



Review of Economic Performance April–June 2014

Planning Institute of Jamaica

August 20, 2014

Overview

April to June 2014

- Real GDP grew by an estimated **1.2%** for April–June 2014 relative to the similar period of 2013, reflecting growth of:
 - an estimated **3.6%** in the Goods Producing Industry
 - **0.5%** in the Services Industry

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

| | Apr-Jun 2013 | Jul-Sep 2013 | Oct-Dec 2013 | Jan-Mar 2014 | Apr-Jun 2014 |
|------------------------|-----------------|-----------------|-----------------|-----------------|-------------------------|
| GOODS PRODUCING | -0.7 | 2.3 | 4.9 | 5.5 | 3.6 |
| Agriculture | -6.5 | 5.4 | 13.2 | 17.7 | 12.5 |
| Mining | 5.2 | 5.0 | 11.5 | 8.5 | -0.6 |
| Manufacture | 0.4 | -0.6 | -1.1 | -1.2 | -0.3 |
| Construction | 2.2 | 2.2 | 2.8 | 1.2 | 1.0 |

Agriculture

- Real Value Added in the Agriculture industry **grew** by **12.5%** based on PIOJ's production index:
 - Traditional Export crops, **up 92.1%**
 - Other Agricultural Crops **up 5.5%**
 - Animal Farming **up 0.9%**
- This performance largely reflected:
 - Recovery from the impact of Hurricane Sandy which affected production during the corresponding quarter in 2013
 - The continuation of drought mitigation measures
 - Increased output from Agro Park production

Mining & Quarrying

- Real Value Added **declined** by **0.6%** reflecting:
 - Decline in production of the heavier weighted alumina component as crude bauxite production increased
- The decline in Alumina production (**down 4.2%**) reflected lower output levels at both operating plants:
 - Windalco's Ewarton plant (**down 10.4%**) reflecting a one-week closure for maintenance
 - Jamalco (**down 1.7%**)
- Crude bauxite production (**up 13.3%**) was impacted by higher global demand resulting in an increase of 11.8 percentage points in the Bauxite Capacity Utilization rate.

Manufacture Industry

- Real Value Added was estimated to have declined by **0.3 per cent** reflecting declines in:
 - Non-Metallic Minerals
 - Cement, down 0.5%
 - Rubber & Plastic Products
 - Other Plastic Products, down 18.9%
 - Increased output was recorded for:
 - Animal Feeds (up 0.9%)
 - Poultry Meat (up 1.4%)
 - Sugar, up 109.1%
 - Molasses, up 151.7%
 - Fuel Oil (up 30.3%)
 - Automotive Diesel Oil (up 50.2%)

Construction

- Real Value Added in the Construction industry **grew** by **1.0%**, reflecting:
 - Growth in the Other Construction component due to higher expenditure by:
 - NROCC up \$6.0 billion to \$6.2 billion
 - Telecommunications up \$1.6 billion to \$2.2 billion
 - JPS up \$0.2 billion to \$1.2 billion
 - The Building Construction is estimated to have contracted due to:
 - Lower levels of Residential Construction:
 - Declines in the number of housing starts (**down 46.6%**), housing completions (**down 42.5%**) and the volume (**down 55.4%**) and value (**down 24.0%**) of mortgages for the period
 - This was partially mitigated by increased hotel construction activities

Real Value Added Growth in the Services Industries (%)

| | Apr-Jun 2013 | Jul-Sep 2013 | Oct-Dec 2013 | Jan-Mar 2014 | Apr-Jun 2014 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| SERVICES INDUSTRY | -0.1 | -0.1 | 0.7 | 0.3 | 0.5 |
| Electricity & Water Supply | -2.0 | -3.6 | 1.0 | 0.5 | -1.6 |
| Transport, Storage & Communication | -0.7 | 0.4 | 1.1 | 0.7 | 1.3 |
| Wholesale & Retail Trade; Repair & Installation of Mach. | -0.5 | -0.1 | 0.1 | 0.1 | 0.3 |
| Finance & Insurance Services | 0.5 | 0.2 | 0.4 | 0.2 | 0.2 |
| Real Estate, Renting & Business Services | 0.3 | 0.3 | 0.4 | 0.6 | 0.2 |
| Government Services | -0.3 | -0.3 | -0.2 | -0.2 | -0.2 |
| Hotels & Restaurants | 0.7 | 0.9 | 5.9 | 0.2 | 2.7 |
| Other Services | 1.0 | -0.8 | 0.8 | 0.4 | 1.0 |

Electricity & Water

- Real value added for the Electricity & Water industry **declined** by **1.6%**:
 - Electricity Consumption, **down 1.7%** reflecting lower sales to:
 - Residential customers, down 1.6% to 241.5 million kWh
 - General Service (small businesses), down 2.7% to 146.6 million kWh
 - Large Power (Businesses using more than 500kVa), down 0.2% to 149.2 million kWh
 - Water production down **1.2%**, due to:
 - **5.0% decline** in the Eastern division
 - **4.9% increase** in the Western division

Transport, Storage & Communication

- Real Value Added for Transport, Storage & Communication **grew by 1.3%** due to:
 - Growth in the Transport & Storage segment reflecting:
 - An increase of **6.4%** in Maritime Cargo volume handled due to growth of **10.3%** in Cargo handled at Outports, as Cargo handled at the Port of Kingston declined by **1.6%**
 - The Communication component is estimated to have grown mainly reflecting increased telecommunications activities associated with intensified competition among the players.

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

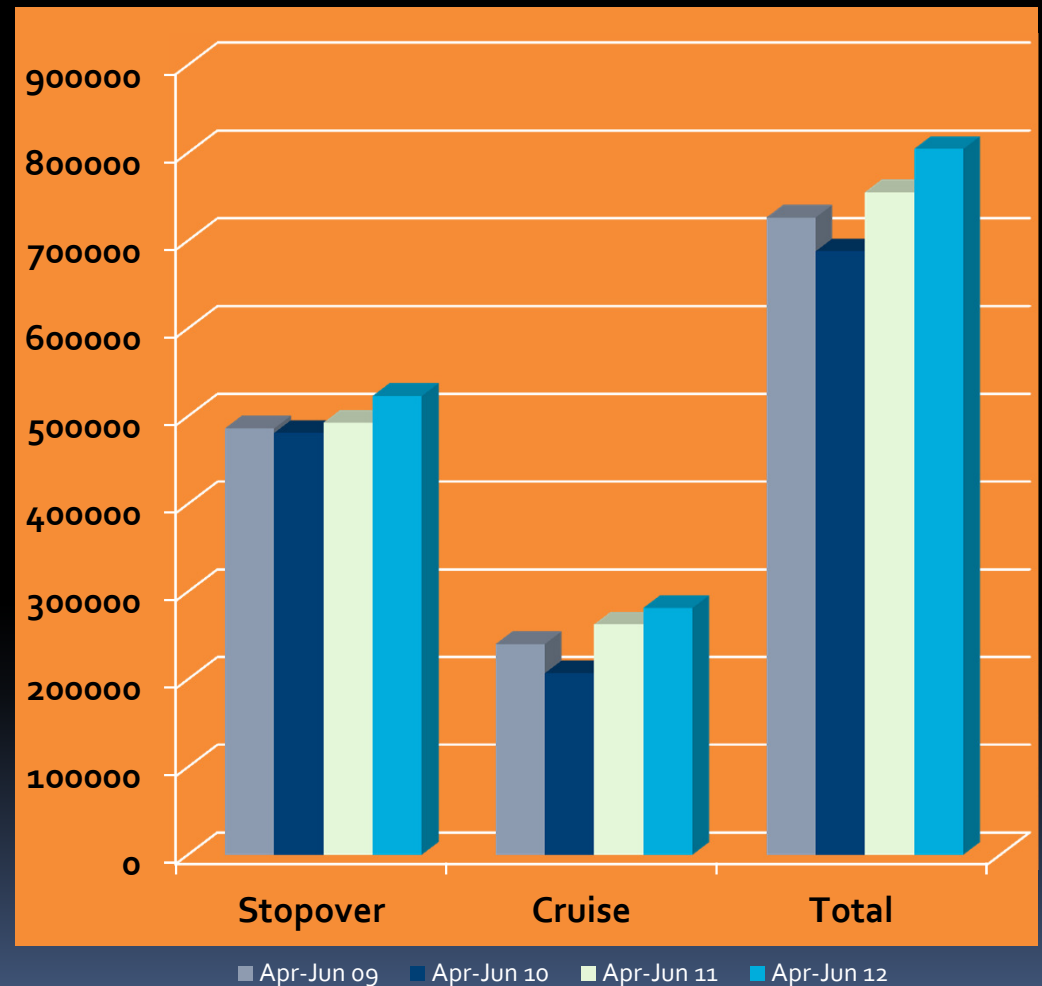
- Real Value Added for the WRTRIM industry **increased by 0.3%** due to:
 - Higher gross sales levels reflecting:
 - Increases in the volume (up 8.0%) and value (up 17.1%) of ABM and Point of Sale Transactions, respectively
 - Improvements in the performance of the Agriculture & Construction industries
 - Higher sales were recorded for:
 - Wholesale & Repair of Household Goods, up 11.8%
 - Agriculture, Food, Beverages & Tobacco, up 5.7%
 - Textiles, Clothing, Shoes & Jewellery, up 2.7%
 - Electronic & Internet Retail, up 7.4%

Finance & Insurance Services

- Real value added for the Finance & Insurance Industry increased by an estimated **0.2%** reflecting increases in:
 - net-interest income
 - fees and commission income
 - total assets at commercial banks and FIA institutions

Tourism

- Real Value Added for Hotels & Restaurants **increased by 2.7%**
- Total Visitor Arrivals, **up 10.0%**
- Stopover Arrivals, **up 3.1%**
- Cruise Passenger Arrivals, **up 24.7%**
- Visitor Expenditure, **up 5.7% to US\$541.1 million**



The Macroeconomic Environment

- The performance during the quarter took place against the background of:
 - Quarterly inflation rate of 0.8%
 - Fiscal deficit of \$14.2 billion
 - Depreciation of the exchange rate.

Inflation

- Inflation for the April–June 2014 quarter was **0.8%** due mainly to the increase in Food & Non Alcoholic Beverages (**up 1.6%**). This division accounted for **78.0%** of overall inflation.
- The out-turn reflected:
 - Increased cost for international crude oil
 - Higher grain prices on the international market
 - Depreciation of the Jamaican dollar
- For January–June 2014 the inflation rate was **2.4%**

Fiscal Accounts

- The fiscal deficit was **\$14.2 billion** for the quarter
 - This was **\$2.8 billion** better than budgeted due to:
 - **\$6.3 billion (5.7 per cent)** less than programmed expenditure
 - **\$3.5 billion (3.7 per cent)** lower than programmed revenue
- Revenue & Grants totalled **\$89.7 billion** in April–June 2014, while Expenditure totalled **\$103.9 billion**.

Exchange Rate

- The average nominal exchange rate at the end of June 2014 was **\$112.2 per US\$1.00**, representing **2.3%** nominal depreciation compared with end of March 2014.
 - This translates into a real exchange rate depreciation of **2.5%** relative to the US dollar

Labour Market Indicators

| ITEM | 2013 | | | | 2014 | |
|---------------------------------|-------------------|------------------|------------------|------------------|------------------|------------------|
| | January | April | July | October | January | April |
| | BOTH SEXES | | | | | |
| TOTAL POPULATION | 2,711,500 | 2,713,100 | 2,714,700 | 2,716,400 | 2,718,000 | 2,719,600 |
| Population 14 years and over | 2,074,900 | 2,076,100 | 2,077,300 | 2,078,600 | 2,079,800 | 2,081,000 |
| Labour Force | 1,297,600 | 1,322,400 | 1,309,400 | 1,304,500 | 1,305,100 | 1,311,100 |
| Employed Labour Force | 1,110,000 | 1,107,300 | 1,107,900 | 1,110,500 | 1,130,100 | 1,133,000 |
| Unemployed Labour Force | 187,500 | 215,100 | 201,600 | 194,000 | 175,000 | 178,100 |
| Outside The Labour Force | 777,300 | 753,700 | 767,900 | 774,100 | 774,700 | 769,900 |
| Employment Rate | 85.5 | 83.7 | 84.6 | 85.1 | 86.6 | 86.4 |
| Unemployment Rate | 14.5 | 16.3 | 15.4 | 14.9 | 13.4 | 13.6 |

Labour Market Indicators

- ❖ Total **employed labour force** increased by **25 700 persons** to 1 133 000 compared with the April 2013.
- ❖ Total **unemployed labour force** decreased by **37 000 persons** in April 2014 compared with the level recorded in April 2013. This reflected a fall in the labour force (**down 11 300 persons**) and the increase in the employed labour force.
- ❖ The **unemployment rate** for April 2014 was **13.6 per cent** compared with a rate of 16.3 per cent in April 2013.

Short-Term Prospects & Developments

July–September 2014

- Short-term prospects for the overall economy are generally positive based on:
 - Increased investor confidence linked to expectations of growth in the economy and improved investment prospects
 - Implementation of several growth inducing capital projects approved in the 2014/2015 budget in the areas of logistics; hotel; and road construction
 - Continuing global economic recovery
- Downside Risks
 - Protracted drought conditions
 - Hurricane season
 - Sharp movements in commodity prices

Inflation

July 2014

- Inflation for July 2014 was **1.4%**, largely reflecting:
 - Food and Non-Alcoholic Beverages (**up 2.0%**)
 - Vegetables & Starchy Foods was the largest contributor to higher prices for food due to drought conditions
 - Housing, Water, Electricity, Gas and Other Fuels (**up 2.2%**) largely reflecting:
 - the higher cost for electricity

Tourism

July 2014

- Provisional data indicate:
 - Airport arrivals increased by 7.7% to 221 490 passengers

Mining & Quarrying

July 2014

- Total bauxite production increased by **7.8%** due to:
 - **11.0%** increase in crude bauxite production
 - **1.2%** increase in alumina production
- Total Bauxite exports increased by **22.7%** due to:
 - Alumina exports, up **32.1%**
 - Crude bauxite exports, up **9.2%**

Electricity & Water Supply

July 2014

- Total electricity generation increased by **0.3%** to 367.6 million kwh
- Total electricity sales declined by **1.4%** to 263.8 million kwh
- Total electricity consumption declined by **1.4%** to 264.8 million kwh

Growth

July–September 2014

- Real GDP is projected to grow within the range of 0.0% to 1.0% during July–September 2014 vis-à-vis July–September 2013.