



Confidence Improves. The rebound in business confidence has to a large extent erased the decline recorded during the past year. The Index of Business Confidence was 101.0 in the 3rd quarter 2009 survey, up from 92.7 in the 2nd quarter and the all-time low of 75.8 in the 1st quarter of 2009. Overall, the Confidence Index improved by 25.2 points in the past six months, regaining two-thirds of the 40.1 point plunge in confidence recorded in the six months from the 3rd quarter of 2008 to the 1st quarter of 2009. Firms were more positive about the financial outlook for their firm as well as the overall economy. Moreover, there was an emerging sense among Jamaican businesses that the economy had begun to improve aided by the stabilization of the U.S. economy. Nonetheless, higher unemployment and lower incomes as well as government and IMF policies were viewed as drags on potential future economic growth. Importantly, firms reported significant shortfalls in their finances during the past year, with assessments of their current profit situation the worst since the surveys began in 2001. Firms anticipate that the economic recovery will be slow and dependent on the recoveries among its trading partners.

Uneven Gains in Economy Expected. Better conditions in the national economy were expected by 33% of all firms in the 3rd quarter, the same level as in last year's 3rd quarter survey. Unfortunately, 40% still expected the economy to worsen during the year ahead, although this was well below the peak of 55% recorded six months ago.

Current Profits Judged Dismal. Among all firms, just 8% reported in the 3rd quarter survey that last year's profits were better than they had anticipated, well below the 21% recorded last year. Moreover, profits were reported to be less than they had anticipated by 49% of all firms, the most negative reading since the first survey in 2001. Falling profits reflected declines in demand due to a weaker domestic economy and a weaker external economy.

Investment Plans Unchanged. Firms were no more optimistic on balance about opportunities to invest in the expansion of their business than in last quarter's survey. Positive investment plans rose to 40% from 30% in the prior quarter but negative assessments also rose to 51% from 42%. Both percentages could increase since many fewer firms cited their uncertainty about future investment prospects. This implies a nearly equal resolution of uncertainty in both the positive and negative directions. This split is not consistent with the expectation of a robust economic recovery, but it would be associated with the anticipation of a slow and uneven economic recovery.

Profit Slide Expected to End. Higher profits margins were expected by 46% of all firms in the 3rd quarter survey, well above the 31% in the 2nd quarter, and nearly equal to last year's reading of 52%. Overall, the data indicate that the slide in profits is expected to end; the renewed growth in profit, however, is not as yet expected. Renewed profit growth must await stronger demand both domestically and among trading partners as well as an increased ability among Jamaican firms to keep their real prices at least constant with changes in the prices of their inputs.

Firm's Finances Stabilize. After the rapid deterioration of the financial balance sheets of firms in early 2009, firms now expect their financial situation to stabilize. The percent of firms that expected their finances to worsen fell to just 17% from a peak of 44% in the 1st quarter of 2009. Importantly, 48% of firms now expected to regain some of the past losses that they experiences in their overall finances during the year ahead. This was still below last year's 51%, and at the lower end of the favorable range that has been recorded during the past eight years.

Indexes (2001:2 = 100)	2 nd Q 2007	3 rd Q 2007	4 th Q 2007	1 st Q 2008	2 nd Q 2008	3 rd Q 2008	4 th Q 2008	1 st Q 2009	2 nd Q 2009	3 rd Q 2009
Index of Business Confidence	123.9	134.2	109.8	117.2	103.1	115.9	89.9	75.8	92.7	101.0
Current Business Conditions	154.9	152.0	135.7	128.6	114.9	144.1	92.1	94.0	117.8	105.6
Index of Business Expectations	111.6	127.1	99.6	112.7	98.4	104.7	89.1	68.6	82.9	99.2
Index Components (%Better - %Worse + 100)										
Current Return on Investments	105	110	92	85	80	94	78	68	77	59
Investment/Expansion Climate	112	103	98	95	81	108	51	63	88	89
Expected Change in Economy	113	133	94	97	76	103	79	73	80	93
Expected Change Firm's Finances	145	161	127	153	141	134	125	80	108	131
Expected Change in Profitability	138	157	133	151	132	134	112	90	106	128