



Review of Economic Performance

July – September 2011

Planning Institute of Jamaica

November 23, 2011

Overview: July- September 2011

- For July - September 2011, real GDP is estimated to have grown by **0.5%** relative to July - September 2010.
 - Value added in the Goods-producing industries grew by **1.8%**
 - Services industries declined by **0.2%**

Real Value Added in the Goods Producing Industries (%)

	Jul-Sep 2010	Oct-Dec 2010	Jan-Mar 2011	Apr-Jun 2011	July-Sep 2011
Goods Producing	0.6	-0.6	5.9	5.4	1.8
Agriculture, Forestry & Fishing	3.7	-4.7	13.7	10.7	2.5
Mining & Quarrying	30.3	22.4	37.5	31.8	7.5
Manufacture	-5.3	-3.5	-0.5	-0.7	-0.2
Construction	-1.3	0.3	-0.2	1.4	1.8

Agriculture, Forestry & Fishing

- The Agriculture, Forestry & Fishing industry grew by an estimated **2.5%**, reflecting:
 - Traditional Export crops, **up 5.2%**
 - Other Agricultural Crops **up by 4.1%**
 - Post Harvest Activities **up 4.7 %**.
- The improved performance was due to:
 - more favourable weather conditions compared with the corresponding quarter of 2010 and a 6.9% increase in the total hectares of domestic crop reaped
 - the Ministry of Agriculture's Production & Productivity Programme which encourages the production of selected domestic crops in areas best suited using best practices.
- The impact of the June 2011 flood rains on the Agriculture Industry was negligible.

Mining & Quarrying

- Real Value Added for Mining & Quarrying grew by **7.5%**, largely reflecting the continued impact of the reopening of the Winalco Ewarton Alumina Plant and increased bauxite production by Noranda Bauxite Co.
- This was facilitated by increased demand globally which resulted in increased domestic production:
 - Total bauxite production increased by **9.0%** reflecting:
 - Increased alumina production by **8.0%**
 - Average capacity utilization rate at alumina refineries increased by 3.1 percentage points to 43.0 per cent
 - Increased crude bauxite production by **10.4%**
 - the bauxite capacity utilization rate increased by 23.8 percentage points compared with the corresponding quarter of 2010.

Manufacture Industry

- Real Value Added for the Manufacture industry declined by an estimated **0.2%**, explained by:
 - Food, Beverages and Tobacco (down 3.0%) reflecting contractions in:
 - The Food Processing component (Sugar down 13.6%, Molasses down 4.8% and Poultry down 5.9%)
 - Beverages & Tobacco component (Rum & Alcohol production down 8.2%; Beer & Stout, down 14.5%)
 - Other Manufacture (up 3.2%) mainly influenced by increased production of:
 - Non-metallic minerals category due to Cement up, 35.7%
 - Refined Petroleum products

Construction Industry

- Real Value Added for Construction grew by **1.8%**, reflecting:
 - Increased activities in the Other Construction component, particularly, Civil Engineering (Road Works)
 - JDIP; Palisadoes Roadway; and Washington Boulevard Road Improvement Project
 - Growth in Building Construction due to – Housing Starts, up 27.1%; Increase in the volume and value of mortgages by 6.7% and 1.1% respectively
 - An estimated increase in the category Building Installation in line with the Building Construction activities
- Increased Capital Expenditure of \$2 823.5 million for NWA (up from \$226.0 million); NROCC \$766 million (up from \$72.2 million) and NWC \$993.8 million (up from \$603.4 million).

Real Value Added for the Services Industries (%)

	Jul-Sep 2010	Oct-Dec 2010	Jan-Mar 2011	Apr-Jun 2011	Jul-Sep 2011
Services Industry	-2.5	-1.3	-0.2	0.8	-0.2
Electricity & Water	-5.8	-7.6	1.6	0.3	1.5
Transport, Storage & Communication	-3.9	-2.9	-1.1	2.4	-3.0
Wholesale & Retail Trade; Repair and Installation of Machinery	-3.7	-2.2	0.0	0.2	0.3
Finance & Insurance Services	-5.1	-2.5	-3.0	-0.1	-1.0
Real Estate, Renting & Business Activities	-1.2	-1.6	0.0	0.6	0.6
Producers of Government Services	-0.4	1.5	-0.4	0.3	0.5
Hotels and Restaurants	2.4	5.5	4.3	2.6	0.2
Other Services	-1.1	-0.7	0.6	0.8	0.5

Electricity & Water

- The Electricity & Water industry recorded growth in real value added of **1.5%**, reflecting increase output of water production and electricity generation
 - Total Electricity generation increased by 0.6%
 - Non-JPSCo generation up 9.2%
 - JPSCo gross generation down by 3.1%
 - Water production increased by 2.2%
 - Eastern division (up 4.5%)
 - Western division (down 1.3%)

Transport, Storage & Communication

- Real value added for Transport, Storage & Communication declined by **3.0%**.
 - Performance was due to the decline in activities at airports:
 - Total air passenger movements declined by 3.8%
 - Norman Manley International Airport, down 10.0%
 - Sangster International Airport, down 0.2%
 - Cargo volume handled at the islands seaports increased by 8.9% to 4.3 million tonnes:
 - Port of Kingston, up 2.9%
 - Outports, up 12.2% - driven largely by increased Bauxite & Alumina exports

Financial Services Industry

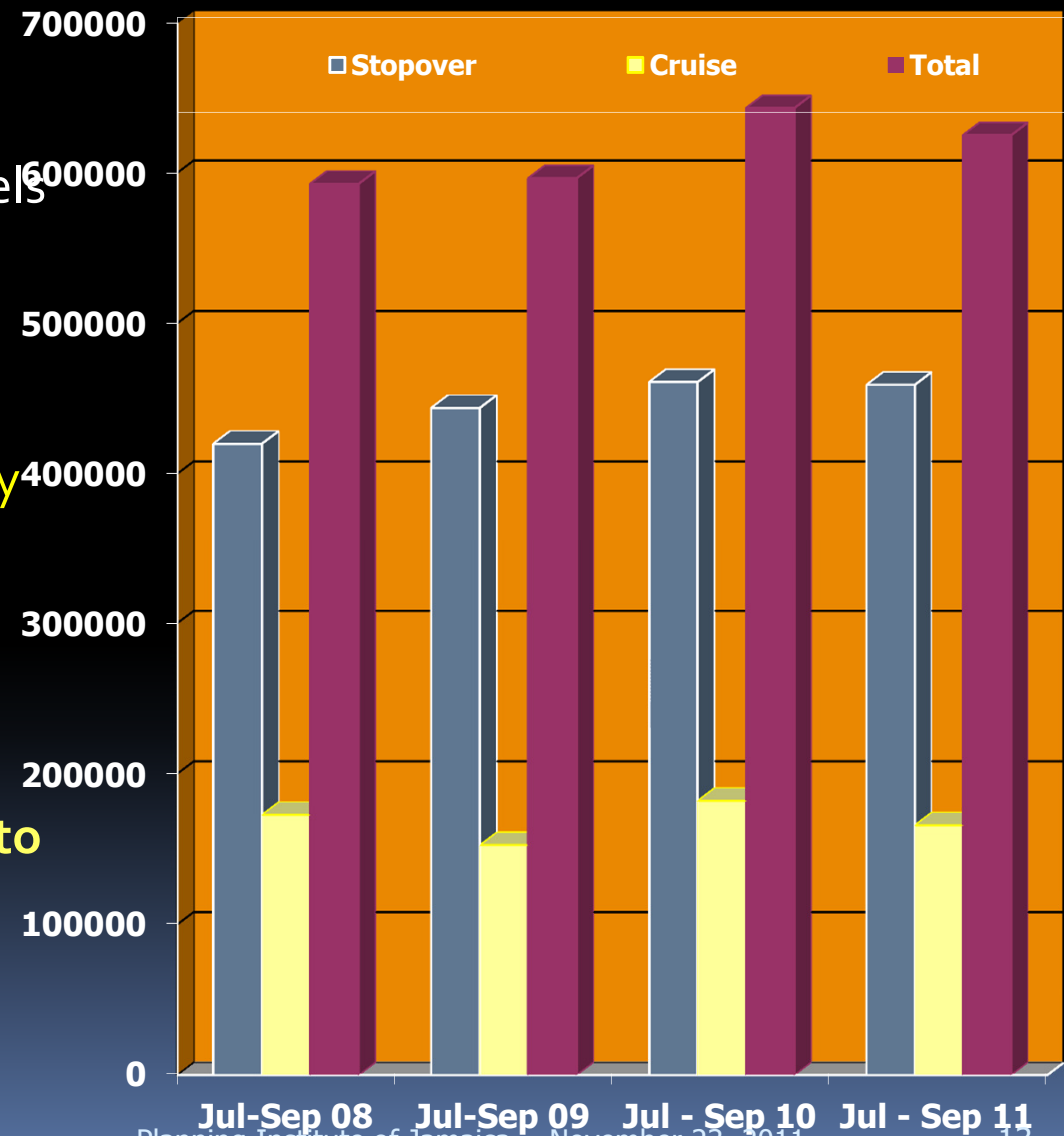
- Real value added in the Finance & Insurance industry contracted by **1.0 per cent** during the quarter, due largely to reductions in:
 - the net interest income on loan stock at deposit taking institutions
 - Fees and commission income

Wholesale & Retail Trade; Repair & Installation of Machinery (WRTRIM)

- Real Value Added in the WRTRIM industry **grew by 0.3%** due to:
 - A general uptick in economic activities, especially in Construction, Mining and Agriculture industries
 - A 9.1% increase in remittances to **US\$345.2 million**
- Higher sales were recorded in 5 of the 9 goods category :
 - Hardware, Building Supplies & Electrical Goods, **up 8.8%**;
 - Minerals, Fuels, Lubricants, **up 10.8%**
 - Textiles, clothes & Shoes, **up 15.0%**
 - Automobiles, Commercial & Transport Equipment, **up 5.7%**; and
 - Other Manufactured Goods, **up 3.8%**.
- Together these categories accounted for 77.9 per cent of total sales by the industry.

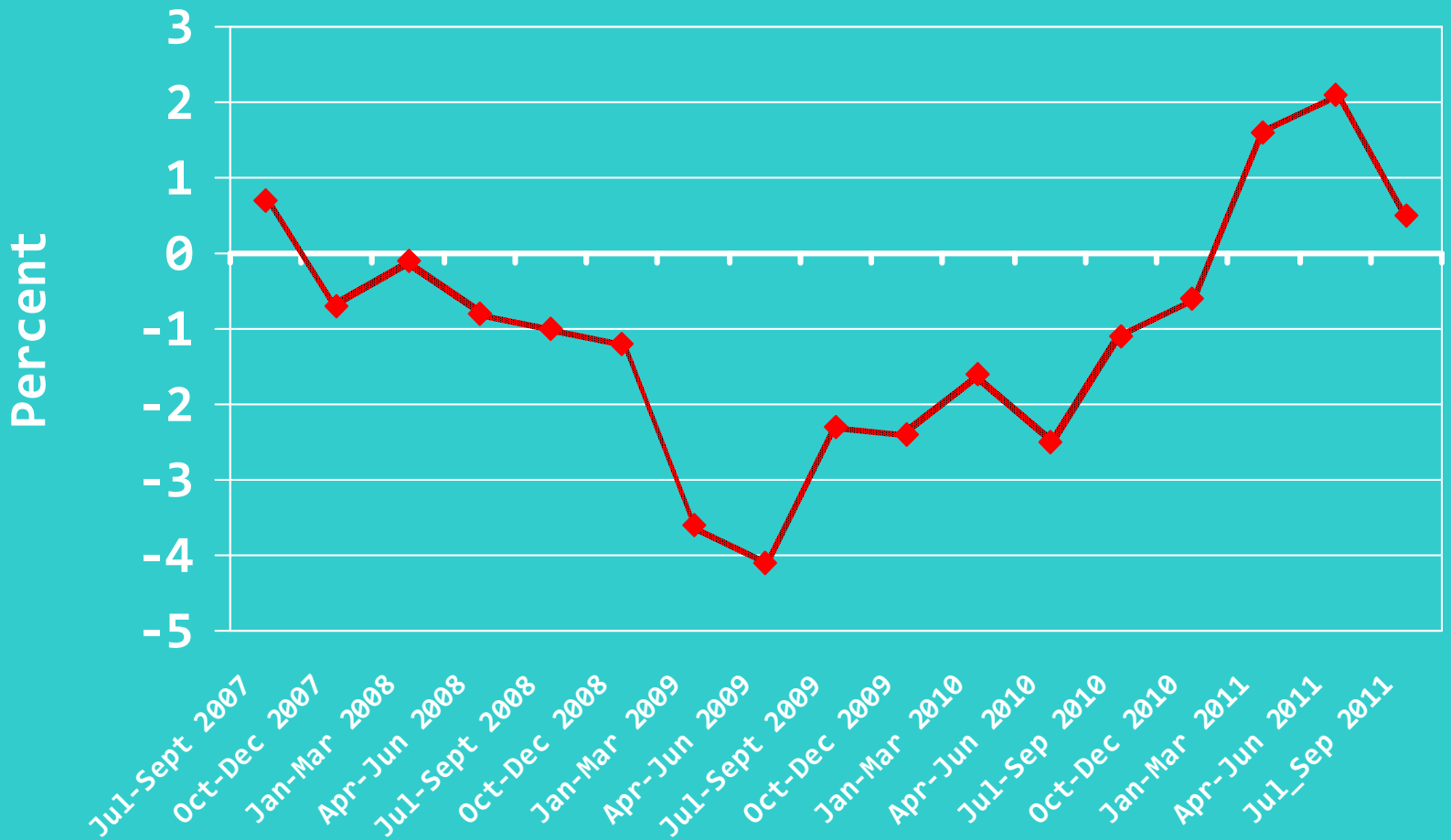
Tourism

- Real Value Added for Hotels & Restaurants **grew by 0.2%**. This reflected:
 - Total arrivals, **up 3.9%**
 - Stopover arrivals, **down by 0.4%**.
 - Cruise passenger arrivals, **up 14.9%**
 - Provisional visitor expenditure, **down 0.5 % to US\$468.7 million**



Quarterly Real Value Added Growth (%) 2007-2011

GDP Table



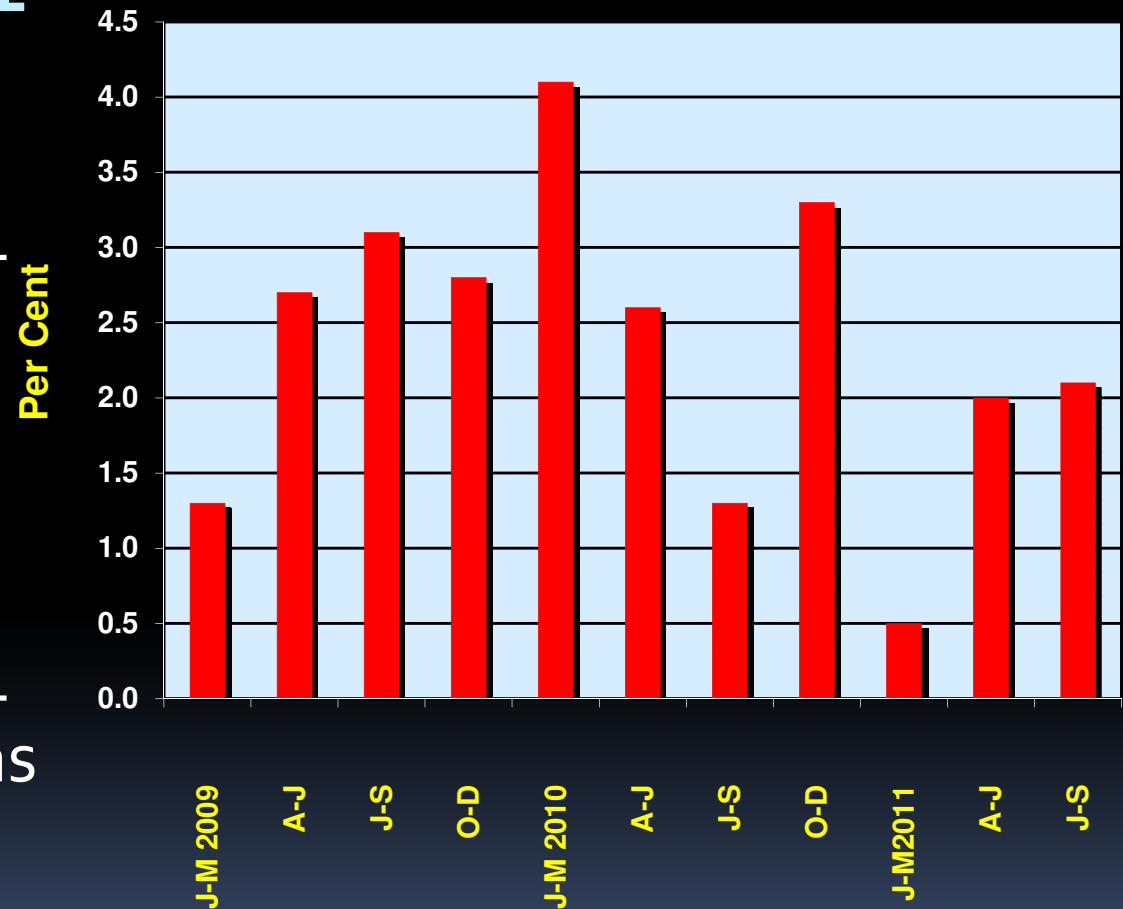
The Macroeconomic Environment

- The performance during the quarter took place against the background of:
 - Quarterly inflation rate of 2.1%
 - Fiscal deficit of \$35.9 billion
 - Real appreciation of the exchange rate

Inflation by Quarters

2009-2011

- For July - September 2011 inflation was **2.1%**
- For January - September 2011 inflation rate was **4.6%**



Inflation: Main Components

- Inflation during the quarter largely reflected increases in:
 - Food & Non Alcoholic Beverages (up 3.5%)
 - Communication (up 3.1%)
 - These two categories combined accounted for 78.0% of overall inflation during the quarter
- The main contributors to inflation were the higher prices for starchy foods and vegetables due to a return to normal prices following the glut.

Fiscal Accounts

- The fiscal deficit was **\$35.9 billion** for the quarter
 - This was **\$3.8 billion** higher than budgeted due to:
 - **\$3.9 billion** (4.3 per cent) less than programmed revenue
 - **\$0.1 billion** (0.1 per cent) less than programmed expenditure
- Revenue & Grants totalled **\$86.3 billion** in July - September 2011, while expenditure totalled **\$122.2 billion**.

Exchange Rate

- The average nominal exchange rate at the end of September 2011 was **\$86.30 per US\$1.00**, representing **0.5%** nominal depreciation compared with end of June 2011.
 - This translates into a real exchange rate appreciation of **1.1%** relative to the US dollar

External Trade

- A trade deficit of **US\$2 711.8 million** was recorded for January – July 2011, a worsening of **US\$575.0 million** compared with the similar period of 2010.
 - Imports for the period increased by **26.6 per cent** to **US\$3 680.6 million**
 - Mineral Fuels **US\$1 484.0 m** increased by **61.1%**.
 - Exports for the period increased by **25.6 per cent** to **US\$968.8 million**.
 - Crude materials - **US\$442.1 m**, up **58.2%** (**45.6%** of total exports)

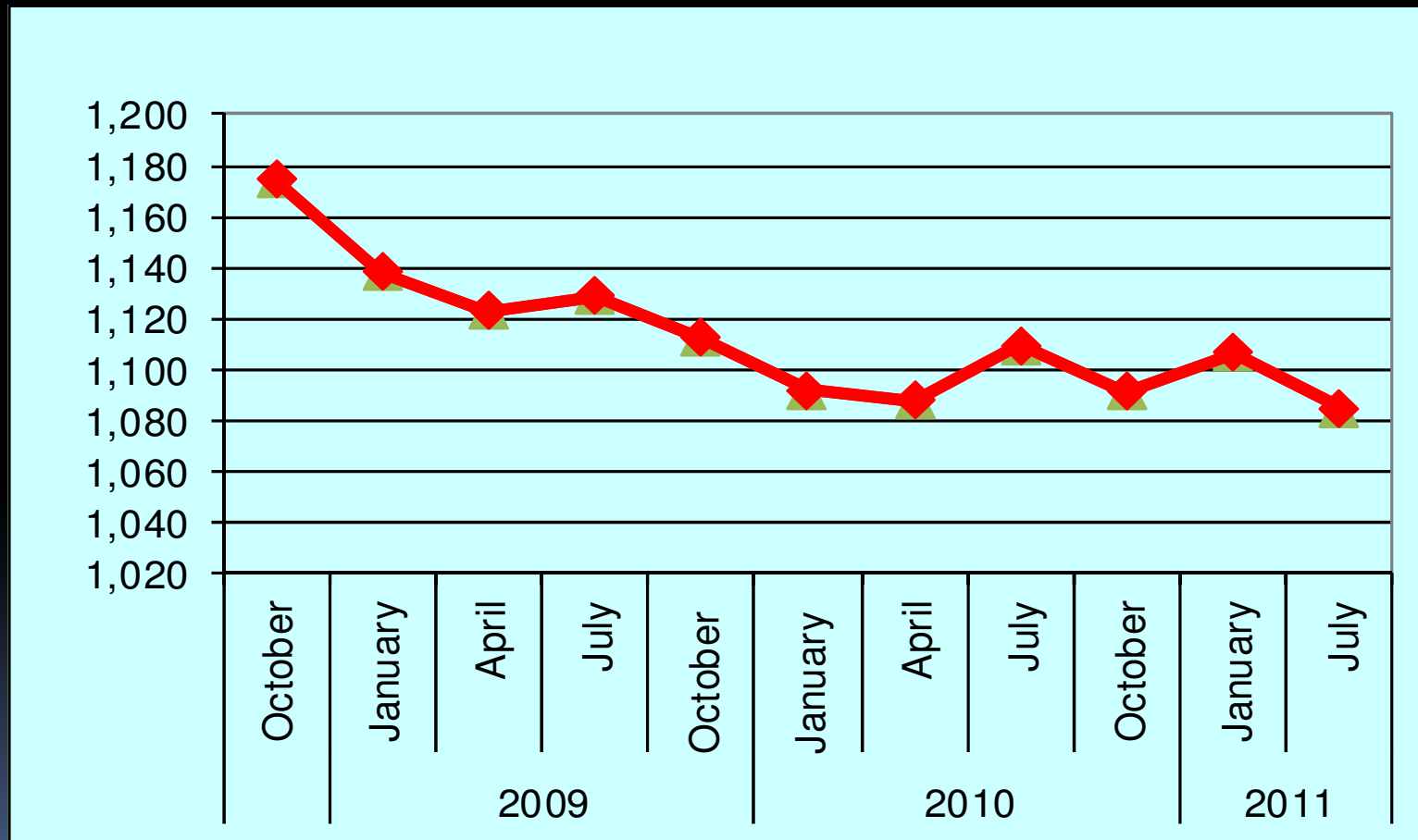
Remittances

- Remittance inflows for July - August 2011 amounted to **US\$345.2** million, up **9.1%** relative to the corresponding period of 2010.
- For January- August 2011 remittance inflows increased by **7.1%** to **US\$1,332.4** million

Employed Labour Force in Selected Industries

	2010	2011		Change Jul '11 – Jul '10
	July	January	July	
Agriculture, Hunting, Forestry & Fishing	222,300	194,900	191,100	-31,200
Mining & Quarrying	3,800	4,900	3,700	-100
Manufacturing	74,500	82,100	68,600	-5,900
Electricity, Gas and Water Supply	6700	8,700	7,900	1,200
Construction and Installation	93,600	87,500	86,200	-7,400
Wholesale & Retail, Repair of MV, C, Personal & HH goods	217,900	229,800	201,000	-16,900
Hotels & Restaurants Services	72,400	69,900	80,300	7,900
Transport, Storage and Communication	80,200	69,900	76,400	-3,800
Financial Intermediation	26,100	27,100	25,300	-800
Real Estate, Renting & Business Activities	55,400	55,200	66,500	11,100
Other Community, Social and Personal Service Activities	54,600	61,500	58,800	4,200

Employed Labour Force ('000)



Labour Market Indicators

- ❖ Total employed labour force fell by 25 000 persons to 1 084 300 compared with July 2010.
- ❖ The unemployment rate for July 2011 was 12.3 per cent compared with 11.6 per cent in July 2010.

Short-Term Prospects & Developments

October-December 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
 - Impact of second tranche of retroactive salary payments to public sector workers on aggregate demand
 - Boost in some economic activities (Transport & Communication; Manufacture - Food & Beverages; Wholesale & Retail Trade) due to the intensification of campaigning for general elections
- Downside Risks
 - Slower than anticipated growth in global economy due to debt crisis
 - Uncertainty (wait and see approach by investors) associated with the hosting of general elections

Inflation

October 2011

- The rate of inflation for October 2011 was **0.5%** largely reflecting:
 - Food & Non-Alcoholic Beverages, **up 0.7%**
 - Housing, Water, Electricity, Gas & Other Fuels, **up 1.6%**;

Tourism

October 2011

- Provisional data indicate:
 - Airport arrivals declined by 1.6%
 - Cruise passenger arrivals increased by 42.9%

Electricity October 2011

- Total electricity generation increased by **2.6 per cent** to 350.7 million KWh.
- Total electricity sales declined by **0.8 per cent** to 262.2 million KWh.

Mining & Quarrying

October 2011

- Total bauxite production grew by **9.9%** due to:
 - **14.9%** increase in alumina production
 - **5.0%** increase in crude bauxite production
- Total Bauxite exports declined by **24.2%** due to:
 - Alumina exports, down **39.0%**
 - Crude bauxite exports, down **2.9%**



Growth

October-December 2011

- Real GDP is projected to be within the range of **1.0%** to **2.0%** during October-December 2011 vis-a-vis October-December 2010