

GOJ UPDATE

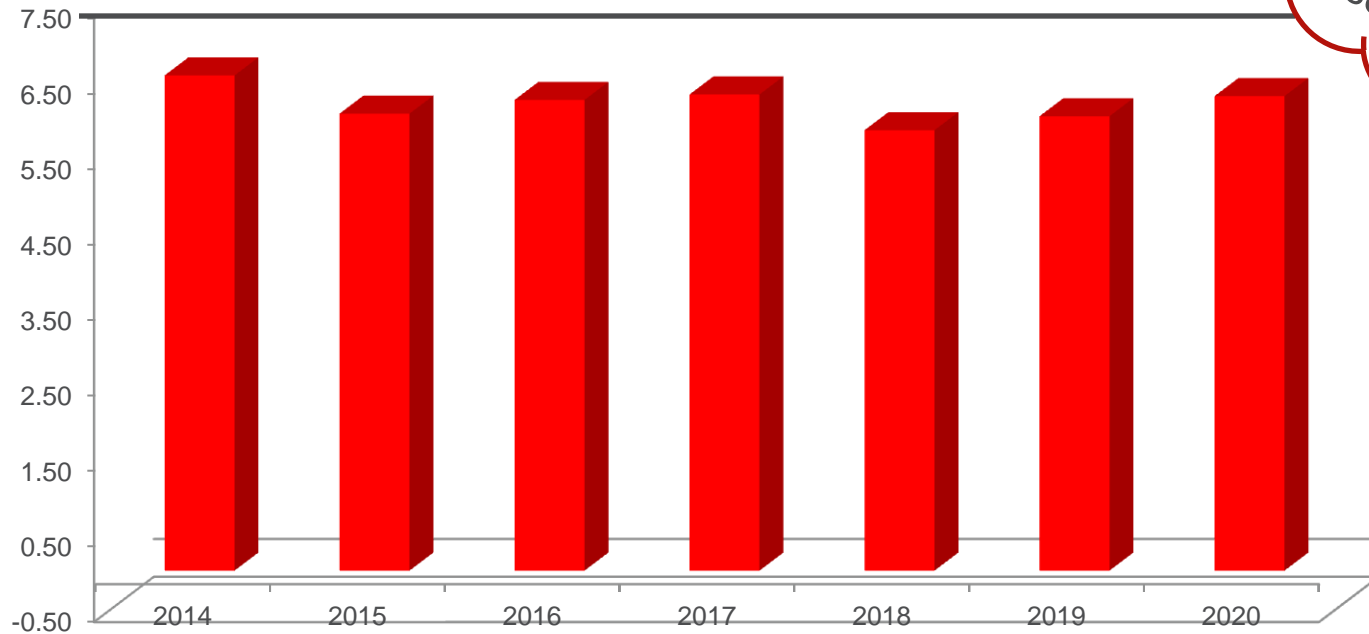
Adrian A. Stokes



IMF Program: What Should You Know?

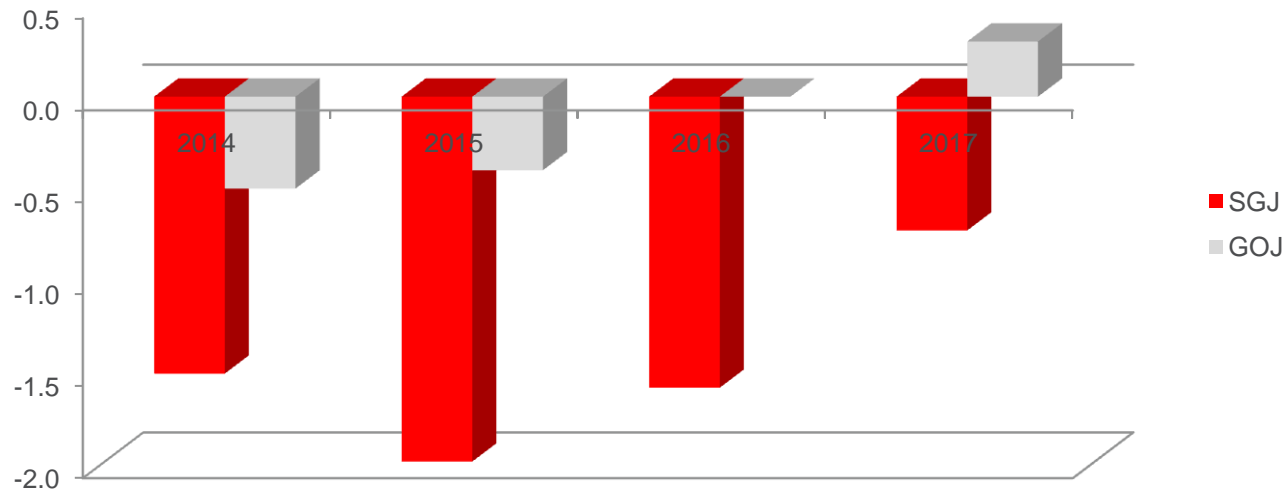
- Extended Fund Facility that runs to 2016/17
- Program aims to eliminate fiscal deficit by 2016 and reduce Debt/GDP to 96% by 2020
 - ✓ Fiscal consolidation and debt reduction
 - ✓ Structural reforms to improve economic competitiveness
 - ✓ Private/Public Partnerships
 - ✓ Strengthen social safety net

Projection: Primary Surplus

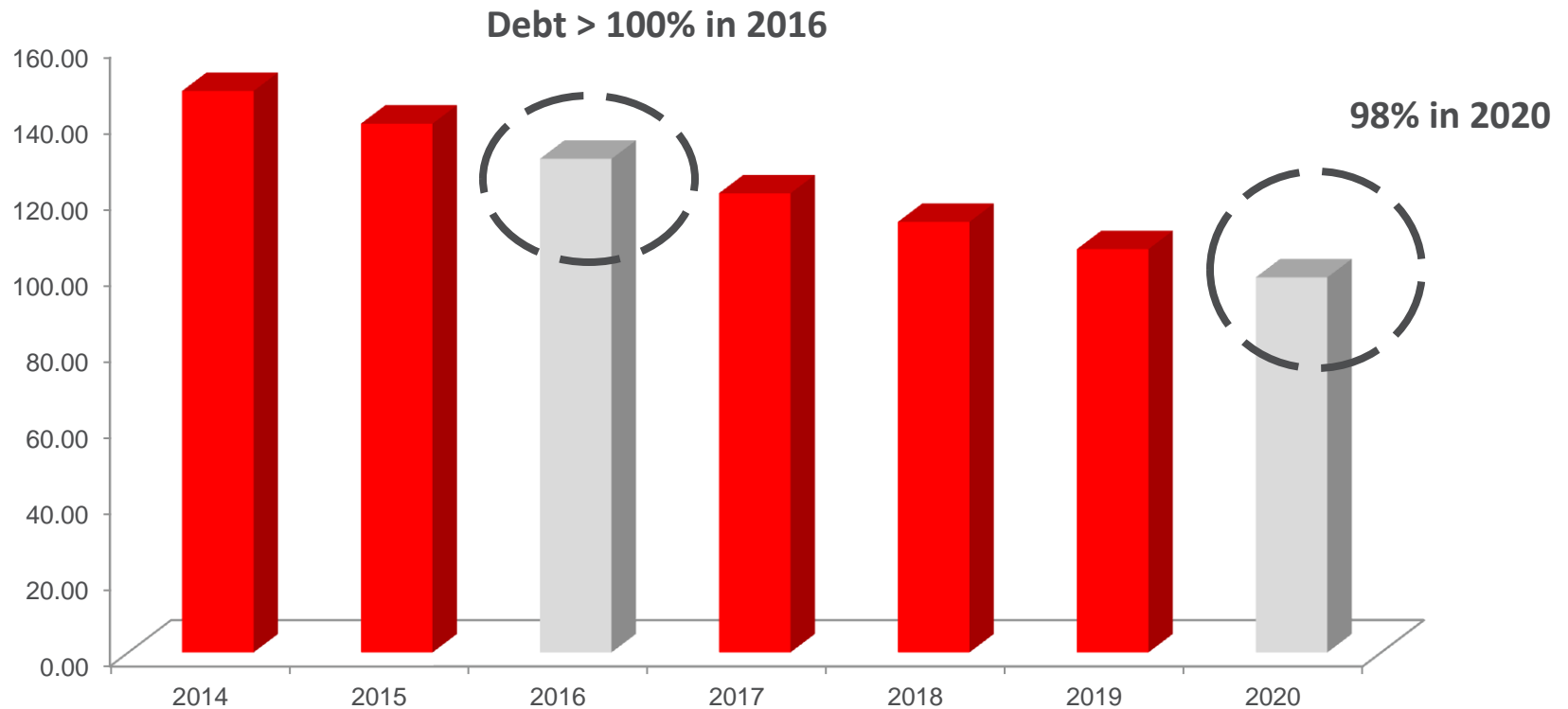


Hmmm
Sustained
fiscal
discipline??

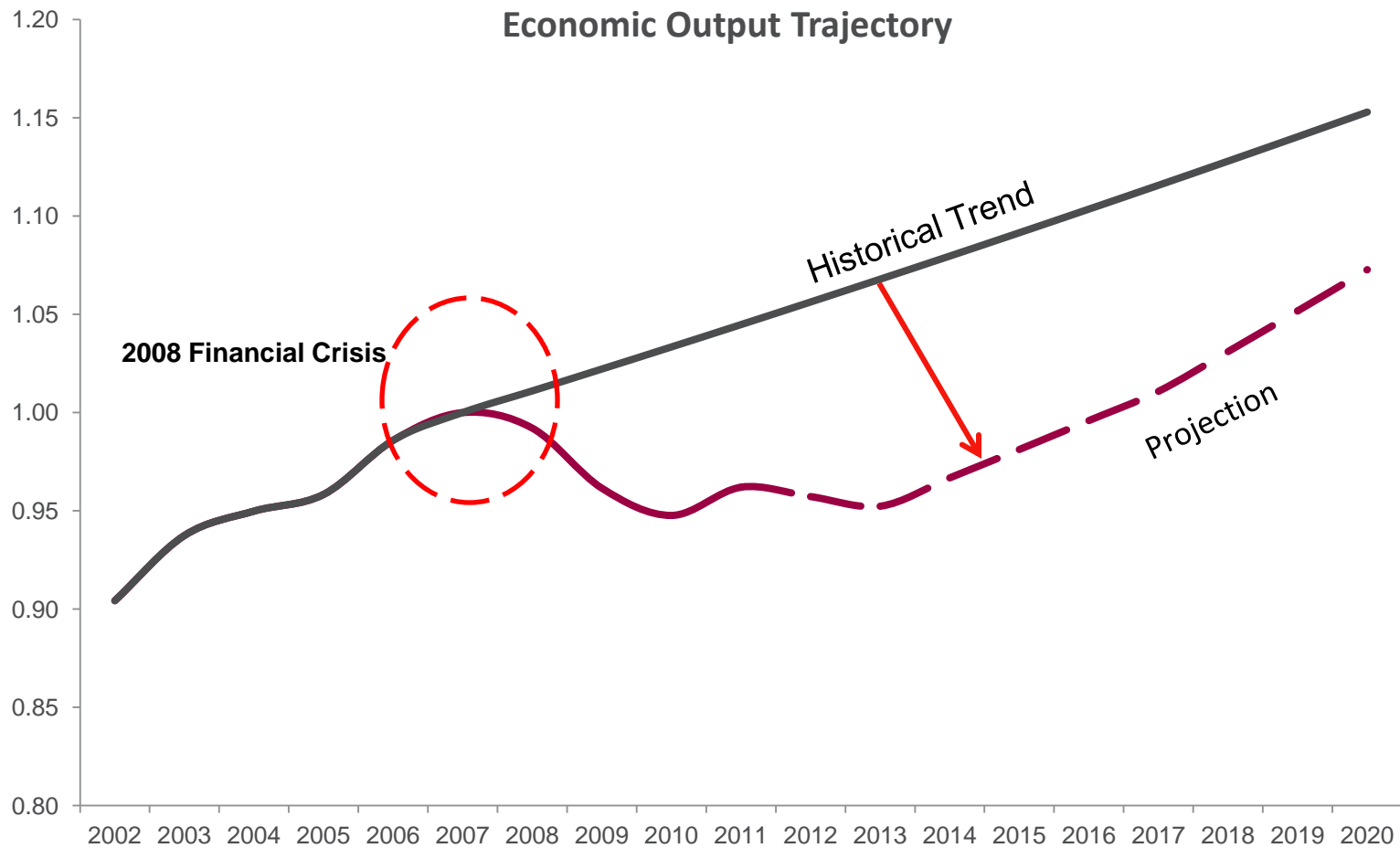
Projection: Fiscal Balance



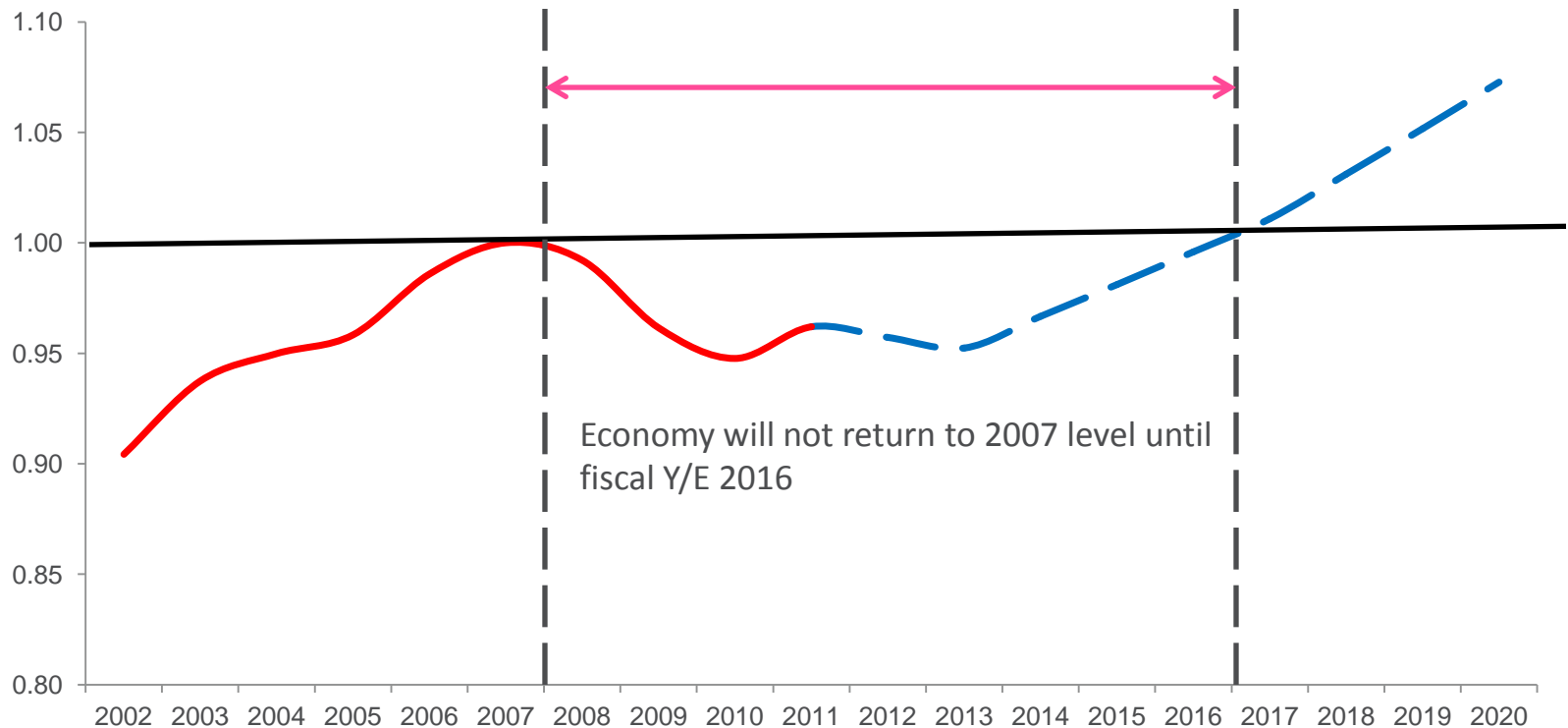
Debt Trajectory



The Pain Gap



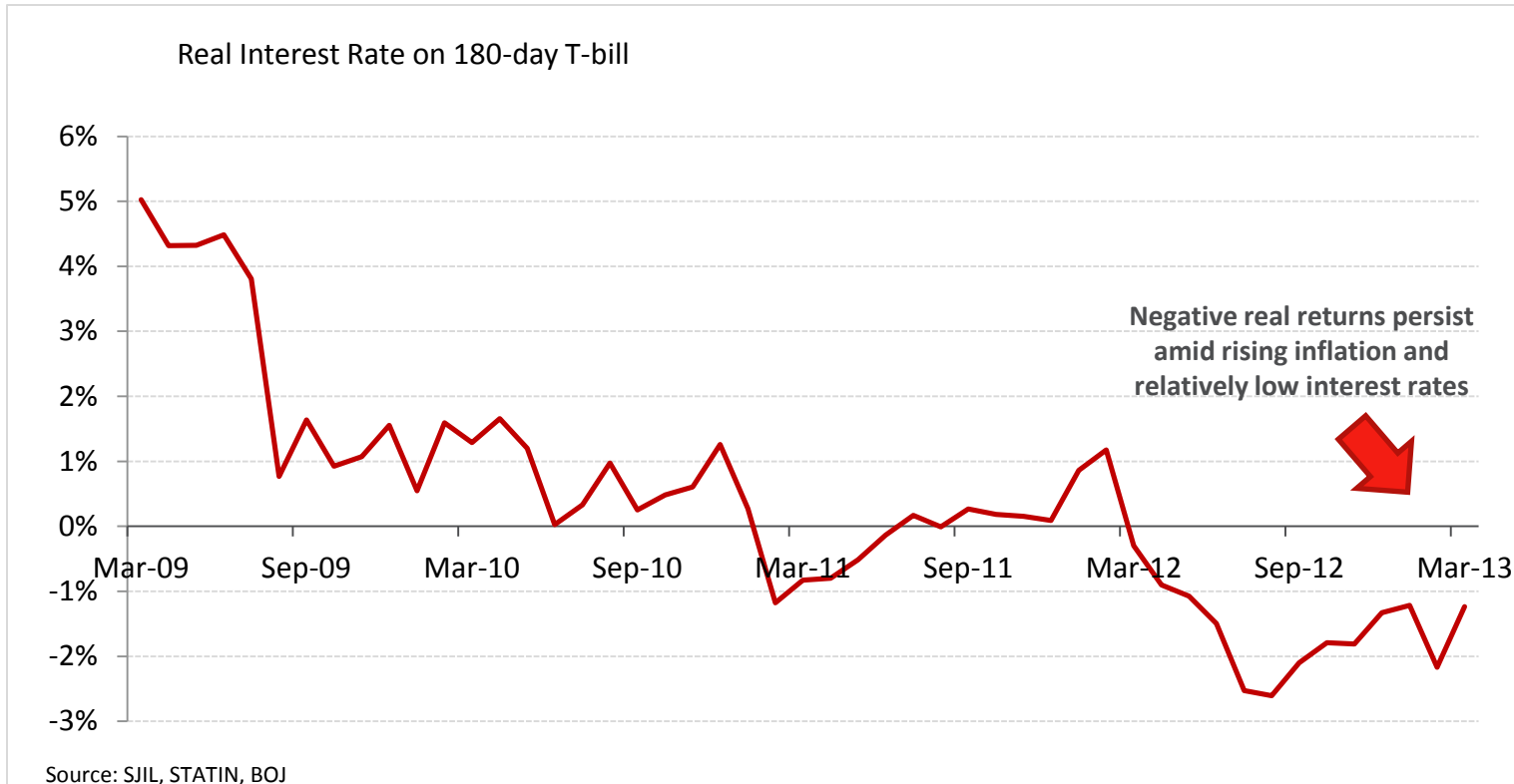
Excess Capacity



Macro Outlook



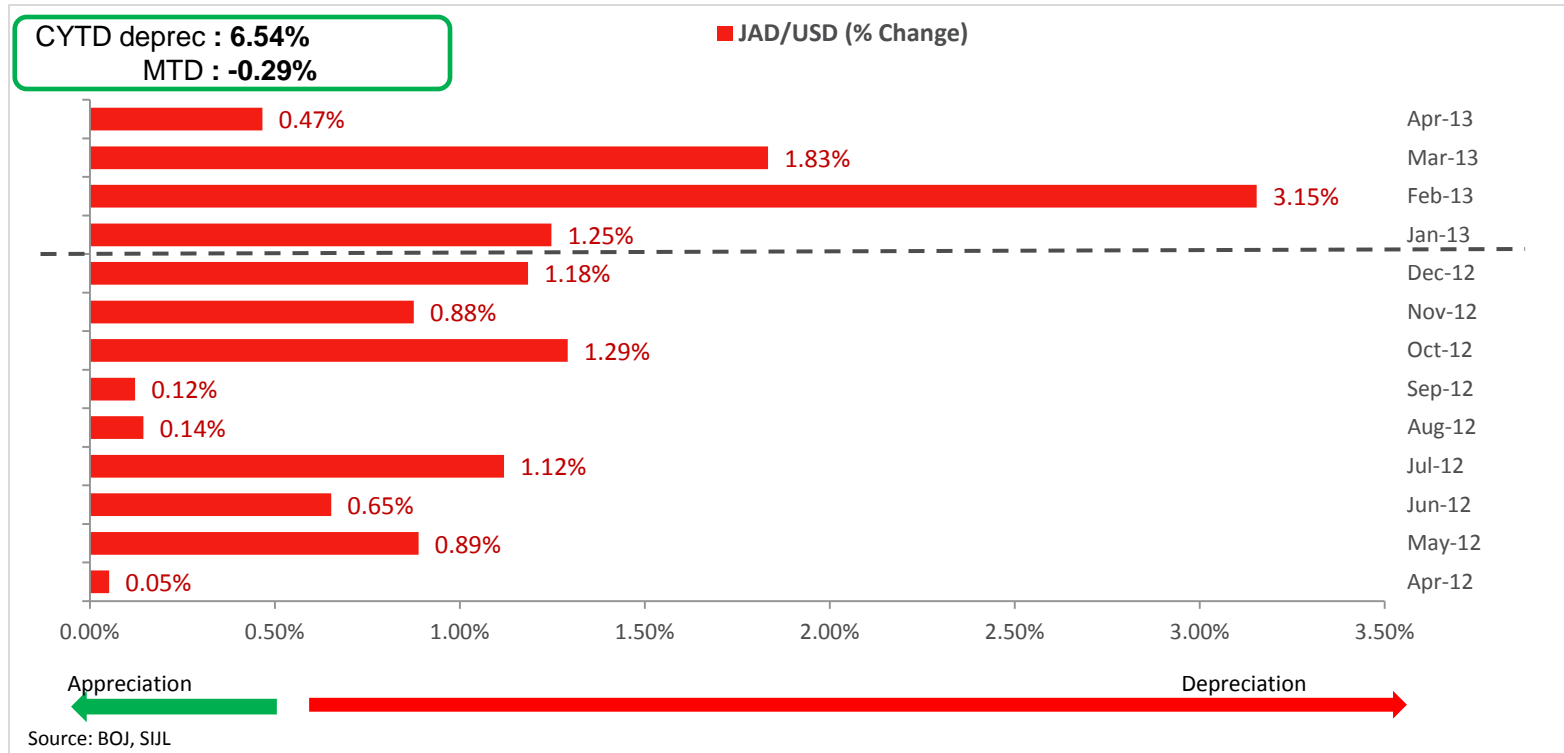
Real Interest Rate



Interest Rates & Inflation

- J\$ Short Term Rates
 - BOJ will remain accommodative for the foreseeable future
 - Economy still very weak
 - Second round inflation pass through low
- J\$ Long Term Rates ~expected future short rates
 - Driven by solvency concerns: sustainability of fiscal program
- Inflation: we expect inflation to range between 8%-10% for the current fiscal

Monthly Exchange Rate Movement



Real Exchange Rate



Credit Rating

	Current	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
Best		B/Stable	B/Stable	BB+/Stable	BB+/Stable
Modal	CCC+/Stable	CCC+/Stable	B-/Stable	B/Stable	B/Stable
Worst		CCC+/Negative	CCC+/Negative	CCC+/Negative	CCC+/Negative

Structural Reform Measures

- Secured Transactions Framework to facilitate improved access to credit
- Insolvency Act
- Establish flexible work arrangements by the end of FY 2013/14
- Streamline the Business registration process through the use of a multi-purpose registration instrument
- M-Commerce
- Increase MSME-financing wholesaled through the DBJ
- Far Reaching Tax Reforms
- Labour Market Reform – flexible work arrangements by end of FY13/14

What You Need to Know

- Program is difficult but not crazy
- Important risks:
 - Execution (Project management and political)
 - Shocks (economic and weather)
- Government has more work to do on increasing revenue and/or cutting expenditure
- Unemployment is likely to remain high over the life of the program
- Far reaching structural reforms that will improve the ease of doing business