

# **The Planning Institute of Jamaica's Review of Economic Performance, July–September 2022 Media Brief November 23, 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 six 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 modern economies globally, where it is the common practice to release preliminary estimates, before the final official figures are published. 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 preliminary out-turn 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.

Today, we are reporting an estimated real value added growth of **4.3%** for the July–September 2022 quarter, relative to the corresponding quarter of 2021. The estimated out-turn for the review quarter largely reflected the impact of:

1. The removal of COVID-19 containment measures globally, which facilitated increased domestic and external demand, resulting in a continuation of the economic recovery process
2. Higher levels of employment, as firms increased operations to meet the growth in demand
3. Increased Business and Consumer confidence, associated with the prospects for strengthened economic out-turn in the short to medium term, and
4. Higher levels of productivity in the agriculture industry, evidenced by an increase in output per hectare.

## **2. Real Sector Developments**

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

The Goods Producing Industry is estimated to have expanded by **3.2%**, due to improved performances in two of the four industries, namely Agriculture and Manufacturing.

#### **Agriculture**

Real Value Added for the **Agriculture, Forestry & Fishing** industry was estimated to have grown by **15.4%**. This improvement reflected increased supply in response to higher demand, particularly from the Hotels & Restaurants industry, associated with the removal of measures previously implemented to stem the spread of

COVID-19. Also contributing to the improved out-turn was an expansion in the hectares of domestic crops reaped, and improved productivity reflected in increased output per hectare.

The industry's performance was driven by higher output in all sub-components of the industry, with the exception of Post-Harvest activities. The Other Agricultural Crops, was estimated to have grown by 16.1% reflecting higher production in all nine crop groups. The largest increases were recorded for: Plantains, up 21.9%; Fruits, up 20.8%; Yams, up 19.1%; and Vegetables, up 18.5%.

Higher output was recorded for Traditional Export Crops, which increased by 19.7%, largely reflecting growth in the production of banana (up 16.7%) and sugarcane, for which 25 107 tonnes were produced, relative to none in the corresponding quarter of 2021.

Animal Farming was estimated to have increased by 22.2% due to higher broiler meat production, up 30.9%, and egg production, up 6.6% to 59.0 million eggs.

## **Mining & Quarrying**

Real Value Added for the **Mining & Quarrying** industry decreased by an estimated **30.4%**, due to declines in both alumina and crude bauxite production. Alumina production decreased by 38.8%, largely due to lower production from the two operating alumina refineries.

The alumina capacity utilization rate for the industry decreased to 17.9%, down 4.9 percentage points, reflecting:

1. technical issues affecting the Windalco refinery, as well as
2. low utilization at the JAMALCO refinery as it gradually ramps-up production to normal operating levels, following the cessation of operations due to a fire at its powerhouse in August 2021.

Crude Bauxite production fell by 10.3%, reflecting the impact of lower demand from overseas purchasers. Consequently, the bauxite capacity utilization rate decreased to 42.8%, down 4.9 percentage points.

## **Manufacturing**

Growth in the **Manufacturing** industry was estimated to be **3.5%**, stemming from increased output in the sub- industries, Food, Beverages & Tobacco and Other Manufacturing.

The growth in the Food, Beverages & Tobacco sub-industry reflected higher production for Animal Feed, up 17.1%; Poultry Meat, up 29.8%; Dairy Products, up 61.9%; and Rum & Alcohol, up 34.4%. These increases were sufficient to outweigh declines recorded for Edible Oils & Fats; Beer & Stout; and Condensed Milk.

Other Manufacturing grew, mainly reflecting higher production in the Non-metallic Minerals component. Within the Non-metallic Minerals component, the main drivers were Cement production, up 30.4% and Clinker, up 18.9%.

Further growth was constrained by a contraction in the production of Petroleum Products surveyed, including: Liquid Petroleum Gas (LPG), down 100%; Gasoline, down 22.5%; Fuel Oil, down 5.4%; and Turbo Fuel, down 8.0%.

## **Construction**

Real Value Added for the **Construction** industry decreased by **2.2%**, due to a contraction in the Other Construction category, which outweighed an estimated increase in Building Construction. The industry's performance was reflected in a 2.7% real decrease in the sales of construction-related inputs.

Contraction in the Other Construction component was due to a decline in capital expenditure on civil engineering activities, largely stemming from:

- National Works Agency, which disbursed \$5.9 billion relative to \$9.1 billion in the corresponding quarter of 2021. Expenditure was primarily for projects associated with Part B of the South Coast Highway Improvement Project, which is scheduled to be completed in March 2023; and
- JPS, which disbursed \$1.8 billion, down from \$1.9 billion in the corresponding quarter of 2021. Expenditure during the quarter was for the construction and installation activities related to the generation and distribution of power.

The estimated growth in the Building Construction component was driven mainly by the performance of the residential component, supported by a 103.0% increase in Housing Starts by the NHT, as well as a 23.9% increase in the value of mortgages disbursed.

## **Developments in the Services Industry**

The Services Industry was estimated to have grown by 4.7%, relative to the corresponding quarter of 2021, 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 **3.8%**, due to higher electricity consumption.

Electricity consumption grew by 5.1%, due to higher consumption in four of the six categories. Higher sales were recorded for:

- General Service (small businesses using less than 25 kilovolt ampere – kVa), up 11.3%

- Power Service (large businesses using more than 25 kVa but less than 500 kVa), up 6.8%
- Large Power (Businesses using more than 500 kVa), up 7.0%, and
- Largest Power (single locations with a minimum peak demand of 2000 kVa), up 23.9%

However, lower consumption was recorded for Residential, and Street Lighting & Traffic Signals, down 3.1% and 16.6%, respectively.

In contrast to the increase in electricity consumption, water consumption declined by 0.8%, reflecting decreases in 7 of the 14 Parishes, led by Westmoreland, down 7.2%; Kingston & St. Andrew, down 4.7%; and Trelawny, down 4.3%.

## **Transport, Storage & Communication**

Real Value Added for **Transport, Storage & Communication** grew by **3.6%** mainly due to higher levels of activities in both the Transport & Storage and Communication components. This out-turn was largely driven by an improvement in the Air Transport component, reflecting growth in passenger movement up 56.2%, due to Departures (up 50.8%); Arrivals (up 55.2%) and Intransit (up 839.4%). The increased air travel was facilitated by a 43.3% increase in Aircraft movement.

## **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 **7.5%** due to increased demand stemming from:

1. Higher employment levels by 53,000 persons
2. Growth in the related Manufacturing and Agriculture, Forestry & Fishing industries, and the
3. Removal of COVID-19 containment measures.

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

- Other Wholesale and Retail Sale of Goods and Services in Specialized & Non-specialized Stores, up 11.2%
- Motor Vehicles, Auto Repairs & Accessories, up 9.2%
- Minerals, Fuels, Lubricants & Petroleum Products, up 35.6%
- Agriculture, Food, Beverages & Tobacco, up 7.3%, and
- Textiles, Clothing, Shoes & Jewellery, up 33.3%.

## **Finance & Insurance Services**

Real Value Added for the **Finance & Insurance Services** industry was estimated to have grown by **1.0%**. This performance was influenced by increased profitability at deposit-taking institutions, driven by a rise in income from net fees and commissions. This was supported by higher levels of employment and consumer confidence, which drove increased demand for financial services.

## **Hotels & Restaurants**

Real Value Added for the **Hotels & Restaurants** industry was estimated to have grown by **29.6%**. Stopover visitor arrivals for July to August 2022 increased by 42.0% relative to the corresponding period of 2021. Of note, Stop-over arrivals for the month of August 2022 was 218 849, representing the highest on record for any August, and signals a return to pre-COVID monthly arrival levels.

Cruise passenger arrivals totalled 156 609 in July to August 2022 relative to 3 496 in the corresponding period of 2021.

Visitor Expenditure was estimated to have increased by 49.5% to **US\$692.8 million** for July to August 2022, relative to July to August 2021.

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

For the first nine months of 2022, Real Value Added was estimated to have increased by **5.2%**. This reflected higher Real Value Added for both the Goods Producing Industry, up **0.6%** and the Services Industry, up **6.7%**. All industries recorded growth in output, with the exception of the *Mining & Quarrying* and *Construction* industries. Growth for the nine-month period was led by Hotels & Restaurants, up 58.2%; and Agriculture, Forestry & Fishing, up 9.8%.

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

Regarding the Employment out-turn, STATIN has already provided an update on the Labour Force Survey for July 2022. As such, we will not present a detailed report on this area. The highlights, however, are that for the month of July 2022, the unemployment rate was **6.6%**, down 1.9 percentage points. Youth unemployment decreased by 7.2 percentage points to 16.7%.

The number of persons employed increased by **53 000 persons** relative to July 2021. Male employment increased by 11 000 to 688 500 persons, while for females, employment increased by 42 000 persons to 579 500. The age cohorts with the largest increases were: 20–24 up 15 400 persons, 25–34 up 12 900 persons, and 35–44 up 9 000 persons.

### **4. 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. The successive 3-year Medium Term Socio-Economic Policy Frameworks (MTFs) serve as the main mechanism for advancing the implementation of Vision 2030 Jamaica, and the implementation of the Sustainable Development Goals (SDGs). The latest MTF, which is now in its fifth iteration, covers the period 2021–2024, and was approved by Cabinet, on October 24,



2022. The important role that Ministries, Departments and Agencies (MDA's), play in the implementation of Vision 2030 Jamaica was reiterated. This was evidenced by the inclusion of a directive to MDA's to support the implementation of MTF 2021–2024 through the alignment of their Strategic Business Plans, Corporate and Operational Plans, and Budgets with the MTF.

The strategies and actions presented in MTF 2021–2024 will serve to advance the achievement of the four National Goals and 15 National Outcomes as well the 17 SDGs. The broad priority areas are:

- Human Capital Development
- Social Protection and Social Inclusion
- Transformational Culture
- Rule of Law and Timely Justice
- Governance and Public Sector Effectiveness
- Economic Stability and Growth
- Employment and International Competitiveness
- Environmental Sustainability and Climate Change Response, and
- Rural Development and Urban Renewal.

A copy of the new MTF for 2021–2024 can be found on both the PIOJ's and Vision 2030 Jamaica's websites. The PIOJ is grateful to all stakeholders who contributed to the development of the MTF 2021–2024.

## **5. Short-Term Economic Outlook: October–December 2022, Calendar 2022 and Fiscal Year 2022/23**

We will now turn to the short-term prospects for the Jamaican economy. Generally, the prospects for the Jamaican economy in the short to medium term are positive, given the impact of the removal of the previously implemented COVID-19 containment measures. This will continue to support the expansion of economic

activities in most industries. Increased employment levels will also result in greater domestic demand in the short to medium term. The resumption of production at the JAMALCO Alumina refinery and the gradual ramping-up of capacity utilization are expected to result in relatively strong growth in the Mining & Quarrying industry in the short term. For the month of October, alumina production increased by 133.3%. In addition, the Hotels & Restaurants industry is expected to continue to record robust growth. Preliminary data on airport arrivals for October 2022 indicate an increase of 52.0% relative to October 2021. For the Electricity and Water Supply industry, data for October indicate that Electricity Consumption increased by 4.9%, while Water consumption declined by 2.0%.

The downside risks to this positive outlook include:

1. Supply-chain disruptions due to the impact of geo-political conflict, as well as the re-imposition of COVID-19 management measures, particularly in China. These disruptions have already contributed to higher than desired inflation.
2. Slower than anticipated recovery in the economies of Jamaica's main trading partners, which may temper the external demand for Jamaica's goods and services.
3. Tightened monetary policy as Central Banks address the high inflationary environment, which could result in a stronger than expected slowdown in domestic demand, as a result of more restrictive financial conditions, and
4. Adverse weather conditions, particularly from hydrological events. Recent heavy rains associated with Tropical Storm Ian, further highlighted Jamaica's vulnerability as a Small Island Developing State.

Within this context, economic growth is anticipated for the remainder of this calendar and fiscal year. For **October–December 2022**, it is projected that the economy will grow within a range of **2.5% to 3.5%**, resulting in a calendar year growth (i.e. January–December 2022) in the range of **4.0% to 5.0%**. For **Fiscal Year 2022/23**, the projection is for growth within the range of **3.5% to 4.5%**.

## **6. Conclusion**

In summary, preliminary data indicate that **the Jamaican economy continued the recovery process during the review quarter**. Most industries recorded growth with the exception of Mining & Quarrying, which continued to be affected by technical challenges; and the Construction industry, which reported a slowing, relative to the surge in infrastructure projects that the industry benefited from during the corresponding quarter of last year.

Generally, the indications are that the Jamaican economy will continue the growth trend within the short term, albeit at a slower rate, as more industries attain pre-COVID-19 levels of output. The pace of the recovery will be influenced by the challenges within the global economy, stemming from the supply-chain shocks, its impact on inflation, and the contractionary measures being implemented by Central Banks to temper the rate of inflation. The negative impact of these challenges is expected to be outweighed by the continued strength of the recovery from the relatively low levels of output recorded in the previous year, supported by growth in domestic demand.

However, the PIOJ's growth projections remain fluid, given the increased uncertainty in the global economy. These uncertainties have led to several downward revisions by the IMF. In its October World Economic Outlook publication, the Fund further downgraded its projection of global growth for 2022 to 3.2%, relative to the 3.6% projected in April 2022.

In closing, the growth momentum continues amid tightening global financial conditions adopted to mitigate the high levels of inflation. During the medium term, the expectation is that inflation will gradually recede, easing the burden on Jamaican households. In this environment, it is important that monetary policy focuses on measures aimed at guiding inflation towards the target range, while

fiscal policy focuses on strengthening public finances, supporting growth inducing initiatives and reforms, while protecting the most vulnerable population from the inflation shock.

Finally, I want to recognize the very dedicated and hard-working team here at the PIOJ. I also remind us all to continue the whole-of-society collaboration, as we sustain our efforts to make ***Jamaica, the place of choice to live, work, raise families and do business.***

God bless you all.