



REVIEW OF ECONOMIC PERFORMANCE

JANUARY – MARCH 2010

Planning Institute of Jamaica
May 20, 2010

Overview

January-March 2010

- Real GDP contracted by an estimated **1.4%** for January-March 2010 relative to the similar period of 2009.
 - Goods Producing Industry declined by **5.7%**
 - Services Industries remained **flat**

Real Value Added Growth in the Goods Producing Industries (%)

	Jan-Mar 2009	Apr-Jun 2009	Jul-Sep 2009	Oct-Dec 2009	Jan-Mar 2010
GOODS PRODUCING	-6.0	-11.9	-8.5	-7.5	-5.7
Agriculture	8.3	10.7	12.1	17.6	2.5
Mining	-26.8	-59.6	-57.9	-56.5	-40.1
Manufacture	-6.1	-8.1	-3.2	-2.1	-2.3
Construction	-5.3	-6.3	-2.8	-4.0	-3.0

Agriculture

- Real Value Added in the Agriculture sector grew by **2.5%**, based on PIOJ's production index:
 - Traditional Export crops, up **20.8%**
 - Fishing, up **8.8%**
 - Animal Farming, up **3.1%**
 - Other Agricultural Crops declined by **1.4%** due largely to the effects of the drought.
- This performance largely reflected:
 - Some degree of success in efforts implemented to mitigate the effects of drought conditions which started in the latter half of 2009, including
 - Water conservation and improved irrigation efficiency through use of drip irrigation supplemented by 'black tanks'
 - Increased planting in areas served by irrigation schemes
 - Increased use of protective cultivation (greenhouses)

Mining & Quarrying

- Real Value Added declined by **40.1%**. Total bauxite production fell by **25.4%**, reflecting:
 - Alumina production (down **50.6%**)
 - Crude bauxite production (up **35.9%**)
- The decline in alumina was due to:
 - The closure of three (Alpart, Windalco Ewarton and Windalco Kirkvine) of the four alumina plants due to the impact of the global economic recession.

Manufacture Industry

- Real Value Added declined by an estimated **2.3%**:
 - Food, Beverages & Tobacco (down **3.2%**)
 - Beverages & Tobacco, declined due to:
 - Beer, down **20.2%**
 - Stout, down **33.8%**
 - Rum & Alcohol, down **26.5%**
 - Increased output was recorded for Food Processing due to :
 - Poultry meat, up **6.4%**
 - Sugar, up **24.8%**
 - Molasses up **4.4%**
 - Other Manufacturing (down **1.0%**)
 - Lower petroleum production
 - decline in production of some industrial chemicals

Construction

- Real Value Added in the Construction industry decreased by **3.0%**, reflecting:
 - Reduced level of activities in all components
 - Building construction
 - decline in hotel and residential construction
 - Other Building Construction
 - Downturn in road construction activities
 - Building Installation.

Real Value Added Growth in the Services Industries (%)

	Jan-Mar 2009	Apr-Jun 2009	Jul-Sep 2009	Oct-Dec 2009	Jan-Mar 2010
SERVICES INDUSTRY	-1.6	-0.6	0.2	-0.4	0.0
Electricity & Water Supply	-1.4	1.8	5.6	2.5	2.0
Transport, Storage & Communication	-7.9	-5.6	-2.3	-1.4	0.0
Wholesale & Retail Trade; Repair & Installation of Machinery.	-1.4	-1.4	-0.8	-1.2	-1.0
Finance & Insurance Services	1.0	1.0	1.9	-0.7	-2.0
Real Estate, Renting & Business Services	0.3	0.3	0.7	0.4	0.3
Government Services	-0.2	-0.3	-0.5	0.0	-0.3
Hotels & Restaurant	-0.8	3.7	1.9	1.2	6.0
Other Services	-0.8	1.6	0.5	-0.1	0.3

Electricity & Water

- Real value added for the Electricity & Water industry grew by **2.0%**:
 - Electricity generation, up **3.5%**
 - Non-JPSCo generation, up **17.4%**
 - JPSCo generation, down **2.6%**
 - Water production, down **8.7%** reflecting the effects of drought conditions:
 - **4.6%** decline in the Western division
 - **11.5%** decline in the Eastern division

Transport, Storage & Communication

- Real Value Added in Transport, Storage & Communication **remained flat**, reflecting the combined effect of:
 - Increased levels of activities in the Communication sub-industry
 - Lower levels of activities in the Transport & Storage component, due to:
 - Decline in cruise ship calls by 28.0 per cent
 - A **2.6 per cent** decline in cargo volume at outports (decline in alumina exports)

Finance & Insurance Services

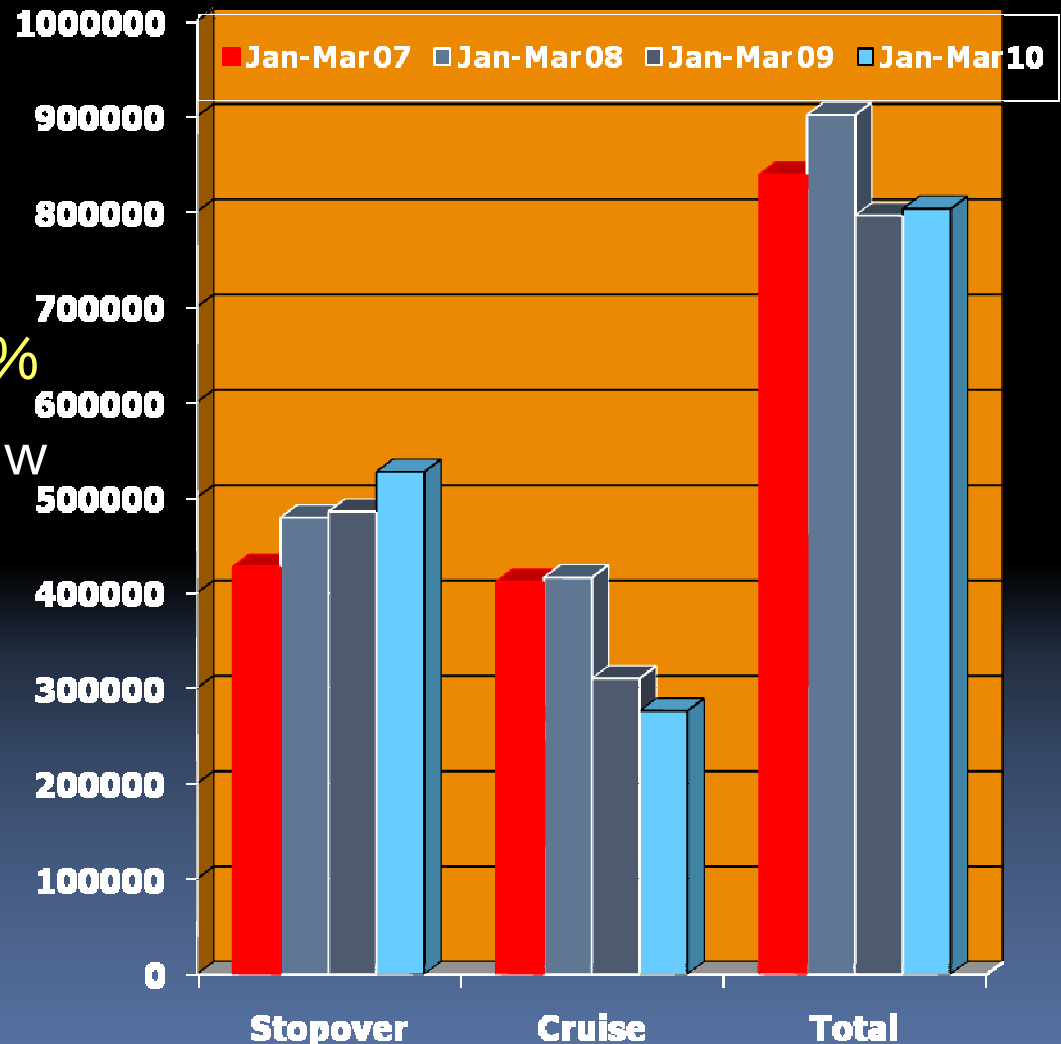
- The real value added for the Finance & Insurance Industry contracted by an estimated 2.0% reflecting:
 - Reductions in loans and advances for commercial banks
 - A decline in net interest income at commercial banks due in part to the impact of the JDX programme.

Wholesale & Retail Trade: Repair and Installation of Machinery (WRTRIM)

- Real Value Added in the WRTRIM industry declined by **1.0%**, due to:
 - A general decline in economic activities, Business and Consumer confidence
 - Reduction in gross sales levels.
- Lower sales were recorded for:
 - Food, Beverages & Tobacco, down **8.8%**
 - Electronics, Musical & Photographic Equipment, down **17.5%**
 - Other Manufactured Goods, down **23.9%**.

Tourism

- Real Value Added of Hotels & Restaurants grew by **6.0%**
- Total arrivals, up **0.9%**
- Stopover arrivals, grew by **8.6%**
- Cruise visitor arrivals, down **11.1%**



GDP Table

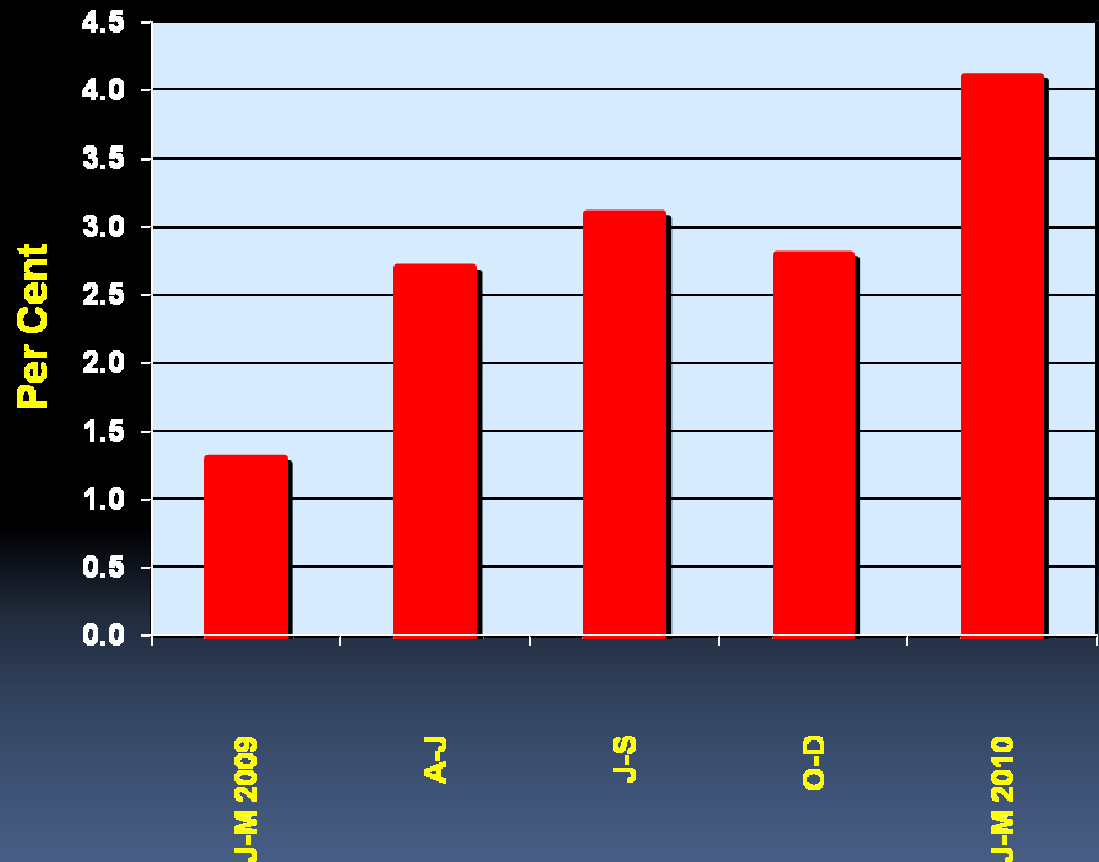
	% Change	
	Jan-Mar 2010	Fiscal Year 2009/10
Total GDP	-1.4	-2.3
Agriculture, Forestry & Fishing	2.5	10.4
Mining & Quarrying	-40.1	-54.5
Manufacture	-2.3	-4.0
Construction	-3.0	-4.0
Electricity & Water Supply	2.0	3.0
Transport, Storage & Communication	0.0	-2.4
Wholesale & Retail Trade; Repair & Installation of Machinery	-1.0	-1.1
Finance & Insurance Services	-2.0	0.0
Real Estate Renting & Business Services	0.3	0.4
Producers of Government Services	-0.3	-0.3
Hotels & Restaurant	6.0	3.3
Other Services	0.3	0.6

The Macroeconomic Environment

- This performance during the quarter took place against the background of:
 - Quarterly inflation rate of 4.1%
 - Fiscal deficit of \$25.0 billion
 - Real appreciation of the exchange rate

Inflation by Quarters 2009-2010

- For January - March 2010 inflation was **4.1%**
- For fiscal year 2009/10 inflation rate was **13.3%**



Inflation: Main Components

- Inflation during the quarter largely reflected increases in:
 - Transport (up 13.9%)
 - Food & Non Alcoholic Beverages (up 2.5%)
 - These two categories combined accounted for 64.0% of inflation during the quarter
- The main drivers of inflation were:
 - Increased fares for taxi and rural bus operators
 - New tax package effective on January 1, 2010
 - Higher food prices

Fiscal Accounts

- The fiscal deficit was **\$25.0 billion** during the quarter
 - This was **\$37.8 billion** higher than budgeted due to:
 - **\$15.6 billion** (14.4 per cent) lower than programmed revenue
 - **\$22.2 billion** (23.2 per cent) more than programmed expenditure
- Revenue & Grants totalled **\$92.6 billion** in January-March 2010, while expenditure totalled **\$117.6 billion**.

Exchange Rate

- The average nominal exchange rate at the end of March 2010 was **\$89.51 per US\$1.00**, representing **0.1%** nominal appreciation compared with end of December 2009.
 - This translates into a real exchange rate appreciation of **3.3%** relative to the US dollar

External Trade

- External Trade Balance improved by 35.4 per cent to a deficit of US\$283.9 million at the end of January 2010.
 - Imports for the month contracted by 18.8 per cent to US\$400.9 million
 - Mineral Fuel imports accounted for 39.0% of total imports.
 - Exports for the period increased by 6.9 per cent to US\$117.0 million.

Remittances

- Remittance inflows for January – March 2010 amounted to **US\$452.3** million, up **9.7%** relative to the corresponding period of 2009
- For fiscal year 2009/10 remittance inflows fell by **7.2%** to **US\$1 807.5** million

Labour Market Indicators

	2009				2010
	January	April	July	October	January
Labour Force	1 280 600	1 267 900	1 272 800	1 257 900	1 261 600
Employed Labour Force	1 138 100	1 122 900	1 128 900	1 112 200	1 091 600
Unemployed Labour Force	142 500	145 100	143 900	145 700	169 900
Outside the Labour Force	716 200	730 100	726 400	742 500	740 000
Job Seeking Rate (%)	6.5	7.4	7.8	7.2	8.6

Labour Market Indicators

- ❖ The total labour force as at January 2010 was 1 261 600 an increase of 3 700 persons compared with October 2009, but 19 000 persons less than January 2009.
- ❖ Total employed labour force fell by 20 600 persons to 1 091 600 compared with October 2009 and 46 500 compared with January 2009.
- ❖ The unemployment rate for January 2010 was 13.5 per cent compared with 11.6 per cent in October 2009, and 11.1 per cent in January 2009.

Short-term Prospects & Developments

- Despite continued weak domestic and global demand, short-term prospects for the overall economy are generally positive based on:
 - Continued growth in several industries such as Agriculture and Tourism
 - A turn-around in some industries which were afflicted by the global economic recession such as Mining & Quarrying and Transport, Storage & Communication
 - Continued growth in remittance and exports
 - Moderation of the decline in Construction and Wholesale & Retail Trade
 - Lower interest rates and stability in the foreign exchange market
- Downside Risks
 - Intensification of the debt crisis in Greece impacting global recovery
 - Sharp rise in oil prices
 - Start of hurricane season

Inflation

April 2010

- The rate of inflation for April 2010 was **1.3%**, largely reflecting:
 - Transport, **up 9.3%**
 - Increased JUTC fares effective April 2010
 - Food & Non-Alcoholic Beverages, **up 0.7%**
- These increases were tempered by a **1.5% decline** in the division Housing, Water, Electricity, Gas & Other Fuels.

Tourism

April 2010

- Provisional data indicate:
 - Airport arrivals increased by 0.8%
 - Cruise passenger arrivals declined by 22.6%

Electricity & Water Supply Industry April 2010

- Total electricity generation, grew by **1.6 per cent** to 343.4 million kilowatt hours.
- Total electricity sales, declined by **1.2 per cent** to **265.5 million kilowatt hours**.

Mining & Quarrying

April 2010

- Total bauxite production grew by **37.5%** due to:
 - **13.3%** decline in alumina production
 - **108.5%** increase in crude bauxite production
- Total Bauxite exports increased by **35.6%** due to:
 - Alumina exports, down **17.6%**
 - Crude bauxite exports, up **110.5%**

Growth

April - June 2010

- Real GDP is projected to grow within the range of 0.0% - 1.0% during April-June 2010 vis-a-vis April-June 2009