

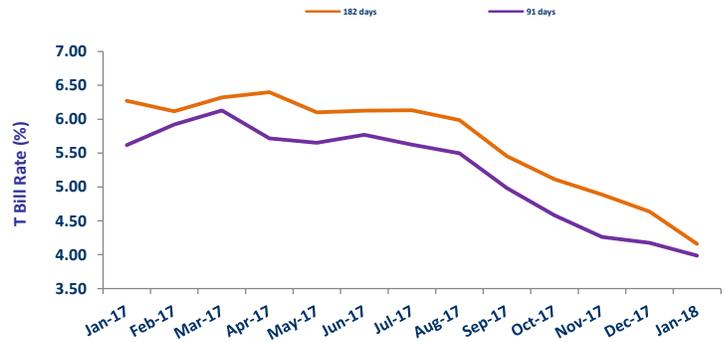


LOCAL ECONOMY

TREASURY BILL OUTFURN & PRODUCER PRICE INDEX

Treasury Bills:

For the month of January, applications for treasury bills exceeded demand, as the Bank of Jamaica (BOJ) issued a total of J\$1.8 billion in treasury bills, while applications totaled J\$3.61 billion and J\$3.99 billion for the 90-day and 180 –day treasury bills respectively. The 91-day treasury bill auction resulted in the average yield of 3.986%, down 19 basis points compared to December, whilst the 182-day treasury bill auction resulted in the average yield of 4.16%, down 47 basis points relative to December’s outturn. Notably, the average yields on the 91-day decreased by 163 basis points compared to the auctions in 2016 for the comparable period. The 182-day treasury bills also declined by 211 basis points relative to the corresponding auctions in 2016. (Refer to the graph on the right).

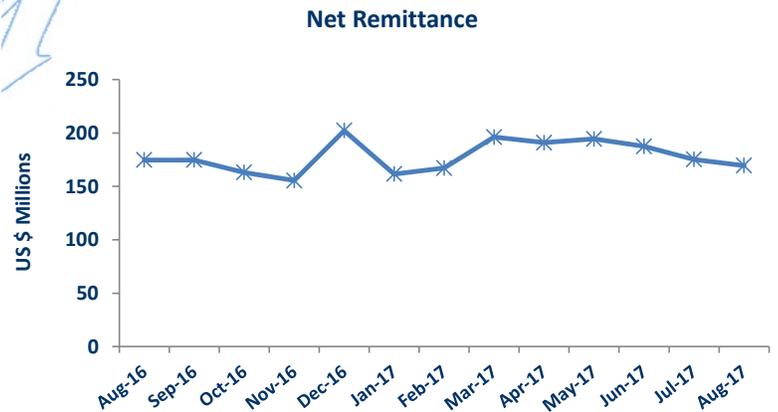


Producer Price Index:

The Producer Price Index (PPI) for the Mining and Quarrying industry decreased by 1.2% for the month of December 2017 according to the Statistical Institute of Jamaica (STATIN). This decline resulted mainly from a decrease in the major group ‘Bauxite Mining and Alumina Processing’ with a similar decline in its index of 1.2%. The Manufacturing industry also registered a fall of 0.2% for the period under review. The contributors to this downward movement were ‘Food, Beverages & Tobacco’ which fell by 0.1% and ‘Refined Petroleum Products’ falling by 0.6%.

Stopover Arrivals by Market Region					
Country	December 2017	Share %	December 2016	Share %	Change %
U.S.A.	156,660	62.2%	143,260	62.2%	9.4%
Canada	49,722	19.7%	45,007	19.5%	10.5%
Europe	33,662	13.4%	30,884	13.4%	9.0%
Latin America	3,001	1.2%	2,363	1.0%	27.0%
Caribbean	7,307	2.9%	7,352	3.2%	-0.6%
Asia	759	0.3%	809	0.4%	-6.2%
Others	689	0.3%	778	0.3%	-11.4%
Total	251,800	100.0%	230,453	100.0%	9.3%

According to STATIN “The point-to-point movement for December 2016 to December 2017 recorded a 14.2% increase in the index for the Mining & Quarrying industry. The Manufacturing industry recorded an increase of 6.7% for the similar period; this movement was due mainly to increases in the major groups, ‘Refined Petroleum Products’, which rose by 24.0% ‘Food, Beverages & Tobacco 3.4% respectively.”



“For the fiscal year-to-date April 2017 to December 2017, the index for the Mining & Quarrying industry recorded an upward movement of 0.8% in its index. The Manufacturing industry also showed an increased of 3.6% in its index for the same period under review.”

TOURISM

According to the latest data from the Jamaica Tourist Board, stopover arrivals in December 2017 amounted to 251,800, an increase of 9.3% when compared to 230,453 recorded in December 2016.

REMITTANCE

Latest data from the Bank of Jamaica (BOJ), for August 2017, showed, net remittances were US\$169.5 million, a decrease of US\$5.2 million relative to the corresponding month of 2016.

Stopover arrivals from the U.S. market increased by 9.4% in December 2017 with a total of 156,660 arrivals compared to 143,260 arrivals in December 2016.

For the period January 2017 to August 2017, net transfers totalled US\$1,378.9 million, relative to US\$1,360.7 million for the corresponding period in 2016.

The Canadian market recorded an increase in arrivals of 10.5% with arrivals amounting to 49,722 relative to 45,007 in December of last year.

For August 2017, total inflows amounted to US\$191.6 million, while outflows totalled US\$22.1 million.

The European market region recorded an increase in arrivals by 9% to total 33,662 stopover arrivals in December 2017, relative to 30,884 recorded for December 2016.

Arrivals from Latin America recorded a growth of 27% with a total of 3,001 stopovers relative to 2,363 recorded in December 2016. (see Tourist Arrivals table above)

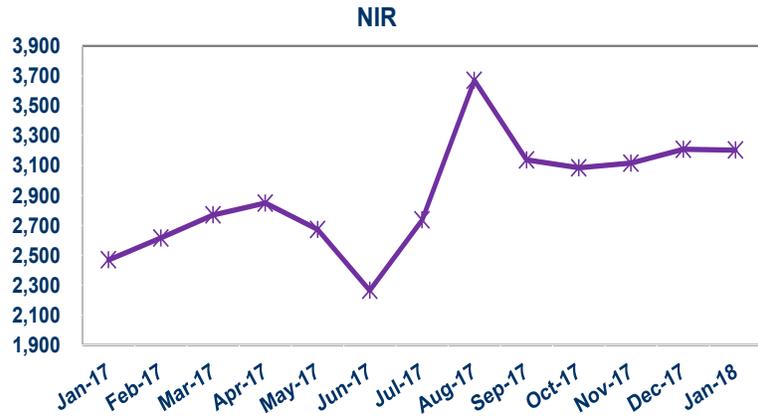


NET INTERNATIONAL RESERVES

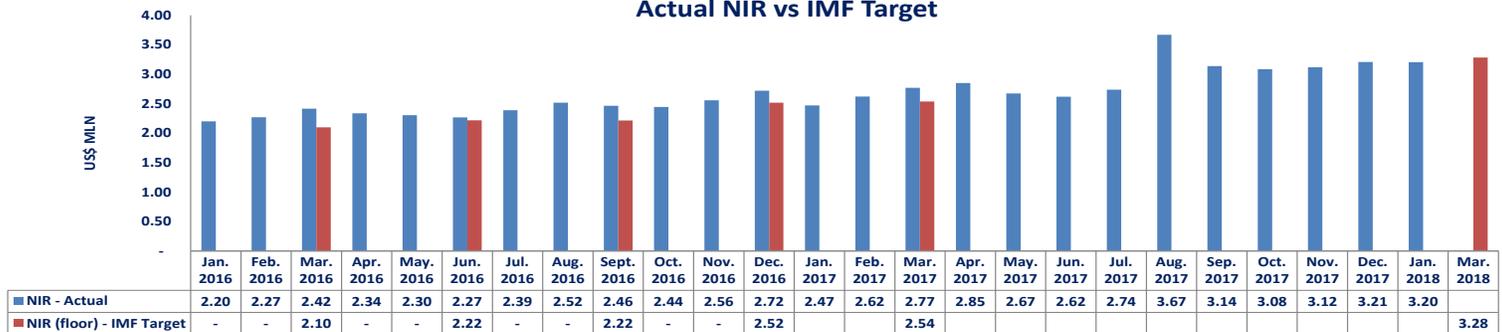
Jamaica's Net International Reserves (NIR) totaled US\$3,203.69 million as at January 2018, reflecting a decrease of US\$4.93 million relative to the US\$3,208.29 million reported as at the end of December 2017.

Changes in the NIR resulted from an increase in Foreign Assets of US\$8.34 million to total US\$3,789.51 million compared to the US\$3,781.17 million reported for December 2017. 'Securities' contributed to most of the increase in Foreign Assets. 'Securities' as at January 2018 totaled US\$326.24 million reflecting an increase of US\$18.78 million compared to US\$307.46 million booked as at December 2017. 'Currency & Deposits' amounted to US\$3,185.07 million; US\$16.73 million less than the US\$3,201.80 million reported in December 2017. Foreign Liabilities for January 2018 amounted to US\$586.15 million compared to the US\$572.88 million reported for December 2017. Liabilities to the IMF accounted for 100% of total foreign liabilities, reflecting a US\$13.27 million increase month over month from December 2017.

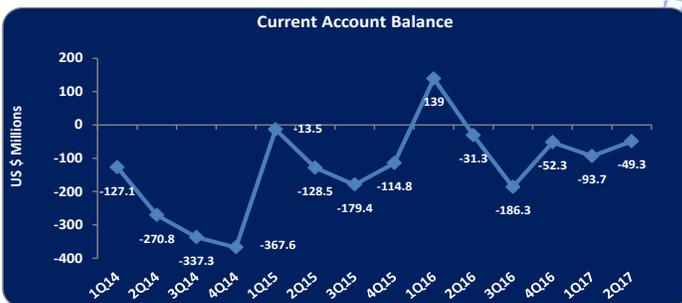
At its current value, the NIR is US\$733.93 million more than its total of US\$2,469.43 million as at the end of January 2017. The current reserve is able to support approximately 40.23 weeks of goods imports or 23.30 weeks of goods and services imports.



Actual NIR vs IMF Target



CURRENT ACCOUNT BALANCE



The latest data from the Bank of Jamaica shows the Current Account deficit for the period July 2017 to September 2017 amounted to a deficit of US\$49.3 million. This compared to the US\$31.3 million deficit booked for the second quarter of 2016.

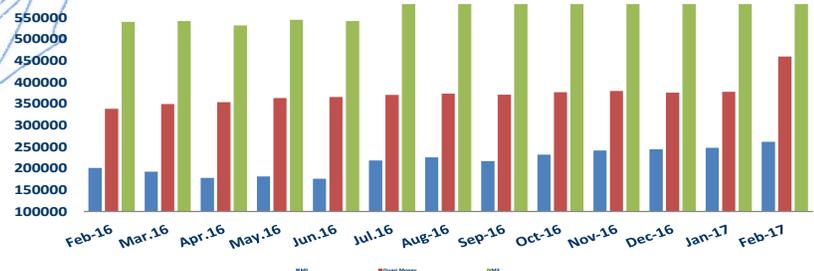
CONSUMER PRICE INDEX

The inflation for the month of January 2018 recorded a negligible movement following an upward movement of 0.6% in December 2017, according to The Statistical Institute of Jamaica (STATIN). The Consumer Price Index for the month remained flat at 248.6 relative to the 248.7 reported for December 2017. This was as a result of fluctuations recorded in the index for the heaviest weighted divisions: 'Food and Non-Alcoholic Beverages', 'Transport' and 'Housing, Water, Electricity, Gas and Other Fuels'. Inflation within the Greater Kingston Metropolitan Area and Other Urban Centres also remained stagnant while Rural Areas decreased by 0.1%.

The index for the heaviest weighted division the 'Food and Non-Alcoholic' division recorded a 0.2% decline in its index for January 2018. While the 'Food' group recorded a 0.3% fall, the 'Non-Alcoholic Beverages' group showed an increase of 0.2%. The movement in the former was inclined by a 1.4% fall in the class 'Vegetables and Starchy Foods'.

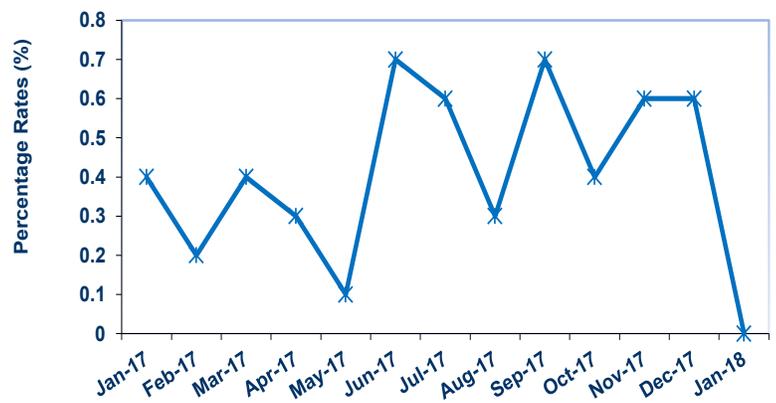
The point-to-point Inflation rate (January 2017 – January 2018) and fiscal year 2018/ 2019 was 4.8% and 4.2% respectively.

MONEY SUPPLY



According to the latest data available from the Bank of Jamaica, total Money Supply (M3) as at September 2017 amounted to J\$888.43 billion, an increase of 12.28% compared to the \$791.26 billion in June 2017. M2, comprises M1 plus short-term savings and time deposits, certificates of deposit, foreign currency transferable deposits, repurchase agreements and other deposits.

Monthly Inflation Rate from January 2017 to January 2018



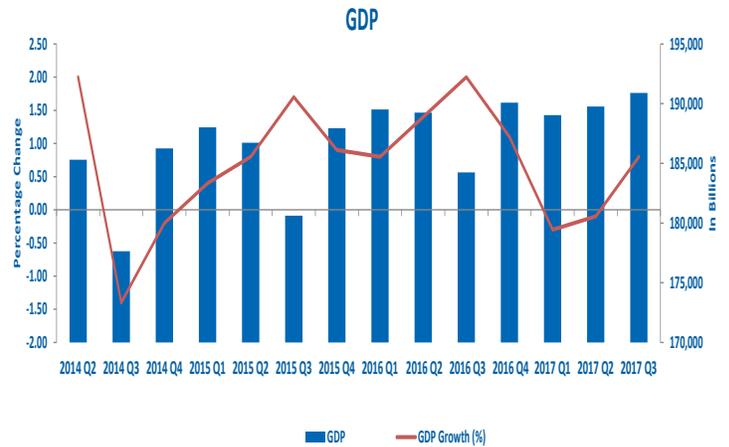


GROSS DOMESTIC PRODUCT

The latest data from the Statistical Institute of Jamaica indicates, “The Jamaican economy grew by 0.8% in the third quarter of 2017 when compared to the similar quarter of 2016”. This was due mainly to the improved performances in both the Services industries (1.0 %) and the Goods Producing industries (0.3%). All Services Industries recorded increased levels of output whilst the increase in the Goods Producing Industries was largely due to 2.3% increase in Manufacturing and a 1.2% increase in Construction.

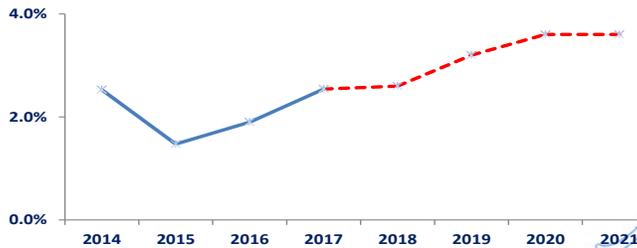
STATIN reports, “Value Added for the Agriculture, Forestry & Fishing industry declined by 0.8% in the review period when compared to the third quarter of the previous year. This was influenced mainly by unfavourable weather conditions as a result of heavy rainfall. Other Agricultural Crops which, includes Animal Farming, Forestry and Fishing declined by 2.3%. However, Traditional Export Crops grew by 8.6%.”

“The Electricity & Water Supply industry recorded an increase of 2.4% in real value added. Electricity consumption increased by 2.6%, moving to 853,869 MWh in 2017 from 832,006 MWh in 2016. Water production increased by 3.9% moving to 17,982.4 million gallons in 2017 from 17,311.0 million gallons in 2016. The increase in water production was due mainly to higher levels in rainfall in eastern parishes as well as the implementation of projects geared towards reducing leakages across the island.”



CAPITAL EXPENDITURE TO GDP

Capital Expenditure to GDP (%)



Total Expenditure for the period April to December 2017 amounted to \$389.63 billion, \$9.44 billion or 2.4% less than the budgeted \$399.07 billion. Recurrent expenditure which totalled \$358.65 billion, accounted for 92.05% of overall expenditures. Relative to projections, recurrent expenditure was \$10.36 billion (2.8%) less than budgeted. Of the recurrent expenditure categories over the review period, all categories with the exception of ‘Employee Contribution’ came in below budget. ‘Programmes’ which amounted to \$123.16 billion was \$3.44 billion or 2.7% less than projected, ‘Compensation of Employees’ which amounted to \$140.27 billion was \$4.25 billion or 2.9% less than projected and ‘Wages & Salaries’ amounting to \$129.51 billion was \$4.97 billion or 3.7% less than projected. ‘Employee Contribution’ which amounted to \$10.76 billion for the period was over budget by 7.2% relative to the budgeted \$10.04 billion.

As a result of the increase in revenues and grants for the period April to December 2017, the ‘Fiscal Surplus’ was \$2.54 billion, relative to a projected deficit of \$22.62 billion. Additionally, the primary balance for the period amounted to \$97.76 billion, 29.9% more than budgeted.

LABOUR FORCE

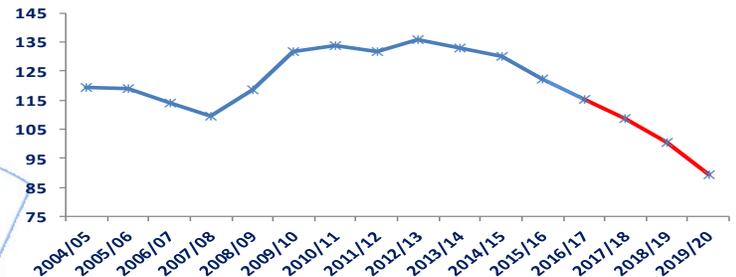
Unemployment Rate (%)	January Q1	April Q2	July Q3	October Q4
2014	13.4	13.6	13.8	14.2
2015	14.2	13.2	13.1	13.5
2016	13.3	13.7	12.9	12.9
2017	12.7	11.3	11.3	10.4

Labour force	January Q1	April Q2	July Q3	October Q4
2014	1,305,500	1,311,100	1,303,700	1,310,200
2015	1,320,800	1,300,400	1,320,500	1,325,200
2016	1,342,000	1,353,500	1,363,300	1,355,500
2017	1,358,300	1,371,600	1,371,200	1,347,600

The Labour Force at October 2017, was 1,347,600 representing a decrease of 6,500 (0.5%) compared to 1,354,100 in October 2016. The male labour force decreased by 7,100 (1.0%) from 728,600 in October 2016 to 721,500 in October 2017. The female labour force was 625,500 in October 2016 compared to 626,100 in October 2017. The number of persons employed in October 2017 was 1,206,800 which was 27,300 (2.3%) more than the 1,179,500, recorded in October 2016. For males, employment increased by 5,300 (0.8%) between October 2016 (663,600) and October 2017 (668,900). Female employment increased by 22,000 (4.3%) from 515,900 to 537,900 over the same period. The unemployment rate has been trending downwards over the last decade. In October 2017, unemployment rate was 10.4%, the lowest since October 2008. The youth unemployment rate of 25.4% was also the lowest since January 2008. Female employment continue to increase.

DEBT TO GDP

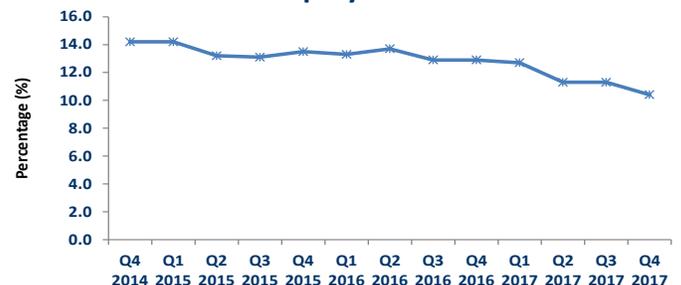
Total Debt to GDP (%)



In order to meet the debt to GDP target set for fiscal year (FY) 2017/18, the government has targeted debt levels of \$2.027 trillion or 107.1% of GDP. Jamaica’s total public debt as at September 2017 amounted to \$2.004 trillion, a decrease from the \$2.069 trillion as at September 2017. Due to the improved GDP outlook for FY 2017/18, a higher nominal GDP has now been estimated and the nominal primary balance target has therefore moved from \$131,866 million to \$132,294 million which is equivalent to 7.0% of GDP. For the December quarter, a primary balance of \$75.26 billion is estimated. As at December 2017, this amounted to \$96.54 billion. Tax Revenue was expected to total an estimated \$341.56 billion by the end of the December quarter, as at December 2017, tax revenue was booked at \$353.06 billion.

The public debt stock under the Government of Jamaica’s new public debt definition is expected to end FY 2017/18 at \$2,027.8156 mn or 107.1% of GDP. Debt to GDP at the end of the fiscal year 2016/17 was 115.2%.

Unemployment Rate

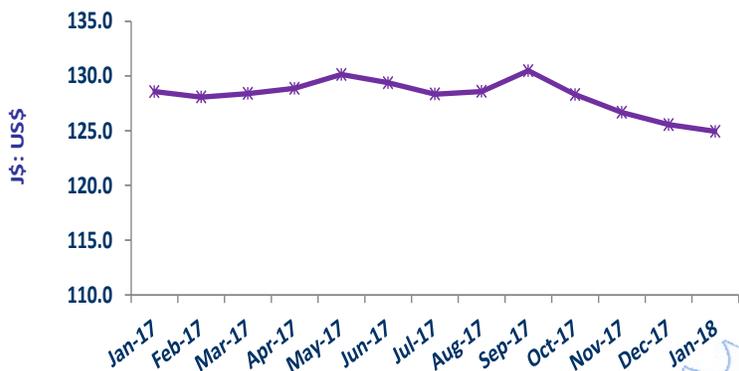




LOCAL FOREX

The Jamaican dollar appreciated against the USD for the month of January 2018. The JMD appreciated by \$0.62 in January, to close the month at an average of \$124.93 relative to the \$125.55 recorded in December 2017. Year over year, the JMD has appreciated by approximately \$3.65 or 2.84% relative to the \$128.58 reported as at January 2017.

Exchange Rate Movements



INTERNATIONAL FOREX

GBP/USD: The pair closed at \$1.4191. According to FX Empire, “The pound tore higher during the course of last month as a combination of pound strength and dollar weakness helped the pair to push through the 1.40 region during the course of the month and complete a bullish month. But it has to be noted that the pair weakened towards the end of the month on the back of a small dollar rebound and it remains to be seen whether this rebound would lead to a large correction in the pair in the coming month. In the coming month, we are likely to see the dollar rebound to a good extent in anticipation of better economic data and quicker and more rate hikes from the Fed which should keep the pair under pressure. The 1.40 region is likely to be the line in the sand for the bulls and the bears and if the prices break below, then we are likely to see more weakness in the pair in the coming month.”

EUR/USD: The pair closed the month at \$1.2414. According to FX Empire, “The EURUSD pair continued to have a bullish month during January, following up from the bullish month that we had seen in this pair during last December as well. Some part of the market expected the bullishness from December to be corrected during the month of January as the market returned back to full strength but that has not happened so far and the euro continues to trade in a strong manner all across the board as it surged towards the 1.25 region. But looking ahead to the coming month of February, that situation, we believe, is likely to change. We have a new Fed Chief in Powell taking over from Yellen and the market would be keen to know what he thinks about the economy and also the timeline for the rate hikes. Looking ahead, the market expects the Fed to hike at least 3 times this year and has also begun to price in the same. If this is true, then the first rate hike for the year should come in the month of March. But the Fed has made it quite clear that it would be guided by the incoming data and that nothing is written in stone.”

Int'l Currency Prices: January 1-31				
Currency Pair	Open	High	Low	Close
GBP/USD	1.3503	1.4242	1.3503	1.4191
USD/CAD	1.2545	1.2547	1.2308	1.2315
EUR/USD	1.2012	1.2427	1.1937	1.2414
USD/JPY	112.63	113.09	108.58	109.00

USD/CAD: The CAD depreciated against the USD during the month of January by 0.02% to close at \$1.2315

OPEN MARKET OPERATION

The Bank of Jamaica issued four Certificates of Deposits during the month of January 2018.

Issue Date	Tenor	Initial Coupon %	Reset Margin %	Benchmark	Interest/ Maturity Date Payment
05-Jan-18	28 Days	4.00%	N/A	Fixed	02-Feb-18
12-Jan-18	28 Days	4.00%	N/A	Fixed	09-Feb-18
19-Jan-17	28 Days	4.00%	N/A	Fixed	16-Feb-18
26-Jan-18	28 Days	4.00%	N/A	Fixed	23-Feb-18

INTERNATIONAL ECONOMY

United States: According to the U.S. Bureau of Labour Statistics, “The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.5 percent in January on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index rose 2.1% before seasonal adjustment. The seasonally adjusted increase in the all items index was broad-based, with increases in the indexes for gasoline, shelter, apparel, medical care, and food all contributing. The energy index rose 3.0% in January, with the increase in the gasoline index more than offsetting declines in other energy component indexes. The food index rose 0.2% with the indexes for food at home and food away from home both rising. The index for all items less food and energy increased 0.3% in January. Along with shelter, apparel, and medical care, the indexes for motor vehicle insurance, personal care, and used cars and trucks also rose in January. The indexes for airline fares and new vehicles were among those that declined over the month. The all items index rose 2.1% for the 12 months ending January, the same increase as for the 12 months ending December. The index for all items less food and energy rose 1.8% over the past year, while the energy index increased 5.5% and the food index advanced 1.7%.”

EURO Zone: According to the European Union's statistics office, “The euro area seasonally-adjusted unemployment rate was 8.7% in December 2017, stable compared to November 2017 and down from 9.7% in December 2016. This remains the lowest rate recorded in the euro area since January 2009. Seasonally adjusted GDP rose by 0.6% in both the euro area and in the EU28 during the fourth quarter of 2017, compared with the previous quarter. In the third quarter of 2017, GDP had grown by 0.7% in both zones.

Commodity: According to the World Bank, “Commodity prices rose across-the-board in January, led by energy commodity process, which surged 9.2 %. Non-energy prices rose 3.3 %. Raw materials price increased 2.8 %, food prices 2.6 %, and beverages 1.1 %. Both base and precious metals prices rose more than 5 %”

CARICOM:

Belize - According to the Central Bank in Belize, “For January through November, the broad measure of money supply (M2) contracted by 1.9%, as a \$170.0mn reduction in the net foreign assets of the banking system overshadowed a \$99.7mn growth in net domestic credit.” Revenues from domestic exports increased by 16.6% to \$422.8mn, with increased earnings from all major commodities except citrus and papaya. On the other hand, imports (including electricity) contracted by 3.3% to \$1,701. Over the year to date, total public sector debt increased by 8.6% to \$3,424.4mn (93.5% of GDP). The Consumer Price Index (CPI) expanded by 0.6% compared to October. Compared to the same period of 2016, the CPI increased on average by 1.2% for January through November .”

Bahamas- According to the Central Bank in Barbados, “During 2017, the Barbados economy continued to face significant macroeconomic challenges associated with declining international reserves, weak public finances and the need for the implementation of measures that create a platform for sustainable growth over the medium-term” “Consumer price inflation, as measured by the twelve-month moving average rate of retail prices was 4.0%, after rising by less than two percent per annum during the preceding five years.” “Activity in the tourism sector expanded by an estimated 1.2% in 2017. Long-stay arrivals were buoyant in the first half of the year but a slowdown after September contained the increase to 4.4%. In addition, the growth in long-stay arrivals was offset by an estimated 5.6% decline in the average length-of-stay of visitors from all major non-regional source markets.” “The external current account deficit, estimated at just over 4.0% of GDP, remained stable relative to 2016 as the moderate expansion in tourism receipts outweighed a rise in non-trade current account transactions and a marginal increase in retained imports.”