



# **The Planning Institute of Jamaica's Review of Economic Performance, April–June 2022 Media Brief August 18, 2022**

## **1. Overview – Current Economic Context**

As is customary, I would like to begin by reminding you of the purpose of these quarterly economic estimates provided by the PIOJ. The PIOJ presents preliminary estimates on economic performance for each quarter, based on early information available from the major data providers.

This release of the preliminary estimate, is consistent with trends in all 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 strives to release the preliminary growth estimate approximately six weeks following the end of the quarter being reviewed. Whereas, STATIN releases the official GDP figures 12 weeks following the end of the quarter.

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

STATIN's data on GDP, represents the official data on economic performance, therefore all preliminary estimates previously provided, are updated to reflect the

data provided by STATIN. So for example, for the preliminary estimate presented today, the actual data will be released by STATIN at the end of September 2022, at which time the estimates being provided today will be updated.

Today, we are reporting that real Gross Domestic Product (GDP) for the Jamaican economy grew by an estimated **5.7%** in the April to June 2022 quarter, compared with the corresponding quarter of 2021.

The out-turn for the April to June 2022 quarter largely reflected the impact of the removal of measures implemented to manage the COVID-19 pandemic, compared with the corresponding quarter of 2021 when some of these measures were still in effect. Other factors which contributed to the improved out-turn included:

1. Increases in hectares reaped, which facilitated growth in the Agriculture industry
2. Continued improvement in the markets of Jamaica's main trading partners, that facilitated increased demand for industries such as Hotels & Restaurants; Transport, Storage & Communication; and Other Services, and
3. Increased employment and consumer confidence, which supported higher levels of domestic demand.

Despite the overall improvement, further growth was stymied by plant downtime, particularly in the Manufacturing and Mining industries, partly due to aged equipment and other production-related disruptions.

## **2. Real Sector Developments**

### **Developments in the Goods Producing Industry**

The Goods Producing Industry **declined by an estimated 0.4%** with contractions in the Mining & Quarrying and Construction industries. These declines outweighed the growth recorded for the Agriculture and Manufacturing industries.

## **Agriculture, Forestry & Fishing**

Real Value Added for the **Agriculture** industry **grew by 12.6%**. This out-turn primarily reflected an increase in hectares reaped to meet the higher demand associated with continued recovery in the economy, especially, in the Hotels & Restaurants industry and the Agro-processing component of Manufacturing industry. Growth in the industry was driven by:

- **Other Agricultural Crops** – which grew by 15.8%, reflecting higher production in five of the nine crop groups. Increases were recorded for Yams, up 16.5%; Plantains, up 11.7%; Cereals, up 11.0%; Vegetables, up 10.3%; and Potatoes, up 4.8%.
- **Traditional Export Crops** – which grew by 7.4%, largely driven by higher production of Banana, up 3.5%; Cocoa, up 113.6%; and Sugar Cane, up 1.8%. These increases outweighed an estimated contraction recorded for Coffee, down 38.3%.
- **Animal Farming** – was estimated to have grown by 10.8%, which is attributed to increased broiler meat and egg production.

## **Mining & Quarrying**

Real Value Added for **Mining & Quarrying** **decreased by 60.6%**, due to a decline in alumina production, which outweighed an increase in crude bauxite production.

Total bauxite production declined by 42.6% reflecting the combined effect of:

- **Alumina production**, down 76.8% due to the continued closure of the JAMALCO refinery, which was negatively impacted by a fire in August 2021. The alumina capacity utilization rate was 9.8%, down 32.4 percentage points compared with the corresponding quarter of 2021.
- **Crude Bauxite production**, however, increased by 8.8%, as a result of an expansion in demand from third party consumers. The bauxite capacity utilization rate increased by 4.1 percentage points to 50.5%.

## **Manufacturing**

Real Value Added for the **Manufacturing** industry was estimated to have **grown by 2.8%**, due to the removal of COVID-19 management measures, which facilitated an increase in demand for some products. Higher output was estimated for both the Food, Beverages & Tobacco and the Other Manufacturing sub-industries:

With respect to Food, Beverages & Tobacco, growth in the food processing component was driven by Poultry Meat, up 14.4%; Edible Oils, up 7.7%; and Dairy Products, up 3.6%. With respect to Beverages, the production of Beer & Stout, increased by 11.4% and Carbonated Beverages, increased by 7.2%.

In the Other Manufacturing subindustry, growth was supported by the performance of the:

1. Chemicals & Chemical Products category, with Salt, up 8.2%, and
2. Non-metallic Minerals – with higher production of Cement, up 6.4%; and Clinker, up 8.2%.

The performance was, however, tempered by an estimated downturn for Petroleum Products. Major declines were recorded for Liquid Petroleum Gas (LPG), down 100.0%; Turbo Fuel, down 47.5%; Fuel Oil, down 29.9%; ADO, down 38.4%; and Gasoline, down 42.1%. These contractions resulted from the closure of the Petrojam refinery for 31 days to facilitate maintenance activities.

## **Construction**

Real Value Added for the **Construction** industry **contracted by 4.2%**, mainly reflecting an estimated downturn in activities in the Other Construction component. Total sales of Construction inputs contracted by 13.6% in real terms.

The estimated contraction in the Other Construction component was due to lower capital expenditure on civil engineering activities, reflecting:

The National Works Agency, which disbursed \$5.0 billion, down 29.2%, due to lower expenditure associated with work on the Yallahs to Harbour View leg of the Southern Coastal Highway Improvement Project (SCHIP).

These declines offset the increased disbursement from:

- Jamaica Public Service Company, which disbursed \$2.3 billion, representing an increase of 6.3%. Expenditure was associated with construction and installation activities to facilitate the increased distribution and generation of power.
- Port Authority of Jamaica, which disbursed \$1.3 billion relative to \$41.0 million. Funds were utilized for infrastructural developments.

## **Developments in the Services Industry**

The **Services** Industry was estimated to have **grown by 7.7%**, reflecting higher Real Value Added for all industries. The improved performance largely reflected the strength of the continued recovery, following the relatively low levels of output recorded in the corresponding quarter of 2021, when some of the restrictive COVID-19 management measures were still in effect.

## **Electricity & Water Supply**

The **Electricity & Water Supply** industry recorded an **increase of 2.0%** in Real Value Added, reflecting an expansion in electricity consumption. This increase was sufficient to mitigate the contraction recorded for water consumption.

Electricity consumption increased by 2.7% reflecting higher consumption for four of six categories:

- General Service (small businesses using less than 25 kilovolt ampere (kVa), up 9.0%
- Power Service (large businesses using more than 25 kVa but less than 500 kVa), up 2.7%

- Large Power (businesses using more than 500kVa), up 7.9%, and
- Largest Power (single locations with a minimum peak demand of 2000 kVa), up 10.4%.

These increases outweighed estimated declines for:

- Residential, down 3.1%, and
- Street Lighting + Traffic Signals, down 15.8%.

The contraction in residential consumption is attributed to the removal of COVID-19 restrictions, which has facilitated the resumption of in-office work and persons spending less time at home.

Seven (7) of the 14 parishes recorded higher sales, with Trelawny (up 8.3%) and Westmoreland (up 7.8%) recording the largest increases. This was largely driven by increased economic activities, especially within parishes that benefited from higher tourist arrivals.

Water consumption declined by 0.7%, reflecting declines in five of the 14 parishes. There was a 3.1% decrease in the Eastern division, which accounted for 66.2% of total consumption, outweighing an increase of 4.3% in the Western division.

## **Transport, Storage & Communication**

Real Value Added for the **Transport, Storage & Communication** industry **grew** by an estimated **10.0%**, due to increases in both the Transport & Storage and Communication components. Improved performance was recorded for the:

- Air transport subcomponent, largely reflecting an 82.5% increase in passenger movements, due to:
  - Departures, up 79.6%, and
  - Arrivals, up 81.9%.

The Maritime transport subcomponent, was estimated to have contracted due to a 14.6% downturn in total cargo volume.

## **Finance & Insurance Services**

Real Value Added for the **Finance & Insurance Services** industry was estimated to have **grown by 0.5%** during the review quarter. The performance reflected the impact of:

- higher profits at deposit-taking institutions, as a result of increases in the net interest income on their stock of loans and advances, and fees and commission income, which was facilitated by an uptick in economic activity.

## **WRTRIM**

Real Value Added in the **Wholesale & Retail Trade; Repair & Installation of Machinery (WRTRIM)** industry is estimated to have **grown by 5.8%** reflecting the combined impact of:

- estimated growth in associated industries such as, Agriculture and Manufacturing
- the removal of measures associated with the management of the COVID-19 pandemic which extended operational hours, and
- increased domestic demand associated with higher levels of employment.

Higher sales were recorded for five of the eight categories, including:

- Minerals, Fuels & Lubricants, up 38.9%
- Agriculture, Food, Beverages & Tobacco, up 8.4%, and
- Other Wholesale and Retail Sale of Goods & Services in Specialized and non-Specialized stores, up 9.5%.

## **Hotels & Restaurants**

Real Value Added for the **Hotels & Restaurants** industry **grew by an estimated 55.4%**, reflecting a sharp increase in visitor arrivals from all our main source markets. Foreign National arrivals for April–May 2022 stood at 399 310 visitors, an

increase of 110.0%, compared with the corresponding period of 2021. **Data on Foreign National arrivals for the month of June is not available at this time.**

#### **Employment Update....**

Regarding the Employment Update, the April 2022 Labour Force Survey conducted by STATIN reflected an improvement in Labour Market performance, with all indicators showing positive movements. The highlights, are as follows:

- The unemployment rate was **6.0%**. This was 3.0 percentage points lower than the rate recorded in April 2021 and represents the lowest unemployment rate on record.
- The Youth unemployment rate was 15.5% compared with 24.0% in April 2021.
- The employed labour force increased by **63 300 persons** to **1,269,300 persons** relative to April 2021.
- The employed labour force by industry group as at April 2022, revealed 10 of the 15 industry groups recorded higher employment levels. Among these were:
  - Real Estate, Renting & Other Business Services, up 21,300
  - Construction, up 14,500, and
  - Accommodation & Food Service Activities, up 11,400 persons.

The country continues to recover from the job losses associated with the Covid-19 pandemic. The data revealed that employment levels fell by 151 100 persons in July 2020 when compared with January 2020, Jamaica's Pre-COVID-19 employment high. However, as at April 2022, most of the employment lost during the initial stages of the pandemic have been regained, that is, the employed labour force has increased by 147 700 persons since July 2020. It is anticipated that the full recovery of the labour market will be recorded during FY 2022/23.



## **GDP Performance: January–June 2022**

For the first six months of 2022, real GDP is estimated to have grown by **6.1%**. The Services Industry grew by **8.1%** while the Goods Producing Industry was estimated to have remained flat. The industries which were estimated to have recorded the largest increases during the first half of the year, were Hotels & Restaurants (up 75.4%), Other Services (up 18.2%) and Agriculture, Forestry & Fishing (up 10.5%).

## **3. Vision 2030 Update**

I will now turn to an update on Vision 2030 Jamaica - National Development Plan. Vision 2030 Jamaica is a plan for the sustainable and inclusive development of Jamaica. It covers the 21 fiscal years: FY 2009/10 to FY2029/30. The successive 3-year Medium Term Socio-Economic Policy Frameworks (MTF) is the centrepiece of the Vision 2030 Jamaica Implementation Framework.

Each MTF includes the national outcome indicators as well as relevant targets covering a three-year period. We assess performance against the targets and a baseline year of 2007, to determine progress towards the national outcomes. We also assess our performance in strengthening our systems, processes, and mechanisms for driving development.

Before the onset of the COVID-19 pandemic, the PIOJ commenced a phased process of strategic review of the national planning and implementation framework. One of the areas of focus, which has been given even greater priority, is reviewing and revising the 2030 targets. This requires empirical assessments, statistical modelling and forecasting based on reliable, valid and timely data. This effort is challenged by shifts in the dynamics of the global environment, partly induced by the COVID-19 pandemic, geopolitical tensions, war and emerging threats.

## **What Has Jamaica Achieved and What do We Plan to Do? (say this heading DG)**

Seventy-five (75) indicators are being used to measure the state of the country's progress along the economic, social, environmental, and governance spheres of development. Note that we monitor the long-term performance of the indicators across successive MTFs to determine not only performance against the current medium-term target, but also trends in performance, that is, are indicators steadily improving, declining or showing little change. There are also lags in the availability of data, which impact which medium-term targets performance is measured against.

In this update, measurement of the national development results is against defined targets for 2018 and 2021 and a baseline year of 2007 based on latest available data. Therefore, for data available up to and including 2018, measurement is against the 2018 target and for 2019, 2020 and 2021 data, measurement is against the 2021 target.

Based on the national outcome indicator and target framework, the country's development progress under successive MTFs has been mixed.

The data show that 64 per cent of indicators improved over the baseline, while 32 per cent showed no improvement or worsened.

This can be further broken down as follows:

- 17.0 per cent of the Vision 2030 Jamaica targets were met or exceeded
- 47 per cent of indicators showed some improvement over the baseline year 2007 towards meeting the targets
- 32 per cent of indicators showed no improvement or worsened
- 4 per cent of the indicators could not be compared in this way due to lack of agreed targets and/or data for the relevant period.

Jamaica has experienced notable developments gains across all four (4) national goals – recall that the national goals are: 1. Jamaicans are Empowered to Achieve

their Fullest Potential, 2. The Jamaican Society is Secure, Cohesive and Just, 3. Jamaica's Economy is Prosperous, and 4. Jamaica has a Healthy Natural Environment. Some of the advances made to date include:

- Human capital development
- Macroeconomic stability
- Reduction in unemployment
- Increases in the use of non-fossil fuel based energy such as alternatives and renewables
- Governance, particularly in government effectiveness
- Economic growth in some industry structures particularly tourism, manufacturing and finance and insurance services
- Infrastructural development and housing quality

There have also been areas of challenge owing to insufficient progress and/or development losses.

**To illustrate development performance, let us delve a bit deeper in a few strategic areas of focus:**

- In the area of social development, there have been mixed results. We remain in the second tier High Human Development category of the Human Development Index (HDI). We have made gains in reducing the rate of serious crimes since 2007 with steady declines in the overall rate of serious crimes and fluctuations in the murder rate. The 2021 Category 1 Crime Rate of 190.94 per 100,000 population was 31.8 percentage points less than the rate of 280 per 100,000 population in 2007. While the target for Control of Corruption was not achieved, and is still an area of concern, the country progressed from a value of -0.46 in 2007 to -0.01 in 2020. Improvements were also recorded in Voice and Accountability with a 2020 value of 0.63 compared with the last medium term target in 2018. The 2020 value of 0.41

for Government Effectiveness, although performing above the baseline of 0.3, showed some slippage when compared to the value of 0.5 in 2018.

- There have also been improvements in the indicators that show access to justice, including the achievement of the 2021 target for the case clearance rate with a value of 106.5.
- We continue to strengthen national capacity to deliver timely and relevant legislation and policies. We recognize that shortfalls in these areas negatively impact the effectiveness of our public investments. The country continues to implement education sector reforms, and policy focus is being directed to gaps in quality and the achievement of expected educational outcomes.
- There have been gains in housing quality and access to adequate shelter and social housing have increased in prominence among the top investment priorities. In 2019 (most recent data), the country recorded its highest value of 75.7 for the Housing Quality Index (HQI) since 2007, falling 0.3 per cent below the 2021 target. The HQI has consistently performed above the baseline year of 2007. This coupled with continued focus on increasing access to electricity, piped water, sanitation, roads and other physical infrastructure, represent critical tenets of the Government's efforts to support asset creation and improve living standards.
- The Environmental Performance Index (EPI) is the outcome indicator used under Vision 2030 Jamaica to measure the state of the natural environment. The 2022 EPI provides a data-driven summary of the state of sustainability around the world. Using 32 performance indicators across 11 issue categories, the EPI ranks 180 countries on environmental health and ecosystem vitality. These indicators provide a gauge at a national scale, of how close countries are to established environmental policy targets.
- The country's 2022 score on the EPI decreased to 45.60, from 48.2 in the 2020 report. The overall score of 45.60 pushes the country further away from meeting the Vision 2030 Jamaica target of an EPI of over 80 by 2030.

The country's 2022 rank is 72 out of 180 countries, compared with 66 in 2020.

- In spite of the challenges, Jamaica has made significant strides in its efforts to build national capacity for environmental resilience. This includes updating its voluntary Nationally Determined Contribution (NDC) to the United Nations Framework on Climate Change (UNFCCC) to reflect increased greenhouse gas (GHG) emissions targets, particularly from the energy and land use change/ forest sectors.

## **What are the Next Steps?**

Long-term national development planning is especially impacted by several variables and uncertainties, which increase the longer the horizon over which we plan. It is also impacted by lessons learned during implementation.

In this regard, the PIOJ is currently seeking to engage relevant technical assistance to support the strengthening of its monitoring and evaluation Framework, and review the performance measurement framework, including the indicators and targets. We will provide an update on this initiative in the next Press Briefing.

Vision 2030 Jamaica was launched in 2009 with bi-partisan support. FY 2022/23 marks the 14th successive year of the implementation of Vision 2030 Jamaica. We have recorded gains and are utilizing lessons learned to continuously improve. As we celebrate our 60th anniversary of the independent nation state Jamaica, let us also recognize our accomplishments in national development planning. Vision 2030 Jamaica is lauded as a global best practice. It is 98% aligned to the Sustainable Development Goals (SDGs) and remains agile and relevant.

## **4. Short Term Economic Outlook:**

### **July–September 2022 & FY 2022/23**

Let me now turn to the short-term economic outlook. Short-term prospects for the overall economy are positive based on:

1. the continued economic recovery in most industries as operations gradually return to normalcy
2. strengthening of the global economy which augurs well for external demand. This is supported by efforts being made at restoring the global supply chain, particularly for commodities such as energy and grains
3. improved labour market out-turn is expected to bolster domestic demand, and
4. The gradual reopening of the JAMALCO alumina plant, which will remove the drag on growth caused by the downturn in the Mining & Quarrying industry.

This positive outlook, however, could be adversely impacted by:

1. adverse weather conditions during the hurricane season
2. plant downtime due to relatively aged equipment in major industries, particularly in Mining and Manufacturing, and
3. Slower than expected recovery in the markets of Jamaica's main trading partners.

Against this background, for July–September 2022, growth in output is anticipated to be within the range of **2.0% – 3.0%**.

This projection is based on expected growth in most industries led by the Services Industry, in particular Hotels & Restaurants, Other Services and Transport, Storage & Communication. Early indicators are positive, as reflected in:

1. Hotels & Restaurants – with an increase in preliminary airport arrivals, up by 33.4% to 245,102 persons for the month of July 2022.

2. Electricity & Water Supply – reflecting increases in both electricity and water consumption. Electricity consumption for the month of July 2022 increased by 0.8%.

Mining & Quarrying is expected to contract during the quarter. However, the pace of contraction will be tempered as a result of the limited resumption of production at the JAMALCO Alumina refinery during July 2022. JAMALCO produced approximately 9 000 tonnes of alumina during the month. For the month of July, total alumina production decreased by 75.0% and crude bauxite production contracted by 10.1%. It is anticipated that the industry will return to positive performance in the latter half of the fiscal year 2022/23.

Current projections are that for all quarters of **FY 2022/23** the country will record higher levels of output relative to the subdued performance in FY2021/22. Consequently, the PIOJ's projection is for growth in output within the range of **3.0%–5.0%** for the full fiscal year. It should be noted, however, that the economy is not expected to attain pre-COVID GDP levels until FY 2023/24.

## **5. Conclusion**

In closing, the preliminary data presented on performance for the April to June 2022 quarter, indicate that the process of recovery from the pandemic has continued. The strength of the recovery in the domestic economy has eclipsed the negative impact on growth posed by the challenges in the global economy, including supply chain disruptions.

There have been some concerns about the likelihood of the country experiencing a recession, based on the weaker than expected performance of the US economy. It is undeniable that the Jamaican economy is inextricably linked to the US economy, given the high dependence on trade and capital flows and investment from that source. Therefore, any adverse developments in the economy of

Jamaica's largest trading partner will negatively impact our own. Of note, however, while there have been two consecutive quarters of GDP decline, the US economy is not considered to be in a recession, as labour market conditions are still favourable, and there are no inherent structural weaknesses that can be linked to a recession.

It should be noted that the main factor driving the pace of inflation is the impact of the conflict between Ukraine and Russia on the supply of key food and energy related products. However, we are aware of initiatives currently underway to resume grain exports from the Ukraine, which should have an impact on tempering the rate of price movement during the second half of 2022. Already, crude oil and some grain prices have retreated from record highs.

With respect to the Jamaican economy, growth is anticipated for the current fiscal year, largely driven by the strength of the recovery, particularly, in industries such as **Hotels & Restaurants**, and the related **Other Services** and **Transport Storage and Communications**.

For July–September 2022, growth within the range of **2.0% - 3.0%** is projected. For the Fiscal Year 2022/23, the forecast is for growth within the range of **3.0% – 5.0%**.

Finally, I want to acknowledge and thank the very dedicated team here at the PIOJ.

I 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.***

May God continue to bless Jamaica land we love.