



Review of Economic Performance

July–September 2014

Planning Institute of Jamaica

November 19, 2014

Overview: July–September 2014

- For July–September 2014, real GDP is estimated to have contracted by **0.8%** relative to July–September 2013.
 - Real value added in the Goods Producing Industries declined by **5.5%**
 - Real value added for the Services Industries grew by **0.6%**

Real Value Added in the Goods Producing Industries (%)

	Jul-Sep 2013	Oct-Dec 2013	Jan-Mar 2014	Apr-Jun 2014	July-Sep 2014
Goods Producing	2.3	4.9	5.5	6.3	-5.5
Agriculture, Forestry & Fishing	5.4	13.2	17.2	16.6	-21.0
Mining & Quarrying	5.0	11.5	8.5	-0.4	-2.0
Manufacture	-0.6	-1.1	-1.2	4.1	-0.2
Construction	2.2	2.8	1.2	1.2	1.2

Agriculture, Forestry & Fishing

- The Agriculture, Forestry & Fishing industry declined by an estimated **21.0%**, reflecting:
 - Other Agricultural Crops **down 32.9%** due to declines in production in all crop groups
 - Potatoes, **down 47.9%**; Vegetables, **down 45.0%**; Condiments, **down 44.4%**
 - Other components which recorded contractions were:
 - Traditional Export crops, **down 1.0%**; cent; and Post Harvest activities, **down 41.8per cent**
- The fall-off in the industry was due to:
 - Drought conditions which curtailed planting activities and lowered yields for crops;

Mining & Quarrying

- Real Value Added for Mining & Quarrying declined by **2.0%**, largely reflecting the combined effect of lower output of the heavier weighted alumina and an increase in crude bauxite production:
 - Alumina production, down **3.2%**
 - Lower production at Jamalco (down 3.4%) and WINDALCO (down 2.8%)
 - average capacity utilization rate at alumina refineries decreased to 39.9%, down 1.3 percentage points.
 - Crude bauxite production, up **2.2%**
 - Increased demand
 - Bauxite capacity utilization rate increased by 1.8 percentage points to 86.0%

Manufacture

- Real Value Added for the Manufacture industry was estimated to have declined by **0.2%**, explained by:
 - A decline in Other Manufacture influenced mainly by:
 - Fall in production of Petroleum products due to the closure of the refinery during August and September 2014, for maintenance purposes
 - Refined Petroleum products (Gasolene, down 64.8%; LPG down 65.0%; Automotive Diesel Oil, down 69.4%).
 - Food, Beverages and Tobacco grew reflecting the combined effect of:
 - Increased output the food processing component reflecting higher poultry and sugar production
 - Downturn in the Beverages & Tobacco component due to lower Beer & Stout production

Construction

- Real Value Added for Construction grew by **1.2%**, reflecting:
 - Growth in **Other Construction** due mainly to increased capital expenditure by NROCC \$8.6 billion (up by \$7.4 billion)
 - Ongoing **Building Construction activities** resulting from continued non-residential construction projects (hotels & BPO expansion) which began in the first half of 2014.
 - Increase in the volume of cement production by 1.3% to 207 866 tonnes

Real Value Added for the Services Industries (%)

	Jul-Sep 2013	Oct-Dec 2013	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014
Services Industry	-0.1	0.7	0.3	0.4	0.6
Electricity & Water	-3.6	1.0	0.5	-1.6	-0.8
Transport, Storage & Communication	0.4	1.1	0.7	1.0	1.3
Wholesale & Retail Trade; Repair and Installation of Machinery	-0.1	0.1	0.1	0.1	0.2
Finance & Insurance Services	0.2	0.4	0.2	0.2	0.3
Real Estate, Renting & Business Activities	0.3	0.4	0.6	0.6	0.5
Producers of Government Services	-0.3	-0.2	-0.2	-0.2	-0.2
Hotels and Restaurants	0.9	5.9	0.2	2.3	3.9
Other Services	-0.8	0.8	0.4	1.1	1.5

Electricity & Water

- Real value added in the Electricity & Water industry contracted by an estimated **0.8%**, reflecting declines in electricity consumption and water production
 - Electricity consumption, **down 0.6%** due to declines in generation recorded in the following categories
 - Other (Power interchange customers e.g. bauxite companies) **down 12.2%**
 - Large Power (Businesses using more than 500kVa) **down 1.8%**
 - Residential, **down 0.5%**
 - Water production, **down 2.9%** reflecting the combined effect of a:
 - **7.1%** decline in the Eastern division
 - **3.6%** increase in the Western division

Transport, Storage & Communication

- Real value added for Transport, Storage & Communication grew by **1.3%** reflecting an expansion in the **Transport & Storage**; and the **Communication** components of the industry.
 - Transport component grew reflecting increased levels of activities at seaports:
 - Cargo volume handled at the islands seaports increased by 2.3% to 3.9 million tonnes:
 - Outports, up 3.3% to 2.6 million tonnes – driven largely by increased Bauxite exports; Port of Kingston, up by 408 tonnes to 1.2 million tonnes
 - Airport activities were estimated to have increased due to 6.4% increase in total air passenger movements
 - Increased Communication activities were associated with an intensification of competition among major service providers

Financial Services

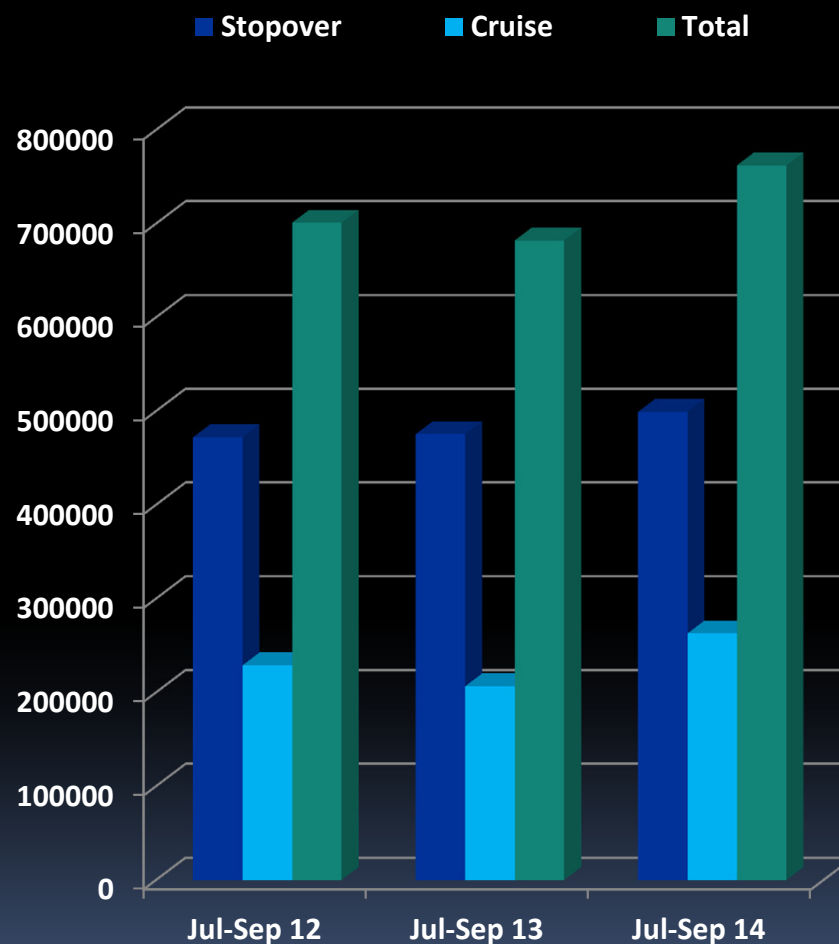
- Real value added in the Finance & Insurance industry increased by 0.3% during the quarter, due largely to:
 - Increased net interest income at deposit taking institutions
 - Real increase in total assets at deposit taking institutions.

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

- Real Value Added in the WRTRIM industry **grew by 0.2%** supported by:
 - Increased volume (6.1%) and value (11.7%) of Automated Banking Machines and Point of Sale transactions
 - An improvement in the related Construction industry
- Higher sales were recorded in 4 of the 8 goods categories:
 - Other Wholesale & Retail Sale of Goods & Services in Specialized & Non-Specialized Stores, up 5.1%
 - Textiles, Clothing, Shoes & Jewellery, up 4.0%
 - Wholesale & Repair of Household Goods & Office Equipment, up 3.6%
 - Minerals, Fuels, Lubricants & Petroleum Products, up 2.4%

Hotels & Restaurants

- Real Value Added for Hotels & Restaurants **grew by 3.9%**. This was due to increases in:
 - Cruise passenger arrivals, **up 27.3%**
 - Stopover arrivals, **up by 5.0%** resulting in Total arrivals, **up 11.8%**
 - Provisional visitor expenditure, **up 6.8%** to **US\$523.0 million**



Quarterly Real Value Added Growth (%) 2007-2014

GDP Table

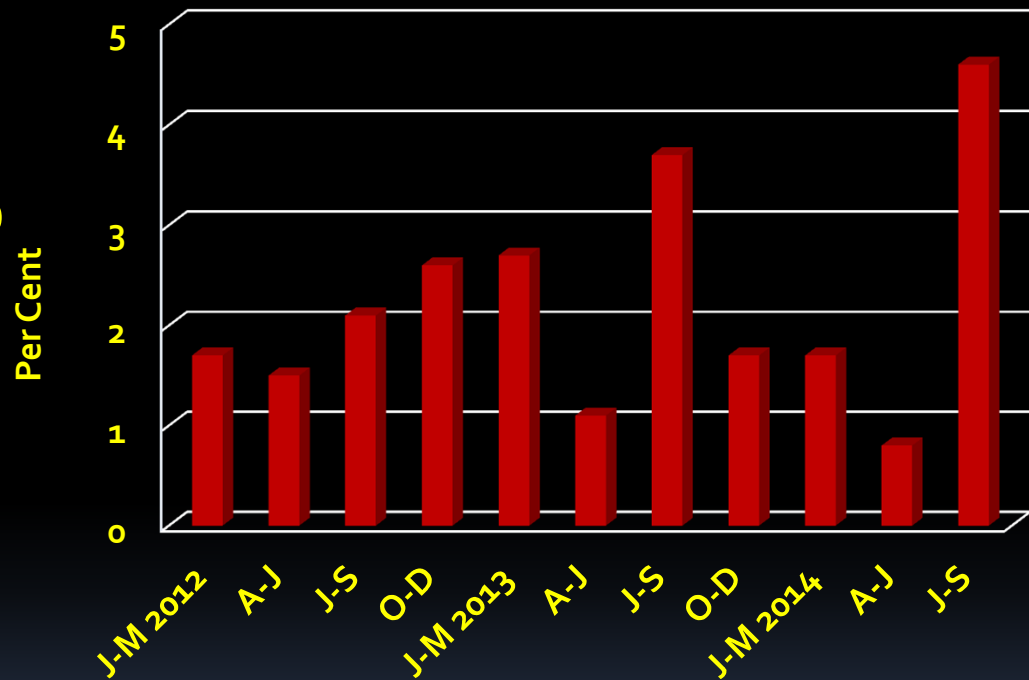


The Macroeconomic Environment

- The performance during the quarter took place against the background of:
 - Quarterly inflation rate of 4.6%
 - Fiscal deficit of \$5.2 billion
 - Real appreciation of the exchange rate

Inflation

- For July–September 2014 inflation was **4.6%**
- For January–September 2014 inflation rate was **7.2%**



Inflation: Main Components

- Inflation during the quarter largely reflected
 - Food & Non Alcoholic Beverages (up 7.8%)
 - Food & Non Alcoholic accounted for 70.0% of overall inflation
 - Transport (up 4.3%)
 - Education (up 3.9%)
- The main contributors to inflation were
 - Drought conditions which resulted in the higher cost for *Vegetables & Starchy Foods*
 - Increased fares for public transportation

Fiscal Accounts

- The fiscal deficit was **\$5.2 billion** for the quarter
 - This was **\$3.0 billion** less than budgeted due to:
 - **\$7.1 billion** (6.5 per cent) less than programmed expenditure
 - **\$4.1 billion** (4.0 per cent) less than programmed revenue
- Revenue & Grants totalled **\$97.7 billion** in July–September 2014, while Expenditure totalled **\$102.9 billion**.

Exchange Rate

- The average nominal exchange rate at the end of September 2014 was **\$112.67 per US\$1.00**, representing **0.4%** nominal depreciation compared with end of June 2014
 - This translates into a real exchange rate appreciation of **4.2%** relative to the US dollar.

External Trade

- A trade deficit of **US\$2,613.3 million** was recorded for January – July 2014, an decline of **US\$40.3 million** compared with the similar period of 2013.
 - Imports for the period decreased by **2.4 per cent** to US\$3,465.2 million, mainly reflecting:
 - Chemicals – **US\$367.2 m**, down US\$101.8 m
 - Mineral Fuels, et cetera – **US\$1,228.4 m**, down US\$55.3 m
 - Misc. Manufactured Articles – **US\$258.1 m**, down US\$29.4 m
 - Exports for the period fell by **12.9 per cent** to **US\$851.9m**, reflecting declines in **all categories** except Manufactured Goods. The largest declines were recorded for **Chemicals, down US\$88.8m**; and **Food, down US\$18.6m**.

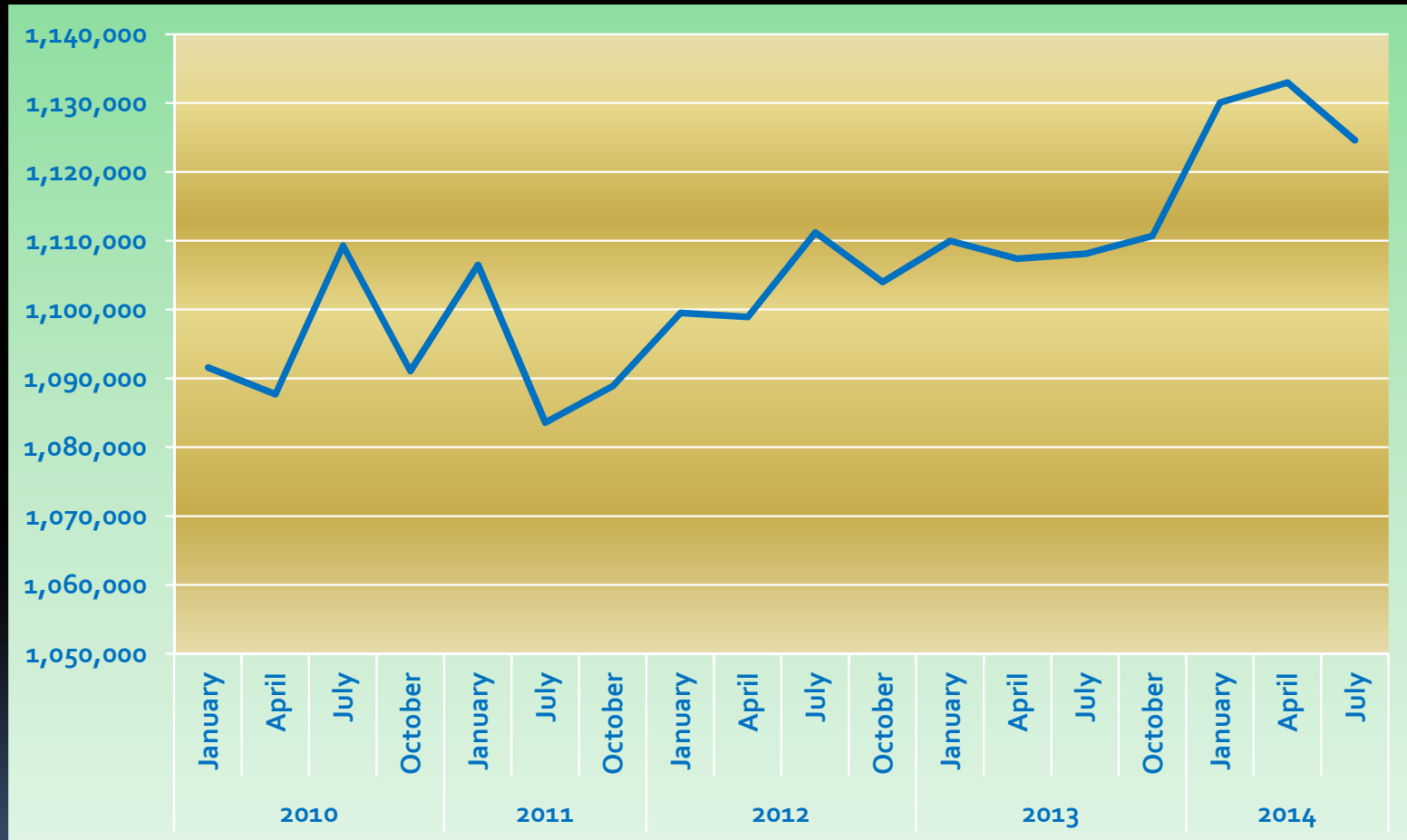
Remittances

- Remittance inflows for January-July 2014 amounted to **US\$1,238.3** million, up **US\$47.6** million relative to January–July 2013.
- Real growth of **7.2%** was recorded for remittance inflows for January–July 2014 compared with the corresponding period of 2013.

Employed Labour Force in Selected Industries

ITEM	2013				2014		
	January	April	July	October	January	April	July
	BOTH SEXES						
TOTAL POPULATION	2,711,500	2,713,300	2,714,700	2,716,400	2,718,000	2,719,600	2,721,200
Population 14 years and over	2,074,900	2,076,200	2,077,300	2,078,600	2,079,800	2,081,000	2,082,300
Labour Force	1,297,600	1,322,500	1,309,400	1,304,500	1,305,100	1,311,100	1,304,000
Employed Labour Force	1,110,000	1,107,400	1,107,900	1,110,500	1,130,100	1,133,000	1,124,600
Unemployed Labour Force	187,500	215,100	201,600	194,000	175,000	178,100	179,400
Outside The Labour Force	777,300	753,700	767,900	774,100	774,700	769,900	778,300
Unemployment Rate	14.5	16.3	15.4	14.9	13.4	13.6	13.8
Job Seeking Rate	9.5	10.0	9.7	9.9	9.0	9.4	8.4

Employed Labour Force



Labour Market Indicators

- ❖ Total **employed labour force** increased by 16,700 persons to **1,124,600** compared with July 2013.
- ❖ The **unemployment rate** for July 2014 was **13.8%** compared with 15.4 % in July 2013.
- ❖ Total **unemployed labour force** decreased by **22,200 persons** in July 2014 compared with the level recorded in July 2013. This largely reflected a fall in the labour force and an increase in the employed labour force.

Short-Term Prospects & Developments

October–December 2014

- Prospects for the overall economy in the short-term are positive based on:
 - Continued strengthening of productive activities in most industries
 - Implementation of major Growth Inducing Projects and the impact of initiatives to spur productivity e.g. Agro Parks
 - Anticipated rebound in the Agriculture, Forestry & Fishing Industry related to the expected recovery of crops affected by drought conditions which prevailed in June and July 2014
 - Greater stability in prices associated with increased food production
 - Continued strengthening of confidence levels consequent on successful completion of the sixth IMF quarterly review.

Inflation

October 2014

- The rate of inflation for October 2014 was **0.1%** largely reflecting a combined effect:
 - A decline of **0.8%** in the Transport division
 - An increase of **0.2%** in Food & Non-Alcoholic Beverages

Tourism

October 2014

- Data indicates:
 - Stop-over arrivals grew by **9.8%**
 - Cruise passenger arrivals up by **18.8%**

Electricity October 2014

- Total electricity consumption declined by **0.5 per cent** to 256.1 million KWh.

Growth

October–December 2014

- Real GDP is projected to grow within the range of **0.5%–1.5%** during October–December 2014 vis-à-vis October–December 2013.