



# REVIEW OF ECONOMIC PERFORMANCE

APRIL – JUNE 2010

Planning Institute of Jamaica  
August 25, 2010

# Overview

## April - June 2010

- **Real GDP contracted by an estimated 0.8% for April-June 2010 relative to the corresponding period of 2009.**
  - Goods producing industry **declined** by 1.6%
  - Services industries **fell** by 0.9%

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

	Apr-Jun 2009	Jul-Sep 2009	Oct-Dec 2009	Jan-Mar 2010	<b>Apr-Jun 2010</b>
<b>GOODS PRODUCING</b>	<b>-12.7</b>	<b>-8.9</b>	<b>-8.2</b>	<b>-4.0</b>	<b>-1.6</b>
Agriculture	11.6	15.3	19.7	6.7	<b>-3.5</b>
Mining	-59.8	-58.0	-56.5	-40.7	<b>4.3</b>
Manufacture	-8.5	-4.1	-3.1	-1.0	<b>-1.6</b>
Construction	-9.0	-4.6	-6.2	-2.1	<b>-1.5</b>

# Agriculture

- Real Value Added in the Agriculture industry fell by **3.5%**, based on PIOJ's production index:
  - Traditional Export crops, **down 11.4%**;
  - Animal Farming, **down 5.6%**; and
  - Other Agricultural Crops **down by 2.4%**.
- This performance largely reflected the impact of drought conditions which prevailed during the previous three quarters.

# Mining & Quarrying

- Real Value Added **grew** by **4.3%** following five consecutive quarterly declines. Total bauxite production increased by **35.1%**, reflecting:
  - Crude bauxite production (**up 103.1%**)
  - Alumina production (**down 10.4%**)
- Crude bauxite production was driven by increased capacity utilization rate to 98.9% compared with 43.8% in the corresponding period.
- The decline in alumina was due to the continued closure of three alumina plants (Alpart, Windalco Ewarton and Windalco Kirkvine)

# Manufacture Industry

- Real Value Added **declined** by an estimated **1.6%**:
  - Food, Beverages & Tobacco (**down 1.0%**)
    - Beverages & Tobacco, declined due to:
      - Stout, **down 13.6%**
      - Rum & Alcohol, **down 9.3%**
    - Decline in output for Food Processing due to :
      - Poultry Meat, **down 6.1%**; Sugar, **down 28.2%**; Molasses **down 32.9%**
  - Other Manufacturing (**down 2.5%**)
    - Chemicals & Chemical products declined due to:
      - No production of Ethanol; Detergent, **down 86.0%**; Aluminium Sulphate **down 69%**; Sulphuric Acid **down 44.5%** .
    - Decline in Non-metallic minerals
      - Cement production **down 10.6%**

# Construction

- Real Value Added in the Construction industry **decreased** by **1.5%**, reflecting:
  - Reduced level of activities in:
    - Building construction
      - due mainly to decline in non-residential construction
    - Building Installation.
  - Other Construction;
    - Positively impacted by an estimated increase in civil engineering

# Real Value Added Growth in the Services Industries (%)

	Apr-Jun 2009	Jul-Sep 2009	Oct-Dec 2009	Jan-Mar 2010	Apr-Jun 2010
<b>SERVICES INDUSTRY</b>	-0.8	-0.1	-0.4	-0.4	<b>-0.9</b>
Electricity & Water Supply	1.8	5.6	2.5	-1.2	<b>-1.5</b>
Transport, Storage & Communication	-5.4	-1.9	1.0	1.5	<b>-0.8</b>
Wholesale & Retail Trade; Repair & Installation of Mach.	-2.6	-2.1	-2.1	-2.1	<b>-1.0</b>
Finance & Insurance Services	2.1	1.8	0.3	-3.6	<b>-2.0</b>
Real Estate, Renting & Business Services	-1.4	0.4	-1.0	-0.1	<b>-0.1</b>
Government Services	0.3	-0.6	-0.5	-0.3	<b>-0.3</b>
Hotels & Restaurants	4.2	2.6	2.3	7.1	<b>-1.6</b>
Other Services	1.8	0.6	-0.9	-0.3	<b>-0.5</b>

# Electricity & Water

- Real value added for the Electricity & Water industry **declined** by **1.5%**:
  - Electricity generation, **down 0.5%**
    - Non-JPSCo generation, **down 3.2%**
    - JPSCo generation, **up 0.7%**
  - Water production, **down 9.8%** reflecting:
    - **7.5% decline** in the Western division
    - **11.3% decline** in the Eastern division

# Transport, Storage & Communication

- Real Value Added in Transport, Storage & Communication **declined by 0.8%**, reflecting the combined effect of:
  - Lower levels of activities in the Air Transport component which outweighed the increased activities in the Maritime Transport and Communications components:
    - Air passenger movement **declined by 4.9%** reflecting:
      - Impact of the global crisis; cut in Air Jamaica routes prior to its sale; flight cancellations due to Icelandic Volcanic Ash; strike by Spirit Airlines; and West Kingston unrest.
    - Increased in Maritime Cargo volume handled by **13.1 %** due largely to the **26.3%** increase cargo handled at Outports (increased crude Bauxite exports)
    - Increased levels of activities in the Communication sub-industry due to an expansion in telecommunications activities

# Finance & Insurance Services

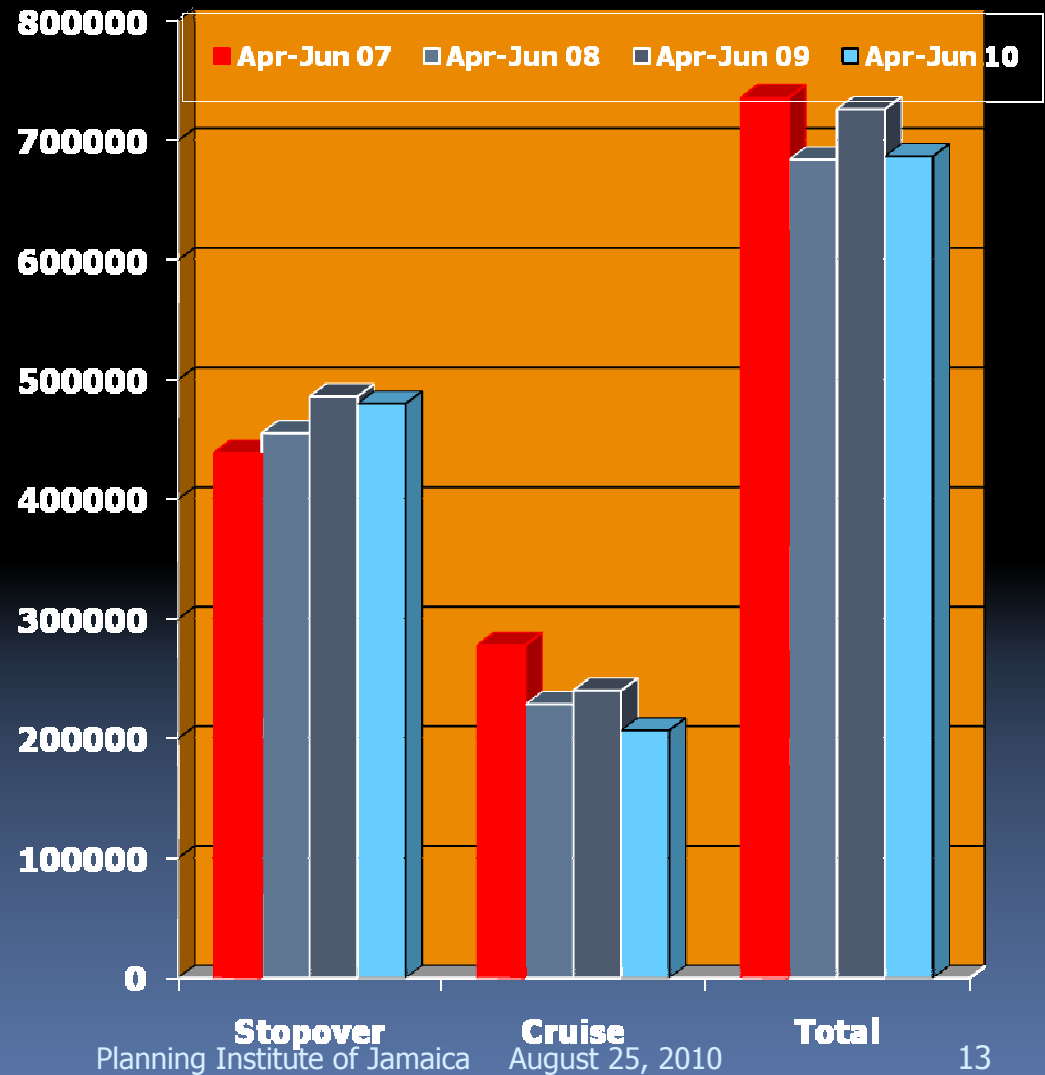
- The real value added for the Finance & Insurance Industry contracted by an estimated **2.0%** reflecting:
  - **Reductions in commercial banks loans and advances;**
  - **A decline in net interest income at commercial banks due in part to the impact of the JDX programme.**
  - **Foreign exchange losses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

# 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 as well as increased unemployment; and
  - Reduction in gross sales levels.
- Lower sales were recorded for:
  - Minerals, Fuels, Lubricants & Petroleum Products, **down 3.0%**;
  - Electronics, Musical & Photographic Equipment, **down 16.6%**; and
  - Other Manufactured Goods, **down 4.3%**.

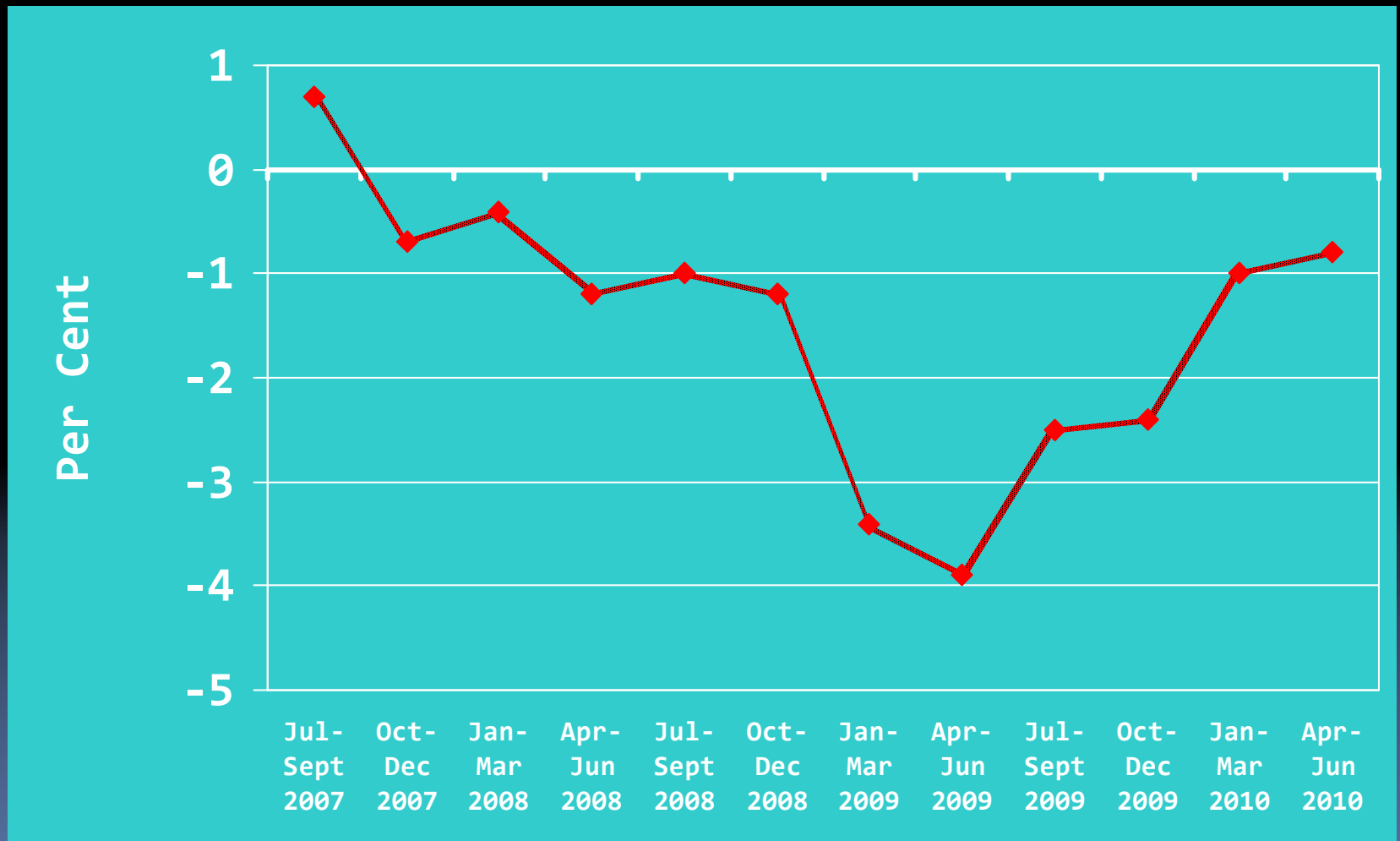
# Tourism

- Real Value Added of Hotels & Restaurants fell by **1.6%**
- Total arrivals, down **5.4%**
- Stopover arrivals, down by **1.3%**.
- Cruise visitor arrivals, down **13.8%**



# Quarterly Real Value Added Growth (%) 2007-2010

GDP Table

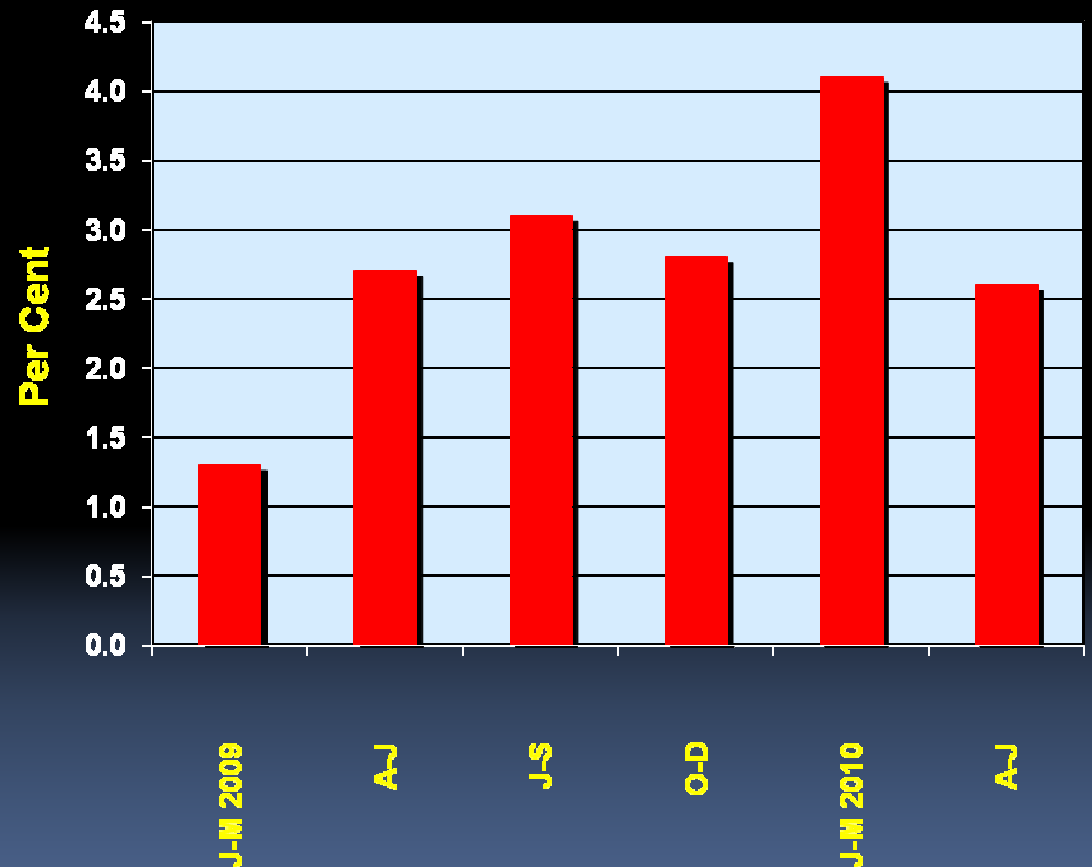


# The Macroeconomic Environment

- The performance during the quarter took place against the background of:
  - Quarterly inflation rate of 2.6%
  - Fiscal deficit of \$10.45 billion
  - Real appreciation of the exchange rate

# Inflation by Quarters 2009-2010

- For April – June 2010 inflation was **2.6%**
- For January - June 2010 inflation rate was **6.8%**



# Inflation: Main Components

- Inflation during the quarter largely reflected increases in:
  - Transport (up 9.2%)
  - Food & Non Alcoholic Beverages (up 2.8%);
    - These two categories combined accounted for 85.0% of overall inflation during the quarter
- The main drivers of inflation were:
  - Increased JUTC bus fares which became effective on April 1, 2010; and
  - Higher food prices

# Fiscal Accounts

- The fiscal deficit was **\$10.45 billion** for the quarter
  - This was **\$5.66 billion** lower than budgeted due to:
    - **\$2.71 billion** (3.7 per cent) higher than programmed revenue
    - **\$2.95 billion** (3.3 per cent) less than programmed expenditure
- Revenue & Grants totalled **\$75.52 billion** in April-June 2010, while expenditure totalled **\$85.97 billion**.

# Exchange Rate

- The average nominal exchange rate at the end of June 2010 was **\$86.02 per US\$1.00**, representing **4.1%** nominal appreciation compared with end of March 2010.
  - This translates into a real exchange rate appreciation of **6.3%** relative to the US dollar

# Remittances

- Remittance inflows for April - June 2010 amounted to **US\$475.9** million, up **7.8%** relative to the corresponding period of 2009.
- For January-June 2010 remittance inflows increased by **8.7%** to **US\$928.2** million

# Employed Labour Force in Selected Industries

	2009	2010		Change Apr '10 – Apr '09
	April	January	April	
Agriculture, Hunting, Forestry & Fishing	229 800	219 800	224 500	-5 300
Mining & Quarrying	6 000	4 200	3 000	-3 000
Manufacturing	77 600	72 400	76 000	-1 600
Electricity, Gas and Water Supply	7 700	6 500	6 600	-1 100
Construction and Installation	91 900	86 700	92 900	1 000
Wholesale & Retail, Repair of MV, C, Personal & HH goods	212 400	212 700	205 000	-7 400
Hotels & Restaurants Services	84 200	72 800	79 000	-5 200
Transport, Storage and Communication	77 600	74 100	72 000	-5 600
Financial Intermediation	24 000	22 200	23 800	-200
Real Estate, Renting & Business Activities	49 100	47 600	52 200	3 100
Other Community, Social and Personal Service Activities	56 200	58 300	49 200	-7 000

# Labour Market Indicators

- ❖ Total employed labour force fell by 3 700 persons to 1 087 900 compared with January 2010 and 35 000 compared with April 2009.
- ❖ The unemployment rate for April 2010 was 12.4 per cent compared with 13.5 per cent in January 2010 and 11.4 per cent in April 2009.

# Short-Term Prospects & Developments

## July-September 2010

- Short-term prospects for the overall economy are generally positive based on:
  - A strengthening of growth in Mining & Quarrying and a return to growth in Agriculture and Tourism;
  - A turn-around in some industries which were afflicted by the global economic recession such as Transport, Storage & Communication,
  - Continued growth in remittance
- Downside Risks
  - Slower than anticipated recovery in global economy
  - Unanticipated rise in oil prices
  - Hurricane season

# Inflation

## July 2010

- The rate of inflation for July 2010 was **0.4%**, largely reflecting:
  - Food & Non-Alcoholic Beverages, **up 1.1%**;
- This increase was tempered by declines of **0.6%** and **0.1%** in the indices for the divisions Transport; and Housing, Water, Electricity, Gas & Other Fuels.

# Tourism

## July 2010

- Provisional data indicate:
  - Airport arrivals increased by 3.4%
  - Cruise passenger arrivals increased by 15.7%

# Electricity & Water Supply July 2010

- Total electricity generation declined by 4.7%.
- Total electricity sales increased by 2.9%.

# Mining & Quarrying

## July 2010

- Total bauxite production grew by **49.2%** due to:
  - **11.8%** increase in alumina production
  - **98.6%** increase in crude bauxite production
- Total Bauxite exports increased by **40.0%** due to:
  - Crude bauxite exports, up **109.2%**
  - Alumina exports, down **23.6%**

# Growth

## July-September 2010

- Real GDP is projected to grow within the range of 0.0% to 1.0% during July-September 2010 vis-à-vis July-September 2009