

# **The Planning Institute of Jamaica's Review of Economic Performance, January–March 2023 Media Brief, May 30<sup>th</sup>, 2023**

## **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. Note, however, that the targeted timeline for the press briefing is sometimes impacted by challenges in the data collection process. STATIN releases the official GDP figures at the end of the 3rd month 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, as well as the Government, to inform critical 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 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 **grew by an estimated 2.7%** in the January to March 2023 quarter compared with the corresponding quarter of 2022, representing the eighth consecutive quarter of growth. Importantly, this quarter's growth has yielded a fiscal year out-turn resulting in the achievement of full recovery in overall output levels from the impact of Covid-19, one year before the projected recovery date of FY2023/24.

The out-turn for January to March 2023 largely reflected the impact of:

1. Increased external demand, especially for Jamaica's Tourism product. This was facilitated by the continued recovery in the economies of Jamaica's main trading partners and was reflected in the positive performances for the Transport; Hotels & Restaurants; and Other Services Industries
2. Increased domestic demand associated with the strength of the recovery, particularly in the Hotels & Restaurants; and Transport, Storage & Communication industries; and
3. The resumption of operations at the Jamalco Alumina plant during the July–September 2022 quarter, following its closure in August 2021.

Further growth in the economy was tempered by:

- a contraction in the Construction Industry, due to a slowdown in works on major infrastructure projects which are close to completion; and
- The negative effect of drought conditions on Agriculture, Forestry & Fishing and the Electricity & Water Supply industries.

## **2. Real Sector Developments**

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

Output of the Goods-Producing Industry **fell by an estimated 0.7%**, due to contractions in all industries with the exception of Mining and Manufacturing. This performance largely reflected the impact of drought conditions and a slowdown in some capital projects.

### **Agriculture**

Output of the Agriculture, Forestry & Fishing industry **declined by an estimated 7.6%**. The performance of the industry reflected the impact of drought conditions. This resulted in a decline in productivity as reflected in lower output per hectare, as well as a delay in planting of crops, which contributed to a decline in hectares reaped for domestic crops. All parishes recorded a contraction in hectares reaped, with the exception of Portland and Clarendon , which increased by 4.6% and 4.2% respectively, relative to the corresponding quarter of 2022.

The Other Agricultural Crops group was estimated to have contracted by 9.6% reflecting lower production in all nine crop groups, as a result of a decline in hectares reaped and crop yields. The most significant declines were recorded for:

- Potatoes, down 23.3%.
- Legumes, down 16.0%, and
- Cereals, down 14.4%.

Traditional Export Crops fell by an estimated 1.4% reflecting lower output for Bananas, down 3.9% and Cocoa, down 30.3%.

Animal Farming was estimated to have grown by 2.8% mainly reflecting the increased production of Broiler meat (up 1.9%), and eggs (up 7.4%).

Increases were also recorded for Post Harvest Activities, pushed by a higher production of coffee.

## **Mining & Quarrying**

Real Value Added for Mining & Quarrying **grew by an estimated by 95.9%**, due to higher output of Alumina which outweighed a contraction in Crude Bauxite.

Alumina production, grew by 197.1%, due to the resumption of production at the JAMALCO alumina plant which was closed during the corresponding quarter of 2022. This resulted in an increase in the alumina capacity utilization rate by 22.4 percentage points, to 33.7% compared with the corresponding quarter of 2022.

Crude Bauxite production declined by 33.2% due to a falloff in demand. The average bauxite capacity utilization rate fell by 16.1 percentage points to 32.4%.

## **Manufacturing**

Real Value Added for the Manufacturing industry was estimated to have **grown by 0.7%**, due to improved performance in the Food, Beverages & Tobacco sub-industry which outweighed an estimated contraction in the Other Manufacturing sub-industry.

Higher output was recorded for the Food processing component, largely due to Poultry Meat, up 2.2%; Dairy Products, up 39.9%; Condensed milk, up 287.9%; Cornmeal, up 6.8%; Rum & Alcohol, up 11.9%; Edible Oils, up 41.6%; and Edible Fats, up 42.3%.

In the Other Manufacturing category, lower output stemmed from a decline in production of Petroleum Products, led by Fuel Oil, down 19.1%, which outweighed increased output of Gasoline, up 8.1%, and Automotive Diesel Oil, up 7.9%. Non-metallic Minerals also contracted due to a fall-off in the production of Cement, by 19.9% and Clinker, by 45.4%.

## **Construction**

Real Value Added for Construction **fell by 4.0%**, reflecting downturns in both the Other Construction and Building Construction components. The performance of the Building Construction component was constrained by a 32.6% contraction in Housing Starts by the NHT and a 9.1% contraction in the real sales of construction inputs.

The decrease in the Other Construction component was due to lower capital expenditure on civil engineering activities reflecting the net effect of:

- A 67.2% contraction in disbursements by the National Works Agency (NWA) to \$2.2 billion. Disbursement facilitated work on the Yallahs to Harbour View leg of the Southern Coastal Highway Improvement Project (SCHIP)
- A 36.9% increase in disbursements by the Jamaica Public Service Company, to \$1.2 billion.

## **Developments in the Services Industry**

The Services Industry was estimated to have **grown by 3.8%**, reflecting growth in all industries, led by those associated with travel and tourism. The improved performance resulted largely from increased external demand as economies of our main trading partners continued to strengthen.

## **Electricity & Water Supply**

The Electricity & Water Supply industry recorded growth of **0.7%** in real value added, reflecting an increase in electricity consumption which outweighed a decline in water consumption.

Electricity consumption increased by 1.2% reflecting higher consumption for three of six categories, namely:

- General Service (small businesses using less than 25 kilovolt Ampere - kVa), up 3.7%

- Power Service (large businesses using more than 25 kVa but less than 500 kVa), up 3.5%
- Largest Power (Single locations that have minimum peak demand of 2 000 kVa), up 3.7%.

These increases were sufficient to outweigh declines recorded for:

- Large Power (Businesses using more than 500kVa), down 1.4%
- Residential, down 0.9%; and
- Street Lighting + Traffic Signals, down 4.1%.

When disaggregated by parish, 10 parishes recorded higher consumption. The largest increases were recorded for:

- Clarendon up 5.9%
- Westmoreland, up 5.9%; and
- Trelawny, up 5.4%.

These increases were largely attributed to an increase in tourism related activities within Westmoreland and Trelawny, while the resumption of production at the Jamalco Alumina plant drove the increase for Clarendon.

The largest declines were recorded for:

- Hanover, down 5.0%
- Kingston & St. Andrew, down 2.9%, and
- Manchester, down 0.9%.

Water consumption contracted by 1.3%, due to lower consumption in both the Western division, down 1.5% and the Eastern division down 1.1%.

## **Transport, Storage & Communication**

Real value added for Transport, Storage & Communication **grew by 4.3%** due to estimated increases in both the Transport & Storage, and Communication components. Growth in the Transport & Storage component reflected the combined effect of:

1. Growth in the air transport component, due to increased passenger movements up 46.5%, driven by both Arrivals (up 46.4%) and Departures (up 46.1%). This was associated with the continued strengthening of the Travel and Tourism sectors; and
2. An expansion in the maritime transport subcomponent reflecting cargo volume up 8.0%, due to increases in cargo handled at both the Port of Kingston (up 6.9%) and Outports (up 9.1%).

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

Real Value Added for the WRTRIM industry was estimated to have **increased by 0.5%**, reflecting the impact of higher demand emanating from:

- The continued strengthening in demand, for example, from the Hotels & Restaurants industry,
- Increase in the related Manufacturing industry output; and
- Increases in both the Consumer Confidence Index (up 2.5%) and the Business Confidence Index (up 4.5%).

There was a 1.2% increase in total Real Gross Sales. Higher sales were recorded for five of the eight categories, including:

- Motor Vehicles, Auto Repairs & Accessories, up 8.9%
- Retail Sales of Goods & Services in Specialized & Non-specialized Stores, up 4.3%
- Retail Sale of Pharmaceuticals, Medical Goods & Cosmetics, up 3.5%
- Minerals, Fuels, Lubricants & Petroleum Products, up 2.1%.

## **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, associated with the higher level of economic activities and an increase in net interest income and fees & commission income earned by Deposit taking institutions.

## **Hotels & Restaurants**

Real Value Added for Hotels & Restaurants **increased by an estimated 30.8%**. The industry continues to benefit from increased travel, in light of the continued growth in main source markets and effective marketing strategies.

Preliminary data for January and February 2023 revealed that Stopover Arrivals increased by 55.5% to 457,996 visitors and Cruise passenger arrivals increased to 300,237 from 110 ship calls relative to 49,870 from 41 ship calls in the corresponding period of 2022. Total visitor expenditure increased to US\$761.6 million relative to US\$276.0 million in the corresponding period.

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

No labour Force survey was undertaken by the Statistical Institute of Jamaica (STATIN) for the months of October 2022 and January 2023, due to competing activities involving the National Census currently being undertaken. An analysis of the April 2023 Labour Force Survey will therefore be presented at our next Economic Briefing in August 2023.



## **GDP Performance: Fiscal Year 2022/23**

For FY2022/23, real GDP growth was initially projected to be within the range of **4.0% to 6.0%**. Based on the preliminary out-turn for January to March 2023, real value added for the Fiscal Year 2022/23 is estimated to have grown by **4.3%** supported by improved performances in all industries, except:

1. Mining & Quarrying which contracted by an estimated 2.3%, due mainly to the closure of the JAMALCO alumina plant for seven months within the fiscal year; and
2. Construction, which declined by 4.2% due largely to a fall-off in civil engineering activities associated with the winding-down of major road infrastructure projects.

The heavier weighted Services Industry was estimated to have grown by **5.0%**, and the Goods Producing Industry, by **1.8%**. The industries which recorded the strongest growth during the fiscal year were Hotels & Restaurants (up 34.9%); Other Services (up 10.4%); Transport, Storage & Communication (up 5.4%); Manufacturing (up 5.3%); and Agriculture (up 4.8%).

The Jamaican economy has now surpassed its pre COVID-19 high (FY 2018/19), one year earlier than initially expected, as the initiatives implemented to stimulate businesses and consumers during the heights of the pandemic have reduced the economic scarring from the COVID-19 pandemic.

### **3. Short Term Economic Outlook: April–June 2023 & FY2023/24**

For **April–June 2023**, growth prospects for the economy are generally positive. It is projected that the economy will **grow within the range 2.0% to 3.0% relative to April–June 2022**,

based on the continuation of the growth momentum in most industries. Specifically, growth during this period is expected to be driven by:

- continued strengthening of the Mining & Quarrying industry due to the resumption of full operations at the Jamalco Alumina plant
- increased domestic demand due an estimated expansion in employment levels
- continued recovery in the global economy, despite the geo-political challenges, which augurs well for a strengthening of external demand for Jamaica's goods and services, particularly, Tourism.

Data for the April to June 2023 quarter has indicated some positive movements which support this projection. Preliminary Airport arrivals for April 2023 totalled 238,530 persons, an increase of 10.5% compared with April 2022. For the Mining & Quarrying industry, April 2023 data indicate that alumina production increased by 359.3% and crude bauxite production increased by 16.8%. Electricity Consumption for April 2023 grew by 6.1% and water consumption grew by 1.6% relative to April 2022.

The projection for **FY2023/24** is for growth within the range of **1.0%–3.0%**. All industries are forecast to record growth, albeit at slower rates, as most would have fully recovered from the effects of Covid-19. In some instances, the economy has entered into this new growth phase stronger, more efficient and competitive due to the pivoting that firms were forced to undertake to combat the fall-out from the Covid-19 pandemic. These benefits arose from:

- the continued utilization of the work-from-home modality within the private sector and reports of the realization of increased productivity from workers;
- new ventures and opportunities which have resulted in firms adding new products and services to their core functions, particularly in the areas of Information Technology and service delivery modalities;
- the retooling and addition of new capacities by major industry players during the downtime associated with Covid-19. For example, the addition of new hotel rooms, has better equipped some firms to meet new and expanding demand.

For FY2023/24, growth will be led by the performance of the Mining & Quarrying Industry, as the Jamalco refinery continues to ramp-up to full capacity by the end of 2023. Relatively strong growth is also expected from the Hotels & Restaurants, Other Services, and Transport, Storage & Communication industries.

## **UPSIDE POTENTIAL AND DOWNSIDE RISKS**

There are upside potential and downside risks to this forecast. The main downside risks to these projections include:

1. Increased factory downtime associated with aged production plants, particularly in the Mining & Quarrying and Manufacturing industries
2. Weather related shocks, particularly related to the impact of a possible intensification of drought conditions on the Agriculture, Forestry and Fishing and Electricity & Water Supply industries;
3. An intensification of geopolitical conflicts leading to a deterioration of supply side conditions
4. Lower than anticipated external demand for Jamaican goods and services as a result of slower than expected growth in the economies of Jamaica's main trading partners.

**Potential Upside to Growth** is anticipated from:

- Higher than expected external demand for Jamaica's goods and services, specifically, Tourism, due to, among other things, a stronger than expected growth in the economies of Jamaica's main trading partners.
- A more robust increase in employment levels which could lead to higher than expected strengthening of domestic demand, particularly associated with the expanded capacities in some sectors such as Business Process Outsourcing, Tourism, digital animation and other IT related services.
- Better than expected weather outcomes, leading to increased agricultural output and water production.

## **4. Vision 2030 Jamaica Update**

Regarding Vision 2030 Jamaica – National Development Plan, the Planning Institute of Jamaica (PIOJ) will be officially launching the "Data 4 Development" Online Monitoring Platform in June, 2023. The launch will be hosted in partnership with the United Nations Development Programme (UNDP), which supported the establishment of the Platform commencing in 2019, under the project "Advancing the SDGs through Vision 2030 Jamaica. The PIOJ led the implementation of the project and provided counterpart funding to establish the Platform.

The Online Monitoring Platform forms part of the PIOJ's "Data for Development" initiative, geared towards strengthening national capacity for evidence-based policy and planning through the provision of data on development indicators for analysis and monitoring and evaluation (M&E). This will aid the PIOJ as it builds institutional capacity to support the monitoring and evaluation of results-based national development processes in accordance with its mandate.

The Platform is geared to promote stakeholder engagement in monitoring national development performance under Vision 2030 Jamaica and the SDGs; and using

data, statistics and information to inform decision making as they support Jamaica's national development. The Platform will also support the identification and documentation of lessons learned to inform national development planning post-2030.

Currently, the Online Monitoring Platform includes:

- an integrated “Jam Data” database with social, economic, and environmental data at the national and local levels;
- a Data Visualizer that allows users to create and save personalized galleries with data on indicators;
- a Vision 2030 Jamaica Monitoring Dashboard that allows stakeholders to track national development performance;
- statistical dashboards;
- a Metadata Hub; and
- an Online Resource Library.

The Platform is accompanied by a “Jam Data” Mobile Application that is accessible online free-of-cost in the Google Play and Apple Stores. The PIOJ is currently engaged in site testing and improving offerings to meet stakeholder needs.

## **5. Conclusion**

In conclusion, the preliminary data presented on economic performance for the January to March 2023 quarter, indicate that the economy was estimated to have grown by 2.7 per cent. This performance reflects in part, the impact of the retooling and expansion as well as pivoting, undertaken by firms as they sought to manage the challenges brought about by the pandemic. The preliminary outturn for the quarter resulted in growth of 4.3% for the fiscal year 2022/23 and represents full recovery in overall output levels from the impact of Covid-19, one year before the projected recovery date of FY2023/24.

A key development challenge which Jamaica now faces is how to capitalize on this growth momentum and realize sustainable economic growth rates above the 1.0% long term trend. Whereas efforts are being made to attract significant investment to spur economic activities in areas such as BPO's, Tourism, Logistics, digital animation and other IT related services, a constraint currently facing Jamaica and its investors is that of an adequate supply of sufficiently skilled labour to capitalize on the opportunities which will arise. Increasingly, the question of whether Jamaica has reached its full employment level with respect to labour has come to the fore. Already, there are at least two research activities being undertaken by the Ministries of Tourism, and Labour and Social Security, which should provide the relevant data and information to adequately assess Jamaica's labour market situation, with respect to the availability of skills in growing areas. The results of these studies will therefore provide relevant information to inform future policy decisions with respect to training needs and options for satisfying any short term gaps which may arise.

For FY 2023/24, growth is projected within the range of 1.0%-3.0%. Efforts to ensure the attainment of this target as well as to realize upside potential to growth, should include:

- Continuation of efforts at building climate resilience as climate hazards have traditionally detracted from the attainment of optimum performance within key industries
- Strengthening the efficiency in the rollout of capital projects ranging from tackling procurement delay issues to improving project management capabilities
- Building Human resource capacity of the labour force to facilitate the seamless implementation of projects in new and emerging areas; and finally
- Tackling other growth inhibitors such as crime

Despite the challenges that abound, we remain optimistic as we continue to closely monitor and assess these developments. In closing, I want to acknowledge and thank the very dedicated team here at the PIOJ.

I encourage us to continue 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.