

AUGUST 2024



Economic Bulletin

Jamaica's Policy Rate Cut: Implications for the Economy and Private Sector

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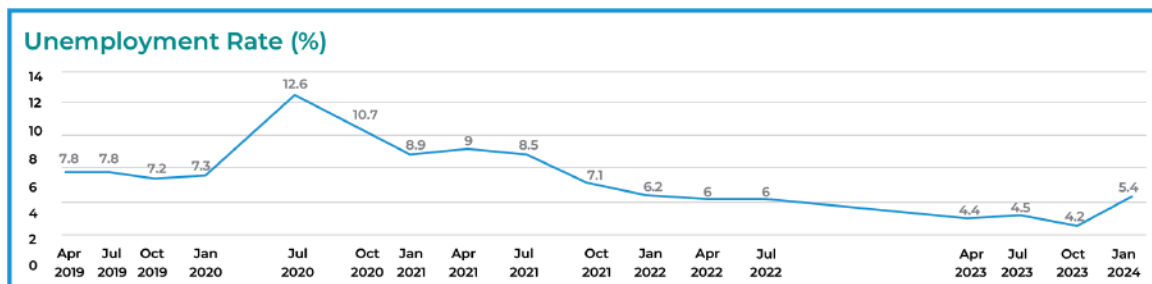
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Macro- Economic Dashboard

<p>1.70% GDP Growth Rate: Q4 2023</p>	<p>5.10% Inflation Rate: July 2024</p>	<p>6.75% Policy Rate: August 2024</p>	<p>5.40% Unemployment Rate: January 2024</p>
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<p>689.50 US\$ Million Imports: January 2024 16.40% January 2023</p>	<p>157.09 US\$ Million Exports: January 2024 15.20 % January 2023</p>	<p>50.31 US\$ million Fiscal Deficit: July 2024</p>	<p>US\$5.01 Billion Net Int'l Reserves: April 2024 (US\$117.29 million monthly decrease)</p>
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Other Indicators

Corporate Tax Rate Corporate Tax Rate	25%
Commercial Credit Rate as at July 31, 2024	10.24%
Personal Credit Rate as at July 31, 2024	23.28%
Exchange Rate Appreciation July 31, 2024	0.32%

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Economic Overview

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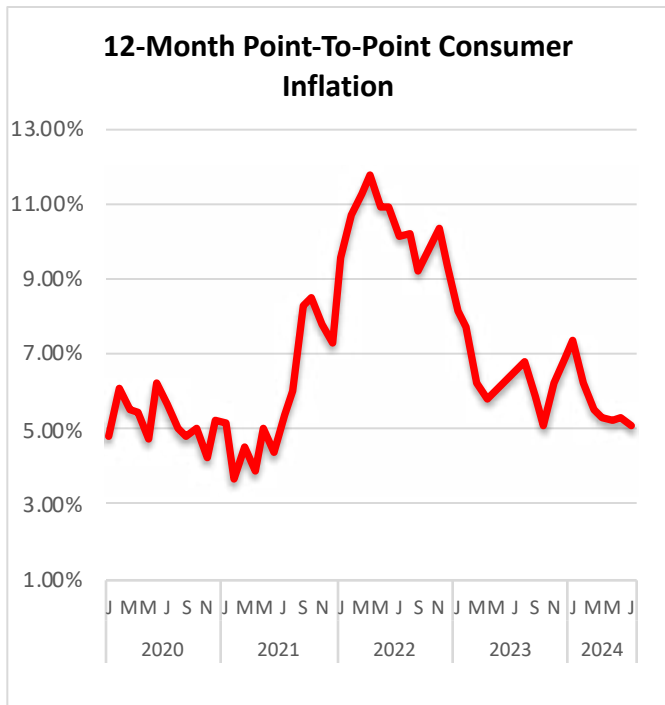
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DOMESTIC ECONOMIC INDICATORS

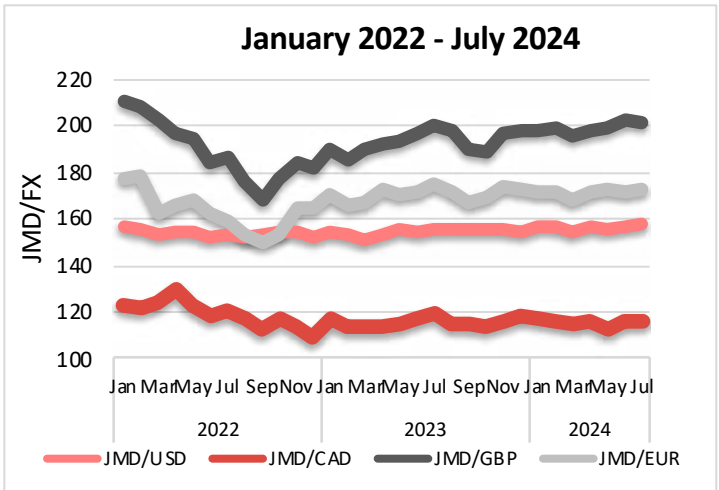
Inflation Rate



The inflation rate for July 2024, as measured by the Consumer Price Index (CPI), decreased by 21 bps, to a 12-month point-to-point inflation rate of 5.12%. This is yet again within the Bank of Jamaica’s (BOJ) 4%-6% inflation target range. The primary driver of this was the decrease in the division ‘Information & Communication,’ which saw a 1.37% decline. This is the fifth consecutive month that the inflation rate has been within the targeted band. The consistent fall prompted the BOJ to reduce its benchmark policy rate from 7.00% to 6.75% at its Monetary Policy Committee (MPC) meeting on August 19. However, inflation is projected to accelerate in the coming three to five months as the negative impact

from hurricane Beryl is expected to materialize in the next quarter. This expected impact could also be accompanied by various ‘inflationary’ policies implemented through the most recent national budget which may still instigate a spike in inflation as the year progresses.

Exchange Rate



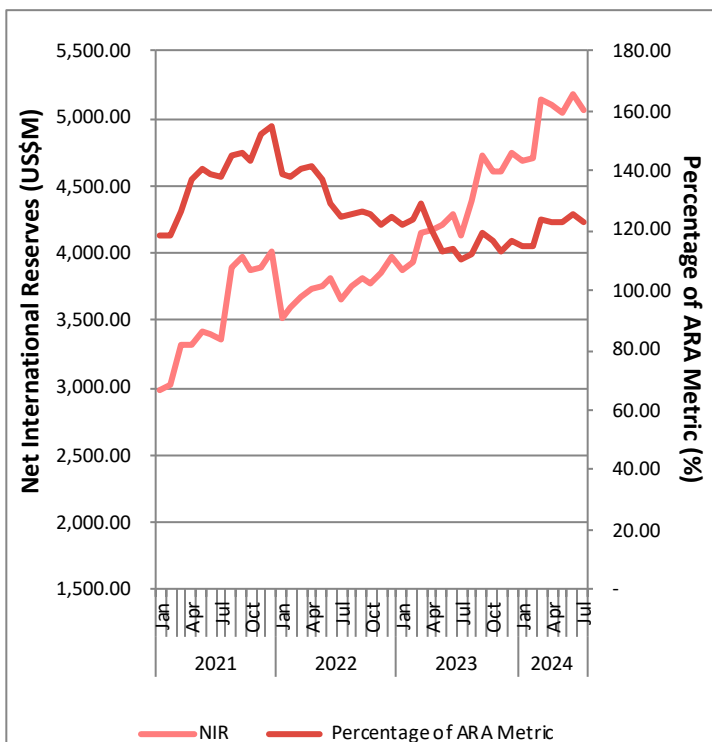
At the end of July 2024, the Jamaican dollar had depreciated by 0.78% month-over-month against the US dollar, with the weighted average selling rate (WASR) moving from \$156.29 at the end of June to close July at \$157.52. During the month, the central bank intervened in open market operations via the BOJ Foreign Exchange Intervention Tool (B-FXITT) flash sale operations on three trading days, July 09, 10 and 11, injecting a total of US\$80 million into the market. The BOJ is expected to maintain its influence over the foreign exchange market, as its reserves continue to grow strongly.

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Net International Reserves



The stock of NIR as at the end of July 2024 was US\$5.06 billion, a US\$117.29 million decrease from the end of June. Foreign assets decreased by US\$116.53 million, mainly due to a US\$111.79 million decrease in currency and deposits. Meanwhile, foreign liabilities increased by US\$0.76 million, with liabilities to the International Monetary Fund (IMF) accounting for 100% of total foreign liabilities, of US\$77.19 million.

International Merchandise Trade

For the period January-March 2024, Jamaica’s total spending on imports was valued at US\$1,864.50 million. This was a decrease of 1.96% when compared to the US\$1,901.90 million spent in the corresponding period in 2023. The decrease was largely attributable to a decrease in imports of “Raw materials/intermediate goods.” Earnings from total exports for the period amounted to US\$492.90 million, a decrease of 6.25% above the US\$525.80 million earned in 2023. The increase in total exports was due primarily to a 23.10% decrease in the value of exports of “Mineral Fuels.”

January-March	US\$ Million			
	2023	2024	Change (2023/2024)	% Change (2023/2024)
Expenditure on Imports	1,901.90	1,864.50	37.40	1.96%
Earnings from Exports	525.80	492.90	32.90	6.25%
Trade Balance	(1,376.10)	(1,371.60)	4.50	0.32%

From January – March 2024, the US, Brazil, China, Colombia and Japan emerged as Jamaica’s five main trading partners. Expenditure on imports from these countries amounted to US\$1,100 million, a decrease of 8.90% when compared to the corresponding 2023 period. This decrease was due largely to lower imports of “Mineral Fuels.” The top five destinations for Jamaica’s exports were the US, Puerto Rico, Canada, the Russian Federation, and Iceland. Revenues from exports to these countries decreased by 1.20% to US\$358.30 million.

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OVERSEAS

United States

Indicator	July	June
CPI (YoY)	2.90%	3.00%
GDP Growth		
ISM Manufacturing PMI	46.80%	48.50%
ISM Services PMI	51.40%	48.80%
Unemployment Rate	4.30%	4.10%

The ISM Manufacturing Purchasing Managers' Index (PMI) registered 46.80% in July, down 1.70 percentage points from the 48.50% recorded in June, representing a contraction in the Manufacturing sector for the fourth consecutive month, and the 20th in the last 21 months. Conversely, economic activity in the Services sector expanded in July, as the Services PMI registered at 51.40%, 2.60 percentage points higher than the 48.80% recorded in June, while the Hospital PMI, which is a gauge for US hospital economic activity and supply chain, registered 53.30% in July, a 2.50 percentage points decrease from the 55.80% recorded in June, representing an expansion for the 11th consecutive month. The continuous contraction in the Manufacturing sector has been reflected in the unemployment rate which came in at 4.30% in July. This increase of 30 bps sparked recession fears and had a negative impact on the equities market. The Fed is expected to cut its policy rate at

its next Federal Open Market Committee (FOMC) meeting in September as inflation fell below 3% in tandem with the increase in unemployment. This combination of economic data suggests imminent rate cuts based on the variables the Fed has openly prioritized as key decision variables. Existing home sales grew by 1.30% in July 2024 month-over-month (MoM) to 3.95 million, but a YOY decline of 2.50%. According to Lawrence Yun, Chief Economist at the National Association of Realtors (NAR), "Despite the modest gain, home sales are still sluggish, but consumers are definitely seeing more choices, and affordability is improving due to lower interest rates."

China

Indicator	Aug	Jul	Jun
CPI (YoY)	0.60%	0.50%	0.20%
PMI (Manufacturing)	50.4%	49.8%	49.5%
PMI (non-manufacturing)	50.3%	50.2%	50.5%

As of August 2024, China's Consumer Price Index (CPI) experienced a year-over-year growth rate of 0.6%. This growth rate reflects a stabilization in inflation after a period of lower readings earlier in the year, and it was influenced by rising food and service prices amid recovering consumer demand. July and June CPI year-over-year growth rates of 0.5% and 0.2% respectively were relatively modest and reflected ongoing lukewarm consumer demand, with food prices being a significant contributing factor to the slight increase. In August China's Manufacturing PMI of 50.4 represented a slight improvement,

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indicating the manufacturing sector is closer to stabilization, while the Non-Manufacturing PMI of 50.3, reflected a minimal expansion in the non-manufacturing sector. The two previous months exhibited contractions in the manufacturing sector while the non-manufacturing sector showed continued but weaker expansion in the non-manufacturing sector.

Europe (European Union)

Indicator	Aug	Jul	Jun
Annual Inflation Rate	2.20%	2.60%	2.50%
Unemployment Rate	6.40%	6.00%	6.50%
Economic Sentiment (ESI)	96.9	96.4	96.4

The EU annual inflation rate remained relatively stable starting from a high of 2.5% in June and declining to a low of 2.2% in August. These rates indicate a continued easing in inflationary pressures across the Euro Area, following earlier months where inflation had been more persistent. This trend reflects the impact of tighter monetary policies by the European Central Bank, as well as changes in energy prices and other key sectors such as services and non-energy industrial goods. The Labour unemployment rate also remained steady indicating a stable labor market situation over the summer, with only a slight increase in August. The figures reflect the

ongoing challenges and improvements in different sectors across the EU. The Economic Sentiment Indicator (ESI) for the European Union (EU) saw a slight increase in August 2024, rising by 0.5 points to 96.9. These improvements were driven primarily by stronger confidence in industry, services, and retail trade, while consumer confidence and construction sector sentiment remained stable.

However, this positive trend was not uniform across all EU member states. France, Spain, the Netherlands, and Poland showed increases in their ESI, with France seeing the most significant boost, likely influenced by the upcoming Paris Olympics. Conversely, Germany and Italy experienced declines in economic sentiment. These figures reflect a modest recovery in the EU's economic outlook, supported by improved industry confidence and a brighter employment outlook after several months of decline

REGIONAL

Trinidad & Tobago

Indicator	Aug	Jul	Jun
Headline Inflation	N/A	0.30%	0.70%
Monetary Policy Rate	3.50%	3.50%	3.50%

Trinidad & Tobago's headline inflation rate fell by 0.4 percentage points closing at 0.3% as at July, down from 0.7% in June. This decline was primarily driven by lower food prices, the decline in energy and utility prices and the stabilization of the currency. The country's central bank made

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the decision to hold the monetary policy rate at 3.50% throughout the three months that were reported, still representing one of the lowest interest rates in the region.

LATIN AMERICA

Dominican Republic

Indicator	Aug	Jul	Jun
<i>Inflation (YoY)</i>	N/A	3.54%	3.46%
<i>Monetary Policy Rate</i>	7.00	7.00%	7.00%

Dominican Republic's inflation rate experienced an 8 basis points increase, closing at 3.54% as at July. These changes reflect ongoing pressures in the economy, particularly in food prices and transportation costs, which have been significant contributors to the overall inflationary trend during these months. The Central Bank of the Dominican Republic continues to maintain a policy rate of 7.00% while monitoring the inflation statistics for possibilities of loosening market liquidity levels. The Dominican Republic saw quarterly GDP growth rates of 4.1% in Q1 2024 when compared to 4.2% in Q4 2024. These figures reflect a slight deceleration in economic activity, influenced by global economic conditions and domestic factors such as fluctuating commodity prices and ongoing challenges in the tourism sector, which is a significant contributor to the Dominican Republic's economy.

Mexico

Indicator	Aug	Jul	Jun
<i>Headline Inflation</i>	4.99%	5.57%	4.98%
<i>Monetary Policy Rate</i>	10.75%	10.75%	11.00%

Mexico's inflation rate over the past three months ranged from a high of 5.57% in July to a low of 4.99% and 4.98% in August & June respectively. These rates reflect the ongoing efforts by Banxico to control inflation through monetary policy measures, including interest rate adjustments, amidst varying global and domestic economic conditions. The Central Bank of Mexico maintained a policy rate of 10.75% following its 25-basis point reduction from 11% in June 2024.

Columbia

Indicator	Aug	Jul	Jun
<i>Core Inflation</i>	N/A	6.74%	7.10%
<i>Monetary Policy Rate</i>	10.75%	11.25%	11.25%
<i>Unemployment Rate</i>	N/A	9.90%	10.30%

For the past three months, the Banco de la República Colombia reported inflation figures ranging from 6.74% to 7.10%. These figures reflect the country's ongoing struggle with high inflation, driven by rising food prices and currency depreciation, despite the central bank's efforts to curb inflation through monetary tightening. In August 2024 the central bank of Colombia decided to loosen liquidity restrictions by reducing the policy rate by 50 basis points moving the nation's interest rate from 11,25% in July to 10.75%. The

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employment rates reflect a gradual improvement in the labor market, although unemployment remains relatively high due to structural issues and economic challenges within the country, with July reflecting the lowest reported value over the past three months of 9.90%.

Peru

Indicator	Aug	Jul	Jun
Headline Inflation	2.03%	2.10%	2.30%
Monetary Policy rate	5.50%	5.75%	5.75%

The Central Reserve Bank of Peru (BCRP) loosened its monetary policy restrictions by decreasing its policy rate by 25 basis points in August to 5.5% from 5.75%. This strategy was utilized to further support the growth of the economy as Peru's inflation of 2.03% in August is one of the lowest in the region. This is a further testament to the excellent monetary policies and fiscal discipline existing within the country..

Chile

Indicator	Aug	Jul	Jun
CPI (annual)	4.70%	4.60%	4.20%
Monetary Policy Rate	5.75%	5.75%	5.75%

Source: Banco Central de Chile

The Central Bank of Chile reported inflation numbers within their target of 4.70% as at August 2024. On September 3, 2024, the Central Bank Board reduced the Monetary Policy Rate by 25 basis points at its

September meeting, bringing it to 5.5%. This is the fifth decrease by the central bank for the 2024 calendar continuing to send positive signals to the market and stakeholders about the Chile economy. Inflation in Chile increased over the past three months (June, July, and August 2024) due to a combination of factors, primarily driven by rising energy costs and external economic pressures.

One of the main contributors to the recent inflation surge was a significant increase in electricity rates, which was implemented to cover the real costs of service that had been suppressed for years. This increase, related to the Electricity Tariff Stabilization Law, added substantial pressure on inflation, with projections indicating that it could contribute an additional 1.45 percentage points to inflation by mid-2025. The Chilean Central Bank acknowledged that this development has complicated efforts to achieve its inflation target, pushing the anticipated return to 3% inflation further into the future.

Additionally, external factors such as the depreciation of the Chilean peso against the U.S. dollar and global economic conditions, particularly the impact of U.S. monetary policy, have further exacerbated inflationary pressures in Chile. These external shocks have made imports more expensive, adding to the cost of goods and services domestically. These elements combined have created a challenging inflationary environment for Chile, with the Central Bank indicating that it may take longer than expected to bring inflation under control.

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Jamaica's Policy Rate Cut: Implications for the Economy and the Private Sector

In a strategic move to stimulate economic activity, the Bank of Jamaica (BOJ) recently reduced its policy rate by 25 basis points to 6.75%, down from 7%. This marks the first rate cut since November 2022, driven by the inflation rate remaining within the BOJ's target range of 4% to 6% for the past 5 months (March to July 2024) as reported by STATIN. This reduction sends a positive signal of the BOJ's intention to lower borrowing costs for the business community, providing a much-needed boost for investment and expansion. The rate cut reflects the BOJ's confidence in the Jamaican economy's stability, particularly in inflation management and foreign exchange stability. With annual headline inflation at 5.1% as of July 2024, the central bank has decided it is a suitable time to ease the previously tight monetary policy stance.

For the private sector, a reduction in the policy rate is a welcome relief. Businesses grappling with high borrowing costs will soon find it more affordable to take loans for expansion, equipment purchases, and other investments. Lower interest rates also mean reduced debt servicing costs, which improves cash flow and profitability. A policy response lag often occurs within the capital market when BOJ's policy rate is reduced. It generally takes a few weeks to several months before the adjustment translates to the market. The speed at which

financial institutions typically adjust their lending rates based on changes in the policy rate is influenced by factors such as existing loan agreements, the overall liquidity in the banking system, and the institutions' strategies. The effect might be seen sooner in financial instruments with short-term borrowing rates such as overnight lending or deposit facilities offered by the BOJ, while longer-term rates may take more time to adjust fully. The rate cut can stimulate consumer spending as loans and credit facilities become more accessible. This increase in demand can further boost business revenues and economic growth. However, businesses must remain cautious of potential external risks, such as rising international shipping costs or adverse weather events, which could offset some of these benefits.

For the business community, this presents an opportunity to leverage lower borrowing costs for expansion and innovation. However, it is crucial to balance optimism with prudence, ensuring that growth is sustainable and aligned with long-term financial stability. Businesses must stay alert to external risks and plan accordingly to fully leverage the opportunities presented by this new monetary policy stance. The BOJ has three more Monetary Policy Committee meetings scheduled for the remainder of 2024. The upcoming meetings are set for September 30, November 21, and December 20. These meetings are critical as they involve decisions on the policy interest rate and other monetary policy measures

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Sources: Statistical Institute of Jamaica (STATIN), Bank of Jamaica (BOJ), Planning Institute of Jamaica (PIOJ), Bloomberg, International Monetary Fund (IMF), Observer, Gleaner, US Bureau of Labour Statistics, US Census Bureau, Institute for Supply Management, National Association of Realtors, Central Bank of Barbados, National Bureau of Statistics of China, Central Bank of the Dominican Republic (BCRD), Banco de Mexico, Banco de la República Colombia, Central Reserve Bank of Peru, Banco Central de Chile, Eurostat,,

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APPENDICES

Local Statistics	Actual [^]						Projections / Targets*	
	2024							
	Mar	Apr	May	June	July	August	Sept	Dec
Inflation, Monthly (%)	-0.52	(0.67)	0.52	1.11	0.81	1.20*	1.60	1.00
Inflation, 12-Month Pt to Pt (%)	5.55	5.33	5.23	5.33	5.12	5.52*	6.10	6.50
91-Day T-Bill Yield (%)	8.03	8.37	8.25	8.23	8.12	8.03	8.00	7.80
182-Day T-Bill Yield (%)	8.11	8.57	8.30	8.43	8.22	8.15	8.10	8.00
273-Day T-Bill Yield (%)	8.61	9.47	9.12	9.12	9.12	8.39	8.29	7.60
BOJ Overnight Rate (%)	7.00	7.00	7.00	7.00	7.00	6.75	7.00	6.50
J\$/US\$ WA Sell Rate	154.69	156.92	155.82	156.29	157.52	156.61~	157.47	156.53
J\$/C\$ WA Sell Rate	114.48	115.54	112.82	115.47	115.54	114.93~	117.00	116.26
J\$/£ WA Sell Rate	196.18	198.14	199.37	202.20	201.57	199.29~	195.00	200.80
J\$/€ WA Sell Rate	168.57	171.52	172.42	171.22	173.24	171.96~	168.00	170.70
Net Remittances (US\$M)	279.20	288.00	287.40	278.30	275.00*	275.00*	270.00	290.00
Net International Reserves (US\$M)	5,231.75	5,102.90	5,034.88	5,185.08	5,067.79	5,200.00*	5,200.00	5,300.00
Revenue & Grants (J\$M)	131,199.0	65,184.4	74,559.6	81,786.8	75,521.4*	75,521.4*	76,670.0	78,091.5
Expenditure (J\$M)	85,579.1	94,866.7	84,678.8	80,333.3	69,934.0*	69,934.0*	72,873.8	74,762.3
Fiscal Balance (J\$M)	45,619.9	(29,682)	(10,119.2)	1,453.5	(412.6)*	(412.6)*	3,796.2	3,329.2

*Projections/Budget

[^]Actual

~Actual as at August 23 2024

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International Commodity Prices and Statistics of Key International Economies	Actual						Projections*	
	2024							
	Mar	April	May	June	July	August	Q3	Q4
Avg. W Texas Intermediate Crude Oil Price (US\$)	83.17	81.93	76.99	81.54	77.91	74.83~	75.87	73.56
Gold (\$/oz)	2,234.36	2,412.20	2,327.33	2,326.75	2,458.75~	2,458.75~	2,471.00	2,514.00
Statistics of Key International Economies								
United States								
Probability of Recession (%)	60	51			30		N/A	
Real GDP Growth YOY (%)	3.20	2.90*			3.00		1.60	
Inflation, 12-Month Pt to Pt (%)	3.50	3.40	3.30	3.00	2.90	2.90*	2.70	2.60
Target Federal Funds Rate (%)	5.50	5.50	5.50	5.50	5.50	5.50*	5.25	4.80
3-Month T-Bill Rate (%)	5.37	5.39	5.40	5.35	5.28	5.12~	5.02	4.63
3-Month LIBOR (%)	5.55	5.58	5.60	5.58	5.50	5.34~	5.60	4.68
10-Year Treasury Yield (%)	4.20	4.67	4.50	4.39	4.02~	3.79~	3.98	3.93
Unemployment Rate (%)	3.80	3.90	4.00	4.10	4.30	4.20*	4.30	4.40
DJIA	38,807.037	37,815.92	38,686.32	39,118.86	40,842.79	41,175.08~	N/A	N/A
United Kingdom								
Probability of Recession (%)	60	51			30		N/A	
Real GDP Growth YOY (%)	(0.30)	0.10*			0.60		0.90	
Inflation, 12-Month Pt to Pt – CPI (%)	3.40	3.20	2.30	2.00	2.20	2.20*	2.20	2.50
Inflation, 12-Month Pt to Pt – RPI (%)	4.50	4.30	3.30	2.90	3.60	3.40*	3.10	3.60
Bank Rate (%)	5.25	5.25	5.25	5.25	5.00*	5.00*	5.00	4.65
3-Month T-Bill Rate (%)	5.23	5.25	5.23	5.22	5.19	4.99	4.84	4.44
3-Month LIBOR (%)	5.32	5.32	5.32	5.32	5.32*	5.32*	5.22	4.26
10-Year Government Bond Yield (%)	4.12	3.93	4.34	4.17	4.07	3.91~	3.90	3.80
FTSE 100	7,630.02	7,952.62	8,147.03	8,164.13	8,367.98~	8,327.78~	N/A	N/A
Canada								
Probability of Recession (%)	35	40			32		N/A	
Real GDP Growth QOQ (%)	0.20	1.60			1.40		1.50	
Inflation, 12-Month Pt to Pt (%)	2.90	2.90	2.80	2.70	2.50	2.50*	2.30	2.40
Target Overnight Rate (%)	5.00	5.00	5.00	4.75	4.50	4.50*	4.25	4.00
3-Month T-Bill Rate (%)	4.97	5.22	4.94	4.65	4.41~	4.23~	4.15	3.85
10-Year Government Bond Yield (%)	3.49	3.46	3.81	3.50	3.16~	3.34~	3.20	3.02
S&P/TSX	21,363.62	22,167.03	21,714.54	21,875.79	23,110.81	23,286.08~	N/A	N/A

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International Commodity Prices and Statistics of Key International Economies	Actual						Projections*		
	2024						Q3	Q4	
	Mar	April	May	June	July	August			
	Trinidad & Tobago								
Inflation, 12-Month Pt to Pt (%)	0.80	0.80	0.90	0.70	N/A	N/A	N/A		
Policy Rate (%)	3.50	3.50	3.50	3.50	3.50	3.50			
3-Month Treasury Bill Rate (%)	2.40	2.71	2.71	3.29	3.40	2.23			
7-Year Government Bond Yield (%)	4.99	5.10	5.69	5.44	5.21	4.93~			
T&T Stock Exchange Index	1,214.05	1,191.97	1,183.30	1,127.79	1,113.48	1,067.16~			
	Barbados								
Inflation, 12-Month Pt to Pt (%)	1.31	1.06	N/A	N/A	N/A	N/A	N/A		
Policy Rate (%)	0.15	0.15	0.15	0.15	0.15	0.15			
3-Month Treasury Bill Rate (%)	0.50	0.50	0.50	0.50	0.50	0.50			
9-Year Government Bond Yield (%)	7.88	7.71	7.61	7.57	7.51	7.50			
Barbados Stock Exchange Index	2,758.65	2,749.13	2,890.91	2,909.99	2,908.70*	2,990.28*			

* Projections are taken from the Bloomberg survey of economists as of August 23, 2024

~Actual as at August 23, 2024

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