



Planning Institute of Jamaica Growth Inducement Programme's Growth Forum

“Towards Long-Term Resilience and Stable Growth”

May 27, 2021, 9am - 12noon via Zoom and Facebook

Forum 3 Key Takeaways

As a Small Island Developing State, Jamaica is vulnerable to shocks and the economic impact of the COVID-19 pandemic has been the most significant in recorded history with an approximately 10% decrease in real value added during the 2020 calendar year: reversing the trend of small but steady increases in the previous 5 years.

The Government of Jamaica's economic policy response included J\$15 billion in tax cuts; spending stimulus of J\$16 billion; health expenditures of \$6 billion; and \$3 billion in public body support for a total fiscal intervention of approximately \$40 billion. Additional measures taken included suspending Jamaica's fiscal rules for FY 2020/2021, payment deferrals and processing fee waivers by the Student Loan Bureau, interest rate reductions at the National Housing Trust; waivers of duties on personal hygiene products and a tax waiver on alcohol used to make sanitisers; inter alia.

The COVID-19 Economic Recovery Task Force “Rebuild Jamaica” Report highlighted that one key pillar for Jamaica's COVID-19 economic recovery is the strengthening of Jamaica's resilience to economic, social, and environmental shocks. In the past two fora in this series, we explored two key avenues through which Jamaica can build this resilience and improve growth; which is also acknowledged in the “Rebuild Jamaica” Report:

- Increased and improved use of technology to disrupt the way both the public and private sectors produce and supply goods and services that would lead to greater productivity and a more internationally competitive business environment
- Diversification of the Jamaican economy, that is increasing income sources by offering new or upgraded products and services in current markets and in new markets. Technological adoption has a major part to play in effectively diversifying the economy as well.

Building on those discussions, our third forum explored monetary and fiscal policies and other measures to improve Jamaica's economic resilience and growth in the longer-run.

Since early 2020, the COVID-19 pandemic has adversely impacted the Jamaican economy. The pandemic has effectively wiped away the hard-earned gains in economic growth achieved through numerous growth initiatives. However, the pandemic provides an opportunity for Jamaica to utilise its comparative advantages and local resources to take advantage of emerging opportunities to rebound from this economic shock and improve resilience through economic diversification.

Some of the key takeaway points from the forum's presentations by the Bank of Jamaica (BOJ), Jamaica Bankers Association (JBA) and Caribbean Policy Research Institute (CAPRI), as well as the discussions thereof, are provided here for your consideration and action:

The Situation:

- The COVID-19 pandemic is the most impactful shock to the Jamaican economy since independence; more than two times greater than Hurricane Gilbert in 1988.
- Notwithstanding, the economy is already showing signs of recovery and is poised to rebound relatively quickly, due to Jamaica's relatively strong macroeconomic position prior to the onset of the pandemic.

Lessons from the Experience:

- Policy responses and macroeconomic preparedness matter.
- We do not know when or how shocks will come, but they WILL come so resilience is crucial.
- The pandemic highlighted areas of strength: (Before) Jamaica was in its best macroeconomic position and (during the crisis) BOJ COVID-19 Policy Responses and deposit taking institutions' (DTI) measures made a difference to the outcome.
- The pandemic also exposed areas of weaknesses that are also opportunities to remove certain impediments to growth, such as: greater financial inclusion, a strengthened social safety net, and increased digitisation of public and private sector services in Jamaica.
- The pandemic is causing innovation that will remain after the crisis has ended and we are seeing a boom of entrepreneurial activity locally and internationally, which augurs well not only for recovery but also for strong economic growth in the next 2 to 4 years, if leveraged.

The Policy & Initiative Implications:

- Maintenance of price, financial system and fiscal stability must remain the foundation of Jamaica's resilience and growth.
- GOJ needs to build upon that foundation with legislative and administrative amendments, including modernisation; through continued infrastructure investment; improving the social safety net; and undertaking major labour market reforms to significantly improve productivity.
- Financial deepening, product and service innovation, and improved access to finance should be used to drive post-COVID-19 economic recovery and growth via the private sector, including the key MSME sector.

Forum 3 "Towards Long-Term Resilience and Stable Growth" can be viewed in full at: <https://www.youtube.com/watch?v=X6XvVX7oCOg&list=PLvS6hAc9smserM-b6bNweZSPnafzySRP5&index=3>

For further information please contact the PIOJ's Growth Inducement Programme at GIP@pioj.gov.jm