The Planning Institute of Jamaica's Review of Economic Performance, October–December 2023
Media Brief
February 21, 2024

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 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 **1.9%** for the October–December 2023 quarter, relative to the corresponding quarter of 2022. The estimated out-turn for the review quarter largely reflected the impact of:

1. Higher levels of employment, which drove firms to increase operations to meet the growth in demand
2. Increased productive capacity in the Mining & Quarrying Industry, which facilitated an increase in alumina production, and
3. Increased Consumer confidence, associated with the perceived favourable prospects for job opportunities.

2. Real Sector Developments

Developments in the Goods Producing Industry

The Goods Producing Industry is estimated to have expanded by **2.3%**, due to improved performances in three of the four industries, namely Agriculture, Forestry & Fishing; Mining & Quarrying; and Construction.

Agriculture

Real Value Added for the **Agriculture, Forestry & Fishing** industry was estimated to have grown by **2.4%.** This improvement reflected an increase in hectares reaped by 0.9%, and higher output per hectare, for 5 of 9 domestic crop groups. The out-turn was in response to higher demand, particularly from the Hotels & Restaurants industry.

The industry's performance was driven by higher output in all sub-components of the industry, with the exception of Animal Farming. The *Other Agricultural Crops* component was estimated to have grown by 1.3%, reflecting higher production in six of the nine crop groups, namely: Other tubers, up 7.6%; Plantains, up 7.0%; Legumes, up 6.4%; Vegetables, up 3.2%; Yams, up 3.2%; and Cereals, up 1.4%.

Higher output was recorded for *Traditional Export Crops*, which grew by 10.6%, largely driven by increased production of Cocoa (up 16.9%), Coffee (up 30.9%), and Banana (up 9.6%), which outweighed a 35.7% decrease in Sugar Cane production to 18 632 tonnes. *Post-Harvest Activities* were estimated to have improved by 30.2%, largely reflecting the increases in coffee and cocoa production.

Animal Farming was estimated to have contracted by 1.0% due to lower broiler meat production, down 2.2%, which outweighed an 8.3% increase in egg production.

Further growth within the industry was constrained by heavy rains between November 16 and 18, 2023, that resulted in flooding, particularly in eastern parishes, such as St. Thomas, St. Mary and St. Catherine, which recorded reduced output.

Mining & Quarrying

Real Value Added for the **Mining & Quarrying** industry increased by an estimated **23.6%,** reflecting an expansion in alumina production, as crude bauxite production declined. *Alumina production*, grew by 32.9% due to increased capacity utilization at the JAMALCO refinery. The alumina capacity utilization rate increased to 39.0%, up 9.6 percentage points compared with the corresponding quarter of 2022.

Crude Bauxite production fell by 27.0%. Consequently, the bauxite capacity utilization rate decreased to 32.7%, down 12.1 percentage points.

Manufacturing

The **Manufacturing** industry was estimated to have contracted by **0.3%,** stemming from lower output in the sub- industries, *Food, Beverages & Tobacco* and *Other Manufacturing*.

The decline in the *Food, Beverages & Tobacco* sub-industry reflected lower production for: Rum & Alcohol, down 32.1%, Sugar, down 59.3%; Edible Oils, down 5.8%; Dairy Products, down 10.9% and Poultry Meat, down 2.2%. Further declines were tempered by increases recorded for Edible Fats, up 20.8%; Molasses, up 14.6%; and Carbonated Beverages, up 21.5%.

The downturn in the *Other Manufacturing* sub-industry reflected reduced production for most Petroleum Products surveyed. Data for October to November 2023 relative to October to November 2022 revealed that lower production was recorded for: Gasoline, down 32.7%; Fuel Oil, down 8.7%; Turbo Fuel, down 25.8%; and Automotive Diesel Oil (ADO), down 26.5%. Declines were also recorded for Salt, down 4.5%, Plastic Products, down 20.1%, and Aluminium Sulphate, down 36.5%.

The decline in the Other Manufacturing sub-industry was tempered by higher production of Cement, up 7.0% and Fertilizer, up 24.2%.

Construction

Real Value Added for the **Construction** industry was estimated to have expanded by **1.4%**. The industry's performance was reflected in an increased supply of cement and asphalt, as well as, higher real sales from firms that operate within the Construction industry.

Further growth was constrained by:

1. a 27.8% decline in Housing Starts by the NHT, as well as a 2.4% decrease in the value of mortgages disbursed by that institution.
2. Reduced disbursement from JPS, which disbursed $4.8 billion, down from $4.9 billion in the corresponding quarter of 2022. Expenditure during the quarter was for construction and installation activities related to the transmission and distribution of power.

Developments in the Services Industry

The Services Industry was estimated to have grown by **1.8%** relative to the corresponding quarter of 2022, reflecting higher Real Value Added for all industries with the exception of the Producers of Government services, which remained flat.

Electricity & Water Supply

The **Electricity & Water Supply** industry was estimated to have recorded growth in Real Value Added of **5.1%,** due to increased electricity consumption.

Electricity consumption grew by 6.5%, due to higher consumption in five of the six categories. Higher sales were recorded for:

- Residential, up 9.2%
- General Service (small businesses using less than 25 kilovolt ampere – kVa), up 7.1%
- Power Service (large businesses using more than 25 kVa but less than 500 kVa), up 3.2%
- Large Power (Businesses using more than 500 kVa), up 5.9%, and
- Largest Power (single locations with a minimum peak demand of 2000 kVa), up 6.3%.

However, lower consumption was recorded for Street Lighting & Traffic Signals, down 2.9%.

In contrast to the increase in electricity consumption, water consumption declined by 0.2%, reflecting decreases in most parishes, led by St. Mary, down 8.9%; St. Thomas, down 8.1%; and Manchester, down 2.5%.

Transport, Storage & Communication

Real Value Added for **Transport, Storage & Communication** grew by **3.9%** 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 both the Air and Maritime Transport components, reflecting growth in Total Passenger Movement up 4.7%, due to increases in: Departures (up 7.5%); and Arrivals (up 5.0%). The rise in air travel was facilitated by a 2.6% increase in Aircraft movement. The improved out-turn in the Maritime transport component was supported by a 1.9% increase in total cargo movement and a 2.8% increase in total vessel visits.

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 **0.4%** due to increased demand stemming from:

1. Higher employment levels;
2. Increased consumer confidence levels; and
3. Growth in the related Agriculture, Forestry & Fishing industry.

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

- Agriculture, Food, Beverages & Tobacco, up 2.2%
- Wholesale & Repair of Household Goods & Office Equipment, up 4.7%
- Motor Vehicles, Auto Repairs and Accessories, up 21.3%.

Finance & Insurance Services

Real Value Added for the **Finance & Insurance Services** industry was estimated to have grown by **1.5%.** This performance was influenced by increased revenue at commercial banks from net interest income and fees and commission. This was supported by higher levels of consumer confidence, more persons being employed, and increased economic activity.

Hotels & Restaurants

Real Value Added for the **Hotels & Restaurants** industry was estimated to have grown by **5.2%**. Data up to October 2023 revealed that stopover arrivals increased by 8.3% relative to October 2022.

Total Visitor Expenditure rose by 29.9% to US$274.9 million for October 2023, relative to October 2022.

GDP Performance: January–December 2023

For calendar year 2023, Real Value Added was estimated to have increased by **2.6%.** This reflected higher Real Value Added for both the Goods Producing Industry, up **2.0%** and the Services Industry, up **2.9%.** All industries recorded growth in output, with the exception of three industries, Agriculture, Forestry & Fishing, Construction, and Producers of Government Services. Growth for the year was led by Hotels & Restaurants, up 11.9%; and Mining & Quarrying, up 87.6%.

4. Employment Update....

Regarding the Employment out-turn, STATIN has already provided an update on the Labour Force Survey for October 2023. As such, we will not present a detailed report on this area. The highlights, for the month of October 2023 will be compared with the month of October 2021 since no labour force survey was fielded in October 2022. For October 2023 the unemployment rate was **4.2%,** down 2.9 percentage points relative to October 2021 and represented the lowest unemployment rate on record. Youth unemployment decreased by 6.3 percentage points to 12.6%.

The number of persons employed increased by **85 600 persons** relative to October 2021. Male employment increased by 40 000 to 715 900 persons, while for females, employment increased by 45 600 to 604 500 persons. The number of persons outside the Labour Force **decreased** by 42 300 to 724 600 persons relative to October 2021. When assessed by age group, the data revealed that:

1. 40.6% of persons outside the labour force were within the age group 14–19, which primarily captures persons of secondary school age, and
2. 21.0% of persons outside the labour force were in the age group 65 and over, which primarily captures persons who are in retirement.

The unemployed labour force decreased by 36 600 to 57 300 persons relative to October 2021.

3. Overview of the Inclusive Growth Index Framework (IGIF)

Since its inception in 1934, Gross Domestic Product, or GDP, has served as a fundamental measure of economic growth, providing a snapshot of a nation's production with a single number. It has been a universally recognized tool that allows for comparisons across countries. While acknowledging the importance of this tool, there has been a growing demand for measures that go beyond GDP, ones that take into account inclusive and sustainable growth, particularly highlighted by the Sustainable Development Goals (SDGs) of 2015.

In response to this need, we are proud to introduce the Inclusive Growth Index Framework, or IGIF. Launched by the PIOJ on February 8, 2024, the IGIF is a unique tool designed to bridge the gap between economics and development. It aims to significantly enhance Jamaica's ability to achieve the goals outlined in Vision 2030 Jamaica – National Development Plan—ensuring improved economic and social outcomes for all our citizens.

In the global context, inclusive growth lacks a fixed definition or set of indicators at the country, project, or programme level. Therefore, Jamaica has defined inclusive growth within the IGIF as: “the condition where an economy expands, and all segments of society have equal opportunity to contribute to and benefit from economic growth, with managed and responsible impact on the environment.”

The IGIF encapsulates this definition through seven key pillars: Health, Human Capital, Environmental Quality, Wealth, Equality & Equity, Safety & Security, and Poverty Reduction. These pillars, comprising various outcome indicators, are consolidated into a composite Inclusive Growth Index.

To deepen our understanding of Jamaica's overall state (or performance), the IGIF employs econometric and other statistical tools to assess relationships across indicators within and across these pillars. This approach provides us with empirical insights into the strength or impact of indicators; and the trade-offs in achieving the desired economic growth.

What sets the IGIF apart are its two unique analytical angles:

1. The IGI(J) consists of 44 indicators, tailored specifically to Jamaica's context.
2. The IGI(X) consists of 22 indicators, which currently enables comparisons across ten (10) CARICOM countries.

Both perspectives are essential for comprehensive economic growth diagnostics and regional benchmarking. Furthermore, the IGIF operates on a customized IT framework, automating data processing and analysis to ensure efficiency and sustainability. Despite challenges in the availability of high-quality data points, we have mitigated shortcomings through an extensive literature review, leveraging global indices, and a steadfast commitment to data advocacy.

As we embark on a period of rigorous testing to ensure the robustness of the IGIF, we anticipate further refinements to fine-tune its operation. Once operationalized, the PIOJ is committed to integrating the IGIF's insights into various facets of our work:

1. The intention, is that it will feature in our flagship publication, the Economic and Social Survey of Jamaica (ESSJ).
2. Annual updates on the IGIF's findings will be shared at our Quarterly Press Briefings, ensuring transparency and accessibility.
3. The IGIF, similar to other tools we utilize, will assist in the development of policy advice and recommendations provided to policy makers at the highest levels.
4. We will incorporate insights from the IGIF into our discussions with International Development Partners, enhancing collaboration and alignment with the sustainable development goals (SDGs), and
5. Through various public information channels, we will disseminate the IGIF findings, ensuring widespread awareness and understanding.

The IGIF offers us a bird's-eye view of Jamaica, providing a solid, quantifiable foundation for policy responses and initiatives, that address the diverse needs of our population.

4. Short-Term Economic Outlook: January–March 2024 and Fiscal Year 2023/24

We will now turn to the short-term prospects for the Jamaican economy. Generally, the prospects in the short to medium term are positive based on:

1. Continued growth in the economies of Jamaica's main trading partners, which augurs well for increased external demand, for example, tourism services
2. Higher demand stemming from increased employment levels, and
3. Increased economic activities, as firms continue to invest to meet higher domestic and external demand, particularly within the Hotels & Restaurants and Manufacturing industries.

The Hotels & Restaurants industry is expected to continue to record growth. Preliminary data on airport arrivals for January 2024 indicate an increase of 2.3% relative to January 2023.

The downside risks to this positive outlook include:

1. Plant down-time, due to relatively aged equipment in major industries
2. Adverse weather conditions, and
3. Weaker than projected growth in the economies of Jamaica's main trading partners, which may temper the external demand for Jamaica's goods and services.

Within this context, economic growth is anticipated for the remainder of fiscal year 2023/24. For the January to March 2024 quarter, growth is projected to be within the range of **1.5% to 2.5%** resulting in a Fiscal year growth (that is, April 2023 to March 2024) in the range of **1.5% to 2.5%.**

5. Conclusion

In summary, preliminary data indicate that the Jamaican economy continued to register growth in this ‘new growth phase’, having fully recovered to pre-COVID levels of output in the previous fiscal year, FY 2022/23.

Critical to capitalizing on this new phase and generating higher levels of growth in the short to medium term, is increased productivity. Productivity refers to how much output (that is, goods and services), can be produced, per unit of input, for example, labour, or inputs. Productivity levels in Jamaica have been underperforming relative to other countries over the last 40 years. Using data from the World Bank, the PIOJ assessed countries with productivity levels close to that of Jamaica in 1980. These countries were Republic of Korea, Malaysia, Dominican Republic, Peru, Paraguay and Saint Lucia. In examining the evolution of productivity up to 2018, the data revealed a divergence in the evolution of Labour Productivity for the 7 countries. The labour productivity for the Republic of Korea, Malaysia and Saint Lucia were approximately 5 times, 2.5 times and 1.9 times the size of Jamaica, respectively, by 2018, albeit similar in 1980.

This historical look on labour productivity growth between Jamaica and its comparators from 1980 to 2018, identified issues that Jamaica needs to address to close the productivity gaps. These include addressing gaps in:

1. Innovation: Research & Development and collaboration between stakeholders in embracing disruptive ideas
2. Education: the adoption of digital skills among the active population; and training of staff
3. Efficiency: Pay and productivity alignment; domestic credit; and labour mobility
4. Infrastructure: road, sea and air connectivity; as well as Electricity and Water supply quality/reliability
5. Institutions: capability of social services; active labour market policies etc.

The PIOJ will continue to consult and work with our partners in relevant Ministries, Departments and Agencies (MDAs) to determine the most appropriate mix of strategies to pursue higher levels of productivity.

In closing, I want to acknowledge and thank the very dedicated and hardworking 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.

God bless you all, and may God continue to bless Jamaica land we love.