THE PRIVATE SECTOR ORGANISATION OF JAMAICA

PSOJ

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Inside This Issue

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The CEO'S Remarks

2015 has started with two seemingly conflicting pieces of information that Jamaica has passed the 7th consecutive IMF test and that for the last two quarters of 2014 the economy has declined 0.8% and 0.3% for both quarters respectively.

News of the poor performance in these last two quarters is not unexpected, although I never expected a decline in the December quarter. The poor performance can be directly attributed to the prolonged drought and the chickungunya effect, the first being an act of God and the second an act of poor planning of which no one has been held to account. This also highlights our vulnerability to weather conditions and the lack of proper infrastructure at the NWC.

These two effects would have cost the country between one to 1.5% GDP growth for 2014, and highlights the need for more effective planning and governance.

My own view is that despite the last two quarterly performances, the economy is still projected to do well. Investments are taking place at a faster pace, FDIs are rebounding, tourism is seeing a fantastic winter season, oil prices are reduced and should remain below US$70 into 2016, and inflation has been trending down—expected to be 5% for fiscal year ending March 2015 and 7% for March 2016 year end.

There has been some amount of concern about the exchange rate, but you will recall that the PSOJ had projected from mid 2014 that the rate would stabilize close to J$115:US$1 and we have no reason to doubt that given the following:

1) Increased earnings from tourism, given the good winter season
2) Lower oil prices reflecting in a significantly reduced trade deficit, resulting also in lower electricity bills
3) We have passed the high demand Christmas season for foreign exchange

We also expect that the government will remain on a disciplined fiscal course, and that the country will continue to pass the IMF tests. This of course means fiscal consolidation, and a reduced impact of the government on the economy as the private sector grows. In my view, however, there are some risks to the fiscal accounts—(i) inability to carry our public sector reform yet could result in wage pressures, especially with upcoming election; (ii) significant part of workforce needs training to improve productivity and employment prospects. Failure to do so could put a strain on government welfare demands; and (iii) outstanding future obligations, such as pension and outstanding payments, which we do not know the effect.

What is clear is that going forward we must continue fiscal discipline and chart a path for growth. This means of course some amount of spending by government, as reflected in the expenditure estimates (the revenue estimates remain a challenge); increased tax compliance vigilance, with the caveat that more intelligent and out of the box methods are to be used to carry those outside the net in and stop placing the emphasis on the compliant and also we need to look at lower tax rates; and bodies like PetroJam to be more transparent and better pass on savings for spending. Of course the PSOJ believes that an area of high priority must be public sector reform, as public sector bureaucracy continues to be a hurdle in the way of doing business in Jamaica, despite the legislative and fiscal wins, as customer service attitudes remain a significant problem.

The PSOJ understands that the improved collaboration and consultation between the private sector and government must continue, and we must emphasize areas like Public-Private Partnership ventures, which is a win-win for both government and the private sector. We also applaud the efforts made at legislative and fiscal reforms, but we also recognize that doing business in Jamaica, while improved, is still relatively difficult and we must act to change this as capital only goes where it gets the highest return and/or faces the least hassle.

Bearing this in mind the PSOJ remains committed to strongly advocating for a better business environment generally, and in particular on behalf of our membership, who we have been in constant dialogue with as groups and individually to understand the issues being faced and what role we can play to solve these issues and make it easier for members to do business.

Economic Highlights: January 2015

The economy declined by **0.3%** in the last quarter of 2014, which followed the decline of **1.4%** in the third quarter, pushing the Jamaican economy below growth expectations for 2014. Nonetheless, the economy grew by approximately **0.4%** in 2014 according to the Director of the Planning Institute of Jamaica. It is in this regard that the PSOJ declared last month that economic conditions strengthened in 2014 and this has placed the country on a trajectory that should augur well for continued success in 2015.

The country continues to perform relatively well under the current IMF Extended fund Facility and is expected to pass the next test that is due at the end of March 2015. On the down side there continues to be failure on the revenue targets as the economy has not been able to grow at the desired rate over the year even in the face of two good quarters of growth in real GDP in 2014. Major economic indicators continue to move on the right trajectory which is reflected in business and consumer confidence which continues to move in the right direction

⇒ Amidst the cooling of economic performance in the last two quarters of 2014 due to the drought and chickungunya, investors were less optimistic in the very near term and hence the stock market recovery waned - growth for the month of January 2015 came in at a meager **0.23%** when compared with the growth of **4%** and **3.3%** for the two previous months. The last quarter slump is not expected to be long lived, as the economy is expected to grow in the first quarter of 2015, hence the stock market is expected to move in a similar direction.

⇒ As proposed last month, the falling oil prices should further strengthen the prospect for economic growth. In this vein, there were prices reductions in **74%** of the commodities monitored for January 2015. The price of both crude oil indices fell for the seventh consecutive month. The Brent and the WTI fell by **22.1%** and **19.5%,** respectively. Natural gas also fell **13.3%**. The IMF's Fuel Energy Index fell by **18.6%**, the Food and Beverage Index fell by **2.7%**. However, while import prices will be significantly lower in 2015, export prices will also be significantly lower. Therefore, forecasting economic growth in Jamaica will be challenging given the uneven pass through of commodity prices, however, economic growth should be positively impacted. In addition, the reduction in international prices will impact inflation, the cost of capital and the value of the domestic currency in 2015.

⇒ With respect to prices, domestic inflation, measured by the All Jamaica "All Divisions" Consumer Price Index (CPI) declined by **0.5%** for January 2015, following declines of **0.3%** and **0.5%** observed in November and December 2014, respectively. The outturn for the month was largely influenced by downward movements in *Food and Non-Alcoholic Beverages, Housing, Electricity, Gas, and other Fuels* and *Transport* divisions. These price movements rate will impact the cost of capital and other key macroeconomic variables.

⇒ In this light, the yields on the 90-day tenor declined by **85 bps** and closed January 2015 at **6.99%.** On an annual basis, yields on the 30-day tenor have increased by **76 bps** and closed at **6.88%** while yields on the 182-day fell by **242 bps**, and closed at **6.3%**. This reduction in Treasury Bill rates is consistent with the view that inflation and risk from the GOJ is trending down. In addition, both the monthly and annual average weighted interest rates 0n deposits continue to fall. Local currency interest rates fell by **5 bps to** settle at **17.18%** while rates on foreign currency fell by **8 bps** to settle at **7.27%.**

⇒ In respect to other prices, the Jamaica Dollar depreciated by **$1.15 (1.0%)** vis-à-vis the US Dollar for the month of January 2015 relative to December 2014. At end-January 2015 the Dollar traded at **J$115.81=US$1.00.**On the other hand, the Dollar appreciated by **J$2.83 (1.6%)** and **J$5.81 (6.0%)** against the Canadian dollar and Great British pound, respectively. In this context, the value of the Jamaica Dollar was **J$174.61=GBP£1.00** and **J$91.88=CAD1.00** at end-January 2015. Our information is that the current slide in the local currency may very well have some amount of speculative and investment motive as investors move funds out of J$ to US$ investments, but is not expected to significantly impact the NIR.

⇒ To this end, the stock of Net International Reserves (NIR) at the Bank of Jamaica was **J$189.93** billion (**US$1,785.36** million), reflecting a decline of **J$23.04** billion (**US215.73 million**) relative to the previous month. At end-January, the gross reserves at the Central Bank were sufficient to finance **23.86** weeks of goods imports which represents **11.86** weeks over the international benchmark of **12** weeks of goods imports.

⇒ The dollarization ratio increased by **9.6** percentage points to **52.8%** at December 2014 from **43.2%** at December 2014. This increase reflected the stronger accumulation of foreign currency deposits in the commercial banking system relative to local currency deposits. This is reflective of consumers' converting their holdings of local currency deposits to foreign currency deposits in light of a depreciation of **7.8%** in the exchange rate vis-à-vis the US dollar.

⇒ For January 2014, there was a contraction of **J$6.78** billion **(6.2%)** in the monetary base relative to the previous month. This expansion resulted in an end-month stock of **J$102.11** billion. The movement in the base mainly reflected net currency redemption of **J$8.00** billion, the impact of which was partially offset by respective increases of **J$1.18** billion and **$41.54** million in statutory cash reserves and commercial banks' current account balances.

⇒ For October 2014, gross remittance inflows were **US$179.9** million, reflecting an increase of **US$8.9** million **(5.2%)** relative to the corresponding month of the previous year. Similarly, for October 2014, net remittance inflows were US$160.3 million, an increase of US$8.0 million or (5.3%) relative to the October of 2013

⇒ Tourist stopover arrivals rose to **213,129** for December 2014, reflecting an increase of **5.9%** relative to the December 2013. The uptick in the monthly arrivals largely resulted from an increase of **50,253** in stopover by foreign nationals. Similarly, on a year-to-date basis, stopover arrivals increased to **2,080,181**, reflecting growth of **3.6%** or **71,772** relative to the corresponding period of 2013. Cruise passenger arrivals increased by **12.6%** to **180,242** for December 2014 when compared to 2013. For the calendar year 2014, cruise ship arrivals increased by **14.5%** to **1,413,151** relative to **1,208,539.**

⇒ The production of total bauxite fell in January 2014 relative to December 2014 by **38,087 tonnes (4.7%).** Similarly, the figures for total bauxite for the period January 2015 relative to January 2014 show a reduction by **91,701** tonnes **(10.8%).** Year-to-date total bauxite exports increased, by **100,206 (12.92%).**

International Commodity Prices

Crude Oil Prices

Both benchmark crude oil indices decreased significantly in January 2015 in comparison to the previous month. The European Brent started the month at **US$62.16** per barrel and ended at **US$48.42** per barrel. This reflected a reduction of **US$13.70 (22.1%)** for the month. In January 2014 the sale price for the European Brent was **US$107.57**, reflecting a price reduction of **US$59.15 (55%)** when compared to January of 2015. Notably, over the last two years the price for this commodity has decreased by **US$64.51 (57.13%)**.

The price per barrel of West Texas Intermediate (WTI) fell from **US$59.10** at end December 2014 to **US47.60** at end of January 2014, a reduction of **US$11.50 (19.5%)**. In comparison to January 2014, the price per barrel of the WTI has fallen by **US$47.39 (50%)**. For January 2015 relative to January 2012, prices fell by **US$47.05 (49.71%) per barrel**. The five year average monthly price for both crude oil indices are **US95.24 and US85.00** per barrel. The Brent is currently **US$46.82 (49.2%)** below while the WTI is **US$38 (44%)** below the five year average price**.**

The dramatic decline over the last seven months of crude oil prices in the face of projected weakened global growth is directly related to excess supply. Experts suggest that this has led to continuous downward adjustments in short-term forecast of crude oil prices, influencing the longer term view as well. Other experts have the expressed the view that it is the robust supply and weak demand growth which has helped to lower oil prices. Russian crude oil output was at record highs in December and the Iraq central government reached a deal with the Kurdish regional government on oil revenue sharing, which could lead to higher production volumes in the future. Although the U.S. economic data was strong, economic data in the rest of the world was generally below expectations and was met with declining equity prices and higher bond yields in many countries.

With most of the projected increases in future global consumption coming from outside the United States, disappointing international economic news had more influence on crude oil prices than positive U.S. data. This weakening in the global economy has led to the skepticism of any increased demand for this cheaper oil. The surplus in oil inventories in developed economies in December was the highest for the time of year since 2010, its preliminary data shows. The Organization of the Petroleum Exporting Countries issued a report on Thursday January 15, 2015 that downgraded demand for its crude for 2015, while also predicting slower oil production growth in the United States. Some OPEC members are calling for a cut in the production of oil due to the falling oil prices, which have reached a six year low, while some are holding steadfast to increasing supply. Venezuela, which depends on oil as its mainstay in its economy is crippled due to the price decline, and closer to home Trinidad is

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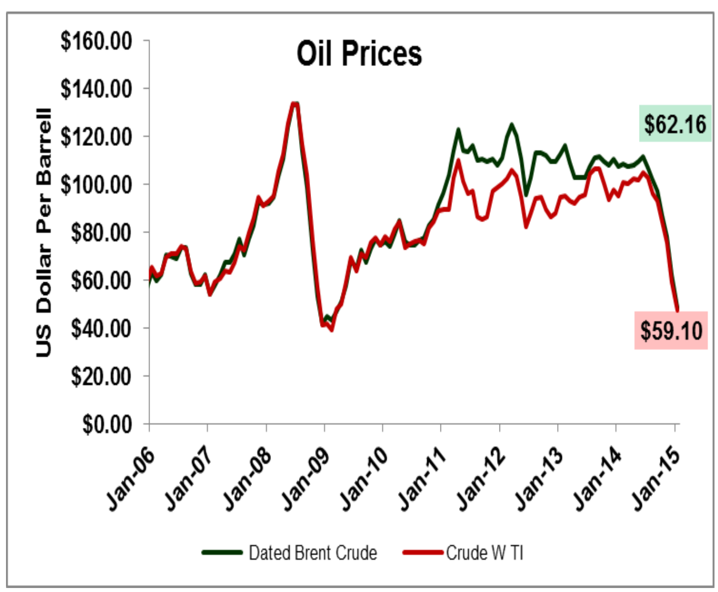


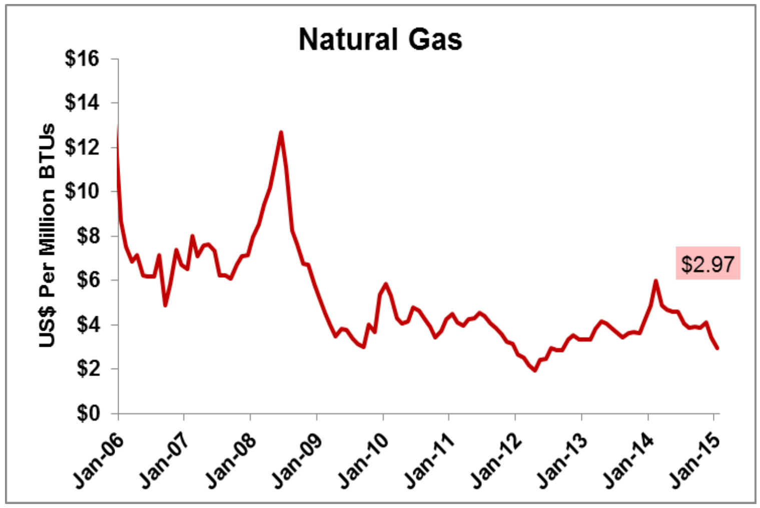
being impacted. Non-OPEC oil producers will increase output this year at a slower rate than previously forecast, aiding a recovery in crude prices, the EIA said.

According to reports, OPEC members will be required to produce a higher level than previously expected because of slower non-OPEC growth. The adviser lowered its non-OPEC supply growth estimate by 350,000 barrels a day, the first cut since the 2015 forecast was introduced in July. Half the cut is from Colombian output while effects on U.S. production are so far “marginal,” it said. The slow-down in non-OPEC output will lead to a “rebalancing” of currently over-supplied global markets in the second half; they suggest that this should revive prices. The IMF projects that prices at the end of first quarter of 2015 prices will average **US$48** per bbl, it will then end the year at **US$55** per bbl. an increase of **14%**.

Natural Gas

At the end of January 2015, the price for natural gas moved from **US$3.43** to **US$ 2.97** relative to December 2014, a reduction of **US$0.46 (13.3%)** per thousand cubic meters. For the period January 2013 relative to January 2015, natural gas prices fell by **US$1.92** (**34.24%)**. Similarly, natural gas prices have increased by **US$0.35 (10.6%)** per thousand cubic meters when prices of January 2015 are compared to January 2013. The five year average monthly price for natural gas was **US$3.67** indicating that current prices are **US$0.7 (19%)** lower than the long term average.

Natural gas working inventories on 02 January 2015 totaled **3.09 trillion cubic feet (Tcf)**, **0.25 Tcf (9%)** above the level at the same time in 2014 and **0.07 Tcf (2%)** below the previous five-year average (2010-14). Energy Information Administration expects the Henry Hub natural gas spot price to average **$3.52/million British thermal units (MMBtu)** this winter compared with **$4.51/MMBtu** last winter, reflecting



both lower-than-expected space heating demand and higher natural gas production this winter. Turning to annual measures, EIA expects the Henry Hub natural gas spot price to average **$3.44/MMBtu** in 2015 and **$3.86/MMBtu** in 2016, compared with **$4.39/MMBtu** in 2014.

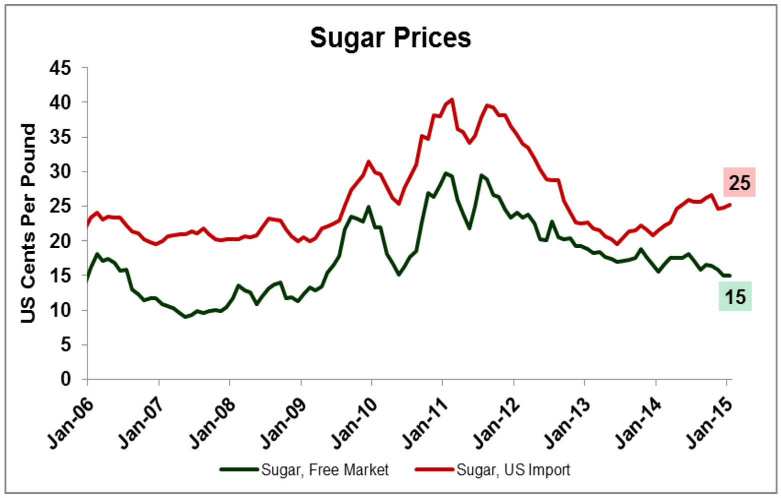
Due to the severe winter conditions, Henry Hub natural gas prices spiked but have since fallen from their peak as temperatures moderated. The IMF reported that the storage level of natural gas in the U.S. is relatively low, while Europe benefited from a relatively warm winter leaving ample inventories at the end of the season. However, if Ukraine and Russia cannot reach a gas deal quickly, natural gas prices in Europe can rise especially since the crude oil price is already rising (IMF, 2015).

Experts believe that there is a potential risk of a supply disruption emanating from Ukraine’s non-payment for its gas arrears, which could result in pipeline flows to cease to Ukraine, and possibly to Europe. Another risk, although a much less probable, is a broader embargo of Russian natural gas from either sanctions or counter-sanction measures. Impact from the loss of Russian natural gas exports will be limited mainly to its trading partners and neighbors. This impact is mostly observed in quantities, as prices are fixed through long-term contracts indexed to oil prices Spot gas prices for both pipeline gas and LNG are likely to be affected. While market integration is limited, LNG trade is the main linkages between main global markets. If geopolitical tensions affect crude oil prices persistently, then the impact on gas prices will show up with some lags. The price projections out of the IMF shows that prices will average **US$3.10 per MMBtu** in first quarter but will then increase to **US$3.20 (4%) per MMBtu** at the end of 2015.

Sugar

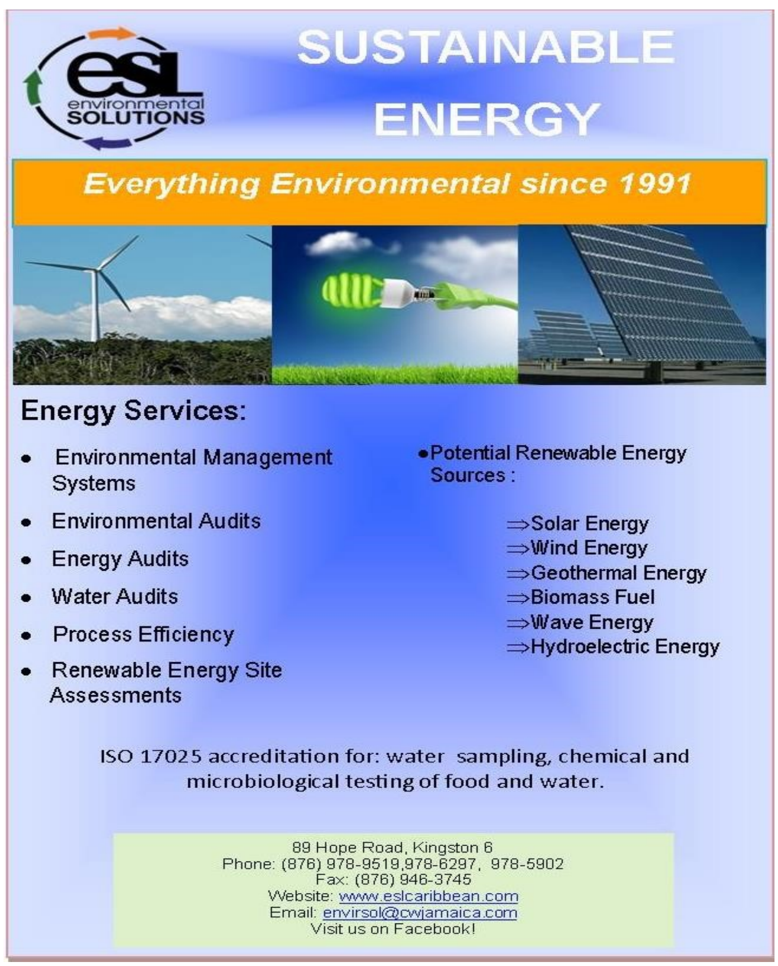
Both the Free Market and the US Import indices had similar price changes for January 2015. The Free Market Index fell by less than a cent **(0.5%).** On the other hand, the US Import Index fell by **US$0.01 cent (1.7%).** Prices closed in January 2015 at approximately **US$0.15** and **US$0.25** per pound, respectively. For the period January 2015 relative to January 2013, the price of Free Market sugar decreased by **3%**, while US import prices increased by **17.42%**. The five year average monthly price for both sugar indices are **US$0.21** and **US$0.29,** respectively. This suggests that prices for both the Free Market and the US Import are **27%** and **13%** below their respective averages. The IMF projects that the price for the Free market and the US Import will increase by **6.6%** and **0.2%,** respectively in 2015.

Global banking and financial services company Commerzbank AG is upbeat on prospects for sugar futures, despite cutting its price forecasts. The bank has cut its futures prices twice in this month from US$0.20 to US$0.18 cents further to US$0.17 cents a pound, noting "renewed devaluation" by Brazil's currency. Their stance is a "rather cautious" outlook for production in 2015-16 in the likes of India and the European Union, in addition to the prospects in Brazil with unchanged sugar cane output and greater competition for the crop from ethanol. The sugar price has upside potential over the next few months, the bank said, believing that this is the only way sugar production will keep pace with demand. If prices do no increase, cash strapped



mills will have to cut production.

The Indian Sugar Mills' Association (ISMA) has reported a 15% increase in output compared to the same period last year. The association stated that the delay in the announcement of the export incentive on raw sugar had depressed prices further in western and southern India "Since the start of the current crushing season, ex-mill prices in



the domestic market have declined and are at their lowest in the last three-four years. Mills are finding it difficult to generate funds for making payments to cane growers and cover daily expenses.

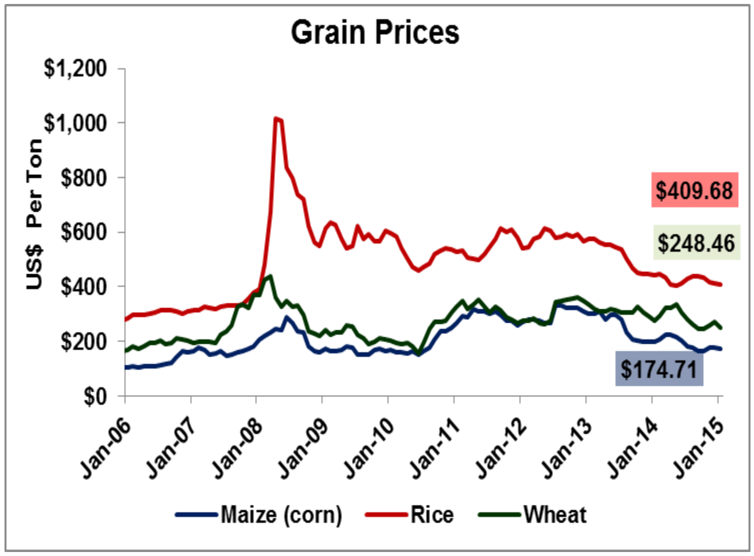
Notwithstanding unfavorable weather conditions that might impact production from Brazil to Australia during 2014-15 (October-September). The global surplus, according to International Sugar Organization (ISO), will still be **473,000** tonnes. London-based sugar advisory group Czarnikow, however, believes that for 2015, world production will be ahead of demand by **600,000** tonnes, placing downward pressure on prices. On the other hand, the US Department of Agriculture (USDA) says this season will be the first since 2009-10 to see a reduction in sugar inventories, which may have a negative impact on prices.

Rice

Relative to January 2014, rice prices for January 2015 fell by **US$1.32 (0.3%)** per metric tonne. Similarly, prices fell from **US$411.00** to **US$409.68,** a reduction of **US$31.36 (7.11%)** per tonne between December 2013 and December 2014. The five year monthly price average for rice is **US$508.35**, indicating that current prices are **US$97.35 (19.2%)** below the long term average.

Thailand last year toppled India to regain its position as the world's largest rice exporter. The off-season crop will be harvested in March and is expected to continue pressuring price. Following weeks of falling prices in Thailand and Vietnam due to rising supply pressure, the Thai government was moved to plan a major tender and Vietnam was set to harvest its main crop from late February.

Vietnamese rice prices in January had fallen to the lowest in at least 10 months due to thin buying demand. Based on government data, what Vietnam plans to export in the first quarter this year is 37% less than same quarter last year. It was reported on February 17th that 'Vietnam may stockpile 1 million tons of rice to stabilize prices' and secure profits for farmers. Under a new proposal from the agriculture ministry, local rice companies will be allowed to take out loans at subsidized interest rates to buy rice from farmers in the country's biggest rice producing province. Vietnam's rice supply is likely to surpass demand soon, which should cause prices to fall; this is expected to happen when harvesting ends and the new supply hits the market. The Vietnam Food Association has said that with harsh competition from other rice producers like Thailand and India, and with increasing supplies, Vietnam's rice exports will be under huge pressure over the next months as the experts posit.



Due to increased demand in China and stronger exports for Thailand, Burma, and Paraguay, global trade is higher. Thailand rice exports were forecasted to reach a new high in the 2014/15 season. According to a FAO report, Thailand is expected to dominate the market. Also, it is expected that Burma, India and Paraguay will have increased exports on the world market. The increased supply may see market prices continuing the downward trend in the first quarter of 2015. According to Johnny Saichuk, rice specialist, LSU AgCenter, "Much of the world market is controlled, or at least strongly influenced, by Thailand and Vietnam." Analysts argue that as long as there is a surplus of rice from those countries, prices will remain depressed. The forecast from the IMF shows that prices might increase marginally in the first quarter of 2015, and are expected to fall during the rest of 2015 by approximately **3%**.

Wheat

In January 2015, wheat prices decreased by **US$21.18 (8%)** when compared to December 2014 to close at **US$248.46 per tonne**. Relative to January 2014, prices have fallen by **US$27.00 (10%)** per tonne. A two year comparison of wheat prices shows a reduction in prices of **US$87.04 (26%)**. The average five year monthly price for the month of January is **US$292.19,** this represents a reduction of **US$43.73 (15%)** when compared to current prices.

Analysts expect that global inventories of wheat will remain at extremely high levels during much of 2015. For Ukraine, it is very likely that the grain production in 2015 will not exceed **40 million tons**, with the corresponding decrease in its export, primarily to Spain, Italy, North Africa, the Middle East and East Asia. Production in 2014 was **63 million tons**.

The FAO in November last year had reported that Russia and Ukraine may fail to harvest a record wheat crop in 2015 due to the poor condition of their winter plantings. Additionally, traders and forecasters project that the level of moisture in the soil is worse than the longtime average. Even though this will adversely affect supply, the trend of wheat prices may remain on the decline for the first quarter of 2014 due to expected improvements in soil moisture in the South Western Plains areas in the U.S. in coming months due to melting ice. The price of wheat will also be impacted by the reduction in international crude oil prices. The IMF is projecting that prices could fall to **US$213.60** by the end of the first quarter of 2015. By December 2015, prices are expected to increase by approximately **4%**.

Corn

Corn prices fell in January 2015 relative to December of 2014 by **US$3.96 (2.2%).** In this regard, corn prices closed

the month at **US$174.71** per tonne. Between January 2014 and January 2015 prices fell by **US$24 (12%)**. A two year price comparison from December 2013 to December 2014 shows a total price decline of **US$128.58** (**42.4%)**. The five year monthly average for corn is **US$242.97;** this means that current prices are **US$68.26 (28.1%)** lower. Data from the IMF shows that the price will fall to about **US$162.00** per tonne at the end of the first quarter and will increase marginally thereafter to **US$160.40 (1.1%)** at the close of 2015.

According to the International Grains Council (IGC), world total grains output was expected to decline slightly in 2014/15, from the record level forecast for the current season. Prices are then expected to rise by an average of **1.6% p.a.** over the remainder of the five-year period, exceeding **2 billion tons** by 2016/17. Maize harvest in the US is adjusted downward.

This month, global coarse grain supplies for 2014/15 are projected **5.0** million tons higher mostly on higher corn production for Ukraine and Argentina and higher corn beginning stocks for South Africa, Argentina, and Brazil. Leading the increases are a **1.0**-million-ton increase in EU corn feed use and a **0.8**-million-ton increase in China sorghum feed use. Corn use is also increased for Canada, Mexico, Argentina, and Turkey. Sorghum feed use is lowered for Mexico. Global coarse grain trade for 2014/15 is raised with corn imports higher for major players of the market such as EU, Canada, and China, and sorghum imports higher for China.

Mike McGinnis believes the USDA data provides no help however. As the USDA sees the use of corn for ethanol going higher and U.S. soybean stocks getting tighter, analysts observe that though these fundamental numbers are price-friendly. Ending stocks estimate came in at **1.827** billion bushels, compared to the average trade estimate of **1.879** billion bushels and the USDA's January estimate of **1.877** billion.

Dan O'Brien reports that since the USDA released its World Agricultural Supply and Demand Estimates (WASDE) reports on February 10th, MAR 2015 and DEC 2015 corn futures prices have moved sideways, raising hopes that seasonal lows in January-February have occurred, and that prices may eventually move higher into the spring and provide eventual returns to storage for U.S. crop producers. He believes that with a record high 2014 U.S. corn crop, and prospects for record or near-record, world corn production and ending stocks in the "current crop" 2014/15 marketing year, prospects for a corn futures price rally appear limited – unless unexpected and substantial crop production or export availability problems occur in other major coarse grain production regions of the World (such as in South America or Ukraine). Absent these occurrences, price prospects are limited until at least April-May 2015 - the main U.S. corn planting season.

The USDA left unchanged its forecast of 2014 U.S. corn production to be a record **14.216** billion bushels (bb), based on projected planted and harvested acreage of **90.597** million acres or 'ma', and **83.136** ma, respectively, and a record 2014 U.S. corn yield of **171.0** bushels per acre.

Darin Newsom of DTN/Progressive Farmer reports that although Corn supplies are at record levels and China is not buying the way they were; there exists everything to indicate the markets should be going lower. But there are clear indications that isn't the case. The analyst pointed to spreads between futures months and nearer term basis levels, which he said should be much tighter than they are, considering the pressure they are under from large inventories. He said grain merchandisers will soon be coming into the market to buy cash corn, which is one reason why the market is higher than it might otherwise be. Another factor is the continuing rise in domestic demand for corn, which could rapidly eat up the significant spread between supply and demand.

A December to March market for the 2015 new crop has reinforced these factors. It fails to show any interest in speculating on another huge corn crop or carryout or a shortfall of current production expectations. Many reports have indicated that American producers are expected to grow almost the same amount of soybeans and corn acres this year where Corn typically leads by a significant amount. However, Newsom isn't buying it. He feels growers will keep most of their rotations in place rather than turn to soybeans for that crop's lower input costs. He said the corn market has reached its lowest ebb in a 2012 to October 2014 downward trend and will now move higher until 2017.

Soybean Prices

The prices of both soybean meal and soybean oil showed mixed results for January 2015. At the end of January 2015 the price per metric tonne for soybean oil material stood at **U$707.88.** The price for Soybean oil material increased for January 2015 in comparison to December 2014 by **US$2.32 (0.3%)** per metric tonne.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International Commodity Prices

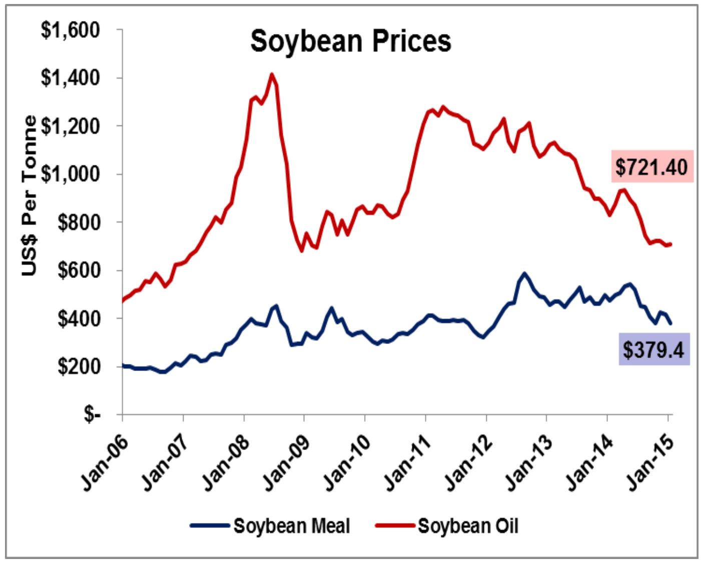
The price per metric tonne of soybean oil materials decreased by **US$123.5 (15%)** for the period January 2014 to January 2015. The five year average monthly price for Soybean oil is **US$1,010.20**, which is **US$302.32 (30%)** higher than current prices.

On the other hand, the price of soybean meal fell by **US$39.05 (9.3%)** per metric tonne when January 2015 is compared to December 2014. For the period January 2015 relative to January 2014, the price of Soybean meal decreased by **US$94.71 (20%).** A two year comparison for January 2013 to January 2014, shows that the price of Soybean meal fell by **US$78 (17%)** per metric tonne. The five year average monthly price for Soybean Material is **US$413.86** which is **US$34.81 (8.4%)** higher than current prices.

In September it was predicted that Soybean production worldwide may rise to 310 million tons, up from 282 million tons in the previous year. This increased level of forecasted production is one factor that had resulted in Soybean futures being at their lowest since 2009, weighed by a "heavily oversupplied" market for the oilseed (Agrimoney.com).

March soybeans futures were down 15 cents to $9.92-3/4 per bushel. The FAO Vegetable Oil Index also fell significantly, down 2.9% from the previous month and is now at its lowest level since October 2009. The decline was driven largely by ample supplies of soy oil and lower crude oil prices, which erode the attractiveness of using vegetable oils for biodiesel. South America is in the early phases of record-large soybean harvests while there still are plentiful supplies of both soybeans and corn after record US harvests last autumn. Some analysts are remaining bearish on soybeans considering that a large Brazilian soy crop will be arriving.

After the Chinese and Asian Lunar New Year holidays, which are February 19th this year, we are likely to see significantly more Brazilian export activity, some analysts believe. WASDE reports that for the 2014/15 season (which ends in March), the average soybean price range projection is unchanged at $9.45 to $10.95 per



bushel. The soybean meal price is projected at $350 to $390 per short ton, up 10 dollars on both ends of the range. The soybean oil price range is projected at 30 to 34 cents per pound, down 1 cent on both ends. All this in light of increased production and reduced exports, and soybean oil ending stocks projected up 75 million. The IMF projects that the price of soybean meal will decline by **3.5%** by the end of the second quarter of 2015 and by **5.2%** by the end of 2015.

Coffee

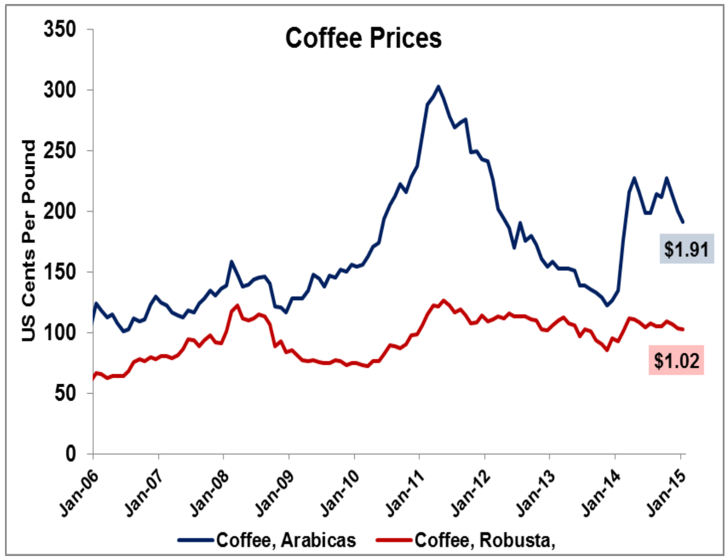
The price of the Arabica and the Robusta coffee had similar results in January 2015. The Arabica fell by **US$0.10 (5%)** while the Robusta fell by **US$0.01 (1%)**. In April 2011, coffee prices reached record levels of **US$3.30** and **US$1.21 per pound**, respectively. Since then, prices have fallen by **37%** and **16%** to **US$1.91** and **US$1.02** per pound respectively. The five year average monthly price for both types of coffee are **US$1.98** and **US$1.30,** respectively. This implies that the current prices of the Arabica and the Robusta are **3.4% and 1% lower** than the five year average prices.

The foreign agricultural service reported that The United States is the second largest importer of coffee beans and is forecast to increase slightly to **24.5 million bags** as consumption continues to rise. The United States Department of Agriculture has released its latest estimates for annual global coffee production, predicting a **1.5 million** total drop to **147.8 million bags** in 2014/15, despite rising demand.

The USDA's semiannual announcement is a major speculative force, and the downward estimate is likely to increase uncertainty in what has already been a highly volatile market based on unclear data. That said, the global production total has only been revised downward by **400,000 bags** since the USDA's previous estimates in December.

International coffee organization (ICO) reports that dry weather in Brazil at the beginning of January spurred prices higher, with the daily price of the ICO composite indicator rising by **11%**. However, forecasts of rain later in January punctured this brief rally, causing the ICO composite to fall at the end of January. Nevertheless, overall rainfall levels in Brazil remain below average, with the development of the 2015/16 crop now at a crucial stage. Furthermore, an infestation of coffee berry borer has led to a state of phytosanitary emergency being declared in the states of São Paulo and Espírito Santo. This was also a concern is analysts Christian Berthelsen report that traders and analysts have been watching weather forecasts for Brazil's main growing region to see if there will be enough rain to overcome concerns that another dry spell could impede the harvest.

According to Conab, production of Arabica in Brazil will be six million bags lower in 2014/15 compared to 2013/14; some of this deficit may be covered by the continued recovery in Colombia and improved management of coffee leaf rust in Central America, but the gap will not be totally offset. In terms of Robusta production, there have been mixed reports for Vietnam in 2014/15, but a decrease is expected in Indonesia based on recent export volumes. Forecast from the IMF shows that Robusta coffee prices are expected to increase by the end of the second quarter by approximately **3%** and by about **6%** by the end of 2015.



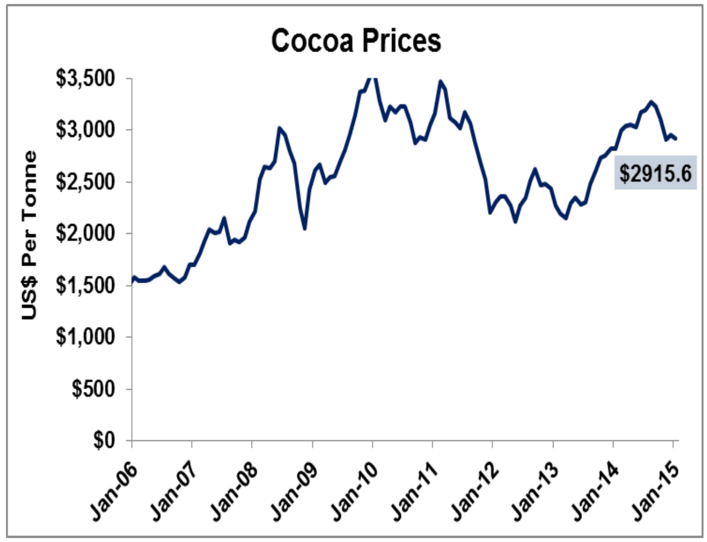
Cocoa

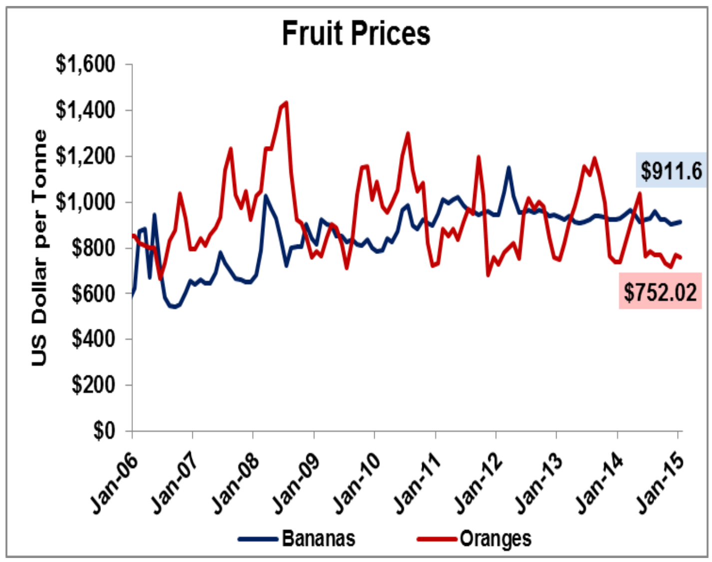
For December 2014, Cocoa prices increased by **US$37.85** per tonne **(1.3%)** to close at **US$2,946.95** per tonne. Relative to December 2013, prices increased by **US$122.41** (**4.33%)**. The two year price comparison shows that prices are higher by **US$515.12 (21%)** when December 2014 is compared with December 2012. The five year average monthly price for cocoa is **US$2,690.19**, this means that current prices are **US$256.75 (9.5%)** higher. Experts at Rabobank projected that a third consecutive cocoa deficit will send prices skyrocketing in 2015. The analysts estimate a deficit of over **100,000 tonnes** which will send prices rising by over **12%** relative to 2013 prices.

The result of the latest ICCO survey showed that world cocoa bean stocks fell to **1.508** million tonnes, as at the end of the 2013/2014 cocoa year, or **19,000** tonnes lower than the previous year. This means that demand may have slightly outpaced net production in the 2013/2014 season. Nigeria, the fourth largest producer of the commodity, had forecast an output of **500,000** metric tons for the 2014/2015 season on account of newly maturing trees, however since the outbreak of fungal black pod disease which destroyed farms after heavy rains, they may missed this target, reports a farmers' association in the country.

The immoderate rains last year had a devastating effect on the overall tons of cocoa beans harvested. According to the Agriculture Ministry, the West African nation produced **350,000** tons of cocoa in the 2013-2014 season and The International Cocoa Organization assessed Nigeria's production for that season at **240,000** tons. The strong competition among the largest cocoa producers continue as Ghana plans to overtake Ivory Coast as the biggest producer of cocoa in three years as the industry's regulator boosts supplies of fertilizer to help farmers increase yields.

Since a record high of **1.025** in 2011, Ghana has raised its forecast for the harvest in the season that ends Sept. 30 2015 to **900,000** metric tons, according to a person familiar with government estimates. Also, Ivory Coast will probably reap **1.55** million tons during the same period, according to the International Cocoa Organization. West Africa collectively supplies two thirds of the world's cocoa crop, with Ivory Coast leading production at **1.22** million tonnes, and nearby Ghana, Nigeria, Cameroon and Togo producing an additional **1.41** million tonnes.





Orange

Orange prices fell by **US$11.21 (1.5%)** in January 2015 to **US$758.02 per metric tonne**, relative to December 2014. Relative to January 2014, prices increased by **US$18.00 (2.44%).** The five year average monthly price is **US$742.64**, which indicates that current prices are **US$15.37 (2.1%)** higher.

News in the market that is expected to affect demand and supply conditions going into February and March is the news of 'Starting 1 January, 2015, importers of U.S. fresh citrus (oranges and lemons) are required to obtain an import permit, and shipments will need a phytosanitary certificate with attestations related to freedom from fruit flies and citrus greening. These new requirements will not apply to shipments that departed prior to 31 December, 2014, and that arrive before 28 February.'

The United States Department of Agriculture reports that Global orange production for 2014/15 is forecast to decline **4 percent** from the previous year to **48.8 million metric tons** as lower yields are forecast for Brazil, China, and the EU. As a result of the reduced availability, fruit for processing is expected to drop over **7** percent with exports down **3** percent.

Analysts posit that **18%** reduction in orange production is pushing fresh orange prices to heights not seen since the early 1990s. Orange prices rose **7%** on concerns that adverse weather in Brazil and U.S. will curb global supplies. With fall harvest beginning, California navel-orange crop is forecasted to sustain further decline in 2014/15, potentially limiting fresh orange supplies that would keep fresh-orange prices strong this fall and winter. The IMF is projecting that orange prices will rise to **US$782 by** the end of the first quarter in 2015. Prices are also expected to fall to **US$770** or by **1.6%** by end -2015.

Banana

Banana prices moved in January 2015 to US$911.60 per tonne. In this regard, prices increased by **US$3.45 (0.4%).** For January 2015 relative January 2014, banana prices fell by **US$16.81 (1.8%)** per metric tonne. A two year price comparison for January 2013 and January 2015 revealed that banana prices decreased by **US$22.22 (2.4%)** per metric tonne. The five year average monthly price is **US$933.25**, indicating that current prices are **US$21.65 (2.3%)** lower than the long term average.

The FAO reports that the banana market is changing as the larger plantation type producers are losing market share to smaller farmers. This has created increased opportunities in the banana market as it is no longer dominated by the larger players and new buyers are entering the market. The giants, the top five producers, who had a market share of **70%** in 2002 are now down to just **44.4%**. Chang, secretary of the FAO Intergovernmental Group on Bananas and Tropical Fruits says that in order for the new players to seize the opportunities in a now competitive market, banana producers need to be better informed and better prepared including any organizations that represent them.

According to market experts, as this shift takes place in the market, a new threat emerges for the banana producers in the form of a fungus called TR4 or Fusarium. Banana, the eight most important food crop in the world and forth most important for developing countries where millions of people rely on the **$8.9** billion industry for their livelihood is threatened by this fungus that can also kill crops such as tobacco and tomatoes. The TR4 strain is not deadly to humans and cannot be fully controlled by fungicides so it will not go away. The best way to fight the disease according to Ploetz in an interview April 2014, who discovered it is to prevent it from spreading by avoiding movement of diseased plant materials and infected soil. Ploetz said it may come down to developing a new variety of the fruit that's resistant to the TR4 strain, which could take years. The threat of it infecting the Central and South American region is remote as reported by one analysis. Bananas won't go away he expert noted, there are better tasting ones out there. But the Cavendish is under attack right now, and there's nothing to replace it.

Beef

In January 2015, beef prices fell to **US$2.32** per pound, a reduction of **US$0.09 (4%)** relative to December 2014. Relative to January of 2014, current prices are **US$0.45** or **24%** higher than they were. The five year average monthly price is **US$1.98** which tells us that current prices are **US$0.3**4 **(17%)** higher than the long term average.

The USDA commodities monthly updates shows that the 2015 beef import forecast is raised from last month as demand for processing grade beef remains strong and strength of the dollar makes the United States an attractive market. Beef exports for 2015 are reduced due to relatively high U.S. prices. Cow slaughter is raised slightly from last month with larger cow numbers, but is still expected to be below 2014. The increase in slaughter is partly offset by slower growth in carcass weights. The current annual futures prices for 2015 indicate a slight increase over 2014. The main reason is that 2014 began lower and ended up strong at the end of the year. Experts don’t expect 2015 to duplicate 2014. However they expect the national economy is placing some brakes on increasing cattle pricing.

Analyst in Europe believes that beef prices will be supported by tight supplies in 2015. The analyst posits that Brazil is the only major beef producing nation which will see positive growth in 2015, he noted that the United States and Australia beef market will show supply cuts of **2%** and **6%** respectively.

The FAO cautions against this outlook on beef prices given what it sees as a reduction in complementary food groups such as cereals which have fallen by **6%** in 2014. The FAO believes that these will

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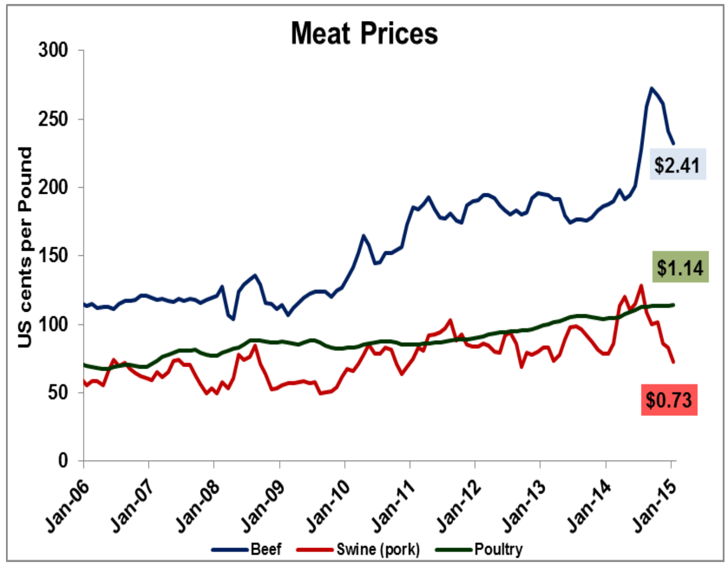
put down ward pressure on beef prices. The projections out of the IMF shows that beef prices will rise to **US$2.36** per pound by the end of the first quarter in 2015, prices will decline by **1%** by the end of the second quarter in 2015. By the end of 2015, prices are expected to fall by **3.4%**.



Swine (Pork)

In December 2014 the prices for pork decreased by **US$0.3 (%)** to close at **US$.83** per pound. The price of pork was **US$0.79 per pound** in December of 2013, which reflects a **US$0.04 (5%)** price increase relative to December 2014. A two year analysis of pork prices shows that current prices are**US$0.03 (3%)** higher than they were in 2012. The five year monthly average price per pound for pork is **US$0.79**, this means that current prices are **US$0.04 (5%)** higher than the long run average.

Experts at the PigSite pronounced that falling pig prices in the UK and EU generally is said to be caused by the strong production output and weak demand for the commodity, according to a market expert speaking at the Outlook Conference in London, February 15, 2015. According to Stephen Howarth, the root cause of the problem is that supply has been running ahead of

demand in both the United Kingdom and the European Union over the last year. Characteristic of the UK prices over the last 12 to 18 months, are long term downward trends and the EU experienced even more drastic reductions. He stated that UK pig meat demand will need to improve in order for prices to increase, adding that supply will remain strong in the year ahead. The global market, meanwhile, is likely to become even more competitive this year as more US and Canadian pork becomes available, he said, adding that factors that could affect these forecasts are disease, retailer commitment to local production, feed price fluctuation and exchange rate movements.

The global market should resume normal trading in 2015 with the exception of the Russian ban on the commodity, said Mr. Howarth. Global export prices, which broke records in the middle of last year, are already showing signs of cooling down. One factor is porcine epidemic diarrhea (PED) in the US. Since last year, the disease has been affecting the US pig market and with new outbreaks around 100 per week this year compared to more than three times that rate 12 months ago, US production is likely to rise by 5 to 6 per cent as farmers there took advantage of the period of higher prices to expand and invest.

Pork volumes in Brazil and Russia were forecast to increase by about the same percentage, however last month January expected exports were 19.1% less than last year January 2014, The Pig Site reported. An analyst surmised that even if Russia were to lift its import ban soon, its requirements would be lower than before because of the increase in domestic production. Brazil, Chile and Serbia now supply most of pork to Russia, where the price, at around RUB200 per kilo, is almost twice that of a year ago. The Russian ban on pork from the EU, US, Canada and other countries does mean a lot of pork needs to find a new home on the global market, Mr Howarth pointed out. China is likely to be the number 1 growth market for exporters this year but Brazil and Chile are expected to be able to take better advantage of this opportunity than the EU, the site reports.

Analysts in the US have confirmed that recovery in US pork production will be sustained, with the pig meat industry recovering strongly from the porcine epidemic diarrhea virus (PEDv) outbreak. The comments came after the US department of Agriculture forecasted that American commercial pork production was set to reach **23.9 billion** pounds for the year ending September 2015, exceeding the countries beef output for the first time in 62 years.

The record corn and soybean harvest in the U.S during fall 2014 have led to dramatic reductions in rations for poultry and swine producers, and these lower feeds cost will likely continue for several months. Dr. Thomas Elam, Economist, FarmEcon L.L.C. said the stage is set for expansion in the animal protein sector in 2015. Producers' financial results have improved, interest rates are still near historical lows, demand is strong and feed costs should remain at or near current levels.

In addition, the analyst posits that export demand for animal protein has been very strong. Volume has been increasing even as prices have increased significantly throughout the past few years. Elam's forecast for pork production shows that it will remain virtually unchanged from this year. The forecast out of the IMF shows that pork prices will fall by **1.2%** by the second quarter of 2015 and by **1%** by the December 2015.

Poultry

The price of chicken remained relatively unchanged in January 2015, increasing by a marginal **(0.3%)** and ended at **US$1.14per lbs**. Prices in January 2015 were approximately **US$0.10 (9.3%)** higher than they were in January 2014. In January 2013, the price for poultry was **US$0.99**, indicating that prices are **US$0.15 (15%)** higher than they were two years ago. The five year average monthly price per pound is **US$0.99**, this means that current prices are **US$0.16 cents (16%)** higher. This long term movement in poultry prices even in the presence of crude oil reduction reflects relatively higher demand.

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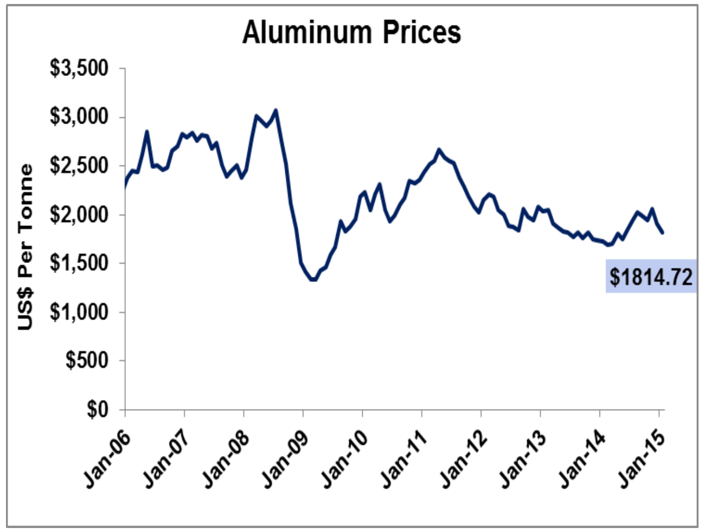
Having been on an upward trend for most of the year, U.S. poultry production is expected to increase in the first quarter of 2015, according to the USDA World Supply and Demand Estimates (WASDE). The USDA called for an increase in the production of both broilers and turkeys, citing lower forecast feed prices and record wholesale broiler prices in 2014 as incentives to increase production in 2015.

Up from **US$113.77** in December, the close of January saw prices closing at 114.10. Production indicators suggest continued growth trends for poultry. Turkey meat production in 2015 is forecast to be up 5.6 percent from 2014. In January, China banned U.S. poultry, eggs imports amid avian flu fears, although the virus was detected in non-commercial. The USDA was quick to point out the fact, that no cases were detected near commercial poultry locations. As at February 15, 50 new cases had been detected in one of China's provinces, resulting in 12 deaths.

The new cases are in addition to the 83 H7N9 cases reported from Dec. 2014 to Jan, 2015. There has been a significant drop in the country's retail poultry sales as a result of epidemic, as more individuals are switching to substitutes out of fear. No major analyst has yet to suggest that world prices by these isolated developments. The IMF's projections show that poultry prices will increase by **3%** by the end of the second quarter of 2015 and by **5%** by the end of December 2015.

Aluminum

Aluminum prices fell by **US$94.74 (5%)** per tonne and closed January 2015 at **US$1814.72** per tonne. Relative to January 2014, prices increased by **US$87.31 (5.05%)** per tonne. When January 2014 is compared to January 2013, prices fell by **US$223 (11%).** The five year average monthly price for aluminum is **US$2,034.1** per tonne; this means that current prices are **US$219.44 (10.8%)** lower.



Aluminum has diverse applications in industry thus demand for aluminum is broadly correlated with industrial growth. The European debt crisis and slowing Chinese growth have contributed to the weakness in aluminum demand, and consequently prices over the last few quarters. Persistently high aluminum inventory levels relative to demand have kept aluminum prices depressed. This inventory was built up partially as a result of aluminum being tied up in financing deals, which were made possible due to low interest rates. Despite inventories being at a record high, market forces failed to rationalize supply through the shutdown of smelting capacity. China accounted for around **45%** of the world's aluminum production in 2013, and the expansion in production by Chinese producers more than made up for capacity cuts by global majors.

Experts believe that prices are trading sideways again, either side of 1850/tonne and with Chinese New year holiday ahead, experts expect markets to be relatively quiet, with all eyes on Greece (Metal Bulletin Research). **Michael Insulán** and other analysts seems optimistic for this upcoming aluminum prices, claiming that "although declining aluminum prices and the emergence of Malaysia has tempered price growth expectations in alumina and bauxite, an expectation of strong Chinese alumina imports and growing Chinese third party bauxite demand means that it is a bullish time for aluminum raw materials."

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January 2015 Issue

CRU's **Aluminum Market Outlook** Monthly Update, published on Monday 16th February, details the sharp fall in European and Asian ingot premiums.

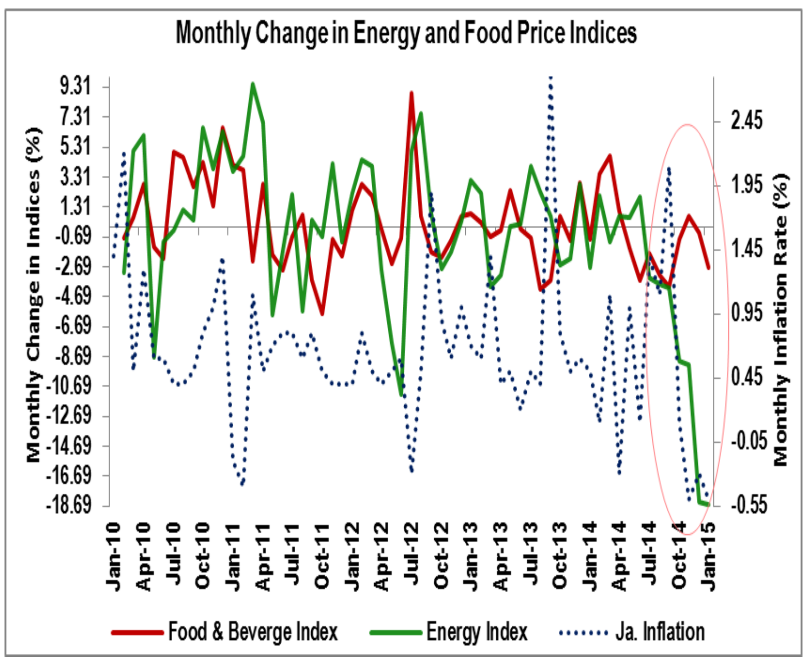
Impact of global prices on Jamaica

There were prices reductions in **74%** of the commodities monitored for January 2015. The price of both crude oil indices fell for the seventh consecutive month. The Brent and the WTI fell by **22.1%** and **19.5%,** respectively. Natural gas also fell **13.3%**. The IMF's Fuel Energy Index fell by **18.6%**, the Food and Beverage Index fell by **2.7%**. With the expected low international commodity prices, inflation for Jamaica is expected to remain relatively low throughout 2015 and into 2016. However, while imports prices will be significantly lower in 2015, export prices will also be significantly lower. Therefore, forecasting economic growth in Jamaica will be challenging given the uneven pass through of commodity prices, however, economic growth should be positively impacted.

The graph below shows the relationship between movements in commodity prices and movements in domestic inflation. The downward movements in the international price indices for January should be observed in Jamaica around end-March 2015. In addition, inflation of **-0.5%** for January 2015 would have been influenced by the downward movements in commodity prices between November of 2014 and December 2014.

The forecast by the Bank of Jamaica is for inflation to fall in the range of **3%** to 5% in 2015,calendar year; the PSOJ is cautious even in the face of the reduction in commodity prices. Significant risks come through exchange rate movements, domestic agricultural production and wage increases, higher taxes and money growth. In this regard, the forecast is for inflation to between **2%** and **6%** will remain until end of April 2015.

Commodities	Unit	Price	Price	Monthly Change
		Jan-15	Dec-14	
Aluminum	Metric ton	1,814.72	1,909.46	-5.0%
Bananas	Metric ton	911.60	908.15	0.4%
Beef	Pound	232.02	240.88	-3.7%
Cocoa beans	Metric ton	2,915.60	2,946.95	-1.1%
Coffee- Arabicas	Pound	190.90	200.59	-4.8%
Coffee- Robusta	Pound	102.33	103.51	-1.1%
Maize (corn)	Metric ton	174.71	178.67	-2.2%
Natural Gas	MMBTU	2.97	3.43	-13.3%
Dated Brent Crude	Barrel	48.42	62.16	-22.1%
Crude W TI	Barrel	47.60	59.10	-19.5%
Oranges	Metric ton	758.02	769.23	-1.5%
Swine (pork)	Pound	73.00	82.81	-11.9%
Poultry	Pound	114.10	113.77	0.3%
Rice	Metric ton	409.68	411.00	-0.3%
Soybean Meal	Metric ton	379.04	418.09	-9.3%
Soybean Oil	Metric ton	707.88	705.56	0.3%
Sugar- Free Market	Pound	15.06	14.99	0.5%
Sugar- US Import	Pound	25.24	24.81	1.7%
Wheat	Metric ton	248.46	269.64	-7.9%



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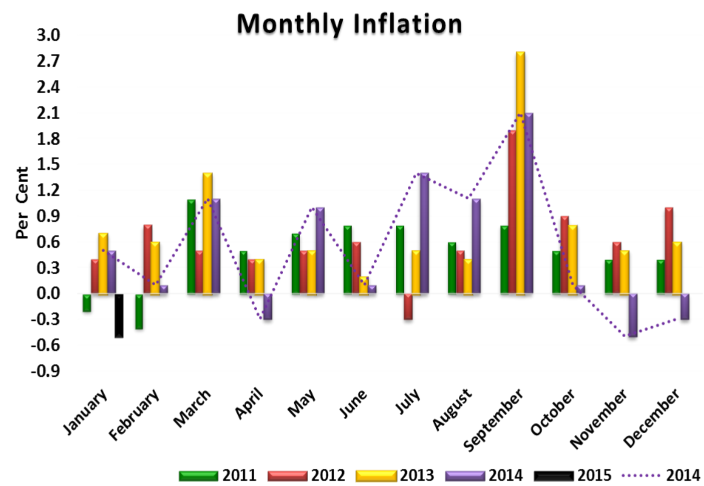
		Actual		Projections								Annual % Change	Quarterly % Change	FY-to-Date % Change
Commodities	**Units**	2013Q1	2014Q1	2015Q1	2015Q2	2015Q3	2015Q4	2016Q1	2016Q2	2016Q3	2016Q4	Q1-15/Q114	Q2-15/Q1-15	Q4-15/Q1-15
Food														
Cereals														
Wheat	$/MT	321.4	297.1	223.7	196.9	199.8	205.5	207.8	207.7	203.7	208.9	-24.7%	-12.0%	-8.1%
Maize	$/MT	305.1	210.1	162.3	152.5	156.1	160.4	163.7	166.1	166.5	163.1	-22.8%	-6.0%	-1.1%
Rice	$/MT	570.7	440.7	383.9	385.6	375.0	372.9	333.1	334.6	325.4	323.6	-12.9%	0.4%	-2.9%
Barley	$/MT	239.4	162.7	143.8	146.6	148.2	131.1	159.2	162.3	164.1	145.2	-11.6%	1.9%	-8.8%
Vegetable oils and protein meals														
Soybeans	$/MT	532.8	498.3	367.2	366.4	366.7	358.8	362.0	364.0	363.2	356.4	-26.3%	-0.2%	-2.3%
Soybean meal	$/MT	464.6	493.3	368.1	355.2	354.8	348.8	349.8	351.0	351.8	348.1	-25.4%	-3.5%	-5.2%
Soybean oil	$/MT	1119.2	877.9	728.0	730.4	733.1	724.6	728.4	734.4	735.5	728.3	-17.1%	0.3%	-0.5%
Palm oil	$/MT	780.3	813.7	666.8	649.5	627.6	620.2	626.4	632.5	637.5	636.4	-18.1%	-2.6%	-7.0%
Fish meal	$/MT	1918.4	1657.9	2032.4	1912.0	1675.6	1625.9	1619.5	1523.6	1335.2	1295.7	22.6%	-5.9%	-20.0%
Olive oil	$/MT	4004.9	3599.0	4137.1	4146.5	4194.4	4235.7	4287.3	4297.1	4346.6	4389.4	15.0%	0.2%	2.4%
Groundnuts	$/MT	2091.8	2377.3	1969.7	1921.9	1873.8	1825.8	1942.8	1895.6	1848.3	1800.9	-17.1%	-2.4%	-7.3%
Rapeseed oil	$/MT	1196.0	980.3	798.1	772.0	766.6	761.2	728.1	704.3	699.4	694.5	-18.6%	-3.3%	-4.6%
Meat	cts/lb													
Beef	cts/lb	193.8	191.8	236.3	233.6	230.9	228.3	233.2	218.8	212.1	219.6	23.2%	-1.1%	-3.4%
Lamb	cts/lb	97.1	124.1	131.0	131.0	132.3	133.9	134.7	134.7	136.1	137.7	5.6%	0.0%	2.2%
Swine Meat	cts/lb	79.7	92.8	116.5	115.1	115.1	115.1	112.0	110.1	109.6	104.4	25.5%	-1.2%	-1.2%
Poultry	cts/lb	100.2	104.7	116.0	120.5	123.2	121.4	123.6	128.4	131.3	129.4	10.8%	3.9%	4.7%
Seafood														
Salmon	$/kg	6.5	7.8	5.6	5.3	5.3	5.0	5.1	4.8	4.8	4.5	-27.9%	-5.4%	-10.7%
Shrimp	$/lb	11.3	17.1	16.6	15.5	15.4	16.3	15.8	14.6	14.5	15.3	-3.1%	-6.6%	-1.8%
Sugar														
Free market	cts/lb	18.5	16.8	15.2	15.6	15.8	16.2	16.9	16.9	16.9	17.1	-9.7%	2.6%	6.6%
United States	cts/lb	22.0	22.4	25.4	25.6	25.3	25.4	25.2	25.1	25.5	25.1	13.2%	0.9%	0.2%
EU	cts/lb	25.8	27.5	27.7	27.7	27.7	27.7	27.9	27.9	27.9	27.9	0.7%	0.0%	0.0%
Bananas	$/MT	932.6	947.1	926.6	915.8	895.2	885.8	892.4	881.9	862.1	853.0	-2.2%	-1.2%	-4.4%
Oranges	$/MT	825.9	777.4	782.0	777.1	772.6	769.8	781.8	776.9	772.4	769.6	0.6%	-0.6%	-1.6%
Beverages														
Coffee														
Other milds	cts/lb	154.8	175.8	187.0	179.3	182.8	186.7	188.9	189.8	189.9	189.3	6.4%	-4.1%	-0.2%
Robusta	cts/lb	109.4	102.0	89.2	91.9	93.5	94.3	95.0	95.9	96.3	96.4	-12.5%	3.0%	5.7%
Cocoa Beans	$/MT	2208.8	2951.3	3058.1	3009.3	2980.9	2933.5	2899.4	2885.8	2875.4	2869.4	3.6%	-1.6%	-4.1%
Tea 3/	cts/kg	319.1	247.9	240.7	240.7	248.9	255.7	242.4	242.4	250.6	257.5	-2.9%	0.0%	6.2%
Agricultural raw materials														
Timber														
Hardwood														
Logs	$/M3	157.6	178.4	177.8	188.6	177.8	178.9	182.9	194.0	182.9	184.1	-0.3%	6.1%	0.6%
Sawnwood	$/M3	278.4	306.1	311.2	304.2	295.2	290.2	304.9	298.1	289.2	284.3	1.7%	-2.2%	-6.7%
Softwood														
Logs	$/M3	157.6	178.4	177.8	188.6	177.8	178.9	182.9	194.0	182.9	184.1	-0.3%	6.1%	0.6%
Sawnwood	$/M3	278.4	306.1	311.2	304.2	295.2	290.2	304.9	298.1	289.2	284.3	1.7%	-2.2%	-6.7%
Cotton	cts/lb	89.9	94.0	59.4	60.0	60.9	62.4	64.1	64.7	65.3	64.9	-36.8%	0.9%	5.0%
Wool														
Fine	cts/kg	1362.4	1114.0	1033.3	1033.3	1033.3	1033.3	1033.3	1033.3	1033.3	1033.3	-7.2%	0.0%	0.0%
Coarse	cts/kg	1227.5	1083.6	1108.3	985.8	939.4	1045.6	982.0	959.4	927.0	873.6	2.3%	-11.1%	-5.7%
Rubber	cts/lb	143.1	102.1	89.6	90.1	89.6	89.3	94.6	95.0	94.6	94.3	-12.2%	0.6%	-0.3%
Hides	cts/lb	86.0	107.6	115.6	114.5	109.0	107.9	112.5	114.9	116.0	119.7	7.5%	-1.0%	-6.7%
Metals														
Copper	$/MT	7922.3	7030.2	5731.2	5622.7	5614.5	5607.5	5605.0	5604.3	5602.0	5599.8	-18.5%	-1.9%	-2.2%
Aluminum	$/MT	2000.8	1709.3	1784.0	1797.0	1812.3	1823.8	1829.8	1839.0	1848.0	1857.0	4.4%	0.7%	2.2%
Zinc	$/MT	2029.7	2026.5	2068.5	2066.1	2076.3	2087.4	2092.5	2094.5	2096.0	2097.5	2.1%	-0.1%	0.9%
Energy														
Spot Crude 1/	$/bbl	105.1	103.7	47.8	49.1	52.2	54.5	56.4	58.2	59.7	61.1	-53.9%	2.7%	14.0%
US, domestic market	$/MMBTU	3.5	5.2	3.1	3.0	3.1	3.2	3.5	3.3	3.4	3.5	-40.8%	-2.5%	4.0%
South African, export markets	$/MT	84.7	78.4	75.4	71.4	64.5	73.4	72.4	68.7	62.3	71.0	-3.8%	-5.3%	-2.7%

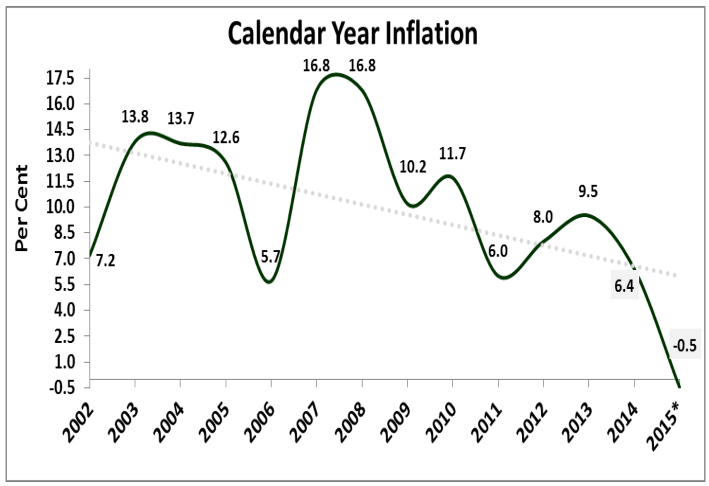
Monthly Inflation and Treasury Bill Rates

Domestic Inflation Rate

Domestic inflation, measured by the All Jamaica "All Divisions" Consumer Price Index (CPI) declined by **0.5%** for January 2015, following declines of **0.3%** and **0.5%** observed in November and December 2014, respectively. The outturn for the month was largely influenced by downward movements in *Food and Non-Alcoholic Beverages, Housing, Electricity, Gas, and other Fuels* and *Transport* divisions. These reductions resulted from lower prices for vegetables and starches, lower rates for water, sewage and electricity and reduction which impacted the price of petrol on the domestic market.

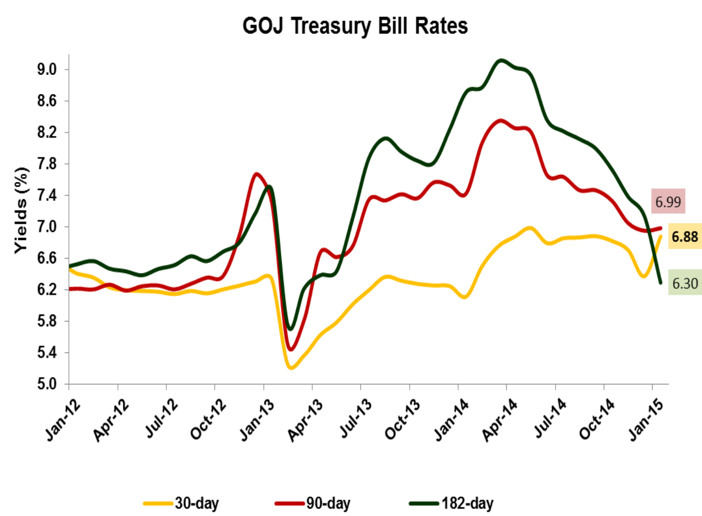


Consequently, inflation for all the three regional areas declined for January 2014. Inflation for the Greater Kingston Metropolitan area (GKMA), Other Urban Centers (OUC) and Rural Areas declined by **0.4%, 0.5%** and **0.6%**, respectively.



For Calendar YTD, inflation rate is **–0.5%** compared to **0.5%** for CY-January 2014. The monthly change in inflation brought the inflation for CY 2014 to **6.4%** relative to **9.5%** for CY 2013. Inflation for FY-to-December was **4.1%**. In a media release on 21 January, the Bank of Jamaica stated that the inflation for the FY2014/15 is expected to fall below the **7%- 9%** target range. The Bank said this outlook was derived from the changed inflation environment.

GOJ Treasury Bill Rates



Following the December auction, there was a slight uptick by **50 bps** and **3 bps** in the yields on the 30-day a 90-day tenors of GOJ Treasury Bills for January 2014. However, the yields on the 90-day tenor declined by **85 bps** continuing the pace of decline observed since September 2014. On an annual basis, yields on the 30-day tenor have increased by **76 bps** while yields on the 90-day and 182-day fell by **44 bps** and **242 bps,** respectively. The continued decline in the yields may be an indication of improved domestic liquidity and improved outlook for economic performance over the medium to long term. Additionally, lower yields on the instruments may also reflect the improved outlook for the inflation environment, primarily in light of the announcement by the Governor of the Bank of Jamaica that inflation for the next year will fall in the range of **7%**, and for current FY around **5%**.

Monthly Exchange Rates Update

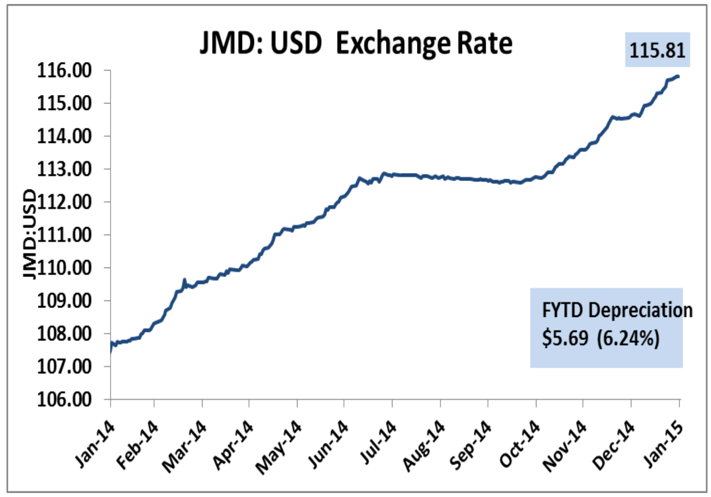
January 2015 Issue

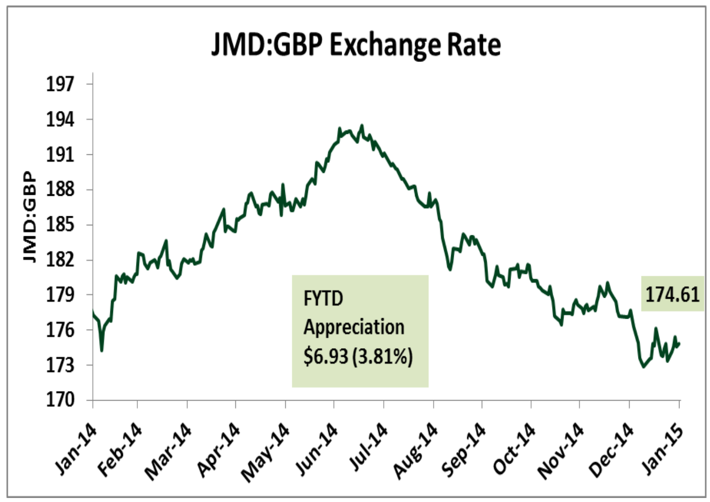
Relative to December 2014, the Jamaica Dollar depreciated vis-à-vis the US Dollar while the Dollar appreciated relative to the Great British Pound and the Canadian dollar at end-January 2015. The appreciation in the Jamaica Dollar vis-à-vis the Great British Pound and Canadian Dollar reflected a continuation of the appreciation observed since end-July 2014. The outturn for the month brought the Fiscal year depreciation to 5.69% (J$ 6.24) relative to the US dollar and the fiscal year appreciation to 3.81% (J$6.93) and 7.13% (J$7.06) relative to the Great British Pound and Canadian dollar, respectively.

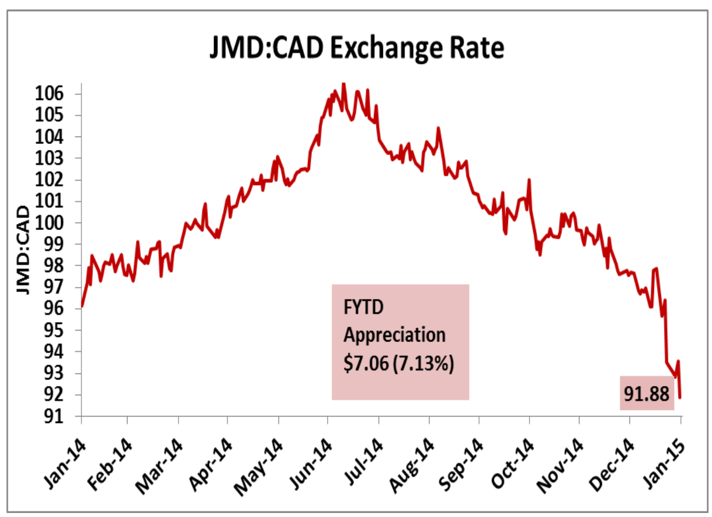
The Jamaica Dollar depreciated by **$1.15 (1.0%)** vis-à-vis the US Dollar at end-January 2015 relative to December 2014. This depreciation reflects the third consecutive month of depreciation following the continued appreciation recorded since the September 2014 quarter. At end-January 2015 the Dollar traded at **J$115.81=US$1.00.** On the other hand, the Dollar appreciated by **J$2.83 (1.6%)** and **J$5.81 (6.0%)** against the Canadian dollar and Great British pound, respectively. At end-January, the Jamaica Dollar traded at **J$174.61=GBP£1.00** and **J$91.88=CAD1.00**, respectively.

The outturn for the month reflects an improvement in the performance of the currency relative to previous months, largely reflecting the impact of the progressively successful performance of Jamaica under the EFF, particularly in light of the most recent successful performance for the September 2014 quarter. The movement in the rates also reflects the improved confidence following the successful issue of the GOJ Eurobond in the September quarter. In addition, the movement in the rate has been largely responsive to the stock of Net International Reserves (NIR) at the Central Bank which continues to be boosted by disbursements from the International Monetary Fund (IMF) following each successful quarterly review.

The Bank of Jamaica explained that the slowdown in the pace of depreciation relative to last year in the rate was expected be-



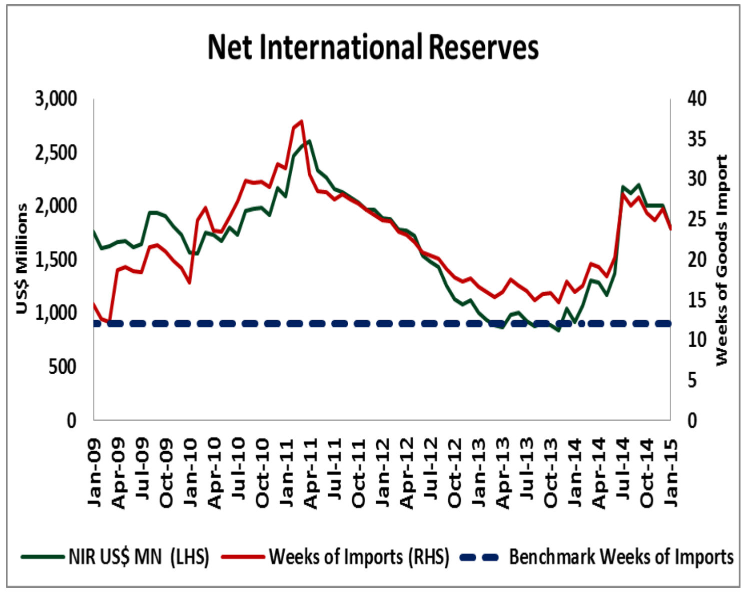




FX-Trends CY Changes

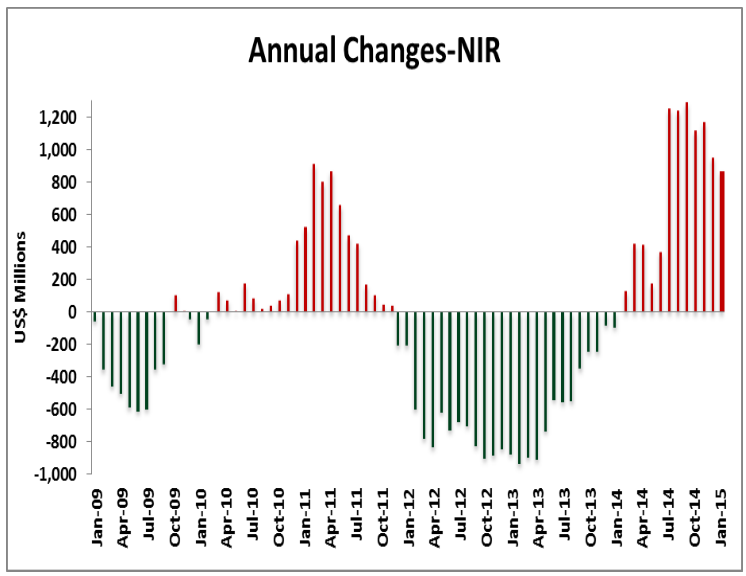
	J$/USD	%	J$/GBP	%	J$/CAD	%
CYT-Jan 2015	1.15	1.0%	-2.83	-1.6%	-5.81	-6.0%
CY-2014	8.28	7.8%	1.98	1.1%	-2.03	-2.0%
CY-2013	13.40	14.4%	27.03	18.0%	2.71	2.9%

cause of changes in the fundamentals that drive exchange rate. Net demand from the current account was much lower given the narrowing of the deficit. In addition, the fall in inflation in recent months has significantly narrowed the inflation differential. The BOJ expects that exchange rate depreciation will continue to slowdown.



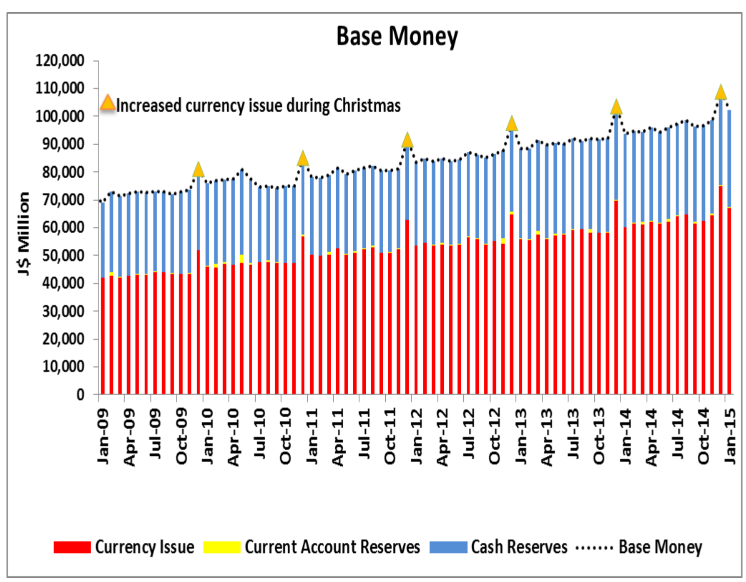
Net International Reserves

The stock of Net International Reserves (NIR) at the Bank of Jamaica was **J$189.93 billion** (**US$1,785.36 million)**, reflecting a decline of **J$23.04 billion** (**US215.73 million**) relative to the previous month. The change in the NIR for the month was largely due to a decline of **US$233.45 million** in the external holdings of foreign assets which was partially offset by a decline of **US$17.72 million** in external liabilities. At end-January, the gross reserves at the Central Bank were sufficient to finance **23.86** weeks of goods imports which represents **11.86** weeks over the international benchmark of **12** weeks of goods imports.



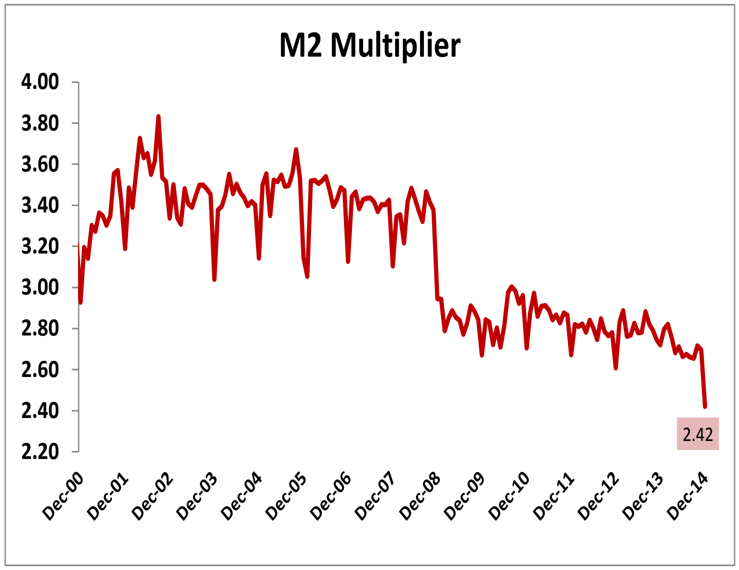
Base Money

For January 2014, there was an contraction of **J$6.78 billion (6.2%)** in the monetary base relative to the previous month. This expansion resulted in an end-month stock of **J$102.11 billion**. The movement in the base mainly reflected net currency redemption of **J$8.00 billion**, the impact of which was partially offset by respective increases of **J$1.18 billion** and **$41.54 million** in statutory cash reserves and commercial banks' current account balances. The contraction in the base resulted from a decline of **J$23.04 billion** in the Net international Reserves (NIR) which was partially offset by an increase of **J$16.27 billion** in the Net Domestic Assets (NDA). The currency redemption during December was largely associated the expected currency redemption following the Christmas season.



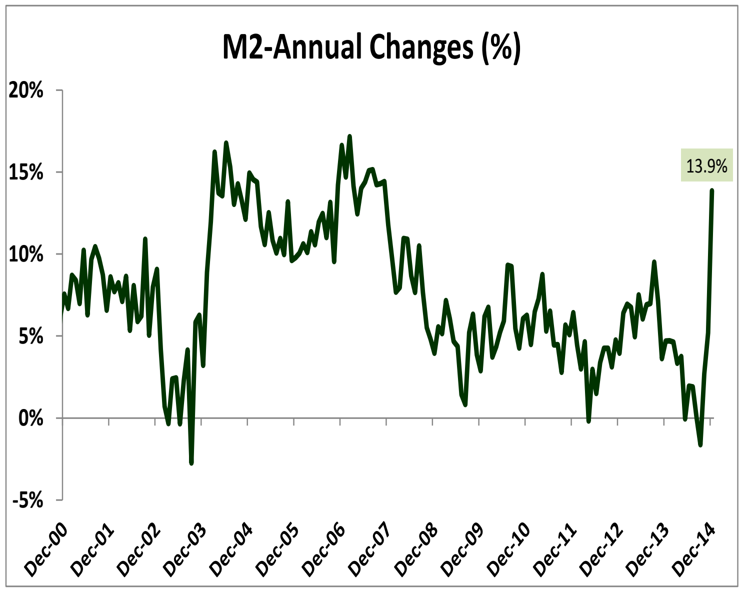
Net International Reserves & Money Supply

On an annual basis, the multiplier declined from **2.72** at December 2013 to **2.42** at December 2014. For the same period, the monetary base increased by **J$5.25 billion (5.07%).** Consistent with the movements in the base and the multiplier, money supply increased by **J$32.06 billion (13.9%)** for December 2014 relative to 2013. The increase in the supply of broad money would have contributed to the observed increase in private sector credit for the period.

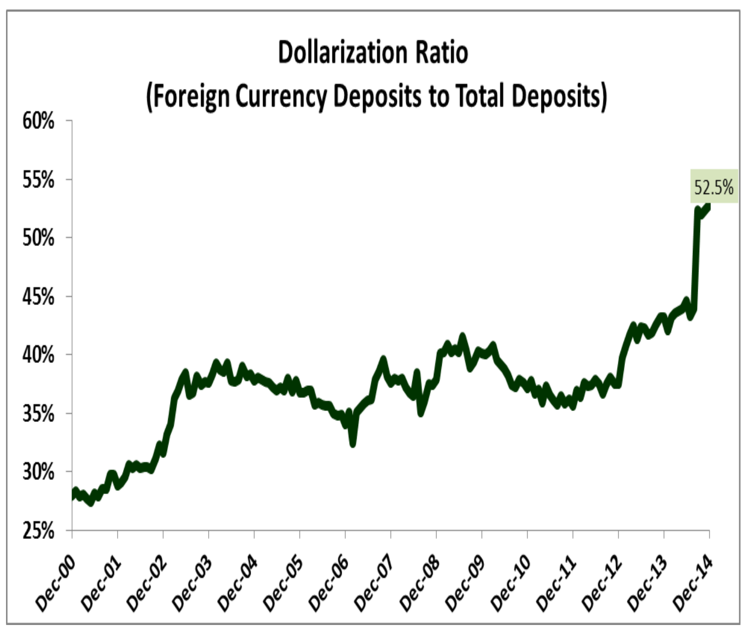


Dollarization Ratio

The dollarization ratio increased by 9.6 percentage points to **52.8%** at December 2014 from **43.2%** at December 2014. This increase reflected the stronger accumulation of foreign currency deposits in the commercial banking system relative to local currency deposits. This is reflective of consumers' converting their holdings of local currency deposits to foreign currency deposits in light of a depreciation of **7.8%** in the exchange rate vis-à-vis the US dollar.



The dollarization ratio is the proportion of foreign currency deposits relative to total deposits in domestic financial institutions, in this case, the domestic financial institutions include only commercial banks. The dollarization ratio measures the extent to which citizens of Jamaica officially or unofficially use foreign currency as a legal tender for transacting businesses. Dollarization is an important indicator of currency substitution. Its presence is generally an indication that there is greater stability in the value of the foreign currency relative to the domestic currency. While dollarization is not unique to Jamaica as a developing country, the adverse effect is that it may increase the volatility of money demand and impinge on the capacity of the Central Bank to conduct monetary policy. In addition, it contributes to the depreciation of the local currency. Finally, dollarization, is regarded as an obstacle to the conduct of monetary policy, given that in the presence of dollarization, domestic



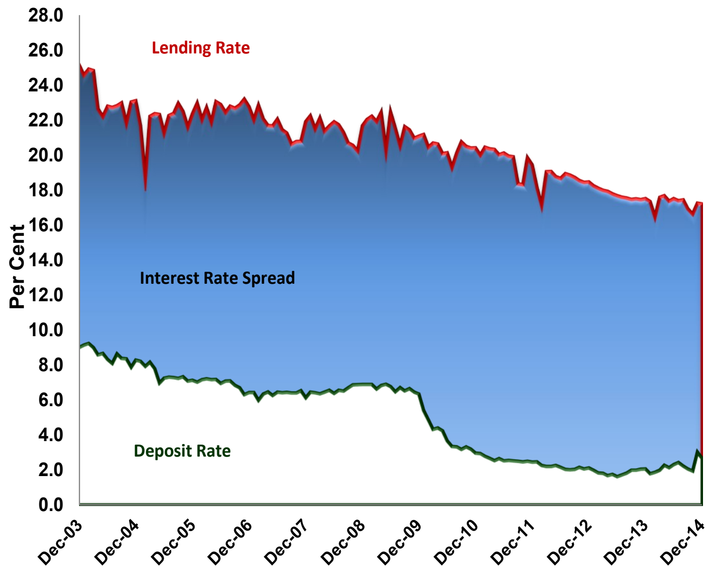
Commercial Banks Interest Rates

monetary policy is also impacted by foreign economic variables, therefore the Central Bank's autonomy is limited.

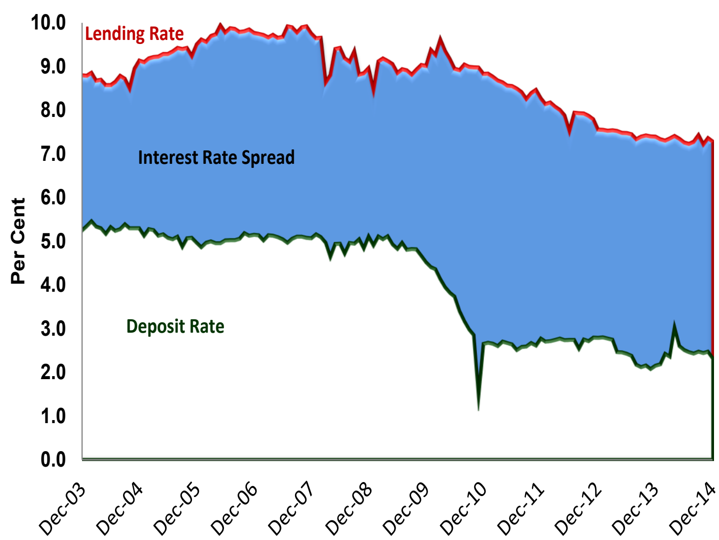
The overall weighted average lending rate on local currency loans declined by **0.05 percentage points (pps)** to **17.18%** for December 2014 relative November 2014. This reduction largely occurred in the context of a sharp contraction of **1.11 pps** in the rates charged on loans to local government and other public entities. Despite the overall decline in rates, there was an increase of **0.14 pps** in personal loan rates. The reduction in the loan rates corresponded with a **0.37 pps** decline in deposit rates (particularly time deposits). As a consequence, the spread on domestic currency loans narrowed to **14.54%** at December 2014 relative to **14.23%** at November 2014.

Similarly, interest rates on foreign currency loans for December 2014 fell by **0.08 pps** to **7.27%** relative to November 2014. This change largely resulted from reductions in the rates on foreign currency personal loans by -2.14 pps. In contrast, foreign currency deposit rates increased by **0.05 pps** for the period. As a result, the interest rate spread on foreign currency loans in commercial banks fell **4.96%** from **5.10%** at the December from November 2014.

Local Currency Interest Rates



Foreign Currency Interest Rates



Domestic Currency Weighted Loan Interest Rates (%) December 2014

	Instalment Credit	Mortgage Credit	Personal Credit	Commercial Credit	LGOPE	Central Govt.	Overall A/W Rate
Monthly Change	-0.14	-0.01	0.14	-0.16	-1.11	-0.46	-0.05
Annual Change	-0.70	-0.15	0.79	0.16	-0.84	-0.20	-0.31
End of Month	16.11	9.73	25.56	12.93	10.16	9.76	17.18
Foreign Currency Weighted Loan Interest Rates (%) December 2014							
Monthly Change	-0.03	-0.01	-2.14	-0.03	0.13	n.a	-0.08
Annual Change	-0.06	-0.21	1.27	-0.16	-0.12	n.a	-0.12
End of Month	8.53	6.73	16.89	6.85	6.29	n.a	7.27

Tourist Arrivals

January 2015 Issue

Tourist stopover arrivals rose to **213,129** for December 2014, reflecting an increase of **5.9%** relative to the December 2013. The uptick in the monthly arrivals largely resulted from an increase of **50,253** in stopover by foreign nationals.

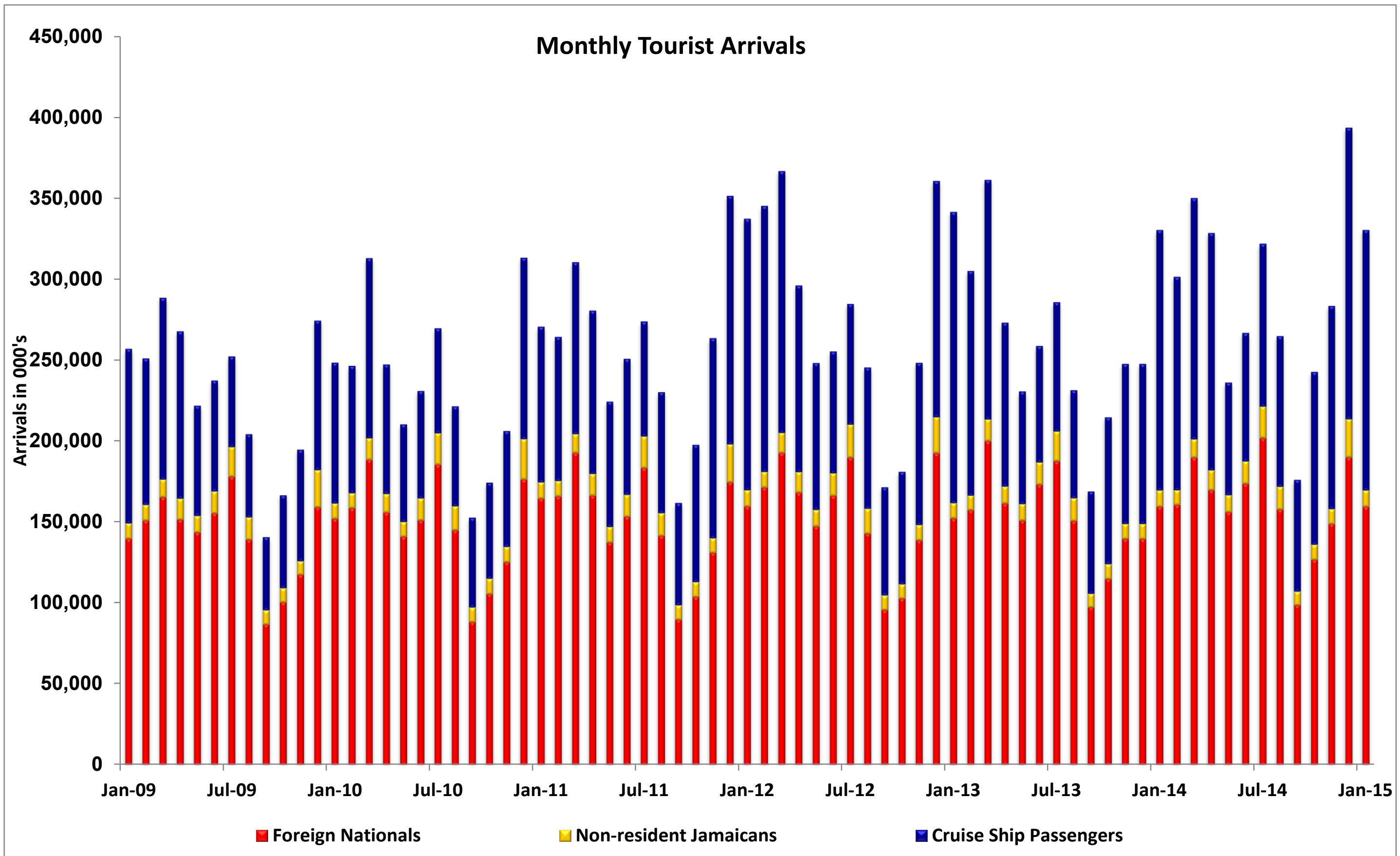
Similarly, on a year-to-date basis, stopover arrivals increased to **2,080,181**, reflecting growth of **3.6%** or **71,772** relative to the corresponding period of 2013. The YTD increase in stopover arrivals largely resulted from greater number of foreign nationals visiting the island.

Data from the Jamaica Tourist Board indicates that approximately **59.5%** of all stopover arrivals originate from the USA market region, approximately **45%** of which originated in the north western region. The remaining **39.5%** of the arrivals originated from Canada, UK and other regions including the Latin America, the Caribbean and Asia.

For the calendar year, approximately **89%** of all visitor arrivals was leisure for the purpose of vacation while the remaining **11%** was mainly for the purposes of among business, weddings/ honeymoons and visiting friends and relatives.

Cruise passenger arrivals increased by **12.6%** to **180,242** for December 2014 when compared to 2013. For calendar year 2014, cruise ship arrivals increased by **14.5%** to **1,413,151** relative to **1,208,539.**

The PSOJ is forecasting a relatively healthy 2014/15 tourist season for Jamaica. This forecast is due in part to the relatively strong growth in the major determinants of tourist arrivals to Jamaica. These include the overall growth in the US economy and improvement in rates of employment. The US economy is expected to grow by **3.6%** in 2015 and this should have a very positive impact on the arrivals from the States. With the Stronger US economy, disposable incomes of Americans should increase, hence expenditure per visitor should also increase.



Remittance Inflows Update

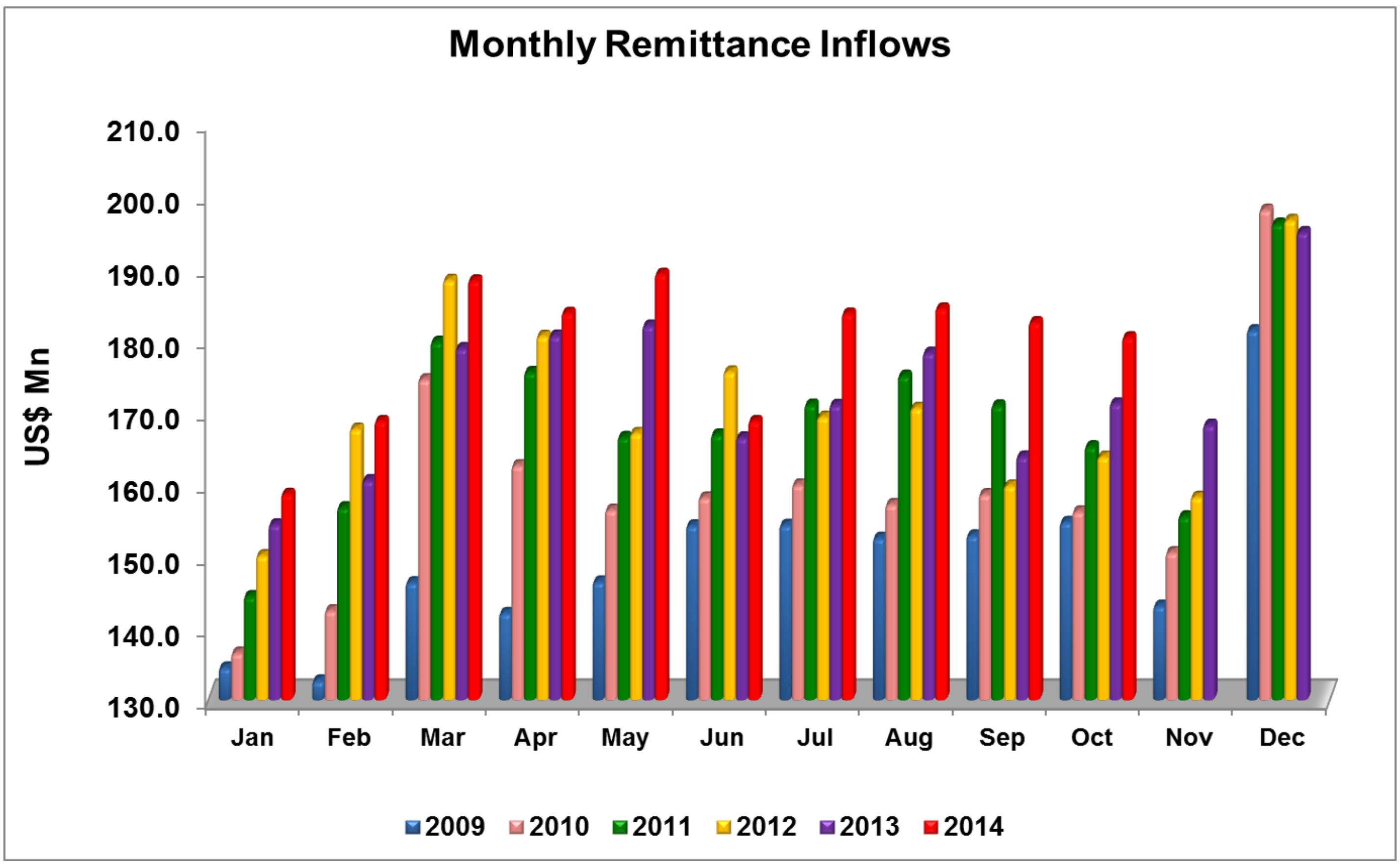
January 2015 Issue

For October 2014, gross remittance inflows were **US$179.9 million**, reflecting an increase of **US$8.9 million (5.2%)** relative to the corresponding month of the previous year. The outturn for monthly remittance inflows for October was above the average inflows of **US161.8 million** for the previous five corresponding periods. The growth in total remittance inflows largely reflected increases of **US$8.1 million** in flows through remittance companies and an additional **US$0.8 million** in inflows via other remittances. This monthly increase in remittances pushed the year-to-date gross remittance inflows to **US$1,783.9**, an increase of **US$81.3 (4.8%).**

Similarly, for October 2014, net remittance inflows were US$160.3 million, an increase of US$8.0 million or (5.3%) relative to the October of 2013. The uptick in remittance for the month contributed to the total net remittance of **US$1,591.5 million** for the calendar year to October 2014. This reflected an increase of **US$90.4 million (6.0%)** relative to the corresponding period of 2013.

For the FY-to-October, net remittance inflows rose by **US$60.3 million (5.6%)** to **US$1 129.9 million** relative to the corresponding period of 2013. The growth in net remittances reflected an increase in gross remittance inflows which was supported by a contraction in outflows.

According to the BOJ Monthly remittance report, remittance inflows to Jamaica show some congruence with trends in key sectors in which Jamaican workers are employed. The report stated that the trend in the growth of earnings in the Leisure and Hospitality sector typically moves in line with the pattern of growth in gross remittance inflows from US to Jamaica prior to 2013. However, for the third quarter of 2014, the downward trend in average weekly earnings in the Leisure and Hospitality sector shows a reversal of the strong co-movements with gross remittance inflows from US observed in previous quarters. This was attributable to an increase in employment of the Jamaican diaspora in other sectors of the US economy.



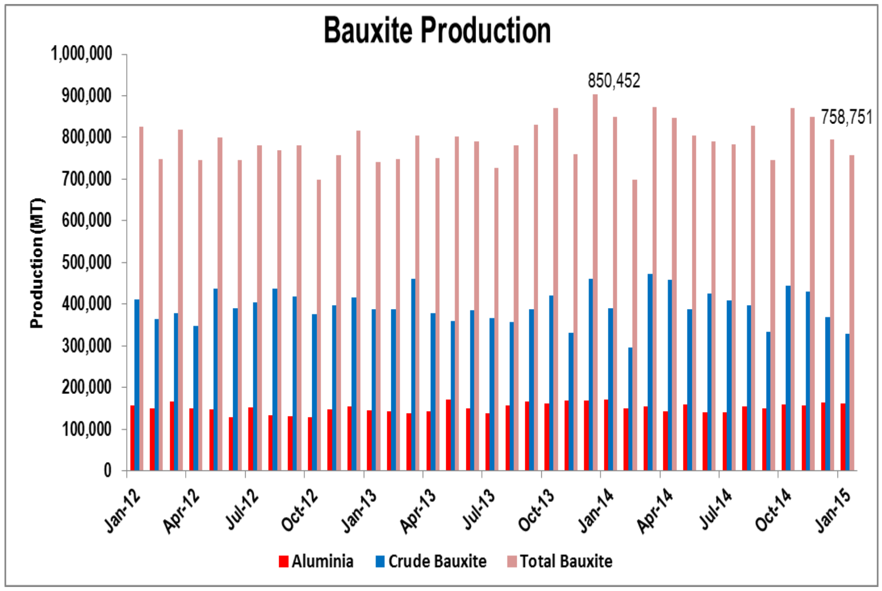
Domestic Bauxite and Alumina Production

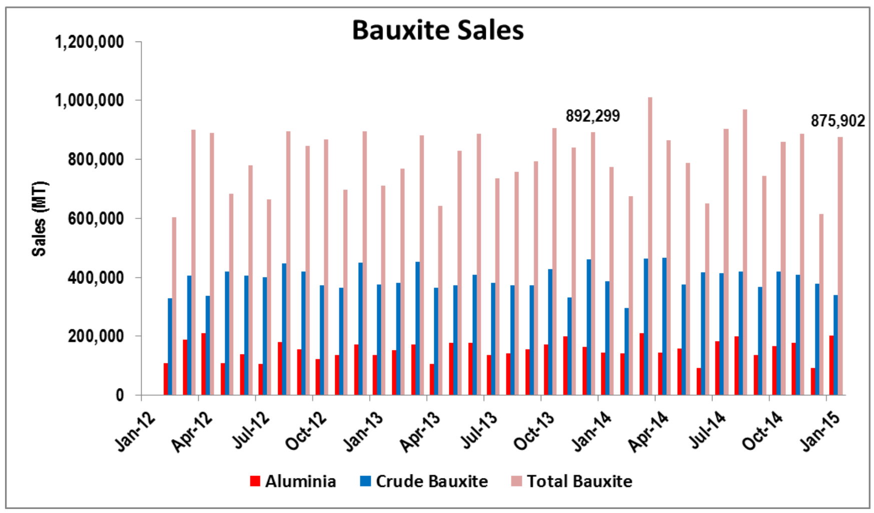
Market Analysts at Reuters projects that the market for aluminum is expected to move from an oversupply of **235,500 tons** in 2014 to a deficit of **4,444 tons** in 2015. If this materializes, there should be greater demand for local alumina; given the fall in crude oil prices this state of the market, subject to existing contracts, should be good news for Jamaica. IMF price projections show an increase in price by 4% in first quarter relative to 2014 and by 2.2% by the end of 2015.

For January 2015, the production of alumina was **162,170 tonnes**, representing a reduction of **3,231 (2%)** tonnes, relative to December 2014. This brought an annual reduction of **9,088 tonnes (5.3%)** for the month of January. The sale of alumina increased by **111.323 tonnes (122%)** relative to December 2014. Similarly, alumina sales increased by **57, 6471 tonnes (40%)** in comparison to January 2014.

The production of crude bauxite fell in January 2015 relative to December 2014 by **40,441 tonnes (11%).** Similarly, the figures for crude bauxite for the period January 2015 relative to January 2014 show a reduction by **61,258** tonnes **(16%).** Year-to-date crude bauxite exports fell, by **45,055 (11.7%).**

The production of total bauxite fell in January 2014 relative to December 2014 by **38,087 tonnes (4.7%).** Similarly, the figures for total bauxite for the period January 2015 relative to January 2014 show a reduction by **91,701** tonnes **(10.8%).** Year-to-date total bauxite exports increased, by **100,206 (12.92%).**





PERIOD	PRODUCTION			SALES		
	ALUMINA	CRUDE BAUXITE	TOTAL BAUXITE	ALUMINA	CRUDE BAUXITE	TOTAL BAUXITE
			Monthly Changes			
2015	162,170	329,295	758,751	202,704	340,433	875,902
2014	171,258	390,553	850,452	145,057	385,488	775,696
Change 2015/14	*-5.31%*	*-15.68%*	*-10.78%*	*39.74%*	*-11.69%*	*12.92%*
2013	145,573	387,439	741,942	137,571	376,489	710,059
Change 2014/13	*17.64%*	*0.80%*	*14.63%*	*5.44%*	*2.39%*	*9.24%*
			Calendar Year to January			
2014	171,258	390,553	850,452	145,057	385,488	775,696
Change 2015/14	*-5.31%*	*-15.68%*	*-10.78%*	*40.0%*	*-11.69%*	*12.92%*
2013	145,573	387,439	741,942	137,571	376,489	710,059
Change 2014/13	*17.64%*	*0.80%*	*14.63%*	*5.44%*	*2.39%*	*9.24%*

Stock Market Update

On the last trading day the main JSE index fell by **176.81** points **(0.23%)** to **76,539.17** points at end-January 2015 while the JSE Equities Index advanced by **2.61** points **(1.78%)**. The JSE combined Index also declined by **40.34** points **(0.05%)**. The JSE Cross Listed Index remained unchanged at **5.85** points for the month.

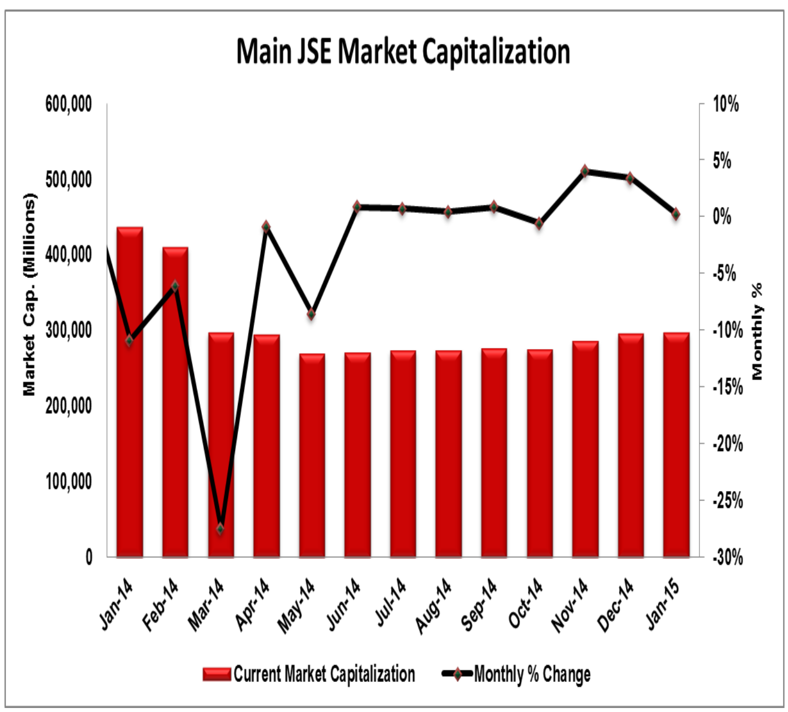
The overall market activity for the last trading day of January 2015 resulted from the trading of fourteen **(14)** stocks, of which **2** advanced, **5** declined and **7** traded firm. Resulting from these trades, a total of **4,523,103** units of stock were traded at a total value of **$24,320,358.2**. Consequently, at end-January 2015, market capitalization was **$297.53** billion relative to the capitalization value of **$276.84** billion at end-December 2014. This reflects a monthly increase of **$0.69** billion (**0.23%).**

The volume leaders on the last trading day of January were Student Living Jamaica **(61.35)**, LIME **(12.33%),** and proven Investments **(8.64%).** The companies with the highest growth in stock price for the month of January 2015 were Jamaica Stock Exchange (**30.57%),** Mayberry Investment Limited **(30.26),** and Salada Foods Jamaica (19.43) and 138 Student Living Jamaica (10%)**.** The top four companies with the biggest prices loss for the month were Hardware and Lumber **(17.76%),** Seprod Limited **(13.07%),** Pan Jamaican Investment Trust **(11.85%),** and **(2.43%)** and Berger Paints Jamaica **(10.4%) .**

On annual basis, the top three advancing stocks were LIME **(92%)**, Kingston Properties Limited **(57.3%),** Ciboney Group **(16.67%)** and Carrearas **(16.31%).** Meanwhile, Pulse Investments (**64.65%),** Caribbean Cement Company **(49.46%)**, Radio Jamaica (**30.63%)** and Palace Amusement **(30.53%)** incurred the most significant price losses for the period under review**.**

Following three relatively good months of trading with market capitalization growth of **4%** and **3.4%** and **0.23%** respectively, one can conclude that investors are more positive about the economy than they were a year ago. The relative slower growth in the Main JSE is reflective of the impact of the drought on production in the economy in the last four months of 2014 which resulted in a second consecutive decline in quarterly real output. With Many analysts predicting positive growth in 2015, the stock market should continue to pick up steam in the second quarter.

These positive developments the JSE continue to signal the slow but progressive recovery of economic conditions. This gradual recovery in the stock markets is expected to strengthen throughout the remainder of 2015 in which greater economic growth is expected these improvements also suggest a return of confidence to the markets generally in line with the expectation that economy is moving in the right direction albeit slowly.



Previous Highlights: December 2014 Summary

⇒ Economic conditions strengthened in 2014 and this has placed the country on a trajectory that should augur well for continued success in 2015. The country continues to perform relatively well under the current IMF Extended fund Facility and is expected to pass the next test that is due at the end of March 2015. On the down side there continues to be failure on the revenue targets as the economy has not been able to grow at the desired rate over the year even in the face of two good quarters of growth in real GDP in 2014. Major economic indicators continue to move on the right trajectory which is reflected in business and consumer confidence which continues to move in the right direction.

⇒ In light of this positive environment, investors seem to be more prepared to invest in the stock market. In this regard, the main JSE index increased by **2014.9 points (2.64%)** to **76,356.39 points** at end-December 2014. Consequently, at end-December 2014, market capitalization was **$296.84B** relative to the capitalization value of $278.09B at end-November 2014. This reflects a monthly increase of **$9.75B (3.39%).** These positive developments the JSE signal the slow but progressive recovery of economic conditions. This gradual recovery in the stock markets is expected to strengthen throughout the remainder of 2015 in which greater economic growth is expected.

⇒ While investor expectations of economic growth are high, the rapid slide in crude oil price may just be the precursor to this growth. In this regard, there were prices reductions in **70%** of the commodities monitored for December 2014. The price of both crude oil indices fell for the sixth consecutive month. The Brent and the WTI fell by **20.7%** and **21.9%,** respectively. Natural gas also fell **16.3%**. The IMF's Fuel Energy Index fell by **18%**, the Food and Beverage Index fell by **0.4%.** These reductions will bring mixed fortune for Jamaica, the first of which is on the country's Balance of Payments, and the second been price stability.

⇒ BOP performance is reflected in the current account deficit which improved by US$1.9 million for the September 2014 quarter relative to the corresponding period of 2013. The improvement in the deficit brought the current account balance to **US$324.3 million**. This outturn reflected expansions of **US$36.8 million** and **US$25.9 million** on the Current Transfers and Services sub-accounts, respectively. However, these the impact of these improvements was partially offset by increases in the deficits on the Income and Goods sub-accounts.

⇒ Data from Statin shows that expenditure on merchandise imports for the period January to September 2014 was valued **at US$4,393.3** million; Imports fell by US$80.6 million or 1.8% when compared to the same period in 2013. The data shows that earnings from total exports for the review period were valued at **US$1,109** million; this represents a decline of **8.8%** or **US$107.6** million for the same period in 2013.

⇒ In respect to price stability, domestic inflation, measured by the All Jamaica "All Divisions" Consumer Price Index (CPI) declined by **0.3%** for December 2014, following the **0.5%** decline observed in November 2014. The monthly change in inflation brought the inflation for CY 2014 to 6.4% relative to 9.5% for CY 2013. Inflation for FY-to-December was 4.6%. Inflation for the month contributed to a quarterly rate of -0.8% for the December quarter. The downward trajectory in prices should have positive impact on both the exchange rate and domestic interest rates.

⇒ While inflation moved downward, the exchange rate relative to the US has declined which appears counterintuitive to some analyst. In this regard the e Jamaica Dollar depreciated by **$1.07 (0.95%)** vis-à-vis the US Dollar at end-December 2014 relative to November 2014. At end-December the Dollar traded at J$114.66=US$1.00. The Dollar appreciated by J$0.51 (0.29%) and J$1.97 (2.0%) against the Canadian dollar and Great British pound, respectively. At

Previous Highlights: December 2014 Summary

end-November the Jamaica Dollar traded at J$177.68=GBP£1.00 and J$99.69=CAD1.00, respectively. The depreciation for the month contributed to a depreciation of J$5.09 (4.64%) for the FY-December 2014 relative to a depreciation of J$7.49 (7.58%) for FY-December 2013.

⇒ The stock of Net International Reserves (NIR) at the Bank of Jamaica was **J$213.97 billion** (**US$2,001.04** million), reflecting a decline of **J$326.59 million** (**US3.07 million**) relative to the previous month. The change in the NIR for the month was largely due to an increase of **US$44.99 million** in external liabilities which was partially offset by an increase of **US$41.92 million** in the external holdings of foreign assets. At end-December, the gross reserves at the Central Bank were sufficient to finance **25.32** weeks of goods imports which represents **13.32** weeks over the international benchmark of **12** weeks of goods imports.

⇒ For December 2014, there was an expansion of **J$10.17 billion (10.3%)** in the monetary base relative to the previous month. This expansion resulted in an end-month stock of **J$108.88 billion**. The movement in the base mainly reflected net currency issue of **J$10.56 billion**, which was offset by a decline of **J$391.69 million** in commercial banks' current account balances. The expansion in the base resulted from a decline of **J$10.5 billion** in the Net Domestic Assets (NDA), which was partially offset by a decline of **J$326.59 million** in the Net International Reserves (NIR).

⇒ In line with the downward movement in prices is the cost of funds for the government, yields on all tenors of GOJ Treasury Bills declined for December 2014, Specifically, the yields on GOJ 30-day, 90-day and 180-day T-Bills fell by **33 bps, 10 bps and 25 bps,** respectively, relative to the outturn at the end-of the previous month. On an annual basis, yields on the 30-day T-Bills have increased by 13 bps while yields on the 90-day and 182-day fell by **57 bps** and **111 bps**, respectively.

⇒ Year-to-date, alumina exports have decreased by **300 tonnes (4.12%)** while the Year-to-date production fell by **3,950 tonnes (0.21%).** Year-to-date crude bauxite production and exports increased, by **129,736 (2.77%)** and **105,166 tonnes (2.3%)** respectively. Year-to-date total bauxite production and exports increased, by **241,736 (2.6%)** and **24,000 tonnes (0.25%)** respectively

⇒ For September 2014, gross remittance inflows were **US$182.0 million**, reflecting an increase of **US$18.7 million (11.4.** The uptick in remittance for the month contributed to the total net remittance of US$1,431.2 million for the calendar year to September 2014. This reflected an increase of US$82.4 million (6.1%).

ECONOMIC OUTLOOK FOR 2015

Conditional on the relatively stable economic platform created in 2014, the expected growth in the US economy and a number of new investment in Jamaica coupled with robust growth in tourism, remittances and agriculture.

⇒ the forecast for growth in 2015 lies in the vicinity of 1.2% to 2.2%. In line with this growth are the following addition forecast:

⇒ Global commodity prices should decline up to the first half of the year then increase moderately to the last half.

⇒ Inflation for 2015 should be in the range of 2% to 6%. The probability of 2% is about 70% and a 30%probality that seasonal effects may pull it closer to 6%.

⇒ Interest should continue to decline on loan, while deposit rates should continue to increase.

	Monthly Inflation	Saving Rate	Lending Rate	Exchange Rate	NIR	Gross Remittance Inflows	Tourist Arrivals	Oil Price-Brent	Oil Price-WTI
Month	%	%	%	J$/US$	US$B	US$M	Total (000s)	US$ Per barrel	US$ Per barrel
Jan-12	0.40	2.45	18.13	86.78	1.88	149.70	337,100	119.70	102.26
Feb-12	0.80	2.25	17.13	86.91	1.87	167.24	345,007	124.93	106.15
Mar-12	0.50	2.19	19.03	87.25	1.78	187.87	366,518	120.59	103.28
Apr-12	0.40	2.19	19.04	87.33	1.77	180.11	295,858	120.59	103.28
May-12	0.50	2.24	18.76	87.75	1.72	166.65	247,937	110.52	94.51
Jun-12	0.60	2.14	18.65	88.48	1.54	175.16	255,121	95.59	82.36
Jul-12	-0.30	2.02	18.92	89.24	1.48	168.89	284,514	103.14	87.89
Aug-12	0.50	2.00	18.84	89.73	1.43	170.13	245,204	113.34	94.11
Sep-12	1.90	2.02	18.70	89.90	1.26	159.37	171,229	113.38	94.61
Oct-12	0.90	2.14	18.53	90.64	1.13	163.37	180,835	111.97	89.52
Nov-12	0.60	2.05	18.42	91.46	1.08	157.79	248,141	109.71	86.69
Dec-12	1.00	2.10	18.44	92.65	1.13	196.18	360,493	109.64	88.19
Jan-13	0.70	1.98	18.23	93.45	1.01	153.98	341,365	112.93	94.65
Feb-13	0.60	1.82	18.09	95.66	0.94	160.11	304,889	116.46	95.30
Mar-13	1.40	1.80	17.97	97.76	0.88	178.42	361,131	109.24	93.12
Apr-13	0.40	1.67	17.92	99.55	0.87	180.15	272,891	102.88	92.02
May-13	0.50	1.74	17.77	99.12	0.99	181.54	230,392	103.03	94.72
Jun-13	0.20	1.61	17.66	100.82	1.00	166.03	258,535	103.11	95.79
Jul-13	0.50	1.71	17.58	101.76	0.93	170.54	285,601	107.72	104.55
Aug-13	0.40	1.81	17.53	101.94	0.88	177.77	231,205	110.96	106.55
Sep-13	2.80	1.97	17.45	102.64	0.91	163.37	168,650	111.62	106.31
Oct-13	0.80	1.97	17.48	104.65	0.89	170.75	214,430	109.48	100.50
Nov-13	0.50	2.03	17.44	105.60	0.84	167.79	247,512	108.08	93.81
Dec-13	0.60	2.04	17.49	106.15	1.05	194.50	247,512	110.63	97.90
Jan-14	0.50	1.77	17.33	106.90	0.92	158.20	330,201	107.57	95.00
Feb-14	0.10	1.85	16.45	107.93	1.07	168.30	301,276	108.81	100.70
Mar-14	1.10	1.98	17.57	109.21	1.30	187.80	349,890	107.41	100.57
Apr-14	-0.30	2.26	17.66	110.16	1.29	183.30	328,304	107.88	102.18
May-14	1.00	2.12	17.35	111.26	1.17	188.70	235,856	109.68	102.00
Jun-14	0.10	2.29	17.50	112.20	1.38	168.30	266,550	111.87	105.24
Jul-14	1.4	2.41	17.38	112.85	2.18	183.2	321,765	106.98	102.99
Aug-14	1.1	2.21	17.42	112.74	2.12	183.9	264,592	101.92	96.38
Sep-14	2.10	2.05	16.91	112.67	2.20	na	175,758	97.34	93.35
Oct-14	0.10	1.93	16.62	112.76	2.00	na	242,543	87.27	84.40
Nov-14	-0.5	na	na	113.59	2.00	na	283,246	78.44	75.70
Dec-14	-0.3	3.01	17.24	114.66	2.0	182.0	393371	62.16	59.10
Jan-15	-0.5	2.64	17.18	115.81	1.78	179.9	na	48.42	47.60

KEY

ACP— Africa Caribbean Pacific States	Loan – Average Loan Rate
BM – Base Money	M – Monthly Percentage Change
BP — Basis Points	M2 – Money Supply
CaPRI— Caribbean Policy and Research Institute	MT – Million tonnes
CARICOM— Caribbean Community & Common Market	N/A – Not Available
CARIFORUM— CARICOM and Dominican Republic	NIR – Net International Reserves
CPI – Consumer Price Index	OMO – Open Market Operation
CSME— Caribbean Single Market & Economy	P – Point-to-Point Percentage Change
EC— European Commission	R – Revised
EPA—Economic Partnership Agreement	S – Stopover
EU—European Union	Save – Average Savings Deposit Rate
FX Dep – Foreign Exchange Deposit	T-bill – 6-month Treasury Bill Yield
JCB – Jamaica Conference Board	Tourism – Total Tourist Arrivals
JCC – Jamaica Chamber of Commerce	WATBY- weighted average Treasury bill yield
KMA — Kingston and Metropolitan Area	WTO—World Trade Organization
KSA—Kingston and St. Andrew	OECD—Organisation for Economic Co-operating and Development (membership of 30 major countries)
WTI — West Texas Intermediate (Spot Oil Price)	

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