.1	-29.8	-158.2
Compensation of employees	50.6	6.0	14.2	23.7	50.9	7.5	8.9	20.0	45.5	15.3
Investment Income	-149.8	-175.6	-67.1	-197.3	-96.3	-208.0	-90.9	-162.1	-75.3	-173.5
D. Current Transfers	631.5	571.0	584.4	647.3	613.7	577.8	691.0	864.4	828.3	816.6
General Government	43.6	46.5	26.1	51.6	15.9	43.4	21.7	46.5	37.4	44.0
Other Sectors	587.9	524.5	558.4	595.8	597.8	534.3	669.3	817.8	790.9	772.5
2. Capital & Financial Account	836.3	-57.1	4.8	-69.0	560.2	105.0	175.2	-497.4	942.2	423.4
A. Capital Account	-6.5	-7.1	-8.5	-6.1	-5.0	-9.5	-9.2	-5.8	-6.3	-8.6
Capital Transfers	-6.5	-7.1	-8.5	-6.1	-5.0	-9.5	-9.2	-5.8	-6.3	-8.6
General Government	0.7	1.4	1.4	1.5	2.4	0.5	0.8	1.9	1.0	1.4
Other Sectors	-7.2	-8.5	-9.8	-7.6	-7.3	-10.0	-9.9	-7.7	-7.3	-10.0
Acq/disp of non-produced non- fin assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Financial Account	842.8	-50.1	13.3	-62.9	565.2	114.5	184.4	-491.6	948.5	432.0
Direct Investment	183.1	196.5	-40.1	161.0	-104.4	99.9	89.9	22.1	46.7	22.3
Portfolio Investment	129.8	26.7	-98.5	-311.8	260.8	-37.3	-198.2	-311.8	38.1	-268.8
Other official investment	-120.4	-112.4	-156.0	-173.6	1.4	-236.4	-150.0	-76.1	93.7	165.2
Other private Investment	629.0	-81.5	258.3	324.3	471.8	263.9	154.3	96.1	394.1	377.7
Reserves	21.3	-79.4	49.5	-62.7	-64.5	24.4	288.4	-222.0	375.9	135.6
Errors & Omissions	-736.8	110.3	93.3	230.7	-508.9	-161.0	-88.4	493.9	-926.7	-377.3

+ Revised

10: FOREIGN EXCHANGE SELLING RATES

(J$ per unit of foreign currency – end of period)

		US$	Can$	GBP £
	Dec-11	86.6000	84.2000	134.4400
	Mar-12	87.3000	87.6500	139.2800
FY12/13	Jun-12	88.7000	86.7100	138.6600
	Sep-12	89.9300	91.4200	145.3900
	Dec-12	92.9800	93.3100	152.6400
	Mar-13	98.8900	97.9900	151.9000
FY13/14	Jun-13	101.3800	96.7000	154.4800
	Sep-13	103.6000	100.7100	167.1600
	Dec-13	106.3800	99.7200	175.8400
	Mar-14	109.5700	98.9300	181.7700
FY14/15	Jun-14	112.2022	103.1802	191.8988
	Sep-14	112.6662	101.0142	180.2393
	Dec-14	114.6607	97.6896	177.6759
	Mar-15	115.0435	90.6202	169.9738
FY15/16	Jun-15	116.9832	93.8399	183.7774
	Sep-15	119.0553	88.6177	180.1478
	Dec-15	120.4150	84.9062	177.1179
	Mar-16	122.0421	92.5223	173.4625
FY16/17	Jun-16	126.3835	97.8795	169.8517
	Sept-16	128.2704	97.3084	166.7776
	Dec-16	128.4404	95.8778	157.4208
	Mar-17	128.6672	97.1686	159.5670
FY17/18	Jun-17	128.6228	99.3865	166.5811
	Sep-17	129.9127	105.0988	173.8791
	Dec-17	125.0004	97.3947	167.0275
	Mar-18	125.9850	97.1994	178.1109
FY18/19	Jun-18	130.3918	100.0079	172.9757
	Sep-18	134.6486	103.7023	178.1844
	Dec-18	127.7162	91.5382	159.0355
	Mar-19	126.4666	95.8862	165.5342
FY19/20	Jun-19	131.0682	101.8648	168.0812
	Sep-19	135.1591	102.3052	166.1363
	Dec-19	132.5690	100.1539	171.6232
	Mar-20	135.3908	95.3267	169.1721
FY20/21	Jun-20	140.0111	105.1658	177.1609
	Sep-20	142.1048	107.7533	185.5508
	Dec-20	142.6493	111.4117	193.6657
	Mar-21	146.5813	120.1525	202.8338
FY21/22	Jun-21	148.5164	122.7285	207.0185

11: BANK OF JAMAICA: NET INTERNATIONAL RESERVES
(End-of-Point)

		(US$MN)	(US$MN)	(US$MN)	Weeks of Imports	
		Gross Foreign Assets	Gross Foreign Liabilities	International Reserves (Net)	Goods	Goods & Services
FY12/13	Jun-13	1,881.10	877.90	1,003.20	16.70	12.60
	Sep-13	1,713.50	803.40	910.10	15.80	11.90
	Dec-13	1,817.60	769.70	1,047.90	17.30	12.80
	Mar-14	2,048.60	745.00	1,303.60	19.10	14.40
FY14/15	Jun-14	2,016.53	640.40	1,376.13	20.19	14.57
	Sep-14	2,715.25	514.68	2,200.57	27.79	19.66
	Dec-14	2,473.01	471.92	2,001.09	26.31	18.41
	Mar-15	2,689.74	396.06	2,293.68	28.61	20.02
FY15/16	Jun-15	2,537.27	420.76	2,116.51	29.00	19.83
	Sep-15	2,890.45	448.57	2,441.88	32.34	22.39
	Dec-15	2,890.45	479.82	2,437.01	34.61	23.45
	Mar-16	2,894.31	478.77	2,415.53	34.38	23.30
FY16/17	Jun-16	2,819.90	554.77	2,265.13	32.66	19.36
	Sep-16	3,056.16	593.15	2,463.01	36.30	24.60
	Dec-16	3,291.47	-572.10	2,719.37	38.40	22.27
	Mar-17	3,323.89	-554.72	2,769.17	38.78	22.49
FY17/18	Jun-17	3,185.65	-568.84	2,616.81	35.44	20.54
	Sep-17	3,714.94	-577.80	3,137.14	40.87	23.70
	Dec-17	3,781.17	-572.88	3,208.29	38.83	22.78
	Mar-18	3,656.91	-582.35	3,074.57	35.83	21.29
FY18/19	Jun-18	3,687.40	-551.91	3,135.49	32.49	19.80
	Sep-18	3,568.84	-542.12	3,026.72	33.14	19.67
	Dec-18	3,532.04	-526.63	3005.41	32.80	19.47
	Mar-19	3,605.18	-520.35	3,084.83	35.54	20.50
FY19/20	Jun-19	3,537.33	-502.02	3,035.31	32.88	22.62
	Sep-19	3,581.92	-483.86	3,098.05	33.45	22.82
	Dec-19	3,631.09	-468.55	3,152.53	33.80	22.94
	Mar-20	3,688.45	-450.78	3,237.67	34.27	23.22
FY20/21	Jun-20	3,905.02	-955.76	2,949.26	56.33	38.15
	Sep-20	3,713.37	-965.88	2,747.49	53.56	36.28
	Dec-20	4,081.09	-954.95	3,126.13	53.95	38.81
	Mar-21	4,243.53	-924.20	3,319.32	53.65	38.71
FY21/22	Jun-21	4,285.89	-897.18	3,388.71	42.42	30.12

12: VALUE ADDED BY INDUSTRY AT CONSTANT (2007) PRICES (% CHANGE)

June 2019 – Mar 2021– + (Seasonally Unadjusted)

(Percentage Change (%) Over the Corresponding Quarter of Previous Year)

	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Total Value Added at Basic Prices	1.3	0.6	-0.0	-2.3	-18.3	-10.7	-8.3	-6.7
Agriculture, Forestry & Fishing	-1.7	-0.0	3.9	7.8	7.9	2.5	-7.2	-2.0
Mining & Quarrying	4.7	-17.5	-40.4	-35.8	-25.2	-20.7	6.3	7.1
Manufacturing	3.2	4.9	0.4	2.2	-11.8	-10.9	-0.4	-1.1
Food, Beverages & Tobacco	0.1	2.3	1.8	0.1	-8.6	-8.2	-0.7	-1.7
Other Manufacturing	8.0	8.8	-1.2	5.3	-16.5	-14.6	-0.0	-0.2
Construction	-1.4	-2.1	-1.9	-3.3	-14.5	7.0	6.3	10.5
Electricity & Water	-0.1	0.8	2.8	2.1	-8.7	-7.0	-9.3	-6.9
Wholesale & Retail Trade; Repairs; Installation Of Machinery	1.0	0.6	0.7	-1.3	-15.6	-8.13	-8.8	-5.1
Hotels and Restaurants	5.8	2.5	3.7	-14.1	-85.6	-65.2	-53.8	-55.9
Transport, Storage & Communication	0.8	1.2	0.5	-2.7	-20.8	-14.8	-10.4	-7.8
Finance & Insurance Services	4.4	3.1	3.3	-1.2	-5.5	-5.6	-2.8	-1.2
Real Estate & Business Services	0.8	0.9	0.7	0.2	-5.5	-2.8	-1.3	-1.9
Government Services	0.3	0.4	0.2	0.2	0.2	0.1	0.2	0.0
Other Services	1.8	1.9	1.4	-3.7	-44.3	-27.0	-21.6	-21.9
Less Financial Intermediation Services Indirectly Measured (FISIM)	3.9	3.7	3.5	3.1	3.9	3.7	3.9	3.7

13: USD LONDON INTERBANK OFFER RATE–LIBOR (End– of–Period)

		1-month	3-month	6-month	12-month
FY11/12	Sep-11	0.2394	0.3743	0.5578	0.8649
	Dec-11	0.2953	4.9075	0.8085	1.1281
	Mar-12	0.2413	0.4682	0.7334	1.0485
FY12/13	Jun-12	0.2458	0.4606	0.7344	1.0680
	Sep-12	0.2143	0.3585	0.6359	0.9730
	Dec-12	0.2087	0.3060	0.5083	0.8435
	Mar-13	0.2037	0.2826	0.4449	0.7315
FY13/14	Jun-13	0.1958	0.2731	0.4144	0.6902
	Sep-13	0.1789	0.2489	0.3685	0.6294
	Dec-13	0.1677	0.2461	0.3480	0.5831
	Mar-14	0.1520	0.2306	0.3289	0.5581
FY14/15	Jun-14	0.1552	0.2307	0.3268	0.5451
	Sep-14	0.1565	0.2351	0.3304	0.5786
	Dec-14	0.1713	0.2556	0.3628	0.6288
	Mar-15	0.1763	0.2708	0.4007	0.6942
FY15/16	Jun-15	0.1865	0.2832	0.4449	0.7715
	Sep-15	0.1930	0.325	0.534	0.8511
	Dec-15	0.4300	0.613	0.846	1.1780
	Mar-16	0.4370	0.6290	0.900	1.2100
FY16/17	Jun-16	0.4650	0.6540	0.9240	1.2300
	Sept-16	0.5311	0.8537	1.2397	1.5518
	Dec-16	0.7717	0.9979	1.3177	1.6857
	Mar-17	0.9828	1.1496	1.4232	1.8018
FY17/18	Jun-17	1.2239	1.2992	1.4477	1.7384
	Sep-17	1.2322	1.3339	1.5060	1.7823
	Dec-17	1.5640	1.6940	1.8370	2.1070
	Mar-18	1.8831	2.3118	2.4524	2.6626
FY18/19	Jun-18	2.0903	2.3358	2.5013	2.7641
	Sep-18	2.2606	2.3984	2.6039	2.9186
	Dec-18+	2.5027	2.8076	2.8756	3.0054
	Mar-19	2.4945	2.5998	2.6595	2.7106
FY19/20	Jun-19	2.3980	2.3199	2.2005	2.1781
	Sep-19	2.0156	2.0851	2.0556	2.0321
	Dec-19	1.7625	1.9083	1.9121	1.9962
	Mar-20	0.9930	1.4510	1.1750	0.9980
FY20/21	Jun-20	0.1623	0.3020	0.3693	0.5458
	Sep-20	0.1483	0.2339	0.2598	0.3601
	Dec-20	0.1439	0.2384	0.2576	0.3419
	Mar-21	0.1111	0.1943	0.2053	0.2831
FY21/22	Jun-21	0.1005	0.1458	0.1595	0.2463

14: PRIME LENDING RATES (End-of-Period)

		EURO-ZONE	UNITED STATES			UNITED KINGDOM
		Repo rate	Fed Funds Rate	Discount Rate	Prime Rate	Repo rate
FY11/12	Jun-11	1.25	0 – 0.25	0.75	3.25	0.50
	Sep-11	1.50	0 – 0.25	0.75	3.25	0.50
	Dec-11	1.00	0 – 0.25	0.75	3.25	0.50
	Mar-12	1.00	0 - 0.25	0.75	3.25	0.50
FY12/13	Jun-12	1.00	0 - 0.25	0.75	3.25	0.50
	Sep-12	0.75	0 - 0.25	0.75	3.25	0.50
	Dec-12	0.75	0 - 0.25	0.75	3.25	0.50
	Mar-13	0.75	0 - 0.25	0.75	3.25	0.50
FY13/14	Jun-13	0.50	0 - 0.25	0.75	3.25	0.50
	Sep-13	0.50	0 - 0.25	0.75	3.25	0.50
	Dec-13	0.25	0 - 0.25	0.75	3.25	0.50
	Mar-14	0.25	0 - 0.25	0.75	3.25	0.50
FY14/15	Jun-14	0.15	0 - 0.25	0.75	3.25	0.50
	Sep-14	0.05	0 - 0.25	0.75	3.25	0.50
	Dec-14	0.05	0 - 0.25	0.75	3.25	0.50
	Mar-15	0.05	0 - 0.25	0.75	3.25	0.50
FY15/16	Jun-15	0.05	0 - 0.25	0.75	3.25	0.50
	Sep-15	0.05	0 - 0.25	0.75	3.25	0.50
	Dec-15	0.05	0 - 0.50	1.00	3.50	0.50
	Mar-16	0.00	0 - 0.50	1.00	3.50	0.50
FY16/17	Jun-16	0.00	0 - 0.50	1.00	3.50	0.50
	Sept-16	0.00	0 – 0.50	1.00	3.50	0.25
	Dec-16	0.00	0 .50– 0.75	1.25	3.75	0.25
	Mar-17	0.00	0.75–1.00	1.50	4.00	0.25
FY17/18	Jun-17	0.00	1.00–1.25	1.75	4.25	0.25
	Sep-17	0.00	1.00–1.25	1.75	4.25	0.25
	Dec-17	0.00	1.25-1.50	2.00	4.50	0.50
	Mar-18	0.00	1.50-1.75	2.25	4.75	0.50
FY18/19	Jun-18	0.00	1.75-2.00	2.50	5.00	0.50
	Sep-18	0.00	2.00-2.25	2.75	5.25	0.75
	Dec-18	0.00	2.25–2.50	3.00	5.50	0.75
	Mar-19	0.00	2.25–2.50	3.00	5.50	0.75
FY19/20	Jun-19	0.00	2.25-2.50	3.00	5.50	0.75
	Sep-19	0.00	1.75-2.00	2.50	5.00	0.75
	Dec-19	0.00	1.5-1.75	2.25	4.75	0.75
	Mar-20	0.00	0-0.25	0.25	3.25	0.10
FY20/21	Jun-20	0.00	0.0-0.25	0.25	3.25	0.10
	Sep-20	0.00	0.0-0.25	0.25	3.25	0.10
	Dec-20	0.00	0.0-0.25	0.25	3.25	0.10
	Mar-21	0.00	0.0-0.25	0.25	3.25	0.10
FY21/22	Jun-21	0.00	0.0-0.25	0.25	3.25	0.10

15: INTERNATIONAL EXCHANGE RATES

		Sterling vs. US$	Canadian $ vs. US$	Yen vs. US$	Euro vs. US$
	Mar-12	0.6256	0.9991	82.4340	0.7500
FY12/13	Jun-12	0.6376	1.0191	79.8040	0.7894
	Sep-12	0.6199	0.9837	77.9480	0.7779
	Dec-12	0.6150	0.9949	86.6630	0.7584
	Mar-13	0.6588	1.0156	94.0370	0.7787
FY13/14	Jun-13	0.6575	1.0512	99.1700	0.7687
	Sep-13	0.6181	1.0285	98.3270	0.7389
	Dec-13	0.6034	1.0636	105.2030	0.7258
	Mar-14	0.6012	1.1053	103.0100	0.7259
FY14/15	Jun-14	0.5846	1.0676	101.2900	0.7305
	Sep-14	0.6168	1.1196	109.6491	0.7917
	Dec-14	0.6418	1.1614	119.8035	0.8264
	Mar-15	0.6737	1.2679	119.9472	0.9321
FY15/16	Jun-15	0.6737	1.2483	122.1001	0.8966
	Sep-15	0.6609	1.3394	119.6745	0.8943
	Dec-15	0.6786	1.3837	120.2501	0.9206
	Mar-16	0.6964	1.3004	112.5746	0.8787
FY16/17	Jun-16	0.7513	1.2925	103.1779	0.9004
	Sept-16	0.7709	1.3127	101.3377	0.8901
	Dec-16	0.8104	1.3439	117.0001	0.9508
	Mar-17	0.7968	1.3317	111.3958	0.9388
FY17/18	Jun-17	0.7677	1.2963	112.3469	0.8752
	Sep-17	0.7464	1.2470	112.5239	0.8465
	Dec-17	0.7400	1.2571	112.6888	0.8330
	Mar-18	0.7135	1.2895	106.2812	0.8114
FY18/19	Jun-18+	0.7572	1.3134	110.6929	0.8559
	Sep-18	0.7601	1.3043	111.8443	0.8559
	Dec-18	0.7841	1.3639	109.6131	0.8721
	Mar-19	0.7672	1.3349	110.8525	0.8914
FY19/20	Jun-19	0.7876	1.3094	107.8865	0.8793
	Sep-19	0.8161	1.3224	106.3943	0.9062
	Dec-19	0.7543	1.2990	108.6366	0.8918
	Mar-20	0.8052	1.4067	107.5384	0.9065
FY20/21	Jun-20	0.8064	1.3576	107.9331	0.8902
	Sep-20	0.7740	1.3321	105.4519	0.8532
	Dec-20	0.7315	1.2734	103.3165	0.8186
	Mar-21	0.7255	1.2561	110.7174	0.8525
FY21/22	Jun-21	0.7230	1.2398	111.1111	0.8429

16: WORLD COMMODITY PRICES (Period Averages)

		CRUDE OIL PRICES		FOOD	
		North Sea Brent (US$/barrel – f.o.b.)	West Texas Intermediate (US$/barrel – f.o.b.)	Wheat (US$/mt, Average Winter)	Coffee (USc/kg, Arabica brand)
FY11/12	Jun-11	117.10	102.56	320.60	636.54
	Sep-11	112.48	89.76	293.06	597.37
	Dec-11	109.29	94.06	265.07	536.18
	Mar-12	118.60	102.94	268.88	486.95
FY12/13	Jun-12	108.86	93.50	260.39	400.35
	Sep-12	109.95	92.22	341.46	399.96
	Dec-12	110.45	88.19	346.48	357.12
	Mar-13	112.91	94.40	309.51	335.49
FY13/14	Jun-13	103.01	94.23	294.50	319.86
	Sep-13	110.10	105.83	281.76	298.23
	Dec-13	109.41	97.48	292.20	276.82
	Mar-14	107.88	98.67	280.67	382.67
FY14/15	Jun-14	109.78	102.98	292.86	467.06
	Sep-14	102.08	97.07	238.17	455.92
	Dec-14	76.01	73.16	248.61	464.59
	Mar-15	53.93	48.63	231.09	389.21
FY15/16	Jun-15	62.10	57.97	210.64	354.39
	Sep-15	50.03	51.52	189.86	336.22
	Dec-15	43.41	42.18	190.10	327.74
	Mar-16	34.36	33.45	190.23	330.86
FY16/17	Jun-16	45.95	45.50	183.79	346.71
	Sept-16	45.80	44.94	156.02	378.80
	Dec-16	50.08	49.29	156.18	385.71
	Mar-17	54.12	51.91	165.66	364.09
FY17/18	Jun-17	50.25	48.28	177.79	329.68
	Sep-17	51.74	48.20	183.94	327.83
	Dec-17	61.47	55.40	177.43	307.79
	Mar-18	66.95	62.87	190.71	301.42
FY18/19	Jun-18	74.49	67.88	210.30	296.87
	Sept-18	75.48	69.50	215.61	277.04
	Dec-18	67.37	58.81	211.01	295.09
	Mar-19	63.27	54.90	212.06	279.84
FY19/20	Jun-19	68.34	59.81	204.21	272.94
	Sept-19	61.86	56.45	195.06	287.03
	Dec-19	62.65	56.96	214.61	311.92
	Mar-20	50.53	46.17	227.33	312.86
FY20/21	Jun-20	31.43	27.85	209.22	327.55
	Sep-20	42.72	40.93	205.47	350.23
	Dec-20	44.52	42.66	223.26	337.70
	Mar-21	60.57	57.85	236.82	358.41
FY21/22	Jun-21	68.63	66.09	237.12	401.93

Glossary

Amortization: The repayment of a loan in installments over an agreed period of time.

Base Money: The sum of notes and coins held by the public and the cash reserves of commercial banks (including both their holding of cash and their deposits at the central bank). The monetary base is the operating target used in the BOJ monetary policy framework and can be controlled through open market operations. Changes in the monetary base emanate from sources within the net domestic assets (NDA) as well as the net international reserves (NIR).

Basis Point (bp): This is a unit of percentage measure which is equal to one hundredth of one percent (0.01% = 1bp). Basis points is commonly used when discussing interest rates and fixed income securities.

Bond Market: The domestic bond market primarily captures debt instruments offered by the Central Government to fund its budgetary needs.

Brexit: Brexit has become the abbreviated way of refering to the United Kingdon (UK) leaving the European Union (EU) it combines the words British and exit. The referndum where citizens of the UK voted to exit the EU took place on the June 23, 2016.

Cash Reserve Requirement: The requirement by law that a percentage of deposit liabilities of deposit-taking institutions must be held as interest free deposits at the Central Bank.

Core Inflation: Also called Underlying Inflation. It is that part of overall inflation that can be attributed to changes in base money. Central Banks typically try to control core inflation because there are some parts of inflation that are outside of their control. One example of this is the effect of changes in oil prices.

Credit: Loans extended by banks, building societies and other financial institutions.

Currency Issue: refers to Jamaican notes and coins in the hands of the public (currency in circulation) in addition to notes and coins held by financial institutions in their vaults (vault cash). Bank of Jamaica redeems (buys) or issues (sells) notes and coins to financial institutions when institutions have a demand for cash. The difference between currency issued and that which is redeemed during a period of time is referred to as net currency issue.

Exchange rate (nominal): The number of units of one currency offered in exchange for another. For example a Jamaica dollar/ United States dollar exchange rate of 'forty two dollars to one' indicates that forty-two Jamaican dollars are needed to obtain one United States dollar.

Exchange rate pass-through: The effect of exchange rate changes on one or more of the following: import and export prices, consumer prices, investments and trade volumes.

Export Price Index: The export price index (EPI) is a weighted index of the prices of goods and services sold by residents of a country to foreign buyers.

Foreign exchange cash demand/supply: The amount of foreign exchange purchased by market participants from the authorized dealers and cambios, while cash supply/inflows is the amount sold to the Bank of Jamaica, authorized dealers and cambios by market participants, private institutions and multilateral agencies.

Financial Programme: An integrated system of macroeconomic accounts and behavioural relationships defining the set of monetary, fiscal and exchange rate policy measures designed to achieve specified macroeconomic targets.

Financial Asset: An instrument issued by an institution (e.g. BOJ) that provides economic benefits, by (1) generating interest income or net profits and (2) acting as a store of value. These benefits are created through a formal/informal borrowing/lending relationship. Most common types of financial assets are money and credit.

Fiscal deficit: The excess of the Government's expenditure over its revenue for a given period of time.

Fiscal Year: The twelve months beginning in April. Thus fiscal year 2000/2001 refers to the period April 2000 to March 2001.

Government Securities: Debt instruments issued by the Ministry of Finance either to bridge timing gaps between revenue and expenditure or to cover any excess of expenditure over revenue. These securities include short-term instruments such as Treasury Bills and more long-term ones like Local Registered Stock, or Debentures.

Gross Domestic Product (GDP): This is the total value of all goods and services produced within an economy over a particular time period –either a year or three months.

Import Price Index: The import price index (IPI) is a weighted index of the prices of goods and services purchased by residents of a country from foreign sellers.

Inflation: refers to the change in the general price level. In Jamaica, this is defined as the change in the Consumer Price Index (CPI) calculated and published by the Statistical Institute of Jamaica.

Intermediate Target: An intermediate target of policy. e.g. the money supply or the exchange rate, has three main characteristics. It is not directly determined by the Central Bank, it responds, however, to a stimulus that the Central Bank can vary, and its behaviour should be closely related to the ultimate target–inflation.

Jamaica Central Securities Depository (JCSD): The Principal function of the JCSD is to provide for relatively risk-free settlement of share transactions. It accomplishes this by employing an electronic, book-entry system for registering changes of ownership of securities which eliminates the need for physical certificates. The JCSD also provides vaulting facilities for the safekeeping of certificates.

JSE Indices: The JSE Index comprises all Ordinary Companies on the Main Market. The JSE Combined Index comprises all Ordinary Companies on the Main Market and Junior Market. The JSE All Jamaican Composite Index comprises of only Jamaican Companies on the Main Market. The JSE Select Index comprises the JSE's 15 most liquid Securities on the Main Market. The JSE Cross Listed Index is comprised of only foreign companies on the Main Market. The Junior Index comprises all Ordinary Companies on the Junior Stock Market.

Liquid Asset: An asset is considered liquid if it can be easily and with little or no loss converted to cash. The liquid assets of commercial banks in Jamaica include notes and coins, short-term deposits at the Bank of Jamaica, GOJ Treasury Bills, Local Registered Stock maturing within 270 days and any GOJ security designated by the Ministry of Finance.

Money: Anything that is generally accepted in exchange for goods and services and for the payment of debt. (e.g. example, notes and coins.). Hence money is said to be a medium of exchange. Money also serves as a means of storing wealth as well as a standard of and unit of accounting for financial values and flows.

Money Multiplier: This defines the relationship between the monetary base (M0) and the money supply and is usually calculated as the ratio of M3 to M0. It measures the maximum amount of money that can be created by the banking system given the provision of an additional dollar to the system by the central bank. The money multiplier implies that when the central bank conducts monetary policy in such a way as to increase the monetary base, the overall expansion in the money supply is a multiple of this initial increase. This is also true if the central bank reduces the monetary base.

Money Supply: This is the stock of instruments or assets formally designated as money in a particular economy. There are alternative measures of money supply both within and between countries. In Jamaica, the measurements of money that are calculated and published are:

M1: Notes and coins in circulation + Demand Deposits
M2: M1+ Time and savings deposits
M3: M2 + Other Deposits.

A 'J' indicates that the components are Jamaican dollar liabilities only and an '*' indicates that the components also include foreign currency liabilities of the banking system.

Monetary Base: See Base Money

Monetary policy framework: This defines the transmission process through which policy actions taken by the Central Bank make an impact on the final target – inflation. The components of a monetary policy framework are policy instruments, operating targets, intermediate targets, and the ultimate goal/objective.

Monetary Policy Instruments: These are instruments used by the Central Bank to influence the money supply and credit. They include open market operations and the reserve requirement ratio.

Net Domestic Assets: The difference between the monetary base and the NIR. It is comprised of the Bank's net claims on the public sector, mainly Central Government, open market operations liabilities and net claims on commercial banks and other financial institutions.

Open Market Operations (OMO): Money market trading between the Bank of Jamaica and authorized dealers with the intention of influencing money and credit in the financial system. OMO involves outright sale or purchase of GOJ securities from the stock of securities held by BOJ, and/or repurchase and reverse repurchase transactions.

Operating Rate: The percentage of total production capacity of some entity, such as a country or a company that is being utilized at a given time.

Operating Target: An operating target of policy e.g. the monetary base and interest rates, is influenced directly by the Central Bank and is adjusted by the Bank in order to bring about the desired impact on its policy target.

Primary Dealer (PD): The set of intermediaries through which BOJ conducts open market operations. In developed country markets, PD's underwrite government issues as well as participate in block transactions with the central bank.

Public Sector Entities (PSE) Foreign Exchange Facility: A foreign exchange surrender facility for public sector entities which seeks to centralize foreign currency demand. Under this facility Commercial Banks, Authorized Dealers and Cambios agreed to surrender amounts in addition to the pre-existing requirements.

Quasi-Fiscal Costs: The cost to the central bank of sterilizing the liquidity effects of capital inflows.

Quasi-money: Savings Deposits plus Time Deposit.

Real Appreciation: An increase in the volume of foreign goods that can be bought with a unit of domestic currency; alternatively it is a decrease in the volume of domestic goods that can be purchased with a unit of foreign currency. Thus, a real appreciation makes exports less attractive and imports relatively cheaper. This may ensue from a nominal appreciation, which is the rise in the unit price of the currency, or a greater increase in domestic prices relative to foreign prices, or both.

Real Exchange Rate: The price of one country's currency in terms of another, adjusted for the inflation differential between the countries.

Real interest rate: This represents the rate of return on assets after accounting for the effects of inflation on the purchasing power of the return. It is calculated by adjusting the nominal interest rate by the inflation rate.

Repurchase Agreement (repo): The purchase of a security from a primary dealer who agrees to repurchase the same at a specified rate and an agreed future date.

Reserve Requirement: refers to the portion of deposit liabilities that financial institutions may not lend and have to retain either as liquid assets or on deposit at the Bank of Jamaica.

Reverse Repurchase Agreements: An agreement whereby the Central Bank sells a security that it owns and agrees to buy back same at a specified rate at an agreed future date.

Securities: Legal documents giving entitlement to property ownership, or claim on income e.g. bonds and stocks.

Signal Rate: Effective 1 July 2017, the Bank of Jamaica policy rate is the interest rate paid on overnight deposits held by deposit-taking iinstitutions ("DTIs") at Bank of Jamaica.

Special Drawing Right: The SDR is an interest-bearing international reserve asset created by the IMF to supplement the official reserves of member countries.

Statutory Cash Reserves: That portion of deposit liabilities of deposit-taking institution, which by a statutorily based stipulation, must be held as interest-free deposits at the Central Bank.

Sterilization: The use of open market operations to prevent intervention in the foreign exchange market from changing the monetary base. With sterilization, any purchase of foreign exchange is accompanied by an equal-value sale of domestic bonds and vice versa.

Time deposit: A bank account based on a contractual arrangement between the deposit taking institution and the depositor where both parties agree to a pre-determined interest rate and maturity date, on which deposits earn interest and premature withdrawals from which require advance notice.

Terms of Trade: An index of the ratio of export prices to the index of import prices. An improvement in the terms of trade follows if export prices rise more quickly than import prices.

Tourism Implicit Price Index: a measure of prices in the tourism industry as reflected by average daily expenditure per tourist.

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