

**The Planning Institute of Jamaica's Review of
Economic Performance,
October–December 2021
Media Brief
February 16, 2022**

1. Overview – Current Economic Context

Before I provide the details on economic performance, let me take this opportunity to 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, approximately 6 weeks following the end of the quarter being reviewed. This is based on the latest available information from major data providers.

This release of the preliminary estimate is consistent with protocols 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. In the case of Jamaica, the PIOJ releases the preliminary growth estimate within the first six weeks following the end of the quarter being reviewed, and STATIN releases the official GDP figures at the end of the 3rd month following the quarter being reviewed.

The release of preliminary out-turn information is used by various stakeholders, including our International Development Partners, the Private Sector, as well as

the Government, for whom the magnitude and direction of sectoral performance is critical to inform planning and policy-related decisions.

I would also like to reiterate, that trends have shown that the gap between our initial estimate and the subsequent estimate produced by STATIN is usually 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, both at the industry level as well as the overall growth out-turn.

Today, we are reporting an estimated real value added growth of **6.0%** for the October–December 2021 quarter, relative to the corresponding quarter of 2020. The estimated out-turn for the review quarter largely reflected the impact of:

1. The continued relaxation of COVID-19 containment measures globally, which facilitated increased domestic and external demand, resulting in a general uptick in economic activities
2. Increased operating hours for businesses, which facilitated higher capacity utilization rates and production levels
3. Higher levels of employment, as firms either resumed or ramped up operations and
4. Increased Business and Consumer confidence, associated with the prospects for strengthened economic out-turn and increased employment in the short to medium term.

2. Real Sector Developments

Developments in the Goods-Producing Industry

The Goods-Producing Industry is estimated to have increased by **0.4%**, due to improved performances in two of the four industries, namely Agriculture, and Construction.

Agriculture

Real Value Added for the Agriculture, Forestry & Fishing industry, was estimated to have grown by **12.1%**. This improvement reflected the impact of increased demand, particularly from the Tourism sector, which grew consequent on the relaxation of previously implemented COVID-19 measures. Also positively impacting the industry was the continuation of measures implemented to improve output in the industry. The industry's performance benefitted from a 13.9% increase in hectares of domestic crops reaped, reflecting improved weather conditions relative to the corresponding quarter in 2020, when the industry was negatively impacted by heavy rains.

Growth was driven by higher output in the Other Agricultural Crops and Traditional Export Crops sub-components. Other Agricultural Crops, was estimated to have grown by 18.0%, reflecting higher production in all nine crop groups. The most significant increases were recorded for: Condiments, up 50.2%; Fruits, up 36.5%; Vegetables, up 24.1%; and Legumes, up 22.2%.

Output of Traditional Export Crops, increased by 4.6%, largely driven by increased production of Coffee (up 84.1%), Cocoa (up 687.2%), and Banana (up 1.0%), which outweighed a 59.2% decrease in sugar cane production to 21 190 tonnes.

Animal farming is estimated to have decreased by 3.1%, due mainly to a contraction of 4.5% in broiler meat production, which outweighed a 3.7% increase in egg production.

Mining & Quarrying

Real Value Added for the Mining & Quarrying industry decreased by **64.7%**, due to declines in both alumina and crude bauxite production. Alumina production decreased by 75.3%, largely due to no production at the JAMALCO refinery, which was impacted by a fire at the powerhouse, resulting in a cessation of operations

since September 2021. The capacity utilization rate at alumina refineries decreased to 10.1%, down 30.6 percentage points.

Crude Bauxite production fell by 12.6%, reflecting the impact of lower demand from overseas purchasers. Consequently, the bauxite capacity utilization rate decreased to 51.4%, down 8.7 percentage points.

Manufacturing

Real Value Added for the **Manufacturing** industry declined by an estimated **0.9%**, due to a reduction in output in the Other Manufacturing sub-industry, which outweighed an estimated increase in the Food, Beverages & Tobacco sub-industry

Other Manufacturing was estimated to have contracted, reflecting a decline in the production of *Petroleum Products*, due largely to the closure of the plant for approximately 44 days to facilitate maintenance activities. Production of all Petroleum Products surveyed declined, led by:

- Liquid Petroleum Gas (LPG) down 93.2%;
- Automotive Diesel Oil (ADO), down 64.9%;
- Gasoline, down 62.6%;
- Turbo Fuel, down 51.8%; and
- Fuel Oil, down 51.7%.

A further decline was stymied by increased output of Chemicals & Chemical Products, and Non-Metallic Minerals. The growth in Chemicals & Chemical Products reflected increases in Fertilizer, up 44.3%; Paint, up 30.8%; and Aluminium Sulphate, up 57.7%. For Non-Metallic Minerals, growth was supported by higher production of Cement, up 12.1% and Clinker, up 4.9%.

The Food, Beverages & Tobacco sub-industry was estimated to have grown, reflecting higher production for Animal Feed, up 2.0%; Dairy Products, up 16.0%; and Edible Oils, up 14.8%. Within the Beverages component, the performance

was supported by increased production of Rum & Alcohol, up 203.4% and Carbonated Beverages, up 16.4%.

Construction

Real Value Added for the **Construction** industry increased by **6.4%**, mainly spurred by growth in both the Other Construction and Building Construction components. This performance was reflected in a 16.6% real increase in the sales of construction related inputs.

Growth in the Other Construction component was due to an increase in capital expenditure on civil engineering activities by:

- The National Works Agency, which disbursed \$11.2 billion, up 192.9% relative to the corresponding quarter of 2020. Disbursement was largely for work on the Yallahs to Harbour View leg of the Southern Coastal Highway Improvement Project (SCHIP), and
- JPS, which disbursed \$3.9 billion, up 69.5%.

The estimated growth in the Building Construction component was influenced mainly by a 2.7% increase in housing starts, as well as a 36.2% increase in the value of mortgages by the NHT. The performance of the non-residential category was also estimated to have grown, reflecting the build out of commercial office space, and the renovation and expansion of some hotel properties.

Developments in the Services Industry

The Services Industry was estimated to have grown by **7.8%**, relative to the corresponding quarter of the previous year, reflecting higher Real Value Added for all Industries.

Electricity & Water Supply

The Electricity & Water Supply industry was estimated to have recorded growth in Real Value Added of **5.7%**, reflecting an increase in electricity consumption, which outweighed a contraction in water consumption.

Electricity consumption grew by 8.0% due to higher usage in all six categories.

Higher sales were recorded for:

- Residential, up 2.4%
- General Service (small businesses using less than 25 kVa kilovolt amperes), up 7.3%
- Power Service (large businesses using more than 25 kVa but less than 500 kVa), up 5.9%
- Large Power (Businesses using more than 500kVa), up 11.0%
- Street Lighting + Other, up 3.5%
- Largest Power (Rate 70, single locations with minimum peak of 2 000 kVa), up 45.3%

All 14 parishes recorded increased electricity sales, led by Clarendon, up 30.1%; Trelawny, up 17.2%; and Westmoreland, up 13.8%. Kingston & St. Andrew continues to account for the largest share of electricity sales (35.7%), followed by St. Catherine (15.7%), and St. James (12.0%).

Water consumption fell by 2.6%, reflecting a contraction in the Eastern Division (down 4.6%), which outweighed an increase in the Western Division (up 1.7%). A total of 9 of the 14 Parishes recorded contractions. All Parishes in the Eastern Division recorded declines in consumption, led by Portland (down 5.8%), and Clarendon (down 5.0%). The growth in the Western Division was pushed by increased consumption in Hanover (up 21.8%) and Trelawny (up 3.7%). These increases may be attributed to higher tourism-related activities in these parishes.

Transport, Storage & Communication

Real Value Added for the Transport, Storage & Communication industry grew by **8.0%**, mainly due to higher levels of activity in the Transport & Storage component, while the Communication component remained flat. The out-turn was driven by:

1. An improvement in the air transport component, largely reflecting growth in passenger movements up 159.4%, due to Departures, (up 172.3%); and Arrivals, (up 148.0%).
2. Increased maritime transport activities, reflecting a 21.2% increase in cargo handled at the heavier weighted Port of Kingston. This outweighed an estimated 32.7% decline in cargo volumes handled at Outports.

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

Real Value Added for the Wholesale & Retail Trade; Repair & Installation of Machinery (WRTRIM) industry was estimated to have grown by **9.6%** due to higher demand stemming from:

1. Increased employment of 76,600 persons
2. Increased net remittance inflows by 10.9% to US\$ 837.9 million
3. Growth in the related *Construction and Agriculture, Forestry & Fishing* industries, and the
4. Relaxation of COVID-19 containment measures.

Higher sales were recorded for all eight goods categories, led by:

- Textiles, Clothing, Shoes & Jewellery, up 20.2%
- Hardware, Building Supplies, Electrical Goods & Machinery, up 16.4%; and
- Minerals, Fuels, Lubricants & Petroleum Products, up 14.1%.

Finance & Insurance Services

Real Value Added for the Finance & Insurance Services industry was estimated to have grown by **2.0%**. The performance was influenced by:

- increased profitability of deposit taking institutions, reflecting a rise in economic activities, employment and growth in business and consumer confidence; as well as
- higher Fees and Commission income.

Hotels & Restaurants

Real Value Added for the Hotels & Restaurants industry was estimated to have grown by **76.2%**. Stopover visitor arrivals for the months of **October and November 2021** increased by 186.3% relative to the similar period of 2020. The performance of the industry benefitted from increased vaccination and the relaxation of the previously implemented Public Health and Social Measures (PHSM) in Jamaica's main source markets, as well as initiatives such as the establishment of a resilient corridor, domestically.

Cruise passenger arrivals for the months of October and November, totalled 32 719 from 24 ship calls, relative to none during the corresponding period of 2020.

Total Visitor Expenditure was estimated to have increased by 48.1% to **US\$379.7 million** for the months of **October and November 2021** compared with the corresponding period of 2020.

GDP Performance: January–December 2021

For the calendar year 2021, real GDP was estimated to have increased by **4.4%**. This reflected higher Real Value Added for both the Goods Producing Industry, up **4.4%** and the Services Industry, up **4.4%**. All industries recorded growth in output, with the exception of the *Mining & Quarrying* industry. Growth during 2021 was led by Hotels & Restaurants, up 36.4%; Construction, up 9.1%; Agriculture, Forestry & Fishing, up 7.9%; and Wholesale & Retail Trade; Repairs: Installation of Machinery & Equipment, up 6.6%.

3. Employment Update....

Regarding the Employment Update, our sister agency STATIN has already provided an update on the Labour Force Survey. As such, we will not present a detailed report on this area. The highlights, however, are that for the month of October 2021, the unemployment rate was **7.1%**, down 3.7 percentage points. Youth unemployment decreased by 9.3 percentage points to 18.9%.

The number of persons employed increased by **76 600 persons** relative to October 2020. Male employment increased by 32 900 to 676 200 persons, while for females, employment increased by 43 700 persons to 558 600. The age cohorts with the largest increases were: '25–34' up 19 100 persons, and '35–44' up 15 100 persons.

4. Short Term Economic Outlook:

January–March 2022, Fiscal Year 2020/21 and FY 2022/23

We will now turn to the short-term prospects for the Jamaican economy. Generally, the prospects are positive, given the expected impact of the further easing of the previously implemented COVID-19 containment measures. This will facilitate the continued recovery or expansion of economic activities in most industries.

Additionally, the further opening up of the economies of Jamaica's main trading partners will support higher levels of external demand, particularly for Tourism-related services. Increased employment levels, and the strengthening of Business and Consumer confidence levels are expected to support greater domestic demand in the short to medium term.

The main downside to this positive outlook continues to be the possibility of additional waves of COVID-19 infections, particularly if new and more aggressive variants emerge. Given the relatively low rate of vaccination in Jamaica, this could have implications for the re-imposition of more restrictive Public Health & Social Measures (PHSM), and a curtailment in demand and output.

The continued closure of the Jamalco refinery will result in contractions for the Mining & Quarrying industry for the short-term. In the medium term the expectation is that this Alumina refinery will reopen in FY2022/23 and this is expected to facilitate a rebound in the Mining & Quarrying Industry.

Additionally, there is the potential of negative effects from a further deterioration in geopolitical tensions between Russia and the Ukraine. The impact of this could be manifested in several ways, including further supply chain disruptions, given that Russia is a major producer of commodities such as oil and grains. This may have implications for inflation globally.

Within this context, economic growth is anticipated for the remainder of this fiscal year. For **January to March 2022**, it is projected that the economy will grow within a range of **5.0% to 7.0%**, resulting in a Fiscal year growth (i.e. April 2021 to March 2022) in the range of **7.0% to 9.0%**. For **Fiscal Year 2022/23**, the projection is for growth within the range of **3.0% to 6.0%**.

5. Conclusion

In conclusion, **the Jamaican economy continued to recover during the review quarter, from the economic shock caused by COVID-19.** All industries recorded growth, with the exception of the Mining & Quarrying and Manufacturing industries, which were both impacted by production downtime due to the closure for repairs and maintenance activities.

Given the preliminary out-turn of some indicators for the January–March 2022 quarter, the recovery process is expected to continue throughout the remainder of the FY2021/22. Preliminary data indicate that total arrivals increased by 262.4% in January 2022. The economy is expected to achieve growth within the targeted range of 6.0% – 9.0%.

For the upcoming FY2022/23, the forecast is that the economy will grow within the range 3.0% - 6.0%. Note however, that the economy is projected to achieve pre-Covid-19 levels of output in FY 2023/24. The recovery process is uneven across industries, as the performance of some industries were not significantly affected by the pandemic and have already surpassed their pre-COVID levels of output, while industries that were significantly affected, require a longer time to recover. Note also that the pre-Covid19 employment level is projected to be achieved in FY2022/23.

Over the past decades, Jamaica’s economic growth performance has been characterized by periods of shocks and recovery, with the net result of growth averaging approximately 1.0% in the long term. To achieve more sustained and robust growth performance in the medium term, deliberate efforts focussed on a strategy aimed at strengthening resilience of the built and natural environment, must continue to be supported and implemented. In light of this, ongoing efforts must be intensified, particularly in the roll-out of:

- road improvement and drainage projects
- improving housing stock
- irrigation projects
- greater diversification in the energy mix
- increased training and greater use of technology to improve productivity and competitiveness, and
- increased use of strategic and scientific approaches in the mitigation of climate risks through increased use of nature-based solutions and disaster management tools.

Additionally, indications are that the COVID-19 pandemic has resulted in a reorientation and restructuring of some private sector entities, ranging from the retooling and strengthening of productive capacity during the downtime, to pivoting into the production of emerging, technology-driven goods and services. These measures combined (public and private sector initiatives) have begun the thrust towards increasing the complexity, diversification and productivity within the Jamaican economy.

All efforts should therefore be made at sustaining and building on the gains already achieved. It is against this background that I encourage us all to continue the dialogue and collaboration to make Jamaica, the place of choice to live, work raise families and do business.

Thank you and God bless you all.