



**The Planning Institute of Jamaica's Review of Economic
Performance, January–March 2021
Media Brief, June 2nd, 2021**

1. Overview – Current Economic Context

Before I provide the details on economic performance, let me remind you of the purpose of these quarterly economic estimates provided by the PIOJ. The PIOJ presents preliminary estimates on economic performance for each quarter. This is based on early information available from the major data providers.

This release of the preliminary estimate is consistent with trends in all modern economies globally where it is the common practice to release a 1st, 2nd and even a 3rd preliminary estimate, before the final official figures are released. The PIOJ releases the preliminary growth estimate approximately six weeks following the end of the quarter being reviewed. STATIN releases the official GDP figures at the end of the 3rd month following the end of the quarter. The targeted timeline for the press briefing is sometimes impacted by challenges in the data collection process. For the review period January to March 2021, measures implemented to stem the spread of the COVID-19 pandemic also impacted the timeliness of data flow from key providers.

The release of the preliminary out-turn information is used by various stakeholders, including our International Development Partners, the Private Sector, as well as the Government, to inform critical planning and policy-related decisions.

I would also like to re-iterate, that trends have shown that the gap between our initial estimate and the subsequent estimate produced by STATIN is more likely to be larger in times of extraordinary shocks (for example the COVID-19 pandemic). That is, the variation between PIOJ's estimate and STATIN's subsequent estimate is likely to be outside the usual band.

Today, we are reporting that real Gross Domestic Product (GDP) for the Jamaican economy **contracted by an estimated 5.7%** in the January to March 2021 quarter compared with the corresponding quarter of 2020. This out-turn, continues to reflect the impact of the global pandemic stemming from the spread of the novel Coronavirus Disease 2019 (COVID-19) which has significantly impacted lives, livelihoods and the economy in general. It is important to note however, the gradual tempering of the rate of contraction as indicated by the preliminary out-turn for this quarter. If this materializes, it would represent the lowest rate of decline since the April to June 2020 quarter.

The out-turn for January to March 2021 largely reflected the impact of:

1. An increase in the COVID-19 confirmed cases to 39,543 at the end of March 31, 2021, relative to 12,915 confirmed cases in December 2020. This represented the largest quarterly increase in COVID-19 cases (quarter over quarter).
2. The implementation of measures globally and locally to manage the COVID-19 pandemic relative to the corresponding quarter of 2020 when the economy operated normally for the first two months. The measures implemented negatively impacted all industries associated with Entertainment, Transportation and Tourism due to the restrictions on international travel as well as limits on the size of gatherings. These include the Hotels & Restaurants, Other Services and the Transportation Storage & Communication Industries, which are all estimated to have recorded double digit declines

3. The lagged impact of adverse weather conditions in the previous quarter which destroyed crops and delayed replanting activities during that period.

The contraction in the economy was partially tempered by a relatively strong increase in construction activities as well as increased capacity utilization in the Mining & Quarrying Industry following the cycling out of the impact of the closure of the Alpart refinery which caused a drag on growth during the first nine months of 2020. It should be noted that the Construction Industry was largely exempt from the COVID-19 containment measures and is the only Goods Producing industry to have recorded three consecutive quarters of economic growth.

4. Real Sector Developments

Developments in the Goods-Producing Industry

The Goods-Producing Industry **grew by an estimated 3.0%** due to expansions in the Mining & Quarrying and Construction industries. This performance largely reflected the impact of increased capacity utilization in the Mining sub-industry and an uptick in Building construction activities. These improved performances outweighed contractions recorded for Agriculture and Manufacturing.

Agriculture

Output of the Agriculture, Forestry & Fishing industry **fell by an estimated 2.0%**. The performance of the industry partly reflected the impact of flood conditions in the previous quarter which adversely impacted planting activities. Additionally, there was a decrease in output per hectare in domestic crop production.

The Other Agricultural Crops group was estimated to have declined by 2.1%. There were decreases in six of the nine crop groups, including: Other Tubers, down 16.8%; Cereals, down 14.4%; Condiments, down 11.9%; and Legumes, down 5.5%. Tempering the decline in output were increases for Yams, up 6.9% and Fruits, up 6.1%.

Animal farming was estimated to have decreased reflecting lower production of broiler meat (down 8.7%). The decline was, however, tempered by an increase in egg production (up 7.2%).

Increases were, however, recorded for Post Harvest Activities and Traditional Export Crops, largely reflecting higher production of sugarcane and cocoa.

Mining & Quarrying

Real Value Added for the Mining & Quarrying industry increased by an estimated **6.2%**. This was due mainly to higher production of both Alumina and Crude Bauxite.

Alumina production grew by 4.5%, due to higher output levels at the Jamalco plant. This was reflected in an increase of 2.3 percentage points to 44.2% in the capacity utilization rate at alumina refineries.

Production of Crude bauxite increased by 9.6%. The bauxite capacity utilization rate increased by 4.7 percentage points to 50.0%.

Manufacturing

Real Value Added for the Manufacturing industry was estimated to have **contracted by 1.4%**, reflecting lower output in both the Food, Beverages & Tobacco and Other Manufacturing components.

With respect to Food, Beverages and Tobacco, lower levels of output were recorded in the Food processing component, including: Poultry Meat, down 8.7%; Animal Feeds, down 2.6%; Edible Oils, down 7.6%; and Cornmeal down 4.1%. A further decline was tempered by increases in Edible Fats, up 13.2%; Sugar, up 15.0%; and Molasses, up 32.7%. In the Beverage & Tobacco component, higher levels of production were recorded for Rum & Alcohol, up 20.8%, and Carbonated Beverages, up 0.7%.

In the Other Manufacturing category, lower output stemmed largely from decreases in the Petroleum Products category. Reductions were recorded for Liquid Petroleum Gas, down 56.5%; Turbo Fuel, down 67.7%; and Fuel Oil, down 17.2%. An increase was, however, estimated for the Non-metallic Minerals category which was pushed by increases in Cement, up 35.2% and Clinker, up 34.7%.

Construction

Real Value Added for the Construction industry **increased by an estimated 12.6%**. This reflected a 32.8% increase in preliminary sales data of construction inputs and was attributed to increased activities in both the Building Construction and Other Construction components. Real sales of construction inputs grew significantly, with Wholesale of Construction Materials, Hardware & Plumbing, up 65.2%; and Retail Sale of Paint & Glass, up 7.4%.

The Building Construction component was driven by a 25.8% increase in Total Housing Starts and a 36.4% increase in the total value of Mortgages disbursed.

There was an estimated increase in the Other Construction component stemming from an uptick in civil engineering activities, reflected in higher capital expenditure by:

- the Jamaica Public Service, which disbursed \$1.14 billion an increase of 9.6%
- National Road Operating & Construction Company (NROCC), which disbursed \$1.9 billion on Part A of the South Coast Highway Improvement Project (SCHIP), May Pen to Williamsfield, compared with \$0.3 billion disbursed in the corresponding quarter of 2020; and
- The UDC which disbursed \$329.2 million on the upgrade works at the Hellshire sewage treatment plant as well as the Montego Bay Closed

Harbour Beach. This represented an increase of 41.9% relative to the disbursement in the corresponding period of 2020.

Developments in the Services Industry

The Services Industry was estimated to have **contracted by 8.1%**, largely reflecting downturns in Hotels & Restaurants; Other Services; and the Transportation, Storage & Communication industries. The performance of these industries was negatively impacted by the measures implemented globally and locally to manage the COVID-19 Pandemic, particularly in the areas of air and land transportation; tourist accommodation; and entertainment services.

Electricity & Water Supply

Electricity & Water Supply recorded an estimated contraction of **7.1%** in Real Value Added, due to decreases in both electricity and water consumption.

Electricity consumption declined by 8.0% reflecting lower levels of consumption in all six categories:

- Residential, down 0.5%
- General Service (small businesses using less than 25 kilo volt ampere (kVa), down 12.6%
- Power Service (large businesses using more than 25 kVa but less than 500 kVa), down 10.4%
- Large Power (businesses using more than 500 kVa), down 12.4%
- Street Lighting & Other including power interchange customers, e.g. bauxite companies, down 8.8%
- Largest Power (single locations that have minimum peak demand of 2 000 kVa), down 3.9%.

Water consumption decreased by 3.0%, reflecting lower consumption in the Western division, down 12.1%, which outweighed increases in consumption in the Eastern division, of 1.8%.

Transport, Storage & Communication

Real Value Added for the Transport, Storage & Communication industry contracted by an estimated **6.6%**. This resulted from a decrease in the Transport & Storage component, which outweighed increased activities in the Communication component.

The downturn in Transport & Storage was due to a decline in the Air transport component, reflecting decreased passenger movements, down 72.1%, Departures, down 71.5% and Arrivals, down 72.1%. Maritime transport activities grew, reflecting increased cargo movement at the

- Port of Kingston, up 5.6%; and
- Outports, up 0.9%.

Finance & Insurance Services

Real Value Added for the Finance & Insurance Services industry was estimated to have contracted by **1.0%** during the review quarter, reflecting decreases in the net interest income on the stock of loans and advances, and fees and commission income.

WRTRIM

Real Value Added in the Wholesale & Retail Trade; Repair & Installation of Machinery (WRTRIM) industry was estimated to have declined by 3.2%. This performance was influenced by:

- estimated contractions in the related Agriculture and Manufacturing industries
- a decline in employment by 74 300 persons in January 2021 relative to January 2020 which curtailed domestic demand
- measures associated with the management of the COVID-19 pandemic which reduced operational hours and restricted the movement of people.

Lower sales were recorded for six of the eight categories, including:

- Minerals, Fuels, Lubricants & Petroleum Products, down 14.1%
- Other Wholesale & Retail Sales of Goods & Services, down 11.0%, and
- Agriculture, Food, Beverage & Tobacco, down 6.2%

Hotels & Restaurants

Real Value Added for the **Hotels & Restaurants** industry contracted by an estimated **56.2%**, largely reflecting an estimated decline in Stopover Arrivals by 71.9%. There were no Cruise Passenger Arrivals during the period reflecting the continuation of COVID-19 containment measures.

Preliminary data on tourist expenditure indicate a **US\$520.7 million decline to US\$254.4 million**, largely reflecting the decrease in the number of stopover arrivals and no cruise passenger arrivals during the review quarter.

Employment Update....

Based on the Labour Force Survey undertaken by the Statistical Institute of Jamaica (STATIN) for the month of January 2021, the unemployment rate was **8.9%**. This was 1.5 percentage points higher than the rate recorded in January 2020. The number of persons employed decreased by **74 300 persons** to 1 194 800 relative to January 2020. There was a **decrease** in the labour force by **58 600 persons** to 1 301 900.

An examination of the employed labour force by industry group as at January 2021 revealed that nine of the fifteen industry groups recorded lower employment levels. The largest declines in employment were recorded for:

- Accommodation & Food Service Activities (down 27 400 persons);
- Arts, Entertainment, Recreation & Other Services (down 18 800 persons);
- Wholesale & Retail Trade (down 15 400 persons); and
- Transport & Storage (down 9 900 persons).

GDP Performance: Fiscal Year 2020/21

For FY2020/21, real GDP is estimated to have contracted by **10.8%**, reflecting declines in all industries with the exception of Construction and Producers of Government Services.

The heavier weighted Services Industry was estimated to have declined by **12.4%**, and the Goods Producing Industry, by **3.3%**. The industries which recorded the largest contractions during the fiscal year were Hotels & Restaurants (down 65.7%); Other Services (down 27.2%); and Transport, Storage & Communication (down 13.3%).

5. Short Term Economic Outlook: April–June 2021 & FY2021/22

For **April–June 2021**, growth prospects for the economy are generally positive. It is projected, that the economy will **grow within the range 7.0% to 9.0% during April–June 2021**

based on:

- the commencement of the recovery process relative to the low output levels recorded in the corresponding period of 2020
- the relaxation of some COVID-19 containment measures relative to the lockdown which occurred in the corresponding quarter of 2020
- increased domestic demand due to an expected expansion in employment levels.

Preliminary data for the April to June 2021 quarter has indicated some positive movements which support this projection. Airport arrivals for April 2021 totalled approximately 83, 000 visitors compared to none recorded in April 2020. Water Consumption for April 2021 grew by 2.2% relative to April 2020.

The projection for **FY2021/22** is for growth within the range of **4.0%–8.0%**. In addition to the factors expected to influence the April-June 2021 quarter, the performance of the fiscal year will be influenced by the gradual relaxation of measures globally that restrict the movement of persons, as countries seek to attain herd immunity through continued roll-out of vaccination programmes. This augurs well for the world economy and a strengthening of external demand for Jamaica's goods and services.

UPSIDE POTENTIAL AND DOWNSIDE RISKS

There is upside potential and downside risks to this forecast.

The main **downside risks** to the forecast presented include:

1. Adverse weather conditions, particularly on Agricultural activities
2. The uncertainty related to the effectiveness and duration of COVID-19 containment measures
3. Slower than anticipated pace of growth in the economies of Jamaica's main trading partners, which will negatively impact external demand, and
4. Increased factory downtime associated with aged production plants.

The pace of economic growth could however be enhanced if the following **upside potential** are realised:

1. Stronger than anticipated global demand associated with an early rebound in global economic activities
2. Faster than expected recovery in local demand as firms re-hire workers that previously lost jobs or increases in the number of hours for workers, whose hours were previously reduced.
3. Stronger domestic linkages as local firms satisfy local and global demand which were previously fulfilled by the global supply chain.

6. Vision 2030 Jamaica Update

Before I provide the update on the country's development results, let me use this opportunity to remind you how these are measured under Vision 2030 Jamaica – National Development Plan (NDP). Each Medium Term Socio-Economic Policy Framework or MTF, the central tenet of the implementation framework of Vision 2030 Jamaica, includes the national outcome indicators as well as relevant targets covering a three-year period. The priority strategies and actions implemented under the MTF are intended to promote the achievement of the targets.

Fiscal year (FY) 2020/21 marked twelve (12) years of implementation of Vision 2030 Jamaica – National Development Plan (NDP), through successive 3-year Medium Term Socio-Economic Policy Frameworks (MTFs). In the 4th quarter of the fiscal year, there was limited access to updates to the data used to monitor performance under the National Outcome Indicators. Consequently, there is no update on development performance with the exception of Security and Safety and some development considerations.

In reporting on Security Status, we report on the indicator “Category 1 Crimes” which is sub-divided into two groups – (1) Serious and Violent Crimes and (2) Acquisitory Crimes – in keeping with the classifications of the Jamaica Constabulary Force. Category 1 Crimes include murder, shooting, rape, aggravated assault, robbery, break-ins and larceny. We also report on the Murder Rate as a separate indicator. Jamaica made gains in security and safety with Category 1 Crimes per 100,000 population in 2020 at 207.29, the lowest since Plan implementation commenced in 2009 and lower than the 2007 baseline year. The 2018 target was met and there was progress towards the 2021 target. The murder rate per 100,000 population has fluctuated over the period since 2009, with the rates recorded in most years lower than that for the 2007 baseline year. The murder rate in 2020 increased to 48.37 from 45.88 in 2019.

For the Quarter January – March 2021, the Category 1 Crime Rate was 51.16 per 100,000 population, a decrease from the 57.01 recorded for the corresponding period in 2020. The Murder Rate for the quarter was 13.93 per 100,000 population, an increase over the 13.05 recorded for the corresponding period in 2020.

Impact of COVID-19 on National Development Results Based on Preliminary Data

Based on data for 2019 and 2020, Jamaica has already achieved and in some cases surpassed several 2021 targets including targets for Population Growth; Secondary level Enrolment Rates; Case Clearance Rate; and Annual Inflation Rate.

Notwithstanding these successes, there have development slippages due largely to the impact of the COVID-19 pandemic. While the measures employed locally to curb the spread of the virus and the ongoing vaccination programme have yielded positive outcomes, the pandemic has negatively impacted development, particularly in the social and economic areas. Disruptions in economic activity in key industries have stymied economic growth and contributed to the loss of jobs and reduced work hours across several industries. The extent and nature of social dislocation will be more clearly defined as additional data becomes available.

At this stage, the uncertainty regarding the pathway and duration of the pandemic does not yet allow for a comprehensive assessment of the impact of the pandemic. However, the country is already experiencing some slippages which are being monitored closely. These are:

- Rise in unemployment
- Economic contraction
- Fall in productivity

- Multidimensional pressures on the society, particularly on the most vulnerable.

The results and considerations presented today will continue to play a key role in the pursuit of the strategic priorities under Vision 2030 Jamaica and inform the development of MTF 2021-2024. These also inform the country's fulfilment of its commitments under the Sustainable Development Goals (SDGs), which are being "implemented" through Vision 2030 Jamaica. The ongoing implementation of successive 3-year MTFs aim to consolidate the developmental gains made in the previous MTFs and strengthen the foundations for achieving the country's long-term results, considering the changing environment which presents new opportunities as well as threats. This requires strategic evidence- and results – based national development planning, policy-making, and programming that is adaptive, agile, people-centred and partnership driven to ensure that development goals are achieved, and all Jamaicans equitably benefit.

7. Conclusion

In conclusion, the preliminary data presented on economic performance for the January to March 2021 quarter indicate that the impact of the COVID-19 pandemic and associated restrictive measures, continued to negatively affect growth. However, it is important to note that this impact is continuing to subside as the domestic and global economy gradually reopens. The estimated contraction of 5.7% for January to March 2021 would result in an estimated contraction for FY2020/21 of 10.8%.

Going forward in FY2021/22, it is anticipated that the economy will record economic growth in each quarter of the fiscal year. This is primarily due to the relatively low levels of output recorded in the previous fiscal year. For the **April to June 2021** quarter the economy is anticipated to **grow within the range of 7% to**

9% with most industries expected to record growth. A potential upside to this forecast is the extent to which the COVID-19 measures implemented globally are relaxed, given the increased pace of roll-out of vaccination programmes. On the downside, the official commencement of the hurricane season in June poses a risk to economic performance as well as a slower than expected roll-out of the COVID-19 vaccine globally and locally.

For FY2021/22 the economy is forecasted to **grow within the range of 4% to 8%**. The increase in economic activities will also support the strengthening of employment levels with some industries expected to get closer to their pre-crisis levels. Despite the relatively strong economic performance anticipated for this fiscal year, it should be noted that a full recovery to pre-crisis levels of GDP output is not anticipated until FY2023/24, while employment levels are expected to recover to pre-crisis levels in FY2022/23. However, uncertainty regarding the pace of the relaxation of COVID-19 management measures and ultimately the pace of recovery in the global economy, poses the main downside risk to this projection.

Finally, short-term prospects are positive. We anticipate continued improvement as stakeholders continue to collaborate to overcome the challenges associated with the pandemic. I therefore encourage us to maintain our collaborative effort and to remain disciplined and responsible, as we sustain our efforts to make ***Jamaica, the place of choice to live, work, raise families and do business.*** I want to acknowledge and thank the very dedicated team at the PIOJ.

May God continue to bless Jamaica land we love.