

# **The Planning Institute of Jamaica's Review of Economic Performance, January–March 2024 Media Brief, May 28, 2024**

## **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.

Today, we are reporting that real Gross Domestic Product (GDP) for the Jamaican economy **grew by an estimated 1.9%** in the January to March 2024 quarter compared with the corresponding quarter of 2023. This represents twelve consecutive quarters of growth.

The performance for the January to March 2024 quarter largely reflected the impact of:

1. Increased external demand which was facilitated by continued growth 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. Higher levels of Business and Consumer confidence
3. Increased agricultural output, facilitated by an increase in yield per hectare, as well as total hectares reaped; and
4. The continued expansion in capacity utilization at Alumina refineries, which resulted in higher alumina production.

Further growth in the economy was tempered by a contraction in the Construction Industry.

## **2. Real Sector Developments**

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

The Goods Producing Industry **grew by an estimated 3.0%**, compared with the corresponding quarter of 2023. This out-turn was driven by improved performances in three of the four industries.

## Agriculture

Output of the Agriculture, Forestry & Fishing industry was estimated to have **increased by 7.7%**. The industry's performance reflected the impact of favourable weather conditions, which facilitated higher levels of production relative to the corresponding quarter of 2023 when the industry was negatively impacted by drought conditions.

The performance during the quarter was due to greater productivity as reflected in a 4.7% expansion in output per hectare. Additionally, there was a 5.9% increase in the hectares of domestic crops reaped. Relative to the corresponding quarter of 2023, output for all parishes increased, with the exception of Westmoreland and St. Catherine.

The group, Other Agricultural Crops was estimated to have grown by 10.5%, reflecting increased production in all nine crop groups. The most significant increases were recorded for:

- Cereals, up 69.8%,
- Potatoes, up 22.4%,
- Plantains, up 18.5%,
- Condiments, up 17.0%,
- Other Tubers, up 11.5%, and
- Vegetables, up 10.4%.

Traditional Export Crops grew by an estimated 17.1%, mainly reflecting higher output for Bananas, up 26.0%.

Animal Farming was estimated to have grown by 2.2% reflecting higher production of Poultry meat, up 2.3%, and eggs, up 6.5%.

## Mining & Quarrying

Real Value Added for the Mining & Quarrying Industry **was estimated to have grown by 24.8%**, due to increased output of Alumina and Crude Bauxite.

Alumina production was 27.8% higher, due to increased demand. This was facilitated by a rise in the alumina capacity utilization rate by 9.4 percentage points, to 43.1% compared with the corresponding quarter of 2023.

Crude Bauxite production increased by 4.6% due to an expansion in the bauxite capacity utilization rate which increased by 1.5 percentage points to 33.9%.

## Manufacturing

Real Value Added for the Manufacturing industry **grew by 2.0%**, due to estimated growth in both the Food, Beverages & Tobacco and Other Manufacturing sub-industries.

Higher output was recorded for the Food processing component, largely due to Bakery Products, up 8.0%; Dairy Products, up 1.9%; and Poultry Meat, up 2.3%. Further expansion of the Food, Beverages & Tobacco sub-industry was tempered by lower production of Sugar, down 15.1%, and Beer, down 16.7%.

In the Other Manufacturing category, a rise in output stemmed from an increase in the production of Non-metallic Minerals, reflecting Cement, up 29.1% and Clinker, up 67.9%.

## Construction

Real Value Added for Construction **fell by 4.5%**, reflecting a downturn in the Building Construction component which outweighed an estimated growth in the Other Construction component. The performance of the Building Construction

component was constrained by a 56.5% contraction in Housing Starts by the NHT. Preliminary sales data revealed a 10.8% decline in the real sales of construction inputs. In particular, Retail Sales of Hardware, Paint & Glass, declined by 12.0%.

The estimated growth in the Other Construction component was due to increased capital expenditure on civil engineering activities by:

- National Road Operating & Construction Company (NROCC), up 609.2% to \$5.1 billion, due largely to expenditure on the Montego Bay Perimeter Road, and
- Jamaica Public Service Company, up 38.7% to \$1.6 billion, due to construction and installation activities related to the transmission and distribution of electricity.

## **Developments in the Services Industry**

The Services Industry was estimated to have **grown by 1.6%**, reflecting growth in all industries, with the exception of Producers of Government Services. The improved performance resulted largely from industries associated with travel and tourism, as well as a general increase in demand for electricity associated with an expansion in economic activity.

## **Electricity & Water Supply**

The Electricity & Water Supply industry was estimated to have recorded **growth of 6.7%** in real value added, due to increases in electricity and water consumption.

Electricity consumption increased by 8.2% reflecting increased consumption for five of six categories, namely:

- Residential, up 7.5%
- General Service (small businesses using less than 25 kiloVolt ampere - kVa), up 8.8%

- Power Service (large businesses using more than 25 kVa but less than 500 kVa), up 3.7%
- Large Power (Businesses using more than 500kVa), up 9.0%; and
- Largest Power (single locations that have minimum peak demand of 2 000 kVa), up 19.1%.

These were sufficient to outweigh a decline recorded for Street Lighting + Traffic Signals, down 0.6%.

Water consumption grew by 0.6%, due to higher consumption in both the Western division, up 1.3% and the Eastern division up 0.2%

## **Transport, Storage & Communication**

Real value added for Transport, Storage & Communication **grew by 1.4%** due to an estimated increase in both the Transport & Storage and Communication components. The improved performance in the Transport & Storage component reflected the effect of:

1. Growth in air transport, largely reflecting increased passenger movements, up 5.7%, due to Arrivals (up 6.3%) and Departures (up 5.8%). This was supported by the continued strengthening of the Travel and Tourism sectors, and
2. An expansion in Maritime Transport due to an 18.4% increase in Total cargo handled at the seaports. This reflected a 46.2% growth in Transshipment Cargo, which outweighed an 8.8% contraction in Domestic Cargo.

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

Real Value Added for the WRTRIM industry was estimated to have **increased by 0.9%**. This performance was influenced by increased demand associated with:

1. Growth in the related Manufacturing and Agriculture, Forestry and Fishing industries, and
2. Increase in both the Consumer Confidence Index (up 8.5%) and the Business Confidence Index (up 2.0%).

Based on preliminary data for the quarter, there was an estimated 1.9% increase in total Real Gross Sales. Higher sales were recorded for four of the eight categories, including:

- Motor Vehicles, Auto Repairs and Accessories, up 16.1%
- Agriculture, Food, Beverages and Tobacco, up 9.3%
- Retail Sale of Pharmaceuticals, Medical Goods and Cosmetics, up 4.9%, and
- Textiles, Clothing, Shoes and Jewellery, up 0.5%.

## 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 profitability at deposit taking institutions, associated with the higher level of economic activities and an increase in net interest income and fees & commission income.

## Hotels & Restaurants

Real Value Added for the Hotels & Restaurants industry **increased by an estimated 6.3%**. The industry continues to benefit from increased travel, due to growth recorded in the main source markets and effective marketing strategies.

Preliminary data for the quarter revealed that:

- Total Stop-over arrivals increased by 7.4% to 788,246 visitors
- Cruise passenger arrivals increased by 18.1% to 563,828 visitors, and
- Total visitor expenditure increased by 9.3% to US\$1.28 billion.

## **GDP Performance: Fiscal Year 2023/24**

For FY2023/24, real GDP is estimated to have grown by **2.0%**. The out-turn for the fiscal year was supported by improved performances in all industries, except for Agriculture, Construction and Producers of Government Services. Growth largely stemmed from:

1. Mining & Quarrying, which grew by an estimated 60.9%, due mainly to increased capacity utilization
2. Hotels & Restaurants, up 7.6%, reflecting the increase in demand for Jamaica's tourism services, and
3. Electricity & Water Supply, up 6.2%, due to increased electricity demand associated with the general expansion in economic activities.

## **3. Short Term Economic Outlook: April–June 2024 & FY2024/25**

For **April–June 2024**, growth prospects for the economy are generally positive. It is projected that the economy will **grow within the range 1.5% to 2.5% relative to April–June 2023**.

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

1. continued strengthening of the Mining & Quarrying industry due to higher capacity utilization at alumina refineries
2. increased domestic demand, due to relatively high levels of employment, and
3. continued strengthening in the global economy, which augurs well for external demand for Jamaica's goods and services.

Preliminary data for the quarter indicate some positive movements in support of this projection. For the Mining & Quarrying industry, data for April 2024 indicate



that the heavier weighted alumina production increased by 3.7%, while crude bauxite production decreased by 43.7%. Preliminary data on Airport arrivals for April 2024 indicate a 4.0% decline. This largely reflected the Easter Holiday being celebrated at the end of March 2024, relative to 2023 when Easter was celebrated in April. However, it is anticipated that stop-over visitor arrivals data for the full quarter will yield a positive out-turn.

The projection for **Fiscal Year 2024/25** is for growth within the range of **1.0%–3.0%**. All industries are forecast to record growth, as greater focus is placed on entrenching macroeconomic stability to facilitate higher levels of economic activities in this new growth phase. This new growth phase refers to the fact that the country has fully recovered from the shock of COVID-19 and is achieving output levels above the pre-COVID-19 high, that is, above 2019 output levels.

Growth is expected to be led by the Hotels & Restaurants; Other Services; Transport, Storage & Communication; Agriculture, Forestry and Fishing; and Manufacturing industries.

## **UPSIDE POTENTIAL AND DOWNSIDE RISKS**

There are upside potential and downside risks to this forecast. The main **Upside Potential to Growth include:**

1. Higher than expected external demand for Jamaica's goods and services, due to, among other things, a stronger than expected growth in the economies of Jamaica's main trading partners.
2. 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, Manufacturing, Tourism and IT related services, and
3. Better than expected weather outcomes, leading to increased agricultural output and water production.

**The 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 associated with its impact on the Agriculture, Forestry and Fishing and Electricity & Water Supply industries, and
3. 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.

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

Jamaica is currently in the 16th fiscal year of the 21-year implementation of Vision 2030 Jamaica – National Development Plan (NDP). Since 2009, the country has been consistently showing over 60 per cent of indicators improving above the baseline year, 2007. This occurred within a context of on-going crisis management and recovery, first from the global financial crisis and subsequently from the COVID-19 pandemic.

The outturn over the period demonstrates improvements in the country's development status and capacity for development. However, it also highlights gaps in the translation of programmes to transformative national impact.

The consistency and/or sustainability of development gains have been demonstrated in areas such as macro-economic stability and employment. There have been improvements in systems and institutions for the delivery of public goods and services in key areas, such as justice, governance and public administration, and social protection. There have also been demonstrations of increasing resilience and strengthened capacity for crisis management and building the foundations for growth and competitiveness, which are critical to fostering improved performance across the national outcomes.

In the next Quarterly Briefing, the Planning Institute of Jamaica will provide a detailed update on the implementation of Vision 2030 Jamaica along with the main development results. This will include an update on the status of the MTF 2024-2027 as well as the development performance, based on the National Outcome Indicators and sectoral drivers of change.

## **5. Conclusion**

In conclusion, the preliminary data presented on economic performance for the January to March 2024 quarter, indicate that the economy continued on the growth trajectory spanning twelve consecutive quarters, that is, since April - June 2021. This trend is expected to continue throughout the medium term. Some of the key factors anticipated to continue to support growth in specific industries include:

1. Increased room and airline seat capacity. Over the past five years, Jamaica's hotel room capacity has grown significantly. Similarly, the expansion and improvements at major airports, including the upgrade of the Ian Fleming International Airport will serve as a fillip to drive growth in the Hotels & Restaurants; Other Services; and the Transport, Storage & Communication industries.
2. The retooling, retrofitting and pivoting undertaken during the past 2 years along with a continued strengthening of demand is anticipated to facilitate the continued growth and expansion in the Manufacturing industry, and
3. Ongoing efforts at strengthening climate resilience, as climate hazards have traditionally detracted from the attainment of optimum performances within key industries. This is expected to facilitate greater stability in the Agriculture Industry through mitigating the impact of weather related shocks in the main crop growing regions.

These efforts are also being supported by initiatives aimed at facilitating stronger growth, including:

- Strengthening the efficiency of the rollout of capital projects
- Building the Human resource capacity of the labour force to facilitate the seamless implementation of projects in new and emerging areas; and
- An intensification of efforts aimed at tackling growth inhibitors, such as crime.

In closing, I want to acknowledge and thank the very dedicated team here at the PIOJ. I encourage all Jamaicans 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.