



The Planning Institute of Jamaica's Review of Economic Performance, April–June 2023 Media Brief August 17, 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 provided by major data providers.

The provision of preliminary estimates is consistent with trends in modern economies globally, where it is the common practice to release a 1st, 2nd and even a 3rd preliminary estimate, before the final figures are provided. The PIOJ releases the preliminary growth estimate approximately six weeks following the end of the quarter being reviewed, while STATIN releases the official figures at the end of the 3rd month following the end of the quarter.

Various stakeholders, including our International Development Partners, the Private Sector, as well as the Government, use the preliminary data to inform critical planning and policy-related decisions.

Today, we are reporting that the Jamaican economy grew by an estimated **1.5%** during the April to June 2023 quarter, compared with the corresponding quarter of 2022.

The out-turn for the review quarter largely reflected increased capacity utilization in the Mining & Quarrying industry; the continuation of the growth momentum in tourism-related industries; increased demand spurred by higher levels of employment as well as, increased business and consumer confidence, relative to the corresponding quarter of 2022.

Further growth was stymied by the impact of drought conditions on agriculture and water production, as well as relatively aged equipment in some industries, which resulted in unplanned downtimes.

1.Real Sector Developments

Developments in the Goods Producing Industry

The Goods Producing Industry **grew by an estimated 1.0%** with improved performance recorded for the Mining & Quarrying industry, which was sufficient to outweigh contractions recorded for the Manufacturing, Agriculture and Construction industries.

Agriculture, Forestry & Fishing

Real Value Added for the **Agriculture industry contracted by 7.1%**. This out-turn primarily reflected the adverse impact of drought conditions, which resulted in a 7.7% decline in the area of crops reaped, and a reduction in crop yield for most crop groups.

The performance of the industry was due to an 11.8% decline in the output of **Other Agricultural Crops**. Lower production was recorded in seven of the nine crop

groups, including Potatoes, down 28.0%; Yam, down 15.0%; Vegetables, down 14.6%; Cereals, down 13.2%, and Legumes, down 8.7%.

Additionally, Traditional Export Crops declined by 0.8%, largely reflecting lower production of Sugar Cane, down 22.6%; Banana, down 0.2%; and Cocoa, down 56.4%. These decreases outweighed an estimated 16.5% increase in Coffee production.

Animal Farming was estimated to have grown by 1.8%, attributed to increased broiler meat and egg production.

Mining & Quarrying

Real Value Added for the **Mining & Quarrying industry** increased by 163.1%, due to an expansion in alumina production, which outweighed a decrease in crude bauxite production.

Total bauxite production increased by 69.0% reflecting the combined effect of:

- Alumina production, up 271.8%, due to the reopening of the JAMALCO refinery. The alumina capacity utilization rate was 36.3%, up 26.6 percentage points compared with the corresponding quarter of 2022, and
- Crude Bauxite production, down 6.8%. The bauxite capacity utilization rate decreased by 3.4 percentage points to 47.1%.

Manufacturing

Real Value Added for the **Manufacturing industry** was estimated to have contracted by 0.6%. Lower output was estimated for the Food, Beverages & Tobacco sub-industry, while the Other Manufacturing sub-industry was estimated to have remained flat.

Within the Food, Beverages & Tobacco sub-industry, lower production was recorded for Animal Feeds, down 0.7%; Sugar, down 19.5%; Dairy Products, down 13.5%; Bakery Products, down 1.2% and Rum & Alcohol, down 25.9%.

For the Other Manufacturing sub-industry, higher output was recorded within the Chemicals & Chemical Products component with Fertilizer, up 31.1%; Paint, up 57.9%; and Aluminium Sulphate, up 9.4%.

Non-metallic Minerals is also estimated to have increased, supported by Cement production, up 2.6%.

In contrast, the Petroleum Products component was estimated to have contracted due to lower production of Heavy Fuel Oil, down 14.0%; Automotive Diesel Oil, down 10.2%; and Gasoline, down 4.6%. The lower output of Petroleum Products resulted from reduced operating days at the Petrojam refinery, due to its closure for 33 days to facilitate maintenance activities. This compared with closure of 31 days in the corresponding quarter of 2022.

Construction

Real Value Added for the Construction industry decreased by 3.3%, mainly reflecting a downturn in activities in the Other Construction and Building Construction components.

The decline in the Other Construction component was due to reduced capital expenditure on civil engineering activities reflecting:

- National Works Agency, down 52.5% to \$2.4 billion, reflecting lower expenditure on the Southern Coastal Highway Improvement Project (SCHIP) and
- Port Authority of Jamaica, which disbursed \$137.3 million, down 89.2%, due to reduced expenditure on infrastructural developments.

The Building Construction component is estimated to have contracted, reflecting a decline in housing starts by the NHT of 21.0%. Preliminary data on sales of Construction inputs indicated an 8.0% decline in real terms.

Developments in the Services Industry

The **Services** Industry was estimated to have **grown by 1.8%**, reflecting higher Real Value Added for all industries with the exception of Wholesale & Retail Trade; Repair & Installation of Machinery which declined, and Producers of Government Services which remained flat.

Electricity & Water Supply

The **Electricity & Water Supply** industry recorded **growth of 6.2%** 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 7.9% reflecting higher sales for five of six categories:

- Residential, up 4.3%,
- General Service (small businesses using less than 25 kilovolt ampere (kVa), up 6.4%
- Power Service (large businesses using more than 25 kVa but less than 500 kVa), up 4.6%
- Large Power (businesses using more than 500kVa), up 6.6%, and
- Largest Power (single locations with a minimum peak demand of 2000 kVa), up 35.2%.

These increases outweighed an estimated decline for Street Lighting + Traffic Signals, down 4.6%.

Thirteen (13) of the 14 parishes recorded higher sales, led by a 56.7% increase in Clarendon, reflecting the resumption of operations at the Jamalco plant. Electricity

sales in Kingston & St. Andrew grew by 4.0% and continued to account for the largest share at 34.2%. Increases were also recorded for Trelawny (up 3.6%); St. Ann (up 6.9%); Westmoreland (up 9.6%) and St. James (up 4.8%), which benefited from higher tourist arrivals.

Water consumption declined by 0.3%, reflecting declines in six of the 14 parishes. There was a 2.6% decrease in the Eastern division, which accounted for 65.1% of total consumption. This outweighed 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 **5.2%**, due to increases in both the Transport & Storage and Communication components. Improved performance was recorded for the:

- Air transport subcomponent, largely reflecting a 39.8% increase in passenger movements, due to:
 - Departures, up 41.3%, and
 - Arrivals, up 39.1%.

Air cargo movements also increased, up 104.3%.

The Maritime transport sub-component was estimated to have grown, due to a 9.3% increase in total cargo volume. This out-turn was supported by an 18.6 % increase in maritime cargo movements at Outports, driven by increased exports of alumina. Cargo movements at the Port of Kingston declined by 0.3%.

Finance & Insurance Services

Real Value Added for the **Finance & Insurance Services** industry was estimated to have **grown by 1.0%** during the review quarter. The performance reflected the impact of:

- increases in the net interest income on the stock of loans and advances at deposit-taking institutions, and

- higher fees and commission income, supported by increased utilization of financial services.

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

Real Value Added in the **WRTRIM** industry is estimated to have **contracted by 3.3%** reflecting the impact of:

- estimated declines in associated industries such as, Agriculture, as less produce was available for distribution, as well as Construction, due to weakened demand for construction inputs.

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

- Minerals, Fuels & Lubricants, down 13.2%
- Other Wholesale & Retail Sales of Goods & Services, down 1.0%
- Hardware, Building Supplies, Electrical Goods & Machinery, down 7.7%.

Hotels & Restaurants

Real Value Added for the **Hotels & Restaurants** industry **grew by an estimated 9.0%**, reflecting an increase in visitors based on preliminary arrival data. Preliminary estimates on Foreign National arrivals for the review quarter stood at 705,031 visitors, an increase of 14.2%, compared with data for the corresponding quarter of 2022.

Total visitor expenditure for April 2023 increased to US\$368.77 million, up by 19.7%, compared with the corresponding month of 2022.

Employment Update....

Regarding the Employment out-turn, STATIN has provided an update on the Labour Force Survey for April 2023. As such, we will not present a detailed report on this area. The highlights, however, are that for the month of April 2023, the unemployment rate was 4.5%. This was 1.5 percentage points lower than the rate recorded in April 2022 and represents the lowest unemployment rate on record. The Youth unemployment rate also fell to 12.2% compared with 15.5% in April 2022. The unemployed labour force declined by 19,700 persons to 61,300. The employed labour force increased by **43,300 persons** to **1,312,600 persons** relative to April 2022. This is the highest level of employment on record. This outturn also officially confirms that the Jamaican labour force has fully recovered from the impact of COVID-19, surpassing the pre-COVID-19 high by 39 900 persons. Recall no Labour Force Surveys were undertaken for October 2022 and January 2023, due to competing census-related activities.

Of note, since the sharp down turn in employment recorded in the heights of the pandemic, specifically between January and July of 2020 when 151,100 fewer persons were employed, the country has since gained an additional 191,000 employed persons.

With respect to the employed labour force by industry group, 10 of the 15 industry groups recorded higher employment levels. Among these were:

- Real Estate, Renting & Other Business Services, up 15,300
- Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, up 13,100, and
- Accommodation & Food Service Activities, up 7,500 persons.

GDP Performance: January–June, 2023

For the first six months of 2023, real GDP is estimated to have grown by **2.9%**. The Services Industry grew by **3.5%** while the Goods Producing Industry grew by

1.0%. The industries which were estimated to have recorded the largest increases during the first half of the year, were Mining & Quarrying (up 137.7%); Hotels & Restaurants (up 18.5%), Other Services (up 11.4%) and Transport, Storage & Communication (up 6.1%).

2. Update on 2021 Prevalence of Poverty

Turning to an update on the 2021 poverty rate, starting with...

How Jamaica calculates poverty

In Jamaica, consumption expenditure data rather than income is used to measure poverty, due to the availability and relative accuracy of the data. The rates are first calculated from household data at the regional level, then aggregated nationally. The rates for 2021 will be compared with 2019 as no local estimate of poverty was available for 2020; the Jamaica Survey of Living Conditions (JSLC) was not fielded in 2020 due to COVID-19 pandemic conditions.

2021 Poverty Prevalence

The data to inform the 2021 poverty rate were collected over a five-month period from June to October 2021, a little over one year since the first case of COVID-19 was confirmed in Jamaica.

The prevalence of poverty in 2021 was estimated at 16.7%, reflecting an increase of 5.7 percentage points relative to 2019. The overall increase in the poverty rate was driven by increases in two regions as the rate in one region was statistically the same. Rural Areas registered the highest rate at 22.1%, followed by Other Urban Centres at 15.5%, and the Greater Kingston Metropolitan Area at 10.4%. Relative to 2019, the prevalence of poverty increased in the Greater Kingston

Metropolitan Area by 5.7 percentage points and Rural Areas by 7.9 percentage points, but remained relatively unchanged in Other Urban Centres.

Context

The COVID-19 pandemic negatively affected the lives and livelihood of persons leaving a legacy of rising poverty and widening inequality. Similar to most economies, Jamaica was still recovering from the COVID-19 pandemic in 2021.

The World Bank estimated that in 2021 about 97 million more people were living on less than US\$1.90 per day because of the pandemic, increasing the global poverty rate from 7.8% to 9.1%. Additionally, 163 million more were living on less than US\$5.50 per day. Globally, three to four years of progress toward ending extreme poverty are estimated to have been lost.

While the Jamaican economy recorded growth of 4.6% in 2021, and employment increased by 8.3% in July 2021 relative to July 2020, real GDP was still 5.8% below its 2019 level and employment was 3.3% below what it was in July 2019. These factors explain the higher poverty rate in 2021 relative to 2019.

In summary, the poverty rate recorded in 2021 compared with 2019 reflected the adverse impact of the pandemic on household income and consumption, and is in keeping with global and regional expectations and experiences. This impact was tempered by positive movements in the macro-economy and social interventions by the government and the private sector. Going forward, the poverty rate is expected to fall, given the continued improvement in the economy, as reflected in the improvement in Real GDP and Employment.

Note that the 2021 edition of the Jamaica Survey of Living Conditions, which tracks the effects of social and economic programmes and policies, is being finalized and

will be made available to the public following its tabling in Parliament later this year (likely by September 2023).

3.Short-Term Economic Outlook:

July–September 2023 & FY2023/24

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

1. expected improved performances from the Mining & Quarrying, Hotels & Restaurants, Other Services and the Transport & Storage industries
2. anticipated strengthening in business confidence based on firms' perception that future business conditions will improve. This is expected to drive domestic demand.
3. continued recovery of the global economy which augurs well for external demand. This is supported by recent projections from the International Monetary Fund indicating a strengthening in global growth for 2023.

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

1. adverse weather conditions including drought and heavy rainfall
2. plant downtime due to relatively aged equipment in major industries, particularly in the Manufacturing industry, and
3. Slower than expected growth in the economies of Jamaica's main trading partners.

Against this background, for July–September 2023, growth in output is anticipated to fall within the range of **1.0% – 2.0%**.

This projection is based on expected growth in most industries led by the Services sector, in particular Mining & Quarrying; 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 14.7% to 273,376 persons for the month of July 2023.
2. Electricity & Water Supply – reflecting increases in both electricity and water consumption. Electricity consumption for the month of July 2023 increased by 10.6%.
3. Mining & Quarrying – reflecting the increased capacity utilization relative to the corresponding quarter of 2022 when the JAMALCO refinery operated at reduced capacity as production gradually resumed following the 10-month closure. For the month of July 2023 alumina production increased by 321.2% while crude bauxite production declined by 18.0%.

For **FY 2023/24**, current projections are that the country will record higher levels of output relative to the performance in FY 2022/23. Consequently, the PIOJ's projection is for growth in output within the range of **1.0%–2.0%** for the fiscal year. This projection is based on the expectation that the recovery in industries such as Mining & Quarrying and the growth momentum for industries such as Hotels & Restaurants and Other Services will continue. Additionally, the current drag on growth from industries such as Agriculture and Construction is expected to dissipate, as these industries return to positive performances by the end of the fiscal year.

4. Conclusion

In closing, the preliminary data presented on performance for the April to June 2023 quarter, indicate that the performance and outlook of the economy remains positive. Most industries have fully recovered and are now entering a new growth phase. The challenge however, is how to maintain robust rates of growth above the long-term average in order to realize the goals of Vision 2030 Jamaica – National Development Plan. The utilization of innovative strategies to manage the

effect of the COVID-19 pandemic has facilitated the infusion of productivity enhancing tools, processes and products, which has become a permanent feature of some business processes going forward. These include the greater use of the work from home modality, virtual meetings, and conferences; and a pivoting to the manufacture of more IT based and higher value-added products and services away from products for which demand has diminished.

The most recent data on the prevalence of poverty for Jamaica indicate that the rate of poverty for 2021 deteriorated relative to the pre-COVID levels recorded in 2019. Given the conditions that prevailed at the time, which included lock-downs, job cuts and reduced working hours, the out-turn was consistent with expectations. No Survey of Living Conditions was undertaken in 2022 because of competing activities regarding the census. However, it is anticipated that subsequent updates on the prevalence of poverty will show improvements consistent with the faster than expected economic recovery and record low unemployment rate and high employment level.

Against the background of relatively low unemployment rates, there are at least two assessments being undertaken that seek to identify skills gaps in meeting the demand for existing and new industries to build labour mobility and social resilience.

The record low unemployment rate speaks well to Jamaica exiting the recovery phase and entering into a new growth phase. The extent to which this new growth phase will be high and inclusive, will depend not only on the creation of new jobs, but higher paying jobs that are driven by improvements in labour productivity. Recently, employers have lamented the challenges in finding skilled workers to take advantage of existing as well as new job opportunities.

It is therefore critical, that persons **upskill**, that is enhance existing abilities to improve output in their current role, and **reskill**, that is prepare for new jobs to take advantage of existing and new opportunities. The recent removal of tuition and

administrative fees for HEART/NSTA Trust programmes up to Level Four, is expected to play a significant role in improving the skill of the labour force, and by extension productivity and wages, which will assist in moving some persons out of poverty.

It also critical that employers partner with the Government in identifying skills gaps on an on-going basis to inform course development and resource allocation.

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 as well as our various partners.

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.