



Review of Economic Performance October–December 2013

Planning Institute of Jamaica

February 19, 2014

Overview: October–December 2013

- For October–December 2013, real GDP is estimated to have increased by **1.4%** relative to October–December 2012.
 - Goods Producing Industries grew by **4.0%**
 - Services Industries grew by **0.6%**.

Real Value Added in the Goods Producing Industries (%)

	Oct-Dec 2012	Jan-Mar 2013	Apr-Jun 2013	July-Sep 2013	Oct-Dec 2013
Goods Producing	-4.7	-4.5	-0.8	2.2	4.0
Agriculture, Forestry & Fishing	-7.7	-11.3	-6.3	5.4	10.0
Mining & Quarrying	-10.0	-8.8	6.6	6.4	12.0
Manufacture	-2.2	-1.8	-0.1	-0.9	-0.7
Construction	-3.3	0.6	1.9	2.1	2.0

Agriculture, Forestry & Fishing

- The Agriculture, Forestry & Fishing industry grew by an estimated **10.0%**, largely reflecting :
 - Other Agricultural Crops **up 10.6%**
 - Plantains up 41.8%; Condiments up 31.1%;Vegetables up 19.0%; Fruits up 11.2%; Potatoes up 8.6%
 - Traditional Export crops, **up 25.7%**
 - Banana up 57.4%
- Performance for the quarter reflected
 - Government Initiatives:
 - Disaster recovery programmes
 - Hurricane Sandy Recovery – which provided farmers with replacement materials
 - Drought Mitigation Programme – trucking of water to affected areas
 - Productivity enhancement – Agro Parks
 - Improved weather conditions

Mining & Quarrying

- Real Value Added for Mining & Quarrying grew by **12.0%**, reflecting higher alumina and crude bauxite production
 - Total bauxite production increased by 8.2% reflecting:
 - Alumina production up 15.5%
 - Average capacity utilization rate at alumina refineries increased to 44.8%, up 6.0 percentage points.
 - Increase in crude bauxite production by 2.9%
 - the bauxite capacity utilization rate increased to 92.0%, up 2.5 percentage points compared with the corresponding quarter of 2012.
 - The performance largely reflected:
 - Higher global demand for aluminum and bauxite
 - Recovery from the impact of Hurricane Sandy

Manufacture Industry

- Real Value Added for the Manufacture industry contracted by an estimated **0.7%**, due to:
 - Food, Beverages and Tobacco (**down 0.4%**) largely reflecting contractions in the Food Processing component:
 - Sugar down 57.1%; Animal Feeds down 0.7%; Condensed Milk down 12.2%
 - Beverages & Tobacco component was estimated to have increased due to Rum & Alcohol up 8.1% and Beer & Stout up 8.9%
 - Other Manufacture (**down 1.0%**) mainly influenced by:
 - Petroleum Products (LPG down 66.8%; ADO down 37.0%; Gasoline down 27.0%)
 - Chemicals & Chemical Products (Fertilizer down 6.3%; Aluminium Sulphate down 31.2%)
 - The decline in the Other Manufacture sub-industry was tempered by increased cement production, up 31.9%

Construction Industry

- Real Value Added for Construction increased by **2.0%**, reflecting higher levels of output for all components.
 - Building Construction estimated to have grown due to:
 - Increased housing starts, **up 50.0 per cent**
 - Increased value of Mortgages, **up 3.3 per cent**
 - Other Construction grew reflecting increased expenditure on civil engineering activities:
 - NROCC disbursed a total of \$8.3 billion, compared with no expenditure in the corresponding quarter of 2012
 - JPSCo disbursed \$3.0 billion up 83.7 per cent
 - NWC disbursed \$2.8 billion up 8.5 per cent.

Real Value Added for the Services Industries (%)

	Oct-Dec 2012	Jan-Mar 2013	Apr-Jun 2013	Jul-Sep 2013	Oct-Dec 2013
Services Industry	-0.2	-0.1	0.0	-0.1	0.6
Electricity & Water	-3.8	-3.0	-2.0	-3.5	1.1
Transport, Storage & Communication	2.2	0.6	0.0	0.2	1.0
Wholesale & Retail Trade; Repair and Installation of Machinery	-2.1	0.0	-0.2	-0.1	0.2
Finance & Insurance Services	0.8	0.7	0.7	0.3	0.2
Real Estate, Renting & Business Activities	0.4	0.4	0.2	0.2	0.1
Producers of Government Services	0.2	-0.1	-0.2	-0.2	-0.5
Hotels and Restaurants	1.4	-2.2	0.6	0.7	5.6
Other Services	0.4	-0.2	-0.1	0.0	0.5

Electricity & Water

- The Electricity & Water industry recorded an increase of **1.1%** in real value added, reflecting higher electricity consumption and water production
 - Electricity consumption increased by **1.1%** reflecting increased consumption by all categories except for residential:
 - Small Businesses(Rate 20), **up 0.5%**
 - Medium Sized Business (Rate 40), **up 2.5%**
 - Large Power Businesses (Rate 50), **up 1.7%**
 - Other (Power Interchange Customers, e.g. Bauxite Co.), **up 11.9%**
 - Water production grew by **1.8%**
 - Western division (up 7.9%)
 - Eastern division (down 1.7%)

Transport, Storage & Communication

- Real value added for Transport, Storage & Communication grew by 1.0% due to:
 - Increased activities in the Transport & Storage component
 - air transport component with total air passenger movements up 6.0 %
 - the volume of cargo handled at the island's ports, increased by 1.4%
 - Out-ports (up 19.0%); Port of Kingston (down 16.7%).
 - The Telecommunications component is estimated to have grown due to lower call rates relative to the corresponding quarter of 2012.

Finance & Insurance Services Industry

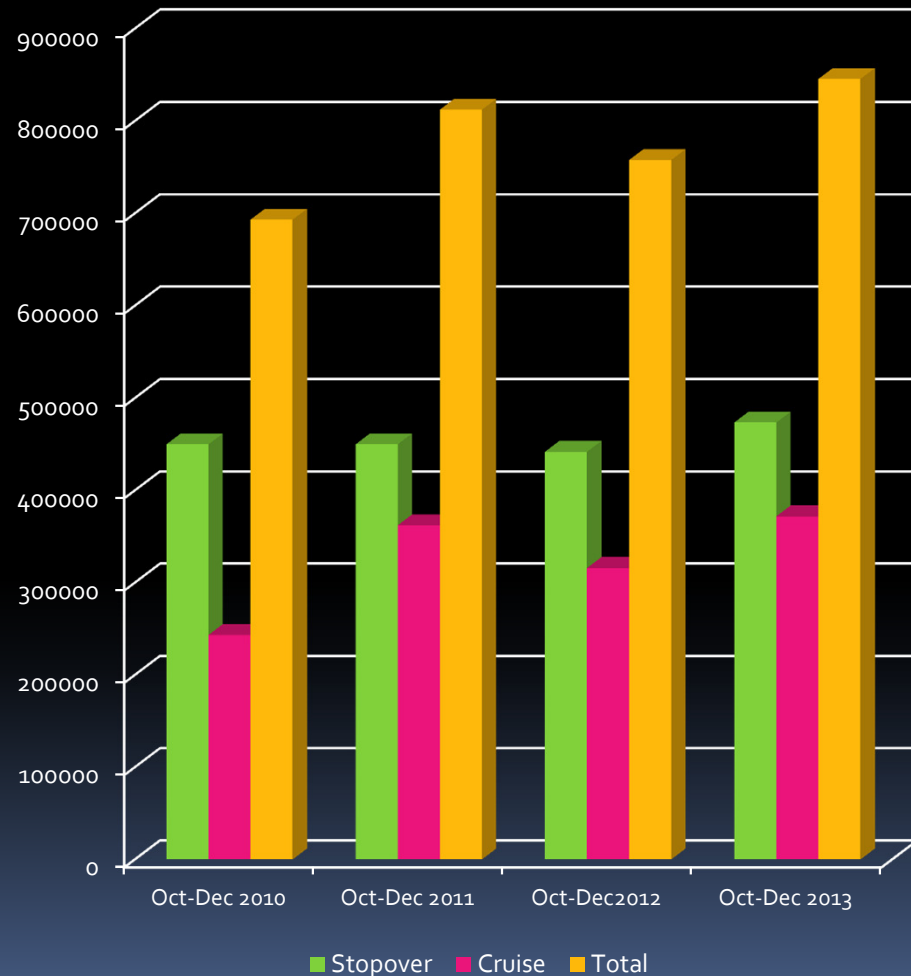
- Real value added in the Finance & Insurance industry grew by **0.2%** during the quarter, due to:
 - an increase in the total assets at deposit taking institutions
 - an increase in fees and commissions income
 - an increase in the net interest income
- The value of Non-Performing Loans has been trending downwards in 2013, reaching **5.8%** in September 2013, compared with **7.1 %** in September 2012.

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

- Real Value Added in the WRTRIM industry grew by **0.2%** due to:
 - Increased business confidence
 - Higher values of ABM & POS transactions;
 - Higher stock of new loans at Commercial Banks for personal consumption
- Higher sales were recorded for five of the nine categories which accounted for 51.3 per cent of total sales, including:
 - Minerals, Fuels, Lubricants & Petroleum Products **up 7.3%**
 - Hardware, Buildings Supplies & Electrical Goods, **up 12.1%**
 - Chemicals, Pharmaceuticals, and Cosmetics, **up 8.0%**
 - Furniture, Furnishings, Office Equipment & Jewellery, **up 4.0%**

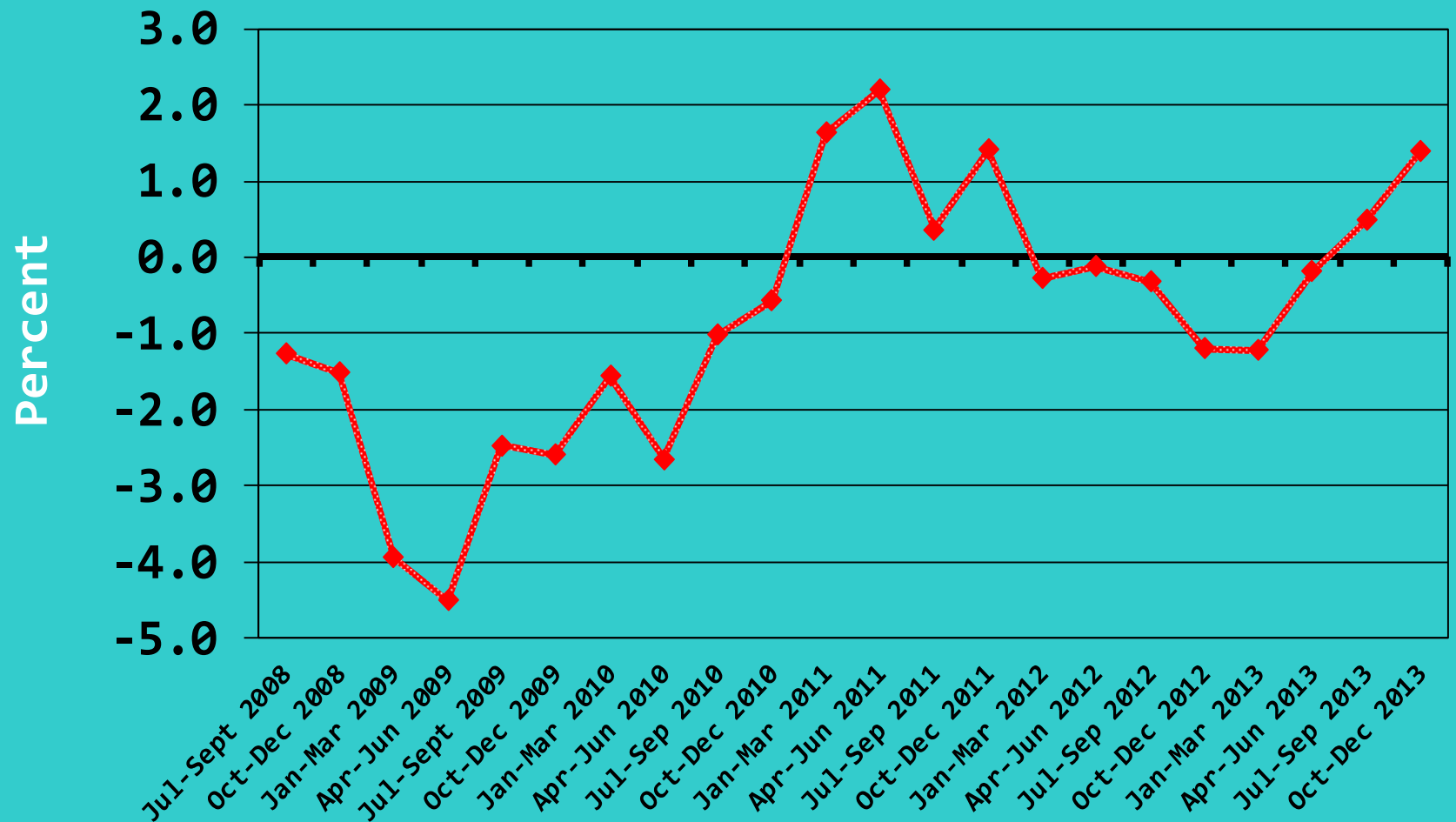
Tourism

- Real Value Added for Hotels & Restaurants **grew** by an estimated **5.6%**
- Total arrivals, **up 11.6%**
- Stopover arrivals, **up by 7.2%**.
- Cruise passenger arrivals, **up 17.7%**



Quarterly Real Value Added Growth (%) 2008-2013

GDP Chart

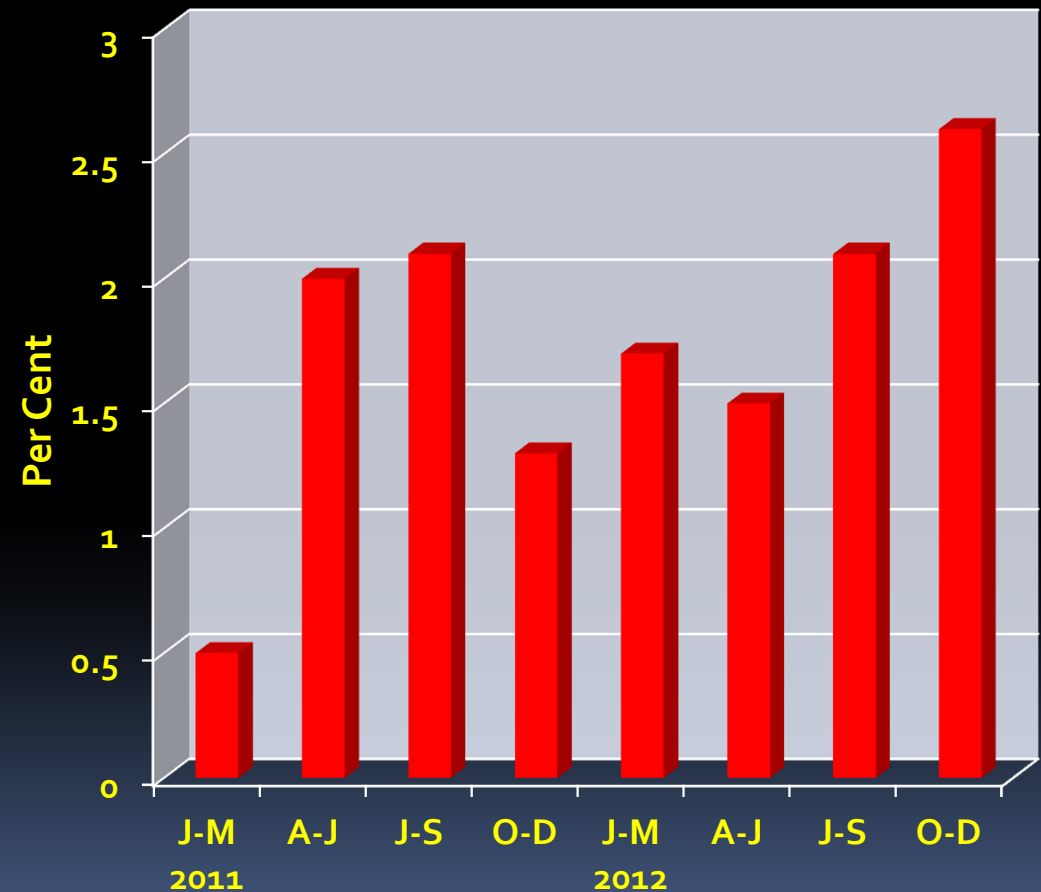


The Macroeconomic Environment

- The performance during the quarter took place against the background of:
 - Quarterly inflation rate of **1.9%**
 - Fiscal deficit of **\$9.5 billion**
 - Real depreciation of the exchange rate.

Inflation by Quarters 2011-2013

- For October–December 2013 inflation was **1.7%**
- For 2013 inflation rate was **9.5%**



Inflation: Main Components

- Inflation during the quarter largely reflected increases in:
 - Food & Non Alcoholic Beverages (up 1.7%); and
 - Housing, Water, Electricity, Gas & Other Fuels (up 3.5%)
 - These two categories combined accounted for 68.0% of overall inflation during the quarter
- Higher prices for the quarter reflected:
 - cost for food
 - electricity and water rates
 - Depreciation of the domestic currency vis-à-vis the US dollar

Fiscal Accounts

- The fiscal deficit was **\$9.5 billion** for the quarter
 - This was \$1.7 billion worse than budgeted due to:
 - **\$6.9 billion** (6.9 per cent) less than programmed revenue
 - **\$5.2 billion** (4.8 per cent) less than programmed expenditure
- Revenue & Grants totalled **\$93.6 billion** in October - December 2013, while expenditure totalled **\$103.1 billion**.

Exchange Rate

- The average nominal exchange rate at the end of December 2013 was **\$106.38 per US\$1.00**, representing **2.6%** nominal depreciation compared with end of September 2013.
 - This translates into a real exchange rate depreciation of **0.4%** relative to the US dollar

Remittances

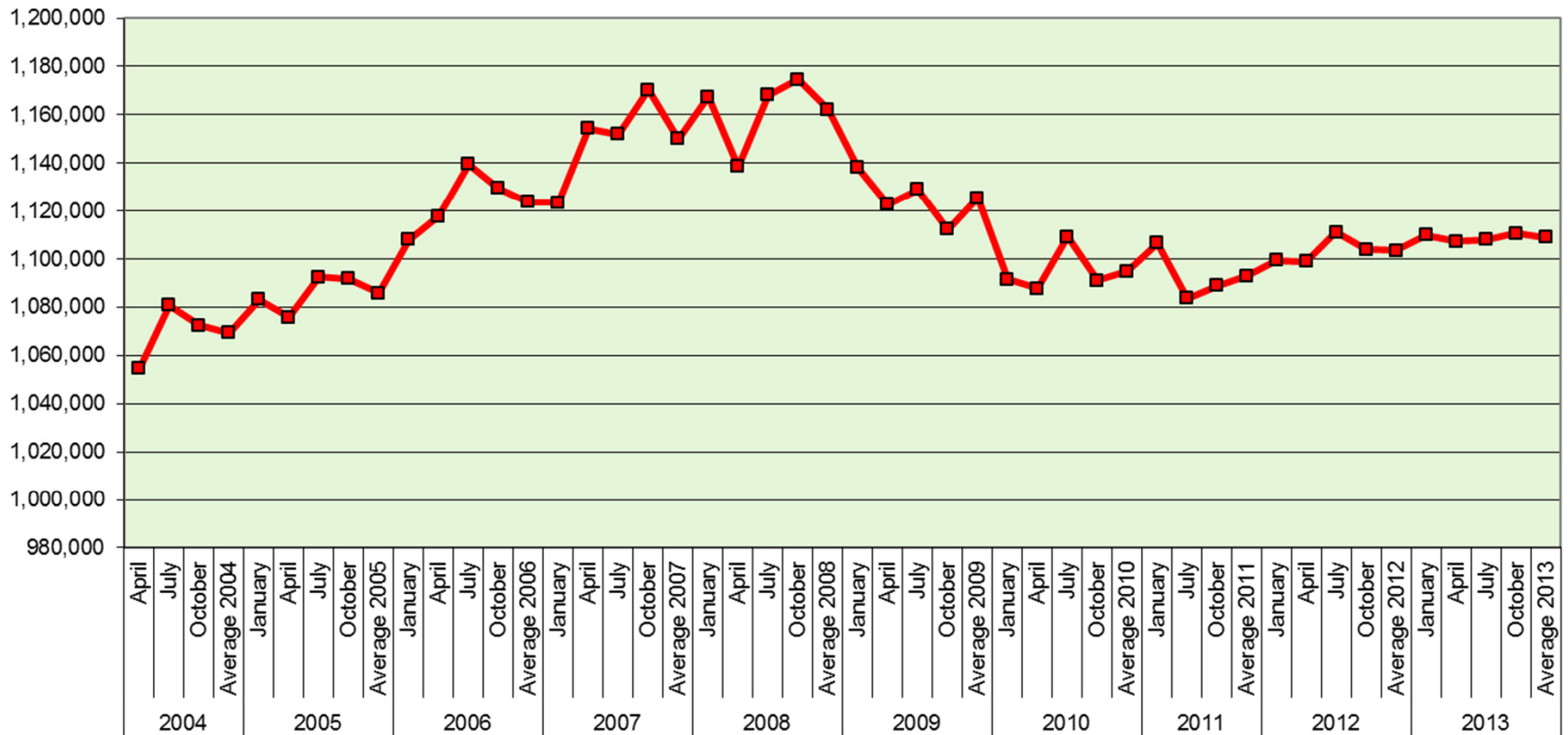
- Remittance inflows for October and November 2013 amounted to **US\$338.6** million, up **US\$17.4** million relative to the corresponding period of 2012
- For January to November 2013 remittance inflows increased by **US\$24.1** million to **US\$1 870.4** million.

Employed Labour Force in Selected Industries

	2012	2013				Absolute Change Oct 13 – Oct 12
	October	January	April	July	October	
Agriculture, Hunting, Forestry & Fishing	204,800	200,900	205,900	202,700	200,000	-4,800
Mining & Quarrying	6,100	5,300	4,700	5,400	6,200	100
Manufacturing	69,300	74,800	70,900	68,200	73,600	4,300
Electricity, Gas and Water Supply	7,900	8,300	7,800	8,700	9,000	1,100
Construction and Installation	79,000	81,600	82,200	84,800	83,500	4,500
Wholesale & Retail, Repair of MV, C, Personal & HH goods	221,400	226,500	234,100	213,400	212,100	-9,300
Hotels & Restaurants Services	79,400	79,700	68,100	74,900	80,300	900
Transport, Storage & Comm.	72,800	72,300	69,700	75,000	73,700	900.0
Financial Intermediation	23,700	26,100	28,600	24,600	24,700	1,000.0
Real Estate, Renting & Business Activities	57,600	62,100	64,900	70,000	66,600	9,000.0
Public Administration & Defence	58,600	55,200	53,600	61,000	56,800	-1,800.0
Education	74,400	70,600	72,100	68,100	73,800	-600.0
Health & Social Work	26,200	30,800	31,000	34,100	34,600	8,400.0
Other Community, Soc & Per Services	63,600	55,300	56,900	59,900	59,700	-3,900.0
Priv. Households with Employed Persons	56,100	55,800	54,000	56,100	53,400	-2,700.0
Industry Not Specified	3,100	4,700	2,900	1,200	2,700	-400.0

Employed Labour Force ('000)

TOTAL EMPLOYED LABOUR FORCE



Labour Market Indicators

- ❖ Total employed labour force increased by **6 700** persons to 1 110 700 compared with October 2012 and by **2 600** persons compared with July 2013
- ❖ The unemployment rate for October 2013 was **14.9%** compared with **14.0%** in October 2012 and **15.4%** in July 2013.

Short-Term Prospects & Developments January–March 2014

- Short-term prospects for the economy are generally positive based on:
 - Continued strengthening of the performance of most industries from downturn recorded in similar quarter of 2013. Growth to be led by performance of the Goods Producing Industry
 - Increased external demand particularly for the Mining & Quarrying and Tourism industries
 - Improved confidence levels based on the conclusion of another successful quarterly review by the IMF
 - Continued implementation of strategic investment projects (Agro Parks, Hotel Construction etc.)

- Downside Risks
 - Impact of fiscal tightening on capital expenditure
 - Continued weakening of commodity prices, particularly for metals and agriculture

Inflation

January 2014

- The rate of inflation for January 2014 was **0.5%** largely reflecting higher prices for Furnishings, Household Equipment & Routine Household Maintenance, **up 2.9%** due to:
 - higher prices for Goods & Services for Routine Household Maintenance up 4.2% (due mainly to increased minimum wage implemented during the period).

Tourism

January 2014

- Provisional data indicate:
 - Airport arrivals increased by 4.7%
 - Cruise passenger arrivals declined by 11.8%

Electricity January 2014

- Total electricity generation decreased by 0.8% to 341.9 Million kilowatt hours
- Total electricity sales grew by 1.2% to 254.6 Million kilowatt hours.

GDP January–March 2014

- Real GDP is projected to grow within the range of 1.0% to 2.0% during January–March 2014 vis-à-vis January–March 2013