



Review of Economic Performance April – June 2011

Planning Institute of Jamaica

August 24, 2011



Overview

April to June 2011

- Real GDP grew by an estimated **1.5%** for April-June 2011 relative to the similar period of 2010.
 - Goods-producing industry **increased** by **5.3%**
 - Services industries **grew** by **0.2%**

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

	Apr-Jun 2010	Jul-Sep 2010	Oct-Dec 2010	Jan-Mar 2011	Apr-Jun 2011
GOODS PRODUCING	-2.2	0.6	-1.2	5.3	5.3
Agriculture	-3.2	5.9	-6.1	12.4	9.0
Mining	3.7	29.3	20.7	36.9	30.8
Manufacture	-2.5	-4.3	-3.2	-0.6	0.7
Construction	-2.2	-3.9	-0.6	-0.1	1.5

Agriculture

- Real Value Added in the Agriculture industry **grew by 9.0%**, based on PIOJ's production index:
 - Traditional Export crops, **up 7.5%**
 - Animal Farming, **up 6.7%**
 - Other Agricultural Crops **up by 14.8%**.
- This performance largely reflected improved weather conditions during the review period relative to drought conditions which prevailed during the corresponding quarter.

Mining & Quarrying

- Real Value Added grew by 30.8% reflecting the impact of the re-opening of the Windalco Ewarton plant and increased bauxite production by Noranda. Total bauxite production increased by 19.6%, reflecting:
 - Crude bauxite production (up 11.8%)
 - Alumina production (up 44.7%)
- Crude bauxite production was driven by increased production at Noranda Bauxite Company, reflecting the commissioning of new plant capacity.
- The increase in alumina was due to growth in the alumina capacity utilization by 13.0 percentage points.

Manufacture Industry

- Real Value Added **increased** by an estimated **0.7%**:

- Food, Beverages & Tobacco (**up 3.2%**)

- Food Processing up due to :

- Sugar, **up 55.3%**; Molasses **up 15.9%**, Poultry **up 8.0%**

- Beverages & Tobacco, declined due to:

- Rum & Alcohol, **down 33.5%**

- Beer & Stout, **down 2.4%**

- Other Manufacturing (**down 3.0%**)

- Petroleum products declined due to the closure of the refinery for one month to facilitate maintenance work

- Cement production **down 6.1%**

- The decline was tempered by increased production of Chemical and Chemical products:

- Alumina Sulphate **up 110.6%**; Paint **up 6.4%**; and increased Ethanol production

Construction

- Real Value Added in the Construction industry **increased** by **1.5%**, reflecting:
 - expenditure by the National Works Agency amounting to \$5.9 billion, an increase of \$5.4 billion.
 - This expenditure included works on the Palisadoes Shoreline, the Washington Boulevard and the other works under the JDIP Programme.

Real Value Added Growth in the Services Industries (%)

	Apr-Jun 2010	Jul-Sep 2010	Oct-Dec 2010	Jan-Mar 2011	Apr-Jun 2011
SERVICES INDUSTRY	-2.1	-2.0	-1.3	-0.2	0.2
Electricity & Water Supply	-2.5	-5.8	-7.6	1.5	-0.9
Transport, Storage & Communication	-3.1	-4.3	-2.9	-2.4	-1.2
Wholesale & Retail Trade; Repair & Installation of Machinery	-2.2	-2.1	-1.6	-0.3	0.5
Finance & Insurance Services	-5.2	-4.2	-2.7	-2.6	0.5
Real Estate, Renting & Business Services	-1.0	-1.0	-1.0	0.1	0.3
Government Services	-0.1	-0.2	0.1	0.0	0.0
Hotels & Restaurants	-1.1	2.5	5.8	4.4	2.5
Other Services	-0.8	0.1	-0.9	1.3	0.5

Electricity & Water

- Real value added for the Electricity & Water industry **declined** by **0.9%**:
 - Total Electricity generation, **down 2.2%**
 - JPSCo gross generation, **down 8.4%**
 - Non-JPSCo generation, **up 11.1%**
 - Water production, up **10.6%**, reflecting:
 - **6.5% increase** in the Western division
 - **13.4% increase** in the Eastern division

Transport, Storage & Communication

- Real Value Added in Transport, Storage & Communication **declined by 1.2%**, reflecting the combined effects of:
 - Lower levels of activities in the Communications component.
 - This outweighed increased activities in the Transport and Storage components:
 - Increase in Maritime Cargo volume handled by **19.5%** due largely to the **24.7%** increase in Cargo handled at Outports (increased crude Bauxite exports) and a **10.6%** increase in Cargo handled at the Port of Kingston
 - Air passenger movement **was flat** .

Finance & Insurance Services

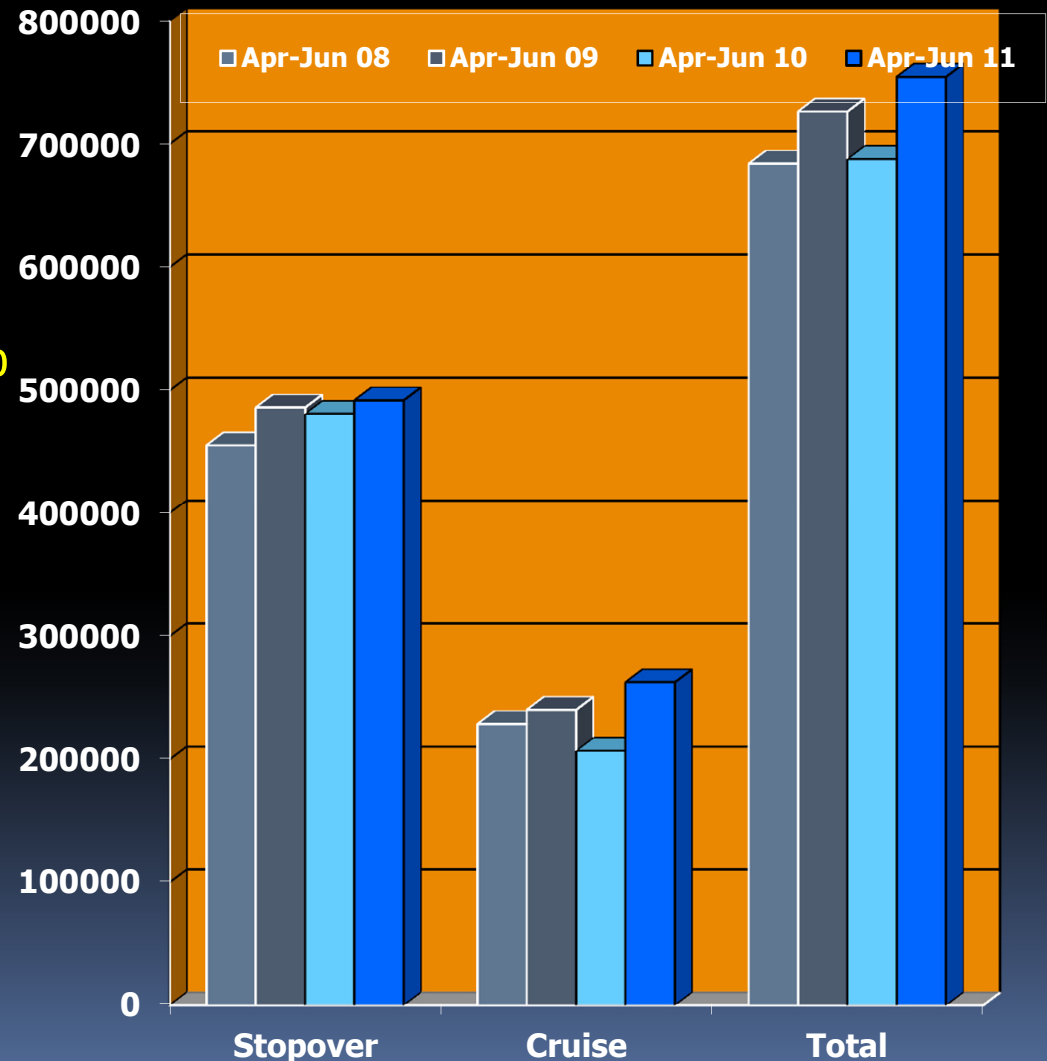
- The real value added for the Finance & Insurance Industry increased by an estimated **0.5%** reflecting:
 - Increased activities at Building Societies;
 - Increased non-interest income
 - Increases in loans and advances outstanding at Commercial Banks :
 - Stock of loans and advances outstanding increased by **1.8%** to **\$253.4 billion**

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

- Real Value Added in the WRTRIM industry **increased by 0.5%**, due to:
 - Improvements in gross sales levels due to:
 - Higher consumer demand reflecting an increase in consumer confidence
 - Improved activities in sectors aligned with the WRTRIM industry, e.g. Construction, Manufacture and Agriculture
 - Increased ABM and Point of Sale Transactions
- Higher sales were recorded for:
 - Minerals, Fuels, Lubricants & Petroleum Products, **up 16.8%**
 - Hardware, Building Supplies & Electrical Goods, **up 21.9%**
 - Textiles, Clothing, & Shoes **up 1.2%**
 - Other Manufactured Goods, **up 3.2%**.

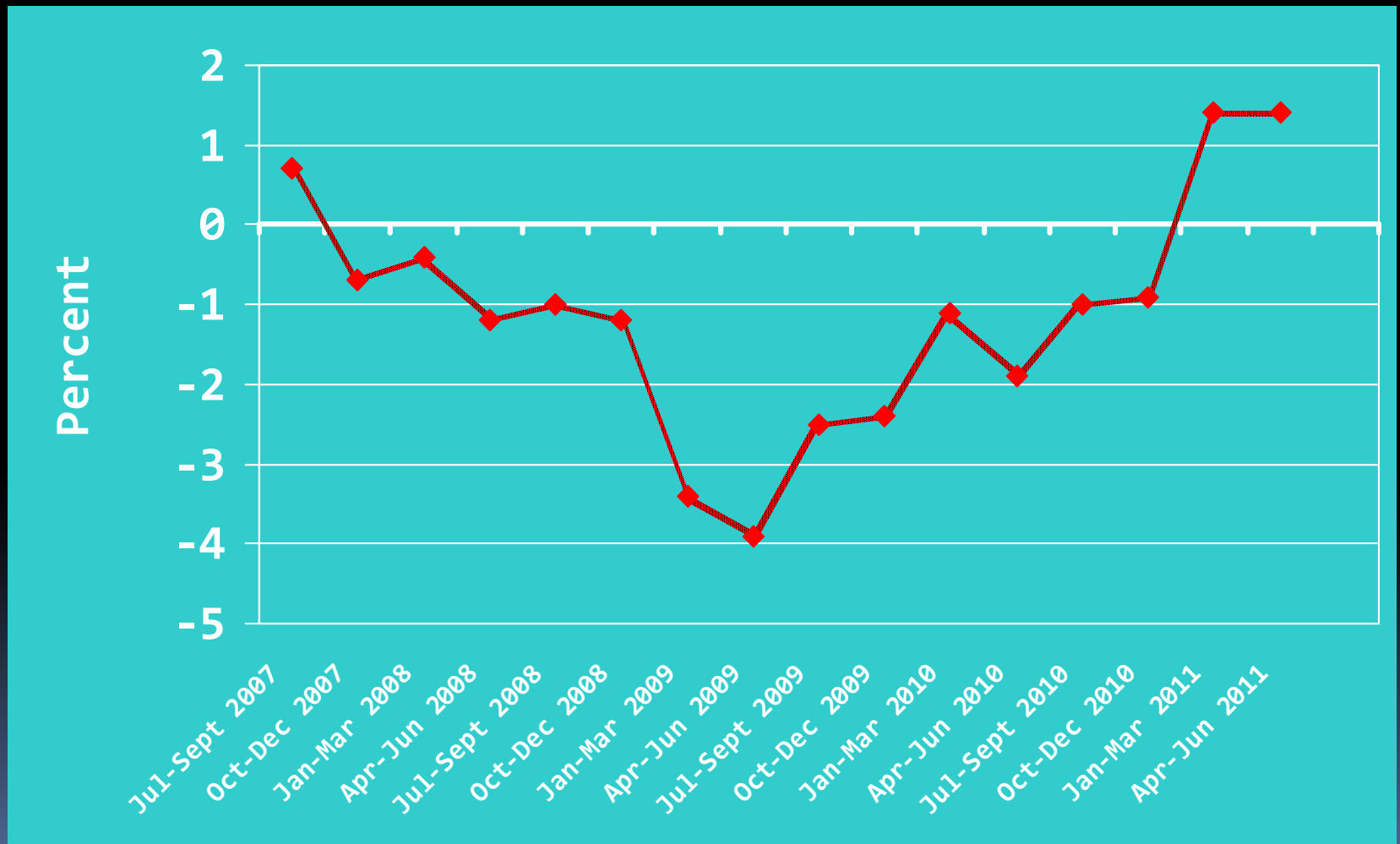
Tourism

- Real Value Added for Hotels & Restaurants **increased by 2.5%**
- Total arrivals, **up 9.7%**
- Preliminary Stopover arrivals, **up by 2.3%**.
- Cruise visitor arrivals, **up 26.9%**
- Visitor Expenditure, **up 3.4% to US\$488.4 million**



Quarterly Real Value Added Growth (%) 2007-2011

GDP Table

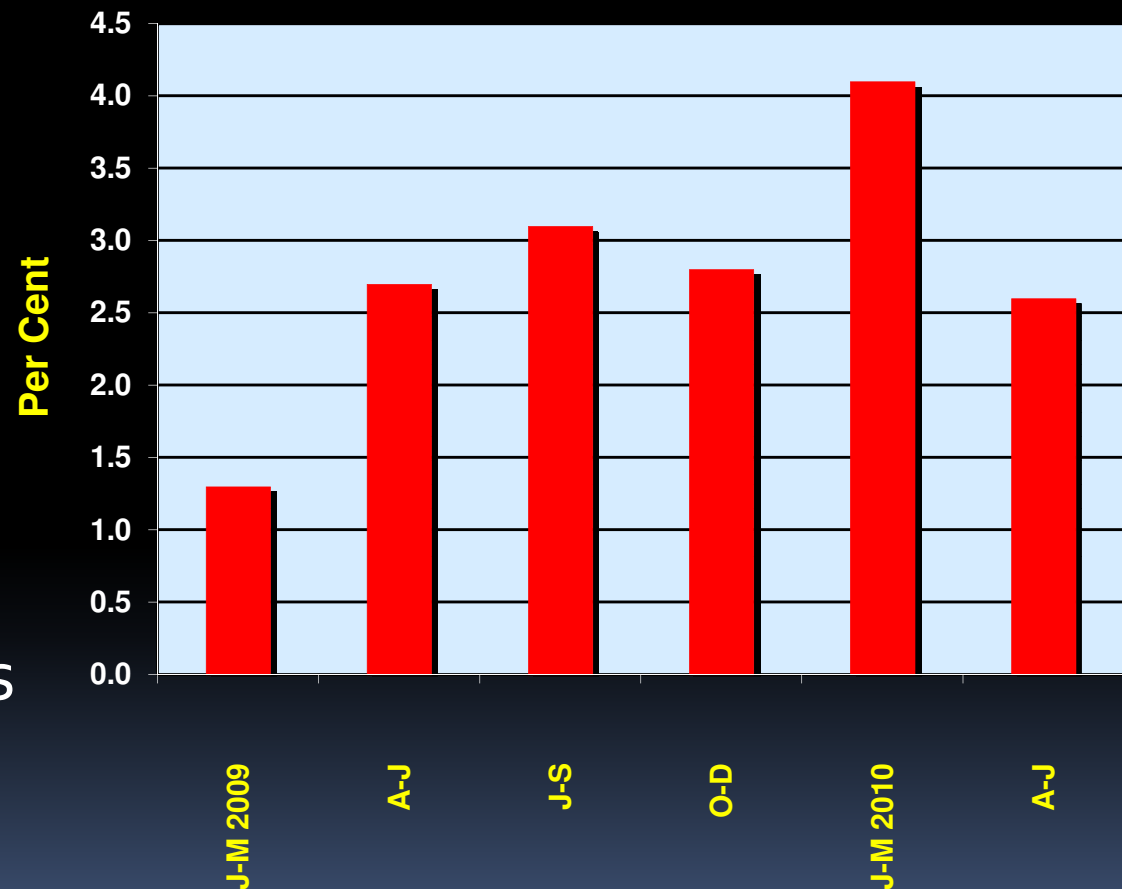


The Macroeconomic Environment

- The performance during the quarter took place against the background of:
 - Quarterly inflation rate of 2.0%
 - Fiscal deficit of \$5.88 billion
 - Real appreciation of the exchange rate

Inflation by Quarters 2009-2011

- For April – June 2011 inflation was **2.0%**
- For January - June 2011 inflation rate was **2.5%**



Inflation: Main Components

- Inflation during the quarter largely reflected increases in:
 - Housing, Water, Electricity, Gas & Other Fuels (up 3.6%)
 - Food & Non Alcoholic Beverages (up 2.5%)
 - These two categories combined accounted for 73.0% of overall inflation during the quarter
- The main drivers of inflation were:
 - Higher energy prices due to increased crude oil prices
 - Higher food prices, largely reflecting increased input prices for grains

Fiscal Accounts

- The fiscal deficit was **\$5.88 billion** for the quarter
 - This was **\$6.34 billion** lower than budgeted due to:
 - **\$3.26 billion** (4.2 per cent) less than programmed revenue
 - **\$9.60 billion** (10.8 per cent) less than programmed expenditure
- Revenue & Grants totalled **\$73.61 billion** in April-June 2011, while Expenditure totalled **\$79.49 billion**.

Exchange Rate

- The average nominal exchange rate at the end of June 2011 was **\$85.91 per US\$1.00**, representing **0.2%** nominal appreciation compared with end of March 2011.
 - This translates into a real exchange rate appreciation of **0.8%** relative to the US dollar

Remittances

- Remittance inflows for April - June 2011 amounted to **US\$507.6** million, up **6.7%** relative to the corresponding period of 2010.
- For January-June 2011 remittance inflows increased by **6.4%** to **US\$987.3** million

Short-Term Prospects & Developments

July-September 2011

- Short-term prospects for the overall economy are generally positive based on:
 - Continued growth in most industries and a return to growth in others
 - Continued growth in remittance
- Downside Risks
 - Slower than anticipated growth in global economy due to debt crisis
 - Hurricane season

Inflation

July 2011

- The rate of inflation for July 2011 was **0.8%**, largely reflecting:
 - Food & Non-Alcoholic Beverages, **up 1.4%**;
 - Housing, Water, Electricity, Gas & Other Fuels up **0.6%**.

Tourism

July 2011

- Provisional data indicate:
 - Airport arrivals declined by 1.2%
 - Cruise passenger arrivals increased by 9.7%

Electricity & Water Supply July 2011

- Total electricity generation declined by **1.1 per cent.**
- Total electricity sales declined by **5.1 per cent.**

Mining & Quarrying

July 2011

- Total bauxite production grew by **15.4%** due to:
 - **42.5%** increase in alumina production
 - **2.1%** decline in crude bauxite production
- Total Bauxite exports increased by **15.6%** due to:
 - Alumina exports, up **73.8%**
 - Crude bauxite exports, down **7.2%**



Growth

July-September 2011

- Real GDP is projected to grow within the range of 0.5% - 1.5% during July-September 2011 vis-a-vis July-September 2010